



**Commission-Initiated Review and Variance of
Decision 27415-D01-2022**

August 15, 2022

Alberta Utilities Commission

Decision 27576-D01-2022

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Proceeding 27576

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1 Decision

1. In this decision, the Alberta Utilities Commission varies Decision 27415-D01-2022 (the original decision)¹ to correct an error in relation to the applicable rate for carrying charges. The rate prescribed by Rule 023: *Rules Respecting Payment of Interest* should be used to calculate carrying charges effective March 1, 2022, in lieu of the weighted average cost of capital (WACC). The Commission will not require ATCO Gas, a division of ATCO Gas and Pipelines Ltd., to recalculate carrying charges and refile its Rider W application materials in this case, given the immaterial impact this change is expected to have on the Rider W rates approved in the original decision. ATCO Gas shall, however, refund the difference between the applicable Rule 023 rate and the WACC for carrying costs in March and April 2022 as part of its next Rider W application. ATCO Gas is also expected to use the rate prescribed in Rule 023 to calculate carrying costs as part of future Rider W applications.

2 Introduction

2. The Commission is exercising its discretion pursuant to Section 10 of the *Alberta Utilities Commission Act* and sections 2(1) and 6(2) of Rule 016: *Review of Commission Decisions* to vary the original decision without holding a hearing or any further process.

3. The panel that authored the original decision will be referred to as the hearing panel. The panel that authored this decision is referred to as the reviewing panel.

3 Background

4. On May 31, 2022, ATCO Gas filed an application requesting Commission approval of a Rider W to collect a balance of approximately \$10.677 million accumulated in the weather deferral account (WDA) for ATCO Gas South. The Commission issued notice of the application on June 1, 2022, and subsequently received a statement of intent to participate (SIP) from the Consumers' Coalition of Alberta (CCA). In its SIP, the CCA stated, among other things, that it wished to examine whether Rule 023 should apply to the WDA balance instead of the WACC.

5. On June 24, 2022, the Commission issued correspondence advising it was satisfied that the methodology used to calculate Rider W, including carrying costs and the collection period, was consistent with that previously approved by the Commission and that no further process was required.

¹ Decision 27415-D01-2022: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2022 Weather Deferral Account Rate Rider W South, Proceeding 27415, July 26, 2022.

6. On July 26, 2022, the Commission issued the original decision approving the applied-for Rider W effective September 1, 2022, to April 30, 2023. The hearing panel accepted that ATCO Gas's WDA calculations, including using the WACC for carrying costs, were in accordance with the methodology and threshold requirements approved by the Commission in past WDA rate rider applications. The original decision did not consider the application of the interest rate prescribed by Rule 023.

4 The Commission's review process

7. The Commission's authority to review its own decisions is discretionary and found in Section 10 of the *Alberta Utilities Commission Act*. The act authorizes the Commission to make rules governing its review process and the Commission established Rule 016 under that authority. Rule 016 provides that "the Commission may review a decision, in whole or in part, on its own motion at any time for any reason."²

8. While the review process typically has two stages, the review panel has determined that it is reasonable and practical in this case to vary the decision in a single proceeding without notice as it is permitted to do pursuant to Section 6(2) of Rule 016. The original decision was determined using a notice-only process and the Commission is satisfied that the application of Rule 023 in this case is straightforward and does not require submissions from parties.

5 Review panel findings

9. On September 22, 2021, the Commission issued Bulletin 2021-17³ seeking feedback on proposed amendments to Rule 023. In that bulletin, the Commission advised that it was considering, among other things, amending Rule 023 to ensure "broad application of the rule to all outstanding balances and adjustments of rates, tolls or charges and any other costs that are subject to the Commission's jurisdiction." The Commission further advised that:

The changes proposed are intended to apply to applications on a go-forward basis. Following the Commission's approval of the amended rule, deferral accounts and balances **that have been awarded interest at weighted average cost of capital (WACC) or another interest rate will be honoured for the time periods for which they were approved, after which, a request for any rate other than the rate specified under Rule 023 will be required to justify a different rate.** [emphasis added]

10. Utilities and other stakeholders, including ATCO Gas, were provided the opportunity to participate in this consultation by providing written feedback on the proposed amendments.

11. The Commission released an amended Rule 023 on February 24, 2022, which came into effect on March 1, 2022. This rule applies to outstanding balances; adjustments of rates, tariffs, tolls or charges; and any other costs that are subject to the Commission's jurisdiction. The applicable interest rate prescribed by Rule 023 is the Bank of Canada's policy interest rate plus 1.75 per cent.

² Rule 016, Section 2(1).

³ Bulletin 2021-17, Consultation on proposed amendments to AUC Rule 023.

12. The above was recently set out by the Commission in Decision 27451-D01-2022 in relation to an application by ATCO Gas for approval of a rate rider to collect its load balancing deferral account (LBDA) balance through Rider L. In that decision, the Commission considered that Rule 023 applies to LBDA and directed ATCO Gas to recalculate Rider L accordingly.

13. The review panel considers that Rule 023 applies to the WDA. The hearing panel neglected to take into account that a revised Rule 023 had been enacted since the WDA methodology had been considered by the Commission. The review panel finds that Rule 023 changed the rate to be used to calculate carrying costs from the WACC to the rate prescribed in the rule effective March 1, 2022. The Commission varies the original decision accordingly.

14. In this case, the Commission has estimated the impact of using the rate prescribed in Rule 023 in lieu of the WACC for the carrying costs associated with the WDA balance in March and April 2022 and concluded that it is not necessary to direct ATCO Gas to recalculate Rider W and refile the application. Rather, ATCO Gas should include an adjustment in its next Rider W application to account for the difference between the applicable Rule 023 rate and the WACC for carrying costs in March and April 2022. ATCO Gas is also expected to use the rate prescribed in Rule 023 to calculate carrying costs as part of future WDA balances and Rider W applications.

6 Decision

15. The Commission varies the original decision to reflect that Rule 023 applies to the WDA effective March 1, 2022. ATCO Gas shall reflect the impact of this variance to the balance approved for collection in the original decision as part of its next Rider W application. ATCO Gas shall also use the rate prescribed in Rule 023 as part of future Rider W applications unless otherwise directed by the Commission.

Dated on August 15, 2022.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair