


MADE at the City of Calgary, in the Province of Alberta, on 28th day of June 2007.	 ALBERTA ENERGY AND UTILITIES BOARD
ATCO Gas and Pipelines Ltd. Issuance of Preferred Shares	Application No. 1513702

1 BACKGROUND

On May 29, 2007, ATCO Gas and Pipelines Ltd. (AGPL) filed an application (Application) with the Alberta Energy and Utilities Board (Board) for approval to issue 2,160,000 preferred shares to its parent company, CU Inc., at \$25 a share with a dividend yield of 4.6 per cent; the total principle amount equaling \$54,000,000.

The Application was considered pursuant to section 101(2)(a) of the *Public Utilities Board Act*, R.S.A. 2000, c. P-45, as amended, (PUB Act) which provides:

101(2) No owner of a public 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 June 4, 2007 and arranged the publication of the Notice in the major Alberta daily newspapers for June 7, 2007. Interested parties were requested to file any objections to the Application by June 22, 2007.

The Office of the Utilities Consumer Advocate registered as an intervener and indicated that it did not object to the Application. The Board notes that it did not receive any other objections to the Application by the deadline date. Accordingly, the Board considers that the close of record for this proceeding was June 22, 2007.

2 DETAILS OF THE APPLICATION

The estimated net proceeds to AGPL from the sale of the preferred shares, after the deduction of their pro rata share of the estimated expenses of CU Inc., will amount to approximately

\$52,667,000. Of these net proceeds \$33,161,000 will be allocated to the ATCO Gas division of the AGPL and \$19,506,000 will be allocated to the ATCO Pipelines division of AGPL. In the Application, AGPL stated that the net proceeds received from the preferred shares will be used to redeem their Cumulative Redeemable Second Preferred Shares, to finance capital expenditures and to help AGPL maintain an appropriate capital structure.

AGPL further stated in its Application that the rates of dividends payable on, and other terms and conditions attached to the preferred shares are, in the opinion of management, more favourable to AGPL than would have been the case if AGPL had carried out preferred share financing on its own. Accordingly, AGPL considered that the proposed issuance of the preferred shares 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 101(2)(a) of the PUB Act and is satisfied that the issue of the preferred shares will be made in accordance with legislative requirements. The Board is satisfied with the purposes of the issues and is satisfied that the preferred shares 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 preferred shares of AGPL during the consideration of the next General Rate Application.

THEREFORE, IT IS HERBY ORDERED THAT:

(1) ATCO Gas and Pipelines Ltd. is authorized to issue 2,160,000 preferred shares to its parent company, CU Inc., at \$25 a share with a dividend yield of 4.6 per cent; the total principle amount equaling \$54,000,000.

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