



**ENMAX Power Corporation**

**2023 Interim Transmission Facility Owner Tariff**

**November 17, 2022**

**Alberta Utilities Commission**

Decision 27727-D01-2022

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Proceeding 27727

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission considers an application filed by ENMAX Power Corporation (EPC) requesting approval of its 2023 interim transmission facility owner (TFO) tariff effective January 1, 2023. For the reasons that follow, the Commission finds that EPC's interim tariff should be set based on a recovery of 50 per cent of the revenue shortfall between its approved 2022 tariff and its forecast 2023 revenue requirement, resulting in an interim tariff of \$117.39 million in 2023.

## **2 Introduction and process**

2. On October 20, 2022, EPC applied to the Commission for approval of its 2023 interim TFO tariff. EPC requested that the Commission approve its application on an interim, refundable basis. EPC asked that such approval remain in effect until Commission approval and implementation of EPC's final 2023 TFO tariff.

3. EPC proposed that its 2023 interim tariff recover 60 per cent of the forecast revenue shortfall calculated as the difference between the approved 2022 transmission tariff and the proposed 2023 transmission tariff.

4. The Commission issued notice of application on October 24, 2022, advising interested parties to file a statement of intent to participate (SIP) by November 7, 2022. On October 25, 2022, the Commission received a SIP from the Consumers' Coalition of Alberta (CCA) requesting written argument and written reply argument to test the large increase in EPC'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 and based on materials that have not been fully tested.<sup>1</sup> 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 testing of the application is required. First, the CCA failed to identify any specific 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 EPC should not be approved without further testing. Second, EPC's revenue

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<sup>1</sup> *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.

requirement is being thoroughly tested in the ongoing general tariff application (GTA),<sup>2</sup> a proceeding in which the CCA is involved. Any additional testing in this application would duplicate efforts of all parties. Third, the nature of the application does not require further testing. The application is for an interim refundable tariff. Interim tariffs are, by definition, in place on an interim basis. They are subject to a subsequent determination on final tolls.<sup>3</sup> Any difference between interim and final tolls is recovered from or refunded to customers.

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 November 7, 2022.

### 3 Background and details of the application

8. EPC filed its 2023-2025 transmission GTA with the Commission on October 3, 2022, requesting approval of a forecast 2023 revenue requirement of \$129.54 million.<sup>4</sup> EPC stated that it expects a Commission decision on its 2023-2025 GTA will be issued in the second quarter of 2023, and given the timing of an associated compliance filing to the GTA decision, it is unlikely that a final 2023 transmission tariff will be approved before the third quarter of 2023.<sup>5</sup>

9. EPC's existing 2022 tariff of \$105.23 million was approved by the Commission in Decision 26732-D01-2021.<sup>6</sup> If the collection of this tariff were to continue throughout 2023, EPC submitted that a revenue shortfall in the amount of \$24.30 million<sup>7</sup> would occur.<sup>8</sup>

10. EPC stated that its 2023 interim transmission tariff is designed to recover 60 per cent of the forecast revenue shortfall, an amount of \$14.58 million,<sup>9</sup> and if approved by the Commission, would reduce the revenue shortfall in 2023 to \$9.72 million.<sup>10</sup>

11. To collect the interim tariff, EPC proposed to collect a monthly tariff of \$9.98 million,<sup>11</sup> effective January 1, 2023.<sup>12</sup>

12. EPC submitted that its 2023 interim transmission tariff meets the two-part test applicable to interim rate applications<sup>13</sup> established in decisions 2005-099<sup>14</sup> and 2005-102.<sup>15</sup> With respect to

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<sup>2</sup> Proceeding 27581, ENMAX Power Corporation 2023-2025 Transmission General Tariff Application.

<sup>3</sup> Decision U96047, page 4.

<sup>4</sup> Proceeding 27581, Exhibit 27581-X0016, paragraph 5.

<sup>5</sup> Exhibit 27727-X0002, application, paragraph 3.

<sup>6</sup> Decision 26732-D01-2021: ENMAX Power Corporation, 2021-2022 General Tariff Application Compliance Filing to Decision 25726-D01-2021, Proceeding 26732, August 25, 2021.

<sup>7</sup> Calculated as \$129.54 million less \$105.23 million = \$24.30 million.

<sup>8</sup> Exhibit 27727-X0002, application, paragraph 10.

<sup>9</sup> Calculated as \$24.30 x 60 per cent = \$14.58.

<sup>10</sup> Exhibit 27727-X0002, application,

<sup>11</sup> Calculated as \$119.83 million divided by 12 months = \$9.98 million/month from January to December.

<sup>12</sup> Exhibit 27727-X0002, application, paragraph 12

<sup>13</sup> Exhibit 27727-X0002, application, paragraph 42.

<sup>14</sup> Decision 2005-099: ATCO Gas, 2005-2007 General Rate Application, Interim Rate Application, Application 1404168, August 29, 2005.

<sup>15</sup> Decision 2005-102: ATCO Electric Ltd., 2005 Interim Transmission Facility Owner Tariff, Application 1407551, September 7, 2005.

the first part of the test, which addresses quantum and need factors, EPC submitted that the 2023 revenue shortfall of \$24.30 million is both probable and material and, if left unaddressed, would reduce cash flow and require increased borrowing.<sup>16</sup> Further, by collecting only 60 per cent of the shortfall, EPC submitted it adequately accounts for any contentious or settled elements of the 2023-2025 GTA.<sup>17</sup>

13. With respect to the second part of the test, which addresses various public interest factors, EPC submitted that the 2023 interim tariff will promote rate stability and ease the effect of rate shock by reducing the increase that would otherwise result from the future implementation of the final 2023 tariff, decrease the quantum of the true-up<sup>18</sup> and provide for a more gradual and stable transition of its transmission tariff.<sup>19</sup> EPC submits that if the 2023 interim tariff is not approved intergenerational equity may not be maintained as there is a real and substantial risk that customers' rates for the test period will not reflect the costs associated with that period.<sup>20</sup> EPC asserted that carrying costs do not address the underlying issue; that the existence of a significant revenue shortfall must be recovered from customers at some point in time. Carrying costs do not address the issues of rate shock or rate stabilization and have the potential to compound the intergenerational inequity by increasing the amounts that must be recovered in future tariffs.<sup>21</sup> Finally, EPC submitted that its 2023 interim tariff is required to provide appropriate price signals to customers and that this need outweighs the desirability of minimizing the number of tariff changes.<sup>22</sup>

14. EPC submitted in conclusion, that its application for a 2023 interim tariff meets the two-part test for interim rate applications and requested that the Commission approve its application.<sup>23</sup>

#### **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. The first part of the test relates to the 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?
- Can the applicant continue safe utility operations without the interim adjustment?<sup>24</sup>

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<sup>16</sup> Exhibit 27727-X0002, application, paragraph 25.

<sup>17</sup> Exhibit 27727-X0002, application, paragraph 19.

<sup>18</sup> Exhibit 27727-X0002, application, paragraph 28.

<sup>19</sup> Exhibit 27727-X0002, application, paragraph 47.

<sup>20</sup> Exhibit 27727-X0002, application, paragraph 31.

<sup>21</sup> Exhibit 27727-X0002, application, paragraph 34.

<sup>22</sup> Exhibit 27727-X0002, application, paragraphs 36-38.

<sup>23</sup> Exhibit 27727-X0002, application, paragraph 42.

<sup>24</sup> Decision 2005-099, PDF page 11.

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 basis.<sup>25</sup>

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 of the portion of the requested tariff, or to set the tariff to an amount that it deems just and reasonable.<sup>26</sup>

18. For the reasons set out below, the Commission finds that the application of the two-part test to EPC's requested rate increase does not favour approval of EPC's application. Instead, the Commission has deemed that a recovery of 50 per cent of the revenue shortfall is just and reasonable.

19. In the Commission's view, the increase in depreciation expense is a contentious item in Proceeding 27581, as are the other issues on the approved issues list for the proceeding. As such, the Commission finds that a portion of the requested interim tariff increase is related to contentious items.

20. If the Commission were to approve EPC's requested 2023 interim tariff in full, the expected total 2023 costs for ratepayers would equal \$119.82 million,<sup>27</sup> which would represent an increase of \$14.58 million from the approved 2022 tariff of \$105.23 million, or an approximate 14 per cent increase in 2023.

21. After considering the application filed by EPC, the Commission is not persuaded that approval of the requested interim rate increase, in full, is in the public interest at this time given that determinations on the contentious items remain uncertain. The Commission denies the requested increase and finds that it is just and reasonable that EPC's 2023 interim rates be based on a recovery of 50 per cent of the revenue shortfall. This will result in an interim tariff of \$117.39 million in 2023.

22. Further, the Commission considers that an interim tariff of \$117.39 million for 2023 will assist to smooth out any potential increase in rates for 2023 and reduce potential rate shock to ratepayers when the final 2023 tariff is approved.

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<sup>25</sup> Decision 2005-099, PDF page 12.

<sup>26</sup> *Electric Utilities Act*, Section 124(1).

<sup>27</sup> Exhibit 27727-X0002, application, paragraph 7.

23. Accordingly, the Commission approves a monthly interim tariff of \$9,782,106<sup>28</sup> effective January 1, 2023. The rate increase is approved on an interim basis and as such, the interim transmission rate will be trued up when the Commission approves EPC's final 2023-2025 revenue requirement. The approved rate schedule is attached to this decision as Appendix 2.

## 5 Order

24. It is hereby ordered that:

- (1) ENMAX Power Corporation's 2023 interim transmission facility owner tariff in the amount of \$117,385,270 is approved, to be collected by way of a monthly rate of \$9,782,106, effective January 1, 2023, on an interim basis.

Dated on November 17, 2022.

### Alberta Utilities Commission

*(original signed by)*

Cairns Price  
Commission Member

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<sup>28</sup> Calculated as \$117,385,270 divided by 12 = \$9,785,106



**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
ENMAX Power Corporation (ENMAX or EPC)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel C. Price, Commission Member
Commission staff M. Logan D. Lucas

**Appendix 2 – 2023 interim transmission facility owner tariff****Effective January 1, 2023****ENMAX POWER CORPORATION  
2023 INTERIM REVENUE REQUIREMENT  
RATE SCHEDULE****AVAILABLE**

To Enmax Power Corporation

**APPLICABLE**

To ENMAX Power Corporation for collection from the Alberta Electric System Operator

**RATE**

Effective January 1, 2023, the interim revenue requirement shall be:

Annual Tariff: \$117,385,270

Monthly Charge: \$9,782,106