

**Electronic Notification**

July 29, 2010

Direct Energy Marketing Limited  
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Attention: Ms. Ashley Preston  
Analyst, Government and Regulatory Affairs, Canada West

**DIRECT ENERGY REGULATED SERVICES – SOUTH  
DEFAULT RATE TARIFF  
GAS CHARGE – AUGUST 2010  
APPLICATION NO. 1606396**

1. Direct Energy Regulated Services (DERS), a Business Unit of Direct Energy Marketing Limited, filed an application (Application) on July 26, 2010 with the Alberta Utilities Commission (AUC) for its gas cost flow-through rate<sup>1</sup> (GCFR) for the month of August 2010 for customers served in the ATCO Gas<sup>2</sup> South service territory. DERS is the Default Supply Provider for ATCO Gas. The proposed GCFR was \$2.270 per gigajoule (GJ).
2. In Order [U2008-374](#),<sup>3</sup> the AUC approved a return margin for DERS. Unlike the GCFR, the return margin is not subject to deferral account treatment through DERS's deferred gas account but is to be recovered with the GCFR through DERS's Rider "F". In Decision [2010-317](#)<sup>4</sup> the return margin was set at \$0.025/GJ for the period August 1, 2010 to December 31, 2010.
3. Directions for determining the GCFR were issued to gas utilities by the Alberta Energy and Utilities Board, predecessor to the AUC, in Decision [2001-75](#),<sup>5</sup> and more specifically to ATCO Gas South in Decision [2002-034](#)<sup>6</sup> and to DERS in Decision [2003-106](#).<sup>7</sup> However, in

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<sup>1</sup> This rate for marketable gas, also known as a gas cost recovery rate (GCRR), is referred to as the gas charge under the *Default Gas Supply Regulation*, AR 184/2003, as amended.

<sup>2</sup> A division of ATCO Gas and Pipelines Ltd.

<sup>3</sup> Order U2008-374: Direct Energy Regulated Services, 2009 Interim Default Rate Tariff and Regulated Rate Tariff (Application 1595512, Proceeding ID 134) (Released: December 11, 2008).

<sup>4</sup> Decision 2010-317, Direct Energy Regulated Services, 2009/2010/2011 Default Rate Tariffs and Regulated Rate Tariffs Compliance Filing, Application No. 1605840, Proceeding ID. 468 (Released: July 8, 2010).

<sup>5</sup> Decision 2001-75: Methodology for Managing Gas Supply Portfolios and Determining Gas Cost Recovery Rates (Methodology) Proceeding and Gas Rate Unbundling (Unbundling) Proceeding, Part A: GCRR Methodology and Gas Rate Unbundling (Applications 2001040 and 2001093, Files 5680-1 and 5680-2) (Released: October 30, 2001).

<sup>6</sup> Decision 2002-034: ATCO Gas South, GCRR Methodology and Gas Rate Unbundling – Compliance Filing (Applications 1257245 and 1257515, Files 5626-52 and 5626-53) (Released: March 21, 2002).

<sup>7</sup> Decision 2003-106: Direct Energy Regulated Services Electric Regulated Rate Tariff and Gas Default Rate Tariff (Application 1302109) (Released: December 18, 2003).

Decision 2009-238<sup>8</sup> DERS was given approval to remove energy related charges for credit costs, working capital, bad debts and penalty revenue from the determination of the GCFR, which resulted in a change to the previously approved deferred gas account procedures for DERS. The change was made effective August 1, 2010 by Decision 2010-317. The respective charges and revenue will continue to be included in DERS's default rate tariff on a forecast basis and recovered through Rider "F". The recovery rate was set at \$0.051/GJ for the period August 1, 2010 to December 31, 2010. DERS will be at risk for the difference between forecast amounts approved by the AUC and actual amounts incurred.

4. For the month of August 2010, DERS included the following amounts in setting Rider "F" for customers served in the ATCO Gas South service territory:

	\$/GJ
GCFR	2.270
Forecast energy related charges	0.051
Reasonable return margin	<u>0.025</u>
Rider "F"	<u>2.346</u>

5. AUC staff members have reviewed the Application and the AUC accepts that the proposed GCFR was calculated on a monthly flow-through basis in accordance with section 3(5) of the *Default Gas Supply Regulation*, AR 184/2003, as amended. Consequently, the AUC acknowledges for DERS the GCFR of \$2.270/GJ, which is to be applied to all energy sold to customers served by DERS under Rates G1, G3 and G5 in the ATCO Gas South service territory during the month of August 2010.

6. As directed in Decision 2001-75, a 30-day review period was provided to interested parties following the filing of each monthly GCFR in which parties could raise any concerns with the GCFR, price and volume forecasts, and prior period reconciliations. As DERS is the Default Supply Provider for ATCO Gas, the 30-day review period is similarly applicable to the GCFRs requested by DERS.



Carolyn Dahl Rees  
Vice-Chair

<sup>8</sup> Decision 2009-238: Direct Energy Regulated Services 2009/2010/2011 Default Rate Tariffs and Regulated Rate Tariffs, Application No. 1600749, Proceeding ID. 149 (Released: December 3, 2009), paragraph 140.