Alberta Utilities Commission

AltaGas Utilities Inc.

2016 Capital Tracker True-Up Application

November 23, 2017

Alberta Utilities Commission
Decision 22710-D01-2017
AltaGas Utilities Inc.
2016 Capital Tracker True-Up Application
Proceeding 22710

November 23, 2017

Published by the:

Alberta Utilities Commission
Fifth Avenue Place, Fourth Floor, 425 First Street S.W.
Calgary, Alberta
T2P 3L8

Telephone: 403-592-8845
Fax: 403-592-4406

Website: www.auc.ab.ca

Contents

List of tables

AltaGas Utilities Inc. **Decision 22710-D01-2017**
2016 Capital Tracker True-Up Application **Proceeding 22710**

1 Decision

1. This decision provides the Alberta Utilities Commission's determination of AltaGas Utilities Inc.'s (AltaGas or AUI) 2016 capital tracker true-up application. For the reasons outlined in this decision, the Commission has determined that:

- Because three projects, Drumheller Phase 6 (town), Settler Area 1 (town), and Erskine (rural) were not previously applied for by AltaGas and determined by the Commission to be needed, the Commission was required to assess these projects for need. Each of these three projects have been found by the Commission to be needed in this decision.

- The actual scope, level, timing and actual costs of each of the projects or programs included in the 2016 true-up were prudently incurred and satisfy the project assessment requirement of Criterion 1.

- The capital tracker projects or programs included in the 2016 true-up continue to meet the requirements of the accounting test under Criterion 1.

- There was no need to undertake a reassessment of the project or program requirements against Criterion 2, unless the driver for the project or program had changed.

- The projects or programs included in the 2016 true-up satisfy the materiality requirement under Criterion 3.

- With one exception, AltaGas has complied with previous Commission directions. The exception is the provision of evidence that the 2016 capital cost allowance amounts have been reconciled with the amounts filed with the Canada Revenue Agency (CRA) (item 1.c. from Appendix 3 of Decision 3558-D01-2015[1]). For purposes of regulatory efficiency, the Commission has determined that a compliance filing to this decision is not required and that each of these instances of non-compliance are to be addressed in a future Rider F deficiency/surplus application or capital tracker true-up application.

2. The remaining sections of this decision are organized as follows:

- Section 2 provides an introduction and procedural background to the decision.

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

- An overview of the capital tracker approach under performance-based regulation (PBR) is provided in Section 3.
- Section 4 provides the Commission's process for reviewing the 2016 capital tracker true-up application.
- Section 5 provides a summary of the programs or projects for which AltaGas has sought a capital tracker true-up in 2016 on an actual basis.
- The Commission's evaluation of AltaGas' proposed capital project groupings is set out in Section 6.
- The Commission's assessment of AltaGas' programs or projects proposed for capital tracker treatment under Criterion 1 is set out in sections 7 and 8 dealing with the project assessment and the accounting test, respectively.
- The Commission's assessment under Criterion 2 is undertaken in Section 9, and the Commission's assessment under Criterion 3 is set out in Section 10.
- Compliance with previous Commission directions are discussed in Section 11 and Appendix 4.
- Finally, Section 12 deals with the 2016 K factor true-up calculation.

2 Introduction and procedural background

3. On June 3, 2017, AltaGas filed its 2016 capital tracker true-up application and associated schedules with the Commission.[2] On June 6, 2017, the Commission issued a filing announcement and notice of the application, with statements of intent to participate (SIPs) due June 13, 2017.[3]

4. By letter dated June 14, 2017, AltaGas advised that it would host a technical meeting for parties registered in the proceeding at its Leduc offices on June 22, 2017, to clarify technical aspects of its application. AltaGas also advised in the letter that it would file the presentation it used at the meeting on the record of the proceeding.[4]

5. The Commission received SIPs from the Office of the Utilities Consumer Advocate (UCA) on June 16, 2017, and from the Consumers' Coalition of Alberta (CCA) on June 19, 2017.[5]

6. The Commission issued a process letter for this proceeding on June 20, 2017,[6] that included the following process schedule:

2 Exhibits 22710-X0001 to 22710-X0007.
3 Exhibits 22710-X0008 and 22710-X0009.
4 Exhibit 22710-X0010.
5 Exhibits 22710-X0012 and 22710-X0013.
6 Exhibit 22710-X0014.

Process step	Deadline dates
AltaGas to file technical meeting presentation	June 26, 2017
Information requests (IRs) to AltaGas	July 5, 2017
IR responses from AltaGas	July 19, 2017
Submissions on the need for further process	July 26, 2017
Argument (if required)	August 10, 2017
Reply argument (if required)	August 24, 2017

7. The technical meeting took place on June 22, 2017, and was attended, either in person or by use of remote technology, by Commission staff and representatives from the CCA and the UCA. AltaGas filed on the record of the proceeding a copy of the technical meeting presentation and a list of the meeting participants.[7]

8. By letters dated July 26, 2017, AltaGas, the CCA and the UCA each filed submissions on the need for further process.[8] AltaGas stated that comprehensive responses were provided to the IRs, there was sufficient information on the record to enable the Commission to fully assess the application, and no further process steps were required. The CCA commented that it would not file evidence and it had no objection to a process of argument and reply argument being established. The UCA advised that it would not be filing evidence in this proceeding and was of the view that a process of argument and reply argument would be appropriate to deal with the remaining issues. By letter dated July 31, 2017, the Commission added argument and reply argument to the process schedule, and set August 14, 2017, and August 28, 2017, as the respective due dates.[9]

9. The Commission considers the record for this proceeding to have closed on August 28, 2017, with the filing of reply argument.[10]

10. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding, as well as relevant portions of the records considered by the Commission in prior AltaGas capital tracker proceedings as referenced throughout this decision. Accordingly, references in this decision to specific parts of the records 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 records with respect to a particular matter.

3 Background – overview of the capital tracker approach under PBR

11. On September 12, 2012, the Commission issued Decision 2012-237,[11] which set out the PBR framework and approved PBR plans for the distribution utility services of certain Alberta electric and gas utilities (collectively the distribution utilities), including AltaGas. Within these

[7] Exhibits 22710-X0015 and 22710-X0016.
[8] Exhibits 22710-X0024, 22710-X0025 and 22710-X0026.
[9] Exhibit 22710-X0027.
[10] Exhibits 22710-X0032, 22710-X0033, 22710-X0034 and 22710-X0035.
[11] Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012.

PBR plans, the Commission approved a rate adjustment mechanism to fund certain capital-related costs. 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.

12. At paragraph 592 of Decision 2012-237, the Commission set out the criteria that a capital project or program would have to satisfy in order to receive capital tracker treatment approval. The implementation and application of these criteria, and the K factor calculation methodology, were considered in a 2013 capital tracker proceeding, leading to Decision 2013-435.[12] The implementation methodology established in Decision 2013-435 is, and has been, used to evaluate the capital tracker projects or programs proposed by the parties throughout the five-year PBR term, over the 2013 to 2017 period.

13. Subsequent to the release of Decision 2013-435, each distribution utility has filed separate capital tracker applications on an annual basis for its specific capital trackers. AltaGas' last such proceeding was filed in 2016 and led to the release of Decision 21627-D01-2016,[13] which dealt with AltaGas' 2015 capital tracker true-up.

14. A comprehensive overview of the capital tracker approach under PBR is provided in Section 2.1 of Decision 20522-D02-2016.[14] A summary of AltaGas' prior capital tracker-related decisions and resulting approved K factor amounts is attached as Appendix 3 to this decision.

4 Commission process for reviewing the 2016 capital tracker true-up application

4.1 General process

15. With the exception of certain refinements regarding the amount of detail included in Section 7 (specific project assessments) of this decision and regarding AltaGas' forecast accuracy, both of which are discussed further in this section, the Commission's process for reviewing the 2016 capital tracker true-up application followed the same steps as those set out in Section 4 of the last AltaGas capital tracker decision, Decision 21627-D01-2016. The Commission indicated it would generally undertake assessments with respect to all three criteria for capital tracker treatment for all capital projects or programs that the Commission has not considered in prior capital tracker decisions.

16. For projects or programs for which the Commission has previously confirmed the need under the project assessment component of Criterion 1 in prior capital tracker decisions, the Commission did not undertake a reassessment of need under Criterion 1 in the absence of evidence that the project or program was no longer required. However, the Commission did assess the scope, level and timing of each project or program for prudence, and whether the

---

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

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

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

actual costs of the project or program were prudently incurred, as required by the second part of the project assessment under Criterion 1.

17. The Commission also considered that for the purposes of the true-up of the 2016 capital tracker programs or projects for which the Commission undertook and approved the assessment against the Criterion 2 requirements in prior capital tracker decisions, there was no need to undertake a reassessment of the project or program against the Criterion 2 requirements unless the driver for the project or program had changed. An assessment of the 2016 capital tracker projects and programs with respect to the accounting test under Criterion 1 and materiality test under Criterion 3 was conducted.

18. Finally, consistent with the approach set out in previous capital tracker decisions,[15] to the extent the Commission has previously approved the grouping of projects for capital tracker purposes, the Commission did not re-evaluate these groupings in this decision.

4.2 Materiality threshold for project or program variance explanations

19. AltaGas proposed the following with respect to its proposed materiality thresholds:

> 48. Except for overhead rate variances, AUI uses Rule 005 [*Annual Reporting Requirements of Financial and Operational Results*] as a guideline in establishing thresholds for project variance explanations. From its 2016 Rule 005 Filing, AUI fits within the AUC Rule 005 rate base category of ≥$100 million, <$500 million. On this basis, AUI provides variance explanations as follows:
>
> - For cost differences, where the variance for the actual total cost at the individual project level is +/-$500,000; or greater than or equal to +/-10 percent and a dollar amount greater than or equal to +/-$125,000 of the approved amount; and
> - For non-financial data, such as units/volume differences, where the variance for actual length of pipe (i.e. km [kilometre]) at the individual project level is greater than or equal to +/- 10% of the approved amount.
>
> 49. In AUI's submission, the variance thresholds provide a reasonable guideline to ensure larger cost and volume variances (positive or negative) are appropriately explained and are similar to those used by other utilities (e.g. ATCO Utilities).
>
> 50. To the extent there may be significant variances at the line item level, further information may be provided to support the variance explanations. …
>
> 52. Explanations for differences in overhead rates for individual projects are provided where variances on an individual project are greater than +/- 0.5% and +/- $10,000.[16]

20. Based on AltaGas' most recent Rule 005 filing,[17] the Commission agrees that AltaGas fits within the ≥$100 million, <$500 million rate base category. The Commission confirms that the

[15] See for example, Decision 21627-D01-2016, paragraphs 31-35.
[16] Exhibit 22710-X0007, application, paragraphs 48-50 and 52.
[17] Schedule 2 of AltaGas' 2016 Rule 005 filing shows AltaGas' mid-year rate base to be within the $100 million to $500 million range. The schedule is available on the website of the Alberta Utilities Commission under

cost and non-financial variance explanation thresholds that AltaGas provided in the application and as described above are consistent with the Rule 005 thresholds.

21. The Commission continues to find AltaGas' variance explanation threshold proposal, including assessment at the project level rather than account line level, subject to significant variances at the account line level, to be reasonable. The Commission has generally applied this threshold in the Commission's assessment of the application. The Commission will continue to be non-prescriptive with respect to directing precise thresholds because the Commission considers it more effective for AltaGas, in particular situations, to determine what it considers necessary to make its prudency and reasonableness case for forecasts and actuals in its capital tracker applications. In future applications, if the Commission requires further information on specific variances, it will address that need through the IR process.

4.3 Level of project assessment detail

22. In past capital tracker true-up decisions, the Commission has included a description of the variance on a project-by-project basis, based on the information provided by AltaGas on the record of the relevant proceedings. In this decision, the Commission has continued to provide project-level descriptions for projects that were completed without an approved forecast and for projects that have been deferred. For projects that were previously approved for 2016 and completed in 2016, which constitute the majority of the projects in the application, AltaGas continued to provide project level descriptions for all projects, in accordance with the variance threshold definition determined above (see Section 4.2 of this decision). Although the Commission applied the same rigour as for all other projects in its assessment of prudence, for purposes of brevity and to streamline the present decision, the Commission has only included variance descriptions at the program level for these projects.

4.4 Forecast accuracy

23. The CCA raised a concern regarding the limited historical cost data for pre-1957 high pressure (HP) steel pipe replacements used for estimating the costs of HP steel pipe replacement projects deferred in this application. The CCA submitted that this is a poor estimator and, as a result, recommended that the Commission direct AltaGas to examine its project forecasting methodology and provide a report that includes recommendations for improvements the next time it files for a capital project forecast approval.[18]

24. The UCA expressed its concern with AltaGas' forecast accuracy generally, submitting that there continues to be significant variances between forecasts and actual costs. Similar to the CCA, the UCA recommended the Commission direct AltaGas to analyze its forecasting methodologies and, in AltaGas' next proceeding involving capital forecasts, to report on its efforts to improve them.[19]

25. AltaGas submitted that such a direction from the AUC is not warranted because AltaGas has provided extensive information on its ongoing process improvement initiatives related to the

Rule 005 in "Finance and operations reports," entitled "2016-Finance-AltaGas_distribtuion" http://www.auc.ab.ca/regulatory_documents/Pages/finance_and_operations.aspx.

18 Exhibit 22710-X0028, CCA argument, paragraphs 1-7.

19 Exhibit 22710-X0030, UCA argument, paragraphs 2-5; Exhibit 22710-X0033, reply argument, paragraph 7.

forecasting of capital projects at the project initiation stage and has been incorporating these improvements into its forecasts over time.[20]

26. The 2016 and 2017 forecasts for AltaGas' capital tracker programs were provided in Proceeding 20522 and approved by the Commission in Decision 20522-D02-2016; these were the last capital tracker forecasts required during the current PBR term. The current proceeding dealing with the 2016 capital tracker true-up and the future proceeding dealing with the 2017 capital tracker true-up, which will take place in 2018, will be the last proceedings dealing with capital tracker true-ups during the 2013-2017 PBR term.

27. Decision 20414-D01-2016 (Errata)[21] set out the framework for the 2018-2022 PBR term for the distribution utilities, which begins January 1, 2018. In that decision, the Commission discontinued the capital tracker mechanism in the form employed in current generation PBR plans. Instead, the Commission determined that capital will be divided into two categories: Type 1 and Type 2 capital. For Type 1 capital, the Commission approved a modified capital tracker mechanism; for Type 2 capital, the Commission approved a "K-bar mechanism" that provides a set amount of capital funding for each year of the next generation PBR plans based, in part, on capital additions made during the previous PBR term.

28. Although Type 1 capital trackers will rely on the internal approved forecast for these projects to set the placeholder amount,[22] the Commission has defined narrow criteria for Type 1 capital trackers and expressed its expectation that as much incremental capital funding as possible should be managed under the Type 2 K-bar mechanism during the next generation PBR plans. The K-bar mechanism establishes the level of incremental capital funding independent of a utility's forecasts.

29. Given the next generation PBR plan as described above, including the K bar mechanism, the Commission considers that a direction regarding future capital program forecast accuracy is not necessary for purposes of the present decision.

30. Going forward into the second PBR term, AltaGas will be expected to provide reasonably accurate internal forecasts for any requested Type 1 capital trackers. Those forecasts and the associated variances to actual costs will be used to test the prudence of actual Type 1 capital tracker additions.[23] The Commission has previously provided its views on the importance of forecast accuracy and its expectations for improvement from AltaGas.[24] AltaGas has acknowledged the Commission's views, provided updates on improvements made to date, and committed to proactive and ongoing improvements to its forecast accuracy going forward.[25] The Commission is satisfied with the information provided by AltaGas on its ongoing process improvement initiatives related to the forecasting of capital projects and is not convinced that a further review of AltaGas' forecasting methodology is warranted at this time. In the event that

20 Exhibit 22710-X0035, paragraphs 3-12.
21 Decision 20414-D01-2016 (Errata): 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Proceeding 20414, February 6, 2017.
22 Decision 20414-D01-2016 (Errata), paragraph 234.
23 Decision 20414-D01-2016 (Errata), paragraph 235.
24 Decision 20522-D02-2016, Section 7.1.4 and Decision 21627-D01-2016, sections 8.2.1 and 8.2.2.
25 Exhibit 22710-X0035, paragraphs 4-6 and 12.

capital forecasts again become required at some point in the future, the Commission expects AltaGas will retain the capability to provide reasonably accurate forecasts at that time.

5 Summary of programs included in the 2016 capital tracker true-up

31. AltaGas has three programs for which it has previously received capital tracker treatment approval: Pipeline Replacement, Station Refurbishment and Gas Supply. As part of the 2016 capital tracker true-up, AltaGas applied for a number of projects under these programs, most of which were previously approved for capital tracker treatment on a forecast basis in Decision 20522-D02-2016[26] and Decision 21380-D01-2016.[27] These projects are assessed in Section 7 below.

32. The programs included in the 2016 capital tracker true-up and the variance from approved forecast, resulting in a K factor true-up for 2016, are set out in the table below.

Table 1. Applied-for 2016 K factor true-up adjustments

Program name	2016 approved forecast K factor	2016 actual K factor	K factor true-up
	($)		
Pipeline Replacement	4,583,929	4,126,045	(457,884)
Station Refurbishment	839,793	818,954	(20,839)
Gas Supply	372,931	338,395	(34,536)
2016 K factor total	**5,796,653**	**5,283,394**	**(513,259)**

5.1 Pipeline Replacement Program

33. The Pipeline Replacement Program is a multi-year program that provides for the replacement of three types of pipe: pre-1957 steel pipe, polyvinylchloride (PVC) pipe, and non-certified and interim-certified polyethylene (PE) (collectively referred to as non-certified PE) pipe.[28] The Pipeline Replacement Program was first approved in Decision 2012-091,[29] for the 2010-2012 test period. The need for this program, as part of the project assessment under capital tracker Criterion 1, was approved in Decision 2013-435 for 2013. It was also approved for 2014 and 2015 forecast capital tracker purposes in Decision 2014-373, and for 2016 and 2017 forecast capital tracker purposes in Decision 20522-D02-2016.

5.2 Station Refurbishment Program

34. The Station Refurbishment Program is also a multi-year program that provides for partial, through to complete, replacement of a particular station. The Station Refurbishment Program was first approved in Decision 2012-091, for the 2010-2012 test period. The need for this

[26] Decision 2014-373: AltaGas Utilities Inc., 2014-2015 Capital Tracker Application and 2013 Capital Tracker True-up Application, Proceedings 3152 and 3244, Applications 1610446-1 and 1610600-1, December 24, 2014.

[27] 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.

[28] Both non-certified and interim certified PE pipe pose identical risks and their replacement is managed in the same way. AltaGas refers to this pipe, collectively, as “non-certified PE.”

[29] Decision 2012-091: AltaGas Utilities Inc., 2010-2012 General Rate Application – Phase I, Proceeding 904, Application 1606694-1, April 9, 2012.

program, as part of project assessment under capital tracker Criterion 1, was approved in Decision 2013-435 for 2013. It was also approved for 2014 and 2015 forecast capital tracker purposes in Decision 2014-373, and for 2016 and 2017 forecast capital tracker purposes in Decision 20522-D02-2016.

35. AltaGas' Station Refurbishment Program provides for the replacement or refurbishment of three station types: purchase meter stations (PMS), town border stations (TBS) and post-regulator stations (PRS). PMS are the largest and most complex stations that AltaGas operates. These sites have metering, odourization, line heaters, remote meter reading and other specialized equipment. TBS are mid-size stations and have sophisticated equipment, such as alarms, line heaters and, in some cases, custom buildings to satisfy municipal requirements. PRS are smaller scale pressure-regulating sites.

5.3 Gas Supply Program

36. The Gas Supply Program is also a multi-year program that ensures safe, continuous gas supply to customers. The Gas Supply Program was first approved in Decision 2012-091 for the 2010-2012 test period. The need for this program, as part of project assessment under capital tracker Criterion 1, was approved in Decision 2013-435 for 2013 as a capital tracker program in Decision 2013-435. It was also approved for 2014 and 2015 forecast capital tracker purposes in Decision 2014-373, and for 2016 and 2017 forecast capital tracker purposes in Decision 20522-D02-2016. For purposes of the 2016 true-up, AltaGas included in this program a refund of the 2016 placeholder for the Barrhead-Westlock-Morinville (BWM) Project and trailing costs for two previously approved gas supply capital tracker projects.

6 Grouping of projects for capital tracker purposes

37. In Decision 2013-435, the Commission determined that the accounting test and the first tier of the materiality test would be applied to the approved groupings (i.e., either at a project or at a program level). When necessary, however, the Commission would consider the individual component projects comprising the approved groupings in order to assess the need for the capital expenditures and the reasonableness of the forecast costs. The second tier of the materiality test is applied at the level of all capital tracker projects, in the aggregate.[30] The Commission also determined that the reasonableness of the grouping of capital projects would be assessed on a case-by-case basis for each individual company.[31]

38. In this application, for its three programs, AltaGas used the same approach to grouping that was approved by the Commission in previous capital tracker decisions. AltaGas also included in its application, as directed in paragraph 50 and Appendix 3 of Decision 3558-D01-2015, in Excel format with linked and working formulas, the actual capital additions for all programs, including supporting calculations and a breakdown of the amount of depreciation, overheads and income tax allocated to each capital tracker program and non-capital tracker program reconciled to the total amount of depreciation, overheads and income tax for all projects and programs. AltaGas also provided a description of its 2016 non-capital tracker projects and programs, showing the 2016 actual capital additions to provide a better understanding of its

[30] Decision 2013-435, paragraph 407.
[31] Decision 2013-435, paragraph 406.

proposed groupings of the capital projects and programs for which it was seeking capital tracker treatment.[32]

39. The CCA and UCA did not object to any of the groupings for the projects proposed by AltaGas in this proceeding.

Commission findings

40. As set out in Section 4 of this decision, given that the groupings in the application are the same as those previously approved, there is no need for the Commission to re-evaluate those groupings in this decision.

41. The Commission has also reviewed AltaGas' description of the nature, scope and timing of non-capital tracker projects, as provided for better understanding of the proposed grouping of capital projects and programs for capital tracker treatment, in accordance with the Commission's direction at paragraph 50 of Decision 3558-D01-2015 (and also summarized in Appendix 3 of that decision), and finds that AltaGas has complied with this direction.

7 Assessment of individual projects within programs under Criterion 1

42. As discussed in Section 4 of this decision, the actual results for each of AltaGas' individual projects within its three capital tracker programs proposed for capital tracker treatment for 2016 have been evaluated against the project assessment requirements of Criterion 1. Under this component of Criterion 1, the Commission assesses whether the actual scope, level, timing and costs of the project are prudent.

43. The Commission also evaluated whether, with respect to each project or program, AltaGas provided business cases, engineering studies, cost-related information, and related evidence and argument to demonstrate compliance with each of the project assessment minimum filing requirements. However, in this decision, the Commission commented only on those aspects of the minimum filing requirements that AltaGas either failed to comply with, or did not satisfactorily comply with, or that were otherwise raised as an issue in the proceeding.

44. The assessment in this decision has been set out by capital tracker program. Sections 7.1, 7.2 and 7.3 address the Pipeline Replacement Program, Station Refurbishment Program and Gas Supply Program, respectively.

45. Capital tracker projects completed in 2016 but not previously approved are not being considered as a separate category in this decision, as was done in the 2015 capital tracker true-up application decision (Decision 21627-D01-2916). Since the process of providing company internally-approved applications for expenditure (AFEs) for projects not previously approved by the Commission is well established, and given there are relatively few projects of this description in the application, the Commission sees no need to assign these projects their own category. Rather, these projects will be discussed as part of the relevant program.

[32] Exhibit 22710-X0007, application, Appendix II, Non-capital tracker projects and programs; Exhibit 22710-X0002, Appendix VI - 2016 Capital Tracker True-Up Financial Schedules, schedules 10.0 and 10.1.

7.1 Pipeline Replacement Program

46. As set out in Section 5 of this decision, the Pipeline Replacement Program provides for the replacement of three types of pipe: pre-1957 steel pipe, PVC pipe, and non-certified PE pipe. Sections 7.1.1 to 7.1.3 below deal with each of these pipe replacement activities. Section 7.1.4 addresses trailing costs for all of the projects in the Pipeline Replacement Program.

7.1.1 Pre-1957 Steel

47. AltaGas provided approved forecast and actual costs, and pipeline length (km) and unit cost (total cost per km) data for each of the Pre-1957 Steel projects. This information is reproduced in the following table.

Table 2. Pipeline Replacement Program (Pre-1957 Steel Pipe) – 2016 actual versus approved forecast capital costs, and variances by project

	Capital additions ($)			Pipe length (km)			Unit cost ($/km)		
Pre-1957 Steel	**Approved**	**Actual**	**Actual vs. approved variance**	**Approved**	**Actual**	**Actual vs. approved variance**	**Approved**	**Actual**	**Actual vs. approved variance**
Approved for and completed in 2016									
Drumheller Phase 2, 3, 4 (town)	3,504,700	3,970,337	465,637	9.7	11.9	2.2	361,300	333,642	(27,658)
Drumheller Phase 5 (town)	2,758,700	3,236,628	477,928	9.9	10.2	0.3	278,700	317,316	38,616
Not previously approved but completed in 2016									
Drumheller Phase 6 (town)	-	228,870	228,870	-	0.4	0.4	-	572,176	572,176
Stettler Area 1 (town)	-	225,583	225,583	-	0.7	0.7	-	322,262	322,262
Approved for 2016 but deferred to 2017									
Barrhead (town)	2,559,600	-	(2,559,600)	8.9	-	(8.9)	287,600	-	(287,600)
Pickardville HP Supply Line (rural)	1,850,800	-	(1,850,800)	10.4	-	(10.4)	178,000	-	(178,000)
Morinville HP Steel (rural)	306,000	-	(306,000)	1.6	-	(1.6)	191,300	-	(191,300)
Westlock HP Steel (town)	452,000	-	(452,000)	1.5	-	(1.5)	301,300	-	(301,300)
Drumheller HP Supply Line (town)	738,500	-	(738,500)	4.0	-	(4.0)	184,600	-	(184,600)
Trailing costs		47,502	47,502						
Total	**12,170,300**	**7,708,920**	**(4,461,380)**	**46.0**	**23.2**	**(22.8)**			

Source: Exhibit 22710-X0007, application, Table 2.3-1, paragraph 79.

48. In Decision 20522-D02-2016, the Commission approved seven Pre-1957 Steel Pipe Replacement projects for 2016, for a total of 46.0 km at a cost of $12.17 million. As shown in Table 2 above, AltaGas completed four Pre-1957 Steel Pipe Replacement projects in 2016, totalling 23.2 km at a cost of $7.71 million. In other words, AltaGas replaced 22.8 km (or 65.90 per cent) less pipe than forecast, with a resulting cost variance of $4.46 million (or 44.88 per cent) below forecast.

49. For the Pre-1957 Steel Pipe Replacement projects, AltaGas explained that the actual project costs and pipeline lengths were below forecast due to the deferral of five of seven previously approved Pre-1957 Steel Pipe Replacement projects. Specifically, a medium pressure

steel project in Barrhead and four HP steel projects in Pickardville, Morinville, Westlock and Drumheller were deferred to 2017.[33] AltaGas explained that wetter than normal weather conditions in the spring and fall of 2016 and additional work requirements on the Drumheller projects (Phase 2 through 6) affected the 2016 construction schedule. This resulted in contractor and resource constraints, thereby causing these projects to be deferred.[34]

50. The Morinville (rural) project was deferred due to delays in obtaining right-of-way agreements between AltaGas, Sturgeon County and the Town of Morinville. The Westlock (town) project was deferred due to contractor resource constraints resulting from wetter than normal weather conditions and additional work required on other Pre-1957 Steel Pipe Replacement projects in 2016. Resource constraints also impacted the Barrhead (town) project. Weather delays, additional pipe lengths and associated labour and external resource constraints resulted in the deferral of the Drumheller (town) project.[35] The deferral of the Pickardville HP supply line (rural) project to 2017 was primarily due to the assessment of gas supply and system configuration in the BWM area.[36]

51. AltaGas explained that of the four projects completed in 2016, two were previously approved: the Drumheller Phase 2, 3, 4 (town) project and the Drumheller Phase 5 (town) project. The other two projects that were completed in 2016 were not previously approved by the Commission for 2016. The first project was the Drumheller Phase 6 (town) project, which was undertaken when additional uncoated steel pipe was found during completion of other Drumheller projects in the area. AltaGas explained that when it exposed the pipe to connect it with the Drumheller Area 3 project, it was found to be corroded and no longer safe and reliable for service. Since contractors were already on-site to complete the Drumheller town work in 2016, AltaGas replaced 0.4 km of the Drumheller Phase 6 (town) project in 2016. The second project was the Stettler Area 1 (town), which was advanced to 2016 at the request of the Town of Stettler to coordinate replacements with other municipal work in the project area.[37] In the absence of an approved 2016 forecast, as per past approval practices for assessing the prudence of the costs, AltaGas provided the amounts approved in its internal AFE.[38]

7.1.2 PVC projects

52. AltaGas provided approved forecast and actual costs, and pipeline length (km) and unit cost (total cost per km) data for each of the PVC Pipe projects. This information is reproduced in the following table.

[33] Exhibit 22710-X0007, application, paragraph 81.
[34] Exhibit 22710-X0007, application, paragraph 114.
[35] Exhibit 22710-X0007, application, paragraph 125.
[36] Exhibit 22710-X0007, application, paragraph 115.
[37] Exhibit 22710-X0007, application, paragraph 80.
[38] Exhibit 22710-X0007, application, paragraph 98.

Table 3. Pipeline Replacement Program (PVC Pipe) – 2016 actual versus approved forecast capital costs, and variances by project

	Capital additions ($)			Pipe length (km)			Unit cost ($/km)		
PVC	**Approved**	**Actual**	**Actual vs. approved variance**	**Approved**	**Actual**	**Actual vs. approved variance**	**Approved**	**Actual**	**Actual vs. approved variance**
Approved for and completed in 2016									
Leduc Area 2 (Rural)	408,500	573,201	164,701	4.4	5.4	1.0	92,800	106,148	13,348
Leduc Area 9 (Rural)	2,426,700	2,345,636	(81,064)	35.0	31.4	(3.6)	69,300	74,702	5,402
Morinville Area 3 (rural)	2,729,600	3,814,266	1,084,666	37.9	43.1	5.2	72,000	88,498	16,498
Morinville Area 4 (rural)	252,400	346,509	94,109	3.1	3.5	0.4	81,400	99,003	17,603
Westlock Area 4 (rural)	1,622,100	1,304,638	(317,462)	22.6	24.0	1.4	71,800	54,360	(17,440)
Westlock Area 5 (rural)	751,000	875,609	124,609	9.0	10.0	1.0	83,400	87,561	4,161
Trailing costs		**(78,838)**	**(78,838)**						
Total	**8,190,300**	**9,181,020**	**990,720**	**112.0**	**117.4**	**5.4**			

Source: Exhibit 22710-X0007, application, Table 2.4-1, paragraph 141.

53. In Decision 20522-D02-2016, the Commission approved six PVC Pipe Replacement projects for 2016 for a total of 112.0 km at a cost of $8.19 million. As shown in Table 3 above, AltaGas completed all six PVC Pipe Replacement projects in 2016, totalling 117.4 km at a cost of $9.18 million. In other words, AltaGas replaced 5.4 km (or 4.70 per cent) more pipe than forecast, with a resulting cost variance of $0.9 million (or 11.4 per cent) above forecast.

54. For the PVC Pipe Replacement projects, AltaGas explained that actual project costs were higher than the approved forecast due to the need for additional pipe, the use of more inspection staff under AltaGas' construction management approach, the need for horizontal directional drilling, site restoration not anticipated in the forecast and delays due to weather, landowner issues, right-of-way and permit approvals.

55. With respect to pipeline lengths, AltaGas explained that additional pipe was required to re-route existing pipe alignments in response to landowner requests and municipal, county and provincial approval requirements. AltaGas also stated that it was required to mitigate environmental issues, such as avoidance of wetland habitats, meet safety and code requirements, improve network configurations and adjust for incomplete or incorrect data recorded in the Environmental Systems Research Institute, Inc. (ESRI) geographic information system (GIS) database.[39]

7.1.3 Non-Certified PE

56. AltaGas provided approved forecast and actual costs, and pipeline length (km) and unit cost (total cost per km) data for each of the Non-Certified PE Pipe projects. This information is reproduced in the following table.

[39] Exhibit 22710-X0007, application, paragraph 139.

Table 4. Pipeline Replacement Program (Non-Certified PE Pipe) – 2016 actual versus approved forecast capital costs, and variances by project

	Capital additions ($)			Pipe length (km)			Unit cost ($/km)		
Non-Certified PE	Approved	Actual	Actual vs. approved variance	Approved	Actual	Actual vs. approved variance	Approved	Actual	Actual vs. approved variance
Approved for and completed in 2016									
Beau Vista (rural sub.)	436,900	1,099,003	662,103	6.8	6.4	(0.4)	64,300	171,719	107,419
Kadavista (rural sub.)	293,400	435,104	141,704	2.2	2.3	0.1	133,400	189,176	55,776
Southwood (rural sub.)	288,800	275,454	(13,346)	1.9	1.7	(0.2)	152,000	162,032	10,032
Kaywood (rural sub.)	162,400	225,027	62,627	1.1	1.1	-	147,600	204,570	56,970
Valleyview (rural sub.)	384,800	635,359	250,559	4.3	4.1	(0.2)	89,500	154,966	65,466
Westlock Area 5 (rural)	137,800	252,986	115,186	1.5	1.5	-	91,900	168,657	76,757
Morinville (rural)	1,547,000	1,103,886	(443,114)	19.1	15.4	(3.7)	81,000	71,681	(9,319)
Gateway (rural sub.)	397,100	399,898	2,798	2.7	3.1	0.4	147,100	128,999	(18,101)
Looma Estates NE 23 (rural sub.)	216,200	293,758	77,558	1.5	1.7	0.2	144,100	172,799	28,699
Looma Estates SW22 (rural sub.)	355,900	747,055	391,155	3.1	3.9	0.8	114,800	191,552	76,752
Not previously approved but completed in 2016									
Erskine (rural)	-	31,457	31,457	-	0.2	0.2	-	157,283	157,283
Trailing costs		60,103	60,103						
Total	**4,220,300**	**5,559,091**	**1,338,791**	**44.2**	**41.4**	**(2.8)**			

Source: Exhibit 22710-X0007, application, Table 2.5-1, paragraph 190.

57. In Decision 20522-D02-2016, the Commission approved 10 Non-Certified PE Pipe Replacement projects for 2016, for a total of 44.2 km at a cost of $4.22 million. As shown in Table 4 above, with the exception of a discrete portion of the Morinville (rural) project deferred to 2018,[40] AltaGas completed all 10 Non-Certified PE pipe replacement projects in 2016, totalling 41.4 km at a cost of $5.56 million. In other words, AltaGas replaced 2.8 km (or 6.5 per cent) less than forecast, with a resulting cost variance of $1.33 million (or 27.4 per cent) above forecast.

58. For the Non-Certified PE Pipe Replacement projects, actual costs were higher than the approved forecast due to higher pipeline inspection costs of using three inspectors, as opposed to two inspectors, as assumed in the forecast. AltaGas explained that inspection costs were higher due to project delays arising from cold and wet weather conditions, the need for horizontal directional drilling and other factors that slowed down construction, such as mitigation of the clubroot virus that affects crops and requires the company to wash its vehicles before entering landowners' fields. Tendered contractor costs also increased due to the restoration of road surfaces, above-ground structures and landscaping. As well, landowner requirements contributed to higher actual costs than forecast. The reduction in the amount of pipe installed was primarily

[40] AltaGas completed a substantial portion of the Morinville (rural) project in 2016, but a discrete 8.3 km section has been deferred to 2018 to coincide with the completion of the MN027 Station Replacement project.

due to changes made during final routing on projects and fewer services required than expected in the forecast.[41]

59. In 2016, AltaGas also undertook the Erskine (rural) project, which was not approved on a forecast basis in Decision 20522-D02-2016. AltaGas explained that this project was advanced to 2016 because leaks along the pipeline were creating urgent safety and reliability issues. AltaGas stated that immediate replacement was required because this section of line was considered to be at, or very near, the point of failure. In the absence of an approved 2016 forecast, as per past approval practices for assessing the prudence of costs, AltaGas provided the amounts approved in its internal AFE for the Erskine (rural) project.[42]

Commission findings

60. These Commission findings refer to all three of the pipeline replacement programs discussed in sections 7.1, 7.2 and 7.3 above.

61. In Decision 20522-D02-2016, the Commission approved the need on a forecast basis, for each of the Pre-1957 Steel, PVC and Non-Certified PE Pipe Replacement projects listed in tables 2 to 4 above (with the exception of Drumheller Phase 6 (town), Settler Area 1 (town), and Erskine (rural)), for purposes of capital tracker treatment in 2016. The Commission also determined that the proposed scope, level, timing and forecast costs for the approved projects and programs were reasonable.

62. With respect to the true-up of 2016 actual costs, if there is no evidence on the record of the true-up proceeding demonstrating that a project was not required in 2016, then AltaGas is not required to demonstrate that a project was needed in order to provide utility service at adequate levels in 2016. The Commission finds no evidence on the record of this proceeding to indicate that any of the approved Pre-1957 Steel, PVC and Non-Certified PE Pipeline Replacement projects listed in tables 2 to 4 were not required in 2016.

63. With respect to the scope, level and timing of each of the approved Pre-1957 Steel, PVC and Non-Certified PE Pipe Replacement projects listed in tables 2 to 4 and carried out in 2016, the Commission has reviewed AltaGas' 2016 actual capital additions associated with each of the projects and finds that they are generally consistent with the scope, level and timing of the work outlined in the business case approved in Decision 20522-D02-2016. The Commission has also reviewed the 2016 actual capital additions for each of these projects in light of the evidence supporting these costs, the associated procurement and construction practices and the evidence explaining the differences between approved forecast and actual costs.

64. There are material cost and pipeline length variances between the approved forecast and the actual cost for some of the Pre-1957 Steel, PVC and Non-Certified PE Pipe Replacement Program projects. As set out in Section 4.3 above, for purposes of brevity and to streamline the present decision, the Commission has included a description of the variance on a project-by-project basis only for projects that were completed without an approved forecast and for projects that have been deferred. For projects that were previously approved for 2016 on a forecast basis and completed in 2016, the Commission applied the same rigour as for all other projects in

[41] Exhibit 22710-X0007, application, paragraphs 188-189.
[42] Exhibit 22710-X0007, application, paragraphs 254-255.

assessing prudence but has only included variance descriptions at the program level in this decision.

65. A contributing factor to the streamlined approach the Commission has used in its project assessments in this section is the recognition that with the implementation of the next generation PBR plans, effective January 1, 2018, the attendant transition to indexed capital under the K-bar mechanism results in a reduction in emphasis on forecast accuracy, as discussed in Section 4.4 above. Given this, and considering that most of the Pipeline Replacement projects were previously approved on a forecast basis in prior capital tracker decisions, the Commission did not issue any directions related to AltaGas' forecast accuracy in this decision.

66. The Commission finds that the information provided by AltaGas supports a finding that the actual scope, level, timing and costs of the work undertaken in 2016 were prudent. Accordingly, the Commission finds that the Pre-1957 Steel, PVC and Non-Certified PE Pipe Replacement programs and each of the associated projects approved on a forecast basis in Decision 20522-D02-2016, as identified in tables 2 to 4, satisfy the project assessment requirement of Criterion 1 for 2016.

67. In Decision 2012-237 and in Decision 2013-435, the Commission provided that a company may choose to undertake a capital investment prior to applying for capital tracker treatment. In other words, capital tracker treatment may be granted on the basis of actual capital expenditures, without prior approval of capital forecasts for a project. With respect to the two Pre-1957 Steel Pipe Replacement projects (Drumheller Phase 6 (town) and Settler Area 1 (town)) and the one Non-Certified PE Pipe Replacement Project (Erskine (rural)) that were not approved in Decision 20522-D02-2016, but were undertaken in 2016, the Commission is satisfied with AltaGas' explanation of the need for these projects and finds that it was prudent for AltaGas to undertake them.

68. With respect to the scope, level and timing of the work associated with these three projects, the Commission has reviewed the 2016 AFE estimates, the 2016 actual capital additions and the variance explanations. For the purposes of this decision, the Commission finds that the information provided by AltaGas regarding each of these projects is generally consistent with the scope, level and timing of the work outlined in the business case approved for the Pre-1957 Steel Pipe Replacement Program and the Non-Certified PE Pipe Replacement Program in Decision 2014-373. The Commission has also reviewed the 2016 AFE estimates and actual capital additions for these three projects in light of the evidence supporting these costs, the associated procurement and construction practices and the evidence explaining the differences between 2016 AFE estimates and the 2016 actual costs, and the variance explanations for both projects and, for the purposes of this decision, finds the costs to be prudent.

69. Given the above, the Commission finds that the information provided by AltaGas supports a finding that the actual scope, level, timing and costs of the work undertaken in 2016 for Drumheller Phase 6 (town), Settler Area 1 (town), and Erskine (rural) was prudent. Accordingly, the Commission finds that these three projects also satisfy the project assessment requirement of Criterion 1 for 2016.

70. For the five Pre-1957 Steel Pipe replacement projects approved for 2016 and deferred to 2017, the Commission expects AltaGas to provide a reconciliation between the actual and approved forecast costs for these projects as part of the 2017 capital tracker true-up application.

The project assessment requirements of Criterion 1 for these projects will be assessed by the Commission at that time.

7.1.4 Pipeline Replacement Program trailing costs

71. The application includes trailing costs incurred in 2013, 2014 and 2015 associated with several pipeline replacement capital tracker projects previously approved on a forecast basis by the Commission in prior capital tracker decisions.

72. AltaGas provided information detailing the 2016 trailing costs for each of the Pre-1957 Steel, PVC, and Non-Certified PE Pipe projects. The 2016 trailing costs are related to costs incurred in 2013, 2014 and 2015 for projects that were previously approved on a forecast basis by the Commission. For these projects, AltaGas provided trailing costs, the specific year to which those trailing costs relate, trailing cost explanations on a program level and explanations for projects on an individual level. The Commission has assembled the table below based on the information provided by AltaGas.

Table 5. Pipeline trailing costs

	Cost component ($)						
Pre-1957 Steel Pipe – project trailing costs	**Labour**	**Other contractor**	**Land payments**	**Material**	**Tendered contractor**	**Overhead**	**Total**
2015 Drumheller (Ph 1) (town)	1,387	11,738	243	507	-	757	14,632
2015 Morinville (town)	(908)	(28,745)	-	-	-	(1,617)	(31,270)
2015 Drumheller (downtown)	413	(2,698)	-	-	-	(125)	(2,410)
2015 Hanna (downtown)	47	1,519	-	-	-	85	1,651
2015 Stettler (downtown)	970	863	-	-	2,434	233	4,500
2015 Barrhead (downtown)	801	454	-	15,346	-	965	17,567
2015 Westlock (downtown)	2,987	2,031	-	-	-	274	5,292
2015 Morinville (downtown)	1,365	29,458	-	-	-	1,681	32,505
2015 St. Paul (downtown)	147	2,200	-	-	2,432	256	5,035
Subtotal	**7,210**	**16,820**	**-**	**15,853**	**4,866**	**2,509**	**47,501**
PVC Pipe – project trailing costs							
2015 Leduc Area 4 (rural)	4,819	10,607	2,623	3,853	1,333	1,267	24,502
2015 Leduc Area 1 (rural)	774	790	-	-	-	85	1,650
2015 Leduc Area 3 (rural)	(224)	5,425	2,663	(93)	(91,321)	(4,914)	(88,464)
2015 Leduc Area 5 (rural)	1,057	6,593	2,813	34	20,946	1,715	33,158
2015 Leduc Area 8 (rural)	4,951	7,782	4,879	(144)	(64,621)	(2,531)	(49,684)
Subtotal	**11,377**	**31,198**	**12,977**	**3,650**	**(133,663)**	**(4,378)**	**(78,839)**
Non-Certified PE Pipe – project trailing costs							
2014 Ma-Me-O Beach (village)	1,052	-	-	38		1,883	36,416
2015 Munson (village)	53	3,797	-	(2,049)	-	95	1,896
2015 Ashmont (town)	155	3,158	(651)	-		278	5,377
2015 Colinton (hamlet)	1,102	755	964	-	-	154	2,976
2015 Meanook (hamlet)	252	-	-	-	-	14	266
2015 Alcomdale (hamlet)	150	-	486	-	-	37	672
2015 Fort Assiniboine (hamlet)	196	302	-	-	-	27	525
2015 Rosedale (hamlet)	24	758	-	-	-	43	825
2015 Pincher Station (hamlet)	427	1,125	-	-	-	85	1,637
2015 Seven Persons (hamlet)	381	758	-	-	-	62	1,201
2015 Duvernay (hamlet)	172	864	-	-	2,440	190	3,667
2015 Hairy Hill (hamlet)	100	853	-	-	2,449	182	3,584
2015 Allarco (rural sub.)	30	769	-	-	-	43	843

	Cost component ($)						
Non-Certified PE Pipe – project trailing costs	**Labour**	**Other contractor**	**Land payments**	**Material**	**Tendered contractor**	**Overhead**	**Total**
2013 Pincher Creek Mole Line (rural)	6	-	200	-	-	11	217
Subtotal	**4,101**	**13,141**	**999**	**(2,011)**	**40,768**	**3,105**	**60,103**
Total	**22,688**	**61,159**	**13,976**	**17,492**	**(88,029)**	**1,236**	**28,765**

Source: Exhibit 22710-X0007, application, paragraphs 127, 179 and 259.

73. In the table above, positive trailing costs are costs invoiced to AltaGas for work or materials required. Negative trailing costs are refunds provided to AltaGas for work that was expected to be done or for materials that were expected to be used but were subsequently not required.

Commission findings

74. At paragraph 113 of Decision 2014-373, the Commission directed AltaGas to identify the specific prior-year projects to which the trailing costs relate, identify the activities that gave rise to the trailing costs, and fully support the prudence of the requested trailing cost amounts. Based on the information provided by AltaGas in support of its trailing costs, the Commission considers that AltaGas has complied with this direction.

75. Further, the Commission has reviewed AltaGas' trailing cost explanations and finds that there is sufficient evidence on the record of the proceeding to conclude that the trailing costs for projects in the Pipeline Replacement Program, as shown in Table 5 above, were prudently incurred. Accordingly, the Commission approves the inclusion of these trailing costs as part of project total costs for the purposes of the K factor calculation.

7.2 Station Refurbishment Program – PMS, TBS and PRS

76. As discussed in Section 5, the Station Refurbishment Program provides for the replacement or refurbishment of three station types: purchase meter stations (PMS), town border stations (TBS) and post-regulator stations (PRS). AltaGas provided forecast and actual capital costs and the number of stations, and associated variance information for each PMS, TBS and PRS project. This information is reproduced in the following two tables.

Table 6. Station Refurbishment Program – 2016 actual versus approved forecast capital costs, and variances by project

Station type	Project name	2016 approved	2016 actual	2016 actual vs. approved
	($)			
PMS	GC001[43]	317,700	380,561	62,861
PMS	TH001	294,500	430,873	136,373
PMS	AT121[44]	372,400	530,577	158,177
PMS	WS038	349,700	-	(349,700)
PMS	MN027	315,400	-	(315,400)
PMS	AT052	333,500	466,112	132,612
PMS	AT081	322,700	-	(322,700)
PMS	SE095	54,500	31,197	(23,303)
	Total PMS	**2,360,400**	**1,839,320**	**(521,080)**
TBS	MN019	202,000	310,095	108,095
TBS	TW001	227,200	198,774	(28,426)
TBS	BA085[45]	314,400	831,499	517,099
TBS	LE088	219,900	246,727	26,827
TBS	LE089	221,500	252,866	31,366
TBS	**TH002**	202,100	362,158	160,058
	Total TBS	**1,387,100**	**2,202,120**	**815,020**
PRS	TW006	37,200	32,599	(4,601)
PRS	TW007	37,200	29,831	(7,369)
PRS	TW008	37,200	24,982	(12,218)
PRS	SE046	37,200	13,369	(23,831)
PRS	SE060	37,200	41,543	4,343
	Total PRS	**186,000**	**142,324**	**(43,676)**
	Trailing costs	-	14,768	14,768
	Grand total	**3,933,500**	**4,198,531**	**265,031**

Source: Exhibit 22710-X0007, application, page 90, Table 3.3-1.

Table 7. Station Refurbishment Program – 2016 actual versus approved forecast number of stations and variances by station type

Type	2016 approved	2016 actual	2016 approved vs. actual
PMS	8	5	(3)
TBS	6	6	-
PRS	5	5	-
Total no. of stations	**19**	**16**	**(3)**

Source: Exhibit 22710-X0007, application, page 90, Table 3.3-1.

77. AltaGas provided variance explanations for each project shown in Table 6 above.[46] In accordance with the Commission's directions in Decision 2014-373,[47] AltaGas' explanations

43 Station was incorrectly identified as GC002 in AUI's 2016-17 forecast capital tracker application (Exhibit 20522-X0010.03).

44 Station was replaced at a new location resulting in station name change from "PMS AT074" to "PMS AT121."

45 Station was replaced at a new location resulting in station name change from "PMS BA041" to "PMS BA085."

46 Exhibit 22710-X0007, application, Section 3.4.

47 Decision 2014-373, paragraphs 280 and 284.

also included the difference in actual costs between a particular station and the standard configuration of a PMS, TBS or PRS and whether it was a replacement or refurbishment.

78. AltaGas completed all of its forecast station replacements and refurbishments for 2016 except for three PMS; namely, PMS - WS038, MN027 and AT081, which were deferred to 2017 or to a future year. PMS - WS038 was deferred to 2017 because its design and operation are directly tied to the Pickardville HP Supply Line (rural) Project which was also scheduled for replacement in 2016, but deferred to 2017, as discussed in Section 7.1.1. AltaGas considered the deferral of this station to 2017 was reasonable in order to ensure the new station configuration aligns with the Pickardville HP Supply Line (rural) Project and operational requirements for the area.

79. PMS MN027 had initially been deferred as it may have been impacted by the BWM Gas Supply Project, as discussed in Section 7.3.1 of this decision. AltaGas explained that BWM gas supply is no longer considered an imminent risk but timing and resources were not expected to enable replacement of MN027 in 2017. Therefore, the project has been scheduled for replacement in 2018.[48]

80. Finally, PMS - AT081 was deferred to 2017 due to delays in the finalization of approvals and permits from TransCanada Pipelines Limited and the County of Athabasca.[49]

Commission findings

81. In Decision 20522-D02-2016, the Commission approved the need on a forecast basis, for each of the PMS, TBS and PRS projects listed in Table 6 above, for purposes of capital tracker treatment in 2016. The Commission also determined that the proposed scope, level, timing and forecast costs for these projects and programs were reasonable.

82. With respect to the true-up of 2016 actual costs, if there is no evidence on the record of the true-up proceeding demonstrating that a project was not required in 2016, then AltaGas is not required to demonstrate that a project was needed in order to provide utility service at adequate levels in 2016. The Commission finds no evidence on the record of this proceeding to indicate that any of the station replacement and refurbishment projects listed in Table 6 were not required in 2016.

83. With respect to the scope, level and timing of each of the PMS, TBS and PRS station replacement and refurbishment projects carried out in 2016, the Commission has reviewed AltaGas' 2016 actual capital additions associated with each of the projects and finds that they are generally consistent with the scope, level and timing of the work outlined in the business case approved in Decision 20522-D02-2016. The Commission has also reviewed the 2016 actual capital additions for each of these projects in light of the evidence supporting these costs, the associated procurement and construction practices and the evidence explaining the differences between approved forecast and actual costs.

84. There are material cost variances between the approved forecast and the actual costs for most of the PMS, TBS and PRS projects. As set out in Section 4.3 above, for purposes of brevity

48 Exhibit 22710-X0007, application, paragraph 316.
49 Exhibit 22710-X0007, application, paragraph 319.

and to streamline the present decision, the Commission has included a description of the variances on a project-by-project basis only for projects that were completed without an approved forecast and for projects that have been deferred. For projects that were previously approved for 2016 on a forecast basis and completed in 2016, the Commission applied the same rigour as for all other projects in assessing prudence but has only included variance descriptions at the program level in this decision.

85. A contributing factor to the streamlined approach the Commission has used in its project assessments in this section is the recognition that with the implementation of the next generation PBR plans, effective January 1, 2018, the attendant transition to indexed capital under the K-bar mechanism results in a reduction in emphasis on forecast accuracy, as discussed in Section 4.4 above. Given this, and considering that all of the Station Refurbishment projects were previously approved on a forecast basis in prior capital tracker decisions, the Commission did not issue any directions related to AltaGas' forecast accuracy in this decision.

86. The Commission finds that the information provided by AltaGas supports a finding that the actual scope, level, timing and costs of the work undertaken in 2016 were prudent. Accordingly, the Commission finds that the Station Refurbishment Program and each of the associated PMS, TBS and PRS station replacement and refurbishment projects approved in Decision 20522-D02-2016, as identified in Table 6, and carried out in 2016, satisfy the project assessment requirement of Criterion 1 for 2016.

87. For the three PMS station replacement projects approved for 2016 and deferred to 2017, the Commission expects AltaGas to provide a reconciliation between the actual and approved forecast costs for these projects as part of the 2017 capital tracker true-up application. The project assessment requirements of Criterion 1 will be assessed by the Commission at that time.

7.2.1 Station Refurbishment Program trailing costs

88. The application includes trailing costs incurred in 2015 associated with seven station refurbishment capital tracker projects previously approved on a forecast basis by the Commission in prior capital tracker decisions.

89. AltaGas provided information detailing the 2016 trailing costs for each of the PMS, TBS and PRS projects. AltaGas provided trailing costs, the specific year to which those trailing costs relate, trailing cost explanations on a program level and explanations for projects on an individual level. The Commission has assembled the table below based on the information provided by AltaGas.

Table 8. 2016 Station Refurbishment Project trailing costs

Line		AUI labour	Other contractor	Material	Overhead	Total
				($)		
1	2015 PMS-AT123	1,906	1,369	(234)	166	3,207
2	2015 PMS-HL005	66	5,007	(2,827)	126	2,373
3	2015 PMS-SP253	73	1,228	-	71	1,372
4	2015 PMS-ST014	141	2,307	-	135	2,584
5	2015 TBS-LE090	46	1,471	-	83	1,600
6	2015 TBS-LE092	41	1,313	-	74	1,428
7	2015 PRS-SP124	66	2,020	-	119	2,205
8	**Total trailing costs**	**2,341**	**14,716**	**(3,062)**	**773**	**14,768**

Source: Exhibit 22710-X0007, application, page 128, Table 3.7.

Commission findings

90. At paragraph 113 of Decision 2014-373, the Commission directed AltaGas to identify the specific prior-year projects to which the trailing costs relate, identify the activities that gave rise to the trailing costs, and fully support the prudence of the requested trailing cost amounts. Based on the information provided by AltaGas in support of its trailing costs, the Commission considers that AltaGas has complied with this direction.

91. Further, the Commission has reviewed AltaGas' trailing cost explanations and finds that there is sufficient evidence on the record of the proceeding to conclude that the trailing costs for projects in the Station Refurbishment Program, as shown in Table 8 above, were prudently incurred. Accordingly, the Commission approves the inclusion of these trailing costs as part of project total costs for the purposes of the K factor calculation.

7.3 Gas Supply Program

92. As discussed in Section 5, the Gas Supply Program ensures safe, continuous gas supply to customers. For purposes of the 2016 true-up, AltaGas included in this program a refund of the 2016 placeholder for the BWM Project, as discussed in Section 7.3.1. As well, AltaGas included trailing costs for the two previously approved gas supply capital tracker projects, discussed in Section 7.3.2.

93. AltaGas provided approved forecast and actual costs, and cost variance information for the project in this program:

Table 9. Gas Supply Program – 2016 actual versus approved forecast capital costs, and variances for the BWM Project

Gas Supply Project	Approved	Actual	Actual vs. approved variance
		($)	
BWM	661,250	0	(661,250)
Trailing costs	0	55,463	55,463
Total	**661,250**	**55,463**	**(605,787)**

Source: Exhibit 22710-X0007, application, paragraph 362.

7.3.1 BWM Project

94. In Decision 20522-D02-2016,[50] the Commission approved a 2016 gas supply placeholder of $661,250. AltaGas was anticipating 2016 expenditures associated with a Gas Supply Project to address the potential imminent loss of existing gas supply in the BWM area, but was still in the process of examining potential alternatives and the associated costs. The gas supply issue is the result of the sale of a pipeline that is upstream of AltaGas and supplies AltaGas with natural gas for AltaGas' customers in the BWM area. The upstream pipeline was owned by ATCO Energy Solutions, who sold it to Tidewater Midstream and Infrastructure Ltd. (Tidewater). Tidewater's intention is to pursue the purchase, sale and transportation of natural gas liquids in North America and export to overseas markets. However, liquids-rich gas poses significant risks for utility distribution facilities and end consumers.

95. In the application, AltaGas advised that, while the risk of liquids-rich gas remains, it is unclear when, or to what extent, Tidewater will be successful in accessing liquids-rich production. AltaGas therefore continues to monitor the situation and maintain a dialogue with Tidewater regarding any future changes in gas quality. In the interim, since no assets were placed into service specifically related to BWM gas supply, AltaGas has proposed refunding the K factor adjustment related to the 2016 placeholder, less certain trailing costs.[51]

96. In response to a Commission IR, asking why is it unclear when, or to what extent, Tidewater will be successful in accessing liquids-rich production, AltaGas advised,

> Currently, producers on the Tidewater system are supplying gas of variable liquid content and the co-mingling of the gas makes it reasonable for utility use. The availability of liquids-rich gas depends on current or unknown future producers expanding their gas fields, assuming, of course, there is unsourced liquids-rich gas in the area.
>
> …
>
> In order to ensure gas quality and customer safety, the best alternative remains the bypass option. Given the unknown … [variables] faced with the current scenario (amount of liquids, producers entering or exiting the market, the potential for a wide range of liquid content), the bypass alternative must be considered. AUI's engineers are evaluating numerous alternatives in order to complete a bypass in sections, over time, spreading the work and resources required over a number of years.[52]

Commission findings

97. The Commission accepts AltaGas' explanation of its approach for ongoing monitoring of the situation, the quality of gas entering the AltaGas system and, ultimately, the development of an optimal BWM area gas supply solution going forward.

98. Since no assets were placed into service specifically related to BWM gas supply, the Commission approves AltaGas' request to refund to customers the K factor adjustment

---

50 Decision 20522-D02-2016, paragraph 302.
51 Exhibit 22710-X0007, application, paragraph 366.
52 Exhibit 22710-X0021, AUI-AUC-2017JUL05-009(c) and (e).

associated with the $661,250 of capital costs for the 2016 Gas Supply Program placeholder. The Commission notes that the refund has been included in the applied-for 2016 K factor true-up.[53]

99. At paragraphs 298 and 299 of Decision 20522-D02-2016, the Commission accepted that the BWM Gas Supply Project will be required, based on the evidence that had been filed by AltaGas at that time, including the fact that the estimated project cost of $3.1 million would impose some level of hardship on AltaGas. The Commission notes that, in that decision, the Commission accepted AltaGas' evidence that it did not file a business case on the basis that doing so could affect its negotiation leverage. Based on the update provided in the application, AltaGas continues to expect that a BWM area gas supply solution will ultimately be required but is uncertain of the timing and the exact nature of the solution due to unknowns with the upstream gas supplier.

100. Given that a full business case for the BWM Gas Supply Project remains outstanding, evidence that the ongoing or recurring project or program is no longer required may arise when AltaGas files it business case for the BWM Project. In addition, in the absence of a business case, the Commission confirms that no determination has been made as to whether the BWM Gas Supply Project qualifies for capital tracker treatment. Parties will be afforded an opportunity to test the business case for this project once it is filed.

7.3.2 Gas Supply Program trailing costs

101. The application includes trailing costs incurred in 2014 associated with two gas supply capital tracker projects previously approved on a forecast basis by the Commission in prior capital tracker decisions.

102. AltaGas provided information detailing the 2016 trailing costs for both of the gas supply projects. AltaGas provided trailing costs, the specific year to which those trailing costs relate, trailing cost explanations on a program level and explanations for projects on an individual level. The Commission has assembled the table below based on the information provided by AltaGas.

Table 10. Gas Supply Program trailing costs

Line	Prior years' project	Labour	Other contractor	Overhead	Total
		($)			
1	2013 AT078 (Suncor)	75	2,370	133	2,578
2	2013 St. Paul Cork Hall	1,528	48,622	2,735	52,885
3	Total trailing costs	**1,603**	**50,992**	**2,868**	**55,463**

Source: Exhibit 22710-X0007, application, paragraph 368.

Commission findings

103. At paragraph 113 of Decision 2014-373, the Commission directed AltaGas to identify the specific prior-year projects to which the trailing costs relate, identify the activities that gave rise to the trailing costs, and fully support the prudence of the requested trailing cost amounts.

53 Exhibit 22710-X0002, supporting schedules to the application, schedules 4.0 and 5.0.

Based on the information provided by AltaGas in support of its trailing costs, the Commission considers that AltaGas has complied with this direction.

104. Further, the Commission has reviewed AltaGas' trailing cost explanations and finds that there is sufficient evidence on the record of the proceeding to conclude that the trailing costs for projects in the Gas Supply Program, as shown in Table 10 above, were prudently incurred. Accordingly, the Commission approves the inclusion of these trailing costs as part of project total costs for the purposes of the K factor calculation.

8 Accounting test under Criterion 1

8.1 Accounting test for the 2016 true-up

105. As explained in Decision 2013-435, the purpose of the accounting test is to determine whether a project or program (depending on the approved level of grouping) proposed for capital tracker treatment is outside the normal course of the company's ongoing operations. This is achieved by demonstrating that the associated revenue provided under the I-X mechanism would not be sufficient to recover the entire revenue requirement associated with the prudent capital expenditures for the program or project.[54]

106. The first component of the accounting test, the calculation of revenue provided under the I-X mechanism, and the second component, AltaGas' calculation of the revenue requirement associated with the 2016 actual capital additions, were provided in the supporting schedules to the application.[55]

107. For the 2016 capital tracker true-up, AltaGas used the following assumptions in its accounting test:

Table 11. AltaGas' 2016 capital tracker true-up accounting test assumptions

2016 I-X index[56]	0.90%
2016 Q factor[57]	1.36%
Weighted average cost of capital (WACC) rate embedded in AltaGas' going-in rates used in the first component of the accounting test	6.708%
Actual 2016 WACC rate used in the second component of the accounting test[58]	6.120%

108. Specifically, the 2016 I-X index of 0.90 per cent was approved in Decision 20823-D01-2015.[59] The 2016 Q factor of 1.36 per cent was based on a billing determinants forecast approved in the same decision. AltaGas' actual 2016 WACC rate of 6.120 per cent is based on the actual cost of debt of 4.541 per cent, the approved equity thickness of 41 per cent and the approved return on equity (ROE) of 8.3 per cent, as determined in the 2016 generic cost of capital

54 Decision 2013-435, paragraphs 149-150.
55 Exhibit 22710-X0002.
56 Exhibit 22710-X0002, Schedule 9.0.
57 Exhibit 22710-X0002, Schedule 9.0.
58 Exhibit 22710-X0002, schedules 3.0 and 9.1.
59 Decision 20823-D01-2015: AltaGas Utilities Inc., 2016 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 20823, December 16, 2015.

Decision 20622-D01-2016.[60] AltaGas' actual 2016 cost of debt of 4.541 per cent, as reported in its 2016 Rule 005 filing, is a blend of its new $45 million long-term debt issued in 2016 with a coupon rate of 4.20 per cent, and rates for six prior debt issues dating back to 2009.[61]

109. No intervener raised issues with any of the above assumptions in AltaGas' accounting test.

Commission findings

110. The Commission has reviewed AltaGas' schedules that make up its accounting test analysis for the purposes of the 2016 capital tracker true-up and finds these schedules to be reasonable and generally consistent with the accounting test methodology approved in Decision 2013-435. The Commission has verified AltaGas' WACC, I-X and Q factor assumptions used in the first component of the accounting test, and finds that AltaGas used the correct values.

111. Therefore, the Commission finds AltaGas' 2016 actual WACC of 6.120 per cent used in the second component of its accounting test, based on the 2016 actual cost of debt of 4.541 per cent, as well as the approved equity thickness of 41 per cent and the approved ROE of 8.3 per cent from Decision 20622-D01-2016, to be reasonable.

112. For the reasons above, the Commission is satisfied that AltaGas' accounting test model sufficiently demonstrates that all of the actual expenditures for a capital project are, or a portion is, outside the normal course of the company's ongoing operations, as required to satisfy the accounting test component of Criterion 1. The Commission's determinations on whether AltaGas' programs or projects proposed for capital tracker treatment in 2016 on an actual basis satisfy both the accounting test and the project assessment components of Criterion 1 are set out below.

8.2 Commission's conclusions on Criterion 1

113. In Section 9 of this decision, based on the project assessment under Criterion 1, the Commission approved the scope, level, timing and the prudence of actual capital additions for each ongoing project or program that AltaGas proposed for capital tracker treatment on an actual basis for 2016. In Section 10.1, the Commission determined that all of AltaGas' actual expenditures for a capital project are, or a portion is, outside the normal course of the company's ongoing operations, as required to satisfy the accounting test component of Criterion 1. Accordingly, subject to the Commission's direction in Section 11 and Appendix 4 of this decision with respect to item 1.c. from Appendix 3 to Decision 3558-D01-2015 regarding the capital cost allowance reconciliation, the Commission finds that AltaGas' programs or projects proposed for capital tracker treatment in 2016 on an actual basis satisfy the project assessment requirement of Criterion 1.

60 Decision 20622-D01-2016: 2016 Generic Cost of Capital, Proceeding 20622, October 7, 2016.
61 AltaGas' 2016 Rule 005 filing, schedules 2 and 2.3.

9 Criterion 2 – ordinarily the project must be for replacement of existing capital assets or undertaking the project must be required by an external party

114. As set out in Section 4 of this decision, for the purposes of the true-up of the 2016 capital tracker programs or projects for which the Commission undertook and approved the assessment against the Criterion 2 requirements in Decision 20522-D02-2016, there is no need to undertake a reassessment of the project or program against the Criterion 2 requirements unless the driver for the project or program has changed. In the application, AltaGas confirmed that there are no changes to the drivers of any of its previously approved capital tracker programs, as shown in Table 12 below.[62]

Table 12. Criterion 2 categories for AltaGas' capital tracker programs

Program name	Criterion 2 category
Pipe Replacement	Replacement
Station Refurbishment	Replacement
Gas Supply	External party driven/replacement

115. The interveners did not raise any issues with AltaGas' programs continuing to satisfy the requirements of Criterion 2.

Commission findings

116. Consistent with the determinations in Section 4 of this decision, because the driver or drivers (e.g., replacement of existing assets, external party, growth) for each project or program included in AltaGas' 2016 capital tracker true-up have not changed since the Commission undertook and approved proposed capital tracker projects and programs against the Criterion 2 requirements in Decision 20522-D02-2016, there is no need to undertake a reassessment of these programs or projects against the Criterion 2 requirements.

117. As noted above, AltaGas has included in the application three projects, Drumheller Phase 6 (town), Settler Area 1 (town), and Erskine (rural), that were not previously applied for on a forecast basis. The three projects are part of the Pipeline Replacement Program. Given AltaGas' confirmation that there are no changes to the drivers of any of its previously approved capital tracker programs, the Commission is satisfied that these three projects satisfy the requirements of Criterion 2.

10 Criterion 3 – the project must have a material effect on the company's finances

118. Section 10 of this decision addressed AltaGas' accounting test, which determines whether all of the actual expenditures for a capital project are, or a portion is, outside the normal course of the company's ongoing operations, as required to satisfy Criterion 1. This is established by demonstrating that the associated revenue provided under the I-X mechanism would not be sufficient to recover the entire revenue requirement associated with the prudent capital expenditures for the program or project proposed for capital tracker treatment.

62 Exhibit 22710-X0007, application, paragraph 29.

119. In accordance with the Commission's determinations in Decision 2013-435, the portion of the revenue requirement for a project or program proposed for capital tracker treatment that is not funded under the I-X mechanism in a PBR year, calculated as part of the accounting test, is then assessed against the two-tiered materiality test under Criterion 3. The first tier of the materiality threshold, a "four basis point threshold," is applied at a project level, grouped in the manner approved by the Commission. The second tier of the materiality threshold, a "40 basis point threshold," is applied to the aggregate revenue requirement proposed to be recovered by way of all capital trackers.[63]

120. In Decision 2013-435, the Commission calculated the four basis point threshold and the 40 basis point threshold based on the dollar value of AltaGas' ROE in 2012. The Commission indicated that in subsequent PBR years, the four basis point threshold and the 40 basis point threshold are to be calculated by escalating the 2012 amount by I-X.[64]

121. For the 2016 capital tracker true up, AltaGas used a 2016 four basis point threshold of $32,580 calculated by escalating the 2012 amount by the approved 2013, 2014, 2015 and 2016 I-X index values. Using the same methodology resulted in a 40 basis point threshold of $325,802 for 2016.[65] AltaGas then assessed each of the capital tracker projects included in the 2016 true-up against the four basis point threshold and the total K factor request against the 40 basis point threshold. AltaGas demonstrated that its proposed capital tracker projects or programs exceed these materiality thresholds for K factor treatment on an actual basis for 2016.[66]

122. No party took issue with AltaGas' calculation of its materiality thresholds under Criterion 3.

Commission findings

123. The Commission has reviewed AltaGas' calculations, and is satisfied that AltaGas has interpreted and applied the Criterion 3 two-tiered materiality test correctly for the purposes of its 2016 capital tracker true-up, based on the projects and assumptions included in the application. The Commission finds that each of AltaGas' proposed capital tracker programs for 2016 exceed the materiality thresholds, and therefore satisfy Criterion 3.

11 Compliance with previous Commission directions

124. In Decision 2013-435, Decision 2014-373, and Decision 21627-D01-2016, the Commission provided a number of directions to AltaGas that were applicable to its future capital tracker applications or other PBR-related applications. In Decision 3434-D01-2015[67] and in Decision 3558-D01-2015, the Commission also provided clarifications on the capital tracker mechanism and issued a number of related directions to companies under PBR, including AltaGas.

63 Decision 2013-435, paragraphs 382-385.
64 Decision 2013-435, paragraphs 378 and 384.
65 Exhibit 22710-X0002, Schedule 8.1.
66 Exhibit 22710-X0007, application, paragraph 45; Exhibit 22710-X0002, Schedule 8.0.
67 Decision 3434-D01-2015: Distribution Performance-Based Regulation, Commission-Initiated Review of Assumptions Used in the Accounting Test for Capital Trackers, Proceeding 3434, Application 1610877-1, February 5, 2015.

125. AltaGas addressed the Commission's directions, as summarized in Appendix 4 to this decision.[68] AltaGas also provided a summary table of concordance to demonstrate compliance with each of the minimum filing requirements prescribed in Decision 3558-D01-2015.[69]

126. Other than as specifically mentioned in the above sections, no party challenged AltaGas' compliance with these previous directions.

Commission findings

127. In previous sections of this decision, the Commission dealt with AltaGas' compliance with certain directions from Decision 21627-D01-2016.

128. The Commission has reviewed AltaGas' responses to the Commission's directions that were not specifically addressed in the previous sections of this decision and is generally satisfied that AltaGas has complied with these directions in the application, with one exception: item 1.c. from the revised minimum filing requirements as set out in Appendix 3 to Decision 3558-D01-2015. Under item 1.c., the Commission requires evidence that the capital cost allowance amounts have been reconciled with the amounts filed by AltaGas with the CRA. AltaGas stated, "AUI will submit evidence of reconciliation when 2016 amounts have been filed with the CRA (due June 30, 2017.)"[70] However, similar to the finding and direction made by the Commission at paragraph 373 of Decision 20522-D02-2016 and paragraph 310 of Decision 21627-D01-2016, no evidence that the capital cost allowance amounts have been reconciled with the amounts filed with the CRA has been filed on the record of this proceeding. Accordingly, for purposes of regulatory efficiency, AltaGas is directed to fulfill this requirement at the time of its next capital tracker true-up application.

12 K factor calculations for 2016 true-up

129. As set out in Table 1 in Section 5 of this decision, the 2016 K factor true-up resulting from this application is a $513,259 refund to customers. AltaGas indicated that it will refund this amount to customers as part of either its application to establish the 2018 PBR rates or a subsequent Rate Rider F deficiency/surplus application.

130. There were no objections to AltaGas' calculation of the 2016 K factor true-up amount. However, the UCA noted that in certain prior Commission decisions for other distribution utilities under the PBR plan approved in Decision 2012-237,[71] the K factor true-up amounts have been subject to carrying charges pursuant to Rule 023: *Rules Respecting Payment of Interest*. The UCA recommended that carrying costs should similarly be applied to the refund associated with AltaGas' 2016 K factor true-up amount.[72]

68 Exhibit 22710-X0007, application, Appendix III.
69 Exhibit 22710-X0007, application, Appendix I.
70 Exhibit 22710-X0007, application, Appendix I, page 1.
71 Decision 20351-D01-2015: FortisAlberta Inc., 2013-2015 Capital Tracker Compliance Filing, Proceeding 20351, September 23, 2015; Decision 20559-D01-2015: EPCOR Distribution & Transmission Inc., 2013 and 2015 K Factor True-Up Rider, Proceeding 20559, September 24, 2015; Decision 21980-DOI-2016: FortisAlberta Inc., 2017 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 21980, December 23, 2016.
72 Exhibit 22710-X0030, UCA argument, paragraphs 7-13.

131. AltaGas submitted that it did not apply to refund the carrying charges on the 2016 K factor true-up amount based on a Commission direction in Decision 2014-357. AltaGas proposed that the refund and any Commission-directed carrying charges be submitted as part of AltaGas' annual PBR rate adjustment filing or in a future Rider F application.

Commission findings

132. The Commission has reviewed AltaGas' calculations and finds that AltaGas' methodology to determine the 2016 K factor true-up amount satisfies the requirements set out in Decision 2012-237 and Decision 2013-435. The 2016 K factor true-up refund amount of $513,259 is approved. The Commission further approves AltaGas' proposal to refund this amount as part of either AltaGas' application to establish the 2018 PBR rates or in its next Rate Rider F application, whichever occurs first.

133. The Commission is mindful that ATCO Electric Ltd., ATCO Gas, EPCOR Distribution & Transmission Inc., and FortisAlberta Inc. use, or have been directed to use, Rule 023 in the calculation of carrying charges for their K factor true-up. The Commission agrees with the UCA that carrying costs should be applied to K factor true-up amounts on a consistent basis among all distribution utilities subject to the same PBR plan. The Commission notes that the regulatory lag and materiality requirements of Rule 023 do not apply for K factors.[73] Accordingly, the Commission directs AltaGas to calculate and include a Rule 023 carrying charges component when AltaGas applies for its 2016 K factor true-up amount to be refunded to customers.

[73] See, for example, Decision 20351-D01-2015: FortisAlberta Inc., 2013-2015 Capital Tracker Compliance Filing, Proceeding 20351, September 23, 2015, paragraph 76.

13 Order

134. It is hereby ordered that:

(1) AltaGas Utilities Inc.’s 2016 K factor true-up refund amount of $513,259 is approved and is to be refunded to customers in accordance with the directions contained within this decision.

Dated on November 23, 2017.

Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

(original signed by)

Bill Lyttle
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) 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 M. Kolesar, Vice-Chair B. Lyttle, Commission Member Commission staff J. Graham (Commission counsel) P. Howard N. Mahbub P. Genderka

Appendix 2 – Summary of Commission directions

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

1. The Commission has reviewed AltaGas' responses to the Commission's directions that were not specifically addressed in the previous sections of this decision and is generally satisfied that AltaGas has complied with these directions in the application, with one exception: item 1.c. from the revised minimum filing requirements as set out in Appendix 3 to Decision 3558-D01-2015. Under item 1.c., the Commission requires evidence that the capital cost allowance amounts have been reconciled with the amounts filed by AltaGas with the CRA. AltaGas stated, "AUI will submit evidence of reconciliation when 2016 amounts have been filed with the CRA (due June 30, 2017.)" However, similar to the finding and direction made by the Commission at paragraph 373 of Decision 20522-D02-2016 and paragraph 310 of Decision 21627-D01-2016, no evidence that the capital cost allowance amounts have been reconciled with the amounts filed with the CRA has been filed on the record of this proceeding. Accordingly, for purposes of regulatory efficiency, AltaGas is directed to fulfill this requirement at the time of its next capital tracker true-up application. .... Paragraph 128

2. The Commission is mindful that ATCO Electric Ltd., ATCO Gas, EPCOR Distribution & Transmission Inc., and FortisAlberta Inc. use, or have been directed to use, Rule 023 in the calculation of carrying charges for their K factor true-up. The Commission agrees with the UCA that carrying costs should be applied to K factor true-up amounts on a consistent basis among all distribution utilities subject to the same PBR plan. The Commission notes that the regulatory lag and materiality requirements of Rule 023 do not apply for K factors. Accordingly, the Commission directs AltaGas to calculate and include a Rule 023 carrying charges component when AltaGas applies for its 2016 K factor true-up amount to be refunded to customers. .... Paragraph 133

Appendix 3 – AltaGas' prior capital tracker-related proceedings

(return to text)

1. Because the 2013 capital trackers proceeding leading to Decision 2013-435[1] was ongoing at the time, in Decision 2013-072,[2] the Commission approved, on an interim basis, a 2013 capital tracker placeholder (K factor) for AltaGas, equal to 60 per cent of the applied-for K factor amount. As a result, AltaGas was directed to include in its 2013 PBR rates, a K factor placeholder of $0.60 million on an interim basis.

2. Interim K factor placeholders were similarly approved by the Commission for each of 2014, 2015, 2016 and 2017. Specifically, in Decision 2013-465, the Commission approved, a 2014 K factor placeholder in the amount of $1.23 million to be included in AltaGas' 2014 PBR rates, based on 60 per cent of the proposed 2014 K factor.[3] In Decision 2014-357, the Commission approved a 2015 K factor placeholder in the amount of $3.14 million to be included in AltaGas' 2015 PBR rates, based on 90 per cent of the proposed 2015 K factor and 100 per cent of the proposed 2013 K factor true-up.[4] In Decision 20823-D01-2015,[5] the Commission approved a 2016 K factor placeholder in the amount of $4.86 million to be included in AltaGas' 2016 PBR rates, based on 90 per cent of the proposed 2016 K factor and 100 per cent of the proposed 2014 K factor true-up.[6] In its 2017 annual PBR rate adjustment application, AltaGas requested a 2017 K factor placeholder in the amount of $8.15 million to be included in its 2017 PBR rates, based on the $8.30 million 2017 forecast K factor approved in Decision 21380-D01-2016,[7] and the 2015 K factor true-up amount applied for in Proceeding 21627.

3. In Decision 2013-435, the Commission approved AltaGas' forecast projects for capital tracker treatment, for a 2013 K factor forecast amount of $1.03 million,[8] to be recovered from customers on an interim basis pending future true-up proceedings. In Decision 2014-180, the Commission approved the collection by AltaGas of the $0.43 million difference between the 60 per cent placeholder and the approved K factor forecast amount for 2013.[9]

4. Decision 2014-373[10] dealt with AltaGas' 2013 true-up and 2014-2015 forecast capital tracker applications. The 2013 K factor true-up amount and 2014-2015 K factor forecast amounts

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

[2] 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.

[3] Decision 2013-465: AltaGas Utilities Inc. 2014 Annual PBR Rate Adjustment Filing, Proceeding 2831, Application 1609923-1, December 23, 2013, paragraphs 99-100.

[4] Decision 2014-357: AltaGas Utilities Inc., 2015 Annual PBR Rate Adjustment Filing, Proceeding 3408, Application 1610838-1, December 18, 2014, paragraph 79.

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

[6] Decision 20823-D01-2015, paragraph 65.

[7] 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.

[8] Paragraph 600.

[9] Decision 2014-180: AltaGas Utilities Inc., 2013 Net Deficiency and Rider F, Proceeding 3055, Application 1610297-1, June 20, 2014.

[10] Decision 2014-373: AltaGas Utilities Inc., 2014-2015 Capital Tracker Application and 2013 Capital Tracker True-up Application, Proceedings 3152 and 3244, Applications.1610446-1 and 1610600-1, December 24, 2014.

were approved in the compliance filing Decision 20176-D01-2015.[11] As set out in that decision, the Commission approved a total 2013 K factor true-up refund amount of $0.27 million. The Commission also approved the 2014 and 2015 forecast total K factor true-up amounts, a collection of $1.98 million and $3.45 million, respectively.

5. In Decision 20695-D01-2015,[12] the Commission approved AltaGas' application to collect a net deficiency of $0.91 million, consisting of a 2013 capital tracker K factor true-up adjustment surplus, a 2014 capital tracker K factor true-up adjustment deficiency and a 2015 capital tracker K factor true-up adjustment deficiency, as determined in Decision 20176-D01-2015.[13]

6. Decision 20522-D02-2016[14] dealt with AltaGas' 2014 true-up and 2016-2017 forecast capital tracker applications. The 2014 K factor true-up amount and 2016-2017 K factor forecast amounts were approved in the compliance filing Decision 21380-D01-2016. As set out in that decision, the Commission approved a total 2013 K factor true-up refund amount of $0.27 million. The Commission also approved the 2014 and 2015 forecast total K factor true-up amounts, a collection of $1.98 million and $3.45 million, respectively.

7. In Decision 21898-D01-2016,[15] the Commission approved AltaGas' application to collect a net deficiency of $0.77 million, consisting of a 2013 Y factor true-up deficiency, a 2014 K factor true-up deficiency, and a 2016 K factor adjustment net deficiency, as determined in Decision 21380-D01-2016.

8. Finally, in Decision 21627-D01-2016 dealt with AltaGas' 2015 true-up application. As set out in that decision, the Commission approved a total 2015 K factor true-up refund amount of $0.15 million. AltaGas included the $0.15 million in its Proceeding 21987 application and the Commission approved the applied-for amount in Decision 21987-D01-2016.

11 Decision 20176-D01-2015: AltaGas Utilities Inc., Compliance Filing Pursuant to Decision 2014-373 (2014-2015 Capital Tracker Forecast and 2013 Capital Tracker True-up), Proceeding 20176, June 25, 2015.

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

13 Decision 20176-D01-2015: AltaGas Utilities Inc. Compliance Filing Pursuant to Decision 2014-373 (2014-2015 Capital Tracker Forecast and 2013 Capital Tracker True-up), Proceeding 20176, June 25, 2015.

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

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

Appendix 4 – AltaGas' compliance with prior Commission directions

(return to text)

	Decision reference	Direction	Application reference
1	Decision 2013-435,[1] paragraph 1074	Given that annual actual capital expenditure information may not be publically available until the May AUC Rule 005 filings, the Commission is modifying the direction set out in paragraph 975 of Decision 2012-237 requiring the inclusion of a true-up of the costs of capital tracker projects that have been completed since the prior year's capital tracker filing in the annual March 1 capital tracker application. Commencing in 2015, the companies shall file by May 15th in each year a separate application to true-up the costs of capital tracker projects that have been completed since the prior year's capital tracker filing. For all capital tracker projects that have not been completed, the companies shall also file actual expenditures to December 31of the prior year and a forecast to completion. The companies shall continue to file their capital tracker applications for the upcoming year by March 1 of the preceding year.	Exhibit 22710-X0003, Attachment 1, 2016 Capital Tracker Project Status Directive, provides the 2016 additions, including direct and overhead components and variance calculations. The total costs are also provided, including direct and overhead components, incurred in 2016 and forecast for 2017, in relation to projects approved for completion in 2016, but deferred to 2017 or subsequent years.
2	Decision 2014-373,[2] paragraph 113	In order to demonstrate the prudence of the trailing costs, the Commission agreed with the UCA that the company should be required to show the prior year trailing costs clearly in its capital tracker true-up applications. In future capital tracker true-up applications, the Commission directed AltaGas to identify the specific prior-year projects to which the trailing costs relate, identify the activities that give rise to the trailing costs, and fully support the prudence of the requested amounts.	Exhibit 22710-X0007, application: 2016 Pipe Replacement Program: • Section 2.3.5 - Pre-1957 Steel • Section 2.4.3 – PVC • Section 2.5.4 – Non-Certified PE 2016 Station Refurbishment Program: • Section 3.7 - Stations 2016 Gas Supply Program: • Section 4.2 – Gas Supply

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

2 Decision 2014-373: AltaGas Utilities Inc., 2014-2015 Capital Tracker Application and 2013 Capital Tracker True-up Application, Proceedings 3152 and 3244, Applications1610446-1 and 1610600-1, December 24, 2014.

	Decision reference	Direction	Application reference
3	Decision 2014-373, paragraph 115	The Commission accepted AltaGas' explanation for the gas supply trailing costs, and finds these trailing costs to have been prudently incurred. Given that the remaining costs are immaterial, the Commission was willing to approve the unexplained trailing costs for the purposes of this decision. However, in future applications, AltaGas was directed to provide the justifications for all trailing costs identified in the application.	Same as above reference
4	Decision 2014-373, paragraph 146	The Commission noted that the Morinville (five km) project was completed in 2013 below the forecast approved in Decision 2013-435. A variance explanation was not provided. Given that the project was completed under budget, the Commission approved this project, as filed. However, for the purposes of achieving symmetry in cost variance explanations, the Commission directed AltaGas, in future capital tracker true-up applications, to explain negative variances that exceed the company's variance threshold of $10,000 or 10 per cent.	Exhibit 22710-X0007, application: • Section 1.7 AltaGas has used AUC Rule 005 as a guideline in establishing thresholds for project variance explanations, similar to those used by the ATCO Utilities.
5	Decision 2014-373, paragraph 247	With regards to stations PMS-BO002 & AT036, the Commission noted that the variances were primarily due to actual costs incurred in 2012 as work in progress, but not reflected as 2013 forecast capital additions. The Commission accepted that this was a forecasting oversight and approved the costs of the stations as filed in the application. However, for future applications, the Commission directed AltaGas to be mindful in accounting for all work in progress in forecast capital additions along with detailed information justifying the costs.	Exhibit 22710-X0007, application: AltaGas has complied with this direction by including work in progress in forecast capital additions.

	Decision reference	Direction	Application reference
6	Decision 2014-373, paragraph 280	The Commission was in agreement with the CCA that the explanations were lacking in detail, making it difficult to assess the reasonableness of the costs. Therefore, in future capital tracker applications, when there is a difference in forecast or actual costs between a particular station and the standard station, AltaGas was directed to include a table similar to the one provided in AUC-AUI-11 showing the build-up of project costs for each station and comparing it to the build-up of project costs in a standard station. The Commission also directed AltaGas to include information that explained the difference between the variance in costs from a standard station.	Exhibit 22710-X0007, application: • Sections 3.4 - 3.6 Exhibit 22710-X0004, Attachment 2, Stations Refurbishment vs Replacement: A comparison of standard, forecast and actual stations by year and station type.
7	Decision 2014-373, paragraph 284	AltaGas' 2014 and 2015 forecast capital additions associated with this program were provided in tables 24 and 25. The Commission reviewed the information supporting AltaGas' forecasts and generally found the individual project and total annual cost forecast to be reasonable. However, since the scope of each station refurbishment or replacement varied, where in some cases regulators and valves were replaced, while in others, the entire above-ground facilities required replacement, the Commission found that the alternatives for replacement or refurbishment, including all costs, should be explored in the business case for each station so that the Commission was assured that each station was being refurbished or replaced prudently. For each of the 2014-2015 station refurbishments or replacements, AltaGas was directed to provide this type of information in the applications where the costs are trued-up to actual.	Exhibit 22710-X0007, application: • Sections 3.4 - 3.6 Exhibit 22710-X0004, Attachment 2, Stations Refurbishment vs Replacement: Summary of the rationale for replacement versus refurbishment, on a forecast and actual project basis.

	Decision reference	Direction	Application reference
8	Decision 2014-373, paragraph 308	AltaGas' 2014 forecast capital additions associated with the gas supply program were \$3.64 million. AltaGas' 2015 forecast capital additions associated with this program were provided in Table 28. The Commission reviewed the information supporting AltaGas' forecasts and generally found the individual projects and total annual cost forecast were reasonable. However, the Commission considered that the cost of these gas supply projects were considerable and, therefore, the Commission required additional detail in the future. Although the projects tended to be unique in nature, for future applications the Commission directed AltaGas to provide information describing how the project costs compared to similar projects over at least the last five years, and to break down the forecast costs into unit costs for gas supply, similar to that addressed in the pipeline replacement and station refurbishment sections above, and for any other categories of work that AltaGas deemed to be relevant in explaining the project.	Exhibit 22710-X0005, application, Attachment 3, Comparison of Actual and Forecast Additions
9	Decision 2014-373, paragraph 345	In subsequent capital tracker true-up applications, the Commission directed AltaGas to address whether the driver for any of the previously approved forecast projects or programs had changed, so as to warrant a reassessment under Criterion 2. In the event that the driver of the project or program had changed since the forecast project or program was approved, AltaGas was directed to identify such projects and programs and to provide evidentiary support that the project or program continued to satisfy the requirements of Criterion 2.	Exhibit 22710-X0007, application: • Section 1.3

	Decision reference	Direction	Application reference
10	Decision 2014-373, paragraph 391	In future capital tracker applications, to demonstrate the reasonableness and prudence of overhead costs, AltaGas was directed to provide its overhead calculations separately, identifying a line item for each of the specific items indicated in its response to CCA-AUI-2(b) in Proceeding No. 3244. The company was also directed to be prepared to explain any significant year-over-year changes in the items that made up the overhead pool. To the extent that a company limits the year-over-year increases to an item in the overhead pool to I-X, as AltaGas had done with inter-affiliate costs, the Commission considered that to be a reasonable approach for capital tracker purposes. However, a company was not required to limit its increases to its overhead items to I-X if it could demonstrate that an increase in excess of this amount was prudent.	Exhibit 22710-X0007, application: • Section 1.7.2 Exhibit 22710-X0002, Appendix VI: • Schedule 9.3
11	Decision 3434-D01-2015, paragraph 89	In Section 3.2 of Decision 3434-D01-2015, the Commission directed the companies to use their forecast cost of embedded debt in calculating the forecast revenue requirement associated with a proposed capital tracker in the second component of the accounting test, to reflect the correct funding requirements associated with expenditures made on capital tracker projects. Similarly, the Commission found that the forecast cost of embedded debt should be trued-up to the actual cost of embedded debt incurred by the utility in the year for which the capital tracker was approved. The Commission agreed with Calgary that the embedded debt rate used in the second component of the accounting test in the true-up process should match the rate that appears on the company's Rule 005 filing from the associated year, and if it does not match, the Commission directed the company to provide an explanation of why it does not match, in its capital tracker true-up application.	Exhibit 22710-X0002, Appendix VI • Schedule 9.1

	Decision reference	Direction	Application reference
12	Decision 3434-D01-2015, paragraph 92	The Commission directed that in capital tracker true-up applications, for the second component of the accounting test, a company's WACC would reflect the company's current embedded debt rate based on its actual debt issues, and would use the ROE and capital structure for the year, as approved in the most recent Commission decision establishing the deemed ROE and capital structure for the company.	Exhibit 22710-X0002, Appendix VI • Schedules 2.0, 2.1, 2.1 and 2.3
13	Decision 3558-D01-2015,[3] Appendix 3	**Appendix 3 – Minimum filing requirements** … the AUC set out the revised minimum filing requirements companies must comply with in their capital tracker true-up and capital tracker forecast applications.	Exhibit 22710-X0007, application, Appendix I. AltaGas has not yet complied with Section 1c.

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

	Decision reference	Direction	Application reference
14	Decision 21627-D01-2016, paragraph 35	The Commission reviewed AltaGas' description of the nature, scope and timing of non-capital tracker projects, provided for better understanding of the proposed grouping of capital projects and programs for capital tracker treatment, and found that AltaGas has only partially complied with the direction at paragraph 50 and Appendix 3 of Decision 3558-D01-2015. AltaGas provided, in Excel format with linked and working formulas, the actual capital additions for all programs, including supporting calculations and a breakdown of the amount of depreciation, overheads and income tax allocated to each capital tracker program and non-capital tracker program reconciled to the total amount of depreciation, overheads and income tax for all projects and programs. AltaGas did not provide a description of all non-capital tracker projects or programs that adequately describe, for the purpose of understanding project or program groupings, the nature and purpose of the proposed program. In Appendix I to the application, AltaGas described this non-capital tracker project requirement as "not relevant to the 2015 capital tracker true-up application." Since AltaGas provided these program descriptions in its application for the 2015 forecast capital trackers, for the purposes of this decision, the Commission was willing to dispense with the requirement but reminded AltaGas that, as per page 5 of Appendix 3 to Decision 3558-D01-2015, project descriptions are a minimum filing requirement that need to be included with each capital tracker application for better understanding of the proposed grouping of capital projects and programs for capital tracker treatment. Accordingly, AltaGas was directed to provide a description of all noncapital tracker projects or programs pursuant to the Commission's requirements as set out in Appendix 3 to Decision 3558-D01-2015, at the time of its next capital tracker true-up application.	Exhibit 22710-X0007, application, Appendix II - Description of Non-Capital Tracker Projects and Programs.

	Decision reference	Direction	Application reference
15	Decision 21627-D01-2016, paragraph 59	With respect to the Blaine Hochstein project, the Commission was unable to find a previous application for a project by this name or an approval of a project by this name in Decision 2013-435 on a forecast basis, or in Decision 2014-373 on a true-up basis. It was also not approved on a true-up basis as a 2013 project in Decision 20522-D02-2016 or in Decision 2012-091. Further, AltaGas did not provide a variance explanation specifically for these trailing costs. Therefore, the Commission could not, at that point, approve this project or the project's trailing costs on a final basis. AltaGas was directed to remove all costs associated with this project from its 2015 actual K factor at the time of its next Rate Rider F application or capital tracker true-up application, whichever occurred first.	Exhibit 22710-X007, Section 2.4.5.
16	Decision 21627-D01-2016, paragraph 229	With respect to costs claimed for the decommissioning of the PRS stations, for the purposes of this decision and for regulatory efficiency, the Commission was prepared to approve these costs on an interim basis, on the assumption that: (a) the actual number of decommissioned PRS stations was 11; (b) the actual decommissioning costs did not vary significantly from the forecast costs of \$13,100 per station, for a total cost of \$144,000; and (c) the decommissioning costs were absorbed into the other PRS station costs. Accordingly, AltaGas was directed to confirm, in its next capital tracker true-up application, the number of PRS stations decommissioned, the actual decommissioning costs per station, and whether these costs were in fact absorbed into the other PRS station costs.	Exhibit 22710-X007, Appendix III, Responses to AUC Directions, Section 1.16.
17	Decision 21627-D01-2016, paragraph 300	With respect to previously-approved 2016 or 2017 K factor amounts that have changed as a result of the deferral of the Pickardville line, AltaGas was directed to reflect these changes in its capital tracker true-up applications.	Exhibit 22710-X007, Appendix III, Responses to AUC Directions, Section 1.17.

	Decision reference	Direction	Application reference
18	Decision 21627-D01-2016, paragraph 310	The Commission reviewed AltaGas' responses to the Commission's directions that were not specifically addressed in the previous sections of this decision and was generally satisfied that AltaGas had complied with these directions in the application, with one exception, item 1.c. from the revised minimum filing requirements set out in Appendix 3 to Decision 3558-D01-2015. Under item 1.c., the Commission requires evidence that the capital cost allowance amounts have been reconciled with the amounts filed by AltaGas with the CRA, AltaGas stated "AUI will submit evidence of reconciliation when 2015 amounts have been filed with the CRA (due June 30, 2016.)." However, similar to the finding and direction made by the Commission at paragraph 373 of Decision 20522-D02-2016, no evidence that the capital cost allowance amounts have been reconciled with the amounts filed with the CRA had been filed on the record of this proceeding. Accordingly, for purposes of regulatory efficiency, AltaGas was directed to fulfill this requirement at the time of its next capital tracker true up application.	Exhibit 22710-X007, Appendix III, Responses to AUC Directions, Section 1.17. Exhibit 22710-X0006, Attachment 4, 2015 CCA Reconciliation to CRA Filing.