


<p>MADE at the City of Calgary, in the Province of Alberta, on 21st day of February 2006.</p>	 ALBERTA ENERGY AND UTILITIES BOARD
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<p>AltaGas Utilities Inc. Interim Refundable Rates and 2005 Deficiency Rider Application</p>	<p>Application No. 1436060</p>
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1 INTRODUCTION

On December 16, 2005, AltaGas Utilities Inc. (AUI) filed an application (Application No. 1436060) with the Alberta Energy and Utilities Board (the Board) requesting approval of interim refundable rates and a 2005 deficiency rider effective March 1, 2006. AUI indicated that based on information contained in AUI’s December 16, 2005 compliance filing (Application 1436063) related to its 2005/2006 Phase I GRA (Decision 2005-127), forecast 2005 and 2006 revenue deficiencies before tax at existing rates were \$3,478,311 and \$3,142,550, respectively. AUI proposed a one-time collection rider to recover the 2005 revenue deficiency in March, 2006. Interim rates effective March 1, 2006 would also give the Company an opportunity to recover a portion of the 2006 revenue deficiency in a timely manner.

Parties were invited to register their objections or support for the Application by January 19, 2006. On January 19, 2006, the Board received a letter from the CG which indicated that it did not oppose AUI’s requested interim rates but suggested that the 2005 shortfall of \$3.5 million to be recovered through a deficiency rider be collected over a minimum 3-month period. On January 30, 2006, AUI filed a response to the Board with regards to the CG’s submission. The Board considered the record with respect to the Application to be closed on January 30, 2006.

2 PARTICULARS OF THE APPLICATION

AUI proposed a simplified approach to the interim rate adjustment by applying a general percentage increase to the fixed, base energy, and demand charges for the various rate classes. The percentage adjustment was based on the 2006 revenue deficiency, as provided in AUI’s December 16, 2005 compliance filing:

2006 revenue (excluding COG) (\$) per the compliance filing	\$28,856,832
2006 revenue deficiency (\$) per compliance filing	\$3,142,550
2006 revenue deficiency as a percentage	10.890%

AUI also requested Board approval to convert from monthly fixed charges and monthly demand charges to daily rates, effective March 1, 2006. AUI indicated that this change would:

- a. Simplify the understanding of how the fixed charge is calculated for customers billed by the utility and retailer-supplied customers;
- b. Set up rates that will be conducive to the Tariff Billing Code; and
- c. Align rates with the other major natural gas distribution utility-ATCO Gas (Order U2005-371, ATCO Gas and ATCO Electric Daily Fixed and Demand Charges).

AUI indicated that it had not completed a full assessment to ensure its billing system could accommodate this change by the proposed March 1, 2006 effective date. AUI proposed to update the Board to confirm whether it could complete conversions in time for a March 1, 2006 implementation date, or need to be deferred to a subsequent billing period.

AUI submitted that it would provide the Board with a numeric reconciliation of the over or under collected revenues based on final approved versus existing rates using final approved billing determinants within a reasonable time after the final rates have been approved, with disposition of the residual to be administered in the next GRA.

On January 16, 2006, AUI filed an update to its original application. In the original filing, AUI indicated it had inadvertently rounded the proposed daily rates to only two decimal places instead of three. The revised interim rates, rounded to three decimal places are shown in the tables below.

Table 1: Calculation of the Daily Base Fixed Charge

	Proposed Monthly Base Fixed Charge		
Rate	(\$/mo.)	Times 12	Divided by 365
1/11	\$15.36	\$184.32	\$0.505
2/12	\$275.67	\$3,308.04	\$9.063
3/13	\$414.29	\$4,971.48	\$13.620
4/14	\$32.82	\$393.84	\$1.079

Table 2: Calculation of the Daily Customer Care Fixed Charge

	Proposed Monthly Base Fixed Charge		
Rate	(\$/mo.)	Times 12	Divided by 365
1	\$1.55	\$18.60	\$0.051
2	\$1.55	\$18.60	\$0.051
3	\$1.55	\$18.60	\$0.051
4	\$1.55	\$18.60	\$0.051

Table 3: Calculation of the Daily Demand Charge

	Proposed Monthly Demand Charge (\$/GJ Billing)		
Rate	(Demand/Mo.)	Times 12	Divided by 365
1	N/A	N/A	N/A
2	N/A	N/A	N/A
3	\$5.156	\$61.872	\$0.170
4	N/A	N/A	N/A

All other aspects regarding the implementation of daily fixed charges and demand charges remained unchanged from the original filing.

AUI also completed the assessment of its billing system. Based on the estimated time required to make the necessary modifications, AUI confirmed that the conversion would be ready for a March 1, 2006 implementation date.

2.1 2005 Revenue Deficiency Rider

AUI's December 16, 2005 compliance filing contained a forecast 2005 revenue deficiency before tax of \$3.478 million. None of the 2005 revenue deficiency has been collected. The charge would be applied to AUI's sales, buy-sell, and transportation end-use customers as a one-time charge on bills processed in March 2006 billing cycles. The funds would be applied to each account based on billed revenues, excluding gas charges, on statements processed in the January 2005 through December 2005 billing cycles.

AUI proposed that these revenue amounts be replaced with actual 2005 billed revenues as well as the final approved 2005 revenue deficiency, when it is available. AUI would provide the final calculated rates for the Board's acknowledgement. AUI submitted that the difference between the amounts collected and the final 2005 revenue deficiency can be addressed at the next GRA. A numeric reconciliation would be filed with the Board by the later of either July 31, 2006 or one month after the determination of the final 2005 revenue deficiency. AUI indicated that it would defer filing a 2006 deficiency rider until after the 2005 deficiency rider has been implemented.

2005 deficiency per compliance filing	\$3,478,311
2005 actual billed revenue *	28,212,728
2005 deficiency rider (%) *	12.329%

* Placeholder until 2005 reconciliation

3 VIEWS OF THE BOARD

The Board notes that the CG did not oppose the requested interim rates. However, with respect to the 2005 shortfall which was based on AUI's 2005/2006 Compliance Filing, the CG noted that AUI is seeking to recover the entire shortfall of \$3.5 million through the March 2006 billings.

For a residential customer that translates to an extra \$42 on the March bill.¹ The CG submitted that spreading it out over a 3-month period or longer would mitigate the impact of that amount.

AUI disagreed with the CG's suggestion that recovery over three months results in a timely recovery. In March 2003, by way of Decision 2003-024, the Board approved a onetime refund that coincidentally, was close to the dollars amount contemplated in this filing. AUI noted that Decision 2003-024 credits the one-time method proposed by the Company as "expedient" and "a cost effective means" to administer the funds. AUI submitted the same holds true for this application. Further, extending the collection period of the deficiency would add costs related to Billing system modifications and process changes, administration, and calls to the Customer Care Center on the proposed one-time rider. AUI did not disagree that the amount of the deficiency rider is significant. AUI submitted that the materiality of the deficiency rider is reasonable when viewed in the context of the total bill to customers. If it is determined that the collection of the deficiency should span a time period of greater than one month, AUI submitted that carrying costs are required to compensate for the delay in collections.

Although the Board indicated in Decision 2003-024 that AUI's proposed one-time credit rider for revenue excesses associated with AUI's 2000/2001/2002 Phase I GRA offered an expedient and cost effective means for returning the excess revenues to customers, the Board also took note that interveners supported AUI's proposed methodology. The Board does not find this case to be determinative of the appropriate treatment for this application. The Board considers that a deficiency rider could potentially lead to rate shock to customers. Under the Board's public interest mandate, the Board must balance any increased costs to customers against any perceived administrative efficiencies gained from a one-time rider. With regards to AUI's 2005 deficiency rider, the Board concurs with the CG's submission that spreading out the deficiency rider over a 3-month period would mitigate the impact on customers. While AUI submitted there would be added administration and billing process costs, the Board is not persuaded that these would be materially impacted by moving from a one month to a three month collection period.

The Board however is prepared to include carrying costs on the balance of the deficiency rider for the extended two month period of the deficiency rider beyond AUI's proposed one-time rider at the Bank of Canada rate plus 1.5% as per Information Letter 2000-1, in recognition that customers have benefited from lower rates in 2005 and that AUI's collection of its approved revenue requirement for 2005 is further protracted. The Board accepts AUI's proposal that the rider would be applied to each account based on billed revenues, excluding gas charges, on statements processed in the January 2005 through December 2005 billing cycles. The Board therefore approves AUI's deficiency rider to be collected from customers over a three-month period effective March 1, 2006, with carrying costs applied over the final two months at a rate of 5.25% based on the Bank of Canada's Bank Rate of 3.75%, dated February 13, 2006.

With regards to AUI's 2006 interim rates proposal, the Board notes that no parties opposed the proposal, nor the conversion from monthly fixed charges and monthly demand charges to daily rates, effective March 1, 2006. The Board concurs with AUI's proposed interim rates and conversion from monthly to daily rates, and finds the interim rates proposed to be reasonable. The Board therefore approves AUI's interim rates for 2006, effective March 1, 2006.

¹ CG submission dated January 19, 2006, p. 1 and Attachment

The Board expects AUI, as it proposed, to provide a reconciliation for its 2005 deficiency rider by the latter of either July 31, 2006 or one month after the determination of the final 2005 revenue deficiency. AUI is also to provide a numeric reconciliation for 2006 interim rates of the over or under collected revenues based on final approved versus interim rates using final approved billing determinants within a reasonable time after the final rates have been approved, with disposition of the residual to be administered in the next GRA.

4 ORDER

IT IS HEREBY ORDERED THAT:

- (1) AltaGas Utilities Inc.'s interim rates are approved as filed, effective March 1, 2006.
- (2) AltaGas Utilities Inc.'s deficiency rider collected over a three month period is approved with an allowance for carrying costs for the two additional months at a rate of 5.25%, effective March 1, 2006.
- (3) AltaGas Utilities Inc is directed to provide a numeric reconciliation for its 2005 deficiency rider by the later of either July 31, 2006 or one month after the determination of the final 2005 revenue deficiency.
- (4) AltaGas Utilities Inc is directed to provide a numeric reconciliation for 2006 interim rates of the over or under collected revenues based on final approved versus interim rates using final approved billing determinants within a reasonable time after the final rates have been approved, with disposition of the residual to be administered in the next GRA.

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