Decision **2014-357**

Alberta Utilities Commission

AltaGas Utilities Inc.

2015 Annual PBR Rate Adjustment Filing

December 18, 2014

The Alberta Utilities Commission
Decision 2014-357: AltaGas Utilities Inc.
2015 Annual PBR Rate Adjustment Filing
Application No. 1610838
Proceeding No. 3408

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1 Introduction

1. On September 10 and 11, 2014, AltaGas Utilities Inc. (AltaGas or AUI) filed with the Alberta Utilities Commission (AUC or Commission) its 2015 annual performance-based regulation (PBR) rate adjustment application, requesting approval of its distribution rates and special charges schedule to be effective January 1, 2015, on an interim basis.

2. On September 11, 2014, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by September 18, 2014. In their SIPs, parties were to indicate whether they supported or objected to the application and the reasons for their position, as well as the need for further process and the supporting rationale.

3. The Commission received SIPs by the specified deadline from FortisAlberta Inc. (Fortis), EPCOR Distribution & Transmission Inc. (EDTI), AltaLink Management Ltd., ATCO Gas, a division of ATCO Gas and Pipelines Ltd. (ATCO Gas), and the Office of the Utilities Consumer Advocate (UCA).

4. The Consumers' Coalition of Alberta (CCA) submitted a SIP on September 19, 2014.

5. In its SIP, the UCA expressed interest in clarifying certain information provided by AltaGas in the application, and requested a Commission schedule that included a round of information requests. In its SIP, the CCA stated that it intended to be active in any process established by the Commission, and wished to be provided an opportunity to test the application with information requests, review responses, and to file argument and reply argument. The other parties indicated that they would monitor proceeding but did not expect to actively participate.

6. After reviewing the SIPs and the application, the Commission determined that the application would be considered by way of a *minimal written process* proceeding, as outlined in Commission Bulletin 2010-16,[1] and issued a proceeding schedule on September 19, 2014:[2]

Process step	**Deadline dates**
Information requests to AltaGas	October 3, 2014
Responses to information requests from AltaGas	October 17, 2014
Argument	October 31, 2014
Reply argument	November 14, 2014

1 Bulletin 2010-16, Performance Standards for Processing Rate-Related Applications, April 26, 2010.
2 Exhibit No. 17.01, September 19, 2014, Commission process letter.

7. By letter dated September 23, 2014, the CCA requested the Commission to consider rescheduling some of the due dates for the various utilities' 2015 annual PBR rate adjustment filings.[3] By letter dated September 30, 2014, the Commission responded with the following adjustments to the schedules for AltaGas and EDTI:[4]

Process step	**Revised deadline dates**
Information requests to AltaGas and EDTI	October 7, 2014
Responses to information requests from AltaGas and EDTI	October 21, 2014
Argument (AltaGas and EDTI proceedings)	November 4, 2014
Reply argument (AltaGas and EDTI proceedings)	November 18, 2014

8. The proceeding followed the revised schedule with reply argument received on November 18, 2014 from the UCA, the CCA and AltaGas.

9. The Commission considers the record for this proceeding to have closed on November 18, 2014. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

2 Background

10. On September 12, 2012, the Commission issued Decision 2012-237,[5] approving PBR plans for the distribution utility services of each of AltaGas, ATCO Electric, ATCO Gas, EDTI and Fortis, jointly referred to as the companies. The PBR plans were approved for a five-year term commencing January 1, 2013. PBR replaces traditional cost-of-service regulation as the annual rate-setting mechanism for distribution utility rates.

11. As set out in Decision 2012-237, the PBR framework provides a formula mechanism for the annual adjustment of rates. In general, the companies' rates are adjusted annually by means of an indexing mechanism that tracks the rate of inflation (I) relevant to the prices of inputs the companies use less an offset (X) to reflect the productivity improvements the companies can be expected to achieve during the PBR plan period. As a result, with the exception of specified adjustments, a utility's revenues are no longer linked to its costs. Companies subject to a PBR regime must manage their businesses and service obligations with the revenues derived under the PBR indexing mechanism and adjustments provided for in the formula. The PBR framework is intended to create efficiency incentives similar to those in competitive markets.

12. In accordance with the provisions of the PBR plan approved for AltaGas in Decision 2012-237, in addition to the I-X mechanism, the company's distribution rates for each year may include an adjustment to fund necessary capital expenditures (K factor), an adjustment for certain

[3] Exhibit No. 18.01, September 25, 2014, CCA letter.
[4] Exhibit No. 21.01, September 30, 2014, AUC letter.
[5] Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Application No. 1606029, Proceeding ID No. 566, September 12, 2012.

flow-through costs that should be directly recovered from customers or refunded to them (Y factor), and an adjustment to account for the impact of material exogenous events for which the company has no other reasonable cost recovery or refund mechanism within the PBR plan (Z factor).

13. Subsequent to Decision 2012-237, a number of other decisions dealing with the implementation and further refinement of the PBR framework were issued. These included Decision 2013-072[6] and Decision 2013-270,[7] which dealt, respectively, with the first and second 2012 PBR compliance filings. AltaGas' 2014 annual PBR rate adjustment was approved in Decision 2013-465.[8]

14. On December 6, 2013, the Commission issued Decision 2013-435,[9] which addressed the companies' 2013 PBR capital tracker applications. This decision provided further guidance on the implementation of capital trackers as a mechanism to deal with capital expenditures under PBR and set out the Commission's determinations on the application and interpretation of the capital tracker criteria, as well as the Commission's analysis of which projects meet the criteria and qualify for capital tracker treatment.

3 Discussion of issues

3.1 2015 I factor and the resulting I-X index for 2015

15. As set out at paragraph 251 of Decision 2012-237, the I factor in AltaGas' PBR plan is calculated as a weighted average comprised of 55 per cent based on the Alberta average weekly earnings (AWE) index and 45 per cent based on the Alberta consumer price index (CPI) for the previous July through June period.

16. In the 2014 annual PBR rate adjustment filing proceedings, it was brought to the Commission's attention that the Statistics Canada Table 281-0028, which Decision 2012-237 established to be the source of the AWE data, had been terminated. In Decision 2013-465, the Commission determined that data vector v79311387 from Statistics Canada Table 281-0063 would be used to obtain the Alberta AWE series in future annual PBR rate adjustment filings.[10]

17. In the application, AltaGas submitted that it calculated the 2015 I factor in accordance with decisions 2012-237 and 2013-465.[11]

18. In the supporting schedules to the application, AltaGas followed the Commission's directions set out in Decision 2012-237 and Decision 2013-465, and calculated an inflation factor

[6] Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings, AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Application No. 1608826, Proceeding ID No. 2130, March 4, 2013.

[7] Decision 2013-270: 2012 Performance-Based Regulation Second Compliance Filings, AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Application No. 1609367, Proceeding ID No. 2477, July 19, 2013.

[8] Decision 2013-465: AltaGas Utilities Inc. 2014 Annual PBR Rate Adjustment Filing, Application No. 1609923, Proceeding ID No. 2831, December 23, 2013.

[9] Decision 2013-465: Distribution Performance-Based Regulation, 2013 Capital Tracker Applications, Application No. 1608827, Proceeding ID No. 2131, December 6, 2013.

[10] Decision 2013-465, paragraphs 39-40.

[11] Exhibit No. 9, application, paragraphs 42-48.

of 2.65 per cent for use in its 2015 PBR rate adjustment formula.[12] Together with the X factor of 1.16 per cent approved in Decision 2012-237,[13] this I factor results in an I-X index value of 1.49 per cent for 2015.[14]

19. No party objected to AltaGas' calculations of the 2015 I factor and the resulting I-X index for 2015.

Commission findings

20. The Commission has reviewed AltaGas' 2015 I factor calculations and finds them reasonable and consistent with the methodology set out in Decision 2012-237 and Decision 2013-462. The Commission approves the 2015 I factor of 2.65 per cent calculated by AltaGas, as provided in Schedule 8.0 in the supporting schedules to the application. Together with the X factor of 1.16 per cent approved in Decision 2012-237,[15] this I factor results in an I-X index value of 1.49 per cent for 2015.

21. In accordance with the Commission's direction at paragraph 249 of Decision 2012-237, the Alberta AWE and Alberta CPI from July 2013 to June 2014 should be the same unrevised values filed in this proceeding. For convenience, these values are provided in Appendix 3 to this decision.

4 Y factor rate adjustments

22. In Decision 2012-237, the Commission approved Y factor amounts for AltaGas, which include AUC assessment fees, UCA assessment fees, intervener hearing costs, income tax temporary differences, Natural Gas Settlement System Code (NGSSC)-related costs, and Y factor carrying charges. Decision 2014-180[16] dealt with several deficiencies that AltaGas had applied to recover, including carrying costs on the net deficiency. In Decision 2014-180, the Commission did not approve the carrying costs applied for by AltaGas and, for regulatory efficiency purposes, rather than requiring a compliance filing, directed AltaGas to refund the carrying costs in its 2015 annual PBR rate adjustment filing. The Y factors applied for by AltaGas in this proceeding are summarized in the following table:

[12] Exhibit No. 1, Schedule 8.0.
[13] Decision 2012-237, paragraph 515.
[14] Exhibit No. 9, application, paragraph 18.
[15] Decision 2012-237, paragraph 515.
[16] Decision 2014-180: AltaGas Utilities Inc., 2013 Net Deficiency and Rider F, Application No. 1610297, Proceeding No. 3055, June 20, 2014.

Table 1. 2015 proposed Y factors and adjustments[17]

Y factor	2015 forecast ($)	Prior year true-up ($)	Other adjustments ($)	Total ($)
AUC assessment fees	286,793	(15,041)		271,752
UCA assessment fees	73,338	(62,078)		11,260
Intervener hearing costs	54,014	(48,813)		5,201
Income tax temporary differences	(872,499)	186,197		(686,302)
Natural gas settlement system code-related costs	1,530,423	(223,533)		1,306,890
Subtotal	1,072,069	(163,268)		908,801
2013 net deficiency carrying costs			(2,291)	(6,658)
Y factor carrying charges			(6,658)	(2,291)
Total	1,072,069	(163,268)	(8,949)	899,852

23. Paragraph 718 of Decision 2012-237 requires:

> The Y factor portion of the annual PBR rate adjustment filings will be comprised of two parts, the first being a provision for the Y factor amounts to be included in rates for the upcoming year, and the second being a true-up between the provision included in rates for the Y factor in the prior year and the actual amounts incurred in the prior year.

24. Consistent with this requirement, in addition to 2015 forecast amounts, AltaGas included the true-up between the provisions included in rates for the Y factor in the prior year and the actual amounts incurred from August 1, 2013 to July 31, 2014, along with true-up amounts related to outstanding balances in deferral accounts as of July 31, 2014.

25. For 2015, AltaGas calculated Y factor carrying charges in accordance with AUC Rule 023[18] requirements, with one exception (see Section 4.5).

Commission findings

26. In Decision 2012-237, the Commission approved certain types of costs for Y factor treatment. The approved categories of costs included:

- certain transmission-related costs, including AESO flow-through items, volume variances included in transmission access charge deferral accounts, transmission flow-through amounts for gas utilities, and farm transmission costs;
- costs that arise from Commission actions, including AUC assessment fees, effects of regulatory decisions, hearing costs, AUC tariff billing and load settlement initiatives, and Office of the Utilities Consumer Advocate (UCA) assessment fees; and
- costs, which, by their nature, are deemed to meet Y factor criteria, including municipal fees, load balancing amounts, weather deferral amounts, production abandonment amounts, and impacts of changes in income tax and other taxation rates

27. To the extent that a company has requested Y factor treatment in 2015 for costs that it has demonstrated are properly included in one of the above-referenced categories, the Commission is not required, in this decision, to engage in an examination of such costs with a view to

[17] Exhibit No. 9, application, based on Table 3.2-1.
[18] AUC Rule 023: *Rules Respecting Payment of Interest*, January 2, 2008.

determining whether those costs also satisfy the general criteria for Y factor treatment, identified at paragraph 631 of Decision 2012-237.

28. However, if a company applies for Y factor treatment for costs that are not of the type already approved for Y factor treatment in Decision 2012-237, the Commission is required to assess those costs against the Y factor criteria established in paragraph 631 of Decision 2012-237 to determine whether the applied-for costs are eligible for Y factor treatment. In the application, AltaGas has not applied for Y factor treatment for any costs that are not of the type already approved for Y factor treatment in Decision 2012-237.

29. Each of the requested Y factor forecasts, true-ups and other adjustments is discussed in the sections that follow. Sections 4.1 to 4.3 deal with the specific Y factor 2015 forecasts and 2013 true-ups. Section 4.4 considers a prior period carrying cost adjustment (2013 net deficiency carrying costs). Section 4.5 deals with Y factor carrying charges, and the use of weighted average cost of capital (WACC) and AUC Rule 023 for calculating carrying charges.

4.1 AUC assessment fees, UCA assessment fees and intervener hearing costs

4.1.1 2015 forecast

30. AltaGas forecast the 2015 AUC and UCA assessment fees by escalating its 2014 forecast fees by the 2015 I factor of 2.65 per cent. For 2015 intervener hearing costs, AltaGas forecast an amount of $56,560, reflecting its estimate of costs arising from proceedings where it anticipates intervener costs are likely to be incurred.[19]

4.1.2 2013 true-up

31. AltaGas applied for true-up adjustments (refunds) of $15,041 to the AUC assessment fee, $62,078 to the UCA assessment fee, and $48,813 to the intervener hearing costs.

Commission findings

32. The Commission has reviewed the AUC assessment, the UCA assessment and intervener hearing cost forecast and true-up Y factor adjustments proposed by AltaGas in the application and finds that they have been adequately supported and properly calculated. Accordingly, the Commission approves these Y factor adjustments.

4.2 Income tax temporary differences

4.2.1 2015 forecast

33. AltaGas explained that the types of temporary differences in its income tax Y factor adjustment are unchanged from those approved by the Commission in 2014 and include amounts related to depreciable capital property, eligible capital property, pension costs, deferred regulatory costs, capitalized project costs and capitalized running costs. However, in 2015, AltaGas no longer has any loss carry forward balances available from previous years to apply against 2015 taxable income.

34. AltaGas' proposed income tax Y factor adjustment (refund) of $872,499 is due to the value of temporary differences deducted for tax outweighing the temporary differences deducted

[19] Exhibit No. 9, Application, paragraphs 75-76.

for book purposes. The primary temporary differences contributing to this imbalance include differences between tax and book depreciation, as well as items capitalized for book purposes, such as capitalized running costs and capitalized project costs, which may be deducted on a cash basis for income tax purposes.[20]

4.2.2 2013 true-up

35. AltaGas applied for a 2013 true-up adjustment of $186,197 for an under-recovery of actual income tax timing differences. AltaGas explained that the under-recovery is primarily due to the impact of timing differences associated with NGSSC Phase 2 capital costs that exceeded forecasts and resulted in an overall capital cost allowance, which also exceeded forecasts. The higher capital cost allowance results in a reduction to the income tax revenue requirement associated with the NGSSC Phase 2 Y factor. Since the temporary differences associated with individual Y factors are removed from the income tax Y factor adjustment, the removal of the higher capital cost allowance associated with NGSSC Phase 2 reduces the remaining capital cost allowance included in the income tax Y factor adjustment and results in an increase in the income tax revenue requirement for the income tax Y factor adjustment.[21]

36. No intervener objected to AltaGas' requested income tax temporary differences true-up.

Commission findings

37. The Commission-approved Y factor treatment of amounts for AltaGas reflecting temporary income tax timing differences is described at paragraph 60 of Decision 2013-465.

38. The Commission acknowledges that the 2013 true-up amounts related to income tax deferrals are for the full year period of January 1, 2013 to December 31, 2013, and further, that the full amount of the true-up is included in AltaGas' application because the company's 2013 income tax filing was not complete at the time of its 2014 annual PBR rate adjustment filing. Similarly, AltaGas has not included any true-up amount for the period of January 1, 2014 to December 1, 2014 as a Y factor in this application because its 2014 income tax filing is not yet complete.

39. The Commission has reviewed the methodology and supporting calculations of the forecast and true-up Y factor adjustments proposed by AltaGas in the application and finds that they have been adequately supported and are consistent with Commission directions in previous decisions. Accordingly, the Commission approves AltaGas' 2015 forecast and 2013 true-up of temporary income tax differences for Y factor treatment, as applied for by AltaGas.

4.3 Natural gas settlement system code project costs

4.3.1 2015 forecast

40. AltaGas has applied for recovery in 2015 of NGSSC-related Y factor adjustments totalling $1,530,423. The total is comprised of:

- the 2015 forecast revenue requirement of $389,015 for NGSSC Phase 1 capital costs
- the 2015 forecast revenue requirement of $585,978 for NGSSC Phase 2 capital costs

20 Exhibit No. 9, application, paragraphs 81-82.
21 Exhibit No. 9, application, paragraph 95.

- $555,430 for ongoing application support services for NGSSC Oracle Utilities LPS and AltaGas' Nomination, Imbalance and Settlement Information System applications[22]

41. In the application, AltaGas provided a summary of the history of Commission approvals for the NGSSC-related Phase 1 and Phase 2 capital costs in Decision 2013-072, Decision 2013-465 and Decision 2014-042.[23] [24]

42. The operating costs were approved by the Commission as a 2014 Y factor in the amount of $545,400 in Decision 2013-465. In the application, AltaGas explained that the 2015 operating cost forecast of $555,430 reflects a reassessment of the level of support required to meet ongoing operational needs. In 2014, AltaGas fully outsourced the application support for the NGSSC systems, as planned and approved. In 2015, AltaGas plans to initiate transition of the day-to-day technical maintenance and operational support of the NGSSC systems from external consultants to internal resources. By the end of 2016, AltaGas expects to be able to use internal resources for all technical maintenance and operational support. AltaGas intends to continue with a contracted base level of external resources for application development support, as it does not perform application development in-house. AltaGas submitted that this approach should provide adequate support for its NGSSC systems, while achieving cost efficiencies.[25]

43. The table below sets out the costs associated with AltaGas' plan to reduce the forecast costs for external contracted services starting in 2015. By 2016, forecast costs for NGSSC application support are expected to reflect the impact of completing the transition of the day-to-day technical maintenance and operational support to internal resources, while continuing with a base level of external vendor software maintenance and development support.

Table 2. NGSSC application operation costs[26]

Line		2014 Approved	2015 Forecast	2016 Forecast
1	External contracted services	$606,000	$348,400	$200,000
2	Adjustment for licences in going-in rates	(60,600)	(61,500)	(62,400)
3		$545,400	$286,900	$137,600
4	AUI staff costs	–	267,000	317,300
5	**Total NGSSC-related operating costs**	**$545,400**	**$553,900**	**$454,900**

44. No intervener objected to the 2015 forecast capital costs or the 2015 forecast operating costs.

22 Exhibit No. 9, application, paragraph 59.
23 Decision 2014-042: AltaGas Utilities Inc., Phase II Review and Variance Decision on Decision 2013-072, 2012 Performance-Based Regulation Compliance Filings, Application No. 1610181, Proceeding ID No. 2981, February 21, 2014.
24 Exhibit No. 9, application, paragraphs 60-68.
25 Exhibit No. 9, application, paragraphs 69-74.
26 Exhibit No. 9, application, Table 3.2.1.1

4.3.2 2013 true-up

45. In the application, AltaGas stated that the NGSSC Phase 1 true-up adjustment (refund) of $4,151 represents an over-collection primarily due to actual capital costs being $235,219 lower than forecast due to AltaGas being able to defer some system testing to Phase 2.

46. AltaGas stated that the NGSSC Phase 2 true-up adjustment (refund) was an over-collection, in the amount of $219,382. Although actual Phase 2 capital costs were $1,183,095 higher than forecast, the 2013 NGSSC actual revenue requirement was lower than forecast primarily due to higher CCA tax deductions related to the increased capital costs. AltaGas expects this timing difference to reverse over the 10-year economic life of the associated assets. The capital costs for Phase 2 were higher than forecast,

> … primarily due to the significant effort required to establish a highly functional web portal required to meet market expectations. Specifically, increased external consultant costs to provide an expanded level of analysis, reiterative functional design reviews, coding and testing account for the majority of the cost increase.[27]

47. There was no operating cost true-up because operating costs were not applied for until 2014.

48. No intervener objected to the 2013 true-up.

Commission findings

49. The Commission has reviewed the detailed schedules provided by AltaGas[28] and is satisfied that the NGSSC-related forecast and true-up calculations have been performed, in accordance with previous decisions.

50. Based on its consideration of the directions provided in previous decisions, notably Decision 2013-072, Decision 2013-465 and Decision 2014-042, and the explanations provided by AltaGas in the application, the Commission finds that the 2015 forecast revenue requirement for Phase 1 and Phase 2 capital costs and for 2015 operating costs qualify for Y factor recovery and are reasonable. Accordingly, these costs are approved as an AltaGas Y factor in 2015.

51. The Commission accepts AltaGas' explanations for the true-up variances as reasonable and therefore also approves these amounts.

4.4 2013 Deficiency Rider F carrying charges

52. In Decision 2014-180, at paragraph 33, the Commission directed AltaGas:

> In order to provide for greater regulatory efficiency, the Commission will permit AUI to collect the full amount of its requested Rider F, including the requested carrying charges, over the course of the requested collection period. However, AUI is directed to address the refund of these same carrying charges in the amount of $2,291 in its upcoming 2015 annual PBR rate adjustment filing, as a Commission-directed Y factor.

27 Exhibit No. 9, application, paragraphs 86-88.
28 Exhibit No. 25.03, Excel schedules.

53. In the application, AltaGas responded that it has complied with this direction by including a refund of $2,291 to customers as a Y factor adjustment and included the amount in the detailed calculations in the supporting Excel schedules.[29]

Commission findings

54. The Commission has verified that AltaGas included the Commission-directed 2013 Deficiency Rider F carrying charges amount of $2,291 in the supporting schedules and the 2015 rates and finds AltaGas has complied with this Commission direction.

55. The Commission has reviewed the Deficiency Rider F carrying charge calculations in the Excel schedules provided with the application and is satisfied that the calculations were performed, in accordance with directions provided in previous decisions. These carrying charges are approved for inclusion in AltaGas' 2015 rates.

4.5 Y factor carrying charges

56. The use of WACC in carrying charge calculations was adopted by AltaGas in its 2010-2012 general rate application (GRA) and approved by the Commission in Decision 2012-091, and most recently in Decision 2013-465.

57. In Decision 2013-465, at paragraph 84, the Commission directed AltaGas:

> With respect to AUI's use of WACC for calculating carrying charges on its Y factor amounts, the Commission observes that this method was adopted by AUI in its 2010-2012 general rate application and approved by the Commission in Decision 2012-091, and most recently in Decision 2013-072. Accordingly, for the purposes of this decision, the Commission approves AUI's calculation of carrying charges on its Y factor amounts. The Commission directs AUI, in its next PBR annual rate adjustment filing, to discuss whether carrying charges should continue to be calculated based on the company's WACC rather than using the method set out in AUC Rule 023. [footnotes removed]

58. In the application, AltaGas responded that there are two different and distinct carrying costs applicable to Y factor amounts:

- carrying costs related to working capital for funds required to finance day-to-day operations and included in Y factor calculations
- carrying costs related to funds required to finance forecast to actual true-up deficiencies or excesses

59. AltaGas submitted that historically, in its cost of service-based rate applications, WACC has been applied to the working capital portion of rate base, including working capital related to deferral accounts. Since AUC Rule 023 came into effect on January 2, 2008, it has been applied to qualifying deficiencies or refunds.

60. AltaGas argued that the fact Y factors are excluded from the I-X formula and are recovered using a cost of service approach suggests they should be given the same treatment (WACC) as would apply under cost of service regulation. However, forecast to actual true-up amounts are different because they relate to short-term cash deficiencies or excesses that AltaGas

[29] Exhibit No. 9, application, paragraph 128.

usually finances with short-term funding. AltaGas concluded that the short-term rate provided by AUC Rule 023 should therefore be used for the calculation of carrying charges on balances resulting from the true-up of deficiencies or excesses. In support of its conclusion, AltaGas quoted paragraph 983 of Decision 2012-237:

> Carrying charges on balances that are subject to true up will be calculated using an interest rate equal to the Bank of Canada's Bank Rate plus 1½ per cent, subject to any previously approved Commission procedure for awarding interest on accounts that existed prior to implementation of PBR. This interest rate is consistent with AUC Rule 023, however the regulatory lag and materiality requirements of Rule 023 will not apply. [footnotes removed]

61. AltaGas submitted that, in accordance with the above AUC direction, it calculated a carrying cost refund of $6,658 using an interest rate of 2.75 per cent per annum applied to the total Y factor true-up adjustment balance. AltaGas submitted that, consistent with Decision 2012-237, the carrying charges are based on the short-term interest rate specified under AUC Rule 023, reflecting the Bank of Canada's bank rate, of 1.25 per cent plus 1.5 per cent as of September 3, 2014.[30]

Commission findings

62. The Commission has reviewed the Y factor carrying charge calculations in the Excel schedules provided with the application and is satisfied that the calculations are consistent with AUC Rule 023.

63. The Commission approved the WACC methodology used by AltaGas to calculate carrying costs for working capital in its 2010-2012 GRA. The Commission accepts AltaGas' explanation and the continuing use of the previously approved methodology. For these reasons, AltaGas' Y factor carrying charges are approved as applied for subject to any future proceedings or rule reviews that may alter the methods used for calculating carrying charges.

5 Z factor adjustments

64. In Decision 2012-237, the Commission provided for inclusion of a Z factor in AltaGas' PBR plan to account for the impact of material exogenous events for which the company has no other reasonable cost recovery or refund mechanism within the PBR plan.[31]

65. AltaGas did not apply for any Z factors in the application.

6 K factor placeholder

66. For 2015, AltaGas applied for a K factor placeholder in the amount of $3.52 million, which is equal to the net of the 2013 K factor true-up amount (refund) of $0.19 million included in AltaGas' 2013 capital tracker true-up application and the 2015 K factor forecast amount of $3.71 million included in AltaGas' 2014-2015 capital tracker application, both of which are

[30] Exhibit No. 9, application, paragraph 98 and paragraphs 123-126.
[31] Decision 2012-237, paragraph 523.

currently before the Commission in Proceeding nos. 3244 and 3152, respectively.[32] In the application, AltaGas confirmed that the applied-for 2015 K factor amount will initially be collected on an interim basis and then trued-up in the 2015 capital tracker true-up application, after the actual capital expenditures have been made.

67. In response to a Commission information request, AltaGas provided the revised rate calculations, supporting schedules and rate schedules for an alternative 2015 K factor placeholder amount consisting of the 2013 K factor true-up amount and 90 per cent of the requested 2015 K factor amount.[33]

68. In response to an information request in which the UCA asked AltaGas to explain why it chose to apply for a placeholder equal to 100 per cent of its revised 2015 K factor amount, AltaGas explained that it included the entire 2015 forecast K factor in order to minimize the potential impacts of cumulative adjustments in subsequent periods required to collect any outstanding balances. AltaGas stated that a partial K factor collection may have been reasonable for 2014 interim rates, given the uncertainty around the capital tracker framework, but such an approach is not appropriate "in relation to ongoing capital tracker programs that have now been reviewed by the AUC in at least three separate proceedings." AltaGas indicated that the issue may be moot, as it is likely a Commission decision on its 2014-2015 capital tracker application will be issued at, or prior to, implementation of its 2015 interim rates. AltaGas anticipates that the placeholder will be replaced by the approved forecast K factor adjustment and 2013 true-up prior to implementation of 2015 interim rates.[34] In argument, AltaGas added that it "does not support an approach that arbitrarily reduces forecast amounts, as the impacts on future true-ups is [*sic*] greatly magnified" and that its K factor forecast is reasonable.[35]

69. In argument, the UCA expressed concern with AltaGas' proposal to include 100 per cent of its proposed K factor amount in revenue for 2015. The UCA submitted that setting a placeholder amount for 2015 capital tracker revenue is similar, both in principle, and in effect, to setting an interim rate. Accordingly, the UCA suggested that the Commission should, when considering such a request, be guided by application of the established two-part test and criteria for setting interim rates outlined in Decision 2005-102.[36] The first part of the test considers factors related to quantum and need, as applied to the specifics of the requested rate increase. If all or a portion of the suggested rate increase appears warranted after a consideration of the quantum and need factors, the second part of the test is considered. Application of the second part of the test involves a consideration of certain general public interest factors to determine whether a rate increase is justified.[37]

70. The UCA then presented its views on both parts of the test. In addressing the first part of the test, the UCA argued that AltaGas has not demonstrated that a placeholder amount of 100 per cent of the K factor revenue is warranted because the capital tracker proceeding is still in progress and there are contentious issues in that proceeding. The UCA also pointed to what it

[32] Proceeding No. 3152, Application No. 1610446, AltaGas' 2014-2015 PBR capital tracker application; Proceeding No. 3244, Application No. 1610600, AltaGas' 2013 PBR capital tracker true-up application.

[33] Exhibit No. 25.01-25.03, AUC-AUI-1.

[34] Exhibit No. 27.01, UCA-AUI-1.

[35] Exhibit No. 29.01, paragraphs 25 and 29.

[36] Decision 2005-102: ATCO Electric Ltd. 2005 Interim Transmission Facility Owner Tariff, Application No. 1407551, September 7, 2005.

[37] Decision 2005-102, page 3.

considered to be a lack of financial need on the part of AltaGas or any exposure to potential hardship, as demonstrated by the fact that the company earned a return on common equity of 12.5 per cent in 2013.[38] Nonetheless, the UCA concluded that "a placeholder of some amount is prudent."[39]

71. With regard to the second part of the test, the UCA agreed with AltaGas that a 2015 K factor placeholder would help minimize the magnitude of future true-ups and prevent customer rate shock. However, the UCA submitted that a 100 per cent placeholder is not necessary to achieve this goal, and further, such a placeholder amount could negatively impact customers if less than 100 per cent of the K factor amount applied for in Proceeding No. 3152 is ultimately approved.[40]

72. Overall, the UCA concluded that a placeholder equal to 90 per cent of the applied-for 2015 K factor represents a reasonable compromise between the 60 per cent K factor placeholder previously used, and the 100 per cent placeholder currently proposed by AltaGas. In the UCA's view, approval of a 90 per cent K factor placeholder for 2015 would also be appropriate because it minimizes the possibility of future rate shock, intergenerational inequity and rate instability.[41]

73. The CCA submitted that, at the time of argument, the decision on AltaGas' 2015 K factor amount is still outstanding and that the company had not demonstrated financial hardship or a need to obtain 100 per cent of the K factor on an interim basis. The CCA contended that a K factor of 80 per cent of the applied-for amount would represent a reasonable balancing of "past AUC practice, rate stability and lack of financial need demonstrated."[42]

74. In reply, AltaGas disagreed with the UCA's comparison of the K factor placeholder to interim rates and with the UCA's suggestion that the principles established in Decision 2005-102 support its position in this regard. In AltaGas' view, considerations applicable to the establishment of interim rates, such as those contemplated in Decision 2005-102, are intended to apply to overall rates and not to specific placeholder amounts. AltaGas quoted paragraph 48 of Decision 2013-435 as being supportive of its position in this respect:

> It was acknowledged by the Commission that superior incentives for capital trackers would result if the companies were required to spend money on capital expenditures prior to receiving approval for capital tracker recovery of the expenditures. However, given the lack of experience with the capital tracker mechanism, for the first generation PBR plans, it was determined that the companies will be permitted to apply for capital trackers on a forecast basis. ***The approved forecast cost of a capital tracker project will be included in rates on an interim basis and will be subject to a true-up to prudently incurred actual expenditures, after the project is completed***. The true-up process will test the prudence of the actual capital expenditures and imprudent expenditures will be subject to disallowance. As a result, the capital tracker mechanism retains some efficiency incentives due to the risk of regulatory disallowances in the true-up process if expenditures are not prudently incurred. [emphasis in original]

[38] Exhibit No. 28.02, UCA argument, paragraphs 12-15.
[39] Exhibit No. 28.02, UCA argument, paragraph 16.
[40] Exhibit No. 28.02, UCA argument, paragraphs 18-19.
[41] Exhibit No. 28.02, UCA argument, paragraph 22.
[42] Exhibit No. 30.01, CCA argument, paragraphs 7-10.

75. AltaGas submitted that "it is clear from the above quote that at least for purposes of the first generation PBR, the AUC considered it appropriate and reasonable to include the approved forecast adjustments on an interim basis, subject to future true-up. Therefore, the UCA's reference to Decision 2005-102 in regards to a placeholder for the K Factor adjustment should be disregarded."[43]

Commission findings

76. In Decision 2013-072, which dealt with the establishment of 2013 PBR rates, the Commission determined that it is reasonable "to begin recovery of capital tracker related costs earlier in the year by way of a K factor placeholder in order to avoid potential rate shock" and that "because placeholders are approved on an interim refundable basis (i.e., subject to future reconciliation), customers' interests will be protected."[44] In that decision, the Commission awarded a 60 per cent K factor placeholder for AltaGas. The Commission adopted a similar approach in Decision 2013-465, where it awarded AltaGas a 60 per cent K factor placeholder for 2014 interim rates.

77. As noted by the UCA, Proceeding Nos. 3152 and 3244 are still in progress and involve contentious issues. In these circumstances, the Commission considers that a placeholder of less than 100 per cent of the applied-for 2015 K factor amount should be approved.

78. The Commission agrees with the UCA's view that the principles underlying the two-part test from Decision 2005-102 for approving interim rates are applicable to the K factor placeholder. At the same time, the Commission agrees with the findings in that decision that different weightings may be applied to the Commission's considerations depending on the specific circumstances surrounding each application. In determining the K factor placeholder for 2015, the Commission has considered rate stability, avoidance of rate shock, intergenerational equity and providing timely funding to the utility.

79. Both the UCA and the CCA submitted that a 2015 placeholder equal to less than 100 per cent of the proposed 2015 K factor is reasonable. The Commission finds that a K factor in the amount of 90 per cent represents a reasonable balance, considering all of the present circumstances and past practices. Accordingly, the Commission approves a K factor amount of $3,516,218[45] to be included in AltaGas' 2015 PBR rates. In doing so, the Commission considers that this placeholder amount provides a reasonable level of funding to AltaGas on a timely basis and reduces the potential of customer rate shock in future periods.

6.1 Carrying charges on K factor

80. AltaGas quoted the Commission from paragraph 983 in Decision 2012-237:

> Carrying charges on balances that are subject to true up will be calculated using an interest rate equal to the Bank of Canada's Bank Rate plus 1½ per cent, subject to any previously approved Commission procedure for awarding interest on accounts that existed prior to implementation of PBR. This interest rate is consistent with AUC Rule 023, however the regulatory lag and materiality requirements of Rule 023 will not apply.

[43] Exhibit No. 33.01, AltaGas reply argument, paragraphs 4-6.
[44] Decision 2013-072, paragraph 40.
[45] Exhibit No. 25.03, AUC-AUI-01 Attachment - 2015 PBR Schedules – October 21 2014, schedules 1.0, 2.0 and 7.0.

81. AltaGas stated that, in accordance with the above AUC direction, it calculated a carrying cost refund of $7,679 using an interest rate of 2.75 per cent per annum applied to the total K factor true-up adjustment. The carrying charges are based on the short-term interest rate specified under AUC Rule 023, reflecting the Bank of Canada's bank rate as of September 3, 2014, of 1.25 per cent, plus 1.5 per cent.[46]

Commission findings

82. With respect to the proposed $7,679 carrying charge refund on the K factor amount, the Commission finds that this amount does not qualify for the awarding of interest under paragraph 2(a) of Section 3 of AUC Rule 023, which provides that "an adjustment from interim to final approved rates will normally be excluded from the awarding of interest since the interim rate is designed to reduce significant amounts that would otherwise be outstanding …" The Commission is of the view, however, that the actual amount claimed in this case is too small to justify a recalculation of the K factor amount through a separate compliance filing. Therefore, AltaGas is directed to include a reversal of the $7,679 carrying charge refund in either its next deficiency/refund application or in its 2016 annual PBR rate adjustment filing, whichever occurs first.

7 2015 billing determinants forecast

83. In the application, AltaGas quoted from paragraphs 994 and 995 of Decision 2012-237:

> 994 … Because the billing determinants are generally used to allocate items that have been determined to be exceptions to the incentive properties of PBR, the Commission considers that it is necessary to achieve a greater degree of accuracy. The Commission does not consider that the company or its customers should benefit from, or be negatively impacted by, forecasting inaccuracies that may result from using forecasts that extend well into the future. Utilizing a shorter term for the forecasts will reduce the possibility for material forecasting inaccuracies. For this reason the companies will provide a revised forecast of their billing determinants annually as part of the September 10th annual PBR rate adjustment filings.
>
> 995. Companies will be expected to utilize forecasting methodologies that are logical and easy to understand, and in most cases this will involve the continued use of forecasting methodologies utilized prior to PBR. Companies should utilize consistent billing determinant forecasting methodologies during the PBR term unless the Commission orders otherwise. Companies will describe the methodology they plan to use for the duration of the PBR term as part of their compliance filings to this decision.

84. AltaGas submitted that, consistent with paragraphs 994 and 995 of Decision 2012-237, it had provided a revised billing determinant forecast for 2015, and explained its approach in developing billing determinants. In doing so, the company also confirmed that the forecast methodologies it employed are consistent with those it used in its 2010-2012 GRA, and 2013 and 2014 annual PBR filings.

85. No intervener objected to the billing determinant forecast provided by AltaGas.

---

[46] Exhibit No. 9, application, paragraph 98.

Commission findings

86. The Commission has reviewed AltaGas' forecast 2015 billing determinants and the supporting calculations, and finds that the forecasting methodology used is consistent with previous PBR-related applications, and that the resulting forecast billing determinants are reasonable. The billing determinants set out in Sections 2.2.1 and 2.2.2 of the application and Schedule 2.3 of the supporting schedules to the application are approved as filed.

87. To facilitate the review of AltaGas' forecast billing determinants by the Commission and interested parties, in subsequent annual PBR rate adjustment filings AltaGas is directed to provide information on the variance from forecast to actual number of customers by rate class in each completed prior year of the PBR term, as well as identifying the causes of variances larger than ±5 per cent on an annual basis. In its 2016 annual PBR rate adjustment filing, AltaGas is directed to provide this variance analysis for 2013 and 2014.

8 Utilization of rate riders

88. In Decision 2013-465, the Commission approved the following riders outside of the PBR formula for AltaGas to use in 2014:[47]

Table 3. AltaGas riders approved for 2014 in Decision 2013-465

Rider	Description
Rider A franchise fees	Franchise fees are paid to municipalities in consideration of the exclusive grant of a franchise and for the ability to put gas distribution facilities on land owned by the municipalities.
Rider B property tax	Property taxes are levied by municipalities against AltaGas' land and buildings, linear property, machinery and equipment.
Rider C deemed cost of gas	Rider C is a deemed calculation used where municipalities calculate the franchise fee on both natural gas charges and delivery charges for customers being served by a competitive retailer. Rider C is necessary to ensure the franchise fee is charged in a fair way, whether a customer buys competitive gas supply or default gas supply.
Rider D gas cost recovery	The gas cost recovery rate is the cost per gigajoule, approved by the AUC on a monthly basis, for the cost of natural gas provided to default supply customers plus any procurement costs, management fees, bad debt, penalty revenue or carrying costs of cash working capital related to providing natural gas to its customers.
Rider E unaccounted for gas	Rider E is used in calculating Rider D, Rider G and in determining the amount of gas to be delivered to AltaGas by retailers. Rider E is designed to allow AltaGas to recover from Producer Transportation customers its share of annual line losses and is approved on an annual basis by the AUC.
Rider F deficiency or refund rider	Rider F is used to recover a deficiency or refund a surplus resulting from the difference between interim and final rates.
Rider G third party transportation	Rider G is the cost per gigajoule, approved by the AUC on a monthly basis, for third party transportation costs incurred by AltaGas for transporting gas to customers on a third party's pipeline (e.g., TCPL, ATCO Pipelines, municipal systems).
Rider H unaccounted for gas	Rider H is used to facilitate gas settlement and balancing calculations and ensure the associated terms and conditions of service are consistent with AUC Rule 028. This rider is necessary to calculate the retailers' and the default gas supply providers' share of UFG required under AUC Rule 028.
Rider L load balancing	Rider L is used to capture the financial impact of the effects of retailers' account imbalances for deliveries and receipts on AltaGas' distribution system and to account for system balancing of transmission capacity on the TCPL system.

[47] Decision 2013-465, Appendix 4.

89. In Decision 2013-465, the Commission stated that it would review the continued need for these riders when considering the September 10, 2014 company annual rate adjustment filings. The Commission directed all companies, including AltaGas, to address the continuing need for each of the riders in their respective September 10, 2014 filings.[48]

90. AltaGas assessed the continuing need for each the above-referenced riders and submitted that each will be required on an ongoing basis. AltaGas explained:

> … [T]the riders are required as part of AUI's default supply and natural gas settlement function, are necessary to meet franchise agreement requirements, and the circumstances warranting the underlying deferral mechanisms exist or may reasonably be expected to arise during the PBR term. Consequently, it is appropriate to allow AUI to continue utilizing the riders in 2015 and for the remaining duration of the PBR term. Should circumstances change, AUI will advise the Commission as part of a future Annual Filing.[49]

91. AltaGas also advised that it is not currently aware of the need for any riders other than those approved in Decision 2013-465. As such, AltaGas did not apply for any additional riders in the application.

92. In argument, AltaGas requested that its current rider mechanisms be approved for the duration of the PBR term without the requirement to revisit this matter in each annual filing.

93. No party objected to AltaGas' continued use of the existing rate riders in 2015.

Commission findings

94. In Decision 2012-237, the Commission recognized a need to recover some approved flow-through items through separate riders because these items do not correspond to the timing of the annual PBR rate adjustment proceeding:

> 984. As discussed in Section 7.4.3, flow-through items currently collected by way of separate rider will be collected using the existing methodology and rider mechanism outside of the annual PBR rate adjustment filing process to recognize that these flow-through items are currently processed throughout the year. As a result, applications related to flow-through items may be submitted throughout the year.[50]

95. The Commission has reviewed the riders proposed by AltaGas for use in 2015. Having considered the information provided by AltaGas with respect to the purposes and amounts of the proposed riders, the Commission finds that these riders are necessary to address flow-through or Commission-directed items (i.e., items relating to Y factors) approved for inclusion in AltaGas' PBR plan. Accordingly, the Commission approves the use of the riders identified in Table 3 for 2015.

96. With respect to AltaGas' request that its current rider mechanisms be approved for the duration of the PBR term without the requirement to revisit this matter in each annual filing, the Commission has determined that there is value in the transparency provided by annual disclosure of the costs that are being recovered outside of the PBR formula. Accordingly, AltaGas is

48 Decision 2013-465, paragraph 115.
49 Exhibit No. 9, application, paragraph 112.
50 Decision 2012-237, page 210, paragraph 984.

directed in its September 10, 2015 filing to address the continuing need for each of the riders listed in Table 3.

9 Terms and conditions of service

97. AltaGas did not propose any changes to its terms and conditions of service as part of the application.

10 Financial reporting requirements and senior officer attestation

98. In Section 13 of Decision 2012-237, the Commission directed the companies to provide certain financial information in their annual PBR rate adjustment applications. Specifically, each company was directed to provide a copy of its AUC Rule 005: *Annual Reporting Requirements of Financial and Operational Results* (AUC Rule 005) filing and an attestation signed by a senior officer of the company. The required attestations and certifications by a senior officer of each company are as follows:

- confirm the reported ROE [return on equity] used to determine if a re-opener exists, either actual or weather normalized
- describe any changes in accounting methods, including assumptions respecting capitalization of labour and overhead and associated impacts
- describe any changes in the depreciation parameters and associated impacts
- describe any changes in the allocation of shared services costs and associated impacts
- confirm the inflation parameters used, including calculation and application of the rates formula to rates
- confirm the calculation of flow-through costs (Y factors) and associated riders conform to Commission directions
- confirm the calculation of exogenous (Z factor) adjustments and associated riders conform to Commission directions
- confirm the calculation of capital trackers (K factor) and associated riders conform to Commission directions
- identify any material changes in the components of costs or revenues
- confirm that the numbers, assumptions and presentation of the numbers in the application are accurate, complete, and proper
- confirm that the numbers, assumptions and proposed rates are reasonable, fair and accurate[51]

99. AltaGas provided its 2013 AUC Rule 005 filings in Appendix B to the application.[52] An attestation signed by a senior officer of the company was provided as Appendix E to the application.[53]

100. In Decision 2012-237, the Commission also determined that, in order to maintain transparency and consistency, disallowed costs should continue to be identified and excluded from a company's return on equity calculation. Accordingly, the Commission directed each utility to include in its annual PBR rate adjustment filing a schedule that includes two tables,

[51] Decision 2012-237, paragraph 862.
[52] Exhibit No. 9, Appendix B.
[53] Exhibit No. 9, Appendix E.

one providing a reconciliation of financial and utility returns and a second providing a summary of costs found to be inappropriate, or otherwise disallowed.[54] AltaGas provided the two tables as Appendix C to the application.[55]

Commission findings

101. The Commission has reviewed the company's AUC Rule 005 filings, the attestation signed by the company's senior officer and the two summary tables contained in Appendix B, Appendix E and Appendix C to the application, respectively, [56] and is satisfied that AltaGas has complied with the Commission's directions in Section 13 of Decision 2012-237.

11 AltaGas' 2015 PBR interim rates and bill impacts

102. In Decision 2012-237, at paragraph 964, the Commission prescribed the PBR annual rate adjustment calculation for gas distribution companies' distribution rates. AltaGas provided the prescribed schedules with rate calculations, rates and typical customer bill impacts in attachments to the application.[57]

103. AltaGas applied for a 100 per cent K factor recovery. In response to AUC-AUI-1, AltaGas provided updated rate calculations, rate schedules, and typical customer bill impacts to reflect a 90 per cent K factor placeholder (and maintaining a 100 per cent collection of the 2013 K factor true-up amounts).[58]

104. As directed in Decision 2013-095,[59]AltaGas escalated its special charges by the I-X factor. AltaGas also filed its 2015 special charges schedule as a separate document,[60] as directed in Decision 2014-139.[61]

105. In the application, AltaGas provided the following table, which presents both the absolute and percentage impact that the proposed 2015 PBR rates will have on the distribution charges portion of typical customer bills for each rate class:

54 Decision 2012-237, paragraphs 855 and 861.
55 Exhibit No. 9, Appendix C.
56 Exhibit No. 9, application, sections 4.3 and 4.4 and appendices C and E.
57 Exhibit No. 1, rate calculations; Exhibit No. 4, rate schedules; and Exhibit No. 4, Schedule 4.0, customer bill impacts.
58 Exhibit No. 25.02, rate schedules; Exhibit No. 25.03, rate calculations; Exhibit No. 25.03, Schedule 4.0 and Exhibit No. 25.04, customer bill impacts.
59 Decision 2013-095: AltaGas Utilities Inc. Filing for Acknowledgement – Increase in Standard Non-Refundable Contributions and Special Charges, Application No. 1609281, Proceeding ID No. 2417, March 15, 2013.
60 Exhibit No. 5.
61 Decision 2014-139: AltaGas Utilities Inc. 2013-2017 Performance-Based Regulation – Phase II Negotiated Settlement, Application No. 1609722, Proceeding No. 2687, May 23, 2014. The Commission approved, at paragraph 99, AltaGas' request to separate the special charges schedule from its terms and conditions of service and to present it in the terms and services as a separate document.

Table 4. Bill impact of AltaGas' proposed 2015 PBR interim rates[62]

	Rates 1/11	Rates 1/11	Rates 1/11	Rates 2/12	Rates 3/13	Rates 4/14
	Residential	Commercial	Rural	Large general service	Demand / commodity	Irrigation
Total 2015 revenue at:						
Existing rates	658.32	1960.31	807.76	17,018.54	41,372.57	983.10
Proposed 2015 rates	672.85	2004.51	825.70	16,885.28	43,249.36	992.95
Annual increase ($)	14.53	44.20	17.94	(133.26)	1,876.79	9.85
Annual increase (per cent)	2.21	2.25	2.22	(0.78)	4.54	1.00

106. AltaGas also provided, in response to AUC-AUI-2, a typical customer bill impact analysis that reflects the total costs (i.e., costs including the forecast commodity charge) that customers would pay on their bills. In performing this analysis, AltaGas maintained the 90 per cent K factor placeholder and 100 per cent collection of the 2013 K factor true-up amounts provided in response to AUC-AUI-1.

107. In determining the forecast commodity charge, AltaGas used the fixed price settlement closing prices for the natural gas curve as at October 13, 2014:

> The settlement closing prices were extracted from the Basis Market to the Henry Hub for the AECO C/NIT pool downloaded from the Canadian Natural Gas Index (NGX), settlement page. For the Third Party Transportation Rate (TPTR), the 2015 forecast rates were based on 2014 actual third party transportation costs, where possible. Both GCRR [gas cost recovery rate] and TPTR forecasts were calculated using the AUC approved GCRR and TPTR calculation methods.[63]

108. After completing its analysis, AltaGas determined the typical customer bill impacts, measured as the difference between 2015 forecast revenues at 2014 rates and at 2015 proposed rates, including both the distribution rates and the commodity costs for identified rate classes.[64] The results of this analysis are set out in Table 5:

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62 Exhibit No. 25.03, Schedule 4.0, updated customer bill impacts.
63 Exhibit No. 25.01, AUC-AUI-2.
64 The calculation includes a weighting of the distribution and commodity rates, by rate class.

Table 5. Rate impacts[65]

Line	Customer Type		Rate Class	2015 delivery rate change (per cent)	2015 commodity rate change (per cent)	Weighted percentage impact to customer bills (per cent)
1	Small general service	Residential	Rate 1/11	2.23	(17.48)	(5.85)
2		Commercial	Rate 1/11	2.27	(17.53)	(9.47)
3		Rural	Rate 1/11	2.23	(17.49)	(8.39)
4		Total	Rate 1/11	2.24	(17.50)	(7.40)
5	Large general service		Rate 2/12	(0.78)	(17.13)	(10.64)
6	Demand		Rate 3/13	4.54	(13.94)	(6.49)
7	Irrigation		Rate 4/14	1.00	2.52	1.78
8	Total			2.23	(17.23)	

Commission findings

109. The Commission has reviewed AltaGas' 2015 distribution rate calculations and is satisfied that AltaGas has calculated the rates in a manner that is consistent with Commission directions contained in Decision 2012-237, Decision 2013-270 and Decision 2013-465. Accordingly, the Commission approves these amounts, as filed in the updated schedules.[66]

110. The Commission has also reviewed the proposed special charges and standard contribution amounts contained in AltaGas' 2015 special charges schedule[67] and finds that the amounts have been correctly escalated by I-X, as directed by the Commission in paragraph 25 of Decision 2013-095. Accordingly, the Commission approves these amounts, as filed.

111. The Commission has reviewed the typical customer bill impacts methodology, assumptions, sources and calculations. The Commission is satisfied that the impacts to all rate classes, based on analyses both with and without commodity charges included, are reasonable and do not cause rate shock.

112. The Commission has reviewed AltaGas' 2015 annual PBR rate adjustment filing and finds that the proposed January 1, 2015 interim rates were calculated in accordance with the provisions of the company's PBR plan as approved by the Commission. The Commission further finds that AltaGas' 2015 PBR rates include a K factor forecast (reflecting 100 per cent of the aggregate of AltaGas' 2013 true-up and 90 per cent of AltaGas' 2015 forecast K factor amounts) and a placeholder with respect to any adjustment to the company's capital structure as contemplated by paragraph 710 of Decision 2012-237, among others.

65 Exhibit No. 25.04, AUC-AUI-2, Schedule 1a.
66 Exhibit No. 25.02, rate schedules; Exhibit No. 25.03, rate calculations; Exhibit No. 25.03, Schedule 4.0 and Exhibit No. 25.04, customer bill impacts.
67 Exhibit No. 5.

113. Accordingly, the Commission approves AltaGas' 2015 PBR distribution rates and special charges schedule, as set out in Appendix 4 and Appendix 5, respectively, of this decision, on an interim basis, until all remaining placeholders have been determined. When these placeholders are resolved, the 2015 rates will be finalized and any required true-up adjustments will be made in accordance with directions provided by the Commission.

12 Order

114. It is hereby ordered that:

(1) The distribution rates and special charges contained in appendices 4 and 5 are approved on an interim basis as the distribution rates schedule and special charges schedule, respectively, for AltaGas Utilities Inc., effective January 1, 2015.

Dated on December 18, 2014.

The Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

(original signed by)

Kay Holgate
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Utilities Inc. (AltaGas) B. Ayo
AltaLink Management Ltd. T. Kanasoot Z. Lazic
ATCO Gas D. Connolly R. Trovato
EPCOR Distribution & Transmission Inc. (EDTI) J. Baraniecki N. Lamers
Consumers' Coalition of Alberta (CCA) J. A. Wachowich J. Jodoin
FortisAlberta Inc. (Fortis) J. Croteau J. Sullivan J. Walsh T. Dalgleish
Office of the Utilities Consumer Advocate (UCA) H. Gnenz Z. Rimmer R. Daw T. Marriott

The Alberta Utilities Commission Commission Panel M. Kolesar, Vice-Chair K. Holgate, Commission Member Commission Staff R. Finn (Commission counsel) P. Howard C. Runge P. Genderka B. Miller

Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. With respect to the proposed $7,679 carrying charge refund on the K factor amount, the Commission finds that this amount does not qualify for the awarding of interest under paragraph 2(a) of Section 3 of AUC Rule 023, which provides that "an adjustment from interim to final approved rates will normally be excluded from the awarding of interest since the interim rate is designed to reduce significant amounts that would otherwise be outstanding …" The Commission is of the view, however, that the actual amount claimed in this case is too small to justify a recalculation of the K factor amount through a separate compliance filing. Therefore, AltaGas is directed to include a reversal of the $7,679 carrying charge refund in either its next deficiency/refund application or in its 2016 annual PBR rate adjustment filing, whichever occurs first.................... Paragraph 82
2. To facilitate the review of AltaGas' forecast billing determinants by the Commission and interested parties, in subsequent annual PBR rate adjustment filings AltaGas is directed to provide information on the variance from forecast to actual number of customers by rate class in each completed prior year of the PBR term, as well as identifying the causes of variances larger than ±5 per cent on an annual basis. In its 2016 annual PBR rate adjustment filing, AltaGas is directed to provide this variance analysis for 2013 and 2014. .... Paragraph 87
3. With respect to AltaGas' request that its current rider mechanisms be approved for the duration of the PBR term without the requirement to revisit this matter in each annual filing, the Commission has determined that there is value in the transparency provided by annual disclosure of the costs that are being recovered outside of the PBR formula. Accordingly, AltaGas is directed in its September 10, 2015 filing to address the continuing need for each of the riders listed in Table 3.................................. Paragraph 96

Appendix 3 – Inflation indexes used in the 2015 I factor calculation

(return to text)

	Alberta CPI CANSIM 326-0020	Alberta AWE CANSIM 281-0063	Average July to June		Year over year % change		2015
	v41692327	v79311387 (*)	AB CPI	AB AWE	AB CPI	AB AWE	I factor
Date	(2002=100)	$	(2002=100)	$	%	%	%
July 2012	126.80	1080.64					
August 2012	127.60	1102.37					
September 2012	127.80	1086.56					
October 2012	128.00	1090.61					
November 2012	127.30	1091.24					
December 2012	126.50	1095.14					
January 2013	126.50	1083.82					
February 2013	127.70	1099.51					
March 2013	128.10	1098.08					
April 2013	128.70	1099.83					
May 2013	129.50	1119.34					
June 2013	129.80	1109.80	127.86	1096.41			
July 2013	129.60	1100.82					
August 2013	129.40	1107.93					
September 2013	129.50	1111.25					
October 2013	129.30	1123.12					
November 2013	129.50	1130.09					
December 2013	129.10	1140.52					
January 2014	129.90	1127.82					
February 2014	130.80	1127.06					
March 2014	133.10	1140.00					
April 2014	132.20	1143.28					
May 2014	132.80	1150.61					
June 2014	132.30	1156.28	130.63	1129.90	2.17	3.05	**2.65**

(*) Note: For the July 2012 to June 2013 Alberta AWE, data from CANSIM Table 281-0028, series v1597350 was used.

Source**:** Exhibit No. 1, Supporting schedules to AltaGas application, Schedule 8.0.

Appendix 4 – 2015 interim distribution rate schedules

(return to text)

Appendix 4 - 2015
interim distribution rat

(consists of 13 pages)

Appendix 5 – 2015 interim special charges schedules

(return to text)

Appendix 5 - 2015
interim special charge

(consists of 4 pages)

RATE NO. 1	SMALL GENERAL SERVICE

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, emergency or irrigation services.

Charges:

Fixed Charge:

Base	$ 1.140/Day
Default Supply Provider Administration Fee..................	$ 0.084/Day

Variable Energy Charge:

Base	$ 1.885/GJ
Gas Cost Recovery...	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

EFFECTIVE DATE:	REPLACING RATE EFFECTIVE:	Page 1 of 1
January 1, 2015	January 1, 2014 Decision 2013-465	SGS

RATE NO. 2	LARGE GENERAL SERVICE (OPTIONAL)

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

Charges:

Fixed Charge:

Base	$ 12.917/Day
Default Supply Provider Administration Fee	$ 0.084/Day

Variable Energy Charge:

Base	$ 1.019/GJ
Gas Cost Recovery	Rate Rider "D"
Third Party Transportation	Rate Rider "G"

The minimum daily charge will be the Fixed Charge.

RATE NO. 3	DEMAND GENERAL SERVICE (OPTIONAL)

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

Charges:

Demand Charge .... $ 0.274/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 15.129/Day
Default Supply Provider Administration Fee.................. $ 0.084/Day

Variable Energy Charge:

Base .... $ 0.032/GJ
Gas Cost Recovery.. Rate Rider “D”
Third Party Transportation .... Rate Rider “G”

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or

2. The Contract Demand, or

3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

RATE NO. 4	IRRIGATION PUMPING SERVICE (OPTIONAL)

Description:

Available only to customers for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

	April 1 to October 31
Fixed Charge:	
Base	$ 3.291/Day
Default Supply Provider Administration Fee	$ 0.084/Day
Variable Energy Charge:	
Base	$ 1.066/GJ
Gas Cost Recovery	Rate Rider "D"
Third Party Transportation	Rate Rider "G"

The minimum daily charge will be the Fixed Charge.

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RATE NO. 6	STANDBY, PEAKING, AND EMERGENCY SERVICE

Description:

Available only at the option of the Company.

Charges:

Demand Charge .... $ 0.274/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 15.129/Day
Default Supply Provider Administration Fee.................. $ 0.084/Day

Variable Energy Charge .... 1.3 times the Variable Base Charge of Rate No. 3 plus the greater of:
(a) 1.3 times the GCRR; or
(b) 1.3 times the actual cost of gas purchased

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

RATE NO. 10a	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10a customer subject to the terms and conditions specified in the contract.

Charges:

	Term 1 Year	 2 Years	 3 Years
Fixed Charge per Month	$ 250.00	$ 250.00	$ 250.00
Demand Charge per GJ of Billing Demand per Month	$ 1.418	$ 1.333	$ 1.248
Energy Charge per GJ	$ 0.019	$ 0.019	$ 0.019

a) The minimum monthly charge will be the fixed plus demand charge.

b) The Company and customer shall determine receipt and delivery locations for transportation service by consultation and agreement.

c) Service under Rate 10a is subject to available system capacity.

d) The Company reserves the right to restrict the amount of gas received and delivered up to the Contract Demand.

e) Billing demand will be the higher of: contracted demand, the greatest amount of gas (GJ) transported in any consecutive 24-hour period, during the current or the previous 11 months.

f) The rates do not include costs payable by the Customer for specific facilities at the point(s) of receipt or delivery provided by the Company for the Customer.

RATE NO. 10b	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10b customer subject to the terms and conditions specified in the contract.

Charges:

Variable Energy Charge .... $ 0.085/GJ

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RATE NO. 10c	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10c customer subject to the terms and conditions specified in the contract.

Charges:

Demand Charge .... $ 0.020/Day/GJ of Billing Demand

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RATE NO. 11	SMALL GENERAL SERVICE FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base .... $ 1.140/Day

Variable Energy Charge:

Base .... $ 1.885 GJ
Third Party Transportation .... Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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RATE NO. 12	LARGE GENERAL SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base .... $ 12.917/Day

Variable Energy Charge:

Base .... $ 1.019/GJ
Third Party Transportation .... Rate Rider “G”

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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RATE NO. 13	DEMAND GENERAL SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Demand Charge .... $ 0.274/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 15.129/Day

Variable Energy Charge:

Base .... $ 0.032/GJ
Third Party Transportation .... Rate Rider "G"

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

RATE NO. 14	IRRIGATION PUMPING SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply. Available to retailers only for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

	April 1 to October 31
Fixed Charge:	
Base	$ 3.291/Day
Variable Energy Charge:	
Base	$ 1.066/GJ
Third Party Transportation	Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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SPECIAL CONTRACT RATE NO. 30	TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate No. 30 customer for the term and conditions specified in the contract.

Charges:

Fixed Charge	$ 250.00/Month
Energy Charge…	$ 0.230/GJ

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AltaGas Utilities Inc.

Special Charges Schedule

In a number of places the Natural Gas Utility Service Rules refer to special charges for some services. Following is a list of the charges, as approved by the Alberta Utilities Commission.

Special Charge	**Fee**
Account Activation Fee	$ 36.71
Remove and test meter - per meter:	
Residential	$ 78.64
Other	Actual Cost
Special meter readings (each time)	$ 36.71
No Access Fee (each time)	$ 36.71
Reconnection Fee:	
Residential	$ 52.43
Other (except Irrigation)	Actual Cost
Irrigation Disconnection/Reconnection Fee:	
Each time (except normal season start and end)	$ 78.64
Reinstallation of Meter/Regulator:	
Residential	$ 78.64
Other	Actual Cost
Dishonoured payment charge (NSF cheque, etc.) - each time	$ 26.21
Cheque certification charge - each time	$ 10.48
Any other service at Customer's Request	Actual Cost
Late Payment Percentage	
Applied to any unpaid balance from previous bills (18% per annum, compounded monthly)	1.5%
Standard Non-Refundable Contribution (as defined on p. 4):	
Town	$ 0.00
Rural Subdivision	$ 524.70
Rural Other	$ 5,663.14

Note: "Actual Cost," where referenced, means our direct costs for labour, materials, services and equipment plus applicable overheads.

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AltaGas Utilities Inc.

Special Charges Schedule (continued)

AUC Rule 003 – Service Quality and Reliability Performance Monitoring and Reporting for Regulated Rate Providers and Default Supply Providers

Service Guarantee for Customers Who Purchase Default Supply

We will credit your account with us for $75.00 if:

- You were provided written notice of pending disconnection of service in error;
- You were provided written notice of pending referral to a credit agency in error;
- You were referred to a credit agency in error; or
- You experienced disconnection of service in error.

The $75 credit will not be applied if the error was not made by us or if:

- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice and your payment crossed in the mail;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was in mail transit at the time you made or attempted to make payment by visiting the premises of an authorized payment acceptance establishment, such as a bank, trust company or credit union;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was properly mailed, but you did not pick up the mail from locations, such as a post office, super mail box or home mail box;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was undelivered by the mail delivery service; or
- You attempted to make payment to one of our employees or someone hired by us to disconnect your *service site* and the disconnection was not in error, but that person was not authorized to accept payment.

AltaGas Utilities Inc.

Special Charges Schedule (continued)

Non-Refundable Contributions

Applications for service will require a non-refundable contribution. In most cases, a standard contribution is all that is required. Services uneconomic with a standard contribution will require an additional non-refundable contribution.

Standard Non-Refundable Contributions

Standard contributions are filed for acknowledgment with the Commission when they are initially established and, thereafter, whenever they are changed. For a current list of our standard non-refundable contributions, please refer to p. 1 of this Special Charges Schedule or contact us toll-free using our General Inquiry phone number to find current rates.

Non-Standard Non-Refundable Contributions

Winter Construction – Should the service be requested for installation under winter construction conditions, the customer is responsible for the incremental frost charges.

Other – If it is not economic to consider an application for service under a standard contribution, it will be evaluated individually to determine a specific, non-refundable contribution.

Calculation of Specific Non-Refundable Contributions

The calculation of a specific non-refundable contribution will be based on a net present value analysis applying the following criteria:

a) An estimate of the total capital costs of providing service;
b) An estimate of the total annual operating costs of providing service;
c) The *Commission*-approved return on common equity, interest rate, depreciation rates, income taxes and capital structure;
d) An estimate of the expected net revenue that will accrue from the addition of the service.

The additional contribution will be the amount required to make the net present value of the revenue stream equal the revenue requirement stream.

AltaGas Utilities Inc.

Special Charges Schedule (continued)

Additional Criteria:

- Rate 1/11 – Town – A *service site* located within an incorporated municipality, such as a village, town or city;
- Rate 1/11 – Rural Subdivision – A *service site* not defined as 'Town', but located in an AltaGas Utilities Inc. designated subdivision;
- Rate 1/11 – Rural Other – A *service site* which is neither defined as 'Town' nor 'Rural Subdivision'
- Other – A *service site* which is served under any rate other than Rate 1/11.