AltaLink Management Ltd.

Application for Approval of 2012 and 2013 Deferral Accounts Reconciliation Compliance Filing

December 22, 2016
Alberta Utilities Commission
Decision 21914-D01-2016
AltaLink Management Ltd.
Application for Approval of 2012 and 2013 Deferral Accounts Reconciliation Compliance Filing Proceeding 21914

December 22, 2016

Published by the:
Alberta Utilities Commission
Fifth Avenue Place, Fourth Floor, 425 First Street S.W.
Calgary, Alberta
T2P 3L8

Telephone: 403-592-8845
Fax: 403-592-4406

Website: www.auc.ab.ca
Contents

1 Decision summary ........................................................................................................................................ 1

2 Introduction and background .................................................................................................................. 1

3 Details of the application ....................................................................................................................... 2

4 Compliance with Commission directives from Decision 3585-D03-2016 ........................................... 3
   4.1 Contested matters ................................................................................................................................. 4
   4.1.1 Directives 9, 11 and 12 ..................................................................................................................... 4
   4.1.2 Directives 15 and 16 ....................................................................................................................... 8
   4.1.3 Directive 24 ....................................................................................................................................... 9
   4.1.4 Directive 34 ..................................................................................................................................... 10
   4.1.5 Directive 35 ..................................................................................................................................... 11
   4.1.6 Directive 37 ..................................................................................................................................... 14
   4.1.7 Directives 39 and 40 ....................................................................................................................... 16
   4.1.8 Directive 42 and refund of previously collected construction work in progress
          in rate base amounts as directed in Decision 3524-D01-2016 ......................................................... 17
   4.2 Remaining Directives ......................................................................................................................... 19

5 Order .......................................................................................................................................................... 20

Appendix 1 – Proceeding participants ...................................................................................................... 21

Appendix 2 – Summary of Commission directions .................................................................................. 22

Appendix 3 – Commission directions addressed in compliance application ........................................... 24

Appendix 4 – Outstanding directions for future deferral account applications ...................................... 29

List of tables

Table 1. Updated summary of deferral accounts ...................................................................................... 3

Table 2. Fortis direct assigned project cost reconciliation per Directive 35 ......................................... 12
1 Decision summary

1. This decision provides the Alberta Utilities Commission’s determinations regarding AltaLink Management Ltd. ’s compliance with the Commission’s directions following the release of Decision 3585-D03-2016,1 which determined AltaLink’s 2012 and 2013 deferral account balances as well as the direct assign capital deferral account (DACDA) balance pertaining to 2014 additions for the Heartland project. For the reasons set forth in this decision, the Commission has found that:

- Consideration of filing requirements and processes for the 2015 DACDA will continue in the 2014 DACDA proceeding.
- Further billing audits are required in future applications to ensure the audit recommendations for billing processes are adhered to.
- Directive 24 from Decision 3585-D03-2016 remains outstanding.
- Additional information is required on the classification of project costs pursuant to the 2011 Alberta Electric System Operator (AESO) tariff for the Surmont II 9L990 and Kirby 651S projects.
- Directions arising from the decision in the AltaLink 2015-2016 general tariff application (GTA) compliance filing, which affect the allowance for funds used during construction (AFUDC) amounts submitted in this application, must be identified in the 2014 DACDA application.

2 Introduction and background

2. On December 17, 2014, AltaLink filed an application with the Commission for approval of its 2012 and 2013 deferral account balances as well as the DACDA balance pertaining to 2014 additions for the Heartland project. On June 6, 2016, the Commission issued Decision 3585-D03-2016 and directed AltaLink to refile its application to reflect the findings and directions set out in the decision on or before August 15, 2016.

3. AltaLink submitted its application on August 15, 2016, and subsequently amended the application on September 1, 2016, following confirmation of final invoice amounts and to correct a minor error in customer contribution amounts.2 In the compliance application, AltaLink is proposing to charge the AESO $8.0 million for 2012, $31.4 million for 2013 and $19.9 million

---

2 Exhibits 21914-X0019 to 21914-X0026.
for 2014 for the Heartland project. These amounts reflect the difference between approved final and forecast rate base additions for those years.

4. On August 16, 2016, the Commission issued notice of the compliance application and requested interested parties to submit a statement of intent to participate (SIP) by August 29, 2016.³ The Commission received a SIP from the Consumers’ Coalition of Alberta (CCA). The CCA indicated that it expected to participate in this proceeding by filing information requests (IRs), reviewing IR responses, and filing argument and reply argument.⁴

5. On August 30, 2016, the Commission set out an initial process and schedule for consideration of the compliance filing application.⁵ The CCA and the Commission submitted IRs on September 15, 2016, in accordance with this schedule. AltaLink responded to these IRs on September 30, 2016.

6. The Commission issued correspondence on October 11, 2016 to update the process schedule.⁶ In accordance with the updated schedule, the Commission received correspondence from the CCA advising that it did not intend to file argument or reply argument.⁷

7. As set out in the Commission’s correspondence dated November 2, 2016,⁸ the Commission considers the record for this proceeding to have closed on November 30, 2016.

8. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. References in this decision to specific parts of the record are intended to assist the reader in understanding the Commission’s reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to this matter.

3 Details of the application

9. AltaLink’s compliance filing application included the following:

1. Section A – a reconciliation of the updated and adjusted deferral accounts that reflects the findings and directives in Decision 3585-D03-2016.⁹

2. Section B – a summary of and complete responses to Commission directives in the compliance filing application.¹⁰

3. Attachments to directives 16, 25, 35 and 43.¹¹

³ Exhibit 21914-X0015.
⁴ Exhibit 21914-X0017.
⁵ Exhibit 21914-X0018.
⁶ Exhibit 21914-X0034.
⁷ Exhibit 21914-X0036.
⁸ Exhibit 21914-X0039.
⁹ Exhibit 21914-X0020.
¹⁰ Exhibits 21914-X0006 and 21914-X0024. Note: Exhibit 21914-X0006 contains all the responses to the Commission directives while Exhibit 21914-X0024 contains the amended summary and response to Directive 28 submitted with the amended application.
4. Working copies of AltaLink’s refilled DACDA calculations for 2012, 2013 and 2014 (Excel format).\textsuperscript{12}

10. In Section A, AltaLink provided the updated deferral account balances, which are set out below. AltaLink proposed to dispose of the 2012, 2013 and 2014 Heartland charges of $59.3 million through a one-time billing to the AESO.\textsuperscript{13}

**Table 1. Updated summary of deferral accounts**

<table>
<thead>
<tr>
<th>Deferral account</th>
<th>Charge (refund) January 1 to December 31, 2012 ($ million)</th>
<th>Charge (refund) January 1 to December 31, 2013 ($ million)</th>
<th>Charge (refund) January 1 to December 31, 2014 2014 Heartland projects costs only ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>(3.6)</td>
<td>(3.6)</td>
<td>N/A</td>
</tr>
<tr>
<td>Taxes other than income taxes</td>
<td>(0.0)</td>
<td>0.2</td>
<td>N/A</td>
</tr>
<tr>
<td>Annual structure payments</td>
<td>(0.5)</td>
<td>(0.1)</td>
<td>N/A</td>
</tr>
<tr>
<td>Other costs associated with short term debt</td>
<td>(0.3)</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td>Direct assign capital</td>
<td>12.4</td>
<td>34.9</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8.0</strong></td>
<td><strong>31.4</strong></td>
<td><strong>19.9</strong></td>
</tr>
</tbody>
</table>

11. For convenience, the Commission’s directives and findings, related to the compliance filing application, from Decision 3585-D03-2016, are attached to this decision as Appendix 3. The directives from Decision 3585-D03-2016 that remain outstanding and are intended to be considered in future applications are listed in Appendix 4 and are not addressed further in this decision.

4 Compliance with Commission directives from Decision 3585-D03-2016

12. In Section B of its main application document, AltaLink provided a table summarizing all directives in Decision 3585-D03-2016 that it responded to in the compliance filing application. AltaLink also provided additional detail on its compliance with specific directives in attachments B-01 through B-43. Most of AltaLink’s responses to Commission directives received little additional attention from interveners. The Commission has specifically addressed directives of concern to the Commission in Section 4.1 below.

\textsuperscript{11} Exhibits 21914-X0007 to 21914-X0012 and 21914-X0026. Note: Exhibit 21914-X0026 contains the amended project summary schedules submitted with the amended application. Further note: exhibits 21914-X0007 and 21914-X0008 were filed on the confidential record in accordance with the Commission’s May 27, 2015 ruling on confidentiality in Proceeding 3585.


\textsuperscript{13} Exhibits 21914-X0007 to 21914-X0012 and 21914-X0026. Note: Exhibit 21914-X0026 contains the amended project summary schedules submitted with the amended application. Further note: exhibits 21914-X0007 and 21914-X0008 were filed on the confidential record in accordance with the Commission’s May 27, 2015 ruling on confidentiality in Proceeding 3585.
4.1 Contested matters
4.1.1 Directives 9, 11 and 12

13. During Proceeding 3585, the Commission addressed participants’, including the applicant’s, frustration with the large volume of materials and numerous motions that contributed to regulatory process inefficiency and delays.

14. In directives 11 and 12 from Decision 3585-D03-2016, the Commission directed AltaLink to establish a consultative process with representatives from intervener groups active in AltaLink’s DACDA application proceedings to try to arrive at a workable and mutually acceptable set of filing requirements and pre-filing discovery processes to be followed for AltaLink’s 2015 DACDA application. This process is to identify specific proposals or recommendations for possible solutions such as the use of virtual or physical data rooms or the creation of an agreed upon list of application documents and to file a report with the Commission regarding the outcome of this consultation process on or before October 3, 2016, regardless of whether any consensus on any proposals has been achieved.\(^\text{14}\)

15. Additionally, the Commission issued Directive 9 requiring AltaLink to develop a proposal for a key decision matrix and to review its risk register practices and to fully describe its proposal and review in either its next GTA or in its next transmission deferral account application, whichever comes first.\(^\text{15}\)

16. AltaLink addressed directives 11 and 12 in attachments B-11 and B-12 of its compliance filing application stating that it would establish the requested consultative process, identify proposals or recommendations, and file a report on the outcome on or before October 3, 2016.\(^\text{16}\)

17. On October 3, 2016, AltaLink filed the report (consultation report). In that consultation report, AltaLink indicated that all interveners in Proceeding 3585, namely the CCA, the Industrial Power Consumers Association of Alberta and the Alberta Direct Connect Customers, were invited to participate in the consultation; however, only the CCA would participate in consultation at this time. AltaLink noted further that discussion with the CCA is ongoing and that at least one further meeting was required. Attached to that letter, AltaLink provided notes from the two meetings held to date as well as templates of certain documents that are proposed to be included in the 2015 DACDA filing.\(^\text{17}\)

18. The Commission issued a letter on October 11, 2016, directing AltaLink to file a further update on the consultation process for Directive 12 on October 21, 2016.\(^\text{18}\) In accordance with that schedule, AltaLink filed a further report\(^\text{19}\) (follow-up report). The CCA provided its comments to the follow-up report on November 2, 2016\(^\text{20}\) and AltaLink replied to the CCA’s comments on November 10, 2016.\(^\text{21}\)

\(^{14}\) Decision 3585-D03-2016, paragraphs 252-253.
\(^{15}\) Decision 3585-D03-2016, paragraph 241.
\(^{16}\) Exhibit 21914-X0006, Attachment B Decision Directives, Attachments B-11 and B-12, PDF pages 18-19.
\(^{17}\) Exhibits 21914-X0031 to 21914-X0033.
\(^{18}\) Exhibit 21914-X0034.
\(^{19}\) Exhibit 21914-X0035.
\(^{20}\) Exhibit 21914-X0038.
\(^{21}\) Exhibit 21914-X0040.
19. AltaLink included several proposals in the consultation and follow-up reports, which are summarized below:22

- For projects that are energized in 2014, the 2015 costs (or trailing costs) for these projects will be included in the 2014 DACDA, not the 2015 DACDA.
- Documents will be filed by project (i.e., every document related to a project will be filed in one place).
- The project summary report will include more detail on costs.
- A contract summary document will be included for larger projects (i.e., project costs greater than $25 million that experienced a significant variance) and smaller projects with significant variances.
- A project change summary will be provided, which includes a summary of AESO and engineering procurement and construction management (EPCM) change orders, as well as contingency information.
- Change orders to the AESO and from the EPCM provider will be included.
- The energization certificate, letter or table will be included.
- Decision process/stage gate documents will be included (namely, the proposal to provide service (PPS) stage gate, facility application stage gate and the construction readiness gate).
- All AESO project reports will be filed as part of each project file.
- Procurement documents will be included (namely, bid analysis and recommendation documents, subcontracts and subcontract amendments, which will be filed entirely or partially confidentially).
- Requests for confidential treatment of certain documents will be submitted at the time of filing.
- Certain documents will be included by referencing the proceeding and exhibit numbers (namely, facility applications, need identification documents, permits and licences, and functional specification).

20. In the comments it submitted in response to the follow-up report, the CCA indicated that agreement was not reached on certain issues. Specifically, the CCA was of the view that a decision matrix that identifies all key decisions affecting a project, particularly the costs, throughout the project’s development, should be provided. The CCA indicated that a decision matrix would document the nature of the problem being reviewed, the options that were considered, the advantages and disadvantages of those options, the option that was selected and the reasons one of the options was chosen.23 The CCA considered that the decision process/stage gate documents that AltaLink proposed to provide would document some of that information. However, the information would be scattered throughout various documents and some decisions may not be documented.

22 Summarized from exhibits 21914-X0032 and 21914-X0035.
23 Exhibit 21914-X0038, PDF page 2.
21. The CCA also indicated that agreement was not reached on the value of testing cost variances with benchmarking information.\textsuperscript{24}

22. In response to the CCA’s comments, AltaLink noted that it did not use a single key decision matrix but key decisions and risks are captured as part of the project delivery model through the formal stage gate review process. Risks and key decisions are then detailed in the decision process/stage gate documentation, which AltaLink proposes to file in its initial application. Additionally, AltaLink has developed an enhanced project summary which outlines decisions related to the actual costs of the projects and identifies where additional back-up documentation can be found. AltaLink noted that the Commission directed AltaLink to provide a key decision matrix and risk register in future applications in Decision 3585-D03-2016.\textsuperscript{25} AltaLink asserted that the proposed decision process/stage gate documentation and the enhancements to the project summary will meet the requirements of that direction and improve the clarity of the record.

23. Regarding the CCA’s comments with respect to testing variances with benchmarking information, AltaLink contended that this issue has arisen in previous proceedings. AltaLink had clarified previously that the benchmarking process involves many project-specific factors and that the process does not help to determine whether certain costs for a project are reasonable, justified or prudent. Furthermore, there can be differences in the scope of transmission projects and accounting principles across different TFOs or utilities. AltaLink noted further that the Commission denied the Ratepayer Group’s (RPG’s) request for AltaLink to produce all benchmarking unit cost data in Decision 2013-407.\textsuperscript{26,27}

24. The CCA filed additional comments on December 1, 2016. The CCA stated that it could not comment on whether Directive 9 will be met until AltaLink has filed the proposed documents. The CCA also further expounded on the benchmarking information it requested for testing variances. It asserted that benchmarking information would minimize the size of the record in a DACDA proceeding by providing a tool to further reduce the areas of focus in the application. The CCA viewed the benchmarking data as the second step in a three step process for examining costs in a DACDA proceeding, where the first step is determining cost components in excess of the PPS estimate and the third step is to complete a price-quantity analysis to identify cost increases that are explainable due to quantity changes or supportable price changes and eliminate those cost increases from further review. In the CCA’s view, benchmarking eliminates the presumption that a PPS estimate by cost component automatically implies a reasonable level of cost.\textsuperscript{28}

Commission findings

25. The Commission is satisfied that the material filed by AltaLink in this proceeding demonstrates that AltaLink has consulted with interested interveners on the filing requirements and processes for the 2015 DACDA. Additionally, AltaLink has filed a proposal for the documents that will be filed in the 2015 DACDA. The Commission finds that AltaLink has complied with directives 11 and 12.

\textsuperscript{24} Exhibit 21914-X0038.
\textsuperscript{25} Decision 3585-D03-2016, paragraph 241.
\textsuperscript{27} Exhibit 21914-X0040.
\textsuperscript{28} Exhibit 21914-X0041.
26. The Commission considers that further discussion of specific proposals advanced during the consultations between AltaLink and intervener groups should take place within AltaLink’s 2014 DACDA application, such that rulings on proposals for changes to filing requirements for AltaLink’s 2015 DACDA proceeding can be addressed in the Commission’s decision in respect of AltaLink’s 2014 DACDA.

27. The Commission takes note of the apparent consensus view of parties participating in the discussions pursuant to directives 11 and 12 that it would promote regulatory efficiency to consider both 2014 and 2015 trailing costs for projects where the substantial capital addition takes place in 2014. Accordingly, the Commission directs AltaLink to include in its next DACDA application, the 2015 trailing costs for projects for which the primary capital additions have taken place on or before December 31, 2014.

28. The Commission notes that the consultation report filed by AltaLink included an estimate of the additions to rate base that are proposed to be included in the 2014 and 2015 DACDAs. The 2014 DACDA will include approximately $500 million in direct assign additions to rate base and the 2015 DACDA will include approximately $3 billion in direct assign additions to rate base, being primarily attributable to $1.7 billion in additions for the Western Alberta Transmission Line. AltaLink estimated that the 2015 DACDA initial filing would comprise approximately 50,000 pages of submissions. This information shows that, even when considering the effect of the decision to allow 2015 trailing costs for 2014 primary additions to be included in the 2014 DACDA proceeding, AltaLink’s 2015 DACDA proceeding would have a far larger dollar value of projects to be assessed than has ever been considered in any other AltaLink DACDA application proceeding.

29. Accordingly, given the extent of this imbalance between 2014 and 2015, in order to facilitate a more manageable regulatory review of these projects, the Commission is prepared to consider proposals from AltaLink to shift a portion of the 2015 capital addition projects into the 2014 DACDA proceeding. AltaLink should make such proposals by separate correspondence filed in advance of the filing of the 2014 application. Due to the very large capital addition anticipated for the Western Alberta Transmission Line project (an anticipated full project capital addition of almost $1.7 billion), this project must be considered as part of the 2015 DACDA application.

30. Finally, the Commission notes AltaLink’s response to the CCA’s comments wherein it asserted that the proposed decision process/stage gate documentation will meet the requirements of Directive 9 from Decision 3585-D03-2016. As noted above, the Commission’s direction was to develop a proposal for a key decision matrix and to review its risk register practices and to fully describe its proposal and review in either its next GTA or in its next transmission deferral account application, whichever comes first. Accordingly, the Commission will not evaluate the proposed decision process/stage gate documents filed as AltaLink’s response to Directive 9 in this decision and expects that AltaLink will present this proposal in its 2014 DACDA, as its 2017-2018 GTA was filed prior to the conclusion of the consultation process.

---

29 Exhibit 21914-X0035, PDF page 1.
30 Exhibit 21914-X0032, PDF page 1.
31 Exhibit 21914-X0035, PDF page 2.
32 Exhibit 21914-X0032, PDF page 1.
4.1.2 Directives 15 and 16

31. In Directive 15, the Commission directed AltaLink to confirm certain information with respect to its audit. Specifically, AltaLink was asked to confirm whether its audit included the entire 2013 year and whether all Heartland billings in 2014 were audited. AltaLink addressed Directive 15 in Attachment B-15 of the compliance filing and confirmed that the 2013 audit included billings up to and including August 31, 2013. AltaLink also confirmed that all billings related to Heartland in 2014 were audited, though not all audit reports covering 2014 were final.33

32. In Directive 16, the Commission directed AltaLink:

… to provide any audit follow-up reviews performed to confirm whether these audit recommendations have been implemented, when they were implemented, and what recommendations are still outstanding. AltaLink should also identify any billing error amounts, whether any over or under billing amounts had been collected from or paid to SNC [SNC-Lavalin ATP Inc.] and been applied to any of the projects in this application.34

33. AltaLink addressed Directive 16 in Attachment B-16 of the compliance filing application. It provided an additional follow-up billing audit report35 that covered amounts billed to AltaLink from September 1, 2013 to July 31, 2014, which also included KPMG’s assessment of credit issues identified in the 2013 billing audit and an internal audit of invoices under the master service agreement and relationship agreement with SNC. AltaLink also provided a summary of management actions taken in response to the follow-up audit report.36 These were provided on the confidential record.

34. AltaLink also confirmed that all items identified in the audit recommendations were addressed and are reflected in the costs as filed.37

35. The Commission issued an IR to AltaLink regarding the findings in the follow-up audit on cable reel deposits. In its response, AltaLink described its administration of the cable reel deposit process:

- A deposit is required by the distributor or supplier of conductor for each individual cable reel.
- The deposit is initially incurred at the project level as an actual.
- Upon the cable reel being returned to the distributor or supplier of conductor in acceptable condition, a credit amount is returned to the EPC [Engineering, Procurement and Construction company, namely SNC].
- The EPC will return the equivalent credit to AltaLink. Any cable reel deposit credits are at the project level if the project is still open and will appear as trailing costs.
- Given the varied types (steel, wood, plastic) and sizes of cable reels it is an industry norm that between 5 to 7% of cable reels are lost or damaged for a number of

---

33 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-15, PDF page 22.
34 Decision 3585-D03-2016, paragraph 344.
35 Exhibit 21914-X0007-CONF.
36 Exhibit 21914-X0008-CONF.
37 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-16, PDF page 23.
reasons. Similar to any project consumable (ie. damaged access mats, pallets or crating), AltaLink will pay the cost for reasonable, industry norm damage or loss and these costs will become part of the actual project costs submitted for DACDA approval. 38

36. AltaLink also confirmed in its response to the Commission IR that any credits identified in the follow-up audit for cable reels will appear as trailing costs in future DACDAs, depending on the timing of the receipt of the credit.

Commission findings

37. AltaLink has provided responses to the Commission’s requests in Directive 15. As well, it has provided a follow-up audit and management responses to the follow-up audit in attachments to Directive 16. The Commission considers that these submissions satisfy directives 15 and 16, and finds that AltaLink has complied with these directives.

38. Upon review of the follow-up audit information provided, the Commission has determined that additional direction is required for continued examination of billing audits and implementation of audit recommendations in future DACDAs.

39. The follow-up audit identified certain issues from the previous audit that had not been remedied fully. These issues, which were identified as requiring ongoing monitoring, continue to be of concern. The Commission considers that the information requested in Directive 16 would be of assistance to it in evaluating the 2014 DACDA. Accordingly, AltaLink is directed, in the 2014 DACDA, to refile the audit submitted in this application as Exhibit 21914-X0007 and to provide any subsequent audits covering billing amounts for the projects included in the 2014 DACDA. AltaLink also is directed to confirm whether any recommendations (for either AltaLink or SNC) related to the invoicing process are still outstanding and to describe the results of any recommendations that have since been implemented. Consistent with the Commission’s May 27, 2015 ruling in Proceeding 3585, which granted confidential treatment to billing audits, AltaLink may file audit documents in response to this directive confidentially.

40. Last, with regard to the Commission’s IR, AltaLink stated that cable reel deposit credits may be reflected in trailing costs in future DACDAs. AltaLink is directed to identify these amounts clearly, in the 2014 DACDA.

4.1.3 Directive 24

41. In Directive 24, the Commission referenced AltaLink’s confidential rebuttal evidence regarding the details of a settlement reached between it and SNC-ATP with respect to non-compliance materials procured by SNC-ATP. The Commission directed AltaLink to file an update as to the status of this issue in its compliance filing. 39 In its response, AltaLink noted that negotiations and arbitration are ongoing between SNC and the supplier and the matter is not yet resolved. 40 No further information was provided.

---

38 Exhibit 21914-X0029, AML-AUC-2016SEP15-001, PDF page 2.
39 Decision 3585-D03-2016, paragraph 687.
40 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-24, PDF page 33.
Commission findings

42. As directed, AltaLink provided an update on the status of the ongoing litigation between SNC and the supplier and has, therefore, complied with Directive 24.

43. However, given that the matter is not resolved, the Commission considers that this issue remains outstanding. Therefore, following the resolution of the negotiations, the Commission directs AltaLink to file an update in its next GTA or in its next transmission deferral account application, whichever comes first, on the results of the negotiations between SNC and the supplier.

4.1.4 Directive 34

44. In Proceeding 3585, AltaLink sought approval of the capital additions for its Surmont II 9L990 project. The Commission did not approve the requested capital additions and, in Directive 34, directed AltaLink to provide evidence to support the project as a system-related project and to demonstrate that the project did not merit a contribution from ConocoPhillips.

45. In its response, AltaLink indicated that the communications from the AESO throughout the project did not reference ConocoPhillips as the customer. In particular, the project was deemed a system-related project because of the connection to ATCO Electric’s new substation (Salt Creek 977S). AltaLink provided five attachments as evidence to demonstrate that Project D.0365 Surmont II 9L990 was a system-related project:

- Attachment 1 provided an email correspondence from AltaLink to the AESO dated May 16, 2011 that stated protection and control (P&C) work should be allocated as system costs
- Attachments 2, 3 and 4 provided direction letters from the AESO to AltaLink to: prepare a PPS and a facility application; approve the PPS as meeting the functional specification; and, direct AltaLink to submit the facility application to the Commission, respectively. AltaLink stated that these letters do not contain a reference to a Delegation Agreement nor do they direct AltaLink to obtain a Construction Commitment Agreement and/or appropriate financial security with ConocoPhillips and, therefore, the AESO was the customer for the project.
- Attachment 5 was provided for comparison purposes and contains a facility application direction letter from the AESO to AltaLink for the Fortis Tilley 498S Upgrade Customer project. The letter states that “FortisAlberta Inc. has executed a Construction Commitment Agreement and has provided the appropriate financial security.”

46. AltaLink further noted in its response that the cost table in the facility application miscategorized the project costs in the customer portion column instead of in the system portion column.

47. In response to a Commission IR, AltaLink confirmed that the recommendation in the email correspondence in Attachment 1 made by AltaLink to deem and allocate P&C costs as system costs was made solely by AltaLink without input or discussion from ConocoPhillips. AltaLink maintained that its process is to review protection-related requests in discussion with

---

41 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-34 and Attachments 1 to 5, PDF pages 45-66.
the AESO and the AESO determines if portions of the work should be deemed system-related, participant-related or both. AltaLink indicated that there was no customer contribution decision (CCD) from the AESO for this project because there was no system access request and the directions were system-related, all of which demonstrated that the project was a system-related project.

48. AltaLink further noted that the P&C scope of work for this project was required to allow the ATCO Electric Salt Creek Substation system-related project to be completed, despite the work being included in the Surmont II project functional specification.

49. Finally, AltaLink stated that “If the Commission disagrees with the AESO’s interpretation of their tariff and classification of costs, AltaLink would request the AESO to prepare a customer contribution decision based on the Commission’s direction. The AESO would also need to issue new direction letters for AltaLink to enter into a Customer Contribution Agreement with a customer retroactively so that AltaLink could recover the funds.”

Commission findings

50. AltaLink’s evidence in the current proceeding demonstrates that it only received directions in respect of the project from the AESO and was not required to obtain a construction commitment agreement or other financial security from a market participant that would be typical for a connection project.

51. On the basis of this evidence, the Commission finds that AltaLink has provided sufficient information to warrant the approval of a gross addition to rate base prior to December 31, 2013 in the amount of $75,324. As this amount is comparatively small, AltaLink should reflect this addition as a trailing cost item in a future DACDA application to avoid the necessity of filing a second compliance filing application.

52. Notwithstanding the above, although the information provided clarifies why AltaLink has treated this project as a system-related project, it does not explain why the project should have been classified as a system-related project. As part of Directive 34, the Commission directed AltaLink to provide evidence, for example by way of a letter from the AESO, that explains why this project does not merit a contribution from ConocoPhillips.

53. The information provided does not address why this project, which was a component of the ATCO Electric Quigley 989S Substation project, was not classified by the AESO as a participant-related cost pursuant to Section 8:3(2)(n) of the 2011 AESO tariff. Accordingly, AltaLink is directed to make a request to the AESO to clarify its decision to classify this project as system-related and to provide the AESO’s response in the next DACDA.

4.1.5 Directive 35

54. In Directive 35, the Commission identified six Fortis direct assigned projects where the Commission was unable to reconcile the gross capital addition amounts provided by AltaLink to other evidence filed on the record. The Commission approved capital addition amounts for those six projects as a placeholder and directed AltaLink to confirm: the actual final costs; the portion

42 Exhibit 21914-X0029, AML-AUC-2016SEP15-004(a) to (f), PDF pages 188-189.
43 Exhibit 21914-X0006, PDF page 45.
44 Decision 3585-D03-2016 at paragraph 1250.
of the final cost to be accounted for as trailing costs in a future DACDA; the customer contribution amount; and, the amount deemed to be system-related costs for each of the six projects.\footnote{45}

55. In its response, AltaLink provided a table, shown in part below, reconciling project costs for the six projects. As part of the response, AltaLink provided explanations for any differences. For three projects,\footnote{46} AltaLink indicated that the CCD included salvage costs in error and that a new CCD would be requested, thereby reducing the customer contribution. The associated reductions to additions would be reflected in trailing costs in a future DACDA.\footnote{47} In response to an IR, AltaLink confirmed that it is its practice to request the AESO to revise a CCD when an error is detected.\footnote{48}

**Table 2. Fortis direct assigned project cost reconciliation per Directive 35**

<table>
<thead>
<tr>
<th>Project name</th>
<th>Approved addition amount</th>
<th>LTD actual adds to Dec 31, 2013</th>
<th>Trailing costs for future DACDAs</th>
<th>LTD adds to June 30, 2016</th>
<th>LTD adds to June 30, 2016</th>
<th>Customer contribution (AltaLink)</th>
<th>Customer contribution decision</th>
<th>AESO Investment</th>
<th>Reduction for replaced transformer</th>
<th>Total project (includes salvage)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.0454 – Ponoka</td>
<td>7,069,217</td>
<td>7,069,217</td>
<td>588,315</td>
<td>7,657,532</td>
<td>(7,759,810)</td>
<td>6,979,410</td>
<td>30,400</td>
<td>750,000</td>
<td>7,759,810</td>
<td>Stage 6 CCD 3</td>
<td></td>
</tr>
<tr>
<td>D.0427 – Lodgepole</td>
<td>6,554,137</td>
<td>6,554,137</td>
<td>435,704</td>
<td>6,989,841</td>
<td>(5,012,340)</td>
<td>9,171,677</td>
<td>25,423,415</td>
<td>14,062,471</td>
<td>39,485,886</td>
<td>Stage 6 CCD 4</td>
<td></td>
</tr>
<tr>
<td>D.0435 – Cherhill</td>
<td>8,387,137</td>
<td>8,387,196</td>
<td>784,480</td>
<td>9,171,677</td>
<td>(9,171,677)</td>
<td>9,171,677</td>
<td>25,423,415</td>
<td>14,062,471</td>
<td>39,485,886</td>
<td>Stage 6 CCD 2</td>
<td></td>
</tr>
<tr>
<td>D.0426 – Rimby</td>
<td>10,942,923</td>
<td>10,942,923</td>
<td>408,302</td>
<td>11,315,224</td>
<td>(10,766,705)</td>
<td>10,776,705</td>
<td>623,200</td>
<td>11,389,905</td>
<td>39,485,886</td>
<td>Stage 6 CCD 1</td>
<td></td>
</tr>
<tr>
<td>D.0454 – Onoway</td>
<td>1,993,491</td>
<td>2,109,486</td>
<td>(115,994)</td>
<td>1,933,492</td>
<td>(1,993,492)</td>
<td>2,148,850</td>
<td>-</td>
<td>-</td>
<td>2,148,850</td>
<td>Stage 6 CCD 1</td>
<td></td>
</tr>
</tbody>
</table>

Source: Exhibit 21914-X0011.

56. AltaLink also identified a difference between Fortis and AltaLink addition amounts for D.0427 – Lodgepole that was due to project work requested originally by Fortis and treated as a cost recovery item by AltaLink, instead of a customer contribution. The addition amount included by Fortis was the total amount paid to execute the project scope.\footnote{49} AltaLink provided the invoice from AltaLink to Fortis in the amount of $211,038.37 for miscellaneous services.\footnote{50}

57. AltaLink reflected the amounts listed under LTD Actual Adds to Dec 31, 2013, in Table 2 above, in the Totals tab of the Project Summary Schedules as gross actual additions.\footnote{51}

58. Regarding the three projects that had CCDs with salvage costs, AltaLink identified in an IR response that it had identified 16 additional projects\footnote{52} whose CCDs were being reviewed to

\footnotesize{\begin{itemize}
    \item Decision 3585-D03-2016, paragraphs 1247-1250.
    \item Projects D.0360 – Onoway 352S Substation Upgrade, D.0426 – Rimby 297S Substation Upgrade and D.0454 – Ponoka 331S Substation Upgrade.
    \item Exhibit 21914-X0011.
    \item Exhibit 21914-X0029. AML-AUC-2016SEP15-005(a).
    \item Exhibit 21914-X011.
    \item Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-35, Attachment 2, PDF page 68.
\end{itemize}}
determine if they too included any salvage costs. AltaLink indicated that it would prepare supporting information to provide to the AESO to prepare revised CCDs and the changes to addition amounts would be reflected in future DACDAs.\(^{53}\)

**Commission findings**

59. The Commission has reviewed AltaLink’s response to Directive 35 and is satisfied that AltaLink has explained the apparent discrepancies between the capital addition amounts used for the six Fortis projects as set out in Table 52 from Decision 3585-D03-2016 and the conflicting capital addition amounts set out in other evidence filed in Proceeding 3585. The Commission also confirms that AltaLink’s response has fully addressed the other information sought, including the identification of system costs, customer contribution amounts, and amounts to be recovered as trailing costs in future proceedings. Accordingly, the Commission confirms that AltaLink has fully complied with Directive 35.

60. AltaLink’s response to this directive demonstrates that most of the approved December 31, 2013 addition amounts were confirmed by AltaLink, and that any remaining discrepancies are not significant. In addition, as each of the projects identified in Table 52 from Decision 3585-D03-2016 have trailing costs after December 31, 2013, that will be considered in a future DACDA proceeding, the Commission will not direct AltaLink to make corrections in a second compliance application.

61. In the course of investigating the evidentiary discrepancies giving rise to Directive 35, AltaLink determined that CCDs prepared in respect of certain Fortis projects, as identified in Table 52 from Decision 3585-D03-2016, were incorrect because calculations of contribution amounts took into account project salvage costs in error.\(^{54}\) The Commission accepts AltaLink’s proposal that, where this has occurred,\(^{55}\) it will request that the AESO adjust its contribution calculations to remove salvage from the calculation of the contribution. The Commission also accepts AltaLink’s proposal to remove any improperly accrued salvage costs from final additions amounts as part of a future true-up of trailing costs.

62. In its response to AML-AUC-2016SEP15-005(b), AltaLink indicated that a number of other projects considered in Proceeding 3585 (which AltaLink identified in its response) were under review to determine whether a similar incorrect treatment of salvage had occurred.\(^{56}\) The Commission accepts AltaLink’s proposal that any potential discrepancies confirmed in relation to Proceeding 3585 projects will be addressed in a future DACDA proceeding. However, the Commission directs AltaLink to provide a full report on the results of the investigation discussed in AML-AUC-2016SEP15-005(b) as part of its next DACDA application.

---


53 Exhibit 21914-X0029, AML-AUC-2016SEP15-005(b).

54 Exhibit 21914-X0011.

55 AltaLink explained that this occurred in respect of the Onoway (D.0360) and Ponoka (D.0454) projects.

56 Exhibit 21914-X0029.
4.1.6 Directive 37

63. In Directive 37, the Commission directed AltaLink to contact the AESO for the purposes of obtaining the AESO’s assessment of customer contribution decisions for the Kirby 651S project in light of the findings set out in Decision 3585-D03-2016 and to provide a summary of the AESO’s recommendations in respect of the contribution on the Kirby 651S project at the time of its compliance filing.57

64. In its response, AltaLink confirmed that the customer contribution in the project summary schedules is correct.58 However, in response to a Commission IR, AltaLink identified Kirby as one of the projects under review for a CCD that may have included project salvage costs in error. AltaLink indicated that, if required, it would prepare supporting information and provide it to the AESO to allow it to prepare a revised CCD. In turn, any changes to addition amounts would be reflected in a future DACDA.59

65. Further, in its response to the directive, AltaLink indicated that it had contacted the AESO and the response from the AESO regarding the CCD stated that the requirements for system development associated with the project were identified in the needs identification document (NID) filed in November 2011.60 Additionally, Decision 2012-08761 approved the AESO’s NID as filed and specifically addressed the system developments.62

66. In AltaLink’s submission, the AESO considered that the capacitor banks were required to provide broad area voltage support to a number of system access services in the region and, therefore, the costs of the capacitor banks were deemed to be system-related costs. In response to a Commission IR, AltaLink stated that “[i]f the Commission disagrees with the AESO’s interpretation of their tariff and classification of costs, AltaLink would request the AESO to prepare a customer contribution decision based on the Commission’s direction.”63

67. Finally, in response to AltaLink’s enquiry, the AESO confirmed that the Christina Lake 240-kilovolt (kV) System Development has been completed and the mobile capacitor banks located in the Winefred Substation are no longer required for reliable operation of the Alberta Interconnected Electric System.64

Commission findings

68. The Commission considers that AltaLink has complied with the requirement of Directive 37 to contact the AESO and advise it of the Commission’s findings in Section 4.3.1.2.1 of Decision 3585-D03-2016 and to provide a summary of the AESO’s response.

69. The Commission has assessed the amount of the contribution additions to December 31, 2013 for the Kirby 651S project in light of AltaLink’s summary of the AESO’s response to the Commission’s determinations at paragraph 1276 of Decision 3585-D03-2016 set out in

57 Decision 3585-D03-2016, paragraph 1278.
58 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-37, PDF page 70.
59 Exhibit 21914-X0029, AML-AUC-2016SEP15-005(b).
60 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-37, PDF page 70.
62 Decision 2012-087, paragraphs 9-10.
63 Exhibit 21914-X0029, AML-AUC-2016SEP15-006(c), PDF page 192.
64 Exhibit 21914-X0006, Attachment B Decision Directives, Attachment B-37, PDF page 71.
Attachment B-37. AltaLink’s response to Directive 37 indicates that AltaLink believes the contribution amount set out in its 2012-2013 DACDA application to be correct on the basis of its discussions with the AESO. In this regard, AltaLink noted that the AESO had pointed out that the NID application for the Kirby project, filed in November 2011, had set out the AESO’s determination that reactive power compensation would be required to serve the forecast load in the area, including the load from the Kirby 651S Substation, until the Christina Lake system development was in service. In addition, AltaLink noted that Decision 2012-087, which approved the NID application, specifically referenced the need for reactive power compensation and that mobile 138-kV capacitor banks would be used for this purpose.

70. The Commission finds that the summary information filed by AltaLink does not explain sufficiently why the use of mobile capacitor banks, at a cost of $4,033,971, should have been classified as system-related costs. In particular, AltaLink’s response to Directive 37 did not provide any explanation from the AESO as to how the AESO’s tariff had been applied to the determination of the contribution for the Kirby project. The Commission has examined the relevant provisions of the AESO’s tariff, and notes that while Section 8:3(3)(b)(ii) of the AESO’s tariff provides that radial transmission facilities planned in a NID filed with the Commission to become looped within five years may be treated as system-related, because the mobile capacitor banks were planned to be removed once the Christina Lake project was completed, it is not clear to the Commission how these facilities would meet the requirement for system-related treatment under these provisions because these facilities will not become part of an eventual looped configuration.

71. In its response to AML-AUC-2016SEP15-006(a), which requested that AltaLink identify the relevant version of the AESO tariff and applicable provisions that would apply to the determination of the classification of Kirby project facilities as between system-related and participant-related costs, AltaLink referenced Section 8:3(3)(c) of the AESO’s 2011 tariff terms and conditions, reproduced below, as provisions supporting the system-related classification of the mobile capacitor banks:

(3) System-related costs will be those costs related to a connection project including non-contiguous components of the project and any costs associated with:

…

(c) transmission facilities in excess of the minimum size required to serve the market participant where, in the opinion of the ISO, [Independent System Operator] economics or system planning support the development of such facilities.

65 Exhibit 21914-X0006, PDF page 70.
66 Exhibit 21914-X0006, PDF page 70.
67 Decision 2012-087, paragraphs 8-10, referenced at Exhibit 21914-X0006, PDF page 70.
68 The Commission notes that while Canadian Natural Resources Ltd. (CNRL) is identified at paragraph 1272 of Decision 3585-D03-2016 as the ultimate end-use customer served by the Kirby 651S connection facilities, the Commission considers the potential flow through of any additional costs to CNRL to be a matter for consideration in Fortis tariff proceedings. However, no part of this assessment should prevent CNRL from electing to participate in future AltaLink DACDA proceedings, should it wish to do so.
72. In a footnote to its response to AML-AUC-2016SEP15-006(a), AltaLink noted further that there is no evidence that the AESO classified the mobile capacitor bank costs as customer costs, Section 8.3(2)(m)\(^{69}\) of the AESO tariff would not apply.

73. Notwithstanding the potential AESO tariff interpretations discussed above, and recognizing the AESO’s discretion in the application of the construction contribution provisions in the tariff pursuant to Section 10 of the 2011 AESO tariff, the Commission considers the mobile capacitor bank facilities to be facilities to which Section 8.3(2)(n) of the 2011 AESO tariff would apply. Section 8.3(2)(n) and Section 10 read as follows:

\[8.3 \ (2) \quad \text{Participant-related costs will be those costs related to a contiguous connection project including costs associated with:}\]

\[\ldots\]

\[(n) \quad \text{other facilities required to complete the market participant’s connection, including transmission facilities required to enable the market participant to meet all relevant technical requirements for the connection project.}\] \(^{70}\)

\[\ldots\]

\[10 \quad \text{The ISO will have discretion in the application of the construction contribution provisions in the ISO tariff, including the determination of costs to be system-related in certain circumstances that might, under strict application of the construction contribution provisions, have been classified as participant-related.}\]

74. Given the above, AltaLink is directed to make a request to the AESO to clarify why the mobile capacitor bank costs should not be classified as participant-related costs and to provide the AESO’s response in the next DACDA.

4.1.7 Directives 39 and 40

75. Directives 39 and 40 of Decision 3585-D03-2016 pertain to costs for the cancelled Project D.0254 – Waiparous 639S Substation and trailing costs for Project D.0248 – Cochrane 291S Upgrade. The Commission directed AltaLink to provide clarification on the transfer of funds from Project D.0254 to D.0248.

76. In its response, AltaLink noted that the costs incurred for D.0254 (in the amount of $2.49 million) were transferred to D.0257 – Cochrane 291S Upgrade on November 24, 2014, following receipt of a cancellation letter from the AESO. Project D.0527 was energized in 2015.

---

\(^{69}\) The Commission understands that AltaLink was referring to Section 8.3(2)(m), which provides for the participant-related classification of “facilities previously classified as system-related under subsection 3(3)(c) below and now reclassified as participant-related to meet the requirements of the connection project.”

and is not part of the 2012-2013 DACDA application; it will be included in a future DACDA. AltaLink also identified Fortis as the customer for both D.0254 and D.0527 projects.

77. For clarity, AltaLink explained that the Project D.0248 was energized in 2011 with additions approved in the 2010-2011 DACDA. Only trailing costs for this project are included in this DACDA and there were no costs transferred to this project from project D.0254.\textsuperscript{71,72}

78. In the Totals tab of the Project Summary Schedules, AltaLink included $0 for gross and net actual additions for the cancelled D.0254 – Waiparous 639S Substation project and the gross addition amounts for trailing costs for D.0248 – Cochrane 291S Upgrade were unchanged from the amounts filed in Proceeding 3585.\textsuperscript{73}

**Commission findings**

79. As directed, AltaLink has provided clarification on the transfer of costs incurred on Project D.0254 – Waiparous 639S Substation and has indicated that the transferred amounts will be submitted in a subsequent DACDA. The Commission considers that AltaLink has complied with directives 39 and 40.

80. AltaLink has also provided confirmation of the amount of trailing costs to be included for Project D.0248 – Cochrane 291S Upgrade in this DACDA. The Commission notes that Decision 3585-D03-2016 approved trailing costs with the exception of the $0.8 million claimed for this project.\textsuperscript{74} AltaLink has not removed these costs from its Project Summary Schedules. However, in light of the explanations provided by AltaLink, the Commission approves the requested trailing cost amount. Given that it appears that this amount has been included in the compliance filing, no further directions with respect to trailing costs for this project are required.

**4.1.8 Directive 42 and refund of previously collected construction work in progress in rate base amounts as directed in Decision 3524-D01-2016**

81. In Decision 3524-D01-2016,\textsuperscript{75} the Commission stated:

953. For the above reasons, the Commission finds it to be in the public interest to approve AltaLink’s proposed refund of the previously collected CWIP [construction work in progress]-in-rate base amounts, subject to the following adjustments:

- AltaLink is permitted to refund the CWIP-in-rate base amounts collected for DACDA projects, with the exception of those projects that have been finalized in Decision 2013-407 or in Decision 2044-D01-2016.\textsuperscript{76}

- The amount of the accumulated return, depreciation and taxes accruing to AltaLink on the AFUDC portion of capital additions that would have been added to rate base in the years 2012 to 2014 will be accounted for in the DACDA proceedings for each of the relevant projects. AltaLink is to adjust all DACDA projects not approved on a final basis

\textsuperscript{71} Exhibit 21914-X0006, Attachment B Decision Directives, Attachments B-39 and B-40, PDF pages 73 and 74.\textsuperscript{72} Exhibit 21914-X0029, AML-AUC-2016SEP15-007(b), PDF page 193.\textsuperscript{73} Exhibit 21914-X0026.\textsuperscript{74} Decision 3585-D03-2016, paragraph 1345.\textsuperscript{75} Decision 3524-D01-2016: AltaLink Management Ltd., 2015-2016 General Tariff Application, Proceeding 3524, Application 1611000-1, May 9, 2016.\textsuperscript{76} Decision 2044-D01-2016: AltaLink Management Ltd., 2010-2011 Direct Assign Capital Deferral Account Audit of Southwest Transmission Project, Proceeding 2044, Application 1608711-1, January 20, 2016.
in Decision 2013-407 or in Decision 2044-D01-2016 to include AFUDC in accordance with normal historic regulatory accounting practices in its compliance filing and file an update that includes the relevant AFUDC-related amounts in Proceeding 3524.

- Customers and AltaLink are to be kept revenue neutral from any adjustment made to the above DACDA projects in AltaLink’s applications, by refunding the accumulated return on CWIP balances that were paid to AltaLink, in addition to any return earned on those amounts, calculated based on the WACC for the period from the date on which the amounts were received, and accounting for any other impacts.

954. The Commission will be issuing its decision in respect of Proceeding 3585, AltaLink’s 2012-2013 DACDA, in June 2016. In that decision, the Commission will be deciding final additio

82. In accordance with the Commission’s direction in Decision 3524-D01-2016, in Proceeding 3585, AltaLink submitted an update to its application on June 2, 2016, that included updates to various schedules filed previously as exhibits in Proceeding 3585, as well as a project summary schedule that set out AFUDC amounts and revised addition amounts for each of the projects. As a result, in Decision 3585-D03-2016, the Commission acknowledged AltaLink’s filing and directed AltaLink to update the proposed AFUDC reconciliations in the compliance filing to account for other directions in Decision 3585-D03-2016.

83. In its response to Directive 42 from Decision 3585-D03-2016, AltaLink provided updated project schedules that included AFUDC amounts that were calculated in accordance with normal historic accounting practices.

84. In Proceeding 21827, which is AltaLink’s 2015-2016 GTA compliance filing to Decision 3524-D01-2016, AltaLink provided an updated response to Directive 47 from Decision 3524-D01-2016 that included an explanation of the refund of the collected CWIP in rate base associated with the projects included in the 2012-2013 DACDA. The directive resulted in $246.4 million of AFUDC being capitalized in Proceeding 3585. This amount is composed of $231.1 million of AFUDC based on actual project costs with a deduction in the amount of $1.4 million for projects finalized in the 2010-2011 DACDA (in Decision 2013-407 or Decision 2044-D01-2016) and $16.6 million of compound AFUDC (i.e., any amount of AFUDC remaining in CWIP at a year-end accrues additional AFUDC). Customers are kept whole from this addition of $246.4 million in AFUDC in the 2012-2013 DACDA (an effect of $43 million to revenue requirement) by reducing the 2015-2016 revenue requirements by a total of $43 million (less $14.3 million of depreciation) in the compliance filing to Decision 3524-D01-2016.

85. In response to a Commission IR, AltaLink confirmed that the methodology used to calculate the return to AFUDC is the same as that used prior to 2011 and the same as that used currently for non-direct assigned projects. AFUDC is calculated twice a year on a mid-year basis (on December 31 and January 1). AFUDC rates used were those approved by the Commission.

---

77 Decision 3524-D01-2016, paragraphs 953-954.
78 Exhibits 3585-X0866 to 3585-X0870.
79 Decision 3585-D03-2016, paragraphs 1371-1372.
81 Exhibit 21827-X0026.
and include the deemed capital structure, deemed return on equity and forecast weighted average cost of debt. AltaLink stated that to implement the directive from Decision 3524-D01-2016, it also incorporated disallowances and deferrals directed in Proceeding 3585, which were adjusted at the project level in year the initial costs were incurred.\textsuperscript{82}

**Commission findings**

86. As directed, AltaLink has provided the AFUDC calculations at a project level and has incorporated disallowances and deferrals from Decision 3585-D03-2016. The Commission is satisfied that AltaLink has calculated AFUDC correctly and in accordance with normal historic accounting practices. The Commission finds that AltaLink has complied with Directive 42. For the purposes of this application, the Commission approves the capitalized AFUDC amounts. The Commission considers, however, that AltaLink’s compliance with Directive 47 from Decision 3524-D01-2016 was considered in Proceeding 21827. Directions from the decision in that proceeding, which AltaLink identifies as affecting the AFUDC amounts approved herein, must be identified in the 2014 DACDA application and will be considered in that proceeding.

4.2 Remaining Directives

87. The Commission has reviewed all of AltaLink’s responses to the compliance filing application related directives and associated attachments and is satisfied that AltaLink has addressed and responded adequately to all remaining directives pertinent to the compliance filing, as set out in Appendix 3 to this decision. More specifically, the Commission has determined that directives 14, 15, 17, 21, 23, 25, 26, 28, 29, 30, 31, 32, 33, 36, 42 and 43, and the directives in paragraphs 881 and 1329 from Decision 3585-D03-2016 are reflected correctly in the updated schedules and that the directives have been satisfied.

88. The Commission notes that Directive 30 also applies to a future DACDA, in which AltaLink was directed, in the trailing costs application, to make submissions in support of the prudence of its policy to resell all of the properties required as a result of its buyout policy no later than the first day of the sixth full month after energizing the project and include the cost differential (positive or negative) as part of the project capital costs, and to justify deviation from its policy to resell all of the purchased properties within six months following energization.\textsuperscript{83} Accordingly, this directive remains ongoing.

\textsuperscript{82} Exhibit 21914-X0029, AML-AUC-2016SEP15-008(b), PDF pages 194-195.
\textsuperscript{83} Decision 3585-D03-2016, paragraph 898.
5 Order

89. It is hereby ordered that:

(1) AltaLink Management Ltd. is directed to charge the Alberta Electric System Operator for the total 2012, 2013 and 2014 annual adjustment amount of $59.3 million in the month of January 2017.

(2) AltaLink Management Ltd. is further directed to address the Commission’s findings herein and outstanding directions from Decision 3585-D03-2016 in its next deferral account application or general tariff application.

Dated on December 22, 2016.

Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

(original signed by)

Henry van Egteren
Commission Member

(original signed by)

Kate Coolidge
Acting Commission Member
Appendix 1 – Proceeding participants

<table>
<thead>
<tr>
<th>Name of organization (abbreviation)</th>
<th>Company name of counsel or representative</th>
</tr>
</thead>
<tbody>
<tr>
<td>AltaLink Management Ltd.</td>
<td>Borden Ladner Gervais LLP</td>
</tr>
<tr>
<td>Consumers’ Coalition of Alberta (CCA)</td>
<td></td>
</tr>
</tbody>
</table>

Alberta Utilities Commission

Commission panel
- M. Kolesar, Vice-Chair
- H. van Egteren, Commission Member
- K. Coolidge, Acting Commission Member

Commission staff
- C. Wall (Commission counsel)
- L. Desaulniers (Commission counsel)
- M. Kopp-van Egteren
- J. Cameron
- J. Halls
- C. Strasser
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 takes note of the apparent consensus view of parties participating in the discussions pursuant to directives 11 and 12 that it would promote regulatory efficiency to consider both 2014 and 2015 trailing costs for projects where the substantial capital addition takes place in 2014. Accordingly, the Commission directs AltaLink to include in its next DACDA application, the 2015 trailing costs for projects for which the primary capital additions have taken place on or before December 31, 2014. Paragraph 27

2. The follow-up audit identified certain issues from the previous audit that had not been remedied fully. These issues, which were identified as requiring ongoing monitoring, continue to be of concern. The Commission considers that the information requested in Directive 16 would be of assistance to it in evaluating the 2014 DACDA. Accordingly, AltaLink is directed, in the 2014 DACDA, to refile the audit submitted in this application as Exhibit 21914-X0007 and to provide any subsequent audits covering billing amounts for the projects included in the 2014 DACDA. AltaLink also is directed to confirm whether any recommendations (for either AltaLink or SNC) related to the invoicing process are still outstanding and to describe the results of any recommendations that have since been implemented. Consistent with the Commission’s May 27, 2015 ruling in Proceeding 3585, which granted confidential treatment to billing audits, AltaLink may file audit documents in response to this directive confidentially. Paragraph 39

3. Last, with regard to the Commission’s IR, AltaLink stated that cable reel deposit credits may be reflected in trailing costs in future DACDAs. AltaLink is directed to identify these amounts clearly, in the 2014 DACDA. Paragraph 40

4. However, given that the matter is not resolved, the Commission considers that this issue remains outstanding. Therefore, following the resolution of the negotiations, the Commission directs AltaLink to file an update in its next GTA or in its next transmission deferral account application, whichever comes first, on the results of the negotiations between SNC and the supplier. Paragraph 43

5. The information provided does not address why this project, which was a component of the ATCO Electric Quigley 989S Substation project, was not classified by the AESO as a participant-related cost pursuant to Section 8:3(2)(n) of the 2011 AESO tariff. Accordingly, AltaLink is directed to make a request to the AESO to clarify its decision to classify this project as system-related and to provide the AESO’s response in the next DACDA. Paragraph 53

6. In its response to AML-AUC-2016SEP15-005(b), AltaLink indicated that a number of other projects considered in Proceeding 3585 (which AltaLink identified in its response) were under review to determine whether a similar incorrect treatment of salvage had occurred. The Commission accepts AltaLink’s proposal that any potential discrepancies confirmed in relation to Proceeding 3585 projects will be addressed in a future DACDA proceeding. However, the Commission directs AltaLink to provide a full report on the results of the investigation discussed in AML-AUC-2016SEP15-005(b) as part of its next DACDA application. Paragraph 62
7. Given the above, AltaLink is directed to make a request to the AESO to clarify why the mobile capacitor bank costs should not be classified as participant-related costs and to provide the AESO’s response in the next DACDA. .............................................Paragraph 74

8. AltaLink Management Ltd. is directed to charge the Alberta Electric System Operator for the total 2012, 2013 and 2014 annual adjustment amount of $59.3 million in the month of January 2017. ........................................................................................................................................Paragraph 89

9. AltaLink Management Ltd. is further directed to address the Commission’s findings herein and outstanding directions from Decision 3585-D03-2016 in its next deferral account application or general tariff application. ..............................................Paragraph 89
Appendix 3 – Commission directions addressed in compliance application

(retro to text)

This section is provided for the convenience of readers and reproduces directions from Decision 3585-D03-2016 that are applicable to this compliance filing. In the event of any difference between the directions in this section and those in the main body of Decision 3585-D03-2016, the wording and meaning in the main body of Decision 3585-D03-2016 shall prevail.

11. Accordingly, AltaLink is directed to establish a consultative process with representatives from intervener groups active in AltaLink DACDA application proceedings to try to arrive at a workable and mutually acceptable set of filing requirements and pre-filing discovery processes to be followed for AltaLink’s 2015 DACDA application. AltaLink may conduct the consultation process in whatever manner it considers will be the most effective however, as a starting point for this process, AltaLink is directed to identify specific proposals or recommendations for possible solutions such as the use of virtual or physical data rooms or the creation of an agreed upon list of application documents. Paragraph 252

12. AltaLink is directed to file a report with the Commission regarding the outcome of this consultation process on or before October 3, 2016, regardless of whether any consensus on any proposals has been achieved. The report should include a full description of the nature of the proposals considered and should identify any matters on which a consensus of the parties has been achieved. The Commission will provide further direction respecting the filing requirements for AltaLink’s 2015 DACDA application following its review of this report. Paragraph 253

14. AltaLink, in response to an information request, stated that DAIC studies are performed every two years in conjunction with AltaLink’s GTA. The Commission directs AltaLink to file the DAIC study and underlying data in its 2017-2018 GTA filing. Paragraph 331

15. The Commission directs AltaLink to confirm in its compliance filing:
   (a) Whether the audit included the entire 2013 year.
   (b) Whether all billings related to the Heartland project in 2014 were audited. Paragraph 343

16. The Commission further directs AltaLink to provide any audit follow-up reviews performed to confirm whether these audit recommendations have been implemented, when they were implemented, and what recommendations are still outstanding. AltaLink should also identify any billing error amounts, whether any over or under billing amounts had been collected from or paid to SNC and been applied to any of the projects in this application. Paragraph 344

17. For reassurance to the RPG and the Commission that the accruals in question do relate to actual expenses for the fiscal year in which they have been recorded the Commission directs AltaLink to provide a certification, signed by its chief financial officer, stating that the accruals recorded for the years ending December 31, 2012, December 31, 2013, and December 31, 2014, related to expenses actually incurred in the respective year they were recorded and did not represent estimates. As it would be a serious breach of the chief financial officer’s professional ethics to sign a document he did not believe to be true the Commission considers such a certification would provide satisfactory evidence as to the
accuracy of the accrual amounts. The Commission also notes that the accruals would have been subject to review by AltaLink’s external auditors during the conduct of the year-end audit. .................................................................Paragraph 462

21. AltaLink is therefore directed to include in its compliance filing, for purposes of rate base and return calculations, the actual amount of pipeline mitigation costs. ............ Paragraph 677

23. The Commission has reviewed Tab 10 of AltaLink’s rebuttal evidence and can find no indication that this amount was ever charged back. The Commission also reviewed the PO/contract log and could find no evidence that a credit was processed against KEC. AltaLink is directed, therefore, to deduct the total amount of this change order from its compliance filing. AltaLink is also directed to deduct from its costs any management surcharge amount it may have paid to SNC-ATP to manage this change order. Paragraph 685

24. The Commission notes that in AltaLink’s confidential rebuttal evidence, AltaLink filed details of a settlement reached between it and SNC-ATP with respect to non-compliant materials procured by SNC-ATP. AltaLink indicated litigation was ongoing between the supplier and SNC-ATP but that AltaLink did not pay for the replacement of these materials. As AltaLink has indicated that there may be additional funds paid to AltaLink pending the outcome of this dispute between SNC-ATP and the supplier, AltaLink is directed to file an update as to the status of this issue in its compliance filing. ......................... Paragraph 687

25. As a result of findings in Section 4.2.2.9 in this decision, the Commission expects that the amounts added to rate base for the Heartland project will change. To address this issue and the RPG’s expressed concerns, AltaLink is directed to provide, as part of its compliance filing, a reconciliation showing all approved expenditures in the Heartland project and how those expenditures are allocated between the AltaLink and EDTI rate bases, along with appropriate supporting documentation ...................................................... Paragraph 745

26. AltaLink is directed, therefore, to include in its compliance filing, for purposes of rate base and return calculations, the actual amount of pipeline mitigation costs. ............ Paragraph 799

28. The Commission reviewed the PO/contract log and could find no evidence that a credit was processed against Graham. AltaLink is, therefore, directed to deduct the total amount of these subcontract amendments from its compliance filing. AltaLink is also directed to deduct from its costs any management surcharge amount it may have paid to SNC-ATP related to these subcontract amendments. ................................................................. Paragraph 879

29. The Commission notes that Subcontract Amendment 5 to Graham’s subcontract agreement includes a charge for “additional management resources.” The Commission does not consider that the entirety of the costs for additional management resources are justified. Although access and weather issues might have required more resources, when Graham signed the subcontract agreement on March 16, 2012, it should have known that the ISD was being extended to September, 2013, and that, consequently, it would require additional management resources to accommodate that schedule extension. In the Commission’s view, Graham did not adequately plan for the resources to complete the project, even though it already knew the scope of the project, and ratepayers should not be responsible for this cost. The Commission considers a disallowance of one third of this amount to be reasonable. AltaLink is, therefore, directed to deduct one third of the amount for additional management resources in Subcontract Amendment 5 from its compliance filing. AltaLink is also directed to deduct from its costs one-third of any management surcharge amount it may have paid to SNC-ATP related to the costs for additional management resources. ............... Paragraph 880
30. At this point, the Commission is unclear as to what amount of land sales offset is included in the $28.3 million for land acquisition cost to November 30, 2014. Given that the land acquisition costs reflect primarily a “gross” purchase amount, future trailing costs include a significant “negative trailing cost” for expected land sales. Therefore, the Commission has determined that the full $28.3 million should be excluded from AltaLink’s approved addition to rate base at this time. For clarity, the Commission expects that AltaLink will request the approval of its Heartland projects land acquisition costs, net of offsets for land sales and associated costs, in AltaLink’s Heartland project trailing cost application........ Paragraph 897

31. There is conflicting cost information between the updated IR response AML-AUC-2015MAR05-043 Attachment which shows 2012 and 2013 requested capital additions of $9.4 million and the cost breakdown provided in another IR response, which shows actual final costs for 902L of $8.1 million excluding salvage. AltaLink is directed to provide an explanation for this variance at the time of its compliance filing................ Paragraph 959

32. Consistent with the Commission’s findings in Section 4.1.14.3 above, the risk reward mechanism costs for projects where an arrangement had already been made prior to Decision 2013-407, are not approved for inclusion in the project costs for these DACDA projects. Accordingly, AltaLink is directed to remove the risk reward mechanism costs from the applied-for additions for the Black Spruce 154S project in the compliance filing..................Paragraph 1094

33. The Commission finds these capital expenditures to be reasonably incurred and a necessary component of this project as these components were integral to the actual interface work and facilitated the completion of the actual HVDC interface. However, although these parts were energized, because the expenditures are only a small percentage of the total HVDC interface project’s total costs, the Commission considers it more appropriate that these expenditures should remain in CWIP and should be considered for addition to rate base when the project is complete. AFUDC can be accumulated on the expenditures in the interim. AltaLink is therefore directed to keep the expenditures in CWIP and file for their approval when the project is complete. ........................................Paragraph 1158

34. The Commission does not approve the requested capital additions for Surmont II at this time. The Surmont II 9L990 project costs were defined as customer costs in the facility application. Conoco Phillips was the end-use customer for ATCO Electric’s Quigley line and substation project, which drove the need for AltaLink’s Surmont II 9L990 protection modification project. AltaLink has provided no evidence on the record of this proceeding to demonstrate when and why this project was designated a system project and why contributions were not directed from Conoco Phillips. Without evidence on the record to demonstrate the system benefits, the Commission will not approve the requested additions at this time. AltaLink is directed to provide evidence in the compliance filing, to support this project as a system project and to provide evidence, for example by way of a letter from the AESO, that explains why this project does not merit a contribution from Conoco Phillips. The Commission will consider the explanation of the system or customer project designation at the time of AltaLink’s compliance filing. ......................Paragraph 1238

35. For these projects, AltaLink is directed to confirm in the compliance filing, the actual final cost of the project, the portion of that final cost to be accounted for as trailing costs in a future DACDA, the amount of the project to be paid for by a customer contribution and the amount deemed to be a system cost and the source of those amounts. ..........Paragraph 1250
36. In Decision 2011-453, the Commission determined that a Stage 2 variance proceeding was not required and stated “… that it would be of assistance if AltaLink would highlight PSRM projects in future AltaLink GTAs. The Commission leaves it up to AltaLink to decide whether it wants to do this as part of its CRU forecast or as a separate section within its application.” Accordingly, the Commission directs AltaLink to clarify its position as to the venue for the consideration of telecom-related projects in its compliance filing application, pursuant to this decision. .................Paragraph 1254

37. The AESO registered as an interested party for Proceeding 3585 but did not actively participate. As the administration of the AESO’s customer contribution policy is done by the AESO itself, the Commission directs AltaLink to contact the AESO for the purposes of obtaining the AESO’s assessment of customer contribution decisions for the Kirby 651S project in light of the findings set out in this decision. AltaLink is directed to provide a summary of the AESO’s recommendations in respect of the contribution on the Kirby 651S project at the time of its compliance filing. The Commission will assess the amount of the contribution addition to December 31, 2013 for the Kirby 651S project at that time. .................Paragraph 1278

39. The RPG suggested that the transfer was to project D.0248, which is included in the current DACDA only as a trailing cost; however, this should be confirmed. Accordingly, the Commission directs AltaLink to confirm in its compliance filing, that project D.0248, identified as the Cochrane 291S transformer addition project is, in fact, the project to which the transfer of the $1.77 million in costs was made. If this cannot be confirmed, AltaLink is directed to identify, fully and clearly, the project in question. .................Paragraph 1331

40. In light of the Commission’s concerns, additional information regarding the particulars of the transfer of project D.0254 costs to project D.0248 must be provided before ruling on project D.0248. Accordingly, AltaLink is directed to identify the customer that initiated expenditures on project D.0254 and to provide a full accounting of expenditures on project D.0254 prior to the point of transfer. In addition, AltaLink is directed to provide all applicable correspondence between AltaLink, the identified customer, and the AESO that pertained to the decision to make the transfer. .................Paragraph 1334

42. As the Commission did not approve the full amount of the rate base addition amount requested by AltaLink for all projects in the application, AltaLink is directed to file a compliance application to reflect the capital addition amounts approved by the Commission and to reflect the Commission findings arising from Decision 3524-D01-2016 regarding the inclusion of AFUDC in accordance with normal historic regulatory practice for projects other than those approved on a final basis in Decision 2013-407 or Decision 2044-D01-2016. .................Paragraph 1372

43. AltaLink is directed to refile its 2012 and 2013 deferral accounts reconciliation application to reflect the findings conclusions and directions arising from this decision on or before August 15, 2016. .................Paragraph 1373

The Commission questioned the amounts paid to Graham for “tower settlement,” as indicated in Subcontract Amendment 8-5.767 When asked by the Commission to provide additional information regarding the nature of these costs, AltaLink explained that these payments “reflected an overall settlement of outstanding matters that had arisen due to the increased complexity of the project.” The Commission notes that, as a result of the scope amendment, Graham lost a substantial portion of the 500-kV transmission line contract work.
and, consequently, the revenue associated with this work. The Commission recognizes that as part of the consideration for Graham to continue to perform the reduced work on the project, at the originally contracted unit prices, AltaLink agreed to pay Graham a settlement amount; the “tower settlement.” The Commission previously found it was reasonable for AltaLink to retain Graham to complete the work already in progress given that Graham’s unit prices were considerably lower than other subcontractors and because the retention of Graham would minimize further project delays. Therefore, the Commission is satisfied that it was commercially reasonable for AltaLink to incur this additional expense. The Commission, however, considers that the settlement amount agreed to appears excessive given the total cost of the outstanding work to be completed by Graham. Accordingly, the Commission finds that a 20 per cent reduction to the amount associated with the “tower settlement” to be reasonable.

With respect to projects D.0271, and D.0286, although the amounts are effectively de minimus, AltaLink failed to provide any basis to justify the reasonableness of these costs or why any net addition to rate base should be allowed. Accordingly, AltaLink’s proposed net additions for these projects are denied.
Appendix 4 – Outstanding directions for future deferral account applications

This section is provided for the convenience of readers and reproduces directions from decision 3585-D03-2016 that the Commission considers remain outstanding. Directions not listed in this appendix will either be listed in Appendix 3 of Decision 3585-D03-2016 or in the preceding Appendix 2 as completed. In the event of any difference between the directions in this section and those in the main body of Decision 3585-D03-2016, the wording and meaning in the main body of the relevant decision shall prevail.

Decision 3585-D03-2016

1. Further to the above, the Commission directs AltaLink to ensure that there is no less than six months separation between the filing of its GTA and its DACDA applications.

2. In this proceeding, AltaLink stated its intention to file a combined DACDA application for the years 2014 and 2015 as early as June 2016. Apart from the above direction regarding the timing for filing its next DACDA vis-a-vis the filing of its next GTA, the Commission was also concerned about the scope of this next DACDA. During the oral hearing, AltaLink’s witnesses were asked to comment on a Commission cross examination aid prepared from an exhibit filed by AltaLink within its 2015-2016 GTA proceeding that outlined the specific projects that AltaLink forecast for completion and addition to rate base in each of the years 2014 and 2015. Based on this examination, the Commission finds that due to the number of large projects and the very high overall dollar value of the projects that AltaLink is requesting to add to rate base in 2015, the examination of both 2014 and 2015 projects in a single proceeding would be unduly burdensome and administratively unfair. Therefore, the Commission directs AltaLink to file its 2014 and 2015 DACDA applications separately and in full accordance with additional time restrictions set out above.

3. Accordingly, AltaLink is directed to provide a comparable cross reference table containing all of the same information that it provided in AML-AUC-2015MAR05-002, in its future DACDA applications.

4. In the Exhibit 0006.00.AML-3585 spreadsheet filed with the application, AltaLink included a tab with the title “Energizations,” which provided a cross reference between AltaLink’s project identification number and name and each project’s energization date or dates. This information is of assistance when a project has a single listed energization date; however, the presentation of this information is less helpful when a project has multiple energization dates since there is no indication regarding what facilities were brought into service on each date. This information is particularly critical for projects for which AltaLink is only proposing to add a portion of the expected final cost of a project in a specific DACDA year. Accordingly, for future applications, for those projects where more than one energization date is shown, the Commission directs AltaLink to provide an additional description of the specific project facilities brought into service on each date shown.

5. The individual project cost breakdowns that AltaLink provided in separate tabs of the Exhibit 0006.00.AML-3585 excel spreadsheet contained most of the project cost line items included
in the report format used for reporting to the AESO pursuant to ISO Rule 9.1.2. However, AltaLink’s initial cost breakdowns in Exhibit 0006.00.AML-3585 tabs did not breakdown owner costs and distributed costs by their respective component parts. AltaLink provided this information in response to IRs from the Commission. As the component line-item details of owner costs (PPS, facility applications, land rights – easements, land – damage claims, land – acquisitions) and distributed costs (procurement, project management, construction management, escalation, contingency) are of interest to the Commission, AltaLink is directed to include breakdowns at this level of detail in future DACDA applications.

6. The Commission is also concerned that it only became apparent at the time AltaLink provided its responses to the initial set of IRs that a number of projects that AltaLink included in the application were not direct assign projects. AltaLink is directed to distinguish clearly between direct assign projects and non-direct assign projects in future applications.

7. The Commission found the project summary reports AltaLink prepared for a subset of the projects in the application to be beneficial and directs AltaLink to continue to provide these reports. However, the content of these reports could be improved. Presently, the project summaries provide an overview of information such as summaries of key change proposals, facility applications, functional specifications, proposals to provide service and other documents that AltaLink filed as separate exhibits. However, for the most part, the project summaries did not provide the information necessary to identify the analysis made at key decision points in the project development life cycle on the basis of the information that AltaLink had available, or ought to have had available at that time. Accordingly, the Commission has commented on this deficiency in its findings regarding decision registers and price/quantity reports discussed below.

8. The auditor’s report on AltaLink’s Southwest 240-kV project which was assessed in Decision 2044-D01-2016 relied extensively on an analysis of a risk register that AltaLink had established for that project. In Section 4.1.8, the Commission has directed AltaLink to file its 2014 and 2015 DACDA applications as separate proceedings. To the extent that AltaLink has prepared similar risk registers for the direct assign projects it includes in its 2014 DACDA application, AltaLink is directed to provide the similar risk registers with that application. Because AltaLink has historically used a risk register on at least one direct assign project, for any project included in AltaLink’s 2014 DACDA application for which no risk register was set up or maintained, AltaLink is directed to provide an explanation as to why a choice not to set up or to maintain a risk register was made for that project.

9. On a go forward basis, the Commission considers that including a key decision matrix and risk register in future applications may assist the applicants, the interveners and the Commission in managing and focussing on the documentation necessary for testing future transmission project deferral account reconciliation applications. The Commission directs AltaLink to develop a proposal for a key decision matrix, and to review its risk register practices and to fully describe such proposal and review in either its next GTA or in its next transmission deferral account application, whichever comes first.

10. Accordingly, for its 2014 DACDA, AltaLink is directed to provide a report similar to that provided by the RPG at page 61 of its evidence for all projects where AltaLink’s requested addition to rate base for 2014 is at least $25 million.
13. As AltaLink had to prepare these reports for the AESO pursuant to ISO Rule 9.1.3.6, AltaLink is directed to file each of the final cost reports it has prepared for each direct assign project it includes in its 2014 DACDA application. In the event that AltaLink is unable to provide a final cost report for any direct assign projects included in its 2014 DACDA application, AltaLink is directed to provide a full explanation as to why a final cost report cannot be filed. ................................................................. Paragraph 254

18. The Commission’s review of the use of helicopters on these projects was assisted by the business cases provided by AltaLink. AltaLink is directed to continue its present practice of preparing a business case for those projects where the use of helicopters is proposed. ................................................................. Paragraph 598

19. As further discussed in Section 4.3.1, because Fortis contribution amounts are assessed in Fortis capital tracker and capital tracker true-up proceedings, the Commission must understand the basis for the customer contribution amounts for Fortis projects. In this regard, the Commission found AltaLink’s undertaking response in Exhibit 3585-X0772 to have been helpful. AltaLink is directed to provide a similar reconciliation as between AltaLink and Fortis contributions amounts in its future DACDA applications. As well, for future DACDA applications, in order to ensure that the customer contribution amounts on AltaLink’s records correspond to the accounting for customer contribution amounts on the records of Fortis, AltaLink is directed to identify the AESO contribution decision that it has used in its schedule of customer contribution additions and to file a copy of the customer contribution decision that it has relied on for each direct assign connection project. .......... Paragraph 611

20. The Commission has reviewed AltaLink’s proposed compliance with directives 20 and 21 from Decision 2013-407, as set out in Attachment 2-E of Section 2 of the application and finds that AltaLink has complied with these directives. AltaLink is directed to provide comparable information in future DACDA applications. ........................................ Paragraph 620

22. AltaLink is also directed to include the pipeline mitigation amount in trailing costs in AltaLink’s next DACDA where it will be reviewed for final approval. AltaLink can supply full supporting documentation for the claimed amount at that time. .............. Paragraph 678

27. AltaLink is also directed to include the pipeline mitigation amount in AltaLink’s next DACDA where it will be reviewed for final approval. AltaLink can supply full supporting documentation for the claimed amount at that time, including an explanation of the discrepancy between the $43 million and $50.1 million estimates for final costs. Further, the Commission directs AltaLink to provide evidence to demonstrate the net present value of deferred pipeline mitigation costs due to the reduction in 10-year loading parameters. ........................................................................................................... Paragraph 800

30. The Commission directs AltaLink, in the trailing cost application, to make submissions in support of the prudence of its policy to “resell all of the properties required as a result of its buyout policy no later than the first day of the sixth full month after energizing the project and include the cost differential (positive or negative) as part of the project capital costs,” and to justify deviation from its policy to resell all of the purchased properties within six months following energization. ........................................................................................................... Paragraph 898
38. AltaLink’s practice of netting out expenditures and recoveries is inconsistent with its treatment of customer connection direct assign projects and other non-direct assign projects included in the application, where the gross amount of the addition and the offsetting contributions are fully visible. For future DACDA’s, AltaLink is directed to account fully for all gross additions, contributions, and net additions for any cancelled projects that AltaLink includes. Due to the small amounts that may be involved, amounts to the dollar should be shown. ................................................................. Paragraph 1326

41. AltaLink provided its responses to Commission directives at Section 2 of the application. For those directions in which AltaLink was directed to provide information on an ongoing basis, AltaLink is directed to continue to provide this information in future DACDA filings. ................................................................. Paragraph 1364