



November 15, 2006

Submitted via EUB Digital Data Submission System

Alberta Energy and Utilities Board
640 – 5th Avenue SW
Calgary, Alberta
T2P 3G4

Attention: Jamie Cameron, Application Officer

Dear Jamie:

Re: **Additional Rationale for Corrections to AESO 2006 Rider F
Application 1482458**

In discussions regarding the October 12, 2006 application of the Alberta Electric System Operator (AESO) for corrections to the 2006 Balancing Pool Consumer Allocation Rider F, the Alberta Energy and Utilities Board (EUB) asked for additional rationale for the changes to Rider F applied for by the AESO. The AESO provides the following information in response to the EUB's request.

When the AESO initially applied for Rider F in the fall of 2005, the AESO took guidance from two sources:

- an understanding that section 82(6)(b) of the Electric Utilities Act (EUA) referred to firm load (non-DOS (Demand Opportunity Service)) customers only, and
- an understanding that DOS loads did not receive the electricity rebates from the original PPA (Power Purchase Arrangement) auctions in 2000.

Given the short timeline for dealing with the Rider F implementation at the time of the AESO's 2006 General Tariff Application refiling and second refiling, the question of applicability was not examined in depth. No parties objected to the AESO's proposal and the EUB approved it as part of the AESO's second refiling.

The AESO was contacted in early 2006 by a DOS customer asking about the rationale for excluding DOS loads from Rider F. The initial rationale was explained and the customer acknowledged the reasoning. However, the customer researched their own billing history and determined they did in fact receive the original electricity rebates, and requested the AESO investigate the matter further.

The AESO reviewed records for the earlier PPA auction rebates, and confirmed the DOS customer's findings. The AESO also determined neither Medicine Hat nor Fort Nelson received the earlier rebates. The AESO then reviewed legislation to determine if support for these findings was available there.

Rationale for Applicability of Rider F to DOS Consumption

The AESO considers the following aspects of the EUA together indicate that DOS customers should be eligible for Rider F.

- 30(3) *The rates set out in the tariff*
- (a) *shall not be different for owners of electric distribution systems, customers who are industrial systems or a person who has made an arrangement under section 101(2) as a result of the location of those systems or persons on the transmission system,*
- 82(6) *The Board must*
- (a) *approve the annualized amount provided to the Independent System Operator by the Balancing Pool, without modification, and*
 - (b) *approve, with or without modification, the allocation of the annualized amount to the owners of electric distribution systems, industrial systems and persons that have made arrangements under section 101(2).*

Sections 30(3) and 82(6) use identical wording to indicate to whom the AESO's rates apply and to whom the Balancing Pool amount is allocated, with no distinction anywhere in the legislation between firm and opportunity service. The AESO interprets section 30(3) to include DOS customers, and so concludes section 82(6)(b) should also be interpreted to include DOS customers, barring exclusion elsewhere in the legislation.

Rationale for Rescinding Applicability of Rider F to Medicine Hat

With respect to Medicine Hat, the AESO determined that although Medicine Hat is not specifically excluded from Balancing Pool rebates, they are clearly exempted from all distribution utility benefits and obligations under Part 7 of the EUA. The AESO understands this is consistent with positions put forward by the City of Medicine Hat during consultation for the 2003 revisions to the EUA, respecting exclusion from responsibilities or benefits arising from pre-deregulation arrangements in Alberta.

The AESO considers the following aspects of the EUA together indicate the City of Medicine Hat should not be eligible for Rider F.

- 1(1) *In this Act...*
- (m) *“electric distribution system” means the plant, works, equipment, systems and services necessary to distribute electricity in a service*

area, but does not include a generating unit or a transmission facility

- (z) *“interconnected electric system” means all transmission facilities and all electric distribution systems in Alberta that are interconnected, but does not include an electric distribution system or a transmission facility within the service area of the City of Medicine Hat....*

82(6) *The Board must*

- (a) *approve the annualized amount provided to the Independent System Operator by the Balancing Pool, without modification, and*
(b) *approve, with or without modification, the allocation of the annualized amount to the owners of electric distribution systems, industrial systems and persons that have made arrangements under section 101(2).*

100 *Nothing in this Part applies*

- (a) *to the electric distribution system owned by the City of Medicine Hat or a subsidiary of the City in the service area of the City, or*
(b) *to customers whose property is located in the service area of the City of Medicine Hat....*

109 *Nothing in this Part applies*

- (a) *to the electric distribution system owned by the City of Medicine Hat or a subsidiary of the City in the service area of the City, or*
(b) *to customers whose property is located in the service area of the City of Medicine Hat....*

Although section 82(6) indicates the Balancing Pool amount is allocated to owners of electric distribution systems, the other quoted sections of the EUA clearly indicate that distribution-related provisions of the EUA do not apply to Medicine Hat.

Rationale for Rescinding Applicability of Rider F to Fort Nelson

With respect to BC Hydro at Fort Nelson, the AESO reviewed the record of the 2006 GTA as well as legislation, found that the record clearly indicated Fort Nelson is not an Alberta customer, and concluded that provisions of the EUA would not apply to it (although the rate for service to Fort Nelson is based in part on the DTS rate).

The AESO considers the following aspects of the EUA together indicate that Fort Nelson should not be eligible for Rider F:

1(1) *In this Act...*

- (m) *“electric distribution system” means the plant, works, equipment, systems and services necessary to distribute electricity in a service*

area, but does not include a generating unit or a transmission facility

- (z) *“interconnected electric system” means all transmission facilities and all electric distribution systems in Alberta that are interconnected, but does not include an electric distribution system or a transmission facility within the service area of the City of Medicine Hat....*
- (ww) *“service area” means the area determined under the Hydro and Electric Energy Act from time to time in which*
 - (i) *the owner of an electric distribution system may distribute electricity, or*
 - (ii) *a rural electrification association may distribute electricity to its members;*

82(6) *The Board must*

- (a) *approve the annualized amount provided to the Independent System Operator by the Balancing Pool, without modification, and*
- (b) *approve, with or without modification, the allocation of the annualized amount to the owners of electric distribution systems, industrial systems and persons that have made arrangements under section 101(2).*

As Fort Nelson does not have a service area determined under the Hydro and Electric Energy Act, it cannot be an owner of an electric distribution system as defined in the EUA and section 82(6) would not be applicable to it. This is consistent with the EUB’s finding in Decision 2005-096 that Fort Nelson should not continue to receive service under the DTS rate because “Fort Nelson is not located in Alberta.”

The AESO based its October 12 application on the findings and conclusions summarized above.

If you need additional information on the AESO’s Rider F corrections, please contact me at (403) 539-2465 or by e-mail to john.martin@aeso.ca, or Heidi Kirrmaier at (403) 539-2751 or by e-mail to heidi.kirrmaier@aeso.ca.

Sincerely,

[original signed by]

John Martin
Manager, Regulatory

cc: Heidi Kirrmaier, Vice President, Regulatory, AESO