

**THE PROVINCE OF ALBERTA**

**GAS UTILITIES ACT**

**ALBERTA ENERGY AND UTILITIES BOARD**

IN THE MATTER of a Gas Cost  
Recovery Rate for the Summer  
Period, Effective April 1, 2001, for  
AltaGas Utilities Inc.

**ORDER U2001-064**

**Application No. 2001067**  
**File No. 5628-38**

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**THE APPLICATION**

By letter dated March 2, 2001, AltaGas Utilities Inc. (AltaGas) submitted an application (the Application) to the Alberta Energy and Utilities Board (the EUB) for approval of a proposed summer period Gas Cost Recovery Rate (GCRR) of \$7.698/gigajoule (GJ), effective April 1, 2001. Effective April 1, 2001, Bonnyville Gas Company Limited (Bonnyville), a wholly-owned subsidiary of AltaGas, will be merged with AltaGas, which will become the successor corporation (refer to Decision 2001-24, dated March 28, 2001). The proposed GCRR will apply to the successor corporation.

The GCRR for the summer period is included in AltaGas' rate schedules as Rider "D", attached as Schedule "A" to this Order, which is applicable to all sales service rates for the recovery of gas costs. To support the implementation of the proposed summer period GCRR, AltaGas provided a reconciliation of its 2000 summer period Deferred Gas Account (DGA), combined with that of Bonnyville, and information describing its forecast purchases and sales of natural gas. The proposed GCRR of \$7.698/GJ is \$3.273/GJ less than the last approved 2000/2001 winter period GCRR of \$10.971/GJ and \$2.038/GJ higher than the last approved 2000 summer period GCRR of \$5.660/GJ. In respect of Bonnyville, the proposed GCRR is \$4.197/GJ less than the last approved 2000/2001 winter period GCRR of \$11.895/GJ and \$2.239/GJ higher than the last approved 2000 summer period GCRR of \$5.459/GJ. Details of the calculation of the proposed summer period GCRR are presented in Appendix 1, attached to this Order.

The EUB published Notice for Objections to the Application in the daily newspapers having a general circulation in AltaGas' service areas and in the weekly newspaper published in Bonnyville's service area. The Notice was also served on the interested parties and consumer groups to whom AltaGas had previously distributed its proposals for their comments. These parties were the participants in the negotiated settlement process also used by AltaGas and

March 28, 2001

Bonnyville in determining their last approved winter period GCRRs. The EUB received no objections pursuant to the published notice.

## **DGA PROCEDURES**

The Application was filed in accordance with the procedures approved in previous decisions by the EUB respecting AltaGas' DGA and the reconciliation of its natural gas supply costs and gas cost recoveries, under which customers are charged with the actual cost of gas supplies experienced by AltaGas. The DGA procedures permit recovery of AltaGas' gas commodity costs so as to ensure that customers pay neither more nor less than the cost of gas actually incurred by it. The procedures also have the effect of providing that the shareholder of AltaGas neither loses nor gains as a result of price fluctuations in gas supply costs.

Both AltaGas and Bonnyville have been making separate applications for each GCRR applicable to their winter and summer periods. The summer period includes the months of April through October and the winter period includes the months of November through March.

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, AltaGas should apply to the EUB for an adjustment to the GCRR. The EUB specified the tolerance level that AltaGas should use to determine when to apply to adjust its GCRR to be the greater of  $\pm 3\%$  or  $\pm \$750,000$ , relative to the total gas costs for the particular period. AltaGas and Bonnyville each made two applications to the EUB for adjustments during the 2000 summer period, which resulted in their GCRRs being increased by an aggregate of \$2.180/GJ and 1.967/GJ, respectively. Similarly, each made one application to the EUB for an adjustment during the 2000/2001 winter period, which resulted in their GCRRs being increased by \$4.159/GJ and 4.864/GJ, respectively.

A reconciliation of actual gas costs and gas cost recoveries for AltaGas and Bonnyville for the 2000 summer period resulted in gas costs being under-recovered for that period by a total of \$413,831. With combined opening deficit balances of \$309,775, the cumulative deficit balances in their DGAs aggregated \$723,606 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 AltaGas' major costs for the EUB to consider is the acquisition of adequate supplies of gas to provide reliable service to its customers.

The EUB notes that no objections to the Application were received by March 23, 2001, the date specified in the published Notice for Objections. The EUB also notes that the GCRR charged to customers is based on market prices that AltaGas pays for natural gas and does not include a mark-up to that price.

On the basis of its review of the documentation provided in the Application, the EUB considers that the actual gas costs incurred by AltaGas and Bonnyville during the 2000 summer period were reasonable and consistent with market conditions which existed over that period and accepts the combined reconciliation of the 2000 summer period DGAs for AltaGas and Bonnyville. The EUB also accepts as reasonable AltaGas' forecast of gas costs for the upcoming summer period and approves the proposed summer period GCRR of \$7.698/GJ, effective April 1, 2001.

## **ORDER**

THEREFORE, it is hereby ordered that:

For AltaGas Utilities Inc.:

Rider "D", as set out in Schedule "A" attached to and forming part of this Order, is hereby fixed and approved 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**

March 28, 2001

**SCHEDULE "A"**

Effective By Order U2001-064  
On Consumption On and After April 1, 2001  
This Replaces Rider "D"  
Previously Effective January 1, 2001

**ALTAGAS UTILITIES INC.**

**RIDER "D" 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:

November 1 to March 31	\$6.812 per GJ
April 1 to October 31	\$7.698 per GJ

## APPENDIX 1

## ALTAGAS UTILITIES INC.

Determination of Summer Period Gas Cost Recovery Rate  
Effective April 1, 2001

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Value</u>
1	Combined prior summer period DGA under-recoveries, AltaGas and Bonnyville	\$	723,606
2	Net gas cost forecast	\$	36,204,720
3	Net gas supply expense	\$	Line 1 plus line 2 36,928,326
4	Forecast summer period sales	GJ	4,839,459
5	Summer period GCRR excluding line loss	\$/GJ	Line 3 divided by line 4 7.631
6	Summer period GCRR	\$/GJ	Line 5 times 100.88% 7.698