



AltaGas Utilities Inc.

**Filing for Acknowledgement – Increase in Standard
Non-Refundable Contributions and Special Charges**

March 15, 2013

The Alberta Utilities Commission

Decision 2013-095: AltaGas Utilities Inc.

Filing for Acknowledgement – Increase in Standard Non-Refundable Contributions and
Special Charges

Application No. 1609281

Proceeding ID No. 2417

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1 Introduction

1. On February 6, 2013, AltaGas Utilities Inc. (AltaGas) submitted an application to the Alberta Utilities Commission (AUC or Commission) requesting acknowledgement for AltaGas' proposed annual increase, by I-X, to the standard non-refundable contribution amount for Rate 1/11 – Rural Other service applications, the standard non-refundable contribution amount for Rate 1/11 – Rural Subdivision service applications, and the fees identified in the special charges schedule in AltaGas' Natural Gas Utility Service Rules (service rules). I-X is the formula for certain annual rate adjustments set out in the AUC's Performance-Based Regulation (PBR) Decision [2012-237](#)¹ and more particularly described in paragraph 13 below.

2. The existing standard non-refundable contribution amounts, proposed increase, and resulting 2013 contribution amounts are shown in Table 1 below.

Table 1. Standard non-refundable contributions²

Rate 1/11 contribution type	2012 amount (1)	2013 I-X ³ (2)	Increase (3)	2013 amount (4)
Rural other standard non-refundable contribution	\$5,400	1.71%	\$92	\$5,492
Rural subdivision standard non-refundable contribution	\$500	1.71%	\$9	\$509

¹ Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Application

² Exhibit 2, application, page 2.

³ As discussed in Section 3 of this decision, the approved I-X index for 2013 is 1.71 per cent.

3. The existing special charge fees, proposed increase, and resulting 2013 special charge fees are shown in Table 2 below.

Table 2. Special charge fees⁴

Line	Special charge	Current approved fee ⁵ (1)	2013 I-X increase (1.71%) (2)	2013 fee (3)
1	Account activation fee	\$35	\$0.60	\$35.60
	Remove and test meter - per meter:			
2	Residential	\$75	\$1.28	\$76.28
3	Other	Actual Cost		Actual Cost
4	Special meter readings - each time	\$35	\$0.60	\$35.60
	Reconnection fee:			
5	Residential	\$50	\$0.85	\$50.85
6	Other (except irrigation)	Actual Cost		Actual Cost
	Irrigation disconnection/reconnection fee			
7	Each time (except normal season start and end)	\$75	\$1.28	\$76.28
	Reinstallation of meter/regulator			
8	Residential	\$75	\$1.28	\$76.28
9	Other	Actual Cost		Actual Cost
10	Dishonoured payment charge (NSF cheque, etc.) - each time	\$25	\$0.43	\$25.43
11	Cheque certification charge - each time	\$10	\$0.17	\$10.17
12	Any other service at customer's request	Actual Cost		Actual Cost

4. On February 8, 2013, the Commission issued a notice of application. Any party who wished to intervene in this proceeding was required to submit a statement of intent to participate to the Commission by the participation closing deadline of February 15, 2013. The Commission received no statement of intent to participate.

5. On February 14, 2013, the Commission issued preliminary information requests to AltaGas. Responses were received by the due date of February 19, 2013.

6. On February 20, 2013, the Commission issued a process letter notifying parties that it had reviewed the application and was of the view that no additional process steps were required and that it considered the close of record to be February 20, 2013.

7. On February 26, 2013, the Commission issued a revised process letter in response to an inquiry by AltaGas in regards to a possible error in the application. AltaGas was invited to submit any amendments to its application by March 1, 2013.

8. On February 27, 2013, the Commission received an amended application from AltaGas. After reviewing the amended application, the Commission did not note any significant changes

⁴ Exhibit 2, application, page 2.

⁵ Decision 2011-319: Decision 2011-319: AltaGas Utilities Inc., Amended Terms and Conditions of Service – Disconnection of Gas Services, Application No. 1607463, Proceeding ID No. 1322, July 26, 2011.

that required additional notification to parties. Accordingly, the Commission considers the record of this proceeding to have closed on February 27, 2013.

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

2 Background

10. Standard non-refundable contribution amounts are the amounts customers are required to contribute, based on specific criteria defined in AltaGas' terms and conditions of service, to the costs of building a service line to their residence or business. Special charges fees apply to certain services such as account activation, meter removal and testing, meter reinstallation, special meter reads, disconnection or reconnection, dishonored payments and late payments.

11. Prior to this application, AltaGas' most recent application for a change to contribution amounts was filed July 20, 2011 as part of a standard rate application, rather than as an acknowledgement, and was initiated by a request from the government of Alberta, Agriculture and Rural Development, Rural Utilities Division to more closely align the AltaGas rural contribution levels to the rest of the rural natural gas providers in the province. The Commission issued Decision 2012-007⁶ in response to this application, in which the Commission approved certain changes to AltaGas' contribution amounts.

12. On September 12, 2012, the Commission issued Decision 2012-237 outlining the PBR framework for the Alberta electric and gas distribution companies, including AltaGas, to be effect January 1, 2013.

13. 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 (e.g. labour costs) 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.

⁶ Decision 2012-007: AltaGas Utilities Inc., Change to Rate 1/11 - Rural Other Standard Non-Refundable Contribution, Application No. 1607508, Proceeding ID No. 1354, January 10, 2012.

14. On March 4, 2013, the Commission issued Decision [2013-072](#)⁷ setting out its determinations with respect to the electric and gas distribution companies' PBR compliance filings.

3 Discussion of issues

15. AltaGas addressed two matters in the application:

- Whether I-X should apply to AltaGas' customer contribution amounts (including both standard non-refundable and non-standard non-refundable amounts) as well as special charge fees.
- The approval process for AltaGas' requested increases in customer contribution amounts and special charge fees.

16. With respect to the proposed increase in customer contribution amounts and special charge fees, AltaGas indicated that the proposed increase in standard non-refundable contributions was based on I-X as directed in paragraph 848 of Decision 2012-237:

848. However, with regard to providing for the automatic escalation of MILs and specific customer contributions during the PBR term, the Commission considers that these contributions should be escalated by I-X.⁸

17. AltaGas also proposed that, consistent with the treatment of base rates and customer contributions, the special charge fees also be escalated annually by I-X. In the application, AltaGas referenced its response to UCA-AUI-7 from Proceeding ID No. 566, which led to Decision 2012-237. In its response to that information request, AltaGas submitted that contribution assets and the services underlying its miscellaneous fees are subject to the same inflationary and productivity pressures and effects as any other company capital or expenditure.⁹

18. In response to a Commission information request,¹⁰ AltaGas submitted that, consistent with AltaGas' prior application to increase standard non-refundable contribution amounts (Application No. 1607508, Proceeding ID No. 1354) and AltaGas' current practice, the increase in 2013 standard contribution would be offset by an equal reduction in the non-standard non-refundable contribution amount for Rate 1/11 – Rural Other service applications. AltaGas did not provide any rationale for this request to decrease the non-standard non-refundable contribution amount and was silent on any similar request for the Rate 1/11 – Rural Subdivision non-standard non-refundable contribution amount.

19. With respect to the second issue, on page 30 of AltaGas' service rules, the section titled Standard Non-Refundable Contributions states that "Standard contributions are filed for

⁷ Decision 2013-072: 2012 Performance-Based Regulation Compliance Filings, AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Application No. 1608826, Proceeding ID No. 2130, March 4, 2013.

⁸ Decision 2012-237, page 182, paragraph 848.

⁹ Proceeding ID No. 566, Exhibit 245.01, UCA-AUI-7.

¹⁰ Exhibit 7.01, AltaGas response to AUC-AUI-2.

acknowledgement with the Commission when they are initially established and, thereafter, whenever they are changed.”¹¹

Commission findings

20. As AltaGas pointed out, in Decision 2012-237 the Commission determined that maximum investment levels and specific customer contributions should be indexed by I-X during the PBR term.¹² In Decision 2013-072, the Commission found that the same reasoning generally applies to fees other than maximum investment levels, including AltaGas’ default supply provider administration fee.¹³ Additionally, the Commission agreed with the view of FortisAlberta Inc. 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 indicated that:

249. Given the Commission’s findings with respect to increasing other fees by I-X, other companies may apply for similar treatment in the [sic] their PBR second compliance filings.¹⁴

21. In light of these determinations, the Commission agrees with AltaGas’ proposal that its standard non-refundable contribution amounts and fees identified in the special charges schedule in AltaGas’ service rules are to be indexed annually by I-X during the PBR term.

22. AltaGas calculated its proposed increase in customer contributions based on the 2013 I factor of 2.86 per cent and the X factor of 1.16 per cent, resulting in an increase to the contribution amounts of 1.70 per cent for 2013. In Decision 2013-072, the Commission approved the 2013 I-X index of 1.71, based on the I factor of 2.87 per cent and the X factor of 1.16 per cent.¹⁵ However, this minimal difference in the percentage increase arising from application of the approved I-X index does not result in any changes to AltaGas’ proposed nominal increases presented in Table 1 and Table 2 above.

23. Accordingly, the Commission approves AltaGas’ proposed increases to its standard non-refundable contribution rates for Rate 1/11 – Rural Other and Rate 1/11 – Rural Subdivision and to the fees identified in the special charges schedule in AltaGas’ service rules. The increased rates are approved as filed and reproduced in Table 1 and Table 2 above.

24. In response to AUC-AUI-2, AltaGas indicated that the increase in 2013 standard contribution would be offset by an equal reduction in the non-standard non-refundable contribution amount for Rate 1/11 – Rural Other service applications.¹⁶ The Commission will consider reducing non-standard non-refundable contribution amounts upon application by AltaGas. However, AltaGas must consider whether a reduction in the non-standard non-refundable contribution rates is consistent with the PBR framework which provides for the company to adjust its maximum investment levels, rates, other fees and standard contribution amounts by I-X, as set out in Decision 2012-237 and Decision 2013-072.

¹¹ Attachment 1, application, page 30.

¹² Decision 2012-237, page 182, paragraph 848.

¹³ Decision 2013-072, page 22, paragraph 106.

¹⁴ Decision 2013-072, page 48, paragraph 249.

¹⁵ Decision 2013-072, page 6, paragraph 28.

¹⁶ Exhibit 7.01, AltaGas response to AUC-AUI-2.

25. Finally, with respect to the approval process for annual changes to contribution amounts and special charge fees by I-X, the Commission directs AltaGas to include any proposed changes to maximum investment levels, standard or non-standard contribution amounts and special charge fees in its annual PBR rate adjustment filing, due on September 10 of each year for January 1 rates implementation.

4 Order

26. It is hereby ordered that:

- (1) AltaGas' request to increase the Rate 1/11 – Rural Other and Rate 1/11 – Rural Subdivision standard non-refundable contribution and special charge fees by the 2013 I-X index of 1.71 per cent, as outlined in Column 4 of Table 1 and Column 3 of Table 2, is approved, effective the date of this decision.

Dated on March 15, 2013.

The Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

Appendix 1 – Proceeding participants

Name of organization (abbreviation)
counsel or representative

AltaGas Utilities Inc. (AltaGas)
J. Coleman

The Alberta Utilities Commission

Commission Panel
M. Kolesar, Vice-Chair

Commission Staff
D. Larder (Commission counsel)
J. Rooprai
P. Howard
O. Vasetsky

Appendix 2 – Summary of Commission directions

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

1. Finally, with respect to the approval process for annual changes to contribution amounts and special charge fees by I-X, the Commission directs AltaGas to include any proposed changes to maximum investment levels, standard or non-standard contribution amounts and special charge fees in its annual PBR rate adjustment filing, due on September 10 of each year for January 1 rates implementation. Paragraph 25