



AUC

Alberta Utilities Commission

ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

Application for Administration of a Province-wide Load Balancing Deferral Account

April 3, 2014

The Alberta Utilities Commission

Decision 2014-078: ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

Application for Administration of a Province-wide Load Balancing Deferral Account

Application No. 1610221

Proceeding No. 3005

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1 Introduction

1. On December 30, 2013, ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (ATCO Gas or AG) submitted an application to the Alberta Utilities Commission (the AUC or the Commission) requesting approval to administer the north and south load balancing deferral accounts (LBDA) as a single province-wide LBDA; and to close the north and south LBDAs. In order to close the LBDAs, AG submitted that the balance in the north LBDA would be refunded or recovered from the north low, mid and high use customers and the balance in the south LBDA would be refunded or recovered from the south low, mid, high and irrigation customers.¹

2. On January 2, 2014, the Commission issued a notice of application to interested parties. Any person or group with concerns or objections regarding the application, or who wished to support the application, was required to file a statement of intention to participate (SIP) with the Commission by January 14, 2014.

3. The Commission received SIPs from AltaGas Utilities Inc. (AltaGas), the Consumers' Coalition of Alberta (CCA) and the Office of the Utilities Consumer Advocate (UCA). In its SIP, AltaGas indicated that it intended to monitor this proceeding. The CCA and the UCA proposed a written proceeding with information requests (IRs).

4. On January 16, 2014, the Commission sent out a letter to the registered parties that established the following process schedule:

Process step	Deadline
IRs to ATCO Gas	January 28, 2014
Information responses from ATCO Gas	February 7, 2014
Argument	February 14, 2014
Reply argument	February 21, 2014

5. On January 17, 2014, AG submitted a letter to the AUC requesting an additional week for each process step due to the unavailability of staff and short time frame between process steps.²

¹ Exhibit 1, application, paragraph 5.

² Exhibit 12.01, AG request for schedule change.

6. In a letter dated January 20, 2014, the Commission approved the requested extension, and established the following schedule for the balance of the proceeding:

Process step	Deadline
IRs to ATCO Gas	February 4, 2014
Information responses from ATCO Gas	February 14, 2014
Argument	February 21, 2014
Reply argument	February 28, 2014

7. The Commission considers the close of record for this proceeding to be February 28, 2014.

8. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding, including the evidence and argument provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

2 Background

9. Load balancing is part of the physical operation of a gas pipeline system, whereby gas supplies are adjusted to maintain optimum operating pressure in the system. In Order [U2008-290](#),³ the AUC approved the implementation by AG of its retailer service which transferred the responsibility for the distribution system load balancing function from Direct Energy Regulated Services (DERS) to AG, effective October 1, 2008. This implementation included the creation of LBDAs for each of AG's north and south service territories.

10. The threshold to trigger the filing of a rate rider application by AG, for LBDAs, was originally determined in Decision [2008-021](#).⁴ If the account balance exceeded \$2 million for three consecutive months, AG was required to file a rate rider application to refund or recover the LBDA balancing amounts.

11. In Decision [2009-050](#) for ATCO Gas's south LBDA,⁵ the AUC approved the methodology to be used for the refund or recovery of LBDA balances using approved annual forecast throughput to allocate the refund, to be recovered through a load balancing rate rider, Rider L.

³ Order U2008-290: ATCO Gas, Retailer Service and Gas Utilities Act – Phase II, Part B Process, Modules 3 & 5, Application No. 1575607, Proceeding ID No. 68, September 12, 2008.

⁴ Decision [2008-021](#): ATCO Gas, Retailer Service and Gas Utilities Act Compliance Module 3, Part 1, Application No. 1482246, March 17, 2008.

⁵ Decision 2009-050: ATCO Gas, South Retailer Service South Load Balancing Deferral Account South Load Balancing Rate Rider "L," Application No. 1604893, Proceeding ID No. 178, April 24, 2009.

12. In Decision 2009-251,⁶ the AUC approved a change to the threshold that determines when a rider application for refund or recovery of balances for north and south LBDAs was required. AG North and AG South were directed to file a load balancing deferral account application if the LBDA balance exceeded a threshold of \$5 million in the same direction for six consecutive months, or in the event that the LBDA balance exceeded \$10 million in any single month. These thresholds continue to be in place for the north and south LBDAs.

13. In Decision 2011-420⁷ related to AG's application to recover its south LBDA balance, the Commission stated regarding transmission charges and AG's north and south LDBAs:

The commercial integration of ATCO Pipelines and NOVA Gas Transmission Ltd. (NGTL) occurred on October 1, 2011. As of that date, ATCO Gas became a customer of NGTL and is subject to NGTL tolls and terms and conditions. ATCO Gas no longer receives charges and riders from ATCO Pipelines to be included in ATCO Gas' LBDAs.⁸ (footnotes removed)

14. In Decision 2013-106,⁹ related to AG's application to recover amounts through its north load balancing rate rider, the Commission found that given AG now holds a single transmission account with NGTL, having two deferral accounts for the north and south service territories would seem to be unnecessary. The Commission directed AG to conduct a cost and benefit study with respect to a possible transition to a single province-wide LBDA by December 31, 2013.¹⁰

15. AG included its study, which is attached as Appendix 1 to the application.

3 Administration of a province-wide LBDA

16. In its application AG proposed that the opening balance of the province-wide LBDA would be zero,¹¹ and all load balancing related debits and credits would be reported in the province-wide LBDA.¹² AG submitted that the new province-wide LBDA would have all the same components that were approved under Order U2008-290, except for ATCO Pipelines charges that were eliminated upon integration.¹³

⁶ Decision 2009-251: ATCO Gas, South Retailer Service South Load Balancing Deferral Account South Load Balancing Rate Rider "L," Application No. 1605400, Proceeding ID No. 292, December 14, 2009.

⁷ Decision 2011-420: ATCO Gas, South Load Balancing Rate Rider, Application No. 1607667, Proceeding ID No. 1439, October 28, 2011.

⁸ Decision 2011-420, paragraph 19.

⁹ Decision 2013-106: ATCO Gas North Load Balancing Rate Rider, Application No. 1609109, Proceeding ID No. 2290, March 20, 2013.

¹⁰ Ibid., paragraph 44.

¹¹ Exhibit 1, application, paragraph 6.

¹² Exhibit 19.01, AG information responses to the AUC, AUC-AG-02.

¹³ See Exhibit 1, Appendix 1, paragraph 3: Integration resulted in the combination of the ATCO Pipelines and NGTL transmission commercial service offerings into a single rate and service structure, which is administered by NGTL.

17. AG provided a list of components¹⁴ to be included in the province-wide LBDA, submitting that all of these components have been included in previous load balancing rate rider applications.

18. AG submitted that within two weeks of the effective date of the province-wide LBDA, it would file an application with the AUC for the recovery or refund of the balances of the north and south LBDAs, via Rider L, based on the month-end balance of the month following the decision.¹⁵ AG submitted that the rates will be calculated based on the methodology approved in Decision 2009-050 with any residual balance at the end of the Rider L period transferred to the province-wide LBDA.¹⁶

19. AG recommended using the same thresholds for the province-wide LBDA that were approved in Decision 2009-251.¹⁷ In response to an information request, AG commented that at the current time it has no information on which to base a change to the established thresholds; and it would seek the AUC's approval if a change was warranted.¹⁸

20. AG submitted that the merits of continuing to use the previously approved weighted average cost of capital (WACC) for carrying charges remained appropriate and should continue to apply to the province-wide LBDA. AG indicated that a change to the province-wide LBDA does not warrant a change in the carrying charge interest rate.¹⁹

4 Cost and efficiencies of province-wide LBDA

21. In the application, AG indicated that based on a historical analysis a province-wide LBDA would have accumulated approximately \$0.768 million less carrying charges than the separate north and south LBDAs:

The province-wide LBDA would have accumulated \$0.781M in carrying charges over the five year period instead of the \$1.549M in the separate North and South LBDAs (excluding Rider L carrying charges). This represents a savings to customers of approximately \$0.768M in carrying charges from October 2008 to September 2013.²⁰

22. In addition, AG submitted that implementation of the province-wide LBDA would result in savings of approximately three to five hours per day for retailer service staff and retailers will likely see similar administration savings.²¹

¹⁴ Exhibit 19.01, AG information responses to the AUC, AUC-AG-03 states that the LBDA components to be included in the LBDA are: load balancing transactions, imbalance purchase/sales, carrying charges debit/(credit), credit support charges, co-op gas purchases, revenue from unmetered gas lights, hit line revenue recovered from third parties, un-recovered account balancing amounts, and load balancing rate rider recovered/(refunded) and cancel rebills.

¹⁵ Exhibit 19.01, AG information responses to the AUC, AUC-AG-02.

¹⁶ Exhibit 1, application, paragraph 7.

¹⁷ Exhibit 1, application, paragraph 8.

¹⁸ Exhibit 19.01, AG information responses to the AUC, AUC-AG-04.

¹⁹ Exhibit 19.01, AG information responses to the AUC, AUC-AG-05.

²⁰ Exhibit 1, application, Appendix 1, paragraph 22.

²¹ Exhibit 17.01, AG information responses to the CCA, CCA-AG-02.

23. AG submitted that with a single province wide LBDA, the north and south retailer service accounts could be combined into one account in the imbalance reporting information system (IRIS) for each retailer. This would reduce the number of accounts that retailers are required to monitor and balance from 59 to 33.²² In order to realize the administrative benefits of a single province-wide LBDA, IRIS would need an enhancement expected to cost approximately \$152,000.²³

24. AG confirmed, in response to an information request, that ATCO I-Tek would be completing the enhancements to IRIS, and the estimated cost of \$152,000 for such enhancements would be covered by the indexing mechanism under performance-based regulation.²⁴ The enhancement process is expected to take approximately five months.²⁵

5 Views of the parties

25. In argument, the CCA stated it supported AG's province-wide LBDA:

The CCA considers that the AG administration savings outweigh the needed one-time IRIS system enhancement cost. The CCA also notes that administration costs and retailers (sic) should be reduced. Further, the CCA notes that carrying costs have shown a reduction in the October 2008 to September 2013 data.²⁶

26. The CCA submitted that the determination of the final balances and the rate design for the recovery and refund of balances should be determined when the final north and south Rider L application is filed.²⁷ In its reply argument, AG agreed with the CCA on this matter.²⁸

27. The UCA submitted that it was supportive of the concept of a province-wide LBDA and the process proposed by AG, and recognized the potential for administrative and process efficiencies and cost savings for customers in Alberta.²⁹ In the absence of experience with the province-wide LBDA, the UCA agreed with AG that there was no evidence at this time that would back the need for changes to the Load Balancing parameters in advance of implementation, and that the continued use of the existing parameters is reasonable.³⁰

²² Exhibit 1, application, Appendix 1, paragraph 20.

²³ Ibid., paragraph 27.

²⁴ The indexing mechanism was approved in Decision [2012-237](#): Rate Regulation Initiative Distribution Performance-Based Regulation, Application No. 1606029, Proceeding ID No. 566, September 12, 2012.

²⁵ Exhibit 19.01, AG information responses to the AUC, AUC-AG-06.

²⁶ Exhibit 21.01, CCA argument, paragraph 7.

²⁷ Ibid., paragraph 9.

²⁸ Exhibit 25.01, AG reply argument, paragraph 14.

²⁹ Exhibit 23.02, UCA reply argument, paragraph 1.

³⁰ Exhibit 23.02, UCA reply argument, paragraph 2.

28. The UCA expressed its interest in customer impacts from costs related to retailer account load balancing settlement, and retaining the existing approved imbalance window parameters. The transition to a province-wide LBDA has the potential to affect cost exposure for end use customers through the continued use of the existing imbalance window parameters.³¹ The UCA requested:

...the Commission to direct that the magnitude of this effect on the LBDA should be reviewed as part of a Rider L application where at least 12 months of data on the province-wide LBDA could be examined. At that time, it is expected AG would be in a position to provide evidence on the effect on customers of retaining the existing Imbalance Window parameters and to propose changes if and as required.³²

29. The UCA requested that the Commission establish a timeframe for AG to provide evidence of the effects of “consolidation of the currently approved parameters for the LBDA.” Further, the UCA requested a review comparing the historical results of the north and south LBDAs to a minimum of 12 months consolidated LBDA data in conjunction with a future Rider L application.³³

30. The CCA agreed with the UCA request that the imbalance tolerance limits should be examined when sufficient data is available, and submitted that AG should be directed to file a study on imbalance limits after one-year of data has been collected.³⁴

31. AG stated that the new province-wide LBDA administered under parameters approved in Order U2008-290 would have little or no impact to customers³⁵ and that the administration of separate north and south LBDAs is no longer necessary.³⁶ In reply argument, AG stated that it currently monitors the retailers’ imbalance windows on an ongoing basis and would continue to do so. If a change to the imbalance window was warranted, AG would seek AUC approval for a change. AG indicated that it held a review of the imbalance window with stakeholders on June 6, 2013 and all parties agreed the current system was working and no change was required.³⁷

32. AG submitted that the implementation of the province-wide LBDA would result in administrative benefits and cost savings for AG, retailers and customers. Further, neither the CCA nor the UCA opposed the consolidation of the province-wide LBDA, their only concern appearing to be the continued use of the current imbalance window.³⁸

³¹ Exhibit 20.02, UCA argument, paragraph 2.

³² Exhibit 20.02, UCA argument, paragraph 10.

³³ Exhibit 23.02, UCA reply argument, paragraph 4.

³⁴ Exhibit 24.01, CCA reply argument.

³⁵ Exhibit 25.01, AG reply argument, paragraph 3.

³⁶ Exhibit 22.01, AG argument, paragraph 5.

³⁷ Exhibit 25.01, AG reply argument, paragraph 12.

³⁸ Exhibit 25.01, AG reply argument, paragraph 15.

6 Commission findings

33. As AG now holds a single transmission account with NGTL, it is no longer necessary for AG to track its load balancing transactions in separate north and south deferral accounts. This is consistent with the Commission's finding in Decision 2013-380,³⁹ with respect to ATCO Gas's unaccounted for gas (UFG) and Rider D:

The Commission has reviewed the evidence on the record of this proceeding and agrees with parties that a single province-wide UFG rate and Rider D should be implemented. As AG will be applying for a single LBDA, it must first have a single UFG rate in order to properly allocate load balancing transactions. If the Commission were to delay implementation of a province-wide UFG rate to November 1, 2014, it would also necessitate delaying the implementation of a single LBDA to the same time period. **As AG holds a single transmission account with NOVA Gas Transmission it is unnecessary to track its load balancing transactions and UFG percentages by north and south segments.**⁴⁰ (emphasis added)

34. ATCO Gas included information on the methodology used in the calculation of the north and south LBDAs in its application and indicated that it would continue to use the same methodology and rate design in the province-wide LBDA. The Commission considers that it would be beyond the scope of the approval requested to comment on whether the methodology and rate design used in the calculation of the existing north and south LBDAs should continue for the province-wide LBDA.

35. The UCA and the CCA suggested that the imbalance tolerance limits should be reviewed as part of a Rider L application when at least 12 months of data on the province-wide LBDA is available. AG has stated that it will continue to monitor the existing imbalance window parameters. The Commission directs AG to continue to monitor its existing imbalance window parameters and make the data available at future industry committee meetings regarding load balancing.

36. The Commission has reviewed the evidence on the record of this proceeding on the costs and benefits of a single province-wide LBDA and finds that a province-wide LBDA should be implemented. The use of a single LBDA is expected to decrease the number of accounts to be monitored, resulting in reduced administrative costs for both AG and retailers. The study provided as Appendix 1 to the application, indicated that carrying charges for a province-wide LBDA are expected to be less than for the separate north and south LBDAs; and that the benefits are expected to exceed the \$152,000 cost of enhancing the IRIS system.

37. The determination of the final balances and the rate design for the recovery and refund of balances will be determined in the final north and south Rider L proceeding. The continued use of all components of the previous methodology and rate design will also be examined in the final north and south Rider L proceeding.

38. The Commission approves ATCO Gas's application to administer its north and south LBDAs as a single province-wide LBDA and to close its current north and south LBDAs. AG is

³⁹ Decision 2013-380, ATCO Gas Rider D Application for Unaccounted for Gas, Application No. 1609860, Proceeding ID No. 2796, October 16, 2013.

⁴⁰ Decision 2013-380, paragraph 21.

directed to file an application to settle its north and south LBDA balances, and to file its proposed combined LBDA methodology, prior to June 1, 2014.

7 Order

39. It is hereby ordered that:

- (1) ATCO Gas's application to administer its north and south load balancing deferral accounts as a single province-wide load balancing deferral account is approved, and accordingly AG is directed to file an application to settle its north and south LBDA balances, and to file its proposed combined LBDA methodology, prior to June 1, 2014

Dated on April 3, 2014.

The Alberta Utilities Commission

(original signed by)

Kay Holgate
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Gas (AG) J. Burgess
Office of the Utilities Consumer Advocate (UCA) H. Gnenz K. Phillips R. Daw, Brownlee LLP T. Marriott, Brownlee LLP
AltaGas Utilities Inc. (AltaGas) N.J. McKenzie L. Chan J. Coleman
Consumers' Coalition of Alberta (CCA) J.A. Wachowich J.A. Jodoin

The Alberta Utilities Commission
Commission Panel K. Holgate, Commission Member
Commission Staff A. Sabo (Commission counsel) B. Whyte E. Deryabina

Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. The UCA and the CCA suggested that the imbalance tolerance limits should be reviewed as part of a Rider L application when at least 12 months of data on the province-wide LBDA is available. AG has stated that it will continue to monitor the existing imbalance window parameters. The Commission directs AG to continue to monitor its existing imbalance window parameters and make the data available at future industry committee meetings regarding load balancing. Paragraph 35
2. The Commission approves ATCO Gas’s application to administer its north and south LBDAs as a single province-wide LBDA and to close its current north and south LBDAs. AG is directed to file an application to settle its north and south LBDA balances, and to file its proposed combined LBDA methodology, prior to June 1, 2014. Paragraph 38