



EPCOR Distribution & Transmission Inc.

2022 Customer Specific Distribution Access Service Rate and System Access Service Rate Update for Customer CS21

August 18, 2022

Alberta Utilities Commission

Decision 27493-D01-2022

EPCOR Distribution & Transmission Inc.

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Customer CS21

Proceeding 27493

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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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1 Decision

1. In this decision the Alberta Utilities Commission approves EPCOR Distribution & Transmission Inc.'s customer specific (CS) distribution access service (DAS) and system access service (SAS) rate update for customer CS21. The approved DAS rate is \$573.90 per day and the approved SAS rates are as follows:

Table 1. CS21 SAS rates

SAS rate component	Description	Rate
SAS-CST21-3	/kilowatt (kw)/day of capacity charge	0.17717
SAS-CST21-4	/kWh of energy charge	0.00212
SAS-CST21-5	Operating reserve charge (total energy x operating reserve% x pool price (\$46.53/megawatt hour (MWh)))	5.59%
SAS-CST21-6	/kW/day of other system support charge	0.00078
SAS-CST21-7	Daily charge multiplied by point of delivery (POD) percentage	48.24
SAS-CST21-8	/kw/day of peak metered demand charge	0.31734

2. Both rates are approved effective August 1, 2022. These rates will be trued up to reflect any changes to the effective date and 2022 actual cost of debt.

2 Introduction

3. On June 29, 2022, EPCOR filed an application requesting approval for a CS DAS and SAS rate update for a customer designated as CS21, effective August 1, 2022.¹ This rate was requested in response to an upgrade in service for a customer with an energy demand of 5,000 kilovolt-amperes (kVA) or greater.

4. The Commission issued a notice of application on June 30, 2022, and invited parties who wished to comment on the application to provide a statement of intent to participate (SIP) on or before July 14, 2022. The Commission did not receive any SIPs and considers the record of this proceeding to have closed on July 14, 2022.

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

¹ Exhibit 27493-X0002, Customer Specific DAS & SAS Rate Update CS21, paragraph 1.

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

3 Background

6. The CS rate class is used by EPCOR for customers with energy demands over 5,000 kVA. Customer CS21, an existing customer in the CS rate class for over 10 years, requested a service upgrade to be completed on or about August 1, 2022. As a result of the service upgrade request, EPCOR applied to update the CS DAS and SAS rates for the customer. EPCOR identified the costs of power system assets wholly or partly dedicated to the service of the customer CS21 and developed a DAS daily rate of \$573.90 for the customer. The methodology EPCOR used to calculate the DAS CS21 rate in this application is the same methodology used and approved in past applications to calculate or update CS rates, most recently in Decision 27187-D01-2022.³

7. The customer currently is supplied from two feeders connected to EPCOR's POD12. The customer elected to have its transmission demand on these two feeders totalized for the purposes of determining its capacity and peak metered demand under EPCOR's transmission SAS tariff. As a result, its SAS rate is a totalized CS rate, also referred to as a CST rate. EPCOR used the most recently approved SAS cost-of-service (COS) model from Decision 27153-D01-2022^{4 5} as the basis to calculate the costs for the customer. EPCOR then used the same rate structure and components as its current CST customer⁶ to calculate the rates for customer CS21.

8. In Decision 21700-D01-2016, the Commission directed EPCOR to include the following information in subsequent CS rate applications:⁷

- (a) The CS rate calculation and supporting schedules.
- (b) The supporting detailed calculations or the CS rate showing, for each asset used to supply electric service to the customer, the following information, if applicable: asset type, asset subtype, 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.
- (c) 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 this CS21 rate application.

³ Decision 27187-D01-2022: EPCOR Distribution & Transmission Inc., 2022 Customer Specific Distribution Access Service Rate for a new Customer (CS48), Proceeding 27187, April 6, 2022.

⁴ Proceeding 27153, Exhibit 27153-X0003.01, Appendix A – 2022 COSS update.

⁵ Decision 27153-D01-2022: EPCOR Distribution & Transmission Inc., Compliance Filing to Decision 26836-D01-2021, Proceeding 27153, March 9, 2022.

⁶ Proceeding 27153, Exhibit 27153-X0005.01, Schedule – 2022 SAS Rates Update, PDF page 13.

⁷ Decision 21700-D01-2016: EPCOR Distribution & Transmission Inc., 2016 Customer Specific Distribution Access Service Rates (CS43 and CS44) for a New Customer, Proceeding 21700, August 30, 2016.

4 Calculation of the 2022 CS21 rate

10. EPCOR provided the details of the calculation for both the DAS CS21 rate and the SAS CST21 rate, which are described in the following sections. The Commission finds the methodology used by EPCOR to be consistent with previously approved methodologies and to result in reasonable SAS and DAS rates. Accordingly, the Commission approves EPCOR's proposed DAS and SAS rates for customer CS21 as filed, with an effective date of August 1, 2022.

11. In approving the application for the updated CS21 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 CS21. 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.

12. Consistent with past practices, the Commission directs EPCOR to true up any differences if the actual effective date for the CS21 rate differs from August 1, 2022, which is the effective date contemplated in the application. As well, the CS21 rate will be trued up to reflect the 2022 actual cost of debt when it becomes available.

4.1 Calculation of the 2022 CS21 DAS rate

13. EPCOR explained that the COS 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.

14. Regarding (i), the provision of service to the customer required the installation of incremental equipment. EPCOR provided a list of the specific assets used to provide service to the customer in Schedule 2.0 of Appendix A to the application.⁸ EPCOR categorized assets installed during the first year of a CS rate as "incremental assets." For CS21, assets required to serve the customer that were installed in 2022 were considered incremental for the purposes of calculating the customer's 2022 CS rate. EPCOR also confirmed that there were no assets required for standby service for the customer.

15. Regarding (ii), EPCOR used existing assets to provide service to the customer; the list of existing assets is included in Schedule 2.0 of Appendix A to the application. EPCOR used 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 2010-2011 Phase 2 application.⁹ The Commission notes a new CS rate calculation methodology has been approved in EPCOR's most recently approved Phase 2 application.¹⁰ As the new approved CS rate calculation methodology does not come into effect until January 1, 2023, EPCOR continued to use the previously approved methodology for calculating the 2022 CS21 DAS rate.

⁸ Exhibit 27493-X0003, Appendix A - CS rate calculation, Schedule 2.0.

⁹ Decision 2011-490: EPCOR Distribution & Transmission Inc., 2010-2011 Phase II Distribution Tariff Refiling, Proceeding 1484, Application 1607746-1, December 14, 2011.

¹⁰ Decision 27018-D01-2022: EPCOR Distribution & Transmission Inc., Phase 2 Distribution Tariff Application, Proceeding 27018, July 11, 2022, Section 5.4.

16. Regarding (iii), EPCOR explained that it allocated OM&G costs¹¹ associated with the incremental and existing assets using a ratio of 1.851 per dollar of capital cost, which was the ratio approved in EPCOR's 2010-2011 Phase 2 application, and which is still in effect for this year. As discussed above, in the future, this method of allocating OM&G costs for CS customers will be superseded by a new approved method as of January 1, 2023, in accordance with EPCOR's most recent Phase 2 decision.¹²

17. Given that the methodology used by EPCOR to calculate its CS21 DAS rate is consistent with methodology approved by the Commission in its 2010-2011 Phase 2 decision still in effect for this year, and consistent with past applications, the Commission finds the proposed CS21 DAS rate of \$573.90 to be reasonable.

18. Following the determination of the 2022 CS21 rate based on COS principles, the performance-based regulation (PBR) methodology requires the calculation of a base rate for determining the PBR rates for subsequent years. EPCOR has proposed to include calculation of the 2023 rate in its 2023 COS application, Proceeding 26617. The Commission approves this approach and directs EPCOR to include an update of the 2023 CS21 DAS rate in its compliance filing to Decision 26617-D01-2022.¹³ The Commission directs EPCOR to convert the CS21 rate to a PBR rate for 2024 in a subsequent proceeding. The Commission expects that the 2024 CS21 rate under PBR will be calculated using the same method as applied to other PBR rates, involving the calculation of a base rate and application of the I-X index and any rate adjustments approved as part of the next PBR plan. The Commission also notes that EPCOR has stated in its most recent Phase 2 application that it is exploring further alternatives to CS rates for its third PBR term due to the over-recovery created by the difference between PBR rate adjustment mechanisms and the COS principles applied to CS customer rates.¹⁴

4.2 Calculation of the 2022 CST21 SAS rate

19. Customer CS21 currently has two main feeders connected to POD12 and elected to have its transmission demand totalized for the purposes of determining its capacity and peak metered demand under EPCOR's transmission SAS tariff. As mentioned above, EPCOR used the most recently approved SAS COS model from Decision 27153-D01-2022 as the basis to calculate the costs for the CS21.

20. For fixed and demand-based Alberta Electric System Operator (AESO) demand transmission service (DTS) charges, the customer's share of these costs is based on its historical share of the peak demand at the POD. EPCOR compared the customer's actual monthly peak demand and the POD monthly peak demand for the last five years (January 2017 to December 2021) and the customer's share is 10.3 per cent.

21. For energy-based AESO DTS charges, EPCOR calculated the revenue requirement based on the customer's forecast energy multiplied by the applicable AESO DTS rate. The customer's forecast energy is based on a three-year monthly average. The energy forecast is consistent with

¹¹ Proceeding 27187, Exhibit 27187-X0003, Appendix A - CS Rate Calculation, Schedule 1.0, row 8.

¹² Decision 27018-D01-2022.

¹³ Decision 26617-D01-2022: ENMAX Power Corporation, EPCOR Distribution & Transmission Inc., 2023 Cost-of-Service Review, Proceeding 26617, June 20, 2022.

¹⁴ Proceeding 27018, EPCOR Phase 2 Distribution Tariff Application, Exhibit 27018-X0030, EDTI-AUC-2022FEB02-009(b).

EPCOR’s approved energy billing determinant forecast for the CS rate class and aligns with the revenue requirements approved in Decision 27153-D01-2022, EPCOR’s compliance filing on 2022 SAS rates.¹⁵ Based on this methodology, EPCOR calculated a total revenue requirement of \$703,025 to be collected from CS21 via the CST21 SAS rate.¹⁶

22. EPCOR proposed to use the same SAS rate structure and components as its current CST customer¹⁷ to calculate the CST21 rates. The summary of the CST21 components and SAS rates is shown in the table below.

Table 2. CST21 SAS rate components and SAS rates

SAS rate component	Description	Rate
SAS-CST21-3	/kw/day of capacity charge	0.17717
SAS-CST21-4	/kWh of energy charge	0.00212
SAS-CST21-5	Operating reserve charge (total energy x operating reserve% x pool price (\$46.53/MWh))	5.59%
SAS-CST21-6	/kW/day of other system support charge	0.00078
SAS-CST21-7	Daily charge multiplied by POD percentage	48.24
SAS-CST21-8	/kw/day of peak metered demand charge	0.31734

23. Given that EPCOR applied the most recently approved SAS COS model in calculating the CST21 SAS rate and used the same SAS rate structure and components as its current CST customer, the Commission finds the proposed CST21 SAS rate to be reasonable. The Commission also approves of EPCOR’s proposal to update the CST21 SAS rate when it next updates its SAS rates.

4.3 Timing

24. EPCOR indicated that the electrical service required by CS21’s unique service requirements resulted in the need to submit the application within six weeks of the anticipated in-service date of the upgraded service for CS21. As a result, EPCOR requested that the SAS and DAS rates be approved with an effective date of August 1, 2022. Given that no other parties participated in the proceeding, and that the customer was informed of the proposed SAS and DAS rates, the Commission agrees to EPCOR’s request and approves the SAS and DAS rates effective August 1, 2022.

¹⁵ Proceeding 27153, Exhibit 27153-X0003.01, Appendix A – 2022 SAS COSS update.

¹⁶ Exhibit 27493-X0002, Customer Specific DAS & SAS Rate Update CS21, paragraph 30, Table 6.1-1.

¹⁷ Proceeding 27153, Exhibit 27153-X0005.01, Schedule – 2022 SAS Rates Update, PDF page 13.

5 Order

25. It is hereby ordered that:

- (1) EPCOR Distribution & Transmission Inc.'s customer specific distribution access service rate CS21 of \$573.90 per day is approved as filed, effective August 1, 2022.
- (2) EPCOR Distribution & Transmission Inc.'s customer specific system access service rate CST21 is approved as filed, effective August 1, 2022.
- (3) EPCOR Distribution & Transmission Inc. shall true up any differences to the rate effective date and 2022 actual cost of debt.

Dated on August 18, 2022.

Alberta Utilities Commission

(original signed by)

Vincent Kostas
Acting 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 V. Kostaskey, Acting Commission Member
Commission staff N. Morter 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 CS21 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 CS21. 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 11
2. Consistent with past practices, the Commission directs EPCOR to true up any differences if the actual effective date for the CS21 rate differs from August 1, 2022, which is the effective date contemplated in the application. As well, the CS21 rate will be trued up to reflect the 2022 actual cost of debt when it becomes available. paragraph 12
3. Following the determination of the 2022 CS21 rate based on COS principles, the performance-based regulation (PBR) methodology requires the calculation of a base rate for determining the PBR rates for subsequent years. EPCOR has proposed to include calculation of the 2023 rate in its 2023 COS application, Proceeding 26617. The Commission approves this approach and directs EPCOR to include an update of the 2023 CS21 DAS rate in its compliance filing to Decision 26617-D01-2022. The Commission directs EPCOR to convert the CS21 rate to a PBR rate for 2024 in a subsequent proceeding. The Commission expects that the 2024 CS21 rate under PBR will be calculated using the same method as applied to other PBR rates, involving the calculation of a base rate and application of the I-X index and any rate adjustments approved as part of the next PBR plan. The Commission also notes that EPCOR has stated in its most recent Phase 2 application that it is exploring further alternatives to CS rates for its third PBR term due to the over-recovery created by the difference between PBR rate adjustment mechanisms and the COS principles applied to CS customer rates.
..... paragraph 18