

**THE PROVINCE OF ALBERTA**

**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 U2003-401**

**Application No. 1313660**

**File No. 4100-2**

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**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.

On October 6, 2003, the Board issued Order U2003-380, approving an interim OPR rate for the month of October 2003 of 1.3 ¢/gigajoule. The Board also directed ATCO Pipelines to establish deferral accounts for NGTL FT-A and FCS MAV expenses and revenues.

In Order U2003-380, the Board noted that there were two deficiencies with regard to the ATCO Pipelines Application:

- ATCO Pipelines had 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 had provided no details as to the administration and reconciliation of the proposed deferral accounts.<sup>1</sup>

Accordingly, in Order 2003-380, the Board directed ATCO Pipelines to provide further information by October 20, 2003 as follows:

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

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<sup>1</sup> See Order 2003-380, p. 3

administration of the deferral accounts, including information on how they will be administered, reconciled, and how frequently the OPR rate will be adjusted.<sup>2</sup>

Parties were provided until October 27, 2003 to respond to this additional information. Due to an error in transmittal, the final version of ATCO Pipelines' letter of October 20, 2003 was not received by parties until October 28, 2003. Parties were provided until October 30, 2003 to provide any additional comments on the revised letter from ATCO Pipelines. ATCO Pipelines provided a reply to parties' positions on October 31, 2003.

## 2 ADDITIONAL INFORMATION PROVIDED BY ATCO PIPELINES

ATCO Pipelines provided the following forecasts for NGTL FT-A and FCS charges:

	2003	2004
North FT-A Charges	\$700,000	\$2,400,000
North FCS Charges		\$1,000,000
South FT-A Charges	\$200,000	\$1,500,000
South FCS Charges		\$700,000
Total	\$900,000	\$5,600,000

ATCO Pipelines noted that the OPR rate was only intended to collect revenues to offset the FT-A toll charges. ATCO Pipelines stated that the FCS charges, effective October 1, 2003 onwards, would be collected through an allocation to ATCO Pipelines' customer groups as per its Phase II application, dated October 1, 2003.

ATCO Pipelines provided the following calculation of the OPR rate, for revenue equal to cost:

	North	South	Total
Physical Flows (TJs)	74,576	18,598	93,174
Nominated Flows (TJs)	83,358	18,268	101,626
Physical Flows as a % of Nominated Flows (a)	89%	102%	92%
FT-A ( $\phi$ /GJ) (b)	1.5	1.5	1.5
Equivalent OPR ( $\phi$ /GJ) (a) x (b)	1.3	1.5	1.4

ATCO Pipelines proposed that the OPR rate be set at 1.4  $\phi$ /gigajoule, for both North and South.

<sup>2</sup> Order 2003-380, p. 4

ATCO Pipelines noted the process to be followed for administration of the FT-A and FCS charges deferral accounts as follows:

Forecast FT-A and FCS MAV charges approved by the Board for 2003 and 2004 with respect to the 2003/04 General Rate Application (GRA) Phase I compliance filing will be credited to the deferral account. Forecast OPR revenue for 2003 and 2004 approved by the Board in the GRA Phase II compliance filing will be debited to the deferral account.

Actual FT-A and FCS MAV charges will be debited to the deferral account and actual OPR revenue will be credited to the deferral account. The difference between the approved costs and revenues and the actual costs and revenues will result in a surplus or deficit at the end of 2004. This balance would be carried forward, resulting in an adjustment to subsequent rates.

ATCO will provide a draft report to interested parties by April 30<sup>th</sup> of the following year which would include the forecast and actual amounts for each of the FT-A charges, FCS MAV charges and OPR revenue. A final report will be provided to the Board by June 30<sup>th</sup> of that following year. If there are any unresolved issues, these will be presented with the report to the Board for resolution.

Since the 2003 period is only three months and finalization of this rate in a Phase 2 Decision is unlikely until mid 2004, ATCO proposes that 2003 be included with the 2004 report.<sup>3</sup>

ATCO Pipelines noted that it may apply to adjust the OPR rate in the following circumstances:

- when NGTL changes its FT-A rate,
- if the balance of either the North or South OPR deferral account is greater than \$1,000,000, either credit or debit.

ATCO Pipelines noted that the interim OPR rate and deferred account process would be reviewed and finalized in the 2003/04 Phase II proceedings.

### **3 VIEWS OF PARTIES**

#### **Canadian Association of Petroleum Producers (CAPP)**

CAPP stated that the data that ATCO Pipelines was using to calculate the OPR rate might not be accurate. CAPP noted that it was odd for forecast nominated flows for the South to be greater than the forecast actual flows.

CAPP also noted that the difference between the nominated and actual flows should be equal to the volumes that are exchanged onto the NGTL system via the ATCO Pipelines NGTL NIT account, net of any physical transfers to the NGTL system. CAPP noted that exchange volumes for 2002 were approximately 125 TJ/day, much higher than the implied 25 TJ/day from ATCO Pipeline's filing on the OPR. CAPP submitted that these differences were too substantial to arise from physical deliveries onto the NGTL system.

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<sup>3</sup> Letter from ATCO Pipelines, dated October 20, 2003

**Alberta Urban Municipalities Association (AUMA) and the City of Edmonton (Edmonton)**

AUMA/Edmonton submitted that there should be separate OPR rates for North and South, although it would agree with setting both rates at 1.4 ¢/gigajoule.

AUMA/Edmonton agreed with the annual reconciliation proposed by ATCO Pipelines, but submitted that the 2003 Deferral account balances should be reviewed in 2004, and argued that delaying that review until 2005 – as proposed by ATCO Pipelines – would be an unreasonable delay.

AUMA/Edmonton agreed with ATCO Pipelines' proposal to change the OPR rate if NGTL's FT-A rate changes, or if the balance of either of the deferral accounts exceeds \$1,000,000. However, AUMA/Edmonton also suggested that a percentage variance "trigger" be considered for the accounts. AUMA/Edmonton noted that this proposal could be reviewed at the Phase II proceeding.

**Federation of Alberta Gas Co-ops Ltd. and Gas Alberta Inc. (FGA)**

The FGA noted the statements of ATCO Pipelines with regard to the NGTL FCS MAV charges, and submitted that ATCO Pipelines was still unsure of its forecasts. The FGA stated that ATCO Pipelines was still uncertain of level of nominations that would arise in the forecast period. The FGA noted evidence from the Direct Energy Regulated Services (Direct Energy) tariff proceeding that Direct Energy would source more gas on the ATCO Pipelines system than ATCO Gas does, leading to further uncertainty as to the rate calculation.

The FGA noted that there were many items that would have to be adjusted in the Phase II proceeding, arising from changes in the Phase I refile, and noted that items in the ATCO Pipelines Phase II filing could prove to be contentious. The FGA noted that a resolution of the inter-pipeline competition issues could make the OPR rate unnecessary.

The FGA agreed with ATCO Pipelines' proposals for deferral accounts and adjustments, but recommended that the current 1.3 ¢/gigajoule rate be retained until a decision was rendered in the Phase II proceeding.

**ATCO Pipelines Reply**

ATCO Pipelines replied to the comments of CAPP, and stated that the relationship between physical and exchange volumes are not as simple as suggested. ATCO Pipelines submitted that the factors regarding exchange volumes will be tested in the Phase II proceeding.

ATCO Pipelines noted that the FCS charges, noted as problematic by FGA, would not be billed through the OPR rate, but would be charged to customers through an allocation process, to be addressed at the Phase II proceeding, and included in the OPR deferral account.

ATCO Pipelines reiterated that the review of the 2003 deferral accounts should be done in conjunction with the 2004 accounts, as the 2003 accounts would only address three months.

ATCO Pipelines submitted that an OPR rate of 1.4 ¢/gigajoule should be approved on an interim basis, and that the October interim refundable OPR rate of 1.3 ¢/gigajoule should be changed to interim non-refundable.

#### 4 VIEWS OF THE BOARD

The Board has reviewed the forecast values provided by ATCO Pipelines, and while it notes the reservations of parties respecting the accuracy of these forecasts, the Board is provided with some comfort that the proposed OPR rate is calculated on a reasoned basis. Given that a complete review of ATCO Pipelines' tolls, including exchange mechanisms and other pipeline rates will occur soon, the Board is satisfied that the proposed interim rate of 1.4 ¢/gigajoule, and the associated deferral accounts, would be an appropriate interim measure. The Board is of the view that a review of the 2003 accounts could be undertaken as part of the Phase II proceeding. The Board is also in agreement with revising the October interim refundable OPR rate to strictly an interim non-refundable rate, to avoid any confusion arising from such a modest rate change. Since the OPR rate is treated through a deferral account there will be adjustments to actual costs and revenues in any event.

The Board has reviewed the ATCO Pipelines' proposal for the administration of the OPR deferral accounts, and is satisfied that the proposal will serve adequately until a full review of the tariff is undertaken at the Phase II proceeding. The Board has reviewed the proposal of AUMA/Edmonton to have an alternate trigger mechanism for rate changes, but notes that AUMA/Edmonton agrees that this could be reviewed at the Phase II proceeding. The Board notes that ATCO Pipelines had applied for separate North and South OPR rates, and has established separate North and South OPR deferral accounts. The Board is of the view that this may address at this time the request for separate rates by AUMA/Edmonton.

#### 5 ORDER

Therefore, it is ordered that:

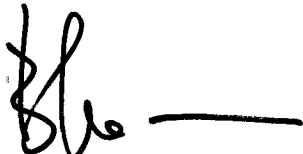
- (1) ATCO Pipelines shall amend its North and South interim OPR rates, from November 1, 2003 onward, to 1.4 ¢/gigajoule respectively.
- (2) ATCO Pipelines shall administer the associated deferral accounts as specified in its letter of October 20, 2003 to the Board.
- (3) The interim refundable OPR rate of 1.3 ¢/gigajoule established in Order 2003-380 and effective October 1, 2003 shall be amended to be interim non-refundable.

DATED in Calgary, Alberta on November 7, 2003.

**ALBERTA ENERGY AND UTILITIES BOARD**

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

C. Dahl Rees  
Acting Board Member, Panel Chair

A handwritten signature in black ink, appearing to read "B.T. McManus", with a horizontal line extending to the right.

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

A handwritten signature in black ink, appearing to read "M. Edwards", written in a cursive style.

M. Edwards  
Acting Board Member

Effective By Order U2003-401  
On Transportation November 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                      \$0.014 per GJ

**B. BILLING DETERMINANT**

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

Effective By Order U2003-401  
On Transportation November 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                      \$0.014 per GJ

**B. BILLING DETERMINANT**

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