Decision **2011-127**

Alberta Utilities Commission

ATCO Gas

2011 Interim Rates

April 1, 2011

The Alberta Utilities Commission
Decision 2011-127: ATCO Gas
2011 Interim Rates
Application No. 1606898
Proceeding ID No. 1024

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Published by
The Alberta Utilities Commission
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1 Introduction

1. ATCO Gas (AG) filed an application on December 23, 2010, with the Alberta Utilities Commission (the AUC or the Commission) requesting approval for new interim refundable rates for AG North (North) and AG South (South), effective April 1, 2011 (application). Specifically, AG requested approval for:

- a Rider "S" of 15.76 per cent for North and 15.27 per cent in South, and
- a new Rider "T"

AG proposed that its requested Rider "S" and Rider "T" would terminate on December 31, 2011.

2. AG proposed Rider "S" to recover 50 per cent of its 2011 forecast revenue shortfall of $61.5 million. In addition, AG requested full recovery of $1.82 million for costs of removing the Carbon assets from its revenue requirement forecasts for the years 2005-2009, approved in Decision 2010-496,[1] and of $27.5 million in pension related costs, approved in Decision 2010-189.[2] These amounts were included in AG's 2011-2012 General Rate Application (GRA) Phase I, filed with the AUC on December 3, 2010, Application No. 1606822, Proceeding ID No. 969.

3. AG proposed Rider "T" to affect a reduction of approximately $4.4 million in its forecast 2011 transmission costs due to a decrease in transmission rates charged by ATCO Pipelines.

4. The amounts proposed to be included in determining Rider "S" and Rider "T" are set out in Table 1:

[1] Decision 2010-496: ATCO Gas South, Removal of Carbon Related Assets from Utility Service, Application No. 1579086, Proceeding ID. 87, October 19, 2010.
[2] Decision 2010-189: ATCO Utilities, Pension Common Matters, Application No.1605254, Proceeding ID. 226, April 30, 2010.

Table 1. 2011 GRA shortfall (surplus)[3]

	Total Base Rates (Rider "S")	Total Transmission Rates (Rider "T")
	$000s	
Applied for revenue requirement (2011)	514,006	107,898
Less revenue on existing rates	432,002	109,521
Other revenue	18,913	
Revenue shortfall (surplus)	63,091	(1,623)
Impact of Decision 2010-613[4]		(2,737)
Transmission surplus – Rider "T"		(4,360)
Revenue shortfall	63,091	
Less pension costs – Decision 2010-189	27,500	
Net shortfall	35,591	
50 % of net shortfall	17,796	
Carbon shortfall - Decision 2010-496	1,820	
Pension costs – Decision 2010-189	27,500	
Amount to be recovered by Rider "S"	47,116	

5. Specifically, AG proposed the following interim rates to recover its revenue shortfall:

Table 2. Interim base rates plus proposed Rider "S"[5]

Proposed Interim Base Rates including Rider "S" Effective April 1, 2011						
	South			North		
Rate Class	Fixed (per day)	Variable (per GJ)	Demand (per day per GJ of 24 hr demand)	Fixed (per day)	Variable (per GJ)	Demand (per day per GJ of 24 hr demand)
LOW	$0.770	$0.743		$0.891	$0.807	
MID	$0.770	$0.749		$0.891	$0.906	
HIGH	$3.795		$0.166	$5.030		$0.164
IRR	$1.374	$1.133				

3 Application, Schedule 1.

4 Decision 2010-613: ATCO Pipelines 2011 Interim Revenue Requirement and 2011 Interim Rates, Application No. 1606838, Proceeding ID 985, December 22, 2010.

5 The applied for Rider "S" rates represent an increase of 15.76 per cent for the North and 15.27 per cent for the South.

Table 3. Rider "T" (transmission costs) to be effective April 1, 2011

Proposed Interim Rider "T" Effective April 1, 2011						
	South			North		
Rate Class	Fixed (per day)	Variable (per GJ)	Demand (per day per GJ of 24 hr demand)	Fixed (per day)	Variable (per GJ)	Demand (per day per GJ of 24 hr demand)
LOW		$0.291			$0.586	
MID		$0.273			$0.548	
HIGH			$0.098			$0.182

6. The applied for rates represent a combined total increase of approximately nine per cent in the North and South. The resulting rate impact on residential customers would be approximately $39 and $32 per year for North and South, respectively.[6]

7. The Commission issued a notice of application on December 24, 2010 to interested parties. Statements of intention to participate (SIPS) were to be filed with the AUC by January 11, 2011. The AUC received SIPs from:

- TransAlta Corporation
- BP Canada Energy Company
- The Office of the Utilities Consumer Advocate (UCA)
- The City of Calgary
- Consumers' Coalition of Alberta (CCA)

8. The Commission established a written process for the application. AG, the UCA and the CCA submitted argument and reply argument on March 2, 2011, and March 16, 2011, respectively. For the purposes of this decision, the Commission considers the record to have closed on March 16, 2011.

9. The panel assigned to consider this proceeding consisted of Dr. Moin A. Yahya (Panel Chair), Bill Lyttle (Commission Member), and Kay Holgate (Commission Member).

[6] Assuming annual consumption of 120 gigajoules.

2 Discussion of issues

10. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding, including the evidence and argument provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

11. The UCA and the CCA raised several concerns with respect to AG's interim rates application. The issues raised fell into two categories:

- Is full cost recovery in 2011 reasonable for the Carbon assets and pension related costs that were approved in prior decisions?

- Did ATCO Gas' interim rates application meet the quantum and need factors to justify its request for an increase in rates?

2.1 Is full cost recovery in 2011 reasonable for the Carbon assets and pension related costs that were approved in prior decisions?

12. The UCA understood that AG's pension funding levels, which were approved for 2010 in Decision 2010-189, were recovered entirely through a rider that terminated on December 31, 2010, instead of being included in 2010 base rates. Consequently, most of the 2011 revenue deficiency attributable to increases in pension costs was in substance a carry-forward of 2010 pension costs that were approved by the Commission but never included in 2010 base rates. The UCA thus agreed that such amounts carried forward should be entirely recoverable in interim rates.

13. However, the UCA disagreed with the amount of 2010 pension expense that AG proposed to include in interim rates. The UCA noted that AG forecast total pension funding of $28.3 million for 2011, which represented an increase of approximately $800,000 from the 2010 level. This differs from the proposed 2011 rates in the GRA where AG capitalized $11.3 million of that $28.3 million. Therefore, the UCA submitted that the forecast pension funding costs in the 2011 revenue requirement should be limited to the $17 million of pension funding that is allocated to operating expenses plus the return and depreciation costs that are associated with the capitalized amount. Accordingly, the UCA further submitted that AG should not be allowed to recover, on an annualized basis, the approximately $10 million in pension-related amounts through 2011 interim rates as compared to amounts that would be included in the applied for 2011 final rates. Based on AG's responses to AUC-AG-03,[7] the UCA considered that, before any reduction is applied, the total pension-related amount that should be included in 2011 interim rates would be $17.5 million.

14. The CCA agreed with the UCA that Decision 2010-189 did not determine the level of pension expense for 2011 and that AG should only be allowed to collect, on an interim basis, pension amounts associated with operating expenses and not amounts allocated to capital. The CCA considered the capitalization of pension amounts should be dealt with in AG's general rate

[7] Exhibit 18.01.

application as the issue is contentious and approval of either the capital additions or associated pension amounts would be inappropriate in this proceeding.

15. With regard to pension costs, AG asserted that the Commission approved the recovery of $27.5 million of pension related costs in rates in Decision 2010-189. Given that AG expected similar pension costs to be incurred in 2011, AG included a placeholder in the amount of approximately $28.2 million in its 2011-2012 GRA Phase I. AG noted that both ATCO Pipelines and ATCO Electric Ltd. were recovering 100 per cent of the pension amounts approved in Decision 2010-189 in their current rates. AG thus submitted that it should be accorded the same treatment.

16. AG disagreed with the assertions of both the UCA and the CCA that the portion of pension cost related to AG's employees who have their labour costs allocated to capital should not be allowed in determining interim rates. AG submitted that pension costs are recovered on a cash basis for both operating and capital related labour as approved by the Commission in Decision 2010-189. AG also submitted that its requested pension cost recovery of approximately $27 million was approved for revenue requirement purposes, which included the receipt of the capitalized pension costs in full in the year 2010 in Decision 2010-553.[8]

17. AG argued that the unamortized capital portion of the forecast pension cost recovery was included in no cost capital to account for the receipt of capital related pension cost recovery in both the ATCO Utilities Pension Common Matters application[9] and the GRA Phase I. Therefore, AG disputed the correctness of the UCA's suggestion that AG will recover almost $10 million more in pension-related amounts through 2011 interim rates than was included in the applied for 2011 revenue requirement. AG submitted that the assumption used with regard to the capitalized portion of the pension expense in the GRA Phase I forecasts was consistent with the approval received in Decision 2010-189. AG noted that the UCA agreed that the amounts carried forward should be recoverable in their entirety in interim rates. AG submitted that the pension contribution cost recovery amounts included in both this proceeding and its GRA Phase I were in accordance with Decisions 2010-189 and 2010-553.

18. With respect to the CCA assertion that the pension amount should be collected over two years, AG agreed that the pension amounts are significant but submitted that they are annual funding requirements and not one-time payments. Accordingly, AG submitted that any recovery of an annual, ongoing cost over more than one year was not logical or sustainable.

19. With respect to AG's proposal to fully recover the costs associated with the Carbon assets, the Commission notes that there were no objections raised by interveners with respect to the recovery of $1.82 million for the Carbon assets and considers AG's proposal is consistent with Decision 2010-496. However, AG's proposed treatment of pension costs was more contentious.

[8] Decision 2010-553: ATCO Utilities, Compliance Filing Pursuant to Decision 2010-189, ATCO Utilities Pension Common Matters, Application No. 1606289, Proceeding ID. 693, December 1, 2010.

[9] Application No. 1606850, Proceeding ID No. 999.

2.2 Did ATCO Gas' interim rates application meet the quantum and need factors to justify its request for an increase in rates?

20. When evaluating the merits of an interim rates application, the Commission must weigh the potential benefits of granting the application - from the perspective of rate stability and minimization of rate shock should the applied for revenue requirement (in the GRA Phase I) be approved - against the costs that are the basis for the interim rates increase, whether they be contentious or non-contentious items, and the impact the revenue deficiency has on the financial welfare of the utility and on the safety of utility operations.

21. In Decision 2005-099,[10] the Alberta Energy and Utilities Board (the Board) noted the various factors it employed when evaluating an application for an interim rate increase:

> … These factors can be grouped into two categories, those that relate to the quantum of, and need for, the rate increase and those that related to more general public interest considerations.
>
> Quantum and need factors are those which relate to the specifics of the requested rate increase and include:
>
> - The identified revenue deficiency should be probable and material.
> - All or some portion of any contentious items may be excluded from the amount collected.
> - Is the increase required to preserve the financial integrity of the applicant or to avoid financial hardship to the applicant?
> - Can the applicant continue safe utility operations without the interim adjustment?
>
> If all or a portion of the suggested rate increase appears appropriate after a consideration of the quantum and need factors, the Board must assess certain general public interest factors to see if a rate increase is justified, these include:
>
> - Interim rates should promote rate stability and ease rate shock
> - Interim adjustments should help to maintain intergenerational equity
> - Can interim rate increases be avoided through the use of carrying costs
> - Interim rate increases may be required to provide appropriate price signals to customers
> - It may be appropriate to apply the interim rider on an across-the-board basis.
>
> The Board recognizes that the above listed considerations may be given different weighting depending on the specific circumstances surrounding each application. The Board has considered the above factors in its deliberations.[11]

2.2.1 Views of the parties

22. The UCA did not dispute that the forecast revenue deficiency was material in this case. However the issue here was one of determining whether the forecast revenue deficiency was

[10] Decision 2005-099: ATCO Gas, 2005-2007 General Rate Application, Interim Rate Application, Application No. 1404168, August 29, 2005.

[11] Decision 2005-099, pages 7 and 8.

probable and, if so, properly accounting for contentious items in order to arrive at an overall interim rate that will maintain reasonable rate stability over time. Achieving that goal involves avoiding unnecessary rate spikes in both the interim rate period and in subsequent periods when any interim rate deficiency will be recovered. One approach to achieving that balance has been to allow the utility to recover 50 per cent of its forecast revenue deficiency in interim rates.[12] While the UCA agreed that this may often be a reasonable starting point, it is clear from the discussion in Decision 2005-099, and subsequent Commission decisions, that there is no rule requiring that result[13] and that the Commission will consider each application on its own merits based on its understanding of the circumstances of the utility, the nature of the requested revenue requirement increases, and any other relevant factors.

23. The UCA submitted that AG's forecast capital expenditures in its GRA Phase I included a number of new, long term capital investment programs that will generate significant cost increases even though they are not driven directly by the types of external factors that underlie ordinary utility revenue requirement increases. These are generally programs under which AG would replace, add to, or modify its existing infrastructure. They would therefore attract no new load or revenue to the AG system, and have little or nothing to do with meeting AG's 2011 service obligations or maintaining the safety and reliability of the system in the near term.

24. In this category of new initiatives, the UCA includes the expanded steel mains replacement program described in Business Case 1 in the GRA Phase I, the plastic mains replacement program described in Business Case 4, the new Meter Relocation and Replacement Project (MRRP) for inside meters with above ground entries described in Business Case 2, the Low Use AMR [automated meter reading] program described in Business Case 7, the line heater reliability program described in Business Case 5, and certain demand side management (DSM) initiatives described.[14]

25. In aggregate these programs would involve significant costs. AG has budgeted $50 million under the steel mains replacement program for 2011, although there have been some steel mains replacements in previous years.[15] MRRP investments for 2011 are forecast at $30 million, plastic pipe replacements at $20 million,[16] and Low Use AMR expenditures at $17 million.[17] The line heater reliability program may not be entirely new, but has forecast investments of $7 million.[18] AG has forecast $1.5 million of capital investments and about $3 million of incremental operating costs for DSM in 2011.[19] It is also possible that some or all of these programs will generate incremental operating, depreciation, or other expenses. From the

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[12] See, for example, Decision 2007-105: ATCO Gas, 2008 Interim Rates, Application No. 1544977, December 19, 2007.

[13] In Decision 2005-099 the Alberta Energy and Utilities Board approved interim rates that recovered $7.0 million out of a forecast deficiency of $18.6 million. In Decision 2010-599: ATCO Electric Ltd., 2011 Interim Distribution Tariff and Transmission Facility Owner's Tariff, Application No. 1606728, Proceeding ID. 918, December 21, 2010, the Commission allowed ATCO Electric to include 90 per cent of its forecast deficiency in interim distribution tariff rates, while allowing only 37 per cent of its forecast deficiency in interim transmission rates.

[14] Section 4.4 appears in Volume 1 of the GRA Phase I. The referenced business cases appear in Volume 2-2 of the GRA Phase I.

[15] GRA Phase I, Volume 2-2, Business Case 1, Table, page 11.

[16] GRA Phase I, Volume 2-2, Business Case 4, Appendix F, pages 44-46.

[17] GRA Phase I, Volume 2-2, Business Case 7, Table 1, page 4.

[18] GRA Phase I, Volume 2-2, Business Case 5.

[19] GRA Phase I, Volume 1, Section 4.4, at paragraph 64 and Table 9.

UCA's perspective all of these programs will be "contentious," or at the very least subject to very serious and critical examination in the course of the GRA Phase I proceeding. The UCA acknowledged the possibility that the Commission may ultimately agree that the various new programs are desirable and in the best interests of customers in the long run, but at this stage of the GRA it is not fair to say that Commission approval of these new initiatives is probable.

26. The UCA does not believe that AG's new interim rates should include costs associated with the identified new capital programs, even at a discounted level. The UCA's review of the GRA Phase I suggests that the new capital programs represent somewhere in the range of $115 million to $125 million of forecast 2011 capital expenditures and $3 million or more of incremental operating costs. The UCA considered that an initial reduction of $15 million in the remaining forecast revenue deficiency of approximately $45 million would be reasonable and appropriate given the magnitude of AG' requested increases and the likely revenue requirement impact of the various new and speculative projects. Consistent with AG's proposed methodology, the remaining $30 million deficiency would be reduced by 50 per cent to reflect the likely impact of contentious items in other areas of AG's GRA.

27. The UCA submitted that AG's assertion that it should be afforded the same treatment given to ATCO Electric Ltd. and ATCO Pipelines in relation to pension costs is irrelevant to the issue in this case.

28. The CCA considered that an interim rate application should only include increases which are absolutely necessary. In the following paragraph they identify a number of items in the AG GRA which they expect to be challenged or questioned or they identify as being considered contentious:

> Increases in operations and maintenance expenses including inflation rates are in dispute. Capital projects and accelerated capital projects will likely be challenged in the GRA. Automated meter reading proposals will be in dispute as well as an accelerated mains replacement. Numerous capital projects including service centres, technology upgrades and replacements will be examined and likely questioned. Late payment litigation is considered controversial. Revenue forecast including customer additions and usage will likely be addressed. Financing rates are also to be considered contentious.[20]

29. The CCA contended AG was asking to harm customers by increasing rates and has not supported potential harm to AG should the request be denied. The CCA agreed with the AUC that the criteria utilized by the AUC in previous interim applications must be weighted as to the importance in each unique application.[21] However, the CCA considered that several of the criteria must be met and there must be compelling public interest grounds for the awarding of an interim rate increase. The CCA considered that AG had failed to provide sufficient evidence to be awarded the magnitude of interim rate increases it was requesting in its application.

30. Conversely, AG contended the "harm" to AG was clearly detailed and supported in AG's 2011-2012 GRA Phase I proceeding. AG claims it described in the application IR response and argument, that it was experiencing increased costs in 2011 to provide safe and reliable distribution service to customers evidenced by the significant shortfall amounts for 2011 and

[20] Exhibit 22, page 10, paragraph 18.
[21] Exhibit 22, page 7, paragraph 11.

2012. These increased costs are currently before the Commission in the GRA, and AG does not understand how the CCA concludes that AG has not claimed harm in this application.

31. AG stated in reply argument:

> … the CCA seems to indicate that the only justification for a rate increase is the harm claimed by the applicant utility. ATCO Gas submits that this is only part of the purpose if [sic] this interim rates application. There are two considerations for interim rates. The first consideration relates to the quantum and need for the rate increase (i.e., the "harm" to the utility without it) and second relates to overall public interest. The purpose of an interim rates application is not only to prevent harm to the utility, but it is important also to prevent significant future rate shock for customers, which is in their best interest. … It is not in the customers' best interest to defer potentially large shortfall amounts, causing much larger rate increases in the future. It is clear by Decision 2010-599 in ATCO Electric's interim rates proceeding that the Commission agreed with the importance of rate shock when considering an interim rate increase.[22]

32. In its application AG stated "ATCO Gas is cognizant that there ***will*** be contentious issues in its 2011/2012 GRA proceeding."[23] (emphasis added) AG did not believe that an interim rates application is an appropriate forum to test the items in the GRA that make up the shortfall for 2011. Nor does AG believe it would be appropriate to speculate on which particular items, and in what amounts, are contentious in its GRA, particularly given that this interim rates application was filed prior to the commencement of any process in AG's GRA.

33. AG submitted that the most appropriate means of determining the quantum of shortfall to be recovered through interim rates in this particular situation is to include items that have been previously approved by the Commission for recovery in their entirety, which in this case includes amounts related to Carbon and Pension matters, and to apply a 50 per cent reduction to items that have not been approved by the Commission, which in this case includes the remaining shortfall before the Commission in AG's GRA. AG suggested that the proposed 50 per cent reduction gives a fair and equal weighting to the probability that items in AG's GRA may or may not be approved.

34. AG submitted that it had demonstrated the need for the rate increase by virtue of the shortfall amounts of $61.5 million in 2011 and $86.8 million in 2012. Current rates were not sufficient to compensate AG for its increased costs for the safe and reliable distribution of natural gas. AG also submitted that the rate increase proposed was in the general public interest. AG argued it was fair to commence recovery of at least some of its increased costs that are occurring in 2011. AG submitted that it was seeking to commence recovery of a portion of the 2011 shortfall beginning April 1, 2011 in an effort to promote rate stability, reduce future rate shock, maintain intergenerational equity, and to recover at least some of the higher costs it was incurring to provide safe and reliable distribution service.

35. AG stated that the Commission has agreed that rate shock and rate stability are paramount in setting interim rates prior to the finalization of shortfall amounts. In Decision 2010-599,[24] the Commission approved 90 per cent of the shortfall for ATCO Electric Ltd.'s

[22] Exhibit 23, paragraph 9.
[23] Exhibit 3, page 4, paragraph 11.
[24] Decision 2010-599: ATCO Electric Ltd., 2011 Interim Distribution Tariff and Transmission Facility Owner's Tariff, Application No. 1606728, Proceeding ID. 918, December 21, 2010.

distribution tariff, prior to the issuance of a decision related to its general tariff application. The Commission stated that there was a "need for gradualism and stability to address potential rate shock."[25] Such a need for gradualism and stability also exists for AG, given the materiality and probability of the 2011 and 2012 shortfall amounts in AG's 2011-2012 GRA Phase I.

2.2.2 Commission findings

36. The Commission agrees with the applicant and the interveners that the shortfall amount is material. The Commission must assess whether the shortfall is also probable. The Commission agrees with AG that if the GRA Phase I were approved AG would have a significant shortfall in 2011.

37. The Commission has noted the concerns of the interveners and further notes AG's policy of capitalizing pension expense was not contemplated by the Commission in Decision 2010-189. Therefore, the Commission will only include $5 million of the capitalized pension expense in 2011 interim rates. The total pension expense amount to be recovered in interim rates will be set at $22.5 million.

38. The Commission notes that the UCA estimated that the capital spending program includes $115 million to $125 million of projects which it argued were not to be related to the current provision of safe and reliable service and $3 million or more of incremental operating costs related to these programs[26] and recommended that the forecast revenue deficiency should be reduced by $15. In its argument, the CCA also identified numerous items that will be challenged or that are considered to be contentious and in its reply argument agreed with the UCA that contentious capital projects should not be included in interim rates for AG.[27]

39. The Commission accepts the positions of the UCA and the CCA that there are items in the AG's GRA Phase I that are considered to be contentious and in accordance with the criteria set out in Decision 2005-099 will reduce the proposed interim rate increase by an adjustment for contentious items.

40. With respect to the amount of the adjustment, the Commission is not persuaded that AG's interim rates should be reduced to the extent proposed by the UCA due to the contentious nature of AG's capital expenditures program. The Commission considers that a reduction of $7.5 million or 50 per cent of the UCA's recommendation with respect to new capital projects is a reasonable adjustment to the 2011 interim rates increase.

41. The Commission notes that both the UCA and CCA argued that the portion of the pension costs that will be capitalized should not be accepted in determining interim rates. The Commission is of the view that interim recovery of the amounts related to the capital component of the pension costs is not necessary to preserve AG's financial integrity or for AG to continue safe utility operations. The Commission considers that the treatment of the capitalized component of the pension costs should be examined further. Therefore, for purposes of the application, the Commission will reduce the pension costs to be recovered by Rider "S" by $5 million.

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[25] Decision 2010-599, paragraph 33.
[26] Exhibit 21, page 9, paragraph 24.
[27] Exhibit 22, page 10, paragraph 18.

42. The $7.5 million reduction related to the proposed capital expenditure program and the $5 million reduction related to the capitalized portion of pension costs will reduce the proposed revenue recovery by $8.75 million ($5 million plus 50 per cent of $7.5 million). The net result is that the Commission will allow AG to recover approximately 80 per cent of its applied for costs in its 2011 interim rates. The Commission considers this position to be an appropriate balance between promoting the quantum of need and the general public interest through rate stability and minimizing rate shock. Table 4 below compares the Commission findings to those proposed by AG:

Table 4. 2011 GRA shortfall comparison

	ATCO Proposal ($000)	Commission Decision ($000)
2011 GRA revenue shortfall	63,091	63,091
Less pension costs – Decision 2010-189	27,500	27,500
Less GRA capital amount		7,500
Net shortfall	35,591	28,091
50% of net shortfall	17,796	14,046
Plus Carbon shortfall Decision 2010-496	1,820	1,820
Plus pension costs – Decision 2010-189	27,500	22,500
Amount to be recovered by Rider “S”	47,116	38,366

43. The Commission notes that no party objected to Rider “T”. The Commission has reviewed and accepts the rate structure and methodology proposed by AG for Rider “T”. Therefore, the Commission approves Rider “T” as applied for by AG.

44. The Commission considers that a sound rate structure involves a reasonable balance between cost and social considerations. To achieve this balance neither the financial integrity of the utility nor the level of service to the customer should be impaired through the determination of a utility revenue requirement. As discussed above the 2011 interim rates contain a number of contentious items which were brought to the Commission’s attention in this proceeding and which the Commission will examine in the GRA Phase I proceeding. The Commission finds that allowing AG to recover approximately 80 per cent of its applied for costs will not affect service levels.

3 Order

45. It is hereby ordered that:

(1) ATCO Gas is to file a compliance filing under Proceeding ID No. 1024 for new North and South rates and rate schedules for Rider "S" effective May 1, 2011, using the approved total revenue shortfall recovery amount of $38,366,000.

(2) The compliance filing will include the approved adjustment to Rider "T" to be effective May 1, 2011.

Dated on April 1, 2011.

The Alberta Utilities Commission

(original signed by)

Moin A. Yahya
Panel Chair

(original signed by)

Kay Holgate
Commission Member

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

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The City of Calgary D. Evanchuk M. Rowe H. Johnson
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