



AltaGas Utilities Inc.

**Compliance Filing to Decision 20522-D02-2016
(2014 Capital Tracker True-Up and
2016-2017 Capital Tracker Forecast)**

May 19, 2016

Alberta Utilities Commission

Decision 21380-D01-2016

AltaGas Utilities Inc.

Compliance Filing to Decision 20522-D02-2016

(2014 Capital Tracker True-Up and 2016-2017 Capital Tracker Forecast)

Proceeding 21380

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Contents

1	Decision	1
2	Introduction and background.....	1
3	Discussion of issues	2
4	Order.....	14
	Appendix 1 – Proceeding participants	15
	Appendix 2 – Summary of Commission directions.....	16

List of tables

Table 1.	K factor adjustments	7
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1 Decision

1. This decision provides the Alberta Utilities Commission's determination of AltaGas Utilities Inc.'s (AltaGas or AUI) compliance with the Commission's directions issued in Decision 20522-D02-2016.¹ For the reasons outlined in this decision, the Commission determined that AltaGas has complied with the Commission's directions and has approved AltaGas' 2013, 2014, 2016 and 2017 K factor adjustments as applied-for in the application. AltaGas is directed to reflect the recalculated 2014 K factor true-up adjustment and the 2016 K factor forecast adjustments in its next Rate Rider F application.

2 Introduction and background

2. On December 21, 2016, the Commission issued Decision 20522-D02-2016, dealing with AltaGas' 2014 capital tracker true-up and 2016-2017 capital tracker forecast application. The decision included a direction to AltaGas to file a compliance filing application by February 29, 2016.

3. AltaGas submitted its compliance filing with the Commission as directed and the Commission issued notice of the application on March 1, 2016. Interested parties were requested to file statements of intent to participate (SIPs) by March 10, 2016. AltaLink Management Ltd. was the only party to file a SIP with the Commission. In its SIP, AltaLink stated that it did not anticipate being actively involved in the proceeding.

4. On March 17, 2016, the Commission issued a process letter and determined that the application would be conducted by way of a *basic written process* proceeding, as outlined in Commission Bulletin 2015-09.² In the letter, the Commission advised that it required further clarification of the application and, also on March 17, 2016, issued information requests (IRs) to AltaGas.

5. The Commission considers the record for this proceeding to have closed on March 31, 2016, when the responses to the Commission's IRs were received from AltaGas.

6. In reaching the determinations set out in this decision, the Commission has considered all relevant materials comprising the record of this proceeding, as well as related performance-based regulation (PBR) and capital tracker decisions. References in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a

¹ Decision 20522-D02-2016: AltaGas Utilities Inc. 2014 Capital Tracker True-Up and 2016-2017 Capital Tracker Forecast Application, Proceeding 20522, January 21, 2016.

² Bulletin 2015-09, Performance Standards for Processing Rate-Related Applications, March 26, 2015.

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 this matter.

3 Discussion of issues

7. The directions set out in Decision 20522-D02-2016 encompass AltaGas' 2014 capital tracker true-up and 2016-2017 capital tracker forecast application, as well as several past decisions, as discussed below.

8. On September 12, 2012, the Commission issued Decision 2012-237,³ approving PBR plans for the distribution utility services of AltaGas, ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc., and FortisAlberta Inc., collectively referred to as "the companies." On December 6, 2013, the Commission released Decision 2013-435,⁴ which addressed the companies' 2013 PBR capital tracker applications.

9. In Decision 2013-435, the Commission set out certain minimum filing requirements that a project or program proposed for capital tracker treatment should typically address to assist the Commission's project assessment.⁵ These minimum filing requirements were subsequently refined in Decision 3558-D01-2015,⁶ which was issued on April 8, 2015.

10. Decision 2014-373⁷ was issued on December 24, 2014, and resulted from AltaGas' 2013 capital tracker true-up and 2014-2015 capital tracker forecast application. Decision 20176-D01-2015⁸ was released on June 25, 2015, and dealt with the compliance filing to Decision 2014-373.

11. On August 25, 2015, the Commission released Decision 20590-D01-2015,⁹ which addressed AltaGas' 2015 debenture and common shares issue applications.

12. Subsequently, the Commission released Decision 20695-D01-2015¹⁰ on September 24, 2015, which authorized AltaGas to collect, through Rate Rider F, the 2015 net deficiency amounts. The deficiency amounts were collected in October and November of 2015.

13. On December 16, 2015, the Commission released Decision 20823-D01-2015,¹¹ which dealt with AltaGas' 2016 annual rate adjustment filing.

³ Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012.

⁴ Decision 2013-435: Distribution Performance-Based Regulation, 2013 Capital Tracker Applications, Proceeding 2131, Application 1608827-1, December 6, 2013.

⁵ Decision 2013-435, paragraphs 1091-1092.

⁶ Decision 3558-D01-2015: Distribution Performance-Based Regulation, Commission-Initiated Proceeding to Consider Modifications to the Minimum Filing Requirements for Capital Tracker Applications, Proceeding 3558, Application 1611054-1, April 8, 2015.

⁷ 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.

⁸ 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.

⁹ Decision 20590-D01-2015: AltaGas Utilities Inc., 2015 Debenture and Common Shares Issue Applications, Proceeding 20590, August 25, 2015.

¹⁰ Decision 20695-D01-2015: AltaGas Utilities Inc., 2015 Net Deficiency and Rider F, Proceeding 20695, September 24, 2015.

14. The Commission's findings respecting each of the directions set out in Decision 20522-D02-2016 follow.

Direction 1

15. AltaGas completed four projects in its Pipeline Replacement program in 2013. Three of the four projects were Non-Certified Polyethylene (PE) Pipeline projects: Morinville (rural), Pincher Creek (rural), and Stettler (town). The fourth project was a Pre-1957 Steel Pipeline project, (Drumheller (downtown)). None of these projects had been previously approved for capital tracker treatment on a forecast basis in Decision 2013-435. Instead, AltaGas requested approval for these projects on an actual basis in its 2013 capital tracker true-up application.¹² The need for the projects was approved in Decision 2014-373 and the projects were approved on an actual basis in Decision 20522-D02-2016. At paragraph 110 of Decision 20522-D02-2016, the Commission gave the following direction:

110. The Commission has reviewed AltaGas' evidence explaining the differences between the 2013 AFE [authorization for expenditures] estimates and the actual costs, and finds the variance explanations to be reasonable. The Commission finds that the actual scope, level, timing and costs of the work undertaken by AltaGas in 2013 to be prudently incurred. The Commission finds that these four projects satisfy the project assessment requirement of Criterion 1 for 2013. AltaGas is directed to calculate and include the revenue requirement for these projects, on a 2013 mid-year basis, in its K factor calculations.

16. At page 4 of the application, AltaGas responded:

On a 2013 mid-year basis, the 2013 K Factor adjustment for the four pipeline projects is a refund of \$(9,845) to customers, as summarized in Decision 20522-D02-2016, Table 32 (line 1, columns A, B and C). [para. 358, pdf page 82] Detailed calculations were provided in AUI's 2014 Capital Tracker True-Up Schedules 11.0 and 11.2 of the Application. [Exhibit 20522-X0003]

In Decision 20522-D02-2016, the Commission determined the 2013 K Factor true-up refund amount met the requirements set out in Decision 2012-237 and Decision 2013-435 and approved the amount as filed. [para. 363] The Commission also noted the 2013 K Factor true-up refund amount was included in AUI's 2016 annual PBR rate application and approved in Decision 20823-D01-2015. [para. 357]

The revenue requirement for the 2013 projects was included in the K Factor calculations for the 2014 Capital Tracker True-Up Application. [20522-X0010.3, Appendix VI, para. 15]

The 2016 and 2017 revenue requirement for the 2013 projects was included in the K Factor calculations for the 2016 and 2017 Capital Tracker Application. Consistent with the 2014 actual K Factor calculation, the 2013 capital additions related to these projects were included in the opening plant in service balances in the respective capital tracker programs. [20522-X0010.3, Appendix VII(c) – 2016-2017 Capital Tracker Schedules, Schedule 12].

¹¹ Decision 20823-D01-2015: AltaGas Utilities Inc. 2016 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 20823, December 16, 2015.

¹² Proceeding 3244.

Based on the foregoing, AUI submits it has complied with this Directive.

Commission findings

17. AltaGas has complied with the Commission's direction. The explanation provided by AltaGas accurately reflects the status of these four 2013 pipeline projects in AltaGas' K factor calculation and 2016 interim rates.

Direction 2

18. AltaGas did not provide project-level trailing cost explanations for certain 2012 and 2013 projects in the Pipeline Replacement program. Specifically, trailing cost explanations were not provided for the 2013 PVC Morinville (rural) project and all of the 2013 Non-Certified PE Pipe projects. At paragraph 144 of Decision 20522-D02-2016, the Commission gave the following direction:

144. With respect to the projects listed above for which trailing cost explanations were not provided at a project level, at paragraph 113 of Decision 2014-373, the Commission requested that AltaGas identify the specific prior-year project to which the trailing costs relate, the activities that give rise to the trailing costs, and that it fully support the prudence of the requested amounts. AltaGas identified the specific prior-year projects but did not provide specific explanations of the costs incurred to each of these projects. Instead, it provided a generic explanation for the program. The Commission is prepared to accept that AltaGas did not consider its direction for an explanation to also be at the project level and on this basis, it will conditionally approve the trailing costs for these projects. However, AltaGas is directed to provide the missing trailing cost explanations in the compliance filing to this decision. If approved at that time, the Commission would allow the company to include these trailing costs as part of project total costs for the purposes of the K factor calculation.

19. AltaGas provided the missing trailing cost explanations for each pipeline project at pages 6 to 10 of the application.

Commission findings

20. The explanations provide the necessary information to support the trailing costs for which AltaGas has applied. The Commission finds the costs to be prudently incurred and approves the inclusion of these trailing costs as part of project total costs for the purposes of the K factor calculation.

Direction 3

21. AltaGas completed two projects in its Station Refurbishment program in 2013. The projects were post regulator stations and, similar to the four pipeline projects described in Direction 1 above, these two projects had not been previously approved for capital tracker treatment on a forecast basis in Decision 2013-435. Instead, AltaGas requested approval for these projects on an actual basis in its 2013 capital tracker true-up application.¹³ The need for the projects was approved in Decision 2014-373 and the projects were approved on an actual basis in

¹³ Proceeding 3244.

Decision 20522-D02-2016. At paragraph 202 of Decision 20522-D02-2016, the Commission gave the following direction:

202. The Commission finds that these two projects satisfy the project assessment requirement of Criterion 1 for 2013. AltaGas is directed to calculate and include the revenue requirement for these projects, on a 2013 mid-year basis, in its K factor calculations. AltaGas is reminded in future capital tracker applications, when there is a difference in forecast or actual costs between a particular station and the standard station, to include a table showing the build-up of project costs for each station and to compare them to the build-up of project costs in the standard station.

22. At pages 11 to 12 of the application, AltaGas responded:

On a 2013 mid-year basis, the 2013 K Factor for the two station replacement/refurbishment projects is a refund of \$(1,372) to customers, as summarized in Decision 20522-D02-2016, Table 32 (line 2, columns A, B and C). [para. 358, pdf pg 82] Detailed calculations were provided in AUI's 2014 Capital Tracker True-Up Schedules 11.0 and 11.3 of the Application. [Exhibit 20522-X0003]

In Decision 20522-D02-2016, the Commission determined the 2013 K Factor true-up refund amount met the requirements set out in Decision 2012-237 and Decision 2013-435 and approved the amount as filed. [para. 363] The Commission also noted the 2013 K Factor true-up refund amount was included in AUI's 2016 annual PBR rate application and approved in Decision 20823-D01-2015. [para. 357]

The revenue requirement for the 2013 projects was included in the K Factor calculations for the 2014 Capital Tracker True-Up Application. [20522-X0010.3, Appendix VI, para. 15]

The 2016 and 2017 revenue requirement for the 2013 projects was included in the K Factor calculations for the 2016 and 2017 Capital Tracker Application. [20522-X0010.3, Appendix VII(c) – 2016-2017 Capital Tracker Schedules]. Consistent with the 2014 actual K Factor calculation, the 2013 capital additions related to these projects were included in the opening plant in service balances in the respective capital tracker programs. [20522-X0010.3, Appendix VII(c) – 2016-2017 Capital Tracker Schedules, Schedule 12].

Based on the foregoing, AUI submits it has complied with this Directive.

Commission findings

23. AltaGas has complied with the Commission's direction. The explanation provided by AltaGas accurately reflects the status of these two station refurbishment projects in AltaGas' K factor calculation and 2016 interim rates.

Direction 4

24. During Proceeding 20522, AltaGas discovered a coding error in its Gas Supply program trailing costs. Specifically, AltaGas recorded \$20,290 of trailing costs to the 2012 Morinville Gas Supply project but should have recorded those trailing costs to the MN017 Station Refurbishment project completed in 2014. AltaGas proposed to reflect the corrected adjustments

in its compliance filing to Decision 20522-D02-2016, noting that there should be little, if any, effect on the net K factor adjustment for 2014.¹⁴

25. The Commission accepted AltaGas' proposal and, at paragraph 263 of Decision 20522-D02-2016, the Commission gave the following direction:

263. The Morinville project was a 2012 project and the costs were approved in Decision 2013 435. The Commission accepts AltaGas' explanation for the Morinville trailing costs error and considers that the compliance filing is a suitable venue to address the error. AltaGas is directed to correct the error in its compliance filing and provide a full explanation and financial calculations and schedules, as needed, for any potential K factor adjustments.

26. At pages 13 to 14 of the application, AltaGas responded:

A coding correction for \$20,290 originally reflected as Gross Plant Gas Supply Additions has been reclassified to Gross Plant Stations Additions along with the related impact to the respective accumulated depreciation accounts. This results in an additional revenue requirement of \$238 to the 2014 K Factor adjustment. Given the negligible impact to the 2014 K Factor, AUI does not intend to apply for recovery. For detailed schedules on the coding correction, refer to Schedule 0.1 of Attachment 1 - 2014 Capital Tracker True-Up Compliance Filing Schedules.

AUI notes the impact of this 2014 coding correction to the plant continuity schedules also results in an update to the 2016-2017 forecast capital tracker amount as reflected in Schedule 3.1 - Attachment 2 - 2016-2017 Capital Tracker Compliance Schedules. Similar to 2014, the correction results in negligible impacts of \$311 in 2016 and \$593 in 2017. For detailed calculations of the impact, refer to Schedule 0.1 of Attachment 2 - 2016-2017 Capital Tracker Compliance Schedules.

27. Because AltaGas had indicated that its coding error also affected 2016 and 2017, albeit for minimal amounts, the Commission issued an IR to AltaGas questioning whether AltaGas was prepared to waive recovery of these amounts as it had done for 2014. AltaGas responded that it is requesting K factor treatment for 2016 and 2017 because the coding error is included in AltaGas' utility account balances commencing in 2015, and the 2016 and 2017 adjustments for the coding error are just one of several K factor adjustments. The total K factor adjustment is \$57,932 in 2016 and \$186,626 in 2017, which AltaGas considers to be not negligible.¹⁵

28. Recognizing that 2015 is not in scope for this proceeding, AltaGas explained that it would be including the effect of the coding correction on 2015 in its upcoming 2015 capital tracker true-up application because the coding factor correction commences in 2015:

The coding correction among utility accounts has been made in AUI's accounting records and all depreciation calculations will be made on that basis going forward. It would be administratively burdensome to perform separate calculations each year to adjust depreciation, income tax and returns to align with the original, miscoded amounts, rather than reporting based on corrected balances.

¹⁴ Exhibit 20522-X0028, AUI-AUC-2015JUL02-015 b).

¹⁵ AUI-AUC-2016MAR18-001(a) and (b).

Instead, it provided a generic explanation for the program. The Commission is prepared to accept that AltaGas did not consider its direction for an explanation to also be at the project level and on this basis, it will conditionally approve the trailing costs for these projects. However, AltaGas is directed to provide the missing trailing cost explanations in the compliance filing to this decision. If approved at that time, the Commission would allow the company to include these trailing costs as part of project total costs for the purposes of the K factor calculation.

33. AltaGas provided extensive trailing cost variance explanations for the Suncor and Westlock projects at pages 15 to 17 of the application in response to the Commission's direction.

Commission findings

34. The explanations provide the necessary information to support the trailing costs for which AltaGas has applied. The Commission finds the costs to be prudently incurred and approves the inclusion of these trailing costs as part of project total costs for the purposes of the K factor calculation.

Direction 6

35. At paragraph 314 of Decision 20522-D02-2016, the Commission gave the following direction:

314. AltaGas filed its 2016 annual PBR rate adjustment application on September 10, 2015. The filing included AltaGas' 2016 I-X index and billing determinant forecast. In Decision 20823-D01-2015, released on December 16, 2015, the Commission stated that it had reviewed AltaGas' calculation of the 2016 I-X index and AltaGas' forecast 2016 billing determinants and the supporting calculations, and found that the forecasting methodology used is consistent with previous PBR-related applications, and that the resulting 2016 I-X index and forecast billing determinants are reasonable. The 2016 I-X index and billing determinants were, therefore, approved as filed. In order to minimize future true-ups, the Commission directs AltaGas, in its compliance filing to this decision, to use the approved 2016 I-X index and the Q factor based on the forecast billing determinants approved in Decision 20823-D01-2015 for purposes of its 2016 capital tracker forecast accounting test.

36. At page 18 of the application, AltaGas provided the following response:

For purposes of AUI's 2016 capital tracker forecast accounting test, the 2016 I-X index and Q factor are updated to 0.90 per cent and 1.36 per cent, respectively, as approved in Decision 20823-D01-2015. AUI has also updated the placeholder for the 2017 I-X index and Q factor to 0.90 per cent and 1.83 per cent, respectively, to take into consideration the impact on 2017 billing determinants. [Schedule 7.0 in Attachment 2 - 2016-2017 Capital Tracker Compliance Filing Schedules]

The effect of these changes to the 2016 and 2017 Forecast K Factor adjustments are provided in response to Directive 12 of this Compliance Filing.

Commission findings

37. The Commission is satisfied that the approved 2016 I factor and Q factor have been correctly reflected in the accounting test. AltaGas has complied with the Commission's direction.

38. AltaGas also updated its 2017 I and Q factor placeholders with new placeholders, using the 2016 approved I factor as a proxy for 2017 and the company's updated forecast Q factor. This update was not contemplated or required because the Commission considered there to be little benefit to updating the 2017 placeholders at this time. There will be a new I factor based on updated, actual data from Statistics Canada and a new company-calculated Q factor, based on more months of updated, actual data, for the 2017 annual rate update to be filed in September 2016.

39. Because the effect of the update is small, the Commission accepted this update for the purposes of this application.

Direction 7

40. At paragraph 333 of Decision 20522-D02-2016, the Commission gave the following direction:

333. Earlier in this section, the Commission indicated that in the absence of any evidence that the actual incurred cost of debt was not reasonable, it will accept the company's embedded debt rate that appears on the company's Rule 005^[19] filing from the associated year for purposes of the second component of the accounting test in the capital tracker true-up process. Given an issue with respect to AltaGas' 2015 debt issuance noted by the Commission in Decision 20590-D01-2015, referenced above, the Commission will review the reasonableness of AltaGas' 2015 debt costs at the time of its 2015 capital tracker true-up application. Accordingly, AltaGas is directed to provide in its 2015 capital tracker true-up application, information supporting the actual weighted average cost of debt included in the capital tracker true-up accounting test for 2015, including information relating to the particulars of debt issuances by AltaGas within that year. This information should be consistent in form and content with the information filed by AltaGas in previous general rate applications in support of its application for approval of its weighted average cost of debt.

41. At page 19 of the application, AltaGas responded:

AUI will comply with this Directive in the 2015 Capital Tracker True-up Application, scheduled to be filed in May 2016.

Commission findings

42. The Commission confirms that AltaGas' 2015 capital tracker true-up application is the correct venue in which to respond to this direction.

¹⁹ Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

Direction 8

43. At paragraph 338 of Decision 20522-D02-2016, the Commission gave the following direction:

338. The Commission directs AltaGas, in its compliance filing to this decision, to revise its accounting test for 2016-2017, based on approved final forecast or actual capital additions approved in this decision (for example, the reduction to the applied-for 2016 BWM Gas Supply project forecast amount) and the 2016 accounting test model assumptions.

44. At page 20 of the application, AltaGas responded:

The accounting test for 2016 and 2017 are updated to incorporate the impact of the 2014 gas supply trailing cost coding correction (as noted in Directive 4) and the reduction to the 2016 forecast gas supply program from \$3,094,500 for the BWM gas supply project to a gas supply placeholder of \$661,250.

These changes result in an update to the K Factor adjustments for 2016 and 2017, as provided in Schedules 1.1 and 2.1, respectively, and the effect of each of the changes as summarized in Schedule 0.1 of Attachment 2 - 2016-2017 Capital Tracker Compliance Filing Schedules.

Commission findings

45. The accounting test updates have been performed as directed. AltaGas has complied with the Commission's direction.

Directions 9 and 10

46. At paragraphs 354 and 356 of Decision 20522-D02-2016, the Commission gave the following direction:

354. As discussed in Section 8.1, the Commission accepts AltaGas' forecasting methodology. As the 2016 I-X index of 0.90 per cent was approved in Decision 20823-D01-2015, in order to minimize future true-ups, the Commission directs AltaGas, in its compliance filing to this decision, to use the approved 2016 I-X index value of 0.90 per cent and approved Q factor to calculate the first and second tier materiality thresholds for 2016.

...

356. Given these findings, the Commission directs AltaGas, in its compliance filing to this decision, to reassess whether its projects or programs proposed for capital tracker treatment in 2016-2017 on a forecast basis satisfy the two-tiered materiality test requirement of Criterion 3. For this reassessment, AltaGas will use the approved 2014 threshold amount, as well as revised 2016 threshold amounts, as directed above.

47. At pages 21 and 22 of the application, AltaGas responded:

For this compliance filing, AUI has updated the first and second tier materiality thresholds for 2016 and 2017 using the 2016 I-X value of 0.90 per cent, as approved in Decision 20823-D01-2015.

For 2016, the revised four basis point materiality threshold is \$32,580 and the 40 basis point threshold is \$325,802. For 2017, the revised four basis point threshold is \$32,873 and the 40 basis point threshold is \$328,734. [Schedule 7.1 in Attachment 2 - 2016-2017 Capital Tracker Compliance Filing Schedules] AUI notes the revised materiality thresholds do not negate the eligibility of any 2016 or 2017 forecast capital tracker programs, as demonstrated in Schedules 1.0 and 2.0 of Attachment 2 – 2016-2017 Capital Tracker Compliance Filing Schedules.

As outlined in Schedules 1.0 and 2.0 (Attachment 2 - 2016-2017 Capital Tracker Compliance Filing Schedules), AUI submits its projects or programs proposed for capital tracker treatment in 2016 and 2017 on a forecast basis exceed the revised two-tiered materiality thresholds (from Directive 9).

Commission findings

48. The Commission finds that the updates to the first and second tier materiality thresholds for 2016 and 2017 have been performed as directed. In addition, the Commission is satisfied that each of the company's programs continue to surpass the materiality thresholds and, as such, remain eligible for capital tracker treatment. AltaGas has complied with the Commission's directions.

Direction 11

49. At paragraph 364 of Decision 20522-D02-2016, the Commission gave the following direction:

364. With respect to the 2014 true-up, the difference between the recalculated true-up adjustment of (\$192,806) and the (\$393,854) adjustment included in AltaGas' 2016 annual PBR rate adjustment application will need to be corrected. Accordingly, AltaGas is directed to file an application for an adjustment to Rate Rider F to collect refund amounts that were approved in Decision 20823-D01-2015 related to the 2014 capital tracker true-up that are in excess of the 2014 capital tracker true-up refund amount that will be approved in the compliance filing to this decision. This Rate Rider F application should be made after AltaGas' compliance filing to this decision is approved.

50. At page 23 of the application, AltaGas responded:

AUI will comply with this Directive by submitting a Rider F application subsequent to receiving the AUC decision for this proceeding.

Commission findings

51. The Commission confirms that AltaGas' upcoming Rate Rider F application is the correct venue in which to respond to this direction.

Directions 12 and 13

52. At paragraphs 365 and 366 of Decision 20522-D02-2016, the Commission gave the following direction:

365. With respect to the 2016 and 2017 forecast K factors, the Commission finds that AltaGas has used the correct inputs in its calculations. The Commission has also

reviewed the K factor calculations and is satisfied that the calculations have generally been performed correctly and in accordance with previous Commission directions. The Commission directs AltaGas to update the 2016 and 2017 forecast amounts of \$5,854,585 and 8,483,831, respectively, in the compliance filing to this decision to give effect to:

- The 2016 I-X index and the Q factor, as per recently released Decision 20823-D01-2015, as directed in Section 8.1 of this decision.
- The revised BWM gas supply placeholder as calculated by the Commission in Section 7.3.3 of this decision

366. Because K factor placeholder values in AltaGas' 2016 PBR rates are different from the amounts approved in this decision. AltaGas is directed to include in its next Rider F application, on an interim basis, the 2016 forecast amounts approved in the compliance filing to this decision that are different than the K factor placeholder amounts that have been included in AltaGas' 2016 PBR rates.

53. At pages 24 and 25 of the application, AltaGas responded:

In compliance with this Directive, the 2016 forecast K Factor adjustment is revised from \$5,854,585 to \$5,796,653, a decrease of \$57,932 [Schedule 1.0 in Attachment 2 - 2016-2017 Capital Tracker Compliance Filing Schedules]

The 2017 forecast K Factor adjustment is revised from \$8,483,831 to \$8,297,204, a decrease of \$186,626. [Schedule 2.0 in Attachment 2 - 2016-2017 Capital Tracker Compliance Filing Schedules]

AUI will comply with this Directive when the next Rider F application is filed, as per Directive 11.

Commission findings

54. The Commission is satisfied that the calculations have been performed accurately and in accordance with the Commission's directions. The Commission confirms that AltaGas' upcoming Rate Rider F application is the correct venue in which to address the 2016 K factor adjustment.

Direction 14

55. At paragraph 374 of Decision 20522-D02-2016, the Commission gave the following direction:

374. With the exception of the Commission's conditional approvals of the pipeline replacement trailing costs and the gas supply trailing costs in Sections 7.1.3 and 7.3.2, respectively, and the non-compliance with respect to the CRA [Canada Revenue Agency] materials discussed in this section, the Commission finds that AltaGas has complied with the minimum filing requirements. No evidence that the capital cost allowance amounts have been reconciled with the amounts filed with the CRA has been filed on the record of this proceeding. Accordingly, AltaGas is directed to fulfill this requirement in the compliance filing to this decision.

56. At page 26 of the application, AltaGas responded:

In its Application, AUI stated:

AUI will submit evidence of reconciliation when 2014 amounts have been filed with the CRA (due June 30, 2015). [20522-X0010.3, Appendix I, section (c)]

In compliance with this Directive, AUI submits the following evidence to confirm the capital cost allowance amounts reconcile with amounts filed with the CRA:

- a. Attachment 3 - Directive 14 – CCA Reconciliation to CRA Filing: schedule showing the reconciliation between total CCA and CEC amounts appearing in Appendix VII(a), Schedule 10.2, Line 30 and AUI's 2014 CRA T2 Corporate Income Tax Filing Schedules 8 and 10. As per Line 34 of Attachment 3, the CCA and CEC amounts filed in the proceeding match the amounts filed with the CRA.
- b. Attachment 4 - Directive 14 – 2014 CCA Schedule: a copy of Schedule 8, Capital Cost Allowance (CCA), from AUI's 2014 T2 Corporate Income Tax Filing.
- c. Attachment 5 Directive 14 – 2014 CEC Schedule: a copy of Schedule 10, Cumulative Eligible Capital Deduction, from AUI's 2014 T2 Corporate Income Tax Filing.

Commission findings

57. Appendix 3 of Decision 3558-D01-2015, item 1 (c) of the revised minimum filing requirements requires the following:

1. Schedules and related evidence

In addition to the materials required pursuant to paragraph 1091 of Decision 2013-435, a company must include in each capital tracker true-up application and in each capital tracker forecast application a set of Microsoft Excel® schedules setting out all the elements of the accounting test, materiality test and the resulting K factor calculation as directed in Decision 2013-435.

...

- c. Evidence that the capital cost allowance amounts have been reconciled with the amounts filed with the CRA.

58. AltaGas identified the capital cost allowance classes to which each of its capital tracker programs is assigned and allocated the capital tracker amounts to those classes. AltaGas then compared those amounts to the amounts filed with the CRA. AltaGas has performed the calculations accurately and has provided sufficient evidence to demonstrate that the reconciliation of the capital cost allowance amounts with the amounts filed with the CRA has been done. Accordingly, the Commission finds that AltaGas has complied with the Commission's direction.

Direction 15

59. At paragraph 375 of Decision 20522-D02-2016, the Commission gave the following direction:

375. It is hereby ordered that:

- (1) AltaGas Utilities Inc. is directed to file a compliance filing application in accordance with the directions contained within this decision by February 29, 2016.

60. At page 27 of the application, AltaGas responded:

The current application constitutes AUI's compliance with Directive 15.

Commission findings

61. AltaGas filed its application addressing the directions contained in Decision 20522-D02-2016 on February 29, 2016. Accordingly, the Commission finds that AltaGas has complied with this direction.

4 Order

62. It is hereby ordered that:

- (1) The 2013, 2014, 2016 and 2017 K factor adjustments applied for in the compliance filing application are approved.
- (2) AltaGas Utilities Inc. shall reflect the recalculated 2014 K factor true-up adjustment and the 2016 K factor forecast adjustments, as provided for in this decision, in its next Rate Rider F application.

Dated on May 19, 2016.

Alberta Utilities Commission

(original signed by)

Henry van Egteren
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
AltaGas Utilities Inc. (AltaGas or AUI)
AltaLink Management Ltd.

Alberta Utilities Commission
Commission panel H. van Egteren, Commission Member
Commission staff C. Wall (Commission counsel) P. Howard N. Mahbub P. Genderka

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. This decision provides the Alberta Utilities Commission’s determination of AltaGas Utilities Inc.’s (AltaGas or AUI) compliance with the Commission’s directions issued in Decision 20522-D02-2016. For the reasons outlined in this decision, the Commission determined that AltaGas has complied with the Commission’s directions and has approved AltaGas’ 2013, 2014, 2016 and 2017 K factor adjustments as applied-for in the application. AltaGas is directed to reflect the recalculated 2014 K factor true-up adjustment and the 2016 K factor forecast adjustments in its next Rate Rider F application. Paragraph 1