



Calgary



GPT2021-0131
Regulatory Update



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CITY OF CALGARY
RECEIVED
IN COUNCIL CHAMBER

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ITEM: #7.6 GPT2021-0131

R. Miller

CITY CLERK'S DEPARTMENT

Why does this matter to Calgarians?

- In 2020 electricity and natural gas distribution utilities in Alberta applied for a total of \$68 million in rate increases to account for a proposed anomaly in their Performance Based Regulation (PBR) formula.
- The City intervened in this proceeding to submit that the anomaly should not be approved for ATCO Gas ratepayers (\$27 million).
- All intervenor submissions, including those made by The City were cited as persuasive by the Alberta Utilities Commission (AUC).
- The entire \$68 million electricity and natural gas distribution rate increase was denied.

Background

- Electricity and natural gas distribution utilities have had their customer rates set via a formula known as PBR since 2013.
- The PBR formula is set annually with the calculation being basically as follows;
 - Upcoming year Revenue per customer = Current year Revenue per customer +/- a number of factors;
- The first generation PBR plan was in place from 2013-2017.
- The second generation PBR plan is in place from 2018-2022.

PBR Anomalies

- Under the second generation PBR plan utilities were given the opportunity to apply for two types of anomalies.
 1. Operations and Maintenance (O&M) anomalies - (the Commission has never approved an O&M anomaly).
 2. Actual capital retirement anomalies – (the Commission has approved one retirement anomaly).
- On 2020 March 2 the Commission initiated the second generation PBR Anomaly adjustment proceeding and invited parties to submit applications.
- A diverse assortment of anomalies were applied for by parties. One anomaly which all utilities applied for was the Inflation factor.

Proceeding parties

All Alberta electricity and natural gas distribution utilities (except for EPCOR) submitted Inflation factor applications.

Interveners

Utilities Consumer Advocate, Consumers Coalition of Alberta, The City

As is always City practice, the regulatory intervention was limited to the ATCO Gas application.

The below is from paragraph 34 of AUC Decision 25422.

“The Commission **agrees, in this regard, with Calgary** that the utilities knew, or ought to have known, of the negative I factor in 2016 and had time to adjust business plans for it to ensure that they would continue to have an opportunity to earn a fair return. ...the Commission is convinced that the negative I factor would have been known in 2016 and accordingly, the utilities would have had time to adjust their business plans and take any action required to influence their opportunity to earn a fair return.”

Positive results

- The Corporation will save approximately \$200,000 annually (total of \$1 million over the five year term) in Natural Gas and Electricity distribution costs as a result of this Decision to not increase second generation PBR rates.
- Ratepayers in Alberta will see a total savings of \$68 Million
- Ratepayers in Calgary will see a total savings of approximately \$30 Million



Questions?