

**THE PROVINCE OF ALBERTA**

**GAS UTILITIES ACT**

**ALBERTA ENERGY AND UTILITIES BOARD**

IN THE MATTER of a Gas Cost Recovery Rate Adjustment for the 2001/2002 Winter Period for ATCO Gas – North, a Division of ATCO Gas and Pipelines Ltd.

**ORDER U2001-448**

**Application No. 1251306**  
**File No. 5627-45**

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**THE APPLICATION**

By letter dated December 12, 2001, ATCO Gas – North (AGN), a Division of ATCO Gas and Pipelines Ltd., filed an application (the Application) with the Alberta Energy and Utilities Board (the Board) for approval to increase its Gas Cost Recovery Rate (GCRR) for the 2001/2002 winter period. A winter period includes the months of November through March.

AGN requested that the GCRR be adjusted to \$3.537/GJ, effective January 1, 2002, an increase of \$0.401/gigajoule (GJ) from its last approved GCRR of \$3.136/GJ set in Decision 2001-80, dated October 30, 2001. AGN advised that the proposed increase arose because of an increase in the market prices for gas forecast relative to those previously used for the winter period and a reduction in company-owned production (COP). The reduction in COP, beginning January 1, 2002, will occur mainly as a result of the sale of the petroleum and natural gas assets in the Viking Kinsella field by ATCO Gas and Pipelines Ltd.<sup>1</sup> AGN forecast that its deferred gas account (DGA) would be under-recovered by approximately \$19 million at March 31, 2002 without the increase in the GCRR. Determination of the proposed increase in the GCRR is set out in Appendix 1.

AGN stated that it distributed a copy of the supporting information for the GCRR increase to the North Core Committee (the NCC),<sup>2</sup> a group of customer representatives that actively participates in AGN's proceedings. AGN provided a copy of the NCC's consent letter with the Application.

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<sup>1</sup> Refer to Decision 2001-104, dated December 11, 2001

<sup>2</sup> Ibid., refer to Appendix 1 for a list of the members of the NCC

December 14, 2001

## DGA PROCEDURES

The Application was filed in accordance with a previous direction issued by the Board in respect of procedures to be followed by AGN in reconciling its DGAs. With the objective of keeping DGA balances to a minimum, the Board previously directed that AGN should apply to the Board for an adjustment in its GCRR, and consequently its DGA, should a significant change in gas supply costs occur during a period.

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

Revised procedures to be used in the determination of a GCRR by a gas utility subject to the Board's jurisdiction take effect April 1, 2002. These procedures were set out in Decision 2001-75, dated October 30, 2001.

## BOARD FINDINGS

The Board's statutory mandate requires that it fix just and reasonable rates for the regulated utilities under its jurisdiction. Ordinarily, the Board 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 Board notes that AGN distributed a copy of its proposal to the NCC, a group that would normally participate in the examination process involving the setting of a GCRR. The Board understands that the NCC represents the majority of AGN's customers and, therefore, considers that the distribution, in this instance, provides a useful degree of public notice. Further, the Board notes that the NCC provided its acceptance for the proposed increase in the GCRR. Accordingly, the Board, pursuant to section 50(1) of the *Public Utilities Board Act*, R.S.A. 1980, c. P-37, herein exercises its discretion to deal with the Application as if due notice had been given to all interested parties.

The Board recognizes that AGN was previously directed to inform the Board of significant changes in its forecasts of gas costs and gas cost recoveries for the period in effect and make timely applications for adjustments that would affect the DGA. The Board notes that the projected under-recovery in the 2001/2002 winter period has resulted mainly from an increase in forecast gas prices due to market fluctuations and, to a lesser extent, the reduction in COP. Although the loss of COP causes an increase in AGN's gas supply costs, the Board also notes that AGN will soon be making a distribution of proceeds from the sale of the assets concerned to its customers to help mitigate the increase in those costs in the future. The Board therefore considers that AGN has acted properly in making the Application.

The Board considers that the proposed increase in the 2001/2002 winter period GCRR will assist AGN in minimizing the balance in the DGA accordingly and that allowing the adjustment to proceed in this manner is in the interest of both the customers and AGN. However, the Board notes that an issue affecting the DGA of the 2000/2001 winter period is currently being reviewed

in another proceeding. Therefore, as the closing balance in the previous winter period DGA affects the current winter period DGA, the Board will grant approval of the request made by AGN for an increase in its GCRR on an interim refundable basis, pending determination of a final GCRR for the period.

THEREFORE, it is hereby ordered that:

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

- (1) A Gas Cost Recovery Rate of \$3.537/GJ shall be effective on an interim refundable basis for all consumption on and after January 1, 2002 to March 31, 2002, based on actual or estimated meter readings, unless otherwise changed by the Board.
- (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 1, 2002.

Dated in Edmonton, Alberta on December 14, 2001.

*(original signed by B. Torrance)*

**ALBERTA ENERGY AND UTILITIES BOARD**

Effective on an Interim Refundable Basis by Order U2001-448  
On Consumption On and After January 1, 2002  
This Replaces Rider "F"  
Previously Effective November 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:

November 1, 2001 to March 31, 2002 \$3.136 per GJ

The Gas Cost Recovery Rate shown above shall be increased for the period  
January 1, 2002 to March 31, 2002 by \$0.401 per GJ

## APPENDIX 1

ATCO GAS – NORTH  
A DIVISION OF ATCO GAS AND PIPELINES LTD.Gas Cost Recovery Rate  
Effective January 1, 2002

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Amount</u>
1	Forecast gas cost recoveries, November 1, 2001 to March 31, 2002, without adjustment to the GCRR	\$000	238,205
2	Total revised gas costs forecast to March 31, 2002	\$000	257,179
3	Forecast under-recovery (line 1 less line 2)	\$000	(18,974)
4	Forecast sales, January 1, 2002 to March 31, 2002	TJ	47,291
5	GCRR increase required (line 3 divided by line 4)	\$/GJ	0.401
6	GCRR approved in Decision 2001-80	\$/GJ	3.136
7	Adjusted GCRR (line 5 plus line 6)	\$/GJ	3.537