


MADE at the City of Calgary, in the Province of Alberta, on  17th day of November 2005.	 ALBERTA ENERGY AND UTILITIES BOARD
NOVA Gas Transmission Ltd. TTFP Resolution T2005-03 Pressure/Temperature (PT) Service Review	Application No. 1418235

## 1 BACKGROUND

On September 14, 2005, the Alberta Energy and Utilities Board (the Board) received Application No.1418235 (the Application) from NOVA Gas Transmission Ltd. (NGTL) requesting, pursuant to Part 4 of the *Gas Utilities Act*, R.S.A. 2000, c. G-5, as amended, approval to continue to offer the PT Service beyond December 31, 2005 as well as amendments to Rate Schedule PT.

The PT Service was supported as a temporary service by the TTFP through an unopposed vote on Resolution T2004-01 and approved by Board Order U2004-136. The service was implemented on the Alberta System on June 1, 2004 and would expire on December 31, 2005. PT Service was executed to enable NGTL to operate, modify, construct facilities and recover associated costs to enhance specific customer operations. Under the terms of Resolution T2004-01, NGTL was required to develop a report for the purpose of monitoring and assessing the effectiveness of the service to assist the TTFP in determining a recommendation for a permanent service, or allowing the service to expire on December 31, 2005. NGTL was to provide the report to the TTFP no later than six months prior to the expiry of the service. As a result, the TTFP adopted Issue T2005-03 for the purpose of reviewing the PT Service on April 12, 2005.

A Notice of Application and Information Requests (IRs) from the Board to NGTL were issued November 1, 2005 to parties on the NGTL 2005 GRA Phase I and Phase II distribution lists and were posted on the EUB website. Submissions from interested parties were requested by November 7, 2005. Responses from NGTL to the Board's information requests were submitted on November 4, 2005. The Board received no objections or additional IRs.

## 2 DETAILS OF THE APPLICATION

NGTL submitted that subsequent to the adoption of Issue T2005-03, the TTFP met six times to discuss the PT Service and proposed the following:

- The continuation of PT Service beyond December 31, 2005 as a permanent service.

- The elimination of the maximum one year term for the PT Service.
- The termination of a PT Schedule of Service by NGTL if the PT Schedule of Service had been suspended for more than one year.
- The provision of a non-refundable administration fee of \$10,000.00 charged by NGTL to the shippers requesting PT Service, to recover the costs associated with analyzing a shippers request for service.

NGTL submitted that the elimination of the maximum one year term for PT Service would reduce administrative burden while retaining the ability of affected parties to have their concerns addressed. NGTL also submitted that they would conduct an annual review of the active PT Service contracts and would provide notice to customers and the TTFP of the contracts that would continue to be active during the following calendar year. NGTL suggested the annual notice would provide NGTL and its customers the opportunity to review existing contracts for the purpose of assessing third party impacts that may have arisen subsequent to the implementation of the specific PT Service contracts.

In the Application, NGTL submitted that on September 13, 2005, the TTFP supported amendments to the PT Service Description and Rate Schedule PT through an unopposed vote on Resolution T2005-03. NGTL attached to its Application a copy of Resolution T2005-03, along with a black-lined copy and clean copies of the PT Service Description, as well as a copy of the PT Service Review Report dated May 2005. Also attached was a black-lined copy of Rate Schedule PT illustrating the tariff amendments and a clean copy of Rate Schedule PT.

As all existing PT Schedules of Service would expire on December 31, 2005, NGTL submitted that shippers would be required to request new PT Schedules of Service pursuant to the amended Rate Schedule PT.

In its response to Board IRs, NGTL stated that they did not provide other services with similar administration fees. NGTL submitted that the administration fee was implemented to adhere to the guiding statement that all incremental costs were the responsibility of the PT subscriber and that no other ratepayers would be impacted by this change in operations. Further, NGTL confirmed that the \$10,000.00 administration fee would be credited to NGTL's Revenue Requirement through a credit to NGTL's Operating, Maintenance and Administration (OM&A) which was a component of the Total Revenue Requirement.

### **3 BOARD FINDINGS**

The Board notes that shippers potentially affected by the proposed modifications to the PT Service had several opportunities to provide feedback to the TTFP, and that Resolution T2005-03 was passed through an unopposed vote. The Board also notes that no parties filed an objection in regards to the Application.

In assessing the reasonableness of the proposed PT Service review, the Board agrees that the elimination of the maximum one year term for the PT Service would reduce the administrative burden. The Board also recognizes that NGTL will provide annual notice to the TTFP, and customers on the Alberta System, of the review referred to in the PT Service Description identifying the PT service contracts which will continue to be active during the following year.

The Board agrees that such a review will provide NGTL and its customers the opportunity to review existing contracts for the purpose of assessing third party impacts. The Board considers that this process will help ensure that affected parties continue to be treated fairly.

In the Board's evaluation of the proposed administration fee, the Board notes that NGTL does not provide any other services with a similar administration fee. While the Board recognizes that the fee, in NGTL's view, is designed to recover administrative costs associated with the provision of PT Service, it is not clear to the Board that the administration cost for the PT Service is incremental to the administrative services currently provided by NGTL for all other services.

In addition, the Board notes that NGTL is proposing to credit the \$10,000 administrative fee to OM&A, a component of NGTL's Total Revenue Requirement. The Board considers that the Revenue Requirement or the collection of Revenues by a utility should be transparent. Charging an administration fee and crediting it to OM&A is inconsistent with NGTL's current practice of offsetting the Total Revenue Requirement via Non Transportation Revenue (which includes PT Service). The Board believes that revenues generated by any service, including the proposed PT Service administration fee, should be dealt with consistently.

However, the Board also recognizes that the NGTL OM&A amount is fixed for 2005-2007 by NGTL's 2005-2007 Settlement (Settlement) and that any incremental costs will not flow through to the rate calculation. Therefore, in consideration of the above, the Board approves the Application as filed for the term of the Settlement. During this period, the Board directs NGTL to track all incremental administration costs caused by the PT Service. This will help NGTL and other interested parties to review the appropriateness and the amount of the PT Service administration fee. After the term of the Settlement, for the purpose of transparency, the Board directs NGTL to include the PT administration fee in the Non Transportation PT Service Revenue. These amounts would reduce the Total Revenue Requirement in determining the Firm Transportation Revenue Requirement.

THEREFORE, it is hereby ordered that NOVA Gas Transmission Ltd. be granted:

- (1) Approval under Part 4 of the *Gas Utilities Act*, R.S.A. 2000, c. G-5, as amended, to continue to offer the PT Service beyond December 31, 2005 as well as amendments to the Rate Schedule PT as filed in the Application.

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