

THE PROVINCE OF ALBERTA
NATURAL GAS UTILITIES ACT
ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of an Interim
Application by ATCO Gas and
Pipelines Ltd. for Other Pipelines
Receipts Commodity Rate

ORDER U2003-380

Application No. 1313660
File No. 4100-2

1 BACKGROUND

On September 16, 2003 ATCO Gas and Pipelines Ltd., Pipelines Division, (ATCO Pipelines) applied to the Alberta Energy and Utilities Board (the Board) for approval of an interim rate (Other Pipelines Receipt rate or OPR rate) of 1.5 ¢/gigajoule for gas nominated from the NOVA Gas Transmission Ltd. (NGTL) system onto the ATCO Pipelines system (the Application). This charge was requested to be effective October 1, 2003. ATCO Pipelines stated that the OPR rate could be fully reviewed in its upcoming Phase II GRA proceeding.

2 DETAILS OF THE APPLICATION

ATCO Pipelines stated that, effective October 1, 2003, NGTL would be charging Intra-Alberta deliveries an FT-A commodity toll of \$0.57/1,000m³. This is equivalent to 1.5 ¢/gigajoule, at a heat value of gas of 38.36 MJ/m³, ATCO Pipeline's average heat value.

ATCO Pipelines requested interim approval of the OPR rate to avoid an undue delay in the collection of this cost from customers who cause it. ATCO Pipelines noted that it had included a placeholder in its 2003/2004 Phase I GRA for NGTL's Intra-Alberta charges, including the FT-A toll and FCS Minimum Annual Volume (MAV) charges. ATCO Pipelines noted that it could not directly assign physical receipts from NGTL to individual shippers, because of the nature of its exchange service through its NOVA Inventory Transfer (NIT) account. ATCO Pipelines proposed that it would charge the new commodity rate on volumes nominated from NGTL to ATCO Pipelines through ATCO Pipelines NIT account.

ATCO Pipelines also proposed to establish deferral accounts for FT-A and FCS MAV charges and revenue.

3 FURTHER PROCESS

The Board received a letter from the Industrial Gas Consumers Association of Alberta (IGCAA) dated September 25, 2003, addressed to Mr. D. Belsheim of ATCO Pipelines, addressing

concerns with the Application and an alternate proposal for implementation of the proposed charges through ATCO Pipelines' exchange fees in both the North and the South. The Board received a further letter from ATCO Pipelines, dated September 26, 2003, addressed to Mr. F. Tiberi of the Board, which addressed the proposal to increase the exchange fees and relate them to the deferral account for the new commodity rate.

The Board issued a letter to interested parties September 26, 2003 requesting submissions on the ATCO Pipelines rate proposal. The Board received the following comments from parties:

- The Federation of Alberta Gas Co-ops Ltd. and Gas Alberta Inc. (FGA), by letter dated October 1, 2003, agreed with the ATCO Pipelines proposal in principle, but noted that no information had been provided to substantiate the rate requested or to describe the administration of the proposed deferral accounts.
- IGCAA, by letter dated September 29, 2003, submitted that the 1.5 ¢/gigajoule rate should be levied on the exchange service account, to acknowledge the benefit that ATCO Pipelines producers receive from the exchange service. IGCAA also noted that the rate proposal would collect revenues exceeding actual costs.
- Producers Marketing Ltd. (ProMark), by letter dated October 1, 2003, agreed with IGCAA that the new rate should be levied on the exchange service account.
- The Canadian Association of Petroleum Producers (CAPP), by letter dated October 1, 2003, suggested that the proposed OPR rate should be reduced, but agreed with ATCO Pipelines that it should be charged to customers nominating gas off the NGTL system onto the ATCO Pipelines system.
- The Alberta Urban Municipalities Association/City of Edmonton/Consumers Group (AUMA/ED/CG), by letter dated October 1, 2003, suggested that there was no urgency to approving the OPR rate for October 2003, and that approval of the rate should be delayed to allow further discussion over the month of October. AUMA/ED/CG suggested that the associated deferral accounts should be approved effective October 1, 2003.

ATCO Pipelines provided a reply response on October 2, 2003. ATCO Pipelines argued that the actual cost of NGTL FT-A tolls would be very close to the 1.5 ¢/gigajoule rate requested, perhaps only 0.1–0.2 ¢/gigajoule less. ATCO Pipelines noted that, "The interim OPR rate and the deferred account process will be reviewed and finalized in the 2004 Phase 2 proceedings." ATCO Pipelines requested approval for its Application as filed.

4 ORDER

The Board notes that the NGTL FT-A and FCS MAV charges have been approved for NGTL by Order U2003-377, dated September 29, 2003. The Board notes that any undue delay in implementing these charges may adversely impact arrangements made between parties for the sale or purchase of gas on the ATCO Pipelines systems. Accordingly, the Board is prepared to grant interim, refundable approval for the OPR and associated deferral accounts effective October 1, 2003.

The Board is also prepared to acknowledge that the OPR should be levied on nominated receipts at this time, subject to further review during the ATCO Pipelines Phase II proceeding. The Board notes ATCO Pipelines' statement that it cannot directly assign charges to only those parties who cause physical receipts, as opposed to nominated receipts, off the NGTL system. The Board agrees with ATCO that this might be a difficult undertaking.

However, the Board agrees with the FGA and other parties that the Application prepared by ATCO Pipelines is deficient in two respects:

- ATCO Pipelines has not provided sufficient evidence to justify the rate of 1.5 ¢/gigajoule for the OPR rate, while acknowledging that the actual cost could be less than that; and
- ATCO Pipelines has provided no details as to the administration and reconciliation of the proposed deferral accounts.

The Board is of the view that the OPR rate should not be set at 1.5 ¢/gigajoule, on the basis of the submissions provided to the Board. The Board notes ATCO Pipelines' letter of October 2, 2003,

ATCO recognizes that nominated (paper) volumes are typically higher than physical volumes to and from NGTL. However, the difference is not as significant as it was in the past. Increased efficiencies in the markets have narrowed the margin between physical and paper receipts/deliveries from/to NGTL. Adjusting for this margin may result in a reduction in the rate of 0.1 to 0.2 cents per GJ. The margin may narrow further, now that there will be a cost of nominating gas from NGTL.

The Board is of the view that a rate of 1.3 ¢/gigajoule would be a more accurate interim rate than 1.5 ¢/gigajoule, reflecting the difference between nominated and physical volumes nominated off the NGTL system.

As stated, the Board does not wish to unduly delay the implementation of this rate, considering that customers making arrangements for October gas sales and purchases should know the effects of the new rate. Therefore, the Board will approve the establishment of an OPR rate of 1.3 ¢/gigajoule, to be levied on all nominated receipts from the NGTL system, onto the ATCO Pipelines system, on an interim, refundable basis, for the month of October 2003 only. The Board directs ATCO Pipelines to establish deferral accounts for NGTL FT-A and FCS MAV expenses and revenues.

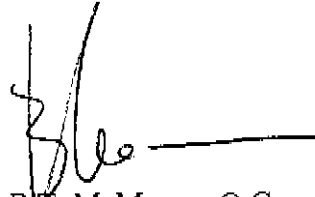
The Board further directs ATCO Pipelines to submit further evidence as to the forecast charges to be collected by the OPR rate, including FT-A and FCS MAV charges, and to provide a well-reasoned basis for the level of the OPR rate for November 2003 and onward. The Board also directs ATCO Pipelines to submit a proposal describing the administration of the deferral accounts, including information on how they will be administered, reconciled, and how frequently the OPR rate will be adjusted. The Board directs ATCO Pipelines to forward this information to the Board and interested parties no later than October 20, 2003.

DATED in Calgary, Alberta on October 6, 2003.

ALBERTA ENERGY AND UTILITIES BOARD

A handwritten signature in black ink, appearing to read "C. Dahl Recs", with a long horizontal flourish underneath.

C. Dahl Recs
Acting Board Member, Panel Chair

A handwritten signature in black ink, appearing to read "B.T. McManus", with a long horizontal flourish underneath.

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

Effective By Order U2003-380
On Transportation October 1, 2003

**ATCO PIPELINES NORTH
RATE OPR – TRANSPORTATION SERVICE
OTHER PIPELINE RECEIPTS**

Available under an annual contract for Interruptible Service provided that:

- i. The Customer is served off the COMPANY's transmission system.
- ii. The Customer is nominating receipt of gas from NOVA Gas Transmission Ltd. ("NGTL") through the COMPANY's NGTL Inventory Transfer ("NIT") account.
- iii. The Customer has executed an Agreement with the COMPANY, which is subject to the provisions of this Rate Schedule and incorporates the COMPANY'S Natural Gas Transmission Transportation Service Regulations (Regulations) as amended from time to time and approved by the Alberta Energy and Utilities Board.

A. COMMODITY TOLL

Variable \$0.013 per GJ

B. BILLING DETERMINANT

All gas volumes that have been nominated from NGTL to COMPANY through COMPANY's NIT Account.

Effective By Order U2003-380
On Transportation October 1, 2003

**ATCO PIPELINES SOUTH
RATE OPR – TRANSPORTATION SERVICE
OTHER PIPELINE RECEIPTS**

Available under an annual contract for Interruptible Service provided that:

- ii. The Customer is served off the COMPANY's transmission system.
- ii. The Customer is nominating receipt of gas from NOVA Gas Transmission Ltd. ("NGTL") through the COMPANY's NGTL Inventory Transfer ("NIT") account.
- iii. The Customer has executed an Agreement with the COMPANY, which is subject to the provisions of this Rate Schedule and incorporates the COMPANY'S Natural Gas Transmission Transportation Service Regulations (Regulations) as amended from time to time and approved by the Alberta Energy and Utilities Board.

A. COMMODITY TOLL

Variable \$0.013 per GJ

B. BILLING DETERMINANT

All gas volumes that have been nominated from NGTL to COMPANY through COMPANY's NIT Account.