

## Rule 005 RRT/DRT Amendments

### April 28<sup>th</sup> 2010 Meeting Notes

**Location:** AUC Calgary Offices

**Time:** 9:00 to 4:00

Discussion Point	Status	Outcome
Introductions	Closed	See Appendix B for list of Participants
Expectations	Closed	Each party discussed their expectations for the process. These expectations have been reflected in the Project Charter.
Review of Project Charter	In Progress	<ul style="list-style-type: none"> <li>- The AUC clarified that the overarching objective for modifying the schedules is to allow for a better understanding of the financial results of the RRT and DRT providers, through transparent and consistent reporting.</li> <li>- Reporting entities (these are the four organizations listed as a reporting entity in the meeting participant table below) were concerned that if system modifications were required that they be able to recover those costs. <i>The AUC will provide a response.</i></li> <li>- AUI indicated that it would be unable to complete the DRT schedules as it does not have a separate business unit for DRT services and therefore cannot split out the information required as per the proposed schedules.</li> <li>- Reporting entities were invited to express comments on or recommend changes to the process. None were made</li> <li>- It was noted that in its filings and correspondence with the AUC, ENMAX uses the terminology Regulated Rate Option (RRO) while EPCOR and Direct Energy use the terminology Regulated Rate Tariff (RRT). RRT will be used as the standard in documentation or communication for this project.</li> </ul>
Review of the RRT Schedules		<ul style="list-style-type: none"> <li>- <i>AUC to consider renumbering the schedules.</i></li> </ul>
RRT Schedule 1 – Summary of Regulated Rate Tariff Income	In Progress	<ul style="list-style-type: none"> <li>- The reporting entities agreed that the three main groups of Energy, Flow Through, and Non-Energy make sense.</li> <li>- Currently none of the reporting entities can provide a breakdown of the revenue and expenses related to the flow through costs, which include franchise fees, distribution and transmission tariffs. <i>The AUC will determine if it will require a breakdown of these costs in the future.</i></li> <li>- It was agreed to change line 3 - Energy Purchases to a more descriptive name, e.g. Energy Costs, or Energy Expenses. <i>The four reporting entities are to each identify a title and draft a definition of this line that identifies the components comprising it.</i> Direct costs incurred and used in the Energy Price Setting Plan (the natural gas equivalent would be the Gas Cost Flow-through Recovery) to determine the commodity price, would be expected to be included in the purchase line.</li> <li>- <i>The AUC is to determine whether it requires a breakdown of line 3.</i> The reporting entities expressed concerns as to whether their internal systems</li> </ul>

Discussion Point	Status	Outcome
		<p>could even report at more detail.</p> <ul style="list-style-type: none"> <li>- Based on the discussion outlined just above describing that line 3 - Energy Purchases should represent direct costs incurred to provide the energy, it was proposed that line 20 be removed along with its supporting detailed section in Schedule 3. <i>AUC to confirm its requirements above.</i></li> <li>- For lines 1 through 14 the reporting entities expressed concern that there are no comparative forecast numbers. It was agreed that no forecast values are required. Any variance analysis provided would be against the prior year actual.</li> <li>- It was agreed to modify line 18 to match revised line items in schedule 6 regarding revenue offsets and other revenue adjustments.</li> <li>- <i>AUC will draft a definition for disallowed costs. Note that disallowed costs are adjusted on Schedule 10.</i></li> <li>- It was agreed to change the forecast column heading from 'RRT Forecast' to 'Approved Forecast'.</li> <li>- It was noted that the energy working capital costs should form part of line item 3 on Schedule 1 - Energy Costs.</li> <li>- Subject to AUC approval of schedule 8 deletion, the information from Sch. 8, line 24, salaries/Wages &amp; Benefits would be included in the amount on Line 21 Non-energy expenses.</li> </ul>
RRT Schedule 1A – Summary of RRT Revenue Offsets		<ul style="list-style-type: none"> <li>- It was agreed to delete this schedule and append the line items to the bottom of schedule 6.</li> <li>- It was agreed that Penalty Revenue will be a single line item instead of split by energy and non-energy, because the reporting entities do not track it separately.</li> </ul>
RRT Schedule 2.3 – Debt Capital Employed and Interest Expense		<ul style="list-style-type: none"> <li>- This schedule is currently only applicable for EPCOR. It was agreed that short term debt does not need to be shown here, as the expense for short term debt will be reported in the non-energy working capital line on schedule 3.</li> <li>- It was noted that the actual interest rate incurred may be different than that allowed in a decision (i.e. a portion is disallowed for recovery in the rates). To handle this it was agreed that the actual costs should be shown on schedule 2.3 which would match the expenses reported in schedule 10 as reported in the reporting entities financial statements, then an adjustment would also be shown on schedule 10 for the disallowed portion in order for the regulatory amount of interest expense to match the amount shown on Schedule 1 on line 19 – Interest.</li> <li>- <i>EPCOR asked if guarantee fees and costs of lines of credit should be included here - to be taken off line and discussed further between the AUC and EPCOR</i></li> </ul>
RRT Schedule 3 – Summary of Expenses		<ul style="list-style-type: none"> <li>- It was agreed that Bad Debt be reported only as a non-energy expense item.</li> <li>- As with Schedule 1 Line 20 – it was proposed that the Energy related expense section of this schedule be deleted as these charges are included in the total energy cost. <i>The AUC is to confirm, whether a breakdown of the energy costs is required on this schedule, schedule 1, or not at all.</i></li> <li>- <i>If the AUC confirms the breakdown between energy and non-energy is</i></li> </ul>

Discussion Point	Status	Outcome
		<i>not required, it was agreed that the title should be changed to Summary of Non-energy Expenses or Summary of Expenses.</i>
RRT Schedule 4.1 and 4.2 – Capital Assets Continuity Schedule & Summary of Capital Additions		<ul style="list-style-type: none"> <li>- It was agreed that the Capital Maintenance line items are to be removed as they apply to utilities, not RRT providers. The reporting entities will have discretion on how to group their capital assets in the schedule for reporting purposes.</li> </ul>
RRT Schedule 5 – Summary of RRT Tax		<ul style="list-style-type: none"> <li>- It was agreed that the detailed line items initially proposed are not applicable; instead the reporting entities will show the following.               <ul style="list-style-type: none"> <li>o DERS – will show only its allocated corporate tax.</li> <li>o EPCOR – will show its deemed corporate tax (federal and provincial).</li> <li>o ENMAX – will show only their Payment In Lieu Of Taxes (PILOT) expense.</li> </ul> </li> <li>- Taxes shown are to relate only to RRT income.</li> <li>- It was agreed to simplify the Schedule by removing all the lines and show only Current Tax, Deferred Tax, Payment In Lieu Of Taxes and applicable line items as noted above.</li> </ul>
RRT Schedule 6 – Summary of Sites, Energy and Revenue by Customer Class		<ul style="list-style-type: none"> <li>- It was agreed to the use Sites, not customers, as the volumetric standard. <i>ENMAX to provide their definition of a site for consideration by the participants.</i></li> <li>- All references to customer to be replaced by a reference to sites, including in the title.</li> <li>- It was agreed that the breakdown is to based on each reporting entity’s rate classes.</li> <li>- It was agreed that the ‘flow through charge’ revenue line items be shown in a consistent manner as they will be shown on Schedule 1. Currently the reporting entities claim that they can not report it broken down. <i>See point 2 under the Schedule 1 Outcome notes above.</i></li> <li>- <i>DERS to confirm that it can show the flow through revenues separately by class as they didn’t do this last year.</i></li> <li>- It was agreed that the line items from Schedule 1(A) will be appended to the bottom of this schedule.</li> <li>- It was agreed the line item from Schedule 1(A), now on Schedule 6, Application Fees will be removed.</li> <li>- It was agreed that the Total Revenue line is equal to the sum of lines 2 (energy revenues); 9(total flow-thru revenues); 16(non-energy revenues); and 18(revenue offsets) on schedule 1.</li> <li>- Billed sales and revenue is based on actual billed sales and revenue reported out of each reporting entity’s billing system for the year.</li> <li>- Other adjustments are noted as typically including the accrual / reversal of unbilled revenue.</li> <li>- Line 27 to read Revenue Offsets &amp; Other Adjustments. Line 31 to read Total Revenue, i.e. remove the word Utility.</li> </ul>
RRT Schedule 7 – Inter-Affiliate		<ul style="list-style-type: none"> <li>- <i>AUC to confirm the deletion of this schedule as proposed by the reporting entities.</i> The recommendation was based on the concern that</li> </ul>

Discussion Point	Status	Outcome
Transactions		they are unable to separate out RRT only related inter-affiliate transactions.
RRT Schedule 8 – Summary of Payroll and Manpower Statistics		<ul style="list-style-type: none"> <li>- The reporting entities questioned the relevancy of providing this schedule on an annual basis, since this schedule is a one off schedule normally prepared only for their rate applications. Also noted by the reporting entities is that they do not track payroll and manpower split by its relation to the energy and non-energy operations. In addition, all labour costs are embedded in the costs reported on schedule 3. Lastly for EPCOR, ENMAX, and DERS almost all FTE’s would be an allocation to the regulated operations, while the schedule is designed upon the assumption of the reverse model where employees are allocated out.</li> <li>- <i>The AUC is to confirm whether it does or does not require this schedule.</i></li> </ul>
RRT Schedule 9 – Summary of Reserve Accounts		<ul style="list-style-type: none"> <li>- It was agreed to change Deferred Hearing Costs to just Hearing Costs.</li> <li>- <i>EPCOR is to confirm under which category it expenses the AUC Assessment.</i></li> <li>- <i>AUC Assessment Cost line item – Remove the word Cost.</i></li> </ul>
RRT Schedule 10 – Reconciliation of Schedules to Audited Income Statement		<ul style="list-style-type: none"> <li>- The AUC clarified that the ‘Net Income’ amount shown on Schedule 10 must equal the ‘Net Income’ amount on Schedule 1.</li> <li>- Parties discussed the issue of how to show items affected by regulatory lag. The consensus view is that the reporting entities will provide an explanation that notes the amount and timing of the recovery / refund on future year(s).</li> <li>- It was agreed to change Income Tax line item to Tax</li> <li>- <i>The AUC is to revise the schedule to reflect the changes agreed upon for the preceding schedules.</i></li> </ul>
RRT Schedule 11 – Reconciliation of Schedules to Audited Balance Sheet		<ul style="list-style-type: none"> <li>- The reporting entities questioned the relevance of this schedule. Noted that it was mainly concerned with the working capital items, customer receivables, customer deposits, a/p, etc.</li> <li>- EPCOR noted that it is not capable of splitting out the RRT portion from the non-RRT. ENMAX and DERS stated that they can split out the RRT assets and liabilities.</li> <li>- <i>The AUC is to determine whether it will accept this inconsistency.</i></li> <li>- Pending the AUC’s decision on the issue of EPCOR not being able to provide this information, the participants agreed to defer discussion of what the required level of detail for the line items on this schedule needs to be.</li> </ul>
Review of the DRT Schedules		<ul style="list-style-type: none"> <li>- Discussion was limited as most of the changes made to the RRT schedules are applicable to DRT schedules, exceptions are noted below.</li> </ul>
DRT Schedule 1 – Summary of Default Rate Tariff Income		<ul style="list-style-type: none"> <li>- Agreed to change Gross Profit to say Gross Margin or Gross Contribution. <i>AUC to review and propose a new name.</i></li> </ul>
DRT Schedule 5 – Summary of DRT Tax		<ul style="list-style-type: none"> <li>- AUI indicated that it cannot split out taxes directly related to the provision of the DRT.</li> </ul>

## **Appendix A - Summary of Action Items**

<b>Action Item</b>	<b>Participant Responsible</b>
If system modifications were required, would those costs be recoverable?	AUC
AUC to consider renumbering the schedules.	AUC
Currently none of the reporting entities can provide a breakdown of the revenue and expenses related to the flow through costs, which include franchise fees, distribution and transmission tariffs. Does the AUC require a breakdown of the flow thru revenues and expenses as had been proposed?	AUC
It was agreed to change line 3 - Energy Purchases to a more descriptive name, e.g. Energy Costs, or Energy Expenses. The four reporting entities are to each identify a title and draft a definition of this line that identifies the components comprising it. Cost factors used in the EPSP or GCFR to determine the commodity price, would be expected to be included in the purchase line	DERS EPCOR ENMAX ALTAGAS
The AUC is to determine whether it requires a breakdown of line 3 specifically, expenses related to energy. The reporting entities expressed concerns as to whether their internal systems could even report at more detail.	AUC
AUC will draft a definition for disallowed costs	AUC
AUC and EPCOR to discuss further how guarantee fees and costs of lines of credit should be reported.	AUC EPCOR
AUC to confirm whether the naming of Schedule 3 will be Summary of Expenses or Non-energy Expenses.	AUC
It was agreed to the use Sites, not customers, as the volumetric standard. ENMAX to provide their definition of a site for consideration by the participants	ENMAX
DERS to confirm that it can show the flow through revenues separately by class (on schedule 6) as they didn't do this last year	DERS
Reporting entities proposed to delete schedule 7. AUC to confirm its acceptance.	AUC
Reporting entities proposed to delete schedule 8. AUC to confirm its acceptance.	AUC
EPCOR is to confirm under which category it expenses the AUC Assessment.	EPCOR
The AUC is to revise schedule 10 to reflect the changes agreed upon for the preceding schedules	AUC
The AUC is to determine whether it will accept reporting inconsistencies on schedule 11.	AUC
DRT Schedule 1- Agreed to change Gross Profit to say Gross Margin or Gross Contribution. AUC to confirm name change.	AUC

## **Appendix B - Meeting Participant Listing**

<b>Name of Participant</b>	<b>Entity Represented</b>	<b>Entity's Role</b>
Jennifer Coleman	AltaGas Utilities Inc. (AltaGas) <sup>1</sup>	Reporting Entity – DRT Provider
John Fauville	Direct Energy Regulated Services (DERS)	Reporting Entity – RRT Provider and DRT Provider
James McIntosh (9:00 to 10:30 only)	Direct Energy Regulated Services (DERS)	Reporting Entity – RRT Provider and DRT Provider
Sarah Puddicombe (9:00 to 10:30 only)	Direct Energy Regulated Services (DERS)	Reporting Entity – RRT Provider and DRT Provider
Kate Leonard	ENMAX Energy Corporation	Reporting Entity – RRT Provider
Louise Kaiser	ENMAX Energy Corporation	Reporting Entity – RRT Provider
Paul Gauthier	EPCOR Energy Alberta Inc. (EPCOR)	Reporting Entity – RRT Provider
Annie Mah	EPCOR Energy Alberta Inc. (EPCOR)	Reporting Entity – RRT Provider
Silvia Danchuk	Alberta Utilities Commission (AUC)	Regulator
Darcy Mazurkewich	Alberta Utilities Commission (AUC)	Regulator
Robert Thomas (9:00 to 10:00 only)	Alberta Utilities Commission (AUC)	Regulator

<sup>1</sup> AUI provides both gas distribution and Default Rate Tariff services to its customers. It is the only gas (or electricity) distributor regulated by the AUC, which has opted to provide both services as allowed under the Default Gas Supply Regulation AR184/2003.