

THE PROVINCE OF ALBERTA

GAS UTILITIES ACT

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER of a Gas Cost
Recovery Rate Adjustment for the
2000/2001 Winter Period for
AltaGas Utilities Inc.

ORDER U2000-361

Application No. 2000346
File No. 5628-37

The Alberta Energy and Utilities Board (the EUB), pursuant to Section 50(1) of the *Public Utilities Board Act*, R.S.A. 1980, c. P-37, herein exercises its discretion to grant to AltaGas Utilities Inc. (AltaGas) an interim increase in its 2000/2001 winter period Gas Cost Recovery Rate (GCRR). The GCRRs for both the winter and summer periods are included in AltaGas' rate schedules as Rider "D" (Schedule "A" attached to this Order), applicable to all sales service rates for the recovery of natural gas costs. In a gas contract year, a winter period includes the months of November through March and a summer period includes the months of April through October.

THE APPLICATION

By letter dated December 4, 2000, AltaGas filed an application (the Application) with the EUB for approval of a mid-period adjustment to its 2000/2001 winter period GCRR. AltaGas requested that the GCRR in effect be increased by \$2.029/gigajoule (GJ) from \$6.812/GJ approved in Order U2000-310, dated October 31, 2000, to \$8.841/GJ, effective with consumption from January 1, 2001. Subsequently, by letter dated December 11, 2000, AltaGas requested an adjustment to the Application to further increase the GCRR by an additional \$2.130/GJ to \$10.971/GJ. The proposed increases were based on AltaGas' revised forecasts of gas supply costs for the 2000/2001 winter period. Determination of the adjusted GCRR is attached hereto as Appendix 1.

AltaGas also proposed that the rate for unaccounted for gas (UFG) be reduced from 1.22 per cent to 0.88 per cent. This rate, to be effective January 1, 2001, 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). The yearly UFG percentage is calculated on the total throughput contributing to UFG. The proposed rate represents the arithmetic average of the UFG percentages of the previous five years.

To support the Application and the amendment thereto, AltaGas provided information showing the increases in the forward market price for natural gas that have occurred in respect of the 2000/2001 winter period. It advised that it undertook to negotiate an agreement with its customers to reach general consensus on revising the winter period GCRR. For this purpose, it distributed copies of its proposals for the adjustments to the GCRR and UFG percentage to the customer representative groups that participated in its last GCRR application. It also distributed copies of the amendment to the proposed GCRR to these parties. AltaGas provided documentation that it subsequently received from these intervenor groups, with one exception, in which its increase in the winter period GCRR was unopposed. The Consumers Coalition of Alberta did not provide a reply to AltaGas by its requested date.

The Application was filed in accordance with a previous direction issued by the EUB in respect of procedures related to AltaGas' Deferred Gas Account (DGA), in which natural gas supply costs incurred are reconciled with amounts recovered through the GCRR for each of the winter and summer periods. The purpose of the DGA is to account for and give effect only to over or under recoveries in the cost of natural gas and to provide evidence that AltaGas' customers pay neither more nor less than the actual cost of natural gas incurred by it. A separate DGA is kept for each of the winter and summer periods. With the objective to minimize the balance in each of the winter and summer period DGAs, the EUB directed that AltaGas should apply to the EUB for an adjustment in its GCRR should a significant change in gas supply costs occur during a period. The EUB specified that the tolerance level for the determination of mid-period adjustments should be, relative to AltaGas' total natural gas costs in respect of the applicable winter or summer period, the greater of " 3% or " \$750,000.

EUB FINDINGS

Ordinarily the EUB would require timely public notice of an application and allow for representations from interested parties before issuing an order on a matter. However, the EUB considers that the quantum of the projected DGA deficit relative to AltaGas' revised forecast of gas costs, the significant increases in the market price for gas that have occurred since the beginning of the 2000/2001 winter period and the timing of the implementation of the adjustment to the GCRR and the UFG percentage are contributing reasons for the EUB to consider dealing expeditiously with the Application. The EUB also considers that the distribution of copies of AltaGas' proposals to intervenor groups that would normally participate in the examination process involving these types of rate adjustments provided reasonable public notice and customer representation in this instance. The EUB notes that AltaGas received no objections to its proposals from the intervenor groups that it canvassed.

The EUB recognizes that AltaGas was previously directed to inform the EUB of significant changes in its forecasts of gas costs and gas cost recoveries for the period in effect and make timely applications for needed changes in the GCRR. The EUB considers that AltaGas has acted responsibly in making the Application following the realization that gas cost recoveries, based on the winter period GCRR approved in Order U2000-310, were significantly below the actual gas costs incurred.

The EUB considers that the proposed adjustment to the winter period GCRR will allow AltaGas to reduce the forecasted DGA deficit to a level within the EUB's prescribed tolerance guidelines. The EUB further considers that allowing the adjustment to proceed in this manner is in the interest of both the customers and the utility. Therefore, the EUB will grant interim approval of the request made by AltaGas for an increase in the winter period GCRR. The EUB will also approve the reduction in AltaGas' UFG percentage.

THEREFORE, it is hereby ordered that:

For AltaGas Utilities Inc.:

- (1) A Gas Cost Recovery Rate of \$10.971/GJ shall be effective on an interim refundable basis for all consumption on and after January 1, 2001 to March 31, 2001, inclusive, based on actual or estimated meter readings.
- (2) Rider "D", set out in Schedule "A" attached to and forming part of this Order, is hereby fixed and approved on an interim refundable basis as the Gas Recovery Rate applicable to all sales service rates effective on all metered or estimated consumption on and after January 1, 2001.
- (3) Rider "E", 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 effective January 1, 2001.

Dated in Edmonton, Alberta on December 28, 2000.

ALBERTA ENERGY AND UTILITIES BOARD

SCHEDULE "A"

Effective By Order U2000-361
On Consumption January 1, 2001
This Replaces Rider "D"
Previously Effective November 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:

January 1, 2001 to March 31, 2001 by	\$4.159 per GJ
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SCHEDULE "B"

Effective By Order U2000-361
On Transportation January 1, 2001
This Replaces Rider "E"
Previously Effective November 1, 1999

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 100.88% of the Gas Taken at the Point(s) of Delivery, or in the alternative, must pay the Company a sum equal to 0.88% 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 Adjusted Gas Cost Recovery Rate
Effective January 1, 2001 to March 31, 2001**

Description	Unit	Value
Prior winter period DGA deficit balance	\$	38,575
Revised forecast gas costs in excess of gas cost recoveries, November 1, 2000 to December 31, 2000	\$	<u>879,743</u>
Forecast DGA deficit balance, December 31, 2000	\$	918,318
Revised forecast gas costs, January 1, 2001 to March 31, 2001	\$	<u>57,859,785</u>
Forecast total gas costs to recover	\$	<u>58,778,103</u>
Forecast sales January 1, 2001 to March 31, 2001	GJ	<u>5,405,382</u>
Revised gas cost recovery rate excluding line loss	\$/GJ	<u>10.874</u>
Revised gas cost recovery rate including line loss of 0.88%	\$/GJ	<u>10.971</u>