

**THE PROVINCE OF ALBERTA**

**GAS UTILITIES ACT**

**ALBERTA ENERGY AND UTILITIES BOARD**

IN THE MATTER of an issue of  
5.432 per cent Debentures for ATCO  
Gas and Pipelines Ltd., ATCO  
Electric Ltd. and CU Water Limited.

**ORDER U2004-146**

**Application No. 1342278**  
**File No. 6511-2**

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**1 BACKGROUND**

On April 13, 2004, ATCO Gas and Pipelines Ltd (AGP), ATCO Electric Ltd. (AE) and CU Water Limited (CU Water) filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) for approval to issue the following 5.432% Debentures (the 5.432% Debentures or Debentures) to their parent company CU Inc.:

	<u>Principal</u>	<u>Maturity Date</u>
AGP	\$120,000,000	January 23, 2019
AE	\$58,500,000	January 23, 2019
CU Water	\$1,500,000	January 23, 2019

The Application was considered pursuant to section 26(2)(a) of the *Gas Utilities Act*, R.S.A. 2000, c. G-5, as amended, (GU Act) and section 101(2)(a) of the *Public Utilities Board Act*, R.S.A. 2000, c. P-45, as amended, (PUB Act).

Section 26(2)(a) of the GU Act provides:

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, ...

May 19, 2004

Section 101(2)(a) of the PUB Act provides:

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 issues and an order of the Board authorizing the issue, ...

The Board arranged for publication of Notice of the Application (Notice) on April 29, 2004 and provided interested parties with a copy of the Notice by e-mail on April 27, 2004. Interested parties were requested to file any objections to the Application by May 14, 2004. As no objections were received to the published notice, the Board will proceed to process this Application as indicated in the Notice.

## **2 DETAILS OF THE APPLICATION**

On January 23, 2004, CU Inc. completed the sale of 5.432% debentures in the principal amount of \$180,000,000 to the public. CU Inc. advanced the proceeds from this sale to AGP, AE and CU Water (collectively the Corporations) as indicated in Section 1 above. The advance was made on the understanding that the Corporations would incur a pro rata share of the issue fees and expenses of CU Inc. Accordingly, the Corporations propose to issue the 5.432% Debentures, in the principal amounts of \$120,000,000 (AGP) \$58,500,000 (AE) and \$1,500,000 (CU Water) to CU Inc. in respect of the advance received.

The proposed 5.432% Debentures will mature on January 23, 2019. The Debentures contain repayment and redemption provisions and other terms and conditions that reflect the comparable provisions applicable to the 5.432% debenture of CU Inc. Each Corporation stated in the Application:

The rate of interest payable by the Corporation on the 5.432% Debenture to be issued to CU Inc. is the rate payable by CU Inc. on its 5.432% Debentures. This rate of interest and other terms and conditions attaching to the 5.432% Debenture are, in the opinion of the management of the Corporation, more favourable to the Corporation than would have been the case if the Corporation had carried out long-term debt financing on its own. Accordingly, the proposed issue of the 5.432% Debenture to CU Inc. will not be prejudicial to the interests of the customers of the Corporation nor to the interest of the public of the Province of Alberta.

The net proceeds to the Corporations, after deduction of their pro rata shares of the issue fees and expenses of CU Inc., are estimated to be approximately:

- AGP – \$119,310,000, whereof \$104,396,500 will be allocated to the ATCO Gas division and \$14,913,500 to the ATCO Pipelines Division of AGP;
- AE – \$58,163,750; and
- CU Water – \$1,491,250

The Corporations have asserted in the application documents that the proposed issues:

- will help maintain an appropriate capital structure for AGP and AE; and
- will be used to repay outstanding indebtedness, finance capital expenditures, and for other general corporate purposes of AGP, AE and CU Water.

### **3 ORDER**

On the basis of review of the documentation provided in the Application, the Board considers that the Corporations have complied with the requirements of section 26(2)(a) of the GU Act or section 101(2)(a) of the PUB Act, as applicable, and is satisfied that the issue of the 5.432% Debentures will be made in accordance with legislative requirements. The Board is satisfied with the purposes of the issues and is satisfied that the Debentures will not be detrimental to the interests of the Corporations' customers. Therefore, the Board hereby authorizes the Corporations to issue the 5.432% Debentures to CU Inc., in the principal amounts of \$120,000,000 (AGP), \$58,500,000 (AE) and \$1,500,000 (CU Water).

DATED in Edmonton, Alberta on May 19, 2004.

*(original signed B. Torrance)*

**ALBERTA ENERGY AND UTILITIES BOARD**