

1 INTRODUCTION

The Alberta Energy and Utilities Board (the Board) received an Application (the Application) from ATCO Gas – North (referred to herein as AGN), a Division of ATCO Gas and Pipelines Ltd., for adjustments to the Gas Cost Recovery Rate (GCRR) for sales service customers. A GCRR is applicable to all sales service rates for the recovery of natural gas costs.

A GCRR is ordinarily set separately for summer and winter periods. A summer period includes the months of April through October and a winter period includes the months of November through March. However, to help mitigate the impact of historically high gas prices that occurred in the 2000/2001 winter season, a separate GCRR was set by Decision 2000-16 to apply to AGN's sales service customers on Rate 1, comprising mainly residential customers, and the University of Alberta (Option A customers), for the period January 24, 2001 to January 31, 2002. For AGN's sales service customers on all other rates (Option B customers) the GCRR remained on a seasonal basis.

2 THE APPLICATION

By letter dated October 12, 2001, AGN filed the Application with the Board for approval of the following proposed adjustments to its GCRRs and deferred gas account (DGA) balances:

- refunds of aggregate DGA balances in amounts of \$45.0 million to Option A customers and \$11.6 million to Option B customers,
- a GCRR for Option A customers of \$3.043/gigajoule (GJ) for the period from November 1, 2001 to October 31, 2002, and
- a 2001/2002 winter period GCRR for Option B customers of \$3.136/GJ.

AGN also requested approval for a proposed rate of 1.124% for the recovery of unaccounted for gas (UFG) and fuel gas from transportation service customers, effective January 1, 2002.

GCRRs are included in AGN's rate schedules as Rider "F", which is attached to this Decision as Schedule "A". The rate for UFG and fuel gas is included in AGN's rate schedules as Rider "D", which is attached to this Decision as Schedule "B".

To support the implementation of the proposed GCRRs, AGN provided a reconciliation of its 2000/2001 winter period DGA and 2001 summer period DGA and information describing its forecast purchases and sales of natural gas. AGN's reconciliation of actual gas costs and actual

gas cost recoveries for the 2000/2001 winter period resulted in gas costs for that period being under-recovered by an aggregate of \$27.1 million. AGN's reconciliation of gas costs and gas cost recoveries for the 2001 summer period, using actual amounts to August 31, 2001 and estimated amounts for September and October 2001 resulted in gas costs for that period being over-recovered by an aggregate of \$83.7 million.

AGN proposed to refund during November 2001 each Option A customer's net estimated share of the balance in the 2000/2001 winter period DGA (a deficit of approximately \$24.6 million) and the balance in the 2000 summer period DGA (a surplus of approximately \$69.6 million) as of October 31, 2001, based upon each customer's total respective sales during the period November 1, 2000 to October 31, 2001. AGN's proposed twelve month GCRR of \$3.043/GJ for Option A customers is \$1.908/GJ less than the last approved Option A GCRR of \$4.951/GJ. AGN estimated that the proposed GCRR would result in a DGA deficit balance of approximately \$5.4 million at the end of the upcoming winter period, March 31, 2002, and an offsetting DGA surplus balance at the end of the ensuing summer period, October 31, 2002.

AGN also proposed to refund during November 2001, each Option B customer's net estimated share of the balance in the 2000/2001 winter period DGA (a deficit of approximately \$2.5 million) and 2001 summer period DGA (a surplus of approximately \$14.1 million), as of October 31, 2001, based upon each customer's total respective sales during those periods. AGN's proposed winter period GCRR for Option B customers is \$1.212/GJ less than the last approved 2001 summer period GCRR of \$4.348/GJ and \$7.386/GJ less than the last approved 2000/2001 winter period GCRR of \$10.522/GJ.

AGN advised that on September 24, 2001 it had forwarded initial proposals for adjustments to its GCRRs to the interested parties on its 2001 DGA/GCRR distribution list, a copy of which was provided with the Application. Based on responses from these parties, on October 4, 2001 it remitted alternate proposals to these parties, which were based on updated forward market prices for gas and included the proposed GCRRs that it subsequently submitted in the Application. Two parties, EPCOR Energy Services (Alberta) Inc. (EPCOR) and Enron Energy Services Canada Corp. (Enron), disagreed with the proposal to use a twelve-month GCRR for Option A customers. Also, while not specifically disagreeing with the Option A proposal, Gas Alberta Inc. questioned the prudence of using an annualized rate and commented that AGN should revert to one GCRR that would apply to all customers.

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

3 DGA PROCEDURES

The Application was filed in accordance with the procedures presently approved as a result of previous decisions by the Board respecting AGN's DGA and the reconciliation of gas supply costs, under which customers are charged with the actual cost of gas supplies experienced by AGN. The DGA procedures were set up by the Board to account for AGN's gas supply costs. These procedures permit recovery of AGN's gas commodity costs so as to ensure that customers pay neither more nor less than the cost of gas actually incurred by AGN. While these procedures

provide that customers pay only the actual gas costs, they have the effect, also, of providing that the shareholder of AGN does not lose or gain as a result of price fluctuations in gas supply costs.

A summer/winter period GCRR is calculated by adding the balance in the DGA at the end of the previous summer/winter period to the gas costs forecast for the upcoming summer/winter period and dividing the result by the forecast summer/winter period gas sales volume. Including the DGA balance from the previous same seasonal period ensures that any cumulative under-/over-recovery from that period will be collected/refunded in the upcoming summer/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 Board has directed that, should a significant change in gas supply costs occur during a period, AGN should apply to the Board for an adjustment to the GCRR. The Board specified the tolerance level, which AGN 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 particular period.

4 BOARD FINDINGS

The Board's statutory mandate requires that it fix just and reasonable rates for the regulated utilities under its jurisdiction. In this regard, one of AGN's major costs for the Board to consider is the acquisition of adequate supplies of gas to provide reliable service to its customers.

The Board has reviewed the information provided by AGN in the Application. The Board notes that objections were received from EPCOR and Enron related to AGN's proposal to implement a GCRR for a twelve-month period for Option A customers and that it received no objections from other parties pursuant to publication of the Notice for Objections. The Board received a letter, which stated support for annualized GCRRs, from the Consumers Coalition of Alberta. The Board notes that balances reflected in AGN's prior winter and summer period DGAs are currently the subject of another proceeding and therefore defers any acceptance of AGN's reconciliation of actual gas costs and actual gas cost recoveries for the 2000/2001 winter period and 2000 summer period pending the outcome of that proceeding.

Concurrently with this Decision, the Board is issuing Decision 2001-75, which, inter alia, deals with new procedures to be used in the determination of a GCRR. As the revised procedures set out in that Decision will take effect April 1, 2002, the Board will not approve the Option A annualized GCRR of \$3.043/GJ. Instead, the Board will approve a GCRR of \$3.136/GJ for the 2001/2002 winter period on an interim refundable basis, pending determination of a final GCRR for that period, for all of AGN's sales service customers. The Board notes that AGN had forecast a deficit of approximately \$5.4 million in the DGA at the end of the winter period had the annualized GCRR been implemented. The Board considers that the GCRR approved for all of AGN's service customers, as based on AGN's October 2001 forecast, should eliminate the balance in the DGA at March 31, 2002, otherwise forecast by AGN, and more readily allows for an unencumbered implementation of the new DGA procedures. The Board continues to expect that AGN will apply for an adjustment to the GCRR during the winter period should existing tolerance guidelines be exceeded. Determination of the GCRR is attached herewith as Appendix 1. The Board approves AGN's proposal to refund the net balances in AGN's DGA

accounts at October 31, 2001. The Board also approves the UFG and fuel gas recovery rate of 1.124% of transportation firm service delivery rates.

5 ORDER

THEREFORE, it is hereby ordered that:

For ATCO Gas – North, a Division of ATCO Gas and Pipelines Ltd.:

- (1) Rider “F”, as set out in Schedule “A” attached to and forming part of this Decision, 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, 2001 to March 31, 2002.
- (2) Rider “D”, as set out in Schedule “B” attached to and forming part of this Decision, 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, 2002.
- (3) Refunds of aggregate deferred gas account balances in estimated amounts of \$45.0 million to Option A customers and \$11.6 million to Option B customers, based on each customer’s total respective sales during the period November 1, 2000 to October 31, 2001, are hereby approved.

Dated in Calgary, Alberta on October 30, 2001.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

B. T. McManus, Q.C.
Presiding Member

(original signed by)

Gordon J. Miller
Member

(original signed by)

B. Torrance
Acting Member

Effective on an Interim Refundable Basis by Decision 2001-80
On Consumption On and After November 1, 2001
This Replaces Rider "F"
Previously Effective July 1, 2001

SCHEDULE "A"

**ATCO GAS – NORTH
A DIVISION OF ATCO GAS AND PIPELINES LTD.
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, 2001 to March 31, 2002

\$3.136 per GJ

Effective by Decision 2001-80
On Transportation January 1, 2002
This Replaces Rider "D"
Previously Effective January 1, 2001

SCHEDULE "B"**ATCO GAS – NORTH
A DIVISION OF ATCO GAS AND PIPELINES LTD.
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 the ATCO Pipelines – North (a division of ATCO Gas and Pipelines Ltd.) system, excluding gas delivered to the TransCanada Transmission system via Exchange Service, will be assessed a combined UFG and Fuel Gas charge of 1.124% 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 – NORTH
A DIVISION OF ATCO GAS AND PIPELINES LTD.2001/2002 Winter Period Gas Cost Recovery Rate
Effective November 1, 2001

<u>Line</u>	<u>Description</u>	<u>Units</u>	<u>Amount</u>
1	Forecast 2001/2002 winter period gas cost recoveries	,\$000	243,578
2	Cumulative 2000/2001 winter period DGA balance	,\$000	-
3	Net gas supply expense	,\$000	243,578
4	Transition costs	,\$000	-
5	Excess sales revenue	,\$000	-
6	Exchange service	,\$000	750
7	Balancing charges	,\$000	-
8	Net 2001/2002 winter period gas cost recoveries (line 3 less lines 4 - 7)	,\$000	242,828
9	Forecast 2001/2002 winter period sales	TJ	77,430
10	Forecast transportation imbalance sales	TJ	-
11	Adjusted sales (line 9 plus 1.3 times line 10)	TJ	77,430
12	2001/2002 winter period GCRR (line 8 divided by line 11)	\$/GJ	3.136