

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

ALTAGAS UTILITIES INC. DISTRIBUTION OF PROCEEDS RECEIVED FROM ATCO GAS NORTH AND GAS ALBERTA

Decision 2002-042
Application No. 1259813
File No. 5628-44

1 INTRODUCTION

By letter dated March 20, 2002, AltaGas Utilities Inc. (AltaGas), applied to the Alberta Energy and Utilities Board (the Board) for approval to distribute funds received from ATCO Gas North (AGN, a division of ATCO Gas and Pipelines Ltd.) and Gas Alberta Inc. (Gas Alberta) to customers (the Application). AltaGas stated that the funds became available as a result of Board Decision 2002-018, dated February 21, 2002, which approved the distribution of proceeds from the sale of petroleum and natural gas rights and production and gathering equipment in the Viking Kinsella field by AGN to Burlington Resources Canada Energy Ltd.

On or about April 2, 2002, the Board published Notice of the Application (Notice) in the daily newspapers having a general circulation in AltaGas' service areas. The Notice was also served electronically on interested parties that were registered in the AltaGas 2000/2001/2002 General Rate Application (GRA), which led to Decision 2002-027, dated April 12, 2002. The Notice provided for objections to the Application to be filed with the Board on or before April 12, 2002. In dealing with the Application, the Board requested additional information from AltaGas to obtain further details regarding sales customers, billing cycles, and details of the funds to be distributed.

Pursuant to the Notice, the Board did not receive any objections to the Application; therefore, the Board will proceed to process this Application as indicated.

2 THE APPLICATION

AltaGas indicated that it purchased approximately 4% of its gas supply portfolio from AGN as a Rate 5 customer and 2% of its gas supply portfolio from Gas Alberta. As a result of the Board approved distribution of customer proceeds from the Viking Kinsella sale it had received the following amounts:

SOURCE	AMOUNT
ATCO Gas North	\$1,801,637.97
Gas Alberta	\$170,439.05
TOTAL	\$1,972,077.02

At the time of Application, AltaGas had estimated that it would receive \$170,000 from Gas Alberta, however, in response to Board Information Request No. 1, BR-AltaGas.2, AltaGas indicated that proceeds in the amount of \$170,439.05 were actually received from Gas Alberta. The total amount of proceeds to be distributed initially estimated at \$1,971,637.97 would increase slightly to \$1,972,077.02 as a result of funds being received from Gas Alberta.

Based on billing information to sales customers, approximately 13.8 million gigajoules (GJ) of gas was consumed between March 2001 and February 2002. Based on this information, AltaGas calculated a proceeds rate of \$0.143 per GJ (\$1,971,637.97/13.8 million GJ). AltaGas indicated that the additional \$439.05 received from Gas Alberta would not have any material impact on the calculated proceeds rate of \$0.143 per GJ.

AltaGas proposed to distribute the total amount of proceeds to sales customers as a one-time credit on customer's natural gas bills during the April 2002 billing cycle. The credit applied to each account would be based on the proceeds rate and the customer's annual consumption during the March 2001 to February 2002 billing cycle. The credit would appear as a single line item on a customer's April statement and would be applied to an account in the same manner as a payment. Based on an average residential consumer using 150 GJ of gas per year, AltaGas estimated that the credit would be \$21.45.

AltaGas advised the Board that any balance (positive or negative) left after the distribution of proceeds had been completed, would be rolled into the deferred gas account (DGA). Determination of the residual balance to be rolled into the DGA would be included as part of the gas cost recovery rate (GCRR) reconciliation process.

AltaGas outlined the following guidelines that would be used in distributing the proceeds:

- Active accounts in April 2002 with consumption billed in March 2001 - February 2002 cycles will be eligible.
- Non-active accounts with outstanding charges and consumption billed in March 2001 - February 2002 cycles will be eligible.
- Non-active accounts with zero or negative (credit) balances will not be eligible.
- With the exception of adjustments resulting from corrections or errors in billing, the amounts distributed to customers in April 2002's billing cycles are final.
- Although irrigation accounts do not commence billing until May, irrigation accounts with consumption billed in March 2001 - February 2002 cycles will also be eligible.

It was noted that irrigation customers share of the proceeds would be incorporated into their first bills of the season in May 2002.

To facilitate the regulatory process, AltaGas provided copies of the Application for comment to the following parties that represent the intervener groups who commonly participate in AltaGas' GCRR applications. Comments received by AltaGas from the intervener groups were attached to the Application.

- Municipal Gas Co-op Intervenors (MCGI) and Bonnyville Municipal Intervenors (BMI)
- Consumers Coalition of Alberta
- Energy Users Association of Alberta (EUAA)
- Public Institutional Consumers of Alberta
- Gas Alberta
- Alberta Urban Municipalities Association (AUMA)

3 VIEWS OF THE PARTIES

EUAA

The EUAA indicated that it concurred with the Application as presented by AltaGas.

MCGI and BMI

The MCGI and the BMI considered that the distribution of proceeds as proposed by AltaGas was both reasonable and appropriate. Due to the quantum of proceeds, the MCGI and BMI were sensitive to the cost of undertaking the distribution of proceeds without eroding value to customers. The guidelines as set out by AltaGas addressed the concerns of MCGI and BMI while allowing the benefits to flow to active customers.

MCGI and BMI recommended that, due to the relatively small credit amounts to be received by residential customers, as mechanical a process as possible be adopted to avoid having the costs of administration to process the individual accounts exceed the amount credited to the customer.

AUMA

The AUMA indicated that it collaborated with AltaGas in arriving at the proposal to distribute the proceeds received as a result of the sale of the AGN producing properties. The AUMA considered that the Application, albeit different than the method approved for AGN, was reasonable considering the relative amount of the refund and the amount to be distributed to individual customers.

AltaGas

AltaGas noted the materiality of the total dollars proposed to be distributed. An average residential customer would receive a credit estimated at \$21.45; in comparison, an average residential customer of AGN would have received approximately \$498.75. AltaGas also noted that the amount to be distributed was considerably less than the \$5.5 million Summer 2001 period refund in December 2001 and the \$5.1 million Winter 2000/2001 period refund in July 2001. Both of those refunds were provided to customers based on the units billed in the respective period billing cycles.

AltaGas considered that it was important to distribute the proceeds in a timely manner. Developing a process more complex than what was proposed would take additional time and resources to implement. AltaGas took into consideration a balance between the time and resources required to implement the distribution of proceeds and the level of sophistication required to distribute in a manner as fair and reasonable as possible.

4 BOARD FINDINGS

The Board acknowledges the steps taken by AltaGas to gain customer support prior to submitting the Application. The Board also established a process whereby affected consumers could submit objections to the proposed Application. Given that the Board has not received any formal objections to the Application, and given the comments received by AltaGas regarding the distribution of proceeds, the Board considers that the distribution of proceeds would satisfy customer's interests at this time.

The Board has reviewed the proposed methodology for distributing the funds. Given the amount to be distributed, the Board agrees with AltaGas, AUMA, MCGI and BMI that the complexity of distribution methodology should be minimized to prevent the funds being eroded due to administrative costs.

The Board notes the amount that individual consumers would receive from the funds to be distributed would be based on annual consumption and a proceeds rate. AltaGas proposed to calculate a consumer's annual consumption using billing cycle information. The Board recognizes that the use of billing cycle information will cause the annual consumption period to vary for customers depending on their order in the billing cycle. Given the additional effort and cost that would be required to calculate annual consumption based on a single date for all customers, the Board agrees with the annual consumption methodology proposed by AltaGas.

The Board also notes that in Order U2001-316, dated November 29, 2001, and U2001-146, dated June 29, 2001, the Board approved proposals by AltaGas to refund excess amounts respectively from the 2001 summer and 2000/2001 winter deferred gas account. These refunds approved a similar methodology to that which AltaGas has proposed in this Application, namely basing the refund on billing cycle consumption and a proceeds rate.

The Board has also reviewed the quantum of funds proposed to be distributed and the corresponding proceeds rate. The Board notes that the proceeds rate was calculated using annual consumption data based on the reported billed units per AltaGas' 2001 and 2002 GCRR quarterly reconciliation filings, data filed in the 2001 and 2002 GCRR applications, and other internal data generated by the billing system database. The Board considers the use of information filed with the Board and internal systems information to be reasonable in calculating annual consumption.

The Board notes that the guidelines proposed by AltaGas are to distribute the proceeds to consumers with active and non-active accounts in the following rate classes:

- Rate 1 – Small General Service
- Rate 2 – Optional Large General Service
- Rate 3 – Optional General Service Demand/Commodity
- Rate 4 – Optional Irrigation Pumping Service

The Board agrees with AltaGas' proposal to distribute the funds to all active customers. The Board notes that temporarily locked-off accounts and accounts locked off for failure to pay are considered active. Additionally, non-active accounts, defined as "finaled" accounts where past customers are no longer taking service from AltaGas will receive a portion of the funds if the account has outstanding charges. The Board considers this a reasonable proposal and gives AltaGas the opportunity to recover charges that may have previously been unrecoverable.

The Board notes AltaGas' proposal to charge the remaining balance (positive or negative) to the DGA. The Board considers that if there is a deficiency or excess in the proceeds to be paid out, any remaining amount would be negligible and have little effect on the GCRR. The Board therefore considers that this would be an appropriate method to dispose of any remaining balance.

The Application anticipated that the proceeds would be distributed during the month of April. Given the Board's mandate to determine whether or not such a distribution is in the public

interest and the requirement to provide sufficient notice to all individuals affected by Board rulings, the release of this Decision may not allow AltaGas to distribute all the funds in April. However, the Board considers that if the funds are distributed during the May billing period the public interest will be met.

5 ORDER

Having regard to the evidence and submissions, and having regard to its own knowledge and findings in this Decision, the Board hereby orders that in respect of the proceeds received from ATCO Gas North and Gas Alberta arising from the sale of producing properties:

- (1) During the May billing period, AltaGas Utilities Inc. shall apply a unit rate payment of \$0.143/GJ to each active account in rate classes 1, 2, 3, and 4, based on annual consumption data for each account during the March 2001 – February 2002 time period, aggregating approximately 13.8 million GJ.
- (2) AltaGas Utilities Inc. shall file with the Board a reconciliation of the amounts paid out to each rate class and the annual consumption for each rate class during the March 2001 – February 2002 time period, including any amounts to be rolled into the DGA. This shall be filed with the Board no later than 90 days after the distribution of proceeds.

Dated in Calgary, Alberta on April 24, 2002.

ALBERTA ENERGY AND UTILITIES BOARD

<original signed by>

B. T. McManus, Q.C.
Presiding Member

<original signed by>

T. M. McGee
Member

<original signed by>

J. I. Douglas, FCA
Member