

Bulletin 2022-06

May 26, 2022

Proceeding and roundtable to establish parameters for the third generation of performance-based regulation plans

The Alberta Utilities Commission (AUC) is initiating Proceeding 27388 to establish the parameters of the performance-based regulation (PBR) plans that will start in 2024 for Alberta distribution facility owners (DFOs). The AUC will refer to this term as PBR3. The PBR plans apply to the four electric DFOs: ATCO Electric Ltd., Fortis Alberta Inc., ENMAX Power Corporation, and EPCOR Distribution & Transmission Inc.; and the two natural gas DFOs: ATCO Gas and Pipelines Ltd., and Apex Utilities Inc. To aid in establishing the scope of the proceeding, the AUC will conduct a roundtable with interested parties in September 2022.

In Decision 26356-D01-2021, the AUC evaluated the performance of the 2013-2017 and 2018-2022 terms of PBR and found that, on balance, PBR has achieved many of the objectives set out in the founding principles established by the AUC. The AUC determined that a third PBR term commencing in 2024, following a one-year cost-of-service rebasing year in 2023, is in the public interest if it incorporates certain improvements, which are further discussed in this bulletin.

In Proceeding 27388, the AUC will establish the parameters of the PBR3 plans. The first step in this process is to determine the scope of the proceeding – that is, which parameters of the current 2018-2022 PBR plans may be retained and any parameters that may be modified, removed or added. In this regard, the AUC wishes to build on the information obtained in the evaluation of PBR proceeding that resulted in Decision 26356-D01-2021. In that decision, the AUC generally agreed with parties that PBR3 should be more reflective of ongoing economic conditions (for both the utilities and their customers) and ensure the cost efficiencies gained through PBR are shared amongst customers and the regulated companies. The AUC also expressed interest in making PBR3 simpler as compared to the previous plans in furtherance of the principle that a PBR plan should be easy to understand, implement and administer, with the overall aim of reducing regulatory burden over time.

The AUC highlighted the need to review the following parameters to determine if modifications are necessary:

- Any capital funding provisions, including the need for funding to keep pace with new trends affecting the grid.
- Ensuring that the inflation measure (I factor) reflects the inflationary pressures expected during the PBR term.
- Consideration of the need to update a productivity offset (X factor).
- Consideration of introducing a mechanism to share earnings.

In addition to the above, the AUC intends to examine whether gas and electric DFOs should continue to be regulated under two different types of PBR plans (revenue-per-customer cap for gas DFOs and price cap for electric DFOs) or whether they can be regulated under the same type of PBR plan. The AUC also wishes to consider conducting annual PBR rate updates on July 1 of each year (rather than on January 1 as is the current practice), to address concerns with rate changes at a time of year when customers may already face increased utility costs and other expenses.

The AUC will be seeking submissions from interested parties on any other PBR3 plan parameters that they consider should be modified from, or added to, the current PBR plans. In support of this objective, the AUC considers that it will be useful to conduct a roundtable in September 2022 to discuss best practices and areas for improvement that can be addressed in designing the PBR3 plans, including examining parameters used in other jurisdictions that have implemented PBR.

Parties may register to participate in the Proceeding 27388 by filing a statement of intent to participate by **June 9, 2022**.

Further information on the preliminary scope, procedural steps and schedule will be provided in the AUC's correspondence in Proceeding 27388. If you have any questions, please contact Olexandr Vasetsky by phone at 403-592-4417 or by email at olexandr.vasetsky@auc.ab.ca.

Alberta Utilities Commission