

Notice of variance of disposition

August 15, 2022

Please be advised that the Alberta Utilities Commission's decision report **27415-D01-2022** issued on July 26, 2022 has been varied with the release of decision report **27576-D01-2022** issued on August 15, 2022.

Both dispositions should be read together for completeness.

Alberta Utilities Commission



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

2022 Weather Deferral Account Rate Rider W South

July 26, 2022

Alberta Utilities Commission

Decision 27415-D01-2022

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

2022 Weather Deferral Account Rate Rider W South

Proceeding 27415

July 26, 2022

Published by the:

Alberta Utilities Commission

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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 Rate Rider W (2022 Rider W) effective September 1, 2022, to April 30, 2023, to collect ATCO Gas's South weather deferral account (WDA) balances as of April 30, 2022.

2 Introduction

2. On May 31, 2022, ATCO Gas filed an application with the Commission requesting approval for a 2022 Rider W effective September 1, 2022, to April 30, 2023. The application requested a collection of ATCO Gas's South WDA balances as of April 30, 2022, resulting in a collection of approximately \$10.677 million from ATCO Gas South customers.

3. The Commission issued notice on June 1, 2022, and received a statement of intent to participate from the Consumers' Coalition of Alberta (CCA) on June 15, 2022.¹ In a letter issued on June 24, 2022, the Commission determined that the application would be handled as a *notice-only* process.²

4. The Commission considers the record of this proceeding closed on June 15, 2022.

5. 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.

3 Background and discussion of issues

6. ATCO Gas has both fixed costs which are not sales volume dependent and variable costs which are. A portion of the fixed costs is recovered through the variable component of the rates; however, variation in weather can result in an over or under collection of the approved revenue. The Commission approved a deferral account to record the variances in revenue related to weather. Once the balance of the deferral account reaches the approved threshold, the balance is either recovered from or refunded to customers with carrying costs applied to the balance at the weighted average cost of capital (WACC).

7. The Commission first approved the WDA mechanism for ATCO Gas effective January 1, 2008, in Decision 2008-113³ to account for the impact of differences between actual and normal

¹ Exhibit 27415-X0009, CCA statement of intent to participate.

² Exhibit 27415-X0010, AUC letter - Notice-only process, June 24, 2022.

³ Decision 2008-113: ATCO Gas, 2008-2009 General Rate Application Phase I, Proceeding 11, Application 1553052-1, November 13, 2008, pages 107-108.

temperatures (that are used as a basis for the forecasts) on delivery revenue. ATCO Gas cited the following findings from that decision:

... AG [ATCO Gas] proposed to commence use of a deferral account, effective January 1, 2008, in each of the North and the South rate zones to account for the impact on delivery revenue differences between the actual degree days and the forecast (normal) degree days used in the determination of the approved revenue forecast. The normal temperatures that would be used for the deferral account would be those used to develop the approved revenue forecast for that year. AG proposed that a 12-month rider would be required when either the North or the South weather deferral revenue accounts exceeded \$7 million dollars at April 30th of each year, which would represent about a +/- 10% variation in the normalized weather forecast.

...

For the above reasons, the Commission approves the weather deferral account proposed by AG, with an implementation date of January 1, 2008.⁴

8. ATCO Gas stated that its South WDA balance was in a recovery position of approximately \$10.677 million as of April 30, 2022.⁵

9. ATCO Gas described the methodology used to determine the amount of revenue to be deferred in the WDA as follows:

In order to determine the amount of revenue to be deferred in the WDA, ATCO Gas performs a linear regression analysis. The regression analysis determines the relationship between the previous year's actual sales per customer per day for each month and the actual restricted temperature [the actual average daily temperature for the month where the daily temperature is restricted to an upper limit or balance point]. The regression is performed on each temperature sensitive rate class that has a commodity charge. The temperature coefficient (line slope) from this regression is multiplied by the difference between the normal restricted temperature [which is based on the rolling 10-year average temperature] and the actual restricted temperature for each month. The result is added to the actual sales per customer per day to produce the normal sales per customer per day, which is applied to the number of customers and the number of days in the month in order to obtain the normal sales for the month. The difference between the normal sales and the actual sales for each month is multiplied by the monthly variable charge in effect to determine the amount of revenue that would be deferred. At the end of each calendar year, the line slope is adjusted based on the relationship between the current year's actual sales per customer per day for each month and the actual restricted temperature. ATCO Gas also recalculates the monthly carrying charges based on the updated line slope. ATCO Gas applies monthly carrying charges to the WDA based on the Weighted Average Cost of Capital. This methodology is in accordance with Decision 2008-113, Decision 2011-450^[6] and previous Rider W decisions rendered by the Commission.⁷

⁴ Exhibit 27415-X0001, application, citing Decision 2008-113, pages 107-108.

⁵ Exhibit 27415-X0001, application, paragraph 2.

⁶ Decision 2011-450: ATCO Gas (a Division of ATCO Gas and Pipelines Ltd.), 2011-2012 General Rate Application Phase I, Proceeding 969, Application 1606822-1, December 5, 2011.

⁷ Exhibit 27415-X0001, application, paragraph 5.

10. ATCO Gas described the methodology used to recover the WDA balance as follows:

For the throughput forecast, ATCO Gas has used the September to December 2022 throughput forecast as approved in the 2022 Annual PBR [performance-based regulation] Rate Adjustment Filing. For the January to April 2023 throughput forecast, ATCO Gas has used the throughput forecast as provided in the 2023 Cost of Service application. The throughput forecast is specific to Low Use and Mid Use rate groups as it is these rate groups that have a variable charge and the Rider is only applied to these rate groups.⁸

11. ATCO Gas requested the 2022 Rider W be in effect for eight months, from September 1, 2022, to April 30, 2023. ATCO Gas stated that the 2022 Rider W end date of April 30, 2023, would be beneficial to avoid confusion as to whether a new Rider W has been triggered on April 30, 2023, either due to weather impacts or because the previous Rider W has not yet been fully applied. ATCO Gas expressed its view that the eight-month collection period would not result in rate shock because the resulting 2022 Rider W rate increases for typical South residential (low-use) and commercial (mid-use) customers would be approximately one per cent.⁹ ATCO Gas provided rate schedules and bill impacts corresponding to this period.¹⁰

12. The WDA dollar amounts allocated to each rate group were divided by the September 2022 to April 2023 service area throughput forecast to determine a WDA Rider W collection rate. For the South customers, ATCO Gas calculated the requested 2022 Rider W recovery rates to be \$0.126 per gigajoule (GJ) for low-use customers and \$0.113/GJ for mid-use customers. The impact of the WDA collection is approximately \$13 or a 0.9 per cent increase over the proposed recovery period for the average low-use (i.e., residential) customer and \$258 or a 1.1 per cent increase over the proposed recovery period for the average mid-use (i.e., commercial) customer.¹¹

13. In calculating the WDA balances, ATCO Gas applied monthly carrying charges to the WDA, which are based on ATCO Gas's WACC using the most recent approved capital structure.

14. ATCO Gas also noted that it followed Direction 1 issued by the Commission from Decision 24665-D01-2019.¹² In response to Direction 1, ATCO Gas provided the derivation of the annual WACC carrying cost rate, including annual WACC calculations from 2020 to 2021, in Attachment 5 of its application.¹³ The Commission finds that ATCO Gas has satisfactorily addressed Direction 1.

15. The Commission has reviewed the WDA calculations, including the WACC, as well as the throughput forecast and finds that the methodology used to determine the WDA balances and the 2022 Rider W is consistent with the methodology and threshold requirements approved by the Commission in past WDA rate rider applications.¹⁴

⁸ Exhibit 27415-X0001, application, paragraph 7.

⁹ Exhibit 27415-X0001, application, paragraph 6.

¹⁰ Exhibit 27415-X0001, application, attachments 2 and 4.

¹¹ Exhibit 27415-X0001, application, paragraph 12.

¹² Decision 24665-D01-2019: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2019 Weather Deferral Account Rate Rider W North, Proceeding 24665, August 23, 2019.

¹³ Exhibit 27415-X0001, application, Attachment 5.

¹⁴ For example, Decision 24665-D01-2019, paragraph 17.

16. The Commission approves ATCO Gas's request for an eight-month collection period for the 2022 Rider W for the following reasons.

17. First, ATCO Gas provided evidence that a collection period of eight months would have minimal impact on customers as the 2022 Rider W will change rates by approximately one per cent over both rate groups over the collection period.

18. Second, while a 12-month period for ATCO Gas's then newly established Rider W was approved in Decision 2008-113, the Commission did not stipulate that the time period could not be altered. The Commission has previously approved a shorter implementation period where it was satisfied that doing so would either minimize any confusion as to whether a new Rider W has been triggered solely due to weather effects, or because the WDA balance exceeded the threshold partly because the previous Rider W has not been fully refunded or recovered.¹⁵ For the same reasons, the Commission is satisfied in this proceeding that it would be beneficial that the collection period for the 2022 Rider W end on April 30, 2023.

19. Accordingly, the Commission approves the WDA collection of \$10.677 million from ATCO Gas South customers by way of the 2022 Rider W from September 1, 2022, to April 30, 2023.

4 Order

20. It is hereby ordered that:

- (1) The Commission approves the South weather deferral account rider, Rate Rider W, of ATCO Gas, a division of ATCO Gas and Pipelines Ltd., for implementation during the period of September 1, 2022, to April 30, 2023, as set out in [Appendix 2](#).

Dated on July 26, 2022.

Alberta Utilities Commission

(original signed by)

John McCarthy
Acting Commission Member

¹⁵ In Decision 23643-D01-2018: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2018 Weather Deferral Account Rate Rider W South, Proceeding 23643, August 23, 2018; and Decision 24665-D01-2019, the Commission approved a collection period of eight months.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Gas and Pipelines Ltd. (ATCO Gas or AG)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel J. McCarthy, Acting Commission Member
Commission staff A. Spurrell

Appendix 2 – ATCO Gas weather deferral account Rate Rider W South

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Effective September 1, 2022, by Decision 27415-D01-2022
This Replaces Rider “W” as approved in Decision 25666-D01-2020
Previously Effective September 1, 2020, to April 30, 2021

ATCO GAS AND PIPELINES LTD. - SOUTH RIDER “W” WEATHER DEFERRAL ACCOUNT RIDER

To be applied to the Low-Use and Mid-Use customers unless otherwise specified by specific contracts or AUC, effective September 1, 2022, to April 30, 2023.

Low-Use Delivery Rate	\$0.126 per GJ
Mid-Use Delivery Rate	\$0.113 per GJ