

# a c r o s s t h e b o a r d



Natural gas prices have soared, resulting in gas utilities applying for large increases to their gas cost recovery rate. What is a gas cost recovery rate and what is the EUB's role in setting them? (See story, right.)

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### About the EUB

*Our mission is to ensure that the discovery, development, and delivery of Alberta's resources take place in a manner that is fair, responsible, and in the public interest. We regulate oil, natural gas, oil sands, coal, hydro and electric energy, pipelines, and transmission line development. On the utilities side, we regulate investor-owned natural gas, electric, and water utilities to ensure that customers receive safe and reliable service at just and reasonable rates. Regulation is done through four core functions: adjudication and regulation, applications, surveillance and enforcement, and information.*

## The EUB Acts on Natural Gas Price Issues

Natural gas prices this past winter have soared past historical levels. Spot market prices for natural gas in January 2001, for example, exceeded \$12.00 per gigajoule (GJ). Last January, the average price was \$2.89/GJ.

This dramatic increase in North American market prices caused gas utilities to apply for large increases to the portion of customers' bills that reflects the cost of gas. This portion is called the gas cost recovery rate (GCRR).

Utilities are not allowed to make any profit on the cost of gas. Instead, they pass the costs on to customers directly, without any markup in price. Where utilities make profit is by providing natural gas services to customers.

The rates for this service consist of a fixed monthly charge to recover costs relating to the number of customers served (customer accounting, billing, meter reading, etc.) and an energy charge to recover costs that vary with demand (transportation and distribution). These charges also include the utility's return on equity invested.

A gas utility usually applies to the EUB for changes to its GCRR once it becomes clear that the current rate will end up being much higher or lower than actual natural gas rates. This winter, skyrocketing natural gas prices quickly pushed utilities to seek changes to their GCRRs.

AltaGas Utilities Inc. applied on December 4, 2000, to increase its winter GCRR from \$6.812/GJ to \$8.841/GJ effective January 1, 2001. Before that application had been processed, the company amended its application on December 11, 2000, to request a further increase of \$2.130/GJ, for a total revised winter GCRR of \$10.971/GJ.

ATCO Gas South and North also made two applications to the EUB respecting their

winter GCRRs. The initial applications on December 22, 2000, were followed by subsequent applications on January 19, 2001. The huge increase in natural gas prices meant that ATCO was collecting far less for gas than it was paying, which in turn produced a deficit of approximately \$181 million that was owed to ATCO by consumers. Because the amounts were so large, the companies for the first time provided two options in their GCRR applications to the EUB.

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The first option requested an annualized GCRR, which would spread recovery of the deficit over a one-year period, thereby allowing for a smaller increase than the one proposed in the second option. The second option required a much higher winter GCRR, allowing the companies to recover the deficit by the end of the 2001 winter period.

The EUB approved the annualized GCRR option for all customers on an interim refundable basis effective January 24, 2001. However, given the precedent-setting nature of the application and the high level of customer concern respecting soaring rates, the EUB scheduled public hearings in both Edmonton and Calgary to allow for customer input.

Based on these hearings, the Board issued *Decision 2001-16*, approving different GCRRs for various rate classes (traditionally, one GCRR applied to all customers). For residential, commercial, and industrial customers using less than 8000 GJs annually, the Board approved an annualized rate. For all other customers, the Board approved the

**For Your Information...****Recent EUB Publications****General Bulletins**

**GB 2001-6:** Revised Updates and Clarifications to EUB Guide 60: Upstream Petroleum Industry Flaring Guide

**GB 2001-7:** EUB Extending Deadline for Stakeholders to Comment on the Staff Report on the Review of the Alberta Sulphur Recovery Guidelines

**Publications**

**Guide 14:** PVT and Core Studies Index - February 2001

**Statistical Series ST 59:** Alberta Drilling Activity Monthly Statistics (to December 2000)

**Interim Directives**

**ID 99-2 - Amendment:** Revisions to Enforcement Ladder for Retirement of Overproduction

**Recent Decisions**

**February 13:** Recommended the approval for pipeline application No. 1059607 and three of the proposed five wells in application No. 1056355, namely, the three wells with bottomhole locations 12A, 5D, and 13B. Wells with bottomhole locations 6C and 11A were recommended for denial. (Examiner Report 2001-01)

**February 13:** Board concluded that Legal Oil & Gas Ltd., Charles W. Forster, and Tartan Energy Inc. were properly named in an abandonment order. The Board further concluded that Legal Oil & Gas Ltd. and Tartan Energy Inc. are statutorily required to reimburse the EUB for the cost incurred on their behalf for the abandonment of the wells. (Decision 2001-11)

**February 20:** ESBI Alberta Ltd. Part D: Location - Based Credits - Standing Offer First Refilling Pursuant to Decision 2000-76 (Decision 2001-13)

**February 27:** Board approved ATCO Electric Ltd.'s revenue requirement of \$239.175 million for 2001 and \$243.775 million for 2002 (Decision 2001-14)

**February 27:** ESBI Alberta Ltd. 2001 General Rate Application Part C: Terms and Conditions of System Support Services Article 24 (Decision 2001-15)

**February 28:** ENMAX Power Corporation Part A: Interim Approval of 2001 Financing Costs for the 2000 Distribution Pool Price Deferral Account (Decision 2001-12)

**February 28:** ATCO Gas - South and ATCO Gas - North Divisions of ATCO Gas and Pipelines Ltd. Gas Cost Recovery Rate Adjustments (Decision 2001-16)

**March 1:** ESBI Alberta Ltd. Part E: Location Based Credits - Standing Offer Second Refiling Pursuant to Decision 2001-13 (Decision 2001-17)

**March 5:** ESBI Alberta Ltd. Part F: Location Based Credits - Standing Offer Filing for Acknowledgement and Approval Pursuant to Decision 2001-17 (Decision 2001-18)

**March 14:** ATCO Gas - South, a Division of ATCO Gas and Pipelines Ltd. Finalizing the 1999/2000 Refund Methodology Used per Order U2001-025 (Decision 2001-20)

**March 20:** Board denied an application by Shell Canada Limited for a licence to drill an exploratory level 4 critical sour gas well from a surface location at Legal Subdivision (LSD) 7-7-38-6-W5M approximately 13 km south southeast of Rocky Mountain House (Decision 2001-9)

**The EUB acts on natural gas price issues**  
*continued from page 1*

second option, which restores the traditional summer/winter split in the GCRR.

The decision also specified that exit fees must be charged to customers that switch over from ATCO to a natural gas retailer. The exit fees are necessary to recover those customers' share of the accumulated deficit—they are not intended as a penalty, and ATCO Gas will not profit from these exit fees.

The EUB's review of GCRR issues is not yet complete. Due to concerns regarding the impact of high natural gas prices, the EUB has also scheduled a hearing to review how the GCRR will be determined in the future. This hearing, scheduled to begin April 17, 2001, will examine issues such as hedging, gas storage, the use of company-owned production, and how rates should be adjusted when prices change.

Another hearing, to be held in May, will look at issues regarding costs that should be removed from distribution rates and recovered through the GCRR. The intent is to separate the costs relating to the purchase and sale of gas and those related to the distribution of gas, and ensure that rates are set appropriately. This "unbundling" exercise is seen as an important step in fostering the growth of a competitive retail market for natural gas. ❖

**Upcoming Event: High Level Open House**

All High Level community residents, industry, and government representatives are invited to participate in an interactive information session about energy development in our community. Participants will learn more about the EUB and its role in the High Level area, meet local EUB Field Centre staff, check out information booths and maps, and hear short presentations on the application process, flaring guidelines, and field surveillance roles and responsibilities. There will also be an opportunity for discussion on concerns of landowners and the general public.

**Where:** Royal Canadian Legion, High Level

**When:** Tuesday, April 24, 2001, 4 - 9 p.m.

**Call the EUB Grand Prairie/High Level Field Centre for more details at (780) 538-5138**



## EUB Announces Board Order System

The EUB creates and revises Field and Pool Orders routinely each month. These orders define a geographic area of EUB-designated fields and pools and are legal documents used to outline the administrative surface area of fields or pools. These orders allow all sectors of industry, public, and government to view and understand the areal extent of a pool, ensuring all requirements are met.

Pool Orders outline a specific pool area containing an underground reservoir of gas and/or oil. In the past, the administration of orders has been a complex manual system, which generated an order in print form. Through the integration of new technologies, a computer system using geographic information system (GIS) software was determined to be a solution to some of the shortcomings of the old system.

### New System

The Board Order System (BOS) starts with a geological evaluation of reserve data on mainframe databases. The GIS system uses this data to automatically create or update an order and downloads related data, including pool codes, names, and well depths. Staff can now review and revise data on line as required and add an electronic signature to complete each order.

Each month the revised data is updated and stored in an Oracle database used to generate the orders as Internet GIS pages, client-server GIS layers, image files, or hard copies. The GIS system creates images that are spatial or geographically

referenced, making it possible to use the data as an additional reference to any other type of geographical data.

This new process allows EUB staff to keep up with demands, reduces the number of errors, and provides a product that meets customer needs. It also has a significant impact on users because the Internet dissemination allows them to look for a single order, view an area, and overlay all fields and pools. This search capability and ease of access eliminates paper storage and allows users improved access.

Since the completion of a trial period, which ended February 1, 2001, the BOS system has met or exceeded the target goals set for the project and has successfully eliminated the need to

- manually prepare orders,
- revise the graphics for each order,
- print copies,
- mail out more than 20 000 paper copies each month, and
- microfilm orders.

For more information on changes to the BOS system, please refer to *General Bulletin 2000-23* or access the new system through the EUB Web site at <[www.eub.gov.ab.ca](http://www.eub.gov.ab.ca)>. A one-time 1.8 megabyte download and software installation is required to access the data. This download is free and is provided within the system. Users not able to access the Internet may still request paper copies through EUB Information Services or may purchase the information on CD or in ASCII text format. ❖

## Questions, Complaints, Problems? Who to contact...

**Utilities**—For general information or to file a consumer utility complaint, please contact us at

EUB Utilities Branch  
10th floor, 10055-106 Street  
Edmonton, Alberta T5J 2Y2  
Telephone: (780) 427-4901  
Fax: (780) 427-6970  
E-mail: [utilities.concerns@eub.gov.ab.ca](mailto:utilities.concerns@eub.gov.ab.ca)

**Oil and Gas**—For information or complaints about new or existing oil and gas developments and facilities, we recommend contacting the operating company first. If the company doesn't respond appropriately, you may contact the nearest EUB field centre (see list), all of which provide 24-hour on-call service.

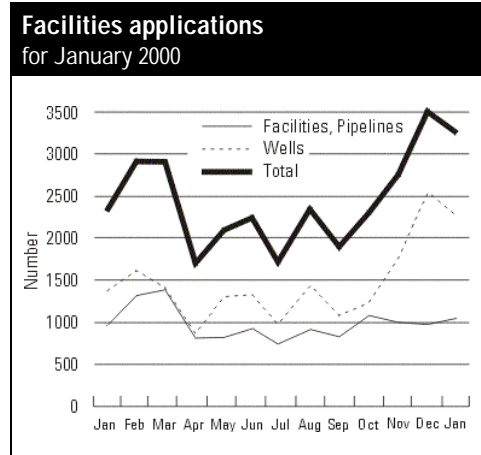
### EUB Field Centres (24-hour on call)

Bonnyville	(780) 826-5352*
Drayton Valley	(780) 542-5182*
Grande Prairie	(780) 538-5138*
Medicine Hat	(403) 527-3385*
Midnapore	(403) 297-8303*
Red Deer	(403) 340-5454*
St. Albert	(780) 460-3800*
Wainwright	(780) 842-7570*

\* To call toll free from anywhere in Alberta, dial 310-0000 and enter the 10-digit local number to connect, or press zero for a RITE operator.

## Application Summary

Facilities applications for January 2000	
Production facilities	153
Pipelines	886
Wells	2256
Total received	3295
Total completed/approved	3131
Closed	19
Withdrawn	83



Resource applications for January 2000	
Equity (rateable take, common carrier, common purchaser, common processor, compulsory pooling, special spacing)	74
Conservation (resources – oil, gas, and in situ bitumen; gas removal, enhanced recovery, water disposal, concurrent production, underground storage, commingled production, reserves)	88
Depletion administration (good production practice, penalty relief)	25
Corporate (transfer)	33
Mining (coal and mineable oil sands)	1
Total received	221
Total completed/approved	194

Utilities applications for January 2000	
Electric	2
Gas	5
Facilities	14
Franchises and others	2
Total received	23
Total completed/approved	23

Corporate transfers and name changes for January 2000	
Well licence transfers	1323
Well licence name changes	1649
Pipeline licence transfers	848
Facility licence transfers	48
Total received	3868
Total completed	752

## Upcoming Public Hearings: Spring 2001

Due to space constraints, this list covers only hearings scheduled for the next two months, and some company names are abbreviated. For information on hearings scheduled later in the year, call (403) 297-8259. Actual hearing durations may vary significantly. Unless otherwise noted, hearings begin at 9:00 a.m. and are open to the public. If you are interested in attending one, please call the above number to reconfirm the date, time, and place.

Scheduled Start Date	Application No.	Applicant	Hearing Purpose	Location
April 5	2001017	ATCO Gas - North	Application for approval of disposition of Viking-Kinsella production assets	EUB Utilities Branch Office 12 Floor, 10055 - 106 Street Edmonton
	2001020, 2001030	ATCO Gas and Pipelines Ltd.	Application for approval of sale and disposition of natural gas rights and production and gathering assets - Application No. 2001020 - Westlock, Peace River Arch, Phoenix and other nonoperated fields Application No. 2001030 - Beaverhill Lake and Fort Saskatchewan fields	
	2001070	ATCO Gas and Pipelines Ltd.	Application for approval of sale and disposition of natural gas rates and production and storage assets of Lloydminster field	
April 10 Prehearing meeting	2001093	Board-Initiated Proceeding (hearing to commence May 22, 2001)	Gas rate unbundling	EUB Utilities Branch Office 12 Floor, 10055 - 106 Street Edmonton
April 17	2001040	Board-Initiated Proceeding	Methodology for managing gas supply portfolios and determining gas cost recovery rates	Calgary Elk's Lodge and Golf Club, 2502 - 6 Street NE, Calgary
April 17 1:00 p.m.	2000135	ESBI Alberta Ltd.	Reopen EAL 2001 GTA Phase II (PPA Buyer related issues)	Govier Hall, 2nd Floor 640 - 5 Avenue SW, Calgary
April 18	1075514	Hunt Oil Company of Canada Inc.	Sweet gas pipeline - Harmattan-Elkton Field	Royal Canadian Legion, Bergen Road, Sundre, Alberta
April 24	990005	ESBI Alberta Ltd.	Application to approve successful parties - Location Based Credits - Standing Offer	Govier Hall, 2nd Floor 640 - 5 Avenue SW, Calgary
April 25	2000258	Utilicorp Networks Canada (Alberta) Ltd.	2001-200X DT - Distribution Tariff - anticipated negotiated settlement	Govier Hall, 2nd Floor 640 - 5 Avenue SW, Calgary
May 1 reconvening	1072191 1072188	NovaGas Canada Ltd., BP Canada Energy Company	Application to modify the existing Harmattan - Elkton sour gas plant and to construct 63.5 km of sour gas pipelines and application to convert the existing North and South Caroline sour gas plants into sour compressor stations - Harmattan - Elkton and Caroline fields	Royal Canadian Legion #105 5241 - 46 Street Olds, Alberta
May 1	2000306	TransAlta Utilities Corporation	Temporary suspension application -interim and final relief from Unit Obligation Value (UOV) payments for TAU's Wabamun 4 generating unit	Govier Hall, 2nd Floor 640 - 5 Avenue SW, Calgary

## Cancelled Hearings

Date Cancelled	Application No.	Applicant	Hearing Purpose	Reason for Cancellation
March 6	1062132 1077686	Gulf Canada Resources Ltd.	Applications to review well licence and amend well spacing	Objection withdrawn
March 6	1075198	Primrose Drilling Ventures Ltd.	Compulsory Pooling - Fenn West Field	Application withdrawn

## Pending Decisions

Application No.	Applicant	Hearing Purpose	Hearing Date(s)	Actual Hearing Days
2000136	ATCO Electric Ltd.	2001 - 2002 Distribution Tariff DT - Phase II	Reply by February 27, 2001	13
2000305	ATCO Electric Ltd.	Application for relief from Suncor Energy Inc., Oil Sands	Written proceeding Reply by January 22, 2001	N/A

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