

June 26, 2006

Alberta Energy and Utilities Board
10th Floor, 10055 – 106 St.
Edmonton, Alberta T5J 2Y2

**Attention: Becky Torrance
Manager, Edmonton Office
Utilities Branch**

Dear Ms. Torrance:

**Re: Direct Energy Regulated Services Gas Cost Flow-through Rates for ATCO
Gas South Service Territory for July 2006**

Direct Energy Regulated Services (DERS) is filing with the Alberta Energy and Utilities Board (Board or EUB) a proposed Gas Cost Flow-through Rate (GCFR) for the month of July 2006 for the service territory of ATCO Gas South. The GCFR Rate Schedule attached indicates a rate applicable for the South Rate 1 and 3 customers of \$5.882 per GJ and a rate of \$5.499 for Rate 5 customers. The DGA package used to derive these rates is also attached.

Additional price and weather data relating to the May and June 2006 period as well as some explanatory notes relating to the prior period adjustments and other items have been included in the attached document titled Appendix B - South. DERS has also included the R-10 detailed schedules as a separate attachment labeled South – Detailed Reconciliation Schedule (June 06) in order to reconcile the R-4 and R-5 schedules.

In response to the Board's directions contained at page 135 of Decision 2003-106 and the Board's letter dated February 22, 2006, DERS has attached to the July 2006 GCFR filing a reconciliation package labeled Deferral Reconciliation for 2005, detailing the 2005 energy related deferral components (procurement costs, working capital, bad debt and penalty revenue). DERS is proposing to collect the shortfall during the months of July, August and September 2006. The total amount of \$3,119,031 has been prorated to each month of the July through September period on the ratio of that month's forecast consumption to the total volumes for the July through September period.

DERS proposes to adjust the amount to be collected from Rate 5 customers to more appropriately reflect a fair allocation to those seasonal customers. DERS has determined the 2005 Rate 5 volumes as a percentage of total annual volumes for Rates 1, 3, and 5, and allocated that same percentage of the recovery to Rate 5 customers as detailed on Appendix A. This results in a GCFR for Rate 5 being different than the GCFR applicable to Rates 1 and 3. DERS believes that this methodology results in an equitable allocation of recoveries between the rate classes.

Should you require additional information please contact the undersigned at 403-290-4635.

Yours truly,

<Original signed by C. Grudecki>

Corinne Grudecki
Manager, Government & Regulatory Affairs, Western Region
Direct Energy Marketing Limited
*Direct Energy Regulated Services
is a business unit of Direct Energy Marketing Limited*

Approved by Decision 2003-106
Effective July 1, 2006
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**DIRECT ENERGY REGULATED SERVICES
Rider "F" GAS COST FLOW-THROUGH
ATCO GAS SOUTH SERVICE TERRITORY**

To be applied to all energy sold to customers served under Rates G1 and G3.

Gas Cost Flow-through Rate:

For customers served by ATCO Gas and Pipelines South:

For the Period July 1, 2006 to July 31, 2006 **\$5.882 per GJ**

To be applied to all energy sold to customers served under Rate G5.

Gas Cost Flow-through Rate:

For customers served by ATCO Gas and Pipelines South:

For the Period July 1, 2006 to July 31, 2006 **\$5.499 per GJ**