

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
AltaGas Utilities Inc.

ORDER U2000-310

Application No. 2000291
File No. 5628-36

THE APPLICATION

By letter dated October 5, 2000, AltaGas Utilities Inc. (AltaGas) submitted an application (the Application) to the Alberta Energy and Utilities Board (the EUB) for approval of a proposed winter period Gas Cost Recovery Rate (GCRR) of \$6.812/gigajoule (GJ), effective November 1, 2000. The proposed GCRR is \$3.727/GJ higher than the last approved 1999/2000 winter period GCRR of \$3.085/GJ and \$1.152/GJ higher than the last approved 2000 summer period GCRR of \$5.660/GJ. A winter period includes the months of November through March and a summer period includes the months of April through October.

AltaGas advised that it undertook to negotiate an agreement with its customers to reach a general consensus in determining the winter period GCRR. For this purpose AltaGas contacted the intervenor groups that have actively participated in the determination of its 1999/2000 winter and summer period GCRRs and provided them with the information submitted in the Application. AltaGas advised that it received no objections to its proposed winter period GCRR from these groups.

The GCRR is applicable to all sales service rates for the recovery of gas costs and is included in AltaGas' rate schedules as Rider "D", which is attached to this Order as Schedule "A". To support the implementation of the proposed winter period GCRR, AltaGas 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 provided in Appendix 1, attached to this Order.

The EUB published Notice for Objections to the Application in newspapers having a general circulation in AltaGas' service areas. The EUB also served the Notice on the intervenor groups to whom AltaGas had previously distributed its proposal.

October 31, 2000

DGA PROCEDURES

The Application was filed in accordance with the procedures previously approved by the EUB respecting AltaGas' DGA, in which gas costs charged to customers using the GCRR are reconciled with the cost of gas supplies acquired by AltaGas. AltaGas has been making separate applications for each GCRR applicable to its winter and summers periods and a separate DGA is kept for each respective period.

The DGA procedures permit AltaGas 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 AltaGas does not lose or gain as a result of fluctuations in the market price of gas.

The winter period GCRR is calculated by adding the balance in the DGA at the end 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 to minimize DGA balances, the EUB 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 gas costs forecast for the period. AltaGas made one application to the EUB for an adjustment during the 1999/2000 winter period to decrease the GCRR and, in addition, to refund an over-recovery of approximately \$1.8 million to its customers.

AltaGas' 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 \$515,004. With the opening surplus balance of \$476,429, the cumulative deficit balance in the DGA amounted to \$38,575 at March 31, 2000 and is reflected in the calculation of the applied for 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 setting these rates, the EUB is required to allow the utility company to recover its costs of providing service plus a fair return on its investment in plant. One of the major costs for AltaGas is the acquisition of adequate supplies of gas to provide reliable service to its customers.

The EUB has reviewed the information provided by AltaGas in the Application. The EUB notes that AltaGas received no objections to its proposal from the intervenors it contacted prior to

filing the Application. The EUB also notes that it received no submissions from the intervenor groups as a result of their being served with the Notice for Objections to the Application and that it received no objections by the due date of October 25, 2000, pursuant to publication of the Notice. The EUB accepts AltaGas' reconciliation of actual gas costs and actual gas cost recoveries for the 1999/2000 winter period and approves the proposed winter period GCRR of \$6.812/GJ

THEREFORE, it is hereby ordered that:

For AltaGas Utilities Inc.:

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 November 1, 2000.

Dated in Edmonton, Alberta on October 31, 2000.

ALBERTA ENERGY AND UTILITIES BOARD

October 31, 2000

SCHEDULE "A"

Effective By Order U2000-310
On Consumption On and After November 1, 2000
This Replaces Rider "D"
Previously Effective July 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	\$6.812 per GJ
April 1 to October 31	\$3.480 per GJ

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

May 1, 2000 to June 30, 2000 by	\$0.823 per GJ
July 1, 2000 to October 31, 2000 by	\$2.180 per GJ

APPENDIX 1

ALTAGAS UTILITIES INC.

**Determination of Gas Cost Recovery Rate
Effective November 1, 2000**

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Value</u>
1	Net gas cost forecast	\$	61,092,779
2	Prior winter period DGA under-recovery	\$	38,575
3	Net gas supply expense	\$	Line 1 plus line 2 61,131,354
4	Forecast winter period sales	GJ	9,084,362
5	Winter period GCRR excluding line loss	\$/GJ	Line 3 divided by line 4 6.729
6	Winter period GCRR including line loss	\$/GJ	Line 5 times 101.22% 6.812