

August 25, 2004

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 September 2004

Direct Energy Regulated Services (DERS) is filing with the Alberta Energy and Utilities Board (Board or EUB) proposed Gas Cost Flow-through Rates (GCFRs) for the month of September 2004 for the service territory of ATCO Gas South. The GCFR Rate Schedule attached indicates a rate applicable for the South of \$5.927 per GJ. The DGA package used to derive this rate is also attached. As per the Board's letter dated August 6, 2004 respecting Application No. 1355458, ATCO Gas' reconciliation in the amount of a credit of \$1,183,000 has been included as a prior period adjustment on Schedule M1, lines 12, 13, 14 and 23.

This filing includes the first presentation of DERS' information for the reconciliation month, in this case June 2004. DERS had previously included blank pro forma R10 Schedules respecting Day Gas transactions, and had indicated that these R10 Schedules would not be used until the reconciliation month of June 2004. These R10 Schedules have been developed in response to the Board directive contained on page 117 of Decision 2003-106 as follows:

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.¹¹⁶ 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.

116 For each day in each 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).

DERS has developed the following R10 Schedules, and will include the relevant schedules in each month's GCFR filing:

R10-A(N)	DERS North Common Pool Supplies at NIT
R10-A(S)	DERS South Common Pool Supplies at NIT
R10-B	DEML Supplies at NIT
R10-C(N)	DERS North Proprietary Supplies on ATCO Pipelines North
R10-C(S)	DERS South Proprietary Supplies on ATCO Pipelines South
R10-D(N)	DEML Supplies on ATCO Pipelines North
R10-D(S)	DEML Supplies on ATCO Pipelines South

R10-G(N) DERS North Peaking Supplies at NIT
R10-G(S) DERS South Peaking Supplies at NIT
R10-H(N) DERS North Peaking Supplies on ATCO Pipelines North
R10-H(S) DERS South Peaking Supplies on ATCO Pipelines South

DERS proposed, and the Board approved, a process whereby Day Gas transactions made by both DERS for regulated customers, and Direct Energy Marketing Limited (DEML) for its unregulated customers, would be pooled and price-averaged. This process was established to ensure that DERS' customers neither benefit nor are harmed by DEML's unregulated purchasing activities. DERS believes it is appropriate to place some logical parameters around this pooling and price-averaging, and has developed the following criteria:

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)

When all four of these criteria are met, the relevant DERS and DEML Day Gas transactions will be deemed to be qualifying transactions, and will be pooled and price-averaged. All Day Gas transactions made by DERS will be provided each month on the appropriate R10 Schedules. When DEML transacts for Day Gas, and the above four criteria are met, those qualifying DEML transactions will also be shown on the appropriate R10 Schedule. In addition, a line item called Daily Trade Averaging Adjustment will be displayed on Schedule M1 which will show the price adjustment, either positive or negative, to the DGA resulting from the price-averaging of the qualifying transactions.

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, but only those qualifying transactions meeting the above criteria will be publicly provided in each month's DGA filing.

There were no qualifying Day Gas transactions meeting these four criteria during the month of June 2004.

DERS has not included Appendix 1, Disposition of Major Contracts, in this filing, as there is no update to that provided with the August filing. Three of the 24 assignable contracts remain outstanding as of today's date.

Should you require additional information please contact the undersigned at 403-290-7745 or Corinne Grudecki at 403-290-4635.

Yours truly,



Gary Newcombe
Director, 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 September 1, 2004
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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, G3 and G5.

Gas Cost Flow-through Rate:

For customers served by ATCO Gas and Pipelines South:

For the Period September 1, 2004 to September 30, 2004 **\$5.927 per GJ**