



AltaLink Management Ltd.

**Request for Approval of 2023 Spring Wildfire and Snow Event
Expenditures**

July 31, 2024

Alberta Utilities Commission

Decision 28750-D01-2024

AltaLink Management Ltd.

Request for Approval of 2023 Spring Wildfire and Snow Event Expenditures

Proceeding 28750

July 31, 2024

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1 Decision summary

1. This decision provides the Alberta Utilities Commission's determinations regarding AltaLink Management Ltd.'s (AltaLink or AML) application on matters pertaining to the treatment of costs related to the wildfire and snow events that occurred in 2023.
2. For the reasons contained in this decision, the Commission denies AltaLink's proposal to capitalize \$18.5 million in repair and replacement of damaged or destroyed transmission facilities and the removal of new danger trees resulting from the 2023 spring wildfire and snow events. The Commission approves the \$18.5 million in costs, on a placeholder basis, and directs AltaLink to recover this amount through the self-insurance reserve (SIR) account evenly over the 2024 and 2025 test periods. The Commission approves the inclusion of \$6.2 million salvage expenditures, on a placeholder basis, in AltaLink's net salvage reserve account, effective December 31, 2023.
3. AltaLink is to reflect the findings, conclusions and directions in this decision with its 2024-2025 transmission general tariff application (GTA) compliance filing that is to be submitted no later than August 12, 2024.

2 Introduction and background

4. AltaLink is a transmission facility owner (TFO) that provides regulated electric transmission service in Alberta. AltaLink recovers the costs of providing electric transmission service through its transmission tariff, which must be approved by the Commission. Once approved, AltaLink recovers its tariff amounts from Alberta ratepayers through the Alberta Electric System Operator, which collects the costs of transmission services provided to Alberta ratepayers from the ratepayers' respective distribution facility owners, and from customers directly connected to the transmission system.
5. On December 20, 2023, AltaLink filed an application requesting approval to recover, through its TFO tariff, expenditures incurred to repair, replace and salvage overhead transmission facilities and substation structures that were damaged or destroyed by two wildfire events that occurred in May and June 2023, and by a snow event that caused flooding in June 2023 (the 2023 spring wildfire and snow events).
6. In its application, AltaLink stated, consistent with prior approved tariff applications, it self-insures transmission line assets as it does not carry property insurance for its transmission lines. AltaLink proposed to capitalize its repair and replacement expenditures resulting from the 2023 spring wildfire and snow events, citing a Commission decision (Decision 25139-D01-

2020¹), in which the Commission approved the capitalization of utility asset repair and replacement costs for a different utility.

7. Specifically, AltaLink requested Commission approval of:

- (i) total capital expenditures of \$18.5 million relating to the repair and replacement of damaged or destroyed transmission facilities and the removal of new danger trees along AltaLink's transmission line rights-of-way resulting from the 2023 spring wildfire and snow events;
- (ii) the inclusion of a total of \$6.2 million in salvage expenditures relating to the removal of transmission facilities damaged or destroyed as a result of the 2023 spring wildfire and snow events to be included in the net salvage reserve account;
- (iii) the inclusion of the approved total capital expenditures in its 2024 opening rate base; and
- (iv) the inclusion of the approved total salvage expenditures in its net salvage reserve account, effective December 31, 2023.²

8. The Commission issued notice of the application on December 21, 2023. Four parties filed statements of intent to participate: the Consumers' Coalition of Alberta (CCA),³ the Industrial Power Consumers Association of Alberta,⁴ the Office of the Utilities Consumer Advocate (UCA)⁵ and ATCO Electric Ltd.⁶

9. The Commission, in its January 23, 2024, letter, determined that additional information was required for the Commission to consider the application complete. After receiving the additional information, the Commission sought comments from parties on whether there were concerns respecting the issues to be considered in this proceeding, and the issues settled by way of a Negotiated Settlement Agreement in Proceeding 28174.⁷ As no parties expressed concerns with the interaction between the application and the Negotiated Settlement Agreement in Proceeding 28174, the Commission proceeded to consider the application by means of a *minimal written process*⁸ that included a round of information requests (IRs) and IR responses and virtual oral argument and reply argument. The Commission considers the close of record to be May 2, 2024, when undertaking responses by AltaLink were submitted.

10. In reaching the determinations set out in this decision, the Commission has considered all relevant materials comprising the record of this proceeding, including the argument and reply argument and undertakings provided by each party. Accordingly, references in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's

¹ Decision 25139-D01-2020: ATCO Electric Ltd., Decision on Application for Review and Variance of Decision 22742-D02-2019, 2018-2019 Transmission General Tariff Application, Proceeding 25139, May 20, 2020.

² Exhibit 28750-X0001, application, PDF page 1.

³ Exhibits 28750-X0005 and 28750-X0006.

⁴ Exhibit 28750-X0007.

⁵ Exhibit 28750-X0008.

⁶ Exhibit 28750-X0009.

⁷ Exhibit 28750-X0019, AUC letter – Process schedule.

⁸ Bulletin 2015-09, Performance standards for processing rate-related applications, March 26, 2015, PDF page 3, Table 1.

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 that matter.

3 How should the costs AltaLink incurred to replace and repair damaged assets be accounted for and recovered?

11. At issue in the current proceeding is how the repair and replacement costs incurred as a result of the 2023 spring wildfire and snow events should be recovered. In its application, AltaLink proposed to capitalize \$18.5 million of repair and replacement costs, and record \$6.2 million in salvage expenditures to the salvage reserve, totalling \$24.7 million. This would result in \$18.5 million being added to AltaLink's rate base, where AltaLink would recover the cost over the asset service life and be eligible to earn a return on the undepreciated balance.

12. AltaLink provided the following repair and replacement expenditures resulting from the 2023 spring wildfire and snow events:

Table 1. 2023 wildfire and snow event costs

	Repair and replacement expenditures	Salvage	Total cost
	(\$ million)		
May 2023 wildfire events	10.9	3.6	14.5
June 2023 wildfire events	5.9	2.0	7.9
June 2023 snow events	1.7	0.6	2.3
Total	18.5	6.2	24.7

Source: Exhibit 28750-X0001, application, PDF page 2, Table 1 – Summary of capital and salvage expenditures.

3.1 What is the current method approved to recover these types of costs?

13. In Decision 26509-D01-2022 (Corrigenda),⁹ AltaLink's 2022-2023 GTA and 2020 direct assigned capital deferral account reconciliation application, the Commission approved AltaLink's insurance costs and the SIR account coverage.¹⁰ AltaLink's insurance coverage and related costs were explained as follows:

124. AltaLink has property insurance, commercial third-party liability insurance (liability insurance) and other insurance coverages. The costs for insurance are recovered as an O&M [operating and maintenance] expense in USA 924, and through an established self-insurance reserve (SIR) account in USA 925. AltaLink's SIR account provides coverage for injuries and damages not covered by AltaLink's commercial insurance arrangements.

125. AltaLink does not obtain property insurance coverage on its transmission lines due to the high cost of the associated premium.¹¹ [footnotes removed]

⁹ Decision 26509-D01-2022 (Corrigenda): AltaLink Management Ltd., 2022-2023 General Tariff Application and 2020 Direct Assigned Capital Deferral Account Reconciliation Application, Application 26509-A001, KainaiLink Limited Partnership, 2022-2023 General Tariff Application, Application 26509-A002, PiikaniLink Limited Partnership, 2022-2023 General Tariff Application, Application 26509-A003, Proceeding 26509, February 11, 2022.

¹⁰ Decision 26509-D01-2022 (Corrigenda), PDF page 36, paragraphs 129-130.

¹¹ Decision 26509-D01-2022 (Corrigenda), PDF page 36, paragraphs 124-125.

14. AltaLink's SIR policy is attached as [Appendix 4](#) to this decision. As stated in the SIR policy, the recovery of a claim through the SIR account requires the following eligibility criteria to be met:

- (i) in excess of \$100,000;
- (ii) must be categorized as an insured loss¹² or an uninsured/uninsurable loss;¹³
- (iii) an event must be sudden and accidental; and
- (iv) out of AltaLink's control, and not reasonably foreseeable or preventable.

15. The SIR policy also provides AltaLink an opportunity to file a separate application to seek recovery of its SIR balance if the balance in the SIR account exceeds \$5 million.

16. AltaLink confirmed that the \$18.5 million of repair and replacement costs qualify for SIR coverage.¹⁴ The \$6.2 million of salvage costs are to be recorded to the net salvage reserve. The net salvage reserve includes amounts that have been previously collected for the purpose of covering expenses required to retire an asset.

3.2 Should the asset repair and replacement costs be capitalized?

17. Despite confirming that the \$18.5 million of repair and replacement costs qualify for SIR coverage, AltaLink requested approval to capitalize these costs. In support of this request, AltaLink relied on Decision 25139-D01-2020, in which a review panel of the Commission accepted that ATCO Electric's proposal to capitalize the asset repair and replacement costs associated with the 2016 Fort McMurray wildfire was consistent with ATCO Electric's established reserve for injuries and damages (RID) treatment and accounting policies and prior Commission approvals.¹⁵ In doing so, the review panel varied an earlier direction for ATCO Electric to collect the asset repair and replacement costs through its RID account.^{16 17} The review panel accepted ATCO Electric's explanation that the Commission approved its accounting policies, including its RID accounting practice in Decision 20272-D01-2016,¹⁸ ATCO Electric's 2015-2017 transmission GTA, and subsequent tariff applications. Consequently, no costs associated with rebuilding capital assets were recoverable through its RID account.¹⁹

¹² As per AltaLink's SIR policy, an insured loss is a loss that is covered by insurance where charges include the deductible portion of an insured loss, any portion of the claim that exceeds the limit of insurance and any portion of the claim not paid by the insurance company.

¹³ As per AltaLink's SIR policy, "An uninsured loss is one where insurance coverage could have been obtained, but ultimately was not purchased either because the risk exposure was judged as minimal, or the cost of the insurance was assessed to be prohibitively high." An uninsurable loss is defined as "... one where insurance coverage was not available in the commercial insurance market because of very high risk exposure."

¹⁴ Exhibit 28750-X0013, AML Response to AUC Further Application Requirements (I-VIII), PDF page 3.

¹⁵ Decision 25139-D01-2020, paragraph 42.

¹⁶ The ATCO Electric RID reserve account is similar to AltaLink's SIR account in that both are self-funded reserves for uninsured or uninsurable losses.

¹⁷ Decision 22742-D02-2019: ATCO Electric Ltd., 2018-2019 Transmission General Tariff Application, Proceeding 22742, October 2, 2019, paragraphs 63-65.

¹⁸ Decision 20272-D01-2016: ATCO Electric Ltd., 2015-2017 Transmission General Tariff Application, Proceeding 20272, August 22, 2016.

¹⁹ Proceeding 25139, Exhibit 25139-X0010, AET-AUC-2020JAN16-002(d).

18. The Commission denies AltaLink's proposal to capitalize \$18.5 million associated with the repair and replacement of damaged or destroyed transmission facilities and the removal of new danger trees resulting from the 2023 spring wildfire and snow events.

19. AltaLink's SIR account mechanics have been approved by the Commission in prior GTAs, in particular Decision 26509-D01-2022 (Corrigenda) that applies to insured losses, and uninsured or uninsurable losses for the years 2022 and 2023. In the current application, AltaLink seeks a change in its accounting treatment to allow it to capitalize the repair and replacement costs despite having an approved methodology to recover costs for insurable and non-insurable events approved in the 2023 period. AltaLink's circumstances are not analogous to ATCO Electric, whose accounting treatment was approved in a GTA and then applied to its 2016 Fort McMurray wildfire costs.

20. While the Commission recognizes that Decision 25139-D01-2020 provided for ATCO Electric's repair and replacement costs to be capitalized, that decision was made when considering the terms of a different accounting policy, in the regulatory context that existed at that time, and is not binding on future Commission panels. In the current circumstances, the Commission sees no compelling reason to deviate from recovery of repair and replacement costs through the SIR. The costs are eligible for SIR treatment. Any changes to the treatment of such costs should properly be considered on a prospective basis in a GTA.

3.3 Reasonableness of the costs

21. AltaLink stated that it "is requesting the approval of the capital costs to be included in its 2024-2025 GTA revenue requirements on a forecast basis with the final prudence review to occur ... as part of the prudence review for AltaLink's 2023 actuals in AltaLink's next GTA."²⁰

22. In reviewing the current application, the Commission considered the reasonableness of the costs to be included in the 2024 and 2025 GTA revenue requirements on a forecast basis. The Commission has reviewed the costs applied for and approves the \$18.5 million costs to repair and replace damaged or destroyed transmission facilities, as well as the \$6.2 million salvage costs on a placeholder basis. These amounts will be reviewed for prudence in AltaLink's next GTA.

23. The Commission directs AltaLink to recover the \$18.5 million placeholder amount through the SIR account evenly over the 2024 and 2025 test periods. The Commission approves the inclusion of \$6.2 million salvage expenditures, on a placeholder basis, in its net salvage reserve account, effective December 31, 2023.

4 Other

4.1 Level of invoice detail required for reporting

24. The CCA, in its argument, expressed concern²¹ that AltaLink was unable to specify the amount of unplanned downtime and standby costs incurred during restoration efforts, despite AltaLink acknowledging that those factors increased labour and mobilization costs.²² The CCA requested that AltaLink be directed to provide information going back to the contractor systems

²⁰ Exhibit 28750-X0013, AML Response to AUC Further Application Requirements (I-VIII), PDF page 1.

²¹ Transcript, Volume 1, pages 75-77.

²² Exhibit 28750-X0001, application.

and invoices, if necessary, to support analysis of repair work on several transmission lines seen to be materially impacted by standby costs.²³

25. AltaLink claimed that its contracts and the scale of costs for capital replacement and upgrades (CRU) are different than for direct-assigned projects,²⁴ and that AltaLink does not, and has not, tracked unplanned downtime, standby and mobilization costs for CRU projects.²⁵

26. AltaLink bears the onus to demonstrate that the actual costs it expects to recover from customers are prudent. AltaLink stated that neither it nor its contractors separately track and record downtime, standby and mobilization costs for CRU projects. Nevertheless, these costs form part of the labour costs that AltaLink is seeking to recover. The Commission therefore directs AltaLink to confirm whether it is able to go back to the contractor systems and invoices to break out these costs for the 2023 spring wildfire and snow events. If AltaLink is able to do this, it is directed to provide these costs in its next GTA filing as part of the review to finalize the placeholder amounts. If AltaLink is unable to do this, it is to explain why these costs were not tracked given that they are part of the overall costs sought to be recovered. AltaLink is also directed, on a go-forward basis, to separately track these costs for all SIR eligible events.

4.2 Access mats

27. Access matting was required to complete the emergency work due to difficulty accessing the damaged structures and facilities, weather constraints and environmental restrictions.²⁶ AltaLink did not identify whether access mats were taken from its inventory, rented or purchased new. AltaLink is directed to provide information in its next GTA to support the prudence of AltaLink's use of matting, including the details of how it adequately managed the use of matting to complete the emergency work for each transmission line. In doing so, AltaLink is to provide the access matting costs broken out by impacted transmission line.

4.3 Review of the 2023 spring wildfire and snow events costs in AltaLink's next GTA

28. To assist the Commission in its prudence review of the 2023 spring wildfire and snow events, AltaLink is directed to include the following information in its next GTA:

- (i) Whether AltaLink pursued an insurance claim and if insurance proceeds were received or are to be received and, if so, in what amounts.
- (ii) Whether any damages were caused by a third party and, if so, whether recovery of costs has been pursued or obtained through legal action or otherwise. If recovery has not been pursued or obtained, AltaLink is to provide an explanation of why it has not pursued such recovery.
- (iii) When AltaLink entered into contractor relationship agreements in support of its regular maintenance programs, how long these agreements are in place, and an explanation of why the contracted rates are and continue to be reasonable for emergency restoration.

²³ Transcript, Volume 1, page 77.

²⁴ Direct-assigned projects are projects that are directed by the Alberta Electric System Operator to be constructed.

²⁵ Transcript, Volume 1, pages 161-162.

²⁶ Exhibit 28750-X0001, application, PDF pages 5, 11, 13, 15.

5 Order

29. It is hereby ordered that:

- (1) AltaLink Management Ltd. must reflect in its 2024-2025 transmission general tariff application compliance filing, which is due to be filed with the Commission on August 12, 2024, the findings, conclusions and directions in this decision.

Dated on July 31, 2024.

Alberta Utilities Commission

(original signed by)

Kristi Sebalj
Vice-Chair

(original signed by)

Cairns Price
Commission Member

(original signed by)

Dennis Frehlich
Acting Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
AltaLink Management Ltd. (AltaLink or AML) Borden Ladner Gervais LLP
ATCO Electric Ltd.
Consumers' Coalition of Alberta (CCA)
Industrial Power Consumers Association of Alberta
Office of the Utilities Consumer Advocate (UCA) Brownlee LLP

<p>Alberta Utilities Commission</p> <p>Commission panel</p> <p style="padding-left: 40px;">K. Sebalj, Vice-Chair</p> <p style="padding-left: 40px;">C. Price, Commission Member</p> <p style="padding-left: 40px;">D. Frehlich, Acting Commission Member</p> <p>Commission staff</p> <p style="padding-left: 40px;">M. Anderson (Commission counsel)</p> <p style="padding-left: 40px;">S. Ramdin (Associate General counsel)</p> <p style="padding-left: 40px;">C. Strasser</p> <p style="padding-left: 40px;">C. Meulenbroek</p> <p style="padding-left: 40px;">P. Baker</p> <p style="padding-left: 40px;">E. Davis</p>
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Appendix 2 – Oral hearing – registered appearances

Name of organization (abbreviation) Name of counsel or representative
AltaLink Management Ltd. (AltaLink) J. Liteplo
Consumers' Coalition of Alberta (CCA) J. Wachowich, KC
Office of the Utilities Consumer Advocate (UCA) K. Rutherford

Alberta Utilities Commission
Commission panel
K. Sebalj, Vice-Chair
C. Price, Commission Member
D. Frehlich, Acting Commission Member
Commission staff
M. Anderson (Commission counsel)
S. Ramdin (Associate General counsel)
C. Strasser
C. Meulenbroek

Appendix 3 – 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. For the reasons contained in this decision, the Commission denies AltaLink's proposal to capitalize \$18.5 million in repair and replacement of damaged or destroyed transmission facilities and the removal of new danger trees resulting from the 2023 spring wildfire and snow events. The Commission approves the \$18.5 million in costs, on a placeholder basis, and directs AltaLink to recover this amount through the self-insurance reserve (SIR) account evenly over the 2024 and 2025 test periods. The Commission approves the inclusion of \$6.2 million salvage expenditures, on a placeholder basis, in AltaLink's net salvage reserve account, effective December 31, 2023. paragraph 2
2. AltaLink bears the onus to demonstrate that the actual costs it expects to recover from customers are prudent. AltaLink stated that neither it nor its contractors separately track and record downtime, standby and mobilization costs for CRU projects. Nevertheless, these costs form part of the labour costs that AltaLink is seeking to recover. The Commission therefore directs AltaLink to confirm whether it is able to go back to the contractor systems and invoices to break out these costs for the 2023 spring wildfire and snow events. If AltaLink is able to do this, it is directed to provide these costs in its next GTA filing as part of the review to finalize the placeholder amounts. If AltaLink is unable to do this, it is to explain why these costs were not tracked given that they are part of the overall costs sought to be recovered. AltaLink is also directed, on a go-forward basis, to separately track these costs for all SIR eligible events. paragraph 26
3. Access matting was required to complete the emergency work due to difficulty accessing the damaged structures and facilities, weather constraints and environmental restrictions. AltaLink did not identify whether access mats were taken from its inventory, rented or purchased new. AltaLink is directed to provide information in its next GTA to support the prudence of AltaLink's use of matting, including the details of how it adequately managed the use of matting to complete the emergency work for each transmission line. In doing so, AltaLink is to provide the access matting costs broken out by impacted transmission line. paragraph 27
4. To assist the Commission in its prudence review of the 2023 spring wildfire and snow events, AltaLink is directed to include the following information in its next GTA:
 - (i) Whether AltaLink pursued an insurance claim and if insurance proceeds were received or are to be received and if so, in what amounts.
 - (ii) Whether any damages were caused by a third party and, if so, whether recovery of costs has been pursued or obtained through legal action or otherwise. If recovery has not been pursued or obtained, AltaLink is to provide an explanation of why it has not pursued such recovery.
 - (iii) When AltaLink entered into contractor relationship agreements in support of its regular maintenance programs, how long these agreements are in place, and an explanation of why the contracted rates are and continue to be reasonable for emergency restoration. paragraph 28

Appendix 4 – AltaLink SIR policy

[\(return to text\)](#)



Appendix 4 - AltaLink
SIR policy

(consists of 1 page)



Self Insurance Reserve (SIR) Policy

1. AltaLink will utilize a combination of commercial insurance and the SIR to finance losses that arise out of the operations of AltaLink's transmission network.

Purpose of the SIR

2. Maintaining the SIR will minimize rate fluctuations by smoothing out the charges to O&M with respect to insured and uninsured losses as defined below. The establishment of the SIR allows AltaLink to include deductibles on commercial insurance policies, thereby reducing the premiums, and provides the flexibility for AltaLink to not insure items which carry prohibitively high premiums.
3. The charges made against the SIR for injuries and/or damages will fall into two main categories. The first category is insured losses, and the second is uninsured or uninsurable losses.

Insured losses

4. An insured loss is one that is covered by insurance. Charges against the SIR include the deductible portion of an insured loss, any portion of the claim that exceeds the limit of insurance and any portion of the claim not paid by the insurance company.

Uninsured or Uninsurable losses

5. An uninsured loss is one where insurance coverage could have been obtained, but ultimately was not purchased either because the risk exposure was judged as minimal, or the cost of the insurance was assessed to be prohibitively high.
6. An uninsurable loss is one where insurance coverage was not available in the commercial insurance market as a result of very high risk exposure.
7. Types of SIR claims or losses include:
 - third party property damage and injuries (which includes claims adjusting expenses);
 - AltaLink property damage repairs;
 - executive risk exposures such as Directors and Officers, Fiduciary, Employment Practices and Crime; or
 - non-owned aircraft.
8. Eligibility criteria for SIR treatment:
 - in excess of \$100,000;
 - must be categorized as an insured loss or an uninsured/uninsurable loss;
 - event must be sudden and accidental; and
 - out of AltaLink's control, and not reasonably foreseeable or preventable.
9. As per EUB Decision 2007-012:
 - the goal is to maintain a zero balance in the SIR with threshold balances of +/- \$0.5M. If the balance in the account is greater than \$500,000 or with a negative balance greater than (\$500,000), AltaLink will true-up the SIR in its next GTA;
 - a threshold of \$5M must be met before a separate application for funds can be made to bring the balance in the SIR to zero as at the date of application.