


**2006 Deferral Account Rider
Prospective Methodology**

John Martin
Stakeholder Meeting
June 7, 2005 — Calgary



DA Rider Methodology Consultation

- Decision 2003-099 directed AESO to evaluate and propose prospective methodology for DA rider
- AESO submitted Decision 2003-099 compliance filing in October 2004
 - EUB accepted filing by letter in November 2004
- AESO held workshop on methodology in November 2004
 - Eight stakeholders provided written comments
 - Majority supported retrospective methodology for 2004
 - Evenly split on retrospective or prospective methodology for 2005


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DA Rider Methodology Consultation (cont'd)

- AESO applied for retrospective methodology for 2004 and 2005, in December 2004
 - EUB has not yet responded to that application
 - Given that we're in mid-2005, application for 2006 methodology will likely supercede it
- AESO committed to further consultation and an application for 2006 methodology in mid-2005
 - Losses would no longer be included in Rider C in 2006


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Retrospective Methodology

- Monthly differences between revenues and costs accumulate in deferral account
- Quarterly rider set by rate class and component “to restore the deferral account balances to zero over the following calendar quarter”
- At year end the final variance between revenues and costs for each rate class and rate component is allocated to individual system access customers based on percentage of total revenue
- After approval of reconciliation final variance is collected or refunded from each customer


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Proposed Prospective Methodology

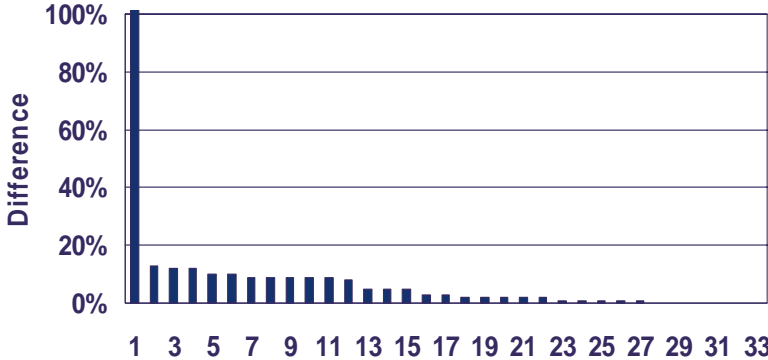
- Monthly differences between revenues and costs accumulate in deferral account
- Quarterly adjustment rider set by rate class and rate component to restore the deferral account balances to zero
- After year end the annual revenues and costs for each rate class and rate component is reported to the EUB for information purposes
- Any year-end balance is carried forward and collected in a future adjustment rider

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Individual Customer Results

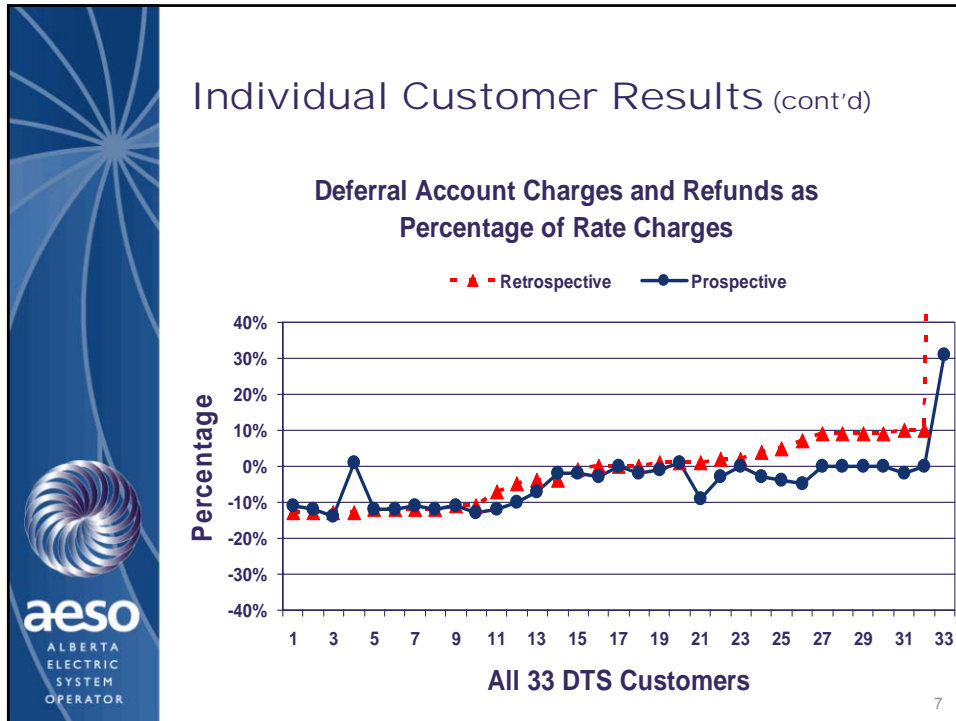
Changes in Deferral Account Charges and Refunds
as Percentage of Rate Charges




Customer	Difference (%)
1	100
2	15
3	12
4	10
5	10
6	10
7	10
8	10
9	10
10	10
11	10
12	10
13	10
14	10
15	10
16	10
17	10
18	10
19	10
20	10
21	10
22	10
23	10
24	10
25	10
26	10
27	10
28	10
29	10
30	10
31	10
32	10
33	10

All 33 DTS Customers

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- Individual Customer Results (cont'd)**
- Major outlier reflects a \$30,000 difference arising from a five time volume variance from quarter to quarter
 - Prospective rider based on Q2 volume while retrospective rider based on Q1 volume
 - All other differences are 13% or less
 - 0-5% 21 customers
 - 6-10% 8 customers
 - 11-13% 3 customers
 - 260% 1 customer
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Issue: Is Prospective Rider Still Required for 2006?

- Only cost of losses will be recovered through STS tariff in 2006
 - Variance between actual costs and revenues for losses will be recovered prospectively through Calibration Factor Rider E
- All other transmission costs (wires, ancillary services, other system support services) will be recovered through DTS tariff
 - Variance between actual costs and losses will be recovered through Rider C
- Do DTS customers prefer a retrospective or prospective methodology for 2006?


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Issue: Transition From Retrospective to Prospective

- 2005 cut-off date of August 31, 2006 would capture most 2005 adjustments
- If later adjustments related to 2005 occur, how should they be treated?
 - Rolled into prospective rider calculation?
 - Up to some threshold, with adjustments above that threshold treated differently?
 - Other suggestions?


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Issue: Period of Prospective Rider

- Current Rider C is forecast to result in deferral account balance of zero at end of quarter
- Alternative 1: Use rider forecast to result in deferral account balance of zero at end of **year**
 - Minimizes seasonal variances
 - Same model as Calibration Factor Rider E
- Alternative 2: Use rider forecast to result in deferral account balance of zero after **12 months**
 - Minimizes seasonal variances
 - Doesn't align with approved revenue requirement


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Issue: Treatment of Larger-Than-Normal Variances

- Is special treatment required for larger-than-normal variances?
 - Trade of matching principle against smoothing out
- Proposal discussed in October 2004
 - Quarterly rider would be “capped” to recover or refund no more than 10% of quarterly revenue requirement
 - Any variance in excess of 10% would be carried forward to next quarter
 - Variance in excess of 25% would “trigger” application
- Alternative: larger-than-normal amounts be recovered over longer-than-normal period — 12 months or 24 months


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Issue: Definition of Larger-Than-Normal Variances

- What is “normal”?
 - Current Rider B can be used if working capital deficiency or surplus exceeds \pm \$7 million annually
- \$7 million is about 1% of annual AESO revenue requirement
- Calculated in total or by rate component?


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Next Steps

- Jun 16 AESO to distribute discussion paper summarizing meeting, adding AESO views, and including comment form
- Jun 29 Stakeholders to provide comments
 - All comments will be considered public and posted on AESO web site
- Jul 6 AESO to distribute comment matrix and responses
- Jul 13 Stakeholder meeting to further discuss comments and methodology details


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Next Steps (cont'd)

- Aug 3 Stakeholders to provide comments
- Aug 17 AESO to distribute comment matrix and responses
- Aug 31 AESO to file application for 2006 prospective rider methodology

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Discussion and Questions

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AESO Contacts

- John Martin
Manager, Regulatory
(403) 539-2468
john.martin@aeso.ca
- Carol Moline
Director, Accounting and Treasury
(403) 539-2504
carol.moline@aeso.ca
- Information can be accessed on www.aeso.ca by following path Quick Links ► Current Regulatory Activities ► AESO 2006 Prospective Deferral Account Rider Methodology

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