



Apex Utilities Inc.

2024 Annual Performance-Based Regulation Rate Adjustment

March 15, 2024

Alberta Utilities Commission

Decision 28583-D02-2024

Apex Utilities Inc.

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Proceeding 28583

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Contents

1	Decision summary	1
2	Introduction	1
3	Background	2
4	PBR rate adjustments	4
4.1	2023 going-in revenue requirement adjustments	4
4.2	2024 PBR indices and annual adjustments	4
4.3	Forecast billing determinants and prior year variance analysis	8
5	2024 PBR rates	9
5.1	Distribution rates.....	9
6	Other matters	10
6.1	T&Cs of service	10
6.1.1	Special Charges Schedule fee updates	11
6.1.2	Special Charges – Revenue requirement adjustment for SCS updates.....	13
6.2	Financial reporting requirements and senior officer attestation	14
7	Order	14
	Appendix 1 – Proceeding participants	16
	Appendix 2 – Summary of Commission directions	17
	Appendix 3 – Special Charges Schedule	18

List of figures

Figure 1.	Remove and Test Meter costs	12
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List of tables

Table 1.	2024 Y factor amounts	6
Table 2.	Annual bill impacts of Apex’s proposed 2024 distribution rates	9

1 Decision summary

1. In this decision, the Alberta Utilities Commission considers the Apex Utilities Inc. 2024 annual performance-based regulations (PBR) rate adjustment filing pursuant to the provisions of the third generation PBR (PBR3) plan. The Commission finds that Apex's 2024 rates proposed in this application are determined in accordance with the provisions of the PBR3 plan approved in Decision 27388-D01-2023¹ except for the following required revisions:

- (a) a modification to the K-bar retirements calculation.
- (b) the approval of a residential Remove and Test Meter fee of \$274 instead of the proposed \$417 fee.
- (c) the denial of a reallocation of \$0.22 million to Delivery revenue from Other revenue due to the special charges fees update.

2. Given that the effect of the first and last adjustments is relatively small, the Commission will not direct any changes to the 2024 distribution rates previously approved on an interim basis in Decision 28583-D01-2023.² Accordingly, the Commission has determined that the 2024 gas distribution rates including deferral accounts and riders, as well as the terms and conditions (T&Cs) for gas distribution service previously approved on an interim basis in Decision 28583-D01-2023, with the exception of the special charges schedule fees, will continue to apply.

3. For clarity, the 2024 distribution rates will remain interim until the approved levels of all remaining placeholders (such as the I factor, Y factor and K-bar amounts) and Commission-directed revisions have been completed and approved. T&Cs for gas distribution service for 2024 are approved on a final basis. The updated special charges schedule, attached as [Appendix 3](#) to this decision, is approved on a final basis effective April 1, 2024.

2 Introduction

4. On October 4, 2023, the Commission issued Decision 27388-D01-2023 setting out the parameters of the new PBR3 plan in place for the 2024-2028 term. As directed in that decision, on November 3, 2023, Apex submitted its compliance filing by way of a 2024 annual PBR rate adjustment filing, requesting approval of its 2024 going-in delivery revenue, deferral accounts and riders, billing determinants and corresponding rate schedules in accordance with the

¹ Decision 27388-D01-2023: 2024-2028 Performance-Based Regulation Plan for Alberta Electric and Gas Distribution Utilities, Proceeding 27388, October 4, 2023.

² Decision 28583-D01-2023: Apex Utilities Inc., 2024 Interim Performance-Based Regulation Rate Adjustment, Proceeding 28583, December 15, 2023.

parameters of the PBR3 plan. Apex also requested approval of updates to its T&Cs of service and special charges.

5. After issuing a notice of the application on November 6, 2023, the Commission received statements of intent to participate from the Consumers' Coalition of Alberta and the Office of the Utilities Consumer Advocate. The intervening parties did not actively participate in this proceeding. The process established for this proceeding included Commission information requests (IRs) to, and responses from, Apex as well as the option of filing written argument and reply argument if required. Based on a preliminary review of Apex's application, the Commission issued Decision 28583-D01-2023 on December 15, 2023, approving Apex's 2024 rates on an interim basis, effective January 1, 2024. This was done to ensure that Apex was able to implement rates in accordance with the interim decision on January 1, 2024.

3 Background

6. The first year of the Commission's third generation PBR3 plan is 2024. This follows a cost-of-service rebasing year in 2023. The PBR3 framework approved in Decision 27388-D01-2023 provides a rate-setting mechanism (price cap for electric distribution utilities and revenue-per-customer cap for gas distribution utilities). During the PBR3 term, rates are adjusted annually using a formula that includes an indexing mechanism that tracks the rate of inflation (I) that is relevant to the prices of inputs the utilities use, less a productivity offset (X). With the exception of specifically approved adjustments, as discussed further below, a utility's revenues are not linked to its costs during the PBR term. The revenue-per-customer cap formula relevant to Apex, where a utility's revenue-per-customer on a customer class basis is adjusted by $I-X$ every year, is set out below:

$$RPC_t = BRPC_{t-1} * (1 + I - X) \pm K \pm Kbar \pm Y \pm Z \pm ESM$$

$$R_t = RPC_t / BDC_t$$

where:

R_t	Upcoming year's rates for each class
RPC_t	Upcoming year's revenue per customer for each class
BR_{t-1}	Current year's base rates for each class
$BRPC_{t-1}$	Current year's base revenue per customer for each class
BDC_t	Billing determinants for each class for the upcoming year
I	The inflation factor
X	The productivity offset
K	Type 1 capital adjustments
$Kbar$	Type 2 capital adjustments

Y	Y factor adjustments
Z	Z factor adjustments
ESM	Earnings sharing mechanism (ESM)

7. In Decision 27388-D01-2023, the Commission approved the continuation of certain PBR rate adjustments to enable the recovery of specific costs where certain criteria have been satisfied. These include an adjustment for certain flow-through costs that should be recovered from, or refunded to, customers directly (Y factors) and an adjustment to account for the effect of exogenous and material events for which the distribution utility has no other reasonable cost recovery or refund mechanism within the PBR plan (Z factor).

8. For the PBR3 plan, the Commission continued to divide capital into Type 1 and Type 2 capital. For Type 1 capital, the Commission approved a modified capital tracker mechanism with defined eligibility criteria, with the revenue requirement associated with approved amounts to be collected from ratepayers by way of a “K factor” adjustment to the annual PBR rate-setting formula. For Type 2 capital, the Commission approved a K-bar mechanism that provides an amount of capital funding for each year of the PBR3 plan based, in part, on capital additions made during the PBR2 term.

9. Each distribution utility’s annual PBR rate adjustment filing addresses all applicable parameters relevant to the establishment of the PBR rates and T&Cs for that utility for a given year, and relies on certain filed information to establish rates including:

- I factor and the resulting I-X index;
- K factor and K-bar factor adjustments related to approved Type 1 and Type 2 capital, respectively, including true-ups from prior periods;
- Y factor adjustment to collect flow-through items that are not collected through separate riders;
- previously approved Z factors;
- amounts to be shared with customers through the ESM;
- billing determinants for each rate class;
- backup showing the application of the formula by rate class and resulting rate schedules;
- a copy of the Rule 005³ filing filed in the current year as well as the return on equity (ROE) adjustment schedules for prior years;
- certain financial reporting requirements;
- changes proposed to T&Cs; and
- any other material relevant to the establishment of current year rates.

³ Rule 005: *Annual Reporting Requirements of Financial and Operational Results.*

10. In addition to these items, the current annual PBR rate adjustment filing contains rate components that relate to PBR2 such as the efficiency carryover mechanism (ECM), and the 2022 K-bar true-up as well as components that relate to the 2023 rebasing year such as the 2023 opening rate base true-up.

4 PBR rate adjustments

4.1 2023 going-in revenue requirement adjustments

11. In accordance with the Commission's direction in Decision 26616-D01-2022,⁴ Apex adjusted its 2023 going-in rates for PBR3 to reflect the actual 2022 closing rate base, which is also the 2023 opening rate base.⁵ Apex also removed \$0.19 million from its 2023 going-in revenue requirement related to a prior year's true-up from Apex's shared corporate services costs and used the 2021 forecast TriSummit Utilities Inc. (TSU) total shared corporate services costs as filed in Proceeding 26616 as the cost pool.⁶ Due to the changes made to the 2021 forecast TSU cost pool and applying the approved allocation rate of 42.2 per cent, the Apex allocation of 2023 forecast shared corporate service costs is \$2.60 million (\$0.20 million less than the amount in 2023 interim rates). Apex stated that this adjustment resulted in a \$0.13 million reduction of operation costs and \$70 thousand in rate base from the capitalized portion of the costs.⁷ These adjustments resulted in an impact to going-in revenue requirement of \$0.11 million⁸ and a 2023 going-in delivery revenue of \$98.30 million.⁹

12. The Commission has reviewed the adjustments that Apex has made to its 2023 approved revenue requirement and finds them to be in accordance with the Commission's directions. The Commission approves Apex's 2022 actual capital additions as prudent based on its review of the variances between the actuals and placeholder amounts provided in the rebasing process and considering that Apex was subject to the incentives of PBR when these costs were incurred and that no party took issue with these amounts. Accordingly, the Commission approves Apex's 2023 going-in delivery revenue of \$98.30 million.

4.2 2024 PBR indices and annual adjustments

13. As detailed in Section 3, the PBR3 revenue-per-customer cap plan for Apex provides a rate-setting mechanism based on a formula that adjusts customer rates annually by means of the I-X indexing mechanism plus specifically approved adjustments. The annual parameters and adjustments used by Apex to arrive at its 2024 rates and the Commission's assessment of the

⁴ Decision 26616-D01-2022: ATCO Gas and Apex Utilities Inc., 2023 Cost-of-Service Review, Proceeding 26616, September 1, 2022, paragraph 55.

⁵ Opening and closing rate base is required due to the mid-year convention for setting rates. The mid-year convention is the accepted method for approximating the cost of capital investments in the year, and for the purposes of calculating other capital-related costs. The mid-year convention uses an arithmetical average of a utility's investments to account for capital-related costs uniformly over the entire year, recognizing that assets are added to rate base throughout the year. It is commonly used in regulatory jurisdictions in North America. Apex used the 2023 forecast closing rate base to calculate going-in rates, which is calculated using the actual 2022 closing rate base and the forecast 2023 capital additions approved in Decision 26616-D01-2022.

⁶ Decision 27685-D01-2022: Apex Utilities Inc., 2023 Cost-of-Service Compliance Filing and 2023 Rates, Proceeding 27685, December 15, 2022, Appendix 3, directions 1 and 2.

⁷ Exhibit 28583-X0001, application, paragraph 8.

⁸ Exhibit 28583-X0002, Appendix 1.1, Schedule 1.2, Column D for details of the calculations.

⁹ Exhibit 28583-X0002, paragraph 5.

applied-for amounts are detailed below. Additional discussion on select parameters is provided in the sections that follow.

14. Apex did not apply for any Type 1 capital funding or Z factor rate adjustments to be included in its 2024 PBR rates. In addition, ESM provisions are not discussed in the current application as Apex's achieved ROE in 2024 will not be available until the next year.

I-X index

15. Similar to previous PBR plans, the I factor is calculated as a weighted average of two indexes published by Statistics Canada: one for labour costs and one for non-labour costs; however, some of the indexes and their weightings were changed. The index used to represent labour cost inflation is the fixed weighted index of average hourly earnings for all employees in Alberta. For the non-labour index, the Commission determined that the Alberta consumer price index for all items should continue to be used. Using the 60:40 weighting of the approved labour to non-labour inflation indexes, Apex calculated the interim 2024 I factor to be 4.02 per cent.

16. The approved X factor for the PBR3 term is 0.4 per cent, inclusive of industry total factor productivity growth, a stretch factor and a benefit-sharing premium.¹⁰ As explained in Decision 27388-D01-2023, for K-bar calculation purposes, the X factor is 0.1 per cent as it excludes the benefit-sharing premium component.¹¹

17. Apex calculated the 2024 I-X index to be 3.62 per cent by subtracting the approved X factor of 0.4 per cent from the I factor of 4.02 per cent. To comply with the Commission's direction from a prior decision, Apex provided dated screenshots of the Statistics Canada tables used in determining its I factor.¹² No party objected to Apex's applied-for I factor.

18. The Commission has reviewed Apex's calculation of the 2024 I factor and finds it to be consistent with the methodology set out in Decision 27388-D01-2023.¹³ Accordingly, the 2024 interim I factor of 4.02 per cent and the resulting I-X index of 3.62 per cent are approved. For K-bar purposes, the I-X index of 3.92 per cent is approved.

19. Consistent with the determinations in Decision 27388-D01-2023, the interim I factor of 4.02 per cent will be trued up in a future proceeding to reflect the actual experienced inflation in 2024.¹⁴

Y factor

20. The Y factor includes costs the Commission determines should be directly recovered from customers or refunded to them provided that they do not qualify for capital treatment or

¹⁰ Decision 27388-D01-2023, paragraph 2.

¹¹ Decision 27388-D01-2023, paragraphs 102-103.

¹² Exhibit 28583-X0026, Appendix 8.

¹³ Decision 27388-D01-2023, paragraph 70.

¹⁴ Decision 27388-D01-2023, paragraph 95.

Z factor treatment.¹⁵ After revisions and updates in responses to Commission's IRs, Apex's 2024 Y factor was \$2.02 million, inclusive of carrying costs, as set out in the table below:

Table 1. 2024 Y factor amounts¹⁶

Item	2024 Forecast	2023 True-up	2022 True-up	Other	2024 Total
	(\$)				
Intervener Costs	35,837	28,205	(32,163)	-	31,879
AUC Assessment Fees	231,281	(30,886)	(12,477)	-	187,918
UCA Assessment Fees	67,174	(2)	(36,459)	-	30,712
Production Abandonment	214,000	-	(140,194)	-	73,806
Efficiency Carryover Mechanism	1,111,563	545,935	-	-	1,657,499
Natural Gas Settlement System Code	-	-	4,730	-	4,730
Carrying Charges on True-Up Balances	-	-	-	31,790	31,790
Total Y factor adjustments	1,659,855	543,252	(216,564)	31,790	2,018,333

21. The Commission has assessed the amounts included in Apex's applied-for Y factor and finds they were adequately supported, properly calculated and in compliance with previous Commission directions. The Commission has also reviewed Apex's carrying costs and finds that they are properly calculated and consistent with the applicable provisions of Rule 023: *Rules Respecting Payment of Interest*. Accordingly, the applied-for Y factor amount is approved.

K-bar

22. K-bar funding provides incremental Type 2 capital funding to supplement the revenues generated under the I-X mechanism. The 2024 K-bar funding in PBR3 is calculated by taking the difference between a notional revenue requirement based on capital additions equal to an escalated average of actual capital additions in the 2018-2022 PBR term and the revenue obtained under I-X for each project or program included in Type 2 capital. For each subsequent year, K-bar will be calculated using the same steps as those used for 2024, with adjustments made to account for the effects of inflation and productivity growth, customer growth and changes to the weighted average cost of capital for a given year.¹⁷

23. In the application, Apex calculated its K-bar amount using the placeholder ROE of nine per cent. In response to a Commission IR, Apex updated its 2024 K-bar calculation to use the 2024 ROE of 9.28 per cent approved in Decision 28585-D01-2023.¹⁸ Apex also updated its K-bar calculation to correct an error in its calculation of notional retirements within its depreciation calculations.¹⁹ Using the approved ROE and updated retirement calculations, Apex calculated its K-bar funding to be \$3.82 million.²⁰ Additionally, Apex's 2022 K-bar true-up for

¹⁵ Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029, September 12, 2012, paragraphs 617 and 631. Largely the same Y factor definition was adopted in Decision 27388-D01-2023, Appendix 5, Section 2, Y factor, PDF page 123.

¹⁶ Exhibit 28583-X0002, Appendix 1.1, tab 4.0 Y Summary.

¹⁷ Decision 27388-D01-2023, Appendix 7.

¹⁸ Decision 28585-D01-2023: 2024 Return on Equity, Proceeding 28585, November 20, 2023.

¹⁹ Exhibit 28583-X0037, APEX-AUC-2023NOV24-005(a).

²⁰ Exhibit 28583-X0041, APEX-AUC-2023NOV14-009 Attachment 2 - Appendix 1.3 – 2024-2028 Annual K-bar Schedules, Schedule 1.

the actual cost of debt resulted in an additional charge of \$0.27 million.²¹ No party objected to Apex's applied-for K-bar funding or K-bar true-up.

24. The Commission has reviewed Apex's schedules showing the calculation of the 2024 K-bar funding and finds that its methodology for escalating net salvage as part of its 2024 K-bar calculations does not align with the methodology set out in Decision 27388-D01-2023. Apex indicated that it had escalated its net salvage amounts by I factor only in PBR2, and that its calculations were consistent with its past practice.²² Decision 27388-D01-2023 directed utilities to "determine the actual capital additions for each K-bar project from 2018-2022 and convert the capital additions to 2023 dollars using the approved I-X index and customer growth escalator for each year."²³ The Commission notes that while its direction does not provide specifically address the escalation of net salvage, the other utilities, including ATCO Gas²⁴ and the electric utilities, escalated salvage values by I-X and customer growth.

25. The Commission agrees that Apex's approach is consistent with its past practice but finds that consistency in the K-bar calculation methodology among all utilities regulated under PBR3 will aid it in its reviews of future K-bar calculations. As a result, the Commission directs Apex to escalate net salvage amounts by I-X and customer growth in its K-bar calculations for PBR3. Given that this adjustment is expected to have a minimal impact to K-bar, Apex is directed to make this change as part of its 2024 K-bar true-up and 2025 K-bar calculation, to be included in its next annual rates filing.

26. Thus, the Commission approves Apex's 2024 K-bar of \$3.82 million, subject to true-up in a future annual rates application. The 2024 K-bar will be subject to a true-up for the 2024 actual I factor and cost of debt, and the calculation of net salvage will be adjusted in accordance with the Commission's direction above. The Commission also approves Apex's 2022 K-bar true-up charge of \$0.27 million.

ECM

27. As part of the PBR2 plan, the Commission included an efficiency carryover mechanism, or ECM, which permitted the utilities to carry a portion of earnings in excess of the approved ROE to the following years. Although the Commission discontinued the inclusion of an ECM in the PBR3 plan, the ROE add-on approved in the PBR2 term applies for two years after the end of a PBR plan (i.e., in 2023 and 2024) and is collected by way of a Y factor in these two years.²⁵

28. The PBR2 ECM ROE add-on is calculated as 50 per cent of the difference between the average allowed and average actual ROEs over the course of the PBR2 term, with an upper limit of 0.5 per cent. Apex showed that, based on its returns over the PBR2 term, it qualifies for the maximum allowed ECM ROE add-on of 0.5 per cent. In Decision 27685-D01-2022, the Commission determined that the ECM dollar amount will be calculated based on the 2022 actual

²¹ Exhibit 28583-X0001, application, paragraph 48, Table 5.1-1, line 7.

²² Exhibit 28583-X0037, APEX-AUC-2023NOV24-004(a).

²³ Decision 27388-D01-2023, Appendix 7, PDF page 131.

²⁴ Proceeding 28569, ATCO Gas, Parameters of the PBR3 Plans Compliance Filing and 2024 PBR Annual Rate Adjustment Application, Exhibit 28569-X0004, Appendix B.1 - 2024-2028 Interim K-bar, Salvage Schedule.

²⁵ Decision 20414-D01-2016 (Errata): 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Proceeding 20414, February 6, 2017, paragraph 79.

approved mid-year rate base.²⁶ By applying the 0.5 per cent add-on amount to the actual 2022 mid-year rate base and escalating by the approved indexes, Apex calculated its 2024 ECM amount to be \$1.11 million.²⁷

29. In accordance with the Commission's direction from Decision 27685-D01-2022, where it approved an interim 2023 ECM amount,²⁸ Apex included a true-up that recognized the difference between the 2023 interim ECM amount of \$1.07 million and the final ECM amount of \$0.53 million reflecting the actual 2022 mid-year rate base. As such, the 2023 ECM true-up amount is equal to \$0.55 million.²⁹

30. The Commission has reviewed Apex's calculation of its total ECM amount and finds it to be properly calculated and consistent with the approved methodology. Accordingly, the Commission approves a total ECM amount of \$1.66 million, consisting of the 2024 ECM amount and the 2023 ECM true-up. Carrying costs for the ECM were approved as part of the approval for the total Y factor carrying costs above.

4.3 Forecast billing determinants and prior year variance analysis

31. Forecast billing determinants are generally used to allocate K, K-bar, Y and Z factors to rate classes and to calculate the resulting rate adjustments. Additionally, the customer growth billing determinant is used for calculating K-bar for all distribution utilities³⁰ and is also used in performing the annual use-per-customer adjustments for gas distribution utilities under the revenue-per-customer cap plan.

32. In the application, Apex provided detailed 2024 billing determinant forecasts.³¹ Apex submitted that its forecast 2024 billing determinants reflect the use of forecasting methods used and approved in previous annual PBR rate adjustment filings and its 2023 cost-of-service compliance and rate adjustment filing.³² For this application, Apex stated it updated its 2023 forecast to incorporate actual data up to September 2023.

33. For the purposes of calculating the annual use-per-customer adjustments as part of determining the 2024 base revenue, Apex relied on the Q factor used in prior PBR plans. Specifically, the Q factor was calculated based on the forecast weighted (by percentage of total forecast revenue) change in the average number of customers for all rate classes, net of the effect of the Default Supply Provider (DSP) customers. Apex calculated its 2024 Q factor to be 0.48 per cent.³³

34. For K-bar purposes in PBR3, the Commission approved the use of the customer growth factor to account for the incremental revenue associated with system growth in lieu of the Q factor. The customer growth factor is calculated as the year-over-year percentage change in

²⁶ Decision 27685-D01-2022, paragraph 34.

²⁷ Exhibit 28583-X0002, Appendix 1.1, Schedule 4.5, line 6.

²⁸ Decision 27685-D01-2022, paragraph 37.

²⁹ Exhibit 28583-X0002, Appendix 1.1, Schedule 4.5A, line 6.

³⁰ Decision 27388-D01-2023, paragraph 170.

³¹ Exhibit 28583-X0002, Appendix 1.1, Schedule 2.3.

³² Exhibit 28583-X0001, application, paragraph 108.

³³ Exhibit 28583-X0001, application, paragraph 27.

the average customer count reduced by 15 per cent.³⁴ Based on its forecast number of customers, Apex applied for a customer growth factor of 0.59 per cent.³⁵

35. In Decision 27685-D01-2022, the Commission directed Apex to continue to provide information on any variances from forecast to actual billing determinants by rate class and identify the cause of variances larger than \pm five per cent on an annual basis.³⁶ Apex reported there were no variances larger than \pm five per cent for any customer class, so no further explanations were required.³⁷

36. No party objected to Apex's billing determinant forecast or its variance explanations.

37. The Commission considers that variances from forecasts may reasonably be expected for current purposes. Such occurrences do not generally call into question the predictive value of the methodology used to generate such forecasts, and Apex is directed to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify the cause of variances larger than five per cent on an annual basis.

38. Based on its review and assessment, the Commission finds that Apex's methodology and the resulting 2024 forecast billing determinants are reasonable. Accordingly, the billing determinant forecast and methodology is approved as applied for. The Commission also approves the 2024 Q factor of 0.48 per cent and the K-bar customer growth factor of 0.59 per cent, as they were calculated based on approved methodologies.

5 2024 PBR rates

5.1 Distribution rates

39. In previous sections of this decision, the Commission approved individual components of the PBR framework, including the I-X index, Y factor and K-bar factor, all of which result in annual adjustments to Apex's PBR rates. The Commission also approved Apex's forecast billing determinants and the associated Q value and customer growth factor for K-bar purposes.

40. Apex provided bill impact schedules reflecting the proposed 2024 PBR rates and revenues compared to 2023 approved interim rates and revenues. Apex's estimated typical bill impacts for customers are shown in the table below. The bill impacts reflect the changes in all rate components and show the impacts of both excluding and including commodity charges.

Table 2. Annual bill impacts of Apex's proposed 2024 distribution rates

Rate class description	Forecast rate change excluding commodity (\$)	Forecast rate change excluding commodity (%)	Forecast rate change including commodity (\$)	Forecast rate change including commodity (%)
Residential Rate 1/11	91	8.9	66	4.3
Commercial Rate 1/11	278	9.9	262	4.3
Rural Rate 1/11	93	7.4	30	1.4

³⁴ Exhibit 28583-X0002, Appendix 1.1, Schedule 8.0, Excel column O.

³⁵ Exhibit 28583-X0002, Appendix 1.1, Schedule 8.0, Excel cell O22.

³⁶ Decision 27685-D01-2022, paragraph 45.

³⁷ Exhibit 28583-X0001, application, paragraph 127.

Rate class description	Forecast rate change excluding commodity (\$)	Forecast rate change excluding commodity (%)	Forecast rate change including commodity (\$)	Forecast rate change including commodity (%)
Residential Rate 1/11	91	8.9	66	4.3
Large General Service Rate 2/12	2,581	9.7	2,144	3.0
Demand Rate 3/13	5,503	9.4	(1,497)	(0.6)
Irrigation Rate 4/14	183	10.5	303	8.1

Source: Exhibit 28583-X0002, Appendix 1.1, Schedule 3.0, lines 36-37 and Schedule 3.1, lines 54-55.

41. The Commission has reviewed the schedules setting out the 2024 PBR rate calculations and observes that Apex has calculated its 2024 rates consistent with the parameters of the PBR3 plan and methodologies previously accepted by the Commission. The Commission therefore accepts the general principles and methodologies utilized by Apex for calculating its 2024 PBR rates.

42. The Commission has also reviewed the typical bill impacts from 2023 to 2024 and assessed the likelihood of rate shock resulting from the proposed 2024 PBR rates. In the past, the Commission has generally considered a 10 per cent increase from the last approved increase to be the threshold potentially indicative of rate shock. The year-over-year changes to total bundled customer bills including the natural gas commodity from 2023 to 2024 provided by Apex are not expected to exceed 10 per cent in any rate class.

43. As previously mentioned, the Commission approved Apex's rates on an interim basis effective January 1, 2024. Given that the effect of the two revisions directed by the Commission in relation to distribution rates in this decision³⁸ is relatively small, the Commission will not direct any changes to the 2024 distribution rates previously approved on an interim basis in Decision 28583-D01-2023. These 2024 rates will remain interim until the approved levels of all remaining placeholders (such as the I factor, Y factor and K-bar amounts) and Commission-directed revisions have been determined for 2024 by the Commission in one or more subsequent proceedings. Apex's 2024 rates will be finalized following such future Commission approvals, and any required true-up adjustments will be made in accordance with directions subsequently provided by the Commission.

6 Other matters

6.1 T&Cs of service

44. As part of the application, Apex filed its 2024 distribution T&Cs. Apex stated it updated its T&Cs to reflect changes in policies, practices, and legal requirements, along with editorial updates such as grammar, punctuation, formatting, and the addition or removal of minor words or phrases are made to improve readability and provide clarity to ease understanding for customers, retailers and Apex employees.³⁹ In addition, some changes were made by Apex to

³⁸ A modification to the K-bar retirements calculation directed in Section 4.2 and the denial in Section 6.1.2 of a revenue reallocation of \$0.22 million to Delivery revenue from other revenue due to the special charges fees update.

³⁹ Exhibit 28583-X0001, application, paragraph 161.

either remove or update certain fees and charges in Apex's Natural Gas Utility Service Rules (NGUSR) document.

45. Apex made additional changes to its Special Charges Schedule (SCS) for 2024, including revisions it stated were to:⁴⁰

- (a) update fees to reflect current costs;
- (b) remove fees no longer applicable;
- (c) relocate the reference for Rule 003: *Service Quality Reporting for Energy Service Providers* from the SCS to the NGUSR; and
- (d) add the Unauthorized Use Charge from the NGUSR to provide transparency to customers.

46. The Commission has reviewed Apex's proposed T&Cs and SCS fees for 2024 and, except for the residential Remove and Test Meter charge discussed below, approves them as filed on a final basis. As set out in Section 6.1.1, except for the residential Remove and Test Meter charge, the Commission approves the SCS fees as applied for, effective April 1, 2024. The Commission approves the residential Remove and Test Meter charge of \$274.

6.1.1 Special Charges Schedule fee updates

47. Apex pointed out that over the first two PBR plans its SCS fees were adjusted annually by applying the I-X index to the base charges approved in its 2010-2012 general rate application Phase 2 negotiated settlement.⁴¹ Apex stated the fees were not reflective of its current actual time and cost to provide the special services, and added that it is necessary to update its SCS fees to reflect the current costs associated with providing the services to customers.⁴² Consequently, to determine the 2024 SCS fees, Apex updated the fees based on actual 2023 costs using standard hourly labour rates, actual material costs and, if applicable, actual contractor charges, then escalated these costs by 2024 I-X of 3.62 per cent.

48. Revising SCS fees would have been more appropriately done as part of the 2023 rebasing, given that it involves the realignment of costs and revenues based on cost-of-service principles. However, the Commission will entertain Apex's request because of the interlinked nature of SCS and T&Cs.⁴³

49. In the application, Apex did not provide any support to justify its proposed 2024 SCS fees. In response to a Commission IR, Apex provided some basic supporting information and calculations for each SCS fee to demonstrate that the proposed increase is reflective of Apex's actual costs provide a respective service.⁴⁴

⁴⁰ Exhibit 28583-X0001, application, paragraph 172.

⁴¹ Decision 2011-073: AltaGas Utilities Inc., 2008-2009 General Rate Application - Phase II Negotiated Settlement, Proceeding 651, Application 1606230, March 8, 2011, PDF page 27, paragraph 110.

⁴² Exhibit 28583-X0001, application, paragraph 171.

⁴³ Exhibit 28583-X0037, APEX-AUC-2023NOV2024-007(a).

⁴⁴ Exhibit 28583-X0039, APEX-AUC-2023NOV2024-007(b) Attachment.

50. The Commission has reviewed Apex’s response and finds the SCS fees and Apex’s actual underlying costs and timelines to provide these services to be reasonable with the exception of the residential Remove and Test Meter fee. Accordingly, the Commission approves the updated SCS fees, except for the residential Remove and Test Meter fee, as set out in Appendix 3 to this decision on a final basis, effective April 1, 2024.

51. The Commission finds that Apex did not sufficiently support the proposed increase to the residential Remove and Test Meter fee from its current level of \$85 per service to the proposed fee of \$417. In response to a Commission IR, Apex provided the following supporting information regarding its actual costs to perform this service:

Figure 1. Remove and Test Meter costs⁴⁵

1 Remove and Test Meter

Department	2023 Fully Burdened wage rate ¹	Average Time (minutes) ²	Cost per Occurrence
Operations	\$ 118.45	130	\$ 257
Customer Relations	77.03	5	6
Billing	110.00	5	9
			\$ 272
External Costs (meter testing)	\$ 130.00		130
			\$ 402

¹ Fully burdened wage rates are based on the most current Collective

² Average time to complete a service is based on the 2018-2020 average of service times extracted from work orders.

52. Given a separate cost item of \$130 for “External Costs (meter testing)”, the Commission presumes that the average “Operations” time of 130 minutes relates only to the task of meter removal and replacement. Based on its experience in reviewing similar costs for similar services, the Commission is not persuaded, based on the information provided by Apex, that the time and related costs to provide this service to customers is reasonable.

53. While Apex noted this amount of time “is based on the is based on the 2018-2020 average of service times extracted from work orders,” the Commission finds that Apex failed to justify why the time required is reasonable as no further explanation or description was provided. For example, it could be the case that Apex only had to remove and test a limited number of meters during the 2018-2020 period, and/or those meters had some unique characteristics (such as vintage and ease of access), requiring additional time to remove and replace them. But it is not clear to the Commission that the stated time required to remove and test is reasonable based on the information provided. In the absence of better evidence, the Commission is not persuaded that 130 minutes is generally representative the time required to remove a typical residential meter.

54. Therefore, for the purposes of determining Apex’s 2024 residential Remove and Test Meter fee, the Commission used what it deems to be a more reasonable assumption of 60 minutes for the operations aspects of the service. Using this figure rather than the 130 minutes in Apex’s calculations reproduced above and applying the 2024 I-X index of 3.62 per cent yields a fee of \$274, which the Commission approves on a final basis effective April 1, 2024.

⁴⁵ Exhibit 28583-X0039, APEX-AUC-2023NOV2024-007(b) Attachment, tab Schedule 1.

55. Apex may apply for a revision to this amount in its next annual PBR rate adjustment application if it can provide more compelling support for the time required to remove a typical residential meter. Any such application and related supporting evidence may include comparisons to similar fees charged by other gas distribution utilities for removing and testing a meter, as well as any unique meter, access or other characteristics in Apex's distribution system mentioned earlier in this section.

56. Finally, as discussed in Section 4.2, under the provisions of the PBR3 plan, the I factor has been approved on an interim basis and will be trued up in a future proceeding to reflect the actual experienced inflation in 2024. However, the Commission recognizes that it may be impractical to true up customer contributions and special charges upon approval of the final I factor and directs Apex to comment on this matter in its next PBR rate adjustment application.

6.1.2 Special Charges – Revenue requirement adjustment for SCS updates

57. Apex stated that as a result of its proposed changes to its SCS fees, it reclassified \$0.22 million of other revenue to distribution revenue.⁴⁶ Apex explained that if there is an increase or a decrease in special charges (which are treated as revenue offsets that are applied against a utility's total revenue requirement), there may have to be an increase or a decrease in distribution rates to ensure that Apex recovers its total revenue requirement which would remain unchanged.⁴⁷ Therefore, Apex contended the \$0.22 million reduction in revenue offsets (primarily due to the removal of the account activation fee) requires an equivalent increase to distribution revenue to provide Apex with a reasonable opportunity to recover its total revenue requirement. Apex further stated this reallocation would have a 0.2 per cent impact on the distribution rates for customers.

58. The Commission denies this reallocation of other revenue to distribution revenue. While the Commission acknowledges that the impact of Apex's proposal on rates would be relatively small, the Commission finds that this would be tantamount to reopening the going-in rates set for PBR3 based on the approved revenue and costs during the 2023 cost-of-service rebasing year. Apex forecast its revenue offsets for going-in rates mechanistically using the three-year (2018-2020) average historical actuals; the Commission did not include revenue offsets in its final list of issues for the Apex rebasing Proceeding 26616 and accepted this method in the resulting Decision 26616-D01-2022. To make the proposed adjustment of 0.22 million would be equivalent to rebasing Apex based on forecast SCS fees (rather than a 3-year average) and contradicts the streamlined rebasing approach approved in Decision 26616-D01-2022. In the rebasing proceeding, the Commission resisted attempts to explore sub-categories of costs that were part of the approved three-year mechanistic forecasting method determining these issues to be out of scope. It would therefore be inappropriate for the Commission to entertain Apex's request in the present proceeding.

59. For these reasons, the Commission denies Apex's \$0.22 million revenue reallocation from other revenue to 2024 base distribution revenue, and directs Apex to reverse this

⁴⁶ Exhibit 28583-X0001, application, paragraph 51.

⁴⁷ Exhibit 28583-X0001, application, paragraph 178. Apex explained that recovery of the revenue requirement is achieved through distribution rates after first recognizing expected recoveries from revenue offsets, which include special charges.

adjustment, with any corresponding true-up to customer rates, as part of its next annual PBR rate adjustment filing.

6.2 Financial reporting requirements and senior officer attestation

60. In Decision 27388-D01-2023, the Commission adopted the requirement from the past PBR plans that each distribution utility provide the following financial information in its annual PBR rate adjustment filing:

- (a) A copy of its Rule 005 filing.
- (b) A schedule showing disallowed costs, excluded from a distribution utility's ROE.
- (c) Attestations and certifications signed by a senior officer of the distribution utility.⁴⁸

61. The Commission provided a detailed summary or description of each of the above requirements in Section 4.6 of Decision 23355-D02-2018.⁴⁹

62. The Commission has reviewed the financial information provided by Apex⁵⁰ and is satisfied that Apex has complied with the financial reporting requirements set out in Decision 27388-D01-2023.

7 Order

63. It is hereby ordered that:

- (1) Apex Utilities Inc.'s 2024 distribution rates including the deferral accounts and riders, approved in Decision 28583-D01-2023, shall continue to apply on an interim basis.
- (2) Apex Utilities Inc.'s terms and conditions for gas distribution service, approved in Decision 28583-D01-2023, are approved on a final basis.
- (3) Apex Utilities Inc.'s Special Charges Schedule for 2024 as set out in Appendix 3 to this decision is approved on a final basis effective April 1, 2024.

Dated on March 15, 2024.

⁴⁸ Decision 27388-D01-2023, Appendix 5, Section 6, Financial reporting requirements, PDF page 125.

⁴⁹ Decision 23355-D02-2018: Rebasing for the 2018-2022 PBR Plans for Alberta Electric and Gas Distribution Utilities Second Compliance Proceeding, Proceeding 23355, October 10, 2018, paragraphs 71-74.

⁵⁰ Exhibit 28583-X0023, Appendix 6, Apex 2022 Rule 005 filing; Exhibit 28583-X0027, Appendix 9 - 2022 Reconciliation of Financial and Utility Returns and ROE; Exhibit 28583-X0010, Appendix 10 - Senior Officer Attestation.

Alberta Utilities Commission

(original signed by)

Kristi Sebalj
Vice-Chair

(original signed by)

Michael Arthur
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Apex Utilities Inc. (Apex)
Consumers' Coalition of Alberta
Office of the Utilities Consumer Advocate Brownlee LLP

Alberta Utilities Commission
Commission panel
K. Sebalj, Vice-Chair
M. Arthur, Commission Member
Commission staff
C. Robertshaw
N. Morter
M. Logan

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. The Commission agrees that Apex’s approach is consistent with its past practice but finds that consistency in the K-bar calculation methodology among all utilities regulated under PBR3 will aid it in its reviews of future K-bar calculations. As a result, the Commission directs Apex to escalate net salvage amounts by I-X and customer growth in its K-bar calculations for PBR3. Given that this adjustment is expected to have a minimal impact to K-bar, Apex is directed to make this change as part of its 2024 K-bar true-up and 2025 K-bar calculation, to be included in its next annual rates filing. paragraph 25
2. The Commission considers that variances from forecasts may reasonably be expected for current purposes. Such occurrences do not generally call into question the predictive value of the methodology used to generate such forecasts, and Apex is directed to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify the cause of variances larger than five per cent on an annual basis. paragraph 37
3. Finally, as discussed in Section 4.2, under the provisions of the PBR3 plan, the I factor has been approved on an interim basis and will be trued up in a future proceeding to reflect the actual experienced inflation in 2024. However, the Commission recognizes that it may be impractical to true up customer contributions and special charges upon approval of the final I factor and directs Apex to comment on this matter in its next PBR rate adjustment application. paragraph 56
4. For these reasons, the Commission denies Apex’s \$0.22 million revenue reallocation from other revenue to 2024 base distribution revenue, and directs Apex to reverse this adjustment, with any corresponding true-up to customer rates, as part of its next annual PBR rate adjustment filing..... paragraph 59

Appendix 3 – Special Charges Schedule

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Appendix 3 - Special
Charges Schedule

(consists of 3 pages)

Apex Utilities Inc. Special Charges Schedule

In a number of places the Natural Gas Utility Service Rules refer to special charges for some services. Following is a list of the charges, as approved by the Alberta Utilities Commission.

Special Charge	Fee
Remove and test meter - per meter:	
Residential	\$ 274
Other	Actual Cost
Special meter readings (each time).....	\$ 108
No Access Fee (each time)	\$ 108
Reconnection Fee:	
Residential	\$ 108
Other (except Irrigation)	Actual Cost
Irrigation Disconnection/Reconnection Fee:	
Each time (except normal season start and end)	\$ 108
Reinstallation of Meter/Regulator:	
Residential	\$ 139
Other	Actual Cost
Unauthorized Use Charge	Actual Cost
Dishonoured Payment Charge (NSF cheque, etc.) - each time.....	\$ 22
Any other service at Customer's Request	Actual Cost
Late Payment Charge	
Percentage applied to any unpaid balance from previous bills	1.5%
(18% per annum, compounded monthly)	
Standard Non-Refundable Contribution (as defined on p.3):	
Town	\$ 0
Rural Subdivision.....	\$ 588
Rural Other	\$ 6,352

Note: "Actual Cost", where referenced, means our direct costs for labour, materials, services, and equipment plus applicable overheads and taxes.

EFFECTIVE DATE: April 1, 2024	REPLACING RATE EFFECTIVE: January 1, 2024 Decision 28583-D01-2023	Page 1 of 3 SCS
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Apex Utilities Inc. Special Charges Schedule (continued)

Non-Refundable Contributions

Applications for service will require a non-refundable contribution. In most cases, a standard contribution is all that is required. Services uneconomic with a standard contribution will require an additional non-refundable contribution.

Standard Non-Refundable Contributions

Standard contributions are filed for acknowledgment with the Commission when they are initially established and, thereafter, whenever they are changed. For a current list of our standard non-refundable contributions, please refer to Page 1 of this Special Charges Schedule or contact us toll-free using our General Inquiry phone number to find current rates.

Non-Standard Non-Refundable Contributions

Winter Construction – Should the service be requested for installation under winter construction conditions, the customer is responsible for the incremental frost charges.

Other – If it is not economic to consider an application for service under a standard contribution, it will be evaluated individually to determine a specific, non-refundable contribution.

Calculation of Specific Non-Refundable Contributions

The calculation of a specific non-refundable contribution will be based on a net present value analysis applying the following criteria:

- a) An estimate of the total capital costs of providing service;
- b) An estimate of the total annual operating costs of providing service;
- c) The *Commission*-approved return on common equity, interest rate, depreciation rates, income taxes, and capital structure;
- d) An estimate of the expected net revenue that will accrue from the addition of the service.

The additional contribution will be the amount required to make the net present value of the revenue stream equal the revenue requirement stream.

EFFECTIVE DATE: April 1, 2024	REPLACING RATE EFFECTIVE: January 1, 2024 Decision 28583-D01-2023	Page 2 of 3 SCS
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Apex Utilities Inc.
Special Charges Schedule (continued)

Additional Criteria:

- Rate 1/11 – Town – A *service site* located within an incorporated municipality, such as a village, town, or city;
- Rate 1/11 – Rural Subdivision – A *service site* not defined as ‘Town’, but located in an Apex Utilities Inc. designated subdivision;
- Rate 1/11 – Rural Other – A *service site* not defined as ‘Town’ or ‘Rural Subdivision’;
- Other – A *service site* served under any rate other than Rate 1/11.

EFFECTIVE DATE: April 1, 2024	REPLACING RATE EFFECTIVE: January 1, 2024 Decision 28583-D01-2023	Page 3 of 3 SCS
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