



# AltaGas Utilities Inc.

2005-2006 General Rate Application  
Phase I Second Compliance Filing

Cost Awards

**ALBERTA ENERGY AND UTILITIES BOARD**

Utility Cost Order 2007-024: AltaGas Utilities Inc.

2005-2006 General Rate Application

Phase I Second Compliance Filing

Application No. 1474463

Cost Application No. 1488281

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# ALBERTA ENERGY AND UTILITIES BOARD

Calgary, Alberta

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2005-2006 General Rate Application  
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## 1 INTRODUCTION

On August 14, 2006, the Alberta Energy and Utilities Board (EUB or Board) received an application (Application or Second Compliance Filing) from AltaGas Utilities Inc. (AUI) regarding the Phase I portion of AUI's 2005/2006 General Rate Application (GRA). AUI submitted that the Application was necessary to finalize AUI's revenue requirement and rate base for the 2005 and 2006 test periods.

The Panel assigned to consider the matter consisted of R. G. Lock, P. Eng. (Presiding Member), Gordon J. Miller (Member), and M. L. Asgar-Deen, P. Eng. (Acting Member). On November 21, 2006 the Board issued Decision [2006-117](#), and on November 22, 2006 the Board issued Decision [2006-117 Errata](#).

On November 24, 2006, a summary of the costs being claimed was circulated to interested parties. Parties were advised that any comments regarding the figures listed in the summary or the merits of the total costs claimed were to be filed by December 8, 2006. The Board received comments from AUI. On December 22, 2006, the Board received a response to AUI's comments from the Municipal Gas Co-op Interveners (MGCI).

The Board considers the cost process to have closed on December 22, 2006.

## 2 VIEWS OF THE BOARD – Authority to Award Costs

The Board's authority to award costs is derived from section 68 of the *Public Utilities Board Act*, R.S.A. 2000, c. P-45, which states in part:

- (1) The costs of and incidental to any proceeding before the Board, except as otherwise provided for in this Act, are in the discretion of the Board, and may be fixed in any case at a sum certain or may be taxed.
- ...
- (3) The Board may order by whom or to whom any costs are to be paid, and by whom they are to be taxed and allowed.

When assessing a cost claim pursuant to section 68, the Board is guided by Part 5 of its *Rules of Practice*, [AR 101/2001](#) and by the principles and policies expressed in Directive 031B, *Guidelines for Utility Cost Claims (Directive 031B)*. Before exercising its discretion to award costs, the Board must consider the effectiveness of a participant's contribution to the process, its relevance to the issues, and whether the costs claimed are fair and reasonable in light of the scope and nature of the issues in question.

In the Board's view, the responsibility to contribute positively to the process is inherent in the choice to intervene in a proceeding. The Board expects that those who choose to participate will prepare and present a position that is reasonable in light of the issues arising in the proceeding and necessary for the determination of those issues. When determining a cost award, the Board will consider if the participant acted responsibly in the proceeding and contributed to a better understanding of the issues before the Board. To the extent reasonably possible, the Board will be mindful of participants' willingness to co-operate with the Board and other participants to promote an efficient and cost-effective proceeding.

As the costs of a utility proceeding are generally passed on to customers, it is the Board's duty to ensure that customers receive fair value for a party's contribution. As such, the Board only approves those costs that are reasonable and directly and necessarily related to the party's participation in the proceeding.

Various participants submitted cost claims totalling \$9,291.13 including actual GST of \$325.50 with respect to the Proceeding.

### **3 VIEWS OF THE PARTIES – Comments and Responses**

#### **3.1 AltaGas Utilities Inc. (AUI)**

AUI's concern regarding intervenor costs with respect to the issues of fixed capital overhead costs and calculation of the revenue deficiency is first raised in its Reply Argument of October 23, 2006. AUI emphasized that it did not require approval in the Second Compliance Filing to add back the fixed capital overhead costs as this treatment was already approved by the Board. AUI indicated that it included these amounts in the Second Compliance Filing simply to complete the record. As this issue had already been determined by the Board, AUI submitted that the Consumers Group's (CG) costs in relation to the issue should be dismissed.

On the issue of the calculation of the revenue deficiency, AUI states in its Reply Argument that the deficiency in the filing was accurate and identified how the CG/MGCI methodology and calculation was flawed. AUI concluded:

Given the above, AUI submits the CG/MGCI's argument be dismissed. The failure by the MGCI to recognize that AUI does not have uniform revenue throughout the year provides clear justification to the Board for denying the costs of MCGI in relation to this issue.

On November 24, 2006 the Board invited all interested parties to file comments regarding the cost claims that had been submitted. On December 8, 2006 AUI submitted the following.

AltaGas Utilities Inc. ("AUI" or the "Company") has received and reviewed the submissions of the intervenors. Despite comments from the MGCI, AUI submits the information provided by the Company was thorough and at a level of detail that allowed the Board and interested parties to properly assess the filing. The Company has nothing more to add to these comments and what AUI provided in Reply Argument on October 23, 2006.

### **3.2 Municipal Gas and Co-op Interveners (MGCI)**

MGCI is a member of the CG. The costs submissions were received specifically from MGCI. On November 22, 2006, MGCI responded to the comments made in AUI's Reply Argument regarding costs. With respect to the calculation of the revenue deficiency, MGCI stated that it never took issue with the correctness of the calculation, rather its concern was with what it perceived to be an incomplete information request response from AUI. MGCI stated that the purpose of its argument was to demonstrate that the response was not comprehensive and was not helpful. MGCI provided a detailed explanation of its position. This was summarized in its December 22, 2006 response to AUI's comments of November 24, 2006. MGCI's response provides a summary and review of MGCI's response to AUI's Reply Argument. MGCI did not comment on AUI's submission that MGCI should be denied costs for the fixed capitalized overheads issue.

## **4 VIEWS OF THE BOARD – Assessment**

### **4.1 Municipal Gas Co-op Interveners (MGCI)**

MGCI submits a cost claim totalling \$2,635.17. In addition to minor photocopying expenses and GST, the claim includes legal fees of \$1,412.50 incurred by Brownlee LLP and consulting fees of \$1,137.50 incurred by Garbutt Consulting Inc.

The Board has considered the comments of both AUI and MGCI.

With respect to fixed capitalized overheads, while the Board recognizes that the treatment of fixed capital overheads had already been approved by the Board, it does not consider that a cost reduction to MGCI is warranted in this case. In Decision 2006-117, the Board commented as follows:

The Board concurs with the CG that forecast capitalized overhead amounts directly related to denied projects should in most circumstances also be denied. However, AUI's practice of capitalizing a fixed percentage (35%) of administration and general expenses essentially removes any direct linkage between forecast capitalized overhead amounts and individual capital projects, thereby making adjustment to forecast capitalized overhead amounts due to project denial problematic.

...However, the Board is interested in understanding the overhead capitalization issue better and directs AUI to provide a study at its next GRA...

Given the direction by the Board for further information at AUI's next GRA, the Board considers that there was some merit to MGCI's argument regarding fixed capitalized overheads even though the treatment itself had previously been approved by the Board.

With respect to revenue deficiency calculations, the Board notes that AUI's application for the 2005/06 Phase I proceeding lacked detail and comprehensiveness, requiring the Board and interveners to rely heavily on the IR process. MGCI expressed concern regarding the level of detail and comprehensiveness of AUI's IR responses on the issue of revenue deficiency calculations. While the Board accepted AUI's calculation put forward in the Second Compliance Filing, the Board considers that MGCI was not without reason in questioning the fullness of

AUI's response on this issue. As a result, the Board does not consider that a cost reduction is warranted for this issue. The Board approves the cost claim of MGCI.

#### **4.2 Remaining Participants**

The Board has reviewed the costs submitted by the remaining participants, bearing in mind the principles specified in the Board's *Scale of Costs* set out in Appendix C to [Directive 031B](#). The Board finds that the participation of the interveners was, for the most part, effective and of assistance in reviewing the Application. The Board notes the scope and complexity of the issues before it and the extent of the examination thereof. The Board also notes that the claims for professional fees and other claims were in accordance with the *Scale of Costs*. Accordingly, the Board considers the claims for fees, disbursements, and applicable GST for the remaining participants to be reasonable the claims are approved in full.

#### **5 GST**

In accordance with the Board's treatment of the GST on cost awards, AUI is required to pay only that portion of the GST paid by interveners that may not be recoverable through the GST credit mechanism, accordingly where parties are eligible for a GST credit the Board has reduced this particular portion of their claim. Eligible GST approved by the Board amounts to \$325.20 as shown in column (g) of [Appendix A](#). The GST allowed by the Board may also be charged against AUI's Hearing Cost Reserve Account.

The Board emphasizes that its treatment of the GST claimed in no way relieves participants or their lawyers and consultants from their GST obligations pursuant to the *Excise Tax Act*, R.S.C. 1985, c. E-15.

#### **6 ORDER**

IT IS HEREBY ORDERED:

1. AltaGas Utilities Inc. shall pay intervener costs in the amount of \$6,643.55, as set out in column (h) of [Appendix A](#).
2. AltaGas Utilities Inc.'s external costs in the amount of \$2,647.58, as set out in column (h) of [Appendix A](#), are approved.
3. AltaGas Utilities Inc. shall record in its Hearing Cost Reserve Account the allowed external applicant and intervener costs in the amount of \$9,291.13, as set out in column (h) of [Appendix A](#).

Dated in Calgary, Alberta on this 15<sup>th</sup> day of March, 2007.

#### **ALBERTA ENERGY AND UTILITIES BOARD**

<Original Signed by Thomas McGee>

Thomas McGee  
Board Member



## **APPENDIX A – SUMMARY OF COSTS CLAIMED AND AWARDED**



Appendix A

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**AltaGas  
2005-2006 GRA, Phase I 2nd Compliance Filing (1474463)**

**Costs Claimed and Awarded**

**Cost Application No. 1488281**

	Total Fees Claimed (a)	Total Expenses Claimed (b)	Total GST Claimed (c)	Total Amount Claimed (d)	Total Fees Awarded (e)	Total Expenses Awarded (f)	Total GST Awarded (g)	Total Amount Awarded (h)
<b>APPLICANT</b>								
AltaGas Utilities Inc.								
MacPherson Leslie & Tymeman LLP	\$2,640.00	\$7.58	\$0.00	\$2,647.58	\$2,640.00	\$7.58	\$0.00	\$2,647.58
Sub-Total	\$2,640.00	\$7.58	\$0.00	\$2,647.58	\$2,640.00	\$7.58	\$0.00	\$2,647.58
<b>INTERVENERS</b>								
<b>Alberta Urban Municipalities Association</b>								
Bryan & Company	\$525.00	\$4.20	\$31.75	\$560.95	\$525.00	\$4.20	\$31.75	\$560.95
Robert L. Bruggeman Regulatory Consulting Ltd.	\$1,793.75	\$10.00	\$108.23	\$1,911.98	\$1,793.75	\$10.00	\$108.23	\$1,911.98
Sub-Total	\$2,318.75	\$14.20	\$139.98	\$2,472.93	\$2,318.75	\$14.20	\$139.98	\$2,472.93
<b>Consumers' Coalition of Alberta</b>								
Professional Regulatory Services, Inc.	\$1,435.00	\$0.00	\$100.45	\$1,535.45	\$1,435.00	\$0.00	\$100.45	\$1,535.45
Sub-Total	\$1,435.00	\$0.00	\$100.45	\$1,535.45	\$1,435.00	\$0.00	\$100.45	\$1,535.45
<b>Municipal and Gas Co-op Intervenors</b>								
Brownlee LLP	\$1,412.50	\$0.40	\$16.52	\$1,429.42	\$1,412.50	\$0.40	\$16.52	\$1,429.42
Garbutt Consulting Inc.	\$1,137.50	\$0.00	\$68.25	\$1,205.75	\$1,137.50	\$0.00	\$68.25	\$1,205.75
Sub-Total	\$2,550.00	\$0.40	\$84.77	\$2,635.17	\$2,550.00	\$0.40	\$84.77	\$2,635.17
<b>TOTAL INTERVENER COSTS</b>								
	\$6,303.75	\$14.60	\$325.20	\$6,643.55	\$6,303.75	\$14.60	\$325.20	\$6,643.55
<b>TOTAL INTERVENER AND APPLICANT COSTS</b>								
	\$8,943.75	\$22.18	\$325.20	\$9,291.13	\$8,943.75	\$22.18	\$325.20	\$9,291.13