



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

2021 Transmission Service Charge (Rider T)

April 15, 2021

Alberta Utilities Commission

Decision 26378-D01-2021

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

2021 Transmission Service Charge (Rider T)

Proceeding 26378

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1 Decision summary

1. For the reasons set out in this decision, the Alberta Utilities Commission approves the 2021 transmission service charge rider (Rider T) rates for ATCO Gas, a division of ATCO Gas and Pipelines Ltd., effective May 1, 2021. The approved Rider T rates are as follows:

- low-use customers: \$1.125 per gigajoule (GJ)
- mid-use customers: \$1.106 per GJ
- high-use customers: \$0.259 per day of GJ demand
- alternative technology and appliance delivery service (ATA) customers: \$1.125 per GJ

2 Introduction

2. On March 11, 2021, ATCO Gas filed an application with the Commission requesting approval of its Rider T rates for 2021 effective May 1, 2021.

3. The Commission issued a notice of application on March 12, 2021, that required interested parties to submit a statement of intent to participate (SIP) by March 19, 2021. The Commission did not receive any SIPs. After reviewing the application, the Commission determined that it required further information to render a decision and issued an information request (IR), to which ATCO Gas responded on March 31, 2021.

4. The Commission has used a *basic written* proceeding to review this filing, as outlined in Commission Bulletin 2015-09.¹

5. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. 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.

3 Background

6. ATCO Gas flows through to its customers the rates charged by the transmission service provider, NOVA Gas Transmission Ltd. (NGTL). Rider T is the service charge used to collect forecast transmission costs and to refund or collect any differences between the prior year's

¹ Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

forecast and actual costs.² ATCO Gas forecasts its transmission expense based on NGTL's rates and charges applied to the contract demand quantity (CDQ). Any difference between what ATCO Gas collects through Rider T based on its forecast and what it ultimately pays to NGTL is recorded in a deferral account and refunded to, or recovered from, customers as part of a subsequent Rider T.

7. In Decision 2012-237, the Commission approved flow-through treatment using the existing rider mechanism for the transmission costs deferral account, and approved the inclusion of volume variances in the account for the 2013-2017 performance-based regulation (PBR) term.³ In Decision 23355-D02-2018, the Commission approved the continued use of the Rider T for the 2018-2022 PBR term.⁴

8. In Decision 22328-D01-2017,⁵ the Commission approved a change to the method by which Rider T rates are calculated. Specifically, under the new method, ATCO Gas implemented an extra step in calculating Rider T amounts, where a rate group's prior year overcollection or undercollection is refunded to, or collected from, the rate group that generated the imbalance. A corollary benefit of the new methodology is that cross-subsidization between rate groups is minimized.⁶ In the current application, ATCO Gas used this approved methodology to calculate Rider T.

9. The Commission approved the current ATCO Gas Rider T rates for 2020 on July 23, 2020, in Decision 25646-D01-2020.⁷ On November 26, 2020, NGTL received approval from the Canada Energy Regulator (CER) for 2021 interim rates, tolls and charges for the Alberta system. Effective January 1, 2021, the NGTL interim FT-D3 rate increased from \$8.00/GJ per month to \$9.27/GJ per month. The NGTL abandonment surcharge decreased from \$0.20/GJ per month to \$0.19/GJ per month.⁸

10. On March 11, 2021, ATCO Gas filed the application requesting approval for updated Rider T rates to be effective on May 1, 2021. ATCO Gas requested approval for new Rider T rates to account for changes in the NGTL interim FT-D3 rate, as detailed above.

11. ATCO Gas determined the amount to be collected by its 2021 Rider T rates as follows:
- First, ATCO Gas calculated its total transmission expense for 2021 by adding the 2021 forecast transmission expense and the 2020 transmission expense over/under collection from customers.
 - The 2021 forecast transmission expense was calculated by applying the NGTL FT-D3 rate charged to ATCO Gas by NGTL, multiplied by the executed CDQ volumes,

² Decision 23355-D02-2018: Rebasings for the 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities Second Compliance Proceeding, Proceeding 23355, October 10, 2018, Appendix 4, PDF page 96.

³ Decision 2012-237: Rate Regulation Initiative Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012, paragraph 668.

⁴ Decision 23355-D02-2018, Appendix 4, paragraph 67, page 90.

⁵ Decision 22328-D01-2017: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2017 Transmission Service Charge (Rider T), Proceeding 22328, February 21, 2017.

⁶ Decision 22328-D01-2017, paragraph 28; Proceeding 24253, Exhibit 24253-X0001, application, paragraph 14.

⁷ Decision 25646-D01-2020: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2020 Transmission Service Charge (Rider T), Proceeding 25646, July 23, 2020.

⁸ Exhibit 26378-X0001, application, paragraph 4.

including future-dated contract amounts that commence during the coming year and the NGTL abandonment surcharge amount, which was determined by multiplying the abandonment surcharge rate by the executed CDQ amounts.

- The total transmission expense for 2021 was then adjusted to reflect the 2020 and January-February 2021 Rider T revenue over/under collections for each rate group in order to determine the Rider T revenue to be collected from customers in 2021.
- The adjusted total transmission expense for 2021 was then offset by the revenue collected by way of the current Rider T, under existing rates, for January to July 2020.
- Rider T collections are subtracted from the Rider T revenue to determine the amount to be collected by Rider T rates during May to December 2021. The collections are determined using existing Rider T rates during January to April 2021.
- That amount was then divided by billing determinants for each rate group for May to December 2021, to arrive at the proposed Rider T rate per rate group.⁹

12. As part of the ATCO Gas 2020 Phase II compliance filing decision, the Commission approved the ATA rate on a pilot basis with an effective date of April 1, 2021.¹⁰ Rider T was among the riders applicable to this rate and the Commission directed that ATCO Gas set the ATA rate to the approved rider value for the low-use rate group in Rider T. As such, ATCO Gas's proposed Rider T value for the ATA rate is \$1.125 per GJ.

4 Discussion of issues

4.1 Cross-subsidization between north and south customers

13. In Decision 2014-062,¹¹ the Commission approved the implementation of a province-wide Rider T rate to replace the previous practice of maintaining separate Rider T rates for ATCO Gas's North and South service territories. Consequent cross-subsidization issues between ATCO Gas's North and South service territories were considered in Decision 2014-062¹² and have been addressed by the Commission in subsequent Rider T decisions.¹³ Specifically, in successive ATCO Gas Rider T decisions, the Commission has required ATCO Gas to discuss what measures it took to minimize cross-subsidization between north and south customers¹⁴ and

⁹ Exhibit 26378-X0001, application, paragraphs 10 and 15.

¹⁰ Decision 26283-D01-2021: ATCO Gas and Pipelines Ltd., 2020 General Rate Application – Phase II Compliance Filing, Proceeding 26283, March 19, 2021, paragraph 8.

¹¹ Decision 2014-062: ATCO Gas, 2014 Transmission Service Charge (Rider T), Proceeding 3011, Application 1610228-1, March 17, 2014.

¹² Decision 2014-062, paragraphs 24-26.

¹³ Decision 20039-D01-2015: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2015 Transmission Service Charge (Rider T), Proceeding 20039, February 25, 2015; Decision 21248-D01-2016: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2016 Transmission Service Charge (Rider T), Proceeding 21248, February 22, 2016; Decision 22328-D01-2017: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2017 Transmission Service Charge (Rider T), Proceeding 22328, February 21, 2017; Decision 23273-D01-2018: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2018 Transmission Service Charge (Rider T), Proceeding 23273, February 21, 2018; Decision 24253-D01-2019: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2019 Transmission Service Charge (Rider T), Proceeding 23273, February 21, 2019; Decision 25283-D02-2020: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2020 Transmission Service Charge (Rider T), Proceeding 25283, April 22, 2020.

¹⁴ Decision 20039-D01-2015, paragraphs 15 and 20.

to provide analyses to assist the Commission to assess whether there was substantial cross-subsidization between north and south customers as a result of the province-wide implementation of a Rider T rate.¹⁵ The Commission has consistently found that the level of cross-subsidization has not been significant.¹⁶ The Commission has also consistently directed ATCO Gas to continue to track any Rider T cross-subsidization between its north and south customers.¹⁷

14. In the current application, ATCO Gas provided the following table setting out the differences between the proposed province-wide rates and the rates that would have resulted if calculated separately for north and south customers.

Table 1. Cross-subsidization analysis¹⁸

Rate group	Province-wide rate	North		South	
		Rate	Difference	Rate	Difference
(\$/GJ)					
Low	1.125	1.219	0.094	1.209	(0.096)
Mid	1.106	1.170	0.064	1.036	(0.070)
High	0.259	0.284	0.025	0.235	(0.024)

15. In Decision 25646-D01-2020, the Commission directed ATCO Gas to provide a detailed analysis of how each of the billing determinants contributed to the level of subsidization, in the event ATCO Gas's next Rider T application showed the subsidy between residential customers exceeded the \$4.16 annual amount approved in Decision 21248-D01-2016. In this direction, the Commission also directed ATCO Gas to investigate what other factors may have contributed to the Rider T cross-subsidization and if the continued use of a province-wide rate would still be in the public interest.

16. If Rider T rates were different in ATCO Gas's North and South service territories, a residential customer in the north would see a \$5.64 increase in their typical annual bill as compared to the bill based on the province-wide Rider T rate. Similarly, a typical residential customer in the south would see a \$5.76 decrease in their annual bill.¹⁹ As such, under the per T rates proposed in this application, the subsidy between north and south customers exceeded \$4.16.

17. ATCO Gas indicated that the primary contributor to cross-subsidization in the 2021 Rider T rate related to the over/under recovery of Rider T revenue in 2020 in the south and north, respectively. More specifically, ATCO Gas identified that the cross-subsidization in the Low-Use rate is primarily due to an undercollection of Low-Use Rider T revenue in the north and an overcollection of Low-Use Rider T revenue in the south in 2020. The forecast versus actual Rider T revenue differences in the north and south were in opposite directions, and when these

¹⁵ Decision 21248-D01-2016, paragraph 20; Decision 22328-D01-2017, paragraph 22; Decision 23273-D01-2018, paragraph 19; Decision 24253-D01-2019, paragraph 19; Decision 25283-D02-2020, paragraph 19.

¹⁶ Decision 20039-D01-2015, paragraph 15; Decision 21248-D01-2016, paragraph 21; Decision 22328-D01-2017, paragraph 23; Decision 23273-D01-2018, paragraph 16; Decision 24253-D01-2019, paragraph 16; Decision 25283-D02-2020, paragraph 18.

¹⁷ Decision 20039-D01-2015, paragraph 15; Decision 21248-D01-2016, paragraph 18; Decision 22328-D01-2017, paragraph 21; Decision 23273-D01-2018, paragraph 18; Decision 24253-D01-2019, paragraph 18; Decision 25283-D02-2020, paragraph 20.

¹⁸ Exhibit 26378-X0001, application, paragraph 20, Table 6.

¹⁹ Exhibit 26378-X0001, application, paragraph 21. These calculations are based on a typical residential customer usage of 60 GJ between May and December.

differences were combined together, there was a higher rate in the north and a lower rate in the south. This resulted in a greater degree of cross-subsidization.²⁰

18. ATCO Gas stated that for the Low-Use Rate group, the January-February 2021 data showed an overcollection in the north and an undercollection in the south. However, there was an overall undercollection of Rider T revenue in both the north and south in 2021. In general, 2021 data showed a lower degree of cross-subsidization. If ATCO Gas excluded the true-ups of over/undercollected amounts in 2020, the level of cross-subsidization was within the range that had been historically seen. ATCO Gas provided a revised version of the cross-subsidization analysis which excluded the 2020 over/undercollection.

Table 2. Revised cross-subsidization analysis²¹

Rate group	Province-wide rate	North		South	
		Rate	Difference	Rate	Difference
	(\$/GJ)				
Low	1.125	1.165	0.040	1.084	(0.041)
Mid	1.106	1.161	0.055	1.047	(0.059)
High	0.259	0.276	0.017	0.242	(0.017)

19. With this modification, a residential customer in the north would see a \$2.40 increase in their annual bill (as compared to the bill based on the province-wide Rider T rate), and a typical residential customer in the south would see a \$2.46 decrease in their annual bill.

20. ATCO Gas forecast the 2020 annual usage per customer for all rate classes by applying the three-year average annual percentage change in weather normalized usage per customer to the 2019 usage per customer forecast. This was the same methodology used to derive the 2021 annual usage per customer for all rate classes. This methodology was approved in Decision 2012-237, and has been used and approved in previous Rider T applications.²²

21. ATCO Gas indicated that normalized annual usage per customer was affected by such factors as energy conservation; more efficient buildings coming onto the gas system; square footage of new customer additions; number of persons in the residence; and economic activity. These factors could lead to a year-over-year change in the annual usage per customer that differs from the three-year average percentage change used to derive the annual forecast. Customers in the south had a higher usage per customer than forecast in 2020, while customers in the north had a lower usage per customer than forecast.²³

22. With respect to the level of cross-subsidization for a typical residential customer, the relevant billing determinants were the coincident peak demand, used to allocate a portion of the total transmission expense to the Low-Use Rate group, and the Low-Use throughput, used to calculate a rate to recover the transmission expense from Low-Use customers. The coincident peak demand allocated a greater proportion of the south transmission expense to Low-Use customers, as compared to the north. As such, ATCO Gas indicated that the coincident peak demand reduced the level of cross-subsidization for Low-Use from the south to the north under a

²⁰ Exhibit 26378-X0001, application, paragraph 26.

²¹ Exhibit 26378-X0001, application, paragraph 28, Table 9.

²² Exhibit 26378-X0001, application, paragraph 31.

²³ Exhibit 26378-X0001, application, paragraphs 32 and 34.

province-wide rate. The cross-subsidization from customers in the south to customers in the north is driven by differences in customer throughput.²⁴

23. ATCO Gas also provided comparisons between forecast and actual CDQ for 2020, 2019 and 2018, and comparisons between the peak interconnected throughput (peak flow) and CDQ of the peak month. With regard to forecast and actual CDQ, the forecasting accuracy was shown to be very high, with difference under 1.5 per cent for all of the years.²⁵ ATCO Gas stated that the utilization of CDQ was high, ranging from 79.5 per cent to 94.9 per cent.²⁶

24. ATCO Gas submitted that continuing to use a province-wide rate was still in the public interest. A province-wide rate simplified the rate design process, and ATCO Gas noted that the NGTL rate paid by ATCO Gas was the same for both north and south service. Absent the one-time factors related to the 2020 forecast, the level of cross-subsidization continued to remain low and within the historical range seen since the province-wide rate methodology was adopted in 2014.

25. The Commission finds ATCO Gas's analysis and rationale for the high cross-subsidization to be reasonable. Since the years prior to 2020 have shown cross-subsidization levels that are not significant enough to justify having separate rates for north and south, at this point the Commission considers 2020 to be an outlier. The Commission will continue to monitor the level of cross-subsidization in future Rider T applications and will evaluate the need for separate north and south rates. However, for the time being, and given that 2021 is showing the same minimal cross-subsidization trend as years prior to 2020, the Commission accepts the continued use of province-wide Rider T rates.

26. The Commission directs ATCO Gas to continue to track its Rider T cross-subsidization between north and south customers, and to continue to provide, in its next Rider T application, the information set out in Table 1 of this decision.

27. Further, if in ATCO Gas's next Rider T application the subsidy between a typical residential customer in the north and south exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission directs ATCO Gas to provide a detailed analysis of factors that contributed to the level of cross-subsidization, using the same analysis completed for this application and directed in Decision 21248-D01-2016.

4.2 Rider T rates and bill impacts

28. The following table sets out a comparison of the current and proposed rates for each of ATCO Gas's rate groups:

Table 3. ATCO Gas Rider T²⁷

Rate group	Existing Rider T	Proposed new Rider T
	(\$)	
Low-Use (per GJ)	0.895	1.125
Mid-Use (per GJ)	0.820	1.106
High-Use (per day of GJ demand)	0.245	0.259

²⁴ Exhibit 26378-X0001, application, paragraphs 36 and 38-39.

²⁵ Exhibit 26378-X0001, application, paragraph 40, Table 11.

²⁶ Exhibit 26378-X0001, application, paragraph 41, Table 12.

²⁷ Exhibit 26378-X0001, application, paragraph 17, tables 4-5.

29. ATCO Gas explained that, assuming an implementation date of May 1, 2021, the total annual charges for a residential customer in the north service territory that utilizes 115 GJ annually would see an increase to \$839 from \$825, and a similar residential customer in the south service territory would see an increase to \$799 from \$785. ATCO Gas stated that the applied-for 2020 Rider T rate changes are reasonable and would not result in undue rate shock compared to existing distribution rates.²⁸

30. The Commission has reviewed the calculation of the province-wide Rider T rates. The Commission is satisfied with the level of detail and the accuracy of the calculations provided in the application. The Commission is also satisfied that ATCO Gas used the correct billing determinants in its calculations for each rate group for May to December 2021, as approved in Decision 25863-D01-2020,²⁹ to arrive at Rider T rates for each rate group.

31. As discussed earlier, the implementation of the updated 2021 Rider T results in rate increases for all three rate groups, for both ATCO Gas North and ATCO Gas South. However, given the flow-through nature of Rider T charges, as well as the fact that these rate increases are relatively small and are unlikely to result in rate shock (as shown in Table 4 below), the Commission finds that the estimated rate impact of the May 1, 2021, Rider T is reasonable for all rate classes.

Table 4. Estimated total bill changes of north and south customers³⁰

	North customers' change to bill	South customers' change to bill
Low-Use	1.7%	1.8%
Mid-Use	3.4%	3.5%
High-Use	0.7%	0.8%

32. For the reasons set out above, the Rider T rates are approved as applied for, effective May 1, 2021. These rates are as follows:

- low-use customers: \$1.125 per GJ
- mid-use customers: \$1.106 per GJ
- high-use customers: \$0.259 per day of GJ demand
- ATA customers: \$1.125 per GJ

33. The approved Rider T rates will remain in place until otherwise directed by the Commission.

5 Order

34. It is hereby ordered that:

- (1) The ATCO Gas Rider T rates attached in [Appendix 3](#) for the north, and [Appendix 4](#) for the south, are approved, effective May 1, 2021.

²⁸ Exhibit 26378-X0001, application, paragraph 18.

²⁹ Decision 25863-D01-2020, ATCO Gas and Pipelines Ltd., 2021 Annual Performance-Based Regulation Rate Adjustment, Proceeding 25863, December 18, 2020.

³⁰ Exhibit 26378-X0002, Rider T schedules, schedules 6(a) and 6(b).

Dated on April 15, 2021.

Alberta Utilities Commission

(original signed by)

Vera Slawinski
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (ATCO Gas)

Alberta Utilities Commission
Commission panel V. Slawinski, Commission Member
Commission staff A. Ayri A. Spurrell

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 Commission directs ATCO Gas to continue to track its Rider T cross-subsidization between north and south customers, and to continue to provide, in its next Rider T application, the information set out in Table 1 of this decision. paragraph 26
2. Further, if in ATCO Gas’s next Rider T application the subsidy between a typical residential customer in the north and south exceeds the \$4.16 annual amount approved in Decision 21248-D01-2016, the Commission directs ATCO Gas to provide a detailed analysis of factors that contributed to the level of cross-subsidization, using the same analysis completed for this application and directed in Decision 21248-D01-2016.
..... paragraph 27

Appendix 3 – ATCO Gas North Rider T rates[\(return to text\)](#)

Effective May 1, 2021 by Decision 26378-D01-2021
This Replaces Rider "T"
Previously Effective August 1, 2020

**ATCO GAS AND PIPELINES LTD.
RIDER "T" TRANSMISSION SERVICE CHARGE**

To be applied to Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or the AUC, effective May 1, 2021.

Low Use Delivery Rate	\$1.125 per GJ
Mid Use Delivery Rate	\$1.106 per GJ
High Use Delivery Rate	\$0.259 per GJ per Day of 24 Hr. Billing Demand
Alternative Technology and Appliance Delivery Service	\$1.125 per GJ

Appendix 4 – ATCO Gas South Rider T rates[\(return to text\)](#)

Effective May 1, 2021 by Decision 26378-D01-2021
This Replaces Rider "T"
Previously Effective August 1, 2020

**ATCO GAS AND PIPELINES LTD.
RIDER "T" TRANSMISSION SERVICE CHARGE**

To be applied to the Low Use, Mid Use and High Use customers unless otherwise specified by specific contracts or AUC, effective May 1, 2021.

Low Use Delivery Rate	\$1.125 per GJ
Mid Use Delivery Rate	\$1.106 per GJ
High Use Delivery Rate	\$0.259 per Day per GJ of 24 Hr. Billing Demand
Alternative Technology and Appliance Delivery Service	\$1.125 per GJ