


MADE at the City of Calgary, in the Province of Alberta, on 7th day of December 2007.	 ALBERTA ENERGY AND UTILITIES BOARD
NOVA Gas Transmission Ltd. Accounting for Costs Associated with Green House Gas (GHG) Legislation	Application No. 1526755

1 INTRODUCTION

On September 20, 2007, NOVA Gas Transmission Ltd. (NGTL) filed an application (the Application) with the Alberta Energy and Utilities Board (EUB or the Board), for approval to account for any costs incurred in 2007 to comply with Alberta Green House Gas (GHG) legislation in the existing Flow-through Costs deferral account established under NGTL's 2005-2007 Revenue Requirement Settlement (Settlement). On September 26, 2007, NGTL asked the Board to delay the Notice of Application until they had completed GHG presentations to members of the Tolls, Tariff, Facilities and Procedures Committee (TTFP) at a meeting scheduled on October 16, 2007.

The Alberta government has recently amended the *Climate Change and Emissions Management Act* S.A 2003, c. C-16.7 and also promulgated the *Specified Gas Emitters Regulation* A.R. 139/2007, certain provisions of which established net emissions intensity requirements applicable to NGTL effective July 1, 2007 (GHG Legislation). This GHG Legislation required owners of facilities that emit over 100,000 tonnes of GHG per year to reduce or otherwise offset their emissions intensity by 12 percent. This requirement could be achieved through any combination of reducing emissions, purchasing Alberta-based emissions credits, or contributing \$15 per tonne of excess emissions to a fund. NGTL estimated it would incur costs between \$3 million and \$4 million (the GHG costs) to comply with this legislation in 2007.

Preceding the Application, on June 7, 2005, the Board approved NGTL's 2005-2007 Settlement. The Settlement established that the revenue requirement will be calculated for each year based on inclusion of certain costs that are fixed (Fixed Costs) and a forecast of remaining costs that will flow through to ratepayers. The Settlement also established three deferral accounts, the Revenue deferral account, the CO₂ Management Service Costs deferral account, and the Flow-through Costs deferral account, to capture variances between forecast and actual amounts for the flow-through costs.

NGTL submitted that the costs to comply with GHG Legislation were not known and not otherwise reasonably foreseeable at the time the 2005-2007 Settlement was reached and consequently, no provision was made in the Settlement for the treatment of the GHG costs. NGTL believed these costs were not part of the Fixed Costs and should be recovered from

shippers as a flow-through cost. Accordingly, NGTL proposed to record any GHG costs incurred in 2007 in the Flow-through Costs deferral account. NGTL noted that they would seek Board approval for disposition of the balance in the Flow-through Costs deferral account in 2008.

A Notice of Application was issued via email, on October 23, 2007, to parties (on the NGTL 2005 GRA Phase I and Phase II distribution lists) and was posted on the EUB and NGTL websites. Submissions from interested parties were requested by November 1, 2007. The Board received a Statement of Intent to Participate from the Office of the Utilities Consumer Advocate (UCA) but did not note an objection to the Application.

2 BOARD FINDINGS

The Board notes that shippers potentially affected by the proposed treatment of costs for compliance with the GHG Legislation had the opportunity to discuss this issue at a meeting of the TTFP. In addition, no parties filed an objection with regard to the Application.

The Board acknowledges NGTL's Application that the costs to comply with the GHG Legislation were not known and not otherwise reasonably foreseeable at the time the Settlement was reached and consequently no provision was made in the Settlement for the treatment of the costs. Additionally, the Board has reviewed the 2005-2007 Settlement and is satisfied that prudent costs incurred to comply with the GHG Legislation should be recovered from shippers as a flow-through cost. Further, the Flow-through Costs deferral account will capture the variances between forecast and actual costs for all flow-through cost components of the revenue requirement with the exception of costs related to the CO₂ Management Service. The nature and appropriateness of these costs will be reviewed by the Board when NGTL files an application to deal with their 2008 revenue requirement or in a separate 2007 deferral account application.

Therefore, the Board directs NGTL, when it files an application to deal with their 2008 revenue requirement or in a separate 2007 deferral account application, to use accounting procedures to identify, explain (and account) for each item (or cost component) in the Flow-through Costs deferral account (including a breakdown of all GHG costs). In addition, the Board directs NGTL to substantiate these costs for consideration by the Board including, in the case of GHG costs:

- NGTL's plan to comply with the GHG Legislation in 2008 and subsequent years;
- Alternatives considered for meeting the requirements of the GHG Legislation in 2007 and why the actions taken and the costs incurred were considered appropriate; and
- Anticipated differences in cost and approach to meeting the requirements of the GHG Legislation in 2008 compared to 2007.

3 ORDER

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

- (1) Account for any costs incurred in 2007 to comply with the GHG Legislation by including such costs in the existing Flow-through Costs deferral account established under NGTL's 2005-2007 Revenue Requirement Settlement for consideration by the Board when NGTL

files an application to deal with their 2008 revenue requirement or in a separate 2007 deferral account application.

- (2) In NGTL's application to deal with their 2008 revenue requirement or in a separate 2007 deferral account application, NGTL is directed to comply with the directions contained herein.

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