Stakeholder consultation on AUC Rule 025: Administration Fee

The Alberta Utilities Commission’s (AUC or the Commission) practice is to recover its annual operating costs through the rates of regulated utilities and through the trading charge of the Independent System Operator. The Commission’s cost assessment methodology is described in AUC Rule 025: Administration Fee (Rule 025) and allocates the Commission’s operating costs among these entities.

The Commission’s current cost assessment model was established in 2008. The Commission retained accounting consultancy KPMG LLP to review cost practices in other jurisdictions and recommend a cost assessment model for the AUC. KPMG’s report informed a stakeholder consultation that led to adoption of the Commission’s current approach.

The guiding principles that were followed in developing the assessment model included ease of administration and cost assessments that were fair, predictable, reasonable, stable and in keeping with industry best practices and generally accepted utility regulation.

Commission staff conducted a review of the cost assessment model in 2012 to assess the model’s continued ability to produce results consistent with the guiding principles. Commission staff concluded that certain revisions were required to the model to better align it with the guiding principles. These revisions were related to the allocation factors used in the natural gas distribution, electric distribution and regulated electric retail categories (utility revenue and customer count) and the manner in which overhead costs were being allocated to all classes of utilities.

Subsequently, the AUC retained an independent consulting firm, Solvera, to undertake a review of the changes proposed to the cost assessment model used by the AUC to apportion and recover its administration costs. Solvera provided a report entitled Review of Alberta Utilities Commission Proposed Revision to Cost Assessment Model.

Commission staff also prepared a report entitled Alberta Utilities Commission: Revisions to the Cost Assessment Model (January 2013) which describes the analysis performed and the reasons for making the revisions.

Copies of both of the above-mentioned reports are posted on the AUC website (www.auc.ab.ca) under the Rule Development tab, Rule 025 – Administration Fee area.

The revisions to the cost assessment model necessitated changes to Rule 025. The Commission is now seeking comments from interested parties regarding the proposed revisions to the rule. This bulletin, along with a draft of Rule 025 and a table for providing comments, are also posted on the AUC website under the Rule Development tab, Rule 025 – Administration Fee area.
Parties who wish to provide written comments on Rule 025 should do so using the table for providing comments. All written submissions must be directed to Fino Tiberi, the executive director of AUC’s Regulatory Policy Division, at fino.tiberi@auc.ab.ca by 5 p.m. on March 25, 2013.

Questions regarding Rule 025 can be addressed to Fino Tiberi by email at fino.tiberi@auc.ab.ca or by telephone at 403-592-4410.

(original signed by)

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Chief Executive