



AltaGas Utilities Inc.

2015 Net Deficiency and Rider F

September 24, 2015



Alberta Utilities Commission
Decision 20695-D01-2015
AltaGas Utilities Inc.
2015 Net Deficiency and Rider F
Proceeding 20695

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1 Introduction

1. On August 1, 2015, AltaGas Utilities Inc. submitted an application to the Alberta Utilities Commission requesting approval to implement Rate Rider F, for collection of AltaGas' net deficiency in October and November 2015, for all rate classes except the irrigation rate class. AltaGas proposed to collect the associated Rider F amounts from irrigation customers in October 2015, only.

2. On August 4, 2015, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by August 14, 2015. In their SIPs, parties were to provide a description of their interest in the proceeding, an explanation of their position including information in support of the position, and submissions as to whether further process is required.

3. The Commission received a SIP from the Consumers' Coalition of Alberta (CCA). The CCA requested the opportunity to test the application with a process of information requests (IRs) before commenting on whether or not it would be objecting to the application.

4. On August 5, 2015, AltaGas filed a revised application,¹ including revised net deficiency amount calculations and rate schedules.² Subsequently, on August 19, 2015, AltaGas filed a further revised application³ to correct an error in wording in the August 5 revised application, and requested that the August 19 revised application replace Exhibit 20695-X0004.02.

5. In the August 5 revised application, AltaGas included calculations and associated schedules for the following items:

- (a) the uncollected 2013 net deficiency Rider F balance of \$32,026
- (b) the 2013 Y factor true-up refund of \$37,197 for income tax temporary differences
- (c) the 2013 capital tracker K factor true-up adjustment amount resulting in a refund of \$86,226, as determined in Decision [20176-D01-2015](#)⁴
- (d) the 2014 Y factor adjustment of \$139,182 related to the recovery of the full year 2014 revenue requirement of Natural Gas Settlement System Code (NGSSC) phase one capital costs

¹ Exhibit 20695-X0004.01; Exhibit 20695-X0004.02; Exhibit 20695-X0004.03.

² Exhibit 20695-X0001.01; Exhibit 20695-X0001.02; Exhibit 20695-X0002.01; Exhibit 20695-X0002.02.

³ Exhibit 20695-X0004.04; Exhibit 20695-X0004.05; Exhibit 20695-X0004.06.

⁴ Decision 20176-D01-2015: AltaGas Utilities Inc. Compliance Filing Pursuant to Decision 2014-373 (2014-2015 Capital Tracker Forecast and 2013 Capital Tracker True-up), Proceeding 20176, June 25, 2015.

- (e) the 2014 capital tracker deficiency K factor amount of \$749,810, as approved in Decision 20176-D01-2015
- (f) the 2015 capital tracker deficiency K factor amount of \$108,779, as approved in Decision 20176-D01-2015
- (g) the reversal of the carrying charge refund related to AltaGas' K factor adjustments, as approved in Decision [2014-357](#),⁵ resulting in a collection of \$7,679

6. The Commission determined that the application would be considered by way of a basic written process as described in Bulletin [2015-10](#),⁶ and issued the following process schedule on August 17, 2015:

Process step	Deadline
IRs issued to AltaGas	August 25, 2015, 4 p.m.
AltaGas response to IRs	August 31, 2015, 4 p.m.
Comments on need for argument	September 2, 2015, 4 p.m.
Argument (if required)	September 8, 2015, 4 p.m.
Reply argument (if required)	September 14, 2015, 4 p.m.

7. On September 2, 2015 and September 4, 2015, AltaGas⁷ and the CCA,⁸ respectively, submitted letters to the Commission that argument and reply argument process steps were not required. Accordingly, after considering the submissions and other evidence on the record, the Commission, by way of letter dated September 8, 2015, eliminated the argument and reply argument process steps.⁹

8. The Commission considers the record for this proceeding to have closed on September 4, 2015.

9. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, reference 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 a particular matter.

⁵ Decision 2014-357: AltaGas Utilities Inc. 2015 Annual PBR Rate Adjustment Filing, Proceeding 3408, Application 1610838-1, December 18, 2014.

⁶ Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

⁷ Exhibit 20695-X0029, AltaGas letter on need for argument, September 2, 2015.

⁸ Exhibit 20695-X0030, CCA letter on need for argument, September 4, 2015.

⁹ Exhibit 20695-X0031, AUC letter – updated process schedule, September 8, 2015.

2 Background

10. On September 12, 2012, the Commission issued Decision [2012-237](#), Rate Regulation Initiative, Distribution Performance-Based Regulation (PBR).¹⁰ This decision approved PBR plans for five distribution companies, including AltaGas, for a five-year term commencing January 1, 2013.

11. In Decision [2013-072](#),¹¹ dealing with the 2012 PBR compliance filings pursuant to Decision 2012-237, the Commission, among other findings, determined that based on the application of the mid-year convention, the capital costs of the first phase of AltaGas' NGSSC project were reflected in the going-in revenue. The Commission denied AltaGas' requested recovery of the applicable return, depreciation and interest related to one half of the NGSSC phase one capital expenditures from 2012 and directed AltaGas to remove these amounts from its Y factor calculations.

12. On September 26, 2013, the Commission issued Decision [2013-365](#),¹² granting AltaGas' request to review the findings in Decision 2013-072 with respect to the recovery of the 2012 full-year return, depreciation and interest for phase one of its NGSSC project. In Decision [2014-042](#),¹³ the Commission approved AltaGas' review and variance application:

25. For these reasons, the Commission grants AltaGas' request for a variance of Decision 2013-072 to allow for the full-year recovery, outside the PBR indexing mechanism, of the incremental capital-related revenue requirement associated with the 2012 capital investment in the NGSSC project to be recovered. For purposes of regulatory efficiency, AltaGas is directed to file an updated application in Proceeding ID No. 3055, for AltaGas' 2013 deficiency Rider F, to include AltaGas' proposed recovery of the identified shortfall of some \$192,000 associated with the full-year return, depreciation and interest for phase one of the NGSSC project in 2012. Unless otherwise directed by the Commission, recovery of the NGSSC projects costs for 2014 and subsequent years will be dealt with by way of a Y factor as part of AltaGas' annual PBR rate adjustment filings.

13. On June 20, 2014, the Commission issued Decision [2014-180](#),¹⁴ AltaGas Utilities Inc. 2013 Net Deficiency and Rider F. The Commission approved AltaGas' request for recovery of the 2013 shortfall related to the full-year return, depreciation and interest for phase one of AltaGas' NGSSC project as a Y factor adjustment.

¹⁰ Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012.

¹¹ 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., Proceeding 2130, Application 1608826-1, March 4, 2013.

¹² Decision 2013-365: AltaGas Utilities Inc. Decision on Request for Review and Variance of Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings, Proceeding 2586, Application 1609567-1, September 26, 2013.

¹³ Decision 2014-042: AltaGas Utilities Inc. Phase II Review and Variance Decision on Decision 2013-072 - 2012 Performance-Based Regulation Compliance Filings, Proceeding 2981, Application 1610181-1, February 21, 2014.

¹⁴ Decision 2014-180: AltaGas Utilities Inc. 2013 Net Deficiency and Rider F, Proceeding 3055, Application 1610297-1, June 20, 2014.

14. Decision 2014-180 included the following direction to AltaGas:

63. The Commission accepts AUI's proposal to provide a reconciliation of the 2013 net deficiency collection to the Commission on or before November 30, 2014 and directs AUI to provide such a reconciliation.

64. With respect to materiality, the Commission finds AUI's proposed \$10,000 materiality threshold and proposed mechanism for supplementary refund or collection to be reasonable and to provide for regulatory efficiency. Accordingly, the proposed threshold and supplementary refund or collection mechanism are approved. In the event of a material residual deficiency balance, AUI is directed to file a letter with the Commission for acknowledgement identifying the balance and confirming that it has been taken into or applied against income on a current basis.

15. On November 18, 2014, AltaGas filed a reconciliation demonstrating that over a two-month collection period (July and August 2014), AltaGas billed a total amount of \$945,610, compared to an approved net deficiency amount of \$977,636, resulting in an under collection of \$32,026.¹⁵ On November 21, 2014, the Commission acknowledged AltaGas' reconciliation and deferred any determinations until such time as AltaGas included the net deficiency balance in a future application.¹⁶

16. On December 24, 2014, the Commission issued Decision [2014-373](#),¹⁷ which dealt with AltaGas' 2013 capital tracker true-up and 2014-2015 forecast capital tracker application. In the 2014-2015 capital tracker forecast application, AltaGas used estimates for the 2015 I factor and Q factor because the 2015 annual PBR rate adjustment proceeding was in progress and Decision 2014-357 with the approved values had not been released. In Decision 2014-373, the Commission approved the 2015 I-X index and billing determinants as filed, and directed AltaGas to use the 2015 I-X index and forecast billing determinants approved in its compliance filing to Decision 2014-373.

17. On February 20, 2015, AltaGas filed the compliance filing.¹⁸ In Decision 2014-373, the Commission denied capital tracker treatment for several pipeline replacement and station refurbishment projects, and directed AltaGas to remove the capital additions associated with these projects in the compliance filing. In the compliance filing, AltaGas submitted that removal of specified capital additions from the 2013 capital tracker true-up amounts resulted in income tax temporary differences, in addition to impacts to K factor amounts.

18. On March 23, 2015, in Decision [2191-D01-2015](#), 2013 Generic Cost of Capital,¹⁹ the Commission reduced AltaGas' return on equity from 8.75 to 8.3 per cent and reduced AltaGas' equity thickness from 43 to 42 per cent. By letter dated March 25, 2015,²⁰ the Commission

¹⁵ Exhibit 20695-X0027, AUI.AUC-2015AUG25-002(a), Attachment 1.

¹⁶ Exhibit 20695-X0022, AUI.AUC-2015AUG25-002(a), Attachment 2.

¹⁷ Decision 2014-373: 2014-2015 Capital Tracker Application and 2013 Capital Tracker True-up Application, Proceedings 3152 and 3244, Applications 1610446-1 and 1610600-1, December 24, 2014.

¹⁸ Proceeding 20176, Compliance Filing Pursuant to Decision 2014-373 (2014-2015 Capital Tracker Forecast and 2013 Capital Tracker True-up).

¹⁹ Decision 2191-D01-2015: 2013 Generic Cost of Capital, Proceeding 2191, Application 1608918-1, March 23, 2015.

²⁰ AltaGas Utilities Inc. Compliance Filing Pursuant to Decision 2014-373 (2014-2015 Capital Tracker Forecast and 2013 Capital Tracker True-up), Proceeding 20176, Exhibit 20176-X0010, AUC letter, March 25, 2015.

requested that AltaGas update the compliance filing to reflect the new return on equity and capital structure.

19. Also in the March 25, 2015 letter, the Commission requested that AltaGas address an error that AltaGas identified in the compliance filing related to the 2012 debt issue, insofar as it impacted the 2014 and 2015 forecast embedded cost of debt and, in turn, the K factor calculations.

20. On June 25, 2015, the Commission issued Decision 20176-D01-2015, Compliance Filing Pursuant to Decision 2014-373 (2014-2015 Capital Tracker Forecast and 2013 Capital Tracker True-up). The Commission approved the following 2013, 2014 and 2015 K factor adjustments, as set out in Table 3 of that decision:

Table 1. 2013, 2014 and 2015 K factors²¹

Item	Description	2013 – total programs (\$)	2014 – total programs (\$)	2015 – total programs (\$)
1	Applied-for K factor adjustment	(188,287)	\$2,184,474	3,712,184
2	Correction to embedded cost of debt rate	175	506	720
3	Updated I factor	N/A	N/A	1,326
4	Updated Q factor	N/A	N/A	(2,825)
5	Removal from rate base of 2013 projects that were not approved in Decision 2014-373	10,181	(59,511)	(58,482)
6	Change in equity ratio from 43 per cent to 42 per cent	(18,203)	(27,401)	(39,950)
7	Change in ROE from 8.75 per cent to 8.3 per cent	(78,380)	(114,642)	(163,229)
8	Total K factor impacts (Items 2 + 3 + 4 + 5 + 6 + 7)	(86,227)	(201,048)	(262,440)
9	Updated K factor (Items 1+8)	(274,513)	1,983,426	3,449,744
10	Interim PBR rate adjustment K factor	(188,287)	1,233,616	3,340,965
11	Adjustment (Items 9 - 10)	(86,226)	749,810	108,779

21. Also in Decision 20176-D01-2015, the Commission directed AltaGas to:

- Update the 2013, 2014 and 2015 K factors adjustments.
- Reflect the \$37,197 reduction in the 2013 Y factor true up refund adjustment in its next Rider F application.
- Reflect the \$86,226 increase in the 2013 K factor true-up refund adjustment in its next Rider F application.
- Reflect the \$749,810 and \$108,779 increases in the 2014 and 2015 K factor forecast collection adjustments, respectively, in its next Rider F application.²²

²¹ Decision 20176-D01-2015, Table 3, page 8.

²² Decision 20176-D01-2015, paragraph 43.

22. In its 2015 annual PBR rate adjustment filing,²³ AltaGas proposed to refund \$7,679 in carrying charges. In Decision 2014-357, the Commission determined that the amount did not qualify under Rule 023: *Rules Respecting Payment of Interest* and, accordingly, denied the request. However, for efficiency purposes, rather than require a compliance filing, the Commission directed AltaGas 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.

3 Discussion of issues

3.1 Calculation of the 2015 net deficiency and Rider F

23. In the application, AltaGas provided the following table showing the adjustments being applied for and the forecast October and November 2015, distribution revenue:

Table 2. Rider F calculation²⁴

Description	Amount (\$)
Uncollected 2013 net deficiency Rider F balance	32,026
2013 Y factor true-up adjustment - income tax temporary difference	(37,197)
2013 Capital Tracker - K factor true-up adjustment	(86,226)
2014 Capital Tracker - K factor adjustment deficiency	749,810
2015 Capital Tracker - K factor adjustment deficiency	108,779
2014 Y factor adjustment - Phase one NGSSC project costs	139,182
Reversal of carrying charge refund	7,679
Total 2015 net deficiency	914,053
Forecast October - November 2015 distribution revenue	11,711,308

24. The CCA did not object to AltaGas' Rider F amounts or calculations.

²³ Proceeding 3408, AltaGas Utilities Inc. 2015 Annual PBR Rate Adjustment Filing, paragraph 82.

²⁴ Exhibit 20695-X0004.05, 2015 deficiency rider application – revised August 19, 2015.

Commission findings

25. Regarding the uncollected 2013 net deficiency balance, as set out in paragraph 15 above, the Commission notes that AltaGas reported the amount to the Commission by letter dated November 18, 2014²⁵ in response to a Commission direction set out in Decision 2014-180. The Commission has reviewed the components and the supporting calculations included in the application, and is satisfied with the calculations provided by AltaGas. For the purposes of this decision and in accordance with the directions set out by the Commission at paragraphs 63 and 64 of Decision 2014-180, the uncollected 2013 net deficiency Rider F balance of \$32,026 is approved for collection through the 2015 Rider F. Regarding future uncollected Rider F amounts the Commission does, however, note that in the Second PBR Compliance Filing decision, Decision 2013-270, it found:

“21. For the above reasons, the Commission considers that using forecast billing determinants for the purposes of calculating any true-up amounts will result in regulatory efficiencies. This approach will simplify regulatory filings and processes without introducing any material changes in risk. Consequently, the Commission directs the companies, in future applications dealing with a true-up of annual base PBR rates and any K, Y and Z factors that do not have a separate collection rider or mechanism, to use forecast rather than actual usage-per-customer and billing determinants.”²⁶

26. The Commission considers that AltaGas providing a reconciliation of its Rider F collection amount is in effect using actual billing determinants to calculate true-up amounts for the K and Y factor amounts included in Rider F. In accordance with the finding set out in paragraph 21 of Decision 2013-270 and in the interest of regulatory efficiency, the Commission considers that AltaGas should continue to use its forecast billing determinants and, accordingly, the Commission will not approve Rider F reconciliations in future applications, including AltaGas’ proposed filing of a 2015 Rider F reconciliation on March 31, 2016.

27. With respect to the 2013 Y factor true-up adjustment for income tax temporary difference and the 2013-2015 capital tracker K factor adjustments, the Commission confirms that the amounts AltaGas applied for accurately reflect the amounts that the Commission approved in Decision 20176-D01-2015.

28. Regarding the Y factor adjustment for NGSSC phase one project costs, in its 2015 PBR annual filing application, AltaGas proposed to recover the 2014 shortfall amount revenue requirement related to 2014 full-year NGSSC capital costs as part of its next deficiency rider application. In Schedule 6.0 of the application, AltaGas provided calculations in support of its request to recover \$139,182.²⁷ The Commission has reviewed the supporting calculations and is satisfied that the calculations have been performed correctly. These costs are approved for collection through the 2015 Rider F.

²⁵ Exhibit 20695-X0027, AUI-AUC-2015AUG25-002(a), Attachment 1.

²⁶ Decision 2013-270, paragraph 21.

²⁷ Exhibit 20695-X0003.01, 2015 deficiency Rider F - revised August 5 2015, Schedule 6.0.

29. With respect to the reversal of the \$7,679 carrying charge refund, the Commission confirms that AltaGas correctly included the reversal in the application. The Commission has reviewed the components included in the application, as well as the supporting calculations, and is satisfied that all of the outstanding components have been included and that the calculation of Rider F has been performed correctly.

3.2 Rate class allocation

30. In the application, AltaGas proposed that the collection of Rider F be calculated based on its 2015 forecast distribution service revenues, excluding the default supply provider (DSP) administration fee revenues.

31. AltaGas explained that the distribution service revenues include the daily base fixed charge, the variable base energy charge and the daily demand charge, where applicable, and were derived from the distribution service revenues approved in Decision 2014-357, and updated to reflect 2015 outlook data, as shown in Schedule 7.0 of the application. AltaGas explained that the forecast billing determinants are consistent with the updated 2015 forecast provided in its 2016-2017 capital tracker application, Proceeding 20522.²⁸

32. AltaGas proposed to apply Rider F to all distribution service customers, including default supply customers served under rates 1, 2, 3, and 4, as well as customers served by competitive retailers under rates 11, 12, 13, and 14.²⁹ In calculating the Rider F recovery percentages, AltaGas divided the Rider F amount by the total forecast distribution revenues for October and November 2015.

33. The CCA did not raise any objections with respect to the allocation to AltaGas' rate classes of the Rider F amount.

Commission findings

34. The rate class allocation method proposed by AltaGas in the application is consistent with the method approved in Decision 2014-180. Accordingly, the Commission accepts AltaGas' proposed allocation method.

3.3 Collection period and bill impacts

35. AltaGas proposed to recover the 2015 net deficiency amount over a two-month period from October to November 2015. AltaGas submitted that the net deficiency amount of \$914,053 is significant and the two-month period sought for collection is reasonable and mitigates any potential rate impact.³⁰

36. With respect to the irrigation rate class, Rate 4/14, AltaGas indicated that it does not forecast any distribution service revenues in November 2015,³¹ and, accordingly, AltaGas proposed to recover the 2015 net deficiency amount of \$2,488 associated with the irrigation rate class entirely in October 2015.³²

²⁸ Exhibit 20695-X0004.05, 2015 deficiency rider application – revised August 19, 2015, paragraphs 33-34.

²⁹ Exhibit 20695-X0002.01, October – November 2015 collection attachment.

³⁰ Exhibit 20695-X0004.05, 2015 deficiency rider application – revised August 19, 2015, paragraph 40.

³¹ Irrigation rate class service is only available between April 1 and October 31.

³² Exhibit 20695-X0004.05, 2015 deficiency rider application – revised August 19, 2015, paragraph 37.

37. In the application, AltaGas provided the following table showing the impact (excluding commodity charges) of the proposed Rider F across various levels of consumption and rate classes:

Table 3. Bill impacts for the October to November 2015 recovery period³³

	Rate 1/11 residential	Rate 1/11 commercial	Rate 1/11 rural	Rate 2/12 LGS	Rate 3/13 demand	Rate 4/14* irrigation
Consumption (Oct-Nov 2015) (GJ)	23	148	39	2,158	10,064	14
Days	61	61	61	61	61	31
Demand (GJ/day)	n/a	n/a	n/a	n/a	400	n/a
Base fixed charge (\$/day)	\$1.140	\$1.140	\$1.140	\$12.917	\$15.129	\$3.291
Base energy charge (\$/GJ)	\$1.885	\$1.885	\$1.885	\$1.019	\$0.032	\$1.066
Demand charge (\$/GJ/day)	n/a	n/a	n/a	n/a	0.274	n/a
Base fixed revenue	\$70	\$70	\$70	\$788	\$923	\$102
Base energy revenue	\$44	\$279	\$73	\$2,199	\$322	\$15
Demand revenue	n/a	n/a	n/a	n/a	\$6,686	n/a
Two month revenue	\$114	\$348	\$142	\$2,987	\$7,931	\$117
Bill impact (%)	7.7%	7.7%	7.7%	9.7%	9.8%	11.5%
Total bill impact (two-month recovery)	\$9	\$27	\$11	\$289	\$776	\$13
Monthly impact (divided by 2)	\$4	\$13	\$5	\$144	\$388	\$13

* Rate 4/14 will be collected within a one-month period in October 2015

38. AltaGas also provided the following table showing the impacts (including commodity charges) of the proposed Rider F across various levels of consumption and rate classes:

Table 4. Bill impacts for the October to November 2015 recovery period (including commodity charges)³⁴

	Rate 1/11 residential	Rate 1/11 commercial	Rate 1/11 rural	Rate 2/12 LGS	Rate 3/13 demand	Rate 4/14* irrigation
Consumption (Oct-Nov 2015) (GJ)	23	148	39	2,158	10,064	14
Days	61	61	61	61	61	31
Demand (GJ/day)	n/a	n/a	n/a	n/a	400	n/a
Base fixed charge (\$/day)	\$1.140	\$1.140	\$1.140	\$12.917	\$15.129	\$3.291
Base energy charge (\$/GJ)	\$1.885	\$1.885	\$1.885	\$1.019	\$0.032	\$1.066
Demand charge (\$/GJ/day)	n/a	n/a	n/a	n/a	0	n/a
Base fixed revenue	\$70	\$70	\$70	\$788	\$923	\$102
Base energy revenue	\$44	\$279	\$73	\$2,199	\$322	\$15
Demand revenue	n/a	n/a	n/a	n/a	6,686	n/a
Two month revenue	\$114	\$348	\$142	\$2,987	\$7,931	\$117
Bill impact (%)	4.6%	4.6%	4.6%	4.8%	5.6%	8.6%
Total bill impact (two-month recovery)	\$5	\$16	\$7	\$145	\$440	\$10
Monthly impact (divided by 2)	\$3	\$8	\$3	\$72	\$220	\$10

* Rate 4/14 will be collected within a one-month period in October 2015

³³ Exhibit 20695-X0003.01, 2015 deficiency Rider F - revised August 5 2015, Schedule 1.1.

³⁴ Exhibit 20695-X0003.01, 2015 deficiency Rider F - revised August 5 2015, Schedule 1.2.

39. Regarding the proposed collection period of October to November 2015, AltaGas submitted that the collection period is “reasonable and should cause minimal disruption to rate stability because customer consumption and commodity prices are typically not as high during these months as compared to winter months (December – February).”³⁵ AltaGas explained that as a result, the October to November period may result in rate smoothing as customer bills typically tend to increase starting in December.

40. Regarding the proposed collection period of October 2015, only, for irrigation rate customers, in AUI.AUC-2015AUG25-001(d)(iii), the Commission asked AltaGas to provide the advantages and disadvantages of issuing a one-month invoice in November 2015 to customers of record in the 2015 irrigation season. AltaGas responded:

“Advantages:

- AUI does not see any advantage in this method, as compared to the other proposed alternatives.

Disadvantages:

- As the collection period would occur outside of the Irrigation season (April 1 – October 31), there will be no current distribution revenue to apply against the deficiency rider.
- Will likely require programming for AUI’s billing system; scope, effort and costs unknown.
- Likely to cause customer confusion, as billing for Irrigation does not normally occur after the close of the irrigation season.”³⁶

41. In support of the proposed collection period and associated bill impacts, AltaGas submitted that the proposed recovery period allows for a degree of rate smoothing, while keeping the absolute dollar value of the Rider F at a level well within what the Commission has approved in prior rider applications.³⁷ AltaGas provided the following table as support:

³⁵ Exhibit 20695-X0028, AUI-AUC-2015AUG25-001(b).

³⁶ Exhibit 20695-X0028, AUI-AUC-2015AUG25-001(d).

³⁷ Exhibit 20695-X0004.05, 2015 deficiency rider application – revised August 19, 2015, paragraph 36.

Table 5. Summary of AltaGas deficiency rider impact on residential rate class 1/11³⁸

AltaGas deficiency application	Total deficiency (\$ millions)	Recovery (%)	Deficiency calculation base	Collection period	Monthly bill impact - Residential 1/11	AUC Decision
2003-2004	\$0.50	2.00%	Actual 2004 billed distribution revenues	October 2005	\$7	Order U2005-341 ³⁹
2005	\$3.50	12.40%	Actual 2005 billed distribution revenues	March to May 2006	\$14	Order U2006-041 ⁴⁰
2006	\$0.50	2.00%	Actual 2006 billed distribution revenues	November 2007	\$7.60	Order U2008-131 ⁴¹
2007	\$2.30	7.90%	Actual 2007 billed distribution revenues	November 2008 to February 2009	\$8	Decision 2008-103, ⁴² Order U2008-324 ⁴³
2010-2012	\$5.10	8.60%	Forecast annual 2013 distribution revenues	May to October 2013	\$6 to \$10	Decision 2013-160 ⁴⁴
2013	\$0.98	1.70%	Forecast annual 2014 distribution revenues (excl. DSP)	July to August 2014	\$6	Decision 2014-180 ⁴⁵
2015	\$0.83	4.60%	Forecast annual 2015 distribution revenues (excl. DSP)	October to November 2015	\$3	Pending

42. The CCA did not raise any concerns with respect to AltaGas' proposed collection period or the associated bill impacts.

Commission findings

43. The Commission has reviewed the bill impacts provided by AltaGas in the application and is mindful of rate shock. The Commission has considered the impact of rate riders in percentage and in absolute dollar terms, as discussed in Decision 2013-160⁴⁶ and Decision 2014-180.⁴⁷

³⁸ Exhibit 20695-X0004.05, 2015 deficiency rider application – revised August 19, 2015, Table 6.

³⁹ Order U2005-341: AltaGas Utilities Inc. 2003/2004 General Rate Application (GRA), Deficiency Rider and Disposition of Residual Revenue Excesses and Gains from the 2000/2001/2002 GRA, Application 1413073, August 24, 2005.

⁴⁰ Order U2006-041: AltaGas Utilities Inc. Interim Refundable Rates and 2005 Deficiency Rider Application, Application 1436060, February 21, 2006.

⁴¹ Order U2008-131: AltaGas Utilities Inc. 2005/2006 General Rate Application - Phase II 2006 Deficiency Rider Reconciliation, Application 1566835, April 18, 2008.

⁴² Decision 2008-103: AltaGas Utilities Inc. 2007 Deficiency Rider, Interim Refundable Rates, and Standard Contribution – Rural Other, Proceeding 64, Application 1575162-1, October 21, 2008.

⁴³ Order U2008-324: AltaGas Utilities Inc. Compliance Filing, Application 1592368, October 31, 2008.

⁴⁴ Decision 2013-160: AltaGas Utilities Inc. 2010-2012 Final Rates, 2012 Revenue Deficiency, 2012 Meter Reading Costs Refund and 2010-2012 General Rate Application – Phase II Compliance Filing, Proceeding 2408, Application 1609276-1, April 26, 2013.

⁴⁵ Decision 2014-180: AltaGas Utilities Inc. 2013 Net Deficiency and Rider F, Proceeding 3055, Application 1610297-1, June 20, 2014.

⁴⁶ Decision 2013-160: AltaGas Utilities Inc. 2010-2012 Final Rates, 2012 Revenue Deficiency, 2012 Meter Reading Costs Refund and 2010-2012 General Rate Application – Phase II Compliance Filing, Proceeding 2408, Application 1609276-1, April 26, 2013, paragraphs 47-49.

⁴⁷ Decision 2014-180, paragraph 55.

44. The total bill impact for typical Rate 1/11, Rate 2/12 and Rate 3/13 customers is less than 10 per cent. In terms of absolute dollars, as shown in Table 5, monthly impacts for typical rate 1/11 customers resulting from previous revenue deficiency decisions, including commodity charges, have ranged from \$7 to \$14 per month and were, in most cases, collected during the non-summer months over various recovery periods. In the current proceeding, the monthly dollar impact excluding commodity charges for typical Rate 1/11 customers is between \$4 and \$13, and the monthly dollar impact including commodity charges for the same is between \$3 and \$8. The Commission considers the dollar impacts in this range to be reasonable, and that the collection of AltaGas' Rider F in October and November 2015 for all rate classes except irrigation will not result in rate shock.

45. With respect to the irrigation rate class, the Commission notes that the total bill impact excluding commodity charges is in excess of 10 per cent. As explained by AltaGas, the one month collection period is due to irrigation customers not having service available in November. The Commission observes that AltaGas identified potential regulatory and administrative burdens associated with extending the Rider F into November 2015. The Commission notes that the total dollar bill impact excluding commodity charges is \$13, which compares favourably to the \$18 total bill impact approved by the Commission for AltaGas' 2013 net deficiency rider application in Decision 2014-180.⁴⁸ On a total bill basis including commodity charges, the Commission notes that the October 2015 bill impact for the irrigation rate class is less than 10 per cent and the dollar impact is \$10. The Commission considers the total bill impact to be reasonable in the circumstances and will not result in rate shock.

46. Based on the above analysis, the Commission approves AltaGas' proposed two-month net deficiency rider collection period, from October 1, 2015 to November 30, 2015, for rate classes 1/11, 2/12, and 3/13. In addition, the Commission approves AltaGas' proposed single month net deficiency rider collection period, from October 1, 2015 to October 31, 2015, for Rate Class 4/14.

⁴⁸ Decision 2014-180, paragraph 40, Table 3.

4 Order

47. It is hereby ordered that:

- (1) AltaGas Utilities Inc. is authorized to collect the 2015 net deficiency amount of \$914,053 by way of Rider F from October 1, 2015 to November 30, 2015, for all rate classes except 4/14, which is to be collected from October 1, 2015 to October 31, 2015, as set out in [Appendix 2](#).

Dated on September 24, 2015.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Utilities Inc. (AltaGas)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel N. Jamieson, Commission Member
Commission staff J. Graham (Commission counsel) J. Work P. Howard

Appendix 2 – Rider F

[\(return to text\)](#)



Appendix 2 - 2015
Deficiency Rider F
(consists of 1 page)

RATE RIDER "F"**2015 DEFICIENCY RIDER*****Description:***

The 2015 Deficiency Rider "F" applies to all distribution service customers' actual billed distribution revenue, excluding the Default Supply Administration Fee and Commodity charges.

Default supply customers served under Rates 1, 2, 3, and 4, as well as customers served by competitive retailers under Rates 11, 12, 13, and 14 will be effective October 1 to November 30, 2015, inclusive.

Rate:

2015 Deficiency Rider Percentages:

Rate Class	Deficiency Percentage
Rate 1/11	7.65%
Rate 2/12	9.66%
Rate 3/13	9.78%
Rate 4/14	11.50%

Application:

2015 Deficiency Rider "F" will be effective on customer bills October 1 to November 30, 2015, inclusive.

EFFECTIVE DATE:
October 1, 2015

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RIDER "F"

AltaGas Utilities Inc.