



ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

2018 Transmission Service Charge (Rider T)

February 21, 2018

Alberta Utilities Commission

Decision 23273-D01-2018

ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

2018 Transmission Service Charge (Rider T)

Proceeding 23273

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1 Decision

1. For the reasons set out in this decision, the Alberta Utilities Commission approves 2018 transmission service charge rider (Rider T) rates for ATCO Gas, a division of ATCO Gas and Pipelines Ltd., effective March 1, 2018. The approved Rider T rates are as follows:

- low-use customers – \$0.556 per gigajoule (GJ)
- mid-use customer – \$0.522 per GJ
- high-use customers – \$0.134 per day of GJ demand

2 Introduction

2. On January 18, 2018, ATCO Gas filed an application with the Commission requesting approval of a change to its 2018 transmission service charge rider (Rider T) rates, as presented in the attached rate schedules, effective March 1, 2018.

3. The Commission issued a notice of application on January 19, 2018, that required interested parties to submit a statement of intent to participate (SIP) by January 29, 2018. The Commission did not receive any SIPs. After reviewing the application, the Commission determined that it required further information to render a decision and issued information requests (IRs), to which ATCO Gas responded on February 8, 2018. The Commission has reviewed this filing as a *basic written* proceeding, as outlined in Commission Bulletin 2015-09,¹ and considers the record for this proceeding to have closed on February 8, 2018.

4. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

3 Background

5. The Commission approved the current ATCO Gas Rider T rates in Decision 22328-D01-2018.² In that decision, the Commission approved a change to the method by which Rider T rates are calculated. Specifically, under the new method, ATCO Gas implemented an extra step in calculating Rider T amounts, in which a rate group's prior year over-collection or under-

¹ Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

² Decision 22328-D01-2017: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2017 Transmission Service Charge (Rider T), Proceeding 22328, February 21, 2017.

collection is refunded to, or collected from, the rate group that generated the imbalance. A corollary benefit of the new methodology is that the cross-subsidization between rate groups is minimized.³ In this application, ATCO Gas used this approved methodology to calculate Rider T.

6. On April 25, 2017, NOVA Gas Transmission Ltd. (NGTL) received approval for its final 2017 rates, tolls and charges for the Alberta natural gas transmission system from the National Energy Board. Effective June 1, 2017, the NGTL interim FT-D3 rate decreased to \$6.44 per GJ/month from \$6.83 per GJ/month. The NGTL abandonment surcharge remained at \$0.30 per GJ/month. Effective January 1, 2018, the NGTL interim FT-D3 rate decreased to \$5.87⁴ per GJ/month from \$6.44 per GJ/month. The NGTL abandonment surcharge simultaneously decreased to \$0.28 per GJ/month from \$0.30 per GJ/month.⁵

7. On January 18, 2018, ATCO Gas filed the application requesting approval for new Rider T rates to be effective on March 1, 2018. ATCO Gas requested approval for new Rider T rates to account for changes in the NGTL interim FT-D3 rate and abandonment surcharge, effective January 1, 2018, as detailed above.

8. The amount to be collected by 2018 Rider T rates was determined by ATCO Gas as follows.

- First, ATCO Gas calculated its total transmission expense for 2018 by adding the 2018 forecast transmission expense and the 2017 transmission expense over/under-collection from customers.
 - The 2018 forecast transmission expense is calculated by applying the NGTL FT-D3 rate charged to ATCO Gas by NGTL, multiplied by the executed contract demand quantity (CDQ) volumes, including future dated contract amounts and an NGTL abandonment surcharge amount, which is determined by multiplying the abandonment surcharge rate by the executed and future contract CDQ amounts.
- Then, the total transmission expense was adjusted by a true-up of the Rider T revenue associated with over/under collection for each rate group, which occurred throughout 2017.
- Finally, the result of the first two components was offset by the revenue collected by way of the current Rider T, under existing rates for January and February 2018. The obtained amounts were divided by billing determinants for each rate group for March to December 2018, to arrive at the proposed Rider T rate per rate group.⁶

³ Decision 22328-D01-2017, paragraph 28.

⁴ The NGTL rate schedule charges 90 per cent of the approved FT-D3 rate for five-year contracts and future dated contracts: <http://www.tccustomerexpress.com/2766.html>.

⁵ Exhibit 23273-X0001, application, paragraph 3.

⁶ Exhibit 23273-X0001, application, paragraphs 12-13.

4 Discussion of issues

4.1 Cross-subsidization between north and south customers

9. Prior to Decision 2014-062,⁷ the Commission approved separate Rider T rates for ATCO Gas's north and south service territories. In Decision 2014-062, the Commission found that the level of cross-subsidization that would result from moving to a province-wide rate was not material. Customers in the south would subsidize customers in the north by only \$2 per customer on an annual basis. Accordingly, the Commission approved the implementation of province-wide Rider T rates. In that decision, the Commission directed ATCO Gas, in its next Rider T application, to provide an analysis of whether there was substantial cross-subsidization between north and south customers with the implementation of a province-wide Rider T rate and with the continuing use of different system design temperatures to calculate coincident peak demand in the north and south systems.⁸

10. In Decision 20039-D01-2015,⁹ the Commission noted that south customers were subsidizing north customers by \$2.96 per customer on an annual basis for 2015, and directed ATCO Gas in its next Rider T application to continue to track any Rider T cross-subsidization between its north and south customers. The Commission further directed ATCO Gas to discuss what measures it took during the year to mitigate the north-south cross-subsidization issue.¹⁰

11. In Decision 21248-D01-2016,¹¹ the Commission noted that south customers were subsidizing north customers by \$4.16 per customer on an annual basis for 2016. ATCO Gas was directed therefore, in its next Rider T application, to continue to track any Rider T cross-subsidization between its north and south customers. The Commission further directed ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization, if in its next Rider T application the subsidy from customers in the south to customers in the north exceeded the \$4.16 annual amount approved in Decision 21248-D01-2016. The Commission directed ATCO Gas to investigate what other factors may contribute to Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand, and to explain why the continued use of a province-wide rate would, or would not, be in the public interest.¹²

12. In Decision 22328-D01-2017, the Commission noted that the subsidy from customers in the south to customers in the north had declined for the first time since applying a province-wide rate. The Commission also noted that the subsidy amount in that year, at \$0.16, was well below the \$4.16 annual amount approved in Decision 21248-D01-2016. Nevertheless, given the ongoing cross-subsidization, the Commission directed ATCO Gas to continue to track its Rider T

⁷ Decision 2014-062: ATCO Gas, 2014 Transmission Service Charge (Rider T), Proceeding 3011, Application 1610228-1, March 17, 2014.

⁸ Decision 2014-062, paragraphs 24-26.

⁹ Decision 20039-D01-2015: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2015 Transmission Service Charge (Rider T), Proceeding 20039, February 25, 2015.

¹⁰ Decision 20039-D01-2015, paragraph 15.

¹¹ Decision 21248-D01-2016: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2016 Transmission Service Charge (Rider T), Proceeding 21248, February 22, 2016.

¹² Decision 21248-D01-2016, paragraph 20.

cross-subsidization between north and south customers in the similar manner as directed in Decision 21248-D01-2016.¹³

13. In this application, ATCO Gas provided the following table setting out the differences between the proposed province-wide rates and the rates that would have resulted if calculated separately for north and south customers.

Table 1. Cross-subsidization analysis¹⁴

Rate group	Province-wide rate	North		South	
		Rate	Difference	Rate	Difference
(\$/GJ)					
Low	0.556	0.533	(0.023)	0.581	0.025
Mid	0.522	0.512	(0.010)	0.532	0.010
High	0.134	0.145	0.011	0.124	(0.010)

14. ATCO Gas noted that the subsidy between typical residential customers in the north and south, applying a province-wide rate, does not exceed \$4.16. ATCO Gas further explained that under separate rates for north and south, a typical residential (low use) customer in the north using 80 GJ between March and December would see a \$1.84 decrease in their annual bill, while a typical residential (low use) customer in the south would see a \$2.00 increase in their annual bill.¹⁵

15. ATCO Gas stated that the differences identified between the province-wide amounts and the north and south system amounts result from two factors: billing determinants and CDQ. ATCO Gas explained that these factors are unique to each service area, and ATCO Gas is not able to change the billing determinants or contract requirements in order to minimize the differences in rates.¹⁶

Commission findings

16. ATCO Gas's analysis shows under province-wide Rider T rates, residential customers in the south would see a \$2.00 decrease in their annual bill and residential customers in the north would see a corresponding increase of \$1.84 (after accounting for differences in billing determinants and CDQ), as compared to having separate rates for north and south. The Commission finds for the purposes of this decision that this level of cross-subsidization is consistent with the historical cross-subsidies accepted by the Commission in prior decisions approving ATCO Gas's Rider T.

17. Moreover, the Commission observes that in the four previous Rider T applications for years 2014-2017 (since adopting province-wide Rider T rates) residential customers in the south have subsidized residential customers in the north. However, in this application residential customers in the north are subsidizing residential customers in the south, balancing out to some degree the cross-subsidization over time.

¹³ Decision 22328, paragraphs 19-22.

¹⁴ Exhibit 23273-X0001, application, paragraph 17, Table 6.

¹⁵ Exhibit 23273-X0001, application, paragraphs 18 and 21.

¹⁶ Exhibit 23273-X0001, application, paragraph 19.

18. The Commission directs ATCO Gas to continue to track its Rider T cross-subsidization between north and south customers and to continue to provide, in its next Rider T application, the information set out in Table 2 of this decision.

19. Further, if in ATCO Gas's next Rider T application the subsidy between typical residential customers in the north and south exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission directs ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization. The analysis should take into consideration executed CDQ, including future dated contract amounts, at NGTL interconnects for 2018, including a comparison of its interconnect CDQ and the actual interconnect throughput, with comparative data for 2016 and 2017. The Commission also directs ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand. Finally, if the subsidy exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission further directs ATCO Gas to explain why the continued use of a province-wide rate would or would not be in the public interest.

4.2 2017 transmission expense true-up

20. In calculating the 2017 transmission expense true-up, ATCO Gas explained that the difference in actual transmission expense is related primarily to changes in the CDQ amounts and the FT-D3 rate. ATCO Gas noted that in 2017 it also incurred a project cancellation charge of \$169,000 due to the cancellation of a project and an expenditure authorization agreement with NGTL. This charge was incurred because a third party cancelled a project for insolvency reasons.¹⁷

Commission findings

21. For purposes of this decision, the Commission accepts the inclusion of the \$169,000 project cancellation charge as part of the 2018 Rider T, given that the amount is not material. In making this determination, the Commission is mindful that as part of the 2018 PBR rate-setting application due on March 1, 2018, in accordance with Decision 22394-D01-2018,¹⁸ ATCO Gas will be applying for approval to continue utilizing all of its rate riders, including Rider T. As part of that application, the Commission directs ATCO Gas to explain, with references to prior Commission decisions, why it is reasonable to include project cancellation charges in Rider T.

4.3 Rider T rates and bill impacts

22. ATCO Gas explained that, assuming a March 1, 2018 implementation date, the total annual charges for a residential (low-use) customer in the south service territory that utilizes 115 GJ annually would decrease to \$710 from \$740, and a similar residential customer in the north service territory would see a decrease to \$776 from \$806. ATCO Gas submitted that these rate changes are reasonable and would not result in undue rate shock, compared to existing interim distribution rates.¹⁹

¹⁷ Exhibit 23273-X0001, application, paragraph 9.

¹⁸ Decision 22394-D01-2018: Rebasement for the 2018-2022 PBR Plans for Alberta Electric and Gas Distribution Utilities First Compliance Proceeding, Proceeding 22394, February 5, 2018, paragraphs 414 and 426.

¹⁹ Exhibit 23273-X0001, application, paragraph 15.

23. The following table sets out a comparison of the current and proposed rates for each of ATCO Gas's rate groups, being low-, mid- and high-usage customers:

Table 2. ATCO Gas Rider T²⁰

Rate group	Existing Rider T	Proposed new Rider T
	(\$)	
Low (per GJ)	0.925	0.556
Mid (per GJ)	0.893	0.522
High (per day of GJ demand)	0.324	0.134

24. In an IR, the Commission asked ATCO Gas to explain the calculation of the forecast low-use and mid-use throughput, and high-use billing demand in the Rider T schedules provided with the application. In response, ATCO Gas explained that, historically, these forecast billing determinants were approved as part of the annual PBR rate adjustment application. However, due to the ongoing rebasing process to transition to the 2018-2022 PBR plan, ATCO Gas did not file a 2018 PBR rate adjustment application and, as such, the 2018 throughput, billing demand forecasts and coincident peak demand used in the 2018 Rider T application have not been approved by the Commission.²¹

25. In an IR response, ATCO Gas provided the calculations used to derive the 2018 annual throughput, billing demand forecasts, and the coincident peak demand. ATCO Gas explained that this forecast of billing determinants for 2018 utilizes the same methodology used to forecast the 2017 billing determinants, as approved in the ATCO Gas 2017 PBR rate adjustment Decision 21981-D01-2016.^{22 23}

26. In another IR, the Commission asked ATCO Gas to explain why, in calculating the total annual charges for a typical residential (low-use) customer in the north and south in 2018, ATCO Gas used a value of 115 GJ, instead of 120 GJ of annual consumption, consistent with its practice in prior Rider T applications. In response, ATCO Gas explained that the 2018 forecast consumption for residential (low-use) customers in the north and south was 116.3 GJ and 112.8 GJ, respectively. Therefore, based on a north/south average of 114.6 GJ, ATCO Gas used a typical annual consumption of 115 GJ for estimating the bill impact of the proposed Rider T rates for a typical residential (low-use) customer in the north and south.²⁴

27. In response to the Commission IR, ATCO Gas also indicated that it reduced the annual sales per customer, for typical mid-use customers (apartment and commercial), to 2,800 GJ from 3,000 GJ per year. ATCO Gas explained that since the 2018 forecast consumption for mid-use customers (apartment and commercial) in the north and south was 2,724 GJ and 2,811 GJ,

²⁰ Exhibit 23273-X0001, application, tables 4-5.

²¹ Exhibit 23273-X0010, AG-AUC-2018FEB01-003(a)-(b).

²² Decision 21981-D01-2016: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2017 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 21981, December 21, 2016.

²³ Exhibit 23273-X0010, AG-AUC-2018FEB01-003(a)-(b); Exhibit 23273-X0015, AG-AUC-2018FEB01-003 Attachment 1; Exhibit 23273-X0016, AG-AUC-2018FEB01-003 Attachment 2; Exhibit 23273-X0017, AG-AUC-2018FEB01-003 Attachment 3.

²⁴ Exhibit 23273-X0010, AG-AUC-2018FEB01-002(a); Exhibit 23273-X0014, AG-AUC-2018FEB01-002 Attachment 1; Exhibit 23273-X0001, application, PDF pages 18-19.

respectively (resulting in a north/south average of 2,768 GJ), it used a typical annual consumption of 2,800 GJ for estimating the bill impact of the proposed Rider T rates for a typical mid-use customer in the north and south.²⁵

28. ATCO Gas further noted that, for typical high-use customers (apartment and commercial), it did not change the annual sales per customer of 20,000 GJ per year. ATCO Gas explained that since the 2018 forecast consumption for high-use customers (large apartment and commercial) in the north and south was 16,525 GJ and 20,469 GJ, respectively (resulting in a north/south average of 18,497 GJ), it continued to use a typical annual consumption of 20,000 GJ in the Rider T schedules, provided with the application.²⁶

Commission findings

29. The Commission has reviewed the calculation of the province-wide Rider T rates. The Commission is satisfied with the level of detail and the accuracy of the calculations provided in the application and in response to the Commission's IRs. ATCO Gas is directed to continue to provide its combined Rider T schedules in working Excel format in future applications.

30. For the purposes of this decision, the Commission accepts ATCO Gas's calculation of the Rider T rate using the untested 2018 forecast billing determinants for each rate group for March to December 2018, to arrive at Rider T rates per rate group. In making this determination, the Commission is mindful that the 2018 Rider T will eventually be trued up to ensure the approved amounts were collected from, or refunded to, customers. The Commission is also aware that approval of the 2018 forecast billing determinants will be considered in a future proceeding dealing with the establishment of the 2018 PBR rates.

31. The Commission finds that the estimated rate impact of the March 1, 2018 Rider T is reasonable for all rate classes, particularly when considering the impact on a total bill basis. As shown in ATCO Gas's schedules 6(a) and 6(b),²⁷ the implementation of the 2018 Rider T results in rate decreases on a total bill basis for all three rate groups.

32. For the reasons set out above, the Rider T rates are approved as applied for, effective March 1, 2018. These rates are as follows:

- low-use customers – \$0.556 per GJ
- mid-use customer – \$0.522 per GJ
- high-use customers – \$0.134 per day of GJ demand

33. The approved Rider T rates will remain in place until otherwise directed by the Commission.

²⁵ Exhibit 23273-X0010, AG-AUC-2018FEB01-002(b); Exhibit 23273-X0014, AG-AUC-2018FEB01-002 Attachment 1; Exhibit 23273-X0001, application, PDF pages 18-19.

²⁶ Exhibit 23273-X0010, AG-AUC-2018FEB01-002(b); Exhibit 23273-X0014, AG-AUC-2018FEB01-002 Attachment 1; Exhibit 23273-X0001, application, PDF pages 18-19.

²⁷ Exhibit 23273-X0001, application, PDF pages 18-19.

5 Order

34. It is hereby ordered that:

- (1) The ATCO Gas Rider T rates attached in [Appendix 3](#) for the north and [Appendix 4](#) for the south are approved, effective March 1, 2018.

Dated on February 21, 2018.

Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (ATCO Gas)

Alberta Utilities Commission
Commission panel M. Kolesar, Vice-Chair
Commission staff L. Desaulniers (Commission counsel) E. Deryabina

Appendix 2 – Summary of Commission 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.

1. The Commission directs ATCO Gas to continue to track its Rider T cross-subsidization between north and south customers and to continue to provide, in its next Rider T application, the information set out in Table 2 of this decision..... Paragraph 18
2. Further, if in ATCO Gas’s next Rider T application the subsidy between typical residential customers in the north and south exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission directs ATCO Gas to provide a detailed analysis of how each of the billing determinants contributes to the level of cross-subsidization. The analysis should take into consideration executed CDQ, including future dated contract amounts, at NGTL interconnects for 2018, including a comparison of its interconnect CDQ and the actual interconnect throughput, with comparative data for 2016 and 2017. The Commission also directs ATCO Gas to investigate what other factors may contribute to the Rider T cross-subsidization, such as the use of different system design temperatures in the north and south to calculate coincident peak demand. Finally, if the subsidy exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission further directs ATCO Gas to explain why the continued use of a province-wide rate would or would not be in the public interest. Paragraph 19
3. For purposes of this decision, the Commission accepts the inclusion of the \$169,000 project cancellation charge as part of the 2018 Rider T, given that the amount is not material. In making this determination, the Commission is mindful that as part of the 2018 PBR rate-setting application due on March 1, 2018, in accordance with Decision 22394-D01-2018, ATCO Gas will be applying for approval to continue utilizing all of its rate riders, including Rider T. As part of that application, the Commission directs ATCO Gas to explain, with references to prior Commission decisions, why it is reasonable to include project cancellation charges in Rider T. Paragraph 21
4. The Commission has reviewed the calculation of the province-wide Rider T rates. The Commission is satisfied with the level of detail and the accuracy of the calculations provided in the application and in response to the Commission’s IRs. ATCO Gas is directed to continue to provide its combined Rider T schedules in working Excel format in future applications. Paragraph 29

Appendix 3 – North Rider T rates

[\(return to text\)](#)

Effective March 1, 2018 by Decision 23273-D01-2018
This Replaces Rider “T”
Previously Effective March 1, 2017

ATCO GAS AND PIPELINES LTD. RIDER “T” TRANSMISSION SERVICE CHARGE

To be applied to Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or the AUC, effective March 1, 2018.

Low Use Delivery Rate	\$0.556 per GJ
Mid Use Delivery Rate	\$0.522 per GJ
High Use Delivery Rate	\$0.134 per GJ per Day of 24 Hr. Billing Demand

Appendix 4 – South Rider T rates

[\(return to text\)](#)

Effective March 1, 2018 by Decision 23273-D01-2018
This Replaces Rider “T”
Previously Effective March 1, 2017

ATCO GAS AND PIPELINES LTD. RIDER “T” TRANSMISSION SERVICE CHARGE

To be applied to the Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or AUC, effective March 1, 2018.

Low Use Delivery Rate	\$0.556 per GJ
Mid Use Delivery Rate	\$0.522 per GJ
High Use Delivery Rate	\$0.134 per Day per GJ of 24 Hr. Billing Demand