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ALBERTA UTILITIES COMMISSION

ATCO Electric Ltd. 2024 Annual Performance-Based Regulation Rate Adjustment, AUC Decision 28570-D02-2024

Facilities - Solar

Application

ATCO Electric Ltd. (“AE”) submitted its 2024 annual performance-based regulation (“PBR”) rate adjustment filing pursuant to the provisions of the third generation PBR (“PBR3”) plan. AE requested approval of its updated 2023 utility revenue requirement, which forms the basis for the going-in rates for the 2024-2028 PBR term, on a final basis and approval of its 2024-2028 K-bar on an interim basis. AE also sought confirmation for its compliance with directions given in Decision 26615-D01-2022, Decision 27672-D02-2022 and Decision 27388-D01-2023.

Decision

The AUC found that AE’s proposed distribution rates were determined in accordance with the provisions of the PBR3 plan approved in Decision 27388-D01-2023. The AUC determined that no changes were required to the 2024 distribution rates, including the system access service (“SAS”) rates, distribution-connected generation (“DCG”) credits, riders, the customer and retailer terms and conditions (“T&Cs”) for electric distribution service, as well as the stand-alone schedules of Available Company Investment and of Supplementary Service Charges previously approved on an interim basis in Decision 28570-D01-2023.

Pertinent Issues

The first year of the PBR3 plan is 2024. It follows the cost-of-service 2023 rebasing year. The PBR3 framework approved in Decision 27388-D01-2023 provides a rate-setting mechanism (price cap for electric distribution utilities and revenue per customer cap for gas distribution utilities). During the PBR3 term, rates are adjusted annually using a formula that includes an indexing mechanism that tracks the rate of inflation (“I”) that is relevant to the prices of inputs the utilities use, less a productivity offset (“X”). Except for specifically approved adjustments, a utility’s revenues are not linked to its costs during the PBR term.

In Decision 27388-D01-2023, the AUC approved the continuation of certain PBR rate adjustments to enable the recovery of specific costs where certain criteria have been satisfied. These include an adjustment for certain flow-through costs that should be recovered from, or refunded to, customers directly (Y factors) and an adjustment to account for the effect of exogenous and material events for which the distribution utility has no other reasonable cost recovery or refund mechanism within the PBR plan (Z factor).

For the PBR3 plan, the AUC continued to divide capital into Type 1 and Type 2 capital. For Type 1 capital, the AUC approved a modified capital tracker mechanism with defined eligibility criteria, with the revenue requirement associated with approved amounts to be collected from ratepayers by way of a “K factor” adjustment to the annual PBR rate-setting



AUC re ATCO 2024 PBR Rate Adjustment

formula. For Type 2 capital, the AUC approved a K-bar mechanism that provides an amount of capital funding each year of the PBR3 plan based, in part, on capital additions made during the PBR2 term.

Each distribution utility's annual PBR rate adjustment filing addresses all applicable parameters relevant to the establishment of the PBR rates and T&Cs for that utility for a given year and relies on certain filed information to establish rates.

The AUC ordered that AE's distribution rates, including the SAS rates, DCG credits and riders approved in Decision 28570-D01-2023, shall continue to apply. The AUC approved on a final basis AE's updated customer and retailer T&Cs for electric distribution service, approved in Decision 28570-D01-2023.