



The City of Red Deer

2021-2023 Transmission Facility Owner General Tariff Application

March 24, 2023

Alberta Utilities Commission

Decision 27878-D01-2023

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Proceeding 27878

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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 summary

1. In this decision, the Alberta Utilities Commission approves The City of Red Deer's 2021, 2022 and 2023 general tariff application (GTA) as filed.
2. The Commission has provided additional guidance for future Red Deer GTAs with respect to the timing of GTA filings and the contents of Red Deer's capital business cases.

2 Introduction

3. Red Deer is a transmission facility owner (TFO) that provides regulated electric transmission service in Alberta. Red Deer recovers the costs of providing electric transmission service through its transmission tariff, which must be approved by the Commission. Once approved, Red Deer recovers its tariff amounts from Alberta ratepayers through the Alberta Electric System Operator (AESO), which collects the costs of transmission services provided to Alberta ratepayers from the ratepayers' respective distribution facility owners, and from customers directly connected to the transmission system.

4. In its 2021-2023 GTA, Red Deer applied for Commission approval of the amount of revenue it requires to provide safe and reliable transmission service for 2021, 2022 and 2023. Red Deer's applied-for revenue requirement comprised actual and forecast costs, including operating costs and a return of, and a fair return on, its investment in its transmission assets necessary to provide regulated electric transmission service to customers.

5. Red Deer requested Commission approval of revenue requirements of approximately \$5.00 million for 2021, \$5.21 million for 2022 and \$5.61 million for 2023.

6. If a matter is not specifically addressed in this decision, it is because the Commission finds the applied-for costs associated with the matter to be reasonable and approved as filed.

7. The Commission has reviewed the record in coming to this decision; lack of reference to a matter addressed in evidence does not mean that it was not considered.

3 Background to the application process

8. On December 15, 2022, Red Deer filed its 2021-2023 GTA. The Commission issued a notice of application that required interested parties to submit a statement of intent to participate

(SIP) by January 6, 2023.¹ The Consumers' Coalition of Alberta (CCA) was the only party to file a SIP.

9. On January 16, 2023, the Commission issued a notice of hearing and directions on procedure letter.²

10. On February 27, 2023, the CCA indicated that its preliminary review of Red Deer's GTA did not "disclose any immediately obvious areas of concern" and that it was not "proposing to conduct any more detailed review" of Red Deer's GTA.³ On March 1, 2023, the Commission cancelled oral argument and indicated a close of record date of February 27, 2023.⁴

11. A timeline of significant process steps in this proceeding is attached as [Appendix 2](#).

4 2021-2023 GTA

12. Red Deer provided the following breakdown of its transmission revenue requirement for the test years 2021, 2022 and 2023:

Table 1. Red Deer's summary of transmission revenue requirements

	2021 Actual	2022 Forecast	2023 Forecast
Revenue requirement	(\$000)		
Operating costs	2,988.8	3,091.7	3,290.2
Depreciation	1,121.8	1,194.7	1,304.9
Return on rate base	873.4	909.8	997.1
Deferral and reserve accounts	16.2	16.2	16.2
Net revenue requirement	5,000.3	5,212.5	5,608.5
Monthly tariff	416.7	434.4	467.4

Source: Exhibit 27878-X0001, application, PDF page 10, Table 1.

13. The Commission is satisfied with Red Deer's explanations provided in the GTA and in information request (IR) responses for each revenue requirement cost component listed above. Accordingly, the Commission finds that Red Deer's proposed revenue requirements for 2021, 2022 and 2023 will result in just and reasonable rates. The Commission approves Red Deer's GTA as filed.

14. In the sections below, the Commission provides some guidance and directions with respect to the timing of future Red Deer GTA filings, and future Red Deer capital business cases. The Commission notes that the directions below do not impact Red Deer's 2021-2023 revenue requirements.

15. The Commission observes that Red Deer's current interim tariff of \$5.275 million, approved by the Commission in Decision 25862-D01-2020,⁵ is higher than its 2021 and 2022 final tariffs, approved by the Commission in this decision. Consequently, for the 2021 and 2022

¹ Exhibit 27878-X0005.

² Exhibit 27878-X0007.

³ Exhibit 27878-X0016.

⁴ Exhibit 27878-X0017.

⁵ Decision 25862-D01-2020: The City of Red Deer, Application for 2021 Interim Transmission Facility Owner Tariff, Proceeding 25862, September 29, 2020.

test years, Red Deer will be required to provide a refund to the AESO of approximately \$0.275 million for 2021 and \$0.063 million for 2022. Red Deer's 2023 final tariff of \$5.609 million is higher than the current approved 2021 interim tariff of \$5.275 million, resulting in a lump sum charge to the AESO of \$0.083 million for 2023, based on an effective date for Red Deer's 2023 tariff of April 1, 2023. Red Deer's rate schedule and proposed true-up for its 2023 tariff is discussed in Section 5 of this decision.

4.1 Timing of future GTA filings

16. Red Deer requested approval of revenue requirements to provide electric transmission service for the years 2021, 2022 and 2023. Given an application filing date of December 15, 2022, the Commission's assessment of Red Deer's 2021-2023 GTA took place in 2023.

17. While transmission rates have been approved on a retroactive basis in the past, it is the Commission's preference to approve rates on a prospective basis for TFOs in Alberta. In the Commission's view, Red Deer's 2021-2023 GTA should have been filed no later than the fourth quarter of 2021.

18. Accordingly, to be consistent with the Commission's prospective rate-setting process for TFOs in Alberta, the Commission encourages Red Deer to file its future GTAs in a more timely manner.

4.2 Capital business cases

19. Red Deer's actual and forecast capital additions for the 2021-2023 test period were \$2.660 million for 2021 (actual), \$0.835 million for 2022 (forecast) and \$4.626 million for 2023 (forecast).⁶ After review and consideration of Red Deer's actual (2021) and forecast (2022 and 2023) capital additions and capital expenditures, including its capital business cases, the Commission finds Red Deer's actual expenditures and forecast reasonable, and approves the capital additions and expenditures as filed.

20. However, the Commission considers that additional detail in Red Deer's capital business cases would have provided a better understanding of Red Deer's capital expenditures. The Commission reminds Red Deer, in future GTA filings, to ensure that it considers the following business case criteria for capital projects, as outlined in Decision 2000-9 and Bulletin 2006-25:

In Decision 2000-9, the Alberta Energy and Utilities Board (predecessor to the Commission) stated:⁷

The Board [Alberta Energy and Utilities Board] reiterates its concern over the manner in which CWNG (Canadian Western Natural Gas Company Limited) provided information to both customers and the Board in this proceeding. Stakeholders of CWNG require sufficient detail in their analyses of projects and expenditures. The Board has always required, and continues to require, the following information for all major capital projects:

- a detailed justification including demand, energy, and supply information;
- breakdown of the proposed cost;

⁶ Exhibit 27878-X0002, Minimum filing requirement schedules, Schedule 10-4.

⁷ Decision 2000-9: Canadian Western Natural Gas Company Limited, 1997 Return on Common Equity and Capital Structure, and 1998 General Rate Application, Applications 980413 and 980421, Files 1303-1 and 1304-1, PDF page 34, March 2, 2000.

- the options considered and their economics; and
- the need for the project.

In Bulletin 2006-25, the Alberta Energy and Utilities Board stated:⁸

Applicants shall provide business cases for capital projects and programs in excess of \$500,000 (Smaller applicants with revenues less than \$100 million, excluding the cost of energy will be subject to a materiality limit of \$100,000) over the life of the project, clearly showing:

- The reasons for the proposed expenditure;
- The alternatives examined;
- The incremental capital and operating costs associated with each alternative examined for a minimum 10 year period;
- The discount or investment rate used to compare alternatives and the basis for its use;
- The annual costs of each alternative for the period analyzed;
- The rationale for choosing a specific alternative, including any qualitative considerations used in choosing the alternative; and
- The date of preparation and the date of approval.

21. In particular, the Commission encourages Red Deer to clearly outline the alternatives considered, the reasons why specific alternatives were rejected and the proposed alternative was chosen, including a comparison of costs; the need for the project; any incremental capital and operating costs; any benefit to customers or utility service; and the expected in-service date of the proposed capital project.

5 Rate schedule and 2023 transmission tariff true-up

22. As discussed above, Red Deer is currently providing transmission service under its 2021 interim tariff of \$5.275 million, or \$439,583 monthly.

23. The 2021, 2022 and 2023 final tariffs of \$5.00 million, \$5.213 million and \$5.609 million, respectively, approved by the Commission in this decision, result in monthly tariffs to be charged to the AESO as follows:

- For the period January 1, 2021, to December 31, 2021, a monthly charge of \$416,689.
- For the period January 1, 2022, to December 31, 2022, a monthly charge of \$434,375.
- For the period January 1, 2023, to December 31, 2023, a monthly charge of \$467,397.⁹

24. Red Deer calculated the required January 2021 through March 2023 true-up amounts, and the new monthly tariff effective April 1, 2023, as shown below:

⁸ Bulletin 2006-25, Announcing the Approval in Principle of the Form and Content of a Uniform System of Accounts and Minimum Filing Requirements for Alberta Electric Utilities, Consensus Documents, PDF page 109, July 12, 2006.

⁹ Exhibit 27878-X0001, application, PDF page 121.

- For 2021, a refund of \$274,733.¹⁰
- For 2022, a refund of \$62,505.¹¹
- For January 1, 2023, to March 31, 2023, a charge of \$83,387.¹²
- From April 1, 2023, to December 31, 2023, a monthly charge of \$467,397.

25. The Commission finds that the annual tariff and monthly rates for the 2021-2023 test years as proposed by Red Deer correspond to the respective revenue requirements and are approved on a final basis. The Commission also approves a one-time refund to the AESO of \$253,851¹³ for the revenue surplus resulting from the difference between Red Deer's interim and final monthly tariffs between January 1, 2021, and March 31, 2023.

26. Red Deer's 2021-2023 rate schedule is attached as [Appendix 3](#).

6 Order

27. It is hereby ordered that:

- (1) The City of Red Deer's transmission facility owner revenue requirement is approved in the amount of \$5,000,268 for 2021, \$5,212,496 for 2022 and \$5,608,547 for 2023, effective April 1, 2023.
- (2) The City of Red Deer is to refund, on a one-time basis, the amount of \$253,851 to the Alberta Electric System Operator to true up the difference between interim rates and final rates for the period from January 1, 2021, to March 31, 2023.

Dated on March 24, 2023.

Alberta Utilities Commission

(original signed by)

Cairns Price
Commission Member

¹⁰ Calculated as $\$416,689 - \$439,583 = (\$22,894) \times 12 \text{ months} = (\$274,733)$. Numbers may not exactly match due to rounding.

¹¹ Calculated as $\$434,375 - \$439,583 = (\$5,209) \times 12 \text{ months} = (\$62,505)$. Numbers may not exactly match due to rounding.

¹² Calculated as $\$467,379 - \$439,583 = \$27,796 \times 3 \text{ months} = \$83,387$. Numbers may not exactly match due to rounding.

¹³ The January 1, 2021, to March 31, 2023, adjustments correspond to a cumulative lump sum refund of \$253,851, calculated as $(\$274,733) + (\$62,505) + \$83,387 = (\$253,851)$. Numbers may not exactly match due to rounding.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
The City of Red Deer (Red Deer) Chymko Consulting Ltd.
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel C. Price, Commission Member
Commission staff A. Culos (Commission counsel) F. Alonso M. McJannet E. Davis

Appendix 2 – Significant process steps[\(return to text\)](#)

Date	Description
December 15, 2022	Red Deer files its 2021-2023 GTA.
December 16, 2022	Commission issues notice of application.
January 6, 2023	Deadline for SIPs. No party files a SIP.
January 10, 2023	The CCA submits a letter requesting permission to file a late SIP.
January 16, 2023	The Commission issues a ruling granting the CCA's request to file a late SIP and establishes the process schedule for the proceeding.
January 30, 2023	The Commission and the CCA issue IRs to Red Deer.
February 13, 2023	Red Deer files IR responses.
February 27, 2023	The CCA files a letter indicating that it is not proposing to conduct any more detailed review of Red Deer's GTA.
March 1, 2023	The Commission issues a letter cancelling oral argument and reply argument for the proceeding and indicating a close of record date of February 27, 2023.

Appendix 3 – Rate schedule

[\(return to text\)](#)



Appendix 3 - Rate
schedule

(consists of 1 page)

Appendix 2 – Proposed Rate Schedule

The tariff charged to the Alberta Electric System Operator (“AESO”) for the use of the City of Red Deer’s transmission facilities is as follows:

- For the period January 1, 2021 to December 31, 2021:
A monthly charge of \$416,689
- For the period January 1, 2022 to December 31, 2022:
A monthly charge of \$434,375.
- For the period January 1, 2022 to December 31, 2022:
A monthly charge of \$467,397.

Proposed True-up

Red Deer additionally proposes the following true-up for the difference between the interim and proposed tariffs. Note that the 2023 adjustment estimate assumes the tariff is approved in time for an April 2023 invoice. This amount may vary depending on the tariff approval date.

Proposed Rate Schedule and True-up (\$)						
Year	Proposed Monthly Rate	Interim Rate	Difference	Months on Interim Rate	Adjustment	Cumulative Adjustment
2021	416,689	439,583	(22,894)	12	(274,733)	(274,733)
2022	434,375	439,583	(5,209)	12	(62,505)	(337,238)
2023	467,379	439,583	27,796	3	83,387	(253,851)