


MADE at the City of Calgary, in the Province of Alberta, on 20th day of December 2004.	 ALBERTA ENERGY AND UTILITIES BOARD
AltaGas Utilities Inc. Rate Rider B – Change in Methodology	Application No. 1373072

1 INTRODUCTION

By letter dated December 3, 2004, AltaGas Utilities Inc. (AltaGas) filed an application with the Alberta Energy and Utilities Board (Board) requesting a change in the methodology of calculating Rate Rider B (the Application). Rider B collects revenues to recover property taxes paid to municipalities pursuant to the *Municipal Government Act*, R.S.A. 2000, c. M-26

Rider B is an estimated percentage of gross revenue required to provide for the tax payable each year. The rider is calculated using forecast revenue that includes both the gas and the distribution revenues. To the extent that this percentage may be more or less than that required to pay the tax, the percentage of gross revenue in Rider B is adjusted on an annual basis, and the percentages are filed with the Board.

2 DETAILS OF THE APPLICATION

AltaGas proposed that for 2005 and on a going forward basis that only distribution revenues should be used in calculating the Rider B percentages and determining the Rider B charge on its customer bills. Gas revenues would therefore not be included in the calculations.

AltaGas stated that the proposed change in methodology would eliminate problems associated with including gas revenues in the calculation and application of the Rider. AltaGas noted the following problems that were associated with including the gas cost recovery rate (GCRR), or gas revenues in the calculations:

- *Challenge of forecasting future gas prices* – Actual gas prices frequently deviate from the forecast. The degree of separation between forecast and actual gas prices contributes to the magnitude of the over or under collection that occurs each year. Removing the gas charge helps add stability in the rates.
- *Fluctuation in customer bills* – The fluctuation of the GCRR charge is further magnified by Rider ‘B’ on our customer bills. Distribution charges change less frequently and have less volatility than gas charges. Excluding the gas charge from the determination and application of the Rider will help add stability to customer bills.

- *Alignment with Rider 'A'* – This change would also align with the standardized franchise agreement methodology used in calculating and applying franchise taxes, which allows for the calculation of rates based on distribution revenues only. Rider 'A' for a number of municipalities served by AltaGas Utilities are based on the distribution revenues alone and the Company expects more municipalities to transition to this in the future.

3 VIEWS OF THE BOARD

The Board notes that it has not published Notice of Application, nor have interveners been made aware of this Application. The Board considers that given the short timelines available to deal with this Application and the need for approval prior to the end of 2004, in order to implement the proposed changes, the Board will proceed to approve this Application without Notice. The Board notes that section 58 of the *Public Utilities Board Act*, R.S.A. 2000, c. p-45, provides for such an approval as noted:

58(1) When the Board is authorized on notice to the parties interested to hear an application or dispute or to make an order, it may, on the ground of urgency or for other reason appearing to the Board to be sufficient, notwithstanding any want of or insufficiency in the notice, make the like order or decision in the manner as if due notice had been given to all parties, and the order or decision is as valid and takes effect in all respects as if made on due notice.

58(2) A person entitled to notice and not sufficiently notified may, at any time within 10 days after becoming aware of any order or decision, or within any further time the Board may allow, apply to the Board to alter or rescind the order or decision, and the Board shall, on that application and on any notice to the other parties interested that in its discretion it thinks desirable, hear the application, and either alter or rescind the order or decision or dismiss the application as to it seems just.

The Board notes that in the past, it has previously approved similar methodologies to the one being proposed by AltaGas. In Decision E95048¹ the Board approved an amendment to the franchise methodology, which resulted in rate rider calculations being based on the distribution only portion of the tariff. In essence, the cost of gas was removed from the methodology used to calculate the franchise fee that Northwestern Utilities Limited paid to the City of Red Deer.

In Decision E95048, the Board considered several aspects of the proposed methodology, such as: stability, uniformity and avoidance of undue discrimination. The Board noted that removal of natural gas costs from the formula should stabilize amounts collected by the fee, as the volatile component of revenue was being removed.

The Board also considered in that Decision that using distribution revenues should reduce the number of unexpected changes to the franchise fee in the future, thereby contributing to the uniformity of franchise fees. Further, the proposed formula properly and fairly allocated the cost of the franchise fee amongst customers, so as to avoid any undue discrimination.

¹ Decision E95048 – The City of Red Deer and Northwestern Utilities Limited – In the matter of an Application dated August 29, 1994 for approval to amend the special franchise contract between the City of Red Deer and Northwestern Utilities Limited, dated April 24, 1995.

The Board continues to hold these views, with respect to these changes, and considers that the issues surrounding AltaGas' proposed changes to the methodology used to calculate Rider B, are identical to those dealt with in Decision E95048. As a result, the Board sees no reason to not approve AltaGas' proposed methodology for calculating Rider B on a going forward basis. Therefore, the Board approves AltaGas' methodology to calculate and apply Rider B based on distribution revenues.

The Board notes that the AltaGas Phase II proceeding has a hearing scheduled for the January 10 – 14, 2005 timeframe. Should any party object to this Decision, the Board considers that this proceeding would be an appropriate time to raise concerns and gather further evidence from AltaGas respecting Rider B. Parties could then also take a position on Rider B in argument and reply. In this regard, the Board considers that any concerns will be fairly dealt with. The Board has attached a copy of AltaGas' Application for convenience of the parties as Appendix A.

4 ORDER

- (1) AltaGas' proposed methodology of using only distribution revenues as the basis for calculating Rate Rider B percentages, and applying Rate Rider B charges to customer bills is approved.

END OF DOCUMENT



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December 3, 2004

Alberta Energy and Utilities Board
10th Floor
10055 – 106 Street
Edmonton, Alberta T5J 2Y2

Attention: Becky Torrance, Manager, Utilities Branch

Re: AltaGas Utilities Inc. – Rate Rider “B” – Change in Methodology

As directed in Alberta Energy and Utilities Board Decision E92064, AltaGas Utilities Inc. annually submits a notification of change to Rate Rider ‘B’, the Municipal Property Tax Rider. Prior to this year’s filing however, AltaGas Utilities Inc. is requesting a change in the methodology for calculating the Rider and applying it to customer bills.

The existing process calculates Rider ‘B’ rates using forecast revenue that includes both the gas (GCRR) and the distribution revenues. AltaGas Utilities is proposing that only distribution revenues be used as the basis for calculating the Rider ‘B’ rates and determining the Rider ‘B’ charge on our customer bills. The change would eliminate problems associated with including the GCRR component in the calculation and application of the Rider:

- *Challenge of forecasting future gas prices* – Actual gas prices frequently deviate from the forecast. The degree of separation between forecast and actual gas prices contributes to the magnitude of the over or under collection that occurs each year. Removing the gas charge helps add stability in the rates.
- *Fluctuation in customer bills* – The fluctuation of the GCRR charge is further magnified by Rider ‘B’ on our customer bills. Distribution charges change less frequently and have less volatility than gas charges. Excluding the gas charge from the determination and application of the Rider will help add stability to customer bills.
- *Alignment with Rider ‘A’* – This change would also align with the standardized franchise agreement methodology used in calculating and applying franchise taxes, which allows for the calculation of rates based on distribution revenues only. Rider ‘A’ for a number of municipalities served by AltaGas Utilities are based on the distribution revenues alone and the Company expects more municipalities to transition to this in the future.

As the Company would like to implement the new methodology in calculating the 2005 Rate Rider ‘B’ rates the Company respectfully requests this filing be handled as expeditiously as possible.

Sincerely,

AltaGas Utilities Inc.

<Original signed by Jennifer James>

Jennifer James, CMA
Supervisor, Regulatory Filings