



ATCO Electric Ltd.

**Compliance Filing to Decision 21805-D01-2017
2015 Capital Tracker True-Up**

July 13, 2017

Alberta Utilities Commission

Decision 22695-D01-2017

ATCO Electric Ltd.

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Proceeding 22695

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Contents

1 Decision 1

2 Introduction and procedural background..... 1

3 Compliance with Commission directions..... 1

3.1 Direction 2: Office Furniture program grouping 2

3.2 Measurement Compliance project denied capital tracker treatment 2

3.3 Directions 1, 4 and 6: accounting test requirements of Criterion 1 and Criterion 3 3

4 2015 actual K factor 4

5 Direction 8: collection of the amount resulting from this compliance filing 5

6 Order 6

Appendix 1 – Proceeding participants 7

Appendix 2 – Commission directions from Decision 21805-D01-2017 8

Appendix 3 – Summary of Commission directions..... 11

List of tables

Table 1. 2015 K factor true-up 4

1 Decision

1. This decision provides the Alberta Utilities Commission's determination of ATCO Electric Ltd.'s compliance with the Commission's directions issued in Decision 21805-D01-2017.¹ For the reasons outlined in this decision, the Commission determines that ATCO Electric has complied with the Commission's directions and approves ATCO Electric's 2015 K factor adjustments as applied for in the present compliance filing. ATCO Electric is directed to include the approved 2015 K factor true-up adjustment of \$0.3 million arising from this decision as part of a proceeding to establish its 2018 performance-based regulation (PBR) rates.

2 Introduction and procedural background

2. On April 27, 2017, the Commission issued Decision 21805-D01-2017, dealing with ATCO Electric's 2015 capital tracker true-up application. The decision included a direction to ATCO Electric to file a compliance filing by May 29, 2017.

3. On May 29, 2017, ATCO Electric submitted its compliance filing with the Commission. The Commission issued notice of the application on May 30, 2017, asking interested parties who may be affected by the compliance filing to provide their statements of intent to participate (SIPs) by June 6, 2017. No SIPs were received.

4. Upon review the Commission determined that the compliance filing would be considered by way of a *notice-only* proceeding, as set out in Bulletin 2015-09.² The Commission considers the record for this proceeding to have closed on June 6, 2017.

5. In reaching the determinations set out in this decision, the Commission has considered all relevant materials comprising the record of this proceeding, as well as related performance-based regulation and capital tracker decisions. Accordingly, reference in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to this matter.

3 Compliance with Commission directions

6. In Decision 21805-D01-2017, the Commission issued nine directions, six of which relate to this compliance filing and three of which relate to future capital tracker applications. The Commission has reproduced these directions in [Appendix 2](#) to this decision.

¹ Decision 21805-D01-2017: ATCO Electric Ltd., 2015 Performance-Based Regulation Capital Tracker True-Up, Proceeding 21805, April 27, 2017.

² Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015.

7. In the compliance filing, ATCO Electric provided its responses to the six relevant directions. ATCO Electric also filed schedules³ that contain the results of the updated accounting test calculations and information required to demonstrate compliance with the Commission's directions.

3.1 Direction 2: Office Furniture program grouping

8. In Proceeding 21805, ATCO Electric had grouped its Office Furniture program separate from its Buildings, Structure and Leasehold improvements program. At paragraph 29 of Decision 21805-D01-2017, the Commission gave the following direction:

29. The Commission finds that the principles underpinning the findings in Decision 20407-D01-2016^[4] apply in this proceeding as well. ATCO Electric's Buildings, Structure and Leasehold improvements program includes capital additions related to new furniture and equipment. The Office Furniture program represents capital additions for the replacement or addition of office furniture and equipment. The furniture expenditures related to the Buildings, Structures and Leasehold Improvements program includes furniture expenses related to the expansion of ATCO Electric's offices and warehouses, while the Office Furniture program includes furniture that is being replaced in other locations. The Commission finds that the Office Furniture program is sufficiently similar to the furniture related components of the Buildings, Structures and Leasehold Improvement program and have business drivers that are sufficiently related to warrant being grouped together for capital tracker purposes. Given these findings, the Commission directs ATCO Electric to include the Office Furniture program in the Buildings, Structures and Leasehold Improvements program grouping for the purposes of capital tracker analysis in its compliance filing to this decision.

9. In response to this direction, ATCO Electric adjusted its capital tracker model to reflect the inclusion of the Office Furniture program capital additions in the Buildings, Structures and Leasehold Improvements program grouping.⁵

Commission findings

10. The Commission has reviewed the schedules provided by ATCO Electric that show the results of grouping the Office Furniture program with the Buildings, Structures and Leasehold Improvements program and finds that ATCO Electric has complied with the Commission's direction in Decision 21805-D01-2017 at paragraph 29.

3.2 Measurement Compliance project denied capital tracker treatment

11. In Decision 21805-D01-2017, the Commission determined that ATCO Electric did not provide sufficient evidence to demonstrate that the actual scope, level, timing and actual costs of the Measurement Compliance project, which was included in the Information Technology Related program, were prudent for 2015. Accordingly, the Commission denied capital tracker

³ Exhibit 22695-X0002, Appendix A - Capital Tracker Model (2015 CT True-Up Final).

⁴ Decision 20407-D01-2016: EPCOR Distribution & Transmission Inc., 2014 PBR Capital Tracker True-Up and 2016-2017 PBR Capital Tracker Forecast, Proceeding 20407, February 7, 2016.

⁵ Exhibit 22695-X0002, Appendix A - Capital Tracker Model (2015 CT True-Up Final), Sch. 7-1, lines 212 and 214 and Sch. 7-3, lines 6 and 8.

treatment of the 2015 actual capital additions of \$5.284 million for the Measurement Compliance project.⁶

12. In the compliance filing, ATCO Electric removed the actual capital additions of \$5.284 million associated with the Measurement Compliance project.⁷

Commission findings

13. The Commission has reviewed the supporting schedules provided by ATCO Electric in the compliance filing and is satisfied that ATCO Electric correctly removed the actual 2015 capital addition amounts denied for capital tracker treatment from the Information Technology Related program in its accounting test model. The Commission finds that ATCO Electric has complied with the Commission's direction in Decision 21805-D01-2017 at paragraph 173.

3.3 Directions 1, 4 and 6: accounting test requirements of Criterion 1 and Criterion 3

14. At paragraphs 2 and 213 of Decision 21805-D01-2017, the Commission directed ATCO Electric to revise its accounting test for 2015, based on the actual capital additions that were subject to adjustment and Commission directions in other sections of Decision 21805-D01-2017. Further, at paragraphs 213 and 224 of the same decision, the Commission directed ATCO Electric to use the revised accounting test for 2015 to reassess whether its projects or programs included in the 2015 true-up satisfy the accounting test requirement of Criterion 1 and the two-tiered materiality test requirement of Criterion 3.

15. In the compliance filing, ATCO Electric indicated that it revised its 2015 accounting test to reflect the directions set out in Decision 21805-D01-2017 and confirmed that the projects or programs included in the 2015 true-up continue to satisfy the accounting test requirement of Criterion 1 and the two-tiered materiality requirement of Criterion 3.⁸

Commission findings

16. The Commission has reviewed ATCO Electric's updated accounting test calculations and finds that ATCO Electric has updated its accounting test schedules to reflect the directions set out in Decision 21805-D01-2017. Further, the Commission has reviewed ATCO Electric's reassessment of its 2015 capital tracker projects or programs, and is satisfied that ATCO Electric's capital tracker projects or programs continue to satisfy the accounting test requirements of Criterion 1 as well as the materiality requirements of Criterion 3. Therefore, the Commission finds that ATCO Electric has complied with the directions set out at paragraphs 2, 213 and 224 of Decision 21805-D01-2017.

17. Accordingly, the Commission finds that each and all of ATCO Electric's projects or programs included in the 2015 true-up, as shown in Table 1 below, satisfy the requirements of the first and third criteria for capital tracker treatment. Capital tracker treatment for these projects is approved.

⁶ Decision 21805-D01-2017, paragraphs 172-173.

⁷ Exhibit 22695-X0002, Appendix A - Capital Tracker Model (2015 CT True-Up Final), Sch. 7-1, line 177, column I.

⁸ Exhibit 22695-X0001, application, paragraphs 7-8.

4 2015 actual K factor

18. Having made the above changes to respond to the Commission’s directions from Decision 21805-D01-2017, ATCO Electric recalculated its actual K factor for 2015.

19. The following table compares ATCO Electric’s applied-for forecast 2015 K factor amounts, the actual 2015 K factor amounts applied for in Proceeding 21805 and the updated K factor amounts calculated in this compliance filing for each capital tracker project or program. As shown in Table 1, the removal of certain Measurement Compliance project capital additions proposed to be included in the Information Technology Related program resulted in a 2015 actual K factor that is \$0.2 million higher than the K factor applied for in Proceeding 21805. This is because the capital cost allowance claim for information technology capital additions, which is 100 per cent, is reduced when information technology capital additions are removed. This results in a positive difference in the tax component of the revenue requirement that offsets the negative differences in the return and depreciation components of the revenue requirement used in the accounting test.

Table 1. 2015 K factor true-up

Capital tracker program	2015 approved forecast K factor ⁹	2015 actual K factor Proceeding 21805 ¹⁰	2015 actual K factor compliance filing ¹¹	Variance
	A	B	C	D=C-B
	(\$ million)			
Distribution to Transmission Contributions	1.6	1.2	1.2	0.0
Buildings, Structures & Leasehold Improvements	10.3	8.6	8.7	0.1
Information Technology Related	5.6	5.0	5.2	0.2
Tools and Instruments	2.2	1.7	1.7	0.0
Transportation Equipment	4.2	1.7	1.7	0.0
Third-Party Driven Relocations	2.1	1.3	1.3	0.0
New Extensions	10.7	6.6	6.6	0.0
Overhead Line Rebuilds, Replacement, and Life Extension	3.8	2.5	2.5	0.0
Wood Pole Replacements, and Life Extension	4.5	3.9	3.9	0.0
Reliability	1.6	0.6	0.6	0.0
Wild Fires Mitigation	2.1	1.5	1.5	0.0
Slave Lake Fire adjustment	(0.4)			
Total	48.3	34.5	34.8	0.3

Note: Totals may not match summation of each individual program due to rounding.

Commission findings

20. In Decision 21805-D01-2017, based on the project assessment under Criterion 1, the Commission approved the need, scope, level, timing and the prudence of actual capital additions

⁹ Decision 20369-D01-2015 (Errata): ATCO Electric Ltd., 2013-2015 Capital Trackers Compliance Filing, Proceeding 20369, August 31, 2015, Table 1.

¹⁰ Decision 21805-D01-2017, Table 1.

¹¹ Exhibit 22695-X0001, application, Table 1.0-1.

for each project or program that ATCO Electric included in the 2015 true-up, subject to the removal of certain Measurement Compliance project capital additions related to the Information Technology Related program and other Commission directions applicable to the grouping of the Office Furniture program that were to be addressed in this compliance filing. At the same time, because these adjustments would affect actual 2015 costs for certain projects or programs, the Commission indicated it could not make a determination in that decision as to whether all of ATCO Electric's programs or projects included in the 2015 true-up satisfy the project assessment requirement of Criterion 1.¹²

21. Further, the Commission found the general form of ATCO Electric's accounting test model to be reasonable and consistent with the methodology approved in Decision 2013-435.¹³ However, because ATCO Electric's accounting test for 2015 needed to be revised, the Commission could not make a determination in that decision as to whether all of ATCO Electric's projects or programs included in the 2015 true-up satisfied the accounting test requirement of Criterion 1 and accordingly, whether all of ATCO Electric's projects or programs satisfied Criterion 1 in their entirety.¹⁴ Similarly, the Commission indicated that it could not determine in that decision whether all of ATCO Electric's projects or programs included in the 2015 true-up satisfied the materiality test requirement of Criterion 3.¹⁵

22. In previous sections of this decision, the Commission determined that ATCO Electric has complied with the directions set out in Decision 21805-D01-2017. Based on the Commission's review of ATCO Electric's capital tracker projects or programs included in the 2015 true-up, and its acceptance of the compliance filing calculations, the Commission finds the revised actual capital additions in 2015 to be prudent for each capital tracker project or program included in the 2015 true-up. The Commission also finds the resulting K factor calculations for 2015, as provided in the compliance filing, to be reasonable.

23. Based on the foregoing, the Commission approves, on an actual basis, the 2015 K factor of \$34.8 million, as calculated in the compliance filing.

5 Direction 8: collection of the amount resulting from this compliance filing

24. At paragraph 234 of Decision 21805-D01-2017, the Commission gave the following direction:

234. The Commission directs ATCO Electric to propose a method to collect or refund, as applicable, the difference between the 2015 K factor placeholder amount refunded in its 2017 PBR rates and the approved 2015 K factor final true-up amount that will be reviewed by the Commission in the compliance filing to this decision.

25. In Decision 20369-D01-2015 (Errata), the Commission approved a 2015 K factor forecast of \$48.3 million.¹⁶ In Proceeding 21805, ATCO Electric calculated a 2015 K factor

¹² Decision 21805-D01-2017, paragraphs 212-213.

¹³ Decision 2013-435: Distribution Performance-Based Regulation, 2013 Capital Tracker Applications, Proceeding 2131, Application 1608827-1, December 6, 2013.

¹⁴ Decision 21805-D01-2017, paragraphs 213 and 232.

¹⁵ Decision 21805-D01-2017, paragraph 223.

¹⁶ Decision 20369-D01-2015 (Errata), paragraph 73.

amount of \$34.5 million, resulting in a proposed 2015 K factor true-up adjustment of \$13.8 million to be refunded to customers.¹⁷ In Decision 21978-D01-2016,¹⁸ the Commission directed ATCO Electric to include this proposed 2015 K factor true-up adjustment refund in its 2017 PBR rates.¹⁹ In this decision, the Commission has approved a 2015 K factor of \$34.8 million on an actual basis. Therefore, the 2015 K factor true-up amount arising from this decision is \$0.3 million.

26. ATCO Electric proposed to include the \$0.3 million 2015 K factor adjustment in its 2018 PBR rates filing and to collect this amount over the 12-month period effective January 1, 2018 to December 31, 2018.²⁰

Commission findings

27. The Commission finds that ATCO Electric's proposal to include the approved 2015 K factor true-up amount of \$0.3 million arising from this decision in its 2018 PBR rates filing to be reasonable, with the collection period to be determined at the time of the 2018 PBR rates filing. Accordingly, the 2015 K factor final true-up amount of \$0.3 million arising from this decision is approved and shall be included as part of a proceeding to establish ATCO Electric's 2018 PBR rates.

6 Order

28. It is hereby ordered that:

- (1) The 2015 actual K factor of \$34.8 million is approved.
- (2) The 2015 K factor adjustment collection amount of \$0.3 million arising from this decision is approved and shall be included as part of a proceeding to establish ATCO Electric Ltd.'s 2018 performance-based regulation rates.

Dated on July 13, 2017.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member

¹⁷ Decision 21805-D01-2017, paragraph 230.

¹⁸ Decision 21978-D01-2016: ATCO Electric Ltd., 2017 Annual Performance-Based Regulation Rate Adjustment Filing, Proceeding 21978, December 23, 2016.

¹⁹ Decision 21978-D01-2016, paragraph 52.

²⁰ Exhibit 22695-X0001, application, paragraph 10.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
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ATCO Electric Ltd. (ATCO Electric) Bennett Jones LLP

Alberta Utilities Commission

Commission panel

N. Jamieson, Commission Member

Commission staff

K. Kellgren (Commission counsel)

A. Corsi

E. Deryabina

Appendix 2 – Commission directions from Decision 21805-D01-2017

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

	Direction	Reference paragraph from Decision 21805-D01-2017	Reference to ATCO Electric’s response in the application, Exhibit 22695-X0001
1	Based on the above determinations, the Commission could not make a determination as to whether the projects or programs included in the 2015 true-up satisfy the project assessment requirement of Criterion 1 and materiality requirement under Criterion 3, and accordingly, the Commission directs ATCO Electric to revise its accounting test for 2015 in a compliance filing.	2	paragraphs 7-8 Appendix A
2	The Commission finds that the principles underpinning the findings in Decision 20407-D01-2016 apply in this proceeding as well. ATCO Electric’s Buildings, Structure and Leasehold improvements program includes capital additions related to new furniture and equipment. The Office Furniture program represents capital additions for the replacement or addition of office furniture and equipment. The furniture expenditures related to the Buildings, Structures and Leasehold Improvements program includes furniture expenses related to the expansion of ATCO Electric’s offices and warehouses, while the Office Furniture program includes furniture that is being replaced in other locations. The Commission finds that the Office Furniture program is sufficiently similar to the furniture related components of the Buildings, Structures and Leasehold Improvement program and have business drivers that are sufficiently related to warrant being grouped together for capital tracker purposes. Given these findings, the Commission directs ATCO Electric to include the Office Furniture program in the Buildings, Structures and Leasehold Improvements program grouping for the purposes of capital tracker analysis in its compliance filing to this decision.	29	paragraph 9 Appendix A
3	The Commission reviewed ATCO Electric’s project management policies and procedures and finds that ATCO Electric has complied with the direction set out at paragraph 139 of Decision 20555-D01-2016. ^[1] The Commission directs ATCO Electric to continue to confirm that these policies and procedures remain in place and to advise the Commission of modifications to these policies and procedures in future capital tracker applications.	52	Not applicable – related to future capital tracker applications

¹ Decision 20555-D01-2016: ATCO Electric Ltd., 2014 PBR Capital Tracker True-Up and 2016-2017 PBR Capital Tracker Forecast, Proceeding 20555, March 3, 2016.

	Direction	Reference paragraph from Decision 21805-D01-2017	Reference to ATCO Electric's response in the application, Exhibit 22695-X0001
4	For the same reason, the Commission cannot make a determination in this decision as to whether all of ATCO Electric's programs or projects included in the 2015 true-up satisfy the accounting test requirement of Criterion 1. The Commission directs ATCO Electric, in its compliance filing to this decision, to revise its accounting test for 2015, based on directions as set out in the previous sections of this decision, and reassess whether the capital tracker projects or programs included in the 2015 true-up satisfy the accounting test requirement of Criterion 1.	213	paragraphs 7-8 Appendix A
5	The Commission directs ATCO Electric, in subsequent capital tracker true-up applications, to address whether the driver for any of the previously approved forecast programs or projects for which ATCO Electric is applying to have trueed up has changed, and in the event that the driver of the project or program has changed since the forecast project or program was approved, to identify such projects and programs and to provide evidentiary support that each project or program continues to satisfy the requirements of Criterion 2, as previously directed at paragraph 616 of Decision 3218-D01-2015. ^[2]	217	Not applicable – related to future capital tracker applications
6	Given these findings, the Commission directs ATCO Electric, in its compliance filing to this decision, to reassess whether its programs or projects included in the 2015 true-up, satisfy the two-tiered materiality test requirement of Criterion 3. For this reassessment, ATCO Electric will use the 2015 threshold amounts approved in this decision.	224	paragraphs 7-8 Appendix A
7	In the 2016 and 2017 true-up capital tracker applications, ATCO Electric is directed to continue to provide similar information to that provided in its 2014 and 2015 true-up capital tracker applications, with respect to each of the minimum filing requirements, including updated business cases, engineering studies and cost-related information, including actual costs by cost category and unit costs, in sufficient detail to allow an evaluation of the prudence of its incurred costs. ATCO Electric is further directed to file its capital tracker business cases and updates, as filed in proceeding 3218 and 20555, for the programs and projects for which ATCO Electric is applying to have trueed up in its 2016 and 2017 true-up capital tracker applications.	229	Not applicable – related to future capital tracker applications
8	The Commission directs ATCO Electric to propose a method to collect or refund, as applicable, the difference between the 2015 K factor placeholder amount refunded in its 2017 PBR rates and the approved 2015 K factor final true-up amount that will be reviewed by the Commission in the compliance filing to this decision.	234	paragraph 10

² Decision 3218-D01-2015: ATCO Electric Ltd., 2013 PBR Capital Tracker Refiling and True-up and 2014-2015 PBR Capital Tracker Forecast, Proceeding 3218, Application 1610569-1, March 15, 2015.

	Direction	Reference paragraph from Decision 21805-D01-2017	Reference to ATCO Electric's response in the application, Exhibit 22695-X0001
9	ATCO Electric Ltd. is directed to file a compliance filing application in accordance with the directions contained within this decision on or before May 29, 2017.	235 (1)	paragraph 2

Appendix 3 – 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. This decision provides the Alberta Utilities Commission’s determination of ATCO Electric Ltd.’s compliance with the Commission’s directions issued in Decision 21805-D01-2017. For the reasons outlined in this decision, the Commission determines that ATCO Electric has complied with the Commission’s directions and approves ATCO Electric’s 2015 K factor adjustments as applied for in the present compliance filing. ATCO Electric is directed to include the approved 2015 K factor true-up adjustment of \$0.3 million arising from this decision as part of a proceeding to establish its 2018 performance-based regulation (PBR) rates. Paragraph 1