

# **ALBERTA ENERGY AND UTILITIES BOARD**

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**Calgary Alberta**

**ATCO GAS – SOUTH  
A DIVISION OF ATCO GAS AND PIPELINES LTD.  
RECOVERY OF DEFERRED GAS ACCOUNT  
BALANCES AT MARCH 31, 2002**

**Decision 2002-066  
Application No. 1272111  
File No. 5626-54**

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## **1 THE APPLICATION**

By letter dated June 13, 2002, ATCO Gas – South (AGS), a Division of ATCO Gas and Pipelines Ltd. (AGPL), filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) for approval to recover the cumulative under-recoveries of approximately \$11.5 million in its deferred gas account (DGA) balances at March 31, 2002. The balances resulted from the reconciliation of its DGAs for the 2000/2001 winter period, the 2001 summer period and the 2001/2002 winter period. AGS proposed to recover these under-recoveries from July 2002 to June 2003 through its monthly Gas Cost Recovery Rate (GCRR). AGS stated that, based on a monthly recovery over twelve consecutive months, irrigation (Rate 5) customers would pay more than their estimated share of the DGA balances. AGS proposed a credit rider be used to offset the difference over the periods July to October 2002 and April to June 2003, thereby providing that irrigation customers would pay no more than their estimated share. Details of the proposed recoveries are set out in Appendix 1.

AGS stated that the 2001/2002 winter period DGA included a shortfall adjustment, amounting to \$1.2 million, representing compensation paid to shippers for measurement corrections affecting transportation service, the error having occurred over the period April 2000 to October 2001. AGS also stated that since the inception of the DGA in 1987, measurement adjustments that have impacted transportation customers have been included in the imbalance component of the DGA.

AGS advised that it sent the following information to active interested parties on May 17, 2002, including an initial proposal for dealing with the under-recovery balances:

- 2000/2001 gas year overview,
- Summer 2001 reconciliation package, and
- Winter 2001/2002 reconciliation package.

AGS additionally advised that its representatives met with the active interested parties and a Board observer on May 23, 2002 to discuss the reconciliation information and the initial under-recovery proposals and that, after further discussions, it distributed revised proposals (as subsequently applied for in the Application) to active interested parties on May 30, 2002. AGS stated that not all of these parties supported the proposals.

By email letter dated June 28, 2002, the Board issued notice of the Application to interested parties registered on AGS's GCRR mailing list. Parties were invited to provide comments on the Application by July 10, 2002.

As a result of the notice, the Board received objections from the City of Calgary (Calgary), the Municipal Intervenor (MI) and the Public Institutional Consumers of Alberta (PICA). The Board also received a letter in support of the Application from Shell Canada Limited.

Both MI and PICA objected to AGS's proposal to charge only its sales customers with the \$1.2 million shortfall adjustment and instead considered that the shortfall should be allocated in the same manner as unaccounted for gas (UFG). Calgary also objected to the \$1.2 million being allocated to sales customers and, in addition, considered that the related gas adjustment in kind of 602 terajoules (TJ) made by AGS for imbalances actually cost customers a further amount of \$2.2 million. Calgary therefore considered that the DGA recoveries should be reduced by a total of \$3.4 million. Calgary also appeared to suggest that pursuant to the terms of the Transportation Service Agreement between AGS and ATCO Pipelines, also an operating division of AGPL, ATCO Pipelines should bear the impact of the full adjustment.

To facilitate the process and help alleviate its concerns, Calgary suggested the following:

- interim approval be given for DGA recoveries of \$8.1 million (being the requested amount of \$11.5 million less \$3.4 million for measurement errors);
- the Board direct a process to confirm the derivation of the 602 TJ measurement adjustment (which Calgary calculated to have actually cost customers \$3.4 million);
- the Board direct a process to reconcile the treatment of AGS as the residual shipper on the ATCO Pipelines system in light of the provisions of the Transportation Service Agreement and recent rate hearings, and determine such rate or DGA adjustments over such time periods as may be necessary, and
- that any further adjustments directed out of such process be recovered through the monthly GCRR mechanism.

By letter dated July 12, 2002, in response to the objections, AGS disagreed with the positions of the parties and stated that "the identification of the measurement error, in fact, 'accounts for' more gas than previously known, which will change the actual quantity of UFG in the years 2000 and 2001." AGS submitted that making this type of change would in turn change the UFG recovery for 2003 because the three-year rolling average used to calculate the UFG rate would change. It also argued that the inclusion of the adjustment error was appropriate because of unprecedented gas price volatility during the adjustment period.

AGS, however, agreed that the inclusion of the shortfall adjustment should be evaluated on a case-by-case basis. AGS also agreed "without prejudice" to its position, to defer recovery of \$1.2 million on an interim basis, pending resolution of the issue through a Board process.

AGS disagreed with Calgary's position that the Transportation Service Agreement with ATCO Pipelines modified DGA procedures in any way. AGS stated that the DGA has been accepted as the balancing shipper on the AGS/ATCO Pipelines system and submitted that any prior period measurement adjustments at a transportation service location cause a change to imbalances in the transportation accounts affected and are recorded in the DGA imbalances. It further submitted that any purchases used to repay imbalances in kind (referred to by Calgary as amounting to a further \$2.2 million adjustment) are permitted within approved DGA procedures and should be approved.

## 2 DGA

The purpose of a DGA is to compare AGS's natural gas supply costs incurred with amounts it recovered through the GCRR and to provide evidence that its customers pay neither more nor less than its actual costs of natural gas. Conversely, a purpose is also to ascertain that AGS does not lose or gain as a result of price fluctuations in gas supply costs.

Under previously approved DGA procedures, AGS maintained a separate DGA for summer and winter periods. A summer period included the months of April through October; a winter period included the months of November through March. A GCRR for a summer or winter period was calculated by adding the balance in the DGA at the end of the previous same period to the gas costs forecast for the upcoming period and dividing the result by the forecast gas sales volume for that period. Including the DGA balance from the previous same seasonal period ensured that any cumulative under or over-recovery from that period would be collected or refunded in the same upcoming seasonal period (summer or winter).

Effective April 1, 2002, revised procedures to be used in the determination of a GCRR by a gas utility subject to the Board's jurisdiction took effect. These procedures provide for a monthly determination of a GCRR, as opposed to a determination over a summer and winter period, and were set out in Decision 2001-75, dated October 30, 2001. AGS's monthly GCRRs have not heretofore included outstanding balances from both summer and winter prior period DGAs.

## 3 BOARD FINDINGS

The Board's statutory mandate requires that it fix just and reasonable rates for the regulated utilities under its jurisdiction. The Board has reviewed the information provided by AGS in the Application. The Board notes that AGS received prior approval from the Board in Decision 2001-79, dated October 30, 2001, to refund amounts aggregating \$79.6 million from its forecast DGA balances at October 31, 2001. The cumulative prior winter and summer period DGA balances at that time would represent the closing balances after such adjustments. As the monthly GCRR for July 2002 was required to be set prior to July 1, 2002, the Board also notes that the adjustment otherwise proposed for July 2002 will of necessity be carried forward to August 2002.

The Board notes that AGS distributed a copy of its proposals to active interested parties that would normally participate in the examination process involving the setting of a GCRR. The Board also notes that in response to its notice it received three letters of objection and one letter of support for the Application. The Board further notes Calgary's suggestion for an interim approval of \$8.1 million and AGS's agreement for an interim approval of \$10.3 million.

Having regard for the objections to the Application, the Board will defer final acceptance of AGS's reconciliation of actual gas costs and actual gas cost recoveries for the 2000/2001 winter period, the 2001 summer period, and the 2001/2002 winter period. However, the Board agrees with the suggestions for interim approval and will, therefore, approve AGS's request for the recovery of the cumulative DGA balances at March 31, 2002 on an interim basis.

The Board has considered Calgary's concerns with respect to propriety of the repayment of 602 TJ of gas in kind for imbalancing and its suggestion for an additional reduction of \$2.2 million to

the DGA recovery amounts. The Board also notes AGS's explanation for its treatment of balancing. The Board agrees with Calgary that the issues raised by Calgary concerning the methodology for balancing and the Transportation Service Agreement should more appropriately be dealt with in a separate process. With this in mind, the Board will accept the amount of \$2.2 million as a reduction, on an interim basis, to the prior period DGA recoveries at this time.

The Board has considered the submissions of MI and PICA and AGS's willingness for an interim reduction of \$1.2 million in recoveries, subject to a timely resolution of this disputed amount. The Board will therefore also allow the reduction of this amount on an interim basis. As this amount, and the amount of \$2.2 million raised by Calgary, both deal with the balancing issue, the Board considers that these amounts would more appropriately be addressed in a separate process. In this regard, the Board notes that, in Decision 2000-16, dated June 13, 2000, AGPL, then known as Canadian Western Natural Gas Company Limited, was directed to file certain information at its next phase II GRA, specifically:

- the results of the studies conducted by the Company to support the submission that use of sales portfolio gas applied to maintain pressure on the system has no negative impact on sales customers. The studies should be updated to reflect recent experience;
- the range of estimated line pack volumes, comparing points in time when the system is operating at the lowest pressure levels to periods of operation at the highest pressure levels;
- details of the revisions required to the existing operating procedures to facilitate daily balancing of transportation customer volumes; and
- an explanation of the extent to which the planned enhancements to the Gas Operating and Flow Reporting System, or other related systems, would facilitate implementation of daily balancing.

The Board considers that the above requested information appears to have relevance to the disputed issues, and that resolution of those issues could be addressed in the context of the discussions around load balancing in the next Phase II GRA. The Board acknowledges that, while the 2001/2002 Phase II GRA for ATCO Pipelines – South is complete, this direction is still outstanding. The Board expects therefore that the direction will be addressed in the upcoming Phase II GRA for AGS.

The Board therefore will allow the recovery of the DGA balances in the estimated amount of \$8.1 million (\$11.5 million less \$3.4 million) on an interim basis over the period August 2002 to June 2003, pending resolution of the issues in dispute and determination of the final balances in the prior seasonal DGAs.

The Board will also approve on an interim basis the Rate 5 credit rider for the periods August through October 2002 and April to June 2003.

The Board notes that, as directed in Decision 2001-75, a 30-day review period will be provided for parties to raise any concerns with a monthly GCRR, once it is filed with the Board.

#### 4 ORDER

THEREFORE, it is hereby ordered that:

For ATCO Gas – South, a Division of ATCO Gas and Pipelines Ltd.:

- (1) The recovery of cumulative deferred gas account balances from the 2000/2001 winter period, the 2001 summer period and the 2001/2002 winter period, in the estimated aggregate amount of \$8.1 million, by an addition of approximately \$0.092/GJ to the monthly Gas Cost Recovery Rate from August 2002 through June 2003 is hereby approved on an interim basis, pending determination of the final amounts.
- (2) The credit rider of \$0.025/GJ for Rate 5 customers, effective for the periods August through October 2002 and April through June 2003, is hereby approved on an interim basis, pending determination of the final amount.

Dated in Calgary, Alberta on July 23, 2002.

#### ALBERTA ENERGY AND UTILITIES BOARD

*<original signed by>*

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

*<original signed by>*

Gordon J. Miller  
Member

*<original signed by>*

C. Dahl Rees  
Acting Member

**APPENDIX 1****ATCO GAS – SOUTH  
A DIVISION OF ATCO GAS AND PIPELINES LTD.****DGA Balance Summary**

Line	Description	Units	Amount
1	Cumulative total DGA balances at October 31, 2001	\$000s	4,697
2	2001/2002 winter period closing balance, March 31, 2002	\$000s	<u>6,756</u>
3	Cumulative total DGA balances at March 31, 2002	\$000s	Line 1 plus line 2 11,453
4	Measurement adjustment	\$000s	(3,428)
5	Rate 5 credit rider amount		<u>17</u>
6	Adjusted interim balance	\$000s	Line 3 plus lines 4 and 5 <u><u>8,042</u></u>

**Rate 5 Credit Rider**

	Units	Total
1	Forecast recovery from Rate 5 customers	63
2	Estimated Rate 5 share of DGA closing balances	<u>46</u>
3	Forecast credit amount required	\$000s <u>17</u>
4	Forecast Rate 5 consumption during recovery period	TJ <u>683</u>
5	Credit Rider, August – October 2002, April – June 2003	\$/GJ Line 3 divided by line 4 <u><u>0.025</u></u>

Recovery of Deferred Gas Account Balances at March 31, 2002

Recovery Schedule

	Units	Aug 2002	Sept 2002	Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Total
Forecast calendar sales	TJ	2,740	4,116	6,771	10,525	12,409	13,676	11,370	10,633	6,925	4,806	3,030	87,001
Proposed recovery amount	\$000	253	380	626	973	1,147	1,265	1,051	983	640	444	280	8,042
Unit rate	\$/GJ	0.092	0.092	0.092	0.092	0.092	0.092	0.092	0.092	0.092	0.092	0.092	0.092