



September 09, 2009

Alberta Utilities Commission
10055 – 106 Street
Edmonton, Alberta
T5J 2Y2

Attention: Mr. David Cherniwchan
Application Officer
Utilities Division

Dear Sir:

**RE: ATCO Electric Ltd. 2010 Distribution Tariff Application
Application No. 1597983, Proceeding ID 143, Responses to AUC
Information Requests**

Please find attached ATCO Electric's responses to the AUC's Information Requests with respect to its 2010 Distribution Tariff Phase II Negotiated Settlement.

This information has been uploaded onto the AUC Electronic Application System.

Should you have any questions regarding the above, please contact me at (780) 420-7492.

Sincerely,

Original Signed by James Grattan

James Grattan, C.A.
Manager Pricing

JG/by

ATCO ELECTRIC
2010 Distribution Tariff Application No. 1597983
Proceeding ID 143

Information Response No. 3 To:
Alberta Utilities Commission (AUC)
Received: September 3, 2009

AUC-AE-20

Reference: **Negotiated Settlement Agreement (NSA) - Clause 8(b)**

Issue/Sub-Issue: Street Light Assignment of Costs

Quote: ATCO Electric will continue updating the Street Light Assignment of Costs Study (the "SLAC Study") with current work orders during 2009 and, thereafter, will discontinue the work order update process in 2010, which process shall be replaced with the use of an inflation factor to adjust the RCCA Study database. The inflation factor to be applied shall be determined by ATCO Electric with reference to an appropriate inflation factor such as the Handy Whitman and/or the Electric Utilities Construction Price Index (the "EUCPI")

Preamble: The Commission would like to gain a better understanding of this settlement clause.

Request:

- (a) What years and percentage of street light costs will be included in the SLAC by the end of 2009 after the updating of the model with current work orders is discontinued? Please discuss whether adding additional work orders would increase the accuracy of the allocation of costs, or cause significant cost shifts between rate classes.
- (b) The settlement clause quoted above indicates that the updating process will be replaced with the use of an inflation factor to adjust the Rural Capital Cost Assignment (RCCA) Study database. Was this meant to refer to the SLAC

database? If not, please explain the relationship between the RCCA database and the SLAC database.

- (c) Please describe how updating the RCCA database will impact the SLAC database and the costs allocated using the SLAC.
- (d) How will AE update the RCCA/SLAC by the use of an inflation factor? Please provide a simplified demonstrative example and explain the impact it will have on customer classes.
- (e) How will AE determine which inflation factor should be used for updating the database? Will AE be able to change the type of factor which is used from year to year? Please explain.

Response:

- (a) As stated in ATCO Electric's 2010 Distribution Tariff Application, page 4-7, lines 21-27, the SLAC database currently contains streetlight work orders from 1951 to 2004 and represents approximately 97% of the investment in streetlights as of 2004. ATCO Electric will continue the work order update process during 2009 with the incorporation of 2005 and 2006 streetlight work orders into the existing SLAC database. By the end of 2009, ATCO Electric expects the SLAC database will include streetlight work orders from 1951 to 2006 and will continue to represent approximately 97% of the investment in streetlights as of the end of 2006.

ATCO Electric does not expect the incorporation of the additional 2005 and 2006 work orders into the SLAC database will significantly increase the accuracy of the allocations or cause significant cost shifts between rate classes. As stated in AUC-AE-11 (c), ATCO Electric expects that the non-streetlight percentages shown in Table 1 will be very similar with minimal change after incorporation of the 2005 and 2006 work orders. As stated in the information response, the "...allocation percentages will be applied to all future streetlight additions to determine the non-streetlight account additions. This should produce consistent results in future years".

- (b) The sentence referencing the "RCCA Study" should have read the "SLAC Study".

- (c) The updating process for the RCCA database will not impact the SLAC database or the costs allocated using the SLAC. These are two separate studies that are similar in design but are independent of each other. Please refer to (b) above.
- (d) Please refer to Schedule AUC-AE-20(d) for a visual example of the data set used, and proposed to be used, to determine cumulative average costs for the 2008 study update, the 2009 study update and the 2010 study update. The cumulative average 1960 to 2007 RCCA costs by rate class were shown in AUC-AE-8(a). These cumulative average historical costs by rate class reflect data from approximately 1960 to 2007. ATCO Electric will update these cumulative averages with actual 2008 work orders during 2009. The historical RCCA data base will thus include costs from 1960 to 2008 with a derived cumulative average for each rate class. The resultant cumulative averages will not change significantly from those shown in AUC-AE-8(a). After the 2009 work order update process is complete, ATCO Electric will discontinue the annual work order analysis. The 2010 update process will apply an inflation factor to actual 2008 work orders to derive estimated 2009 work order costs. These estimated 2009 work order costs will then be added to the historical RCCA database to derive cumulative average RCCA costs by rate class for the years 1960 to 2009. Again, ATCO Electric does not expect significant changes from year to year.
- (e) ATCO Electric will review the two referenced indices to determine which one or both best reflects the inflation rate associated with the growth of its GPP&E. A decision on which index to choose cannot be made until the point in time the study is updated. Given the size of the RCCA database, ATCO Electric notes the choice of an inflation factor applied to a future year's additions will have a very small impact on the overall average RCCA costs by rate class.



Year	2010 DTA		
	2008 Update	2009 Update	2010 Update
1960	Determine 1960-2007 Average Historical Cost	Determine 1960-2008 Average Historical Cost	Determine 1960-2009 Average Historical Cost
.			
.			
.			
.			
2007			
2008			
2009			

2009 Update

- Include Actual 2008 Work Order costs into historical RCCA database to derive **1960-2008** Average Historical Cost
- Work Order Update Process is discontinued thereafter

2010 Update

- Apply inflation factor to Actual 2008 Work Order costs to derive 2009 Work Order Cost Estimate
- 2009 Work Order Cost Estimate added to historical RCCA database to derive **1960-2009** Average Historical Cost

ATCO ELECTRIC
2010 Distribution Tariff Application No. 1597983
Proceeding ID 143

Information Response No. 3 To:
Alberta Utilities Commission (AUC)
Received: September 3, 2009

AUC-AE-21

Reference: NSA, Schedule 5-B-1 Summary of Revenues and Costs

Issue/Sub-Issue: "Rate" Revenue Requirement Change between NSA and the Omissions and Updates Filing

Preamble: Revenues and costs shown as shown on Schedule 5-B-1 in the Omissions and Updates Filing totaled \$447.0 million while amounts shown in the related schedule for the NSA totaled \$423.8 million.

The Commission would like to review the changes to and confirm the amount used for the "Rate" Revenue Requirement, and review the schedules used to determine customer rates.

Request:

- (a) Please provide a reconciliation of the difference of \$23.2 million (from \$447.0 - \$423.8 in preamble) and please identify how this amount was determined.
- (b) Please provide the updated Cost of Service Study schedules which support the amounts used in the NSA. Please identify and explain areas of material change between the Cost of Service schedules for the NSA and the Cost of Service schedules provided in the February 20, 2009 Omissions and Updates Filing.
- (c) Please confirm whether the Billing Determinants information from the Omissions and Updates Filing was used for NSA schedule calculations. If the Omissions and Updates Filing Billing Determinants were not used, please provide the information that was used for the NSA. Please identify and explain areas of material change between the NSA and the Omissions and Updates Filing Billing Determinants information.

Response:

- (a) Please refer Schedule AUC-AE-21(a).xls that details the difference of \$23.2 million between the \$447.0 included in the Omissions and Updates Filing and the \$423.8 million used as the preliminary estimate placeholder to reflect the impact of Decision 2009-087.
- (b) Please refer to the uploaded spreadsheets for the Distribution (COS98A43.xls, BIAS3PRI.xls, BIASCDE.xls, Contrib.xls, COSTS.xls, Deprec.xls, GPP&E.xls, Mif.xls, MNA.xls, PropTax.xls, rbase.xls, Reserve.xls, Rider_E.xls) and Transmission models (2010 Forecast Allocation of Costs 31D Split.xls). The Transmission schedule has not changed while the Distribution schedules reflect the values used as placeholders for the Negotiated Settlement.
- (c) Confirmed. The billing determinants from the Omissions and Updates Filing were used to determine rates for the NSA. These are the same determinants that were approved in Decision 2009-087 regarding ATCO Electric's 2009 – 2010 Phase I GTA.

Reconciliation			
	O&U Filing	NSA Filing	Change
Distribution	301,225	278,036	(23,189) Decrease from O&U Filing ties to Schedule 5-B-1
Transmission	145,796	145,795	(0) No Change
Total	447,021	423,831	(23,189) Total decrease from Omissions and Updates Filing

Distribution Revised Filing (February 20, 2009 Omissions and Updates Filing)

Rate Class	Depreciation Totals (\$000)	Return Totals (\$000)	Income Tax Totals (\$000)	Mgmt. Fee Totals (\$000)	Common Totals (\$000)	O&M Expense Totals (\$000)	Lights Totals (\$000)	Metering Totals (\$000)	General Totals (\$000)	Load Settlement Totals (\$000)	Customer Care Totals (\$000)	Wholesale Billing Totals (\$000)	Property Tax Totals (\$000)	Retailer Billing Totals (\$000)	Total Before A&G Totals (\$000)	Unassigned Customer Care Totals (\$000)	Totals Before A & G (\$000)	A & G Totals (\$000)	Revenue Offset Totals (\$000)	Rider E Adjust. Totals (\$000)	Distribution Totals (\$000)
Residential Rate 11	26,375	32,363	3,930	3,083	19,785	4,563	-	384	1,918	2,302	-	8,185	632	2	103,521	885	104,406	11,792	(4,396)	(1,204)	110,598
General Service Rate 21	9,194	11,281	1,370	1,245	7,136	1,777	-	582	701	446	-	1,504	231	1	35,468	303	35,771	4,040	(726)	(469)	38,616
Irrigation Rate 25	46	57	7	14	56	26	-	0	5	1	-	7	2	0	222	2	224	25	(4)	(12)	234
Irrigation Rate 26	-	-	-	-	-	-	-	-	-	-	-	0	-	0	0	0	0	0	(0)	-	0
Industrial Rate 31	23,862	29,276	3,555	2,113	18,707	6,282	-	1,148	1,637	827	1,120	1,735	539	10	90,813	776	91,589	10,345	(475)	(2,623)	98,836
Industrial Rate 32	13	16	2	7	22	8	-	18	2	3	136	91	1	0	317	3	320	36	(29)	(6)	321
Main Tx Rate 31T & 33T	14	17	2	-	13	-	-	18	1	162	68	87	0	2	385	3	388	44	(18)	-	415
Oilfield Rate 41	4,763	5,845	710	1,922	6,020	2,613	-	61	541	181	1,052	700	178	1	24,587	210	24,797	2,801	(254)	(861)	26,482
REA Farm Rate 51	64	79	10	-	1,003	440	-	23	83	105	-	461	27	0	2,295	20	2,315	261	-	-	2,577
REA Farm Rate 52	-	-	-	-	-	-	-	-	-	29	-	98	-	-	127	-	127	14	-	-	141
Farm Service Rate 56	2,508	3,079	374	659	3,304	1,441	-	77	311	319	-	1,054	102	0	13,231	113	13,344	1,507	(562)	(1,452)	12,837
Street Light Rate 61	1,004	1,233	150	939	2,247	68	2,081	-	198	20	-	743	65	0	8,749	75	8,824	997	(438)	(7)	9,375
Sentinel Light Rate 63	154	189	23	7	116	4	124	-	10	58	-	164	3	0	852	7	860	97	(97)	(67)	793
Total	67,998	83,435	10,131	9,988	58,410	17,224	2,205	2,310	5,409	4,453	2,376	14,832	1,781	16	280,568	2,397	282,965	31,960	(7,000)	(6,700)	301,225

Distribution Negotiated Settlement Filing (Phase I Decision 2009-087 using placeholder estimates)

Rate Class	Depreciation Totals (\$000)	Return Totals (\$000)	Income Tax Totals (\$000)	Mgmt. Fee Totals (\$000)	Common Totals (\$000)	Brushing Totals (\$000)	Lights Totals (\$000)	Metering Totals (\$000)	General Totals (\$000)	Load Settlement Totals (\$000)	Customer Care Totals (\$000)	Wholesale Billing Totals (\$000)	Property Tax Totals (\$000)	Retailer Billing Totals (\$000)	Total Before A&G Totals (\$000)	Unassigned Customer Care Totals (\$000)	Totals Before A & G (\$000)	A & G Totals (\$000)	Revenue Offset Totals (\$000)	Rider E Adjust. Totals (\$000)	Distribution Totals (\$000)
Residential Rate 11	25,017	29,982	3,930	0	19,447	4,563	-	384	1,918	2,261	-	8,185	632	2	96,320	889	97,209	10,919	(4,396)	(1,204)	102,528
General Service Rate 21	8,721	10,451	1,370	0	7,013	1,777	-	582	701	439	-	1,504	231	1	32,791	303	33,094	3,717	(726)	(469)	35,616
Irrigation Rate 25	44	53	7	0	55	26	-	0	5	1	-	7	2	0	201	2	203	23	(4)	(12)	210
Irrigation Rate 26	-	-	-	-	-	-	-	-	-	-	-	0	-	0	0	0	0	0	(0)	-	0
Industrial Rate 31	22,634	27,122	3,555	0	18,387	6,282	-	1,148	1,637	826	1,120	1,735	539	10	84,995	784	85,780	9,635	(475)	(2,623)	92,317
Industrial Rate 32	12	14	2	0	22	8	-	18	2	3	136	91	1	0	308	3	311	35	(29)	(6)	311
Main Tx Rate 31T & 33T	13	16	2	-	13	-	-	18	1	162	68	87	0	2	383	4	386	43	(18)	-	412
Oilfield Rate 41	4,518	5,415	710	0	5,917	2,613	-	61	541	179	1,052	700	178	1	21,885	202	22,086	2,481	(254)	(861)	23,452
REA Farm Rate 51	61	73	10	-	986	440	-	23	83	103	-	461	27	0	2,267	21	2,288	257	-	-	2,545
REA Farm Rate 52	-	-	-	-	-	-	-	-	-	28	-	98	-	-	127	-	127	14	-	-	141
Farm Service Rate 56	2,379	2,853	374	0	3,247	1,441	-	77	311	314	-	1,054	102	0	12,153	112	12,266	1,378	(562)	(1,452)	11,629
Street Light Rate 61	952	1,142	150	0	2,208	68	2,081	-	198	20	-	743	65	0	7,628	70	7,699	865	(438)	(7)	8,118
Sentinel Light Rate 63	146	175	23	0	114	4	124	-	10	57	-	164	3	0	821	8	828	93	(97)	(67)	757
Total	64,498	77,296	10,131	0	57,410	17,224	2,205	2,310	5,409	4,392	2,376	14,832	1,781	16	259,880	2,397	262,277	29,460	(7,000)	(6,700)	278,036

Change Details

Rate Class	Depreciation Totals (\$000)	Return Totals (\$000)	Income Tax Totals (\$000)	Mgmt. Fee Totals (\$000)	Common Totals (\$000)	Brushing Totals (\$000)	Lights Totals (\$000)	Metering Totals (\$000)	General Totals (\$000)	Load Settlement Totals (\$000)	Customer Care Totals (\$000)	Wholesale Billing Totals (\$000)	Property Tax Totals (\$000)	Retailer Billing Totals (\$000)	Total Before A&G Totals (\$000)	Unassigned Customer Care Totals (\$000)	Totals Before A & G (\$000)	A & G Totals (\$000)	Revenue Offset Totals (\$000)	Rider E Adjust. Totals (\$000)	Distribution Totals (\$000)
Residential Rate 11	(1,358)	(2,381)	-	(3,083)	(339)	-	-	-	-	(41)	-	-	-	-	(7,201)	4	(7,197)	(873)	-	-	(8,071)
General Service Rate 21	(473)	(830)	-	(1,245)	(122)	-	-	-	-	(7)	-	-	-	-	(2,677)	(1)	(2,677)	(323)	-	-	(3,000)
Irrigation Rate 25	(2)	(4)	-	(14)	(1)	-	-	-	-	(0)	-	-	-	-	(21)	(0)	(21)	(3)	-	-	(24)
Irrigation Rate 26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	(0)	-	-	0
Industrial Rate 31	(1,228)	(2,154)	-	(2,113)	(320)	-	-	-	-	(2)	-	-	-	-	(5,818)	8	(5,809)	(710)	-	-	(6,519)
Industrial Rate 32	(1)	(1)	-	(7)	(0)	-	-	-	-	(0)	-	-	-	-	(9)	0	(9)	(1)	-	-	(10)
Main Tx Rate 31T & 33T	(1)	(1)	-	-	(0)	-	-	-	-	(0)	-	-	-	-	(2)	0	(2)	(0)	-	-	(2)
Oilfield Rate 41	(245)	(430)	-	(1,922)	(103)	-	-	-	-	(3)	-	-	-	-	(2,702)	(8)	(2,711)	(320)	-	-	(3,031)
REA Farm Rate 51	(3)	(6)	-	-	(17)	-	-	-	-	(2)	-	-	-	-	(28)	1	(27)	(4)	-	-	(31)
REA Farm Rate 52	-	-	-	-	-	-	-	-	-	(0)	-	-	-	-	(0)	-	(0)	(0)	-	-	(1)
Farm Service Rate 56	(129)	(227)	-	(659)	(57)	-	-	-	-	(5)	-	-	-	-	(1,077)	(1)	(1,078)	(129)	-	-	(1,207)
Street Light Rate 61	(52)	(91)	-	(939)	(38)	-	-	-	-	(0)	-	-	-	-	(1,121)	(4)	(1,125)	(132)	-	-	(1,257)
Sentinel Light Rate 63	(8)	(14)	-	(7)	(2)	-	-	-	-	(1)	-	-	-	-	(32)	0	(31)	(4)	-	-	(35)
	(3,500)	(6,139)	-	(9,988)	(1,000)	-	-	-	-	(61)	-	-	-	-	(20,688)	(0)	(20,688)	(2,500)	-	-	(23,188)

ATCO ELECTRIC
2010 Distribution Tariff Application No. 1597983
Proceeding ID 143

Information Response No. 3 To:
Alberta Utilities Commission (AUC)
Received: September 3, 2009

AUC-AE-22

Reference: NSA – Clause 8(c)

Issue/Sub-Issue: Brushing Study Recommendation

Quote: AE will organize a technical workshop in October or November of 2009 with the interveners and any other interested parties to discuss the following:

- (i) the possibility of developing a feeder analysis cost of service approach for the allocation of future Brushing and Common O&M costs;....

Preamble: AE and interested parties propose to develop a new methodology for the allocation of brushing and common O&M costs.

Request:

- (a) Please describe what a feeder analysis cost of service approach would involve.
- (b) How would a feeder analysis cost of service approach differ from past methods? How is the feeder analysis method an improvement over the Gross Property, Plant and Equipment method?
- (c) In Attachment 3-1 of Section 3 of the AE 2010 DTA Phase II Application, AE proposed that the 2008 DTA allocation methodology of Gross Property, Plant and Equipment be maintained for forecast brushing costs. Why is the feeder analysis cost of service approach now being considered as a replacement?

Response:

- (a) ATCO Electric envisions the feeder analysis cost of service approach as being a detailed customer by customer analysis of representative Point of Delivery (POD) feeders in ATCO Electric's service area. The objective will be to assign cost responsibility for distribution facilities between the customer's site location and the POD. The model will recognize characteristics that influence distribution cost of service such as customer density, customer size and service requirements, and customer location on the feeder. The feeder analysis is intended to be based on actual physical representative samples throughout the service area which would then be applied to all of ATCO Electric's customers in each rate class. The result would be customer and demand allocators which would be applied to ATCO Electric's Gross Property, Plant and Equipment (GPP&E) by fixed asset account.

- (b) The underlying difference between ATCO Electric's current methodology and the proposed distribution feeder analysis methodology would be in how GPP&E is allocated to customer classes. The current methodology uses the statistical tools of zero intercept and minimum plant studies to determine the customer and demand components of, for example, conductor investment. To that statistical customer/demand determination, ATCO Electric then allocates the customer component to each rate class on each rate classes' proportionate share of number of customers. Similarly, the demand component is allocated to each rate class on each rate classes' proportionate share of demand. This process is then done for each of ATCO Electric's remaining GPP&E fixed asset accounts.

The distribution feeder analysis methodology is a different method of determining each fixed asset account's customer and demand components along with the allocation of the customer and demand components to each rate class. For example, the customer component of conductor investment would be based on the amount of physical conductor directly attributable and assigned to each rate class customer. The demand component would be based on the amount of conductor that is shared by all rate classes. As noted in response to part (a) above, the key difference between the two methodologies is that the distribution feeder analysis methodology is based on actual physical distribution feeder information to assign and allocate GPP&E rather than the above noted statistical tools.

While the distribution feeder analysis methodology may theoretically be an improvement over the current approved methodology, ATCO Electric will not be able to confirm this until more detailed study work is completed. Until such time as the detailed work is completed, ATCO Electric proposes to continue to base its cost of service using the traditional statistical methodology for its next Distribution Tariff Application (DTA). When the distribution feeder analysis methodology is of a sufficient sample size, ATCO Electric will present, at the appropriate DTA, its forecast Cost of Service (COS) distribution model using both its current traditional methodology along with its proposed feeder analysis for comparison and discussion.

- (c) The allocation of brushing costs has been contentious in ATCO Electric's 2006, 2008, and 2010 DTAs. While ATCO Electric recognizes the concerns expressed with its current allocation process, ATCO Electric has been clear in its position that a better allocation methodology was not achievable based on the available data.. In IPCAA's evidence, dated May 6, 2009, Q28, page 13, IPCAA states: "While AE's COSS approach differs from Fortis', the concepts underlying the Fortis approach could be a useful guide for AE to consider when formulating future analyses for allocation of brushing costs." With the recent roll out of a new Geographic Information System (GIS) by ATCO Electric, the Cost of Service group has recognized the availability of a new mapping tool that will facilitate ATCO Electric's distribution feeder analysis methodology. Once sufficient feeders are analyzed, ATCO Electric believes this new allocation process may produce more representative and transparent results for allocating forecast brushing costs. This matter will be discussed further with interveners as part of the workshop committed to later this fall.