

THE PROVINCE OF ALBERTA

GAS UTILITIES ACT

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of Gas Cost
Recovery Rate Adjustments for
ATCO Gas – South, a Division of
ATCO Gas and Pipelines Ltd.

ORDER U2001-001

Application No. 2000367
File No. 5626-45

The Alberta Energy and Utilities Board (the EUB), pursuant to Section 50(1) of the *Public Utilities Board Act*, R.S.A. 1980, c. P-37, herein grants to ATCO Gas – South, (referred to herein as ATCO GS), a division of ATCO Gas and Pipelines Ltd., an interim increase in its Gas Cost Recovery Rate (GCRR) for both the winter and summer periods. GCRRs are determined separately for winter and summer periods and are included in ATCO GS' rate schedules as Rider "F", which is applicable to all sales service rates for the recovery of natural gas costs. A winter period includes the months of November through March and a summer period includes the months of April through October.

THE APPLICATION

By letters dated December 22, 2000 and January 19, 2001, ATCO GS submitted applications (collectively referred to herein as the Application) to the EUB with proposals for adjustments to Rider "F". ATCO GS advised the EUB that it provided copies of these proposals to the interested parties that would normally participate in proceedings used to determine a GCRR for their comments. These parties represented active intervenor groups, institutional and industrial customers, producers, marketers, municipalities and others, a list of which was provided with its letter of December 22, 2000. The Application of January 19, 2001 set out two options for the amendment to the GCRR. One option was for an adjustment to the winter period GCRR, while the second option allowed for an annualized GCRR that combined winter and summer periods and covered a period from January 24, 2001 to January 31, 2002, inclusive. Under this option, ATCO GS requested that its GCRR in effect for the winter period be increased by \$3.318/gigajoule (GJ) from \$6.496/GJ approved on an interim refundable basis in Order U2000-307, dated October 27, 2000 to \$9.814/GJ. It also requested this rate apply to the summer period, increasing that rate by \$4.229/GJ from \$5.585/GJ approved on an interim refundable basis in Order U2000-225, dated June 23, 2000. Included in the annualized GCRR were financing

January 24, 2001

charges amounting to \$0.088/GJ that ATCO GS estimated would be the costs of borrowing required for the purchase of gas supplies over the extended period.

Subsequently, by letter dated January 23, 2001, ATCO GS applied for approval of the annualized GCRR on an interim refundable basis.

ATCO GS advised that since the forecast date of its initial 2000/2001 winter period application the forward market view for winter gas prices has increased by approximately 55% and, without the adjustment, it projected an under-recovery of gas costs at March 31, 2001 of approximately \$213 million. It estimated that a GCRR of \$14.559/GJ, being an increase of \$8.063/GJ, would be required to recover the deficiency by the end of the 2000/2001 winter period. It stated that the proposed annualized GCRR would help mitigate the amount of the increase that would otherwise be required by extending the recovery of gas costs over a longer period and permit recovery of gas balances by January 31, 2002.

ATCO GS provided information showing the increases in the forward market price for natural gas that have occurred since it first applied for the 2000/2001 winter period GCRR and developed its GCRR proposals based on forward market prices on January 5, 2001. Calculation of the GCRR is attached hereto as Appendix 1.

The Application was filed in accordance with a previous direction issued by the EUB in respect of ATCO GS' deferred gas account (DGA) procedures, under which natural gas supply costs incurred are reconciled with amounts recovered through the GCRR for each of the winter and summer periods. The purpose of the DGA is to account for and give effect only to over or under recoveries of the cost of natural gas and to provide evidence that ATCO GS' customers pay neither more nor less than the actual cost of natural gas incurred by it. With the objective to minimize the balance in each of the winter and summer period DGAs, the EUB directed that ATCO GS should apply to the EUB for an adjustment in its GCRR should a significant change in gas supply costs occur during a period. The EUB specified that the tolerance level for the determination of mid-period adjustments should be, relative to forecasted natural gas costs in its last application regarding the applicable winter or summer period GCRR, the greater of $\pm 3\%$ or $\pm \$2,000,000$.

EUB FINDINGS

Ordinarily the EUB would require timely public notice of an application and consider representations from interested parties before issuing an order on a matter. However, the EUB considers the Application to be urgent, given ATCO GS' projected DGA deficit that would otherwise occur in light of the significant increase in the market price for natural gas since the beginning of the 200/2001 winter period. Consequently, the EUB considers it appropriate to deal expeditiously with the Application.

Nonetheless, the EUB recognizes that there are new and unresolved issues pertaining to ATCO GS' proposed annualized GCRR and related DGA procedures and notes the objections and concerns received from the City of Calgary, the CCA, the AIPA, and Enron. Therefore the

EUB will conduct a proceeding in February 2001 to deal with these issues and other relevant submissions, if any, from interested parties that may consequently arise.

Additionally, the City of Calgary raised concerns specific to this interim application. Of the concerns raised by Calgary, three related to procedural matters and in the Board's estimation are not substantive enough to convince the Board to deny approval of the Application on an interim refundable basis. The fourth concern related specifically to interim approval of the Application. The City argued that approval of the annualized rate would lead to continuing under recoveries of gas costs, which would make subsequent approval of a mid-season adjustment to the winter GCRR "unpalatable". While the Board understands this concern, it believes the best course of action is to approve the annualized rate on an interim refundable basis, thereby reducing the under-collections accumulating in the DGA. The Board is also taking immediate steps to convene a hearing to allow for full review of both rate options included in the Application. In the meantime the approval of the annualized rate on an interim basis will allow the Company to partially recover the under-collection of gas costs, thereby mitigating the impact of any final rate adjustment.

The EUB consequently considers that interim approval is in the public interest, in that it will serve to mitigate future rate shock by decreasing the deficit amounts accumulating in the DGA. Therefore, the EUB will grant approval of the request made by ATCO GS for increases in the GCRR on an interim refundable basis.

THEREFORE, it is hereby ordered that:

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

- (1) A winter period Gas Cost Recovery Rate of \$9.814/GJ and a summer period Gas Cost Recovery Rate of \$9.814/GJ shall be effective for all consumption on and after January 24, 2001 to January 31, 2002, inclusive, on an interim refundable basis, based on actual or estimated meter readings, unless otherwise changed by the EUB.
- (2) Rider "F", set out in Schedule "A" attached to and forming part of this Order, is hereby fixed and approved on an interim refundable basis as the Gas Cost Recovery Rate applicable to all sales service rates effective on all metered or estimated consumption on and after January 24, 2001.

Dated in Calgary, Alberta on January 24, 2001.

ALBERTA ENERGY AND UTILITIES BOARD

January 24, 2001

Effective on an Interim Refundable Basis by Order U2001-001
On Consumption On and After January 24, 2001
This Replaces Rider "F"
Previously Effective November 1, 2000

SCHEDULE "A"

**ATCO GAS – SOUTH
ADIVISION OF ATCO GAS AND PIPELINES LTD.
SCHEDULE OF RATES, TOLLS AND CHARGES**

**RIDER "F" TO ALL SALES SERVICE RATES
FOR THE RECOVERY OF GAS COSTS**

To be applied to the energy sold to all sales service rates unless otherwise specified by specific contracts.

The recovery of Gas Costs is subject to reconciliation based on actual experienced Gas Costs as approved by the Alberta Energy and Utilities Board.

Gas Cost Recovery Rate:

The Gas Cost Recovery Rate for the period
January 24, 2001 to January 31, 2002 shall be

\$9.814 per GJ

APPENDIX 1

ATCO GAS – SOUTH
A DIVISION OF ATCO GAS AND PIPELINES LTD.

Adjusted Gas Cost Recovery Rate
Effective January 24, 2001

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Amount</u>
1	Cumulative forecast summer period DGA deficit balance, January 31, 2001	\$,000	1,537
2	Cumulative forecast winter period DGA deficit balance, January 31, 2001	\$,000	108,538
3	Cumulative forecast combined DGA deficit balances, January 31, 2001	\$,000	110,075
4	Net gas cost forecast February 1, 2001 to January 31, 2002	\$,000	806,919
5	Net gas supply expense (line 4 plus line 3)	\$,000	916,994
6	Transition costs	\$,000	-
7	Excess sales revenue	\$,000	-
8	Exchange service	\$,000	-
9	Storage arbitrage sales	\$,000	8,247
10	Net gas cost recovery, February 1, 2001 to January 31, 2002 (line 5 less lines 6 to 9)	\$,000	908,747
11	Forecast sales, January 24, 2001 to January 31, 2002	TJ	93,432
12	Forecast transportation imbalance sales	TJ	-
13	Adjusted sales (line 1 plus 1.3 x line 6)	TJ	93,432
14	GCCR before financing recovery (line 10 divided by line 13)	\$/GJ	9.726
15	Total financing costs	\$,000	8,172
16	GCCR component for financing recovery (line 15 divided by line 13)	\$/GJ	0.088
17	Total adjusted GCCR, effective January 24, 2001 to January 31, 2002	\$/GJ	9.814