



## **2013 Generic Cost of Capital**

**2014 Interim Return on Equity**

**December 19, 2013**



**The Alberta Utilities Commission**  
Decision 2013-459: 2013 Generic Cost of Capital  
2014 Interim Return on Equity  
Application No. 1608918  
Proceeding ID No. 2191

December 19, 2013

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The Alberta Utilities Commission  
Fifth Avenue Place, Fourth Floor, 425 First Street S.W.  
Calgary, Alberta  
T2P 3L8

Telephone: 403-592-8845  
Fax: 403-592-4406

Website: [www.auc.ab.ca](http://www.auc.ab.ca)

## **1 Introduction and background**

1. In Decision [2011-474](#),<sup>1</sup> the Alberta Utilities Commission (the AUC or the Commission) set the approved return on equity (ROE) for Commission-regulated utilities subject to that decision at 8.75 per cent on a final basis for 2011 and 2012, and on an interim basis for 2013. The decision also set out common equity ratios for each utility for 2011 and 2012 which were to remain in effect until changed by the Commission.
2. On November 9, 2012, the Commission suspended the 2013 Generic Cost Of Capital (2013 GCOC) proceeding after consideration of a joint submission received from the Alberta Utilities (collectively, AltaGas Utilities Inc., AltaLink Management Ltd., ATCO Utilities, ENMAX Power Corporation, EPCOR Utilities Inc. and FortisAlberta Inc.). The submission was also supported by the Office of the Utilities Consumer Advocate (UCA). The Alberta Utilities submitted that it was not possible to prepare evidence and conduct a GCOC proceeding until final decisions were issued in the Performance-Based Regulation compliance proceeding (Proceeding ID No. 2130), the Capital Tracker proceeding (Proceeding ID No. 2131) and the Utility Asset Disposition proceeding (Proceeding ID No. 20).
3. By way of a letter dated April 4, 2013, the Commission recommenced the 2013 GCOC proceeding based on the status at that time of the proceedings identified in the joint submission and in recognition of the need to minimize regulatory lag in dealing with cost of capital matters.
4. In a letter dated April 23, 2013, the Commission indicated that the date for evidentiary submissions would be set, by way of subsequent correspondence, at approximately three weeks from the release of the later of the Capital Tracker (Proceeding ID No. 2131) and Utility Asset Disposition (Proceeding ID No. 20) decisions.
5. Decision [2013-417](#)<sup>2</sup> in the Utility Asset Disposition proceeding was issued on November 26, 2013. Decision [2013-435](#)<sup>3</sup> in the Capital Tracker proceeding was issued on December 6, 2013.
6. On December 18, 2013, the Commission approved a request from The City of Calgary, the UCA and the Alberta Utilities for an extension of the date for filing of evidence to January 31, 2014. In the letter, the Commission provided an updated process schedule which included an oral hearing scheduled for early summer.

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<sup>1</sup> Decision 2011-474: 2011 Generic Cost of Capital, Application No. 1606549, Proceeding ID No. 833, December 8, 2011.

<sup>2</sup> Decision 2013-417: Utility Asset Disposition, Application No. 1566373, Proceeding ID No. 20, November 26, 2013.

<sup>3</sup> Decision 2013-435: Distribution Performance-Based Regulation, 2013 Capital Tracker Applications, Application No. 1608827, Proceeding ID No. 2131, December 6, 2013.

## Commission findings

7. The revised process schedule suggests that a decision in the 2013 GCOC proceeding is unlikely to be available until at least the fourth quarter of 2014. The Commission also notes that several recent decisions have directed the use of 8.75 per cent as a ROE placeholder in 2014.<sup>4</sup> Accordingly, the Commission considers that an extension of the interim 2013 generic ROE of 8.75 per cent is required as an ROE placeholder for 2014 and for such time thereafter as may be required until the present proceeding is completed.

## 2 Order

8. It is hereby ordered that:

- (1) The Generic ROE for all utilities subject to Decision 2011-474 is set at 8.75 per cent on an interim basis for 2014 and for each subsequent year thereafter until otherwise directed by the Commission.

Dated on December 19, 2013.

### The Alberta Utilities Commission

*(original signed by)*

Mark Kolesar  
Vice-Chair

*(original signed by)*

Bill Lyttle  
Commission Member

*(original signed by)*

Tudor Beattie, QC  
Commission Member

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<sup>4</sup> Decision [2013-430](#): ATCO Pipelines, 2013-2014 General Rate Application, Application No. 1609158, Proceeding ID No. 2322, December 4, 2013;  
Decision [2013-407](#): AltaLink Management Ltd., 2013-2014 General Tariff Application, Application No. 1608711, Proceeding ID No. 2044, November 12, 2013;  
Decision [2013-358](#): ATCO Electric Ltd., 2013-2014 Transmission General Tariff Application, Application No. 1608610, Proceeding ID No. 1989, September 24, 2013.

## Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
ATCO Electric Ltd. D. DeChamplain L. Kizuk B. Yee L. Kerckhof
AltaLink Management Ltd. H. Williamson, QC R. Block, QC Z. Lazic J. Piotto J. Yeo D. Morris J. Wrigley K. Seymour V. Stinson D. Madsen N. Burns T. Campbell
ATCO Gas D. Wilson A. Green L. Fink A. Jukov B. Jones
AltaGas Utilities Inc. N. J. McKenzie
The City of Calgary D. Evanchuk H. Johnson M. Rowe
Canadian Association of Petroleum Producers R. Fairbairn K. Folkins
Consumers' Coalition of Alberta J. A. Wachowich J. A. Jodoin
EPCOR Distribution & Transmission Inc. I. Abbasi N. Lamers
Encana Corporation R. Powell D. Dunlop

<b>Name of organization (abbreviation) counsel or representative</b>
ENMAX Power Corporation D. Emes
FortisAlberta Inc. J. Walsh
Industrial Power Consumers Association of Alberta M. Forster R. Mikkelsen V. Bellissimo J. Cheng
City of Lethbridge M. Turner O. Lenz
NOVA Gas Transmission Ltd. T. Bews
City of Red Deer M. Turner J. Jorgensen
Office of the Utilities Consumer Advocate (UCA) C. R. McCreary K. Arrowsmith T. Faulhafer

The Alberta Utilities Commission
Commission Panel
M. Kolesar, Vice-Chair
B. Lyttle, Commission Member
T. Beattie, QC, Commission Member
Commission Staff
R. Finn (Commission counsel)
D. Cherniwchan
S. Allen
O. Vasetsky
C. Pham