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ALBERTA UTILITIES COMMISSION

Treatment of Unbilled Deferral Recovery Amounts, AUC Decision 29271-D02-2024 ***Regulated Rate Option - Billing Error***

Application

In its September 2024 regulated rate option (“RRO”) filing with the Alberta Utilities Commission (“AUC”), ENMAX Energy Corporation (“EEC”) filed a letter seeking acknowledgment of its September 2024 RRO rates, including approval of recovery of previously unbilled installment amounts under the *Regulated Rate Option Stability Act*, for September, October and November 2024.

In addition, EEC proposed to rectify a system error that affected its bills issued between May 1, 2024, and August 12, 2024, and that resulted in a failure to bill customers the amount of \$2.9 million. EEC proposed to correct this error by recovering the unbilled amounts over the next three months, namely from September to November 2024 (“Unbilled Amounts”).

Decision

The AUC denied EEC’s request for an increase to the RRO electric energy charge intended to recover the Unbilled Amounts as being contrary to the prohibition on retroactive ratemaking. However, the AUC determined that the applicable legislation and EEC’s terms and conditions (“T&C”) of service still allowed EEC to recover these amounts through corrections to its previously issued bills, approving this approach.

Pertinent Issues

Background

EEC is a regulated rate provider in the service area of ENMAX Power Corporation (“EPC”), which is an owner of an electric distribution system. EEC is required to set RRO rates for each calendar month in accordance with an AUC-approved energy price setting plan (“EPSP”). EEC calculates the RRO rates to be applied in a month and files them with the AUC for acknowledgment not less than five days before the commencement of each month.

The AUC acknowledged EEC’s calculated RRO rates for September 2024 in accordance with the EPSP and approved a recovery installment for September 2024. The AUC considered EEC’s request to recover the Unbilled Amounts and declined to make any findings on the recovery of the unbilled \$2.9 million, directing EEC to provide a written submission to better explain its proposed treatment of the Unbilled Amounts.

In its submission, EEC explained that on August 12, 2024, it identified a human error in its billing system that caused its approved deferral recovery installment amounts to not be billed to customers between May 1, 2024, and August 12, 2024, which resulted in EEC billing its customers the EPSP energy charge without any increase for the deferral recovery installment amount. As a result, EEC failed to bill RRO customers for a total of \$2.9 million.



AUC re Billing Error

EEC proposed to include the \$2.9 million in its rates for September, October, and November 2024 by obtaining approval of a new deferral recovery installment amount that would include a portion of the balance of the remaining deferral amounts and a portion of the previously approved but unbilled amounts.

AUC Ruling

The AUC acknowledged EEC's calculated RRO rates for September 2024 in accordance with the EPSP and approved a recovery installment for September 2024. However, the AUC was of the view that approving the proposed treatment for the Unbilled Amounts would be inconsistent with the purpose of the deferral account and contrary to the fundamental principles of rate regulation.

The AUC noted that EEC proposed to correct its billing error by including previously approved but unbilled amounts in future months' RRO rates. According to the AUC, EEC asked for the AUC's approval to set future rates designed to recoup past under-recovery, which essentially meant that EEC requested that previously approved recovery installments be retroactively revised to \$0 so that these amounts can be recovered in future months.

The AUC stated that it approves rates on a prospective basis and that it already acknowledged EEC's May, June, July and August 2024 RRO rates. The AUC determined that the treatment proposed by EEC would violate the well-established prohibition on retroactive ratemaking. The AUC also disagreed that this treatment is consistent with the intent of the legislative scheme or the purpose for which the deferral account was created.

The AUC found that the purpose of the deferral account is to administer the recovery of deferral amounts, in accordance with a calculation methodology set out in the *Regulated Rate Option Stability Regulation* ("RROS"). The AUC did not consider it reasonable to use this deferral account to redress a billing error within EEC's sole control, particularly when the effect would be to increase future RRO rates.

Nevertheless, the AUC recognized that billing errors occur and concluded that there are mechanisms in place for retailers to correct billing errors, without requiring adjustments to future rates. More specifically, EEC's approved T&C for service and s 17 in the RROS allow EEC to issue corrected bills to customers for billing errors identified within 12 months.

The AUC concluded that these provisions read together contemplated that EEC may issue corrected bills to RRO customers for the months affected by the billing error, approving this approach.