Decision **26554-D01-2022**

Alberta Utilities Commission

City of Lethbridge

2021-2023 Transmission Facility Owner General Tariff Application

February 3, 2022

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1 Introduction and decision summary

1. The City of Lethbridge Electric Utility (Lethbridge or LEU) is a transmission facility owner (TFO) under the *Electric Utilities Act*. TFOs provide regulated transmission service in Alberta. They recover the costs of providing transmission service through a transmission tariff, which must be approved by the Alberta Utilities Commission. Once approved, TFOs recover their tariff amounts from the Alberta Electric System Operator (AESO).

2. In this decision, the Commission considers Lethbridge's general tariff application (GTA), where Lethbridge seeks Commission approval of its revenue requirement to provide transmission service for 2021, 2022 and 2023. Revenue requirement is comprised of all reasonable costs forecast to be incurred by Lethbridge, including operating costs and the return of, and a fair return on, its capital investment in the transmission assets that are necessary to provide utility service to customers.

3. Lethbridge requested Commission approval of the following:

- Revenue requirements of approximately $9.30 million for 2021, $9.31 million for 2022 and $9.72 million for 2023;
- The reconciliation and continuation of its deferral and reserve accounts; and
- Compliance with previous Commission directions.

4. This decision addresses the contentious cost items forecast in the applications, including updates, and any matters that the Commission has otherwise determined are required to be specifically addressed. If a matter is not specifically addressed in this decision, it is because the Commission finds the applied-for costs associated with the matter to be reasonable and the applicant's request is therefore approved as filed.[1]

5. The following is a brief summary of the Commission's determinations in this decision:

[1] This includes Lethbridge's reconciliation of its return on equity and direct assign deferral accounts and its hearing cost and self-insurance reserve accounts, and the continuation of these accounts (Exhibit 26554-X0007.02, application, PDF pages 88-90), which are reasonable and consistent with the approvals granted by the Commission in previous Lethbridge GTAs.

- **Compliance with Commission directions:** The Commission finds that Lethbridge has complied with the requirements of directions 5, 6 and 12 from Decision 21213-D01-2016,[2] and directions 4, 5, 7 and 8 from Decision 24847-D01-2020.[3]

- **Redesigned minimum filing requirement (MFR) schedules:** While the Commission approves Lethbridge's redesigned MFR schedules as filed, the Commission directs Lethbridge to not make further changes to its MFR schedules going forward, unless specifically directed by the Commission.

- **Forecasting methodology for operating costs, including forecast costs in uniform system of account (USA) 561, 562 and 566:** The Commission approves Lethbridge's forecasting methodology used in this application, as well as forecast operating costs as filed, but advises Lethbridge that, in future GTAs, all forecast dollar amounts must be reasonably supported, irrespective of the forecast methodology used.

- **Depreciation expense:** The Commission: accepts Lethbridge's proposal to accumulate its forecast net salvage costs offset by actual net salvage costs incurred into a single aggregated "accumulated net salvage account"; accepts Lethbridge's proposed changes to average service life and/or Iowa curve for its four transmission asset accounts; denies Lethbridge's proposed -45 per cent net salvage for USA 356.00 – Transmission Lines; directs Lethbridge to explain the difference in amounts it has reported for its actual December 31, 2019, accumulated depreciation account balances; accepts Lethbridge's method of accounting for any USA account subject to amortization accounting and the use of an SQ curve; and approves Lethbridge's inclusion of costs related to its 2019 depreciation study in its transmission tariff, but directs Lethbridge to include such costs as part of its costs claim application going forward.

- **Forecast capital additions in USA 396 – Fleet:** The Commission directs Lethbridge to provide, in the compliance filing, evidence to adequately support that fleet vehicles L11, L-10 and L-19 are required to be replaced.

6. The Commission requires Lethbridge to file a compliance filing that reflects the findings, conclusions and directions of the Commission in this decision by March 7, 2022. Lethbridge is required to include a detailed reconciliation of the revenue requirements for each of the 2021, 2022 and 2023 test years to reflect this decision.

2 Background to the application process

7. On June 23, 2021, prior to filing its GTA, Lethbridge hosted a technical workshop consistent with Decision 24847-D01-2020.[4] This technical workshop was attended by

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[2] Decision 21213-D01-2016: City of Lethbridge, 2015-2017 Transmission Facility Owner General Tariff Application, Proceeding 21213, June 24, 2016.

[3] Decision 24847-D01-2020; City of Lethbridge, 2018-2020 Transmission Facility Owner General Tariff Application, Proceeding 24847, April 6, 2020.

[4] As stated in paragraph 125 of Decision 24847-D01-2020, the purpose of this technical workshop was for "advancing Lethbridge's understanding of its regulatory reporting requirements" and for the Commission to "examine in more detail the restrictions faced by Lethbridge and whether there may be reporting requirements or methodologies that can be simplified in order to better accommodate Lethbridge's unique circumstances as a TFO."

Commission staff and intervening parties. Lethbridge submitted that it made efforts to incorporate all relevant information presented in the technical workshop into its application.[5]

8. Lethbridge filed its GTA on September 15, 2021.

9. The Commission issued a notice of application on September 16, 2021, and the Consumers' Coalition of Alberta (CCA) filed a statement of intent to participate.

10. On October 6, 2021, the Commission issued a process schedule,[6] which included an issues list to aid in the record development of the proceeding and confirmed the materiality threshold (in accordance with Bulletin 2020-25)[7] for testing Lethbridge's 2021-2023 forecast operating costs.[8]

11. The process for this proceeding included one round of information requests (IRs) to Lethbridge and virtual oral argument and reply argument held on November 23, 2021.

12. The Commission considers the close of record for the proceeding is November 23, 2021.

3 2021-2023 GTA

13. In its application, Lethbridge provided the following breakdown of its transmission revenue requirement for the test years 2021, 2022 and 2023:

Table 1. Lethbridge's summary of transmission revenue requirements

	2021 Forecast	2022 Forecast	2023 Forecast
Revenue requirement	($000)		
Operating costs	4,638.9	4,702.1	4,750.2
Depreciation	2,490.7	2,377.2	2,548.2
Cost of capital	2,118.8	2,186.2	2,374.0
Deferral and reserve accounts	46.6	46.6	46.6
Gross revenue requirement	**9,295.0**	**9,312.1**	**9,719.1**
Monthly tariff	**774.6**	**776.0**	**809.9**

Source: Exhibit 26554-X0007.02, application, PDF page 14, Table 1. The Commission observes that the monthly tariff shown in Table 1 of Lethbridge's application, Exhibit-X0007.02, is reflected in millions of dollars, which the Commission has restated to thousands of dollars.

3.1 The issues

14. The following issues are addressed in this decision:

(i) Has Lethbridge complied with previous Commission directions?

5 Exhibit 26554-X0007.02, application, paragraph 56.
6 Exhibit 26554-X0011.
7 Bulletin 2020-25, Reducing regulatory burden with materiality thresholds for review of cost of service rate applications, July 3, 2020.
8 With respect to the materiality threshold, the Commission determined that for variances between Lethbridge's approved, actual and forecast operation and maintenance (O&M) costs (including administration and general costs), it would apply a materiality threshold of the greater of three per cent of the difference and $75,000 at the USA level. The application of this materiality threshold meant that if the variances at the USA level were less than three per cent and $75,000, detailed explanations would not be required from Lethbridge, nor would interveners be permitted to ask detailed questions.

(ii) Should the Commission approve Lethbridge's redesigned MFR schedules?

(iii) Should the Commission direct any changes to Lethbridge's forecasting methodology for operating costs, and is any disallowance required for the 2021-2023 test period?

(iv) Is Lethbridge's forecast depreciation expense reasonable?

(v) Should the Commission approve Lethbridge's forecast fleet capital additions?

15. In reaching the determinations set out in this decision, the Commission has considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

16. All directions in this decision are subject to all findings and other directions made elsewhere in this decision.

3.1.1 Issue 1: Has Lethbridge complied with previous Commission directions?

17. The Commission finds that Lethbridge has complied with the requirements of all seven Commission directions (directions 5, 6 and 12 from Decision 21213-D01-2016, and directions 4, 5, 7 and 8 from Decision 24847-D01-2020) and no further action is required by Lethbridge with respect to these directions.

18. Only directions 4 and 8 from Decision 24847-D01-2020 were not specific to depreciation, whereas the remaining five directions addressed the Commission's concerns related to Lethbridge's depreciation expense. The Commission provides comments on Lethbridge's compliance with these five directions in Section 3.1.4 of this decision.

19. A summary of all seven directions can be found in Appendix 4 and Appendix 5.

3.1.2 Issue 2: Should the Commission approve Lethbridge's redesigned MFR schedules?

20. Lethbridge redesigned its MFR schedules[9] for this application in order to make information easier to find and interpret, to eliminate repeated information, to minimize redundancy, and to improve regulatory efficiency by reducing chances of errors while updating the schedules for a new application.[10]

21. While the Commission appreciates Lethbridge's efforts, the Commission's view is that the redesigned MFR schedules were confusing to review and generally did not achieve their desired effect. Electric transmission utilities in Alberta are required to organize and file their

9 MFR schedules are intended to provide visibility into the application, to provide consistency between the applications filed by different applicants, and to facilitate an understanding of the items included in the application and how the forecasts used in the application were developed (Bulletin 2006-025).

10 Exhibit 26554-X0014, LEU-AUC-2021OCT20-001(c), PDF page 4.

MFR schedules in a standardized manner.[11] The redesigned schedules depart from that standard. Information and calculations that should have been provided in a stand-alone MFR schedule were instead detailed in various Lethbridge-created tabs,[12] and then included in a rolled up MFR schedule that did not provide sufficient details. In certain cases, schedules were deleted, with the required information subsequently displayed in a different schedule.[13]

22. The Commission is mindful that Lethbridge is working within a municipal financial accounting system while reporting information required for regulatory purposes, and for that reason, the Commission is of the view it would be counter productive, from a regulatory perspective, to require Lethbridge to strictly conform to the MFR requirements. The Commission therefore approves Lethbridge's redesigned MFR schedules, but directs Lethbridge to make no further changes to its MFR schedules going forward, unless the Commission specifically requests it to do so.

23. The Commission has recently put a strong emphasis on increasing regulatory efficiency. Similar to Lethbridge's previous GTA filing, in the current application the Commission observed numerous errors and discrepancies between the application narrative and the information contained in the MFR schedules.[14] The Commission was required to ask IRs to clarify these discrepancies.[15] The Commission reminds Lethbridge that discrepancies in numerical values between its application and MFR schedules lead to increased overall regulatory costs and an inefficient use of regulatory resources.

24. The Commission advises Lethbridge, as it has done in the past,[16] that Lethbridge must be more diligent to ensure the consistency of information between its application narrative and MFR schedules prior to filing any future application, such that clarification does not need to be obtained by the Commission through an IR process. As with all applications filed with the Commission, the onus is on the applicant to provide the correct information in support of the applied-for revenue requirement amounts. Should the accuracy of information between Lethbridge's application narrative and MFR schedules remain an issue, Lethbridge and its consultants are at risk of having costs disallowed as part of any future costs claim proceedings.

3.1.3 Issue 3: Should the Commission direct any changes to Lethbridge's forecasting methodology for operating costs, and is any disallowance required for the 2021-2023 test period?

25. To forecast its O&M expenses, Lethbridge explained that it based its forecast for 2021 on a trend-line or an average of either three or six years of historical data, depending on the nature of the budget account.[17] The 2021 forecast was then escalated for 2022 and 2023 based on the

[11] Decision 2007-017: Implementation of the Uniform System of Accounts and Minimum Filing Requirements for Alberta's Electric Transmission and Distribution Utilities, Proceeding 15593, Application 1468565-1, March 6, 2007.

[12] Exhibit 26554-X0008.01, MFR schedules, tabs WP, GL, Labour, Benefits, Contractor, Other, T Plant, G Plant, G Alloc and Narrative Tables.

[13] For instance, using Proceeding 24847, Exhibit 24847-X0024, as reference, schedules 25-1, 25-4, 25-5, 26-1, 27-4 and the debt capital employed calculation in Schedule 28-2 were deleted in Exhibit 26554-X0008.01.

[14] See Proceeding 24847, Exhibit 24847-X0007.01, PDF page 1, and Decision 25339-D01-2020: City of Lethbridge, 2018-2020 Transmission Facility Owner General Tariff Application, Costs Award, Proceeding 25339, May 14, 2020, paragraphs 12-14.

[15] For instance, see Exhibit 26554-X0014, IRs LEU-AUC-2021OCT20-007 and LEU-AUC-2021OCT20-012.

[16] Decision 25339-D01-2020, paragraph 14.

[17] Exhibit 26554-X0007.02, application, paragraphs 29 and 31.

escalation factors provided in Table 3 of the application.[18] Subsequently, Lethbridge allocated each individual budget account forecast to its transmission or distribution functions, further assigning the transmission portion to a specific USA.[19]

26. The CCA argued that Lethbridge's forecasting methodology is simplistic and fails to incorporate more current and available information,[20] and submitted that Lethbridge was unable to reasonably explain why 2020 costs vary from its 2021 forecast, other than referring to its forecasting methodology.[21] For instance, the CCA noted Lethbridge's forecast for USA 566 - Miscellaneous Transmission Expenses, indicating that Lethbridge was unable to explain why costs in 2021 were increasing relative to 2020[22] (a variance of $98,000 between the 2021 forecast amount and the 2020 actual amount).[23]

27. The materiality threshold to test operating costs used in this proceeding eliminated the need for Lethbridge to provide explanations for the majority of the year-to-year variances in its forecast. Exceptions occurred in certain accounts, particularly between 2020 and 2021, where the variances were greater than the materiality threshold. This resulted in the Commission asking Lethbridge IRs to provide variance explanations.[24] The Commission is not satisfied that Lethbridge provided reasonable explanations in support of these variances.

28. Nevertheless, the Commission finds that Lethbridge's simple forecasting approach is cost-effective given the small size of Lethbridge's transmission function, and that Lethbridge has consistently used the same approach in previous GTAs. For these reasons, the Commission will not direct any changes to Lethbridge's forecasting methodology.

29. However, the Commission reminds Lethbridge that the applicant has the onus to support the reasonableness of its forecasts. In future applications, Lethbridge is required to support its forecasts by reasonably explaining why forecast dollars are needed in the corresponding test period, irrespective of the forecast methodology used. Failure to do so may result in forecast cost disallowances in future GTAs.

30. The CCA also expressed the following concerns with Lethbridge's forecasts for other O&M accounts, including USA 561 - Control Centre Operations and USA 562 - Station Equipment Expenses:

- USA 561: Lethbridge incurred increased contractor costs in 2020 in the amount of $121,000 due to retaining a contractor to assess Lethbridge's compliance with the AESO's Critical Infrastructure Program.[25] The CCA submitted that, given the amount incurred by Lethbridge in 2020 was a one-off, Lethbridge failed to support its forecast for contractor costs of approximately $56,000 to $57,000 in the current test period, which appears to be higher based simply on increased 2020 costs.[26] The CCA recommended that

18 Exhibit 26554-X0007.02, application, paragraph 32.
19 Exhibit 26554-X0007.02, application, paragraph 36.
20 Transcript, Volume 1, page 45, lines 11-18.
21 Exhibit 26554-X0015, CCA argument summary, paragraph 3.
22 Transcript, Volume 1, page 52, lines 1-3.
23 Exhibit 26554-X0007.02, application, PDF pages 37-38, tables 13-14.
24 See, for example, Exhibit 26554-X0012, LEU-AUC-2021OCT20-004(c) and LEU-AUC-2021OCT20-006.
25 Exhibit 26554-X0007.02, application, paragraph 64.
26 Transcript, Volume 1, page 48, lines 11-21.

Lethbridge be directed to exclude 2020 contractor costs from the forecast calculation for USA 561 to normalize the applied-for costs for 2021-2023.[27]

- USA 562: Lethbridge explained that the 2021-2023 forecast for this account uses an average calculation based on three years of historical data.[28] The CCA indicated that using three years instead of six increases forecast costs by approximately $100,000 per test year and directed the use of a six-year average to maintain consistency with other accounts.[29]

31. The Commission has considered the CCA's submissions, but it will not apply any disallowances to Lethbridge's forecasts in USA 561 and 562.

32. With respect to USA 561, the Commission is of the view that the CCA's recommendation to exclude 2020 contractor's costs from Lethbridge's forecast calculation will result in an increase in the regulatory burden imposed on Lethbridge by adding to the number of directions that Lethbridge would be required to address in the compliance filing, with no material impact to its revenue requirements for 2021-2023.

33. For USA 562, the Commission is satisfied with Lethbridge's explanation to use a three-year average instead of six to forecast costs. The Commission agrees with Lethbridge that substation maintenance work is difficult to predict in terms of exact timing, with recent experience being more indicative of the future, and that salaries paid in the last three years are a better indicator for salaries in the future as opposed to salaries paid in the previous four to six years.[30]

34. Accordingly, the Commission approves the forecast costs in USA 561 and 562 for the 2021-2023 test period, as filed.

3.1.4 Issue 4: Is Lethbridge's forecast depreciation expense reasonable?

35. In Section 3.1.1, the Commission found that Lethbridge complied with the requirements of directions 5, 6 and 12 from Decision 21213-D01-2016 and directions 5 and 7 from Decision 24847-D01-2020.

36. In this section, the Commission: (i) provides a summary of Lethbridge's compliance with these five Commission directions; (ii) evaluates Lethbridge's proposal to implement what it referred to as an "asset retirement obligation" reserve account; (iii) examines the depreciation parameters proposed by Lethbridge in its depreciation study; (iv) provides comments on Lethbridge's method of accounting for any USA account amortized under an SQ curve methodology; and (v) makes observations and directions regarding depreciation advisor costs.

(i) Compliance with Commission directions

37. In its application, Lethbridge addressed five outstanding Commission directions related to depreciation. The Commission finds that Lethbridge has complied with them all.

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27 Transcript, Volume 1, page 49, lines 8-13.
28 Exhibit 26554-X0007.02, application, paragraph 69.
29 Exhibit 26554-X0015, CCA argument summary, paragraph 5.
30 Exhibits 26554-X0007.02, application, paragraph 69, and 26554-X0014, LEU-AUC-2021OCT20-005(a), PDF page 10.

38. Direction 12 (parts (a) to (g)) from Decision 21213-D01-2016 and directions 5 and 7 from Decision 24847-D01-2020 pertained to nine concerns with Lethbridge's application of, and conformance with, general utility (or group) depreciation practices.

39. In addressing the nine concerns, Lethbridge provided a detailed timeline and explanation of its experience and evolution towards incorporating general utility depreciation practices in its regulatory reporting.[31] Many of the obstacles faced by Lethbridge originated primarily from a disconnect between the information generated by its municipal financial accounting system and the regulatory reporting requirements of the Commission. The history and detail provided by Lethbridge were instructive and described the underlying causes for many of the issues observed by the Commission in its recent decisions.

40. Lethbridge's response to the Commission directions confirmed its compliance which, in the case of Direction 12 (parts (a) to (g)) from Decision 21213-D01-2016 and directions 5 and 7 from Decision 24847-D01-2020, were largely resolving concerns of an administrative nature.

41. Directions 5 and 6 from Decision 21213-D01-2016 directed Lethbridge to provide certain information at the time of its next depreciation study to support its recommended depreciation parameters for USA 390.00 – Structures & Improvements and USA 391.00 – Office Equipment. The Commission has reviewed the information provided by Lethbridge in its depreciation study, and is satisfied that these two directions have been complied with.

(ii) Lethbridge's proposed net salvage procedure

42. As noted by Lethbridge, the Commission's directions in Decision 21213-D01-2016 and Decision 24847-D01-2020 led Lethbridge to conclude that its municipal depreciation practices were not compatible with the Commission's expected methods for ratemaking.[32] This was particularly relevant to Lethbridge's net salvage and asset retirement practices, which were identified by the Commission in its recent decisions as issues.

43. Since 2006, when Lethbridge made its first transmission tariff application with the Commission, Lethbridge has undertaken various methods of accounting for its net salvage costs, which ranged from adding the full salvage cost to the cost of a new project to a method of pre-collecting salvage costs on an individual asset basis. These methods were in contrast to pre-collecting negative net salvage costs on a group USA basis, which is the approach more commonly used by the majority of utilities regulated by the Commission.

44. The effect of the different net salvage methods used by Lethbridge resulted, in some instances, in a positive post-retirement net book value (related to net salvage) for a single asset. In other words, the accumulated net salvage depreciation balance at the time of an asset retirement was not sufficient to cover the actual net salvage expense subsequently incurred. Lethbridge's municipal system is not able to accommodate a net book value outcome and for this reason, in its 2018-2020 GTA, Lethbridge proposed the use of a single aggregated "asset retirement obligation" liability account, which the Commission denied in Decision 24847-D01-2020.

31 Exhibit 26554-X0007.02, application, paragraphs 85-93.
32 Exhibit 26554-X0007.02, application, paragraph 94.

45. With respect to its accounting for asset retirements, Lethbridge's historical practice was to record gains and losses. This is different than recording asset retirements and dispositions on a group basis, which generally results in no gain or loss being recognized.

46. As noted in Decision 21213-D01-2016[33] and Decision 24847-D01-2020,[34] Lethbridge's net salvage and asset retirement practices were of concern to the Commission and resulted in Lethbridge continuing to seek a solution to the issue of having underfunded net salvage costs on a group USA level. As a solution, in the current application, Lethbridge has again proposed to implement an "asset retirement obligation" while simultaneously addressing the Commission's previous concerns with Lethbridge's asset retirement practices.

47. To that end, Lethbridge has taken multiple steps to reconcile its municipal depreciation practices and the Commission's expected methods for ratemaking by having the required regulatory practices, methods and calculations inform the municipal accounting system for both its net salvage accrual and asset retirement transactions. In doing so, the Commission accepts Lethbridge's proposal to implement a single aggregated account that the Commission directs will be referred to as the "accumulated net salvage account" as opposed to an asset retirement obligation.[35] While Lethbridge referred to this as a "liability" account, the Commission directs that the single aggregated "accumulated net salvage account" be treated in the same matter as Lethbridge's accumulated depreciation accounts (life), where the balance in those accounts inform rate base.

(iii) Depreciation parameters proposed by Lethbridge in its depreciation study

48. Lethbridge submitted a December 31, 2019, depreciation study[36] prepared by Larry Kennedy and Colin Burns of Concentric Advisors, ULC (Concentric). Concentric recommended that depreciation parameters and associated depreciation accrual rates be applied to Lethbridge's plant in service in order to determine its 2021-2023 depreciation expense.

49. As shown in Table 2 below, Lethbridge's 2021 depreciation expense was forecast to decrease when compared to 2020 actuals. This decrease in depreciation expense was due primarily to an annual refund amount of $0.259 million related to the overcollection of depreciation for USA 353.1 – Telecontrol Systems. The annual refund was based on an updated amortization of reserve differences true-up[37] as calculated within Lethbridge's depreciation study. Lethbridge's 2021 depreciation expense was also reflective of minimal forecast increases in capital assets in 2021 in the amount of $0.214 million, which is a factor that would tend to keep Lethbridge's depreciation expense flat.[38]

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33 Decision 21213-D01-2016, paragraph 102: "The Commission can see no rationale for Lethbridge to capitalize costs of removal into its capital asset accounts and directs Lethbridge, as of January 1, 2016, to reflect all incurred costs of removal in its accumulated depreciation accounts."

34 Decision 24847-D01-2020, paragraph 116: "With respect to service life, group depreciation practice is to remove the original historical cost of the retired asset from both the asset account and the corresponding accumulated depreciation account – thereby leaving any remaining net book value to be recovered from ratepayers under the assumption of an ordinary retirement event."

35 An "asset retirement obligation" more commonly refers to a Financial Accounting Standards Board guideline for recording asset retirement obligations (also known as SFAS 143), which is not applicable to Lethbridge.

36 Exhibit 26554-X0007.02, Appendix 4, Depreciation Study, PDF pages 105-172.

37 Exhibit 26554-X0007.02, Appendix 4, PDF page 128.

38 Exhibit 26554-X0008.01, MFR schedules, Schedule 10-2, line 45.

50. In 2022 and 2023, the amortization of reserve differences true-up continued to reduce forecast depreciation expense. Significant forecast capital additions in the amounts of $9.4 million and $4.9 million, respectively, were offset by forecast asset retirements in the amounts of $2.5 million and $1.7 million.[39] However, in 2023, with the effect of a full-year depreciation expense forecast on the large 2022 capital additions and a half-year depreciation expense on the 2023 capital additions, depreciation expense increased over the previous year as shown in Table 2:

Table 2. Summary of Lethbridge's actual and forecast depreciation expense 2019-2023

	2019 Actual	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
	($ million)				
Total gross depreciation expense	2.779	2.885	2.684	2.574	2.747
Increase (decrease) over previous years actual or forecast: gross depreciation expense		0.106	(0.201)	(0.110)	0.173

Source: Exhibit 26554-X0008.01, MFR schedules, Schedule 6-1.

51. There were no changes to the methodologies used by Concentric in the preparation of Lethbridge's depreciation study. As such, the resultant depreciation rates were calculated on the basis of using a straight-line depreciation method, an equal life group procedure and applied on a whole life basis.

52. Lethbridge clarified that for general plant USA 396.0 – Fleet, it would continue to rely on its municipal system and internal subject matter experts to determine the applicable average service lives for the fleet assets and the related depreciation expense calculations.[40]

53. Concentric proposed changes to the average service life and/or Iowa curves (life-curves) for four of Lethbridge's 10 depreciation study accounts, and a change to the net salvage per cent for one account. Lethbridge's proposed and approved depreciation parameters are summarized by the Commission in Table 3:

Table 3. Summary of Lethbridge's proposed and approved depreciation parameters

		Currently approved (1)	Proposed Lethbridge (2)	Approved
TRANSMISSION PLANT				
352.00	Buildings and Site	40-R4, -10 NS%	40-R5, -10 NS%	40-R5, -10 NS%
353.00	Station Equipment	38-R2, -10 NS%	35-R3.5, -10 NS%	35-R3.5, -10 NS%
353.10	Telecontrol	15-R1.5, -2 NS%	18-R2.5, -2 NS%	18-R2.5, -2 NS%
356.00	Transmission Lines	50-R3, -40 NS%	50-R3.5,-45 NS%	50-R3.5,-40 NS%
GENERAL PLANT				
353.11	Communications	10-SQ	10-SQ	10-SQ
390.00	Structures and Improvements	40-R4	40-R4	40-R4
391.00	Office Equipment and Furnishings	15-SQ	15-SQ	15-SQ
391.10	Information Systems (hardware)	8-SQ	8-SQ	8-SQ
391.20	Information Systems (software)	7-SQ	7-SQ	7-SQ
394.00	Tools and Equipment	15-SQ	15-SQ	15-SQ

Source: (1) Decision 21213-D01-2016. (2) Exhibit 26554-X0007.02, application, PDF page 125.

39 Exhibit 26554-X0008.01, MFR schedules, Schedule 10-2, lines 45 and 64.
40 Exhibit 26554-X0007.02, Appendix 4, PDF pages 49-51.

54. The Commission has examined the information contained within Lethbridge's depreciation study in support of its proposed changes to life-curve depreciation parameters for each of its transmission plant accounts. The Commission finds that all life-curve changes proposed are reasonable, supported by the depreciation study and the retirement rate analysis included therein, and the Commission therefore approves them.

55. However, the Commission denies the -45 per cent net salvage proposed by Lethbridge for USA 356.00 – Transmission Lines. The recommendation to increase the negative net salvage per cent was on the basis that -45 per cent is consistent with the net salvage per cent of peer utilities and would better represent the future characteristics of this account. The Commission observes that Lethbridge's currently approved -40 net salvage per cent is also within the -25 to -90 per cent range of its peer utilities.[41] Further, as noted by Concentric, there has been no salvage costs incurred for this account since the time of its previous depreciation study that may have otherwise provided support for an increase to -45 per cent. For this reason, Lethbridge's proposed change for USA 356.00 is denied, and Lethbridge is directed to incorporate its currently approved net salvage of -40 per cent for this account in its compliance filing.

56. As a separate matter, the Commission also requires Lethbridge to confirm the amortization of reserve differences true-up provision as calculated in its 2019 depreciation study. In this regard, the Commission has observed that the December 31, 2019, book accumulated depreciation amounts shown in the depreciation study do not accord with the equivalent records shown in Lethbridge's MFR schedules. This is illustrated in Table 4 as prepared by the Commission:

Table 4. Summary of Lethbridge's actual December 31, 2019, book (or actual) accumulated depreciation balances

		Book accumulated depreciation in study (1)	Actual accumulated depreciation in MFRs (2)
		($)	
TRANSMISSION PLANT - LIFE			
352.00	Buildings and Site	1,625,246	1,941,716
353.00	Station Equipment	10,644,544	14,492,532
353.10	Telecontrol	5,055,424	828,761
356.00	Transmission Lines	2,846,998	3,238,964
		20,172,212	**20,501,973**
TRANSMISSION PLANT – NET SALVAGE (3)			
352.00	Buildings and Site	107,886	n/a
353.00	Station Equipment	764,062	n/a
353.10	Telecontrol	72,105	n/a
356.00	Transmission Lines	640,112	n/a
		1,584,165	**1,584,165**
CITY OWNED ASSETS – COMMUNICATION (4)			
353.11	Communications	**475,613**	**434,849**

41 Exhibit 26554-X0007.02, Appendix 4, PDF page 121.

		Book accumulated depreciation in study (1)	Actual accumulated depreciation in MFRs (2)
		($)	
GENERAL PLANT – LIFE (4)			
390.00	Structures and Improvements	609,966	658,160
391.00	Office Equipment and Furnishings	172,454	172,842
391.10	Information Systems (hardware)	574,992	923,059
391.20	Information Systems (software)	2,473,552	2,921,899
394.00	Tools and Equipment	1,295,929	1,311,460
		5,126,893	**5,987,420**
		27,358,883	**28,508,407**

Source: (1) Exhibit 26554-X0007.02, application, Appendix 4, Depreciation Study, PDF pages 129-130. (2) Exhibit 26554-X0008.01, MFR schedules, tab T Plant, rows 68-72 and tab G Plant (excluding Fleet assets), rows 84-89. (3) Lethbridge referred to this as an "asset retirement obligation" in its MFR schedules. (4) Amounts shown for these USA are before any allocation of Lethbridge's general plant assets to its transmission function.

57. It is imperative that Lethbridge's actual accumulated depreciation balances for each account be reflected accurately because these numbers inform Lethbridge's annual amortization of reserve differences true-up provision. The annual amortization of reserve differences true-up provision is determined as of December 31, 2019, as the difference[42] between the calculated (or theoretical) accumulated depreciation balance and the book (or actual) accumulated depreciation balance allocated over the probable remaining life of each applicable USA.

58. However, Lethbridge has reported differing December 31, 2019, book (or actual) balances between its depreciation study and MFR schedules. The Commission is unable to approve Lethbridge's forecast 2021-2023 depreciation expense until this issue is explained or corrected, as the case may be. The Commission directs Lethbridge to explain in its compliance filing to this decision the reasons for the differing actual December 31, 2019, amounts and, if necessary, to adjust its amortization of reserve differences calculation and annual true-up provision. The updated amortization of reserve differences calculation and annual true-up provision should also reflect the directions contained in this decision as they affect Lethbridge's forecast 2021-2023 depreciation expense.

59. Lethbridge is also directed to report its December 31, 2019, actual net salvage by USA account which was information not provided in its MFR schedules as indicated in Table 4 above by "n/a."

(iv) Amortization accounting for general plant accounts using an SQ curve

60. The Commission has rejected the CCA's recommendation to direct a change to Lethbridge's method of accounting for any USA accounts subject to amortization accounting and the use of an SQ curve.[43] The CCA objected to the fact that Lethbridge did not retire from its accounting records assets whose age had reached the average service life used for amortization purposes under an SQ curve. The CCA requested that Lethbridge be directed to "correct the error

[42] The difference must be greater or less than five per cent of the calculated accumulated depreciation balance in order to trigger the true-up mechanism.

[43] Lethbridge's accounts subject to amortization accounting and the use of an SQ curve are USA 353.11, USA 391.00, USA 391.10, USA 391.20 and USA 394.00.

by properly retiring its fully depreciated assets, and the depreciation study and composite rates should be adjusted accordingly."[44]

61. Under amortization accounting (which is consistent with the use of an SQ curve and applicable average service life), each vintage of assets is amortized over that average service life such that by the time the vintage of assets reaches the age of the average service life, it will be fully amortized. Once the assets' age reaches the average service life, it is retired from the accounting records regardless of whether the asset continues to provide utility service in a physical sense. As explained by Lethbridge, in the current depreciation study, Lethbridge's practice was to not retire these assets from the accounting records even though they have reached the average service life and are fully amortized.[45] Instead, Lethbridge maintains the assets in its accounting records, on both the asset side and accumulated depreciation side, in equal and offsetting amounts until they are retired physically from utility service.

62. The Commission is prepared to accept Lethbridge's explanation that the resultant depreciation expense is calculated to the same effect whether or not Lethbridge has recorded the asset retirement under amortization accounting.[46] While this method is not typical of other utilities' calculations for similar asset accounts under an SQ curve, it appears nonetheless to meet the regulatory requirements of the Commission and its mandate to determine just and reasonable rates.

63. Accordingly, although it is the more common practice to retire these assets in the accounting records at the time they meet the age of the average service life, the Commission accepts that it is more efficient and practical for Lethbridge to continue to maintain its records in the way it has done in this application. The resultant depreciation expense is the same as applying the SQ curve depreciation rate to those assets that would remain in service because they have not yet reached the age of the average service life. Should Lethbridge seek to retire these fully amortized assets from its accounting records in the future, notwithstanding that they may remain in use in a physical sense, Lethbridge is required to disclose this as a change to its amortization accounting methodology.

(v) Commission's observations and direction regarding depreciation advisor costs

64. As noted earlier, Lethbridge retained Concentric to prepare a 2019 depreciation study in support of its forecast 2021-2023 depreciation expense. In Lethbridge's costs claim application,[47] Lethbridge indicated that it was requesting recovery, through the hearing cost reserve account, of the cost for work conducted by Concentric only after May 2021. The applicable invoices (including GST), totalled $18,737.25[48] and were adjusted to $14,553.00 to reflect the maximum allowed by the scale of costs permitted for those consultants, in accordance with Rule 022: *Rules on Costs in Utility Rate Proceedings.*[49]

65. This was in contrast to the method of recovery Lethbridge proposed for the costs relating to the preparation of the Concentric depreciation study itself – specifically, costs incurred for

44 Exhibit 26554-X0015, CCA argument summary, PDF page 4.
45 Exhibit 26554-X0014, LEU-AUC-2021OCT20-013, PDF pages 27-30.
46 Exhibit 26554-X0014, LEU-AUC-2021OCT20-013, PDF pages 27-30.
47 Proceeding 27072, City of Lethbridge 2021-2023 TFO GTA - Lethbridge and CCA Costs Claims application.
48 Proceeding 27072, Exhibit 27072-X0001, PDF pages 37, 40, 43 and 45: $9,502.50 + $2,121.00 + $2,388.75 + $4,725.00 = $18,737.25.
49 Proceeding 27072, Exhibit 27072-X0001, PDF page 5.

work completed prior to May 2021. Lethbridge stated these costs were included as an O&M expense in its 2021-2023 GTA.[50]

66. The relevant portion of Rule 022 states the following:

> 11.1 The Commission may award costs, in accordance with the scale of costs, to an eligible participant if the Commission is of the opinion that:
>
> (a) the costs are reasonable and **directly and necessarily related to the hearing or other proceeding,** … [emphasis added]

67. Such costs may include professional fees for an eligible participant's consultant, analyst or expert in accordance with the scale of costs specified in Appendix A of Rule 022.[51]

68. In the Commission's view, all costs relating to the preparation of the depreciation study (i.e., those costs incurred prior to May 2021) should have been claimed in a costs claim application, as opposed to being recovered as an O&M expense within a transmission tariff, because such costs are directly and necessarily related to Lethbridge's current tariff application. This approach complies with the requirements of Rule 022 and is consistent with current utility practice in Alberta.[52]

69. While the Commission accepts Lethbridge's recovery of depreciation study costs incurred prior to May 2021 through its O&M expense in the current application (consistent with the findings of Decision 2005-148, which allowed the inclusion of $25,000 in depreciation study costs in Lethbridge's 2008 revenue requirement),[53] for all future Lethbridge GTAs, the Commission directs Lethbridge to include such costs as part of the applicable costs claim application, to be recovered through Lethbridge's hearing cost reserve account, in accordance with Rule 022.

3.1.5 Issue 5: Should the Commission approve Lethbridge's forecast fleet capital additions?

70. In its application, Lethbridge requested the approval of forecast capital additions of $201,000 for 2022 and $135,000 for 2023 in USA 396 - Fleet.[54]

71. Lethbridge's vehicle fleet is used by all business units of the electric utility, but is allocated to the transmission function based on the number of hours the vehicle was used to work

50 Proceeding 27072, Exhibit 27072-X0001, PDF pages 3-4.

51 Rule 022, Appendix A, PDF page 8.

52 For examples of costs award decisions that dealt with costs related to depreciation studies, see decisions 23830-D01-2018: EPCOR Distribution and Transmission Inc., 2018-2019 Transmission Facility Owner Tariff Application, Costs Award, Proceeding 23830, December 5, 2018; 24546-D01-2019: ATCO Pipelines, 2019-2020 General Rate Application, Costs Award, Proceeding 24546, August 9, 2019; 26252-D01-2021: ATCO Electric Ltd., 2020-2022 Transmission General Tariff Application, Costs Award, Proceeding 26252, April 1, 2021; and 26985-D01-2022: AltaLink Management Ltd., KainaiLink Limited Partnership and PiikaniLink Limited Partnership, 2022-2023 General Tariff Applications, and AltaLink Management Ltd., 2020 Direct Assigned Capital Deferral Account Reconciliation Application, Costs Award, Proceeding 26985, January 24, 2022.

53 Decision 2005-148: City of Lethbridge Electric Utility, 2006-2008 Transmission Facility Owner Tariff, Proceeding 14765, Application 1403154, December 23, 2005, PDF page 10.

54 Exhibit 26554-X0007.02, application, PDF page 73, Table 35.

on transmission projects.[55] In its application, Lethbridge provided the following summary of its fleet allocator:

Table 5. Summary of Lethbridge's fleet allocator

	Transmission	Other	Total
Fleet hours	7,058.5	48,152.4	55,210.9
Fleet allocator (%)	12.8	87.2	100.0

Source: Exhibit 26554-X0007.02, application, Table 38.

72. In response to a Commission IR, Lethbridge provided a list of all of the vehicles currently in its fleet, as well as those forecast to be replaced in the 2021-2023 test period. Of the 12 vehicles Lethbridge intended to replace, eight vehicles were forecast for replacement in 2022 and four in 2023.[56]

73. While the Commission was able to reconcile the forecast capital additions of the vehicles in 2022 and 2023, it observed inconsistencies and was unable to identify several of the vehicles Lethbridge stated were to be replaced. For instance, Lethbridge stated that it was forecasting to replace three vans: S4, L11 and M1 in 2022. However, within Lethbridge's list of vehicles, the Commission was only able to find vehicles S4 and M1 – there was no vehicle L11 in Lethbridge's existing fleet to be replaced.

74. Similarly, Lethbridge is forecasting to replace a 45-foot bucket truck labelled L-10, with a single bucket trouble truck. The Commission could not find an existing 45-foot bucket truck, nor a vehicle labelled L-10, nor, for that matter, any vehicle labelled as though it was a single bucket or single bucket trouble truck within Lethbridge's existing fleet.

75. In addition, Lethbridge forecasts to replace line truck L-19, which was acquired in 2018. While the Commission notes that the acquired date may differ from the vintage of the truck L-19, Lethbridge has not provided evidence of the need to replace line truck L-19.

76. The Commission is prepared to approve Lethbridge's transmission function fleet capital additions of $201,000 for 2022 and $135,000 for 2023, conditional on Lethbridge providing the clarifications necessary to address the Commission's observations above. Accordingly, the Commission directs Lethbridge to provide, in its compliance filing, evidence to adequately support that vehicles L11, L-10 and L-19 are required to be replaced.

77. The Commission considers that Lethbridge's future GTAs would benefit from more attention to detail and consistency pertaining to its plans to replace fleet vehicles, that may be best summarized in a business case.

[55] Exhibit 26554-X0007.02, application, paragraph 194.
[56] Exhibit 26554-X0014, LEU-AUC-2021OCT20-010(c), PDF pages 22-23.

4 Order

78. It is hereby ordered that:

(1) The City of Lethbridge must file its 2021-2023 transmission general tariff application compliance filing by March 7, 2022, to reflect the findings, conclusions and directions in this decision.

Dated on February 3, 2022.

Alberta Utilities Commission

(original signed by)

Cairns Price
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) **Company name of counsel or representative**
City of Lethbridge (Lethbridge or LEU) Chymko Consulting Ltd.
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission Commission panel C. Price, Commission Member Commission staff P. Khan (Commission counsel) A. Culos (Commission counsel) F. Alonso P. Baker G. Bourque E. Davis L. Mullen

Appendix 2 – Virtual oral argument and reply argument – registered appearances

Name of organization (abbreviation) **Name of counsel or representative**
City of Lethbridge (Lethbridge or LEU) Michael Zimmer Michael Turner
Consumers' Coalition of Alberta (CCA) James Wachowich, QC Angela Chau

Appendix 3 – 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. The Commission is mindful that Lethbridge is working within a municipal financial accounting system while reporting information required for regulatory purposes, and for that reason, the Commission is of the view it would be counter productive, from a regulatory perspective, to require Lethbridge to strictly conform to the MFR requirements. The Commission therefore approves Lethbridge's redesigned MFR schedules, but directs Lethbridge to make no further changes to its MFR schedules going forward, unless the Commission specifically requests it to do so. .... paragraph 22

2. To that end, Lethbridge has taken multiple steps to reconcile its municipal depreciation practices and the Commission's expected methods for ratemaking by having the required regulatory practices, methods and calculations inform the municipal accounting system for both its net salvage accrual and asset retirement transactions. In doing so, the Commission accepts Lethbridge's proposal to implement a single aggregated account that the Commission directs will be referred to as the "accumulated net salvage account" as opposed to an asset retirement obligation. While Lethbridge referred to this as a "liability" account, the Commission directs that the single aggregated "accumulated net salvage account" be treated in the same matter as Lethbridge's accumulated depreciation accounts (life), where the balance in those accounts inform rate base. .... paragraph 47

3. However, the Commission denies the -45 per cent net salvage proposed by Lethbridge for USA 356.00 – Transmission Lines. The recommendation to increase the negative net salvage per cent was on the basis that -45 per cent is consistent with the net salvage per cent of peer utilities and would better represent the future characteristics of this account. The Commission observes that Lethbridge's currently approved -40 net salvage per cent is also within the -25 to -90 per cent range of its peer utilities. Further, as noted by Concentric, there has been no salvage costs incurred for this account since the time of its previous depreciation study that may have otherwise provided support for an increase to -45 per cent. For this reason, Lethbridge's proposed change for USA 356.00 is denied, and Lethbridge is directed to incorporate its currently approved net salvage of -40 per cent for this account in its compliance filing. .... paragraph 55

4. However, Lethbridge has reported differing December 31, 2019, book (or actual) balances between its depreciation study and MFR schedules. The Commission is unable to approve Lethbridge's forecast 2021-2023 depreciation expense until this issue is explained or corrected, as the case may be. The Commission directs Lethbridge to explain in its compliance filing to this decision the reasons for the differing actual December 31, 2019, amounts and, if necessary, to adjust its amortization of reserve differences calculation and annual true-up provision. The updated amortization of reserve differences calculation and annual true-up provision should also reflect the directions contained in this decision as they affect Lethbridge's forecast 2021-2023 depreciation expense. .... paragraph 58

5. Lethbridge is also directed to report its December 31, 2019, actual net salvage by USA account which was information not provided in its MFR schedules as indicated in Table 4 above by “n/a.”.. paragraph 59

6. While the Commission accepts Lethbridge’s recovery of depreciation study costs incurred prior to May 2021 through its O&M expense in the current application (consistent with the findings of Decision 2005-148, which allowed the inclusion of $25,000 in depreciation study costs in Lethbridge’s 2008 revenue requirement), for all future Lethbridge GTAs, the Commission directs Lethbridge to include such costs as part of the applicable costs claim application, to be recovered through Lethbridge’s hearing cost reserve account, in accordance with Rule 022. .... paragraph 69

7. The Commission is prepared to approve Lethbridge’s transmission function fleet capital additions of $201,000 for 2022 and $135,000 for 2023, conditional on Lethbridge providing the clarifications necessary to address the Commission’s observations above. Accordingly, the Commission directs Lethbridge to provide, in its compliance filing, evidence to adequately support that vehicles L11, L-10 and L-19 are required to be replaced. .... paragraph 76

Appendix 4 – Directions from Decision 21213-D01-2016 Lethbridge has complied with

(return to text)

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 Decision 21213-D01-2016, the wording in the main body of Decision 21213-D01-2016 shall prevail.

5. For this reason, the Commission is prepared to accept a life-curve of 40-R4 for Account 390.0 – Structures & improvements until the time of Lethbridge's next depreciation study. At the time of its next depreciation study, Lethbridge is directed to:

   - Conduct an analysis of the assets within Account 390.0– Structures & improvements to determine whether the 40-R4 remains a valid estimate of future life characteristics for those assets.
   - Provide the details of its lease arrangements as part of its discussion of Account 390.0 – Structures & improvements, including the terms of the initial lease and any renewal provisions.
   - Provide information with respect to the life-curve estimates for the same or similar accounts for its peer utilities. .... paragraph 72

6. In its next depreciation study, Lethbridge is directed to conduct an analysis of the assets within this account and determine whether the 15-SQ remains a valid estimate of future life characteristics for those assets. Lethbridge is also directed to include information with respect to the life-curve estimates for the same or similar accounts of its peer utilities. .... paragraph 75

12. In order to assist the Commission's and parties' review of Lethbridge's next application, the Commission directs Lethbridge as follows:

    (a) The depreciation study accounts shall use the account name and numbering conventions used by Lethbridge in its application and accompanying MFR schedules.

    (b) The account names and numbering shall be consistent between Lethbridge's applications and depreciation studies. If there are account name or numbering changes, including subcategorization of accounts, the proposed changes shall be identified in the application.

    (c) Any proposed changes to depreciation parameters shall be clearly identified in Lethbridge's application and accompanying depreciation study.

    (d) Proposed depreciation parameters for new asset accounts that have not been considered in a previous depreciation study shall be identified in Lethbridge's application.

    (e) The MFR schedules shall contain columns identifying the (currently) approved depreciation parameters and the proposed depreciation parameters with the correct applicable dates.

    (f) Accounts shall be grouped by the categories of "Transmission plant" and "General plant" in both the depreciation study and MFR schedules, and should clearly indicate which accounts are allocated. Accounts which do not impact Lethbridge's

TFO depreciation expense and revenue requirement shall not be included in the depreciation study or MFR schedules unless there is a valid reason for doing so.

(g) The depreciation study does not need to identify or include analysis or recommendations for account proposals that have not been adopted by Lethbridge. For accounts where Lethbridge has derived their own depreciation parameters, the corresponding analysis and recommendations shall be provided in Lethbridge's application.

.... paragraph 107

Appendix 5 – Directions from Decision 24847-D01-2020 Lethbridge has complied with

(return to text)

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 Decision 24847-D01-2020, the wording in the main body of Decision 24847-D01-2020 shall prevail.

4. However, the Commission also agrees with the CCA that Lethbridge should better trace and track municipal corporate expenses to its transmission function, as well as have a better understanding of how allocation factors are determined or approved by City Council. On a go-forward basis, the Commission would find it beneficial for Lethbridge to update its application procedures and describe each of its municipal corporate functions. The Commission would also benefit from a better understanding of the City's budget deliberations, including the process with respect to allocation factors, and whether Lethbridge is required to accept the City Council's approved methodology as given. Therefore, the Commission directs Lethbridge to provide a general discussion of this process, and provide support for any changes to its allocation methodology and associated factors, as shown in tables 5 to 8 above at the time of its next GTA. .... paragraph 84

5. In all future GTAs, Lethbridge is directed to use Commission-approved depreciation parameters and associated rates for the purpose of determining forecast depreciation expense. .... paragraph 97

7. In all future GTAs, Lethbridge is directed to implement group depreciation practices for its capital and depreciation related accounting transactions and for the purpose of determining forecast depreciation expense. .... paragraph 118

8. Lethbridge is directed to arrange for a technical workshop with intervening parties and Commission staff, within a period of three-to-six months prior to the anticipated filing of its next GTA. .... paragraph 127