



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

2022 Load Balancing Deferral Account Rider L

August 8, 2022

Alberta Utilities Commission

Decision 27451-D01-2022

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

2022 Load Balancing Deferral Account Rider L

Proceeding 27451

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The Commission may, within 60 days of the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

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1 Decision summary

1. For the reasons set out in this decision, the Alberta Utilities Commission grants the application of ATCO Gas, a division of ATCO Gas and Pipelines Ltd., for a load balancing Rate Rider L over the period September 1, 2022, to April 30, 2023, subject to the direction to recalculate the associated carrying costs in accordance with Rule 023: *Rules Respecting Payment of Interest* as of March 1, 2022.

2 Introduction

2. On June 13, 2022, ATCO Gas submitted an application to the Commission requesting approval of a Rider L to recover the load balancing deferral account (LBDA) balance as of April 30, 2022. Recovery will occur over the period of September 1, 2022, to April 30, 2023, from the Low-, Mid-, High-, Ultra-High Use, Alternative Technology and Appliance and Irrigation customers. The LBDA balance as at April 30, 2022, is in a recovery position of approximately \$11.3 million. The balance exceeds the \$10 million Rider L threshold amount in a single month.¹

3. On June 15, 2022, the Commission issued a notice of application. On June 24, 2022, the Commission received a statement of intent to participate (SIP) from The City of Calgary. In a letter issued on June 30, 2022, the Commission determined that the application would be handled as a *notice-only* process.² The Commission considers the record of this proceeding closed on June 24,³ 2022.

3 Background and application

4. In its letter of June 30, 2022, the Commission determined this to be a *notice-only process* as there was no necessary additional information required such as that identified by Calgary. The following outlines the basis for that decision, partly described in the June 30, 2022, letter.

5. Calgary filed a SIP on June 24, 2022. The issues it identified were the proliferation of rate increases to gas distribution rates and options for ameliorating burden on customers for rate increases including a review of triggering thresholds. It listed testing the validity of the proposed rate increase and alternatives to mitigate impacts upon customers as evidence to be considered.⁴

¹ This threshold amount was established in a prior Commission decision, as further explained in the next section of this decision.

² Exhibit 27451-X0011, AUC letter - Notice-only process, June 30, 2022.

³ The Commission's June 30, 2022, letter incorrectly stated that the record of this proceeding closed on June 15, 2022.

⁴ Exhibit 27451-X0010, Calgary SIP

6. The triggering of the Rider L, the calculation of amounts owing and the existing thresholds were approved by the Commission in Decision 2014-268.⁵ The present application is limited in scope to the approval of the 2022 Rider L rate, and confirming that the present application complies with prior Commission directions and rules. While in considering the Rider L rate the Commission considers the impact on customers (as set out below), the present proceeding is not the appropriate venue for broader concerns such as mitigating rate increases or reviewing the Rider L methodology generally. As this is the first triggering of the rider since 2014, the Commission considers it premature to direct a broader review of thresholds.

7. Under Section 11.1(c) of Rule 001: *Rules of Practice*, the Commission may establish any other process steps after examining a SIP. The Commission proceeded with this application as a *notice-only process* as the issues raised in the Calgary SIP were not appropriately part of this Rider L approval, for the reasons outlined above.

8. In Decision 2014-268, the Commission approved ATCO Gas's load balancing methodology for a single province-wide LBDA. 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. The LBDA balance reflects the throughput of the adjusted gas supply.

9. ATCO Gas had proposed to use the same methodology it had used for the former separate north and south LBDAs, approved in Decision 2008-021⁶ and Decision 2010-348,⁷ and to use the previously approved weighted average cost of capital to calculate the carrying charges of the LBDA. Further, the Commission approved ATCO Gas's recommendation to use the same threshold for the province-wide LBDA that had been approved in Decision 2009-251⁸ for each of the north and south LBDAs.

10. In Decision 2014-268, the Commission provided ATCO Gas with three directions (directions 1, 2, 3):

1. The Commission directs ATCO Gas in its next Rider L or when the province-wide LBDA has been in effect for a 24-month period, if no rider is triggered, to provide a continuity of daily data on the province-wide LBDA balances and an analysis indicating the number of reversals from recovery to refund positions, the duration of each period between reversals, the average balances between reversals and the carrying charges accumulated for the benefit of the utility and the benefit of rate-payers for each period and in total. The Commission, further directs ATCO Gas in its next Rider L application to identify the capital recovery risks associated with its province-wide LBDA deferral account, consistent with Decision 2001-92,^[9] and indicate the timing and amounts of any costs incurred but not recovered since the inception of the separate north and south LBDAs and for the province-wide LBDA.

⁵ Decision 2014-268: ATCO Gas and Pipelines Ltd., ATCO Gas North and South Load Balancing Rate Rider Application, Proceeding 3259, Application 1610618, September 17, 2014.

⁶ Decision 2008-021: ATCO Gas, Retailer Service and Gas Utilities Act Compliance Module 3, Part 1, March 17, 2008.

⁷ Decision 2010-348: ATCO Gas North, Retailer Service, North Load Balancing Deferral Account, North Load Balancing Rate Rider "L," Proceeding 584, July 23, 2010.

⁸ Decision 2009-251: ATCO Gas South, Retailer Service, South Load Balancing Deferral Account, South Load Balancing Rate Rider "L," Proceeding 292, December 14, 2009.

⁹ Decision 2001-92: Genco and Disco, 2000 Pool Price Deferral Accounts Proceeding, Part K: Recovery Period, Carrying Cost Rates, Collection Issues, and Hedging Issues, December 12, 2001.

2. Given the uncertainty regarding the province-wide LBDA, the Commission approves ATCO Gas's request to retain the thresholds previously set for each of the ATCO Gas north and south LBDAs in Decision 2009-251, for the province-wide LBDA until more information on the LBDA balances is available. ATCO Gas is directed to file a province-wide Rider L application if the LBDA balance exceeds a threshold of \$5 million in the same direction for six consecutive months, or if it exceeds a threshold of \$10 million in any single month. The Commission also approves ATCO Gas's load balancing methodology for the province-wide load balancing deferral account.
3. The Commission directs ATCO Gas in its next province-wide LBDA rate rider application to provide an analysis in support of its proposed materiality threshold for triggering a refund or recovery of the province-wide LBDA and to respond to the above directions.

11. A Rider L for ATCO Gas was approved in Decision 2014-268 and this application is the first triggering of that rider. As the LBDA balance of \$11.318 million at April 30, 2022, exceeds the threshold of \$10 million in any single month as specified in Direction 2 above, ATCO Gas submitted the present application. The application included the calculation of the 2022 ATCO Gas Rider L, the impact of the proposed Rider L rate, the ATCO Gas North and South rate schedules and responses to the directions from Decision 2014-268.

12. The calculation of Rider L recoveries and rates by rate group were provided by ATCO Gas and are shown in Table 1.

Table 1. Calculation of Rider L recoveries and rates by rate group¹⁰

Rate group	2022 Annual throughput (GJ) ¹	2022 Annual throughput (%)	Allocation of recovery amount (\$)	September 1, 2022, to April 30, 2023, throughput (GJ) ²	Rider L recovery rate (\$/GJ)
Low use	160,247,450	58.77	6,651,742	143,436,664	0.046
Mid use	45,900,637	16.83	1,905,298	40,032,525	0.048
High use	46,830,323	17.18	1,943,889	40,666,516	0.048
Ultra-high use	19,440,503	7.13	806,960	15,572,770	0.052
Irrigation	234,662	0.09	9,741	25,104	0.388
Total	272,653,575	100.00	11,317,629	239,733,578	

¹ 2022 performance-based regulation (PBR) annual filing (Decision 26847-D01-2021 (Corrigenda): ATCO Gas and Pipelines Ltd., 2022 Annual Performance-Based Regulation Rate Adjustment, Proceeding 26847, January 20, 2022.)

² 2022 PBR annual filing (Decision 26847-D01-2021 (Corrigenda)), and ATCO Gas and Apex Utilities Inc. 2023 cost-of-service review (Proceeding 26616).

13. ATCO Gas stated that the impact of the Rider L is 0.5 per cent or less for all north and south rate groups over the September 2022 to April 2023 period. The total impact of both the south Rider L and the Rider W is 1.5 per cent or less for the applicable rate groups over the September 2022 to April 2023 period.¹¹

14. In response to Direction 1, reproduced earlier in this section, ATCO Gas provided historical data on the province-wide LBDA balances for the period of May 2014 to April 2016

¹⁰ Exhibit 27451-X0001, application, PDF page 5.

¹¹ Exhibit 27451-X0001, application, PDF page 5.

and provided the analysis required in the direction. As well, ATCO Gas reaffirmed that the province-wide LBDA has no capital recovery risks. It quoted its post-disposition documentation from Proceeding 3259:

11. The LBDA was implemented to collect costs, both negative and positive, that are associated with load balancing the distribution system. As this represents the cost to balance the distribution system there are no physical assets allocated to the LBDA therefore there is no capital recovery risk. Since the inception of ATCO Gas' LBDAs, all costs incurred by ATCO Gas have been recorded in the LBDAs and recovered through rate Rider L. Any residual that remains after at the end of the rider period is transferred to the existing LBDA and addressed in the next Rider L application.¹²

15. In response to Direction 3 from Decision 2014-268, ATCO Gas performed a sensitivity analysis on the currently approved threshold for triggering a Rider L to determine whether the threshold continues to be appropriate. It used the LBDA balances from May 2014 to April 2022 to analyze three scenarios where the threshold was reduced by 10 per cent, 30 per cent and 50 per cent to determine the resulting number of rider applications. The results of the sensitivity analysis are summarized in Table 2.

Table 2. Sensitivity analysis: impact on riders triggered¹³

	Reduction to threshold		
	10%	30%	50%
Threshold	\$4.5 million for 6 consecutive months or \$9 million in a single month	\$3.5 million for 6 consecutive months or \$7 million in a single month	\$2.5 million for 6 consecutive months or \$5 million in a single month
# riders triggered	1	3	8

16. ATCO Gas assessed that the current threshold continues to be appropriate. ATCO Gas additionally stated that it is of the view that the recent increase of gas prices was the main trigger of this application. In the event gas prices continue to increase for an extended period of time, ATCO Gas stated that it will revisit the appropriateness of the previously established threshold limits.

17. The Commission finds that ATCO Gas's calculation of its Rider L is consistent with the methodology approved in Decision 2014-268. The impact of the Rider L over the September 2022 to April 2023 period is 0.5 per cent or less for all north and south rate groups and therefore, will not result in rate shock for customers. For these reasons, the Commission approves the Rider L for ATCO Gas North and South subject to a revision to the associated carrying costs to comply with Rule 023 as discussed further below. The Commission also finds that ATCO Gas satisfactorily responded to all three directions from Decision 2014-268.

18. The Commission directs ATCO Gas to submit an assessment of the appropriateness of the thresholds as part of its next Rider L application.

¹² Proceeding 3259, Post-disposition documentation, ATCO Gas Decision 2014-268 (Direction (2016-05-13), PDF page 4.

¹³ Exhibit 27451-X0001, application, PDF page 8.

4 Carrying costs

19. On September 22, 2021, the Commission issued Bulletin 2021-17¹⁴ seeking feedback on proposed amendments to Rule 023. In that bulletin, the Commission advised that it was considering, among other things, amending Rule 023 to ensure “broad application of the rule to all outstanding balances and adjustments of rates, tolls or charges and any other costs that are subject to the Commission’s jurisdiction.” The Commission further advised that:

The changes proposed are intended to apply to applications on a go-forward basis. Following the Commission’s approval of the amended rule, deferral accounts and **balances that have been awarded interest at weighted average cost of capital (WACC) or another interest rate will be honoured for the time periods for which they were approved, after which, a request for any rate other than the rate specified under Rule 023 will be required to justify a different rate.** [emphasis added]

20. The ATCO Utilities (ATCO Electric Ltd. for its transmission function, ATCO Electric Ltd. for its distribution function, ATCO Gas and Pipelines Ltd. for its transmission function (ATCO Pipelines) and ATCO Gas and Pipelines Ltd. for its distribution function (ATCO Gas)) participated in this consultation by providing written feedback on the proposed amendments.

21. The Commission released an amended Rule 023 on February 24, 2022, which came into effect on March 1, 2022.¹⁵ This rule applies to outstanding balances; adjustments of rates, tariffs, tolls or charges; and any other costs that are subject to the Commission’s jurisdiction.¹⁶ The applicable interest rate prescribed by Rule 023 is the Bank of Canada’s policy interest rate plus 1.75 per cent.¹⁷

22. The Commission considers that Rule 023 applies to the LBDA as of March 1, 2022, and directs ATCO Gas to recalculate the LBDA balance to be recovered through Rider L to reflect the application of the rate prescribed in the rule, as opposed to WACC, in calculating the carrying costs.¹⁸ ATCO Gas is also directed to file amended calculations and schedules reflecting the application of the rate as prescribed in Rule 023, as a post-disposition filing to this decision by August 15, 2022, and it may recover the revised amount over the period from September 1, 2022, to April 30, 2023, as applied for in this proceeding. In the event of any discrepancies, the Commission will reconcile the revised calculations as part of ATCO Gas’s next LBDA application.

¹⁴ Bulletin 2021-17, Consultation on proposed amendments to AUC Rule 023.

¹⁵ Bulletin 2022-02, Amendments to simplify and streamline Rule 023.

¹⁶ Rule 023, Section 1.

¹⁷ Rule 023, Section 3(3).

¹⁸ To be clear, consistent with the previously approved methodology, ATCO Gas may use WACC to calculate carrying costs on LBDA balances prior to March 1, 2022.

5 Order

23. It is hereby ordered that:

- (1) The Commission approves ATCO Gas's application for recovery of its load balancing deferral account balance, recalculated to reflect carrying costs in accordance with Rule 023, starting March 1, 2022, from the Low-, Mid-, High-, Ultra-High Use, Alternative Technology and Appliance and Irrigation customers over the period September 1, 2022, to April 30, 2023, through Rider L.

Dated on August 8, 2022.

Alberta Utilities Commission

(original signed by)

Matthew Oliver, CD
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Gas
The City of Calgary (Calgary) McLennan Ross Barristers & Solicitors

Alberta Utilities Commission
Commission panel M. Oliver, CD, Commission Member
Commission staff P. Khan (Commission counsel) L. Fukuda 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 submit an assessment of the appropriateness of the thresholds as part of its next Rider L application..... paragraph 18
2. The Commission considers that Rule 023 applies to the LBDA as of March 1, 2022, and directs ATCO Gas to recalculate the LBDA balance to be recovered through Rider L to reflect the application of the rate prescribed in the rule, as opposed to WACC, in calculating the carrying costs. ATCO Gas is also directed to file amended calculations and schedules reflecting the application of the rate as prescribed in Rule 023, as a post-disposition filing to this decision by August 15, 2022, and it may recover the revised amount over the period from September 1, 2022, to April 30, 2023, as applied for in this proceeding. In the event of any discrepancies, the Commission will reconcile the revised calculations as part of ATCO Gas’s next LBDA application. paragraph 22