

THE PROVINCE OF ALBERTA

PUBLIC UTILITIES BOARD

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of an issue of a
6.80 per cent Debenture for ATCO
Gas and Pipelines Ltd.

ORDER U2000-101

Application No. 990565

File No. 6501-22

1 BACKGROUND

By letter dated November 26, 1999, Canadian Western Natural Gas Company Limited (CWNG) filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) for authorization to issue a 6.80 per cent Debenture (the 6.80% Debenture) in the principal amount of \$87,500,000 to CU Inc. (CU), CWNG=s parent company.

On January 14, 2000, ATCO Gas advised the Board that, due to time constraints and necessary consents, the restructuring as approved in Decision U99130, dated December 21, 1999, could not proceed as planned. As a result the name of Canadian Western Natural Gas Company Limited had been changed to ATCO Gas and Pipelines Ltd. (AGPL). The Board will adopt the new name in this Order.

The Application was filed pursuant to section 91.1(2)(a) of the *Public Utilities Board Act*, R.S.A. 1980, c.P-37 (the PUB Act) which provides:

91.1(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, ...

Notice of the Application was published and served on interested parties by the Board. Interested parties were requested to file any objections to the Application by December 17, 1999.

On August 13, 1999, CU completed the sale of \$300,000,000 principal amount of 6.80 per cent debentures, at par, to the public. The issue was made in compliance with Board Order U99065

dated July 20, 1999, which, among other things, exempts CU on an interim basis from the requirement to obtain the approval of the Board prior to issuing securities. All of the proceeds from this sale were advanced by CU to its subsidiary companies, AGPL, ATCO Electric Ltd. and Northwestern Utilities Limited. Each subsidiary was subject to the assumption of its pro rata share of CU=s issue fees and expenses. Accordingly, AGPL proposed to issue the 6.80% Debenture, in the principal amount of \$87,500,000, to CU in respect of the advance it received.

The 6.80% Debenture, to be dated effective August 13, 1999 and to mature on August 13, 2019, will contain repayment and redemption provisions and other terms and conditions that reflect the comparable provisions applicable to the 6.80% debentures of CU. AGPL stated:

The rate of interest payable by [AGPL] on the 6.80% Debenture to be issued to [CU] is the rate payable by [CU] on its 6.80% Debentures. This rate of interest and other terms and conditions attaching to the 6.80% Debenture are, in the opinion of the management of [AGPL], more favorable to [AGPL] than would have been the case if [AGPL] had carried out long-term debt financing on its own. Accordingly, the proposed issue of the 6.80% Debenture to [CU] will not be prejudicial to the interests of the customers of [AGPL] nor to the interest of the public of the Province of Alberta.

The net proceeds to AGPL, after deduction of its pro rata share of CU=s issue fees and expenses, are estimated to be approximately \$87,010,000, which will result in an embedded cost rate of 6.85 per cent. The net proceeds will be used to fund AGPL=s capital expenditures and for general corporate purposes. Another purpose for issuing the 6.80% Debenture is to help AGPL maintain an appropriate capital structure.

By letter dated December 21, 1999, the Federation of Alberta Gas Co-ops Ltd. and Gas Alberta Inc. (FAGCL/GAI) submitted information requests to CU in respect of the Application. The Board considered the requested information, for this Application, might assist FAGCL/GAI decide on the merits of filing an objection on the Application and therefore, allowed time for CU to respond. CU provided responses on January 12, 2000.

FAGCL/GAI advised the Board on January 17, 2000, that it could neither object to nor support the Application.

Since no objections to the Application were received by the Board, the Board considered that it was appropriate to proceed with its examination of the Application without an oral hearing.

2 ORDER

Upon a review of the Application and the evidence presented by AGPL, the Board considers that AGPL has complied with the requirements of section 91.1(2)(a) of the PUB Act and is satisfied that the issue of the 6.80% Debenture is to be made in accordance with law. The Board is also satisfied with the purposes of the issue and that it will not be detrimental to the interests of AGPL=s customers. Therefore, the Board hereby authorizes AGPL to issue the 6.80% Debenture,

in the principal amount of \$87,500,000, to CU and approves the purposes of the issue to allow AGPL to fund its capital expenditures and to help maintain an appropriate capital structure.

DATED in Edmonton, Alberta on January 24, 2000.

ALBERTA ENERGY AND UTILITIES BOARD