

**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, 2000, for  
AltaGas Utilities Inc.

**ORDER U2000-151**

Application No. 2000090  
File 5628-33

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**1. THE APPLICATION**

By letter dated March 8, 2000, 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 \$3.480/gigajoule (GJ), effective April 1, 2000.

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 1999 summer period Deferred Gas Account (DGA) and information describing its forecast purchases and sales of natural gas. Details of the calculation of the proposed summer period GCRR are presented in Appendix 1, attached to this Order. The proposed GCRR of \$3.480/GJ is \$0.395/GJ higher than the last approved 1999/2000 winter period GCRR of \$3.085/GJ and \$0.172/GJ lower than the last approved 1999 summer period GCRR of \$3.652/GJ.

The EUB published Notice for Objections to the Application in the newspapers having a general circulation in AltaGas' service areas. The Notice was also served on the interested parties and consumer groups to whom AltaGas had previously distributed its proposal for their comments. These parties were the participants in the negotiated settlement process also used by AltaGas in determining its winter period GCRR. AltaGas advised in the Application that the participants in the negotiations had accepted its proposal. The EUB received one objection from a consumer pursuant to the published notice.

**2. 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 gas supply costs, under which

March 29, 2000

customers are charged with the actual cost of gas supplies experienced by AltaGas. AltaGas has been making separate applications for each GCRR applicable to its winter and summer periods. The winter period is the months of November to March, inclusive, and the summer period is the months of April to October, inclusive.

The DGA procedures have been set up by the EUB to account for AltaGas' gas supply costs. These 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. While the procedures provide that customers pay only the actual gas costs, they also have the effect of providing that the shareholder of AltaGas 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, 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 made one application to the EUB for an adjustment during the 1999 summer period and increased the GCRR by  $\$1.166/\text{GJ}$  for the period September 1, 1999 to October 31, 1999. It also requested an adjustment during its 1999/2000 winter period and subsequently reduced the winter period GCRR by  $\$0.258/\text{GJ}$  to  $\$3.085/\text{GJ}$  for the period March 1, 2000 to March 31, 2000 and, in addition, refunded an over-recovery of approximately  $\$1,896,000$  to its customers.

AltaGas' reconciliation of actual gas costs and actual gas cost recoveries for the 1999 summer period resulted in gas costs being over-recovered for that period by  $\$33,654$ . With the opening deficit balance of  $\$306,181$ , the cumulative deficit balance in the DGA amounted to  $\$272,527$  at October 31, 1999 and is reflected in the calculation of the proposed summer period GCRR, effective April 1, 2000.

### **3. 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 AltaGas received acceptance of its proposal from interested parties and consumer groups that participated in the negotiations for the summer period GCRR and that one

objection to the Application was received from a consumer by March 24, 2000, the date specified in the published Notice for Objections. The objection cited concern with the increasing cost of gas. The EUB notes that the GCRR charged to consumers is based on market prices that AltaGas pays for natural gas and does not include any additional 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 during the 1999 summer period were reasonable and consistent with market conditions which existed over that period and accepts AltaGas' reconciliation of its 1999 summer period DGA. The EUB also accepts as reasonable AltaGas' forecast of gas costs for the upcoming summer period and approves the proposed summer period GCRR of \$3.480/GJ, effective April 1, 2000.

#### **4. ORDER**

THEREFORE, it is hereby ordered that:

For AltaGas Utilities Inc.:

- (1) 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, 2000.

Dated in Edmonton, Alberta on March 29, 2000.

**ALBERTA ENERGY AND UTILITIES BOARD**

**SCHEDULE "A"**

Effective By Order U2000-151  
On Consumption On and After April 1, 2000  
This Replaces Rider "D"  
Previously Effective March 1, 2000

**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	\$3.480 per GJ

## APPENDIX 1 – AMENDED

## ALTAGAS UTILITIES INC.

Determination of Summer Period Gas Cost Recovery Rate  
Effective April 1, 2000

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Value</u>
1	Net gas cost forecast	\$	15,056,589
2	Prior summer period DGA under-recovery	\$	272,527
3	Net gas supply expense	\$	Line 1 plus line 2 15,329,116
4	Forecast summer period sales	GJ	4,459,261
5	Summer period GCRR excluding line loss	\$/GJ	Line 3 divided by line 4 3.438
6	Summer period GCRR	\$/GJ	Line 5 times 101.22% 3.480