

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: AltaGas Ltd.
Date: July 28, 2005
Contact: Lynn Meyer
Phone: 269-5720
E-mail: lynn.meyer@altagas.ca
:

End Date for Period A		
1	Period A will end at the close of the record for the deferral account reconciliation proceeding (that is, before the scheduled date for filing of reply argument).	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
1-A	Period A will end at the filing of the deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
1-B	Period A will end at the date the EUB issues its decision on the deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Materiality		
2	For AESO costs, post cut-off adjustments would be considered material if the cumulative adjustments for a single cost component (wires, ancillary services, losses, or "own costs") or the cumulative adjustments for total costs exceeded $\pm 1\%$ of the AESO's annual revenue requirement, which would equate to approximately $\pm \$7.6$ million for 2004.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component (interconnection, operating reserve, other system support, or transmission losses) for a single customer exceeded $\pm \$1,000,000$.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
3-A	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component for a single customer exceeded $\pm \$250,000$.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: AltaGas believes that a more appropriate materiality threshold for a single revenue component is \$100,000. This is a more appropriate threshold for the AESO's smaller customers.		

Treatment of Material Adjustments During Periods A, B, and C

4	Material adjustments occurring in Periods A or B will be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		

5	Material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Treatment of Non-Material Adjustments During Periods A, B, and C

6	If a material adjustment occurs in Periods A or B, all non-material adjustments in Periods A and B will be included in the re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

7	If no material adjustments occur in Periods A or B, all non-material adjustments in Periods A and B will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: AltaGas's support of this proposal is for the 2004 deferral accounts only. We remain concerned about the process to be used for STS customers for 2005. We look forward to the AESO's proposal for dealing with these deferral accounts.		

8	All non-material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: AltaGas's support of this proposal is for the 2004 deferral accounts only. We remain concerned about the process to be used for STS customers for 2005. We look forward to the AESO's proposal for dealing with these deferral accounts.		

Current Outstanding Material Adjustment Relating to Losses

9	The \$24.2 million adjustment relating to 2001-2003 losses will be included in the 2003 re-reconciliation to be filed with the AESO's 2004 deferral account reconciliation application.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

9-A	The \$24.2 million adjustment relating to 2001-2003 losses will be addressed in a separate application by the AESO as soon as practical.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: AltaGas would prefer to see this adjustment dealt with as soon as possible.		

Additional Comments As stated above, AltaGas is concerned about the process to be used for STS customers for 2005. We look forward to the AESO's proposal for dealing with these deferral accounts.

Please return this form with your comments by July 29, 2005, to:

Randeep Nota
Regulatory Analyst
E-mail: randeep.nota@aeso.ca
Fac: (403) 539-2524

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: ATCO Power
 Date: 2005-09-29
 Contact: Kelly Scott
 Phone: 403-209-6985
 E-mail: Kelly.scott@atcopower.com

End Date for Period A		
1	Period A will end at the close of the record for the deferral account reconciliation proceeding (that is, before the scheduled date for filing of reply argument).	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
1-A	Period A will end at the filing of the deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
1-B	Period A will end at the date the EUB issues its decision on the deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Materiality		
2	For AESO costs, post cut-off adjustments would be considered material if the cumulative adjustments for a single cost component (wires, ancillary services, losses, or "own costs") or the cumulative adjustments for total costs exceeded $\pm 1\%$ of the AESO's annual revenue requirement, which would equate to approximately $\pm \$7.6$ million for 2004.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component (interconnection, operating reserve, other system support, or transmission losses) for a single customer exceeded $\pm \$1,000,000$.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-A	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component for a single customer exceeded $\pm \$250,000$.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Treatment of Material Adjustments During Periods A, B, and C

4	Material adjustments occurring in Periods A or B will be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

5	Material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Treatment of Non-Material Adjustments During Periods A, B, and C

6	If a material adjustment occurs in Periods A or B, all non-material adjustments in Periods A and B will be included in the re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

7	If no material adjustments occur in Periods A or B, all non-material adjustments in Periods A and B will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next year's deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

8	All non-material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Current Outstanding Material Adjustment Relating to Losses

9	The \$24.2 million adjustment relating to 2001-2003 losses will be included in the 2003 re-reconciliation to be filed with the AESO's 2004 deferral account reconciliation application.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

9-A	The \$24.2 million adjustment relating to 2001-2003 losses will be addressed in a separate application by the AESO as soon as practical.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Additional Comments

ATCO Power supports the prospective and not the retrospective methodology. However, the proposals prepared by the AESO regarding the deferral account cut-off date and post cut-off adjustment process are reasonable in the transition period.

Please return this form with your comments by July 29, 2005, to:

Randeep Nota
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E-mail: randeep.nota@aeso.ca
Fac: (403) 539-2524

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: EnCana Corporation
 Date: July 29, 2005
 Contact: Rod Crockford, Rinde Powell, Roger Belland
 Phone: 645-7871, 645-6688, 780-486-4309
 E-mail:

End Date for Period A	
1	<p>Period A will end at the close of the record for the deferral account reconciliation proceeding (that is, before the scheduled date for filing of reply argument).</p> <p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Comments:</p> <p>EnCana understands that in the July 14, 2005 Discussion Paper the AESO is now proposing a two-stage reconciliation of the 2004 DA, composed of an initial reconciliation to be filed mid-November 2005 (using date up to August 31, 2005) and a conditional “re-reconciliation” to be filed with the 2005 DA reconciliation in November 2006 (using data up to August 31, 2006) which is triggered if there is any “material” adjustments that occurs in either Period A or B. In other words any, “material” adjustment – whether in AESO costs or AESO revenue – that occurs after the August 31, 2005 data-cut-off date will result in only one “re-reconciliation” occurring in the fall of 2006 and this “re-reconciliation” will be filed as part of the next year’s DAR application. EnCana understands that the AESO will use a production month method for the initial and re-reconciliation calculations.</p> <p>EnCana notes that the AESO’s proposal deviates from the agreement reached with customers at the June 7 consultation meeting (See Figure3, page 8 of discussion paper) where it was agreed that any breach of the “materiality” test before the close of record would precipitate a re-calculation and amendment to the filed application. The key difference with the AESO’s proposal is that a “material” adjustment which arises during the DAR hearing process would not be redressed until the next year’s DAR process, which represents a delay of about one-year (i.e. disbursements are moved from approximately March 2006 to March 2007). EnCana does not support delaying the redress of “material” adjustments in this way. In fact, this is would deflate the very significance of defining a “material” change, i.e. a level of adjustment that has material harm and requires redress.</p> <p>EnCana supports the concept that Period A end at the close of the record for the 2004 DAR (approximately January 2006) consistent with the requirement to re-calculate and amend the application if any data adjustment meets or exceeds the materiality test during this period This aligns with the principles of timeliness, accuracy and equity amongst customers. Concerns regarding administrative efforts can be handled by improving internal systems. For example, EnCana recommends that the AESO ensure that its new data systems incorporate pro-active monitoring and verification modules in order to minimize data adjustments that occur after the August 31 data freeze date and pro-actively arrange its DAR financial models so as to accommodate timely and rapid revisions.</p>
1-A	<p>Period A will end at the filing of the deferral account reconciliation application.</p> <p style="text-align: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Comments:</p>

1-B	Period A will end at the date the EUB issues its decision on the deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
<p>EnCana understands this option to mean that the AESO will revise and refile the application if a “material” adjustment to the 2004 accounts is known prior to the Board rendering a Decision on the 2004 DAR (approximately March 2004).</p> <p>If the Period B re-reconciliation adjustment is not calculated in the same manner as the initial reconciliation, (i.e. using production month and the most recently available information) then EnCana prefers Option 1 B as the cut-off time for adjusting the initial reconciliation.</p>		

Materiality		
2	For AESO costs, post cut-off adjustments would be considered material if the cumulative adjustments for a single cost component (wires, ancillary services, losses, or “own costs”) or the cumulative adjustments for total costs exceeded $\pm 1\%$ of the AESO’s annual revenue requirement, which would equate to approximately $\pm \$7.6$ million for 2004.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
<p>EnCana supports this criterion for defining the “materiality” threshold related to adjustments in AESO costs in Period A, B or C. Furthermore, EnCana notes that the significance of the materiality threshold matters only if it to be used. The AESO’s proposal to ignore material adjustments during Period A would undermine the issue which we are attempting to resolve, which is to determine a level of data adjustment that cannot be ignored because the inter-customer inequity would be unfair for any period of time.</p>		
3	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component (interconnection, operating reserve, other system support, or transmission losses) for a single customer exceeded $\pm \$1,000,000$.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
<p>EnCana believes that the AESO’s proposal to raise the threshold for revenue adjustments can lead to significant customer inequity. For instance, revenue adjustments that fall under the \$1,000,000 threshold may be inappropriately assigned to the wrong year (See AESO comments in 2003 DAR hearing). Since “revenue” (or more correctly, the share of revenue) is the very basis of the cost allocator, this has the very real prospect of causing double-damage – once by under (over) allocating in the production year and twice by over (under) allocating in the following year. Since the DA amount are unlikely to be of equal and opposite amounts, the AESO approach will almost certainly lead to an inaccurate and inequitable allocation. This two-way impact is ignored by the AESO in its discussion paper.</p> <p>In regards to the “year of” impact, EnCana notes that the AESO has understated the significance of the issue. In the 2003 DAR calculations, \$1,000, 000 in revenue is approximately .3% of the \$357 million in DTS charges. Given the DTS deferral accounts of \$49 million, this suggests that a single misallocation of approximately \$150,000 in the deferral allocation is acceptable (not to mention if there where multiple instances). While this amount may seem small relative to the total revenue requirement, it represents a</p>		

significant percentage error for the majority of the DTS customers. For instance, in the 2003 DAR, 22 out of 28 DTS Customers had annual charges of less than \$1,000,000. The AESO's proposal could lead to the situation in which the majority of customers were incorrectly billed by as much as 100% of their normal charges (i.e. their DA allocator is 100% incorrect) yet the deferral account allocation would not be revised.

EnCana therefore recommends that the materiality threshold for AESO revenue adjustments stay at +/- \$250,000. Any material breach in period A would require a recalculation and re-filing. Any material breach in period B & C1 would be "held" until the re-reconciliation filed with the next year's DAR. That said, EnCana expects that with the change to the August 31 cutoff, the prospect of revisions to DAR calculations will be limited. Likewise, EnCana expects that in designing its new billing systems the AESO will include monitoring and verification routines in order to capture billing errors in a timely basis consequently improving the quality and reliability of the billing data, which will also reduce the prospect of data revisions. Given this reduced likelihood of revisions the AESO's concern about administrative effort seems to be misplaced. Notwithstanding, the AESO should also design and resource the DAR financial models to accommodate changing data values in an expeditious and accurate manner. The material adjustments should nevertheless be addressed expeditiously if they do occur.

3-A For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component for a single customer exceeded \pm \$250,000. Support
 Oppose
 Indifferent

Comments: EnCana supports Option 3A. EnCana recommends that any and all AESO revenue adjustments (i.e. adjustments to the DA allocator) would be corrected at one time during any recalculation or revision to the DAR.

Treatment of Material Adjustments During Periods A, B, and C

4 Material adjustments occurring in Periods A or B will be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application. Support
 Oppose
 Indifferent

Comments: EnCana supports the proposal to use a two-stage reconciliation process whereby any material adjustments in Periods B and C1 will be "held" and addressed at one time in a "re-reconciliation" application that will be filed in conjunction with the next year's DAR (i.e. the 2005 DAR). EnCana agrees that this achieves a balance of interest between administrative effort and the customer desire for accuracy, equity, and consistency.

EnCana opposes the proposal to delay any material adjustments occurring in Period A until the next year's DAR application. EnCana notes that this aspect of the AESO's proposal differs from that agreed to with customers at the June 7 consultation meeting. Customers had stated a preference for any adjustments that arose before the close of the record (say, approximately January 2006) to precipitate a recalculation and a new **initial** reconciliation, which would include any material adjustments and a resetting of the cut-off date.

The AESO's reasoning for its new position appears to be based on a concern over any delays in the disbursement of funds. This reasoning is inconsistent with the stated objectives of timeliness, accuracy,

and inter-customer equity. In effect, the AESO proposes a method that quickly disburses funds that are not accurate and knowingly inequitable.

- 5 Material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.
- Support
 Oppose
 Indifferent

Comments:

EnCana believes that it is pre-mature to determine how to deal with any “material” adjustments that occur after the “re-reconciliation”. Instead, EnCana recommends that the AESO should consult with stakeholders to determine how to handle a material adjustment in the event this is required after the “re-reconciliation” process is complete. Expectations aside, history has shown that material adjustments can occur more than 18 months after the close of the production year and it would be inappropriate to tie the AESO to administrative rules simply for convenience.

Treatment of Non-Material Adjustments During Periods A, B, and C

- 6 If a material adjustment occurs in Periods A or B, all non-material adjustments in Periods A and B will be included in the re-reconciliation of the deferral account in the next year’s deferral account reconciliation application.
- Support
 Oppose
 Indifferent

Comments:

EnCana supports the proposal to include all non-material adjustments – that is to say, to use all available revenue and costs information regardless of its significance – whenever a re-calculation of the DAR is to take place. As noted elsewhere, EnCana is opposed to deferring any recalculation of material adjustments occurring during Period A.

- 7 If no material adjustments occur in Periods A or B, all non-material adjustments in Periods A and B will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next year’s deferral account reconciliation application.
- Support
 Oppose
 Indifferent

Comments:

EnCana notes that Proposal 7 speaks only to adjustments in AESO costs. It is unclear how the AESO proposes to address non-material adjustments to revenue. For example, assume that Customer X was erroneously under-billed by \$150,000 in 2004. Being below the threshold amount, if the data adjustment occurred after August 31, the adjustment would be categorized as “non-material”. As a result the initial 2004 DAR would define the Customer X’s DA allocator as $\alpha = [(\text{Correct Customer Revenue} - \$150,000) / \text{Total AESO revenue}]$. In Period A, there would be no change, so the allocator would remain equal to α ; the same occurs in Period B. What however occurs in the 2005 DAR calculations? The AESO has previously suggested that the \$150,000 revenue adjustment should be assumed as revenue for 2005, in effect artificially shifting the 2005 allocator to equal $\beta = [(\text{Correct Customer Revenue} + \$150,000) / \text{Total AESO revenue}]$.

EnCana recommends against this approach; in effect if non-material revenue (i.e. allocator) changes are ignored in the initial production year, then they should not affect the allocation in subsequent years.

EnCana requests further clarification from the AESO as to how it will treat non-material revenue (i.e. allocator) adjustments.

8	<p>All non-material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments: Please see comments regarding non-material revenue (i.e. allocator) adjustments under Proposal 7.</p>		
<p>Re: AESO Summary of the overall DAR Proposal EnCana notes that the summary of the DAR process captured in Figure 4 and 5 contradicts the text of the discussion paper (pages 8-10) in respect of timing and the DA reconciliation method. In respect of the latter issue, EnCana notes that the AESO assumes that there will be only one determination of “allocators” which occurs in the initial DAR application. Such an approach is inconsistent with the agreement to incorporate all available information up to the designated data cut-off date whenever there is a re-calculation or “re-reconciliation”. Specifically, the “allocators” are based on each customer’s share of revenue and “freezing” these allocators based on the initial application implies that any new information about customer revenue will be ignored. EnCana is opposed to such a “short-cut” to allocating deferral amounts.</p>		

Current Outstanding Material Adjustment Relating to Losses		
9	<p>The \$24.2 million adjustment relating to 2001-2003 losses will be included in the 2003 re-reconciliation to be filed with the AESO’s 2004 deferral account reconciliation application.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments: EnCana supports addressing the 2001, 2002 and 2003 adjustments in conjunction with the application for the 2004 DAR. EnCana is less concerned whether the filing occurs within one or two application filings, so long as the information and treatment of the 2001, 2002 and 2003 adjustments is clearly identified and segregated from the 2004 DAR calculations. It is premature to comment on how the AESO should allocate such adjustments without knowing all the relevant information.</p> <p>In respect of the 2003 DAR itself, EnCana is particularly concerned that the AESO is proposing to “short-cut” the process by ignoring the revenue adjustments relating to 2003, as Figure 5 on page 11 suggests using “allocators approved in November 2004”. Such an approach is not consistent with the AESO’s own proposal to “include all adjustments relating to 2003 and occurring before August 31, 2005” as expressed and recommended in proposal 4 (or 9A below). Using such a short-cut is not supported by EnCana.</p>		
9-A	<p>The \$24.2 million adjustment relating to 2001-2003 losses will be addressed in a separate application by the AESO as soon as practical.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments:</p>		

Additional Comments

EnCana appreciates the AESO's efforts to consolidate the issues and comments into a discussion paper. However, EnCana believes that there are inconsistencies and apparent contradictions within the discussion paper that are likely to create confusion amongst customers as to what the AESO is or is not proposing. Therefore, EnCana strongly recommends that the AESO hold another consultation meeting with customers to clarify the proposal and to permit customers to clarify their own comments if they have misunderstood the AESO's paper. We suggest such a meeting coincide with the consultation meeting for the 2006 DA method.

All comments are provided on a "without prejudice" basis. EnCana reserves the right to alter its views in response to the AESO's application and the information contained therein.

Please return this form with your comments by July 29, 2005, to:

Randeep Nota
Regulatory Analyst
E-mail: randeep.nota@aeso.ca
Fac: (403) 539-2524

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: EPCOR
 Date: July 29, 2005
 Contact: Richard Stout
 Phone: (780) 412-3017
 E-mail: rstout@epcor.ca

End Date for Period A		
1	Period A will end at the close of the record for the deferral account reconciliation proceeding (that is, before the scheduled date for filing of reply argument).	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
1-A	Period A will end at the filing of the deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Close of record		
1-B	Period A will end at the date the EUB issues its decision on the deferral account reconciliation application.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Agree that this could cause undue delay and inefficiency in the process.		

Materiality		
2	For AESO costs, post cut-off adjustments would be considered material if the cumulative adjustments for a single cost component (wires, ancillary services, losses, or "own costs") or the cumulative adjustments for total costs exceeded $\pm 1\%$ of the AESO's annual revenue requirement, which would equate to approximately $\pm \$7.6$ million for 2004.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component (interconnection, operating reserve, other system support, or transmission losses) for a single customer exceeded $\pm \$1,000,000$.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-A	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component for a single customer exceeded $\pm \$250,000$.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Considered immaterial.		

Treatment of Material Adjustments During Periods A, B, and C

4	Material adjustments occurring in Periods A or B will be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
5	Material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Financial outcome of material adjustments should be the same regardless of when it occurs. Therefore should be allocated the same as in period A and B.		

Treatment of Non-Material Adjustments During Periods A, B, and C

6	If a material adjustment occurs in Periods A or B, all non-material adjustments in Periods A and B will be included in the re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Support assumes that this would not delay the re reconciliation.		
7	If no material adjustments occur in Periods A or B, all non-material adjustments in Periods A and B will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
8	All non-material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Current Outstanding Material Adjustment Relating to Losses

9	The \$24.2 million adjustment relating to 2001-2003 losses will be included in the 2003 re-reconciliation to be filed with the AESO's 2004 deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
9-A	The \$24.2 million adjustment relating to 2001-2003 losses will be addressed in a separate application by the AESO as soon as practical.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments: Financial outcome should be the same in either 9 or 9-A, therefore the potential for only slightly faster resolution does not seem to warrant extra work involved in separate application.		

Additional Comments

Please return this form with your comments by July 29, 2005, to:

Randeep Nota
Regulatory Analyst
E-mail: randeep.nota@aeso.ca
Fac: (403) 539-2524



July 29, 2005

John Martin,
Manager, Regulatory,
AESO,
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david_carmichael@transcanada
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web www.transcanada.com

Dear John:

**Re: AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
AESO 2006 Prospective Deferral Account Rider Methodology**

TransCanada Pipelines Limited ("TransCanada") has reviewed the materials included in your July 14, 2004 letter regarding the 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process and the 2006 Prospective Deferral Account Rider Methodology. TransCanada's interests in this matter arise from its significant generation assets in Alberta (being STS customers) and its Edson Gas Storage facility (a direct DTS customer of the AESO).

TransCanada has attached the two Stakeholder Comment Forms. In addition, TransCanada offers the following comments:

AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
2006

1. In the Background section, TransCanada concurs with the views of participants that: "the timing of an adjustment should not affect the financial outcome of reconciling the adjustment" and that "whether a material adjustment happens before or after the cut-off date, or even after the EUB issues its decision on a reconciliation application, the subsequent allocation of that adjustment to customers should remain the same."
2. The material threshold discussed at pages 5 to 7 of the Discussion Paper largely focus on the revenue adjustments in total (see Figure 2). The AESO notes that "revenue adjustments of \$1,100,000 to \$2,500,000 would be required to result in a deferral account allocation change of \$50,000 to \$100,000."(page 6) Based on this the AESO then concludes that a materiality threshold of \pm \$1,000,000 would be appropriate. However, when developing the materiality standard, the AESO switches to an adjustment being "considered material if the cumulative adjustments for a single revenue component ... for a single customer exceeded \pm \$1,000,000." TransCanada is concerned this materiality standard is too high especially if it is defined by an

individual customer. As was proposed in item 3-A, the maximum threshold the AESO should consider is \$250,000 for a single customer.

3. On page 9, the AESO notes that, for Period C, even for material changes, it does not intend to adjust allocations for “changes to AESO revenue collections from individual customers nor for changes to volumes or pool price for losses.” TransCanada does not agree with this approach. The reasons for the material changes could involve revenue collections from individual customers or volume changes for individual customers and ignoring this in the allocations could create a material inequity between customers. TransCanada recommends that significant adjustments that occur in Period C should be treated by a re-reconciliation of the deferral accounts. This approach would then be consistent with stakeholder input (see item 1 above) that “the timing of an adjustment should not affect the financial outcome of reconciling the adjustment”.
4. The dates shown in Figure 5 appear to be off by one year. For example, the column titled 2004 Deferral Account Process shows the filing of the 2004 Deferral account reconciliation in the row titled November 2004. It is expected that the deferral account reconciliation for 2004 would be filed in November, 2005, not 2004.

AESO 2006 Prospective Deferral Account Rider Methodology

1. In the Background of the Discussion Paper, the AESO limits the discussion and stakeholder input to DTS customers only. However, as the AESO has noted, the proposed calibration factor or Rider E in the 2006 GTA will recover the difference between costs and revenues related to losses for STS customers. This Rider states that “Every quarter a calibration factor is determined to recover or refund all accumulated and forecast differences between the anticipated costs of transmission system losses and the actual costs of transmission system losses, on a calendar year basis.” It is unclear from this statement whether this calibration factor will be generator specific or an across-the-board calibration factor (applicable equally to every generator). In the currently proposed loss factor methodology, it is possible that variances will arise between forecast losses and actual losses by individual generator that are significantly different than the aggregate differences on a across-the-board basis.

In this case, the stated purpose of Rider E is to “adjust loss factors to ensure that the actual cost of losses is reasonably recovered through charges and credits on an annual basis”.¹ The proposed calibration factor may not satisfy the purpose in Rider E or the requirements of sections 19 and 21 of the *Transmission Regulation*.² Section 19(1)(a) and (c) require the ISO to make rules to reasonably recover transmission line losses by maintaining loss factors for each generating unit based on their location and

¹ Refer to Rider E in the AESO 2006 GTA and the *Transmission Regulation*, A.R. 174/2004 at s.21(1).

² *Ibid.*

contribution. In addition, section 19(2)(d) provides that the ISO must determine loss factors having regard to factors including “the loss factor in each location must be representative of the impact on average system losses by each respective generating unit or group of generating units relative to load.” As well, Section 21(1) provides that the ISO must make rules with respect to loss factors and that loss factors may be adjusted by a calibration factor to ensure that the actual cost of losses is reasonably recovered on an annual basis. The currently proposed calibration factor may not meet these requirements if it is based on forecast losses and not actual losses.

TransCanada has been carefully monitoring the development of the new loss factor methodology. Of concern to deferral accounts is the reliance of the AESO on forecast information largely based on a previous year’s historical data. While the AESO can make adjustments for new generators or customer input on forecast operations, it is a given that actual losses will be different than forecast. Individual generators are not required to provide a more accurate forecast than a forecast based on actuals from a previous year. Some generators may not be able to accurately predict whether a turnaround will occur and the duration of the turnaround can be affected by inspections that occur during the turnaround. Therefore, it is unknown how much forecast error will occur in the new method. For large generation facilities, a small error in losses can amount to a significant amount. As an example, if losses are forecast to be 1% more than actual, for even one quarter for a 400 MW generating unit with an average pool price of \$50, the overpayment is \$438,000.

TransCanada requests that the AESO seek input from stakeholders and resolve this matter in a timely fashion before the calibration factor is required for 2006.

2. On page 4, the AESO states that “the reporting for a prospective deferral account rider methodology discussed above would be for information purposes only” and “that there would be no reconciliation of amounts as occurs in the retrospective methodology.” TransCanada sees considerable value in undertaking a reconciliation even where the deferral accounts are being done on a prospective basis. The AESO needs to demonstrate that it is neither incurring a loss or a profit, its amounts recovered through deferral accounts are appropriate and that individual customers have been allocated costs according to agreed upon mechanisms. These steps improve transparency and build trust in the accuracy of AESO billing practices. TransCanada requests more details on why the AESO is not prepared to provide a reconciliation at an aggregate level.
3. On page 5, the AESO describes the quarterly rider with a 12-month recovery period as an inferior approach. TransCanada does not agree with several of the ratings for this method (rider option (d)) as summarized in Figure 1 (page 6). It appears that the AESO does not support this method. For example, it was rated poorly under the fairness and equity principle, but is probably the fairest method for generators whose production fluctuates a lot during a given year. These ratings had no customer input and could benefit from discussion. If the AESO is correct that this method does not

meet subsection 14(3) of the EU Act, then TransCanada prefers rider option (b). Otherwise, TransCanada would prefer rider option (d).

Overall, TransCanada found the discussion papers helpful in identifying issues and in developing a recommended course of action. The Stakeholder Comment Forms are a useful tool to focus the discussion on decisions to be made and credible options available for stakeholder input. The Stakeholder Comment Forms are most useful when the AESO presents them with the least bias possible. To a large extent, the AESO has achieved this objective in these deferral account matters. The one potential exception is noted in item 3 above.

If you have any questions, please contact me at 920-2888 or Dan Levson at 920-2095.

Yours truly,

TRANSCANADA PIPELINES LIMITED

Original Signed

David Carmichael
Director, Power Marketing

TransCanada Energy

cc. Randeep Nota, AESO

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: TransCanada
 Date: July 29, 2005
 Contact: David Carmichael
 Phone: 920-2888
 E-mail: David_Carmichael@transcanada.com

End Date for Period A		
1	Period A will end at the close of the record for the deferral account reconciliation proceeding (that is, before the scheduled date for filing of reply argument).	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
1-A	Period A will end at the filing of the deferral account reconciliation application.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
1-B	Period A will end at the date the EUB issues its decision on the deferral account reconciliation application.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Materiality		
2	For AESO costs, post cut-off adjustments would be considered material if the cumulative adjustments for a single cost component (wires, ancillary services, losses, or "own costs") or the cumulative adjustments for total costs exceeded $\pm 1\%$ of the AESO's annual revenue requirement, which would equate to approximately $\pm \$7.6$ million for 2004.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component (interconnection, operating reserve, other system support, or transmission losses) for a single customer exceeded $\pm \$1,000,000$.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-A	For AESO revenue, post cut-off adjustments would be considered material if the cumulative adjustments for a single revenue component for a single customer exceeded $\pm \$250,000$.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: \$250,000 is the maximum, TCE would prefer a lower amount (see TCE letter).		

Treatment of Material Adjustments During Periods A, B, and C

4	Material adjustments occurring in Periods A or B will be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
5	Material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Material Period C amounts should be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application (same as Period A and B treatment). Please refer to TCE letter describing this topic.		

Treatment of Non-Material Adjustments During Periods A, B, and C

6	If a material adjustment occurs in Periods A or B, all non-material adjustments in Periods A and B will be included in the re-reconciliation of the deferral account in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Note: Support for this position is contingent on a materiality level at \$250,000 or less.		
7	If no material adjustments occur in Periods A or B, all non-material adjustments in Periods A and B will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next year's deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Note: Support for this position is contingent on a materiality level at \$250,000 or less.		
8	All non-material adjustments occurring in Period C will be allocated to customers by production month based on the most recent EUB-approved allocators for the deferral account, in the next deferral account reconciliation application filed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Note: Support for this position is contingent on a materiality level at \$250,000 or less.		

Current Outstanding Material Adjustment Relating to Losses

9	The \$24.2 million adjustment relating to 2001-2003 losses will be included in the 2003 re-reconciliation to be filed with the AESO's 2004 deferral account reconciliation application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
9-A	The \$24.2 million adjustment relating to 2001-2003 losses will be addressed in a separate application by the AESO as soon as practical.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		

Additional Comments

Please refer to TransCanada letter dated July 29, 2005 for further comments.

Please return this form with your comments by July 29, 2005, to:

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