

THE PROVINCE OF ALBERTA**PUBLIC UTILITIES BOARD ACT****ALBERTA ENERGY AND UTILITIES BOARD**

IN THE MATTER of a rate amendment for ATCO Gas - South related to the calculation of the Method A franchise fee.

ORDER U2002-1023**Application No. 1284401****File No. 5626-56****1 BACKGROUND**

By letters dated October 25, 2002 and November 28, 2002, ATCO Gas – South (AGS), a division of ATCO Gas and Pipelines Ltd., filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) requesting approval of an amendment to the calculation of the Method A franchise fee (Rider A) effective December 1, 2002. The amended calculation would exclude the storage Market Value portion of the Company Owned Storage Rate Rider (COSRR), Rider H, and the Company Owned Production Rate Rider (COPRR), Rider G, for customers resident in municipalities that have agreed with AGS to accept payment of Rider A, determined using Method A, in lieu of property tax.

The Board did not provide notice of the Application to interested parties due to the urgent, and time sensitive nature of the requested approval date.

2 DETAILS OF THE APPLICATION

AGS submitted that the existing Method A franchise fee applied a franchise fee rate to the gross revenue excluding gas costs, Rider F, and deemed value, Rider E. Since only Riders F and E were specifically excluded in the calculation, Riders H and G would by default be included in the calculation of the Method A franchise fee. AGS suggested that this could significantly affect the amount of the franchise fee collected for Method A municipalities. AGS did not believe that was the intended result of the Method A franchise fee. Those municipalities that agreed with AGS to use Method A were specifically excluding the impact of gas costs from the calculation of the franchise fee collected on their behalf.

3 BOARD FINDINGS

The Board notes that the Application was made as a consequence of previous Decisions (primarily Decisions 2001-075 and 2002-034, the Unbundling Decisions) related to the unbundling of certain costs and benefits previously included in either the delivery or the gas cost

portion of AGS's rates. Certain rates were adjusted and new rate riders (Riders G and H) were approved and implemented pursuant to the Unbundling Decisions. The Board also notes that most, if not all, of the Franchise agreements in effect were executed and approved prior to the Unbundling Decisions.

The Board considers that the calculation of the Method A franchise fee could be significantly and adversely affected in the absence of the Application. The Board agrees that the calculation of the franchise fee using Method A was intended to exclude gas costs, and the impact of fluctuations in the market price of gas. Prior to the Unbundling Decisions, gas costs and the direct impact of fluctuations in the market price of gas, primarily reflected in Riders F and E, was excluded from the calculation of the Method A franchise fee as intended. Subsequent to the Unbundling Decisions, AGS has noted, and the Board agrees, that Rider G and the storage Market Value portion of Rider H relate to benefits that were previously incorporated in the cost of gas and directly impacted by fluctuations in the market price of gas. The Board considers that unless those components are excluded from the calculation of the Method A franchise fee the affected municipalities would again be impacted by fluctuations in the market price of gas, and by a portion of gas costs that was previously excluded from the calculation.

The Board is satisfied, based on its review of the Application that approval of the amendments to the calculation of the franchise fee using Method A will preserve the intent of the executed Franchise agreements in the affected municipalities. Furthermore, the Board is satisfied that approval of the Application will not be detrimental to the interests of AGS's customers, whether or not they are subject to the determination of the franchise fee using Method A.

THEREFORE, it is hereby ordered pursuant to section 58(1) of the *Public Utilities Board Act* that:

- (1) Authorization is given to AGS to amend its Rider A with respect to the calculation of the franchise fee for customers residing in municipalities using Method A. The franchise fee calculated using Method A shall be based on: gross revenues excluding gas costs (Rider "F"), deemed value (Rider "E"), COPRR (Rider "G"), and the Market Value portion of the COSRR (Rider "H") effective December 1, 2002.

DATED in Calgary, Alberta on November 29, 2002.

<Original signed by Mr. R.D. Heggie>

ALBERTA ENERGY AND UTILITIES BOARD