



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

**2018 Weather Deferral Account Rate Rider W South**

**August 23, 2018**

**Alberta Utilities Commission**

Decision 23643-D01-2018

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

2018 Weather Deferral Account Rate Rider W South

Proceeding 23643

August 23, 2018

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## **1 Decision summary**

1. For the reasons set out in this decision, the Alberta Utilities Commission grants the application of ATCO Gas, a division of ATCO Gas and Pipelines Ltd., for a Rider W (2018 Rider W) effective September 1, 2018 to April 30, 2019, to refund ATCO Gas's South weather deferral account (WDA) balance as of April 30, 2018.

## **2 Introduction**

2. On June 11, 2018, ATCO Gas filed an application with the Commission requesting approval for a 2018 Rider W effective September 1, 2018 to April 30, 2019, for the refund of its South WDA balance as of April 30, 2018, resulting in a refund of approximately \$8.802 million.

3. On June 13, 2018, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by June 27, 2018. No SIPs were received regarding this application.

4. On July 11, 2018, the Commission issued information requests (IRs) to ATCO Gas. ATCO Gas responded on July 18, 2018. The Commission considers the record of this proceeding closed as of July 18, 2018.

5. 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**

6. The Commission first approved the WDA mechanism for ATCO Gas effective January 1, 2008, in Decision 2008-113<sup>1</sup> to account for the impact of differences between actual and normal temperatures on delivery revenue. ATCO Gas cited the following findings from that decision:

AG proposed to commence use of a deferral account, effective January 1, 2008, in each of the North and the South rate zones to account for the impact on delivery revenue differences between the actual degree days and the forecast (normal) degree days used in the determination of the approved revenue forecast. The normal temperatures that would

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<sup>1</sup> Decision 2008-113: General Rate Application Phase I, Proceeding 11, Application 1553052-1, November 13, 2008, page 107.

be used for the deferral account would be those used to develop the approved revenue forecast for that year. AG proposed that a 12-month rider would be required when either the North or the South weather deferral revenue accounts exceeded \$7 million dollars at April 30th of each year, which would represent about a +/- 10% variation in the normalized weather forecast.

...

For the above reasons, the Commission approves the weather deferral account proposed by AG, with an implementation date of January 1, 2008.<sup>2</sup>

7. ATCO Gas stated that its South WDA balance as of April 30, 2018, was in a refund position of approximately \$8.802 million.<sup>3</sup>

8. ATCO Gas described the methodology used to determine the amount of revenue to be deferred in the WDA as follows:

In order to determine the amount of revenue to be deferred in the WDA, ATCO Gas performs a linear regression analysis. The regression analysis determines the relationship between the previous year's actual sales per customer per day for each month and the actual restricted temperature. The regression is performed on each temperature sensitive rate class that has a commodity charge. The temperature coefficient (line slope) from this regression is multiplied by the difference between the normal restricted temperature and the actual restricted temperature for each month. The result is added to the actual sales per customer per day to produce the normal sales per customer per day, which is applied to the number of customers and the number of days in the month in order to obtain the normal sales for the month. The difference between the normal sales and the actual sales for each month is multiplied by the monthly variable charge in effect to determine the amount of revenue that would be deferred. At the end of each calendar year, the line slope is adjusted based on the relationship between the current year's actual sales per customer per day for each month and the actual restricted temperature. ATCO Gas also recalculates the monthly carrying charges based on the updated line slope. ATCO Gas applies monthly carrying charges to the WDA based on the Weighted Average Cost of Capital. This methodology is in accordance with Decision 2008-113, Decision 2011-450<sup>[4]</sup> and previous Rider W decisions rendered by the Commission.<sup>5</sup>

9. ATCO Gas also provided the following explanation of its throughput forecast methodology:

For the throughput forecast, ATCO Gas has used the September to December 2018 throughput forecast as provided in the 2018 Annual PBR [performance-based regulation] Rate Adjustment Filing. For the January to April 2019 throughput forecast, ATCO Gas has applied the methodology provided in the 2018 Annual PBR Rate Adjustment Filing where the throughput forecast incorporates both the forecast use per customer and number of customers. The throughput forecast is specific to Low Use and Mid Use rate groups as it is these rate groups that have a variable charge.<sup>6</sup>

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<sup>2</sup> Exhibit 23643-X0004, application, citing Decision 2008-113, pages 107-108.

<sup>3</sup> Exhibit 23643-X0004, application, paragraph 2.

<sup>4</sup> Decision 2011-450: ATCO Gas (a Division of ATCO Gas and Pipelines Ltd.), 2011-2012 General Rate Application Phase I, Proceeding 969, Application 1606822-1, December 5, 2011.

<sup>5</sup> Exhibit 23643-X0004, application, paragraph 5.

<sup>6</sup> Exhibit 23643-X0004, application, paragraph 7.

10. ATCO Gas requested that the 2018 Rider W be in effect for eight months, from September 1, 2018 to April 30, 2019.<sup>7</sup> ATCO Gas stated that the 2018 Rider W end date of April 30, 2019, would be beneficial to avoid confusion as to whether a new Rider W has been triggered on April 30, 2019, due to weather impacts or if the previous Rider W was not fully applied. ATCO Gas expressed its view that the eight-month refund period would not result in rate shock because the resulting 2018 Rider W rate decreases for a typical South residential (low-use) and commercial (mid-use) customer would be less than three per cent. ATCO Gas provided rate schedules and bill impacts corresponding to this period.<sup>8</sup>

11. ATCO Gas calculated the requested 2018 Rider W refund rates for the South customers to be \$0.105 per gigajoule (GJ) for low-use customers, and \$0.101/GJ for mid-use customers.<sup>9</sup> The WDA dollar amounts associated with each rate group were divided by the September 2018 to April 2019 South service area throughput forecast to determine a WDA Rider W refund rate. The dollar impact of the WDA refund is a reduction of approximately \$11 over the proposed refund period for the average residential customer, and a reduction of approximately \$247 over the proposed refund period for the average commercial customer. These rate reductions represent a decrease of 1.7 per cent for an average residential customer and a 2.8 per cent decrease for an average commercial customer.<sup>10</sup>

12. In response to a Commission IR, ATCO Gas provided 2018 Rider W bill impacts over a 12-month refund period from September 1, 2018 to August 31, 2019. A comparison of bill impacts for the two refund periods is as follows. For the low-use rate group, utilizing a 12-month refund period would result in a \$0.092/GJ credit and utilizing an eight-month refund period would result in a \$0.105/GJ credit.<sup>11</sup> For the mid-use rate class, utilizing a 12-month refund period would result in a \$0.087/GJ credit and utilizing an eight-month refund period would result in a \$0.101/GJ credit.

13. In another IR, the Commission asked ATCO Gas to explain why the estimated annual consumption for low-use and mid-use customers differs between the current and the 2016 Rider W application (Proceeding 21584). For low-use customers, ATCO Gas explained that the change in estimated annual consumption in the current application is based on more recent data available regarding actual customer usage between 2014 and 2017.<sup>12</sup> ATCO Gas submitted that the 2018 forecast consumption for residential (low-use) customers in the North and South, based on actual consumption from 2014 to 2017, 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 low-use customers to estimate the impact on customer bills.<sup>13</sup>

14. Similarly, for mid-use customers, ATCO Gas advised that it reduced the annual sales per customer to 2,800 GJ from 3,000 GJ per year based on actual usage from 2014 to 2017. ATCO Gas explained that the 2018 forecast consumption for mid-use customers in the North and South was 2,724 GJ and 2,811 GJ, respectively, resulting in a North/South average of 2,768 GJ.

<sup>7</sup> Exhibit 23643-X0004, application, paragraph 6.

<sup>8</sup> Exhibit 23643-X0004, application, paragraph 6.

<sup>9</sup> Exhibit 23643-X0004, application, paragraph 12.

<sup>10</sup> Exhibit 23643-X0004, application, paragraph 12.

<sup>11</sup> Exhibit 23643-X0011, AG-AUC-2018JUL11-003(b) Attachment 1, Rider "W" Weather Deferral Account Rider, schedules 1 and 2.

<sup>12</sup> Exhibit 23643-X0011, AG-AUC-2018JUL11-001(a).

<sup>13</sup> Exhibit 23643-X0011, AG-AUC-2018JUL11-001(b).

Based on that average, ATCO Gas used a typical annual consumption of 2,800 GJ to estimate the impact on customer bills.<sup>14</sup>

15. Regarding the use of weighted average cost of capital (WACC) in its calculations, ATCO Gas explained that “the long-standing practice in the calculation of the Weather Deferral Account carrying charges is to base the WACC rate on the most recent approved capital structure.” ATCO Gas confirmed that it used the WACC rates from the prior year that are filed in the annual Rule 005<sup>15</sup> filings. In the current application, ATCO Gas explained that it used the 2015 WACC for the May to December 2016 period, and the 2016 WACC for the January to April 2017 period (approved in Decision 21843-D01-2017<sup>16</sup> and Decision 22819-D01-2018,<sup>17</sup> respectively), and adjusted for income tax calculations.<sup>18</sup> ATCO Gas provided Excel schedules to show the calculations of WACC values used in the current application.<sup>19</sup>

#### 4 Commission findings

16. The Commission has reviewed the WDA calculation and finds that the methodology used to determine the WDA balance and the 2018 Rider W is consistent with the threshold requirements and methodology approved by the Commission in past WDA rate rider applications.

17. The throughput forecast used by ATCO Gas to calculate the 2018 Rider W is currently before the Commission in Proceeding 23355, Rebasings for the 2018-2022 PBR Plans for Alberta Electric and Gas Distribution Utilities, Second Compliance Proceeding, and the decision in that proceeding has not yet been released. While the throughput forecast proposed in this application has not yet been approved, the Commission accepts the proposed throughput forecast for the purposes of this decision. This is because ATCO Gas has applied the same throughput methodology as approved by the Commission in ATCO Gas’s most recent annual PBR rate adjustment filing;<sup>20</sup> only the data has been updated.

18. ATCO Gas requested an eight-month refund period for the 2018 Rider W. The Commission approves this request for the following reasons.

19. First, ATCO Gas provided evidence that a refund period of eight months would have minimal bill impacts on customers. The 2018 Rider W will change rates by less than three per cent over both rate groups over the refund period. In the past, bill impacts exceeding 10 per cent have generally been considered a threshold potentially indicative of rate shock. Accordingly, the Commission is satisfied based on the evidence on the record that the implementation of the 2018 Rider W, as proposed by ATCO Gas, will not result in rate shock.

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<sup>14</sup> Exhibit 23643-X0011, AG-AUC-2018JUL11-001(b).

<sup>15</sup> Rule 005, *Annual Reporting Requirements of Financial and Operational Results*.

<sup>16</sup> Decision 21843-D01-2017: ATCO Gas and Pipelines Ltd., 2015 Capital Tracker True-up and 2017 Steel Mains Replacement Forecast Update, Proceeding 21843, June 12, 2017.

<sup>17</sup> Decision 22819-D01-2018: ATCO Gas and Pipelines Ltd., 2016 Performance-Based Regulation Capital Tracker True-Up, Proceeding 22819, February 13, 2018.

<sup>18</sup> Exhibit 23643-X0011, AG-AUC-2018JUL11-002(a-h).

<sup>19</sup> Exhibit 23643-X0011, AG-AUC-2018JUL11-002, Attachment, Schedule 2, 2015 and 2016.

<sup>20</sup> 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.



20. Second, while a 12-month period for ATCO Gas's then newly established Rider W was approved in Decision 2008-113, the Commission did not stipulate that the time period could not be altered. The Commission has previously approved a shorter implementation period where satisfied that doing so would minimize any confusion as to whether a new Rider W has been triggered solely due to weather impacts; or, the WDA balance exceeds the threshold partly because the previous Rider W has not been fully refunded or recovered.<sup>21</sup> For the same reason, the Commission is satisfied in this proceeding that it would be beneficial for the refund period for the 2018 Rider W to end on April 30, 2019.

21. Accordingly, the Commission approves the WDA refund of \$8.802 million to ATCO Gas's South customers by way of the 2018 Rider W from September 1, 2018 to April 30, 2019.

## 5 Order

- (1) The Commission approves the South weather deferral account rider, Rider W, of ATCO Gas, a division of ATCO Gas and Pipelines Ltd., for implementation during the period of September 1, 2018 to April 30, 2019, as set out in [Appendix 2](#).

Dated on August 23, 2018.

### Alberta Utilities Commission

*(original signed by)*

Carolyn Hutniak  
Commission Member

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<sup>21</sup> In Decision 21584-D01-2016: ATCO Gas and Pipelines Ltd., 2016 Weather Deferral Account (Rider W) Application, Proceeding 21584, June 21, 2016, the Commission approved a collection period of 10 months.



## Appendix 1 – Proceeding participants

<b>Name of organization (abbreviation)</b> <b>Company name of counsel or representative</b>
ATCO Gas and Pipelines Ltd. (ATCO Gas)

Alberta Utilities Commission
Commission panel C. Hutniak, Commission Member
Commission staff J. Graham (Commission counsel) B. Edwards E. Deryabina

**Appendix 2 – Weather deferral account rate Rider W South**[\(return to text\)](#)

Effective September 1, 2018 by Decision 23643-D01-2018  
This Replaces Rider “W” as approved in Decision 21584-D01-2016  
Previously Effective September 1, 2016 to April 30, 2017

**ATCO GAS AND PIPELINES LTD. - SOUTH  
RIDER “W” WEATHER DEFERRAL ACCOUNT RIDER**

To be applied to the Low Use and Mid Use customers unless otherwise specified by specific contracts or Commission, effective September 1, 2018 to April 30, 2019.

Low Use Delivery Rate	\$0.105 per GJ Credit
Mid Use Delivery Rate	\$0.101 per GJ Credit