



**ATCO Gas, a division of ATCO Gas and Pipelines Ltd.**

**2015 Transmission Service Charge (Rider T)**

**February 25, 2015**

**Alberta Utilities Commission**

Decision 20039-D01-2015

ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

2015 Transmission Service Charge (Rider T)

Proceeding 20039

February 25, 2015

Published by the:

Alberta Utilities Commission

Fifth Avenue Place, Fourth Floor, 425 First Street S.W.

Calgary, Alberta

T2P 3L8

Telephone: 403-592-8845

Fax: 403-592-4406

Website: [www.auc.ab.ca](http://www.auc.ab.ca)

**Contents**

**1 Introduction..... 1**

**2 Background ..... 2**

**3 Issues ..... 2**

**3.1 Cross-subsidization ..... 2**

**3.2 Determination of Rider T rates ..... 3**

**4 Order ..... 4**

**Appendix 1 – Proceeding participants ..... 5**

**Appendix 2 – Summary of Commission directions..... 6**

**Appendix 3 – North Rider T rate schedule..... 7**

**Appendix 4 – South Rider T rate schedule..... 8**

**List of tables**

**Table 1. AG transmission service charge (Rider T) ..... 1**

**Table 2. Cross-subsidization analysis ..... 3**



## 1 Introduction

1. On January 9, 2015, ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (AG or ATCO Gas) submitted an application to the Alberta Utilities Commission requesting approval for a change to its transmission service charge (Rider T) as per the provided rate schedules effective March 1, 2015.

2. The following table shows a comparison of the current and proposed rates for low, mid and high usage customers:<sup>1</sup>

**Table 1. AG transmission service charge (Rider T)**

	Existing transmission service charge	Proposed new transmission service charge
	(\$)	
<b>Low</b> (per gigajoule (GJ))	0.762	0.738
<b>Mid</b> (per GJ)	0.699	0.703
<b>High</b> (per day of GJ demand)	0.174	0.208

3. On January 12, 2015, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by January 26, 2015. Parties were asked to indicate in their SIPs whether they supported or objected to the application, reasons for their position, and the need for further process and the supporting rationale.

4. The Commission did not receive any SIPs by the specified deadline date. On January 23, 2015, the Commission sent out a letter to the registered parties that established the following timeline for the process to test the application:

Process step	Deadline
Information requests to ATCO Gas	4 p.m., February 5, 2015
Information responses from ATCO Gas	4 p.m., February 17, 2015

5. The Commission issued information requests to AG on February 5, 2015. AG submitted its information responses on February 9, 2015. Accordingly, the Commission considers the close of record for this proceeding to be February 9, 2015.

6. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding, including the

<sup>1</sup> Exhibit 20039-X001, application, Table 4 and 5.

evidence and 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 all relevant portions of the record with respect to that matter.

## 2 Background

7. On March 17, 2014, the Commission released Decision [2014-062](#)<sup>2</sup> in relation to establishing the current Rider T charged by AG.

8. On December 17, 2014, the National Energy Board approved 2015 rates, tolls and charges for the Alberta system for NOVA Gas Transmission Ltd (NGTL). Effective January 1, 2015, the NGTL interim FTD3 rate increased to \$5.46 per GJ/month from \$5.02 per GJ/month.<sup>3</sup>

9. AG has requested approval for the new Rider T to be effective on March 1, 2015.

10. AG explained that, assuming a March 1, 2015 implementation date, the total annual charges for a south residential customer that utilizes 120 GJ annually would decrease to \$1,013 from \$1,015. A typical residential customer in the north would see a decrease to \$1,088 from \$1,090. AG submitted that these rate changes are reasonable and will not result in undue rate shock compared to existing interim rates.<sup>4</sup>

## 3 Issues

11. In this decision, the Commission examines the following issues:

- analysis of cross-subsidization from the implementation of a province-wide rider
- determination of Rider T rates

### 3.1 Cross-subsidization

12. In Decision 2014-062, the Commission found that the level of cross-subsidization that would occur by moving to a combined rate would not be material at that time and approved province-wide combined Rider T rates. The Commission further directed AG to provide an analysis of whether there is substantial cross-subsidization between north and south customers with the implementation of a province-wide Rider T and with the continuing use of different system design temperatures in the north and south systems to calculate coincident peak demand in its next Rider T application.<sup>5</sup>

13. In this application, AG provided the following table and explained that under separate rates for north and south, a typical residential customer in the north using 80 GJ between March

---

<sup>2</sup> Decision 2014-062: ATCO Gas, 2014 Transmission Service Charge (Rider T), Proceeding 3011, Application 1610228, March 17, 2014.

<sup>3</sup> Exhibit 20039-X001, application, paragraph 3.

<sup>4</sup> Exhibit 20039-X001, application, paragraph 18.

<sup>5</sup> Decision 2014-062, paragraphs 25-26.

and December would see a \$2.80 increase in their annual bill, while a typical residential customer in the south would see a \$2.96 decrease in their annual bill.<sup>6</sup>

**Table 2. Cross-subsidization analysis<sup>7</sup>**

	Province-wide	North		South	
	Rate	Rate	Difference	Rate	Difference
	(\$)				
Low	0.738	0.773	0.035	0.701	(0.037)
Mid	0.703	0.746	0.043	0.659	(0.044)
High	0.208	0.220	0.012	0.196	(0.012)

### Commission findings

14. The Commission is mindful that cross-subsidization is an issue it must consider whenever rates are combined. In this instance, under separate north and south rates, customers in the north would see a \$2.80 increase in their annual bill and customers in the south would see a \$2.96 decrease. This annual difference amounts to approximately a 0.43 per cent increase in the north and a 0.44 per cent decrease in the south on the average annual bill for residential customers.

15. These differences are similar to what was approved in Decision 2014-062. The Commission notes that in the current scenario, south customers are in fact cross-subsidizing north customers. Rates are lower in the north than they otherwise would have been, absent the combined Rider T. The Commission directs AG in its next Rider T application to continue to track its Rider T cross-subsidization as between north and south customers. The Commission considers that on a per-customer basis, a \$2.96 annual increase due to cross-subsidization is immaterial, however when looked at on a macro-level by multiplying the \$2.96 by the average number of customers, it indicates that the level of north transportation costs that are paid for by south customers may become a significant consideration in future Rider T applications. AG is directed in its next Rider T application to discuss what measures it has taken over the year to minimize this north-south cross-subsidization issue. For the purposes of this decision, the Commission finds that the level of cross-subsidization that resulted from moving to a combined rate, when considered on a per customer annual basis, to not be significant at this time.

### 3.2 Determination of Rider T rates

16. AG explained that in prior applications it had subtracted the total collection of Rider T revenue under existing rates for the months of January and February from the total annual Rider T revenue requirement, then allocated the amount to each rate group.<sup>8</sup>

17. In its application, AG allocated the revenue requirement to the rate groups using coincident peak demand, then subtracted existing rates from January and February 2015 to determine the amount to be collected by Rider T rates during March to December 2015. AG

<sup>6</sup> Exhibit 20039-X001, application, paragraph 21.

<sup>7</sup> Exhibit 20039-X001, application, Table 6.

<sup>8</sup> Exhibit 20039-X001, application, paragraph 15.

explained that this new method is more accurate as it factors in the variability of billing for each rate group, throughout the year.<sup>9</sup>

### **Commission findings**

18. The Commission has reviewed the calculation of the combined Rider T rates and is satisfied with the level of detail and the accuracy of the calculations. AG is directed to continue to provide its combined Rider T schedules in working Excel format in future applications. Accordingly, the Rider T combined rates are approved effective March 1, 2015 as follows:

- low-use customers - \$0.738 per GJ
- mid-use customer - \$0.703 per GJ
- high-use customers - \$0.208 per day of GJ demand.

19. As the transmission costs which contribute to the need for a Rider T are on-going, the approved Rider T rates will remain in place until a substitute rate is approved by the Commission.

### **4 Order**

20. It is hereby ordered that:

- (1) The new ATCO Gas Rider T rates attached in [Appendix 3](#) for the north and [Appendix 4](#) for the south, are approved effective March 1, 2015.

Dated on February 25, 2015.

### **Alberta Utilities Commission**

*(original signed by)*

Bill Lyttle  
Commission Member

---

<sup>9</sup> Exhibit 20039-X001, application, paragraphs 13 and 16.



**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) counsel or representative</b>
--

ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (AG or ATCO Gas)
--

Alberta Utilities Commission
------------------------------

Commission panel
------------------

B. Lyttle, Commission Member
------------------------------

Commission staff
------------------

K. Kellgren (Commission counsel)
----------------------------------

B. Whyte
----------

C. Runge
----------

## Appendix 2 – 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. These differences are similar to what was approved in Decision 2014-062. The Commission notes that in the current scenario, south customers are in fact cross-subsidizing north customers. Rates are lower in the north than they otherwise would have been, absent the combined Rider T. The Commission directs AG in its next Rider T application to continue to track its Rider T cross-subsidization as between north and south customers. The Commission considers that on a per-customer basis, a \$2.96 annual increase due to cross-subsidization is immaterial, however when looked at on a macro-level by multiplying the \$2.96 by the average number of customers, it indicates that the level of north transportation costs that are paid for by south customers may become a significant consideration in future Rider T applications. AG is directed in its next Rider T application to discuss what measures it has taken over the year to minimize this north-south cross-subsidization issue. For the purposes of this decision, the Commission finds that the level of cross-subsidization that resulted from moving to a combined rate, when considered on a per customer annual basis, to not be significant at this time. Paragraph 15
2. The Commission has reviewed the calculation of the combined Rider T rates and is satisfied with the level of detail and the accuracy of the calculations. AG is directed to continue to provide its combined Rider T schedules in working Excel format in future applications. Accordingly, the Rider T combined rates are approved effective March 1, 2015 as follows:
  - low-use customers - \$0.738 per GJ
  - mid-use customer - \$0.703 per GJ
  - high-use customers - \$0.208 per day of GJ demand. .... Paragraph 18

## Appendix 3 – North Rider T rate schedule

[\(return to text\)](#)

Effective March 1, 2015 by Decision 20039-D01-2015  
This Replaces Rider “T”  
Previously Effective April 1, 2014

### **ATCO GAS AND PIPELINES LTD. RIDER “T” TRANSMISSION SERVICE CHARGE**

To be applied to Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or the AUC, effective March 1, 2015.

Low Use Delivery Rate	\$0.738 per GJ
Mid Use Delivery Rate	\$0.703 per GJ
High Use Delivery Rate	\$0.208 per GJ per Day of 24 Hr. Billing Demand

## Appendix 4 – South Rider T rate schedule

[\(return to text\)](#)

Effective March 1, 2015 by Decision 20039-D01-2015  
This Replaces Rider “T”  
Previously Effective April 1, 2014

### **ATCO GAS AND PIPELINES LTD. RIDER “T” TRANSMISSION SERVICE CHARGE**

To be applied to the Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or AUC, effective March 1, 2015.

Low Use Delivery Rate	\$0.738 per GJ
Mid Use Delivery Rate	\$0.703 per GJ
High Use Delivery Rate	\$0.208 per Day per GJ of 24 Hr. Billing Demand