

**AESO 2006 Prospective Deferral Account Rider Methodology
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: Alberta Direct Connect Consumer Association
 Date: July 29th, 2005
 Contact: Carrie Haines
 Phone: 403 770-1164
 E-mail: Carrie@Valeopower.com

Support for Prospective Rider Methodology	
1	<p>A prospective deferral account rider methodology for the DTS rate should be implemented in 2006.</p> <p align="right"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Comments: The ADC is generally supportive of implementing a prospective deferral account methodology for Rate DTS for 2006. With a move to a prospective rider, it is anticipated that the AESO's forecasting would continue to improve to ensure that deferral account balances are minimized.</p>

Transition From Retrospective to Prospective Methodology	
2	<p>Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology.</p> <p align="right"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Comments:</p>

Prospective Rider Duration and Recovery Period	
3	<p>The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.</p> <p align="right"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Comments: While there are many objectives to balance in the selection of a rider methodology, a key characteristic of that rider should be predictability. The variability that exists under the current rider recovery makes it difficult for customers to budget for electricity costs, especially when the quantum and direction (charge/credit) of the rider is released only a few days before the new rider is effective.</p> <p>ADC would like to see a rider that provides a high level of stability and predictability. According to the AESO's assessment displayed in Figure 1, both the current methodology and the proposed methodology have the worst rating for stability and predictability. Although, ranked lower in the AESO's assessment of options, there is merit in examining other alternatives such as the annual rider (or variations of) that would provide more stability and predictability.</p>
3-A	<p>The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.</p> <p align="right"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Comments:</p>

<p>3-B The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.</p> <p>Comments: The following are questions to try and clarify rather than comments. In the event that the prospective rider does not fully recover or refund the balance of the deferral account at the end of the year, bringing the account balance to zero, what will happen with the ending balance? Would this end balance be incorporated into the following quarter of the next year? Could this alternative also be thought to contravene subsection 14(3) of the EUA since at the end of the year any balances remaining (due to forecast error) would appear as a profit or loss even if those balances are recovered in a future year?</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>3-C The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.</p> <p>Comments:</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>3-D The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.</p> <p>Comments:</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Structure of Prospective Rider	
<p>4 The prospective rider should be structured as a percentage of DTS rate charges by rate component.</p> <p>Comments: The ADC would support either of the methods proposed with the proviso that under option (b) (a deferral account rider structured as a percentage of rate charges by rate component) the interconnection charges are broken down into interconnection demand (\$/MW) and interconnection energy (\$/MWh).</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Definition and Treatment of Larger-Than-Normal Variances	
<p>5 The prospective rider will recover or refund no more than \pm\$25 million in total in any quarter.</p> <p>Comments:</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>6 Deferral account balances forecast to exceed \pm\$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.</p> <p>Comments: The ADC directionally agrees with the intent to have any large adjustment be spread out – so as not to impact one quarter. It is apparent how moving larger than normal variances into the next quarter, or few quarters, fits with a methodology geared to bring a deferral account balance to zero at the end of a year. If the extension over additional quarters spans two partial years, the AESO may run into some of the same issues identified with the 12</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

month rolling recovery such as reduced transparency and difficulty aligning costs with approved revenue requirement.

It may be prudent to allocate such large variances retrospectively to ensure the utmost fairness to customers, especially if such variances arose over a period of time and do not directly relate to the current year.

Additional Comments

We thank you for the opportunity to provide comments and look forward to meeting with you to discuss.

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 2006 Prospective Deferral Account Rider Methodology
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

Support for Prospective Rider Methodology		
1	A prospective deferral account rider methodology for the DTS rate should be implemented in 2006.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Transition From Retrospective to Prospective Methodology		
2	Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Prospective Rider Duration and Recovery Period		
3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: This method provides the greatest stability for DTS customers		
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: This method is too volatile.		
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
3-C	The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: AltaGas agrees with the AESO that this method is not permitted by the EUA.		

3-D	The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: AltaGas agrees with the AESO that this method is not permitted by the EUA.		

Structure of Prospective Rider		
4	The prospective rider should be structured as a percentage of DTS rate charges by rate component.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		

Definition and Treatment of Larger-Than-Normal Variances		
5	The prospective rider will recover or refund no more than \pm \$25 million in total in any quarter.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
6	Deferral account balances forecast to exceed \pm \$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

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

**AESO 2006 Prospective Deferral Account Rider Methodology
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: ATCO Power
Date: 2005-07-29
Contact: Kelly Scott
Phone: 403-209-6985
E-mail: Kelly.scott@atcopower.com

Support for Prospective Rider Methodology		
1	A prospective deferral account rider methodology for the DTS rate should be implemented in 2006.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Transition From Retrospective to Prospective Methodology		
2	Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		

Prospective Rider Duration and Recovery Period		
3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
3-C	The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

3-D	The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Structure of Prospective Rider		
4	The prospective rider should be structured as a percentage of DTS rate charges by rate component.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments: This adds complication, however, it should minimize allocation changes caused by fluctuating loads, which in turn may result in a fairer methodology.		

Definition and Treatment of Larger-Than-Normal Variances		
5	The prospective rider will recover or refund no more than \pm \$25 million in total in any quarter.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
6	Deferral account balances forecast to exceed \pm \$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Additional Comments		
Recognizing that this is new ground we should try it, assess it and be willing to adjust it if there are issues.		

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

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

**AESO 2006 Prospective Deferral Account Rider Methodology
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: City of Medicine Hat (CMH)
Date: July 21, 2005
Contact: Douglas Crichton
Phone: (403) 529 - 8365
E-mail: doucri@medicinehat.ca

Support for Prospective Rider Methodology	
1	A prospective deferral account rider methodology for the DTS rate should be implemented in 2006. <div style="float: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div>
Comments: Advantages of a prospective rider are greater than those of the retrospective rider. CMH agrees with the assessment in the Principles section (pg 2) of the Discussion Paper.	

Transition From Retrospective to Prospective Methodology	
2	Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology. <div style="float: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div>
Comments: CMH supports a clear 'cut over' date for transition from Retrospective to Prospective, i.e. Dec 31, 2005. The retrospective finalization of 2005 should be done as per a prescribed time table. Once done, further adjustments for 2005 or prior years, if they arise, should simply be rolled into being handled using the prospective methodology.	

Prospective Rider Duration and Recovery Period	
3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year. <div style="float: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div>
Comments: It is important to CMH that the recovery period is kept to be within the remainder of the calendar year. Monthly calculations as required in Option 3-B are not considered as necessary or worth the cost of the resulting additional administrative workload.	
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter. <div style="float: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div>
Comments:	
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year. <div style="float: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div>
Comments: CMH sees no advantage of moving to monthly calculations.	

3-C The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months. Support
 Oppose
 Indifferent

Comments:

3-D The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year. Support
 Oppose
 Indifferent

Comments:

Structure of Prospective Rider

4 The prospective rider should be structured as a percentage of DTS rate charges by rate component. Support
 Oppose
 Indifferent

Comments: CMH supports maintaining the **\$/MWh structure** of the current Rider C. This structure is simple, straightforward and for CMH fits easily with calculations of the “import transmission cost” per MWh that are required by EUA Alberta Regulation 235/2003 (City of Medicine Hat Payment In Lieu Of Tax Regulation). A prospective rider structured as a percentage of DTS rate charges by rate component does not.

Definition and Treatment of Larger-Than-Normal Variances

5 The prospective rider will recover or refund no more than ±\$25 million in total in any quarter. Support
 Oppose
 Indifferent

Comments:

6 Deferral account balances forecast to exceed ±\$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO. Support
 Oppose
 Indifferent

Comments:

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

**AESO 2006 Prospective Deferral Account Rider Methodology
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:

Support for Prospective Rider Methodology

- 1 A prospective deferral account rider methodology for the DTS rate should be implemented in 2006. Support
 Oppose
 Indifferent

Comments:

As a participant to the 2002 GTA Negotiated Settlement which gave rise to the Rider C concept and its intended implementation as a prospective mechanism, EnCana is clear that the central reason for such a mechanism was to address the concerns of supply customers and their inability to manage after-the-fact charges. As the primary grounds for a prospective mechanism no longer exists, EnCana believes that there is insufficient impetus for a prospective mechanism. Therefore, EnCana does not support a prospective deferral account method for DTS customers starting in 2006. EnCana recommends that the AESO continue with the retrospective deferral account method that is being developed for 2004 and 2005. If a prospective method is to be used, EnCana believes that certain minimum provisions are required as discussed herein.

In either case, EnCana believes that the AESO needs to simplify the deferral account process in order to make it more tractable for customers and the Board as well as to reduce the volatility in rate Riders. If there is validity to the AESO's suggestion that it can handle deferral variances in the order of \$56 million (page 11), EnCana proposes that the AESO abandon the Rider C approach and return to a Rider B only method of managing deferral balances. In other words, the AESO would accumulate deferral balances until year-end, using Rider B for any cash calls if required; after the year-end the AESO would disburse the deferral amounts using the retrospective production month method. Significantly, this would eliminate the required quarterly forecasting of rate riders and the volatility in riders. Additionally, it would require the AESO to publish production month records of costs and revenues that can be monitored by customers and the Board.

Importantly, EnCana believes that the AESO has not demonstrated how its proposed prospective method will accommodate the need of customers and the Board to reconcile actual costs and revenues with the forecasted amounts that underpin any Phase 1 application. The ability to track costs and to test them for prudence is a minimum condition for any acceptable deferral method.

Transition From Retrospective to Prospective Methodology

- 2 Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology. Support
 Oppose
 Indifferent

Comments:

Prospective Rider Duration and Recovery Period

3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments:</p> <p>A prospective method must be simple, understandable, and practical. Proposal 3 does not adhere to any of these principles. It is not simple, because the AESO must engage in repeated forecasted and adjusting of a quarterly rider. It is not understandable because customers and the Board cannot follow the AESO rate setting process either in real-time or after the fact; in part because all calculations are “in-house” and in part because the AESO proposes to use an “accounting month” method that will not reconcile revenues and costs nor permit a comparison to the production month numbers used by the AESO in its original rate applications. It is not practical because it creates a systemic bias in the pattern of quarterly riders; the Q1 rider will always be zero and the Q4 rider will always be loaded in an attempt to “catch-up” to a calendar year closure. Moreover, the residual amounts will be collected in a “13 month” process that must be allocated in an undefined future period using an undefined method.</p>		
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments:</p>		
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments:</p>		
3-C	The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments:</p>		
3-D	The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Comments:</p> <p>If a prospective deferral account method is to be adopted, EnCana recommends Proposal 3D.</p> <p>The AESO claims that s.14(3) of the EUA prohibits proposal 3D because the AESO must remain without profit or loss on an annual basis. With respect, the AESO is mistaken. First, deferral accounts do not cause a profit or loss; they are exactly defined, accounts that are deferred. In past financial statements, the AESO has booked such deferral amounts as accounts payable or receivables. Second, if the AESO’s interpretation was correct then the existing deferral mechanism would also be unlawful. Since the AESO has not previously raised this concern we consider it to be without merit.</p>		

Structure of Prospective Rider

- 4 The prospective rider should be structured as a percentage of DTS rate charges by rate component.
- Support
 Oppose
 Indifferent

Comments:

If a prospective deferral method is adopted, EnCana recommends that the AESO carry the deferral balances throughout the year, using Rider B to provide working capital if required. The deferral amount (by cost category) would then be rolled forward into the next annual GTA phase 1 filing. This approach is simple to implement and is understandable. The AESO however scores this approach (Option e, Figure1) the lowest in terms of its fairness and equity. EnCana disagrees with this assessment. Proposal 3, for example is systemically biased to shift costs/credits from Q1 to Q4 of each year. All prospective deferral methods suffer from the disconnection between those that cause the costs and those that incur the costs. If DTS load patterns are relatively stable from year-to-year than variances created in one year will be allocated back to the same customers, using the same seasonality. EnCana believes that there is a good prospect of consistent and repeated load patterns given the 5-year notice requirement of the tariff.

Definition and Treatment of Larger-Than-Normal Variances

- 5 The prospective rider will recover or refund no more than \pm \$25 million in total in any quarter.
- Support
 Oppose
 Indifferent

Comments:

Prospective deferral methods fail to be simple, understandable, and tractable when limitations such as Proposal 5 are introduced. EnCana recommends that if a prospective method is to be used the AESO abandon the use of a quarterly Rider C and revert back to using deferral balances combined with Rider B. In this way any deferral amounts will be collected/refunded over the same period (12 months) as it was accumulated, thereby avoiding shocks and volatility in charges.

- 6 Deferral account balances forecast to exceed \pm \$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.
- Support
 Oppose
 Indifferent

Comments:

Collecting part of the deferral account through Rider C and a second part through Rider B (which in turn will be refunded or replaced by a final rider at some future date) is not simple and will confuse customers. See comments on proposal 5.

Additional Comments

EnCana appreciates the AESO's efforts to consolidate the issues and comments into a discussion paper.

All comments are made on a "without prejudice" basis.

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 2006 Prospective Deferral Account Rider Methodology
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

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

Support for Prospective Rider Methodology		
1	A prospective deferral account rider methodology for the DTS rate should be implemented in 2006.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Transition From Retrospective to Prospective Methodology		
2	Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Prospective Rider Duration and Recovery Period		
3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-C	The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

3-D	The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Structure of Prospective Rider		
4	The prospective rider should be structured as a percentage of DTS rate charges by rate component.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Definition and Treatment of Larger-Than-Normal Variances		
5	The prospective rider will recover or refund no more than \pm \$25 million in total in any quarter.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
6	Deferral account balances forecast to exceed \pm \$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Additional Comments		
Further exploration of the legitimacy of option 3-D is desirable		

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

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Regulatory Analyst
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Fac: (403) 539-2524

**AESO 2006 Prospective Deferral Account Rider Methodology
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Comments From: FortisAlberta
Date: July 28, 2005
Contact: Dani Ryan
Phone: 514-4071
E-mail: danielle.ryan@fortisalberta.com

Support for Prospective Rider Methodology		
1	A prospective deferral account rider methodology for the DTS rate should be implemented in 2006.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Transition From Retrospective to Prospective Methodology		
2	Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		

Prospective Rider Duration and Recovery Period		
3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Comments:		
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-C	The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

3-D	The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Structure of Prospective Rider		
4	The prospective rider should be structured as a percentage of DTS rate charges by rate component.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Definition and Treatment of Larger-Than-Normal Variances		
5	The prospective rider will recover or refund no more than \pm \$25 million in total in any quarter.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
6	Deferral account balances forecast to exceed \pm \$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Balances in excess of \pm \$25 million end of a quarter should be accommodated through extension over more than one quarter or through other mechanism to be proposed by the AESO. We do not support the use of multiple riders to recover/refund deferral balances. One rider, specifically Rider C, should be sufficient without a second rider, specifically Rider B, being required.		

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,
2500, 330 - 5th Avenue SW,
Calgary, Alberta
T2P 0L4

TransCanada PipeLines
Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P
5H1

tel 403.920.2888
fax 403.920.2362
email
david_carmichael@transcanada
.com
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 2006 Prospective Deferral Account Rider Methodology
July 14, 2005 Discussion Paper — Stakeholder Comment Form**

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

Support for Prospective Rider Methodology		
1	A prospective deferral account rider methodology for the DTS rate should be implemented in 2006.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Transition From Retrospective to Prospective Methodology		
2	Adjustments for 2005 and prior years would be treated as retrospective methodology adjustments and would not be rolled into a prospective methodology.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Prospective Rider Duration and Recovery Period		
3	The prospective rider will be calculated each calendar quarter, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: Prefer 3-C as per TCE letter, but if not possible, TCE prefers this option.		
3-A	The prospective rider will be calculated each calendar quarter, and will be designed to restore the quarter-end deferral account balance to zero over the following calendar quarter.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-B	The prospective rider will be calculated each calendar month, and will be designed to restore the year-end deferral account balance to zero over the remaining months of the calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
3-C	The prospective rider will be calculated each calendar quarter, and will be designed to restore the deferral account balance to zero over the next twelve calendar months.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments: For comments, refer to TCE letter.		

3-D	The prospective rider will be calculated at the end of the calendar year, and will be designed to restore the year-end deferral account balance to zero over the next calendar year.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Structure of Prospective Rider		
4	The prospective rider should be structured as a percentage of DTS rate charges by rate component.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

Definition and Treatment of Larger-Than-Normal Variances		
5	The prospective rider will recover or refund no more than \pm \$25 million in total in any quarter.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		
6	Deferral account balances forecast to exceed \pm \$25 million at the end of a quarter will be accommodated through Rider B, through extension over more than one quarter, or through other mechanism to be proposed by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Comments:		

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