

THE PROVINCE OF ALBERTA

GAS UTILITIES ACT

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of a Gas Cost Recovery
Rate for the 2001 Summer Period for
ATCO Gas – North, a Division of ATCO
Gas and Pipelines Ltd.

ORDER U2001-061

Application No. 2001090
File No. 5627-41

The Alberta Energy and Utilities Board (the Board or EUB), pursuant to Section 50(1) of the *Public Utilities Board Act*, R.S.A. 1980, c. P-37, herein exercises its discretion to grant to ATCO Gas – North, (referred to herein as AGN), a Division of ATCO Gas and Pipelines Ltd., a Gas Cost Recovery Rate (GCRR) for the 2001 summer period applicable to Option B customers. Pursuant to Decision 2001-16, dated February 28, 2001, Option B customers refer to those customers in AGN's sales service rates other than Rate 1 and the University of Alberta. GCRRs are determined separately for summer and winter periods and are included in AGN's rate schedules as Rider "F", attached as Schedule "A" to this Order, which is applicable to all sales service rates for the recovery of natural gas costs. A summer period includes the months of April through October and a winter period includes the months of November through March.

THE APPLICATION

By letter dated March 21, 2001, AGN filed an application (the Application) with the EUB for approval of a proposed 2001 summer period GCRR of \$6.093/gigajoule (GJ) for Option B customers, effective April 1, 2001. The proposed 2001 summer period GCRR is \$4.429/GJ less than the last approved 2000/2001 winter period GCRR of \$10.522/GJ and \$0.320/GJ greater than the last approved 2000 summer period GCRR of \$5.773/GJ. Determination of the summer period GCRR is set out in Appendix 1.

AGN advised in the Application that it had distributed the analysis of the determination of its proposed 2001 summer period GCRR to active intervenors and stated that it believed it had support from these intervenors for the Application. It provided copies of responses from intervenors.

In Decision 2001-16 the EUB approved a one month extension to the 2000/2001 winter period for AGN because of significant amounts of gas costs it had forecasted to be under-recovered from Option B customers by the normal end of that period on March 31, 2001. However, by

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letter dated March 22, 2001 AGN advised the EUB that it now anticipated the recovery of winter period costs would occur by the end of March 2001.

DEFERRED GAS ACCOUNT (DGA) PROCEDURES

The Application was filed in accordance with the procedures approved in previous decisions by the EUB respecting AGN's DGA and the reconciliation of gas supply costs, under which customers are charged with the actual cost of gas supplies experienced by AGN. AGN has been making separate applications for each GCRR applicable to its winter and summer periods.

The DGA procedures have been set up by the EUB to account for AGN's gas supply costs. These procedures permit recovery of AGN's gas commodity costs so as to ensure that customers pay neither more nor less than the cost of gas actually incurred by AGN. While these procedures provide that customers pay only the actual gas costs, they have the effect, also, of providing that the shareholder of AGN does not lose or gain as a result of price fluctuations in gas supply costs.

The proposed GCRR is calculated by adding the balance in the DGA at October 31 of the preceding summer period to the gas costs forecast for the upcoming summer period and dividing the result by the forecast summer period gas sales volume. Including the DGA balance from the previous summer period ensures that any cumulative under-/over-recovery from that period will be collected/refunded in the upcoming summer period, if the weather is normal and actual sales equal forecast sales.

In practice, actual cumulative gas costs may vary considerably from gas cost recoveries, particularly at times when prices for natural gas experience volatility in the market place. With the objective of minimizing DGA balances, the EUB has directed that, should a significant change in gas supply costs occur during a period, AGN should apply to the EUB for an adjustment to the GCRR. The EUB specified the tolerance level that AGN should use to determine when to apply to adjust its GCRR to be the greater of $\pm 3\%$ or $\pm \$2$ million, relative to the gas costs forecast for the particular period. Adjustments to AGN's GCRRs were approved by the EUB on an interim refundable basis three times during the 2000 summer period and twice during the 2000/2001 winter period.

AGN provided a reconciliation of its 2000 summer period DGA and documentation describing its forecast purchases and sales of natural gas in its application for a 2000/2001 winter period GCRR adjustment, dated January 19, 2001, that led to Decision 2001-16. AGN's reconciliation of actual gas costs and actual gas cost recoveries for the 2000 summer period resulted in gas costs being under-recovered for that period by \$368,000. With the opening deficit balance of \$2,235,000, the cumulative deficit balance in the DGA amounted to \$2,603,000 at October 31, 2000 and is reflected in the calculation of the proposed summer period GCRR, effective April 1, 2001.

EUB FINDINGS

The EUB's statutory mandate requires that it fix just and reasonable rates for the regulated utilities under its jurisdiction. In this regard, one of AGN's major costs for the EUB to consider is the acquisition of adequate supplies of gas to provide reliable service to its customers.

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The EUB has reviewed the materials and documentation provided by AGN in the Application. Ordinarily, the EUB would require timely public notice of an application and take into account representations that it may receive from interested parties before issuing an order on a matter. However, the EUB notes that AGN distributed copies of its proposal to the active intervenors that represent customers and that would normally participate in the examination process involving the setting of a GCRR, which in this instance provides some degree of public notice. The EUB also notes that no objections were received from the active intervenors, although certain of them made their acceptance conditional on the resolution of outstanding issues pertaining to AGN's GCRRs that are to be reviewed in upcoming EUB proceedings.

AGN has proposed to commence the summer season on April 1, 2001 rather than extending the winter period through to April 30, 2001 as approved by the Board in Decision 2001-16. The EUB notes that the winter costs in the DGA are forecast to be recovered by the end of March 2001 therefore the EUB considers it reasonable to commence the summer GCRR on April 1, 2001 as this is the normal course. Further, the EUB considers that the urgency of the Application is a contributing reason for it to deal expeditiously with the Application. Therefore, the EUB will grant approval on a continuing interim refundable basis of the proposed 2001 summer GCRR of \$6.093/GJ for Option B customers.

ORDER

THEREFORE, it is hereby ordered that:

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

- (1) For customers in sales service rate classes other than Rate 1 and the University of Alberta, a Gas Cost Recovery Rate of \$6.093/GJ shall be effective on an interim refundable basis for all consumption on and after April 1, 2001, based on actual or estimated meter readings.
- (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 April 1, 2001.

Dated in Edmonton, Alberta on March 28, 2001.

ALBERTA ENERGY AND UTILITIES BOARD

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Effective on an Interim Refundable Basis by Order U2001-061
On Consumption On and After April 1, 2001
This Replaces Rider "F"
Previously Effective March 1, 2001

SCHEDULE "A"

**ATCO GAS – NORTH
A DIVISION 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:

For Sales Service Customers in Rate 1 and the University of Alberta, the Gas Cost Recovery Rate shall be:

For the period January 24, 2001 to January 31, 2002 \$8.772 per GJ

For Sales Service Customers other than in Rate 1 and the University of Alberta, the Gas Cost Recovery Rate shall be:

November 1 to March 31 \$5.773 per GJ
April 1 to October 31 \$6.093 per GJ

APPENDIX 1

**ATCO GAS – NORTH
A DIVISION OF ATCO GAS AND PIPELINES LTD.**

**Option B
2001 Summer Period Gas Cost Recovery Rate
Effective April 1, 2001**

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Amount</u>
1	Net gas cost forecast	\$,000	219,016
2	Adjusted opening DGA deficit balance	\$,000	2,603
3	Net gas supply expense (line 1 plus line 2)	\$,000	221,619
4	Recovery of margin	\$,000	105
5	Net gas supply expense and recovery of margin (line 3 plus line 4)	\$,000	221,724
6	Transition cost	\$,000	-
7	Excess sales revenue	\$,000	47
8	Exchange service	\$,000	350
9	Balancing charges	\$,000	-
10	Total gas costs to be recovered (line 5 less lines 6 - 9)	\$,000	221,327
11	Forecast summer period sales	TJ	36,326
12	Forecast transportation imbalance sales	TJ	-
13	Adjusted sales (line 11 plus 1.3 x line 12)	TJ	36,326
14	2001 Summer period GCRR (line 10 divided by line 13)	\$/GJ	6.093