

THE PROVINCE OF ALBERTA

GAS UTILITIES ACT

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of a Gas Cost
Recovery Rate Adjustment for the
1999/2000 Winter Period for
AltaGas Utilities Inc.

ORDER U2000-123

Application No. 2000047
File No. 5628-32

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 exercises its discretion to grant to AltaGas Utilities Inc. (AltaGas) a decrease in its 1999/2000 winter period Gas Cost Recovery Rate (GCRR). The GCRRs for both the winter and summer periods are included in AltaGas' rate schedules as Rider "D", applicable to all sales service rates for the recovery of natural gas costs. In a gas contract year, a winter period includes the months of November through March, inclusive, and a summer period includes the months of April through October, inclusive.

THE APPLICATION

By letter dated February 1, 2000, AltaGas filed an application (the Application) with the EUB for approval of a mid-period adjustment to its 1999/2000 winter period GCRR. AltaGas requested that the GCRR in effect be decreased by \$0.258/gigajoule (GJ) from \$3.343/GJ approved in Order U99096, dated October 29, 1999, to \$3.085/GJ, effective with consumption from March 1, 2000. AltaGas also requested approval to provide, during March 2000, a one-time credit refund to each sales customer of \$0.274/GJ, based on the customer's consumption from November 1999 to February 2000, inclusive. These proposed adjustments were based on AltaGas' revised forecast of gas supply costs for the 1999/2000 winter period. Details of the adjustments are attached hereto as Appendix 1.

AltaGas advised in the Application that it undertook to negotiate an agreement with its customers to reach general consensus on the winter period GCRR revisions. For this purpose, it further advised that, prior to filing the Application, copies of its proposals for the GCRR adjustment and the refund were distributed to the intervenor groups that participated in its last GCRR application and that it received no objections to its proposals.

The Application was filed in accordance with a previous direction issued by the EUB in respect of procedures related to AltaGas' Deferred Gas Account (DGA), in 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 in the cost of natural gas and to provide evidence that AltaGas' customers pay neither more nor less than the actual cost of natural gas incurred by it. A separate DGA is kept for each of the winter and summer periods. With the objective to minimize the balance in each of the winter and summer period DGAs, the EUB directed that AltaGas 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 AltaGas' total natural gas costs in respect of the applicable winter or summer period, the greater of " 3% or "\$750,000.

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 that the quantum of the projected DGA surplus relative to AltaGas' revised forecast of gas costs, the proposed type of adjustments to be made to the 1999/2000 winter period GCRR and DGA and the timing of the implementation of the adjustments are contributing reasons for the EUB to consider dealing expeditiously with the Application. The EUB also considers that the distribution of copies of AltaGas' proposals to intervenor groups that would normally participate in the examination process involving these types of rate adjustments provided reasonable public notice in this instance. The EUB notes that AltaGas received no objections to its proposals from the intervenor groups.

The EUB recognizes that AltaGas was previously directed to inform the EUB of significant changes in its forecasts of gas costs and gas cost recoveries for the period in effect and make timely applications for needed changes in the GCRR. The EUB considers that AltaGas has acted responsibly in making the Application following the realization that gas cost recoveries based on the winter period GCRR approved in Order U99096 were significantly above the actual gas costs incurred.

The EUB considers that the proposed adjustments to the winter period GCRR will allow AltaGas to reduce the forecasted DGA surplus to a level within the EUB's prescribed tolerance guidelines. The EUB further considers that allowing the adjustments to proceed in this manner is in the interest of both the customers and the utility. Therefore, the EUB will grant approval of the requests made by AltaGas for a decrease in the winter period GCRR and for a unit rate credit refund to be provided to sales customers before the end of the 1999/2000 winter period.

THEREFORE, it is hereby ordered that:

For AltaGas Utilities Inc.:

- (1) A Gas Cost Recovery Rate of \$3.085/GJ shall be effective for all consumption on and after March 1, 2000 to March 31, 2000, inclusive, based on actual or estimated meter readings.
- (2) Rider "D" set out in Schedule "A" attached to and forming part of this Order, is hereby fixed and approved as the Gas Recovery Rates applicable to all sales service rates effective on all metered or estimated consumption on and after March 1, 2000.
- (3) A unit rate refund of \$0.274/GJ shall be applied to each sales customer account on or before March 31, 2000, based on consumption in each sales account for the period November 1, 1999 to February 29, 2000, inclusive.

Dated in Edmonton, Alberta on February 16, 2000.

ALBERTA ENERGY AND UTILITIES BOARD

Effective By Order U2000-123
On Consumption March 1, 2000
This Replaces Rider "D"
Previously Effective November 1, 1999

SCHEDULE "A"

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 | \$3.343 per GJ |
| April 1 to October 31 | \$2.486 per GJ |

The Gas Cost Recovery Rate shown above shall be decreased for the period

| | |
|------------------------------------|----------------|
| March 1, 2000 to March 31, 2000 by | \$0.258 per GJ |
|------------------------------------|----------------|

APPENDIX 1

ALTAGAS UTILITIES INC.

**Determination of Unit Rate Refund
And Adjusted Gas Cost Recovery Rate
1999/2000 Winter Period**

| Description | Units | Value |
|---|-------|------------------|
| <u>Unit Rate Refund</u> | | |
| DGA surplus balance, March 31, 1999 | \$ | 476,429 |
| Actual collections in excess of gas costs, November 1 1999 to December 31, 1999 | \$ | <u>180,166</u> |
| DGA surplus balance, December 31, 1999 | \$ | 656,595 |
| Forecast collections in excess of gas costs, January 1, 2000 to February 29, 2000 | \$ | <u>1,239,768</u> |
| Forecast DGA surplus balance, February 29, 2000 (for refund) | \$ | <u>1,896,363</u> |
| Actual sales, November 1, 1999 to December 31, 1999 | GJ | 3,016,358 |
| Forecast sales, January 1, 2000 to February 29, 2000 | GJ | <u>3,899,384</u> |
| Total | GJ | <u>6,915,742</u> |
| Unit rate refund | \$/GJ | <u>0.274</u> |
| <u>Gas Cost Recovery Rate</u> | | |
| Forecast cost of gas, March 1, 2000 to March 31, 2000 | \$ | <u>4,778,829</u> |
| Forecast purchase volumes, March 1, 2000 to March 31, 2000 | GJ | <u>1,568,305</u> |
| Adjusted gas cost recovery rate, excluding line loss | \$/GJ | <u>3.047</u> |
| Adjusted gas cost recovery rate, with line loss of 1.22% | \$/GJ | <u>3.085</u> |