



AltaGas Utilities Inc.

Distribution of Revenue Excesses and Other Gains from the 2000/2001/2002 General Rate Application Phase I Process

March 25, 2003

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2003-024: AltaGas Utilities Inc.

Distribution of Revenue Excesses and Other Gains from the
2000/2001/2002 General Rate Application Phase I Process

Application No. 1292331

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

ALTAGAS UTILITIES INC. DISTRIBUTION OF REVENUE EXCESSES AND OTHER GAINS FROM THE 2000/2001/2002 GENERAL RATE APPLICATION PHASE I PROCESS

**Decision 2003-024
Application No. 1292331
File No. 1402-10**

1 INTRODUCTION

AltaGas Utilities Inc. (AUI or the Company), by letter dated February 7, 2003, filed an application requesting approval to distribute revenue excesses from 2000, 2001 and 2002, as well as other gains related to the sale of property and tax savings (the Application).

In Decision 2002-067,¹ dated August 6, 2002, with respect to the Phase I portion of the General Rate Application (GRA), the Board approved the Company's revenue requirement forecasts for 2000, 2001, and 2002 (the test periods). In Decision 2002-067, the accumulated revenue excess on a forecast basis for the test periods was \$1.91 million. In the Application, AUI revised the forecast cumulative revenue excess for the test periods to \$3.51 million to include gains on sales and income tax savings.

The Application indicated that on January 14, 2003, AUI and interested parties met to commence negotiations for the 2000/2001/2002 GRA Phase II process. At the meeting, AUI and its customers generally agreed that the \$3.51 million in revenue excesses and other specific funds determined in the Phase I process should be refunded as soon as possible. AUI proposed to distribute these funds to its sales, buy-sell, and transportation end use customers via a one-time credit on bills processed in the March 2003 billing cycle. The funds would be allocated between the region serviced by Bonnyville Gas and the original AUI service region and applied to each account based on billed revenues (monthly fixed charge, variable base energy charge, and monthly demand charge), excluding gas charges, on statements processed in the January 2002 to December 2002 billing cycles.

On February 21, 2003, the Board distributed a Notice of Application to interested parties requesting submissions objecting to or supporting this Application by February 28, 2003. In the absence of submissions by parties opposed to the Application the Board indicated that it would proceed to process the application.

2 ALLOCATION OF FUNDS

AUI indicated that the total funds that are to be redistributed to customers are \$3.51 million. Table 1 below provides a breakdown of funds arising from proceeds of sales, tax savings on overhead expenses, and 2000/2001/2002 revenue excesses from Board Decision 2002-067, with respect to AUI's Phase I GRA.

¹ Decision 2002-067 – AltaGas Utilities Inc. and Bonnyville Gas Company Limited, General Rate Application for Test Years 2000/2001/2002 – Compliance Filing, dated August 6, 2003

Table 1. AltaGas Utilities (consolidated) – Net Refund

Proceeds on Sale of Hanna Berry Creek Well	\$631,027
Other Gains on Sale of Property	\$34,014
Bonnyville Gas Co. Ltd. Gain on Sale of Property	\$113,144
Tax Savings on Overhead Expenses for Income Tax Purposes	\$824,670
2000/2001/2002 Revenue Excesses	<u>\$1,905,295</u>
Total	<u>\$3,508,150</u>

AUI asserted that the 2000/2001/2002 General Rate Application included a period when AUI operated as two separate utilities, AltaGas Utilities Inc. and Bonnyville Gas Company Ltd. As a result, there are components of the total funds that are specific to customers within service areas served by the past separate utilities, as shown in the tables below.

Table 2. Bonnyville District (previously Bonnyville Gas Company Ltd.) – Customer Refund/Deficiency

Gain on Sale of Property	\$113,144.08
2000 Revenue Deficiency	<u>(\$128,166.00)</u>
TOTAL	<u>(\$15,021.92)</u>

Table 3. AltaGas Utilities (pre-amalgamation) – Customer Refund

Proceeds on Hanna Berry Creek Well	\$631,027.10
Other Gains on Sale of Property	\$340,14.59
2000 Revenue Excess	<u>\$677,599.00</u>
Total	<u>\$1,342,600.69</u>

Table 4. Company-Wide (all districts) – Customer Refund

Tax Savings on overhead Expenses for Income Tax Purposes	\$824,670.00
2001 Revenue Excess	\$850,036.00
2002 Revenue Excess	<u>\$505,866.00</u>
Total	<u>\$2,180,572.00</u>

The Company proposed that the primary allocation of funds be based on relevance to respective service area. As a secondary allocation, the funds would be allocated by rate class based on area-specific 2002 normalized sales revenue (net cost of gas) approved in the Phase I Decision 2002-067. Funds generic to both service areas would be allocated on the basis of 2002 consolidated normalized sales. The Company then proposed that the distribution of funds within each rate class would be based on the billed revenues from statements processed in the January 2002 through December 2002 billing cycles.

The following tables provide the calculated refund rates for the revenue excess/deficiency and other gains to AUI customers:

Table 5. Unit Rate – Bonnyville District Specific

	Per \$ of 2002 Billed Revenue
Rate 1/11	\$0.069
Rate 2/12	\$0.068
Rate 3/13	\$0.045
Rate 4/14	-

Table 6. Unit Rate – AltaGas Utilities Specific (excluding Bonnyville district)

	Per \$ of 2002 Billed Revenue
Rate 1/11	\$0.131
Rate 2/12	\$0.121
Rate 3/13	\$0.093
Rate 4/14	\$0.200

AUI proposed that any over or under distribution of funds would be rolled into the determination of the next GRA revenue requirement. The Company also indicated that a reconciliation of the total dollars distributed to customers would be filed with the Board within two months after the final March 2003 billing cycle, which occurs in the first week of April 2003.

In the application, AUI determined that in the best interest of customers, it recommended that the distribution of funds be refunded to customers in March 2003.

2.1 Views of the Interveners

The Municipal and Gas Co-op Interveners (MGCI) and the Bonnyville Municipal Interveners (BMI) had submitted their views to the Company in a letter dated February 7, 2003 and the Energy Users Association of Alberta (EUAA) had submitted its views to the Company in an Email, dated February 5, 2003. Both pieces of correspondence were included as attachments to the Application. The Board received no submissions in response to the Notice.

EUAA

The EUAA reviewed AUI's proposal for distribution of the refund and concluded that it addressed EUAA concerns and was therefore acceptable.

MGCI and BMI

The MGCI and BMI noted that the quantum of the amount to be distributed was part of the negotiated settlement agreement the Company undertook with customer representatives and other interested parties. Pursuant to provisions of the settlement with customer representatives, the MGCI and BMI acknowledged that only customers served within those AUI franchise and service areas as existed prior to the amalgamation with the Bonnyville systems would be eligible to receive proceeds of the sale of the Hanna Berry-Creek well. Similarly, only customers served within the Bonnyville Gas franchise areas would be eligible to receive proceeds from the sale of property formerly owned by the Bonnyville Gas Company.

MGCI, representing customers served by AUI prior to its amalgamation with Bonnyville Gas, and BMI, representing customers of Bonnyville Gas prior to its amalgamation with AUI, believed that the proposed distribution reflected an appropriate and effective distribution of the

funds in question. The MGCI and BMI supported the distribution as a one-time credit based on actual calendar year 2002 net revenues as it provided an expedient and cost effective means for returning the excess revenues to customers.

2.2 Views of the Board

The Board notes that the EUAA, MGCI, and BMI were the only interested parties to provide submissions, all in support of the Application. The Board agrees with the method of allocation of revenue excess/deficiency for the year 2000 and proceeds of sales based on the former separate utilities and service areas; and the allocation of 2001 and 2002 revenue excess, as well as tax savings, on a company-wide basis, as proposed by AUI. The Board also is in full agreement with the interveners' submissions that the method proposed by AUI in the Application offered an expedient and cost effective means for returning the excess revenues to customers.

The Board notes that AUI proposed to distribute these funds to its sales, buy-sell, and transportation end use customers via a one-time credit on bills processed in the March 2003 billing cycle. Based on the date of registration of the Application and the requirement for due process, the Board considered that a one-time credit on the March 2003 billing cycle was unattainable. As a result, the Board directs AUI to apply a one-time credit on bills processed in April 2003 billing cycle, based on the distribution of funds within each rate class from the billed revenues statements processed in the January 2002 through December 2002 billing cycles.

The Board directs AUI to refund the revenue excess/deficiency and other gains based on AUI's calculated refund rates proposed in the Application.

3 ORDER

IT IS HEREBY ORDERED THAT:

- (1) AltaGas Utilities Inc. shall apply a one-time credit on bills processed in the April 2003 billing cycle, based on the distribution of funds within each rate class from the billed revenues statements processed in the January 2002 through December 2002 billing cycles.
- (2) AltaGas Utilities Inc. shall apply the calculated refund rates as submitted in the Application, and approved by the Board.
- (3) AltaGas Utilities Inc. shall file with the Board a reconciliation report of the total dollars distributed to customers on or before June 30, 2003.

Dated in Calgary, Alberta on March 25, 2003.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

R. G. Lock, P.Eng
Presiding Member

(original signed by)

Gordon J. Miller
Member

(original signed by)

J. Gilmour
Acting Member