



City of Lethbridge

2021-2023 General Tariff Application Compliance Filing

March 15, 2022

Alberta Utilities Commission

Decision 27213-D01-2022

City of Lethbridge

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Proceeding 27213

March 15, 2022

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Contents

1	Introduction	1
2	Process	2
3	Compliance with the Commission’s directions from Decision 26554-D01-2022 and interim rates true-up	2
4	Order	3
	Appendix 1 – Proceeding participants	5
	Appendix 2 – Summary of Commission directions from Decision 26554-D01-2022 that Lethbridge has complied with in the current application	6
	Appendix 3 – Summary of Commission directions from Decision 26554-D01-2022 to be addressed in future applications	8

List of tables

Table 1.	Revenue requirement impact of Commission directions from Decision 26554-D01-2022	2
Table 2.	Proposed true-up	3

1 Introduction

1. The City of Lethbridge Electric Utility (Lethbridge) 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. This decision addresses Lethbridge's general tariff application (GTA) compliance filing for Commission approval of the revenue requirements for Lethbridge to provide electric transmission service for 2021, 2022 and 2023.

3. In the GTA decision, Decision 26554-D01-2022,¹ the Commission considered whether the tariffs to be charged by Lethbridge for 2021, 2022 and 2023, to recover its forecast operating costs, were just and reasonable and would provide a fair rate of return on, and of, Lethbridge's capital investment that is necessary to provide utility service to customers. The Commission found that some costs Lethbridge sought to recover were not reasonable or required clarification and directed Lethbridge to provide a compliance filing to address certain directions before the Commission could approve Lethbridge's 2021-2023 revenue requirements as final.

4. The Commission issued a total of seven directions in Decision 26554-D01-2022. Two of the seven directions are to be addressed in future applications,² while the remaining five directions were required to be addressed in this compliance filing application.³ This proceeding addresses Lethbridge's compliance with these five directions.

5. In this application, Lethbridge's requested approvals include:

- revenue requirements of approximately \$9.345 million for 2021, \$9.422 million for 2022 and \$9.836 million for 2023 on a final basis; and
- compliance with directions 2, 3, 4, 5 and 7 from Decision 26554-D01-2022.

6. The Commission is satisfied that Lethbridge has complied with directions 2, 3, 4, 5 and 7 from Decision 26554-D01-2022 in its application. For ease of reference, these directions are set out in [Appendix 2](#). The Commission also approves Lethbridge's 2021-2023 revenue requirements as filed.

¹ Decision 26554-D01-2022: City of Lethbridge, 2021-2023 Transmission Facility Owner General Tariff Application, Proceeding 26554, February 3, 2022.

² Decision 26554-D01-2022, paragraphs 22 and 69 (directions 1 and 6).

³ Decision 26554-D01-2022, paragraphs 47, 55, 58, 59 and 76 (directions 2, 3, 4, 5 and 7).

2 Process

7. Lethbridge filed its application on March 3, 2022. The Commission issued a notice of the application on March 4, 2022, with statements of intent to participate due March 11, 2022. No statements of intent to participate were filed in response to the Commission's notice. For the purposes of this decision, the Commission considers the record to have closed on March 11, 2022.

3 Compliance with the Commission's directions from Decision 26554-D01-2022 and interim rates true-up

8. On February 3, 2022, the Commission issued Decision 26554-D01-2022, which considered Lethbridge's 2021-2023 TFO GTA. In that decision, the Commission issued seven directions for Lethbridge to address before the Commission would approve Lethbridge's 2021-2023 revenue requirements on a final basis.

9. In compliance with the directions in Decision 26554-D01-2022, Lethbridge revised its 2021-2023 revenue requirements and monthly tariffs to the following amounts:

Table 1. Revenue requirement impact of Commission directions from Decision 26554-D01-2022

	Direction	2021	2022	2023
		(\$000)		
Applied-for revenue requirement		9,295	9,312	9,719
Adjust for change to net salvage for USA 356	3	(6)	(12)	(11)
Adjust for depreciation difference between study and minimum filing requirement (MFR) schedules	4	56	122	128
Total adjustment		50	110	117
Compliance filing revenue requirement		9,345	9,422	9,836
Monthly tariff (\$)		778,748	785,202	819,666

Source: Exhibit 27213-X0001, application, PDF pages 12-13, paragraph 23, Table 7, and paragraph 26.

10. The Commission is satisfied that this compliance filing adequately addresses and responds to directions 2, 3, 4, 5 and 7 from Decision 26554-D01-2022. The Commission finds that Lethbridge has complied with these directions, which are set out in Appendix 2 of this decision.

11. As listed in [Appendix 3](#) of this decision, Direction 1 is intended for all future GTAs and Direction 6 is intended for future depreciation studies undertaken by Lethbridge.

12. With respect to its interim rates true-up, Lethbridge proposed a one-time lump sum payment of \$313,535 to true up interim rates to final rates from January 2021 to March 2022 as follows:

Table 2. Proposed true-up

	\$	Number of months	True-up (\$)
Interim monthly rate	759,137 ⁴		
Monthly rate difference (2021)	19,611	12	235,338
Monthly rate difference (2022)	26,066	3	78,197
Total			313,535

Source: Exhibit 27213-X0001, application, PDF page 12, Table 8. Totals may not exactly match due to rounding.

13. Lethbridge also proposed that its total April 2022 payment be \$1,098,737, which consists of the sum of the 2022 monthly tariff of \$785,202, and the one-time lump sum payment of \$313,535.⁵

14. The Commission finds that the annual tariff and monthly rates for the 2021-2023 test period correspond to the respective revenue requirements and are approved on a final basis. The Commission also approves a one-time lump sum payment of \$313,535 to be collected from the AESO for the revenue shortfall resulting from the difference between Lethbridge's interim and approved monthly tariffs between January 1, 2021, and March 31, 2022.

4 Order

15. It is hereby ordered that:

- (1) The City of Lethbridge's 2021-2023 revenue requirements of \$9,344,977 for 2021, \$9,422,427 for 2022 and \$9,835,995 for 2023 are approved as final and are to be collected in the following manner:
 - A one-time lump sum payment of \$313,535 to true up the difference between existing interim rates and final rates for the period of January 1, 2021, to March 31, 2022.
 - A monthly charge of \$785,202 for the period of April 1, 2022, to December 31, 2022.
 - A monthly charge of \$819,666 for the period of January 1, 2023, to December 31, 2023.

Dated on March 15, 2022.

⁴ The interim monthly rate of \$759,137 was approved by the Commission in Decision 25868-D01-2020: City of Lethbridge, Application for 2021 Interim Transmission Facility Owner Tariff, Proceeding 25868, September 29, 2020.

⁵ Exhibit 27213-X0001, application, paragraph 25. The Commission observes that Lethbridge's determination of the total April 2022 payment of \$1,098,737 indicated a one-time lump sum payment of \$313,535 plus the 2021 monthly tariff of \$778,748, as opposed to the 2022 monthly (April to December) tariff of \$785,202. The Commission has corrected this error in the reference to the 2021 monthly tariff rather than the 2022 monthly tariff. The total payment requested for April 2022 is unchanged.

Alberta Utilities Commission

(original signed by)

Heather Gnenz
Director, Electric and Gas Transmission
On behalf of the Alberta Utilities Commission

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
City of Lethbridge (Lethbridge or LEU) Chymko Consulting Ltd.

Alberta Utilities Commission
Delegated authority H. Gnenz, Director, Electric and Gas Transmission
Commission staff F. Alonso L. Mullen

Appendix 2 – Summary of Commission directions from Decision 26554-D01-2022 that Lethbridge has complied with in the current application

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

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 26554-D01-2022, the wording in the main body of Decision 26554-D01-2022 shall prevail.

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
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 3 – Summary of Commission directions from Decision 26554-D01-2022 to be addressed in future applications

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

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

6. While the Commission accepts Lethbridge’s recovery of depreciation study costs incurred prior to May 2021 through its O&M [operating and maintenance] expense in the current application (consistent with the findings of Decision 2005-148,[⁶] 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.[⁷] paragraph 69

⁶ Decision 2005-148: City of Lethbridge Electric Utility, 2006-2008 Transmission Facility Owner Tariff, Proceeding 14765, Application 1493154-1, December 23, 2005.

⁷ Rule 022: *Rules on Costs in Utility Rate Proceedings.*