Decision **20823-D01-2015**

Alberta Utilities Commission

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AltaGas Utilities Inc.

2016 Annual Performance-Based Regulation Rate Adjustment Filing

December 16, 2015

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Published by the:
Alberta Utilities Commission
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Calgary, Alberta

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1 Introduction

1. On September 10, 2015, AltaGas Utilities Inc. submitted its 2016 annual performance-based regulation (PBR) rate adjustment filing, requesting approval of its distribution rates and special charges schedule, to be effective January 1, 2016 on an interim basis.[1] AltaGas included a copy of its 2014 Rule 005[2] filings and an attestation signed by a senior officer of the company as part of its application in accordance with Commission directions found at Section 13.1 of Decision 2012-237.[3]

2. On September 11, 2015, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by September 18, 2015. In their SIPs, parties were to indicate whether they supported or objected to the application, state reasons for their position, and identify any perceived need for further process along with supporting rationale. The Commission received SIPs by the specified deadline from the Consumers' Coalition of Alberta (CCA) and the Office of the Utilities Consumer Advocate (UCA).

3. After reviewing the application and the SIPs, the Commission determined that the application would be considered by way of a *minimal written process*, as outlined in Commission Bulletin 2015-09,[4] and on September 22, 2015, issued the following schedule for this proceeding:[5]

Process step	**Deadline**
Information requests issued to AltaGas	October 5, 2015
AltaGas response to information requests	October 19, 2015
Argument	October 26, 2015
Reply argument	November 2, 2015

4. On October 20, 2015, the Commission received a letter from AltaGas requesting extensions to the filing dates for argument and reply argument, citing resource constraints and

[1] Exhibits 20823-X0001, 20823-X0002 and 20823-X0003, application, supporting schedules and rate schedules.
[2] Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.
[3] Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012.
[4] Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.
[5] Exhibit 20823-X0009, Commission process letter.

scheduling conflicts.[6] By letter dated October 21, 2015, the Commission granted extensions to October 29, 2015 and November 5, 2015, respectively.[7]

5. On October 23, 2015, AltaGas filed revisions to responses it had previously provided to Commission information requests regarding bill impacts.[8] On October 26, 2015, the Commission issued additional information requests related to these revisions and adjusted the process and schedule as follows:[9]

Process step	**Revised deadline**
AltaGas response to Round 2 information requests	October 28, 2015
Argument	October 29, 2015
Reply argument	November 5, 2015

6. The Commission considers the record for this proceeding to have closed on November 5, 2015, when reply argument submissions were filed.

7. 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.

2 Background

8. On September 12, 2012, the Commission issued Decision 2012-237, approving PBR plans for certain distribution utilities in Alberta, including AltaGas. 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.

9. 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 less an offset (X) to reflect productivity improvements that 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.

[6] Exhibit 20823-X0031.
[7] Exhibit 20823-X0032.
[8] Exhibits 20823-X0028 to 20823-X0030.
[9] Exhibits 20823-X0038 and 20823-X0039.

10. In accordance with the provisions of the PBR plan approved for AltaGas in Decision 2012-237, the company's distribution rates for each year may also include adjustments to fund necessary qualifying capital expenditures (K factor), adjustments for certain flow-through costs that should be directly recovered from customers or refunded to them (Y factor), and adjustments 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). The availability of one or more of these adjustment mechanisms depends on the company's particular circumstances.

11. Subsequent to Decision 2012-237, the Commission issued a number of other decisions dealing with the implementation and further refinement of the PBR framework. These included Decision 2013-072[10] and Decision 2013-270,[11] which respectively dealt with the first and second 2012 PBR compliance filings to establish the 2013 PBR rates. The Commission approved AltaGas' 2014 and 2015 annual PBR rate adjustments in Decision 2013-465[12] and Decision 2014-357,[13] respectively.

12. On December 6, 2013, the Commission issued Decision 2013-435,[14] 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. It also provided guidance concerning the Commission's interpretation and application of capital tracker criteria.

13. The Commission dealt with AltaGas' 2013 capital tracker true-up and 2014-2015 capital tracker forecast applications in Decision 2014-373[15] and its related compliance filing in Decision 20176-D01-2015.[16] On June 8, 2015, AltaGas filed an application requesting approval of its 2014 capital tracker true-up and 2016-2017 capital tracker forecast application. This application is currently being considered by the Commission in Proceeding 20522.

14. Decision 2012-237 established that the revenue requirement associated with the applied-for capital trackers are to be included in the K factor component of the PBR rate formula for applicable years. Since the commencement of PBR in 2013, the K factor adjustment has represented a significant component of the companies' annual PBR rate adjustments.

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[10] 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.

[11] 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., Proceeding 2477, Application 1609367-1, July 19, 2013.

[12] Decision 2013-465: AltaGas Utilities Inc., 2014 Annual PBR Rate Adjustment Filing, Proceeding 2831, Application 1609923-1, December 23, 2013.

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

[14] Decision 2013-435: Distribution Performance-Based Regulation, 2013 Capital Tracker Applications, Proceeding 2131, Application 1608827-1, December 6, 2013.

[15] Decision 2014-373: AltaGas Utilities Inc., 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.

[16] 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.

3 Discussion of issues

3.1 2016 I factor and the resulting I-X index for 2016

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

16. In the 2014 annual PBR rate adjustment proceedings, it was brought to the Commission's attention that the Statistics Canada Table 281-0028, which Decision 2012-237 approved as a 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.[17]

17. In the application, AltaGas followed the Commission's directions set out in Decision 2012-237 and Decision 2013-465, and calculated an inflation factor of 2.06 per cent for use in its 2016 PBR rate adjustment formula.[18] Together with the X factor of 1.16 per cent approved in Decision 2012-237,[19] this I factor results in an I-X index value of 0.90 per cent for 2016.[20]

18. No party objected to AltaGas' calculations of the 2016 I factor and the resulting I-X index for 2016.

Commission findings

19. The Commission finds AltaGas' calculations of the 2016 I factor to be both reasonable and consistent with the methodology set out in Decision 2012-237. The Commission also verified that AltaGas used the correct Statistics Canada data. Therefore, the Commission approves the 2016 I factor of 2.06 per cent calculated by AltaGas.[21] This I factor, together with the X factor of 1.16 per cent approved in Decision 2012-237,[22] results in a 2016 I-X index value of 0.90 per cent.

20. AltaGas is reminded that, in accordance with the Commission's direction at paragraph 249 of Decision 2012-237, the Alberta AWE and Alberta CPI from July 2014 to June 2015 should be the same unrevised values filed in this proceeding. For convenience, these values are provided in Appendix 3 to this decision.

3.2 Y factor adjustments

21. In this application, AltaGas applied for the following 2016 Y factor amounts, resulting in an aggregate charge to customers of $820,817:

[17] Decision 2013-465, paragraph 39.
[18] Exhibit 20823-X0003, application, paragraph 39.
[19] Decision 2012-237, paragraph 515.
[20] Exhibit 20823-X0003, application, paragraph 13.
[21] Exhibit 20823-X0003, application, paragraph 39.
[22] Decision 2012-237, paragraph 515.

Table 1. 2016 Y factor amounts[23]

Y factor	2016 forecast	2014 true-up	2013 true-up update	Total
	($)			
AUC assessment fees	308,407	(7,016)	(2)	301,389
UCA assessment fees	89,326	(21,440)	140	68,026
Intervener hearing costs	188,140	51,319	86	239,545
Income tax temporary differences	(1,239,430)	(15,581)	-	(1,255,011)
Natural gas settlement system code-related costs	1,289,089	11,017	(10,302)	1,289,804
Customer information system	177,063	-	-	177,063
Total	812,596	18,298	(10,077)	820,817

22. In Decision 2012-237, the Commission approved Y factors for AltaGas, including AUC assessment fees, UCA assessment fees, intervener hearing costs and income tax temporary differences. Subsequently, the Commission approved additional Y factors for AltaGas, including its phase one and phase two Natural Gas Settlement System Code (NGSSC) capital-related costs,[24] and its NGSCC-related operating costs.[25] In this application, AltaGas applied for new Y factor treatment of customer information system (CIS) costs.

23. As set out in paragraph 718 of Decision 2012-237, the Commission requires:

> 718. The Y factor portion of the annual PBR rate adjustment filings … 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 2016 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, 2014 to July 31, 2015.

25. Each of the requested Y factor forecasts, true-ups and other adjustments is discussed in the sections that follow.

3.2.1 Approved Y factors

26. In the application, AltaGas provided details of its forecasting methodology for 2016 for AUC assessment fees, UCA assessment fees, intervener hearing costs, income tax temporary differences and NGSSC costs.

27. AltaGas calculated its 2016 AUC and UCA assessment fees by applying the 2016 I factor of 2.06 per cent to its 2015 AUC and UCA assessment fees.[26] AltaGas clarified that its UCA assessment fees are based on the most recent Ministerial Order, received on February 4, 2015,

23 Exhibit 20823-X0003, application, based on Table 3.2-1, paragraph 50.
24 Decision 2013-072, paragraphs 135 to 137; Decision 2013-465, paragraphs 73-76; 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.
25 Decision 2013-465, paragraph 465.
26 Exhibit 20823-X0003, application, paragraphs 69-70.

which covers the fiscal period April 1, 2013, to March 31, 2014. AltaGas submitted that it will make a final adjustment to UCA assessment fees once the Ministerial Order for the period April 1, 2014, to March 31, 2015 is received.[27] With respect to the true-ups, AltaGas explained that it over-collected AUC and UCA assessment fees in 2014 because the actual costs were lower than forecast. In response to Commission information requests, AltaGas provided details related to its true-up of the AUC and UCA assessment fees, including references.[28]

28. AltaGas forecasted 2016 intervener hearing costs based on anticipated regulatory proceedings in 2016 and "a combination of professional judgement and AUC cost awards for similar proceedings."[29] With respect to the true-ups, AltaGas explained that actual costs were higher than forecast and provided a list of the proceedings in which the Commission awarded costs awards higher than AltaGas had forecast.[30]

29. AltaGas submitted that its proposed temporary income tax Y factor adjustment credit for 2016 is primarily due to differences between tax and book depreciation, as well as items capitalized for book purposes, such as capitalized running costs and cost of removal, which are deducted immediately for tax purposes.[31] AltaGas provided details of the calculations related to its' 2016 forecasts in supporting schedules 4.3, 4.4, 4.5 and 4.7 to the application.[32] With respect to true-ups, AltaGas provided an explanation of the variances in its 2014 true-up adjustment. AltaGas identified lower capital cost allowance deductions, primarily attributable to lower tax additions for software and vehicles, and a higher amount of loss carry forwards than forecast applied in 2014, as two of the main timing differences which caused the true-up adjustment.[33]

30. For 2016, AltaGas forecasted the NGSSC revenue requirement to be $377,028 for Phase 1 capital-related costs, and to be $568,361 for Phase 2 capital-related costs. AltaGas forecasted 2016 NGSSC-related operating costs of $343,700. The company provided a detailed breakdown of the various components of the costs as well as a comparison to the 2015 approved and the 2015 updated forecast, reproduced in Table 2 below. AltaGas noted that 2016 forecast operating costs are lower than the 2015 costs, reflecting lower contracted application support services as AltaGas transitions to a baseline level of external resources for application development support and use of internal AltaGas resources for routine technical maintenance and operational support. AltaGas provided details of the calculations related to the revenue requirement for the NGSCC in schedules 4.1 and 4.2.[34]

[27] Exhibit 20823-X0025, AUI.AUC-2015OCT05-003.
[28] Exhibit 20823-X0025, AUI.AUC-2015OCT05-003 and AUI.AUC-2015OCT05-005.
[29] Exhibit 20823-X0003, application, page 22.
[30] Exhibit 20823-X0003, application, page 30.
[31] Exhibit 20823-X0003, application, paragraph 84.
[32] Exhibit 20823-X0002.
[33] Exhibit 20823-X0003, application, page 32, Table 3.2.2.4-1.
[34] Exhibit 20823-X0002.

Table 2. 2015-2016 NGSSC-related operating costs[35]

Line	Description	2015 approved forecast	2015 updated forecast	2016 forecast
			($)	
1	Contracted application support services	348,400	404,800	112,500
2	AUI staff costs	267,000	265,900	287,600
3	Software/hardware licenses and maintenance	79,400	132,200	108,600
4	Total operating costs	694,800	802,900	508,700
5	Less: amount provided in going-in rates	(140,900)	(161,300)	(165,000)
6	Total operating costs not provided for in going-in rates	553,900	641,600	343,700

31. AltaGas explained that there was no 2014 true-up adjustment related to Phase 1 of the NGSSC project. However, there was a true-up adjustment related to Phase 2 of the NGSSC project, driven by actual costs that were $8,379 higher than the approved forecast. AltaGas attributed this variance primarily to slightly higher depreciation and debt return, partially offset by higher than forecast capital cost allowance tax deductions. The actual operating costs of the NGSSC project were also slightly higher ($2,638) as a result of hardware licenses and maintenance costs not originally included in the forecast.

32. AltaGas included in the application final adjustments to the actual 2013 Y factor true-up amounts approved in Decision 2014-357 to reflect the 2013 return on equity and equity ratio as approved in Decision 2191-D01-2015[36] and the correction to the 2013 embedded cost of debt rate approved in Decision 20176-D01-2015.[37] In the supporting schedules to the application, AltaGas provided detailed calculations showing these adjustments to the actual 2013 Y factor true-up amounts.[38]

33. AltaGas calculated carrying charges on Y factor true-up balances using Rule 023. AltaGas considered the total, which was less than $100, to be immaterial and therefore did not include carrying charges on Y factor true-up balances in the application.[39] AltaGas provided details of the calculations for the carrying charges in the supporting schedules to the application.[40]

34. AltaGas requested carrying charges on working capital related to its forecast Y factors. These carrying charge amounts were calculated using the weighted average cost of capital (WACC).[41]

35 Exhibit 20823-X0003, application, page 22, Table 3.2.1.1-1.
36 Decision 2191-D01-2015, 2013 Generic Cost of Capital, Proceeding 2191, Application 1608918-1, March 23, 2015.
37 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, Table 1.
38 Exhibit 20823-X0002, schedules 4.1B, 4.2B, 4.3B, 4.4B and 4.5B.
39 Exhibit 20823-X003, application, paragraph 53.
40 Exhibit 20823-X002, Schedule 4.8, Y factor true-up carrying costs.
41 Exhibit 20823-X003, application, paragraphs 69, 70 and 80; Exhibit 20823-X002, supporting schedules to the application, schedules 4.3Y, 4.4Y, 4.5Y and 4.6Y.

Commission findings

35. 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 UCA assessment fees
- 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

36. To the extent that a company has requested Y factor treatment in 2016 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 determining whether those costs also satisfy the general criteria for Y factor treatment, identified at paragraph 631 or 632, as applicable, of Decision 2012-237.

37. 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 or 632, as applicable, of Decision 2012-237 to determine whether the applied-for costs are eligible for Y factor treatment. In the application, with the exception of CIS costs (see Section 3.2.2), 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.

38. The Commission has reviewed the 2016 Y factor adjustments proposed by AltaGas for AUC assessment fees, UCA assessment fees, intervener hearing costs, and income tax temporary differences, and finds the methodologies to be reasonable and consistent with the methodologies used in previous PBR annual filings. Accordingly, the Commission approves AltaGas' 2016 Y factor for AUC assessment fees, UCA assessment fees, intervener hearing costs, and income tax temporary differences.

39. The Commission has reviewed the Y factor 2014 true-up amounts for AUC assessment fees, UCA assessment fees, intervener hearing costs, and income tax temporary differences and finds that they have been adequately supported and properly calculated. The Commission has also reviewed the adjustments made by AltaGas to the 2013 Y factor amounts to reflect the 2013 return on equity and equity ratio as approved in Decision 2191-D01-2015, and the correction to the 2013 embedded cost of debt rate approved in Decision 20176-D01-2015. The Commission finds that the adjustments have been made accurately and in accordance with Commission directions. Accordingly, the Commission approves these adjustments.

40. The Commission has reviewed the detailed NGSSC schedules provided by AltaGas[42] and is satisfied that the NGSSC-related forecast and true-up calculations have been performed

[42] Exhibit 20823-X0002, schedules 4.1 and 4.2.

correctly and in accordance with previous Commission decisions. The Commission finds that the 2016 forecast revenue requirement for Phase 1 and Phase 2 capital costs and for 2016 operating costs are reasonable. The Commission also accepts AltaGas' explanations for the true-up variances as reasonable and, accordingly, approves these amounts. AltaGas' NGSSC-related costs are approved as an AltaGas Y factor for 2016.

41. The Commission has reviewed the carrying cost calculations on Y factor true-up balances using Rule 023 provided in the supporting schedules to the application and is satisfied that AltaGas has calculated the carrying charges correctly. The Commission accepts AltaGas' submission on the immateriality of its calculated carrying charges on Y factor true-up balances.

42. With respect to the use of WACC for carrying charge on working capital calculations, the Commission notes that it has approved the use of this methodology in previous decisions, including, most recently, AltaGas' 2015 annual PBR rate adjustment filing:

> 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.[43]

43. For the purposes of this decision, the Commission confirms the continued relevance of the reasoning in the above paragraph with respect to carrying costs for working capital using WACC, as the carrying costs reflect the revenue requirements that are associated with Y factor working capital that is included in AltaGas' rate base. The Commission has reviewed the revenue requirements associated with Y factor working capital calculations provided in the supporting schedules to the application and is satisfied that the methodology is consistent with previous applications and that the calculations are accurate.

44. Based on the findings made above, the Commission approves AltaGas' 2016 total Y factor amount, consisting of previously approved cost categories in the amount of $643,754.

3.2.2 New Y factor

45. AltaGas submitted that it plans to implement a new CIS within three to five years to ensure compliance with Rule 028: *Natural Gas Settlement System Code*. AltaGas advised that it initiated the preliminary project phase for the CIS replacement project in September 2015, and that it expects the pre-project work to be complete by June 2016. For the preliminary project phase, AltaGas submitted that it engaged a consulting firm to complete the following work:

- assist in the needs assessment
- evaluate and analyze system requirements
- develop and manage a request for proposal based on the assessment
- selection process of a preferred vendor
- vendor contract development and negotiations[44]

[43] Decision 2014-357, paragraph 63.
[44] Exhibit 20823-X0003, application, paragraph 76.

46. AltaGas forecasted the total costs for the preliminary project phase to be $320,491, with $143,894 to be incurred in 2015 and the remaining $176,597 to be incurred in 2016. In this application, AltaGas requested recovery of $177,063 for 2016 forecast costs to be incurred from January to June 2016 plus carrying charges on working capital. AltaGas indicated that it intends to apply for recovery of 2015 costs incurred from September to December 2015 in its 2015 Y factor true-up adjustment as part of its 2017 PBR annual rate filing to be filed in September 2016.[45]

47. AltaGas requested recovery of these preliminary phase costs as a Y factor adjustment, and linked[46] the request to NGSSC exemptions[47] and to tariff billing code exemptions[48] approved by the Commission. AltaGas submitted that this request is consistent with the Commission's direction in Section 7.4.2.2.2 of Decision 2012-237 for treatment as a flow through cost:

> 672. Several companies requested Y factors to flow through the impacts of regulatory decisions. The Commission finds that regulatory efficiency would be achieved if the companies are able to treat the financial impact of items the Commission has already determined to be necessary as Y factor adjustments. The Commission therefore finds that the financial effects to companies that are clearly identified in a Commission direction may, with approval of the Commission, be included as Y factor adjustments in the annual PBR rate adjustment filings process ...[49]

48. AltaGas submitted that, consistent with its accounting policy, the costs associated with the preliminary project phase of the CIS replacement project will be expensed and classified as operating costs.[50] In response to a CCA information request, AltaGas elaborated on why the CIS costs are not capitalized:

> These costs are not capitalized because they do not qualify under AUI's approved capitalization policy and the capitalization rules stipulated in United States Generally Accepted Accounting Principles (US GAAP). Specifically, in the case of software developed for internal use, only those costs incurred during the application development stage (as defined in ASC 350-40, Intangibles — Goodwill and Other — Internal-Use Software) may be capitalized. As AUI is currently in the preliminary project phase to identify the best fit application to meet business functional requirements, no application has been selected. Consequently, the consulting costs applied for are not eligible for capitalization under US GAAP and must be expensed.[51]

49. In response to a Commission information request requesting AltaGas to explain, in the context of the NGSSC project costs, why AltaGas considers the CIS preliminary phase costs to qualify for Y factor treatment, AltaGas included the following statement:

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45 Exhibit 20823-X0003, application, paragraphs 74-76 and 80.
46 Exhibit 20823-X0003, application, paragraphs 71-73 and 78.
47 Decision 3606-D01-2015: AltaGas Utilities Inc., Rule 028 Natural Gas Settlement System Code Exemption, Proceeding 3606, Application 1611127-1, March 11, 2015.
48 Proceeding 20428, Application for Exemption from Requirements of AUC Rule 004: Tariff Billing Code.
49 Decision 2012-237, paragraph 672.
50 Exhibit 20823-X0003, application, paragraph 79.
51 Exhibit 20823-X0015, AUI.CCA-2015OCT05-004(a).

> AUI considers the treatment and approval of costs associated with the CIS replacement project as a Y Factor adjustment, similar to the approval of the Natural Gas Settlement System Code (NGSSC) capital project. The NGSSC project costs were incurred as a result of Commission directions pursuant to AUC Rule 028. Similarly, the CIS replacement project costs are being incurred as a result of Commission directions pursuant to AUC Rules 004 and 028.[52]

50. In information request AUI.AUC-2015OCT05-004(b), the Commission asked AltaGas to identify (i) when it first identified the need for a new CIS; (ii) what was that need based on; and (iii) all of the drivers for the new CIS. AltaGas' referred the Commission to its response to a CCA information request, which is reproduced below:

> The appropriate approach at this time is to focus on replacing the current system. Overall, the intent is to restore the value the system should provide AUI and its customers with:
>
> - Improved alignment with business requirements;
> - Improved quality and consistency; and,
> - Improved implementation capabilities.
>
> The primary driver for replacement of AUI's billing system is to facilitate full compliance with AUC Rules; the current system cannot be modified to meet all compliance requirements. AUI is also considering the replacement of the billing system due to other issues with its current system. A complete assessment of the requirements and timing involved to implement a long term solution is in progress. Consideration of key factors includes the following:
>
> - The current version (Version 2) is no longer fully supported by the Vendor;
> - The option of a version upgrade (Version 3) originally contemplated to address some of the Version 2 deficiencies, was postponed due to the high cost of the upgrade and concerns about its stability. Also, Version 3 is no longer available as AUI's vendor has taken a significantly different path in its application strategy, with a major change in the platform used to deliver its product; therefore, the vendor's new product is expected to replace Version 3 as their "flagship" and Version 3 is nearing the end of its life cycle;
> - AUI has had discussions with the vendor regarding an interim upgrade to Version 3 of the billing software. The vendor had no interest in supporting AUI in this endeavour as it has already deprecated Version 3 for its new product.
> - The current billing system is based on old technology, making changes to it difficult, and there is an increasing risk in finding skilled resources to operate and maintain it;
> - The ability to achieve compliance with all existing Rules, and having the capacity for change to comply with future potential Rule enhancements;
> - AUI has experienced a decline in the quality of vendor service;
> - AUI believes the replacement of the billing system is a significant investment and as such, requires AUI to look at the entire market of billing systems prior to making a decision on which billing system to upgrade to; and
> - AUI's knowledge and awareness of market expectations, business process maturity and technical maturity are driving the need for enhanced technology and service.

52 Exhibit 20823-X0025, AUI.AUC-2015OCT05-004(a).

> In addition, a modern CIS solution is expected to provide AUI with new tools and processes leading to increased customer satisfaction, as well as improved employee efficiency in supporting the customer experience.
>
> …
>
> The perceived benefit to customers is the proposed work will facilitate, and is necessary for, the selection and implementation of a CIS system capable of meeting all regulatory and business needs and requirements.[53]

51. AltaGas submitted that, even if AUC rules were not driving CIS implementation, the CIS project preliminary phase costs would meet the criteria required for Y factor treatment established in paragraph 631 of Decision 2012-237 for the following reasons:

- The CIS costs are outside AltaGas' management's control because they are driven by Commission directions pursuant to Rule 004 and Rule 028.
- Total project costs are expected to exceed the 2016 Y factor materiality threshold of $325,000.
- The CIS project and costs are not significant enough to materially influence the market and I factor in the PBR formula.
- As evidenced by the use of a preliminary project assessment, AltaGas' approach is designed to ensure costs are reasonably and prudently incurred.
- When implemented and in-service, the CIS will be included in rate base. The capital costs will be material and recovery will be of a recurring nature through the annual revenue requirement over the useful life of the assets. Further, AltaGas anticipates ongoing operational costs associated with system support.[54]

Commission findings

52. As set out in paragraph 632 of Decision 2012-237, the Commission allows companies to recover as Y factor rate adjustments specific costs incurred at the direction of the Commission.[55] Contrary to AltaGas' submissions, the Commission does not consider that the CIS program and subsequent costs were the result of a Commission direction.

53. Regarding compliance with Rule 028, in Proceeding 3606 AltaGas identified that it was not compliant with certain requirements of Rule 028, applied for approval for a time-limited exemptions from these requirements, and provided a plan to correct the non-compliance issues:

> 11. AltaGas explained that one of the drivers for the application for exemptions to Rule 028 is its plan to upgrade its customer information and billing system (CIS) within three to five years. AltaGas explained that the work required to comply with Rule 028 "would be best managed in conjunction with the implementation" of the new CIS. As a result, AltaGas is seeking the exemptions from sections of Rule 028 "to allow AUI to avoid significant time and expense in implementing temporary solutions" to the sections of Rule 028 it is not compliant with. AltaGas submitted that it had identified any necessary

53 Exhibit 20823-X0015, AUI.CCA-2015OCT05-004(c).
54 Exhibit 20823-X0025, AUI.AUC-2015OCT05-004(c).
55 Decision 2012-237, paragraph 632.

> workarounds with the retailers affected by its non-compliances until AltaGas implements its new CIS.[56]

54. In Decision 3606-D01-2015, the Commission granted the applied-for exemption and directed AltaGas to provide updates on its progress to become complaint. However, the Commission did not make a specific direction for AltaGas to correct the non-compliant issues:

> 39. AltaGas is being granted the above exemptions from Rule 028 on the basis that the work required to correct the non-compliances would result in AltaGas incurring significant time and expense in implementing temporary solutions when manual workarounds have been identified until such time as its new CIS is implemented. Accordingly, in any subsequent exemption applications, the Commission directs AltaGas to include an update on the planning and implementation of its CIS. The Commission notes that in this proceeding, AltaGas indicated that it plans to be fully compliant with Rule 028 by the middle of 2019, which is consistent with the three- to five-year timeline AltaGas provided to retailers and the Commission in regards to the new CIS implementation. The Commission therefore directs AltaGas to disclose and explain in any future exemption applications any change to the current expected full Rule 028 compliance timeline.
>
> 40. If AltaGas determines that future exemption(s) from Rule 028 are required, the Commission directs AltaGas to apply for an exemption on or before October 1 of the year before the exemption is required. Specifically, if AltaGas requires an exemption effective January 1, 2016, the Commission expects AltaGas to apply for the exemption by October 1, 2015. This will assist the Commission in reaching a decision on future exemption applications by January 1 of the year for which the exemption is required.[57]

55. Similarly, in proceeding 20428, AltaGas identified that it was not compliant with certain requirements of Rule 004: *Tariff Billing Codes*, applied for approval for a time-limited exemption from these requirements, and provided a plan to correct the non-compliance issues. In Decision 20428-D01-2015, the Commission granted the applied-for exemption and directed AltaGas to provide updates on its progress to become complaint. However, the Commission did not make a specific direction for AltaGas to correct the non-compliant issues:

> 57. In granting these exemptions, the Commission is relying on AltaGas' proposed compliance timeline whereby full compliance with Rule 004 is achieved by no later than mid-2019. The Commission expects AltaGas to take reasonable measures to control the number of cancel and rebill adjustments during the exemption period to prevent customer dissatisfaction. The Commission also expects that AltaGas will continue to communicate and work with all retailers in its service territory, including any retailers not identified during the course of this proceeding, to address concerns that arise from its non-compliance with Rule 004. The Commission directs AltaGas to advise the Commission on an annual basis, simultaneous with its Rule 002: *Service Quality and Reliability Performance Monitoring and Reporting for Owners of Electric Distribution Systems and for Gas Distributors* annual report, whether the compliance timeline discussed in this proceeding is still correct and, if not, to advise of the measures it has undertaken to address any slippage in the schedule.

56 Decision 3606-D01-2015, paragraph 11.

57 Decision 3606-D01-2015, paragraphs 39-40.

56. AltaGas is in the process of becoming compliant, absent a specific Commission direction on how to achieve that compliance.

57. In paragraph 631 of Decision 2012-237, the Commission established five criteria that must ordinarily be satisfied before a cost will be considered for Y factor treatment:

1) The costs must be attributable to events outside management's control.
2) The costs must be material. They must have a significant influence on the operation of the company otherwise the costs should be expensed or recognized as income, in the normal course of business.
3) The costs should not have a significant influence on the inflation factor in the PBR formulas.
4) The costs must be prudently incurred.
5) All costs must be of a recurring nature, and there must be the potential for a high level of variability in the annual financial impacts.

58. The Commission finds that the CIS program costs do not satisfy all of the criteria because, as explained above and as described in information request response AUI.AUC-2015OCT05-004(b), the costs are not attributable to events outside of management's control. Additionally, the Commission finds that there is insufficient evidence on the record to make a determination as to prudence of the costs at this time. The Commission is not making a finding in this decision as to whether the CIS program costs satisfies the other three criteria.

59. For these reasons, AltaGas' request to recover $177,063 of 2016 CIS preliminary phase costs through Y factor treatment is denied.

3.3 K factor placeholder

60. For 2016, AltaGas requested a K factor placeholder in the amount of $4.86 million, composed of two components included in AltaGas' 2016-2017 forecast PBR capital tracker application, currently before the Commission in Proceeding 20522.[58] The first component is $5.27 million, which is equal to 90 per cent of the forecast 2016 K factor amount of $5.85 million. The second component is a 2014 K factor true-up adjustment of negative $393,854 and a 2013 K factor adjustment of negative $11,217.[59]

61. AltaGas explained that the 2013 true-up relates to certain pipeline replacement and station refurbishment/replacement costs that were denied in Decision 2014-373 and reapplied for in Proceeding 20522.[60] With respect to the 2014 true-up costs, AltaGas submitted that actual capital additions were six per cent lower than the approved forecast, resulting in a 2014 actual K factor revenue requirement that was lower than the approved forecast. AltaGas indicated that the decrease in plant in service in 2014 was primarily due to station refurbishment/replacement projects expected to be completed in 2015 rather than 2014 as originally planned. In addition, AltaGas noted that the impact of the 2013 generic cost of capital decision resulted in a lower equity return (from 8.75 per cent to 8.3 per cent) and a reduction in the equity percentage from 43 per cent to 42 per cent.

[58] Proceeding 20522, AltaGas' 2014 True-Up and 2016-2017 Forecast PBR Capital Tracker application.
[59] Exhibit 20823-X0003, application, paragraph 121 and Table 3.3-1.
[60] The temporary income tax effect outweighs the capital-related costs, resulting in a negative number.

62. The UCA did not oppose the proposed 2016 K factor placeholder.[61]

Commission findings

63. As noted by AltaGas in its application, AltaGas used the same method in determining the 2016 K factor placeholder amount that the Commission approved in Decision 2014-357. This method approved a 90 per cent K factor placeholder for 2015 forecast costs and a 100 per cent K factor placeholder for 2013 true-up costs, based on the K factor amounts applied for by AltaGas in proceedings 3152 and 3244.[62]

64. In determining the K factor placeholder for 2016, the Commission has considered rate stability, avoidance of rate shock, intergenerational issues, and providing timely funding to the utility. As set out in Decision 2014-357, the Commission considers that the proposed placeholder amount on forecast costs provides a reasonable level of funding to AltaGas on a timely basis and reduces the potential of customer rate shock in future periods.[63]

65. The Commission notes that no party objected to the proposed K factor placeholder for 2016. The Commission considers that a K factor placeholder equal to 90 per cent of the proposed amount continues to be reasonable in 2016. Accordingly, the Commission approves a 2016 K factor placeholder amount of $4.86 million to be included in AltaGas' 2016 PBR rates.[64] This approved 2016 K factor placeholder amount is subject to true-up in subsequent capital tracker proceedings.

3.4 Z factor adjustments

66. Decision 2012-237 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.[65]

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

3.5 2016 billing determinants forecast

68. In Decision 2012-237, the Commission stated the following regarding the required annual forecast of billing determinants:

> 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.[66]

61 Exhibit 20823-X0044, UCA argument, page 1.
62 Proceeding 3152, AltaGas' 2014-2015 PBR Forecast Capital Tracker application; Proceeding 3244, AltaGas' 2013 PBR True-Up Capital Tracker application.
63 Decision 2014-357, paragraph 79.
64 Exhibit 20823-X0002, schedules 1.0, 2.0 and 6.0.
65 Decision 2012-237, paragraph 523.
66 Decision 2012-237, paragraph 995.

69. AltaGas noted that its forecast 2016 billing determinants were based on methods utilized in its 2010-2012 general rate application, which AltaGas has used consistently under PBR.[67]

70. Detailed calculations of the 2016 billing determinants forecast were provided in Schedule 2.1 of the supporting schedules to the application.[68]

71. In Decision 2014-357, the Commission directed AltaGas to provide information in subsequent annual PBR rate adjustment filings on any variances from forecast to actual number of customers by rate class, and identify the cause of variances larger than ± five per cent on an annual basis. For the 2016 annual PBR rate adjustment filing, AltaGas was directed to provide this variance analysis for 2013 and 2014.[69] In response to this direction, AltaGas noted that Rate 4/14 is the only customer class that experienced a variance greater than ± five per cent. AltaGas explained that irrigation customers fluctuate from year to year for weather-related reasons.[70]

Commission findings

72. The Commission has reviewed AltaGas' forecast 2016 billing determinants and finds that AltaGas has used a forecasting methodology that is consistent with its previous PBR-related applications, and that the resulting forecast billing determinants are reasonable. Accordingly, the 2016 forecast billing determinants set out in Schedule 2.1 of the supporting schedules to the application, are approved as filed.

73. With respect to the greater than ±five per cent variance in number of irrigation customers, the Commission considers that variances from forecasts resulting from weather, in this case amount of rainfall, may reasonably be expected. As such, the Commission considers the forecast methodology used to generate the billing determinants to be acceptable and finds that AltaGas has complied with the Commission's direction.

74. AltaGas is directed to continue to provide information concerning variances from forecast to actual number of customers by rate class in each completed prior year of the PBR term, as well as to identify the causes of variances larger than ± five per cent on an annual basis. AltaGas is directed to provide this variance analysis for 2015 in its 2017 annual PBR rate adjustment filing.

67 Exhibit 20823-X0003, application, paragraph 18.
68 Exhibit 20823-X0002, Schedule 2.1, 2016 Revenue@2016 Rates.
69 Decision 2014-357, paragraph 87.
70 Exhibit 20823-X0003, application, paragraphs 144-148.

3.6 Utilization of rate riders

75. In Decision 2014-357, the Commission approved the following riders for use outside of AltaGas' PBR formula in 2015.[71]

Table 3. AltaGas' rate riders approved for 2015 in Decision 2014-357

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., TransCanada Pipelines, 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 Rule 028. This rider is necessary to calculate the retailers' and the default gas supply providers' share of UFG required under 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 TransCanada Pipelines system.

76. In Decision 2014-357, the Commission stated that it would review the continued need for these riders when it considered AltaGas' 2016 annual rate adjustment filing. The Commission directed AltaGas to address the continuing need for each of the riders in this proceeding.[72]

77. AltaGas did not apply for any new rate riders in 2016. Consistent with the Commission's prior direction, AltaGas addressed the continuing need for the use of its existing riders under PBR. AltaGas included a table in the application detailing its current riders and the justification for their continued use in the application.[73]

71 Decision 2014-357, paragraph 88, Table 3.
72 Decision 2014-357, paragraph 96.
73 Exhibit 20823-X0003, application, paragraph 128, Table 3.4-1.

78. In assessing the continuing need for each the rate riders, AltaGas explained:

> … 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 2016 and for the remaining duration of the PBR term. Should circumstances change, AUI will advise the Commission as part of a future Annual Filing.
> …
> AltaGas is currently not aware of any event necessitating recovery or refund of funds through rider mechanisms other than those previously approved in 2014-357 and described above. Consequently, AUI is not applying for additional riders as part of the current Filing.[74]

79. No party objected to AltaGas' continued use of the existing rate riders in 2016.

Commission findings

80. In Decision 2012-237, the Commission recognized the 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.[75]

81. The Commission has reviewed the riders proposed by AltaGas for use in 2016. 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, above, for 2016.

82. The Commission will review the continuing need for all approved riders at the time of AltaGas' 2017 annual PBR rate adjustment filing. Accordingly, AltaGas is directed to address the continuing need for each of these riders in its 2017 filing.

3.7 Terms and conditions of service

83. Other than the I-X escalation applied to AltaGas' special charges schedule which is discussed in Section 3.9 of this decision, AltaGas did not propose any changes to its terms and conditions of service as part of the application.

3.8 Financial reporting requirements and senior officer attestations

84. 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

[74] Exhibit 20823-X0003, application, paragraphs 129-130.
[75] Decision 2012-237, paragraph 984.

company was directed to provide a copy of its Rule 005 filing and an attestation signed by a senior officer of the company. The attestations and certifications required to be made by a senior officer of each company are as follows:

- confirm the reported ROE 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[76]

85. AltaGas provided its 2014 Rule 005 filings in Appendix B of the application,[77] and an attestation signed by a senior officer of the company in Appendix E.[78]

86. 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 ROE calculation. Accordingly, the Commission directed each company to include in its annual PBR rate adjustment filing a schedule that includes two tables, one providing a reconciliation of financial and utility returns and a second providing a summary of costs found to be inappropriate, or otherwise disallowed.[79] AltaGas provided the two tables in Appendix C of the application.[80]

87. In an information request to AltaGas and in argument, the CCA raised the issue of the correct equity thickness to be used in calculating AltaGas' ROE percentages for 2013 and 2014.[81] AltaGas used blended equity thickness ratios of 42.83 per cent for 2013 and 42.77 per cent for 2014, based on 43 per cent applied to the PBR rate base, excluding Y and K factor rate base, and 42 per cent applied to Y and K factor rate base. The CCA submitted that the correct equity

[76] Decision 2012-237, paragraph 862.
[77] Exhibit 20823-X0003, Appendix B.
[78] Exhibit 20823-X0003, Appendix E.
[79] Decision 2012-237, paragraphs 855 and 861.
[80] Exhibit 20823-X0003, Appendix C.
[81] Exhibit 20823-X0015, AUI.CCA-2015OCT05-005 and AUI.CCA-2015OCT05-006; Exhibit 20823-X0045, CCA argument, Section 2.

thickness to use in the ROE calculations for those years is 42 per cent, based on the Commission approved equity thickness of 42 per cent as shown in table 10 of Decision 2191-D01-205.

Commission findings

88. The Commission has reviewed the company's Rule 005 filings contained in Appendix B of the application,[82] the attestation signed by a senior officer of the company provided in Appendix E,[83] and the two summary tables contained in Appendix C.[84] The Commission is satisfied that AltaGas has complied with the directions found at Section 13 of Decision 2012-237.

89. The Commission recognizes the CCA's concerns regarding the correct equity thickness used in the calculation of a company's ROE, and notes that a number of similar issues have arisen throughout the 2016 annual filings for all distribution companies under PBR. The Commission plans to issue a separate communication in the near future clarifying the reporting requirements of the Rule 005 filings. As this communication will address the issue raised by the CCA in this proceeding, the Commission will not make any determinations on this issue at this time.

3.9 2015 rates and bill impacts

90. In previous sections of this decision, the Commission approved individual components of the PBR rate formula, including the I-X index, Y factor amount and K factor placeholder, which result in annual adjustments to AltaGas' distribution rates. With respect to AltaGas' special charges and standard contribution amounts contained in its 2016 special charges schedule,[85] AltaGas escalated its special charges by the I-X factor, as directed in Decision 2013-095.[86]

91. The Commission also approved AltaGas' proposed billing determinants forecast earlier in this decision. The resulting revenues by rate class and rates for 2016 are as follows:

Table 4. AltaGas' 2016 distribution revenues by rate class[87]

		A	B	C	D
	Rate class	2016 base revenues = 2015 base revenues * (1+(I-X))	K factor adjustment	Y factor adjustment	2016 revenues (D = A+B+C)
		($)			
1	Small General Services (1/11)	60,637,040	4,440,307	600,050	65,677,398
2	Large General Service (2/12)	1,979,966	201,568	20,200	2,201,734
3	Demand General Service (3/13)	2,136,604	208,529	21,809	2,366,942
4	Irrigation Pumping Service (4/14)	169,298	13,651	1,694	184,643

82 Exhibit 20823-X0003, Appendix B.
83 Exhibit 20823-X0003, Appendix E.
84 Exhibit 20823-X0003, Appendix C.
85 Exhibit 20823-X0003, application, Appendix D.
86 Decision 2013-095: AltaGas Utilities Inc. Filing for Acknowledgement – Increase in Standard Non-Refundable Contributions and Special Charges, Proceeding 2417, Application 1609281-1, March 15, 2013.
87 Exhibit 20823-X0024,AUI AUC-2015OCT-004(d), 2016 PBR Annual Rate Filing Schedules Excl. CIS, Schedule 1.0, Revenue Summary.

Table 5. AltaGas' 2016 distribution rates by rate class[88]

		A	B	C	D	E
	Rate class	2016 distribution revenue[1]	2016 distribution revenue at 2015 rates	Per cent increase or decrease	2015 interim rates	2016 rates (E=C*D)
		($)		(%)	($)	
1	**Small General Services (1/11)**	63,810,528	60,945,387	4.70		
2	Fixed				1.140	1.194
3	Variable				1.885	1.973
4	**Large General Service (2/12)**	2,200,189	2,092,697	5.10		
5	Fixed				12.917	13.576
6	Variable				1.019	1.070
7	**Demand General Service (3/13)**	2,366,394	2,188,480	8.10		
8	Fixed				15.129	16.354
9	Variable				0.032	0.034
10	**Irrigation Pumping Service (4/14)**	181,269	171,851	5.50		
11	Fixed				3.291	3.472
12	Variable				1.066	1.124

[1] Excludes revenues from the Default Supply Provider Administration Fee.

92. In response to a Commission information request, AltaGas provided updated typical customer bill impact schedules for each rate class.[89] AltaGas also provided typical customer bill impact schedules for each rate class on an annual basis from January 2015 to January 2016.[90]

93. Table 6 below provides the bill amounts for each rate class for each of December 2015 and January 2016, based on typical customer usage, and the resulting expected impact of the proposed 2016 rates on each rate class.

[88] Exhibit 20823-X0024,AUI AUC-2015OCT-004(d), 2016 PBR Annual Rate Filing Schedules Excl. CIS, Schedule 2.0, 2016 Rates.

[89] Exhibit 20823-X0043, AUI AUC-2015OCT26-003(b) Attachment.

[90] Exhibit 20823-X0041 AUI AUC-2015OCT26-002(b) Attachment.

Table 6. Bill impacts of AltaGas' proposed 2016 distribution rates – December 2015 and January 2016[91]

		A	B	C	D
Rate class description	Usage	December 2015 forecast revenue	January 2016 forecast revenue	Forecast revenue change $ (B-A) December 2015 vs. January 2016	Bill change % (B/A)-1 December 2015 vs. January 2016
		($)			(%)
Residential Rate 1/11	Typical	4,061,041	7,186,246	465,608	6.98
Commercial Rate 1/11	Typical	1,803,548	4,331,020	688,498	18.99
Rural Rate 1/11	Typical	1,316,574	2,861,428	226,922	8.67
Total Rate 1/11	Typical	7,181,163	14,378,694	1,381,028	10.67
LGS Rate 2/12	Typical	235,890	572,580	102,810	21.92
Demand Rate 3/13	Typical	187,336	344,202	17,372	5.43
Irrigation Rate 4/14	Typical	19,597	19,388	(5,000)	-5.52

94. The overall rate class impact is less than 10 per cent for both comparison time periods for rate classes 3/13 and 4/14. The rate class impact is greater than 10 per cent for rate classes 1/11 and 2/12.

95. In response to a Commission information request, AltaGas provided an explanation for the larger than 10 per cent increases.[92] AltaGas explained that 51 per cent of the increase for Rate class 1/11 and 48 per cent of the increase for Rate class 2/12 is the result of the increase in forecast delivery revenues between December 2015 and January 2016. AltaGas further explained the impacts of billing cycles and changes in commodity prices, concluding:

> … while customer usage and the proposed annual adjustments are the primary drivers for the increase in delivery charges, any comparison of month-over-month total bill impacts must recognize the inherent variability in the commodity costs, as well as the smoothing effect within the billing cycle mechanism, as all cycles straddle more than one month.[93]

Commission findings

96. The Commission has reviewed the December 2015 to January 2016 bill impacts provided by AltaGas.[94] The Commission has generally considered 10 per cent to be a threshold potentially indicative of rate shock. Although the bill impacts analysis provided by AltaGas shows rate classes 1/11 and 2/12 to be experiencing an impact greater than 10 per cent, the Commission accepts AltaGas' explanations of the impact drivers and notes that, when normalized for usage and commodity costs, the bill impacts are below 10 per cent. Consequently, the Commission finds that the overall impact to rate classes falls within a reasonable range and will not cause rate shock.

[91] Exhibit 20823-X0043, AUI AUC-2015OCT26-003(b) Attachment.
[92] Exhibit 20823-X0036, AUI AUC 2015OCT05-007 – revised.
[93] Exhibit 20823-X0036, AUI AUC 2015OCT05-007(c) – revised.
[94] Exhibit 20823-X0043, AUI-AUC-2015OCT26-003(b) Attachment.

97. The Commission has also reviewed AltaGas' 2016 distribution rate calculations[95] and special charges schedule and finds that the proposed January 1, 2016 distribution rates and special charges were calculated accurately and in accordance with the provisions of the company's Commission-approved PBR plan. Accordingly, the Commission approves AltaGas' 2016 distribution rates and special charges, as shown in Appendix 4 and Appendix 5, respectively, of this decision, on an interim basis, effective January 1, 2016.

98. In the course of conducting its review, the Commission noted that AltaGas' currently approved methodology escalates the fixed and variable components of its rates associated with its 2016 delivery revenue by a universally applied percentage (as shown in Table 5 above). The Commission is interested in understanding how application of this methodology may potentially affect the company's adherence to its previously approved fixed to variable cost ratio. However, it also realizes that such an inquiry, which involves rate design issues, is beyond the scope of the current proceeding. This being the case, the Commission directs AltaGas to provide an analysis of how, if at all, its actual fixed to variable ratio has varied over the course of the current PBR term for the Commission's consideration in its next Phase II rate application. For the purposes of the current proceeding, the Commission confirms that application of AltaGas' current methodology has resulted in rates being calculated accurately and in accordance with the provisions of the company's approved PBR plan, and that AltaGas may continue to employ this methodology for the remainder of the current PBR term.

99. As discussed in Section 3.3 of this decision, AltaGas' 2016 rates reflect the inclusion of a 90 per cent K factor placeholder. The rates shall remain interim until the amounts of all remaining placeholders have been approved by the Commission. The 2016 rates will be finalized following such approvals and any required true-up adjustments will be made in accordance with directions subsequently provided by the Commission.

[95] Exhibit 20823-X0024, AUI AUC-2015OCT-004(d) - 2016 PBR Annual Rate Filing Schedules Excl. CIS.

4 Order

100. It is hereby ordered that:

(1) The distribution rates and special charges contained in Appendix 4 and Appendix 5, respectively, are approved on an interim basis as the distribution rates schedule and special charges schedule, respectively, for AltaGas Utilities Inc. effective January 1, 2016.

Dated on December 16, 2015.

Alberta Utilities Commission

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
AltaGas Utilities Inc.
Consumers' Coalition of Alberta (CCA)
Office of the Utilities Consumer Advocate (UCA) Brownlee LLP

Alberta Utilities Commission

Commission panel
- B. Lyttle, Commission Member

Commission staff
- R. Finn (Commission counsel)
- J. Graham (Commission counsel)
- P. Howard
- C. Runge
- P. Genderka
- N. Mahbub
- J. Work
- O. Vasetsky
- B. White

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. AltaGas is directed to continue to provide information concerning variances from forecast to actual number of customers by rate class in each completed prior year of the PBR term, as well as to identify the causes of variances larger than ± five per cent on an annual basis. AltaGas is directed to provide this variance analysis for 2015 in its 2017 annual PBR rate adjustment filing. .... Paragraph 74
2. The Commission will review the continuing need for all approved riders at the time of AltaGas' 2017 annual PBR rate adjustment filing. Accordingly, AltaGas is directed to address the continuing need for each of these riders in its 2017 filing. .... Paragraph 82
3. In the course of conducting its review, the Commission noted that AltaGas' currently approved methodology escalates the fixed and variable components of its rates associated with its 2016 delivery revenue by a universally applied percentage (as shown in Table 5 above). The Commission is interested in understanding how application of this methodology may potentially affect the company's adherence to its previously approved fixed to variable cost ratio. However, it also realizes that such an inquiry, which involves rate design issues, is beyond the scope of the current proceeding. This being the case, the Commission directs AltaGas to provide an analysis of how, if at all, its actual fixed to variable ratio has varied over the course of the current PBR term for the Commission's consideration in its next Phase II rate application. For the purposes of the current proceeding, the Commission confirms that application of AltaGas' current methodology has resulted in rates being calculated accurately and in accordance with the provisions of the company's approved PBR plan, and that AltaGas may continue to employ this methodology for the remainder of the current PBR term. .... Paragraph 98

Appendix 3 – Inflation indexes used in the 2016 I factor calculation

(return to text)

Date	Alberta CPI CANSIM 326-0020 v41692327 (2002=100)	Alberta AWE CANSIM 281-0063 v79311387 $	Average July to June AB CPI (2002=100)	Average July to June AB AWE $	Year over year % change AB CPI %	Year over year % change AB AWE %	2016 I factor %
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	1129.9			
July 2014	132.90	1154.79					
August 2014	132.70	1158.56					
September 2014	132.90	1152.87					
October 2014	133.20	1165.69					
November 2014	132.10	1158.34					
December 2014	131.50	1157.93					
January 2015	131.00	1168.73					
February 2015	132.00	1158.87					
March 2015	133.00	1156.52					
April 2015	133.10	1156.35					
May 2015	133.60	1152.13					
June 2015	134.50	1149.61	132.71	1157.53	1.59	2.45	**2.06**

Source:
July 2013 to June 2014 data: Decision 2014-357, Appendix 3.
July 2014 to June 2015 data: Statistics Canada website (http://www.statcan.gc.ca) accessed on September 15, 2015.

Appendix 4 – 2016 distribution rate schedules

(return to text)

The 2016 distribution rates exclude the customer information system costs applied for by AltaGas Utilities Inc. in the application and denied by the Commission in this decision.

Appendix 4 - 2016
distribution rate sche

(consists of 13 pages)

Appendix 5 – 2016 special charges schedule

(return to text)

Appendix 5 - Special charges schedule

(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	$ 1.194/Day
Default Supply Provider Administration Fee	$ 0.084/Day

Variable Energy Charge:

Base	$ 1.973/GJ
Gas Cost Recovery	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

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	$ 13.576/Day
Default Supply Provider Administration Fee	$ 0.084/Day

Variable Energy Charge:

Base	$ 1.070/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 .... $ 0.296/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 16.354/Day
Default Supply Provider Administration Fee.................. $ 0.084/Day

Variable Energy Charge:

Base .... $ 0.034/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.

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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	$ 3.472/Day
Default Supply Provider Administration Fee	$ 0.084/Day
Variable Energy Charge:	
Base	$ 1.124/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
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RATE NO. 6	STANDBY, PEAKING, AND EMERGENCY SERVICE

Description:

Available only at the option of the Company.

Charges:

Demand Charge .... $ 0.296/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 16.354/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

EFFECTIVE DATE:	REPLACING RATE EFFECTIVE:	
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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 .... $ 1.194/Day

Variable Energy Charge:

Base .... $ 1.973 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.

EFFECTIVE DATE:	REPLACING RATE EFFECTIVE:	Page 1 of 1
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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 .... $ 13.576/Day

Variable Energy Charge:

Base .... $ 1.070/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 .... $ 0.296/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 16.354/Day

Variable Energy Charge:

Base .... $ 0.034/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	$ 3.472/Day
Variable Energy Charge:	
Base	$ 1.124/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.

EFFECTIVE DATE:	REPLACING RATE EFFECTIVE:	Page 1 of 1
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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	$ 37
Remove and test meter - per meter:	
Residential	$ 79
Other	Actual Cost
Special meter readings (each time)	$ 37
No Access Fee (each time)	$ 37
Reconnection Fee:	
Residential	$ 53
Other (except Irrigation)	Actual Cost
Irrigation Disconnection/Reconnection Fee:	
Each time (except normal season start and end)	$ 79
Reinstallation of Meter/Regulator:	
Residential	$ 79
Other	Actual Cost
Dishonoured payment charge (NSF cheque, etc.) - each time	$ 26
Cheque certification charge - each time	$ 11
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
Rural Subdivision	$ 529
Rural Other	$ 5714

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

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.