Decision **21987-D01-2016**

AltaGas Utilities Inc.

2017 Annual Performance-Based Regulation Rate Adjustment Filing

December 9, 2016

Alberta Utilities Commission
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Published by the:
Alberta Utilities Commission
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Alberta Utilities Commission
Calgary, Alberta

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1 Introduction

1. On September 13 and 14, 2016, AltaGas Utilities Inc. (AltaGas or AUI) submitted its 2017 annual performance-based regulation (PBR) rate adjustment filing, requesting approval of its distribution rates and special charges schedule, to be effective January 1, 2017 on an interim basis.[1] AltaGas included a copy of its 2015 Rule 005[2] filings and an attestation signed by a senior officer of the company as part of its application in accordance with the Commission directions found at Section 13.1 of Decision 2012-237.[3]

2. On September 13, 2016, the Commission issued a notice of application that required interested parties to submit a statement of intent to participate (SIP) by September 19, 2016. In their SIPs, parties were to indicate whether they supported or objected to the application, state reasons for their position, and identify any perceived need for further process along with supporting rationale. The Commission received SIPs by the specified deadline from the Consumers' Coalition of Alberta (CCA) and the Office of the Utilities Consumer Advocate (UCA).

3. After reviewing the application and the SIPs, the Commission determined that the application would be considered by way of a *basic written process*, as outlined in Commission Bulletin 2015-09,[4] and on September 21, 2016, issued the following schedule for this proceeding:[5]

Process step	**Deadline**
Information requests (IRs) issued to AltaGas	October 4, 2016
AltaGas response to IRs	October 18, 2016
Submissions on the need for further process	October 20, 2016
Argument (if required)	October 25, 2016
Reply argument (if required)	November 1, 2016

1 Exhibits 21987-X0001, 21987-X0001.01, 21987-X0001.02, 21987-X0001.03, 21987-X0002, 21987-X0003 and 21987-X0004, application, supporting schedules and rate schedules.
2 Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.
3 Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012.
4 Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.
5 Exhibit 21987-X0013, Commission process letter.

4. On October 20, 2016, the Commission received letters from AltaGas, the CCA and the UCA regarding further process. AltaGas indicated that there was no need for any further process. Both the CCA and the UCA requested the opportunity to file argument and reply argument.

5. On October 21, 2016, the Commission advised that the application would now be considered by way of a *minimal written process*, as outlined in Commission Bulletin 2015-09, and revised the schedule as follows:[6]

Process step	**Revised deadline**
Argument	October 27, 2016
Reply argument	November 3, 2016

6. AltaGas and the UCA filed argument on October 27, 2016. On November 2, 2016, the CCA advised that it failed to file its argument due to an oversight, and requested the opportunity to file it late. By letter dated November 3, 2016, AltaGas indicated that it did not object to the late filing of argument in this specific instance, and requested that the date for filing reply argument be changed from November 3, 2016 to November 7, 2016. By letter dated November 3, 2016, the Commission permitted the late filing of the CCA's argument and set the date for reply argument to be November 7, 2016.

7. The Commission considers the record for this proceeding to have closed on November 7, 2016, when reply argument submissions were filed.

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

2 Background

9. On September 12, 2012, the Commission issued Decision 2012-237, approving PBR plans for certain distribution utilities in Alberta (companies), including AltaGas. The PBR plans were approved for a five-year term commencing January 1, 2013. PBR replaces traditional cost-of-service regulation as the annual rate-setting mechanism for distribution utility rates.

10. As set out in Decision 2012-237, the PBR framework provides a formula mechanism for the annual adjustment of rates. In general, the companies' rates are adjusted annually by means of an indexing mechanism that tracks the rate of inflation (I) relevant to the prices of inputs less an offset (X) to reflect productivity improvements that the companies can be expected to achieve during the PBR plan period. As a result, with the exception of specified adjustments, a utility's revenues are no longer linked to its costs. Companies subject to a PBR regime must manage their businesses and service obligations with the revenues derived under the PBR indexing mechanism

[6] Exhibit 21987-X0029.

and adjustments provided for in the formula. The PBR framework is intended to create efficiency incentives similar to those in competitive markets.

11. In addition, a company may apply for approval of certain rate adjustments to enable the recovery of specific costs where it can be demonstrated that the costs cannot be recovered under the I-X mechanism and where certain other criteria have been satisfied. These possible adjustments include an adjustment for certain flow-through costs that should be recovered from, or refunded to, customers directly (a Y factor), and an adjustment to account for the effect of material exogenous events for which the company has no other reasonable cost recovery or refund mechanism within the PBR plan (a Z factor). In addition, the Commission determined that a rate adjustment mechanism to fund certain capital-related costs may be required under the approved PBR plans. This supplemental funding mechanism was referred to in Decision 2012-237 as a “capital tracker” with the revenue requirement associated with approved amounts to be collected from ratepayers by way of a “K factor” adjustment to the annual PBR rate setting formula. Since the commencement of PBR in 2013, the K factor adjustment has represented a significant component of the companies’ annual PBR rate adjustments.

12. Also in Decision 2012-237, the Commission established that the companies must submit their PBR rate adjustment filings to the Commission by September 10 of each year in order to facilitate annual implementation of rates by January 1 of the upcoming year. Decision 2013-072[7] and Decision 2013-270,[8] dealt, respectively, with the first and second 2012 PBR compliance filings to establish the 2013 PBR rates for the companies. The Commission approved AltaGas’ 2014 and 2015 PBR rate adjustments in Decision 2013-465[9] and Decision 2014-357,[10] respectively. The Commission approved AltaGas’ 2016 PBR rate adjustment in Decision 20823-D01-2015.[11]

3 Discussion of issues

3.1 2017 I factor and the resulting I-X index for 2017

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

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

[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., Proceeding 2130, Application 1608826-1, March 4, 2013.

[8] Decision 2013-270: 2012 Performance-Based Regulation Second Compliance Filings, AltaGas Utilities Inc., ATCO Electric Ltd., ATCO Gas and Pipelines Ltd., EPCOR Distribution & Transmission Inc. and FortisAlberta Inc., Proceeding 2477, Application 1609367-1, July 19, 2013.

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

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

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

source of the AWE data, had been terminated. In Decision 2013-465, the Commission determined that data vector v79311387 from Statistics Canada Table 281-0063 would be used to obtain the Alberta AWE series in future annual PBR rate adjustment filings.[12]

15. In the application, AltaGas followed the Commission's directions set out in Decision 2012-237 and Decision 2013-465, and calculated an inflation factor of negative 0.76 per cent for use in its 2017 PBR rate adjustment formula.[13] Together with the X factor of 1.16 per cent approved in Decision 2012-237,[14] this I factor results in an I-X index value of negative 1.92 per cent for 2017.[15]

16. No party objected to AltaGas' calculations of the 2017 I factor and the resulting I-X index for 2017.

Commission findings

17. The Commission finds AltaGas' calculations of the 2017 I factor to be both reasonable and consistent with the methodology set out in Decision 2012-237. The Commission also verified that AltaGas used the correct Statistics Canada data. Therefore, the Commission approves the 2017 I factor of negative 0.76 per cent calculated by AltaGas.[16] This I factor, together with the X factor of 1.16 per cent approved in Decision 2012-237,[17] results in a 2017 I-X index value of negative 1.92 per cent.

18. AltaGas is reminded that, in accordance with the Commission's direction at paragraph 249 of Decision 2012-237, the Alberta AWE and Alberta CPI from July 2015 to June 2016 should be the same unrevised values filed in this proceeding. For convenience, these values are provided in Appendix 3 to this decision.

3.2 Y factor adjustments

19. In this application, AltaGas applied for the following 2017 Y factor amounts, resulting in an aggregate charge to customers of $369,914:

12 Decision 2013-465, paragraph 39.
13 Exhibit 21987-X0001, application, paragraph 42 and Exhibit 21987-X0002, Appendix F, tab 7.0 I factor.
14 Decision 2012-237, paragraph 515.
15 Exhibit 21987-X0001, application, paragraph 13.
16 Exhibit 21987-X0001, application, paragraph 42 and Exhibit 21987-X0002, Appendix F, tab 7.0 I factor.
17 Decision 2012-237, paragraph 515.

Table 1. 2017 Y factor amounts

Y factor	2017 forecast	2015 true-up	Total
	($)		
AUC assessment fees	279,507	(9,727)	269,781
UCA assessment fees	91,038	13,577	104,615
Intervener hearing costs	118,005	17,836	135,841
Income tax temporary differences	(1,124,054)	(310,835)	(1,434,889)
Natural gas settlement system code-related costs	1,130,845	163,722	1,294,566
Total	495,341	(125,427)	369,914

Source: Exhibit 21987-X0001, application, based on Table 3.2-1, paragraph 52.

20. In response to AUI-AUC-2016OCT04-004 requesting AltaGas to recalculate the AUC and UCA assessment costs using the entire I Factor rather than just the CPI component,[18] AltaGas provided a revised set of supporting Excel schedules.[19] The Commission has transposed the changed amounts, specifically the 2017 forecast AUC and UCA assessments, and has created the following updated table which replaces the above table and now constitutes the Y factor amounts that AltaGas is requesting:

Table 2. Revised 2017 Y factor amounts

Y factor	2017 forecast	2015 true-up	Total
	($)		
AUC assessment fees	273,191	(9,727)	263,464
UCA assessment fees	89,434	13,577	103,011
Intervener hearing costs	118,005	17,836	135,841
Income tax temporary differences	(1,124,054)	(310,835)	(1,434,889)
Natural gas settlement system code-related costs	1,130,845	163,722	1,294,566
Total	487,421	(125,427)	361,994

21. In Decision 2012-237, the Commission approved Y factors for AltaGas, including AUC assessment fees, UCA assessment fees, intervener hearing costs and income tax temporary differences. Subsequently, the Commission approved additional Y factors for AltaGas, including its phase one and phase two Natural Gas Settlement System Code (NGSSC) capital-related costs,[20] and its NGSCC operating costs.[21]

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

> 718. The Y factor portion of the annual PBR rate adjustment filings … be comprised of two parts, the first being a provision for the Y factor amounts to be included in rates

18 Exhibit 21987-X0018.
19 Exhibit 21987-X0019, AUI-AUC-2016OCT04-008(a) Attachment - 2017 PBR Schedules.
20 Decision 2013-072, paragraphs 135-137; Decision 2013-465, paragraphs 73-76; Decision 2014-042: AltaGas Utilities Inc., Phase II Review and Variance Decision on Decision 2013-072, 2012 Performance-Based Regulation Compliance Filings, Proceeding 2981, Application 1610181-1, February 21, 2014.
21 Decision 2013-465, paragraph 76.

for the upcoming year, and the second being a true-up between the provision included in rates for the Y factor in the prior year and the actual amounts incurred in the prior year.

23. Consistent with this requirement, in the application, AltaGas provided details of its forecasting methodology for 2017 for AUC assessment fees, UCA assessment fees, intervener hearing costs, income tax temporary differences and NGSSC costs. In addition to 2017 forecast amounts, AltaGas included in the true-up the provisions included in rates for the Y factor in the prior year and the actual amounts incurred from August 1, 2015 to July 31, 2016. Each of the requested Y factor forecasts, true-ups and other adjustments are discussed below.

24. AltaGas calculated its 2017 AUC assessment fees by applying the Alberta CPI component of the 2017 I factor of 1.54 per cent to its 2016 AUC assessment fees. AltaGas calculated its 2017 UCA assessment fees by applying the Alberta CPI component of the 2017 I factor of 1.54 per cent to its forecast 2016 UCA assessment fees. To arrive at the 2016 UCA assessment fees forecast, AltaGas applied the Alberta CPI component of the 2016 I factor of 1.59 per cent to the most recent applicable Ministerial Order. AltaGas advised that the most recent Ministerial Order, received on January 29, 2016, covers the fiscal period April 1, 2014 to March 31, 2015.[22]

25. For purposes of developing the 2017 AUC and UCA assessment fees forecast, AltaGas submitted that use of the Alberta CPI component of the I factor provides the best source to support an average inflation increase in the determination of the forecast costs.[23] In response to a Commission information request (IR), AltaGas provided revised calculations using the approved I factor as the escalator. In explanation of why it used CPI rather than the approved I factor, AltaGas stated that a 2017 inflation factor based on CPI of 1.54 per cent rather than the 2017 I factor of negative 0.76 per cent reflects an increase in costs that is reasonable given average overall trends in actual AUC and UCA assessment fees in prior years. AltaGas submitted that the AUC and UCA assessment fees Y factors will be trued up in the future and, by using a positive inflation factor, a lower adjustment is expected when the true-up is done in the next PBR filing. In AltaGas' view, forecast costs should be based on the best information available and should result in a reasonable forecast. While in prior years use of the I factor resulted in a reasonable forecast, recent volatility in the economic climate has resulted in a mismatch between the I factor and current inflationary impacts, largely due to the historical lag in the underlying I factor indices. AltaGas expected forecast inflation for 2017 to be positive and more consistent with the CPI, alone, than the I factor percentage.[24]

26. With respect to AUC and UCA assessment fees true-ups, AltaGas explained that it over-collected AUC assessment fees in 2015 because the actual costs were lower than forecast. In contrast, AltaGas advised that it under-collected UCA assessment fees in 2015 because the actual costs were higher than forecast.[25]

27. AltaGas' forecast for 2017 intervener hearing costs is based on "an estimate of proceeding costs AUI anticipates will give rise to intervener costs being awarded" and

[22] Exhibit 21987-X0001, application, paragraphs 72-73.
[23] Exhibit 21987-X0001, application, paragraph 74.
[24] Exhibit 21987-X0018, AUI-AUC-2016OCT04-004; Exhibit 21987-X0019, AUI-AUC-2016OCT04-008(a) Attachment – 2017 PBR Schedules.
[25] Exhibit 21987-X0001, application, paragraphs 85-86.

"a combination of professional judgement and AUC cost awards for similar proceedings."[26] With respect to the true-ups, AltaGas explained that actual costs were higher than forecast as a result of certain proceedings having cost awards higher than forecast or not being reflected in the forecast. AltaGas provided a list of those proceedings.[27]

28. AltaGas explained that its proposed income tax temporary differences Y factor adjustment credit for 2017 arises because the value of temporary differences deducted for tax outweigh the temporary differences deducted for book purposes, and is primarily due to differences between tax and book depreciation, as well as items capitalized for book purposes, such as capitalized running costs and cost of removal, which are deducted immediately for tax purposes.[28] AltaGas provided details of the calculations related to its 2016 forecasts in supporting Schedule 4.7 to the application.[29] With respect to the income tax temporary differences Y factor true-ups, AltaGas provided a detailed explanation of the main timing differences and associated variances that constitute its 2015 true-up adjustment, and also provided associated detailed calculations.[30]

29. For 2017, AltaGas forecasted the NGSSC revenue requirement to be $361,322 for phase one capital-related costs, and to be $544,435 for phase two capital-related costs. AltaGas forecast 2017 NGSSC-related operating costs of $224,500. The company provided a detailed breakdown of the various components of the costs as well as a comparison to the 2016 approved and the 2016 updated forecast, reproduced in Table 3 below. AltaGas noted that 2017 forecast operating costs are lower than the 2016 approved forecast costs, reflecting the shift of internal resources for routine technical maintenance and operational support, without the need for contracted application support services. AltaGas provided details of the calculations related to the revenue requirement for the NGSCC in schedules 4.1 and 4.2.[31]

Table 3. 2016-2017 NGSSC-related operating costs

Line	Description	2016 approved forecast	2016 updated forecast	2017 forecast
			($)	
1	Contracted application support services	112,500	-	-
2	AUI staff costs	287,600	256,800	275,500
3	Software/hardware licenses and maintenance	108,600	107,500	112,900
4	Total operating costs	508,700	364,300	388,400
5	Less: amount provided for in going-in rates	(165,000)	(165,000)	(163,900)
6	Total operating costs not provided for in going-in rates	343,700	199,300	224,500

Source: Exhibit 21987-X0001, application, page 22, Table 3.2.1.1-1.

30. With respect to the 2015 NGSSC true-up adjustment, AltaGas explained that it represents an under-collection driven mainly by fluctuations in exchange rates on contracted application support services sourced from the United States and additional contracted application support

26 Exhibit 21987-X0001, application, paragraph 69.
27 Exhibit 21987-X0001, application, paragraph 83.
28 Exhibit 21987-X0001, application, paragraph 77.
29 Exhibit 21987-X0002.
30 Exhibit 21987-X0001, application, paragraphs 88-99 and Exhibit 21987-X0002, Schedule 4.7A.
31 Exhibit 21987-X0002, supporting schedules.

during the completion of the transition of application support services from external consultants to internal AltaGas resources. In addition, higher software/hardware maintenance costs associated with system servers and completion of a software security audit were incurred. AltaGas provided details of the calculations in schedules 4.1A and 4.2A.[32]

31. AltaGas requested carrying charges on working capital related to its forecast Y factors. These carrying charge amounts were calculated using the weighted average cost of capital (WACC).[33]

32. Using Rule 023: *Rules Respecting Payment of Interest*, AltaGas calculated a carrying charge refund of $3,647 on its Y factor true-up balances. AltaGas submitted that it considers this amount to be immaterial. Therefore, it included no carrying charges on the Y factor true-up balances in the application.[34] In response to a Commission IR, AltaGas corrected a carrying charges input error in its supporting schedules to the application. Specifically, AltaGas had used 0.50 per cent for the Bank of Canada rate but should have used 0.75 per cent. The corrected carrying charge amount was calculated to be $4,190. AltaGas also provided its definition of materiality, which is whether the inclusion of the amount has an impact on the proposed rates. Because the calculated Y factor true-up carrying charge of $4,190 did not change the proposed rates, AltaGas submitted that the amount was immaterial.[35]

33. The CCA submitted that it is inappropriate regulatory policy to base the inclusion or non-inclusion of a specific revenue requirement item on whether or not that item would change proposed rates. The CCA stated that AltaGas' proposal is not compliant with Rule 023 and, if applied to customer refund amounts, it should be applied to each of AltaGas' revenue requirement items.[36] The CCA recommended that carrying charges for customer refunds should be credited to customers and that AltaGas' proposal for a materiality test should be rejected.

34. AltaGas responded that the Y factor carrying charges provided in the application were calculated in accordance with the Commission's direction in Section 15.1.4 (and specifically paragraph 983) of Decision 2012-237. Given there was no impact to proposed rates, AltaGas was of the view that its proposal was consistent with regulatory efficiency; not as a question of compliance with Rule 023, as suggested by the CCA.[37]

Commission findings

35. In Decision 2012-237, the Commission approved certain types of costs for Y factor treatment. The approved categories of costs included:

- Certain transmission-related costs, including AESO flow-through items, volume variances included in transmission access charge deferral accounts, transmission flow-through amounts for gas utilities, and farm transmission costs.

32 Exhibit 21987-X0002, supporting schedules.
33 Exhibit 21987-X0001, application, paragraph 56.
34 Exhibit 21987-X0001, application, paragraphs 53-55; Exhibit 21987-X002, Schedule 4.7.
35 Exhibit 21987-X0018, AUI-AUC-2016OCT04-006(a), (b) and (c); Exhibit 21987-X019, AUI-AUC-2016OCT04-008(a) Attachment - 2017 PBR Schedules, Schedule 4.7.
36 Exhibit 21987-X0035, CCA argument.
37 Exhibit 21987-X0042, AltaGas reply argument.

- Costs that arise from Commission actions, including AUC assessment fees, effects of regulatory decisions, hearing costs, AUC tariff billing and load settlement initiatives, and UCA assessment fees.
- Costs, which, by their nature, are deemed to meet Y factor criteria, including municipal fees, load balancing amounts, weather deferral amounts, production abandonment amounts, and impacts of changes in income tax and other taxation rates.

36. To the extent that a company has requested Y factor treatment in 2017 for costs that it has demonstrated are properly included in one of the above-referenced categories, the Commission is not required, in this decision, to engage in an examination of such costs with a view to determining whether those costs also satisfy the general criteria for Y factor treatment, identified at paragraphs 631 or 632, as applicable, of Decision 2012-237.

37. However, if a company applies for Y factor treatment for costs that are not of the type already approved for Y factor treatment in Decision 2012-237, the Commission is required to assess those costs against the Y factor criteria established in paragraphs 631 or 632, as applicable, of Decision 2012-237 to determine whether the applied-for costs are eligible for Y factor treatment. In the application, AltaGas has not applied for Y factor treatment for any costs that are not of the type already approved for Y factor treatment in Decision 2012-237.

38. The Commission has reviewed the 2017 Y factor adjustments proposed by AltaGas for AUC assessment fees, UCA assessment fees, intervener hearing costs, and income tax temporary differences, and, with the exception of the AUC and UCA assessment fees, finds the methodologies to be reasonable and consistent with the methodologies used in previous PBR annual filings.

39. With respect to AltaGas' proposal to use CPI in this application as a proxy for the I factor used to escalate the AUC and UCA assessment fees, the Commission notes that this issue was raised by AltaGas in the Commission-initiated proceeding to establish parameters for the next generation of PBR plans (Proceeding 20414).

40. The Commission rejects AltaGas' proposal to escalate the AUC and UCA assessment fees by CPI rather than the I factor. For the purpose of the current application, the Commission prefers to continue with consistent treatment for estimating the placeholder values for the AUC and UCA assessment fees, especially in light of the fact that these amounts will be subject to true-up in the future. The Commission approves AltaGas' 2017 Y factors for AUC and UCA assessment fees, revised to reflect the approved I factor as the escalator, and approves AltaGas' 2017 Y factors for intervener hearing costs and income tax temporary differences, as applied for.

41. The Commission has reviewed the detailed NGSSC schedules provided by AltaGas and is satisfied that the NGSSC-related forecast and true-up calculations have been performed correctly and in accordance with previous Commission decisions. The Commission finds that the 2017 forecast revenue requirement for phase one and phase two capital costs and for 2017 operating costs are reasonable. The Commission also accepts AltaGas' explanations for the true-up variances as reasonable and, accordingly, approves these amounts. AltaGas' NGSSC-related costs are approved as an AltaGas Y factor for 2017.

42. With respect to the use of WACC for carrying charge on working capital calculations related to AltaGas' forecast Y factors, the Commission notes that it has approved the use of this

methodology in previous decisions, including, most recently, AltaGas' 2016 annual PBR rate adjustment filing:

> 63. The Commission approved the WACC methodology used by AltaGas to calculate carrying costs for working capital in its 2010-2012 GRA. The Commission accepts AltaGas' explanation and the continuing use of the previously approved methodology. For these reasons, AltaGas' Y factor carrying charges are approved as applied for subject to any future proceedings or rule reviews that may alter the methods used for calculating carrying charges.[38]

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

44. With respect to the proposed $4,190 carrying charge refund on the Y factor true-up balances, the Commission, in Decision 2012-237, made the following determination regarding the applicability of Rule 023 and Y factor amounts:

> 983. Carrying charges on balances that are subject to true up will be calculated using an interest rate equal to the Bank of Canada's Bank Rate plus 1½ per cent, subject to any previously approved Commission procedure for awarding interest on accounts that existed prior to implementation of PBR. This interest rate is consistent with AUC Rule 023, however the regulatory lag and materiality requirements of Rule 023 will not apply.

45. The Commission has previously approved using AltaGas' use of Rule 023 for carrying charge calculations on Y factor true-up balances, and the Commission continues to find that Rule 023 applies.[39] The Commission is of the view, however, that the actual amount claimed in this case is too small to justify a recalculation of the Y factor amount through a separate compliance filing. Subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, AltaGas is directed to include a reversal of the $4,190 carrying charge refund in either its next deficiency/refund application or in its application to set 2018 rates (which may be a 2018 annual PBR rate adjustment application, the next generation PBR compliance application, or a 2018 intervening cost-of-service application in preparation for the next generation of PBR), whichever occurs first.

46. Based on the findings made above, the Commission approves AltaGas' 2017 total Y factor amount, consisting of previously approved cost categories in the amount of $361,994.

38 Decision 20823-D01-2015, paragraph 42.
39 Decision 20823-D01-2015, paragraph 41.

3.3 K factor placeholder

47. For 2017, AltaGas requested a K factor placeholder in the amount of $8.148 million,[40] which is equal to 100 per cent of the applied-for 2015 K factor true-up credit adjustment of $0.149 million, approved in Decision 21627-D01-2016,[41] subject to the disallowances in that decision, and 100 per cent of the forecast 2017 K factor amount of $8.297 million, approved in Decision 21380-D01-2016.[42]

48. AltaGas proposed to address any subsequent adjustments to the applied-for 2015 K factor true-up in its next deficiency/surplus Rate Rider F (Rider F) filing.[43]

49. No party objected to a 100 per cent K factor placeholder.

Commission findings

50. In determining the K factor placeholder for 2017, the Commission has considered rate stability, avoidance of rate shock, intergenerational issues and providing timely funding to the utility. The Commission considers that a 100 per cent placeholder amount provides a reasonable level of funding to AltaGas on a timely basis and reduces the potential of customer rate shock in future periods.

51. The Commission considers that a K factor placeholder equal to 100 per cent of the proposed amount is reasonable for 2017. Accordingly, the Commission approves a 2017 K factor amount of $8.148 million to be included in AltaGas' 2017 PBR rates. The approved forecast 2017 K factor placeholder amount is subject to true-up in subsequent capital tracker proceedings. Any subsequent adjustments to the applied-for 2015 K factor true-up amount have been dealt with in Decision 21627-D01-2016.

3.4 Z factor adjustments

52. Decision 2012-237 provided for inclusion of a Z factor in AltaGas' PBR plan to account for the impact of material exogenous events for which the company has no other reasonable cost recovery or refund mechanism within the PBR plan.[44]

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

3.5 2017 billing determinants forecast

3.5.1 Billing determinants volatility

54. AltaGas noted that its approach is consistent with paragraph 995 of Decision 2012-237 and reflects continued use of forecast methods utilized in its 2010-2012 general rate application, which AltaGas has used consistently under PBR.[45]

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[40] Exhibit 21987-X0001, application, paragraph 102, Table 3.3-1.

[41] Decision 21627-D01-2016: AltaGas Utilities Inc., 2015 Capital Tracker True-Up Application, Proceeding 21627, December 7, 2016.

[42] Decision 21380-D01-2016: AltaGas Utilities Inc., Compliance Filing to Decision 20522-D02-2016 (2014 Capital Tracker True-Up and 2016-2017 Capital Tracker Forecast), Proceeding 21380, May 19, 2016.

[43] Exhibit 21987-X0001, application, paragraph 104.

[44] Decision 2012-237, paragraph 523.

[45] Exhibit 21987-X0001, application, paragraph 18.

55. In Decision 2012-237, the Commission issued the following direction with respect to forecasting weather normalized use per customer:

> 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.[46]

56. AltaGas confirmed in the application that its calculations were consistent with this direction; however, in AltaGas' view, the rate of change in weather normalized use per customer over the preceding three-year period does not result in a reasonable forecast for the upcoming year. AltaGas explained that it has experienced significant volatility in billing determinants applicable to all rate classes, due to sharp declines in commercial and industrial usage and customers, triggered by changing economic conditions, which has translated into significant volatility in earnings.[47]

57. AltaGas submitted that the impact of volatility could be mitigated through forecasts adjusted to reflect observed trends in consumption within each rate class and/or through the use of true ups. In response to a CCA IR,[48] AltaGas stated that it is currently reviewing other possible methods of forecasting customer numbers and will provide a recommendation as part of its 2018 rebasing application. Notwithstanding, AltaGas emphasized that it was not proposing a change in the forecast method during 2013-2017 PBR term.

58. Calculations of the 2017 billing determinants forecast were provided in Schedule 2.3 of the supporting schedules to the application.[49]

3.5.2 Rate class variance

59. In Decision 2014-347, the Commission directed AltaGas to provide information in subsequent annual PBR rate adjustment filings on any variances from forecast to actual number of customers by rate class, and identify the cause of variances larger than ± five per cent on an annual basis. For the 2017 annual PBR rate adjustment filing, AltaGas was directed to provide this variance analysis for 2015.[50] In response to this direction, AltaGas noted that Rate 3/13 and Rate 4/14 were the only customer classes that experienced a variance greater than ± five per cent.

60. AltaGas explained that the variance of negative 5.4 per cent in Rate 3/13 – Demand, was attributable to the economic downturn as a result of which some customers had either shut down business altogether or downsized. For Rate 4/14 – Irrigation, AltaGas explained that the variance

46 Decision 2012-237, paragraph 145.
47 Exhibit 21987-X0001, application, paragraph 22.
48 Exhibit 21987-X0021, AUI-CCA-2OCT2016-4.
49 Exhibit 21987-X0002, Schedule 2.3, Billing Determinants.
50 Decision 20823-D01-2015, paragraph 74.

of negative 6.4 per cent was due to the actual number of irrigation customers fluctuating from year to year depending on the amount of rainfall during the irrigation period. AltaGas claimed that both variances appeared to be reasonable.[51]

3.5.3 Customer specific information

61. In response to a CCA IR requesting a working paper detailing how the Rate 3/13 forecast was developed and how adjustments based upon customer specific information was determined, AltaGas responded that the forecast for this class is a sum of individual forecasts for each customer and includes information provided by the customer relating to changes in current service requirements. AltaGas submitted that any information specific to a customer is confidential.[52]

62. In its argument, the CCA stated that AltaGas refused to provide any support to the forecast of customer numbers or throughput for Rate 3/13 because of alleged confidentiality issues. The CCA considered this information necessary to fully test the application and that a non-transparent forecasting methodology does not allow for a thorough testing of the application. The CCA requested the Commission to direct AltaGas to provide its supporting data for Rate 3/13 customers and the throughput forecast, noting that AltaGas could provide the data without the customers' name or other identifying information.[53]

63. In reply argument, AltaGas advised that it was unable to provide any greater level of detail because, due to the small number of customers, even if customer names were removed, any breakdown by customer would permit at least some customer specific loads to be identified by usage pattern and demand. AltaGas did offer to provide additional details of the preceding year's actual monthly usage at the aggregate level, to the extent available at the time, to demonstrate current usage patterns and provide support to its forecast.

64. AltaGas also submitted that the current method for forecasting Rate 3/13 and the information provided is consistent with prior years' filings, In particular, the forecasting method utilized for this rate class has been approved by the Commission and its predecessors, in numerous GRA proceedings, as well as proceedings in the current PBR period.[54]

Commission findings

65. The Commission has reviewed AltaGas' forecast 2017 billing determinants and finds that AltaGas has used a forecasting methodology that is consistent with its previous PBR-related applications, and that the resulting forecast billing determinants are reasonable.

66. With respect to AltaGas providing customer specific information for the Rate 3/13 class, the Commission notes that there may be an opportunity to add further transparency to AltaGas' forecasting methodology. The Commission finds merit in the CCA's position that providing supporting data for Rate 3/13 customers and throughput forecast would allow interveners and the Commission to determine reasonableness of Rate 3/13 estimates. However, the Commission is also mindful of AltaGas' concern regarding customer confidentiality. The Commission has

[51] Exhibit 21987-X0001, application, paragraphs 125-127.
[52] Exhibit 21987-X0021, AUI-CCA-2OCT2016-5.
[53] Exhibit 21987-X0035, CCA argument, paragraph 8.
[54] Exhibit 21987-X0040, AltaGas reply argument, paragraph 8.

considered the positions of both parties and determined that there is not enough evidence on the record to rule on this issue at this time. Accordingly, subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, the Commission directs AltaGas, in its application to set its 2018 rates (which may be a 2018 annual PBR rate adjustment application, the next generation PBR compliance application, or a 2018 intervening cost-of-service application in preparation for the next generation of PBR), to demonstrate how Rate 3/13 customers would be adversely affected if AltaGas was to provide the information requested by the CCA, without disclosing specific customer names. For example, AltaGas may provide the actual number of Rate 3/13 customers. The Commission also directs AltaGas to suggest alternative ways of testing the reasonableness of Rate 3/13 estimates that would protect the confidentiality of consumer specific information. For example, AltaGas could provide the details of the preceding year's actual monthly usage at the aggregate level, to the extent available at the time, to demonstrate current usage patterns.

67. With respect to AltaGas' concern that the Rate 3/13 forecast methodology has been approved in many prior decisions, the Commission considers there to be a distinction between the provision of data within a certain methodology and a change to the methodology itself, with the issue under consideration belonging to the former.

68. In regard to the greater than ± five per cent variance in numbers of demand and irrigation customers, the Commission considers that variances from forecasts resulting from circumstances such as those described by AltaGas may reasonably be expected. As such, the Commission considers the forecast methodology used to generate the billing determinants to be acceptable and finds that AltaGas has complied with the Commission's direction.

69. Subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, AltaGas is directed to continue to provide information concerning variances from forecast to actual number of customers by rate class in each completed prior year of the PBR term, as well as to identify the causes of variances larger than ± five per cent on an annual basis. Unless directed otherwise by the Commission, AltaGas is directed to provide this variance analysis for 2016 in its application to set its 2018 rates.

70. AltaGas expressed concern regarding billing determinants volatility applicable to all rate classes, due to sharp declines in commercial and industrial usage and customers triggered by changing economic conditions.[55] The Commission notes that this issue was raised by AltaGas in the Commission-initiated proceeding to establish parameters for the next generation of PBR plans (Proceeding 20414[56]) and that AltaGas is not proposing any changes to its forecasting methodology during the 2013-2017 PBR plan term.

71. The 2017 forecast billing determinants set out in Schedule 2.3 of the supporting schedules to the application, are approved as filed.

[55] Exhibit 21987-X0001, application, paragraph 30.
[56] Proceeding 20414, AUC-initiated proceeding to establish parameters for the next generation of PBR plans.

3.6 Utilization of rate riders

72. In Decision 20823-D01-2015, the Commission approved the following riders for use outside of AltaGas' PBR formula in 2016.[57]

Table 4. AltaGas' rate riders approved for 2016 in Decision 20823-D01-2015

Rider	Description
Rider A franchise fees	Franchise fees are paid to municipalities in consideration of the exclusive grant of a franchise and for the ability to put gas distribution facilities on land owned by the municipalities.
Rider B property tax	Property taxes are levied by municipalities against AltaGas' land and buildings, linear property, machinery and equipment.
Rider C deemed cost of gas	Rider C is a deemed calculation used where municipalities calculate the franchise fee on both natural gas charges and delivery charges for customers being served by a competitive retailer. Rider C is necessary to ensure the franchise fee is charged in a fair way, whether a customer buys competitive gas supply or default gas supply.
Rider D gas cost recovery	The gas cost recovery rate is the cost per gigajoule, approved by the AUC on a monthly basis, for the cost of natural gas provided to default supply customers plus any procurement costs, management fees, bad debt, penalty revenue or carrying costs of cash working capital related to providing natural gas to its customers.
Rider E unaccounted-for gas	Rider E is used in calculating Rider D, Rider G and in determining the amount of gas to be delivered to AltaGas by retailers. Rider E is designed to allow AltaGas to recover from producer transportation customers its share of annual line losses and is approved on an annual basis by the AUC.
Rider F deficiency or refund rider	Rider F is used to recover a deficiency or refund a surplus resulting from the difference between interim and final rates
Rider G third-party transportation	Rider G is the cost per gigajoule, approved by the AUC on a monthly basis, for third-party transportation costs incurred by AltaGas for transporting gas to customers on a third-party's pipeline (e.g., TransCanada Pipelines, ATCO Pipelines, municipal systems).
Rider H unaccounted-for gas	Rider H is used to facilitate gas settlement and balancing calculations and ensure the associated terms and conditions of service are consistent with Rule 028. This rider is necessary to calculate the retailers' and the default gas supply providers' share of UFG required under Rule 028.
Rider L load balancing	Rider L is used to capture the financial impact of the effects of retailers' account imbalances for deliveries and receipts on AltaGas' distribution system and to account for system balancing of transmission capacity on the TransCanada Pipelines system.

73. In Decision 20823-D01-2015, the Commission stated that it would review the continued need for these riders when it considered AltaGas' 2017 annual rate adjustment filing. The Commission directed AltaGas to address the continuing need for each of the riders in this proceeding.[58]

74. AltaGas did not apply for any new rate riders in 2017. Consistent with the Commission's prior direction, AltaGas addressed the continuing need for the use of its existing riders under PBR. AltaGas included a table in the application detailing its current riders and the justification for their continued use in the application.[59]

[57] Decision 20823-D01-2015, paragraph 75, Table 3.
[58] Decision 20823-D01-2015, paragraph 76.
[59] Exhibit 21987-X0001, application, paragraph 109, Table 3.4-1.

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

> … the riders are required as part of AUI's Default Supply and Natural Gas Settlement function, are necessary to meet franchise agreement requirements and the circumstances warranting the underlying deferral mechanisms exist, or may reasonably be expected to arise, during the PBR term. Consequently, it is appropriate to allow AUI to continue utilizing the riders in 2016 and for the remaining duration of the PBR term. Should circumstances change, AUI will advise the Commission as part of a future Annual Filing.
> …
> AltaGas is currently not aware of any event necessitating recovery or refund of funds through rider mechanisms other than those previously approved in 2014-357 and described above. Consequently, AUI is not applying for additional riders as part of the current Filing.[60]

76. No party objected to AltaGas' continued use of the existing rate riders in 2017.

Commission findings

77. In Decision 2012-237, the Commission recognized the need to recover some approved flow-through items through separate riders because these items do not correspond to the timing of the annual PBR rate adjustment proceeding:

> 984. As discussed in Section 7.4.3, flow-through items currently collected by way of separate rider will be collected using the existing methodology and rider mechanism outside of the annual PBR rate adjustment filing process to recognize that these flow-through items are currently processed throughout the year. As a result, applications related to flow-through items may be submitted throughout the year.[61]

78. The Commission has reviewed the riders proposed by AltaGas for use in 2017. Having considered the information provided by AltaGas with respect to the purposes and amounts of the proposed riders, the Commission finds that these riders are necessary to address flow-through or Commission-directed items (i.e., items relating to Y factors) approved for inclusion in AltaGas' PBR plan. Accordingly, the Commission approves the use of the riders identified in Table 4, above, for 2017.

79. Subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, the Commission will review the continuing need for all approved riders at the time of AltaGas' application to set its 2018 rates. Accordingly, unless directed otherwise by the Commission, AltaGas is directed to address the continuing need for each of these riders in its future rate adjustment filings.

3.7 Terms and conditions of service

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

[60] Exhibit 21987-X0001, application, paragraphs 110-111.
[61] Decision 2012-237, paragraph 984.

approved in Decision 2014-193[62] will continue to be in effect and the special charges schedule approved in Section 3.9 of this decision and attached as Appendix 5 will replace those approved in Decision 20823-D01-2016.

3.8 Financial reporting requirements and senior officer attestations

81. In Section 13 of Decision 2012-237, the Commission directed the companies to provide certain financial information in their annual PBR rate adjustment applications. Specifically, each company was directed to provide a copy of its Rule 005 filing and an attestation signed by a senior officer of the company. The attestations and certifications required to be made by a senior officer of each company are as follows:

- confirm the reported ROE used to determine if a re-opener exists, either actual or weather normalized
- describe any changes in accounting methods, including assumptions respecting capitalization of labour and overhead and associated impacts
- describe any changes in the depreciation parameters and associated impacts
- describe any changes in the allocation of shared services costs and associated impacts
- confirm the inflation parameters used, including calculation and application of the rates formula to rates
- confirm the calculation of flow-through costs (Y factors) and associated riders conform to Commission directions
- confirm the calculation of exogenous (Z factor) adjustments and associated riders conform to Commission directions
- confirm the calculation of capital trackers (K factor) and associated riders conform to Commission directions
- identify any material changes in the components of costs or revenues
- confirm that the numbers, assumptions and presentation of the numbers in the application are accurate, complete, and proper
- confirm that the numbers, assumptions and proposed rates are reasonable, fair and accurate[63]

82. AltaGas provided its 2015 Rule 005 filings in Appendix B of the application.[64] An attestation signed by a senior officer of the company was provided in Appendix E.[65]

83. In Decision 2012-237, the Commission also determined that, in order to maintain transparency and consistency, disallowed costs should continue to be identified and excluded from a company’s return on equity calculation. Accordingly, the Commission directed each company to include in its annual PBR rate adjustment filing a schedule that includes two tables, one providing a reconciliation of financial and utility returns and a second providing a summary of costs found to be inappropriate, or otherwise disallowed.[66] AltaGas provided the two tables in Appendix C of the application.[67]

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62 Decision 2014-193: AltaGas Utilities Inc., 2013-2017 PBR Phase II Negotiated Settlement, Compliance Filing to Decision 2014-139, Proceeding 3273, Application 1610644-1, June 27, 2014.
63 Decision 2012-237, paragraph 862.
64 Exhibit 21987-X0001, Appendix B.
65 Exhibit 21987-X0001, Appendix E.
66 Decision 2012-237, paragraphs 855 and 861.
67 Exhibit 21987-X0001, Appendix C.

Commission findings

84. The Commission has reviewed AltaGas' Rule 005 filings contained in Appendix B of the application,[68] the attestation signed by a senior officer of the company provided in Appendix E,[69] and the two summary tables contained in Appendix C.[70] The Commission is satisfied that AltaGas has complied with the directions found in Section 13 of Decision 2012-237.

3.9 2017 rates and bill impacts

85. In previous sections of this decision, the Commission approved individual components of the PBR rate formula, including the I-X index, Y factor amount and K factor placeholder, which result in annual adjustments to AltaGas' distribution rates.

86. With respect to AltaGas' special charges and standard contribution amounts contained in its 2017 special charges schedule,[71] AltaGas escalated its special charges by the I-X factor and rounded them to the nearest whole dollar, consistent with prior years. AltaGas however took issue with applying a negative I-X to its special charges schedule:

> … applying a negative I-X factor to the special charge amounts is inappropriate, as the actual costs of providing special charges services are not, in fact, decreasing. A competitive entity in the open market would not be decreasing prices when items, such as inflation and exchange rates, are causing operating costs to increase. A more appropriate and realistic approach would be to apply a reasonable inflation factor (e.g. 2017 I Factor CPI of 1.54%) to the special charges to better reflect actual inflation over the last year and expected in 2017. Should the Commission be willing to consider this option, AUI would be willing to submit an updated Special Charges Schedule.[72]

87. In an IR response, AltaGas advocated for a forward-looking approach rather than the current I-X methodology that includes data timing lags. AltaGas stated that a forward-looking approach is more reflective of current-year conditions and minimizes potential distortions in measured utility performance. In AltaGas' view, there should be a floor of zero on I-X, the I factor should be based on forward looking indices and, pending a change to forward looking indices, the CPI component of the I factor would provide a better proxy for the costs associated with special services in 2017 than the current I factor. AltaGas further submitted that the same rationale would apply to its distribution rates. However, since the special charges are customer-specific and should, to the extent possible, reflect the costs caused by the customer, AltaGas advised that it may be appropriate to maintain the nexus between costs and revenues for these items to minimize the potential subsidization.[73]

88. The UCA objected to AltaGas' proposal and submitted that it found AltaGas' IR response to be less than compelling or persuasive. The UCA submitted that it is not convinced that the CPI component of the I Factor provides a better proxy for the costs associated with special services in 2017 as compared to the current I factor. The UCA was of the view that AltaGas wants to re-establish a link between revenues and costs in one limited area, that being

68 Exhibit 21987-X0001, Appendix B.
69 Exhibit 21987-X0001, Appendix E.
70 Exhibit 21987-X0001, Appendix C.
71 Exhibit 21987-X0001, Appendix D.
72 Exhibit 21987-X0001, application, paragraphs 8-10.
73 Exhibit 21987-X0018, AUI-AUC-2016OCT04-001(a).

the special charges, that this is patently unfair and wholly inappropriate, and this request should be denied by the Commission.[74]

89. The CCA also objected to AltaGas' special charges I-X proposal, submitting that I-X should reflect cost changes in all utility operations and that it would be inappropriate to single out one aspect of utility operations such as activities associated with special charges:

> 11. … PBR plans are an alternate regulatory mechanism that promotes utility cost reduction incentives, sharing of efficiencies with customers and regulatory efficiency. The CCA submits that the current methodology of applying I – X to Special Charges meets all three standards. AUI's proposal will violate all three principles. Cost reduction incentives would be destroyed. Sharing of efficiencies with customers would be reduced. Increased regulatory efforts have resulted from AUI's proposal.
>
> 12. The CCA also submit that the appropriate place for a discussion of this issue would be a generic PBR hearing not an annual PBR rate filing. Further it would be inappropriate to have different regulatory principles when I – X is positive and when I – X is negative.
>
> 13. The CCA submits that AUI's proposal should be rejected. I – X should continue to be applied to Special Charges.[75]

90. With respect to bill impacts, the Commission approved AltaGas' proposed billing determinants forecast earlier in this decision. The resulting revenues by rate class and rates for 2017 are as follows:

Table 5. AltaGas' 2017 distribution revenues by rate class

		A	B	C	D	E
	Rate class	**2017 base revenues**	**Default supply provider admin fee**	**K factor adjustment**	**Y factor adjustment**	**2017 revenues (E = A+B+C+D)[1]**
		($)				
1	Small General Services (1/11)	58,179,552	1,845,082	7,480,172	332,309	67,837,115
2	Large General Service (2/12)	2,215,457	1,616	320,430	12,654	2,550,157
3	Demand General Service (3/13)	2,095,044	419	324,116	11,966	2,431,545
4	Irrigation Pumping Service (4/14)	152,794	2,952	23,691	873	180,309

Source: Exhibit 21987-X0019, AUI-AUC-2016OCT04-008(a) Attachment - 2017 PBR Schedules, Schedule 1.0, Revenue Summary.

[1] Numbers may not add due to rounding.

[74] Exhibit 21987-X0031, UCA argument, paragraphs 5-10.
[75] Exhibit 21987-X0035, CCA argument, paragraphs 10-13.

Table 6. AltaGas' 2017 distribution rates by rate class, including Y factor and K factor revenues

		A	B	C	D	E
	Rate class	**2017 distribution revenue at 2017 rates[1]**	**2017 distribution revenue at 2016 rates**	**Per cent increase or decrease from 2016 rates to 2017 rates**	**2016 interim rates**	**2017 rates (E=C*D)**
		($)		(%)	($)	
1	**Small General Services (1/11)**	65,992,034	62,480,034	5.6		
2	Fixed ($/day)				1.194	1.261
3	Variable ($/GJ)				1.973	2.084
4	**Large General Service (2/12)**	2,548,541	2,084,096	22.3		
5	Fixed ($/day)				13.576	16.604
6	Variable ($/GJ)				1.070	1.309
7	**Demand General Service (3/13)**	2,431,126	2,276,265	6.8		
8	Fixed ($/day)				16.354	17.467
9	Variable ($/GJ)				0.034	0.037
10	Demand Charge ($/day/GJ)				0.296	0.317
11	**Irrigation Pumping Service (4/14)**	177,357	176,807	0.3		
12	Fixed ($/day)				3.472	3.483
13	Variable ($/GJ)				1.124	1.128

Source: Exhibit 21987-X0019, AUI-AUC-2016OCT04-008(a) Attachment - 2017 PBR Schedules, Schedule 2.0, 2017 Rates.

[1] Excludes revenues from the default supply provider administration fee.

91. In response to a Commission IR, AltaGas provided updated typical customer bill impact schedules for each rate class.[76] In its argument, AltaGas noted an error in its bill impacts calculation and resubmitted its customer bill impact schedules for each rate class.[77]

92. Table 7 below provides the annual bill amounts, excluding the commodity charge, for each rate class for each of 2016 and 2017, based on typical customer usage, and the resulting expected impact of the proposed 2017 rates on each rate class.

[76] Exhibit 21987-X0020, AUI-AUC-2016OCT04-008(b) Attachment.

[77] Exhibit 21987-X0032, AltaGas argument, paragraphs 26-30 and Exhibit 21987-X0034, associated schedules 1A and 1B.

Table 7. Bill impacts of AltaGas' proposed 2017 distribution rates

		A	B	C	D
Rate class description	**2017 forecast consumption**	**2016 revenue per customer**	**2017 revenue per customer**	**Bill change ($) (B-A) 2017 vs. 2016**	**Bill change % (B/A)-1 2017 vs. 2016**
	(GJ)	($)			(%)
Residential Rate 1/11	114	704.22	728.55	24.33	3.45
Commercial Rate 1/11	691	1,964.61	1,929.21	(35.40)	-1.80
Rural Rate 1/11	189	855.08	884.79	29.71	3.47
LGS Rate 2/12	8,965	17,325.06	17,825.01	499.95	2.89
Demand Rate 3/13	46,734	48,981.89	46,085.77	(2,896.12)	-5.91
Irrigation Rate 4/14	271	1,026.18	1,069.07	42.89	4.18

Source: Exhibit 21987-X0034, Schedule 1A.

Commission findings

93. The Commission has reviewed the bill impacts provided by AltaGas. In the past, the Commission has generally considered 10 per cent to be a threshold potentially indicative of rate shock. As shown in Table 7, the overall change in customer bills is under 10 per cent for all rate classes. Consequently, the Commission finds that the overall impact to rate classes falls within a reasonable range and is not expected to cause rate shock.

94. The Commission notes that the bill impacts assessment provided by AltaGas in its argument is a different format than the bill impacts typically provided by AltaGas in its annual PBR applications. The Commission finds the new bill impacts template valuable in the assessment of potential rate shock issues. AltaGas is directed to file bill impacts schedules in the form of Schedule 1A and 1B from Exhibit 21987-X0034 in future applications where bill impacts are a consideration, including rate adjustment filings. In addition, AltaGas is directed to split the third-party transportation rate and gas cost recovery rate into two separate line items on Schedule 1B so that transmission revenue effects can be assessed separately from commodity revenue effects.

95. The Commission has also reviewed AltaGas' 2017 distribution rate calculations and special charges schedule and finds that the proposed January 1, 2017 distribution rates and special charges were calculated accurately and in accordance with the provisions of the company's Commission-approved PBR plan.

96. With respect to AltaGas' proposal to not escalate the items in its special charges schedule by I-X, the Commission notes that this issue forms part of the Commission-initiated proceeding to establish parameters for the next generation of PBR plans. The Commission rejects AltaGas' proposal to not escalate the items in its special charges schedule by I-X because it is inconsistent with paragraph 995 of Decision 2012-237 which directed companies to utilize consistent billing determinant forecasting methodologies during the PBR term.

97. Accordingly, the Commission approves AltaGas' 2017 distribution rates and special charges, as shown in Appendix 4 and Appendix 5, respectively, of this decision, on an interim basis, effective January 1, 2017.

98. The rates shall remain interim until the amounts of all remaining placeholders have been approved by the Commission. The 2017 rates will be finalized following such approvals and any required true-up adjustments will be made in accordance with directions subsequently provided by the Commission.

3.10 Finalization of 2013 and 2014 rates

99. AltaGas submitted that, pending a decision on its 2016 Rider F application, all K factor and Y factor true-ups and placeholder adjustments are now resolved and completed for 2013 and 2014. With no further matters outstanding, AltaGas requested that the 2013 and 2014 interim refundable rates be approved as final.

100. The Commission released Decision 21898-D01-2016,[78] regarding AltaGas' 2016 Rider F application, on September 14, 2016. The Commission accepts that all outstanding K factor and Y factor true-ups and placeholder adjustments have been resolved for the years 2013 and 2014. Accordingly, AltaGas' rates for 2013 and 2014 are approved as final.

4 Order

101. It is hereby ordered that:

(1) The distribution rates and special charges contained in Appendix 4 and Appendix 5, respectively, are approved on an interim basis as the distribution rates schedule and special charges schedule, respectively, for AltaGas Utilities Inc. effective January 1, 2017.

(2) AltaGas Utilities Inc.'s rates for 2013 and 2014 are approved as final.

Dated on December 9, 2016.

Alberta Utilities Commission

(original signed by)

Bill Lyttle
Commission Member

[78] Decision 21898-D01-2016: AltaGas Utilities Inc., 2016 Net Deficiency and Rate Rider F, Proceeding 21898, September 14, 2016.

Appendix 1 – Proceeding participants

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

Alberta Utilities Commission Commission panel B. Lyttle, Commission Member Commission staff J. Graham (Commission counsel) P. Howard J. Bezuidenhout A. Corsi E. Deryabina P. Genderka A. Jukov N. Mahbub C. Runge A. Spurrell O. Vasetsky B. White

Appendix 2 – Summary of Commission directions

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

1. The Commission has previously approved using AltaGas' use of Rule 023 for carrying charge calculations on Y factor true-up balances, and the Commission continues to find that Rule 023 applies. The Commission is of the view, however, that the actual amount claimed in this case is too small to justify a recalculation of the Y factor amount through a separate compliance filing. Subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, AltaGas is directed to include a reversal of the $4,190 carrying charge refund in either its next deficiency/refund application or in its application to set 2018 rates (which may be a 2018 annual PBR rate adjustment application, the next generation PBR compliance application, or a 2018 intervening cost-of-service application in preparation for the next generation of PBR), whichever occurs first. .... Paragraph 45

2. With respect to AltaGas providing customer specific information for the Rate 3/13 class, the Commission notes that there may be an opportunity to add further transparency to AltaGas' forecasting methodology. The Commission finds merit in the CCA's position that providing supporting data for Rate 3/13 customers and throughput forecast would allow interveners and the Commission to determine reasonableness of Rate 3/13 estimates. However, the Commission is also mindful of AltaGas' concern regarding customer confidentiality. The Commission has considered the positions of both parties and determined that there is not enough evidence on the record to rule on this issue at this time. Accordingly, subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, the Commission directs AltaGas, in its application to set its 2018 rates (which may be a 2018 annual PBR rate adjustment application, the next generation PBR compliance application, or a 2018 intervening cost-of-service application in preparation for the next generation of PBR), to demonstrate how Rate 3/13 customers would be adversely affected if AltaGas was to provide the information requested by the CCA, without disclosing specific customer names. For example, AltaGas may provide the actual number of Rate 3/13 customers. The Commission also directs AltaGas to suggest alternative ways of testing the reasonableness of Rate 3/13 estimates that would protect the confidentiality of consumer specific information. For example, AltaGas could provide the details of the preceding year's actual monthly usage at the aggregate level, to the extent available at the time, to demonstrate current usage patterns. .... Paragraph 66

3. Subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, AltaGas is directed to continue to provide information concerning variances from forecast to actual number of customers by rate class in each completed prior year of the PBR term, as well as to identify the causes of variances larger than ± five per cent on an annual basis. Unless directed otherwise by the Commission, AltaGas is directed to provide this variance analysis for 2016 in its application to set its 2018 rates. .... Paragraph 69

4. Subject to any determinations made in the next generation PBR Proceeding 20414 or any subsequent proceeding dealing with rebasing and establishment of going-in rates, the Commission will review the continuing need for all approved riders at the time of AltaGas' application to set its 2018 rates. Accordingly, unless directed otherwise by the Commission, AltaGas is directed to address the continuing need for each of these riders in its future rate adjustment filings. .... Paragraph 79

5. The Commission notes that the bill impacts assessment provided by AltaGas in its argument is a different format than the bill impacts typically provided by AltaGas in its annual PBR applications. The Commission finds the new bill impacts template valuable in the assessment of potential rate shock issues. AltaGas is directed to file bill impacts schedules in the form of Schedule 1A and 1B from Exhibit 21987-X0034 in future applications where bill impacts are a consideration, including rate adjustment filings. In addition, AltaGas is directed to split the third-party transportation rate and gas cost recovery rate into two separate line items on Schedule 1B so that transmission revenue effects can be assessed separately from commodity revenue effects. .... Paragraph 94

Appendix 3 – Inflation indexes used in the 2017 I factor calculation

(return to text)

	Alberta CPI CANSIM 326-0020	Alberta AWE CANSIM 281-0063	Average July to June		Year over year % change		2017
	v41692327	v79311387	AB CPI	AB AWE	AB CPI	AB AWE	I factor
Date	(2002=100)	$	(2002=100)	$	%	%	%
July 2014	132.90	1154.79					
August 2014	132.70	1158.56					
September 2014	132.90	1152.87					
October 2014	133.20	1165.69					
November 2014	132.10	1158.34					
December 2014	131.50	1157.93					
January 2015	131.00	1168.73					
February 2015	132.00	1158.87					
March 2015	133.00	1156.52					
April 2015	133.10	1156.35					
May 2015	133.60	1152.13					
June 2015	134.50	1149.61	132.71	1157.53			
July 2015	134.60	1137.44					
August 2015	135.00	1129.18					
September 2015	134.60	1137.37					
October 2015	135.10	1135.36					
November 2015	134.70	1132.07					
December 2015	133.50	1146.60					
January 2016	133.70	1114.88					
February 2016	133.80	1122.92					
March 2016	135.00	1128.57					
April 2016	135.10	1119.81					
May 2016	135.60	1100.62					
June 2016	136.30	1118.86	134.75	1126.97	1.54	-2.64	**-0.76**

Source:
July 2014 to June 2015 data: Decision 20823-D01-2015, Appendix 3.
July 2015 to June 2016 data: Statistics Canada website (http://www.statcan.gc.ca) accessed on September 12, 2016.

Appendix 4 – 2017 interim distribution rate schedules

(return to text)

The 2017 distribution rates exclude the costs applied for by AltaGas Utilities Inc. in the application and denied by the Commission in this decision.

Appendix 4 - 2017
interim distribution ra

(consists of 13 pages)

Appendix 5 – 2017 interim special charges schedule

(return to text)

Appendix 5 - 2017
interim special charge

(consists of 4 pages)

RATE NO. 1	SMALL GENERAL SERVICE

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, emergency or irrigation services.

Charges:

Fixed Charge:

Base	$ 1.261/Day
Default Supply Provider Administration Fee..................	$ 0.082/Day

Variable Energy Charge:

Base	$ 2.084/GJ
Gas Cost Recovery...	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

RATE NO. 2	LARGE GENERAL SERVICE (OPTIONAL)

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

Charges:

Fixed Charge:

Base	$ 16.604/Day
Default Supply Provider Administration Fee	$ 0.082/Day

Variable Energy Charge:

Base	$ 1.309/GJ
Gas Cost Recovery...	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

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RATE NO. 3	DEMAND GENERAL SERVICE (OPTIONAL)

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking or emergency services.

Charges:

Demand Charge .... $ 0.317/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 17.467/Day
Default Supply Provider Administration Fee.................. $ 0.082/Day

Variable Energy Charge:

Base .... $ 0.037/GJ
Gas Cost Recovery... Rate Rider "D"
Third Party Transportation .... Rate Rider "G"

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or

2. The Contract Demand, or

3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

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RATE NO. 4	IRRIGATION PUMPING SERVICE (OPTIONAL)

Description:

Available only to customers for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

	April 1 to October 31
Fixed Charge:	
Base	$ 3.483/Day
Default Supply Provider Administration Fee..................	$ 0.082/Day
Variable Energy Charge:	
Base	$ 1.128/GJ
Gas Cost Recovery..	Rate Rider “D”
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.

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RATE NO. 6	STANDBY, PEAKING, AND EMERGENCY SERVICE

Description:

Available only at the option of the Company.

Charges:

Demand Charge .... $ 0.317/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 17.467/Day
Default Supply Provider Administration Fee.................. $ 0.082/Day

Variable Energy Charge .... 1.3 times the Variable Base Charge of Rate No. 3 plus the greater of:
(a) 1.3 times the GCRR; or
(b) 1.3 times the actual cost of gas purchased

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

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RATE NO. 10a	PRODUCER TRANSPORTATION SERVICE ‘CLOSED RATE’

Description:

Transportation service is available to the Rate 10a customer subject to the terms and conditions specified in the contract.

Charges:

	Term 1 Year	2 Years	3 Years
Fixed Charge per Month	$ 250.00	$ 250.00	$ 250.00
Demand Charge per GJ of Billing Demand per Month........................	$ 1.418	$ 1.333	$ 1.248
Energy Charge per GJ................................	$ 0.019	$ 0.019	$ 0.019

a) The minimum monthly charge will be the fixed plus demand charge.

b) The Company and customer shall determine receipt and delivery locations for transportation service by consultation and agreement.

c) Service under Rate 10a is subject to available system capacity.

d) The Company reserves the right to restrict the amount of gas received and delivered up to the Contract Demand.

e) Billing demand will be the higher of: contracted demand, the greatest amount of gas (GJ) transported in any consecutive 24-hour period, during the current or the previous 11 months.

f) The rates do not include costs payable by the Customer for specific facilities at the point(s) of receipt or delivery provided by the Company for the Customer.

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RATE NO. 10b	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10b customer subject to the terms and conditions specified in the contract.

Charges:

Variable Energy Charge .... $ 0.085/GJ

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RATE NO. 10c	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate 10c customer subject to the terms and conditions specified in the contract.

Charges:

Demand Charge .... $ 0.020/Day/GJ of Billing Demand

RATE NO. 11	SMALL GENERAL SERVICE FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base	$ 1.261/Day

Variable Energy Charge:

Base	$ 2.084 GJ
Third Party Transportation	Rate Rider “G”

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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RATE NO. 12	LARGE GENERAL SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base .... $ 16.604/Day

Variable Energy Charge:

Base .... $ 1.309/GJ
Third Party Transportation .... Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

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RATE NO. 13	DEMAND GENERAL SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Demand Charge .... $ 0.317/Day/GJ of Billing Demand

Fixed Charge:

Base .... $ 17.467/Day

Variable Energy Charge:

Base .... $ 0.037/GJ
Third Party Transportation .... Rate Rider "G"

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

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RATE NO. 14	IRRIGATION PUMPING SERVICE (OPTIONAL) FOR RETAILER

Description:

Distribution service is available to retailers under contract for the delivery of retail supply. Available to retailers only for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

	April 1 to October 31
Fixed Charge:	
Base	$ 3.483/Day
Variable Energy Charge:	
Base	$ 1.128/GJ
Third Party Transportation	Rate Rider "G"

The minimum daily charge will be the Fixed Charge.
This service is not available for standby, peaking or emergency services.

SPECIAL CONTRACT RATE NO. 30	TRANSPORTATION SERVICE 'CLOSED RATE'

Description:

Transportation service is available to the Rate No. 30 customer for the term and conditions specified in the contract.

Charges:

Fixed Charge .... $ 250.00/Month

Energy Charge… .... $ 0.230/GJ

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AltaGas Utilities Inc.

Special Charges Schedule

In a number of places the Natural Gas Utility Service Rules refer to special charges for some services. Following is a list of the charges, as approved by the Alberta Utilities Commission.

Special Charge	Fee
Account Activation Fee	$ 36
Remove and test meter - per meter:	
Residential	$ 78
Other	Actual Cost
Special meter readings (each time)	$ 36
No Access Fee (each time)	$ 36
Reconnection Fee:	
Residential	$ 52
Other (except Irrigation)	Actual Cost
Irrigation Disconnection/Reconnection Fee:	
Each time (except normal season start and end)	$ 78
Reinstallation of Meter/Regulator:	
Residential	$ 78
Other	Actual Cost
Dishonoured payment charge (NSF cheque, etc.) - each time	$ 26
Cheque certification charge - each time	$ 10
Any other service at Customer's Request	Actual Cost
Late Payment Percentage	
Applied to any unpaid balance from previous bills (18% per annum, compounded monthly)	1.5%
Standard Non-Refundable Contribution (as defined on p. 4):	
Town	$ 0
Rural Subdivision	$ 519
Rural Other	$ 5,604

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

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AltaGas Utilities Inc.

Special Charges Schedule (continued)

AUC Rule 003 – Service Quality and Reliability Performance Monitoring and Reporting for Regulated Rate Providers and Default Supply Providers

Service Guarantee for Customers Who Purchase Default Supply

We will credit your account with us for $75.00 if:

- You were provided written notice of pending disconnection of service in error;
- You were provided written notice of pending referral to a credit agency in error;
- You were referred to a credit agency in error; or
- You experienced disconnection of service in error.

The $75 credit will not be applied if the error was not made by us or if:

- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice and your payment crossed in the mail;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was in mail transit at the time you made or attempted to make payment by visiting the premises of an authorized payment acceptance establishment, such as a bank, trust company or credit union;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was properly mailed, but you did not pick up the mail from locations, such as a post office, super mail box or home mail box;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was undelivered by the mail delivery service; or
- You attempted to make payment to one of our employees or someone hired by us to disconnect your *service site* and the disconnection was not in error, but that person was not authorized to accept payment.

AltaGas Utilities Inc.

Special Charges Schedule (continued)

Non-Refundable Contributions

Applications for service will require a non-refundable contribution. In most cases, a standard contribution is all that is required. Services uneconomic with a standard contribution will require an additional non-refundable contribution.

Standard Non-Refundable Contributions

Standard contributions are filed for acknowledgment with the Commission when they are initially established and, thereafter, whenever they are changed. For a current list of our standard non-refundable contributions, please refer to p. 1 of this Special Charges Schedule or contact us toll-free using our General Inquiry phone number to find current rates.

Non-Standard Non-Refundable Contributions

Winter Construction – Should the service be requested for installation under winter construction conditions, the customer is responsible for the incremental frost charges.

Other – If it is not economic to consider an application for service under a standard contribution, it will be evaluated individually to determine a specific, non-refundable contribution.

Calculation of Specific Non-Refundable Contributions

The calculation of a specific non-refundable contribution will be based on a net present value analysis applying the following criteria:

a) An estimate of the total capital costs of providing service;
b) An estimate of the total annual operating costs of providing service;
c) The *Commission*-approved return on common equity, interest rate, depreciation rates, income taxes and capital structure;
d) An estimate of the expected net revenue that will accrue from the addition of the service.

The additional contribution will be the amount required to make the net present value of the revenue stream equal the revenue requirement stream.

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AltaGas Utilities Inc.

Special Charges Schedule (continued)

Additional Criteria:

- Rate 1/11 – Town – A *service site* located within an incorporated municipality, such as a village, town or city;
- Rate 1/11 – Rural Subdivision – A *service site* not defined as 'Town', but located in an AltaGas Utilities Inc. designated subdivision;
- Rate 1/11 – Rural Other – A *service site* which is neither defined as 'Town' nor 'Rural Subdivision'
- Other – A *service site* which is served under any rate other than Rate 1/11.