

September 4, 2024

Alberta Utilities Commission
Eau Claire Tower
1400, 600 Third Avenue S.W.
Calgary, Alberta T2P 0G5

Attention: Alexey Starkov

**Re: AUC Bulletin 2024-16 – Consultation on Improvements to Rates Proceedings
for Transmission Utilities Virtual Consultation Session**

In accordance with the Commission's Bulletin 2024-16 dated August 20, 2024, ATCO Electric Transmission and ATCO Pipelines (together "ATCO") intend to participate in the roundtable discussion hosted by the AUC. Please find attached an outline of what ATCO intends to discuss at the virtual consultation session to be held on September 12, 2024. While both ATCO Electric Transmission (AET) and ATCO Pipelines (AP) have filed separate outlines related to this consultation due to the unique factors facing each rate proceeding, to avoid duplication, any areas where there is overlap between the two utilities has only been identified once.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

Lisa Brennand, CPA, CA
Vice President, Regulatory
ATCO Electric Ltd.

Jacqueline Smith, CPA, CMA
Vice President, Regulatory and Controller
ATCO Gas and Pipelines Ltd.

ATCO ELECTRIC TRANSMISSION OUTLINE

Timing and coordination of upcoming general tariff and rate applications to support adequate resourcing, avoid delays and ensure predictable and consistent AUC processes

- ATCO intends to file its next GTA and GRA Applications mid-2025. ATCO will provide advance notice for when the applications will be filed and recommends setting efficient schedules for the proceedings early in the process.

Extending and standardizing test periods (three years or longer) for all utilities

- A utility should have flexibility in the length of its test period to allow it to meet its onus of justifying the reasonableness of its forecast for that test period.
- The energy sector is undergoing significant change driven by the energy transition and ever-changing impacts of climate change, which casts significant uncertainty on what is and will be required by utilities to build and maintain a resilient grid – in both the near term and longer term.
- Extending test period lengths for utilities can reduce, rather than enhance, proceeding efficiency. It will result in higher forecast uncertainty, which may require additional effort to review, and potentially more mechanisms and deferral accounts to manage this uncertainty.

Establishing materiality thresholds for capital

- ATCO suggests the materiality thresholds follow a modified version of the Rule 005 variance explanation criteria (current Rule 005 threshold is \$5 million, or 10% change and \$1 million for utilities with a rate base in excess of \$2 billion).
- ATCO suggests modifying the threshold of 10% and \$1 million, as a variance to capital additions of \$1 million equates to a revenue requirement impact of approximately \$0.1 million. Increasing the threshold to a minimum of \$2.5 million or more and 10% would allow for greater efficiencies in the application process and would more closely align the revenue requirement equivalency to the \$400,000 O&M materiality threshold cited in Bulletin 2020-25 dated July 3, 2020.
- ATCO suggests this be applied on a test period average of capital additions,¹ on a project level, i.e. as shown on MFR Schedule 10-4. This is consistent with the Commission's direction in Decision 26354-D01-2021. Please refer to Table 1 below for an illustration of a material variance as the variance is above \$2.5 million and 10%.

¹ Test period average would be calculated as the capital additions for an appropriation over the entire test period, divided by the number of years in the test period.

Table 1: Calculation of Capital Additions Variance - Recurring Capital Program

		\$M	Percent
1	Approved - average of prior Test Period	31.0	
2	Forecast - average of future Test Period	34.5	
3	Forecast vs Approved Variance	3.5	11

Should there be a different threshold for re-occurring programs versus new programs?

- ATCO supports the notion that new programs should have a lower materiality threshold than recurring programs.

Business Cases for Capital Projects

- ATCO suggests Bulletin 2006-25 be updated to increase the threshold for a business case from \$0.5 million to recognize the impact of inflation since 2006 (nearly 50%²), as well as other factors impacting capital costs such as supply chain and demand for materials.

Other opportunities for improvement identified

- MFRs and reporting requirements: The nature and extent of information requirements has far exceeded what is required in the MFRs (i.e. FTE schedules and CWIP continuity).
- Materiality threshold for FTEs: In AET's 2023-25 GTA, over 147 information requests (including sub parts) on FTEs of which just over 25% were on 0.5 or less of an FTE.
- Number of information requests: Even with enforcing an intervener IR limit, in its last GTA, AET still received over 850 IRs (including subparts) to be read, responded to, reviewed and submitted in three weeks, which required AET to seek an extension. Many of these were extremely complex requests.
- Variance thresholds for O&M: Current O&M materiality is based on Bulletin 2020-25; AET's materiality level is \$0.4 million which is roughly 0.2% of total operating costs. AET suggests this Bulletin be revisited - since 2020, inflation has increased approximately 18%,³ which would suggest a materiality level closer to \$0.5 million.

² Alberta CPI was 113.4 in July 2006 and is currently 170.4 as of July 2024. Statistics Canada. [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.](#)

³ CPI in Alberta was 144.9 in July 2020 and is now 170.4 as of July 2024 per Statistics Canada [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.](#)

ATCO PIPELINES OUTLINE

Process improvements that could improve efficiency and outcomes of negotiated settlement processes (excluding revisions to Rule 018: Rules on Negotiated Settlements, which will be considered in a separate consultation)

- Allow utilities to negotiate earlier in the proceeding, if agreed by all parties.
- Negotiations should be reasonable, focusing on material items. Clarify that relevant materiality thresholds for capital and O&M apply to negotiated settlement processes.
- No excluded items set by the Commission for negotiations: With excluded items, the utilities still have to go through a full hearing process in relation to those items, which adds administrative burden to the process. This approach does not diminish the Commission's ability to review or approve the Negotiated Settlement and ensure it results in just and reasonable rates and is in the public interest.

Extending and standardizing test periods (three years or longer) for all utilities

- The utility may require specific protections, such as deferral treatment, in order to facilitate longer test periods. For example, AP would require a growth deferral account and would highlight the Yellowhead Mainline Project as an example of where mid-year depreciation and forecast risk would be best dealt with through a deferral account.

Other opportunities for improvement identified

- While there are no MFRs applicable to AP's GRAs, AP agrees with AET that it would be useful to clarify information requirements for certain recurring or common items addressed in GRAs.