

NOTICE TO PARTICIPANTS AND STAKEHOLDERS

October 3, 2017

Re: Stakeholder Comments and MSA Decision - MSA Process for Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation

On August 16, 2017 the MSA proposed a process for approving deferral account statements (DAS) under the *Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation* (Regulation) and requested stakeholder comments. The MSA received comments from seven parties. The comments are appended below. In this document the MSA summarizes stakeholder comments and provides responses.

MSA Response to Stakeholder Comments

Submission Timelines

ENMAX Corporation (ENMAX) submitted that it would support a ten business day window to provide the MSA with the DAS given it may be an infrequent requirement. ENMAX also proposed extending the MSA's timeline for approving the DAS. The Alberta Federation of Rural Electrification Associations (AFREA) submitted that the MSA may want to consider extending the submission window to 10 days and that the MSA should allow parties to apply to the MSA for permission to submit a DAS quarterly, rather than monthly.

The timelines for submission and approval are set in the Regulation. The MSA and market participants must adhere to the timelines set by the Government in Regulation so the MSA may not extend to a 10 day window for DAS submission by Owners (as defined in *An Act to Cap Regulated Electricity Rates*).

Final Settlement Data – Timing

Alberta Municipal Power Systems (AMPS) submitted that the availability and exchange of final settlement data with its RRO provider may be a challenge within the proposed five day window for DAS submissions with final settlement data and would support extending the window. The City of Lethbridge (Lethbridge) submitted that its load settlement agent completes final settlement on the second-last business day of the fourth calendar month following the month being settled. It is likely Lethbridge will only be able to provide final settlement data for five months prior to the current month if the DAS needs to be submitted by the fifth business day of the month.

As stated above, the timelines for submission are set in the Regulation. If the required data is not available by the fifth business day of the month four months after the month being settled, Owners can submit the data in the DAS for the fifth calendar month after the month being settled.

Submission timing for missed months

EPCOR Energy Alberta GP Inc. (EEA) submitted that requiring Owners to wait until final settlement data is available to submit a DAS if the estimated consumption data was not submitted on time may create financial hardship for the Owners. EEA suggests that the MSA modify the process to permit the inclusion of missing data or corrections to submitted data on the next monthly filing. Direct Energy Regulated Services (DERS) submitted that they echo EEA's position on this issue. ENMAX submitted that Owners should not be forced to wait until final settlement data is available to remedy data issues. AFREA also submitted that there should be a process for late submission of data.

The Regulation sets out deadlines for the provision of information to the MSA. The MSA does not believe the deadlines with respect to the most recent six months of settlement data and the current month rate and estimated consumption are unreasonable. Owners should have this information readily available, or should be able to generate this information in advance of the month. As such, the MSA believes its process for submitting missed months is reasonable.

Approval of DAS

ENMAX submitted that it would support the MSA in establishing guidance documentation on what (if any) reasons could be used to disallow a DAS, along with steps to resolve an issue and encouraged the MSA to be open to developing exceptions to the standard process.

The MSA believes that the Regulation sufficiently outlines the requirements of the DAS. The MSA will approve a DAS if it believes it satisfies the requirements of the Regulation.

Publication of DAS on the MSA website

EEA stated that posting the DAS creates confidentiality concerns because the DAS contains consumption data by rate class and there is no guarantee that there will be a minimum number of sites in each rate class. As a result, EEA submits that the consumption information of an individual site could be identified. They also state that the MSA's proposal to publish this data within 10 business days of the start of the month is not in line with the MSA's policy related to publication of retail data. DERS submitted that they echo EEA's position on this issue. ENMAX stated that it does not support the publication of the DAS on the MSA's website and suggested that a summary table could be used instead. ENMAX did not provide reasons why it opposed the publication of the DAS.

AFREA submitted that while many of its members do not oppose public disclosure of the DAS, some members have expressed concerns. Some members questioned the relevance of disclosing Rural Electrification Association (REA) information, including RRO rates, since only REA members are directly affected.

The MSA does not believe there are legitimate confidentiality concerns with respect to the publication of a DAS. Section 14 of the *Regulated Rate Option Regulation* requires owners to

post their RRO rate on their website the first day of the calendar month. Estimated and settled consumption data is aggregated across sites in the Owner's distribution area, by rate class. No Stakeholder has identified a case where consumption data of an individual residential, farm, commercial or industrial site would be disclosed in the DAS. The Alberta Utilities Commission, in implementing *Rate Cap (Commission Approved Regulated Rate Tariffs) Regulation*, publishes a DAS for each Owner it regulates on a monthly basis. No stakeholder has identified why confidentiality concerns related to the DAS should be materially different for Rural Electrification Associations or municipalities as compared to Commission regulated utilities.

The MSA does not believe any Owner will be harmed by the publication of a DAS and believes that publication of the DAS will increase transparency and streamline the DAS approval process. As such, the MSA was not convinced to change its proposed approval process.

Approval Process Test Run

AFREA submitted that a test run would likely be beneficial for all parties and may reduce the requirements for deadline extensions.

The MSA will contact relevant parties in the near future to provide details on a test process. The final approval process is outlined below.

Deferral Account Statement Approval Process

The MSA will approve a DAS in the following manner:

1. Within five business days of the start of the month the Owner must provide the MSA, by email to deferralsubmission@albertamsa.ca, with:
 - a. the actual consumption in kWh of regulated rate customers in each rate class determined through the final load settlement calculations for the most recent six months for which that information is available [Regulation s.5(2)(a)]. This information should be provided in an excel file with row headings of Date (month-year), Rate Class, and Consumption (kWh); and
 - b. a completed DAS for the applicable calendar months, in the form prescribed by the Minister, for the MSA's approval [Regulation s.5(2)(b)]. The Owner must provide the MSA with the DAS by email in the electronic fillable form provided by the Minister and updated by the MSA to include pre-set formulas for the calculation of applicable rates. The MSA will not accept a DAS in any other form or by any other method.
2. On receipt of the above information, the MSA will confirm the calculation of the amounts in the DAS.
 - a. If the MSA determines an error has been made in the calculation of the amounts, it will require the Owner to provide a corrected DAS [Regulation s.6(4)(a)].
 - b. If the Owner determines there is a material error in a previously submitted DAS or there has been a material change in information set out in a DAS, it shall submit a corrected DAS for the MSA's approval [Regulation s.6(4)(b)].
3. If the MSA confirms that the calculations are correct, it will approve the DAS by signing the DAS and posting the DAS publicly on its website within ten business days of the start of the month [Regulation s.6(5)].
4. If the information outlined in section 1 of the process is not provided within five business days of the start of the month, the MSA will not approve a DAS for that month.
 - a. The Owner may submit a DAS that includes the missed month's information in a following month if the deferral account information was based on final load settlement calculations, as outlined in s. 5(4)(b) of the Regulation.
 - b. If the deferral account information was based on forecast consumption, as outlined in 5(4)(a) of the Regulation, the Owner may submit the missed month once the final load settlement data is available.

It is important to note that an Owner is not required to provide the MSA with a DAS until the reference rate exceeds 6.8 cents per kWh [Regulation s.5(3)].

Stakeholder Comments on Process Proposal

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**Alberta
Federation of
Rural
Electrification
Associations Ltd.**

"Innovative and dynamic Rural Electrification Associations"

#100, 115 Portage Close
Sherwood Park Alberta
T8H 2R5

September 8, 2017

To: stakeholderconsultation@albertamsa.ca

Re: Market Surveillance Administrator ("MSA") Request for Stakeholder Comment: MSA Process for Rate Cap Board or Council Approved Regulated Rate Tariffs) Regulation ("Request for Comments") Comments of the Alberta Federation of Rural Electrification Associations ("AFREA")

Introduction

1. AFREA has reviewed the MSA's Request for Comments and provides the following response. In preparing this response, AFREA submitted a questionnaire to its members requesting input on the MSA's proposed deferral account process. Accordingly, AFREA's response has direct input from a number of the REAs that will be impacted by this process.
2. At the outset, as identified by the MSA in its February 1, 2017 Report: Regulated Rate Option in Alberta's Rural Electrification Associations and Municipalities, a number of REAs have their Regulated Rate Option ("RRO") rate set by either EPCOR or Direct Energy Regulated Services. The remaining REAs have their RRO rate set either by their own REA or by another REA. For some of these REAs, there is an expectation that the deferral account statement and required reporting will be performed by their service provider. However, given the potential for future changes and the fact that a number of REAs will need to provide direct input into the deferral account process, AFREA considers it important to provide the MSA with the feedback received from its members.

Proposed Timelines to Submit a Deferral Account Statement and Other Relevant Information

3. The MSA's proposed process establishes a number of deadlines for filing certain information with the MSA. For example, within five business days of the start of the month, the Owner must provide the MSA, by email, with:
 - a. actual consumption in kWh of regulated rate customers in each rate class determined through the final load settlement calculations for the most recent 6 months for which that information is available, and
4. a completed deferral account statement for the applicable calendar months, in the form prescribed by the Minister.

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2/Submission to Request for Comments/09-08-17

5. For several REAs, compliance with this process will not be an issue. Accordingly, AFREA does not recommend that the MSA modify the proposed process for the majority of participants. However, given the tight timelines, AFREA recommends that the MSA permit a party, if they choose to apply to the MSA for permission to do so, to submit the required information quarterly rather than monthly. The MSA can then choose to approve or deny that request based on the particular reasons supporting the request.
6. Further, if a participant is unable to comply with the required timeline to submit the information (i.e. within five business days of the start of the month), the AFREA recommends that the MSA should consider a process, on an exception basis only, to permit the filing of the information late. AFREA considers that if the MSA is willing to accept a late submission from parties, that the MSA can determine the circumstances whereby it would accept a late submission. AFREA notes that this request is in addition to the process contemplated by the MSA in part 4 of the process described in the MSA's August 16, 2017 letter.
7. As an alternative, the MSA may want to consider extending the time frame for submission of the required information to 10 days, granted by the MSA on an exception basis only. An extension to 10 days would likely reduce the number of REAs that struggle to comply and end up needing an extension. Also, 10 days allows for times in the year when completing work within 5 days can be a challenge given weekends, statutory holidays, holiday seasons, vacation times and personal emergencies or constraints.
8. AFREA is unclear as to the reasons for the 5-day deadline and what constraints the MSA has that would lead to this deadline. AFREA does accept that some participants would prefer more timely payment, which may have led to the 5-day deadline. However, if there is flexibility in the MSA's needs in this regard, it follows that such flexibility should be extended to the REAs, some of whom are small and have limited staff resources.
9. Finally, AFREA considers that the MSA's proposal to have a "test run of the approval process" in Q4 2017 would be beneficial for all parties. It is possible that as parties better understand the requirements and efforts required to prepare the information, that those parties may not require an extension as outlined above. However, permitting some options for certain parties, based on MSA approval, would be of benefit to many potential parties if circumstances require it.

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3/Submission to Request for Comments/09-08-17

Public Disclosure of Information

10. AFREA understands that many of its members do not oppose the public disclosure of the required information. However, some AFREA members have expressed concern with the disclosure of the required information.

11. In particular, some AFREA members have questioned the relevance of disclosing REA information publicly when only REA members are directly impacted by the RRO rates. Specifically, given that RRO rates for REAs are set by the REA Board of Directors, and non-REA members cannot access energy (or the RRO rate) from an REA, there would be little value to the public of the disclosure of this information.

12. However, while there may be limited benefit to the public of the disclosure of this information, AFREA accepts that as the public would be reimbursing an REA for any amount captured under the deferral account process, some transparency should be expected.

13. This concludes AFREAs comments on the MSA's proposed deferral account statement process. If you have any questions, please do not hesitate to contact Al Nagel, CEO, via email at al@afrea.ab.ca or by phone at the Federation office 780-417-3396.

Sincerely,

Al Nagel
AFREA CEO

cc AFREA Board of Directors

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ALBERTA MUNICIPAL POWER SYSTEMS

September 8, 2017

Mark Nesbitt
Manager, Investigations and Retail
Market Surveillance Administrator

Via Email: Stakeholderconsultation@albertamsa.ca

Dear Mr. Nesbitt

Re: MSA Process for Rate Cap (Board of Council Approved Regulated Rate Tariffs) Regulation

The Alberta Municipal Power Systems (AMPS) appreciate the opportunity to respond to the August 16, 2017 Notice to Participants and Stakeholders. As Owners, the Councils of the Towns of Cardston, Fort Macleod and Ponoka approve Regulated Rate Tariffs for their residents. Services are secured by contract with ENMAX Energy Corporation (EEC).

The Process details included in the Notice are helpful in terms of structuring Rate Cap Regulation compliance by AMPS members. Generally, Attachment 1- Prescribed Template, Deferral Account Statement (DAS) to Philip Shum's letter of August 14, 2017, effectively implements the legislative intent to compensate for the volume risk associated with the Rate Cap. Other implementation details are yet to be worked out, for instance, further clarity is required on whether the Reference Price is intended as a simple or weighted average of the Commission regulated RRO Tariff Residential prices. Administratively, the availability and exchange of final settlement data with EEC may be a challenge within the proposed 5 day window for final DAS submissions. AMPS would support extending the submission and approval windows in this process.

Deferral account processes function to deal with timing differences and volatility in financial streams. Reporting details on these streams should be maintained by Owners and the MSA; however, monthly reporting of details by zone may be unnecessary and build expectations for collection/distribution timing.

We hope these comments are useful to the MSA and we appreciate your consideration. If you have any questions please contact the writer.

Submitted by Kevin Phillips, on behalf of AMPS members,



Kevin Phillips
Phillips Partners Inc.
Ph. 403 830-2751



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August 22, 2017

Mark Nesbitt
Manager, Retail and Investigations
The Alberta Market Surveillance Administrator
500, 400 - 5 Avenue SW
Calgary, AB T2P 0L6

Dear Mr. Nesbitt,

SUBJECT: *MSA Process for Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation*

On behalf of the City of Lethbridge, I am responding to your August 16th letter requesting feedback on the MSA's proposed approach to RRO Rate Cap filings for municipalities and REAs. An important feature of the MSA's proposed process is for RRO providers to make filings within five business days at the start of the month. This mirrors the language of the Rate Cap Regulation (AR 139/2017), which also requires filings to be made "within 5 business days after the commencement of each calendar month."

Unfortunately, the DOE did not consult stakeholders on the content of 139/2017 and this is the first opportunity for the City to comment on the timing of reporting. As per the Settlement Code, Lethbridge's Load Settlement Agent completes final settlement on the second-last business day of the fourth calendar month following the month being settled. On the face of it, this would allow opportunity to complete by the fifth business day of August a final Deferral Account Statement for March. However, there are many practical constraints on how fast data and reports can be distributed to all the parties that depend on it. Prioritization is required and for this reason, Lethbridge's Load Settlement Agent is obliged to provide summary reports of total RRO load by rate class no later than ten business days into the month. Disaggregated reports for billing purposes are available earlier, but this information would be impractical to use for Deferral Account Statements.

Thus, the purpose of this letter is to clarify Lethbridge's reporting capabilities so that the MSA may have reasonable expectations concerning what might be provided on the fifth business day of the month.

If the MSA is expecting a Deferral Account Statement at the start of a month and no later than the fifth business day, then the Statement is likely to be based on data relating to five months prior. For instance, February would be most recent available data on the fifth business day of August. March data would not be available until approximately five business days after that.

If, however, the MSA considers it to be within the spirit of the Regulation to accept March data on the tenth business day of August to be "within 5 business days" of the start of September, ¹ Deferral Account Statements *could* be finalized nearly one month sooner. Whether the MSA *would* be willing to process such a Statement any sooner than the fifth business day of September would be useful for Lethbridge to know so that it may develop and prioritize business processes associated with this Regulation.

I trust that this clarification will be helpful as you finalize the procedural details. Should you wish to discuss this matter further, please feel free to contact me at (403) 781-7691.

Yours truly,

<submitted electronically>

Michael Turner
President

cc: Stewart Purkis, City of Lethbridge Electric Manager

¹ In other words, one might consider that filing a Statement in August, no matter which day in August, is still within five business days of the start of September and therefore compliant with the Regulation.





September 14, 2017

Mr. Mark Nesbitt
Manager, Investigations and Retail
Market Surveillance Administrator
#500, 400-5th Avenue SW,
Calgary, AB T2P 0L6

Dear Mr. Nesbitt,

Re: Comments on the MSA Process for Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation Implementation

Direct Energy Regulated Services (“DERS”) has reviewed the information that the MSA put forward in its letter dated August 16, 2017, which outlines how it proposes to deal with the implementation of the Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation for the REAs for which the MSA is responsible. This directly impacts DERS, since DERS operates as RRO provider to ten REAs, for which it would act as the “owner” under the Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation.

DERS has read EPCOR’s comments, dated September 8, 2017. DERS echoes the same issues raised by EPCOR, specifically regarding the submission of missed months of information and the confidentiality concerns around the protection of REA customer information.

DERS does not have any additional comments to put forward at this time, but appreciates the opportunity to participate in this process.

Please contact me at (403) 776-2154 if you have any questions.

Yours sincerely,

Nicole Black
Senior Manager, Government & Regulatory Affairs
Direct Energy Marketing Limited
nicole.black@directenergy.com
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September 8, 2017

Mark Nesbitt
Manager, Investigations and Retail
Market Surveillance Administrator

Sent via email to: Stakeholderconsultation@albertamsa.ca

Dear Mr. Nesbitt:

RE: MSA Process for Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation

In response to your August 16, 2017, Notice to Participants and Stakeholders, ENMAX Corporation on behalf of ENMAX Energy, is pleased to provide the following input for consideration.

ENMAX Energy is a Regulated Rate Option (“RRO”) provider for a group of municipalities outside of the Calgary wires area that are subject to the Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation. As a provider we will facilitate the completion of the deferral account statement (DAS) form for each municipality we serve.

ENMAX Comments on MSA Proposal

Given this process is expected to be relatively infrequent in nature and not a standard monthly occurrence, ENMAX would support a ten business day window to provide the MSA with the completed and final DAS form and supporting information. The MSA’s proposal of five business days may not be enough time to handle potential issues which may have been identified and require a resolution. As a result, this would require the MSA to be permitted additional days to perform its verification process, perhaps extending the MSA window for signoff to as much as fifteen business days after the beginning of a given month.

It is unclear as to what would prevent the MSA from approving a submitted DAS. ENMAX would support the MSA in establishing guidance documentation on what (if any) reasons could be used to disallow a DAS, along with acceptable steps to resolve an issue, all while

still meeting the tight timelines described in the proposal. ENMAX would encourage the MSA to be open to developing exceptions to the standard process to provide information to the MSA, while still meeting the intent and requirements of the Regulation. The ability to remedy an issue in an expedited manner and not be forced to wait for final load settlement should be an option that works for all parties given that it could be either a credit or a debit involved.

ENMAX does not support the complete DAS being posted in a public forum or on the MSA website and would suggest a summary document or table be developed by the MSA to describe the deferral amounts in dollars that are being approved and credited to the various RRO providers in each month. A summary would be sufficient for transparency and more easily understood by casual readers. A more detailed report could be done by the MSA, if needed, to explain the intricacies of settlement timing at the varied Energy Price setting processes in each area.

ENMAX is supportive of using the same DAS form as the Alberta Utilities Commission process.

Thank you for the opportunity to participate in this consultation process. Please contact me if you have any further questions.

Sincerely,

Mark McGillivray
Public Policy and Government Relations
ENMAX Corporation



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September 8, 2017

Market Surveillance Administrator
Suite 500, 400 – 5th Avenue SW
Calgary, AB T2P 0L6

**Attention: Mark Nesbitt,
Manager, Investigations and Retail**

Dear Mr. Nesbitt:

**Re: Request for Stakeholder Comment: MSA Process for Rate Cap (Board or Council
Approved Regulated Rate Tariffs) Regulation**

1. Please find enclosed the comments of EPCOR Energy Alberta GP Inc. (“EEA”) in response to the Market Surveillance Administrator (“MSA”) Request for Stakeholder Comments in the above noted matter.

Background

2. EEA provides Regulated Rate Option (“RRO”) service on behalf of a certain Rural Electrification Associations (“REAs”) located in the FortisAlberta (“Fortis”) service territory. EEA also provides RRO service to eligible customers in the EPCOR Distribution and Transmission Inc. (“EDTI”) and Fortis service areas.

3. As an RRO service provider, EEA is required to comply with all relevant legislation including the Regulated Rate Option Regulation, the Billing Regulation and the Rate Cap Regulations.

4. On June 7, 2017 the Government of Alberta passed *Bill 16: An Act to Cap Regulated Electricity Rates*, which capped RRO rates at 6.8 cents per kWh. The term of the price cap will extend from June 1, 2017 to May 31, 2021.

5. Alberta Regulation 138/2017, the *Rate Cap (Commission Approved Regulated Rate Tariffs) Regulation* and Alberta Regulation 139/2017 the *Rate Cap (Board or Council Approved Regulated Rate Tariffs) Regulation* prescribe the implementation of the Act for owners (“Owners”) as defined in the Act and regulated by the Alberta Utilities Commission (“AUC”) and for Owners regulated by municipalities and

REAs respectively. The AUC determines the process for approval of a deferral account statement (“DAS”) for Owners under AUC jurisdiction and the MSA determines the process for approval of DAS for municipalities and REAs who are Owners.

6. EEA submits the following comments outlining two specific areas of concern with the MSA’s *Notice to participants and stakeholders – Rate Cap Process*.

Submission Timing for Missed Months

7. Paragraph 4 of the MSA’s proposed approval process states that a DAS will not be approved if the required information is not submitted within five business days of the start of the month. Clause 4 (a) proposes that missed information may be submitted in the following month “if the deferral account information was based on final load settlement calculations...” and clause 4 (b) states that if the deferral account information was based on forecast consumption, “the Owner may submit the missed month once the final load settlement data is available.”

8. EEA is of the view that this proposed process may create financial hardship for Owners as the final settlement data may require waiting another 4 to 5 months. This may also cause issues with reporting for the intervening months before final load settlement data is received.

9. The MSA’s proposed treatment of missing data appears to be inconsistent with the Rate Cap Regulation. Clause 4(2) of the Regulation states:

4(2) The amount payable to an owner in respect of a month must
(a) be determined initially using forecast values in accordance with
section 5(4)(a)

10. Further, the process developed by the AUC permits the correction of missing or erroneous data on the following month’s submission. Consistency between the processes is highly desirable.

11. EEA suggests the MSA proposed process be modified to permit inclusion of missing data or corrections to submitted data on the next monthly filing.

Confidentiality of Customer Information

12. The proposed MSA process states that once a DAS is approved, it will be posted publicly on the MSA website. EEA is concerned that posting of the DAS creates confidentiality concerns as the DAS contains consumption data by rate class and there is no guarantee that a minimum number of REA customers will comprise each rate class.

13. On June 22, 2017, the MSA announced the new format for publication of retail market statistics, effective July, 2017. As part of the new reporting process, the MSA implemented a three month delay in posting the monthly market data. With respect to confidentiality the MSA stated:

. . . the MSA is cognisant of protecting the privacy of customer consumption data.

For retailers to be named in the total (all classes of customers) and residential customer categories, the retailer must have at least a 1% share of sites or consumption. For commercial, industrial, or farm sites the threshold for inclusion will be 5% of sites or consumption. If there are five or fewer sites in any row, the retailer will not be named (and included the sites will be labeled 'other').

. . . Default rate providers for each zone, including Rural Electrification Associations, are not named in the report and will be labeled 'default'.

14. The MSA proposal to post the approved DAS publicly within 10 business days of the start of the month is non-compliant with the new MSA data publication rules from both a timing and a confidentiality threshold perspective.

15. EEA recommends that the MSA post only the approved rates without the corresponding consumption data. The complete approved DSA can be provided to the Minister in confidence.

16. EEA appreciates the opportunity to participate in this consultative process and is available to meet with the MSA should further clarification be required.

17. Please contact me directly at (780) 412-6909 if you have any questions.

EPCOR Energy Alberta GP Inc.

[Electronically Submitted]

Camille Jasper-Fabiyi
Senior Manager, Operations Services
EPCOR Energy Alberta GP Inc.

Mark Nesbitt

From: Wayne Gould <wbglti@telusplanet.net>
Sent: Thursday, August 31, 2017 9:02 AM
To: MSA Stakeholder Consultation
Cc: Douglas.Simpson@gov.ab.ca; perry.gray@gov.ab.ca
Subject: Stakeholder Comment - Rate Cap Process

Appreciation

It is commendable that a measure is being taken to contain electricity costs in the future – that will be greatly appreciated at some point in time. However, at present, the actual cost for electricity [only] is not a major issue. In my particular case the cost of electricity is only 12% of the total monthly invoice, and that is with a retailer contract rate of \$0.0579 per kWh.

Although these may not be within the mandate of the AMSA, there are other areas that could use some attention.

Distribution Costs

ATCO, in their monopolistic regional distribution area, is approved to charge fixed distribution charges that are 67% higher than those charged by Fortis in their distribution area. How was that situation approved to develop, especially within the same province? And why is it approved to continue? Those extra charges, on my particular bill, amount to 24% of the invoice. That component alone is two times my current electricity cost!

The obvious unfairness of that % difference is stark when compared to the fact that the RRO “fair” cost of electricity is calculated to four decimal places.

It has been suggested that ATCO was initially approved to charge higher rates because of lower population density in their regional distribution area. While that might have been a reasonable excuse at the time, that population density map used is now about thirty years old, and is long outdated. Those approval reasons need to be revisited, and it is long past the time when that map should have been redrawn [or discarded].

Furthermore, in September 2016, ATCO was approved a 5.7% rate increase which was applied to their charges effective April 01 2017. At the same time, as a single senior on fixed income, my July 2016 to July 2017 progression was 1.8%. Those two trends, if allowed to continue, will soon cause major problems for not only myself, but also a great many other ATCO residential customers.

In concluding this section, the Rate Cap [no matter how commendable] will do nothing to mitigate this ATCO excess distribution cost problem. This adversely affects each and every one of the very large number of “captive” ATCO residential customers.

Rider A -1 Municipal Franchise Fees

It is impossible for a municipality to spend a single dollar in the provision of electricity or natural gas. That is all taken care of by the distributors. Nobody ever calls the municipality with an electricity, or a natural gas, problem because they know that would not be the place to get help.

That unwarranted charge represents 6% of my monthly invoice.

This is an optional levy which the municipality can choose to apply. Some, in fact, have a sensible rate of 0%.

If this legislation cannot be eliminated, then perhaps the point of optionality could be moved from the municipality to the meter base? In that way those who wish to “opt out” can do so, and those who support the concept can continue to do just that.

The Potential For A meter Base To Create Infrastructure Load – A Conceptual Proposal

In developing the existing system, the basic assumption was [and continues to be] that each and every meter base has the potential to create equal load on the infrastructure. That assumption is just not true. For example, there is no way that a six [small] unit condo facility with six individual electricity meters can create six times the load that a single detached residence can create, especially with a garage included – it is simply impossible to pack enough “stuff” into the condos to do that. Yet, the current billing system allows that all meters be treated the same – essentially, a potential load factor of 1.0000. That, in turn, creates a situation where those living in modest accommodations are essentially subsidizing the infrastructure costs for those who are living in more extravagant circumstances.

The typical consumption for the average active detached residence [without an electricity powered vehicle – exclusion decided through a link to the Vehicle Registry] could be determined from the AMSA DATA Base. The result would be dynamic, and would be based on an average of the most recent previous twelve months of complete data [to account for seasonality]. The actual current month consumption for each meter base would then be divided by that average to obtain a “Potential Load Factor” to be applied to the fixed costs.

There would need to be a minimum value for the active meter bases with very low, or zero, consumption, and those meters would also be excluded from the averaging calculation.

To illustrate the concept, here is a “quick” work up from the AMSA Data Base information:

<u>Investigate a Potential Load Factor [PLF] for Different Residence Types</u>							
<u>Might even look after EV recharged at a residence [low speed]</u>							
<u>- Looks after the Infrastructure Cost problem</u>							
<u>- Does not address the Road Tax issue</u>							
<u>From MSA Data:</u>		<u>Detached Res</u>		<u>Apartment</u>		<u>My Condo</u>	
		<u>Average</u>		<u>Cons</u>	<u>PLF</u>	<u>Cons</u>	<u>PLF</u>
		<u>kWh/Mo</u>	<u>PLF</u>				
<u>Calgary</u>	<u>Enmax</u>	<u>682</u>	<u>0.9453</u>	<u>380</u>	<u>0.5267</u>		
<u>Edmonton</u>	<u>Epcor</u>	<u>618</u>	<u>0.8565</u>				
<u>Hinton?</u>	<u>Fortis</u>	<u>813</u>	<u>1.1268</u>				
<u>Grande Prairie</u>	<u>ATCO</u>	<u>773</u>	<u>1.0714</u>	<u>431</u>	<u>0.597</u>	<u>194</u>	<u>0.2689</u>
<u>Provincial</u>	<u>Avg</u>	<u>722</u>	<u>1.0000</u>				
<u>PLF for Each Customer = Actual Month Consumption by Customer</u>							
<u>Divided By Detached Residence Provincial Average Month Consumption</u>							

Initially, a “trial & error” process would be applied to determine the base starting fixed cost [PLF = 1.0000] value for the average residence to ensure adequate total revenue generation. There would be one factor for the entire province [similar to their being one province wide RRO electricity price]. The factor would be “finetuned” going forward.

In general, fixed costs should provide a fair return on net capital deployed [return on capital], as well as depreciation [return of capital]. Variable costs should provide for recovery of day by day operating cost, and a fair profit for providing that service. All of that capital and operating expense data is available from the service provider’s annual reports and/or income tax returns.

Stock dividends are not a legitimate capital or operating cost, as they are determined from profit after the fact. Also, there must be assurance that the costs of operating a facility such as Spruce Meadows are being kept completely

separated from the cost of operating the utility service provider entity, and those funds are only extracted at the same time as dividends.

The current predominately fixed cost system [~60% to ~70%] would become a predominately variable cost system [~60% to ~70%]. These modifications would provide greatly increased incentives for conservation, and thus would provide incentives for the greater success of any efficiency programs. The consumers associated with each active meter base would have a lot more "skin in the game".

Why would this concept not be feasible?

Thank You for providing an alternate portal to present this information, and to ask these important questions.

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