



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

Salt Cavern Working Gas Deferral Account Disposition, and True-Up and Finalization of 2021-2023 Revenue Requirement Amounts for the Acquisition of the Pioneer Pipeline in Compliance with Decision 27053-D01-2022

August 11, 2022

Alberta Utilities Commission

Decision 27450-D01-2022

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

Salt Cavern Working Gas Deferral Account Disposition, and True-Up and Finalization of 2021-2023 Revenue Requirement Amounts for the Acquisition of the Pioneer Pipeline in Compliance with Decision 27053-D01-2022

Proceeding 27450

Applications 27450-A001 and 27450-A002

August 11, 2022

Published by the:

Alberta Utilities Commission

Eau Claire Tower

1400, 600 Third Avenue S.W.

Calgary, Alberta T2P 0G5

Telephone: 310-4AUC (310-4282 in Alberta)

1-833-511-4AUC (1-833-511-4282 outside Alberta)

Email: info@auc.ab.ca

Website: www.auc.ab.ca

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.

Contents

1	Introduction.....	1
2	Should the Commission approve ATCO Pipelines’ proposed disposition of the Salt Cavern working gas deferral account balance?.....	2
3	Should the Commission approve ATCO Pipelines’ true-up and finalized 2021-2023 revenue requirement amounts associated with the Pioneer Pipeline acquisition?	3
4	Order.....	5
	Appendix 1 – Proceeding participants	7
	Appendix 2 – Summary of Commission directions from Decision 27053-D01-2022 that ATCO Pipelines has complied with in the current application	8

List of tables

Table 1.	Salt Cavern working gas deferral account	2
Table 2.	2021-2023 revenue requirement true-up and finalization.....	5

ATCO Pipelines

**Salt Cavern Working Gas Deferral Account Disposition,
and True-Up and Finalization of 2021-2023 Revenue
Requirement Amounts for the Acquisition of the
Pioneer Pipeline in Compliance with
Decision 27053-D01-2022**

**Decision 27450-D01-2022
Proceeding 27450
Applications 27450-A001 and 27450-A002**

1 Introduction

1. This decision approves two applications by ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd., for the disposition of its Salt Cavern working gas deferral account balance and to true up and finalize its 2021-2023 revenue requirement amounts related to ATCO Pipelines' acquisition of the Pioneer Pipeline, in compliance with Decision 27053-D01-2022.¹

2. In Application 27450-A001,² ATCO Pipelines proposed to settle its Salt Cavern working gas deferral account balance of \$2,557,000 as a one-time adjustment to ATCO Pipelines' monthly revenue requirement to NOVA Gas Transmission Ltd. (NGTL). ATCO Pipelines stated that the final amount of \$2,557,000 represents an over-recovery and reflects balances ending March 31, 2022.³

3. In Application 27450-A002,⁴ ATCO Pipelines proposes to true up and finalize the Commission-approved placeholders for the acquisition of the Pioneer Pipeline, in compliance with Decision 27053-D01-2022. The applied-for finalized revenue requirements for the Pioneer Pipeline acquisition are \$9,992,000 for 2021, \$16,047,000 for 2022 and \$15,121,000 for 2023.⁵

4. The Commission issued a notice of the application on June 14, 2022, with statements of intent to participate due June 24, 2022.⁶ A statement of intent to participate was received from the Consumers' Coalition of Alberta (CCA).⁷

5. The Commission considers the record of this proceeding to have closed on August 2, 2022, the day that ATCO Pipelines filed the third round of information request (IR) responses to the Commission.⁸

¹ Decision 27053-D01-2022: ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd., Updated Placeholder for the Acquisition of the Pioneer Pipeline in Compliance with Decision 25937-D01-2021 and Decision 26443-D01-2021, Proceeding 27053, January 12, 2022.

² Exhibit 27450-X0001, application.

³ Exhibit 27450-X0001, application, paragraphs 5-6.

⁴ Exhibit 27450-X0002.

⁵ Exhibit 27450-X0002, paragraph 8.

⁶ Exhibit 27450-X0008.

⁷ Exhibit 27450-X0009.

⁸ Exhibit 27450-X0020.

6. The Commission reviewed the entire record in coming to this decision; lack of reference to a matter addressed in evidence or argument does not mean that it was not considered.

7. This decision deals with both applications filed by ATCO Pipelines. Section 2 discusses Application 27450-A001 related to ATCO Pipelines’ Salt Cavern working gas deferral account disposition, while Section 3 deals with Application 27450-A002 concerning the true-up and finalization of ATCO Pipelines’ 2021-2023 revenue requirement amounts related to the acquisition of the Pioneer Pipeline.

2 Should the Commission approve ATCO Pipelines’ proposed disposition of the Salt Cavern working gas deferral account balance?

8. ATCO Pipelines explained that the Salt Cavern working gas deferral account collects the difference between the average cost of the Salt Cavern working gas inventory and the market price received when gas is sold for withdrawal purposes, in addition to any related transaction costs.⁹

9. In ATCO Pipelines’ compliance filing to its 2021-2023 general rate application, ATCO Pipelines proposed to carry forward the \$1,234,000 balance of the Salt Cavern working gas deferral account. This is because the balance was less than the threshold of plus or minus \$2,000,000 that would trigger the process to settle the account, in accordance with the Commission’s direction in Decision 2005-119.¹⁰ In this application, ATCO Pipelines has included actual costs up to March 31, 2022, in the deferral account balance, and proposes to settle the account now that the threshold has been met.¹¹

10. ATCO Pipelines provided the following breakdown of the Salt Cavern working deferral account balance:

Table 1. Salt Cavern working gas deferral account

	Actual at March 2022	Balance to settle
	(\$000)	
January 2021 opening balance	1,234	-
January 2021 – March 2022 activity		
(Gains)/Losses on sale of gas	(3,799)	-
Transaction costs	34	-
Carrying charges	(26)	-
Cumulative (over)/under recovery	(2,557)	(2,557)

Source: Exhibit 27450-X0001, application, Table 1.

11. ATCO Pipelines explained that the March 31, 2022, balance for the Salt Cavern working gas deferral account reflects the impact of gas purchased for injection (which usually occurs in the summer season) and sold for withdrawal (which usually occurs in the winter season), since

⁹ Exhibit 27450-X0001, application, paragraph 1.

¹⁰ Decision 2005-119: ATCO Pipelines, Salt Cavern Peaking Working Gas Deferral Account, Proceeding 14533, Application 1388441-1, November 1, 2005, page 4.

¹¹ Exhibit 27450-X0001, application, paragraph 2.

the close of 2020. ATCO Pipelines proposed to settle this balance as a one-time adjustment to its monthly revenue requirement to NGTL (i.e., a refund of \$2,557,000).¹²

12. The Commission is satisfied with ATCO Pipelines' calculations supporting the gains on sale of gas of \$3,799,000 in the January 1, 2021, to March 31, 2022, period,¹³ and explanations related to inventory management and differences between traded versus actual injection and withdrawal volumes, provided in IR responses to the Commission.¹⁴

13. The Commission is also satisfied with ATCO Pipelines' explanation for injections during the winter season in 2021 and 2022.¹⁵ The Commission accepts that injections may be necessary during the winter when inventory drops below a critical level to meet peak demand, and notes that this explanation is consistent with explanations ATCO Pipelines provided in the past.¹⁶

14. Accordingly, the Commission finds that ATCO Pipelines' proposal to settle the Salt Cavern working gas deferral account balance as a one-time adjustment to be reasonable and consistent with past treatment for deferral accounts dispositions approved by the Commission. ATCO Pipelines' requested one-time adjustment of \$2,557,000 (over recovery) is approved, as filed.

15. With respect to the carrying charges in the amount of \$(26,000),¹⁷ the Commission notes that it released an amended Rule 023¹⁸ on February 24, 2022, which came into effect on March 1, 2022.¹⁹ 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.²⁰ It wasn't clear to the Commission whether ATCO Pipelines reflected the rate prescribed in Rule 023 in calculating the carrying charges for the month of March 2022. The Commission acknowledges that any updates to the carrying charges for the month of March 2022 would not be material. Accordingly, the Commission will not require any amendments to the carrying charges amount calculation in this proceeding. However, the Commission advises ATCO Pipelines that any carrying charges calculations on balances as of March 1, 2022, should be based on the rate prescribed in Rule 023, and carrying charges calculations should be clearly demonstrated in future proceedings.

3 Should the Commission approve ATCO Pipelines' true-up and finalized 2021-2023 revenue requirement amounts associated with the Pioneer Pipeline acquisition?

16. On March 12, 2020, NGTL announced that it had executed a letter of intent to purchase an existing pipeline and associated facilities from Pioneer Pipeline Inc. Following the announcement, NGTL and ATCO Pipelines agreed that ATCO Pipelines would acquire the

¹² Exhibit 27450-X0001, application, paragraphs 3 and 6, and Table 1.

¹³ Exhibit 27450-X0014.

¹⁴ Exhibits 27450-X0013 and 27450-X0020.

¹⁵ Exhibit 27450-X0016, AP-CCA-2022JUL13-002(a) and (c).

¹⁶ Proceeding 14533, ATCO Pipelines North, Salt Cavern Working Gas Deferral Account, AP Response to Information Requests, BR-AP-1(j), May 31, 2005, PDF pages 4-5.

¹⁷ Exhibit 27450-X0001, application, Table 1, PDF page 5.

¹⁸ Rule 023: *Rules Respecting Payment of Interest*.

¹⁹ Bulletin 2022-02, Amendments to simplify and streamline Rule 023.

²⁰ Rule 023, Section 1.

Pioneer Pipeline and subsequently transfer to NGTL an approximate 29.9-kilometre-long segment of the Pioneer Pipeline and associated facilities that are located in NGTL's geographic service area (the NGTL Footprint Pipeline Facilities), as defined in the Alberta System Integration Agreement approved by the Commission in 2010. ATCO Pipelines would retain ownership and continue to operate the portion of the pipeline that is located in its own geographic service area.²¹

17. There are several past Commission decisions that relate to ATCO Pipelines' acquisition of the Pioneer Pipeline.

18. In Decision 25937-D01-2021, the Commission approved the Pioneer Pipeline acquisition and inclusion of acquisition costs in ATCO Pipelines' 2021-2023 revenue requirements. Subsequently, decisions 25663-D01-2021²² and 26443-D01-2021²³ approved zero-dollar placeholders for the Pioneer Pipeline acquisition costs in ATCO Pipelines' 2021-2023 revenue requirements, pending the Commission's approval of the sale and transfer of the NGTL Footprint Pipeline Facilities to NGTL. Decision 26189-D01-2021 approved this sale and transfer;²⁴ however, further approvals from the Canadian Energy Regulator for NGTL to acquire the NGTL Footprint Pipeline Facilities were still required at the time. On December 22, 2021, the Canadian Energy Regulator approved NGTL's acquisition and operation of the NGTL Footprint Pipeline Facilities.²⁵

19. On January 12, 2022, the Commission issued Decision 27053-D01-2022, approving ATCO Pipelines' application to update the zero-dollar placeholders to \$9,992,000 for 2021, \$16,457,000 for 2022 and \$15,121,000 for 2023. These placeholder amounts were associated with ATCO Pipelines' ownership and operation of the Pioneer Pipeline, including the NGTL Footprint Pipeline Facilities, to provide gas utility service to NGTL system customers. In that same decision, the Commission directed ATCO Pipelines to file a new application to true up and finalize the Pioneer Pipeline placeholder amounts once the transfer transaction of the NGTL Footprint Pipeline Facilities to NGTL was completed.

20. In this current application, ATCO Pipelines advised that the transfer transaction closed on February 25, 2022. ATCO Pipelines submitted that the true-up of the Pioneer Pipeline 2021-2023 revenue requirement amounts is as follows:

²¹ Decision 25937-D01-2021: ATCO Gas and Pipelines Ltd., Pipeline Acquisition from Pioneer Pipeline Inc., Proceeding 25937, Applications 25937-A001 and 25937-A002, June 15, 2021, paragraph 6.

²² Decision 25663-D01-2021: ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd., 2021-2023 General Rate Application, Proceeding 25663, March 1, 2021, paragraph 299.

²³ Decision 26443-D01-2021: ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd., 2021-2023 General Rate Application Compliance Filing, Proceeding 26443, June 24, 2021, paragraph 50.

²⁴ Decision 26189-D01-2021: ATCO Gas and Pipelines Ltd., Pipeline Transfer to NOVA Gas Transmission Ltd., Proceeding 26189, Applications 26189-A001 and 26189-A002, June 15, 2021, paragraph 1.

²⁵ Proceeding 27053, Exhibit 27053-X0007.

Table 2. 2021-2023 revenue requirement true-up and finalization

	2021 Forecast	2022 Forecast	2023 Forecast
	(\$000)		
Pioneer Pipeline acquisition revenue requirement (Proceeding 27053)	9,992	16,457	15,121
Pioneer Pipeline acquisition revenue requirement (final)	9,992	16,047	15,121
Difference in Pioneer Pipeline revenue requirement	-	(410)	-
Total utility revenue requirement (Proceeding 27053)	319,984	341,814	350,506
Difference in total utility revenue requirement	-	(410)	-
Total utility revenue requirement (final)	319,984	341,404	350,506

Source: Exhibit 27450-X0002, application, tables 1 and 2.

21. ATCO Pipelines proposed to settle the difference in 2022 revenue requirement of \$410,000 as a one-time adjustment to ATCO Pipelines' monthly revenue requirements to NGTL.²⁶

22. The Commission considers ATCO Pipelines' Application 27450-A002 to be routine in nature because the Commission had previously approved the Pioneer Pipeline placeholder amounts in Decision 27053-D01-2022, and Direction 1 of the same decision simply required ATCO Pipelines to true up and finalize the Commission-approved placeholder amounts, following the close of the transfer transaction of the NGTL Footprint Pipeline Facilities to NGTL.

23. The Commission finds that ATCO Pipelines has correctly reflected the revenue requirements associated with the Pioneer Pipeline acquisition in its 2021-2023 revenue requirements and schedules filed with the application, including impact on rate base and operating cost, and the transfer of the NGTL Footprint Pipeline Facilities to NGTL.

24. The Commission considers that ATCO Pipelines has complied with Direction 1 from Decision 27053-D01-2022 by correctly truing up the Pioneer Pipeline 2021-2023 revenue requirement placeholder amounts. Accordingly, ATCO Pipelines' requested one-time adjustment of \$410,000 (refund) is approved.

25. The Commission approves, on a final basis, the 2021-2023 Pioneer Pipeline revenue requirements of \$9,992,000 for 2021, \$16,047,000 for 2022 and \$15,121,000 for 2023 and ATCO Pipelines' total revenue requirements of \$319,984,000 for 2021, \$341,404,000 for 2022 and \$350,506,000 for 2023.

4 Order

26. It is hereby ordered that:

- (1) ATCO Pipelines' 2021-2023 Pioneer Pipeline revenue requirements of \$9,992,000 for 2021, \$16,047,000 for 2022 and \$15,121,000 for 2023, and

²⁶ Exhibit 27450-X0002, application, paragraph 10.

ATCO Pipelines' total revenue requirements of \$319,984,000 for 2021, \$341,404,000 for 2022 and \$350,506,000 for 2023 are approved, on a final basis.

- (2) ATCO Pipelines' one-time adjustments of \$410,000 (refund), in relation to its 2022 Pioneer Pipeline revenue requirement true-up and \$2,557,000 (refund), in relation to its Salt Cavern working gas deferral account balance settlement, to its monthly revenue requirement to NOVA Gas Transmission Ltd. are approved.

Dated on August 11, 2022.

Alberta Utilities Commission

(original signed by)

Vincent Kostas
Acting Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Pipelines
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel V. Kostaszy, Acting Commission Member
Commission staff A. Culos (Commission counsel) F. Alonso M. McJannet D. Lucas

**Appendix 2 – Summary of Commission directions from Decision 27053-D01-2022 that
ATCO Pipelines has complied with in the current application**

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 Decision 27053-D01-2022, the wording in the main body of Decision 27053-D01-2022 shall prevail.

1. Because ATCO Pipelines will own and operate the NGTL Footprint Pipeline Facilities and the Pioneer Pipeline and related facilities providing utility service to customers as part of the integrated system until the transaction closes, e.g., in 2022, the Commission is satisfied that including the asset held for sale for the NGTL Footprint Pipeline Facilities in its necessary working capital and operating costs in ATCO Pipelines’ revenue requirements is reasonable. The Commission also approves continued placeholder treatment for Pioneer Pipeline’s costs pending the closing of the transaction for the transfer of the NGTL Footprint Pipeline Facilities to NTGL. The Commission directs ATCO Pipelines to true up and finalize the Pioneer Pipeline placeholder amounts for 2021-2023 in its next rates application. paragraph 16