Decision 2005-094

ATCO Gas

A Division of ATCO Gas and Pipelines Ltd.

Overlea Metering Adjustments

August 23, 2005

ALBERTA ENERGY AND UTILITIES BOARD
Decision 2005-094: ATCO Gas, A Division of ATCO Gas and Pipelines Ltd.
Overlea Metering Adjustments
Application No. 1398400

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1 INTRODUCTION

By letter dated April 22, 2005, the Alberta Energy and Utilities Board (the Board) requested clarification from ATCO Gas (AG) of certain amounts for imbalances that it had invoiced to Direct Energy Regulated Services (DERS)[1] for inclusion in DERS's gas cost flow-through rates (GCFR) for the month of April 2005. While the imbalances that were queried had the effect of reducing the GCFR in both of AG's North and South distribution service territories, AG had conditioned the inclusion of these benefits on the Board's approval of its Imbalances and Production Adjustments Application (No. 1347852).[2]

AG replied to the Board by letter dated April 28, 2005, which response became the basis for this Application, No. 1398400 (the Overlea Metering Adjustments). AG explained that the imbalances in question related to metering adjustments that had occurred over the period from April 18, 2003 to June 9, 2004 at the Overlea station operated by ATCO Pipelines (AP)[3] where gas from the NOVA Gas Transmission Ltd. (NGTL) system is measured. Because of the errors, gas that was actually taken off of that system had been under-recorded by an aggregate of 621,879 gigajoules (GJ). AG advised that regulated sales customers were given credit at the time that gas was returned to NGTL as a consequence of the metering errors. However, AG further advised that those sales customers had not been fully charged for the gas that had effectively been used by them during the time that the errors had occurred, as it had been prevented from doing so for the amounts that occurred prior to March 2004. Those amounts not recovered aggregated 470,022 GJ and were included in the imbalances adjustments being reviewed by the Board in Application No. 1347852.

By email letter dated May 27, 2005, the Board notified interested parties listed for AG's Application No. 1347852 and DERS North and South GCFRs that the Board proposed to deal with the Overlea Metering Adjustments in a written proceeding. By letter dated June 10, 2005, The City of Calgary (Calgary) filed a notice of objection citing deficiencies in AG's explanation and data, which Calgary needed in order to understand the adjustments relative to other imbalances adjustments included in Application No. 1401921.[4] Calgary, however, withdrew its

[1] DERS, a business unit of Direct Energy Marketing Limited, has been the default service provider of natural gas for AG in each of AG's north and south distribution service territories since May 2004. DERS uses the GCFR, a gas cost recovery rate, to charge sales customers that are subject to the regulated cost of gas.

[2] Application No. 1347852 was dealt with in Decision 2005-036, dated April 28, 2005. In that Decision, AG was ordered to reduce by 15% certain prior period imbalances adjustments that would be included in determining monthly GCFRs.

[3] AP is also a division of ATCO Gas and Pipelines Ltd.

[4] Pursuant to Decision 2005-036 AG was required to submit a compliance filing to the Board, to explain the causes of monthly imbalances adjustments dealt with in that Decision.

objection on August 5, 2005 following technical discussions it held with AG in which its concerns were resolved.

The Board considers that the record for this proceeding closed on August 5, 2005.

2 BACKGROUND

Imbalances occur in relation to gas managed as transportation service by both AG and AP, and are generally defined as the difference between the gas energy received from transportation customers and the gas energy delivered to them, net of certain adjustments. Aggregate imbalances affect the day-to-day operation of the pipeline system in that overall deficiencies or excesses of gas received, relative to the gas delivered, must be made up in order to ensure the safe and reliable operation of the system. Imbalances also affect the cost of natural gas sold by DERS because sales customers are, as a group, considered to be the unbalanced shipper on the combined AG and AP pipeline systems. As a result, imbalances are included in DERS's deferred gas accounts as an adjustment component to the aggregate cost of gas. The deferred gas account is used by DERS in the determination of its monthly GCFRs.

A positive imbalance, one in which gas received on the pipeline system is greater than the gas consumed, tends to reduce gas purchases for sales customers. In this situation, AG values the volume at the current market price of gas and the cost is recovered from sales customers as if the imbalance had been purchased. Conversely, a negative imbalance tends to increase the quantity of gas purchases for sales customers because additional supply is needed to replace it on the system. However, as sales customers should not be penalized for this imbalance, the resulting value of the imbalance is deducted from the cost of gas recovered from them. Since imbalances are associated with transportation accounts, a positive/negative imbalance incurred in one period should be reversed by a negative/positive imbalance in a subsequent period such that in the long run, sales customers should be neutral in volume.

3 ISSUES

By letter dated May 24, 2005, AG provided the Board with additional information on the Overlea Meter Adjustments, including tables which set out all of the monthly imbalances adjustments from the compliance filing for Decision 2005-036 for both the North and South distribution service territories. A portion of such total imbalances adjustments was shown to be caused by the Overlea station metering errors. Because the adjustments at the Overlea station were the result of malfunctioning metering equipment, AG sought approval to include the imbalances related to the Overlea Metering Adjustments in determining DERS's GCFRs, without the 15 % reduction otherwise ordered by the Board in Decision 2005-036. AG also sought approval to process the Overlea Metering Adjustments at the same time as the other imbalances adjustments set out in the said compliance filing.

AG submitted that the amounts required for the Overlea Metering Adjustments, based on the average February 2004 market price, were as follows:

Table 1. Overlea Metering Adjustments

	North Service Territory	South Service Territory
Energy (GJ)	235,012	235,010
February 2004 market price/GJ	$5.7800	$5.7800
Adjustments	$1,358,369	$1,358,358

AG submitted that the Overlea Metering Adjustments should be approved intact for the following reasons.

- Their proper processing requires continuity between prior periods and current periods to ensure that their effect on imbalances energy would be neutral to regulated sales customers. Because prior period imbalances related to Application No. 1347852 were "frozen" pending the Board's decision, only one side could be fully processed.

- Problems with AP's Transportation Information System or reports, by overwritten data, or by a lack of adequate controls or supervisory systems, identified as matters of concern that led to the 15% disallowance as otherwise directed in Decision 2005-036, were not applicable. A significant period of time during which the error occurred did not exist and there was no relationship to the corrections identified in Application No 1347852, other than their being included in the time period being addressed.

The Board notes that previously, where imbalances adjustments have arisen because of corrections related to the measurement of gas at metering stations, the cost of the gas related to the imbalance has been allowed in determining a gas cost recovery rate for AG.[5] The Board also notes that Calgary was the only party to register an objection to the Overlea Metering Adjustments, which it subsequently withdrew.

The Board agrees that the Overlea Metering Adjustments were the result of measurement errors that can occur periodically in the normal course of the operation of a pipeline system. The Board considers AG determined their value in a manner acceptable to the Board and that they should not be subject to the 15% reduction otherwise directed by it for the imbalances adjustments set out in Decision 2005-036. Accordingly, the Board directs that AG is allowed to invoice the Overlea Metering Adjustments in the amounts of $1,358,369, in respect of its North service territory, and $1,358,358, in respect of its South service territory, to DERS for inclusion in DERS's relevant deferred gas accounts. The Board expects that AG would provide the charges to DERS on a timely basis such that DERS could include the amounts in determining its GCFRs for a month no later than October 2005.

[5] For example, refer to Decision 2004-013, dated February 17, 2004, Jumping Pound Meter Station Gas Measurement Adjustment.

4 ORDER

IT IS HEREBY ORDERED THAT:

In respect of the Overlea Metering Adjustments:

(1) ATCO Gas is allowed to recover a total of $1,358,369 from Direct Energy Regulated Services in respect of the ATCO Gas North distribution service territory.

(2) ATCO Gas is allowed to recover a total of $1,358,358 from Direct Energy Regulated Services in respect of the ATCO Gas South distribution service territory.

Dated in Calgary, Alberta on August 23, 2005.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

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

(original signed by)

J. I. Douglas, FCA
Member

(original signed by)

C. Dahl Rees, LL.B.
Acting Member