

THE PROVINCE OF ALBERTA

GAS UTILITIES ACT

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of an issue of a
7.28 per cent Debenture for AltaGas
Utilities Inc.

ORDER U2000-343

Application No. 2000333

File No. 6502-3

1 BACKGROUND

By letter dated November 21, 2000, AltaGas Utilities Inc. (AltaGas or the Company) filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) for authorization to issue a 7.28 per cent Debenture (the 7.28% Debenture or Debenture) in the principal amount of \$30,000,000 to AltaGas Utility Holdings Inc. (AltaGas Holdings), AltaGas's parent company.

The Application was filed pursuant to section 25.1(2)(a) of the *Gas Utilities Act*, R.S.A. 1980, c.G-4, as amended, (GU Act) which provides:

25.1(2) 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, ...

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 8, 2000.

2 DETAILS OF THE APPLICATION

On October 4, 2000, AltaGas Services Inc., parent company of AltaGas Holdings, completed the sale of 7.28 per cent Medium Term Notes in the principal amount of \$100,000,000, at par, to the public. AltaGas Services Inc advanced \$30,000,000 of the proceeds from this sale to AltaGas Holdings, which in turn advanced \$30,000,000 to AltaGas. This advance was made on the understanding that AltaGas would incur a pro rata share of the issue fees and expenses of

AltaGas Services Inc. Accordingly, AltaGas proposes to issue the 7.28% Debenture, in the principal amount of \$30,000,000, to AltaGas Holdings in respect of the advance received.

The proposed 7.28% Debenture, dated effective December 15, 2000 matures on October 4, 2005. The Debenture contains repayment and redemption provisions and other terms and conditions that reflect the comparable provisions applicable to the 7.28% Medium Term Notes of AltaGas Services Inc. AltaGas stated in the Application:

The rate of interest payable by [AltaGas] on the 7.28% Debenture to be issued to [AltaGas Holdings] is the rate payable by [AltaGas Holdings] to AltaGas Services Inc. and by AltaGas Services Inc. on its 7.28% Medium Term Notes. This rate of interest and other terms and conditions attaching to the 7.28% Debenture are, in the opinion of the management of [AltaGas], more favourable to [AltaGas] than would have been the case if [AltaGas] had carried out long-term debt financing on its own. Accordingly, the proposed issue of the 7.28% Debenture to [AltaGas Holdings] will not be prejudicial to the interests of the customers of [AltaGas] nor to the interest of the public of the Province of Alberta.

The net proceeds to AltaGas, after deduction of its pro rata share of the issue fees and expenses of AltaGas Utility Holdings Inc., are estimated to be approximately \$29,530,500. The net proceeds will be used to fund AltaGas capital expenditures and for general corporate purposes. AltaGas indicated that the proposed Debenture would help the Company maintain an appropriate capital structure.

By letter dated November 28, 2000, the Municipal and Gas Co-op Intervenors (MCGI) stated that they had some questions relating to issue costs of the Debenture. However the MCGI considered that these questions would be addressed through the information exchange and negotiation process for the current AltaGas 2000-2002 General Rate Application (GRA). The MCGI did not object to the Board approving the proposed Debenture issue.

On December 6, 2000, the Board received an objection to the proposed Debenture issue from Mr. Eugene Kush of Hanna, Alberta on behalf of consumers he represents. Mr Kush expressed concern about the need for the Debenture, and costs to the consumer arising from the proposed issue. The Board notes the absence of substantive support for the objection by Mr. Kush. Moreover, the Board agrees with the MCGI that the impact of the proposed Debenture issue on costs and customer rates will be more appropriately dealt with in the ongoing AltaGas GRA.

Accordingly, the Board considered that it would be appropriate to continue with its examination of the Application without further written process.

3 ORDER

On the basis of review of the documentation provided in the Application, the Board considers that AltaGas has complied with the requirements of section 25.1(2)(a) of the GU Act and is satisfied that the issue of the 7.28% Debenture will be made in accordance with legislative requirements. The Board is satisfied with the purposes of the issue and is satisfied that the Debenture will not be detrimental to the interests of AltaGas's customers. Therefore, the Board

hereby authorizes AltaGas to issue the 7.28% Debenture, in the principal amount of \$30,00,000, to AltaGas Holdings Inc.

DATED in Edmonton, Alberta on December 14, 2000.

ALBERTA ENERGY AND UTILITIES BOARD