

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
Northwestern Utilities Limited,
Operating as ATCO Gas - North

ORDER U2000-153

Application No. 2000094
File 5627-35

1. THE APPLICATION

By letter dated March 9, 2000, Northwestern Utilities Limited (NUL), operating as ATCO Gas - North, 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 \$2.716/gigajoule (GJ), effective April 1, 2000.

The GCRR for the summer period is included in NUL'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 gas costs. In support of the proposed summer period GCRR, NUL provided a reconciliation of its 1999 summer period Deferred Gas Account (DGA) and documentation 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 \$2.716/GJ is \$0.346/GJ higher than the last approved 1999/2000 winter period GCRR of \$2.370/GJ and \$0.375/GJ lower than the last approved 1999 summer period GCRR of \$3.091. In addition, NUL advised that in preparation for the filing of the Application major intervenors were provided with two storage reports in which independent third parties provided recommendations on the use of storage in management of the gas portfolio.

The EUB published Notice for Objections to the Application in the daily newspapers having a general circulation in NUL's service areas. The Notice was also served on the interested parties and consumer groups to whom NUL had previously distributed its proposals for their comments. These parties were also participants in the negotiated settlement process (NSP) used by NUL in determining its last approved winter period GCRR.

NUL advised that certain groups that participated in the NSP would accept its proposal for the summer period GCRR only on an interim refundable basis, pending resolution of matters related to storage, unaccounted for gas, company owned production, and the deferred gas account

March 29, 2000

procedures under which the GCRR is calculated. It also advised that three gas marketers objected to the proposed GCRR on the basis that it was low in relation to current market prices for gas.

2. DGA PROCEDURES

The Application was filed in accordance with the procedures approved in previous decisions by the EUB respecting NUL's DGA and the reconciliation of gas supply costs, under which customers are charged with the actual cost of gas supplies experienced by NUL. NUL 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 NUL's gas supply costs. These procedures permit recovery of NUL's gas commodity costs so as to ensure that customers pay neither more nor less than the cost of gas actually incurred by NUL. While these procedures provide that customers pay only the actual gas costs, they have the effect, also, of providing that the shareholder of NUL 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, NUL should apply to the EUB for an adjustment to the GCRR. The EUB specified the tolerance level that NUL 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. NUL made two applications to the EUB for an adjustment during the 1999 summer period and increased the GCRR by an aggregate of $\$0.998/\text{GJ}$ to $\$3.091/\text{GJ}$ for the period August 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 $\$0.498/\text{GJ}$ to $\$2.370/\text{GJ}$ for the period February 1, 2000 to March 31, 2000 and, in addition, refunded an over-recovery of approximately $\$6.8$ million to its customers.

NUL's 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 $\$827,000$. With the opening deficit balance of $\$2,951,000$, the cumulative deficit balance in the DGA amounted to $\$2,124,000$ 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 NUL's major costs for the EUB to consider is the acquisition of adequate supplies of gas to provide reliable service to its customers.

The EUB has reviewed the materials and documentation provided by NUL in the Application. It notes that three gas marketers disagreed with the proposed GCRR for being too low when compared to current market prices for gas and that no subsequent objections to the Application were received by March 24, 2000, the date specified in the published Notice for Objections. However, the EUB also notes that certain NSP participants would accept the proposal for the summer period GCRR only on an interim refundable basis, subject to resolution of matters that they were disputing. While the EUB understands that most of the matters are under continuing negotiations, one particular group, with concerns about optimum levels of company owned production, have requested that a hearing be convened to deal with that issue. Therefore, at this time, the EUB will accept NUL's reconciliation of actual gas costs and actual gas cost recoveries for the 1999 summer period and will approve the proposed summer period GCRR of \$2.716/GJ, effective April 1, 2000, on an interim refundable basis, pending determination of an appropriate final GCRR for the period.

4. ORDER

THEREFORE, it is hereby ordered that:

For Northwestern Utilities Limited, operating as ATCO Gas - North:

- (1) Rider "F", as 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, 2000.

Dated in Edmonton, Alberta on March 29, 2000.

ALBERTA ENERGY AND UTILITIES BOARD

Effective on an Interim Refundable Basis by Order U2000-153
On Consumption On and After April 1, 2000
This Replaces Rider "F"
Previously Effective February 1, 2000

SCHEDULE "A"

NORTHWESTERN UTILITIES LIMITED

**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 to March 31	\$2.868 per GJ
April 1 to October 31	\$2.716 per GJ

APPENDIX 1

NORTHWESTERN UTILITIES LIMITED

**Determination of Gas Cost Recovery Rate
Effective on an Interim Refundable Basis
April 1, 2000**

<u>Line</u>	<u>Description</u>	<u>Units</u>		<u>Value</u>
1	Net gas cost forecast	\$,000		98,295
2	Adjusted cumulative DGA deficit balance	\$,000		2,124
3	Net gas supply expense	\$,000	Line 1 plus line 2	100,419
4	Recovery of margin	\$,000		70
5	Net gas supply expense and margin recovery	\$,000	Line 3 plus line 4	100,489
6	Transition cost	\$,000		-
7	Excess sales revenue	\$,000		-
8	Exchange service	\$,000		98
9	Balancing charges	\$,000		-
10	Net summer period gas cost recovery	\$,000	Line 3 less lines 6 -9	100,391
11	Forecast summer period sales	TJ		36,958
12	Forecast transportation imbalance sales	TJ		-
13	Adjusted sales	TJ	Line 11 plus 1.3 times line 12	36,958
14	Summer period GCRR	\$/GJ	Line 10 divided by line 13	2.716