



**ATCO Pipelines, a division of ATCO Gas and
Pipelines Ltd.**

**Compliance Application to Decision 22011-D01-2017,
2017-2018 General Rate Application**

March 13, 2018

Alberta Utilities Commission

Decision 22986-D01-2018

ATCO Pipelines

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Proceeding 22986

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Published by the:

Alberta Utilities Commission

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ATCO Pipelines

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1 Introduction

1. On September 22, 2016, ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd., filed an application with the Alberta Utilities Commission requesting approval of its 2017-2018 general rate application (GRA). This application was addressed through a *full written process* that included two rounds of information requests (IRs), argument and reply argument (the original proceeding). On August 29, 2017, the Commission issued Decision 22011-D01-2017¹ where, at paragraph 636 of the decision, the Commission directed ATCO Pipelines to file a compliance application in accordance with the findings and directions of the decision by October 11, 2017. ATCO Pipelines filed its compliance application on October 2, 2017. In its compliance application, ATCO Pipelines requested approval and/or confirmation of:

- ATCO Pipelines' 2017-2018 forecast revenue requirements as final
- all outstanding 2017 and 2018 deferral account balances
- disposition of placeholder balances and
- compliance with directions from Decision 22011-D01-2017

2. The table below compares ATCO Pipelines' utility revenue requirement for 2017 and 2018 as reflected in its original application and its compliance filing:

Table 1. ATCO Pipelines 2017-2018 utility revenue requirement

	2017 update for generic cost of capital (GCOC) decision ¹	2017 compliance filing	2018 update for GCOC decision ¹	2018 compliance filing
	(\$000)			
Mid-year rate base	1,505,812	1,511,036	1,691,333	1,714,853
Rate of return	6.22%	6.22%	6.16%	6.17%
Return on rate base	93,594	94,011	104,205	105,763
Operating costs	67,836	67,413	70,543	69,922
Taxes other than income	18,266	18,266	18,750	18,750
Net depreciation expense	89,564	71,208	97,316	77,213
Income taxes	4,071	(2,373)	4,279	(2,603)
Total utility revenue requirement	273,331	248,525	295,093	269,044

Note 1: Exhibit 22011-X0057, AP-AUC-2016NOV18-003(a) Attachment.

¹ Decision 22011-D01-2017: ATCO Pipelines, 2017-2018 General Rate Application, Proceeding 22011, August 29, 2017.

3. The Commission issued notice of the application on October 3, 2017, with a deadline for statements of intent to participate (SIP) of October 13, 2017. In response to the notice, SIPs were filed by the Office of the Utilities Consumer Advocate (UCA) and the Consumers' Coalition of Alberta (CCA).

4. On October 17, 2017, the Commission set out an initial process schedule that included a round of IRs, IR responses, argument and reply argument.² The CCA submitted a request for an extension to the deadline for IRs on October 27, 2017,³ which the Commission granted on October 30, 2017.⁴ In accordance with the revised schedule, parties filed IRs on November 7, 2017. ATCO Pipelines requested an extension to the deadline to file IR responses,⁵ which the Commission granted on November 20, 2017.⁶ IR responses were filed on November 24, 2017. In accordance with the revised process schedule, parties submitted argument on December 8, 2017, and reply argument on December 22, 2017.

5. For purposes of this decision, the Commission considers the proceeding record to have closed on December 22, 2017.

6. In reaching the determinations contained within this decision, the Commission considered all relevant materials comprising the record of this proceeding and the record of the original proceeding, including arguments provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

2 Compliance with the Commission's directions from Decision 22011-D01-2017

7. The Commission is satisfied that the compliance application and subsequent IR responses adequately address and respond to directions 6, 7, 9, 10, 13, 14, 15, 19, 24, 25, 27, 30, 31, 32, 33, 34, 35, 37, 38, 39, 40, 41, 42, 43, 44 and 45, and reflect the findings from paragraphs 224 and 337 of Decision 22011-D01-2017. The Commission has determined that ATCO Pipelines has complied with these directions and findings, which are set out in [Appendix 3](#) of this decision.

8. The remaining outstanding directions 1, 2, 3, 4, 8, 12, 16, 21, 22, 23, 26, 28 and 29, which are intended for future GRAs or facility applications, are listed in [Appendix 4](#) and are not discussed further in the sections of this decision that follow.

9. In the sections that follow, the Commission considers certain issues that were identified by interveners or the Commission in this compliance proceeding, including ATCO Pipelines' compliance with directions 5, 11, 17, 18, 20 and 36 from Decision 22011-D01-2017 and Direction 2 from Decision 21831-D01-2017.⁷

² Exhibit 22986-X0007.

³ Exhibit 22986-X0008.

⁴ Exhibit 22986-X0009.

⁵ Exhibit 22986-X0013.

⁶ Exhibit 22986-X0014.

⁷ Decision 21831-D01-2017: ATCO Utilities (ATCO Gas and Pipelines Ltd., and ATCO Electric Ltd.), 2014-2018 Pension Application, Proceeding 21831, July 12, 2017.

2.1 Direction 5 - Weld Integrity Inspections and Replacements Program

10. Decision 22011-D01-2017, Direction 5, stated:

106. Given the level of uncertainty with regard to locations that need to be re-inspected, the Commission supports the need for additional status updates on the Weld Integrity expenditures and further evidence to decide whether a deferral account should be established if it is found to be the responsibility of ratepayers. Before rendering a decision regarding ATCO Pipelines' Weld Integrity Inspections and Replacements capital expenditures, ATCO Pipelines is directed to file the following information in its compliance filing to this decision:

- Status of any legal proceeding against third-party radiographic inspection companies.
- Confirm whether ATCO Pipelines' forecast 2016 capital expenditure has been included in ATCO Pipelines' 2017 opening rate base.
- Explain why these costs should be capitalized and not treated as an O&M [operation and maintenance] expense.
- Explain why these costs should be the responsibility of ratepayers.
- Whether the forecast weld integrity inspection should be subject to deferral account treatment.

Response to Direction 5

11. ATCO Pipelines advised that it has initiated litigation to pursue recovery of costs against the involved third-party radiographic inspection companies and individual radiographic technicians. ATCO Pipelines indicated that some discovery has been completed, with next steps including continuing questioning, arranging of expert evidence, and proceeding to trial. The parties are, in parallel, working toward a possible mediation.

12. ATCO Pipelines confirmed that its forecast 2016 capital expenditures related to the Weld Integrity Inspections and Replacements Program were included in its forecast 2017 opening rate base.⁸

13. In explaining why the Weld Integrity Inspections and Replacements Program expenditures should be capitalized, rather than treated as an O&M expense, ATCO Pipelines submitted that the costs to complete the required re-inspection and replacements are properly capitalized, and consistent with how it accounts for any rework required for capital projects (such as the originally completed radiographic inspections and repair on welds) prior to being placed into service.⁹

14. Further, ATCO Pipelines submitted that:

10. The test for what costs are appropriately recovered from customers in the course of providing utility service has been summarized by the Commission as follows:

⁸ Exhibit 22986-X001, application, paragraph 8.

⁹ Exhibit 22986-X001, application, paragraph 9.

...Rates must provide a utility with a reasonable opportunity to recover its prudently incurred costs and a reasonable return on its equity investment in assets used to provide utility services...¹⁰

15. ATCO Pipelines argued that its actions regarding the Weld Integrity Inspections and Replacements Program were prudent in that (i) it employed qualified welders to perform the primary welding work; (ii) it verified that the radiographers hired to review the welds were appropriately certified to perform that work; (iii) all welds passed subsequent hydrostatic testing at 140 per cent of maximum operating pressure (MOP), giving ATCO Pipelines no reason to suspect any welds were defective; (iv) the defective inspections were uncovered by ATCO Pipelines through the use of responsible quality control activities and record scanning processes, rather than through any in-service failures or incidents; (v) it promptly implemented an inspection and replacement program to address the defective work; (vi) the integrity costs are being prudently incurred by ATCO Pipelines in the provision of service to ensure compliance with code requirements related to the safe and reliable operation of its assets; (vii) costs to secure the radiographic inspection on new pipeline assets are appropriately included in ATCO Pipelines' revenue requirement, so should the costs to remedy the inadequate radiography; and (viii) any costs recovered by the ongoing legal action ATCO Pipelines has taken against the radiographers and radiographic contractors will go to the benefit of customers and will serve to reduce ATCO Pipelines' revenue requirement.¹¹

16. ATCO Pipelines noted that in past proceedings, such as Decision 2003-100,¹² the Commission has confirmed that it is reasonable to consider the following factors when evaluating the need for deferral accounts:

- materiality of the forecast amount
- uncertainty regarding accuracy and ability to forecast the amount
- whether or not the factors affecting the forecast are beyond the utility's control and
- whether or not the utility is typically at risk with respect to the forecast amount

17. ATCO Pipelines submitted that the forecast Weld Integrity Inspections and Replacements Program capital expenditures are not material in context to its revenue requirement and therefore deferral account treatment for these costs is not warranted.¹³

Views of parties

CCA

18. The CCA submitted that ATCO Pipelines is obligated as an operating company to maintain a safety and loss management system in accordance with Canadian Standards Association (CSA) Z662.¹⁴ The CCA maintained that from 2008 to 2015, ATCO Pipelines failed to independently verify that radiographic inspections were properly performed, which indicates

¹⁰ Decision 2013-417: Utility Asset Disposition, Proceeding 20, Application 1566373-1, November 26, 2013, paragraph 287.

¹¹ Exhibit 22986-X001, application, paragraphs 12-17.

¹² Decision 2003-100: ATCO Pipelines, 2003/2004 General Rate Application – Phase I, Application 1292783-1, December 2, 2003.

¹³ Exhibit 22986-X0001, application, paragraph 19.

¹⁴ Exhibit 22986-X0018, CCA argument, paragraph 15.

a lack of proper oversight by ATCO Pipelines. Customers should not be responsible for costs associated with inadequate welding, inspections or insufficient oversight of these programs.

19. Further, the CCA submitted that ATCO Gas was providing fabrication and welding shop services to ATCO Pipelines under an affiliate agreement¹⁵ and is accountable under the terms of the agreement for ensuring the radiography services provided were compliant with existing codes and regulations. The CCA argued that ATCO Gas was responsible for ensuring quality processes were in place to check and identify non-compliant, non-destructive examination inspection. The CCA asserted that if there was a lack of oversight in the monitoring of the radiography contract, the warranty period should be extended, with ATCO Gas completing the remedial work at its own cost.¹⁶ Before any cost recovery is permitted for the defective welds, the CCA submitted that ATCO Pipelines must demonstrate that the welders or any contractors met CSA Z662 requirements and that ATCO Pipelines applied proper oversight of the welding for the defective welds.

20. With respect to whether weld inspections should be capitalized or expensed, the CCA maintained that capitalization of weld inspections resulting from the suspicion of defective workmanship is inappropriate for capitalization by the utility because the original design life remains the same and the inspection costs do not increase the asset's life.¹⁷ To be consistent with International Accounting Standards (IAS 16), ATCO Pipelines' proposal to capitalize inspection costs should be denied. Similarly, isolation work adds no future value to the design life of the asset and is required solely to remove defective workmanship executed under the direct control of ATCO Pipelines. It is inappropriate to capitalize costs required solely for the removal of defective workmanship where the life of the asset is not extended beyond the original design.¹⁸

21. The CCA submitted that ATCO Pipelines:

- Failed to demonstrate adequate management oversight of the welding and inspection program.
- Failed to demonstrate adequate contract management to ensure assurance bonds were in place for ATCO Gas.
- Failed to demonstrate adequate contract management to ensure assurance bonds were in place for weld inspection contractors.
- Failed to maintain a safe and secure natural gas transmission system.
- Failed to ensure that its responsibilities under CSA Z662 were followed.
- Failed to ensure that all third-party work was performed in accordance with industry standards.
- Failed to provide a final amount for remediation.

22. The CCA submitted that ATCO Pipelines must bear the onus to show prudence and is responsible for its acts or omissions, including the requirement that all third-party work be performed in accordance with industry standards.¹⁹ Customers should not be responsible for any of the costs associated with substandard quality welding or testing. Given the uncertainty related

¹⁵ Exhibit 22986-X0017, AP-CCA-2017NOV07-002(a), Attachment, page 2 of 16.

¹⁶ Exhibit 22986-X0018, CCA argument, paragraph 19.

¹⁷ Exhibit 22986-X0018, CCA argument, paragraph 23.

¹⁸ Exhibit 22986-X0018, CCA argument, paragraph 29.

¹⁹ Exhibit 22986-X0018, CCA argument, paragraph 19.

to the final costs and prudence issues, the CCA recommended that the forecasts for weld inspection and repair costs be denied and removed from ATCO Pipelines' rate base.²⁰

23. The CCA also recommended that ATCO Pipelines should be directed to:

- Provide the status of redress or any legal action, including any defences raised or expert reports in the matter and expected resolution-timeline and amounts being claimed.²¹
- Identify the employer of the welders or contractors and the bonding that was in place, and explain why the deficient welds were not settled between ATCO Pipelines and the bonding companies and why ATCO Pipelines customers are involved in the funding of the substandard welding and inspection.

24. The CCA argued that it is inappropriate for ATCO Pipelines to seek compensation from ratepayers for expenses where liability has not been established and where costs may be recovered through litigation.²²

25. The CCA also argued that the remediation of the defective workmanship by re-inspecting and repairing existing welds merely returns the asset to its original life at the time of capitalization, and does not merit any increase in the fair book value of the asset. ATCO Pipelines should not benefit by an increased rate base due to the replacement of defective welds and the CCA recommended that ATCO Pipelines be directed to ensure the retirement and removal costs result in the book value of the asset remaining to be the same as before the welds were repaired. The CCA submitted that it would not be reasonable to allow an increase in rate base that financially rewards the utility for defective welding.

UCA

26. The UCA submitted that ATCO Pipelines has failed to establish the prudence of its actions relative to the faulty inspections or adequately justify why the costs of remedying those faulty inspections should be borne by ratepayers. It is incumbent upon management to demonstrate reasonable controls were in place to manage the risk associated with relying on third-party contractors. The UCA asserted that periodic reviews and monitoring would have reduced the risk of seven years of radiographic inspections and welds being deemed unreliable. If management failed to provide proper oversight, then the utility's shareholders should bear the litigation risk of recovering the costs associated with that decision, and not ratepayers.²³ Further, ATCO Pipelines could have implemented reasonable controls earlier as shown by the introduction of new processes such as "Engaging in a third party review of weld inspection" as well as "Providing leading indicator feedback to welders" and "Enhancing the weld quality process and documentation."²⁴ ATCO Pipelines' actions after the fact show that there were steps it could have taken that may have allowed it to uncover the negligent inspections sooner.²⁵

27. The UCA argued that management cannot prudently delegate all responsibility to third-party contractors without taking some steps to ensure the quality of the third-party

²⁰ Exhibit 22986-X0017, AP-CCA-2017NOV07-005.

²¹ Exhibit 22986-X0018, CCA argument, paragraph 40.

²² Exhibit 22986-X0022, CCA reply argument, paragraph 6.

²³ Exhibit 22986-X0021, UCA argument, paragraph 10.

²⁴ Exhibit 22011-X0022, ATCO-AUC-2016MAY13-003(a-b).

²⁵ Exhibit 22986-X0021, paragraph 11.

contractor services. Failure to properly oversee contractors resulted in a \$9.6 million program to redo negligently completed inspections that occurred over seven years, plus the undetermined incremental cost to repair faulty welds.²⁶

28. Further, ATCO Pipelines has not shown that the level of deficient welds requiring replacement is consistent with industry standards, or adequately justified that the required capital expenditures were not due to ATCO Pipelines' imprudence with respect to the welds. ATCO Pipelines explained that "a certain level of weld defects is normal," but was "not aware of any comparable welding shop failure rate."²⁷ If the level of weld repairs is above a level that reflects prudent management, then ATCO Gas should bear some or all of the cost to repair the defective welds. ATCO Pipelines has failed to demonstrate that the level of repairs reflects a reasonable level. The UCA argued that the cost to replace the faulty welds has not been justified.²⁸

29. The UCA argued the total net cost of responding to the defective 2008-2015 inspections, including the recovery of proceeds from litigation, should be considered in aggregate through the use of a deferral account. A deferral account process would also allow the Commission to assess the litigation results, the details of which may inform the relative responsibility between ATCO Pipelines and ATCO Gas for these costs and whether ATCO Pipelines acted prudently. This process will also allow further scrutiny of ATCO Pipelines' capitalization treatment of the costs of inspection and repair, as well as determine whether proper oversight was in place for the weld services that were subject to an affiliate agreement between ATCO Pipelines and ATCO Gas. ATCO Pipelines total forecast spend between 2016 and 2019 of \$19.4 million is a material sum, especially given the net impact to customers, and cannot be projected with any accuracy. The UCA argued that ATCO Pipelines is not able to reasonably forecast its own weld defect rate, and that its forecast cost for repairs is subject to significant potential error. The uncertainty in ATCO Pipelines' forecasts regarding the re-inspection and repair costs, and forecast litigation proceeds, justify a deferral account.²⁹ Further, a deferral account would create an alignment in interest between ATCO Pipelines and customers to maximize proceeds from litigation, which would be absent under ATCO Pipelines' approach to credit litigation proceeds against rate base.³⁰

ATCO Pipelines

30. On May 3, 2016, ATCO Pipelines filed a self-disclosure letter with the facilities division of the AUC outlining deficiencies of radiographic inspections of ATCO Pipelines' prefabricated welds from 2008 to 2015. The relevant inspections were determined to be inadequate because they failed to meet industry standards with radiographs that were unable to accurately determine the quality of the weld. The welds passed subsequent hydro tests with none of the welds having failed in service, which led ATCO Pipelines not to question the reliability of the radiographic inspections.³¹ ATCO Pipelines is pursuing legal action against the radiography companies and their radiographers for the deficient inspections and proposed that any litigation proceeds will serve to reduce rate base and revenue requirement.³²

²⁶ Exhibit 22986-X0025, UCA reply argument, paragraphs 7-8.

²⁷ Exhibit 22011-X0071, AP-CAPP-2016NOV18-001(e)-(f).

²⁸ Exhibit 22986-X0021, UCA argument, paragraph 12.

²⁹ Exhibit 22986-X0025, UCA reply argument, paragraphs 18-19.

³⁰ Exhibit 22986-X0025, UCA reply argument, paragraph 10.

³¹ Exhibit 22011-X0190, ATCO Pipelines reply argument, paragraph 230.

³² Exhibit 22011-X0190, ATCO Pipelines reply argument, paragraph 232.

31. As a result, ATCO Pipelines' forecast \$3.88 million, \$5.33 million and \$5.44 million in capital expenditures for 2016, 2017 and 2018, respectively, to initiate a program to conduct an assessment of all in-service pre-fabrication welds that have the potential to contain deficiencies as a result of insufficient radiographic inspection.³³ The actual and forecast costs split between repair and inspection for the years 2016 to 2019 are provided below:³⁴

Table 2. Actual and forecast costs for Weld Integrity Inspections and Replacements Program

	2016 actuals	2017 forecast	2018 forecast	2019 forecast
	(\$)			
Inspections	1,972,000	3,430,000	2,940,000	1,300,000
Repairs	3,079,000*	1,900,000	2,500,000	2,300,000
Total	5,051,000	5,330,000	5,440,000	3,600,000

*Total 2016 actuals for repairs includes \$2,917,000 in capital and \$162,000 in removal dollars.

32. ATCO Pipelines submitted that the test for prudence involves an assessment of whether the company exercised good judgement and made reasonable decisions, based on information it knew or ought to have known at the time the decisions were made, and taking into account the best interests of its customers. ATCO Pipelines argued that it acted reasonably, prudently and in its customers' best interests by self-disclosing the substandard weld inspections performed by certified third-party radiography companies to the Alberta Energy Regulator and the Commission; implementing the Weld Integrity Inspections and Replacements Program; pursuing redress from the accredited/certified inspectors and associated companies for the deficient inspection work; and proposing that the net proceeds received from legal action be applied against rate base and amortized over the life of the capital costs.³⁵

33. In reply argument, ATCO Pipelines responded to the submissions of the CCA and the UCA. ATCO Pipelines maintained that welds were subject to three levels of quality control: visual, radiography and a hydrotest. The welds passed all three quality control tests. Therefore, ATCO Pipelines argued that there is no basis to conclude that it ought to have known that accredited inspectors were undertaking substandard work, unless ATCO Pipelines had implemented a "double inspection" standard, which it says is not a reasonable practice. ATCO Pipelines also submitted that discovery of the deficient welds resulted from its 2015 decision to move toward digitizing and mapping its weld records because of increased industry awareness of pipeline failures of other operators. ATCO Pipelines maintained that steps now being undertaken are designed to improve its processes but are not evidence that its prior processes were unreasonable.³⁶ Companies should be incented to pursue best practices, not punished for taking proactive measures that improve management oversight of third-party contractors.³⁷

34. ATCO Pipelines also asserted that the CCA introduced new CSA Z662 code references without having put them to the company so that the company could explain, through evidence, how it complies with such codes. ATCO Pipelines submitted that the CCA is also not an expert in such matters, nor has it presented an expert to speak to such matters. While the CCA refers to

³³ Exhibit 22011-X0009, business cases, PDF page 87.

³⁴ Exhibit 22986-X0015, AP-AUC-2017NOV07-001(e).

³⁵ Exhibit 22986-X0019, AP argument, paragraph 10.

³⁶ Exhibit 22986-X0023, AP reply argument, paragraphs 23-25.

³⁷ Exhibit 22986-X0023, AP reply argument, paragraph 28.

the most recent version of CSA Z662, this code has undergone multiple iterations over the period of time in question.³⁸

35. ATCO Pipelines submitted that the costs to complete the required re-inspection and replacements are appropriately capitalized, and consistent with how ATCO Pipelines accounts for any rework required for capital projects including when dealing with radiographic inspections and subsequent repairs on all welds prior to being placed into service.³⁹ Although “Inspections do not increase the life of any asset, inspections are necessary to determine the rework or repairs required. Repairing a noncompliant weld will increase the life of the weld.” Accordingly, inspections and repair costs are capitalized.⁴⁰

36. ATCO Pipelines argued that the CCA inappropriately introduced new evidence in the form of IAS 16 to support its argument that the Commission should deny the capitalization of both the weld inspection and isolation costs. ATCO Pipelines stated that had the CCA introduced this evidence at the appropriate time, ATCO Pipelines could have explained how it has complied with IAS 16.

37. With respect to whether the forecast Weld Integrity Inspections and Replacements Program should be subject to deferral account treatment, ATCO Pipelines explained that the forecast capital expenditures for 2016 (in opening rate base) and the test years (2017 and 2018) translate into revenue requirements of only \$0.534 million and \$0.970 million for 2017 and 2018, respectively, which represents approximately 0.21 per cent and 0.36 per cent of ATCO Pipelines’ annual revenue requirement of \$248.525 million and \$269.044 million, respectively.⁴¹ As a result, ATCO Pipelines submitted that Weld Integrity Inspections and Replacements Program costs are not material and do not warrant deferral account treatment.

38. Further, ATCO Pipelines argued that it deserves a decision from the Commission with respect to the prudence of its actions and asserted that a decision should not be delegated to the courts or subject to any further delay. Deferring a decision on test period Weld Integrity Inspections and Replacements Program costs is contrary to test year ratemaking and an efficient regulatory process. ATCO Pipelines argued that deferring a decision on the Weld Integrity Inspections and Replacements Program to after a court decision is made on litigation improperly delegates prudence to the courts instead of the Commission, which is best suited to consider whether ATCO Pipelines’ actions were prudent and its forecast of costs are reasonable.⁴² The prudence of ATCO Pipelines’ decisions related to the weld program, and the reasonableness of the related test-period costs, are properly adjudicated as part of the GRA and not deferred to the courts.⁴³

Commission findings

39. In determining whether the Weld Integrity Inspections and Replacements Program capital expenditures should be approved for inclusion in ATCO Pipelines’ 2017 opening rate base and 2017-2018 revenue requirements, the Commission must consider whether these costs were prudently incurred, and whether ATCO Pipelines’ forecast costs are reasonable, and therefore

³⁸ Exhibit 22986-X0023, AP reply argument, paragraph 20.

³⁹ Exhibit 22986-X001, application, paragraph 9.

⁴⁰ Exhibit 22986-X0015, AP-AUC-2017NOV07-001(a).

⁴¹ Exhibit 22986-X0015, AP-AUC-2017NOV07-001(c).

⁴² Exhibit 22986-X0023, AP reply argument, paragraph 14.

⁴³ Exhibit 22986-X0023, AP reply argument, paragraph 19.

should be borne by customers. If the Commission is satisfied that some or all of these costs are prudent or reasonable, then the Commission must also consider ATCO Pipelines' approach to capitalizing these costs and ATCO Pipelines' proposal to apply any litigation proceeds against rate base to offset the inspection and repair costs. The Commission will also consider whether these costs should be subject to deferral account treatment.

40. The Commission previously defined the test for prudence or reasonableness of costs in Decision 2001-110:⁴⁴

In summary, a utility will be found prudent if it exercises good judgment and makes decisions which are reasonable at the time they are made, based on information the owner of the utility knew or ought to have known at the time the decision was made. In making decisions, a utility must take a fair return.

41. The Supreme Court of Canada also recently provided guidance regarding the role of the tribunal in determining prudence and the burden of proof. Specifically, Justice Rothstein in *ATCO Gas and Pipelines Ltd v. Alberta (Utilities Commission)* stated:

The prudence requirement is to be understood in the sense of the ordinary meaning of the word: for the listed costs and expenses to warrant a reasonable opportunity of recovery, they must be wise or sound; in other words, they must be reasonable. Nothing in the ordinary meaning of the word "prudent" or the use of this word in the statute as a stand-alone condition says anything about the time at which prudence must be evaluated. Thus, neither the ordinary meaning of "prudent" nor the statutory language indicate that the Commission is bound by the legislative provisions to apply a no-hindsight approach to the costs at issue, nor is a presumption of prudence statutorily imposed in these circumstances. In the context of utilities regulation, there is no difference between the ordinary meaning of a "prudent" cost and a cost that could be said to be reasonable. It would not be imprudent to incur a reasonable cost, nor would it be prudent to incur an unreasonable cost. Further, the burden of establishing that the proposed tariffs are just and reasonable falls on public utilities, which necessarily imposes on them the burden of establishing that the costs are prudent. [footnote removed]

42. The onus is on the applicant to show that its actions were prudent, and the Commission's assessment of prudence will be based on the evidence before it. If the applicant fails to discharge its onus, the Commission has discretion to disallow costs in revenue requirement.

43. In assessing the prudence of the inspection and repair costs, the Commission has considered ATCO Pipelines' actions since discovering the deficient radiographic inspections, including its plan and forecasts to assess and remedy the deficiencies. The Commission has also considered whether it was reasonable, in the circumstances, for ATCO Pipelines not to have discovered the deficient radiographic inspections until 2015, and whether all of the costs associated with assessing and remedying deficiencies from 2008 to 2015 are prudent and reasonable in view of all of the circumstances.

44. The Commission is generally satisfied with ATCO Pipelines' plan to re-inspect all potentially affected sites and to complete any necessary repair work. The Commission also

⁴⁴ Decision 2001-110: Methodology for Managing Gas Supply Portfolios and Determining Gas Cost Recovery Rates Proceeding and Gas Rate Unbundling Proceeding, Part B-1: Deferred Gas Account Reconciliation for ATCO Gas, Application 2001040-1, December 12, 2001, pages 9-10.

agrees with the revised procedures and controls that ATCO Pipelines has implemented to ensure that future radiographic inspections of prefabricated piping assembled in the ATCO welding shop meet all applicable standards. However, as discussed below, the Commission is not satisfied that all of the costs are prudent and reasonable in the circumstances and that these costs should necessarily be recovered from customers.

45. In AP-AUC-2017NOV07-001(e), ATCO Pipelines provided a breakdown of the actual and forecast costs for 2016 through 2019, split between repair and inspection, as follows:

Table 3. Actual and forecast costs for Weld Integrity Inspections and Replacements Program

	2016 actuals	2017 forecast	2018 forecast	2019 forecast
	(\$)			
Re-inspections	1,972,000	3,430,000	2,940,000	1,300,000
Repairs	3,079,000*	1,900,000	2,500,000	2,300,000
Total	5,051,000	5,330,000	5,440,000	3,600,000

*Total 2016 actuals for repairs includes \$2,917,000 in capital and \$162,000 in removal dollars.

46. In the reasons that follow, the Commission has addressed the re-inspection costs and the repair costs separately.

47. The Commission finds that ATCO Pipelines should have established some quality control measures to ensure that the work performed by its contractors, such as radiographic inspection companies and technicians, was being properly completed in accordance with all applicable standards. The Commission recognizes that the welds went through visual, radiography and hydrostatic testing, but greater oversight of the radiographic inspections/inspectors could have ensured a more reliable process and mitigated the risk of seven years of deficient inspections and welds being placed in service. The Commission does not find it is reasonable that this type of deficient work continued for seven years or more without being discovered. As submitted by the UCA,⁴⁵ ATCO Pipelines need not be expected to “audit the auditors,” but periodic review and monitoring should be expected. The fact that ATCO Pipelines explained that it is “Engaging in a third party review of weld inspection” as well as “Providing leading indicator feedback to welders” and “Enhancing the weld quality process and documentation”⁴⁶ demonstrates that better processes could have been and should have been in place.

48. In the circumstances, the Commission finds that ratepayers should not bear the costs resulting from having to now re-inspect welds that were not properly inspected in the first instance. The Commission is not persuaded that inspection costs are properly recovered from customers. The costs of the original, deficient inspections have been, or are being, recovered through rates, and the Commission finds it would be unreasonable to permit ATCO Pipelines to recover re-inspection costs from customers when it has the ability to pursue (and is pursuing) through litigation those responsible for these costs (the involved radiographic inspection companies and technicians). The Commission finds that rather than approving ATCO Pipelines’ proposal to recover the costs from customers, and then credit customers for any litigation proceeds obtained, ATCO Pipelines should recover the costs from the involved radiographic companies and technicians for its own account to the extent that it is able to do so.

⁴⁵ Exhibit 22986-X0021, paragraph 10.

⁴⁶ Exhibit 22011-X0022, ATCO-AUC-2016MAY13-003(a-b).

49. Based on the foregoing, ATCO Pipelines is directed to remove its 2016 re-inspection costs from its 2017 opening rate base and the forecast 2017 and 2018 re-inspection capital expenditures from its 2017-2018 revenue requirements. Similarly, ATCO Pipelines will not be expected to apply any potential proceeds from legal action against rate base. The Commission also concludes that customers should not bear the costs associated with this litigation and directs ATCO Pipelines to remove any of such costs from its revenue requirement. Given the finding by the Commission that 100 per cent of the re-inspection costs are to be removed from ATCO Pipelines' 2017 opening rate base and 2017-2018 revenue requirements, a determination on the proper accounting treatment of these costs is now rendered moot.

50. Before rendering a finding on the reasonableness of ATCO Pipelines' actual and forecast weld repair costs, the Commission notes that AP-CCA-2017NOV07-001(a-c) attachment includes 2016 actual retirements and cost of removal, which raises potential utility asset disposition concerns. ATCO Pipelines is therefore directed to provide on a project-by-project basis, the following information with respect to the "actual" costs shown on Exhibit 22986-X0017, AP-CCA-2017NOV07-001(a-c) attachment:

- A description of the asset(s) being retired and the associated original historical costs (including confirmation that the asset retirements are directly related to ATCO Pipelines' weld program).
- An explanation of the costs of removal incurred as shown on the referenced attachment.
- An explanation of whether ATCO Pipelines believes the retirements should be considered an ordinary or extraordinary retirement, and why.
- A discussion of whether ATCO Pipelines' treatment of these retirements is consistent with the utility asset disposition decision.⁴⁷
- Identification of the remaining net book value of the assets, assuming the asset retirements (directly related to ATCO Pipelines' weld program) were to be considered an extraordinary retirement.

51. The Commission also requires ATCO Pipelines to provide further clarity on its actual and forecast repair costs. ATCO Pipelines is therefore directed to explain:

- For the defective welds that have been, or are forecast to be removed from service, discuss whether any costs are categorized as retirements and provide annual actual amounts where available and forecasts for other time periods for 2016, 2017, 2018 and 2019. Discuss whether ATCO considers any retirements from service to be extraordinary retirements and provide those costs for 2016, 2017, 2018 and 2019. In addition, describe whether the cost components include internal or external engineering assessments or engineering critical assessments, operational isolation to implement weld repairs or cut-outs, weld repairs, weld sleeve cut-outs and replacements and subsequent radiographic inspections. Provide a breakdown of these cost components and any other relevant categories for 2016, 2017, 2018 and 2019.
- Provide a comparison of the cost of completing the forecast repairs for the deficient welds within the weld shop as part of rework assuming the rework was conducted

⁴⁷ Decision 2013-417, paragraph 304.

between 2008 and 2015 (i.e., assuming the deficient welds had been disclosed when first subject to radiographic inspection) versus field weld repairs required to be completed in the current circumstance.

- Discuss whether ATCO is continuing with any re-verification or audit program for new installations and/or for the 2016-2019 Weld Integrity Inspections and Replacements Program. Provide any associated re-verification or audit costs as a line item in the relevant inspection or repair cost summaries requested above.

52. The Commission will make a determination regarding the repair costs in a subsequent compliance proceeding to this decision.

53. With respect to whether the repair costs should be capitalized or expensed, the Commission considers that the original deficient radiographic weld inspections failed to identify that rework or repairs on deficient welds during the 2008-2015 period was required. If the weld inspections had been properly performed during the 2008-2015 period and the defective welds had been discovered, the Commission considers that any necessary weld rework or repair costs would have been capitalized and included in rate base in the normal course.

54. However, the atypical circumstances of the original weld inspections resulted in delayed rework or repair, which likely contributed to increases in the overall costs. There is insufficient evidence on the record that supports a change in the standard capital accounting treatment of these costs. Accordingly, the Commission finds that if repair costs are approved to be recovered in revenue requirement, they are properly capitalized.

55. The Commission is not persuaded that it is necessary to subject the repair costs to deferral account treatment. The Commission will approve the 2016, 2017 and 2018 capital costs associated with the subject repairs in ATCO Pipelines' second compliance filing. Any future test period repair costs can be addressed in a future applicable general rate application in accordance with the general guidance provided in this decision and in the second compliance filing.

56. ATCO Pipelines is directed to file its compliance application to the directions related to the Weld Integrity Inspections and Replacements Program by March 29, 2018. The Commission will issue a final determination on ATCO Pipelines' 2017-2018 revenue requirements in the compliance filing to this decision.

2.2 Direction 20

57. Decision 22011-D01-2017, Direction 20, stated:

395. For purposes of clarity, the Commission directs ATCO Pipelines to provide a supplementary continuity schedule of the accumulated depreciation balances for Account 496.05 – general plant – equipment – SCADA [(Account 496.05)] in its compliance filing to this decision. The schedule should address the concerns of the UCA by providing any missing information that will reconcile their assumptions of a missing transaction with the information provided by ATCO Pipelines and noted in Table 44 above. If the UCA's concerns remain upon being provided with this additional information by ATCO Pipelines, it may pursue this issue in the compliance filing proceeding.

58. In response to Direction 20, ATCO Pipelines referred parties to an Account 496.05 continuity schedule⁴⁸ that was a replica of information provided previously on the record of Proceeding 22011.

59. During the IR process, the UCA continued to reiterate its concerns with the lack of information supporting the accumulated depreciation balances indicated on the continuity schedule. Specifically, the UCA identified a change in Account 496.05 from a debit balance of \$81,000 being reported as the actual opening 2012 balance in the compliance application, which is inconsistent with the 2011 actual closing credit balance of \$1,500,542⁴⁹ reported previously by ATCO Pipelines.

60. In response to an IR on the apparent re-statement of Account 496.05 balances, ATCO Pipelines explained that depreciation expense had been overstated by \$1,584,000 because of a missed asset retirement transaction in Account 496.05.⁵⁰ The correction for this amount was processed in the accumulated depreciation account as a prior period adjustment in 2012, which accounted for the change in the 2011 closing balance (and 2012 opening balances) observed by the UCA.

61. Despite the explanation provided by ATCO Pipelines, the UCA argued that there was still insufficient evidence that customers received the benefit of the refund as described in the IR response. The UCA requested that the Commission deny recovery of any depreciation expense in Account 496.05 until ATCO Pipelines was able to demonstrate that the recovery of depreciation would not amount to double recovery of that expense. Further, the UCA noted that ATCO Pipelines failed to disclose this information prior to this later stage of the proceeding and therefore did not meet the “level of disclosure required for an efficient regulatory process.”⁵¹ The UCA submitted that this conduct was consistent with concerns expressed by the Commission regarding ATCO Pipelines’ level of responsiveness to IRs⁵² in Decision 22011-D01-2017.

62. Based on the additional information provided by ATCO Pipelines supporting its Account 496.05 balances, ATCO Pipelines argued that the UCA’s recommendation should be denied.

Commission findings

63. Although the Commission is prepared to accept ATCO Pipelines’ explanation that the restated opening 2012 Account 496.05 balance was a result of a prior period adjustment of \$1,584,000 (debit) to accumulated depreciation, the Commission considers that ATCO Pipelines failed to adequately address this issue raised by the UCA. In particular, this issue was raised in the current proceeding and the last proceeding. The Commission considers that ATCO Pipelines’ unresponsiveness did not meet the Commission’s expectations with respect to record development nor did it contribute to an efficient and better understanding of the issues, all of which was discussed by the Commission in Decision 22011-D01-2017.⁵³ However, ATCO

⁴⁸ Exhibit 22986-X0001, application, PDF page 18.

⁴⁹ Exhibit 0004.00.ATCOPIPE-2322, Section 4.4.1 Depreciation Study, PDF page 18.

⁵⁰ Exhibit 22986-X0016, AP-UCA-2017NOV07-008, PDF pages 10-16.

⁵¹ Exhibit 22986-X0020, UCA argument, paragraph 22.

⁵² Decision 22011-D01-2017, paragraph 36.

⁵³ Decision 22011-D01-2017, paragraph 36.

Pipelines explained the cause of confusion in its reply argument, and apologized to the UCA and the Commission for what it indicated was an unintentional oversight.⁵⁴

64. The Commission finds that ATCO Pipelines has complied with Direction 20, and the UCA's request to eliminate depreciation expense for this account is denied.

2.3 Direction 36

65. Decision 22011-D01-2017, Direction 36, stated:

562. Based on the overall results of the traditional net salvage study, the Commission approves a net salvage per cent of -10.0 for Account 461.00 – transmission plant – land rights as filed. However, the Commission is interested in the types of legal expenses and proceeds Mr. Robinson has referred to as being incurred for land rights, particularly in light of Account 451.00 – underground storage plant – land rights not appearing to have similar types of removal costs. The Commission directs ATCO Pipelines in its next depreciation study to discuss the nature of the proceeds and removal costs being charged to this account and the continued necessity for any negative net salvage per cent.

66. In its response to Direction 36, ATCO Pipelines reiterated there was no change to its depreciation expense as a result of the Commission approving a net salvage per cent of -10.0 for Account 461.00 – transmission plant – land rights as filed. However, in response to a Commission IR⁵⁵ and again in argument,⁵⁶ ATCO Pipelines confirmed that the latter part of Direction 36 remained outstanding. ATCO Pipelines submitted that it would “discuss the nature of the proceeds and removal costs being charged to this account and the continued necessity for any negative net salvage per cent” in its next depreciation study.

Commission findings

67. The Commission is satisfied with ATCO Pipelines' acknowledgement that Direction 36 remains outstanding and is to be addressed in full in its next depreciation study.

2.4 Deferral accounts

68. In Section 1.2 of the original application, ATCO Pipelines provided a list and description of its deferral accounts and in Section 5.1 of the application, the settlement amounts for each deferral account was provided, such that the total settlement was \$9,418,000.⁵⁷ In this compliance application, ATCO Pipelines updated its deferral account balances to reflect a true-up to 2016 actuals as well as to update the balances in response to Commission directions.

69. ATCO Pipelines provided the following summary table of reserve and deferral accounts which shows the 2016 closing balances, the requested settlement amounts from the original application and the revised requested settlement amounts:

⁵⁴ Exhibit 22986-X0023, paragraphs 36-37.

⁵⁵ Exhibit 22986-X0015, AP-AUC-2017NOV07-004, PDF pages 21-22.

⁵⁶ Exhibit 22986-X0019, ATCO Pipelines argument, paragraph 19.

⁵⁷ Exhibit 22011-X0005, Proceeding 22011, application, Section 5.1, PDF page 166.

Table 4. Updated Table 5.1-1 from original application – deferral account balances

	Estimate to December 2016 ²	GRA requested settlement ²	Revised requested settlement ²
	(\$000)		
Salt Cavern working gas deferral account ¹	1,327	-	2,335
2013-2016 pension funding deferral account	(1,076)	-	(911)
Variable pay program deferral account	(1,781)	(1,781)	(2,143)
Debenture rate deferral account	(425)	(425)	(424)
Nova Gas Transmission Ltd. (NGTL) direction growth projects deferral account	(28)	(28)	(844)
NGTL integration costs deferral account	7,072	7,072	6,502
Urban pipeline replacement (UPR) deferral	(14,256)	(14,256)	(14,036)
Reserve for regulatory expenses	(1,736)	-	-
Reserve for injuries and damages	(74)	-	-
Cumulative (over)/under recovery	(10,977)	(9,418)	(9,521)

Source: Exhibit 22986-X0001, application, PDF page 28.

Notes: 1. Actual balance as at March 31, 2017.

2. Numbers may not add due to rounding.

70. ATCO Pipelines has revised its proposed settlement amount to \$9,521,000. ATCO Pipelines proposes to settle this balance as a one-time adjustment to its monthly revenue requirement.⁵⁸

71. No interveners addressed the revised deferral accounts' settlements in argument or reply argument.

2.4.1 Explanations for revisions to deferral account settlements

72. In the application and in response to IRs, ATCO Pipelines provided explanations of the adjustments made to deferral account balances.

73. The 2013-2016 pension funding deferral account is addressed with other pension directions in Section 2.5 below.

Salt Cavern working gas deferral account

74. In the original application, ATCO Pipelines did not propose to settle the Salt Cavern working gas deferral account because it had not reached a threshold balance of plus or minus \$2,000,000. In this application, ATCO Pipelines has included actual costs up to March 31, 2017,⁵⁹ in the deferral account balance, in accordance with the Commission's direction in Decision 2005-119,⁶⁰ and proposes to settle the account now that the threshold has been met.⁶¹

75. ATCO Pipelines provided the following breakdown of the Salt Cavern working deferral account balance in response to an IR:

Forecast December 31, 2016 Balance \$1,328,000

⁵⁸ Exhibit 22986-X0001, application, PDF page 27.

⁵⁹ As compared to balances ending December 31, 2016.

⁶⁰ Decision 2005-119: ATCO Pipelines, Salt Cavern Peaking Working Gas Deferral Account, Application 1388441-1, Proceeding 14533, November 1, 2005, page 4.

⁶¹ Exhibit 22986-X0001, application, PDF pages 28-29.

ADD: Forecast Variance \$262,000

Actual December 31, 2016 Balance \$1,590,000

ADD: Actuals for January – March 2017 \$745,000

Actual March 31, 2017 Balance \$2,335,000⁶²

76. In relation to the amounts above, ATCO Pipelines explained that the \$262,000 variance was primarily due to the price of gas, namely due to lower revenues from sales of storage compared to forecasts.⁶³

Variable pay program deferral account

77. ATCO Pipelines explained that the variance between forecast and actual for the 2016 closing balance is primarily due to actual variable pay costs charged to O&M being less than forecast.⁶⁴

Debenture rate deferral account

78. ATCO Pipelines explained that the variance between forecast and actual for the 2016 closing balance is due to updates required to reflect the approved mid-year debt balances from Decision 22058-D01-2016,⁶⁵ which had not been issued at the time of filing the 2017-2018 GRA.⁶⁶

NGTL directed growth projects deferral account

79. ATCO Pipelines explained that the variance between forecast and actual for the 2016 closing balance is primarily due to the actual Inland project costs, which increased from the forecast due to wet, unworkable ground conditions along the pipeline right of way which resulted in construction being delayed until frozen ground conditions were present. The Inland project was originally forecast to be completed in 2016 but was delayed into 2017.

NGTL integration costs deferral account

80. ATCO Pipelines explained that the variance between forecast and actual for the 2016 closing balance is primarily due to lower actual land rights payments and legal expenses.

UPR deferral account

81. ATCO Pipelines explained that the variance between forecast and actual for the 2016 closing balance cannot be attributed to a specific UPR project, but rather was the result of “minor forecast variances on a collection of projects; specifically East Calgary, South East Calgary and North East Calgary were slightly lower than forecast, while Peigan Trail was slightly higher than forecast.”⁶⁷

⁶² Exhibit 22986-X0015, AP-AUC-2017NOV07-003, PDF page 18.

⁶³ Exhibit 22986-X0015, AP-AUC-2017NOV07-003, PDF page 18.

⁶⁴ Exhibit 22986-X0015, AP-AUC-2017NOV07-003, PDF page 19.

⁶⁵ Decision 22058-D01-2016: ATCO Pipelines, 2015-2016 Revenue Requirements Second Compliance Filing to Decision 3577-D01-2016, Proceeding 22058, November 28, 2016.

⁶⁶ Exhibit 22986-X0015, AP-AUC-2017NOV07-003, PDF page 20.

⁶⁷ Exhibit 22986-X0015, AP-AUC-2017NOV07-003, PDF page 20.

Commission findings

82. The Commission is satisfied with explanations provided by ATCO Pipelines in its application and in IR responses that the balances shown in Table 4 above are generally caused by utilizing actuals versus forecast balances. The Commission therefore approves the amounts included in Table 4.

83. As stated in Decision 22011-D01-2017, the Commission finds that ATCO Pipelines' proposal to settle deferral account balances as a one-time adjustment to be reasonable and consistent with past treatment for the deferral accounts approved by the Commission and its predecessors. ATCO Pipelines' requested one-time settlement of \$9,521,000 is approved.

2.4.2 Direction 17

84. Decision 22011-D01-2017, Direction 17, stated:

354. ... The Commission therefore directs ATCO Pipelines to update the RID [reserve for injuries and damages] forecasts, for the purposes of determining revenue requirement, to use the actual full year data for 2016, and to provide an updated continuity schedule (Table 4.2.7 in the application), in the compliance filing.⁶⁸

85. ATCO Pipelines provided the following response to the direction:

Please refer to Table 4.2-1 (line 10) of Attachment B which incorporates the updated RID forecasts based on the actual full year data for 2016.

An updated continuity schedule for RID and a table showing the resulting forecast change has been provided below.⁶⁹

Table 5. Reserve for injuries and damages

	2015 actual	2016 estimate	2017 forecast	2018 forecast
(\$000)				
Opening balance	7	(66)	(56)	(29)
Forecast expense	(213)	(214)	(243)	(243)
Payments				
Auto aggregate	20	32		
Clover Bar spill	121			
Fort McMurray fire		194		
Unspecified incidents ¹			272	272
Carrying costs				
	(1)	(2)	(2)	-
Closing balance	(66)	(56)	(29)	-

Note 1: Historic five-year average from 2011 to 2015.

Source: Exhibit 22986-X0001, application, PDF page 16.

⁶⁸ Decision 22011-D01-2017, paragraph 354.

⁶⁹ Exhibit 22986-X0001, application, PDF pages 15-16.

Commission findings

86. Table 5 demonstrates that ATCO Pipelines has updated its RID forecasts, which results in a reduction to revenue requirement of \$53,000 in 2017 and \$52,000 in 2018.⁷⁰ The Commission finds that ATCO Pipelines has complied with this direction.

2.5 Pension - directions 11 and 18 in Decision 22011-D01-2017 and Direction 2 in Decision 21831-D01-2017

2.5.1 Direction 11

87. Decision 22011-D01-2017, Direction 11, stated:

257. The Commission directs ATCO Pipelines to incorporate the findings of Decision 21831-D01-2017 for all pension costs and COLA [cost-of-living adjustment] into its compliance filing to this decision. Based on Decision 21831-D01-2017, the Commission does not approve the placeholders for a pension COLA adjustment from 50 per cent to 100 per cent.⁷¹

88. ATCO Pipelines provided the following response to the direction:

AP notes that in its original Application, Pension COLA costs were forecast as \$0 placeholder, as such, the denial of the placeholder has no impact to be reflected in this Compliance Filing.⁷²

2.5.2 Direction 18

89. Decision 22011-D01-2017, Direction 18, stated:

365. ... The Commission directs ATCO Pipelines to update its placeholder schedule for pension COLA costs in its compliance filing according to Decision 21831-D01-2017.⁷³

90. ATCO Pipelines provided the following response to the direction:

AP notes that its placeholder schedule, Table 1.2-1 of the Application, presented pension COLA costs as \$0 placeholder, an updated schedule, removing this line item, is provided below. Updated Table 1.2-1 reflects additional changes as appropriate.⁷⁴

Table 6. Updated Table 1.2-1 from original application – placeholder requests

	2017 original forecast	2017 compliance forecast	2018 original forecast	2018 compliance forecast
	(\$000)			
Return				
Equity thickness (%)	N/A	N/A	37	37
Return on equity (%)	N/A	N/A	8.50	8.50

⁷⁰ Exhibit 22986-X0001, application, Attachment B.

⁷¹ Decision 22011-D01-2017, paragraph 257.

⁷² Exhibit 22986-X0001, application, PDF page 12.

⁷³ Decision 22011-D01-2017, paragraph 365.

⁷⁴ Exhibit 22986-X0001, application, PDF page 16.

	2017 original forecast	2017 compliance forecast	2018 original forecast	2018 compliance forecast
	(\$000)			
NGTL directed growth capital	5,000	5,000	85,000	85,000
Reserves				
Regulatory expenses	3,109	3,109	3,111	3,111
Injuries & damages	296	296	295	295
Variable pay program	2,818	2,818	2,910	2,910
Debt rate (%)	4.16	4.16	4.62	4.46

2.5.3 2013-2016 pension funding deferral account

91. In the original application, ATCO Pipelines did not propose to settle the 2013-2016 pension funding deferral account until a decision had been issued on the ATCO Utilities 2014-2018 pension application.⁷⁵

92. Decision 21831-D01-2017 was issued on July 12, 2017, wherein the Commission approved a COLA of 50 per cent of the consumer price index (CPI). In this application, ATCO Pipelines has incorporated this direction into the 2013-2016 pension funding deferral account and has requested approval to settle the account balances.⁷⁶

93. ATCO Pipelines also revised the deferral account balance using actuals ending December 31, 2016. ATCO Pipelines indicated that the difference between the December 31, 2016 estimate and the cumulative December 31, 2016 actual is due to differences in the allocation of amounts between O&M and capital. The allocation was in accordance with ATCO Pipelines' approved methodology.⁷⁷

94. Parties did not address pension amounts, the COLA placeholder or the defined benefit pension costs deferral account settlement in argument or reply argument.

Commission findings

95. With respect to forecast pension amounts and the COLA placeholder, the Commission refers to paragraph 255 of Decision 22011-D01-2017, which states:

255. In this application, ATCO Pipelines has included 50 per cent pension COLA in compliance with past Commission directions, and it has also requested placeholder treatment to reflect a pension COLA adjustment from 50 per cent to 100 per cent pending a decision in the pension application. The revenue requirement adjustment for 2017 and 2018 would be \$280,000 per year if COLA is approved at 100 per cent.⁷⁸

96. Given that Decision 21831-D01-2017 approved COLA at 50 per cent, which was the per cent assumed by ATCO Pipelines in its original application, no adjustments were required to the forecast pension amounts. ATCO Pipelines, in response to the Commission's directions, removed the COLA placeholder from the placeholder schedule.

⁷⁵ Exhibit 22011-X0001, Proceeding 22011, application, Section 5.1, PDF page 169.

⁷⁶ Exhibit 22986-X0001, application, PDF page 29.

⁷⁷ Exhibit 22986-X00015, AP-AUC-2017NOV07-003, PDF page 19.

⁷⁸ Decision 22011-D01-2017, paragraph 255.

97. With respect to the pension funding deferral account, the Commission notes that directions 11 and 18 of Decision 22011-D01-2017 do not specifically direct ATCO Pipelines to update its 2013-2016 pension funding deferral account balances; however, Direction 2 of Decision 21831-D01-2017 directs ATCO Pipelines to incorporate the findings of that decision in its compliance filing to Decision 22011-D01-2017. ATCO Pipelines updated its pension funding deferral account balances to incorporate a COLA at 50 per cent of CPI and has requested settlement of the account.

98. The Commission has reviewed ATCO Pipelines' responses to the Commission directions and finds that ATCO Pipelines has complied with directions 11 and 18 of Decision 22011-D01-2017 and Direction 2 of Decision 21831-D01-2017. The Commission notes that following settlement of the 2013-2016 pension funding deferral account, ATCO Pipelines will continue to have a defined benefit pension costs deferral account which will be used to settle the differences between actual defined benefit pension costs and the placeholder values for this test period, 2017-2018.

3 Order

99. It is hereby ordered that:

- (1) ATCO Pipelines is directed to file a compliance application to this decision by March 29, 2018.

Dated on March 13, 2018.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Panel Chair

(original signed by)

Bill Lyttle
Commission Member

(original signed by)

Tracee Collins
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Pipelines Bennett Jones LLP
Consumers' Coalition of Alberta (CCA)
Office of the Utilities Consumer Advocate (UCA) Norton Rose Fulbright LLP

<p>Alberta Utilities Commission</p> <p>Commission panel</p> <p style="padding-left: 40px;">N. Jamieson, Panel Chair</p> <p style="padding-left: 40px;">B. Lyttle, Commission Member</p> <p style="padding-left: 40px;">T. Collins, Commission Member</p> <p>Commission staff</p> <p style="padding-left: 40px;">K. Kellgren (Commission counsel)</p> <p style="padding-left: 40px;">M. McJannet</p> <p style="padding-left: 40px;">S. Karim</p> <p style="padding-left: 40px;">M. Kopp-van Egteren</p> <p style="padding-left: 40px;">L. Mullen</p>

Appendix 2 – Summary of Commission directions – current decision

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. Based on the foregoing, ATCO Pipelines is directed to remove its 2016 re-inspection costs from its 2017 opening rate base and the forecast 2017 and 2018 re-inspection capital expenditures from its 2017-2018 revenue requirements. Similarly, ATCO Pipelines will not be expected to apply any potential proceeds from legal action against rate base. The Commission also concludes that customers should not bear the costs associated with this litigation and directs ATCO Pipelines to remove any of such costs from its revenue requirement. Given the finding by the Commission that 100 per cent of the re-inspection costs are to be removed from ATCO Pipelines' 2017 opening rate base and 2017-2018 revenue requirements, a determination on the proper accounting treatment of these costs is now rendered moot. Paragraph 49
2. Before rendering a finding on the reasonableness of ATCO Pipelines' actual and forecast weld repair costs, the Commission notes that AP-CCA-2017NOV07-001(a-c) attachment includes 2016 actual retirements and cost of removal, which raises potential utility asset disposition concerns. ATCO Pipelines is therefore directed to provide on a project-by-project basis, the following information with respect to the "actual" costs shown on Exhibit 22986-X0017, AP-CCA-2017NOV07-001(a-c) attachment:
 - A description of the asset(s) being retired and the associated original historical costs (including confirmation that the asset retirements are directly related to ATCO Pipelines' weld program).
 - An explanation of the costs of removal incurred as shown on the referenced attachment.
 - An explanation of whether ATCO Pipelines believes the retirements should be considered an ordinary or extraordinary retirement, and why.
 - A discussion of whether ATCO Pipelines' treatment of these retirements is consistent with the utility asset disposition decision.
 - Identification of the remaining net book value of the assets, assuming the asset retirements (directly related to ATCO Pipelines' weld program) were to be considered an extraordinary retirement. Paragraph 50
3. The Commission also requires ATCO Pipelines to provide further clarity on its actual and forecast repair costs. ATCO Pipelines is therefore directed to explain:
 - For the defective welds that have been, or are forecast to be removed from service, discuss whether any costs are categorized as retirements and provide annual actual amounts where available and forecasts for other time periods for 2016, 2017, 2018 and 2019. Discuss whether ATCO considers any retirements from service to be extraordinary retirements and provide those costs for 2016, 2017, 2018 and 2019. In addition, describe whether the cost components include internal or external engineering assessments or engineering critical assessments, operational isolation to implement weld repairs or

cut-outs, weld repairs, weld sleeve cut-outs and replacements and subsequent radiographic inspections. Provide a breakdown of these cost components and any other relevant categories for 2016, 2017, 2018 and 2019.

- Provide a comparison of the cost of completing the forecast repairs for the deficient welds within the weld shop as part of rework assuming the rework was conducted between 2008 and 2015 (i.e., assuming the deficient welds had been disclosed when first subject to radiographic inspection) versus field weld repairs required to be completed in the current circumstance.
 - Discuss whether ATCO is continuing with any re-verification or audit program for new installations and/or for the 2016-2019 Weld Integrity Inspections and Replacements Program. Provide any associated reverification or audit costs as a line item in the relevant inspection or repair cost summaries requested above. Paragraph 51
4. ATCO Pipelines is directed to file its compliance application to the directions related to the Weld Integrity Inspections and Replacements Program by March 29, 2018. The Commission will issue a final determination on ATCO Pipelines' 2017-2018 revenue requirements in the compliance filing to this decision. Paragraph 56

Appendix 3 – Summary of Commission directions addressed in compliance application

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

This section is provided for the convenience of readers and reproduces the directions from Decision 22011-D01-2017 that the Commission finds have been satisfied. Directions not in this appendix will either be set out in the following Appendix 4 as outstanding or have been addressed as new directions. In the event of any difference between the directions in this section and those in the main body of Decision 22011-D01-2017, the wording and meaning in the main body of Decision 22011-D01-2017 shall prevail.

6. The Commission notes that GIS [Geographic Information System] replacement was considered as early as 2014 and was dismissed as it was the highest cost alternative evaluated. ATCO Pipelines is now requesting approval to replace its existing GIS system with the ESRI [Environmental Systems Research Institute] (which is addressed in Section 4.2.7.4), the current industry leader. The Commission is concerned with ATCO Pipelines' decision to proceed with Intergraph G/Technology upgrades and data enhancements when significant costs had been expended on the Intergraph G/Technology program in the previous four years and when ATCO Pipelines had already identified a complete GIS system replacement as an alternative to address the deficiencies found with the existing GIS system. Furthermore, as ATCO Pipelines did not have an overarching IT strategy; deficiencies appear to be addressed as they arise without consideration for a long-term solution. The Commission finds that the evidence on the record suggests that ATCO Pipelines did not give sufficient consideration to the available alternatives to the GIS projects when the 2015-2016 GRA was being prepared in 2014. The Commission notes that issues were raised by participants throughout the 2015-2016 GRA proceeding with respect to the GIS projects and, by late 2015 ATCO Pipelines itself identified that Intergraph was no longer the preferred GIS vendor, but nonetheless, ATCO Pipelines proceeded to complete the 2015-2016 GIS projects. The Commission cannot find that ATCO Pipelines' decisions in this case were reasonable and therefore cannot approve the 2015-2016 GIS projects for inclusion in opening rate base. ATCO Pipelines is directed to remove the applied-for capital addition amounts for the GIS Data Enhancement, GIS Lifecycle Management and the GIS Third Party Viewer Implementation projects from opening rate base.Paragraph 156
7. Based on the findings above, where certain IT projects are denied, the Commission directs that ATCO Pipelines make any necessary adjustments to Wipro IT volumes in the compliance filing.Paragraph 159
9. Although, the 2017-2018 MMS Enhancement project may assist ATCO Pipelines in planning and coordinating maintenance activities in a centralized repository, the Commission agrees with Calgary that ATCO Pipelines has failed to quantify the benefits of the project and note that the project exceeds the status quo costs by \$0.65 million. ATCO Pipelines is therefore directed to remove the proposed MMS Enhancements project from its 2017-2018 IT capital expenditures and revenue requirement forecasts.Paragraph 171
10. Accordingly, the Commission approves a 0.5 per cent out-of-scope salary escalation factor for 2017 and a 1.0 per cent out-of-scope salary escalation factor for 2018. The Commission considers that the 0.5 per cent for 2017 and the 1.0 per cent for 2018 should

- be inclusive of all salary increases and promotional increases that ATCO Pipelines collects in its revenue requirements for the test period. The Commission directs ATCO Pipelines to reflect these findings in its compliance filing to this decision. . Paragraph 243
11. The Commission directs ATCO Pipelines to incorporate the findings of Decision 21831-D01-2017 for all pension costs and COLA into its compliance filing to this decision. Based on Decision 21831-D01-2017, the Commission does not approve the placeholders for a pension COLA adjustment from 50 per cent to 100 per cent. Paragraph 257
 13. The Commission has reviewed ATCO Pipelines’ forecast vacancy rate and the calculations provided by ATCO Pipelines to determine vacancy rate and notes that the calculation is based on estimated 2016 actual data. In past decisions, the Commission has indicated a preference for the best available information when rendering a decision. The Commission considers that, in this case, an update to the 2016 actual vacancy rate used to determine the 2017 and 2018 vacancy rate is appropriate. The Commission therefore directs ATCO Pipelines in its compliance filing to recalculate the 2017 and 2018 forecast O&M vacancy rate, using the methodology described in the application and provided in response to AP-UCA-2016NOV025(d), using the final actual 2016 vacancy rate as at December 31, 2016. Paragraph 285
 14. The Commission considers that the updated CPI for 2017 and 2018, provided in response to the second round of IRs, is a more reasonable forecast for O&M supplies inflation. Accordingly, the Commission directs ATCO Pipelines, in the compliance filing, to update the O&M supplies forecasts to use an inflation factor of 1.9 per cent for 2017 and 2.3 per cent for 2018. Any specifically identified cost differences, namely the regulatory compliance initiative, quality control review and decreased costs due to the pension valuation, are approved, subject to any adjustments required as a result of the adjustment to supplies inflation. Paragraph 293
 15. The Commission has reviewed the forecast A&G costs and finds that the forecasts are reasonable given the information provided in Table 29 above and approves the forecast A&G [administration and general] costs, subject to the findings above regarding supplies inflation. Consistent with the direction on supplies inflation in Section 6.4, the Commission directs ATCO Pipelines to revise its forecast A&G costs to use the approved 1.9 per cent for 2017 and 2.3 per cent for 2018, for supplies inflation, where applicable. The Commission further directs ATCO Pipelines to provide a revised Table 29 in its compliance filing to this decision. Paragraph 307
 16. The Commission notes that Decision 21831-D01-2017 on ATCO Pipelines’ 2014-2018 pension application was issued on July 12, 2017. The Commission directs ATCO Pipelines to update its placeholder schedule for pension COLA costs in its compliance filing. Paragraph 365
 17. The Commission directs ATCO Pipelines to revert to the use of the BG procedure for the purposes of determining its amortization of reserve differences calculation and amortization of reserve differences true-up amounts in its compliance filing to this decision. Paragraph 388
 24. The Commission denies the proposed 20-R3 life-curve combination for Account 454.00 – underground storage – well equipment, and directs ATCO Pipelines to maintain the existing 24-R3 life-curve for this account in its compliance filing to this decision. Paragraph 424

25. Accordingly, the Commission directs ATCO Pipelines to maintain the existing 82-R5 life-curve for Account 461.00 – transmission plant – land rights in its compliance filing to this decision. Paragraph 444
27. The Commission finds that an increase in average service life is warranted and directs ATCO Pipelines to incorporate a 67-R2.5 life-curve for Account 465.00 – transmission plant – mains in its compliance filing to this decision..... Paragraph 464
30. The Commission does not consider that the cost of removal incurred in the year 2013 is significant enough to influence a change in the approved net salvage per cent for this account at this time. For this reason, the Commission denies ATCO Pipelines request to implement a net salvage of -691.0 per cent for Account 452.00 – underground storage plant – structures and improvements. ATCO Pipelines is directed to incorporate the approved net salvage of -5.0 per cent for Account 452.00 – underground storage plant – structures and improvements in its compliance filing to this decision. Paragraph 532
31. ATCO Pipelines is directed to incorporate the approved net salvage of -20.0 per cent for Account 453.00 – underground storage plant – wells in its compliance filing to this decision. Paragraph 537
32. The Commission approves a net salvage per cent of -9.0 for Account 454.00 – underground storage plant – well equipment on the basis of the overall results of the traditional net salvage study. ATCO Pipelines is directed to incorporate a net salvage of -9.0 per cent for Account 454.00 – underground storage plant – well equipment in its compliance filing to this decision. Paragraph 542
33. The Commission approves the continuation of a net salvage per cent of -5.0 for Account 455.00 – underground storage plant – well equipment based on the overall results of the traditional net salvage study. ATCO Pipelines is directed to maintain its approved net salvage of -5.0 per cent for Account 455.00 – underground storage plant –field lines in its compliance filing to this decision. Paragraph 547
34. The Commission denies the use of a net salvage per cent of -5.0 for Account 456.00 – underground storage plant – compressor equipment based on the overall results of the traditional net salvage study. ATCO Pipelines is directed to maintain its currently approved net salvage of 0.0 per cent for Account 456.00 – underground storage plant – compressor equipment in its compliance filing to this decision. Paragraph 552
35. The Commission approves a net salvage per cent of -2.0 for Account 456.00 – underground storage plant – well equipment based on the overall results of the traditional net salvage study. ATCO Pipelines is directed to incorporate a net salvage of -2.0 per cent for Account 456.00 – underground storage plant – measuring and regulating equipment in its compliance filing to this decision. Paragraph 557
37. ATCO Pipelines is directed to incorporate a net salvage of -20.0 per cent in its compliance filing to this decision for Account 463.00 – transmission plant – measuring and regulating. Paragraph 568
38. ATCO Pipelines is directed to incorporate a net salvage of -10.0 per cent in its compliance filing to this decision for Account 464.00 – transmission plant – other structures and improvements. Paragraph 574
39. The Commission denies the use of a net salvage per cent of -80.0 for Account 465.00 – transmission plant – mains and ATCO Pipelines is directed to maintain its currently

- approved net salvage of -50.0 per cent in its compliance filing to this decision. Paragraph 588
40. The Commission denies the use of a net salvage per cent of -20.0 for Account 466.00 – transmission plant – compressor equipment and ATCO Pipelines is directed to maintain the currently approved net salvage of -5.0 per cent in its compliance filing to this decision. Paragraph 594
41. ATCO Pipelines is directed to incorporate a net salvage of -5.0 per cent in its compliance filing to this decision for Account 466.01 – transmission plant – compressor equipment (electronic). Paragraph 600
42. ATCO Pipelines is directed to incorporate a net salvage of -30.0 per cent in its compliance filing to this decision for Account 467.00 – transmission plant – measuring and regulating equipment. Paragraph 606
43. The Commission agrees with ATCO Pipelines that a modification to the net salvage of -5.0 per cent for Account 482.00 – general plant – structures is required. The Commission approves a net salvage of -1.0 per cent for Account 482.00 – general plant – structures based on the overall results of the traditional net salvage study. ATCO Pipelines is directed to incorporate a -1.0 per cent in its compliance filing to this decision for Account 482.00 – general plant – structures. Paragraph 611
44. The Commission directs ATCO Pipelines to maintain the approved net salvage of 15.0 per cent for each of Account 484 – general plant – transportation equipment and Account 485.00 – general plant – heavy work equipment in its compliance filing to this decision. Paragraph 622
45. ATCO Pipelines is directed to file a compliance filing in accordance with the findings and directions in this decision, no later than October 11, 2017. Paragraph 636(1)

Other matters

1. For 2017, the Commission accepts the \$2,500 lump sum payment made to in-scope employees as it was part of a two-year collective agreement that was negotiated by ATCO Pipelines in good faith. The Commission is not persuaded, in this case, that the lump sum payment was imprudent and should be disallowed on the basis of the economic downturn in Alberta at the time the collective agreement was entered into. For 2018, the Commission approves an in-scope salary escalation of 2.2 per cent which is the most current average inflation rate of comparables provided by ATCO Pipelines in its response to AP-AUC-2017APR11-019. Paragraph 224
2. The Commission finds that the recommendation proposed by the CCA represents a methodology that has not been tested during this proceeding. The Commission agrees that ATCO Pipelines has prepared its debt rate forecasts using a method consistent with what was approved in Decision 3577-D01-2016. The Commission tested and approved this methodology during ATCO Pipelines' 2015-2016 GRA. Consistent with its findings elsewhere in this decision regarding use of the most recent information, the Commission finds that the most current Consensus Forecast data on the record of this proceeding should be used when determining what debt rate to use. Therefore, the Commission approves a forecast debt rate of 4.16 per cent for 2017 and 4.46 per cent for 2018. Paragraph 337

Appendix 4 – Summary of Commission directions to be addressed in future applications

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This section is provided for the convenience of readers and reproduces the directions from Decision 22011-D01-2017 that the Commission considers remain outstanding. Directions not listed in this appendix will either be listed in Appendix 3 as completed or addressed as new directions. In the event of any difference between the directions in this section and those in the main body of Decision 22011-D01-2017, the wording and meaning in the main body of Decision 22011-D01-2017 shall prevail.

1. The Commission has reviewed the depth of cover program and ILI [in-line inspection] program and is satisfied that ATCO Pipelines has adequately explained why the expenditures are required to ensure pipeline integrity, while also providing tables that detail the program. The Commission also notes that interveners did not oppose these capital costs. The Commission approves ATCO Pipelines' forecast capital expenditures for these two programs as filed, but directs ATCO Pipelines in all future applications to clearly explain all removal costs, whether all assets were retired in the ordinary course, and identify the accounts associated with the removal costs..... Paragraph 51
2. The Commission notes that ATCO Pipelines was amenable to providing sizing information on both the SEC and the Northeast Edmonton Connector at the facilities application stage. The Commission considers this would be of assistance to the Commission and parties, and directs ATCO Pipelines to provide current sizing information on both the South Edmonton Connector and the Northeast Edmonton Connector at the facilities application stage. Paragraph 66
3. The Commission notes that the majority of the information with regard to ATCO Pipelines' UPR procurement process was filed confidentially in the current proceeding. As noted by ATCO Pipelines, there were over 20,000 pages of procurement information filed in the proceeding, with the UCA being the only intervener commenting on the procurement process and noting satisfaction with how ATCO Pipelines presented its tendering material in an organized and transparent manner. Although the Commission recognizes that the UCA expressed concern with general Alberta utility tendering practices, the Commission considers that the level of detail filed in the current proceeding should not necessarily be required in all future proceedings. Accordingly, in the absence of any material change(s) to the UPR program, ATCO Pipelines is directed to provide an executive summary of its procurement practices on a go forward basis that includes:
 - identifying the number of bidders in the process
 - a justification of the winning bidder
 - any changes in tendering process or atypical results arising from its procurement process..... Paragraph 67
4. The Commission approves, in this proceeding, ATCO Pipelines' forecast ECDA [external corrosion direct assessment] and ILI capital expenditures because the inspections are a proactive initiative designed to detect areas of the pipeline susceptible to future defects in transmission pipeline. However, the Commission notes that the CCA argued that capitalization of ECDA and ILI costs should be treated as expense items as

the inspections themselves do not extend the life of the pipeline asset nor is capitalization of these costs consistent with industry norms. As such, the Commission directs ATCO Pipelines, in its next GRA:

- To survey and summarize the practices of other North American regulated pipeline companies to establish if ILI costs are capitalized or expensed.
 - Clarify why ECDA costs should be capitalized based on ATCO Pipelines' capitalization policy. Paragraph 91
8. The Commission finds that the 2015-2016 IT capital projects focus on improving ATCO Pipelines' management of its assets, as opposed to meeting certain requirements to comply with ISO 55001. In Decision 3577-D01-2016 the Commission found that, while ATCO Pipelines defined the GIS, PIMS and MMS Enhancement projects as discrete projects, the Commission considered that the projects were all related to improving ATCO Pipelines' asset management and that the cumulative costs of the projects may exceed the minimum business case requirement of \$500,000. The Commission continues to consider that projects which are directly interrelated should be presented in a single comprehensive business case and directs ATCO Pipelines to identify projects that may be integrated in future GRAs, especially as it pertains to asset management. .. Paragraph 166
12. However, the Commission continues to consider that, given the difficulty in forecasting vacancies due to uncertainties in ATCO Pipelines' operating environment, using a five-year average of historical rates is a reasonable methodology to estimate vacancy rates, and directs ATCO Pipelines to use this methodology in its next GRA, or to provide an explanation of why this methodology is not appropriate for the test period. Paragraph 284
16. The Commission is cognizant that the debt rate is subject to deferral treatment, but is interested in exploring different methodologies to forecast debt cost rates in ATCO Pipelines' next GRA. The Commission directs ATCO Pipelines to explore and discuss different possible methods to forecast its debt rates in its next GRA, including methodologies that use a forward curve to set the debt cost rate, instead of using Consensus Forecasts. The Commission also anticipates that other parties to that proceeding, such as the CCA, will also have an opportunity to file evidence on this issue. Paragraph 338
21. The Commission has examined the evidence with respect to the treatment of contributions for depreciation purposes and is not convinced that there is reason for concern. However, in reviewing the capitalization policy referenced by ATCO Pipelines, the Commission can find no reference to any discussion of asset relocations. For this reason, the Commission considers it would be beneficial for ATCO Pipelines to establish a written policy with respect to its treatment of contributions from both an accounting and depreciation study perspective. The Commission directs ATCO Pipelines to submit this contribution policy at the time of its next general rate application. The contribution policy should encompass the three contribution scenarios described by ATCO Pipelines in its rebuttal evidence and any other scenarios that require separate or distinct accounting treatment. Paragraph 400
22. The Commission finds merit in the CCA's concern and related recommendation and therefore directs ATCO Pipelines to provide the requested cost of removal information (as being what has been collected and what has been expended, each on a total

- cumulative basis) at the time of its next GRA. The cost of removal information will be required for a single account, Account 465.00 – transmission plant – mains. After examining the data, the Commission will make a subsequent determination with respect to ATCO Pipelines’ remaining plant accounts and whether similar cost of removal information for those accounts will be required. Paragraph 407
23. The Commission directs ATCO Pipelines to provide as part of all future rate applications where either a depreciation study or technical update to a depreciation study has been submitted, detailed depreciation expense calculations on the basis of both approved methodologies and depreciation parameters (and corresponding rates) and proposed methodologies and depreciation parameters (and corresponding rates). Paragraph 411
26. The Commission is prepared to accept the proposed 50-R1.5 life-curve combination at this time on the basis there is a satisfactory visual fit to ATCO Pipelines’ historical data and is within the range of average service life statistics provided by Mr. Robinson. However, the Commission directs ATCO Pipelines in its next depreciation study to explore whether or not a further lengthening of the average service life would not be reasonable for Account 464.00 – transmission plant – other structures and improvements. Paragraph 456
28. However, the Commission directs ATCO Pipelines in its next depreciation study to explore whether or not a lengthening of average service life would be reasonable for Account 467.00 – transmission plant – measuring and regulating equipment. Paragraph 480
29. ATCO Pipelines has not convinced the Commission of the applicability of a decommissioning study for determining net salvage per cents for its underground storage assets. The Commission is not prepared to approve the proposed changes to net salvage per cents for underground storage assets premised on the use of the decommissioning study at this time. ATCO Pipelines is directed, in its next depreciation study, to revert back to a traditional net salvage study for the purposes of examining net salvage for its underground storage assets. Paragraph 525