



ATCO Gas

Interim Rates for 2003-2007 Benchmarking and I-Tek
Placeholders True Up

November 19, 2008



ALBERTA UTILITIES COMMISSION

Decision 2008-117: ATCO Gas

Interim Rates for 2003-2007 Benchmarking and I-Tek Placeholders True Up

Application No. 1587525

Proceeding ID. 104

November 19, 2008

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**ATCO Gas
INTERIM RATES FOR BENCHMARKING AND
I-TEK PLACEHOLDERS TRUE UP**

**Decision 2008-117
Application No. 1587525
Proceeding ID 104**

1 INTRODUCTION

ATCO Gas (AG) filed an application (Application) on September 19, 2008, with the Alberta Utilities Commission (AUC or Commission) requesting approval of interim refundable rates for ATCO Gas North (North) and ATCO Gas South (South). AG requested the rates to be effective November 1, 2008 to October 31, 2009, and requested approval to include the following two new riders:

- Rider H (North) of 4.72%
- Rider K (South) of 5.08%

The Commission issued Notice of the Application on September 23, 2008, and received Statements of Intention to Participate (SIPs) from the following parties:

- BP Canada
- Consumers Coalition of Alberta (CCA)
- Office of the Utilities Consumer Advocate (UCA)
- The City of Calgary (Calgary)

On October 2, 2008, the Commission issued a letter inviting procedural submissions from registered parties by October 8, 2008. The Commission received submissions from AG on October 8, 2008, and from Calgary and UCA on October 9, 2008. By letter on October 17, 2008, AG requested permission of the Commission to respond to the procedural submissions of October 9, 2008, which the Commission granted by letter on October 16, 2008. The Commission received AG's response on October 20, 2008.

For purposes of this Application, the Commission considers that the record closed on October 20, 2008. The Commission panel assigned to deal with this Application consisted of Willie Grieve, Chair; Bill Lyttle, Commissioner; and Allen Maydonik, Q.C., Commissioner.

2 APPLICATION

AG applied for riders relating to Customer Care and Billing (CC&B) costs for the period 2003-2007 that were applied for in Proceeding ID 32.¹ The total Operation and Maintenance (O&M) amount submitted related to Proceeding ID 32 found in the amended Attachment A, submitted on April 9, 2008 was \$21.9 million, as stated on page 2 of the Application. AG calculated interest related to the amounts to be recovered in accordance with AUC Rule 23,

¹ Application 1562012 – ATCO Utilities 2003-2007 Benchmarking and I-Tek Placeholders True Up

Rules Respecting Payment of Interest (formerly IL 2000-01), to be \$4.1 million, bringing the total to \$23.9 million² as stated on page 3 of the Application. Since the capital related placeholder true ups, the calculations of the 2005 Opening Property, Plant and Equipment (PP&E) present value refunds and the interest calculations have not been reviewed by the AUC or Interveners, AG proposed that the Interim rates recover only the total Operating & Maintenance (O&M) costs with no interest and no adjustments related to capital matters, for a total of \$11.5 million in the north and \$10.4 million in the south as stated on page 4 of the Application.

AG submitted that the interim rates should be approved before the Commission has approved the costs in Proceeding ID 32 because the amounts have been agreed upon by interveners, the amount owing is attracting interest in excess of \$1.0 million a year and to limit the level of rate shock that will occur related to the recovery of these amounts.

ATCO Utilities filed a letter on June 25, 2008, with the Commission seeking advice on the process to be adopted for the upcoming Evergreen applications, Proceeding ID 77.³ The Commission notes that Proceeding ID 77 deals with 2008-2009 Information Technology (IT) and I-Tek Business Services (ITBS) rates, IT and ITBS governance costs and cessation of the Customer Information System (CIS) Royalty Payments.

3 TEST FOR INTERIM RATE APPROVAL

When evaluating the merits of an interim rate application, the Commission must weigh the potential benefits of rate stability and minimization of rate shock that might result on approval of final rates against the claimed incremental costs that underpin the interim rate increase, whether they be contentious or non-contentious items, and the impact the revenue deficiency may have on the financial welfare of the utility and on safe utility operations. In Decision 2005-099,⁴ the Alberta Energy and Utilities Board (EUB or Board) noted the various factors it employed when evaluating an application for an interim rate increase:

The foregoing excerpts reference a number of factors that the Board has employed in 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?

² After subtracting: the Total Capital – Revenue Requirement Impact (\$1.2 million) and 2005 Opening PP&E – Present Value Refund (\$0.9 million)

³ Application 1577426 – ATCO Utilities Evergreen Application

⁴ Decision 2005-099 – ATCO Gas 2005-2007 General Rate Application - Interim Rate Application (Application 1404168) (Released: August 29, 2005)

- 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.⁵

The Commission endorses these views, and will use these criteria in assessing whether or not AG's interim rate riders should be approved.

4 DISCUSSION AND FINDINGS

4.1 Issues

The UCA and Calgary submitted that AG had not fully addressed the two part test provided for in Decision 2005-099 and had not provided enough information to approve the requested increase.

AG considered that the interim rate riders requested would deal with amounts that were reviewed in ATCO's 2003-2007 Benchmarking process and negotiated by the Collaborative Process Committee.⁶ These amounts and associated settlement were submitted to the Commission on April 9, 2008 in Proceeding ID 32.

Calgary submitted that the Application had three major problems:

- Lack of hardship if the interim rates were not approved.
- Outstanding matters from other proceedings.
- Improper representations.

The UCA generally agreed with the arguments of Calgary and argued that the Application should be adjourned until the Commission has issued its decision on Proceeding ID 32.

Each of the issues raised by Calgary is reviewed below.

⁵ Decision 2005-099, pp. 7 and 8

⁶ The Collaborative Process Committee (CPC) was sanctioned by the EUB to develop terms of reference documents and select a consultant to benchmark the Information Technology (IT) and Customer Care and Billing Services (CC&B) provided to the ATCO Utilities by ATCO I-Tek. The CPC included participants from intervener groups, the ATCO Utilities, and also included two EUB observers.

Lack of Hardship

In referencing quantum and need factors of an interim rate application, Calgary argued that AG had failed to demonstrate that hardship would result if the Application is denied. In addition, Calgary also noted that the Application was in relation to recovering costs associated with past services, not future services to be rendered, and therefore on that basis fails to demonstrate need.

AG argued that the \$21.9 million reflected on page 4 of the Application to be recovered through the applied for interim riders was material. AG agreed with Calgary that the requested relief was for past services rendered not future services, but suggested that this fact dictates that the amounts should be collected sooner given that the amounts have been outstanding for a considerable period of time and were the subject of a settlement agreement.

Outstanding Matters / Improper Representations

Calgary argued that certain outstanding matters from Proceeding ID 32 and Proceeding ID 77 materially affect the certainty of the interim rates applied for in this Application and accordingly the Application should be denied. Calgary noted that there were several unresolved issues relating to the pricing of CC&B services for the 2003-2007 period to be addressed in Proceeding ID 32 and it would therefore be both a waste of time and prejudicial for the Commission to grant the Application at this time.

AG submitted that Calgary's concerns with respect to other proceedings should be dismissed. The costs that underlie this Application for interim rates were the subject of a clear agreement among the ATCO Utilities and interveners dated April 9, 2008 which was before the Commission in Proceeding ID 32.

Calgary argued that AG's claim that interveners had approved the amounts requested in the Application by virtue of the April 9, 2008 agreement was not true. Calgary referenced correspondence from the Customer Group, dated April 11, 2008, in Proceeding ID 32 reserving certain rights with respect to benchmarked costs.

On the basis of the above concerns, Calgary argued that the Application should be denied by the Commission at this time.

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.

4.2 Findings of the Commission

Quantum and Need Factors

While the Commission considers that the shortfall amount of \$23.9 million, submitted on April 9, 2008 in amended Attachment A with Proceeding ID 32 and stated on page 3 of the Application is material, the outstanding matters associated with Proceedings ID 32 and ID 77

highlight that the requested interim rate increases are based on matters that remain contentious and accordingly that it is premature to characterize this shortfall amount as probable.

The Commission agrees with Calgary that the interim rates are not required to preserve the financial integrity of AG or avoid financial hardship. The Commission agrees with Calgary that the amounts applied for are in relation to past costs, not future services to be rendered. Additionally, the Commission is confident that AG can continue to offer safe and reliable service without the interim rates.

Based on the above assessment of the quantum and need factors, the Commission considers it would be appropriate to award some level of interim rates to AG but to reduce the amount of the requested interim rate increase. The Commission will now consider the general public interest factors.

General Public Interest Factors

The EUB made the following statement in Decision [2002-115](#):⁷

An interim rate increase aimed at recovering a portion of any shortfall that is ultimately demonstrated and approved provides for a leveling out of the impact of any final rate increase, thereby promoting rate stability and easing any rate shock to customers at a later date.⁸

The Commission agrees with this position, however, concerns with overall rate shock may be somewhat reduced for some customers considering the volatility of natural gas prices. Nonetheless, the Commission agrees with AG that there may be the potential for rate shock if the requested True Up application (Proceeding ID 32) is approved by the Commission pending the determination of the recovery period for the shortfall amounts.

The Commission is aware that all or some portion of these amounts, going back several years, will ultimately be required to be recovered from customers. Therefore, in order to avoid further exacerbating intergenerational inequities that arise in these types of cases, the Commission has determined that it would be better to start collections sooner than later.

The Commission also notes that the amounts outstanding are significant and may attract up to \$1.0 million annual interest for customers. Thus it would be in the public interest to begin collection of these amounts now rather than accrue interest costs. To proactively balance and manage these concerns, the Commission considers that it would be appropriate to approve a portion of the applied for interim rates.

Based on the foregoing consideration of quantum and need factors and general public interest factors the Commission approves 50% of the requested interim rates. Typically the Commission considers changes that may result between interim and final rates will be reflected through future credits or charges to customers. Therefore the Commission approves 50% of AG's Interim Rate Riders effective December 1, 2008 to remain in place on an interim basis until November 30, 2008.

⁷ Decision 2002-115 – ATCO Gas 2003/2004 General Rate Application (Application 1284374)
(Released: December 24, 2002)

⁸ Decision 2002-115, p. 10

5 ORDER

IT IS HEREBY ORDERED THAT:

- (1) The following interim rate riders are hereby approved effective December 1, 2008 and shall remain in place until November 30, 2009:
 - Rider H (North) of 2.36%
 - Rider K (South) of 2.54%

Dated in Calgary, Alberta on November 19, 2008.

ALBERTA UTILITIES COMMISSION

(original signed by)

Willie Grieve
Chair

(original signed by)

Bill Lyttle
Commissioner

(original signed by)

N. Allen Maydonik, Q.C.
Commissioner

APPENDIX 1 – NORTH RATE SCHEDULES



Appendix 1 - North
Rate Schedule Decern

(consists of 15 pages)

APPENDIX 2 – SOUTH RATE SCHEDULES



Appendix 2 - South
Rate Schedule Decern

(consists of 19 pages)

APPENDIX 1

ATCO GAS AND PIPELINES LTD.

ATCO GAS NORTH

RATE SCHEDULES

December 1, 2008

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

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Effective by Decision 2007-059
On Consumption September 1, 2007
This Replaces General Conditions
Previously Effective May 4, 2004

ATCO GAS AND PIPELINES LTD. - NORTH 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 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.

4. **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.

5. **Late Payment Charge:**

When accounts are not paid in full on or before the due date, the Company will apply a 1% penalty on the amount due. If the payment is not received by the next billing cycle, a 1% penalty will be applied to the balance carried forward (including interest).

6. **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.

7. **DSP Rider F:**

The words "DSP Rider "F" " as they appear on the Rate Schedules, shall mean the Default Supply Provider's Regulated Services Gas Cost Flow-Through Rate for ATCO Gas.

Effective by Order U2008-109
On Consumption September 3, 2008
This Replaces Rider "A"
Previously Effective July 1, 2008

**ATCO GAS AND PIPELINES LTD. – NORTH
ATCO GAS – NORTH AND ATCO PIPELINES - NORTH
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.

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>
Edmonton *	32.00	A	Eglesham	5.26	C	Minburn	15.00	A
Red Deer	29.00	A	Eckville	24.00	A	Mirror	12.60	A
Camrose	15.00	A	Edgerton	15.00	A	Mundare	20.00	A
Fort McMurray	8.70	C	Edson***	20.00	A	Nampa	16.84	A
Ft. Saskatchewan	0.00	A	Entwistle	17.32	A	Onoway	5.00	A
Grande Prairie	25.00	A	Fairview	21.63	A	Oyen	30.00	A
Lloydminster	25.00	A	Falher	15.00	A	Peace River	7.25	C
Spruce Grove	8.26	C	Fox Creek	12.93	A	Point Alison	15.00	A
St. Albert	5.26	C	Gibbons	30.00	A	Ponoka	17.00	A
Wetaskiwin	35.00	A	Girouxville	20.00	A	Provost	14.00	A
Alberta Beach	10.61	A	Golden Days	25.00	A	Rimbey	24.00	A
Alix	20.00	A	Grimshaw	28.00	A	Rocky Mtn. House	22.00	A
Amisk	9.10	A	Hardisty	20.00	A	Rycroft	15.00	A
Andrew	9.00	C	Hines Creek	30.00	A	Ryley	5.00	A
Bashaw	15.00	A	Hinton ***	9.60	A	Seba Beach	6.00	C
Beaverlodge	8.70	C	Holden	0.00	A	Sexsmith	25.00	A
Bentley	0.00	A	Hughenden	10.98	A	Sherwood Park	6.50	C
Berwyn	20.00	A	Hythe	8.70	C	Silver Beach	20.00	A
Bittern Lake	17.68	A	Innisfree	25.00	A	Slave Lake	22.50	A
Blackfalds	19.12	A	Irma	20.00	A	Spirit River	24.00	A
Bon Accord	25.00	A	Itaska	12.00	A	Stony Plain	17.00	A
Breton	12.47	A	Jasper Muni	17.10	A	Swan Hills	0.00	A
Bruderheim	10.00	A	Jasper Ntl Pk	17.10	A	Sylvan Lake	20.00	A
Caroline	20.00	A	Kitscoty	10.00	A	Thorsby	11.69	A
Chipman	0.00	A	Lacombe	22.00	A	Tofield	10.00	A
Clive	16.17	A	Lamont	35.00	A	Vegreville	33.00	A
Clyde	9.47	A	Lavoy	5.25	C	Vermilion	15.00	A
Cold Lake	13.00	A	Legal	16.60	A	Veteran	3.00	A
Consort	22.00	A	Lougheed	16.67	A	Viking	21.51	A
Coronation	10.05	A	Mannville	20.00	A	Warburg	8.83	A
Czar	11.84	A	Mayerthorpe	5.00	A	Wembley	25.00	A
Donnelly	30.00	A	McLennan	24.00	A	Whitcourt ***	19.00	A
Drayton Valley***	22.00	A	Millet	22.00	A			

* Includes a \$485,000 maximum annual allowable assessment (Max) on any individual metered account.

*** Includes a \$10, 000 maximum annual allowable assessment (Max) on any individual metered account.

Effective by Order U2008-109
On Consumption September 3, 2008
This Replaces Rider “B”
Previously Effective July 1, 2008

ATCO GAS AND PIPELINES LTD. – NORTH
ATCO GAS – NORTH AND ATCO PIPELINES - NORTH
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:

Fort Saskatchewan	Vegreville
Wabamun	Rycroft
Wembley	Irma
Stony Plain Indian Reserve	Bon Accord
Paul Band Indian Reserve	Mannville
Fort McMurray No. 468 First Nation Band	Berwyn
Jarvis Bay	Holden
Norglenwold	Mayerthorpe
Argentia Beach	Silver Beach
Lakeview	Kitscoty
Hinton	Caroline
Sylvan Lake	Cold Lake
Breton	Grande Prairie
Bashaw	Red Deer
Bentley	Edson
Vermilion	Fort McMurray
Blackfalds	Municipality of Jasper
Edgerton	Legal
Bruderheim	Swan Hills
Nampa	Veteran
Tofield	Whitcourt
Camrose	Point Alison
Lamont	Wetaskiwin
Minburn	Oyen
Clive	Lloydminster
Lacombe	Slave Lake
Onoway	Innisfree
Mundare	
Falher	
Girouxville	
Golden Days	
Warburg	
Ryley	
Ponoka	
Millett	
Stony Plain	
Provost	
Itaska Beach	
Viking	
Hardisty	

Effective by Decision 2007-081
On Consumption November 1, 2007
This Replaces Rider “D”
Previously Effective September 1, 2007

**ATCO GAS AND PIPELINES LTD. – NORTH
ATCO GAS - NORTH
RIDER “D” TO DELIVERY SERVICE RATES FOR THE RECOVERY OF
UNACCOUNTED FOR GAS (UFG)**

All Delivery Service customers that obtain gas services from Retailers and delivering gas off the ATCO Gas North distribution system will be assessed a distribution UFG charge of -0.054% at the Point of Delivery. The UFG assessment will be made up “In-Kind” from each Customer Account.

Effective by Decision 2007-059
On Consumption September 1, 2007
This Replaces Rider "E"
Previously Effective April 1, 2002

**ATCO GAS AND PIPELINES LTD. - NORTH
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 flow Through Rate specified on the DSP Rider "F".

Effective by Decision 2007-105
On Consumption January 1, 2008
This Replaces Rider "G"
Previously Effective September 1, 2007

**ATCO GAS AND PIPELINES LTD. - NORTH
RIDER "G" SURCHARGE TO ALL DELIVERY SERVICE RATES**

To be applied to the fixed charge, variable charge and demand charges to all customers unless otherwise specified by specific contracts or the Board, effective January 1, 2008.

For All Delivery Service Rates the amount is equal to: 5.85%

Effective by Decision 2008-117
On Consumption December 1, 2008

**ATCO GAS AND PIPELINES LTD. - NORTH
RIDER "H" INTERIM PLACEHOLDER RIDER**

To be applied to the fixed charge, variable charge and demand charges to all customers unless otherwise specified by specific contracts or the Board, effective December 1, 2008 to November 30, 2009.

For All Delivery Service Rates the amount is equal to:

2.36%

Effective by Order U2008 - 264
On Consumption September 1, 2008

**ATCO GAS AND PIPELINES LTD. - NORTH
RIDER "T" TRANSMISSION SERVICE CHARGE ADJUSTMENT TO LOW USE AND
HIGH USE DELIVERY SERVICE RATES**

To be applied to Low Use and High Use customers unless otherwise specified by specific contracts or the Commission, effective September 1, 2008 to August 31, 2009.

Rider "T" - Transmission Service Charge Rider

Low Use Delivery Rate	\$0.110 per GJ
High Use Delivery Rate	\$0.035 per GJ per Day of 24 Hr. Billing Demand

Effective by Decision 2008-117
On Consumption December 1, 2008
This Replaces Low Use Delivery Service
Previously Effective September 1, 2008

ATCO GAS AND PIPELINES LTD. - NORTH LOW USE DELIVERY SERVICE

Available to all Customers using less than 8,000 GJ per year, except those customers who utilize the Company's facilities for emergency service only.

CHARGES:

Fixed Charge:	\$0.605 per Day
Variable Charge:	\$1.012 per GJ
Delivery Rate Surcharge:	Rider "G"
Interim Placeholder Rider:	Rider "H"
Transmission Service Charge Rider:	Rider "T"

ADDITIONAL CHARGES:

For Low Use Delivery Service customers that obtain gas services from Retailers the following additional charges will apply.

Unaccounted For Gas:	Rider "D"
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Effective by Decision 2008-117
On Consumption December 1, 2008
This Replaces High Use Delivery Service
Previously Effective September 1, 2008
High Use Page 1 of 2

ATCO GAS AND PIPELINES LTD. - NORTH HIGH USE DELIVERY SERVICE

Available to all Customers using 8,000 GJ or more per year on an annual contract, except those customers who utilize the Company's facilities for emergency service only.

CHARGES:

Fixed Charge:		\$0.671 per Day
Demand Charge:	\$0.280 per GJ per Day of 24 Hr. Billing Demand	
Variable Charge:		\$0.000 per GJ
Delivery Rate Surcharge:		Rider "G"
Interim Placeholder Rider:		Rider "H"
Transmission Service Charge Rider:		Rider "T"

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 billing period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive 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.

ADDITIONAL CHARGES:

For High Use Delivery Service customers that obtain gas services from Retailers the following additional charges will apply.

Unaccounted For Gas:

Rider “D”

Gas Imbalances:

Settlement of Monthly Imbalance Quantity when Based on Daily Information:

Magnitude of Imbalance Quantity	Reasons for Imbalance Quantity	Settlement by Company	Price
<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 by Decision 2007-059
On Consumption September 1, 2007
This Replaces Rate 8
Previously Effective January 1, 2006

**ATCO GAS AND PIPELINES LTD. - NORTH
EMERGENCY DELIVERY SERVICE**

CHARGES:

AUTHORIZED:

Fixed Charge: \$15.00 per Day

Variable Charge: Variable Charge of Low Use DSP Delivery Service

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".

UNAUTHORIZED:

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 by Decision 2007-059
On Consumption September 1, 2007
This Replaces Rate 9
Previously Effective January 1, 2006

**ATCO GAS AND PIPELINES LTD. - NORTH
UNMETERED GAS LIGHT SERVICE**

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

CHARGES:

Fixed Charge: \$0.090 per Mantle per Day

APPENDIX 2

ATCO GAS AND PIPELINES LTD.

ATCO GAS SOUTH

RATE SCHEDULES

December 1, 2008

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

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Effective By Decision 2007-059
On Consumption September 1, 2007
This Replaces General Conditions
Previously Effective May 4, 2004

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 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.

4. **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.

5. **Late Payment Charge:**

When accounts are not paid in full on or before the due date, the Company will apply a 1% penalty on the amount due. If the payment is not received by the next billing cycle, a 1% penalty will be applied to the balance carried forward (including interest).

6. **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.

7. **DSP Rider F:**

The words "DSP Rider "F" " as they appear on the Rate Schedules, shall mean the Default Supply Provider's Regulated Services Gas Cost Flow-Through Rate for ATCO Gas.

Effective by Order U2008-210
On Consumption September 9, 2008
This Replaces Rider "A"
Previously Effective August 13, 2008

**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	29.60	A	Cochrane	23.00	A	Milk River	30.00	A
Banff	31.20	A	Coutts	20.00	A	Nanton	13.00	A
Banff Park	5.25	C	Cowley	13.79	A	Nobleford	0.00	A
Barnwell	13.00	A	Cremona	25.00	A	Okotoks	5.25	C
Barons	14.97	A	Crossfield	11.23	A	Olds	27.50	A
Bassano	20.00	A	Crowsnest Pass	5.26	C	Penhold	18.00	A
Beiseker	11.18	A	Delburne	21.60	A	Picture Butte	6.00	C
Big Valley	5.26	C	Didsbury	20.00	A	Raymond	5.00	A
Black Diamond	14.00	A	Duchess	12.67	A	Rockyford	28.00	A
Bow Island	10.50	A	Elnora	16.00	A	Rosemary	14.78	A
Bowden	22.00	A	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	15.00	A	Hill Spring	21.52	A	Trochu	14.20	A
Carmangay	15.97	A	Hussar	13.74	A	Turner Valley	10.00	A
Carstairs	25.00	A	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 By Order U2008-210
On Consumption September 9, 2008
This Replaces Rider “B”
Previously Effective August 13, 2008

**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
Didsbury
Olds
Carstairs
Airdrie
Cardston
Penhold
Raymond
Coutts

Effective By Decision 2007-081
On Consumption November 1, 2007
This Replaces Rider “D”
Previously Effective September 1, 2007

**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 Delivery Service customers that obtain gas services from Retailers and delivering gas off the ATCO Gas distribution system will be assessed a distribution UFG charge of 0.155% at the Point of Delivery. The UFG assessment will be made up “In-Kind” from each Customer Account.

Effective By Decision 2007-059
On Consumption September 1, 2007
This Replaces Rider “E”
Previously Effective May 4, 2004

**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 flow Through Rate specified on the DSP Rider “F”.

Effective by Order U2008-213
On Consumption on and after July 1, 2008

**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 delivered to all Delivery Service customers unless otherwise specified by specific contracts or the Board.

Company Owned Production Rate Rider (COPRR): \$0.000 per GJ

Effective by Order U2008-213
On Consumption on and after July 1, 2008

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER “H” TO ALL RATES EXCEPT FOR IRRIGATION DELIVERY SERVICE
FOR CREDITING OR DEBITING CARBON STORAGE RELATED BENEFITS/COSTS**

To be applied to the energy delivered to all Delivery Service customers (except Irrigation Delivery Service customers) unless otherwise specified by specific contracts or the Board.

Company Owned Storage Rate Rider (COSRR): \$0.000 per GJ

Effective by Order U2008-213
On Consumption on and after July 1, 2008

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "I" FOR IRRIGATION DELIVERY SERVICE
FOR CREDITING CARBON STORAGE RELATED BENEFITS/COSTS**

To be applied to the energy delivered to Irrigation Delivery Service customers unless otherwise specified by specific contracts or the Board.

Company Owned Storage Rate Rider (COSRR): \$0.000 per GJ

Effective by Decision 2007-105
On Consumption January 1, 2008
This Replaces Rider “J”
Previously Effective September 1, 2007

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER “J” SURCHARGE TO ALL DELIVERY SERVICE RATES**

To be applied to the fixed charge, variable charge, production and storage charge and demand charges to all customers unless otherwise specified by specific contracts or the Board, effective January 1, 2008.

For All Delivery Service Rates the amount is equal to: 4.20%

Effective by Decision 2008-117
On Consumption December 1, 2008

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER “K” INTERIM PLACEHOLDER RIDER**

To be applied to the fixed charge, variable charge, production and storage charge and demand charges to all customers unless otherwise specified by specific contracts or the Board, effective December 1, 2008 to November 30, 2009.

For All Delivery Service Rates the amount is equal to: 2.54%

Effective by Order U2008-264
On Consumption September 1, 2008

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "T" TRANSMISSION SERVICE CHARGE ADJUSTMENT TO LOW USE AND
HIGH USE DELIVERY SERVICE RATES**

To be applied to Low Use and High Use customers unless otherwise specified by specific contracts or the Commission, effective September 1, 2008 to August 31, 2009.

Rider "T" - Transmission Service Charge Rider

Low Use Delivery Rate	\$0.034 per GJ
High Use Delivery Rate	\$0.011 per GJ per Day of 24 Hr. Billing Demand

Effective by Decision December 2008-117
On Consumption December 1, 2008
This Replaces Low Use Delivery Service
Previously Effective September 1, 2008

ATCO GAS AND PIPELINES LTD. – SOUTH LOW USE DELIVERY SERVICE

Available to all customers using less than 8,000 GJ per year except those customers who utilize the Company's facilities for emergency service only.

CHARGES:

Fixed Charge:	\$0.556 per Day
Variable Charge:	\$0.877 per GJ
Production and Storage Charge:	\$0.000 per GJ
COPRR:	Rider "G"
COSRR:	Rider "H"
Delivery Rate Surcharge:	Rider "J"
Interim Placeholder Rider:	Rider "K"
Transmission Service Charge Rider:	Rider "T"

ADDITIONAL CHARGES:

For Low Use Delivery Service customers that obtain their gas services from Retailers the following additional charges will apply.

Unaccounted For Gas:	Rider "D"
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Effective by Decision 2008-117
On Consumption December 1, 2008
This Replaces High Use Delivery Service
Previously Effective September 1, 2008
High Use Page 1 of 2

ATCO GAS AND PIPELINES LTD. - SOUTH HIGH USE DELIVERY SERVICE

Available to all customers using 8,000 GJ or more per year on an annual contract except those customers who utilize the Company's facilities for emergency service only.

CHARGES:

Fixed Charge:	\$0.625 per Day
Demand Charge:	\$0.238 per Day per GJ of 24 Hr. Billing Demand
Variable Charge:	\$0.00 per GJ
Production and Storage Charge:	\$0.000 per GJ
COPRR:	Rider "G"
COSRR:	Rider "H"
Delivery Rate Surcharge:	Rider "J"
Interim Placeholder Rider:	Rider "K"
Transmission Service Charge Rider:	Rider "T"

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.

ADDITIONAL CHARGES:

For High Use Delivery Service customers that obtain their gas services from Retailers the following additional charges will apply.

Unaccounted For Gas:

Rider “D”

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 by Decision 2008-117
On Consumption December 1, 2008
This Replaces Irrigation Delivery Service
Previously Effective September 1, 2008

ATCO GAS AND PIPELINES LTD. - SOUTH IRRIGATION DELIVERY SERVICE

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:	\$.933 per Day
Variable Charge:	\$0.787 per GJ
Production and Storage Charge:	\$0.000 per GJ
COPRR:	Rider "G"
COSRR:	Rider "I"
Delivery Rate Surcharge:	Rider "J"
Interim Placeholder Rider:	Rider "K"

ADDITIONAL CHARGES:

For Irrigation Delivery Service customers that obtain gas services from Retailers the following additional charges will apply.

Unaccounted For Gas:	Rider "D"
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Effective By Decision 2007-059
On Consumption September 1, 2007
This Replaces Rate 7
Previously Effective January 1, 2005

**ATCO GAS AND PIPELINES LTD. - SOUTH
EMERGENCY DELIVERY SERVICE**

CHARGES:

AUTHORIZED:

Fixed Charge: \$15.00 per Day

Variable Charge: Variable Charge of Low Use Delivery Service

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".

UNAUTHORIZED:

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 By Decision 2007-059
On Consumption September 1, 2007
This Replaces Rate 8
Previously Effective January 1, 2006

**ATCO GAS AND PIPELINES LTD. - SOUTH
UNMETERED GAS LIGHT SERVICE**

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

Fixed Charge: \$0.090 per Mantle per Day