



ENMAX Power Corporation

2024 Annual Performance-Based Regulation Rate Adjustment

March 21, 2024

Alberta Utilities Commission

Decision 28575-D02-2024

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Proceeding 28575

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1 Decision summary

1. In this decision, the Alberta Utilities Commission considers ENMAX Power Corporation's 2024 annual performance-based regulation (PBR) rate adjustment filing pursuant to the provisions of the third generation (PBR3) plan. The Commission finds that ENMAX's 2024 distribution rates proposed in the 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 rates (SAS) and riders, as well as the terms and conditions (T&Cs) for electric distribution service previously approved on an interim basis in Decision 28575-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, ENMAX 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. ENMAX also requested approval of its customer and retailer T&Cs of electric distribution service. Additionally, ENMAX 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 a TAC rider.

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, ENMAX as well as the option of filing written argument and reply argument if required. Based on a preliminary review of ENMAX's application, the Commission issued Decision 28575-D01-2023 on December 15, 2023, approving ENMAX'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 28575-D01-2023: ENMAX Power Corporation, 2024 Interim Performance-Based Regulation Rate Adjustment, Proceeding 28575, December 15, 2023.

2024 rates on an interim basis, effective January 1, 2024. This was done to ensure that ENMAX 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.

6. The PBR price cap formula relevant to ENMAX 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)

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.

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), 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

11. In accordance with the Commission's direction in Decision 26617-D02-2022,⁴ ENMAX adjusted its 2023 revenue requirement to reflect the actual 2022 closing rate base (which is also the 2023 opening rate base),⁵ which resulted in a \$1.77 million increase. In addition, ENMAX

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 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. ENMAX used the 2023 forecast closing rate base to calculate going-in rates, which is calculated using the

increased its 2023 going-in revenue requirement by \$11.69 million as a result of finalizing the two common matters placeholders approved by the Commission in Decision 27581-D01-2023:⁶ depreciation parameters and common cost allocation. In total, the aforementioned items increased ENMAX's total 2023 revenue requirement by \$13.46 million.⁷ Finally, ENMAX 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 \$306.90 million.

12. The Commission has reviewed the \$13.46 million increase that ENMAX applied to its 2023 going-in revenue requirement and finds the underlying adjustments to be acceptable and in accordance with the Commission's directions. Specifically, the Commission approves ENMAX's update for 2022 actual closing rate base, and placeholder true-ups for both depreciation expense and common cost allocation to reflect the amounts approved by the Commission in Decision 27581-D01-2023. Additionally, the Commission approves the removal of ENMAX's Y factor costs from the 2023 going-in revenue requirement. Accordingly, the Commission approves ENMAX's 2023 going-in revenue requirement of \$306.90 million.

4.2 2024 PBR indices and annual adjustments

13. As detailed in Section 3, the PBR3 price cap plan for ENMAX 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 ENMAX 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.

14. ENMAX did not apply for any Type 1 capital funding or Z factor rate adjustments to be included in its 2024 PBR rates. As well, based on its achieved returns over the PBR2 term, which were generally below the approved ROE,⁸ ENMAX did not qualify for the ECM provision from the PBR2 plan. In addition, ESM provisions are not discussed in the current application as ENMAX'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, ENMAX calculated the interim 2024 I factor to be 4.02 per cent.

actual 2022 closing rate base and the forecast 2023 capital additions approved in Decision 26617-D01-2022: ENMAX Power Corporation and EPCOR Distribution & Transmission Inc., 2023 Cost-of-Service Review, Proceeding 26617, June 20, 2022.

⁶ Decision 27581-D01-2023: ENMAX Power Corporation, 2023-2025 Transmission General Tariff Application and Negotiated Settlement Agreement, Proceeding 27581, October 2, 2023, PDF page 38, Section 2.4.

⁷ Exhibit 28575-X0002, application, PDF page 13, Table 3.2.

⁸ Decision 27388-D01-2023, PDF page 13, Table 1.

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.⁹ 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.¹⁰

17. ENMAX 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, ENMAX provided dated screenshots of the Statistics Canada tables used in determining its I factor.¹¹ No party objected to ENMAX's applied-for I factor.

18. The Commission has reviewed ENMAX's calculation of the 2024 I factor and finds it to be consistent with the methodology set out in Decision 27388-D01-2023.¹² 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 2024.¹³

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 Z factor treatment.¹⁴ After revisions and updates in responses to Commission IRs, ENMAX's 2024 Y factor was \$9.75 million, inclusive of carrying costs, as set out in the table below:

Table 1. 2024 Y factor amounts

Item	2023 True-up	2024 Forecast	2024 Total
	(\$ million)		
Alberta Electric System Operator (AESO) Load Settlement Costs	(0.04)	0.19	0.15
Hearing Costs for Interveners	0.09	0.09	0.18
AUC Administration Fee	(0.03)	1.46	1.43
DAS Adjustment Rider	-	(0.01)	(0.01)
Historical annual variable pay plan (AVPP) Correction	-	(1.95)	(1.95)
AESO Customer Contribution	2.58	7.53	10.11
Carrying Charges	(0.16)	-	(0.16)
Total Y factor adjustments	2.44	7.31	9.75

Source: Exhibit 28575-X0054, Appendix 5, Schedule 1.0.

21. The Commission has assessed the amounts included in ENMAX's applied-for Y factor and finds they were adequately supported, properly calculated and in compliance with previous Commission directions. In Section 6.2 of this decision, the Commission approves the proposed correction of historical AVPP amounts. The Commission has also reviewed ENMAX's carrying

⁹ Decision 27388-D01-2023, paragraph 2.

¹⁰ Decision 27388-D01-2023, paragraphs 102-103.

¹¹ Exhibit 28575-X0054, Appendix 5, tab 18.

¹² Decision 27388-D01-2023, paragraph 70.

¹³ Decision 27388-D01-2023, paragraph 95.

¹⁴ 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.

costs and finds that they are properly calculated and consistent with the applicable provisions of Rule 023: *Rules Respecting Payment of Interest*. Accordingly, the Y factor amount of \$9.75 million 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.¹⁵

23. In the application, ENMAX calculated its K-bar amount using the placeholder ROE of nine per cent. Subsequently, ENMAX updated its 2024 K-bar calculation to use the 2024 ROE of 9.28 per cent approved in Decision 28585-D01-2023.¹⁶ Using the approved ROE, ENMAX calculated its K-bar funding to be \$6.99 million and updated its 2024 rates to reflect this change. As well, ENMAX's 2022 K-bar true-up for the actual cost of debt resulted in a collection of \$1.0 million.

24. Two additional issues arose in relation to ENMAX's 2024 K-bar. First, ENMAX indicated that it had used forecast retirements, rather than escalated average historical retirements, for all asset groups subject to square curve depreciation parameters.¹⁷ Decision 27581-D01-2023 approved new depreciation parameters for ENMAX, and as a result, ENMAX argued that the five-year average of 2018-2022 would not reflect the future retirements of square curve asset groups. The Commission finds this adjustment to be reasonable for the purposes of determining ENMAX's K-bar in the PBR3 term. As noted by ENMAX, the directions on the K-bar calculation provided as part of the PBR3 decision indicated that "To the extent that discrepancies exist between this appendix and previous AUC decisions, the directions from previous AUC decisions will prevail unless they have been specifically overridden elsewhere in this decision."¹⁸ Decision 27581-D01-2023 directed ENMAX to retire its square curve assets at the end of their amortization period, and ENMAX's adjustments to the K-bar calculation align with this direction.

25. Second, the Commission finds that ENMAX failed to fully comply with the direction from Decision 27658-D02-2023,¹⁹ on the maximum investment level (MIL) for residential services. That decision directed ENMAX to implement a residential MIL of \$3,016 per lot for 2024.²⁰ In its application and its K-bar calculations, ENMAX applied this new MIL to only 52 per cent of its estimated sites, and applied its previous MIL of \$3,609 to the remaining 48 per cent.²¹ ENMAX stated that it had issued firm quotes to developers for 48 per cent of its

¹⁵ Decision 27388-D01-2023, Appendix 7.

¹⁶ Decision 28585-D01-2023: 2024 Return on Equity, Proceeding 28585, November 20, 2023.

¹⁷ Exhibit 28575-X0002, application, PDF pages 18-19, paragraphs 51-57.

¹⁸ Decision 27388-D01-2023, Appendix 7, page 126.

¹⁹ Decision 27658-D02-2023: Residential Standards of Service and Maximum Investment Levels – Phase 2, Proceeding 27658, October 18, 2023.

²⁰ Decision 27658-D02-2023, PDF page 26, paragraph 93.

²¹ Exhibit 28575-X0002, application, PDF pages 19-20, paragraphs 59-61.

estimated 2024 sites prior to receiving Decision 27658-D02-2023, and that it had used its 2023 approved MIL when issuing these quotes. ENMAX argued that its use of the 2023 approved MIL was based on the best available information at the time, and that doing so “is consistent with the principles outlined in the MILs Decision, specifically that it provides price signals to developers to incent the most cost-efficient connections for their current and future needs, that it is simple to administer, and is consistent, and transparent.”²²

26. The Commission does not agree with ENMAX’s statement that continuing to use the 2023 approved MIL for quotes for 2024 work was representative of the best information available to ENMAX at the time. ENMAX was actively involved in Proceeding 27658 throughout 2023 and was fully aware of the potential for changes to MILs for 2024. Rather than sharing this information with the developers to whom it was issuing quotes, ENMAX chose to continue issuing what it refers to as “firm quotes” to developers based on its 2023 MIL. This was a business decision made by ENMAX, and the Commission finds it is reasonable that the risk of this decision should rest with ENMAX, and not with its customers.

27. Furthermore, ENMAX’s proposal is in direct contradiction of Decision 27658-D02-2023, which directed that a MIL of \$3,016 be used in 2024. ENMAX did not raise this issue in Proceeding 27658, nor did it request a review and variance of Decision 27658-D02-2023.

28. In response to a Commission IR, ENMAX provided K-bar calculations reflecting the use of the 2024 approved MIL for all 2024 estimated sites.²³ For the reasons discussed above, the Commission approves the K-bar amount of \$6.93 million provided in an IR response in place of the K-bar amount of \$6.99 million applied for by ENMAX. The 2024 K-bar will be subject to a further true-up for the 2024 actual approved cost of debt. The Commission also approves ENMAX’s 2022 K-bar true-up collection of \$1.0 million.

4.3 Forecast billing determinants and prior year variance analysis

29. Forecast billing determinants²⁴ 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 utilities²⁵ and is also used in performing the annual use-per-customer adjustments for gas distribution utilities under the revenue-per-customer cap plan.

30. In the application, ENMAX provided detailed 2024 billing determinant forecasts.²⁶ ENMAX submitted that its forecast 2024 billing determinants were based on the same methodology approved in Decision 21508-D01-2017.²⁷

31. 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

²² Exhibit 28575-X0058, ENMAX argument, PDF page 6, paragraph 19.

²³ Exhibit 28575-X0046, EPC-AUC-2023NOV24-004c, Attachment 1- Updated Appendix 4, Schedule 2.0.

²⁴ A billing determinant refers to a unit of measure required to determine a customer’s bill. For example, for the residential customer, a utility needs the number of days it served a customer and the amount of energy a customer consumed during that period. These two elements, the number of days of service and energy consumed, are the two billing determinants of the residential class.

²⁵ Decision 27388-D01-2023, paragraph 170.

²⁶ Exhibit 28575-X0054, Appendix 5, Schedule 19.

²⁷ Decision 21508-D01-2017: ENMAX Power Corporation, 2015-2017 Capital Tracker Application, Proceeding 21508, December 13, 2017.

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, ENMAX applied for a customer growth factor of 1.97 per cent.²⁸

32. In Decision 27651-D01-2022,²⁹ the Commission directed ENMAX to continue to provide information that typically accompanies the calculation of rates in annual PBR rate adjustment filings. ENMAX provided data on any variances from forecast to actual billing determinants by rate class and identified the cause of variances larger than \pm five per cent on an annual basis.³⁰ ENMAX noted that medium commercial, large commercial-secondary rate, large commercial-primary rate and large distributed generation rate classes all had variances greater than five per cent with respect to either sites, billed demand, and/or metered demand. ENMAX provided variance explanations for these rate classes in Appendix 6 of the application.

33. No party objected to ENMAX's billing determinant forecast or its variance explanations.

34. The Commission considers that variances from forecasts such as those described by ENMAX 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 ENMAX 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.

35. Based on its review and assessment, the Commission finds ENMAX's 2024 forecast billing determinants, including customer growth of 1.97 per cent, to be reasonable and approves them.

5 2022 TACDA true-up

36. 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.

37. 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.

38. 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-D01-2015.³¹ To

²⁸ Exhibit 28575-X0046, Appendix 4, tab 1.

²⁹ Decision 27651-D01-2022: ENMAX Power Corporation: 2023 Cost-of-Service Compliance Filing and 2023 Distribution Rates, Proceeding 27651, December 13, 2022.

³⁰ Decision 27651-D01-2022, paragraph 27.

³¹ Decision 3334-D01-2015: Commission-Initiated Review, Electric Transmission Access Charge Deferral Accounts – Annual Applications, Proceeding 3334, Application 1610728-1, July 21, 2015.

reduce regulatory burden, the annual TACDA true-up is included in the annual rate adjustment filing.

5.1 Total net true-up amount

39. ENMAX applied for a net 2022 TACDA collection of \$5.19 million from 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)
2020 annual TAC true-up	(1.18)
2022 SAS deferral true-up	8.73
Balancing Pool allocation rider true-up	(0.06)
AESO deferral account reconciliation (DAR)	(3.19)
Carrying costs	0.88
Total collection/(refund)	5.19

Source: Exhibit 28575-X0024, Appendix 22, tab 1.0.

40. 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, ENMAX was approved to refund \$0.92 million through a TAC rider.³² The actual collection was \$0.26 million, necessitating a total refund to customers of \$1.18 million.

41. 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. ENMAX's total 2022 transmission access revenues for distribution-connected customers, including revenues received through its quarterly TACDA true-up riders, amounted to \$409.24 million which, compared to total costs of \$417.97 million, results in a required collection from customers of \$8.73 million.

42. ENMAX'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 \$21.19 million from ENMAX. Due to differences between forecast and actual billing determinants, ENMAX collected \$21.24 million from its customers in 2022, necessitating a net refund to customers of \$0.06 million.

³² Decision 26844-D01-2021: ENMAX Power Corporation, 2022 Annual Performance-Based Regulation Rate Adjustment, Proceeding 26844, December 3, 2021, paragraph 84. Decision 27042-D01-2021: ENMAX Power Corporation, Compliance Filing to Decision 26589-D01-2021 and Decision 26844-D01-2021, Proceeding 27042, December 21, 2021, paragraphs 5-8.

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 "... 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).

43. 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."³⁴ Any such variances are refunded to, or recovered from, market participants by way of the AESO DAR, typically 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-D01-2023.³⁵ The reconciliation will result in a \$3.19 million refund to ENMAX's customers.

44. ENMAX calculated carrying costs on outstanding amounts related to the true-up balances in accordance with Rule 023.³⁶ The rate used was the Bank of Canada's target for overnight interest rates plus 1.75 per cent.³⁷ ENMAX complied with the Commission's direction from Decision 25778-D01-2020³⁸ and excluded the 2021 AESO DAR from the calculation and allocation of carrying costs. The total carrying costs amounted to a \$0.88 million collection from customers.

45. ENMAX'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 collection from customers of \$5.19 million as set out in Table 2 of this decision.

5.2 TAC rider rate and effective period

46. ENMAX proposed to apply the 2022 annual TACDA true-up by way of a TAC rider. To smooth rates over time and promote rate stability, ENMAX proposed the TAC rider to be in effect over a 12-month period from January 1, 2024, to December 31, 2024,³⁹ to coincide with the period over which ENMAX's 2024 PBR rates will be in effect.

47. ENMAX calculated the TAC rider by summing the 2022 TACDA true-up components and related carrying costs by rate class and divided these amounts by the 2024 forecast billing determinants. The resulting true-up amounts and the proposed TAC rider rate are set out in the table below.

Table 3. True-up amounts and proposed TAC rider rate by rate class

Rate class	Total true-up (\$)	Rider rate (\$/kWh)
Residential	669,045	0.000205
Small Commercial	(2,409,944)	(0.004223)
Medium Commercial	4,500,706	0.003319

³⁴ Under Section 14(3) of the *Electric Utilities Act*.

³⁵ Decision 28293-D01-2023: Alberta Electric System Operator, 2022 Deferral Account Reconciliation, Proceeding 28293, August 1, 2023.

³⁶ 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.

³⁷ Exhibit 28575-X0024, Appendix 22, Schedule 7.0.

³⁸ Decision 25778-D01-2020: ENMAX Power Corporation, 2019 Annual Transmission Access Charge Deferral Account True-Up, Proceeding 25778, November 20, 2020.

³⁹ Exhibit 28575-X0002, application, paragraph 155.

Rate class	Total true-up (\$)	Rider rate (\$/kWh)
Large Commercial - Secondary	(703,913)	(0.000288)
Large Commercial - Primary	2,016,002	0.001237
Street Lights	1,113,279	0.022086
Total	5,185,174	

Source: Exhibit 28575-X0024, Appendix 22, Schedule 1.0.

48. As shown in Table 3, while the total net true-up amount results in a collection across all rate classes, the TAC rider will result in either a collection from or refund to individual customer classes. This is due to the relative size of the components of the true-up amounts allocated to each rate class.

49. The Commission finds ENMAX's use of the TAC rider 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 the TAC rider over the same period as ENMAX's 2024 PBR rates will promote rate stability. In Section 6, the Commission assesses the bill impact of ENMAX's 2024 PBR rates (inclusive of the TAC rider) and approves them.

6 2024 PBR rates

50. In this section the Commission evaluates how SAS charges and DAS charges are collected through distribution rates. These individual components will be recovered by ENMAX's distribution tariff – through its distribution rates, SAS rates and rate riders. The Commission also evaluates the resulting bill impacts.

6.1 SAS rates

51. In the application, ENMAX requested approval of its 2024 SAS rates. On December 8, 2023, ENMAX 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. The 2024 AESO Rider F decreased from the previously approved \$2.20/MWh to \$1.30/MWh in Decision 28628-D01-2023.⁴⁰

52. ENMAX's proposed adjustment to its SAS rates was calculated using the same rate class allocation methodology approved in the 2019 Phase II compliance Decision 25861-D01-2023⁴¹ for ENMAX's current SAS rates. SAS charges for a typical residential customer decreased by \$1.57 per month to an estimated \$24.74 per month under the proposed SAS rates.

53. No intervenor objected to ENMAX's calculation of its 2023 SAS rates or Balancing Pool adjustment rider.

54. The Commission has reviewed ENMAX's calculations of its proposed 2024 SAS rates, the underlying assumptions and the 2024 Balancing Pool Rider F and finds them to be

⁴⁰ Decision 28628-D01-2023: Alberta Electric System Operator, 2024 Balancing Pool Consumer Allocation Rider F, Proceeding 28628, November 27, 2023.

⁴¹ Decision 25861-D01-2021: ENMAX Power Corporation, 2019 Distribution Tariff Phase II Compliance Filing, Proceeding 25861, January 6, 2021.

reasonable and consistent with its past SAS rate applications. In Section 6.3 below, the Commission assesses the bill impact of ENMAX's 2024 PBR rates (inclusive of SAS rates) and approves them.

6.2 DAS adjustment rider

55. The purpose of the rider is to collect the outstanding DAS adjustment rider amounts approved by the Commission as a result of differences between the forecast and actual consumption in the collection period. In this proceeding, ENMAX applied to refund \$2.24 million to customers through the DAS adjustment rider consisting of \$0.01 million for volume differences associated with the collection of 2022 DAS adjustment rider (which was collecting the K factor amounts from 2015 to 2017) and \$2.23 million relating to the annual variable pay plan (AVPP) costs that were incorrectly collected during the 2018-2022 PBR2 term, including the associated carrying costs.

56. In this section, the Commission considers three issues that are salient with respect to the ENMAX request: (i) whether to accept ENMAX's request for the AVPP correction; (ii) whether it is more reasonable to recover the requested amounts by way of a DAS rider or through a Y factor; and (iii) whether it is reasonable to continue truing up the DAS rider for volume differences. These issues are considered in turn below.

Need for the AVPP correction

57. In Decision 2014-347,⁴² the Commission directed ENMAX to exclude costs related to financial metrics of ENMAX Corporation from its variable pay programs. To comply with this direction, ENMAX performed a series of manual adjustments to the transmission and distribution revenue requirements, as well as annual Rule 005 filings, starting in 2016. However, as part of a more recent review of various manual regulatory adjustments, ENMAX identified that the adjustment related to the AVPP had been made incorrectly, resulting in an overcollection of \$1.95 million during the PBR2 term. Including the associated carrying costs, the amount is \$2.23 million.

58. In assessing ENMAX's request to rectify this oversight, the Commission observes that that it took nearly seven years for ENMAX to identify the miscalculation in question and to calculate the related impacts on the approved revenue requirements. In the Commission's view, ENMAX should reasonably have identified the calculation error much earlier as part of its normal course reconciliation of accounting entries and balances and its review of adherence to Commission directions. The Commission acknowledges the measures ENMAX has put in place to ensure future compliance with this and similar Commission directions that require manual adjustments or calculations. The Commission encourages ENMAX to review these measures periodically to ensure it has the oversight necessary to comply with all current and future Commission directions.

59. The Commission approves ENMAX's applied-for refund in this case because it will return amounts that should not have been (and were not authorized to be) charged to customers in the first place. However, as explained below, the Commission finds that it is more reasonable

⁴² Decision 2014-347: ENMAX Power Corporation, 2014 Phase I Distribution Tariff Application, 2014-2015 Transmission General Tariff Application, Proceeding 2739, December 16, 2014, paragraph 359.

to refund these amounts through a Y factor rather than through the DAS rider as proposed by ENMAX.

Refunding the amounts through the DAS rider or a Y factor

60. In an IR, the Commission asked ENMAX to explain why it proposed to refund the AVPP correction through the DAS adjustment rider instead of through a Y factor. In response, ENMAX stated that the refund does not meet the criteria for Y factor treatment and the use of the DAS adjustment rider is in the best interest of customers as it refunds the amounts to customers in a short period of time, between January and March 2024. However, ENMAX ultimately indicated it was not opposed to providing the refund to customers by way of a one-time Y factor adjustment.⁴³

61. In the Commission's view, it is more reasonable to refund the disallowed AVPP costs through a one-time Y factor adjustment because (i) such approach results in less regulatory burden since Y factors are not trued up for volume differences; and (ii) incorporating the refund into the 2023 PBR rates results in greater stability of customer bills than a three-month rider as proposed by ENMAX. A Y factor can be used to deal with cost items directed by the Commission.⁴⁴ For these reasons, the Commission approves the reimbursement of \$2.24 million by way of a Y factor, as set out in Section 4.1.⁴⁵

Truing up the DAS rider for volume

62. In an IR, the Commission asked ENMAX whether trueing up the DAS rider for volume differences is reasonable given that other substantive rate adjustments associated with K, K-bar, Y and Z factors are calculated using forecast billing determinants, with no subsequent true-up to account for differences between the forecast and actual billing determinants. In response, ENMAX stated that the DAS rider has historically been used as a mechanism to true up various amounts that were unrelated to K, K-bar, Y and Z factors, and has included a true-up for volumetric differences. The volumetric true-up of the DAS rider ensures that neither the utility nor the customers are at risk, and the regulatory burden associated with the true-up is minimal. As such, ENMAX believed that there is merit for continued use of the DAS rider, as needed.⁴⁶

63. The Commission accepts that the DAS adjustment rider may be used to deal with certain rate adjustments that are unrelated to other PBR plan components such as K, K-bar, Y and Z factors. Further, consistent with ENMAX's past practices, this rider is trued up for volume to ensure that the approved amounts are collected from, or refunded to, customers on a dollar-for-dollar basis. Given this, in deciding whether to approve the recovery of certain cost items through the DAS adjustment rider, the Commission must consider whether additional precision and incremental regulatory burden associated with the rider are justified, and whether the amounts can be recovered through other mechanisms under the approved PBR plan.

⁴³ Exhibit 28575-X0041, EPC-AUC-2023NOV24-005(a), PDF page 12.

⁴⁴ Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, September 12, 2012, Proceeding 566, Application 1606029, PDF page 116, paragraph 516.

⁴⁵ As noted earlier in this section, the total \$2.24 million refund comprises the \$1.95 million AVPP overcollection during the PBR2 term, associated carrying costs, and the 2022 DAS true-up refund of \$0.01 million, which ENMAX also included in the Y factor. These amounts are reflected Table 1 in Section 4.2.

⁴⁶ Exhibit 28575-X0041, EPC-AUC-2023NOV24-005(b), PDF page 12.

6.3 Distribution rates

64. 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 ENMAX's 2024 PBR rates. The Commission also approved ENMAX's forecast billing determinants.

65. The Commission has reviewed the schedules setting out ENMAX's 2024 PBR rate calculations and observes that these calculations are consistent with its practices and methodologies previously accepted by the Commission during the current PBR term. The Commission, therefore, accepts the general principles and methodologies utilized by ENMAX for calculating its 2024 PBR rates.

66. ENMAX provided bill impact schedules reflecting the 2024 proposed rates. The resulting estimated bill impacts for a typical ENMAX customer in each rate class are shown in the table below.

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

Rate class description	Typical bill change (November 1, 2023, to January 1, 2024)			
	Distribution tariff charges ^[47]		Total charges (bundled) ^[48]	
	(\$)	(%)	(\$)	(%)
D100 Residential	2.96	5.23	3.29	1.61
D200 Small Commercial	0.97	0.58	1.07	0.14
D300 Medium Commercial	41.79	5.29	46.43	1.55
D310 Large Commercial - Secondary	405.92	2.34	451.02	0.60
D410 Large Commercial - Primary	(192.83)	(0.50)	(214.26)	(0.11)
D500 Street Lights	1.36	19.36	1.51	4.73

Source: Exhibit 28575-X0011.02, Appendix 9 - Typical Bill Comparisons, Schedule 1.0.

67. The Commission has also reviewed the typical bill impacts from November 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 Commission observes that the changes to total bundled customer bills are not expected to exceed 10 per cent for any of the rate classes.

68. As previously mentioned, the Commission approved ENMAX'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 28575-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. ENMAX'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.

⁴⁷ Distribution charges only, excluding retail and local access fee charges.

⁴⁸ All charges, comprising distribution, retail and local access fee charges.

7 Other matters

7.1 T&Cs of service

69. As part of the application, ENMAX amended its distribution T&Cs investment level and fee schedules in accordance with Decision 27658-D02-2023. In addition, ENMAX has adjusted the fee schedule for 2024 by the I-X mechanism.

70. The Commission has reviewed ENMAX's revised MILs and specific customer contributions provided in Appendix 14⁴⁹ of the distribution 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 ENMAX's customer T&Cs and retailer DAS T&Cs previously approved in Decision 28575-D01-2023, on a final basis.

71. 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 fees upon approval of the final I factor and directs ENMAX to comment on this matter in its next PBR rate adjustment application.

7.2 Financial reporting requirements and senior officer attestation

72. 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:

- (i) A copy of its Rule 005 filing.
- (ii) A schedule showing disallowed costs, excluded from a distribution utility's ROE.
- (iii) Attestations and certifications signed by a senior officer of the distribution utility.⁵⁰

73. The Commission provided a detailed summary or description of each of the above requirements in Section 4.6 of Decision 23355-D02-2018.⁵¹

74. The Commission has reviewed the financial information provided by ENMAX⁵² and is satisfied that ENMAX has complied with the financial reporting requirements set out in Decision 27388-D01-2023.

⁴⁹ Exhibit 28575-X0016, Appendix 14.

⁵⁰ Decision 27388-D01-2023, Appendix 5, Section 6, Financial reporting requirements, PDF page 125.

⁵¹ Decision 23355-D02-2018: Rebasings for the 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Second Compliance Proceeding, Proceeding 23355, October 10, 2018, paragraphs 71-74.

⁵² Exhibit 28575-X0026, Appendix 24; Exhibit 28575-X0027, Appendix 25.

8 Order

75. It is hereby ordered that:

- (1) ENMAX Power Corporation's 2024 distribution rates including the system access service rates and riders, approved in Decision 28575-D01-2023, shall continue to apply.
- (2) ENMAX Power Corporation's terms and conditions for electric distribution service are approved on a final basis.

Dated on March 21, 2024.

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
ENMAX Power Corporation (ENMAX or EPC)
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 V. Wang A. Jukov

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 ENMAX 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 ENMAX 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 34
2. 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 fees upon approval of the final I factor and directs ENMAX to comment on this matter in its next PBR rate adjustment application.
..... paragraph 71