

Electronic Notification

October 30, 2009

Direct Energy Marketing Limited
111 - 5 Avenue SW Suite 1000
Calgary AB T2P 3Y6Attention: Ms. Ashley Preston
Analyst, Government and Regulatory Affairs, Canada West**DIRECT ENERGY REGULATED SERVICES – NORTH
DEFAULT RATE TARIFF
GAS CHARGE – NOVEMBER 2009
APPLICATION NO. 1605566**

1. Direct Energy Regulated Services (DERS), a Business Unit of Direct Energy Marketing Limited, filed an application (Application) on October 26, 2009, with the Alberta Utilities Commission (AUC) for its gas cost flow-through rate¹ (GCFR) for the month of November 2009 for customers served in the ATCO Gas² North service territory. The proposed GCFR was \$4.600 per gigajoule (GJ).

2. In Order [U2008-374](#),³ the AUC approved for DERS on an interim basis, effective January 1, 2009, a return margin of \$0.0223/GJ. Unlike the GCFR, the return margin is not subject to deferral account treatment through DERS's deferred gas account but is to be recovered with the GCFR through DERS's Rate Rider "F". For the month of November 2009, DERS included the following amounts in setting Rider "F" for customers served in the ATCO Gas North service territory:

	\$/GJ
GCFR	4.600
Reasonable return margin (rounded)	<u>0.023</u>
Rider "F"	<u>4.623</u>

¹ This rate for marketable gas, also known as a gas cost recovery rate (GCRR), is referred to as the gas charge under the *Default Gas Supply Regulation*, AR 184/2003, as amended.

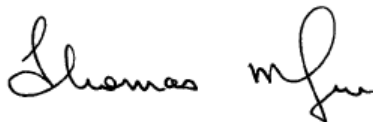
² A division of ATCO Gas and Pipelines Ltd.

³ Order U2008-374 – Direct Energy Regulated Services, 2009 Interim Default Rate Tariff and Regulated Rate Tariff (Application 1595512, Proceeding ID 134) (Released: December 11, 2008).

3. AUC staff members have reviewed the Application and the AUC accepts that the proposed GCFR was calculated on a monthly flow-through basis in accordance with section 3(5) of the *Default Gas Supply Regulation*, AR 184/2003, as amended, and in accordance with the directions previously issued to gas utilities by the Alberta Energy and Utilities Board, predecessor to the AUC, in Decision 2001-75,⁴ and more specifically to ATCO Gas North in Decision 2002-035⁵ and to DERS in Decision 2003-106.⁶ Consequently, the AUC acknowledges for DERS the GCFR of \$4.600/GJ, which is to be applied to all energy sold to customers served by DERS under Rates G1 and G3 in the ATCO Gas North service territory during the month of November 2009.

4. Pursuant to an inquiry made during a review of DERS's regulatory accounts by the Commission's Audit Group, DERS determined that a formula error had occurred in determining the monthly GCFRs during the period May 2008 to August 2008.⁷ This error resulted in customers being overcharged in the amount of approximately \$5,687,000 in the ATCO Gas North service territory. Refunds to customers, plus interest of approximately \$453,000, calculated using DERS's weighted average cost of capital of 6.44 percent, have been applied in determining the November 2009 GCFR.

5. As directed in Decision 2001-75, a 30-day review period was provided to interested parties following the filing of each monthly Gas Cost Recovery Rate (GCRR) in which parties could raise any concerns with the GCRR, price and volume forecasts, and prior period reconciliations. As DERS is the Default Supply Provider for ATCO Gas, the 30-day review period is similarly applicable to the GCFRs requested by DERS.



Thomas McGee
Commissioner

⁴ Decision 2001-75 – Methodology for Managing Gas Supply Portfolios and Determining Gas Cost Recovery Rates (Methodology) Proceeding and Gas Rate Unbundling (Unbundling) Proceeding, Part A: GCRR Methodology and Gas Rate Unbundling (Applications 2001040 and 2001093, Files 5680-1 and 5680-2) (Released: October 30, 2001)

⁵ Decision 2002-035 – ATCO Gas North, GCRR Methodology and Gas Rate Unbundling – Compliance Filing (Applications 1257378 and 1257516, Files 5627-46 and 5627-47) (Released: March 21, 2002)

⁶ Decision 2003-106 – Direct Energy Regulated Services Electric Regulated Rate Tariff and Gas Default Rate Tariff (Application 1302109) (Released: December 18, 2003)

⁷ Regulatory Audit Report #2009-003