



ATCO Gas and Pipelines Ltd. (North)

**Distribution of Customer's Share of Proceeds
Related to Sale of Beaverhill Lake and Fort
Saskatchewan Producing Properties and
Refund Resulting from North Core Settlement
Pursuant to Decision 2002-116**

February 25, 2003

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2003-018: ATCO Gas and Pipelines Ltd. (North)
Distribution of Customer's Share of Proceeds Related to Sale of
Beaverhill Lake and Fort Saskatchewan Producing Properties and
Refund Resulting from North Core Settlement
Pursuant to Decision 2002-116
Application No. 1290771

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Contents

1	INTRODUCTION	1
2	APPLICATION	2
2.1	Beaverhill Lake and Fort Saskatchewan Proceeds.....	2
2.1.1	Distribution Methodology.....	2
2.1.2	Disadvantaged Customers.....	3
2.2	Refund of the Other Settlement Items.....	3
2.2.1	Refund Methodology	3
3	VIEWS OF THE BOARD	4
3.1	Beaverhill Lake and Fort Saskatchewan Proceeds.....	4
3.2	Refund of the Other Settlement Items.....	5
3.3	Final Statement of Proceeds.....	5
4	ORDER	5

List of Tables

Table 1.	Distribution by Rate Group – Sale Proceeds	3
Table 2.	Distribution by Rate Group - Settlement Refund	4

**ATCO GAS AND PIPELINES LTD. (NORTH)
DISTRIBUTION OF CUSTOMER'S SHARE OF
PROCEEDS RELATED TO SALE OF BEAVERHILL
LAKE AND FORT SASKATCHEWAN PRODUCING
PROPERTIES AND REFUND RESULTING FROM
NORTH CORE SETTLEMENT PURSUANT TO
DECISION 2002-116**

**Decision 2003-018
Application No. 1290771
File No. 1505-5**

1 INTRODUCTION

By letter dated January 28, 2003, ATCO Gas North (AGN), an operating division of ATCO Gas and Pipelines Ltd., filed an application (the Application) requesting the Alberta Energy and Utilities Board (the Board) to approve the methodology of disbursing the amounts to be paid to customers as a result of the sale of the Beaverhill Lake and Fort Saskatchewan producing properties (BHL/Ft. Sask). The Board approved the sale of BHL/Ft. Sask and settlement of the 2002 re-opener of the North Core Agreement in Board Decision 2002-116, dated December 24, 2002 (together the Settlement).

In Decision 2002-116 the Board ordered AGN to file information as follows:

- (2) ATCO shall submit to the Board, within 30 days after Closing of the sale of the Beaverhill Lake and Fort Saskatchewan properties, a filing for acknowledgement that will provide a final statement of the proceeds from the sale.
- (3) ATCO shall submit to the Board, within 40 days after Closing of the sale of the Beaverhill Lake and Fort Saskatchewan properties, an application for approval of the methodology for distribution of the proceeds of the Settlement among customers (subsequent to negotiation with the NCC, as noted above).

Attached to the Application was a letter, dated January 27, 2003, from the North Core Customer Group (NCC) that indicated that the NCC did not oppose the Application.

By letter dated January 31, 2003, AGN also submitted its final statement of proceeds in accordance with Order (2), as shown above.

By letter dated February 24, 2003, AGN provided the consumption quantity detail and the rates to be used to distribute the funds to each rate group. AGN also updated the amount of funds remaining from previous sales that AGN proposed to include in the distribution.

2 APPLICATION

AGN stated that the proceeds of the Settlement were comprised of \$23,036,000 related to the sale of the BHL/Ft. Sask producing properties and \$2,529,000 related to certain other items agreed to by the parties to the North Core Agreement.

AGN stated that it had discussed and obtained agreement with the NCC regarding the methodology for distribution of both amounts.

The Application addressed each amount to be paid to customers separately as set out below.

2.1 Beaverhill Lake and Fort Saskatchewan Proceeds

AGN requested approval to distribute the customers' share of the sales proceeds of \$23,036,000 as determined in the Settlement. AGN proposed that \$321,000 of remaining proceeds from the Viking/Westlock et al/Lloydminster distribution be included with the amount to be distributed from the BHL/Ft. Sask sale. The amount of the remaining proceeds from the Viking/Westlock et al/Lloydminster distribution was updated and changed to \$295,000 by AGN in its letter of February 24, 2003.

Table 1 below identifies the distribution of the customers' share of the proceeds from the sale (including remaining proceeds from previous sale) of the producing assets for each Rate Group.

The proceeds related to BHL/Ft. Sask producing properties sale and the Viking proceeds do not include municipal franchise fees and GST, as franchise fees and GST had not been paid by the customers on these amounts.

2.1.1 Distribution Methodology

AGN requested approval to distribute the customer's share of the sales proceeds of \$23,036,000 as described below based on a methodology that was similar to the methodology approved by the Board for the distribution of the Viking proceeds. The proceeds would be distributed by credit on account during the month of March 2003.

Table 1. Distribution by Rate Group – Sale Proceeds

Rate	Annual Consumption GJ		BHL / Ft. Sask. \$	Proceeds Rate \$/GJ
Rates 1 / 11	92,302,957		16,413,516	0.178
Rate 3	18,453,156		3,281,381	0.178
Rate 4	477,753		84,955	0.178
Rate 5	1,092,292		194,234	0.178
Rate 6	2,262,227		402,274	0.178
Rate 13	6,817,983		1,212,389	0.178
Gas Alberta	5,088,831		904,907	0.178
U of A	3,534,995		628,601	0.178
Wainwright	611,526		108,743	0.178
Beaverhill Lake & Fort Saskatchewan Proceeds		\$23,036,000		
Remaining Viking/Westlock et al/ Lloydminster Proceeds		\$295,000		
Disadvantaged Customers Holdback		(\$100,000)		
Total	130,641,720	\$23,231,000	23,231,000	

AGN proposed that only current active accounts (premises) on February 21, 2003 would receive the proceeds. Each account would receive a prorated share of the proceeds using annual consumption data. The proceeds rate would be calculated by dividing the total share of the proceeds by the total annual consumption, as shown in Table 1. The proceeds rate would be applied to each customer's annual consumption data. New accounts would receive a full year's proportionate share of the proceeds.

2.1.2 Disadvantaged Customers

AGN proposed to hold back \$100,000 of the \$23,036,000 to ensure funding was available for customers claiming to be disadvantaged by the process established for distribution. Customers would have until August 31, 2003 to submit evidence of being disadvantaged to AGN. AGN would then adjudicate these claims based on the same criteria and following the same process as described in Decision 2002-018, dated February 21, 2002, to determine if a customer qualified for a portion of the distribution.

AGN also proposed that any funds remaining or any shortfall in funds distributed at the end of the distribution period would be addressed either through the ATCO Gas 2003/2004 General Rate Application compliance filing (time dependent), or at a future general rate application (GRA).

2.2 Refund of the Other Settlement Items

AGN requested approval to distribute the refund of \$2,529,000, resulting from adjustments agreed to in the re-opener with respect to income tax rates, deferred income taxes, interest on undistributed proceeds, and compensation for a shortfall in operating and maintenance expense.

2.2.1 Refund Methodology

AGN proposed that only current active accounts (premises) on February 21, 2003 would receive the refund. Each account would receive a prorated share of the refund based on consumption data for the period January 1, 2002 to December 31, 2002. The refund was to be distributed by credit

on account during the month of March 2003. The refund rate would be applied to each customer's actual consumption data for the period noted above. The refund would include adjustments for municipal franchise fees and GST in addition to the unit rate per GJ as shown for each rate group on the following table.

Table 2. Distribution by Rate Group - Settlement Refund

Rate	Consumption Data GJ	Refund \$	Refund Rate \$/GJ
Rates 1 / 11	91,392,761	1,782,880	0.020
Rate 3	18,361,550	358,195	0.020
Rate 4	477,753	9,320	0.020
Rate 5	1,092,292	21,308	0.020
Rate 6	2,262,227	44,131	0.020
Rate 13	6,817,983	133,004	0.020
Gas Alberta	5,088,831	99,272	0.020
U of A	3,534,995	68,960	0.020
Wainwright	611,526	11,930	0.020
Total	129,639,918	2,529,000	

3 VIEWS OF THE BOARD

The Board would normally review and set out the positions of the applicant and the interested parties. In this case the Application represents the position of the applicant, and the interested parties have, in writing, indicated that they have no objection to the Application. The Board's own views with respect to each component of the Application will be herein set out.

3.1 Beaverhill Lake and Fort Saskatchewan Proceeds

The basic methodology proposed by AGN appears to be in keeping with approvals given by the Board in recent decisions for the distribution of funds received from the sale of producing assets. The method provides for the distribution to customers based on an annual consumption in recognition of foregone future benefits of company-owned production. The Board notes that AGN proposes to include in the distribution to customers an amount of \$295,000, which still remains to be distributed from the sale of the Viking, Westlock et al, and Lloydminster properties.

The Board also notes that the proposal includes a holdback to deal with disadvantaged customers and that any remaining amount would be reconciled in the current or future GRA. The Board considers the amount of \$100,000 for the holdback to be reasonable. The Board also considers that the same process and criteria used to distribute the proceeds from the sale of the Viking properties, as set out by the Board in Decision 2002-018, should be applied to resolve any claims for a payment from the holdback funds. The Board also believes that any reconciliation, which has been proposed for after August 2003, should first be done using the deferred gas account (DGA). This would be the same method as determined in the previous processes. The Board notes that if AGN applies for and receives Board approval of a sale of its retail business a DGA may not be available, however, the Board prefers using the DGA as its first choice to maintain consistency with the previous processes. However, if, at the time of the reconciliation, the DGA

is unavailable, the Board would consider it appropriate for AGN to distribute remaining funds through the ATCO Gas 2003/2004 GRA compliance filing or at a future GRA.

The Board accepts the methodology proposed and the amounts to be distributed as appropriate, subject to the condition of first using the DGA for any reconciliation, if possible.

The Board has reviewed the rates to be used to provide a payment to each customer, as provided in the letter of February 24, 2003, and considers them to be acceptable.

3.2 Refund of the Other Settlement Items

The Board has reviewed the methodology and considers it to be acceptable to refund the other amounts agreed to in the Settlement. The method of refunding to customers is to be based on their actual consumption during 2002. The Board is also satisfied that the rates to be used to determine the refund to each customer, as provided in the letter of February 24, 2003, are acceptable.

3.3 Final Statement of Proceeds

While it did not form part of the Application, AGN was ordered to file, for acknowledgement, a final statement of proceeds from the sale of the BHL/Ft. Sask producing properties. AGN provided the Statement of Adjustments as an attachment to its letter of January 31, 2003. The Board notes that the Statement of Adjustments to determine the net amount due to the Vendor showed the outstanding amount due to AGN to be \$30,536,311.94 for the BHL/Ft. Sask properties based on a closing date of December 31, 2002. Four Schedules supported the Statement of Adjustments, detailing the dollar amounts for Interim Capital Costs, Prepaid Mineral Lease Rentals, Prepaid Surface Lease Rentals and Accrued Interest.

The Board considers that the Statement of Adjustments, prepared and accepted by the parties to the transaction, appears to be complete. Therefore, the Board accepts this Statement and Schedules as filed.

4 ORDER

Based on the submissions of the parties and the Board's own knowledge herein,
IT IS HEREBY ORDERED THAT:

- (1) ATCO Gas and Pipelines Ltd. (North) shall distribute the BHL/Ft. Sask producing properties sale proceeds of \$23,036,000, less \$100,000 as a holdback for customers determined to be disadvantaged by the process, plus \$295,000 remaining from the Viking, Westlock et al and Lloydminster sales, and, using the unit rate of \$0.178/GJ, shall apply a credit during the March 2003 billing cycle to customers of record February 21, 2003, based on annual consumption.
- (2) ATCO Gas and Pipelines Ltd. (North) shall refund \$2,529,000 together with municipal franchise fees and GST using the unit rate of \$0.02/GJ to apply a credit during the March billing cycle to customers of record February 21, 2003, based on consumption data for the period January 1, 2002 to December 31, 2002.

- (3) ATCO Gas and Pipelines Ltd. (North) shall file with the Board for acknowledgement, by September 30, 2003, a summary of the holdback payments made to disadvantaged customers and a reconciliation of the amounts distributed to customers, net of the holdback amount.
- (4) Any excess or deficiency of holdback payments (Holdback Remainder) to disadvantaged customers remaining after August 31, 2003 shall be applied to the appropriate deferred gas account if at that time a deferred gas account is available.
- (5) If it appears that a deferred gas account will not be available at the time ATCO Gas and Pipelines Ltd. (North) is to apply to customers any Holdback Remainder, ATCO Gas and Pipelines Ltd. shall reconcile the Holdback Remainder through the ATCO Gas 2003/2004 GRA compliance filing or at a future GRA.

Dated in Calgary, Alberta on February 25, 2003.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

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

(original signed by)

C. Dahl Rees
Acting Member

(original signed by)

Michael J. Bruni, Q.C.
Acting Member