



## ATCO Gas

2003-2004 General Rate Application Phase II  
Cost of Service Study Methodology and  
Rate Design

Topic 5 (Withdrawn)  
One Revenue Requirement with Separate  
Rate Zones

Cost Awards

**ALBERTA ENERGY AND UTILITIES BOARD**

Utility Cost Order 2007-042: ATCO Gas  
2003-2004 General Rate Application – Phase II  
Cost of Service Study Methodology and Rate Design  
2005-2007 General Rate Application Phase II  
Application No. 1475249  
Cost Application No. 1487866

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# ALBERTA ENERGY AND UTILITIES BOARD

Calgary, Alberta

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## ATCO Gas

**2003-2004 General Rate Application Phase II  
COSS Methodology and Rate Design  
2005-2007 General Rate Application Phase II**

**Utility Cost Order 2007-042  
Application No. 1475249  
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## 1 INTRODUCTION

The Alberta Energy and Utilities Board (EUB or Board) received an application from ATCO Gas (AG) on August 31, 2005 for the approval of a 2003-2004 General Rate Application (GRA) Phase II, (the Original Application), being Application No. 1416346.

The Board separated the Original Application into 5 topics. A summary of the disposition of the 5 topics is provided below.

Topic 1	Final approval of 2003 and 2004 rates	Decision <a href="#">2006-062</a>
Topic 2	Transmission Service Charge Rider	Decision <a href="#">2006-083</a>
Topic 3	Terms and Conditions of Service	Decision <a href="#">2006-075</a>
Topic 4	Concepts and Principles for the 2005-2007 GRA Phase II	Decision <a href="#">2007-026</a>
Topic 5	One Revenue Requirement with Separate Rate Zones	Withdrawn

The Board has considered the costs related to Topics 1 through 4 in previous Cost Orders, as shown below.

Topic 1      Utility Cost Order [2006-047](#)  
Topic 2      Utility Cost Order [2007-037](#)  
Topic 3      Utility Cost Order [2006-059](#)  
Topic 4      Utility Cost Order 2007-041

This Cost Order will consider the costs incurred for Topic 5.

On December 20, 2006 the Board received an application from AG addressing its proposal for Topic 5. The City of Calgary filed a Motion with the Board to either reject or suspend the Topic 5 application pending issuance of the Board's decision on Topic 4. AG subsequently requested the Board's approval to withdraw Topic 5. AG submitted that it would be more efficient and cost effective to address the matter within the AG 2008/2009 GRA. By way of letter dated February 22, 2007, the Board accepted AG's request to withdraw Topic 5.

By way of letter dated March 1, 2007, the EUB advised interested parties to file a cost claim for Topic 5 by March 26, 2007.

On March 29, 2007, a summary of the costs being claimed for Topic 5 was circulated to interested parties. Parties were advised that any comments regarding the figures listed in the summaries or the merits of the total costs claimed were to be filed by April 12, 2007. The Board did not receive any comments. Accordingly, the Board considers, for the purposes of this Cost Order, the cost process to have closed on April 12, 2007.

## 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 \$23,510.63 including actual GST of \$639.26 with respect to Topic 5. The claimants have allocated their cost claims among ATCO Gas North (AGN) and ATCO Gas South (AGS). A summary of the claims is available in Appendix A for AGN and Appendix B for AGS.

## 3 VIEWS OF THE PARTIES

While the Board accepted AG's proposal to withdraw the Topic 5 Application, the Board did note some concerns with respect to inefficiencies and related cost implications. In its letter of February 22, 2007, the Board provided the following.

- (a) the process has engaged time and resources of the Board and parties to an extent that might have been avoided had ATCO's proposal to move Topic 5 into the next GRA been adopted initially; and
- (b) the objections to the Application and the need for an extensive review process could possibly have been anticipated and perhaps could have been made more apparent had a workshop been held prior to the filing of the Application.

However, the Board recognizes that ATCO has on several occasions tried to advance its proposal for a single revenue requirement and has had to postpone consideration of the issue in order to expedite the proceedings.

Accordingly, the Board invites ATCO Gas and interveners, when making their respective cost submissions, to provide their views on the appropriate allocation of costs for this Application.

The Board received comments specific to these concerns from the following parties.

- Alberta Irrigation Projects Association (AIPA)
- Alberta Urban Municipalities Association and City of Edmonton (AUMA/EDM)
- City of Calgary (Calgary)
- AG

The comments were provided in each party's Statement of Justification, all of which are dated March 26, 2007.

AIPA submits that the AG shareholders should bear all or the majority of the costs incurred for Topic 5. It was AG's decision to file the Topic 5 Application without following the initially proposed workshop process, and then withdrew the matter. AIPA submits that if the collaborative process for Topics 1 through 4 was continued as established, the process may have identified problematic issues early on in the process; preventing the filing of the Topic 5 Application and minimizing, if not avoiding, related costs.

AUMA/EDM also submit that AG shareholders should bear all or the majority of the costs incurred for Topic 5. AUMA/EDM is of the view that the Topic 5 Application was filed prematurely, provided for inefficiencies where Topic 4 and Topic 5 overlapped, and the timing of Topic 5 compromised interveners' ability to properly deal with Topic 4. AUMA/EDM further submits that there does not appear to be any evidence that Topic 5 could not have been completed by the last quarter of 2007, which would have enabled AG to incorporate the Topic 5 results into its 2008-2009 GRA. AUMA/EDM references the following from AG's withdrawal letter of February 16, 2007.

The holding of a separate process for the Topic 5 Application will result in costs that could be avoided to some extent if the Application was considered as part of another regulatory process such as the 2008/2009 GRA.

Calgary did not comment on the allocation of costs; however it does submit that the Topic 5 Application was a result of AG's actions. In addition, the Motion filed by Calgary was due to AG's decision to separate issues from Topic 4.

AG also responded to the Board's concerns. With respect to the first concern raised by the Board, "*the process has engaged time and resources... that might have been avoided had ATCO's proposal to move Topic 5 into the next GRA been adopted initially;*" AG references the following from its Topic 4 application dated August 18, 2006.

...the effect of the Board's decision on this matter [Topic 5] would be implemented at the time of the next Phase I and Phase II filings of ATCO Gas.

AG submits that parties have misinterpreted this reference to mean that AG intended to deal with Topic 5 **in** [*emphasis provided*] its next GRA, rather than prior to its next GRA. AG clarifies that it was AG's intention to deal with Topic 5 **prior** [*emphasis provided*] to its next GRA. AG further submits that it had postponed Topic 5 in the interest of obtaining new rates for 2007, a goal AG was led to believe was important to all parties. For these reasons, AG submits that it should not be penalized for filing the Topic 5 Application when it did.

With respect to the Board's second concern, that "*the objections to the Application and the need for an extensive review process could possibly have been anticipated and perhaps could have been made more apparent had a workshop been held prior to the filing of the Application.*" AG submits that in its Topic 4 application, it did indicate its intention to make use of the workshop approach to deal with Topic 5. Subsequently, on August 25, 2006, Calgary submitted a letter providing its views with respect to the Topic 4 workshop process. AG references the following from Calgary's letter.

Calgary submits that the Topic 4 exercise was a complete waste of time and effort.

Taking into account the historical reviews of combining north and south, as well as Calgary's position on the value of workshops, AG did not view that a workshop was necessary or would be beneficial to Topic 5. Further, AG provides the following discussion with respect to the value of having held a workshop.

Even if ATCO Gas had made use of a workshop process for the Topic 5 Application, the position taken by Calgary in its Motion was that the Application should not be dealt with until a decision on the Topic 4 Application was released and further that the matter needed to be dealt with in a much more complicated manner. In this regard, Calgary indicated that it "*may require up to 4 months just to prepare information requests to AG on the Topic 5 Application as currently filed.*" With respect, ATCO Gas does not believe that a workshop would have changed Calgary's position on these matters and as such, is puzzled by what benefit the Board views may have been obtained through the use of a workshop in the circumstances. ATCO Gas believes the outcome would have been the same, only with additional delay and cost due to the holding of a workshop.

AG is concerned by the apparent position that the Board is taking, such that if an intervener files a Motion against an application, the utility is responsible for not anticipating it and is at risk for any costs incurred a result of the Motion. In the current circumstance, AG is of the view that Calgary filed the Motion with the intention of delaying the proceeding.

AG requests that the costs incurred by AG, and the costs approved for interveners, be charged against the AG hearing accounts for north and south.



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

The Board has reviewed the costs being claimed by the various participants. The Board acknowledges that no party has claimed costs in excess of the Scale of Costs. The Board also recognizes that the disbursement claims are minimal and are also within the prescribed Scale of Costs.

The Board has reviewed the accounts submitted with each cost claim and finds that the participants incurred a reasonable amount of hours to review the Topic 5 Application, consider Calgary's Motion, and review intervener comments. The Board does not find that any of the participants have submitted a claim for unreasonable costs. Therefore the Board approves the cost claims for fees and disbursements in full. GST is approved for each claimant in accordance with section 6 below.

#### **5 VIEWS OF THE BOARD – Treatment of Approved Costs**

The Board has reviewed and considered the comments from parties, and appreciates that AIPA, AUMA/EDM, Calgary, and AG took the time to address the Board's concerns. While the Board has indicated some sympathy for AG's several efforts to advance Topic 5 matters, the Board continues to have reservations concerning the efficiency of the process finally adopted by AG in the Topic 5 Application.

In Application No. 1416346, submitted on August 18, 2006, AG had clearly indicated how it intended to advance Topic 5 when it stated at page 14:

Once again, in the interest of allowing ATCO Gas to implement new rates as early as possible, ATCO Gas recommends that this matter be addressed as a new topic (Topic 5) in the current Application, distinct from the determination of the 2007 Cost of Service Study and final rates. ATCO Gas proposes that it would develop a "filing" related to this new Topic 5, and would then continue to use the information workshop approach to address additional information requirements for the Topic. The effect of the Board's decision on this matter would be implemented at the time of the next Phase I and Phase II filings of ATCO Gas.

The proposal to submit a "filing" and continue with workshops was accepted by the Board as noted in its letter of October 26, 2007 which stated the following:

...However, ATCO Gas recommended that the alternative concept of approving one revenue requirement for ATCO Gas in total, and using the Cost of Service Study methodology to develop distinct rates for the north and the south be addressed as a new workshop topic, Topic 5, for which ATCO Gas proposed to develop an information filing for discussion with parties. ATCO Gas considered that the Board would deal with the outcome of Topic 5 at the time of the next Phase I and Phase II filing for ATCO Gas. The Board considers that examining this alternative through a workshop approach would be worthwhile.

Given the understanding by the Board that an "information filing", "workshop approach", and "using the Cost of Service Study methodology to develop distinct rates for north and south" would be key components to advancing Topic 5, it was a surprise to the Board that AG proposed to abandon the workshop format without apparent consultation with parties.

When the Board sent out its letter of December 22, 2006 following AG's submission of Topic 5, the Board noted that "[w]hile the Board had understood a workshop process was intended to explore this topic and appreciates the positive aspects of the workshops, it assumes that ATCO Gas has assessed and balanced the benefits in this case."

The event of Calgary's Motion and comments from interveners, which ultimately lead to AG withdrawing the application, indicates that substantial time and cost savings would likely have resulted had AG consulted parties about the nature of its application, timing issues with respect to upcoming GRA filings and the outstanding Phase II decision, and its changed position with respect to the workshop process prior to filing its application.

For the foregoing reasons, the Board agrees with interveners that the AG shareholders should be responsible for a portion of the approved costs; however it does find it appropriate for the shareholders to bear the majority of the approved costs. Therefore, the Board directs that the AG shareholders be responsible for 25% of the approved intervener costs, being \$4,873.22, the remaining costs approved for interveners may be recorded in the AGN and AGS hearing cost reserve accounts, being \$1,759.64 and \$12,860.03, respectively. In addition, the costs approved for AG may be recorded in the AGN and AGS hearing cost reserve accounts, being \$1,790.55 each.

The Board fully appreciates that the costs at stake in this matter are relatively minimal, and the process to deal with them relatively extensive. However, the Board considers it important to reinforce the underlying principle of ensuring efficient participation in the Board's processes by all participants, including applicants.

## **6 GST**

In accordance with the Board's treatment of the GST on cost awards, AGN and AGS are 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 \$105.68 with respect to AGN and \$96.93 with respect to AGS.

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.

## **7 ORDER**

IT IS HEREBY ORDERED:

1. ATCO Gas North shall pay intervener costs in the amount of \$2,346.18, as set out in column (h) of [Appendix A](#).
2. External costs for ATCO Gas North are approved in the amount of \$1,790.55, as set out in column (h) of [Appendix A](#).

3. ATCO Gas North shall record in its Hearing Cost Reserve Account, 75% of the approved intervener costs, being \$1,759.64, and the approved external costs of \$1,790.55, for a total of \$3,550.19.
4. ATCO Gas South shall pay intervener costs in the amount of \$17,146.70, as set out in column (h) of [Appendix B](#).
5. External costs for ATCO Gas South are approved in the amount of \$1,790.55, as set out in column (h) of Appendix B.
6. ATCO Gas South shall record in its Hearing Cost Reserve Account, 75% of the approved intervener costs, being \$12,860.03, and the approved external costs of \$1,790.55, for a total of \$14,650.58.
7. The shareholders of ATCO Gas shall bear 25% of the approved intervener costs, being \$4,873.22.
8. The costs borne by the shareholders shall not form the basis of or be included in any way into forecasts used to apply for rate increases.

Dated in Calgary, Alberta on this 3rd day of July, 2007.

## **ALBERTA ENERGY AND UTILITIES BOARD**

*Original Signed by Thomas McGee*

Thomas McGee  
Board Member

**APPENDIX A – Summary of Costs Claimed and Awarded (AGN)**



Appendix A (AGN)

**APPENDIX B – Summary of Costs Claimed and Awarded (AGS)**



Appendix B (AGS)

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AGN  
03-04 GRA Phase II  
Topic 5  
(1487866)

Costs Claimed and Awarded

Cost No. 1487866

	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>								
ATCO Gas North								
Bennett Jones LLP	\$1,787.50	\$3.05	\$0.00	\$1,790.55	\$1,787.50	\$3.05	\$0.00	\$1,790.55
Sub-Total	\$1,787.50	\$3.05	\$0.00	\$1,790.55	\$1,787.50	\$3.05	\$0.00	\$1,790.55
<b>INTERVENERS</b>								
Alberta Urban Municipalities Association/City of Edmonton								
Bryan & Company	\$237.50	\$0.00	\$14.25	\$251.75	\$237.50	\$0.00	\$14.25	\$251.75
Robert Bruggeman Regulatory Consulting Ltd.	\$498.75	\$4.25	\$30.18	\$533.18	\$498.75	\$4.25	\$30.18	\$533.18
Sub-Total	\$736.25	\$4.25	\$44.43	\$784.93	\$736.25	\$4.25	\$44.43	\$784.93
Consumers' Coalition of Alberta								
Professional Regulatory Services, Inc.	\$875.00	\$0.00	\$61.25	\$936.25	\$875.00	\$0.00	\$61.25	\$936.25
Sub-Total	\$875.00	\$0.00	\$61.25	\$936.25	\$875.00	\$0.00	\$61.25	\$936.25
Rate 13 Group								
Lawson Lundell LLP	\$625.00	\$0.00	\$0.00	\$625.00	\$625.00	\$0.00	\$0.00	\$625.00
Sub-Total	\$625.00	\$0.00	\$0.00	\$625.00	\$625.00	\$0.00	\$0.00	\$625.00
TOTAL INTERVENER COSTS	\$2,236.25	\$4.25	\$105.68	\$2,346.18	\$2,236.25	\$4.25	\$105.68	\$2,346.18
TOTAL INTERVENER AND APPLICANT COSTS	\$4,023.75	\$7.30	\$105.68	\$4,136.73	\$4,023.75	\$7.30	\$105.68	\$4,136.73

AGS  
03-04 GRA Phase II  
Topic 5  
(1487866)

Costs Claimed and Awarded  
Cost No. 1487866

	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>								
ATCO Gas South								
Bennett Jones LLP	\$1,787.50	\$3.05	\$0.00	\$1,790.55	\$1,787.50	\$3.05	\$0.00	\$1,790.55
Sub-Total	\$1,787.50	\$3.05	\$0.00	\$1,790.55	\$1,787.50	\$3.05	\$0.00	\$1,790.55
<b>INTERVENERS</b>								
Alberta Irrigation Projects Association								
Unryn & Associates Ltd.	\$2,574.00	\$0.00	\$0.00	\$2,574.00	\$2,574.00	\$0.00	\$0.00	\$2,574.00
Sub-Total	\$2,574.00	\$0.00	\$0.00	\$2,574.00	\$2,574.00	\$0.00	\$0.00	\$2,574.00
Alberta Urban Municipalities Association/City of Edmonton								
Bryan & Company	\$237.50	\$0.00	\$14.25	\$251.75	\$237.50	\$0.00	\$14.25	\$251.75
Robert Bruggeman Regulatory Consulting Ltd.	\$498.75	\$4.25	\$30.18	\$533.18	\$498.75	\$4.25	\$30.18	\$533.18
Sub-Total	\$736.25	\$4.25	\$44.43	\$784.93	\$736.25	\$4.25	\$44.43	\$784.93
The City of Calgary								
Energy Group Inc.	\$4,957.75	\$0.00	\$0.00	\$4,957.75	\$4,957.75	\$0.00	\$0.00	\$4,957.75
McLennan Ross LLP	\$7,277.00	\$0.52	\$436.65	\$7,714.17	\$7,277.00	\$0.52	\$0.00	\$7,277.52
Sub-Total	\$12,234.75	\$0.52	\$436.65	\$12,671.92	\$12,234.75	\$0.52	\$0.00	\$12,235.27
Consumers' Coalition of Alberta								
Professional Regulatory Services, Inc.	\$875.00	\$0.00	\$52.50	\$927.50	\$875.00	\$0.00	\$52.50	\$927.50
Sub-Total	\$875.00	\$0.00	\$52.50	\$927.50	\$875.00	\$0.00	\$52.50	\$927.50
Rate 13 Group								
Lawson Lundell LLP	\$625.00	\$0.00	\$0.00	\$625.00	\$625.00	\$0.00	\$0.00	\$625.00
Sub-Total	\$625.00	\$0.00	\$0.00	\$625.00	\$625.00	\$0.00	\$0.00	\$625.00
<b>TOTAL INTERVENER COSTS</b>	<b>\$17,045.00</b>	<b>\$4.77</b>	<b>\$533.58</b>	<b>\$17,583.35</b>	<b>\$17,045.00</b>	<b>\$4.77</b>	<b>\$96.93</b>	<b>\$17,146.70</b>
<b>TOTAL INTERVENER AND APPLICANT COSTS</b>	<b>\$18,832.50</b>	<b>\$7.82</b>	<b>\$533.58</b>	<b>\$19,373.90</b>	<b>\$18,832.50</b>	<b>\$7.82</b>	<b>\$96.93</b>	<b>\$18,937.25</b>