



Overview

- On December 1, 2007, the AESO filed a comprehensive deferral account reconciliation application for 2004 and 2005 with the Alberta Energy and Utilities Board (EUB).
- The application also included a second deferral account reconciliation for 2003, as well as deferral account adjustments for 1999 to 2002.
- The application will be reviewed and approved through a regulatory proceeding in accordance with a schedule set by the EUB.

AESO Deferral Accounts

- Section 14 of the *Electric Utilities Act* requires that “on an annual basis, no profit or loss results from its [the AESO’s] operation.”
- Variances arise between the actual costs the AESO incurs in providing system access service and the actual revenue recovered in rates charged to customers.
- These variances are refunded to or recovered from customers through deferral account adjustment riders and deferral account reconciliations.

Deferral Account Riders

- Deferral account adjustment riders are set quarterly to refund or charge forecast deferral account balances to customers. Since 2003, deferral account balances have been managed by rate (DTS and STS) and rate component (interconnection charge, operating reserve charge, voltage control charge, losses charge, and other system support charge).
- In 2004 and 2005, deferral account balances were refunded or charged to DTS and STS customers through Deferral Account Adjustment Rider C, which was set at a \$/MWh amount each quarter.

Deferral Account Reconciliations

- Although Rider C manages deferral account balances on a quarterly basis, deferral accounts are subject to detailed review and reconciliation through applications to the EUB. The deferral account reconciliation applications ensure that appropriate amounts are allocated to each customer.
- The AESO previously applied to the EUB and received approval for deferral account reconciliations for the years 2000 to 2002 and for 2003.
- This application is for the years 2004 and 2005, and also includes a second reconciliation of 2003 and a reconciliation of adjustments for 1999 to 2002.

2004-2005 Deferral Account Reconciliation Amounts

- The 2004-2005 application includes the following deferral account balances:
 - a shortfall of \$6.8 million for 2005,
 - a shortfall of \$4.1 million for 2004,
 - a shortfall of \$11.0 million for 2003,
 - a surplus of \$29.0 million for 2002,
 - a surplus of \$7.7 million for 2001,
 - a surplus of \$0.06 million for 2000,
 - a shortfall of \$0.003 million for 1999, and
 - a net surplus of \$15.0 million over all seven years.
- The primary reasons for the deferral account balances over those years were:
 - EUB decisions on final transmission facility owner tariffs and related charges (about \$7 million net shortfall), and
 - a one-time restatement of meter data affecting losses from 2001-2003 (about \$24 million net surplus).



Allocation to Customers

- The deferral account reconciliation application reviews all costs incurred and revenue received by the AESO in the years being applied for, and provides explanations for variances from forecast for both costs and revenue.
- The application then allocates the deferral account balances to individual customers by rate, by rate component, and by month (or by year, for 1999-2001 deferral accounts) using the methodology approved by the EUB in prior decisions.
- After the allocation of deferral account balances to customers, Rider C amounts already charged or refunded to customers over the period being reconciled are applied on an individual customer basis to determine the net amount proposed to be refunded to or collected from the customer.
- The EUB reviews and approves the deferral account balances and customer allocation methodology, and amounts are not actually refunded or invoiced to customers until approval is received from the EUB.
- Refunds and collections are typically made through one-time payments or charges, although a three-month option is offered to customers if one-time payment would be a financial burden.

2004-2005 Deferral Account Reconciliation Application Process

- For the AESO's 2004-2005 deferral account reconciliation application (including the 2003 second reconciliation and reconciliation of adjustments for 1999-2002), the EUB is expected to establish a regulatory review process in early January 2008 which would lead to an EUB decision in mid-2008.
- The AESO would then issue invoices for charges to customers or pay refunds to customers in accordance with the EUB decision.

Confidential Customer Information

- The deferral account reconciliation application includes details on the allocation of deferral account balances to individual customers. The amounts allocated to distribution facility owners (DFOs) were identified in the application, while for other customers names were replaced with random customer numbers for each year included in the application to protect confidentiality of customer data.
- The AESO expects customers will be interested in reviewing the allocation of deferral account balances to them, and therefore provides to individual customers the respective customer numbers identifying their allocated amounts.
- After submitting the application to the EUB, the AESO sent information to each of its 60 customers about the customer numbers and net deferral account amounts allocated to the customer's services.
- Amounts proposed to be charged or refunded to individual customers vary greatly.
- For the six distribution facility owners (DFOs) in Alberta, a net total of \$1.8 million is being charged, and ranges from a \$22,000 refund to a \$1.1 million charge.
- For the AESO's 56 non-DFO customers, a net total of \$16.7 million is being refunded, and ranges from a \$550,000 charge to a \$4.4 million refund.

Additional Information Included With Application

- Customer level allocation of annual and monthly deferral account balances
- Summary of conclusions of 2004-2005 stakeholder consultation on reconciliation process
- Reconciliation of deferral account balances to income statements and balance sheets
- Reconciliation of inter-year adjustments for 2007 to 1999

For more information

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