



ATCO Electric Ltd.

**2015-2017 Transmission Deferral Accounts and Annual Filing
for Adjustment Balances Compliance Filing**

April 5, 2021

Alberta Utilities Commission

Decision 26247-D01-2021

ATCO Electric Ltd.

2015-2017 Transmission Deferral Accounts and Annual Filing for Adjustment Balances

Compliance Filing

Proceeding 26247

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1 Decision summary

1. This decision sets out the Alberta Utilities Commission’s determinations on the application of ATCO Electric Ltd. (ATCO Electric Transmission (AET)) for disposal of its 2015-2017 transmission deferral accounts and annual filing for adjustment balances compliance filing to Decision 24375-D01-2020 (the application).¹ The Commission has approved the application, including AET’s request for placeholder treatment for the calculation of 2017 allowance for funds used during construction (AFUDC) tax inputs.

2 Introduction and background

2. Notice of the application was posted on the Commission’s website on February 11, 2021, following AET’s February 5, 2021, filing of revisions to the application. The Consumers’ Coalition of Alberta filed a statement of intent to participate on February 19, 2021, but did not actively participate in the proceeding.²

3. AET requested approval of the following adjustments in the application:³

Table 1. Summary of deferral accounts and annual adjustments amount/(refunded to) revised for Decision 24375-D01-2020:

	2014	2015	2016	2017	Total
	(\$000)				
Deferral accounts					
Direct Assigned Capital	-	(25,236)	2,881	1,553	(20,822)
2017 AFUDC Income Tax	-	-	-	(3,477)	(3,477)
Deducting Deferral	58	3,351	(578)	1,377	4,209
Capital Repairs	-	(431)	(255)	(758)	(1,444)
ROW [right-of-way] Payments	-	(171)	(20)	(153)	(345)
Property Tax	-	(13)	(1,841)	(6,838)	(8,692)
Pension Special Payment	(495)	-	-	-	(495)
Long-Term Debt Rates	-	-	-	(63)	(63)
Total deferral accounts	(437)	(22,500)	187	(8,378)	(31,129)
Annual filing for adjustments					
Cancelled projects	-	623	3,760	18,304	22,687
Carrying charges:					
Interim to final rates	-	1,553	(2,331)	-	(778)

¹ Decision 24375-D01-2020: ATCO Electric Ltd., Disposal of 2015-2017 Transmission Deferral Accounts and Annual Filing for Adjustment Balances, Proceeding 24375, November 30, 2020.

² Exhibit 26247-X0016.

³ Exhibit 26247-X0002, Attachment 1 - Summary of Deferral Accounts & Annual Adjustments.

	2014	2015	2016	2017	Total
	(\$000)				
Cancelled projects	-	100	-	-	100
Deferral accounts	(83)	(3,377)	-	-	(3,461)
Total annual adjustments	(83)	(1,101)	1,429	18,304	18,548
Total (refund) / collection	(520)	(23,601)	1,615	9,926	(12,580)

4. In addition to responding to the Commission's directions from Decision 24375-D01-2020, AET made two corrections in the compliance filing as a result of errors identified in information request responses during Proceeding 24375⁴ and requested clarification of some of the Commission's findings from Decision 24375-D01-2020 (other matters).⁵

5. The record for this proceeding closed on February 19, 2021.

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

3 Compliance with directions from Decision 24375-D01-2020

7. In Decision 24375-D01-2020, the Commission ordered AET to file a compliance filing that responded to the directions in the decision by January 18, 2021. A summary of the Commission's directions can be found in [Appendix 2](#) and [Appendix 3](#) to this decision.

3.1 Directions 1 to 4, 6, 8, 11 and 13

8. The Commission has reviewed the application and all applicable attachments relating to directions 1 to 4, 6, 8, 11 and 13, and is satisfied that AET has complied with those directions.

3.2 Directions 5, 7 and 12

9. The Commission has reviewed AET's response to directions 5, 7 and 12, and is satisfied that AET has committed to comply with these directions at the time of, and as part of, AET's future direct assigned capital deferral account (DACDA) applications.

3.3 Directions 9 and 10

10. The Commission has reviewed the application and the supplementary information filed at the Commission's direction regarding directions 9 and 10. The supplementary information identified that legal fees in Proceeding 24375 included 2010-2017 expenditures; not only 2015-2017 expenditures, as was understood at the time of the proceeding. Additionally, rather than

⁴ During Proceeding 24375, AET proposed to make corrections to errors based on responses to information requests AET-AUC-2019JUL23-027 and AET-AUC-2019JUL23-028 (Exhibit 24375-X0498) in its compliance filing application.

⁵ Exhibit 26247-X0001.01, PDF pages 1-2.

providing a breakdown of total legal fees by each year and by legal resource as directed, AET provided a breakdown of associate and non-associate fees by year.

11. For the purposes of this decision, the Commission finds sufficient compliance with these directions and considers that the shortcomings in the information provided are not sufficiently material to warrant additional process. No further compliance is therefore required for directions 9 and 10. For all future applications, it would be of assistance to the Commission for AET to disclose, for all years included (capitalized) in the subject DACDA, all costs incurred, broken down by year. In the case of legal costs, it would be helpful if those costs were further distinguished by legal resource.

3.4 Direction 14

12. Decision 24375-D01-2020 directed AET as follows:

339. The Commission has found that some project costs have been imprudently incurred and are consequently not recoverable by AET. Given the need for a compliance filing to this decision, AET is directed in its compliance filing to Proceeding 24375 to include the refund/collection calculation for the differences in 2017 AFUDC tax inputs between the forecast and actual costs, as part of its settlement of deferral account balances.

13. AET explained that there is currently an ongoing review and variance (R&V) application before the Commission, Proceeding 25938,⁶ wherein AET has alleged that there is an error in the calculation of AFUDC tax inputs. If the review of AFUDC is granted, it would impact the AFUDC approved in Decision 24375-D01-2020. Based on this, AET requested placeholder treatment for the 2017 AFUDC tax inputs in this proceeding pending the outcome of Proceeding 25938 and any future associated applications.⁷

14. AET filed two calculations in response to Direction 14. As directed, AET calculated and included the refund for the difference in 2017 AFUDC tax inputs between the forecast and actual costs. AET also proposed a second calculation based on the alternate method it advanced in Proceeding 25938. The results of AET's two methods are shown in the table below:

Table 2. 2017 direct assigned AFUDC tax inputs⁸

	AUC-directed method	AET proposed method in Proceeding 25938
	(\$ million)	
AFUDC tax impact	(3.48)	(2.57)
Deducting deferral impact	0.49	0.36
Total refund	(2.99)	(2.21)

15. The Commission finds that AET has complied with Direction 14 by calculating and including the refund of \$2.99 million for the difference in 2017 AFUDC tax inputs between the forecast and actual costs.

⁶ Proceeding 25938: Review and Variance of Decision 24805-D02-2020: ATCO Electric Ltd., 2018-2019 General Tariff Application Compliance Filing, Proceeding 24805, August 12, 2020..

⁷ Exhibit 26247-X0001.01, application, PDF page 49.

⁸ Exhibit 26247-X0001.01, application, PDF page 50.

16. An R&V application does not amend or stay decisions and directions previously issued. Nevertheless, appreciating that the decision in Proceeding 25938 on AET's calculation of the AFUDC portion of income tax expense is imminent and may bear upon the calculation of AFUDC tax inputs in this proceeding, the Commission will not finalize 2017 direct assigned AFUDC tax inputs at this time. AET's request for placeholder treatment of the 2017 AFUDC tax inputs pending the outcome of Proceeding 25938 is approved.

17. The Commission approves the refund of \$2.99 million for the difference in 2017 AFUDC tax inputs between the forecast and actual costs on a placeholder basis.

4 Other matters

4.1 Other matters 1 to 3

18. AET included a discussion of other matters and requested clarification on the Commission's decisions on carrying costs related to AET's 2017 interim tariff, 2016 and 2017 carrying costs on cancelled projects, and 2016 and 2017 carrying costs on deferral accounts.⁹

19. The Commission considers that there is no ambiguity in its decisions on the above matters that require clarification.

4.2 Other matters 4 and 5

20. AET incorporated two corrections in the compliance filing as a result of errors identified in information request responses filed in Proceeding 24375.¹⁰

21. For AET-AUC-2019JUL23-027, the Commission has reviewed AET's revised refund for the 2016 and 2017 property taxes and is satisfied that the correct values have been used.¹¹ For AET-AUC-2019JUL23-028, the Commission has reviewed AET's revised pension special payment charges, is satisfied that the correct values have been used, and finds that AET has included only the operating and maintenance amount that remained to be trued up.¹²

4.3 Cancelled projects

22. Paragraph 50 of Decision 24375-D01-2020 states:

50. AET's request for carrying costs on its 2015 cancelled project costs satisfies the requirements of Section 3(2)(c). For the reasons expressed in paragraphs 46-48, the Commission considered whether AET's failure to file an earlier request for settlement of its 2015 cancelled project costs warrants a discount on the amount of carrying costs recoverable. The Commission has ultimately determined that it will approve AET's request to recover carrying costs on the 2015 cancelled project costs; however, the Commission expects that in the future, AET will file such requests at the earliest reasonable opportunity after cancelled project costs are known.

⁹ Exhibit 26247-X0001.01, application, PDF pages 54-57.

¹⁰ During Proceeding 24375, AET proposed to make corrections to errors based on responses to information requests AET-AUC-2019JUL23-027 and AET-AUC-2019JUL23-028 (Exhibit 24375-X0498) in its compliance filing application.

¹¹ Exhibit 26247-X0001.01, application, PDF pages 58-59.

¹² Exhibit 26247-X0001.01, application, PDF pages 60-61.

23. AET stated that it would like to better understand the Commission's expectations regarding the paragraph above.

24. AET is in the best position to know both when a project is cancelled and when its next filing with the Commission will occur. AET is also aware of the requirements of Rule 023: *Rules Respecting Payment of Interest*. The Commission therefore considers that AET is best positioned to assess the earliest reasonable opportunity to file a request in relation to carrying costs and does not consider that any additional clarification is necessary.

5 Order

25. It is hereby ordered that:

- (1) ATCO Electric Ltd.'s application is approved, as filed, including the 2017 allowance for funds used during construction placeholder amount of \$2.99 million.
- (2) ATCO Electric Ltd. has complied with the directions from Decision 24375-D01-2020 and shall settle the 2014, 2015, 2016 and 2017 deferral account adjustment balances of \$(520,469), \$(23,601,112), \$1,615,438 and \$9,925,668, respectively, through a one-time billing to the Alberta Electric System Operator to occur on or before August 30, 2021.

Dated on April 5, 2021.

Alberta Utilities Commission

(original signed by)

Kristi Sebalj
Panel Chair

(original signed by)

Carolyn Hutniak
Commission Member

(original signed by)

Neil Jamieson
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ATCO Electric Ltd. (AET) Bennett Jones LLP
Consumers' Coalition of Alberta

Commission panel K. Sebalj, Panel Chair C. Hutniak, Commission Member N. Jamieson, Commission Member
Commission staff A. Sabo (Commission counsel) S. Karim D. Ward C. Strasser A. Starkov

Appendix 2 – Summary of Commission directions addressed in this compliance application

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This section is provided for the convenience of readers and reproduces the directions from Decision 24375-D01-2020 that the Commission finds have been addressed in this application. Directions not in this appendix will either be set out in the following Appendix 3 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 24375-D01-2020, the wording and meaning in the main body of Decision 24375-D01-2020 shall prevail.

1. However, the Commission observes that AET is calculating carrying costs up to December 31, 2017, in both Schedule 9.0 – 2015, and Schedule 9.0 – 2016. The Commission approved AET’s 2015 and 2016 final tariffs on November 21, 2017, in Decision 22860-D01-2017.^[13] Therefore, AET is directed, in its compliance filing to this decision, to update the carrying costs calculations in Schedule 9.0 – 2015, and Schedule 9.0 – 2016, by removing carrying costs for the month of December 2017. paragraph 26
2. Therefore, AET is directed, in its compliance filing to this decision, to update the carrying cost calculations in Schedule 9.1a, by including the actual bank rates for the period March 2019 to November 2020. For December 2020 onward, AET is directed to use actual bank rates, where possible. Finally, AET is also directed to make any necessary adjustments to its forecast settlement date with the AESO [Alberta Electric System Operator]. paragraph 53
3. However, the Commission directs AET to make the same adjustments to its carrying-cost calculations, as those outlined in paragraph 53 above, regarding the Bank of Canada rate and the forecast settlement date with the AESO. paragraph 64
4. However, the Commission directs AET to make the same adjustments to its carrying-cost calculations, as those outlined in paragraph 53 above, regarding the Bank of Canada rate and the forecast settlement date with the AESO. paragraph 74
6. The Commission considers these courses to be similar in nature to those subject to review in Decision 22393-D02-2019.^[14] While these courses may provide bona fide personal or professional development for the workers in question, the Commission is not persuaded that such courses are directly attributable to bringing the assets in question into operation. The expenditures capitalized for business training are therefore disallowed and AET is directed to remove them from rate base. paragraph 112
8. The Commission finds that AET acted imprudently in not making any effort to pursue recovery of the tower jacking costs from the contractor, and for this primary reason, the Commission disallows those costs. AET is directed to remove these costs in the compliance filing to this decision. paragraph 240

¹³ Decision 22860-D01-2017: ATCO Electric Ltd., 2015-2017 Transmission General Tariff Application Second Compliance Filing, Proceeding 22860, November 21, 2017.

¹⁴ Decision 22393-D02-2019: ATCO Electric Ltd., Hanna Region Transmission Development Deferral Account, Proceeding 22393, June 6, 2019.

9. However, the identified variance between the Bennett Jones [LLP] and BLG [Borden Ladner Gervais] associate rates is considerable. The Bema legal cost comparison shows associate rates at Bennett Jones exceeded their peer rates by 28 per cent in 2015, 36 per cent in 2016 and 46 per cent in 2017. As AET has not disputed the disparity in those hourly rates, nor offered an explanation to justify the higher Bennett Jones associate rates, the Commission finds that an adjustment is required. Accounting for the inexact nature of the comparison, and in recognition of the fact that the majority of capital additions included in the current proceeding occurred in 2015 when the difference to peer rates was 28 per cent, the Commission finds that legal fees recorded at the associate level shall be reduced by 20 per cent. The Commission therefore directs AET to apply a 20 per cent reduction to the legal fees recorded at the associate level as charged by Bennett Jones to the DACDA projects for all years included in the current proceeding.
..... paragraph 316
10. Given AET’s admitted long-standing relationship with Bennett Jones, the volume of work that AET directed to Bennett Jones, Bennett Jones’ introduction of a flat rate discount on the legal fees charged in 2016 and 2017, and the absence of any explanation for the failure to apply a flat rate discount to the legal fees incurred in 2015, the Commission considers that a 10 per cent discount should be applied to the 2015 legal costs, as well. AET is therefore directed to apply a further 10 per cent reduction to the total 2015 legal fees of Bennett Jones after associate rates are adjusted as directed in paragraph 316. This calculation is to be done in accordance with the methodology approved in Decision 24753-D01-2020, being the HRTD [Hanna Region Transmission Development] compliance filing decision. paragraph 317
11. The Commission directs AET to identify each of these miscoded invoices in its compliance filing to this decision, and to remove the miscoded charges of \$2,529 from the EATL [Eastern Alberta Transmission Line] project costs..... paragraph 319
13. Consistent with the Commission’s determination in Decision 22542-D02-2019,^[15] the amount of AFUDC that was accrued on disallowed project costs is also imprudent and not recoverable. AET is directed to remove any AFUDC costs that were accrued on the costs disallowed in this decision in its compliance filing to this decision..... paragraph 336
14. The Commission has found that some project costs have been imprudently incurred and are consequently not recoverable by AET. Given the need for a compliance filing to this decision, AET is directed in its compliance filing to Proceeding 24375 to include the refund/collection calculation for the differences in 2017 AFUDC tax inputs between the forecast and actual costs, as part of its settlement of deferral account balances.
..... paragraph 339

¹⁵ Decision 22542-D02-2019: AltaLink Management Ltd., 2014 and 2015 Deferral Accounts Reconciliation Application, Proceeding 22542, January 23, 2019.

Appendix 3 – Summary of Commission directions to be addressed in a future application

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This section is provided for the convenience of readers and outlines the directions from Decision 24375-D01-2020 that remain outstanding. Directions not listed in this appendix will either be listed in the preceding Appendix 2 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 24375-D01-2020, the wording in the main body of the decision shall prevail.

5. The Commission also accepts AET’s proposal to true up this \$0.1 million of foundation materials in a subsequent deferral application. For the purposes of this application, the Commission accepts that the \$0.1 million of foundation materials incurred for Project 55127 are reasonable and will allow AET to recover this cost in full. The Commission directs AET to correct for this error in its future deferral applications.
..... paragraph 91
7. In order to avoid litigating these costs in the future, however, AET is directed to ensure that the amount charged to capital projects is no more than the commercial airlines’ economy class fare prevailing at the time of travel. paragraph 115
12. Therefore, the Commission directs AET, as part of its next DACDA application, to fully document and explain the internal processes used to determine when external legal resources are required, to establish the scope of the work to be performed by those resources, and to provide demonstrative examples for small, medium and large projects.
..... paragraph 330