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**CAL-DERS (January 05)-1**

**Reference:** Direct Energy Regulated Services (“DERS”) South DGA January 2005, Schedules R 10 AS, R 10 BS, R 10 CS, R 10 GS and R 10 HS.

**Preamble:** In its Decision 2003-106, The Energy Utilities Board stated:

“..., given that DERS proposed to pool day gas purchases with a non-regulated affiliate, the Board believes that the information contained in DERS’s monthly GCFR filing should be enhanced to provide additional transparency to the procurement effort.

Therefore, the Board directs DERS to include in its monthly GCFR filings, separate schedules that show the actual day gas purchases in the reconciliation month. In addition, the Board expects DERS to record its procurement protocol and activities in sufficient detail that would permit an audit that could be initiated by the Board at any time.”

**Request:**

In light of the Board’s directive referenced above, please provide a detailed explanation of each of the referenced schedules that includes the following:

- (a) An explanation of how interested parties can reconcile the totals reported in Section 5 with the totals reported in Section 2. (e.g., How do the total NIT supplies (3,938 TJ) reported in Schedule R-5 reconcile with the NIT purchased reported in Schedules R 10 AS, R 10 BS and R 10 GS;
- (b) Similarly, please explain how the totals reported on Schedule R-4 reconcile with the totals on Schedules R 10 CS and R 10 HS;
- (c) Please explain the purpose of each of the referenced schedules.
- (d) For each of the referenced schedules, please explain how, individually and collectively, they meet the Board’s directive noted above; and
- (e) Please explain why on Schedule R 10 AS the 11<sup>th</sup> day is highlighted and what is the linkage with the data reported for the 11<sup>th</sup> day on Schedule R 10 BS.

**Response**

- (a) DERS has provided R-10 (DETAIL) Schedules as an appendix to the January GCFR filing that will assist in the reconciliation of the R-10 Schedules to the appropriate R-4 or R-5 Schedules. The R-10 Schedules contained in the GCFR package provide the net numbers (excess sales and purchases) whereas the R-10 (DETAIL) Schedules show each trade entered into. In order to reconcile the NIT purchases shown on R-5, all sales reported on the R-10 AS (DETAIL) Schedule need to be excluded. The reconciliation can be done as follows:

| <b>Description</b>     | <b>Reference</b>                  | <b>Volumes<br/>(TJ)</b> | <b>Total Cost<br/>(\$'000)</b> |
|------------------------|-----------------------------------|-------------------------|--------------------------------|
| NIT YD Purchases       | R-10 AS (DETAIL) (purchases only) | 450                     | 2,680                          |
| NIT SD Fixed Purchases | R-10 AS (DETAIL) (purchases only) | 154                     | 1,045                          |
| NIT SD Index Purchases | R-10 AS (DETAIL) (purchases only) | 1,320                   | 9,595                          |
| NIT Peaking            | R-10 GS                           | 1,704                   | 11,914                         |
| <b>Total</b>           | <b>R-5 (line 10-11)</b>           | <b>3,628</b>            | <b>25,235</b>                  |

- (b) Shown below is the reconciliation of the numbers reported on lines 10 and 11 of Schedule R-4 with the appropriate R-10 Schedule.

| <b>Description</b> | <b>Reference</b>        | <b>Volumes<br/>(TJ)</b> | <b>Total Cost<br/>(\$'000)</b> |
|--------------------|-------------------------|-------------------------|--------------------------------|
| ATCO Same Day      | R-10 CS                 | 809                     | 5,170                          |
| ATCO Peaking       | R-10 HS                 | 180                     | 1,090                          |
| <b>Total</b>       | <b>R-4 (line 10-11)</b> | <b>989</b>              | <b>6,260</b>                   |

- (c) The purpose of each R-10 Schedule is to show in detail all actual day gas trades for the reconciliation month. Schedule R-10 AS shows the daily trades (volume and price) sourced from NGTL shown as either YD or SD (fixed and index). Schedule R-10 BS shows each NIT trade that satisfies the criteria provided in the cover letter to the September GCFR filing dated August 25, 2004 and repeated below in response to (e). Schedule R-10 CS shows actual daily trades sourced from the ATCO Pipelines South and is also shown as YD or SD (fixed and index). Schedules R-10 GS and HS show the actual daily trades for Peaking Contracts on either the NGTL or ATCO Pipelines South systems respectively.
- (d) DERS believes this fulfills the direction given by the EUB in Decision 2003-106. On page 116 of that Decision the EUB stated:

For each day in the reconciliation month indicate the total day gas purchases (TJ), the total cost (\$000), the average unit cost (\$/GJ) and the AECO Daily Index price (\$/GJ). The day gas purchases should also be reported (total TJ, Total \$, average \$/GJ) separately for the Proprietary Supplies and Common Pool Supplies. The day gas purchases in the Common Pool Supplies should also be reported (total TJ, total %, average \$/GJ) separately by instrument (Yesterday or Same Day).

The R-10 Schedules that have been included in the GCFR filings comply with this EUB direction and list all actual daily trades with the appropriate details and reconcile to the numbers reported on Schedules R-4 (line 10-11) and R-5 (line 10-11). As per the Board's direction respecting the retention of procurement activities so as to facilitate a Board-initiated audit, all Day Gas transactions made by DEML will be recorded and available for such an audit.

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- (e) In Decision 2003-106 the Board approved a process whereby day gas transactions made by both DERS for regulated customers, and DEML for its unregulated customers would be pooled and price-averaged. The following criteria have been used to determine when the pooling and price-averaging will occur.
1. Transactions are done for the same time frame (Same Day or Yesterday)
  2. Transactions are done for the same point (NIT, ATCO North, ATCO South)
  3. Transactions are done using the same pricing (Fixed, Index Based)
  4. Transactions are done in the same direction (Purchase or Sale)

During the month of October on the 11<sup>th</sup> day, all the above criteria were met and therefore the DEML trade shown on R-10 BS is pooled and price-averaged with the DERS trades shown on Schedule R-10 AS on the 11<sup>th</sup> day. The price averaging resulted in a \$95 adjustment and due to rounding prevented it from being displayed on the M-1 schedule line 3.

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**CAL-DERS (January 05)- 2**

**Reference:** Direct Energy Regulated Services (“DERS”) South DGA January 2005, Schedules M-1.

**Preamble:** The City of Calgary requires additional information with respect to the Prior Period Adjustments

**Request:**

Line 15 of Schedule M-1 indicates an adjustment of \$186,000 related to Calendar Sales in periods prior to October 2004. Please explain in detail why Calendar Sales were under reported, indicating which month(s) incorrect sales were recorded, the quantity of gas involved in each period and how these errors were detected.

**Response:**

The prior period adjustment of \$186,000 reported on Schedule M-1 relates to billing adjustments (cancel/re-bills) for customer billings related to the May, June, July, August and September consumption period. Calendar Sales have been reported accurately based on the billing information at the time of filing. Billing adjustments take the form of initial charges, revised charges and the time period in which the adjustment relates to as part of regular monthly reporting. These adjustments will continue to happen on an ongoing basis as a result of cancel and re-billing related to prior periods. There are various instances when DERS would perform a cancel/re-bill including those instances when DERS receives a revised meter read relating to prior periods or when an error is detected on a customer’s account that must be corrected in subsequent periods. The dollars and volumes for this adjustment are detailed by month below.

| <b>Month</b>              | <b>Amount (\$)</b> | <b>Volumes (GJ)</b> |
|---------------------------|--------------------|---------------------|
| May                       | \$10,190           | 1,892               |
| June                      | \$43,220           | 5,199               |
| July                      | \$36,090           | 5,636               |
| August                    | \$12,982           | 1,911               |
| September                 | \$83,281           | 14,051              |
| <b>Total Prior Period</b> | <b>\$185,763</b>   | <b>28,690</b>       |

**CAL-DERS (January 05) - 3**

**Reference:** Direct Energy Regulated Services (“DERS”) South DGA January 2005, Schedules R-5.

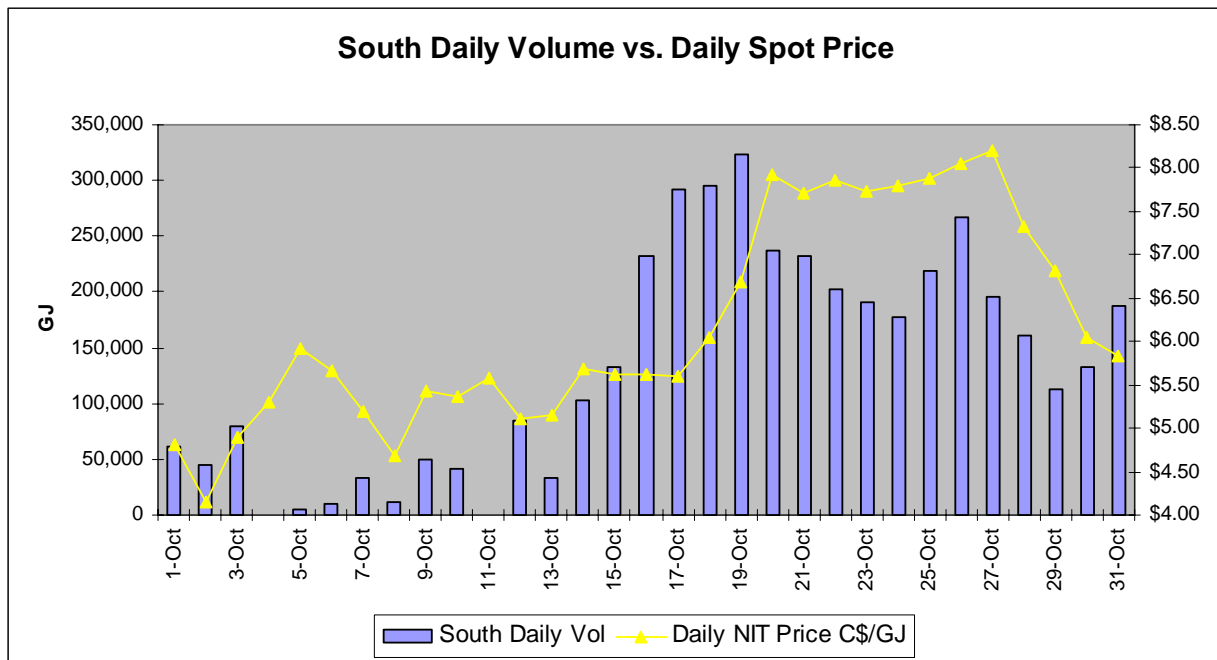
**Preamble:** The City of Calgary requires additional information with respect to cost short term daily index NIT purchases.

**Request:**

- (a) Please explain how the average cost of 3,628 TJ was \$6.956/GJ when the October index was \$5.39/GJ and the average cost of the October daily index was \$6.31/GJ. Please indicate the daily purchases and the daily price paid and the excess system sales each day.
- (b) Please justify the continuing delay in DERS’ review of the procedure for determining the mix of monthly and daily gas purchases as discussed in the Board’s decision 2003-106.

**Response:**

- (a) The graph below shows the October daily volumes purchased in the South and the corresponding price for each day.



As depicted on this graph, the daily NIT prices increased over the course of the month. In addition to the increase in NIT price, colder than normal

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temperatures experienced later in the month resulted in DERS having to purchase larger volumes at the higher prices. Therefore, a simple monthly average will not represent the actual purchases and actual average price reported on Schedule R-5. Both the actual daily price and volumes purchased for that day must be looked at for any appropriate comparison to be made. The daily purchases and daily price paid is detailed on the R-10 AS (DETAIL) and the R-10 GS Schedules provided with the January 2005 filing.

- (b) DERS has only been operating in the DSP role for eight months and is not yet satisfied that it has sufficient data to prepare a reasoned and thorough review and proposal for any re-determination of the mix of monthly and daily gas purchases. Since May 2004, DERS has expended considerable time and effort to refine and enhance processes and reporting relating to the GCFR. In addition, there have been significant pricing changes as a result of the Phase II ATCO Pipelines decision and industry initiatives that DERS has been focused on throughout this time. DERS will present a proposal on this matter to industry stakeholders when DERS is satisfied it has sufficient data and analyses to substantiate recommending a change to current procurement protocols.