



ATCO Gas

2014 Performance-Based Regulation Application – Compliance Filing Adjustment to Proposed Irrigation Rate

April 14, 2014

The Alberta Utilities Commission

Decision 2014-102: ATCO Gas

2014 Performance-Based Regulation Application – Compliance Filing Adjustment to Proposed
Irrigation Rate

Application No. 1610293

Proceeding No. 3053

April 14, 2014

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1 Introduction

1. On January 31, 2014, ATCO Gas (a division of ATCO Gas and Pipelines Ltd.) filed an application with the Alberta Utilities Commission (the Commission) requesting approval for adjusted rates for the irrigation rate group effective as of May 1, 2014, pursuant to directions issued in Decision [2013-460](#).¹
2. The Commission issued a notice of application on February 4, 2014, requiring any party who wished to intervene in the proceeding to submit a statement of intent to participate (SIP) by February 19, 2014. The Commission received SIPs from the Office of the Utilities Consumer Advocate (UCA) and the Consumers' Coalition of Alberta (CCA). Both the UCA and the CCA indicated that they expected to test the application with a process of written information requests (IRs) and written argument.
3. The Commission reviewed the SIPs and determined that the application would be conducted as a minimal written process proceeding. Accordingly, the following process schedule was established for the application.

Process step	Due date
Information requests to applicant	4 p.m., March 3, 2014
Information responses from applicant	4 p.m., March 13, 2014
Written argument	4 p.m., March 20, 2014
Written reply argument	4 p.m., March 27, 2014

4. On March 19, 2014, both the CCA and the UCA indicated that they did not object to the application and consequently would not be submitting written argument. ATCO Gas submitted its argument on March 20, 2014. In correspondence dated March 27, 2014, ATCO Gas indicated that it would not be filing any reply argument.
5. The Commission considers the record for this proceeding to have closed on March 27, 2014. In reaching the determinations set out in this decision, the Commission has considered all relevant materials comprising the record of this proceeding. 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.

¹ Decision 2013-460: ATCO Gas and Pipelines Ltd., 2014 Annual PBR Rate Adjustment Filing, Application No. 1609915, Proceeding ID No. 2826, December 19, 2013.

2 Background and details of the application

6. In its annual 2014 performance-based regulation (PBR) application (Proceeding No. 2826),² ATCO Gas proposed rates that included an amount for the revenue reconciliation of the Carbon Rider H (low, mid and high use rate group) and Rider I (irrigation rate group) as approved in Decision 2012-113.³ The irrigation rate group Carbon rider reconciliation shortfall was stated to be \$403,324. In this application, ATCO Gas indicated that as of December 31, 2013, \$127,922 of the Carbon rider reconciliation shortfall had been collected, leaving \$275,402 outstanding. The current application was filed pursuant to the Commission's directions in Decision 2013-460, which are quoted below:

103. Irrigation customers in the South service territory will see an increase of 50.6 per cent on the distribution charge portion of the bill, under the AG proposal. When considered on a total bill basis (i.e., including commodity charges), the rate impact for irrigation customers is estimated to be approximately 20.6 per cent. The Commission finds that this rate increase may result in rate shock for irrigation customers. Accordingly, the Commission is not prepared to approve an irrigation rate at this time, despite having approved the Carbon rider reconciliation as a component of the 2014 Y factor. [footnotes omitted]

104. Therefore, the Commission directs AG to file an application, by January 31, 2014, for an adjustment to the proposed irrigation rate, such that the estimated increase in the total bill in 2014 does not exceed 10 per cent for the irrigation rate class.

7. In its 2014 annual PBR rate adjustment application, ATCO Gas had included the remainder of the Carbon rider reconciliation shortfall of \$275,402 for collection through an adjustment to its variable irrigation rate. Exclusion of the Carbon rider reconciliation amount resulted in a variable irrigation rate of \$1.117/gigajoule (GJ). ATCO Gas used the base variable rate without the Carbon rider reconciliation amount of \$1.117/GJ to derive a Carbon rider reconciliation adjustment of \$0.633/GJ, which would limit the irrigation customer's total annual bill increase to 10 per cent in accordance with the Commission's direction in Decision 2013-460. Table 1, below, demonstrates ATCO Gas's calculations of the described amounts.

8. ATCO Gas used the 2014 throughput forecast of 210,344 GJ, approved in Decision 2013-460 for the irrigation rate group, to calculate the forecast amount of the Carbon rider reconciliation shortfall that would be collected in 2014 if the proposed adjustment of \$0.633/GJ was applied to the irrigation variable rate. ATCO Gas proposed to collect \$133,148 of the shortfall in 2014 and the remainder of \$142,254 (plus any related carrying costs) in 2015. ATCO Gas further proposed to incorporate the rates into its 2015 PBR annual rate adjustment application.⁴

² Application No. 1609915.

³ Decision 2012-113: ATCO Gas, Carbon Rider Reconciliation, Application No. 1608299, Proceeding ID No. 1802, April 25, 2012.

⁴ Exhibit No. 3, application, paragraph 12.

Table 1. Irrigation rates and total annual bill impact for irrigation rate group⁵

	Approved 2013 rates	Applied-for 2014 irrigation rates in Proceeding No. 2826	Adjusted 2014 rates proposed in the application
	(\$)		
Fixed rate (per day)	1.183	1.185	1.185
Variable rate (per GJ):			
Variable rate without carbon rider		1.117	1.117
Carbon rider portion of variable rate		1.184	0.633
Total variable rate (per GJ)	1.234	2.301	1.750
Commodity charge (per GJ)	3.072	3.072	3.072
Total annual bill (147 days and 200 GJ)	1,035	1,249	1,139
Percentage increase		20.64%	10%

9. In summary, ATCO Gas seeks approval of the following:

- irrigation fixed charge of \$1.185 per day
- irrigation variable charge of \$1.750 per GJ
- collection of the Carbon rider reconciliation over two years (2014 and 2015)
- carrying charges on the Carbon rider reconciliation amount to be recovered in 2015

3 Discussion of issues

10. In its review of the application, the Commission noted a discrepancy between the Carbon rider reconciliation shortfall quoted in Proceeding No. 2826 and the amount identified by ATCO Gas in this application. The outstanding shortfall amount identified in Proceeding No. 2826 was \$249,459, whereas the amount provided in this application is \$275,402. The Commission inquired about the reason behind this discrepancy in an IR. ATCO Gas replied:

At the time of the 2014 PBR Application (Proceeding ID No. 2826), filed on September 10, 2013, only the actual recovery amounts for June - August, 2013 were known... Therefore, the total amount recovered of \$153,865 was based on actual amount collected for the period June to August 2013 and a forecast for September 2013. As the approved recovery amount is \$403,324 the resulting under-recovery was stated as \$249,459 in that application. In Table 4 of this Application, ATCO Gas included an updated Carbon reconciliation shortfall of \$275,402 for the irrigation rate group as the actual recovery amount in 2013 is known. For the Rider I effective June to September 2013, the total actual amount recovered in 2013 is \$127,922. With the approved recovery amount being \$403,324, the resulting under-recovery is \$275,402.⁶

11. No party raised any other issues with the application. In correspondence dated March 19, 2014, the UCA stated that “Given the responses to the information requests and the amounts remaining in issue, the UCA does not oppose to the Application.”⁷ The Commission also received correspondence on March 19, 2014, from the CCA stating that it did not object to the

⁵ Exhibit No. 3, application, Table 2.

⁶ Exhibit No. 14, AUC-AE-1.

⁷ Exhibit No. 16, UCA correspondence to the Commission.

application and that “The CCA agrees with [ATCO Gas] that it is appropriate to collect the Carbon rider shortfall for the irrigation rate class into 2015.”⁸

Commission findings

12. The Commission finds that ATCO Gas’s proposal to collect the Carbon rider reconciliation shortfall over two years is necessary in order to limit the impact on irrigation customers’ total bill amounts to 10 per cent or less. This outcome accords with the principle of rate stability. The Commission therefore approves the collection of the Carbon rider reconciliation shortfall over 2014 and 2015.

13. The Commission has reviewed the calculations used in the derivation of the proposed Carbon rider reconciliation variable rate adjustment of \$0.633/GJ and finds that ATCO Gas’s proposal in this regard conforms to the directions given in Decision 2013-460. In accordance with this adjustment, the Commission approves the total 2014 variable rate for irrigation rate group at \$1.750/GJ.

14. The Commission also finds that the calculations underlying the fixed charge for the irrigation rate group of \$1.185 per day were made in accordance with the provisions of the company’s PBR plan as approved by the Commission in Decision 2013-460.⁹ The Commission observes that, based on the estimated consumption, the impact of fixed and variable charges on irrigation customers’ total bills will not exceed 10 per cent in 2014. Consequently, the Commission approves the adjusted irrigation rates for ATCO Gas (South), effective May 1, 2014, as described in [Appendix 2](#) to this decision.

15. The design of 2015 irrigation rates will be considered within the context of ATCO Gas’s 2015 annual PBR rate adjustment application along with the collection of carrying charges on the Carbon rider shortfall to be recovered in 2015. ATCO Gas does not require any approval arising from this application in order to have a future claim for carrying costs assessed in accordance with AUC [Rule 023: Rules Respecting Payment of Interest](#). In light of this fact, the Commission declines to provide the approval sought by ATCO Gas in respect of 2015 carrying charges associated with carbon rider amounts and will instead consider the merits of the anticipated application as and when it is brought.

⁸ Exhibit No. 17, CCA correspondence to the Commission.

⁹ Decision 2013-460, paragraph 105.

4 Order

16. It is hereby ordered that:

- (1) ATCO Gas's 2014 irrigation rates as set out in Appendix 2, are approved effective May 1, 2014.

Dated on April 14, 2014.

The Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Gas A. Green
Consumers' Coalition of Alberta (CCA) J. A. Wachowich J. A. Jodoin
Office of the Utilities Consumer Advocate (UCA) R. McCreary K. Arrowsmith

The Alberta Utilities Commission
Commission Panel N. Jamieson, Commission Member
Commission Staff R. Finn (Commission counsel) N. Mahbub B. Whyte O. Vasetsky

Appendix 2 – 2014 irrigation rate

[\(return to text\)](#)

Effective May 1, 2014 by Decision 2014-102
This Replaces Irrigation Delivery Service
Previously Effective April 1, 2013

ATCO GAS AND PIPELINES LTD. - SOUTH IRRIGATION DELIVERY SERVICE

Available to all customers who use natural gas as a fuel for engines pumping irrigation water between April 1 and October 31.

CHARGES:

Fixed Charge:	\$1.185 per Day
Variable Charge:	\$1.750 per GJ