



August 22, 2005

Sent via e-mail

Interested Parties

AESO 2003 Deferral Account Reconciliation

Dear Stakeholder:

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

On August 15, 2005, the Alberta Electric System Operator (AESO) posted comments from stakeholders regarding the AESO's discussion paper of July 14, 2005 on the 2004 deferral account reconciliation process. The AESO has now prepared the attached comment matrix which includes the comments received from stakeholders and AESO responses to those comments.

Based on the consultation to date, including the comments and responses mentioned above, the AESO has reached the following conclusions for the 2004 retrospective deferral account reconciliation application:

1. The cut-off date for the deferral account reconciliation will be August 31st of the following year.
2. The filing date for the deferral account reconciliation application will be mid-November, or earlier, if possible.
3. For AESO costs, post cut-off adjustments will be considered material if the cumulative adjustments for a single cost component or the cumulative adjustments for total costs exceed $\pm 1\%$ of the AESO's annual revenue requirement.
4. For AESO revenues, the AESO will finalize its proposal for materiality after further discussion with stakeholders.
5. Material adjustments occurring after the cut-off date will be included in a re-reconciliation of the deferral account in the next year's deferral account reconciliation application.
6. For material adjustments occurring after the next year's cut-off date, the AESO will finalize its proposal after further consideration and discussion with stakeholders.
7. If a material adjustment occurs after the cut-off date, all non-material adjustments after the cut-off date will be included in the re-reconciliation of the deferral account in the next year's deferral account reconciliation application.

8. If no material adjustments occur after the cut-off date, all non-material adjustments after the cut-off date 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.
9. All non-material adjustments occurring after the next year's cut-off date 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.
10. 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.

The AESO notes that the issue regarding materiality of AESO revenue adjustments requires further discussion as both EnCana and TransCanada raised concerns with the AESO's proposal. The AESO will consult with each of these parties to address their concerns before arriving at a final decision.

The AESO notes there was an error in the discussion paper distributed on July 14, 2005. Specifically, the dates in the first column of Figure 5 were a year earlier than they should have been. The AESO has prepared a corrected version of Figure 5, which is attached to this letter.

Stakeholder responses to the proposals summarized above and to the attached comment matrix, including other parties' comments and the AESO's responses, are due by **August 26, 2005**. The AESO will then advise parties of its final position by September 7, 2005.

For parties' reference, attached to this letter are the following two documents:

- AESO 2004 Deferral Account Process – Corrected Figure 5, and
- AESO 2004 Deferral Account Process – Comment Matrix.

Additional background is available on the AESO's website at www.aeso.ca by following the path Quick Links ► Current Regulatory Activities, in the "AESO 2004 Deferral Account Cut-Off Date and Related Issues Consultation" section.

If you have any comments or questions on this process or on the attached information, please contact me at (403) 539-2465 or john.martin@aesoc.ca, or Randeep Nota at (403) 539-2468 or randeep.nota@aesoc.ca.

Yours truly,

[original signed by]

John Martin
Manager, Regulatory

cc: Jamie Cameron, EUB
Rob Senko, AESO
Randeep Nota, AESO
Carol Moline, AESO
Roxanne Moeskops, AESO

Attachments

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
Stakeholder Comments and AESO Responses — August 22, 2005**

AESO Proposal	Stakeholder Comment	AESO Response
End Date for Period A		
<p>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).</p>	<p>AltaGas – Indifferent.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Support. 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</p>	<p>Stakeholders generally support this option. The AESO’s deferral account reconciliation will therefore propose that the end date for Period A be the close of the record for the deferral account reconciliation proceeding.</p> <p>In this consultation process, the AESO and stakeholders are considering various different approaches as they relate to each of the proposals discussed in the AESO’s discussion papers of March 24 and July 14. At any point in time, any party, including the AESO, may support what seems like the best alternative, at that particular time.</p> <p>The 2003 deferral account reconciliation settled about \$119 million of charges and refunds to customers. If the proposed process had been followed for 2003, the \$119 million balance would have been allocated to customers in an application filed in mid-November 2004. The effect of delaying or re-filing the application for “material” adjustments was provided in Figure 2 on page 7 of the discussion paper, which showed that such adjustments could have delayed the final filing for seven months to mid-June 2005. Under the AESO’s proposal those adjustments would be included in the next year’s filing in mid-November 2005, only five months later. EnCana’s proposal would</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>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> <p>EPCOR – Support.</p> <p>TCE – Support.</p>	<p>delay reconciliation of the main deferral account balance (\$119 million for 2003 and \$100 million for 2004) for seven months, to achieve five months earlier reconciliation of “material” adjustments (of \$1 million or potentially as small as \$250,000).</p> <p>The AESO agrees that on-going monitoring and verification of data should minimize delays in identifying revenue adjustments.</p>
<p>1-A. Period A will end at the filing of the deferral account reconciliation application.</p>	<p>AltaGas – Indifferent.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Oppose.</p> <p>EPCOR – Support.</p> <p>TCE – Oppose.</p>	<p>Since stakeholders generally supported option 1 rather than 1-A, option 1 will be adopted.</p>
<p>1-B. Period A will end at the date the EUB issues its decision on the deferral account reconciliation application.</p>	<p>AltaGas – Support.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Support. 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> <p>EPCOR – Oppose. Agree that this could cause undue delay and inefficiency in the process.</p>	<p>Since stakeholders generally supported option 1 rather than 1-B, option 1 will be adopted.</p> <p>See pages 3-4 of the AESO’s July 14 discussion paper. The AESO does not consider it appropriate to “interrupt” the EUB once they are in a decision-making process, especially if such an interruption occurred a few days prior to the EUB issuing its decision.</p> <p>Agree.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	TCE – Oppose.	
Materiality		
<p>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.</p>	<p>AltaGas – Support.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Support. 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> <p>EPCOR – Support.</p> <p>TCE – Support.</p>	<p>Stakeholders generally support this option. The AESO’s deferral account reconciliation will therefore use a materiality threshold for costs as indicated in this proposal.</p>
<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$.</p>	<p>AltaGas – Indifferent.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Oppose. 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</p>	<p>The AESO will discuss EnCana’s and TCE’s comments with the respective parties before arriving at a final proposal.</p> <p>The AESO considers that the likelihood of a \$1 million revenue adjustment occurring for an account of less than \$1 million is highly unlikely.</p> <p>The AESO also does not believe there will be a “two-way impact” as described by EnCana. Revenue adjustments and deferral account impacts will be attributed to the appropriate production year. Therefore impacts should be limited just to the production year.</p> <p>The AESO believes its proposal (as</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>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 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.</p> <p>EnCana therefore recommends that the materiality threshold for AESO revenue adjustments stay at +/- \$250,000. Any material breach in period A would requires 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.</p> <p>EPCOR – Support.</p> <p>TCE – Oppose. 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</p>	<p>modified below) should limit impacts to about \$100,000. Although this may represent a large percentage change in deferral account allocation for a small customer, participants in the June 7 meeting had suggested an impact of \$50,000-100,000 was an appropriate materiality threshold.</p>

AESO Proposal	Stakeholder Comment	AESO Response
<p>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$.</p>	<p>adjustment”.</p> <p>AltaGas – Oppose. 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.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Support. 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 re-calculation or revision to the DAR.</p> <p>EPCOR – Oppose.</p> <p>TCE – Support. \$250,000 is the maximum, TCE would prefer a lower amount. 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.</p>	<p>The AESO continues to support option 3 for the reasons provided above.</p> <p>The AESO noted that all revenue adjustments (material and non-material) would be included in any re-reconciliation of the deferral account, in item 6 on page 10 of the AESO’s July 14 discussion paper.</p> <p>The AESO agrees with TCE’s concern and proposes the following change in wording to option 3:</p> <p>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 or the cumulative adjustments for total revenue exceeded $\pm\\$1,000,000$.</p>
Treatment of Material Adjustments During Periods A, B, and C		
<p>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.</p>	<p>AltaGas – Indifferent.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Oppose. 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</p>	<p>The AESO continues to support this proposal, for the reasons provided in the discussion paper and in response to option 1 above.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>the customer desire for accuracy, equity, and consistency.</p> <p>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.</p> <p>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.</p> <p>EPCOR – Support.</p> <p>TCE – Support.</p>	<p>The AESO considers that timeliness, accuracy, and equity cannot all be achieved at the same time, as discussed on page 2 of the AESO's July 14 discussion paper. The AESO's proposal balances timeliness and accuracy, and is not inconsistent with those objectives.</p>
<p>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.</p>	<p>AltaGas – Support.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – 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.</p> <p>EPCOR – Oppose.</p> <p>TCE – Oppose. 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). In the Background section, TransCanada concurs with the views of participants that: "the timing of an adjustment should not affect the financial outcome of</p>	<p>In response to EnCana's and TransCanada's comments, the AESO will review this option in more detail and have further discussions with EnCana and TransCanada before arriving at a final proposal.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	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.”	
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.	<p>AltaGas – Support.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana - 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.</p> <p>EPCOR – Support.</p> <p>TCE – Support. Support for this position is contingent on a materiality level at \$250,000 or less.</p>	Stakeholders generally support this option. The AESO’s deferral account reconciliation will therefore handle material adjustments in Periods A and B as indicated in this proposal.
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.	<p>AltaGas – Support. 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.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Support. 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 = [(Correct\ Customer\ Revenue - \\$150,000) / 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</p>	<p>Stakeholders generally support this option. The AESO’s deferral account reconciliation will therefore handle material and non-material adjustments in Periods A and B as indicated in the proposal.</p> <p>In response to AltaGas’s comment, the AESO’s notes that it expects the reconciliation for 2005 to follow the same process used for the 2004 deferral account reconciliation.</p> <p>The AESO considers option 7 to apply to both costs and revenues.</p> <p>The AESO will discuss EnCana’s comments with them, to arrive at a clearer understanding before arriving at</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>the 2005 allocator to equal $\beta = [(Correct\ Customer\ Revenue + \\$150,000)/Total\ AESO\ revenue]$.</p> <p>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.</p> <p>EnCana requests further clarification from the AESO as to how it will treat non-material revenue (i.e. allocator) adjustments.</p> <p>EPCOR – Support.</p> <p>TCE – Support. Support for this position is contingent on a materiality level at \$250,000 or less.</p>	<p>a final proposal.</p>
<p>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.</p>	<p>AltaGas – Support. 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.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – Support. 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> <p>EPCOR – Support.</p>	<p>Stakeholders generally support this option. The AESO’s deferral account reconciliation will therefore handle non-material adjustments in Period C as indicated in the proposal.</p> <p>In response to AltaGas’s comment, the AESO’s notes that it expects the reconciliation for 2005 to follow the same process used for the 2004 deferral account reconciliation.</p> <p>The AESO notes there is an error in Figure 5 of the July 14 discussion paper. The dates in the first column are a year earlier than they should be. The AESO apologizes for any confusion this may have caused and has provided a revised figure with this comment matrix.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>TCE – Support. Support for this position is contingent on a materiality level at \$250,000 or less.</p>	
Current Outstanding Material Adjustment Relating to Losses		
<p>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.</p>	<p>AltaGas – Oppose.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana - 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> <p>EPCOR – Support.</p> <p>TCE – Support.</p>	<p>A separate application would be filed no more than three months earlier than the 2004 deferral account application. The additional few months do not seem appropriate given the additional administration and cost of a separate process.</p> <p>AESO is not proposing to ignore the revenue requirement adjustments relating to 2003. Under option 8 the AESO noted there was an error in Figure 5. This may have give rise to EnCana’s concern. The AESO will discuss EnCana’s comments with them, to arrive at a clearer understanding before arriving at a final proposal.</p>
<p>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.</p>	<p>AltaGas – Support. AltaGas would prefer to see this adjustment dealt with as soon as possible.</p> <p>ATCO Power – <i>ATCO prefers the prospective methodology, but supports this proposal during the transition period. See general comments at end.</i></p> <p>EnCana – n/a</p> <p>EPCOR – Indifferent. 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.</p>	<p>Please see the AESO’s response to option 9 above.</p> <p>The AESO agrees that the financial outcome should be the same with either option 9 or option 9-A.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	TCE – Indifferent.	
Additional Comments		
	<p>AltaGas – 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.</p> <p>ATCO Power – 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.</p> <p>EnCana – 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.</p> <p>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.</p> <p>TCE – 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.</p>	<p>The AESO’s notes that it expects the reconciliation for 2005 to follow the same process used for the 2004 deferral account reconciliation.</p> <p>The AESO notes there is an error in Figure 5 of the July 14 discussion paper. The dates in the first column are a year earlier than they should be. The AESO apologizes for any confusion this may have caused and has provided a revised figure with this comment matrix.</p>

Figure 4: Treatment of Adjustments Relating to 2004 During Periods A, B, and C

Period and Sample Dates	Treatment of Material Adjustments	Treatment of Non-Material Adjustments
Period A and B Sep 2005 – Aug 2006	Re-reconciled in 2005 deferral account reconciliation application	Included in re-reconciliation in 2005 reconciliation application
	No material adjustments	Allocated based on previously-approved 2004 monthly allocators in 2005 reconciliation application
Period C Sep 2006 – Aug 2007	Allocated based on previously-approved 2004 monthly allocators in 2006 reconciliation application	
Period C (cont'd) Sep 2007 – Aug 2008	Allocated based on previously-approved 2004 monthly allocators in 2007 reconciliation application	

The AESO provides the following as an example schedule of filings assuming material adjustments occurred in each year following a deferral account reconciliation application:

Figure 5: Example Schedule of Deferral Account Reconciliation Filings

Date	2003 Deferral Account Process	2004 Deferral Account Process	2005 Deferral Account Process
November 2005	Recalculation and refiling of 2003 deferral account reconciliation	Calculation and filing of 2004 deferral account reconciliation	—
November 2006	Allocation of adjustments using 2003 allocators approved in Nov 2005 refiling	Recalculation and refiling of 2004 deferral account reconciliation	Calculation and filing of 2005 deferral account reconciliation
November 2007	Allocation of adjustments using 2003 allocators approved in Nov 2005 refiling	Allocation of adjustments using 2004 allocators approved in Nov 2006 refiling	Recalculation and refiling of 2005 deferral account reconciliation
November 2008	Allocation of adjustments using 2003 allocators approved in Nov 2005 refiling	Allocation of adjustments using 2004 allocators approved in Nov 2006 refiling	Allocation of adjustments using 2005 allocators approved in Nov 2007 refiling

Current Outstanding Material Adjustment Relating to Losses

A \$27.5 million adjustment relating to 2001-2003 losses was identified in the AESO's 2005-2006 General Tariff Application proceeding and discussed briefly during the June 7 consultation meeting. The amount of the adjustments has since been updated to \$24.2 million, as noted in the AESO's Deferral Account Summary for May 2005. In its April 7 letter to stakeholders, the AESO stated it would make a one-time application to address this adjustment and other post-closing adjustments for 2003 and prior years. This proposal was based on the materiality thresholds and the treatment of material adjustments discussed with stakeholders up to that time.