

Comment Matrix

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	<p>and to ensure AUI and the Commission share a common understanding of the information provided in AUI's report.</p> <p>In actual practice, AUI has no plans to segregate its distribution service operations from its default supply provider operations. In AUI's submission, the appropriate method of determining the costs for the default supply provider operations is to utilize the avoided cost information used to develop the DSP Administration Fee and the cost information used in AUI's monthly gas cost recovery rate (GCFR) filings. AUI considers this approach to be appropriate as it provides the AUC with separate reporting for the Distribution and DSP functions, while reflecting the reality AUI's DSP and Distribution functions are fully-integrated. This is also a practical approach, as it avoids the need to make material changes to AUI's accounting framework to create artificial results.</p>	<p>The AUC requires that AUI populate the cost schedules based on the current methodology used in the derivation of the DSP administration fee as approved by the AUC.</p>
<p>Rule 005 Wording Revisions</p>	<p><u>UCA</u></p> <p>UCA notes that, under Rule 005, Section 3 (4), the draft rule states:</p> <p style="padding-left: 40px;">An electric utility or a regulated rate provider must file its annual report with the Commission on or before May 1 of the year which follows the reporting year.</p> <p>Under Section 3 (5) the draft Rule 005 states:</p>	<p>The AUC and the consultation process participants during their April 28, 2010 meeting agreed on the scope of the review (see the project charter). For two reasons, the scope excluded a review of the filing dates; May 1st for electric utilities and regulated rate providers, and May 15th for gas utilities and default supply providers.</p> <p>The first reason is that the filing dates are a general</p>

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	<p>A gas utility or a default supply provider must file its annual report with the Commission on or before May 15 of the year which follows the reporting year.</p> <p>Further the UCA notes that utilities must publically disclose financial results much earlier than May 1. On SEDAR, the website that contains public information, utilities disclose information much earlier than May 1. Following is a list of utility disclosure dates for 2009 information from SEDAR</p> <ul style="list-style-type: none"> · EPCOR Utilities Inc. - 2009 results were posted on Sedar on March 12, 2010 · ATCO Ltd - 2009 results were posted on Sedar on February 18, 2010 · AltaLink LP - 2009 results were posted on Sedar on February 22, 2010 · Fortis Alberta Inc. - 2009 results were posted on Sedar on February 4, 2010 · AltaGas Utilities Group - 2009 results were posted on Sedar on March 2, 2010 <p>Given that corporations disclose information much earlier in the year, the UCA submits that the May 1 deadline should be advanced. The UCA submits that for entities that disclose information publically on SEDAR, information filed with the AUC under Rule 005 should be filed within one week of disclosure of information on SEDAR. Further, for entities that do not disclose information on</p>	<p>issue that would have required the participation of the utilities, who were not participating in this process.</p> <p>The second reason is that the filing dates were discussed in the consultation process leading to the issuance of Directive 014 by the Alberta Energy and Utilities Board in 2004. In the Directive 014 consultations, the utilities and providers stated that their resources for the first quarter of the calendar year are concentrated on year end and first quarter reporting. April is the earliest time that they have the capacity to prepare the regulatory reporting schedules.</p> <p>However, the AUC will bring this matter forward in a future discussion to revise Rule 005.</p>

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	<p>SEDAR, that March 15 is a reasonable deadline, and at the latest, the deadline for providing information is April 1.</p> <p>In addition, UCA notes under draft Rule 005, Section 6 states:</p> <p style="padding-left: 40px;">Time Extension A utility, default supply provider or regulated rate provider may request an extension to the required date of filing, provided that the application is received 30 calendar days prior to the required filing date specified in this rule.</p> <p>It appears that as long as the utility, default supply provider or regulated rate provider makes the request within the time frame stipulated, the request will be granted. Unless there are compelling reasons why the utility or provider cannot file on time, the time extension should not be granted upon request.</p>	<p>The wording of section 6 is to inform these entities that an exemption request must be made 30 days before the filing date to be considered. It does not state that the extension request will be granted. It is up to the Commission to determine whether the extension should be granted or denied.</p>
<p>Schedule A Purpose of schedules</p>		
<p>Schedule 1 Regulated Rate Tariff / Default Rate Tariff income statement</p>		

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Schedule 2 Revenue by customer class		
Schedule 3 Sites and energy sales by customer class		
Schedule 4 Energy and operation expenses	<p><u>UCA</u></p> <p>Line 4 DSP & 12 RRT Customer education and awareness: costs associated with customer education regarding rates, understanding energy and energy conservation options, and reminding customers about choice as approved by the AUC.</p> <p>UCA notes that in Decision 2009-238 page 33 and Decision 2010-483 page 17, the AUC disallowed costs for customer education for conservation and choice for DERS and EEC respectively. The inclusion of this line item as presented no longer appears to be appropriate and may suggest that this type of cost is commonly accepted as part of the service provider’s revenue requirement. Costs related to this item, such as web-sites could be included in “operational and administration costs” or “other category”.</p> <p>Line 7 RRT Net Hedging cost or settlement for differences. Please explain why this line item is necessary. The difference is generally between the hedge price and the AESO hourly price. The hedge price is incorporated into customer’s rates. The provider is not at risk. (This cost or revenue is</p>	<p>Agreed. The AUC has removed this specific line in the schedules for both the regulated rate providers and default supply providers.</p> <p>Schedule 4 is designed to accommodate regulated rate providers who undertake their own electricity procurement (line items 1 to 8) and those providers who outsource the electricity procurement and associated risks (line 9). As identified in AUC Proceeding No. 1032, EEAI</p>

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	<p>typically offset by the risk margin embedded in the hedge price – even the monthly hedges. This margin accrues to the counterparty.</p> <p>Line 9 RRT it is not clear if this line item includes all risk margins negotiated in the Energy Price Setting Plans (EPSP). Nonetheless, the annual costs for all the various risk margins negotiated, whether embedded in the transfer price or not, should be identified separately from other cost items in this category. If there is a transfer price that includes a risk margin(s) or incentives, the total annual cost of the risk margin(s) and incentives, rather than only the unit cost, should be reported. The unit price is the approved and expected cost, whereas the annual cost is the actual cost. Unless this is reported, there is no way to determine the actual margin for the provision of electrical energy.</p>	<p>2011-2014 Energy Price Setting Plan Application, EEAI notes that it plans to bear all risks associated with the supply of electricity services to regulated rate customers in the 2011-2014 plan.</p> <p>Regulated rate providers that outsource electricity procurement are required to file their annual expenses for this outsourcing in line 9. Each regulated rate provider independently of the others determined its transfer price with its affiliated trading floor, this fact plus the fact that each RRP’s EPSP calculations are unique, means that each RRP’s transfer price is unique. In recognition of this situation, the line item description for line 9 (quoted below with emphasis added), clearly requires additional supportive information from each regulated rate provider as to the details of the transfer price calculation.</p> <p>“Other electricity procurement costs: includes all other expenses directly related to the procurement of electricity. Providers are required to either file a copy of their service agreement with their related trading floor (if one exists) that details the calculation and use of the transfer price, or a detailed explanation of how the transfer price is calculated and its use, especially with regard to prior period adjustments and costs recovered in the energy rate, but expensed directly by the provider.”</p>
<p>Schedule 5 Debt capital employed and interest expense</p>	<p><u>AltaGas Utilities Inc.</u> AUI is able to provide debt carrying cost information related to its default gas supply</p>	<p>This schedule was designed to accommodate all regulated rate and default supply providers. The</p>

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	<p>function. However, AUI does not assign specific debt to this function. AUI is also able to provide additional information to explain the derivation of the DSP financing costs.</p>	<p>long term debt portion of the schedule is for use by providers who have issued long term debt specifically for the provision of their regulated rate or default supply tariff. Other providers are to report their allocated carrying costs on the short term debt line.</p>
<p>Schedule 6 Income taxes / Payment In Lieu Of Taxes (PILOT)</p>	<p><u>EPCOR</u></p> <p>Under Canadian GAAP protocol, row 6 is a Taxes Payable, and Current Income Tax Expense value. This value will not be shown on the income statement as income tax expense as the income statement value will contain deferred income tax provision amounts. If the intent of the Commission is for RRT providers to reconcile current income tax expense to total income expense on the income statement, EEAI recommends that another row, containing deferred income tax expense values, be added to the schedule.</p> <p>The definition provided by the Commission for Schedule 6, row 8 states “Income tax or PILOT: is the amount shown in line item 6 on schedule 1, as the income tax expense if a taxable entity, or if the entity is owned by a municipality it is the amount to be paid to the Balancing Pool under the Payment in Lieu of Taxes regulation AR 112/2003.” The wording above references both income tax expense and income taxes payable (...the amount to be paid to the Balancing Pool...). EEAI requests that the Commission provide guidance as to whether the</p>	<p>Agreed. Deferred tax provision (if applicable), has been added to schedule 6 as line 8. Also, to provide further clarity, the AUC has moved PILOT from line 9 to line 6.</p> <p>The purpose of schedule 6 is to set out a detailed income tax expense calculation used to determine the total income tax provision or PILOT for the regulated operations of the provider.</p>

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	<p>intent of Schedule 6 is to provide a taxes payable value or an income tax expense value.</p> <p>EEAI also requests clarification regarding whether the balance on row 8 or row 6 is to carry forward to Schedule 1. The definition for row 8 indicates that row 8 should carry forward to Schedule 1, yet row 6, Schedule 6 is referenced to Schedule 1.</p> <p>The definition provided by the Commission for Schedule 6, row 7 states “Adjustments to current tax provision: can include prior or current year (over)/under provisions or any other adjustments required to reconcile to the audited financial statement tax amounts. Provide a detailed explanation of any adjustments reported.” EEA I requests the Commission to add detail on whether the requested reconciliation is to the income taxes payable or income tax expense value on the audited financial statements.</p>	<p>Based on the revised Schedule 6, row 9 is to carry forward to Schedule 1 and to the RRT (or DRT) portion column in schedule 11.</p> <p>The requested reconciliation is to the income tax expense.</p>
Schedule 7 Capital assets continuity schedule		
Schedule 8 Manpower summary		
Schedule 9 Reserve accounts		
Schedule 10 Affiliate transactions		
Schedule 11 Reconciliation of regulatory schedules to audited income	<p><u>AltaGas Utilities Inc.</u></p> <p>Audited income statements will not be available for</p>	<p>AltaGas Utilities Inc. should continue to file its</p>

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statement	AUI's DSP function, as the DSP and Distribution functions are fully integrated.	audited financial statements as it has done in the past.