



EPCOR Distribution & Transmission Inc.

**2021 Customer Specific Distribution Access Service
Rate Update for an Existing Customer (CS40)**

July 13, 2021

Alberta Utilities Commission

Decision 26619-D01-2021

EPCOR Distribution & Transmission Inc.

2021 Customer Specific Distribution Access Service Rate Update for an Existing Customer
(CS40)

Proceeding 26619

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Eau Claire Tower
1400, 600 Third Avenue S.W.
Calgary, Alberta T2P 0G5

Telephone: 310-4AUC (310-4282 in Alberta)
1-833-511-4AUC (1-833-511-4282 outside Alberta)

Email: info@auc.ab.ca

Website: www.auc.ab.ca

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Contents

1 Decision..... 1

2 Introduction..... 1

3 Background 1

4 Calculation of the 2021 CS40 rate 2

5 Order..... 4

Appendix 1 – Proceeding participants 5

Appendix 2 – Summary of Commission directions..... 6

1 Decision

1. In this decision the Alberta Utilities Commission approves EPCOR Distribution & Transmission Inc.'s customer specific (CS) distribution access service (DAS) rate update for an existing customer (CS40, or the customer) of \$163.82 per day, effective September 1, 2021.

2 Introduction

2. On June 18, 2021, EPCOR filed an application requesting approval for a CS DAS rate update for the CS40 rate effective September 1, 2021.¹ The rate update was requested as the customer, currently receiving service under this CS40 rate class, requested a reduction of its peak demand.

3. The Commission issued a notice of application on June 21, 2021, and invited parties who wished to comment on the application to provide a statement of intent to participate (SIP) on or before June 30, 2021. The Commission did not receive any SIPs, and considers the record of this proceeding closed on June 30, 2021.

4. The Commission determined that the application would be considered by way of a *notice-only process*, as outlined in Commission Bulletin 2015-09.²

5. In reaching the determinations set out in this decision, the Commission has considered all relevant materials comprising the record of this proceeding, as well as related information and decisions. 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 this matter.

3 Background

6. The CS rate class is comprised of customers with energy demands over 5,000 kilowatts (kW). In October 2020, the CS40 customer requested a buy-down of its contracted minimum demand of 6.56 megavolt ampere (MVA) to a revised contracted minimum demand of 5.0 MVA. EPCOR reviewed the actual demand of the customer for the last three years and the customer's peak demand was 4.3 MVA. EPCOR executed the change in contracted minimum demand and

¹ Exhibit 26619-X0002, application, paragraph 2.

² Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

peak demand as per Article 11.3 of its distribution connection services terms and conditions for an effective date of September 1, 2021, as requested by the customer.

7. The methodology EPCOR used to calculate the CS40 rate in this application is the same methodology used and approved in past applications to update CS rates, most recently in Decision 26231-D01-2021.³

8. In Decision 21700-D01-2016,⁴ the Commission directed EPCOR to include the following information in subsequent CS rate applications:⁵

- The CS rate calculation and supporting schedules.
- The supporting detailed calculations for the CS rate showing, for each asset used to supply electric service to the customer, the following information, if applicable: asset type, asset sub type, install year, status, average life, quantity, unit cost, total assets costs, customer usage, duct line/manhole allocation, customer asset cost, age, depreciation factor, customer depreciation, customer opening net book value (NBV), customer closing NBV, customer return, total depreciation, total opening NBV, total closing NBV, total return, asset group and asset class ID.
- Information on whether any assets were required to provide standby service to the customer under the CS rate and, if standby service was required for the customer, EPCOR must provide an adequate explanation of how it determined what assets were required by each of EPCOR and the customer in the provision of standby service.

9. EPCOR included the above information in its CS40 rate update application.

4 Calculation of the 2021 CS40 rate

10. EPCOR explained that cost-of-service calculation of CS rates generally includes three components: (i) incremental equipment and installation activities; (ii) cost of existing assets to provide service; and (iii) allocated operating, maintenance and general (OM&G) costs. EPCOR further explained the requirements for the customer to conduct the buy-down of its contracted demand.

11. Regarding (i), the customer's share of existing assets is determined using the principles set out in the approved distribution tariff policies. EPCOR confirmed that assets used to provide the standby service are included in the rate for the site and no incremental assets were required to provide service to the customer.⁶

³ Decision 26231-D01-2021: EPCOR Distribution & Transmission Inc., 2021 Customer Specific Distribution Access Service Rate Update for an Existing Customer (CS24), Proceeding 26231, February 10, 2021.

⁴ Decision 21700-D01-2016: 2016 Customer Specific Distribution Access Service Rates (CS43 and CS44) for a New Customer, Proceeding 21700, August 30, 2016.

⁵ Decision 21700-D01-2016, paragraph 16.

⁶ Exhibit 26619-X0002, application, paragraphs 12-13.

12. Regarding (ii), EPCOR utilized the direct calculation methodology to determine the capital cost component of the assets in service in the customer's rates. This methodology was used and approved in EPCOR's last Phase II application.⁷
13. Regarding (iii), EPCOR explained that it allocated OM&G costs associated with the incremental and existing assets using a ratio of 1.851 per dollar of capital costs. EPCOR calculated the ratio between total OM&G costs and capital costs based on the amounts from its last Phase II application.
14. When a customer requests a buy-down of their contracted minimum demand, EPCOR recovers the cost of the assets by requiring the customer to pay the applicable buy-down amount for the reduction in their contracted minimum demand. The buy-down amount puts the cost of the unused capacity on the customer so there is no impact to other customers due to the reduction in demand.⁸
15. The Commission has reviewed the calculations and methodologies used in determining the updated CS40. The calculations are correct and the methodology used is in line with methodologies approved in past decisions, most recently in Decision 26231-D01-2021.
16. The Commission finds EPCOR's proposed CS40 rate update reasonable. Accordingly, the CS40 rate of \$163.82 per day, effective September 1, 2021, is approved.
17. In approving the application for the updated CS40 rate, the Commission expressly does not authorize the recovery by EPCOR of any amount payable by the customer from other EPCOR customers in the event of default or bankruptcy of CS40. The Commission directs EPCOR to bring any such unpaid amount to its attention, at which time the Commission will determine the regulatory treatment of the outstanding amounts.
18. Consistent with past practices, the Commission directs EPCOR to true up any differences if the actual effective date for the revised CS40 rate differs from September 1, 2021, which is the effective date contemplated in the application. As well, the CS40 rate will be trued up to reflect the 2021 actual cost of debt when it becomes available.
19. As well, the Commission reiterates its direction to EPCOR from Decision 26231-D01-2021 to examine the relevance of using capital costs to allocate OM&G costs in its next Phase II application. EPCOR is directed to consider whether the use of a static OM&G allocation ratio that is unchanged during the performance-based regulation (PBR) term results in the efficient and fair allocation of OM&G costs across all of EPCOR's customers, or if there is a need for another mechanism to efficiently and fairly address material differences between the incremental OM&G costs incurred by EPCOR as customers are added to (or removed from) the CS rate class.
20. Following the revision of the CS40 rate based on cost-of-service principles, the PBR methodology requires the calculation of a base rate for determining the PBR rates for subsequent years. The Commission expects that the 2022 CS40 rate under PBR will be calculated using the same method as applied to other PBR rates, involving the calculation of a base rate and

⁷ Decision 2011-490: EPCOR Distribution & Transmission Inc., 2010-2011 Phase II Distribution Tariff Refiling, Proceeding 1484, Application 1607746-1, December 14, 2011.

⁸ Exhibit 26619-X0002, application, paragraph 18.

application of the I-X index and any rate adjustments approved as part of the 2018-2022 PBR plan for EPCOR.

5 Order

21. It is hereby ordered that:

- (1) EPCOR Distribution & Transmission Inc.'s revised customer specific distribution access service CS40 rate of \$163.82 per day is approved, effective September 1, 2021.
- (2) EPCOR Distribution & Transmission Inc. shall true up any differences to reflect any changes to the revised rate effective date and 2021 actual cost of debt.

Dated on July 13, 2021.

Alberta Utilities Commission

(original signed by)

Cairns Price
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
EPCOR Distribution & Transmission Inc. (EPCOR)

Alberta Utilities Commission
Commission panel C. Price, Commission Member
Commission staff B. Edwards C. Robertshaw

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. In approving the application for the updated CS40 rate, the Commission expressly does not authorize the recovery by EPCOR of any amount payable by the customer from other EPCOR customers in the event of default or bankruptcy of CS40. The Commission directs EPCOR to bring any such unpaid amount to its attention, at which time the Commission will determine the regulatory treatment of the outstanding amounts.
..... paragraph 17
2. Consistent with past practices, the Commission directs EPCOR to true up any differences if the actual effective date for the revised CS40 rate differs from September 1, 2021, which is the effective date contemplated in the application. As well, the CS40 rate will be trued up to reflect the 2021 actual cost of debt when it becomes available..... paragraph 18
3. As well, the Commission reiterates its direction to EPCOR from Decision 26231 D01 2021 to examine the relevance of using capital costs to allocate OM&G costs in its next Phase II application. EPCOR is directed to consider whether the use of a static OM&G allocation ratio that is unchanged during the performance-based regulation (PBR) term results in the efficient and fair allocation of OM&G costs across all of EPCOR’s customers, or if there is a need for another mechanism to efficiently and fairly address material differences between the incremental OM&G costs incurred by EPCOR as customers are added to (or removed from) the CS rate class. paragraph 19