

1   **4.0   EVALUATION OF FUEL POLICY**

2   **Q1.   What is the purpose of this evidence?**

3   A1.   NGTL reviews in this section its existing fuel policy.

4   **Q2.   Why is NGTL reviewing its fuel policy?**

5   A2.   In Decision 2003-051 the Board directed NGTL to address, in its 2004 GRA, the North  
6   Core Consumer Group’s (NCG) “...submission that intra-Alberta customers will  
7   continue to pay 100 per cent of fuel costs as long as 100 per cent of fuel is recovered at  
8   receipt points.”<sup>1</sup> Specifically, NCG stated in its April 4, 2003 letter to the Board  
9   regarding NGTL’s 2003 Tariff Settlement Application that “[t]he allocation of 100% of  
10   fuel costs to receipt is inconsistent with the basic 50/50 cost allocation principle  
11   underlying NGTL Rate design.”

12   **Q3.   What is NGTL’s current fuel policy?**

13   A3.   At present NGTL collects aggregate Alberta System fuel requirements from services that  
14   have a receipt component. Shippers using receipt services supply the Alberta System with  
15   fuel in kind on a daily basis. The amount of fuel that must be supplied is based upon  
16   NGTL’s estimated daily fuel requirement and is expressed as a percentage (fuel rate) of  
17   the gas that each shipper delivers to the Alberta System. At the end of each month  
18   adjustments are made to reconcile the amount of fuel provided within the month with the  
19   actual amount of fuel used within the month.

20   Instead of providing fuel in kind, FT-P shippers pay a monthly charge for fuel. FT-P  
21   shippers cannot provide fuel in kind because NGTL’s systems are designed to apply the  
22   same fuel rate to all receipt volumes. The fuel rate for FT-P shippers is 50% of the fuel  
23   rate for receipt services. Accordingly, the monthly fuel rate charged to FT-P shippers is  
24   based on 50% of the fuel rate for receipt services multiplied by the monthly average NIT  
25   price.

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<sup>1</sup> EUB Decision 2003-051 (June 24, 2003), Appendix 5.

1 **Q4. What is the history of NGTL's current fuel policy?**

2 A4. Prior to 1980, fuel was one of the cost of service components that, along with specific  
3 units of plant or allocated specific percentages of common plant, were assigned to  
4 individual shippers under cost of service agreements. From July 1980 until November  
5 1986, the cost of fuel continued to be included as a cost of service component recovered  
6 from all customers. For customers transporting from receipt points to export delivery  
7 points the cost of fuel was included as a cost component in the postage stamp rate. For  
8 customers transporting from receipt points to intra-Alberta delivery points the cost of fuel  
9 was included as part of their distance specific rates.

10 Between 1980 and 1986, NGTL purchased fuel on a monthly basis from individual  
11 customers. In November 1986, NGTL made rate design changes such that the delivery  
12 service was tolled by way of a demand rate and the receipt service was tolled by way of  
13 demand and commodity rates. Under this new rate design, the cost of fuel continued to  
14 be included as a cost of service element and recovered from receipt shippers. NGTL  
15 purchased the required fuel from receipt shippers and paid for it by crediting the shippers'  
16 monthly transportation invoices for the amount of fuel purchased.

17 In December 1987, NGTL began to take fuel in kind. Fuel was taken in kind monthly  
18 from all receipt shippers by reducing each receipt shipper's gas account by its share of  
19 fuel usage as determined by the following formula:

$$\begin{aligned} 20 \quad \text{Customer's Share} = & \text{Customer's Receipt Commodity Volume divided by} \\ 21 & \text{Total System Receipt Commodity Volume} \\ 22 & \text{multiplied by Actual Fuel Gas} \end{aligned}$$

23 In January of 1990, NGTL adopted the current fuel policy in which receipt shippers  
24 supply fuel in kind daily in accordance with NGTL's estimated daily fuel requirement.  
25 Month end adjustments are made to reconcile the amount of fuel supplied with the actual  
26 fuel used within the month. NGTL implemented this method of supplying fuel on a daily  
27 basis in response to customer requests. Estimating fuel requirements daily is more  
28 accurate and therefore helps shippers to better manage their accounts.

1 **Q5. What is NGTL's response to NCG's submission?**

2 A5. NGTL believes that its current fuel policy continues to be appropriate. The current fuel  
3 policy has been in place since 1990 and has a long history of customer acceptance. It was  
4 most recently discussed with stakeholders during the consultative process that led to the  
5 development of the 2003 Tariff Settlement.<sup>2</sup> The Settlement, which includes the current  
6 fuel policy, was accepted by the majority of NGTL's customers. NGTL is not aware of  
7 any party other than NCG that opposes continuation of the current fuel policy.

8 **Q6. How does NGTL's fuel policy compare to the fuel policy of other pipeline**  
9 **companies?**

10 A6. NGTL's fuel policy is consistent with the fuel policies of all but one of the other major  
11 pipeline companies operating within the Western Canada Sedimentary Basin (WCSB).  
12 ATCO Pipelines is currently the only major gas pipeline company operating in the  
13 WCSB that does not require fuel gas to be supplied at the receipt point. However, ATCO  
14 Pipelines has, in its 2004 GRA, Phase 2, proposed that fuel be recovered on receipts.<sup>3</sup>

15 **Q7. Does that conclude NGTL's evidence in this section?**

16 A7. Yes.

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<sup>2</sup> Application No. 1289773 (January 20, 2003, as amended March 31, 2003).

<sup>3</sup> Application No. 1315997 (October 1, 2003), Section 1, p.7.