Decision **2012-013**

Alberta Utilities Commission

AltaGas Utilities Inc.

2012 Interim Rates

January 12, 2012

The Alberta Utilities Commission
Decision 2012-013: AltaGas Utilities Inc.
2012 Interim Rates
Application No. 1607602
Proceeding ID No. 1403

January 12, 2012

Published by
The Alberta Utilities Commission
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1 Introduction

1. On August 18, 2011, AltaGas Utilities Inc. (AltaGas or AUI) filed an application with the Alberta Utilities Commission (the AUC or the Commission) requesting approval for 2012 interim refundable rates (2012 interim rates) effective January 1, 2012.

2. On August 22, 2011, the Commission issued a notice of application for this proceeding. Any party who wished to intervene in the proceeding was requested to submit a statement of intent to participate (SIP) to the Commission by September 6, 2011.

3. On September 6, 2011, the Commission received SIPs from the Office of the Utilities Consumer Advocate (UCA), ATCO Gas (AG) and the Consumers' Coalition of Alberta (CCA).

4. In its SIP, the UCA opposed the application as filed and requested a process that would include a round of information requests (IRs) followed by argument and reply argument. The CCA, in its SIP, requested the opportunity to test the application with a round of IRs before commenting on whether it objected or did not object to the application. AG stated in its SIP that it did not know the extent of its participation at the current time.

5. By letter dated September 12, 2011, the Commission established the following schedule for a written process for the application:

Process step	Due date
Information requests to AUI	2 p.m., September 26, 2011
Information responses from AUI	2 p.m., October 21, 2011
Written argument	2 p.m., November 4, 2011
Written reply argument	2 p.m., November 21, 2011

6. The UCA, which submitted IRs, argument and reply argument, was the only active intervening party in this proceeding.

7. For the purposes of this decision, the Commission considers the record to have closed on November 21, 2011.

8. The panel assigned to consider this proceeding consisted of Mark Kolesar (Panel Chair), Carolyn Dahl Rees (Vice-Chair), and Kay Holgate (Commission Member).

9. 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

10. Prior to the issuance of Decision 2011-073,[1] in which the Commission approved the finalization of rates for 2008 and 2009, AltaGas' interim rates for 2008 and 2009 had been in place and approved in decisions 2008-103,[2] U2008-324,[3] 2009-024,[4] 2009-026[5] and 2009-038.[6]

11. In its application for finalization of 2008 and 2009 rates, AltaGas had also proposed to treat a $1.426 million balance of uncollected revenue deficiencies from 2007, 2008 and 2009 as a reduction to the forecast revenue in 2010, such that no deficiency collection rider(s) would be required for the test years 2007, 2008 or 2009.

12. Interim rates for 2010 were approved for AltaGas in Decision 2010-535.[7] In its application, AltaGas requested that the rates approved in Decision 2009-038 continue to apply for the period January 1, 2010 to December 31, 2010 and submitted that continuation of the existing rates to December 31, 2010 would result in the recovery of the remaining 2007, 2008 and 2009 deficiencies and approximately 50 per cent of AltaGas' forecast revenue deficiency for 2010.

13. Interim rates for 2011 were first approved in Decision 2010-621.[8] AltaGas submitted that the proposed interim rates recovered 50 per cent of the difference between AltaGas' 2010 revenue requirement and the 2011 revenue requirement provided in AltaGas' 2010-2012 Phase I general rate application (GRA).[9]

14. AltaGas' interim rates first approved for 2011 in Decision 2010-621, were updated in a compliance application filed pursuant to Decision 2011-073. The compliance application

[1] Decision 2011-073: AltaGas Utilities Inc., 2008-2009 General Rate Application – Phase II Negotiated Settlement, Application No. 1606230, Proceeding ID No. 651, March 8, 2011.
[2] Decision 2008-103: AltaGas Utilities Inc., 2007 Deficiency Rider, Interim Refundable Rates and Standard Contribution – Rural Other, Application No. 1575162, Proceeding ID. 64, October 21, 2008.
[3] Order U2008-324: AltaGas Utilities Inc., Compliance Filing, Application No. 1592368, October 31, 2008.
[4] Decision 2009-024: AltaGas Utilities Inc., 2009 Interim Refundable Rates, Application No. 1598641, Proceeding ID. 145, February 11, 2009.
[5] Decision 2009-026: AltaGas Utilities Inc., 2009 Interim Refundable Rates, Rate Schedules, Application No. 1604809, Proceeding ID. 169, February 27, 2009.
[6] Decision 2009-038: AltaGas Utilities Inc, 2008 Interim Refundable Rates Application, Application No. 1604826, Proceeding ID. 170, March 30, 2009.
[7] Decision 2010-535: AltaGas Utilities Inc., Interim 2010 Rates Application, Application No. 1606665, Proceeding ID. 889, November 18, 2010.
[8] Decision 2010-621: AltaGas Utilities Inc., 2011 Interim Rates, Application No. 1606827, Proceeding ID. 971, December 24, 2010.
[9] AUI's 2010-2012 Phase I General Rate Application is currently being processed by the AUC in Proceeding ID No. 904.

included a request to update AltaGas' 2011 interim rates with the revenue requirement that was more current than that filed in its 2010-2012 GRA.

15. AltaGas is currently operating under 2011 interim refundable rates approved in Decision 2011-311.[10] The Commission considered that the 2011 interim rates approved in Decision 2011-311 were developed using a methodology and calculations consistent with initial 2011 interim refundable rates approved in Decision 2010-621 and were determined to be fair to customers and the utility.

3 Description of the application

16. In the application, AltaGas proposed 2012 interim refundable rates that reflect an across-the-board increase of 23.355 per cent applied to the most current approved rates. AltaGas stated that the proposed rates would allow it to recover what it had determined was a portion of the forecast 2012 interim revenue requirement.[11]

17. Specifically, the methodology used in AltaGas' application would result in proposed interim rates recovering 60 per cent of the difference between the 2012 revenue requirement and the 2011 interim revenue requirement and, when added to the 2011 interim revenue requirement and compared to the 2012 revenue at existing rates, would result in a forecast 2012 remaining revenue deficiency of $10,846,114.[12] Details of these calculations are included in Table 1 in the next section of this decision.

18. AltaGas submitted that the application demonstrates a reasonable balance of the interests of customers and AltaGas, and that a review of the Commission principles used to evaluate interim rate applications, as established in Decision 2009-024, generally supports the approval of the proposed 2012 interim rates. These are:

- The identified revenue deficiency should be probable and material.
- All or some portion of any contentious items may be excluded from the amount collected.
- Is the increase required to preserve the financial integrity of the applicant or to avoid financial hardship?
- Can the applicant continue safe utility operations without the interim adjustment?
- Interim refundable rates promote rate stability and ease rate shock.
- Interim adjustments should help to maintain intergenerational equity.
- Can interim rate increases be avoided through the use of carrying costs?
- Interim rate increases may be required to provide appropriate price signals to customers.
- It may be appropriate to apply the interim rider on an across-the-board basis.

[10] Decision 2011-311: AltaGas Utilities Inc., 2008-2009 General Rate Application Phase II Compliance and Updated 2011 Interim Rates, Application No. 1607310, Proceeding ID No. 1220, July 25, 2011.
[11] Exhibit 3, page 1, paragraph 2.
[12] Exhibit 3, page 5, Table 3 calculated as $57,286,522 less $46,440,408.

4 Discussion of issues

19. The UCA submitted that the methodology proposed by AltaGas in this application is not consistent with the methodology that was used by the Commission in Decision 2010-621. In determining the 2012 interim rates for AltaGas and to assist in highlighting the issues identified during the processing of this application, the Commission has, in Table 1 below, contrasted current and proposed methodologies put forth by parties for determining interim revenue deficiencies; updated for the omission of 2012 forecast other revenue (which is discussed in further detail below) and examined, at varying percentage factor amounts, the percentage interim rate increase that would result.

20. Through the interrogatory process, the Commission questioned the apparent exclusion of the 2012 forecast "other revenue" from AltaGas' calculations and requested AltaGas to comment on whether AltaGas' calculations should include the 2012 forecast of other revenue in the amount of $1,201,580, as included in AltaGas' 2010-2012 GRA.[13] It was acknowledged by AltaGas, in response to AUC-AUI-3(a)[14] and in argument,[15] that AltaGas should take this amount into consideration and, in doing so; AltaGas' forecast 2012 remaining revenue deficiency of $10,846,114 identified in its application would be reduced by $1,201,580. This update has been reflected in Table 1 below.

21. Given the timing involved in the submission of the application, and the Commission's subsequent processing of this application, AltaGas' request for the implementation of 2012 interim rates to be effective January 1, 2012, could not be met. Consequently, the Commission has set out its alternative scenario analyses in Table 1 using February 1, 2012, as the effective date of the interim rate changes.

[13] Line 9 of Schedule 1.0A of Exhibit 61.06 from Proceeding ID No. 904.
[14] Exhibit 16.01, AUC-AUI-3.
[15] Exhibit 18.01, paragraph 4.

Table 1. Comparison of impact on interim rate increase due to changes in methodology proposed by AUI and percentage factors

2012 Interim Rate Calculation	Reference	AUI Proposed	AUI Proposed Updated	UCA Existing	Option 1 Existing Updated	Option 2 Existing Updated	Option 3 Existing Updated	Option 4 Existing Updated
Percentage factor	(a)	60%	60%	50%	50%	55%	60%	65%
2011 interim base year revenue requirement	(b)	$ 49,342,551	$ 49,342,551	$ 48,460,760	$ 48,460,760	$ 48,460,760	$ 48,460,760	$ 48,460,760
2012 forecast revenue requirement per 2010-2012 GRA	(c)	$ 62,582,503	$ 62,582,503	$ 62,582,503	$ 62,582,503	$ 62,582,503	$ 62,582,503	$ 62,582,503
2011 interim base year revenue requirement	(d)	49,342,551	49,342,551					
2011 forecast revenue requirement per 2010-2012 GRA	(e)			55,912,566	55,912,566	55,912,566	55,912,566	55,912,566
Difference	(f) = (c)-(d) or (c)-(e)	$ 13,239,952	$ 13,239,952	$ 6,669,937	$ 6,669,937	$ 6,669,937	$ 6,669,937	$ 6,669,937
Difference at percentage factor	(g) = (f)*(a)	**$ 7,943,971**	**$ 7,943,971**	**$ 3,334,969**	**$ 3,334,969**	**$ 3,668,465**	**$ 4,001,962**	**$ 4,335,459**
Proposed 2012 interim revenue requirement	(h) = (b)+(g)	$ 57,286,522	$ 57,286,522	$ 51,795,729	$ 51,795,729	$ 52,129,225	$ 52,462,722	$ 52,796,219
Less: 2012 revenue at existing (2011) rates	(i)	46,440,408	46,440,408	46,440,408	46,440,408	46,440,408	46,440,408	46,440,408
Less: 2012 other revenue	(j)		1,201,580		1,201,580	1,201,580	1,201,580	1,201,580
Sub-total	(k) = (i)+(j)	$ 46,440,408	$ 47,641,988	$ 46,440,408	$ 47,641,988	$ 47,641,988	$ 47,641,988	$ 47,641,988
Proposed 2012 revenue deficiency	(l) = (h)-(k)	$ 10,846,114	$ 9,644,534	$ 5,355,321	$ 4,153,741	$ 4,487,237	$ 4,820,734	$ 5,154,231
2012 percentage interim increase - effective January 1	(m) = (l)/(i)	**23.355%**	**20.768%**	**11.532%**				
Proposed 2012 revenue deficiency	(n) = (l)				$ 4,153,741	$ 4,487,237	$ 4,820,734	$ 5,154,231
2012 revenue (February - December) at existing (2011) rates	(o)				$ 40,898,290	$ 40,898,290	$ 40,898,290	$ 40,898,290
2012 percentage interim increase - effective February 1	(p) = (n)/(o)				**10.156%**	**10.972%**	**11.787%**	**12.603%**

(o) – The amount of $40,898,290 is calculated by deducting the revenue at existing rates amount for January 2012 of $5,542,118 from $46,440,408.
This information is included in Exhibit 4 , Page 6 of 7 on the Excel worksheet entitled "2012 Forecast Distribution Revenue Detail at Existing (2011 interim) Rates".

22. Table 1 indicates that using the existing interim rate methodology and percentage factors, meant to allow for contentious items, of 50 per cent, 55 per cent, 60 per cent and 65 per cent, and including the 2012 other revenue, results in interim rate increases of 10.156 per cent, 10.972 per cent, 11.787 per cent and 12.603 per cent respectively, effective February 1, 2012.

4.1 2011 interim base year revenue requirement

23. AltaGas used, as the 2011 base year revenue requirement, an amount of $49,342,551 which was the revised 2011 interim revenue requirement approved in Decision 2011-311 before the reduction related to the 2010 forecast revenue deficiency of $881,791.[16]

24. In information request AUC-AUI-1(b), the Commission sought confirmation that the forecast 2011 revenue for AltaGas was $48,460,760 and an explanation of why that amount should not be used as the base year revenue requirement in determining the 2012 interim rates.

25. While AltaGas confirmed in response to AUC-AUI-1(b) that the forecast 2011 revenue for AltaGas of $48,460,760 was based on the 2011 interim rates approved in Decision 2010-621, effective January 1, 2011, and revised 2011 interim rates approved in Decision 2011-311, effective August 1, 2011; it submitted that the correct base year revenue requirement should be based on 2011 amounts only and should exclude the adjustment pertaining to 2010.

26. AltaGas also submitted in reply,[17] that the 2010 interim rates refund amount of $881,791 should not be factored into the determination of the 2011 interim base year revenue requirement as it relates to an adjustment for a prior period.

27. The UCA noted that, while it could understand AltaGas proposing to use a 2011 interim base year revenue requirement of $49,342,551, the fact remains that under the previously approved methodology, the correct starting point is net of the reduction of the 2010 revenue deficiency of $881,791, which results in an amount of $48,460,760.[18]

4.1.1 Commission findings

28. The Commission found in Decision 2010-621 that the 2010 interim base year revenue requirement should be based on the revenue requirement previously approved by the Commission. Accordingly, Decision 2010-621 found that the 2010 interim base year revenue requirement was appropriate to use in the calculation, as it was based on 2010 interim rates in place at the time.

29. Further, in Decision 2011-311, the Commission considered that, when interim rates for a period are subsequently updated as a result of revised revenue requirement forecasts, the incremental change should be incorporated to allow the most current base year revenue to be used in the calculation of the interim rate.

30. In response to AltaGas' view that the 2011 interim base year revenue requirement should not include the adjustment related to 2010, the Commission considers that, in keeping with established methodologies, the 2011 interim base year revenue requirement to be used in calculating the 2012 interim rates should continue to be determined using the delivery revenue that is expected to be collected by AltaGas through the interim rates that have been in place during 2011, and which has been identified in the amount of $48,460,760.

[16] $881,791 is 50 per cent of the decrease in the 2010 forecast revenue ($1,763,581) deficiency between the 2010-2012 Phase I GRA application dated October 22, 2010 ($3,936,176) and its subsequent update dated July 4, 2011 ($2,172,595) as shown in Proceeding ID No. 1220, Exhibit 22.03, July 11, 2011, Table 3, line 1.
[17] Exhibit 21.01, AUI reply, page 7, paragraph 25.
[18] Exhibit 19.02, UCA argument, page 5, starting at paragraph 16.

4.2 Calculation of the 2012 revenue deficiency and interim rate increase

31. In determining the 2012 revenue deficiency, as set out in Table 1 above, AltaGas used the 2011 interim base year revenue requirement of $49,342,551.

32. AltaGas did not offer a specific reason in its application as to why the 2011 interim base year revenue requirement was used in its calculation contrary to the methodology set out by the Commission in Decision 2010-621, other that to state that the proposed method reduces the remaining deficiency amount it will need to collect at the end of the three-year test period.[19]

33. The Commission questioned AltaGas about the methodology used in its application, and in response to AUC-AUI-1(a)(i), AltaGas confirmed that in setting the 2011 interim revenue requirement in Decision 2010-621, one-half of the difference between the forecast revenue requirements for 2011 and 2010 was added to a base year revenue requirement.

34. In response to AUC-AUI-1(c), AltaGas stated that it had not used the 2011 revenue requirement of $55,912,566 in its 2012 interim rate calculation, but was instead using the approved 2011 interim revenue requirement of $49,342,551 arguing that it is appropriate and more consistent with Decision 2010-621.[20] AltaGas also submitted that, by following its proposed methodology, it more closely reflects the real forecast deficiency for AltaGas in 2012.

35. The UCA stated in its argument that the approach adopted by the Commission in Decision 2010-621 for calculating the revenue deficiency, by basing the forecast revenue deficiency (in part) on the difference between the 2012 and 2011 revenue requirement forecasts, continues to be appropriate.[21]

4.2.1 Commission findings

36. The Commission agrees with the UCA[22] that the 2012 revenue requirement will inherently reflect cost increases carried forward from increases included in the 2010 and 2011 revenue requirements. The concept that interim rates should reflect only incremental cost increases for a particular year is ignored in the calculation proposed by AltaGas in this application.

37. The Commission finds that AltaGas has not followed the accepted approach to calculating the 2012 revenue deficiency when it substituted the 2011 revenue requirement with the 2011 interim revenue requirement. The Commission considers that the previously established method for calculating the revenue deficiency; as being the difference between the most recent 2012 and 2011 forecast revenue requirements, is reasonable in this instance. Therefore, the Commission rejects AltaGas' proposed calculation.

4.3 Adjustment for contentious items

38. AltaGas acknowledged in IR response AUC-AUI-1(e) that a 50 per cent adjustment (percentage factor) of the 2012 revenue deficiency, meant to account for all or some portion of contentious items, is more commonly applied by the Commission, but submitted that using

[19] Exhibit 3, page 4, paragraph 11.
[20] Exhibit 16.01, AUC-AUI-1(c).
[21] Exhibit 19.02, UCA argument, page 4, paragraph 10.
[22] Exhibit 19.02, UCA argument, page 3, paragraphs 7 to 9.

60 per cent helps moderate the large remaining deficiency forecast that will accumulate by the end of the 2010-2012 test period.

39. AltaGas also stated in reply that, although 50 per cent is the percentage more recently used by the AUC as an interim proxy accounting for contentious items in the revenue requirement subject to Commission review and approval, it is not the only percentage the AUC has considered or approved in establishing interim rates.[23]

40. AltaGas submitted that approval of the 2012 interim rates at the requested level (of 23.355 per cent) is consistent with previously established Commission principles used in evaluating interim rate applications and would assist in minimizing potential rate impacts on customers upon finalization of the rates for the 2010 to 2012 period.[24]

41. AltaGas noted that the identified revenue deficiency is probable and material, but that it would continue safe utility operations with or without collection of the proposed 2012 rate increase. However, AltaGas commented that it would suffer financial hardship if the proposed 2012 interim rates are not implemented at the minimum level proposed by AltaGas.

42. The UCA stated its understanding that a 50 per cent factor has been accepted by the Commission as a standard or default allowance to account for the presence of potentially contentious costs in a number of cases.[25]

43. The UCA did not accept AltaGas' explanations for applying a 60 per cent factor rather than the more usual 50 per cent and submitted none of AltaGas' observations or claims provided in response to AUC-AUI-1(e) form a reasonable basis for the Commission to depart from the 50 per cent convention.

44. In argument, the UCA submitted that using the approved interim rate methodology and a 50 per cent adjustment for contentious items resulted in an interim rate increase of 11.532 per cent, which was still substantial given an environment of low inflation and relatively modest system growth combined with the controversy surrounding the very substantial cost increases proposed by AltaGas in the current 2010 to 2012 GRA. On that basis, the UCA recommended a percentage increase to existing 2011 interim rates of 11.532 percent (albeit prior to the adjustment for 2012 other revenue in the amount of $1,201,580).

45. The UCA stated also that the 11.532 per cent increase would achieve the goals of minimizing future rate changes, promoting intergenerational equity and protecting the financial integrity of the utility.

4.3.1 Commission findings

46. When evaluating interim rates applications, the Commission considers the principles identified in Decision 2009-024 and quoted in paragraph 18 above. The Commission finds that the identified revenue deficiency is probable and material. The Commission notes AltaGas' submissions that it would continue safe utility operations with or without collection of the proposed 2012 rate increase but that it would suffer financial hardship if the proposed 2012 interim rates are not implemented. The Commission's findings on the methodology and revenue

[23] Exhibit 21.01, page 4, paragraph 14.
[24] Exhibit 3, page 2, paragraph 6.
[25] Exhibit 19.02, UCA argument, page 4, paragraph 11.

requirement are addressed in paragraph 30 and with respect to the revenue requirement in paragraph 37. In this section, the Commission examines the impact of an adjustment for contentious items and the related impacts on rate stability, the financial welfare of the utility and intergenerational equity. The Commission has previously stated that, in evaluating the criteria for the merits of an interim rates application, it:

- weighs the potential benefits of granting the application against the costs that are the basis for the interim rate increase, from the perspective of rate stability and minimization of rate shock, should the applied-for revenue requirement (in the current GRA) be approved;
- assesses whether the drivers underlying the increase are contentious or non-contentious items; and
- considers the impact the revenue deficiency has on the financial welfare of the utility and on the safety of utility operations.[26]

47. Additionally, the Alberta Energy and Utilities Board made the following statement in Decision 2002-115:[27]

> An interim rate increase aimed at recovering a portion of any shortfall that is ultimately demonstrated and approved provides for a leveling out of the impact of any final rate increase, thereby promoting rate stability and easing any rate shock to customers at a later date.

48. The Commission weighs the factors identified in the context of the specific application. As AltaGas has been on interim rates for a significant length of time, while the 2010-2012 Phase I GRA (Proceeding ID No. 904) has been in process, the Commission considers the possibility of future rate shock and the maintenance of intergenerational equity as important considerations in this application.

49. The Commission also considers it is in the interest of both ratepayers and AltaGas that the utility not bear any undue financial hardship and finds that an increase in excess of the typical 50 per cent of the revenue deficiency is warranted due to the long period of time during which the company will be on interim rates.

50. In determining the 2012 interim rates, the Commission prepared Table 1, which presents the 2012 percentage interim increase if current rates are increased so as to recover 50, 55, 60 and 65 per cent of the revenue deficiency. The Commission has also produced Table 2 below to examine the impact of the increases set out in Table 1 on a typical residential customer total annual bill. Both of these analyses are relevant in assessing the potential for rate shock.

[26] Decision 2010-621, page 2, paragraph 11.
[27] Decision 2002-115: ATCO Gas 2003/2004 General Rate Application, Interim Rate Application, Application No. 1284374, December 24, 2002, page 10.

Table 2. Comparison of impact on typical annual residential bill (delivery and gas cost) due to changes in methodology proposed by AUI and percentage factors

Impact on typical annual residential bill	Reference	AUI 2011 Existing	AUI Proposed	AUI Proposed Updated	UCA Existing	Option 1 Existing Updated	Option 2 Existing Updated	Option 3 Existing Updated	Option 4 Existing Updated
Percentage factor	(a)		60%	60%	50%	50%	55%	60%	65%
2012 percentage interim increase over existing from Table 1	(b)		23.355%	20.768%	11.532%	10.156%	10.972%	11.787%	12.603%
Base fixed/$ day	(c)	0.826	1.019	0.998	0.921	0.910	0.917	0.923	0.930
DSP Admin fee/$ day	(d)	0.060	0.074	0.072	0.067	0.066	0.067	0.067	0.068
Based fixed - 365 days	(e)	1.463	1.805	1.767	1.632	1.612	1.624	1.635	1.647
Base Fix - 365 days	(f) = (c)*365	$ 301	$ 372	$ 364	$ 336	$ 332	$ 335	$ 337	$ 339
DSP fee - 365 days	(g) = (d)*365	22	27	26	24	24	24	24	25
Base energy - 115 GJ per year	(h) = (e)*115	168	208	203	188	185	187	188	189
Sub-total	(i) = (f)+(g)+(h)	$ 491	$ 607	$ 593	$ 548	$ 541	$ 546	$ 549	$ 553
Gas Cost - Rider D	(j) see below	438	438	438	438	438	438	438	438
TPTR - Rider G	(k) see below	24	24	24	24	24	24	24	24
Total	(l) = (i)+(j)+(k)	$ 953	$ 1,069	$ 1,055	$ 1,010	$ 1,003	$ 1,008	$ 1,011	$ 1,015
Annual increase $	(m) = (l)-$953		**$ 116**	**$ 102**	**$ 57**	**$ 50**	**$ 55**	**$ 58**	**$ 62**
Annual increase %	(n) = (m)/$953		**12.172%**	**10.703%**	**5.981%**	**5.247%**	**5.771%**	**6.086%**	**6.506%**

(j) Rider D: Exhibit 4.0, page 1 of 7, monthly Gas cost times average residential consumption per month.
(k) Rider G: Exhibit 4.0, page 1 of 7, monthly TPTR times average residential consumption per month.

51. In addition to assessing the potential for rate shock, the Commission has considered the potential for rate shock beyond the period during which interim rates will be in place, and intergenerational equity. The attachment to AUC-AUI-6 prepared by the Commission provided a calculation of the outstanding 2010, 2011 and 2012 revenue deficiency using interim rates and the current interim rate methodology and a forecast revenue requirement for 2010, 2011 and 2012 reduced by 5.7 per cent (being the average reduction to revenue requirement for 2008 and 2009 based on Decision 2010-197). The Commission considers that the total potential remaining deficiency of $8.4 million,[28] to be recovered through future rates (as calculated in the AUC-AUI-6 Attachment), is a reasonable proxy for the future remaining recoveries related to the 2010 to 2012 GRA Application currently before the Commission. Table 1 indicates that using the existing interim rate methodology and a 65 per cent factor allowing for contentious items and including the 2012 other revenue, results in an interim rate increase of 12.603 per cent effective February 1, 2012. Table 2 indicates that an interim rate increase of 12.603 per cent is equivalent to an increase to the total bill for a typical residential customer of $62 annually, or a 6.506 per cent annual increase.

[28] Exhibit 12.05, AUC-AUI-6 Attachment, line 11.

52. Based on the assessment of the impact that the 2012 interim rates would have on the forecast revenue deficiency, the total bill of a typical residential customer and the potential rate impacts on customers upon finalization of the rates for the 2010 to 2012 period, the Commission considers an interim rate increase based on the current methodology and a 65 per cent revenue deficiency recovery factor is reasonable. The Commission has determined that this balances the need to mitigate both current and future rate shock and intergenerational inequity with the need to preserve the financial stability of the utility and the safety of utility operations.

53. In order to implement interim rates without further delay, the Commission has re-calculated the interim rates to be effective February 1, 2012, by applying the 12.603 per cent increase detailed in Table 1 of this decision, to AltaGas' existing interim rates that were approved in Decision 2011-311. Applying the February 1, 2012 interim rates to the February to December 2012 billing determinants forecast included in the application, and including the 2012 forecast other revenue of $1,201,580 and January 2012 revenue at existing rates, allows AltaGas the opportunity to recover the Commission approved 2012 interim revenue requirement of $52,796,219. The existing interim rates approved in Decision 2011-311 are shown in Table 3 below and the new interim rates effective February 1, 2012 are included in Table 4.

Table 3. Existing interim rates approved in Decision 2011-311

Rate Components	Rate 1/11	Rate 2/12	Rate 3/13	Rate 4/14
EXISTING INTERIM RATES				
Demand Charge ($/day/GJ)	n/a	n/a	$0.213	n/a
Fixed Charge				
Base ($/day)	$0.826	$9.405	$21.533	$2.744
DSP Admin. Fee (Rates 1, 2, 3 & 4 only) ($/day)	$0.060	$0.060	$0.060	$0.060
Variable Energy Charge				
Base ($GJ)	$1.463	$0.961	$0.022	$0.871

Table 4. Commission approved interim rates effective February 1, 2012

Rate Components	Rate 1/11	Rate 2/12	Rate 3/13	Rate 4/14
APPROVED INTERIM RATES				
Demand Charge ($/day/GJ)	n/a	n/a	$0.240	n/a
Fixed Charge				
Base ($/day)	$0.930	$10.590	$24.247	$3.090
DSP Admin. Fee (Rates 1, 2, 3 & 4 only) ($/day)	$0.068	$0.068	$0.068	$0.068
Variable Energy Charge				
Base ($GJ)	$1.647	$1.082	$0.025	$0.981

5 Order

54. It is hereby ordered that:

The interim rates for AltaGas Utilities Inc. as set out in the rate schedules in Appendix 2 of this decision are approved on an interim basis effective February 1, 2012.

Dated on January 12, 2012.

The Alberta Utilities Commission

(*original signed by*)

Mark Kolesar
Panel Chair

(*original signed by*)

Carolyn Dahl Rees
Vice-Chair

(*original signed by*)

Kay Holgate
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
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Appendix 2 – Interim rate schedules – effective February 1, 2012

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Appendix 2 - Interim
rate schedules - effe

(consists of 13 pages)

RATE NO. 1	SMALL GENERAL SERVICE

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, emergency or irrigation services.

Charges:

Fixed Charge:

Base	$ 0.930/Day
Default Supply Provider Administration Fee..................	$ 0.068/Day

Variable Energy Charge:

Base	$ 1.647/GJ
Gas Cost Recovery...	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

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RATE NO. 2	LARGE GENERAL SERVICE (OPTIONAL)

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

Charges:

Fixed Charge:

Base	$ 10.590/Day
Default Supply Provider Administration Fee	$ 0.068/Day

Variable Energy Charge:

Base	$ 1.082/GJ
Gas Cost Recovery..	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

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RATE NO. 3	DEMAND GENERAL SERVICE (OPTIONAL)

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

Charges:

Demand Charge	$ 0.240/Day/GJ of Billing Demand
Fixed Charge:	
Base	$ 24.247/Day
Default Supply Provider Administration Fee	$ 0.068/Day
Variable Energy Charge:	
Base	$ 0.025/GJ
Gas Cost Recovery	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

RATE NO. 4	IRRIGATION PUMPING SERVICE (OPTIONAL)

Description:

Available only to customers for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

	April 1 to October 31
Fixed Charge:	
Base	$ 3.090/Day
Default Supply Provider Administration Fee..................	$ 0.068/Day
Variable Energy Charge:	
Base	$ 0.981/GJ
Gas Cost Recovery..	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

RATE NO. 6	STANDBY, PEAKING, AND EMERGENCY SERVICE

Description:

Available only at the option of the Company.

Charges:

Demand Charge .... $ 0.240/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 24.247/Day
Default Supply Provider Administration Fee.................. $ 0.068/Day

Variable Energy Charge .... 1.3 times the Variable Base Charge of Rate No. 3 plus the greater of:
(a) 1.3 times the GCRR; or
(b) 1.3 times the actual cost of gas purchased

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

RATE NO. 10a	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10a customer subject to the terms and conditions specified in the contract.

Charges:

	Term 1 Year	2 Years	3 Years
Fixed Charge per Month	$ 250.00	$ 250.00	$ 250.00
Demand Charge per GJ of Billing Demand per Month........................	$ 1.418	$ 1.333	$ 1.248
Energy Charge per GJ................................	$ 0.019	$ 0.019	$ 0.019

a) The minimum monthly charge will be the fixed plus demand charge.

b) The Company and customer shall determine receipt and delivery locations for transportation service by consultation and agreement.

c) Service under Rate 10a is subject to available system capacity.

d) The Company reserves the right to restrict the amount of gas received and delivered up to the Contract Demand.

e) Billing demand will be the higher of: contracted demand, the greatest amount of gas (GJ) transported in any consecutive 24-hour period, during the current or the previous 11 months.

f) The rates do not include costs payable by the Customer for specific facilities at the point(s) of receipt or delivery provided by the Company for the Customer.

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RATE NO. 10b	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10b customer subject to the terms and conditions specified in the contract.

Charges:

Variable Energy Charge .... $ 0.085/GJ

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RATE NO. 10c	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10c customer subject to the terms and conditions specified in the contract.

Charges:

Demand Charge .... $ 0.020/Day/GJ of Billing Demand

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RATE NO. 11	SMALL GENERAL SERVICE FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base	$ 0.930/Day

Variable Energy Charge:

Base	$ 1.647/GJ
Third Party Transportation	Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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RATE NO. 12	LARGE GENERAL SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base .... $ 10.590/Day

Variable Energy Charge:

Base .... $ 1.082/GJ
Third Party Transportation .... Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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RATE NO. 13	DEMAND GENERAL SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Demand Charge .... $ 0.240/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 24.247/Day

Variable Energy Charge:

Base .... $ 0.025/GJ
Third Party Transportation .... Rate Rider “G”

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

RATE NO. 14	IRRIGATION PUMPING SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply. Available to retailers only for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

	April 1 to October 31
Fixed Charge:	
Base	$ 3.090/Day
Variable Energy Charge:	
Base	$ 0.981/GJ
Third Party Transportation	Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

SPECIAL CONTRACT RATE NO. 30	TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate No. 30 customer for the term and conditions specified in the contract.

Charges:

Fixed Charge .... $ 250.00/Month

Energy Charge… .... $ 0.230/GJ

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