



## **ATCO Gas South**

**2001/2002 General Rate Application  
Evaluation of the Need for a 2002 Phase II**

**April 30, 2003**

**ALBERTA ENERGY AND UTILITIES BOARD**

Decision 2003-028: ATCO Gas South  
2001/2002 General Rate Application  
Evaluation of the Need for 2002 Phase II  
Application No. 1286129

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# **ALBERTA ENERGY AND UTILITIES BOARD**

**Calgary Alberta**

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**ATCO GAS SOUTH  
2001/2002 GENERAL RATE APPLICATION  
EVALUATION OF THE NEED FOR A 2002 PHASE II**

**Decision 2003-028  
Application No. 1286129  
File No. 1307-1-4**

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## **1 INTRODUCTION**

On January 21, 2003, the Alberta Energy and Utilities Board (the Board) issued Decision 2003-006 regarding the 2001/2002 Phase I General Rate Application (GRA) of ATCO Gas South (ATCO or the Company). In Decision 2003-006, the Board approved ATCO's Phase I revenue requirement, but raised the issue as to whether or not there was a need for ATCO to file a comprehensive 2001/2002 Phase II application, given that a proceeding was already underway to deal with a combined 2003/2004 GRA for ATCO Gas North and South. Recognizing that the 2003/2004 GRA could result in implementation of new rates approximately one year following any revision to rates arising from a 2001/2002 Phase II, the Board wished to ensure that an additional Phase II process was required, particularly at a time when the regulatory schedule was already congested.

To expedite the process for determining the need for new rates, tolls and charges, based on the 2002 revenue requirement, the Board directed ATCO to file a submission advising the Board as to whether or not the Company considered a Phase II proceeding necessary for 2001/2002. The Board expected that the factors supporting ATCO's submission would include information to demonstrate the extent to which the 2002 costs may have shifted between rate classes. To determine the magnitude of any shifting of costs between rate classes and the extent to which the revenue/cost ratio for each customer class was within an acceptable range, the Board expected ATCO, at a minimum, to file information on the new revenue/cost ratios for each customer class based on an appropriate allocation of the 2002 revenue requirement using the parameters in the latest cost of service study approved by the Board in Decision 2000-16.<sup>1</sup>

The Board also noted that, in Direction 12 of Decision 2001-75,<sup>2</sup> ATCO was directed to file an unbundling allocation study (the Unbundling Study) within 90 days of the date of Board approval of the ATCO Gas South Phase I revenue requirement. The Board acknowledged that the direction in Decision 2001-75 was issued recognizing the need to revise the rate structure to facilitate moving towards a competitive marketplace. However, in Decision 2003-006, the Board considered that the need for the proposed Unbundling Study was now questionable, given subsequent developments. The Board noted that, in the context of the proposed sale of its retail function to Direct Energy, ATCO will be required to file an application for approval of the sale in due course, complete with a specific unbundling proposal.

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<sup>1</sup> Decision 2000-16 – Canadian Western Natural Gas Company Limited, 1998 General Rate Application – Phase II, dated June 13, 2000

<sup>2</sup> Decision 2001-75 – GCRR Methodology and Gas Rate Unbundling, Part A: Methodology and Unbundling Proceeding, dated October 30, 2001

Accordingly, recognizing that a retail sale application would address the same issues in substance as those to be examined in the proposed Unbundling Study, the Board indicated that it would not require ATCO to file the Unbundling Study pursuant to Direction 12 of Decision 2001-75.

On February 18, 2003, ATCO filed its submission regarding the necessity for a 2001/2002 Phase II, pursuant to the Board's direction in Decision 2003-006. By letter dated February 26, 2003, the Board invited interested parties to provide their comments with respect to ATCO's submission and conclusions by Friday, March 14, 2003.

By March 21, 2003, the Board received submissions from the City of Calgary (Calgary), the Federation of Alberta Gas Co-ops Ltd and Gas Alberta (FGA), the Alberta Urban Municipalities Association (AUMA), the Public Institutional Consumers Association (PICA), the Alberta Irrigation Projects Association (AIPA) and the Consumers' Coalition of Alberta (CCA) (collectively, the Interveners). ATCO responded to Intervener submissions on March 25, 2003. AIPA raised an issue regarding AMR devices and their impact on the revenue/cost ratio for irrigation customers. In response to AIPA, ATCO submitted a letter dated March 31, 2003 providing information on AMR devices installed for irrigation customers. Accordingly, the Board considers that the record for this proceeding closed on March 31, 2003.

## **2 SUBMISSION OF ATCO**

ATCO indicated that its submission was prepared as directed by the Board. Specifically, ATCO developed a 2002 Cost of Service Study (COSS)<sup>3</sup> using the same parameters, with some exceptions, as those established in the Canadian Western Natural Gas Company Limited (CWNG) 1998 Phase II Cost of Service Study, approved by the Board in Decision 2000-16. ATCO pointed out that the most significant exceptions were required as a result of adjustments to the revenue requirement arising from implementation of the Cost of Storage Rate Rider (COSRR) and the Company Owned Production Rider (COPRR) which were applied to customer rates as part of the monthly GCRR process approved effective April 1, 2002, in Decision 2002-034.<sup>4</sup> Based on the results of the COSS, and review of the related Revenue to Cost Ratios, ATCO's recommendation was that the rates in place for 2002 are reasonable and that no further rate adjustment is required for 2002 with the possible exception of Rate 5.

## **3 ISSUES ARISING AND VIEWS OF THE PARTIES**

### **3.1 Evaluation of ATCO's COSS**

#### **Views of the Interveners**

The FGA noted that ATCO appeared to have merely applied the 2002 revenue requirement numbers to the 1998 cost of service study. The FGA considered that an appropriate Phase II study should incorporate new load research and other usage data, especially when, in ATCO's own words, the Company is in transition to a pipes-only distribution utility. The FGA considered

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<sup>3</sup> COSS refers specifically to the 2002 Cost of Service Study filed by ATCO in its February 18, 2003 submission.

<sup>4</sup> Decision 2002-034 – ATCO Gas South, GCRR Methodology and Gas Rate Unbundling – Compliance Filing, dated March 21, 2002

that further delay in undertaking an unbundling study could result in loss of a base line to be referenced in assessment of the anticipated ATCO sale.

In the FGA's view, if ATCO had not sufficiently updated the allocation factors from the 1998 study to reflect current usage of the system, then the COSS would not form a proper basis for unbundling rates. The FGA noted that the 1998 study was based on allocation factors developed before the reorganization of CWNG into separate transmission and distribution operating divisions. The FGA considered that an unbundling hearing might discuss principles, but actual dollar amounts would require updated allocations in order to reasonably address the current status of those functions to be unbundled.

Calgary pointed out that ATCO had not provided any "rates" which develop the revenues shown in Column 7 of Table 1 of the COSS and took issue with certain assumptions made by ATCO. Specifically, Calgary submitted that the COSS ignored that, for nine months of 2002, there was a \$.147 commodity charge associated with Rate 13, which had not been recognized in Table 1 of the COSS. In addition, Calgary pointed out that ATCO had not provided an explanation of how the amounts attributable to each rate class were determined as shown in columns 3, 4 and 5 of Table 1, and that the derivation of column 6 of Table 1 also remained unexplained.

Calgary noted that ATCO proposed changes in the cost allocation methodology for Storage and Production and Gathering. In particular, ATCO proposed to allocate all Carbon storage costs on a commodity basis. Calgary noted that this was premised on the following statement in ATCO's submission:

The Board in the GCRR methodology Decision directed ATCO Gas South to implement a Storage Rider. As a result of that directive, all benefits/costs of the utilization of the Carbon facility are applied to all Rate Groups on the basis of throughput.

Calgary indicated that the last Cost of Service Study to be fully evaluated for ATCO was in the 1998 GRA Phase II. Calgary noted that, in that proceeding, the allocation of Carbon capital and operating costs were contested, and the Board determined, in Decision 2000-16, that the ATCO proposal to allocate Carbon costs to only Rates 1 and 3 on the basis of demand was an appropriate methodology. In the current submission, on the other hand, Calgary noted that the allocation of Carbon capital and operating costs was now being driven by the underlying assumed foundation of the COSRR on a commodity basis. Calgary submitted that this fundamental change in cost allocation had not been tested in any proceeding nor had the foundation for a major change in cost allocation been established.

### **Views of the Applicant**

ATCO stated that clearly the FGA was not aware of the Board direction in Decision 2003-006 that ATCO prepare a 2002 COSS using the same parameters as approved in the CWNG 1998 Phase II. ATCO also pointed out that its February 18, 2003 submission clearly stated that the back up studies used for allocation factors in the COSS were updated to properly represent 2002 conditions.

In response to concerns raised by Calgary, ATCO pointed out that Table 1 in the COSS provided the proper revenues to compare to the costs in Table 2, which provided the approved revenue shortfall for 2002. ATCO indicated that Column 4 provided the incremental revenue resulting

from the rate change on April 1, 2002, Column 5 provided the further adjustment related to Gas supply related costs and revenues that should be charged to the DGA, Column 6 was Late Payment Revenue, and Column 7 was the total of Columns 2 through 6. ATCO submitted that the COSS correctly illustrated the rates and the resulting revenues for 2002.

ATCO submitted that the COSS appropriately reflected the impact of the Board's direction with respect to the Storage Rider and Production Rider. ATCO re-stated the fact that the objective of the exercise was to demonstrate that the rates in place in 2002 were reasonable and to give the Board comfort that there was no need to design new rates for 2002.

ATCO submitted that revenue to cost ratios were within Board tolerances with the exception of Rate 5. ATCO pointed out that interim rates were already in place for 2003, and that any rates for 2002 determined from a more comprehensive Phase II would only be used to adjust what customers should have paid in 2002. ATCO submitted that the COSS showed that any adjustment would be immaterial.

### **Views of the Board**

The Board notes the concerns of Calgary with respect to the assumptions made by ATCO in the COSS. In particular, Calgary pointed out that ATCO has provided no support for the derivation of the 2002 Base Rate Revenue (2002 Revenue). The Board notes that although ATCO has explained the derivation of the 2002 Revenue, the Company has not provided a detailed calculation supporting the total in the February 18, 2003 submission. While acknowledging Calgary's concern, the Board notes that the details of the 2002 Revenue were included in ATCO's 2001/2002 compliance filing, subsequently approved in Decision 2003-006, and is satisfied that the amount has been appropriately determined.

The Board also notes Calgary's concern that capital and operating costs of Carbon storage were allocated, in Decision 2000-16, to Rate classes 1 and 3 on the basis of demand, but allocated to all classes on the basis of throughput in the COSS. With respect to Calgary's observation that this change in cost allocation has not been tested in any proceeding, the Board notes that the change in cost allocation was subject to examination by parties and by the Board in the written process dealing with the change to a monthly GCRR, which was approved in Decision 2002-034. The Board agrees with ATCO that the allocation of Carbon storage costs appropriately reflects the impact of the treatment of Carbon storage costs, as approved in Decision 2002-034.

The Board also notes the FGA's comments that, in the COSS, ATCO has not updated the allocation factors from the 1998 study to reflect current usage of the system. The Board notes that the main objective of the COSS exercise was to determine whether or not the rates in place in 2002 continue to be reasonable based on an appropriate allocation of the 2002 revenue requirement using the parameters in the latest cost of service study approved by the Board in Decision 2000-16. The Board is satisfied that, in its treatment of Carbon storage costs, ATCO has appropriately reflected in the COSS a relevant change in methodology approved by the Board in Decision 2002-034, subsequent to issuance of Decision 2000-16.

The Board notes that, with the exception of these comments from the FGA and Calgary, none of the Interveners have evaluated or expressed an opinion on the COSS. The Board, however, has reviewed and considered the COSS, and is satisfied that ATCO has complied with the directions in Decision 2003-006. Specifically, ATCO has allocated the 2002 revenue requirement based on



the parameters approved in Decision 2000-16, appropriately updated to reflect changes in methodology approved since Decision 2000-16 was issued. The Board accepts ATCO's COSS and its conclusion that the 2002 revenue/cost ratios, with the exception of Rate 5, are within acceptable tolerances. The issue with respect to Rate 5 is discussed in Section 3.2 below.

### **3.2 Rate 5 Issues**

#### **Views of the Interveners**

AIPA referred to ATCO's conclusion that the revenue/cost ratio for Rate 5 (Irrigation) was 87.1%, and that to avoid future rate shock for these customers, the Rate 5 revenue could be increased by 10% effective January 1, 2003. AIPA noted that ATCO indicated that a 10% rate increase would increase Rate 5 revenues by some \$80,000 and place the class at a revenue to cost ratio of 95%. AIPA disagreed with the ATCO proposal, indicating that Rate 5 would already be subject to rate shock in 2003 because of the dramatic increase in commodity rates since the previous year. AIPA pointed out that during the 2002 summer season, the monthly GCRR averaged approximately \$3.60/GJ, and that for 2003 forward strip pricing indicated a summer season price in the order of \$6.65/GJ. AIPA stated that this would translate into an 85% commodity price increase and submitted that an additional delivery rate increase added to this commodity rate increase would represent a potentially serious rate shock in 2003.

AIPA submitted that furthermore, the COSS might have significantly over-stated costs allocated to Rate 5 service. AIPA referred to the Transcript of the current ATCO Gas 2003/2004 proceeding, where ATCO indicated that 1358 automatic meter reading (AMR) units included with meters at irrigation sites were not connected to telephone lines, but were simply provided with the meter units. AIPA submitted therefore, that these units are not used or useful, and at a current cost of approximately \$150 per unit, as indicated by ATCO, inclusion of these AMR units in the COSS would tend to overstate the replacement cost of meter and regulating equipment for irrigation service.

AIPA provided a calculation to support the conclusion that elimination of the impact of these AMR units from the COSS would increase the Rate 5 revenue/cost ratio to 92%. AIPA submitted that as this was close enough to Board guidelines, no adjustment to the Rate 5 revenue was required.

#### **Views of the Applicant**

ATCO indicated that the 10% increase to the interim rate for Rate 5 was suggested in order to address the shortfall for that Class identified in the 1998 Phase II decision. Noting AIPA's reference to the calculations in the COSS, ATCO pointed out that the data used in preparation of the COSS includes costs related to only 16 AMR devices, four of which are active. In a letter to the Board dated March 31, 2003, ATCO submitted that the information initially provided in the 2003/2004 GRA proceeding, and referred to by AIPA, was incorrect. ATCO indicated that the correct number of irrigation customers with AMR devices installed on their meters had been confirmed at 13, of which four are active, in contrast to the 1358 AMR units discussed in the GRA. ATCO submitted therefore that the adjustments as calculated by AIPA were not valid, and indicated that it continued to consider the 10% increase for Rate 5 to be appropriate.

## Views of the Board

The Board has reviewed the submissions of AIPA and ATCO with respect to the appropriateness of the data used in the COSS relative to AMR units included with meters at irrigation sites, and accepts ATCO's submission that the data used to determine the allocation of costs to Rate 5 in the COSS reflected the correct information with respect to the number of AMR units. Accordingly, the Board agrees with ATCO that AIPA's recalculation of the Rate 5 cost allocation is not accurate.

The Board notes ATCO's recommendation for a 10% increase to Rate 5 revenue effective January 1, 2003 in order to move the revenue/cost ratio for that class from 87.1% to 95%, and the proposal that the increase of \$80,000 would be offset by a reduction of the same amount to Rate 1. The Board also notes AIPA's concern that the average level of the 2002 and forecast 2003 summer GCRR combined with the proposed 10% base rate increase would represent a potentially serious rate shock in 2003.

The Board acknowledges ATCO's observation that, although Decision 2000-16 relating to the 1998 Phase II, highlighted an understatement in the allocation of costs to Rate 5 customers, ATCO was directed to deal with the error at the next GRA rather than in the 1998 GRA. While the Board is concerned that the continuing under-recovery of costs of providing service to Rate 5 customers will perpetuate the cross subsidization by other rate classes, the Board does not consider the cross-subsidization to be significant enough, in the context of the overall costs and revenues, to justify an adjustment to Rate 5 at this time. Furthermore, the Board notes that any offsetting adjustment would have a negligible effect on the rates for Rate 1 customers, and is not persuaded that implementation of a retroactive adjustment to Rate 5 and Rate 1 effective January 1, 2003 is appropriate. The Board also notes that an increase of approximately \$50,000 in Rate 5 revenue for 2003 has already been approved on an interim basis in Decision 2002-115,<sup>5</sup> which could contribute to bringing the revenue/cost ratio closer to an acceptable tolerance level.

Accordingly, the Board considers it appropriate that the revenue/cost ratio for the Rate 5 class should be brought into line with the ratios for other customer classes, at the next comprehensive Phase II proceeding, at which time revisions to rates can be implemented on a go forward basis.

For the reasons outlined above, the Board does not accept ATCO's proposal to increase the rates for Rate 5 customers by 10% effective January 1, 2003. However, the Board considers that AIPA will appreciate the potential for a significant increase in rates for Rate 5 customers, as revenue/cost ratios are re-aligned at the next GRA Phase II.

### 3.3 Determination of the Need for a 2002 Phase II

#### Views of the Interveners

PICA, the CCA, AIPA and the AUMA all agreed that, given the advanced stage of the 2003/2004 GRA, and the already crowded regulatory schedule, it would not be an efficient use of time to proceed with a comprehensive 2001/2002 Phase II.

AIPA agreed with ATCO that a 2001/2002 Phase II application was not required, and that the rates in place for 2002 should be approved as final. AIPA questioned the efficacy of conducting

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<sup>5</sup> Decision 2002-115 – ATCO Gas 2003/2004 General Rate Application – Interim Rate Application, dated December 24, 2002

a 2001/2002 Phase II proceeding when new rates may be implemented following the current 2003/2004 proceeding within a short timeframe.

Calgary, however, pointed out that the storage rider (COSRR) was instituted in Decision 2001-75 without any examination of rate design issues. Calgary submitted that proper cost allocation procedures for both the COSRR and Carbon storage capital and operating costs were not examined in the course of the proceeding that led to Decision 2001-75. Calgary stated that the first opportunity to test cost allocation and rate design related to all aspects of Carbon would only occur in the course of a full and complete Phase II proceeding, and that there remained the outstanding requirement for a Phase II proceeding in order to analyze and evaluate rate design principles, cost relationships and design rates. Calgary submitted that it had been several years since the ATCO rates were subjected to a full evaluation under fully allocated costing methods.

### **Views of the Applicant**

ATCO submitted that the issue of the need for a 2001/2002 Phase II is the central issue that the Board asked ATCO and Interveners to address. ATCO stated that the information filed in response to the Board's request supported a recommendation that the rates in place for 2002 were appropriate and that a comprehensive Phase II process to review the COSS would not result in a material change to those rates. Based on that conclusion, the current heavy regulatory schedule, and the advanced stage of the 2003/2004 GRA, ATCO submitted that it would not be a sensible use of time to proceed with a comprehensive 2001/2002 Phase II. ATCO noted that this position was supported by the AUMA, AIPA, CCA and PICA.

### **Views of the Board**

The Board notes Calgary's concern that a full and complete 2001/2002 Phase II proceeding is required to analyze and evaluate rate design principles and cost relationships, given the passage of time since rates were subjected to a full evaluation under fully allocated costing methods. However, as noted by ATCO, the central issue that the Board asked ATCO and Interveners to address was whether or not the rates in place in 2002 continue to be reasonable based on an appropriate allocation of the 2002 revenue requirement using the parameters in the latest cost of service study approved by the Board in Decision 2000-16. As discussed in Section 3.1 above, the Board is satisfied that ATCO has filed a COSS using the parameters as directed, demonstrating that there has been no significant shifting of costs between rate classes since the last approved cost of service study. The Board accepts ATCO's conclusion that the results of the COSS indicate that any adjustment to rates in place for 2002 arising from a more comprehensive Phase II proceeding would be unlikely to be material.

The Board notes the conclusion of PICA, the CCA, AIPA and the AUMA that it would not be an efficient use of time to proceed with a comprehensive 2001/2002 Phase II for ATCO Gas South, given the advanced stage of the 2003/2004 ATCO Gas GRA, the already crowded regulatory schedule, and the efficacy of conducting such a proceeding when new rates may be implemented following the current 2003/2004 proceeding within a short timeframe.

Based on the results of ATCO's COSS, and the observations of PICA, the CCA, AIPA and the AUMA, the Board is satisfied that it is not necessary to proceed with a 2001/2002 Phase II for ATCO Gas South.

### **3.4 Relationship of a Phase II Proceeding and Unbundling Study**

#### **Views of the Interveners**

PICA noted that the proposed sale of ATCO's retail function would necessitate a retail sale application and consequently, an unbundling study. In PICA's view, any review of Phase II rates should only be done on the basis of a fully unbundled Cost of Service study. Therefore, to minimize the number of hearings and overall regulatory efficiencies, PICA submitted that a Phase II proceeding might best be deferred to the 2003/04 GRA process.

The AUMA noted that ATCO had indicated that it plans to file unbundled rates concurrent with a proposed Asset Sale and Appointment Application. The AUMA submitted that, in order to ensure that any existing inequities and cost shifts can be dealt with in a timely manner, a comprehensive review of the COSS should be conducted. The AUMA considered that the most appropriate time to conduct this review efficiently would be in conjunction with the filing of unbundled rates following the filing of the retail sale application.

The AUMA stated that filing of a comprehensive 2002 cost of service study should provide a forum to reflect, to the extent possible, the changes to the cost of service expected to result from the proposed sale. The AUMA considered that the COSS would be used as a proxy for unbundling purposes, but would utilize the 2004 Revenue Requirement when ultimately finalized by the Board.

The FGA noted that ATCO proposed a rate unbundling proceeding in conjunction with the filing of an application for approval of the proposed retail sale. The FGA considered that ATCO would be in compliance with the Board's directions in Decision 2001-75, if the unbundling filing was submitted as proposed and if it responded appropriately to certain pertinent Directions in Decision 2001-75 relating to unbundling and transfer of costs.

Calgary referred to Direction 12 of Decision 2001-75, wherein the Board directed ATCO to file an Unbundling Study within 90 days of the date of approval of the 2001/2002 Phase I revenue requirement. Calgary noted that Decision 2003-006 was issued on January 21, 2003, meaning that the 90-day time frame would expire on April 21, 2003. Calgary submitted that, in order to efficiently institute permanent rates to reflect the results of Decision 2003-006, the unbundling process fitted hand in glove with the Phase II process.

#### **Views of the Applicant**

ATCO submitted that the Board requested submissions with respect to the need for a comprehensive Phase II 2001/02 hearing, and that the comments of the FGA on unbundling had no bearing on this issue.

However, ATCO acknowledged that certain Interveners appeared to consider the COSS an essential piece of information for the proposed unbundling application. ATCO indicated that the COSS would be included in that application, in addition to other material setting out the Company's analysis of costs by functions as directed by the Board. In a letter to the Board dated February 7, 2003, filed in the context of the 2003/2004 GRA, ATCO indicated that the unbundling application would be filed at the same time as the application for approval of the proposed retail sale. ATCO pointed out that the COSS filed on February 18, 2003 was an up-to-date study incorporating 2002 distribution units and up to date allocation factors. ATCO

stated that the same COSS would be filed if the Board ordered a comprehensive Phase II process for 2001/2002. ATCO submitted that it would not object if Interveners wished to test the COSS in the context of the planned unbundling application.

### **Views of the Board**

In Decision 2003-006, the Board expected that, in the context of the proposed retail sale to Direct Energy, ATCO would be required to file an application for approval of the sale in due course, complete with a specific unbundling proposal. Accordingly, the Board indicated that it would not require ATCO to file an Unbundling Study, as envisaged in Decision 2001-75.

The Board notes the comments of some Interveners with respect to the desirability of linking a Phase II proceeding with an unbundling study. While Calgary supports the combination of a 2001/2002 Phase II and unbundling study, PICA suggests that, while any review of Phase II rates should only be done on the basis of a fully unbundled cost of service study, that Phase II proceeding might best be deferred to the 2003/2004 GRA process.

The Board also notes the comments of the AUMA that, to ensure that any existing inequities in cost allocations and shifting of costs between classes can be dealt with in a timely manner, a comprehensive review of the COSS should be conducted in conjunction with the filing of unbundled rates following the filing of the retail sale application. The Board notes that ATCO had no objection to having Interveners test the COSS in the context of the forthcoming unbundling application to be filed in support of the application for approval of the proposed retail sale.

The Board agrees with the observations of Interveners that any review of rates should only be done on the basis of a fully unbundled Cost of Service Study. The Board also considers that there is merit in the proposal of the AUMA that a comprehensive review of the COSS should be conducted in conjunction with ATCO's proposed application for approval of the proposed retail sale and related unbundling application, when filed.

The Board notes that ATCO's application for approval of the proposed retail sale was filed with the Board on April 25, 2003. The Board also notes that this application indicates that ATCO "is completing and will soon file, an unbundling application which will, on an interim basis, propose the allocation of certain components of the ATCO Gas Distribution Tariff and Gas Cost Recovery Rate (GCRR) between the distribution function and the retail function." The Board directs that ATCO file the unbundling application as soon as reasonably possible, together with the refiled COSS, so that the retail sale application, unbundling study and COSS can be tested by all parties.

## **3.5 2001 and 2002 Customer Rates**

### **Views of the Interveners**

The AUMA noted that ATCO Gas South filed its 2001/2002 GRA in December 2000. The AUMA pointed out that no interim rates were approved, but that the existing rates were revised, on April 1, 2002 by Decision 2002-034, to reflect the movement of certain costs and credits to the Storage and Production Riders. Further, the AUMA noted that a revenue shortfall rider and a

Deferred Hearing Costs rider were approved in Decision 2002-050<sup>6</sup> for the period June 1 to December 31, 2002. The AUMA indicated that subsequently, Decision 2003-006 approved a \$10 million refund on February 2003 billings as a result of the compliance filing as it related to Carbon Storage, outsourcing arrangements and the GRA. Based on the foregoing, the AUMA considered that the Company had been made whole for the two test years.

The AUMA considered that, based on the untested results of the COSS, it does not appear necessary or practical to revisit the rates and riders that were in place for 2001 and 2002. The AUMA submitted that, upon full review, the results of the COSS would likely be altered to some degree, but not to the point where it would warrant retroactive adjustments to the rates that were in place. Accordingly, the AUMA did not object to finalizing the rates and riders in place for 2001 and 2002.

The AUMA pointed out that, in Decision 2002-115, the Board approved 2003 interim rates for ATCO Gas South based on the \$10.2 million shortfall on existing rates identified for 2002. The AUMA noted that the interim increase was approved on an across-the-board basis, and that the interim rates essentially still reflect the 1998 cost of service and rate design parameters as adjusted for the Production and Storage Riders.

The FGA indicated that the rates in the ATCO COSS did not directly affect the FGA. The FGA therefore, made no submission on whether a cost of service study based on outdated usage factors was a proper basis on which to determine whether or not rates were just and reasonable. However, the FGA expressed concern that the previous cost of service study for ATCO Gas South had been accepted as a surrogate for determining allocations of gas supply related expenses for ATCO Gas North. The FGA noted that, while the respective ATCO Gas systems have been allowed interim rate increases for the current test year, no information or evidence as to cost of service had been adduced for the North system. However, the FGA pointed out that customers of that system had been affected by the interim rate increases without having any opportunity to test allocations of those costs they are being required to pay. Although examining a new cost of service study for ATCO Gas South would not remedy that concern, the FGA considered that it might provide information as to changes in ATCO structures, policies and procedures that could be assessed as to impact on the North system and the rates in place for those rate classes.

Calgary pointed out that, in Decision 2003-006, the Board made two distinct and finite determinations regarding the ATCO Gas South revenue requirement, one for 2001 and another for 2002. Calgary noted that Board approved a revenue surplus of \$4,370,000 for 2001, and a deficiency for 2002 of \$10,123,000. Separate revenue requirements were determined for each year.

Calgary submitted that one of the sanctities of rate design is rate continuity reflecting each and every Board decision, and that failure to adhere to rate design continuity would cause distortions in both the rate design and the proper recognition of each Board decision impacting rate design. In Calgary's view, the two distinct findings in Decision 2003-006 required individual rate design parameters to be considered and adhered to.

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<sup>6</sup> Decision 2002-050 – ATCO Gas South, 2001/2002 General Rate Application, Compliance Filing, dated May 30, 2002

Calgary considered that the methodology set out in the February 18, 2003 submission would result in the 2001 revenue requirement not being reflected in rates. In Calgary's view therefore, ratepayers would only receive credit for the reduction once, in the refund ordered in Decision 2003-006, rather than in rates on a going forward basis. Calgary stated that proper continuity of rate design demands that the Board acknowledge both parts of the determinations in Decision 2003-006, and implement both the 2001 finding and the 2002 finding within the rate design parameters.

Calgary noted that, for the period January 1 through March 31, 2002 the effective rates included in the COSS calculations were the rates developed pursuant to the 1998 GRA, while the rates in effect for the period April 1, through December 31, 2002 were the rates developed concurrent with the implementation of the COPRR and the COSRR. Neither of these rates were based upon the Decisions of the Board related to the 2001-2002 GRA.

### **Views of the Applicant**

ATCO submitted that Calgary's understanding of rate design is incorrect. ATCO indicated that, as had been the practice of the Board in previous Phase II proceedings, the determination of final rates was based on the approved revenue requirement of the final year of the GRA test period, in this case 2002. ATCO pointed out that the amount referenced by Calgary for 2001 had been refunded to customers.

ATCO expressed continuing concern about costs of the active intervention of the FGA, a party with no direct interest in the outcome of the proceeding, given that the FGA was not a customer of ATCO Gas. ATCO specifically requested some direction from the Board in this regard.

### **Views of the Board**

The Board notes that the AUMA considers that, based on Board determinations in various Decisions issued with respect to the ATCO Gas South 2001/2002 Phase I Compliance Filings and with respect to the monthly GCRR process, ATCO has been made whole for 2001 and 2002. The Board also notes that, based on the results of the COSS, the AUMA did not object to finalizing the rates and riders in place for 2001 and 2002.

The Board notes the concerns of Calgary that the 2002 effective rates included in the COSS were not based on Decisions of the Board with respect to the 2001-2002 GRA, and that the findings of the Board in Decision 2003-006, with respect to both 2001 and 2002, should be recognized within ATCO's rate design parameters. In this regard, the Board agrees with ATCO and the AUMA that the Company has been made whole with respect to 2001, and that the amount referenced by Calgary for 2001 has been refunded to customers. Accordingly, the Board notes that the question that remains to be resolved is the extent of any required revision to 2002 rates and whether or not those rates can be finalized without the need for a comprehensive Phase II.

As discussed in Sections 3.1 and 3.3 above, the Board accepts ATCO's conclusions that, based on the results of the COSS, there has been no significant shifting of costs between rate classes for 2002, and that a 2001/2002 Phase II is not required. Based on these conclusions, the Board accepts ATCO's recommendation that the rates in place for 2002, as approved on an interim

basis in Order U2002-135,<sup>7</sup> can remain unchanged. The Board will accordingly approve the 2002 rates as final.

The Board notes that, while acknowledging that it is not directly affected by the rates included in the COSS, the FGA expressed concern with respect to the possible use of the COSS as a surrogate for determinations of gas supply related expenses for ATCO Gas North. The Board recognizes that some of the issues raised by the FGA are outside the scope of this proceeding. The Board also notes ATCO's concern regarding costs of the active intervention of the FGA, which, ATCO states, is a party with no direct interest in the outcome of the proceeding, given that the FGA is not a customer of ATCO Gas South. However, the Board also notes that the issue of the filing of the Unbundling Study, on which several of the interveners commented, is a matter that affects the FGA. Furthermore, the Board understands the FGA's concern regarding the possible use of the COSS as a surrogate for determination of cost allocations in the North. Accordingly, the Board considers that the FGA's intervention in this proceeding was appropriate.

### **3.6 Matters Deferred from Previous Proceedings**

#### **Views of the Intervenors**

Calgary referred to various issues, which had been deferred to the ATCO Gas South 2001/2002 Phase II GRA from other proceedings. Calgary noted that ATCO argued that these issues had been overcome by time and events and were no longer relevant to ATCO or were issues that could be addressed in more relevant future proceedings, and possibly as stand-alone written processes. Calgary submitted that the problem with this suggestion was that each of these matters had already been the subject of a proceeding, and that the Board was aware of the forces of "time and events" when the specific directions were issued.

Consequently, Calgary saw no benefit in scheduling further written proceedings where the parties would likely only put forward the same evidence and positions that were previously before the Board. Calgary considered that, if ATCO wished to apply for a review and variance of those Decisions, it should have done so long ago. Calgary pointed out that each of the deferrals arose from a docketed proceeding and that the issues go back as far as Decision 2000-16 in June, 2000. In Calgary's view, time does not negate Decisions of the Board any more than ATCO's unsupported claim of irrelevance.

Specifically, Calgary referred to the Board's finding in Decision 2002-050 that any potential revision to the interim shortfall rider for 2001 and 2002 could be processed as required on final reconciliation of amounts collected after determination of final rates in the Phase II process. Calgary noted that, in Decision 2002-050, the Board concluded that issues regarding appropriate rate design would not be addressed until the Phase II application.

Calgary also referred to Decision 2000-16, where the Board directed CWNG to file certain information with respect to load balancing at its next Phase II GRA.

Calgary pointed out that, in Decision 2002-072,<sup>8</sup> the Board directed ATCO to determine the costs incurred in providing uncontracted storage capacity to ATCO Midstream. Calgary noted that the

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<sup>7</sup> Order U2002-135 – Changes to Delivery Rates and Tariffs of ATCO Gas South and ATCO Pipelines South dated March 28, 2002. The rates approved in Order U2002-135 are the rates still in effect for AGS.



Board directed ATCO to make this determination in the context of a cost of service study to be filed in the 2001/2002 Phase II GRA. Calgary pointed out that the Board expected that the costs allocated to the uncontracted storage capacity in the cost of service study would recognize usage based on the appropriate ratios of capacity and deliverability.

Calgary also referred to the resolution of the Jumping Pound measurement error deferred to the ATCO Gas South 2001-2002 Phase II, pursuant to Decision 2002-078.<sup>9</sup>

The FGA referred to the resolution of a measurement error at Jumping Pound, together with other outstanding matters, directed to the Phase II portion of ATCO Gas South's 2001/2002 General Rate Application. The FGA also referred to ATCO's comments in correspondence to the Board, dated February 25, 2003, that certain aspects of these outstanding directions had been rendered redundant over time. The FGA submitted that the Jumping Pound Measurement error was not one of these, as it has never been resolved.

The FGA noted that in its February 25, 2003 submission, ATCO suggested that "the resolution of this matter could be expeditiously handled through a separate written proceeding." The FGA agreed with this position, and urged the Board to set a schedule for such a proceeding, so that this matter could be resolved without further delay. The FGA pointed out that the issue of compensation to transportation customers arising from this error had been outstanding since the error was made in the period April 2000 to October 2001, and that any further delay would be unnecessary and unreasonable.

### **Views of the Applicant**

ATCO indicated that it continued to believe that certain issues deferred from previous proceedings had become redundant with the passage of time. ATCO submitted that, if the Board found that the rates that were in effect in 2002 should be approved as final, certain of these issues would be automatically addressed, and all other matters could be addressed through other proceedings.

Specifically ATCO submitted that the issues referred to by Calgary relating to Decision 2002-050 have been addressed by ATCO's submission of February 18, 2003, where ATCO's analysis indicates that the rates in effect in 2002 were appropriate and should be set as final.

With respect to the issues relating to load balancing, deferred from Decision 2000-16, ATCO submitted that the relevant context of the Board's direction referred specifically to the business of CWNG. ATCO pointed out that, at the time, CWNG was engaged in both transportation and sales services on its integrated transmission and distribution system. ATCO noted that the issues applicable to that era related to an evaluation of the possible harm suffered by sales customers resulting from CWNG using the gas supply portfolio to provide balancing service to all customers of the CWNG system. ATCO submitted that certain aspects of the Board's direction, relating to line pack usage, transmission transportation daily balancing and the Gas Operating and Flow Reporting System, had been rendered redundant by subsequent Board proceedings. In this regard, ATCO referred specifically to the separation of ATCO Gas and ATCO Pipelines, the

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<sup>8</sup> Decision 2002-072 – ATCO Gas, A Division of ATCO Gas and Pipelines Ltd., Transfer of Carbon Storage Facilities, dated July 30, 2002

<sup>9</sup> Decision 2002-078 – ATCO Gas South, Rider D Adjustment Resulting from Revisions to Rates for Unaccounted for Gas, dated August 26, 2002

establishment of a new GCRR methodology, the company-owned storage and production rate riders and the unbundling of rates. ATCO further submitted that the issue of load balancing should be reviewed in the context of a future application that would be filed in response to proposed legislative changes. ATCO referred to correspondence to the Board dated February 7, 2003 and February 25, 2003, in which ATCO indicated its intent to file an application to address compliance with new provincial natural gas legislation. ATCO pointed out that that application would include information related to load balancing and load settlement.

Regarding the Board direction from Decision 2002-072, ATCO indicated that the direction was made in the context of the determination of a fair market value rate for the uncontracted capacity agreement with ATCO Midstream. ATCO pointed out that Decision 2003-021<sup>10</sup> established the rate for the charge to ATCO Midstream for the uncontracted capacity for the 2003/2004 storage year as 41 cents per GJ. ATCO submitted that the requested information would be best used in the context of the 2004/2005 storage year and should be included in the application for the storage plan for the 2004/2005 storage year, rather than in a 2001/2002 Phase II proceeding.

Referring to the issue raised by Calgary and the FGA with respect to the Jumping Pound measurement error, ATCO submitted that resolution of this issue was not specifically relevant in the context of a Phase II proceeding. ATCO agreed with the FGA that this issue could be expeditiously addressed in a separate written process.

### **Views of the Board**

The Board notes the comments of Calgary and the FGA regarding matters deferred from other proceedings to the ATCO Gas South 2001/2002 Phase II GRA. As discussed in previous sections of this Decision, the Board is satisfied that rates in place for 2002 can be set as final without the need for a comprehensive Phase II for ATCO Gas South, and that there is no need to reconsider the disposition of the net shortfall for the test years, as dealt with in Decision 2002-050 and finally approved in Decision 2003-006.

With respect to the Jumping Pound measurement error deferred pursuant to Decision 2002-078 and referred to by the Interveners, the Board acknowledges ATCO's comment that resolution of this issue was not specifically relevant in the context of a Phase II proceeding, and accepts ATCO's proposal to address this issue in a separate written process. Accordingly, the Board directs ATCO, within 90 days from the date of issue of this Decision, to file a submission outlining a proposal for a written process to address the issue of the Jumping Pound measurement error.

Regarding the directive from Decision 2002-072 in relation to the determination of a fair market value rate for the Carbon storage uncontracted capacity agreement with ATCO Midstream, the Board is prepared to accept ATCO's recommendation to deal with this matter in the context of an application for a storage plan for the 2004/2005 storage year. Accordingly the Board directs ATCO to incorporate the cost of service information, necessary to address the issue of the costs incurred in providing uncontracted storage capacity service, in the Company's application for a storage plan for the 2004/2005 storage year.

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<sup>10</sup> Decision 2003-021 – ATCO Gas South, Determination of the Fair Market Value of Uncontracted Carbon Storage, dated March 11, 2003

The Board notes ATCO’s comments with respect to matters relating to load balancing deferred from Decision 2000-16. The Board acknowledges that certain aspects of the Board’s direction in Decision 2000-16 relating to line pack usage and related issues may have been rendered redundant by subsequent corporate and operational changes, and accepts ATCO’s recommendation that the issue of load balancing should be reviewed in the context of a future application that will be filed in response to proposed legislative amendments to the *Gas Utilities Act* and Regulations. Accordingly, the Board directs ATCO to incorporate the information necessary to address the issue of load balancing and load settlement in its proposed application dealing with amendments to the *Gas Utilities Act* and Regulations, as proposed in correspondence to the Board on February 7, 2003 and February 25, 2003.

#### 4 SUMMARY OF BOARD 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. The Board expects that ATCO will comply with these directions in a formal response at the time indicated in a detailed and complete manner.

1. The Board directs that ATCO file the unbundling application as soon as reasonably possible, together with the refiled COSS, so that the retail sale application, unbundling study and COSS can be tested by all parties. .... 9
2. The Board directs ATCO, within 90 days from the date of issue of this Decision, to file a submission outlining a proposal for a written process to address the issue of the Jumping Pound measurement error. .... 14
3. The Board directs ATCO to incorporate the cost of service information, necessary to address the issue of the costs incurred in providing uncontracted storage capacity service, in the Company’s application for a storage plan for the 2004/2005 storage year. .... 14
4. The Board directs ATCO to incorporate the information necessary to address the issue of load balancing and load settlement in its proposed application dealing with amendments to the *Gas Utilities Act* and Regulations, as proposed in correspondence to the Board on February 7, 2003 and February 25, 2003. .... 15

## 5 ORDER

THEREFORE IT IS ORDERED THAT:

- (1) ATCO Gas South need not file a 2001/2002 Phase II Application.
- (2) The rates, tolls and charges approved on an interim basis in Schedule “A” of Order U2002-135 dated March 28, 2002, and attached as Appendix “A” to this Decision, are hereby approved as final.

Dated in Calgary, Alberta on April 30, 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

## APPENDIX “A” – ATCO GAS SOUTH RATE SCHEDULES



"Appendix A - Rate  
Schedules.doc"

(Consists of 21 pages)

**ATCO GAS AND PIPELINES LTD.**

**ATCO GAS SOUTH  
RATE SCHEDULES**

**APRIL 1, 2002**

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE SCHEDULES**

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Effective By Order U2002-135  
On Consumption April 1, 2002  
This replaces Rate 1  
Previously Effective September 1, 2000  
Rate 1 Page 1 of 1

**ATCO GAS AND PIPELINES LTD. – SOUTH  
RATE NO. 1 – GENERAL SALES SERVICE RATE**

Available to all customers using less than 8,000 GJ per year except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency service.

**CHARGES:**

**Fixed Charge:** \$13.00 per Month

**Energy Charges:**

Base	\$1.012 per GJ
Gas Cost Recovery	Rider "F"
Company Owned Production	Rider "G"
Company Owned Storage	Rider "H"

**Minimum Monthly Charge:** Fixed Charge



Effective By Order U2002-135  
 On Consumption April 1, 2002  
 This replaces Rate 3  
 Previously Effective September 1, 2000  
 Rate 3 Page 1 of 2

**ATCO GAS AND PIPELINES LTD. - SOUTH  
 RATE NO. 3 LARGE USE SALES SERVICE**

Available to all customers using 8,000 GJ or more per year on an annual contract except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency service.

**CHARGES:**

**Fixed Charge:** \$250.00 per Month plus \$3.25 per Month  
 per GJ of 24 Hr. Billing Demand

**Energy Charges:**

Base	\$0.268 per GJ
Gas Cost Recovery	Rider "F"
Company Owned Production	Rider "G"
Company Owned Storage	Rider "H"

**Minimum Monthly Charge:** Fixed Charge

**DETERMINATION OF BILLING DEMAND:**

The Billing Demand shall be the greater of:

1. The greatest amount of gas in GJ delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any consecutive 24 hours in the summer period shall be divided by 2, **or**
2. The Nominated Demand

PROVIDED that for a customer who elects to take service only during the summer period, the Billing Demand for each billing period shall be the greatest amount of gas in GJ in any consecutive 24 hours in that billing period.

In the first contract year, the Company shall estimate the Billing Demand from information provided by the customer.

**NOMINATED DEMAND:**

A customer whose maximum consumption exceeds 4 500 GJ for any 24-hour period in the winter period must nominate in writing twelve months in advance of each contract year the maximum consumption for any 24-hour period in the winter period in that contract year (the "Nominated Demand"). The Company reserves the right to restrict the amount of gas in GJ delivered in the winter period to the Nominated Demand and to restrict the amount of gas in GJ delivered in any one hour to **5%** of the Nominated Demand.

Effective By Order U2002-135  
On Consumption April 1, 2002  
This replaces Rate 5  
Previously Effective September 1, 2000  
Rate 5 Page 1 of 1

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 5 - OPTIONAL IRRIGATION PUMPING SERVICE RATE**

Available on special contract to all customers who use natural gas as a fuel for engines pumping irrigation water between April 1 and October 31.

**CHARGES:**

**Fixed Charge:** \$20.00 per Month

**Energy Charges:**

Base	\$0.844 per GJ
Gas Cost Recovery	Rider "F"
Company Owned Production	Rider "G"
Company Owned Storage	Rider "I"

**Minimum Monthly Charge:** Fixed Charge

Effective By Order U2002-135  
On Consumption April 1, 2002  
This replaces Rate 7  
Previously Effective January 1, 1994  
Rate 7 Page 1 of 2

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 7 - STANDBY, PEAKING AND EMERGENCY SERVICE**

**A. STANDBY AND PEAKING SERVICE**

Available to all customers on an annual contract.

**CHARGES:**

**Fixed Charge:** Fixed Charge of Rate No. 3

**Energy Charge:**

Winter Period: 1.3 times the Energy Charges of Rate No. 3

Summer Period: Energy Charges of Rate No. 3

**Minimum Monthly Charge:** Fixed Charge

**Minimum Annual Charge:** The minimum annual charge is the sum of the  
Fixed Charges plus the Energy Charges  
in the contract year

**DETERMINATION OF BILLING DEMAND:**

The Billing Demand shall be the greater of:

1. The greatest amount of gas in GJ delivered in any consecutive 24-hour period during the current Billing Demand Period provided that the greatest amount of gas delivered in any consecutive 24 hours in the summer period shall be divided by 2, **or**
2. The Nominated Demand

**NOMINATED DEMAND:**

All customers must nominate in writing twelve months in advance of each contract year the maximum consumption required for any 24-hour period in that contract year (the "Nominated Demand"). For the first contract year, the Company may accept a nomination less than twelve months in advance of the contract year. The Company reserves the right to restrict the amount of gas in GJ delivered in any one hour to **5%** of the Nominated Demand.

**B. EMERGENCY SERVICE**

(i) **Authorized Sales**

Available only at the option of the Company.

**CHARGES:**

**Fixed Charge:** \$15.00 per Day

**Energy Charge:** Highest cost of Gas purchased by Company on the Day of sale, with a floor price of the Energy Charges of Rate No. 1

(ii) **Unauthorized Sales**

**CHARGES:**

**Fixed Charge:** \$125.00 per Day

**Energy Charge:** Five (5) times Rider "F", with a minimum price of the highest cost of Gas purchased by Company on the Day of sale

Effective By Decision E93098  
On Consumption January 1, 1994  
This replaces Rate 8  
Previously Effective January 1, 1992  
Rate 8 Page 1 of 1

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 8 - UNMETERED GAS LIGHT SERVICE**

This rate is for the unmetered consumption of gas for Company installed and approved gas lights.

**Fixed Charge:** \$2.75 per Mantle per Month

**Minimum Monthly Charge:** Fixed Charge

Effective By Decision E93098  
On Consumption January 1, 1994  
This replaces Rate 40  
Previously Effective January 1, 1992  
Rate 40 Page 1 of 1

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 40 BUY/SELL SALES**

Available on contract for the provision of firm Buy/Sell service. The exact services rendered, together with terms and conditions of the service shall be negotiated and submitted to the Alberta Energy and Utilities Board for approval in each case.

**CHARGES:**

Transportation Charges as per the applicable Rate Schedule

**PLUS**

The Cost of Gas Supply acquired for the Customer

**PLUS**

An Administrative Fee as negotiated and approved by the Alberta Energy and Utilities Board. The Administrative Fee is a charge negotiated between the Company and the Customer for the Company to arrange for and administer the gas supply contracts dedicated to the Customer. The fee will depend on the services required by the Customer including the type and number of contracts delivering natural gas dedicated to the Customer.

Effective By Decision E95112  
On Consumption November 1, 1995  
This replaces Rate 41  
Previously Effective February 1, 1995  
Rate 41 Page 1 of 1

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 41 BUY/SELL SERVICE FOR NATURAL GAS  
SUPPLIED BY AN INDUSTRIAL END-USER FOR SALE TO Company**

Available under an Annual Contract for Gas supplied and sold by Customer to Company provided that:

- (i) The Customer is an Industrial End-User who is provided with Gas Sales Service by Company under Rate 1 or 3.
- (ii) The Customer has executed a Core Buy/Sell Gas Purchase Contract with the Company for Buy/Sell service which is subject to the provisions of this Rate Schedule and incorporates the Company's Buy/Sell Regulations as amended from time to time and approved by the Alberta Energy and Utilities Board.
- (iii) The Gas is delivered by Customer to Company at a mutually acceptable Point of Delivery on Company's Gas Pipeline System.

**ANNUAL QUANTITY:**

The Annual Quantity of Gas to be delivered by Customer and purchased by Company during the Contract Year shall be the actual consumption by Customer during the 12 months ended March 31 immediately preceding the Contract Year. If such quantity will not be representative of the Contract Year, a mutually acceptable forecast will be used.

**MAXIMUM DAILY QUANTITY:**

The Maximum Daily Quantity that Customer shall be obligated to deliver to Company on any day shall equal the Annual Quantity divided by the product of the Load Factor and the number of days in the Contract Year. The Load Factor to be used for calculation of the Maximum Daily Quantity shall be forty percent (40%).

**PRICE PAYABLE BY COMPANY:**

The price payable for Gas purchased by Company from Customer shall be:

November 1 to March 31  
April 1 to October 31

Rider "F"  
Rider "F"

**FAILURE OF SUPPLY:**

In the event of a failure of Customer's supply pursuant to Clause 5.6 of Article A-V of the Buy/Sell Regulations, the applicable charge to Customer shall be 130% of the highest cost of Gas purchased by Company on the Day of the failure, less the Price Payable by Company.



**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 43 BUY/SELL SERVICE FOR NATURAL GAS  
SUPPLIED BY A CORE END-USER FOR SALE TO Company**

Available under an Annual Contract for Gas supplied and sold by Customer to Company provided that:

- (i) The Customer is a Core End-User who is provided with Gas Sales Service by Company under Rate 1 or 3 or is a Rate 5 Customer consuming less than 500,000 GJ per year.
- (ii) The Customer has executed a Core Buy/Sell Gas Purchase Agreement with the Company for Buy/Sell service which is subject to the provisions of this Rate Schedule and incorporates the Company's Core Market Buy/Sell Regulations as amended from time to time and approved by the Alberta Energy and Utilities Board.
- (iii) The Gas is delivered by Customer to Company at the Carbon Sales interconnection and/or any other TranCanada/Company interconnection designated by Company from time to time.

**ANNUAL QUANTITY:**

Annual Quantity of Gas to be delivered by Customer and purchased by Company during the Contract Year shall be the estimated normalized annual consumption by Customer.

**MAXIMUM DAILY QUANTITY:**

The Maximum Daily Quantity that Customer shall be obligated to deliver to Company on any day shall equal the Annual Quantity divided by the product of the Load Factor and the number of days in the Contract Year. The Load Factor to be used for calculation of the Maximum Daily Quantity shall be fifty three percent (53%).

**PRICE PAYABLE BY COMPANY:**

The monthly price payable for Gas purchased by Company from Customer shall be:

The average price of monthly intra-Alberta Gas bought and sold for the delivery Month on the TranCanada transmission system, based on agreements made during the Month immediately prior to the delivery Month, as reported by the delivery Month's Canadian Gas Price Reporter, published by Canadian Enerdata Ltd., or its successor, in the "Monthly Canadian and U.S. natural gas price summary" table, in the column containing the delivery Month, on the line "Alberta Spot Price - AECO C/N.I.T. C\$/GJ", or any words or phrases used in substitution therefore.

**FAILURE OF SUPPLY:**

In the event of a failure of Customer's supply pursuant to Clause 5.6 of Article A-V of the Core Buy/Sell Regulations the applicable charge to Customer shall be 130% of the highest cost of Gas purchased by Company on the Day of the failure, less the Price Payable by Company.

Effective By Order U2002-135  
 On Consumption April 1, 2002  
 This replaces Rate 11  
 Previously Effective September 1, 2000  
 Rate 11 Page 1 of 2

**ATCO GAS AND PIPELINES LTD. - SOUTH  
 RATE NO. 11 TRANSPORTATION SERVICE RATE FOR  
 NATURAL GAS DELIVERED FROM THE COMPANY'S SYSTEM  
 TO CORE MARKET END-USERS**

Available under an Annual Contract for the transportation of Gas owned by others provided that:

- (i) The Customer uses less than 8,000 GJ per year.
- (ii) The Customer does not utilize the Company's facilities only for standby, peaking, or emergency service.
- (iii) The Gas is delivered from the Company's Gas Pipeline System to a Core End-user.
- (iv) The Customer has the exclusive contractual control of Gas flows at the Point of Delivery and contractual control of Gas flows at the Point(s) of Receipt.
- (v) The Customer has executed a Core Market Transportation Service Agreement with the Company which is subject to the provisions of this Rate Schedule, General Conditions and/or Special Contract Conditions and incorporates the Company's Core Market Transportation Service Regulations (Regulations) as amended from time to time and approved by the Alberta Energy and Utilities Board.

**CHARGES:**

**Fixed Charge per Month:** \$13.00 per Month

**Energy Charge:**

Variable \$1.012 per GJ

Company Owned Production Rider "G"

Company Owned Storage Rider "H"

**PLUS**

A provision for Unaccounted For Gas as per  
Rider "D" of the Rate Schedules

**Minimum Monthly Charge:**

The minimum monthly charge is the Fixed Charge  
plus any Specific Facility Charges

Effective By Order U2002-135  
 On Transportation April 1, 2002  
 This replaces Rate 13  
 Previously Effective September 1, 2000  
 Rate 13 Page 1 of 3

**ATCO GAS AND PIPELINES LTD. - SOUTH  
 RATE NO. 13 – GENERAL TRANSPORTATION SERVICE RATE**

Available under an Annual Contract for the transportation of Gas owned by others provided that:

- (i) The customer uses in excess of 8,000 GJ per year.
- (ii) The Customer has the exclusive contractual control of Gas flows at the Point of Delivery.
- (iii) The Customer has executed a Transportation 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. FIRM SERVICE CHARGES AT EACH POINT OF DELIVERY**

**Fixed Charge:** \$275.00 per Month

**Energy Charge:**  
 Variable \$0.147 per GJ  
 Company Owned Production Rider "G"  
 Company Owned Storage Rider "H"

**PLUS**

**Demand Charge:** \$5.30 per Month per GJ  
 of 24-Hour Billing Demand

**PLUS** Rider "D" of the Rate Schedules

**B. OVERRUN SERVICE****CHARGES AT POINT OF DELIVERY:**

Provided Company accepts a Customer's Nomination at the Point of Delivery in excess of 110% of the Customer's Nominated Demand, the charge for the amount of gas in excess of 110% of the Nominated Demand shall be:

**Variable Charge:** \$0.261 per GJ

**PLUS**

Rider "D" of the Rate Schedules

**C. UNAUTHORIZED SERVICES****CHARGES AT POINT OF DELIVERY:**

For all gas taken in excess of 110% of the Customer's Nominated Demand where Company has refused to accept a Nomination or where Company has advised the Customer to curtail service to 110% of the Nominated Demand, the charge shall be:

**Charges as per:** Rate 7 b (ii)

**D. APPLICABLE to "A", "B" or "C"****NOMINATED DEMAND:**

The Nominated Demand will be as specified in the Regulations and the Firm Service Agreement (FSA).

**BILLING DEMAND:**

The Billing Demand for any month equals the maximum gas flow in any 24-hour period during the month subject to a minimum amount of 90% of the Nominated Demand and a maximum amount of 110% of the Nominated Demand.

**GAS IMBALANCES:****Settlement of Monthly Imbalance Quantity when Based on Daily Information:**

<b><u>Magnitude of Imbalance Quantity</u></b>	<b><u>Reasons for Imbalance Quantity</u></b>	<b><u>Settlement by Company</u></b>	<b><u>Price</u></b>
<5%	Overdeliveries	N/A	N/A
	Underdeliveries	N/A	N/A
>5%	Overdeliveries	Purchase	75% of the Average Daily AECO "C" prices for that Month
	Underdeliveries	Sale	130% of the Average Daily AECO "C" prices for that Month

**Settlement of Imbalance Quantity Arising from Adjustments:**

When the Customer's Account is put out of balance by actual adjustments, the Customer is required to bring the account into balance by providing 1/25 of the imbalance amount on a daily basis over a 25-day period.

Effective By Order U2002-135  
 On Transportation April 1, 2002  
 This replaces Rate 18  
 Previously Effective September 1, 2000  
 Rate 18 Page 1 of 2

**ATCO GAS AND PIPELINES LTD. - SOUTH  
 RATE NO. 18 TRANSPORTATION SERVICE RATE FOR NATURAL GAS  
 DELIVERED FROM THE COMPANY'S SYSTEM TO CUSTOMER'S WHO  
 USE NATURAL GAS AS A FUEL FOR ENGINES  
 PUMPING IRRIGATION WATER**

Available under a Summer Period contract for the transportation of Gas owned by others provided that:

- (i) The Customer is using natural gas as a fuel for engines pumping irrigation water between April 1 and October 31.
- (ii) The Customer does not utilize the Company's facilities only for standby, peaking, or emergency service.
- (iii) The Gas is delivered from the Company's Gas Pipeline System to a customer who uses natural gas as a fuel for engines pumping irrigation water.
- (iv) The Customer has the exclusive contractual control of Gas flows at the Point of Delivery and contractual control of Gas flows at the Point(s) of Receipt.
- (v) The Customer has executed a Core Market Transportation Service Agreement with the Company which is subject to the provisions of this Rate Schedule, General Conditions and/or Special Contract Conditions and incorporates the Company's Core Market Transportation Service Regulations ("Regulations") as amended from time to time and approved by the Alberta Energy and Utilities Board.

**CHARGES:**

<b>Fixed Charge per Month:</b>	\$20.00 per Month
<b>Energy Charge:</b>	
Variable	\$0.844 per GJ
Company Owned Production	Rider "G"
Company Owned Storage	Rider "I"



**PLUS**

A provision for Unaccounted For Gas as per  
Rider "D" of the Rate Schedules

**Minimum Monthly Charge:**

The minimum monthly charge is the Fixed Charge  
plus any Specific Facility Charges

Effective By Decision 2000-61  
On Consumption September 1, 2000  
This Replaces Rate 50  
Previously Effective January 1, 1994  
Rate 50 Page 1 of 1

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RATE NO. 50 BALANCING SERVICE RATE FOR  
TRANSPORTATION CUSTOMERS**

Available under contract with any Transportation Rate offered by the Company provided that:

- (i) Customer has executed a transportation service agreement or contract with Company to which this Balancing Service is to apply.
- (ii) Customer contracts for Balancing Service for a minimum term of one contract year or for the term of Customer's transportation agreement if less than one year.

**CHARGES:**

**Variable Charge Applicable at Point(s) of Delivery:** \$0.001 per GJ  
For each  $\pm 1\%$  increase to monthly  
imbalance limit contained in  
Customer's Transportation Rate or Contract