



# **TransAlta Utilities Corporation**

## **Disposition of Excluded Assets**

**November 13, 2002**

**ALBERTA ENERGY AND UTILITIES BOARD**  
Decision 2002-093: TransAlta Utilities Corporation  
Disposition of Excluded Assets  
Application No. 1270506

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## **1 INTRODUCTION**

TransAlta Utilities Corporation (TransAlta) filed an application (the Application) on May 21, 2002, for disposition of certain assets that were excluded from the sale of its transmission business to AltaLink Management Ltd. (AltaLink). The Alberta Energy and Utilities Board (the Board) directed TransAlta to make an application to dispose of these assets in Decision 2002-038,<sup>1</sup> which is the Decision that approved the sale of the majority of TransAlta's transmission assets and business to AltaLink. The assets in question are those assets set out in Schedule 1.1(f) of the Purchase and Sales Agreement between TransAlta and AltaLink (attached as Appendix 1) (the Excluded Assets).

## **2 BACKGROUND AND DETAILS OF THE APPLICATION**

TransAlta was directed in Decision 2002-038 as follows:

The Board therefore directs TransAlta to file an application with the Board for the removal of the Excluded Assets from regulated service. The application must include the current rate base value of each of the Excluded Assets, the rate base value of each of the Excluded Assets as at December 31, 2000, and a reconciliation indicating the change in value for each of the Excluded Assets from December 31, 2000 to the time of the application. The reconciliation should include the proportion of the asset that was allocated to distribution, transmission, corporate services and any other material categories. The allocations to other categories should indicate the business unit that the cost was allocated to and the relevant costs that were allocated over the time period in question. Additionally, the application by TransAlta should include a proposal regarding the appropriate sharing between customers and shareholders for the Excluded Assets and the appropriate value of the Excluded Assets that should be used to determine the sharing.<sup>2</sup>

TransAlta included information in the Application on the Excluded Assets including gross property in service for 1998 through 2001, additions, retirements, depreciation, accumulated depreciation, net property in service, and allocation percentages to each business function where applicable.

TransAlta stated that, if the Board were to treat the relevant Excluded Assets as having been subject to a disposition, a net loss amount of \$26.447 million would be charged to the account of customers, and a net gain of \$1.392 million would accrue to the account of shareholders. Based

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<sup>1</sup> Decision 2002-038, TransAlta Utilities Corporation and TransAlta Energy Corporation, AltaLink Management Ltd. – Sale of TransAlta Transmission Assets and Business to AltaLink, March 28, 2002

<sup>2</sup> Decision 2002-038, pp. 21-22

on the market valuations filed by TransAlta, the market value for most of the assets was less than the book value, therefore TransAlta calculated that the share of the loss on the disposition of the assets that would be attributable to customers is \$26.477 million. With respect to those assets where market value was found to be greater than net book value, TransAlta proposed that the net gain to shareholders is \$1.392 million.

In the above circumstances, TransAlta submitted that it is inappropriate for the Board to make an order with respect to payment of gain or loss in respect of the Excluded Assets. TransAlta requested a declaration from the Board that no such order is required.

TransAlta requested an exemption order from the Board with respect to the continuing effects of designation under the *Public Utilities Board Act*, RSA 2000, c. P-45 (PUB Act). TransAlta noted that the only remaining regulated function left in TransAlta is the small Transmission Facility Owner function on First Nations Lands (the FN TFO) which were referred to as the Withheld Assets in the sale of the transmission assets and business to AltaLink proceeding. TransAlta considers that its requested exemption will preserve Board jurisdiction under the PUB Act over the Withheld Assets on First Nations land which comprise the FN TFO assets and TransAlta will remain subject to the *Alberta Energy and Utilities Board Act*, RSA, 2000, c. A-17 (EUB Act) requirements in respect of the FN TFO.

TransAlta summarized its requests as follows:

- 1) A declaration by the Board that in the circumstances of the dispositions by TransAlta of its regulated businesses, the Board no longer exercises rate regulatory authority over the Excluded Assets, and that no further order is required in respect of any gain or loss as compared to the net book value of the Excluded Assets.
- 2) In the alternative, in the event that the Board finds that there has been a disposition of the relevant Excluded Assets, an order of the Board applying the parameters of Decision 2002-037,<sup>3</sup> enabling the recovery by TransAlta of the net loss of \$26.477 million and confirming that a net gain in the amount of \$1.392 million is to the account of shareholders.
- 3) An exemption order pursuant to section 101(4) of the PUB Act declaring that section 101(2) of the PUB Act no longer applies to TransAlta, save and except in respect of any transaction taken under section 101(2)(d) in respect of Withheld Assets on First Nations Lands, as described in Decision 2002-038.

### 3 PROCESS

On June 17, 2002, the Board issued a Notice of the Application by TransAlta. The notice included a schedule that indicated dates for information requests and responses and intervenor evidence. On August 14, 2002, the Customer Group<sup>4</sup> filed intervenor evidence. The intervenor

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<sup>3</sup> Decision 2002-037, ATCO Gas and Pipelines Ltd. – Disposition of Calgary Stores Block and Distribution of Net Proceeds, Part 2, March 21, 2002

<sup>4</sup> Alberta Association of Municipal Districts and Counties (AAMDC), Alberta Irrigation Projects Association (AIPA), Alberta Association of REAs (REAs), Alberta Urban Municipalities Association (AUMA), City of

evidence was prepared by Mr. Brian Gettel of Gettel Appraisals Ltd. and provided estimates of the market value of some of the Withheld Assets.

At the time that the evidence was filed, the Customer Group submitted that, based on the values provided by Mr. Gettel, the Customer Group would not oppose TransAlta's Application in relation to the Excluded Assets. Although the valuations done by Mr. Gettel resulted in a higher value than TransAlta proposed, they were, on balance, less than net book value. Therefore the Customer Group removed its opposition to the Application on the express understanding that TransAlta did not intend to seek recovery of any losses or deficiencies arising from the disposition of the Excluded Assets from customers, as referenced by TransAlta at the time of its Application. The Customer Group stated that this would also obviate the need for customers to test, at a hearing, the market value of the various workstations, servers, and voice networks and the Cochrane Office, at the time it was transferred to the generation function, as well as the allocations of the various gains or losses on disposition between the regulated and unregulated functions.

By letter dated August 27, 2002, TransAlta confirmed that it agreed with the condition stated by the Customer Group for withdrawing their opposition to the TransAlta Application. TransAlta confirmed that its preferred outcome from the Application was the removal of the Excluded Assets from regulated service without a need for the recovery of the deficiency between market value and net book value.

Accordingly, for purposes of this Decision, the Board considers that the record closed on August 27, 2002.

#### **4 BOARD FINDINGS**

TransAlta complied with the direction in Decision 2002-038 to file an application with the Board to remove the Excluded Assets from regulated service. Following the preparation of intervenor evidence, the Customer Group withdrew its objection to the Application. The evidence filed by the Customer Group indicated that the market value of the Excluded Assets was less than the net book value.

By letter dated August 19, 2002 and sent to all registered participants the Board sought confirmation that there were no remaining objections to the Application. No parties notified the Board of any objections.

Therefore the Board finds that the Excluded Assets are removed from TransAlta's regulated service and that the Board exercises no further rate regulatory authority over the Excluded Assets. In the circumstances of this Application, and in particular given TransAlta's position that it was not seeking recovery of the amount of money representing the shortfall or deficiency between the current market value and the net book value of the Excluded Assets, no further order is required regarding the allocation of any such loss between TransAlta and the customers. The Board observes that it has historically exercised the authority to allocate losses or gains from the sale of utility assets in a number of different factual settings as between the utility and the

customer and emphasizes that this Decision is not to be construed as a limitation or modification of this authority or practice. Both TransAlta and the Customer Group have agreed that the proposed order is desirable and in the absence of compelling reasons to the contrary, the Board accepts that it is in the public interest.

The Board notes that, having disposed of all other regulated assets, section 101(2) of the PUB Act now only applies to TransAlta's Withheld Assets on First Nations Lands.

Therefore it is ordered that:

- (1) The Board no longer exercises rate regulatory authority over the Excluded Assts, and no further order is required in respect of any gain or loss as compared to the net book value of the Excluded Assets.
- (2) Pursuant to section 101(4) of the *Public Utilities Board Act*, RSA 2000, c. P-4, section 101(2) of the *Public Utilities Board Act* no longer applies to TransAlta Utilities Corporation, save and except in respect of any transaction taken under section 101(2)(d) in respect of the Withheld Assets on First Nations Lands, as described in Appendix 2, attached.

DATED in Calgary, Alberta on November 13, 2002.

**ALBERTA ENERGY AND UTILITIES BOARD**

*(original signed by)*

B. T. McManus, Q.C.  
Presiding Member

*(original signed by)*

T. McGee  
Member

*(original signed by)*

Gordon J. Miller  
Member



**APPENDIX 1 – SCHEDULE 1.1(f), SPECIFICALLY EXCLUDED ASSETS**

1. Office Site, Town of Cochrane
2. Calgary Head Office
  - 110 – 12 Avenue S.W.
  - 1202 – Centre Street S.
  - 1110 – 1 Street S.W.
3. Calgary Head Office parking:
  - 108 – 12 Avenue S.E.
  - 102 – 12 Avenue S.E.
  - 107 – 13 Avenue S.E.
4. Assets related to the generation hydro desk in TransAlta's System Control Centre
5. A portion of land at Janet Substation (approximately 10 acres)
6. A portion of land at Langdon Substation (approximately 10 acres)
7. All transmission and substation facilities associated with:
  - the Poplar Creek (Suncor) Generating facilities located near Fort McMurray, Alberta
  - the Fort Saskatchewan (Dow) Generating facilities located at Fort Saskatchewan, Alberta
8. All Head Office work stations and furniture
9. The right, title or interest in any copyrights, trademarks and tradenames owned by TransAlta Corporation including, but not limited to, the TransAlta name, wordmark, design mark or any other marks associated with TransAlta.
10. All VMS Servers (VAX and Alpha)
11. All SAP Servers
12. All Notes Servers

## 13. Voice Networks listed in Table 1

**Table 1**

<b>Description</b>	<b>Quantity</b>
Head Office Seimens Hicom 300	1
T1-10 Seimens Hicom 300	1
Cochrane Nortel Northstar	1
Generation sites (Thermal/Hydro) All	All
HO Switch DID Numbers	All
HO Handsets	All
Voicemail	All
<b>Description</b>	<b># of Trunks</b>
<b>Tie Trunks T1-10 to PBX TA</b>	
<b>Circuits</b>	
Cochrane (Telus System)	2
Mississauga (Telus System)	2
Portland (Telus System)	1
Mobile Trunks	
Pocaterra and Bighorn	2

## 14. Home office data networks including those listed in Table 2

Table 2

Location	Circuit Number	Device	Comments
<b>Acheson</b> <b>53030</b> <b>Highway 60</b>	SPGR-TAU-HUB01	Cisco 2621 Cisco 1924 switch Cisco 2501 router Cisco 2501 router Cisco 2501 router Newbridge 3600	UNC Facility Terral Plant WAN access
<b>Cochrane</b> <b>409 River ave.</b> <b>Cochrane T0L 0W0</b>	05QHDQ100812027	Cisco 2501 router Catalyst 1924 switch Catalyst 1924 switch Motorola FT100 APC Smart UPS 700	TransAlta Hydro Operations UNC co-locate
<b>Calgary H.O</b> T1-5 T1-6 T1-7 T2-5E T1-10 T1-10 T1-10 T1-10 T1-10		Cisco 4006 switch Cisco 4006 switch Cisco 4006 switch Cisco 4006 switch Cisco 4006 switch Cisco 3524 switch DEC HUB90 DEC Server 90 M PABX	PABX remote console VoIP tie trunks for Portland, Mississauga, Centreliia

## 15. Telecommunication Radio Sites

**Table 3**

Station Name	Station Abbreviation	STNID	Service area text
BEARSPAW PLANT	BPW(PL)	65030	Mountainview
BRAZEAU OUTLET WORKS (294S)	294S(BRZ)	5050	St Albert2
BRAZEAU RADIO STN	BRZ	5001	St Albert2
CASCADE RADIO STN	CAS	64001	Mountainview
KANANASKIS PLANT (2S)	KAN	25030	Mountainview
KEEPHILLS PLANT (COMMUNICATIONS ROOM)	KPH	69001	St Albert2
RUNDLE RADIO STN	RUN	66001	Mountainview
SEEBE SUB (245S)	245S(SEB)	77030	Mountainview
SUNDANCE TELECONTROL ROOM	SUN	23001	St Albert2
WABAMUN RADIO ROOM	WAB	22001	St Albert2

**APPENDIX 2 – SUMMARY OF TRANSMISSION FACILITIES ON FIRST NATIONS LAND (WITHHELD ASSETS)**



"Table 1  
Transmission Rebutta

(consisting of 1 page)

