



## **ATCO Gas**

### **2024 Annual Performance-Based Regulation Rate Adjustment**

**March 20, 2024**

**Alberta Utilities Commission**

Decision 28569-D02-2024

ATCO Gas

2024 Annual Performance-Based Regulation Rate Adjustment

Proceeding 28569

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission considers ATCO Gas’s 2024 annual performance-based regulation (PBR) rate adjustment filing pursuant to the provisions of the third generation PBR (PBR3) plan. The Commission finds that ATCO Gas’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.<sup>1</sup> Accordingly, for the reasons that follow, the Commission has determined that no changes are required to the 2024 distribution rates and the customer and producer terms and conditions (T&Cs) previously approved on an interim basis in Decision 28569-D01-2023.<sup>2</sup>

2. For clarity, the customer and producer T&Cs 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, ATCO Gas submitted its compliance filing by way of a 2024 annual PBR rate adjustment filing, requesting approval of its updated 2023 revenue requirement, which forms the going-in revenue for the 2024-2028 PBR term, and approval of its 2024 K-bar on an interim basis. ATCO Gas also requested approval of its 2024 distribution rates, billing determinants and corresponding rate schedules in accordance with the parameters of the PBR3 plan as well as approval of its 2022 revenue and K-bar amounts on a final basis, thereby resulting in final rates for that year. ATCO Gas also requested approval of its customer and producer T&Cs.

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, the Office of the Utilities Consumer Advocate (UCA) and The City of Calgary. 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, ATCO Gas as well as the option of filing written argument and reply argument if required. Based on a preliminary review of ATCO Gas’s application, the Commission issued Decision 28569-D01-2023 on December 14, 2023, approving ATCO Gas’s 2024 rates on an interim basis, effective January 1, 2024. This was

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

<sup>2</sup> Decision 28569-D01-2023: ATCO Gas, a division of ATCO Gas and Pipelines Ltd., 2024 Interim Performance-Based Regulation Rate Adjustment, Proceeding 28569, December 14, 2023.

done to ensure that ATCO Gas 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 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 ATCO Gas, 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)

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 005<sup>3</sup> 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) and 2022 K-bar as well as components that relate to the 2023 rebasing year such as the 2023 opening rate base true-up.

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<sup>3</sup> Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

## 4 PBR rate adjustments

### 4.1 2023 going-in revenue requirement adjustments

10. In accordance with the Commission's direction in Decision 26616-D01-2022,<sup>4</sup> ATCO Gas adjusted its 2023 revenue requirement to reflect the actual 2022 closing rate base which is also the 2023 opening rate base.<sup>5</sup> The applied-for adjustment was a \$0.83 million reduction that was driven by actual capital additions in 2021 and 2022 being lower than placeholder values used in the 2023 cost of service rebasing proceeding.<sup>6</sup> ATCO Gas also removed from its 2023 going-in revenue requirement the costs categorized as a Y factor under the PBR plan.

11. ATCO Gas also included an adjustment of a refund of \$0.2 million for the revenue to be collected from the Alternative Technology and Appliance Delivery Service (ATA) and Producer customer rate classes. ATCO Gas explained that it, in error, did not reduce its 2023 interim utility revenue requirement by the revenue forecast of amounts to be collected from ATA and Producer customers. ATCO Gas explained that the ATA and Producer rates were approved on a pilot basis in Decision 26283-D01-2021<sup>7</sup> and therefore did not form part of the calculation of ATCO Gas's Phase 2 allocations. Therefore, the revenue forecast from ATA and Producer customers should reduce ATCO Gas's 2023 going-in revenue for the purposes of establishing the going-in revenue per customer to be indexed for the PBR3 term.

12. The Commission has reviewed the adjustments that ATCO Gas has applied to its 2023 approved revenue requirement. The Commission notes that a prudence review of ATCO Gas's 2022 actual capital additions for purposes of finalizing its 2023 opening rate base is currently taking place in Proceeding 28300,<sup>8</sup> and as a result the Commission cannot approve ATCO Gas's 2022 rates, nor its 2023 going-in revenue on a final basis until a decision has been issued by the Commission in that proceeding. Accordingly, the Commission approves the above adjustments to ATCO Gas's 2023 going-in revenue requirement, on an interim basis, pending the outcome of the 2022 prudence review currently being conducted in Proceeding 28300.

### 4.2 2024 PBR indices and annual adjustments

13. As detailed in Section 3, the PBR3 revenue-per-customer cap formula for ATCO Gas 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 ATCO Gas to arrive at its 2024 rates and the Commission's

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

<sup>5</sup> 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. ATCO Gas 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. Exhibit 28569-X0002, application, Table 4.9.

<sup>7</sup> Decision 26283-D01-2021: ATCO Gas and Pipelines Ltd., 2020 General Rate Application – Phase II Compliance filing, Proceeding 26283, March 19, 2021, paragraphs 8 and 12.

<sup>8</sup> Proceeding 28300, AUC-Initiated Review under the Reopener Provision of the 2018-2022 Performance-Based Regulation Plans for ATCO Gas and ATCO Electric, Exhibit 28300-X0017, paragraph 7.

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

14. ATCO Gas 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 ATCO Gas'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, ATCO Gas 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.<sup>9</sup> 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.<sup>10</sup>

17. ATCO Gas 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, ATCO Gas provided dated screenshots of the Statistics Canada tables used in determining its I factor.<sup>11</sup> No party objected to ATCO Gas's applied-for I factor.

18. The Commission has reviewed ATCO Gas's calculation of the 2024 I factor and finds it to be consistent with the methodology set out in Decision 27388-D01-2023.<sup>12</sup> 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.<sup>13</sup>

### **Y factor**

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

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<sup>9</sup> Decision 27388-D01-2023, paragraph 2.

<sup>10</sup> Decision 27388-D01-2023, paragraphs 102-103.

<sup>11</sup> Exhibit 28569-X0007, Appendix D.

<sup>12</sup> Decision 27388-D01-2023, paragraph 70.

<sup>13</sup> Decision 27388-D01-2023, paragraph 95.



Z factor treatment.<sup>14</sup> ATCO Gas's 2024 Y factor was \$22.2 million, inclusive of carrying costs, as set out in the table below:

**Table 1. 2024 Y factor amounts<sup>15</sup>**

	North	South	Total
	(\$000)		
2024 Deferral account placeholders	5,015	5,015	10,030
Deferral account true-ups as of July 31, 2023	3,359	3,593	6,952
Other proceeding true-ups	(1,620)	(1,128)	(2,749)
Efficiency Carryover Mechanism	3,946	3,383	7,329
Emergency Billing Relief Program	199	-	199
Carrying charges	208	253	461
<b>Total</b>	<b>11,107</b>	<b>11,115</b>	<b>22,222</b>

21. Deferral account placeholders are in place for ATCO Gas's 2024 forecasts for the following: AUC costs, intervener costs, UCA costs, and production abandonment costs. These placeholders will be trued up to actual incurred costs once they become available. True-ups to actual costs will take place for AUC costs, intervener costs, UCA costs, production abandonment costs as of July 31, 2023. Other proceeding true-ups include the 2022 K-bar true-up to reflect the 2022 actual cost of debt, the 2023 revenue requirement true-up to incorporate its 2022 actual closing rate base, 2023 refund of revenue collected from customers in the ATA and Producer rate classes that was not considered as part of the approved Phase 2 allocation, 2023 ECM true-up and the 2021 interim rate relief true-up (to account for differences in collected revenue arising from the difference between forecast and actual billing determinants).

22. On August 14, 2023, the Commission initiated an Emergency Billing Relief Program (EBRP) that temporarily paused electric utility billing for customers affected by the 2023 wildfire evacuations in Alberta.<sup>16</sup> Under that program, eligible customers received a billing credit for the period of time they were impacted by the mandatory evacuations.

23. As shown in Table 1 above, ATCO Gas included \$0.2 million as a Y factor to recover the billing relief credits provided to eligible customers. In support of this amount, ATCO Gas provided a summary of the applicable evacuation areas, the average length of time of the mandatory evacuation as well as the corresponding billing-relief credit by rate class as of October 20, 2023.<sup>17</sup> ATCO Gas further stated that as additional credits or billing corrections may occur after October 20, 2023, any final settlements related to the EBRP will be included in a subsequent PBR rate adjustment filing.

24. The Commission has reviewed ATCO Gas's information supporting the applied-for EBRP amounts and finds these amounts to be reasonable. In future applications, including any application to finalize the 2023 EBRP amounts, ATCO Gas is directed to confirm whether the applied-for amounts include any additional administrative costs associated with administering the EBRP. If confirmed, ATCO Gas is further directed to demonstrate that the incremental

<sup>14</sup> 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.

<sup>15</sup> Exhibit 28569-X0002, application, Table 4.3, PDF page 19.

<sup>16</sup> Bulletin 2023-04, Emergency Billing Relief Program for wildfire evacuation orders, August 14, 2023.

<sup>17</sup> Exhibit 28569-X0037, Updated Appendix C, Schedule 4.5.5.

administrative costs were unavoidable and explain how these costs are not already recovered under existing rates.

25. The Commission has assessed the amounts included in ATCO Gas'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 ATCO Gas'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**

26. K-bar funding provides incremental funding for Type 2 capital 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.<sup>18</sup>

27. In the application, ATCO Gas calculated its K-bar amount using the placeholder ROE of nine per cent. In response to a Commission IR, ATCO Gas updated its 2024 K-bar calculation to use the 2024 ROE of 9.28 per cent approved in Decision 28585-D01-2023.<sup>19</sup> Also, in response to a Commission IR, ATCO Gas updated its 2024 K-bar calculation using the 2023 customer growth escalator based on ATCO Gas's latest 2023 average customer forecast approved in Decision 27684-D01-2022,<sup>20</sup> which was used for the purposes of calculating the 2023 rates.<sup>21</sup> Using the approved ROE and the updated 2023 customer growth escalator from the IR response, ATCO Gas calculated its K-bar funding to be \$21.93 million.<sup>22</sup> Additionally, ATCO Gas's 2022 K-bar true-up for the actual cost of debt resulted in a refund of \$1.48 million.<sup>23</sup> No party objected to ATCO Gas's applied-for K-bar funding or K-bar true-up.

28. The Commission has reviewed ATCO Gas's schedules showing the calculation of the 2024 K-bar and finds that it followed the approved methodology set out in Decision 27388-D01-2023. In an IR, the Commission explored which billing determinants forecast ATCO Gas should use to calculate its 2023 customer growth escalator. The Commission agrees that ATCO Gas's use of the 2023 total average customers forecast from the rebasing proceeding is reasonable as doing so is consistent with the use of other escalators and parameters approved for 2023 in the rebasing Decision 26616-D01-2022. Given that this adjustment is expected to have a minimal impact to the level of K-bar funding currently approved in the interim decision, ATCO Gas is directed to true up the difference arising from the 2023 customer growth escalator inputs as part of its 2024 K-bar true-up. Accordingly, the Commission approves ATCO Gas's K-bar of \$21.93 million. The 2024 K-bar will be subject to a further true-up for the 2024 actual I factor and cost

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<sup>18</sup> Decision 27388-D01-2023, Appendix 7.

<sup>19</sup> Decision 28585-D01-2023: 2024 Return on Equity, Proceeding 28585, November 20, 2023.

<sup>20</sup> Decision 27684-D01-2022: ATCO Gas, 2023 Cost-of-Service Compliance Filing and 2023 Rates, Proceeding 27684, December 15, 2022.

<sup>21</sup> The 2023 customer growth escalator along with an inflation escalator is used to convert the historical 2018-2022 average capital additions into current year dollars.

<sup>22</sup> Exhibit 28569-X0040, AG-AUC-2023NOV24-006, Table 1.

<sup>23</sup> Exhibit 28569-X0002, application, PDF page 23, Table 4.5.3.

of debt as well as any adjustments that may be required due to the prudence review of ATCO Gas's 2022 capital additions currently under review in Proceeding 28300.

## ECM

29. 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 those two years.<sup>24</sup>

30. 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. ATCO Gas 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 27684-D01-2022, the Commission determined that the ECM dollar amount will be calculated based on the 2022 actual approved mid-year rate base.<sup>25</sup> By applying the 0.5 per cent add-on amount to the actual 2022 mid-year rate base and escalating by the approved indexes, ATCO Gas calculated its 2024 ECM amount to be \$7.3 million.

31. In accordance with the Commission's direction from Decision 27684-D01-2022, where it approved an interim 2023 ECM amount,<sup>26</sup> ATCO Gas included a true-up that recognized the difference between the 2023 interim ECM amount of \$7.2 million and the final ECM amount of \$7.1 million reflecting the actual 2022 mid-year rate base. As such, the 2023 ECM true-up amount is equal to a refund of \$0.1 million.

32. The Commission has reviewed ATCO Gas'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 \$7.2 million, consisting of the 2024 ECM amount and 2023 ECM true-up. The ECM may be subject to future adjustments if any changes are made to the 2022 actual rate base as a result of the prudence review of ATCO Gas's 2022 capital additions undertaken in Proceeding 28300.

### 4.3 Forecast billing determinants and prior year variance analysis

33. 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 utilities<sup>27</sup> and is also used in performing the annual use-per-customer adjustments for gas distribution utilities under the revenue-per-customer cap plan.

34. In the application, ATCO Gas provided detailed 2024 billing determinant forecasts.<sup>28</sup> ATCO Gas submitted that its forecast 2024 billing determinants were based on the same

<sup>24</sup> 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.

<sup>25</sup> Decision 27684-D01-2022, paragraphs 45-46.

<sup>26</sup> Decision 27684-D01-2022, paragraph 46.

<sup>27</sup> Decision 27388-D01-2023, paragraph 170.

<sup>28</sup> Exhibit 28569-X0006, Appendix C, schedules 5.0-5.3.

methodology approved in the 2023 cost-of-service compliance filing and prior PBR annual rate adjustment applications.<sup>29</sup>

35. 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 15 per cent. Based on its forecast number of customers for 2024, ATCO Gas applied for a customer growth factor of 1.07 per cent for ATCO Gas North and 1.47 per cent for ATCO Gas South.<sup>30</sup>

36. In Decision 27684-D01-2022, the Commission directed ATCO Gas 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.<sup>31</sup> There were variances larger than  $\pm$  five per cent for the 2022 PBR forecast versus the 2022 actual annual billing determinants in ATCO Gas North for the Ultra High-Use rate class and in ATCO Gas South for the High-Use and Irrigation rate classes. Variance explanations were provided in Appendix H of the application.<sup>32</sup>

37. No party objected to ATCO Gas's billing determinant forecast or its variance explanations.

38. The Commission considers that variances from forecasts such as those described by ATCO Gas 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 ATCO Gas 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.

39. Based on its review and assessment, the Commission finds that ATCO Gas's methodology and the resulting 2024 forecast billing determinants are reasonable. Accordingly, the billing determinant forecast and methodology is approved as applied for, including ATCO Gas's 2024 customer growth factor of 1.07 per cent for ATCO Gas North and 1.47 per cent for ATCO Gas South.

## **5 2024 PBR rates**

### **5.1 Distribution rates**

40. 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 ATCO Gas's PBR rates. The Commission also approved ATCO Gas's forecast billing determinants and the associated customer growth factor for K-bar purposes.

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<sup>29</sup> Exhibit 28569-X0002, application, paragraph 104.

<sup>30</sup> Exhibit 28569-X0035, Updated Appendix B.1, Schedule B5.

<sup>31</sup> Decision 27684-D01-2022, paragraph 51.

<sup>32</sup> Exhibit 28569-X0020, Appendix H.

41. ATCO Gas provided bill impact schedules reflecting the 2024 proposed rates. ATCO Gas’s estimated bill impacts for a typical customer are shown in the table below.

**Table 2. Bill impacts of ATCO Gas’s proposed 2024 distribution rates**

Customer	Annual per cent change		Annual \$ change	
	ATCO Gas North	ATCO Gas South	ATCO Gas North	ATCO Gas South
ATA	2.1	2.0	14	13
Low	2.9	2.9	38	37
Mid	1.2	1.1	301	273
High	-0.2	-0.2	(335)	(359)
Ultra High	0.7	0.0	18,212	673
Irrigation	N/A	1.8	N/A	49

Source: Exhibit 28569-X0037, Updated Appendix C, Schedule 7.0.

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

43. The Commission has also reviewed the typical annual bill impacts effective January 1, 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 that the annual per cent changes provided by ATCO Gas are not expected to exceed 10 per cent in any rate class.

44. As previously mentioned, the Commission approved ATCO Gas’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 28569-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. ATCO Gas’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 and non-discretionary charges

45. In the application, ATCO Gas made two clarifications to its Customer T&Cs. ATCO Gas clarified first that Section 4.10(a) applies when service connections are established; and second, that the first billing date after a customer “takes service” can also include a period after service is made available. ATCO Gas explained that a 30-day period after service is made available was chosen to align with Section 7.7.2 of ATCO Electric’s approved Customer T&Cs.<sup>33</sup>

46. ATCO Gas also made minor changes to the gas quality specifications in Section 7.3 of its Producer T&Cs. These changes include a reduction to the minimum heating value to align with

<sup>33</sup> Exhibit 28569-X0002, application, paragraph 116.

recent research; the implementation of practical maximum chlorine and ammonia limits (the previous limits could not be measured with commercially available equipment); and a reduction to the maximum siloxane limit to align with recent research while maintaining a limit that can be measured with commercially available equipment. In response to a Commission IR, ATCO Gas explained that it engaged a consultant to provide recent research relevant to ATCO Gas's gas quality specification, and the research informed the proposed updates. ATCO Gas also explained that producers were asked about the potential impacts that might be caused by increasing the stringency of its siloxane specification and no concerns were expressed. Also, the research informing the updated specifications indicates that there will be no impacts to end-use customers.<sup>34</sup>

47. The Commission has reviewed the two clarifications to ATCO Gas's Customer T&Cs and the changes made to Section 7.3 of its Producer T&Cs to gas quality specifications and finds ATCO Gas's explanations to be reasonable. As a result, the clarifications made to the Customer T&Cs and the changes made to the gas quality specifications in Section 7.3 of ATCO Gas's Producer T&Cs are approved as filed.

48. ATCO Gas also adjusted its schedule of non-discretionary charges by the 2024 I-X of 3.62 per cent. ATCO Gas has proposed three clarifications to the non-discretionary charge wording to address common customer questions about how the charges are applied and to confirm that the non-discretionary charges apply to producers. ATCO Gas also explained that it formatted the document to fit on two pages, which resulted in the consolidation of categories of certain information. ATCO Gas has also proposed to add a fee to recover the cost of failed attempts to complete work due to customer actions that prevent access. For the fee, ATCO Gas proposed using the same rate as the Residential and Non-Residential Reinstatement charge of \$136 since a similar scope of work is required for these tasks regardless of whether service is reinstated to the customer. ATCO Gas explained that the methodology for the proposed fee is consistent with ATCO Electric's Fail Attempt/No Access Fee that was approved previously by the Commission.<sup>35</sup>

49. The Commission has reviewed the proposed changes to the schedule of non-discretionary charges including the escalation of non-discretionary charges by I-X, the clarifications and formatting changes as well as the addition of a failed attempts fee and finds ATCO Gas's explanations to be reasonable. As a result, the Commission approves ATCO Gas's schedule of non-discretionary charges as filed.

50. 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 non-discretionary charges upon approval of the final I factor and directs ATCO Gas to comment on this matter in its next PBR rate adjustment application.

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<sup>34</sup> Exhibit 28569-X0040, AG-AUC-2023NOV24-004, PDF pages 11-12.

<sup>35</sup> Exhibit 28569-X0002, application, paragraph 118.

## 6.2 Financial reporting requirements and senior officer attestation

51. In Decision 27388-D01-2023, the Commission adopted the requirement from the past PBR plans that each distribution utility be required to 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.<sup>36</sup>

52. The Commission provided a detailed summary or description of each of the above requirements in Section 4.6 of Decision 23355-D02-2018.<sup>37</sup>

53. The Commission has reviewed the financial information provided by ATCO Gas<sup>38</sup> and is satisfied that it has complied with the financial reporting requirements set out in Decision 27388-D01-2023.

## 7 Order

54. It is hereby ordered that:

- (1) ATCO Gas's 2024 distribution rates, approved in Decision 28569-D01-2023, shall continue to apply.
- (2) ATCO Gas's 2024 schedule of non-discretionary charges, approved in Decision 28569-D01-2023, shall continue to apply.
- (3) ATCO Gas's updated customer and producer terms and conditions for gas distribution service, approved in Decision 28569-D01-2023, are approved on a final basis.

Dated on March 20, 2024.

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<sup>36</sup> Decision 27388-D01-2023, Appendix 5, Section 6, Financial reporting requirements, PDF page 125.

<sup>37</sup> 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.

<sup>38</sup> Exhibit 28569-X0022, Appendix K; Exhibit 28569-X0023, Appendix L; Exhibit 28569-X0026, Appendix I.

**Alberta Utilities Commission**

*(original signed by)*

Kristi Sebalj  
Vice-Chair

*(original signed by)*

Michael Arthur  
Commission Member



**Appendix 1 – Proceeding participants**

<b>Name of organization (abbreviation) Company name of counsel or representative</b>
ATCO Gas
Consumers' Coalition of Alberta
Office of the Utilities Consumer Advocate (UCA) Brownlee LLP
The City of Calgary McLennan Ross Barristers & Solicitors

<p>Alberta Utilities Commission</p> <p>Commission panel  K. Sebalj, Vice-Chair  M. Arthur, Commission Member</p> <p>Commission staff  A. Spurrell  V. Wang  R. Cassidy  N. Morter</p>
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## 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 has reviewed ATCO Gas’s information supporting the applied-for EBRP amounts and finds these amounts to be reasonable. In future applications, including any application to finalize the 2023 EBRP amounts, ATCO Gas is directed to confirm whether the applied-for amounts include any additional administrative costs associated with administering the EBRP. If confirmed, ATCO Gas is further directed to demonstrate that the incremental administrative costs were unavoidable and explain how these costs are not already recovered under existing rates. .... paragraph 24
2. The Commission has reviewed ATCO Gas’s schedules showing the calculation of the 2024 K-bar and finds that it followed the approved methodology set out in Decision 27388-D01-2023. In an IR, the Commission explored which billing determinants forecast ATCO Gas should use to calculate its 2023 customer growth escalator. The Commission agrees that ATCO Gas’s use of the 2023 total average customers forecast from the rebasing proceeding is reasonable as doing so is consistent with the use of other escalators and parameters approved for 2023 in the rebasing Decision 26616-D01-2022. Given that this adjustment is expected to have a minimal impact to the level of K-bar funding currently approved in the interim decision, ATCO Gas is directed to true up the difference arising from the 2023 customer growth escalator inputs as part of its 2024 K-bar true-up. Accordingly, the Commission approves ATCO Gas’s K-bar of \$21.93 million. The 2024 K-bar will be subject to a further true-up for the 2024 actual I factor and cost of debt as well as any adjustments that may be required due to the prudence review of ATCO Gas’s 2022 capital additions currently under review in Proceeding 28300..... paragraph 28
3. The Commission considers that variances from forecasts such as those described by ATCO Gas 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 ATCO Gas 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 38
4. 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 non-discretionary charges upon approval of the final I factor and directs ATCO Gas to comment on this matter in its next PBR rate adjustment application..... paragraph 50