


MADE at the City of Calgary, in the Province of Alberta, on 25th day of January 2007.	 ALBERTA ENERGY AND UTILITIES BOARD
ATCO Gas and Pipelines Ltd. Issuance of a 4.801% Debenture	Application No. 1491113

1 BACKGROUND

On December 7, 2006, ATCO Gas and Pipelines Ltd. (AGPL) filed an application (Application) with the Alberta Energy and Utilities Board (Board) for approval to issue a 4.801% debenture to its parent company CU Inc. in the amount of \$59,000,000.

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) which 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 Board that the proposed issue is to be made in accordance with law and has obtained the approval of the Board for the purposes of the issue and an order of the Board authorizing the issue, ...

The Board provided interested parties with the Notice of the Application (Notice) on December 14, 2006 and arranged the publication of the Notice in the major Alberta daily newspapers for December 20, 2006. Interested parties were requested to file any objections to the Application by January 16, 2007.

The Board notes that it did not receive any objections to the Application by the deadline date. Accordingly, the Board considers that the close of record for this proceeding was January 16, 2007, and will continue to process this Application without further notice.

2 DETAILS OF THE APPLICATION

On November 20, 2006, CU Inc., the parent company of AGPL, completed the sale of a \$160,000,000 debenture to the public. The CU Inc. debenture has a maturity date of November 22, 2021 and a yield to maturity of 4.801%.

AGPL's proposed debenture will mature on November 22, 2021 and contains repayment and redemption provisions, as well as other terms and conditions that reflect comparable provisions to the CU Inc. debenture. The net proceeds to AGPL, after the deduction of its pro rata shares of the issue fees and expenses of CU Inc., are estimated to be approximately \$58,669,500. Of these net proceeds, \$19,888,000 will be allocated to the ATCO Gas division and \$38,781,500 will be allocated to the ATCO Pipelines division.

AGPL indicated that the proceeds from the debenture would be used to finance capital expenditures, repay outstanding indebtedness and for other general corporate purposes. Furthermore, the proposed debenture will help AGPL maintain an appropriate capital structure.

AGPL further stated in its Application that the rate of interest and other terms and conditions attached to the 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 proposed 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 Board 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 debenture will be made in accordance with legislative requirements. The Board is satisfied with the purposes of the issue and is satisfied that the debenture will not be detrimental to the interests of AGPL's customers.

The Board notes that nothing in the Order will bind, affect or prejudice the Board's consideration of any matter relating to the cost of capital in future proceedings. Specifically, the Board 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 for either ATCO Gas or ATCO Pipelines.

THEREFORE, IT IS HERBY ORDERED THAT:

- (1) ATCO Gas and Pipelines Ltd. is authorized to issue a 15-year, 4.801% debenture to CU Inc. in the principal amount of \$59,000,000 with a maturity date of November 22, 2021.

END OF DOCUMENT