



EPCOR Distribution & Transmission Inc.

2023 Interim Transmission Facility Owner Tariff

November 17, 2022

Alberta Utilities Commission

Decision 27696-D01-2022

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Proceeding 27696

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1 Decision summary

1. In this decision, the Alberta Utilities Commission considers an application filed by EPCOR Distribution & Transmission Inc. requesting approval of its 2023 interim transmission facility owner (TFO) tariff effective January 1, 2023. For the reasons stated below, the Commission has approved EPCOR's application.

2 Introduction and process

2. On October 7, 2022, EPCOR applied to the Commission for approval of its 2023 interim TFO tariff. EPCOR requested that the Commission approve its interim TFO tariff on an interim, refundable basis. EPCOR asked that such approval remain in effect until Commission approval and EPCOR's implementation of its final 2023 TFO tariff.

3. EPCOR proposed that its 2023 interim TFO tariff be equal to EPCOR's approved 2022 TFO tariff plus 50 per cent of the difference between EPCOR's applied-for 2023 final tariff and its approved 2022 tariff.

4. The Commission issued notice of application on October 7, 2022, advising interested parties to file a statement of intent to participate (SIP) by October 21, 2022. On October 21, 2022, the Commission received a SIP from the Consumers' Coalition of Alberta (CCA) requesting written argument and written reply argument to test the increase in EPCOR's transmission tariff.

5. The Commission is not persuaded that written argument and reply argument would improve the Commission's understanding of the application. Interim tariff determinations are, by their nature, made through an expeditious process, without extensively examining the substantive issues involved, based on materials that have not been fully tested.¹ The Commission remains obligated to ensure the interim tariff is just and reasonable.² A decision setting an interim tariff is, in no way, a ruling by the Commission as to the merits of any case presented by a party in respect of a final tariff.

6. The Commission is not persuaded that further process beyond notice-only is required. The CCA failed to identify any matter that required testing in its SIP, even though the Commission's SIP form asked the CCA to identify specific issues on which the CCA intends to make submissions. In response to this question, the CCA only indicated that such a large tariff increase by EPCOR should not be approved without further testing. EPCOR's revenue

¹ *Bell Canada v Canada (Canadian Radio-Television and Telecommunications Commission)*, [1989] 1 SCR 1722, pages 1754-1756. See also, Decision U96047: NOVA Gas Transmission Ltd., 1996 Interim Rate Application, File 1601-1, May 8, 1996, page 4.

² *Electric Utilities Act*, Section 121(2).

requirement is being thoroughly tested in the ongoing general tariff application (GTA),³ a proceeding in which the CCA is involved. Any additional testing in this application would duplicate efforts of all parties. Finally, the nature of the application does not require further testing. Interim tariffs are, by definition, in place on a temporary basis to bridge a short period of time. They are subject to a subsequent determination on final tolls.⁴ Any difference between interim and final toll levels will be recovered from or refunded to customers once the final tariff is approved.

7. For the reasons mentioned above, the Commission has determined that it does not require any additional information and that the application will be handled by way of a *notice-only process*. The Commission considers the record of this proceeding to have closed on October 21, 2022.

3 Background and details of the application

8. EPCOR filed its 2023-2025 TFO GTA on September 29, 2022, requesting approval of a forecast 2023 tariff of \$129.20 million.⁵ EPCOR stated that it does not expect a Commission decision of its 2023-2025 tariff application until the second quarter of 2023, and if a compliance filing is necessary, it does not expect that the final 2023 tariff will be established until the third or fourth quarter of 2023.⁶

9. EPCOR's existing 2022 tariff of \$113.11 million was approved on a final basis by the Commission in Decision 25664-D01-2020.⁷

10. From the approved 2022 tariff to the applied-for 2023 tariff, there is a revenue shortfall of \$16.09 million or 12.5 per cent of the 2023 tariff.

11. As stated above, EPCOR proposed that the 2023 interim TFO tariff be equal to the 2022 tariff of \$113.11 million plus 50 per cent of the difference between the applied-for 2023 revenue requirement and the approved 2022 revenue requirement⁸. This would result in an annual 2023 tariff of \$121.15 million, or a monthly charge of \$10.10 million.⁹ EPCOR requested that the monthly charge begin on January 1, 2023.¹⁰

³ Proceeding 27675, EPCOR's 2023-2025 TFO tariff application.

⁴ Decision U96047, page 4.

⁵ Proceeding 27675, Exhibit 27675-X0006.01, application, paragraph 17. Note that this application was updated on October 3, 2022.

⁶ Exhibit 27696-X0002, application, paragraph 8.

⁷ Decision 25664-D01-2020: EPCOR Distribution & Transmission Inc., Compliance Filing to Decision 24798-D01-2020, 2020-2022 Transmission Facility Owner General Tariff Application, Proceeding 25664, July 15, 2020, paragraph 28

⁸ Exhibit 27696-X0002, application, paragraph 10.

⁹ The approved 2022 tariff is \$113,110,000. The requested 2023 tariff is \$129,196,743 (exact figure from Proceeding 27675, Exhibit 27675 X0090, MFR Schedules Transmission MFR Schedules 2023-2025 TFO Schedule 3-1). Therefore the requested interim tariff is equal to $\$113,110,000 + 0.5 * (\$129,196,743 - \$113,110,000) = \$121,153,372$. Divide by 12 to get a monthly tariff of \$10,096,114.

¹⁰ Exhibit 27696-X0002, application, paragraph 12.

12. EPCOR submitted that its 2023 TFO tariff application meets the two-part test applicable to interim rate applications established in decisions 2005-099¹¹ and 2005-102.¹² With respect to the first part of the test, which addresses quantum and need factors, EPCOR submitted that the 2023 revenue shortfall of \$16.09 million is material as it represents 12.5 per cent of EPCOR's applied-for 2023 revenue requirement. Further, collecting 50 per cent of the 2023 revenue shortfall is a conservative approach to exclude contentious issues that may ultimately not be approved in EPCOR's 2023-2025 GTA. Finally, EPCOR submitted that the approval of the 2023 interim tariff will preserve its financial integrity by reducing the material shortfall, and thereby reducing the need for increased borrowing to safely operate its transmission system and meet legislated requirements.

13. With respect to the second part of the test, which addresses various public interest factors, EPCOR submitted that the 2023 interim tariff promotes rate stability by way of a gradual rate increase and thereby eases rate shock. If none of the revenue shortfall were to be collected until final rates are established, then the entire amount may need to be collected over a shorter time, which would not promote rate stability. Further, approval of the proposed 2023 interim TFO tariff would help maintain intergenerational equity and provide appropriate price signals as the rates paid by customers in 2023 would more closely reflect the costs associated with that period. EPCOR asserted that while carrying costs might mitigate the financial hardship on EPCOR resulting from the revenue shortfall, carrying costs would not promote rate stability, ease rate shock, provide appropriate price signals to customers or help maintain intergenerational equity because large true-ups would likely be required once the 2023 revenue requirement is approved on a final basis.¹³

14. EPCOR submitted in conclusion, that its applied-for 2023 interim TFO tariff satisfies the two-part test for interim rate applications and requested that the Commission approve its application.¹⁴

4 Commission findings

15. When evaluating interim rate applications, the Commission has consistently applied the two-part test established by its predecessor (the Alberta Energy and Utilities Board) in Decision 2005-099 and Decision 2005-102. The first part of the test relates to quantum and need factors, and includes the following considerations:

- The identified revenue deficiency should be probable and material
- All or some portion of any contentious items may be excluded from the amount collected
- Is the increase required to preserve the financial integrity of the applicant or to avoid financial hardship to the applicant?

¹¹ Decision 2005-099: ATCO Gas, 2005-2007 General Rate Application, Interim Rate Application, Proceeding 14790, Application 1404168-1, August 29, 2005, PDF pages 11-12.

¹² Decision 2005-102: ATCO Electric Ltd., 2005 Interim Transmission Facility Owner Tariff, Proceeding 14838, Application 1407551-1, September 7, 2005, PDF page 7.

¹³ Exhibit 27696 X0002, application, paragraphs 20-22.

¹⁴ Exhibit 27696-X0002, application, paragraph 23.

- Can the applicant continue safe utility operations without the interim adjustment?¹⁵

16. The second part of the test relates to the public interest and includes the following considerations:

- Interim rates should promote rate stability and ease rate shock
- Interim adjustments should help to maintain intergenerational equity
- Can interim rate increases be avoided through the use of carrying costs
- Interim rate increases may be required to provide appropriate price signals to customers
- It may be appropriate to apply the interim rider on an across-the-board basis¹⁶

17. Each of the identified factors may be given a different weighting depending on the specific circumstances of each application. Further, the Commission has the authority to approve the requested tariff, approve only some portion of the requested tariff, or to set the tariff to an amount that it deems just and reasonable.¹⁷

18. For the reasons below, the Commission finds that the application of the two-part test to the specifics of EPCOR's requested interim rate favours approval of EPCOR's application.

19. With respect to the first question on quantum and needs factors, the Commission finds:

- (a) The \$16.09 million shortfall is probable and material.
- (b) There were no contentious issues apparent in this application. In any event, requesting 50 per cent of the shortfall for the interim rate provides a buffer for what quantum will be decided in the full GTA.
- (c) While the revenue shortfall may not be fatal to EPCOR's operations, the interim rate will help meet the utility's revenue requirements without excessive financial burden or increase in borrowing. Reasonably supporting the financial health of utilities is also in the long-term interest of customers who require the services provided by utilities.

20. With respect to the second question on the public interest factors, the Commission finds:

- (a) Gradually increasing rates from the approved 2022 to forecast 2023 rates using an interim tariff will help reduce rate shock. The increase will also send appropriate price signals to customers to reflect costs more accurately.
- (b) The interim rate will also support intergenerational equity by beginning to charge customers in 2023 for costs that are incurred in 2023.
- (c) Carrying costs would not support the above two points (a) and (b) as effectively as an interim rate.

¹⁵ Decision 2005-099, PDF page 11.

¹⁶ Decision 2005-099, PDF page 12.

¹⁷ *Electric Utilities Act*, sections 121(1) and 124(1).

21. Accordingly, the Commission approves a 2023 interim refundable TFO tariff of \$10,096,114 per month, effective January 1, 2023. The approved rate schedule is attached to this decision as [Appendix 2](#).

22. The interim tariff will be trued up when the Commission approves EPCOR's final 2023-2025 TFO GTA revenue requirements.

5 Order

23. It is hereby ordered that:

- (1) EPCOR Distribution & Transmission Inc.'s 2023 transmission facility owner tariff is approved on an interim basis in the amount of \$10,096,114 per month, effective January 1, 2023, as reflected in Appendix 2 to this decision and until otherwise directed by the Commission.

Dated on November 17, 2022.

Alberta Utilities Commission

(original signed by)

Matthew Oliver, CD
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
EPCOR Distribution & Transmission Inc (EPCOR)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel M. Oliver, CD, Commission Member
Commission staff P. Khan (Commission counsel) D. Lucas F. Alonso M. Logan

Appendix 2 – EPCOR 2023 interim TFO tariff[\(return to text\)](#)**SCHEDULE TFO-A 2023****Effective January 1, 2023****EPCOR DISTRIBUTION & TRANSMISSION INC.
2023 INTERIM RATE SCHEDULE
TRANSMISSION TARIFF**

AVAILABLE: To the Alberta Electric System Operator

APPLICABLE: To the Alberta Electric System Operator for use of EPCOR Distribution & Transmission Inc.'s transmission facilities until further order of the Alberta Utilities Commission

RATE: The transmission tariff charged to the Alberta Electric System Operator until further order of the Alberta Utilities Commission shall be:

Annual Tariff:	\$121,153,372
Monthly Charge:	\$10,096,114