

# **ALBERTA ENERGY AND UTILITIES BOARD**

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Calgary, Alberta

**ATCO GAS – NORTH  
A DIVISION OF ATCO GAS AND PIPELINES LTD.  
GAS COST RECOVERY RATE ADJUSTMENTS**

**Decision 2001-57  
Application No. 2001167  
File No. 5627-43**

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## **1 INTRODUCTION**

The Alberta Energy and Utilities Board (the Board) received an Application (the Application) from ATCO Gas – North (referred to herein as AGN), a Division of ATCO Gas and Pipelines Ltd., for adjustments to the Gas Cost Recovery Rate (GCRR) applicable to each of “Option A” customers and “Option B” customers. Pursuant to Decision 2001-16, dated February 28, 2001, Option A applies to AGN’s sales service customers in Rate 1, comprising mainly residential customers, and the University of Alberta and Option B applies to its sales service customers in all other rates. GCRRs are included in AGN’s rate schedules as Rider “F”, which is applicable to all sales service rates for the recovery of natural gas costs. A GCRR is ordinarily set separately for summer and winter periods. A summer period includes the months of April through October and a winter period includes the months of November through March. However, to help mitigate the impact of historically high gas prices that occurred in the 2000/2001 winter season, the GCRR applicable to Option A customers was set by Decision 2001-16 for the period January 24, 2001 to January 31, 2002.

## **2 THE APPLICATION**

By letter dated June 11, 2001, AGN filed the Application with the Board for approval of the following proposed GCRR adjustments:

- a decrease of \$3.821/GJ for Option A customers for the period July 1, 2001 to January 31, 2002, reducing the GCRR of \$8.772/GJ approved in Decision 2001-16 to \$4.951/GJ.
- a decrease of \$1.745/GJ for Option B customers for the period July 1, 2001 to October 31, 2001, reducing the GCRR of \$6.093/GJ approved in Order U2001-061, dated March 28, 2001, to \$4.348/GJ.

AGN stated that the forward market view of gas prices has continued to decrease since it last received approvals for the GCRRs applicable to Option A and Option B and that the total of the summer and winter DGA balances was forecast to be over-recovered by \$74.4 million on October 31, 2001. AGN also proposed that the adjustment to the Option B GCRR include the recovery of the deficit in its 2000/2001 winter period deferred gas account (DGA). AGN believed that the implementation of its proposals was the most reasonable action to take at the present time because of significant changes that may occur in determining a GCRR and DGA as a result of an upcoming decision of the Board with respect to a recent methodology proceeding.

Determination of the proposed GRRs under Option A and Option B is set out in Appendices 1 and 2, respectively.

AGN advised that on June 5, 2001 it had distributed its proposal for the GRR adjustments to the interested parties on its 2001 DGA/GRR distribution list, a copy of which was provided with the Application. AGN received nine responses to its proposal and provided copies of the responses with the Application. AGN received conditional acceptances that were subject to resolution of outstanding issues, such as the levels of company owned production and winter storage costs, from the City of Edmonton, the Consumers' Coalition of Canada, the Federation of Gas Co-ops Ltd. and Gas Alberta Inc., the Municipal Intervenor, the Public Institutional Consumers of Alberta and the North Core Committee customers (NCC). The University of Alberta supported the Application.

The response received from EPCOR Energy Services (Alberta) Inc. (EESAI), a retail gas marketer, specifically disagreed with AGN's proposal, mainly on the basis that the manner in which the proposed GRRs were set results in rates that are below the forward market prices for natural gas and thus would inhibit the development of the retail market. EESAI also suggested that a credit rider be implemented July 1, 2001, the form of which was introduced by the NCC in a previous hearing involving AGN, and that a one-time refund be made of any surplus balance in AGN's DGA at June 30, 2001. The credit rider would effectively increase the GRR by transferring credit amounts associated with company owned production to AGN's distribution rates. Although it did not specifically disagree with AGN's proposal, Enron Energy Services Canada Co. Ltd. (Enron), also a gas marketer, submitted comments similar to those of EESAI.

### **3 DGA PROCEDURES**

The Application was filed in accordance with the procedures approved in previous decisions by the Board respecting AGN's DGA and the reconciliation of gas supply costs, under which customers are charged with the actual cost of gas supplies experienced by AGN. The DGA procedures have been set up by the Board to account for AGN's gas supply costs. These procedures permit recovery of AGN's gas commodity costs so as to ensure that customers pay neither more nor less than the cost of gas actually incurred by AGN. While these procedures provide that customers pay only the actual gas costs, they have the effect, also, of providing that the shareholder of AGN does not lose or gain as a result of price fluctuations in gas supply costs.

A summer/winter period GRR is calculated by adding the balance in the DGA at the end of the previous summer/winter period to the gas costs forecast for the upcoming summer/winter period and dividing the result by the forecast summer/winter period gas sales volume. Including the DGA balance from the previous same seasonal period ensures that any cumulative under-/over-recovery from that period will be collected/refunded in the upcoming summer/winter period, if the weather is normal and actual sales equal forecast sales.

In practice, actual cumulative gas costs may vary considerably from gas cost recoveries, particularly at times when prices for natural gas experience volatility in the market place. With the objective of minimizing DGA balances, the Board has directed that, should a significant change in gas supply costs occur during a period, AGN should apply to the Board for an

adjustment to the GCRR. The Board specified the tolerance level, which AGN should use to determine when to apply to adjust its GCRR, to be the greater of  $\pm 3\%$  or  $\pm \$2$  million, relative to the gas costs forecast for the particular period.

#### **4 BOARD FINDINGS**

The Board's statutory mandate requires that it fix just and reasonable rates for the regulated utilities under its jurisdiction. Ordinarily, the Board would require timely public notice of an application and take into account representations that it may receive from interested parties before issuing an order on a matter. However, the Board notes that AGN distributed copies of its proposal to interested parties, which included active intervenor groups that represent customers and that would normally participate in the examination process involving the setting of a GCRR. The Board considers that the distribution, in this instance, provides a useful degree of public notice. Also, the Board is aware that AGN issued a media release at the time it filed the Application to provide public notice of its proposed reduction in the GCRRs. Accordingly, the Board, pursuant to Section 50(1) of the *Public Utilities Board Act*, R.S.A. 1980, c. P-37, herein exercises its discretion to deal with the Application as if due notice had been given to all interested parties.

The Board notes the conditional acceptances of the Application by intervenor groups that have actively participated in AGN's previous GCRR proceedings. The conditional acceptances received from those groups were subject to the outcome of certain unresolved issues, which have been the subject of review in its recent proceedings that dealt with the methodology for determining a GCRR and the unbundling of GCRR related costs currently included in a gas utility's distribution rates.

The Board has considered the disagreement with AGN's proposal by EESAI and the comments made by Enron. However, the Board notes that the suggestion made by them to change the proposed GCRRs through implementation of a credit rider has also been dealt with in the methodology and unbundling proceedings. As decisions in respect of the methodology and unbundling proceedings are pending and because of logistical and time constraints otherwise required for implementation, the Board considers that making the significant changes suggested by EESAI and Enron to the method in which the GCRR is calculated is not appropriate at this time. The Board also considers that, due to the prospect of ongoing high uncertainty of gas prices, their proposal for a one-time refund of any DGA surplus balance might tend to impede rate stability at this time, particularly in respect of Option A customers.

The Board notes that AGN's proposal to include the winter period DGA under-recovery balance for Option B in determining a summer period adjustment would be a departure from the DGA procedures ordinarily followed, but concludes that it is reasonable at this time pursuant to the circumstances under which Option A and Option B evolved. Furthermore, due to the volatility of the market price for gas and the desirability of maintaining general rate stability, the Board considers implementing the GCRR adjustments as proposed in the Application would be in the interest of both the consumers and AGN. Additionally, the Board considers that, given the significant amounts by which the total of the summer and winter DGA balances was forecast to

be over-recovered without the proposed adjustments, there is urgency for dealing expeditiously with the Application.

Notwithstanding that it may assess the timing and magnitude of any future GCRR adjustments for AGN according to the findings of the aforementioned methodology and unbundling proceedings, the Board continues to expect that AGN will abide by the historical DGA tolerance guidelines until such time as they may be amended by the Board. Therefore, the Board will grant approval, on an interim refundable basis, of the proposed GCRR of \$4.951/GJ for Option A customers and of the proposed GCRR of \$4.348/GJ for Option B customers.

## **5 ORDER**

THEREFORE, it is hereby ordered that:

For ATCO Gas – North, a Division of ATCO Gas and Pipelines Ltd.:

- (1) For sales service customers in Rate 1 and the University of Alberta, a Gas Cost Recovery Rate of \$4.951/GJ shall be effective on an interim refundable basis for all consumption on and after July 1, 2001, to January 31, 2002, based on actual or estimated meter readings, unless otherwise changed by the Board.
- (2) For sales service customers in rate classes other than Rate 1 and the University of Alberta, a Gas Cost Recovery Rate of \$4.348/GJ shall be effective on an interim refundable basis for all consumption on and after July 1, 2001 to October 31, 2001, based on actual or estimated meter readings, unless otherwise changed by the Board.
- (3) Rider “F”, set out in Schedule “A” attached to and forming part of this Order, is hereby fixed and approved on an interim refundable basis as the Gas Cost Recovery Rate applicable to all sales service rates effective on all metered or estimated consumption on and after July 1, 2001.

Dated in Calgary, Alberta on June 29, 2001.

**ALBERTA ENERGY AND UTILITIES BOARD**

*(original signed by)*

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

*(original signed by)*

J. D. Dilay, P.Eng.  
Member

*(original signed by)*

R. D. Heggie  
Acting Member



Effective on an Interim Refundable Basis by Decision 2001-57  
On Consumption On and After July 1, 2001  
This Replaces Rider “F”  
Previously Effective April 1, 2001

**SCHEDULE “A”****ATCO GAS – NORTH  
A DIVISION OF ATCO GAS AND PIPELINES LTD.  
SCHEDULE OF RATES, TOLLS AND CHARGES****RIDER “F” TO ALL SALES SERVICE RATES  
FOR THE RECOVERY OF GAS COSTS**

To be applied to the energy sold to all sales service rates unless otherwise specified by specific contracts.

The recovery of Gas Costs is subject to reconciliation based on actual experienced Gas Costs as approved by the Alberta Energy and Utilities Board.

Gas Cost Recovery Rate:

For Sales Service Customers in Rate 1 and the University of Alberta, the Gas Cost Recovery Rate shall be:

For the period July 1, 2001 to January 31, 2002 \$4.951 per GJ

For Sales Service Customers other than in Rate 1 and the University of Alberta, the Gas Cost Recovery Rate shall be:

November 1 to March 31 \$5.773 per GJ  
April 1 to October 31 \$6.093 per GJ

For Sales Service Customers other than in Rate 1 and the University of Alberta, the Gas Cost Recovery Rate shall be reduced for the period:

July 1, 2001 to October 31, 2001 by \$1.745 per GJ

## APPENDIX 1

**ATCO GAS – NORTH**  
**A DIVISION OF ATCO GAS AND PIPELINES LTD.**

**Option A**  
**Gas Cost Recovery Rate**  
**Effective July 1, 2001**

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Amount</u>
1	Actual gas cost recoveries, November 1, 2000 to March 31, 2001	\$,000	423,035
2	Forecast gas cost recoveries, April 1, 2001 to January 31, 2002, without adjustment to the GCRR	\$,000	511,166
3	Actual gas costs, November 1, 2000 to March 31, 2001	\$,000	(447,491)
4	Forecast gas costs, April 1, 2001 to January 31, 2002	\$,000	(303,677)
5	Estimated prior winter period and summer period adjustments	\$,000	(4,103)
6	Projected over-recovery for the total period (sum of lines 1 to 5)	\$,000	178,930
7	Forecast sales, July 1, 2001 to January 31, 2002	TJ	46,830
8	Rate decrease required (line 6 divided by line 7)	\$GJ	(3.821)
9	GCRR previously approved	\$GJ	8.772
10	Adjusted GCRR (line 8 plus line 9)	\$GJ	4.951

## APPENDIX 2

**ATCO GAS – NORTH**  
**A DIVISION OF ATCO GAS AND PIPELINES LTD.**

**Option B**  
**2001 Summer Period Gas Cost Recovery Rate**  
**Effective July 1, 2001**

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Amount</u>
1	Actual gas cost recoveries, November 1, 2000 to March 31, 2001	\$,000	134,654
2	Forecast gas cost recoveries, April 1, 2001 to October 31, 2001, without adjustment to the GCRR	\$,000	66,692
3	Actual gas costs, November 1, 2000 to March 31, 2001	\$,000	(137,042)
4	Forecast gas costs, April 1, 2001 to October 31, 2001	\$,000	(52,373)
5	Prior winter period closing DGA balance	\$,000	(781)
6	Prior summer period closing DGA balance	\$,000	(795)
7	Projected over-recovery for both periods (sum of lines 1 to 6)	\$,000	10,355
8	Forecast sales, July 1, 2001 to October 31, 2001	TJ	5,933
9	Rate decrease required (line 7 divided by line 8)	\$GJ	(1.745)
10	Summer period GCRR previously approved	\$GJ	6.093
11	Adjusted GCRR (line 8 plus line 9)	\$GJ	4.348