



EPCOR Distribution & Transmission Inc.

2024 Annual Performance-Based Regulation Rate Adjustment

March 19, 2024

Alberta Utilities Commission

Decision 28581-D02-2024

EPCOR Distribution & Transmission Inc.

2024 Annual Performance-Based Regulation Rate Adjustment

Proceeding 28581

Applications 28581-A001 and 28581-A002

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1 Decision summary

1. In this decision, the Alberta Utilities Commission considers the EPCOR Distribution & Transmission Inc. (EPCOR or EDTI) 2024 annual performance-based regulation (PBR) rate adjustment filing pursuant to the provisions of the third generation PBR (PBR3) plan. The Commission finds that EPCOR's 2024 distribution rates proposed in this application are determined in accordance with the provisions of the PBR3 plan approved in Decision 27388-D01-2023.¹ Accordingly, for the reasons that follow, the Commission has determined that no changes are required to the 2024 distribution rates including the system access service (SAS) rates and riders, as well as the terms and conditions (T&Cs) for electric distribution service previously approved on an interim basis in Decision 28581-D01-2023.²

2. For clarity, the T&Cs for electric distribution service for 2024 are approved on a final basis. 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) have been determined by the Commission.

2 Introduction

3. 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, EPCOR submitted its compliance filing by way of a 2024 annual PBR rate adjustment filing, requesting approval of its 2024 electric distribution access service (DAS) rates and riders, transmission SAS rates, billing determinants and corresponding rate schedules in accordance with the parameters of the PBR3 plan. EPCOR also requested approval of its customer and retailer T&Cs of electric distribution service. Additionally, EPCOR included in the application its 2022 transmission access charge deferral account (TACDA) true-up, and requested the related true-up amounts be collected or refunded through Rider J.

4. 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, EPCOR as well as the option of filing written argument and reply argument if required. Based on a preliminary review of EPCOR's application, the Commission issued Decision 28581-D01-2023 on December 15, 2023, approving EPCOR's

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 28581-D01-2023: EPCOR Distribution & Transmission Inc., 2024 Interim Performance-Based Regulation Rate Adjustment, Proceeding 28581, December 15, 2023.

2024 rates on an interim basis, effective January 1, 2024. This was done to ensure that EPCOR was able to implement rates in accordance with the interim decision, on January 1, 2024.

3 Background

5. 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 PBR price cap formula relevant to EPCOR is set out below:

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

where:

R_t	Rates for the current year
R_{t-1}	Rates for the previous year
I	The I 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)

6. 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).

7. 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.

8. 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.

9. 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), 2022 K-bar and TACDA true-ups 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

10. In accordance with the Commission's direction in Decision 26617-D02-2022,⁴ EPCOR adjusted its 2023 revenue requirement to reflect the actual 2022 closing rate base, which is also the 2023 opening rate base.⁵ The applied-for adjustment was a \$0.55 million reduction that was

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

⁴ Decision 26617-D02-2022: ENMAX Power Corporation and EPCOR Distribution & Transmission Inc., 2023 Cost-of-Service Review – Reasons for Approval of Negotiated Settlements, Proceeding 26617, July 28, 2022, paragraph 57.

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

driven by actual capital additions in 2021 and 2022 being lower than placeholder values used in the 2023 cost-of-service rebasing proceeding.⁶ EPCOR also removed from its 2023 going-in revenue requirement the costs categorized as Y factor adjustments under the PBR plan (inclusive of distribution to transmission contributions), to calculate the 2023 going-in revenue requirement of \$238.65 million.

11. The Commission has reviewed the adjustments that EPCOR has applied to its 2023 approved revenue requirement and finds them to be acceptable and in accordance with the Commission's directions. The Commission approves EPCOR'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 EPCOR was subject to the incentives of PBR when these costs were incurred and that no party took issue with these amounts. Therefore, the Commission approves the \$0.55 million closing rate base reduction and the 2022 actual closing rate base. Additionally, the Commission approves the removal of EPCOR's Y factor costs from the 2023 approved revenue requirement. Accordingly, the Commission approves EPCOR's 2023 going-in revenue requirement of \$238.65 million.

4.2 2024 PBR indices and annual adjustments

12. As detailed in Section 3, the PBR3 price cap plan for EPCOR 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 EPCOR to arrive at its 2024 rates and the Commission's assessment of the applied-for amounts are detailed below. Additional discussion on select parameters is provided in the sections that follow.

13. EPCOR 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 EPCOR's achieved ROE in 2024 will not be available until the next year.

I-X index

14. 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, EPCOR calculated the interim 2024 I factor to be 4.02 per cent.

15. 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.⁷ As explained in Decision

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. EPCOR 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 26617-D01-2022.

⁶ Exhibit 28581-X0002.01, application, Table 2.1-1.

⁷ Decision 27388-D01-2023, paragraph 2.

27388-D01-2023, for K-bar calculation purposes, the X factor is 0.1 per cent as it excludes the benefit-sharing premium component.⁸

16. EPCOR 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, EPCOR provided dated screenshots of the Statistics Canada tables used in determining its I factor.⁹ No party objected to EPCOR's applied-for I factor.

17. The Commission has reviewed EPCOR's calculation of the 2024 I factor and finds it to be consistent with the methodology set out in Decision 27388-D01-2023.¹⁰ 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.

18. 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 2024.¹¹

Y factor

19. 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 Z factor treatment.¹² After revisions and updates in responses to Commission's IRs, EPCOR's 2024 Y factor was \$34.36 million, inclusive of carrying costs, as set out in the table below:

Table 1. 2024 Y factor amounts¹³

Item	2024 Forecast	2022 True-up	2023 True-up	2024 Total
	(\$ million)			
Alberta Electric System Operator (AESO) Flow Through Items	0.20	0.01	0.08	0.29
AUC Assessment Fees	1.22	0.00	0.04	1.26
Effects of Regulatory Decisions	0.00	0.00	0.00	0.00
Intervener Costs	0.05	0.10	0.00	0.15
Commission Tariff Billing & Load Settlement Initiatives	0.00	0.00	(0.01)	(0.01)
Property, Business & Linear taxes	13.71	0.00	1.35	15.06
Distribution Contributions	12.17	2.13	2.89	17.18
Sub Total	27.33	2.23	4.35	33.92
Y factor carrying charges	-	-	-	0.44
Total Y factor adjustments	27.34	2.23	4.35	34.36

20. The Commission has assessed the amounts included in EPCOR'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 EPCOR's carrying costs and finds

⁸ Decision 27388-D01-2023, paragraphs 102-103.

⁹ Exhibit 28581-X0007.01, Appendix E, tabs 3.1 and 3.2.

¹⁰ Decision 27388-D01-2023, paragraph 70.

¹¹ Decision 27388-D01-2023, paragraph 95.

¹² 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.

¹³ Exhibit 28581-X0059, EDTI-AUC-2023NOV24-007, Attachment 12, Table 2.8-1, PDF page 23.

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

21. 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 (WACC) for a given year.¹⁴

22. In the application, EPCOR calculated its K-bar amount using the placeholder ROE of nine per cent. In response to a Commission IR, EPCOR updated its 2024 K-bar calculation to use the 2024 ROE of 9.28 per cent approved by the Commission in Decision 28585-D01-2023.¹⁵ Using the approved ROE, EPCOR calculated its K-bar funding to be \$6.68 million. Additionally, EPCOR's 2022 K-bar true-up for the actual cost of debt resulted in a refund to customers of \$2.03 million. No party objected to EPCOR's applied-for K-bar funding or K-bar true-up.

23. The Commission has reviewed EPCOR's schedules showing the calculation of the 2024 K-bar funding and finds that it followed the approved methodology set out in Decision 27388-D01-2023. Thus, the Commission approves EPCOR's 2024 K-bar of \$6.68 million. The Commission also approves EPCOR's 2022 K-bar true-up refund of \$2.03 million. The 2024 K-bar will be subject to a further true-up for the 2024 actual I factor and cost of debt in a subsequent proceeding.

ECM

24. 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.¹⁶

25. 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. EPCOR 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 27653-D01-2022, the Commission determined that the ECM dollar amount will be calculated based on the 2022 actual approved mid-year rate base.¹⁷ By applying the 0.5 per cent add-on amount to the actual 2022

¹⁴ Decision 27388-D01-2023, Appendix 7.

¹⁵ Decision 28585-D01-2023: 2024 Return on Equity, Proceeding 28585, November 20, 2023.

¹⁶ 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.

¹⁷ Decision 27653-D01-2022: EPCOR Distribution & Transmission Inc., 2023 Cost-of-Service Compliance Filing and 2023 Distribution Rates, Proceeding 27653, December 13, 2022, paragraph 28.

mid-year rate base and escalating by the approved indexes, EPCOR calculated its 2024 ECM amount to be \$3.25 million.

26. In accordance with the Commission's direction from Decision 27653-D01-2022, where it approved an interim 2023 ECM amount,¹⁸ EPCOR included a true-up that recognized the difference between the 2023 interim ECM amount of \$3.03 million and the final ECM amount of \$3.14 million reflecting the actual 2022 mid-year rate base. As such, the 2023 ECM true-up amount is equal to \$0.11 million. EPCOR calculated its 2023 carrying costs associated with this true-up to be \$0.01 million, resulting in a total ECM amount of \$3.37 million.

27. The Commission has reviewed EPCOR'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 \$3.37 million, consisting of the 2024 ECM amount, 2023 ECM true-up and 2023 carrying costs.

4.3 Forecast billing determinants and prior year variance analysis

28. 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 utilities¹⁹ and is also used in performing the annual use-per-customer adjustments for gas distribution utilities under the revenue-per-customer cap plan.

29. In the application, EPCOR provided detailed 2024 billing determinant forecasts.²⁰ EPCOR submitted that its forecast 2024 billing determinants were based on the same methodology approved in Decision 27018-D01-2022.²¹ Additionally, EPCOR prepared a variance analysis by performing a back-cast calculation using the regression model approved in Decision 27018-D01-2022, and using the historical trend method based on 10 years of actual growth to forecast residential rate class consumption as directed by the Commission in Decision 27653-D01-2022.²² EPCOR's analysis showed that the back-cast of consumption produced by the regression model resulted in lower annual forecast variances when compared to back-casts produced using historical growth for 2021 and 2022. For the 2023 analysis, the two back-cast variances were quite similar and both within one per cent of actual consumption.²³ Based on the results of the variance analysis, EPCOR proposed to use the regression model with updated weightings for the COVID-19 years to forecast consumption for the residential rate class for the purpose of calculating 2024 rates.²⁴

30. For K-bar purposes, the Commission approved the use of the customer growth factor to account for the incremental revenue associated with system growth. The customer growth factor is calculated as the year-over-year percentage change in the average customer count reduced by

¹⁸ Decision 27653-D01-2022, paragraph 34.

¹⁹ Decision 27388-D01-2023, paragraph 170.

²⁰ Exhibit 28581-X0004, Appendix B.

²¹ Decision 27018-D01-2022: EPCOR Distribution & Transmission Inc., Phase 2 Distribution Tariff Application, Proceeding 27018, July 11, 2022, paragraph 86.

²² Decision 27653-D01-2022, paragraphs 53-54.

²³ Exhibit 28581-X0002.01, application, paragraph 18.

²⁴ EPCOR's updated COVID weightings were 50 per cent for 2022 and 33 per cent for 2023 and 2024.

15 per cent. Based on its forecast number of customers, EPCOR applied for a customer growth factor of 1.35 per cent.²⁵

31. In Decision 27653-D01-2022, the Commission directed EPCOR 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.²⁶ There were variances larger than \pm five per cent for the Medium Commercial, Time of Use, Direct Connects, Time of Use Primary and Customer Specific, Totalized in 2022 rate classes. Variance explanations were provided in Section 2.2.1 of the application.²⁷

32. No party objected to EPCOR's billing determinant forecast or its variance explanations.

33. The Commission considers that variances from forecasts such as those described by EPCOR for 2022 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 EPCOR 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.

34. Based on its review and assessment, the Commission finds EPCOR's 2024 forecast billing determinants, including the customer growth factor of 1.35 per cent, to be reasonable and approves them.

5 2022 TACDA true-up

35. All electric distribution utilities accessing the electric transmission system in the province are charged by the AESO for transmission services provided in relation to customers in the distribution utilities' service areas. The purpose of the annual TACDA true-up is to ensure that revenues collected through a distribution utility's transmission access charges in a year recover the AESO tariff charges paid by the utility in that year.

36. In the current PBR plan, TACDA amounts are considered to be a part of the Y factor and are treated as a dollar-for-dollar flow-through of the AESO tariff charges. In other words, the utility does not assume any volume or price risk, but also does not earn any return, nor risk losses, in flowing through these costs to customers.

37. The annual TACDA true-up schedules are based on the harmonized framework approved by the Commission for all four electric distribution utilities in Decision 3334-D01-2015.²⁸ To reduce regulatory burden, the annual TACDA true-up is included in the annual rate adjustment filing.

²⁵ Exhibit 28581-X0012.01, Appendix K- K-Bar Model, tab 9. CGF, line 12.

²⁶ Decision 27653-D01-2022, paragraph 45.

²⁷ Exhibit 28581-X0002.01, application, paragraphs 30-34.

²⁸ Decision 3334-D01-2015: Commission-Initiated Review, Electric Transmission Access Charge Deferral Accounts – Annual Applications, Proceeding 3334, Application 1610728-1, July 21, 2015.

5.1 Total net true-up amount

38. EPCOR applied for a net 2022 TACDA refund of \$6.06 million to customers. The components of the total true-up amount applied for are listed in Table 2 and are further described in this section:

Table 2. Components of the applied-for 2022 TACDA true-up amount

Component	True-up amount collection/(refund) (\$ million)
Previous deferral account rider true-up	(0.43)
2022 SAS deferral true-up	(2.78)
AESO deferral account reconciliation (DAR) true-up	(2.29)
2022 Balancing Pool rebate true-up	(0.14)
Carrying costs	(0.41)
Total collect/(refund)	(6.06)

Source: Exhibit 28581-X0033, Appendix 1, Schedule 1.0.

39. The deferral account rider true-up ensures that the amounts actually collected or refunded through a previously approved rider equal the amounts approved by the Commission. In 2022, EPCOR was approved to refund \$0.06 million through TACDA true-up Rider J.²⁹ The actual collection was \$0.38 million, necessitating a further refund to customers of \$0.43 million.

40. The SAS deferral true-up ensures the actual transmission access revenues received from SAS rates and related quarterly riders equals the actual transmission costs incurred. EPCOR's total 2022 transmission access revenues for distribution-connected customers, including revenues received through its quarterly TACDA true-up riders, amounted to \$315.83 million which, compared to total costs of \$313.05 million, results in a required refund of \$2.78 million.

41. The AESO DAR deals with any variances between the actual costs the AESO incurs and the revenues it receives to ensure that "... on an annual basis, no profit or loss results from its operation."³⁰ Any such variances are refunded to, or recovered from, market participants by way of the AESO DAR, typically undertaken on an annual basis. The distribution utilities flow through these collections or refunds to customers in their service areas. The Commission approved the AESO's 2022 DAR in Decision 28293-D01-2023.³¹ The reconciliation will result in a \$2.39 million refund to EPCOR, of which \$2.29 million will be refunded to its non-direct connect customers.³²

42. EPCOR's Balancing Pool true-up ensures that its Balancing Pool refund to, or collection from, its customers matches its settlement with the AESO.³³ In 2022, the AESO collected

²⁹ Decision 26852-D01-2021: EPCOR Distribution & Transmission Inc., 2022 Annual Performance-Based Regulation Rate Adjustment, Proceeding 26852, December 14, 2021, paragraph 57.

³⁰ Under Section 14(3) of the *Electric Utilities Act*.

³¹ Decision 28293-D01-2023: Alberta Electric System Operator, 2022 Deferral Account Reconciliation, Proceeding 28293, August 1, 2023

³² EPCOR explained that direct connect customers will be trued up to the dollar on a per customer and as such, these amounts were not included in this application. Exhibit 28581-X0032, 2022 TACDA True-Up, footnote to Table 4.3-1.

³³ Under Section 82 of the *Electric Utilities Act*, each year the Balancing Pool is required to forecast its revenues and expenses to determine any excess or shortfall of funds. Based on this forecast, the Balancing Pool determines an annualized amount that will be refunded to, or collected from, electricity consumers over the year

\$16.29 million from EPCOR. Due to differences between forecast and actual billing determinants, EPCOR collected \$16.43 million from its customers in 2022, necessitating a refund of \$0.14 million.

43. EPCOR calculated carrying costs on outstanding amounts related to the TACDA true-up balances in accordance with Rule 023.³⁴ The rate used was the Bank of Canada's target for overnight interest rates plus 1.75 per cent. EPCOR complied with the Commission's direction from Decision 25803-D01-2020³⁵ and excluded the 2022 AESO DAR from the calculation and allocation of carrying costs. The total carrying costs amounted to a \$0.41 million refund to customers.

44. EPCOR's application and schedules are consistent with the harmonized framework approved by the Commission in Decision 3334-D01-2015. The Commission finds the amounts comprising the 2022 annual TACDA true-up to be reasonable. The Commission also finds the assignment of the individual components of the 2022 TACDA true-up to rate classes to be consistent with previously approved methodologies and reasonable in the circumstances. Accordingly, the Commission approves a net refund to customers of \$6.06 million as set out in Table 2 above.

5.2 Rider J rate and effective period

45. EPCOR proposed to apply the 2022 annual TACDA true-up by way of a Rider J. To smooth rates over time and promote rate stability, EPCOR proposed Rider J to be in effect over a 12-month period from January 1, 2024, to December 31, 2024 to coincide with the period over which EPCOR's 2024 PBR rates will be in effect.

46. EPCOR calculated Rider J by summing the 2022 TACDA true-up components and related carrying costs by rate class and divided these amounts by the 2022 forecast billing determinants. The resulting true-up amounts and the proposed Rider J rates are set out in the table below:

“... so that no profit or loss results, after accounting for the annualized amount under section 82(7) as a revenue or expense of the Balancing Pool.” This amount, known as the consumer allocation, applies to all market participants who receive SAS from the AESO and is recovered through Rider F of the AESO tariff. The consumer allocation is based on the amount of electric energy consumed annually. In 2022, the Balancing Pool charged a consumer allocation of \$2.20 per megawatt hour (MWh).

³⁴ Rule 023 applies as the lag in the implementation of the refund exceeds 12 months and the revenue amount is sufficient per Section 3(2)(c) to warrant the awarding of carrying costs.

³⁵ Decision 25803-D01-2020: EPCOR Distribution & Transmission Inc., 2019 Annual Transmission Access Charge Deferral Account True-Up, Proceeding 25803, November 20, 2020, paragraph 23.

Table 3. True-up amounts and proposed Rider J rate by rate class

Rate class	Total true-up (\$)	Rider J rate (\$/kilowatt hour)
Residential	3,965,684	0.00165
Small Commercial	(1,136,781)	(0.00171)
Medium Commercial	(6,161,101)	(0.00629)
Time of Use	(1,542,291)	(0.00098)
Direct Connects	-	-
Time of Use – Primary	(1,168,429)	(0.00194)
Customer Specific	613,856	0.00104
Customer Specific, Totalized (CS 21)	143,262	0.00393
Customer Specific, Totalized (CS 34)	(684,283)	(0.00426)
Street Lights	(80,528)	(0.00180)
Traffic Lights	(2,892)	(0.00070)
Lane Lights	(5,480)	(0.00271)
Security Lights	(1,059)	(0.00024)
Total	(6,060,040)	

Source: Exhibit 28581-X0033, Appendix 1, Schedule 1.0.

47. As shown in Table 3, while the total net true-up amount results in a refund, Rider J across individual rate classes will result in a collection from some customer classes. This is due to the relative size of the components of the true-up amounts allocated to each rate class.

48. The Commission finds EPCOR's use of Rider J to collect the 2022 TACDA true-up amounts to be reasonable because using a separate rider facilitates better tracking of these flow-through costs. The Commission agrees that implementing Rider J over the same period as EPCOR's 2024 PBR rates will promote rate stability. In Section 6, the Commission assesses the bill impact of EPCOR's 2024 PBR rates (inclusive of Rider J).

6 2024 PBR rates

6.1 SAS rates

49. In its application, EPCOR requested approval of its 2024 SAS rates, to be effective January 1, 2024. EPCOR's proposed 2024 SAS rates reflect its latest forecast of AESO tariff volumes and prices. Specifically, EPCOR indicated that its proposed 2024 SAS rates reflect the rates from the AESO 2023 Independent System Operator tariff, approved in Decision 27777-D01-2022.³⁶ EPCOR assumed a pool price of \$91.57 per MWh and an operating reserve of 5.05 per cent for 2024. The operating reserve forecast was based on EPCOR's actual 2022 monthly average operating reserve percentage.

50. EPCOR proposed a change in its methodology for forecasting the 2024 pool price. Under the currently approved methodology, EPCOR uses a 12-month average of actual pool prices from the previous year to arrive at a pool price forecast for the next year. In the current application, EPCOR proposed to base the forecast on 2024 monthly settlement prices posted by the ICE NGX Canada Inc. (ICE NGX) exchange, which provides electronic trading and data services for North American natural gas and electricity markets. Based on its analysis of

³⁶ Decision 27777-D01-2022: Alberta Electric System Operator, 2023 Independent System Operator Tariff Update, Proceeding 27777, December 21, 2022.

historical pool prices in the 2018-2023 period, EPCOR stated that the current method resulted in a poor forecast and, as a result, relatively higher quarterly rider balances. EPCOR expressed the view that settlement prices are the best publicly available indicator of future pool price and showed that a 2024 pool price forecast based on settlement prices is comparable to a forecast provided by a third-party consultant.³⁷

51. On December 11, 2023, EPCOR updated its application to account for the most recent information available in two AESO applications regarding 2024 SAS rates and the AESO's Balancing Pool Consumer Allocation Rider F.³⁸ The 2024 AESO Rider F decreased from the previously approved \$2.20/MWh to \$1.30/MWh approved in Decision 28628-D01-2023.³⁹ Consistent with its past practice, EPCOR proposed to collect the Balancing Pool rebate as a separate rider (Rider G) to its SAS rates.

52. EPCOR indicated that it calculated its proposed 2024 SAS rates using the same cost-of-service study methodologies and rate structure approved for its 2023 SAS rates approved in Decision 28133-D01-2023.⁴⁰

53. The Commission considers that forecasting the pool price using settlement prices posted on the ICE NGX is reasonable as this method is based on publicly available market trading data. This forecast pool price will be trued up to the actual price in the annual TACDA process. The Commission directs EPCOR to comment on the accuracy of this new methodology in its 2026 annual PBR rate adjustment application.

54. The Commission has reviewed EPCOR's calculations of its proposed 2024 SAS rates, the underlying assumptions and the 2024 Balancing Pool Rider G and finds them to be reasonable and consistent with its past SAS rate applications. In Section 6.3, the Commission assesses the bill impact of EPCOR's 2024 PBR rates (inclusive of SAS rates) and approves them. Therefore, the Commission approves the proposed 2024 SAS rates and 2024 Balancing Pool Rider G.

6.2 Customer specific rate CS21 true-up

55. In its application, EPCOR proposed to true up differences arising from the WACC rate used in the CS21 rate application and the actual 2022 WACC rate as directed by the Commission in Decision 27493-D01-2022.⁴¹ EPCOR proposed to apply its CS21 rate true-up as a one-time refund in the amount of \$645 to customer CS21.

56. The Commission has reviewed EPCOR's calculation of its CS21 true-up and finds that it has been calculated properly. Accordingly, the Commission approves the rate CS21 true-up refund of \$645.

³⁷ Exhibit 28851-X0047, EDTI-AUC-2023NOV24-003.

³⁸ Decision 28627-D01-2023: Alberta Electric System Operator, 2024 Independent System Operator Tariff Update, Proceeding 28627, December 15, 2023; Decision 28628-D01-2023: Alberta Electric System Operator, 2024 Balancing Pool Consumer Allocation Rider F, Proceeding 28628, November 27, 2023.

³⁹ Decision 28628-D01-2023: Alberta Electric System Operator, 2024 Balancing Pool Consumer Allocation Rider F, Proceeding 28628, November 27, 2023.

⁴⁰ Decision 28133-D01-2023: EPCOR Distribution & Transmission Inc., 2023 System Access Service Rate Update, Proceeding 28133, May 5, 2023.

⁴¹ Decision 27493-D01-2022: EPCOR Distribution & Transmission Inc., 2022 Customer Specific Distribution Access Service and System Access Service Rate Update for Customer CS21, Proceeding 27493, August 18, 2022, paragraph 25.

6.3 Distribution rates

57. 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 EPCOR's PBR rates. The Commission also approved EPCOR's forecast billing determinants and the associated customer growth factor for K-bar purposes. As well, the Commission approved the 2024 SAS rates and collection of the 2022 TACDA true-up by way of Rider J.

58. EPCOR provided bill impact schedules reflecting the proposed 2024 PBR rates. EPCOR's estimated typical bill impacts for customers are shown in the table below. The bill impacts reflect the changes in all rate components including DAS rates, SAS rates, riders (including the Balancing Pool rider and Rider J to recover the 2022 TACDA true-up), franchise fee, and retail and energy (commodity) charges.

Table 4. Bill impacts of EPCOR's proposed 2024 distribution rates

Rate class description	Typical bill change – December 2023 to January 2024		
	(\$)	Distribution tariff charges ⁴²	Total charges (bundled) ⁴³
		(%)	
Residential	0.71	1.2	0.4
Small Commercial	(11.71)	-5.1	-1.5
Medium Commercial	(223.95)	-12.1	-3.6
Time of Use – Secondary	776.92	7.6	2.5
Direct Connects	4.34	0.0	0.0
Time of Use – Primary	2,147.23	6.6	1.9
Street Lights	(18,527.61)	-6.5	-1.6
Traffic Lights	(2,169.03)	-8.9	-2.2
Lane Lights	(1,360.78)	-10.2	-2.3
Security Lights	(2.26)	-2.7	-1.7
Customer Specific	10,084.72	6.0	1.3
Customer Specific, Totalized	153,415.47	18.2	4.1
Small Commercial Unmetered:			
Booth: 2 Lamp	0.66	2.1	0.9
TV Booster	0.06	0.1	0.1
China Gate	(4.83)	-4.0	-1.3

Source: Exhibit 28581-X0008.01, Appendix G – Bill Comparison, tabs Bill Impact – Rates & Riders; Bill Impact – R & R with Energy.

59. The Commission has reviewed the schedules setting out the 2024 PBR rate calculations and observes that EPCOR 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 EPCOR for calculating its 2024 PBR rates.

60. The Commission has also reviewed the typical bill impacts from December 2023 to January 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 month-over-month

⁴² Distribution charges only, excluding retail and generation charges. Note: EPCOR does not forecast changes in the retail or generation rates between December and January.

⁴³ All charges, comprising distribution, retail and generation charges.

changes to total bundled customer bills from December 2023 to January 2024 provided by EPCOR are not expected to exceed 10 per cent in any rate class.

61. As previously mentioned, the Commission approved EPCOR's rates on an interim basis effective January 1, 2024. For the reasons set out in this decision, the Commission finds that no changes are required to the 2024 distribution rates previously approved on an interim basis in Decision 28581-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) have been determined for 2024 by the Commission in one or more subsequent proceedings. EPCOR'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.

7 Other matters

7.1 T&Cs of service

62. As part of the application, EPCOR amended its distribution T&Cs in accordance with Decision 27658-D02-2023.⁴⁴ With the exception of the residential maximum investment level (MIL) for the new greenfield development, EPCOR adjusted its MILs and specific customer contributions by the I-X index for 2024. The MIL for the new greenfield residential development was set at \$3,016 per lot as directed by the Commission in Decision 27658-D02-2023.⁴⁵ Other than this update to its MILs, EPCOR did not propose any changes to its Distribution Connection Services (DCS) T&Cs, DAS T&Cs nor its distribution tariff policies in its application.⁴⁶

63. The Commission has reviewed EPCOR's revised MILs and specific customer contributions provided in Schedule A⁴⁷ of the DCS T&Cs for 2024 and finds the proposed increases to the MILs and specific customer contributions to be consistent with Decision 27658-D02-2023. Accordingly, the Commission approves EPCOR's customer DCS T&Cs and retailer DAS T&Cs previously approved in Decision 28581-D01-2023, on a final basis.

64. 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 MILs and specific customer contributions upon approval of the final I factor and directs EPCOR to comment on this matter in its next PBR rate adjustment application.

7.2 Financial reporting requirements and senior officer attestation

65. 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.

⁴⁴ Decision 27658-D02-2023: Residential Standards of Service and Maximum Investment Levels – Phase 2, Proceeding 27658, October 18, 2023.

⁴⁵ Exhibit 28581-X0002.01, application, Table 5.1.3-1.

⁴⁶ Exhibit 28581-X0002.01, application, paragraphs 123 and 128-129.

⁴⁷ Exhibit 28581-X0025, Schedule A – Available EDTI Investment.

- (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

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

67. The Commission has reviewed the financial information provided by EPCOR⁵⁰ and is satisfied that EPCOR has complied with the financial reporting requirements set out in Decision 27388-D01-2023.

8 Order

68. It is hereby ordered that:

- (1) EPCOR Distribution & Transmission Inc.'s 2024 distribution rates including the system access service rates and riders, approved in Decision 28581-D01-2023, shall continue to apply.
- (2) EPCOR Distribution & Transmission Inc.'s terms and conditions for electric distribution service are approved on a final basis.

Dated on March 19, 2024.

Alberta Utilities Commission

(original signed by)

Kristi Sebalj
Vice-Chair

(original signed by)

Michael Arthur
Commission Member

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

⁴⁹ Decision 23355-D02-2018: Rebasement 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 28581-X0009, Appendix H; Exhibit 28581-X0010, Appendix I; Exhibit 28581-X0011, Appendix J.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
EPCOR Distribution & Transmission Inc. (EPCOR or EDTI)
Consumers' Coalition of Alberta
Office of the Utilities Consumer Advocate

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

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 considers that variances from forecasts such as those described by EPCOR for 2022 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 EPCOR 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 33
2. The Commission considers that forecasting the pool price using settlement prices posted on the ICE NGX is reasonable as this method is based on publicly available market trading data. This forecast pool price will be trued up to the actual price in the annual TACDA process. The Commission directs EPCOR to comment on the accuracy of this new methodology in its 2026 annual PBR rate adjustment application. paragraph 53
3. 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 MILs and specific customer contributions upon approval of the final I factor and directs EPCOR to comment on this matter in its next PBR rate adjustment application. paragraph 64