



## **ATCO Gas South**

**2001/2002 General Rate Application, Carbon Storage Transfer and Part A: Asset Transfer, Outsourcing Arrangements, and GRA Issues Compliance Filing**

**November 19, 2002**

**ALBERTA ENERGY AND UTILITIES BOARD**

Decision 2002-097: ATCO Gas South

2001/2002 General Rate Application, Carbon Storage Transfer and  
Part A: Asset Transfer, Outsourcing Arrangements, and GRA Issues  
Compliance Filing

Application No. 1278564

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# **ALBERTA ENERGY AND UTILITIES BOARD**

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**Calgary Alberta**

**ATCO GAS SOUTH  
2001/2002 GENERAL RATE APPLICATION, CARBON  
STORAGE TRANSFER AND PART A: ASSET TRANSFER,  
OUTSOURCING ARRANGEMENTS, AND GRA ISSUES  
COMPLIANCE FILING**

**Decision 2002-097  
Application No. 1278564  
File No. 1110-1-1**

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## **1 INTRODUCTION**

On December 12, 2001, the Alberta Energy and Utilities Board (the Board) issued Decision 2001-96 regarding the 2001/2002 Phase I General Rate Application (GRA) of ATCO Gas South (ATCO or the Company). In Decision 2001-96, the Board directed ATCO to re-file its 2001/2002 GRA to incorporate the Board's findings in that Decision.

On February 28, 2002, ATCO re-filed its 2001/2002 GRA, reflecting the revisions to the Company's rate base and revenue requirement required to comply with the Board's directions in Decision 2001-96. On May 30, 2002, the Board issued Decision 2002-050 approving the revisions to the GRA. In the Decision, the Board directed ATCO to incorporate some further revisions in the GRA in a second compliance filing to be submitted after release of the Board decisions on the ATCO Group Affiliate Transactions and Code of Conduct Proceeding (Affiliate Proceeding) and the ATCO Carbon Storage Transfer proceeding.

On July 26, 2002, the Board issued Decision 2002-069, Part A: Asset Transfer, Outsourcing Arrangements, and GRA Issues (the Affiliate Decision), regarding the Affiliate Proceeding. In the Affiliate Decision, the Board directed the applicants, one of which is ATCO Gas South, to submit a compliance filing on or before September 2, 2002 to reflect the directions of the Board in the Part A Decision. In the Affiliate Decision, the Board also advised interested parties that any comments with respect to the compliance filing should be filed with the Board by September 16, 2002. The Board subsequently revised the dates for submission of the compliance filing and interested party comments to September 16, 2002 and September 30, 2002 respectively.

On July 30, 2002, the Board issued Decision 2002-072 (the ATCO Carbon Transfer Decision), which also included directions to ATCO for adjustments to the ATCO Gas South 2001/2002 GRA.

On September 17, 2002, ATCO re-filed its 2001-2002 GRA (the Compliance Filing), reflecting the revisions to the Company's rate base and revenue requirement to comply with the Board's directions in Decision 2002-050, Decision 2002-069 and Decision 2002-072.

Submissions on ATCO's Compliance Filing were received on September 30, 2002, from the Alberta Urban Municipalities Association (AUMA) and on October 1, 2002 from the City of Calgary (Calgary).

By letter dated October 16, 2002, the Board requested that ATCO respond to the comments and questions of interested parties by October 25, 2002, and provide an updated Compliance Filing, revised as considered appropriate, based on the issues raised.

On October 25, 2002, ATCO filed its response to intervener comments.

## **2 COMPLIANCE WITH BOARD DIRECTIONS**

### **2.1 General Comments**

#### **Views of the Applicant**

In the Compliance Filing, ATCO responded to each Board direction that pertained to the Company's 2001 and 2002 GRA amounts, and revenue requirement for those years. ATCO provided a summary of each direction, an explanation of ATCO's response, and the related impact on the GRA amounts and revenue requirement. ATCO did not acknowledge or respond to intervener submissions related to directions the Company will be required to address in the next GRA.

#### **Views of the Interveners**

The AUMA noted that the Affiliate Proceeding took place over an extended period of time, and involved the incorporation of "rolling records" and various other related decisions. The AUMA submitted that the Board, in this Decision, should list the directions from the various decisions affecting the Compliance Filing that remain outstanding. The AUMA also noted that a direction at page 96 of the Affiliate Decision (referred to as Direction 29A by the AUMA) was not included in the Board's "Summary of Directions" at pages 98 – 102 of the Affiliate Decision.

#### **Views of the Board**

The Board considers that the onus is upon the Company to ensure it has complied with all of the Board's directions from the Affiliate Decision in the Compliance Filing, or in the next GRA as applicable. The Board notes the AUMA's submission that a direction was not included in the Summary of Directions, however, while there was an omission the Board clearly states at the beginning of the Summary of Directions that: "This section is provided for the convenience of readers. In the event of any difference between the Approvals in this section and those in the main body of the report, the wording in the main body of the Decision shall prevail."

Notwithstanding the above, the Board considers that the Company must comply with Directions 3, 11, 13, 14, 17, 18, 22, 23, 24, 27, and 29A at the next GRA or as otherwise directed by the Board. As mentioned previously, the onus is on the Company to comply with all directions contained in the body of the Affiliate Decision, whether or not they are listed herein.

### **2.2 Compliance with Directions in Decision 2002-050**

The Board will address each of the directions responded to by ATCO with respect to the 2001 and 2002 GRA amounts, and revenue requirement for those years.

## 2.2.1 Direction 1 – Adjustment for Revenues/Costs Transferred to the GCRR

In Decision 2002-050, the Board directed ATCO to adjust the revenue requirement for the 2002 test year to reflect the impact of the transfer of costs such as bad debt expense/penalty revenues to the Gas Cost Recovery Rate (GCRR).

### Views of the Applicant

In Decision 2002-050, the Board acknowledged that ATCO had removed the amount of \$13.92 million in revenue from ATCO Midstream from the 2002 revenue requirement to recognize the fact that this amount would be addressed through the storage rider in the GCRR process. The Board directed ATCO to adjust the revenue requirement to reflect the impact of other gas supply related amounts transferred from base rates in the GCRR filing. In the Compliance Filing, ATCO adjusted the 2002 revenue requirement to reflect the removal of amounts transferred to the GCRR, such as bad debt expense and penalty revenues. ATCO indicated that the amounts included in the adjustment represented 9/12<sup>th</sup> of the forecast GRA amounts, to recognize the fact that the transfer to the GCRR came into effect on April 1, 2002.

ATCO pointed out that, on April 1, 2002, in accordance with Decision 2002-034, the cost of service rates for customers were adjusted to reflect the impact of 9/12<sup>th</sup> of the annual forecast related to the penalty revenue and gas supply related costs being removed from the cost of service revenue requirement, and transferred to the GCRR. Specifically, the rates were adjusted by 1/12<sup>th</sup> of the total annual forecast each month commencing April 1, 2002. ATCO stated that, the amount of revenues and costs removed from the GRA revenue requirement is now consistent with the April 1, 2002 cost of service rate adjustment. Although indifferent to an adjustment based on 9/12<sup>th</sup> of the annual forecast or an adjustment based on monthly forecast amounts, ATCO pointed out that moving to an adjustment based on the monthly forecast amounts would require a corresponding adjustment to the April 1, 2002 cost of service rate change. ATCO submitted that, given the fact that seven months have passed since the changes to cost of service rates were implemented, a further adjustment at this point in time would be confusing to customers, and would provide no benefit to customers. However, to be consistent with the deferral nature of the GCRR, ATCO indicated its intent to adjust the portion of these revenues and costs applied to the GCRR to reflect what actually occurs in 2002, and address any resulting adjustment in a future DGA application, likely in February or March of 2003.

ATCO pointed out that a full year of storage revenue is being provided to customers through the storage credit rider implemented on April 1, 2002. ATCO indicated therefore that, if the 2002 revenue requirement is adjusted to reinstate 3/12<sup>th</sup> of the storage revenue (January – March 2002), the storage credit rider must also be reduced by the same amount. Although indifferent to which method is used, ATCO submitted that, given the fact that seven months have passed since the storage rider was implemented, a further adjustment at this point in time would be confusing to customers, and would provide no benefit to customers.

### Views of the Interveners

Calgary noted that ATCO removed all of the Un-contracted capacity revenue as a credit to the revenue requirement in the original compliance filing for 2002, resulting in an increase of \$13.92 million in the revenue shortfall. Calgary expressed the view that ATCO should not be allowed to be inconsistent in its treatment, stating that if the Board is now going to accept the 9/12<sup>th</sup>

adjustment for bad debt and penalty revenue amounts, then the Board should restore the Carbon Un-contracted capacity revenues for the period January – March 2002 as a credit to the revenue requirement. Calgary submitted that, if ATCO is committed to the 9/12<sup>th</sup> position for adjustments, which reduce the revenue shortfall, as compared to 12/12<sup>th</sup> where the storage revenue adjustment increases the revenue shortfall, consistent treatment should be applied to all adjustments regardless of impact on ATCO.

Calgary considered that, on the basis adopted by ATCO, only 9/12<sup>th</sup> of the un-contracted capacity revenue should have been excluded and three months' revenue restored as a reduction to the shortfall. Calgary noted that, for the period January – March 2002, ATCO Midstream had the entire capacity of Carbon (43.5 PJ), meaning that, at the Board approved rate of \$0.41/GJ, three months revenue credit will equal \$4.458 million. Calgary pointed out that this will reduce the 2002 shortfall from \$10,258,000 to \$5,800,000.

The AUMA noted that, in responding to the Board's direction to adjust the 2002 revenue requirement to reflect the impact of costs transferred to the GCRR, ATCO used 9/12<sup>th</sup> of the related annual revenue and expense amounts. The AUMA submitted that penalty Revenue, Bad Debt Expense and the Production-On Charge could fluctuate considerably on a monthly basis, with the result that the total of the April-December forecast monthly charges may be somewhat different than 9/12<sup>th</sup> of the annual charges. The AUMA submitted that ATCO should be directed to provide the monthly forecast numbers for April to December of 2002 for these revenue and expenditure categories to test the 9/12<sup>th</sup> rule.

### **Views of the Board**

The Board acknowledges that the methodology for treatment of storage revenue in determination of the Cost of Storage Rate Rider (COSRR) was approved in Decision 2002-034 dated March 21, 2002. In Decision 2002-050 dated May 30, 2002, the Board indicated that it was satisfied that all of the issues relative to transfer of storage revenues to the COSRR were settled and approved in Decision 2002-034, and that customers are receiving the benefit of storage revenue through the COSRR rather than through a reduction to a GRA revenue shortfall. The Board notes that the methodology envisaged that the entire 2002 forecast revenue from ATCO Midstream would be dealt with through the COSRR rather than the GRA. The Board also notes that the entire 2002 forecast revenue will be returned to customers by the end of the 2002 calendar year.

Accordingly, the Board does not agree with Calgary's recommendation for re-instatement of three months' storage revenue as a reduction to the 2002 revenue shortfall. On the other hand, however, the Board agrees with Calgary that ATCO's treatment of gas supply related costs and revenues is inconsistent with the methodology used in dealing with the revenue from Midstream. Specifically, the Board notes that, while the full amount of Midstream storage revenue is being returned to customers by the end of the calendar year, only 9/12<sup>th</sup> of the annual forecast amounts for penalty revenues, bad debts and other gas supply related costs are being collected/refunded through the GCRR in 2002.

The Board therefore directs ATCO to revise the 2002 revenues and revenue requirement to reflect the impact of full year forecast of the penalty revenues, bad debts and other gas supply related costs transferred to the GCRR. While the Board acknowledges that this will ensure consistency with the treatment of Midstream storage revenue, the Board considers that, to



achieve consistency between the treatment in the GRA and the GCRR, the 2002 forecast amounts for penalty revenue, bad debt and other gas supply related costs need to be collected/refunded to customers through the GCRR over the nine month period to December 31, 2002. Accordingly, the Board directs ATCO to file its proposal for collection/refund of the full year 2002 forecasts for penalty revenues, bad debts and other gas supply related costs by way of a one-time adjustment to the GCRR at the earliest opportunity.

The Board notes the concerns of the AUMA that penalty revenue, bad debt expense and related gas supply costs could fluctuate considerably on a monthly basis, with the result that the total of the April-December monthly charges could be somewhat different than the forecast amount already applied in determination of the GCRR for that period. In this regard, the Board notes that the forecast amounts are being dealt with on an average monthly basis, which is consistent with prospective rate-setting methodology. The Board is satisfied that the relative amounts established in the GRA process should continue to be applied in the DGA process without adjustment until revised in a subsequent GRA.

### **2.2.2 Direction 2 – Revision to Opening Balances of Property, Plant and Equipment**

In Decision 2002-050, the Board directed ATCO to revise the balances of all accounts included in the determination of the net Property, Plant and Equipment opening balance for 2001, to reflect actual amounts for the year 2000.

#### **Views of the Applicant**

ATCO revised the 2001 opening balances of Property, Plant and Equipment in response to Direction 2.

#### **Views of the Interveners**

Parties did not express any concerns regarding ATCO's compliance with this direction.

#### **Views of the Board**

The Board considers that ATCO has complied with this direction.

### **2.2.3 Direction 3 – Adjustment for Expenditure on Service Line Alterations**

In Decision 2002-050, the Board directed ATCO to revise its GRA forecasts to reflect the accounting for expenditures on service line alterations in a manner consistent with the methodology used by the Company prior to the year 2000.

#### **Views of the Applicant**

ATCO revised the GRA forecasts in response to Direction 3.

#### **Views of the Interveners**

Parties did not express any concerns regarding ATCO's compliance with this direction.

#### **Views of the Board**

The Board considers that ATCO has complied with this direction.

## **2.3 Compliance with Directions in Decision 2002-069**

The Board will address each of the directions responded to by ATCO with respect to the 2001 and 2002 GRA amounts, and revenue requirement for those years.

### **2.3.1 Directions 5, 6 and 7 – Sale of Computer Assets to ATCO I-Tek (I-Tek)**

In the Affiliate Decision the Board indicated that retroactive approval would be given for the sale of computer assets from the ATCO utilities to I-Tek (Asset Transfer), effective January 1, 1999. That approval was subject to ATCO amending its application to match the Board's findings with respect to the fair market value (FMV) of the Asset Transfer and I-Tek service charges. The Board also directed ATCO to identify and correct any inaccuracies in the Board's determination in the amount of the adjustment.

#### **Views of the Applicant**

ATCO submitted that it had increased the proceeds from the Asset Transfer by 10% and decreased the I-Tek service charges by 7.5% in accordance with the Board's determination in the Affiliate Decision. ATCO did not otherwise request retroactive approval of the Asset Transfer.

ATCO responded to Calgary's submission regarding the date the Compliance Filing was submitted. ATCO noted that it was given verbal approval by Board staff to submit the Compliance Filing on September 17 rather than September 16 as previously directed.

#### **Views of the Interveners**

The AUMA noted that ATCO did not specifically request approval of the Asset Transfer, rather ATCO agreed to amend its application to match the Board's determination of the FMV of the Asset Transfer. The AUMA indicated that it was not opposed to the Asset Transfer.

Calgary submitted that it was not aware of any application by ATCO to alter the Compliance Filing date or of any Order of the Board altering the Compliance Filing date. Calgary stated therefore that, on the plain wording of Decision 2001-069, the Asset Transfer was void, and the Compliance Filing should reflect that fact.

#### **Views of the Board**

The Board notes that ATCO has not separately requested approval of the Asset Transfer however the Board considers that ATCO is in compliance with the Board's direction to increase the proceeds from the Asset Transfer by 10% and decrease the I-Tek service charges by 7.5%. The Board previously stated that the Asset Transfer would be void if ATCO did not amend its application. Since Board staff agreed to provide ATCO an extra day by which to submit its Compliance Filing, and since ATCO has adjusted the proceeds from the Asset Transfer as directed, the Board hereby grants approval of the Asset Transfer pursuant to section 101 of the *Public Utilities Board Act* (PUB Act).

### **2.3.2 Directions 8 and 9 – Amortization of the Loss on the Asset Transfer**

In the Affiliate Decision the Board directed ATCO to reduce the amount of the loss on the Asset Transfer for the 2001 and 2002 test years in keeping with the deemed 10% increase in the

proceeds from the Asset Transfer. The Board determined that the adjustment to the loss attributable to the Company should be allocated over the two test years, and in 2003. The Board also directed ATCO to identify and correct any inaccuracies in the tables appended to the Board's findings.

### **Views of the Applicant**

ATCO submitted that had the Board's decision respecting the adjustment to the proceeds from the Asset Transfer been known at the time of the transfer, different amortization amounts would have been used. ATCO argued that the amortization of additional deemed proceeds regarding the Asset Transfer should occur over the same amortization period as the original proceeds.

ATCO suggested that the recovery period from 1999 to 2003 should have been used, as approved by the Board. ATCO further submitted that the Affiliate Decision impacted each year's amortization. Therefore, ATCO reduced the amortization of the loss on the Asset Transfer by one-fifth of the adjustment to the Asset Transfer. ATCO also reduced its working capital to reflect the impact of the increased proceeds and reduced amortization as of January 1, 1999.

### **Views of the Interveners**

The AUMA noted that ATCO re-calculated the changes to the amortization of the loss for the years 2001, 2002 and 2003 (as well as 1999 and 2000) resulting in a difference from the amounts determined by the Board.

The AUMA disagreed with ATCO's methodology. The AUMA noted that the Board approved the allocation period of five years for the Company,<sup>1</sup> and further noted that the Board also directed ATCO to reduce the amount of the loss for the 2001 and 2002 test years. The AUMA also noted however, that the Board left the amortization for 1999 and 2000 as per that application, and only adjusted 2001, 2002 and 2003. The AUMA argued that the Board's direction was clear and that the Compliance Filing was not in compliance with respect to this direction.

Calgary considered that ATCO failed to comply with the Board's direction regarding the amortization of the loss on the Asset Transfer. Calgary noted that while ATCO used the correct amount for the change in Net Book Value, ATCO deviated from the Affiliate Decision with respect to the amortization. Calgary believed it was quite clear that the Board turned its mind to the amortization period, and expected the adjustment to be reflected in the years 2001, 2002 and 2003, with the 1999 and 2000 amortization to remain unchanged. Calgary considered that ATCO had attempted to unilaterally alter the Board's direction by making a retroactive adjustment for 1999 and 2000. Calgary described ATCO's logic as hindsight and retroactive ratemaking.

Calgary further considered that, even if ATCO's argument for recognition of the adjustment in hindsight was accepted, that position constituted new and untested evidence on behalf of ATCO. Calgary submitted that compliance filings were not the proper venue for filing of new evidence, which cannot be subjected to review by interveners and the Board. Rather, attempts to modify Board decisions should be confined to a Review and Variance or Appeal.

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<sup>1</sup> Decision 2002-069, p. 37

## **Views of the Board**

The Board notes that ATCO responded to Direction 9 wherein ATCO was directed to identify and correct any inaccuracies in the Compliance Filing with respect to Tables 9-11. The Board also notes ATCO's submission that had the Board's decision been known at the time of the Asset Transfer, different amortization amounts would have been used.

The Board considered ATCO's submission, however the Board is not persuaded to accept ATCO's revised amortization amounts. The Board views ATCO's submission as a revision to the Board's methodology, rather than the identification and correction of an inaccuracy as provided for in Direction 9. The Board, in the Affiliate Decision, clearly decided that the revision to the amortization of the loss on the Asset Transfer would be applied to 2001, 2002 and 2003, and not to 1999 or 2000. If the Board had intended to revise the amortization for each year from 1999 to 2003 it would have been reflected in Table 9 of the Affiliate Decision.

Furthermore, the Board is not persuaded by ATCO's suggestion that it would now be appropriate to revise the 1999 and 2000 amortization amounts. The Board notes that neither of those years was a test year in the Affiliate Proceeding, and that ATCO did not previously request that any aspect of those years be open to the Board's review, including approval of the Asset Transfer itself. The Board considered in the Affiliate Decision that ATCO was satisfied with the amounts it had previously booked for 1999 and 2000, on ATCO's own accord, and consequently applied the impact of the revised loss on the Asset Transfer exclusively to 2001, 2002 and 2003.

Accordingly, the Board's direction in the Affiliate Decision as set out in Table 9-11 stands and ATCO is directed to make a further compliance filing in respect of any amendments required in respect to the 2001 and 2002 test years.

### **2.3.3 Direction 10 – Adjustment to I-Tek Charges**

In the Affiliate Decision the Board directed ATCO to reduce rates payable directly to I-Tek by 7.5% for all items, and to identify and correct any inaccuracies in the table prepared by the Board.

## **Views of the Applicant**

ATCO submitted that it did not discover any inaccuracies in the table prepared by the Board, and accordingly applied the 7.5% reduction to the rates payable to I-Tek.

## **Views of the Interveners**

Parties did not express any concerns regarding ATCO's compliance with this direction.

## **Views of the Board**

The Board considers that ATCO has complied with this direction.

### **2.3.4 Direction 12 – Adjustment to ATCO Singlepoint (Singlepoint) Charges**

In the Affiliate Decision the Board directed ATCO to reduce rates payable to Singlepoint by 11.1% for rate-setting purposes, and to identify and correct any inaccuracies in the table prepared by the Board.

## Views of the Applicant

ATCO submitted that it complied with the Board's direction to reduce Singlepoint charges by 11.1%, however ATCO identified an inaccuracy in the Board's table. ATCO suggested that the Board did not use the corrected forecast of Singlepoint costs as per the response to Information Request (IR) CAL.AG-139(b) from the 2001/2002 GRA, and did not reflect a related finding from Decision 2001-96. ATCO also suggested that the Board approved different reductions for Singlepoint (11.1%) and I-Tek (7.5%), and that the I-Tek costs passed through Singlepoint should be differentiated from other Singlepoint costs and therefore adjusted by the I-Tek reduction.

ATCO replied to intervener submissions regarding whether or not ATCO should be permitted to use the corrected forecast per IR CAL.AG-139(b). ATCO argued that the use of the corrected forecast was no different from other corrections filed during the proceedings.

ATCO submitted that, in Decision 2001-96, the Board reduced the \$4.2 million estimated increase in operating costs due to the high cost of energy by \$2 million in each of 2001 and 2002. Of the \$4.2 million, \$1.1 million was identified as relating to Singlepoint. ATCO submitted that the Board, therefore, had already reduced Singlepoint forecast costs by approximately \$500,000, based on a simple pro-rata. ATCO pointed out that it had incorporated that reduction into the compliance filing for Decision 2001-96.

ATCO replied to intervener submissions regarding the reduction to the Singlepoint forecast of \$500,000. ATCO stated that it was not merely attempting to substantiate a reduction to the costs disallowed by the Board, as suggested by parties. ATCO argued that the \$500,000 reduction related to the 'volume' aspect of its Singlepoint forecast, whereas the 11.1% reduction related to the Singlepoint 'pricing'. ATCO referred to the Board's letter dated July 29, 2002, denying the Review and Variance Application of ATCO Gas related to Decision 2001-96 wherein the Board stated that "... the Affiliate proceeding would deal only with the appropriateness of unit costs by Singlepoint and not consider issues relating to increases in activity and so forth. The Board's finding that it was appropriate to deal with this issue in the GRA, rather than the Affiliate proceeding, was well founded...".

ATCO noted that the Singlepoint charges contained certain charges for I-Tek that were pass-through amounts, and should be treated accordingly. ATCO suggested that Singlepoint did not add any kind of mark up to I-Tek processing and maintenance or system enhancement charges and as such they should not be reduced by 11.1%, but instead should only be reduced by the 7.5%. ATCO pointed out that this would be consistent with the treatment of rates payable to I-Tek, where the Board applied a reduction of 7.5% to reduce the entire I-Tek charges. ATCO indicated therefore that the processing and maintenance charges for Singlepoint had been adjusted by 7.5%, rather than by 11.1%.

ATCO replied to intervener submissions and noted that the Board at page 62 of the Affiliate Decision stated that it would "... use its own judgment to determine the appropriate reduction to the ATCO submitted pricing schedule to arrive at just and reasonable rates." ATCO argued that it was reasonable to reduce the flow-through I-Tek charges by 7.5% rather than by 11.1%.

## Views of the Interveners

AUMA disagreed with several aspects of ATCO's approach in the Compliance Filing. AUMA took issue with the use of the corrected forecast per IR CAL.AG-139(b), the allocation of any portion of the \$4.2 million operating cost reduction, and the differentiation between Singlepoint and I-Tek pass-through charges in the calculation of the reduction to Singlepoint charges.

AUMA submitted that while the change to the Singlepoint forecast as per CAL.AG-139(b) was minor in nature, the AUMA could not accept the proposed change without further substantiation.

AUMA also submitted that ATCO should not be permitted to adjust the reduction to Singlepoint charges for any portion of the costs disallowed in Decision 2001-96. AUMA argued that ATCO had selectively chosen certain components of the evidence in the Affiliate Proceeding, and the GRA in a convoluted attempt to substantiate a reduction in the amount of costs disallowed by the Board.

AUMA submitted that ATCO should not be permitted to reduce the I-Tek pass-through costs by 7.5% rather than the 11.1% reduction determined by the Board. AUMA suggested that the Board examined various reports submitted by ATCO and Interveners, but in the end the Board used its judgment to determine an 11.1% reduction. AUMA submitted that there did not appear to be any one single report, circumstance or event that formed the basis for the Board's determination of the 11.1% reduction.

AUMA argued that ATCO was attempting to reintroduce or reinterpret evidence, and that even if ATCO's position had merit, parties were not provided an opportunity to cross-examine witnesses or submit additional material.

Calgary submitted that ATCO violated the Board's order by adjusting the portion of the Singlepoint charges related to I-Tek pass-through costs by 7.5% rather than 11.1% as ordered. Calgary submitted that, in doing so, ATCO was granting itself a Review and Variance on the basis of new evidence, without going through the steps of a Review and Variance application. Calgary calculated that the impact for the two test years appeared to be \$621,100 based on the numbers from Decision 2002-069. Calgary provided a table supporting its calculation.

## Views of the Board

The Board does not consider ATCO's corrections to be a Review and Variance, nor does the Board consider the corrections to be reinterpreted evidence or new evidence. The Board directed ATCO to identify any inaccuracies in Table 16, and it appears to the Board that ATCO has done so.

The Board accepts ATCO's use of the corrected forecast for Singlepoint, as provided in CAL.AG-139(b). The Board notes ATCO submission that the IR was submitted during the proceedings, and that parties did not take issue with it.

The Board also accepts ATCO's proportional estimate of the 'volume' impact of the reduction to Singlepoint charges as per Decision 2001-96. The \$500,000 appears to have been calculated on a reasonable basis and is a reasonable interpretation of the \$4.2 million reduction to operating costs determined in Decision 2001-96. The Board notes that parties have expressed their

concerns with this approach, however the Board was quite clear in the denial of ATCO's request for a Review and Variance of Decision 2001-96 that it was adjusting for the 'volume' of the Singlepoint forecast in Decision 2001-96, and the Singlepoint pricing in the Affiliate Decision.

With respect to Singlepoint pricing, the Board notes that the Singlepoint pricing schedule (Table 2 to the Compliance Filing), and the breakdown of Singlepoint charges (Schedule A to CAL-ATCO.15 dated October 31, 2000) was part of the record for this proceeding.

The Board agrees that the 11.1% reduction to Singlepoint charges should not have been globally applied to the total Singlepoint charges. The Board considers that the focus of the 11.1% reduction determined in Table 15 (page 66 of the Affiliate Decision) was to be applied to Singlepoint charges (including computer operations and maintenance), but not to flow-through items such as the ATCO Electric bad debt amount.

However, the Board is not persuaded that the portion of Singlepoint charges that can be attributed as a pass through of I-Tek charges should be exempt from the 11.1% reduction directed for charges to Singlepoint. The comparison that provided the basis for the Board's decision, the Deloitte report, used escalated utility cost as the primary basis for the benchmark prices established for Singlepoint services. These utility costs included computer operations and maintenance. The Deloitte report, provided by ATCO, provided a comparison based on the overall price per customer for customer care and accounting services. Therefore, regardless of the Board's findings on the appropriate affiliate charges for I-Tek, the conclusion of the Board for Singlepoint was with regard to the overall cost per customer for customer care and accounting services, and the directed reduction of 11.1% on Singlepoint charges should be applied to all these Singlepoint items.

The Board notes ATCO's reference to pages 51 and 62 of the Affiliate Decision, and ATCO's view that the Board determined a reduction to the Singlepoint pricing schedule. However, as previously stated the Board clearly determined an overall reduction to the price per customer for customer care and accounting services.

### **2.3.5 Directions 14 – Signature Rights**

In the Affiliate Decision the Board acknowledged the withdrawal of amounts paid for signature rights and directed that any amounts paid be treated as a non-utility expense.

#### **Views of the Applicant**

ATCO reduced its revenue requirement for 2001 and 2002 by the amounts paid for signature rights.

#### **Views of the Interveners**

Parties did not express any concerns regarding ATCO's compliance with this direction.

#### **Views of the Board**

The Board considers that ATCO has complied with this direction.

### **2.3.6 Direction 17 – Transactions with Other Non-Regulated Affiliates**

In the Affiliate Decision the Board directed ATCO to summarize the amounts for all other affiliate transactions, by regulated utility, in a convenient tabular form.

#### **Views of the Applicant**

ATCO provided the requested information in the response to Direction 30.

#### **Views of the Interveners**

Parties did not express any concerns regarding ATCO's compliance with this direction.

#### **Views of the Board**

The Board considers that ATCO has complied with this direction.

### **2.3.7 Direction 25 – Corporate Cost Allocation Methodology**

In the Affiliate Decision the Board directed ATCO to continue using 2<sup>nd</sup> prior year data in its corporate cost allocation and, to the extent reasonably possible, reflect the corporate structure in place when there is a material change in circumstances.

#### **Views of the Applicant**

ATCO confirmed that the corporate cost allocation used to determine the 2001 and 2002 forecast of head office costs included an allocation to both Singlepoint and I-Tek.

#### **Views of the Interveners**

Calgary submitted that ATCO should be required to quantitatively demonstrate that the calculations in the original application included the allocations and that no adjustments were necessary.

#### **Views of the Board**

The Board considers that, for purposes of a compliance filing, ATCO has complied with this direction. Based on the Board's findings in the Affiliate Decision the Board expects that ATCO in future GRAs will provide sufficient information to substantiate its corporate cost allocations.

### **2.3.8 Direction 28 – Pension Costs**

In the Affiliate Decision the Board directed ATCO to confirm whether any changes were required with respect to Pension costs.

#### **Views of the Applicant**

ATCO submitted that no changes were required to the Pension costs included in the GRA Amounts.

#### **Views of the Interveners**

Parties did not express any concerns regarding ATCO's compliance with this direction.



## **Views of the Board**

The Board considers that ATCO has complied with this direction.

### **2.3.9 Direction 29 – Corporate Aircraft Allocation Methodology**

In the Affiliate Decision the Board directed ATCO to continue using the original method for allocating corporate aircraft charges, as set out in the Application, rather than using ATCO's revised methodology.

## **Views of the Applicant**

ATCO confirmed that it used the original methodology and that no changes were required in the Compliance Filing.

## **Views of the Interveners**

Calgary submitted that ATCO should be required to quantitatively demonstrate that the calculations in the original application included the allocations and that no adjustments were necessary.

## **Views of the Board**

The Board considers that, for purposes of a compliance filing, ATCO has complied with this direction.

### **2.3.10 Direction 30 – Compliance Filing Schedules**

In the Affiliate Decision the Board directed ATCO to submit a compliance filing with updated amounts for 2001 and 2002 arising from the Board's findings in the Affiliate Decision.

## **Views of the Applicant**

ATCO submitted a revised Table 5 listing the various ATCO GRA Amounts for 2001 and 2002. These amounts were also reflected in the 2001/2002 GRA Phase 1 Refiling, and the 2001 and 2002 Cost of Service studies.

## **Views of the Interveners**

Parties did not comment specifically on this direction, however they submitted that ATCO be directed to resubmit Table 5 based on the Board's final determinations.

## **Views of the Board**

The Board agrees that ATCO must resubmit Table 5 incorporating the Board's findings with respect to the Compliance Filing.

## **2.4 Compliance with Directions in Decision 2002-072**

### **2.4.1 Adjustment of Revenues from ATCO Midstream**

In Decision 2002-072, the Board directed ATCO to adjust the rate for the Uncontracted Capacity fees payable by ATCO Midstream from \$0.32¢/GJ to \$0.41¢/GJ.

## Views of the Applicant

ATCO indicated that, as storage revenue was not included in the 2002 revenue requirement, due to the implementation of the storage rider on April 1, 2002, the adjustment to storage revenue will be incorporated into the storage rider under separate cover at a future time. ATCO however, adjusted the 2001 revenue requirement to reflect the revision to the rate. In its submission dated October 25, 2002, ATCO explained the rationale for the adjustment to the 2001 storage revenue forecast, and indicated that the impact of the change to the 2002 storage revenue forecast would be reflected in the COSRR when the Compliance Filing decision has been received.

ATCO adjusted the working capital benefit related to the Compressor #6 deferred revenue to reflect the fact that nine months of this benefit is being provided under the Storage Service agreement effective April 1, 2001.

## Views of the Interveners

Calgary was unable to confirm ATCO's calculations of the 2001 test year adjustment. Specifically, Calgary questioned ATCO use of 11.1 PJ (January –March 2001) and the rate of \$0.173¢/GJ originally attributed to that time period

Calgary questioned ATCO's proposal to incorporate the 2002 adjustment of \$2,788,000 in the storage rider "under separate cover at a future time." Calgary did not consider that this approach was in compliance with Decision 2002-072. Calgary indicated that the Board's Order applied to 2002, and based on the calculations provided by ATCO, almost \$2,200,000 should have already been paid to ATCO to the end of September. Calgary submitted that the forecast amount should be credited in 2002, and not at some unspecified future time.

The AUMA noted ATCO's statement that the increased storage revenue, based on a fee of 0.41¢/GJ, will be incorporated into a storage rider under separate cover at a future time. The AUMA indicated that it required further detail regarding the timing of the "future filing" before commenting any further.

## Views of the Board

The Board notes the concerns of Calgary and the AUMA with respect to ATCO's proposal to incorporate the adjustment to the 2002 storage revenue forecast "under separate cover at a future time." While acknowledging ATCO's position that the adjustment should be incorporated into the COSRR, on the basis that 2002 storage revenue was dealt with through that process, the Board agrees with Calgary that the adjustment should be credited in 2002 and not at some unspecified future time. In this respect, the Board notes the commitment, in ATCO's October 25, 2002 submission, to reflect the impact of the change to the 2002 storage revenue forecast in the COSRR when the Compliance Filing decision has been received. Accordingly, the Board directs ATCO to file its proposal for revision to the COSRR as soon as practicable after this Decision is issued.

The Board has considered ATCO's calculation of the adjustments required to reflect the increase in the rate payable by Midstream from \$0.32/GJ to \$0.41/GJ as shown in the Compliance Filing. To confirm the adjustment for 2001, the Board referred to information filed in Table 5.9b of the GRA, which was part of the rolling record for the ATCO Carbon Transfer proceeding. For

information purposes the Board has provided the following table to indicate the calculation used by the Board to confirm ATCO’s adjustment:

**Table 1. Carbon Storage Revenues/Adjustment**

	(\$000)			
	1999 Actual	2000 Forecast	2001 Forecast	2001 EUB
ATCO Gas North	3,021	4,073	1,066	1,066
ATCO Midstream-Compressor #6 Prepayment	309	309	309	309
ATCO Midstream-Compressor #6 Annual Fee	240	233	58	58
ATCO Midstream-Uncontracted Capacity	1,283	1,766	480	14,282 <sup>2</sup>
ATCO Midstream-10-Year Lease	0	0	10,207	0
Third Parties	827	722	180	180
Total	5,680	7,103	12,300	15,895
2001 GRA adjustment			3,595	

In the column described as “2001 EUB”, the Board has restated the Storage Revenue on the basis that the 10-year lease to ATCO Midstream was withdrawn, and calculates that the adjustment to the 2001 forecast revenues is in agreement (with allowance for round-off) with the adjustment calculated by ATCO.

The Board agrees that ATCO’s calculation of the adjustment for 2001 appears reasonable and considers that ATCO has complied with the Board’s direction.

With respect to the adjustment calculated by ATCO for 2002, the Board acknowledges that the adjustment was not incorporated into the GRA, as discussed above. However, the Board notes that ATCO has not accounted for the “Prepayment” and “Annual Fee” for Compressor #6 in the calculation of the 2002 adjustment. Accordingly, the Board requests that, in its proposal for revision to the COSRR, as discussed above, ATCO confirm how the “Prepayment” and “Annual Fee” for Compressor #6 have been accounted for.

#### **2.4.2 Reduction of Amount Payable to ATCO Midstream for Gas Storage Services**

In Decision 2002-072, the Board directed ATCO to reduce the payment for gas storage services to ATCO Midstream for the 2001/2002 storage year by \$237,500.

#### **Views of the Applicant**

ATCO adjusted the GRA forecasts for the test years in response to this direction.

#### **Views of the Interveners**

Parties did not express any concerns regarding ATCO’s compliance with this direction.

#### **Views of the Board**

The Board considers that ATCO has complied with this direction.

<sup>2</sup> (11.1 PJ X \$0.41 X 3/12) + (43.5 PJ X \$0.41 X 9/12) – (\$309,000 X 9/12)

## **2.5 Other Items**

### **2.5.1 Collection of Revenue Shortfall**

In Decision 2002-050, the Board approved ATCO's proposal to collect a combined revenue shortfall of \$15.742 million for the test years over the period from June 1, 2002 to December 31, 2002.

#### **Views of the Applicant**

In the Compliance Filing, ATCO revised the combined shortfall to \$6.142 million after giving effect to the Board directions in Decision 2002-050, Decision 2002-069 and Decision 2002-072.

#### **Views of the Interveners**

Calgary noted that in the previous compliance filing dealing with the directions from Decision 2001-96, the shortfall for the test years was shown as \$15.742 million, and pointed out that the combined shortfall is now \$6.142 million as reflected in the Compliance Filing.

Calgary estimated that, with such a significant reduction, the shortfall should be collected by the end of October 2002, rather than by the end of December. Calgary submitted that ATCO should be directed to provide an update to the calculation of the revenue shortfall collection, together with information on when the shortfall collection rider should have terminated, and appropriate details of the proposals for dealing with any over-collection. Calgary provided a table setting out its calculation of the potential over collection.

#### **Views of the Board**

The Board notes that the revisions to the revenue requirement for the test years as reflected in the Compliance Filing have resulted in a significant reduction in the combined revenue shortfall for the test years. The Board agrees with Calgary that, given the potential for over-collection of the shortfall through the existing shortfall rider, ATCO should provide an update to the calculation of the revenue shortfall collection.

The Board recognizes that the directions in this Decision will require further revisions to ATCO's revenue requirement and revenue shortfall for the test years, resulting in the need for ATCO to submit a second compliance filing. Accordingly, the Board directs ATCO, in the second compliance filing, to incorporate an update to the calculation of the revenue shortfall collection, and a proposal for a credit rider or a one-time refund to deal with any related over-collection.

## **3 SUMMARY OF BOARD 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. Notwithstanding the above, the Board considers that the Company must comply with Directions 3, 11, 13, 14, 17, 18, 22, 23, 24, 27, and 29A at the next GRA or as otherwise directed by the Board. As mentioned previously, the onus is on the Company to comply with all directions contained in the body of the Affiliate Decision, whether or not they are listed herein..... 2
2. The Board therefore directs ATCO to revise the 2002 revenues and revenue requirement to reflect the impact of full year forecast of the penalty revenues, bad debts and other gas supply related costs transferred to the GCRR. While the Board acknowledges that this will ensure consistency with the treatment of Midstream storage revenue, the Board considers that, to achieve consistency between the treatment in the GRA and the GCRR, the 2002 forecast amounts for penalty revenue, bad debt and other gas supply related costs need to be collected/refunded to customers through the GCRR over the nine month period to December 31, 2002. Accordingly, the Board directs ATCO to file its proposal for collection/refund of the full year 2002 forecasts for penalty revenues, bad debts and other gas supply related costs by way of a one-time adjustment to the GCRR at the earliest opportunity. .... 4
3. Accordingly, the Board’s direction in the Affiliate Decision as set out in Table 9-11 stands and ATCO is directed to make a further compliance filing in respect of any amendments required in respect to the 2001 and 2002 test years. .... 8
4. However, the Board is not persuaded that the portion of Singlepoint charges that can be attributed as a pass through of I-Tek charges should be exempt from the 11.1% reduction directed for charges to Singlepoint. The comparison that provided the basis for the Board’s decision, the Deloitte report, used escalated utility cost as the primary basis for the benchmark prices established for Singlepoint services. These utility costs included computer operations and maintenance. The Deloitte report, provided by ATCO, provided a comparison based on the overall price per customer for customer care and accounting services. Therefore, regardless of the Board’s findings on the appropriate affiliate charges for I-Tek, the conclusion of the Board for Singlepoint was with regard to the overall cost per customer for customer care and accounting services, and the directed reduction of 11.1% on Singlepoint charges should be applied to all these Singlepoint items..... 11
5. The Board agrees that ATCO must resubmit Table 5 incorporating the Board’s findings with respect to the Compliance Filing. .... 13
6. The Board notes the concerns of Calgary and the AUMA with respect to ATCO’s proposal to incorporate the adjustment to the 2002 storage revenue forecast “under separate cover at a future time.” While acknowledging ATCO’s position that the adjustment should be incorporated into the COSRR, on the basis that 2002 storage revenue was dealt with through that process, the Board agrees with Calgary that the adjustment should be credited in 2002 and not at some unspecified future time. In this respect, the Board notes the commitment, in ATCO’s October 25, 2002 submission, to reflect the impact of the change to the 2002 storage revenue forecast in the COSRR when the Compliance Filing decision has been received. Accordingly, the Board directs ATCO to file its proposal for revision to the COSRR as soon as practicable after this Decision is issued..... 14
7. With respect to the adjustment calculated by ATCO for 2002, the Board acknowledges that the adjustment was not incorporated into the GRA, as discussed above. However, the Board notes that ATCO has not accounted for the “Prepayment” and “Annual Fee” for Compressor

#6 in the calculation of the 2002 adjustment. Accordingly, the Board requests that, in its proposal for revision to the COSRR, as discussed above, ATCO confirm how the “Prepayment” and “Annual Fee” for Compressor #6 have been accounted for. .... 15

8. The Board recognizes that the directions in this Decision will require further revisions to ATCO’s revenue requirement and revenue shortfall for the test years, resulting in the need for ATCO to submit a second compliance filing. Accordingly, the Board directs ATCO, in the second compliance filing, to incorporate an update to the calculation of the revenue shortfall collection, and a proposal for a credit rider or a one-time refund to deal with any related over-collection. .... 16

#### 4 ORDER

IT IS HEREBY ORDERED THAT:

- (a) No later than December 13, 2002, ATCO Gas South shall submit a second compliance filing to adjust the revenue requirement for the test years to reflect the impact of Board directions in this Decision.
- (b) No later than December 13, 2002, ATCO Gas South shall file a proposal for collection/refund of the full year 2002 forecast penalty revenues, bad debts and other gas supply-related costs by way of a one-time adjustment to the GCRR.
- (c) No later than December 13, 2002, ATCO Gas South shall file a proposal for revision to the COSRR to reflect the impact of the adjustment to \$0.41/GJ in the rate for use of Uncontracted Capacity at the Carbon Storage facility for the 2002/2003 storage year.

Dated in Calgary, Alberta on November 19, 2002.

**ALBERTA ENERGY AND UTILITIES BOARD**

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

C. Dahl Rees  
Acting Member

Michael J. Bruni, Q.C.  
Acting Member