



# **AltaGas Utilities Inc.**

## **Interim Rates for the Bonnyville Service Area**

**July 2, 2003**

**ALBERTA ENERGY AND UTILITIES BOARD**

Decision 2003-052: AltaGas Utilities Inc.  
Interim Rates for the Bonnyville Service Area  
Application No. 1302431

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# **ALBERTA ENERGY AND UTILITIES BOARD**

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**Calgary Alberta**

**ALTAGAS UTILITIES INC.  
INTERIM RATES FOR THE  
BONNYVILLE SERVICE AREA**

**Decision 2003-052  
Application No. 1302431  
File No. 1402-11**

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## **1 INTRODUCTION**

By letter dated May 22, 2003, AltaGas Utilities Inc. (AltaGas or the Company) filed an application with the Alberta Energy and Utilities Board (EUB or the Board), requesting approval of interim refundable rates and terms and conditions of service for the Bonnyville service area (the Application).

The Board provided Notice of the Application, dated June 3, 2003, to all interested parties and published it in local newspapers on or about June 10, 2003. Any party wishing to provide a submission was to do so by June 18, 2003. The Board indicated that in the absence of any opposition to the Application it would proceed to process the Application.

## **2 DETAILS OF THE APPLICATION**

AltaGas submitted that customers in the Company's Bonnyville service area (previously served by Bonnyville Gas Company Limited) paid for their natural gas distribution service through rates approved in Decision U98059, dated May 20, 1998, based on the 1999 test year. At that time, Bonnyville Gas Company Limited (Bonnyville Gas) operated as a distinct and separate natural gas distribution utility, but subsequently amalgamated with AltaGas in 2001. The merger of the two companies was recognized in the second and third test years of the three-year 2000/2001/2002 AltaGas General Rate Application (GRA). In Decision 2002-067, dated August 6, 2002, the Board approved the revenue requirements for 2000, 2001, and 2002. The Decision set the revenue requirements on a non-consolidated basis for 2000 and on a consolidated basis for 2001 and 2002.

In the Application, the Company sought to align its rates with its regulatory structure and specifically requested approval of interim refundable rates for the Bonnyville service area. The interim rates would then be the same as the natural gas distribution and transportation postage stamp rates currently charged to customers in the rest of the AltaGas service area. (Customers of the Bonnyville service area had been charged the same Gas Cost Recovery Rate as the rest of AltaGas customers since the summer of 2001.)

The Company indicated that only Rate 1 and Rate 2 customers would be affected by the change. Rate 3 customers would be unaffected by the change because the Bonnyville service area rate for Rate 3 customers was the same as the rate for all other AltaGas Rate 3 customers. No other rates were affected.

Specifically, AltaGas indicated that the Rate 1 base energy charge would increase by \$0.047 per gigajoule (GJ) to \$1.293/GJ and Rate 2 base energy charge would increase by \$0.027/GJ to \$0.725/GJ, with fixed charges for both rate classes remaining unchanged.

The Company proposed that Bonnyville service area customers adopt AltaGas' terms and conditions of service, indicating that the terms and conditions of service last approved for Bonnyville Gas currently applied to the customers of the Bonnyville service area. The Company indicated that terms and conditions of service approved for Bonnyville Gas were essentially the same as those in effect for AltaGas.

The Company proposed to incorporate Bonnyville's Rate Rider "A" into AltaGas' Rate Rider "A" schedule.

The Company proposed that the refundable interim rates, changes to terms and conditions of service, and merger of rate rider schedules be made effective July 1, 2003. The Company stated that a revenue excess/deficiency specific to different rate classes would accumulate from January 1, 2003 until such time that the rates were aligned. The Company proposed that any reconciliation would be dealt with in the Company's next GRA, which AltaGas expected to submit during the second quarter of 2003.

### **3 VIEWS OF THE PARTIES**

In response to the Board's Notice, a submission was received from the Consumers' Coalition of Alberta (CCA), dated June 19, 2003.

#### **Views of the CCA**

The CCA noted that the existing rates for customers were based on rates determined for Bonnyville Gas from its 1999 test year. The CCA observed that under the Company's proposal, the Bonnyville customers taking service under Rate 1 would see an increase of \$0.047/GJ (\$1.246/GJ to \$1.293/GJ) in base energy charges effective July 1, 2003. Rate 2 customers would see a corresponding increase of \$0.027/GJ (\$0.698/GJ to \$0.725/GJ) to get into alignment with the existing AltaGas rates. The CCA submitted that using the differential with existing rates, customers in Bonnyville service area would have accrued a total revenue deficiency of \$122,282 from 2000 to June 30, 2003.

The CCA argued that if the rates proposed by AltaGas in its current Phase II portion of its GRA were approved, the accumulated deficiency since 2000 to June 30, 2003, attributable to the Bonnyville service area customers, would be only \$17,222. The CCA further argued, that while there would be a slight increase to the Bonnyville service area Rate 1 customers' base energy charges of \$0.017/GJ (\$1.246/GJ to \$1.263/GJ), or 1.36%, under AltaGas' proposed rates, the base energy charges for all other customers were expected to decrease when compared to the existing Bonnyville service area rates.

It appeared to the CCA, that overall, the customers formerly in the Bonnyville Gas franchise area would experience an increase in base energy rates if the Application was approved, only to see a reduction in rates if and when AltaGas' proposed Phase II rates were approved as filed.

Based on the foregoing, the CCA did not agree with AltaGas' proposed alignment of the rates. The CCA did agree that there was a deficiency accumulating when the existing Bonnyville service area rates are compared to the AltaGas rates as proposed in the Phase II application. The CCA argued, however, that the combined deficiency of \$17,222 was not material enough to warrant collection through a rate rider at this time.

### **Views of the Applicant**

AltaGas provided rebuttal to the CCA's position by letter dated June 23, 2003. AltaGas was concerned that the CCA had misunderstood the purpose of the Company's request.

AltaGas stated that since the 2001 test year, AltaGas Utilities Inc. had existed as a fully consolidated company, from a corporate and regulatory perspective and that in Decision 2002-067, dated August 6, 2002, the Board approved a consolidated rate base and revenue requirement for the 2001 and 2002 test years. AltaGas noted that what had been two separate distribution utilities (Bonnyville Gas Company Ltd. and AltaGas Utilities Inc.) prior to 2001 had become a single regulated entity in 2001 (AltaGas Utilities Inc.).

AltaGas argued that the main purpose of the proposal was to harmonize the Bonnyville service area rates with the rest of the Company. AltaGas noted that, for two full test years, it had been regulated as a single entity and, as a matter of principle, believed it was important that the rates charged to its customers reflected the regulatory structure. The Company noted that it had yet to file its 2003/2004 GRA, but indicated that the Bonnyville service area would continue to be consolidated with the rest of the Company.

AltaGas took issue with the CCA's reference to an "accrued" deficiency, dating back to the 2000 test period, and in particular with the CCA position that:

...customers in Bonnyville area will have accrued a total revenue deficiency of \$122,282 from 2000 to June 30, 2003.

The Company contended that 2000, 2001, and 2002 revenue deficiency matters had been addressed in prior proceedings, and stated that due to timing, rates proposed for the 2000/2001/2002 GRA could not be put in place prior to the end of the test period. AltaGas indicated that this had necessitated a rider to distribute excesses that accumulated over the 2000, 2001, and 2002 test years. AltaGas noted that on March 25, 2003, the Board had issued Decision 2003-024, approving the Company's proposal to distribute revenue excesses and other gains resulting from the 2000/2001/2002 GRA Phase I process. AltaGas argued that the GRA Phase I Decision also took into consideration the amalgamation of Bonnyville Gas Company Ltd. and AltaGas Utilities Inc. in the 2001 and 2002 test years.

AltaGas submitted that, in its original filing of May 22, 2003, it had stated:

A revenue excess/deficiency specific to different rates would accumulate beginning January 1, 2003 until such time that the rates are aligned.

The Company argued that aligning rates within the Company as soon as possible would minimize the difference caused by non-consolidated rates. AltaGas believed that this was a matter that would need to be addressed in the 2003/2004 GRA, which the Company expected to file near the end of the second quarter.

AltaGas argued that aligning the Bonnyville service area rates with the rest of the Company should help make AltaGas' rate structure more understandable to its customers. AltaGas argued that since Bonnyville Gas Company Limited had been amalgamated with the Company for over two years, the customers would more easily understand a consolidated set of rates.

#### **4 VIEWS OF THE BOARD**

The Board has reviewed the position of the parties and notes the desire of the Company to align the rates throughout its service area into a single rate for each class of customer. In particular, the re-alignment would affect only Rate 1 and Rate 2, since other rates are already the same. The Board also notes the CCA's concern that the re-alignment is accomplished by increasing both Rate 1 and Rate 2 in the Bonnyville service area, which could then be followed by a rate decrease when the 2000/2001/2002 GRA Phase II is completed. The decrease would occur if and when AltaGas' proposed postage stamp rates are approved following completion of the Phase II.

Notwithstanding the magnitude of the excess/deficiency that might accumulate from January 1, 2003, the Board agrees with the CCA that an increase in rates followed quickly by a decrease is of concern. The Board considers that volatility of this nature in rates within a short time frame is undesirable.

Also of concern to the Board is the fact that Phase II of the 2000/2001/2002 GRA, which includes a proposal for postage stamp rates, has not yet been completed. The Board recognizes that this proposal is likely to be an issue in Phase II, and that pending completion and evaluation of that proceeding, interim approval of the Company's request for alignment of rates might be premature.

The Board notes that, while consolidation of Bonnyville Gas and AltaGas and approval of a single revenue requirement for 2002 sets the base on which new rates can be established, this does not imply that postage stamp rates will necessarily be approved in the Phase II process. The Board notes that, historically, operating with a single revenue requirement and multiple rate zones has been an accepted standard for Alberta utilities, and that the establishment of more than one rate for similar classes of customers is normally accomplished through the cost of service study presented during a Phase II process. As indicated above, since this issue of the rate setting process has yet to be fully tested and evaluated for AltaGas, the Board is concerned that approval of this Application could potentially preempt the appropriate review of the implementation of postage stamp rates and send an inappropriate signal to parties involved in the process.

Therefore, for all of the above reasons, the Board hereby denies the Application.



Dated in Calgary, Alberta on July 2, 2003.

**ALBERTA ENERGY AND UTILITIES BOARD**

*(original signed by)*

R. G. Lock, P. Eng  
Presiding Member

*(original signed by)*

Gordon J. Millar  
Member

*(original signed by)*

J. Gilmour  
Acting Member