



**TransAlta Corporation, as Manager of the
TransAlta Generation Partnership**

2015-2016 Transmission General Tariff Application

November 14, 2017

Alberta Utilities Commission

Decision 22651-D01-2017

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2015-2016 Transmission General Tariff Application

Proceeding 22651

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Contents

| | | |
|-----------|--|-----------|
| 1 | Introduction | 1 |
| 2 | Background and details of the application | 3 |
| 3 | Cooperation agreement with the Enoch Cree Nation | 4 |
| 4 | Operating costs | 6 |
| 4.1 | Direct operations and maintenance costs and property taxes..... | 6 |
| 4.1.1 | USA 560 – Supervision and engineering..... | 7 |
| 4.1.2 | USA 566 – Miscellaneous transmission expense | 8 |
| 4.1.3 | USA 567 – Right-of-way payments and USA 408.1 – Linear property tax | 8 |
| 4.2 | Administrative and general expenses..... | 9 |
| 4.2.1 | USA 920, 921, 923, 924, 925 and 928..... | 10 |
| 4.2.2 | USA 930.2 – Miscellaneous general expenses | 10 |
| 5 | Transmission rate base | 14 |
| 5.1 | Capital-related full-time equivalents and associated costs..... | 15 |
| 5.2 | Capital maintenance | 16 |
| 5.3 | Direct assigned projects | 18 |
| 5.3.1 | Blackie 138-kV 876L Reconfiguration and Maintenance project | 18 |
| 5.3.2 | Edmonton Regional Upgrades project | 19 |
| 5.4 | Transmission necessary working capital..... | 23 |
| 6 | Depreciation | 24 |
| 7 | Return on rate base | 25 |
| 7.1 | Return on equity and capital structure | 25 |
| 7.2 | Cost of debt | 26 |
| 7.3 | No-cost capital | 26 |
| 8 | Income taxes | 26 |
| 9 | Reserve and deferral accounts | 27 |
| 9.1 | Deferral account reconciliations | 28 |
| 9.1.1 | Direct assign capital deferral account | 28 |
| 9.1.2 | Property tax and payments in lieu of taxes deferral account reconciliation ... | 28 |
| 9.1.3 | Tower payment deferral account reconciliation | 29 |
| 10 | Response to outstanding Commission directions | 30 |
| 11 | Terms and conditions of service | 31 |
| 12 | Refiling and interim to final revenue reconciliation | 31 |
| 13 | Order | 32 |
| | Appendix 1 – Proceeding participants | 33 |
| | Appendix 2 – Summary of Commission directions | 34 |

| | |
|---|-----------|
| Appendix 3 – Commission ruling of October 11, 2017 | 36 |
| Appendix 4 – List of exhibits pertaining to the Edmonton Regional Upgrades project to be migrated to the forthcoming AltaLink DACDA proceeding | 37 |

List of tables

| | |
|---|-----------|
| Table 1. Direct operation and maintenance costs | 7 |
| Table 2. 2012 to 2016 supervision and engineering expenses | 7 |
| Table 3. 2012 to 2016 annual tower payments | 9 |
| Table 4. 2012 to 2016 taxes other than income taxes..... | 9 |
| Table 5. Administrative and general expenses..... | 10 |
| Table 6. 2012 to 2016 miscellaneous general expenses | 10 |
| Table 7. TransAlta rate base..... | 14 |
| Table 8. TransAlta capital maintenance expenditures..... | 17 |
| Table 9. TransAlta expenditures and additions on AESO direct assigned projects | 18 |
| Table 10. Necessary working capital detail | 24 |
| Table 11. Income tax expenses..... | 27 |
| Table 12. Property tax and payments in lieu of taxes deferral account reconciliation | 29 |
| Table 13. Tower payment deferral account reconciliation | 30 |

1. This decision provides the Alberta Utilities Commission's determinations regarding TransAlta Corporation's application for approval of its 2015-2016 general tariff application (GTA). For the reasons set forth in this decision, the Commission has:

- Declined to approve certain costs related to the sponsorship of community initiatives.
- Approved placeholder treatment for the capital additions associated with the Edmonton Regional Upgrades project and the ongoing annual payments associated with the cooperation agreement, pending its final prudence assessment.
- Ordered TransAlta to refile its 2015-2016 transmission GTA by December 14, 2017, to reflect the findings, conclusions, and directions in this decision.

1 Introduction

2. On May 12, 2017, TransAlta Corporation, as Manager of the TransAlta Generation Partnership, filed an application with the Commission requesting approval of its 2015-2016 GTA.

3. In the application, TransAlta requested approval of:¹

- a revenue requirement of \$4.79 million for 2015
- a revenue requirement of \$6.14 million for 2016
- transmission facility owner (TFO) terms and conditions of service (T&Cs) for 2015 and 2016
- deferral and reserve accounts for 2015 and 2016
- its proposed reconciliation of its capital deferral account for direct assigned capital projects for the years 2013 and 2014
- its proposed reconciliation of its deferral account for property taxes and payments in lieu of property taxes for the years 2013 and 2014
- its proposed reconciliation of its deferral account for tower payments for the years 2013 and 2014

4. Notice of application (notice) was issued by the Commission on May 15, 2017.² In response to the notice, a statement of intent to participate (SIP) was received from AltaLink Management Ltd.³

¹ Exhibit 22651-X0002, application, paragraph 2.

² Exhibit 22651-X0008.

³ Exhibit 22651-X0009.

5. In its SIP, AltaLink indicated that it did not anticipate being actively involved in the proceeding unless issues were raised that it determined warranted more active participation.

6. On May 16, 2017, TransAlta filed a motion (confidentiality motion) pursuant to Section 28 of Rule 001: *Rules of Practice* for confidential treatment of its cooperation agreement with the Enoch Cree Nation.⁴ On June 13, 2017, the Commission issued a letter providing additional notice to the Enoch Cree Nation, in consideration of it being a party to the cooperation agreement.⁵ In response, the Enoch Cree Nation filed a SIP on June 29, 2017.⁶ In its SIP, the Enoch Cree Nation supported TransAlta's request to file the cooperation agreement confidentially.

7. The Commission issued its ruling on the confidentiality motion on August 1, 2017, wherein it denied the request for confidential treatment and directed TransAlta to file the cooperation agreement on the record by August 9, 2017. In the ruling, the Commission also set out the following remaining process schedule for the application.⁷

| Process step | Deadline |
|---|--------------------|
| TransAlta to file cooperation agreement | August 9, 2017 |
| Information requests (IRs) to TransAlta | August 23, 2017 |
| IR responses from TransAlta | September 6, 2017 |
| Comments on need for further process | September 11, 2017 |

8. TransAlta filed the cooperation agreement on August 8, 2017.⁸

9. Following submission of IRs and IR responses, the Commission received comments on the need for further process from TransAlta⁹ and AltaLink¹⁰ on September 20, 2017. TransAlta submitted that to the extent the Commission may be contemplating approval of its capital additions regarding the Edmonton Regional Upgrades project on a placeholder basis, with final prudence to be considered in a future AltaLink proceeding, TransAlta agreed that this would be appropriate because some of the information regarding costs and prudence resides with AltaLink. However, TransAlta also submitted that because it was responsible for significant decisions relating to negotiations with the Enoch Cree Nation, the prudence of those decisions can and should be examined in this proceeding and not in a future AltaLink proceeding. AltaLink argued that the Commission should determine the prudence of the entire Edmonton Regional Upgrades project, including all costs and accountability for those costs, in one proceeding; AltaLink's next direct assigned capital deferral account (DACDA) application.

10. On October 11, 2017, the Commission issued a ruling stating that all aspects of the Edmonton Regional Upgrades project should be considered in a single proceeding, as part of AltaLink's next DACDA proceeding. The Commission explained that it would establish a placeholder for the capital additions for the Edmonton Regional Upgrades project in this proceeding. The Commission also advised that the evidentiary record related to the Edmonton

⁴ Exhibit 22651-X0010.

⁵ Exhibit 22651-X0012.

⁶ Exhibit 22651-X0013.

⁷ Exhibit 22651-X0016.

⁸ Exhibit 22651-X0017.

⁹ Exhibit 22651-X0069.

¹⁰ Exhibit 22651-X0070.

Regional Upgrades project in this proceeding will be transferred to AltaLink's next DACDA proceeding.¹¹ The Commission's ruling is attached as [Appendix 3](#) to this decision.

11. The Commission considers the close of record for this proceeding to be October 11, 2017.

12. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of the referenced proceeding. Accordingly, 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 that matter.

2 Background and details of the application

13. TransAlta's transmission facilities consist of the Withheld Assets – as described in Decision 2002-038¹² being the transmission assets owned by TransAlta and located on First Nations Lands, and of subsequent investments in these assets and others, all on First Nations' Lands.

14. TransAlta, together with AltaLink via the Operating and Maintenance (O&M) Agreement,¹³ maintains and operates the Withheld Assets. With a small administrative and operations team, TransAlta provides overall control and direction to AltaLink who, as TransAlta's sole contractor, performs the day-to-day operating and capital maintenance, as well as any Alberta Electric System Operator (AESO) direct assigned capital projects.¹⁴

15. TransAlta filed its application on May 12, 2017, after the Commission issued Decision 21827-D01-2016,¹⁵ AltaLink's refiling pursuant to Decision 3524-D01-2016.¹⁶ TransAlta's delayed tariff filing, separate from AltaLink's GTA, is in response to the following direction from Decision 2009-151:¹⁷

828. Several aspects of TransAlta's Application are tied to AltaLink's GTA and the Commission recognizes that these relationships are well established and have required limited testing in recent GTAs. However, the Commission's findings in respect of AltaLink's tariff should not automatically link to findings with respect to TransAlta's tariff. As such, the Commission is concerned that TransAlta's GTA may not be receiving adequate attention in a jointly conducted GTA.

¹¹ Exhibit 22651-X0071.

¹² Decision 2002-038: TransAlta Utilities Corporation, TransAlta Energy Corporation and AltaLink Management Ltd., Sale of TransAlta Transmission Assets and Business to AltaLink, Applications 1242519-1 and 1242725-1, Files 6404-4 and 6404-4-1, March 28, 2002.

¹³ Exhibit 22651-X0002, application, Appendix 2, PDF pages 177-217.

¹⁴ Exhibit 22651-X0002, application, paragraph 10.

¹⁵ Decision 21827-D01-2016: AltaLink Management Ltd., Compliance Application Pursuant to Decision 3524-D01-2016, Proceeding 21827, December 16, 2016.

¹⁶ Decision 3524-D01-2016: AltaLink Management Ltd., 2015-2016 General Tariff Application, Proceeding 3524, Application 1611000-1, May 9, 2016.

¹⁷ Decision 2009-151: AltaLink Management Ltd. and TransAlta Corporation, 2009 and 2010 Transmission Facility Owner Tariffs, Proceeding 102, Applications 1587092-1 and 15945731-1, October 2, 2009.

829. In view of the above, the Commission directs TransAlta to file its next GTA after the Commission has made findings in respect of AltaLink's GTA for 2011. For greater certainty, this direction does not preclude TransAlta from filing an interim refundable tariff application if required.

16. Many aspects of TransAlta's application, as well as a significant percentage of TransAlta's forecast, are inextricably linked to AltaLink's forecast. As a result, TransAlta has adopted in all past applications, and proposed to adopt in this application, the following AltaLink parameters:¹⁸

- AltaLink's approved lead lag study and resulting working capital ratios.
- AltaLink's approved depreciation study and resulting depreciation rates.
- AltaLink's approved debt rate.
- AltaLink's approved terms and conditions (T&Cs).
- Pursuant to the O&M Agreement between TransAlta and AltaLink, TransAlta's contracted manpower costs remain based upon a percentage of AltaLink's total operations and maintenance costs.

17. Due to the delayed filing of the application, actual results are available for both test years and TransAlta has used 2015 and 2016 actual results as the basis for its test period forecasts.¹⁹ When compared to the 2014 approved tariff, TransAlta's revenue requirement for 2015 represents a three per cent decrease, and for 2016, a 24 per cent increase. TransAlta explained that in 2014 it incurred additional costs associated with a fire on the 725L right-of-way on the Blood First Nation's reserve, which did not extend into 2015, resulting in a year-over-year decrease. TransAlta reported that the increase in 2016 is driven primarily by costs associated with the Enoch Cree Nation cooperation agreement and the related Edmonton Region Upgrades project.²⁰

Commission findings

18. In the application, consistent with its previous GTA, TransAlta has utilized several of AltaLink's approved parameters and approved escalation rates. The Commission continues to consider TransAlta's approach of using certain AltaLink parameters to be reasonable for a TFO of its small size, and considers that this approach leads to cost savings and regulatory efficiency.

3 Cooperation agreement with the Enoch Cree Nation

19. In Section 1.6.1 of the application, TransAlta requested Commission approval to capitalize certain costs associated with a dispute which arose with the Enoch Cree Nation regarding access to rebuild a transmission line located on the Stoney Plain Indian Reserve 135 as part of the Edmonton Region Upgrades project.

¹⁸ Exhibit 22651-X0002, application, paragraph 4.

¹⁹ Exhibit 22651-X0002, application, paragraph 20.

²⁰ Exhibit 22651-X0002, application, paragraph 17.

20. TransAlta explained that work was proceeding on the 904L rebuild section of the Edmonton Region Upgrades project located on the Enoch Cree Nation Reserve on May 8, 2012, when the Enoch Cree Nation requested that work stop.²¹

21. TransAlta noted that it employed various approaches to resolve the dispute with the Enoch Cree Nation over the course of three and a half years after receiving the stop work request from the Enoch Cree Nation. TransAlta explained that after the swearing in of a new Chief and council on July 31, 2015, negotiations commencing in September 2015 were in progress when the Commission issued Decision 20598-D10-2016²² on January 22, 2016. In that decision, the Commission refused to renew TransAlta's permits and licenses for the rebuild of transmission line 904L beyond February 1, 2016.

22. TransAlta submitted that the Commission refusal did not change the direction of negotiations between it and the Enoch Cree Nation but did serve to accelerate the process. On February 18, 2016, the Enoch Cree Nation and TransAlta agreed on the key terms that would form the basis of a future cooperation agreement.²³ On March 10, 2016, the Commission varied its decision in Decision 20598-D10-2016, and granted an additional time extension for the rebuild of the project.

23. The cooperation agreement requires TransAlta to make a one-time payment to the Enoch Cree Nation of \$1,150,000 in 2016 (TransAlta did not request rate recovery of a one time donation of \$250,000 for a community investment initiative). This amount was broken down as follows:

- a. A \$250,000 Construction Access Payment, which was paid following TransAlta's receipt of an ECN [Enoch Cree Nation] Band Council Resolution approving the cooperation agreement;
- b. \$700,000 for a Traditional Land Use and Area Structure Plan Study, which was paid following energization of the line;
- c. \$50,000 in funding for an Annual Structure Payment Study;
- d. Legal Fees associated with the negotiation & preparation of a Term Sheet and Cooperation Agreement, as well as legal costs relating to legal counsel becoming informed of issues relating to the litigation between ECN and others, and taking steps to settle those actions, in the amount of \$150,000; and²⁴

24. TransAlta proposed to capitalize the one-time payment of \$1,150,000.

25. In addition to the one-time payment, TransAlta explained that the cooperation agreement requires TransAlta to pay the Enoch Cree Nation \$280,000 per year, over a period of 20 years,

²¹ Exhibit 22651-X0002, application, paragraph 34.

²² Decision 20598-D10-2016: Time Extension Request for Transmission Lines 909L and 1043L, Proceeding 20598, AltaLink Management Ltd., Time Extension Application, Applications 20598-A001 and 20598-A003; TransAlta Corporation, Time Extension Application, Applications 20598-A002 and 20598-A004, January 22, 2016.

²³ Exhibit 22651-X0002, application, paragraphs 37-38.

²⁴ Exhibit 22651-X0002, application, paragraph 44.

commencing with a payment that was made within 15 days of the energization of the line.²⁵ TransAlta noted that it had included the initial payment of \$280,000 as an operating expense in its 2016 test year, and intended to include all future payments as operating expenses in the respective years paid.²⁶

Commission findings

26. Although the evidence filed by TransAlta in the current proceeding clearly indicates that the principal value of the cooperation agreement was to provide a means to end the impasse with the Enoch Cree Nation, thereby allowing the completion of the Edmonton Region Upgrades project, the Commission considers that it does not have sufficient information at this time to make a final determination that either the full amount that TransAlta proposes to capitalize as part of Edmonton Regional Upgrades project represent a prudent cost, or that the stream of ongoing payments that TransAlta proposes to recover as an operating expense in the current and future GTAs represent prudent costs.

27. For these reasons and the reasons set out in the Commission's October 11, 2017 ruling, (and further discussed in Section 5.3.2 below), the Commission considers that all aspects of the Edmonton Regional Upgrades project, including the cooperation agreement, should be examined in a single proceeding, as part of AltaLink's next DACDA proceeding. The evidentiary record related to the Edmonton Regional Upgrades project in this proceeding will be included on the record of AltaLink's next DACDA proceeding.

28. In recognition of TransAlta's evidence that it has already made payments to the Enoch Cree Nation pursuant to the cooperation agreement, the Commission considers that the payment in the amount of \$280,000 included as an operating cost as part of its 2016 revenue requirement should be approved on a placeholder basis only, and should be subject to true-up once the final prudence assessment has been completed. The Commission anticipates that following the consideration of the role of the cooperation agreement in the context of the Commission's examination of Edmonton Region Upgrades projects in a future AltaLink DACDA proceeding, the Commission may provide final instructions to TransAlta regarding disposition of the \$280,000 payment for the year 2016.

4 Operating costs

4.1 Direct operations and maintenance costs and property taxes

29. TransAlta requested approval of direct O&M costs of \$1.813 million for 2015 and \$1.942 million for 2016. A summary of the 2012 through 2014 actual recorded expenditures and the 2015 and 2016 requested amounts, broken down by the three primary uniform system of account (USA) classifications included in TransAlta's direct O&M expense figures, plus expenditures on transmission linear property tax is provided in the table below.

²⁵ Exhibit 22651-X0002, application, paragraph 52.

²⁶ Exhibit 22651-X0002, application, paragraph 54.

Table 1. Direct operation and maintenance costs

| USA Number | Description | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|------------|------------------------------------|----------------|----------------|----------------|------------------|------------------|
| (\$000) | | | | | | |
| 560 | Supervision and engineering | 226 | 255 | 276 | 324 | 340 |
| 566 | Miscellaneous transmission expense | 607 | 570 | 586 | 578 | 631 |
| 567 | Right-of-way payments | 444 | 444 | 484 | 485 | 507 |
| 408.1 | Linear property tax | 392 | 411 | 422 | 426 | 464 |
| | Total | 1,669 | 1,680 | 1,768 | 1,813 | 1,942 |

Source: Exhibit 22651-X0002, application, Schedule 5-1.

4.1.1 USA 560 – Supervision and engineering

30. USA 560 includes labour and other general operating expenses incurred in relation to TransAlta's general supervision and direction of the operation and maintenance of the transmission system as a whole. TransAlta's role with respect to the Withheld Assets is in a supervisory capacity to AltaLink, as established by the O&M Agreement.²⁷ A summary of 2012 through 2014 actual recorded expenditures and the 2015 and 2016 requested amounts for supervision and engineering expenses are provided in Table 2 below.

Table 2. 2012 to 2016 supervision and engineering expenses

| Expense | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|---------------------------|----------------|----------------|----------------|------------------|------------------|
| (\$000) | | | | | |
| Labour | 163 | 170 | 194 | 248 | 256 |
| Contract manpower | | | | | |
| General operating expense | 63 | 86 | 82 | 75 | 84 |
| Total | 226 | 255 | 276 | 324 | 340 |

Source: Exhibit 22651-X0002, application, Table 5.2.1a.

31. TransAlta submitted that corporate administrative costs are allocated to the transmission function using the methodology originally approved in its 2011-2012 GTA.²⁸

Commission findings

32. The Commission has reviewed the information provided in TransAlta's application and its responses to IRs regarding its forecast labour and general operating expenses for supervision and engineering and finds these expenses to be reasonable. The Commission continues to find TransAlta's use of the FortisAlberta Inc. affiliate loading rates methodology approved in its 2011-2012 GTA to be reasonable. Therefore, the Commission approves TransAlta's 2015 and 2016 forecast supervision and engineering expenses as filed.

²⁷ Exhibit 22651-X0002, application, paragraphs 68-69.

²⁸ Exhibit 22651-X0002, application, paragraph 71. The methodology received original approval in TransAlta's 2011-2012 GTA, Decision 2013-362: TransAlta Corporation, as Manager of the TransAlta Generation Partnership, 2011-2012 General Tariff Application, Proceeding 2437, Application 1609303-1, September 27, 2013, Section 2.1.

4.1.2 USA 566 – Miscellaneous transmission expense

33. TransAlta submitted that its miscellaneous transmission expense is intended to capture transmission expenses not provided for elsewhere. For TransAlta's purposes, this account includes contracted manpower costs payable to AltaLink under its O&M Agreement with AltaLink (O&M fee). TransAlta requested approval of \$578,000 and \$631,000 for 2015 and 2016, respectively.²⁹

34. TransAlta explained that the O&M fee payable is based on a percentage of AltaLink's forecast O&M costs and submitted that this practice of basing forecast contract manpower costs on a percentage of AltaLink's total O&M costs, pursuant to the O&M Agreement, is well established and has been approved in all prior Commission decisions.³⁰

35. TransAlta submitted that, because the O&M fee is simply a reallocation of AltaLink's total O&M costs to TransAlta, actual O&M expenses are fully tested and examined through AltaLink's GTA process.³¹

36. The Commission explored the increase of the O&M fee from \$578,000 in 2015 to \$631,000 in 2016 through IRs. TransAlta offered the following explanation:

The O&M fee is initially calculated using forecast rate base and operating cost amounts, with a true-up to approved amounts once determined. The O&M fee is intended to be a flow-through cost, with AltaLink's O&M fee revenue offsetting TransAlta's O&M fee operating cost. In 2015, AltaLink did not charge TransAlta for this true-up, thereby understating TransAlta's costs. This was a net benefit to the customers as AltaLink reflected a greater miscellaneous revenue offset in their GTA schedules for 2015 than the operating cost charged to TransAlta, which TransAlta included in its 2015 GTA.

AltaLink did charge TransAlta for the true-up in 2016, however, thereby resulting in a flow-through of the approved O&M fee amount.³²

Commission findings

37. The Commission has reviewed TransAlta's miscellaneous transmission expenses and is satisfied that they are reasonable. The Commission continues to find TransAlta's practice of basing forecast contract manpower costs on a percentage of AltaLink's total O&M, pursuant to the O&M Agreement, to be reasonable. Therefore, the Commission approves TransAlta's 2015 and 2016 forecast miscellaneous transmission expense as filed.

4.1.3 USA 567 – Right-of-way payments and USA 408.1 – Linear property tax

38. TransAlta submitted that only expenses associated with O&M transmission right-of-way properties are included in USA 567. TransAlta referred to these amounts as tower payments. A summary of TransAlta's annual tower payments for the 2012 to 2016 period is provided in the table below.³³

²⁹ Exhibit 22651-X0002, application, paragraphs 78 and 81, Table 5.2.2.

³⁰ Exhibit 22651-X0002, application, paragraph 78.

³¹ Exhibit 22651-X0002, application, paragraph 80.

³² Exhibit 22651-X0025, TAC-AUC-2017AUG23-007, PDF page 7.

³³ Exhibit 22651-X0002, application, paragraphs 82-83.

Table 3. 2012 to 2016 annual tower payments

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|-----------------------|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| Tower payments | 444 | 444 | 484 | 485 | 507 |

Source: Exhibit 22651-X0002, application, Table 5.2.3.

39. TransAlta noted that USA 408.1 includes the amounts of all taxes assessed by federal, provincial, municipal or other local government authorities other than income taxes, and may include payments-in-lieu of taxes, municipal and school taxes, property taxes, property transfer taxes, commodity taxes, and franchise fees.³⁴ A summary of TransAlta's taxes other than income taxes, for the 2012 to 2016 period, is provided in the table below.

Table 4. 2012 to 2016 taxes other than income taxes

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|--------------------------------------|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| Taxes other than income taxes | 392 | 411 | 422 | 426 | 464 |

Source: Exhibit 22651-X0002, application, Table 5.3.1.

40. TransAlta noted that its Withheld Assets are located on the lands of 13 First Nations. It makes required yearly payments of property taxes to eight of the First Nations which have their own property tax bylaws. However, five of the First Nations, where TransAlta's Withheld Assets are located, do not have a property tax bylaw, and TransAlta makes payments pursuant to payments in lieu of taxes bylaw agreements which utilize the mill rates of surrounding communities to determine the amount of the payments in lieu. TransAlta noted that it had implemented payment in lieu of taxes bylaw agreements with all five of these First Nations, all of which include "evergreen" clauses.³⁵

Commission findings

41. The Commission has reviewed the expenses listed under USA accounts 567 (right-of-way-payments) and 408.1 (linear property tax) and finds the amounts to be reasonable and approves these amounts as filed.

4.2 Administrative and general expenses

42. TransAlta requested approval of administrative and general expenses of \$405,000 for 2015 and \$718,000 for 2016. A summary of 2012 through 2014 actual recorded expenditures and the 2015 and 2016 forecast amounts is provided in the table below.

³⁴ Exhibit 22651-X0002, application, paragraph 85.

³⁵ Exhibit 22651-X0002, application, paragraphs 88-89.

Table 5. Administrative and general expenses

| USA number | Description | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|------------|-------------------------------------|----------------|----------------|----------------|------------------|------------------|
| | | (\$000) | | | | |
| 920 | Administrative and general salaries | 244 | 254 | 176 | 268 | 272 |
| 921 | Administrative corporate | 72 | 75 | 52 | 79 | 80 |
| 923 | Outside services employed | 20 | 21 | 39 | 14 | 31 |
| 924 | Insurance premiums | | 4 | 2 | 3 | 1 |
| 925 | Injuries and damages | | | 500 | | |
| 928 | Commission expenses | 8 | 11 | (114) | (5) | |
| 930.2 | Miscellaneous general expenses | 41 | 46 | 80 | 45 | 333 |
| | Total | 386 | 413 | 736 | 405 | 718 |

Source: Exhibit 22651-X0002, application, Schedule 25-1.

4.2.1 USA 920, 921, 923, 924, 925 and 928

43. The Commission has reviewed TransAlta's expenses related to these USA accounts and is satisfied that they are reasonable; therefore, the Commission approves TransAlta's 2015 and 2016 forecast expenses for these accounts as filed.

4.2.2 USA 930.2 – Miscellaneous general expenses

44. TransAlta noted that USA 930.2 includes the cost of labour and expenses not accounted for elsewhere and, in TransAlta's case, specifically includes all expenses associated with the First Nations Advisory Committee (FNAC), community building sponsorships, as well as the annual cooperation agreement payment to the Enoch Cree Nation. The historical and forecast costs are shown in the table below.

Table 6. 2012 to 2016 miscellaneous general expenses

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|--|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| First Nations advisory committee funding | 41 | 46 | 80 | 18 | 20 |
| Community building sponsorships | - | - | - | 27 | 33 |
| Annual cooperation agreement | - | - | - | | 280 |
| Total | 41 | 46 | 80 | 45 | 333 |

Source: Exhibit 22651-X0002, application, tables 25.2.7a, 25.2.7b1, 25.2.7c.

First Nations Advisory Committee

45. TransAlta submitted that it holds annual FNAC meetings, where representatives attend from the 13 First Nations on which TransAlta's transmission assets are located. TransAlta uses these meetings as a forum to transparently present and discuss all aspects of its regulated transmission business with the First Nations' representatives. TransAlta submitted that the FNAC meetings are an important part of the ongoing regulated transmission business on First

Nations land.³⁶ TransAlta stated that, due to the value of these meetings, it is considering increasing the frequency of its FNAC meetings to two per year.³⁷

46. TransAlta submitted that the costs to hold the FNAC meetings include rental charges for securing a meeting venue that is easily accessible to the First Nations concerned, meals and a reasonable amount paid equally to each of the attending First Nations to reimburse the expenses incurred by their representatives to attend the meetings.

47. The Commission explored the costs related to holding the FNAC meetings in IRs given that costs did not appear to correlate with the number of attendees. TransAlta explained that each First Nation attending the FNAC meeting receives \$2,500 to cover transportation and hotel costs, regardless of the number of representatives per First Nation. As such, the costs do not necessarily increase with an increase in attendees.³⁸ TransAlta added that the cost of meals is prepaid to the venue based on the confirmed number of participants two or three days prior to the meeting. If fewer participants attend, the meals must still be paid for based on the number of previously confirmed participants. TransAlta also noted that attendance was lower at these meetings during 2015 and 2016 due to conflicting obligations, including the filming of a movie on the Stoney reserve and meetings with the Government of Alberta regarding the Aboriginal Consultation Office consultation guidelines.³⁹

48. TransAlta submitted that, in an effort to reduce costs, the FNAC meetings in 2015 and 2016 were held in more central locations so that participants would not need to spend the night in a hotel.⁴⁰

Commission findings

49. The Commission addressed the issue of the FNAC expenses in TransAlta's previous GTA. In Decision 3466-D01-2015,⁴¹ the Commission issued the following direction:

85. The Commission notes that TransAlta's IR response shows that attendance at the First Nations Advisory Committee meetings by the First Nations has declined from 43 attendees in 2012 to 27 attendees in 2014. Additionally, in the same time period, overall expenses associated with the First Nations Advisory Committee meetings have increased. The Commission is concerned about these costs and directs TransAlta in its next GTA to provide further information regarding the purpose of the First Nations Advisory Committee meetings and to discuss how the meetings help to improve the relationship between TransAlta and the First Nations and assist TransAlta in achieving its public utility mandate.⁴²

50. The Commission has reviewed TransAlta's response to its direction from Decision 3466-D01-2015, the expenses related to the FNAC and TransAlta's explanation regarding the purpose of these meetings. TransAlta explained that these meetings help to improve the relationship

³⁶ Exhibit 22651-X0002, application, paragraph 140.

³⁷ Exhibit 22651-X0002, application, paragraph 145.

³⁸ Exhibit 22651-X0025, TAC-AUC-2017AUG23-014, PDF page 19.

³⁹ Exhibit 22651-X0025, TAC-AUC-2017AUG23-014, PDF page 21.

⁴⁰ Exhibit 22651-X0025, TAC-AUC-2017AUG23-014, PDF page 21.

⁴¹ Decision 3466-D01-2015: TransAlta Corporation, as Manager of the TransAlta Generation Partnership, 2013-2014 General Tariff Application, Proceeding 3466, Application 1610922-1, May 5, 2015.

⁴² Decision 3466-D01-2015, paragraph 85.

between it and the First Nations, as well as help TransAlta achieve its public utility mandate. The Commission is satisfied with the information provided by TransAlta and finds the expenses to be reasonable, and therefore approves the 2015 and 2016 expenses as filed.

51. The Commission notes TransAlta's intention to increase the frequency of its FNAC meetings to two per year. If the frequency is increased, the Commission directs TransAlta in its next GTA to provide specific reasons for instituting two meetings per year and to discuss how doing so has helped it to achieve its public utility mandate.

Community building sponsorships

52. TransAlta submitted that First Nations are not ordinary stakeholders, and positive relationships must be developed not only with the leaders in each First Nation community in which they operate, but with the community as a whole. In order to maintain positive relationships with the broader community, TransAlta advised that it has begun to provide up to \$5,000 in community-building sponsorships to individual First Nations that have transmission assets on their reserves.⁴³ TransAlta provides these sponsorships upon requests from the First Nations. Sponsorships are only extended if they provide a clear benefit to the community, with an emphasis placed on community building initiatives, or if they enhance education in the community.⁴⁴

53. TransAlta advised that it is also making a one-time donation, as part of the cooperation agreement with the Enoch Cree Nation, for a community investment initiative of \$250,000 during the fourth quarter of 2017. TransAlta indicated that it will not be seeking recovery through rates for this donation, stating the following:

Reflecting TransAlta's understanding of the AUC's approach in tariff-settling matters, the \$250,000 donation by TransAlta as part of a Community Investment Initiative will not be included for cost recovery by TransAlta in this or any future rate filing. TransAlta will bear the cost of this donation.⁴⁵ [emphasis in original]

54. The Commission explored the community building sponsorship costs in an IR and asked TransAlta if it was aware of other regulated utilities having similar costs approved for recovery in revenue requirement. TransAlta's response is set out below:

TransAlta is aware of past decisions (like EUB [Alberta Energy and Utilities Board] 2006-024^[46] and EUB 2004-066^[47]) where sponsorships and donations have not been included in a utility's revenue requirement because they are not necessary and appropriate for the provision of the regulated service and because ratepayers may not desire to support the same organizations that utility management or shareholders would support. The sponsorship of First Nations' initiatives, though, is much different than making a charitable, political or promotional donation. The purpose of making the financial contribution is to assist in the development of meaningful and healthy relationships with

⁴³ Exhibit 22651-X0002, application, paragraph 146.

⁴⁴ Exhibit 22651-X0002, application, paragraph 147.

⁴⁵ Exhibit 22651-X0002, application, paragraph 45.

⁴⁶ Decision 2006-024: ATCO Electric Ltd., General Tariff Application, Application 1399997-1, March 17, 2006.

⁴⁷ Decision 2004-066: ENMAX Power Corporation, 2004 Distribution Tariff Application, Part B: 2004 Final Distribution Tariff, Application 1306819-1, August 13, 2004.

the First Nations communities, which are critical to TransAlta's continued operation of its transmission facilities on First Nations lands.⁴⁸

55. The Commission also questioned when TransAlta's community building sponsorship program began and why TransAlta only began including these costs for revenue requirement in 2015. TransAlta's response, in part, is set out below:

TransAlta has engaged in community building sponsorship programs as part of its generation business for many decades. Those sponsorships that are completely separate and outside of its regulated transmission business continue, and include \$30,000 per year to the Banff Centre Indigenous Leadership Program, \$24,000 in bursaries open to Indigenous students across the country, elder programs and tours, water ceremonies, pipe ceremonies, sweat lodge ceremonies, environmental programs, employment programs, school programs, golf tournaments, sponsorships for barbeques, lunches and community dinners, a Metis Walk, as well as an employee-driven program (organized and supported by TransAlta) which provide Christmas gifts for children at the Paul First Nation School and Mother Earth's Children's Charter School each year. TransAlta's generation business has, and will continue to incur these costs because they are an integral part of the cost of doing business in the Canadian energy sector.⁴⁹ [original emphasis removed]

Commission findings

56. Undoubtedly, community support expenditures by a utility, like the community-building sponsorship program and the community investment initiative of TransAlta, if administered and delivered by the utility in a respectful manner after seeking the input of the community, foster goodwill among community leaders, the community in general and the utility. Developing goodwill and relationship building with a community, any community, may assist the utility in obtaining community support in carrying out the utility's present and future operations within that community. The Commission, however, has consistently denied recovery of these types of expenditures from ratepayers⁵⁰ for a number of reasons, including the following:

- Ratepayers may not desire to support the same organizations that utility management or shareholders would support. Ratepayers have the right to choose to support whichever worthy causes they choose through their own donation dollars and should not be expected to provide the funds to support the causes that the utility has chosen.
- The sponsorships or donations do not demonstrate a direct benefit related to the provision of utility service.

⁴⁸ Exhibit 22651-X0025, TAC-AUC-2017AUG23-019(d), PDF page 29.

⁴⁹ Exhibit 22651-X0025, TAC-AUC-2017AUG23-019(e), PDF pages 29-30.

⁵⁰ See, for example, Decision U97065: 1996 Electric Tariff Applications, Files: Alberta Power Limited 1105-1 / Edmonton Power Inc. 1700-1 / TransAlta Utilities Corporation 1204-1 / Grid Company of Alberta 1800-1, October 31, 1997, page 520; Decision 2001-96: ATCO Gas South, 2001/2002 General Rate Application Phase 1, Application 2000350, File 1307-1, December 12, 2001, page 98; Decision 2004-067: EPCOR Distribution Inc., 2004 Distribution Tariff Application, Part B: 2004 Final Distribution Tariff, Application 1306821-1, August 13, 2004, page 50; Decision 2004-069: NOVA Gas Transmission Ltd., 2004 General Rate Application, Phase I, Application 1315423-1, August 24, 2004; Decision 2006-004: ATCO Gas, 2005-2007 General Rate Application, Phase I, Application 1400690-1, January 27, 2006, page 74; Decision 2008-113: ATCO Gas, 2008-2009 General Rate Application Phase I, Proceeding 11, Application 1553052-1, November 13, 2008, the Commission denied the inclusion of ATCO Gas donations, page 76; Decision 2009-087: ATCO Electric Ltd., 2009-2010 General Tariff Application – Phase 1, Proceeding 86, Application 1578371-1, July 2, 2009.

- Donations can be considered to be payments made by the shareholder to support the goodwill of the utility

57. The Commission acknowledges that certain rights of the Indigenous peoples of Canada are protected by Section 35 of the Constitution. Further, it is in the public interest to respect, honour and to accommodate those rights where appropriate. In some circumstances, community support expenditures by a utility may be aligned with the public interest, depending on the impact of the utility's operations on these rights and the nature of the support provided. In such circumstances, the inclusion of community support expenditures in revenue requirement and rates may be justified.

58. In the present proceeding, TransAlta has not provided sufficient evidence or argument indicating that the proposed community support expenditures are in the public interest in light of the activities being carried out by the utility in the relevant Indigenous communities and the impact of TransAlta's operations on the rights of the people in these communities. Accordingly, the Commission will follow its previous well-established practice of denying community-building sponsorship costs. TransAlta is directed to remove all costs associated with donations or sponsorships from the 2015 and 2016 revenue requirement forecasts. Further, the Commission directs TransAlta, in its compliance filing, to provide a reconciliation of the forecast costs showing the removal of donation or sponsorship amounts.

Annual cooperation agreement payments

59. The Commission's discussion and findings regarding the entire cooperation agreement, including the ongoing \$280,000 annual payment, are discussed in Section 3 of this decision.

5 Transmission rate base

60. TransAlta's requested forecast revenue requirement was based on the rate base provided in the following table:

Table 7. TransAlta rate base

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|----------------------------|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| Mid-year net property | 19,913 | 20,010 | 20,507 | 22,293 | 35,345 |
| Working capital | 284 | 245 | 289 | 333 | 373 |
| Rate base | 20,197 | 20,255 | 20,795 | 22,627 | 35,718 |
| Net mid year contributions | (55) | (53) | (51) | (49) | (47) |
| No cost capital | (129) | (125) | (68) | (8) | 0 |
| Net rate base | 20,013 | 20,077 | 20,677 | 22,525 | 35,671 |

Source: Exhibit 22651-X0004, minimum filing requirement (MFR) schedules, schedules 9-1 and 10-1.

61. TransAlta requested capital additions of \$4.1 million in 2015 and \$23.6 million in 2016. The increase in requested capital additions is primarily due to the Edmonton 240-kilovolt (kV) Regional Upgrades project, which is discussed in Section 5.3.2 below.

62. TransAlta has forecast capital expenditures, split between capital maintenance and direct assigned projects, of \$5.3 million in 2015 and \$14.5 million in 2016.⁵¹ Capital maintenance projects are discussed in Section 5.2 below. Direct assigned projects are discussed in Section 5.3 below.

5.1 Capital-related full-time equivalents and associated costs

63. TransAlta noted that its current capital labour position, referred to as the transmission technical specialist, has been maintained and that the labour costs associated with this position are directly charged to capital projects. Further, TransAlta submitted that no additional capital labour was required at this time.⁵²

64. TransAlta included amounts of \$25,000 for 2015 and \$58,000 for 2016 as the corporate administrative costs allocated to the transmission business in the capital labour amounts applied for in the application. These amounts were calculated using the FortisAlberta Inc. affiliate loading rates methodology approved for use by TransAlta in its 2011-2012 GTA.⁵³

65. The Commission explored TransAlta's capital salaries expenses in IRs given there was a significant decrease from 2014 to 2015 (from \$114,000 to \$64,000) and then a significant increase in 2016 (to \$145,000).⁵⁴ TransAlta stated that the decrease in 2015 was due to a vacancy in the transmission technical specialist role for six months of 2015. TransAlta added that, due to coverage of this role's responsibilities by the operations manager, no negative impacts resulted from the vacancy. TransAlta also advised that the increase in 2016 was due to filling the vacant role as well as the requirement of TransAlta's executive vice president to assist in the negotiations with the Enoch Cree Nation, resulting in additional labour charges of \$30,000.⁵⁵

66. Additionally, in its IR response, TransAlta noted an error in MFR Schedule 5-4:

The 2015 actual capital labour figure included in the schedule was a loaded labour amount and included benefits. The 2015 correct (salaries only) amount, excluding benefits is \$47k [rather than \$64k]. In addition, for 2016, the amount included in the schedules was a forecast amount, not an actual amount. The actual 2016 amount, excluding benefits, is \$132k [rather than \$145k]. The corrections to Schedule 5-4 as well as Table 5.2.1c, Exhibit 22651-X0002, are provided below and this correction will be included in TransAlta's compliance filing.

⁵¹ Exhibit 22651-X0002, application, Section 10.1, PDF page 59.

⁵² Exhibit 22651-X0002, application, paragraph 115.

⁵³ Exhibit 22651-X0002, application, paragraph 71 and Table 5.2.1c.

⁵⁴ Exhibit 22651-X0002, application, Table 5.2.1c.

⁵⁵ Exhibit 22651-X0025, TAC-AUC-2017AUG23-006.

Corrected Line Items – Schedule 5-4 Ex 22651-X0004

| Line | (\$000's) | 2012 Actual | 2013 Actual | 2014 Actual | Corrected 2015 Actual | Corrected 2016 Actual |
|-------------|--|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
| 25 | Capital – Labour | 114 | 118 | 114 | 47 | 132 |
| 27 | Capital – Allocation of Corp Admin Costs | 45 | 47 | 45 | 19 | 53 |
| 29 | Total Transmission – Labour | 234 | 244 | 257 | 230 | 322 |

Corrected Table 5.2.1c

| Expense (\$000's) | 2012 Actual | 2013 Actual | 2014 Actual | Corrected 2015 Actual | Corrected 2016 Actual |
|---|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
| Salaries – Capital | 114 | 118 | 114 | 47 | 132 |
| <i>a.</i> Corporate Services (25% of Salaries) | 29 | 30 | 29 | 12 | 33 |
| <i>b.</i> Office Expenses (10% of Salaries) | 11 | 12 | 11 | 5 | 13 |
| <i>c.</i> Staff expenses (5% of Salaries) | 6 | 6 | 6 | 2 | 7 |
| Total (<i>a + b + c</i>) | 45 | 47 | 45 | 19 | 53 |

56

Commission findings

67. The Commission agrees that the corrected 2015 and 2016 capital labour amounts for Schedule 5-4 should be used in TransAlta's compliance filing and therefore directs TransAlta to use the corrected figures of \$19,000 for 2015 and \$53,000 for 2016 in its compliance filing.

5.2 Capital maintenance

68. A summary of TransAlta's capital maintenance expenditures from the application is provided below.

⁵⁶ Exhibit 22651-X0025, TAC-AUC-2017AUG23-006, PDF page 5.

Table 8. TransAlta capital maintenance expenditures

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|----------------------------------|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| Transmission urgent repairs | - | - | - | - | - |
| Transmission planned maintenance | 874 | 607 | 1,649 | 3,161 | 2,303 |
| Substation planned maintenance | - | - | - | 892 | - |
| 3 line rebuild project | - | - | - | - | - |
| Telecontrol equipment | - | - | - | - | - |
| Telecom | - | - | - | - | - |
| Total capital maintenance | 874 | 607 | 1,649 | 4,053 | 2,303 |

Source: Exhibit 22651-X0004, MFR schedules, Schedule 10-4.

69. The 2015 and 2016 forecast capital expenditures are actuals. TransAlta explained that the increase from 2014 to 2015 and 2016 was due to replacement work at the Gleichen 179S and Glenwood 224S substations, and due to a greater number of line rebuilds and structure replacements on older lines. Additionally, cost increases occurred on these projects due to a contractor crew being used instead of an internal AltaLink crew, rig mats being required due to an unusually warm winter and because the projects had to be completed on a staggered basis due to outage requirements which resulted in additional mobilization/demobilization costs.⁵⁷

70. In response to an IR, TransAlta expanded on the work completed in the Gleichen and Glenwood substations. TransAlta stated that the 25-kV equipment in the Gleichen Substation, which was original vintage from its construction in 1959, needed to be replaced due to deterioration of the equipment, environmental concerns, obsolescence, non-performance of the equipment to current standards, among other factors. The work was completed by using a temporary mobile substation to continue providing service while the Gleichen Substation was taken out of service for the replacement work. TransAlta explained that the work at the Glenwood Substation consisted of replacing one original vintage (1967) 25-kV bulk oil breaker.⁵⁸

71. TransAlta acknowledged that work completed by a contractor crew would have higher loaded labour costs than if the work was completed by an AltaLink crew. However, it submitted that using contractor crews when AltaLink crews are unavailable is an “effective means to support high volume work periods” and provides flexibility for planning and to respond to unplanned events.⁵⁹

72. TransAlta also provided additional information on how capital maintenance projects are identified, prioritized, tracked and executed. Per Section 5.3 of the O&M Agreement, AltaLink submits an annual operations and maintenance plan to TransAlta. AltaLink initially recommends capital maintenance projects to TransAlta and suggests a prioritization of the projects based on asset condition, inspections, its expertise and existing capital maintenance planning and risk assessment process. TransAlta reviews, requests changes and approves the annual maintenance plan. TransAlta noted that AltaLink’s asset risk management process was reviewed and accepted

⁵⁷ Exhibit 22651-X0002, application, paragraphs 99-100.

⁵⁸ Exhibit 22651-X0025, TAC-AUC-2017AUG23-015(a), PDF pages 22-23.

⁵⁹ Exhibit 22651-X0025, TAC-AUC-2017AUG23-015(b-c), PDF page 23.

by the Commission in 2009 and AltaLink has used the process since that time for its capital investment planning.⁶⁰

Commission findings

73. The Commission considers that TransAlta's 2015 and 2016 capital maintenance expenditures and associated rate base additions are based on actual expenditures. The Commission has reviewed the 2015 and 2016 costs, as well as TransAlta's explanation of the variance from historical capital maintenance expenditures, and the procedure that is followed by TransAlta and AltaLink when identifying, prioritizing and executing capital maintenance projects, and is satisfied that the projects and expenses are reasonable. TransAlta's capital maintenance expenditures are approved as filed.

5.3 Direct assigned projects

74. TransAlta's expenditures on direct assigned projects in 2015 and 2016 related exclusively to two projects, as shown in the table below.

Table 9. TransAlta expenditures and additions on AESO direct assigned projects

| | 2015 opening balance | 2015 capex | 2015 cap adds | 2016 capex | 2016 cap adds | 2016 closing balance |
|---|----------------------|--------------|---------------|---------------|---------------|----------------------|
| | (\$000) | | | | | |
| Edmonton Regional Upgrades | 6,149 | 933 | 0 | 11,935 | 19,017 | 0 |
| Blackie 138-kV 876L reconfiguration and maintenance | 0 | 300 | 0 | 254 | 554 | 0 |
| Total direct assigned projects | 6,149 | 1,233 | 0 | 12,189 | 19,571 | 0 |

Source: Exhibit 22651-X0004, MFR schedules, Schedule 10-4.

75. TransAlta noted that its two projects are a small portion of larger projects undertaken by AltaLink. These projects are discussed in separate subsections below.

76. TransAlta has applied for a direct assign capital deferral account as a means for reconciliation and disposition of adjustments for differences between forecast and actual direct assigned capital project additions.

5.3.1 Blackie 138-kV 876L Reconfiguration and Maintenance project

77. TransAlta's portion of the Blackie 138-kV 876L Reconfiguration and Maintenance project (Blackie project) is part of AltaLink's Blackie Area 138-kV Line Reconfiguration project. TransAlta's portion of the project involved modifications to the Gleichen 179S Substation. The larger Blackie project was directed by the AESO and involved construction of a new double circuit 138-kV transmission line which required modifications to four substations, including Gleichen 179S. The entire project was forecast to cost \$41 million. The actual cost of TransAlta's portion was \$575,000, incurred in 2016. This is less than the proposal to provide service (PPS) estimate for TransAlta's portion, which was \$642,000.

78. The Blackie project was energized on May 20, 2016.⁶¹

⁶⁰ Exhibit 22651-X0025, TAC-AUC-2017AUG23-023(b-d), PDF pages 37-38.

79. AltaLink, on TransAlta's behalf, completed the PPS, facility application and construction, per the provisions of the O&M Agreement. AltaLink tracks and reports all costs as required by AESO rules and provides periodic updates to TransAlta.⁶²

Commission findings

80. TransAlta has not requested construction work in progress in rate base treatment for direct assigned project expenditures, therefore the quantum of TransAlta's direct assigned project expenditure forecast is not required for the determination of its 2015-2016 revenue requirement and rates.

81. The cost forecasts for the projects included in the Blackie project are based on actual project costs. The Commission has reviewed the information provided in the application, and finds the forecast costs to be reasonable. The Commission approves the forecast capital additions for the Blackie project for the purposes of determining TransAlta's revenue requirement in the test period.

82. In accordance with past practices, the Commission directs TransAlta to file an application for reconciliation and disposition of a direct assigned capital deferral account for the years 2015 and 2016, either prior to or in conjunction with its next GTA. The Commission will evaluate the prudence of this project at that time.

5.3.2 Edmonton Regional Upgrades project

83. In Section 10.3 of the application, TransAlta discussed its requested capital addition in respect of the Edmonton Regional Upgrades project. TransAlta explained that its capital addition related to a small portion of a significantly larger AltaLink project that AltaLink refers to as the Edmonton 240-kV Debottlenecking project.

84. In a ruling dated October 11, 2017,⁶³ the Commission found that all aspects of the Edmonton Regional Upgrades project should be considered within AltaLink's next DACDA application. The Commission also determined that it would establish a placeholder for the Edmonton Regional Upgrades project within the current proceeding. The Commission's ruling is attached as Appendix 3 to this decision.

Commission findings

85. Further to the determination in its October 11, 2017 ruling, the Commission makes the following supplementary findings related to the placeholder treatment of the Edmonton Regional Upgrades project costs. The Commission has also provided views on certain matters brought to light in the current proceeding that may relate to the Commission's consideration of this project in a future AltaLink DACDA proceeding.

⁶¹ Exhibit 22651-X0002, application, paragraphs 103-106 and Table 10.3.

⁶² Exhibit 22651-X0025, TAU-AUC-2017AUG23-022(d-e), PDF pages 34-36.

⁶³ Exhibit 22651-X0071.

Placeholder treatment of Edmonton Regional Upgrades project costs

86. The Commission approves a placeholder for a 2016 capital addition in respect of this project in the amount of \$19,017,065, plus any portion of the 2016 capital additions of allowance for funds used during construction in the amount of \$1,805,419⁶⁴ that relate to this project.

87. The Commission notes TransAlta's evidence that capitalized costs related to the cooperation agreement in the amount of \$1,150,000⁶⁵ are included within the \$19,017,065 figure.

88. However, further to the Commission's finding in Section 3 above that the cooperation agreement should be examined in conjunction with the examination of its effect on the prudence of the Edmonton Region Upgrades project costs, the fact that the Commission has approved a placeholder capital addition that includes the capitalized costs related to the cooperation agreement does not imply any Commission finding at this time that the capitalized costs arising from payments set out in the cooperation agreement, or any portion thereof, are prudent.

Information for future AltaLink DACDA application

89. As set out in the Commission's October 11, 2017 ruling, the evidentiary record related to the Edmonton Regional Upgrades project in this proceeding will be transferred to AltaLink's next DACDA proceeding. The Commission directs TransAlta to file on the record of AltaLink's next DACDA proceeding the portion of its application in this proceeding, and any of its responses to Commission information requests, regarding the Edmonton Regional Upgrades project. The Commission considers that this direction may also be fulfilled by providing the above noted information to AltaLink so that AltaLink may file it on the record of its next DACDA proceeding on TransAlta's behalf.

90. Without limitation, the Commission considers that the record pertaining to the Edmonton Regional Upgrades project to be migrated to the forthcoming AltaLink DACDA proceeding consists of the list of exhibits set out in [Appendix 4](#) to this decision.

Responsibilities of AltaLink and TransAlta for relationship with the Enoch Cree Nation

91. The Commission notes that in its September 20, 2017 submission, AltaLink stated that, generally, it had the responsibility to construct the Edmonton Regional Upgrades projects and TransAlta had the responsibility to provide access to AltaLink for construction on the Enoch Cree Nation lands.⁶⁶

92. However, the Commission also notes that in IR TAC-AUC-2017AUG23-034(f),⁶⁷ TransAlta was asked the following question:

Please confirm that while AltaLink was responsible for the construction of all aspects of its Project D.0213, including the portion of the project located in TransAlta's service territory, referred to in this application as the Edmonton Region Upgrades project, TransAlta rather than AltaLink was responsible for resolving land access issues for the

⁶⁴ In cell "I146" of Schedule 10-4 of TransAlta's MFR schedules (Exhibit 22651-X0004), TransAlta shows an addition in the amount of \$1,805,419 but does not associate this figure with specific projects.

⁶⁵ Exhibit 22651-X0068, TAC-AUC-2017AUG23-039(a).

⁶⁶ Exhibit 22651-X0070, PDF page 2.

⁶⁷ Exhibit 22651-X0051.

Edmonton Region Upgrades project with the Enoch Cree Nation. If this cannot be confirmed, please explain.

93. TransAlta's response was as follows:

In the early stages (2009-2010) of the Edmonton Region Upgrade Project, and prior to construction, AltaLink was heavily involved in consultation with ECN on behalf of TransAlta. However, following the initial work disruption on May 12, 2012, TransAlta took the lead role and was accountable for decisions in addressing land access issues. TransAlta and AltaLink sought to work cooperatively as they tried to address issues with ECN, while ensuring worker and public safety.

94. In light of TransAlta's evidence that AltaLink had a significant role in consultations with the Enoch Cree Nation in the early stages of the Edmonton Regional Upgrades project, the Commission considers that the examination of AltaLink and TransAlta's prudence in the advancement of the project in a future AltaLink DACDA application proceeding would benefit from a broader understanding of how the responsibilities of AltaLink and TransAlta to consult with representatives of the Enoch Cree Nation was allocated as between each TFO over various stages of the development of the project.

95. Accordingly, TransAlta is directed to ensure that AltaLink is made aware of the Commission's interest in further understanding this issue so that AltaLink has an opportunity to provide any clarification that it may wish to provide at the time it applies for the approval of the Edmonton Regional Upgrades project costs in a future DACDA application.

Treatment of cooperation agreement costs

96. While evidence filed in the current proceeding indicates that the cooperation agreement was instrumental in allowing the Edmonton Regional Upgrades project to be completed, the evidence considered in the current proceeding also indicates that the impasse leading to the delay created substantial incremental costs for both the AltaLink and TransAlta sections of the project.⁶⁸ Accordingly, the Commission considers that the circumstances leading to the impasse and the reasonableness of efforts to resolve the impasse are of substantial interest and should be explored in the future AltaLink DACDA proceeding.

97. The Commission also takes note of TransAlta's statement within its response to IR TAC-AUC-2017AUG23-037 that in the course of the negotiations with the Enoch Cree Nation, the Chief and a number of Enoch Cree Nation councillors demanded an amount to resolve the impasse that "... greatly exceeded the estimated \$60 million cost of an AltaLink build-around the reserve."⁶⁹ Having regard for the significance of this claim and the fact that it has been provided by TransAlta, and not by representatives of the Enoch Cree Nation, the Commission considers that the assessment of the prudence of both TransAlta direct expenditures on payments set out in the cooperation agreement and the effect of the impasse with the Enoch Cree Nation on the Edmonton Regional Upgrades project costs incurred by both TransAlta and AltaLink could benefit from participation from members of the Enoch Cree Nation that have familiarity with the negotiations.

⁶⁸ Exhibit 22651-X0002, Appendix 5, Section 7, PDF pages 234-236.

⁶⁹ Exhibit 22651-X0056, PDF page 2.

98. Accordingly, the Commission directs TransAlta to provide direct notice to representatives of the Enoch Cree Nation that would be familiar with the negotiations and to advise them of the Commission's intent to examine the Edmonton Regional Upgrades project costs in a future AltaLink DACDA proceeding. TransAlta is further directed to file correspondence with the Commission which describes its efforts to provide such notice, and the response received thereto, if any, in its compliance filing to this decision.

99. The Commission notes that any determination that may be made in respect of the prudence of AltaLink or TransAlta related to its interactions with the Enoch Cree Nation in the course of the planning and execution of the Edmonton Regional Upgrades project does not affect the rights of parties to the cooperation agreement to enforce the provisions of that agreement.

Effect of Section 122(1) of the Electric Utilities Act

100. In IR TAC-AUC-2017AUG23-034(g), the Commission posed the following question to TransAlta:

If the Commission were to determine that:

- (i) the disruptions affecting the Edmonton Region Upgrades project located in the service territory of TransAlta also had the effect of increasing costs on the portions of AltaLink Project D.0213 located in AltaLink's service territory; and/or
- (ii) errors or omissions by TransAlta caused or contributed to the length or severity of the disruption,

does TransAlta agree that the Commission could attribute some causation for incremental costs on AltaLink Project D.0213 to TransAlta? If TransAlta does not agree, please fully explain TransAlta's position on this matter.

101. TransAlta responded to this IR as follows:

This tariff application requests Commission approval of the recovery of costs and expenses relating to the electric utility that is owned by TransAlta. TransAlta does not agree that the Commission could require it to pay incremental costs associated with portions of Project D.0213 that TransAlta does not own. This would be contrary to section 122(1) of the *Electric Utilities Act*.

102. AltaLink referenced TransAlta's response to IR TAC-AUC-2017AUG23-034(g) in its September 20, 2017 correspondence; however, despite indicating that the cost of certain aspects of AltaLink's execution of the Edmonton Region Upgrades project were affected by access to Enoch Cree Nation lands, and therefore dependent on TransAlta's management, AltaLink did not directly address the proposition set out in TransAlta's response to IR TAC-AUC-2017AUG23-034(g) that Section 122(1) would preclude the Commission's ability to attribute cost variances on the portions of the project that it does not own to TransAlta, irrespective of the possibility that the Commission might find TransAlta actions or inactions may have contributed to incremental costs incurred by AltaLink on portions of the Edmonton Region Upgrades project owned by AltaLink.

103. In anticipation of the examination of the Edmonton Region Upgrades project in a future AltaLink proceeding, the Commission considers that it may aid the Commission's deliberations

to have the benefit of an AltaLink submission on the significance, if any, of Section 122(1) of the *Electric Utilities Act* on the Commission's ability to attribute causation and, if necessary, apply disallowances to the costs that TransAlta may add to its rate base in the event that the Commission determined that imprudent actions or inactions of TransAlta contributed to or caused AltaLink costs.⁷⁰

104. Accordingly, the Commission directs TransAlta to advise AltaLink of the Commission's interest in this matter so that AltaLink may address its legal interpretation of the position set out in TransAlta's response to IR TAC-AUC-2017AUG23-034(g) in its forthcoming DACDA application where the Edmonton Region Upgrades project costs will be considered. The Commission would also be interested in any elaboration regarding TransAlta's position on this issue as set out in the response to IR TAC-AUC-2017AUG23-034(g) that TransAlta may wish to provide at that time.

5.4 Transmission necessary working capital

105. Consistent with approvals in all prior TransAlta GTAs, TransAlta proposed to adopt the working capital ratios approved for AltaLink for the same test period (i.e., 2015-2016) and AltaLink's lead-lag study.⁷¹ TransAlta requested that the Commission approve necessary working capital allowances of \$333,000 and \$373,000 for 2015 and 2016 respectively.⁷²

106. A breakdown of the components of TransAlta's requested necessary working capital amounts is provided in the following table.

⁷⁰ While the Commission's has used the hypothetical circumstances described in TAC-AUC-2017AUG23-034(g) whereby TransAlta actions or inactions may have caused incremental costs on AltaLink's portion of the project, the Commission wording is not intended to preclude the possibility of the reverse situation, where costs under the control of AltaLink may have contributed or caused incremental costs on the TransAlta portion of the project.

⁷¹ Exhibit 22651-X0002, application, paragraphs 4 and 116.

⁷² Exhibit 22651-X0004, MFR schedules, Schedule 11-1.

Table 10. Necessary working capital detail

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|---|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| Operating expense | 155 | 142 | 170 | 250 | 299 |
| Income tax expense | 4 | 0 | 0 | 0 | 0 |
| Material and supplies | - | - | - | - | - |
| Unamortized computer system costs | - | - | - | - | - |
| Unamortized financing fees | - | - | - | - | - |
| Good and services tax | 3 | 0 | (1) | (8) | (15) |
| Depreciation expense | 130 | 134 | 144 | 149 | 173 |
| Debt interest | (58) | (67) | (66) | (99) | (152) |
| Preferred equity | - | - | - | - | - |
| Common equity (retained earnings component) | 40 | 37 | 41 | 41 | 66 |
| Common equity (dividend component) | 9 | 0 | 0 | 1 | 1 |
| Total necessary working capital | 284 | 245 | 289 | 333 | 373 |

Source: Exhibit 22651-X0004, MFR schedules, Schedule 11-1.

Commission findings

107. The Commission considers that TransAlta's proposal to adopt working capital ratios approved for AltaLink in respect of the 2015-2016 test period continues to be reasonable in TransAlta's circumstances because it is a small TFO whose operations are closely integrated with AltaLink. The Commission has reviewed TransAlta's calculation of necessary working capital amounts as set out in schedules 11-1, 11-2, 11-3 and 11-6 and is satisfied that TransAlta's calculations are accurate. The Commission is also satisfied that TransAlta's working capital ratios and lead lag data match those in AltaLink's third compliance filing⁷³ for its GTA.

108. Subject to any necessary adjustments to inputs to TransAlta's working capital calculations that may be necessitated by other findings set out in this decision, TransAlta's calculations of working capital are approved as filed. TransAlta is directed to make any necessary adjustments to its working capital calculations to give effect to this decision, in its refiling.

6 Depreciation

109. TransAlta requested approval for depreciation expenses in the amount of \$1.232 million for 2015 and \$1.432 million for 2016.⁷⁴ Consistent with the practice approved in all prior TransAlta GTAs, TransAlta proposed to adopt AltaLink's approved depreciation rates for the same test period (i.e., 2015-2016) and submitted that, as a result, the majority of the schedules related to depreciation that utilities prepare in accordance with the minimum filing requirements did not apply to TransAlta.⁷⁵

⁷³ Proceeding 22930, Exhibit 22930-X0004.01, schedules 11-1, 11-2, 11-3 and 11-6.

⁷⁴ Exhibit 22651-X0002, application, PDF page 36, Schedule 6-1.

⁷⁵ Exhibit 22651-X0002, application, paragraph 90.

110. The Commission noted differences between the depreciation rates for accounts 392.0 (transportation equipment) and 396.0 (power operated equipment) in this application and the depreciations rates for the same accounts in AltaLink's second compliance filing⁷⁶ to its 2015-2016 GTA and explored these differences in IRs. TransAlta explained that it adopted the depreciation rates for these accounts from AltaLink's 2015-2016 GTA first compliance filing and not the second, because these were the only two accounts that changed from the first to second compliance filing and TransAlta does not own any assets that fall within these two accounts. TransAlta did confirm that, for consistency, it will update the rates for these accounts on Schedule 6-3 in its compliance filing to match AltaLink's second compliance filing.⁷⁷

Commission findings

111. As in previous TransAlta GTAs, the Commission continues to consider that the expense of requiring TransAlta to undertake significant studies to determine depreciation parameters would greatly exceed the potential benefit due to the small size of TransAlta's revenue requirement and rate base. The Commission remains of the view that TransAlta's practice of adopting AltaLink's depreciation rates and applying them to its assets is reasonable and in the public interest.

112. The Commission has reviewed the methodology, parameters, and calculations set out in the schedules provided as part of Section 6 of the application and the related response to an IR.⁷⁸ The Commission is satisfied with TransAlta's proposal to correct the rate discrepancy in its compliance filing as discussed above. The Commission approves TransAlta's depreciation rates as filed subject to any adjustment that may be required as a result of the Commission's findings in other sections of this decision. TransAlta is directed to make the adjustments to accounts 392.0 and 396.0 discussed above and any other adjustments to its depreciation calculations, if necessary, in its compliance filing.

7 Return on rate base

7.1 Return on equity and capital structure

113. In the application, TransAlta submitted that it had adopted the generic return on equity and capital structure approved for 2015 in Decision 2191-D01-2015⁷⁹ and for 2016 in Decision 20622-D01-2016,⁸⁰ respectively. Therefore, TransAlta applied for a return on equity of 8.3 per cent for 2015 and 2016 and a capital structure of 36 per cent equity for 2015 and 37 per cent equity for 2016.⁸¹

⁷⁶ Proceeding 22378, Exhibit 22378-X0004.01, Schedule 6-3.

⁷⁷ Exhibit 22651-X0025, TAC-AUC-2017AUG23-010, PDF pages 11-12.

⁷⁸ Exhibit 22651-X0025, TAC-AUC-2017AUG23-010, PDF pages 11-12.

⁷⁹ Decision 2191-D01-2015: 2013 Generic Cost of Capital, Proceeding 2191, Application 1608918-1, March 23, 2015, paragraphs 277 and 495.

⁸⁰ Decision 20622-D01-2016: 2016 Generic Cost of Capital, Proceeding 20622, October 7, 2016, paragraphs 336 and 622.

⁸¹ Exhibit 22651-X0002, application, Schedule 28-1, PDF page 97.

Commission findings

114. The Commission finds that TransAlta has adopted the return on equity and capital structure for 2015 and 2016 as outlined in Decision 2191-D01-2015 and Decision 20622-D01-2016, respectively, and therefore approves them as filed.

7.2 Cost of debt

115. Similar to prior GTAs, TransAlta proposed to use the debt cost rates approved for AltaLink. AltaLink's debt cost rates for the 2015-2016 period were approved as part of AltaLink's 2015-2016 GTA in Decision 3524-D01-2016.⁸² TransAlta applied for a debt cost rate of 4.04 per cent for 2015 and 3.99 per cent for 2016, TransAlta indicated that it had obtained these values from AltaLink's first compliance⁸³ application.⁸⁴

Commission findings

116. TransAlta's forecast debt cost rates for 2015 and 2016 reflect the debt cost rates approved for AltaLink. The Commission considers that the continued use of AltaLink's cost of debt as a proxy for TransAlta's cost of debt is reasonable. In particular, consistent with TransAlta's 2011-2012 GTA, the Commission continues to consider that the use of AltaLink's debt costs as a proxy for TransAlta should reasonably match the cost of debt that TransAlta would have been able to access if it had not sold the bulk of its original transmission assets and business to AltaLink. TransAlta's debt cost rates for 2015 and 2016, as set out in Schedule 28-1 of the application are approved as filed.

7.3 No-cost capital

117. In the application, TransAlta stated that its no cost capital accounts include the self insurance reserve and hearing cost reserve accounts. TransAlta requested amounts of \$6,000 for 2015 and zero dollars for 2016 be treated as no cost capital. TransAlta reflected these amounts as reductions to net rate base for these years in Schedule 9-1 of the application.⁸⁵

Commission findings

118. The Commission has reviewed TransAlta's calculation of no cost capital for 2015 and 2016, as set out in the application and is satisfied that it is reasonable, therefore, TransAlta's no cost capital for 2015 and 2016 is approved as filed, subject to any necessary adjustments in its compliance filing, if needed, to give effect to directions in this decision.

8 Income taxes

119. TransAlta submitted that, in accordance with findings from Decision 2007-012,⁸⁶ it has accounted for both federal and provincial income tax using the flow-through method since 2009.

⁸² Decision 3524-D01-2016: AltaLink Management Ltd., 2015-2016 General Tariff Application, Proceeding 3524, Application 1611000-1, May 9, 2016.

⁸³ Proceeding 21827, Exhibit 21827-X0005, Schedule 28-1.

⁸⁴ Exhibit 22651-X0002, application, Schedule 28-1, PDF page 97.

⁸⁵ Exhibit 22651-X0002, application, Schedule 9-1, PDF page 57.

⁸⁶ Decision 2007-012: AltaLink Management Ltd. / TransAlta Utilities Corporation, 2007/2008 TFO Tariff Application, Application 1456797-1, and AltaLink Management Ltd., Settlement of Self Insurance Reserve

TransAlta stated that in this application it had continued to use the flow-through method to determine its forecast of federal and provincial income tax for the 2015-2016 test period. In addition, TransAlta explained that as a result of the reorganization of TransAlta Corporation approved in Decision 2008-116⁸⁷ and further discussed in Decision 2009-151,⁸⁸ its income tax expense calculations reflect an ongoing deferral effect.

120. TransAlta's calculation of income tax expense for the years 2012 through 2016 is summarized in the table below.

Table 11. Income tax expenses

| | 2012 actual | 2013 actual | 2014 actual | 2015 forecast | 2016 forecast |
|---|----------------|----------------|----------------|------------------|------------------|
| | (\$000) | | | | |
| Utility income tax expense | 91 | 62 | 87 | 58 | 0 |
| Income tax deferred to following year | (91) | (62) | (87) | (58) | 0 |
| Income tax from prior year | 144 | 91 | 62 | 87 | 58 |
| Total revised utility income tax expense | 144 | 91 | 62 | 87 | 58 |

Source: Exhibit 22651-X0002, application, Schedule 7-1.

Commission findings

121. The Commission has reviewed TransAlta's calculations of income tax expense as set out in the application, and schedules 7-1, 7-2 and 7-3, and is satisfied that TransAlta's methodology and calculations are reasonable. TransAlta's income tax expense allowances and calculations for 2015 and 2016 are approved as filed subject to other findings in this decision that may require adjustments to income tax expense. TransAlta is directed to make any necessary adjustments to its income tax expense calculations in its refiling, if needed, to give effect to this decision.

9 Reserve and deferral accounts

122. In its application, TransAlta requested continuation of the following reserve and deferral accounts:

- hearing cost reserve account
- self-insurance reserve account
- property tax and tower payment deferral account
- direct assign capital deferral account

Account for the Period May 1, 2004 to December 31, 2005, Application 1468229-1, February 16, 2007, page 151.

⁸⁷ Decision 2008-116: TransAlta Corporation, TransAlta Utilities Corporation, TransAlta Generation Ltd., Reorganization of the TransAlta Corporation Group's Corporate Structure, Proceeding 107, Application 1587709-1, November 14, 2008.

⁸⁸ Decision 2009-151: AltaLink Management Ltd. and TransAlta Corporation, 2009 and 2010 Transmission Facility Owner Tariffs, Proceeding 102, Applications 1587092-1 and 15945731-1, October 2, 2009, paragraph 789.

123. TransAlta submitted that it anticipated that its regulatory lag will be reduced and possibly eliminated with future GTAs because of AltaLink's efforts to file its 2017-2018 GTA well in advance of the test period. Therefore TransAlta submitted that the current state of regulatory lag does not provide a reasonable justification to eliminate applied-for deferral accounts, especially because the basis for requesting deferral accounts is still applicable.⁸⁹

Commission findings

124. Given the ongoing need for the reserve and referral accounts, the Commission approves TransAlta's request for continuation of these accounts.

9.1 Deferral account reconciliations

125. TransAlta requested approval of the following deferral account reconciliations for the years 2013 and 2014:

- capital deferral account reconciliation for directly assigned capital projects
- operating deferral account reconciliation for property taxes and payments in lieu of property taxes
- operating deferral account reconciliation for actual tower payments versus approved placeholders

9.1.1 Direct assign capital deferral account

126. TransAlta requested approval of its proposed reconciliation of direct assign capital projects for the years 2013 and 2014 as set out in Appendix 4 of TransAlta's application. TransAlta submitted that the results of the deferral account reconciliation show a zero ending balance for the period 2013 to 2014, and therefore no payment or adjustment is required.⁹⁰

127. The deferral account reconciliation includes the Southwest Development project and the 902L portion of the Edmonton Region 240-kV Line Upgrades project, also known as the Debottlenecking project. TransAlta submitted that it did not file its 2013-2014 GTA until after 2013 actual results were available and therefore no adjustment is required to the direct assign capital deferral account for 2013. TransAlta also submitted that the direct assign capital addition for 2014 of \$23,000 was equal to the forecast and therefore no adjustment was required for 2014.⁹¹

Commission findings

128. The Commission has reviewed TransAlta's reconciliation of the direct assign capital deferral account as set out in the application and is satisfied it is reasonable. The Commission approves TransAlta's reconciliation of the direct assign capital deferral account as filed.

9.1.2 Property tax and payments in lieu of taxes deferral account reconciliation

129. TransAlta provided a reconciliation between the provision made for property taxes and payments in lieu of taxes set out for 2013 and 2014 in Decision 3466-D01-2015 and actual

⁸⁹ Exhibit 22651-X0025, TAC-AUC-2017AUG23-020(a).

⁹⁰ Exhibit 22651-X0002, application, Appendix 4, PDF page 219.

⁹¹ Exhibit 22651-X0002, application, Appendix 4, PDF page 219.

expenditures on property taxes and payments in lieu of taxes in those years. Because actual results formed the basis of the 2013 test year, no adjustment was required for 2013. On the basis of this reconciliation, for 2014, TransAlta sought to recover a net amount of \$1,669 from the AESO.⁹²

130. TransAlta explained that First Nations with taxing by-laws in place bill TransAlta according to their bylaw authority; TransAlta then reviews these amounts and pays the amounts owed. The First Nations taxing bylaws have their own explicit provisions for establishment of assessed value, and each First Nation also establishes its own mill rates, which are not uniform. Therefore, the property tax paid to any particular First Nation under a bylaw is the product of the value assessment and the mill rate and these do not correlate with historical payments.⁹³ Similar to past practice, TransAlta proposed that the disposition of the deferral account be included in the interim to final tariff reconciliation for 2015 and 2016, and paid out through a one-time lump sum payment from the AESO.⁹⁴

Table 12. Property tax and payments in lieu of taxes deferral account reconciliation

| | 2013 | 2014 | Total |
|---|---------|---------|---------|
| | (\$) | | |
| Provision as per Decision 3466-D01-2015 | 410,800 | 420,248 | 832,717 |
| Actuals | 410,800 | 421,917 | 831,048 |
| Revenue requirement adjustment – owed to TransAlta | - | (1,669) | (1,669) |

Source: Exhibit 22651-X0002, application, Table 31.3.

Commission findings

131. The Commission has reviewed TransAlta's reconciliation and disposition for property tax and payments in lieu of taxes in the application and finds that it is reasonable, therefore it is approved as filed.

9.1.3 Tower payment deferral account reconciliation

132. TransAlta provided its tower payment deferral account reconciliation for the years 2013 and 2014. Because actual results formed the basis of the 2013 test year, no adjustment was required for 2013. TransAlta submitted that actual tower payments exceeded the forecast for 2014 and therefore the resulting revenue requirement adjustment owing to TransAlta was \$27,954 as summarized in the table below.⁹⁵

133. TransAlta explained that annual structure payments are reviewed every five years with different First Nations on different five-year cycles and therefore not all First Nations will be subject to rate reviews in the same year. TransAlta submitted that it cannot always anticipate the results of the rate reviews.⁹⁶ Similar to past practice, TransAlta proposed that the disposition of

⁹² Exhibit 22651-X0002, application, Section 31.3.

⁹³ Exhibit 22651-X0025, TAC-AUC-2017AUG23-020(a).

⁹⁴ Exhibit 22651-X0025, TAC-AUC-2017AUG23-021.

⁹⁵ Exhibit 22651-X0002, application, Section 31.4.

⁹⁶ Exhibit 22651-X0025, TAC-AUC-2017AUG23-020(a).

the deferral account be included in the interim to final tariff reconciliation for 2015 and 2016, and paid out through a one-time lump sum payment from the AESO.⁹⁷

Table 13. Tower payment deferral account reconciliation

| | 2013 | 2014 | Total |
|---|---------|-----------------|-----------------|
| | (\$) | | |
| Provision as per Decision 3466-D01-2015 | 444,374 | 456,000 | 900,374 |
| Actuals | 444,374 | 483,954 | 928,328 |
| Revenue requirement adjustment – owed to TransAlta | - | (27,954) | (27,954) |

Source: Exhibit 22651-X0002, Table 31.4.

Commission findings

134. The Commission has reviewed TransAlta's reconciliation and disposition for tower payments as set out in the application and is satisfied that it is reasonable. The Commission approves TransAlta's reconciliation and disposition for tower payments as filed.

10 Response to outstanding Commission directions

135. TransAlta discussed its compliance with outstanding Commission directions from Decisions 3466-D01-2015 and 2013-417⁹⁸ in Section 2 of the application. TransAlta provided:

- a summary of the outstanding directions, including a reference to the applicable decisions
- a summary of the current status of the directions
- its response to each direction, including (where applicable) a cross reference to the impact of the directive on other parts of the application

Commission findings

136. In the application, TransAlta summarized its compliance with Direction 2 regarding its First Nations Advisory Committee and Direction 3 regarding its direct assign capital deferral account from Decision 3466-D01-2015. TransAlta also summarized its compliance with Direction 2 regarding utility asset disposition from Decision 2013-417.⁹⁹ Detailed discussions of TransAlta's compliance with directions 2 and 3 from Decision 3466-D01-2015 are found in sections 4.2.2 and 9.1.1 of this decision respectively.

137. The Commission has reviewed TransAlta's response to the above three directions and is satisfied that TransAlta has adequately addressed and complied with these directions.

⁹⁷ Exhibit 22651-X0025, TAC-AUC-2017AUG23-021.

⁹⁸ Decision 2013-417: Utility Asset Disposition, Proceeding 20, Application 1566373-1, November 26, 2013.

⁹⁹ Exhibit 22651-X0002, application, paragraph 62, Table 2.1.

11 Terms and conditions of service

138. TransAlta requested approval for its 2015-2016 Transmission facility owner's T&Cs. In the application, TransAlta proposed to adopt AltaLink's 2015-2016 approved T&CS, which were approved by the Commission in Decision 3524-D01-2016.¹⁰⁰

Commission findings

139. Consistent with past findings, the Commission approves the use of AltaLink's T&Cs, as approved in Decision 3524-D01-2016, for TransAlta for the 2015-2016 test years.

140. The Commission notes that due to the unique nature of TransAlta's delayed tariff filing, there are new TFO T&Cs that are currently in place for all Alberta TFOs that also apply to TransAlta. Therefore, effective June 26, 2017, the TFO T&Cs from Proceeding 22073¹⁰¹ and Decision 22073-D01-2017¹⁰² apply to TransAlta. For any T&C tariff matters that relate to the years 2015-2016, and up to June 25, 2017, the T&C's approved in this decision will apply.

12 Refiling and interim to final revenue reconciliation

141. In Decision 2014-369,¹⁰³ the Commission issued its decision with respect to an interim tariff for TransAlta for 2015 and 2016 based upon TransAlta's approved 2012 tariff amounts. The Commission authorized TransAlta to charge the AESO \$371,345 per month, commencing January 1, 2015.¹⁰⁴

142. As the Commission has not approved all aspects of the application as applied-for by TransAlta, the Commission considers that TransAlta will be required to refile its 2015-2016 GTA to reflect the findings, conclusions and directions set out in this decision. The Commission directs TransAlta to submit its compliance filing application pursuant to this decision on or before December 14, 2017.

143. As part of its compliance filing, the Commission directs TransAlta to provide a complete reconciliation of the 2015 and 2016 revenue requirements against the interim tariff rate amounts authorized in Decision 2014-369.

¹⁰⁰ Decision 3524-D01-2016, paragraph 851.

¹⁰¹ Proceeding 22073, application for approval of amendments to Alberta transmission facility owner terms and conditions of service.

¹⁰² Decision 22073-D01-2017: AltaLink Management Ltd., Application of Amendments to Alberta Transmission Facility Owner Terms and Conditions of Service, Proceeding 22073, June 26, 2017.

¹⁰³ Decision 2014-369: TransAlta Corporation, as Manager of the TransAlta Generation Partnership, 2015-2016 Interim Tariff Application, Proceeding 3519, Application 1610993-1, December 22, 2014.

¹⁰⁴ Decision 2014-369, Section 2.1.

13 Order

144. It is hereby ordered that:

- (1) TransAlta Corporation, as Manager of the TransAlta Generation Partnership shall refile its 2015-2016 general tariff application to reflect the findings, conclusions and directions set out in this decision on or before December 14, 2017.

Dated on November 14, 2017.

Alberta Utilities Commission

(original signed by)

Mark Kolesar
Vice-Chair

(original signed by)

Neil Jamieson
Commission Member

(original signed by)

Carolyn Hutniak
Commission Member

Appendix 1 – Proceeding participants

| |
|--|
| Name of organization (abbreviation) Company name of counsel or representative |
| TransAlta Corporation |
| Enoch Cree Nation Parlee Mclaws |
| AltaLink Management Ltd. |

| |
|---|
| <p>Alberta Utilities Commission</p> <p>Commission panel</p> <p style="padding-left: 20px;">M. Kolesar, Vice-Chair N. Jamieson, Commission Member C. Hutniak, Commission Member</p> <p>Commission staff</p> <p style="padding-left: 20px;">J. Graham (Commission counsel) S. Shanelle (Commission counsel) S. Karim J. Halls M. Kopp-van Egteren V. Puszta</p> |
|---|

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 notes TransAlta’s intention to increase the frequency of its FNAC meetings to two per year. If the frequency is increased, the Commission directs TransAlta in its next GTA to provide specific reasons for instituting two meetings per year and to discuss how doing so has helped it to achieve its public utility mandate. Paragraph 51
2. In the present proceeding, TransAlta has not provided sufficient evidence or argument indicating that the proposed community support expenditures are in the public interest in light of the activities being carried out by the utility in the relevant Indigenous communities and the impact of TransAlta’s operations on the rights of the people in these communities. Accordingly, the Commission will follow its previous well-established practice of denying community-building sponsorship costs. TransAlta is directed to remove all costs associated with donations or sponsorships from the 2015 and 2016 revenue requirement forecasts. Further, the Commission directs TransAlta, in its compliance filing, to provide a reconciliation of the forecast costs showing the removal of donation or sponsorship amounts. in the main body of the decision, the wording in the main body of the decision shall prevail. Paragraph 58
3. The Commission agrees that the corrected 2015 and 2016 capital labour amounts for Schedule 5-4 should be used in TransAlta’s compliance filing and therefore directs TransAlta to use the corrected figures of \$19,000 for 2015 and \$53,000 for 2016 in its compliance filing. Paragraph 67
4. In accordance with past practices, the Commission directs TransAlta to file an application for reconciliation and disposition of a direct assigned capital deferral account for the years 2015 and 2016, either prior to or in conjunction with its next GTA. The Commission will evaluate the prudence of this project at that time. Paragraph 82
5. As set out in the Commission’s October 11, 2017 ruling, the evidentiary record related to the Edmonton Regional Upgrades project in this proceeding will be transferred to AltaLink’s next DACDA proceeding. The Commission directs TransAlta to file on the record of AltaLink’s next DACDA proceeding the portion of its application in this proceeding, and any of its responses to Commission information requests, regarding the Edmonton Regional Upgrades project. The Commission considers that this direction may also be fulfilled by providing the above noted information to AltaLink so that AltaLink may file it on the record of its next DACDA proceeding on TransAlta’s behalf. Paragraph 89
6. Accordingly, TransAlta is directed to ensure that AltaLink is made aware of the Commission’s interest in further understanding this issue so that AltaLink has an opportunity to provide any clarification that it may wish to provide at the time it applies for the approval of the Edmonton Regional Upgrades project costs in a future DACDA application. Paragraph 95
7. Accordingly, the Commission directs TransAlta to provide direct notice to representatives of the Enoch Cree Nation that would be familiar with the negotiations and

- to advise them of the Commission’s intent to examine the Edmonton Regional Upgrades project costs in a future AltaLink DACDA proceeding. TransAlta is further directed to file correspondence with the Commission which describes its efforts to provide such notice, and the response received thereto, if any, in its compliance filing to this decision.
..... Paragraph 98
8. Accordingly, the Commission directs TransAlta to advise AltaLink of the Commission’s interest in this matter so that AltaLink may address its legal interpretation of the position set out in TransAlta’s response to IR TAC-AUC-2017AUG23-034(g) in its forthcoming DACDA application where the Edmonton Region Upgrades project costs will be considered. The Commission would also be interested in any elaboration regarding TransAlta’s position on this issue as set out in the response to IR TAC-AUC-2017AUG23-034(g) that TransAlta may wish to provide at that time. Paragraph 104
 9. Subject to any necessary adjustments to inputs to TransAlta’s working capital calculations that may be necessitated by other findings set out in this decision, TransAlta’s calculations of working capital are approved as filed. TransAlta is directed to make any necessary adjustments to its working capital calculations to give effect to this decision, in its refiling. Paragraph 108
 10. The Commission has reviewed the methodology, parameters, and calculations set out in the schedules provided as part of Section 6 of the application and the related response to an IR. The Commission is satisfied with TransAlta’s proposal to correct the rate discrepancy in its compliance filing as discussed above. The Commission approves TransAlta’s depreciation rates as filed subject to any adjustment that may be required as a result of the Commission’s findings in other sections of this decision. TransAlta is directed to make the adjustments to accounts 392.0 and 396.0 discussed above and any other adjustments to its depreciation calculations, if necessary, in its compliance filing.
..... Paragraph 112
 11. The Commission has reviewed TransAlta’s calculations of income tax expense as set out in the application, and schedules 7-1, 7-2 and 7-3, and is satisfied that TransAlta’s methodology and calculations are reasonable. TransAlta’s income tax expense allowances and calculations for 2015 and 2016 are approved as filed subject to other findings in this decision that may require adjustments to income tax expense. TransAlta is directed to make any necessary adjustments to its income tax expense calculations in its refiling, if needed, to give effect to this decision. Paragraph 121
 12. As the Commission has not approved all aspects of the application as applied-for by TransAlta, the Commission considers that TransAlta will be required to refile its 2015-2016 GTA to reflect the findings, conclusions and directions set out in this decision. The Commission directs TransAlta to submit its compliance filing application pursuant to this decision on or before December 14, 2017. Paragraph 142
 13. As part of its compliance filing, the Commission directs TransAlta to provide a complete reconciliation of the 2015 and 2016 revenue requirements against the interim tariff rate amounts authorized in Decision 2014-369. Paragraph 143

Appendix 3 – Commission ruling of October 11, 2017

[\(return to text\)](#)



Appendix 3 -
Commission ruling

(consists of 3 pages)

Appendix 4 – List of exhibits pertaining to the Edmonton Regional Upgrades project to be migrated to the forthcoming AltaLink DACDA proceeding

[\(return to text\)](#)

| Exhibit | Description |
|-------------|---|
| 22651-X0002 | Extract containing Section 1.6.1 and Appendix 5 |
| 22651-X0003 | Application Appendix 7 |
| 22651-X0004 | Minimum filing requirement (MFR) schedules |
| 22651-X0014 | Alberta Utilities Commission (AUC) letter dated July 13, 2017 |
| 22651-X0015 | Enoch Cree Nation letter to the AUC dated July 14, 2017 |
| 22651-X0016 | AUC ruling dated August 1, 2017 |
| 22651-X0017 | TransAlta and Enoch Cree Nation Cooperation Agreement |
| 22651-X0025 | Responses to TAC [TransAlta Corporation]-AUC-2017AUG23-004 to 023 |
| 22651-X0031 | Response to TAC-AUC-2017AUG23-024 |
| 22651-X0032 | TAC-AUC-2017AUG23-024 Attachment 1 |
| 22651-X0033 | TAC-AUC-2017AUG23-024 Attachment 2 |
| 22651-X0034 | Response to TAC-AUC-2017AUG23-025 |
| 22651-X0035 | TAC-AUC-2017AUG23-025 attachment |
| 22651-X0036 | Response to TAC-AUC-2017AUG23-026 |
| 22651-X0037 | Response to TAC-AUC-2017AUG23-027 |
| 22651-X0038 | TAC-AUC-2017AUG23-027 attachment |
| 22651-X0039 | Response to TAC-AUC-2017AUG23-028 |
| 22651-X0040 | Response to TAC-AUC-2017AUG23-029 |
| 22651-X0041 | Response to TAC-AUC-2017AUG23-030 |
| 22651-X0042 | TAC-AUC-2017AUG23-030bi attachment |
| 22651-X0043 | TAC-AUC-2017AUG23-030bii attachment |
| 22651-X0044 | TAC-AUC-2017AUG23-030biii attachment |
| 22651-X0045 | Response to TAC-AUC-2017AUG23-031 |
| 22651-X0046 | TAC-AUC-2017AUG23-031 chronology of significant events |
| 22651-X0047 | Response to TAC-AUC-2017AUG23-032 |
| 22651-X0048 | TAC-AUC-2017AUG23-032 Attachment 1 |
| 22651-X0049 | TAC-AUC-2017AUG23-032 Attachment 2 |
| 22651-X0050 | Response to TAC-AUC-2017AUG23-033 |
| 22651-X0051 | Response to TAC-AUC-2017AUG23-034 |
| 22651-X0052 | Response to TAC-AUC-2017AUG23-035 |
| 22651-X0053 | TAC-AUC-2017AUG23-035 attachment |
| 22651-X0054 | Response to TAC-AUC-2017AUG23-036 |
| 22651-X0055 | TAC-AUC-2017AUG23-036 attachments |
| 22651-X0056 | Response to TAC-AUC-2017AUG23-037 |
| 22651-X0057 | Response to TAC-AUC-2017AUG23-038 |
| 22651-X0058 | Response to TAC-AUC-2017AUG23-040 |
| 22651-X0059 | Response to TAC-AUC-2017AUG23-041 |

| Exhibit | Description |
|----------------|--|
| 22651-X0060 | TAC-AUC-2017AUG23-041c attachment |
| 22651-X0061 | Response to TAC-AUC-2017AUG23-042 |
| 22651-X0062 | TAC-AUC-2017AUG23-042 attachments |
| 22651-X0063 | Response to TAC-AUC-2017AUG23-043 |
| 22651-X0064 | TAC-AUC-2017AUG23-043 attachment |
| 22651-X0065 | Response to TAC-AUC-2017AUG23-044 |
| 22651-X0066 | TAC-AUC-2017AUG23-044 Tab 1 |
| 22651-X0067 | TAC-AUC-2017AUG23-044 Tab 2 |
| 22651-X0068 | Response to TAC-AUC-2017AUG23-039 |
| 22651-X0069 | TAC letter dated September 20, 2017 regarding further process |
| 22651-X0070 | AltaLink letter dated September 20, 2017, response to IR responses |
| 22651-X0071 | AUC letter dated October 11, 2017, Commission ruling |