



ATCO Gas and Pipelines Ltd.

2016 Weather Deferral Account (Rider W) Application

June 21, 2016

Alberta Utilities Commission

Decision 21584-D01-2016

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Proceeding 21584

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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

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1 Introduction

1. On May 3, 2016, ATCO Gas and Pipelines Ltd. (ATCO Gas), filed an application with the Alberta Utilities Commission requesting approval for the collection of ATCO Gas North's and ATCO Gas South's weather deferral account (WDA) balances as of April 30, 2016, resulting in a collection of approximately \$28.548 million and \$23.394 million, respectively, by way of a Rider W (2016 Rider W). ATCO Gas also requested that future Rider W applications have rider periods ending on April 30 of each year.

2. On May 5, 2016, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by May 12, 2016. On May 12, 2016, the Commission received a SIP from the Consumers' Coalition of Alberta (CCA). The CCA also filed an additional document¹ which was in the nature of argument. The CCA confirmed orally that its position was outlined in its May 12, 2016, filing and that it did not require any further process steps.

3. On May 17, 2016, the Commission issued an information request² to ATCO Gas, which ATCO Gas responded³ to on May 30, 2016. ATCO Gas provided its response to the CCA's submissions on June 1, 2016.⁴

4. The Commission considers the record of this proceeding to have closed as of June 1, 2016.

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 WDA mechanism was first instituted by the Commission in Decision 2008-113.⁵ In that decision, the Commission approved the creation of a WDA for each of the North and the South service areas of ATCO Gas, effective January 1, 2008.

¹ Exhibit 21584-X0009.

² Exhibit 21584-X0011.

³ Exhibit 21584-X0012.

⁴ Exhibit 21584-X0016.

⁵ 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 service areas 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. In Decision 2008-113, the Commission also approved ATCO Gas's proposal that the WDA for either the North or the South be trued up by using a 12-month WDA rider when the particular deferral account exceeded \$7 million at April 30 of a particular year. The \$7 million represented approximately a +/- 10 per cent variation in the normalized weather forecast.

9. In Decision 2009-093,⁶ ATCO Gas received approval for a 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 the 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. The WDA rider threshold was not exceeded in the ATCO Gas South service area.

10. In Decision 2011-313,⁷ ATCO Gas received approval for a North and a 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 WDA balance at April 30, 2011, was in a refund position of approximately \$13.318 million for the North and approximately \$13.095 million for the South.

11. In Decision 2012-200,⁸ ATCO Gas received approval for a North 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, 2012 to July 31, 2013. The WDA balance at April 30, 2012, was in a refund position of approximately \$10.325 million for the North. The WDA rider threshold was not exceeded in the ATCO Gas South service area.

12. In Decision 2014-263,⁹ ATCO Gas received approval for a North 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, 2014 to July 31, 2015. The WDA balance at April 30, 2014, was in a refund position of approximately \$13.457 million for the North. The WDA rider threshold was not exceeded in the ATCO Gas South service area.

⁶ Decision 2009-093: ATCO Gas Weather Deferral Account Rate Rider, Proceeding 198, Application 1605061-1, June 24, 2009.

⁷ Decision 2011-313: ATCO Gas 2011 Weather Deferral Account Rate Rider, Proceeding 1230, Application 1607321-1, July 21, 2011.

⁸ Decision 2012-200: ATCO Gas 2012 North Weather Deferral Account Rate Rider, Proceeding 1887, Application 1608449-1, July 26, 2012.

⁹ Decision 2014-263: ATCO Gas North 2014 Weather Deferral Account Rider W Application, Proceeding 3217, Application 1610566-1, September 16, 2014.

13. In Decision 20466-D01-2015,¹⁰ ATCO Gas received approval for a 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 September 1, 2015 to August 31, 2016. The WDA balance at April 30, 2015, was in a collection position of approximately \$12.591 million for the South. The WDA rider threshold was not exceeded in the ATCO Gas North service area.

3 Issues

14. In its application, ATCO Gas submitted that the North and the South WDA balances at April 30, 2015, were in a collection position of approximately \$28.548 million and \$23.394 million, respectively.¹¹ ATCO Gas explained that the WDA balance for the South excluded \$1.598 million that is still to be recovered through the Rider W in effect for May 2016 to August 2016, and which was previously approved by the Commission in Decision 20466-D01-2015.

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

In order to determine the amount of revenue to be deferred in the WDA, ATCO Gas performs a linear regression analysis. The regression analysis determines the relationship between the previous year's actual sales per customer per day for each month and the actual restricted temperature. The regression is performed on each temperature sensitive rate class that has a commodity charge. The temperature coefficient (line slope) from this regression is multiplied by the difference between the normal restricted temperature and the actual restricted temperature for each month. The result is added to the actual sales per customer per day to produce the normal sales per customer per day, which is applied to the number of customers and the number of days in the month in order 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 monthly variable charge in effect to determine the amount of revenue that would be deferred. At the end of each calendar year, the line slope is adjusted based on the relationship between the current year's actual sales per customer per day for each month and the actual restricted temperature. ATCO Gas also recalculates the monthly carrying charges based on the updated line slope. ATCO Gas applies monthly carrying charges to the WDA based on the 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.¹²

16. ATCO Gas also provided an explanation of its throughput forecast methodology:

For the throughput forecast, ATCO Gas has used the July to December 2016 throughput forecast as approved in Decision 20820-D01-2015^[13] (2016 Annual PBR [performance-based regulation] Rate Adjustment Filing). For the January to April 2017 throughput forecast, ATCO Gas has applied the methodology approved in Decision 20466-D01-2015 (2015 AGS [ATCO Gas South] WDA Rider W Application), utilizing the most recent

¹⁰ Decision 20466-D01-2015: ATCO Gas South 2015 Weather Deferral Account Rider "W" Application, Proceeding 20466, August 20, 2015.

¹¹ Exhibit 21584-X0004, application, paragraph 2.

¹² Exhibit 21584-X0004, application, paragraph 5.

¹³ Decision 20820-D01-2015: ATCO Gas and Pipelines Ltd., 2016 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 20820, December 21, 2015.

CMHC [Canada Mortgage and Housing Corporation] Housing Outlook published in Q4 of 2015. The throughput forecast is specific to Low Use and Mid Use rate groups as it is these rate groups that have a variable charge.¹⁴

17. ATCO Gas proposed for the 2016 Rider W to be in effect for 10 months, from July 1, 2016 to April 30, 2017.¹⁵ ATCO Gas stated that given the magnitude of both the North and South WDA balances, a collection date effective July 1, 2016, was required to allow collection on a timely basis. ATCO Gas submitted that the requested 10-month collection period would not result in rate shock for ratepayers, as the resulting rate impact increases for the typical North and South residential and commercial customers were less than 10 per cent. ATCO Gas provided rate schedules and bill impacts corresponding to this period of collection.¹⁶

18. ATCO Gas also explained that by ending Rider W refund or collection periods on April 30 of each year, on a go-forward basis, WDA balances will not require adjustments when determining the April 30 adjustment date.

19. ATCO Gas submitted that the 2016 Rider W for South customers would result in a \$0.269 per gigajoule (GJ) charge for low-use customers, and a \$0.252 per GJ charge for mid-use customers. On an annual basis, this is a total collection of approximately \$30 for an average South low-use residential customer and a total collection of approximately \$693 for an average South mid-use commercial customer.¹⁷ ATCO Gas submitted that the 2016 Rider W for North customers would result in a \$0.294 per GJ charge for low-use customers, and a \$0.280 per GJ charge for mid-use customers. On an annual basis, this is a total collection of approximately \$32.00 for an average South low-use residential customer and a total collection of approximately \$770.00 for an average South mid-use commercial customer.¹⁸

20. The CCA did not object to the methodology used by ATCO Gas to calculate balances in the WDA as at April 30, 2016.¹⁹ However, the CCA stated its opposition to the collection period, proposing that the 2016 Rider W should be collected over a 12-month period. The CCA noted that ATCO Gas's original proposal for a weather deferral account, which was approved in Decision 2008-113, was for a 12-month collection period and that and that all subsequent Commission decisions have also approved a 12-month collection period.²⁰ The CCA also noted that the impact of the proposed 2016 Rider W was greater than it has ever been in prior years.²¹ Additionally, the CCA noted that as the current Rider W continues until August 31, 2016, and that under ATCO Gas's proposed collection period, customers would pay a Rider W for both 2015 and 2016, simultaneously. The CCA argued that having more than one Rider W in effect in a month would cause customer confusion.²²

21. In response to a Commission information request, ATCO Gas provided 2016 Rider W bill impacts for the collection period of September 1, 2016 to August 31, 2017.²³ A comparison

¹⁴ Exhibit 21584-X0004, application, paragraph 8.

¹⁵ Exhibit 21584-X0004, application, paragraph 19.

¹⁶ Exhibits 21584-X0001, 21584-X0002 and 21584-X0003.

¹⁷ Exhibit 21584-X0004, application, paragraph 18.

¹⁸ Exhibit 21584-X0004, application, paragraph 14.

¹⁹ Exhibit 21584-X0009, CCA comments, paragraph 5.

²⁰ Exhibit 21584-X0009, CCA comments, paragraphs 7-8.

²¹ Exhibit 21584-X0009, CCA comments, paragraphs 9-10.

²² Exhibit 21584-X0009, CCA comments, paragraphs 11-12.

²³ Exhibit 21584-X0015.

of bill impacts for the two collection periods as proposed by ATCO Gas and by the CCA follows:

Table 1. ATCO Gas North bill impact comparison

Effective September 1, 2016 - August 31, 2017				Effective July 1, 2016 - April 30, 2017			
Rate	Rider W (\$/GJ)	Rider W impact on a typical customer (\$)	% change in charges due to Rider W	Rate	Proposed Rider W (\$/GJ)	Rider W impact on a typical customer (\$)	% change in charges due to Rider W
Low use	0.275	33.00	3.89	Low use	0.294	32.34	3.81
Mid use	0.260	780.00	6.08	Mid use	0.280	770.00	6.00

Table 2. ATCO Gas South bill impact comparison

Effective September 1, 2016 - August 31, 2017				Effective July 1, 2016 - April 30, 2017			
Rate	Rider W (\$/GJ)	Rider W impact on a typical customer (\$)	% change in charges due to Rider W	Rate	Proposed Rider W (\$/GJ)	Rider W impact on a typical customer (\$)	% changes in charges due to Rider W
Low use	0.248	29.76	3.82	Low Use	0.269	29.59	3.80
Mid use	0.231	693.00	5.68	Mid use	0.252	693.00	5.68

22. In its reply argument, ATCO Gas submitted that recovering the 2016 Rider W over a 10-month, as opposed to a 12-month, period would have a minimal impact on customers.²⁴ ATCO Gas pointed out that on an annualized basis, for North customers, the difference in the impact across the two difference collection periods is less than \$1 or 0.08 per cent for a typical low use and \$10 or 0.08 per cent for a typical mid-use customer, and for South customers, the impact difference is less than \$0.17 or 0.02 per cent for a typical low use and there is no impact for a typical mid-use customer.²⁵

23. In ATCO Gas's view, having a 10-month collection period ending April 30, 2017, is preferable as it ensures that there is no confusion as to whether a new Rider W has been triggered solely due to weather impacts or if the WDA balance exceeds the threshold partly because the previous Rider W has not been fully refunded or recovered.²⁶ Further, ATCO Gas argued that a Rider W should be implemented as close as possible to the April 30 assessment date in order to avoid intergenerational equity concerns.²⁷

24. ATCO Gas explained that customers in the South will not be confused because only one Rider W rate will appear on customers' bills for the two-month period with overlapping Rider W collections.²⁸

²⁴ Exhibit 21584-X0016, ATCO Gas reply argument, paragraph 4.

²⁵ Exhibit 21584-X0016, ATCO Gas reply argument, paragraph 4.

²⁶ Exhibit 21584-X0016, ATCO Gas reply argument, paragraph 5.

²⁷ Exhibit 21584-X0016, ATCO Gas reply argument, paragraph 5.

²⁸ Exhibit 21584-X0016, ATCO Gas reply argument, paragraph 7.

Commission findings

25. The Commission has reviewed the WDA calculations and finds that the methodology used to determine the WDA balances and the 2016 Rider W for the North and the South is consistent with the threshold requirements and methodology approved in past WDA rate rider applications.

26. In the application, ATCO Gas provided evidence that shortening the collection period to 10 months will have a minimal bill impact on customers, and the Commission is satisfied that the implementation of the 2016 Rider W, as proposed by ATCO Gas, will not result in rate shock for customers. The Commission is also persuaded that there will be minimal customer confusion as the Rider W approved by the Commission in Decision 20466-D01-2015 and 2016 Rider W will appear together as a single line item on customer bills in the months that these riders overlap (i.e., July and August 2016). Further, while ATCO Gas originally proposed a 12-month collection period for its newly established Rider W, in Decision 2008-113 the Commission did not stipulate that the time period could not be altered.²⁹ The Commission finds that it would be beneficial for the collection period to end on April 30 such that there is no confusion as to whether a new Rider W has been triggered solely due to weather impacts or if the WDA balance exceeds the threshold partly because the previous Rider W has not been fully refunded or recovered. As a result, while continuing with a 12-month collection period would be consistent with prior Commission decisions, the Commission approves a 10-month collection period for the 2016 Rider W.

27. ATCO Gas also requested that future Rider W applications have rider periods ending on April 30 of each year. ATCO Gas may file its Rider W application with rider periods ending on April 30 of each year. However, the Commission is not prepared to rule on future Rider W collection periods in this decision. The Commission notes that while there are benefits to having rider periods end on April 30 in each year, rate shock and other rate implementation issues associated with the collection period are best addressed in each annual WDA rider application.

28. Accordingly, the WDA collection of \$28.548 million from the ATCO Gas North customers and \$23.394 million collection from the ATCO Gas South customers by way of the 2016 Rider W is approved for implementation from July 1, 2016 to April 30, 2017.

²⁹ Decision 2008-113, page 109.

4 Order

29. It is hereby ordered that:

- (1) ATCO Gas and Pipelines Ltd.'s North and South weather deferral account rider, Rider W, is approved for implementation during the period of July 1, 2016 to April 30, 2017, as set out in Appendix 2 for the North service area and Appendix 3 and 4 for the South service area.

Dated on June 21, 2016.

Alberta Utilities Commission

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Gas and Pipelines Ltd. (ATCO Gas)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel B. Lyttle, Commission Member
Commission staff J. Graham (Commission counsel) C. Runge B. Whyte

Appendix 2 – North rate schedule

Effective July 1, 2016 by Decision 21584-D01-2016

**ATCO GAS AND PIPELINES LTD. - NORTH
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 July 1, 2016 to April 30, 2017.

Low Use Delivery Rate	\$0.294 per GJ
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Mid Use Delivery Rate	\$0.280 per GJ
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The Company's Terms and Conditions apply to all retailers and customers provided with System and/or Distribution Access Service by the Company. The Terms and Conditions are available at ATCO Gas offices during normal working hours or on the website www.atcogas.com.

Appendix 3 – South rate schedule – July 1, 2016

Effective July 1, 2016 by Decision 21584-D01-2016
This replaces Rider “W” as approved in Decision 20466-D01-2015
for the effective dates of July 1, 2016 to August 31, 2016

**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 July 1, 2016 to August 31, 2016.

Low Use Delivery Rate	\$0.407 per GJ
Mid Use Delivery Rate	\$0.382 per GJ

The Company's Terms and Conditions apply to all retailers and customers provided with System and/or Distribution Access Service by the Company. The Terms and Conditions are available at ATCO Gas offices during normal working hours or on the website www.atcogas.com.

Appendix 4 – South rate schedule – September 1, 2016

Effective September 1, 2016 by Decision 21584-D01-2016
This Replaces Rider “W” as approved in Decision 21584-D01-2016
Previously Effective July 1, 2016 to August 31, 2016

**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, 2016 to April 30, 2017.

Low Use Delivery Rate	\$0.269 per GJ
Mid Use Delivery Rate	\$0.252 per GJ

The Company's Terms and Conditions apply to all retailers and customers provided with System and/or Distribution Access Service by the Company. The Terms and Conditions are available at ATCO Gas offices during normal working hours or on the website www.atcogas.com.