



Apex Utilities Inc. (formerly AltaGas Utilities Inc.)

2021 Annual Performance-Based Regulation Rate Adjustment

December 17, 2020

Alberta Utilities Commission

Decision 25867-D01-2020

Apex Utilities Inc.

2021 Annual Performance-Based Regulation Rate Adjustment

Proceeding 25867

December 17, 2020

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1 Decision

1. In this decision, the Alberta Utilities Commission considers Apex Utilities Inc., formerly AltaGas Utilities Inc.'s (Apex, AltaGas or AUI) 2021 annual performance-based regulation (PBR) rate adjustment filing. For the reasons that follow, the Commission has determined that:

- The 2018 going-in rates and 2018 K-bar, provided in this proceeding, are approved as final.
- The 2021 special charges, distribution service rates and the corresponding rate schedules, as set out in [Appendix 4](#) and [Appendix 5](#), respectively to this decision are approved effective January 1, 2021.

2 Procedural summary

2. On September 10, 2020, Apex (at that time still AltaGas Utilities Inc.) submitted its 2021 annual PBR rate adjustment filing to the Commission, requesting approval of its 2021 gas distribution service rates, special charges, billing determinants and corresponding rate schedules, to be effective January 1, 2021, on an interim basis.¹

3. After issuing a notice of the application on September 11, 2020, the Commission received a statement of intent to participate from the Consumers' Coalition of Alberta (CCA), however the CCA did not actively participate in this proceeding. The process established for this proceeding included information requests (IRs) to and responses from Apex as well as written argument and reply argument, if required. Neither the CCA nor Apex filed argument in this proceeding.

4. On October 16, 2020, the Commission issued Decision 25608-D01-2020.² In Decision 25608-D01-2020, the Commission denied the former AltaGas in its proposal to utilize the Type 1 incremental capital funding mechanism for its Etzikom Lateral Project. The Commission directed the former AltaGas to file an adjustment to the current application reflecting the denial. Apex complied with the direction by submitting an updated application on November 2, 2020.

5. On November 19, 2020, Apex advised the Commission that it changed its name from AltaGas Utilities Inc. to Apex Utilities Inc. On November 24, 2020, Apex filed a letter on the

¹ Exhibit 25867-X0001, application, paragraphs 3-5.

² Decision 25608-D01-2020: AltaGas Utilities Inc., Type 1 Capital Tracker True-Up – Etzikom Lateral Project, Proceeding 25608, October 16, 2020.

record of this proceeding confirming that the content of the present application filed under the name AltaGas Utilities Inc. is correct for customers of the newly named Apex Utilities Inc.³

6. On November 19, 2020, the Commission issued a letter⁴ indicating its intent to finalize the distribution utilities' going-in rates and associated 2018 capital factors given the issuance of several decisions dealing with related outstanding matters. In response, on November 25, 2020, Apex confirmed that its going-in rates and 2018 capital factors can be finalized. The Commission considers the record to have closed on November 25, 2020, with the receipt of this correspondence.

7. In reaching the determinations set out within this decision, the Commission considered all relevant materials comprising the record of this proceeding. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to a particular matter.

3 Background

8. The PBR framework approved in Decision 20414-D01-2016 (Errata)⁵ provides a rate-setting mechanism (price cap for electric distribution utilities and revenue-per-customer cap for gas distribution utilities) based on a formula that adjusts rates annually by means of 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). With the exception of specifically approved adjustments, as discussed further below, a utility's revenues are not linked to its costs during the PBR term.

9. In Decision 20414-D01-2016 (Errata), the Commission 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).

10. As was the case in previous-generation PBR plans, the Commission determined that a supplemental capital funding mechanism, in addition to revenue provided under I-X, is required for the 2018-2022 PBR plans. However, in place of the capital tracker mechanism employed in previous-generation PBR plans, the Commission determined that incremental capital funding will be divided into two categories: Type 1 and Type 2 capital. For Type 1 capital, the Commission approved a modified capital tracker mechanism with narrow 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 formula. For Type 2 capital, the Commission approved a K-bar mechanism that provided an amount of capital funding for each

³ Exhibit 25867-X0024, AUI Name Change.

⁴ Exhibit 25867-X0024, AUC letter - Finalizing the going-in rates and associated 2018 capital factors.

⁵ Decision 20414-D01-2016 (Errata): 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Proceeding 20414, February 6, 2017.

year of the next-generation PBR plan based, in part, on capital additions made during the previous PBR term.⁶

11. Also in Decision 20414-D01-2016 (Errata), the Commission established that each of the distribution utilities must submit its PBR rate adjustment filing by September 10 of each year in order to facilitate annual implementation of rates by January 1 of the following year. The annual PBR rate adjustment filing deals with all issues relevant to the establishment of the PBR rates and terms and conditions (T&Cs) for a given year, including:

- I factor and the resulting I-X index;
- K factor and K-bar factor adjustments related to approved Type 1 and Type 2 capital, respectively;
- Y factor adjustment to collect flow-through items that are not collected through separate riders;
- previously approved Z factors;
- billing determinants for each rate class;
- backup showing the application of the formula by rate class and resulting rate schedules;
- a copy of the Rule 005⁷ filing filed in the current year as well as the return on equity (ROE) adjustment schedules for prior years;
- certain financial reporting requirements;
- changes proposed to T&Cs; and
- any other material relevant to the establishment of current year rates.

12. Apex's most recent annual rate filing dealing with 2020 PBR rates was approved on an interim basis in accordance with this framework in Decision 24883-D01-2019.⁸

13. The rate schedules and supporting documentation for this proceeding were submitted while Apex was still legally named AltaGas Utilities Inc. Because these will be in effect throughout 2021 and will be posted on the Commission's and Apex's webpages, for ease of reference for customers, Apex is directed to refile its rate schedules, T&Cs and appendixes, as a post-disposition document, under the new name by January 31, 2021.

4 PBR rate adjustments

4.1 2021 PBR indices and annual adjustments

14. As detailed in Section 2, the current PBR plan for Apex provides a rate-setting mechanism based on a formula that adjusts revenue-per-customer annually by means of the I-X indexing mechanism plus specifically approved adjustments. The annual parameters and adjustments utilized by Apex to arrive at its 2021 rates and the Commission's assessment of the

⁶ Decision 20414-D01-2016 (Errata), Section 6.4.2 (Type 1) and Section 6.4.3 (K-bar).

⁷ Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

⁸ Decision 24883-D01-2019: AltaGas Utilities Inc., 2020 Annual Performance-Based Regulation Rate Adjustment, Proceeding 24883, December 17, 2019.

applied-for amounts are detailed below. Additional discussion on select parameters is provided in the sections that follow.

I-X index

15. Apex calculated the 2021 I-X index to be 2.12 per cent⁹ by subtracting the approved X factor of 0.3 per cent¹⁰ from the I factor of 2.42 per cent.

16. The I factor is calculated as a weighted average of two indexes published by Statistics Canada: one for labour costs and one for non-labour costs.¹¹ In Decision 24883-D01-2019 the Commission confirmed that the replacement of Canadian Socio-Economic Information Management System (CANSIM) tables with new data tables by Statistics Canada in 2018 did not warrant any changes to the approved I factor calculation methodology as long as the new tables contain the required data series. No party objected to Apex's applied-for I factor.

17. The Commission has reviewed Apex's calculation of the 2021 I factor and finds it to be consistent with the methodology set out in Decision 20414-D01-2016 (Errata). Accordingly, the 2021 I factor of 2.42 per cent and the resulting I-X index of 2.12 per cent are approved.

18. In accordance with a past Commission direction,¹² Apex should use the unrevised actual index values filed in this proceeding as the basis for next year's inflation factor calculations. These values are provided in [Appendix 3](#) to this decision. As well, to facilitate the review of the underlying Statistics Canada indexes, the Commission directs Apex to provide dated screenshots of the CANSIM tables used in determining its I factor in future PBR annual rate adjustment filings.¹³

Y and Z factor materiality threshold

19. The Y and Z factor materiality threshold is the dollar value of a 40-basis point change in return on equity (ROE) on an after-tax basis calculated on the distribution utility's equity used to determine the final approved notional 2017 revenue requirement on which going-in rates were established. This dollar amount threshold is escalated by I-X annually, on a compounding basis.¹⁴ Apex calculated the Y and Z materiality threshold to be \$0.54 million in 2021.¹⁵ No party objected to these calculations.

20. The Commission has reviewed Apex's calculations of its 2021 Y and Z factor materiality threshold of \$0.54 million and is satisfied that it has been calculated correctly. Accordingly, this threshold is approved.

⁹ Exhibit 25867-X0001, application, paragraph 22.

¹⁰ Decision 20414-D01-2016 (Errata), paragraph 5.

¹¹ Decision 20414-D01-2016 (Errata), paragraph 8, and Appendix 5, Section 2, I factor, PDF pages 98-99.

¹² Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012.

¹³ In other PBR rate adjustment filings, parties pointed out that it is hard to verify the index numbers used in the I factor calculations because of the Statistics Canada ongoing updates to the published data.

¹⁴ Decision 20414-D01-2016 (Errata), Appendix 5, Section 8, Z factor, PDF page 101.

¹⁵ Exhibit 25867-X0001, application, paragraph 30.

Y factor

21. Y factor includes costs that do not qualify for capital treatment or Z factor treatment and that the Commission considers should be directly recovered from customers or refunded to them.¹⁶ Apex applied for a Y factor amount of \$1.88 million, inclusive of carrying costs.¹⁷ No party objected to this amount.

22. The Commission has assessed the amounts included in Apex's applied-for Y factor and finds they were adequately supported, properly calculated and in compliance with previous Commission directions. The Commission has also reviewed Apex's Y factor carrying costs, and finds that they are properly calculated and consistent with the applicable provisions of Rule 023.¹⁸ Accordingly, the applied-for Y factor amount is approved as filed.

Z factor

23. Z factors account for the impact of material exogenous events for which the company has no other reasonable cost recovery or refund mechanism within the PBR plan.¹⁹ Apex did not apply for any Z factor adjustments in 2021.

Q value

24. Q value represents the percentage change in billing determinants. For gas distribution utilities under the revenue-per-customer cap PBR plan, the percentage change is calculated as a forecast weighted average change in the number of customers for all rate classes.²⁰ No party objected to Apex's applied-for Q value of 0.38 per cent.²¹

25. The Commission has reviewed Apex calculation of its 2021 Q and finds it to be properly calculated and consistent with the approved methodology. Accordingly, the Commission approves AUI's 2021 Q of 0.38 per cent. The Commission directs AUI to continue providing Q value calculations in its future annual PBR rate adjustment filings.

K-bar factor

26. K-bar funding provides incremental Type 2 capital funding to supplement the revenues generated under the I-X mechanism.²² The 2018 K-bar was calculated by taking the difference between the revenue requirement associated with 2018 notional capital additions and the I-X related revenue for each project or program included in Type 2 capital.²³ For each year, the K-bar is calculated following similar steps as those for 2018, with adjustments made to account for the

¹⁶ Decision 2012-237: Rate Regulation Initiative Distribution Performance-Based Regulation, Proceeding 566, Application 1606029-1, September 12, 2012, paragraphs 617 and 631. Largely the same Y factor definition was adopted in Decision 20414-D01-2016 (Errata), Appendix 5, Section 3, Y factor, PDF page 99.

¹⁷ Exhibit 25867-X0001, application, Table 3.2-1.

¹⁸ Rule 023: *Rules respecting the payment of interest.*

¹⁹ Decision 2012-237, paragraphs 523-524.

²⁰ Decision 2013-435: Distribution Performance-Based Regulation, 2013 Capital Tracker Applications, Proceeding 2131, Application 1608827-1, December 6, 2013, paragraph 499.

²¹ Exhibit 25867-X0001, application, paragraph 23.

²² Decision 22394-D01-2018: Rebasings for the 2018-2022 PBR Plans for Alberta Electric and Gas Distribution Utilities, First Compliance Proceeding, Proceeding 22394, February 5, 2018, paragraph 167.

²³ Decision 22394-D01-2018, paragraph 169.

effects of inflation and productivity growth, growth in billing units (Q value), and changes to the weighted average cost of capital.²⁴ These updated parameters are to be used in the K-bar accounting test to calculate the amount of incremental Type 2 capital funding for a given year.

27. Apex applied for the 2021 K-bar funding of \$12.13 million, calculated as its 2021 required K-bar and 2019 K-bar true-up.²⁵ No party objected to Apex's applied-for K-bar funding.

28. The Commission has reviewed Apex's schedules showing the calculation of the 2021 K-bar amount and finds that it followed the methodology set out in Decision 22394-D01-2018. Therefore the Commission approves Apex's 2021 K-bar of \$12.13 million. The 2021 K-bar will be subject to a further true-up for the 2021 actual approved cost of debt.

K factor

29. In the current PBR plan, K factor is used to recover the Type 1 capital funding that provides additional funding above that provided in base rates for projects that meet the specific criteria established by the Commission.²⁶ Type 1 capital tracker projects can be approved on a placeholder basis if a utility submits an officer's certificate showing the internal approved forecast associated with the Type 1 capital tracker project for the upcoming year. K factor can also be used to deal with any capital tracker true-up amounts from the prior-generation PBR plan.

30. Apex applied for a 2021 revenue requirement of \$0.68 million associated with the 2019 Type 1 capital project. In Decision 25608-D01-2020, the Commission denied Type 1 capital treatment for that project. As a result, in compliance with Commission direction, on November 2, 2020, Apex filed an update to its application removing the 2020 Type 1 factor of \$0.68 million, the 2019 Type 1 capital factor of 0.17 million and Type 1 capital carrying costs of \$0.01 million. After the update, the total 2021 capital funding amount (i.e., the sum of K-bar and K factors) is \$11.27 million.²⁷

31. The Commission is satisfied that Apex complied with the directions set out in Decision 25608-D01-2020, by removing the Type 1 capital factor amounts from this application.

4.1.1 Forecast billing determinants and variance analysis

32. Forecast billing determinants are generally used to allocate K, K-bar, Y and Z factors to rate classes and to calculate the resulting rate adjustments, and are also used in performing the annual use-per-customer adjustments for gas distribution utilities.

33. In the application, Apex provided detailed 2021 billing determinant forecasts.²⁸ Apex submitted that its forecasted 2021 billing determinants were based on the same methodology approved in Decision 24883-D01-2019.

²⁴ Decision 22394-D01-2018, paragraph 223.

²⁵ Exhibit 25867-X0019, Appendix 6, Schedule 6.0, K Summary.

²⁶ Decision 20414-D01-2016 (Errata), paragraph 198.

²⁷ Exhibit 25867-X0019, Appendix 6, Schedule 6.0, K Summary.

²⁸ Exhibit 25867-X0007, Appendix 6, Schedule 2.3, Billing determinants.

34. In Decision 24883-D01-2019, the Commission directed the former AltaGas to continue to provide information on any variances from forecast to actual billing determinants by rate class and identify the cause of variances larger than \pm five per cent on an annual basis.²⁹ There were variances larger than \pm five per cent for the large general service and irrigation rate classes in 2019.

35. Apex explained that the variance for the large general service rate class is a result of nine fewer customers than forecast in the rate class as a result of the economic conditions in Alberta. As this rates class had on average some 150 customers in 2019, the decline in expected customer growth had a material impact on the billing determinant forecast variance.³⁰

36. The second rate class with the billing determinant forecast variance greater than \pm five per cent was the irrigation rate class. As noted in Decision 24883-D01-2019, there has been a downward trend in billing determinates in this rate class. Apex submitted that this variance is reasonable given the downward trend.

37. No party objected to the billing determinant forecast and provided variance explanations.

Commission findings

38. The Commission considers that variances from forecasts resulting from circumstances such as those described by Apex for 2019 may reasonably be expected. Such occurrences do not generally call into question the predictive value of the methodology used to generate such forecasts and Apex is directed to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify the cause of variances larger than \pm five per cent on an annual basis.

39. Based on its review and assessment of Apex's methodology and billing determinants in this proceeding, the Commission finds that the methodology and the resulting 2021 forecast billing determinants are reasonable. Accordingly, the billing determinant forecast is approved, as applied for.

5 2021 PBR rates

5.1 Distribution rates

40. In previous sections of this decision, the Commission approved individual components of the PBR plan, including the I-X index, Y factor amount, K factor and K-bar factor and billing determinants, all of which result in the annual adjustment to Apex's PBR rates.

41. With respect to Apex's special charges and standard contribution amounts set out in its 2021 special charges schedule,³¹ AltaGas escalated its special charges by the I-X index and rounded them to the nearest whole dollar, consistent with the methodology approved by the Commission in prior years.

²⁹ Decision 24883-D01-2019, paragraph 58.

³⁰ Exhibit 25867-X0001, application, paragraph 126.

³¹ Exhibit 25867-X0005, Appendix 4.

42. Apex also provided typical customer bill impact schedules reflecting the 2021 proposed rates that will go into effect on January 1, 2021. As shown in Table 1 below, according to Apex's calculations, these range from -1.08 to -4.56 per cent without commodity charges (Column B), but becomes +8.82 per cent to +24.90 per cent when commodity charges are included (Column D). Keeping the price component of the commodity charges unchanged results in a customer bill impact of -0.54 per cent to -1.98 per cent (Column F). This last method is discussed in more detail in the Commission findings below.

Table 1. Bill impacts of Apex's proposed 2021 distribution rates

Rate class description	A	B	C	D	E	F
	Forecast rate change excluding commodity	Forecast rate change excluding commodity	Forecast rate change including commodity	Forecast rate change including commodity	Forecast rate change controlling for the forecast change in the commodity ^[32]	Forecast rate change controlling for the forecast change in the commodity
Residential Rate 1/11	\$(25)	-2.85%	\$109	8.82%	\$(25)	-1.98% ^[33]
Commercial Rate 1/11	\$(25)	-1.08%	\$818	17.95%	\$(25)	-0.54% ^[34]
Rural Rate 1/11	\$(24)	-2.17%	\$229	12.76%	\$(24)	-1.33% ^[35]
LGS Rate 2/12	\$(551)	-2.56%	\$11,904	22.76%	\$(551)	-1.05% ^[36]
Demand Rate 3/13	\$(4,439)	-4.56%	\$65,127	24.90%	\$(4,439)	-1.70% ^[37]
Irrigation Rate 4/14	\$(38)	-2.89%	\$587	21.62%	\$(38)	-1.41% ^[38]

Source: Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

Commission findings

43. The Commission has reviewed Apex's schedules and calculations that underpin its 2021 PBR rates and is satisfied they are reasonable and are accurately calculated.

44. Due to relatively large bill impacts when considered on a total bill basis, the Commission in an IR explored the details of Apex bill impacts forecast methodology and how it differs from the bill impact forecast methodology utilized by ATCO Gas. The Commission notes that Apex's method of estimating bill impact differs from other distribution utilities in that it includes the forecast difference in commodity (natural gas) prices and transportation costs from 2020 to 2021.

³² Commission-calculated values by using the 2020 forecast gas price are shown in the control column as 2021 forecast commodity charges are used as the control and will therefore have no impact on the calculation of Column E. These values are calculated by copying the values in Excel lines 93-94 and lines 99-100 in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

³³ Calculated as modified Excel cell (C107/C105)*100 (-25/1,240)*100, in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

³⁴ Calculated as modified Excel cell (D107/D105)*100 (-25/4,556)*100, in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

³⁵ Calculated as modified Excel cell (E107/E105)*100 (-24/1,797)*100, in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

³⁶ Calculated as modified Excel cell (F107/F105)*100 (-551/52,307)*100, in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

³⁷ Calculated as modified Excel cell (G107/G105)*100 (-4,439/261,537)*100, in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

³⁸ Calculated as modified Excel cell (H107/H105)*100 (-38/2,715)*100, in Exhibit 25867-X0019, Appendix 6, Schedule 3.1.

45. In response to a Commission IR, Apex acknowledged that gas commodity charges are flow-through amounts on a bill that are driven by the natural gas market. Neither Apex nor the Commission have any control over these charges. Apex pointed to the complexity attendant to arriving at a reasonable gas price forecast and stressed that customers choosing a competitive retailer may see very different gas commodity rates than those forecast by Apex. Thus, forecast gas prices are provided as a reference point only for bill comparison purposes.³⁹

46. Other distribution utilities (both gas and electric) use the same commodity rate in both years that are being compared (in this case 2020 and 2021); the actual commodity charge in the 12-month period preceding the application is most commonly used for these purposes. This method allows for approximation of the effect of proposed distribution rate changes on a total bill basis, avoiding the issues associated with developing a reasonable forecast for the coming year. Accordingly, the Commission directs Apex, in all future rate applications, to utilize this method for doing its typical customer bill impact analysis.

47. As shown in Column F of Table 1 above, when using the same gas commodity and transportation costs in both 2020 and 2021, the typical bill impacts are in the order of one-to-two per cent decrease for all rate classes. Therefore, the proposed 2021 PBR rates by themselves (i.e., before any impacts of gas commodity charges), are unlikely to result in rate shock.

48. In light of the above considerations, the Commission approves Apex's 2021 PBR rates on an interim basis, effective January 1, 2021.

5.2 Rate riders

49. Apex is not currently seeking approval of any additional rate riders beyond those approved in Decision 23355-D02-2018.⁴⁰ Details on Apex's approved rate riders are provided in [Appendix 6](#).

6 Other matters

6.1 Terms and conditions of service

50. Apex did not propose any changes to its terms and conditions of service. Therefore, its terms and conditions of service, approved in Decision 24883-D01-2019 that were in place for 2020, will continue to apply in 2021, subject to Apex refileing them under the new name as directed in Section 3.

6.2 Financial reporting requirements and senior officer attestation

51. In Decision 20414-D01-2016 (Errata), the Commission adopted the requirement from Decision 2012-237 that each distribution utility be required to provide the following financial information in its annual PBR rate adjustment filing:

³⁹ Exhibit 25867-X0014, AUI-AUC-2020OCT13-002(c).

⁴⁰ Decision 23355-D02-2018: Rebasings for the 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Second Compliance Proceeding, Proceeding 23355, October 10, 2018.

- (a) A copy of its Rule 005 filing.
- (b) A schedule showing disallowed costs, excluded from a distribution utility's ROE.
- (c) Attestations and certifications signed by a senior officer of the distribution utility.⁴¹

52. The Commission provided a detailed summary or description of each of the above requirements in Section 4.6 of Decision 23355-D02-2018.⁴²

53. Apex provided the required financial information.⁴³

Commission findings

54. The Commission has reviewed the financial information provided by Apex and is satisfied that it has complied with the financial reporting requirements set out in Decision 20414-D01-2016 (Errata).

6.3 Finalizing the going-in rates and associated 2018 capital factors

55. As set out in Decision 20414-D01-2016 (Errata), the Commission set the going-in rates for the 2018-2022 PBR plans on the basis of a notional 2017 revenue requirement that was calculated using the actual pre-2017 costs, adjusted as required for anomalies.⁴⁴ However, the resulting going-in rates and associated 2018 capital factors (K-bar and K factors) remained interim because they contained certain items that were either placeholders or subject to review and variance proceedings.

56. In Apex's case, the most notable item that required finalization was the proposed anomaly adjustments. In Decision 25422-D01-2020,⁴⁵ the Commission concluded that no additional adjustments were required to account for anomalies for the purposes of calculating Apex's going-in rates.

57. On November 19, 2020, the Commission issued a letter on the record of this proceeding, notifying Apex of its intention to finalize the going-in rates and 2018 capital factors, as all outstanding proceedings and placeholders previously limiting the company's ability to finalize these rates have now been resolved.⁴⁶ In response, Apex confirmed that the schedules filed as part of the present 2021 annual PBR rate adjustment application include all adjustments necessary for the purposes of finalizing its going-in rates and associated 2018 capital factors in accordance with Decision 20414-D01-2016 (Errata) and all subsequent decisions and directions impacting these calculations.⁴⁷

⁴¹ Decision 20414-D01-2016 (Errata), Appendix 5, Section 10, Financial reporting requirements, PDF pages 101-102.

⁴² Decision 23355-D02-2018, paragraphs 71-74.

⁴³ Exhibit 25867-X0003, Appendix 2; Exhibit 25867-X0004, Appendix 3; Exhibit 25867-X0006, Appendix 5.

⁴⁴ Decision 20414-D01-2016 (Errata), paragraph 46.

⁴⁵ Decision 25422-D01-2020: Anomaly Adjustment Applications in Rebased the 2018-2022 Performance-Based Regulation Plans for Alberta Electric and Gas Distribution Utilities, Proceeding 25422, November 3, 2020.

⁴⁶ Exhibit 25867-X0023, AUC letter - Finalizing the going-in rates and associated 2018 capital factors.

⁴⁷ Exhibit 25867-X0025, AUI Finalizing the GIR [going-in rates] and Associated 2018 Capital Factors for the 2018-22.

Commission findings

58. The Commission has reviewed Apex's notional 2017 revenue requirement and 2018 capital factor schedules, and is satisfied all adjustments have been calculated correctly and are generally in alignment with the Commission's directions in Decision 20414-D01-2016 (Errata) and all subsequent decisions and directions impacting these calculations. Therefore, the Commission approves Apex's 2018 going-in rates and 2018 capital factor, K-bar, provided in this proceeding,⁴⁸ as final.

7 Order

59. It is hereby ordered that:

- (1) Apex Utilities Inc.'s 2021 special charges, distribution rates and corresponding rate schedules and rate riders, as set out in Appendix 4, Appendix 5 and Appendix 6, respectively are approved effective January 1, 2021.

Dated on December 17, 2020.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

⁴⁸ Exhibit 25867-X0019, Appendix 6.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Apex Utilities Inc., formerly AltaGas Utilities Inc. (Apex, AltaGas or AUI)
Consumers' Coalition of Alberta (CCA)

Alberta Utilities Commission
Commission panel C. Dahl Rees, Chair
Commission staff N. Sawkiw (Commission counsel) B. Edwards P. Howard

Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. The rate schedules and supporting documentation for this proceeding were submitted while Apex was still legally named AltaGas Utilities Inc. Because these will be in effect throughout 2021 and will be posted on the Commission’s and Apex’s webpages, for ease of reference for customers, Apex is directed to refile its rate schedules, T&Cs and appendixes, as a post-disposition document, under the new name by January 31, 2021. paragraph 13
2. In accordance with a past Commission direction, Apex should use the unrevised actual index values filed in this proceeding as the basis for next year’s inflation factor calculations. These values are provided in Appendix 3 to this decision. As well, to facilitate the review of the underlying Statistics Canada indexes, the Commission directs Apex to provide dated screenshots of the CANSIM tables used in determining its I factor in future PBR annual rate adjustment filings. paragraph 18
3. The Commission has reviewed Apex calculation of its 2021 Q and finds it to be properly calculated and consistent with the approved methodology. Accordingly, the Commission approves AUI’s 2021 Q of 0.38 per cent. The Commission directs AUI to continue providing Q value calculations in its future annual PBR rate adjustment filings. paragraph 25
4. The Commission considers that variances from forecasts resulting from circumstances such as those described by Apex for 2019 may reasonably be expected. Such occurrences do not generally call into question the predictive value of the methodology used to generate such forecasts and Apex is directed to continue to provide information on any variances from forecast to actual billing determinants by rate class and to identify the cause of variances larger than \pm five per cent on an annual basis. paragraph 38
5. Other distribution utilities (both gas and electric) use the same commodity rate in both years that are being compared (in this case 2020 and 2021); the actual commodity charge in the 12-month period preceding the application is most commonly used for these purposes. This method allows for approximation of the effect of proposed distribution rate changes on a total bill basis, avoiding the issues associated with developing a reasonable forecast for the coming year. Accordingly, the Commission directs Apex, in all future rate applications, to utilize this method for doing its typical customer bill impact analysis. paragraph 46

Appendix 3 – Inflation indexes used in the 2021 I factor calculation

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Date	Alberta CPI v41692327 (2002=100)	Alberta AWE v79311387 \$	Average July to June		Year over year % change		2021 I factor %
			AB CPI (2002=100)	AB AWE \$	AB CPI %	AB AWE %	
July 2018	141.80	1149.77					
August 2018	141.60	1159.73					
September 2018	141.10	1139.33					
October 2018	141.40	1142.15					
November 2018	140.70	1149.74					
December 2018	140.50	1141.83					
January 2019	140.50	1147.69					
February 2019	142.00	1141.15					
March 2019	143.10	1155.88					
April 2019	143.70	1143.80					
May 2019	144.00	1183.43					
June 2019	142.70	1169.85	141.93	1152.03			
July 2019	143.60	1161.51					
August 2019	143.40	1166.27					
September 2019	142.90	1174.41					
October 2019	143.60	1192.13					
November 2019	143.60	1171.31					
December 2019	143.70	1171.78					
January 2020	144.70	1187.29					
February 2020	145.50	1179.61					
March 2020	144.10	1169.04					
April 2020	143.00	1243.85					
May 2020	144.10	1250.08					
June 2020	145.00	1205.07	143.93	1189.36	1.41	3.24	2.42

Source: Statistics Canada website (<http://www.statcan.gc.ca>) accessed on August 27, 2020.

Appendix 4 – 2021 special charges schedule

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Appendix 4 - 2021
special charges sched

(consists of 4 pages)

Appendix 5 – 2021 rate schedules

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Appendix 5 - 2021
rate schedules

(consists of 13 pages)

Appendix 6 – Riders approved in Decision 23355-D02-2018

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Rider	Description
Rider A – Franchise Fees	Franchise fees are paid to municipalities in consideration of the exclusive grant of a franchise and for the ability to put gas distribution facilities on land owned by the municipalities.
Rider B – Property Taxes and Municipal Fees	Property taxes and fees are levied by municipalities against Apex’s land and buildings, linear property, machinery and equipment or charged for services such as inspection and permitting related to construction work within the franchise area.
Rider C – Deemed Cost of Gas	Rider C is a deemed calculation used where municipalities calculate the franchise fee on both natural gas charges and delivery charges for customers being served by a competitive retailer. Rider C is necessary to ensure the franchise fee is charged in a fair way, whether a customer purchases gas through a competitive or default gas supply.
Rider D – Gas Cost Recovery	The gas cost recovery rate is the cost per gigajoule, approved by the AUC on a monthly basis, for the cost of natural gas provided to default supply customers plus procurement costs, management fees, bad debt, penalty revenue and/or carrying costs of cash working capital related to providing natural gas to its customers.
Rider E – Unaccounted-for Gas (Receipts)	Rate Rider E is used in calculating Rider D and Rider G. It is designed to allow AltaGas to recover its annual line losses and is approved on an annual basis by the AUC.
Rider F – Deficiency or Refund	Rider F is used to recover a deficiency or refund resulting from AUC Decisions.
Rider G – Third Party Transportation	Rider G is the cost per gigajoule, approved by the AUC on a monthly basis, for third party transportation costs incurred by Apex for transporting gas to customers on a third party’s pipeline (e.g. TCPL [TransCanada Pipelines Limited], ATCO Pipelines, municipal systems).
Rider H – Unaccounted-for Gas [UFG] (Deliveries)	Rider H is used to facilitate gas settlement and balancing calculations consistent with AUC Rule 028. This rider is necessary to ensure retailers’ bear their share of UFG related to deliveries, consistent with AUC Rule 028 [Rule 028: Natural Gas Settlement System Code Rules].
Rider L – Load Balancing Deferral Account	Rider L is used to capture the financial impact of the effect of retailers’ account balances for deliveries and receipts on Apex’s distribution system and to account for system balancing of transmission capacity on the TCPL system. Rider L was developed to ensure compliance with AUC Rule 028.

AltaGas Utilities Inc. Special Charges Schedule

In a number of places the Natural Gas Utility Service Rules refer to special charges for some services. Following is a list of the charges, as approved by the Alberta Utilities Commission.

Special Charge	Fee
Account Activation Fee.....	\$ 38
Remove and test meter - per meter:	
Residential	\$ 82
Other	Actual Cost
Special meter readings (each time).....	\$ 38
No Access Fee (each time).....	\$ 38
Reconnection Fee:	
Residential	\$ 54
Other (except Irrigation)	Actual Cost
Irrigation Disconnection/Reconnection Fee:	
Each time (except normal season start and end).....	\$ 82
Reinstallation of Meter/Regulator:	
Residential	\$ 82
Other	Actual Cost
Dishonoured payment charge (NSF cheque, etc.) - each time	\$ 28
Cheque certification charge - each time	\$ 11
Any other service at Customer's Request	Actual Cost
Late Payment Percentage	
Applied to any unpaid balance from previous bills	1.5%
(18% per annum, compounded monthly)	
Standard Non-Refundable Contribution (as defined on p.3):	
Town.....	\$ 0
Rural Subdivision.....	\$ 544
Rural Other.....	\$ 5,878

Note: "Actual Cost", where referenced, means our direct costs for labour, materials, services, and equipment plus applicable overheads.

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AltaGas Utilities Inc.
Special Charges Schedule (continued)

AUC Rule 003 – Service Standards for Energy Service Providers

Service Guarantee for Default Supply Customers

We will credit your account with us for \$150.00 if:

- You were provided written notice of pending disconnection of service in error;
- You were provided written notice of pending referral to a credit agency in error;
- You were referred to a credit agency in error; or
- You experienced disconnection of service in error.

The \$150 credit will not be applied if the error was not made by us or if:

- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice and your payment crossed in the mail;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was in mail transit at the time you made or attempted to make payment by visiting the premises of an authorized payment acceptance establishment, such as a bank, trust company or credit union;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was properly mailed, but you did not pick up the mail from locations, such as a post office, super mail box or home mail box;
- Our written notice of pending disconnection or pending referral to a credit agency was not issued in error and our notice was undelivered by the mail delivery service; or
- You attempted to make payment to one of our employees or someone hired by us to disconnect your *service site* and the disconnection was not in error, but that person was not authorized to accept payment.

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AltaGas Utilities Inc. Special Charges Schedule (continued)

Non-Refundable Contributions

Applications for service will require a non-refundable contribution. In most cases, a standard contribution is all that is required. Services uneconomic with a standard contribution will require an additional non-refundable contribution.

Standard Non-Refundable Contributions

Standard contributions are filed for acknowledgment with the Commission when they are initially established and, thereafter, whenever they are changed. For a current list of our standard non-refundable contributions, please refer to Page 1 of this Special Charges Schedule or contact us toll-free using our General Inquiry phone number to find current rates.

Non-Standard Non-Refundable Contributions

Winter Construction – Should the service be requested for installation under winter construction conditions, the customer is responsible for the incremental frost charges.

Other – If it is not economic to consider an application for service under a standard contribution, it will be evaluated individually to determine a specific, non-refundable contribution.

Calculation of Specific Non-Refundable Contributions

The calculation of a specific non-refundable contribution will be based on a net present value analysis applying the following criteria:

- a) An estimate of the total capital costs of providing service;
- b) An estimate of the total annual operating costs of providing service;
- c) The *Commission*-approved return on common equity, interest rate, depreciation rates, income taxes and capital structure;
- d) An estimate of the expected net revenue that will accrue from the addition of the service.

The additional contribution will be the amount required to make the net present value of the revenue stream equal the revenue requirement stream.

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AltaGas Utilities Inc.
Special Charges Schedule (continued)

Additional Criteria:

- Rate 1/11 – Town – A *service site* located within an incorporated municipality, such as a village, town, or city;
- Rate 1/11 – Rural Subdivision – A *service site* not defined as ‘Town’, but located in an AltaGas Utilities Inc. designated subdivision;
- Rate 1/11 – Rural Other – A *service site* not defined as ‘Town’ or ‘Rural Subdivision’
- Other – A *service site* served under any rate other than Rate 1/11.

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RATE 1	SMALL GENERAL SERVICE
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Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, emergency, or irrigation services.

Charges:

Fixed Charge:

Delivery.....	\$ 1.498/Day
Default Supply Provider Administration Fee.....	\$ 0.087/Day

Variable Energy Charge:

Base	\$ 2.471/GJ
Gas Cost Recovery.....	Rate Rider D
Third Party Transportation	Rate Rider G

The minimum daily charge will be the Fixed Charge.

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AltaGas Utilities Inc.

RATE 2	LARGE GENERAL SERVICE (OPTIONAL)
---------------	-----------------------------------------

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, or emergency services.

Charges:

Fixed Charge:

Delivery.....	\$ 19.664/Day
Default Supply Provider Administration Fee	\$ 0.087/Day

Variable Energy Charge:

Base	\$ 1.551/GJ
Gas Cost Recovery.....	Rate Rider D
Third Party Transportation	Rate Rider G

The minimum daily charge will be the Fixed Charge.

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AltaGas Utilities Inc.

RATE 3	DEMAND GENERAL SERVICE (OPTIONAL)
---------------	------------------------------------------

Description:

Available to all customers except those customers who do not purchase their total natural gas requirements from the Company or who utilize the Company's facilities only for standby, peaking, or emergency services.

Charges:

Demand Charge \$ 0.427/Day/GJ
of Billing Demand

Fixed Charge:

Base \$ 23.498/Day
Default Supply Provider Administration Fee..... \$ 0.087/Day

Variable Energy Charge:

Base \$ 0.051/GJ
Gas Cost Recovery..... Rate Rider D
Third Party Transportation Rate Rider G

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

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AltaGas Utilities Inc.

RATE 4	IRRIGATION PUMPING SERVICE (OPTIONAL)
---------------	----------------------------------------------

Description:

Available only to customers for the use of natural gas as a fuel for engines pumping irrigation water from **April 1 to October 31**, inclusive.

Charges:

April 1 to
 October 31

Fixed Charge:

Delivery.....	\$ 3.987/Day
Default Supply Provider Administration Fee.....	\$ 0.087/Day

Variable Energy Charge:

Base	\$ 1.292/GJ
Gas Cost Recovery.....	Rate Rider D
Third Party Transportation	Rate Rider G

The minimum daily charge will be the Fixed Charge.

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AltaGas Utilities Inc.

RATE 6	STANDBY, PEAKING, AND EMERGENCY SERVICE
---------------	------------------------------------------------

Description:

Available only at the option of the Company.

Charges:

Demand Charge \$ 0.427/Day/GJ
 of Billing Demand

Fixed Charge:

Base \$ 23.498/Day
 Default Supply Provider Administration Fee..... \$ 0.087/Day

Variable Energy Charge1.3 times the Variable Base Charge of Rate No. 3
 plus the greater of:
 (a) 1.3 times the GCRR; or
 (b) 1.3 times the actual cost of gas purchased

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

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AltaGas Utilities Inc.

RATE 10a	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate 10a customer subject to the terms and conditions specified in the contract.

Charges:

	<u>1 Year</u>	<u>Term 2 Years</u>	<u>3 Years</u>
Fixed Charge per Month	\$ 250.00	\$ 250.00	\$ 250.00
Demand Charge per GJ of Billing Demand per Month.....	\$ 1.418	\$ 1.333	\$ 1.248
Energy Charge per GJ.....	\$ 0.019	\$ 0.019	\$ 0.019

- a) The minimum monthly charge will be the fixed plus demand charge.
- b) The Company and customer shall determine receipt and delivery locations for transportation service by consultation and agreement.
- c) Service under Rate 10a is subject to available system capacity.
- d) The Company reserves the right to restrict the amount of gas received and delivered up to the Contract Demand.
- e) Billing demand will be the higher of: contracted demand, the greatest amount of gas (GJ) transported in any consecutive 24-hour period, during the current or the previous 11 months.
- f) The rates do not include costs payable by the Customer for specific facilities at the point(s) of receipt or delivery provided by the Company for the Customer.

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AltaGas Utilities Inc.

RATE 10b	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate 10b customer subject to the terms and conditions specified in the contract.

Charges:

Variable Energy Charge \$ 0.085/GJ

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AltaGas Utilities Inc.

RATE 10c	PRODUCER TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate 10c customer subject to the terms and conditions specified in the contract.

Charges:

Demand Charge \$ 0.020/Day/GJ
 of Billing Demand

EFFECTIVE DATE: January 1, 2021	REPLACING RATE EFFECTIVE: January 1, 2020 Decision 24883-D01-2019	Page 1 of 1 PTS10c Closed Rate
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AltaGas Utilities Inc.

RATE 11	SMALL GENERAL SERVICE FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base \$ 1.498/Day

Variable Energy Charge:

Base \$ 2.471/GJ
 Third Party Transportation Rate Rider G

The minimum daily charge will be the Fixed Charge.
 This service is not available for standby, peaking, or emergency services.

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AltaGas Utilities Inc.

RATE 12	LARGE GENERAL SERVICE (OPTIONAL) FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Fixed Charge:

Base \$ 19.664/Day

Variable Energy Charge:

Base \$ 1.551/GJ
 Third Party Transportation Rate Rider G

The minimum daily charge will be the Fixed Charge.
 This service is not available for standby, peaking, or emergency services.

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AltaGas Utilities Inc.

RATE 13	DEMAND GENERAL SERVICE (OPTIONAL) FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply.

Charges:

Demand Charge \$ 0. 427/Day/GJ
 of Billing Demand

Fixed Charge:

Base \$ 23.498/Day

Variable Energy Charge:

Base \$ 0.051/GJ
 Third Party Transportation Rate Rider G

The minimum daily charge will be the Demand Charge and Fixed Charge.

Determination of Billing Demand:

The Billing Demand shall be the greater of:

1. 100 GJ, or
2. The Contract Demand, or
3. The greatest amount of gas (GJ) delivered in any consecutive 24-hour period during the current and preceding eleven billing periods provided that the greatest amount of gas delivered in any 24 consecutive hours in the summer period (April 1 to October 31, inclusive) shall be divided by 2.

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AltaGas Utilities Inc.

RATE 14	IRRIGATION PUMPING SERVICE (OPTIONAL) FOR RETAILER
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Description:

Distribution service is available to retailers under contract for the delivery of retail supply. Available to retailers only for the use of natural gas as a fuel for engines pumping irrigation water from April 1 to October 31, inclusive.

Charges:

April 1 to
October 31

Fixed Charge:

Base \$ 3.987/Day

Variable Energy Charge:

Base \$ 1.292/GJ
 Third Party Transportation Rate Rider G

The minimum daily charge will be the Fixed Charge.
 This service is not available for standby, peaking, or emergency services.

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AltaGas Utilities Inc.

RATE 30 SPECIAL CONTRACT	TRANSPORTATION SERVICE 'CLOSED RATE'
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Description:

Transportation service is available to the Rate No. 30 customer for the term and conditions specified in the contract.

Charges:

Fixed Charge	\$ 250.00/Month
Energy Charge.....	\$ 0.230/GJ

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AltaGas Utilities Inc.