

**THE PROVINCE OF ALBERTA**

**GAS UTILITIES ACT**

**ALBERTA ENERGY AND UTILITIES BOARD**

IN THE MATTER of a Gas Storage  
Plan for the 2000/2001 Storage Year  
for ATCO Gas and Pipelines Ltd.,  
Operating as ATCO Gas - South

**ORDER U2000-183**

Application No. 2000144  
File 5626-42

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**1. THE APPLICATION**

By letter dated April 20, 2000, ATCO Gas and Pipelines Ltd., operating as ATCO Gas – South (ATCO GS), submitted an application (the Application) to the Alberta Energy and Utilities Board (the EUB) for approval of a proposed 2000/2001 Storage Plan (Storage Plan). The Storage Plan as submitted represents an alternative method for the utilization a portion of the storage quantity in the ATCO GS gas supply portfolio.

ATCO GS submitted that the Storage Plan was prepared pursuant to meetings and discussions with its active interveners. Details regarding the Storage Plan are attached to and form part of this Order (Attachment “A”). The Storage Plan is comprised of a covering letter dated April 14, 2000, Schedule “A” – Storage Plan, Risk Management and Conditions of Implementation, Schedule “B” – Potential Customer Risks and Schedule “C” – Consent Order. All active interveners have acknowledged their approval of the Storage Plan by signing a copy of the Consent Order. The list of active interveners includes the Alberta Irrigation Projects Association, Consumers' Coalition of Alberta, City of Calgary, Federation of Alberta Gas Co-ops and Gas Alberta Inc., Municipal Intervenors, Public Institutional Consumers of Alberta, and Treaty Seven First Nations of Canada (collectively, the Active Intervenors).

In general, the proposed Storage Plan outlines an arbitrage strategy with respect to 5.0 petajoules (PJ) of the 16.7 PJ of Carbon storage capacity that is utilized as a component within the ATCO GS sales gas portfolio. The arbitrage strategy will be applied to the April 1, 2000 – March 31, 2001 storage season. ATCO GS will buy fixed price physical gas for the remaining summer period and sell fixed price physical gas for the winter period with the objective of capturing a price differential of at least twenty-five cents per gigajoule (GJ). ATCO GS will undertake to make the purchase and sale transactions during the period following EUB approval up to May 31, 2000. As well, since the gas purchased and injected under this storage arbitrage arrangement will not be available for the sales gas portfolio, ATCO GS will purchase approximately 5.0 PJ of AECO index priced gas for delivery during the 2000/2001 winter period. The purchase of gas for the winter period is proposed to minimize the risk associated with ATCO GS’ winter sales transactions. Refer to Attachment “A” for a detailed description of the Storage Plan.

May 4, 2000

## **2. BACKGROUND**

The utilization of Carbon storage capacity, and the use of financial hedging in the management of the ATCO GS sales gas portfolio have been the subject of debate and discussion between ATCO GS and interveners. These issues have been raised and discussed in Deferred Gas Account (DGA) proceedings where the Gas Cost Recovery Rate (GCRR) is determined.

Recently, the EUB issued Order U2000-161 dated April 7, 2000 regarding an objection that originated with the 1998/1999 Winter Period GCRR. In that Order the EUB agreed that ATCO GS acted appropriately in the circumstances at that particular time by following the DGA procedures in place, which did not include the use of forward markets or other forms of financial hedging as a method of gas portfolio management. The EUB recommended however that ATCO GS revisit the issue of using financial hedging to help manage its gas portfolio.

As part of the 2000 Summer Period GCRR application ATCO GS provided two storage reports in which independent third parties provided recommendations on the use of storage in the management of the gas portfolio.

## **3. DGA PROCEDURES**

The DGA procedures provide direction on price management of the natural gas sold by ATCO GS to its customers. The procedures were initially approved by the Public Utilities Board, a predecessor to the EUB, in Decision E88019 as amended by Decision E89020. The procedures permit the recovery of ATCO GS' gas commodity costs through the GCRR so as to ensure that customers pay neither more nor less than the cost of gas actually incurred by ATCO GS. While these procedures provide that customers pay only the actual gas costs, they also have the effect of providing that the shareholder of ATCO GS does not lose or gain as a result of price fluctuations in gas supply costs.

The DGA procedures require ATCO GS to file, in September of each year, a reconciliation for the preceding winter period respecting actual gas costs, actual gas cost recoveries through the GCRR and the balance in the winter season DGA as at March 31 of the preceding winter period. ATCO GS also submits a forecast of gas supply costs and a sales volume forecast for the ensuing winter season, and a proposed GCRR to recover the forecast gas supply costs and the DGA balance over the period November 1 to March 31, inclusive.

Similarly, ATCO GS is required to file in February of each year, a reconciliation for the preceding summer period respecting actual gas costs, actual gas cost recoveries through the GCRR and the balance in the summer season DGA as at October 31 of the preceding summer period. The February filing also includes a forecast of gas supply costs and a sales volume forecast for the ensuing summer season, and a proposed GCRR to recover the forecast gas supply costs and the DGA balance over the period April 1 to October 31, inclusive.

The GCRR is calculated by adjusting the gas costs forecast for the upcoming winter/summer period by an amount equal to the balance in the winter/summer season DGA at the end of the preceding period and dividing the result by the forecast winter/summer season gas sales volume. That adjustment ensures that the cumulative under/over recovery recorded in the winter/summer DGA will be collected/refunded in the subsequent winter/summer season if the weather is normal and the actual sales equal forecast sales.

It is implicit in the Application that the net financial impact attributable to the Storage Plan will be incorporated into the determination of the 2000/2001 Winter Period GCRR, and will be accounted for using the established DGA procedures.

#### **4. 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 ATCO GS' 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 Storage Plan (Attachment "A") provided by ATCO GS in the Application. It is understood that the use of storage in the gas supply portfolio was discussed with the Active Interveners and that the Storage Plan was formulated based on those discussions. The EUB notes that all Active Interveners have acknowledged their approval of the Storage Plan by signing Schedule "A" and the Consent Order.

The EUB notes that the Storage Plan provides an opportunity for customers to realise a benefit pursuant to the arbitrage strategy, while also taking steps to minimise the associated risk. The EUB also notes that Active Interveners are aware that the arbitrage strategy does not ensure that they will necessarily receive the maximum benefit available from the use of storage during the 2000/2001 winter period.

The EUB is satisfied that the Storage Plan has received an appropriate amount of scrutiny by ATCO GS and its Active Interveners, and that it will likely result in a benefit to customers. Therefore, the EUB is prepared to approve the Application.

#### **5. ORDER**

THEREFORE, it is hereby ordered that:

For ATCO Gas and Pipelines Ltd., operating as ATCO Gas - South:

- (1) The Storage Plan, as set out in Attachment "A" attached to and forming part of this Order, is hereby approved for implementation on and after May 4, 2000.
- (2) The preliminary results of the Storage Plan shall be reported to the EUB, and to interested parties, as part of the May 2000 DGA filing. Any updates or changes to the preliminary results should be reported to the EUB in subsequent DGA filings.
- (3) The preliminary results of the Storage Plan, including any updates or changes, shall be included in the determination of the 2000/2001 Winter Period GCRR.
- (4) The final, detailed results of the Storage Plan shall be reported to the EUB, and to interested parties, as part of the 2000/2001 Winter Period DGA Reconciliation.

Dated in Calgary, Alberta on May 4, 2000.

(original signed by B. T. McManus, Q.C.)

**ALBERTA ENERGY AND UTILITIES BOARD**

May 4, 2000

**ATTACHMENT "A"**

[Via Email](#)

April 14, 2000

**TO: All Interested Parties (per attached list)**

**RE: ATCO Gas South's 2000/2001 Storage Plan**

In response to our storage discussion on March 16 and based on further discussions with the City of Calgary on our March 23 storage plan document, ATCO Gas has developed the attached Schedule A. Schedule A includes a description of the storage arbitrage concept and implementation plan, an outline of the strategies to be implemented in order to minimize some of the risks associated with the storage arbitrage and it also outlines the conditions under which ATCO Gas is prepared to proceed for the 2000/2001 storage year.

As noted before, ATCO Gas has not been an arbitrage participant and has not previously undertaken the gas sales transactions and fixed price purchase transactions that are now being requested by the City of Calgary.

Since our March 23 memo, we have received a legal opinion on various suppliers' purchase/sales contracts and although some issues were identified, we anticipate that the issues can be resolved and will not prevent the use of such contracts for the storage arbitrage sales transactions.

However, ATCO Gas does not have formal credit arrangements in place with any potential counterparties in order to undertake the fixed price winter sales transactions and will not be able to set up suitable arrangements in a time frame suitable for proceeding with the storage arbitrage.

ATCO Midstream will contract for the fixed price winter gas sales as ATCO Gas' agent. The agent has formal credit arrangements in place with certain parties that vary with each party. Although ATCO Gas customers may benefit from these credit arrangements, they will be responsible for the risks associated with these sales transactions. However, in order to minimize these risks, ATCO Gas will implement the strategies outlined in section 2 of Schedule A.

In addition, ATCO Gas does not have formal credit arrangements in place with any potential counterparties in order to undertake the fixed price summer purchase transactions but ATCO Gas will minimize the risks associated with these transactions by implementing the strategies outlined in section 2 of Schedule A.

May 4, 2000

**Please note that, similar to the status quo, the storage arbitrage involves certain risks that will be borne by customers. These risks are discussed in section 2 of the attached Schedule B. Risks that could prevent the storage differential target from being met are also outlined in Schedule B.**

Please review the attached Schedules and if you are in agreement with the conditions of implementation (section 3, Schedule A), please sign Schedule A and return it to the undersigned by FAX at (780) 420-5098 by **1 PM on Wednesday, April 19**. As discussed at the meeting, ATCO Gas will not proceed with this proposal without written support from all active intervenors.

As noted in our March 23 memo, we believe that EUB approval is required prior to implementing this proposal. We have attached a copy of a consent order (Schedule C) that we are requesting all active intervenors to sign and return as well by **1 PM on April 19**.

As soon as we receive signoff on both Schedules A and C from each active intervenor organization listed in Table 1 (in Schedule A), we will be seeking expeditious approval from the EUB.

ATCO Gas requests that all information related to the arbitrage proposal remain confidential so that the gas purchasing and sales negotiations are not compromised.

If you have any questions regarding the attached document, please call the undersigned at (780) 420-7444.

Yours truly,  
**ATCO Gas - South**

**Michael Hagan**  
**Supervisor, Gas Portfolio Planning**

*Attachments*

MH/dlz  
2000 2001 Customer Agreement on South Storage R + 2

May 4, 2000

## INTERESTED PARTY LIST

<b>REPRESENTATIVE</b>	<b>ORGANIZATION REPRESENTED</b>
Henry Unryn	AIPA
James Wachowich	CCA
Jeff Jodoin	CCA
Al Gray	City of Calgary
Mark Rowe	City of Calgary
Hugh Johnson	City of Calgary
Greg Garbutt	FGA
Bob Bruggeman	Municipal Intervenors
Raj Retnanandan	PICA
Bob Liddle	PICA
Jim Graves	Treaty Seven First Nations of Canada

**SCHEDULE A**

**INTERESTED PARTY RESPONSE FORM**

**INTRODUCTION**

**SECTION 1  
2000/2001 STORAGE PLAN**

**SECTION 2  
RISK MANAGEMENT**

**SECTION 3  
CONDITIONS OF IMPLEMENTATION**



**INTERESTED PARTY RESPONSE FORM**  
**ATCO Gas - South**  
**2000/2001 STORAGE PLAN**

**INTRODUCTION**

In the 1998/1999 and 1999/2000 storage years (April 1 to March 31), ATCO Gas South (formerly CWNG) utilized 16.7 PJ of the Carbon storage capacity as a component within the Sales gas portfolio.

In response to the findings and recommendations from the storage study completed by the Ziff Energy Group in February, 2000 and in light of the discussions which took place on March 16, 2000 between ATCO Gas and the active intervenors listed in Table 1 (section 3), ATCO Gas is prepared to utilize 16.7 PJ of storage capacity at the Carbon storage facility in a different manner for the 2000/2001 storage year.

During the meeting on March 16, the City of Calgary proposed that 5 PJ of the 16.7 PJ storage capacity be utilized in a manner outlined in section 1. ATCO Gas agreed to this proposal if all active intervenors attending the meeting also agreed to support or not oppose the proposal both when it is implemented and as part of future reconciliation proceedings.

The storage arbitrage strategy, as outlined in section 1, will be used for the 2000/2001 storage year. ATCO Gas and the active intervenors agree that discussions regarding the use of storage beyond March, 2001 will be discussed commencing in May, 2000.

In order to minimize the risks associated with the storage arbitrage, ATCO Gas will implement various strategies as outlined in section 2.

Section 3 outlines the conditions under which ATCO Gas is prepared to proceed with the storage arbitrage in 2000/2001.

**SECTION 1**  
**STORAGE PLAN**  
**APRIL 1, 2000 - MARCH 31, 2001**

A portion (5 PJ) of ATCO Gas South's 16.7 PJ of storage capacity and associated storage profile will be utilized in the following manner for the April 1, 2000 - March 31, 2001 storage season.

**5 PJ STORAGE ARBITRAGE PROPOSAL**

ATCO Gas will utilize a flat, 100 % load factor portion of the current 16.7 PJ storage injection and withdrawal profiles by implementing a 5 PJ storage arbitrage. The intent of the arbitrage is to capture a differential between the winter 2000/2001 period and the 'remaining' summer 2000 period. The gas purchase and sales transactions are noted below:

- Provided that the contractual concerns identified in the covering letter are resolved, ATCO Gas will buy blocks of fixed price physical gas for the 'remaining' summer period and sell blocks of fixed price physical gas for the winter period with the objective of achieving a difference of twenty-five (25) cents per GJ or greater between the weighted average price of all winter blocks and the weighted average price of all summer blocks.
- ATCO Gas will undertake to make the purchase and sale transactions noted above during the period following EUB approval up to May 31, 2000.
- ATCO Gas will purchase fixed price physical gas at a fixed daily rate and inject the gas into the Carbon storage facility during the remaining summer period ending on October 31, 2000.
- ATCO Gas (via its agent ATCO Midstream) will sell fixed price physical gas at a fixed daily rate and withdraw the gas from the Carbon storage facility during the winter period November 1, 2000 to March 31, 2001.
- The overall quantity (TJ) of gas purchased during the summer period and overall quantity (TJ) of gas sold during the winter period will be approximately 5,000 TJ. In order to achieve this target, a small portion of short term gas (one month or less) may also be purchased or sold in the respective seasons. The ultimate arbitrage quantity (TJ) will depend upon winter/summer price differentials and quantities traded.

## SECTION 1

(continued)

- Since the gas purchased and injected under this storage arbitrage arrangement will not be available for the South's gas portfolio and in order to minimize the risk associated with the winter sales transactions, ATCO Gas will purchase approximately 5,000 TJ of AECO index priced gas for delivery during the 2000/2001 winter period (see section 2).

### ***Storage Arbitrage Implementation***

The following procedure will be used to complete the storage arbitrage, subject to the constraints noted below:

#### *Arbitrage Constraints*

- The total summer gas purchases and total winter gas sales will be equal and the maximum purchases or sales will be 5,250 TJ.
- After an open position (any purchase or sales transaction(s)) is established, a closed position (completion of opposite transaction(s)) will be pursued immediately.
- A position will be deemed closed when the difference between total gas purchased and total gas sold over the respective seasons is  $\pm 30$  TJ.
- The cumulative imbalance for all closed positions will be essentially zero at the conclusion of the storage arbitrage. This target cumulative imbalance will be achieved by buying and/or selling short term gas (one month or less). The total short term purchases and/or sales will be limited to 250 TJ.

### *Arbitrage Procedure*

- a. Survey the Alberta NIT market for the 'remaining' summer/winter price differential. If the differential is less than 25 cents in C\$/GJ, no action will be taken.
- b. If the 'remaining' summer/winter price differential equals or exceeds 25 cents in C\$/GJ proceed with the arbitrage as follows:
  1. Purchase 'remaining' summer blocks and sell winter blocks up to 10 TJ/day such that the 'arbitrage constraints' will be satisfied.
  2. After a position is closed, calculate the gross differential for the transactions in this latest position, calculate the total summer purchases and total winter sales made to date and calculate the cumulative imbalance of all closed positions completed to date.
  3. If additional summer purchases and/or additional winter sales cannot be completed without exceeding the maximum allowable arbitrage quantity, do not make any more trades and report the outcomes to date.

If additional summer purchases and/or additional winter sales can be completed without exceeding the maximum allowable arbitrage quantity and if the gross differential on the latest set of transactions equals or exceeds 25 cents/GJ, review the 'arbitrage constraints' and proceed to step 'a'.

If additional summer purchases and/or additional winter sales can be completed without exceeding the maximum allowable arbitrage quantity but the gross differential on the latest set of transactions is less than 25 cents/GJ, report the outcomes to date and proceed to step 'a'.

## SECTION 2

### RISK MANAGEMENT

In order to minimize the risks associated with the storage arbitrage, ATCO Gas will implement the following strategies.

#### 1. STORAGE ARBITRAGE RISKS

##### Risk A

- There is a risk that once an open position (summer purchase or winter sale) is taken the market price for the opposite transaction (winter sale or summer purchase) could change prior to the position being closed such that the twenty-five (25) cents per GJ target cannot be achieved.

##### *Strategy*

- ATCO Gas will undertake to minimize the risks associated with open positions by exercising purchase and sale transactions simultaneously to the greatest extent possible. In circumstances when an open position can not be avoided, the time period of the open position will be minimized to the greatest extent possible.

## **Risk B1 – Summer Purchase Gas Transactions**

- Even if the twenty-five cent per GJ differential target is obtained after the purchase and sales transactions are complete, the ‘final’ differential achieved may be less than twenty-five cents per GJ if the suppliers do not deliver the fixed price, summer gas and ATCO Gas must purchase gas at ‘current’ market prices, which could be higher than the fixed contract price and ATCO Gas is unable to recover the differential (market price less fixed contract price) from the supplier.
- ATCO Gas does not have formal credit arrangements in place with any potential counterparties in order to undertake the fixed price, summer purchase transactions and will not be able to set up suitable arrangements in a timely fashion.

### *Strategy*

- ATCO Gas will undertake to minimize the risks associated with these transactions by contracting with:
  - a minimum of three counterparties.
  - counterparties that are either major Canadian corporations or subsidiaries of large USA corporations that have minimum credit ratings at an investment grade level (BBB or equivalent).
  - counterparties that currently have gas purchase contracts with AGP (“formerly CWNG”) and NUL and have a history of effective business relations.

## SECTION 2

(continued)

### Risk B2 – Winter Sales Transactions

- Even if the twenty-five cent per GJ differential target is obtained after the purchase and sales transactions are complete, the ‘final’ differential achieved may be less than twenty-five cents per GJ due to potential risks associated with the winter sales transactions.
- During the winter period, the maximum credit exposure occurs on December 25 when the counterparty is expected to pay for the first month’s delivery. From that day forward, the remaining gas may have to be sold at market prices.
- ATCO Gas does not have formal credit arrangements in place with any potential counterparties in order to undertake the fixed price, winter sales transactions and will not be able to set up suitable arrangements in a timely fashion.

#### *Strategy*

ATCO Gas will undertake to minimize the risks associated with the winter sales transactions by taking the following actions:

- ATCO Midstream, as agent for ATCO Gas, will contract with counterparties for the fixed price, winter gas sales.
- ATCO Midstream will contract with a minimum of four counterparties for the fixed price, winter gas sales and will contract a maximum of 2,000 TJ with each counterparty for the winter blocks.
- ATCO Midstream will contract with either major Canadian corporations or subsidiaries of large USA corporations that have minimum credit ratings at an investment grade level (BBB or equivalent).
- ATCO Midstream will contract with counterparties that currently have gas purchase contracts with AGP (“formerly CWNG”) and NUL and have a history of effective business relations.
- ATCO Gas will contract for offsetting purchases of index priced winter gas with the same counterparties who have agreed to purchase the winter gas from ATCO Midstream. For each counterparty, the daily quantity (TJ/d) of index price purchases will be equal to or greater than the daily quantity (TJ/d) of fixed price sales.

**Even though ATCO Midstream may have formal credit arrangements in place with some of the counterparties and ATCO Gas customers may benefit from these credit arrangements, ATCO Gas customers will be responsible for the risks associated with these sales transactions.**

## SECTION 3

### CONDITIONS OF IMPLEMENTATION

- The undersigned representative supports implementing the 5 PJ storage arbitrage plan as outlined in section 1 or does not oppose implementing the storage arbitrage plan as outlined in section 1.
- The undersigned representative acknowledges that the difference between the weighted average cost of the fixed price, winter sales and the weighted average cost of the fixed price, summer purchases (the transactions described in section 1) may be less than twenty-five (25) cents per GJ due to the risk outlined on page 5, section 2 and the undersigned representative agrees that this may be beyond ATCO Gas' control and will not hold ATCO Gas responsible for such outcomes subject to ATCO Gas implementing the strategy outlined on page 5, section 2.
- The undersigned representative acknowledges that even if the twenty-five cent per GJ differential target is obtained after the purchase and sales transactions are complete, the 'final' differential achieved may be less than twenty-five cents per GJ due to potential risks outlined on pages 6 and 7 of section 2.
- In addition to acknowledging the risks outlined in section 2, the undersigned representative supports implementing the strategies outlined therein or does not oppose implementing the strategies as outlined therein in order to minimize the risks associated with the storage arbitrage proposal.
- The undersigned representative agrees to support and/or not oppose the recovery by ATCO Gas of any costs that might arise out of the action taken with respect to the use of 5 PJ of storage as outlined in section 1 and section 2 subject to ATCO Gas implementing the storage arbitrage as outlined in section 1 and undertaking the strategies outlined in section 2.
- The undersigned representative agrees not to ask for any cost disallowance in any future negotiations or regulatory proceedings relative to the storage arbitrage Plan identified in section 1 and risk management strategies outlined in section 2 subject to ATCO Gas implementing the storage arbitrage as outlined in section 1 and undertaking the strategies outlined in section 2.



### SECTION 3

(continued)

- The undersigned representative acknowledges that the costs and benefits associated with the action identified in Schedule A will be reflected in the deferred gas account for the 2000/2001 winter season. In addition to the fixed summer gas costs and the fixed winter gas revenues, additional costs associated with the 5 PJ storage proposal may include but are not limited to the following items:
  - Fees for gas purchase/sale transactions (not to exceed \$10,000),
  - Costs due to a counterparty default in gas delivery associated with the fixed price, summer gas purchase transactions,
  - Costs due to a counterparty default in winter gas payments and subsequent requirement to sell the remaining winter gas at the 'current' market price.
- The undersigned representative acknowledges that the representatives outlined in Table 1 were present during the storage discussion on March 16, 2000 and further acknowledges that all participants either agreed with the City of Calgary's storage arbitrage 'concept' or at least were not opposed to the 'concept'.
- The undersigned represents that it has authority to commit to the positions outlined above.
- The undersigned recognizes that ATCO Gas' implementation of the storage plan is based wholly in reliance upon the commitments outlined above.

**TABLE 1**

REPRESENTATIVE	ORGANIZATION BEING REPRESENTED
Henry Unryn	AIPA
James Wachowich	CCA
Jeff Jodoin	CCA
Al Gray	City of Calgary
Mark Rowe	City of Calgary
Hugh Johnson	City of Calgary
Greg Garbutt	FGA
Bob Bruggeman	Municipal Intervenors
Raj Retnanandan	PICA
Bob Liddle	PICA
Jim Graves	Treaty Seven First Nations of Canada

- The undersigned representatives' commitment is limited to ATCO Gas undertaking the actions and strategies outlined in sections 1 and 2 of Schedule A.

**Please note that the storage arbitrage involves certain risks that will be borne by customers.**

Company/Association/Organization: \_\_\_\_\_

Representative: \_\_\_\_\_



**SCHEDULE B**

**POTENTIAL CUSTOMER RISKS**



## POTENTIAL CUSTOMER RISKS

Two types of risks are described below. The first section (Storage Arbitrage) identifies the risks that could prevent the storage arbitrage differential target from being achieved. The second section below (Storage Arbitrage versus Status Quo) identifies the different risks associated with undertaking storage arbitrage and using the storage in the gas portfolio in a manner similar to the way it was used in the 1999/2000 storage year.

### 1. STORAGE ARBITRAGE

- A. There is a risk that once an open position (summer purchase or winter sale) is taken the market price for the opposite transaction (winter sale or summer purchase) could change prior to the position being closed such that the twenty-five (25) cents per GJ target cannot be achieved.
- B. Even if the twenty-five cent per GJ differential target is obtained after the purchase and sales transactions are complete, the 'final' differential achieved may be less than twenty-five cents per GJ due to the following risks.
  1. Loss due to a counterparty default in gas associated with the fixed price, summer gas purchase transactions,
  2. Loss due to a counterparty default in winter gas payments and subsequent requirement to sell the remaining winter gas at the 'current' market price.

### 2. STORAGE ARBITRAGE VERSUS STATUS QUO

- There is a risk that customers could incur higher overall gas costs in winter 2000/2001 by undertaking the storage arbitrage instead of using the storage as a conventional or traditional component in the gas portfolio. This higher cost could occur if the difference between the actual 2000/2001 winter prices and the actual 2000 summer prices is greater than the differential obtained by the storage arbitrage.
- There is a risk that customers could incur higher overall gas costs in winter 2000/2001 by using storage as a traditional component in the gas portfolio instead of undertaking the storage arbitrage. This higher cost could occur if the difference between the actual 2000/2001 winter prices and the actual 2000 summer prices is less than the differential that could have been obtained by storage arbitrage.
- The proposed storage arbitrage program can provide greater certainty for gas consumers with respect to the value of 5 PJ of Carbon storage capacity.



**SCHEDULE C**

**CONSENT ORDER**

**ALBERTA ENERGY AND UTILITIES BOARD**

**IN THE MATTER OF** the *Alberta Energy and Utilities Board Act*, S.A. 1994, c. A-19.5, as amended (the “*AEUB Act*”);

**AND IN THE MATTER OF** the *Public Utilities Board Act*, R.S.A. 1980, c. P-37, as amended (the “*PUB Act*”);

**AND IN THE MATTER OF** the *Gas Utilities Act*, R.S.A. 1980, c. G-4, as amended (the “*GU Act*”);

**AND IN THE MATTER OF** an Application by ATCO Gas and Pipelines Ltd. ("ATCO Gas") for approval of the implementation of a revised storage plan respecting 5 PJ of Carbon storage capacity for April, 2000 – March, 2001

**CONSENT ORDER**

Having reviewed the proposal and other documents filed in the Application, having regard to the Board's knowledge and the requirements of the GU Act, the PUB Act and the AEUB Act, and having noted the consent of interested parties, the Board hereby orders that:

1. ATCO Gas implement the revised storage plan as agreed to by interested parties and as described in the attached Schedule "A"; and
2. The Board's approval of the revised storage plan with respect to 5 PJ of Carbon storage is final, and the costs or benefits of the revised storage plan will not be subject to adjustment in any future proceedings.

Dated in Calgary, Alberta on April \_\_, 2000

**ALBERTA ENERGY AND UTILITIES BOARD**

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**CONSENTED TO:**

Alberta Irrigation Projects Association, Consumers' Coalition of Alberta, City of Calgary, Federation of Alberta Gas Co-ops and Gas Alberta Inc., Municipal Intervenors, Public Institutional Consumers of Alberta, Treaty Seven First Nations of Canada