Alberta Utilities Commission

ATCO Pipelines and ATCO Gas

Divisions of ATCO Gas and Pipelines Ltd.

2008-2009 Unaccounted for Gas and Fuel Gas Rates – Rider "D" and Load Balancing Deferral Account Rider "F"

October 28, 2008

ALBERTA UTILITIES COMMISSION
Decision 2008-105 ATCO Pipelines and ATCO Gas
2008-2009 Unaccounted for Gas and Fuel Gas Rates – Rider “D” and
Load Balancing Deferral Account Rider “F”
Application No. 1583677
Proceeding ID. 96

October 28, 2008

Published by
Alberta Utilities Commission
Fifth Avenue Place, 4th Floor, 425 - 1 Street SW
Calgary, Alberta
T2P 3L8

Telephone: (403) 592-8845
Fax: (403) 592-4406

Web site: www.auc.ab.ca

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1 INTRODUCTION

By letter dated August 19, 2008, ATCO Pipelines (AP) and ATCO Gas (AG) (together referred to as ATCO), divisions of ATCO Gas and Pipelines Ltd., filed a joint Application (the Application) with the Alberta Utilities Commission (AUC or Commission) for various approvals as discussed below. Where applicable, both of AP and AG set separate rates for their northern (North) and southern (South) service territories. These sub-divisions are referred herein as AP North (APN) and AP South (APS) and AG North (AGN) and AG South (AGS). Rates are administered by each of AP and AG. The approvals sought are:

1. the applied for Rider 'D' Rate Schedules for AP for Unaccounted for Gas (UFG) and Fuel Gas (Attachment 10);
2. the applied for Rider 'D' Rate Schedules for UFG and Fuel Gas for AG (Attachment 11);.
3. Processing of the measurement adjustments identified in the Application and the mechanism to process future measurement adjustments within the normal course of business;
4. the ability for AG to charge or pay to Direct Energy Regulated Services (DERS) the effect of any measurement adjustments applicable to the period prior to October 1, 2008 (the date Retailer Service was implemented) that are subsequently dealt with by AG in its Load Balancing Deferral Account (LBDA);
5. the proposed adjusting mechanism to AP's LBDA accounts;
6. the replacement of AP's North and South LBDA maximum threshold of ±$2,000,000, with maximum levels of ±$7,500,000 for the North LBDA and ±$5,000,000 for the South LBDA; and
7. effective January 1, 2008, the calculation of AP's daily interest to be applied to the LBDAs calculated using the methodology for short-term interest outlined in AUC Rule 023.

The Panel assigned to deal with the Application consisted of Ms. Carolyn Dahl Rees, Vice-Chair, and Mr. Allen Maydonik, Q.C., Commissioner.

The Commission served Notice of the Application by electronic mail on August 22, 2008 to the Commission's notification contact list for gas and pipeline proceedings. The Commission dealt with the Application in a written process, the record for which was closed on October 2, 2008 with the filing of Reply Argument.

Parties that participated in the proceeding or registered as interveners are listed in Appendix 4 to this Decision.

In reaching the determinations contained 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.

2 UFG CALCULATION

Historically, ATCO has filed a UFG Application in mid August for rates to be implemented for the November 1 commencement of the gas year. The approvals requested in the Application included several items not previously included in prior UFG applications. The new items relate to the disposition of the AP LBDA and the inclusion of an LBDA component in the Rider D calculation for AP.[1]

2.1 UFG Data and Calculation Method

Charges for UFG and Fuel are recovered in-kind from customers receipting gas on AP's gas pipeline system and from all retailer delivery service customers delivering gas off AG's distribution system. The North and South systems utilize different calculation methods for the calculation of UFG which is then recovered through a Rider D charge. The historical practice for the North, referred to as the Blended Method, prior to the modification of the Blended Method approved by the Alberta Energy and Utilities Board (Board) in Decision 2007-081[2] used a three-year (calendar) average of the blended (the combined AP and AG systems, North and South) UFG, with a one-year lag, which was then allocated on the ratio of 2.5:1 (AG:AP) established in Decision 2003-042.[3] In Decision 2007-081, the Board approved a proposal to use the average of two years of historical Blended Method data using a 1:1 ratio and one-year of actual physical measurement data. Physical measurement data was previously unavailable for the North. Using a (calendar) average of physical measurement data to determine UFG is known as the Physical Method.

The practice approved for the South in Decision 2007-081 was the Physical Method based on three consecutive years of physical measurement data.

2.1.1 North

As described above the most recently approved practice for determining UFG in the North utilized an average of three years, two of which were determined using the Blended Method and one of which was determined using the Physical Method. The Blended Method used a two-year (calendar) average of the blended (the combined AP and AG systems, North and South) UFG, with a one-year lag, which was then allocated on a ratio of 1:1 (AG:AP).

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[1] In AUC-ATCO-14 (d) ATCO confirmed in an Information Request that the inclusion of an LBDA component is a change to the Rider D calculation for AP.

[2] Decision 2007-081 – ATCO Pipelines and ATCO Gas Divisions of ATCO Gas and Pipelines Ltd. 2007-2008 Unaccounted for Gas and Fuel Gas Rates – Rider "D" (Application 1523144 / ID. 6) (Released: October 23, 2007)

[3] Decision 2003-042 – ATCO Pipelines North Unaccounted-For-Gas Allocation Methodology (Application 1286668) (Released: May 29, 2003)

With respect to this Application, two years of physical measurement data (2006 and 2007) are now available for the determination of UFG and Rider D in the North. The Application proposed to use an average of one year of historical Blended Method data and two years of actual physical measurement data. The Commission notes that this change is consistent with the North's transition to the Physical Method approved in Decision 2007-081. Accordingly, the Commission accepts the modification to the methodology in calculating UFG in the North.

The three year data series which support the calculations as shown in Section 3 of the Application result in the following UFG rates for 2008-2009.

Table 1. North UFG Per the Application[4]

	2007	2006	2005	Average UFG
Basis of Data	Physical	Physical	Blended	
APN UFG	0.248%	0.222%	0.580%	0.350%
AGN UFG	0.108%	-0.054%	0.580%	0.211%

Source: Application Section 2(C)

2.1.2 South

ATCO stated that physical measurement data is available for 2005 to 2007 inclusive and that the physical UFG data for each year was averaged to determine the 2008-2009 UFG rates. The values are shown in Table 2.

Table 2. South UFG Per the Application[5]

	2007	2006	2005	Average UFG
Basis of Data	Physical	Physical	Physical	
APS UFG	0.547%	0.745%	0.784%	0.692%
AGS UFG	0.395%	0.268%	0.172%	0.278%

Source: Application, Section 2(D)

2.2 Corrections to Data Used in the UFG Calculation

ATCO states that over the past year, a detailed review of both the UFG calculation (formula and data sets) and the physical measurement data was conducted to resolve issues such as prior years' reported line gains. As a result of this work, ATCO identified an error in a data set (discussed below under the section titled Prior Years' Calculation Error in UFG Calculation) and errors in physical measurement data.

The errors in the physical measurement data were associated with various receipts and deliveries on the AP and AG systems. With respect to the errors in the physical measurement data at AP/AG interconnections, ATCO identified a number of required adjustments which are discussed below. The physical measurement adjustments required to prior year UFG data, other than the adjustments at AP/AG interconnections, were not disputed by any party in this proceeding.

[4] Application, page 3, Section B for 2005 and Section C for 2006 and 2007
[5] Application, page 4, Section D

2.2.1 Prior Years' Calculation Error in UFG Calculation

In its Application[6] ATCO stated that with respect to 2006 data:[7]

> a group of AG high use customers that are supplied with dedicated AP/AG *[North]* Interconnections were found to be inadvertently excluded from AP's data set of deliveries to AG but included in AG's data set of end use customers. These are classified as "High use customer delivery corrections" in the reconciliation tables below. Adjustments in AG's *[North]* FSU Account(s) are not required for these corrections as the error was in the UFG calculation only, not in the physical measurement data. The measurement for these high use customers was correct.

This amount is shown in Table 3.1 of the Application and amounts to 1,265 terrajoules (TJ). This amount is material and is larger than APN's revised 2006 physical UFG of 970 TJ.[8] No party disputed the adjustments to correct these calculation errors and the Commission considers such adjustments to be appropriate for the 2008/09 UFG calculations.

2.2.2 Measurement Adjustments at AP/AG Interconnections

ATCO indicated that it had identified a number of adjustments resulting from meter by-passes and measurement equipment failure at AP/AG interconnections.[9] ATCO stated that these measurement adjustments affect AG's FSU accounts as well as the ATCO UFG calculations.[10] On that basis, ATCO sought approval to reflect the adjusted AP/AG interconnection flows in AG's FSU accounts and to use the adjusted flows at these interconnections for calculating 2008/09 Rider D.[11]

ATCO indicated that as a result of processing these adjustments, there would be a requirement to purchase gas to balance AG's FSU accounts. This matter is discussed further in Section 4.

In AUC-ATCO-5, ATCO showed the changes to the UFG as a result of these measurement adjustments and the impact of the change on the Rider D amounts. The impacts are summarized in the Table below.

Table 3. Impact of Measurement Adjustments on Rider D

	Including Proposed Adjustments		Excluding Proposed Adjustments		Percentage Change	
	North	South	North	South	North	South
AP 2008/09 Rider D %	0.068 %	1.151 %	0.119 %	1.116 %	75 %	(3) %
AG 2008/09 Rider D %	0.211 %	0.278 %	0.012 %	0.333 %	(94) %	20 %

In AUC-ATCO- 1(a) ATCO provided additional detail respecting these measurement adjustments which totaled 1.5 million GJ. A total of 18 stations were found to require adjustments ranging from -79 GJ to 580,000 GJ; the latter adjustment exceeded annual throughput of the station by some 20% and in 2007 was approximately 80% of annual

6 Application, pages 7-8
7 Application, Table 3.1
8 Attachment, APN 2006 UFG Physical, Line 27, Column N
9 Application, pages 14-15
10 Application, page 7
11 Application, page 15

throughput. The adjustment periods go back as far as April 2006. The adjustments span periods from 1 to 68 weeks.

Commission Findings

The CCA and Gas Alberta did not object to the processing of the measurement adjustments as applied for by AP and AG. ATCO noted in UCA-AP/AG-4 (a) that DERS neither supported nor opposed the adjustments. The UCA also agreed that "…measurement adjustments occur within the normal course of business."[12] However, as discussed further in this Decision, the UCA suggested the portion of the adjustment older than two years be rejected.

An extensive number of Information Requests were asked by the Commission and parties querying the details of the adjustments. The Commission did not find any evidence that the adjustments were inappropriate and considers the evidence filed by ATCO sufficient to support the requested adjustments. On that basis, the Commission provides approval to ATCO to reflect the adjusted AP/AG interconnection flows in AG's FSU accounts and to use the adjusted flows at these interconnections for calculating the 2008/09 Rider D for AG and AP.

The Commission notes that parties submitted that although they did not oppose most of the proposed adjustments they had a number of concerns on a go forward basis. These concerns included the fact that the adjustments were significant[13] which might indicate that future adjustments might also be large, that not all sources of error pertaining to UFG have been found, that all sources of error have not been properly accounted for, the extended time over which the errors occurred[14] and that it appeared there were deficiencies in ATCO's measurement systems.

Notwithstanding the fact the Commission finds the adjustments are required, it shares the concerns of parties respecting the process of measurement error identification and correction and the fact that there has been a substantial ongoing need for making significant adjustments for UFG. For these reasons, the Commission directs that a technical workshop be held to discuss these and other issues. The format and content of this workshop is discussed later in this Decision.

2.3 Proposed Retroactive Adjustment to UFG Recovery

The Consumers Coalition of Alberta (CCA) argued that based on the revised measurement data, it is clear that previous UFG ratios resulted in excessive rates to distribution customers. The CCA argued that the revised UFG calculations for prior years should be retroactively applied to customers back to 2001. CCA argued that this would "fairly charge UFG to appropriate parties and reduce the excessive burden core customers have carried with respect to UFG."[15]

In reply, ATCO cited UCA-AP/AG-2(a) which stated that UFG is addressed on a prospective basis.

The Commission agrees with ATCO that corrections to historical calculations of UFG should be applied to prospective calculations of UFG. The Commission also agrees that this issue was

[12] UCA Argument, page 2
[13] UCA Argument, page 2
[14] Gas Alberta Argument, page 2-3; UCA Argument, page 2
[15] CCA Argument, pages 7-8

addressed in Decision 2007-081. Accordingly flow-through or charging to customers for adjustments to prior years' UFG should not be done.

3 PROCESSING FUTURE MEASUREMENT ADJUSTMENTS

ATCO has requested approval to process[16] future measurement adjustments at AP/AG interconnections within the normal course of business. Both the CCA and the UCA recommend that future adjustments at AP/AG interconnections be approved by the Commission prior to processing.[17]

The Commission agrees with ATCO that "Measurement is a complex undertaking that depends on both equipment and people."[18] Further, the Commission agrees with both Gas Alberta and ATCO that adjustments to measurements should be made in order to correct previous measurement errors. However, as indicated in the preceding section, the Commission shares the concerns of interveners respecting the overall size of the requested adjustments, the length of time over which the errors occurred and whether all sources of error have been found.

The Commission notes that many issues in this Application are repetitive of issues raised by both interveners and ATCO in annual UFG applications. For example the issues of additional meters, monthly meter reading and line heater fuel have been raised in this and in previous applications. In previous Decisions the Board accepted ATCO's argument that the general rate application was the most appropriate forum to discuss these issues. While the Commission continues to hold this view in general, the Commission sees merit in the convening of a technical workshop as referenced in Section 2.2.2 above to advance a resolution to these issues. Unresolved matters could then be pursued through general rate application proceedings. Among the issues that the technical workshop should address include:

- whether line heater fuel downstream of AP/AG interconnections should be identified and removed from the UFG calculation and recovered as system fuel;
- need for metering at one or more of 2,540 unmeasured interconnections;
- whether a revision to the UFG calculation for estimated UFG downstream of unmetered interchanges is required in order to charge AG customers rather than AP customers;
- discuss whether AG should be responsible for its own gas measurement at its stations with AP;
- need to read all meters at AP/AG interconnections at least monthly; and
- what standards, if any, should be established with respect to error identification and correction.

The timing is discussed in more detail in Section 5.2 below relating to the LBDA.

[16] Reflecting adjustments at AP/AG interconnection flows in AG's FSU accounts and using the adjusted flows in the calculation of subsequent Rider D calculations.
[17] CCA Argument, page 6; UCA Argument, page 3
[18] ATCO Argument, page 3

While the Commission recognizes that the technical workshop may result in future changes to the adjustment process, the Commission approves the processing[19] of future measurement adjustments at AP/AG interconnections within the normal course of business.

This approval is subject to the following conditions:

(a) ATCO will continue to provide the detail with respect to all adjustments required by Decision 2007-081[20] and

(b) ATCO will file with the Commission schedules similar to the one provided in AUC-ATCO-1. These schedules will be reconciled to the data provided in paragraph (a) and

(c) ATCO will continue to file the detailed "Physical Unaccounted for Gas Calculation" as included as Exhibit 0002.00.ATCOPIP-96 (schedules attached to the Application). This schedule must clearly show the adjustments as was done in AUC-ATCO-9(e).

4 ABILITY OF AG TO CHARGE OR PAY DERS WITH RESPECT TO MEASUREMENT ADJUSTMENTS

AG sought approval to charge or pay to DERS the effect of any measurement adjustments which result in changes to AG's FSU account applicable to the period prior to October 1, 2008 that are subsequently dealt with by AG in its LBDA.

ATCO indicated that as a result of processing the measurement adjustments discussed in Section 2.2.2 of this Decision, there would be a requirement to purchase gas to balance AG's FSU accounts. Since these measurement adjustments would not be processed before implementation of Retailer Service on October 1, 2008, AG indicated that it would be responsible for the gas purchases due to the transition of distribution system load balancing responsibilities to AG from DERS. ATCO indicated that the cost of the purchases would be recorded in AG's LBDA but since this would cause a disconnect between the parties who benefited from the measurement errors (DERS customers) and the parties who would be required to pay for the purchases through AG's LBDA (all AG distribution customers), AG requested that it be allowed to charge the cost of the purchases that result from processing these measurement adjustments to DERS who in turn would recover it through its GCFRs.[21]

ATCO stated that customers who receive their gas supply from DERS benefited in the past as a result of these measurement issues, due to the fact that these amounts were not included in AG's FSU accounts and were not therefore taken into consideration in the load balancing performed by DERS with respect to the AG distribution system.

In relation to these current proposed measurement adjustments, the UCA raised the issue of the time period covered by the measurement adjustments and proposed a disallowance as it exceeds

[19] Reflecting adjustments at AP/AG interconnection flows in AG's FSU accounts and using the adjusted flows in the calculation of subsequent Rider D calculations.
[20] Page 9
[21] Application, pages 15-16

the two-year limitation period for prior period adjustments "in the ordinary course" established by the Board in Decision 2006-042.[22]

ATCO responded that:

> AP and AG made Direct Energy aware of the requirement to process certain adjustments in May 2008. The fact that AP and AG were required to obtain Commission approval to process these measurements should not in any way mean that the limitation period has been exceeded.[23]

ATCO also noted that any charges deemed not recoverable from DERS' GCFR would remain in AG's LBDA and would be recoverable from all AG customers.

The Commission acknowledges that Decision 2006-042 is applicable to the DGAs of DERS and other regulated default supply providers, and in that Decision the Board made the following determination:

> The Board believes that the objective of providing regulatory efficiency can be achieved by setting a two-year time limit for adjustments in the ordinary course, and the Board has decided to set a two-year limitation period for adjustments to the DGA. This will add 21 months in addition to the rolling three-month period which is provided to reconcile actual and forecast gas costs. The Board believes that, in order to establish efficiency, the two-year time limit on prior period adjustments should be determined relative to the date on which the monthly regulated GCRR or GCFR then under review by the Board becomes effective, not the date of "discoverability" of the causes that would otherwise precipitate adjustments.[24]

The Commission notes that DERS was made aware in May 2008 of certain AP/AG interconnection adjustments[25] (the May Submission) but due to the magnitude of the adjustments and the potential impact on the GCFRs, DERS indicated that it required approval from the Commission before it would accept the effect of these adjustments.[26]

The Commission also notes that the AP/AG interconnection adjustments identified in the May Submission[27] were about 906 TJ and 340 TJ respectively for the North and South systems and in the Application, the adjustments were revised to 1,123 TJ and 347 TJ respectively due to the addition of other AP/AG interconnection adjustments and additional adjustment quantities to the interconnections included in the May Submission.[28]

Since DERS was made aware of most of the proposed measurement adjustments in May 2008, the month in which the June 2008 GCFRs were determined, and since ATCO proceeded with relative diligence in making the application after discussing the matter with DERS, the Commission considers it appropriate to deem June 2008 as the GCFR month to set the prior two-

22 UCA Argument, page 2. Decision 2006-042 – ATCO Gas, Deferred Gas Account Limitation Period (Application 1407502) (Released: May 11, 2006)
23 ATCO Reply, page 9
24 Decision 2006-042, page 8
25 Information response AUC-ATCO-11(a) Attachment
26 Application, page 15
27 Information response AUC-ATCO-11(a) Attachment
28 AUC-ATCO-1(a) Attachment

year limitation period. On that basis, the Commission would not normally consider adjustments applicable to the period prior to June 2006 except in special circumstances.

In this regard, the Commission notes that none of the initial adjustments identified in the May Submission were applicable to the period prior to June 2006 but in the Application, a small portion of the adjustments in the North were applicable to the period prior to June 2006. For the North Fairview Gate 2 station, ATCO showed a required adjustment for the period April 1, 2006 to January 31, 2008 and the adjustment was required because an incorrect factor was applied to the meter.[29]

As outlined in Decision 2006-042, the Board made a provision to allow for the consideration of an adjustment outside the two-year limit. This provision normally requires a separate application to be filed by a utility, a threshold value for the proposed adjustment and the existence of special circumstances not within the utility's control.[30]

In the present Application, ATCO has requested measurement adjustments to many stations including one particular station noted above that required adjustments to periods within and outside the two-year limitation period. The requested adjustment outside of the two-year period applies to a North station where an incorrect factor was applied to a meter. Apart from the UCA's concern expressed above with respect to the two-year limitation period, no party objected to ATCO processing the proposed adjustment at this station. While the Commission has expressed some concerns in Section 3 above with respect to measurement adjustments, the Commission also recognizes that AP and AG have been going through a transition whereby measurement at AP/AG interconnections was introduced, and additional operating and maintenance practices were required. The Commission has also directed ATCO to conduct a workshop to discuss many of these issues with a view to addressing future practices to deal with measurement matters in the context of the LBDA (see Section 5.2 of this Decision). The Commission also notes that it did not receive specific evidence as to the magnitude of the proposed adjustment at this station outside the two-year limitation period, but based on the general evidence in this proceeding the adjustment appears to be small and not material in relation to the magnitude of the total proposed adjustments.[31] Under these circumstances and for the above reasons, the Commission considers it appropriate to waive the requirement for a separate application and the threshold value for the proposed adjustment.

Accordingly, the Commission is prepared to approve the proposed adjustments at this station outside the two-year limitation period (April and May 2006) and all proposed measurement adjustments at this station and other stations as outlined in AUC-ATCO-1(a) Attachment applicable to the period after May 2006.

AG shall be permitted to charge DERS for the cost of purchases that result from processing these measurement adjustments which the Commission expects will be completed in short order.

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[29] AUC-ATCO-1(a) Attachment and AUC-ATCO-2(a)

[30] See Decision 2006-042, page 8

[31] The total proposed adjustment is 189,056 GJ with 92,416 GJ being applicable to the period April 1, 2006 to December 31, 2006, 82,900 GJ applicable to 2007 and 13,740 GJ being applicable to January 2008. On a purely prorated basis, the portion outside the two-year limitation period (April and May 2006) would be about 20,537 GJ (2/9 of 92,416 GJ).

The two-year limitation period is also relevant with respect to potential future adjustments. AG has requested that it be allowed to charge or pay to DERS the effect of any future AP/AG interconnection measurement adjustments which result in changes to AG's FSU account applicable to the period prior to October 1, 2008 that are subsequently dealt with by AG in its LBDA. The Commission considers that the two-year limitation period discussed above for adjustments to the DGA should continue to apply.

AG proposed that any charges deemed not recoverable through DERS' GCFRs would remain in AG's LBDA and be recoverable from all AG customers. The Commission considers that this may conflict with the spirit of Decision 2006-042 wherein the Board considered it reasonable to provide a limitation period in order to provide some certainty with respect to finalizing customer rates and to provide regulatory efficiency.[32] The Commission considers that this matter should be discussed in the technical workshop.

The Commission also expects DERS to clearly detail all charges and payments resulting from any AP/AG interconnection measurement adjustments in any affected GCFR applications.

5 ATCO PIPELINES LOAD BALANCING DEFERRAL ACCOUNTS

The Application states that the balances in the AP LBDAs were $17 million and a negative $3 million for the North and South respectively.[33] The Application states that the AP LBDA is comprised of two components, a price variance and a volume variance. AP proposes to dispose of the price variance component through a Rider F and the volume variance component through an adjustment to the AP Rider D calculation. These proposed dispositions are discussed in more detail in the sections below.

5.1 Volume Variance

The volume variance is disclosed as an adjustment to the AP Rider D calculation in Section 2 of the Application. The detailed calculation of Rider D shown in Section 2(G) of the Application, includes a line entitled *"2008/09 Adjustment for LBDA Variance Analysis"*. A footnote refers the reader to Sections 6.3 and 6.4 of the Application.

Section 6 is entitled *"AP's Proposed LBDA Adjustment Rider F"*. This presents some confusion as Section 6 also proposes the change to the Rider D calculation. Furthermore, the amount of the volume variance is significantly higher than the price variance and proposed Rider F.[34]

ATCO describes the volume variance as

> … the result of differences between measured receipts and measured deliveries. Differences between UFG collected under Rider 'D' and actual UFG experienced contribute to system imbalances. Sometimes these variances are offset by measurement adjustments. Since the LBDA volume imbalance (or variance) is primarily the result of UFG variances, AP's proposal is to adjust the forecast UFG/Fuel volumes used to calculate Rider 'D'.[35]

[32] Decision 2006-042, page 8
[33] Application, pages 19-20
[34] Application, page 5
[35] Application, page 18

While the Commission understands that the forecast UFG as determined in the annual Rider D application process may not reflect actual UFG experienced, it is not apparent to the Commission that the LBDA volume variance is primarily the result of UFG variances.

AUC-ATCO-13 illustrates the calculation of the Rider D for AP without the effects of the proposed LBDA volume variance adjustment. According to AUC-ATCO-13 the change only affects AP and does not affect AG. This is consistent with the Application where the LBDA adjustment is only shown in the calculation of the AP Rider D.[36]

Table 4. Impact of LBDA Disposition on Rider D Values

	Including Adjustment for LBDA Variance		Excluding Adjustment for LBDA Variance	
	North	South	North	South
AP 2008/09 Rider D %	0.068 %	1.151 %	0.605 %	0.860 %

As a separate issue, in AUC-ATCO-15, AG described how it proposes to determine its Rider D for 2009/2010. It was not clear to the Commission how this proposed method differed from AP's proposal for its revised method that incorporates a volume variance adjustment.

Commission Findings

After considering the evidence on the record, the Commission has determined that additional information is required respecting the interaction of the Rider D calculation and the volume variance component of the LBDA.

The Commission also requires additional explanation and support for the operation of the LBDA to enable the Commission to understand the implications of the proposed LBDA volume variance adjustment. In particular, the assertion that differences between calculated UFG and actual UFG show up as differences in the LBDA raises a number of questions including, but not restricted to:

- Is there a more accurate way to forecast UFG?
- Should the UFG calculation method approved in previous applications be revised?
- If differences between forecast and actual UFG show up in the LBDA, is there merit to merging the process into one calculation and process?

Given these questions the Commission cannot rule on the disposition of the proposed volume variance adjustment. Given the interconnected nature of the volume variance and the price variance, the Commission will not rule on one variance in isolation of the other. As well, the issue of changing the LBDA threshold should not be considered without a resolution to the question of LBDA volume and price variance disposition.

Therefore the Commission denies the applied for LBDA volume variance adjustment to the Rider D calculation, the proposed Rider F, to proposed changes to the LBDA thresholds and daily interest calculations.

[36] Application, page 5, Section F, Footnote 4 and Section G, Footnote 2

The Commission approves the applied for UFG without the impact of the LBDA items. Accordingly, the Commission approves Rider D percentages of 0.605 % for the North and 0.860% for the South as provided in Table 4 above. Appendix 1 of this Decision lays out the detailed calculations of these amounts.

5.2 Further Steps

The Commission directed ATCO in Section 2.2.2 to hold a technical workshop with respect to UFG measurement and calculation issues. In addition to those matters the Commission directs ATCO to consider the following LBDA issues within the technical workshop in the context of both the AP and AG LBDAs:

- a detailed explanation of the calculation of price and volume variances of the LBDAs;
- the linkage between the LBDA volume variance and UFG;
- clarification of the distinction between volume variances and UFG;
- whether there is a more accurate way to forecast UFG;
- whether there is merit to having one calculation and process for UFG and LBDA volume variances;
- use of rolling gas year data instead of calendar year data as the basis for UFG calculations;
- whether a limitation period should be applicable to adjustments made to the AG LBDA and/or AP LBDA and if so, what type of adjustments should be subject to the limitation period and what the appropriate limitation period should be;
- data sources for the UFG physical calculations; and
- any other issues which ATCO or parties consider relevant.

Subsequent to the technical workshop, the Commission directs ATCO to file a revised application for the disposition of the AP LBDA prior to December 4, 2008. The application should include any proposed adjustment to the UFG calculation method.

6 ORDER

IT IS HEREBY ORDERED THAT:

(1) Effective November 1, 2008, the applied for Rider "D", as amended by this Decision, shall be applied to all ATCO Pipeline receipt services as shown in Appendix 2 of this Decision. This Rider "D" shall be in place until October 31, 2009.

(2) Effective November 1, 2008, Rider "D" shall be applied to all ATCO Gas retailer delivery services as shown in Appendix 3 of this Decision. This Rider "D" shall be in place until October 31, 2009.

(3) ATCO has approval to process the measurement adjustments described in Section 5 and Attachment 8 of the Application for purposes of adjusting ATCO Gas's FSU accounts and calculating the ATCO Gas and ATCO Pipelines 2008/09 Rider D rates as appropriate.

(4) ATCO has approval to reflect future measurement adjustments at ATCO Pipelines/ATCO Gas interconnections in ATCO Gas's FSU accounts and to use the adjusted

measurements in the calculation of subsequent Rider D calculations within the normal course of business subject to the conditions outlined in this Decision.

(5) ATCO Gas has approval to charge Direct Energy Regulated Services the cost of gas purchases that result from processing the measurement adjustments outlined in Attachment 8 of the Application.

(6) ATCO Gas has approval to charge or pay to Direct Energy Regulated Services the effect of any future measurement adjustments which result in changes to ATCO Gas's FSU accounts applicable to the period prior to October 1, 2008 and are dealt with by AG in its LBDA subject to the limitations outlined in this Decision.

(7) The proposed adjusting mechanism to ATCO Pipelines' Load Balancing Deferral Account accounts is denied.

(8) The replacement of ATCO Pipelines' North and South Load Balancing Deferral Account (LBDA) maximum threshold of ±$2,000,000, with maximum levels of ±$7,500,000 for the North LBDA and ±$5,000,000 for the South LBDA is denied.

(9) The calculation of ATCO Pipelines' daily interest to be applied to the Load Balancing Deferral Accounts calculated using the methodology for short-term interest outlined in AUC Rule 023 effective January 1, 2008 is denied.

(10) ATCO will hold a technical workshop with respect to the issues identified respecting UFG measurement and allocation and the Load Balancing Deferral Accounts as directed in this Decision.

(11) ATCO Pipelines will file a revised Load Balancing Deferral Account application by December 4, 2008.

Dated in Calgary, Alberta on October 28, 2008.

ALBERTA UTILITIES COMMISSION

(original signed by)

Carolyn Dahl Rees
Vice-Chair

(original signed by)

N. Allen Maydonik, Q.C.
Commissioner

APPENDIX 1 – CALCULATION OF 2008 – 2009 UFG/FUEL RATES

1. Calculation of the 2008/09 ATCO Pipelines Rider ‘D’ and ATCO Gas Rider ‘D’ in Accordance with Commission Direction

The APN and APS Rider ‘D’ for 2008/09 requires modification to the methodology applied for to remove the effects of the volume variance of the LBDA.

The following details the calculation of AP and AG’s respective Rider ‘D’s:

(A) ATCO Pipelines Receipt Forecast and ATCO Gas Delivery Forecast

	North (TJ)	South (TJ)
AP Receipt Forecast	407,120	171,440
AG Delivery Forecast	121,008	116,217

(B) Use of Allocation Factor for 2008/09 UFG Attributable to ATCO Pipelines North and ATCO Gas North:

In the North, physical measurement data is available from January 2006 to December 2007 for both APN and AGN. Therefore, the blended allocation ratio methodology is applied to the 2005 data.

	2005
Blended UFG % (Attachment 1)	0.753%
APN Allocated UFG % (1)	0.580(2)
AGN Allocated UFG %	0.580(3)

(1) Calculation per Decision 2007-081(1:1 ratio)
(2) (0.753%)x(407,120) / (407,120 + (1x121,008)) =0.00580 = 0.580%
(3) (1) x (0.580%) =0.580%

(C) 2008/09 UFG Attributable to ATCO Pipelines North and ATCO Gas North

In the North, physical measurement data from January 2006 to December 2007 has been used in the UFG calculation for both APN and AGN. The allocated UFG for 2005, and the physical data for 2006 and 2007, are averaged to determine the UFG % for each of APN and AGN.

	APN	AGN
2005 (Blended UFG)	0.580%(1)	0.580%(1)
2006 (Physical UFG)	0.222%(2)	-0.054%(3)
2007 (Physical UFG)	0.248%(2)	0.108%(3)
Average UFG %	0.350%	0.211%

AGN 2008/09 Allocated UFG % on Deliveries (AGN 2008/09 Rider 'D')	**0.211%**

(1) From (B).
(2) See Attachment 2
(3) See Attachment 3

(D) 2008/09 UFG Attributable to ATCO Pipelines South and ATCO Gas South

In the South, physical measurement data is available from January 2005 to December 2007 for both APS and AGS. The physical UFG for 2005, 2006 and 2007, are averaged to determine the UFG % for each of APS and AGS.

	APS	AGS
2005 (Physical UFG)	0.784%(1)	0.172%(2)
2006 (Physical UFG)	0.745%(1)	0.268%(2)
2007 (Physical UFG)	0.547%(1)	0.395%(2)
Average UFG %	0.692%	0.278%

(1) See Attachment 4
(2) See Attachment 5

AGS 2008/09 Allocated UFG % on Deliveries (AGS 2008/09 Rider 'D')	**0.278%**

(E) ATCO Pipelines Fuel Quantity

This application follows the Decision 2003-042 methodology, which averages the quantities of Fuel in 2005, 2006 and 2007 to determine a 2008/09 quantity:

	North (TJ)	South (TJ)
2005	1,308.4	257.8
2006	1,150.8	207.4
2007	894.7	199.7
Average	1,118.0	221.6

(F) 2008/09 UFG and Fuel Quantities For Application to ATCO Pipelines Standard Receipts

This application follows the Decision 2004-109 methodology, which determines the forecast AP 2008/09 UFG (the allocated UFG percentage on receipts is applied to the AP 2008/09 Receipt Forecast) and then adjusting for Fuel and Non-Standard UFG/Fuel:

	North (TJ)	South (TJ)
AP 2008/09 UFG Quantity(1)	1,424.9(2)	1,186.4 (3)
~~2008/09 Adjustment for LBDA Variance Analysis (4)~~	~~(2,250.0)~~	~~480.0~~
Add Fuel	1,118.0 (5)	221.6 (5)
Less Shell Non-Std. OPR	(2.0) (6)	-
Less Calpine Non-Std. OPR	-	(6.8) (7)
Less Agrium Non-Std. OPR	(6.6) (8)	-
2008/09 AP UFG/Fuel to be recovered from standard receipt contract volumes	2,534.3	1,401.2

(1) 2007/08 Receipt Forecast times AP allocated UFG% (on receipts)
(2) (407,120)x(0.350%) = 1,424.9
(3) (171,440)x(0.692%) = 1,186.4
~~(4) Please refer to Section 6, Tables 6.3 and 6.4~~
(5) From (E)
(6) Shell OPR Nomination forecast of 434 TJ multiplied by 0.452% UFG/Fuel
(7) Calpine OPR Nomination forecast of 2,716 TJ multiplied by 0.25% UFG/Fuel
(8) Agrium OPR Nomination forecast of 1,468 TJ multiplied by 0.452% UFG/Fuel

(G) 2008/09 Standard Receipt Forecast for ATCO Pipelines

The AP Receipt Forecast is adjusted or "grossed up" for Fuel and UFG, and for Non-Standard receipts:

	North (TJ)	South (TJ)
2008/09 Receipt Forecast (1)	407,120	171,440
Add 2008/09 UFG Quantity(2)	1,424.9	1,186.4
~~2008/09 Adjustment for LBDA Variance Analysis(3)~~	~~(2,250.0)~~	~~480.0~~
Add 2008/09 Fuel Forecast(4)	1,118.0	221.6
Add OPR Nominations exceeding Physical	11,042	25,672
Less EnCana Non-Std. receipts not attracting UFG/Fuel (5)	-	(32,850)
Less Shell Non-Std. OPR Nominations (6)	(434)	-
Less Calpine Non-Std. OPR Nominations (7)	-	(2,716)
Less Agrium Non-Std. OPR Nominations (8)	(1,468)	-
2007/08 AP Receipts at Standard UFG/Fuel rates	418,803	162,954

(1) From (A)
(2) From (F)
~~(3) Section 6, Tables 6.3 and 6.4~~
(4) From (E)
(5) EnCana Non-Standard Receipt Forecast
(6) Shell OPR Nomination forecast
(7) Calpine/Kelson Canada Inc. OPR Nomination forecast
(8) Agrium OPR Nomination forecast

(H) Calculation of ATCO Pipelines 2008/09 Rider 'D'

Finally, the adjusted UFG/Fuel quantity is divided by the adjusted receipts to determine the AP Rider 'D':

	North	South
2008/09 AP UFG/Fuel to be recovered from standard rates(1) (TJ)	2534.3	1,401.2
2008/09 AP Receipts at Standard UFG/Fuel rates(2) (TJ)	418,803	162,954
AP 2008/09 Rider 'D' %	**0.605 %**	**0.860 %**

(1) From (F)
(2) From (G)

By Decision 2008-105
This Replaces Rider "D"
Previously Effective November 1, 2007

APPENDIX 2 – ATCO PIPELINES RIDER D

ATCO PIPELINES
RIDER "D"
UNACCOUNTED FOR GAS AND FUEL GAS

All Customers receipting Gas onto the Gas Pipeline System (FSR, FSRS, ITR, and OPR) will be assessed a combined UFG and Fuel Gas charge as per the Rate Schedules. The UFG and Fuel Gas assessment will be made up "in-kind" from each Customer Account.

UFG and Fuel Rate effective November 1, 2008:

North	0.605%
South	0.860%

Effective By Decision 2008-105
On Transportation November 1, 2008
This Replaces Rider "D"
Previously Effective November 1, 2007

APPENDIX 3 – ATCO GAS RIDER D

ATCO GAS AND PIPELINES LTD. - NORTH
ATCO GAS - NORTH
RIDER "D" TO RETAILER DELIVERY SERVICE RATES FOR THE RECOVERY OF UNACCOUNTED FOR GAS (UFG)

All gas delivered off the ATCO Gas North distribution system will be assessed a distribution UFG charge of 0.211% at the Point of Delivery. The UFG assessment will be made up "In-Kind" from each Customer Account.

Effective By Decision 2008-105
On Transportation November 1, 2008
This Replaces Rider "D"
Previously Effective November 1, 2007

ATCO GAS AND PIPELINES LTD. - SOUTH
ATCO GAS - SOUTH
RIDER "D" TO RETAILER DELIVERY SERVICE RATES FOR THE RECOVERY OF UNACCOUNTED FOR GAS (UFG)

All gas delivered off the ATCO Gas South distribution system will be assessed a distribution UFG charge of 0.278% at the Point of Delivery. The UFG assessment will be made up "In-Kind" from each Customer Account.

APPENDIX 4 – PROCEEDING PARTICIPANTS

(Return to text)

Name of Organization (Abbreviation) Counsel or Representative (APPLICANTS)
ATCO Pipelines (AP) and ATCO Gas (AG) (ATCO) W. R. Mair M. Bayley
BP Canada Energy Company (BP) C. G. Worthy
Canadian Association of Petroleum Producers (CAPP) R. Fairbairn
Consumers Coalition of Alberta (CCA) J. A. Wachowich
Gas Alberta Inc. (Gas Alberta) T. D. Marriott
Industrial Gas Consumers Association of Alberta (IGCAA) G. Sproule
Office of the Utilities Consumer Advocate (UCA) C. R. McCreary
Shell Energy North America (Canada) Inc. (Shell Energy or SENAC) T. Lange

Alberta Utilities Commission
Commission Panel C. Dahl Rees, Vice-Chair N. A. Maydonik, Q.C., Commissioner
Commission Staff B. McNulty (Commission Counsel) J. Thygesen, C.A., M.B.A. R. Armstrong, P.Eng. D. R. Weir D. Mitchell B. Shand