

Bulletin 2025-01

January 3, 2025

Improvements to cost-of-service rates proceedings for transmission utilities

The AUC remains dedicated to increasing efficiency and reducing regulatory burden and has undertaken a review of its approach to processing transmission utility cost-of-service rate applications.

On September 12, 2024, the AUC held a consultation with stakeholders to review potential improvements. The AUC has identified several improvements for implementation. The AUC notes that the success of this initiative to reduce regulatory burden and enhance efficiencies can only be achieved with the cooperation of all parties.

Effective immediately, the Commission is implementing the following for all cost-of-service transmission utility rates proceedings.

Updating capital business case thresholds

Currently, applicants are required to provide business cases for capital projects with total expenditures that exceed \$500,000 (as per Bulletin 2006-25), or \$100,000 for smaller utilities. These thresholds were set nearly 20 years ago and have not been updated to keep pace with inflation. Accordingly, the Commission is raising the business case thresholds outlined in Bulletin 2006-25, considering party submissions from the September 12, 2024, consultation session and inflationary effects, as follows:

| Revenue requirement | Business case threshold (\$) |
|----------------------------|-------------------------------------|
| Less than \$100 million | 200,000 |
| \$100 million and greater | 1,000,000 |

Piloting materiality thresholds for testing the revenue requirement for capital expenditures

The AUC understands the importance of cost-effective, timely and proportionate regulation. In an effort to advance these principles, the Commission will pilot a materiality threshold for certain capital expenditures.

Materiality thresholds will be used to test variances between approved, actual and forecasted capital expenditures, and will be applied at the program level. This materiality threshold will apply only to existing reoccurring programs. All new programs requiring a business case will be considered material. For existing reoccurring programs, the threshold will vary depending on the total forecast revenue requirement of the utility as follows:

| Revenue requirement | Percentage variance | \$ variance | Threshold rule |
|--------------------------------|---------------------|-------------|---|
| Less than \$100 million | 3 | 400,000 | Greater than or equal to 3% and \$ variance |
| \$100 million to \$250 million | 3 | 1,000,000 | |
| More than \$250 million | 3 | 2,000,000 | |

Variations below these thresholds will generally not be expected to be explained by the applicant nor questioned by the Commission, AUC staff or other parties. A review of expenditures or issues below the materiality threshold may be permitted if the expenditure or issue is precedent-setting or invokes regulatory accounting principles, adherence to AUC rules or previous Commission directions. Any request for an exception to examine expenditures below these thresholds must be made in advance, and supported by a compelling explanation of the rationale, precedent, or principle at stake. Absent a Commission direction or ruling allowing for an exception, information requests or other materials purporting to examine expenditures below these materiality thresholds will be excluded from the record of the proceeding and any related costs claimed may be disallowed.

This and other materiality thresholds are intended to focus proceedings on material issues to ensure that regulatory processes are proportional and focused on scrutinizing matters that can make a meaningful difference for customers. Actions by an applicant to re-categorize expenditures for the apparent purpose of avoiding scrutiny could result in the Commission directing a full examination of all expenditures or such other measures as the Commission determines appropriate in the circumstances.

Reaffirming operations and maintenance materiality thresholds

The AUC will continue to use the operations and maintenance (O&M) materiality thresholds originally established in AUC [Bulletin 2020-25](#), with no changes to the thresholds at this time. To enhance accessibility and ensure consistency, the AUC is including the materiality thresholds in this communication for ease of reference, consolidating the O&M, business case and capital thresholds into a single source for stakeholders.

Materiality thresholds are applied to O&M accounts at the uniform system of account and prime account level and the threshold varies depending on the total forecast revenue requirement of the utility as follows:

| Revenue requirement | Percentage variance | \$ variance | Threshold rule |
|--------------------------------|---------------------|-------------|-------------------------------|
| Less than \$100 million | 3 | 75,000 | Greater of 3% and \$ variance |
| \$100 million to \$250 million | 3 | 100,000 | |
| \$250 million to \$500 million | 3 | 250,000 | |
| More than \$500 million | 3 | 400,000 | |

The conditions and guidelines established for O&M materiality thresholds in AUC Bulletin 2020-25 remain fully applicable.

Intervener evidence to be filed following the negotiated settlement process

The Commission has decided to adopt a consistent scheduling practice whereby intervener evidence is filed after the negotiated settlement process, and only if parties fail to reach a full settlement. This is intended to ensure parties and the Commission do not expend resources on process or issues that is not required (and the costs of which are ultimately borne by customers). For example, time and money may be spent drafting information requests on intervener evidence, which ultimately end up not being required as the result of a settlement being reached.

Going forward, the Commission has determined that intervener evidence filed on the record of the proceeding should be limited to issues that remain with the Commission to be decided because parties were unable to settle them through the negotiated settlement process. For clarity, these changes are not intended to restrict the information that parties may exchange off the public record during negotiations.

Applicants to provide notice of an upcoming application filing for general tariff and general rate applications

The AUC will require applicants to file a notice 60 days in advance of submitting their applications. Applicants will create new proceeding numbers on the eFiling System for each new application and will submit their 60-day advance notices on the respective records of each new proceeding. The AUC will not issue formal notice of application until after an application is filed on the record of a new proceeding, and the deadline to file statements of intent to participate will be set in the AUC's notice.

By providing advance notice, parties will have greater visibility into anticipated application timelines, allowing them to allocate resources and prepare more efficiently. This approach reflects the AUC's commitment to enhancing the procedural efficiency and predictability of regulatory processes.

Applicants to hold pre-application technical sessions and provide preliminary issues lists

The AUC will require applicants to hold pre-application technical sessions and to prepare and file a proposed preliminary issues list with their applications. These improvements were proposed by stakeholders during the September 12, 2024, consultation session.

Applicants will schedule and host these technical sessions and the Commission requests that internal staff with technical knowledge of the application be present to address questions from AUC staff and interveners. Intervenors are expected to use this opportunity to gain insight into the application and should prepare their resources accordingly. Additionally, applicants should use these sessions as an opportunity to present their preliminary issues lists and to potentially receive questions and input on the issues list from AUC staff and interveners.

Elimination of transcripts for optional pre-information request technical sessions

The Commission has decided that pre-IR technical sessions will remain optional. Based on feedback received during the September 12, 2024, consultation session, the Commission will not require these sessions to be transcribed, and transcripts of these sessions will not be filed on proceeding records. Any party proposing a pre-IR technical session is expected to plan these sessions in a manner that avoids creating process delays.

The Commission will consider whether the pre-IR technical session will allow for a reduction in the total number of IRs or otherwise improve the effectiveness of the proceeding in deciding whether the benefit of the requested pre-IR technical session outweighs the costs and time associated with it.

Process for setting filing dates and preliminary schedules for upcoming general tariff and general rate applications

The AUC is expecting multiple applications from transmission utilities in 2025. Processing multiple, overlapping applications within a condensed timeframe raises concerns around resource planning and adequacy for all parties, and the potential for process delays.

To address these challenges, parties indicated during the September 12, 2024, consultation session that they would collaborate under a utility-led initiative to establish reasonably spaced filing dates and preliminary process schedules for the upcoming applications. The AUC understands that this initiative will include collaboration among utilities and interveners to align schedules based on resource availability, schedule constraints, and the status of upcoming applications.

The Commission is supportive of this initiative and would like AUC staff to actively participate in meetings and discussions, offering feedback grounded in AUC rates proceeding metrics, prior experience with process schedules, and internal scheduling considerations. While AUC staff will not formally approve any schedules developed, their involvement will help ensure proposed timelines are practical and consistent with AUC standards, principles and procedural norms. The Commission will also require utilities to include the preliminary schedules developed through this initiative in their upcoming applications.

Length of test periods

The Commission has decided to mandate a minimum three-year test period for all general tariff and general rate applications. However, the Commission acknowledges that such a change might require a longer notice period to allow utilities time to prepare three-year forecasts as part of their applications. The Commission also recognizes the uncertainties and heightened workload associated with ongoing market and policy changes. As a result, the requirement to file three-year test periods will not apply until after the current round of general tariff and general rate applications is complete in early 2026. This requirement should not be taken as precluding the Commission from initiating further process to consider test periods longer than three-years. The

Commission maintains an interest in exploring the potential benefits of test periods longer than three-years and may engage further with stakeholders to consider this issue in the future.

Any questions related to this initiative should be directed to Nicole Morter at nicole.morter@auc.ab.ca or 403-592-4413. More information on the consultation and the improvements made can be found on the AUC's [Engage page](#).

Alberta Utilities Commission