Alberta Utilities Commission

# ENMAX Energy Corporation

## 2021 Regulated Rate Option Non-Energy Tariff

**May 27, 2021**

**Alberta Utilities Commission**
Decision 25949-D02-2021
ENMAX Energy Corporation
2021 Regulated Rate Option Non-Energy Tariff
Proceeding 25949

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# 1 Decision summary

1. This decision approves ENMAX Energy Corporation's (EEC's) regulated rate option (RRO) non-energy charges for 2021. EEC's non-energy charges are shown as the fixed daily administration charge on its RRO customers' bills.

2. In its application, EEC set out its revenue requirement proposed to be collected through the administration charge and included a request for a COVID-19 deferral account to capture changes to its costs arising from the COVID-19 pandemic.

3. In this decision, the Alberta Utilities Commission approves a COVID-19 deferral account for EEC's bad debt expense, RRO site counts, final notice fees and late payment charges.

4. Considering the ongoing economic effects of the pandemic and the financial situation that has been imposed on many customers, the Commission wishes to avoid rate increases and keep rates stable for customers to the greatest degree possible. Given the Commission's approval of a deferral account for EEC's bad debt expense, the Commission is keeping rates stable for 2021 by approving an adjusted forecast for EEC's 2021 bad debt expense. For reasons outlined in this decision, the Commission is also rejecting some other increases requested by EEC.

5. The Commission denies EEC's proposal to change how billing and customer care (B&CC) costs are allocated, and finds that EEC must include a full cost causation study in any future requests to change the allocation methodology.

6. The Commission disallows EEC's proposed increase to shared services costs and a proposed cost increase resulting from the movement of EEC's RRO operations from ENMAX Power Corporation (EPC) to EEC.

7. The Commission approves a non-labour escalation factor of 1.8 per cent and a 0.0 per cent salary escalation factor for both bargaining unit, and management and professional employees.

8. The Commission approves final 2021 non-energy rates of $0.2201 per day for residential customers, and $0.1975 per day for small commercial customers, subject to any adjustments necessary for disposition of the COVID-19 deferral account.

9. Because the Commission is approving final 2021 non-energy rates for EEC, a compliance filing is not required. However, EEC will need to show its compliance with the findings and determinations in this decision as part of its application for disposition of the COVID-19 deferral account.

## 2 Introduction

10. On October 19, 2020, EEC filed an application with the Commission, requesting approval of its 2021 RRO non-energy tariff application in accordance with Section 103 of the *Electric Utilities Act* and the *Regulated Rate Option Regulation*.

11. The Commission issued notice of application on October 20, 2020, inviting interested parties to file a statement of intent to participate (SIP) by no later than November 3, 2020. The Consumers' Coalition of Alberta (CCA) and the Office of the Utilities Consumer Advocate (UCA) filed SIPs.

12. In a ruling dated November 5, 2020,[1] the Commission granted EEC's request for confidential treatment of certain information related to the allocation of costs for B&CC services provided to EEC by ENMAX Encompass Inc.

13. The Commission issued two rulings, dated November 13, 2020,[2] and November 27, 2020,[3] finding that EEC's application was incomplete and directing EEC to revise its application to provide additional detail with respect to how its forecast bad debt expense was calculated.

14. In a November 27, 2020 letter, the Commission set an issues list for this proceeding, discussed in more detail in Section 4 of this decision. After the issues list for the proceeding was set, the application was processed through information requests (IRs), intervener evidence, IRs on intervener evidence, and written argument and reply argument. Parties filed their reply argument on February 26, 2021, which is the close of record for this proceeding.

15. In reaching the determinations set out within this decision, the Commission has considered all relevant public and confidential 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 a particular matter.

## 3 Requested approvals

16. EEC requested approval of:

(a) 2021 administration charges of $0.2940/day for residential sites and $0.2647/day for commercial sites.

(b) Forecast 2021 average annual site count of 149,640, consisting of 138,192 residential sites and 11,448 commercial sites.

(c) Forecast 2021 non-energy revenue requirement of $15.9 million.

(d) Modifications to its methodology for allocating B&CC costs.

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1 Exhibit 25949-X0016, AUC letter – Ruling on EEC's confidentiality motion and process schedule.
2 Exhibit 25949-X0037, AUC letter – Ruling on an update to EEC's application and revised process.
3 Exhibit 25949-X0042, AUC letter – Ruling on issues list and further direction regarding EEC application.

(e) A COVID-19 deferral account.

(f) Continuation of its existing RRO terms and conditions of services.

## 4 Issues examined in this decision

17. As part of its application, EEC requested that the Commission set an issues list for the proceeding and recommended the issues to be included on that list. After receiving comments from parties on the issues list, the Commission set the following issues list for this proceeding:

(a) forecast bad debt expense and 2020 actual bad debt costs

(b) a modified allocation methodology B&CC model

(c) corporate and shared services costs, and movement of support tasks for RRO from ENMAX Power to EEC

(d) the request for a COVID-19 deferral account

(e) 2020 actual site counts and the effect of COVID-19 on site counts

(f) salary and non-salary escalation factors

(g) final notice fees, late payment charges and customer resolution fees

(h) restructuring of ENMAX Corporation and effects on EEC's costs included in the application[4]

### 4.1 COVID-19 deferral account

18. EEC requested a COVID-19 deferral account for 2021, including its bad debt expense, RRO site counts, administration costs and call centre costs. EEC previously applied for a COVID-19 deferral account for 2020 in Proceeding 25767.[5]

19. In that proceeding, the Commission issued a ruling on October 8, 2020, that referenced Decision 2003-100[6] and Decision 2010-189.[7] Those decisions set out the criteria the Commission typically considers with respect to approval of a deferral account. The criteria are:

(a) Materiality of the forecast amount.

(b) Uncertainty regarding the accuracy and ability to forecast the amount.

(c) Whether the factors that affect the forecast are beyond the utility's control.

[4] Exhibit 25949-X0042, AUC letter – Ruling on issues list and further direction regarding EEC application, paragraph 25.

[5] Proceeding 25767, ENMAX Energy Corporation Regulated Rate Option Non-Energy COVID-19 Deferral Account.

[6] Decision 2003-100: ATCO Pipelines, 2003/2004 General Rate Application – Phase I, Proceeding 13491, Application 1292783-1, December 2, 2003.

[7] Decision 2010-189: ATCO Utilities, Pension Common Matters, Proceeding 226, Application 1605252-1, April 30, 2010.

(d) Whether the utility is typically at risk for the forecast amount.

(e) Symmetry factor – symmetry must exist between the costs and benefits for both the utility and its customers such that the deferral account provides a degree of protection to both the utility and the customers from circumstances beyond their control.

20. The Commission found that EEC's application in Proceeding 25767 was not complete because it failed to provide specific details to allow consideration of what amounts should properly be in the deferral account. The Commission provided additional guidance on its expectation of what must be shown in a COVID-19 related deferral account application. An application must provide sufficient information to allow the Commission and interveners to assess:

(a) what constitutes the COVID-19 related expenses and revenues;

(b) how the expenses or revenues are directly related to the COVID-19 pandemic;

(c) that expenses and revenues are incremental;

(d) that expenses are not being double counted with the other revenue recovery mechanisms that are available and that incremental revenues have been, or will be, accounted for in the ratemaking process;

(e) that any expenses claimed are not eligible for inclusion in another COVID-19-related relief program such as the *Utility Payment Deferral Program Act* (UPDP);[8] and

(f) that the incremental expenses and revenues were incurred after July 16, 2020.[9]

21. EEC's current proposal for a COVID-19 deferral account is only for 2021. Therefore, (d) through (f) in the list above are not applicable to the current application.

### 4.1.1 Request for deferral account treatment for bad debt expense

22. For the reasons set out below, the Commission approves deferral account treatment for EEC's 2021 bad debt expense.

23. EEC is requesting a forecast bad debt expense of $4.5 million for 2021, which is more than double the approved bad debt forecasts for 2019 and 2020. EEC stated that the bad debt forecast in light of the COVID-19 pandemic is conservative, includes debt resulting from billed and uncollectable amounts from RRO customers and is impossible to accurately forecast. EEC submitted that deferral account treatment of bad debt expense would protect both EEC and its customers from the risk of over- or under-recovery of bad debt expense due to the pandemic.

8 The UPDP allowed utility customers to defer payment of their utility bills until June 18, 2020. Those customers were then required to make arrangements to pay the deferred amounts by June 18, 2021.

9 Proceeding 25767, Exhibit 25767-X0011, AUC letter - Ruling on the UCA motion, October 8, 2020.

24. In response to two Commission rulings, where the Commission found that EEC's application was incomplete and directed EEC to revise its application,[10] EEC provided calculations of an alternative forecast of bad debt expense based on a three-year historical average and updated bad debt actuals, excluding bad debt supported by UPDP, up to October 2020. EEC noted that its bad debt expense for 2020, up to October and not including UPDP amounts, was $3.88 million.[11]

25. According to EEC, the adverse economic conditions caused by the pandemic have reduced the ability of some customers to pay their bills due to higher unemployment and the end of some government assistance programs. EEC added that there has been an increase in residential consumption and therefore higher monthly bills due to more people being at home during the pandemic. EEC argued that there are no recent historical precedents that would produce a reasonable or credible bad debt forecast.[12]

26. EEC noted the high recipient numbers for the Canada Emergency Response Benefit compared to employment insurance recipients prior to the pandemic and the high unemployment numbers for Alberta, and particularly Calgary, as indicators of the economic downturn due to the pandemic.[13]

27. In contrast, both the CCA and the UCA argued that the worst of the economic effects associated with the pandemic have passed. Both interveners opposed deferral account treatment for bad debt and EEC's proposed $4.5 million forecast for 2021 bad debt expense. The UCA relied on the expert evidence of Andrew McLaren and Jeff Crozier of InterGroup Consultants Ltd., who provided evidence suggesting that unemployment and actual bad debt had already begun to recover in late 2020. InterGroup added that government and public health responses to the pandemic, the availability of vaccines and the ability of business to adapt also suggest that the economic impact of the pandemic will be less severe in 2021.[14]

28. The CCA and its expert, Jan Thygesen, did not provide evidence on the economic impact of COVID-19. However, the CCA pointed to rising oil prices, and business openings and closings data in a Statistics Canada report, referenced in a report by the Canadian Federation of Independent Business cited by EEC in its rebuttal evidence,[15] to argue that the worst of the pandemic's economic impact has passed.[16]

29. The Commission agrees with EEC that there is no consensus on when economic conditions will recover from the economic downturn and the COVID-19 pandemic. The factors cited by both EEC and interveners that could impact forecast bad debt demonstrate that there are several significant drivers that could impact EEC's bad debt in 2021. This is further highlighted in the evidence and reports referenced by EEC and interveners. The totality of this evidence demonstrates the uncertainty with respect to the continued economic effects of the pandemic.

10 Exhibits 25949-X0037 and 25949-X0042.
11 Exhibit 25949-X0001.03, application, paragraph 194.
12 Exhibit 25949-X0001.03, application, paragraph 197.
13 Exhibit 25949-X0001.03, application, paragraph 202.
14 Exhibit 25949-X0092.01, McLaren and Crozier evidence, page 8.
15 Exhibit 25949-X0108, EEC rebuttal evidence, paragraph 18.
16 Exhibit 25949-X0109.01, CCA argument, paragraph 35.

On the balance of the evidence, it is difficult to determine with any precision a reasonable bad debt expense forecast for 2021.

30. Considering the Commission's findings in its October 8, 2020, ruling in Proceeding 25767, as set out in paragraphs 19 and 20 above, it is evident that the increased bad debt is directly related to the COVID-19 pandemic. The forecast bad debt expense for 2021 is more than $2 million higher than the 2020 approved bad debt expense. This represents a material increase in the forecast. The effects of the pandemic are also beyond EEC's control. As noted above, the submissions particularly from the UCA highlight the difficulty in arriving at an accurate forecast for bad debt expense, creating a risk to EEC for the forecast amount of bad debt expense. As noted by EEC, "2020 was dominated by uncertainty, and that uncertainty continues virtually unabated into 2021,"[17] and there is "no real consensus about precisely when the pandemic will be brought under control and consequently, when economic conditions will recover."[18] The symmetry factor is met because the risk of uncertainty impacts both EEC (if bad debt is materially under-forecast) and its customers (if bad debt is materially over-forecast).

31. For these reasons, the Commission finds that EEC's request meets the criteria to establish a deferral account as set out in Decision 2003-100 and Decision 2010-189. The Commission approves deferral account treatment for EEC's 2021 bad debt expense.

#### 4.1.2 Request for deferral account treatment for site counts

32. EEC also proposed to include its 2021 forecast RRO site count in its COVID-19 deferral account, stating:

> **Site Count** – the Administration Charge is calculated by dividing the forecast Revenue Requirement by the forecast RRO Site Count. The impact of the COVID-19 pandemic may result in competitive retailers dropping their customers to the RRO provider. This would cause the actual RRO Site Count to be materially higher than the forecast RRO Site Count, and ENMAX Energy would materially over collect its Revenue Requirement. It is also unclear at this time what impact the pandemic will have on customer site ownership and abandonment;[19]

33. For the reasons set out below, the Commission approves inclusion of RRO site counts in the COVID-19 deferral account, for the purposes of calculating the daily administration charge.

34. In its application, EEC stated that "year-to-date site counts for 2020 show a slow and steady decline and do not appear to be impacted by the pandemic."[20] However, in response to a Commission IR, EEC provided updated site counts and a comparison of those updated numbers to its original forecasts. EEC stated that there was a less aggressive downward trend in RRO sites compared to the original forecast. Specifically, EEC added that the RRO experienced lower gains in new sites and lost more sites than forecast, which would normally result in lower actual site counts than forecast, but that was offset by higher than forecast switches to the RRO, due to other factors such as the pandemic.[21]

17 Exhibit 25949-X0110, EEC argument, paragraph 30.
18 Exhibit 25949-X0110, EEC argument, paragraph 33.
19 Exhibit 25949-X0001.03, application, paragraph 233.
20 Exhibit 25949-X0001.03, application, paragraph 53.
21 Exhibit 25949-X0052, EEC-AUC-2020DEC04-009.

35. Referencing EEC's submission that site counts do not appear to be affected by the pandemic, the UCA argued that it does not appear that a deferral account for site counts is warranted but also stated that it would not strongly object to one. If a deferral account is considered, the UCA noted that deferral account treatment for site counts appears to satisfy the symmetry factor.

36. The Commission notes that the analysis provided by EEC in response to EEC-AUC-2020DEC04-009 clearly shows that the rate of decline in RRO site counts slowed around the time public health measures to combat the COVID-19 pandemic were implemented in Alberta. The Commission therefore finds it reasonable to expect that RRO site counts will be materially affected by the pandemic and do not have the same level of predictability as prior years.

37. As noted by EEC, if RRO site counts are materially under-forecast, then EEC will materially over-collect its revenue requirement. This is a risk to EEC's customers that can be reasonably managed by including RRO site counts in the COVID-19 deferral account. Accordingly, the Commission approves inclusion of EEC's RRO site counts in its COVID-19 deferral account, for the purposes of calculating the daily administration charge.

38. The UCA also recommended that the Commission direct EEC to update its monthly site count data by using actual data for all months where such data is available and to use the updated actual data to update the forecast site counts for remaining months in 2021.[22] Considering that the Commission is approving the inclusion of site counts in the COVID-19 deferral account, the Commission finds that it is not necessary for EEC to update its RRO site counts at this time.

### 4.1.3 Request for deferral account treatment for other cost items

39. EEC also proposed to include the following costs in its COVID-19 deferral account:

c. **Administration costs** – labour costs and direct expenses related to customer communications, collections, legal, and reporting; and

d. **Call Centre costs** – costs related to self-service functionality for customers to select repayment options related to their deferrals, call center costs for customer inquiries, setting up deferrals or installment plans, and invoice changes to support customer understanding of their deferrals and outstanding amounts. This could also include collections activities for bill payments and customers in arrears.[23]

40. In response to a UCA IR, EEC stated that these costs comprise "charges from multiple ENMAX departments and are not reflected in any individual line item. Incremental Administration and Call Centre Costs impacted by COVID-19 are not known. It is not expected that the net effect of these costs will be known until well into 2021."[24] Based on this response, the UCA argued that EEC has not clearly explained what these costs are and has failed to provide sufficient evidence to demonstrate that deferral account treatment is warranted for these costs.[25]

22 Exhibit 25949-X0111, UCA argument, paragraph 143.
23 Exhibit 25949-X0001.03, application, paragraph 233.
24 Exhibit 25949-X0054, EEC-UCA-2020DEC04-027(a) and (b).
25 Exhibit 25949-X0111, UCA argument, paragraph 115.

41. EEC has not clearly explained what administration costs and call centre costs comprise, and it has not linked those costs to line items in its proposed revenue requirement. EEC also did not provide initial forecasts for those costs, to which actuals could be compared for the purposes of reconciling the deferral account. Therefore, the Commission finds that EEC's proposal to include administration costs and call centre costs fails the deferral account tests of materiality, uncertainty or difficulty in forecasting, and the direct relation of incremental costs to the COVID-19 pandemic as set out in its October 8, 2020, ruling. Without initial forecast costs and a clear link to cost items in EEC's revenue requirement for the proposed deferral account items, the Commission cannot assess the materiality of the forecast amount and subsequently cannot assess whether there are incremental expenses or revenues. Further, EEC is typically at risk for the forecast amounts for administration costs and call centre costs, and EEC should be incented to manage its risks with respect to these types of costs, in the absence of evidence showing that the pandemic has materially impacted its administration and call centre operations, resulting in incrementally higher costs. For these reasons, the Commission denies EEC's proposal to include administration costs and call centre costs in its COVID-19 deferral account.

42. Further, EEC also proposed, in a response to another UCA IR, that if it identifies other cost categories that are materially affected by the pandemic, it may apply to include those costs in the deferral account when the deferral account is reconciled.[26] The Commission denies this proposal. In its October 8, 2020, ruling, the Commission specified that any application for a deferral account must allow the Commission and interveners to assess what constitutes the COVID-19-related expenses and revenues. The current application was filed in October 2020, roughly half a year after the implementation of public health measures in response to the pandemic. EEC should have had some data available to it to identify costs for inclusion in the COVID-19 deferral account. The Commission finds that the only items that may be included in EEC's 2021 COVID-19 deferral account are those items that have been approved in this decision, specifically bad debt expense and RRO site counts, discussed above, and final notice fees and late payment charges, discussed in Section 4.7.

### 4.1.4 Restricting the COVID-19 deferral account to only pre-existing RRO customers

43. The UCA and InterGroup expressed concerns with the possibility that deferral account treatment for bad debt could create an incentive for EEC's competitive retailer to drop sites to the RRO. To mitigate this, the UCA and InterGroup recommended limiting deferral account treatment for bad debt to only those customers who were served by the RRO prior to the deferral account being approved.[27] [28]

44. EEC argued that there is no evidence that such an incentive exists, and that the UCA's position assumes that retaining existing customers has no value to a competitive retailer and it disregards the value of customers with bundled services, such as natural gas.[29] EEC added that the UCA's recommendation is unworkable because it would require EEC to make two bad debt forecasts: one for current RRO customers and one for future customers that are dropped by a competitive retailer, i.e., it would be difficult to implement.[30]

26 Exhibit 25949-X0054, EEC-UCA-2020DEC04-012(b).
27 Exhibit 25949-X0092.01, McLaren and Crozier evidence, pages 17-18.
28 Exhibit 25949-X0111, UCA argument, paragraph 121.
29 Exhibit 25949-X0110, EEC argument, paragraphs 63-65.
30 Exhibit 25949-X0110, EEC argument, paragraph 69.

45. The Commission finds that there is insufficient evidence on the record to support either the UCA's premise that a COVID-19 deferral account would create a significant incentive for EEC's competitive retailer to drop customers to the RRO, or EEC's position that the competitive retailer would be incented to retain existing customers. Given that there would have to be evidence and supporting analysis to show that the competing incentives for EEC's competitive retailer to retain its existing customers are outweighed by any incentive to drop non-paying customers to the RRO, the Commission dismisses the UCA's argument in this regard. The Commission also accepts EEC's explanation that creating two separate bad debt expense forecasts for pre-existing RRO customers and new ones is impractical and would provide limited value to inform EEC's bad debt expense forecasts. Accordingly, the Commission denies the UCA's recommendation to limit the deferral account treatment of bad debt expense to those customers currently receiving RRO service, i.e., the customer receiving service prior to the approval of the COVID-19 deferral account.

46. Nonetheless, the Commission is interested in exploring the statistics further in a future proceeding, relating to the number of customers dropped by EEC's competitive retailer and taken up by EEC's RRO during various time periods and economic circumstances. The Commission directs EEC to provide evidence on these statistics in its next RRO non-energy tariff application. The statistics, including customer gains, losses and switches, and the number of customers dropped by EEC's competitive retailer, should include data for the prior five years leading up to the date of the application.

### 4.1.5 Disposition of COVID-19 deferral account

47. In its application, EEC stated that it will apply for disposition of its 2021 COVID-19 deferral account "once the disruption caused by the pandemic is materially reduced, and actual costs are available and have been finalized." In that future application, EEC confirmed that it will provide the evidence necessary to demonstrate that the accumulated costs in the deferral account were related to the pandemic and were prudently incurred.[31]

48. InterGroup and the UCA expressed concern over a lack of specificity surrounding the triggers for disposition of the deferral account.[32]

49. The Commission agrees with the UCA that basing disposition of the deferral account on a material reduction in the disruption caused by the pandemic unnecessarily creates significant uncertainty for customers and the Commission. Because the applied-for deferral account is for 2021 only, there is no need to wait until the disruption caused by the pandemic is materially reduced. Accordingly, the Commission directs EEC to file for disposition of its COVID-19 deferral account once it has actual site count and bad debt figures for 2021. At that time, EEC's application will be subject to a prudence review and a reconciliation of EEC's site counts and bad debt expense. If such an application has not been filed by May 31, 2022, the Commission directs EEC to file a letter on the record of this proceeding indicating the reasons that the application cannot be filed by that date and when EEC expects to file its application for disposition of the COVID-19 deferral account.

[31] Exhibit 25949-X0001.03, application, paragraph 233.
[32] Exhibit 25949-X0111, UCA argument, Section 2.5.4.

## 4.2 Bad debt expense

50. As discussed above, the Commission agrees with EEC that there is currently no consensus on when economic conditions will recover and therefore it is difficult to determine a reasonable forecast for EEC's 2021 bad debt expense. For the reasons set out below, the Commission denies EEC's requested increase in its forecast for bad debt expense, subject to the finalization of bad debt expense in the disposition of the COVID-19 deferral account in a future application.

51. EEC confirmed that the forecast for bad debt expense, if it were to be based on a three-year historical average, would be $2.905 million.[33]

52. The CCA recommended approval of the bad debt forecast based on a three-year average because of its position that economic conditions will recover in 2021. The CCA argued that 2020 was unique and three years of data would dampen the effect of a single-year anomaly.[34]

53. Similarly, the UCA pointed to the evidence of InterGroup and the Bank of Canada's January 2021 Monetary Policy Report that the economic decline is expected to be less severe in 2021,[35] and it recommended approval of the bad debt forecast based on a three-year average.[36]

54. In its responses to IRs, EEC noted that its updated $4.0 million forecast for 2020 bad debt expense, up to October, does not include bad debt that is part of the UPDP. EEC erroneously stated that UPDP data filed by EEC in Proceeding 25599[37] are confidential and cannot be disclosed. EEC's refusal to provide the 2020 UPDP data on the record of this proceeding prevented the Commission and interveners from being able to accurately assess EEC's actual bad debt in 2020, and it could have requested confidential treatment if it thought it was required for the disclosure of the data.

55. The uncertainty with respect to how the economic effects of the pandemic will continue into 2021 and how quickly the economy will recover makes it difficult to determine whether bad debt will continue to increase into 2021 or will begin to decline. Due to the current economic circumstances resulting from the COVID-19 pandemic and related public health measures, the Commission is of the view that rate increases for RRO customers in 2021 should be avoided. As noted by EEC, in support of its proposed COVID-19 deferral account, it is virtually impossible to accurately forecast EEC's bad debt expense for 2021.

56. Given the difficulty in accurately forecasting EEC's bad debt expense for 2021 and because a deferral account is approved for bad debt, the Commission considers that it is reasonable to direct EEC to maintain its daily administration charges for 2021 at existing levels. The overall effect of the Commission's decisions on a number of EEC's forecasted cost items will be reconciled when EEC files for disposition of its COVID-19 deferral account. The Commission finds that this approach is reasonable because it allows rates to be held at existing levels for 2021, while keeping EEC whole for its actual bad debt expense in 2021.

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33 Exhibit 25949-X0001.03, application, paragraph 199.
34 Exhibit 25949-X0109.01, CCA argument, paragraph 46.
35 Exhibit 25949-X0111, UCA argument, paragraph 90.
36 Exhibit 25949-X0111, UCA argument, paragraph 99.
37 Exhibit 25949-X0070, EEC-CCA-2020DEC04-022(g).

57. For these reasons, the Commission directs EEC to adjust its forecast bad debt expense, such that its daily administration charge for 2021 will remain at the same level as its currently approved rates, and to reflect this adjustment in its application for disposition of the COVID-19 deferral account.

58. For information purposes, the Commission further directs EEC to file a revised version of its revenue requirement schedules, reflecting this finding and other findings in this decision, as part of EEC's July 2021 monthly energy rate acknowledgment filing.

### 4.3 Billing and customer care allocation

59. ENMAX Encompass provides B&CC services to regulated (RRO) and competitive electricity services, natural gas services and municipal services. Costs associated with providing these services are allocated using a methodology first approved in Decision 2010-483.[38]

60. In the current application, EEC proposed the following changes to the primary and secondary allocators for B&CC revenue cycle operations:

**Table 1. Proposed changes to B&CC allocators**

| Function | Subfunction | Existing cost allocation driver | Proposed primary and secondary cost allocation drivers |
|---|---|---|---|
| Customer care | Contact centre, customer care management | Call reason code % mass market | **Primary:** Interaction reason record (IRR) handle time % blended<br>**Secondary:** Even split |
| | Human performance & operations | Call reason code % blended | **Primary:** IRR handle time % blended<br>**Secondary:** Even split |
| | Storefronts | Site count proportion | **Primary:** IRR handle time face to face<br>**Secondary:** Even split |
| Billing & revenue cycle operations | Revenue cycle operations | Full-time equivalents | **Primary:** Contract account proportion %<br>**Secondary:** Even split |
| | Bill production and payment | Site count proportion | **Primary:** Contract account proportion %<br>**Secondary:** Even split |
| | Collections costs (third party and fees) | Outstanding accounts receivable (Arrears Report) | **Primary:** Contract account proportion %<br>**Secondary:** Even split |

61. EEC is not proposing changes to the allocators for other B&CC cost categories, which include technology, operations support, ENMAX Encompass management and B&CC corporate and overhead expenses.

62. For the changes in Table 1, EEC provided its rationale for the changes proposed to certain subfunction cost categories. The proposed changes to EEC's B&CC allocation methodology result in an increase in B&CC costs allocated to the RRO from $8.3 million to $9.2 million.[39]

63. EEC proposed to replace call reason code as an allocation driver because it does not provide any measure of the duration of, or work effort associated with, calls received. EEC added that 70 to 80 per cent of calls are assigned a general call reason code, which results in the

[38] Decision 2010-483: ENMAX Energy Corporation, 2009-2011 Regulated Rate Option Non-Energy Tariff Application, Part 2 – Tariff Application, Proceeding 521, Application 1605947-1, October 7, 2010.
[39] Exhibit 25949-X0001.03, application, Table 14.

calls being allocated by site count proportion.[40] In contrast, EEC stated that IRR handle time would be a preferred allocator because IRR is used to measure the time spent, by employees or its systems, dealing with customer interactions through the SAP Canada Inc. (SAP) system. There can only be one IRR handle time per call.[41]

64. EEC proposed to replace site count proportion with contract account proportion because billing and revenue cycle operations costs are driven by the number of customer accounts (i.e., contract accounts), not the number of sites. EEC added that the accuracy of site count proportion has declined as the number of sites per account has increased for competitive customers over time.[42]

65. EEC proposes to use the three-year average of historical IRR handle time and contract account proportion as its primary allocation drivers for B&CC and revenue cycle operations, respectively. As the secondary allocation driver, EEC proposes to use an even split between service categories.

66. In Proceeding 23752, for EEC's 2017-2020 RRO non-energy tariff, EEC proposed changes to all of its B&CC cost allocators, except for B&CC corporate and overhead expenses. In its decision on that application, the Commission found that:

(a) IRR handle time is a "suitable driver of customer care costs,"[43]

(b) "contract account proportion is a reasonable allocator for billing and revenue cycle operations,"[44] and

(c) "a 50 per cent allocation would result in a minimization of costs to regulated customers … and without any other statistical support from EEC, a 50 per cent allocation could be justified."[45]

67. EEC noted those findings in support of its current application and argued that IRR handle time and contract account proportion were extensively debated and tested in EEC's 2017-2020 application.[46] In this proceeding, both the CCA and the UCA opposed certain aspects of EEC's proposed changes.

68. Mr. Thygesen presented evidence, on behalf of the CCA, in favour of call reason code over IRR handle time because call reason code allocates a higher percentage of calls through the primary allocator.[47] In argument, the CCA supported the adoption of IRR handle time but only if the competitive services that B&CC costs are allocated to are combined into a single service category for the purposes of that allocation.[48] With respect to billing and revenue cycle

40 Exhibit 25949-X0001.03, application, paragraphs 97-102.
41 Exhibit 25949-X0001.03, application, paragraph 123.
42 Exhibit 25949-X0001.03, application, paragraphs 106-113.
43 Decision 23752-D01-2020: ENMAX Energy Corporation, 2017-2020 Regulated Rate Option Non-Energy Tariff, Proceeding 23752, March 17, 2020, paragraph 169.
44 Decision 23752-D01-2020, paragraph 171.
45 Decision 23752-D01-2020, paragraph 181.
46 Exhibit 25949-X0110, EEC argument, paragraph 90.
47 Exhibit 25949-X0091, Thygesen evidence, paragraph 51.
48 Exhibit 25949-X0109.01, CCA argument, paragraph 67.

operations, the CCA argued that there is no reason to expect workload to follow contract account proportion.[49]

69. The UCA recommended that the Commission reject the proposed "piecemeal approach" to modifying B&CC cost allocations and direct that any further proposals from EEC to modify the B&CC allocation methodology be supported by a "complete and proper Phase II study."[50] In its evidence, InterGroup acknowledged the merit of allocating B&CC costs based on the effort required for each customer group and stated that the even split secondary allocator is an improvement over the previously proposed secondary allocator in Proceeding 23752.[51] However, the UCA expressed concern with the quality of historical IRR handle time data, due to a prior investigation by the Market Surveillance Administrator (MSA)[52] of IRR handle time data and because of declining RRO site counts.[53] The UCA expressed concern with how customer categories are structured, given that EEC does not allow regulated customers and competitive customers to be grouped on the same contract.[54]

70. The Commission acknowledges the findings in Decision 23752-D01-2020, with respect to IRR handle time, contract account proportion and even split as a secondary allocator. The Commission notes that ultimately in the decision, the previous Commission panel did not approve any changes to EEC's B&CC allocators and instead directed EEC to continue use of its existing allocation methodology. The Commission stated the following:

> In order to protect the social, economic and environmental interests of Alberta where competitive markets do not, the Commission must be particularly careful in approving allocation methodologies that shift costs to regulated customers. In this case, the Commission is not persuaded that EEC's new allocation methodology sufficiently protects the interests of regulated customers or EEC as an RRO provider. The Commission considers that the UCA and its witness have identified a number of shortcomings that need to be analyzed further, including: the reliability of the IRR handle time data given the decline in RRO site counts; adjustments to IRR handle time to account for issues that were the subject of the MSA's investigation; and, whether EEC's analysis on the allocation of costs to multiple service categories is equal to the relative amount of interaction time to customers with only one service category.
>
> The Commission finds that based on these shortcomings, EEC has not established that its methodology will result in just and reasonable RRO rates.[55]

71. In denying EEC's proposed methodology, the Commission also saw merit in an allocation methodology resulting in long-term efficiencies for RRO customers.[56]

72. In this application, EEC has proposed changes for certain cost categories but not others. The Commission agrees with the UCA's concern that a piecemeal approach to changing EEC's

49 Exhibit 25949-X0109.01, CCA argument, paragraph 74.
50 Exhibit 25949-X0111, UCA argument, paragraph 81.
51 Exhibit 25949-X0092, InterGroup evidence, pages 26-27.
52 In Decision 23535-D01-2018: Market Surveillance Administrator, Application for Approval of a Settlement Agreement, Proceeding 23535, Application 23535-A001, August 30, 2018, the Commission approved a settlement between the MSA, EEC and ENMAX Encompass, resulting from the MSA's investigation.
53 Exhibit 25949-X0111, UCA argument, paragraph 67.
54 Exhibit 25949-X0111, UCA argument, paragraph 78.
55 Decision 23752-D01-2020, paragraphs 189-190.
56 Decision 23752-D01-2020, paragraphs 189-191.

B&CC cost allocation methodology is problematic. The purpose of a comprehensive approach to examining EEC's B&CC costs allocation for each function or subfunction cost category is to ensure that costs are allocated on a principled basis and the allocations reflect the cost drivers for each function or subfunction. EEC's proposal only addresses certain functional cost categories and not others.

73. As reflected in the Commission's findings in Decision 23752-D01-2020, EEC did not establish that its B&CC cost allocation methodology would result in just and reasonable rates. In this application, instead of EEC applying for a comprehensive cost allocation methodology for its B&CC costs, EEC's application only addressed a subset of cost categories. Further, the B&CC cost allocation methodology proposed in this proceeding results in a significant increase in costs allocated to the RRO and reaffirms the Commission's concerns from Decision 23752-D01-2020. In other words, the Commission will assess an allocation methodology to ensure that it allocates costs accurately and does not shift costs to regulated customers. For these reasons, the Commission is not prepared to approve piecemeal changes to the B&CC methodology that result in a significant increase in costs of approximately $900,000, allocated to the RRO. The Commission denies EEC's proposal to adopt new cost allocators for B&CC costs for 2021 and directs EEC to file B&CC cost forecasts determined using the existing methodology, as part of its application for disposition of the COVID-19 deferral account.

74. The next proposal for changes to EEC's cost allocation drivers and methodology for B&CC costs in a non-energy application must be accompanied by a full cost allocation study. Such a study must include a review of all B&CC cost allocation drivers, including a discussion of alternative allocation drivers and the merits and drawbacks of those alternatives compared to the existing drivers. It must also include EEC's historical data on its B&CC costs and corresponding analysis of how accurately current and alternative allocation drivers have been in allocating costs.

75. If EEC intends to propose changes to its B&CC cost allocation methodology in a future non-energy application, the cost allocation study and review of current and alternative allocation drivers must also address certain specific concerns of the Commission identified below.

76. The Commission continues to have concerns with the accuracy of IRR handle time data. Any application to adopt IRR handle time as a cost allocation driver must adequately confirm that any functional cost category using IRR handle time as an allocator is consistent with the results of the MSA investigation and the data proposed to be used are sufficiently accurate to ensure a reasonable allocation of costs.

77. The Commission is concerned that an even split would not generally be consistent with cost causation principles for allocation of costs to customers. Evidence would have to be submitted to support an even split as an accurate allocator of costs, and such information is not available on this record.

78. The Commission is also concerned with the low percentage of calls that can be allocated using the primary allocation driver, whether it be the current call reason code or the proposed IRR handle time. Both EEC's current and proposed primary allocators for customer care fail to allocate more than 70 per cent of calls. The Commission finds that any future proposed primary allocator for costs must include an improved ability to accurately allocate calls over the existing allocator it is proposed to replace.

### 4.4 Corporate and shared services costs

79. Shared services costs are costs charged by ENMAX Corporation to its various business units, including EEC as the RRO provider. The cost categories consist of finance, legal and regulatory, information technology, human resources, safety and environment, and facilities costs.[57] EEC stated these costs were allocated using a shared services allocation methodology that was previously approved by the Commission in past decisions.[58]

80. For 2021, EEC is proposing to allocate an amount of $1.436 million to the RRO for shared service costs, an increase of approximately $180,000 over the approved 2020 costs.

81. EEC indicated that one of the primary drivers of the increase in EEC's portion of shared services costs was the need for additional legal and regulatory resources to address heavier workload. This workload included the 2017-2020 RRO non-energy tariff application,[59] the 2019-2022 energy price setting plan application,[60] this current application, the development and filing of the next regulated rate tariff (RRT) application, and work due to initiatives of the Commission, the Department of Energy and the MSA over the past few years.[61]

82. The UCA noted that some of the applications mentioned by EEC concluded in 2020, and that the only filing anticipated for 2021 was a potential compliance filing for this proceeding and the preparation of a non-energy RRT application for 2022 and future test years.[62]

83. EEC identified another driver of the increase related to the centralization of safety, environment and support services in 2020. EEC stated the objective of centralizing these services was to allow for a consistent organization-wide approach to safety, environmental protection and stewardship, and support services.[63] The impact of this centralization resulted in an allocation of approximately $60,000 to the RRO.

84. In general, the CCA and the UCA stated EEC did not provide adequate explanations for the increase in regulatory workload, the cost allocation methodology for shared services costs to the RRO, or why there were cost increases during times of economic downturn and layoffs (particularly given the consolidation of services through restructuring at ENMAX Corporation). As such, both interveners recommended reductions to the 2021 forecast shared services costs.

85. EEC added that it was premature to draw conclusions regarding the effect of restructuring and that if the restructuring impacted the RRO, it would be reflected in the next non-energy tariff application. The allocation of shared services costs was complex, and it was not reasonable to assume the consolidation of businesses would necessarily reduce the shared services allocation to any particular remaining business.[64]

86. The CCA noted there was a decrease in shared services costs in ENMAX Power Corporation's (EPC) 2021-2022 transmission general tariff application (GTA) even though the

[57] Exhibit 25949-X0001.03, application, PDF page 46, paragraph 149.
[58] Decision 22238-D01-2017: ENMAX Power Corporation, 2016-2017 Transmission General Tariff Application, Proceeding 22238, December 4, 2017; Decision 23752-D01-2020.
[59] Proceeding 23752, ENMAX Energy Corporation 2017-2020 Regulated Rate Option Non-Energy Application.
[60] Proceeding 24721, ENMAX Energy Corporation 2019-2022 Energy Price Setting Plan Application.
[61] Exhibit 25949-X0052, EEC responses to AUC IRs, PDF page 12.
[62] Exhibit 25949-X0111, UCA argument, PDF page 12, paragraph 35.
[63] Exhibit 25949-X0052, EEC responses to AUC IRs, PDF page 13.
[64] Exhibit 25949-X0113, EEC reply argument, PDF page 10, paragraph 33.

explanations provided for changes in shared services costs were similar to the ones provided by EEC in this application.[65]

87. EEC stated that the decrease observed in the GTA occurred between 2019 and 2020, and it was inappropriately used by the CCA in comparing the increase in the RRO's revenue requirement occurring between 2020 and 2021. EEC indicated that even though the model for allocating shared services costs was identical for all subsidiaries, allocations for different time periods would not be identical.[66]

88. The CCA stated that EPC's GTA disclosed the corporate shared services cost pool on February 8, 2021, which showed a 17.5 per cent reduction in the corporate pool costs. Since the allocation to EEC was a pro-rated share of the overall pool costs, the reduction in the total shared services costs would be expected to reduce EEC's allocation.[67] As such, the CCA submitted that the shared services costs allocated to the RRO in this application should have the same 17.5 per cent reduction applied.[68]

89. In its IRs, the CCA asked EEC to provide details about changes to shared services provided by ENMAX Corporation and the direct costs charged to all affiliates. It queried the allocators for charging costs, allocator values for each affiliate and the allocated costs charged to each affiliate. The CCA requested the direct and allocated costs to each affiliate be identified by cost or activity centre and for certain items, gross costs and allocators be used.[69] EEC declined to provide this information, stating the requests failed materiality and proportionality tests. As part of its response to the CCA, EEC noted that the increase in shared services costs accounted for only 1.1 per cent of EEC's total revenue requirement[70] and therefore was not material.

90. While this increase in shared services costs is relatively minor in actual dollars, the Commission is not convinced this increase is supported since EEC refused to provide further details of how the shared services costs were determined.

91. Overall, the Commission believes that if EEC had provided the direct costs charged to all affiliates, the allocators for charging costs, allocator values for each affiliate, the allocated costs charged to each affiliate and the direct and allocated costs to each affiliate by cost or activity centre and for specific items, it would have been able to show whether the arguments brought forward by the CCA and the UCA were accurate or inaccurate. Without this information, the Commission is unable to adequately verify the allocation of shared services or forecast shared services costs attributed to the RRO. Transparency and support of the allocations of shared services costs are necessary to ensure that the costs to be recovered from EEC's RRO customers are aligned with the proportion of shared services that are attributable to, or used by, those customers. Such information and the supporting calculations would allow the Commission to make a determination on the reasonableness of the allocations and the accuracy of the forecast shared services costs included in the RRO revenue requirement. EEC's claims that the allocation

65 Exhibit 25949-X0091, CCA evidence, PDF pages 5-6.
66 Exhibit 25949-X0110, EEC argument, PDF page 33, paragraph 136.
67 Exhibit 25949-X0109.01, CCA argument, PDF page 5, paragraphs 12-13.
68 Exhibit 25949-X0091, CCA evidence, PDF page 12, paragraph 34.
69 Exhibit 25949-X0049, CCA IRs, PDF page 2.
70 Exhibit 25949-X0070, EEC responses to CCA IRs, PDF page 4.

of shared services costs is complex is further reason why it is important for EEC to provide information about how the allocation is determined.

92. It is also for these reasons that the Commission rejects the CCA's recommendation of applying a 17.5 per cent reduction to the shared services costs, which was the reduced amount for corporate pool costs in EPC's GTA. The Commission finds there is insufficient support for applying the same reduction to the shared services costs in this application since there is no information and supporting calculations on the allocations of shared services costs.

93. The Commission also finds that EEC did not adequately demonstrate why centralization of safety, environment and support services in 2020 resulted in a $60,000 increase for shared services costs for the RRO. It is unclear how this centralization will benefit the RRO customers paying for the $60,000 increase in shared services costs. In general, the Commission finds EEC did not sufficiently explain how costs for these services are applicable to the RRO, and it is for these reasons that the Commission denies this $60,000 increase in shared services costs.

94. While EEC stated the decrease in costs observed in EPC's GTA occurred between 2019 and 2020 and was therefore inapplicable to the RRO's revenue requirement changes between 2020 and 2021, the Commission notes that EEC's approved shared services costs from 2019 to 2020 increased by $17,000 from $1.239 million to $1.256 million, respectively.[71] Thus, EEC's costs continue to increase for the RRO even though the decrease seen in EPC's shared services costs is indictive of a downward trend in these costs. The Commission considers the rationale for an increase in shared services costs for EEC is not clear, especially while another business unit exhibits decreased costs in the same cost category.

95. Given the evidence on the record, the Commission finds that EEC's request for $1.436 million has not been reasonably supported. Therefore, the Commission approves the continuation of the previously approved shared services amount of $1.256 million.[72] This is a reduction of approximately $180,000 to the applied-for forecast costs for shared services, and this reduction includes the disallowance of $60,000 allocated to the centralization of safety, environment and support services. The Commission directs EEC to reflect this finding in EEC's application for disposition of the COVID-19 deferral account.

## 4.5 Restructuring of ENMAX Corporation

96. Effective January 1, 2021, the tasks performed by ENMAX Power Corporation (EPC) to support the RRO were moved to EEC. EEC provides the RRO service to customers and provides non-regulated or competitive electricity services. The RRO services are provided by the RRO business unit of EEC. The RRO operational costs, which include financial, accounting and management costs, are now directly charged to the RRO operations group. EEC indicated this change would simplify future RRO tariff applications and there would no longer be a need for supporting documents about the common costs, the common costs pool, the allocators or the costs allocated from EPC to the RRO.[73]

71 Exhibit 25949-X0003.02, Revenue requirement schedules, Schedule 3 – ENMAX Shared Services.
72 Exhibit 25949-X0001.03, application, Table 17, PDF page 47.
73 Exhibit 25949-X0110, EEC argument, PDF page 36, paragraph 151.

97. In the past, costs associated with providing financial, accounting and management support to the RRO were allocated through EPC common costs allocation model rather than directly charging EEC for these costs.

98. For 2021, EEC derived a forecast of $1.577 million for the RRO operational cost amount directly charged to the RRO, an increase of approximately $123,000 over the 2020 approved costs.[74] EEC's costs submitted for approval include a forecast of $502,000 for management and financial services, which was an increase of approximately $48,000 over the approved 2020 management and financial services costs.[75] EEC noted that the manner in which the management and financial services costs were determined had not changed and there is no material impact to its proposed revenue requirement.[76] The difference between the $502,000 forecast and the $462,000 that would have been allocated to the RRO business unit by EPC was due to a change in the level of staff members performing the tasks. More specifically, the employees now providing this service were slightly more senior, which accounted for the cost increase.[77]

99. The CCA and the UCA argued that the incremental costs resulting from the transition of operations to the RRO business unit were not adequately justified. The CCA indicated that management and financial services costs increased by approximately nine per cent, even though there was no change in the utility service provided.[78] The UCA added that EEC made no attempt to explain why the restructuring required a more costly level of staff to perform the same functions.[79] The CCA and the UCA submitted that EEC should be denied full allowance of the $502,000 forecasted for management and financial services, and the Commission should only approve $462,000, which was determined in the common costs allocation model.

100. While EEC noted that increases were due to more senior staff providing these services, it is unclear to the Commission why more senior staff is now required for similar operational work that was previously provided by EPC. While there may be some underlying justification, i.e., an increase in costs due to the transition of operational services to EEC, EEC did not identify the drivers of the increase or provide supporting analysis as to why the management and financial services activities and costs have increased in the transition to a directly charged cost item. EEC has not sufficiently supported the costs increases for management and financial services cost increases associated with moving the RRO business unit to EEC.

101. For 2021, the Commission approves $462,000, for management and financial services, as proposed by the CCA and the UCA. The $462,000 is the amount that would have been allocated applying the previously approved common costs allocation model, and the total reduction is $40,000 less than the requested revenue requirement of $502,000. Applying this reduction, the Commission approves RRO operational costs in the total amount of $1.537 million.[80] The Commission directs EEC to reflect this finding in EEC's application for disposition of the COVID-19 deferral account.

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[74] Exhibit 25949-X0001.03, application, PDF page 49, Table 19.
[75] Exhibit 25949-X0001.03, application, PDF page 49, Table 19.
[76] Exhibit 25949-X0070, EEC responses to CCA IRs, PDF page 8.
[77] Exhibit 25949-X0054, EEC responses to UCA IRs, PDF page 3; Exhibit 25949-X0110, EEC argument, PDF page 35, paragraph 145.
[78] Exhibit 25949-X0091, CCA evidence, PDF page 14, paragraph 39.
[79] Exhibit 25949-X0111, UCA argument, PDF page 15, paragraph 50.
[80] ($1,577,000) – ($40,000) = $1,537,000 or 1.537 million.

## 4.6 Salary and non-labour escalation factors

102. EEC proposed to escalate its non-labour and salary costs by 1.9 per cent and 2.65 per cent, respectively. In its issues list ruling, the Commission stated that the use of approved escalation factors for other utilities or RRO providers could potentially impact the proposed escalation factors because of the effects of COVID-19 on the economy in general.[81] As a result, non-labour and salary escalation factors were included in the issues list for this proceeding and are discussed below.

### 4.6.1 Non-labour escalation factor

103. Non-labour costs include costs such as repairs and maintenance, office supplies, external legal and consulting costs, and building and equipment maintenance. EEC sourced its non-labour escalation factor from the Calgary and Region Economic Outlook (Spring 2019) using the 2021 Alberta Consumer Price Index (CPI) of 1.90 per cent. The total cost increase is $0.1 million for 2021.[82]

104. For this issue, and as discussed below, the Commission considers that forecasts included in applications should be as current as possible and finds that EEC's reliance on information that was not current at the time it filed its application is not reasonable. Accordingly, the Commission approves the UCA's proposal for the non-labour escalator to use the 2021 1.8 per cent Alberta CPI forecast from the Calgary and Region Economic Outlook (Fall 2020), which was the most recently available outlook at the time EEC filed its application.

105. The UCA's experts, InterGroup, submitted that EEC's forecast should rely on the most current information available, and that subsequent Calgary and Region Economic Outlooks have been published since the onset of the COVID-19 pandemic, the most recent of which was its Fall 2020 Outlook. InterGroup noted that, while EEC's budgeting process occurred well in advance of the onset of the COVID-19 pandemic, EEC was subsequently able to make any necessary adjustments to its bad debt expense forecast to reflect more current information that would have a material impact on the forecast, and EEC should do the same for its non-labour escalation forecast.[83]

106. InterGroup referenced that the Fall 2020 Outlook included an Alberta CPI 2021 forecast base case of 1.8 per cent and a worst case of 1.0 per cent. The distinction between the two percentages is whether there would be a broad-based second lockdown due to the spread of the COVID-19 virus. InterGroup observed that, as of the January 2021 date of its evidence, Calgary was somewhere between the two percentages, with a bias towards the base case. InterGroup postulated that the expected impact of vaccines suggests that the base case forecast has a higher probability of materializing in 2021. InterGroup recommended the Commission find the base-case scenario for Alberta CPI of 1.8 per cent for 2021 as reasonable.[84]

81 Exhibit 25949-X0042, Commission ruling on the issues list.
82 Exhibit 25949-X0001.03, application, paragraphs 64-65.
83 Exhibit 25949-X0092.01, UCA evidence, Section 2.2, PDF pages 8-9.
84 Exhibit 25949-X0092.01, UCA evidence, Section 2.2, PDF pages 8-10.

107. The CCA had a similar view and submitted that EEC based its 2021 non-labour escalation rate on the Spring 2019 Outlook and the forecast in that report was approximately a year and a half old at the time EEC filed its original application in October 2020.[85]

108. EEC argued that requiring applicants to update their applications with more recent information is a significant source of regulatory lag and burden. As long as data used in the preparation of forecasts was the most current information available at the time, an applicant should not be required to update the forecast just because new information subsequently becomes available, unless the update is expected to have a material impact.[86] If intervener proposals of between 1.0 per cent and 1.8 per cent were adopted, the result would not be a material change.[87]

109. The UCA countered that EEC's use of a forecast of economic conditions published nearly a year and a half before the filing of the application, where three more recent versions are readily available, is far from the best available information at the time of filing the application. In this case, the more recent information was readily available prior to EEC filing its application. Had EEC used the most up-to-date information, the UCA argued that EEC would have significantly reduced regulatory burden by not forcing this to be an issue in this proceeding.[88]

110. The Commission does not consider immateriality to be the issue here and it previously ruled that non-labour and salary escalation factors were a contentious issue to be addressed in this proceeding.[89] Therefore, EEC's arguments on materiality were not of assistance in addressing this contentious issue.

111. On a principled basis, the Commission is concerned about the relevance of the forecast that EEC is depending on, given the amount of time that passed between the date of the Spring 2019 Outlook and the filing of the application in October 2020, and the associated changes in the economy that have occurred since then. The Commission therefore finds that EEC's reliance on the Spring 2019 Outlook is not reasonable and accordingly accepts the UCA's proposal to use the 1.8 per cent forecast included in the Fall 2020 Outlook, which was the most recently available outlook at the time EEC filed its application. The Commission directs EEC to reflect this finding in its application for disposition of the COVID-19 deferral account. The Commission further directs EEC to base future applications for non-labour escalation factors on the most recent information available at the time its application is filed.

### 4.6.2 Salary escalation factor

112. EEC's proposed cost of labour calculations include salary escalation factors for bargaining unit employees (CUPE Local 38) and management and professional (MP) employees. EEC's 2021 forecast increase for the cost of labour is 2.0 per cent and 3.0 per cent for CUPE and MP salary increases, respectively. The weighted average is 2.65 per cent and the total increase in the cost of labour, including the year-over-year variations in the cost allocation drivers, is $0.05 million.[90]

85 Exhibit 25949-X0109.01, CCA argument, paragraphs 23-24.
86 Exhibit 25949-X0113, EEC reply argument, paragraph 10.
87 Exhibit 25949-X0110, EEC argument, paragraph 120.
88 Exhibit 25949-X0114, UCA reply argument, paragraphs 5-8.
89 Exhibit 25949-X0042.
90 Exhibit 25949-X0001.03, application, paragraph 67.

113. The Commission considers, similar to the non-labour escalation discussed above, that the principle of setting accurate forecasts based on current information is at issue. As further discussed below, the Commission approves 0.0 per cent for 2021 for both bargaining unit costs and MP employees salary escalators.

#### 4.6.2.1 Salary escalation factor for bargaining unit employees

114. EEC is currently in negotiations with union representatives for salaried employees. EEC's 2.0 per cent bargaining unit forecast labour increase for 2021 is based on the following information from three comparator Alberta utilities:

**Table 2. Escalation information from comparable Alberta utilities**

| Utility and bargaining unit | 2021 Escalation (%) |
|---|---|
| ATCO Electric (Canadian Energy Workers Association) | 2.65 |
| ATCO Power (Canadian Energy Workers Association) | 2.25 |
| Capital Power (Civil Service Union) | 1.00 |

Source: Exhibit 25949-X0001.03, application, paragraph 68.

115. The CCA submitted that benchmarking to comparator utilities' increases continues an ongoing trend of utility wage settlement well above the 2021 Alberta all-settlements average and recommended that the 2021 Alberta all-settlements average of 1.61 per cent (from the Alberta Labour and Immigration, December 2020 bargaining update) be used instead.[91]

116. The UCA recommended the Commission set the labour escalation factor for union at 0.0 per cent for 2021, consistent with the forecast Alberta average wage rate increase for all industries for 2021 produced in the Calgary and Region Economic Outlook 2020-2025 (Fall 2020), which best reflects the current economic conditions.[92]

117. The Commission is not persuaded that EEC's three-utility comparator methodology is sound. The Commission is concerned with the limited comparators that EEC used to derive its salary escalator forecast, and considers that the choice of comparator companies may not be representative of market comparators from the utility industry or the broader market.

118. EEC submitted that retaining the skilled workforce necessary to operate EEC requires payment of market-competitive salaries and that EEC must escalate salaries based on peers and market conditions. That is, as the peer groups that EEC competes with for talent continue to raise salaries, EEC must do the same.[93] The Commission is not persuaded that this necessarily means labour cost increases are required given the current economic conditions. The Commission is aware that EEC, as an RRO provider, hires from a variety of sources, including utilities excluded from EEC's three-utility comparator, post-secondary institutions, the public sector and other organizations that have employees with transferable skill sets. The Commission is also mindful of the CCA's comment that EEC has not provided evidence that demonstrates its business and associated required employee skill-sets are more complicated or specialized than any non-utility company.[94]

91 Exhibit 25949-X0112, CCA reply argument, paragraph 8.
92 Exhibit 25949-X0111, UCA argument, paragraphs 27 and 30.
93 Exhibit 25949-X0052, EEC-AUC-2020DEC04-006(e).
94 Exhibit 25949-X0109.01, CCA argument, paragraph 99.

119. EEC confirmed that the three comparator companies' bargaining unit escalations were all settled prior to the pandemic.[95] The Commission considers that the pre-pandemic wage settlements are not representative of current economic conditions and further contribute to the limitations of the proposed methodology that only uses a selection of three comparators. Similarly, the CCA's proposal to adopt the weighted average per cent annual change for wage settlements in Alberta in 2021, using December 2020 data, could also include a large component of pre-pandemic wage settlements that do not reflect current economic conditions.

120. EEC stated that it does not deem the COVID-19 pandemic and the current economic conditions in Calgary to be a primary factor in its determination of salary budgets for 2021.[96] The Commission does not agree and considers that in poor economic times like the present, salary budgets should be adjusted to reflect the current market and any related shifts in the available talent pool. The Commission concurs with the CCA that more realistic comparators for salary escalators should reflect the fact the utility industry as a whole draws employees from the Alberta population.

121. The Commission finds that the UCA's proposal to use for 2021 the forecast Alberta average wage rate increase for all industries from the Calgary and Region Economic Outlook 2020-2025 (Fall 2020), which is the most recent outlook, has merit and is a better proxy for the current economic conditions. Accordingly, the Commission directs EEC to update its bargaining unit salary increase from 2.0 per cent to 0.0 per cent, as part of EEC's application for disposition of the COVID-19 deferral account.

#### 4.6.2.2 Salary escalation factor for management and professional employees

122. For MP employees, EEC submitted that compensation is influenced by market forces, inflation, productivity gains and job skill development, with a resulting forecast of a 3.0 per cent increase on a market-competitive basis.

123. EEC stated that while it includes the Alberta average wage rate increase for all industries in its MP salary budget determination, the primary data source for determining increases is market data obtained in salary surveys such as Willis Towers Watson's 2019 Canadian Energy Survey.[97] EEC added that it uses survey market data to determine whether adjustments to its MP salary ranges are needed to maintain a market competitive position, and the current annual survey market data supports EEC's proposal for a 3.0 per cent base salary increase. EEC argued that the increase will be required to compete with other companies in the industry for talent and to enable EEC's compensation objective, which is to be in the 50th percentile of the peer group.[98]

124. EEC did not file its market survey information on the record of this proceeding. Given that the market survey information was referenced but was not produced on the record, and that the report was produced in 2019, the Commission cannot give weight to EEC's reliance on market data that was not available on the record and is likely out of date.

125. In further support of its proposed 3.0 per cent increase for MP staff, EEC stated that there is no reason to assume that the pandemic would have a material impact on the wages paid to employees working in a regulated service industry that is not subject to the restrictions and

[95] Exhibit 25949-X0052, EEC-AUC-2020DEC04-006(c).
[96] Exhibit 25949-X0052, EEC-AUC-2020DEC04-006(d).
[97] Exhibit 25949-X0054, EEC-UCA-2020DEC04-003(f) and (j).
[98] Exhibit 25949-X0052, EEC-AUC-2020DEC04-006(f).

closures other sectors have suffered, particularly given EEC's statutory obligation to provide RRO service.[99]

126. The UCA objected to EEC's MP salary escalation proposal, noting that the forecast Alberta average wage rate increase for all industries for 2021, as included in the most recent Calgary and Region Economic Outlook (Fall 2020), is negative 0.1 per cent.[100] The UCA observed that, although a labour escalation factor of 2.0 per cent was approved for EEC for 2020,[101] EEC has since confirmed that the actual salary escalation awarded to MP employees in 2020 was 0.0 per cent because of uncertainty in the economic environment at the time due to the COVID-19 pandemic.[102] The UCA recommended the Commission set the labour escalation factor for MP employees at 0.0 per cent for 2021, consistent with the forecast Alberta average wage rate increase for all industries for 2021, produced in the Calgary and Region Economic Outlook 2020-2025 (Fall 2020), as it best reflects the current economic conditions.[103]

127. The Commission does not accept EEC's proposal and finds that EEC's proposed increase for MP staff is not aligned with current economic conditions. The data relied on by EEC are reflective of salary increases from different economic times, and it is not reasonable to use that data to derive the forecast salary escalators for MP employees in 2021. In response to a UCA IR asking EEC to reconcile EEC's request for a 3.0 per cent salary increase for MP employees with the suggestion that ENMAX Corporation will be freezing MP salaries, EEC responded that the implementation of its 2020 annual salary increases coincided with the shutdown of the economy resulting from the COVID-19 pandemic, and the MP base salary freeze for 2020 was a reaction to those developments. Despite this, EEC still maintained that the 3.0 per cent 2021 MP forecast salary increases will be required to compete with other companies in the industry for talent and to achieve EEC's compensation objective.[104] This is in direct contrast to EEC's assertion that there is no reason to assume the pandemic will have a material impact on wages for employees of regulated companies.

128. The Commission considers that EEC's position on a 3.0 per cent MP salary escalator for 2021 is discordant with actual salary information available, and particularly because there has been a salary freeze by ENMAX Corporation in 2020. The Commission is not persuaded by EEC's submissions that a 3.0 per cent salary increase should be borne by RRO customers when the economic conditions in Alberta in 2021 are still uncertain, compared to 2020. Accordingly, the Commission finds a 0.0 per cent increase for 2021 for MP staff to be reasonable and directs EEC to reflect 0.0 per cent for MP salaries escalators in 2021 in EEC's application for disposition of the COVID-19 deferral account.

129. The Commission also directs EEC to base future applications for salary escalators on the most recent information available and, to enable for testing by parties, EEC shall file on the record of future proceedings all studies that it relied on to support its proposed salary escalator increases.

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99 Exhibit 25949-X0110, EEC argument, paragraph 125.
100 Exhibit 25949-X0054, EEC-UCA-2020DEC04-003(i).
101 Decision 25551-D01-2020: ENMAX Energy Corporation, 2017-2020 Regulated Rate Option Non-Energy Tariff Compliance Application, Proceeding 25551, July 16, 2020, paragraphs 17-18.
102 Exhibit 25949-X0054, EEC-UCA-2020DEC04-003(e).
103 Exhibit 25949-X0111, UCA argument, paragraphs 27 and 30.
104 Exhibit 25949-X0054, EEC-UCA-2020DEC04-003(h).

### 4.7 Final notice fees, late payment charges and customer resolution fees

130. EEC explained that certain fees are collected from, or refunded to, RRO customers and provided the following table:

**Table 3. EEC revenue offsets**

| | 2019 Actual | 2020 Approved | 2021 Forecast |
|---|---|---|---|
| | ($000) | | |
| Final notice fees | (710) | (796) | (724) |
| Title search fees | 84 | - | 86 |
| Late payment charges | (1,261) | (1,066) | (1,285) |
| Net flow through service orders | 78 | 67 | 79 |
| Unbilled revenue / Vacant sites | 329 | 171 | 335 |
| Customer refund | - | - | (38) |
| Customer resolution | 84 | 53 | 86 |
| **Total revenue offsets** | **(1,395)** | **(1,571)** | **(1,460)** |

Source: Exhibit 25949-X0001.03, application, Table 26.

131. Revenue offsets are collected from RRO customers and therefore decrease EEC's revenue requirement. As discussed in the remainder of this section, the Commission approves inclusion of 2021 final notice fees and late payment charges in EEC's COVID-19 deferral account and approves 1.8 per cent as the escalation factor for 2021 customer resolution costs, consistent with the non-salary escalation factor approved in Section 4.6.1.

132. In a submission on the issues list for this proceeding, the CCA expressed concern with two of EEC's proposed revenue offsets – final notice fees and late payment charges. Specifically, despite the forecast increase in bad debts, EEC expects a drop in final notice fees, which appears to be inconsistent with the forecast increase in bad debts. Regarding late payment charges, the CCA noted that EEC has forecast these charges only at the 2018 level when the economic issues were not as severe as they currently are, and as projected by EEC through its bad debt forecast.[105] In its ruling on the issues to be addressed in the proceeding, the Commission stated that testing of the effects of COVID-19 on final notice fees and late payment charges included in EEC's forecasts was warranted. The Commission also noted that customer resolution fees, including service guarantee credits, may require examination. Accordingly, the Commission added these three specific revenue offsets to the issues list.[106]

133. In addition to the CCA's concern that final notice fees and late payment charges do not appear to have increased commensurately with EEC's forecast increase in bad debt expense, Mr. Thygesen, on behalf of the CCA, submitted that suspending collection activities would have the effect of shifting more fees and charges into 2021, and escalating the fees and charges by the same percentage that bad debts are being escalated would produce a more reasonable estimate.[107]

134. EEC submitted that although there was a dramatic increase in bad debt in 2020, final notice fees and late payment charges did not increase. This was due partly to the suspension of

[105] Exhibit 25949-X0019, CCA letter re the issues list, paragraph 24.
[106] Exhibit 25949-X0042, Commission ruling on the issues list, paragraph 18.
[107] Exhibit 25949-X0091, CCA evidence, paragraphs 83-85; Exhibit 25949-X0112, CCA reply argument, paragraphs 67-68.

disconnection activities during the three months that the Utility Payment Deferral Program (UPDP) was in place. Further, EEC has closely monitored the effect of the pandemic on actual collections activities and expects 2021 final notice fees and late payment amounts to be close to 2019 levels. EEC, however, acknowledged that the pandemic could affect the final notice fees and late payment charges, and therefore does not object to including these items in its proposed COVID-19 deferral account.[108]

135. The UCA argued that, while the relationship between bad debt and these revenue offsets may not be one-to-one, it is not credible to suggest there is no relationship. Further, EEC's explanation about the impact of the UPDP on such revenue offsets in 2020 is not relevant because there is no indication of a similar government program in 2021.[109]

136. EEC responded that the UCA's submission is directly contrary to the evidence on the record in this proceeding, and actual 2020 final notice fees and late payment charges were the result of "a unique combination of factors that caused a counterintuitive and virtually unforecastable result."[110] EEC does not consider it necessary to update the forecast final notice fees and late payment charges. Rather, these fees and charges are reasonable candidates for inclusion in the requested deferral account.[111]

137. Based on its review of parties' submissions, the Commission considers that the issue with final notice fees and late payment charges is one of forecasting difficulty, and is of the view that requiring an update to the forecast would be inferior to EEC's proposed solution of including them in the deferral account.

138. The Commission has previously set out the factors for deferral account treatment of a cost item in Section 4.1. For the 2021 year, the Commission accepts EEC's statement that "a unique combination of factors" is contributing to difficulties with forecasting EEC's final notice fees and late payment charges. Some of the contributing factors are the COVID-19 pandemic and the suspension of collections that was required under the UPDP. Further, both EEC and its customers are at risk if final notice fees and late payment charges differ materially from the forecast; therefore, revenue offsets meet the symmetry test for deferral account treatment. For these reasons, EEC is directed to include the final notice fees and late payment charges in the deferral account approved in Section 4.1.

139. In respect of 2021 customer resolution costs, EEC stated that, similar to final notice fees and late payment charges, customer resolution costs were forecast by escalating 2019 actuals by the non-labour escalation factor of 1.9 per cent.[112]

140. The Commission notes that after some initial IRs, the issue regarding the calculation of customer resolution costs was not pursued by interveners. The Commission has reviewed the submissions on the record and finds EEC's proposed escalation of 2019 actuals by the non-labour escalation factor to be a reasonable methodology for these costs. In Section 4.6.1, the Commission approved the non-salary escalation factor of 1.8 per cent. Accordingly, the

108 Exhibit 25949-X0110, EEC argument, paragraphs 156 and 158.
109 Exhibit 25949-X0114, UCA reply argument, paragraph 80.
110 Exhibit 25949-X0113, EEC reply argument, paragraph 97.
111 Exhibit 25949-X0113, EEC reply argument, paragraph 98.
112 Exhibit 25949-X0054, EEC-UCA-2020DEC04-011(a) and (e); Exhibit 25949-X0110, EEC argument, paragraph 155.

Commission directs EEC to update its customer resolution costs escalation factor from 1.9 per cent to 1.8 per cent in EEC's application for disposition of the COVID-19 deferral account.

## 5 Final 2021 non-energy rates and the need for a compliance filing to this decision

141. As noted in Section 4.2 above, the Commission directed EEC to maintain final non-energy rates for 2021 at the same level as EEC's 2020 final non-energy rates, which are the same as EEC's currently approved interim rates. Accordingly, the Commission approves final 2021 daily non-energy administration charges of $0.2201 per day for residential customers, and $0.1975 per day for small commercial customers, subject to any adjustments necessary for disposition of the COVID-19 deferral account.

142. Although the Commission has directed reductions to EEC's revenue requirement in sections 4.2, 4.3, 4.4, 4.5 and 4.6 of this decision, the Commission's approval of the continuation of the current rates obviates the need for a compliance filing to this decision. However, demonstration of compliance with those reductions will be required for the correct true-up of EEC's bad debt expense as part of EEC's application for disposition of the COVID-19 deferral account. Therefore, the Commission directs EEC to include as part of that application, the necessary 2021 revenue requirement schedules revised to demonstrate EEC's compliance with the findings and determinations of this decision. The Commission further directs EEC to file, for acknowledgment, revised final rate schedules for 2021 as part of its July 2021 monthly energy rate acknowledgment filing.

## 6 Rate schedules and terms and conditions of service

143. EEC did not apply for any changes to its RRO terms and conditions of service that were last approved in paragraphs 196 and 197 of Decision 23752-D01-2020, effective April 1, 2020. Accordingly, no changes have been considered in the RRO terms and conditions of service and they remain in effect as approved effective April 1, 2020.

## 7 Order

144. It is hereby ordered that:

(1) ENMAX Energy Corporation's 2021 final regulated rate tariff non-energy charges are approved as $0.2201 per day for residential customers, and $0.1975 per day for small commercial customers, subject to any adjustments necessary for disposition of the COVID-19 deferral account.

(2) A COVID-19 deferral account for ENMAX Energy Corporation's 2021 bad debt expense, regulated rate option site counts, final notice fees and late payment charges is approved. An application for disposition of the deferral account, or an update on the status of that application, must be filed with the Commission by no later than May 31, 2022.

Dated on May 27, 2021.

**Alberta Utilities Commission**

*(original signed by)*

Carolyn Dahl Rees
Chair

*(original signed by)*

Vincent Kostesky
Acting Commission Member

# Appendix 1 – Proceeding participants

| Name of organization (abbreviation)<br>Company name of counsel or representative |
| --- |
| ENMAX Energy Corporation (EEC) |
| Consumers' Coalition of Alberta (CCA) |
| Office of the Utilities Consumer Advocate (UCA)<br>Reynolds, Mirth, Richards & Farmer LLP |

| |
| --- |
| Alberta Utilities Commission<br><br>Commission panel<br>C. Dahl Rees, Chair<br>V. Kostesky, Acting Commission Member<br><br>Commission staff<br>A. Sabo (Commission counsel)<br>C. Arnot<br>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. Nonetheless, the Commission is interested in exploring the statistics further in a future proceeding, relating to the number of customers dropped by EEC's competitive retailer and taken up by EEC's RRO during various time periods and economic circumstances. The Commission directs EEC to provide evidence on these statistics in its next RRO non-energy tariff application. The statistics, including customer gains, losses and switches, and the number of customers dropped by EEC's competitive retailer, should include data for the prior five years leading up to the date of the application. .................... paragraph 46

2. The Commission agrees with the UCA that basing disposition of the deferral account on a material reduction in the disruption caused by the pandemic unnecessarily creates significant uncertainty for customers and the Commission. Because the applied-for deferral account is for 2021 only, there is no need to wait until the disruption caused by the pandemic is materially reduced. Accordingly, the Commission directs EEC to file for disposition of its COVID-19 deferral account once it has actual site count and bad debt figures for 2021. At that time, EEC's application will be subject to a prudence review and a reconciliation of EEC's site counts and bad debt expense. If such an application has not been filed by May 31, 2022, the Commission directs EEC to file a letter on the record of this proceeding indicating the reasons that the application cannot be filed by that date and when EEC expects to file its application for disposition of the COVID-19 deferral account. ........................................................................................................ paragraph 49

3. For these reasons, the Commission directs EEC to adjust its forecast bad debt expense, such that its daily administration charge for 2021 will remain at the same level as its currently approved rates, and to reflect this adjustment in its application for disposition of the COVID-19 deferral account. ..................................................................... paragraph 57

4. For information purposes, the Commission further directs EEC to file a revised version of its revenue requirement schedules, reflecting this finding and other findings in this decision, as part of EEC's July 2021 monthly energy rate acknowledgment filing. ........................................................................................................................ paragraph 58

5. As reflected in the Commission's findings in Decision 23752-D01-2020, EEC did not establish that its B&CC cost allocation methodology would result in just and reasonable rates. In this application, instead of EEC applying for a comprehensive cost allocation methodology for its B&CC costs, EEC's application only addressed a subset of cost categories. Further, the B&CC cost allocation methodology proposed in this proceeding results in a significant increase in costs allocated to the RRO and reaffirms the Commission's concerns from Decision 23752-D01-2020. In other words, the Commission will assess an allocation methodology to ensure that it allocates costs accurately and does not shift costs to regulated customers. For these reasons, the Commission is not prepared to approve piecemeal changes to the B&CC methodology that result in a significant increase in costs of approximately $900,000, allocated to the RRO. The Commission denies EEC's proposal to adopt new cost allocators for B&CC costs for 2021 and directs EEC to file B&CC cost forecasts determined using the existing

methodology, as part of its application for disposition of the COVID-19 deferral account. ........................................................................................................................ paragraph 73

6. Given the evidence on the record, the Commission finds that EEC's request for $1.436 million has not been reasonably supported. Therefore, the Commission approves the continuation of the previously approved shared services amount of $1.256 million. This is a reduction of approximately $180,000 to the applied-for forecast costs for shared services, and this reduction includes the disallowance of $60,000 allocated to the centralization of safety, environment and support services. The Commission directs EEC to reflect this finding in EEC's application for disposition of the COVID-19 deferral account. ........................................................................................................ paragraph 95

7. For 2021, the Commission approves $462,000, for management and financial services, as proposed by the CCA and the UCA. The $462,000 is the amount that would have been allocated applying the previously approved common costs allocation model, and the total reduction is $40,000 less than the requested revenue requirement of $502,000. Applying this reduction, the Commission approves RRO operational costs in the total amount of $1.537 million. The Commission directs EEC to reflect this finding in EEC's application for disposition of the COVID-19 deferral account. ...................................... paragraph 101

8. On a principled basis, the Commission is concerned about the relevance of the forecast that EEC is depending on, given the amount of time that passed between the date of the Spring 2019 Outlook and the filing of the application in October 2020, and the associated changes in the economy that have occurred since then. The Commission therefore finds that EEC's reliance on the Spring 2019 Outlook is not reasonable and accordingly accepts the UCA's proposal to use the 1.8 per cent forecast included in the Fall 2020 Outlook, which was the most recently available outlook at the time EEC filed its application. The Commission directs EEC to reflect this finding in its application for disposition of the COVID-19 deferral account. The Commission further directs EEC to base future applications for non-labour escalation factors on the most recent information available at the time its application is filed. .................................................. paragraph 111

9. The Commission finds that the UCA's proposal to use for 2021 the forecast Alberta average wage rate increase for all industries from the Calgary and Region Economic Outlook 2020-2025 (Fall 2020), which is the most recent outlook, has merit and is a better proxy for the current economic conditions. Accordingly, the Commission directs EEC to update its bargaining unit salary increase from 2.0 per cent to 0.0 per cent, as part of EEC's application for disposition of the COVID-19 deferral account...... paragraph 121

10. The Commission considers that EEC's position on a 3.0 per cent MP salary escalator for 2021 is discordant with actual salary information available, and particularly because there has been a salary freeze by ENMAX Corporation in 2020. The Commission is not persuaded by EEC's submissions that a 3.0 per cent salary increase should be borne by RRO customers when the economic conditions in Alberta in 2021 are still uncertain, compared to 2020. Accordingly, the Commission finds a 0.0 per cent increase for 2021 for MP staff to be reasonable and directs EEC to reflect 0.0 per cent for MP salaries escalators in 2021 in EEC's application for disposition of the COVID-19 deferral account. ......................................................................................................... paragraph 128

11. The Commission also directs EEC to base future applications for salary escalators on the most recent information available and, to enable for testing by parties, EEC shall file on

the record of future proceedings all studies that it relied on to support its proposed salary escalator increases.......................................................................................... paragraph 129

12. The Commission has previously set out the factors for deferral account treatment of a cost item in Section 4.1. For the 2021 year, the Commission accepts EEC's statement that "a unique combination of factors" is contributing to difficulties with forecasting EEC's final notice fees and late payment charges. Some of the contributing factors are the COVID-19 pandemic and the suspension of collections that was required under the UPDP. Further, both EEC and its customers are at risk if final notice fees and late payment charges differ materially from the forecast; therefore, revenue offsets meet the symmetry test for deferral account treatment. For these reasons, EEC is directed to include the final notice fees and late payment charges in the deferral account approved in Section 4.1.................................................................................................. paragraph 138

13. The Commission notes that after some initial IRs, the issue regarding the calculation of customer resolution costs was not pursued by interveners. The Commission has reviewed the submissions on the record and finds EEC's proposed escalation of 2019 actuals by the non-labour escalation factor to be a reasonable methodology for these costs. In Section 4.6.1, the Commission approved the non-salary escalation factor of 1.8 per cent. Accordingly, the Commission directs EEC to update its customer resolution costs escalation factor from 1.9 per cent to 1.8 per cent in EEC's application for disposition of the COVID-19 deferral account.................................................................... paragraph 140

14. Although the Commission has directed reductions to EEC's revenue requirement in sections 4.3, 4.4, 4.5 and 4.6 of this decision, the Commission's approval of the continuation of the current rates obviates the need for a compliance filing to this decision. However, demonstration of compliance with those reductions will be required for the correct true-up of EEC's bad debt expense as part of EEC's application for disposition of the COVID-19 deferral account. Therefore, the Commission directs EEC to include as part of that application, the necessary 2021 revenue requirement schedules revised to demonstrate EEC's compliance with the findings and determinations of this decision. The Commission further directs EEC to file, for acknowledgment, revised final rate schedules for 2021 as part of its July 2021 monthly energy rate acknowledgment filing. ............................................................................................................ paragraph 142