

Bulletin 2014-09

April 30, 2014

Streamlining the debt application process for utilities

The Alberta Utilities Commission (AUC or the Commission) conducted a consultation with stakeholders in September 2013 as a follow-up to its annual stakeholder survey conducted earlier that year. The key focus of that consultation was to identify improvements to the timeliness and efficiency of processing applications. Stakeholders and AUC staff identified three items that could be acted upon in the near term. Those were:

1. Brownfield applications.
2. Proceeding timeline information in the initial process letter (for both rate and facility applications).
3. Debt applications.

The Commission has initiated further consultation on brownfield applications and anticipates that enhancements to AUC Rule 007: *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations and Hydro Developments* will occur in the 2014-2015 fiscal year. The initial process letters for rate and facility applications have been amended to include proceeding timeline information.

After a review of the debt application process, the Commission determined that posting a minimum filings guideline on its website would assist the utilities in identifying the necessary information to include in their applications. Additionally, the amount of time allowed to file a statement of intent to participate (SIP) in a debt application proceeding has been reduced from two weeks to one week.

For debt applications, Section 101(2)(a)(ii) of the *Public Utilities Act* and Section 26(2)(a) of the *Gas Utilities Act* require Commission determination of (a) whether the proposed issuance is to be made in accordance with law, and (b) whether the Commission is satisfied regarding the purposes of the proposed debt issuance described in the application. The following list has been prepared in accordance with the requirements of the legislation.

Minimum filings for debt applications:

1. Substantiate the purpose of the issuance, for instance:
 - a) If the purpose of the issuance is to meet the capital structure prescribed in a generic cost of capital proceeding, please submit a pro forma capital structure before and after debt issuance.
 - b) If the purpose of the issuance is to finance capital expenditure, please include a forecast of the capital expenditure with reference to the general tariff application or performance-based regulation capital tracker application where the expenditure was

- approved, or is currently being processed in an application or will be filed for approval. For utilities whose rates are set using performance-based regulation, and for whom the debt is being issued to finance capital expenditures that have not been applied for as capital trackers, provide high-level descriptions of the capital expenditures that the debt is meant to finance.
- c) If the purpose of the application is to refinance existing debt, please provide a list of the utility's debt facilities that the new debt issuance will be replacing.
 2. Legal opinion confirming that all required corporate governance authorizations for the issuance of the debt have been obtained and that debt may be legally incurred by the utility.
 3. Resolution of the applicant's board of directors authorizing the creation of debt, specifying the date on which the resolution was passed.
 4. Principal amounts and corresponding maturity dates.
 5. Terms and conditions of the debt such as estimates of the time of issuance, interest rate per annum, and any other relevant details.
 6. In the case of an intercompany issuance, please provide details of the entity going to the market, the estimated time of issuance, the amount of debt to be raised in the market, the coupon rates for that debt, the corporate structure through which the issuance flows through to the utility and the coupon rates that will be applicable to the utility.
 7. The distribution of the issuance, if any, between various functions of a utility (i.e. distribution and transmission) or between utility affiliates.

The Commission thanks stakeholders for their time and participation in the consultation process and for their efforts in reviewing related material and providing comments.

Any questions related to this bulletin can be sent by email to the director of the AUC's regulatory policy division, Robert Thomas, at robert.thomas@auc.ab.ca.

(original signed by)

Robert D. Heggie
Chief Executive