



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

**2019 Weather Deferral Account Rate Rider W North**

**August 23, 2019**

**Alberta Utilities Commission**

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

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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 Rider W (2019 Rider W) effective September 1, 2019, to April 30, 2020, to refund ATCO Gas's North weather deferral account (WDA) balance as of April 30, 2019.

## **2 Introduction**

2. On June 21, 2019, ATCO Gas filed an application with the Commission requesting approval for a 2019 Rider W effective September 1, 2019, to April 30, 2020, for the refund of its North WDA balance as of April 30, 2019, resulting in a refund of approximately \$8.017 million.

3. On June 24, 2019, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by July 9, 2019.<sup>1</sup> On July 11, 2019, the Commission received a SIP from Direct Energy Marketing Limited (DEML).<sup>2</sup>

4. The Commission subsequently issued a letter to DEML requesting further information on the nature of DEML's interest in the proceeding and how DEML intended to participate.<sup>3</sup>

5. In response to the Commission's letter, on July 23, 2019, DEML communicated that it was "impacted by the daily natural gas load balancing that creates weather deferral account balances for ATCO Gas,"<sup>4</sup> and had concerns regarding past forecasting inaccuracy by ATCO Gas. DEML submitted that a more appropriate proceeding to address its concerns would be in ATCO Gas's annual performance-based regulation (PBR) rate adjustment proceeding and clarified that it would not be submitting information requests or presenting evidence in this proceeding.

6. The Commission determined that, in the absence of any opposition to the application, the application would be handled as a *notice-only* process.<sup>5</sup>

7. The Commission considers the record of this proceeding closed as of July 23, 2019.

8. 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

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<sup>1</sup> Exhibit 24665-X0008.

<sup>2</sup> Exhibit 24665-X0009.

<sup>3</sup> Exhibit 24665-X0010.

<sup>4</sup> Exhibit 24665-X0011.

<sup>5</sup> Exhibit 24665-X0012.

as an indication that the Commission did not consider all relevant portions of the record with respect to the matter.

### 3 Background

9. The Commission first approved the WDA mechanism for ATCO Gas effective January 1, 2008 in Decision 2008-113<sup>6</sup> to account for the impact of differences between actual and normal temperatures on delivery revenue. ATCO Gas cited the following findings from that decision:

AG 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 [ATCO Gas] 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.<sup>7</sup>

10. ATCO Gas stated that its North WDA balance was in a refund position of approximately \$8.017 million as of April 30, 2019.<sup>8</sup>

11. 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 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 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

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<sup>6</sup> Decision 2008-113: General Rate Application Phase I, Proceeding 11, Application 1553052-1, November 13, 2008, pages 107-108.

<sup>7</sup> Exhibit 24665-X0001, application, citing Decision 2008-113, pages 107-108.

<sup>8</sup> Exhibit 24665-X0001, application, paragraph 2.

Capital. This methodology is in accordance with Decision 2008-113, Decision 2011-450<sup>9</sup>] and previous Rider W decisions rendered by the Commission.<sup>10</sup>

12. ATCO Gas also provided the following explanation of its throughput forecast methodology:

For the throughput forecast, ATCO Gas has used the September to December 2019 throughput forecast as provided in the 2019 Annual PBR Rate Adjustment Filing. For the January to April 2020 throughput forecast, ATCO Gas has applied the methodology provided in the 2019 Annual PBR Rate Adjustment Filing where the throughput forecast incorporates both the forecast use per customer and number of customers. The throughput forecast is specific to Low Use and Mid Use rate groups as it is these rate groups that have a variable charge.<sup>11</sup>

13. ATCO Gas requested the 2019 Rider W be in effect for eight months, from September 1, 2019, to April 30, 2020.<sup>12</sup> ATCO Gas stated that the 2019 Rider W end date of April 30, 2020, would be beneficial to avoid confusion as to whether a new Rider W has been triggered on April 30, 2020, 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 refund period would not result in rate shock because the resulting 2019 Rider W rate decreases for typical North residential (low-use) and commercial (mid-use) customers would be less than two per cent. ATCO Gas provided rate schedules and bill impacts corresponding to this period.<sup>13</sup>

14. ATCO Gas calculated the requested 2019 Rider W refund rates for the North customers to be \$0.081 per gigajoule (GJ) for low-use customers and \$0.080/GJ for mid-use customers.<sup>14</sup> The WDA dollar amounts associated with each rate group were divided by the September 2019 to April 2020 service area throughput forecast to determine a WDA Rider W refund rate for the low-use and mid-use rate groups. The dollar effect of the WDA refund is a reduction of approximately \$8 over the proposed refund period for the average residential customer and a reduction of approximately \$196 over the proposed refund period for the average commercial customer. These rate reductions represent a decrease of 1.1 per cent for an average residential customer and a 1.8 per cent decrease for an average commercial customer.<sup>15</sup>

15. For the purpose of calculating the bill effects, ATCO Gas maintained the same level of annual consumption for low-use and mid-use customers as in its previous 2018 Rider W application:<sup>16</sup> 115 GJ for low-use and 2,800 GJ for mid-use customers.<sup>17</sup>

16. In calculating the WDA balances, ATCO Gas applies monthly carrying charges to the WDA which are based on ATCO Gas's weighted average cost of capital (WACC) using the most recent approved capital structure.

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<sup>9</sup> 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.

<sup>10</sup> Exhibit 24665-X0001, application, paragraph 5.

<sup>11</sup> Exhibit 24665-X0001, application, paragraph 7.

<sup>12</sup> Exhibit 24665-X0001, application, paragraph 6.

<sup>13</sup> Exhibit 24665-X0001, application, attachments 2 and 4.

<sup>14</sup> Exhibit 24665-X0001, application, paragraph 12.

<sup>15</sup> Exhibit 24665-X0001, application, paragraph 12.

<sup>16</sup> 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, paragraphs 13-14.

<sup>17</sup> Exhibit 24665-X0001, application, Attachment 2.

#### 4 Commission findings

17. The Commission has reviewed the WDA calculation, including the WACC<sup>18</sup>, and finds that the methodology used to determine the WDA balance and the 2019 Rider W is consistent with the methodology and threshold requirements approved by the Commission in past WDA rate rider applications.

18. The 2019 throughput forecast was approved in the 2019 annual PBR rate adjustment filing.<sup>19</sup> For the January to April 2020 throughput forecast, ATCO Gas has applied the previously approved methodology where the throughput forecast incorporates both the forecast use per customer and the number of customers.

19. As mentioned above, the Commission has reviewed the rates used for calculating the WDA carrying costs and finds they are in accordance with the methodology approved in past ATCO Gas WDA applications. However, the Commission considers that it will be helpful for ATCO Gas to include the calculations for the carrying cost rates in future WDA applications. For future WDA filings by ATCO Gas, ATCO Gas is directed to provide the most recent WACC utilized for carrying costs, the reference to its source, and the calculation of WACC grossed up for income tax. A suitable format for this calculation is found in Proceeding 23643, ATCO Gas's response to AG-AUC-2018JUL11-002, Schedule 2.<sup>20</sup>

20. The Commission notes that the calculations for the WDA balances, as filed in Attachment 1,<sup>21</sup> are voluminous, and do not lend themselves to efficient review. For example, the Excel workbook containing the WDA calculations comprises over 70 sheets. This problem is compounded as the number of years between successive Rider W applications increases. In the interest of improving regulatory efficiency for all parties, in future Rider W applications, the Commission directs ATCO Gas to investigate ways of presenting WDA calculations in a more concise and organized format while still including the necessary information and data for calculations.

21. ATCO Gas requested an eight-month refund period for the 2019 Rider W. The Commission approves this request for the following reasons.

22. First, ATCO Gas provided evidence that a refund period of eight months would have minimal bill impact on customers. The 2019 Rider W will change rates by less than two per cent over both rate groups over the refund period. Bill impacts exceeding 10 per cent are generally considered a threshold potentially indicative of rate shock. Accordingly, the Commission is satisfied, based on the evidence on the record, that the implementation of the 2019 Rider W as proposed by ATCO Gas, will not result in rate shock.

23. 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 satisfied doing so would either minimize any confusion as to whether a new Rider W has been

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<sup>18</sup> For example, Decision 23643-D01-2018, paragraph 15.

<sup>19</sup> Decision 23894-D01-2018: ATCO Gas and Pipelines Ltd. 2019 Annual PBR Rate Adjustment Filing, Proceeding 23894, December 14, 2018, paragraph 77.

<sup>20</sup> Proceeding 23643, Exhibit 23643-X0011.

<sup>21</sup> Exhibit 24665-X0002, application, Attachment 1, ATCO Gas North WDA calculations.

triggered solely due to weather effects, or because the WDA balance exceeds the threshold partly because the previous Rider W has not been fully refunded or recovered.<sup>22</sup> For the same reason, the Commission is satisfied in this proceeding that it would be beneficial that the refund period for the 2019 Rider W end on April 30, 2020.

24. Accordingly, the Commission approves the WDA refund of \$8.017 million to ATCO Gas's North customers by way of the 2019 Rider W from September 1, 2019 to April 30, 2020.

## **5 Order**

25. It is hereby ordered that:

- (1) The Commission approves the North weather deferral account rider, Rider W, of ATCO Gas, a division of ATCO Gas and Pipelines Ltd., for implementation during the period of September 1, 2019, to April 30, 2020, as set out in [Appendix 2](#).

Dated on August 23, 2019.

### **Alberta Utilities Commission**

*(original signed by)*

Tracee Collins  
Commission Member

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<sup>22</sup> In Decision 23643-D01-2018, the Commission approved a collection period of eight months.

**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
ATCO Gas and Pipelines Ltd. (ATCO Gas or AG)
Direct Energy Marketing Limited (DEML)

Alberta Utilities Commission
Commission panel T. Collins, Commission Member
Commission staff M. Anderson (Commission counsel) G. MacIntyre D. Fedoretz

**Appendix 2 – Weather deferral account Rate Rider W North**[\(return to text\)](#)

Effective September 1, 2019 by Decision 24465-D01-2019  
This Replaces Rider “W” as approved in Decision 21584-D01-2016  
Previously Effective July 1, 2016 to April 30, 2017

**ATCO GAS AND PIPELINES LTD. - NORTH  
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, 2019 to April 30, 2020.

Low-Use Delivery Rate	\$0.081 per GJ Credit
Mid-Use Delivery Rate	\$0.080 per GJ Credit

### Appendix 3 – 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. As mentioned above, the Commission has reviewed the rates used for calculating the WDA carrying costs and finds they are in accordance with the methodology approved in past ATCO Gas WDA applications. However, the Commission considers that it will be helpful for ATCO Gas to include the calculations for the carrying cost rates in future WDA applications. For future WDA filings by ATCO Gas, ATCO Gas is directed to provide the most recent WACC utilized for carrying costs, the reference to its source, and to provide the calculation of grossing-up the WACC for income tax. A suitable format for this calculation is found in Proceeding 23643, ATCO Gas’s response to AG-AUC-2018JUL11-002, Schedule 2..... paragraph 19
2. The Commission notes that the calculations for the WDA balances, as filed in Attachment 1, are voluminous, and do not lend themselves to efficient review. For example, the Excel workbook containing the WDA calculations comprises over 70 sheets. This problem is compounded as the number of years between successive Rider W applications increases. In the interest of improving regulatory efficiency for all parties, in future Rider W applications, the Commission directs ATCO Gas to investigate ways of presenting WDA calculations in a more concise and organized format while still including the necessary information and data for calculations. .... paragraph 20