


MADE at the City of Calgary, in the Province of Alberta, on 18th day of December 2007.	 ALBERTA ENERGY AND UTILITIES BOARD
ATCO Gas and Pipelines Ltd. Issuance of Class A Non-voting and Class B Common Shares	Application No. 1547384

1 BACKGROUND

On November 21, 2007, ATCO Gas and Pipelines Ltd. (AGPL) filed an application (Application) with the Alberta Energy and Utilities Board (EUB or Board) for approval to issue 31,000 Class A non-voting shares and 19,000 Class B common shares to CU Inc. with a share price of \$270.00 for a total value of \$13,500,000.

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) and 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 issued Notice of the Application on December 3, 2007, to interested parties on the AGPL distribution list. Interested parties were requested to file any objections to the Application and proposed approval process by December 10, 2007. AGPL was given the opportunity to respond by December 12, 2007.

The Office of the Utilities Consumer Advocate (UCA) and the City of Calgary (Calgary) both filed Statements of Intention to Participate (SIPs). The UCA indicated that it assumed that this share issue will be considered as part of the ATCO Gas General Rate Application (GRA) proceeding as part of issue #2, Return on Common Equity. Calgary indicated that if the Board determined that it would not review the capital structure of ATCO Gas in the GRA, then it did not object to the approval of the issuance of the common shares. The Board notes that it did not receive any other objections to the Application by the deadline date.

The applicant filed a response to these SIPs on December 12, 2007. In its response ATCO Gas clarified that the proposed common share issue would maintain the common equity ratio of 38% which was established in the Generic Cost of Capital proceeding (Decision 2004-052) and was not related to the proposal in the 2008-2009 GRA to increase its common equity ratio to 40%. Accordingly, the Board considers that the close of record for this proceeding was December 12, 2007.

2 DETAILS OF THE APPLICATION

The net proceeds to AGPL from the sale of the shares would amount to \$13,500,000. The proceeds from the issue of the 31,000 Class A non-voting and 19,000 Class B common shares would be allocated to the ATCO Gas division (AG) of AGPL and would be applied to finance capital expenditures, to repay outstanding indebtedness and for other general corporate purposes of AG.

AGPL further stated in its Application that the proposed issue would have no effect on the control of AGPL or on the voting power related to the shares of AGPL. Further, AG clarified in its response to the SIPs that this common share issuance would maintain the existing common equity ratio of 38%, approved by the Board in Decision 2004-052.

The Board notes that AG has recently filed a Phase I GRA Application for the test years 2008-2009 in which it applies to increase its common equity rate from 38% to 40%. AG's request is unrelated to the present application as this common equity share issuance will only be used to maintain the existing common equity rate of 38%.

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 shares will be made in accordance with legislative requirements as opined by Bennett Jones LLP in "Exhibit D" of the Application. The Board is satisfied with the purposes of the issues and notes that customers' objections do not appear to object to the issuance given the clarification of AG that the common share issuance would maintain the existing common equity ratio of 38%.

THEREFORE, IT IS HERBY ORDERED THAT:

- (1) ATCO Gas and Pipelines Ltd. is authorized to issue 31,000 Class A non-voting shares and 19,000 Class B common shares to its parent company, CU Inc. with a share price of \$270.00 for a total value equalling \$13,500,000 in the manner requested in the Application.

END OF DOCUMENT