



AltaLink Management Ltd.

**2016-2018 Deferral Accounts Reconciliation
Compliance with Directions from Decision 24681-D01-2020
and Decision 25369-D01-2020**

April 27, 2021

Alberta Utilities Commission

Decision 26278-D01-2021

AltaLink Management Ltd.

2016-2018 Deferral Accounts Reconciliation

Compliance with Directions from Decision 24681-D01-2020 and Decision 25369-D01-2020
Proceeding 26278

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AltaLink Management Ltd.
2016-2018 Deferral Accounts Reconciliation

**Compliance with Directions from Decision 24681-D01-2020
and Decision 25369-D01-2020**

Decision 26278-D01-2021
Proceeding 26278

1 Decision summary

1. This decision provides the Alberta Utilities Commission's determinations on AltaLink Management Ltd.'s compliance with the Commission's directions issued in Decision 24681-D01-2020¹ and Decision 25369-D01-2020.² For the reasons outlined in this decision, the Commission finds that:

- AltaLink has complied with directions 1 and 2 from Decision 25369-D01-2020.
- AltaLink has complied with directions 4, 5, 6 and 7 from Decision 24681-D01-2020.
- AltaLink's direct assigned capital deferral account (DACDA) application support costs (internal labour costs used to prepare and support AltaLink's 2016-2018 DACDA reconciliation application³) of \$2,400,829 were not all prudently incurred. The Commission approved all of AltaLink's applied-for Proceeding 25369 DACDA application support costs, but applied a disallowance totalling approximately \$200,000 in respect of a portion of AltaLink's Proceeding 24681 DACDA application support costs.
- Carrying costs on 2017 deferral account adjustments and 2017 cancelled projects costs, pursuant to Rule 023: *Rules Respecting Payment of Interest*, are approved as filed.

2 Introduction and background

2. On January 29, 2021, AltaLink filed a compliance filing application with the Commission, pursuant to the Commission's order in Decision 24681-D01-2020. AltaLink requested approval of its compliance with directions from Decision 24681-D01-2020 regarding AltaLink's 2016-2018 DACDA reconciliation. This included AltaLink's response to Direction 4,⁴ which required AltaLink to provide the quantum of its DACDA application support costs (these costs were not previously quantified by AltaLink in Proceeding 24681), and to provide a brief explanation of these costs.

3. The application also provided AltaLink's responses to directions from Decision 25369-D01-2020 regarding the Edmonton Region Project DACDA reconciliation.

¹ Decision 24681-D01-2020: AltaLink Management Ltd., 2016 to 2018 Deferral Accounts Reconciliation Application, Proceeding 24681, December 11, 2020.

² Decision 25369-D01-2020: AltaLink Management Ltd. and TransAlta Corporation, Direct Assigned Capital Deferral Account for the Edmonton Region Project, Proceeding 25369, December 10, 2020.

³ Proceeding 24681, Exhibit 24681-X0006, AML 2016-2018 DACDA application.

⁴ Decision 24681-D01-2020, paragraph 105.

4. Further, AltaLink requested that the Commission approve the payment of interest on its 2017 deferral account adjustments and on its 2017 cancelled projects costs in accordance with Rule 023.

5. The following table summarizes AltaLink’s requested revenue requirement adjustments:

Table 1. Updated and adjusted summary of deferral accounts

Deferral account	Charge (refund) January 1 to December 31, 2016	Charge (refund) January 1 to December 31, 2017	Charge (refund) January 1 to December 31, 2018
	(\$ million)		
Long-term debt	(1.3)	4.7	(0.1)
Taxes other than income taxes	0.6	(3.9)	(3.2)
Annual structure payments	(0.2)	0.1	0.3
Direct-assign capital	9.0 ⁵	29.4	4.1
Total adjustments	8.1⁶	30.3	1.1
Interest (carrying costs)	0.0	2.9	0.0
Total adjustments plus interest	8.1⁷	33.2	1.1

Source: Exhibit 26278-X0001, application, Table 1-1, and Exhibit 26278-X0017, AML IR Responses to AUC (1-8), IR response AML-AUC-2021FEB18-007(a).

6. On February 2, 2021, the Commission issued a notice of application that required interested parties to file a statement of intent to participate (SIP) by February 11, 2021.

7. The Commission received a SIP from the Consumers’ Coalition of Alberta (CCA). The CCA stated that it would participate in any process established by the Commission. Further, the CCA expressed concerns with the magnitude of AltaLink’s DACDA application support costs, and requested the opportunity to file a brief submission on the reasonableness of these costs.⁸

8. In a letter dated February 18, 2021, the Commission determined that a round of information requests (IRs) was required to test the reasonableness of AltaLink’s DACDA application support costs, and that the application would be considered by way of a basic written process, as described in Bulletin 2015-09.⁹ The Commission permitted the CCA to file a brief submission on the reasonableness of AltaLink’s DACDA application support costs, and for AltaLink to reply to this submission. The following process was established for this application:

Process step	Due date
Commission IRs to AltaLink	February 18, 2021
CCA IRs to AltaLink	February 23, 2021
IR responses from AltaLink to both Commission and CCA IRs	March 1, 2021
CCA submission on AltaLink’s support costs	March 4, 2021
AltaLink reply to CCA submission	March 9, 2021

⁵ Exhibit 26278-X0017, AML IR Responses to AUC (1-8), IR response AML-AUC-2021FEB18-007(a).

⁶ Exhibit 26278-X0017, AML IR Responses to AUC (1-8), IR response AML-AUC-2021FEB18-007(a).

⁷ Exhibit 26278-X0017, AML IR Responses to AUC (1-8), IR response AML-AUC-2021FEB18-007(a).

⁸ Exhibit 26278-X0012, CCA SIP.

⁹ Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

9. The Commission considers the close of record for this proceeding to be March 9, 2021.

10. 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 25369-D01-2020 and 24681-D01-2020

11. In decisions 24681-D01-2020 and 25369-D01-2020, the Commission ordered AltaLink to file a compliance filing that responded to the directions in these decisions by January 29, 2021. A summary of the Commission's directions can be found in [Appendix 3](#) and [Appendix 4](#).

3.1 Directions 1 and 2 of Decision 25369-D01-2020, and Directions 5 to 7 of Decision 24681-D01-2020

12. The Commission has reviewed the application and all applicable attachments relating to directions 1 and 2 of Decision 25369-D01-2020, and directions 5, 6 and 7 of Decision 24681-D01-2020, and is satisfied that AltaLink has complied with those directions.

3.2 Directions 1 to 3 of Decision 24681-D01-2020

13. The Commission has reviewed AltaLink's response to directions 1 to 3 of Decision 24681-D01-2020, and is satisfied that AltaLink has committed to comply with these directions at the time of, and as part of, AltaLink's future DACDA applications.

3.3 Direction 4 of Decision 24681-D01-2020: AltaLink's DACDA support costs

14. In Proceeding 24681 (AltaLink's 2016-2018 DACDA application), the CCA filed evidence supporting its position that AltaLink should not be permitted to capitalize costs related to defending its deferral account application.¹⁰ In Decision 24681-D01-2020, the Commission found that while AltaLink's DACDA application support costs could be capitalized, AltaLink had not quantified those costs on the record of Proceeding 24681. Accordingly, in Direction 4 of Decision 24681-D01-2020, the Commission directed AltaLink to provide the quantum, as well as a brief explanation of the nature, of those costs in its compliance filing application.¹¹

15. In its response to Direction 4 of Decision 24681-D01-2020, AltaLink explained that it had incurred directly charged DACDA application support costs internal to AltaLink (totalling approximately \$1.6 million) related to both its 2016-2018 DACDA application and its DACDA application in respect of the Edmonton Region Project. In addition, AltaLink explained that costs totalling approximately \$0.8 million arising from tracked time charges for internal AltaLink legal and regulatory support to the 2016-2018 DACDA application and Edmonton Region Project DACDA were charged to AltaLink projects through engineering and supervision (E&S) allocations to those projects.¹² AltaLink explained that it also incurred costs not reflected in the

¹⁰ Proceeding 24681, Exhibit 24681-X0814, paragraph 86, addressed in Section 3.8 of Decision 24681-D01-2020.

¹¹ Decision 24681-D01-2020, Direction 4, paragraph 105.

¹² Exhibit 26278-X0006, PDF page 1.

\$2.4 million total that had been charged to AltaLink projects as E&S costs through AltaLink’s “Standard D” allocation mechanism.¹³

16. In its submission on AltaLink’s DACDA support costs, the CCA noted that the internal DACDA support costs that AltaLink proposed to capitalize in its response to Direction 4 are supplementary to the external DACDA support costs of \$232,978¹⁴ approved in Decision 25947-D01-2021 (cost claim decision for Proceeding 24681).¹⁵ The Commission also approved external DACDA support costs of \$180,519.91 in Decision 25973-D01-2021 (cost claim decision for Proceeding 25369),¹⁶ which are over and above the internal DACDA support costs charged to the Edmonton Region Project in Proceeding 24681.

17. AltaLink explained that the DACDA application support costs it proposed to capitalize are reasonable because they reflect:

- the preparation of an application that met or exceeded applicable minimum filing requirements;
- the cost of collecting supporting documentation, including costs arising from the participation of AltaLink’s EPC [engineering, procurement, and construction] providers and the cost related to the management of confidential information; and
- substantial costs incurred after the DACDA application was filed, including costs related to the preparation of IRs and IR responses, rebuttal evidence, and argument and reply submissions.¹⁷

18. In response to an IR,¹⁸ AltaLink explained that the directly charged DACDA support costs totalling \$1.6 million were incurred in relation to both Proceeding 24681 and Proceeding 25369,¹⁹ but did not confirm that these costs were included within the capital addition amounts requested for projects under consideration in those proceedings. Instead, AltaLink explained that directly charged DACDA support costs incurred in 2019 and 2020 are not included within the capital addition amounts requested in Proceeding 24681 and Proceeding 25369, and will be reflected in subsequent DACDA filings within the applicable project trailing costs.

19. The CCA’s March 4, 2021, submission on DACDA support costs addressed the following primary matters:

- concerns regarding the adequacy of AltaLink’s disclosure and the quantum of E&S costs included in AltaLink direct assigned projects related to DACDA support costs;²⁰

¹³ Exhibit 26278-X0006, PDF page 1.

¹⁴ Amount inclusive of Goods and Services Tax (GST).

¹⁵ Decision 25947-D01-2021: AltaLink Management Ltd., 2016 to 2018 Deferral Accounts Reconciliation Application, Costs Award, Proceeding 25947, January 26, 2021.

¹⁶ Decision 25973-D01-2021: AltaLink Management Ltd. and TransAlta Corporation, Direct Assigned Capital Deferral Account for the Edmonton Region Project, Costs Award, Proceeding 25973, January 4, 2021, paragraph 8. Amount inclusive of GST.

¹⁷ Exhibit 26278-X0006, PDF pages 1-2.

¹⁸ Exhibit 26278-X0017, AML-AUC-2021FEB18-002(c).

¹⁹ In AML-AUC-2021FEB18-002 Attachment (Exhibit 26278-X0018), AltaLink indicated that the directly charged DACDA costs were \$1,541,577 for Proceeding 24681, and \$31,655 for Proceeding 25369.

²⁰ Exhibit 26278-X0023, paragraphs 3(a), (b), (e), and 5-7, 33-34.

- concern with the adequacy of AltaLink’s support for its claimed DACDA support costs in light of the nature of the tasks involved;²¹
- concern about the quantum of DACDA support costs internal to AltaLink, in light of the quantum of DACDA support costs external to AltaLink incurred in relation to Proceeding 24681 and Proceeding 25369 DACDAs; and²²
- comments on filing requirements for future DACDA applications.²³

20. The CCA requested that the Commission apply a disallowance of between \$800,000 and \$1.3 million to AltaLink’s DACDA support costs based on its concerns outlined above.²⁴

21. AltaLink addressed each of the above noted matters in its March 9, 2021, response submission.²⁵

22. The Commission considers that the materials filed by AltaLink²⁶ in respect of Direction 4 from Decision 24681-D01-2020 complied with the requirements of that direction.

23. In its response to AML-AUC-2021FEB18-002(b),²⁷ AltaLink indicated that the directly and indirectly charged DACDA support costs for the Edmonton Region Project totalled \$225,148.11. The Commission considers this amount to be reasonable and approves this amount as filed.

24. The Commission similarly finds the \$634,103 of indirect DADCA support costs incurred in relation to Proceeding 24681, and outlined by AltaLink in IR response AML-AUC-2021FEB18-002(b), to be reasonable and approves this amount as filed. The CCA critiqued the quantum, disclosure of, and support provided by AltaLink for these indirectly charged costs, on the basis that they could be directly allocated to the projects considered in either Proceeding 24681 or Proceeding 25369, as applicable. The Commission is persuaded, however, by AltaLink’s evidence filed in response to AML-AUC-2021FEB18-001, which shows that, whether allocated through AltaLink’s directly allocated indirectly charged (DAIC) mechanism or through its Standard D mechanism, indirect costs are a pool of costs that AltaLink has determined cannot be directly attributed to specific projects, but that are nonetheless required as part of its duty to provide service.

25. The Commission considers that the prudence of the pool of indirect costs charged by AltaLink to its capital projects is a matter that should be examined in a “primary” proceeding rather than a compliance filing. In Decision 24375-D01-2020, the Commission determined that a disallowance of E&S costs must be supported by evidence showing that the pool of allocated

²¹ Exhibit 26278-X0023, paragraph 3(c), 9-14.

²² Exhibit 26278-X0023, paragraphs 15-18.

²³ Exhibit 26278-X0023, paragraphs 20-32.

²⁴ Exhibit 26278-X0023, paragraph 19.

²⁵ Exhibit 26278-X0024, AML Response to CCA Submission on Support Costs.

²⁶ Exhibits 26278-X0006 and 26278-X0007.

²⁷ Exhibit 26278-X0018, AML-AUC-2021FEB18-002 Attachment.

E&S costs was excessive, imprudent or that specific E&S costs would not have been required had the activities leading to the disallowed costs never occurred.²⁸

26. Because indirect costs incurred by AltaLink that are allocated to capital projects in accordance with AltaLink’s capitalization policy can be allocated to both capital maintenance projects and direct assign projects, the examination of the prudence of the pool may be bifurcated as between AltaLink general tariff applications (GTAs) and DACDA applications. Given this bifurcation, the Commission’s preference is that the prudence of indirect costs should be examined in the first proceeding that comes before the Commission. In respect of the year 2016, the opening balance true-up of AltaLink capital maintenance additions would have been part of AltaLink’s 2017-2018 GTA,²⁹ which was resolved by way of a negotiated settlement to which the CCA was a signatory. That negotiated settlement was approved in Decision 21341-D01-2017.³⁰ The CCA was also a signatory to the negotiated settlement that resolved AltaLink’s 2019-2021 GTA, where the opening balances on AltaLink capital maintenance additions for the years 2017 and 2018 would have been examined (Decision 23848-D01-2020³¹). No determinations in respect of the reasonableness of indirect costs allocated to direct assigned projects were made in Decision 24681-D01-2020 or in Decision 25369-D01-2020.

27. With respect to the \$1,541,577 in DACDA support costs that were directly charged to the direct assigned projects under consideration in Proceeding 24681, the Commission has concerns primarily related to the costs incurred prior to the filing of AltaLink’s 2016-2018 DACDA application in July 2019 (i.e. costs related to preparing the 2016-2018 DACDA application).

28. While the Commission accepts, in part, AltaLink’s submission that costs related to the redaction of confidential information would be more complicated and time consuming than suggested by the CCA, the Commission generally agrees with the CCA’s submission that this function is primarily administrative in nature. Accordingly, while the CCA’s “implied FTE [full-time equivalent]” analysis³² has limitations, the Commission is persuaded that the costs claimed for this activity are excessive.

29. Also of concern is whether the extent of the documentation filed by AltaLink was reasonable and prudent. In IR response AML-AUC-2021FEB18-005,³³ AltaLink referred to a consultative process completed in October 2016 as the basis for its “enhanced filing” approach to filing DACDA applications. This enhanced approach was based on the filing of source project documentation that was already prepared under AltaLink’s project delivery model. The Commission understands that AltaLink chose the documents that it would file in support of its

²⁸ See 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, paragraphs 333-334.

²⁹ Per Proceeding 21341, Exhibit 21341-X0211, 2016 management update amounts (and not actuals) were included within the 2017-2018 GTA and the associated negotiated settlement agreement. However, any further true-up for the year 2016 arising from the use of management update rather than actual capital addition amounts would have been resolved as part of AltaLink’s 2019-2021 GTA (Proceeding 23848, Exhibit 23848-X0003.01), which was also concluded through a negotiated settlement agreement.

³⁰ Decision 21341-D01-2017: AltaLink Management Ltd., 2017-2018 General Tariff Application, Negotiated Settlement Agreement, Proceeding 21341, August 30, 2017.

³¹ Decision 23848-D01-2020: AltaLink Management Ltd., 2019-2021 General Tariff Application, Negotiated Settlement Agreement and Excluded Matters, Proceeding 23848, April 16, 2020.

³² Exhibit 26278-X0023, paragraph 10.

³³ Exhibit 26278-X0017, AML-AUC-2021FEB18-005.

2016-2018 DACDA application based on this enhanced approach first used for its 2014-2015 DACDA application.³⁴

30. However, AltaLink's response to AML-AUC-2021FEB18-005 fails to note that the enhanced approach was proposed within the 2016 consultations by AltaLink itself, and that AltaLink's enhanced approach directly contrasted with the directions set out in Decision 3585-D03-2016,³⁵ which anticipated that future DACDA applications, commencing as early as AltaLink's DACDA application for projects completed in 2015, would be scrutinized in advance, such that the number of documents to be filed would be dramatically reduced.

31. Furthermore, the CCA's questions regarding the capitalization of DACDA support costs in Proceeding 24681 led to an investigation of the quantum of AltaLink's DACDA support costs for the first time in the current proceeding. While the Commission made certain positive comments in Decision 22542-D02-2019³⁶ regarding AltaLink's 2014-2015 DACDA application filing,³⁷ the magnitude of the support costs associated with making filings under the enhanced approach was not known until this current proceeding.

32. Given the information that is now available to the Commission regarding the magnitude of the costs associated with AltaLink's enhanced filing approach for DACDA applications, the Commission is of the view that the value of the enhanced filing approach, first suggested by AltaLink itself, is not commensurate with the quantum of DACDA support costs incurred by ratepayers in order for AltaLink to effect such filings.

33. Accordingly, the Commission finds that a disallowance of the directly charged Proceeding 24681 DACDA application support costs incurred by AltaLink prior to July 2019 (i.e. costs related to preparing AltaLink's 2016-2018 DACDA application) is necessary. In response to AML-AUC-2021FEB18-006,³⁸ AltaLink indicated that \$1,311,050 of the \$1,541,577 directly charged Proceeding 24681 DACDA application support costs were incurred prior to July 2019. The Commission directs AltaLink to reduce this \$1,311,050 amount by 15 per cent, or by \$196,658.

34. The Commission finds that the balance of the directly charged Proceeding 24681 DACDA application support costs totalling \$230,527,³⁹ which were incurred after AltaLink filed its 2016-2018 DACDA application in July 2019, are reasonable, and approves these costs as filed.

³⁴ Proceeding 22542, Exhibit 22542-X0002.04, 2014-2015 DACDA application.

³⁵ Decision 3585-D03-2016: AltaLink Management Ltd., 2012 and 2013 Deferral Accounts Reconciliation Application, Proceeding 3585, Application 1611090-1, June 6, 2016, paragraphs 250-252.

³⁶ Decision 22542-D02-2019: AltaLink Management Ltd., 2014 and 2015 Deferral Accounts Reconciliation Application, Proceeding 22542, January 23, 2019.

³⁷ See, for example, the Commission's findings in respect of project summary reports at paragraph 444 of Decision 22542-D02-2019.

³⁸ Exhibit 26278-X0018, AML-AUC-2021FEB18-002 Attachment.

³⁹ Exhibit 26278-X0018, AML-AUC-2021FEB18-002 Attachment.

35. In terms of implementing the disallowance directed in paragraph 33, the Commission notes its findings in Decision 25913-D01-2021⁴⁰ in respect of AltaLink's 2019 DACDA application:

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.

36. In light of the finding at paragraph 65 of Decision 25913-D01-2021, the Commission considers that the \$196,658 disallowance of AltaLink's DACDA support costs directed in paragraph 33 may be addressed either as part of AltaLink's compliance application filing made in respect of Decision 25913-D01-2021, in its next GTA, or in another future application that AltaLink deems appropriate.

37. In addition, AltaLink indicated, in response to AML-AUC-2021FEB18-002(c), that costs in excess of the approximately \$1.542 million of directly charged DACDA support costs (related to supporting AltaLink's 2016-2018 DACDA application in Proceeding 24681) may have been incurred after December 31, 2018. Accordingly, the Commission directs AltaLink to fully quantify the amount of any Proceeding 24681 DACDA support costs that were included in the capital addition amounts for which AltaLink sought approval in its 2019 DACDA application (Proceeding 25913), and to justify any such costs either in its Proceeding 25913 compliance filing, in its next GTA, or in another future application that AltaLink deems appropriate, in accordance with AltaLink's process election pursuant to paragraph 65 of Decision 25913-D01-2021.

38. AltaLink indicated that the quantity of documents that it submits under the enhanced filing approach (proposed by AltaLink in response to directions from Decision 3585-D03-2016) is limited to projects with a cost greater than \$25 million.⁴¹ AltaLink also indicated that its DACDA application for the year 2020 will not include any projects with a cost above this threshold.⁴² The Commission therefore does not consider a change in AltaLink's enhanced filing approach to be urgent. In addition, because the CCA is the only intervener active in the current proceeding, and because DACDA application filing requirements may be of interest to other parties, the Commission is reluctant to set out new filing requirements for future DACDAs within this compliance filing decision. However, should AltaLink wish to propose specific amendments to its filing requirements prior to filing any future DACDA application, the Commission would consider such a request.

⁴⁰ Decision 25913-D01-2021: AltaLink Management Ltd., 2019 Projects Deferral Accounts Reconciliation Application, Proceeding 25913, March 19, 2021.

⁴¹ Exhibit 26278-X0017, AML-AUC-2021FEB18-005, PDF page 9.

⁴² Exhibit 26278-X0017, AML-AUC-2021FEB18-005, PDF page 12.

4 Carrying costs – deferral account adjustments and cancelled project costs

39. AltaLink is seeking to recover carrying costs on its 2017 deferral account adjustments and 2017 cancelled project costs:⁴³

Table 2. Summary of applied-for carrying costs

	DACDA true-up amounts	Carrying costs
	(\$ million)	
2017 deferrals	5.1	0.5
2017 cancelled projects	25.0	2.4
Total	30.2	2.9

Source: Exhibit 26278-X0008, C-1 Attachment (Carrying Costs Calculation), Excel worksheet tabs Schd 1 Summary.

40. In Section C of the application, AltaLink stated that its request is made under Rule 023, and that it calculated the carrying costs in accordance with Rule 023.

41. Rule 023 enables a utility to request that the Commission award the payment of interest on adjustments to utility rates, tolls or charges or other costs/charges administered within the Commission’s jurisdiction.⁴⁴ When considering a request made under Rule 023, the Commission must determine whether the utility has complied with the criteria stipulated in sections 3(2) and 3(3) of Rule 023, which are reproduced below:

3 Application for payment of interest

...

- (2) The Commission shall, when considering a request received under Section 3(1) of these rules, consider the following:

...

- (b) the regulatory lag before implementation of the rate adjustment must exceed a period of 12 months;
 - (c) for general utility rates, the minimum amount of the forecast aggregate change in revenue shall ordinarily be the greater of $\pm\$1,000,000$ or \pm three per cent of the revenue from the rates being revised which may be tailored where unusual circumstances or conditions preclude its use or where acceptable procedures already exist;
 - (d) interest will be calculated from the date on which the rate adjustment becomes effective;
 - (e) interest will be calculated using a rate equal to the Bank of Canada’s Bank Rate plus 1½ per cent, subject to any previously approved Commission procedure for awarding interest.
- (3) Prior approval of the Commission of an estimate of the rate of interest and the aggregate amount of the interest payment is required.

⁴³ Exhibit 26278-X0001, application, PDF page 7.

⁴⁴ Rule 023, Section 3(1).

42. In its analysis, the Commission first considers whether AltaLink’s request complies with sections 3(2)(b), 3(2)(c) and 3(3), which set the threshold conditions that must be satisfied before interest is awarded under Rule 023. If the request complies with these sections, the Commission then considers whether AltaLink’s carrying cost calculations followed the guidelines provided in sections 3(2)(d) and 3(2)(e).

Compliance with Section 3(2)(b): Did the regulatory lag exceed 12 months?

43. The lag before the settlement of AltaLink’s 2017 DACDA amounts exceeds the minimum 12-month period stipulated in Section 3(2)(b).

Compliance with Section 3(2)(c): Does the change in revenue exceed three per cent?

44. The Commission has calculated three per cent of AltaLink’s approved revenue requirements for 2017 to determine whether the 2017 DACDA adjustment exceeds a three per cent change in revenue.

Table 3. Calculation of three per cent of revenue requirement and comparison to DACDA total adjustment

Year	Approved revenue requirement ⁴⁵	Three per cent of revenue requirement	Total DACDA revenue adjustment ⁴⁶	Adjustment greater than three per cent of revenue?
	(\$ million)			
2017	863.9	+/- 25.9	30.3	Yes

45. As shown in the table above, AltaLink’s 2017 total DACDA adjustment exceeds a three per cent change in revenue. Accordingly, AltaLink’s request for carrying costs satisfies the requirements of Section 3(2)(c).

Compliance with Section 3(3): Did AltaLink seek prior approval of a carrying cost estimate?

46. On July 7, 2019, AltaLink filed its original 2016-2018 deferral account reconciliation application. As part of that application, AltaLink requested Commission approval of Rule 023 interest on its 2016, 2017 and 2018 deferral account adjustments and cancelled projects costs.

47. On August 23, 2019, the Commission issued Decision 24329-D01-2019,⁴⁷ and made the following finding regarding Section 3(3) of Rule 023:

122. The Commission has allowed the majority of AltaLink’s request for carrying costs despite the fact that AltaLink did not meet the requirements of Section 3(3) of Rule 023. The Commission reminds AltaLink to be mindful of this requirement. If this requirement is not met in the future, the Commission may not approve carrying-cost requests.

⁴⁵ Decision 23074-D01-2017: AltaLink Management Ltd., 2017-2018 General Tariff Application Compliance Filing to Decision 21341-D01-2017, Proceeding 23074, November 22, 2017, paragraph 11.

⁴⁶ Exhibit 26278-X0001, application, Table 1-1.

⁴⁷ Decision 24329-D01-2019: AltaLink Management Ltd., 2014-2015 Deferral Accounts Reconciliation Compliance with Directions from Decision 22542-D02-2019, Proceeding 24329, August 23, 2019.

48. On December 11, 2020, the Commission issued Decision 24681-D01-2020, and stated that it would consider AltaLink's request for the approval of the payment of interest, pursuant to Rule 023, at the time of this compliance application.⁴⁸

49. The Commission finds that AltaLink did not seek prior approval of an estimate for its carrying costs under Section 3(3) of Rule 023. The Commission has nonetheless considered AltaLink's request, appreciating that AltaLink would not have been aware, until after it filed its original 2016-2018 deferral account reconciliation application, of the Commission's express direction in Decision 24329-D01-2019 requiring future compliance with Section 3(3).

50. AltaLink is now aware of the Commission's expectation. Consistent with Decision 24329-D01-2019, if the requirement in Section 3(3) of Rule 023 for prior approval of an estimate for its carrying costs is not met in the future, the Commission may not approve AltaLink's carrying-cost requests.

51. Accordingly, the Commission approves AltaLink's request for carrying costs on its 2017 deferral account adjustments and 2017 cancelled project costs.

Compliance with Section 3(2)(d): Start date for carrying-cost calculations

52. AltaLink calculated carrying costs on its 2017 deferral account adjustments using January 2018 as the starting point. For cancelled project costs, AltaLink calculated carrying costs on an individual project basis, where the carrying-cost amount was measured from the month following the month that the project was officially cancelled by the Alberta Electric System Operator (AESO).

53. The Commission is satisfied that these start dates are reasonable and comply with the guideline provided in Section 3(2)(d) of Rule 023.

Compliance with Section 3(2)(e): Rule 023 interest rate

54. The Commission reviewed the information provided by AltaLink, including the carrying-cost calculations in Exhibit 26278-X0008,⁴⁹ and is satisfied that AltaLink's calculations and methodology are consistent with the requirements of Section 3(2)(e) of Rule 023.

55. Regarding AltaLink's cancelled project carrying costs, the Commission notes that it made the following findings on ATCO Electric Transmission's cancelled project carrying costs in Decision 24375-D01-2020:

46. ... The Commission agrees with the CCA that any carrying cost awards should take into consideration the effort of the utility to file its request in a reasonable period of time in order to mitigate these costs. Unlike a request to reconcile deferral accounts for direct assign capital projects, which requires a utility to know its actual final costs after a project is completed, cancelled project costs can be settled once the utility receives an official cancellation letter from the AESO and once the final costs incurred are known. Consequently, the length of time that carrying costs may be accrued can be meaningfully

⁴⁸ Decision 24681-D01-2020, paragraph 260.

⁴⁹ Exhibit 26278-X0008, C-1 Attachment (Carrying Costs Calculation), Excel worksheet tabs Schd 1.1 2017 Deferrals and Schd 1.2 Cancelled.

shortened. That is, a utility may file a request to settle its cancelled project costs without having to first wait until completed projects are energized and final costs are known.

56. Consistent with Decision 24375-D01-2020,⁵⁰ the Commission advises that if AltaLink files a request for carrying costs on cancelled project costs in the future, the Commission will take into consideration AltaLink's efforts to settle its cancelled project costs at the earliest reasonable opportunity (after final costs for any particular cancelled project are known), to determine whether AltaLink's request is reasonable.

5 Order

57. It is hereby ordered that:

- (1) AltaLink Management Ltd. shall, either as part of the compliance filing to Decision 25913-D01-2021, as part of its next general tariff application, or in another future application that AltaLink deems appropriate, refile its 2016 to 2018 deferral account reconciliation application to reflect the findings, conclusions and directions of this decision.

Dated on April 27, 2021.

Alberta Utilities Commission

(original signed by)

Kristi Sebalj
Commission Member

⁵⁰ Decision 24375-D01-2020, paragraphs 47-50.

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 K. Sebalj, Commission Member
Commission staff N. Sawkiw (Commission counsel) A. Starkov J. Halls D. Ward

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. Accordingly, the Commission finds that a disallowance of the directly charged Proceeding 24681 DACDA application support costs incurred by AltaLink prior to July 2019 (i.e. costs related to preparing AltaLink’s 2016-2018 DACDA application) is necessary. In response to AML-AUC-2021FEB18-006,⁵¹ AltaLink indicated that \$1,311,050 of the \$1,541,577 directly charged Proceeding 24681 DACDA application support costs were incurred prior to July 2019. The Commission directs AltaLink to reduce this \$1,311,050 amount by 15 per cent, or by \$196,658. paragraph 33
2. In addition, AltaLink indicated, in response to AML-AUC-2021FEB18-002(c), that costs in excess of the approximately \$1.542 million of directly charged DACDA support costs (related to supporting AltaLink’s 2016-2018 DACDA application in Proceeding 24681) may have been incurred after December 31, 2018. Accordingly, the Commission directs AltaLink to fully quantify the amount of any Proceeding 24681 DACDA support costs that were included in the capital addition amounts for which AltaLink sought approval in its 2019 DACDA application (Proceeding 25913), and to justify any such costs either in its Proceeding 25913 compliance filing, in its next GTA, or in another future application that AltaLink deems appropriate, in accordance with AltaLink’s process election pursuant to paragraph 65 of Decision 25913-D01-2021. paragraph 37

⁵¹ Exhibit 26278-X0018, AML-AUC-2021FEB18-002 Attachment.

Appendix 3 – Summary of Commission directions addressed in this compliance application

[\(return to text\)](#)

This section is provided for the convenience of readers and reproduces the directions from Decision 25369-D01-2020 and Decision 24681-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 4 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 the decisions referenced, the wording in the main body of those decisions shall prevail.

Decision 25369-D01-2020

1. TransAlta and AltaLink are directed to provide a compliance filing to this decision and in conjunction with the decision in Proceeding 24681 (if so directed) on or before January 29, 2021. paragraph 4
2. As a result, the Commission is unable to find that all of the funds expended on the construction of 1043L-Reserve (including AFUDC [allowance for funds used during construction] attributable to TransAlta) were prudently incurred. The Commission further finds and directs that it would be just and reasonable to reduce by 15 per cent the amount of expenditures eligible for recovery by the applicants. The Commission also finds and directs that it would be just and reasonable for the recoverable amount of legal and related costs incurred by the utilities associated with negotiating and concluding the Cooperation Agreement (as opposed to the costs of the agreement itself) to likewise be reduced by 15 per cent per cent. The basis for doing so is the same, namely, that absent sufficient evidence that the manner in which the applicants conducted their project consultations with Enoch between July 2010 and May 2012 was prudent or reasonable, it is reasonable to conclude that the process of arriving at a Cooperation Agreement was more expensive than it needed to be. The Commission leaves it to the applicants in both cases to determine amongst themselves the appropriate division of the disallowance of funds expended. paragraph 118

Decision 24681-D01-2020

4. While the Commission agrees that deferral account support costs may be capitalized, AltaLink has not identified the quantum of those costs claimed in this proceeding. In the compliance filing, AltaLink is directed to provide the quantum and a brief explanation of the costs. paragraph 105
5. For the reasons that follow, the Commission finds that not all of the expenditures related to the Medicine Hat Project were prudently incurred and finds that it is therefore just and reasonable to direct AltaLink to reduce its total requested cumulative capital additions to December 31, 2018, of \$186,682,308 by 2.5 per cent. paragraph 138
6. For the reasons that follow, the Commission finds that not all of the expenditures related to the Hazelwood Project were prudently incurred and finds that it is therefore just and reasonable to direct AltaLink to reduce its total requested cumulative capital additions to December 31, 2018, for the Hazelwood Project of \$67,801,980 by 1.5 per cent. paragraph 218

7. The Commission has determined that a compliance filing is required in light of disallowances and other directions set out in this decision. The Commission directs that AltaLink file its compliance filing application by January 29, 2021. As set out in Decision 25369-D01-2020, AltaLink’s compliance filing will also include consideration of directions set out in that decision in respect of the Edmonton Region Project.
..... paragraph 259

Appendix 4 – Summary of Commission directions to be addressed in a future application

[\(return to text\)](#)

This section is provided for the convenience of readers and outlines the directions from Decision 24681-D01-2020 that remain outstanding. Directions not listed in this appendix will either be listed in the preceding Appendix 3 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 24681-D01-2020, the wording in the main body of the decision shall prevail.

1. Lastly, the Commission finds that AltaLink has complied with Direction 20 from Decision 3585-D03-2016. As this is an ongoing direction, AltaLink is directed to provide comparable information in future DACDA applications..... paragraph 34
2. The Commission has reviewed the pleadings related to the litigation of the defective helix spacer dampers. Given the ongoing litigation, the Commission approves the requested placeholder treatment. Once this litigation has concluded, the Commission directs AltaLink to bring forward an application for final approval of these costs in its next applicable DACDA proceeding. paragraph 95
3. Given that AltaLink is in active dispute resolution, the Commission approves placeholder treatment in the amount requested. The Commission directs AltaLink to provide the outcome of the dispute resolution and the actual trailing cost amounts in a future DACDA proceeding..... paragraph 99