



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

2023 Load Balancing Deferral Account Rider L

April 20, 2023

Alberta Utilities Commission

Decision 28061-D01-2023

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

2023 Load Balancing Deferral Account Rider L

Proceeding 28061

April 20, 2023

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1 Decision summary

1. For the reasons set out in this decision, the Alberta Utilities Commission approves a load balancing Rate Rider L over the period May 1, 2023, to December 31, 2023 for ATCO Gas, a division of ATCO Gas and Pipelines Ltd.

2 Introduction

2. On March 2, 2023, 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 January 31, 2023. Recovery will occur over the period of May 1, 2023, to December 31, 2023, from all ATCO Gas customers. The LBDA balance as of January 31, 2023, is in a recovery position of approximately \$14.3 million. The balance exceeds the \$10 million Rider L threshold amount in a single month.¹

3. On March 6, 2023, the Commission issued a notice of application requiring that any party who wished to intervene submit a statement of intent to participate (SIP) by March 15, 2023. The Commission did not receive any SIPs.

4. On April 6, 2023, the Commission issued an information request (IR) to which ATCO Gas responded on April 12, 2023. The proceeding record closed with the receipt of ATCO Gas's IR response.

3 Background and application

5. 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 in response to fluctuations in gas deliveries and/or receipts. In Decision 2006-098, the Commission's predecessor, the Alberta Energy and Utilities Board, explained that load balancing involves two aspects: (i) real-time balancing of gas volumes on the distribution system; and (ii) an administrative exercise involving the sale or acquisition of volumes required to balance gas that has largely physically flowed on the ATCO Gas distribution system.²

6. Generally speaking, when an imbalance between gas deliveries and/or receipts occurs on the distribution system, ATCO Gas adjusts in real time the amount of gas it takes from the gas transmission system to ensure operating pressure is maintained within an appropriate range. ATCO Gas then reconciles the imbalances with individual retailers whose customers contributed

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

² Decision 2006-098: Retailer Service and Gas Utilities Act Compliance Phase 2 Part B, Customer Account Balancing and Load Balancing, Application 1411635, October 10, 2006, PDF page 16.

to the discrepancy.³ The residual imbalances are accumulated in the LBDA and are disposed of by way of a Rider L, when an approved threshold is triggered, from all customers of ATCO Gas.

7. The current framework for ATCO Gas's LBDA and related Rider L was approved in Decision 2014-268.⁴ In that decision, the Commission approved ATCO Gas's load balancing methodology for a single province-wide LBDA and established the triggering of the Rider L, the calculation of amounts owing and the existing thresholds. The present application is limited in scope to the approval of the 2023 Rider L rate, and to confirm that the present application complies with prior Commission directions and rules.

8. In Decision 2014-268, the Commission made the following direction on when the Rider L application needed to be filed:

... 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.

9. This application is the second triggering of Rider L since Decision 2014-268. The first triggering was approved in Decision 27451-D01-2022,⁵ to recover the LBDA balance of \$11.3 million through the 2022 Rider L, effective for the period September 1, 2022, to April 30, 2023.

10. As the LBDA balance of \$14.3 million at January 31, 2023, exceeds the threshold of \$10 million in any single month as specified in Decision 2014-268 referenced above, ATCO Gas submitted the present application. The application included the calculation of the 2023 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 27451-D01-2022.

11. 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 group⁶

| Rate group | 2023 Annual throughput (GJ) ⁷ | 2023 Annual throughput (%) | Allocation of recovery amount (\$) | May 1, 2023, to December 31, 2023, throughput (GJ) | Rider L recovery rate (\$/GJ) |
|------------|--|----------------------------|------------------------------------|--|-------------------------------|
| Low use | 159,071,034 | 57.82 | 8,288,792 | 78,338,643 | 0.106 |
| Mid use | 46,173,300 | 16.78 | 2,405,975 | 23,697,361 | 0.101 |

³ For each retailer or default supply provider, customer account imbalances outside the imbalance window are settled on a daily basis. In Decision 2006-098, on PDF page 13, the board explained: "Account balancing is the process associated with administering account tolerances and reconciliation by individual customer accounts whereas load balancing is the process of acquisition or disposition of gas supplies by the utility to maintain the pipeline system pressures in balance. The two processes are linked to the extent that larger tolerances for customer account balancing would directionally result in larger daily amounts of gas being purchased/sold by the utility."

⁴ 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.

⁵ Decision 27451-D01-2022: ATCO Gas, 2022 Load Balancing Deferral Account Rider L, Proceeding 27451, August 8, 2022.

⁶ Exhibit 28061-X0001, application, PDF page 5.

⁷ Decision 27684-D01-2022: ATCO Gas, 2023 Cost-of-Service Compliance Filing and 2023 Rates, Proceeding 27684, December 15, 2022. Irrigation throughput total is from May 1, 2023, to October 31, 2023.

| Rate group | 2023 Annual throughput (GJ) ⁷ | 2023 Annual throughput (%) | Allocation of recovery amount (\$) | May 1, 2023, to December 31, 2023, throughput (GJ) | Rider L recovery rate (\$/GJ) |
|----------------|--|----------------------------|------------------------------------|--|-------------------------------|
| High use | 49,571,682 | 18.02 | 2,583,056 | 26,831,430 | 0.096 |
| Ultra-high use | 20,063,734 | 7.29 | 1,045,471 | 11,585,364 | 0.090 |
| Irrigation | 231,988 | 0.08 | 12,088 | 231,988 | 0.052 |
| Total | 275,111,739 | 100.00 | 14,335,382 | 140,684,786 | |

12. 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 May 2023 to December 2023 period. These rate changes are reasonable and will not result in undue rate shock compared to existing rates.⁸

13. 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 May 2023 to December 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 reflective of the revised carrying costs as discussed further below. The Commission also finds that ATCO Gas satisfactorily responded to all directions from Decision 27451-D01-2022.

4 Compliance with Commission directions

14. In Decision 27451-D01-2022, the Commission provided ATCO Gas with two directions (directions 1 and 2):

1. The Commission directs ATCO Gas to submit an assessment of the appropriateness of the thresholds as part of its next Rider L application.
2. The Commission considers that Rule 023⁹ 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 [weighted average cost of capital], 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.

15. ATCO Gas's compliance with these directions is discussed in the following two sections.

4.1 Direction 1: When to file Rider L application

16. In response to Direction 1 from Decision 27451-D01-2022, ATCO Gas assessed three options below to determine whether the thresholds continue to be appropriate:

⁸ Exhibit 28061-X0001, application, PDF page 5.

⁹ Rule 023: *Rules Respecting Payment of Interest*.

- (i) Include the Rider L application with the annual performance-based regulation rates adjustment filings, provided the LBDA balance exceeds a minimum amount of \$0.3 million in either a refund or recovery position.¹⁰
- (ii) Increase the current approved Rider L threshold from \$5 million for six consecutive months to \$10 million for six consecutive months and to remove the single month \$10 million threshold.¹¹
- (iii) Continue using the current approved Rider L threshold. ATCO Gas projected the gas price to stabilize and decrease in 2023 as compared to recent years according to the forecasts in the application.¹² As a result of the lower forecast gas prices, ATCO Gas expected a reduced likelihood of a future 2023 Rider L being triggered based on the current approved threshold.¹³

17. After assessing the above three options, ATCO Gas submitted that the third option, which maintains the current approved Rider L thresholds, continues to be appropriate. The first and second options both may lead to higher carrying costs because these options increase the likelihood of large LBDA balances that do not activate the triggering of the Rider L.

18. The Commission agrees with ATCO Gas's assessment of the three options above and finds that the current approved Rider L thresholds remain appropriate. As noted in Section 3, this application represents a second triggering of Rider L since 2014. ATCO Gas speculated that if lower gas price forecasts turn out to be correct, it may be the case that Rider L may not be triggered in the near future. The Commission will assess the appropriateness of Rider L thresholds in future applications, if required.

4.2 Direction 2: Carrying costs

19. In prior decisions, ATCO Gas was approved to use WACC to calculate the carrying costs of the LBDA balances. In Decision 27451-D01-2022, the Commission found that Rule 023 applies to the determination of carrying charges on LBDA balances as of March 1, 2022. The applicable interest rate prescribed by Rule 023 is the Bank of Canada's policy interest rate plus 1.75 per cent.¹⁴

20. In Decision 27451-D01-2022, the Commission directed ATCO Gas to recalculate the 2022 Rider L amount to reflect the application of the rate prescribed in Rule 023, as opposed to WACC, in calculating the carrying costs.¹⁵ ATCO Gas has filed amended calculations and schedules reflecting the rate as prescribed in Rule 023, as a post-disposition filing in Proceeding 27451.

21. In the current proceeding, ATCO Gas calculated the carrying costs based on the rates prescribed in Rule 023. However, in an IR, the Commission observed that ATCO Gas calculated carrying costs on the current outstanding LBDA balance plus prior period carrying costs. This is equivalent to a compound interest approach rather than the simple interest approach that is

¹⁰ Exhibit 28061-X0001, application, PDF page 6.

¹¹ Exhibit 28061-X0001, application, PDF page 6.

¹² Exhibit 28061-X0001, application, PDF page 7.

¹³ Exhibit 28061-X0001, application, PDF page 7.

¹⁴ Rule 023, Section 3(3).

¹⁵ 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.

prescribed in Rule 023. In response, ATCO Gas recalculated the carrying costs using simple interest calculations, which resulted in a reduction to the total Rider L amount of approximately \$18,000.¹⁶

22. The Commission finds the revised Rider L carrying costs calculations to be consistent with Rule 023. The Commission, therefore, approves the 2023 Rider L amount reflective of revised carrying costs.

23. The Commission notes that ATCO Gas's calculations for the total 2022 Rider L amount (submitted as a post-disposition filing in Proceeding 27451) are also reflective of a compounding on interest on carrying costs. However, because the correction to simple interest rate on 2022 Rider L amounts results in a very small amount that will not affect customer rates,¹⁷ the Commission considers such adjustment to be not warranted.

24. In future Rider L applications, the Commission directs ATCO Gas to calculate carrying costs using simple interest calculations in accordance with Rule 023.

5 Order

25. It is hereby ordered that:

- (1) The Commission approves ATCO Gas's North and South Rider L rate set out in [Appendix 3](#) and [Appendix 4](#) to this decision to be in effect from May 1, 2023, to December 31, 2023.

Dated on April 20, 2023.

Alberta Utilities Commission

(original signed by)

Michael Arthur
Commission Member

¹⁶ Exhibit 28061-X0011, ATCO Round One IR Response to AUC.

¹⁷ According to Commission staff calculations, there would have been a reduction of around \$7,000 in the total 2022 Rider L amount if simple interest rate calculations are used.

Appendix 1 – Proceeding participants

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

| |
|--|
| Alberta Utilities Commission |
| Commission panel M. Arthur, Commission Member |
| Commission staff L. Zhang |

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. In future Rider L applications, the Commission directs ATCO Gas to calculate carrying costs using simple interest calculations in accordance with Rule 023..... paragraph 24

Appendix 3 – ATCO Gas North

[\(return to text\)](#)

Effective May 1, 2023 by Decision 28061-D01-2023
This Replaces Rider “L”
Previously Effective September 1, 2022

ATCO GAS AND PIPELINES LTD. - NORTH RIDER “L” TO ALL RATES FOR CREDITING OR DEBITING LOAD BALANCING DEFERRAL ACCOUNT (LBDA) BALANCES

To be applied to the energy delivered to all Delivery Service Customers as per the schedule below unless otherwise specified by specific contracts or AUC.

| | |
|---|----------------|
| Low Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.106 per GJ |
| Mid Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.101 per GJ |
| High Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.096 per GJ |
| Ultra High Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.090 per GJ |
| Alternative Technology and Appliance Delivery Service – May 1, 2023 to December 31, 2023 | \$0.106 per GJ |

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

Effective May 1, 2023 by Decision 28061-D01-2023
This Replaces Rider “L”
Previously Effective September 1, 2022

**ATCO GAS AND PIPELINES LTD. - SOUTH
RIDER “L” TO ALL RATES FOR CREDITING OR DEBITING
LOAD BALANCING DEFERRAL ACCOUNT (LBDA) BALANCES**

To be applied to the energy delivered to all Delivery Service Customers as per the schedule below unless otherwise specified by specific contracts or AUC.

| | |
|---|----------------|
| Low Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.106 per GJ |
| Mid Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.101 per GJ |
| High Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.096 per GJ |
| Ultra-High Use Delivery Rate – May 1, 2023 to December 31, 2023 | \$0.090 per GJ |
| Alternative Technology and Appliance Delivery Service – May 1, 2023 to December 31, 2023 | \$0.106 per GJ |
| Irrigation Use Delivery Rate – May 1 to October 31, 2023 | \$0.052 per GJ |