



**AltaLink Management Ltd.
2019 Projects Deferral Accounts
Reconciliation Application**

March 19, 2021



Alberta Utilities Commission

Decision 25913-D01-2021

AltaLink Management Ltd.

2019 Projects Deferral Accounts Reconciliation Application

Proceeding 25913

March 19, 2021

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Contents

| | | |
|--------------|------------------------------------------------------------|-----------|
| 1 | Decision summary | 1 |
| 2 | Introduction | 1 |
| 3 | Discussion of issues | 3 |
| 3.1 | Fortis-initiated projects | 3 |
| 3.2 | Salvage costs | 4 |
| 3.3 | Affiliate costs | 5 |
| 3.4 | ATCO Jasper Interconnection Project (D.0576)..... | 6 |
| 3.4.1 | Foundation construction..... | 7 |
| 3.4.2 | Danger tree removal..... | 8 |
| 3.4.3 | Fortis 25kV distribution line..... | 8 |
| 3.4.4 | Security costs | 9 |
| 3.4.5 | Permit and licence delay | 10 |
| 4 | Areas not individually addressed | 11 |
| 5 | Order | 12 |
| | Appendix 1 – Proceeding participants | 13 |
| | Appendix 2 – Summary of Commission directions | 14 |

List of tables

| | | |
|-----------------|--------------------------------------------------------------------------------|----------|
| Table 1. | Cost summary for the ATCO Jasper Interconnection Project (D.0576) | 6 |
|-----------------|--------------------------------------------------------------------------------|----------|

1 Decision summary

1. This decision sets out the Alberta Utilities Commission's determinations on the application of AltaLink Management Ltd. for the disposition of certain deferral accounts for 2019.

2. With respect to AltaLink's request for approval of its reconciliation of its 2019 direct assigned capital deferral account (DACDA), the Commission has applied a reduction of 1.5 per cent to AltaLink's total requested cumulative capital additions to December 31, 2019, of approximately \$31.0 million because of imprudently incurred costs resulting from site security and permit and licence delays associated with the ATCO Jasper Interconnection Project. The remainder of the amounts for reconciliation of AltaLink's 2019 DACDA are approved, as filed.

3. AltaLink is directed to file by April 30, 2021, an application complying with the directions and disallowances in this decision as part of either a separate compliance application or as part of its next general tariff application (GTA).

2 Introduction

4. On October 14, 2020, AltaLink in its capacity as general partner of AltaLink, L.P. (collectively AltaLink or AML) applied to the Commission for approval and reconciliation of its 2019 completed projects, all 2019 trailing costs, and all other deferral account balances for 2019. This application included actual costs for one system project and nine other projects that were a direct result of a system access service request (SASR) to the Alberta Electric System Operator (AESO) by customers requiring transmission service.

5. Specifically, AltaLink requested:

- A determination of reasonable project costs for projects completed in 2019 and orders disposing of the 2019 DACDA balance pertaining to direct assigned projects completed in 2019;
- The 2019 balances for other deferral accounts including long-term debt, taxes other than income taxes and annual structure payments; and
- Revenue true-up for 2019 from AltaLink's 2019-2021 GTA.¹

6. AltaLink also requested approval of \$0.3 million in costs associated with DACDA, \$2.7 million costs associated with other deferral accounts, and \$0.1 million of associated carrying costs. AltaLink added that revenue true-up results in a one-time charge to the AESO of

¹ Proceeding 23848, AltaLink 2019-2021 General Tariff Application.

\$3.1 million, including payment of interest under Rule 023: *Rules Respecting Payment of Interest*.

7. AltaLink requested 2019 final cost approval for a total of 98 transmission capital projects to be added to rate base for total actual gross capital additions of \$128.5 million and actual capital additions net of customer contributions of \$89.2 million.

8. On October 7, 2020, the Commission granted AltaLink's advance request for confidential treatment of specific documents related to its 2019 DACDA.²

9. The Commission issued a notice of the application on October 15, 2020. The Commission received a statement of intent to participate from the Consumers' Coalition of Alberta (CCA). The CCA indicated it did not intend to be an active participant in this process, but wished to register in order to observe and to maintain its ability to file information requests (IRs), argument and reply argument.

10. The Commission determined that the application would be reviewed by way of a *basic written process*, as defined in Commission Bulletin 2015-09.³

11. On December 7, 2020, the CCA filed a letter⁴ with the Commission requesting an opportunity to file argument on the following issues:

- (i) The FortisAlberta Inc. projects included in the application
- (ii) Salvage labour costs
- (iii) ATCO Jasper Interconnection Project – Foundation construction
- (iv) ATCO Jasper Interconnection Project - Danger tree removal
- (v) ATCO Jasper Interconnection Project - Security costs
- (vi) ATCO Jasper Interconnection Project - Fortis 25 kilovolt distribution line
- (vii) Engineering and supervision costs
- (viii) Affiliate costs

12. After receiving submissions from AltaLink and the CCA, the Commission allowed for written argument to be filed by the CCA no later than December 14, 2020, and written reply argument by AltaLink no later than December 21, 2020.

13. The Commission considers the record of this proceeding to have closed on December 21, 2020.

14. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. 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

² Exhibit 25913-X0005, AUC letter - Ruling on AltaLink advance request for confidential treatment.

³ Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

⁴ Exhibit 25913-X0158, CCA Process Letter - 25913.

as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

3 Discussion of issues

3.1 Fortis-initiated projects

15. AltaLink stated that Fortis may develop a project in response to a request from a connecting or connected customer, or Fortis as the distribution facility owner may initiate a project to address load, reliability or distribution deficiency. Fortis sets the need for a project with the submission of a need for development (NFD) to the AESO in both instances. The AESO tariff identifies that all costs of a connection project will be classified as either participant-related or system-related, and provides the criteria to which the costs will be classified as participant-related or system-related. AltaLink noted that AESO is the entity that identifies and determines the amount to be contributed by the market participant and the amount of AESO investment or system investment.

16. The CCA expressed concern with AltaLink's assertion that it has no involvement in determining the relevance of the Fortis NFD⁵ and that the AESO has the obligation to review the Fortis NFD solution. The CCA proposed that as part of future deferral account applications, that the Commission direct AltaLink to:

- Provide evidence of AltaLink's efforts to technically evaluate if the identified transmission solution will address the need as set out by Fortis.
- Outline all evidence it relies upon to confirm that the transmission facilities that have been constructed are fully utilized based on the anticipated needs outlined by Fortis or, if not fully utilized, to explain when those facilities will be expected to be fully utilized and how those results vary from the AESO's expectations in approving the Fortis request.⁶

17. With respect to asset utilization, AltaLink submitted that this issue has already been dealt with in prior proceedings. In AltaLink's 2014-2015 DACDA,⁷ and in ATCO Electric's Hanna Region Transmission Development (HRTD) DACDA,⁸ the Commission concluded that asset utilization is not part of a DACDA proceeding:⁹

The Commission remains of the view that the scope of the deferral account proceedings should not be extended to consideration of the utilization of the assets for which final cost approval is sought. Consequently, the participation of the AESO in proceedings 22393 and 22542 will not be directed.

18. AltaLink also maintained that it is not the transmission system planner, the AESO is the system planner. AltaLink argued that the Commission confirmed that any determination it makes

⁵ Exhibit 25913-X0007, AML 2019 DACDA Application Redacted, PDF page 46, paragraph 263.

⁶ Exhibit 25913-X0161 CCA argument, paragraph 9.

⁷ Proceeding 22542, AML Deferral Accounts Reconciliation Application 2014 and 2015 Projects ("2014/2015 DACDA").

⁸ Proceeding 22393, ATCO Electric Application for Disposal of 2012-2015 Transmission Deferral Accounts for Hanna Regional Transmission Development (HRTD).

⁹ Proceeding 22542, Exhibit 22542-X0757 and Proceeding 22393, Exhibit 22393-X0150, AUC letter - Ruling on CCA request for clarification of ruling regarding participation of the AESO, paragraph 6, PDF page 2.

regarding a transmission facility owner (TFO)'s prudence should fully take into account the fact that the TFO is obligated to build direct assigned projects in accordance with the routing and specifications set out in the permits and licences granted in respect of the project. AltaLink submitted that the CCA's recommendations should be denied.

19. As the Commission previously confirmed in Decision 22542-D02-2019,¹⁰ the AESO's central role is that of the system planner and there are statutory obligation of TFOs to comply with mandatory directions from the AESO. The Commission considered that any determination it makes regarding a TFO's prudence should fully take into account the fact that the TFO is obligated to build its direct assigned project in accordance with the routing and specifications set out in the permits and licences granted in respect of the project. The Commission in the decision added that, "neither the AESO's role as system planner nor the fact that the AESO has set an in-service date (ISD) target at the planning or pre-execution phases of the life cycle of a transmission project has the effect of insulating from review the TFO's decisions or actions on its execution of that project."¹¹

20. The Commission continues to be of the view that consideration of the utilization of assets is beyond the scope of DACDA proceedings, consistent with the Commission's ruling in prior proceedings.

21. The Commission also finds that any examination by AltaLink or any other party on the technical requirements of direct assigned projects related to Fortis is beyond the scope of DACDA proceedings and is best addressed within a needs identification document and facilities applications that assesses the need for individual projects and the proposed technical solution to meet said need. The CCA's recommendations are denied.

22. With respect to AltaLink's costs for the 2019 DACDA Fortis-initiated projects, the Commission considered the evidence on the record when examining whether AltaLink has prudently executed these projects in 2019. The Commission is satisfied with AltaLink's explanation of variances between costs provided in its project summary reports and actual capital additions for projects with 2019 ISD. The Commission notes that the capital additions to December 31, 2019 of these Fortis-initiated projects were below the initial proposal to provide service (PPS) estimate and resulted in net capital additions of less than \$5 million after customer contribution. The Commission accepts that the costs for these projects were prudently incurred given the information in the application regarding the timing, execution and costs for the Fortis-initiated projects, and the 2019 DACDA amounts are approved, as filed.

3.2 Salvage costs

23. AltaLink provided its salvage costs incurred for the direct assigned projects for 2019, totalling \$0.3 million. Although the costs for salvage activities are small, AltaLink explained that it uses the same control and oversight processes and procedures as it does with larger projects, and it typically uses the same contractors to conduct salvage work as it uses for larger project elements in order to lower the costs associated with salvage activities.

¹⁰ Decision 22542-D02-2019: AltaLink Management Ltd., 2014 and 2015 Deferral Accounts Reconciliation Application, Proceeding 22542, January 23, 2019.

¹¹ Decision 22542-D02-2019, paragraphs 78-81, quote from paragraph 81.

24. AltaLink added that in the 2016-2018 DACDA decision, Decision 24681-D01-2020, the Commission recognized a transition period for AltaLink to provide further detailed salvage information as it moves to its new salvage methodology as approved in Decision 25780-D01-2020.¹² AltaLink's 2019 DACDA was filed under the current salvage approach at the time of filing in October 2020. Decision 24681-D01-2020 and Decision 25780-D01-2020 were both issued subsequent to the filing of the application. AltaLink has its directions from the Commission in those two decisions and will address them accordingly in future filings.¹³

25. The Commission concurs with AltaLink that the supplemental reporting requirements related to directions on implementation, tracking, and ongoing operation of AltaLink's new salvage methodology were provided in Decision 24681-D01-2020 and Decision 25870-D01-2020, which were filed subsequent to filing of the current application, and are therefore not applicable to the current application.

26. With respect to the CCA's argument that AltaLink did not provide a detailed breakdown of the salvage costs increase of \$1.5 million above the PPS estimate for the Canadian Natural Resources Limited (CNRL) Kirby North Load project,¹⁴ the Commission accepts AltaLink's clarification of the salvage costs variance and finds the salvage costs variance of \$1,547¹⁵ are immaterial.¹⁶

27. The Commission approves AltaLink's salvage costs of \$0.3 million,¹⁷ as filed.

3.3 Affiliate costs

28. AltaLink confirmed that no costs included in the current application involved affiliate or non-arms-length transactions.¹⁸ However, the CCA submitted that because AltaLink had limited its IR response to only the SunnyBrook project, AltaLink should be directed to provide this information for all project costs included in the application, as part of a compliance filing.¹⁹

29. AltaLink subsequently confirmed "there are no costs in the current application involving non-arm's-length transactions nor any affiliates of AltaLink or its EPC [engineering, procurement and construction] contractor."²⁰

30. The Commission accepts AltaLink's confirmation that no costs included in the current application involve non-arm's-length transactions nor any affiliates of AltaLink or its EPC. The Commission finds that the CCA's request is moot.

¹² Decision 25870-D01-2020: AltaLink Management Ltd., Stage 2 Review and Variance of Decision 23848-D01-2020: AltaLink Management Ltd., 2019-2021 General Tariff Application, Proceeding 25870, November 19, 2020.

¹³ Exhibit 25913-X0164, AML reply argument, paragraph 15.

¹⁴ Exhibit 25913-X0161, CCA argument, paragraphs 11-12.

¹⁵ Exhibit 25913-X0164, AML reply argument, paragraphs 13-14.

¹⁶ Exhibit 25913-X0022 shows that salvage expenditures to December 31, 2019, associated with the CNRL Kirby North Load project were \$9,547, representing a variance of \$1,547 above the PPS estimate.

¹⁷ Exhibit 25913-X0021 Appendix 08-1 2019 Salvage Expenditures.

¹⁸ Exhibit 25913-X0145, IR response to AML-AUC-2020NOV16-034, PDF page 60.

¹⁹ Exhibit 25913-X0161, CCA argument, paragraph 29, PDF pages 9-10.

²⁰ Exhibit 25913-X0164, AML reply argument, paragraph 35, PDF page 12.

31. However, to assist the Commission with review of affiliate or non-arm's-length transactions, the Commission directs AltaLink to include, as part of all future DACDA and GTA applications, a table which provides the following summary information, by test year:

- (i) Affiliate or non-arm's-length costs included in the application, by project or cost category, a description of the types of cost or service involved by originating year, or
- (ii) A confirmation that no affiliate or non-arm's-length transactions are included in that application.

3.4 ATCO Jasper Interconnection Project (D.0576)

32. AltaLink's ATCO Jasper Interconnection Project encompassed the construction of a transmission line and alteration of an existing substation to connect the municipality of Jasper and the surrounding areas within Jasper National Park to the Alberta Interconnected Electric System in order to serve new and existing electricity demand. AltaLink described the project as consisting of the following primary elements:

- Engineering, procurement, construction and commissioning of eight kilometres of 69 kilovolt (kV) transmission line from Watson Creek 104S Substation to the boundary of Jasper National Park;
- Expansion of the existing Watson Creek 104S Substation; and
- Addition of one line bypass switch outside of Cold Creek 602S substation between transmission lines 615L and 547L.²¹

33. The project was energized on May 9, 2019, and did not meet the May 1, 2018, ISD planned in the PPS.²²

34. AltaLink requested the approval of capital additions net of salvage to December 31, 2019, for the project in the amount of \$31,002,346, an increase of approximately \$2.5 million from the PPS forecast and of \$0.7 million from the PPS updated forecast.

35. A breakdown of the forecast project expenditures at the PPS and PPS update stages, actual capital additions to December 31, 2019, and the estimate final cost report for the project is provided below:

Table 1. Cost summary for the ATCO Jasper Interconnection Project (D.0576)

| Category | PPS | PPS update | Additions to Dec 31, 2019 | Estimate final cost report |
|-----------------------------------------|-----------|------------|---------------------------|----------------------------|
| | (\$) | | | |
| Transmission Line - Material | 1,422,474 | 1,162,700 | 1,183,598 | 1,220,538 |
| Transmission Line – Labour | 5,450,813 | 7,017,449 | 8,499,129 | 8,915,053 |
| Substation – Material | 3,745,343 | 2,963,580 | 3,054,582 | 3,054,581 |
| Substation – Labour | 5,942,270 | 7,260,455 | 7,219,091 | 7,386,695 |
| Telecom – Labour | 111,448 | 159,097 | 168,085 | 170,710 |
| Owner Costs – PPS | 270,052 | 269,409 | 269,667 | 269,667 |
| Owner Costs - Facility Application | 1,188,946 | 1,050,953 | 1,075,112 | 1,075,112 |
| Owner Costs - Regulatory and Compliance | 40,038 | 20,897 | 23,983 | 34,674 |

²¹ Exhibit 25913-X0024, paragraphs 1-2.

²² Exhibits 25913-X0024, paragraph 3 and 25913-X0026, PDF page 1.

| Category | PPS | PPS update | Additions to Dec 31, 2019 | Estimate final cost report |
|--------------------------------------------------------------------|-------------------|-------------------|---------------------------|----------------------------|
| Owner Costs - Land Rights - Easements | 5,806 | 68,479 | 127,140 | 130,561 |
| Owner Costs - Land – Damage Claims | - | 20,000 | - | - |
| Distributed Costs - Procurement | 87,648 | 298,740 | 304,825 | 311,811 |
| Distributed Costs - Project Management | 1,657,451 | 2,656,581 | 2,621,645 | 2,739,151 |
| Distributed Costs - Construction Management | 2,299,695 | 2,091,575 | 2,289,585 | 2,313,468 |
| Distributed Costs - Contingency | 3,528,572 | 1,427,993 | - | - |
| Distributed Costs - Escalation | 531,570 | - | - | - |
| Other Costs – E&S | 2,206,177 | 2,497,177 | 2,770,715 | 2,843,318 |
| Other Costs – AFUDC [allowance for funds used during construction] | - | 1,363,795 | 1,395,188 | 1,395,188 |
| Total project cost | 28,488,302 | 30,328,879 | 31,002,346 | 31,860,527 |

Source: Exhibit 25913-X0009, Tab D.0576.

36. For the reasons set out in sections 3.4.4 and 3.4.5 of this decision, the Commission finds that not all of the expenditures related to the ATCO Jasper project were prudently incurred and directs AltaLink to reduce its total requested cumulative capital additions to December 31, 2019, of \$31,002,346, by the amount of \$465,035, which is a 1.5 per cent reduction, as part of either a separate compliance application or as part of its next GTA.

37. The Commission addresses each issue identified by the CCA or the Commission with respect to the project in the sections below.

3.4.1 Foundation construction

38. AltaLink initially assumed in its PPS that transmission line subsurface conditions would support direct-embed wood pole structures. Subsequent geotechnical investigations revealed that 60 out of 73 structures on the 530L transmission line would require helical screw pile foundations to support structure loading because the transmission line route had soils with a thick layer of organics, which does not provide sufficient strength to support direct-embedment.²³

39. AltaLink explained that geotechnical investigations are not conducted before the PPS estimate because the PPS is done prior to having access to lands or final routes. AltaLink submitted that a desktop analysis is undertaken to account for soil type assumptions, ground conditions and final structure loading, but these preliminary results can only be confirmed after the facilities application is filed, permits and licences (P&Ls) received and land access obtained.²⁴

40. The CCA submitted that AltaLink incurred \$600,000 in incremental costs by attempting to direct-embed the 60 wood pole structures, as opposed to proceeding directly to the helical screw piles as an alternative solution at the time AltaLink encountered the foundation problem.²⁵ The CCA recommended a disallowance of \$400,000, plus 50 per cent of any incremental design change costs that may or may not be included in the total cost increase of \$800,000 associated with this issue.²⁶

²³ Exhibits 25913-X0024, paragraph 68 and 25913-X0059, COR006, PDF page 18.

²⁴ Exhibit 25913-X0145, AML-AUC-2020NOV16-017(b) and (c), PDF page 32.

²⁵ Exhibit 25913-X0161, CCA argument, paragraphs 14-16.

²⁶ Exhibit 25913-X0161, CCA argument, paragraph 17.

41. AltaLink clarified that it did not incur incremental costs to attempt to direct-embed each of the 60 poles; instead, it proceeded with the execution of the helical pile construction contract.²⁷ AltaLink submitted that because soil issues were discovered early, appropriate and reasonable steps were taken from that point forward to finalize the foundation designs, adjust procurement processes and complete construction based on helical screw pile installation for 60 of the 73 foundations.²⁸

42. The Commission accepts AltaLink's clarification that it proceeded with the execution of the helical pile construction contract and it did not incur incremental costs to attempt to direct-embed the 60 wood pole structures. Although that the helical screw piles alternative is a more expensive solution relative to the other alternatives explored by AltaLink,²⁹ the Commission accepts AltaLink's submission that the helical pile construction was the only viable solution available in the specific circumstances.

43. In addition, the Commission finds that AltaLink reasonably identified the risks associated with soil variability in its PPS risk register based on what it knew at the time and accepts AltaLink's evidence that until the P&Ls were obtained, AltaLink could not have accessed the land to perform more detailed soil studies. The Commission denies the CCA's requested disallowance for foundation construction.

3.4.2 Danger tree removal

44. The CCA requested a disallowance of \$61,567 in costs incurred by AltaLink to remove danger trees that were in Fortis's right-of-way. The CCA submitted that it is unclear why these costs were attributed to the project and borne by transmission ratepayers. The CCA suggested that AltaLink should seek recovery of these costs from Fortis.³⁰

45. AltaLink stated that, "where AltaLink shared a common corridor with another utility, with both AltaLink and the other utility having separate rights-of-way (ROW) within that corridor, it is not uncommon for AltaLink to mitigate the danger tree risk that has been identified as having potential to impact AltaLink assets."³¹

46. The Commission accepts AltaLink's explanation that the trees were identified as a danger to its newly built transmission line and it was reasonable to remove the trees to reduce potential impacts to AltaLink's transmission assets. In addition, the Commission considers the \$61,567 reduction recommended by the CCA to be immaterial. The Commission accepts that the costs for tree removal were prudently incurred by AltaLink and denies the CCA's requested disallowance.

3.4.3 Fortis 25kV distribution line

47. AltaLink submitted that modifications to the 530L transmission line design and construction plan were required to address blowout concerns from an adjacent Fortis 25kV distribution line (the Fortis line).³² AltaLink explained that the initial desktop survey based on geographic information system coordinates conducted by AltaLink did not identify the actual

²⁷ Exhibit 25913-X0164, AltaLink reply argument, paragraph 20.

²⁸ Exhibit 25913-X0164, AltaLink reply argument, paragraph 22.

²⁹ Exhibit 25913-X0164, AML-AUC-2020NOV16-017(d) and (e), PDF pages 32-34.

³⁰ Exhibit 25913-X0161, CCA argument, paragraphs 18-20.

³¹ Exhibit 25913-X0145, AML-AUC-2020NOV16-019(c), PDF page 37.

³² Exhibit 25913-X0024, paragraph 69.

location of the Fortis line, which was not in alignment with disposition records used by AltaLink to perform the initial survey. AltaLink incurred additional engineering, material procurement and construction costs of approximately \$0.34 million to address concerns that the Fortis line could potentially swing into the AltaLink 530L transmission line in wind events and could create a clearance violation.³³

48. The CCA submitted that AltaLink incurred an incremental cost that could have been avoided if the Fortis line was properly constructed. The CCA recommended that AltaLink should seek recovery of these additional costs from Fortis and not from transmission ratepayers.³⁴

49. AltaLink explained that the Fortis line was not constructed in error; rather, information records to perform the initial desktop analysis were incorrect. AltaLink submitted that these analyses cannot be confirmed until after the facilities application is filed, the P&Ls received and the land access obtained. It added that, even if it initially had the correct information to properly identify the location of the Fortis line, the need for the required design changes and actual costs incurred would have been the same.³⁵

50. The Commission accepts AltaLink's clarification that disposition records were incorrect as opposed to the Fortis line being incorrectly built. The Commission accepts that preliminary desktop analysis results could not be confirmed until P&Ls were received and land access was obtained. The Commission further accepts that, had the required transmission line design changes been initially added to the PPS, this would only have resulted in an increased PPS estimate because the necessity for the design changes and costs incurred would have been identified. The Commission denies the CCA's requested disallowance.

3.4.4 Security costs

51. AltaLink incurred additional costs for site security to prevent theft, explaining that it experienced thefts of diesel fuel stored in a bulk diesel tank at the project site. Based on the risk assessment performed at the time of the PPS development, AltaLink identified a cost impact of theft of materials of \$51,470 with a probability of occurrence of 25 per cent,³⁶ which represents a probability adjusted impact to the project of \$12,868.³⁷

52. The CCA recommended that the Commission direct AltaLink to remove all incurred costs associated with site security above the \$12,868.³⁸

53. AltaLink explained that the diesel fuel thefts had occurred shortly after work began at the construction site, which prompted AltaLink to reassess whether steps should be taken to mitigate potential future occurrences. It decided to put in place site security outside of standard working hours at two different construction sites. In reply argument, AltaLink stated that materials and equipment valued at approximately \$4.2 million were on site throughout construction.³⁹

³³ Exhibit 25913-X0060, COR0021, PDF page 19.

³⁴ Exhibit 25913-X0161, CCA argument, paragraphs 24-25.

³⁵ Exhibit 25913-X0164, AML reply argument, paragraphs 29-31.

³⁶ Exhibits 25913-X0145, AML-AUC-2020NOV16-021(a)-(b) and 25913-X0032, Risk Register tab, row 32, Risk ID 19.

³⁷ \$51,470 x 25 per cent = \$12,868.

³⁸ Exhibit 25913-X0161, CCA argument, paragraphs 22-23.

³⁹ Exhibit 25913-X0164, AML reply argument, paragraphs 26-28.

54. Based on the invoices filed on the confidential record of this proceeding,⁴⁰ the Commission notes that total site security costs incurred by AltaLink were well above the \$51,470 estimated for site security of the project.

55. As observed by the CCA, AltaLink identified a cost impact of theft to the project of \$51,470, with a likelihood of occurrence of 25 per cent in its initial PPS risk register of August 22, 2016.⁴¹ The Commission also observes that in AltaLink's updated PPS risk register of October 4, 2018, the cost impact of theft and likelihood of occurrence remained the same,⁴² and AltaLink did not update this information after it had experienced diesel fuel thefts on site.

56. It is unclear to the Commission why the PPS risk register was not updated to include a higher value assessment of the cost impact of theft to the project, given the value of the materials and equipment stored on site, which might have supported AltaLink's higher security costs. However, the time to file new evidence is not in reply argument. The evidentiary portion of a proceeding must have a finite end point, otherwise the process is prolonged as those adverse in interest and the Commission require the opportunity to test the evidence. The Commission finds that this evidence is improperly filed and will not consider it.

57. For these reasons, the Commission finds that the incremental site security costs were not adequately supported and therefore the Commission is not persuaded that the incremental security costs above \$12,868 were prudently incurred. The Commission disallows recovery of the security costs claimed in excess of \$12,868 and has accounted for this disallowance in the 1.5 per cent general reduction to AltaLink's total requested cumulative capital additions to December 31, 2019.

3.4.5 Permit and licence delay

58. AltaLink submitted that it received P&Ls for the project on May 4, 2018, which corresponds to an eight-month delay relative to its initial PPS forecast.⁴³ AltaLink attributed this delay to an AUC public hearing⁴⁴ in Proceeding 22125,⁴⁵ which dealt concurrently with AltaLink's facility application, ATCO Electric Ltd.'s facility application⁴⁶ for ATCO Electric's portion of the 69kV transmission line located within the boundaries of Jasper National Park,⁴⁷ and the AESO's Needs Identification Document (NID) application.⁴⁸ AltaLink stated that no stakeholders intervened on AltaLink's portion of the project in Proceeding 22125.⁴⁹

59. AltaLink explained that, at the time of the initial PPS forecast, it did not account for a public hearing to occur during Proceeding 22125. While AltaLink had identified that an AUC hearing was a risk to the project, AltaLink stated that it did not possess information to confirm that a hearing for the project in Proceeding 22125 would be required.⁵⁰

⁴⁰ Exhibit 25913-X0047-C, PDF pages 1 and 17.

⁴¹ Exhibit 25913-X0161, CCA argument, paragraph 22.

⁴² Exhibit 25913-X0036, Risk Register tab, row 32, Risk ID 19.

⁴³ Exhibit 25913-X0024, paragraph 34.

⁴⁴ Exhibit 25913-X0059, COR005, PDF page 16.

⁴⁵ Proceeding 22125, Jasper Interconnection Project.

⁴⁶ Proceeding 22125, Exhibit 22125-X0031.

⁴⁷ Proceeding 22125, Exhibit 22125-X0042, PDF pages 10-11.

⁴⁸ Proceeding 22125, Exhibit 22125-X0001.

⁴⁹ Exhibit 25913-X0145, AML-AUC-2020NOV16-015(b), PDF page 29.

⁵⁰ Exhibit 25913-X0145, AML-AUC-2020NOV16-015(b), PDF pages 28-29.

60. Due to the timing of the P&L approval, AltaLink rescheduled the 530L transmission line construction from the winter season of 2017-2018 to the winter of 2018-2019.⁵¹ Additional costs incurred by AltaLink as a result of the delay include: material storage; handling and extended warranties for received materials;⁵² engineering project costs due to initial project shut down and engineering team reassignments;⁵³ and increased cost coordination and support related to environmental permitting and monitoring.⁵⁴

61. The Commission acknowledges AltaLink's submission with respect to minimal intervention in AltaLink's portion of the ATCO Jasper transmission line development during Proceeding 22125. However, as observed by AltaLink,⁵⁵ their facilities application approval and corresponding P&L issuance were dependent upon the Commission's approval of both the AESO's NID application and ATCO Electric's facilities application in Proceeding 22125, because all of the applications concerned the same transmission line development. In addition, both ATCO Electric's facilities application and the AESO's NID application concerned development within the boundaries of a national park, which often raises contentious issues.

62. In the Commission's view, AltaLink, as a sophisticated utility, should have been aware that additional processes in Proceeding 22125 were likely to be necessary given the location and multiple required approvals associated with this project. For these reasons, the Commission finds that it would have been reasonable for AltaLink to expect that a public hearing was likely to occur in Proceeding 22125 at the time of its initial PPS forecast, as well as some level of intervention to address any of AltaLink's, ATCO Electric's and the AESO's applications. Consequently, the Commission finds that some of the additional costs incurred due to the delay in P&L receipt by AltaLink, such as the ones mentioned above, were not prudently incurred because they could have been managed or avoided if AltaLink had properly accounted for a public hearing in its initial PPS schedule. The Commission has taken these imprudently incurred costs into account in the 1.5 per cent general reduction to AltaLink's total requested cumulative capital additions to December 31, 2019.

4 Areas not individually addressed

63. AltaLink requested approval of costs for 98 transmission direct assigned capital projects completed in 2019, orders disposing of the 2019 DACDA balance, and 2019 balances for other deferral accounts including long-term debt, taxes other than income taxes and annual structure payments (the other deferral accounts).

64. The Commission assessed that those projects and associated costs that have not been specifically addressed in previous sections of this decision were prudently incurred and they are approved, as filed. However, the Commission approvals granted in relation to certain aspects of AltaLink's application may have impacts on amounts to be recorded in other areas (e.g., income taxes, depreciation, interest), despite the fact that these items have not been expressly addressed in this decision. AltaLink is directed to file by April 30, 2021, an application complying with the directions and disallowances in this decision as part of either a separate compliance application

⁵¹ Exhibit 25913-X0059, COR005, PDF page 16.

⁵² Exhibit 25913-X0059, COR005, PDF page 16.

⁵³ Exhibit 25913-X0059, COR11, PDF page 30.

⁵⁴ Exhibit 25913-X0059, COR12, PDF page 32.

⁵⁵ Exhibit 25913-X0024, paragraph 33.

or as part of its next GTA. The Commission will also consider AltaLink's request for the approval of the payment of interest pursuant to Rule 023 at that time.

65. The Commission also notes that AltaLink's 2016-2018 DACDA compliance proceeding (Proceeding 26278) is ongoing, which may have an impact on costs subject to approval in the current proceeding. AltaLink is directed to identify any findings related to the Proceeding 26278 decision that are applicable to its 2019 DACDA and to true up any impact as part of either a separate compliance application or as part of its next GTA.

66. Subject to the findings and directions in this decision and any impacts to 2019 DACDA amounts that may arise from Proceeding 26278 related to AltaLink's 2016-2018 DACDA compliance proceeding, AltaLink's 2019 DACDA is approved, as filed.

5 Order

71. It is hereby ordered that:

- (1) AltaLink Management Ltd. shall refile its 2019 projects deferral accounts reconciliation application to reflect the findings, conclusions and directions contained in this decision, no later than April 30, 2021, as part of either a separate compliance application or as part of its next general tariff application.

Dated on March 19, 2021.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

(original signed by)

Doug Larder
Acting Commission Member

Appendix 1 – Proceeding participants

| |
|------------------------------------------------------------------------------------------|
| Name of organization (abbreviation) Company name of counsel or representative |
| AltaLink Management Ltd.(AltaLink or AML) Borden Ladner Gervais LLP |
| Consumers' Coalition of Alberta (CCA) |

| |
|-----------------------------------------------------------------------------------------|
| Alberta Utilities Commission |
| Commission panel C. Dahl Rees, Chair D. Larder, Acting Commission Member |
| Commission staff A. Sabo (Commission counsel) M. McJannet F. Alonso A. Ayri |

Appendix 2 – Summary of Commission directions

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

1. AltaLink is directed to file by April 30, 2021, an application complying with the directions and disallowances in this decision as part of either a separate compliance application or as part of its next general tariff application (GTA). paragraph 3
2. However, to assist the Commission with review of affiliate or non-arm's-length transactions, the Commission directs AltaLink to include, as part of all future DACDA and GTA applications, a table which provides the following summary information, by test year:
 - (i) Affiliate or non-arm's-length costs included in the application, by project or cost category, a description of the types of cost or service involved by originating year, or
 - (ii) A confirmation that no affiliate or non-arm's-length transactions are included in that application. paragraph 31
3. For the reasons set out in sections 3.4.4 and 3.4.5 of this decision, the Commission finds that not all of the expenditures related to the ATCO Jasper project were prudently incurred and directs AltaLink to reduce its total requested cumulative capital additions to December 31, 2019, of \$31,002,346, by the amount of \$465,035, which is a 1.5 per cent reduction, as part of either a separate compliance application or as part of its next GTA. paragraph 36
4. The Commission assessed that those projects and associated costs that have not been specifically addressed in previous sections of this decision were prudently incurred and they are approved, as filed. However, the Commission approvals granted in relation to certain aspects of AltaLink's application may have impacts on amounts to be recorded in other areas (e.g., income taxes, depreciation, interest), despite the fact that these items have not been expressly addressed in this decision. AltaLink is directed to file by April 30, 2021, an application complying with the directions and disallowances in this decision as part of either a separate compliance application or as part of its next GTA. The Commission will also consider AltaLink's request for the approval of the payment of interest pursuant to Rule 023 at that time. paragraph 64
5. The Commission also notes that AltaLink's 2016-2018 DACDA compliance proceeding (Proceeding 26278) is ongoing, which may have an impact on costs subject to approval in the current proceeding. AltaLink is directed to identify any findings related to the Proceeding 26278 decision that are applicable to its 2019 DACDA and to true up any impact as part of either a separate compliance application or as part of its next GTA. paragraph 65