

AIPA-DERS (DRT)-1

Reference:

Integration Costs, page 1-11

Preamble:

Integration costs are a direct outcome of the Alberta Government's policy direction concerning the restructuring and refinement of the retail gas market in Alberta discussed in Section 1 C. As a consequence of the establishment of a separate and long-term DRT, it follows that the costs and expenses of all DRT service providers should be determined on a fully burdened cost basis. In order to fully separate the retail and pipes functions for long-term DRT service and develop the DRT mandated by the *DGS Regulation*, all DRT service providers, including Direct Energy RS, will necessarily incur certain one-time integration costs.

Request:

- (a) Please provide the amount and amortization period for integration costs for the proposed separate and long-term DRT.
- (b) Please detail the allocation of integration costs to the DRT and to future competitive services.
- (c) Please provide the DERS long term forecast (5 – 10 years) of the number of customers and annual consumption for regulated service and non-regulated service.

Response:

- (a) This information was provided in Schedule 6.4 of the DRT Application.
- (b) Please refer to the response to BR-DERS-6(b). The allocation of integration costs to the DRT was provided in Schedule 6.4 of the DRT Application.
- (c) Direct Energy RS has not prepared such a long term forecast.

AIPA-DERS (DRT)-2

Reference:

Table 2.1, DRT Non-energy rates, page 2-2

Preamble:

Request:

- (a) Please indicate the number of months that the monthly customer charge for Rate G5, irrigation pumping service, is applicable.
- (b) Please provide details of the number of meter reads per season for Rate G5.
- (c) For the 2003 and 2004 test years please provide the estimated revenues for each rate class including the forecast number of customers and the test year consumption.
- (d) Please provide the supporting derivation and details for the monthly and variable charges for each rate class.
- (e) Please discuss whether DERS is proposing a deferral account for these charges.

Response:

- (a) The monthly charge for the irrigation pumping service is applicable for 7 months of the year.
- (b) Direct Energy RS does not have this information.
- (c) Test period revenue by rate class is equal to test period revenue requirement by rate class, shown on Schedule 7.2 of the DRT Application. Forecast customers and consumption, by test period by rate class, is shown on Schedule 7.1 of the DRT Application.
- (d) Please refer to Schedules 7.1. and 7.2 of the DRT Application.
- (e) Yes. Please refer to pages 3-1 to 3-6 of the DRT Application.

AIPA-DERS (DRT)-3

Reference:

Deferral Accounts, page 3-2

Preamble:

Therefore, Direct Energy RS proposes to utilize deferral accounts for those same non-energy revenue requirement items for the gas DRT. This is consistent with the current mechanisms utilized for ATCO Gas' Deferred Gas Account ("DGA").

Request:

Please list and describe the deferral accounts proposed for the non-energy revenue items.

Response:

Please refer to pages 3-1 to 3-6 of the DRT Application.

AIPA-DERS (DRT)-4

Reference:

Energy-Related Deferral Account, page 3-2

Preamble:

Request:

- (a) Please indicate whether DERS will provide the deferral account on a rate class basis to ensure proper allocation to seasonal Rate 5 customers. Please discuss fully.
- (b) Please provide details of the methodology of separating the energy related costs between regulated and non-regulated services for both gas and electricity by cost component.

Response:

- (a) The GCFR and DGA applications and adjustments will be made monthly, thus providing an appropriate allocation of costs to all seasonal customers.
- (b) Please refer to the response to BR-DERS-6(c).

AIPA-DERS (DRT)-5

Reference:

Non-energy Deferral Account, page 3-3

Preamble:

Direct Energy RS proposes to maintain a non-energy revenue deferral account to accrue differences between forecast and actual non-energy revenues. This deferral account will capture the revenue differences that accrue from variances in forecast and actual customer retention rates and quantities of energy consumed. In addition, Direct Energy RS proposes to establish non-energy cost deferral accounts for each component of the variable costs shown below. Direct Energy RS proposes to offset the non-energy revenue deferral account balances with non-energy cost deferral account balances at the time of disposition.

Request:

- (a) Please provide a spreadsheet example of the operation of the revenue and cost deferral accounts and the reconciliation process.
- (b) Please indicate whether the deferral accounts will be on a rate class basis and discuss the potential for rate class cross subsidization.
- (c) Please describe the proposed filing and approval process and timing for each revenue and cost component.

Response:

- (a) Please refer to the response to BR-DERS-7(c).
- (b) Direct Energy RS is not proposing to track non-energy deferral accounts on a rate class basis. The Company does not believe this will lead to any cross subsidization, given the small magnitude and self correcting nature of the deferral account items as discussed in the response to BR-DERS-7(d) and (e).
- (c) Please refer pages 3-1 to 3-6 of the DRT Application, and to the response to BR-DERS-7.

AIPA-DERS (DRT)-6

Reference:

Customer and Load Forecast, pages 4-1 to 4-4

Preamble:

Request:

- (a) Please describe the significance of the alpha-numeric designations for customer classes.
- (b) Please discuss the relevance of a switch rate experience over the Jan – March 2003 period for irrigation service when service is not connected.

Response:

- (a) These are the customer class designations in use by ATCO Gas for many years.
- (b) This period is likely as relevant as any other. Regardless of whether customers are consuming gas during the said period, they are still able to contract with competitive suppliers during the off season.

AIPA-DERS (DRT)-7

Reference:

Section 5, Gas Cost Flow-Through Rate and Deferred Gas Account

Preamble:

Request:

Please provide the derivation of the interest rate of 10%.

Response:

Please refer to the response to AUMA/CE-DERS (DRT)-22(b).

AIPA-DERS (DRT)-8

Reference:

Section 6, Revenue Requirement

Preamble:

Request:

- (a) If customer care functions are out-sourced to I -Tek and customers are subject to deferral accounts for these costs how will DERS ensure that the lessor of cost or market rates are flowed through to customers.
- (b) Please provide details of the integration costs, the 1.14 million for IS and the 4.85 million for I-Tek.
- (c) Please discuss the applicability of I –Tek software licencing to non-regulated services.
- (d) Why are capital costs amortized over 5 years if the DRT is long-term.
- (e) Why are the unamortized capital costs part of working capital; what interest rate is applied to working capital, if any.
- (f) Please provide the basis for the \$30 million LOC to I-Tek for termination charges and the \$15 million LOC to I-Tek for operating charges. How are these LOC amounts allocated between regulated and non-regulated services

Response:

- (a) The Board will, through this Application, determine the appropriate rates for Direct Energy RS' DRT service, including customer care costs. The deferral account process will ensure that customers pay no more or no less than the actual costs of providing the service.
- (b) Please refer to the response to AUMA/CE-DERS (DRT)-21(b).

- (c) The software licensing is required to provide service to regulated customers. To the extent that customers migrate to competitive retailers, these costs will still be required to provide regulated service. In recognition that these licenses may provide some benefit to Direct Energy RS' unregulated retail affiliate, 90% of the cost has been allocated to Direct Energy RS. Direct Energy RS' unregulated affiliate, however, will assume no unregulated gas customers from ATCO Gas, and therefore has no requirement for the licenses at this time.
- (d) Please refer to the response to BR-DERS-3(c).
- (e) Please refer to pages 6-14 to 6-15 of the DRT Application.
- (f) The referenced amounts were determined through negotiation between ATCO I-Tek and DEML. Please refer to the response to AUMA/CE-DERS (RRT)-16(a).

AIPA-DERS (DRT)-9

Reference:

Schedule 7.1, DRT Cost Allocations by Rate Class

Preamble:

Request:

Please provide the derivation of Customers months and No. of bills after consolidated billing for each customer rate.

Response:

The derivation of customer months is determined by multiplying the number of customers in each rate class by the number of months that service is provided to that rate class. For example, the number of irrigation customers are multiplied by 7 months to calculate the number of customer months for the irrigation class. In contrast, the number of residential customers are multiplied by 12 months to calculate the number of customer months for the residential class.

There is no billing consolidation for gas customers and therefore the number of bills after consolidation equals the number of customers.