



ENMAX Energy Corporation

2023 Non-Energy Regulated Rate Option Interim Tariff

December 22, 2022

Alberta Utilities Commission

Decision 27714-D01-2022

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Proceeding 27714

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The Commission may, within 60 days of the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

1 Decision summary

1. In this decision, the Alberta Utilities Commission approves, in part, ENMAX Energy Corporation's (EEC) 2023 interim administration charges on an interim refundable basis in the amount of \$0.2392 per day for residential sites and \$0.2178 per day for commercial sites, effective January 1, 2023.

2 Background

2. On November 18, 2022, EEC filed an application with the Commission requesting approval of its 2022-2024 non-energy regulated rate option (RRO) tariff application. In that application, EEC also requested that the Commission approve 2023 administration charges on an interim refundable basis, to be implemented effective January 1, 2023. EEC proposed 2023 interim administration charges in the amount of \$0.2582 per day and \$0.2381 per day for residential and commercial customers, respectively. EEC explained that its proposed charges were designed to recover 60 per cent of the difference between the previously approved 2022 interim administration charges and the applied-for 2023 administration charges.

3. The Commission issued notice of the application on November 21, 2022, and received statements of intent to participate (SIPs) from the Consumers' Coalition of Alberta (CCA) and the Office of the Utilities Consumer Advocate (UCA).

4. In a letter supplement to its SIP, the CCA indicated that it took no position with respect to the request for interim administration charges.¹ In relation to interim rates applications in general, the CCA indicated that the limited information available at the time of an application makes it challenging for interveners to develop a detailed position on key issues, as the larger application has not yet been tested. Despite formally taking no position, the CCA indicated that it viewed EEC's applied-for interim and final administration charges as excessive.

5. The UCA filed a letter opposing the request for interim administration charges.² The UCA referred to the two-part test for interim rates, established by the Commission's predecessor, the Alberta Energy and Utilities Board, in Decision 2005-099.³ In the UCA's view, EEC had failed to satisfy the first part of the test, referred to as the need and quantum factors, which relate to the specifics of the requested rate increase.

¹ Exhibit 27714-X0025.

² Exhibit 27714-X0030.

³ Decision 2005-099: ATCO Gas, 2005-2007 General Rate Application Interim Rate Application, Application 1404168, August 29, 2005, PDF pages 11-12.

6. EEC filed a letter in response to the UCA.⁴ In the letter, EEC submitted that it has met the quantum and need factors, and emphasized that its focus in applying for 2023 administration charges was on customer affordability.

3 Commission findings

7. As a preliminary matter, the Commission notes that EEC's request for interim administration charges was not filed as a stand-alone application, but embedded in the final two pages of its larger 2022-2024 RRO non-energy tariff application. EEC requested that the Commission issue a decision on the request for interim administration charges on an expedited basis, in order to allow for the interim administration charges to be implemented by January 1, 2023. The Commission advises that, in the future, a request for interim rates must contain sufficient information for the Commission and prospective interveners to evaluate the request with reference to the test for interim rates as set out in Decision 2005-099. Although a determination on interim rates is made on an expeditious basis relative to a final rate application, which requires a more substantive examination of the issues, sufficient time must be allowed for an adequate review by the Commission and interveners of the relevant factors.

8. When evaluating interim rate applications, the Commission has consistently applied the two-part test established by its predecessor in decisions 2005-099 and 2005-102.⁵ The first part of the test relates to the quantum and need factors, and includes the following considerations:

- Is the identified revenue deficiency probable and material?
- Can all or some portion of any contentious items 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?⁶

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

- Will the interim rates promote rate stability and ease rate shock?
- Will the interim adjustments help to maintain intergenerational equity?
- Can the interim rate increases be avoided through the use of carrying costs?
- Are the interim rate increases required to provide appropriate price signals to customers?

⁴ Exhibit 27714-X0033.

⁵ Decision 2005-102: ATCO Electric Ltd., 2005 Interim Transmission Facility Owner Tariff, Application 1407551, September 7, 2005

⁶ Decision 2005-099, PDF page 11; Decision 2005-102, PDF 7.

- Is it appropriate to apply the interim rider on an across-the-board basis?⁷

10. 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 interim rates, approve only some of the portion of the requested interim rates, or to set interim rates in an amount that it deems just and reasonable.

11. In the current proceeding, the UCA submitted that EEC's request for interim administration charges for 2023 had failed to address the requisite quantum and need factors, and therefore failed on the first part of the test. The UCA noted that EEC had not quantified the total revenue deficiency it might expect to experience nor had it commented on the probability and materiality of that deficiency. The UCA also stated that EEC had not explained the basis on which it applied for recovery of 60 per cent of the forecast increase in administration charges nor had it demonstrated that EEC would face financial hardship if its request were denied. Accordingly, the UCA submitted that EEC had not satisfied the first part of the test for interim rates.

12. In response, EEC noted that it had included within its application the current and forecast administration charges, the revenue requirements the administration charges are based on, and its position on why the revenue requirements are prudent. EEC explained that its forecast revenue deficiency was provided in terms of administration charge per customer, rather than as a total revenue requirement, because that is the metric for customer impact and reflects the anticipated change in site counts over time. EEC submitted that, while it will continue to safely operate without the interim administration charge increase, the proposed 2023 interim administration charges will mitigate potential rate shock and prevent intergenerational inequity.

13. With respect to the first part of the test (quantum and need factors), the Commission agrees with EEC that not all factors must necessarily be demonstrated in order for interim rates to be approved. However, on balance, after considering all of the quantum and need factors, the Commission must be satisfied that all or a portion of the suggested rate increase is appropriate before moving onto the second part of the test.

14. In the current circumstances, the Commission is satisfied that EEC is likely to experience a revenue deficiency absent interim administration charges, and that this deficiency may be material relative to the size of the administration charges. This is because EEC's current administration charges for residential and commercial customers are a continuation of the interim administration charges approved for 2021, which are a continuation of the 2020 approved administration charges. EEC stated that the current administration charges are already under-collecting relative to current costs. Additionally, in the time that has elapsed since the administration charges were last updated, EEC has experienced a decrease in customer sites, and this decrease is forecast to continue into the end of 2024.

15. Despite having found that continuing the existing administration charges is likely to give rise to a revenue deficiency, the Commission is not satisfied as to the quantum of the proposed administration charges requested by EEC. EEC applied to recover 60 per cent of the difference between the 2022 interim administration charges and its applied-for 2023 administration charges, but did not provide an explanation for how the 60 per cent figure was arrived at, or what specific

⁷ Decision 2005-099, PDF page 12; Decision 2005-102, PDF 7.

items, if any, were intended to be excluded from that amount. In the absence of an explanation for the 60 per cent figure, the Commission is not persuaded that the administration charges requested by EEC sufficiently minimize the risk of over-collection. Accordingly, in applying the second part of the test (general public interest factors), the Commission will only consider approving a portion of the requested rate increase.

16. The second part of the test encompasses a variety of factors, but in the current circumstances the Commission has placed significant emphasis on two factors in particular. These are the significance of interim rates for (i) promoting rate stability and easing rate shock; and (ii) maintaining intergenerational equity. In light of the information before it at this stage, and with particular regard to the declining site counts forecast by EEC, the Commission has significant concerns about the potential to maintain intergenerational equity without adjusting the current administration charges. To the extent possible, current RRO customers should pay for their share of RRO costs. The Commission therefore finds that approving some interim administration charge increase is justified.

17. The Commission will allow EEC to implement interim administration charges on an interim refundable basis in the amount of \$0.2392 per day for residential customers and \$0.2178 per day for commercial customers, effective January 1, 2023. These figures represent 30 per cent of the difference between the 2022 interim administration charges and its forecast 2023 administration charges. The Commission considers that this amount balances the factors in support of an increase to interim administration charges, with the Commission's outstanding concerns at this stage about the size of the requested increase.

18. In determining the level of 2023 interim administration charges for EEC, the Commission is not making any finding or determination with respect to the matters to be considered in the remainder of the 2022-2024 non-energy RRO tariff application. The Commission recognizes that the information before it at this stage is untested and that a number of areas of concern identified by the interveners could result in adjustments to the applied-for rates.

4 Order

19. It is hereby ordered that:

- (1) ENMAX Energy Corporation's 2023 non-energy regulated rate option interim administration charge of \$0.2392 per day for residential sites and \$0.2178 per day for commercial sites, on an interim refundable basis, is approved effective January 1, 2023.
- (2) ENMAX Energy Corporation is directed to refile its 2023 interim rate schedules to reflect the interim administration charges approved in this decision no later than January 6, 2023.

Dated on December 22, 2022.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

(original signed by)

Vincent Kostas
Acting Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
ENMAX Energy Corporation (ENMAX or EEC) Regulatory Law Chambers
Consumers' Coalition of Alberta (CCA)
Office of the Utilities Consumer Advocate Reynolds, Mirth, Richards & Farmer LLP

<p>Alberta Utilities Commission</p> <p>Commission panel C. Dahl Rees, Chair V. Kostaskey, Acting Commission Member</p> <p>Commission staff M. Anderson (Commission counsel) E. Chu D. Mitchell</p>

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. It is hereby ordered that:
 - (1) ENMAX Energy Corporation’s 2023 non-energy regulated rate option interim administration charge of \$0.2392 per day for residential sites and \$0.2178 per day for commercial sites, on an interim refundable basis, is approved effective January 1, 2023.
 - (2) ENMAX Energy Corporation is directed to refile its 2023 interim rate schedules to reflect the interim administration charges approved in this decision no later than January 6, 2023. paragraph 19