



ATCO Electric Ltd.

2024 Annual Performance-Based Regulation Rate Adjustment

March 27, 2024

Alberta Utilities Commission

Decision 28570-D02-2024

ATCO Electric Ltd.

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Proceeding 28570

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1 Decision summary

1. In this decision, the Alberta Utilities Commission considers ATCO Electric Ltd.'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 Electric'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, distribution-connected generation (DCG) credits, riders, as well as the customer and retailer terms and conditions (T&Cs) for electric distribution service, including the stand-alone schedules of Available Company Investment and of Supplementary Service Charges previously approved on an interim basis in Decision 28570-D01-2023.²

2. For clarity, the customer and retailer 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, ATCO Electric submitted its compliance filing by way of a 2024 annual PBR rate adjustment filing, requesting approval of its 2024 electric distribution rates, including the DCG credits, riders, SAS rates, billing determinants and corresponding rate schedules effective January 1, 2024, in accordance with the parameters of the PBR3 plan. ATCO Electric also requested approval of its customer and retailer T&Cs of electric distribution service. ATCO Electric included in the application its 2022 transmission access charge deferral account (TACDA) true-up and Balancing Pool adjustment, and requested the related true-up amounts be collected or refunded through Rider G and Rider B.

4. Additionally, ATCO Electric requested approval to set Rider J (2021 Interim Rate Relief Request) to zero per cent effective January 1, 2024, with any over/under collection to be included as part of the Y factor in a future annual rates application and approval of the

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

² Decision 28570-D01-2023: ATCO Electric Ltd., 2024 Interim Performance-Based Regulation Rate Adjustment, Proceeding 28570, December 14, 2023.

calculation of its 2022 going-in revenue and K-bar amounts on a final basis thereby resulting in final rates for that year.

5. ATCO Electric requested approval of its updated 2023 utility revenue requirement, which forms the basis for the going-in rates for the 2024-2028 PBR term, on a final basis and approval of its 2024-2028 K-bar on an interim basis. ATCO Electric also sought the confirmation of its compliance with directions given in decisions 26615-D01-2022,³ 27672-D02-2022⁴ and 27388-D01-2023.

6. After issuing a notice of the application on November 6, 2023, the Commission received statements of interest to participate from Direct Energy Marketing Limited, the Office of the Utilities Consumer Advocate and the Consumers' Coalition of Alberta. 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 Electric as well as the option of filing written argument and reply argument, if required. Based on a preliminary review of ATCO Electric's application, the Commission issued Decision 28570-D01-2023 on December 14, 2023, approving ATCO Electric's 2024 rates on an interim basis, effective January 1, 2024. This was done to ensure that ATCO Electric was able to implement rates in accordance with the interim decision, on January 1, 2024.

3 Background

7. 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 ATCO Electric 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

³ Decision 26615-D01-2022: ATCO Electric Ltd., FortisAlberta Inc., 2023 Cost-of-Service Review, Proceeding 26615, July 28, 2022.

⁴ Decision 27672-D02-2022: ATCO Electric Ltd., 2023 Cost-of-Service Compliance Filing and 2023 Distribution Rates – Reasons for Approval, Proceeding 27672, December 20, 2022.

<i>Kbar</i>	Type 2 capital adjustments
<i>Y</i>	Y factor adjustments
<i>Z</i>	Z factor adjustments
<i>ESM</i>	Earnings sharing mechanism (ESM)

8. 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).

9. 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 each year of the PBR3 plan based, in part, on capital additions made during the PBR2 term.

10. 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 005⁵ 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 materials relevant to the establishment of current year rates.

⁵ Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

11. In addition to those 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

12. In accordance with the Commission's direction in Decision 26615-D01-2022, ATCO Electric adjusted its 2023 revenue requirement to reflect the actual 2022 closing rate base (which is also the 2023 opening rate base), resulting in the applied-for reduction of \$2.6 million.⁶ This reduction was driven by actual capital additions in 2021 and 2022 being lower than placeholder values used in the 2023 cost-of-service rebasing proceeding.⁷ ATCO Electric also removed from its 2023 going-in revenue requirement the costs categorized as a Y factor under the PBR plan.⁸

13. The Commission has reviewed adjustments that ATCO Electric has applied for to its 2023 approved revenue requirement. The Commission notes that a prudence review of ATCO Electric's 2022 actual capital additions for purposes of finalizing its 2023 opening rate base is currently taking place in Proceeding 28300,⁹ and as a result the Commission cannot give final approval to ATCO Electric's 2022 rates, nor 2023 going-in revenue until a decision has been issued by the Commission in that proceeding. Accordingly, the Commission approves the above adjustments to ATCO Electric'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

14. As detailed in Section 3, the PBR3 price cap plan for ATCO Electric 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 Electric 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.

15. ATCO Electric 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 Electric's achieved ROE in 2024 will not be available until the next year.

⁶ 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 Electric 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 26615-D01-2022.

⁷ Exhibit 28570-X0002, application, Table 4.10.

⁸ Exhibit 28570-X0003.01, Appendix A, tab "Sch 1."

⁹ 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, AUC letter – Directions on procedure, paragraph 7.

I-X index

16. 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 Electric calculated the interim 2024 I factor to be 4.02 per cent.

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

18. ATCO Electric 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 Electric provided dated screenshots of the Statistics Canada tables used in determining its I factor.¹² No party objected to ATCO Electric's applied-for I factor.

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

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

Y factor

21. 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.¹⁵ ATCO Electric's 2024 Y factor was \$6.1 million, inclusive of carrying costs, as set out in the table below:

¹⁰ Decision 27388-D01-2023, paragraph 2.

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

¹² Exhibit 28570-X0005, Appendix B-2, 2024 Inflation Factor Placeholder Support Dated Screenshots; Exhibit 28570-X0002, application, Section 6.2.2.

¹³ Decision 27388-D01-2023, paragraph 70.

¹⁴ Decision 27388-D01-2023, paragraph 95.

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

Table 1. 2024 Y factor amounts¹⁶

Item	2024
	(\$000)
2024 Deferral account placeholders	1,465
Deferral account true-ups as of July 31, 2023	702
Other proceeding true-ups	(2,665)
Efficiency Carryover Mechanism	6,603
Emergency Billing Relief Program	95
Carrying charges	(70)
Total	6,131

22. On August 14, 2023, the AUC initiated an Emergency Billing Relief Program (EBRP) that temporarily paused electric utility billings for customers affected by the 2023 wildfire evacuations in Alberta.¹⁷ Under this 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 Electric included \$95,000 as a Y factor to recover the billing relief credits provided to eligible customers as of November 1, 2023. In support of this amount, ATCO Electric 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 November 1, 2023.¹⁸ ATCO Electric further stated that as additional credits will result after November 1, 2023, any final settlements related to the EBRP will be included in a subsequent PBR rate adjustment filing.¹⁹

24. The Commission has reviewed ATCO Electric'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 Electric is directed to confirm whether the applied-for amounts include any additional administrative costs associated with administering the EBRP. If confirmed, ATCO Electric is further directed to demonstrate that the incremental 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 Electric'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 Electric'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 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

¹⁶ Exhibit 28570-X0002, application, Table 4.3, PDF page 20.

¹⁷ Bulletin 2023-04, Emergency Billing Relief Program for wildfire evacuation orders, August 14, 2023.

¹⁸ Exhibit 28570-X0011, Appendix H, Distribution and Transmission Rate Calculations, Schedule W.1.

¹⁹ Exhibit 28570-X0002, application, Section 4.5.7.

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.²⁰

27. In the application, ATCO Electric calculated its K-bar amount using the placeholder ROE of nine per cent. In response to a Commission IR, ATCO Electric updated its 2024 K-bar calculation to use the 2024 ROE of 9.28 per cent approved in Decision 28585-D01-2023.²¹ Using the approved ROE, ATCO Electric calculated its K-bar funding to be \$20.3 million.²² Additionally, ATCO Electric's 2022 K-bar true-up for the actual cost of debt resulted in a refund to customers of \$1.6 million.²³ No party objected to ATCO Electric's applied-for K-bar funding or K-bar true-up.

28. The Commission has reviewed ATCO Electric'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 ATCO Electric's 2024 K-bar of \$20.3 million as calculated in its IR response. The Commission also approves ATCO Electric's 2022 K-bar true-up refund of \$1.6 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 Electric'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 these two years.²⁴

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 Electric 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 27672-D01-2022, the Commission determined that the 2023 ECM dollar amount will be calculated based on the 2022 actual approved mid-year rate base.²⁵ 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 Electric calculated its 2024 ECM amount to be \$6.8 million.

31. In accordance with the Commission's directions from Decision 27672-D02-2022, where it approved an interim 2023 ECM amount,²⁶ ATCO Electric included a true-up that recognized the difference between the 2023 interim amount of \$6.8 million and the final ECM amount of

²⁰ Decision 27388-D01-2023, Appendix 7.

²¹ Decision 28585-D01-2023: 2024 Return on Equity, Proceeding 28585, November 20, 2023.

²² Exhibit 28570-X0043, Appendix B-1, Schedule 1-1.

²³ Exhibit 28570-X0002, application, paragraph 92.

²⁴ 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.

²⁵ Decision 27672-D02-2022, paragraph 76.

²⁶ Decision 27672-D02-2022, paragraph 81.

\$6.6 million reflecting the actual 2022 mid-year rate base. As such, the 2023 ECM true-up amount is equal to a refund of \$0.2 million.

32. The Commission has reviewed ATCO Electric'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 of \$6.6 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 utilities²⁷ 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 Electric provided detailed 2024 billing determinant forecasts.²⁸ ATCO Electric submitted that its forecast 2024 billing determinants were based on the same methodology approved in Decision 25645-D01-2020.^{29 30}

35. ATCO Electric explained that farm demand throughput used to be calculated using the same methodology as for commercial and industrial revenue classes, but has been updated to use demand per customer by rate class because demand is supposed to track more closely with customers compared to energy.³¹ The Commission is satisfied with this change in forecasting methodology given the explanation that demand tracks more closely with customers compared to energy.

36. 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, ATCO Electric applied for a customer growth factor of 0.19 per cent.³²

37. In Decision 27672-D02-2022, the Commission directed ATCO Electric 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.³³ There were variances larger than \pm five per cent for the 2022 PBR forecast versus the 2022 actual annual billing determinants in the small general service; small general service; irrigation; rural electrification association (REA) irrigation; large general service rate; large general service rate

²⁷ Decision 27388-D01-2023, paragraph 170.

²⁸ Exhibit 28570-X0046, Updated Appendix H, Distribution and Transmission Rate Calculations, schedules S.1 and S.2.

²⁹ Decision 25645-D01-2020: ATCO Electric Ltd., 2019 Distribution Tariff Phase II Compliance Filing, Proceeding 25645, July 23, 2020.

³⁰ Exhibit 28570-X0002, application, paragraph 137.

³¹ Exhibit 28570-X0002, application, paragraph 145.

³² Exhibit 28570-X0043, Updated Appendix B.1, Schedule 1-1.

³³ Decision 27672-D02-2022, paragraph 87.

transmission; large general service rate distribution and service; oilfield; REA farm; and sentinel light rate classes in 2022. Variance explanations were provided in Appendix H of the application.³⁴

38. No party objected to ATCO Electric's billing determinant forecast or its variance explanations.

39. The Commission considers that variances from forecasts such as those described by ATCO Electric 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 Electric 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.

40. Based on its review and assessment, the Commission finds ATCO Electric's 2024 forecast billing determinants, including the customer growth factor of 0.19 per cent, to be reasonable and approves them.

5 2022 TACDA true-up

41. All electric distribution utilities accessing the electric transmission system in the province are charged by the Alberta Electric System Operator (AESO) for transmission services provided in relation to customer 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.

42. 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.

43. 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-D01-2015.³⁵ To reduce regulatory burden, the annual TACDA true-up is included in the annual rate adjustment filing.

5.1 Total net true-up amount

44. ATCO Electric applied for a net 2022 TACDA refund of \$4.89 million to customers.³⁶ The components of the total true-up amount applied for are listed in Table 2 and are further described in this section:

³⁴ Exhibit 28570-X0011, Appendix H, Distribution and Transmission Rate Calculations, Schedule S.4.

³⁵ Decision 3334-D01-2015: Commission-Initiated Review, Electric Transmission Access Charge Deferral Accounts – Annual Applications, Proceeding 3334, Application 1610728-1, July 21, 2015.

³⁶ Exhibit 28570-X0026, Appendix O - 2022 Rider G TACDA True-up, paragraph 3.

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	0.216
2022 SAS deferral true-up	(0.969)
AESO deferral account reconciliation (DAR) true-up	(3.086)
2022 Balancing Pool rebate true-up	(0.889)
Carrying costs	(0.159)
Total collection/(refund)	(4.887)

Source: Exhibit 28570-X0026, Appendix O, PDF page 3.

45. 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 2021, ATCO Electric was approved to refund 2020 annual TACDA true-up amount of \$1.72 million through Rider G over a 12-month period from January 1, 2022, to December 31, 2022.³⁷ ATCO Electric has refunded \$1.94 million over the period, resulting in a net collection of \$0.22 million.

46. 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. ATCO Electric's total 2022 transmission access revenues for distribution-connected customers, including revenues received through its quarterly TACDA true-up riders, amounted to \$406.20 million which, compared to total costs of \$405.23 million, resulting in a required refund of \$0.97 million.

47. 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."³⁸ 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-D01-2023.³⁹ The reconciliation will result in a \$3.09 million refund to ATCO Electric, which will be refunded to customer rate classes based on total revenue collected, except for Rate T31.⁴⁰

48. ATCO Electric's Balancing Pool true-up ensures that its Balancing Pool refund to, or collection from, its customers matches its settlement with the AESO.⁴¹ In 2022, the AESO collected \$26.32 million from ATCO Electric. Due to differences between forecast and actual

³⁷ Decision 26849-D01-2021: ATCO Electric Ltd., 2022 Annual Performance-Based Regulation Rate Adjustment, Proceeding 26849, December 16, 2021, paragraphs 48-51.

³⁸ Under Section 14(3) of the *Electric Utilities Act*.

³⁹ Decision 28293-D01-2023: Alberta Electric System Operator, 2022 Deferral Account Reconciliation, Proceeding 28293, August 1, 2023.

⁴⁰ Exhibit 28570-X0026, 2022 Rider G TACDA True-Up: ATCO Electric explained Rate T31 customers are billed on a flow-through basis.

⁴¹ 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).

billing determinants, ATCO Electric collected \$27.21 million from its customers in 2022, necessitating a refund of \$0.89 million.

49. ATCO Electric calculated carrying costs on outstanding amounts related to the TACDA true-up balances in accordance with Rule 023⁴² using the weighted average Bank of Canada overnight interest rate plus 1.75 per cent for the period after March 1, 2022, and the Bank of Canada monthly rate plus 1.5 per cent for the period prior to March 1, 2022, calculating carrying costs on the simple interest basis. ATCO Electric complied with the Commission's direction from Decision 25800-D01-2020⁴³ and excluded the 2022 AESO DAR from the calculation and allocation of carrying costs. The total carrying costs amounted to a \$0.16 million refund to customers.⁴⁴

50. ATCO Electric'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 of \$4.89 million as set out in Table 2 above.

5.2 Rider G and effective period

51. ATCO Electric proposed to apply the 2022 annual TACDA true-up by way of a Rider G. To smooth rates over time and promote rate stability, ATCO Electric proposed Rider G to be in effect over a 12-month period from January 1, 2024, to December 31, 2024 – that is, coinciding with the period over which ATCO Electric's 2024 PBR rates will be in effect.

52. ATCO Electric calculated Rider G 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 G rates are set out in the table below:

⁴² 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.

⁴³ Decision 25800-D01-2020: ATCO Electric Ltd., 2019 Annual Transmission Access Charge Deferral Account True-Up, Proceeding 25800, November 20, 2020, paragraph 24.

⁴⁴ Exhibit 28570-X0026, paragraph 23.

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

Rate class	Total true-up (\$)	Rider G rate (\$/kilowatt hour)
Residential	(5,178,182)	(0.00484)
Small General Service	(3,323,445)	(0.00385)
Irrigation Pumping Service	(22,144)	(0.00766)
Large General Service	5,483,476	0.00086
Transmission Connected	-	-
Oil Field	(365,491)	(0.00115)
REA Farm Service	(224,502)	(0.00309)
Farm Service	(1,198,174)	(0.00277)
Street Lights	(48,779)	(0.00298)
Private Lights	(9,762)	(0.00474)
Total	(4,887,003)	

Source: Exhibit 28570-X0027, Appendix O – Attachment 1, Schedule 1.0.

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

54. The Commission finds ATCO Electric’s use of Rider G to collect the 2022 TACDA true-up amounts to be reasonable because using a separate rider facilitates better tracking of these flow-through costs. In Section 6, the Commission assesses the bill impact of ATCO Electric’s 2024 PBR rates (inclusive of Rider G).

6 2024 PBR rates

6.1 SAS rates

55. In its application, ATCO Electric requested approval of its 2024 SAS rates, to be effective January 1, 2024.⁴⁵ ATCO Electric’s proposed 2024 SAS rates reflect its latest forecast of AESO tariff volumes and prices, as of the date of the application. The volume forecast was prepared using its previously approved method; the price forecast relied on the AESO’s 2023 Independent System Operator tariff structure and rates as approved in Decision 27777-D01-2022.⁴⁶

56. In response to a Commission IR,⁴⁷ ATCO Electric recalculated its SAS rates 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.⁴⁸ The 2024 AESO Rider F decreased from the previously approved \$2.20/MWh to \$1.30/MWh in Decision 28628-D01-2023.

⁴⁵ Exhibit 28570-X0002, application, paragraph 121.

⁴⁶ Decision 27777-D01-2022: Alberta Electric System Operator, 2023 Independent System Operator Tariff Update, Proceeding 27777, December 21, 2022.

⁴⁷ Exhibit 28570-X0048, AE-AUC-2023NOV24-006.

⁴⁸ 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.

57. As a result, the SAS payments forecast for distribution-connected customers increased from \$367.960 million to \$379.415 million for 2024. This increase in forecast SAS payments reflects an increase of 3.11 per cent in the transmission SAS rates.⁴⁹

58. To determine its 2024 SAS rates, ATCO Electric applied a scaling approach to its 2023 transmission rates approved in Decision 27672-D02-2022 and noted that this approach was approved in Decision 23895-D01-2018.^{50 51} ATCO Electric provided the calculations and assumptions that were used to arrive at the 2024 SAS rates in the application.

59. No intervener objected to ATCO Electric's calculations of its 2024 SAS rates.

60. The Commission has reviewed ATCO Electric's calculations of its proposed 2024 SAS rates and the underlying assumptions, and finds them to be reasonable and consistent with its past SAS rate proposals. Therefore, the Commission approves ATCO Electric's proposed 2024 SAS rates as calculated in its IR response.

6.2 Rider J – 2021 interim rate relief

61. In 2020, the Commission approved ATCO Electric's request to provide interim rate relief to customers (and defer 2021 distribution rate increases) in light of the hardships faced by some end-use customers due to the effects of the COVID-19 pandemic.⁵² The 2021 amount associated with a deferral of the 2021 distribution rates increase as a result of the interim rate relief, would be recovered through Rider J, beginning in 2022.⁵³ In Decision 27672-D02-2022, ATCO Electric was approved to recover the remaining Rider J⁵⁴ balance of \$23.1 million in 2023.⁵⁵ ATCO Electric calculated the estimated final balance to be an over collection of \$0.173 million,⁵⁶ based on nine months of actual data to September 2023. ATCO Electric proposed any over or under collection in 2023, based on 12 months of actual data, be included in ATCO Electric's 2025 annual PBR rates adjustment filing through a Y factor, including associated carrying costs. The Rider J rate rider will be set at zero per cent for all rate classes for 2024.

62. The Commission accepts ATCO Electric's request to include the remaining final balance of the Rider J based on 12 months of actual 2023 data in its 2025 annual PBR rates adjustment filing through a Y factor. The Commission considers this approach to be efficient, resulting in fewer true-ups, and allowing for a more accurate assessment of over, or under, collection based on the actual data. Accordingly, the Commission approves ATCO Electric's request to set the Rider J at zero per cent for all rate classes for 2024.

⁴⁹ Exhibit 28570-X0046, Updated Appendix H, tab "T.1."

⁵⁰ Exhibit 28570-X0002, application, paragraphs 123-124.

⁵¹ Decision 23895-D01-2018: ATCO Electric Ltd., 2019 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 23895, December 18, 2018.

⁵² Decision 26170-D01-2020: ATCO Electric Ltd., 2021 Interim Rate Relief Request, Proceeding 26170, December 18, 2020.

⁵³ Decision 26360-D01-2021: ATCO Electric Ltd, 2021 PBR Rate Implementation, Proceeding 26260, June 18, 2021.

⁵⁴ 2021 deferred amount is the amount associated with a deferral of the 2021 distribution rates increase using interim Rider J.

⁵⁵ Decision 27672-D02-2022, paragraph 113.

⁵⁶ Exhibit 28570-X0002, application, paragraph 113.

6.3 Distribution rates

63. 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 Electric's PBR rates. The Commission also approved ATCO Electric's forecast billing determinants. As well, the Commission approved the 2024 SAS rates, Rider J and the 2022 TACDA true-up to be refunded by way of Rider G.

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

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

Rate class description	Typical bill change – October 2023 ⁵⁷ to January 2024 ⁵⁸			
	Distribution and SAS charges (Note 1)		Total charges (bundled) (Note 2)	
	(\$)	(%)	(\$)	(%)
D11 – Residential	9.96	8.3	(7.51)	-2.8
D21 – Commercial	45.71	8.2	(28.79)	-1.4
D25 – Irrigation	75.03	8.1	(18.69)	-1.2
D31 – Industrial	95.89	7.9	(41.71)	-0.9
D41 – Oilfield	57.46	8.5	(5.88)	-0.2
D51 – REA Pooled	5.14	7.4	(8.66)	-2.4
D56 – Farm	9.42	8.3	(3.00)	-0.8
D61 – Street Lights (No Investment)	1.99	9.7	(1.18)	-2.9
D61 – Street Lights (Investment)	3.34	9.8	(1.83)	-3.2
D63 – Private Lights	1.28	9.3	(0.45)	-1.4
T31 – T Connect	(3,745)	-2.1	(7,232)	-0.8

Source: Exhibit 28570-X0045, Appendix G – Rate Comparison; Exhibit 28570-X0048, AE-AUC-2023NOV24-006, Table 4.

Note 1: Distribution and SAS charges, excluding riders, retail, energy and local access fee charges.

Note 2: All charges, comprising transmission and distribution base rates including Rider J, Rider G, Rider B, retail, energy and local access fee charges.

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

66. The Commission has also reviewed the typical bill impacts from October 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 has reviewed

⁵⁷ October 1, 2023, approved rates include ATCO Electric's 2023 PBR Distribution and Transmission base rates, 2023 Rider J, 2021 Rider G, 2022 Rider B, and Q4 SAS 2023 Rider S rates.

⁵⁸ January 1, 2024, proposed rates include ATCO Electric's proposed 2024 PBR distribution and transmission base rates, proposed 2022 TACDA true-up rate, and proposed 2024 Rider J set to zero per cent. The Q1 2024 Rider S proposed in Proceeding 28687, 2024 Rider B (AESO Rider F of \$1.30/MWh approved in Decision 28628-D01-2023), and the 2024 ISO tariffs approved in Decision 28627-D01-2023: Alberta Electric System Operator, 2024 Independent System Operator Tariff Update, Proceeding 28627, December 15, 2023.

the bill impacts as shown in Table 4 and acknowledges that the total bill impacts on all rate classes are less than 10 per cent and do not result in rate shock.

67. As previously mentioned, the Commission approved ATCO Electric'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 28570-D01-2023. These 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 Electric'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

68. ATCO Electric has proposed a change in Section 14.3 (Disconnection by the Company) of the customer T&Cs and a similar change in Schedule B – Disconnect Customer Site to its retailer T&Cs to allow ATCO Electric the right to activate remote load-limiting functionality to restrict a customer's energy consumption as an alternative to disconnection in certain scenarios when a customer fails to meet its obligations.⁵⁹

69. ATCO Electric explained that this addition was driven by technological improvements that allowed remote load limit capabilities to be rolled out in the majority of ATCO Electric's service territory by 2024 and by retailer feedback.⁶⁰

70. ATCO Electric also proposed adding the words "At the time of connection" to Section 4.9(a) Application of Price Schedules, of the customer T&Cs, to the following sentence: "... **At the time of connection**, the Company will endeavor to apply the applicable price schedule which is most favorable to the Customer, providing the price schedule applies to the service requested by the Customer, the Customer is eligible for the requested service, and that application of the requested price schedule does not have an adverse impact on other Customers of ATCO Electric.... [emphasis added]"

71. ATCO Electric also proposed adding the word "significant" to Section 12.1(a) Prior Notice by Customer, to the following sentence: "A Customer shall give to the Company reasonable prior written notice of any change in service requirements, including any **significant** change in load to enable the Company to determine whether or not it can supply such revised service without changes to its Facilities. [emphasis added]"

72. No party objected to the proposed changes.

⁵⁹ Exhibit 28570-X0002, application, paragraph 129; Exhibit 28570-X0017, Customer T&Cs, page 68; Exhibit 28570-X0033, Retailer T&Cs, Schedule B.

⁶⁰ Exhibit 28570-X0048, AE-AUC-2023NOV24-002(b); Exhibit 28570-X0002, application, paragraph 129.

Schedule of Supplementary Service Charges

73. ATCO Electric has calculated the Supplementary Service Charges for 2024 by adjusting the previously approved 2023 Supplementary Service Charges by the 2024 I-X index of 3.62 per cent.⁶¹

Schedule of Available Company Investment

74. In Decision 27658-D02-2023, the Commission found that “the municipality in which new street lights are installed and operated is entitled to receive the corresponding MIL [maximum investment level].” The Commission directed ATCO Electric to reflect the entitlement of municipalities to the relevant MIL in their respective T&Cs as part of the compliance filing to Decision 27388-D01-2023.⁶²

75. ATCO Electric amended Section 7.1 of its customer T&Cs (Distribution and Transmission Extension - General Requirements), which addresses streetlight MILs being received by municipalities, in accordance with Decision 27658-D02-2023. ATCO Electric added subsection (i) to Section 7.1(a): “For residential and commercial subdivision street lighting in accordance with the Schedule of Available Company Investment, the investment will only be available to municipal corporations, and only after the lighting is connected and taking service in the account of the municipal corporation.”⁶³

76. ATCO Electric noted that this clarity is supplemental to the longstanding note⁶⁴ in the Schedule of Available Company Investment regarding the same.⁶⁵

77. ATCO Electric adjusted its previously approved 2023 MILs by the 2024 I-X index of 3.62 per cent.⁶⁶ As directed in Decision 27658-D02-2023, the residential MIL has been set at \$3,016 per lot for 2024.⁶⁷

78. No party objected to ATCO Electric’s proposed changes to its T&Cs.

79. The Commission has reviewed ATCO Electric’s revised MILs and specific customer contributions provided in Appendix M-2⁶⁸ of its application and finds the proposed increases to the MILs and specific customer contributions to be consistent with Decision 27658-D02-2023. The Commission has reviewed the changes to the retailer T&Cs and the customer T&Cs and finds them to be reasonable. Accordingly, the Commission approves ATCO Electric’s customer T&Cs and retailer T&Cs previously approved in Decision 28570-D01-2023, on a final basis.

80. 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

⁶¹ Exhibit 28570-X0002, application, paragraph 134.

⁶² Decision 27658-D02-2023: Residential Standards of Service and Maximum Investment Levels – Phase 2, Proceeding 27658, October 18, 2023, paragraph 124.

⁶³ Exhibit 28570-X0018, Appendix M -1 Customer Terms and Conditions – Clean, Section 7.1.

⁶⁴ Exhibit 28570-X0047, Updated Appendix M-2, Schedule of Available company investment, page 1, Note 1: “For residential and commercial subdivision street lighting, investment will only be available to municipal corporations, and only after the lighting is connected and taking service in the account of the municipal corporation.”

⁶⁵ Exhibit 28570-X0002, application, paragraph 130.

⁶⁶ Exhibit 28570-X0002, application, paragraphs 133-134.

⁶⁷ Decision 27658-D02-2023, paragraph 93.

⁶⁸ Exhibit 28570-X0047, Updated Appendix M-2 – Schedule of Available Company Investments.

experienced inflation in 2024. However, the Commission recognizes that it may be impractical to true up MILs and supplementary service charges upon approval of the final I factor and directs ATCO Electric to comment on this matter in its next PBR rate adjustment application.

7.2 Financial reporting requirements and senior officer attestation

81. 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 copy of its Rule 005 filing.
- A schedule showing disallowed costs, excluded from a distribution utility's ROE.
- Attestations and certifications signed by a senior officer of the distribution utility.⁶⁹

82. The Commission provided a detailed summary or description of each of the above requirements in Section 4.6 of Decision 23355-D02-2018.⁷⁰

83. The Commission has reviewed the financial information provided by ATCO Electric⁷¹ and is satisfied that ATCO Electric has complied with the financial reporting requirements set out in Decision 27388-D01-2023.

8 Order

84. It is hereby ordered that:

- (1) ATCO Electric Ltd.'s 2024 distribution rates including the system access service rates, distribution-connected generation credits and riders approved in Decision 28570-D01-2023 shall continue to apply.
- (2) ATCO Electric Ltd.'s updated customer and retailer terms and conditions for electric distribution service, approved in Decision 28570-D01-2023, are approved on a final basis.

Dated on March 27, 2024.

⁶⁹ Decision 27388-D01-2023, Appendix 5, Section 6, Financial reporting requirements, PDF page 125.

⁷⁰ 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.

⁷¹ Exhibit 28570-X0012, Appendix I; Exhibit 28570-X0014.01, Appendix K; Exhibit 28570-X0015, Appendix L – Attachment 1; Exhibit 28570-X0016, Appendix L – Attachment 2.

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
ATCO Electric Ltd. (ATCO Electric)
Consumers' Coalition of Alberta
Direct Energy Marketing Limited
Office of the Utilities Consumer Advocate Brownlee LLP

Alberta Utilities Commission
Commission panel K. Sebalj, Vice-Chair M. Arthur, Commission Member
Commission staff E. Deryabina C. Meulenbroek

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 Electric’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 Electric is directed to confirm whether the applied-for amounts include any additional administrative costs associated with administering the EBRP. If confirmed, ATCO Electric 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 considers that variances from forecasts such as those described by ATCO Electric 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 Electric 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 39
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 supplementary service charges upon approval of the final I factor and directs ATCO Electric to comment on this matter in its next PBR rate adjustment application. paragraph 80