

## Asset Management Reporting Consultation (Electric) Meeting Summary

<b>Meeting date</b>	January 12, 2016	<b>Time</b>	10 a.m. to 3:30 p.m.
<b>Location</b>	<u>Ramada Red Deer Hotel and Suites</u> 6853 66 Street Red Deer, AB T4P 3T5  Edgar Room	<b>Facilitator</b>	AUC staff

### 1 Introductions

Name	Company
Blair Howell	ATCO Electric
Justin Claude	ATCO Electric
Andrea Laroija	AUC
Fino Tiberi	AUC
Maria Baitoiu	AUC
Rose Ferrer	AUC
Kyle Riley	CCA
Shauna Gibbons	CCA
Brent Thesen	ENMAX Power Corporation
Joe Petratur	ENMAX Power Corporation
Joseph Kuffar	ENMAX Power Corporation
Ken Clark	ENMAX Power Corporation
Chris Robertshaw	EPCOR Distribution & Transmission
Harry Haag	EPCOR Distribution & Transmission
Kirstine Hull	EPCOR Distribution & Transmission
Natalia Kazakova	EPCOR Distribution & Transmission
Brian Murray	FortisAlberta
Curtis Eck	FortisAlberta
Graeme Simari	FortisAlberta
Ian Anderson	FortisAlberta
Luis Lopez	UCA

### 2 Background information

- In light of the transition made from cost-of-service to performance-based regulation (PBR), the Commission determined in Decision 2012-237 that asset management monitoring would be required in order to ensure that utilities' service quality is maintained and the degradation of assets does not occur.
- In AUC Bulletin 2013-07, the Commission also indicated that it intended to commence stakeholder consultation in 2013 on asset monitoring for owners of electric and gas

distributors. Prior to those meetings, stakeholders were invited to make submissions for discussion regarding suggested approaches for asset monitoring. Subsequently, a joint utility submission was provided by distributors reflecting their position with respect to the asset monitoring framework. AUC staff then met with stakeholders individually to gain a better understanding of current asset management approaches and views. Consequently, AUC staff had committed to putting together a draft straw model before having a roundtable discussion with all stakeholders.

- Also in 2013, the concept of capital trackers was introduced along with minimum filing requirements set out in Decision 2013-435. Due to the regulatory schedule and new criteria, further development of asset management reporting was postponed.
- In 2015, the process for developing an asset management reporting plan re-commenced and AUC staff developed a draft straw model of potential asset monitoring reporting requirements, which was circulated to parties for review in December 2015. The intent of this meeting is to discuss the draft straw model in greater detail and determine at a high level, what the requirements for this reporting plan will look like.

### 3 General feedback

- AUC staff asked the group whether they had any questions or general feedback to provide on the draft straw model which was circulated to the group in December 2015.
  - One distributor asked for clarification on how information submitted as part of asset monitoring reporting would be used, and whether this information would be used as part of future proceeding records. AUC staff advised that similar to Rule 002 Service Quality and Reliability reports, the information will be filed as a public “report only” document. However, since the future structure of the next generation of PBR is still yet to be determined, asset monitoring reporting is expected to evolve over time.
  - Parties asked intervenor groups to provide their feedback on the asset monitoring straw model. One intervenor stated that such reporting would be valuable as it would provide reassurances that PBR is not causing parties to optimize profits, cut corners or incent the degradation of assets. Another intervenor also added that having such information in a standard format and readily available would be extremely helpful, and would ideally minimize the regulatory burden for both intervenors and utilities.
  - As pointed out by most distributors, the majority of information being requested in the straw model is already being asked for through capital tracker applications, and questioned if the intent going forward is to migrate away from providing this information through the capital tracker process. AUC staff noted that because the future structure of the next generation of PBR and the capital tracker process is unknown, no comment could be provided at this time.
  - Distributors and intervenors debated whether direction around asset reporting in Decision 2012-237 was intended to give visibility into the condition and health of assets, or asset management practices and justification behind such practices.
    - Some distributors felt that there were inconsistencies with what is currently being asked for in the straw model. Their interpretation of Decision 2012-237 is that the report should focus on the health and condition of assets as opposed to the justification behind the practices. However, one intervenor stated that it interprets the decision to be more about the asset management practices.
    - As noted by AUC staff, the need for an asset management reporting program as stated in Decision 2012-237 is intended to ensure that service quality and

reliability is maintained during the PBR period. To that point, it was discussed that information provided under this report should include asset maintenance, along with replacement and management practices that show how the health and condition of an asset is being looked after. AUC staff re-iterated that the straw model is not final, but a draft with which the details will be further developed; taking into consideration input provided by distributors and customer groups.

- Since Rule 002 already monitors service quality and reliability performance, one distributor questioned why existing reporting was not sufficient enough. AUC staff advised that most of the information provided through Rule 002 is after the fact, whereas asset monitoring reporting will provide visibility of one's policies, activities and programs related to asset management and maintenance. One intervener added that this provides the ability to prove to consumers and rate payers that parties have done everything they can to avoid service degradation.
- One distributor questioned how practices could be assessed across the board for each utility if not all parties are following the same standard (e.g., two distributors mentioned that they align certain high level concepts with the ISO 55000 standard which is an international standard launched in January 2014 that covers the management of physical assets). Another party expressed concern that the report may bind distributors to base decisions solely on a standard or metric. One distributor noted that depending on the makeup of its system, what will drive asset management decisions will vary from one utility to another.
  - AUC staff recognized that each distributor's network and practices will vary. The purpose of asset monitoring is not to standardize practices, impose standards or metrics, or compare one utility to another. The purpose is to have visibility and gain an understanding of what distributors are doing proactively to maintain and manage their assets.

#### 4 Discussion of straw model and templates

- Chapter 1 – Distribution system overview
  - AUC staff explained that chapter 1 – distribution system overview allows parties to provide a “company profile” which includes information about the utility, its distribution assets, number and classes of customers served, service area and map, unique features of its distribution system, etc.
  - Chapter 1 would also identify distributor's asset management policies and the key elements within its asset management system (i.e., how you make decisions about how to maintain your assets, systematic and coordinated activities and practices through which the distributor optimally and sustainably manages its assets and asset systems).
  - One distributor mentioned that an overview of the processes, practices, tools, and methodologies related to its project management have been included in capital tracker submissions, but more from the perspective of addressing the prudence of projects. It was agreed that an overview of project management practices as they relate to asset management could be provided.
  - One distributor asked whether information relating to distribution substations should be part of the report. The consensus for those distributors that have substations was that this type of asset should not be included in the report because they are considered to be highly reliable. At a minimum, interveners advised that it would be helpful for utilities to report the number of substations they have.
- Chapter 2 – Asset management practices

- Distributors provided feedback on the format of chapter 2, indicating that rather than focusing on specific asset sub-categories, this chapter should include an overview of one's regular asset management programs and practices. Staff discussed revising the straw model to leave the headings at the following level: Overhead Distribution, Underground Distribution, Transformers and Equipment and Other.
- The group discussed that the following information should be included in this chapter: a description of how distributor's test, inspect and evaluate assets and the factors that influence asset management decision making. In addition, parties expressed that they would be willing to provide historical data that they track on a regular basis which drives asset management and replacement (i.e., aging, material type, historical failure rates, etc.) decisions.
- As previously stated in the joint utility submission regarding asset management, one party reiterated that the reporting should be based on the condition of the asset and should not restrict one's ability to be innovative. The process should allow for flexibility and enable a utility to change its activities over time in response to changing conditions related to its assets. AUC staff recognized that practices and methodologies may change over time, and advised that utilities would be expected to report on these changes as they occur. As noted by AUC staff, Decision 2012-237 states that "the purpose of asset management monitoring is to provide increased visibility into the asset management practices of the companies. It is not to replace the management of assets by the companies."
- One distributor advised that in the case of transformers, this asset may not have a detailed maintenance program and is generally permitted to run-to-fail. However, regular testing and inspection are performed and may result in the replacement of this asset if there is an imminent risk of failure identified. For such cases, parties questioned whether assets that do not have detailed maintenance programs should be included in this report, to which AUC staff advised the report should include the practice even if it is simply stating this asset is run-to-fail.
- The group debated whether IT programs such as Distribution Automation should be included as part of the asset management report. Distributors expressed that they did not see any direct correlation between IT systems and asset condition. AUC staff advised that they will review this internally, but the initial thinking is that a brief description of one's IT systems as it relates to safety, service quality and reliability could be provided in chapter 1.

**ACTION: AUC staff to review internally, the extent to which IT systems should be reported under asset monitoring.**

- Chapter 3 – Asset management schedule
  - For a number of reasons, distributors contemplated whether chapter 3 – asset management schedule, is needed at this time. Distributors expressed that the driver of asset maintenance and replacement is not always related to asset management (i.e., other risk factors, third-party requests, expansion projects, work done in conjunction with other projects to optimize efficiency and reduce costs). Furthermore, because forecasts can change over time (as opposed to historical information which represents actual data), distributors do not consider some forecasts to be meaningful.
  - One intervener expressed that chapter 3 could include some historical data that would show the evolution of how a distributor's business moves with respect to asset management.

- Based on group discussion and recognizing that application criteria has changed since 2012, AUC staff advised that it will not at this time be including chapter 3 as part of the report and asking for the level of detail found in the templates distributed with the draft straw model. However, AUC staff may require that distributors provide forecasts which are driven by asset management programs and are a result of regular testing and inspection outcomes (e.g. forecast of pole replacements due to failed testing as part of one's pole management program).
- In the meantime, distributors will be expected to provide information that is tracked on a regular basis and is used internally to make asset management decisions.
- Given the uncertainty around what the next generation of PBR will look like and taking into consideration all of the asset management type information that has come through PBR related applications since the original Decision 2012-237 was released, there was a lot of discussion around what asset management reporting should look like at this time and it was agreed that depending on what the next generation of PBR looks like, asset management reporting requirements will evolve over time and could even become more detailed.
- At this point in time, the group agreed that asset management reporting should contain distributors' asset management policies at a high level, including everyday "proactive" asset maintenance and replacement practices. Based on feedback, it was discussed that perhaps the report could be more of a narrative (rather than a plan) about what asset management practices distribution companies undertake to ensure that their distribution systems are safe and reliable and that service quality is maintained.
- The UCA has requested that the following comments be added to the meeting summary:
  - The UCA highlighted that it was not in support of a study of asset condition. Rather the UCA's recommendation was for a reporting mechanism that provides information on asset management practices to ensure service quality and reliability is maintained, and to avoid degradation of assets.
  - The UCA pointed out that asset condition is an outcome of the utilities' maintenance practices. The utilities have information on maintenance practices the consumers' lack, and therefore the companies should be forthcoming and provide this information so that asset condition may be evaluated.
  - The UCA stated that asset management reporting should provide information that is relevant, adequate, and to a level of detail that allows the Commission and consumers to track and understand the companies' practices with respect to maintaining assets.
  - The UCA argued that both historical and forecast information regarding asset management should be part of the report as they provide useful information. Therefore, the UCA's is against the removal of chapter 3 of the proposed model.

## 5 Next steps

- Based on the discussions held and feedback received from the group, AUC staff will revise the straw model, and once completed, AUC staff will circulate the revised straw model to parties for comment. As previously mentioned, AUC staff intends on finalizing the framework needed to satisfy the requirements for asset management reporting at this time by March 2016.

**ACTION: AUC staff to revise the straw model, and once completed, AUC staff to circulate the revised straw model to parties for comment.**

- AUC Staff thanked parties for their continued participation and involvement with the asset management consultation process.