

ALBERTA ENERGY AND UTILITIES BOARD

Calgary, Alberta

ALTAGAS UTILITIES INC.

Application to merge AltaGas Utilities Inc. and Bonnyville Gas Company Limited

Decision 2001-24

Application No. 2001057

File No. 6601-3

1. BACKGROUND AND APPLICATION DETAILS

AltaGas Utilities Inc. (AltaGas) and its wholly owned subsidiary Bonnyville Gas Company Limited (BGC) (collectively the Applicants) applied by letter dated March 1, 2001 (the Application) for an order approving the merger of the two companies. Each company currently owns a designated gas utility as defined in the *Gas Utilities Act (GU Act)*.

The Applicants have stated there will be no reduction in the nature and quality of services that have been provided by AltaGas or BGC, nor will there be any adverse rate consequences arising from the amalgamation. The Applicants have also stated that present and future customers will not be adversely affected by the proposed amalgamation.

The Applicants have indicated that the purpose of the amalgamation is to permit AltaGas to operate with greater efficiency and flexibility in the marketplace and that the amalgamation is expected to result in overall cost savings that will be shared with customers.

Subject to the Board granting this Application, the proposed amalgamation is scheduled to close on April 1, 2001.

AltaGas and BGC provide natural gas service to 90 communities. Of these, 53 have franchises issued under the *Municipal Government Act* and 18 have franchises issued under the *Rural Utilities Act*. Service areas include High Level, St. Paul, Athabasca, Bonnyville, Leduc, Two Hills, Three Hills, Barrhead, Westlock, Morinville, Stettler, Hanna, Pincher Creek, Grande Cache, Drumheller and the Southeast area.

As of December 31, 2000, the consolidated operations of AltaGas and BGC served approximately 56,700 residential, farm, commercial and industrial consumers. For the year ended December 31, 2000 they sold more than 15.0 Petajoules (PJ) of natural gas. In addition, they transported 6.0 PJ of producer natural gas and 1.2 PJ to end use markets.

2. VIEWS OF THE PARTIES

Consumers Coalition of Alberta (CCA)

The CCA stated their understanding that the merger would generally meet the “no harm” criterion used by the Board. Further the merger would capture economies of scale and likely

result in a net benefit. Lastly, CCA stated that the remaining issues or areas of concern could be addressed in the upcoming GRA proceeding.

Urban Municipalities

The Urban Municipalities did not object to the proposed amalgamation of the two companies and the related transactions. The Urban Municipalities noted there was a modest rate impact on AltaGas customers as result of the amalgamation and that there were deferred revenues that relate to prior periods. The Urban Municipalities reserved the right to argue how revenue deficiencies or surpluses would be surcharged or refunded to the respective customers of the two companies for the period prior to approval of final rates for the merged companies.

Bonnyville Municipal Intervenors (BMI)

BMI noted that BGC has been operated as an independent utility, with its own accounts and records, but operated as a division or another service area franchised to AltaGas. BMI also noted that the utilities shared essentially the same service and transportation regulations, with their rate structures also being similar in both scope and amount.

BMI stated it had received information packages and presentations from the Applicants in this matter, and given the similarities in services and rates found little reason to continue maintaining an independent or separate utility for the Bonnyville region.

BMI also noted there were some obvious benefits to be gained from the proposed merger, notably consolidating the books and records and being able to undertake a single audit and file a single tax return.

Finally, BMI stated that for these and other reasons as have been submitted by AltaGas in this Application and their GRA, BMI supported the Application for merger of AltaGas and BGC.

3. VIEWS OF THE BOARD

The Board views the proposed merger will have no harmful impact on the customers of the companies. Indeed, the possibility of cost savings to be shared with the customers weighs in favour of approval of the merger.

Additionally, that AltaGas has sought and received approval from the intervener groups adds support to the approval position. Specifically, AltaGas has received letters of intervention either supporting the proposed merger or taking a position of 'not opposed to' the proposed merger from the intervener groups.

Finally, any concern around final rates to be charged to customers, and any deferred revenues or expenses can be resolved in the upcoming AltaGas GRA proceeding currently before the Board.

ORDER

THEREFORE, the Board, hereby orders:

- 1) Approval, under section 25.1(2) of the *GU Act*, for BGC and AltaGas to complete the transactions necessary to merge their property, franchises, privileges and rights so that AltaGas may directly own and operate the gas utility formerly owned and operated by BGC as a wholly owned subsidiary;
- 2) Authorization, under section 26(1) of the *GU Act*, for BGC to convert its stock on its books;
- 3) Approval, under section 36 of the *GU Act*, for AltaGas to provide gas and gas services to former BGC customers at interim rates set as the rates, tolls and charges previously approved by the Board for BGC until rates are approved for AltaGas, including the services to former BGC customers, through the general rate application for test years 2000, 2001, and 2002 currently before the Alberta Energy and Utilities Board;
- 4) Pursuant to section 50 of the *GU Act* and section 71 of the *Public Utilities Board Act (PUB Act)*, that section 99 of the *PUB Act* does not apply.

The above noted orders are to be effective April 1, 2001.

Dated in Calgary, Alberta on March 28, 2001.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

R.G. Lock
Board Member