



ATCO Gas and Pipelines Ltd.

**Application for a Revised Franchise
Rider and a New Linear Tax Rider in the
Town of Bow Island**

September 9, 2003

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2003-066: ATCO Gas and Pipelines Ltd.
Application for a Revised Franchise Rider and a
New Linear Tax Rider in the Town of Bow Island
Application No. 1287533

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

ATCO GAS AND PIPELINES LTD. APPLICATION FOR A REVISED FRANCHISE RIDER AND A NEW LINEAR TAX RIDER IN THE TOWN OF BOW ISLAND

**Decision 2003-066
Application No. 1287533
File No. 6675-B26-1**

1 INTRODUCTION

By letter dated December 16, 2002 (the Application), ATCO Gas – South, a division of ATCO Gas and Pipelines Ltd. (ATCO Gas – South), applied to the Alberta Energy and Utilities Board (the Board) for revisions to its franchise fee rider, to be applied in the Town of Bow Island (the Town), as indicated on Rate Rider “A” attached as Schedule “A” to this Decision. The revision would increase the fee from 5.26 per cent of the gross revenue of ATCO Gas – South derived from the sale of natural gas to its customers within the Town to 10.5 per cent of the revenue of ATCO Gas – South from the delivery of natural gas within the Town, but excluding revenue derived from the cost of gas.

In the same application ATCO Gas – South also applied for Rider “C “ which would allow for the collection of linear taxes in the Town of Bow Island.

A Notice of Objections was published in the Bow Island Commentator and all major newspapers in Alberta on April 8, 2003 in respect of Application No. 287533 and the Town’s Application for renewal of its gas distribution agreement (the Franchise Agreement) with ATCO Gas – South. Notice was also directly served on interested parties. The Board received one objection in response to this notice. After receipt of this objection the Board scheduled a hearing of the applications and a Notice of Hearing was served on all interested parties on May 23, 2003.

A hearing was convened on June 9, 2003, in the Board’s Edmonton offices, before Gordon J. Miller, Presiding Member, T. M. McGee, Member, and J. Gilmour, Acting Member, sitting as the Board Panel. A list of those who participated in the proceeding is contained in Appendix 1 to this Decision.

Subsequent written argument was received by June 11, 2003 and written responses to argument were filed by June 13, 2003.

The Board considers that the record for this proceeding closed on June 13, 2003.

2 BACKGROUND

In Application No. 1281638, the Town applied for approval of the Franchise Agreement with ATCO Gas and Pipelines Ltd. The Franchise Agreement includes provisions for a franchise fee, to be recovered from the customers within the Town. The franchise fee provisions allow for an initial franchise fee equal to 10.5 per cent of ATCO Gas – South’s delivery revenues within the Town, and allows the Town to change the level of the franchise fee once annually at its sole

discretion, up to a maximum of 35 per cent. The Franchise Agreement also requires payment of linear taxes by ATCO Gas and Pipelines Ltd. in addition to the franchise fee.

ATCO Gas – South has applied for a revision to its franchise fee rider within the Town to recover the revised franchise fee to be paid to the Town pursuant to the provisions of the Franchise Agreement. ATCO Gas – South has also applied for a new rider “C” for recovery of linear taxes, which would be applicable for the Town of Bow Island.

3 BOARD FINDINGS

The Board notes that the hearing held on June 9, 2003 dealt with both Application No. 1281638 by the Town for approval of the Franchise Agreement with ATCO Gas and Pipelines Ltd. and Application No. 1287533 for the corresponding rate changes. The Board notes that the participants in the hearing as identified in Appendix 1 did not dispute the right of ATCO Gas – South to recover the costs associated with the franchise fee and linear tax provisions included in the Franchise Agreement provided the Board approved the Town’s application.

The Board approved Application No. 1281638 in Decision 2003-065¹ for the reasons stated in that decision. Rate setting pursuant to the *Gas Utilities Act*, R.S.A. 2000, c. G-5, is designed to allow utilities to recover reasonably incurred costs. As the Board has accepted that the Franchise Agreement is reasonable, it follows that the Board will also allow the related costs incurred by ATCO Gas – South to be passed on to customers, as contemplated in Application No. 1298533. Accordingly, the Board considers it appropriate for ATCO Gas – South to recover the revised franchise fee and linear taxes from the customers within the Town as a reasonable cost of providing service to those customers. The Board therefore considers it just and reasonable to approve ATCO Gas – South’s application for revised rates in the Town of Bow Island.

The Board notes that the franchise fee provisions included in the Franchise Agreement also allow the Town to change the level of the franchise fee once annually within a cap of 35 per cent. Clause 4.c) of the Franchise Agreement includes a requirement for the Town to provide notice prior to any change in the level of the fee as follows:

4.c) Notice to Change Franchise Fee

Prior to implementing any change to the franchise fee, the Municipality shall notify its intent to change the level of the franchise fee and the resulting effect that such change will have on an average residential customer’s annual gas bill through publication of a notice once in the newspaper that has the widest circulation in the Municipal Area at least 45 days prior to implementing the revised franchise fee.

A copy of the notice shall be filed with the Board.

The Board considers that any future changes in the level of the franchise fee, pursuant to the provisions of the Franchise Agreement, will be at the discretion of the Town. As such it is appropriate that the Town notify customers in the Town of such changes, and consider any objections to changes in the level of the franchise fee. ATCO Gas – South, however, is required to file any changes in the level of the franchise fee with the Board for acknowledgement. The

¹ Decision 2003-065 – Town of Bow Island, Review of Proposed Standard Natural Gas Franchise Agreement with ATCO Gas and Pipelines Ltd., dated September 9, 2003.

Board will not acknowledge any changes in the level of the franchise fee until it has received a copy of the published notice which is required to be filed with the Board pursuant to clause 4(c) of the Franchise Agreement.

4 ORDER

The Alberta Energy and Utilities Board, pursuant to the *Public Utilities Board Act*, R.S.A 2000, c. P-45 and the *Gas Utilities Act*, R.S.A. 2000, c. G-5, hereby orders as follows:

1. Application No. 1287533 by ATCO Gas - South dated December 16, 2002, is approved, subject to the terms and conditions herein contained.
2. The new rates for customers in the Town of Bow Island, as indicated on Rate Riders "A" and "C" attached as Schedule "A" to this Order, become effective upon the execution of the Town's Franchise Agreement with ATCO Gas and Pipelines Ltd.

Dated in Calgary, Alberta on September 9, 2003.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

Gordon J. Miller
Presiding Member

(original signed by)

T. M. McGee
Member

(original signed by)

J. Gilmour
Acting Member

APPENDIX 1 – HEARING PARTICIPANTS

Principals and Representatives (Abbreviations Used in Report)	Witnesses
ATCO Gas and Pipelines Ltd. (ATCO Gas – South) H. M. Kay	R. Salisny
Town of Bow Island (Town) C. R. McCreary	T. Schneider
Alberta Urban Municipalities Association (AUMA) C. R. McCreary	J. McGowan
Consumers Coalition of Alberta (CCA) J. A. Wachowich	
Board Panel G. J. Miller, Presiding Member T. M. McGee, Member J. Gilmour, Acting Member	
Board Staff J. Hocking, Board Counsel J. Didier M. Pohl	

SCHEDULE "A" – RATE RIDER "A" AND RATE RIDER "C"



"2003-066 Schedule
A - Rider A.pdf"

(Consists of 1 page)



"2003-066 Schedule
A - Rider C.pdf"

(Consists of 1 page)

**ATCO GAS AND PIPELINES LTD. - SOUTH
 RIDER "A" TO ALL RATES
 AND ANY OTHER RIDER THERETO**

The percentage shown is to be applied as an addition to the total billings calculated under the Rates including charges allowed under other Riders in effect.

	Franchise			Franchise			Franchise	
	Fee	Method		Fee	Method		Fee	Method
Calgary	11.11	C	Claresholm	5.25	B	Lomond	5.26	C
Lethbridge	32.30	A	Coaldale	11.30	A	Longview	16.00	A
			Coalhurst	12.44	A	Magrath	11.18	A
Acme	5.26	B	Cochrane	5.26	C	Milk River	5.26	C
Airdrie	7.50	C	Coutts	5.26	B	Nanton	5.25	B
Banff	5.33	C*	Cowley	13.79	A	Nobleford	5.26	C
Banff Park	5.25	B	Cremona	5.26	C	Okotoks	5.25	B
Barnwell	13.00	A	Crossfield	11.23	A	Olds	6.00	C
Barons	14.97	A	Crowsnest Pass	5.26	C	Penhold	5.26	C
Bassano	5.26	C	Delburne	5.26	C	Picture Butte	5.26	C
Beiseker	11.18	A	Didsbury	5.26	C	Raymond	11.18	A
Big Valley	5.26	C	Duchess	12.67	A	Rockyford	5.26	C
Black Diamond	14.00	A	Elnora	5.26	B	Rosemary	5.26	B
Bow Island	10.50	A	Foremost	5.26	C	Standard	11.34	A
Bowden	5.26	C	Fort Macleod	12.50	A	Stavely	11.18	A
Brooks	5.25	B	Glenwood	5.26	C	Stirling	11.18	A
Burdett	11.18	A	Granum	5.25	B	Strathmore	11.18	A
Canmore	5.26	B	High River	5.26	B	Taber	5.26	C**
Carbon	15.07	A	Hill Spring	21.52	A	Trochu	5.26	B
Cardston	5.26	C	Hussar	13.74	A	Turner Valley	5.26	B
Carmangay	15.97	A	Innisfail	5.26	C	Vauxhall	5.26	C
Carstairs	5.26	C	Irricana	11.18	A	Vulcan	7.00	C
Champion	15.01	A	Linden	5.26	C			

Method

- A. Applied to gross revenues excluding gas costs (Rider "F"), deemed value (Rider "E"), the Company owned production rate rider (COPRR) (Rider "G") and the Company owned storage rate rider (COSRR) Market Value portion of (Rider "H").
- B. Applied to gross revenues including gas costs (Rider "F") from sales service rates.
- C. Applied to gross revenues including gas costs (Rider "F") and deemed value (Rider "E").

* Rider "B" included.

** Includes a \$75,000 maximum annual allowable assessment on any individual metered account.

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER "C" TO ALL RATES
AND ANY OTHER RIDERS THERETO**

Additions to be made to the Rate of customers resident in municipalities that receive a property tax assessed under the Municipal Government Act. The addition is the estimated percentage of gross revenue excluding gas costs (Rider "F"), deemed value (Rider "E"), company owned production rate rider (COPRR) (Rider "G") and company owned storage rate rider (COSRR) Market Value portion of (Rider "H") required to provide for the tax payable each year. To the extent that this percentage may be more or less than that required to pay the tax, the percentage of gross revenue provided in the Rider will be adjusted on the 1st of February each year.

AND

Additions to be made to the Rate of customers resident in areas or municipalities for the recovery of specific costs which are not generally incurred by the Company. The addition is the estimated percentage of gross revenue excluding gas costs (Rider "F"), deemed value (Rider "E"), company owned production rate rider (COPRR) (Rider "G") and company owned storage rate rider (COSRR) Market Value portion of (Rider "H") required to provide for the costs payable each year. To the extent that this percentage may be more or less than that required to recover the costs incurred, the percentage of gross revenue provided in the Rider will be adjusted on the 1st of February each year.

The percentage is to be applied as an addition to the billings calculated to the following Municipality:

- Bow Island