

**Chief Financial Officer's Report to  
Gas, Power and Telecommunications  
2019 November 14**

**ISC: UNRESTRICTED  
GPT2019-1373  
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**Summary of Current Proceedings**

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**EXECUTIVE SUMMARY**

This report summarizes developments in The City's regulatory proceeding interventions since 2019 September 12.

**ADMINISTRATION RECOMMENDATION: Review by 2022 November 14**

That the Gas, Power and Telecommunications Committee:

1. Receive this report for the Corporate Record; and
2. Direct that the Report and Attachment be heard in a closed meeting pursuant to Section 23 of the Freedom of Information and Protection of Privacy Act and remain confidential pursuant to Section 24 of the Freedom of Information and Protection of Privacy Act and review by 2022 November 14.

**RECOMMENDATION OF THE GAS, POWER AND TELECOMMUNICATIONS COMMITTEE,  
DATED 2019 NOVEMBER 14:**

That Council:

1. Receive the Confidential Report for the Corporate Record;
2. Direct Administration to make a presentation on point 8 in Attachment 1, in closed session at the December 16 Combined Meeting of Council; and
3. Direct that the Report, Attachment and Closed Meeting discussions remain confidential pursuant to Section 23 (local public body confidences) and Section 24 (advice from officials) of the Freedom of Information and Protection of Privacy Act until reviewed for consideration of public release on or by 2022 November 14.

**PREVIOUS COUNCIL DIRECTION / POLICY**

This is an information report requested by the Gas, Power and Telecommunications Committee (GPT) every second meeting.

**BACKGROUND**

Administration monitors and participates as necessary in regulatory proceedings to protect the interests of The City in its role of municipal government. The GPT committee provides direction and oversight for The City's participation in regulatory proceedings.

Since the last Current Proceedings report the most active files have been the two depreciation proceedings currently before the Alberta Utilities Commission (AUC).

**Method to account for new depreciation parameters under the 2018-2022 Performance Based Regulation Plans (PBR)**

This proceeding was initiated by the AUC on 2019 May 29. The issue under review is how updated depreciation parameters should be incorporated into customer rates. There was some ambiguity in the original directions on how depreciation changes should impact the PBR formula. The City position is that ratepayers should share in the benefits of updated depreciation. The record for this proceeding closed on 2019 October 16. The Commission has

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90 days to make a Decision. This is a very important proceeding for ATCO Gas because if the Commission decides in Calgary's favor it will lower their PBR funding throughout the 2018-2022 second generation PBR term.

### **Second stage review proceeding to consider the concepts and principles of an anomaly adjustment**

On 2019 February 14 the AUC initiated a proceeding to examine the concepts and principles of an anomaly adjustment to the Performance Based Regulation (PBR) framework for the 2018-2022 term. This is an important proceeding for the City, as ATCO is attempting to have any adjustment to its Wipro costs ordered in Decision 20514 (the Wipro Decision) be shielded from impacting the PBR companies (ATCO Gas and ATCO Electric - Distribution).

ATCO has estimated that the impact to their earnings of the Wipro Decision will be greater than \$150 million. In this proceeding ATCO has been very aggressive in arguing that the PBR companies not be subject to the impacts of the Wipro Decision as the cuts ordered do not meet ATCO's preferred definition of an anomaly. This would essentially mean that natural gas and electricity distribution ratepayers in Alberta would not see any reductions to their costs.

The City filed written argument in this proceeding on 2019 October 22. The argument focused on why any determinations made by the Commission in this proceeding should have no impact on the Wipro Decision. The Commission has set the next process as oral argument in Edmonton for 2019 November 1. Regulatory staff will be in attendance and prepare oral argument to support the position of the City.

## **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Attachment 1 details developments in regulatory proceedings where The City is currently participating.

### **Stakeholder Engagement, Research and Communication**

As this is an information report to GPT, no stakeholder engagement or communication is required. A summary of the research results for each proceeding is available in the attachment.

### **Strategic Alignment**

The City's involvement in regulatory proceedings is in alignment with the mandate of the Gas, Power, and Telecommunications Committee.

### **Social, Environmental, Economic (External)**

No implications were identified.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

All current proceedings have been included in the 2019 work plan.

#### ***Current and Future Capital Budget:***

No implications were identified.

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### **Risk Assessment**

Where there are risks to The City, they are identified in Attachment 1.

### **REASON(S) FOR RECOMMENDATION(S):**

The Gas, Power and Telecommunications Committee requests that a Current Proceedings report be prepared every second meeting to provide an update on current regulatory activity.

### **ATTACHMENT(S)**

Attachment 1 – Summary of Current Proceedings