



# ATCO Gas North and ATCO Gas South

Request for Deferral of 2004 Costs and Revenues

December 7, 2004

**ALBERTA ENERGY AND UTILITIES BOARD**

Decision 2004-105: ATCO Gas North and ATCO Gas South  
Request for Deferral of 2004 Costs and Revenues  
Application No. 1367212

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REQUEST FOR DEFERRAL OF  
2004 COSTS AND REVENUES**

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**1 INTRODUCTION AND BACKGROUND**

On October 29, 2004, ATCO Gas (ATCO or the Company) filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) requesting approval to defer certain 2004 costs and revenues pending further direction from the Board with respect to these items. In the Application, ATCO referred to the following applications where deferral account treatment had previously been proposed for these costs and revenues:

**(1) Application No. 1326068 – Review and Variance of Decision 2003-072**

In Application No. 1326068, filed on December 18, 2003, ATCO submitted that costs should be included in the approved 2004 cost of service in relation to charges from the Government of Alberta for funding of the Office of the Utilities Consumer Advocate in which ATCO will be required to participate, and for the allocation of costs to the Company related to the Government's Consumer Protection and Customer Choice Campaign. ATCO requested deferral account treatment for these items pending a Board ruling on Application No.1326068.

**(2) Application No. 1355457 – Impact of the Retail Transfer and I-Tek Business Services Ltd. (ITBS) Volume Forecast**

Application No. 1355457, filed on July 30, 2004 addressed the impact on the 2003/2004 revenue requirement, of the transfer of the retail function to Direct Energy, and the customer care volume forecasts for services provided by ITBS. In Application No. 1355457, ATCO requested approval of its proposal that all bad debt and collection agency fees incurred after June 1, 2004, related to billings prior to that date, would be transferred to a deferral account, and that late payment charges and any write down to the Allowance for Doubtful Accounts would be deferred to this account as an offset. In that application, ATCO indicated that this was a situation never previously encountered by the Company, with the result that there was no precedent upon which to develop a reasonable forecast for these items. ATCO considered that a deferral account mechanism would address the related uncertainty, and that disposition of the deferral account balance would be addressed in the next general rate application.

In the Application, ATCO indicated that costs had been incurred in 2004 in relation to the Office of the Consumer Advocate, but that no charges had yet been received to date in relation to the Customer Choice Campaign. ATCO understood that any charges incurred by ATCO Electric Ltd. (AE) in relation to these matters would be dealt with in the balancing pool, which is in essence a deferral account, resulting in no impact to AE.

ATCO pointed out that bad debt expense, collection agency fees and late payment charges had been recognized since June 1, 2004, and noted that prior to the transfer of the retail function to

Direct Energy, a significant portion of such amounts would have been applied to the Gas Cost Recovery Rate, which operated on a deferral basis.

ATCO considered it unlikely that a decision would be received with respect to either Application No. 1326068 or No. 1355457 by December 31, 2004, and expressed concern that the accounting for these costs and revenues needed to be addressed in 2004. Given that costs had been incurred (and revenues received) with respect to these items, and that Board decisions addressing the related regulatory treatment were still outstanding, ATCO requested approval to defer these costs and revenues until further direction is received from the Board.

## **2 BOARD FINDINGS**

The Board notes that the costs and revenues for which ATCO has requested deferral account treatment were previously identified by ATCO for deferral in two earlier applications, which are presently under review. The Board acknowledges that any concerns of interested parties with respect to the substance of ATCO's deferral account proposals can be tabled during the course of the proceedings for Application No. 1326068 and Application No. 1355457.

Recognizing that transfer of these costs and revenues to deferral accounts will have no impact on customers of the Company in 2004, and that the substance of the underlying rationale (including the appropriate treatment of these amounts) is being addressed in those other proceedings, the Board does not see the need to seek input from interested parties with respect to the Application. The Board is satisfied that the issue to be addressed with respect to the Application is the reasonableness of ATCO's request for "interim" deferral of the items in question pending Board rulings with respect to the earlier applications. The Board also acknowledges ATCO's concern that, while decisions with respect to the regulatory treatment of these costs and revenues are unlikely to be issued prior to December 31, 2004, the Company must address the accounting for these items in 2004.

Based on the above factors, the Board considers it reasonable to grant ATCO's request for approval to defer these costs and revenues on an interim basis, without making a determination with respect to the issues raised in Application No. 1326068 and Application No. 1355457. This will facilitate the accounting treatment of these items for 2004 pending Board determination of the applications. Accordingly, the Board will approve ATCO's request for deferral of these items on an interim basis, pending decisions on each application.

## **3 ORDER**

THEREFORE IT IS ORDERED THAT:

- (1) Any costs incurred by ATCO Gas in 2004 in relation to charges from the Government of Alberta for funding of the Office of the Utilities Consumer Advocate, and in relation to the allocation of costs to ATCO Gas for the Government's Consumer Protection and Customer Choice Campaign shall be transferred to a deferral account on an interim basis, pending a decision from the Board with respect to Application No. 1326068; and

- (2) any bad debt and collection agency fees incurred after June 1, 2004, related to billings prior to that date and associated late payment charges and any write down to the Allowance for Doubtful Accounts shall be transferred to a deferral account on an interim basis, pending a decision of the Board with respect to the appropriateness of this deferral account treatment in Application No. 1355457.

Dated in Calgary, Alberta on December 7, 2004.

**ALBERTA ENERGY AND UTILITIES BOARD**

*(original signed by)*

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

*(original signed by)*

Gordon J. Miller  
Member

*(original signed by)*

J. I. Douglas, FCA  
Member