



## AltaGas Utilities Inc.

Addendum to 2005/2006 General Rate Application Phase II  
Request for Clarification

February 12, 2008

**ALBERTA ENERGY AND UTILITIES BOARD**

Decision 2007-079 (Addendum): AltaGas Utilities Inc.  
2005/2006 General Rate Application Phase II  
Request for Clarification  
Application No. 1556666

February 12, 2008

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## **ALBERTA ENERGY AND UTILITIES BOARD**

**Calgary Alberta**

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### **ALTAGAS UTILITIES INC. 2005/2006 GENERAL RATE APPLICATION PHASE II REQUEST FOR CLARIFICATION**

**Addendum to Decision 2007-079  
Application No. 1556666**

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The Alberta Energy and Utilities Board (the EUB or Board) issued Decision [2007-079](#)<sup>1</sup> on October 16, 2007, which approved the rates of AltaGas Utilities Inc. (AUI) as filed, effective November 1, 2007.

In a letter dated January 18, 2008, AUI requested clarification from the Board of certain matters related to Decision 2007-079, and Decision [2007-093](#).<sup>2</sup> AUI acknowledged that it could be reasonably concluded that the EUB approved in Decisions 2007-079 and 2007-093 the terms and conditions of service and contracts that were filed with AUI's 2005/2006 Phase II General Rate Application (GRA) and AUI's subsequent Compliance Filing. However, AUI requested explicit clarification that the aforementioned EUB Decisions approved all of AUI's proposed terms and conditions of service and contracts.

The Board agrees with AUI that Decisions 2007-079 and 2007-093 may not have been as clear as it could have been with respect to the approval of AUI's proposed terms and conditions of service and contracts. Therefore, the Board confirms that the following are specifically approved:

- i) Natural Gas Utility Service Rules;
- ii) Retailer Distribution Service Regulations;
- iii) Standard contracts associated with the Retailer Distribution Service Regulations;
- iv) Transportation Service Regulations related to AUI's producer transportation rates (collectively, the Transportation Rules and Regulations); and
- v) General Conditions of Service (T&Cs).

For clarity, the language of items (i) and (ii) corresponds with the wording approved in EUB Decision 2007-093 and the language of items (iii) through (v) corresponds with the wording provided in AUI's 2005/2006 GRA. For further clarity and ease of reference, these documents are attached to this Decision.

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<sup>1</sup> Board Decision 2007-079, AltaGas 2005/2006 Phase II General Rate Application, dated October 16, 2007. (Application No. 1491262)

<sup>2</sup> Board Decision 2007-093, AltaGas Utilities Inc. 2005/2006 Phase II GRA Compliance Filing, dated November 27, 2007. (Application No. 1543961)

Dated in Calgary, Alberta on February 12, 2008.

**ALBERTA ENERGY AND UTILITIES BOARD**

*(original signed by)*

A. J. Berg, P.Eng.  
Presiding Member

*(original signed by)*

M. L. Asgar-Deen, P.Eng.  
Acting Member

*(original signed by)*

M. W. Edwards  
Acting Member

## APPENDIX 1



Appendix 1 - General  
Conditions of Service

### **General Conditions of Service** (consists of 1 page)



Appendix 1 - TSR re  
Producer Transportat

### **Transportation Service Regulations for Rate 10 – Producer Transportation Service** (consists of 34 pages)



Appendix 1 - Natural  
Gas Utility Service Ru

### **Natural Gas Utility Service Rules** (consists of 28 pages)



Appendix 1 - RDS  
Regulations.pdf

### **Retailer Distribution Service Regulations** (consists of 33 pages)



Appendix 1 - RDS  
Contract Demand Rat

### **Retailer Distribution Service Contract for Rate 13 Demand/Commodity General Service (Optional) Specific Term** (consists of 14 pages)



Appendix 1 - RDS  
Contract Rates 11 12

**Retailer Distribution Service Contract for Rates 11, 12 and 14**  
(consists of 13 pages)



Appendix 1 - RDS  
Contract Rates 11 12

**Retailer Distribution Service Contract for Rates 11, 12 and 14 – Specific Term**  
(consists of 15 pages)

**GENERAL CONDITIONS OF SERVICE**

1. AltaGas Utilities Inc.'s default rate tariff and gas distribution tariff are subject to change from time to time, as approved by the Alberta Energy and Utilities Board.
2. Customers located within incorporated communities and/or specific districts are subject to all applicable rate riders as approved by the Alberta Energy and Utilities Board.
3. Unless varied by the Alberta Energy and Utilities Board, service to Customers under special contracts shall be subject to the terms and conditions thereof.
4. Customers transferring between Small General Service Rate 1/11, Large General Service (Optional) Rate 2/12 and Demand/Commodity General Service (Optional) (Rate 3/13) distribution rates must provide written notice to the Company at least one (1) month in advance of the transfer.

|                                     |  |     |
|-------------------------------------|--|-----|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005 | GCS |
|-------------------------------------|--|-----|

**AltaGas Utilities Inc.**

**TRANSPORTATION SERVICE REGULATIONS**  
**for**  
**Rate 10 – Producer Transportation Service**



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## **ARTICLE 1 – Context**

### **1.1. Application**

The Service Regulations are part of every Transportation Contract of AUI.

### **1.2. Relationships**

The Service Regulations govern the relationship between AUI and Producer. They are part of AUI’s Gas Distribution Tariff and as such must be approved by the Board. They apply to every Producer unless varied by an agreement approved by the Board.

### **1.3. Applicable Rate**

When accepting a Transportation Contract, AUI will designate the rate to be applied to the service.

### **1.4. Definitions**

The following words or terms when used in these Service Regulations, the Rate Schedule or in a Transportation Contract shall, unless the context otherwise requires, have the meanings given below:

“10<sup>3</sup>m<sup>3</sup>” means one thousand (1,000) cubic metres of Gas;

“Allocation Method” means the procedure used to assign portions of the Gas flows at a Point of Receipt or Point of Delivery to the various Transportation Contracts moving gas at the location;

“AltaGas Utilities Inc.” or “AUI” or “the Company” means AltaGas Utilities Inc. or its successor;

“Billing Commencement Date” means the commencement date for assessing the tariffs and charges as set forth in these Service Regulations; provided however that the Billing

Commencement Date shall be adjusted by AUI if AUI is unable to commence Transportation Service under the Transportation Contract on such date;

“Board” means the Alberta Energy and Utilities Board;

“Contract Demand” means the maximum quantity of Gas in any consecutive twenty-four (24) hour period that AUI shall be obligated to receive at the Point of Receipt, as agreed between the parties to the Transportation Contract;

“cubic metre of Gas” or “m<sup>3</sup>” means the quantity of Gas which at a temperature of fifteen degrees Celsius (15°C) and at a pressure of one hundred one and three hundred twenty-five one-thousandths (101.325) kPa absolute occupies one (1) cubic metre;

“Date of Initial Delivery” means the date AUI commenced Transportation Service under the Transportation Contract;

“Day” means a period of twenty-four (24) consecutive hours, beginning and ending at eight hours (08:00), Mountain Standard Time;

“Gas” means all natural gas both before and after it has been subjected to any treatment or process by absorption, purification, scrubbing or otherwise, and includes all fluid hydrocarbons;

“Gas Distribution Tariff” means the rates, tolls, charges and terms and conditions of service fixed by the Board, as defined in the Act, as amended from time to time;

“Gas Pipeline System” means all those facilities, including the Specific Facilities, owned or used by AUI in the receipt, transportation, measurement, testing and delivery of Gas;

“GJ” means gigajoules or one billion (1,000,000,000) joules;

“Gross Heating Value” means the number of megajoules obtained from the combustion of a cubic metre of Gas at a temperature of fifteen degrees Celsius (15°C), with the Gas free of water vapour, and at a pressure of one hundred one and three hundred twenty five one-thousandths (101.325) kPa absolute and with the products of combustion cooled to the initial temperature of the Gas and the water formed by the combustion condensed to the liquid state;

“J” means joule;

“kPa” means kilopascals of pressure gauge unless otherwise specified;

“Maximum Contract Pressure” has the meaning given in Article 5;

“MJ” means megajoules or one million (1,000,000) joules;

“Minimum Contract Pressure” has the meaning given in Article 5;

“Month” means a period beginning at eight hours (08:00), Mountain Standard Time, on the first Day of a calendar month and ending at eight hours (08:00), Mountain Standard Time, on the first Day of the next succeeding calendar month;

“Nomination” means a written or electronic request for Gas to flow at a Point of Receipt or a Point of Delivery: 1) at a specified rate of flow, commencing at a specified time, or 2) a specified quantity on a specified date;

“NOVA” means NOVA Gas Transmission Ltd., or its successor;

“Point of Delivery” means the point on AUI’s system at which AUI delivers from the Gas Pipeline System to Producer the Gas that has been transported under the Transportation Contract;

“Point of Receipt” means the point on AUI’s system at which the Gas to be transported under the Transportation Contract first enters the Gas Pipeline System;

“Producer Transporter” or “Producer” means a person, firm, partnership, corporation or organization that is an owner of natural gas requiring Transportation Service for transporting Gas through AUI’s Gas Pipeline System, served under the Rate 10 class of rates, pursuant to AUI’s Rate Schedule;

“Rate Schedule” means the Gas Distribution Tariff rate schedule, including the general terms and conditions of service and any applicable rate riders, for the rate specified in and applicable to the Transportation Contract, or such other rate schedule in replacement thereof, as approved by the Board and determined by AUI to be in effect from time to time;

“Specific Facilities” means those facilities installed by AUI for the benefit of Producer and required to transport Gas;

“Transportation Contract” means the transportation contract between AUI and Producer and includes all schedules attached thereto and these Service Regulations;

“Transportation Service” means the service of transporting Gas through AUI’s Gas Pipeline System or other facilities;

“Year” means a period commencing on the Billing Commencement Date or anniversary of same and ending on the next succeeding anniversary of the Billing Commencement Date.

## **1.5. Interpretation**

- (1) In the interpretation of the Transportation Contract, words in the singular shall be read and construed in the plural or words in the plural shall be read and construed in the singular where the context so requires.

- (2) The headings used throughout the Transportation Contract are inserted for reference purposes only, and are not to be considered or taken into account in construing the terms or provisions of any article, clause or schedule nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.
- (3) The definitions of all units of measurement and their prefixes used throughout the Transportation Contract shall be in accordance with the International System of Units.



## **ARTICLE 2 – General Provisions**

### **2.1. Transportation Only**

The Transportation Contract is solely for Transportation Service and Producer shall not acquire any title or interest in the Gas Pipeline System of AUI and AUI shall not acquire any title or interest in the Gas being transported under the Transportation Contract.

### **2.2. Request for Service**

When Producer requests Transportation Service from AUI, AUI must inform the Producer of the conditions to be satisfied before a Transportation Contract can be accepted and service commenced. Producer must provide any information AUI reasonably requires to assess the request. AUI retains the right to refuse a Producer's request for Transportation Service.

### **2.3. Need for a Contract**

Every Producer must sign a Transportation Contract to receive Transportation Service.

### **2.4. Land Use**

Producer must ensure that, with respect to property owned or controlled by the Producer, AUI is provided at no cost with any land use rights required to provide and maintain the service.

### **2.5. Right of Entry**

- (1) AUI has the right to enter the installation or complex of the Producer at any reasonable time:
  - (a) to install, maintain, or remove its facilities,
  - (b) to read, inspect, repair, or remove its metering devices, or
  - (c) to do anything else incidental to providing or discontinuing the Transportation Service.

- (2) If any of AUI's equipment is situated within the Producer's installation or complex, the Producer must ensure that AUI can obtain access to the equipment when necessary.

## **2.6. Gas Under AUI Control**

Gas delivered to AUI by Producer for Transportation Service shall be under the exclusive control of AUI from the time such Gas is accepted for Transportation Service at the Point of Receipt until delivered at the Point of Delivery.

## **2.7. AUI Determines Routing**

AUI does not dedicate the Gas Pipeline System or any segment thereof for Transportation Service for Producer, and accordingly the routing and facilities used for Transportation Service for Producer shall be at AUI's discretion and may change from time to time.

## **2.8. Gas May be Commingled**

- (1) AUI may in the course of transporting Gas in the Gas Pipeline System commingle with or exchange for Gas owned by or transported for others, or remove certain hydrocarbon components present in the Gas.
- (2) As commingling, exchanging, or the removal of certain hydrocarbon components may alter the Gross Heating Value or constituent parts of the Gas between the Point of Receipt and the Point of Delivery, AUI shall not be required to deliver at the Point of Delivery Gas with the same Gross Heating Value or containing the same constituent parts as Gas delivered at the Point of Receipt and AUI shall make whatever compensating adjustments to volume and Gross Heating Value as may be warranted.
- (3) In the event, and to the extent, that any hydrocarbon components in the Gas delivered at the Point of Receipt are absent from the Gas delivered at the Point of Delivery as the result of commingling, exchanging or removal of such hydrocarbon components in the course of transporting the Gas, title to such hydrocarbon components shall, notwithstanding anything to the contrary otherwise contained in the Transportation Contract, be deemed conclusively to have passed to AUI at the Point of Receipt.

## **2.9. Producer Confirms Right to Transport**

Producer covenants with AUI that Producer shall have the right to transport all Gas delivered under the Transportation Contract to AUI at the Point of Receipt.

## **2.10. Commitment to Maintain Systems**

The parties hereto mutually undertake to operate and maintain their respective pipeline systems and equipment safely and in such a manner as not to interfere with the system or equipment owned by the other party and in particular each party undertakes and agrees to consult with the other before commencing construction or operation of any new equipment or facilities which such party reasonably expects might interfere with or affect the operation of the other party's pipeline system or equipment and to make modifications to the design or construction of any such equipment or facilities as practically may be requested of it to minimize any interference with such party's pipeline system or equipment.

## **2.11. Specific Facilities**

A Producer may be required to pay a contribution for any incremental facilities (“Specific Facilities”) required to provide the service.

## ARTICLE 3 – Quality of Gas

### 3.1. Gas Must be of Merchantable Quality

- (1) All Gas tendered for Transportation Service shall be of merchantable quality and, without restricting the generality of the foregoing:
  - (a) shall not contain sand, dust, gums, crude oil, impurities and other substances which may be injurious to pipelines or which may interfere with its transmission through pipelines or its commercial utilization; and
  - (b) shall not have a hydrocarbon dewpoint in excess of minus ten degrees Celsius ( $-10^{\circ}\text{C}$ ) at an absolute pressure of five thousand five hundred (5500) kPa; and
  - (c) shall not contain more than six milligrams per cubic metre ( $6\text{ mg/m}^3$ ) of hydrogen sulphide; and
  - (d) shall not contain more than five milligrams per cubic metre ( $5\text{ mg/m}^3$ ) of mercaptan sulphur; and
  - (e) shall not contain more than twenty-three milligrams per cubic metre ( $23\text{ mg/m}^3$ ) of total sulphur; and
  - (f) shall not contain more than two percent (2%) by volume of carbon dioxide; and
  - (g) shall not contain more than sixty-four milligrams per cubic metre ( $64\text{ mg/m}^3$ ) of water vapour; and
  - (h) shall not exceed fifty degrees Celsius ( $50^{\circ}\text{C}$ ) in temperature; and

- (i) shall be as free of oxygen as can be achieved through the exercise of all reasonable precautions, and shall not in any event contain more than four-tenths percent (0.4%) by volume of oxygen; and
  - (j) shall have a Gross Heating Value of not less than thirty-six and five-tenths megajoules per cubic metre (36.5 MJ/m<sup>3</sup>); provided however that with the prior written consent of AUI, Gas of a lower Gross Heating Value may be delivered.
- (2) If in AUI's sole opinion Gas received by AUI at the Point of Receipt fails to be of merchantable quality or fails to meet any one or more of the quality specifications set forth in this Article, AUI may at any time and from time to time immediately and without prior notice cease to receive further deliveries of Gas at the Point of Receipt pending the remedying by Producer of such failure to the satisfaction of AUI. AUI may install, at Producer's expense, such Specific Facilities including any Gas quality control, monitoring and/or shutdown equipment deemed necessary, in AUI's sole opinion, to ensure that Gas received by AUI at the Point of Receipt meets the quality specifications set forth in this Article.

### **3.2. Quality on Delivery**

All Gas delivered by AUI to Producer at the Point of Delivery shall have the Gross Heating Value and quality that results from the Gas having been commingled in AUI's system.

### **3.3. Notice on Change in Input Quality**

Producer shall notify AUI as soon as practicable in the event of any adverse change in Gas quality that is determinable by Producer and which may be delivered into the Gas Pipeline System at the Point of Receipt.

### **3.4. Notice on change in output quality**

AUI shall notify Producer as soon as practicable in the event of any adverse changes in Gas quality that is determined by AUI and which may be delivered from the Gas Pipeline System at the Point of Delivery.

## **ARTICLE 4 – Measurement**

### **4.1. Statutory Standards Apply**

All measurements, calculations and procedures used in determining the quantities of Gas delivered at the Point of Receipt or at the Point of Delivery, shall be in accordance with the *Electricity and Gas Inspection Act R.S. 1985 c.E-4* as amended and all applicable regulations issued pursuant thereto.

### **4.2. Measuring Equipment**

All measuring equipment, devices and materials required to measure the Gas at the Point of Receipt or at the Point of Delivery shall be installed, maintained and operated by AUI, its agents, or third parties acceptable to AUI, and shall be of standard manufacture and of a type approved by Industry Canada, Electricity and Gas. Producer may install and operate check measuring equipment; provided that it does not interfere with the operation of AUI's equipment or system.

### **4.3. Testing of Measuring Equipment**

The accuracy of the measuring equipment shall be verified by standard tests and methods acceptable to AUI and Producer, at least once every 3 Months and at other times at the initiative of AUI or upon the reasonable request of Producer. Notice of the time and nature of each test shall be given by AUI to Producer, sufficiently in advance to permit a representative of Producer to be present. If, after notice, Producer fails to have a representative present the results of the test and adjustment, if any, made by AUI or its agents shall nevertheless be accepted until the next test. All tests of such measuring equipment shall be made at AUI's expense, except that Producer shall bear the expense of tests made at its request if the inaccuracy is found to be two percent (2%) or less.

#### **4.4. Inspection of Records and Equipment**

AUI and Producer shall have the right to inspect the charts, measurement or test data and measuring equipment installed or furnished by the other under this Article and Article 3, at all times during business hours; provided however that the readings, calibration and adjustment of such measuring equipment shall be done only by the party furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession for a period of at least six (6) years.

#### **4.5. Units Used**

- (1) Unit of Measurement: The unit of volume for purposes of measurement shall be one (1) cubic metre of Gas.
- (2) Unit of Billing/Payment: For the purpose of determining the amount to be billed by AUI and paid by Producer for Transportation Service under the Transportation Contract, the Gross Heating Value of each cubic metre of Gas transported shall be determined in accordance with this Article and AUI shall on the basis of such measurement bill Producer, and Producer shall pay AUI the applicable charges for each GJ of Gas transported.
- (3) Atmospheric Pressure: For the purposes of measurement the atmospheric pressure at the Point of Receipt and at the Point of Delivery shall be determined in accordance with the regulations provided in this Article and shall be rounded to the nearest one-hundredth (1/100) of a kPa and deemed to be constant.

#### **4.6. Method of Measurement**

In determining the quantities of Gas delivered at the Point of Receipt or at the Point of Delivery the following practices shall prevail:

- (1) Metering
  - (a) The gas to be metered at the Point of Receipt and at the Point of Delivery shall be metered by one or more orifice meters, turbine meters, rotary

meters or other metering device approved by Industry Canada, Electricity and Gas, and adopted by AUI.

- (b) Measurement by orifice meters shall be in accordance with the methods prescribed in “American National Standard Orifice Metering of Natural Gas”, ANSI/API 2530, first edition, including the Appendix thereto, as published June 1979, or any subsequent revision thereof, approved by the Standards Division, Department of Consumer and Corporate Affairs and adopted by AUI.
- (c) Measurement by turbine meter shall be in accordance with the methods prescribed in “Measurement of Fuel Gas by Turbine Meters”, American Gas Association Committee Report No. 7, or any subsequent revisions thereof, approved by the Standards Division, Department of Consumer and Corporate Affairs and adopted by AUI.
- (d) Correction shall be made for the deviation of the Gas from the Ideal Gas Law at the pressure and temperature at which the Gas is metered in accordance with the methods prescribed in the “Manual for the Determination of Supercompressibility Factors for Natural Gas” based on PAR Research Project NXi 9 completed December 1962, as published by the American Gas Association and any subsequent revision or amendment or as prescribed in “Compressibility and Supercompressibility for Natural Gas and Other Hydrocarbon Gases”, American Gas Association Transmission Measurement Committee Report No. 8 or any subsequent revision thereof or any other method approved by the Department of Consumer and Corporate Affairs and adopted by AUI. To determine the factors for such corrections a quantitative analysis of the Gas shall be made at reasonable intervals.

(2) Gas Sampling



- (a) Gas samples shall be representative of the Gas being metered at the time such samples are taken and may be either spot samples or samples taken over a period of time.
  - (b) Samples shall be taken at reasonable intervals by AUI or its agents; provided that AUI shall take additional samples when reasonably requested by Producer.
  - (c) The Gas characteristics determined by any test shall apply to the Gas metered from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test.
- (3) Temperature
- (a) The flowing temperature of the Gas being metered shall be determined by means of a temperature transmitter or recording thermometer installed and maintained in accordance with the specifications set forth in Gas Measurement Committee Report No.3 or No.7 as published by the American Gas Association or any subsequent revisions thereof adopted by AUI, whichever is appropriate.
  - (b) The arithmetic average of readings each Day shall be deemed the Gas temperature and used in computing the quantities of Gas metered during such Day.
- (4) Correction and Adjustment
- (a) If at any time any of the measuring equipment is found to be registering inaccurately by an amount exceeding two percent (2%) or such other amount as mutually agreeable between Producer and AUI at a reading corresponding to the average hourly rate of flow, it shall be adjusted at once to read as accurately as possible and the readings of such equipment shall be adjusted to zero error for any period definitely known or agreed

upon, or if not so known or agreed upon, for a period of sixteen (16) Days or one-half (1/2) of the elapsed time since the last test, whichever is shorter.

- (b) If the measuring equipment is found to be out of service, the quantity of Gas delivered during such period shall be determined:
- i. by using the data recorded by any check measuring equipment registering accurately; or
  - ii. if such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded and adjusted to zero error; or
  - iii. if neither of the methods provided in (i) or (ii) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when AUI's equipment was registering accurately.

#### **4.7. Gross Heating Value**

Tests to determine the Gross Heating Value of Gas transported shall be established by the use of a Gas chromatograph, recording calorimeter, or any other device that is approved by the Department of Consumer and Corporate Affairs and adopted by AUI and shall be used in the calculation of the number of gigajoules transported under the Transportation Contract.

#### **4.8. Composition**

- (1) The composition of the Gas transported shall be determined by tests of representative samples of Gas so transported and conducted by AUI or its agents utilizing a chromatograph of standard manufacture.
- (2) Such tests shall be done once per Month or at such other intervals as may be justified by the consistency of previous tests thereof.
- (3) The results of any such test shall be used during the period commencing on the Day such sample shall have been taken or from the commencement date if

a sample is taken over a period of time, as the case may be, until the next test; provided that the results of the first such test shall be used from the Date of Initial Delivery of Gas until the second test.

#### **4.9. Gas Characteristics**

- (1) The Gas characteristics including, without limiting the generality of the foregoing, Gross Heating Value, relative density, nitrogen and carbon dioxide content of the Gas shall be determined by continuous recording equipment or by laboratory equipment.
- (2) The Gas samples to be tested shall be representative of the Gas delivered at the time such samples are taken and may be either spot samples or samples taken over a period of time.
- (3) If continuous recording equipment is used the arithmetic average of the recordings for each Day shall be used to determine Gas characteristics.
- (4) If spot samples are taken or a spot sampler is used, Gas characteristics shall be determined from the analysis of the samples using laboratory equipment.

#### **4.10. Pulsation Dampening**

If there are any compression facilities upstream of the Point of Receipt or downstream of the Point of Delivery, Producer shall cause to be provided sufficient pulsation dampening equipment to ensure that the compression facilities do not interfere with the operation of AUI's facilities.

#### **4.11. Facilities Interference**

In the event Producer's facilities interfere with AUI's ability to provide accurate measurement at the Point of Receipt or the Point of Delivery, AUI may immediately and without prior notice cease to receive further deliveries of Gas at the Point of Receipt pending the remedying by Producer of the cause of such interference to the satisfaction of AUI.

#### **4.12. Use of NOVA or Other Measurements**

AUI and Producer hereby agree that notwithstanding anything contained elsewhere in the Transportation Contract, at a Point of Delivery or at a Point of Receipt which is a NOVA/AltaGas Utilities Inc. system interconnection, where NOVA's measuring equipment is used or relied on by AUI for measuring Gas transported under the Transportation Contract, NOVA's measurement and testing of Gas procedures shall apply. At a Point of Delivery or at a Point of Receipt which is not a system interconnection with NOVA, measurement and testing shall be based on procedures agreeable to AUI and Producer.

#### **4.13. Forecast Volumes**

Producer agrees to provide to AUI, for planning purposes, such forecasts of future Monthly volumes to be transported under the Transportation Contract as AUI may request from time to time.

### **ARTICLE 5 – Gas Delivery**

#### **5.1. Matching Receipts and Deliveries**

Subject to the other provisions of this Article, AUI agrees to receive from Producer at the Point of Receipt the quantity of Gas which Producer tenders for transportation up to the Contract Demand; provided however that AUI shall not be required in any hour to accept at the Point of Receipt a quantity of Gas greater than 1/20th of the Contract Demand, unless otherwise specified on the applicable Rate Schedule. AUI agrees to tender for transportation to Customer and Customer shall receive at the Point of Delivery, a volume of Gas containing the equivalent number of joules as are contained in the volume of Gas tendered by Customer at the Point of Receipt less Customer's share of AUI's Unaccounted-For-Gas and compressor fuel.

#### **5.2. Overriding Rights and Obligations**

Notwithstanding anything contained elsewhere in this Article, AUI reserves the right to restrict the flow of Gas at the Point of Receipt or the Point of Delivery to achieve a

balance, to correct any imbalance or in the event Producer repeatedly exceeds the Contract Demand without AUI's authorization.

### **5.3. Inability to exchange**

- (1) Notwithstanding anything contained elsewhere in the Transportation Contract, if a Point of Delivery is an interconnection with a pipeline system of a third party ("Other System") Producer recognizes that AUI's ability to deliver Gas may be dependent upon an exchange with volumes of Gas which would normally be delivered into the Gas Pipeline System.
- (2) Producer further recognizes that changes in such incoming volumes of Gas or changes in either the capacity of the interconnection with the Other System or the capacity of the Gas Pipeline System may occur from time to time.
- (3) In the event that AUI is unable to continue to exchange volumes of Gas at the Point of Delivery which is an interconnection with the Other System with volumes of Gas which would normally be delivered into the Gas Pipeline System at the Point of Delivery, or there are changes in incoming Gas volumes or capacity, then this shall constitute an event of Force Majeure and AUI shall serve written notice to Producer advising of its inability to continue to provide Transportation Service under the Transportation Contract by the exchange of volumes of Gas which would normally be delivered into the Gas Pipeline System.
- (5) The notice under Clause 5.7(3) will specify:
  - (a) Producer's proportionate share of the additional costs associated with the capital improvements that are required to maintain Transportation Service at that Point of Delivery; and
  - (b) The volume of Gas AUI is able to receive and transport to that Point of Delivery if no capital improvements are made; and
  - (c) The location of alternate Points of Delivery at which AUI can continue Transportation Service at the then current level.
- (6) In the event that Producer receives notice pursuant to Clause 5.7(3), Producer shall, within thirty (30) Days after the receipt of such notice, provide written

notice to AUI indicating which of the options set out in such notice Producer intends to exercise.

- (7) In the event that none of the options provided by AUI are acceptable to Producer, Producer may terminate the Transportation Contract effective on the date such notice is received by Producer; provided however that in the event Producer chooses to terminate the Transportation Contract, Producer shall reimburse AUI for Producer's share of the undepreciated book value of the Specific Facilities at the effective date of termination together with all costs of abandoning or removing such facilities.

#### **5.4. Minimum and Maximum Contract Pressures**

- (1) The Minimum Contract Pressure and Maximum Contract Pressure of the Gas at the Point of Receipt shall be as specified by AUI for that location.
- (2) AUI at its sole discretion may grant relief from the Minimum Contract Pressure at the Point of Receipt to permit delivery of Gas at a reduced pressure and such relief shall continue until AUI provides written notice to revise the reduced pressure then in effect to a pressure not in excess of the Maximum Contract Pressure.
- (3) Subject to Clause 5.4(2), Producer will deliver the Gas, or cause the Gas to be delivered, to AUI at the Point of Receipt at such pressures as AUI may require from time to time at the Point of Receipt up to the Maximum Contract Pressure.
- (4) AUI will deliver the Gas, or cause the Gas to be delivered, to Producer at the Point of Delivery at such pressures as are available in the Gas Pipeline System from time to time.

#### **5.5. Lost Gas**

Subject to Clause 10.1(3), AUI shall not be responsible for Gas lost by pipeline rupture, explosion, fire or other similar calamity, but shall maintain and provide to Producer a record of Producer's proportionate share of any such loss and cooperate with all

reasonable requests of Producer's insurers or their agents during the course of the investigation of any claim arising from any such loss.

## **5.6. Allocations**

- (1) For the purpose of administering Transportation Contracts, Gas flows shall be allocated to determine the daily flow under each agreement.
- (2) Producer and AUI shall agree on an Allocation Method prior to the flow of Gas and it will be confirmed in a letter agreement. In the event Producer and AUI are unable to agree on an acceptable Allocation Method, AUI reserves the right to decide on the Allocation Method which will be used.
- (3) One of the following allocation methods may be used or a mutually acceptable alternative method may be determined:
  - (a) Allocation prorated to Nomination;
  - (b) Allocation equal to Nomination for all Transportation Contracts but one, which is allocated the difference between total Nomination and physical flow;
  - (c) Allocation by entitlement (allocation of deliveries based on actual receipts);
  - (d) Allocation based on preset priority (first-next).
- (4) At locations where a portion of the Gas flowing belongs to parties other than Producer and AUI, all parties must agree in writing on the Allocation Method used between those parties at that location.
- (5) A request for change in Allocation Method must be made by either Producer or AUI, thirty (30) days prior to the requested change date. Producer and AUI shall agree on the revised Allocation Method prior to the change and it will be confirmed in a letter agreement.
- (6) In the event Producer and AUI are unable to agree on an acceptable revised Allocation Method, AUI reserves the right to decide on the revised Allocation Method which will be used.

## **5.7. Impaired Transportation**

- (1) If by reason of the causes set out in Clause 5.7(3), AUI is unable, in whole or in part, to transport the quantities of Gas provided for in the Transportation Contract, then AUI shall be relieved of liability for not transporting such quantities, and AUI may curtail or discontinue Transportation Service under the Transportation Contract during the continuance and to the extent of the inability; provided however that AUI shall endeavour to give reasonable notice of any curtailment or discontinuance of Transportation Service arising by virtue of such causes and shall promptly endeavour to remedy the cause of any curtailment or discontinuance of Transportation Service as soon as reasonably possible.
- (2) Such notice shall specify AUI's estimate of the duration of any such curtailment or discontinuance of Transportation Service under the Transportation Contract.
- (3) The causes referred to above are:
  - (a) the necessity, in AUI's sole opinion, of making modifications or improvements to the Gas Pipeline System; provided however that AUI shall, when practicable, endeavour to effect such modifications or improvements, which are not emergency in nature, at a time and in a manner which shall not unduly interfere with or interrupt transportation of Gas; or
  - (b) the necessity of making repairs to the Gas Pipeline System used to transport Gas.

## **ARTICLE 6 – Financial Matters**

### **6.1. Producer Pays Tariffs**

- (1) Producer shall pay to AUI, for Transportation Service provided under the Transportation Contract, commencing on the Billing Commencement Date, the charges set forth in the Transportation Contract.



- (2) Producer shall not be relieved by Force Majeure as described in Article 7 from the obligation to pay the charges set forth pursuant to this Article unless Force Majeure has been invoked by AUI.

## **6.2. Billing**

- (1) AUI may render to Producer on or before the twenty fifth (25th) Day of each Month a statement with respect to Gas transported for Producer during the preceding Month for:
  - (a) the amount payable by Producer calculated in accordance with this Article, and
  - (b) the volume, Gross Heating Value and total energy of the Gas measured or estimated at the Point of Receipt.
- (2) AUI shall make corrections to prior statements, as may be required, and shall present the corrections to Producer as soon as reasonably possible.

## **6.3. Payment**

- (1) Producer agrees to pay AUI on or before the twenty first (21st) Day following the rendering of the statement by AUI to Producer, the total amount payable by Producer as set forth in the statement.
- (2) Each such payment shall be made in Canadian funds by cheque drawn in AUI's favour and delivered to AUI at the address stated in the Transportation Contract.

## **6.4. Unpaid Bills**

AUI shall assess a late payment charge calculated as 1.5% of any unpaid balance from a previous Month's statement, including unpaid previous late payment charges. Any unpaid balance from a previous Month's statement is considered past due.

## **6.5. Disputes**

In the event that Producer disputes any part of any statement, Producer shall nevertheless pay to AUI the full amount of the statement when payment is due.

## **6.6. Failure to Pay**

In the event Producer fails to pay the full amount of any statement within sixty (60) Days after payment is due, AUI, in addition to any other remedy it may have, may suspend the receipt and delivery of Gas until full payment is made and such suspension shall not terminate or otherwise affect Producer's obligations to AUI.

## **6.7. Letter of Credit**

- (1) Producer shall provide AUI with any financial information AUI reasonably requests in order that AUI may establish Producer's credit worthiness.
- (2) AUI may require Producer to provide, and at all times maintain, an irrevocable letter of credit in favour of AUI issued by a financial institution acceptable to AUI in an amount equal to the sum of the maximum amount payable by Producer under this Transportation Contract for ninety (90) Days of service plus the installation cost of Specific Facilities.
- (3) Where AUI requires Producer to provide a letter of credit and Producer is able to provide alternative security acceptable to AUI, AUI shall accept such security in lieu of a letter of credit.
- (4) AUI may in any Month draw on the letter of credit in an amount necessary to satisfy the charges due for the previous Month where Producer has not paid such charges within the time and manner provided for in Clause 6.3.
- (5) AUI shall return the letter of credit within thirty (30) Days after termination of the Transportation Contract.

## **ARTICLE 7 – Force Majeure**

### **7.1. Effect of Force Majeure on Breach**

Subject to the other provisions of this Article, if either party to the Transportation Contract fails to observe or perform any of the covenants or obligations herein imposed upon it and such failure shall have been occasioned by, or in connection with, or in consequence of Force Majeure, as hereinafter defined, such failure shall be deemed not to be in a breach of such covenants or obligations.

## **7.2. Meaning of Force Majeure**

For the purposes of the Transportation Contract, “Force Majeure” means any cause, other than financial, beyond the control of the party claiming suspension and which the party could not have prevented or overcome by due diligence, including, but not limited to:

- (a) acts of God, such as lightning, earthquakes, storms, floods, fires, landslides and washouts,
- (b) strikes, lockouts or other industrial disturbances,
- (c) acts of the Queen’s enemy, sabotage, wars, blockades, insurrections, riots, epidemics, civil disturbances, arrests and restraints,
- (d) explosions, breakages of or accidents to machinery or lines of pipe,
- (e) hydrate obstructions of lines of pipe,
- (f) temporary failure of Gas supply,
- (g) freezing of wells or delivery facilities, well blowouts and craterings, and
- (h) the orders of any court or governmental authority.

## **7.3. Exceptions to Force Majeure**

Notwithstanding Section 7.2(h), a decision, direction, or order made by the Board in the normal course of it exercising its authority to establish the appropriate revenue requirement or rates of the parties to this agreement shall not be considered an event of Force Majeure.

Neither party is entitled to the benefit of the provisions of Clause 7.1 of this Article under any of the following circumstances:

- (a) to the extent that the failure was caused by the sole negligence of the party claiming suspension; or
- (b) to the extent that the failure was caused by the party claiming suspension having failed to remedy the condition where it is within that party’s ability alone to do so and to resume the performance of such covenants or obligations, with reasonable dispatch; or

- (c) if the failure was caused by lack of funds or with respect to the payment of any amount or amounts then due under the Transportation Contract; or
- (d) unless as soon as possible after the happening of the occurrence relied upon or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Transportation Contract, the party claiming suspension shall have given to the other party notice, either in writing or electronically, to the effect that such party is unable by reason of Force Majeure (the nature whereof shall be therein specified) to perform the particular covenants or obligations.

#### **7.4. Notice of Remedy**

The party claiming suspension shall likewise give notice, as soon as possible after the Force Majeure condition is remedied, to the effect that the same is remedied and that such party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

#### **7.5. Labour disputes**

Notwithstanding anything to the contrary in this Article expressed or implied, the parties agree that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the particular party involved therein and such party may make settlement thereof at such time and on such terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive such party of the benefit of Clause 7.1 of this Article.

### **ARTICLE 8 – Termination on Default**

#### **8.1. Non-Defaulting Party May Terminate**

If either party shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of the Transportation Contract (the “Defaulting Party”), then in any

such event, the other party (the “Non-Defaulting Party”) may at its option terminate the Transportation Contract by proceeding as set out in this Article.

## **8.2. Notice of Intent**

The Non-Defaulting Party shall cause a notice in writing to be given to the Defaulting Party advising as to the nature of any default and declaring it to be the intention of the Non-Defaulting Party to terminate the Transportation Contract.

## **8.3. Time to Remedy**

The Defaulting Party shall have ninety (90) Days after receiving any such notice to remedy the default specified and if, within the said period of ninety (90) Days, the Defaulting Party does remedy any such default to the satisfaction of the Non Defaulting Party then the notice given pursuant to Clause 8.1 of this Article shall be deemed to be withdrawn and the Transportation Contract shall continue in full force and effect.

## **8.4. Producers Failure to Remedy**

- (1) In the event that Producer does not remedy any default of which it has been given notice by AUI to the reasonable satisfaction of AUI within the said ninety (90) Day period, then AUI may terminate the Transportation Contract after the said ninety (90) Day period and the appropriate charges for all Specific Facilities, as well as the present value of all system tariffs that would be in effect until the termination of the Transportation Contract, discounted at a rate equal to AUI’s weighted average cost of capital as approved by the Board and in effect on the date the Transportation Contract is terminated by such default, shall become due and payable.
- (2) All other rights and obligations of the parties under the Transportation Contract shall cease upon termination of the Transportation Contract; provided however that any such termination shall not affect any other remedy AUI may have at law or in equity.

## **8.5. AUI’s Failure to Remedy**

- (1) In the event that AUI does not remedy any default of which it has been given notice by Producer to the reasonable satisfaction of Producer within the said ninety (90) Day period, then Producer may terminate the Transportation Contract.
- (2) All other rights and obligations of the parties hereunder shall cease upon the termination of the Transportation Contract; provided however that any such termination shall not effect any other remedy Producer may have at law or in equity.

## **ARTICLE 9 – Notice**

### **9.1. Notice in Writing**

Every notice, request, statement or bill provided for by the Transportation Contract or any notice which either AUI or Producer may desire to give to the other shall be in writing directed to the party to whom given, made or delivered at such party’s address stated in the Transportation Contract.

### **9.2. Delivery of Notice**

- (1) Any notice may be given by mailing the same, postage prepaid, in an envelope properly addressed to the person to whom the notice is being given and shall be deemed to be given four (4) business days after the mailing thereof, Saturdays, Sundays and statutory holidays excepted.
- (2) Any notice may also be given by facsimile at the facsimile number designated in the Transportation Contract , and any such notice so served shall be deemed to have been given twenty four (24) hours after transmission of the same, Saturdays, Sundays and statutory holidays excepted.
- (3) Any notice may also be delivered by hand to the person, or his representative, to whom such notice is to be given at such person’s address for notice, and such notice shall be deemed to have been given when received by such person or his representative.

- (4) Any notice may also be given by telephone or other electronic means followed immediately by letter or facsimile and any notice so given shall be deemed to have been given of the date and time of the telephone notice.

### **9.3. Disruption of Mail**

In the event of disruption of regular mail every payment shall be personally delivered and every notice, demand, statement or bill shall be given by one of the alternative means set out in Clause 9.2 of this Article.

## **ARTICLE 10 – Miscellaneous Matters**

### **10.1 Indemnity**

- (1) Producer agrees to indemnify and save AUI harmless from and against any and all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of whatsoever nature or kind and howsoever and by whosoever made or incurred arising out of or in any way connected, either directly or indirectly, with any act, omission or default on the part of Producer under the Transportation Contract;
- (2) Notwithstanding subsection (1), in no event, whether as a result of alleged negligence on the part of Producer or otherwise, shall Producer be liable to AUI for loss of profits or revenues, cost of capital, loss for failure to deliver Gas, cost of purchased or replacement Gas, claims of AUI's customers for failure to deliver Gas, cancellation of permits, termination of contracts or other similar special or consequential damages or claims whatsoever.
- (3) AUI agrees to indemnify and save Producer harmless from and against all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of whatsoever nature or kind and howsoever and by whosoever made or incurred arising out of the gross negligence or willful misconduct of AUI under the Transportation Contract.
- (4) Notwithstanding subsection (3), in no event, whether as a result of alleged gross negligence on the part of AUI or otherwise, shall AUI be liable to Producer for loss of profits or revenues, cost of capital, loss for failure to deliver Gas, cost of

purchased or replacement Gas, claims of Producer’s customers for failure to deliver Gas, cancellation of permits, termination of contracts or other similar special or consequential damages or claims whatsoever.

## **10.2 Service Regulations Prevail**

No representation or commitment inconsistent with these Service Regulations has any effect unless approved by the Board.

## **10.3 General Laws Apply**

The Transportation Contract and the rights and obligations of the parties to the Transportation Contract are subject to all applicable present and future laws, rules, regulations, and orders of any legislative body or duly instituted authority now or hereafter having jurisdiction.

## **10.4 Commitment to Performance**

The parties hereto shall from time to time and at all times do all such further acts and execute and deliver all such further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of the Transportation Contract and these Service Regulations.

## **10.5 No Waiver**

No waiver by AUI or Producer of any default by the other under the Transportation Contract and these Service Regulations shall operate as a waiver of a future default whether of a like or different character.

## **10.6 Application to All Receipt Points**

The Transportation Contract and these Service Regulations shall apply mutatis mutandis to each Point of Receipt and corresponding Point of Delivery.

## **10.7 Application to Successors**

The Transportation Contract shall bind and inure to the respective successors and assigns of the parties hereto; provided however that no assignment shall release either party from



such party's obligations under the Transportation Contract without the written consent of the other party to such release, which consent shall not be unreasonably withheld.

#### **10.8 Use as Security**

Nothing herein contained shall prevent either party from pledging or mortgaging its rights under the Transportation Contract as security for its indebtedness.

#### **10.9 Applicable Laws**

The Transportation Contract shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

**AltaGas Utilities Inc.**

**NATURAL GAS UTILITY  
SERVICE RULES**

## A Guide to These Rules

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# AltaGas Utilities Inc.

## NATURAL GAS UTILITY SERVICE RULES

### Part 1 What these Rules are about

#### *We run the system that brings natural gas to you*

We are AltaGas Utilities Inc., a gas utility committed to providing our customers with safe, reliable, and economical natural gas *utility service*. Our *utility service* can be *gas distribution service* by itself, or *gas distribution service* and *default supply* combined.

#### *Everyone on our system helps pay for it, so we need rules*

All our customers help pay the costs of building, operating and maintaining *our system* – the things we install to provide *gas distribution service* to our customers, including you. The lower the costs are, the lower our rates can be. Keeping costs down, while maintaining safety and reliability, takes cooperation and rules.

#### *These Rules govern the relationship between us*

These are the rules for *our system*. They govern how we serve you, and how you take service from us. They are part of every *service agreement* – the agreement between us as the provider of *utility service* and you as our customer. We have that agreement with you whether you sign a contract or we simply begin providing you with *utility service* on the basis of these Rules.

#### *These Rules are approved by the Alberta Energy and Utilities Board*

These Rules are approved by the Alberta Energy and Utilities Board (which we refer to as the “*Board*”) and can't be changed without its approval. Once the *Board* approves the Rules, they are legally binding on you and us.

#### *Some special terms in these Rules are defined at the end*

In these Rules some words are in italics and have special meanings. All the special terms and their definitions are collected together in a List of Definitions at the end of these Rules for easy reference.

## **Part 2    Signing up for gas distribution service**

### ***To get gas distribution service, you have to apply***

1. If you want us to start providing you with *gas distribution service*, you have to tell us. We may not be able to provide service until you sign an application or give us written confirmation that you accept responsibility for an account with us.

### ***If you have a retailer, you still have a responsibility to contact us***

2. If you have a *retailer*, you must still contact us directly to apply for *gas distribution service*. Regardless of who your gas supplier is, we have to set up an account for you on *our system*.

### ***To provide good service, we need to know you***

3. For us to give you the right service and charge the right rates, you will need to give us some information when you apply. For example, you will need to tell us the amount of gas you expect to use and how it will be used. We will need information such as credit references and how we can reach you or someone who can act for you, in an emergency.

### ***Our agreement starts when we start providing gas distribution service***

4. No matter how you apply, you have a *service agreement* with us as soon as you tell us to provide the service and, we either begin providing the *gas distribution service* to you or start doing the things necessary to provide the *gas distribution service*. We don't have a *service agreement*, or an obligation to serve you, simply because you have given us an application form for installation of a new service, a cash deposit, or you have signed an agreement with a *retailer*.

### ***Special agreements are possible***

5. If you are a large-usage customer or have special service needs, we can also make a *service agreement* with you by signing a service contract. That contract will say when it takes effect.

### ***These Rules always apply***

6. In any case, however a *service agreement* is made, it includes these Rules as if they were in a paper contract we signed with you.

***You let us use your land to serve you***

7. To serve you, we need some rights to use the *service land* – the parcel of land on which the *service site* is located. The *service site* is the building or thing to which we provide *gas distribution service* under the *service agreement*. For example, for typical *gas distribution service* to a home, the *service site* would be the house and the *service land* would be the parcel of land on which the house is built. If the *service agreement* isn't clear, we can name anything as the *service site* that fits in with the general intent of our agreement.

***You don't charge us for using your land to serve you***

8. When you make a *service agreement* with us, you are granting us at no charge, all reasonable land-related rights we need to provide *gas distribution service* to your *service site* and to install and maintain our *lines and equipment*. Those rights may include easements and utility rights-of-way for *lines and equipment* required to serve your *service site*, on any of your land even if it isn't the *service land*. They also include the right to enter the land and dig it up to install, repair, replace, maintain and inspect the *lines and equipment*. We will try our best to minimize the inconvenience to you and the damage to your property when we do this work and we will reasonably restore your land when we are finished. Finally, if someone other than you has to give us the right to use the land, we may ask for your help in getting the land rights needed to serve you. If we cannot acquire these land rights, we may not be able to serve you.

## **Part 3 Installing or changing your gas distribution service**

### ***3.1 Connecting you to our system***

***There is a fee to assume service***

1. You may be able to receive *gas distribution service* from *our system* without us needing to install any new *lines and equipment*. If you assume *gas distribution service* at a *service site*, you must pay the Account Activation Fee to cover the cost of activating your account. An account is required for all customers, including customers who purchase *retail supply*. The Account Activation Fee does not apply if we are installing new *lines and equipment* to provide you with *gas distribution service*. The amounts of the Account Activation Fee and other Special Charges are set out in the Special Charges Schedule located at the end of these Rules.

***If someone else turned the gas off, we normally will not charge a reconnection fee***

2. If your *service site* was temporarily disconnected from *our system* (the gas was turned off), you are not expected to pay a reconnection fee to have the gas turned back on – unless you are the customer who originally requested that the gas be turned off. Please refer below to Part 6 – Service charges about temporarily disconnecting from *our system*.

***We do all work on our system***

3. When it comes to *our system*, we have a basic rule – only our employees or our agents can work on it. That includes installing, maintaining, or removing a service line as well as doing extensions, replacements, changes, connections to, or disconnections from, *our system*. No one else can do any of this kind of work unless we have given them specific permission in writing. This rule is necessary because we are very concerned about safety.

***You are responsible for getting permits and/or inspections***

4. Municipal bylaws or provincial laws may require you to get permits and/or inspections before we can provide you with *gas distribution service* at a new *delivery point* or continue *gas distribution service* at a *delivery point* where there have been changes to your piping or appliances. Getting those permits and/or inspections is your responsibility and we might not start work or provide *gas distribution service* until you have them completed. We may also stop *gas distribution service* if you don't have a legally required permit.

***We will schedule installation after all requirements have been met***

5. We will schedule the installation of a service line after you have complied with our application and contribution requirements, have acquired all necessary permits, inspections, and approvals, and we have accepted your application for *gas distribution service*.

***We may not be able to provide gas distribution service right away***

6. We will try to install a service line as soon as we can after you apply for it, but that may not be right away. For example, it may not make sense to try to bury pipe in frozen ground. In short, we won't start an installation until we think it makes sense.

***You pay to install and remove temporary gas distribution service***

7. If you want us to install a service line that we don't think will be permanent, you will have to provide payment in advance to cover installation and removal costs.

***We don't have to install a service line if the costs are greater than the benefits***

8. Because all our customers share the cost of building and operating *our system*, we will not install a service line unless we think the benefit to *our system* of doing so justifies the cost. If we decide it does not make sense to serve you and you disagree, you can apply to the *Board* for an order that we provide the *gas distribution service*.

***3.2 Placing the lines and equipment******We decide where to put the lines and equipment***

1. We are very concerned about safety and efficiency. Before we provide *gas distribution service*, we have to decide what *lines and equipment* will be installed, where they will be placed, and how much clear space must be left around them.

If you can't provide a suitable location for the *lines and equipment*, we can't provide the *gas distribution service*.

***We may allow a different location***

2. You may want the *lines and equipment* put somewhere other than the location we have selected. We can only do that if we consider your proposed location safe and serviceable. The same applies for moving any part of the *lines and equipment* after they are installed.

***We will pick the best place for the meter***

3. We decide where to put the meter. Normally, that will be on the outside of the *service site*. If we agree to put it inside, we will likely put it as close as possible to the point where the service line enters the building. You may be charged the extra cost of running the connecting pipe from the meter to where the service line enters the *service site*.

***To get gas distribution service at more than one point takes a special agreement***

4. Unless you make some other agreement with us, there is only one *delivery point* for your *service site* and that is the outlet of the meter installed at the *service site*. If you want more than one *delivery point* at the *service site*, we can put them in provided you pay the extra cost.



### **3.3 Charges for installing or changing the lines and equipment**

#### ***Our installation charges are set by the Board***

1. The *Board* approves the way we determine what to charge for installing a service line. The basic approach we take is described in the Special Charges Schedule attached to these Rules. You will be charged based on the costs in effect at the time of installation, not what was in effect at the time you applied for *gas distribution service*.

#### ***If you want a different location, you pay the extra costs***

2. If we agree to install the *lines and equipment* in a location different than where we have selected, you may pay extra installation costs that result.

After the *lines and equipment* are in, if you need any part moved (like a meter) and we agree, you will have to pay the cost of moving it.

#### ***We will notify you of the contribution required to install the service line you request***

3. As soon as reasonably possible, we will inform you if we require an amount greater than the standard non-refundable contribution to support the cost of installing the service line you request. Normally, you will have been advised of the standard non-refundable contribution at the time you applied for *gas distribution service*. However, if an additional non-refundable contribution is needed, we will advise you in writing. Unless we specify otherwise, the cost information we provide is applicable for the current construction season and under frost-free conditions.

#### ***You will have to pay an additional contribution to build a gas main***

4. In some cases, we may have to build or expand a gas main to provide you with *gas distribution service*. To be fair to the other customers sharing the costs of *our system*, if a gas main is required we will require you to make a contribution for the main.

#### ***If we must build or expand a gas main to provide you with gas distribution service, a portion of your contribution may be refundable***

5. We will forecast the short term and long term financial benefits and costs of the new gas main, also taking into consideration the cost of the service lines expected to connect to the gas main. If the short term benefits are greater than the costs, we will ask you for a contribution towards the costs. If however, the long term benefits are greater than the costs, we may refund a portion of your contribution

over time. If the costs are more than the benefits, part or all of your contribution will be non-refundable. A separate agreement will clearly state how much you need to pay in advance and how much is eligible for possible refund.

***If we must build or expand a gas main to provide you with gas distribution service, we will notify you in writing of any contributions or other conditions that apply***

6. If we have to build or expand a gas main to provide you with *gas distribution service*, we will provide to you, in writing, information about the required refundable and non-refundable contributions and any other conditions which apply before we proceed with construction. Unless we specify otherwise, the cost information we provide is applicable for the current construction season and under frost-free conditions.

***Should costs change, you will be advised***

7. Should costs change for reasons that were unforeseen or beyond our control (example: cold weather results in frost charges coming into effect), we will advise you in writing before we proceed and give you the option of canceling or proceeding with your *gas distribution service* request.

## **Part 4 Rights and responsibilities once gas distribution service begins**

***You are responsible for reporting problems and preventing waste***

1. Once *gas distribution service* begins, you have a responsibility to make sure gas is used properly and to help prevent waste. You must notify us immediately if you notice a gas leak on any of our *lines and equipment* or if you have other problems with the *gas distribution service*.

***We will maintain our lines and equipment but you must help protect them***

2. We will maintain the *lines and equipment* we put in but you must take reasonable steps to protect them. In particular:
  - You must tell Alberta One-Call at least two full working days before you or anyone working for you does any excavation work on the *service land*. Alberta One-Call will notify us and other utilities in your area when work that could damage *lines and equipment* is planned. Contact information for Alberta One-Call is provided at the end of these Rules. Even if their contact information changes, you must still contact Alberta One-Call and tell them your plans.

- You can't start digging until we have had a chance to mark the approximate location of our *lines and equipment*, including gas mains and service lines, in the area to be excavated. We will make reasonable efforts to have the lines marked within the time you have requested, provided the minimum notification period is met. Even if we have not marked the lines within the requested time, you must not dig until we have marked the lines.
- You must let us know immediately if you, or someone doing work for you, damage the *lines and equipment*. Our emergency response personnel are available to respond to gas leaks 24 hours per day.

**If one of our lines or equipment is damaged, call us immediately from a safe location using our emergency phone number provided at the end of these Rules. Alternatively, call the fire department. Do not return to the location of the gas leak or allow any non-emergency personnel to do so.**

***You can't make changes to your land or site that interfere with our lines and equipment***

3. As long as the *lines and equipment* are in place, you may not, without our written consent, do anything to the *service land* or *service site* that will make it difficult for us to maintain our *lines and equipment*. That includes, for example, placing a building, planting a tree, or digging a dugout, over or near the *lines and equipment*. If you put anything in the way, and we damage it trying to work on our *lines and equipment*, we are not responsible for the damage. If you make changes to the *service land* or *service site* that increases the costs of operating, maintaining or repairing the *lines and equipment*, you may have to pay those extra costs.

***We can enter when necessary, and use force in an emergency***

4. We can access the *service land* or enter the *service site* at any reasonable time to do anything necessary to maintain, repair, and operate *our system* safely and efficiently. That includes reading meters, turning gas on or off, examining and repairing the *lines and equipment*, and checking to see how you are using the gas. We can also dig and do any other work necessary to fix *our system*.

At any time we think there is an emergency, we can use reasonable force, if we have to, to access the *service land* or enter the *service site*.

***We will try to provide you advance notice***

5. When we can, we will notify you in advance that we will be performing work on the *service land* or *service site*. Depending on the type of work we will be

performing, we may contact you directly or in writing, or we may inform you by other means such as newspaper ads or messages with your bill. However, in situations such as emergencies where we must act immediately, we normally will not provide advance notice. Similarly, for routine activities such as meter reading, we normally will not provide notice.

***You pay for any damage that's not our fault***

6. As long as the *lines and equipment* are in place, you must pay for any damage done to them through your negligence or your actions, or the actions of anyone working for you. That applies even if the work is being done off the *service land*. You are not responsible for normal wear and tear or for any damage caused by our actions or our negligence.

***We own the lines and equipment***

7. Our ownership of all the *lines and equipment* continues until we give it up. We can remove any part at any time. When our *service agreement* with you ends, we do not need to remove the *lines and equipment*, provided we leave them in a safe condition.

## **Part 5 Measuring use and charges**

***We can use actual or estimated usage when determining our charges***

1. The amount of gas you use is measured in units of energy, or gigajoules. Charges that are calculated on the amount of gas you use will be based on your actual or estimated energy usage. In addition to the length of time the estimate covers, the estimate can also be based on other factors such as:
  - The amount of gas used previously in a similar period at the *service site*,
  - Past and current weather,
  - The connected load, and
  - Other relevant information that may be available.

***We will read the meter when necessary***

2. We will determine usage by reading the meter as often as we think is necessary.

***You pay for special meter readings***

3. If we cannot access the meter, we will try to arrange with you to read the meter in coordination with other meters being read in your area. However, if we must read

the meter at any time other than when the meter is normally scheduled to be read, we can charge you the special meter reading fee.

4. If your *gas services* provider changes, we may read the meter when the change occurs. If we read your meter, a special meter reading charge will apply.

***You can provide us with a meter reading when we plan to estimate***

5. For those months of normal billing where we plan to estimate your gas usage, you have the option of providing us with actual meter readings by phone. However, if you wish to provide us with meter readings, we require you to follow a schedule that we set. Please contact us to make the necessary arrangements.

***If the meter wasn't working properly, we will estimate the amount used and adjust your charges***

6. If the meter stops working properly we will determine when that happened and estimate the amount of gas you used. We will adjust your charges accordingly. The estimate will only be for the time we think the meter was not working properly. If we can't reasonably determine when the meter stopped working properly, we will correct your charges in compliance with applicable laws and Board direction.

***Disputes over our meter measurements can be taken to the federal government, but you may have to pay the cost***

7. You have the right, under the *Electricity and Gas Inspection Act* (R.S., 1985, c. E-4), to dispute our meter measurements. We have the same right. If you register a dispute with the federal government and our meter measurements are found to be within the limits of error allowed in the Act, you will have to pay us the cost of removing the meter for testing – the amount is shown in the Special Charges Schedule. You don't have to pay that cost if it turns out our meter measurements are not within the limits of error in the Act. You also don't have to pay that cost if we register the dispute with the federal government. No matter who questions it, if it turns out the meter measurements are not within the limits of error in the Act, your billing charge will be adjusted to comply with the Act.

***When you stop gas distribution service, you may have to read the meter for us***

8. If you tell us you no longer want *gas distribution service*, we can ask you to take a final reading of the meter and report it to us.

## **Part 6 Service charges**

### ***The Board decides all our rates and charges***

1. All our rates and charges, including those in the Special Charges Schedule, are approved by the *Board*. If you think any charge is unfair, you should advise us and we will attempt to resolve your concern quickly. If you are not satisfied, you can submit a complaint to the *Board*.

If you purchase *retail supply*, the price for the natural gas is determined by a contract between you and your *retailer* and not by us or the *Board*.

### ***To change your rate class, talk to us***

2. If we think you are not in the rate class that is best for you, we will let you know. We will change the rate class you are in only if you ask us to do so. If you ask us to help you decide on the best rate class for your service, we will provide you with the information we think you need to help you decide.

### ***You begin paying within three months after lines and equipment are installed***

3. Within three months after we have installed the *lines and equipment* to serve you, you must begin paying the minimum charge, whether you have started using gas or not.

### ***If you want, we can turn your gas off temporarily, but charges will apply***

4. If you ask us to turn your gas off (disconnect you from *our system*) temporarily, we will as long as doing so does not conflict with these Rules and you have provided the notice described under Part 9 – Stopping gas distribution service. If we temporarily disconnect you from *our system* for any of the reasons set out in these Rules, the minimum charge still applies while the gas is turned off, to a maximum of twelve (12) months. This is because we must continue to operate and maintain *our system* whether you are using gas or not.

If after one (1) year the gas remains off, the disconnection is considered permanent and there will be no minimum charge thereafter. There will be no reconnection fee if you later ask to have the gas turned back on. However, because it is a permanent disconnection, there will be an account activation fee for turning the gas back on.

Disconnections can be permanent, as described in Part 9 – Stopping gas distribution service. There may be reasons why you do not want a temporary disconnection to become a permanent disconnection (e.g. possible removal of

*lines and equipment*). If you want the disconnection to remain temporary for a time period greater than one (1) year, you need to tell us in advance.

***There is a charge for turning your gas on if it has been temporarily turned off***

5. If we temporarily turned your gas off because you asked us to, or because you have not followed these Rules, you will have to pay a reconnection fee every time gas to the *service site* is turned on. You are also required to pay for other costs, such as to reinstall the meter and any other *lines and equipment* necessary to restore *gas distribution service*. Our fees are shown in the Special Charges Schedule. Until these charges and any other debts you owe us are paid, we may refuse to turn on the gas or provide other services.

***Irrigation customers are charged a different fee***

6. We don't charge the first time we turn gas on at an irrigation *service site* at the start of the irrigation season. Also, we don't charge to turn gas off at an irrigation *service site* when each irrigation season ends. However, if you want gas turned on or off at some special time at an irrigation *service site*, we will charge the irrigation disconnection/reconnection fee as shown in the Special Charges Schedule attached to these Rules.

The minimum charge still applies for the time your gas is turned off during the irrigation season. This is because we must continue to operate and maintain *our system* whether you are using gas or not.

## **Part 7 Paying your bills**

***Who you purchase your gas from will determine who bills you***

1. These rules apply to customers who receive their bill directly from us. If you are billed by a *retailer*, the payment terms for charges billed by your *retailer* will depend on your contract with your *retailer*.

***Our budget payment plan allows equal monthly payments***

2. We have a *budget payment plan* that is available to most customers. You must tell us you want to be on the plan before we can put you on it. The *budget payment plan* process begins with estimating your annual costs for the plan year. The plan year starts with July and ends with June of the following year. The estimate is based on our *Board*-approved rates, historic weather information, current and forecast natural gas prices, and historic natural gas consumption at the *service site*, or similar *service site* if it is a new construction. The monthly payment is

calculated by dividing the estimated annual costs by eleven (11). We divide by eleven because the twelfth month of the plan is used to true up your account.

The *budget payment plan* is not available to you if you purchase *retail supply* or if you are served under our irrigation or demand/commodity rates.

***We may re-estimate your costs and subsequently adjust your monthly budget payment plan amount***

3. It may be necessary to adjust your monthly payment to reduce the likelihood of a large over or under-paid balance in June. The review involves first calculating the difference between actual costs you incurred and payments you made since the start of the plan year. The second step involves re-estimating your costs for the remainder of the plan year. Factors such as changes in the weather, rates and gas prices could affect our estimate of your costs. We then combine the difference we calculated in the first step with the re-estimate of costs for the remainder of the current plan year. Dividing the result by the number of months remaining in the plan year less one, equals your adjusted monthly *budget payment plan* amount. We divide by the number of months remaining in the plan year less one because the final month of the plan is used to true up your account.

***We true up the budget payment plan accounts once a year***

4. In June, the twelfth and final month of the plan year, we calculate the difference between the actual costs you incurred and payments you made during the plan year. We will either charge or credit your June bill for the difference. Generally, we will refund credit balances only if they are large.

***Customers can join the budget payment plan at any time***

5. Even though the budget payment plan starts in July, customers can join the plan anytime. Your plan amount will depend on when you join. No matter when you join, you will need to pay any balance owing before starting on the plan. If you want to be on the plan, you must tell us.

***Your participation in the plan can end on certain conditions***

6. Your participation in the budget payment plan can be ended if you:
  - Notify us at least five full working days before you want out of the plan;
  - Stop taking service; or,
  - Don't make your full monthly payments on time.



***We bill regularly***

7. We will send you a bill every month. Payment for current charges is required by the due date, which is 21 days from the statement date. We must receive your payment by the due date. You should make sure that your method of payment will allow enough time for your payment to reach us before the due date. If the bill has not been fully paid by the due date, you will have to pay a late payment charge on the unpaid amount.

Unpaid charges from any previous bill are considered past due and you should pay these charges immediately.

***We will apply a late payment charge to overdue amounts***

8. Your current bill will include a late payment charge if you had any unpaid balance after the due date specified on your previous bill. The late payment charge is calculated as 1.5% of the unpaid balance – including unpaid previous late payment charges.

***We may correct a previous bill***

9. If we discover that we have incorrectly billed you, we will correct the error. Reasons for corrections can include, but are not limited to corrections to meter readings, conversion factors, billing unit estimates, rates, tolls, or other charges. Generally, corrections will be made for up to two years prior to when the error is discovered.

***We may need to have a security deposit from you***

10. We may require you to give us a security deposit, or some other form of security that we think is acceptable, before we turn the gas on at your *service site*. If we turn the gas on after requiring a security deposit from you, and you do not pay a security deposit when we expect you to, we can turn the gas off as long as doing so does not conflict with these Rules.

We may also ask for a security deposit at any time after service has started if you do not have a *good payment history*, or if we have had to turn your gas off for not paying your bill on time. What we mean by “*good payment history*” is explained in the definitions at the end of these Rules.

The amount of the security deposit won't be more than our estimate of the total of your three highest monthly bills in any 12-month billing period. It will be returned to you, with interest, when you have a *good payment history*. If you are in debt to us for any *utility service* we've previously provided to you anywhere, we will require that you pay that debt no matter how old it is, before we will turn your gas on.

***We can use your security deposit to pay your unpaid bills***

11. If you don't pay a bill on time, we can use the security deposit to pay it. If we do, you must immediately pay us enough to restore the security deposit to its full amount. If you stop *utility service*, we will deduct anything you owe us from the security deposit and return any remaining security deposit with interest.

***We pay interest on security deposits***

12. We will pay interest on your security deposit. At a minimum, the interest rate will be the security deposit interest rates set by the provincial government for mobile home site tenants and residential tenants.

***We pay you the interest on your security deposit when certain things happen***

13. We will pay you the interest on your security deposit as soon as one of the following things happens:
  - The security deposit is returned;
  - The security deposit is applied to your account;
  - We send notice to your last known address that the security deposit is no longer required; or,
  - You stop taking *utility service*.

***You pay if there are problems with your payments***

14. If you pay us by cheque, and the bank doesn't honour the cheque, we will charge you a dishonoured payment charge. If your cheque needs to be certified, we will charge you a cheque certification charge. If you pay us through the bank using a pre-authorized payment plan and the bank doesn't honour the withdrawal, we will charge you a dishonoured payment charge. The amounts of these charges are shown in the Special Charges Schedule attached to these Rules.

***We will not accept unusual forms of payment***

15. We follow the Bank of Canada rules limiting the kinds of currency we accept. Payment by cheque must be on a normal bank cheque form.

***We recommend you maintain a record of your payments to your retailer***

16. If you have a contract with a *retailer*, we recommend you keep a record of all payments you make to your *retailer* in case of any disputes.

## Part 8 Arranging your gas supply

### *Starting out, you may receive the default supply*

1. If you apply for *gas distribution service*, by default, your gas supply will be *default supply*. If you have a contract with a *retailer*, until your *retailer* arranges for *gas distribution service*, you will receive *default supply*.

### *You must contact your retailer if you are moving to our system or within our system*

2. If you are planning to move to *our system* or within *our system*, and you purchase *retail supply*, you must inform your *retailer* of your moving plans. Advance notice is required by your *retailer* to arrange for *retail supply* at your new location. The amount of time your *retailer* requires will be set by your *retailer*.

If you are moving to a *service site* where new *lines and equipment* are required, such as a new home construction, additional time may be required to facilitate your *retailer* arrangement.

### *You must also contact us if you are moving to our system, within our system, or from our system*

3. Regardless of who provides you with *gas services*, we need to know in advance if you are planning to move to *our system*, within *our system*, or from *our system*.

If you are moving within *our system* or from *our system*, to end *gas distribution service*, please refer to Part 9 – Stopping gas distribution service.

To connect your future *service site* to *our system*, please refer to Part 2 – Signing up for gas distribution service.

### *If you change gas suppliers, we need to know*

4. If you plan to change gas suppliers and remain on *our system*, we need to know in advance to allow enough time to process your request.

If you currently purchase *default supply* and plan to purchase *retail supply*, we expect your *retailer* to notify us in advance of your enrollment. Our notice requirement for enrollment is detailed in our Retailer Distribution Service Regulations. We also expect your *retailer* to provide proper proof that you have authorized them to act as your agent.

If you currently purchase *retail supply* from one *retailer* and plan to purchase from a different *retailer*, we expect the *retailer* you are switching to, to notify us in advance of your enrollment. Our notice requirement for enrollment is detailed

in our Retailer Distribution Service Regulations. We also expect the *retailer* you are switching to, to provide proper proof that you have authorized them to act as your agent.

If you currently purchase *retail supply* and plan to purchase *default supply*, we expect you to notify us in advance of the change. You can do this yourself or your *retailer* can do it for you. Our notice requirement for de-enrollment is detailed in our Retailer Distribution Service Regulations.

***Your supplier can change without prior notice from us***

5. Without prior notice from us, we will change you from *default supply* to *retail supply*, or from *retail supply* to *default supply*, as long as we have received all the necessary information from your *retailer*, including proper proof that you have authorized that *retailer* to act as your agent.

Without prior notice from us, we will change you from one *retail supply* to another, as long as we have received all the necessary information, which includes proper proof that you have authorized the *retailer* you are switching to, to act as your agent.

***Disagreements about Retailer services are between you and your Retailer***

6. Any disagreement about the *retail supply* service you receive is between you and your *retailer*. In most cases, we will not be involved if you have a disagreement with your *retailer*. It is important for you to fully understand the terms and conditions of the contract with your *retailer*.

## **Part 9 Stopping gas distribution service**

***You have to tell us if you want to stop taking gas distribution service***

1. If you decide you no longer want *gas distribution service* at a *service site*, you must tell us to stop providing service to that *service site*. This applies whether you purchase *default supply* or *retail supply*. *Gas distribution service* may be stopped for a number of reasons, including a customer moving to a different location, temporarily turning the gas off for *service site* renovations, permanently ending gas use at the *service site*, or relocation of our *lines and equipment*.

***Your responsibilities continue until we receive proper notice***

2. Until we receive your notice, you have all the responsibilities set out in these Rules, or in any contract we have with you, whether you are actually taking gas or not.

For example, if you move without telling us, you must continue to pay us for *gas distribution service* provided at the *service site* even if you personally didn't receive it. You will also have to pay for *default supply* provided at the *service site* until you've provided proper notice.

As described in Part 6 – Service charges, you will typically continue to incur charges during a temporary stoppage in *gas distribution service*. In most cases, charges will only cease if *gas distribution service* has been permanently stopped.

***You can end gas distribution service by giving us proper notice***

3. Unless you have a contract with us containing other termination provisions you can terminate *gas distribution service* at your *service site* by telling us when you want it stopped. We will terminate *gas distribution service* to that *service site* on the date you specify, or within five (5) working days after the date we get the notice, whichever is the latest.

We will normally terminate *gas distribution service* on a working day. If we agree to terminate service on a day other than a working day, you will be charged the actual cost of performing the work.

***You may request a permanent disconnection from our system***

4. Unless you have a contract with us containing other termination provisions, you may ask us to permanently turn your gas off at the *service site*. We will, as long as doing so does not conflict with these Rules and you have provided proper notice. If you are not the owner of the *service site*, we will require permission in writing from the owner before we perform the disconnection. At our discretion, our *lines and equipment* may be removed from the *service land* and *service site*.
5. If, within three (3) years of permanent disconnection you ask us to restore *gas distribution service* to the *service site*, you will be responsible for all the costs associated with the original disconnection, removal of our *lines and equipment* and restoration of *gas distribution service*. A request after three (3) years of permanent disconnection will be treated as a new application for service.

***It is your responsibility to keep your retailer informed***

6. It is your responsibility to tell your *retailer* that you have asked us to stop providing *gas distribution service*.

***We can stop gas distribution service in emergencies***

7. If we think that it will be hazardous to continue delivering gas to the *service site*, we can immediately, without notice, stop *gas distribution service*. We can also do this if we think it is necessary to protect people or property in a fire, flood, or any other situation we consider an emergency.

***We can stop gas distribution service for a number of other reasons***

8. We can temporarily or permanently stop service we provide you at any *service site* on forty-eight (48) hours notice for any of the following reasons:
  - Gas is not available, either temporarily or permanently;
  - We have to make repairs to *our system*;
  - You haven't paid your bills on time;
  - You haven't paid a security deposit when asked to, or haven't made a payment necessary to restore the security deposit when some or all of it has been applied to your account;
  - You are insolvent, or have assigned essentially all your assets;
  - You have used defective pipe, appliances, or gas fittings, or have insisted on a form of service we think is unsafe;
  - The natural gas lines and equipment you own have not been installed and maintained according to federal, provincial, or municipal laws;
  - You are using gas contrary to the terms of these Rules or to any contract we have with you;
  - You have misrepresented what you are using gas for, or how much you are using;
  - You move from the *service site*;
  - We can't get to our meter at the *service site* for six or more consecutive months;
  - Service has been terminated according to some other provision of these Rules;
  - You stop using gas at the *service site*;
  - You threaten or harass any of our employees or agents as they carry out their duties;
  - You prevent us from doing anything we are entitled or obligated to do;
  - You do not make a proper application for service; or
  - It is necessary to protect people or property.

***We can also stop service at the request of your retailer***

9. If you purchase *retail supply*, your *retailer* can ask us to terminate the service we provide you, and we will comply with their request unless doing so would violate our procedures for stopping service, these Rules, or our Retailer Distribution Service Regulations.

#### ***Notice of service interruption or termination***

10. When we notify you about stopping *gas distribution service*, or terminating your *service agreement*, it can be by mail, by facsimile (fax), by electronic mail (e-mail), in person, by telephone, on your bill, or by a notice left at the *service site*.

#### ***Land use rights outlive the service***

11. We can stop providing *gas distribution service* at a *service site* without losing our rights to use the related *service land* – they continue until terminated under these Rules.

## **Part 10 Liability, responsibility and other legal matters**

#### ***Alberta law governs our contract***

1. These Rules are part of every *service agreement* and all our service agreements are governed by the laws of Alberta.

#### ***The gas is only for use at the service site***

2. Unless you have our written consent, you cannot use, or allow anyone else to use, gas supplied to the *service site* in some other place and you can't resell the gas we deliver to you.

#### ***Verbal agreements don't apply***

3. No employee or anyone else claiming to represent us can promise or agree to do anything that is inconsistent with these Rules and, if they do, the promise or agreement has no effect.

#### ***You need our consent to transfer your agreement***

4. Your *service agreement* is yours alone, including anyone the law says stands in your place, and it cannot be assigned to anyone else without our written consent.

#### ***You are responsible for your property, and we are for ours***

5. You are fully responsible for installing, maintaining and operating your property, as we are for ours. You must pay any costs we incur from a claim or demand for injury, death or damage that results from the installation, presence, maintenance and operation of your property, so long as it is not caused by our negligence.

***Neither you nor we have to pay for disruptions beyond our control***

6. You have no claim against us for damages if we can't distribute or supply gas to you because of an emergency or disruption beyond our control—for example: weather catastrophes, labour disputes, fires, accidents, pipeline or machinery breakdowns or repairs, shortages of gas supply, and orders of a legislative body or other authority. Similarly, in such circumstances we have no claim against you if you are unable to take gas. However, once the emergency or disruption ends, we will resume delivering gas to you, and you will resume taking it, as provided for in these Rules and our *service agreement*.

## **Part 11 List of definitions**

In these Rules,

- *Board* means the Alberta Energy and Utilities Board;
- *budget payment plan* means the plan set out in Part 7;
- *default supply* means *gas services* provided by AltaGas Utilities Inc.;
- *delivery point* means the outlet of the meter at your *service site*;
- *Electricity and Gas Inspection Act* means the *Electricity and Gas Inspection Act (R.S., 1985, c. E-4)*, as amended from time to time;
- *gas distribution service* means the service required to deliver gas to our customers by means of our *gas distribution system*, and includes any services AltaGas Utilities Inc. is required to provide by the *Board* or is required to provide under the Act or Regulations made thereunder;
- *gas distribution system* means all those facilities owned or used by AltaGas Utilities Inc. that deliver gas to our customers through a system of pipelines, works, plant and equipment that is primarily a low pressure system (including without limitation *lines and equipment*, valves, meters, regulators and machinery);
- *gas services* means



- i. The gas that is provided and delivered, and
  - ii. The services associated with the provision and delivery of the gas, including
    - a) Arranging for the exchange or purchase of the gas,
    - b) Arranging for *gas distribution service*,
    - c) Arranging for delivery of gas to specified point(s) of receipt on the *gas distribution system*,
    - d) Billing, collections and responding to customer billing inquiries,
    - e) Maintaining information systems, and
    - f) Any other services specified by the Minister by order as *gas services*;
- *Gas Utilities Act* means the *Gas Utilities Act (R.S.A. 2000, c. G-5)*, as amended from time to time;
  - *good payment history* means, at a particular time, your account has not been in 60-days arrears more than once, or 30-days arrears more than twice, in the previous 12 months;
  - *lines and equipment* means all the facilities of our *gas distribution system* that lead up to the *delivery point* and anything else we own and install to provide you with *gas distribution service* – *lines and equipment* exclude gas appliances or secondary gas lines we may sell to you or install for you;
  - *our system* means our *gas distribution system*;
  - *retail supply* means *gas services* provided by a *retailer*;
  - *retailer* means a person or company other than us that sells *gas services* directly to our customers and is entitled to enroll our customers for that purpose within our service area;
  - *service agreement* means the agreement between us as the provider of *utility service* and you as our customer, whether the agreement is made by signing a contract or simply by providing you with *utility service* on the basis of these Rules;
  - *service land* means the parcel of land where the *service site* is located;
  - *service site* means the building or thing we deliver gas to, or provide *gas distribution service* at, under the *service agreement*;
  - *utility service* means *gas distribution service* by itself, or *gas distribution service* and *default supply* together, as defined in the *Gas Utilities Act (R.S.A. 2000, c. G-5)*.

## AltaGas Utilities Inc.

### Special Charges Schedule

In a number of places the Service Rules refer to special charges for some services. Here is a list of those charges, as approved by the Alberta Energy and Utilities Board:

| <b>Special Charge</b>  | <b>Fee</b>  |
|--|-------------|
| Account Activation Fee .....                                   | \$35        |
| Remove and test meter - per meter:                             |             |
| Residential.....   | \$ 75       |
| Other .....  | Actual Cost |
| Special meter readings - each time .....                       | \$ 35       |
| Reconnection Fee:  |             |
| Residential.....   | \$ 50       |
| Other (except Irrigation) .....                                | Actual Cost |
| Irrigation Disconnection/Reconnection Fee:                     |             |
| Each time (except normal season start and end).....            | \$ 75       |
| Reinstallation of Meter/Regulator:                             |             |
| Residential.....   | \$ 75       |
| Other .....  | Actual Cost |
| Dishonoured payment charge (NSF cheque, etc.) - each time..... | \$ 25       |
| Cheque certification charge - each time.....                   | \$ 10       |
| Any other service at Customer's Request.....                   | Actual Cost |
| Late Payment Percentage  |             |
| Applied to any unpaid balance from previous bills .....        | 1.5%        |

Note: "Actual Cost", where referenced, means our direct costs for labour, materials, services and equipment plus applicable overheads.

## AltaGas Utilities Inc.

### Special Charges Schedule (continued)

#### Non-Refundable Contributions

Applications for service will require a non-refundable contribution. In most cases, a standard contribution is all that is required. Services uneconomic with a standard contribution will require an additional non-refundable contribution.

#### Standard Non-Refundable Contributions

|                                       |          |
|---------------------------------------|----------|
| Rate 1/11 Service – Town              | \$ 0     |
| Rate 1/11 Service – Rural Subdivision | \$ 500   |
| Rate 1/11 Service – Rural Other       | \$ 2,700 |
| Other rates                           | N/A      |

#### Non-Standard Non-Refundable Contributions

Winter Construction – Should the service be requested for installation under winter construction conditions, the customer is responsible for the incremental frost charges.

Other – If it is not appropriate to consider an application for service under a standard contribution, it will be evaluated individually to determine a specific non-refundable contribution.

#### Calculation of Specific Non-Refundable Contributions

The calculation of a specific non-refundable contribution will be based on a net present value analysis applying the following criteria:

- a) An estimate of the total capital costs of providing service;
- b) An estimate of the total annual operating costs of providing service;
- c) The *Board*-approved return on common equity, interest rate, depreciation rates, income taxes and capital structure;
- d) An estimate of the expected net revenue that will accrue from the addition of the service.

The additional contribution will be the amount required to make the net present value of the revenue stream equal the revenue requirement stream.

## AltaGas Utilities Inc.

### Special Charges Schedule (continued)

#### Additional Criteria:

- Rate 1/11 – Town – A *service site* located within an incorporated municipality including a village, town or city;
- Rate 1/11 – Rural Subdivision – A *service site* not defined as ‘Town’, but located in an AltaGas Utilities Inc. designated subdivision;
- Rate 1/11 – Rural Other – A *service site* which is neither defined as ‘Town’ nor ‘Rural Subdivision’
- Other – A *service site* which is served under any rate, with exception to Rate 1/11.

## Contact Information

**The following information was current at the time these Rules were prepared. Please refer to your local telephone listings or other trustworthy source for updates to this information.**

### AltaGas Utilities Inc.

General Inquiry (toll-free).....1-866-222-2067  
Credit & Collections (toll-free).....1-866-222-2069  
Meter Reads (toll-free).....1-866-222-2070

### 24-HOUR EMERGENCY

Toll-Free .....1-866-222-2068  
Direct.....1-780-980-6701

Website .....[www.altagasutilities.com](http://www.altagasutilities.com)

### Alberta One-Call

Toll-Free .....1-800-242-3447

Website .....[www.alberta1call.com](http://www.alberta1call.com)

**AltaGas Utilities Inc.**

**RETAILER DISTRIBUTION SERVICE  
REGULATIONS**

**ALTAGAS UTILITIES INC.  
RETAILER DISTRIBUTION SERVICE REGULATIONS**

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## **ARTICLE 1 – Context**

### **1.1. Application**

These Service Regulations are part of every Service Contract of AltaGas Utilities Inc.

### **1.2. Relationships**

These Service Regulations govern the relationship between AUI and Retailer or any Agent acting on behalf of Retailer. These Service Regulations also govern the relationship between AUI and Customer. These Service Regulations complement AUI's Board-approved Natural Gas Utility Service Rules, are part of AUI's Gas Distribution Tariff, and must be approved by the Board. They apply to every Retailer unless varied by an agreement approved by the Board.

### **1.3. Customers and Agents**

Where Customer has appointed Retailer to act on Customer's behalf, said Retailer shall act in place of the Customer. Notwithstanding the foregoing, where Retailer requires AUI to bill for Gas Distribution Service separately, Company reserves the right to bill a Customer directly and receive payments for Gas Distribution Service directly from a Customer. Under this arrangement, AUI's Natural Gas Utility Service Rules apply with respect to payment terms for Customer.

### **1.4. Applicable Rate**

When accepting a Service Contract, AUI will designate the rate to be applied to the service in accordance with the Natural Gas Utility Service Rules.

### **1.5. Definitions**

The following words or terms when used in these Service Regulations, the Rate Schedule or in a Service Contract shall, unless the context otherwise requires, have the meanings given below:

“Act” means the *Gas Utilities Act – R.S.A. 2000 c.G-5*, as amended from time to time and any legislative enactment in substitution or replacement thereof;

“Agent” means a person who performs functions on behalf of a Retailer including but not limited to, retailer transactions with AUI, nominations, account management and balancing, and payment of invoices;

“AltaGas Utilities” or “AUI” or the “Company” means AltaGas Utilities Inc. or its successor;

“ATCO” means ATCO Gas and Pipelines Ltd., or its successors;

“Billing Commencement Date” means the commencement date for assessing the tariffs and charges as set forth in these Service Regulations or the Date of Initial Delivery whichever date shall first occur; provided however that the Billing Commencement Date shall be adjusted by AUI if AUI is unable to commence Gas Distribution Service under the Service Contract on such date;

“Board” means the Alberta Energy and Utilities Board;

“Business Day” is any day other than Saturday, Sunday, or a holiday as defined in the *Interpretation Act, R.S.A. 2000, c 1-8*;

“Consumer” means a person who enters into a marketing contract to purchase less than 2500 gigajoules of gas per year as defined in the *Energy Marketing Regulation, A.R. 246/2005*, as may be amended from time to time;

“Contract Demand” means the maximum quantity of Gas in any consecutive twenty-four (24) hour period that AUI shall be obligated to deliver to the Point of Delivery, as agreed between the parties to the Service Contract;

“Customer” means a person, firm, partnership, corporation or organization, served under Rates 11, 12, 13, or 14 pursuant to the Rate Schedule, that consumes Gas in end-use at its location and is connected to the Gas Distribution System;

“Customer Billing Information” means the information required to be included on Customer’s bill issued by Retailer as required by the *Natural Gas Billing Regulation, A.R. 185/2003* and provided by AUI;

“Customer Information” means a Customer’s name, telephone number(s), mailing address, and other information required by AUI to provide a Customer with safe, reliable Gas Distribution Service;

“Customer Usage Information” means information regarding the historical consumption of a Customer at a specific Site and includes a Site identifier and the consumption in gigajoules (GJ) by month;

“Date of Initial Delivery” means the date AUI commenced Gas Distribution Service under the Service Contract;

“Day” means a period of twenty-four (24) consecutive hours, beginning and ending at eight hours (08:00), Mountain Standard Time;

“Gas” means all natural gas both before and after it has been subjected to any treatment or process by absorption, purification, scrubbing or otherwise, and includes all fluid hydrocarbons;

“Gas Distribution Service” means the service required to deliver Gas to a Customer by means of the Gas Distribution System, and includes any services AUI is required to provide by the Board or is required to provide under the Act or regulations made thereunder;

“Gas Distribution System” means all those facilities owned or used by the Company that delivers gas to Customer through a system of pipelines, works, plant and equipment that is primarily a low pressure system (including without limitation valves, meters, regulators and machinery);

“Gas Distribution Tariff” means the rates, tolls, charges and terms and conditions of service fixed by the Board, as defined in the Act, as amended from time to time;

“Gas Services” means:

- i. The Gas that is provided and delivered, and
- ii. The services associated with the provision and delivery of the Gas, including
  - a) Arranging for the exchange or purchase of the Gas,
  - b) Arranging for Gas Distribution Service,
  - c) Arranging for delivery of Gas to specified Point(s) of Receipt on the Gas Distribution System,
  - d) Billing, collection and responding to customer billing inquiries,
  - e) Maintaining information systems, and
  - f) Any other services specified by the Minister by order as Gas Services;

“GJ” means gigajoules or one billion (1,000,000,000) joules;

“Imbalance Account” shall have the meaning ascribed thereto in Clause 7.2;

“Imbalance Quantity” means the difference between the total number of GJ contained in the Gas which was received by AUI at the Point of Receipt, less Unaccounted-For-Gas, and the total number of GJ contained in the Gas which AUI delivered to Customer at the Point of Delivery;

“J” means joule;

“Month” means a period beginning at eight hours (08:00), Mountain Standard Time, on the first Day of a calendar month and ending at eight hours (08:00), Mountain Standard Time, on the first Day of the next succeeding calendar month;

“Monthly Imbalance Quantity” means the Imbalance Quantity for a Month;

A positive Monthly Imbalance Quantity, or excess, means when the total number of GJ contained in the Gas which was received by AUI at the Point of Receipt in such Month is greater than the total number of GJ contained in the Gas which AUI delivered to Customer, plus Unaccounted-For-Gas, at the Point of Delivery in such Month.

A negative Monthly Imbalance Quantity, or deficiency, means when the total number of GJ contained in the Gas which was received by AUI at the Point of Receipt in such Month is less than the total number of GJ contained in the Gas which AUI delivered to Customer, plus Unaccounted-For-Gas, at the Point of Delivery in such Month.

“Natural Gas Utility Service Rules” means AUI’s Natural Gas Utility Service Rules, as amended from time to time by AUI and approved by the Board;

“Nomination” means a written or electronic request for Gas to flow at a Point of Receipt or a Point of Delivery: 1) at a specified rate of flow, commencing at a specified time, or 2) a specified quantity on a specified date;

“Nomination Quantity” has the meaning set out in Article 7.1;

“NOVA” means NOVA Gas Transmission Ltd., or its successor;

“Point of Delivery” means the point or points on AUI’s system at which AUI delivers from the Gas Distribution System to Customer the Gas that has been delivered under the Service Contract;

“Point of Receipt” means the point on AUI’s system at which the Gas to be delivered under the Service Contract first enters the Gas Distribution System;

“Rate Schedule” means the Gas Distribution Tariff rate schedule, including the general terms and conditions of service and any applicable rate riders, for the rate specified in and applicable to the Service Contract, or such other rate schedule in replacement thereof, as approved by the Board and determined by AUI to be in effect from time to time;

“Retailer” means a person or company other than AUI that sells Gas and Gas Services directly to Customers and is entitled to enroll Customers for that purpose within AUI’s service area, and includes Self-Retailers, and Agents acting on behalf of Retailers;

“Self-Retailer” means a Customer carrying out Retailer functions to obtain Gas solely for its own use;

“Service Contract” means the Retailer Distribution Service Contract between AUI and Retailer, or between AUI and Self-Retailer, and includes all schedules attached thereto and these Service Regulations;

“Service Regulations” means these Retailer Distribution Service Regulations;

“Site” means a unique end-use Point of Delivery, being the finest level at which settlement recognizes Retailer assignments, and receives consumption data;

“Specific Facilities” means those facilities installed by AUI for the benefit of Customer and required to deliver Gas;

“Unaccounted-For-Gas” means Customer’s share of AUI’s line loss, unaccounted-for-gas, and compressor fuel at those rates specified in the Rate Schedule;

“Year” means a period commencing on the Billing Commencement Date or anniversary of same and ending on the next succeeding anniversary of the Billing Commencement Date.

## **1.6. Interpretation**

- (1) In the interpretation of the Service Contract, words in the singular shall be read and construed in the plural or words in the plural shall be read and construed in the singular where the context so requires.
- (2) The headings used throughout the Service Contract are inserted for reference purposes only, and are not to be considered or taken into account in construing the terms or provisions of any article, clause or schedule nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.
- (3) The definitions of all units of measurement and their prefixes used throughout the Service Contract shall be in accordance with the International System of Units.

## **ARTICLE 2 – General Provisions**

### **2.1. Distribution Only**

The Service Contract is solely for Gas Distribution Service and Retailer and Customer shall not acquire any title or interest in the Gas Distribution System of AUI and AUI shall not acquire any title or interest in the Gas being delivered under the Service Contract.

### **2.2. New Gas Distribution System or Additional Services**

AUI reserves the right to communicate directly with Customer in respect of any requests made by Customer, or a party acting on Customer's behalf, for the construction of new Gas Distribution System facilities or additional services as provided for in the *Natural Gas Billing Regulation, A.R. 185/2003*, as may be amended from time to time.

### **2.3. Gas Under AltaGas Utilities Inc. Control**

Gas delivered to AUI by Retailer for Gas Distribution Service shall be under the exclusive control of AUI from the time such Gas is accepted at the Point of Receipt until delivered to the Point of Delivery.

### **2.4. AltaGas Utilities Inc. Determines Routing**

AUI does not dedicate the Gas Distribution System or any segment thereof for Gas Distribution Service for Retailer or Customer, and accordingly the routing and facilities used for Gas Distribution Service for Retailer shall be at AUI's discretion and may change from time to time.

## **ARTICLE 3 – General Obligations of Retailers**

### **3.1. Timeliness and Due Diligence**

- (1) Retailer shall exercise due diligence and use reasonable efforts in meeting its obligations hereunder, and perform them in a timely manner.

- (2) Retailer shall make every effort to ensure that Customer is aware of the provisions of these Service Regulations and the Natural Gas Utility Service Rules that may affect Customer.

### **3.2. Arrangements with Customer**

Unless otherwise stated herein, Retailer shall be solely responsible for having appropriate contractual or other arrangements with Customer necessary to provide service to Customer. AUI shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements and shall not be liable for any loss, damages, cost, injury, expense or other liability, whether direct, indirect, consequential or special in nature, howsoever caused, as a result of Retailer's failure to perform obligations to Customer.

### **3.3. Responsibility for Gas Services**

Retailer will be solely responsible for the provision of Gas Services including without limitation, the purchase of Gas supply, delivery of such Gas to the Point of Receipt, and arranging for Gas Distribution Service of such Gas to the Point of Delivery for Customer, subject to these Service Regulations.

### **3.4. Customer Authorization**

Retailer shall be responsible for obtaining Customer's authorization to enroll Customer for receipt of Gas Distribution Service. For the purpose of Gas Services, Retailer shall be responsible for obtaining any consents required under the *Personal Information Protection Act SA 2003 c. P-6.5*, as amended, and the *Code of Conduct Regulation 183/2003* or any similar or replacement legislation.

### **3.5. Single Retailer for Customer**

AUI shall not be required to recognize and deal with more than one Retailer per Customer in respect of a Point of Delivery at any given time. Nothing in these Service Regulations shall prohibit Customer from entering into arrangements with multiple Retailers for a Point of Delivery, provided that a single Retailer is designated to be Customer's Retailer for the purposes of these Service Regulations.

## **ARTICLE 4 – Customer Inquiries and Customer Information**

### **4.1. Customer Inquiries Related to Emergency Situations and Outages**

Retailer shall make every effort to ensure Customers contacting Retailer regarding distribution emergency conditions, outages, safety or environment situations related to the Gas Distribution System are referred directly to AUI immediately.

### **4.2. Customer Information**

- (1) Provision of Customer Usage Information to Retailer
  - a) Upon request, AUI will provide Customer Usage Information to a Retailer that has an agency agreement in place with a Customer and has provided AUI with a copy of the signed and dated agency agreement.
  - b) If an agency agreement is not in place, Customer must first complete and provide to AUI the “Consent for Collection, Use, and Release of Customer Information” form (Schedule A) before any information will be released to a Retailer.
  - c) If appropriate authorization is received, AUI will provide a usage history for the 12-month period preceding the date of the request. If a full 12-month history is not available, AUI will provide the usage history for the time period over which AUI has collected that data.
  - d) AUI will reasonably attempt to exchange amendments to Customer Information with Retailer as promptly as possible to ensure both AUI’s customer information files and Retailer’s customer information files are as up to date as possible at all times. AUI will not be liable for any loss, damage, cost, injury, expense or other liability, whether direct, indirect, consequential or special in nature, howsoever caused, as a result of Retailer’s failure to provide up-to-date and accurate Customer Information to AUI.

### **4.3. Provision of Customer Information to AltaGas Utilities Inc.**

Retailer must notify AUI as promptly as reasonably practical of any amendments to Customer Information, as AUI relies on this information to reasonably perform



its service obligations to Customer. Such information shall be provided in a form acceptable to AUI, as agreed to by AUI and Retailer. AUI shall not be liable for any loss, damages, cost, injury, expense or other liability, whether direct, indirect, consequential or special in nature, howsoever caused, as a result of Retailer's failure to provide up-to-date and accurate Customer Information to AUI.

## **ARTICLE 5 – Provision of Service**

### **5.1. Request for Service**

When Retailer requests Gas Distribution Service from AUI, AUI must inform the Retailer of the conditions to be satisfied before a Service Contract can be accepted and service commenced. Retailer must provide any information AUI reasonably requires to assess the request. AUI may reject the request if the Retailer wants non-standard conditions or if facilities are not available to provide safe and adequate service.

### **5.2. Qualification for Service**

Retailer must fulfill the following requirements to the satisfaction of AUI before AUI will provide Gas Distribution Service to Retailer:

- (1) Submit to AUI a fully completed, executed Service Contract and credit application;
- (2) Satisfy the credit requirements of AUI as set forth in these Service Regulations and the *Natural Gas Billing Regulation A.R. 185/2003*, as amended from time to time;
- (3) For Retailers providing Gas Services to Consumers, as defined in the *Energy Marketing Regulation A.R. 246/2005*, furnish a certified copy of the license issued to it;
- (4) For all Retailers providing Gas Services to Consumers, warrant in writing to AUI that it will comply with the provisions of the *Fair Trading Act*, and any regulations or policies made thereunder;
- (5) Meet any other requirements that AUI, acting reasonably, may impose in order to provide Gas Distribution Service hereunder. If AUI determines that additional requirements must be satisfied in order to qualify for Gas Distribution Service, the following process will apply:

- a. Where AUI is confronted with a situation which AUI, in its sole discretion, considers would materially alter the risk to AUI, or where AUI must impose additional requirements in order to comply with applicable legislation, AUI may implement the additional requirement and then apply to the Board for approval of same; or,
- b. Where AUI is not confronted with the circumstances outlined in (a) above, AUI shall apply to the Board for approval of the proposed additional requirement prior to implementing same.

### **5.3. Provision of Gas Distribution Service**

Upon satisfaction of the requirements in Article 5.2, AUI will provide Gas Distribution Service to Retailer, on behalf of Customer, subject to these Service Regulations. Subject to complying with all applicable laws, and the directions or requirements of any of those mentioned above, AUI reserves the right, upon giving Retailer ten (10) Business Days notice, acting reasonably, to discontinue Gas Distribution Service to Retailer, if at any time Retailer no longer fulfills the above requirements.

### **5.4. Specific Facilities**

Retailer may be required to pay a contribution for any incremental facilities (“Specific Facilities”) required to provide the service.

### **5.5. Application for Enrollment**

- (1) In order to initiate the provision of Gas Distribution Service, Retailer shall complete and provide to AUI a Service Contract. Where practicable, a single Service Contract between AUI and Retailer shall be used to serve Customers under Rates 11, 12, and 14. However, a new and separate Service Contract is required each time Retailer arranges for Gas Distribution Service if Customer is served under Rate 13 or if a Service Contract with a specified term is required.
- (2) The Company will, subject to Retailer meeting the provisions of these Service Regulations, accept an enrollment by Retailer for provision of Gas Distribution Service hereunder. The Company reserves the right to verify the identity of Customer and the accuracy of Customer Information. The Company may reject the enrollment if any information required in the application, including Customer Information, provided by Retailer is false, incomplete, or inaccurate in any respect.

- (3) Upon receipt of a valid enrollment from Retailer, AUI may accept the enrollment of Retailer and, if accepted, will recognize Retailer as Retailer on record for that particular Site.
- (4) Enrollments will be processed by AUI on a first-come, first-served basis.
- (5) Notice must be received by AUI on or before the 15th Day of the current Month for enrollment effective the 1st Day of the Month following.

| Notice Deadline: | Requested Date of Initial Delivery: |
|------------------|-------------------------------------|
| December 15      | January 1                           |
| January 15       | February 1                          |
| February 15      | March 1                             |
| March 15         | April 1                             |
| April 15         | May 1                               |
| May 15           | June 1                              |
| June 15          | July 1                              |
| July 15          | August 1                            |
| August 15        | September 1                         |
| September 15     | October 1                           |
| October 15       | November 1                          |
| November 15      | December 1                          |

If the 15th day of a Month is not a Business Day, the notice deadline shall be the first Business Day that precedes the 15th day of such Month. If the 1st day of a Month is not a Business Day, the requested Date of Initial Delivery shall be the first Business Day that follows the 1st day of such Month.

- (6) AUI will obtain or estimate the meter reading for each Customer enrolled in accordance with the Natural Gas Utility Service Rules.
- (7) If more than one enrollment is received for a Site while an earlier enrollment is pending, only the first valid enrollment received by AUI shall be processed in that period.
- (8) If AUI determines Customer who is enrolled with Retailer is indebted to AUI, AUI reserves the right to disconnect Gas Distribution Service to Customer as set forth in these Service Regulations and in accordance with the Natural Gas Utility Service Rules.
- (9) Retailer will not be liable to AUI for any outstanding indebtedness of Customer to AUI, which accrued prior to the receipt by Retailer of Gas Distribution Service hereunder.

## **ARTICLE 6 – Measurement**

### **6.1. Provision and Ownership**

The meters used by AUI to assess the level of Gas Distribution Service charges to Retailer will be the same meters used to provide Customer Billing Information to Retailer. The Company will provide and install all meters for each Point of Delivery in accordance with the Natural Gas Utility Service Rules. Each meter shall remain the property of AUI.

### **6.2. Meter Reading**

Billing will be based on actual or estimated usage, in accordance with the Natural Gas Utility Service Rules. The Company reserves the right to assess a special meter reading charge for non-routine reads, as set out in the Natural Gas Utility Service Rules.

### **6.3. Statutory Standards Apply**

All measurements, calculations and procedures used in determining the quantities of Gas delivered at the Point of Receipt or at the Point of Delivery, shall be in accordance with the *Electricity and Gas Inspection Act*, as amended and all applicable regulations issued pursuant thereto.

### **6.4. Measuring Equipment**

All measuring equipment, devices and materials required to measure the Gas at the Point of Receipt or at the Point of Delivery shall be installed, maintained and operated by AUI, its agents, or third parties acceptable to AUI, and shall be of standard manufacture and of a type approved by Industry Canada. Customer may install and operate check measuring equipment; provided that it does not interfere with the operation of AUI's equipment or system.

### **6.5. Testing Measuring Equipment**

The accuracy of the measuring equipment shall be verified by standard tests and methods acceptable to AUI or upon the reasonable request of Retailer or Customer. Tests of such measuring equipment shall be made at AUI's expense, except that Retailer or Customer shall bear the expense of tests made at its request

if the inaccuracy is found to be within the limits of error allowed in the *Electricity and Gas Inspection Act R.S. 1985 c.E-4*.

## **6.6. Facilities Interference**

In the event Customer's or Retailer's facilities interfere with AUI's ability to provide accurate measurement at the Point of Receipt or the Point of Delivery, AUI may immediately and without prior notice cease to receive further deliveries of Gas at the Point of Receipt pending the remedying by Customer or Retailer of the cause of such interference to the satisfaction of AUI.

## **6.7. Use of NOVA/ATCO Measurements**

AUI and Retailer, hereby agree that notwithstanding anything contained elsewhere in the Service Contract, at a Point of Delivery or at a Point of Receipt which is a NOVA/AUI or ATCO/AUI system interconnection, where NOVA's or ATCO's, not AUI's, measuring equipment is used or relied on by AUI for measuring Gas delivered under the Service Contract, NOVA's or ATCO's measurement and testing of Gas procedures shall apply.

## **6.8. Forecast Quantities**

Retailer agrees to provide to AUI, for planning purposes, such forecasts of future quantities to be delivered under the Service Contract as AUI may request from time to time.

# **ARTICLE 7 – Gas Supply**

## **7.1. Nominations**

Subject to the other provisions of this Article, AUI agrees to receive from Retailer the quantity of Gas which Retailer tenders for Gas Distribution Service, including Retailer's share of Company's Unaccounted-For-Gas. This quantity of Gas shall be aggregated with that of all Customers served by the same Retailer and shall form the nomination quantity (the "Nomination Quantity").

## **7.2. Imbalance Account**

(1) The Company shall maintain an Imbalance Account for each Retailer.

- (2) AUI shall determine the aggregated Monthly Imbalance Quantity for Retailer, containing either the excess or deficiency, in gigajoules (GJ) and record the same in the Imbalance Account.
- (3) The maintenance of the Imbalance Account by AUI shall not relieve Retailer of Retailer's obligation to balance supply delivered at the Point of Receipt with takes at the Point of Delivery.
- (4) Retailer is responsible for being informed of the Imbalance Account as recorded by AUI.

### **7.3. Settlement and Valuation of Imbalances**

The Monthly Imbalance Quantity contained in the Imbalance Account shall be settled by AUI purchasing from or selling to Retailer the excess or deficiency at the prices and payment terms specified below.

- (1) The Monthly Imbalance Quantity is determined within a reasonable time after all deliveries for the Month have been billed by the Company.
- (2) The value of the Monthly Imbalance Quantity will be based on the corresponding Month's *Canadian Gas Price Reporter Rate 5A*.
- (3) The value of the Monthly Imbalance Quantity excess or deficiency, plus applicable taxes, shall be paid by AUI or invoiced to Retailer by the last Business Day of the second month following the said month of the Monthly Imbalance Quantity.
- (4) Corrections to imbalance quantities due to measurement errors or billing adjustments may be made in subsequent months.

### **7.4. Overriding Rights and Obligations**

Notwithstanding anything contained elsewhere in this Article:

- (1) AUI reserves the right to restrict the flow of Gas at the Point of Delivery or the Point of Receipt to achieve a balance, to correct any Imbalance Quantity, including without limitation in the event Retailer repeatedly exceeds the Contract Demand without AUI's authorization; and,
- (2) The provisions for settlement of the Monthly Imbalance Quantity do not relieve Retailer of Retailer's obligation to balance receipts and deliveries of Customer's Gas into and out of AUI's Gas Distribution System. If Retailer is persistently not meeting such obligation to balance, AUI may assess a charge to settle such imbalance.

## **7.5. Impaired Deliveries**

- (1) If by reason of the causes set out in Article 7.6(3), AUI is unable, in whole or in part, to deliver the quantities of Gas provided for in the Service Contract, then AUI shall be relieved of liability for not delivering such quantities, and AUI may curtail or discontinue deliveries of Gas under the Service Contract during the continuance and to the extent of the inability; provided however that AUI shall endeavor to give reasonable notice of any curtailment or discontinuance of deliveries arising by virtue of such causes and shall promptly endeavor to remedy the cause of any curtailment or discontinuance of deliveries as soon as reasonably possible.
- (2) Such notice shall specify AUI's estimate of the duration of any such curtailment or discontinuance of deliveries under the Service Contract.
- (3) The causes referred to above are:
  - a) The necessity, in AUI's sole opinion, of making modifications or improvements to the Gas Distribution System; provided however that AUI shall, when practicable, endeavor to effect such modifications or improvements, which are not emergency in nature, at a time and in a manner which shall not unduly interfere with or interrupt deliveries of Gas; or
  - b) The necessity of making repairs to the Gas Distribution System used to deliver Gas.

## **ARTICLE 8 – Financial Matters**

### **8.1. Retailer Pays Tariffs**

- (1) Commencing on the Billing Commencement Date, Retailer shall pay AUI for those tariffs and charges set forth in the Service Contract as payable by Retailer.
- (2) Retailer shall not be relieved by Force Majeure from the obligation to pay the charges set forth pursuant to this Article unless Force Majeure has been invoked by AUI.

## **8.2. Billing**

- (1) AUI shall continuously render, on a cycle-by-cycle basis, a statement to Retailer for the total charges payable for Gas Distribution Service and as required in accordance with Article 7 – Gas Supply, and a statement to Retailer for imbalance settlement in accordance with Article 7.
- (2) AUI may include in any statement any adjustments to billings for prior Months. Neither AUI, nor Customer, nor Retailer shall be entitled to interest on any adjustment.
- (3) Retailer is required to provide Customer with notification of a Company Gas Distribution Tariff rate change in the billing envelope or through electronic billing at the time of the first charge to Customer at the new rate. Notwithstanding the foregoing, AUI reserves the right to directly provide Customer with information about its Gas Distribution Tariff. AUI also reserves the right to contact Customer directly for comments and receive feedback about AUI's Gas Distribution Service and Gas Distribution Tariff.
- (4) Notwithstanding provisions contained in Article 7.3 Settlement and Valuation of Imbalances, AUI reserves the right to correct for errors in a previous statement.

## **8.3. Payment**

- (1) Retailer agrees to pay AUI on or before the twenty-first (21st) Day following the rendering of a statement by AUI to Retailer, the total amount payable. Retailer shall pay all amounts owed to AUI for any of the Gas Distribution Services provided by AUI whether or not Customer has paid Retailer.
- (2) Failure to receive a bill does not release Retailer from the obligation to pay the amount owing for any of the Gas Distribution Services provided by AUI
- (3) Each such payment shall be made in Canadian funds by cheque drawn in AUI's favour and delivered to AUI at the address stated in the Service Contract.



#### **8.4. Unpaid Bills**

- (1) If Retailer defaults or is late in paying charges, AUI will provide Retailer notice as required below in (3)(a), and will be entitled to draw on the credit facility of Retailer if Retailer's arrears are not paid within three (3) Business Days after the date of the notice. Retailer must provide an additional deposit to replace the funds drawn down because of the default or late payment.
- (2) The Company will assess Retailer a late payment charge for any overdue amount, which includes previous late payment charges. The late payment percentage is set out in the Natural Gas Utility Service Rules.
- (3) If Retailer defaults in its payments:
  - a) AUI must provide Retailer with a notice in writing stating that Retailer is in default in its payments to AUI under AUI's Rate Schedule, and advising that AUI may make a claim against Retailer's security if the arrears are not paid within three (3) Business Days after the date of the notice;
  - b) If after the expiry of the period set out in (3)(a) Retailer's arrears remain unpaid, AUI may make a claim against Retailer's security to cover the arrears;
  - c) If Retailer has provided security in the form of a financial deposit, AUI may deduct from that deposit the amount of the unpaid arrears; and,
  - d) If in the opinion of AUI the giving of notice in accordance with (3)(a) would impair AUI's ability to make a claim against Retailer's security or to deduct the unpaid arrears from Retailer's financial deposit, AUI may make the claim or deduct the unpaid arrears without notice.

#### **8.5. Unauthorized Use**

Where AUI determines that there has been unauthorized use of Gas Distribution Service or the Gas Distribution System including, but not limited to, meter tampering, unauthorized connection or reconnection, theft or fraud whereby AUI is denied full compensation for Gas Distribution Services provided, AUI will bill Retailer for AUI's estimated Gas Distribution Service charges of such unauthorized use including repairs of damage or reconstruction of Company's

Gas Distribution System. Nothing in this Article shall limit any other rights or remedies that AUI may have in connection with such unauthorized use.

## **8.6. Disputes**

In the event that Retailer disputes any part of any statement, Retailer shall nevertheless pay to AUI the full amount of the statement when payment is due.

## **8.7. Failure to Pay**

In the event Retailer fails to pay the full amount of any statement within sixty (60) Days after payment is due, AUI, in addition to any other remedy it may have, may suspend Gas Distribution Service for Retailer (upon 48 hours written notice) until full payment is made and such suspension shall not terminate or otherwise affect Retailer's obligations to AUI

# **ARTICLE 9 – Discontinuance of Gas Distribution Service**

This Article, as amended from time to time, specifies the processes for the transactions between AUI and Retailer in relation to de-enrollment of a Site, which includes, without limitation, the circumstances when Retailer chooses to discontinue Gas Distribution Service for Customer as set forth in Article 9.1 herein, or when AUI discontinues Gas Distribution Service to Retailer as set forth in Article 9.2 herein, or when Retailer fails to provide supply or balance its Imbalance Account as set forth in Article 9.3 herein.

## **9.1. Discontinuance by Retailer**

- (1) To discontinue Gas Distribution Service, Retailer shall complete and provide to AUI a notice of de-enrollment of service. If Customer notifies AUI to de-enroll service, AUI will complete the request in accordance with the Natural Gas Utility Service Rules.
- (2) The Company will obtain or estimate the meter reading for each de-enrollment in accordance with the Natural Gas Utility Service Rules.
- (3) The Company reserves the right to verify the identity of Customer at the Site and the accuracy of the Customer Information upon notice of de-enrollment of Customer by Retailer. The Company may reject the notice of de-enrollment if any information required in the notice, including the Customer Information, provided by Retailer is false, incomplete or inaccurate in any respect.

- (4) Retailer is responsible to ensure that Customer is provided notice of the de-enrollment, and the consequences thereof, and that AUI will not be held liable for any Customer disputes with Retailer.
- (5) Upon receipt of a valid notice of de-enrollment, AUI will de-enroll Customer within five (5) clear Business Days after notice was received.
- (6) Retailer shall remain responsible for Gas Services to the Site until a replacement Retailer is enrolled and in place for the Site, or default supply Gas Service is in place for the Site, or the Site is permanently disconnected, whichever is earlier.

## **9.2. Discontinuance by AltaGas Utilities Inc.**

- (1) The Company may discontinue or restrict Gas Distribution Service to Retailer if any of the following occur:
  - a) Retailer has failed to meet its obligations under these Service Regulations or the Service Contract with AUI, or
  - b) Retailer has failed to meet its credit requirements pursuant to Article 11, or
  - c) Retailer's license has been revoked by Alberta Government Services or another responsible authority.
- (2) Notification of discontinuance will be made electronically to Retailer. The Company will provide Retailer ten (10) Business Days notice before AUI discontinues Gas Distribution Service to Retailer. Upon discontinuance of Gas Distribution Service to Retailer pursuant to this Article, the provision of the affected service(s) will be assumed by AUI

## **9.3. Failure of Retailer to Provide Supply or Settle Account Imbalance**

- (1) The Company may discontinue Gas Distribution Service to Retailer if Company, in its sole discretion, determines that Retailer has failed to manage its Imbalance Account in accordance with Article 7 – Gas Supply.
- (2) The Company, in its sole discretion, may discontinue or restrict Gas Distribution Service to Retailer if Retailer's nomination for Gas supply was refused in whole or in part by the entity which Retailer has nominated Gas supply from and Retailer has failed to restore or replace this supply on

the same Day that Retailer receives verbal notice from Company to restore or replace this supply.

- (3) Notification of discontinuance will be made electronically to Retailer. The Company will provide Retailer notice of one (1) Business Day before AUI discontinues Gas Distribution Service to Retailer. Upon discontinuation of Gas Distribution Service pursuant to this Article, the provision of the affected service(s) will be assumed by AUI.

## **ARTICLE 10 – Service Disconnects and Reconnect**

This Article, as amended from time to time, specifies the processes for the transactions between AUI and Retailer in relation to the physical disconnect of a Point of Delivery.

### **10.1. Disconnection of Service**

- (1) Disconnection by AUI
  - a) The Company has the right to temporarily or permanently disconnect Customer from the Gas Distribution System in a number of circumstances, including but not limited to non-payment of AUI bills or any past due charges; evidence of safety violations or fraud by Customer; or Customer failing to meet its obligations under the Natural Gas Utility Service Rules. If Customer notifies AUI to disconnect service, AUI will complete the request in accordance with the Natural Gas Utility Service Rules.
  - b) If the disconnect is a result of a safety violation, AUI will reconnect the service when the safety problem is resolved and when Customer has provided, or paid AUI's costs of providing, such devices or equipment as may be necessary to resolve such safety problem and to prevent such damage, interference or disturbance. The Company may assess a Reconnect Fee to Customer as set forth in the Rate Schedule.
- (2) Disconnection at Request of Retailer
  - a) In accordance with section 5(1) of the *R3 Regulation*, Retailer shall have the right to request that AUI disconnect Gas Distribution Service to Customer. AUI requires such request to be in writing. AUI shall comply with that request in accordance with the Natural Gas Utility Service Rules.

- b) Retailer shall remain responsible for all Gas Services to Site until a replacement Retailer is enrolled and in place for the Site, or default supply Gas Service is in place for the Site, or the Site is permanently disconnected, whichever is earlier.
- c) The Company reserves the right to assess charges to Retailer to disconnect Gas Distribution Service or attempt to disconnect service to Customer at actual cost, which includes but is not exclusive to direct labour, materials, services and equipment, plus applicable overheads.
- d) The Company will notify Retailer if a disconnect request was not successfully completed and include the reason why it was not successfully completed. If Retailer still requires Customer to be disconnected, Retailer must re-issue a disconnect request.
- e) The Company shall not be liable to any person for any damages, cost, expense, injury, loss or other liability of any kind whatsoever, or however caused, resulting directly or indirectly from its good faith performance of its responsibilities under the provisions of this Article.

## 10.2. Reconnect Service

Before reconnecting or restoring service to a particular Customer:

- a) Retailer must provide AUI with sufficient notice to reconnect Gas Distribution Service.
- b) If the reason for the reconnect request is to resume Gas Distribution Service after a Site was temporarily disconnected for non-payment, and Customer Information on the reconnect request matches Customer Information on the disconnect request, then AUI will not reconnect until such time as a disconnect release is received by AUI from Retailer that issued the disconnect request. Such release shall be sent to AUI within twenty-four (24) hours of Retailer receiving payment.
- c) Retailer or Customer must provide proof of compliance with Part 9 – Stopping Service of the Natural Gas Utility Service Rules.
- d) The Company reserves the right to assess, in accordance with these Service Regulations and the Natural Gas Utility Service Rules, a Reconnection Fee and any other charges as set forth in the Rate Schedules.

## ARTICLE 11 – Prudential Requirements

### 11.1. Setting of Prudential Requirements

Retailer must fulfill the requirements as set forth in this Article to the satisfaction of AUI before AUI will provide Gas Distribution Service to Retailer.

- (1) Subject to review and reassessment of the prudential requirements of Retailer by AUI from time to time, Retailer shall meet and maintain such financial and other prudential requirements as set out in the *Natural Gas Billing Regulation, A.R. 185/2003*, to ensure that Retailer is and remains of sufficient financial standing to meet its ongoing financial obligations.
- (2) The Company, subject to review and reassessment, shall establish Retailer's security reduction in relation to its credit rating for each Retailer, affiliate or person who guarantees the financial obligations of Retailer, subject to sections 6 and 7 of the *Natural Gas Billing Regulation, A.R. 185/2003*, and shall notify Retailer of their security requirement within 20 business days of Retailer's complete application for service.
- (3) For the purposes of calculating the amount of Retailer's security deposit pursuant to section 5(2) of the *Natural Gas Billing Regulation, A.R. 185/2003*, Retailer must project its payments under AUI's Rate Schedule over a period equal to the lesser of (A) 75 days, or (B) the total of (i) 20 days, plus (ii) the number of days between consecutive bills issued by AUI to Retailer, plus (iii) the number of days from the issuance of a bill by AUI until payment is due from Retailer.
- (4) Subject to section 6 of the *Natural Gas Billing Regulation, A.R., 185/2003*, Retailer shall provide security, in the form of a financial deposit, a bond, an irrevocable letter of credit or an irrevocable guarantee from a person, other than Retailer, with a credit rating.
- (5) The Company will confirm the credit rating of Retailer, affiliate or person which guarantees the financial obligation of Retailer. The credit rating will mean the bond rating according to Standard and Poor's Bond Rating Service or an equivalent bond rating from Dominion Bond Rating Service or Moody's Investors Service.

If Retailer has obtained more than one credit rating, the lowest credit rating will be used in the assessment.

## **11.2. Maintaining Prudential Requirements**

- (1) If Retailer's actual outstanding charges under AUI's Rate Schedule are materially greater than the value projected by Retailer under Article 11.1 of these Service Regulations, AUI will update the projection and, if additional security is required based on the updated projection, require Retailer to provide additional security within five (5) Business Days of AUI's request.
- (2) The Company requires Retailers to report any downgrading of their corporate bond rating to AUI within two (2) Business Days of said rating revisions, and must provide any additional security required as a result of the downgrading within five (5) Business Days of the downgrading.
- (3) If Retailer fails to pay any amount billed, subject to Article 8 of these Service Regulations, AUI will apply all or any portion of Retailer's security deposit to the unpaid amount. Retailer will then be required to replenish the security deposit within five (5) Business Days.
- (4) Subject to Articles 8 and 9 of these Service Regulations, if Retailer fails to pay any amount billed or fails to present additional security as outlined herein, AUI reserves the right to suspend the provision of additional Gas Distribution Service to Retailer, or discontinue Gas Distribution Service entirely to Retailer.

Upon discontinuance of Gas Distribution Service to Retailer pursuant to this Article, provision of the affected service(s) will be assumed by AUI.

- (5) Retailer that is required to provide security in accordance with these Service Regulations must maintain that amount of security until all obligations of Retailer under AUI's Rate Schedule are satisfied.

## **11.3. Confidentiality**

All information provided by Retailer in relation to its financial standing and designated by Retailer as confidential will be treated as such.

## **11.4. Costs**

All costs associated with obtaining financial security and meeting prudential requirements under this Article are the responsibility of Retailer.

## **11.5. Interest on Security Deposits**

Interest on each Retailer’s cash security deposit held by AUI will be calculated at the rate specified from time to time in, the *Residential Tenancies Act, R.S.A. 2000, c.R-17*. Interest will be credited to Retailer annually.

## **ARTICLE 12 – Force Majeure**

### **12.1. Effect of Force Majeure on breach**

Subject to the other provisions of this Article, if either party to the Service Contract fails to observe or perform any of the covenants or obligations herein imposed upon it and such failure shall have been occasioned by, or in connection with, or in consequence of Force Majeure, as hereinafter defined, such failure shall be deemed not to be in a breach of such covenants or obligations.

### **12.2. Meaning of Force Majeure**

For the purposes of the Service Contract, “Force Majeure” means any cause, other than financial, beyond the control of the party claiming suspension and which the party could not have prevented or overcome by due diligence, including, but not limited to:

- a) acts of God, such as lightning, earthquakes, storms, floods, fires, landslides and washouts,
- b) strikes, lockouts or other industrial disturbances,
- c) acts of the Queen’s enemy, sabotage, wars, blockades, insurrections, riots, epidemics, civil disturbances, arrests and restraints,
- d) explosions, breakages of or accidents to machinery or lines of pipe,
- e) hydrate obstructions of lines of pipe,
- f) temporary failures of Gas supply,
- g) freezing of wells or delivery facilities, well blowouts, and craterings, and
- h) the orders of any court or governmental authority.



### **12.3. Exceptions to Force Majeure**

Notwithstanding Section 12.2, a decision, direction, or order made by the Board in the normal course of it exercising its authority to establish the appropriate revenue requirement or rates of the parties to this agreement shall not be considered an event of Force Majeure.

Neither party is entitled to the benefit of the provisions of Clause 12.1 of this Article under any of the following circumstances:

- a) to the extent that the failure was caused by the sole negligence of the party claiming suspension; or
- b) to the extent that the failure was caused by the party claiming suspension having failed to remedy the condition where it is within that party's ability alone to do so and to resume the performance of such covenants or obligations, with reasonable dispatch; or
- c) if the failure was caused by lack of funds or with respect to the payment of any amount or amounts then due under the Service Contract; or
- d) unless as soon as possible after the happening of the occurrence relied upon or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Service Contract, the party claiming suspension shall have given to the other party notice, either in writing or by telegram, to the effect that such party is unable by reason of Force Majeure (the nature whereof shall be therein specified) to perform the particular covenants or obligations.

### **12.4. Notice of remedy**

The party claiming suspension shall likewise give notice, as soon as possible after the Force Majeure condition is remedied, to the effect that the same is remedied and that such party has resumed, or is then in a position to resume, the performance of such covenants or obligations.

### **12.5. Labour disputes**

Notwithstanding anything to the contrary in this Article expressed or implied, the parties agree that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the particular party involved therein and such party may make settlement thereof at such time and on such

terms and conditions as it may deem to be advisable and no delay in making such settlement shall deprive such party of the benefit of Clause 12.1 of this Article.

## **ARTICLE 13 – Termination on Default**

### **13.1. Non-Defaulting Party May Terminate**

If any one or more of the parties to the Service Contract shall fail to perform any of the covenants or obligations imposed upon it under and by virtue of the Service Contract (the "Defaulting Party"), then in any such event, the other party (the "Non-Defaulting Party") may at its option terminate the Service Contract insofar and only insofar as the Service Contract pertains to the Defaulting Party by proceeding as set out in this Article.

### **13.2. Notice of Intent**

The Non-Defaulting Party shall cause a notice in writing to be given to the Defaulting Party advising as to the nature of any default and declaring it to be the intention of the Non-Defaulting Party to terminate the Service Contract.

### **13.3. Time to Remedy**

The Defaulting Party shall have ninety (90) Days after receiving any such notice to remedy the default specified and if, within the said period of ninety (90) Days, the Defaulting Party does remedy any such default to the satisfaction of the Non-Defaulting Party then the notice given pursuant to Clause 13.1 of this Article shall be deemed to be withdrawn and the Service Contract shall continue in full force and effect.

### **13.4. Retailer's Failure to Remedy**

- (1) In the event that Retailer does not remedy any default of which it has been given notice by AUI to the reasonable satisfaction of AUI within the said ninety (90) Day period, then AUI may terminate the Service Contract after the said ninety (90) Day period and the appropriate charges for all Specific Facilities, as well as the present value of all system tariffs that would be in effect until the termination of the Service Contract, discounted at a rate equal to AUI's weighted average cost of capital as approved by the Board and in effect on the date the Service Contract is terminated by such default, shall become due and payable.

- (2) All rights of and obligations to such Retailer under the Service Contract shall cease upon termination of the Service Contract; provided however that any such termination shall not affect any other remedy AUI may have at law or in equity against Retailer and the Service Contract shall remain in force among the remaining non-defaulting parties.

### **13.5. AUI's Failure to Remedy**

- (1) In the event that AUI does not remedy any default of which it has been given notice by Retailer to the reasonable satisfaction of Retailer within the said ninety (90) Day period, then Retailer shall have the right to terminate the Service Contract.
- (2) All other rights and obligations of the parties hereunder shall cease upon the termination of the Service Contract; provided however that any such termination shall not effect any other remedy Customer may have at law or in equity.

## **ARTICLE 14 – Notice**

### **14.1. Notice in Writing**

Every notice, request, statement or bill provided for or by the Service Contract or any notice which either AUI or Retailer may desire to give to the other shall be in writing directed to the party to whom given, made or delivered at such party's address stated in the Service Contract.

### **14.2. Delivery of Notice**

- (1) Any notice may be given by mailing the same, postage prepaid, in an envelope properly addressed to the person to whom the notice is being given and shall be deemed to be given four (4) Business Days after the mailing thereof.
- (2) Any notice may also be given by prepaid facsimile or other means of electronic transmission addressed to the person to whom such notice is to be given at such person's address for notice, and any such notice so served shall be deemed to have been given one (1) Business Day after transmission of the same.

- (3) Any notice may also be delivered by hand to the person, or his representative, to whom such notice is to be given at such person's address for notice, and such notice shall be deemed to have been given when received by such person or his representative.
- (4) Any notice may also be given by telephone followed immediately by letter, facsimile or other means of electronic transmission and any notice so given shall be deemed to have been given of the date and time of the telephone notice.

### **14.3. Disruption of Mail**

In the event of disruption of regular mail every payment shall be personally delivered and every notice, demand, statement or bill shall be given by one of the alternative means set out in this Article.

## **ARTICLE 15– Miscellaneous Matters**

### **15.1. Indemnity**

- (1) Retailer agrees to indemnify and save AUI harmless from and against any and all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of whatsoever nature or kind and howsoever and by whosoever made or incurred arising out of or in any way connected, either directly or indirectly, with any act, omission or default on the part of Retailer under the Service Contract.
- (2) Notwithstanding Article (1), in no event, whether as a result of alleged negligence on the part of Retailer or otherwise, shall Retailer be liable to AUI for loss of profits or revenues, cost of capital, loss for failure to deliver Gas, cost of purchased or replacement Gas, claims of AUI's customers for failure to deliver Gas, cancellation of permits, termination of contracts or other similar special or consequential damages or claims whatsoever.
- (3) AUI agrees to indemnify and save Retailer harmless from and against all claims, demands, suits, actions, debts, accounts, damages, costs, losses, liabilities and expenses of whatsoever nature or kind and howsoever and by whosoever made or incurred arising out of the gross negligence or willful misconduct of AUI under the Service Contract.

- (4) Notwithstanding Article (3), in no event, whether as a result of alleged gross negligence on the part of AUI or otherwise, shall AUI be liable to Customer or Retailer for loss of profits or revenues, cost of capital, loss for failure to deliver Gas, cost of purchased or replacement Gas, claims of Customer's customers for failure to deliver Gas, cancellation of permits, termination of contracts or other similar special or consequential damages or claims whatsoever.

### **15.2. Service Regulations Prevail**

No representation or commitment inconsistent with these Service Regulations has any effect unless approved by the Board.

### **15.3. General Laws Apply**

The Service Regulations and the Service Contract are subject to all applicable present and future laws, rules, regulations, and orders of any legislative body or duly instituted authority now or hereafter having jurisdiction.

### **15.4. No Waiver**

No waiver by AUI or Retailer of any default by the other under the Service Regulations or Service Contract shall operate as a waiver of a future default whether of a like or different character.

### **15.5. No Assignment**

Neither the Company nor the Retailer shall assign any of its rights or obligations under these Service Regulations or the Service Contract without obtaining (a) any necessary regulatory approval(s); and (b) the prior written consent of the non-assigning party, which consent shall not be unreasonably withheld. No assignment shall relieve the assigning party of any of its obligations under these Service Regulations, or the Service Contract until such obligations have been assumed by the assignee. Any assignment in violation of this Article shall be void. However, the Company may assign any or all of its rights and obligations under these Service Regulations and the Service Contract, without the Retailer's consent, to any entity succeeding to all or substantially all of the assets of the Company, if the assignee agrees, in writing, to be bound by the terms of the Service Regulations and Service Contract hereof and if any necessary regulatory approvals are obtained.

### **15.6. Applicable Laws**

The Service Contract and Service Regulations shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

## Schedule A Consent for Collection, Use, and Release of Customer Information



AltaGas Utilities Inc.  
 5509 45 Street      main      780.986.5215  
 Leduc AB T9E 6T6      fax      780.986.5220

### Consent for Collection, Use and Release of Customer Information

“Customer Information” means personal information like your name, address, contact information, identifying numbers, and payment and usage information.

This form is needed in order for AltaGas Utilities to collect and use your Customer Information for the purposes of natural gas service and billing, and to allow AltaGas Utilities to release your Customer Information to persons you allow like a retailer or other person.

#### Section 1 - AltaGas Utilities Inc. Customer Account Information

(As per Customer's AltaGas Utilities bill)

Account Number: \_\_\_\_\_

Premise Number: \_\_\_\_\_

Customer Name: \_\_\_\_\_

\*Operating as (if different from above): \_\_\_\_\_

Service Address: \_\_\_\_\_

\*Only required for business/commercial accounts

#### Additional Information:

Telephone: ( ) \_\_\_\_\_ Fax: ( ) \_\_\_\_\_

E-mail: \_\_\_\_\_

#### Section 2 - Content of Customer Information To Be Released

AltaGas Utilities Inc. is authorized to disclose Customer Information in regards to the account shown in Section 1 of this document, as well as the following Customer Information:

|                                       |          |                               |
|---------------------------------------|----------|-------------------------------|
| Consumption History (12 months):      | Yes / No | (please circle your response) |
| Payment History (12 months):          | Yes / No | (please circle your response) |
| Billing Information (\$) (12 months): | Yes / No | (please circle your response) |
| Other (please specify):               | _____    |                               |

#### Section 3 - Authorized Recipient of Customer Information

AltaGas Utilities Inc. may disclose and release the Customer Information, listed in Sections 1 and 2 to the following parties:

Retailer (please specify): \_\_\_\_\_

Energy Management Company (please specify): \_\_\_\_\_

Other (please specify): \_\_\_\_\_

#### Section 4 - Customer Information Release Date to Specified Persons

AltaGas Utilities may release my Customer Information to the persons specified in section 3 from \_\_\_\_\_ up to and including \_\_\_\_\_  
 (yyyy-mm-dd) (yyyy-mm-dd)

(Please note that Section 4 is for the time period that this Consent form is valid NOT the consumption history period.)

#### Section 5 – Customer Authorization

The Customer agrees and consents to the collection, and use by AltaGas Utilities Inc. of Customer Information, and to the disclosure and release of the Customer Information to the listed parties, for the time period, and under the conditions set out above.

Name (please print): \_\_\_\_\_ Signature: \_\_\_\_\_

Title (if business account): \_\_\_\_\_ Date: \_\_\_\_\_  
 (yyyy-mm-dd)

**PLEASE PRINT CLEARLY**

Please fax completed form to the attention of Supervisor Regulatory Filings, at (780) 986-5220.

Version 1.1

**AltaGas Utilities Inc.**

**RETAILER DISTRIBUTION SERVICE CONTRACT**

**For**

**Rate 13 Demand/Commodity General Service (Optional)  
Specific Term**

**RETAILER DISTRIBUTION SERVICE CONTRACT**

**for RATE 13**

**Specific Term**

THIS RETAILER DISTRIBUTION SERVICE CONTRACT

for RATE 13 (“Contract”)

made as of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
Month Day Year

BETWEEN:

**[RETAILER]**, a body corporate, carrying on business  
in the Province of Alberta (hereinafter called "Retailer"),

OF THE FIRST PART,

- and -

**ALTAGAS UTILITIES INC.**

a body corporate, carrying on business

in the Province of Alberta,

(hereinafter referred to as “AltaGas Utilities Inc.”),

OF THE SECOND PART,

WHEREAS AltaGas Utilities Inc. owns and operates a Gas Distribution System  
within the Province of Alberta;

AND WHEREAS Retailer, for itself and for and on behalf of its Customer, has  
requested AltaGas Utilities Inc. to provide Gas Distribution Service for the purpose of serving  
said Customer.



AND WHEREAS this Contract provides for the provision of Gas Distribution Service by AltaGas Utilities Inc. to Retailer on behalf of a specific Customer for a specific term.

NOW THEREFORE THIS CONTRACT WITNESSETH THAT, in consideration of the covenants and agreements of the parties hereinafter contained, Retailer, for itself and for and on behalf of Customer, and AltaGas Utilities Inc. covenant and agree as follows:

**ARTICLE 1**  
**RATE SCHEDULE AND**  
**RETAILER DISTRIBUTION SERVICE REGULATIONS**

- 1.1 Retailer acknowledges receipt of a current copy of AltaGas Utilities Inc.'s Rate Schedule, attached hereto as Schedule “A”, and agrees the Rate Schedule as amended from time to time and approved by the Board is an integral part of the Contract and by this reference is hereby incorporated herein as if fully set forth in the Contract.
  
- 1.2 Retailer acknowledges receipt of a current copy of AltaGas Utilities Inc.’s Retailer Distribution Service Regulations, attached hereto as Schedule “B”, and agrees the Retailer Distribution Service Regulations as amended from time to time and approved by the Board is an integral part of the Contract and by this reference is hereby incorporated herein as if fully set forth in the Contract.

**ARTICLE 2**  
**DEFINITIONS**

- 2.1 The words, terms, and phrases used in the Contract shall, unless the context otherwise requires, have the meanings given to them in the *Gas Utilities Act, R.S.A. 2000, c. G-5* and the Service Regulations.

**ARTICLE 3**  
**RETAILER REPRESENTATIONS**

- 3.1 Retailer hereby represents, covenants and warrants to and with AltaGas Utilities Inc. that at all relevant times during the duration of the Contract:
- 3.1.1 Each of the conditions in Article 4 of the Contract has been and is being complied with;
- 3.1.2 Except for a Customer which is a signatory to the Contract (a Self-Retailer), Customer has appointed Retailer as its Retailer under an agency agreement in accordance with the *Gas Utilities Act* and that, as such, Retailer has full power and authority to take full responsibility for all matters relating to the Customer's Gas Services arrangements, and, without limiting the generality thereof, to negotiate, establish, document, implement, operate, perform, terminate and amend all matters relating to the Customer's Gas Services arrangements on behalf of the Customer;
- 3.1.3 Retailer has entered into all contracts, agreements and arrangements as are necessary to secure the Gas Services necessary to satisfy Retailer's obligations under the Contract;
- 3.1.4 In the event of a disruption of any Gas supply, Retailer will cause an alternative supply to be available;
- 3.1.5 A failure by Retailer to supply Gas in accordance with the Service Regulations is subject to the terms and conditions of the Service Regulations.

## **ARTICLE 4**

### **CONDITIONS**

- 4.1 AltaGas Utilities Inc. shall have no obligation to provide Gas Distribution Service if, and to the extent that Retailer fails to comply with all the conditions prescribed by the *Gas Utilities Act*, the Service Regulations and each of the following conditions:
- 4.1.1 The agency agreement must be in a format acceptable to AltaGas Utilities Inc.;
  - 4.1.2 If not already provided, the agency agreement shall include a copy of a written consent of Customer permitting AltaGas Utilities Inc. to disclose Customer Information to Retailer;
  - 4.1.3 If AltaGas Utilities Inc. has previously billed Customer, the agency agreement must clearly and accurately specify Customer's AltaGas Utilities Inc. account number, corresponding premise number, and name as displayed on Customer's most current AltaGas Utilities bill;
  - 4.1.4 Retailer is responsible for providing accurate and timely Customer Information to AltaGas Utilities Inc. in an electronic format acceptable to AltaGas Utilities Inc.;
  - 4.1.5 Should Retailer become aware of any change in Customer Information during the term of the Contract, Retailer is responsible for informing AltaGas Utilities Inc. of the change in accordance with the Service Regulations;
  - 4.1.6 Retailer understands and agrees that Gas Distribution Service provided hereunder is provided solely for the Retailer's use at the premise and for the Customer identified to AltaGas Utilities Inc. in accordance with Article 5 and Retailer shall not use the Gas Distribution Service provided by AltaGas Utilities Inc. for any other purpose;

- 4.1.7 If Retailer becomes aware at any time that Customer is using Gas Services provided by Retailer or Gas Distribution Service provided by AltaGas Utilities Inc. in a manner which is inconsistent with the Service Regulations, which could potentially create safety, health or environmental concerns or damage the Gas Distribution System, the Retailer shall immediately notify AltaGas Utilities Inc. of such circumstances;
- 4.1.8 In providing service to Customer, the Retailer shall not damage or interfere with, or otherwise disturb, alter or tamper with the Gas Distribution System and further, Retailer shall notify AltaGas Utilities Inc. immediately of any problem or defect relating to the Gas Distribution System, which is discovered or brought to the attention of the Retailer;
- 4.1.9 Retailer understands and agrees that AltaGas Utilities Inc. will not perform billing or collections activities on its behalf, unless specified by separate contract and further, Retailer agrees to pay all amounts due and owing to the Company in accordance with the Service Regulations, regardless of any billing or collection disputes Retailer may have with Customer;
- 4.1.10 Retailer agrees to comply with all prudential requirements pursuant to the Service Regulations and the Natural Gas Billing Regulation (A.R. 185/2003), as amended; and,
- 4.1.11 Retailer will continue to satisfy all conditions prescribed by the *Gas Utilities Act* and this Article 4.1 for Gas Services arrangements.

**ARTICLE 5**  
**RECEIPT AND DELIVERY POINTS**

5.1 The Point of Receipt for Gas delivered hereunder by Retailer to AltaGas Utilities Inc. shall be (check only one):

- via a NOVA/TCPL NOVA Inventory Transfer (NIT); or
- an ATCO Market Centre.

5.2 The Company shall determine receipt locations by consultation if anything other than an NIT or an ATCO Market Centre is utilized.

5.3 Point of Delivery (complete as applicable):

Legal address: \_\_\_\_\_

Municipal address:

Street: \_\_\_\_\_

Municipality: \_\_\_\_\_ Province: \_\_\_\_\_

5.4 Additional Customer Information:

Customer Name: \_\_\_\_\_

Account No.: \_\_\_\_\_

Premise No.: \_\_\_\_\_

Mailing Address:

Street: \_\_\_\_\_

City: \_\_\_\_\_ Province: \_\_\_\_\_

Postal Code: \_\_\_\_\_

**ARTICLE 6**  
**GAS SUPPLY**

- 6.1 The Contract Demand for the Contract is: \_\_\_\_\_ gigajoules.
- 6.2 Retailer shall at all times have the obligation to comply with Gas balancing requirements specified in the Service Regulations.

**ARTICLE 7**  
**PRICE**

- 7.1 The rate for purposes of billing for Gas Distribution Service shall be:
- Rate 13 – Demand/Commodity General Service (Optional) – Distribution Only
- 7.2 AltaGas Utilities Inc. shall invoice Retailer or Self-Retailer who is a signatory to the Contract, for all applicable rates, tolls, charges, and federal and provincial taxes as specified in AltaGas Utilities Inc.'s Rate Schedule, as amended from time to time and approved by the Board and Retailer agrees to pay such invoices in accordance with the Service Regulations.
- 7.3 Payment terms shall be as specified in the Service Regulations.

**ARTICLE 8**  
**TERM**

- 8.1 The Billing Commencement Date shall be: \_\_\_\_\_.
- yyyy/mm/dd

- 8.2 The contract is in effect for a period of \_\_\_ year(s) from (check only one):  
\_\_\_ The Billing Commencement Date  
\_\_\_ Other: Specify \_\_\_\_\_  
\_\_\_ A specific term length is not required for purposes of the Contract.
- 8.3 AltaGas Utilities Inc. may terminate this Contract:
- 8.3.1 If any one or more of the conditions in Articles 3 or 4 of the Contract has not been or is not being complied with; or
- 8.3.2 In accordance with the terms and conditions specified in the Service Regulations.
- 8.4 The Contract shall terminate on any terms and conditions as may be prescribed by the Board pursuant to the *Gas Utilities Act*.
- 8.5 This Contract is subject to all applicable legislation, including the *Gas Utilities Act* and the regulations made thereunder, and all applicable orders, rulings, regulations and decisions of the Board or any other regulatory authority having jurisdiction over the Company.

**ARTICLE 9**  
**ADDRESSES FOR NOTIFICATION**

- 9.1 Until notified otherwise in writing, payments by or on behalf of Retailer to AltaGas Utilities Inc. shall be made or delivered to the following address:

ALTAGAS UTILITIES INC.  
5509 - 45 Street  
Leduc, Alberta  
T9E 6T6

Attention: Accounts Receivable

9.2 All other notices shall be made or delivered to one of the following addresses:

AltaGas Utilities Inc.:           ALTAGAS UTILITIES INC.  
5509 - 45 Street  
Leduc, Alberta  
T9E 6T6

Attention: Manager, Regulatory Affairs

Retailer:                           [Retailer or Self-Retailer]  
Address  
City, Province  
Postal Code

Attention:  
Telephone: (     )  
Fax: (     )

9.3 Either party may change its address by giving written notice to the other.

## **ARTICLE 10**

### **GENERAL**

10.1 Neither party may disclose any Confidential Information obtained pursuant to this Contract to any person, without the express prior written consent of the other party. As used in this Article, the term “Confidential Information” shall include all business, financial, and commercial information pertaining to parties, Customers of either party, suppliers of either party, personnel of either party, any trade secrets and other information of a similar nature.

Notwithstanding the preceding paragraph, a receiving party may disclose Confidential Information to any governmental, judicial or regulatory authority requiring such Confidential Information pursuant to any applicable law, regulation, ruling or order, providing that:



(a) such Confidential Information is submitted under the applicable provision, if possible, for confidential treatment by such governmental, judicial, or regulatory authority; and

(b) prior to such disclosure, the other party is given prompt notice of the disclosure requirement.

10.2 The Contract shall bind and inure to the respective successors and assigns of the parties hereto; provided however that no assignment shall release either party from such party's obligations under the Contract without the written consent of the other party to such release, which consent shall not be unreasonably withheld.

10.3 If any provision of this Contract, or the application thereof, is to any extent held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

IN WITNESS WHEREOF this Contract has been properly executed by the Retailer (or Self-Retailer) and AltaGas Utilities Inc. with the corporate seal of each having been properly affixed as of the date first above written.

## ALTAGAS UTILITIES INC.

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
President (Please Print)

Date \_\_\_\_\_  
Year/Month/Day

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
Vice President Controller (Please Print)

Date \_\_\_\_\_  
Year/Month/Day

## [RETAILER or SELF-RETAILER]

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
(Please Print)

Title \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) Year/Month/Day

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
(Please Print)

Title \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) Year/Month/Day

## **SCHEDULE “A”**

**ALTAGAS UTILITIES INC.**

**RATE SCHEDULE**

## **SCHEDULE “B”**

**ALTAGAS UTILITIES INC.**

**RETAILER DISTRIBUTION SERVICE REGULATIONS**

**AltaGas Utilities Inc.**

**RETAILER DISTRIBUTION SERVICE CONTRACT**

**for**

**RATES 11, 12 and 14**

**RETAILER DISTRIBUTION SERVICE CONTRACT**  
**for RATES 11, 12 and 14**

THIS RETAILER DISTRIBUTION SERVICE CONTRACT  
for RATES 11, 12 and 14 (“Contract”)

made as of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
Month Day Year

BETWEEN:

**[RETAILER]**, a body corporate, carrying on business  
in the Province of Alberta (hereinafter called "Retailer"),

OF THE FIRST PART,

- and -

**ALTAGAS UTILITIES INC.**

a body corporate, carrying on business  
in the Province of Alberta,  
(hereinafter referred to as “AltaGas Utilities Inc.”),

OF THE SECOND PART,

WHEREAS AltaGas Utilities Inc. owns and operates a Gas Distribution System  
within the Province of Alberta;

AND WHEREAS Retailer, for itself and for and on behalf of each Customer, has  
requested AltaGas Utilities Inc. to provide Gas Distribution Service for the purpose of serving  
each Customer.

NOW THEREFORE THIS CONTRACT WITNESSETH THAT, in consideration of the covenants and agreements of the parties hereinafter contained, Retailer, for itself and for and on behalf of each Customer, and AltaGas Utilities Inc. covenant and agree as follows:

**ARTICLE 1**  
**RATE SCHEDULE AND**  
**RETAILER DISTRIBUTION SERVICE REGULATIONS**

- 1.1 Retailer acknowledges receipt of a current copy of AltaGas Utilities Inc.'s Rate Schedule, attached hereto as Schedule "A", and agrees the Rate Schedule as amended from time to time and approved by the Board is an integral part of the Contract and by this reference is hereby incorporated herein as if fully set forth in the Contract.
- 1.2 Retailer acknowledges receipt of a current copy of AltaGas Utilities Inc.'s Retailer Distribution Service Regulations, attached hereto as Schedule "B", and agrees the Retailer Distribution Service Regulations as amended from time to time and approved by the Board is an integral part of the Contract and by this reference is hereby incorporated herein as if fully set forth in the Contract.

**ARTICLE 2**  
**DEFINITIONS**

- 2.1 The words, terms, and phrases used in the Contract shall, unless the context otherwise requires, have the meanings given to them in the *Gas Utilities Act R.S.A. 2000 c. G-5* and the Service Regulations.

**ARTICLE 3**  
**RETAILER REPRESENTATIONS**

- 3.1 Retailer hereby represents, covenants and warrants to and with AltaGas Utilities Inc. that at all relevant times during the duration of the Contract:
- 3.1.1 Each of the conditions in Article 4 of the Contract has been and is being complied with;
- 3.1.2 Except for a Customer which is a signatory to the Contract (a Self-Retailer), each Customer has appointed Retailer as its Retailer under an agency agreement in accordance with the *Gas Utilities Act* and that, as such, Retailer has full power and authority to take full responsibility for all matters relating to the Customer's Gas Services arrangements, and, without limiting the generality thereof, to negotiate, establish, document, implement, operate, perform, terminate and amend all matters relating to the Customer's Gas Services arrangements on behalf of the Customer;
- 3.1.3 Retailer has entered into all contracts, agreements and arrangements as are necessary to secure the Gas Services necessary to satisfy Retailer's obligations under the Contract;
- 3.1.4 In the event of a disruption of any Gas supply, Retailer will cause an alternative supply to be available;
- 3.1.5 A failure by Retailer to supply Gas in accordance with the Service Regulations is subject to the terms and conditions of the Service Regulations.

**ARTICLE 4**  
**CONDITIONS**



- 4.1 AltaGas Utilities Inc. shall have no obligation to provide Gas Distribution Service if, and to the extent that Retailer fails to comply with all the conditions prescribed by the *Gas Utilities Act*, the Service Regulations and each of the following conditions:
- 4.1.1 The agency agreement must be in a format acceptable to AltaGas Utilities Inc.;
- 4.1.2 If not already provided, the agency agreement shall include a copy of a written consent of each Customer permitting AltaGas Utilities Inc. to disclose Customer Information to Retailer;
- 4.1.3 If AltaGas Utilities Inc. has previously billed Customer, the agency agreement must clearly and accurately specify each Customer's AltaGas Utilities Inc. account number(s), corresponding premise number(s), and name(s) as displayed on Customer's most current AltaGas Utilities bill(s);
- 4.1.4 Retailer is responsible for providing accurate and timely Customer Information to AltaGas Utilities Inc. in an electronic format acceptable to AltaGas Utilities Inc.;
- 4.1.5 Should Retailer become aware of any change in Customer Information during the term of the Contract, Retailer is responsible for informing AltaGas Utilities Inc. of the change in accordance with the Service Regulations;
- 4.1.6 Retailer understands and agrees that Gas Distribution Service provided hereunder is provided solely for the Retailer's use at the premises and for the Customers identified to AltaGas Utilities Inc. in accordance with this Article 4.1 and Retailer shall not use the Gas Distribution Service provided by AltaGas Utilities Inc. for any other purpose;
- 4.1.7 If Retailer becomes aware at any time that any Customer is using Gas Services provided by Retailer or Gas Distribution Service provided by AltaGas Utilities

Inc. in a manner which is inconsistent with the Service Regulations, which could potentially create safety, health or environmental concerns or damage the Gas Distribution System, the Retailer shall immediately notify AltaGas Utilities Inc. of such circumstances;

- 4.1.8 In providing service to any Customer, the Retailer shall not damage or interfere with, or otherwise disturb, alter or tamper with the Gas Distribution System and further, Retailer shall notify AltaGas Utilities Inc. immediately of any problem or defect relating to the Gas Distribution System, which is discovered or brought to the attention of the Retailer;
- 4.1.9 Retailer understands and agrees that AltaGas Utilities Inc. will not perform billing or collections activities on its behalf, unless specified by separate contract and further, Retailer agrees to pay all amounts due and owing to the Company in accordance with the Service Regulations, regardless of any billing or collection disputes Retailer may have with any Customer;
- 4.1.10 Retailer agrees to comply with all prudential requirements pursuant to the Service Regulations and the Natural Gas Billing Regulation (A.R. 185/2003), as amended; and,
- 4.1.11 Retailer will continue to satisfy all conditions prescribed by the *Gas Utilities Act* and this Article 4.1 for Gas Services arrangements.

## **ARTICLE 5**

### **RECEIPT POINTS**

- 5.1 The Point of Receipt for Gas delivered hereunder by Retailer to AltaGas Utilities Inc. shall be (check only one):

\_\_\_ via a NOVA/TCPL NOVA Inventory Transfer (NIT); or

\_\_\_ an ATCO Market Centre.

- 5.2 The Company shall determine receipt locations by consultation if anything other than an NIT or an ATCO Market Centre is utilized.

## **ARTICLE 6**

### **GAS SUPPLY**

- 6.1 Retailer shall at all times have the obligation to comply with Gas balancing requirements specified in the Service Regulations.

## **ARTICLE 7**

### **PRICE**

- 7.1 AltaGas Utilities Inc. shall invoice Retailer or Self-Retailer who is a signatory to the Contract, for all applicable rates, tolls, charges, and federal and provincial taxes as specified in AltaGas Utilities Inc.'s Rate Schedule, as amended from time to time and approved by the Board and Retailer agrees to pay such invoices in accordance with the Service Regulations.
- 7.2 Payment terms shall be as specified in the Service Regulations.

## **ARTICLE 8**

### **TERM**

- 8.1 AltaGas Utilities Inc. may terminate this Contract:
- 8.1.1 If any one or more of the conditions in Articles 3 or 4 of the Contract has not been or is not being complied with; or

- 8.1.2 In accordance with the terms and conditions specified in the Service Regulations.
- 8.2 The Contract shall terminate on any terms and conditions as may be prescribed by the Board pursuant to the *Gas Utilities Act*.
- 8.3 If AltaGas Utilities Inc. terminates a Service Agreement with respect to a Customer, the Contract shall terminate insofar and only insofar as it applies to that Customer unless Customer is a Self-Retailer in which case the Contract is fully terminated.
- 8.4 This Contract is subject to all applicable legislation, including the *Gas Utilities Act* and the regulations made thereunder, and all applicable orders, rulings, regulations and decisions of the Board or any other regulatory authority having jurisdiction over the Company.

**ARTICLE 9**  
**ADDRESS FOR NOTICES**

- 9.1 Until notified otherwise in writing, payments by or on behalf of Retailer to AltaGas Utilities Inc. shall be made or delivered to the following address:

ALTAGAS UTILITIES INC.  
5509 - 45 Street  
Leduc, Alberta  
T9E 6T6

Attention: Accounts Receivable

9.2 All other notices shall be made or delivered to one of the following addresses:

AltaGas Utilities Inc.:           ALTAGAS UTILITIES INC.  
5509 - 45 Street  
Leduc, Alberta  
T9E 6T6

Attention: Manager, Regulatory Affairs

Retailer:                           [Retailer or Self-Retailer]  
Address  
City, Province  
Postal Code

Attention:  
Telephone:   (     )  
Fax:         (     )

9.3 Either party may change its address by giving written notice to the other.

## **ARTICLE 10**

### **GENERAL**

10.1 Neither party may disclose any Confidential Information obtained pursuant to this Contract to any person, without the express prior written consent of the other party. As used in this Article, the term “Confidential Information” shall include all business, financial, and commercial information pertaining to parties, Customers of either party, suppliers of either party, personnel of either party, any trade secrets and other information of a similar nature.

Notwithstanding the preceding paragraph, a receiving party may disclose Confidential Information to any governmental, judicial or regulatory authority requiring such Confidential Information pursuant to any applicable law, regulation, ruling or order, providing that:

(a) such Confidential Information is submitted under the applicable provision, if possible, for confidential treatment by such governmental, judicial, or regulatory authority; and

(b) prior to such disclosure, the other party is given prompt notice of the disclosure requirement.

10.2 The Contract shall bind and inure to the respective successors and assigns of the parties hereto; provided however that no assignment shall release either party from such party's obligations under the Contract without the written consent of the other party to such release, which consent shall not be unreasonably withheld.

10.3 If any provision of this Contract, or the application thereof, is to any extent held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

IN WITNESS WHEREOF this Contract has been properly executed by the Retailer (or Self-Retailer) and AltaGas Utilities Inc. with the corporate seal of each having been properly affixed as of the date first above written.

ALTAGAS UTILITIES INC.

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
President (Please Print)  
Date \_\_\_\_\_  
Year/Month/Day

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
Vice President Controller (Please Print)  
Date \_\_\_\_\_  
Year/Month/Day

[RETAILER or SELF-RETAILER]

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
(Please Print) (Please Print)  
Title \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) Year/Month/Day

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
(Please Print) (Please Print)  
Title \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) Year/Month/Day

## **SCHEDULE “A”**

**ALTAGAS UTILITIES INC.**

**RATE SCHEDULE**



**SCHEDULE “B”**

**ALTAGAS UTILITIES INC.**

**RETAILER DISTRIBUTION SERVICE REGULATIONS**

**AltaGas Utilities Inc.**

**RETAILER DISTRIBUTION SERVICE CONTRACT**

**for**

**RATES 11, 12 and 14**

**Specific Term**

**RETAILER DISTRIBUTION SERVICE CONTRACT**  
**for RATES 11, 12 and 14**  
**Specific Term**

THIS RETAILER DISTRIBUTION SERVICE CONTRACT  
RATES 11, 12 and 14 (“Contract”)

made as of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
Month Day Year

BETWEEN:

**[RETAILER]**, a body corporate, carrying on business  
in the Province of Alberta (hereinafter called "Retailer"),

OF THE FIRST PART,

- and -

**ALTAGAS UTILITIES INC.**  
a body corporate, carrying on business  
in the Province of Alberta,  
(hereinafter referred to as “AltaGas Utilities Inc.”),

OF THE SECOND PART,

WHEREAS AltaGas Utilities Inc. owns and operates a Gas Distribution System  
within the Province of Alberta;

AND WHEREAS Retailer, for itself and for and on behalf of its Customer, has requested AltaGas Utilities Inc. to provide Gas Distribution Service for the purpose of serving said Customer for a specific term;

AND WHEREAS this Contract provides for the provision of Gas Distribution Service by AltaGas Utilities Inc. to Retailer on behalf of a specific Customer for a specific term.

NOW THEREFORE THIS CONTRACT WITNESSETH THAT, in consideration of the covenants and agreements of the parties hereinafter contained, Retailer, for itself and for and on behalf of each Customer, and AltaGas Utilities Inc. covenant and agree as follows:

**ARTICLE 1**  
**RATE SCHEDULE AND**  
**RETAILER DISTRIBUTION SERVICE REGULATIONS**

- 1.1 Retailer acknowledges receipt of a current copy of AltaGas Utilities Inc.'s Rate Schedule, attached hereto as Schedule “A”, and agrees the Rate Schedule as amended from time to time and approved by the Board is an integral part of the Contract and by this reference is hereby incorporated herein as if fully set forth in the Contract.
  
- 1.2 Retailer acknowledges receipt of a current copy of AltaGas Utilities Inc.’s Retailer Distribution Service Regulations, attached hereto as Schedule “B”, and agrees the Retailer Distribution Service Regulations as amended from time to time and approved by the Board is an integral part of the Contract and by this reference is hereby incorporated herein as if fully set forth in the Contract.

**ARTICLE 2**  
**DEFINITIONS**

- 2.1 The words, terms, and phrases used in the Contract shall, unless the context otherwise requires, have the meanings given to them in the *Gas Utilities Act R.S.A. 2000 c. G-5* and the Service Regulations.

**ARTICLE 3**  
**RETAILER REPRESENTATIONS**

- 3.1 Retailer hereby represents, covenants and warrants to and with AltaGas Utilities Inc. that at all relevant times during the duration of the Contract:
- 3.1.1 Each of the conditions in Article 4 of the Contract has been and is being complied with;
- 3.1.2 Except for a Customer which is a signatory to the Contract (a Self-Retailer), the Customer has appointed Retailer as its Retailer under an agency agreement in accordance with the *Gas Utilities Act* and that, as such, Retailer has full power and authority to take full responsibility for all matters relating to the Customer's Gas Services arrangements, and, without limiting the generality thereof, to negotiate, establish, document, implement, operate, perform, terminate and amend all matters relating to the Customer's Gas Services arrangements on behalf of the Customer;
- 3.1.3 Retailer has entered into all contracts, agreements and arrangements as are necessary to secure the Gas Services necessary to satisfy Retailer's obligations under the Contract;
- 3.1.4 In the event of a disruption of any Gas supply, Retailer will cause an alternative supply to be available;
- 3.1.5 A failure by Retailer to supply Gas in accordance with the Service Regulations is subject to the terms and conditions of the Service Regulations.

**ARTICLE 4**  
**CONDITIONS**

- 4.1 AltaGas Utilities Inc. shall have no obligation to provide Gas Distribution Service if, and to the extent that Retailer fails to comply with all the conditions prescribed by the *Gas Utilities Act*, the Service Regulations and each of the following conditions:
- 4.1.1 The agency agreement must be in a format acceptable to AltaGas Utilities Inc.;
- 4.1.2 If not already provided, the agency agreement shall include a copy of a written consent of each Customer permitting AltaGas Utilities Inc. to disclose Customer Information to Retailer;
- 4.1.3 If AltaGas Utilities Inc. has previously billed Customer, the agency agreement must clearly and accurately specify each Customer's AltaGas Utilities Inc. account number(s), corresponding premise number(s), and name(s) as displayed on Customer's most current AltaGas Utilities bill(s);
- 4.1.4 Retailer is responsible for providing accurate and timely Customer Information to AltaGas Utilities Inc. in an electronic format acceptable to AltaGas Utilities Inc.;
- 4.1.5 Should Retailer become aware of any change in Customer Information during the term of the Contract, Retailer is responsible for informing AltaGas Utilities Inc. of the change in accordance with the Service Regulations;
- 4.1.6 Retailer understands and agrees that Gas Distribution Service provided hereunder is provided solely for the Retailer's use at the premises and for the Customers identified to AltaGas Utilities Inc. in accordance with Article 5 and Retailer shall not use the Gas Distribution Service provided by AltaGas Utilities Inc. for any other purpose;

- 4.1.7 If Retailer becomes aware at any time that any Customer is using Gas Services provided by Retailer or Gas Distribution Service provided to AltaGas Utilities Inc. in a manner which is inconsistent with the Service Regulations, which could potentially create safety, health or environmental concerns or damage the Gas Distribution System, the Retailer shall immediately notify AltaGas Utilities Inc. of such circumstances;
- 4.1.8 In providing service to any Customer, the Retailer shall not damage or interfere with, or otherwise disturb, alter or tamper with the Gas Distribution System and further, Retailer shall notify AltaGas Utilities Inc. immediately of any problem or defect relating to the Gas Distribution System, which is discovered or brought to the attention of the Retailer;
- 4.1.9 Retailer understands and agrees that AltaGas Utilities Inc. will not perform billing or collections activities on its behalf, unless specified by separate contract and further, Retailer agrees to pay all amounts due and owing to the Company in accordance with the Service Regulations, regardless of any billing or collection disputes Retailer may have with any Customer;
- 4.1.10 Retailer agrees to comply with all prudential requirements pursuant to the Service Regulations and the Natural Gas Billing Regulation (A.R. 185/2003), as amended; and,
- 4.1.11 Retailer will continue to satisfy all conditions prescribed by the *Gas Utilities Act* and this Article 4.1 for Gas Services arrangements.



**ARTICLE 5**  
**RECEIPT AND DELIVERY POINTS**

5.1 The Point of Receipt for Gas delivered hereunder by Retailer to AltaGas Utilities Inc. shall be (check only one):

\_\_\_ via a NOVA/TCPL NOVA Inventory Transfer (NIT); or  
\_\_\_ an ATCO Market Centre.

5.2 The Company shall determine receipt locations by consultation if anything other than an NIT or an ATCO Market Centre is utilized.

5.3 Point of Delivery (complete as applicable):

Legal address: \_\_\_\_\_

Municipal address:

Street: \_\_\_\_\_

Municipality: \_\_\_\_\_ Province: \_\_\_\_\_

5.4 Additional Customer Information:

Customer Name: \_\_\_\_\_

Account No.: \_\_\_\_\_

Premise No.: \_\_\_\_\_

Mailing Address:

Street: \_\_\_\_\_

City: \_\_\_\_\_ Province: \_\_\_\_\_

Postal Code: \_\_\_\_\_

**ARTICLE 6**  
**GAS SUPPLY**

- 6.1 Retailer shall at all times have the obligation to comply with Gas balancing requirements specified in the Service Regulations.

**ARTICLE 7**  
**PRICE**

- 7.1 AltaGas Utilities Inc. shall invoice Retailer or Self-Retailer who is a signatory to the Contract, for all applicable rates, tolls, charges, and federal and provincial taxes as specified in AltaGas Utilities Inc.'s Rate Schedule, as amended from time to time and approved by the Board and Retailer agrees to pay such invoices in accordance with the Service Regulations.
- 7.2 Payment terms shall be as specified in the Service Regulations.

**ARTICLE 8**  
**TERM**

- 8.1 The Billing Commencement Date shall be: \_\_\_\_\_.  
yyyy/mm/dd

- 8.2 The contract is in effect for a period of \_\_\_ year(s) from (check only one):

\_\_\_ The Billing Commencement Date

\_\_\_ Other: Specify \_\_\_\_\_

8.3 AltaGas Utilities Inc. may terminate this Contract:

8.3.1 If any one or more of the conditions in Articles 3 or 4 of the Contract has not been or is not being complied with; or

8.3.2 In accordance with the terms and conditions specified in the Service Regulations.

8.4 The Contract shall terminate on any terms and conditions as may be prescribed by the Board pursuant to the *Gas Utilities Act*.

8.5 This Contract is subject to all applicable legislation, including the *Gas Utilities Act* and the regulations made thereunder, and all applicable orders, rulings, regulations and decisions of the Board or any other regulatory authority having jurisdiction over the Company.

**ARTICLE 9**  
**ADDRESS FOR NOTICES**

9.1 Until notified otherwise in writing, payments by or on behalf of Retailer to AltaGas Utilities Inc. shall be made or delivered to the following address:

ALTAGAS UTILITIES INC.  
5509 - 45 Street  
Leduc, Alberta  
T9E 6T6

Attention: Accounts Receivable

9.2 All other notices shall be made or delivered to one of the following addresses:

AltaGas Utilities Inc.:           ALTAGAS UTILITIES INC.  
5509 - 45 Street  
Leduc, Alberta  
T9E 6T6

Attention: Manager, Regulatory Affairs

Retailer:                           [Retailer or Self-Retailer]  
Address  
City, Province  
Postal Code

Attention:  
Telephone: (     )  
Fax: (     )

9.3 Either party may change its address by giving written notice to the other.

## **ARTICLE 10**

### **GENERAL**

10.1 Neither party may disclose any Confidential Information obtained pursuant to this Contract to any person, without the express prior written consent of the other party. As used in this Article, the term “Confidential Information” shall include all business, financial, and commercial information pertaining to parties, Customers of either party, suppliers of either party, personnel of either party, any trade secrets and other information of a similar nature.

Notwithstanding the preceding paragraph, a receiving party may disclose Confidential Information to any governmental, judicial or regulatory authority requiring such Confidential Information pursuant to any applicable law, regulation, ruling or order, providing that:

(a) such Confidential Information is submitted under the applicable provision, if possible, for confidential treatment by such governmental, judicial, or regulatory authority; and

(b) prior to such disclosure, the other party is given prompt notice of the disclosure requirement.

10.2 The Contract shall bind and inure to the respective successors and assigns of the parties hereto; provided however that no assignment shall release either party from such party's obligations under the Contract without the written consent of the other party to such release, which consent shall not be unreasonably withheld.

10.3 If any provision of this Contract, or the application thereof, is to any extent held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

IN WITNESS WHEREOF this Contract has been properly executed by the Retailer (or Self-Retailer) and AltaGas Utilities Inc. with the corporate seal of each having been properly affixed as of the date first above written.

ALTAGAS UTILITIES INC.

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
President (Please Print)  
Date \_\_\_\_\_  
Year/Month/Day

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
Vice President Controller (Please Print)  
Date \_\_\_\_\_  
Year/Month/Day

[RETAILER or SELF-RETAILER]

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
(Please Print) (Please Print)  
Title \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) Year/Month/Day

Per: Signature \_\_\_\_\_ Name \_\_\_\_\_  
(Please Print) (Please Print)  
Title \_\_\_\_\_ Date \_\_\_\_\_  
(Please Print) Year/Month/Day

**SCHEDULE “A”**

**ALTAGAS UTILITIES INC.**

**RATE SCHEDULE**

## **SCHEDULE “B”**

**ALTAGAS UTILITIES INC.**

**RETAILER DISTRIBUTION SERVICE REGULATIONS**





## AltaGas Utilities Inc.

2005/2006 General Rate Application Phase II

October 16, 2007

**ALBERTA ENERGY AND UTILITIES BOARD**

Decision 2007-079: AltaGas Utilities Inc.  
2005/2006 General Rate Application Phase II  
Application No. 1491262

October 16, 2007

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# ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

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## ALTAGAS UTILITIES INC. 2005/2006 GENERAL RATE APPLICATION PHASE II

Decision 2007-079  
Application No. 1491262

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### 1 INTRODUCTION

AltaGas Utilities Inc. (AUI, AltaGas or the Company) filed a 2005/2006 General Rate Application (GRA) Phase II (the Application), dated December 8, 2006, with the Alberta Energy and Utilities Board (EUB or the Board). The Application sought approvals for:

- setting appropriate 2006 distribution rates and transportation rates, corresponding rules, regulations, and charges, and other rate riders, to be effective July 1, 2007;
- compliance with Board directions set out in Board Decision [2005-029](#),<sup>1</sup> dated April 12, 2005; and
- compliance with Board directions regarding residual balances from the 2003/2004 GRA and the 2005/2006 GRA deficiency riders set out in Board Order [U2005-341](#),<sup>2</sup> dated August 24, 2005, and Board Order [U2006-41](#),<sup>3</sup> dated February 21, 2006, respectively, and setting an appropriate 2006 deficiency rider that would be applied to customer statements in billing cycles for March 2007.

The Application also included a complete cost of service analysis (COSA).

The Board issued a Notice of Application on December 20, 2006 and by letter dated January 22, 2007, the Board provided a preliminary issues list for the proceeding. The letter also requested parties to provide comment by February 1, 2007 on the Board's prioritization of the issues and to include any additional issues that they considered should be added to the list. Consequently, by letter dated February 8, 2007, the Board provided the parties with a final issues list and a process schedule to deal with the Application. AUI held a post-application meeting with interested parties on February 6, 2007.

A public hearing of the Application was held on June 11, 12 and 14, 2007, in Edmonton, Alberta before a panel consisting of Mr. A. J. Berg, P. Eng. (Presiding Member), Mr. M. L. Asgar-Deen, P. Eng. (Acting Member) and Mr. M. W. Edwards (Acting Member).

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<sup>1</sup> Decision 2005-029 – AltaGas Utilities Inc. 2003/2004 General Rate Application Phase II (Application 1359952) (Released: April 12, 2005)

<sup>2</sup> Order U2005-341 – AltaGas Utilities Inc. 2003/2004 General Rate Application(GRA) Deficiency Rider and Disposition of Residual Revenue Excesses and Gains from the 2000/2001/2002 GRA (Application 1413073) (Released: August 24, 2005)

<sup>3</sup> Order U2006-41 – AltaGas Utilities Inc. Interim Refundable Rates and 2005 Deficiency Rider Application (Application 1436060) (Released: February 21, 2006)

The Board considers that the record for the Application closed on July 24, 2007, with receipt of all reply arguments. Parties that participated in the proceeding are listed in [Appendix 1](#).

## 2 BACKGROUND

AUI's 2003/2004 GRA Phase II (Application No. 1359952) was approved by the Board effective May 1, 2005, in Decision 2005-029. The Decision also included a direction requiring AUI to submit a compliance filing to update its Terms and Conditions of Service. The Board approved that compliance filing (Application No. 1399882) in Order U2005-211, dated June 1, 2005. AUI's application (No. 1413073) for approval to set a deficiency rider to collect the net 2003/2004 revenue deficiency and eliminate of the residual balance remaining from the disposition of residual revenue excesses and other gains from its 2000/2001/2002 GRA was approved by the Board in Order U2005-341.

In Decision [2005-127](#)<sup>4</sup> on AUI's 2005/2006 GRA Phase I (Application No. 1378000) dated November 29, 2005, the Board directed AUI to submit a re-filing. In Decision [2006-034](#),<sup>5</sup> dated April 4, 2006, the Board approved AUI's 2005 and 2006 forecasts as re-filed in Application No. 1436063. In Order U2006-41, the Board also approved AUI's application (No. 1436060) to set a 2005 deficiency rider and 2006 interim refundable rates.

In Application No. 1426643, AUI sought approval of a \$30 million debenture issue for 2005. In Decision [2006-049](#),<sup>6</sup> dated May 24, 2006, the Board approved the debenture issue and an embedded cost of 5.44%, which replaced the 6.70% placeholder used in the 2005/2006 Phase I GRA.

A second compliance filing (No.1474463) for the Phase I portion of its 2005/2006 GRA was necessary to:

1. Replace fixed capitalized overhead amounts that should not have been removed in the first compliance filing,
2. Incorporate a correction to the Large Corporations Tax,
3. Update revenues to reflect the interim rates approved in Order U2006-41, and
4. Update debt costs based on Decision 2006-049.

The Board approved AUI's second compliance filing in Decision [2006-117](#),<sup>7</sup> dated November 21, 2006. AUI's revenue requirements, net of gas costs, were set at \$32.971 million for 2005 and \$33.100 million for 2006, which, with existing rates, resulted in before tax revenue deficiencies of \$3.326 million for 2005 and \$0.341 million for 2006.

---

<sup>4</sup> Decision 2005-127 – AltaGas Utilities Inc. 2005/2006 General Rate Application – Phase I (Application 1378000) (Released: November 29, 2005)

<sup>5</sup> Decision 2006-034 – AltaGas Utilities Inc. 2005/2006 General Rate Application – Phase I Compliance Filing (Application 1436063) (Released: April 4, 2006)

<sup>6</sup> On July 31, 2007, the Board denied AUI's October 31, 2006 application for Review and Variance of Decision 2006-049. AUI's application for leave to appeal that decision to the Alberta Court of Appeal remains outstanding.

<sup>7</sup> Decision 2006-117 – AltaGas Utilities Inc. 2005/2006 General Rate Application Phase I Second Compliance Filing (Application 1474463) (Released: November 21, 2006) (Errata Released: November 22, 2006)

AUI determined that total revenue for a full year at interim rates would result in a revenue excess of approximately \$0.312 million<sup>8</sup> and that total revenue for a full year at proposed rates would result in a revenue excess of approximately \$1.3 thousand.<sup>9</sup>

### 3 ISSUES

The Board has reviewed the Evidence, Argument and Reply Argument and considers the main issues to be dealt with in the Decision are as follows:

1. COSA
  - a. Life Cycle of a COSA
  - b. Classification and Allocation of Meters and Services Costs
  - c. Determination of Demand Allocation Factors – Peak Demand for Rates 1/11, 2/12, and 3/13
  - d. Diversity
  - e. Analysis of Irrigation Demand and Load (Rate 4/14)
  - f. Classification and Allocation of Distribution Mains Diameter-Length Methodology for Distribution Mains
  - g. Allocation of Customer Care and Billing
2. Rate Design
  - a. Distribution Rates
    - i. Rate 1/11 - Small General Service –Homogeneity of Rate Class 1/11; and AUMA/UCA Proposals for the Division of Rate 1/11 Customers into Separate Classes
    - ii. Rate 2/12 - Large General Service
    - iii. Rate 3/13 - Demand/Commodity General Service
    - iv. Rate 4/14 - Irrigation Pumping Service
  - b. Rate Riders
    - i. 2006 Deficiency Rider
    - ii. Third Party Transportation Cost Recovery
  - c. Revenue to Cost Ratios
  - d. Rate Shock
3. Gas Distribution Tariff
  - a. Retailer Distribution Service Regulations and Contracts

In reaching the determinations contained within this Decision, the Board has considered 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 Board's reasoning relating to a particular matter and should not be taken as an indication that the Board did not consider other relevant portions of the record with respect to that matter.

---

<sup>8</sup> Response to information request (IR) BR-AUI-1(a)

<sup>9</sup> Response to IR BR-AUI-1(b)

## 4 COST OF SERVICE ANALYSIS (COSA)

AUI stated that its COSA was predominantly based on principles approved by the Board in Decision 2005-029 and prior decisions to ensure consistency and predictability. However, AUI made certain refinements to the COSA that included:

- An update to the Diameter-Length method for the classification of distribution mains, as a result of using data from the Geographic Information System (GIS). This change classifies a *smaller* component of mains as customer, compared to what the Board approved in Decision 2005-029.
- An improvement to the allocation of meter reading costs. The method used in the 2003/2004 Phase 2 GRA relied on a site-based allocator weighted for the average per-meter rate of contractor meter reads. In the current COSA, capital and operating expenses are allocated based on detailed allocation and direct assignment of un-bundled meter reading expenses.<sup>10</sup>
- A change to the allocator for customer-related distribution mains, from site months to sites alone. This reflects the rationale that the number of times that a site is billed has no bearing on mains costs.

A number of specific aspects of the COSA were at issue in this proceeding and they are presented along with the Board's determinations and directions in the following sections.

### 4.1 Life Cycle of a COSA

In response to AUI-AUMA/UCA 3(a) AUMA/UCA stated:

It has been the experience of the AUMA/UCA consulting team that well reasoned costing methodologies have a five to eight year life cycle before an evaluation review is required. In many cases, this review has indicated that a well devised costing methodology can continue over a period of one or two reviews before a full evaluation of cost drivers, demand units, diversity and load factors cause a need for full re-evaluation and recommendations for change. The development of well defined costing methodologies and principles dramatically reduces the time and effort required to conduct a Phase II proceeding over an extended period of time. These savings under the Alberta regulatory paradigm will be inured to the benefit of rate payers.

AUI submitted that AUMA/UCA's proposed multi-process assessment of AUI's COSA is an overly burdensome regulatory process instead of a more standard one-step compliance filing. Well-defined costing principles, rather than having a finite life should determine the appropriateness of a COSA and related results. AUI was of the view that it is essential to be pragmatic when developing the COSA and suggested that "if it isn't broken, don't fix it".

AUMA/UCA submitted there are several problematic areas of the COSA. These include the determination of all class demands (Coincident Peak or CP and Non-Coincident Peak or NCP), removal of load serving cost from the customer component of mains, classification and allocation of services, recognition of the need for homogeneity, and recognition of intra and inter class diversity in line with utilized design criteria.

---

<sup>10</sup> Exhibit 002-01 Application, COSA, Table 16



#### **4.1.1 Views of the Board**

The Board considers that a well-defined COSA based on cost causation principles is central to providing appropriate price signals to customers and to assuring each rate class that it is paying its fair share of a utility's revenue requirement.

The Board agrees with CCA's submission that approval of a COSA allocation method must be based on the evidence filed at a particular time. Because there is no limitation on the Board or parties to scrutinize the underlying fundamentals of an existing COSA and related results, allocation checks can be performed at the time of a Phase II proceeding and appropriate determinations with respect to the need for a new COSA study can be made.

If it is found in any Phase II proceeding that the existing COSA does not fairly reflect current cost causation principles, then conducting another COSA would be warranted. In the absence of such concerns, the continued use of the existing COSA would be appropriate. In this kind of check and rebalance framework, it is possible that the results of a particular COSA could endure for many years if its fundamentals continue to remain appropriate. In such a situation, conducting a COSA simply because a pre-determined time had expired would be inefficient and wasteful.

Accordingly, the Board finds that it is not necessary to set a finite period of time for conducting a COSA.

### **4.2 Classification and Allocation of Meters and Services Costs**

#### **4.2.1 Meters Cost Allocation**

AUI explained that the COSA allocates meters costs on the basis of sites weighted by the Reproduction Cost New (RCN) meter cost of an average site in each rate class. Direction 6 in Decision 2005-029 required AUI to review the appropriateness of a minimum system study for meters within Rate Class 1/11 (Small General Service). AUI interpreted the Board's direction to mean that it should review the appropriateness of classifying some proportion of meters costs as energy related (as determined by a minimum system study), only after those costs are allocated to Rate Class 1/11. The results of AUI's minimum system study indicated that the unit cost could be reduced by 2.7¢ per site per day. The COSA reports a 10¢ per site per day unit cost for meters allocated to Rate Class 1/11. However, the COSA indicates that the total fixed customer cost of Rate Class 1/11 is 90¢ per site per day which is higher than the proposed rate of 59.2¢ per site per day.

AUI submitted that reducing the unit cost in the COSA by 2.7¢ would make no difference to the rate charged to Rate Class 1/11, and therefore, there was no benefit to classifying some meters costs as energy related.

CCA concurred with AUI that no further action was presently required with respect to the classification of meters and services cost within Rate 1/11. However, CCA considered that the 10% handling cost or overhead charge used by AUI to arrive at the RCN of meters lacked support. CCA recommended that the Board direct AUI to address in its next GRA the adequacy of the 10% overhead rate used to calculate RCN for meters. AUI argued that for the purpose of cost allocation, it is only important that all meters RCN estimates consistently include or exclude

the 10% overhead rate. AUI explained that, mathematically, the cost allocation results are identical whether or not the 10% overhead is applied.<sup>11</sup>

AUMA/UCA filed evidence to support its position that the weighted customer methodology is more reflective of the cost of metering for various sized customers than other methods, including the minimum plant method.<sup>12</sup> However, AUMA/UCA was prepared to accept the weighted meter method as a proxy for the weighted customer method in this proceeding provided Rate 1/11 was split into two sub-classes as recommended by AUMA/UCA. (Further discussion on Rate 1/11 homogeneity is included in section 5.2.1).

PICA did not object to the use of the sites weighted by meters RCN allocator in this proceeding, provided the Board moderated rate impacts to Rate Classes 2/12 and 3/13.

#### **4.2.1.1 Views of the Board**

The Board finds that AUI has met the Board's Direction 6 in Decision 2005-029 with respect to the appropriateness of a minimum system study for meters within Rate Class 1/11 (Small General Service). The Board accepts AUI's explanation that reducing the unit cost in the COSA by 2.7¢ would make no difference to the rate charged to Rate Class 1/11 and find that no changes are necessary.

The Board agrees with AUI that a 10% overhead charge would have no allocative impact on the results of the COSA. Given the above conclusion, the Board considers any specific concern that CCA had regarding Direction 6 is no longer applicable.

The Board approves AUI's applied for method of allocation of meters costs for the following reasons:

- changes to the COSA would have no impact to the resulting rates;
- CCA and PICA did not object to the proposal; and
- AUMA/UCA's agreement that meters was a suitable proxy for their preferred method.

Consistent with the Board's findings in Section 5.2.2.1, the onus is on AUI to support its rate class structures by a rigorous COSA. However, if any party proposes alternative rates, it is also incumbent on that party to provide equally rigorous support for its proposal. Although both AUMA/UCA and PICA have provided only conditional support for the RCN meter cost method, the Board finds that neither has provided a substantive enough case to support a change. Given the cost to review the methods, and the Board's finding that AUI has complied with the direction in Decision 2005-029, the Board considers that further analysis with respect to the classification and allocation of meters cost is not warranted at this time.

#### **4.2.2 Meters Installation and Regulator Costs**

AUI indicated that it does not record meters and installation costs by meter type<sup>13</sup> and hence, an accurate estimate of RCN regulator and installation costs for each meter type cannot be determined. AUI also explained that a sample of meters and regulator costs cannot be provided

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<sup>11</sup> AUI Reply Argument, page 9

<sup>12</sup> Exhibit 010-03-01, page 11

<sup>13</sup> Transcript, Volume 1, page 22

without a change in the manner in which work orders are recorded.<sup>14</sup> AUI claimed that, given that the installation and regulator costs are not available or recorded by meter type, or otherwise estimated with reasonable accuracy, the RCN of the meters alone is a reasonable and prudent approach, as it was approved by the Board in Decision 2005-029. AUI was uncertain whether the cost of adding this level of detail would result in any benefit, but offered to provide a cost/benefit analysis to assess required changes to the work order system to accommodate the tracking of regulator and installation costs for the next Phase II application.

Both PICA and CCA submitted that the Board should direct AUI to track meters installation and regulator costs for the next Phase II.

#### **4.2.2.1 Views of the Board**

The Board agrees that the availability of information on meters installation and regulator costs would enable a more precise allocation of meters costs. However, the Board recognizes that, because the Phase II cost allocation process is not an exact science, more precision may not necessarily result in a net benefit if the cost to track and record the additional information is excessive. Therefore, before a more detailed allocation method can be adopted, it would be prudent to review the results of a cost/benefit analysis that AUI has offered to provide to determine whether the cost and effort required for tracking and recording meters installation and regulator costs can be justified.

Accordingly, the Board directs AUI, in its next Phase II GRA, to provide a cost/benefit analysis that would allow the Board to determine whether the cost and effort associated with changes to the work order system to accommodate the tracking of meters installation and regulator costs are reasonable expenditures to incur for purposes of improving the precision of the existing meters cost allocation method.

#### **4.2.3 Services**

AUI allocates services costs on the basis of sites weighted by the RCN meter cost of an average site in each rate class. The RCN of the meters is used as a proxy for the demand component of services. This is also consistent with the treatment approved in Decision 2005-029 and prior decisions.

AUI submitted that the RCN meter cost method was reasonable because there is some demand component to each service, and it is reasonable to accept that variations in demands are reflected in the RCN weighting factor. In response to an undertaking,<sup>15</sup> AUI contended that conducting a feasibility study to determine the average reproduction cost of a service line by rate class would be extremely time consuming and estimated the cost of such a study to be approximately \$450,000. AUI was of the view that such a study would not yield a practical solution to improving cost allocation when other viable alternatives exist.

AUI suggested that one such alternative was the Diameter-Length calculation, which assigns demand and site-related costs on the rationale that peak demand drives services costs. Although AUI had concerns with this approach,<sup>16</sup> it agreed that the Diameter-Length method warranted further review. AUI indicated that it would be agreeable to including in its next Phase I GRA a

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<sup>14</sup> Transcript, Volume 1, page 25

<sup>15</sup> Exhibit 011-04(b), Feasibility Study

<sup>16</sup> Exhibit 002-19, PICA-AUI-4(a)

full cost/benefit analysis of using the Diameter-Length method for the allocation of services. It would also include a review of other reasonable alternatives.

PICA considered that the weighting of services costs by meters costs is not appropriate because there is no relationship between the average cost of meters and average cost of services. However, PICA did not object to AUI's proposed allocation of services costs for purposes of this proceeding, because the method is consistent with that used in prior proceedings. PICA's support was conditional on the assumption that the use of the RCN meter cost allocation method would be considered an interim measure for this proceeding pending completion of a services cost study as part of the next GRA.

PICA also submitted that AUI should be directed to address other methods of classifying and/or allocating services costs to reflect the cost drivers as part of its next Phase II GRA. Among the methods to be reviewed, PICA submitted AUI should be directed to investigate use of the average replacement cost of services by rate class for services cost allocations.

ASBG/PGA submitted that, because the costs of services lines are effectively leveled by AUI's contribution policy, use of a site allocator is a more appropriate method for the allocation of services costs and should be used in AUI's compliance filing. AUI noted that under this method approximately \$625,000 of costs would be transferred from Rate Classes 2/12(Large General Service-Optional), 3/13(Demand/Commodity General Service-Optional), and 4/14(Irrigation Pumping Service-Optional) to Rate Class 1/11(Small General Service) and that this proposal is not appropriate as cost causation for services likely results from both customer and demand related costs.

AUMA/UCA noted that AUI has used the RCN meters costs as a proxy to allocate services costs to customer classes. However, AUMA/UCA provided data<sup>17</sup> to support its position that the cost of services varies significantly over Rate 1/11 and as a result small Rate 1/11 customers inappropriately subsidize larger Rate 1/11 customers. AUMA/UCA proposed to split the rate classes to reflect increased homogeneity as discussed later in this Decision.

AUI argued that its contribution policy and rate design compensate for any differences in meters' RCN estimates and the variability between small and large Rate 1/11 customers. AUI demonstrated that, all else being equal, a higher cost site will pay 100% of the incremental cost directly through a contribution.<sup>18</sup> AUI stated that its contribution policy is intended for exactly this purpose, i.e., the incremental costs associated with the more expensive sites are recovered directly from the sites that cause these costs. AUI also observed that larger Rate Class 1/11 customers subsidize the smaller Rate Class 1/11 customers by way of the base energy charge, which recovers the portion of customer costs not recovered through the fixed charge. The result is that intra-class subsidization is mitigated and from a practical perspective, AUI proposed no change to the allocator.

However, AUI also stated that the RCN cost information does not exist for services<sup>19</sup> and embedded cost information could never exist because a customer's contribution dollars are not assigned to specific infrastructure.<sup>20</sup>

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<sup>17</sup> AUMA/UCA-AUI-27

<sup>18</sup> Exhibit 002-26, page 7 of Chymko Consulting Rebuttal Evidence

<sup>19</sup> Exhibit 002-20, AUMA/UCA-PICA-4(d); Transcript Volume 1, pages 25-27; Exhibit 011-04(b)

AUMA/UCA opposed this mixing of cost and revenue information in the cost of service analysis stating that is contrary to the principle that the COSA should be done with as much precision as possible and then do any mitigation through rate design. AUMA/UCA further noted that contributions are pooled and allocated on the same basis as gross plant in service in the COSA and that there is no direct connection between the contribution policy, tariffs and the cost of service study.

AUMA/UCA recommended that, until AUI can meaningfully analyze the relative services costs for the proposed two new rate classes in its next GRA, it should utilize the meters proxy data for purposes of this Phase II. This would result in larger Rate 1/11 services being priced at 4.5 times the cost incurred by those customers using under 200 GJ per year,<sup>21</sup> which they claimed would be a more appropriate cost assignment. AUMA/UCA submitted that AUI did not provide any support for the \$450,000 estimate to determine average RCN cost of services lines by rate class and suggested that it may not be necessary to go back and conduct a “service by service” review to establish a weighted site or weighted customer allocator for services lines.

In Argument, AUMA/UCA reiterated its position<sup>22</sup> that AUI should be directed to review all available information, including that used for contribution purposes and that used for GRA forecasting purposes, to determine whether a reasonable proxy for the RCN of services lines can be developed, the cost to carry out such a study and report the results to the Board at the time of its next Phase I.

#### **4.2.3.1 Views of the Board**

The Board notes that there appears to be an inconsistency between AUI’s position that contributions mitigate differing costs of services and the absence of a direct recognition of contributions in the cost of service study.

Although the matter of splitting Rate Class 1/11 (Small General Service) is addressed later in this Decision, the Board does not find a clearly superior alternative to the previously approved method of allocating services costs on the basis of sites weighted by the RCN meter cost of an average site in each rate class. Therefore, the Board approves the use of this current method for this GRA Phase II application.

However, the Board considers that there is merit in investigating other feasible alternatives. The Board notes that AUI has offered to provide in its next Phase I GRA a full cost/benefit analysis of using the Diameter-Length method for the allocation of services together with a review of other reasonable alternatives. Accordingly, the Board directs AUI, in the next Phase I GRA, to include a full cost/benefit analysis of using the Diameter-Length method and the results of its review of other reasonable alternatives for the allocation of services cost. AUI’s review should also examine the feasibility of tracking contributions more closely to the costs they are intended to offset rather than a general allocation based on multiple factors.

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<sup>20</sup> Transcript, Volume 2, pages 177-178

<sup>21</sup> Exhibit 010-03-01, page 14

<sup>22</sup> Exhibit 010-03-01, page 14

### **4.3 Determination of Demand Allocation Factors –Peak Demand for Rates 1/11, 2/12, and 3/13**

In Decision 2005-029, the Board directed AUI to use the system design temperature of minus 40 degrees Celsius (-40° C) to calculate Coincident Peak (CP) and Non-Coincident Peak (NCP) for Rate Classes 1/11(Small General Service) and 2/12(Large General Service-Optional), instead of normalized weather. At that time, the use of -40° C was determined as appropriate to align with AUI's design criterion.

Consistent with previous approvals, in the COSA, AUI used the CP calculation to allocate transmission system costs and included peak demand at -40° C for Rate Classes 1/11 and 2/12, and the sum of billing demands for Rate Class 3/13 (Demand/Commodity General Service-Optional). However, AUI excluded Rate Class 4/14 (Irrigation Pumping Service-Optional) because Rate Class 4/14 had an insignificant effect on total transmission system costs.<sup>23</sup> AUI used the NCP calculation to allocate distribution system costs and included peak demand estimates for all rate classes.

#### **4.3.1 Peak Demand for Rate Classes 1/11 and 2/12**

To calculate CP and NCP for Rate Classes 1/11(Small General Service) and 2/12(Large General Service-Optional), AUI relied on its forecasting model as approved in the 2005/2006 Phase I GRA (Decision 2006-117).

PICA agreed that AUI's peak demand measures for Rates 1/11 and 2/12 reflected the aggregate demands by class, by day, at the design temperature and are, therefore, a reasonable proxy for the class NCP demands.

ASBG/PGA found AUI's use of -40° C to determine the peak demand a significant improvement over the forecasts in the prior GRA where, in ASBG/PGA's view, inappropriate averaging of data masked the peak demands of temperature sensitive customers. ASBG/PGA therefore submitted that AUI had complied with Board Direction 6 from Decision 2005-029 and that the Rates 1/11 and 2/12 peak demand determinations were not overstated and should be approved for this proceeding.

AUMA/UCA questioned the need for and the validity of the district by district forecast by showing the results to be unrealistic<sup>24</sup>. AUMA/UCA specifically questioned the results which showed that a zero heating degree-day produced negative load for one commercial district.

##### **4.3.1.1 Views of the Board**

The Board notes that the model was designed to reflect the Board directed -40° C peak and the Board would not necessarily expect it to be rigorous enough to provide accurate results using values that are outside of the relevant data set for predicting heating loads. Consequently, the Board directs AUI, at its next Phase II GRA, to analyze and report on the need for a region specific calculation given the uniform -40° C and revise the model calculations to be able to account for low or no heating load.

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<sup>23</sup> Decision 2005-029, Section 6.1

<sup>24</sup> Exhibit 010-03-01 AUMA/UCA Evidence, page 17, line 23 to page 18, line 22

The Board notes that Municipal and Gas Co-Op Intervenors (MGCI) submitted the peak demands for Rates 1/11(Small General Service) and 2/12(Large General Service-Optional), are overstated by at least 7% because those rate classes are composed of temperature-sensitive loads for which AUI's model of forecasting (a simple linear model) did not adequately explain the demand behavior and suggested that the best assumption is that maximum demand occurs at the (lowest) design temperature specified in the building code. AUI argued that the position of MGCI was based upon untested evidence on which the Board should place no weight.

The Board agrees with AUI that because MGCI's proposal was submitted through cross examination and in Argument and not as evidence during the proceeding, parties have not had the opportunity to test the proposal. Therefore, the Board does not accept MGCI's submission that the temperatures specified in the building code should be used by AUI.

The Board notes that CCA recommended that the Board should direct AUI to provide, at its next GRA, a detailed cost/benefit analysis of an assessment of the hourly/daily loads of each customer class, based on a number of sampled pressure regulating stations, to determine the appropriate demand related costs of the transmission system. Further, CCA advocated that such analysis of customer usage patterns during the year would properly capture the peak loads of all customer classes, provide a more appropriate measurement of the use of the various parts of AUI's system, and thus be more reflective of cost causation. The Board notes that AUI was not opposed to providing a cost/benefit analysis for what would be required to research customer load, but stated that CCA's request would not provide the customer level detail required for customer load analysis.

Given that the change to using -40° C has been implemented in response to direction from the Board in 2005-029 for this current COSA, the Board does not agree that further analysis of changes to methods is warranted at this time. The Board considers that additional experience, demonstrating how the current method affects cost allocation over time is necessary before any changes should be considered.

In conclusion, the Board finds that that AUI has satisfactorily complied with Direction 4 in Decision 2005-029 to revise the weather normalization method in its COSA to reflect AUI's design criterion of -40° C. The Board agrees with AUI that no party presented a compelling reason to reject the -40° C direction of the Board. Further, the Board accepts that the weather-sensitive nature of Rate Classes 1/11 and 2/12 means that the individual classes will peak at the same time that the system peaks and it is appropriate to have Class Non Coincident Peak (NCP) that equals the (CP) and is used in the COSA.

#### **4.3.2 Peak Demand for Rate Class 3/13**

AUI submitted that, in determining peak demand for Rate Class 3/13(Demand/Commodity General Service-Optional), using total billing demand for each Rate Class 3/13 customer is appropriate because the sum of the billing demand represents the capacity that Rate Class 3/13 customers have contractually reserved on the system. It stated that there should be no concern with respect to Rate Class 3/13 customers exceeding contract demand, as billing demand is adjusted upward if contract demand is exceeded.

MGCI noted that, since AUI is obligated to provide the contract demand to a Rate 3/13 customer at all temperatures, Rate 3/13 peak demands appropriately reflect the design temperature. PICA

also agreed with AUI's proposed demand allocation factors based on the sum of Rate 3/13 customers' contract demands.

AUMA/UCA submitted that AUI did not demonstrate that Rate 3/13 contract demands are established using -40° C, so there is a mismatch in the determination of the Rates 1/11 (Small General Service) and 2/12 (Large General Service-Optional) demands as compared to Rate 3/13, resulting in a subsidy to Rate 3/13 by Rates 1/11 and 2/12. AUMA/UCA claimed that, even if the customer pays for exceeding the contract demand, the demand for cost of service purposes remains based on contract demand. AUI responded that, calculating peak demand using the sum of contract/billing demands reflects the design capacity reserved for Rate Class 3/13 customers, regardless of the temperature or other factors that might affect total system demand. AUI maintained that the issue of whether or not Rate Class 3/13 is temperature sensitive is irrelevant because billing capacity used for determining peak demand reflects the maximum the customer can take and AUI has the right to curtail deliveries if necessary.

#### **4.3.2.1 Views of the Board**

The Board agrees with AUI's allocation because the sum of billing demand represents the greater of the system design capacity reserved for the Rate Class 3/13(Demand/Commodity General Service-Optional) customers or the capacity used by the Rate Class 3/13 customers. It is therefore the most appropriate measure of Rate Class 3/13 demand at the system's designed -40° C peak capacity. Accordingly, the Board approves AUI's Rate Class 3/13 demand as filed in the COSA.

#### **4.4 Diversity**

AUI explained that diversity means the different times or different ways customers or classes use the system. AUI submitted that the direction in Decision 2005-029 to use -40° C as the temperature at which to calculate CP demand for Rate Classes 1/11(Small General Service) and 2/12(Large General Service-Optional) reflects diversity in the sense that, even at -40° C, not all customers in Rate Classes 1/11 and 2/12 will necessarily be peaking; although both rate classes will be peaking. AUI's forecasting model inherently reflects diversity of individual sites and diversity present in the customer base because, in forecasting the average usage per customer, reference is made to actual historic normalized customer usage by district by customer segment. In fact, each district has a different customer usage per degree day and base load, and this is taken into account in the overall forecast. Diversity that is caused by varying temperatures is not relevant because the premise of this exercise, as required by Board Decision 2005-029, was to assume that all sites experience the same -40° C condition.<sup>25</sup>

ASBG/PGA noted that AUI sized and constructed its facilities on the basis of forecast demands of customer loads and sized upstream segments beyond the customer meters to accommodate the aggregate demand profiles of many customers, which took into account differences in the demand profiles of many customers and customer classes. ASBG/PGA therefore agreed that AUI recognized diversity in customer demands.

PICA submitted that the peak demand measures calculated by AUI can be expected to reflect the average diversity between individual site-level peak demands and class demand at the mains level and the transmission level.

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<sup>25</sup> Exhibit 002-26, Rebuttal Evidence, page16



Based on American Gas Association (AGA) definitions<sup>26</sup> AUMA/UCA submitted in Argument that when a NCP demand and a CP demand are of the same value, there is no diversity. It clarified that there are, within the definitions, two NCP demands, the individual Customer NCP demand and the Class NCP demand. The Customer NCP demand is the sum of the maximum demands the individual customers place on the system regardless of time. The Class NCP demand is the diversified maximum class demand for a twenty four hour period beginning at 8:00 AM, the start of the gas day (in Alberta). The Class CP demand is the demand that the class contributes to the system coincident peak. AUMA/UCA further claimed that, because AUI incorporates diversity in the design criteria for mains the same inter-class diversity must be recognized in the allocation of mains costs classified as demand related in order to provide symmetry between design criteria and the cost allocator, Class NCP.<sup>27</sup>

#### 4.4.1 Views of the Board

The Board disagrees with AUMA/UCA's position that there is no diversity reflected within the class when the Class CP and Class NCP demands are the same as used in the COSA. As AUMA/UCA explained, the Class NCP demand is the diversified maximum class demand for a twenty four hour period which does reflect the diversity between customers within the class. This is consistent with the incorporation of diversity in the design criteria. This conclusion is further supported as reasonable by AUI's explanation noting that the January 2006 aggregated Rate Class 1/11 (Small General Service) load factor is 54%. Rate Class 1/11 is comprised of 61,947 sites that, by and large, consume natural gas independent of other sites in the rate class. Each site makes its own decisions as to how much to consume and when to consume, so if one could add up the peak daily demand of all of these sites, AUI expected that the customer NCP would be considerably larger. Thus, the rate class load factor would be considerably lower if diversity was not reflected in AUI's measure of Class CP. In reality, the January 2006 Rate Class 1/11 load factor is actually higher than 54% because it is based on an extreme peak (i.e. -40° C) and average daily weather normalized load.<sup>28</sup>

The Board agrees with AUI's explanation that both Rate Classes 1/11 and 2/12(Large General Service-Optional) customers are temperature-sensitive. Therefore, significant diversity between these rate classes does not exist. Both rate classes will peak at -40° C. The NCP demand is the peak of the class without reference to the system peak. However, for temperature-sensitive rate classes such as Rate Classes 1/11 and 2/12, where these customers make up the majority of total system customers, the class demand at the system peak (CP) and the class peak without reference to the system peak (NCP) will be the same.

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<sup>26</sup> Diversity: A characteristic of the variety of gas loads whereby individual maximum demands usually occur at different times. Therefore, the maximum coincident load of a group or individual loads is less than the sum of the individual maximum loads. Diversity among customer's loads results in a diversity among the loads of the distribution mains and regulators as well as between entire systems.

Load Diversity: The difference between the sum of the peaks of two or more individual loads and the peak of the combined load.

For example of the Class CP is 90 and the Class NCP was 100 the class is 10% diversified or 90% coincident.

<sup>27</sup> AUMA/UCA Argument, pages 10-11

<sup>28</sup> Exhibit 002-26, Rebuttal Evidence, page 16

In conclusion, the Board approves AUI's CP and NCP calculations set out in the COSA as they appropriately reflect diversity, are consistent with the design criteria, and are used correctly in the COSA.

#### **4.5 Analysis of Irrigation Demand and Load (Rate 4/14)**

In Direction 5 in Decision 2005-029, the Board directed AUI to review the method of calculating Rate Class 4/14 (Irrigation Pumping Service-Optional) peak demand.

In response to this direction, Chymko Consulting Ltd. conducted what AUI considered to be a practical review by doubling the average demand of Rate Class 4/14 in the COSA to determine the impact that such a dramatic change would have on the allocation of costs among rate classes. The result of that particular study indicated that an additional \$72,000 would need to be allocated to Rate Class 4/14,<sup>29</sup> if there was a 100% change in the demand allocator for that rate class. AUI considered the additional \$72,000 that would be allocated to Rate Class 4/14 would not provide a material benefit to the other rate classes. As a result, AUI decided that further study was not necessary and did not conduct any further analysis.

AUI proposed to continue its use of a simplifying assumption that 1/31 of the volumetric consumption is consumed each day of the month for calculation of Rate Class 4/14 peak demand.

ASBG/PGA supported the simplifying assumption but suggested that, based on five years of actual consumption data, the peak demand should be 1,230 GJ rather than 1,467 GJ. It also proposed that, for the next Phase II application, AUI investigate whether it may be appropriate to direct assign costs to the irrigation rate class as this type of special rate may encourage irrigators to continue to use natural gas service.

PICA argued that, since summer peaks in the Southeast district do occur, Rate Class 4/14 should bear a portion of transmission costs but did not take issue with the simplifying assumption used by AUI to calculate Rate Class 4/14 peak demand. AUI maintained the position that the costs Rate Class 4/14 customers contribute to the total transmission system are not material. Rate Class 4/14 sites are almost exclusively located in a relatively small geographic area in the Southeast district, and simply calculating a transmission demand allocation factor for Rate Class 4/14 is inappropriate because it would likely over-allocate a share of transmission costs attributable to all other parts of AUI's service area.

AUMA/UCA noted that the design criteria for service to irrigation customers is connected load, which is the sum of the maximum demands each irrigation site could impose on the AUI transmission and distribution system. AUMA/UCA proposed calculating a demand based upon connected load, the design criteria and volumes, and known and measurable quantities.<sup>30</sup> This analysis resulted in a recommended demand of 5,868 GJ<sup>31</sup> being used for COSA purposes compared to the applied for 1,467 GJ. This demand is derived from the analyses of connected load, resulting load factors and hours of use. It also recommended that the results of the COSA be capped under the Board's maximum 10% rate increase guideline until further research can be carried out.<sup>32</sup> AUMA/UCA further recommended that AUI research the operation of the

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<sup>29</sup> Exhibit 002-01, Application, COSA, page 32

<sup>30</sup> Exhibit 010-03-02 Evidence of AUMA/UCA Attachment 4 and 4A

<sup>31</sup> AUMA/UCA Evidence, page 22, line 4

<sup>32</sup> Transcript, Volume 3, page 397

irrigation connected load and develop a demand which it submitted would be more representative of operational reality.

#### **4.5.1 Views of the Board**

The Board agrees with AUI that, in this circumstance, it is not appropriate to use average consumption data because that would disregard the fact that Rate Class 4/14 (Irrigation Pumping Service-Optional) has the potential to peak at higher rates depending upon climatic conditions.

The Board also supports AUI's view that to develop a preferential rate designed to subsidize the irrigation customers would be contrary to the approved methods of cost allocation. AUI stated that the original purpose of Rate Class 4/14 was to provide a seasonal rate that reflects cost causation, particularly given the fact that Rate Class 4/14 does not cause any material costs on the overall transmission system.

The Board approved the exclusion of Rate Class 4/14 from the allocation of transmission system costs in Decision 2005-029 and agrees with AUI that this treatment remains appropriate because Rate Class 4/14 customers do not cause any material costs to the overall transmission system and there was no specific proposal tested during the hearing for allocation of transmission costs to Rate Class 4/14.

The demand level recommended by AUMA/UCA was not calculated based on the calculations attached to its Evidence but simply four times the level proposed by AUI. The Board does not find this a rigorous enough alternative calculation to change from the status quo. The Board also rejects AUMA/UCA's recommendation that AUI be directed to do further load research related to Rate Class 4/14.

The Board acknowledges that irrigation load will vary based on numerous factors such as temperature, precipitation, climatic region, crop type, and world agriculture prices.<sup>33</sup> In addition the success of any survey would depend on the willingness and ability of survey participants to provide comprehensive and accurate detail. However, AUI does not have meters necessary to record this type of load data and does not possess this type of load research.<sup>34</sup>

Further, if the Board imposed a 10% rate cap on all classes, the proposal by AUMA/UCA to use a higher demand level would be severely mitigated and not be a significantly better method than that proposed by AUI.

Given that the only data available is monthly consumption based on billing data and, in order to gather this type of load data, AUI would require further capital expenditures, the Board agrees that the time and cost of further research with possibly unreliable data mitigates conducting further work.

The Board finds that AUI has complied with Direction 5 of Decision 2005-029 and approves the proposed method of calculating irrigation peak demand, as was approved in Decision 2005-029, and continues to be a practical solution in light of the data constraints. The resulting peak demand level of 1,467 GJ is approved for use in the COSA.

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<sup>33</sup> Exhibit 002-01, Application, COSA, page 31

<sup>34</sup> Exhibit 002-01, Application, COSA, page 31

#### 4.6 Classification and Allocation of Diameter-Length Method for Distribution Mains

AUI submitted that the Diameter-Length method used for the classification of distribution system mains costs is the same method used by ATCO Gas (Minimum Plant OD Method) which was approved by the Board in Decision 2007-026. AUI noted that the customer-related component of mains costs approved for ATCO Gas was 46.1% in the South and 42.1% in the North. Use of the Diameter-Length method by AUI results in a 59% customer component of mains costs. AUI submitted that the difference is due to the geographically dispersed nature of the AUI system.

AUMA/UCA submitted that one of the underlying issues in this proceeding is the inclusion of load serving costs in the portion of mains cost classified as customer related. In AUMA/UCA's view, the literature has clearly indicated that customer costs should not reflect the cost of serving load:

Bonbright states that the customer component of cost should reflect those costs driven by the number of customers **regardless or almost regardless of consumption (emphasis added)**

American Gas Association Gas Rate Fundamentals echo's this position when it states that customer costs should reflect **nominal or minimal load conditions (emphasis added)**

Bryant & Herman acknowledged this position in 1940 when they state that customer costs should be determined **independent of his demand or amount of commodity used (emphasis added)**.<sup>35</sup>

AUMA/UCA stated that the purpose of classifying mains cost between customer and demand is to identify the cost caused by customers or the existence thereof and those costs incurred to serve load. AUMA/UCA submitted that the customer component should not reflect or include the cost of serving load and any method which results in 59% of the cost of mains being customer related is immediately suspect. AUMA/UCA contended that AUI's Diameter-Length method inappropriately includes load.

In response to this issue, AUMA/UCA developed an alternative method to classify mains based upon the ratio of the minimum consumption month to the maximum consumption month. While the AUMA/UCA would have preferred to use a zero intercept method, it elected not to revisit the zero intercept issue one more time in this proceeding.<sup>36</sup> Using the minimum/maximum(min/max) month ratio, AUMA/UCA determined that 29% of the cost of mains should be classified as customer related. AUMA/UCA argued that the data in the attachment to Exhibit 011-12<sup>37</sup> clearly demonstrates that minimum system methodologies consistently classify load serving costs as customer costs. In the attachment, on average, 27% of mains cost is classified using the zero intercept as compared to 42% using minimum system methods. AUMA/UCA submitted that its recommendation of classifying 29% of mains cost is well within the range of results shown in the Attachment to Exhibit 011-12 and is fully reflective of the concepts underpinning the zero intercept method. In order to mitigate cost shift and rate impacts, AUMA/UCA recommended that the Board adopt a 29% customer classification in this proceeding and direct AUI to conduct

<sup>35</sup> AUMA/UCA Argument, page 17

<sup>36</sup> AUMA/UCA Evidence A 11 and Transcript, Volume 3, page 395, line 14

<sup>37</sup> AUMA/UCA undertaking to the Board providing methods for the classification of distribution main costs by various utilities.

minimum/maximum day analyses on Rate Classes 1/11 (Small General Service), 2/12 (Large General Service-Optional), and 3/13 (Demand/Commodity General Service-Optional) in future proceedings to develop values which reflect a customer component that serves little or nominal load.

CCA concurred with the use of the minimum/maximum load method proposed by AUMA/UCA. In CCA's view, the minimum/maximum load method attempts to capture the nominal consumption, and effectively excludes the temperature sensitive load serving capability, thereby avoiding the problem of double counting implicit in AUI's Diameter-Length method. CCA submitted that this method theoretically comes closest to deriving the customer component of mains to reflect a basic system that would be needed to serve zero, or close to zero, load. Based on the analyses undertaken by AUMA/UCA, CCA recommended that the Board direct AUI to refile the allocation of the costs of the distribution mains using a ratio of 29%, as opposed to AUI's allocation of 59% based on the number of customers or sites. CCA further submitted that AUI should use cost data in the Diameter-Length calculation.

ASBG/PGA submitted that AUI's proposal for the Diameter-Length method should be accepted for this proceeding. However, ASBG/PGA disagreed with AUI's proposed change to the Diameter-Length method which would use a site allocator instead of the existing site-months allocator. ASBG/PGA noted that the change of this allocator would result in an increase to irrigation service of approximately 6%. ASBG/PGA also disagreed that irrigation customers stay on AUI's system in the winter months, noting that the Rate 4/14 (Irrigation Pumping Service-Optional) Rate Schedule is only available to irrigation customers during the summer pumping season that ends on October 31.

PICA submitted that the zero intercept method is the theoretically appropriate method for determining the customer component distribution mains costs and addresses the concerns raised by AUMA/UCA respecting the Diameter-Length method. However, PICA rejected AUMA/UCA's min/max method as it requires:

- a great deal of judgment in how the analyst determines the appropriate minimum volume if it is approaching zero for any given class, which may result in rate instability in successive rate cases,
- the use of the minimum month to maximum month volume ratio to calculate the customer and demand components of mains costs is not consistent with planning of the system, and
- the method assumes the customer number weighted minimum volumes recorded in 2004 to 2006 are somehow reflective of the cost of the minimum size, or zero volume pipe but there is no evidence to support this theory.

PICA considered that AUI's proposed Diameter-Length method should be accepted having regard to Decision [2007-026](#),<sup>38</sup> for ATCO Gas, wherein the Board appears to have accepted the same method, as a balance, considering the two offsetting concerns with the Diameter-Length method and the current lack of cost data. PICA further submitted that AUI should be directed to address the feasibility of using a zero intercept analysis for the next GRA Phase II. PICA considered that AUI has not supported its proposed allocation of mains general costs. PICA

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<sup>38</sup> Decision 2007-026 – ATCO Gas 2003-2004 General Rate Application Phase II Cost of Service Study Methodology and Rate Design and 2005-2007 General Rate Application Phase II (Application 1475249) (Released: April 26, 2007)

submitted that there is no justifiable reason why mains general should not be classified on the same basis as mains pipe. Accordingly, PICA recommended that AUI be directed to address the classification of mains general in its next Phase II GRA.

#### 4.6.1 Views of the Board

The Board concurs with AUI's use of a site allocator instead of the existing site-months allocator as it more appropriately reflects the distribution infrastructure that is in place to serve load. Although ASBG/PGA suggests irrigation customers should only be allocated costs based on a site-month basis which would take into account the seasonal nature of their service, infrastructure is still required to provide service whether or not these customers consume gas in winter months. The Board therefore rejects ASGA/PGA's site-month allocation proposal and approves AUI's utilization of a site allocator.

In Decision 2007-026, the Board noted that, while both the minimum plant and zero intercept methods are acceptable methodologies, it has in the past identified concerns with each:

The Board acknowledges that both the minimum plant and zero intercept studies are acceptable methodologies that have been used in classification of distribution mains costs. The Board also recognizes that use of the minimum plant method could result in the inclusion of a demand-serving capability in the customer-related portion of distribution mains. On the other hand, evidence presented in rate proceedings in other jurisdictions also indicates the potential for understatement of the customer-related classification where the zero-intercept method is used.<sup>39</sup>

The Board also notes that the zero intercept method could produce statistically unreliable results if the extension of the regression equation beyond the boundaries of the data intercepted the Y axis at a negative value due to some abnormality in the data. The Board also notes that PICA submitted that the determination of the zero intercept was not an exact science and required judgment.<sup>40</sup>

In Decision 2007-026, the Board indicated its acceptance of a minimal plant (Diameter-Length) method:

The minimum plant method has been used by ATCO Gas for many years with respect to mains and the Board is not persuaded that sufficient evidence has been provided in this proceeding to require ATCO Gas to change the classification methodology. This is essentially the same conclusion reached by the Board in Decision 2000-16 where the Board stated:

As pointed out by Calgary, in Decision E84020 the Board allowed CWNG to continue using the minimum plant method, noting the Company's evidence that the minimum plant method produced smoother results over time than the zero intercept method, and was not subject to the same data gathering problems. The minimum plant approach has been used by CWNG for many

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<sup>39</sup> Decision 2000-16 Canadian Western Natural Gas Company Limited 1998 General Rate Application Phase II dated June 13, 2000, at page 21

<sup>40</sup> PICA Reply Argument, page 2, Decision 2007-026 – ATCO Gas 2003-2004 General Rate Application Phase II Cost of Service Study Methodology and Rate Design and Decision 2005-2007 General Rate Application Phase II (Application 1475249)

years, and the Board is not persuaded that sufficient evidence has been provided in this proceeding to require the Company to change the classification methodology.<sup>41</sup>

In Decision 2005-029, the Board stated the following:

The Board considers that the use of distance-diameter method to classify the costs of distribution mains between customer-related costs and demand-related costs is reasonable, and consistent with the approved practice of other distribution utilities.<sup>42</sup>

The Board continues to be of the view that the minimum plant or Diameter-Length method is more appropriate than the zero-intercept method when classifying the costs of distribution mains between customer related costs and demand-related especially given the limited data available, the variability of zero-intercept results, and the potential for understatement of the customer-related classification. Having regard to its prior determinations with respect to the zero-intercept method and the evidence on the record of this proceeding, the Board is not persuaded that there is a need for AUI to conduct a feasibility study of using a zero intercept analysis for the next GRA Phase II as recommended by PICA.

With regards to AUMA/UCA's min/max approach, the Board concurs with AUI that the min/max approach is:

- Weather-sensitive<sup>43</sup> because, as the maximum month changes due to weather, both the customer and demand component of mains will also vary.
- Essentially the "the sanity check" associated with the zero intercept, which has consistently been rejected by the Board in this jurisdiction for the last 20 years, and therefore should also be rejected.

The Board also concurs with AUI that AUMA/UCA's criticism of the Diameter-Length method including load is circumspect when AUMA/UCA admitted on cross examination that the minimum month, by definition, includes load<sup>44</sup> contrary to AUMA/UCA's earlier assertion that the min/max month approach reflects no load.<sup>45</sup> Further the Board would expect that if the zero-intercept understates customer-related classification, AUMA/UCA's min/max approach would also suffer similar weaknesses.

Although AUMA/UCA provided evidence in Exhibit 011-12 that, on average, 27% of mains cost is classified using zero intercept as compared to 42% using minimum system methodologies, the Board is satisfied that AUI's Diameter-Length method is reasonable given the Board's rejection of the zero-intercept method and AUMA/UCA's min/max approach, and the geographically dispersed nature of AUI's system. Therefore, the Board approves AUI's Diameter-Length method of allocating mains costs and the resulting 59% customer component. However, the Board agrees with CCA that further study is warranted on whether the inclusion of cost data and capacity within the Diameter-Length method is appropriate when allocating costs between demand and customers related for distribution mains.

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<sup>41</sup> Decision 2007-026, page 59

<sup>42</sup> Decision 2005-029, page 12

<sup>43</sup> Transcript, Volume 3, page 503

<sup>44</sup> Transcript, Volume 3, page 506

<sup>45</sup> Transcript, Volume 3, page 406

The Board notes that PICA considered that AUI has not supported its proposed allocation of mains general costs. PICA submitted that there is no justifiable reason why mains general should not be classified on the same basis as mains pipe. Accordingly, PICA recommended that AUI be directed to address the classification of mains general in its next Phase II GRA.

The Board is of the view that there is not enough information on the record to fully consider this issue at this time, and concurs with PICA that AUI should study the appropriateness of the classification of mains general costs on the same basis as mains pipe costs in its next Phase II GRA.

In summary, the Board is satisfied with AUI's utilization of the Diameter-Length method when classifying the costs of distribution mains between customer-related costs and demand-related. However, the Board directs AUI in its next Phase II to address:

- the classification of mains general costs, particularly the appropriateness of classifying such costs on the same basis as the mains pipe costs, and
- whether the inclusion of cost data and capacity within the Diameter-Length method is appropriate when allocating costs between demand and customer-related for distribution mains.

#### **4.7 Allocation of Customer Care and Billing**

As a result of a direction arising from Decision 2005-029, AUI reviewed the method of allocating these costs by assuming that Rate Class 3/13(Demand/commodity General Service-Optional) caused zero dollar customer care costs. The result was that an inconsequential amount of only \$4,000 shifted between rate classes. Accordingly, AUI stated that any impacts as a result of a change in this allocator are immaterial.

In AUMA/UCA-AUI-9(d), AUI was asked to provide all evidence relied upon to support the allocation of credit and collections costs on the basis of site-months. The response was that the choice of allocation method relied upon the intuitive rationale that the greater the number of invoices issued to a site, the greater likelihood that the Company will incur credit and collection efforts related to that site and that the allocation method was intended to maintain the method approved by the Board in the previous GRA. AUMA/UCA did not accept that the Board had intended to maintain the status quo because it directed AUI to review whether the use of unweighted customers is the most appropriate allocator for customer care costs.

AUMA/UCA considered that all credit and collection costs are not a function of site-months billed. AUI confirmed that the billing and customer care system records arrears by specific customer account and rate class and that uncollectible accounts and collection agency fees are included in credit and collection costs.<sup>46</sup> AUMA/UCA submitted that the cost driver for uncollectible accounts, collection agency fees and bank charges related to non-GCRR costs should be revenues or total costs by rate class rather than site-months.

CCA noted that, as at December 31, 2006, AUI expected to have about 693 customers taking service from retailers and was concerned whether AUI had undertaken any assessment respecting the potential for future stranded costs as more customers may leave the AUI system for retailers.

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<sup>46</sup> Transcript, Volume 2, pages 259-260



Consequently, CCA submitted that the Board should direct AUI to monitor, by way of a deferral account, any stranded or other related costs in Customer Care and Billing, arising from customers exiting the AUI system to retailers.

#### **4.7.1 Views of the Board**

The Board has reviewed AUI's compliance to Direction 7 from Decision 2005-029 and concurs with AUI that revising the allocation of customer care costs would have an immaterial impact on customers, with the costs to conduct a change in allocation significantly outweighing the benefits. The Board therefore is satisfied that AUI has complied with the Board's direction.

The Board is satisfied that AUI's explanation that the greater the number of invoices issued to a site, the greater the likelihood that the Company will incur credit and collection efforts related to that site, especially in light of the fact that AUMA/UCA's proposal to allocate these costs based on revenues or total costs is not substantively supported by evidence within the proceeding. Therefore, the Board approves the continued use of the site-month allocator for credit and collection costs consistent with the method used for other customer care costs.

With respect to CCA's concern about the potential for future stranded or other related costs in Customer Care and Billing arising from customers exiting the AUI system to retailers, the Board notes that in Decision 2005-029, it addressed the issue of whether AUI should establish a deferral account to collect stranded costs arising from directions contained in Decision 2001-075.<sup>47</sup> At that time, the Board found it was premature, given the state of retail market development and stated:

Therefore, notwithstanding the Board's direction in Decision 2001-75, the Board will not require the establishment of a deferral account to capture any stranded benefits or costs resulting from customer migration to retail supply at this time. The Board considers that the issue of whether or not to establish such a deferral account can be reviewed at the time of the next GRA. If the level of retail activity should increase materially prior to the next GRA, the Board would be prepared to consider an application from AUI for the establishment of such a deferral account prior to the next GRA.<sup>48</sup>

The Board recognizes that retail market activity has increased in AUI's service area, but understands that there are still only about 700 customers, of AUI's approximate customer base of over 60,000, on retail supply<sup>49</sup>. Accordingly, the Board remains of the view that use of a deferral account is premature given the current stage of retail market development.<sup>50</sup>

## **5 RATE DESIGN**

### **5.1 General – AUI's Proposed Rates, Revenue to Cost Ratios, and Rate Shock**

AUI submitted that its proposed distribution rates are not unduly discriminatory and, in fact, represent a fair recovery of costs from each rate class. AUI noted that fixed costs are appropriately recovered through fixed charges and supported a gradual approach for aligning rate

<sup>47</sup> Methodology for Managing Gas Supply Portfolios and Determining Gas Cost Recovery Rates (Methodology) Proceeding and Gas Rate Unbundling (Unbundling) Proceeding

<sup>48</sup> Decision 2005-029, page 7

<sup>49</sup> Exhibit 002-20, AUMA/UCA-AUI-1(b)

<sup>50</sup> Transcript, Volume 2, pages 157-159

design to unit costs.<sup>51</sup> AUI also reviewed ATCO Gas' distribution rates. In particular, the Company noted that ATCO Gas South had proposed a fixed charge of \$18.296 per month,<sup>52</sup> reflecting an increase of \$1.81 from the existing fixed charge of \$16.486 per month. This proposed change indicated that AUI is not the only utility proposing changes that would transition rates towards unity by component.

As noted in response to CCA-AUI-2(a) and illustrated in the Company's analysis of long run avoided customer accounting costs, AUI's proposed Default Supply Provider (DSP) Administration Fee was corrected to \$1.659 per month from \$1.60/month. This correction required a Rate Class 1/11 (Small General Service) base energy charge of \$1.221 per GJ (previously \$1.225 per GJ) in order to maintain the same level of recovery of revenue requirement. No other rate adjustments would be necessary. For ease of recognition, the Company used 6,385 GJ per year as the Rate Class 1/11 to Rate Class 2/12(Large General Service-Optional) transition point. The transition point using the corrected DSP Administration Fee is slightly greater, at 6,433 GJ/year.

**Table 1. AltaGas Proposed Rates**

|  | Fixed Charge<br>(\$/month) | DSP Credit<br>(\$/month.) | Base Energy<br>(\$/GJ) | Demand Charge<br>(\$/month/GJ) |
|--|----------------------------|---------------------------|------------------------|--------------------------------|
| Rate 1/11-Small General Service                      | 18.00                      | 1.659                     | 1.221                  |                                |
| Rate 2/12-Large General Service(optional)            | 300.00                     | 1.659                     | 0.695                  |                                |
| Rate 3/13-Demand/Commodity General Service(optional) | 500.00                     | 1.659                     | 0.016                  | 5.505                          |
| Rate 4/14 - Irrigation Pumping Service(optional)     | 38.00                      | 1.659                     | 1.078                  |                                |

With respect to the Rate Class 1/11 fixed charge, MGCI submitted that the fixed charge should be increased from the \$18/month proposed rate to \$19.26/month. MGCI submitted that this would result in a recovery of 70% of the unit cost. AUI did not oppose MGCI's suggestion, but submitted that the proposed rates are still reasonable and reflect a gradual increase of the fixed charges. With respect to Rate Classes 2/12 and 3/13, MGCI proposed that the Company move the fixed charges for these rate classes to unity with fixed costs.

AUI has proposed to recover close to 100% of the fixed, variable and total costs allocated to Rates 2/12 and 3/13.<sup>53</sup> AUMA/UCA agreed with this conceptually but noted that its proposals with respect to cost of service methods would result in changes to the costs allocated to Rates 2/12 and 3/13 (i.e. classification of mains costs and the lack of temperature adjustments to Rate 3/13 demands).<sup>54</sup> AUMA/UCA also noted that the Rate 2/12 cost of service will change as a result of the increase in the crossover between Rate 1/11 and Rate 2/12 from 3,700 to 6,385 GJ per year which AUMA/UCA understood is not reflected in the Chymko Consulting Ltd. cost of service analysis. AUMA/UCA also considered that Rates 2/12, 3/13 and 4/14 are sufficiently homogeneous to maintain the *status quo* rate classes.<sup>55</sup> In summary, AUMA/UCA submitted that

<sup>51</sup> Transcript, Volume 2, pages 211, 212

<sup>52</sup> Per ATCO Gas letter to the EUB dated November 6, 2006 referenced in Exhibit 002-13, BR-AUI-9(a)

<sup>53</sup> Exhibit 002-01, pages 28-29

<sup>54</sup> Exhibit 010-03-01, pages 11 and 18

<sup>55</sup> Exhibit 010-03-01, page 23

Rates 2/12 and 3/13 should be designed to recover 100% of cost by rate and rate component subject to a 10% maximum increase cap.

ASBG/PGA submitted that, while the Board has historically attempted to set rates within a revenue to cost ratio range of 95%-105%, in a proceeding where different cost allocators are being proposed and may be approved, the revenue to cost ratio target should be relaxed to accommodate the rate shock criterion (10% rate cap increase), if required.

PICA and AUMA/UCA concurred with AUI's proposal to achieve virtually 100% revenue to cost ratios for all rates subject to mitigating rate shock through a maximum increase cap of 10%. PICA also submitted that the rate changes resulting from this Application should be implemented on a go forward basis, given the significant changes in the rate levels proposed by AUI for Rates 2/12 through 4/14. Any retroactive implementation of rates would result in significant rate shock to these classes.

While CCA accepted a 100% revenue to cost recovery on an aggregate basis for each rate class, CCA considered that the move to 100% revenue to cost ratio by rate component was not necessary. CCA considered that this rate-making practice would provide consistency for AUI and other utilities regulated by the Board where, historically, the Residential Fixed Charge has not recovered 100% of the customer-related costs. CCA noted AUI's proposal to target for 100% revenue to cost ratio for Rate 1/11 appears to be in accordance with the prior Board directive to AUI. Since Rate 1/11 comprises about 90.7% of the total of AUI's cost of service, any attempt to recover higher than 100% will yield a significant amount of revenues to the benefit of other rate classes. CCA suggested that, in the absence of any evidence suggesting these other rate classes will experience rate spikes, all rate classes be targeted to recover 100% of costs.

CCA disagreed with AUI's proposal to increase the Rate 1/11 fixed charge from \$15.36 per month to \$18.00 per month and to move directionally closer to unity on individual components of Rate 1/11, where fixed costs (customer costs) for Rate 1/11 would be \$27.52. CCA was concerned that:

- the increase in fixed charge and the resulting decrease in energy charge will benefit the larger volume customers in Rate 1/11, most of whom are commercial in nature, and will negatively impact the smaller pure residential-type customers,
- any move to more recovery from fixed charges will frustrate attempts by smaller Residential-type customers to curtail consumption,
- the move to full recovery through the fixed charge as proposed will fundamentally change the risks facing AUI compared to the risks in place when the Board approved the generic cost of capital in Decision 2004-052 dated July 2, 2004 by shifting the collection of about one-third of its revenue requirement from the variable weather-dependent earnings to the fixed non weather- dependent earnings,
- a significant shift of revenue recovery will call into question the continued appropriateness of the formula in the generic cost of capital Decision 2004-052 to recognize the significant reduction in risks of revenue recovery,
- the proposed increase in Fixed Charge has caused the break even point (BEP) as between Rates 1/11 and 2/12 to increase from 3,728 GJ to 6,385 GJ/year.<sup>56</sup>

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<sup>56</sup> CCA Argument

However, if the Rate 1/11 fixed charge were to be increased today to reflect a full recovery of customer costs i.e. to \$27.52/month, and assuming no changes to the proposed Rate 2/12 rate components as proposed, the break even point would be increased to a significantly higher level, creating the potential for there being only one rate class for all customers.

Further, and for the same reasons, CCA did not support the AUMA/UCA proposal to move to full recovery of customer costs through the fixed charge. Also, CCA disagreed with MGCI's proposal to increase the Rate 1/11 fixed charge yet further to \$19.26 per month, reflecting a 70% recovery of the customer charge. CCA recommended that the Board direct AUI to maintain the level of recovery of the customer costs through the Fixed Charge at \$16.55 per month, the same level as is currently reflected in existing rates.

### 5.1.1 Views of the Board

The Board is of the view that CCA's concern regarding consumption fails to take into consideration that the cost of gas, not distribution rates, is the main price signal for customers. CCA also did not recognize that an increase in the fixed charge to Rate 1/11 (Small General Service) customers is still significantly below the result of the COSA which calculates a fixed unit cost of \$27.52/month.

In the recent Decision 2007-026 (ATCO Gas), the Board stated the following with respect to increasing the fixed charge:

The Board considers that it would be reasonable to move toward a fixed charge for Low Use and Irrigation customers that recovers costs more in line with the COSS in order to ensure fairness within the rate classes (horizontal equity), fairness between rate classes (vertical equity) and to enhance the predictability of the utility recovering its approved revenue requirement and stabilizing revenues. However, the Board is not prepared to assign 100% of the customer component of allocated costs to the fixed charge at this time in recognition of the customer impact of any increase to the fixed charge, especially to lower and fixed income customers, and in order to mitigate potential rate shock and to reflect the rate design attributes of rate stability, certainty and predictability.

The Board considers the Low Use and Irrigation fixed charge should be limited to 90% of the COSS results.<sup>57</sup>

The Board is not persuaded by MGCI's submission that it should increase the fixed component of rate more in line with fixed unit costs given that certain customer groups (Rate 1/11) are more adverse to higher fixed costs. The Board considers that AUI's proposed fixed charge for Rate 1/11 customers which recovers 71% of the unit cost is reasonable and consistent with Decision 2007-026.

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<sup>57</sup> Decision 2007-026 – ATCO Gas 2003-2004 General Rate Application Phase II Cost of Service Study Methodology and Rate Design and 2005-2007 General Rate Application Phase II Application No. 1475249, page 96

The Board notes that AUI's proposed rates achieve close to 100% revenue to cost ratio for all rate classes.

|  |                      |
|--|----------------------|
| Rate Class 1/11(Small General Service)                     | 100.00%              |
| Rate Class 2/12(Large General Service-Optional)            | 99.97%               |
| Rate Class 3/13(Demand/Commodity General Service-Optional) | 99.98%               |
| Rate Class 4/14(Irrigation Pumping Service-Optional)       | 99.95% <sup>58</sup> |

The Board also notes its findings from Decision 2005-029:

With respect to revenue-to-cost ratios, the Board is of the view that cost of service analysis is not an exact science, and that blind adherence to 100% revenue-to-cost ratios in the design of rates would not be appropriate. Nevertheless, the Board considers that one objective of rate design is to design rates that recover 100% of allocated costs. The Board recognizes, however, that consideration of other rate design criteria such as rate stability, mitigation of rate shock and customer acceptance, may conflict with the desire to achieve a 100% revenue-to-cost ratio. Recognizing that cost of service analysis is not an exact science, and recognizing that other rate design criteria may conflict with the desire to achieve a 100% revenue-to-cost ratio, the Board remains of the view that a revenue-to-cost ratio range of 95% to 105% generally remains an appropriate target for all rate classes. However, the Board agrees with MGCI that due to the size of the Rate 1 class, small changes in the revenue-to-cost ratio for Rate 1 would have very large impacts on the revenue-to-cost ratios for the other rate classes. Therefore, the Board considers that the revenue-to-cost ratio for Rate Class 1 should be maintained as close as practicable to 100%.<sup>59</sup>

The Board is satisfied that AUI's proposed rates are directionally consistent with the Board's past decisions regarding revenue to cost ratios. However, the Board must be mindful of any changes in rates that might lead to rate shock to customers.

AUI argued that rate stability and rate shock criteria are more appropriately applied when taking into consideration the total charge to the rate payer, which includes the commodity costs. In the case of AUI's proposed rate structure, if one incorporates a gas cost of \$5.50 per GJ (which is considerably lower than current market prices) the maximum increase in revenue is 2.98%, as set out in the chart below:<sup>60</sup>

**Table 2. Impact of Proposed Rates by Rate Class per AUI**

| Rate      | Change in Revenue |
|-----------|-------------------|
| Rate 1/11 | -0.64%            |
| Rate 2/12 | 1.82%             |
| Rate 3/13 | 1.07%             |
| Rate 4/14 | 2.98%             |

AUI submitted that rate impacts are reasonable and there is no rate shock to customers.

<sup>58</sup> Exhibit 002-01, Application, COSA, page 26

<sup>59</sup> Decision 2005-029, page 12

<sup>60</sup> Exhibit 002-13-03, BR-AUI-9(c)

Although the Board agrees with AUI that distribution costs are a small component of a customer's overall costs when factoring in the cost of gas, the Board considers that it is appropriate to weigh the individual impact in changes in distribution rates on customers, especially given the high residential make-up of the AUI customer base. Any significant changes in distribution rates contribute to possible higher overall costs to customers, some of whom are subject to fixed incomes.

Although applying a 10% rate cap has often been utilized by the Board, the Board is of the view that it should be considered a guideline whereby the Board may determine, on a case by case basis, whether it is appropriate to increase rates above that threshold. The Board is satisfied that AUI's proposed rates are within a reasonable tolerance of the 10% rate cap, especially given that Rate Class 2/12, Rate Class 3/13, and Rate 4/14 currently recover significantly less than their costs via AUI's existing rates and would be close to unity on AUI's proposed rates. Therefore the Board approves AUI's rates as filed (Appendix 4). The Board's approval of AUI's rates also results in the Board's acceptance of the mathematically derived transition points that result from AUI's rate design.

With regard to the interim rates, the Board considers these rates approved in Order U2006-041 are approved as final rates within the period the rates were in effect. The 2006 interim rates will continue to be in place until AUI's approved rates go into effect November 1, 2007.

The Board approves all rates, rates schedules, and rates riders not specifically addressed in the Decision are approved as filed (see Appendix 5).

## **5.2 Rate 1/11 - Small General Service**

### **5.2.1 Homogeneity of Rate 1/11 Customers**

AUMA/UCA considered that all customers served under Rate Class 1/11 (Small General Service) were not homogenous, particularly in terms of customer size and intra-class subsidization of larger customers by smaller ones. Citing various references,<sup>61</sup> AUMA/UCA suggested the following criteria should be used for evaluating class homogeneity and customer classes:

- the amount of service the customer uses,
- the pressure at which the customer receives service,
- the conditions under which the customer takes service, and
- the customers' load characteristics by end use.

AUMA noted that customers of an electric utility can be divided into four principal groups or classes, each of which is relatively homogeneous with respect to load characteristics and methods of taking service.<sup>62</sup>

AUMA/UCA stated that the references discussed usage characteristics for evaluating homogeneity but did not discuss cost differentials. AUMA/UCA submitted that when measurable cost differentials can be demonstrated along with size and usage differentials, there is a demonstrated lack of homogeneity which should be addressed and corrected. AUMA/UCA

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<sup>61</sup> AGA Gas Rate Fundamentals, Fourth Edition, Page 132, Page 140; and Elements of Utility Rate Determination, J. M Bryant & R.R. Herrman, McGraw-Hill Book Company, 1940

<sup>62</sup> Electric Utility Rate Economics, Russell E. Caywood, Sixth Printing 1972, page 67

considered that AUI's proposal to increase the point of consumption indifference from 3,728 GJ per year to 6,385 GJ per year compounded the lack of homogeneity issue. AUMA/UCA also considered that the issue was exacerbated by AUI's use of the RCN meter proxy to allocate the costs of services to rate classes.

AUMA/UCA noted that, while the RCN of meters for Rate 1/11 is shown as \$120.81, there are more meters with a RCN of \$88.00 (57,949)<sup>63</sup> than there are residential and rural customers, (57,598).<sup>64</sup> AUMA/UCA considered that with the 40% increase in cost from \$88.00 to \$123.00 for the RCN of meters, the commercial class is contributing some very costly meters to the costs which the entire Rate Class 1/11 is expected to bear under the AUI proposal. AUMA/UCA also noted that the other 5,012 meters had an average RCN of \$500.10 which is about 6 times the cost of a core meter required for approximately 95% of residential customers. AUMA/UCA also considered that, with 95% of the residential customers using 200 GJ/year or less, a 40% increase in meter costs did not appear to be justified, which further indicates that there are homogeneity issues in terms of customer size and related costs within the current Rate Class 1/11.

AUMA/UCA proposed two alternative solutions to remedy the lack of homogeneity in AUI's Rate Class 1/11 (refer also to Section 5.2.2).

1. Establish tariffs by end-use customer type. Residential service would be defined as single-family residences, single-family town homes, row houses, condominiums and duplexes which are individually metered. All other existing Rate 1/11 customers would fall under the commercial industrial/larger Rate 1/11 class. A single family, separately metered farm home without any farm usage would also qualify as a residential customer.
2. Separate the current Rate 1/11 between customers using up to 200 GJ per year and those using 201 – 6,385 GJ.

AUMA/UCA considered that, by establishing separate tariff classes, a higher degree of homogeneity would be achieved based upon consumption size, predominant use, load characteristics and a closer relationship between minimum and maximum use of the class members and average use of the class. Alternatively, by separating the rate at 200 GJ, a higher degree of tariff homogeneity would be achieved, as well as promoting more efficient use of natural gas. AUMA/UCA noted that there were 54,960 customers under 200 GJ and 8,766 customers in the 201-6,385 GJ/year class. AUMA/UCA argued that AUI did not provide any quantitative or qualitative evidence that Rate Class 1/11 demonstrated homogeneity, nor did it provide any evidence which refuted the AUMA/UCA analyses of the issue.

AUMA/UCA disagreed that AUI's contribution policy addressed homogeneity and, notwithstanding, considered that the history of AUI's contribution policy was uncertain with respect to its application. AUMA/UCA submitted that there is no connection between contribution policy, tariffs and the cost of service study. AUMA/UCA asserted that the policy therefore does not equalize the costs to connect to the distribution system as between the small and large customers in Rate 1/11, and more particularly where no contribution is required.

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<sup>63</sup> AUMA/UCA-7(b)

<sup>64</sup> AUMA/UCA-7(a)

AUI submitted that Rate Class 1/11 is homogeneous with respect to characteristics that cause costs and although Rate Class 1/11 contains what might appear on the surface to be different types of customers, from a residential home to a large retail store, this surface difference does not translate into differences in cost causation. AUI also submitted that, in terms of assessing homogeneity from a cost causation perspective, the most important factors are:

- load profile (a large retail store consumes gas in a manner similar to a residential home in the sense that peak gas consumption would occur during the coldest temperatures), and
- customer cost drivers (a difference in annual energy consumption between a class of customers consuming as much as 200 GJ and a class of customers consuming greater than 200 GJ on its own does not necessarily lead to greater costs for the higher volume customer class).

AUI submitted that, while the definition of homogeneity cited by AUMA/UCA does include some of the fundamental cost drivers in a COSA, such as load characteristics and sites, it does not purport to represent a definitive guideline for the creation of new rate classes. AUI noted that its tariff represents the stand-alone distribution service costs and does not allocate the cost of gas to rate classes; therefore, the amount of service the customer uses is less relevant than it would be for a vertically-integrated utility. Accordingly, AUI further submitted that, in accordance with that definition, all of its Rate Class 1/11 customers share the same conditions of service, have similar load profiles, and receive service at similar distribution pressures. AUI consequently argued that, as the drivers of cost in a cost of service study are sites and load profile and that existing Rate Class 1/11 is weather sensitive with customers peaking at the coldest temperature (meaning customers will have similar load factors),<sup>65</sup> Rate Class 1/11 is homogeneous. AUI argued any lack of homogeneity requires evidence other than simply drawing inferences from higher RCN meter costs for a small number of customers within Rate Class 1/11, as suggested by CCA, and cannot be inferred by simply observing the higher consumption of a relatively small number of customers within Rate Class 1/11. AUI also noted that its rate structure has been in place for over 20 years and homogeneity for Rate Class 1/11 has not been a concern.

AUI stated that, contrary to AUMA/UCA's assertion, it never indicated that a COSA determines rate classes or measures homogeneity. AUI stated that plant, net of accumulated depreciation and net of contributions, is not used to allocate costs to rate classes, has no bearing on intra-class subsidies within Rate Class 1/11 and has no bearing on whether contributions levelize the cost of meters and other assets entering rate base within Rate Class 1/11. AUI submitted that implementing new rate classes only requires contemplation when relevant cost-of-service differences exist between two identified and defined customer groups.

AUI considered that AUMA/UCA's limited focus on transition points and meter costs, specifically meter RCN costs, to suggest that smaller Rate Class 1/11 customers are subsidizing larger Rate Class 1/11 customers failed to prove its claim. AUI argued that if AUI's contribution policy is ignored, larger Rate Class 1/11 customers subsidize the smaller Rate Class 1/11 customers because customer costs not recovered through the fixed charge are recovered by way of the base energy charge (the rates as currently proposed include recovery of only 51% of the customer and demand costs in the fixed customer charge),<sup>66</sup> which is opposite to the result predicted by AUMA/UCA. AUI noted that its contribution policy generally applies to more

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<sup>65</sup> Transcript, Volume 3, pages 496-499

<sup>66</sup> Exhibit 002-13, BR-AUI-7(d)



costly rural services or services that require a greater investment, wherein a lower net investment for less economical services means that more economical smaller Rate Class 1/11 customers will not bear a disproportionate amount of any larger, less economical, Rate Class 1/11 customers' costs. AUI asserted that by taking AUI's rate design and contribution policy into consideration, all intra-class subsidization is mitigated.

With respect to energy, AUI submitted that usage is largely homogeneous within Rate Class 1/11. AUI noted that there are fewer than 2,500 customers that consume more than 500 GJ/year of gas within Rate Class 1/11, which represents less than 4% of customers within the Class, and consequently, any cost impacts to smaller, more numerous customers would be very limited.

### 5.2.1.1 Views of the Board

The Board is mindful that AUI has an extensive service territory with many small customers throughout the Province.<sup>67</sup> AUI mainly serves customers that consume 200 GJ or less of natural gas per year. In 2006, AUI's customer distribution for Rate Class 1/11 (Small General Service) can be grouped as follows:<sup>68</sup>

Table 3. Natural Gas Consumption for Rate 1/11

| Natural Gas Consumption (GJ/Year) | Residential   | Commercial   | Rural         | Total         | Percentage   |
|-----------------------------------|---------------|--------------|---------------|---------------|--------------|
| 200 or less                       | 42,719        | 2,294        | 9,947         | 54,960        | 86.3         |
| 201 - 249                         | 1,188         | 531          | 1,127         | 2,846         | 4.5          |
| 250 - 299                         | 426           | 381          | 617           | 1,424         | 2.2          |
| 300 - 500                         | 312           | 981          | 707           | 2,000         | 3.1          |
| 501 - 1,000                       | 133           | 982          | 250           | 1,365         | 2.1          |
| 1,001 - 4,000                     | 100           | 891          | 69            | 1,060         | 1.7          |
| > 4,000                           | <u>3</u>      | <u>68</u>    | <u>0</u>      | <u>71</u>     | <u>0.1</u>   |
|                                   | <u>44,881</u> | <u>6,128</u> | <u>12,717</u> | <u>63,726</u> | <u>100.0</u> |

This grouping would suggest that a distinction could be made between the types of customers served, particularly between the few high load customers and others, as suggested by AUMA/UCA and CCA. The Board notes the reference to the different size of meters made by AUMA/UCA and CCA in this respect. However, while AUI recognized the possible differences in types of Rate 1/11 customers, AUI also considered that these differences did not necessarily translate into differences in cost causation. The Board further notes that AUI considered all of these customers to have similar load profiles and cost drivers, and therefore, were homogenous in character. AUI's position was supported by ASBG/PGA and PICA.

However, the Board has not been convinced by either of the opposing positions. Instead, the Board agrees with MCGI that there is a lack of evidence on the record to clearly demonstrate whether or not the customers served under Rate Class 1 are sufficiently different to the extent that one or more types of customers are unjustly subsidizing others and would therefore warrant

<sup>67</sup> Exhibit 011-09, Map of AUI Service Area

<sup>68</sup> Exhibit 002-20, AUMA/UCA-AUI-7(a)

Rate 1/11 to be re-defined. As this matter affects rate design, the Board will set out its findings in section 5.2.2.1, with respect to dealing with AUMA/UCA's proposals to split Rate Class 1/11.

### **5.2.2 AUMA/UCA Proposals for the Division of Rate 1/11 Customers into Separate Classes**

As noted above in section 5.2.1, AUMA/UCA considered that AUI's Rate Class 1/11 (Small General Service) lacked homogeneity and proposed two alternatives to address the issue as follows.

1. Establish tariffs for Residential, Small Commercial and Industrial, Large Commercial and Industrial and Irrigation classes.<sup>69</sup> Residential service would be defined as single-family residences, single-family town homes, row houses, condominiums and duplexes which are individually metered. All other existing Rate 1/11 customers would fall under the commercial industrial/larger Rate 1/11 class. A single family, separately metered farm home without any farm usage would also qualify as a residential customer.<sup>70</sup>
2. Adopt General Service Tariffs breaking the current Rate 1/11 at 200 GJ per year. The Small Commercial and Industrial Class would generally cover consumption in the range of 201 – 6,385 GJ/year. Current parameters for Rates 2/12 (Large General Service-Optional) and 3/13 (Demand/Commodity General Service-Optional) would remain the unchanged as there are relatively few customers on those rates, 142 sites for Rate 2/12 and 53 sites for Rate 3/13. In order to address migration issues, a two year rolling evaluation period would be utilized.<sup>71</sup>

AUMA/UCA noted that they it did not fully develop tariffs that reflect the recommendations set forth in their evidence. However, they estimated the approximate customer costs for the small/residential Rate 1/11 customers would be \$20 per month and the approximate customer costs for the larger/commercial customers would be \$48 per month.

AUMA/UCA disagreed with AUI that the difference in energy consumption does not necessarily lead to greater costs for the higher volume user. AUMA/UCA argued that a potential \$5.5 million shift in costs is at issue if Rate Class 1/11 is split.

AUMA/UCA noted that AUI identified 155 Rate Class 2/12 customers in the 4,000 to 6,385 GJ/year consumption band under proposed rates that would be marginally better off in Rate Class 1/11. AUMA/UCA further noted that, although the 155 Rate Class 2/12 customers represent only 0.24% of the Rate Class 1/11 customers, these customers represent 90.12%<sup>72</sup> of 172 Rate Class 2/12 customers. Thus, under the rate design proposed by AUI, the transition point changes enough to provide an incentive for almost all of the customers on Rate Class 2/12 to change to Rate Class 1/11 instead of staying in their current rate class. AUMA/UCA advocated that an additional rate class would ensure Rate Class 2/12 remains intact.

ASBG/PGA disagreed with AUMA/UCA's proposal to split Rate 1/11 into sub-classes and agreed with AUI's characterization of the proposal as being unduly discriminatory because

<sup>69</sup> Exhibit 010-03-01, page 6

<sup>70</sup> MGC-AUMA/UCA-2(a)

<sup>71</sup> Exhibit 010-03-01, page 6

<sup>72</sup> Exhibit 002-20, AUMA/UCA-AUI-7(a) shows 172 Rate Class 2/12 customers.  $155/172 = 90.12\%$

AUMA/UCA used indirect or speculative means to identify specific sub-groups for differing treatment. ASBG/PGA was concerned with the considerable increase in costs to rural and farm customers that AUMA/UCA advocated, noting that AUMA/UCA forecast the fixed charge for the proposed over 200 GJ/year rate class to almost triple, from \$16 to \$48 per month. ASBG/PGA also agreed with AUI that the number of rate classes studied should be minimized. Consequently, ASBG/PGA submitted that Rate 1/11 should not be split into separate rate classes for this proceeding.

CCA supported AUMA/UCA's recommendation for the split of the Rate 1/11 into separate rate classes. In particular, CCA considered that the existing Rate 1/11 configuration did not reflect customers with homogeneous characteristics. However, CCA did not support the use of a volume threshold amount and instead favored one based on end-use customer types, e.g. Residential, Commercial, etc. CCA considered that all same end-use customers should be housed in the same rate class. While recognizing that the consumption in this rate class may vary from 50 GJ a month to 6400 GJ/year, given the proposed break even point for Rate 1/11, CCA submitted that appropriate rate design will provide the correct price signals.

MGCI expressed concern about certain of the customers that AUMA/UCA purported to represent. MGCI opposed both of the proposals made by AUMA/UCA to split Rate 1/11 into two new classes in that:

- AUMA/UCA Rate 1/11 proposals would shift costs to farm customers in particular and away from residential customers, without evidence clearly demonstrating that farm customers are more costly to serve than residential customers,
- AUMA/UCA failed to demonstrate any significant points of dissimilarity between residential and farm customers, whereas there appears to be several points of similarity between them, and
- splitting Rate 1/11 as proposed by AUMA/UCA under either proposal would be more expensive to administer and monitor than would following the rate structure proposed by AUI.

MGCI believed that before the Board approves the creation of new rate classes, and the allocation of less costs to one of the new rate classes and more costs to the other, as proposed by AUMA/UCA, the Board should have before it clear and comprehensive evidence that the proposed new cost allocations are fair and that one homogenous group of customers was clearly causing more costs than the other. MGCI stated that it was not prepared to countenance creating winners and losers amongst the individual customers it represents, without clear and convincing evidence that a defined and discernable group is subsidizing another. Accordingly, MGCI asserted that the proposals are neither just nor reasonable and should be rejected. Similar to PICA, MGCI submitted that the evidence on the record is not sufficient to support a split of Rate Class 1/11.

PICA submitted that AUMA/UCA's recommendation to split Rate 1/11 should not be accepted in this proceeding as there is no evidence of any undue cross-subsidy between smaller and larger customers within Rate 1/11. PICA considered that, if such a split were to be considered in the future, then a full COSA showing the revenues and costs for each of the sub-groups within Rate 1/11 should be made available for examination and assessment by all parties.

AUI submitted that there was no evidence to support AUMA/UCA's proposals to split Rate Class 1/11 or that the proposals would result in more appropriate rates. AUI considered that splitting Rate Class 1/11 based on the AUMA/UCA's proposals would not reflect an evidence-based approach to rate making and noted that PICA, MGCI, and ASBG/PGA opposed the AUMA/UCA proposal.

AUI noted that the general trend over the last several decades has been to simplify rate structures. AUI stated that it previously had a complicated rate structure with area specific block rates but that the efforts of AUI, the Board, and interveners resulted in the current simplified rate structure and conditions of service. AUI viewed its current tariff as being a significant improvement over previous tariffs and as having a rate structure that is simple, transparent, and practical to administer. AUI asserted that, since its service territory is adjacent to its competitors' in numerous areas, making changes to its rate design and rate class structure that make them significantly different than those of its competitors will have a detrimental effect on its competitiveness and potential growth opportunities.

AUI set out the following issues that it asserted will arise if either AUMA/UCA proposal is adopted:<sup>73</sup>

- A clear and detailed definition of 'residential' is required and a mechanism would be required to continually ensure that customers are properly categorized by segment.
- Accounts would have to be monitored to ensure customers are served under the appropriate rate, the cost for which would be driven by the number of sites monitored, not the number of sites that switch between rate classes.
- System modifications would be required to accommodate either proposal.
- Changes to system processes would be required to accommodate either proposal.
- Educational and communication efforts would be necessary to ensure customers and industry understands the changes and how the changes affect them.
- Inter-generational inequities exist without the ability to link contributions to customers.
- Creating new customer segments or rate classes from existing ones means that new data will be incongruous with old records, which will impact the AUI's ability in many ways, including developing forecasts and comparative reporting.
- Tariffs, including rates and terms and conditions of service, will have to be thoroughly reviewed and modified in accordance with the new rate structure.

AUI noted that both proposals would also put an end to AUI's current voluntary or optional rate classes and likely lead to customer resistance, a matter which AUMA/UCA did not consider.<sup>74</sup>

More specifically, AUI submitted that the proposal to split Rate Class 1/11 at the 200 GJ/year level should be rejected as splitting the rate class at that level still leaves a remaining non-homogeneous rate class (i.e., 201 to 6,385 GJ/year). AUI considered that AUMA/UCA did not adequately consider this aspect of its rate structure proposal. AUI further submitted that there are significant monitoring and other issues associated with this proposal. With respect to a two year trial period, concerns arise in respect of:

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<sup>73</sup> Exhibit 002-26, AUI Rebuttal Evidence, page 1

<sup>74</sup> Transcript, Volume 3, pages 492, 493

- the possibility of two unusually cold winters in a row within the two year trial period,
- customers who move within the service territory or who are new to AUI's service territory as AUMA/UCA's proposal is unclear whether the customer or the site is designated as being in the over or under 200 GJ/year rate class, and
- ongoing monitoring for a significantly larger number of customers will be required.

AUI also noted the relative magnitude of customers affected by a rate class defined by a limit of 200 GJ per year in that over eleven thousand customers consumed between 150 and 250 GJ/year; whereas, just over two hundred customers, served under Rates 1/11 and 2/12, consumed 4,000 GJ/year or more. Consequently, AUI argued that the switching of customers back and forth across the 200 GJ/year threshold can be reasonably expected, especially smaller consumers who are typically most sensitive to changes in weather. AUI further noted that the increase in the fixed charge for the over 200 GJ/year class to \$48 is approximately three times the current Rate Class 1/11 fixed charge, which will likely lead to significant customer opposition given the magnitude of the change if a cross-over of the 200 GJ/year threshold involves a relatively small volume.

AUI argued that the proposal to create several new rate classes, including residential, small commercial and industrial is very problematic with respect to definitions. AUI submitted that this proposal would be extremely difficult to implement, given that its rates are currently general service rates, and a method of identifying residential, commercial and industrial customers would need to be formulated in a way that is robust enough for billing purposes. AUI was concerned that significant billing related problems are probable if such a proposal is approved by the Board.

#### **5.2.2.1 Views of the Board**

The Board understands AUI's reluctance to effect changes to Rate Class 1/11 (Small General Service) given the demographics involved and potential administrative issues and added costs that AUI expects may arise as a result. The Board also notes that the composition of the Rate Class has not been contentious in the past and the Rate Class has been in effect for some time.

The Board has reviewed the proposals made by AUMA/UCA. Theoretically, either proposal appears to have some merit given the different types of customers, and their respective load factors, served within the class. The Board notes that CCA supported a division of the class based upon customer type, while ASBG/PGA, PICA and MGCI opposed AUMA/UCA's proposals.

The Board considers that the proposals were not supported by sufficient evidence to persuasively demonstrate to the Board that the current structure of the rate class includes any inherent degree of bias to one type of customer over another. The Board notes that AUMA/UCA referred to estimates and potential cost savings, which are not conclusive in nature.

The Board also considers that AUI similarly has not fully demonstrated that there is not undue subsidization of certain customers by others within the Rate Class. In this situation, the Board agrees with MGCI and PICA that a split of Rate Class 1/11 at this time would be premature and that any changes to the structure of the Class should otherwise be subject to a proper COSA, which should be made available for examination and assessment by all parties. The Board considers that this issue needs to be resolved but recognizes that a COSA can be time consuming and costly.

Notwithstanding, the Board believes that the onus should be on AUI to support the appropriateness of its rate class structure, particularly where there is concern and disagreement by interested parties that represent customers affected by its rates. Accordingly, the Board directs AUI, at its next Phase 2 GRA, to prepare a report that demonstrates that the customers served in Rate Class 1/11 are reasonably homogenous and that the tariffs applied in Rate Class 1/11 are fair and reasonable to the customers within that Class. At that time, the Board will reconsider whether there should be any changes to the composition of Rate Class 1/11.

### **5.3 Rate Riders**

#### **5.3.1 Third Party Transportation Rider (TPTR)**

AUI proposed a TPTR for the recovery of upstream transportation charges. Currently, these charges are subject to deferral account treatment in the Deferred Gas Account (DGA), because they are currently and have been historically included in the cost of gas used in the determination of AUI's regulated gas cost recovery rate (GCRR).<sup>75</sup> The TPTR was proposed by the Company to ensure that all gas distribution customers pay for these transportation charges and not just default supply customers. AUI submitted that the proposal to administer these costs in a deferral account is appropriate because it is consistent with Board practice. As a result, transportation costs have not impacted forecast risk for the Company. To now include them in distribution rates would unfairly increase the Company's risk. If the TPTR is not approved by the Board, the Company submitted that the status quo should prevail and these costs should continue to be recovered through the DGA.

AUI noted that Direct Energy Regulated Services,<sup>76</sup> which also uses a DGA in the determination of its regulated gas cost flow-through (recovery) rate, includes third party transportation costs. The main difference between DERS and AUI is that DERS, as the default supply provider for ATCO Gas and Pipelines Ltd. (AGPL), sells gas to customers in AGPL's natural gas distribution service areas, whereas AUI both distributes and sells the gas to customers in its service areas. Therefore, cost recovery by way of a rider ensures that costs are fairly recovered by all customers who use and benefit from having upstream transportation capacity.

CCA, PICA, and AUMA/UCA supported AUI's proposed TPTR and the deferral account nature of the proposed rider. However, AUMA/UCA submitted that any transportation services obtained from AltaGas Operating Partnership (AOP) should be at fair market value as required under *AltaGas Utilities Inc. Inter-Affiliate Code of Conduct*. MGCI submitted that recovering these third party costs from an affiliate by a flow-through approach is inappropriate because AUI is in a position of conflict of interest.

Although CCA disagreed with MGCI's suggestion that the TPTR should be recovered through the Revenue Requirement, CCA agreed with the MGCI's concerns as to the need for a deferral account. CCA noted that the Board's past practice has been to approve deferral account treatment only for those items that are difficult to forecast and have demonstrated significant volatility from year to year.

MGCI considered that the TPTR is similar to the GCRR in that a true-up account is involved, and is similar to base rates in that it is paid by all customers (including both default supply and

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<sup>75</sup> Decision 2001-075

<sup>76</sup> DERS is a regulated business unit of Direct Energy marketing Limited

retail). MGCI submitted that maintaining the true-up nature of the collection of third party transportation costs is not warranted and disagreed that, as a result of Decision 2001-75, the Board strictly considered such costs to be subject to deferral treatment. MGCI considered that the Board, in Decision 2001-75, merely stated that transportation costs upstream of utilities' pipeline systems, among other costs, should be transferred from the utility cost of service to the GCRR. MGCI's position was that third party transportation costs should not remain as part of the GCRR.

MGCI considered that, since there is significant forecasting involved in determining third party transportation costs, their automatic collection by AUI on a flow-through basis is not appropriate because, under the flow-through proposal, customers will bear 100% of the risk for any over-forecast of demand. MGCI therefore submitted that a practical and sensible sharing of the risk between customers and AUI is warranted by transferring third party transportation costs to revenue requirement where they could be scrutinized as part of the GRA review process and collected through base rates. MGCI noted that transportation costs were similar in 2005 and 2006 and that AUI did not expect them to be significantly different in 2007. Consequently, MGCI further submitted that the TPTR was unnecessary.

### 5.3.1.1 Views of the Board

The Board notes AUI's submission that transactions between AUI and AOP for third party transportation services are appropriate and consistent with *AltaGas Utilities Inc. Inter-Affiliate Code of Conduct*. The Board also notes AUI's submission that the materiality of the third party transportation service provided by AOP (10% of third party transportation costs).<sup>77</sup> Based on 15.8 million GJ/year of delivery volumes, AUI submitted that the affiliate transaction equates to only \$1.16 for a small user consuming 126 GJ in one year.<sup>78</sup>

The Board notes that AUI is mandated by legislation to obtain upstream transmission capacity. Section 4 of the *Roles Relationships and Responsibilities Regulation* A.R. 186/2003 states:

**4(1)** A gas distributor must do the following:

- (a) ...
- (b) make decisions about building, upgrading and improving the gas distribution system for the purpose of providing safe, reliable and economic delivery of gas to customers in the service area served by the gas distribution system;
- (c) arrange for adequate upstream transmission capacity for the purposes of clause (b) (emphasis added).<sup>79</sup>

The Board notes AUI's submissions that its proposed TPTR that includes a deferral account adequately balances AUI's forecast risk and AUI's responsibility to provide safe, reliable and economic delivery of gas to customers.

<sup>77</sup> Exhibit 002-13, AUI response to BR-AUI-13(b), attachment page 1 of 1

<sup>78</sup>  $\$146,000 \div 15,800,000 \text{ GJ/y} = \$0.009/\text{GJ/y}$ .  $\$0.009/\text{GJ/y} \times 126 \text{ GJ/y} = \$1.16$

<sup>79</sup> Gas Utilities Act -Roles, Relationships and Responsibilities Regulation outlines the functions of gas distributors, retailers, and default supply providers.

The Board concurs with AUI that ensuring adequate supplies for customers may be somewhat at odds with its management of forecast risk. The Board considers that third party transportation service and adequacy of gas supply is a key concern of customers. Further the rider also ensures that both retail and default supply customers pay their share of third party transportation service costs.

Therefore, the Board approves AUI's TPTR as filed, effective November 1, 2007, including deferral account treatment.

### **5.3.2 Deficiency Rider**

AUI has requested recovery of outstanding balances from the 2003/04 Deficiency Rider, the 2005 Deficiency Rider and the 2006 Deficiency Rider totaling \$543,857.<sup>80</sup> AUI had estimated that each customer should pay a one-time charge of 1.735% of their 2006 billed revenues on the March billing cycle, albeit this percentage would be adjusted to reflect 2006 actual billed revenues. The estimated one-time charge for a residential customer is based on consuming 126 GJ/year in 2006.

#### **5.3.2.1 Views of the Board**

The Board considers that AUI's one-time deficiency rider recovering outstanding balances from the 2003/04 Deficiency Rider, the 2005 Deficiency Rider and the 2006 Deficiency Rider totaling \$543,857 is appropriate. The Board approves AUI's Deficiency Rider effective November 1, 2007.

The approved Rate Schedules and Riders are attached in [Appendix 5](#) to this Decision.

## **6 GAS DISTRIBUTION TARIFF**

### **6.1 Retailer Distribution Service Regulations and Contracts (RDSR)**

#### **6.1.1 Deposits**

AUI has not requested a deposit from retailers operating in its service territory because, in terms of revenues, the vast majority of gas distribution service provided to retailers is to those who are not required to provide a deposit. Under the *Natural Gas Billing Regulation* A.R. 185/2003, three of the six retailers currently operating in the AUI service territory have at least a triple B (BBB) bond rating. As a result, they would qualify under that regulation for a \$10,000,000 reduction in the deposit. Given the size of this reduction, these three retailers would not be required to post any security. AUI is in the process of determining deposit requirements from the other three retailers.

By way of information request BR-AUI-15 and in testimony at the hearing,<sup>81</sup> AUI stated it is prepared to incorporate wording in AUI's proposed Retailer Distribution Service Regulations that is acceptable to the Board that would have AUI recover retailer arrears only from the retailer, rather than from the customer.

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<sup>80</sup> Exhibit 002-01, pages 37-38

<sup>81</sup> [1] Transcript, Volume 2, pages 372-374



Regarding the impact on a customer of any failure of a Natural Gas Retailer, CCA submitted that AUI would seek to be kept whole but that the unfairness of the interplay between the Natural Gas Utility Services Rules (NGUSR) and RDSR may result in the customer paying more than once for the service or gas it received and used. CCA was concerned that this outcome illustrated an imbalance in the position of AUI and the customer and considered that there should be rules and terms for also balancing the interests of customers to insure the customer does not suffer any adverse impacts such as paying more than once for gas received. CCA submitted that AUI should not be allowed to draft its rules or terms of service with customers and retailers to manage its way out of risks for which it is compensated, either in return for business risk or by way of a bad debt expense amount.

CCA submitted that Article 8.1 (1) of the Retailer Distribution Service Regulations and Contracts requires the addition of a clause (3) which should state:

(3) The customer may be relieved of an obligation to pay AUI pursuant to this article if they are able to show payments in good faith to the retailer. Such relief to the customer shall not exceed the amount billed to the customer by the retailer, paid to the retailer by the customer but not advanced to AUI by the retailer.<sup>82</sup>

CCA argued that this clause would prevent any excess recovery by AUI from the customer, that is, it would remedy the unfairness of the customer having to potentially pay twice. CCA suggested that Part 8 (7)<sup>83</sup> could be added and state:

(7) AUI recommends customers keep a record of all payments to retailers as these may assist you, the customer, in case of any disputes. AUI will not bill a customer for the same delivery service or gas if you have paid a retailer in good faith.

#### **6.1.1.1 Views of the Board**

The Board considers the current wording in Section 8.1 of the draft Retailer Distribution Service Regulations could result in the customer paying twice for AUI charges, if the customer has made payment to its retailer and the retailer defaults with AUI. AUI has the ability to monitor its retailers to ensure it has reasonable deposits in place to avoid the need to seek payment from customers of retailers. The Board considers AUI should be diligent in avoiding the need to seek payment from customers due to retailer default, and is not satisfied that the additional protection provided by Section 8.1 encourages AUI to be diligent in this matter.

The Board believes that any risk associated with retailer default should be kept to a minimum for customers. The Board therefore considers it would be appropriate to make changes to the wording of AUI's Retailer Distribution Service Regulations to minimize cases of customers being required to pay twice for AUI charges. The suggestions made by CCA would provide some protection for customers from double billing and should provide sufficient incentive to AUI to avoid relying on the provisions of Section 8.1 for payment.

Therefore, the Board directs AUI, in its refile, to either incorporate the changes recommended by CCA for both AUI's Retailer Distribution Service Regulations and AUI's Natural Gas Utility Service Rules, or make its own revisions to serve this purpose that provide some protection for customers from double billing.

<sup>82</sup> Retailer Distribution Service Regulations, pages 17-18

<sup>83</sup> Retailer Distribution Service Regulations, page 20

## 7            **REFILING REQUIREMENTS**

The Board directs AUI to provide its Refiling to the Board and all parties on or before October 29, 2007. Further, AUI shall advise all parties that reply comments are due to the Board on or before November 7, 2007.

## 8            **ORDER**

IT IS HEREBY ORDERED THAT:

- (1) AltaGas Utilities Inc.'s rates are approved as filed, effective November 1, 2007.
- (2) AltaGas Utilities Inc. is required to comply with all directions and approvals contained in this Decision.

Dated in Calgary, Alberta on October 16, 2007.

### **ALBERTA ENERGY AND UTILITIES BOARD**

*(original signed by)*

A. J. Berg, P.Eng.  
Presiding Member

*(original signed by)*

M. L. Asgar-Deen, P.Eng.  
Acting Member

*(original signed by)*

M. W. Edwards  
Acting Member

**APPENDIX 1 – HEARING PARTICIPANTS**

| Name of Organization (Abbreviation)<br>Counsel or Representative   | Witnesses   |
|--|---|
| AltaGas Utilities Inc. (AltaGas, AUI or the Company)<br>G.R. Jeerakathil   | E. Tuele,<br>President, AUI<br>A. Mantei,<br>Vice-President Controller, AUI<br>R.J. Koizumi, CMA,<br>Manager, Regulatory Affairs, AUI<br>N. Chymko<br>Chymko Consulting Ltd.<br>M. Turner<br>Chymko Consulting Ltd. |
| The Alberta Urban Municipalities Association (AUMA) and<br>The Office of the Utilities Consumer advocate (UCA)<br>J.A. Bryan, Q.C.   | R.L. Bruggeman<br>Robert L. Bruggeman Regulatory<br>Consulting Ltd.<br>M.B. Lively<br>Independent Consultant<br>H.J. Vander Veen<br>Energy Group, Inc.  |
| The Public Institutional Consumers of Alberta (PICA)<br>N.J. McKenzie<br>R. Retnanandan  |   |
| The Aboriginal Communities (ABCOM)<br>J. Graves, P.Eng.  |   |
| The Municipal and Gas Co-op Intervenor (MGCI)<br>T.D. Marriott   |   |
| The Consumers Coalition of Alberta (CCA)<br>J.A. Wachowich   |   |
| The Alberta Sugar Beet Growers (ASBG) and<br>The Potato Growers of Alberta (PGA)<br>J.H. Unryn   |   |
| Alberta Energy and Utilities Board<br>Board Panel<br>A. J. Berg, P.Eng., Presiding Member<br>M. L. Asgar-Deen, P.Eng., Acting Member<br>M. W. Edwards, Acting Member<br>Board Staff<br>R. Marx, Counsel<br>M. McJannet<br>H. Grenz, B.Comm., CMA<br>D. R. Weir, CA |   |

**APPENDIX 2 – SUMMARY OF BOARD DIRECTIONS**

This section is provided for the convenience of readers. In the event of any difference between the Directions in this section and those in the main body of the Decision, the wording in the main body of the Decision shall prevail.

1. Accordingly, the Board directs AUI, in its next Phase II GRA, to provide a cost/benefit analysis that would allow the Board to determine whether the cost and effort associated with changes to the work order system to accommodate the tracking of meters installation and regulator costs are reasonable expenditures to incur for purposes of improving the precision of the existing meters cost allocation method..... 7
2. However, the Board considers that there is merit in investigating other feasible alternatives. The Board notes that AUI has offered to provide in its next Phase I GRA a full cost/benefit analysis of using the Diameter-Length method for the allocation of services together with a review of other reasonable alternatives. Accordingly, the Board directs AUI, in the next Phase I GRA, to include a full cost/benefit analysis of using the Diameter-Length method and the results of its review of other reasonable alternatives for the allocation of services cost. AUI’s review should also examine the feasibility of tracking contributions more closely to the costs they are intended to offset rather than a general allocation based on multiple factors..... 9
3. The Board notes that the model was designed to reflect the Board directed -40° C peak and the Board would not necessarily expect it to be rigorous enough to provide accurate results using values that are outside of the relevant data set for predicting heating loads. Consequently, the Board directs AUI, at its next Phase II GRA, to analyze and report on the need for a region specific calculation given the uniform -40° C and revise the model calculations to be able to account for low or no heating load..... 10
4. In summary, the Board is satisfied with AUI’s utilization of the Diameter-Length method when classifying the costs of distribution mains between customer-related costs and demand-related. However, the Board directs AUI in its next Phase II to address:..... 20
  - the classification of mains general costs, particularly the appropriateness of classifying such costs on the same basis as the mains pipe costs, and..... 20
  - whether the inclusion of cost data and capacity within the Diameter-Length method is appropriate when allocating costs between demand and customer-related for distribution mains. .... 20
5. Notwithstanding, the Board believes that the onus should be on AUI to support the appropriateness of its rate class structure, particularly where there is concern and disagreement by interested parties that represent customers affected by its rates. Accordingly, the Board directs AUI, at its next Phase 2 GRA, to prepare a report that demonstrates that the customers served in Rate Class 1/11 are reasonably homogenous and that the tariffs applied in Rate Class 1/11 are fair and reasonable to the customers within that Class. At that time, the Board will reconsider whether there should be any changes to the composition of Rate Class 1/11. .... 34
6. Therefore, the Board directs AUI, in its refiling, to either incorporate the changes recommended by CCA for both AUI’s Retailer Distribution Service Regulations and AUI’s Natural Gas Utility Service Rules, or make its own revisions to serve this purpose that provide some protection for customers from double billing..... 37

7. The Board directs AUI to provide its Refiling to the Board and all parties on or before October 29, 2007. Further, AUI shall advise all parties that reply comments are due to the Board on or before November 7, 2007. .... 38

### APPENDIX 3 – SUMMARY OF BOARD APPROVALS AND KEY FINDINGS

This section is provided for the convenience of readers. In the event of any difference between the Approvals in this section and those in the main body of the Decision, the wording in the main body of the Decision shall prevail.

1. The Board agrees with AUI that a 10% overhead charge would have no allocative impact on the results of the COSA. Given the above conclusion, the Board considers any specific concern that CCA had regarding Direction 6 is no longer applicable. .... 6
2. The Board approves AUI's applied for method of allocation of meters costs for the following reasons: ..... 6
  - changes to the COSA would have no impact to the resulting rates;..... 6
  - CCA and PICA did not object to the proposal; and..... 6
  - AUMA/UCA's agreement that meters was a suitable proxy for their preferred method. .. 6
3. Although the matter of splitting Rate Class 1/11(Small General Service) is addressed later in this Decision, the Board does not find a clearly superior alternative to the previously approved method of allocating services costs on the basis of sites weighted by the RCN meter cost of an average site in each rate class. Therefore, the Board approves the use of this current method for this GRA Phase II application..... 9
4. Given that the change to using -40° C has been implemented in response to direction from the Board in 2005-029 for this current COSA, the Board does not agree that further analysis of changes to methods is warranted at this time. The Board considers that additional experience, demonstrating how the current method affects cost allocation over time is necessary before any changes should be considered. .... 11
5. The Board agrees with AUI's allocation because the sum of billing demand represents the greater of the system design capacity reserved for the Rate Class 3/13(Demand/Commodity General Service-Optional) customers or the capacity used by the Rate Class 3/13 customers. It is therefore the most appropriate measure of Rate Class 3/13 demand at the system's designed -40° C peak capacity. Accordingly, the Board approves AUI's Rate Class 3/13 demand as filed in the COSA..... 12
6. In conclusion, the Board approves AUI's CP and NCP calculations set out in the COSA as they appropriately reflect diversity, are consistent with the design criteria, and are used correctly in the COSA..... 14
7. The Board agrees with AUI that, in this circumstance, it is not appropriate to use average consumption data because that would disregard the fact that Rate Class 4/14 (Irrigation Pumping Service-Optional) has the potential to peak at higher rates depending upon climatic conditions..... 15
8. The Board approved the exclusion of Rate Class 4/14 from the allocation of transmission system costs in Decision 2005-029 and agrees with AUI that this treatment remains appropriate because Rate Class 4/14 customers do not cause any material costs to the overall transmission system and there was no specific proposal tested during the hearing for allocation of transmission costs to Rate Class 4/14..... 15
9. The Board finds that AUI has complied with Direction 5 of Decision 2005-029 and approves the proposed method of calculating irrigation peak demand, as was approved in Decision

- 2005-029, and continues to be a practical solution in light of the data constraints. The resulting peak demand level of 1,467 GJ is approved for use in the COSA..... 15
10. The Board concurs with AUI's use of a site allocator instead of the existing site-months allocator as it more appropriately reflects the distribution infrastructure that is in place to serve load. Although ASBG/PGA suggests irrigation customers should only be allocated costs based on a site-month basis which would take into account the seasonal nature of their service, infrastructure is still required to provide service whether or not these customers consume gas in winter months. The Board therefore rejects ASGA/PGA's site-month allocation proposal and approves AUI's utilization of a site allocator..... 18
11. The Board continues to be of the view that the minimum plant or Diameter-Length method is more appropriate than the zero-intercept method when classifying the costs of distribution mains between customer related costs and demand-related especially given the limited data available, the variability of zero-intercept results, and the potential for understatement of the customer-related classification. Having regard to its prior determinations with respect to the zero-intercept method and the evidence on the record of this proceeding, the Board is not persuaded that there is a need for AUI to conduct a feasibility study of using a zero intercept analysis for the next GRA Phase II as recommended by PICA..... 19
12. The Board is satisfied that AUI's explanation that the greater the number of invoices issued to a site, the greater the likelihood that the Company will incur credit and collection efforts related to that site, especially in light of the fact that AUMA/UCA's proposal to allocate these costs based on revenues or total costs is not substantively supported by evidence within the proceeding. Therefore, the Board approves the continued use of the site-month allocator for credit and collection costs consistent with the method used for other customer care costs. .... 21
13. The Board recognizes that retail market activity has increased in AUI's service area, but understands that there are still only about 700 customers, of AUI's approximate customer base of over 60,000, on retail supply. Accordingly, the Board remains of the view that use of a deferral account is premature given the current stage of retail market development. .... 21
14. Although applying a 10% rate cap has often been utilized by the Board, the Board is of the view that it should be considered a guideline whereby the Board may determine, on a case by case basis, whether it is appropriate to increase rates above that threshold. The Board is satisfied that AUI's proposed rates are within a reasonable tolerance of the 10% rate cap, especially given that Rate Class 2/12, Rate Class 3/13, and Rate 4/14 currently recover significantly less than their costs via AUI's existing rates and would be close to unity on AUI's proposed rates. Therefore the Board approves AUI's rates as filed (Appendix 4). The Board's approval of AUI's rates also results in the Board's acceptance of the mathematically derived transition points that result from AUI's rate design..... 26
15. With regard to the interim rates, the Board considers these rates approved in Order U2006-041 are approved as final rates within the period the rates were in effect. The 2006 interim rates will continue to be in place until AUI's approved rates go into effect November 1, 2007. .... 26
16. However, the Board has not been convinced by either of the opposing positions. Instead, the Board agrees with MCGI that there is a lack of evidence on the record to clearly demonstrate whether or not the customers served under Rate Class 1 are sufficiently different to the extent that one or more types of customers are unjustly subsidizing others and would therefore warrant Rate 1/11 to be re-defined. As this matter affects rate design, the Board will set out

its findings in section 5.2.2.1, with respect to dealing with AUMA/UCA’s proposals to split Rate Class 1/11. .... 29

17. Therefore, the Board approves AUI’s TPTR as filed, effective November 1, 2007, including deferral account treatment..... 36

18. The Board considers that AUI’s one-time deficiency rider recovering outstanding balances from the 2003/04 Deficiency Rider, the 2005 Deficiency Rider and the 2006 Deficiency Rider totaling \$543,857 is appropriate. The Board approves AUI’s Deficiency Rider effective November 1, 2007..... 36



## **APPENDIX 4 –APPROVED RATE DESIGN**



Appendix 4 - Rate  
Design Summary.xls

(consists of 1 page)

## APPENDIX 5 – APPROVED RATE SCHEDULES AND RATE RIDERS

### RATE SCHEDULES



Appendix 5 - Rate  
01.doc

AUI Rate No. 1 – Small General Service  
(consists of 1 page)



Appendix 5 - Rate  
02.doc

AUI Rate No. 2 – Large General Service (Optional)  
(consists of 1 page)



Appendix 5 - Rate  
03.doc

AUI Rate No. 3 – Demand/Commodity General Service (Optional)  
(consists of 1 page)



Appendix 5 - Rate  
04.doc

AUI Rate No. 4 – Irrigation Pumping Service (Optional)  
(consists of 1 page)



Appendix 5 - Rate  
06.doc

AUI Rate No. 6 – Standby, Peaking, and Emergency Service  
(consists of 1 page)



Appendix 5 - Rate  
10a.doc

AUI Rate No. 10a – Producer Transportation Service ‘Closed Rate’  
(consists of 1 page)



Appendix 5 - Rate  
10b.doc

AUI Rate No. 10b – Producer Transportation Service ‘Closed Rate’  
(consists of 1 page)



Appendix 5 - Rate  
10c.doc

AUI Rate No. 10c – Producer Transportation Service ‘Closed Rate’  
(consists of 1 page)



Appendix 5 - Rate  
11.doc

AUI Rate No. 11 – Small General Service for Retailer  
(consists of 1 page)



Appendix 5 - Rate  
12.doc

AUI Rate No. 12 – Large General Service (Optional) for Retailer  
(consists of 1 page)



Appendix 5 - Rate  
13.doc

AUI Rate No. 13 – Demand/Commodity General Service (Optional) for Retailer  
(consists of 1 page)



Appendix 5 - Rate  
14.doc

AUI Rate No. 14 – Irrigation Pumping Service (Optional) for Retailer  
(consists of 1 page)



Appendix 5 - Rate  
30.doc

AUI Special Contract Rate No. 30 – Transportation Service ‘Closed Rate’  
(consists of 1 page)

### **RATE RIDERS**



Appendix 5 - Rider  
A.doc

AUI Rider A - Franchise Tax Riders  
(consists of 3 pages)



Appendix 5 - Rider  
B.doc

AUI Rider B – Municipal Property Tax Riders  
(consist of 1 page)



Appendix 5 - Rider  
C.doc

AUI Rider C – Deemed Cost of Gas Rider  
(consists of 1 page)



Appendix 5 - Rider  
D.doc

AUI Rider D – Gas Cost Recovery Rate Rider  
(approved monthly in a separate application)  
(consists of 1 page)



Appendix 5 - Rider  
E.doc

AUI Rider E – Unaccounted-For Gas Rider  
(approved yearly in a separate application)  
(consists of 1 page)



Appendix 5 - Rider  
F.doc

AUI Rider F – 2006 Deficiency Rider Placeholder Rate  
(consists of 1 page)



Appendix 5 - Rider  
G.doc

AUI Rider G – Third Party Transportation Cost Rider  
(consists of 1 page)

**2006 Proposed Rate Design**

|           | Billing Determinants |                      |                      |              | Interim Approved Rates<br>Per Order U2006-41 |                           |                           |                                 | Revenues at Existing Rates (\$) |                      |                   |                      |
|-----------|----------------------|----------------------|----------------------|--------------|--|---------------------------|---------------------------|---------------------------------|---------------------------------|----------------------|-------------------|----------------------|
|           | Billings<br>Units    | Energy<br>Units (GJ) | Demand<br>Units (GJ) | Days         | Fixed<br>Charge<br>(\$/mo.)                  | DSP<br>Credit<br>(\$/mo.) | Base<br>Energy<br>(\$/GJ) | Demand<br>Charge<br>(\$/mo./GJ) | Fixed<br>Charge                 | Base<br>Energy       | Demand<br>Charge  | Total                |
| Rate 1/11 | 743,366              | 11,568,601           |                      | 365          | \$ 15.36                                     | \$ 1.55                   | \$ 1.450                  |                                 | 12,564,508                      | 16,774,472           | -                 | 29,338,980           |
| Rate 2/12 | 1,740                | 1,186,700            |                      | 365          | \$ 275.67                                    | \$ 1.55                   | \$ 0.612                  |                                 | 482,358                         | 726,260              | -                 | 1,208,619            |
| Rate 3/13 | 660                  | 2,932,163            | 182,916              | 365          | \$ 414.29                                    | \$ 1.55                   | \$ 0.017                  | \$ 5.156                        | 274,166                         | 49,847               | 945,828           | 1,269,841            |
| Rate 4/14 | 1,939                | 120,711              |                      | 214          | \$ 32.82                                     | \$ 1.55                   | \$ 0.950                  |                                 | 66,984                          | 114,675              | -                 | 181,660              |
|           | <u>747,705</u>       | <u>15,808,175</u>    | <u>182,916</u>       | <u>1,309</u> |  |                           |                           |                                 | <u>\$ 13,388,017</u>            | <u>\$ 17,665,254</u> | <u>\$ 945,828</u> | <u>\$ 31,999,099</u> |

|           | Proposed Rates              |                           |                           |                                 | Revenues at Proposed Rates (\$) |                      |                     |                      |
|-----------|-----------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|----------------------|---------------------|----------------------|
|           | Fixed<br>Charge<br>(\$/mo.) | DSP<br>Credit<br>(\$/mo.) | Base<br>Energy<br>(\$/GJ) | Demand<br>Charge<br>(\$/mo./GJ) | Fixed<br>Charge                 | Base<br>Energy       | Demand<br>Charge    | Total                |
| Rate 1/11 | \$ 18.00                    | \$ 1.659                  | \$ 1.221                  |                                 | 14,620,723                      | 14,125,262           | -                   | 28,745,985           |
| Rate 2/12 | \$ 300.00                   | \$ 1.659                  | \$ 0.695                  |                                 | 524,910                         | 824,756              | -                   | 1,349,667            |
| Rate 3/13 | \$ 500.00                   | \$ 1.659                  | \$ 0.016                  | \$ 5.505                        | 330,796                         | 46,915               | 1,007,029           | 1,384,739            |
| Rate 4/14 | \$ 38.00                    | \$ 1.659                  | \$ 1.078                  |                                 | 76,884                          | 130,126              | -                   | 207,010              |
|           |                             |                           |                           |                                 | <u>\$ 15,553,313</u>            | <u>\$ 15,127,060</u> | <u>\$ 1,007,029</u> | <u>\$ 31,687,401</u> |

|           | Allocated Cost of Service (\$000) |            |               |               |
|-----------|-----------------------------------|------------|---------------|---------------|
|           | Customer                          | Energy     | Capacity      | Total         |
| Rate 1/11 | 20,457                            | 101        | 8,189         | 28,747        |
| Rate 2/12 | 544                               | 10         | 796           | 1,350         |
| Rate 3/13 | 352                               | 26         | 1,007         | 1,385         |
| Rate 4/14 | 133                               | 1          | 73            | 207           |
|           | <u>21,486</u>                     | <u>138</u> | <u>10,065</u> | <u>31,689</u> |

|           | Unit Costs |          |          |
|-----------|------------|----------|----------|
|           | Customer   | Energy   | Capacity |
| Rate 1/11 | \$ 27.52   | \$ 0.717 |          |
| Rate 2/12 | \$ 312.64  | \$ 0.679 |          |
| Rate 3/13 | \$ 533.33  | \$ 0.009 | \$ 5.505 |
| Rate 4/14 | \$ 68.59   | \$ 0.613 |          |

|           | Proposed Rates            |                      | Existing<br>Revenue to<br>Cost Ratios |
|-----------|---------------------------|----------------------|---------------------------------------|
|           | Revenue to<br>Cost Ratios | Percentage<br>Change |                                       |
| Rate 1/11 | 100.00%                   | -2.02%               | 102.06%                               |
| Rate 2/12 | 99.98%                    | 11.67%               | 89.53%                                |
| Rate 3/13 | 99.98%                    | 9.05%                | 91.69%                                |
| Rate 4/14 | 100.00%                   | 13.95%               | 87.76%                                |

|               |            |             | Transition<br>Points<br>Annual GJ          |
|---------------|------------|-------------|--|
| <b>Rate 1</b> |            |             |  |
| Fixed Charge  | \$ 19.659  | \$ 235.91   |  |
| Energy Charge |            | \$ 1.221    |  |
|               |            |             | 6,433 Rate 1 vs Rate 2                     |
| <b>Rate 2</b> |            |             |  |
| Fixed Charge  | \$ 301.659 | \$ 3,619.91 |  |
| Energy Charge |            | \$ 0.695    |  |
|               |            |             | 13,264 Rate 2 vs Rate 3<br>(100 GJ Demand) |
| <b>Rate 3</b> |            |             |  |
| Fixed Charge  | \$ 501.659 | \$ 6,019.91 |  |
| Energy Charge |            | \$ 0.016    |  |
| Demand Charge | \$ 5.505   | \$ 6,606.00 |  |

|                   |                              |
|-------------------|------------------------------|
| <b>RATE NO. 1</b> | <b>SMALL GENERAL SERVICE</b> |
|-------------------|------------------------------|

**Description:**

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

**Charges:**

Fixed Charge:

|  |              |
|--|--------------|
| Base .....                                       | \$ 0.592/Day |
| Default Supply Provider Administration Fee ..... | \$ 0.055/Day |

Variable Energy Charge:

|                         |                |
|-------------------------|----------------|
| Base .....              | \$ 1.221/GJ    |
| Gas Cost Recovery ..... | Rate Rider "D" |

The minimum daily charge will be the Fixed Charge.

|                                     |  |     |
|-------------------------------------|--|-----|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | SGS |
|-------------------------------------|--|-----|

|                   |   |
|-------------------|---|
| <b>RATE NO. 2</b> | <b>LARGE GENERAL SERVICE (OPTIONAL)</b> |
|-------------------|---|

**Description:**

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

**Charges:**

Fixed Charge:

|  |              |
|--|--------------|
| Base .....                                       | \$ 9.863/Day |
| Default Supply Provider Administration Fee ..... | \$ 0.055/Day |

Variable Energy Charge:

|                         |                |
|-------------------------|----------------|
| Base .....              | \$ 0.695/GJ    |
| Gas Cost Recovery ..... | Rate Rider "D" |

The minimum daily charge will be the Fixed Charge.

|                                     |  |     |
|-------------------------------------|--|-----|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | LGS |
|-------------------------------------|--|-----|



|                   |  |
|-------------------|--|
| <b>RATE NO. 3</b> | <b>DEMAND/COMMODITY GENERAL SERVICE (OPTIONAL)</b> |
|-------------------|--|

**Description:**

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

**Charges:**

Demand Charge ..... \$ 0.181/Day/GJ  
of Billing Demand

Fixed Charge:

Base ..... \$ 16.438/Day  
Default Supply Provider Administration Fee ..... \$ 0.055/Day

Variable Energy Charge:

Base ..... \$ 0.016/GJ  
Gas Cost Recovery ..... Rate Rider "D"

The minimum daily charge will be the Demand Charge and Fixed Charge.

**Determination of Billing Demand:**

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (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 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

|                                     |  |      |
|-------------------------------------|--|------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | DCGS |
|-------------------------------------|--|------|

|                   |  |
|-------------------|--|
| <b>RATE NO. 4</b> | <b>IRRIGATION PUMPING SERVICE (OPTIONAL)</b> |
|-------------------|--|

**Description:**

Available only to customers for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

**Charges:**

|  |                                  |
|--|----------------------------------|
|  | <u>April 1 to<br/>October 31</u> |
| Fixed Charge:                                    |                                  |
| Base .....                                       | \$ 1.243/Day                     |
| Default Supply Provider Administration Fee ..... | \$ 0.055/Day                     |
| Variable Energy Charge:                          |                                  |
| Base .....                                       | \$ 1.078/GJ                      |
| Gas Cost Recovery .....                          | Rate Rider "D"                   |

The minimum daily charge will be the Fixed Charge.

|                                     |  |     |
|-------------------------------------|--|-----|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | IPS |
|-------------------------------------|--|-----|

|                   |  |
|-------------------|--|
| <b>RATE NO. 6</b> | <b>STANDBY, PEAKING, AND EMERGENCY SERVICE</b> |
|-------------------|--|

**Description:**

Available only at the option of the Company.

**Charges:**

Demand Charge ..... \$ 0.181/Day/GJ  
of Billing Demand

Fixed Charge:

Base ..... \$ 16.438/Day  
Default Supply Provider Administration Fee ..... \$ 0.055/Day

Variable Energy Charge ..... 1.3 times the Variable Base Charge of Rate No. 3  
plus the greater of:  
(a) 1.3 times the GCRR; or  
(b) 1.3 times the actual cost of gas purchased

The minimum daily charge will be the Demand Charge and Fixed Charge.

**Determination of Billing Demand:**

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (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 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

|                                     |   |      |
|-------------------------------------|---|------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005<br>Decision 2005-029 | SPES |
|-------------------------------------|---|------|

|                     |  |
|---------------------|--|
| <b>RATE NO. 10a</b> | <b>PRODUCER TRANSPORTATION SERVICE<br/>'CLOSED RATE'</b> |
|---------------------|--|

**Description:**

Transportation service is available to the Rate 10a customer subject to the terms and conditions specified in the contract.

**Charges:**

|  | <u>1 Year</u> | <u>Term<br/>2 Years</u> | <u>3 Years</u> |
|--|---------------|-------------------------|----------------|
| Fixed Charge per Month .....                             | \$ 250.00     | \$ 250.00               | \$ 250.00      |
| Demand Charge per GJ<br>of Billing Demand per Month..... | \$ 1.418      | \$ 1.333                | \$ 1.248       |
| Energy Charge per GJ .....                               | \$ 0.019      | \$ 0.019                | \$ 0.019       |

- a) The minimum monthly charge will be the fixed plus demand charge.
- b) The Company and customer shall determine receipt and delivery locations for transportation service by consultation and agreement.
- c) Service under Rate 10a is subject to available system capacity.
- d) The Company reserves the right to restrict the amount of gas received and delivered up to the Contract Demand.
- e) Billing demand will be the higher of: contracted demand, the greatest amount of gas (GJ) transported in any consecutive 24-hour period, during the current or the previous 11 months.
- f) The rates do not include costs payable by the Customer for specific facilities at the point(s) of receipt or delivery provided by the Company for the Customer.

|                                     |   |                       |
|-------------------------------------|---|-----------------------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005<br>Decision 2005-029 | Page 1 of 1<br>PTS10a |
|-------------------------------------|---|-----------------------|

|                     |  |
|---------------------|--|
| <b>RATE NO. 10b</b> | <b>PRODUCER TRANSPORTATION SERVICE<br/>'CLOSED RATE'</b> |
|---------------------|--|

**Description:**

Transportation service is available to the Rate 10b customer subject to the terms and conditions specified in the contract.

**Charges:**

Variable Energy Charge ..... \$ 0.085/GJ

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|-------------------------------------|---|--------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005<br>Decision 2005-029 | PTS10b |
|-------------------------------------|---|--------|

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| <b>RATE NO. 10c</b> | <b>PRODUCER TRANSPORTATION SERVICE<br/>'CLOSED RATE'</b> |
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**Description:**

Transportation service is available to the Rate 10c customer subject to the terms and conditions specified in the contract.

**Charges:**

Demand Charge ..... \$ 0.020/Day/GJ of Billing Demand

|                                     |   |        |
|-------------------------------------|---|--------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005<br>Decision 2005-029 | PTS10c |
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|--------------------|---|
| <b>RATE NO. 11</b> | <b>SMALL GENERAL SERVICE<br/>FOR RETAILER</b> |
|--------------------|---|

**Description:**

Distribution service is available to retailers under contract for the delivery of retail supply.

**Charges:**

Fixed Charge:

Base ..... \$ 0.592/Day

Variable Energy Charge:

Base ..... \$ 1.221/GJ

The minimum daily charge will be the Fixed Charge.  
This service is not available for standby, peaking or emergency services.

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| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | SGS-R |
|-------------------------------------|--|-------|

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|--------------------|--|
| <b>RATE NO. 12</b> | <b>LARGE GENERAL SERVICE (OPTIONAL)<br/>FOR RETAILER</b> |
|--------------------|--|

**Description:**

Distribution service is available to retailers under contract for the delivery of retail supply.

**Charges:**

Fixed Charge:

Base ..... \$ 9.863/Day

Variable Energy Charge:

Base ..... \$ 0.695/GJ

The minimum daily charge will be the Fixed Charge.  
This service is not available for standby, peaking or emergency services.

|                                     |  |       |
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| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | LGS-R |
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|                    |   |
|--------------------|---|
| <b>RATE NO. 13</b> | <b>DEMAND/COMMODITY GENERAL SERVICE (OPTIONAL)<br/>FOR RETAILER</b> |
|--------------------|---|

**Description:**

Distribution service is available to retailers under contract for the delivery of retail supply.

**Charges:**

Demand Charge ..... \$ 0.181/Day/GJ  
of Billing Demand

Fixed Charge:

Base ..... \$ 16.438/Day

Variable Energy Charge:

Base ..... \$ 0.016/GJ

The minimum daily charge will be the Demand Charge and Fixed Charge.

**Determination of Billing Demand:**

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (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 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

|                                     |  |        |
|-------------------------------------|--|--------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | DCGS-R |
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|--------------------|---|
| <b>RATE NO. 14</b> | <b>IRRIGATION PUMPING SERVICE (OPTIONAL)<br/>FOR RETAILER</b> |
|--------------------|---|

**Description:**

Distribution service is available to retailers under contract for the delivery of retail supply. Available to retailers only for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

**Charges:**

|                         | <u>April 1 to<br/>October 31</u> |
|-------------------------|----------------------------------|
| Fixed Charge:           |                                  |
| Base .....              | \$ 1.243/Day                     |
| Variable Energy Charge: |                                  |
| Base .....              | \$ 1.078/GJ                      |

The minimum daily charge will be the Fixed Charge.  
 This service is not available for standby, peaking or emergency services.

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| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>March 1, 2006<br>Order U2006-41 | IPS-R |
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|---|---|
| <b>SPECIAL CONTRACT<br/>RATE NO. 30</b> | <b>TRANSPORTATION SERVICE<br/>'CLOSED RATE'</b> |
|---|---|

**Description:**

Transportation service is available to the Rate No. 30 customer for the term and conditions specified in the contract.

**Charges:**

|                     |                 |
|---------------------|-----------------|
| Fixed Charge .....  | \$ 250.00/Month |
| Energy Charge ..... | \$ 0.230/GJ     |

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| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005 |  |
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| <b>RATE RIDER “A”</b> | <b>FRANCHISE TAX RIDERS</b> |
|-----------------------|-----------------------------|

**Municipalities**

Additions to be made to the rates of customers resident in municipalities that have agreed to accept a percentage of gross revenue of the special franchise tax in lieu of a property tax pursuant to Section 360 of the Municipal Government Act, 1994, c. M-26.1 (previously Section 14(7) and 14(8) of the Municipal Taxation Act).

The percentage shown is to be applied as an addition to the total billings calculated.

| Municipality              | District                      | Type           | Rate (%) | Board Order |
|---------------------------|-------------------------------|----------------|----------|-------------|
| Athabasca <sup>1</sup>    | Athabasca                     | Town           | 6.0      | U97149      |
| Barrhead                  | Barrhead/Westlock/ Morinville | Town           | 3.1      | U98152      |
| Delia                     | Hanna                         | Village        | 4.0      | E92122      |
| Donalda                   | Stettler                      | Village        | 4.0      | E92122      |
| Elk Point                 | St. Paul                      | Town           | 7.0      | U99062      |
| Grande Cache              | Grande Cache                  | Town           | 6.952    | U99084      |
| Hairy Hill <sup>2</sup>   | St. Paul                      | Village        | 5.0      | E95078      |
| Hanna                     | Hanna                         | Town           | 3.1      | E76087      |
| New Sarepta               | Leduc                         | Village        | 5.5      | U98138      |
| Radway                    | Westlock                      | Village        | 3.0      | E90046      |
| Sunset Beach <sup>3</sup> | Athabasca                     | Summer Village | 6.1      | U97151      |
| Three Hills               | Three Hills                   | Town           | 4.75     | U98033      |

<sup>1</sup> Periodic changes to franchise tax rates have been pre-approved by the Board.

<sup>2</sup> Periodic changes to franchise tax rates have been pre-approved by the Board.

<sup>3</sup> The Municipality has elected to have the percentage of gross revenue from the special franchise tax collected on distribution revenue, gas costs, and a deemed value for gas applied to volumes distributed for retailers.

|                                     |  |           |
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| EFFECTIVE DATE:<br>November 1, 2007 |  | Rider “A” |
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**Métis Settlements**

Additions to be made to the rates of customers resident in Métis Settlements that have by bylaw approved Utility Services Agreements providing for the payment of annual utility service fees calculated as a percentage of gross revenues.<sup>4</sup> The percentage shown is to be applied as an addition to the total billings calculated.

| <b>Métis Settlement</b> | <b>District</b> | <b>Rate (%)</b> | <b>Board Order</b> |
|-------------------------|-----------------|-----------------|--------------------|
| Buffalo Lake            | St. Paul        | 7.0             | U2000-236          |
| Fishing Lake            | St. Paul        | 5.0             | U97153             |
| Gift Lake               | Wabasca         | 7.0             | U2003-378          |
| Kikino                  | St. Paul        | 7.0             | U2000-107          |

<sup>4</sup> The *Métis Settlements Act* (S.A. 1998 Chapter M-14.3) enables the Métis Settlements General Council to legislate by Policy and Settlement Councils to legislate by bylaw on matters related to the operations of utilities within the settlement areas, including the granting of interests in land, the assessment and taxation of these interests, and the licencing of related activities. [s.222(1); Sch.1, ss.14, 19]. Under *Métis Settlements General Council Public Utilities Policy* (GC-P9804; Alberta Gazette, Nov.30, 1998, p.2221) a Settlement may enter into Utility Service Agreement allowing a utility to use land and provide utility services in the Settlement Area and providing for the utility to pay an all inclusive annual service fee. The fee may be determined as a percentage of gross revenue received from services provided in the Settlement Area. Each of the listed Settlements has entered into a Utility Service Agreement with AltaGas Utilities. Under the *Public Utility Policy* [s.2.3(3)] the Service Agreement takes effect on being approved by bylaw and by the Alberta Energy and Utilities Board.

|                                     |  |           |
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| EFFECTIVE DATE:<br>November 1, 2007 |  | RIDER "A" |
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### Municipalities Governed by Standardized Franchise Agreement

For each calendar year the franchise fee will be calculated as a percentage of the Company's actual total revenue derived from the Gas Distribution Tariff, including without limitation the fixed charge, base energy charge, demand charge but excluding the cost of gas (being the calculated revenues from the gas cost recovery rate rider or the deemed cost of gas) in that year for Gas Distribution Service within the Municipal Area.

| Municipality     | District                    | Type           | Rate (%) | Board Order |
|------------------|-----------------------------|----------------|----------|-------------|
| Beaumont         | Leduc                       | Town           | 21.20    | 2005-287    |
| Bonnyville       | Bonnyville                  | Town           | 20.00    | 2003-068    |
| Bonnyville Beach | Bonnyville                  | Summer Village | 0.00     | 2005-321    |
| Botha            | Stettler                    | Village        | 10.00    | 2004-260    |
| Calmar           | Leduc                       | Town           | 20.00    | 2004-244    |
| Crystal Springs  | Leduc                       | Summer Village | 0.00     | 2005-117    |
| Drumheller       | Drumheller                  | Town           | 27.00    | 2004-440    |
| Glendon          | St. Paul                    | Village        | 4.62     | 2004-264    |
| High Level       | High Level                  | Town           | 27.50    | 2004-274    |
| High Level       | Rate 23 Customers only      |                | 35.00    | 2004-274    |
| Island Lake      | Athabasca                   | Summer Village | 0.00     | 2005-085    |
| Leduc            | Leduc                       | City           | 27.00    | 2005-276    |
| Leduc            | Rate 3/13/23 Customers only |                | 35.00    | 2005-276    |
| Mewatha Beach    | Athabasca                   | Summer Village | 6.00     | 2005-207    |
| Morinville       | B/W/M                       | Town           | 19.00    | 2005-142    |
| Munson           | Drumheller                  | Village        | 11.00    | 2004-291    |
| Pincher Creek    | Pincher Creek               | Town           | 20.00    | 2004-293    |
| St. Paul         | St. Paul                    | Town           | 22.00    | 2004-289    |
| Stettler         | Stettler                    | Town           | 18.00    | 2004-247    |
| Two Hills        | St. Paul                    | Town           | 10.00    | 2005-135    |
| Waskatenau       | B/W/M                       | Village        | 8.00     | 2004-421    |
| Westlock         | B/W/M                       | Town           | 0.00     | 2004-232    |
| Willingdon       | St. Paul                    | Village        | 6.00     | 2005-5      |

|                                     |  |           |
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| EFFECTIVE DATE:<br>November 1, 2007 |  | RIDER "A" |
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| <b>RATE RIDER “B”</b> | <b>MUNICIPAL PROPERTY TAX RIDERS</b> |
|-----------------------|--------------------------------------|

Additions to be made to the rates of customers resident in municipalities that receive a property tax assessed pursuant to Section 353 of the *Municipal Government Act*, R.S.A. 2000 c.M-26. The addition is an estimated percentage of distribution revenues required to provide for the tax payable each year. To the extent that this percentage may be more or less than that required to pay the tax, the percentage of distribution revenue in the rider will be adjusted on an annual basis. The percentages are filed with the Alberta Energy and Utilities Board.

Rate Rider "B" is to be applied as an addition to the total billings calculated for the following areas:

| <u>Districts</u>               | <u>Rate (%)</u> | <u>Municipalities</u>              | <u>Rate (%)</u> |
|--------------------------------|-----------------|------------------------------------|-----------------|
| Athabasca                      | 5.51250         | Village of Morrin                  | 2.31538         |
| Barrhead, Westlock, Morinville | 3.11660         | Zama City                          | 4.50480         |
| Bonnyville                     | 1.56700         | Town of Bonnyville                 | 6.58270         |
| Drumheller                     | 0.00500         | Village of Waskatenau              | 4.69100         |
| Grande Cache                   | n/a             | Town of Westlock                   | 2.13460         |
| Hanna                          | 1.55840         | Town of Calmar                     | 11.13190        |
| High Level                     | 5.93780         | Town of Stettler                   | 4.76900         |
| Leduc                          | 0.49960         | Town of Pincher Creek              | 6.91380         |
| Pincher Creek                  | 1.27880         | Town of High Level                 | 4.88000         |
| St. Paul                       | 4.22720         | Village of Glendon                 | 10.62520        |
| Southeast                      | 3.07860         | Village of Botha                   | 5.94130         |
| Stettler                       | 1.84190         | Town of St. Paul                   | 0.72270         |
| Three Hills                    | 1.66610         | Town of Drumheller                 | 7.46100         |
| Two Hills                      | 4.21530         | Village of Munson                  | 2.41050         |
|                                |                 | Village of Willingdon              | 11.48720        |
|                                |                 | Summer Village of Island Lake      | 2.52280         |
|                                |                 | City of Leduc                      | 4.09390         |
|                                |                 | Summer Village of Crystal Springs  | 1.68240         |
|                                |                 | Town of Two Hills                  | 8.96940         |
|                                |                 | Town of Beaumont                   | 1.91050         |
|                                |                 | Summer Village of Bonnyville Beach | 2.48380         |
|                                |                 | Town of Morinville                 | 3.78700         |
|                                |                 | Summer Village of Mewatha Beach    | 0.72060         |

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| EFFECTIVE DATE:<br>November 1, 2007 |  | RIDER “B” |
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| <b>RATE RIDER "C"</b> | <b>DEEMED COST OF GAS RIDER</b> |
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**TO ALL RETAILER DISTRIBUTION SERVICE RATES IN THE DETERMINATION OF THE  
DEEMED COST OF GAS FOR CALCULATING RATE RIDER "A"**

To be applied to the amount of natural gas delivered under Retailer Distribution Service in the determination of municipal franchise tax payable (Rider "A") to municipalities that have agreed to accept payment of a percentage of gross revenues of the special franchise pursuant to Section 360 of the *Municipal Government Act* R.S.A. 2000, c. M-26.

The Deemed Cost of Gas Rider is equal to Rider "D" as amended from time to time and approved by the Alberta Energy and Utilities Board.

|                                     |   |           |
|-------------------------------------|---|-----------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE:<br>May 1, 2005<br>Decision 2005-029 | RIDER "C" |
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|                       |                                     |
|-----------------------|-------------------------------------|
| <b>RATE RIDER “D”</b> | <b>GAS COST RECOVERY RATE RIDER</b> |
|-----------------------|-------------------------------------|

**TO ALL DISTRIBUTION RATES THAT INCLUDE GAS COST RECOVERY**

To be applied to the energy sold to all customers receiving default supply 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:**

October 1, 2007 to October 31, 2007: \$5.213 per GJ

|   |  |           |
|---|--|-----------|
| EFFECTIVE DATE:<br>Acknowledged Monthly | REPLACING RATE EFFECTIVE:<br>September 1, 2007 | RIDER “D” |
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|-----------------------|----------------------------------|
| <b>RATE RIDER "E"</b> | <b>UNACCOUNTED-FOR-GAS RIDER</b> |
|-----------------------|----------------------------------|

**FOR THE DETERMINATION OF UNACCOUNTED-FOR GAS**

The Unaccounted-For-Gas Rider shall be used in the calculation of the Gas Cost Recovery Rider "D" and to determine the amount of Unaccounted-For-Gas as defined in AltaGas Utilities Inc.'s terms and conditions of service.

Unaccounted-For-Gas Rider:..... 0.730%

|                                     |   |           |
|-------------------------------------|---|-----------|
| EFFECTIVE DATE:<br>November 1, 2006 | REPLACING RATE EFFECTIVE:<br>November 1, 2005 | RIDER "E" |
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|                       |   |
|-----------------------|---|
| <b>RATE RIDER “F”</b> | <b>2006 DEFICIENCY RIDER<br/>PLACEHOLDER RATE</b> |
|-----------------------|---|

**Description:**

This rider applies to all distribution service customers’ actual billed distribution revenue, excluding gas charges, on statements processed in the January 2006 through December 2006 billing cycles.

**Rate:**

2006 Deficiency Rider ..... 1.735%<sup>1</sup>

**Application:**

To be collected over the billing cycles of November 2007.

<sup>1</sup> This percentage of 1.735% serves as a placeholder until AUI files an update to Rate Rider “F” and receives approval from the Alberta Energy and Utilities Board on a final rate.

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| EFFECTIVE DATE:<br>November 1, 2007 |  | RIDER “F” |
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| <b>RATE RIDER “G”</b> | <b>THIRD PARTY TRANSPORTATION COST RIDER</b> |
|-----------------------|--|

**TO ALL DISTRIBUTION SERVICE RATES FOR THE RECOVERY OF  
 THIRD PARTY TRANSPORTATION COSTS**

To be applied to the energy delivered to default supply and retail supply distribution service customers.

The recovery of third party transportation costs is subject to reconciliation based on actual experienced third party transportation costs as approved by the Alberta Energy and Utilities Board.

**Third Party Transportation Cost Recovery Rate:**

October 1, 2007 to October 31, 2007: \$0.0953 per GJ

|                                     |                           |           |
|-------------------------------------|---------------------------|-----------|
| EFFECTIVE DATE:<br>November 1, 2007 | REPLACING RATE EFFECTIVE: | RIDER “G” |
|-------------------------------------|---------------------------|-----------|