

**ATCO GAS - SOUTH
APPLICATION FOR APPROVAL OF AN
ARRANGEMENT FOR ACQUISITION OF STORAGE
SERVICES FOR THE 2001/2002 GAS STORAGE
YEAR FOR ATCO GAS SOUTH**

**Decision No. 2001-22
Application No. 2001094
File No. 5626-47**

1 BACKGROUND

In Decision 2001-16 dated February 28, 2001, the Board agreed with parties intervening in the 2001-2002 ATCO Gas GCRR proceeding, that the public was likely to benefit from use of storage by ATCO Gas (ATCO or the Company) for the upcoming 2001/2002 winter season. ATCO had previously filed evidence in its 2000-2001 winter period GCRR application, that storage was no longer required in the gas portfolio. The Board directed ATCO to initiate preliminary discussions with parties regarding availability of storage capacity, and the volumes and pricing of gas to be stored.

2 THE APPLICATION

By letter dated March 26 2001, ATCO filed an application (the Application) with the EUB for approval of a proposed storage procurement process for its 2001/2002 storage year (April 1, 2001 to April 1, 2002) for ATCO Gas South.

In the Application, ATCO stated that the procurement process was developed based on discussions with interested parties. On March 9, 2001, ATCO met with interested parties to discuss use of storage in the gas supply portfolio. At that meeting, the interested parties proposed that a quantity of storage be used for the period April 1, 2001 to April 1, 2002. In the Application, ATCO indicated that an agreement has been reached with interested parties to proceed with the storage plan for 2001/2002, as outlined in the Application. ATCO circulated the detailed storage plan by letter dated March 26, 2001 to interested parties for comment. The letter to interested parties was filed in Attachment A to the Application. Details of the storage plan, processes associated with acquisition of the storage, and the principles for allocation of storage between ATCO Gas North and South were also filed in Attachment A to the Application.

In Attachment B to the Application, ATCO indicated, in response to the Company's letter dated March 26, 2001, that the following parties acknowledged approval of the proposed procurement process:

- Alberta Irrigation Projects Association
- The Consumers Coalition of Alberta
- The City of Calgary

- Municipal Intervenors
- Public Institutional Consumers of Alberta

No objections were received from any parties with respect to the proposed procurement process.

3 SUBMISSION BY THE CITY OF CALGARY

By letter dated March 26, 2001, the City of Calgary (Calgary) expressed concern with ATCO's request for EUB approval of the proposed process. Calgary submitted that ATCO has the mandate, and is compensated through the return on common equity, for its management of the utility. Calgary considered that the management responsibility included making decisions on portfolio management, including storage and arrangements with customers. In Calgary's view, ATCO, in reaching this storage agreement with customers, is merely carrying out its management function and that Board approval is not required. Calgary expressed a concern that Board approval with respect to this issue perpetuates a process whereby matters that are similar in nature will be dealt with differently depending on who initiates the transaction. By way of example, Calgary compared ATCO's request for Board approval for this process, which was initiated by customers, to the decision to transfer capacity at Carbon to an affiliate, which was initiated by ATCO without application for prior approval.

Calgary stated that its disagreement with ATCO with respect to the regulatory process does not impact Calgary's position in support of the storage agreement as outlined in the Application.

4 BOARD FINDINGS

The Board acknowledges that, in initiating discussions regarding the availability of storage capacity, and the volumes and pricing of gas to be stored, parties have complied with the direction of the Board in Decision 2001-16.

The Board notes that, in the Application, which follows preliminary discussions as directed by the Board, ATCO requested Board approval of a proposed storage procurement strategy on an expedited basis. The Board considers that the need for ATCO to have a strategy in place for procurement of seasonal firm service storage in advance of the storage season commencing April 1, 2001 is a compelling reason for the Board to consider dealing expeditiously with the Application. The Board also considers that the preliminary discussions, and related exchange of correspondence with parties who would normally have an interest in the subject matter of such an application, provided reasonable public notice and customer representation in this instance. The Board notes that ATCO received no objection to its proposals from interested parties. Under these circumstances, the Board considers it appropriate to proceed with this Application on an expedited basis pursuant to Section 50(1) of the *Public Utilities Board Act*, R.S.A. 1980, c. P-37.

The Board considers that ATCO's gas procurement proposal will facilitate the use of storage for the upcoming 2001/2002 winter season, which should result in benefits to consumers.

The Board notes Calgary's submission that EUB approval of the proposed procurement process is not required, on the basis that decisions by ATCO with respect to the purchase and use of storage have historically been made without prior Board approval. The Board agrees with Calgary that strategies relating to the acquisition and use of storage which result from the Company's internal management decision making process have been determined without prior Board approval. However, in this instance, the strategies are the result of a collaborative process entered into by the Company and interested parties pursuant to a Board direction. Therefore, the Board considers it reasonable that ATCO has requested approval of the process which it proposes to undertake. Such approval will provide ATCO and interested parties with assurance that the Board is satisfied with the process established for the storage procurement strategies outlined in the Application. The Board is, therefore, prepared to approve ATCO's proposal to implement a gas storage procurement strategy for ATCO Gas South effective April 1, 2001.

The Board notes that interested parties who have signed the Confidentiality Agreement are invited to attend the Storage Bid Award Process. The Board expects that ATCO will continue to involve interested parties in evaluating bids and product offerings, and expects ATCO to act prudently in the evaluation and awarding of bids.

The Board does not consider that approval of the proposed gas storage procurement process in any way implies approval of ATCO's strategy for use of Carbon storage. As indicated in Decision 2000-16, the Board notes that ATCO is acting on its own initiative regarding its strategy for use of Carbon storage. The Board continues to confirm its position, as expressed in that Decision, that ATCO is accountable with regard to strategic and operating decisions made with respect to use of Carbon storage. The Board expects that those matters will be addressed in the upcoming ATCO Gas South 2001-2002 GRA and the ATCO Affiliate proceeding.

5 ORDER

THEREFORE, it is ordered that:

- (1) ATCO Gas proceed with its proposal to acquire gas storage capacity for ATCO Gas – South in accordance with the procurement strategies described in the Application, for the 2001/2002 gas storage year effective April 1, 2001.

Dated in Calgary, Alberta on March 27, 2001.

ALBERTA ENERGY AND UTILITIES BOARD

(Original signed "B. T. McManus")

B. T. McManus, Q.C.
Presiding Member

(Original signed "Dr. Bietz")

B. F. Bietz, Ph.D.
Member