Alberta Utilities Commission

AltaGas Utilities Inc.

Application to Issue 2009 Debentures:
7.42 Percent in the Principal Amount of $40,000,000 and
6.94 Percent in the Principal Amount of $20,000,000

June 9, 2010

ALBERTA UTILITIES COMMISSION
Decision 2010-266: AltaGas Utilities Inc.
Application to Issue 2009 Debentures:
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Application No. 1605686
Proceeding ID. 418

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ALBERTA UTILITIES COMMISSION

Calgary Alberta

ALTAGAS UTILITIES INC.
APPLICATION TO ISSUE 2009 DEBENTURES:
7.42 PERCENT IN THE PRINCIPAL AMOUNT OF $40,000,000 AND
6.94 PERCENT IN THE PRINCIPAL AMOUNT OF $20,000,000

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1 INTRODUCTION

1. On December 4, 2009 AltaGas Utilities Inc. (AUI) filed an application with the Alberta Utilities Commission (AUC or Commission) pursuant to section 26(2)(a)(ii) of the *Gas Utilities Act* (Application) requesting an order:

a. approving and authorizing AUI to issue to AUI's parent company AltaGas Utility Holdings Inc. (AU Holdings Inc.) a 7.42 percent debenture in the principal amount of $40,000,000 due April 29, 2014 (AUI Five-Year Debenture);

b. approving and authorizing AUI to issue to AU Holdings Inc. a 6.94 percent debenture in the principle amount of $20,000,000 due June 29, 2016 (AUI Seven-Year Debenture);

c. approving annual transaction costs equal to 0.15 percent of the principal amount of the AUI Five-Year Debenture;

d. approving annual transaction costs equal to 0.23 percent of the principal amount of the AUI Seven-Year Debenture;

e. approving the purposes of the issue; and

f. providing such further and other relief as the AUI may request and the AUC may grant in the circumstances.

2. AUI proposed to obtain intercompany long term debt financing from AltaGas Income Trust (AIT). The debt would be issued to AU Holdings Inc., which is indirectly owned by AIT.[1] On October 8, 2009, the AUC approved the transfer of all outstanding shares in the capital stock of AltaGas Utilities Group Inc. (AU Group Inc.) to AltaGas Holdings #3 Inc., a wholly owned subsidiary of AIT (Share Transfer).[2] AU Group Inc. owns all of the common shares of AU Holdings Inc. AU Holdings Inc. is the direct parent of AUI. AUI has requested approval to issue the proposed debentures to AU Holdings Inc. (AUI Debentures or New Debentures).

2 BACKGROUND

3. On April 29, 2009, AIT completed the sale of medium term notes in the principal amount of $200,000,000 at a coupon rate of interest of 7.42 percent with a maturity date of April 29, 2014, through agents to the public (AIT Five-Year Notes).

[1] The most recent organizational chart depicting the ownership structure is provided in Appendix 2.
[2] Decision 2009-152: AltaGas Utility Group Inc. Share Transfer and Amalgamation (Application No. 1605414, Proceeding ID. 295) (Released: October 1, 2009).

4. On June 29, 2009, AIT completed the sale of medium term notes in the principal amount of $100,000,000 at a coupon rate of interest of 6.94 percent with a maturity date of June 29, 2016, through agents to the public (AIT Seven-Year Notes).

5. AUI stated that the indirect acquisition of AU Group Inc. by AIT created the first recent opportunity for AUI to access long-term inter-company financing. It also noted that the AIT Five-Year Notes and the AIT Seven-Year Notes were the public issuances of debt by AIT that most immediately preceded AIT's indirect acquisition of AU Group Inc. It was proposed that the financing particulars, including term and coupon rate of the AIT Five-Year Notes and the Seven-Year Notes be mirrored down to AU Group Inc., which in turn be mirrored down to AU Holdings Inc. and subsequently mirrored down to AUI.

6. Prior to October 8, 2009, AUI debt facilities were comprised of:

a. $30,000,000 five-year debenture to AU Holdings Inc., maturing October, 2010 (AUI 2005 Debenture);

b. $60,000,000 364-day revolving bridge facility agreement with AU Holdings Inc. that was effective May 2009 and which replaced the $40,000,000 364-day facility that matured April 30, 2009; and

c. $10,000,000 demand operating facility agreement with AU Holdings Inc.

7. While most of AUI debt was in short term facilities at October 8, 2009, AUI submitted that it had a long-standing practice of financing primarily with long term debt, so that its financings would align with the long term nature of utility assets. AUI noted that the existing short term facilities were only meant to serve as a bridge facility because in April 2008 Canadian debt markets were volatile, with spreads widening and term debt availability tightening. AUI anticipated that the volatility in term debt would subside, so instead of issuing long term debt at the time, it issued the revolving bridge facility.[3]

8. Once the Share Transfer was approved, the opportunity to obtain intercompany long term debt became available and on December 3, 2009 the Board of Directors of AUI passed a resolution approving the creation of the AUI Debentures with an effective date of October 8, 2009, subject to obtaining approval from the AUC.

9. AUI submitted that it would incur transaction costs to issue the AUI Debentures and that it would essentially mirror down the transaction costs associated with the AIT Five-Year Notes and the AIT Seven-Year Notes. AUI noted that:

a. The effective annual interest rate of the AUI Five-Year Debenture will be 7.57 percent, which is the sum of the coupon rate of the AIT Five-Year Notes (7.42 percent) plus transaction costs equal to 0.15 percent of the principal amount.

b. The effective annual interest rate of the AUI Seven-Year Debenture will be 7.17 percent, which is the sum of the coupon rate of the AIT Seven-Year Notes (6.94 percent) plus transaction costs equal to 0.23 percent of the principal amount.

[3] Exhibit 1, AUI 2009 Debentures Application, paragraph 23, pages 4-5.

10. AUI submitted that the proposed issue of the AUI Debentures would not have an effect on the control of the Corporation or on the voting power related to the shares of the Corporation. AUI also included, in the Application, the opinion of its external legal counsel, MacPherson Leslie & Tyerman LLP, which attests to the compliance with securities laws of the Province of Alberta.

11. AUI stated that the proceeds from the AUI Five-Year Debenture and the AUI Seven-Year Debenture will be used by AUI:

- to repay short term borrowings;
- to finance capital expenditures;
- to finance AUI's working capital requirements; and
- for general corporate purposes.

12. AUI further stated that the principal amount of the AUI Five-Year Debenture, together with the existing AUI 2005 Debenture, provide for the debt component of its net rate base (including construction work in progress) as at April 30, 2009, when the revolving bridge facility was in place. AUI indicated that the principal amount of the AUI Seven-Year Debenture is expected to satisfy the debt requirement for the balance of 2009 after April 30, 2009 and to the end of 2010, taking into account the AUI Five-Year Debenture and the AUI 2005 Debenture.[4]

13. In the Decision approving the Share Transfer the Commission addressed AUI's debt financing and provided the following direction:

> 32. The Commission hereby approves the Share Transfer and Amalgamation. However, the Commission's approval of the Share Transfer and Amalgamation does not constitute approval of any underlying costs, changes in service levels, contractual obligations, affiliate or shared service agreements or arrangements, changes in risk profile or capital structure, debt financing costs or provisions, or any other areas that may give rise to potential harm to AUI customers as a direct or indirect result of the Share Transfer and Amalgamation. The Commission expects any such issues to be fully scrutinized during AUI's next GRA and debt financing application, with the acknowledgment that the examination of the ramifications of the Share Transfer and Amalgamation in the debt financing application will be limited strictly to financial matters. Therefore, the Commission will condition its approval of the Application to require that these matters will be thoroughly explored.[5]

14. The Commission further addressed AUI's debt financing in AUI's 2008-2009 General Rate Application (GRA), Decision 2009-176.[6] In that Decision the Commission stated:

> The Commission notes that CG recommended a cost of debt for AUI of 4.1 percent in 2008 and 2009, subject to modification with respect to the 5.44 percent approved for the 2005 debenture, and that UCA recommended rates of 4.1 percent and 2.5 percent in those

[4] Exhibit 1, AUI 2009 Debentures Application, paragraphs 24 and 25, page 5.
[5] Decision 2009-152, October 1, 2009, paragraph 32, page 8.
[6] Decision 2009-176: AltaGas Utilities Inc., 2008-2009 General Rate Application Phase I (Application No. 1579247, Proceeding ID. 88) (Released: October 29, 2009).

> years, respectively. The recommendations of CG and UCA were based on the mirrored down approach. The Commission concurs that this approach under the circumstances attributable to AUI's debt financing requirements in the test years is warranted.
> …
> As AU Holdings Inc. obtains its financing from AU Group Inc. the Commission considers that the rates for debt incurred by AU Group Inc. should be applied to the debt of AUI. For 2008 AU Group Inc.'s average debt rate was stated to be 4.1 percent and for 2009 the rate was stated to be in the range of 2 percent to 3 percent. Given that short-term rates of the type of debt being used by AU Group Inc. vary throughout the year the Commission will accept the upper range of 3 percent for 2009. Accordingly, for purposes of this Application the Commission directs AUI in the compliance filing to utilize a rate of 4.1 percent in 2008 and 3.0 percent in 2009 in respect of its debt arrangements with AU Holdings Inc.[7]

3 ISSUES

15. Section 26(2)(a) of the *Gas Utilities Act* provides:

> **(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 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,

16. The focus of this Application is to determine (a) whether the proposed issue is to be made in accordance with law and (b) whether the Commission approves the purposes of the issue.

17. To follow-up on the direction provided in Decision 2009-152, the Commission also considered whether it is appropriate, within the scope of this debt financing application, to fully explore financial matters that may give rise to potential harm to AUI customers as a direct or indirect result of the Share Transfer.

4 PROCESS

18. On December 8, 2009, an Alert of Notice of Application was issued electronically by the Commission. The Notice of Application requested that any parties interested in intervening in the proceeding submit a Statement of Intent to Participate (SIP) to the Commission by December 22, 2009.

[7] Ibid., paragraphs 386 and 387, pages 79-80.

19. The Commission received two SIPs, one from the Office of the Utilities Consumer Advocate (UCA) and the other from Consumers' Coalition of Alberta (CCA). Neither the UCA nor the CCA indicated their support for or objection to the Application, but both parties requested that the Commission establish a written process to allow for further review of the Application.

20. In consideration of the requests by the UCA and the CCA, the Commission established the following process steps for the Application:

Process Step	**Date and Time**
Information Requests to AUI	January 18, 2010, 2:00 p.m.
Information Responses from AUI	January 28, 2010, 2:00 p.m.
Argument	February 23, 2010, 2:00 p.m.
Reply Argument	March 8, 2010, 2:00 p.m.

21. On March 23, 2010 the UCA filed a letter with the Commission that requested approval to file additional information in the Proceeding. The UCA noted that new information had recently come to its attention and that the information may be of assistance to the Commission in reaching its decision in this matter. The UCA submitted that its request was appropriate given the Commission had not yet issued its decision.

22. In response to the UCA's letter, the Commission afforded interested parties the opportunity to comment on the request and allowed the UCA an opportunity to reply to any comments received.

23. By letter dated April 22, 2010 the Commission issued a ruling that denied the UCA's request. The Commission stated that there was sufficient information on the record upon which to make its determination under section 26(2) of the *Gas Utilities Act*. However, the Commission also indicated that, if the new information was relevant to assessing the reasonableness of AUI's cost of debt, it may be filed in the context of AUI's next GRA.

24. The Commission considers the close of record on this proceeding to be April 22, 2010.

5 DISCUSSION

5.1 Proposed Debentures are in Accordance with Law

25. AUI suggested that the Commission has ordinarily relied upon legal opinions when making a determination as to whether a debt issuance is made in accordance with applicable laws or legislative requirements. AUI stated that its application included an opinion from its external legal counsel, MacPherson Leslie & Tyerman LLP, evidencing, among other things, that the New Debentures are in compliance with the securities laws of the Province of Alberta.

26. Neither the UCA nor the CCA questioned whether the proposed New Debentures would be issued in accordance with applicable laws or legislative requirements.

5.2 Purpose of the Proposed Debentures

27. AUI indicated that it had issued approximately $52 million in debt (the $40 million debenture and $12 million of the $20 million debenture) to AU Holdings Inc. in 2009 for the repayment of short term borrowings and the financing of capital expenditures, working capital and other general corporate purposes. It further noted that approximately 87 percent of the $52 million was used to repay short term borrowings. AUI forecasts that the remaining $8 million will be required in 2010. AUI submitted that "the purposes of the debenture issuances are appropriate, reasonable and necessary for the continued safe, effective and efficient operation of its gas distribution business and should be approved by the AUC."[8]

28. The UCA noted that no specific uses were identified for the debt proceeds, nor were the respective amounts provided. While the UCA did agree with AUI that it would need to replace short term debt with longer term debt at some point in time, it expressed concern about the timing of the debt issues; the proposed terms; and, the associated cost rates.[9]

29. The CCA did not specifically address AUI's stated purposes for issuing the debt, but supported the UCA's position.

5.3 Timing of the Proposed Debentures

30. AUI noted that when AIT completed the sale of the AIT Five-Year Notes and the AIT Seven-Year Notes, the Share Transfer had not yet taken place, and it recognized that there was a timing difference between when AIT issued the debt and when AUI required the debt financing. However, AUI also pointed out that AIT did not issue any debt in 2009 subsequent to the Share Transfer and, as a result, there was no opportunity to allocate funds closer in time to the date of AUI's proposed New Debentures. AUI argued that it was not appropriate for it to speculate on what the rate might have been at the date of the New Debentures. Rather, the issue was what the rates were at the time the overriding debt financing was placed and whether the new debentures mirror those rates and terms.

31. AUI submitted that its long standing practice is to obtain debt financing from its ultimate parent, through its direct parent. It noted that this approach has been reviewed and approved by the AUC in numerous prior debenture applications.[10] It also submitted that the size of AUI's debt requirements would not warrant or permit a separate issue by AIT.[11] Lastly, it argued that to obtain the debt financing on its own would result in greater costs, because there are greater overall efficiencies and economies of scale by utilizing financing services from AU Group Inc. or AIT.

32. AUI submitted that when the opportunity to obtain long term debt presented itself as a result of the Share Transfer, it immediately started to work with AU Group Inc. and AIT to prepare all pricing and documentation for the New Debentures. AUI argued that ongoing speculation on short term rates would increase the risk for both the utility and customers and expose customers to potentially greater rate volatility. It also argued that its actions were

[8] Exhibit 21.01, AUI, Argument, paragraph 7, page 3.
[9] Exhibit 27.01, CCA, Reply Argument, paragraph 1, page 2.
[10] Exhibit 25.01, AUI, Reply Argument, paragraph 7, page 2.
[11] Exhibit 14.01, Responses to CCA Information Requests, CCA.AUI-2(d)(ii), page 3.

consistent with previous directions from the Commission for utilities to better align the term of the debt with the life of the assets being financed.

33. AUI stated that irrespective of the date the funds are actually drawn down in 2009, it did not seek to vary the cost of debt for 2009, which was approved at three percent in Decision 2009-176.[12]

34. The UCA expressed concern that the cost rates for the New Debentures, which were issued five and seven months respectively before the AUI Board of Directors approved the New Debentures, did not reflect market rates. The UCA argued that the rates approved by the Commission for the New Debentures should not exceed rates available in the market at December 2009. It added that it would be inappropriate for AUI to lock in financing at the requested rates when "clearly, the trend in coupon rates as shown in Exhibit 'F' is downward and it is reasonable to conclude that AIT could issue 5 to 7 year term notes for significantly less that the 6.94% it paid in June 2009."[13] Should the Commission approve the New Debentures, it would allow AIT to download currently unattractive financing to its regulated subsidiary, which in turn would result in an unwarranted benefit to AUI's ultimate parent, AIT, for 2010 and beyond.

35. The UCA also noted that AIT's borrowings in the market in April and June were not intended for the purposes of financing AUI as the Share Transfer had not taken place. On this basis the UCA argued that the New Debentures did not represent a true case of mirroring down. Mirroring down, in the UCA's view, should reflect borrowings by the parent for the specific needs of the utility.[14]

36. The UCA requested that the Commission not approve the proposed New Debentures and direct AUI to examine the potential use of self-sourced funding available in public markets.

37. The CCA argued that the relevant interest rate is the market rate that existed at the time the AUI Board of Directors approved the issuance of the new debentures. The CCA supported the UCA recommendation not to approve the proposed New Debentures. Instead, it suggested that AUI should utilize its short term facilities until such time as AIT next goes to the market for medium or long term financing.[15]

5.4 Share Transfer and Amalgamation

38. AUI submitted that no harm will accrue to customers as a result of the new debt financing agreements. AUI noted that the use of AIT financing is compliant with the approved AUI Inter-Affiliate Code of Conduct and the cost of debt is at AIT's costs and reflects fair market value with no cross-subsidization.[16]

39. AUI argued that because AIT is a publicly traded, bond rated entity that raises debt in capital markets, the Share Transfer actually provides benefits to customers by providing AUI and

[12] Exhibit 21.01, AUI, Argument, paragraph 3, page 1.
[13] Exhibit 20.02, UCA Argument, paragraph 10, page 3.
[14] Exhibit 24.02, UCA Reply Argument, paragraphs 4-5, pages 1-2.
[15] Exhibit 27.01 CCA Reply Argument, paragraph 7, page 4.
[16] Exhibit 21.01, AUI Argument, paragraph 17, page 6.

customers the opportunity to acquire debt from a broader number of lenders at lower costs than would normally be available through AU Group Inc. and Canadian banks.

40. The UCA considered that AUI's New Debentures are a direct result of the Share Transfer and therefore no costs arising from the New Debentures should have any impact on 2009 revenue requirements. The UCA noted that the 2009 revenue requirements were determined in the 2008-2009 GRA (Decision 2009-176) and any effects on AUI's revenue requirements after 2009 due to the Share Transfer will be examined in AUI's next GRA.[17]

41. The CCA recommended that a full and comprehensive review of AUI's debt financing, as directed in Decision 2009-152, should be completed at AUI's next GRA. It further recommended that the Commission direct AUI to address, in its next GRA, whether longer term debentures, i.e., 20-year debentures, should be used to better align with the life of the assets being financed. It noted that, while this may not have been an option in the past, it may now be possible with the change in ownership due to the Share Transfer.[18]

6 COMMISSION FINDINGS

42. The following sets out the Commission findings on issues raised by interveners with respect to this proceeding. In reaching the determinations set out in this Decision, the Commission has considered the record of this proceeding, including the evidence and the argument provided by each party. Accordingly, references in this Decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider other relevant portions of the record with respect to that matter.

43. In determining whether to grant AUI's Application, the Commission must consider section 26(2)(a)(ii) of the *Gas Utilities Act*. Therefore, the primary focus of this Application is to determine (a) whether the proposed issue is to be made in accordance with law and (b) whether the Commission approves the purposes of the issue.

44. In determining whether a debt issuance will be made in accordance with law, the Commission is primarily focused on whether the proposed issuance meets the corporate and securities law requirements pertaining to such transactions. The Commission typically requests and relies upon the opinion of the applicant's legal counsel to confirm that the utility is authorized to undertake the issuance of the debt proposed and that the form and content of the debt issuance is in compliance with applicable laws.

45. Based on the opinion provided by AUI's external legal counsel, MacPherson Leslie & Tyerman LLP, dated December 3, 2009, the Commission is satisfied that the proposed New Debentures will be made in accordance with law.

[17] Exhibit 20.02, UCA Argument, paragraph 16, page 5.
[18] Exhibit 27.01, CCA Reply Argument, paragraph 6, pages 3-4.

46. As noted above, AUI has proposed that the New Debentures be dated effective October 8, 2009, while both the UCA and the CCA submitted that the date of the Board of Directors' resolution (December 3, 2009) is the more relevant date.

47. In the absence of an exemption from the provision, the Commission expects to receive an application under section 26 of the *Gas Utilities Act* far enough in advance to enable the application to be reviewed and a decision rendered in advance of the proposed date of issuance. That was not the case in this instance. The Commission has therefore assessed the issuance of the New Debentures, for the purposes of section 26(2)(a) of the *Gas Utilities Act* approvals, with an effective date that corresponds to the date of the Commission's approval.

48. The Commission notes that parties did not object to the amount of the debt being issued, and while the UCA pointed out that AUI did not provide amounts specific to each purpose, it did not object to the stated purposes. The Commission notes AUI's evidence that over $45 million of the total proceeds was designated to replace short term borrowings. It also observes that UCA agreed with AUI that it would need to replace its short term debt with longer term debt at some point in time.

49. The Commission is satisfied, based on AUI's submissions, that the debt issuance will be used to repay short term borrowing, finance capital expenditures and for other corporate purposes. The Commission is also satisfied that the debt issuance will maintain a capital structure for AUI that approximates the capital structure approved by the Commission. For these reasons, the Commission approves the stated purposes for the issuance of the debt.

50. A number of other issues were raised during this proceeding, in particular, the appropriateness of the interest rate, the term of the debt and issue costs, which the Commission considers would be better reviewed in the broader context of AUI's next GRA. The Commission considers that conducting a separate, stand-alone review of these issues within this proceeding would be inefficient. It is more thorough to conduct a complete review of AUI's cost of debt as part of the GRA. The Commission also notes that both the UCA and the CCA advocated for a full and complete review as part of AUI's next GRA.

51. The Commission did however consider whether, as a result of the Share Transfer, this debt financing application gives rise to potential financial harm to AUI's customers. In response to CCA.AUI-2(c), AUI stated that "adjusting to the effective annual interest rates of 7.7% for the Five Year Debenture, and 7.17%, for the Seven Year Debenture, results in an increase in revenue requirement of $1.2 million."[19] Both the UCA and the CCA expressed concern about the timing and the appropriate market rate that should be approved for the New Debentures when "clearly, the trend in coupon rates as shown in Exhibit 'F' is downward and it is reasonable to conclude that AIT could issue 5 to 7 year term notes for significantly less that the 6.94% it paid in June 2009."[20]

52. The Commission has also considered AUI's statement that there is no harm to customers as a result of the New Debentures and that there is no further mark-up by AIT on the New

[19] Exhibit 14.02, Responses to CCA Information Requests, CCA.AUI-2(c), page 2.
[20] Exhibit 20.02, UCA Argument, paragraph 10, page 3.

Debentures or any benefit being conferred upon AIT or any other parent of AUI.[21] The Commission also notes AUI's argument that:

> While AUI's issuance of long term debt tied to public debt markets was enabled by the 2009 Share Transfer; the need for the debt existed before that time and was not driven by the Share Transfer. Rather, the issuance of the New Debentures was driven by AUI's capital and working capital requirements and appropriately takes into consideration the prudent utility management practice to match long term assets with long term financing.[22]

53. In determining whether there was a need to address harm from the New Debentures to AUI's customer, the Commission assessed the potential for financial impacts in 2009 and the extent to which future regulatory processes will be able to address any potential adverse impacts in subsequent tests years. For 2009, the Commission notes that AUI did not seek to vary the cost of debt, approved at three percent in Decision 2009-176. The Commission agrees with this approach, and considers that for the remaining terms of the AUI Debentures, the UCA and the CCA will have an opportunity to further address the concerns raised as part of AUI's future GRAs.

54. The Commission shares the views expressed by the UCA and the CCA that any ramifications the Share Transfer has for debt financing should be examined at AUI's next GRA. As such, the Commission directs AUI to include a full and comprehensive review of AUI's debt financing as part of its next GRA. Specifically, the Commission directs AUI to fully explore and provide a comprehensive analysis of debt financing alternatives that were available to AUI at the time of AUI's Board of Directors resolution, December 3, 2009. The analysis should include the reasons for selecting a preferred option and the reasons for rejecting the others.

[21] Exhibit 25.01, AUI, Reply Argument, paragraph 18, page 5.
[22] Exhibit 25.01, AUI, Reply Argument, paragraph 31, pages 8-9.

7 ORDER

55. IT IS HEREBY ORDERED THAT:

(1) AltaGas Utilities Inc. is authorized, pursuant to section 26(2)(a)(ii) of the *Gas Utilities Act*, to issue to AltaGas Utility Holdings Inc., its parent company and sole shareholder, a debenture in the principal amount of $40,000,000 due April 29, 2014, in accordance with the findings in this Decision;

(2) AltaGas Utilities Inc. is authorized, pursuant to section 26(2)(a)(ii) of the *Gas Utilities Act*, to issue to AltaGas Utility Holdings Inc., its parent company and sole shareholder, a debenture in the principle amount of $20,000,000 due June 29, 2016, in accordance with the findings in this Decision.

Dated on June 9, 2010.

ALBERTA UTILITIES COMMISSION

(original signed by)

Tudor Beattie, Q.C.
Panel Chair

(original signed by)

Mark Kolesar
Commissioner

(original signed by)

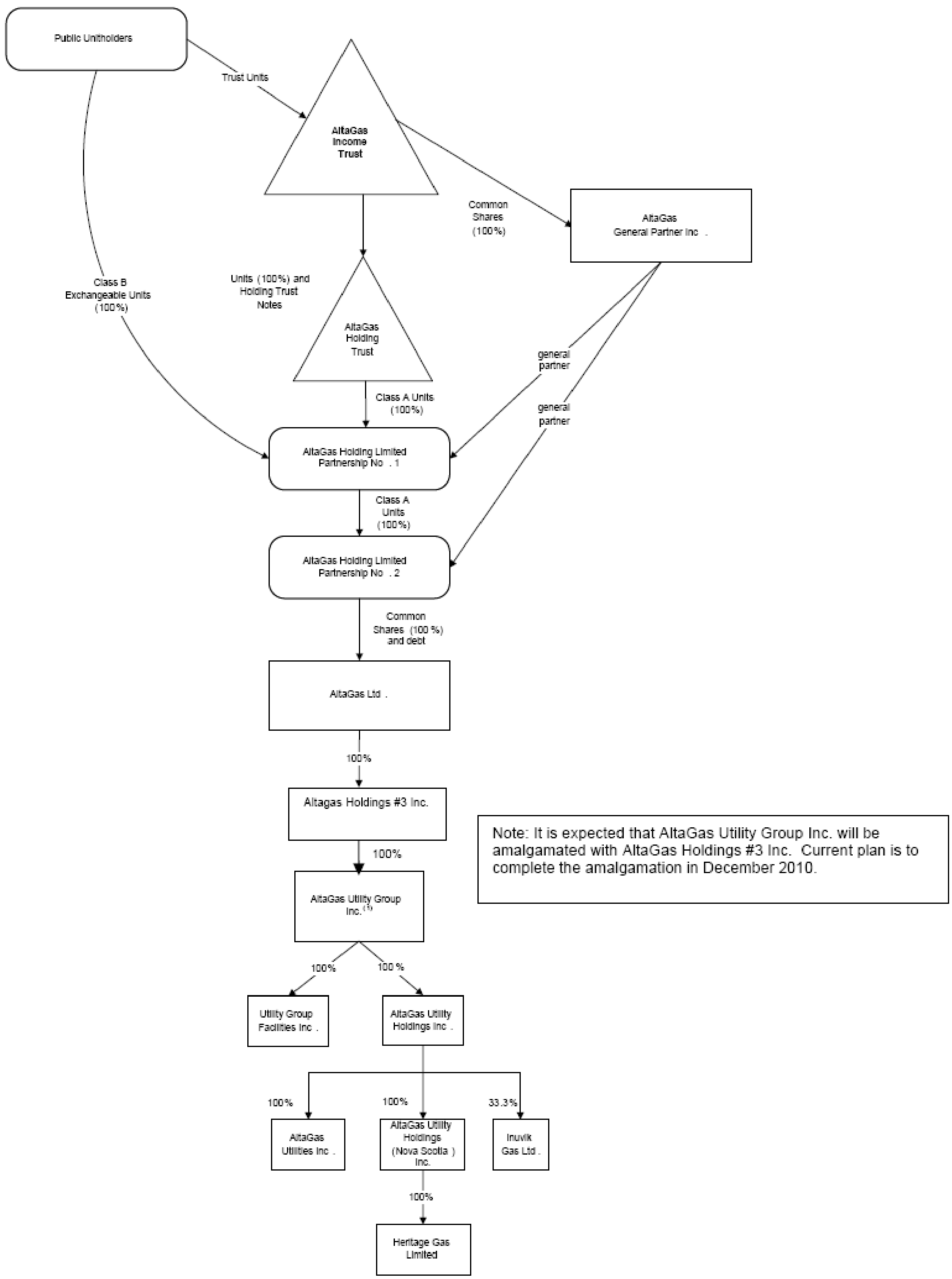
Anne Michaud
Commissioner

APPENDIX 1 – PROCEEDING PARTICIPANTS

Name of Organization (Abbreviation) Counsel or Representative (APPLICANTS)
AltaGas Utilities Inc. (AUI) R. Koizumi N. McKenzie
Consumers' Coalition of Alberta (CCA) A. P. Merani J. A. Wachowich
Office of the Utilities Consumer Advocate (UCA) J. A. Bryan, Q.C. C. Flieger R. L. Bruggeman

Alberta Utilities Commission Commission Panel T. Beattie, Q.C., Panel Chair M. Kolesar, Commissioner A. Michaud, Commissioner Commission Staff V. Slawinski (Commission Counsel) W. MacKenzie U. Pillai

APPENDIX 2 – OWNERSHIP STRUCTURE[23]



[23] Exhibit 14.02, Responses to CCA Information Requests, CCA.AUI-1, page 2.

APPENDIX 3 – SUMMARY OF COMMISSION DIRECTIONS

This section is provided for the convenience of readers. In the event of any difference between the Directions in this section and those in the main body of the Decision, the wording in the main body of the Decision shall prevail.

1. The Commission shares the views expressed by the UCA and the CCA that any ramifications the Share Transfer has for debt financing should be examined at AUI's next GRA. As such, the Commission directs AUI to include a full and comprehensive review of AUI's debt financing as part of its next GRA. Specifically, the Commission directs AUI to fully explore and provide a comprehensive analysis of debt financing alternatives that were available to AUI at the time of AUI's Board of Directors resolution, December 3, 2009. The analysis should include the reasons for selecting a preferred option and the reasons for rejecting the others. .... Paragraph 54

APPENDIX 4 – ABBREVIATIONS

Abbreviation	**Name in Full**
AIT	AltaGas Income Trust
AUC	Alberta Utilities Commission
AU Group Inc.	AltaGas Utilities Group Inc.
AU Holdings Inc.	AltaGas Utility Holdings Inc.
AUI	AltaGas Utilities Inc.
CCA	Consumers' Coalition of Alberta
CG	Consumers Group was the combined participation of The Alberta Sugar Beet Growers and the Potato Growers of Alberta and the Consumers' Coalition of Alberta in Proceeding No. 88, Decision 2009-176.
GRA	General Rate Application
Share Transfer	Decision 2009-152, AltaGas Utility Group Inc. Share Transfer and Amalgamation, Application No. 1605414, Proceeding ID. 295, Released: October 1, 2009
UCA	The Office of the Utilities Consumer Advocate