

ALBERTA ENERGY AND UTILITIES BOARD

Edmonton, Alberta

**ALTAGAS UTILITIES INC.
1999/2000 WINTER PERIOD GAS COST RECOVERY RATE**

**Order U99096
Application 990445
File 5628-30**

1. THE APPLICATION

By letter dated 5 October 1999, AltaGas Utilities Inc. (AltaGas) submitted an application (the Application) to the Alberta Energy and Utilities Board (the Board) for approval of a proposed 1999/2000 winter period (1 November 1999 to 31 March 2000) Gas Cost Recovery Rate (GCRR) of \$3.343/gigajoule (GJ).

The Board published Notice for Objections to the Application in newspapers having a general circulation in AltaGas' service areas. Notice of the Application was also served on the interested parties and consumer groups to whom AltaGas had previously distributed its proposals for their comments. These parties were the participants in the negotiated settlement process (NSP) used by AltaGas in determining its 1999/2000 winter period GCRR.

The GCRR for the 1999/2000 winter period is included in AltaGas' rate schedules as Rider "D" (Schedule "A" attached to this Order), which is applicable to all sales service rates for the recovery of gas costs. Details of the calculation of the proposed winter period GCRR are described in Appendix 1, attached to this Order. The proposed GCRR of \$3.343/GJ is \$0.857/GJ higher than the 1998/1999 winter period GCRR of \$2.486/GJ and \$0.309/GJ less than the last approved 1999 summer period GCRR of \$3.652/GJ.

AltaGas also proposed that the rate for unaccounted for gas be set at 1.22 per cent. This rate, to be effective 1 November 1999, is used for recovery of line loss from all transportation end-use and transportation core market end-use customers and is included in AltaGas' rate schedules as Rider "E" (Schedule "B" attached to this Order).

AltaGas provided documentation to the Board which indicated that it had received written or verbal acceptance for its proposed winter period GCRR from the participants in the NSP. As a result of the publication of the Notice for Objections, the Board received one objection to the Application that, however, provided no evidentiary basis for the objection.

2. DEFERRED GAS ACCOUNT (DGA) PROCEDURES

The Application was filed in accordance with the procedures approved in previous decisions by the Board respecting AltaGas' DGA, in which gas supply costs charged to customers are reconciled with the cost of gas supplies experienced by AltaGas. AltaGas has been making separate applications for each GCRR applicable to its winter and summers periods. A winter

29 October 1999

period includes the months of November to March, inclusive, and a summer period includes the months of April to October, inclusive.

The DGA procedures have been set up by the Board to account for AltaGas=gas supply costs. These procedures, which are similar to those used by various other jurisdictions in North America, 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 AltaGas. While these procedures provide that customers pay only the actual gas costs, they have the effect, also, of providing that the shareholders of AltaGas do not lose or gain as a result of price fluctuations in gas supply costs.

The proposed winter period GCRR is calculated by adding the balance in the DGA as at 31 March 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 Board directed that, should a significant change in gas supply costs occur during a period, AltaGas should apply to the Board for an adjustment to the GCRR. The Board 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 Board for an adjustment during the 1998/1999 winter period and subsequently reduced its winter period GCRR of $\$2.727/\text{GJ}$ by $\$0.241/\text{GJ}$ to $\$2.486/\text{GJ}$ and, in addition, refunded an over-recovery of approximately $\$1.3$ million to its customers.

AltaGas' reconciliation of actual gas costs and actual gas cost recoveries for the 1998/1999 winter period resulted in gas costs being over-recovered for that period by $\$1,098,885$. With the opening deficit balance of $\$511,312$, the cumulative surplus balance in the DGA amounted to $\$587,573$ at 31 March 1999 and is reflected in the calculation of the proposed 1999/2000 winter period GCRR.

3. BOARD FINDINGS

The Board's statutory mandate requires that it fix just and reasonable rates for the regulated utilities under its jurisdiction. In setting these rates, the Board is required to allow the utility company to recover its cost of providing service plus a fair return on its investment in plant. In the case of AltaGas, one of its major costs is the acquisition of adequate supplies of gas to provide reliable service to its customers.

The Board has reviewed the information provided by AltaGas in the Application. The Board notes that AltaGas received no objections to its proposal from the NSP participants. The Board

also notes that only one objection to the Application was received by 22 October 1999, the date specified in the published Notice for Objections. The objection, however, did not provide any specific reasons why AltaGas' proposals were either unreasonable or incorrect.

The Board accepts AltaGas' reconciliation of actual gas costs and actual gas cost recoveries for the 1998/1999 winter period. The Board approves the proposed winter period GCRR of \$3.343/GJ and the unaccounted for gas recovery rate of 1.22% of gas taken by transportation end-use and transportation core market end-use customers.

4. ORDER

IT IS HEREBY ORDERED THAT:

- (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 Rates applicable to all sales service rates effective on all metered or estimated consumption on and after 1 November 1999, and
- (2) Rider "E", 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 end-user rates and transportation core market end-user rates for the recovery of Unaccounted For Gas, to be effective 1 November 1999.

Dated in Edmonton, Alberta on 29 October 1999.

ALBERTA ENERGY AND UTILITIES BOARD

B. Torrance

SCHEDULE "A"

Effective By Order U99096
On Consumption On and After 1 November 1999
This Replaces Rider "D"
Previously Effective 1 September 1999

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

1 November to 31 March	\$3.343 per GJ
1 April to 31 October	\$2.486 per GJ

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

1 September 1999 to 31 October 1999	\$1.166 per GJ
-------------------------------------	----------------

SCHEDULE "B"

Effective By Order U99096
On Transportation 1 November 1999
This Replaces Rider "E"
Previously Effective 1 November 1998

ALTAGAS UTILITIES INC.
RIDER "E" TO ALL TRANSPORTATION END-USER RATES AND
TRANSPORTATION CORE MARKET END-USER RATES
FOR THE RECOVERY OF UNACCOUNTED FOR GAS

All Transportation End-Use and Transportation Core Market End-Use customers must supply at the Point(s) of Receipt 101.22% of the Gas Taken at the Point(s) of Delivery, or in the alternative, must pay the Company a sum equal to 1.22% of the number of GJ taken at the Point(s) of Delivery multiplied by the applicable Gas Cost Recovery Rate.

APPENDIX 1
ALTAGAS UTILITIES INC.
Determination of Gas Cost Recovery Rate
1 November 1999 to 31 March 2000

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Value</u>
1	Net gas cost forecast	\$	30,959,788
2	Prior winter period DGA over-recovery	\$	587,573
3	Net gas supply expense	\$	Line 1 less line 2 30,372,215
4	Forecast winter period sales	GJ	9,197,919
5	Winter period GCRR excluding line loss	\$/GJ	Line 3 divided by line 4 3.302
6	Winter period GCRR	\$/GJ	Line 5 times 101.22% 3.343