



NOVA Gas Transmission Ltd.

2004 General Rate Application – Phase II
Compliance Filing

December 14, 2004

ALBERTA ENERGY AND UTILITIES BOARD

Decision 2004-108: NOVA Gas Transmission Ltd.
2004 General Rate Application – Phase II
Compliance Filing
Application No. 1371077

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ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

NOVA GAS TRANSMISSION LTD. 2004 GENERAL RATE APPLICATION – PHASE II COMPLIANCE FILING

**Decision 2004-108
Application No. 1371077**

1 INTRODUCTION

On October 26, 2004, the Alberta Energy and Utilities Board (EUB/the Board) issued Decision 2004-097 (the Decision) regarding the 2004 General Rate Application (GRA) Phase II of NOVA Gas Transmission Ltd. (NGTL or the Company). In Decision 2004-097, the Board directed NGTL to file its 2004 Phase II GRA Compliance Filing including all of the supporting schedules necessary for the Board to make its final determination respecting NGTL's 2004 rates.

On November 23, 2004, NGTL submitted to the EUB its 2004 GRA Phase II Compliance Filing (the Compliance Filing) regarding final rates, tolls and charges for 2004 (2004 Final Rates), pursuant to Decision 2004-097.

By letter dated November 25, 2004, the Board requested interested parties to review the Compliance Filing, and submit any comments to the Board no later than December 1, 2004. In the letter, the Board indicated that NGTL could reply to those submissions by December 7, 2004. The Board received a submission in support of the Compliance Filing from the Consumer Group (CG) on December 1, 2004. NGTL did not reply to this submission.

The Board considers that the record for this proceeding closed on December 1, 2004.

2 BACKGROUND

NGTL is currently operating under 2004 interim rates, tolls and charges (2004 Interim Rates) approved by the Board in Decision 2003-105. The Board recognizes that the 2004 Interim Rates were based on an interim revenue requirement of \$1,315.5 million. The Board notes that NGTL estimated that it would collect approximately \$1,270.2 million of revenue for the period of January 1, 2004 through December 31, 2004 under the 2004 Interim Rates. This amount is approximately \$45.3 million less than the approved 2004 interim revenue requirement. NGTL submitted that this reduction resulted from differences between the contract demand and throughput forecast on which the 2004 Interim Rates were based and actual volumes transported on the Alberta System.

In Decision 2004-102 issued November 17, 2004 in respect of NGTL's GRA - Phase I Refiling, the Board approved a 2004 revenue requirement of \$1,244.8 million, which NGTL stated is approximately \$25.4 million less than the estimated revenue to be collected under the 2004 Interim Rates for 2004.

In the Application, NGTL requested approval for:

- Deferral of the refund, including appropriate carrying charges (2004 Forecast Revenue Deferral) to 2005
- 2004 Interim Rates as Final Rates for 2004 as described below:

Proposal for 2004 Final Rates

2004 Approved Revenue Requirement	\$1,244.8 million
2004 Forecast Revenue Collection	<u>(\$1,270.2 million)</u>
2004 Forecast Revenue Deferral to 2005	(\$ 25.4 million)

NGTL submitted that if it were to adjust its rates for December 2004 to account for the variance between the revenue requirement collected under the 2004 Interim Rates and the approved 2004 revenue requirement, rather than defer the adjustment to 2005, the average firm transportation demand rates for delivery and receipt service would decrease approximately 5¢/mcf/d from the current level of 17.4¢/mcf/d to 12.5¢/mcf/d for the month of December. NGTL submitted that they have incorporated the refund into their 2005 Interim Rates Application (Application No. 1371074) by subtracting the forecast 2004 revenue deferral of \$25.4 million from the approved 2004 revenue requirement. The Board notes that NGTL's deferral of the refund, including all carrying charges to 2005 will be considered when NGTL applies for its 2005 revenue requirement and rates.

3 VIEWS OF THE BOARD

The Board recognizes NGTL's submission that deferring the refund of the 2004 revenue variance of \$25.4 million to 2005, rather than reducing the rates in December 2004, would result in greater rate stability. The CG submitted that it agrees with NGTL's proposal to incorporate the \$25.4 million dollar refund into NGTL's proposed 2005 Interim Rates (Application No. 1371074). The Board agrees that this treatment of the \$25.4 million refund is appropriate.

The Board is satisfied that NGTL has included all necessary supporting schedules for the Board to make its final determination respecting NGTL's 2004 rates, pursuant to Decision 2004-097.

Therefore, the Board approves NGTL's 2004 Interim Rates as final for the remainder of 2004 as filed in the Compliance Filing. In addition, the Board approves the deferral of the refund of the 2004 revenue variance of \$25.4 million, including appropriate carrying charges, to 2005. The Board notes that NGTL's deferral of the refund, including all carrying charges to 2005 will be considered when NGTL applies for its 2005 revenue requirement and rates.

4 ORDER

IT IS HEREBY ORDERED THAT:

- (1) The 2004 Interim Rates of NOVA Gas Transmission Ltd. as filed in the Compliance Filing are hereby approved as Final Rates for the remainder of 2004.
- (2) The deferral of the refund of the 2004 revenue variance of \$25.4 million, including appropriate carrying charges, to 2005 is hereby approved. NGTL's deferral of the refund, including all carrying charges to 2005 will be considered when NGTL applies for its 2005 revenue requirement and rates.

Dated in Calgary, Alberta on December 14, 2004.

ALBERTA ENERGY AND UTILITIES BOARD

(original signed by)

C. Dahl Rees
Presiding Member

(original signed by)

T. McGee
Member

(original signed by)

M. W. Edwards
Acting Member