



October 23, 2007

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: AESO 2008 Balancing Pool Consumer Allocation Rider F

On October 16, 2007 the Balancing Pool notified the Alberta Electric System Operator (AESO) of an estimated annualized positive amount of \$291.8 million to be reflected in the AESO's rates under sections 30 and 82 of the *Electric Utilities Act* (EUA). The annualized amount is similar in nature to that which is currently being refunded to AESO customers through the Balancing Pool Consumer Allocation Rider F under the AESO's 2007 tariff.

The Balancing Pool has requested that the amount be paid to AESO customers as a \$5.00/MWh credit during 2008. A copy of the Balancing Pool's letter providing the notice is attached. The Balancing Pool's notice complies with the requirements of section 82(4) of the EUA.

Rider F was first implemented as a \$1.00/MWh credit effective from January 1 to December 31, 2006, as approved by the Alberta Energy and Utilities Board (EUB) in Order U2005-464 dated December 20, 2005. It was subsequently increased to a \$3.00/MWh credit effective from January 1 to December 31, 2007, as approved in EUB Order U2006-332 dated December 19, 2006. No objections were received to the applications for either the 2006 or 2007 Rider F.

Given the increase in the annualized amount for 2008 the AESO reviewed the basis for its allocation to AESO customers pursuant to section 82(6)(b) of the EUA. The AESO concludes that an allocation as a \$/MWh credit remains appropriate for the following reasons.

- (1) The annualized amount is calculated based on the Balancing Pool's forecast revenues and expenses over the expected life of the Balancing Pool. Those revenues and expenses primarily relate to the management of generation assets (specifically any Power Purchase Arrangements (PPAs) held by the Balancing Pool that include the right to exchange electric energy and ancillary services) in a commercial manner, and to the holding of the Hydro PPA and management of associated payments. The Balancing Pool revenues and

expenses, and the annualized amount arising from them, are therefore essentially similar to costs recovered through participation in the power pool by holders of other generation assets. It is accordingly appropriate that the Balancing Pool annualized amount be allocated on an energy basis.

- (2) Proceeds from the auctions of PPAs in 2000 were returned by the Alberta Government to electricity consumers primarily through ¢/kWh rebates on electricity bills in 2001. As the Balancing Pool annualized amount is similarly related to PPAs, the Alberta Government rebate approach provides a relevant precedent for the allocation of the Balancing Pool annualized amount as a \$/MWh credit.

Based on these considerations, the AESO accepts the Balancing Pool's recommendation that the annualized amount continue to be refunded to AESO customers as a \$/MWh amount, set at \$5.00/MWh credit effective from January 1 to December 31, 2008. The AESO further proposes that other aspects of the 2008 Rider F, including applicability criteria, continue unchanged from the 2007 Rider F which is currently in effect.

The AESO therefore requests approval by the EUB pursuant to subsections 82(5) and (6) of the EUA, for a Balancing Pool Consumer Allocation Rider F to provide a \$5.00/MWh credit to all Demand Transmission Service (DTS) and Demand Opportunity Service (DOS) customers, with the exceptions of the City of Medicine Hat and BC Hydro at Fort Nelson, for consumption from January 1 through December 31, 2008, inclusive. A proposed Rider F schedule is attached.

As this application is a simple revision to the level of Rider F and complies with relevant legislation, the AESO requests that the EUB deal with this application through an expedited process.

If you have any questions on this application or need additional information, please contact me at (403) 539-2465 or by e-mail to john.martin@aeso.ca.

Sincerely,

[original signed by]

John Martin
Director, Tariff Applications

Attachments

cc: Heidi Kirrmaier, Vice President, Regulatory, AESO
Doug Heath, Vice President, Operations, Balancing Pool



Rider F **Balancing Pool Consumer Allocation Rider** Page 1 of 1

Purpose: To collect from or refund to AESO Customers an annualized amount estimated by the Balancing Pool and transferred to the AESO under section 82 of the *Electric Utilities Act*.

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Applicable to: Customers receiving service under the following Rate Schedules:

- DTS, with the exceptions of the City of Medicine Hat
- DOS, with the exceptions of the City of Medicine Hat and BC Hydro at Fort Nelson

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Effective: The rider is effective for all billing periods from January 1, 2008 to December 31, 2008.

Rate: A credit of **\$5.00/MWh** of Metered Energy during the Billing Period.

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Terms: The Terms and Conditions form part of this Rate Schedule.