



AUC

Alberta Utilities Commission

2012 Performance-Based Regulation Compliance Filings

**AltaGas Utilities Inc.,
ATCO Electric Ltd.,
ATCO Gas and Pipelines Ltd.,
EPCOR Distribution & Transmission Inc. and
FortisAlberta Inc.**

March 4, 2013

The Alberta Utilities Commission

Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings

AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd.,

EPCOR Distribution & Transmission Inc. and FortisAlberta Inc.

Application No. 1608826

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1 Introduction and procedural highlights

1. On September 12, 2012, the Alberta Utilities Commission (AUC or Commission) issued Decision [2012-237](#),¹ Rate Regulation Initiative Distribution Performance-Based Regulation, in which it directed each of AltaGas Utilities Inc. (AltaGas or AUI), ATCO Electric Ltd. (ATCO Electric or AE), ATCO Gas and Pipelines Ltd. (ATCO Gas or AG), EPCOR Distribution & Transmission Inc. (EPCOR or EDTI) and FortisAlberta Inc. (Fortis or FAI) (jointly referred to as the companies) to file performance-based regulation (PBR) compliance filings in accordance with the directions set out in the decision.
2. On September 28, 2012, Commission staff held an information meeting with interested parties at the Commission's offices in Edmonton, in order to assist parties in understanding the compliance filing application requirements set out in Decision 2012-237 and to enhance the efficiency of the application review process. Besides the companies, ENMAX Power Corporation (ENMAX), the Consumers' Coalition of Alberta (CCA), the Office of the Utilities Consumer Advocate (UCA), and The City of Calgary (Calgary), expressed their interest to attend the information session and participate in this proceeding.
3. On October 4, 2012, a letter outlining the Commission's written responses to the questions addressed at the information session was issued. In that letter, the Commission indicated that the "AUC is planning to issue an interim decision with respect to January 1, 2013 rates by mid-December 2012" and that a "decision approving final 2013 rates is expected sometime in February 2013."²
4. On October 15, 2012, the Commission issued a notice of proceeding soliciting statements of intent to participate (SIPs) from any party not already registered in the proceeding that wished to intervene or participate. A SIP was filed by AltaLink Management Ltd. The Commission also established a written process schedule. The companies' application submissions were required to be provided by November 2, 2012, and information requests (IRs) to the companies were to be filed by November 16, 2012.³
5. By letter dated October 31, 2012, AltaGas proposed a one-week extension to the November 2, 2012 deadline. In its letter of November 2, 2012, the Commission agreed to grant AltaGas the proposed extension and adjusted the date for filing of IRs to the companies for all

¹ Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Application No. 1606029, Proceeding ID No. 566, September 12, 2012.

² Exhibit 18.02, Commission response document dated October 4, 2012, page 3.

³ Exhibit 22.01, notice of proceeding dated October 15, 2012.

parties to November 20, 2012. The Commission received PBR compliance applications from each of ATCO Electric, ATCO Gas, EPCOR and Fortis on November 2, 2012 and from AltaGas on November 9, 2012. This decision relates to these applications.

6. Each of the companies also requested a review and variance (R&V) of Decision 2012-237, which were considered under Proceeding ID No. 2240. Several of the companies requested that the Commission consider the R&V applications either before, or in conjunction with, the compliance applications.

7. On November 9, 2012, the UCA submitted a letter to the Commission requesting that the date for filing of IRs to the companies be extended from November 20, 2012 to November 30, 2012.

8. On November 16, 2012, the Commission responded to the UCA's request and indicated that the Commission intended to:

3. ... issue a decision in mid-December approving PBR rates on an interim basis. The interim rates approved for each utility will be based on that utility's going-in rates, adjusted in accordance with any specific directions provided in Decision 2012-237, and as further adjusted by the PBR formula. Only the adjustments directed by the Commission in Decision 2012-237 will be included in rates in this interim rate decision. Accordingly, those aspects of the compliance filings that request Commission approval for rate adjustments not specifically directed in Decision 2012-237, such as additional going-in rate adjustments, Z factors, and K factor placeholders, will not be considered for inclusion in the interim rate decision.

.....

5. In order to facilitate the timely issuance of an interim rate decision, information requests will be divided into two separate rounds. The first round of IRs will be required to be filed by November 21, 2012 and should address only those aspects of the compliance applications which will be the subject of the interim rate decision. A second round of information requests on the balance of the compliance filings will be required to be filed by December 5, 2012.⁴

9. Concurrent with the Commission's letter of November 16, 2012, Calgary filed a letter objecting to the inclusion of R&V related matters within the ATCO Gas compliance application.⁵

10. The Commission's letter of November 16, 2012, also discussed several of the issues raised by Calgary. The Commission stated:

7. ... Certain of the utilities have requested that the Commission consider the review and variance applications either before or in conjunction with the compliance applications and/or the capital tracker applications. The Commission has decided to consider the review and variance applications separately from, and concurrently with, the compliance and capital tracker applications.⁶

⁴ Exhibit 36.01, Commission correspondence, November 16, 2012, paragraphs 3 and 5.

⁵ Exhibit 35.01, Calgary letter to the Commission, November 16, 2012.

⁶ Exhibit 36.01, Commission correspondence, November 16, 2012, paragraph 7.

11. The Commission further reiterated the preceding comments in a letter dated November 20, 2012, which also established the procedural schedule for the PBR compliance, capital tracker and R&V proceedings.⁷ The Commission permitted the companies to make additional submissions in their R&V applications related to the preliminary question and required the companies to advise the Commission, by November 28, 2012, if they no longer wished the Commission to consider some portion of their compliance filing because it relates solely to issues being considered in the R&V.

12. The resulting written process that this proceeding followed is detailed in the schedule below:

Process step	Deadline date
Round 1 information requests to the companies	November 21, 2012
Round 1 information responses from the companies	December 4, 2012
Round 2 information requests to the companies	December 5, 2012
Round 2 information responses from the companies	December 19, 2012
Argument	January 7, 2013
Reply argument	January 21, 2013

13. The Commission considers the record for this proceeding to have closed on January 21, 2013. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding and the PBR Proceeding ID No. 566 resulting in Decision 2012-237. 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

14. As set out in Decision 2012-237, the PBR framework provides a formula mechanism for the annual adjustment of rates independent of the underlying costs incurred by the companies. In general, the companies' rates are adjusted annually by means of an indexing mechanism that tracks the rate of inflation (I) relevant to the prices of inputs the companies use less an offset (X) to reflect the productivity improvements the companies can be expected to achieve during the PBR plan period. As a result, 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 formula. The PBR framework is intended to create efficiency incentives similar to those in competitive markets.

⁷ Exhibit 60.01, Commission correspondence, November 20, 2012.

15. Decision 2012-237 instructed the companies to include in their compliance filings proposed distribution rate schedules to be effective January 1, 2013, with supporting documentation including:

- base rates for going-in rates by rate class that will be the starting point for 2013 rates
- I factor calculation as described in Section 15.1.1 with supporting backup
- provision component of the Y factor adjustment to collect Y factors that are not collected through separate riders calculated as described in Section 15.1.4
- billing determinants for each rate class for gas applications
- billing determinants that will be used to allocate Y factor provisions to rate classes
- backup showing the application of the formula by rate class and resulting rate schedules
- any other material relevant to the establishment of current year rates⁸

16. In their respective PBR compliance filing applications, the companies provided the distribution rate schedules to be effective January 1, 2013 with supporting documentation, as directed in Decision 2012-237. For the purpose of establishing interim rates, the Commission requested in its first round of information requests that the companies remove the impact of any applied-for rate adjustments which were not specifically approved in Decision 2012-237 from the rate schedules filed in the compliance filings.

17. On December 17, 2012, the Commission issued Decision [2012-337](#)⁹ establishing January 1, 2013 interim rates for each of ATCO Electric, EPCOR and Fortis. On December 21, 2012, the Commission issued Decision [2012-347](#)¹⁰ establishing January 1, 2013 interim rates for each of AltaGas and ATCO Gas.

18. On March 4, 2013, the Commission issued Decision [2013-071](#)¹¹ on the companies' requests to review and vary the findings in Decision 2012-237.

19. With the release of this decision, most elements comprising the companies' 2013 PBR rates (including the 2013 I factor and the resulting I-X index, the allocation methodology for K, Y and Z factors and any adjustments to going-in rates) will be finalized subject to a second compliance filing. As discussed in Section 5 of this decision, the second compliance filing will establish interim rates effective April 1, 2013. These rates will remain interim, because they will include 2013 K factor placeholder amounts, as discussed in Section 3.2 below, as well as other placeholders. Additionally, the Phase II methodologies that form the basis for going-in rates have not yet been finalized for ATCO Gas and Fortis as of the date of their respective PBR compliance filings. AltaGas expressed its intention to complete the 2012 Phase II cost of service

⁸ Decision 2012-237, page 214, paragraph 1003.

⁹ Decision 2012-337: 2012 Performance-Based Regulation Compliance Filings January 1, 2013 Interim Rates for each of ATCO Electric Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Application No. 1608826, Proceeding ID No. 2130, December 17, 2012.

¹⁰ Decision 2012-347: 2012 Performance-Based Regulation Compliance Filings January 1, 2013 Interim Rates for each of AltaGas Utilities Inc. and ATCO Gas and Pipelines Ltd., Application No. 1608826, Proceeding ID No. 2130, December 21, 2012.

¹¹ Decision 2013-071: Rate Regulation Initiative, Distribution Performance-Based Regulation, Decision on Preliminary Question, Requests for Review and Variance of AUC Decision 2012-237, Application Nos. 1609018, 1609019, 1609024, 1609025, and 160909, Proceeding ID No. 2240, March 4, 2013.

study that will be used during the PBR term. The subsequent approval of Phase II methodologies for these companies may result in a further adjustment to PBR rates for 2013.

20. This decision is organized as follows: Section 3 below deals with the rate setting issues common to the companies' compliance applications such as the 2013 I factor calculations, placeholders for 2013 K and Z factors and factor allocation methodology, among others. Section 4 addresses issues specific to the companies' individual applications.

3 Common issues

3.1 I factor calculations and the resulting I-X index for 2013

21. In their respective compliance applications, the companies calculated the I factor following the Commission's directions in Decision 2012-237.¹² Specifically, the companies used Statistics Canada data for the Alberta average weekly earnings (AWE) at the industrial aggregate level and the all-items Alberta consumer price index (CPI) for the period July 2010 through June 2012 to derive the annual per cent change for each series. Applying the approved 55:45 weighting to the obtained AWE and CPI indexes resulted in the 2013 I factor of 2.87 per cent.¹³ Together with the X factor of 1.16 per cent¹⁴ as approved in Decision 2012-237, this I factor results in the I-X index value of 1.71 per cent for 2013.¹⁵

22. In their respective applications, the companies used the June 2012 Alberta AWE value of \$1,070.68 for calculating the I factor, as originally published by Statistics Canada in late August 2012. The CCA pointed out that this value was subsequently revised to \$1,068.06 in later publications. This change results in a year-over-year percentage reduction for Alberta AWE of 0.02 percentage points and a reduction of the 2013 I factor of 0.01 percentage points to 2.86 per cent. Therefore, the CCA submitted that this update should be reflected to correct errors in the data, and an I factor of 2.86 per cent should be utilized for all companies.¹⁶

23. AltaGas agreed with the CCA that information available prior to the close of this proceeding was of relevance and should be considered by the Commission. Accordingly, AltaGas did not object to the revised I factor calculation proposed by the CCA, reducing the proposed I factor to 2.86 per cent for 2013.¹⁷

24. EPCOR,¹⁸ ATCO Electric¹⁹ and ATCO Gas²⁰ (the ATCO companies) pointed out that the CCA's request contradicted the Commission's findings in Decision 2012-237, which stated that periodic revision of inflation indexes by Statistics Canada need not affect the calculation of the I factor, provided that the unrevised value is used as the basis for subsequent calculations.²¹ In

¹² Decision 2012-237, page 52, paragraph 251.

¹³ Exhibit 34.01, AltaGas application, paragraph 35; Exhibit 27.01, ATCO Electric application, paragraph 99; Exhibit 28.01, ATCO Gas application, paragraph 63; Exhibit 29.01, EPCOR application, paragraph 36.

¹⁴ Decision 2012-237, page 107, paragraph 515.

¹⁵ Exhibit 26.01, Fortis application, Part B, paragraph 24.

¹⁶ Exhibit 100.01, paragraphs 9-11, 13-15, 25-26, 42-47.

¹⁷ Exhibit 114, AltaGas reply argument, paragraph 5.

¹⁸ Exhibit 120, EPCOR reply argument, paragraphs 14-16.

¹⁹ Exhibit 118, ATCO Electric reply argument, paragraphs 18-20.

²⁰ Exhibit 117, ATCO Gas reply argument, paragraphs 13-15.

²¹ Decision 2012-237, page 52, paragraph 249.

addition, the ATCO companies submitted that the CCA's request will "add unnecessary burden to the compliance filing process for all companies subject to the PBR mechanism, with the objective to achieve a change of 0.01% to the I factor."²² Fortis noted that its I factor calculation corresponded to the directions in Decision 2012-237.²³ Therefore, these companies argued that the CCA's request to revise the 2013 I factor to 2.86 per cent should be denied.

Commission findings

25. The Commission was able to verify that, in its August 30, 2012 release of the payroll employment, earnings and hours data, Statistics Canada reported the Alberta AWE value of \$1,070.68²⁴ for June 2012. In later releases, this value was subsequently revised to \$1,068.06²⁵ as observed by the CCA.

26. The Commission agrees with the CCA's and AltaGas' view that it is generally desirable to use the most recent information available when considering a particular issue. However, in this case, given the fact that in their future I factor calculations the companies will rely on the Statistics Canada data released prior to September 10th of each year (the date of the annual PBR rate adjustment filings²⁶), the Commission considers that the use of inflation indexes published in August 2012 is acceptable for establishing the 2013 I factor.

27. Moreover, as EPCOR and the ATCO companies pointed out, in Decision 2012-237 the Commission agreed with the explanation of Dr. Ryan on behalf of EPCOR that periodic revision of inflation indexes by Statistics Canada need not affect the calculation of the I factor, provided that the unrevised value is used as the basis for subsequent calculations.²⁷ Dr. Ryan explained in his PBR proceeding evidence (referenced in Decision 2012-237²⁸) that under this arrangement, the difference between the preliminary Alberta AWE value of \$1,070.68 and the subsequently revised value of \$1,068.06 will be captured in the next year's (i.e., 2014) I factor calculation.

28. For these reasons, the Commission denies the CCA's request to revise the 2013 I factor to 2.86 per cent based on the revised Statistics Canada series. The Commission accepts the 2013 I factor of 2.87 per cent calculated by the companies. Together with the X factor of 1.16 per cent²⁹ approved in Decision 2012-237, this I factor value results in an I-X index value of 1.71 per cent for 2013.

29. Finally, when calculating the 2014 I factor as part of the September 10, 2013 annual PBR rate adjustment filing, the companies will be comparing the average Alberta AWE and Alberta CPI index values for the period from July 2012 to June 2013 to the corresponding values from July 2011 to June 2012 in order to calculate the percentage change. Consistent with the Commission's direction in Decision 2012-237, the Alberta AWE and Alberta CPI from July

²² Exhibit 118, ATCO Electric reply argument, paragraph 20 and Exhibit 117, ATCO Gas reply argument, paragraph 15.

²³ Exhibit 115, Fortis reply argument, paragraph 7.

²⁴ <http://www.statcan.gc.ca/daily-quotidien/120830/t120830b001-eng.htm>.

²⁵ The latest AWE data are available from the Statistics Canada Table 281-0028 published online at <http://www5.statcan.gc.ca/cansim/pick-choisir?lang=eng&p2=33&id=2810028>.

²⁶ Decision 2012-237, page 206, paragraph 962.

²⁷ Decision 2012-237, page 52, paragraph 249.

²⁸ Decision 2012-237, page 50, paragraph 239.

²⁹ Decision 2012-237, page 107, paragraph 515.

2011 to June 2012 should be the same unrevised index values published on August 30, 2012, as filed in this proceeding. For convenience, these indexes are provided in [Appendix 3](#) to this decision.

3.2 Placeholders for 2013 K factors and Z factors

30. In its PBR compliance filing, ATCO Electric included placeholders for K and Z factors based on the amounts that the company applied for in its capital tracker application (Proceeding ID No. 2131)³⁰ and Z factor adjustment application (Proceeding ID. No. 2301).³¹ Specifically, ATCO Electric originally proposed to collect \$23 million as a K factor placeholder and \$4 million as a Z factor placeholder in its 2013 rates on an interim refundable basis.³² Subsequently, in its capital tracker application, ATCO Electric applied for a 2013 K factor of \$20.2 million.³³ In its Z factor adjustment application, ATCO Electric sought recovery of \$6.3 million related to certain Rural Electrification Association (REA) acquisitions.³⁴

31. Similarly, ATCO Gas originally proposed to collect in its 2013 rates on an interim refundable basis a K factor placeholder in the amount of \$10 million.³⁵ In its capital tracker application, ATCO Gas applied for a 2013 K factor of \$9.509 million.³⁶

32. The ATCO companies expressed their view that, due to the materiality of the applied-for K factor and Z factor amounts, it would be better for both customers and the companies to commence recovery of these costs earlier in the year.³⁷

33. AltaGas provided its estimate of a K factor placeholder in its compliance application. At the same time, AltaGas pointed out that it did not apply for the recovery of revenue amounts associated with the K factor placeholder in this proceeding as this issue will be addressed as part of the capital tracker application.³⁸ Fortis did not apply for the recovery of any K factor amounts for 2013 in its PBR compliance filing application. However, Fortis indicated that it would apply to recover such amounts in the future.³⁹ EPCOR observed that in the Commission's correspondence of October 4, 2012, the Commission advised that the 2013 rates calculated as a result of the compliance filings should not include any forecast K factor amounts.⁴⁰ Accordingly, EPCOR proposed that any required K factor adjustments for 2013 be determined in the capital tracker proceeding.⁴¹

34. The UCA pointed to the fact that, because the capital tracker applications and ATCO Electric's Z factor application are currently before the Commission, and the treatment of capital

³⁰ Proceeding ID No. 2131, ATCO Electric 2012 PBR Capital Tracker Application, Application No. 1608827, Exhibit 37, filed December 14, 2012.

³¹ Proceeding ID No. 2301, ATCO Electric PBR Z Factor Adjustment Application, Application No. 1609120, filed December 14, 2012.

³² Exhibit 27.01, ATCO Electric application, paragraph 13.

³³ Proceeding ID No. 2131, Exhibit 37.01, ATCO Electric capital tracker application, page 22.

³⁴ Proceeding ID No. 2301, Exhibit 1, page 13.

³⁵ Exhibit 28.01, ATCO Gas application, paragraph 11 and Schedule 5.0.

³⁶ Proceeding ID No. 2131, Exhibit 36.01, ATCO Gas capital tracker application, page 21.

³⁷ Exhibit 27.01, ATCO Electric application, paragraph 12; Exhibit 28.01, ATCO Gas application, paragraph 11.

³⁸ Exhibit 34.01, AltaGas application, paragraph 135.

³⁹ Exhibit 26.01, Fortis application, Part B, paragraph 26.

⁴⁰ Exhibit 18.02, Commission response document dated October 4, 2012, page 6.

⁴¹ Exhibit 29.01, EPCOR application, paragraph 48.

trackers and Z factors under the approved PBR model is being tested for the first time, it was inappropriate to include placeholders for these items in 2013 rates until the respective proceedings have been decided. As such, the UCA submitted that the placeholders for K factors and Z factors should be excluded from 2013 rates at this time.⁴²

35. In a similar vein, the CCA considered that there should be no prefunding of K factor proposals. The CCA expressed its view that K factor amounts should only be included in revenue requirement when and if they are approved. Therefore, the CCA submitted that the proposed K factors should not be included as placeholders as an outcome of a compliance filing pursuant to the PBR decision.⁴³

Commission findings

36. In its correspondence of October 4, 2012, the Commission expressed its expectation that, on November 2, 2012, capital tracker applications would be filed separately from, but at the same time as, the companies' compliance filings. Given this expectation, the Commission advised parties that the compliance filings should not include any forecast K factor amounts in 2013 PBR rates and that any K factor rate adjustments would be determined in the capital tracker proceeding.⁴⁴

37. However, while the PBR compliance filings considered in this proceeding were filed on November 2, 2012, the capital tracker applications in Proceeding ID No. 2131 were filed on December 14, 2012. Furthermore, after a preliminary review of the capital tracker applications, the Commission determined that the volume of information included in those applications, and the complexity of the issues involved, warranted additional time for the parties to prepare information requests. As a result, the deadline for information requests from interested parties to the companies in the capital tracker proceeding was extended to February 15, 2013.⁴⁵

38. Given this extension in the capital tracker proceeding schedule, and having the benefit of observing the 2013 K factor amounts that the companies have applied for in Proceeding ID No. 2131, the Commission considers that a decision on the issue of K factor placeholders should be rendered in this proceeding.

39. The Commission recognizes that only ATCO Electric and ATCO Gas applied for a K factor placeholder as part of their respective PBR compliance filings. However, the Commission considers that the issue of K factor placeholders should be considered on a consistent basis for all companies.

40. Given the volume of information included in the companies' capital tracker applications filed in Proceeding ID No. 2131, and the complexity of the issues involved, the Commission does not expect a final decision in that proceeding to be issued until later in 2013. In light of these circumstances and due to the materiality of the K factor amounts applied for in Proceeding ID No. 2131, the Commission sees merit in the ATCO companies' proposal to begin recovery of capital tracker related costs earlier in the year by way of a K factor placeholder in order to avoid

⁴² Exhibit 119.02, UCA reply argument, paragraphs 6-7.

⁴³ Exhibit 110.01, CCA argument, paragraph 15.

⁴⁴ Exhibit 18.02, Commission response document dated October 4, 2012, page 6.

⁴⁵ Proceeding ID. No 2131, Exhibit 40, Revised process schedule, December 18, 2012.

potential rate shock. Furthermore, because placeholders are approved on an interim refundable basis (i.e., subject to future reconciliation), customers' interests will be protected.

41. Consequently, pending the outcome of the capital tracker proceeding, the Commission directs the companies to include, on an interim basis, in their second compliance filing rates, a K factor placeholder. The Commission considers that a placeholder equal to 60 per cent of the K factor amounts applied for in the capital tracker proceeding, provides for a reasonable balance between the companies' 2013 forecast rate adjustments related to capital trackers, and potential customer rate shock implications. Specifically, based on the information provided in the capital tracker proceeding, the K factor placeholders to be included in the second compliance filing rates are set out in Table 1:

Table 1. K factors requested in the Capital Tracker proceeding and the approved 2013 K factor placeholder

Company	2013 K factor requested (revenue requirement) (\$ million)	Approved placeholder, (%)	2013 K factor placeholder, (revenue requirement) (\$ million)
	A	B	C=A*B
AltaGas	0.995 ⁴⁶	60	0.60
ATCO Electric	20.244 ⁴⁷	60	12.15
ATCO Gas	9.509 ⁴⁸	60	5.71
EPCOR	5.03 ⁴⁹	60	3.02
Fortis	24.3 ⁵⁰	60	14.58

42. The allocation of the approved K factor placeholders is discussed in Section 3.3 below.

43. With respect to ATCO Electric's proposal for a Z factor placeholder, the Commission observes that the company's Z factor proposal is currently under consideration in Proceeding ID No. 2301. At paragraph 541 of Decision 2012-237, the Commission approved the following mechanism for rate adjustments arising from Z factors:

541. A party may file a Z factor application at any time. However, in order to minimize the number of rate adjustments during the year, unless otherwise permitted, the Commission directs that Z factor rate adjustment applications be filed as part of the annual PBR rate adjustment filing.⁵¹

44. And further in paragraph 969:

969. ...All these Z factor amounts approved by the Commission since the last annual PBR rate adjustment filing will be aggregated as a single rate adjustment and included with the rate adjustment in the next annual PBR rate adjustment filing.⁵²

⁴⁶ Proceeding ID No. 2131, Exhibit 39.02, AltaGas capital tracker application schedules, Schedule 4.0.

⁴⁷ Proceeding ID No. 2131, Exhibit 37.01, ATCO Electric capital tracker application, page 22.

⁴⁸ Proceeding ID No. 2131, Exhibit 36.01, ATCO Gas capital tracker application, page 21.

⁴⁹ Proceeding ID No. 2131, Exhibit 38.01, EPCOR capital tracker application, paragraph 110, page 44.

⁵⁰ Proceeding ID No. 2131, Exhibit 35.07, Fortis capital tracker application, page 23.

⁵¹ Decision 2012-237, page 113, paragraph 541.

⁵² Decision 2012-237, page 207, paragraph 969.

45. Consistent with these findings, the Commission will consider whether ATCO Electric's applied-for Z factor warrants an inclusion in customer rates prior to its September 10, 2013 annual PBR rate adjustment filing, as part of the decision on Proceeding ID No. 2301. The Commission expects that the decision on Proceeding ID No. 2301 will be issued prior to the September 10, 2013 annual rate adjustment filing date. Accordingly, the Commission denies ATCO Electric's request for recovery of Z factor amounts at this time. ATCO Electric is directed to remove any Z factor placeholder amounts from the calculation of its 2013 PBR rates.

3.3 K, Y and Z factor allocation methodology

46. In Section 15 of Decision 2012-237, the Commission directed the companies to allocate items outside of the I-X mechanism, including K, Y and Z factors (except for items subject to flow-through treatment and collected by way of a separate rider), to rate classes based on the most recent forecast of billing determinants along with the Phase II methodologies currently in place.

993. The Commission considers that billing determinants will have limited use during the PBR term for electric distribution companies because the I-X mechanism results in rate changes that are separated from the costs of the company, therefore there is no revenue requirement that needs to be allocated to rate classes using billing determinants as was the case under cost of service regulation. The revenue-per-customer cap plans approved for the gas distribution utilities will, however, require usage-per-customer forecasts based on current billing determinants to perform the annual customer rates calculations. In addition, both electric and gas distribution companies will be required to allocate items outside of the I-X mechanism including Z factors, K factors and Y factors to rate classes, and those allocations will require billing determinant forecasts and Phase II methodologies.⁵³

47. Consistent with this direction, in its compliance filing application, ATCO Gas allocated, as part of the 2013 revenue, the total Y factor amount and the proposed K factor placeholder amount to rate classes using the allocations derived in its 2012 cost of service study. In particular, ATCO Gas identified the current percentages that were used to classify and functionalize its 2013 revenue. The functionalized revenue was then allocated to rate groups. Finally, ATCO Gas developed rates for each customer class using the allocated revenue and the 2013 forecast billing determinants.⁵⁴

48. AltaGas,⁵⁵ ATCO Electric,⁵⁶ EPCOR⁵⁷ and Fortis⁵⁸ allocated the requested Y factors to customer rate classes by prorating the total Y factor amount to the 2013 base revenue for each rate class. These companies proposed that such a proration-based allocation is also suitable for allocating any K factors and Z factors in related proceedings.⁵⁹ In other words, the companies proposed to spread out the K, Y, and Z factors across all customer classes using the base revenue per class for the upcoming year as an allocator. EPCOR referred to this method as a "simplified

⁵³ Decision 2012-237, page 211, paragraph 993.

⁵⁴ Exhibit 28.01, ATCO Gas application, pages 57-58, paragraph 97.

⁵⁵ Exhibit 99.03, AUC-AUI-4(a) and (b).

⁵⁶ Exhibit 96.01, AUC-AE-10.

⁵⁷ Exhibit 91.01, AUC-EDTI-5(a) and (b).

⁵⁸ Exhibit 94.02, AUC-FAI-7(a) and (b).

⁵⁹ Exhibit 99.03, AUC-AUI-4(c), Exhibit 96.01, AUC-AE-10, Exhibit 91.01, AUC-EDTI-5(c), Exhibit 94.02, AUC-FAI-7(b).

approach”, as opposed to the full Phase II process requiring each component to be classified, functionalized, and then allocated by rate class.

49. AltaGas, ATCO Electric, EPCOR and Fortis expressed their view that the proposed simplified approach complies with the Commission’s direction in paragraph 993 of Decision 2012-237, because the total of the Y factor amounts have been allocated to rate classes based on their proportionate share of the 2013 revenue, which was based on forecast billing determinants multiplied by 2012 going-in rates. In turn, the 2012 rates were determined using approved Phase II cost of service methodologies. As such, the companies argued that the simplified approach accords with the Commission’s direction.

50. The UCA expressed its view that allocating K, Y, and Z factors across all customer classes using the proportionate share of revenues is not the same as allocating the costs of each K, Y and Z factor based on its particular treatment in the company’s last cost of service study. The UCA submitted that the simplified factor allocation in effect freezes the allocations at the 2012 levels. According to the UCA, using this method is of particular concern for K and Z factor adjustments, where the costs may pertain to a particular rate class.⁶⁰

51. The UCA further submitted that the allocation of costs related to K factor or Z factor adjustments “should be determined in the respective proceeding, where the allocation can be determined based on the facts of the case, and more accurately reflect the use of the assets.”⁶¹ With respect to the Y factor allocation, the UCA submitted that

[...]consistent with the intent of paragraph 993 of Decision 2012-237, [...] adjustments to each Y factor should be made based on the allocation underlying the costs included in approved 2012 rates. To the extent that the underlying cost allocations for particular Y factor adjustments is the same as other Y factor adjustments, the Y factor adjustments can be grouped for allocation purposes.⁶²

52. In response to a Commission information request,⁶³ AltaGas, ATCO Electric, EPCOR and Fortis agreed that the proposed simplified factor allocation could result in revenue transfers among rate classes where a rate class specific K, Y, or Z factor was involved. However, the companies maintained that, because any K, Y, or Z factor amounts filed in this proceeding pertain to expenditures that affect all rate classes, any revenue transfers amongst rate classes was minimal. AltaGas commented on this issue as follows:

AUI notes the proposed 2013 Y Factor components, as set out in Schedule 4.0 of X99.02, are items that apply to all rate classes. Although a cost of service based allocation may result in slightly different allocations by rate class, the difference between a cost of service based allocation and an across-the-board allocation is unlikely to be material with respect to the Y Factors proposed by AUI in 2013.⁶⁴

⁶⁰ Exhibit 107.02, UCA argument, paragraph 24.

⁶¹ Exhibit 107.02, UCA argument, paragraph 28.

⁶² Exhibit 107.02, UCA argument, paragraph 29.

⁶³ Exhibit 99.03, AUC-AUI-4(b), Exhibit 96.01, AUC-AE-10, Exhibit 91.01, AUC-EDTI-5(b), Exhibit 94.02, AUC-FAI-7(b).

⁶⁴ Exhibit 114.01, AltaGas reply argument, paragraph 27.

53. Similarly, ATCO Electric submitted that “any gain in cost allocation precision from the UCA’s proposal would be minimal.”⁶⁵ Given these small differences, ATCO Electric argued that regulatory efficiency and reliability of the simplified factor allocation outweigh the “lengthy commitment of allocating the K, Y and Z factors using cost of service and rate design models.”⁶⁶

54. In that regard, ATCO Electric referred to PBR Principle 3 which states that a “PBR plan should be easy to understand, implement and administer and should reduce the regulatory burden over time.”⁶⁷ In ATCO Electric’s view, “this principle would not be adhered to under the UCA’s proposal because a burdensome Phase II process would be required with respect to K, Y and Z factor allocations.”⁶⁸ Fortis also referred to the UCA’s proposal to use a Phase II methodologies for factor allocation as “the antithesis of reducing regulatory burden.”⁶⁹

55. AltaGas agreed with the UCA’s conclusion that the simplified factor allocation “effectively preserves the inter-class relationship between rates.”⁷⁰ However, AltaGas did not “consider it appropriate to change the relative levels of rate components by rate class and the cross over points, outside of a Phase II proceeding where careful consideration is given to balancing different rate design criteria.”⁷¹ In a similar vein, EPCOR observed that the allocation of all the costs under I-X was “frozen at 2012 levels for purposes of determining EDTI’s 2013 PBR Rates.”⁷² In EPCOR’s view, “under PBR, rates are de-linked from costs, not only the level of costs, but the allocation of costs between rate classes.”⁷³ EPCOR submitted that this will be the case until the company carries out another Phase II cost-of-service study. Fortis also commented that its proposed simplified factor allocation “ought not to be disturbed” in light of its upcoming 2012 Phase II proceeding.⁷⁴

56. AltaGas, ATCO Electric, EPCOR and Fortis all argued that the proposed simplified factor allocation is preferable in the circumstances and should be approved as filed because it reasonably reflects the underlying costs, is consistent with both the Commission’s determinations and directions in Decision 2012-237 and the principle of regulatory efficiency, and is amenable to the PBR framework where revenues are delinked from costs.⁷⁵

57. At the same time, EPCOR indicated that, for 2014, it will evaluate its K, Y and Z factor approved amounts (if any) to confirm whether the simplified factor allocation is still suitable or whether any changes to the methodology are warranted.⁷⁶ Similarly, AltaGas noted that

In the event an additional cost clearly and unambiguously does not apply to all rates and/or rate components or where a case can be made that such an approach may result in

⁶⁵ Exhibit 118.01, ATCO Electric reply argument, paragraph 13.

⁶⁶ Ibid.

⁶⁷ Decision 2012-237, page 7, paragraph 28.

⁶⁸ Exhibit 118.01, ATCO Electric reply argument, paragraph 13.

⁶⁹ Exhibit 115.01, Fortis reply argument, paragraph 6.

⁷⁰ Exhibit 112.01, AltaGas argument, paragraph 34.

⁷¹ Exhibit 112.01, AltaGas argument, paragraph 35.

⁷² Exhibit 120.01, EPCOR reply argument, paragraph 10.

⁷³ Exhibit 120.01, EPCOR reply argument, paragraph 10.

⁷⁴ Exhibit 115.01, Fortis reply argument, paragraph 6.

⁷⁵ Exhibit 114.01, AltaGas reply argument, paragraph 27, Exhibit 118.01, ATCO Electric reply argument, paragraph 16, Exhibit 120.01, EPCOR reply argument, paragraph 12, Exhibit 115.01, Fortis reply argument, paragraph 4.

⁷⁶ Exhibit 91.01, AUC-EDTI-5(c).

undue discrimination, AUI submits exceptions to the rate adjustment approach described above may be considered.⁷⁷

58. In that regard, by way of example, AltaGas pointed out that, in its capital tracker application, it proposed that its K factor not apply to the default supply provider (DSP) administration fee. This is because the DSP administration fee relates to billing and customer accounting, whereas the K factor relates to the recovery of distribution capital replacements and upgrades. As such, in its capital tracker application, AltaGas proposed that its K factor be applied on an across-the-board basis based on base revenues by rate class but excluding the DSP administration fee from this allocation.⁷⁸

Commission findings

59. As explained in Decision 2012-237, under the rate-base rate-of-return regulatory framework, a utility's revenue requirement established in a Phase I proceeding needs to be translated into customer rates. This is done in a Phase II cost-of-service study proceeding.

8. In the second phase of a rate application, monthly, hourly or other rates to be paid by individual customers for use of the distribution system are established by determining how much of the revenue requirement should be recovered from each customer class (residential, commercial, etc.) and on what billing unit basis (monthly charge, per kilowatt hour or gigajoule, etc.). Rates are established by dividing the revenue requirement for each customer class by the billing units.⁷⁹

60. Under the PBR framework, rates are determined by means of the I-X mechanism, thus breaking the link between a utility's costs and its revenues during the PBR term. This obviates the need for a Phase I proceeding. However, the use of Phase II methodologies is still required under PBR, as there is a need to translate the approved K, Y and Z factor dollar amounts into customer rates. Furthermore, forecast billing determinants represent an integral part of the PBR plans in the form of the revenue-per-customer cap, regardless of any other adjustments outside of the I-X indexing mechanism.⁸⁰

61. In this proceeding, the Commission was presented with two methods of converting the approved K, Y and Z factor dollar amounts into customer rates.

62. Under one method, suggested by ATCO Gas and supported by the UCA, individual K, Y and Z factor dollar amounts are converted into customer rates by classifying, functionalizing and then allocating the amounts by rate class. Alternatively, AltaGas, ATCO Electric, EPCOR and Fortis proposed a simplified approach to factor allocation using the 2013 base revenue per rate class as the allocator. The simplified factor allocation effectively preserves the inter-class relationship among rates based on allocations approved in the last Phase II study.⁸¹

⁷⁷ Exhibit 114.01, AltaGas reply argument, paragraph 28.

⁷⁸ Exhibit 114.01, AltaGas reply argument, paragraph 28.

⁷⁹ Decision 2012-237, page 2, paragraph 8.

⁸⁰ Decision 2012-237, page 28, paragraph 125.

⁸¹ Exhibit 112.01, AltaGas argument, paragraph 34, Exhibit 107.02, UCA argument, paragraph 24, Exhibit 120.01, EPCOR reply argument, paragraph 10.

63. The UCA pointed out that allocating K, Y, and Z factors across all customer classes using the proportionate share of revenues under the simplified approach is not the same as allocating the costs of each K, Y or Z factor based on its particular treatment in the company's last cost of service study.⁸² The companies agreed that the simplified factor allocation was somewhat less precise than the classifying, functionalizing and then allocating the amounts by rate class using the last approved Phase II methodologies, but pointed out that it was much less burdensome, thus better complying with AUC PBR Principle 3.⁸³

64. On this issue, the Commission agrees with the views of AltaGas, ATCO Electric and EPCOR that, in the absence of any rate class specific K, Y or Z factors, the difference between a factor allocation based on classifying, functionalizing and then allocating the amounts by rate class, using the last approved Phase II methodologies, and a simplified factor allocation is unlikely to be material.⁸⁴ Accordingly, the Commission agrees with these companies that the benefits of regulatory efficiency from the simplified factor allocation outweigh the marginal loss of precision.

65. For this reason, for the purposes of this decision, the Commission finds that both the simplified factor allocation (proposed by AltaGas, ATCO Electric, EPCOR and Fortis), and classifying, functionalizing and then allocating the K, Y, and Z factor amounts by rate class using the last approved Phase II methodologies (as used by ATCO Gas) are acceptable for allocating K, Y, and Z factor amounts that apply to all rate classes.

66. The Commission agrees with the view of EPCOR and AltaGas that, in the event that any of the applied-for K, Y or Z factors do not apply to all of customer classes, these K, Y and Z factor amounts should be allocated to rate classes using the approved Phase II methodologies which involve classifying, functionalizing, and then allocating any rate-class specific amounts.

67. Furthermore, as set out in Decision 2012-237 and discussed in Section 4.1.1 below, the revenue-per-customer cap PBR plan approved for AltaGas and ATCO Gas accounts for changes in the projected usage-per-customer by rate class, by dividing the indexed revenue per customer class by the forecast billing determinants.⁸⁵ Accordingly, AltaGas (and ATCO Gas, if it so chooses) may use the simplified approach to allocate the K, Y or Z factors which apply to all customer classes, to customer classes by using the 2013 base revenue per rate class as an allocator. However, these allocated amounts must be divided by the forecast billing determinants by rate class to be consistent with the approved revenue-per-customer cap plan.

68. In Section 3.2 of this decision, the Commission awarded a K factor placeholder in the amount of 60 per cent of the K factor amounts that each company applied for in the capital tracker proceeding. Because these amounts represent a dollar sum that cannot be readily associated with any particular capital project, the Commission considers that the allocation of the K factor placeholders is more amenable to the simplified factor allocation rather than classifying, functionalizing and allocating these costs using Phase II methodologies.

⁸² Exhibit 107.02, UCA argument, paragraph 24.

⁸³ Exhibit 118.01, ATCO Electric reply argument, paragraph 13, Exhibit 115.01, Fortis reply argument, paragraph 6.

⁸⁴ Exhibit 114.01, AltaGas reply argument, paragraph 27, Exhibit 118.01, ATCO Electric reply argument, paragraph 13.

⁸⁵ Decision 2012-237, page 28, paragraph 125 and page 30, paragraph 136.

69. To the extent that ATCO Gas cannot incorporate the approved K factor placeholder into its Phase II rates model, it may use the simplified factor allocation as described above. Similarly, as detailed in Section 4.1.1 of this decision, the Commission directed AltaGas to recalculate its 2013 PBR rates using the Phase II methodologies and 2013 forecast billing determinants. As such, to the extent that AltaGas cannot incorporate the approved K factor placeholder into its Phase II rates model, it may use the simplified factor allocation.

70. With respect to the Y factor amounts filed in this proceeding, the Commission accepts the companies' arguments that these amounts pertain to expenditures that affect all rate classes. Accordingly, the Commission finds the companies' proposed Y factor allocations to be reasonable.

71. Finally, as discussed in Section 3.2 above, the Commission denied a placeholder for the proposed ATCO Electric Z factor. Therefore no Z factors were approved as part of this compliance filing. The allocation of any specific Z factors will be addressed in their respective proceedings.

3.4 Utilization of riders during the PBR term

72. In accordance with the Commission's direction at paragraph 722 of Decision 2012-237, the companies identified all of the riders that they intend to use during the PBR term that are outside of the I-X mechanism. These riders have been summarized in [Appendix 4](#). The riders in Appendix 4 are not and have not been included as part of PBR rates.

73. In its PBR compliance filing, Fortis proposed to recover factors outside of the I-X mechanism through a single distribution adjustment rider (DAR), expressed as a percentage of base distribution rate revenue, by rate class. In its filing, Fortis designed the DAR to refund a forecast 2013 Y factor amount of \$2.983 million.⁸⁶ As such, in the compliance application Fortis referred to its DAR as a "Y factor rider."⁸⁷

74. AltaGas proposed that any Y factor and Z factor amounts be included as part of base rates. In AltaGas' view, this simplifies the end bill to customers/retailers without affecting the ongoing tracking of these costs in the PBR compliance and annual filings. At the same time, AltaGas proposed to recover K factor amounts through a separate rider (as opposed to being included as part of base rates), due to the implementation of the K factor only late in 2013.⁸⁸

75. ATCO Electric, ATCO Gas and EPCOR did not propose to recover the K, Y and Z factor amounts through separate riders but, rather, included these amounts (where applicable) as part of PBR rates.

Commission findings

76. The Commission agrees with the approach taken by ATCO Electric, ATCO Gas and EPCOR and finds that, to the extent possible, any approved K, Y and Z factor amounts shall be included in the PBR rates for the upcoming year rather than being recovered by way of a separate rider. The Commission agrees with AltaGas' view that this approach simplifies the end

⁸⁶ Exhibit 26.01, Fortis application, Part B, page 15, paragraphs 49-50.

⁸⁷ Exhibit 26.01, Fortis application, Part A, page 39, paragraphs 114.

⁸⁸ Exhibit 112.01, AltaGas argument, paragraphs 35-36.

bill to customers and retailers without affecting the ongoing tracking of these costs in the PBR annual rate adjustment filings.⁸⁹

77. At the same time, the Commission recognizes that there is a need to recover some of the approved flow-through items through separate riders, as these items do not correspond to the timing of the annual PBR rate adjustment proceeding. For example, the quarterly transmission access charge riders used by the electric distribution companies involve more frequent adjustments to customer rates. According to Decision 2012-237:

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.⁹⁰

78. In accordance with the above direction, for the purposes of this decision, the Commission approves the use of the riders identified in Appendix 4 to this decision. The Commission will review the continued need for these riders at the time of the companies' next respective rider applications, if filed prior to the annual PBR rate adjustment filing. Additionally, the Commission will review the continuing need for all the riders set out in Appendix 4 at the time of the September 10, 2013 company filings. Accordingly, the companies are directed, in their September 10, 2013 filings, to address the continuing need for each of these riders.

3.5 Efficiency carry-over mechanism

79. In Decision 2012-237, the Commission approved the inclusion of the return on equity (ROE) efficiency carry-over mechanism (ECM) in the PBR plans of ATCO Electric and ATCO Gas and indicated that other companies may apply for the same ECM to be included in their PBR plans as well.

775. The Commission agrees that ECMs are an innovative mechanism that will allow for a strengthening of incentives in the later years of the PBR term and may discourage gaming regarding the timing of capital projects. The Commission finds that the incentive properties of an ECM encourage companies to continue to make cost saving investments near the end of the PBR term. The Commission agrees with ATCO's proposal for an upper limit for earnings that can be carried over and finds the limit of 0.5 per cent to be reasonable. Accordingly, the Commission approves the ATCO companies' ROE ECM for inclusion in the ATCO companies' PBR plans. If any of the other companies wish to submit the same ECM in their PBR plans, they may do so in their compliance filings. [footnote omitted]⁹¹

80. In Decision 2012-237, the Commission also approved the same ECM for EPCOR's PBR plan. In particular, the Commission modified EPCOR's originally proposed ECM to be the same as the ROE ECM approved for the ATCO companies.⁹²

⁸⁹ Exhibit 112.01, AltaGas argument, paragraph 35.

⁹⁰ Decision 2012-237, page 210, paragraph 984.

⁹¹ Decision 2012-237, page 169, paragraph 775.

⁹² Decision 2012-237, page 169, paragraphs 775-777.

81. In its compliance filing, AltaGas agreed that the ECM proposed by the ATCO companies and approved by the Commission “should strengthen incentives in the later years of the PBR term and encourage continued prudence in the timing of capital projects.”⁹³ Therefore, AltaGas requested that the Commission approve the same ROE ECM for purposes of its 2013-2017 PBR plan. Fortis made a similar request in its compliance filing application.⁹⁴

Commission findings

82. As referenced above, in Decision 2012-237, the Commission found that the incentive properties of an ECM encourage companies to continue to make cost saving investments near the end of the PBR term and approved the ROE ECM for ATCO Electric, ATCO Gas and EPCOR.⁹⁵ No party objected to AltaGas’ and Fortis’ requests to include the same ROE ECM for purposes of their respective PBR plans.

83. The Commission approves the inclusion of the ROE ECM in the PBR plans of AltaGas and Fortis. As set out in paragraph 766 of Decision 2012-237, the companies’ ECM will be calculated as follows:

a post PBR add-on to the approved ROE equal to one half of the difference between the simple average ROE achieved over the term of the Plan and the simple average approved ROE over the term of the Plan (providing the difference is positive), multiplied by 50%, to a maximum of 0.5%. The “ROE bonus” would apply for 2 years after the end of the PBR Plan. [footnote omitted]⁹⁶

84. As further outlined in Decision 2012-237, the ROE to be used for the purpose of calculating the amount of the ECM is the average approved generic ROE in place for each year during the PBR term. The actual ROE of the companies to be used for the purpose of calculating the amount of the ECM will be the calculated in the same way as the ROE reported in the companies’ annual AUC Rule 005⁹⁷ filings.⁹⁸

3.6 Z factor materiality threshold amount

85. In Decision 2012-237, the Commission directed the following with respect to Z factor materiality:

535. ...Accordingly, the Commission establishes the threshold as the dollar value of a 40 basis point change in ROE on an after tax basis calculated on the company’s equity used to determine the revenue requirement on which going-in rates were established (2012). This dollar amount threshold is to be escalated by I-X annually. The companies are directed to calculate and file the 2012 threshold amount along with supporting calculations in the compliance filing to this proceeding.⁹⁹

⁹³ Exhibit 34.01, AltaGas application, paragraph 131.

⁹⁴ Exhibit 26.01, Fortis application, Part A, paragraph 161.

⁹⁵ Decision 2012-237, page 169, paragraphs 776-777.

⁹⁶ Decision 2012-237, page 167, paragraph 766.

⁹⁷ AUC Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

⁹⁸ Decision 2012-237, pages 169-170, paragraphs 779-780.

⁹⁹ Decision 2012-237, page 112, paragraph 535.

86. In their respective PBR compliance filings, the companies provided calculations for the 2012 Z factor materiality threshold amounts and the resulting Z factor materiality thresholds for 2013. These calculations are summarized in the table below:

Table 2. Z factor materiality calculations

Company	2012 Z factor threshold amount (\$ million)	2013 1+(I-X) index ¹⁰⁰	Z factor threshold amount for 2013 (\$ million)
	A	B	C=AxB
AltaGas (Exhibit 99.02, Schedule 7.1)	0.308	1.0171	\$0.313*
ATCO Electric (Exhibit 27.01, Table 5-1 on p.46)	2.2	1.0171	2.2
ATCO Gas (Exhibit 28.01, Schedule 8.0 on p.72)	2.591	1.0171	2.635
EPCOR (Exhibit 29.01, paragraph 46 and Table 2.8-1 on p.23)	1.0	1.0171	1.0
Fortis (Exhibit 26.01, Part A, Table 8 on p.54)	3.3	1.0171	3.4

*Note: This number was calculated by the Commission using provided data in columns A and B. AltaGas proposed to escalate the calculated 2012 Z factor threshold amount by an index other than the approved 2013 I-X.

Commission findings

87. No party objected to the companies' calculation of their respective Z factor materiality threshold amounts. The Commission has reviewed the Z factor materiality calculations and finds them to be reasonable. Accordingly, the Commission approves the Z factor materiality threshold amounts as summarized in Table 2 above. As set out in Decision 2012-237, these dollar amount thresholds are to be escalated by I-X annually.¹⁰¹ Furthermore, as stated in Decision 2012-237, this materiality threshold will also apply to Y factors, unless otherwise determined by the Commission.¹⁰²

4 Issues pertaining to individual PBR compliance filing applications

4.1 AltaGas

4.1.1 Methodology to calculate PBR rates

88. In the calculation of its proposed 2013 PBR rates, AltaGas did not follow the method directed by the Commission at paragraph 964 of Decision 2012-237. Instead of dividing the 2013 revenue per customer class (determined by I-X index) by the forecast 2013 billing determinants for each customer class, AltaGas used a percentage adjustment based on the difference between revenue at approved 2012 rates (i.e., the 2012 general rate application (GRA) compliance filing

¹⁰⁰ As approved in Section 3.1 of this decision.

¹⁰¹ Decision 2012-237, page 112, paragraph 535.

¹⁰² Decision 2012-237, page 135, paragraph 636.

rates) and the calculated 2013 PBR revenue. AltaGas applied the percentage increase in rates on an across-the-board basis to all rate components within each class.¹⁰³

89. In response to the Commission's IR, AltaGas expressed its view that "rate design is not a mechanical exercise."¹⁰⁴ AltaGas explained that, in Phase II proceedings, careful consideration goes into aligning the revenue to cost relationship by rate class and by rate component. This exercise includes consideration of the amount of revenues recovered by way of fixed versus variable charges, cross over points between rate classes and rate shock mitigation strategies for those classes below the 95 per cent revenue-to-cost threshold. AltaGas expressed its concern that applying differential rate increases to each rate class based on the calculated revenue deficiency by class, as set out in Decision 2012-237, would result in changes to cross over points between rate classes and potential rate shock to one or more classes.¹⁰⁵ Therefore, in its argument, AltaGas recommended that any rate adjustments among rate classes be deferred until its next cost of service study is filed in its next Phase II proceeding and, in the interim, any rate increases be applied on an across-the-board basis.¹⁰⁶

90. AltaGas provided a schedule¹⁰⁷ that showed the 2013 rate increases if implemented by customer class, as prescribed in the Decision 2012-237, rather than using its proposed across-the-board percentage increase. The schedule showed that above average increases of 10.4 per cent and 20.8 per cent would occur for residential and small business customers (rate class 1/11¹⁰⁸) as well as for irrigation customers (rate class 4/14¹⁰⁹), respectively. At the same time, high-usage customers in rate classes 2/12 and 3/13¹¹⁰ would experience below average rate increases of 4.3 per cent and 5.4 per cent, respectively.

91. AltaGas commented that the underlying cost changes resulting from changes in consumption levels do not occur over short periods and will be corrected for in the company's next Phase II proceeding.¹¹¹ In that regard, AltaGas' last Phase II proceeding was completed in July 2011 for the test period 2008 to 2009.¹¹² AltaGas advised the Commission that it will be filing its fully allocated cost of service study for 2012 as part of its next Phase II application in the first half of 2013.¹¹³

¹⁰³ Exhibit 34.01, AltaGas application, paragraphs 121, 122 and 127.

¹⁰⁴ Exhibit 99.03, AUC-AUI-6(a).

¹⁰⁵ Exhibit 99.03, AUC-AUI-6(a).

¹⁰⁶ Exhibit 112.01, AltaGas argument, paragraphs 41-44.

¹⁰⁷ Exhibit 101.01, attachment to response to AUC-AUI-6(e), Schedule 2.0.

¹⁰⁸ According to AltaGas' website, Rate class 1/11 - Small General Service rate that typically applies to, and is most economical for, residences and small businesses who consume up to 6,250 gigajoules (GJ) per year.

¹⁰⁹ Rate class 4/14 - Optional Irrigation Pumping Service available only to customers for the use of natural gas as a fuel for engines pumping irrigation water between April 1 and October 31.

¹¹⁰ Rate class 2/12 - Optional Large General Service that applies to large customers who use more than 6,250 GJ of natural gas per year.

Rate class 3/13 - Optional Demand Service that applies to the largest of customers who use more than 12,980 GJ of natural gas per year.

¹¹¹ Exhibit 99.03, AUC-AUI-6(b).

¹¹² Decision 2011-311: AltaGas Utilities Inc. 2008-2009 General Rate Application Phase II Compliance and Updated 2011 Interim Rates, Proceeding ID 1220, Application No. 1607310, July 25, 2011.

¹¹³ Exhibit 99.03, AUC-AUI-6(b).

Commission findings

92. As set out in Decision 2012-237, during the PBR proceeding, the Commission had accepted the evidence of the declining usage-per-customer put forward by AltaGas and ATCO Gas and approved a PBR plan in the form of a revenue-per-customer cap for these companies. The Commission explained that:

125. Under a revenue-per-customer cap plan, the approved revenue per customer from the previous year is adjusted by the I-X index on a class by class basis to arrive at the upcoming year's revenue-per-customer cap. However, to calculate actual customer rates, the indexed revenue must be divided by the forecast consumption per customer on a class by class basis.¹¹⁴

93. The Commission further explained that, under the revenue-per-customer cap PBR plans, it is expected that rates by customer class may not change uniformly, depending on the projected usage-per-customer for any rate class. In particular, the Commission observed that customer rates will go down if the company forecasts an increase in energy consumption per customer in the upcoming year. Likewise, customer rates will go up if a decrease in energy consumption per customer is projected for the coming year. However, in either case, a company's revenue per customer will not exceed the value established by the PBR formula.¹¹⁵

94. In that regard, the Commission observes that the across-the-board rate adjustment proposed by AltaGas does not account for differences in changes in usage-per-customer among rate classes. This is not consistent with the revenue-per-customer cap PBR plan requested by AltaGas and approved by the Commission.

95. As AltaGas acknowledged in response to a Commission IR, the proposed across-the-board rate adjustment is transferring revenue collection from customer classes with declining usage-per-customer to classes with steady or increasing usage-per-customer.¹¹⁶ In contrast, under the method approved in Decision 2012-237, such revenue transfers will not occur as the determined revenue per customer class for each year will be divided by the billing determinants for that customer class.

96. AltaGas expressed its concern that applying differential rate increases to each rate class would result in changes to the revenue-to-cost ratios and potential rate shock to some rate classes.¹¹⁷ In that regard, the Commission considers that, because the revenue-per-customer cap plan may result in different rate changes by customer class to recognize changes in billing determinants across classes, the revenue-to-cost ratios will not change significantly, contrary to AltaGas' claim. This is because the obtained 2013 revenue per customer class (calculated by I-X index) will be translated into customer rates using the existing Phase II methodologies, on which revenue-to-cost ratios were based.

97. In contrast, under the approach proposed by AltaGas, rates for all customer classes will change by the same percentage amount. This is likely to lead to greater changes in revenue-to-cost ratios over time because of the transfer of revenue collection among rate classes, compared

¹¹⁴ Decision 2012-237, page 28, paragraph 125.

¹¹⁵ Decision 2012-237, page 30, paragraph 136.

¹¹⁶ Exhibit 99.03, AUC-AUI-6(a) and Exhibit 101.01, attachment to response to AUC-AUI-6(e), Schedule 2.0.

¹¹⁷ Exhibit 99.03, AUC-AUI-6(a).

to using the methodology approved in Decision 2012-237. Furthermore, under AltaGas' proposal, aligning the revenue-to-cost ratios in a future proceeding will result in greater rate changes at that time, as rates would need to be adjusted for the distortions introduced by the initial across-the-board rate change and for the subsequent additional differential changes in billing determinants.

98. Deferring the differential rate changes for 2013 only makes the differential adjustments required in the future greater.

99. In light of the above, the Commission directs AltaGas to recalculate its 2013 PBR rates using the Phase II methodologies and 2013 forecast billing determinants, as set out in Decision 2012-237. In doing so, AltaGas may use the rates model provided in response to AUC-AUI-6(e),¹¹⁸ updated for the directions and findings in this decision.

100. The Commission recognizes that AltaGas intends to complete a fully allocated cost of service study for 2012 as part of its next Phase II application in the first half of 2013. The Phase II methodologies resulting from the 2012 cost of service study will be used during the PBR term.¹¹⁹ Following the approval of this study, the Commission will consider whether any adjustments to AltaGas' PBR rates are required.

4.1.2 Default supply provider administration fee

101. In the compliance application, AltaGas advised that for 2013 it had increased the currently approved 2012 DSP administration fee by the same across-the-board per cent increase as applicable to other rates.

102. AltaGas acknowledged that the DSP administration fee recovers costs applicable to the default supply function of its operations. However, AltaGas submitted that these costs relate to fully integrated functions in the company's operations (customer information system, call center, credit and collections, as well as billing costs). Given the nexus between these costs and those included in the distribution function, AltaGas proposed that it was reasonable to adjust the DSP administration fee by the same PBR formula approved in Decision 2012-237 to adjust the distribution function rates.¹²⁰

103. AltaGas also pointed out that as with the balance of its going in rates, the final 2012 DSP administration fee cannot be determined until the company's 2012 rates are finalized. AltaGas indicated that it will file the updated DSP administration fee as part of its 2010-2012 Phase II compliance filing.¹²¹

104. No intervener raised any concerns with AltaGas' proposal with respect to its DSP administration fee.

¹¹⁸ Exhibit 101.01, attachment to response to AUC-AUI-6(e).

¹¹⁹ Exhibit 99.03, AUC-AUI-6(b).

¹²⁰ Exhibit 34.01, AltaGas application, paragraph 117.

¹²¹ Exhibit 34.01, AltaGas application, paragraph 118.

Commission findings

105. In Decision 2012-237, with regard to providing for the automatic escalation of maximum investment levels (MILs) and specific customer contributions during the PBR term, the Commission determined that these contributions should be indexed by I-X. As discussed in Section 4.5.4 of this decision, Fortis proposed to increase certain other fees in its terms and conditions by I-X.

106. The Commission considers that the same reasoning generally applies to fees other than MILs, including AltaGas' DSP administration fee. Therefore, AltaGas is directed, throughout the PBR term, to increase its DSP administration fee by I-X. The Commission recognizes that the 2012 DSP administration fee will be addressed as part of AltaGas' next Phase II-related regulatory filing, as set out in Decision 2012-311.¹²²

4.1.3 Applied-for 2013 Y factors

4.1.3.1 Defined benefit pension plan costs

107. The Commission denied the companies' proposal to include defined benefit pension plan costs as a Y factor in Decision 2012-237.¹²³ In the compliance application, AltaGas expressed its view that its defined benefit pension plan expenses meet the criteria for a Y factor adjustment.¹²⁴ In response to the Commission's IR, AltaGas argued that the Commission had incorrectly identified the pension costs, included as a Y factor in the compliance filing, as defined benefits pension plan costs.¹²⁵

108. In argument, AltaGas submitted that its pension costs are different from pension costs for the ATCO companies due to the use of accrual accounting treatment (versus cash treatment for ATCO). This accrual treatment provides for little management control over the costs, as opposed to the cash method where some management decisions are possible with respect to a range of minimum and maximum levels of funding. AltaGas also argued that these costs are different than other compensation costs, as they are based on an annual actuarial valuation that can fluctuate greatly, in either direction, depending on prevailing discount rates and market trends over which management has no control.¹²⁶

109. In argument, the UCA pointed out that AltaGas has included this issue in its R&V and therefore this issue should not be assessed in this proceeding.¹²⁷ As such, the UCA submitted that the proper place for this issue is in the R&V proceeding, because AltaGas' case was based entirely on the company's assertion that the Commission erred in Decision 2012-237.¹²⁸

110. In reply, AltaGas did not agree with the UCA's conclusion. AltaGas explained that its R&V application is challenging the Commission's denial of deferral account treatment for pension expense adjustments arising from changes in actuarial valuations, and the Y factor application was specifically in relation to the difference between the actuarially determined

¹²² Decision 2012-311, page 30, paragraph 151.

¹²³ Decision 2012-237, pages 150-151, paragraphs 691-696.

¹²⁴ Exhibit 34.01, AltaGas application, paragraphs 80-86.

¹²⁵ Exhibit 67.01, AUC-AUI-1[Revised](a)(ii) and (iii).

¹²⁶ Exhibit 112.01, AltaGas argument, paragraphs 27-28.

¹²⁷ Exhibit 107.02, UCA argument, paragraphs 15-18.

¹²⁸ Exhibit 119.02, UCA reply argument, paragraph 12.

pension expense and funding that AltaGas is required to incur under U.S. GAAP for 2013 and is otherwise recoverable based on the I-X mechanism.¹²⁹

Commission findings

111. The Commission is not persuaded by AltaGas' argument and considers that there is no material distinction between the pension issue as put forward by AltaGas in its PBR application for the purposes of inclusion in the I-X mechanism (as ordered in Decision 2012-237) and the present Y factor request. In Decision 2013-071, dealing with the companies' PBR R&V applications, the Commission denied AltaGas' request to allow for Y factor treatment for the recovery of material adjustments in its pension expense, arising from changes in actuarial valuations.¹³⁰

112. Therefore, AltaGas is directed to remove the 2013 Y factor impact related to the defined benefits pension plan costs and make any corresponding 2012 going-in revenue adjustment, such that the Y factor treatment proposed by AltaGas is eliminated. Any defined benefits pension funding amounts included in the 2012 revenue will be subject to I-X indexing.

4.1.3.2 Company portion of hearing costs

113. In Decision 2012-237, the Commission denied Y factor treatment for the company portion of hearing costs¹³¹ and directed the companies to use a trailing three year average methodology for recovery of these costs under the I-X mechanism:

674. The company portion of the hearing costs that will be subject to the I-X mechanism will be the average awarded company hearing costs for the years 2009, 2010 and 2011. This amount will be included in going-in rates for the purpose of determining the rates for 2013 replacing the amounts presently included in the revenue requirement for 2012 for the hearing cost deferral account. Intervener costs will be treated as a flow-through Y factor account to be reconciled in the annual PBR rate adjustment filings.¹³²

114. In the compliance application, AltaGas did not agree with these findings and included a Y factor adjustment of \$434,028¹³³ for the company portion of hearing costs. AltaGas argued that all actual company hearing costs for a particular year should be trued up after the fact and flowed through as a Y factor, similar to the method approved for AUC and UCA assessments and intervener hearing costs.¹³⁴ AltaGas also challenged the trailing three year average methodology approved by the Commission in Decision 2012-237 for calculating the allowed amount of the company's portion of hearing costs.¹³⁵

¹²⁹ Exhibit 114.01, AltaGas reply argument, paragraph 18.

¹³⁰ Decision 2013-071, page 27, paragraph 128.

¹³¹ Decision 2012-237, page 145, paragraph 673.

¹³² Decision 2012-237, page 145, paragraph 674.

¹³³ Exhibit 34.02, AltaGas application schedules, Schedule 4.0 Y factors.

¹³⁴ Exhibit 112.01, AltaGas argument, paragraphs 29-31.

¹³⁵ Exhibit 34.01, AltaGas application, paragraphs 95-102.

115. In argument, the UCA submitted that AltaGas had included this issue in its R&V application, and therefore the issue of whether the company portion of hearing costs qualified for a deferral account treatment should not be assessed in this proceeding.¹³⁶

116. In reply, AltaGas submitted that, as with the pension costs, there was “nothing to preclude a utility from applying for recovery of exceptional costs incurred, or forecast to be incurred in a year, where those costs are expected to have a material impact on the utility’s financial results and they meet all other criteria established for Y factor eligibility.”¹³⁷ AltaGas expressed its view that, due to the number and complexity of the 2013 forecast proceedings, the costs anticipated in 2013 were “well beyond those recoverable under the arbitrarily set average for 2009-2011.”¹³⁸

Commission findings

117. In Decision 2012-237, the Commission determined that the company portion of hearing costs will be subject to the I-X mechanism.¹³⁹ In Decision 2013-071, the Commission denied AltaGas’ review and variance request to give deferral account treatment to the company’s portion of hearing costs.¹⁴⁰

118. Consistent with the findings in Decision 2012-237 and Decision 2013-071, the Commission directs AltaGas to remove the 2013 Y factor adjustment related to the company portion of regulatory hearing costs and make any corresponding 2012 going-in revenue adjustment, such that the Y factor treatment proposed by AltaGas is eliminated and the amounts are subject to I-X indexing. As set out in paragraph 674 of Decision 2012-237, the company portion of the hearing costs that will be subject to the I-X mechanism will be the average awarded company hearing costs for the years 2009, 2010 and 2011.

4.1.3.3 Natural gas settlement system code (NGSSC)

119. In Decision 2012-311,¹⁴¹ the Commission dealt with and approved the 2012 costs related to AltaGas’ natural gas settlement system code (NGSSC). Specifically, the Commission approved the forecast amounts that AltaGas applied for:

156. Total updated capital costs for the project are forecast by AUI to be \$1,955,000 in 2012 for phase one (for provision of a core settlement system that provides AUC Rule 028 compliant transactions and reporting) and \$748,800 in 2013 for phase two (for provision of a web portal addition for retailer account balancing and monitoring functionality); for a total of \$2,703,800. This project total includes a contingency amount of \$130,200 (\$94,500 for 2012 and \$35,700 for 2013). Estimated operating costs are \$174,200 on a prorated basis for the final four months of 2012 (for the provision of training for the system “going live” in December 2012) and \$521,900 on an annualized basis thereafter. AltaGas also indicated that the majority of the time spent by staff will be

¹³⁶ Exhibit 107.02, UCA argument, paragraphs 19-20; Exhibit 119.02, UCA reply argument, paragraphs 13.

¹³⁷ Exhibit 114.01, AltaGas reply argument, paragraph 21.

¹³⁸ Exhibit 114.01, AltaGas reply argument, paragraph 22.

¹³⁹ Decision 2012-237, page 145, paragraph 673.

¹⁴⁰ Decision 2013-071, page 23, paragraph 108.

¹⁴¹ Decision 2012-311 (Errata): AltaGas Utilities Inc. 2010-2012 GRA – Phase I Compliance Filing Pursuant to Decision 2012-091, Application No. 1608512, Proceeding ID 1921, December 5, 2012.

in relation to the settlement system and a limited amount on the Tariff Billing Code system. [footnotes omitted]¹⁴²

120. With respect to 2013 NGSSC costs, the Commission stated that, since these costs are the result of Commission directions pursuant to AUC Rule 028,¹⁴³ AltaGas may choose to apply for recovery of these costs as a Y factor adjustment.¹⁴⁴ In reaching this determination, the Commission referred to Decision 2012-237 which stated that Commission-directed costs may be recovered through a Y factor.¹⁴⁵

121. In its PBR compliance filing, AltaGas applied for a 2013 Y factor to recover additional 2013 capital and operating costs related to the development and operation of its NGSSC system. AltaGas requested \$168,200 of additional capital related costs and \$509,300 of additional operating costs for a total Y factor adjustment of \$677,500. Specifically, AltaGas' concern was that going-in 2012 rates do not capture the true annualized costs to build, operate and maintain the NGSSC system in 2013 and beyond.

122. With respect to capital costs, in the year 2012 when phase one of the system was implemented, AltaGas indicated that it applied the mid-year convention for bringing assets into service to the NGSSC system capital costs. Absent the requested additional costs, this resulted in AltaGas not being able to earn a return on the full NGSSC costs until after the current PBR term. Applying the mid-year convention also restricted AltaGas from being able to recover the return on the 2013 capital investment (phase two of the NGSSC system). AltaGas therefore requested recovery of the applicable return, depreciation and tax related to one half of the capital from 2012 and one half of the incremental capital to be put in place in 2013.¹⁴⁶

123. With respect to operating costs, AltaGas noted that, because new employees dedicated to operating the NGSSC system were not forecast to start until September 2012, the company's going-in rates included only one-third of the going forward annualized manpower costs, excluding any I-X adjustment. Further, AltaGas pointed out that because the annual contract for software support and upgrades does not come into effect until 2013, none of the operating costs related to this agreement were included in its going-in rates.¹⁴⁷

124. Alternatively, on the issue of operating costs, AltaGas submitted that the same result may also be achieved by adjusting its PBR going-in rates to include the full annualized impact of the NGSSC operating costs. AltaGas further explained that this adjustment would be calculated in the same way as the incremental Y factor adjustment related to NGSSC operating costs and result in an increase in base (going-in) revenue of \$509,300.¹⁴⁸

125. In its response to AUC-AUI-5, AltaGas advised that the implementation date for phase two of its NGSSC system (web portal) had recently been delayed from March 15, 2013 to September 1, 2013. The associated phase two capital costs had also increased from the

¹⁴² Decision 2012-311, page 31, paragraph 156.

¹⁴³ AUC Rule 028: *Natural Gas Settlement System Code Rules* (Rule 028).

¹⁴⁴ Decision 2012-311, page 33, paragraph 172.

¹⁴⁵ Decision 2012-237, page 135, paragraph 632.

¹⁴⁶ Exhibit 34.01, AltaGas application, paragraph 67.

¹⁴⁷ Exhibit 34.01, AltaGas application, paragraph 68.

¹⁴⁸ Exhibit 34.01, AltaGas application, paragraph 69.

previously forecast \$748,800 to \$1,613,500. AltaGas expressed its intention is to include the updated phase two cost of \$1,613,500 in its Y factor. This new total Y factor adjustment requested by AltaGas equals \$728,068, compared to the \$677,500 provided in the compliance application.¹⁴⁹

126. In argument, the UCA submitted that phase one of the NGSSC system is required under AUC Rule 028, while phase two is not. Additionally, the UCA noted that in Decision 2012-237 at paragraph 103, the Commission denied annualization of 2012 mid-year amounts for the ATCO companies, and that AltaGas should not receive any different treatment.¹⁵⁰ Furthermore, the UCA pointed to the fact that, at paragraph 116 of Decision 2012-237, the Commission recognized that there is no need for the NGSSC-related going-in revenue adjustment as these costs were already included in 2012 revenue requirement. As such, the UCA recommended that the 2013 Y factor adjustment requested in the application be denied.¹⁵¹

127. In reply, AltaGas disagreed with the UCA, arguing that phase two NGSSC-related costs have not been accounted for yet and are required to meet industry requirements for ongoing operation of the system:

To effectively and sustainably undertake gas settlement in accordance with the AUC's Rule and industry expectations, the additional web functionality to be implemented in 2013 is a necessity. As such, it is appropriate AUI be allowed to recover all reasonable and prudent 2013 costs through a Y Factor adjustment. Similarly, it should be allowed to recover in future years of the PBR term, the ongoing costs related to the incremental operating and capital costs not already embedded in the 2012 going-in rates. Such treatment is clearly consistent with the AUC's findings in relation to EDTI's AUC tariff billing and load settlement initiatives and the AUC's staff response to AltaGas Question 1 and qualify for a Y factor. [Decision 2012-237, para 675 & [Exhibit 19.02], p.5]¹⁵²

Commission findings

128. As set out in Decision 2012-311 referenced above, AltaGas' approved 2012 revenue (and the resulting going-in revenue) include the capital-related portion of the approved \$1,955,000 capital amount and \$174,200 in operating costs for phase one of the NGSSC project.¹⁵³ With these approved costs, and the indicated in-service date of December 14, 2012,¹⁵⁴ the Commission considers phase one of the NGSSC project to be completed.

129. With respect to capital costs, as noted by the UCA, in Decision 2012-237 the Commission found no compelling reason to depart from the use of the mid-year convention and denied the ATCO companies' proposal to use 2012 end-of-year forecast values rather than applying the mid-year convention for the rate base calculations included in going-in rates.¹⁵⁵ In Decision 2013-071, the Commission denied the request to R&V this matter put forward by the ATCO companies, EPCOR and Fortis:

¹⁴⁹ Exhibit 99.03, AUC-AUI-5.

¹⁵⁰ Exhibit 199.02, UCA reply argument, paragraph 11.

¹⁵¹ Exhibit 107.02, UCA argument, paragraphs 12-14.

¹⁵² Exhibit 114.01, AUI reply argument, paragraphs 13-14.

¹⁵³ Decision 2012-311, page 31, paragraphs 156 and 174.

¹⁵⁴ Decision 2012-311, page 30, paragraph 155.

¹⁵⁵ Decision 2012-237, page 23, paragraphs 103.

93. Consistent with the hearing panel's findings in paragraphs 101 to 103 of Decision 2012-237, the review panel considers that it is unnecessary to adjust going-in rates to reflect 2012 year-end rate base. If a company were permitted to reflect 2012 year-end rate base in going-in rates, the effect of applying the I-X index to the going-in rates would essentially result in 2013 rates reflecting 2013 year-end rate base, because it would take 2012 year-end balances and modify them by a full year's adjustment. Therefore, the company would be notionally collecting a full year's costs from January 1 on all assets that will be constructed and put into service during that year, regardless of when in the year they actually come into service.

94. The use of the mid-year rate base convention reflects the fact that asset additions, on average, are not in service for the full calendar year that they are put into service. Similarly, depreciation and asset retirements occur throughout the year. Therefore, the year-end rate base associated with assets constructed in prior years would understate the value that those assets had throughout the year. Applying I-X to going-in rates that are based on mid-year rate base reflects the level of assets that should be in place, on average, throughout the year.¹⁵⁶

130. Accordingly, the Commission finds that AltaGas' going-in revenue adequately reflects the capital costs of the first phase of the NGSSC project. The Commission denies AltaGas' requested recovery of the applicable return, depreciation and tax related to one half of the NGSSC phase one capital expenditures from 2012. The Commission directs AltaGas to remove these amounts from its Y factor calculations.

131. The Commission recognizes that AltaGas' approved 2012 revenue did not include the full-year operating costs of the NGSSC project. In particular, the 2012 revenue included \$174,200 in operating costs (on a prorated basis for the final four months of 2012), while on an annualized basis these costs would be \$521,900.¹⁵⁷ Based on updated project costs, AltaGas calculated that an adjustment to going-in revenue of \$509,300 would be required.¹⁵⁸

132. The Commission recognizes that these costs arise as a consequence of a Commission direction to implement the NGSSC project.¹⁵⁹ In Decision 2012-237, the Commission indicated that it will allow companies to recover, as Y factor rate adjustments, specific costs incurred at the direction of the Commission.¹⁶⁰ Further, the Commission also indicated that "addressing the impact of certain Commission directions impacting rates may be better suited to an adjustment to the rates that will be subject to the I-X mechanism, rather than through a Y factor."¹⁶¹

133. Therefore, in the interest of regulatory efficiency and in order to enhance incentives in AltaGas' PBR plan, the Commission considers that, rather than dealing with these costs in an annual Y factor application, a one-time adjustment to going-in revenue should be made. The Commission directs AltaGas to make an adjustment of \$509,300 to its going-in revenue to

¹⁵⁶ Decision 2013-071, pages 20-21, paragraphs 93-94.

¹⁵⁷ Decision 2012-311, page 31, paragraphs 156 and 174.

¹⁵⁸ Exhibit 34.01, AltaGas application, paragraph 69.

¹⁵⁹ Decision 2012-311, page 33, paragraph 172.

¹⁶⁰ Decision 2012-237, page 135, paragraph 632.

¹⁶¹ Decision 2012-237, page 155, paragraph 720.

include the full annualized impact of the NGSSC operating costs.¹⁶² This amount is in addition to the \$174,200 in operating costs included in the approved 2012 revenue.

134. Given AltaGas’ statement that the \$509,300 adjustment to the company’s going-in revenue is what is required “to fully and fairly capture the annualized costs required to operate AUI’s Rule 028 compliant system,”¹⁶³ the Commission considers that, in granting this going-in rate adjustment, no further Y factor applications will be required with respect to NGSSC operating costs.

135. With respect to the phase two costs, the Commission does not agree with the UCA’s argument that these costs do not qualify for Y factor treatment. Similar to phase one, the implementation of phase two of the NGSSC system has been previously directed by the Commission and therefore qualifies for Y factor treatment. Furthermore, NGSSC capital costs related to phase two of the project are not reflected in the company’s going-in revenue.

136. Consistent with the above determinations, the Commission finds that the 2013 Y factor adjustment should include only the incremental amounts related to capital expenditures for phase two of the NGSSC project. The Commission directs AltaGas to recalculate its Y factor adjustment related to the NGSSC project to reflect the 2013 revenue associated with the mid-year capital expenditures for phase two of the NGSSC project.

137. Finally, the Commission notes that AltaGas requested a delay in the implementation date for phase two of its NGSSC system from March 15, 2013 to September 1, 2013.¹⁶⁴ As well, AltaGas projected that associated phase two costs would increase from the original capital forecast of \$748,800 to \$1,613,500.¹⁶⁵ AltaGas is directed to incorporate all of these recent updates in determining the 2013 Y factor adjustment related to phase two of the NGSSC project.

4.1.3.4 Other applied-for 2013 Y factors

138. Consistent with the findings in Decision 2012-237, AltaGas applied for a Y factor adjustments for intervener hearing costs, AUC and UCA assessment fees, as well as income tax temporary differences. The 2013 Y factor adjustments for these items are summarized in the table below:

Table 3. AltaGas’ applied-for 2013 Y factor adjustments for intervener hearing costs, AUC and UCA assessment fees and income tax temporary differences¹⁶⁶

Y factor	Adjustment amount
Intervener hearing costs	\$75,147
AUC/UCA assessment fees	\$394,526
Income tax temporary differences	\$(1,056,599)

¹⁶² Exhibit 34.01, AltaGas application, paragraph 69.

¹⁶³ Exhibit 34.01, AltaGas application, paragraph 68.

¹⁶⁴ Proceeding ID No. 2335, AltaGas Utilities Inc. compliance filing pursuant to Decision 2012-189, NGSSC second phase project plan, filed January 3, 2013.

¹⁶⁵ Exhibit 99.03, AUC-AUI-5, page 3 of 4.

¹⁶⁶ Exhibit 99.02, updated Schedule 4.0.

139. In AUC-AUI-5, the Commission observed that AltaGas divided the collection of Y factor amounts between going-in rates and Y factors.¹⁶⁷ The Commission pointed out that Decision 2012-237 stipulated that the recovery of allowed Y factor adjustments must be done exclusively through the Y factor mechanism, with the removal of any related amounts from the going-in rates.¹⁶⁸ In response, AltaGas complied with the direction in Decision 2012-237 and provided an updated set of schedules¹⁶⁹ reflecting the approved Y factor mechanism, as shown in Table 3 above.

140. No party objected to AltaGas' proposed 2013 Y factor adjustments related to intervenor hearing costs, AUC and UCA assessment fees and income tax temporary differences.

Commission findings

141. The Commission has reviewed the Y factor calculations (as provided in the revised and updated schedules in Exhibit 99.02) and finds them to be reasonable. The Commission approves the Y factor adjustments as shown in Table 3 above.

142. In Decision 2012-237, the Commission intended the companies to separately identify the AUC and UCA assessment fees in their Y factor calculations.¹⁷⁰ AltaGas provided a total fee amount, but did not separate the AUC and UCA assessments in its schedules. AltaGas is directed to separate the AUC and UCA assessment amounts for the purposes of the Y factor calculations in its second PBR compliance filing.

4.1.4 2013 billing determinants forecast

143. Decision 2012-237 specified that the companies must provide billing determinants forecasts for 2013 as part of their compliance filing applications.¹⁷¹ In Section 2.2 of the application, AltaGas provided its forecast methodology and the resulting 2013 billing determinants.¹⁷²

144. At paragraph 145 of Decision 2012-237, the Commission set out the method to be used to forecast the usage-per-customer to be employed in the gas companies' PBR plans as follows:

145. In the interest of regulatory efficiency, the Commission considers that no true up for the actual weather normalized use per customer is required. The Commission directs the gas companies to use the actual average change in weather normalized use per customer (per class) for the preceding three years as their forecast percentage change in weather normalized use per customer for the upcoming year. This percentage change is to be applied to weather normalized use per customer (actual and projected per class) for the current year to determine the forecast for the upcoming year. The Commission is satisfied that the rate of change in weather normalized use per customer over the preceding three year period will result in a reasonable forecast of weather normalized use per customer for the upcoming year.¹⁷³

¹⁶⁷ Exhibit 99.03, AUC-AUI-5, preamble.

¹⁶⁸ Decision 2012-237, page 155, paragraphs 717-719.

¹⁶⁹ Exhibit 99.02, updated schedules.

¹⁷⁰ Decision 2012-237, pages 144-145, paragraphs 671 and 676.

¹⁷¹ Decision 2012-237, page 212, paragraph 994.

¹⁷² Exhibit 34.01, AltaGas application, Section 2.2.

¹⁷³ Decision 2012-237, page 32, paragraph 145.

145. In the application, AltaGas used the time period from 2010 to 2012 in its usage-per-customer calculations. In an IR, the Commission requested AltaGas employ the actual usage-per-customer for the period of 2009 to 2011 for this purpose. This period was used by ATCO Gas in its calculations. In its response to the IR, AltaGas reflected the time period requested by the Commission.¹⁷⁴

146. AltaGas argued that the 2010 to 2012 data was more relevant than the 2009 to 2011 data to arrive at the usage-per-customer forecast for 2013. In AltaGas' view, the 2010 to 2012 data better reflected recent declines in customer usage and thus did not overstate revenues in the way the 2009 to 2011 data would. Finally, AltaGas submitted that the use of 2010 to 2012 data would be more consistent with the approach used by AltaGas for forecasting the number of customers in 2013.¹⁷⁵

147. No intervener expressed concern with any of AltaGas' proposed billing determinant forecast methodologies.

Commission findings

148. AltaGas updated its 2012 forecast to capture the most recent actuals and explained the methodologies it proposed to use during the PBR term. AltaGas' explanations were clear, easy to understand and logical, and for the most part continued with existing approved methodologies. AltaGas clearly explained any departures from these existing approved methodologies. With the exception of the time period used to calculate the forecast 2013 usage per customer, the Commission has no concerns with AltaGas' methodologies and explanations. As such, the Commission approves AltaGas' requested billing determinants forecast methodologies subject to one modification discussed below.

149. In accordance with the Commission's findings in paragraph 145 of Decision 2012-237, to arrive at the 2013 usage-per-customer forecast, AltaGas' updated usage-per-customer forecast for 2012 is to be multiplied by the actual average change in weather normalized usage-per-customer (per class) for the preceding three years.

150. The period of 2010 to 2012 that AltaGas preferred to use for calculating the average change in usage-per-customer has a forecast component in it (for the year 2012). The Commission considers that the use of actual data is more accurate than including forecast numbers as part of another forecast. Accordingly, the Commission directs AltaGas to use the actual data for the time period 2009 to 2011 in its usage-per-customer calculations, similar to the approach taken by ATCO Gas.

151. The Commission does not consider that the company will be disadvantaged in this case, as the actual percentage change from 2009 to 2011 is applied to the most recent forecast from 2012. Thus, the most recent trends in the usage-per-customer will be reflected in AltaGas' forecast for 2013. Furthermore, as the actual numbers for 2012 become available, they will be incorporated in the next year's (i.e., 2014) billing determinants forecast.

¹⁷⁴ Exhibit 99.01 to 99.03, AUC-AUI-6(e)(ii).

¹⁷⁵ Exhibit 112.01, AltaGas argument, paragraphs 8-13.

4.2 ATCO Electric

4.2.1 Going-in rate adjustments and proposed 2013 Y factors

152. In its PBR compliance filing application, ATCO Electric included a number of proposed adjustments to its going-in rates.¹⁷⁶

153. For the purposes of calculating the provision for the company portion of hearing costs, ATCO Electric used the “average of its prudently incurred costs related to regulatory matters over the 2009-2011 period to determine the going-in rate adjustment”¹⁷⁷ instead of the average awarded company hearing costs for the years 2009, 2010 and 2011 as directed in Decision 2012-237.¹⁷⁸ In response to AUC-AE-1,¹⁷⁹ ATCO Electric amended the amount for the provision for the company portion of regulatory costs to reflect the calculation methodology directed by the Commission in Decision 2012-237. The revised going-in rate adjustments for ATCO Electric are summarized in the table below:

Table 4. Summary of ATCO Electric’s going-in rate adjustments¹⁸⁰

Line	Going-in rate adjustment item	Going-in adjustment amount	Going-in adjustment amount
		(\$ million)	(\$ million)
		Per compliance filing	Per AUC-AE-1
	A	B	C
1	2012 final revenue requirement approved in Decision 2012-071	\$324.2	\$324.2
2	Adjustment for capitalized pension costs	(\$8.1)	(\$8.1)
3	Revenue requirement increase from refund of \$24.3 million capitalized pension no longer required	\$2.4	\$2.4
4	Provision for company portion of regulatory costs	\$1.7	\$0.9
5	Intervener/AUC costs in 2012 Rates	(\$1.7)	(\$1.7)
6	AESO load settlement costs in 2012 rates	(\$0.9)	(\$0.9)
7	Provision for reserve for injuries and damages based on five year average	\$0.6	\$0.6
8	Income tax deferral	\$1.7	\$1.7
9	Adjustments for other placeholders in 2012 Rates	\$0.0	\$0.0
10	Total adjustments to going-in rates (sum of Lines 2 to 9)	(\$4.2)	(\$5.1)
11	Revenues subject to I-X indexing (Lines 1+10)	\$320.0	\$319.1

154. As set out at paragraph 719 of Decision 2012-237, because the items included in the Y factor will not be subject to the I-X indexing, the companies were directed to remove the Y factor-related amounts included in the 2012 revenue requirement from going-in rates in their compliance filings. As such, items 5, 6, and 8 in Table 4 relate to the included Y factor adjustments. ATCO Electric’s proposed 2013 Y factor provisions outside the I-X indexing mechanism are shown in the following table:

¹⁷⁶ Exhibit 27.01, ATCO Electric application, page 19.

¹⁷⁷ Exhibit 27.01, ATCO Electric application, paragraph 52.

¹⁷⁸ Decision 2012-237: page 145, paragraph 674.

¹⁷⁹ Exhibit 63.02, AUC-AE-1.

¹⁸⁰ Exhibit 63.02, AUC-AE-1, updated Table 3-1.

Table 5. ATCO Electric’s applied-for 2013 Y factor adjustments¹⁸¹

Y factor	Adjustment amount (\$million)
Intervener /AUC Costs in 2012 rates	\$1.7
AESO load settlement costs in 2012 rates	\$0.9
Income tax deferral	(\$1.7)
Total 2013 Y factor adjustment	\$0.9

155. No party disagreed with the identified Y factors in ATCO Electric’s compliance application nor with the quantum of each of the Y factors. Further, no party disagreed with ATCO Electric’s going-in rate adjustments summarized in Table 4 above.

Commission findings

156. The Commission has reviewed the proposed going-in rate adjustments as summarized in Table 4 above, including any related Y factor adjustments. With respect to the provision for the company portion of regulatory costs, in Decision 2013-071, the Commission denied the review and variance requests of the ATCO companies to include a going-in rate adjustment for incurred hearing costs.¹⁸² As such, the Commission considers that the items listed in Column C of Table 4 (reflecting the numbers provided in AUC-AE-1) are in compliance with Decision 2012-237 and Decision 2013-071. These going-in rate adjustments amounts are approved as shown in Column C of Table 4 above.

157. The Commission approves the 2013 Y factor adjustments as shown in Table 5.

4.2.2 2013 billing determinants forecast

158. Decision 2012-237 specified that the companies must provide a billing determinants forecast for 2013 as part of their compliance filing applications.¹⁸³ In the application, ATCO Electric provided its forecast methodology and the resulting 2013 billing determinants.¹⁸⁴

159. The CCA in its argument submitted that ATCO Electric should use the customer count from its last Phase I decision (Decision 2011-459¹⁸⁵) as the basis for its going-in rates.¹⁸⁶ ATCO Electric noted that the CCA’s position was not supported by any rationale or evidence and was in contradiction with the direction in Decision 2012-237.¹⁸⁷

Commission findings

160. The CCA did not provide any reasoning in support of its proposal and did not explain why using the customer count from ATCO Electric’s last Phase I decision is more applicable to

¹⁸¹ Exhibit 27.01. ATCO Electric application, page 48, taken from Table 6-1: Summary of 2013 Y-Factor Provisions.

¹⁸² Decision 2013-071, page 23, paragraph 108.

¹⁸³ Decision 2012-237, page 212, paragraph 994.

¹⁸⁴ Exhibit 27.01, ATCO Electric application, Section 12 starting at page 60 and Appendix B, Section 14.

¹⁸⁵ Decision 2011-459: ATCO Electric Ltd. 2011-2012 General Tariff Application Refiling, Application No. 1607331, Proceeding ID No. 1241, November 22, 2011.

¹⁸⁶ Exhibit 110.01, CCA argument, paragraph 12.

¹⁸⁷ Exhibit 118.01 ATCO Electric reply argument, paragraphs 22-23.

forecasting billing determinants for 2013 as compared to ATCO Electric's proposed forecasting methodologies.¹⁸⁸

161. The Commission considered ATCO Electric's submission that, for the purpose of preparing the 2013 billing determinants forecast, ATCO Electric had followed the 2011-2012 general tariff application (GTA) approved methodology for all revenue classes, with the exception of the farm class.¹⁸⁹ The Commission has reviewed the forecast methodologies for 2013 billing determinants and the resultant billing determinants as shown in Section 14 of Appendix B of ATCO Electric's application and finds them to be reasonable. Therefore, the Commission approves the 2013 billing determinants as filed by ATCO Electric.

4.2.3 2013 system access service (SAS) rates

162. In Section 9 and Appendix C (Section 14) of its compliance application, ATCO Electric proposed to update its SAS rates effective January 1, 2013. ATCO Electric noted that even though there were no updates regarding demand transmission service (DTS) rates from the Alberta Electric System Operator (AESO), updates to the operating reserve costs and updates to billing determinants for 2013 result in an increase in forecast SAS payments from \$253.5 million (included in 2012 final rates) to \$254.8 million for 2013.

163. ATCO Electric noted that it applied a scaling approach to the final 2012 rates to determine the 2013 SAS rates. ATCO Electric pointed out that the scaling method was first used in its 2005-2006 GTA and remains a reasonable alternative for implementing rates. ATCO Electric added that direct connect transmission customers served on rate schedules T31 and T33 do not require a SAS adjustment because the AESO rates are directly flowed through to those customers.

164. No party objected to ATCO Electric's calculation of its 2013 SAS rates.

Commission findings

165. The Commission has reviewed the calculations and billing determinants for ATCO Electric's proposed SAS rates and finds them to be reasonable. The Commission approves ATCO Electric's requested SAS rate update as filed.

4.3 ATCO Gas

4.3.1 Going-in revenue adjustments and proposed 2013 Y factors

166. In its PBR compliance filing application, ATCO Gas included a number of proposed adjustments to its going-in revenue.¹⁹⁰

167. For the purposes of calculating the provision for the company portion of hearing costs, ATCO Gas used the "average of its prudently incurred costs related to regulatory matters over the 2009-2011 period to determine the going-in revenue adjustment"¹⁹¹ instead of the average awarded company hearing costs for the years 2009, 2010 and 2011 as directed in Decision

¹⁸⁸ Exhibit 27.01, ATCO Electric application, paragraphs 174-181.

¹⁸⁹ Exhibit 27.01, ATCO Electric application, paragraph 174.

¹⁹⁰ Exhibit 28.01, ATCO Gas application, Section 2, pages 11-23.

¹⁹¹ Exhibit 28.01, ATCO Gas application, paragraph 24.

2012-237.¹⁹² Additionally, ATCO Gas' reserve for injuries and damages (RID) account from 2007 to 2011 included the amounts related to a late payment penalty settlement.¹⁹³ The Commission observed that, at the time of ATCO Gas' compliance filing, this issue was under review in Proceeding ID No. 1698, dealing with the review and variance of Decision 2011-450.¹⁹⁴

168. In response to AUC-AG-4,¹⁹⁵ ATCO Gas corrected the amount for the provision for the company portion of regulatory costs and removed the amounts related to the late payment penalty settlement from its going-in revenue.

169. The revised going-in revenue adjustments for ATCO Gas are summarized in the table below:

Table 6. Summary of ATCO Gas' going-in revenue adjustments¹⁹⁶

	Going-in revenue adjustment item	Going-in adjustment amount (\$ million)		
		Total	North	South
1	2012 revenue requirement as in 2011-2012 GRA Compliance Filing II	605.665	339.989	265.676
2	Other revenue as in 2011-2012 GRA Compliance Filing II	(17.664)	(11.596)	(6.068)
	Adjustments to going-in revenue			
3	Hearings costs	0.475	0.238	0.237
4	Reserve for injuries and damages	0.392	0.196	0.196
	Less flow-through amounts			
5	Deferred AUC costs	(2.600)	(1.300)	(1.300)
6	Deferred intervenor costs	(0.542)	(0.271)	(0.271)
7	Deferred UCA costs	(1.800)	(900)	(900)
8	Deferred capital immediately deductible for income taxes	15.710	8.641	7.069
9	Deferred production abandonment costs	-	-	-
10	Transmission	(114,591)	(71,212)	(43,379)
11	Placeholder adjustment - 2011 Common Matters Pension Compliance Filing II	1.600	0.879	0.721
12	Revenues subject to I-X indexing	\$486.645	\$264.664	\$221.981

170. As set out at paragraph 719 of Decision 2012-237, because the items included in the Y factor will not be subject to I-X indexing, the companies were directed to remove the Y factor-related amounts included in the 2012 revenue requirement from going-in rates in their compliance filings. Items 5 to 9 in the table above relate to the proposed Y factor adjustments.¹⁹⁷ ATCO Gas' proposed 2013 Y factor adjustments outside the I-X indexing mechanism are shown in the following table:

¹⁹² Decision 2012-237: page 145, paragraph 674.

¹⁹³ Exhibit 57.01, AUC-AG-3.

¹⁹⁴ Decision 2011-450: ATCO Gas (a Division of ATCO Gas and Pipelines Ltd.), 2011-2012 General Rate Application Phase I, Application No. 1606822, Proceeding ID No. 969, December 5, 2011.

¹⁹⁵ Exhibit 57.01, AUC-AG-4.

¹⁹⁶ Exhibit 57.02, AUC-AG-1, updated Schedule 2.0

¹⁹⁷ As set out at paragraph 719 of Decision 2012-237, because the items included in the Y factor will not be subject to the I-X indexing, the companies were directed to remove the amounts included in the 2012 revenue requirement from going-in rates in their compliance filings.

Table 7. ATCO Gas's applied-for 2013 Y factor adjustments¹⁹⁸

Y factor	Adjustment amount (\$million)		
	Total	North	South
Deferred AUC Costs	2.600	1.300	1.300
Deferred Intervener Costs	0.542	0.271	0.271
Deferred UCA Costs	1.800	0.900	0.900
Deferred Capital Immediately Deductible for Income Taxes	(15.710)	(8.641)	(7.069)
Deferred Production Abandonment Costs	--	--	--
Total 2013 Y factor adjustment	(10.768)	(6.170)	(4.598)

171. No party disagreed with the proposed Y factors in ATCO Gas' compliance application nor with the quantum of Y factor adjustments. Further, no party disagreed with ATCO Gas' going-in revenue adjustments summarized in Table 6 above.

Commission findings

172. The Commission has reviewed the proposed going-in revenue adjustments as summarized in Table 6 above. With respect to the provision for the company portion of regulatory costs, in Decision 2013-071, the Commission denied the review and variance requests of the ATCO companies to include a going-in rate adjustment for incurred hearing costs.¹⁹⁹ As such, the Commission considers that the revised amount of \$0.475 for the hearing costs going-in revenue adjustment shown in Table 6 above is in compliance with Decision 2012-237 and Decision 2013-071.

173. In response to AUC-AG-3,²⁰⁰ ATCO Gas removed the 2009 amount of \$1.862 million related to the RID late payment penalty settlement from the going-in revenue. In Decision 2013-057,²⁰¹ dealing with ATCO Gas' request to review and vary its 2011-2012 GRA decision, the Commission ordered the recovery of the late payment penalty settlement in the amount of \$1.862 million plus carrying costs, as a one-time payment.²⁰² Accordingly, ATCO Gas is directed to include this one-time recovery as a Y factor adjustment for 2013.

174. In addition, ATCO Gas is directed to adjust its going-in revenue by \$764,000²⁰³ to account for its RID as originally proposed in the application. This amount is to replace the \$392,000 RID adjustment, shown in Table 6 above. The updated adjustment of \$764,000, calculated as the historical average of the actual RID amounts for the period 2007 to 2011, reflects the impact of the awarded late payment penalty settlement amount of \$1.862 million in 2009.²⁰⁴

¹⁹⁸ Exhibit 28.01, ATCO Gas application, page 40, Schedule 5.0.

¹⁹⁹ Decision 2013-071, page 23, paragraph 108.

²⁰⁰ Exhibit 57.01, AUC-AG-3.

²⁰¹ Decision 2013-057: ATCO Gas (A Division of ATCO Gas and Pipelines Ltd.) Phase II Review and Variance Decision on Decision 2011-450, 2011-2012 General Rate Application Phase I, Application No. 1608121, Proceeding ID No. 1698, February 22, 2013.

²⁰² Decision 2013-057, page 18, paragraph 65.

²⁰³ See Exhibit 28.01, ATCO Gas application, page 23, Schedule 2.2.

²⁰⁴ Exhibit 57.01, AUC-AG-3(a).

175. Decision 2013-057 made other adjustments to ATCO Gas' 2011-2012 approved revenue requirement. In the context of PBR, some of these adjustments result in a one-time collection from customers through 2013 Y factor adjustments and some will be reflected as an adjustment to going-in revenue, as shown in the table below. The Commission directs ATCO Gas to update its 2013 PBR revenue to include the amounts awarded in Decision 2013-057.

Table 8. Adjustments to ATCO Gas' PBR revenue arising from Decision 2013-057

	One-time adjustment (2013 Y factor)	2012 going-in revenue adjustment
Customer information system enhancements ²⁰⁵	\$1,050,000	\$625,000
National Energy Board hearing costs ²⁰⁶	\$128,000	\$172,000
Late payment penalty ²⁰⁷	\$1,862,000 plus carrying costs	\$764,000 ²⁰⁸
Office lease ²⁰⁹	\$82,500 ²¹⁰	\$58,575 ²¹¹

176. The balance of the going-in revenue adjustments shown in Table 6 above and Y factor adjustments shown in Table 7 above are approved as filed.

4.3.2 Number of customers forecast

177. For the purposes of calculating the 2012 revenue per customer class to be escalated by I-X, ATCO Gas used the 2012 average customer forecast of 1,085,586.²¹²

178. Calgary submitted that ATCO Gas' application did not provide any supporting data for the forecast number of customers for 2012.²¹³ Calgary argued that ATCO Gas should be using a 2012 average customer forecast of 1,088,839, rather than the applied-for average customer forecast of 1,085,586. In support of its argument, Calgary referred to Table 52 of Decision 2011-450 which showed a total of 1,088,839 forecast customers for 2012.

179. ATCO Gas responded that the purpose of Table 52 in Decision 2011-450 was simply to provide a comparison of the actual versus forecast customer growth, to demonstrate that ATCO Gas' customer forecast was accurate. This demonstration of the accuracy of ATCO Gas' customer growth forecasts does not establish an approval of the total customer count as shown in Table 52.²¹⁴

180. ATCO Gas submitted that the approved 2012 average customer forecast is 1,085,586 and, as such, ATCO Gas argued that it was using the correct approved average customer forecast in determining the 2012 revenue per customer. ATCO Gas further noted that the throughput

²⁰⁵ Decision 2013-057, page 5, paragraph 18.

²⁰⁶ Decision 2013-057, page 12, paragraph 45.

²⁰⁷ Decision 2013-057, page 18, paragraph 65.

²⁰⁸ Exhibit 28.01, ATCO Gas application, page 23, Schedule 2.2.

²⁰⁹ Decision 2013-057, page 20, paragraph 77.

²¹⁰ These numbers were calculated as follows: 55,000 sq. ft. x (\$16.00 - \$14.50) = \$82,500.

²¹¹ These numbers were calculated as follows: 55,000 sq. ft. x (\$16.00 - [\$14.50 x 1.03]) = \$58,575.

²¹² Exhibit 28.01, ATCO Gas application, page 57, Schedule 7.1.

²¹³ Exhibit 109, Calgary argument, paragraphs 19-26.

²¹⁴ Exhibit 117, ATCO Gas argument, paragraph 19.

forecast was approved by the Commission without adjustment in Decision 2012-191,²¹⁵ and was based on an average customer forecast of 1,085,586. Approval of any other customer forecast amount would have resulted in a corresponding direction to revise the throughput forecast and the associated revenue forecasts.²¹⁶

181. In Schedule 6.0 of the application, ATCO Gas provided an average customer forecast of 1,101,642 for 2013. No party objected to this forecast.

Commission findings

182. The Commission confirms that Table 52 in Decision 2011-450 was intended to provide a comparison of the actual to forecast customer growth, in order to verify the reasonableness of ATCO Gas' customer forecast for the GRA test years.

183. The revenue forecasts²¹⁷ included as part of the GRA compliance application, approved in Decision 2012-191, were based on a 2012 customer count of 1,085,586. Accordingly, for the purposes of this decision, the Commission accepts ATCO Gas' 2012 average customer forecast of 1,085,586.

184. The Commission has also reviewed ATCO Gas' 2013 average customer forecast of 1,101,642 and finds it to be reasonable. The Commission approves ATCO Gas' applied-for number of customers forecasts for 2012 and 2013 to be used for calculating its PBR rates.

4.3.3 2013 usage-per-customer forecast and the resulting customer rates

185. As directed in Decision 2012-237, ATCO Gas provided a forecast of 2013 usage-per-customer, as part of its PBR compliance filing application. In particular, as set out in paragraph 145 of Decision 2012-237, to arrive at the 2013 usage-per-customer forecast, ATCO Gas' usage-per-customer forecast for 2012 was multiplied by the actual average change in weather normalized usage-per-customer (per class) for the preceding three years, 2009 to 2011.

186. In Schedule 6.2 of the application, ATCO Gas also provided a 2013 throughput forecast by rate class. ATCO Gas noted that this throughput forecast incorporates both the forecast usage-per-customer and number of customers.²¹⁸

187. In response to a Commission IR,²¹⁹ ATCO Gas commented on the difference between the 2012 usage-per-customer forecast approved in Decision 2011-450 and its PBR application. ATCO Gas indicated that the differences between PBR and GRA usage-per-customer forecasts were due primarily to the different 10-year average normal temperature periods, more current data used in the regression models, changes to the model variables and the removal of the leap year in the PBR forecast.²²⁰

²¹⁵ Decision 2012-191: ATCO Gas 2011-2012 General Rate Application Phase I Compliance Filing, Application No. 1608144, Proceeding ID No. 1709, July 20, 2012.

²¹⁶ Exhibit 117, ATCO Gas argument, paragraph 20.

²¹⁷ Proceeding ID No. 1709, ATCO Gas 2011-2012 General Rate Application Compliance filing to Decision 2011-450, Exhibit 16 and 17.

²¹⁸ Exhibit 28.01, ATCO Gas application, paragraph 91.

²¹⁹ Exhibit 88.01, AUC-AG-05(a) to (d).

²²⁰ Exhibit 88.01, AUC-AG-05(a) to (d).

188. ATCO Gas pointed out that its 2013 usage-per-customer forecast included expected customer switches between customer classes, which were projected to occur near the end of 2012. ATCO Gas indicated that it adjusted the 2013 billing determinant forecast²²¹ for the impact of the projected customer class switches, “in order to develop more accurate forecasts.”²²² ATCO Gas further noted that 2013 is the first year in which it became necessary to forecast customer class switches, due to the fact that the mid-use customer class became effective January 1, 2011 and that customer usage must be above the switching threshold for two consecutive years.²²³

189. The CCA did not support the inclusion of the projected customer class switches in the 2013 usage-per-customer forecast of ATCO Gas. The CCA expressed its view that the fact that certain customers may be above a switching threshold does not necessarily mean that “ATCO Gas will actively switch these customers or these customers will actively switch on their own at the end of 2012.”²²⁴ As such, the CCA argued that customers must have actually switched, rather than just being above the threshold for a two year period, in order for the changes to the usage-per customer forecast proposed by ATCO Gas to be approved. Further, the CCA argued that ATCO Gas was assuming a full year impact for all the 2013 customer class switches, for which it offered no support.²²⁵

Commission findings

190. As directed in Decision 2012-237, ATCO Gas calculated its 2013 usage-per-customer forecast by applying the actual average change in weather normalized usage-per-customer (per class), for the preceding three years, to the projected 2012 usage-per-customer. The Commission has reviewed the calculations of the 2013 usage-per-customer forecast calculated as directed by the Commission in Decision 2012-237 (as shown in Schedule 6.1, column titled “2013 Forecast Before Switches”²²⁶) and finds it to be reasonable.

191. ATCO Gas proposed to further adjust its 2013 usage-per-customer forecast, calculated in accordance with the directions in Decision 2012-237, by the expected impact of customer class switches. The Commission has reviewed the switching forecast and the explanations for its inclusion in the usage-per-customer forecast provided by the company. The Commission has a number of concerns with the proposed adjustment and the resulting customer rates for 2013.

192. Based on the data provided by ATCO Gas, the Commission produced a table demonstrating the difference between ATCO Gas’ proposed 2013 billing determinants and the billing determinants that resulted from the Commission-directed method, and examining the impact on the company’s total throughput due to the switching forecast. The two tables (one for ATCO Gas North and another for ATCO Gas South) are attached as [Appendix 5](#) to this decision.

193. With respect to customer class switches, the calculations in Column F of Appendix 5 demonstrate that projected customer class switches result in a net decrease of 113,100 gigajoules (GJ) and 57,892 GJ to ATCO Gas’ 2013 total throughput in the North and South, respectively.

²²¹ Exhibit 28.04, ATCO Gas application schedules, Schedule 6.4.

²²² Exhibit 105, ATCO Gas argument, paragraph 17.

²²³ Exhibit 105, ATCO Gas argument, paragraph 17.

²²⁴ Exhibit 113, CCA reply argument, paragraph 6.

²²⁵ Exhibit 113, CCA reply argument, paragraph 6.

²²⁶ Exhibit 28.01, ATCO Gas application, pages 49-50, Schedule 6.1.

In the Commission's view, the impacts of customers moving to a different rate class should not affect the company's total forecast throughput.

194. More importantly, because the projected customer class switches are applied against ATCO Gas' 2013 throughput forecast, the resulting 2013 usage-per-customer forecast differs significantly from the 2013 usage-per-customer forecast calculated using the Commission-directed method.

195. In particular, as shown in Column G of Appendix 5, given ATCO Gas' projections of the 2013 customer numbers, the 2013 usage-per-customer forecast calculated using the Commission-directed method implies a total throughput of 128,871,027 GJ for ATCO Gas North and 124,658,209 GJ for ATCO Gas South. ATCO Gas' 2013 total throughput forecasts (after customer class switches), calculated, in Column E, was 127,444,431 GJ and 122,234,170 GJ for North and South, respectively. The use of ATCO Gas' method rather than the Commission-directed method results in a two per cent and a one per cent decrease in North and South throughput, respectively, with a resulting change in customer rates.

196. In light of the above, the Commission directs ATCO Gas, in determining its 2013 PBR rates, to use the 2013 usage-per-customer forecast obtained using the Commission-approved method. For clarity, ATCO Gas is directed to use the 2013 usage-per-customer data from its Schedule 6.1, column titled "2013 Forecast Before Switches."²²⁷ ATCO Gas' 2013 throughput forecast (provided in Schedule 6.2), used in the calculation of customer rates,²²⁸ must incorporate both the approved number of customers (as discussed in Section 4.3.2 above) and the approved forecast usage-per-customer shown in the Schedule 6.1 column, titled "2013 Forecast Before Switches."²²⁹

4.4 EPCOR

4.4.1 Underground residential development maximum investment level

197. In Decision 2012-272,²³⁰ the Commission approved an increase to EPCOR's underground residential development (URD) maximum investment level (MIL) from \$1,155 to \$2,487 per lot effective in 2012. EPCOR, in its PBR compliance filing, requested a going-in year rate adjustment relating to the increase in URD MIL.

198. The installation of URD facilities in EPCOR's service area is carried out by land developers who contribute the infrastructure to EPCOR and are paid a rebate by the company calculated on a per-developed-lot basis. The value of each rebate is added to EPCOR's rate base as a capital addition. The residual value of the development (i.e., the difference between the developer's actual cost of the work and the rebated amount) is recognized in the calculation of EPCOR's rate base as contributed capital. EPCOR capitalizes the value of the rebate at the time the lot is energized and pays the rebate to the developer upon completion of the City of Edmonton's construction completion certification process by the developer and submission of a

²²⁷ Exhibit 28.01, ATCO Gas application, pages 49-50, Schedule 6.1.

²²⁸ Exhibit 28.01, ATCO Gas application, schedules 7.2.1 and 7.2.2 (for ATCO Gas North) and schedules 7.3.1 and 7.3.2 (for ATCO Gas South).

²²⁹ Exhibit 28.01, ATCO Gas application, pages 49-50, Schedule 6.1.

²³⁰ Decision 2012-272: EPCOR Distribution & Transmission Inc. 2012 Phase I and II Distribution Tariff, 2012 Transmission Facility Owner Tariff, Application No. 1607944, Proceeding ID No. 1596, October 5, 2012.

written request from the developer for payment. EPCOR refers to the URD rebate it pays to land developers as its URD maximum investment level.²³¹

199. EPCOR submitted that under PBR, it would not be adequately compensated for the increased capital additions that it would incur over the PBR term due to the approved increase in the URD MIL. EPCOR explained that there is a disconnect between the higher URD MIL and the PBR plan because the company's going-in rates do not reflect the higher URD MIL:

EDTI's 2012 Going-in Year Revenue Requirement reflects the original cost of URD capital investments made over the last 40 years which, in turn, equates to the far lower URD MILs than the level approved in Decision 2012-272.²³²

200. EPCOR submitted that the level of historical investment reflected in EPCOR's 2012 going-in revenue requirement and rates will not generate sufficient return and depreciation under the PBR formula to allow EDTI to recover its prudent costs of providing service, including a fair return on its capital investment in URD.²³³

201. EPCOR provided an analysis in Section 3.1 of its compliance application, which showed that the approved PBR plan would not adequately compensate EPCOR for the approved increase in its URD MIL capital investment over the PBR term. Notwithstanding, EPCOR submitted that an appropriate adjustment could be made through a mechanism such as a Y factor or a capital tracker. To that effect, EPCOR noted that:

EDTI notes that it has included in its Capital Tracker Application a tracker related to its URD costs, and the increase in the MIL is incorporated into that tracker. Should the Commission approve EDTI's applied-for URD capital tracker and associated K factor adjustment, then there would be no need to deal with the MIL increase as a going-in year adjustment.²³⁴

202. Nevertheless, EPCOR proposed that the most efficient and straight-forward approach would be a going-in year rate adjustment and determined that a \$1.27 million going-in rate adjustment would be appropriate.

203. The UCA submitted that, since the adjustment to URD MIL was already included in EPCOR's 2012 approved revenue requirement, there was no need for any adjustment to going-in rates because of the change to EPCOR's URD MIL.²³⁵

204. In reply, EPCOR submitted that the UCA fails to provide any analysis or rational basis for its position. Furthermore, the UCA's submission does not detract from EPCOR's detailed analysis in its compliance filing.²³⁶

²³¹ Exhibit 29.01, EPCOR application, paragraph 87.

²³² Exhibit 29.01, EPCOR application, paragraph 92.

²³³ Exhibit 29.01, EPCOR application, paragraph 94.

²³⁴ Exhibit 91.01, AUC-EDTI-03(a).

²³⁵ Exhibit 107.02, UCA argument, paragraph 10.

²³⁶ Exhibit 120, EPCOR reply argument, paragraph 7.

Commission findings

205. Although EPCOR proposed to address the projected effects of the 2012 URD MIL increase through a going-in rate adjustment, it noted that this issue can also be dealt with through the Y factor mechanism or a K factor (i.e., capital tracker mechanism).

206. The proposal in the application for a going-in rate adjustment is based on forecast data and involves EPCOR's projections of URD lots rebated for the next five years.²³⁷ In Decision 2012-237, referring to the companies' billing determinants forecasts, the Commission observed that the use of long-term forecasts introduces forecasting risk into the PBR plan and stated the following:

994. ...The Commission does not consider that the company or its customers should benefit from, or be negatively impacted by, forecasting inaccuracies that may result from using forecasts that extend well into the future.²³⁸

207. The use of the Y factor or K factor mechanisms eliminates forecasting risk because these forecast expenditures will be trued up to actual expenditures each year. The Commission considers that capital expenditures related to EPCOR's URD MIL represent growth capital. In Decision 2012-237, the Commission expressed its preference for dealing with capital-related items by way of a capital tracker application.²³⁹ Because EPCOR's URD MIL represents growth capital, the Commission will consider in the capital tracker proceeding (Proceeding ID No. 2131), whether such an increase in growth capital should qualify for a capital tracker.

208. The second criterion for PBR trackers states that "ordinarily the project must be for replacement of existing capital assets or undertaking the project must be required by an external party."²⁴⁰ In the capital tracker proceeding, the Commission will consider the interpretation and application of this criterion to growth-related projects.

209. Consistent with the above determinations, the Commission directs EPCOR to remove the proposed adjustment of a \$1.27 million related to URD MIL from its going-in rates. The Commission observes that the K factor placeholder approved for EPCOR in Section 3.2 of this decision includes 60 per cent of the applied-for URD MIL capital tracker amounts.

4.4.2 2013 Y factors

210. Following the directions of the Commission set out in Decision 2012-237, EPCOR provided its proposed Y factor adjustments and supporting calculations. The following table shows EPCOR's applied-for 2013 Y factor adjustments.

²³⁷ Exhibit 29.01, EPCOR application, page 41, Table 3.1-1.

²³⁸ Decision 2012-237, page 212, paragraph 994.

²³⁹ Decision 2012-237, paragraphs 588 and 713.

²⁴⁰ Decision 2012-237, page 126, paragraph 592.

Table 9. EPCOR's 2013 Y factor adjustments²⁴¹

Y factor	Adjustment amount (\$ million)
AESO flow-through items	0.61
AUC assessment fees	0.96
Effects of regulatory decisions	-
Intervener costs	0.08
Commission tariff billing & load settlement initiatives	-
Property, business & linear taxes	7.54
Total 2013 Y factor adjustment	9.19

211. As set out at paragraph 719 of Decision 2012-237, because the items included in the Y factor will not be subject to I-X indexing, the companies were directed to remove the amounts included in the 2012 revenue requirement from going-in rates in their compliance filings.

212. Consistent with this direction, EPCOR removed the 2012 approved deferral account amounts related to AESO load settlement charges of \$0.58 million,²⁴² hearing cost reserve account amounts (including intervener costs) of \$1.54 million,²⁴³ distribution property, business and linear taxes of \$6.7 million,²⁴⁴ an AUC tariff bill code implementation amount of \$0.01 million,²⁴⁵ and the AUC assessment fee amount of \$0.71 million²⁴⁶ from its 2012 base rates and replaced these amounts with the Y factor adjustments shown in the above table.

213. EPCOR submitted that it was not proposing Y factor adjustments related to regulatory decisions and its ongoing participation in the development and implementation of Commission tariff billing and load settlement initiatives. However, EPCOR submitted that costs related to Commission tariff billing and load settlement initiatives incurred during the PBR term will be included in future compliance filings as Y factor adjustments.

214. No party objected to EPCOR's proposed 2013 Y factor adjustments.

Commission findings

215. The Commission has reviewed the Y factor calculations and finds them to be reasonable. The Commission approves the Y factor adjustments as shown in Table 9 above.

4.4.3 2013 billing determinants forecast

216. In its PBR submission,²⁴⁷ EPCOR proposed a new method for forecasting billing determinants for the purposes of calculating its PBR rates. EPCOR's approach consisted of a simplified short-run method that relies on recent historical billing determinants to forecast billing

²⁴¹ Exhibit 29.01, EPCOR application, page 24, Table 2.10-1.

²⁴² Exhibit 29.01, EPCOR application, paragraph 52.

²⁴³ Exhibit 29.01, EPCOR application, paragraph 61.

²⁴⁴ Exhibit 29.01, EPCOR application, paragraph 67.

²⁴⁵ Exhibit 29.01, EPCOR application, paragraph 65.

²⁴⁶ Exhibit 29.01, EPCOR application, paragraph 56.

²⁴⁷ Proceeding ID No. 566, Exhibit 103.02, EPCOR PBR application, filed July 26, 2011.

determinants for a given PBR year. In the PBR proceeding, EPCOR described the approach in detail and “provided various back-casts that demonstrated the reasonableness of the approach.”²⁴⁸

217. With respect to its proposed billing determinants forecast methodology, EPCOR noted that the Commission in Decision 2012-237 did not explicitly approve the method, nor did the Commission criticize or reject it. EPCOR acknowledged the following general direction from Decision 2012-237:

995. Companies will be expected to utilize forecasting methodologies that are logical and easy to understand, and in most cases this will involve the continued use of forecasting methodologies utilized prior to PBR. Companies should utilize consistent billing determinant forecasting methodologies during the PBR term unless the Commission orders otherwise. Companies will describe the methodology they plan to use for the duration of the PBR term as part of their compliance filings to this decision.²⁴⁹

218. Based on the above direction, EPCOR submitted that its proposed methodology was reasonable and appropriate. No party raised concerns with EPCOR’s 2013 billing determinants forecast.

Commission findings

219. The Commission has reviewed EPCOR’s billing determinants forecast for 2013 and considers the forecast to be reasonable. Therefore, the Commission approves the 2013 billing determinants as filed by EPCOR.

4.5 Fortis

4.5.1 Going-in rate adjustments and proposed 2013 Y factors

220. In its PBR compliance filing application, Fortis included a number of adjustments to its going-in rates, which Fortis referred to as “transitional adjustments.”²⁵⁰ Fortis pointed out that, because it does not have final rates approved for 2012, the 2012 going-in rates used in establishing the 2013 PBR rates in its compliance application are on an interim basis.²⁵¹

221. In the application, Fortis proposed a \$3.4 million adjustment to the going-in rates to account for a proposed revision to 2012 depreciation rates. In argument, Fortis indicated that, because this matter was also included in the company’s PBR R&V application in Proceeding ID No. 2240, Fortis was no longer seeking this adjustment as part of this proceeding.²⁵²

222. In response to AUC-FAI-1, Fortis proposed three corrections identified subsequent to the filing of its compliance application.²⁵³

- The transitional adjustment for the Self Insurance Reserve was revised from \$0.5 million to \$0.4 million to incorporate the effect of insurance proceeds received.

²⁴⁸ Exhibit 29.01, EPCOR application, paragraph 15.

²⁴⁹ Decision 2012-237, page 212, paragraph 995.

²⁵⁰ Exhibit 26.01, Fortis application, Part A, Section 4.1.

²⁵¹ Exhibit 26.01, Fortis application, Part B, paragraphs 8-10.

²⁵² Exhibit 106, Fortis argument, paragraph 11.

²⁵³ Exhibit 65.01, AUC-FAI-1(a).

- The transitional adjustment for the Hearing Cost Reserve was revised from \$0.6 million to \$0.5 million to reflect the effect of actual cost claims awarded rather than funding approved each year.
- The approved funding for other amounts for 2012 for the Self Insurance Reserve and Hearing Cost Reserve have been removed from the 2012 going-in rates in the revised schedule. This deduction was an oversight in the original compliance filing.

223. As set out at paragraph 719 of Decision 2012-237, because the items included in the Y factor will not be subject to I-X indexing, the companies were directed to remove the Y factor-related amounts included in the 2012 revenue requirement from going-in rates in their compliance filings. In accordance with this direction, Fortis removed from its 2012 rates the amounts related to items that were proposed to be collected through a Y factor mechanism starting in 2013.

Commission findings

224. The Commission has reviewed the going-in rate adjustments and Y factor adjustments proposed by Fortis in the updated Schedules 1.0 and 2.0 in Exhibit 65.02.

225. In the application, Fortis adjusted for the approved 2012 ROE of 8.75 per cent. Because Fortis' 2012 rates were reflective of an interim ROE of 9.0 per cent, this resulted in a reduction to going-in rates in the amount of \$2.1 million. Furthermore, Fortis proposed to refund to customers the 2011 and 2012 impacts of the 2011 Generic Cost of Capital decision, in the amount of \$3.9 million, as a 2013 Y factor adjustment. In AUC-FAI-1(a), the Commission directed Fortis to remove these adjustments. Upon further analysis, the Commission agrees with Fortis that the ROE adjustment to going-in rates, as well as the 2013 Y factor refund adjustment, are required.

226. In the application, Fortis adjusted its going-in rates for an AESO contribution deferral credit that netted against Fortis' rates during 2012. Fortis also proposed to collect the outstanding amount of \$0.2 million in this deferral account through a 2013 Y factor adjustment. In AUC-FAI-1(a), the Commission directed Fortis to remove these adjustments. Upon further analysis, the Commission agrees with Fortis that the AESO contribution deferral adjustment to going-in rates, as well as the 2013 Y factor refund adjustment, are required.

227. In Decision 2013-071, dealing with the companies' PBR R&V applications, the Commission denied Fortis' request to adjust its going-in rates to account for the 2012 depreciation rate revision.²⁵⁴

228. The following table provides the approved adjustments to Fortis' going-in rates. This table is based on Fortis' revised Schedule 1.0 from Exhibit 65.02. In addition, the Commission-approved adjustments related to the approved 2012 ROE and the AESO contribution deferral are included in the table. Furthermore, in accordance with findings in Decision 2012-237 and Decision 2013-071, the Commission excluded from the table the proposed adjustment to Fortis' going-in rates to account for the 2012 depreciation rate revision.

²⁵⁴ Decision 2013-071, pages 31-32, paragraph 152.

Table 10. Fortis' approved going-in rate adjustments

Line	Going-in rate adjustment	Adjustment amount (\$ million)
1	Self-insurance reserve	0.4
2	Hearing cost reserve	0.5
3	Adjustment to approved 2012 ROE	(2.1)
4	AUC assessment fees	(1.3)
5	Hearing costs for interveners	(0.2)
6	Hearing costs reserve company portion (replaced by line 2)	(1.0)
7	Self-insurance reserve (replaced by line 1)	(0.3)
8	(AESO) load settlement costs	(0.4)
9	AESO contributions deferral.	1.4
10	Property and business taxes	(1.4)
11	Metering capital deferral	(3.1)
12	Metering operating costs deferral	(0.4)
13	System settlement code costs	(0.1)
14	Farm transmission credit	4.5

229. With respect to the Y factors, in the application, Fortis included the metering foreign exchange deferral as a 2013 Y factor adjustment to collect the final amounts in this deferral account. Fortis indicated that the proposed 2013 Y factor adjustment of \$0.1 million is the final settlement of this deferral account, because it will be discontinued during the PBR term.²⁵⁵ In AUC-FAI-1(a), the Commission directed Fortis to remove this Y factor adjustment. Upon further analysis, the Commission agrees with Fortis that the metering foreign exchange refund is required.

230. The following table provides the approved 2013 Y factor adjustments for Fortis. This table is based on Fortis' revised Schedule 2.0 from Exhibit 65.02. In addition, the Commission-approved Y factor adjustments related to the 2011 and 2012 impacts of the 2011 Generic Cost of Capital decision, the AESO contribution deferral, and metering foreign exchange deferral are included in the table. As noted earlier, the Commission agrees with Fortis' explanation that, while these items are not ongoing Y factors, they represent amounts from previously approved deferral accounts that need to be collected from or refunded to customers.

Table 11. Fortis's approved 2013 Y factor adjustments

Y factor	Adjustment amount (\$ million)
AUC assessment fees	1.3
Hearing costs for interveners	0.2
(AESO) Load settlement costs	2.2
Property and business taxes	1.5
ROE deferral (true-up of over collection in 2011 and 2012)	(3.9)
AESO contribution deferral (true-up)	0.2
Metering foreign exchange (true-up)	0.1
Farm transmission credit	(4.6)
Total 2013 Y factor adjustment	(\$3.0)

²⁵⁵ Exhibit 65.01, AUC-FAI-1(a).

231. The Commission directs Fortis to recalculate its 2013 PBR rates to reflect the approved going-in rate adjustments and Y factor adjustments set out in Table 10 and Table 11 above.

232. Finally, the Commission recognizes that Fortis' 2012 rates have not been finalized and, therefore, the 2012 going-in rates used in establishing the 2013 PBR rates are interim. Following the approval of Fortis' final 2012 rates, the Commission will consider whether any further adjustments to Fortis' 2013 PBR rates are required.

4.5.1 Negotiated settlement agreement commitments

233. In Decision 2012-108,²⁵⁶ the Commission approved Fortis' negotiated settlement agreement (NSA) in respect of its 2012 Phase I distribution tariff application.

234. In its PBR compliance filing application, Fortis requested confirmation that its NSA commitments have been met.²⁵⁷ The commitments that Fortis set out in its application were:²⁵⁸

- That the 2012 NSA ROE of 9.0 per cent be reduced to 8.75 per cent in accordance with the 2011 Generic Cost of Capital Decision 2011-474.²⁵⁹
- That working capital be reduced by \$0.4 million to reflect more frequent invoicing of retailers.
- That oil and gas customers on rates 44/45 continue to be, on a discretionary basis, not charged any buy-downs when they terminate service. The amounts of any buy-downs would be calculated but not assessed. Fortis indicated that most customers would not owe anything in any case and the remaining dollars were small. However, Fortis proposed no changes to its terms and conditions and proposed that the forgiveness of these charges continue to be discretionary.

235. No party objected to this request.

Commission findings

236. At paragraph 5 of Fortis' NSA, approved in Decision 2012-108, a placeholder of 9.0 per cent was established for the approved ROE for ratemaking purposes pending the outcome of the 2011 Generic Cost of Capital proceeding. In Decision 2011-474 on the 2011 Generic Cost of Capital, the Commission established an ROE of 8.75 per cent for 2011 and 2012.

237. For the purposes of this proceeding, the Commission finds that Fortis' proposed adjustment to going-in rates and its one-time Y factor refund adjustment related to the approved ROE of 8.75 per cent are consistent with the NSA approved in Decision 2012-108 and the 2011 Generic Cost of Capital decision. As set out in Section 4.5.1 above, the Commission approved these ROE-related adjustments to Fortis' 2013 PBR rates.

²⁵⁶ Decision 2012-108: FortisAlberta Inc. Application for Approval of a Negotiated Settlement Agreement in respect of 2012 Phase I Distribution Tariff Application, Application No. 1607159, Proceeding ID No. 1147, April 18, 2012.

²⁵⁷ Exhibit 26.01, paragraph 173 (i), page 60.

²⁵⁸ Exhibit 26.01, Fortis application, Part A, paragraphs 163-170.

²⁵⁹ Decision 2011-474, 2011 Generic Cost of Capital, Application No. 1606549, Proceeding ID No. 833, Decision 8, 2011.

238. The Commission has reviewed Fortis' application in this proceeding, and is satisfied that the reduction in working capital of \$0.4 million, due to more frequent invoicing of retailers, is consistent with the findings in Decision 2012-108.

239. With respect to Fortis' proposal that oil and gas customers on rates 44/45 continue to be, on a discretionary basis, not charged any buy-downs when they terminate service, Fortis confirmed, in its PBR application, that no changes to its terms and conditions were required. The Commission confirms that Fortis' application is consistent with Decision 2012-108 and that no adjustment to PBR going-in rates is required.

240. Based on the above determinations, the Commission confirms that Fortis' NSA commitments with respect to the three matters discussed in this section have been met and will be reflected in Fortis' 2013 PBR rates.

4.5.2 2013 billing determinants forecast

241. Decision 2012-237 specified that the companies must provide a billing determinants forecast for 2013 as part of their compliance filing applications.²⁶⁰ In the application, Fortis provided its forecasting methodology²⁶¹ and the resulting 2013 billing determinants.²⁶²

242. There were no objections to Fortis's approach or the resulting billing determinants.

Commission findings

243. The Commission has reviewed the forecasting methodology for 2013 billing determinants and the resultant billing determinants as shown in Schedule 4.1-F of Fortis' application and finds them to be reasonable. Therefore, the Commission approves the 2013 billing determinants as filed by Fortis.

4.5.3 2013 system access service (SAS or transmission) rates

244. In Part B, Section 3 of its application and in paragraphs 54 to 56, Fortis proposed to update the transmission component rates. According to Fortis' calculations, the transmission component revenue increase was projected to be 10.64 per cent, excluding the Balancing Pool impact. Fortis noted that its approach to cost allocation and rate design remained consistent with its currently approved methodologies.²⁶³

245. No party objected to Fortis' calculation of its 2013 SAS (transmission) rates.

Commission findings

246. The Commission has reviewed the calculations and billing determinants for Fortis' proposed SAS rates and finds them to be reasonable. The Commission approves Fortis' proposed SAS rates as filed.

²⁶⁰ Decision 2012-237, page 212, paragraph 994.

²⁶¹ Exhibit 26.01, Fortis application, Part B, Section 4.4 starting at page 19.

²⁶² Exhibit 26.05, Fortis application schedules, Schedule 4.1-F.

²⁶³ Exhibit 26.01, Fortis application, Part B, paragraphs 37 and 54.

4.5.4 Maximum investment levels and fees

247. In Decision 2012-237, the Commission directed that Fortis' MILs for residential and street light rate classes be escalated by I-X plus ten per cent per year throughout the PBR term.²⁶⁴ MILs for other rate classes were to be escalated by I-X. For the purposes of its application, Fortis amended the MIL tables in Appendix B of its customer terms and conditions to be consistent with the directions in Decision 2012-237. Fortis also proposed to increase other fees in its terms and conditions by I-X.

Commission findings

248. The increase in Fortis' MILs was approved in Decision 2012-237. The Commission agrees with Fortis' view that increasing other fees in its terms and conditions by I-X is consistent with the PBR framework set out in Decision 2012-237. The Commission has reviewed the provided calculations and finds them to be reasonable. Accordingly, the Commission approves the 2013 MILs and other fees as filed.

249. Given the Commission's findings with respect to increasing other fees by I-X, other companies may apply for similar treatment in their PBR second compliance filings.

5 2012 PBR second compliance filing and 2013 PBR rates

250. As noted in Section 2 above, the Commission expects that, with the issuance of this decision, most elements comprising the companies' 2013 PBR rates (such as the 2013 I factor and the resulting I-X index, the allocation methodology for K, Y and Z factors and any adjustments to going-in rates) will be finalized. The Commission directs the companies to file updated rate schedules as part of their PBR second compliance filings by **March 18, 2013**.

251. The electric companies expressed their concerns that the January 1, 2013 interim rates that were approved when Bulletin 2012-03 was still in effect are not reflective of the PBR rates. Also, both the gas and electric companies expressed their concerns that the extended schedule in the capital tracker proceeding will not allow for a timely recovery of 2013 amounts qualifying for capital trackers. To address the companies' concerns, the Commission will implement the PBR rates arising from the determinations in this decision effective April 1, 2013.

252. To facilitate the April 1, 2013 effective date, after conducting a preliminary review of the second compliance filings, the Commission will approve the implementation of rates on an interim basis, on the assumption that the companies' PBR second compliance filings align with the findings in this decision. The public process to review the second compliance filing will commence subsequent to implementation of interim rates on April 1, 2013 with any subsequent adjustments to rates to be implemented later in 2013.

253. Accordingly, the Commission directs the companies to file, in their PBR second compliance filing, revised supporting schedules, rate schedules and terms and conditions effective April 1, 2013 in accordance with the findings in this decision. The companies are directed to provide bill comparisons as between the currently approved interim rates effective January 1, 2013 and the revised rates arising from the findings set out in this decision. In doing

²⁶⁴ Decision 2012-237, page 183, paragraph 850.

so, the companies must include the impact of all rate riders and other items on customer bills (for example, the Quarter 2 2013 transmission access riders) proposed to come in effect on or before April 1, 2013.

254. To facilitate the comparison of PBR rates over time, the Commission directs ATCO Electric, EPCOR and Fortis to provide, as part of their PBR second compliance filing, schedules, a summary table similar to tables 2.6-1 and 2.11-1 of EPCOR's compliance filing,²⁶⁵ showing 2012 base rates, 2013 base rates (i.e., 2012 base rates multiplied by I-X), any approved K, Y, and Z factor adjustments, and total 2013 PBR rates by rate class or rate component. A similar summary table, updated for the upcoming year's data, also is to be provided in subsequent annual rate adjustment filings.

255. Similarly, the Commission directs AltaGas and ATCO Gas to provide, as part of their PBR second compliance filing schedules, a summary table similar to the tables in Schedule 7.1 of ATCO Gas' compliance filing,²⁶⁶ showing 2012 number of customers, 2012 base revenue per customer, 2013 base revenue per customer (i.e., 2012 base revenue multiplied by I-X), 2013 number of customers and any approved K, Y, and Z factor adjustments, as well as total 2013 PBR revenue. A similar summary table, updated for the upcoming year's data, also is to be provided in subsequent annual rate adjustment filings.

²⁶⁵ Exhibit 29.01, EPCOR application, page 18, Table 2.6-1 and page 36, Table 2.11-1.

²⁶⁶ Exhibit 28.01, ATCO Gas application, page 57, Schedule 7.1.

6 Order

256. It is hereby ordered that each of AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc. shall file a second compliance filing in accordance with the directions set out in this decision by March 18, 2013. The second compliance filing shall include proposed distribution rate schedules to be effective April 1, 2013.

Dated on March 4, 2013.

The Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Electric Ltd. (ATCO Electric or AE) D. Wilson S. Parhar T. Martino B. Yee L. Kerckhof
AltaLink Management Ltd. T. Kanasoot Z. Lazic
ATCO Gas (ATCO Gas or AG) D. Wilson L. Fink M. Bayley M. Gillis A. Green
AltaGas Utilities Inc. (AltaGas or AUI) N. J. McKenzie C. Martin
The City of Calgary (Calgary) D. I. Evanchuk G. Matwchuk M. Rowe
Consumers' Coalition of Alberta (CCA) J. A. Wachowich A. P. Merani J. Jodoin
EPCOR Distribution & Transmission Inc. (EPCOR or EDTI) D. Gerke
ENMAX Power Corporation (ENMAX or EPC) J. Schlauch J. Petratur K. Hildebrandt
FortisAlberta Inc. (Fortis or FAI) J. Walsh
Office of the Utilities Consumer Advocate (UCA) C. R. McCreary

The Alberta Utilities Commission

Commission Panel

M. Kolesar, Vice-Chair
B. Lyttle, Commission Member

Commission Staff

B. McNulty (Commission counsel)
A. Sabo (Commission counsel)
O. Vasetsky
B. Miller
J. Thygesen
P. Howard
B. Clarke
D. Ward
B. Whyte
S. Allen
S. Karim

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.

Directions common to the companies:

1. Finally, when calculating the 2014 I factor as part of the September 10, 2013 annual PBR rate adjustment filing, the companies will be comparing the average Alberta AWE and Alberta CPI index values for the period from July 2012 to June 2013 to the corresponding values from July 2011 to June 2012 in order to calculate the percentage change. Consistent with the Commission’s direction in Decision 2012-237, the Alberta AWE and Alberta CPI from July 2011 to June 2012 should be the same unrevised index values published on August 30, 2012, as filed in this proceeding. For convenience, these indexes are provided in Appendix 3 to this decision. Paragraph 29
2. Consequently, pending the outcome of the capital tracker proceeding, the Commission directs the companies to include, on an interim basis, in their second compliance filing rates, a K factor placeholder. The Commission considers that a placeholder equal to 60 per cent of the K factor amounts applied for in the capital tracker proceeding, provides for a reasonable balance between the companies’ 2013 forecast rate adjustments related to capital trackers, and potential customer rate shock implications. Specifically, based on the information provided in the capital tracker proceeding, the K factor placeholders to be included in the second compliance filing rates are set out in Table 1: Paragraph 41
3. In accordance with the above direction, for the purposes of this decision, the Commission approves the use of the riders identified in Appendix 4 to this decision. The Commission will review the continued need for these riders at the time of the companies’ next respective rider applications, if filed prior to the annual PBR rate adjustment filing. Additionally, the Commission will review the continuing need for all the riders set out in Appendix 4 at the time of the September 10, 2013 company filings. Accordingly, the companies are directed, in their September 10, 2013 filings, to address the continuing need for each of these riders. Paragraph 78
4. As noted in Section 2 above, the Commission expects that, with the issuance of this decision, most elements comprising the companies’ 2013 PBR rates (such as the 2013 I factor and the resulting I-X index, the allocation methodology for K, Y and Z factors and any adjustments to going-in rates) will be finalized. The Commission directs the companies to file updated rate schedules as part of their PBR second compliance filings by March 18, 2013. Paragraph 250
5. Accordingly, the Commission directs the companies to file, in their PBR second compliance filing, revised supporting schedules, rate schedules and terms and conditions effective April 1, 2013 in accordance with the findings in this decision. The companies are directed to provide bill comparisons as between the currently approved interim rates effective January 1, 2013 and the revised rates arising from the findings set out in this decision. In doing so, the companies must include the impact of all rate riders and other items on customer bills (for example, the Quarter 2 2013 transmission access riders) proposed to come in effect on or before April 1, 2013. Paragraph 253

6. To facilitate the comparison of PBR rates over time, the Commission directs ATCO Electric, EPCOR and Fortis to provide, as part of their PBR second compliance filing, schedules, a summary table similar to tables 2.6-1 and 2.11-1 of EPCOR's compliance filing, showing 2012 base rates, 2013 base rates (i.e., 2012 base rates multiplied by I-X), any approved K, Y, and Z factor adjustments, and total 2013 PBR rates by rate class or rate component. A similar summary table, updated for the upcoming year's data, also is to be provided in subsequent annual rate adjustment filings. Paragraph 254
7. Similarly, the Commission directs AltaGas and ATCO Gas to provide, as part of their PBR second compliance filing schedules, a summary table similar to the tables in Schedule 7.1 of ATCO Gas' compliance filing, showing 2012 number of customers, 2012 base revenue per customer, 2013 base revenue per customer (i.e., 2012 base revenue multiplied by I-X), 2013 number of customers and any approved K, Y, and Z factor adjustments, as well as total 2013 PBR revenue. A similar summary table, updated for the upcoming year's data, also is to be provided in subsequent annual rate adjustment filings. Paragraph 255

Directions that pertain to individual companies:

AltaGas

8. In light of the above, the Commission directs AltaGas to recalculate its 2013 PBR rates using the Phase II methodologies and 2013 forecast billing determinants, as set out in Decision 2012-237. In doing so, AltaGas may use the rates model provided in response to AUC-AUI-6(e), updated for the directions and findings in this decision..... Paragraph 99
9. The Commission considers that the same reasoning generally applies to fees other than MILs, including AltaGas' DSP administration fee. Therefore, AltaGas is directed, throughout the PBR term, to increase its DSP administration fee by I-X. The Commission recognizes that the 2012 DSP administration fee will be addressed as part of AltaGas' next Phase II-related regulatory filing, as set out in Decision 2012-311. Paragraph 106
10. Therefore, AltaGas is directed to remove the 2013 Y factor impact related to the defined benefits pension plan costs and make any corresponding 2012 going-in revenue adjustment, such that the Y factor treatment proposed by AltaGas is eliminated. Any defined benefits pension funding amounts included in the 2012 revenue will be subject to I-X indexing. Paragraph 112
11. Consistent with the findings in Decision 2012-237 and Decision 2013-071, the Commission directs AltaGas to remove the 2013 Y factor adjustment related to the company portion of regulatory hearing costs and make any corresponding 2012 going-in revenue adjustment, such that the Y factor treatment proposed by AltaGas is eliminated and the amounts are subject to I-X indexing. As set out in paragraph 674 of Decision 2012-237, the company portion of the hearing costs that will be subject to the I-X mechanism will be the average awarded company hearing costs for the years 2009, 2010 and 2011. Paragraph 118
12. Accordingly, the Commission finds that AltaGas' going-in revenue adequately reflects the capital costs of the first phase of the NGSSC project. The Commission denies

- AltaGas' requested recovery of the applicable return, depreciation and tax related to one half of the NGSSC phase one capital expenditures from 2012. The Commission directs AltaGas to remove these amounts from its Y factor calculations. Paragraph 130
13. Therefore, in the interest of regulatory efficiency and in order to enhance incentives in AltaGas' PBR plan, the Commission considers that, rather than dealing with these costs in an annual Y factor application, a one-time adjustment to going-in revenue should be made. The Commission directs AltaGas to make an adjustment of \$509,300 to its going-in revenue to include the full annualized impact of the NGSSC operating costs. This amount is in addition to the \$174,200 in operating costs included in the approved 2012 revenue. Paragraph 133
14. Consistent with the above determinations, the Commission finds that the 2013 Y factor adjustment should include only the incremental amounts related to capital expenditures for phase two of the NGSSC project. The Commission directs AltaGas to recalculate its Y factor adjustment related to the NGSSC project to reflect the 2013 revenue associated with the mid-year capital expenditures for phase two of the NGSSC project. Paragraph 136
15. Finally, the Commission notes that AltaGas requested a delay in the implementation date for phase two of its NGSSC system from March 15, 2013 to September 1, 2013. As well, AltaGas projected that associated phase two costs would increase from the original capital forecast of \$748,800 to \$1,613,500. AltaGas is directed to incorporate all of these recent updates in determining the 2013 Y factor adjustment related to phase two of the NGSSC project. Paragraph 137
16. In Decision 2012-237, the Commission intended the companies to separately identify the AUC and UCA assessment fees in their Y factor calculations. AltaGas provided a total fee amount, but did not separate the AUC and UCA assessments in its schedules. AltaGas is directed to separate the AUC and UCA assessment amounts for the purposes of the Y factor calculations in its second PBR compliance filing. Paragraph 142
17. The period of 2010 to 2012 that AltaGas preferred to use for calculating the average change in usage-per-customer has a forecast component in it (for the year 2012). The Commission considers that the use of actual data is more accurate than including forecast numbers as part of another forecast. Accordingly, the Commission directs AltaGas to use the actual data for the time period 2009 to 2011 in its usage-per-customer calculations, similar to the approach taken by ATCO Gas. Paragraph 150

ATCO Electric

18. Consistent with these findings, the Commission will consider whether ATCO Electric's applied-for Z factor warrants an inclusion in customer rates prior to its September 10, 2013 annual PBR rate adjustment filing, as part of the decision on Proceeding ID No. 2301. The Commission expects that the decision on Proceeding ID No. 2301 will be issued prior to the September 10, 2013 annual rate adjustment filing date. Accordingly, the Commission denies ATCO Electric's request for recovery of Z factor amounts at this time. ATCO Electric is directed to remove any Z factor placeholder amounts from the calculation of its 2013 PBR rates. Paragraph 45

ATCO Gas

19. In response to AUC-AG-3, ATCO Gas removed the 2009 amount of \$1.862 million related to the RID late payment penalty settlement from the going-in revenue. In Decision 2013-057, dealing with ATCO Gas' request to review and vary its 2011-2012 GRA decision, the Commission ordered the recovery of the late payment penalty settlement in the amount of \$1.862 million plus carrying costs, as a one-time payment. Accordingly, ATCO Gas is directed to include this one-time recovery as a Y factor adjustment for 2013. Paragraph 173
20. In addition, ATCO Gas is directed to adjust its going-in revenue by \$764,000 to account for its RID as originally proposed in the application. This amount is to replace the \$392,000 RID adjustment, shown in Table 6 above. The updated adjustment of \$764,000, calculated as the historical average of the actual RID amounts for the period 2007 to 2011, reflects the impact of the awarded late payment penalty settlement amount of \$1.862 million in 2009. Paragraph 174
21. Decision 2013-057 made other adjustments to ATCO Gas' 2011-2012 approved revenue requirement. In the context of PBR, some of these adjustments result in a one-time collection from customers through 2013 Y factor adjustments and some will be reflected as an adjustment to going-in revenue, as shown in the table below. The Commission directs ATCO Gas to update its 2013 PBR revenue to include the amounts awarded in Decision 2013-057. Paragraph 175
22. In light of the above, the Commission directs ATCO Gas, in determining its 2013 PBR rates, to use the 2013 usage-per-customer forecast obtained using the Commission-approved method. For clarity, ATCO Gas is directed to use the 2013 usage-per-customer data from its Schedule 6.1, column titled "2013 Forecast Before Switches." ATCO Gas' 2013 throughput forecast (provided in Schedule 6.2), used in the calculation of customer rates, must incorporate both the approved number of customers (as discussed in Section 4.3.2 above) and the approved forecast usage-per-customer shown in the Schedule 6.1 column, titled "2013 Forecast Before Switches." Paragraph 196

EPCOR

23. Consistent with the above determinations, the Commission directs EPCOR to remove the proposed adjustment of a \$1.27 million related to URD MIL from its going-in rates. The Commission observes that the K factor placeholder approved for EPCOR in Section 3.2 of this decision includes 60 per cent of the applied-for URD MIL capital tracker amounts. Paragraph 209

Fortis

24. The Commission directs Fortis to recalculate its 2013 PBR rates to reflect the approved going-in rate adjustments and Y factor adjustments set out in Table 10 and Table 11 above. Paragraph 231

Appendix 3 – Inflation indexes used in the 2013 I factor calculation

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Date	Alberta CPI CANSIM 326-0020 v41692327 (2002=100)	Alberta AWE CANSIM 281-0028 v1597350 \$	Average July to June		Year over year % change		2013 I factor %
			AB CPI (2002=100)	AB AWE \$	AB CPI %	AB AWE %	
July 2010	123.30	996.96					
August 2010	122.70	1007.33					
September 2010	122.60	995.40					
October 2010	123.00	1007.14					
November 2010	122.70	1010.85					
December 2010	122.90	1005.96					
January 2011	123.50	1029.88					
February 2011	124.20	1029.94					
March 2011	124.50	1022.72					
April 2011	126.00	1031.23					
May 2011	126.10	1042.92					
June 2011	125.30	1028.46	123.90	1,017.40			
July-2011	125.70	1031.91					
August-2011	126.30	1050.93					
September-2011	126.00	1043.75					
October-2011	127.20	1052.82					
November-2011	126.60	1049.93					
December-2011	126.50	1049.78					
January-2012	127.10	1056.05					
February-2012	126.60	1054.80					
March-2012	126.60	1054.38					
April-2012	127.00	1058.84					
May-2012	126.60	1055.07					
June-2012	126.90	1070.68	126.59	1,052.41	2.17	3.44	2.87

Source: Exhibit 34.02, AltaGas Schedule 7.0; Exhibit 27.02, ATCO Electric application, Appendix A; Exhibit 28.01, ATCO Gas application, Schedule 3.0; Exhibit 29.03, EPCOR application, Appendix C.

Appendix 4 – Riders approved for 2013

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AltaGas riders

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	Rate 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 its annual line losses and is approved on an annual basis by the AUC.
Rider F deficiency or refund rider	Rider F is used to recover a deficiency or refund a surplus resulting from the difference between interim and final rates.
Rider G third party transportation	Rider G is the cost per gigajoule, approved by the AUC on a monthly basis, for third party transportation costs incurred by AltaGas for transporting gas to customers on a third party's pipeline (e.g. TCPL, ATCO Pipelines, municipal systems).

Source: Exhibit 34.01, AltaGas PBR compliance filing, paragraphs 103-111.

ATCO Electric riders

Rider	Description
Rider A municipal adjustment	Includes revenues from forecast franchise fees and property taxes applicable throughout the territory served by ATCO Electric to electric service within identified municipalities.
Rider B Balancing Pool adjustment	Separate rider used for transparency on end-use customers' bills to show the Balancing Pool refund or collection received from the AESO through its Rider F.
Rider E special facilities charge	Applicable to facilities constructed by ATCO Electric on customer owned or leased property, as requested by the customer.
Rider G temporary adjustment	Used to dispense of AUC approved deferral accounts.
Rider J interim adjustment	Used for the purposes of applying any future charges or refunds approved by the AUC.
Rider S system access service quarterly adjustment	Mechanism to dispense of the estimated AESO transmission access (SAS) charges deferral amounts on a quarterly basis.

Source: Exhibit 54.03, ATCO Electric's redacted PBR compliance filing, Section 7, paragraphs 66-75.

ATCO Gas riders

Rider	Description
Rider A	Municipal franchise fee, a flow-through of franchise fees charged to the utilities by municipalities.
Rider B	Municipal property tax and specific costs, a flow-through of property taxes charged to the utilities by municipalities.
Rider D	Unaccounted for gas, an assessment of unaccounted for gas (UFG) charged to customers "in-kind."
Rider E	Deemed value for gas, used in the calculation of municipal franchise fees for customers in municipalities designated as Method C. The deemed value is an amount equal to the default supply Rider F.
Rider L	Load balancing rate rider, a refund or recovery of value in the load balancing account.
Rider T	Transmission, a flow-through of NGTL transmission charges
Rider W	Weather deferral account, a refund or recovery of value in the weather deferral account.

Source: Exhibit 28.01, ATCO Gas PBR compliance filing, paragraphs 118-129.

EPCOR riders

Rider	Description
Distribution riders	
Local access fee (LAF)	A surcharge imposed by the City of Edmonton.
Rider DG	Applicable to true-up the results from Generic Cost of Capital proceedings.
Rider DJ	Mechanism to true-up interim distribution rates to final distribution rates.
Rider E	Applicable to facilities constructed by the company on customer owned or leased property, as requested by the customer.
Transmission riders	
Rider G	Mechanism to flow Balancing Pool rebates or charges to customers.
Rider J	Mechanism to true-up interim SAS rates to final SAS rates.
Rider K	Mechanism to dispense of the estimated AESO transmission access (SAS) charges deferral amounts on a quarterly basis.

Source: Exhibit 29, EPCOR PBR compliance filing, Table 2.12-1, page 38.

Fortis riders

Rider	Description
Distribution riders	
Rider A-1 municipal assessment rider	A flow-through item applicable in each municipality or taxation authority. Farms, irrigation, yard lights and transmission connected customers are exempt.
Municipal franchise fee riders	A flow-through of franchise fees which vary by municipality. In some municipalities there is no fee and the rider is set at zero per cent.
Distribution adjustment rider	Distribution true-up rider.
Transmission riders	
Balancing Pool allocation rider	Mechanism to flow Balancing Pool rebates/charges to customers.
Base transmission adjustment rider	Transmission true-up rider.
Quarterly transmission adjustment rider (QTAR)	Mechanism to dispense of the estimated AESO transmission access (SAS) charges deferral amounts on a quarterly basis.

Source: Exhibit 26.07, Fortis Rates Options and Riders Schedules

Appendix 5 – ATCO Gas’ 2013 forecast usage-per-customer and throughput

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



Appendix 5 - ATCO
Gas 2013 forecast us

(consists of 2 pages)

ATCO Gas North
 Throughput by Sector
 2013 Forecast

Calculation	Rate	Throughput (GJ) A	Number of Customers B	Usage with switches (GJ per customer) C	Usage no switches (GJ per customer) D	Throughput with switches (GJ) E=BxC	Variance (GJ) F=E-A	Throughput no switches (GJ) G=BxD	Variance (GJ) H=G-A	% change I=H/A
Low Use										
Residential	Low	58,801,841	501,522	117.1	117.2	58,728,197	(73,644)	58,778,349	(23,491.93)	-0.04%
Apartment	Low	2,006,049	3,118	643	661	2,005,088	(960)	2,061,218	55,169.78	2.75%
Commercial	Low	13,847,321	38,781	356	364	13,806,125	(41,196)	14,116,375	269,054.44	1.94%
Industrial	Low	19,885	33	595	595	19,784	(101)	19,784	(101.22)	-0.51%
Low Use Total		74,675,095	543,455			74,559,194		74,975,726		
Mid Use										
Residential	Mid	281,307	123	2,287	2,285	281,301	(6.13)	281,055	(252.13)	-0.09%
Apartment	Mid	5,511,117	2,048	2,691	2,731	5,511,168	50.82	5,593,088	81,970.82	1.49%
Commercial	Mid	19,371,810	6,725	2,881	2,955	19,374,725	2,915.28	19,872,375	500,565.28	2.58%
Industrial	Mid	173,583	32	5,424	5,612	173,568	(14.68)	179,584	6,001.32	3.46%
Mid Use Total		25,337,817	8,928			25,340,762		25,926,102		
High Use										
Apartment	High	3,612,613	275	13,137	13,165	3,612,675.00	62.40	3,620,375	7,762.40	0.21%
Commercial	High	18,742,127	918	20,416	20,804	18,741,888.00	(239.44)	19,098,072	355,944.56	1.90%
Industrial	High	5,189,879	104	49,903	50,488	5,189,912.00	33.24	5,250,752	60,873.24	1.17%
High Use Total		27,544,619	1,297			27,544,475.00		27,969,199		
Total		127,557,531				127,444,431	(113,100)	128,871,027	1,313,497	1.03%

- A** Exhibit 28.04, Schedule 6.2
- B** Exhibit 28.04, Schedule 6.0
- C** Exhibit 28.04, Schedule 6.1
- D** Exhibit 28.04, Schedule 6.1

ATCO Gas South
 Throughput by Sector
 2013 Forecast

Calculation	Rate	Throughput (GJ) A	Number of Customers B	Usage with switches (GJ per customer) C	Usage no switches (GJ per customer) D	Throughput with switches (GJ) E=BxC	Variance (GJ) F=E-A	Throughput no switches (GJ) G=BxD	Variance (GJ) H=G-A	% change I=H/A
Low Use										
Residential	Low	60,700,732	508,006	119.4	119.5	60,655,857	(44,875.73)	60,706,657	5,925	0.01%
Apartment	Low	944,479	1,956	482	524	942,993	(1,486.16)	1,025,162	80,683	8.54%
Commercial	Low	10,004,782	29,571	338	358	9,994,914	(9,868.71)	10,586,329	581,546	5.81%
Industrial	Low	11,014	26	417	417	11,016	1.63	11,016	2	0.01%
Low Use Total		71,661,008	539,559			71,604,779	(56,228.97)	72,329,164	668,156	
Mid Use										
Residential	Mid	355,012	175	2,029	1,987	355,075	63.29	347,725	(7,287)	-2.05%
Apartment	Mid	3,652,837	1,180	3,096	3,346	3,653,280	443.18	3,948,280	295,443	8.09%
Commercial	Mid	15,275,414	5,395	2,831	2,973	15,273,245	(2,168.84)	16,039,335	763,921	5.00%
Industrial	Mid	182,253	38	4,796	4,966	182,248	(4.80)	188,708	6,455	3.54%
Mid Use Total		19,465,515	6,788			19,463,848	(1,667.17)	20,524,048	1,058,533	
High Use										
Apartment	High	3,282,400	219	14,988	14,896	3,282,372	(27.96)	3,262,224	(20,176)	-0.61%
Commercial	High	19,735,508	827	23,864	24,484	19,735,528	19.65	20,248,268	512,760	2.60%
Industrial	High	8,147,631	123	66,241	67,435	8,147,643	12.28	8,294,505	146,874	1.80%
High Use Total		31,165,539	1,169			31,165,543	3.96	31,804,997	639,458	
Total		122,292,062				122,234,170	(57,892)	124,658,209	2,366,147	1.93%

- A Exhibit 28.04, Schedule 6.2
- B Exhibit 28.04, Schedule 6.0
- C Exhibit 28.04, Schedule 6.1
- D Exhibit 28.04, Schedule 6.1