

THE PROVINCE OF ALBERTA

GAS UTILITIES ACT

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of a Gas Cost
Recovery Rate for the Winter Period,
Effective November 1, 2000 for
ATCO Gas and Pipelines Ltd.,
Operating as ATCO Gas – South

ORDER U2000-308

Application No. 2000286
File No. 5626-44

THE APPLICATION

By letter dated September 29, 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 each of the following:

- (1) A proposed winter period Gas Cost Recovery Rate (GCRR) of \$6.496/gigajoule (GJ), effective November 1, 2000 and
- (2) A proposed rate of 1.561% for the recovery of Unaccounted For Gas (UFG) and Fuel Gas from transportation customers, effective January 1, 2001.

ATCO GS advised that it had distributed a preliminary proposal for a winter period GCRR to interested parties on August 25, 2000. The parties involved represented active intervenor groups, institutional and industrial customers, producers, marketers, municipalities and others who would normally participate in a GCRR proceeding. ATCO GS also advised that two parties would agree to the proposal if approved by the EUB on an interim refundable basis because of concerns related to the use of storage cushion gas and the quantity of unaccounted for gas that was applicable to core sales customers during the 1999/2000 winter period. ATCO GS stated that resolution of these issues is expected to occur at its next general rate application.

The GCRR is applicable to all sales service rates for the recovery of gas costs for each of the winter and summer periods and is included in ATCO GS' rate schedules as Rider "F", which is attached to this Order as Schedule "A". To support the implementation of the proposed winter period GCRR, ATCO GS provided a reconciliation of its 1999/2000 Deferred Gas Account (DGA) and information describing its forecast purchases and sales of natural gas. Details of the calculation of the GCRR proposed for the 2000/2001 winter period are presented in Appendix 1, attached to this Order. The proposed GCRR of \$6.496/GJ is \$3.576/GJ higher than the last approved 1999/2000 winter period GCRR of \$2.920/GJ and \$0.911/GJ higher than the last approved 2000 summer period GCRR of \$5.585/GJ.

October 27, 2000

The rate for UFG and fuel gas is included in ATCO GS' rate schedules as Rider "D", which is attached to this Order as Schedule "B". This rate is used for recovery of such gas, in-kind, from all transportation service customers delivering natural gas off of ATCO GS' system, excluding gas delivered to the NOVA Gas Transmission Ltd. system via exchange service.

The EUB published Notice for Objections to the Application in the daily newspapers having a general circulation in ATCO GS' service areas. The EUB also served the Notice on the interested parties to whom ATCO GS had previously distributed its preliminary proposal.

DGA PROCEDURES

The Application was filed in accordance with the procedures previously approved by the EUB respecting ATCO GS' DGA and the reconciliation of gas supply costs, under which customers are charged with the actual cost of gas supplies experienced by ATCO GS. ATCO GS has been making separate applications for each GCRR applicable to its winter and summer periods. A winter period includes the months of November to March and a summer period includes the months of April to October.

The DGA procedures have been set up by the EUB to account for ATCO GS' gas supply costs. The DGA procedures permit ATCO GS to recover gas commodity costs in a manner to ensure that its customers pay neither more nor less than the cost of gas actually incurred by it in acquiring the gas supplied to them. Conversely, these procedures also have the effect of providing that the shareholder of ATCO GS does not gain or lose as a result of fluctuations in the market price of gas.

The proposed GCRR is calculated by adding the balance in the DGA at March 31 of the preceding winter period to the gas costs forecast for the upcoming winter period and dividing the result by the forecast winter period gas sales volume. Including the DGA balance from the previous winter period ensures that any cumulative under-/over-recovery from that period will be collected/refunded in the upcoming winter 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, ATCO GS should apply to the EUB for an adjustment to the GCRR. The EUB specified the tolerance level that ATCO GS 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 period. During the 1999/2000 winter period ATCO GS made one application to the EUB for a decrease in the GCRR and to refund an over-recovery of approximately \$5.6 million to its customers.

ATCO GS's reconciliation of actual gas costs and actual gas cost recoveries for the 1999/2000 winter period resulted in gas costs being under-recovered for that period by \$450,000. With an adjusted opening surplus balance of \$493,000, the cumulative surplus balance in the DGA amounted to \$43,000 at March 31, 2000 and is reflected in the calculation of the proposed 2000/2001 winter period GCRR.

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 information provided by ATCO GS in the Application. The EUB notes that ATCO GS otherwise received no objections to its preliminary proposal from the interested parties canvassed by ATCO GS prior to filing the Application and that the outstanding issues of concern raised with respect to the conditional acceptances are planned to be resolved at ATCO GS' next general rate application. The EUB also notes that it received no submissions from these parties as a result of their being served with the Notice for Objections to the Application. The EUB further notes that three objections to the Application were received from individuals pursuant to the publication of the Notice. Two of the objections did not provide any reasons specifying why ATCO GS' proposals were either unreasonable or incorrect. In the remaining objection, the individual contended that ATCO GS could reduce the GCRR by producing the remainder of original gas reserves held in storage, an issue similar to one raised by one of the interested parties. As noted above, this issue will be reviewed at the time of the next general rate application for ATCO GS.

The EUB therefore defers acceptance of ATCO GS' reconciliation of actual gas costs and actual gas cost recoveries for the 1999/2000 winter period and approves the 2000/2001 winter period GCRR of \$6.496/GJ on an interim refundable basis, pending determination of a final GCRR for the period. The EUB approves the UFG and fuel gas recovery rate of 1.561% of transportation firm service delivery rates.

THEREFORE, it is hereby ordered that:

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

- (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 November 1, 2000, and
- (2) Rider "D", as set out in Schedule "B" attached to and forming part of this Order, is hereby fixed and approved as the rate to be applied to all transportation firm service delivery rates for the recovery of Unaccounted For Gas and Fuel Gas, effective January 1, 2001.

Dated in Edmonton, Alberta on October 27, 2000.

ALBERTA ENERGY AND UTILITIES BOARD

October 27, 2000

SCHEDULE "A"

Effective on an Interim Refundable Basis by Order U2000-308
On Consumption On and After November 1, 2000
This Replaces Rider "F"
Previously Effective July 1, 2000

**ATCO GAS AND PIPELINES LTD.
OPERATING AS ATCO GAS – SOUTH
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 to March 31	\$6.496 per GJ
April 1 to October 31	\$3.346 per GJ

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

May 1, 2000 to June 30, 2000 by	\$0.920 per GJ
July 1, 2000 to October 31, 2000 by	\$2.239 per GJ

SCHEDULE “B”

Effective By Order U2000-308
On Transportation January 1, 2001
This Replaces Rider “D”
Previously Effective January 1, 2000

**ATCO GAS AND PIPELINES LTD.
OPERATING AS ATCO GAS – SOUTH
SCHEDULE OF RATES, TOLLS AND CHARGES**

**RIDER “D” TO TRANSPORTATION FIRM SERVICE DELIVERY RATES
FOR THE RECOVERY OF UNACCOUNTED FOR GAS AND FUEL GAS**

All Transportation Service Customers delivering gas off ATCO Gas and Pipelines Ltd.’s system, excluding gas delivered to the NGTL system via Exchange Service, will be assessed a combined UFG and Fuel Gas charge of 1.561% at the Point of Delivery. The UFG and Fuel Gas assessment will be made up ‘in-kind’ from each Customer Account.

APPENDIX 1

**ATCO GAS AND PIPELINES LTD.
OPERATING AS ATCO GAS – SOUTH**

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

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Value</u>
1	Net gas cost forecast	\$,000	422,186
2	Adjusted cumulative DGA surplus balance	\$,000	43
3	Net gas supply expense	\$,000	Line 1 less line 2 422,143
4	Transition cost	\$,000	-
5	Excess sales revenue	\$,000	14
6	Storage arbitrage sales	\$,000	21,504
7	Net winter period gas cost recovery	\$,000	Line 3 less lines 4 - 6 400,625
8	Forecast winter period sales	TJ	61,674
9	Forecast transportation imbalance sales	TJ	-
10	Adjusted sales	TJ	Line 8 plus 1.3 times line 9 61,674
11	Winter period GCRR	\$/GJ	Line 7 divided by line 10 6.496