



**ATCO Gas, a division of ATCO Gas and Pipelines  
Ltd.**

**2017 Transmission Service Charge (Rider T)**

**February 21, 2017**

**Alberta Utilities Commission**

Decision 22328-D01-2017

ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

2017 Transmission Service Charge (Rider T)

Proceeding 22328

February 21, 2017

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## 1 Introduction

1. On January 12, 2017, ATCO Gas, a division of ATCO Gas and Pipelines Ltd., filed an application with the Alberta Utilities Commission requesting approval of a change to its 2017 transmission service charge (Rider T) as presented in the attached rate schedules, effective March 1, 2017.

2. The following table shows a comparison of the current and proposed rates for each of ATCO Gas's rate groups, being low-, mid- and high-usage customers:<sup>1</sup>

**Table 1. ATCO Gas Rider T**

Rate group	Existing Rider T	Proposed new Rider T
		(\$)
Low (per gigajoule (GJ))	0.814	0.925
Mid (per GJ)	0.760	0.893
High (per day of GJ demand)	0.226	0.324

3. The Commission issued a notice of application on January 13, 2017, that required interested parties to submit a statement of intent to participate (SIP) by January 23, 2017. Parties were asked to indicate in their SIP whether they supported the application, reasons for their position and the need for further process. The Commission did not receive any SIPs.

4. After reviewing the application, the Commission determined that it would proceed directly to a decision.<sup>2</sup> Therefore, the Commission considers the record for this proceeding to have closed on January 23, 2017.

5. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

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<sup>1</sup> Exhibit 22328-X0001, application, tables 4 and 5.

<sup>2</sup> Exhibit 22328-X0008, close of record letter.

## 2 Background

6. The Commission approved the current ATCO Gas Rider T rates in Decision 21248-D01-2016.<sup>3</sup>

7. On November 25, 2016, NOVA Gas Transmission Ltd. (NGTL) received approval for the interim 2017 rates, tolls and charges for the Alberta natural gas transmission system from the National Energy Board. Effective January 1, 2017, the NGTL interim FT-D3 rate increased to \$6.83 per GJ/month<sup>4</sup> from \$6.09 per GJ/month. The NGTL abandonment surcharge simultaneously decreased to \$0.30 per GJ/month from \$0.32 per GJ/month.<sup>5</sup>

8. On January 12, 2017, ATCO Gas filed this application, and requested approval for new Rider T rates to be effective on March 1, 2017.

9. The amount to be collected by 2017 Rider T rates was determined as follows. First, ATCO Gas's total transmission expense for 2017 was composed of the 2017 forecast transmission expense plus the 2016 transmission expense over/under collection from customers. The 2017 forecast transmission expense is calculated by applying the NGTL FT-D3 rate charged to ATCO Gas by NGTL, multiplied by the executed contract demand quantity (CDQ) volumes, including future dated contract amounts and an NGTL abandonment surcharge amount, which is determined by multiplying the abandonment surcharge rate by the executed and future contract CDQ amounts. Then, the total transmission expense was adjusted by a true-up of the Rider T revenue associated with over/under collection for each rate group, which occurred throughout 2016. Finally, the first two components were offset by the revenue collected by way of the current Rider T under existing rates for January and February 2017. The obtained amounts were divided by approved billing determinants for each rate group for March to December 2017, to arrive at the proposed Rider T rate per rate group.<sup>6</sup>

10. ATCO Gas explained that, assuming a March 1, 2017 implementation date, the total annual charges for a residential (low-use) customer in the south service territory that utilizes 120 GJ annually would increase to \$754 from \$745, and a similar residential customer in the north service territory would see an increase to \$821 from \$812. ATCO Gas submitted that these rate changes are reasonable and will not result in undue rate shock compared to existing interim distribution rates.<sup>7</sup>

## 3 Issues

### 3.1 Cross-subsidization

11. Prior to Decision 2014-062,<sup>8</sup> the Commission approved separate Rider T rates for ATCO Gas's north and south service territories. In Decision 2014-062, the Commission found that the

<sup>3</sup> Decision 21248-D01-2016, ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2016 Transmission Service Charge (Rider T), Proceeding 21248, February 22, 2016.

<sup>4</sup> The NGTL rate schedule charges 90 per cent of the approved FT-D3 rate for five-year contracts and future dated contracts: <http://www.transcanada.com/customerexpress/2766.html>.

<sup>5</sup> Exhibit 22328-X0001, application, paragraph 3.

<sup>6</sup> Exhibit 22328-X0001, application, paragraphs 7 and 12.

<sup>7</sup> Exhibit 22328-X0001, application, paragraph 17.

<sup>8</sup> Decision 2014-062: ATCO Gas, 2014 Transmission Service Charge (Rider T), Proceeding 3011, Application 1610228-1, March 17, 2014.

level of cross-subsidization that would occur by moving to a province-wide rate, with customers in the south subsidizing customers in the north by \$2 per customer on an annual basis, was not material. Accordingly, the Commission approved the implementation of province-wide Rider T rates. The Commission directed ATCO Gas, in its next Rider T application, to provide an analysis of whether there was substantial cross-subsidization between north and south customers with the implementation of a province-wide Rider T rate and with the continuing use of different system design temperatures to calculate coincident peak demand in the north and south systems.<sup>9</sup>

12. In Decision 20039-D01-2015,<sup>10</sup> the Commission noted that south customers were subsidizing north customers by \$2.96 per customer on an annual basis for 2015, and directed ATCO Gas in its next Rider T application to continue to track any Rider T cross-subsidization between its north and south customers. The Commission further directed ATCO Gas to discuss what measures it took during the year to mitigate the north-south cross-subsidization issue.<sup>11</sup>

13. In Decision 21248-D01-2016, the Commission noted that south customers were subsidizing north customers by \$4.16 per customer on an annual basis for 2016. ATCO Gas was therefore directed in its next Rider T application to continue to track any Rider T cross-subsidization between its north and south customers. The Commission further directed ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization, if in its next Rider T application, the subsidy from customers in the south to customers in the north exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016. The Commission directed ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand, and to explain why the continued use of a province-wide rate would or would not be in the public interest.<sup>12</sup>

14. In this application, ATCO Gas provided the following table setting out the differences between the proposed province-wide rates and what rates would have been if calculated separately for north and south customers. ATCO Gas explained that a typical residential (low use) customer in the north using 80 GJ between March and December would see a \$0.08 increase in the annual bill, while a typical residential (low use) customer in the south would see a \$0.16 decrease in the annual bill.<sup>13</sup>

**Table 2. Cross-subsidization analysis<sup>14</sup>**

Rate group	Province-wide rate	North		South	
		Rate	Difference	Rate	Difference
		(\$/GJ)			
Low	0.925	0.926	0.001	0.923	(0.002)
Mid	0.893	0.919	0.026	0.864	(0.029)
High	0.324	0.326	0.002	0.321	(0.003)

<sup>9</sup> Decision 2014-062, paragraphs 24-26.

<sup>10</sup> Decision 20039-D01-2015: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2015 Transmission Service Charge (Rider T), Proceeding 20039, February 25, 2015.

<sup>11</sup> Decision 20039-D01-2015, paragraph 15.

<sup>12</sup> Decision 21248-D01-2016, paragraph 20.

<sup>13</sup> Exhibit 22328-X0001, application, paragraph 20.

<sup>14</sup> Exhibit 22328-X0001, application, paragraph 19, Table 6.

15. ATCO Gas stated that the differences identified between the province-wide amounts and the north and south system amounts result from two factors: billing determinants and CDQ. ATCO Gas explained that these factors are unique to each service area, and ATCO Gas is not able to change the billing determinants or contract requirements in order to minimize the differences in rates.<sup>15</sup>

16. ATCO Gas submitted that the difference in the annual bill of a typical residential customer in the south under separate rates compared to province-wide rates did not exceed \$4.16. The annual difference for customers in the south was \$0.16.<sup>16</sup>

### Commission findings

17. The proposed Rider T rates are lower for the north customers than they would have been under separate north and south rates. For example, for 2017, absent the province-wide rate for Rider T, a typical residential customer in the north would see a \$0.08 increase in the annual bill and a typical residential customer in the south would see a \$0.16 decrease in the annual bill. This is the fourth year in which a province-wide rate has been applied for and in all four years, residential customers in the south have subsidized residential customers in the north.

18. As mentioned in Decision 21248-D01-2016, the Commission was concerned that the dollar amount of cross-subsidization from using a province-wide rate has increased each year over the previous three years. The annual cross-subsidization by customers in the south has increased from \$2 in Decision 2014-062, to \$2.96 in Decision 20039-D01-2015 to \$4.16 in Decision 21248-D01-2016.<sup>17</sup>

19. As noted earlier, in this application the subsidy from customers in the south to customers in the north has declined for the first time since a province-wide rate has been applied. At \$0.16, it is well below the \$4.16 annual amount approved in Decision 21248-D01-2016.

20. The Commission acknowledges ATCO Gas's submission that it is not able to change the billing determinants or contract requirements in order to mitigate the differences in rates.

21. Nevertheless, given the ongoing cross-subsidization, the Commission directs ATCO Gas to continue to track its Rider T cross-subsidization between north and south customers and to continue to provide, in its next Rider T application, the information set out in Table 2 of this decision.

22. Further, if in ATCO Gas's next Rider T application, the subsidy from customers in the south to customers in the north exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission directs ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization. The analysis should include CDQ at NGTL interconnects for 2017, including a comparison of its interconnect CDQ and the actual interconnect throughput, with comparative data for 2015 and 2016. The Commission directs ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand. The Commission further directs ATCO Gas to explain why the continued use of a province-wide rate would or would not be in the public interest.

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<sup>15</sup> Exhibit 22328-X0001, application, paragraph 21.

<sup>16</sup> Exhibit 22328-X0001, application, paragraph 23.

<sup>17</sup> Decision 21248-D01-2016, paragraph 19.



23. For the purposes of this decision, the Commission finds that the level of cross-subsidization of \$0.08 annual subsidy to customers in the north, offset by a \$0.16 annual cost to customers in the south, is not material.

### **3.2 Determination of Rider T rates**

24. In Decision 20039-D01-2015, the Commission approved a change to the method by which Rider T rates were calculated.<sup>18</sup> Under that approach, the forecast gross Rider T collection was allocated to those rate groups using coincident peak demand. The gross amount by rate group was then reduced by the revenue collected from that rate group in January and February in a given year to determine the amount to be collected by Rider T rates from March to December of that year.

25. In this application, ATCO Gas proposed a new methodology to calculate Rider T.

26. Under the proposed methodology, ATCO Gas first allocated the total transmission expense (2017 forecast transmission expense plus the 2016 true-up related to the transmission expense over- or under-collection from customers) to rate groups based on coincident peak demand. The obtained amount by rate group was then adjusted by the 2016 true-up related to the Rider T revenue over- or under-collections for that rate group throughout 2016 to derive the total amount to be collected from each rate group in 2017. This amount was then adjusted by the Rider T revenue collected from that rate group in January and February 2017, based on existing Rider T rates approved in Decision 21248-D01-2016, to determine the amount to be collected by way of Rider T from March to December 2017.<sup>19</sup> Finally, the obtained amounts were divided by approved billing determinants for each rate group (throughput for low-use and mid-use customers and billing demand for high-use customers) for March to December 2017, to arrive at the Rider T rate per rate group.<sup>20</sup>

27. ATCO Gas explained that although it considers both the method approved in Decision 20039-D01-2015 and the new method proposed in this application to be reasonable, it believes that using the Rider T revenue over- or under-collection by rate group to determine the Rider T revenue to be collected from each rate group is more accurate. This method refunds/collects a rate group's prior year over-/under-collection from the same rate group in the current year.<sup>21</sup>

### **Commission findings**

28. The Commission has reviewed the change in the methodology used to calculate Rider T and agrees with ATCO Gas that it results in a more accurate calculation of Rider T amounts by rate group. In prior Rider T applications, ATCO Gas used coincident peak demand to incorporate the total prior year Rider T revenue over/under collection into the amounts to be collected/refunded from each rate group for the current year. The extra step proposed in this application in which the 2016 over/under collection is refunded to, or collected from, the rate group which generated the imbalance, leads to a more accurate allocation of the transmission cost and revenue imbalances to the rate groups responsible for them in the current year. A corollary benefit of this new methodology is that, by using the 2016 over-/under-collections by rate group, the cross-subsidization between rate groups is minimized.

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<sup>18</sup> Decision 20039-D01-2015, paragraph 18.

<sup>19</sup> Exhibit 22328-X0001, application, paragraphs 12-13.

<sup>20</sup> Exhibit 22328-X0001, application, paragraph 11.

<sup>21</sup> Exhibit 22328-X0001, application, paragraph 15.

29. The Commission has reviewed the calculation of the province-wide Rider T rates and is satisfied with the level of detail provided in the application and the accuracy of the calculations. ATCO Gas is directed to continue to provide its combined Rider T schedules in working Excel format in future applications. The Commission is also satisfied that ATCO Gas used billing determinants for each rate group for March to December 2017, as approved in Decision 21981-D01-2016,<sup>22</sup> to arrive at Rider T rates per rate group.

30. For the reasons discussed above, the following Rider T rates are approved effective March 1, 2017:

- low-use customers – \$0.925 per GJ
- mid-use customer – \$0.893 per GJ
- high-use customers – \$0.324 per day of GJ demand

31. These approved Rider T rates will remain in place until otherwise directed by the Commission.

#### 4 Order

32. It is hereby ordered that:

- (1) The new ATCO Gas Rider T rates attached in [Appendix 3](#) for the north and [Appendix 4](#) for the south, are approved effective March 1, 2017.

Dated on February 21, 2017.

#### Alberta Utilities Commission

*(original signed by)*

Mark Kolesar  
Vice-Chair

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<sup>22</sup> Decision 21981-D01-2016, ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2017 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 21981, December 21, 2016

## Appendix 1 – Proceeding participants

<b>Name of organization (abbreviation)</b> <b>Company name of counsel or representative</b>
ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

Alberta Utilities Commission
Commission panel M. Kolesar, Vice-Chair
Commission staff K. Dumanovski (Commission counsel) E. Deryabina B. Whyte

## Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. Nevertheless, given the ongoing cross-subsidization, the Commission directs ATCO Gas to continue to track its Rider T cross-subsidization between north and south customers and to continue to provide, in its next Rider T application, the information set out in Table 2 of this decision. .... Paragraph 21
2. Further, if in ATCO Gas’s next Rider T application, the subsidy from customers in the south to customers in the north exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission directs ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization. The analysis should include CDQ at NGTL interconnects for 2017, including a comparison of its interconnect CDQ and the actual interconnect throughput, with comparative data for 2015 and 2016. The Commission directs ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand. The Commission further directs ATCO Gas to explain why the continued use of a province-wide rate would or would not be in the public interest. .... Paragraph 22
3. The Commission has reviewed the calculation of the province-wide Rider T rates and is satisfied with the level of detail provided in the application and the accuracy of the calculations. ATCO Gas is directed to continue to provide its combined Rider T schedules in working Excel format in future applications. The Commission is also satisfied that ATCO Gas used billing determinants for each rate group for March to December 2017, as approved in Decision 21981-D01-2016, to arrive at Rider T rates per rate group. .... Paragraph 29

## Appendix 3 – North Rider T rates

[\(return to text\)](#)

Effective March 1, 2017 by Decision 22328-D01-2017  
This Replaces Rider “T”  
Previously Effective March 1, 2016

### **ATCO GAS AND PIPELINES LTD. RIDER “T” TRANSMISSION SERVICE CHARGE**

To be applied to Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or the AUC, effective March 1, 2017.

Low Use Delivery Rate	\$0.925 per GJ
Mid Use Delivery Rate	\$0.893 per GJ
High Use Delivery Rate	\$0.324 per GJ per Day of 24 Hr. Billing Demand

## Appendix 4 – South Rider T rates

[\(return to text\)](#)

Effective March 1, 2017 by Decision 22328-D01-2017  
This Replaces Rider “T”  
Previously Effective March 1, 2016

### **ATCO GAS AND PIPELINES LTD. RIDER “T” TRANSMISSION SERVICE CHARGE**

To be applied to the Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or AUC, effective March 1, 2017.

Low Use Delivery Rate	\$0.925 per GJ
Mid Use Delivery Rate	\$0.893 per GJ
High Use Delivery Rate	\$0.324 per Day per GJ of 24 Hr. Billing Demand