



## ATCO Pipelines

### Other Pipelines Receipt Rates

October 29, 2010



**ALBERTA UTILITIES COMMISSION**

Decision 2010-509: ATCO Pipelines

Other Pipelines Receipt Rates

Application No. 1606542

Proceeding ID. 826

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**1 INTRODUCTION**

1. On September 8, 2010, ATCO Pipelines (AP) filed an application with the Alberta Utilities Commission (AUC or the Commission) that requested approval of an increase in Other Pipelines Receipt (OPR) rates for both AP North and South effective November 1, 2010, as a result of the NOVA Gas Transmission Ltd. (NGTL) August 30, 2010 application for Revised 2010 Interim Rates to be effective November 1, 2010.

2. On September 9, 2010, the Commission issued a Notice of Application with respect to AP's OPR Rate Application. Any party who wished to intervene in this proceeding was required to file a Statement of Intent to Participate (SIP) to the AUC by 2:00 p.m., September 23, 2010.

3. The Commission received Statements of Intent to Participate (SIP) from the following parties:

- The Office of the Utilities Consumer Advocate (UCA)
- ATCO Gas
- BP Canada Energy Company
- Alliance Pipeline Ltd.
- Industrial Gas Consumers Coalition of Alberta

4. Accordingly, the Commission established the following process schedule:

<b>Process Step</b>	<b>Deadline</b>
Information Requests to AP	<b>October 7, 2010 – 2:00 p.m.</b>
Information Responses from AP	<b>October 14, 2010 – 2:00 p.m.</b>
Argument (if any)	<b>October 20, 2010 – 2:00 p.m.</b>
Reply Argument	<b>October 25, 2010 – 2:00 p.m.</b>

5. The Commission received argument and reply argument from the UCA and ATCO Pipelines on October 20, 2010 and October 25, 2010, respectively. The Commission considers that the record for this proceeding closed on October 25, 2010.

6. In reaching its determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding, including the submissions provided by each party. 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 as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

## 2 VIEWS OF PARTIES

### 2.1 Views of AP

7. AP submitted in its Application that in [Decision 2006-020](#),<sup>1</sup> the Alberta Energy and Utilities Board (Board or EUB) found that with regard to future OPR rate changes:

The Board would prefer that future OPR rate changes would coincide with the beginning of a new gas year. **The Board also considers that future OPR rates should be set to recover forecast FT-A<sup>2</sup> expenses**, and not to adjust for any OPR/FT-A shortfall or surplus. In this regard, the Board directs AP to file an application by April 30, 2006 (the 2006 Application) which will request an OPR rate change to be effective November 1, 2006. The requested rate should be determined with the objective of recovering forecast FT-A expenses for the period November 2006 to October 2007. The 2006 Application should include supporting rationale and should detail monthly forecast and rate assumptions. The Board also directs AP to file subsequent applications for OPR rate changes by April 30 of each year for implementation as of November 1<sup>st</sup> in the same year.<sup>3</sup>

8. AP submitted that it is requesting an OPR rate change with the intent only to recover the proposed NOVA Gas Transmission Ltd. (NGTL) Intra-Alberta Delivery rates in NGTL's 2010 Interim Rates Application effective November 1, 2010. AP also submitted that it is requesting an OPR rate change concurrent with NGTL's recently approved Intra-Alberta Delivery rates, and not to recover any OPR deferral account shortfall or surplus, consistent with the Board's direction in [Decision 2006-020](#).

9. AP submitted that the increase in OPR rates was based solely on recovery of forecast charges related to NGTL's new Intra-Alberta delivery rate (previously FT-A) as per NGTL's August 30, 2010 application to the National Energy Board (NEB) for Revised 2010 Interim Rates.<sup>4</sup> AP did not propose to collect any Other Pipeline Receipt Deferral Account (OPR DA) surpluses/shortfalls as part of these OPR rate changes. AP requested Commission approval of the following effective November 1, 2010:

- i. North OPR rate of \$0.031/GJ;
- ii. South OPR rate of \$0.023/GJ; and
- iii. AP's revised North and South OPR Rate Schedules

10. AP submitted that it will be utilizing NGTL's Interruptible Transportation-Delivery (IT-D2) commodity rate for physical receipt volumes that flow from NGTL's system.<sup>5</sup> NGTL's proposed IT-D2 commodity rate is \$0.0353/GJ. AP said that adjustments to both AP's North and South OPR rates are now required to reflect the NGTL IT-D2 charges AP will incur and to mitigate AP's North and South OPR Deferral Accounts (DA) from growing beyond the \$500,000 threshold established by the Board.

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<sup>1</sup> [Decision 2006-020: ATCO Pipelines North and South Other Pipeline Receipt \(OPR\) Rate Changes \(Application No. 1415327\)](#) (Released: March 8, 2006).

<sup>2</sup> Firm Transportation Intra-Alberta Delivery

<sup>3</sup> AP Application, at page 2, citing EUB [Decision 2006-020](#).

<sup>4</sup> Exhibit 1, [ATCO Pipelines Ltd. 2010 Other Pipeline Receipt Rates Application](#), page 2, paragraph 9.

<sup>5</sup> Exhibit 1, [ATCO Pipelines Ltd. 2010 Other Pipeline Receipt Rates Application](#), page 2, paragraph 6.

11. AP submitted that it charges its shippers the OPR rate on customer OPR nomination volumes and pays NGTL's Intra-Alberta delivery rates (previously FT-A) based on the physical deliveries from the NGTL system to the AP system. Due to offsetting receipts and deliveries between AP and NGTL, on a given day the nominated and physical delivery volumes may differ. To establish an OPR rate that recovers forecast NGTL IT-D2 rates, AP must account for the difference between nominated and physical volumes.

12. AP submitted that its OPR rate for North (\$0.031/GJ) and South (\$0.023/GJ) are adjusted based on a 2009 Physical/Nomination Ratio of 89 percent and 65 percent for the North and South respectively. AP's OPR rates are calculated by applying an adjustment to NGTL's IT-D2 for the North (\$0.0353/GJ) and South (\$0.0353/GJ) based on AP's 2009 Physical/Nomination Ratio of 89 percent and 65 percent respectively.<sup>6</sup> For the year 2010 and 2011, AP expects customers to have similar contracting behavior to 2009. AP's Physical/Nomination Ratio factor for the North and South (89 percent and 65 percent respectively) will be taken into account in determining the new North and South OPR rates.<sup>7</sup>

## 2.2 Views of the UCA

13. The UCA submitted in argument that the lower level of service (i.e. IT-D2) on the NGTL system might result in interruptions to delivery service, and potentially affect core customers. The UCA was also concerned about the true-up of the forecast OPR rates.

14. Following receipt of AP's argument on October 20, 2010, the UCA submitted in reply argument that it was contacted by AP and further discussions occurred regarding the UCA's objections to AP's Application. As a result of these discussions, the UCA submitted that while there may be a cost impact resulting from actual interruption of interruptible service on the NGTL system to the core customers on the ATCO Gas system, there appeared very little likelihood of such an interruption of gas service to end-use customers on the ATCO Gas system. Thus the UCA submitted that as a result of these discussions it had no remaining objection to the AP proposal regarding use of IT-D2 service on the NGTL system in the period prior to implementation of the NGTL-AP Integration.

15. The UCA also submitted that it had no remaining objection to the AP proposal regarding true-up of OPR rates subsequent to further clarification provided by AP that the proposed OPR rates will be trued up.

## 2.3 Views of the Commission

16. The Commission notes that no parties objected to AP's application, but matters of concern were raised in this proceeding with regard to the status of NGTL's Interim Rates Application with the NEB, utilization of NGTL's IT-D2 service from NGTL to replace NGTL's FT-A rate for Intra-Alberta delivery and the proposed implementation date.

17. With respect to the status of NGTL's Interim Rates Application, the Commission notes AP's explanations provided in response to information requests:

On August 30, 2010, NGTL filed its 2010 Interim Rates Application with the NEB, to be effective November 1, 2010. The NEB has not issued a process schedule, however a first

<sup>6</sup> Exhibit 1, ATCO Pipelines Ltd. 2010 Other Pipeline Receipt Rates Application, Table 1.

<sup>7</sup> Exhibit 1, ATCO Pipelines Ltd. 2010 Other Pipeline Receipt Rates Application, Table 2.

round of IRs for 2010 Interim Rate Application was issued September 9, 2010, to which NGTL responded September 16, 2010. On September 27, 2010, the NEB issued a second round of IRs for 2010 Interim Rate Application, to which NGTL responded to October 1, 2010. NGTL filed an application for 2010 Final Rates on October 4, 2010, which will replace NGTL's 2010 Revised Interim Rates, if approved. NGTL's 2010 Final Rates application requested rates be at the existing interim rate level for the period of January 1 through October 31 and at the proposed 2010 Revised Interim Rate level for the period of November 1 through December 31. The NEB has not established further process and a decision for both NGTL's 2010 Final Rates and 2010 Interim Rates applications are pending.<sup>8</sup>

.....

If the NEB approval of NGTL's revised 2010 interim rate application is not received by or effective by November 1, 2010, AP will defer its OPR rate change until approval of NGTL's revised rates by the NEB. AP's application would reflect a change to the effective date of AP's OPR Rates Application.<sup>9</sup>

18. Further AP provided an update to NGTL's Revised Interim Rates (Tolls) Application.<sup>10</sup> On October 19, 2010, the NEB approved NGTL's Revised Interim 2010 Tolls as final tolls for the two-month period of November 1, 2010 to December 31, 2010.<sup>11</sup> The Commission considers that the NEB's approval of NGTL's Revised Interim Rates Application as final rates eliminates any concern with respect to the proper effective date for OPR rates and that the OPR rates are consistent with approved NGTL IT-D2 rates.

19. In its application, AP explained that until the implementation of NGTL's new rate design<sup>12</sup> effective November 1, 2010, Intra-Alberta shippers paid an NGTL FT-A commodity rate of \$0.014/GJ. NGTL's applied for rate design includes a new Intra-Alberta delivery demand rate (FT-D2) that will replace NGTL's current Intra-Alberta FT-A commodity rate of \$0.014/GJ. NGTL's proposed FT- D2 rate will transition over five years, beginning November 1, 2010, and increase from the current FT-A commodity rate to an FT-D2 equivalent commodity rate of \$0.094/GJ in 2014.<sup>13</sup>

20. Given the change in rate design noted above, the Commission requested that AP explain why utilization of NGTL's IT-D2 was more a more cost effective and preferred delivery service than FT-2 service. In response to AUC-AP-(b), AP provided the following explanation:

Gas flow rates at the Interconnects between AP and NGTL vary significantly due to temperature sensitive demand on AP. Historically, on both AP's north and south systems, many of the interconnect points between AP and NGTL have zero flows for more than 60 days each year.

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<sup>8</sup> Exhibit 14.01, AUC-AP-1(a).

<sup>9</sup> Exhibit 15.01, UCA-AP-1(b).

<sup>10</sup> Exhibit 16.01, ATCO Pipelines Argument, page 1.

<sup>11</sup> NEB Order TG-06-2010 (Released: October 19, 2010).

<sup>12</sup> NEB Decision RHW-1-2010 and Board Order TG-04-2010 (Released: August 12, 2010) approved NGTL's Rate Design and Integration Application.

<sup>13</sup> Exhibit 1, ATCO Pipelines Ltd. 2010 Other Pipeline Receipt Rates Application, paragraph 5, page 1.

AP also considered the cost premium on a per unit basis of 10% for IT-D2 service, compared to FT-D2 service for these interconnects, as well the minimum term of FT-D2 service (1 year). AP would also need to elect a contract quantity, which when flows were below this level, lead to unutilized demand charges which would be borne by AP's customers.

AP concluded that there are several benefits by contracting IT-D2 service at AP's interconnects, rather than FT-D2 service:

- AP determined that if flows were zero for more than 10% of the year (37 days), the cost premium of IT-D2 service was less than the cost of unutilized FT-D2 service.
- Typically AP's interconnects flowed gas at levels below a peak demand requirement for many other days of the year.
- The expected Integration implementation date is approximately 120 days less than the minimum 1 year term of FT-D2 service, resulting in AP contracting for unutilized service after implementation of Integration.

AP understands that the same level of capacity currently available at interconnects between AP and NGTL will continue to be available until Integration implementation. Commercial contracts will no longer be required at these interconnects post Integration. During the last five years there have been no interruptions to AP's core customers as a result of AP utilizing NGTL FT-A service at interconnects with NGTL. As such, AP determined that the IT-D2 service levels will be adequate and that IT-D2 is the most cost effective interconnect service offering.

21. The Commission finds that AP's utilization of IT-D2 service is reasonable given that the cost premium of IT-D2 service appears to be less than the cost of unutilized FT-D2 service. The Commission also finds that the term associated with IT-D2 service is 120 days less than the minimum term required for FT-D2 service, which eliminates unutilized service after implementation of Integration.

22. The Commission is satisfied that an OPR rate which is a flow through of the IT-D2 rate, that is adjusted by AP's Physical/Nomination Ratio factor for the North and South should properly account for how AP charges its shippers the OPR rate on customer OPR nomination volumes, and reflective of how AP pays NGTL's Intra-Alberta delivery rates (IT-D2 rates) based on the physical deliveries from the NGTL system to the AP system. Any difference between the forecast OPR rate revenue and actual OPR rate revenue is trued up through the OPR deferral account (DA).<sup>14</sup> The Commission notes that AP will be filing an Application early in 2011 in order to address all deferral account balances as appropriate prior to the Integration implementation date.<sup>15</sup>

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<sup>14</sup> Exhibit 14.01, AUC-AP-2(a).

<sup>15</sup> Exhibit 14.01, AUC-AP-2(d).

23. The Commission finds that AP's proposed change in OPR rates is consistent with the Board's direction in Decision 2006-020 and NGTL's recently approved rates.<sup>16</sup> For these reasons, the Commission therefore approves AP's North OPR rate of \$0.031/GJ, South OPR rate of \$0.023/GJ, and AP's revised North and South OPR Rate Schedules ([Appendix 2](#)) effective November 1, 2010.

### 3 ORDER

24. IT IS HEREBY ORDERED THAT:

- (1) ATCO Pipelines Other Pipelines Receipt rates for ATO Pipelines North and South are approved as filed effective November 1, 2010.

Dated on October 29, 2010.

### ALBERTA UTILITIES COMMISSION

*(original signed by)*

Carolyn Dahl Rees  
Vice-Chair

*(original signed by)*

Bill Lyttle  
Commissioner

*(original signed by)*

Thomas McGee  
Acting Commissioner

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<sup>16</sup> NEB Order TG-06-2010 (Released: October 19, 2010) approved NGTL's Revised Interim 2010 Tolls as final tolls for the two-month period of November 1, 2010 to December 31, 2010.

**APPENDIX 1 – PROCEEDING PARTICIPANTS**

Name of Organization (Abbreviation) Counsel or Representative
ATCO Pipelines E. Jansen C. Mayross D. Dunlop N. MacLean
ATCO Gas R. Trovato J. Santos
Alliance Pipeline Ltd. R. Power
BP Canada Energy Company C. Worthy G. Boone
Industrial Gas Consumers Association of Alberta G. Sproule
Office of the Utilities Consumer Advocate (UCA) T. D. Marriott B. Shymanski K. Kellgren L. Kerckhof R. Daw
Alberta Utilities Commission  Commission Panel C. Dahl Rees, Vice-Chair B. Lyttle, Commissioner T. McGee, Acting Commissioner  Commission Staff C. King (Commission Counsel) M. McJannet U. Pillai C. Taylor

## **APPENDIX 2 – ATCO PIPELINES OTHER PIPELINES RECEIPT RATE SCHEDULE**

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



Appendix 2 - OPR  
Rate Schedule

(consists of 2 pages)

**APPENDIX 3 – ABBREVIATIONS**

Abbreviation	Name in Full
AP	ATCO Pipelines
AUC or Commission	Alberta Utilities Commission
Board or EUB	Alberta Energy and Utilities Board
FT-A	Firm Transportation - Alberta Delivery
FT – D2	Firm Transportation – Delivery
IT – D2	Interruptible Transportation – Delivery
NEB	National Energy Board
NGTL	Nova Gas Transmission Limited
OPR	Other Pipelines Receipt
SIP	Statement of Intent to Participate
UCA	Office of the Utilities Consumer Advocate

Effective November 1, 2010  
By Decision 2010-509  
This Replaces Rate OPR  
Previously Effective October 1, 2010

**ATCO PIPELINES  
RECEIPT TRANSPORTATION SERVICE FROM  
OTHER PIPELINES  
Rate OPR**

**A) General Description**

ATCO Pipelines' receipt transportation service from Other Pipelines is available to Customers who receipt Gas from Other Pipelines onto the Gas Pipeline System. Upon receipt by ATCO Pipelines of Customer's Nomination and subsequent approval by ATCO Pipelines, Customer's Gas shall be allocated through ATCO Pipelines' account on Other Pipelines (i.e. ATCO Pipelines' NIT account on NGTL) to Customer's Account on ATCO Pipelines' system. Gas is then available to transfer to other Customer Accounts.

Refer to ATCO Pipelines' Transportation Service Regulations and Business Policies & Practices for more information pertaining to the administration of this Rate.

**B) Receipt transportation service from Other Pipelines is available provided that:**

- (i) Customer is served off ATCO Pipelines' Gas Pipeline System.
- (ii) Customer has the contractual control of Customer's Gas flows on the Gas Pipeline System.
- (iii) Customer has executed an Agreement with ATCO Pipelines which incorporates ATCO Pipelines' Transportation Service Regulations as amended from time to time and approved by the Alberta Energy and Utilities Board. An Agreement specific to OPR service is not required.
- (iv) Rider "D" (Unaccounted for Gas and Fuel) is applied to all Gas Nominated for receipt under this Rate.
- (v) This Rate is applied to all Gas Nominated for receipt from Other Pipelines.
- (vi) This Rate is not applicable to Gas received onto the Gas Pipeline System from on-system Point(s) of Receipt.

Effective November 1, 2010  
By Decision 2010-509  
This Replaces Rate OPR  
Previously Effective October 1, 2010

**C) Transportation service charges at Other Pipelines point(s) of receipt**

**Rate OPR:                    RECEIPT TRANSPORTATION SERVICE FROM OTHER  
PIPELINES**

(a) North zone

Commodity Charge:        \$0.031 per GJ

Plus:                            Rider "D"

(b) South zone

Commodity Charge:        \$0.023 per GJ

Plus:                            Rider "D"

Plus:                            Rider "G"