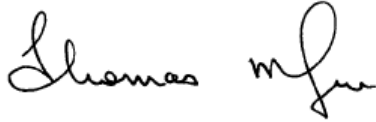


MADE at the City of Calgary, in the Province of Alberta, on 6th day of October 2008.	 ALBERTA UTILITIES COMMISSION
ATCO Gas and Pipelines Ltd. 5.580% Debenture Issue	Application No. 1583443

1 BACKGROUND

On August 18, 2008, ATCO Gas and Pipelines Ltd. (AGPL) filed an application (Application) with the Alberta Utilities Commission (AUC or the Commission) for approval to issue a 5.580% debenture (5.580% AGPL Debenture) to its parent company CU Inc. in the amount of \$125,000,000.

The Application was considered pursuant to Section 26(2)(a) of the *Gas Utilities Act, R.S.A. 2000 c.G-5*, as amended (GUA). Section 26(2)(a) of the GUA provides:

26(2) No owner of a gas utility designated under subsection (1) shall
(a) issue any

- (i) of its shares or stock, or
- (ii) bonds or other evidences of indebtedness, payable in more than one year from the date of them,

unless it has first satisfied the Commission that the proposed issue is to be made in accordance with law and has obtained the approval of the Commission for the purposes of the issue and an order of the Commission authorizing the issue, ...

Notice of the Application was issued on September 2, 2008. The Notice requested that interested parties file Statements of Intention to Participate (SIPs) regarding the Application by September 12, 2008.

The Commission received one SIP from the Office of the Utilities Consumer Advocate (UCA). The UCA did not specify any objection to the Application. The Commission therefore considers that the close of record for this proceeding was September 12, 2008.

2 DETAILS OF THE APPLICATION

On May 26, 2008, CU Inc. completed the sale of \$200,000,000 principal amount of 5.580% debentures to the public. This issue was made in compliance with Board Decisions U99115¹ and

¹ Decision U99115 issued November 23, 1999

U99118² which exempt CU Inc. from the requirement to obtain approval prior to issuing securities. All of the proceeds from the sale of these debentures were advanced by CU Inc. to its subsidiaries AGPL and ATCO Electric Ltd., subject to *pro rata* sharing of fees and expenses. The net proceeds to AGPL, after the deduction of its *pro rata* share of the issue fees and expenses of the CU Inc. debenture, are estimated to be approximately \$124,241,000.³

AGPL proposed to issue the 5.580% AGPL Debenture to CU Inc. in the principal amount of \$125,000,000 at a price of 100.00 to yield 5.580% in respect of the advance of \$125,000,000 made to AGPL by CU Inc. The 5.580% AGPL Debenture will mature on May 26, 2038, and contains repayment and redemption provisions, as well as other terms and conditions that reflect comparable provisions to the CU Inc. debenture.

AGPL indicated that the proceeds from the 5.580% AGPL Debenture would be used to finance capital expenditures, repay existing indebtedness and for other general corporate purposes of AGPL. Furthermore, the 5.580% AGPL Debenture will help AGPL maintain an appropriate capital structure: in particular, the proposed issue of the 5.580% AGPL Debenture to CU Inc. would result in an adjustment⁴ in AG's Long Term Debt from 54.7% to 58.0%, and in AP's Long Term Debt from 51.5% to 53.0%, according to the Pro Forma Capital Structure attached as Exhibit "E" to the Application.

AGPL further stated in its Application that the rate of interest and other terms and conditions attached to the 5.580% AGPL Debenture are, in the opinion of management, more favourable to AGPL than would have been the case if AGPL had carried out long-term debt financing on its own. AGPL considered that the 5.580% AGPL Debenture to CU Inc. will not be prejudicial to the interests of AGPL's customers nor to the interests of the public of the Province of Alberta.

3 ORDER

The Commission has reviewed the Application, and considers that AGPL has complied with the requirements of Section 26(2)(a) of the GUA and is satisfied that the issue of the 5.580% AGPL Debenture will be made in accordance with applicable legal requirements as set out in the opinion of Bennett Jones LLP attached as Exhibit "F" to the Application. The Commission is satisfied with the purposes of the issue and is satisfied that the 5.580% AGPL Debenture will not be detrimental to the interests of AGPL's customers.

The Commission notes that nothing in the Order will bind, affect or prejudice the Commission's consideration of any matter relating to the cost of capital in future proceedings. Specifically, the Commission retains the ability to exercise regulatory scrutiny and to review the cost of capital with respect to the debt of AGPL during the consideration of the next General Rate Application.

² Decision U99118 issued December 21, 1999 was a variance to the Order approved as part of Decision U99115 providing certain clarification sought by CU Inc.

³ Of these net proceeds, \$94,423,000 will be allocated to the ATCO Gas division of AGPL and \$29,818,000 will be allocated to the ATCO Pipelines division of AGPL.

⁴ After giving effect to the issue of the 5.580% Debenture and the 5.563% Debenture (see Application No. 1583444) as well as the June 2, 2008 maturity of the \$75.0 million principal amount of the 6.97% Debenture, of which \$47.5 million was allocated to AG and \$27.5 million was allocated to AP, according to Exhibit "E", ATCO Gas and ATCO Pipelines Ltd. Pro Forma Capital Structure.

THEREFORE, IT IS HERBY ORDERED THAT:

- (1) ATCO Gas and Pipelines Ltd. is authorized to issue a 30-year, 5.580% debenture to CU Inc. in the principal amount of \$125,000,000 with a maturity date of May 26, 2038.

END OF DOCUMENT