


MADE at the City of Calgary, in the Province of Alberta, on 20th day of December 2006.	 ALBERTA ENERGY AND UTILITIES BOARD
ATCO Gas South January 1, 2007 Interim Rates	Application No. 1485543

1 INTRODUCTION

ATCO Gas filed an application (the Application), dated November 6, 2006, with the Alberta Energy and Utilities Board (EUB or the Board) requesting approval of Interim Rates for ATCO Gas South (AGS) effective January 1, 2007. ATCO Gas submitted that the Application was made in response to a Board letter dated October 26, 2006 which dealt with the ATCO Gas Phase II Application (Application No. 1475249), wherein the Board provided the following direction to ATCO Gas:

Given that a Board decision will not be issued prior to the end of the year, the Board has considered PICA’s recommendation to implement new interim rates effective January 1, 2007. The Board notes that it made rate adjustments between rate classes effective August 1, 2006 in Decision 2006-078. A Board decision in the spring of 2007 will likely result in subsequent rate adjustments. With regard to considering further rate adjustments among rate classes effective on January 1, 2007, the Board anticipates that some additional process would be necessary during an already busy regulatory period in order to examine such an interim rate application. The Board is also concerned regarding any appearance of a predisposition inherent in an interim Phase II decision. Given all the circumstances, the Board will not be initiating a process to further consider an adjustment to the existing interim rates or riders in relation to cost allocations among customer rate classes. However, the Board notes that in relation to recovering revenue requirements, ATCO Gas has proposed¹ to make an application for the South as the existing Rider J ends on December 31, 2006 and would warrant continuation at an adjusted level.

ATCO Gas noted that the existing Rider J and Rider K for AGS will both end on December 31, 2006. Rider J was implemented on July 31, 2006 in Decision 2006-064 and was subsequently updated in Decision 2006-078 to allow AGS to recover its approved revenue requirements. Rider K was implemented in Decision 2006-078 to recover cost reallocations among customer classes for the period of time from January 1, 2005 until July 31, 2006.

ATCO Gas indicated that the proposed Interim Rates on an annualized basis would allow AGS to recover a revenue requirement for rate purposes (revenue requirement) of \$201.268 million, based on its second 2005-2007 GRA Phase I compliance filing, Application No. 1478363 submitted on September 11, 2006 (Second Compliance Filing), thereby preventing the

¹ Reference Application 1478363 ATCO Gas 2005-2007 GRA Phase II Second Compliance submission of October 11, 2006

accumulation of a partial annualized shortfall of \$4.883 million until the Final Rates are approved.

ATCO Gas requested Board approval of the proposed Interim Rates on an interim refundable basis by December 21, 2006 in order to facilitate implementation on January 1, 2007.

The following parties registered as interveners in this proceeding:

Alberta Irrigation Projects Association (AIPA)
Alberta Urban Municipalities Association (AUMA)
City of Calgary (Calgary)
Consumers' Coalition of Alberta (CCA)
First Nations

The Board established a written process to deal with the Application. The Board requested comments from interested parties on the proposed AGS Interim Rates by November 28, 2006, with reply comments from ATCO Gas by December 1, 2006. ATCO Gas filed minor amendments to the Application on December 4 and December 8, 2006. For the purpose of this proceeding, the Board considers that the record closed on December 8, 2006.

2 THE INTERIM RATE APPLICATION

ATCO Gas submitted that the current revenue requirement for 2007 for AGS was \$201.268 million as shown on Schedule 7.1-D of the Second Compliance Filing. The value referenced above is the sum of line 7 and line 8 of that schedule. Schedule A attached in the Application identified the allocation of the 2007 revenue requirement of \$201.268 million to the existing rate classes. The allocation was developed by conducting the following steps:

Step 1 – The August 1, 2006 rates excluding Rider J and K were applied to the approved 2007 GRA billing determinants. ATCO Gas submitted that applying these rates would result in a forecast revenue recovery of \$196.385 million.

Step 2 – The shortfall resulting from the difference between \$201.268 million and \$196.385 million was calculated to be \$4.883 million. As a result, the percentage shortfall was 2.49%.

Step 3 – The shortfall percentage of 2.49% was then applied to each of the forecast revenue recovery amounts by rate class to derive the allocation of the 2007 revenue requirement.

To derive the proposed Interim Rates in the Application, ATCO Gas submitted that it has applied the shortfall percentage rate of 2.49% to each of the current rate components for Rates 3, 5 and 13.

For Rate 1/11, ATCO Gas submitted that it has proposed to maintain the current level of \$16.486 per month for the Fixed Charge. The Variable Charge was derived by making up the difference to ensure the recovery of the allocated revenue requirement of \$181.107 million from the rate group. ATCO Gas submitted that the current monthly Fixed Charge of \$16.486 for Rate 1/11 is closer to the Fixed Charge of \$18.296 that has been applied for in its current Phase II filing in comparison to a rate of \$14.06 that is based on the current rate without Riders J and K (applying

the 2.49% to the August 1, 2006 rate of \$13.718, excluding Rider J and Rider K, would only result in a Fixed Charge of \$14.060 per month). ATCO Gas submitted that it would be appropriate to maintain the level of Fixed Charge that is currently in place in order to potentially avoid the situation of lowering the Fixed Charge on January 1, 2007 and then increasing the Fixed Charge when final rates are approved.

Calgary submitted that ATCO Gas had misinterpreted the Board's direction in its October 26, 2006 letter. Calgary further submitted that Interim Rates are for special and unusual circumstances and that there is no urgency or special circumstance with respect to the Application. Calgary noted that when the Board issues a decision with respect to Phase II matters (Application No. 1475249), ATCO Gas will be able to collect its currently small revenue shortfall. Calgary also noted that the Board limited the changes for a rate group to 10% in Decision 2006-062, and under those circumstances, the number and potential changes to all rate groups should be minimized.

Calgary submitted that approval of the proposed interim rates would act as an appearance of a predisposition of outstanding Phase II matters prior to the Board's determination of the appropriateness of those rates. Calgary also stated that there was no pressing reason to approve the Application and the consequences of doing so will lead to increased disruption or complexity for AGS customers. As a result, Calgary submitted that the proposed interim rates should not be approved.

The CCA submitted that the Application was untimely since the current ATCO Gas Phase II proceeding is currently in progress, with a decision likely available in the first half of 2007.

The CCA noted that in Order U2006-292, the Board approved a 2007 Generic Return on Equity (ROE) of 8.51%, versus an ROE of 8.93% in 2006. As a result, the CCA considered that ATCO Gas should be directed to update its revenue requirement and cost of service study for both the Application and the Phase II hearing.

With regard to the Fixed Charge for residential customers, the CCA submitted that the reduction in the revenue requirement caused by the change in the allowed rate of return including income tax changes that are allocated Rate 1 should be used to reduce the fixed rate component of the rate from the requested \$16.486 per month. At the same time, the CCA stated that it did not object to the proposed reduction to the Rate 1/11 Variable Charge or the adjustments to Rates 3, 5 or 13.

The CCA submitted that it was inappropriate for the Board to rule on the Phase II cost of service results, particularly the Rate 1 Fixed Charge and the recovery of the 110% of direct costs through the Fixed Charge until they were examined in the Phase II hearing. The CCA also submitted that the Application should be rejected since it resulted in significant rate rebalancing outside of a Phase II process.

AIPA noted that, while the forecast annualized shortfall of \$4.883 million pertained to the 2007 test year only, in the Second Compliance Filing² there appeared to be a revenue over-recovery of \$1.267 million³ indicated for 2005 and 2006.

² ATCO Gas 2005-2007 GRA, Decision 2006-083, Compliance Filing II, September 11, 2006, Page 1 of 1, Deferral of Revenue Over-Recovery

³ Ibid, Schedule A

AIPA noted that ATCO Gas was proposing to implement Interim Rates on January 1, 2007 based on a forecast 2007 revenue shortfall only, but such methodology did not take into account the existing revenue over-recovery. AIPA submitted that if rates are to change on January 1, 2007, even on an interim refundable basis, the best information at this time was the cumulative revenue over-recovery of \$1.267 million and the forecast revenue shortfall of \$4.883 million, representing a net shortfall amount of \$3.616 million. As a result, AIPA submitted that this net shortfall amount should be the basis for the ATCO Gas calculation of the applied for level of Interim Rates as of January 1, 2007.

The AUMA submitted that it considered that AGS's proposal was a reasonable basis to start recovering the shortfall and should help to mitigate the final shortfall when rates are finalized. However, the AUMA stated that the shortfall should be adjusted to reflect Board Order U2006-292 which set the Generic ROE at 8.51% for 2007. The AUMA estimated that this adjustment would reduce the shortfall for AGS to \$3.58 million or 1.83% including the income tax effect. The AUMA also considered that an across-the-board increase to all rate classes is reasonable given the Board's expressed desire not to further consider any adjustments to the existing Interim Rates in relation to cost allocations among customer classes at this time or to give any appearance of predisposition inherent in an interim Phase II decision. As a result, the AUMA did not object to implementation of the Interim Rates for AGS effective January 1, 2007 as proposed by ATCO Gas.

ATCO Gas noted in its reply comments that in the Board's letter dated October 26, 2006, the Board recognized and expected that an application for the South would be made as the existing Rider J will end on December 31, 2006. At the same time, in filing the Application, ATCO Gas acknowledged that the cost allocations among customer rate classes must not change. As shown in Schedule A of the Application, the percentage recovery by each rate class that existed in the current Interim Rates was maintained in the new proposed Interim Rates. As a result, ATCO Gas submitted that in the Application it had not changed the cost allocation methodology that was inherent in the existing Interim Rates as directed by the Board.

ATCO Gas noted that regardless of what rates are in place on January 1, 2007, they will be interim and hence there was no need to reference any special and unusual circumstances. ATCO Gas also noted that the Application did not represent a situation in which it was seeking interim rates as a result of a recent Phase I filing. In the current circumstances, the Board decision for the 2005 – 2007 GRA has been issued, and ATCO Gas is entitled to collect its revenues. At the same time, ATCO Gas noted that it was unable to collect its 2005/2006 revenue shortfall from South customers until July 2006, and it was not compensated for this delay. ATCO Gas further stated that it did not consider that Decision 2006-062 has any relevance to the Application and noted that in the Application, it is not proposing any increase in excess of 10% for any rate group.

With regard to intervener concerns that approval of the proposed Interim Rates would act as an appearance of a predisposition of outstanding Phase II matters prior to the Board's determination of the rates, ATCO Gas submitted that it was not changing the relative recovery from each of the rate classes. For Rates 3, 5 and 13, ATCO Gas had simply applied the same percentage increase against each of the rate components of the existing Interim Rates. As a result, it had not incorporated any new rate design methodology or cost allocations among these customer classes.

For Rate 1/11, ATCO Gas submitted that it maintained the level of the Fixed Charge that customers are currently paying. ATCO Gas further stated that it was not requesting that the

Board “rule on the Phase II cost of service results” or “the recovery of the 110% of direct costs through the Fixed Charge”. ATCO Gas submitted that it recommended maintaining the Fixed Charge at the current level in order to minimize confusion for residential customers. As noted in its Application, ATCO Gas stated that it believed that lowering the Fixed Charge at the current time and then increasing the Fixed Charge once the Phase II Board decision is rendered could lead to confusion for Rate 1/11 residential customers.

ATCO Gas noted in its reply comments that since the filing of the Application, a further compliance filing had been made with respect to the Common Matters Decision, Application No. 1488087, (Common Matters Compliance Filing). In the Common Matters Compliance Filing, ATCO Gas provided updated revenue requirement schedules incorporating the effect of the Common Matters Decision. ATCO Gas submitted that the impact of the Decision results in an increase in the 2007 revenue requirement for rate purposes to \$201.817 million representing an increase of \$549,000 from the amount used in the Application. ATCO Gas further submitted that an updated Schedule A was provided in the Common Matters Compliance Filing (labelled as Schedule 3.1), indicating that the over-recovery from South customers had decreased to \$332,000. As a result, the net effect of these two changes was that South customers will owe ATCO Gas \$217,000 with the implementation of Interim Rates as proposed by ATCO Gas. ATCO Gas further commented that the adjustment as recommended by AIPA was therefore not appropriate since it did not reflect the current circumstances with respect to ATCO Gas’ revenue requirements.

ATCO Gas submitted in its reply comments that it had provided the estimated impact of Order U2006-292 in Schedule B which was attached. Due to the reduction in the 2007 Generic ROE to 8.51% from a 2006 ROE of 8.93%, the revenue requirement has been reduced by \$1.267 million. ATCO Gas also updated the revenue requirement used for the purposes of the Interim Rates to incorporate the Common Matters Compliance Filing. In addition, ATCO Gas also incorporated the outstanding deferral balance related to the years 2005 and 2006 in Schedule B. ATCO Gas submitted that the result of all of these changes was a revenue requirement for rate purposes of \$200.218 million, which was \$1.050 million lower than the revenue requirement of \$201.268 million that had been originally used in the Application.

Based on the revised revenue requirement of \$200.218 million, Steps 2 and 3 as outlined in the Application would need to be revised as follows:

Revised Step 2 – The revised shortfall resulting from the difference between \$200.218 million and \$196.385 million was calculated to be \$3.833 million. As a result, the revised percentage shortfall was 1.95%.

Revised Step 3 – The revised shortfall percentage of 1.95% was then applied to each of the forecast revenue recovery amounts by rate class to derive the allocation of the 2007 revenue requirement.

As a result, in its reply comment filing ATCO Gas developed revised Interim Rates based on the revised revenue requirement of \$200.218 million consistent with the procedures outlined in the Application, and attached the revised Interim Rates in Schedule A of the reply comments.

The current approved Interim Rates effective August 1, 2006 (which includes Riders J and K) and the applied for revised January 1, 2007 Interim Rates for AGS were presented in the following table:

Table 1. Current Interim Rates and Applied For Revised January 1, 2007 Interim Rates for ATCO Gas South

Rate Class	August 1, 2006 Current Rates			Applied For 2007 Interim Rates		
	Fixed Charge \$/Month	Variable Charge \$/GJ	Demand Charge \$/GJ	Fixed Charge \$/Month	Variable Charge \$/GJ	Demand Charge \$/GJ
Rate 1/11 General	16.486	1.385		16.486	1.001	
Rate 3 Large Use	126.533	0.161	5.810	134.585	0.171	6.171
Rate 13 Distribution	210.890	0.161	5.423	224.294	0.171	5.767
Rate 5 Irrigation	18.798	0.959		19.226	0.981	

3 BOARD FINDINGS

The Board notes that, as originally stated in its letter dated October 26, 2006, the Board anticipated that ATCO Gas would be filing an Interim Rates application to recover any anticipated shortfall in the approved 2007 revenue requirement for AGS given that the existing Rider J ends on December 31, 2006. In order to comply with the Board's objective of not initiating a process to further consider an adjustment to the existing interim rates or riders in relation to cost allocations among customer rate classes, ATCO Gas has not changed the cost allocation amongst its rate classes. As shown in Schedule A of the Application and again in the revised Schedule A in ATCO Gas' reply comments, the percentage recovery by each rate class that existed in the current Interim Rates was maintained in the new proposed Interim Rates.

Although the 2007 revenue requirement is subject to compliance filings and the completion of outstanding placeholders, the Board does not agree with Calgary that a change to interim rates is inappropriate at this time given the lack of special and unusual circumstances. The Board believes that the Application is warranted given that no change in class allocations is proposed in light of the current Phase II proceeding and a revenue shortfall is expected to occur for AGS based on the pending expiry of Riders J and K. The Board also agrees with AUMA that this is a reasonable approach to recovering the shortfall in early 2007 based on the expiration of Riders J and K at the end of 2006. Moreover, ATCO Gas' proposal may help to mitigate any final revenue shortfall when rates are finalized in 2007, once the Board makes its determinations in the current 2005-2007 GRA Phase II proceeding.

The Board notes that for Rates 3, 5 and 13, ATCO Gas has simply applied the same percentage increase against each of the rate components of the existing Interim Rates. For Rate 1/11, ATCO Gas has proposed to maintain the level of the Fixed Charge, rather than reduce the charge in January 2007 with the expiry of Riders J and K and then potentially increase it to some higher level once rates have been finalized later in 2007. The Board agrees with ATCO Gas that Rate 1/11 residential customers would potentially be confused if the Fixed Charge were to decrease at the start of 2007, followed by an increase in the charge later in the year should the Board approve such an increase. Under the circumstances, the Board considers that ATCO Gas' proposal to maintain the level of the Fixed Charge is a reasonable approach and promotes rate stability while minimizing the potential for rate volatility or rate shock later in 2007. The Board also notes that ATCO Gas has reduced the Variable Charge for Rate 1/11 residential customers, so as to ensure the recovery of the allocated revenue requirement from the rate group. As a result,

the total bill for Rate 1/11 residential customers is expected to decline in early 2007 based on the proposed Interim Rates.

The Board notes that the 2005-2007 revenue requirement for AGS has yet to be finalized, and that the revised 2007 revenue requirement for AGS as filed in ATCO Gas' reply comments is \$200.218 million, which is \$1.050 million lower than the 2007 revenue requirement of \$201.268 million originally filed in the Application. ATCO Gas' adjustments to the 2007 revenue requirement that were presented in its reply comments can be summarized as follows:

- Adjust the 2007 revenue requirement downward by \$1.267 million (\$874,000 before tax) to reflect the reduction in the ROE to 8.51% for 2007 (from 8.93% in 2006).
- Adjust the 2007 revenue requirement upward by \$549,000 to incorporate the impact of the Common Matters Decision, Decision 2006-100, as reflected in the Common Matters Compliance Filing.
- Adjust the 2007 revenue requirement downward by \$332,000 to reflect the revenue over-recovery from prior years (as shown in Schedule 3.1 of the Common Matters Compliance Filing).

Based on the set of adjustments that ATCO Gas has made in its reply comments with respect to AGS's revenue requirement, the Board considers that ATCO Gas has adequately responded to the interveners' concerns about updating AGS's revenue requirement, including using the best information that is currently available, in order to reflect recent related ATCO Gas proceedings and Decisions as well as the change in the ROE as a result of Order U2006-292.

For all of the above reasons, the Board finds that it is in the public interest to approve the applied for AGS 2007 Interim Rates based on the revised 2007 revenue requirement of \$200.218 million.

4 ORDER

IT IS HEREBY ORDERED THAT:

- (1) The Rate Schedules attached as Appendix 1 to this Order are approved as ATCO Gas South 2007 Interim Rate Schedules effective January 1, 2007.

END OF DOCUMENT

ATCO GAS AND PIPELINES LTD.
ATCO GAS SOUTH
RATE SCHEDULES
January 1, 2007

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE SCHEDULES**

INDEX

	Page
<u>Conditions</u>	
General Conditions	1
<u>Riders</u>	
Rider "A" Municipal Franchise Fee	3
Rider "B" Municipal Property Tax and Specific Costs.....	4
Rider "D" Unaccounted For Gas	5
Rider "E" Deemed Value of Gas	6
Rider "G" Company Owned Production.....	7
Rider "H" Company Owned Storage.....	8
Rider "I" Rate 5 and Rate 18 Company Owned Storage.....	9
<u>DSP Delivery Service Rates</u>	
Rate 1 DSP Delivery Service	10
Rate 3 DSP Delivery Service - Large Use	11
Rate 5 DSP Delivery Service – Irrigation Pumping.....	12
<u>Other Service Rates</u>	
Rate 7 Standby, Peaking and Emergency Delivery Service.....	13
Rate 8 Unmetered Gas Light Service	14
<u>Buy/Sell Service Rates</u>	
Rate 40 Buy/Sell Sales	15
Rate 41 Industrial Buy/Sell Service.....	16
Rate 43 Core Market Buy/Sell Service	17
<u>Retailer Delivery Service Rates</u>	
Rate 11 Retailer Delivery Service	18
Rate 13 Retailer Delivery Service – Large Use	19
Rate 18 Retailer Delivery Service – Irrigation Pumping	21
<u>Balancing Service Rates</u>	
Rate 50 Balancing Service.....	22

Effective January 1, 2007

Effective By Decision 2004-004
On Consumption May 4, 2004
This Replaces General Conditions
Previously Effective March 28, 2004
General Conditions Page 1 of 2

ATCO GAS AND PIPELINES LTD. - SOUTH GENERAL CONDITIONS

1. **Approval of Alberta Energy and Utilities Board:**

Changes in Rates from time to time are subject to approval by the Alberta Energy and Utilities Board for the Province of Alberta.

2. **Special Contracts:**

Unless varied by the Alberta Energy and Utilities Board, service to Customers under Special Contracts shall be subject to the terms and conditions thereof. A special contract is required for all sales Customers with annual requirements in excess of 500,000 GJ.

3. **Specific Facilities Conditions:**

The Rates do not include extra costs incurred by the Company and payable by the Customer for Special Facilities or conditions requested by the Customer at the Point of Delivery or at the Point of Receipt.

4. **Annual Contract:**

The words "annual contract" as they appear on the Rate Schedules, shall mean a twelve month period commencing on the first day of the first month of the contract.

5. **Winter Period - Summer Period:**

The winter period is the five calendar months from November 1 to March 31, and the summer period is the seven calendar months from April 1 to October 31.

6. **Late Payment Charge:**

When accounts are not paid in full on or before the due date, the amount relating to the current month's charge unpaid by the due date shall be increased by 5% and the increased amount shall become due and payable.

7. **Terms and Conditions:**

The Company's Terms and Conditions for Distribution Service Connections and Distribution Access Service apply to all Customers and form part of these Rate Schedules.

8. **Notification of Service Transfer:**

(a) Rate1/11:

As per the Terms and Conditions for Distribution Access Service.

(b) All Other Rates:

Customers transferring from Sales Service to Transportation Service or Buy/Sell Service must provide written notice a minimum of 15 working days prior to the upcoming month.

Customers transferring from Transportation Service or Buy/Sell Service to Sales Service must provide written notice a minimum of 15 working days prior to the upcoming month.

Effective January 1, 2007

General Conditions Page 2 of 2

9. Administrative Fees:

An administrative fee of \$5 per customer account is applicable for each enrollment to Rate 11 Retailer Delivery Service.

10. Determination of Points of Receipt and Delivery for Transportation Service:

The Company shall determine specific Point of Receipt and specific Point of Delivery locations and the contract quantities to be accepted and delivered at each point by consultation and agreement with the Customer.

11. Default Service Provider (DSP):

"DSP" as they appear on the Rate Schedules, shall mean Default Service Provider. Effective May 4, 2004 the DSP for the ATCO Gas South service area will be Direct Energy Regulated Services.

12. DSP Rider F:

The words "DSP Rider "F" " as they appear on the Rate Schedules, shall mean the Direct Energy Regulated Services Gas Cost Flow-Through Rate for ATCO Gas South.

13. Transition of Customers to DSP Delivery Service:

The transition of customers to DSP Delivery Service will occur starting on May 4, 2004 on a cycle by cycle basis. The effective date for the rates shown on these rate schedules will be the date of transition to the DSP.

Effective January 1, 2007

Effective By Order U2006-202
On Consumption October 4, 2006
This Replaces Rider "A"
Previously Effective September 11, 2006

ATCO GAS AND PIPELINES LTD. - SOUTH
ATCO GAS – SOUTH AND ATCO PIPELINES - SOUTH
RIDER "A" TO ALL RATES
AND ANY OTHER RIDERS THERETO

All charges under the Rates, including any charges under other Riders, to Customers situated within the communities listed on this Rider "A" are subject to the addition of the percentage shown. The percentage shown is to be applied as an addition to the billings calculated under the Rates including charges as allowed under other Riders in effect.

Method A. - Applied to gross revenues excluding Rider "G" and the Market Value portion of Rider "H".

Method C. - Applied to gross revenues and Rider "E".

<u>Municipality</u>	<u>%</u>	<u>Method</u>	<u>Municipality</u>	<u>%</u>	<u>Method</u>	<u>Municipality</u>	<u>%</u>	<u>Method</u>
Calgary	11.11	C	Claresholm	10.00	A	Lomond	20.00	A
Lethbridge	32.30	A	Coaldale	11.30	A	Longview	16.00	A
Acme	20.00	A	Coalhurst	12.44	A	Magrath	11.18	A
Airdrie	7.50	C	Cochrane	23.00	A	Milk River	30.00	A
Banff	31.20	A	Coutts	5.26	C	Nanton	13.00	A
Banff Park	5.25	C	Cowley	13.79	A	Nobleford	0.00	A
Barnwell	13.00	A	Cremona	23.00	A	Okotoks	5.25	C
Barons	14.97	A	Crossfield	11.23	A	Olds	6.00	C
Bassano	20.00	A	Crowsnest Pass	5.26	C	Penhold	5.26	C
Beiseker	11.18	A	Delburne	5.26	C	Picture Butte	6.00	C
Big Valley	5.26	C	Didsbury	5.26	C	Raymond	11.18	A
Black Diamond	14.00	A	Duchess	12.67	A	Rockyford	23.00	A
Bow Island	10.50	A	Elnora	16.00	A	Rosemary	14.78	A
Bowden	5.26	C	Foremost	21.00	A	Standard	11.34	A
Brooks	18.00	A	Fort Macleod	12.50	A	Stavely	11.18	A
Burdett	11.18	A	Glenwood	5.26	C	Stirling	11.18	A
Canmore	22.10	A	Granum	8.50	A	Strathmore	11.18	A
Carbon	15.07	A	High River	13.00	A	Taber *	5.26	C
Cardston	5.26	C	Hill Spring	21.52	A	Trochu	14.20	A
Carmangay	15.97	A	Hussar	13.74	A	Turner Valley	10.00	A
Carstairs	5.26	C	Innisfail	5.26	C	Vauxhall	5.26	C
Champion	15.01	A	Irricana	11.18	A	Vulcan	7.00	C
			Linden	15.23	A			

* Includes a \$75,000 maximum annual allowable assessment on any individual metered account.

Effective January 1, 2007

Effective By Order U2006-202
On Consumption October 4, 2006
This Replaces Rider "B"
Previously Effective March 21, 2006

**ATCO GAS AND PIPELINES LTD. – SOUTH
ATCO GAS – SOUTH AND ATCO PIPELINES - SOUTH
RIDER "B" TO ALL RATES
AND ANY OTHER RIDERS THERETO**

This Rider is applicable to Customers resident in municipalities that receive a property tax under the Municipal Government Act or receive payment for specific costs which are not generally incurred by the Company. This Rider is the estimated percentage of gross revenue required to provide for the tax payable or specific cost incurred each year. To the extent that this percentage may be more or less than that required to pay the tax or specific cost, the percentage of gross revenue provided in the Rider will be adjusted on the 1st of February each year.

The percentage is to be applied as an addition to the billings calculated under the Rates including charges as allowed under other Riders in effect with respect to the following municipalities:

Banff
Redwood Meadows (Siksika Nation)
Bow Island
Foremost
Rosemary
Turner Valley
Canmore
Elnora
Linden
Brooks
Granum
Milk River
Trochu
Claresholm
Lomond
Nanton
Bassano
Nobleford

Effective January 1, 2007

Effective by Decision 2006-106
On Transportation November 1, 2006
This Replaces Rider "D"
Previously Effective November 1, 2005

**ATCO GAS AND PIPELINES LTD. - SOUTH
ATCO GAS – SOUTH
RIDER "D" TO RETAILER DELIVERY RATES FOR THE RECOVERY OF
UNACCOUNTED FOR GAS AND FUEL GAS**

All Retailer Delivery Service Customers delivering gas off the ATCO Gas South distribution system will be assessed a distribution UFG charge of 0.434% at the Point of Delivery. The UFG assessment will be made up "In-Kind" from each Customer Account.

Effective January 1, 2007

Effective By Decision 2004-004
On Consumption May 4, 2004
This Replaces Rider "E"
Previously Effective September 1 2000

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "E" TO DELIVERY SERVICE RATES
FOR THE DETERMINATION OF THE "DEEMED VALUE OF NATURAL GAS"
FOR CALCULATION OF MUNICIPAL FRANCHISE FEE PAYABLE**

A Deemed Value of Natural Gas Rate will be applied to the energy delivered to Delivery Service Customers for the determination of municipal franchise fee payable by Customers in municipalities designated as Method "C" municipalities on Rider "A" of these Rate Schedules.

FOR ALL RATES:

The "Deemed Value" is an amount equal to the Gas Cost Recovery specified on the DSP Rider "F".

Effective January 1, 2007

Effective By Order U2002-135
On Consumption on and after December 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "G" TO ALL RATES
FOR CREDITING OR DEBITING COMPANY OWNED PRODUCTION RELATED
BENEFITS/COSTS**

To be applied to the energy sold or delivered to all customers unless otherwise specified by specific contracts or the Board.

Company Owned Production Rate Rider (COPRR):

For the period December 1, 2006 to December 31, 2006

\$0.024 per GJ Credit

The difference between gas market prices and gas royalty costs is subject to reconciliation by the Alberta Energy and Utilities Board.

Effective January 1, 2007

Effective By Order U2002-135
On Consumption on and after December 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "H" TO ALL RATES EXCEPT FOR RATE 5 AND 18
FOR CREDITING OR DEBITING CARBON STORAGE RELATED BENEFITS/COSTS**

To be applied to the energy sold or delivered to all customers (except Rate 5 and 18) unless otherwise specified by specific contracts or the Board.

Company Owned Storage Rate Rider (COSRR):

For the period December 1, 2006 to December 31, 2006

\$0.107 per GJ Credit

The Market Value portion of the rate shown above is \$0.000 per GJ credit.

The Carbon Storage related benefits and costs are subject to reconciliation by the Alberta Energy and Utilities Board.

Effective January 1, 2007

Effective By Order U2002-135
On Consumption on and after November 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "I" TO RATE 5 AND RATE 18
FOR CREDITING CARBON STORAGE RELATED BENEFITS/ COSTS**

To be applied to the energy sold or delivered to Rate 5 and Rate 18 customers unless otherwise specified by specific contracts or the Board.

Company Owned Storage Rate Rider (COSRR): \$0.450 per GJ Credit

The Carbon Storage related benefits and costs are subject to reconciliation by the Alberta Energy and Utilities Board.

Effective January 1, 2007

Effective By Order U2006-330
On Consumption January 1, 2007
This Replaces Rate 1
Previously Effective August 1, 2006

**ATCO GAS AND PIPELINES LTD. – SOUTH
RATE NO. 1 – DSP DELIVERY SERVICE**

Available to all customers using less than 8,000 GJ per year except those customers who do not purchase their total natural gas requirements from the DSP or who utilize the Company's facilities only for standby, peaking or emergency service.

CHARGES:

Fixed Charge: \$0.542 per Day

Variable Charge: \$1.001 per GJ

COPRR: Rider "G"

COSRR: Rider "H"

Effective January 1, 2007

Effective By Order U2006-330
On Consumption January 1, 2007
This Replaces Rate 3
Previously Effective August 1, 2006**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 3 DSP DELIVERY SERVICE - LARGE USE**

Available to all customers using 8,000 GJ or more per year on an annual contract except those customers who do not purchase their total natural gas requirements from the DSP or who utilize the Company's facilities only for standby, peaking or emergency service.

CHARGES:**Fixed Charge:** \$4.425 per Day**Demand Charge:** \$0.203 per Day per GJ of 24 Hr. Billing Demand**Variable Charge:** \$0.171 per GJ**COPRR:** Rider "G"**COSRR:** Rider "H"**DETERMINATION OF BILLING DEMAND:**

The Billing Demand shall be the greater of:

1. The greatest amount of gas in 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 consecutive 24 hours in the summer period shall be divided by 2, **or**
2. The Nominated Demand

PROVIDED that for a customer who elects to take service only during the summer period, the Billing Demand for each billing period shall be the greatest amount of gas in GJ in any consecutive 24 hours in that billing period.

In the first contract year, the Company shall estimate the Billing Demand from information provided by the customer.

NOMINATED DEMAND:

A customer whose maximum consumption exceeds 4 500 GJ for any 24-hour period in the winter period must nominate in writing twelve months in advance of each contract year the maximum consumption for any 24-hour period in the winter period in that contract year (the "Nominated Demand"). The Company reserves the right to restrict the amount of gas in GJ delivered in the winter period to the Nominated Demand and to restrict the amount of gas in GJ delivered in any one hour to **5%** of the Nominated Demand.

Effective January 1, 2007

Effective By Order U2006-330
On Consumption January 1, 2007
This Replaces Rate 5
Previously Effective August 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 5 – DSP DELIVERY SERVICE - IRRIGATION PUMPING**

Available to all customers who use natural gas as a fuel for engines pumping irrigation water between April 1 and October 31.

CHARGES:

Fixed Charge:	\$.632 per Day
Variable Charge:	\$0.981 per GJ
COPRR:	Rider "G"
COSRR:	Rider "I"

Effective January 1, 2007

Effective By Order U2005-371
On Consumption January 1, 2006
This Replaces Rate 7
Previously Effective August 1, 2005**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 7 - STANDBY, PEAKING AND EMERGENCY DELIVERY SERVICE****A. STANDBY AND PEAKING SERVICE**

Available to all customers on an annual contract.

CHARGES:**Fixed Charge:** Fixed Charge of Rate No. 3**Demand Charge:** Demand Charge of Rate No. 3**Variable Charge:**Winter Period 1.3 times the Variable Charge of Rate No. 3 and Riders "G" and "H"
Summer Period Variable Charge of Rate No. 3 and Riders "G" and "H"**Minimum Monthly Charge:** Fixed Charge and Demand Charge**DETERMINATION OF BILLING DEMAND:**

The Billing Demand shall be the greater of the greatest amount of gas in GJ delivered in any consecutive 24-hour period during the current Billing Demand Period provided that the greatest amount of gas delivered in any consecutive 24 hours in the summer period shall be divided by 2, or the Nominated Demand.

NOMINATED DEMAND:All customers must nominate in writing twelve months in advance of each contract year the maximum consumption required for any 24-hour period in that contract year (the "Nominated Demand"). For the first contract year, the Company may accept a nomination less than twelve months in advance of the contract year. The Company reserves the right to restrict the amount of gas in GJ delivered in any one hour to **5%** of the Nominated Demand.**B. EMERGENCY SERVICE (Available only to Retailer Delivery Service)**(i) **Authorized Sales**
Fixed Charge: \$15.00 per Day**Variable Charge:** Variable Charge of Rate No. 1.**Gas Cost Recovery:** Highest cost of Gas purchased by the DSP on the Day of sale,
with a minimum price of the DSP Rider "F".(ii) **Unauthorized Sales****Fixed Charge:** \$125.00 per Day**Gas Cost Recovery:** Five (5) times the DSP Rider "F", with a minimum price of
the highest cost of Gas purchased by the DSP on the Day of Sale.

Effective January 1, 2007

Effective By Decision U2005-371
On Consumption January 1, 2006
This Replaces Rate 8
Previously Effective January 1, 1994

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 8 - UNMETERED GAS LIGHT SERVICE**

Applicable to all Customers with Company installed and approved gas lights.

Fixed Charge: \$0.090 per Mantle per Day

Effective January 1, 2007

Effective By Decision E93098
On Consumption January 1, 1994
This Replaces Rate 40
Previously Effective January 1, 1992

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 40 BUY/SELL SALES**

Available on contract for the provision of firm Buy/Sell service. The exact services rendered, together with terms and conditions of the service shall be negotiated and submitted to the Alberta Energy and Utilities Board for approval in each case.

CHARGES:

Transportation Charges: As per the applicable Rate Schedule

PLUS The Cost of Gas Supply acquired for the Customer

PLUS An Administrative Fee as negotiated and approved by the Board

The Administrative Fee is a charge negotiated between the Company and the Customer for the Company to arrange for and administer the gas supply contracts dedicated to the Customer. The fee will depend on the services required by the Customer including the type and number of contracts delivering Gas dedicated to the Customer.

Effective January 1, 2007

Effective By Decision E95112
On Consumption November 1, 1995
This Replaces Rate 41
Previously Effective February 1, 1995

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 41 BUY/SELL SERVICE FOR NATURAL GAS
SUPPLIED BY AN INDUSTRIAL END-USER FOR SALE TO COMPANY**

Available under an Annual Contract for Gas supplied and sold by Customer to Company provided that:

- (i) The Customer is an Industrial End-User who is provided with Gas Sales Service by Company under Rate 1 or 3.
- (ii) The Customer has executed a Core Buy/Sell Gas Purchase Contract with the Company for Buy/Sell service which is subject to the provisions of this Rate Schedule and incorporates the Company's Buy/Sell Regulations as amended from time to time and approved by the Alberta Energy and Utilities Board.
- (iii) The Gas is delivered by Customer to Company at a mutually acceptable Point of Delivery on Company's Gas Pipeline System.

ANNUAL QUANTITY:

The Annual Quantity of Gas to be delivered by Customer and purchased by Company during the Contract Year shall be the actual consumption by Customer during the 12 months ended March 31 immediately preceding the Contract Year. If such quantity will not be representative of the Contract Year, a mutually acceptable forecast will be used.

MAXIMUM DAILY QUANTITY:

The Maximum Daily Quantity that Customer shall be obligated to deliver to Company on any day shall equal the Annual Quantity divided by the product of the Load Factor and the number of days in the Contract Year. The Load Factor to be used for calculation of the Maximum Daily Quantity shall be forty percent (40%).

PRICE PAYABLE BY COMPANY:

The price payable for Gas purchased by Company from Customer shall be:

November 1 to March 31
April 1 to October 31

Rider "F"
Rider "F"

FAILURE OF SUPPLY:

In the event of a failure of Customer's supply pursuant to Clause 5.6 of Article A-V of the Buy/Sell Regulations, the applicable charge to Customer shall be 130% of the highest cost of Gas purchased by Company on the Day of the failure, less the Price Payable by Company.

Effective January 1, 2007

Effective By Decision U96062
On Consumption November 1, 1996

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 43 BUY/SELL SERVICE FOR NATURAL GAS
SUPPLIED BY A CORE END-USER FOR SALE TO COMPANY**

Available under an Annual Contract for Gas supplied and sold by Customer to Company provided that:

- (i) The Customer is a Core End-User who is provided with Gas Sales Service by Company under Rate 1 or 3 or is a Rate 5 Customer consuming less than 500,000 GJ per year.
- (ii) The Customer has executed a Core Buy/Sell Gas Purchase Agreement with the Company for Buy/Sell service which is subject to the provisions of this Rate Schedule and incorporates the Company's Core Market Buy/Sell Regulations as amended from time to time and approved by the Alberta Energy and Utilities Board.
- (iii) The Gas is delivered by Customer to Company at the Carbon Sales interconnection and/or any other TransCanada/Company interconnection designated by Company from time to time.

ANNUAL QUANTITY:

Annual Quantity of Gas to be delivered by Customer and purchased by Company during the Contract Year shall be the estimated normalized annual consumption by Customer.

MAXIMUM DAILY QUANTITY:

The Maximum Daily Quantity that Customer shall be obligated to deliver to Company on any day shall equal the Annual Quantity divided by the product of the Load Factor and the number of days in the Contract Year. The Load Factor to be used for calculation of the Maximum Daily Quantity shall be fifty three percent (53%).

PRICE PAYABLE BY COMPANY:

The monthly price payable for Gas purchased by Company from Customer shall be:

The average price of monthly intra-Alberta Gas bought and sold for the delivery Month on the TransCanada transmission system, based on agreements made during the Month immediately prior to the delivery Month, as reported by the delivery Month's Canadian Gas Price Reporter, published by Canadian Enerdata Ltd., or its successor, in the "Monthly Canadian and U.S. natural gas price summary" table, in the column containing the delivery Month, on the line "Alberta Spot Price - AECO C/N.I.T. C\$/GJ", or any words or phrases used in substitution therefore.

FAILURE OF SUPPLY:

In the event of a failure of Customer's supply pursuant to Clause 5.6 of Article A-V of the Core Buy/Sell Regulations the applicable charge to Customer shall be 130% of the highest cost of Gas purchased by Company on the Day of the failure, less the Price Payable by Company.

Effective January 1, 2007

Effective By Order U2006-330
On Consumption January 1, 2007
This Replaces Rate 11
Previously Effective August 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 11 RETAILER DELIVERY SERVICE**

Available to all Customers using less than 8,000 GJ per year and purchase their natural gas requirements from a Retailer.

CHARGES:

Fixed Charge:	\$0.542 per Day
Variable Charge:	\$1.001 per GJ
COPRR:	Rider "G"
COSRR:	Rider "H"
Unaccounted For Gas:	Rider "D"

Effective January 1, 2007

Effective By Order U2006-330
On Transportation January 1, 2007
This Replaces Rate 13
Previously Effective August 1, 2006
Rate 13 Page 1 of 2

ATCO GAS AND PIPELINES LTD. - SOUTH RATE NO. 13 RETAILER DELIVERY SERVICE

Available to all Customers using 8,000 GJ or more per year and purchase their natural gas requirements from a Retailer provided that:

- (i) The Customer has the exclusive contractual control of Gas flows at the Point of Delivery.
- (ii) The Customer has executed an Annual Contract with the Company which is subject to the provisions of this Rate Schedule and incorporates the Company's Natural Gas Transmission Transportation Service Regulations (Regulations) as amended from time to time and approved by the Alberta Energy and Utilities Board.

A. FIRM SERVICE CHARGES AT EACH POINT OF DELIVERY

Fixed Charge:	\$224.29 per Month
Variable Charge:	\$0.171 per GJ
Demand Charge:	\$5.767 per Month per GJ of 24 Hr. Billing Demand
COPRR:	Rider "G"
COSRR:	Rider "H"
Unaccounted For Gas:	Rider "D"

B. OVERRUN SERVICE

CHARGES AT POINT OF DELIVERY:

Provided Company accepts a Customer's Nomination at the Point of Delivery in excess of 110% of the Customer's Nominated Demand, the charge for the amount of gas in excess of 110% of the Nominated Demand shall be:

Variable Charge:	\$0.284 per GJ
Unaccounted For Gas:	Rider "D"

Effective January 1, 2007

Rate 13 Page 2 of 2

C. UNAUTHORIZED SERVICES

CHARGES AT POINT OF DELIVERY:

For all gas taken in excess of 110% of the Customer's Nominated Demand where Company has refused to accept a Nomination or where Company has advised the Customer to curtail service to 110% of the Nominated Demand, the charge shall be:

Charges as per: Rate 7 B (ii)

D. APPLICABLE to "A", "B" or "C"

NOMINATED DEMAND:

The Nominated Demand will be as specified in the Regulations and the Firm Service Agreement (FSA).

BILLING DEMAND:

The Billing Demand for any month equals the maximum gas flow in any 24-hour period during the month subject to a minimum amount of 90% of the Nominated Demand and a maximum amount of 110% of the Nominated Demand.

GAS IMBALANCES:

Settlement of Monthly Imbalance Quantity when Based on Daily Information:

<u>Magnitude of Imbalance Quantity</u>	<u>Reasons for Imbalance Quantity</u>	<u>Settlement by Company</u>	<u>Price</u>
<5%	Overdeliveries	N/A	N/A
	Underdeliveries	N/A	N/A
>5%	Overdeliveries	Purchase	75% of the Average Daily AECO "C" prices for that Month
	Underdeliveries	Sale	130% of the Average Daily AECO "C" prices for that Month

Settlement of Imbalance Quantity Arising from Adjustments:

When the Customer's Account is put out of balance by actual adjustments, the Customer is required to bring the account into balance by providing 1/25 of the imbalance amount on a daily basis over a 25-day period.

Effective January 1, 2007

Effective By
On Consumption January 1, 2007
This Replaces Rate 18
Previously Effective August 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 18 RETAILER DELIVERY SERVICE – IRRIGATION PUMPING**

Available to all Customers that purchase their natural gas requirements from a Retailer and use natural gas as a fuel for engines pumping irrigation water between April 1 and October 31.

CHARGES:

Fixed Charge: \$0.632 per Day

Variable Charge: \$0.981 per GJ

COPRR: Rider "G"

COSRR: Rider "I"

Unaccounted For Gas: Rider "D"

Effective January 1, 2007

Effective By Decision 2000-61
On Consumption September 1, 2000
This Replaces Rate 50
Previously Effective January 1, 1994

**ATCO GAS AND PIPELINES LTD. - SOUTH
RATE NO. 50 BALANCING SERVICE RATE FOR
TRANSPORTATION CUSTOMERS**

Available under contract with any Transportation Rate offered by the Company provided that:

- (i) Customer has executed a transportation service agreement or contract with Company to which this Balancing Service is to apply.
- (ii) Customer contracts for Balancing Service for a minimum term of one contract year or for the term of Customer's transportation agreement if less than one year.

CHARGES:

Variable Charge Applicable at Point(s) of Delivery:

\$0.001 per GJ

For each $\pm 1\%$ increase to monthly
imbalance limit contained in
Customer's Transportation Rate or Contract