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## ALBERTA UTILITIES COMMISSION

### ***FortisAlberta Inc. Application for Direction to Pay Compensation Related to Site Transfers, AUC Decision 28358-D01-2024***

*Facilities - Value*

#### Application

FortisAlberta Inc. (“Fortis”) requested the AUC to direct the transfer of electric distribution system assets from Battle River Power Coop REA Ltd. (“BRPC”) to Fortis, including the amount of compensation to be paid by Fortis to BRPC regarding the alteration of BRPC’s service area ordered by the AUC in Decision 22164-D01-2018.

Proceeding 22164 involved an application by Fortis requesting that the service areas of certain rural electrification associations (“REAs”) be altered to align with municipal franchise agreements (“MFAs”) between Fortis and those municipalities.

#### Decision

The AUC ordered the transfer of certain parts of the service area previously served by BRPC to Fortis to give effect to its prior ruling in Decision 22164-D01-2018. The AUC also ordered the transfer of the related facilities associated with BRPC’s electric distribution system from BRPC to Fortis. The AUC ordered Fortis to pay BRPC compensation in the amount of \$313,971.

#### Pertinent Issues

In Proceeding 22164, Fortis requested that the service areas of certain rural electrification associations (“REAs”) be altered to align them with municipal franchise agreements (“MFAs”) between Fortis and various municipalities. In Decision 22164-D01-2018, the AUC determined it was in the public interest to harmonize the service areas to reflect the boundaries governed by the MFAs. The AUC altered those REA service areas that overlapped with the municipal franchise areas granted to Fortis but did not order the immediate transfer of those areas or existing REA facilities to Fortis. Instead, the transfer was made contingent on the passing of municipal bylaws requiring the customers in those areas to connect to Fortis or the occurrence of other circumstances set out in Decision 22164-D01-2018.

In this application, Fortis submitted that, since the issuance of Decision 22164-D01-2018, several municipalities have passed bylaws requiring REA members to take electric distribution service from Fortis. After numerous discussions and negotiations, Fortis and BRPC could not agree on the compensation for the assets to be transferred. Accordingly, Fortis made an application to the AUC to direct the transfer of the assets from BRPC to Fortis and to determine the compensation to be paid by Fortis to BRPC.

Since the conditions set out in Decision 22164-D01-2018 were met but the parties were unable to agree, the AUC considered it was in the public interest to order the transfer of the identified parts of BRPC’s



service area from BRPC to Fortis. To ensure the continued distribution of electrical energy in those parts, the AUC included in its order the transfer of the facilities that serve BRPC's former customers.

#### *RCN-D Valuation Methodology*

The AUC ordered Fortis to pay \$313,971 to BRPC as compensation for the transfer of electric distribution system facilities to Fortis.

Fortis and BRPC estimated the value of the assets using the "replacement cost new less depreciation" ("RCN-D") valuation methodology. The AUC agreed that this was an appropriate valuation method in the circumstances.

#### **AUC re Fortis Alberta Application for Direction to Pay Compensation**

Following the consideration of the inputs into and the calculation of the valuation, the AUC determined that Fortis' proposed RCN-D compensation amount of \$313,971 was more reasonable than the \$515,586 proposed by BRPC. In reaching this conclusion, the AUC considered the following inputs: replacement costs-new; external or internal labour; urban vs rural; contingency; land rights; and depreciation.