



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

2016 Transmission Service Charge (Rider T)

February 22, 2016

Alberta Utilities Commission

Decision 21248-D01-2016

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

2016 Transmission Service Charge (Rider T)

Proceeding 21248

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1 Introduction

1. On January 8, 2016, ATCO Gas, a division of ATCO Gas and Pipelines Ltd. filed an application with the Alberta Utilities Commission requesting approval for a change to its 2016 transmission service charge (Rider T), as presented in the attached rate schedules, effective March 1, 2016.

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

Table 1. ATCO Gas transmission service charge (Rider T)

	Existing transmission service charge	Proposed new transmission service charge
		(\$)
Low (per gigajoule (GJ))	0.738	0.814
Mid (per GJ)	0.703	0.760
High (per day of GJ demand)	0.208	0.226

3. The Commission issued a notice of application on January 12, 2016 that required interested parties to submit a statement of intent to participate (SIP) by January 22, 2016. Parties were asked to indicate in their SIPs whether they supported the application, reasons for their position and the need for further process.

4. The Commission did not receive any SIPs by the specified due date. After reviewing the application, the Commission determined that the application would be considered by way of a *minimal written* process, as outlined in Bulletin 2015-09,² and on January 26, 2016, issued the following schedule for this proceeding:

Process step	Deadline
Information requests (IRs) to ATCO Gas	4 p.m., January 27, 2016
IR responses from ATCO Gas	4 p.m., February 4, 2016

5. The Commission issued IRs to ATCO Gas on January 27, 2016. ATCO Gas submitted its IR responses on January 29, 2016. Accordingly, the Commission considers the close of record for this proceeding to be January 29, 2016.

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

¹ Exhibit 21248-X0004, application, tables 4 and 5.

² Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2016.

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. The Commission approved the current ATCO Gas Rider T rates in Decision 20039-D01-2015.³

8. On November 23, 2015, NOVA Gas Transmission Ltd. (NGTL) received approval for the interim 2016 rates, tolls and charges for the Alberta system from the National Energy Board. Effective January 1, 2016, the NGTL interim FT-D3 rate increased to \$6.09 per GJ/month⁴ from \$5.46 per GJ/month. The NGTL abandonment surcharge was simultaneously decreased from \$0.33 per GJ/month to \$0.32 per GJ/month.⁵

9. On January 8, 2016, ATCO Gas filed this application, and requested approval for new ATCO Gas Rider T rates to be effective on March 1, 2016.

10. ATCO Gas calculated the 2016 Rider T as the NGTL FT-D3 rate charged to ATCO Gas by NGTL multiplied by the executed contract demand quantity (CDQ) volumes including future dated contract amounts; an NGTL abandonment surcharge amount, which is determined by multiplying the abandonment surcharge rate by the executed and future contract CDQ amounts; and, adjustments to true-up the amount of 2015 revenue collected and the revenue collected by the current Rider T for January-February 2016.

11. ATCO Gas explained that, assuming a March 1, 2016 implementation date, the total annual charges for a south residential customer that utilizes 120 GJ annually would increase to \$812 from \$806, and a similar residential customer in the north would see an increase to \$880 from \$874. ATCO Gas submitted that these rate changes are reasonable and will not result in undue rate shock compared to existing interim rates.⁶

3 Issues

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

- cross-subsidization
- determination of Rider T rates

³ Decision 20039-D01-2015: ATCO Gas, 2015 Transmission Service Charge (Rider T), Proceeding 20039, February 25, 2015.

⁴ The NGTL rate schedule charges 90 per cent of the approved FT-D3 rate for five-year contracts and future dated contracts: <http://www.transcanada.com/customerexpress/2766.html>.

⁵ Exhibit 21248-X0004, application, paragraph 3.

⁶ Exhibit 21248-X0004, application, paragraph 14.

3.1 Cross-subsidization

13. Prior to Decision 2014-062,⁷ the Commission approved separate Rider T rates for the north and south, respectively. In Decision 2014-062, the Commission found that the level of cross-subsidization, being an annual \$2 per customer increase to customers in the south and an annual \$2 decrease to customers in the north, that would occur by moving to a province-wide rate was not material at that time. Accordingly the Commission approved province-wide Rider T rates. The Commission directed ATCO Gas, in its next Rider T application, to provide an analysis of whether there was 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.⁸

14. In Decision 20039-D01-2015, the Commission noted that, south customers were subsidizing north customers by \$2.96 per customer on an annual basis for 2015, and directed ATCO Gas in its next Rider T application to continue to track any Rider T cross-subsidization between its north and south customers. The Commission further directed ATCO Gas to discuss what measures it took during the year to mitigate the north-south cross-subsidization issue.⁹

15. In this application, ATCO Gas provided the following table setting out the differences between the proposed province-wide rates and what rates would have been if calculated separately for north and south customers. ATCO Gas explained that a typical residential (low use) customer in the north using 80 GJ between March and December would see a \$3.92 increase in the annual bill, while a typical residential (low use) customer in the south would see a \$4.16 decrease in the annual bill.^{10 11}

Table 2. Cross-subsidization analysis¹²

	Province-wide rate	North		South	
		Rate	Difference	Rate	Difference
		(\$/GJ)			
Low	0.814	0.863	0.049	0.762	(0.052)
Mid	0.760	0.812	0.052	0.704	(0.056)
High	0.226	0.242	0.016	0.211	(0.015)

16. ATCO Gas stated that the differences identified in the table between the province-wide amounts and the regional amounts result from two factors: billing determinants and CDQ. ATCO Gas confirmed, in response to a Commission IR, that it did not take any measures over the year to mitigate the cross-subsidization issue, as billing determinants and CDQ are both driven by the external factors over which ATCO Gas has no control.¹³

⁷ Decision 2014-062: ATCO Gas, 2014 Transmission Service Charge (Rider T), Proceeding 3011, Application 1610228-1, March 17, 2014.

⁸ Decision 2014-062, paragraphs 24-26.

⁹ Decision 20039-D01-2015, paragraph 15.

¹⁰ Exhibit 21248-X0004, application, paragraph 17.

¹¹ The \$6 annual bill impact referred to in paragraph 11 of this decision includes cross-subsidization affect.

¹² Exhibit 21248-X0004, application, paragraph 16.

¹³ Exhibit 21248-X0010, AG-AUC-2016JAN27-001(a) and (c).

Commission findings

17. The proposed Rider T rates are lower for the north customers than they would have been under separate north and south rates. For example, for 2016, absent the province-wide rate for Rider T, a typical residential (low use) customer in the north would see a \$3.92 increase in the annual bill and a typical residential (low use) customer in the south would see a \$4.16 decrease in the annual bill. This is the third year in which a province-wide rate has been applied for and in all three years, the residential customers in the south have subsidized the residential customers in the north.

18. Given the ongoing cross-subsidization, the Commission directs ATCO Gas in its next Rider T application to continue to track its Rider T cross-subsidization between north and south customers and to continue to provide the information provided in Table 2 of this decision.

19. Further, the Commission is concerned that the dollar amount of cross-subsidization from using a province-wide rate has increased each year. The annual cross-subsidization by customers in the south has increased from \$2 in Decision 2014-062, to \$2.96 in Decision 20039-D01-2015 to \$4.16 in this decision. The Commission acknowledges ATCO Gas's submission that it was not able to change the billing determinants or contract requirements in order to mitigate the differences in rates for 2015.¹⁴

20. Nevertheless, if in ATCO Gas's next Rider T application, the subsidy from customers in the south to customers in the north exceeds the \$4.16 annual amount approved in this decision, the Commission directs ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization. The analysis should include CDQ at NGTL interconnects for 2016, including a comparison of its interconnect CDQ and the actual interconnect throughput with comparative data for 2014 and 2015. The Commission directs ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand. The Commission further directs ATCO Gas to explain why the continued use of a province-wide rate would or would not be in the public interest.

21. For the purpose of this decision, the Commission finds that the level of cross-subsidization: a \$3.92 subsidy to customers in the north, offset by a \$4.16 cost to customers in the south, when considered on an annual basis for individual customers is not material.

3.2 Determination of Rider T rates

22. In Decision 20039-D01-2015, the Commission approved a change to the method by which Rider T rates were calculated. The forecast gross Rider T collection was allocated to the rate groups using co-incident peak demand. The gross amount by rate class was then reduced by the revenue collected by rate groups in January and February to determine the amount to be collected by Rider T rates from March to December.¹⁵ This method replaced a method in which the net Rider T revenue collected, the gross amount less the revenue collected in January and February, was allocated to rate groups. The Commission found that the new methodology is more accurate as it factors in the variability of billing for each rate group throughout the year.

¹⁴ Exhibit 21248-X0004, application, paragraph 18.

¹⁵ Decision 20039-D01-2015, paragraphs 17-19.

23. In the current application, ATCO Gas determined the 2016 Rider T rates using the methodology approved in Decision 20039-D01-2015¹⁶ and approved billing determinants for each rate group to calculate the province-wide Rider T rates for March to December 2016.¹⁷

Commission findings

24. Subject to the concerns expressed above about the increasing amount of cross-subsidization, for which directions for monitoring have been provided, the Commission continues to consider the methodology used by ATCO Gas to determine the Rider T rates to be reasonable.

25. The Commission has reviewed the calculation of the province-wide Rider T rates and is satisfied with the level of detail provided in the application and the accuracy of the calculations. ATCO Gas is directed to continue to provide its combined Rider T schedules in working Excel format in future applications.

26. For the reasons discussed above, the following Rider T rates are approved effective March 1, 2016:

- low-use customers – \$0.814 per GJ
- mid-use customer – \$0.760 per GJ
- high-use customers – \$0.226 per day of GJ demand

27. The approved Rider T rates will remain in place until otherwise directed by the Commission.

4 Order

28. 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, 2016.

Dated on February 22, 2016.

Alberta Utilities Commission

(original signed by)

Kay Holgate
Commission Member

¹⁶ Decision 20039-D01-2015, paragraphs 18-19.

¹⁷ Exhibit 21248-X0004, application, paragraph 12.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

Alberta Utilities Commission
Commission panel K. Holgate, Commission Member
Commission staff J. Graham (Commission counsel) E. Deryabina B. Whyte

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. Given the ongoing cross-subsidization, the Commission directs ATCO Gas in its next Rider T application to continue to track its Rider T cross-subsidization between north and south customers and to continue to provide the information provided in Table 2 of this decision. Paragraph 18
2. Nevertheless, if in ATCO Gas’s next Rider T application, the subsidy from customers in the south to customers in the north exceeds the \$4.16 annual amount approved in this decision, the Commission directs ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization. The analysis should include CDQ at NGTL interconnects for 2016, including a comparison of its interconnect CDQ and the actual interconnect throughput with comparative data for 2014 and 2015. The Commission directs ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand. The Commission further directs ATCO Gas to explain why the continued use of a province-wide rate would or would not be in the public interest. Paragraph 20
3. The Commission has reviewed the calculation of the province-wide Rider T rates and is satisfied with the level of detail provided in the application and the accuracy of the calculations. ATCO Gas is directed to continue to provide its combined Rider T schedules in working Excel format in future applications. Paragraph 25

Appendix 3 – North Rider T rates

Effective March 1, 2016 by Decision 21248-D01-2016
This Replaces Rider "T"
Previously Effective March 1, 2015

**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, 2016.

Low Use Delivery Rate	\$0.814 per GJ
Mid Use Delivery Rate	\$0.760 per GJ
High Use Delivery Rate	\$0.226 per GJ per Day of 24 Hr. Billing Demand

Appendix 4 – South Rider T rates

Effective March 1, 2016 by Decision 21248-D01-2016
This Replaces Rider "T"
Previously Effective March 1, 2015

**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, 2016.

Low Use Delivery Rate	\$0.814 per GJ
Mid Use Delivery Rate	\$0.760 per GJ
High Use Delivery Rate	\$0.226 per Day per GJ of 24 Hr. Billing Demand