



## **ATCO Gas South**

### **2015 Weather Deferral Account Rider “W” Application**

**August 20, 2015**

**Alberta Utilities Commission**

Decision 20466-D01-2015

ATCO Gas South

2015 Weather Deferral Account Rider “W” Application

Proceeding 20466

August 20, 2015

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## 1 Introduction

1. On May 25, 2015, ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (ATCO Gas), filed an application with the Alberta Utilities Commission requesting approval of recovery rates established from the April 30, 2015 balance of its weather deferral account for ATCO Gas South, its south service area.

2. On May 26, 2015, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by June 8, 2015. On June 11, 2015, the Commission received a SIP from the Consumers’ Coalition of Alberta (CCA). The CCA requested the opportunity to test the application with a process of information requests before commenting on whether or not it would be objecting to the application. The CCA indicated an intention to file information requests, review responses, and file argument and reply argument.

3. On June 12, 2015, the Commission set out the following process schedule:

Process step	Deadline
Information requests to ATCO Gas	Friday, June 26, 2015
Responses to information requests by ATCO Gas	Friday, July 10, 2015
Argument	Friday, July 24, 2015
Reply argument	Friday, August 7, 2015

4. The Commission considers the record of this proceeding to have closed as of August 7, 2015.

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

6. The weather deferral account (WDA) mechanism was first instituted by the Commission in Decision [2008-113](#).<sup>1</sup> In that decision, the Commission approved the creation of a WDA for each of the ATCO Gas North and ATCO Gas South service areas of ATCO Gas, effective January 1, 2008.

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<sup>1</sup> Decision 2008-113: ATCO Gas 2008-2009 General Rate Application Phase I, Proceeding 11, Application 1553052-1, November 13, 2008, pages 108-109.

7. The purpose of the WDA, as approved in Decision 2008-113, was to allow ATCO Gas to manage the revenue risk to the utility resulting from material differences in actual temperature compared to forecast. The Commission approved the use of a WDA in each of the North and the South rate zones to account for the impact on delivery revenue differences between the actual degree days and the forecast (normal) degree days used in the determination of the approved revenue forecast. The normal temperatures that would be used for the deferral account would be those used to develop the approved revenue forecast for that year.

8. Decision 2008-113 also approved the ATCO Gas proposal that the WDA for either ATCO Gas North or ATCO Gas South be trued up by using a 12-month WDA rider when the particular deferral account exceeded \$7 million at April 30th of a particular year. \$7 million represented approximately a +/- 10 per cent variation in the normalized weather forecast.

9. In Decision 2009-093,<sup>2</sup> ATCO Gas received approval for an ATCO Gas North WDA rate rider refund to be distributed to the low-use rate group as the only rate group at the time with a commodity rate. The WDA balance at April 30, 2009, for ATCO Gas North was in a refund position of approximately \$7.245 million. The Commission approved the calculation of the rate rider by dividing the WDA balance with the throughput forecast of the low use rate group. The resulting calculation was approved as Rider “W”.

10. In Decision 2011-313,<sup>3</sup> ATCO Gas received approval for a ATCO Gas North and ATCO Gas South WDA rate rider refund to be distributed to the low-use rate group and mid-use rate group for implementation during the period of August 1, 2011 to July 31, 2012. The weather deferral account balance at April 30, 2014, was in a refund position of approximately \$13.318 million for ATCO Gas North and approximately \$13.095 million for ATCO Gas South.

### 3 Issues

11. In the current application, ATCO Gas noted that the ATCO Gas South WDA balance at April 30, 2015, was in a recovery position of approximately \$12.591 million.<sup>4</sup> ATCO Gas submitted that the Rider “W” for ATCO Gas South customers would result in a \$0.138 per gigajoule (GJ) charge for low-use customers, and a \$0.130 per GJ charge for mid-use customers. This is a total recovery of approximately \$17.00 for an average ATCO Gas South low-use residential customer and a recovery of approximately \$390.00 for an average ATCO Gas South mid-use commercial customer on an annual basis. The rider was proposed to be effective from August 1, 2015 to July 31, 2016.<sup>5</sup> Supporting documentation detailing how the riders were determined was also provided. In response to AG-AUC-2015JUN26-001, ATCO Gas provided revised Rider “W” rate schedules corresponding to a recovery period of September 1, 2015 to August 31, 2016.

12. In the application ATCO Gas described the methodology used to determine the amount of revenue to be deferred into the WDA as follows:

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<sup>2</sup> Decision 2009-093: ATCO Gas Weather Deferral Account Rate Rider, Proceeding 198, Application 1605061-1, June 24, 2009.

<sup>3</sup> Decision 2011-313: ATCO Gas 2011 Weather Deferral Account Rate Rider, Proceeding 1230, Application 1607321-1, July 21, 2011.

<sup>4</sup> Exhibit 20466-X003, Application, paragraph 2.

<sup>5</sup> Exhibit 20466-X003, Application, paragraphs 12-13.

In order to determine the amount of revenue to be deferred in the WDA, ATCO Gas performs a simple linear regression calculation each year based on the previous year’s actual monthly sales/customer and actual temperature, for each temperature sensitive rate class that has a commodity charge. The temperature coefficient (line slope) from this regression is applied to the deviation between the actual temperature and the normal temperature for each month, which is then in turn applied to the actual day sales/customer for each month to produce a normal day sales/customer. The normal day sales/customer is then applied to the actual number of customers in each month, to obtain the normal sales for the month. The difference between the normal sales and the actual sales for each month is multiplied by the variable charge in effect for each month to determine the amount of revenue that would be deferred. At the end of each calendar year, the temperature coefficient is adjusted based on the actual sales/customer and temperatures for the current year. ATCO Gas then also recalculates the monthly carrying charges based on the updated temperature coefficient. ATCO Gas applies monthly carrying charges to the weather deferral account based on the most current approved Weighted Average Cost of Capital. This methodology is in accordance with Decision 2008-113, Decision 2011-450 and previous Rider W decisions rendered by the Commission.<sup>6</sup>

13. ATCO Gas explained that it used the August – December 2015 throughput forecast as approved in Decision 2014-363.<sup>7</sup> For the January – July 2016 forecast throughput, ATCO Gas has applied the methodology approved in previous annual performance-based regulation (PBR) rate adjustment filings, utilizing the most recent Canada Mortgage and Housing Corporation Housing Outlook published in Q1 of 2015.<sup>8</sup> In its argument, the CCA noted that it is satisfied that the ATCO Gas throughput forecast is reasonable.<sup>9</sup>

14. In argument, the CCA expressed concern that ATCO Gas did not make reference to the funds that flow to and from retailers and ATCO Gas, whether regulated or unregulated, as it is the retailers who actually collect or refund rider amounts. The CCA suggested that ATCO Gas be directed, in its next WDA refund/collection rider, to have either ATCO Gas North or ATCO Gas South provide an explanation of how collection and refund rider funds flow between retailers and ATCO Gas.<sup>10</sup>

15. In its reply argument, ATCO Gas noted that the information the CCA is now requesting the Commission to direct ATCO Gas to provide in its next Rider “W” application has been requested by the CCA in a previous Rider “W” proceeding. ATCO Gas explained that in Proceeding 3217, the CCA made a similar request through information requests. In its subsequent decision, the Commission did not address this issue nor was ATCO Gas required to take any action. ATCO Gas further noted that it is the retailers’ responsibility to ensure that their distribution customers receive the appropriate Rider “W” refund or recovery charge, which is no different than the procedures followed for any other rider or distribution rate change that may occur. Finally, ATCO Gas’ Terms and Conditions, which are approved by the AUC, provide the process of the billing and payment requirements from retailers for delivery charges<sup>11</sup> and are publicly available, making the CCA’s request unnecessary.

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<sup>6</sup> Exhibit 20466-X0003, Application, paragraph 5.

<sup>7</sup> Decision 2014-363: ATCO Gas, 2015 Annual PBR Rate Adjustment Filing, Proceeding 3407, Application 1610837-1, December 19, 2014.

<sup>8</sup> Exhibit 20466-X0003, Application, paragraph 6.

<sup>9</sup> Exhibit 20466-X0019, CCA argument, paragraph 5.

<sup>10</sup> Exhibit 20466-X0019, CCA argument, paragraph 6.

<sup>11</sup> Exhibit 20466-X0023, ATCO Gas reply argument, paragraph 3.

**Commission findings**

16. The Commission finds that the methodology used to determine the WDA for ATCO Gas South is consistent with the threshold requirements and methodology approved in Decision 2008-113, Decision 2011-093, and Decision 2011-313, and that the proposed Rider "W" for ATCO Gas South has been calculated in a manner consistent with the calculation of Rider "W" in Decision 2011-313.

17. The rider, as approved, will result in an increase of approximately \$17.00 for an average ATCO Gas South low-use residential customer and approximately \$390.00 for an average ATCO Gas South mid-use commercial customer on an annual basis. The Commission is satisfied that this will not result in rate shock for customers.

18. With regard to the CCA's request that ATCO Gas be directed to provide an understanding of how collection and refund rider funds flow between retailers and ATCO Gas, the Commission finds that, pursuant to provisions of Rule 004: *Alberta Tariff Billing Code Rules*, which relate to the addition or removal of a rate rider, and pursuant to ATCO Gas's terms and conditions, as approved by the Commission, it is the retailers' responsibility to ensure that their distribution customers receive the appropriate Rider "W" refund or recovery charge. As such, the information requested by the CCA is not required in future Rider "W" applications.

**4 Order**

19. It is hereby ordered that:

- (1) ATCO Gas and Pipelines Ltd.'s South weather deferral account rider, Rider "W," is approved for implementation during the period of September 1, 2015 to August 31, 2016.

Dated on August 20, 2015.

**Alberta Utilities Commission**

*(original signed by)*

Bill Lyttle  
Commission Member



**Appendix 1 – Proceeding participants**

Name of organization (abbreviation) counsel or representative
ATCO Gas South (ATCO Gas)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel B. Lyttle, Commission Member
Commission staff E. von Engelbrechten (Commission counsel) B. Whyte C. Runge

**Appendix 2 – Rate schedules**

Effective September 1, 2015 by Decision 20466-D01-2015

**ATCO GAS AND PIPELINES LTD. – SOUTH  
RIDER "W" WEATHER DEFERRAL ACCOUNT RIDER**

To be applied to the low-use and mid-use customers unless otherwise specified by specific contracts or AUC, effective September 1, 2015 to August 31, 2016.

Low-use Delivery Rate	\$0.138 per GJ
Mid-use Delivery Rate	\$0.130 per GJ