



# AUC

Alberta Utilities Commission

## **AltaGas Utilities Inc.**

**2010-2012 Final Rates, 2012 Revenue Deficiency,  
2012 Meter Reading Costs Refund and  
2010 -2012 General Rate Application – Phase II  
Compliance Filing**

**April 26, 2013**

**The Alberta Utilities Commission**

Decision 2013-160: AltaGas Utilities Inc.

2010-2012 Final Rates, 2012 Revenue Deficiency, 2012 Meter Reading Costs Refund and  
2010-2012 General Rate Application – Phase II Compliance Filing

Application No. 1609276

Proceeding ID No. 2408

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## **1 Introduction**

1. On February 5, 2013, AltaGas Utilities Inc. (AltaGas or AUI) submitted an application to the Alberta Utilities Commission (AUC or Commission) requesting finalization of its 2010, 2011 and 2012 rates, approval to recover its 2010, 2011 and 2012 revenue deficiency and approval to refund its 2012 excess meter reading costs. AUI also provided responses to two directions from previous Commission decisions.
2. AUI requested approval of one rider, to recover the net amount of the meter reading costs refund, net revenue deficiency and carrying costs on the outstanding balance from the date of approval. AUI requested, that the rider be applied to all default supply customers served under Rates 1, 2, 3 and 4 and customers served by competitive retailers under Rates 11, 12, 13 and 14 with active accounts during the recovery period May to October 2013.<sup>1</sup>
3. On February 6, 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 (SIP) to the Commission by the participation closing deadline of February 20, 2013.
4. On February 20, 2013, the Commission received a SIP from the Office of the Utilities Consumer Advocate (UCA). The UCA stated that it considered an information request (IR) process to be necessary to clarify the record and assist in determining whether it has any objections to the application as filed. The UCA observed that the length of the proposed collection period could result in rate increases leading to rate shock.

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<sup>1</sup> 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; 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; 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.

5. By letter dated February 27, 2013, the Commission established the following process and timeline for the application:

<b>Process step</b>	<b>Schedule</b>
IRs to AltaGas	2 p.m., March 13, 2013
IR responses from AltaGas	2 p.m., March 20, 2013
Written argument	2 p.m., April 3, 2013
Written reply argument	2 p.m., April 10, 2013

6. On February 28, 2013 the Consumers' Coalition of Alberta (CCA) filed a SIP. The CCA apologized for inadvertently missing the February 20, 2013 participation closing deadline, explaining that an internal miscommunication had occurred. The CCA requested the opportunity to test the application with a process of written information requests before commenting on whether it objects or does not object to the application. The CCA stated that it intended to file IRs, review responses, and file argument and reply argument. The CCA did not participate further in the proceeding.

7. The Commission received reply argument submissions from the UCA and AUI on April 10, 2013 and considers the record of the proceeding to have closed on April 10, 2013.

8. 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**

9. In Decision [2011-073](#),<sup>2</sup> the Commission approved AUI's negotiated settlement agreement for its Phase II General Rate Application (GRA) and AUI's request to extend the scope of the settlement agreement to the 2010-2012 test period.

10. On October 15, 2010, AUI filed its 2010 interim rates application requesting approval to continue the use of the existing interim refundable rates approved in Decision [2009-038](#).<sup>3</sup> AUI's application was approved in Decision [2010-535](#),<sup>4</sup> and interim rates were implemented on December 1, 2010. A revenue excess of \$802,961 resulted from the 2010 interim rates.

11. On October 22, 2010, AUI filed its 2010 to 2012 GRA – Phase I with the AUC. Two updates to the application were filed on March 11, 2011 and July 4, 2011. On April 9, 2012, the

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<sup>2</sup> Decision 2011-073: AltaGas Utilities Inc., 2008-2009 General Rate Application – Phase II, Negotiated Settlement, Application No. 1606230, Proceeding ID. 651, March 8, 2011.

<sup>3</sup> Decision 2009-038: AltaGas Utilities Inc., 2008 Interim Refundable Rates, Application No. 1604826, Proceeding ID. 170, March 30, 2009.

<sup>4</sup> Decision 2010-535: AltaGas Utilities Inc., Interim 2010 Rates Application, Application No. 1606665, Proceeding ID. 889, November 18, 2010.

Commission issued Decision [2012-091](#)<sup>5</sup> directing AUI to submit a compliance filing by June 4, 2012, reflecting the directions and changes included in Decision 2012-091.

12. On December 3, 2010, AUI filed an application for 2011 interim rates in which it requested approval to recover 50 per cent of its forecast 2011 revenue deficiency. In Decision [2010-621](#),<sup>6</sup> issued on December 24, 2010, the Commission approved a deficiency of \$2.9 million to be collected using the approved 2011 interim rates, effective January 1, 2011.

13. On May 9, 2011, AUI applied for updated 2011 interim rates based on the rate design approved in Decision 2011-073 and AUI's updated 2010 and 2011 forecast revenue requirements. On July 25, 2011, the Commission issued Decision [2011-311](#)<sup>7</sup> approving the 2008 and 2009 GRA Phase II negotiated settlement agreement compliance filing and a revision to AUI's 2011 interim rates. A revenue deficiency of \$1,555,500 resulted from the 2011 interim rates.

14. On August 18, 2011, AUI filed an application, which was addressed in Proceeding ID No. 1403, requesting approval of 2012 interim rates. In Decision [2012-013](#),<sup>8</sup> issued January 12, 2012, the Commission approved a partial recovery of the forecast 2012 revenue requirement. A revenue deficiency of \$4,736,074 resulted from the 2012 interim rates.

15. In response to the Commission's direction in Decision 2012-091, on June 4, 2012, AUI filed its 2010 to 2012 GRA – Phase I compliance filing with the AUC. An update to the compliance filing was submitted to the AUC on July 27, 2012. On November 23, 2012, the Commission issued Decision 2012-311 and on December 12, 2012, issued Decision 2012-311 (Errata)<sup>9</sup> approving AUI's compliance filing and AUI's 2010, 2011 and 2012 revenue requirements.

16. On January 7, 2013, pursuant to Decision 2012-311, AUI filed an application, which was addressed in Proceeding ID No. 2340 requesting approval for a meter reading cost refund rider to be effective March 1, 2013.<sup>10</sup> However, to promote regulatory efficiency, AUI proposed in a letter dated January 22, 2013, that the meter reading cost refund application be withdrawn and the meter reading refund application be combined with an application for the deficiency rider. The Commission approved the withdrawal of the application in a letter dated January 28, 2013.

17. On February 1, 2013, AUI filed an application, which was addressed in Proceeding ID No. 2390, to combine the meter reading cost refund and the net revenue deficiency to a single rider with an implementation date of March 1, 2013.<sup>11</sup> By letter dated February 4, 2013, AUI

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<sup>5</sup> Decision 2012-091: AltaGas Utilities Inc., 2010-2012 General Rate Application – Phase I, Application No. 1606694, Proceeding ID No. 904, April 9, 2012.

<sup>6</sup> Decision 2010-621: AltaGas Utilities Inc., 2011 Interim Rates, Application No. 1606827, Proceeding ID. 971, December 24, 2010.

<sup>7</sup> Decision 2011-311: AltaGas Utilities Inc., 2008-2009 General Rate Application Phase II Compliance and Updated 2011 Interim Rates, Application No. 1607310, Proceeding ID No. 1220, July 25, 2011.

<sup>8</sup> Decision 2012-013: AltaGas Utilities Inc., 2012 Interim Rates, Application No. 1607602, Proceeding ID No. 1403, January 12, 2012.

<sup>9</sup> Decision 2012-311 (Errata): AltaGas Utilities Inc., 2010-2012 General Rate Application – Phase I, Compliance Filing Pursuant to Decision 2012-091, Application No. 1608512, Proceeding ID No. 1921, December 5, 2012.

<sup>10</sup> Application No. 1609182, Proceeding ID No. 2340.

<sup>11</sup> Application No. 1609256, Proceeding ID No. 2390.

requested AUC approval to withdraw the application, indicating that it would be resubmitted with a proposed implementation date that was feasible. The Commission approved the withdrawal of the application in a letter dated February 5, 2013.

18. On February 5, 2013, AUI filed the current application, which is substantially the same as the February 1, 2013 application except that a May 1, 2013 implementation date is requested.

### **3 Direction 36 of Decision 2012-091**

19. In the compliance filing to Decision 2012-091, AUI responded to Commission Direction 36. In paragraph 151 of Decision 2012-311 (Errata), the Commission accepted AUI's explanation that the default supply provider (DSP) administration fee is a Phase II issue and should therefore be dealt with in AUI's next Phase II-related filing, and directed AUI to do so at that time.

20. In this application, AUI requested that the implementation of Direction 36 be deferred until it files a 2013-2017 Phase II application, which it expects to do in the first half of 2013.

21. In response to an IR by the Commission as to whether there were any considerations beyond the direction it gave to AUI in Decision 2012-311 that the Commission needs to be aware of with respect to AUI's request to defer the updating of the DSP administration fee to its 2013-2017 Phase II application, AUI confirmed that the upcoming 2013-2017 Phase II proceeding remains the optimal venue to assess the DSP administration fee.<sup>12</sup>

#### **Commission findings**

22. The Commission considers that the determination of the optimal venue for the assessment of the DSP administration was made in Decision 2012-311 (Errata).

### **4 Approval of final rates for 2010, 2011 and 2012**

23. AUI's intent to file a Phase II compliance filing to establish final rates for 2010, 2011 and 2012 once AUI's revenue requirement was finalized for those test years was acknowledged in paragraph 61 of Decision 2011-073.

#### **Commission findings**

24. The Commission approves the interim rates that were in place during 2010, 2011 and 2012 as final rates.

### **5 Net deficiency rider**

25. There are three main issues related to the net deficiency rider applied for in this application. The first issue is the methodology used in the calculation and encompasses both the transition in rate design during the period interim rates were being collected and the basis on

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<sup>12</sup> Exhibit 13.01, AUI response to AUC-AUI-1.



which the rider is allocated to rate classes. The second issue is the amount of the individual components of the net deficiency rider and the third issue is the period over which the rider is to be collected. The Commission addresses these issues and AUI's proposal regarding over- or under-collection of the rider.

## 5.1 Methodology

26. In Direction 6 of Decision 2011-073, the Commission noted that rates for 2010 and a portion of 2011 had already been collected under a previously approved rate design. AUI was therefore directed “... in its final rate applications for the years 2010 and 2011, to include the reconciliation between the rate design approved in this decision [Decision 2011-073] and that in place when the revenues were collected.”

27. AUI provided the calculations of the revenue surplus for 2010 and deficiencies for 2011 and 2012 for each rate class based on the rate design in place when the corresponding revenues were collected in attachments to the application.<sup>13</sup> AUI submitted that this allocation method reasonably matches the surplus and deficiencies to the rate classes.<sup>14</sup>

28. AUI proposed to allocate the net deficiency using the most recently approved distribution service revenue as the allocation base. The most recently approved distribution service revenue is the forecast approved in Decision 2012-347.<sup>15</sup> No intervener objected to the methodology to be used to allocate the net deficiency to rate classes.

29. AUI initially proposed to exclude the DSP administration fee revenues from the revenue base to be used in the allocation calculation but revised its proposal to include the DSP administration fee revenues.<sup>16</sup>

## Commission findings

30. The Commission has reviewed AUI's calculation of the surplus for 2010 and the calculations of deficiencies for 2011 and 2012. The Commission finds that the calculations are consistent with the methodology approved in Decision 2011-073 and that AUI has complied with Direction 6 of Decision 2011-073.

31. The Commission notes that AUI's proposed methodology, in which the revenue deficiency is allocated prospectively based on the most recently approved distribution service revenues is a change from the methodology used in previous applications where historical revenues were used. The amount of the net deficiency rider reflects both over- and under-collections from customers in different rate classes during different time periods. Ideally, the net deficiency rider would be allocated to customers in the reverse of the way the deficiency was accumulated. As customer classes and customer base change over time, neither the use of historical nor forecast revenues could achieve this objective. Given the length of time over which the net deficiency accumulated, the current customer based is likely quite different than it would

<sup>13</sup> Exhibit 1, application, Attachment 1, Carrying costs and deficiency rider calculation, lines 28-35.

<sup>14</sup> Exhibit 2, application, Attachment 2, 2010-2012 revenue deficiency reconciliation.

<sup>15</sup> 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; Exhibit 99.02, Schedule 2.4.

<sup>16</sup> Exhibit 13.01, AUI response to AUC-AUI-5.

have been as the net deficiency accumulated Accordingly, the Commission sees no reason to deny the change in methodology and approves AUI's proposal to allocate the net deficiency using the distribution service revenues approved in Decision 2012-347, including the DSP administration fees.

## 5.2 Amount of the net deficiency rider

32. Based on the assumption that the 2010, 2011 and 2012 interim rates would be approved as final rates, AUI calculated a net revenue deficiency of \$5,488,613 for the period 2010 to 2012.<sup>17</sup> The deficiency was reduced by the 2012 meter reading costs refund of \$454,087, and increased with carrying charges of \$36,150 for a net deficiency of \$5,070,676.<sup>18</sup>

33. AUI based its carrying charge calculations on AUC [Rule 023: Rules Respecting Payment of Interest](#) (AUC Rule 023) and the methodology previously approved for AUI's 2005 and 2007 deficiency riders.<sup>19</sup>

34. No intervener objected to AUI's proposed net revenue deficiency amount, 2012 meter reading cost amount or carrying costs.

## Commission findings

35. The Commission has reviewed the calculations of revenue surplus and deficiency provided in the application, the amended calculations of revenue surplus and deficiency provided in response to AUC-AUI-5 and the revenue reconciliation provided in AUI's response to AUC-AUI-6 and is satisfied that the calculations are correct.

36. The Commission has considered AUI's request for approval of carrying costs relative to Section 3(2) of AUC Rule 023. Given the large dollar value of the net deficiency and the lengthy period of time that the deficiency has been accumulating, the Commission finds the request to recover carrying costs to be consistent with AUC Rule 023. The Commission has reviewed the calculation of carrying costs provided in the application and updated in response to AUC-AUI-4 and finds the calculations to be correct.

37. Based on the analysis of the preceding paragraphs, the Commission approves the 2010 revenue surplus of \$802,961, the 2011 revenue deficiency of \$1,555,500, the 2012 revenue deficiency of \$4,736,074, the meter reading costs refund of \$454,087, the carrying charges of \$36,150 and the resulting net deficiency rider of \$5,070,676 as applied for.

## 5.3 Net deficiency recovery period

38. AUI applied to recover the net deficiency over the six-month period from May 1 to October 31, 2013 but also provided the schedules for a June to November, 2013 recovery period. AUI submitted that the May to October recovery period would recover the net deficiency in a

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<sup>17</sup> Exhibit 1, application, Attachment 1, Carrying costs and deficiency rider calculation, lines 12-15.

<sup>18</sup> Exhibits 13.01 and 13.03, AUI response to AUC-AUI-4.

<sup>19</sup> The 2005 deficiency was dealt with in the Alberta Energy and Utilities Board Gas - Interim Rates Order [U2006-41](#): AltaGas Utilities Inc., Interim Refundable Rates and 2005 Deficiency Rider Application, Application No. 1436060, February 21, 2006. The 2007 revenue deficiency was dealt with in Decision [2008-103](#): AltaGas Utilities Inc., 2007 Deficiency Rider, Interim Refundable Rates, and Standard Contribution – Rural Other, Application No. 1575162, Proceeding ID. 64, October 21, 2008.

timely manner while smoothing the rate impact and recovering the deficiency over the summer months when customers normally face lower gas costs. The six-month period minimizes incremental carrying costs and enables recovery prior to the expected implementation of capital trackers in the fourth quarter of 2013.<sup>20</sup> AUI also submitted that it had incurred a significant financial burden due to the large amount of the deficiency and long period over which it accrued.

39. In response to a question from the UCA as to whether it would object to a 12-month recovery period, AUI responded that it would not support a 12-month recovery period. AUI submitted that the impact of the rider would be approximately \$6 to \$10 per month for the average residential customer and would be recovered largely over a period when residential consumption and bills are typically at their lowest. Further, the May to October period would allow AUI to collect the deficiency from irrigation customers in a timely manner over the normal irrigation season.<sup>21</sup>

40. In response to UCA-AUI-1(b), AUI estimated the deficiency rider would be 8.6 per cent of distribution costs if collected over the 12 months from May 2013 to April 2014. In argument, the UCA submitted that a 12-month period would be more desirable than the applied-for six-month period as it would maintain rate stability by smoothing out the rate fluctuation that results from the deficiency rider and would avoid imposing undue short-term financial burdens on customers who would not have expected or planned for the increased costs. The UCA submitted that a 23 per cent increase in rates based on distribution charges or an increase of 15 per cent or more when commodity costs are included for a typical residential customer is larger than the 10 per cent range that the Commission has previously considered to be rate shock. The UCA agreed with AUI that an increase during the summer is likely to be less onerous than a similar increase during the heating season. However, the UCA submitted that AUI's proposal involved a very significant rate and bill increase relative to what customers would reasonably expect and presumably plan for during off-peak periods.<sup>22</sup>

41. The UCA disputed AUI's claim that a substantial financial burden had been placed on it, submitting that the whole point of allowing a company to collect carrying charges is to ensure the company is kept whole in cases where recoveries of one-time amounts are spread out over time in order to maintain rate stability.

42. In argument, AUI submitted that an annualized deficiency rider for a typical residential customer relative to the entire utility bill (i.e. including the cost of the commodity) would be 5.1 per cent, based on rates in effect for April, 2013. AUI argued that, although the percentages appear high, the dollar impact to a typical residential customer ranges between \$6 and \$10 a month over the summer months when gas usage and bills are typically lowest. AUI submitted that this allows for greater smoothing in rates and minimizes potential rate shock to customers.<sup>23</sup>

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<sup>20</sup> Decision 2013-072 included provision for collection of 60 per cent of AUI's proposed 2013 capital tracker amount commencing with the April 2013 billing cycle.

<sup>21</sup> Exhibit 14.01, AUI response to UCA-AUI-1(a).

<sup>22</sup> Exhibit 16.02, UCA argument, paragraphs 3 to 4 and 8.

<sup>23</sup> Exhibit 17.01, paragraphs 18 and 19.

43. In reply argument, AUI submitted that percentage impacts are dependent on a number of factors:

As evidenced in previous AUC decisions, percentages vary significantly and are dependent on a number of factors, including the method of calculating the percentage, the time period over which the percentage is calculated, the base used to calculate the percentage, the specific rates upon which the proposed rider is applied, whether commodity costs are included in the calculations and, if included, the commodity prices assumed in the calculation.<sup>24</sup>

44. In response to AUC-AUI-4 AUI stated that the resulting monthly residential charges range from \$6 to \$10 over the six-month summer and early autumn period and that those charges are not unreasonable.<sup>25</sup> AUI submitted in reply argument that the approved monthly impacts of recent revenue deficiency proceedings have ranged from \$7 to \$14 per month over periods of one to four months, for non-summer months. In AUI's opinion, the proposed revenue deficiency charges are within the range of previously approved charges.<sup>26</sup>

45. AUI also submitted in its reply argument that, in addition to rate impact mitigation, other rate design objectives should be considered, including simplicity, understandability, achievement of revenue sufficiency, stability and avoidance of undue discrimination in the sharing of costs.

46. In reply argument, AUI responded to the UCA's assertion that the proposed carrying costs address AUI's concern about financial burden, pointing out that the carrying costs provide relief during the collection period but do not offset the costs of carrying the deficiency for the previous two years. AUI also stated that its current cost of debt is 5.168 per cent while the carrying cost permitted in accordance with AUC Rule 023 is 2.75 per cent.

### **Commission findings**

47. The Commission considers that the assessment of the impact of proposed rate changes is situation specific. Principles cited in previous decisions and referred to in this proceeding include financial burden, rate shock, intergenerational equity and practical issues, such as understandability, logistics of implementation and other situation specific known or anticipated bill impacts.

48. The Commission considers that the assessment of customer impact must consider more than a percentage metric for rate shock and intergenerational equity. Although the Commission does not regulate the commodity portion of customer bills, the Commission has in the past when assessing rate shock considered the increase in rates relative to both the total bill and the total bill excluding commodity charges. As commodity charges fluctuate with both the price of natural gas and seasonal variations in consumption, comparison to the total bill provides different results in different seasons. The percentage rate impact of riders is higher in the summer months when commodity charges are lower than in the non-summer months when commodity charges are higher. However, with lower total bills, consumers may be more able to accommodate rate riders during the summer months. The principle of intergenerational equity generally favours short recovery periods as the customer base changes even over short time periods.

<sup>24</sup> Exhibit 19.01, AUI reply argument, paragraph 5.

<sup>25</sup> Exhibit 19.01, AUI reply argument, paragraph 6.

<sup>26</sup> Exhibit 19.01, AUI reply argument, table on page 3 and paragraph 9.

49. As argued by AUI, there are a number of inputs to the calculation of the percentage impact, such as the time period over which the percentage is calculated and the base used to calculate the percentage. Given the seasonality of commodity demand and the fluctuation of commodity prices, the use of a percentage impact will not always be the best indicator of customer impact.

50. In this application the impact of the rider has been calculated for the six-month duration of the rider both including and excluding the commodity charge as 15 per cent and 23 per cent, respectively. When calculated on an annualized basis the impacts including and excluding the commodity charge are 5.1 per cent and 8.6 per cent, respectively.

51. The Commission has also, in some circumstances, considered the impact of rate riders in absolute terms and relative to the dollar value of similar riders previously approved.

52. In the current circumstances, with the proposed recovery of the net rider over a six-month period from May 1 to October 31, 2013, the Commission considers that comparison of the rider amount to previous revenue deficiency rider amounts is more indicative of customer impact than metrics of the percentage impact. AUI has submitted that in previous decisions on revenue deficiencies, the monthly impacts have ranged from \$7 to \$14 per month and were collected during the non-summer months over periods of one to four months. As the dollar impact per month is less than previously approved deficiency riders and the rider is to be collected during the summer months when total bills tend to be lower than in non-summer months, the Commission considers the impact to customers to fall within an acceptable range.

53. The Commission acknowledges AUI's submission that it has incurred a significant financial burden due to the large amount of the net deficiency, which is in excess of \$5 million, and the extended period over which it accrued. However, only the financial burden that would be incurred related to the collection of the rider once it is approved is relevant to the determination of the period of collection. AUI also stated that its current cost of debt is 5.168 per cent versus the AUC Rule 023 carrying costs of 2.75 per cent. The Commission recognizes that AUI's entire financial burden is not covered by the level of carrying costs permitted by AUC Rule 023 and considers that this circumstance supports the proposed six-month recovery period.

54. Based on the above analysis and in particular the impact of the net deficiency rider on the typical residential customer and the financial burden to be incurred by AUI due to the difference between its cost of debt and the interest rate allowed pursuant to Rule AUC 023, the Commission approves AUI's proposed six-month net deficiency collection period.

## **6 Over-/under-collection of any residual deficiency amount**

55. In the application, AUI proposed to provide a reconciliation of the deficiency rider to the AUC by December 31, 2013. AUI proposed that any material residual balances ( $\pm$ \$100,000) would be added to or subtracted from future deficiency or rate adjustment riders. AUI further proposed that any over- or under-collected amounts less than \$100,000 would be taken into or applied against income on a current basis.

56. In response to AUC-AUI-7, AUI stated that the suggested \$100,000 amount was not to establish any form of precedent or materiality threshold but rather to reflect differences between

the specific circumstances of different applications. While even a \$10,000 over- or under-collection has direct impacts to AUI's customers and shareholders, supplementary refund or collection mechanisms for amounts less than \$10,000 may not justify the additional time and effort required by AUI, the AUC and interveners. Accordingly, AUI revised its proposal, referring to "...the interim nature of current rates and the potential for considerable variability in forecast vs. actual revenues over the recovery period and the fact other true up mechanisms will be in use over the upcoming PBR [performance-based regulation] period..." AUI submitted that adjustment for any over- or under-collection could be made as part of an annual PBR or capital tracker proceeding, either with or without the inclusion of a  $\pm$ \$10,000 adjustment band.

57. The UCA disputed AUI's claim that the risk of under-collection increases with the length of the recovery period, submitting that this was not a relevant consideration given AUI's revised proposal to provide for recovery of any over- or under-collection in a subsequent PBR true-up proceeding.<sup>27</sup>

58. No intervener objected to AUI's proposal.

### **Commission findings**

59. The Commission accepts AUI's withdrawal of the request for approval of a \$100,000 threshold from which over- or under-recovered amounts would be trued up and will review any residual deficiency rider proposal that AUI requests in a future application.

## **7 Order**

60. It is hereby ordered that:

- (1) The 2010, 2011 and 2012 interim rates for AltaGas Utilities Inc. are approved as final rates.
- (2) The AltaGas Utilities Inc. net deficiency of \$5,070,676, consisting of a revenue surplus for 2010 and revenue deficiencies for 2011 and 2012, the 2012 meter reading costs refund, and carrying costs, is approved and shall be collected over the period May to October 2013.

Dated on April 26, 2013.

### **The Alberta Utilities Commission**

*(original signed by)*

Kay Holgate  
Commission Member

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<sup>27</sup> Exhibit 16.02, UCA argument, paragraphs 6-7.

## Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
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