Reference: Technical Meeting Presentation, slide 12
Application, page 13, Table 2-2

Request:

Of the $119.5 million Rider C refund identified for 2003, how much of that amount was refunded through Rider C during the year, and how much was refunded through the AESO’s 2003 deferral account reconciliation application?

Response:

The AESO’s 2003 deferral account reconciliation application had an overall zero balance to settle with transmission customers. The 2003 application reported a net overcollection of $119.5 million through base rates that was addressed through:

- Rider C net refunds to customers during 2003 of ($158.0) million, and
- Rider C net charges to customers during the first quarter of 2004 of $38.5 million

The total Rider C refunds and charges related to the 2003 deferral account reconciliation application therefore resulted in an overall zero balance.

Although the application had an overall zero balance, individual customers had amounts charged or refunded related to the deferral account reconciliation.
Reference: Technical Meeting Presentation, slide 18
Application, pages 28-29

Request:

Can the AESO provide a report that associates production revenue data back to the relevant accounting month in which the charges were originally billed?

Response:

The data required to respond to this request exists in the deferral account reconciliation database created for the software program developed by the AESO for deferral account reconciliations. The AESO estimates it would take approximately a day to build the query and reporting functionality to associate production revenue data back to accounting months. With other IT priorities which currently exist, and allowing time for checking and verification of the reports, the AESO estimates it would take about two weeks to make such a report available to a customer.

The AESO’s focus in preparing its deferral account reconciliation application has been on moving amounts into the appropriate production months, as described in the application. The AESO did not anticipate a request to report those amounts in a “reverse” format, and suggests such information is not required to adequately examine its application.

However, if a customer considers that the provision of such information is required as part of this deferral account reconciliation process, the AESO will initiate providing the relevant report upon receiving a request from the customer, subject to the timing considerations mentioned above.
Reference: Technical Meeting Presentation, slide 22
Application, page 65

Request:

What is the history behind allocating line losses using metered volume multiplied by pool price?

Response:

Transmission line losses were allocated using metered volume times pool price in the 2000-2002 deferral account reconciliation application filed by the AESO on September 15, 2003. The following summary was provided on page 28 of Decision 2003-099 of the Alberta Energy and Utilities Board (EUB), issued on December 16, 2003 for that application:

Losses in 2001 and 2002 have not been allocated on the basis of revenue percentages, as this was not consistent with the manner in which the costs of losses are recovered. In these years, generators paid losses charges on the basis of normalized loss factors. These are the aggregate of raw loss factors that are unique to each generator, and shift factors that apply equally to all generators. Thus, two generators with identical generation profiles paying different losses charges may have been equally affected by higher than necessary shift factors, and deserving of equal refunds. Applying credits or charges on the basis of total revenues received related to losses would produce the incorrect result of refunding different amounts to each generators.

To address this potential inequity, the losses deferral balances have been allocated to customers based on their production in each hour multiplied by the pool price in that hour, summed over the period the revenue shortfall or surplus is being reconciled. The AESO claimed it has calculated this value in a straightforward manner, by dividing the losses revenue recovered from each generator by that generator’s normalized shift factor.

The EUB approved the allocation of the line losses deferral account on this basis.

The same approach was used in the AESO’s 2003 deferral account reconciliation application filed on June 4, 2004, and approved in EUB Decision 2005-034 issued on April 19, 2005 for that application.
Reference: Technical Meeting Presentation, slides 24 through 27

Request:

Why are there such large differences in the net charges or refunds between individual DTS customers and between individual STS customers?

Response:

The AESO observes the following distribution of net charges and refunds among individual DTS and individual STS customers:

<table>
<thead>
<tr>
<th>Range of Refunds and Charges</th>
<th>DTS</th>
<th>STS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refund Greater Than $100,000</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Refund of $100,000 to Charge of $100,000</td>
<td>37</td>
<td>21</td>
</tr>
<tr>
<td>Charge Greater Than $100,000</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Total Number of Customers</td>
<td>45</td>
<td>42</td>
</tr>
</tbody>
</table>

Two-thirds of customers are receiving net charges or refunds of ±$100,000 or less. One-third of customers are receiving net charges or refunds larger than this threshold, with several being significantly larger. The large charges and refunds appear to result from the interaction of multiple factors that affect deferral account reconciliations.

The AESO offers the following comments as explanation for the large charges and refunds attributed to some customers.

(a) First, annual revenue varies greatly between individual DTS customers and between individual STS customers over the years included in the deferral account reconciliation application. Individual DTS customer revenue varies from less than $0.01 million per year to almost $160 million per year. Individual STS customer revenue varies from refunds greater than $2 million per year (resulting from loss credits) to charges of almost $90 million per year. Since deferral account balances are allocated based on customer revenue (or, for losses, based on production volumes times pool price) it is reasonable that deferral account amounts would vary greatly as well.

(b) Charges and refunds to individual customers are the net of balances and allocations of separate deferral accounts for individual rate components on a monthly basis. For DTS customers, deferral accounts balances were determined and allocated separately by month for interconnection charges, operating reserve charges, and other system support services charges. For STS customers, deferral account balances were determined and allocated separately by month for interconnection charges, losses, and operating reserve charges. Deferral account balances reflect surpluses and shortfalls accruing on a monthly basis and result from various input costs and revenues. Deferral account
allocations reflect individual customer revenues (or, for losses, production volumes times pool price) on a monthly basis. The balances and allocations vary by month based on all these factors, and the correlation of positive and negative amounts for individual customers result in variances in aggregate net charges and refunds.

(c) Rider C is determined on a quarterly basis, and may be a charge in some quarters and a credit in others. The Rider C amounts charged or credited to customers will therefore depend on a customer’s consumption or production in each quarter, and may be larger or smaller in aggregate depending on the specific correlation of charges and credits with consumption or production. Since charges and refunds to individual customers as a result of the deferral account refund are net amounts after accounting for Rider C amounts already charged or refunded, variations in Rider C amounts between customers will result in variations in net charges and refunds to customers.

(d) The 2004-2005 deferral account reconciliation application includes some relatively large amounts which are attributed to specific production years. For example, as discussed on page 56 of the application, a $24.2 million losses adjustment primarily affects the years 2003 and 2002. An STS customer’s production in those years will therefore affect the portion of that adjustment allocated to the customer, irrespective of production and amounts allocated to the customer in other years. Allocation of relatively large amounts in specific years can result in significant variations in net charges and refunds to customers, reflecting differences in revenue and production volumes in the specific years to which the large amounts are allocated.

Having reviewed the net charges and refunds among individual DTS and individual STS customers, the AESO concludes that the observed differences cannot be attributed to one or two factors, but results from the interaction of the factors discussed above and their net effect on deferral account reconciliations and allocations.
Technical Meeting Question 5

Reference: Technical Meeting Presentation, slide 29
Application, pages 18 and 72

Request:

How much are metered volumes for DTS customers changing between initial, interim, and final settlement?

Response:

As discussed on page 17 of the AESO’s applications, since January 1, 2006, only DTS (load) customers are subject to retrospective deferral account reconciliations. The AESO has examined the effect of the latest 2007 energy market settlements on charges to load customers.

Based on the 2007 settlement data, there appears to be no significant change to load customer energy volumes and DTS charges between initial, interim, and final energy market settlements. The following table summarizes the changes in energy market settlement volumes and the resulting largest changes in volume for an individual customer, for each month of 2007.

<table>
<thead>
<tr>
<th>Month</th>
<th>Initial — Load Only (MWh)</th>
<th>Volume Change</th>
<th>Largest Customer Change (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial</td>
<td>Interim</td>
<td>Final</td>
</tr>
<tr>
<td>Jan 2007</td>
<td>5,000,885</td>
<td>4,997,846</td>
<td>4,998,194</td>
</tr>
<tr>
<td>Feb 2007</td>
<td>4,550,784</td>
<td>4,555,032</td>
<td>4,554,936</td>
</tr>
<tr>
<td>Mar 2007</td>
<td>4,719,624</td>
<td>4,722,502</td>
<td>4,722,812</td>
</tr>
<tr>
<td>Apr 2007</td>
<td>4,433,874</td>
<td>4,435,004</td>
<td>4,434,647</td>
</tr>
<tr>
<td>May 2007</td>
<td>4,494,980</td>
<td>4,495,431</td>
<td>4,494,983</td>
</tr>
<tr>
<td>Jun 2007</td>
<td>4,494,472</td>
<td>4,497,752</td>
<td>4,494,983</td>
</tr>
<tr>
<td>Jul 2007</td>
<td>4,795,014</td>
<td>4,797,114</td>
<td>4,795,014</td>
</tr>
<tr>
<td>Aug 2007</td>
<td>4,574,050</td>
<td>4,572,098</td>
<td>4,574,050</td>
</tr>
<tr>
<td>Sep 2007</td>
<td>4,403,781</td>
<td>4,401,678</td>
<td>4,403,781</td>
</tr>
</tbody>
</table>

The largest volume change for any customer in any month was ±8,087 MWh as indicated in the last column of the table. The change in deferral account allocation which would result from this volume change would be expected to be below the ±$50,000 materiality threshold for individual customer revenues discussed in Appendix A-4 of the application.

Therefore, based on the quality of initial settlement data, the AESO suggests it could prepare a deferral account reconciliation application immediately after initial settlement of December volumes, with minimal impact on the accuracy of deferral account allocations to customers.
Historically, the AESO has waited for final settlement of December data (which occurs in the following August) before beginning preparation of a deferral account reconciliation application.
Reference: Technical Meeting Presentation, slide 29

Request:

Can the AESO provide any additional detail behind the $47.2 million surplus deferral account balance noted for 2007?

Response:

Please see attached Schedule TM-6 for additional detail on the preliminary balance remaining in the AESO’s deferral accounts as of December 31, 2007, excluding those amounts already included in the AESO’s 2004-2005 Deferral Account Reconciliation Application. The $41.3 million surplus total balance on that schedule is the sum of the following amounts identified in the technical meeting presentation:

- ($5.9) million shortfall for 2006 (based on data cut-off date of July 31, 2007), and
- $47.2 million surplus for 2007 (based on data to December 31, 2007).

As discussed at the technical meeting, about 40% of the $47.2 million surplus for 2007 relates to an ATCO Electric net refund to the AESO on December 31, 2007, with respect to EUB decisions that had been issued during 2007. The amounts included in that refund are provided below. These amounts are included in the “interconnection” amounts in Schedule TM-6.

<table>
<thead>
<tr>
<th>ATCO Electric Decisions</th>
<th>Pre-2004</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Liability Refiling</td>
<td>10.8</td>
<td>(0.3)</td>
<td>2.5</td>
<td>0.4</td>
<td>2.7</td>
<td>16.1</td>
</tr>
<tr>
<td>Decision 2007-104</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 Deferral Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision 2007-071</td>
<td>(1.5)</td>
<td></td>
<td></td>
<td></td>
<td>(1.5)</td>
<td></td>
</tr>
<tr>
<td>2006 Deferral Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order U2007-256</td>
<td>4.6</td>
<td></td>
<td></td>
<td></td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Total Net Refund</td>
<td>10.8</td>
<td>(0.3)</td>
<td>1.0</td>
<td>5.0</td>
<td>2.7</td>
<td>19.2</td>
</tr>
</tbody>
</table>
Technical Meeting Question 7

Reference: Technical Meeting Presentation, slide 30

Request:

Can the AESO make available to customers a report of Rider C charges and refunds included in the application by settlement point, similar to the customer detail report already made available?

Response:

The AESO has completed the extraction of data from the deferral account reconciliation database in conjunction with the settlement point detail needed to provide the requested report. The AESO anticipates the revenue and Rider C settlement point detail (including amounts settled as a result of the AESO’s 2003 Deferral Account Reconciliation Application) will allow customers to determine the net deferral account reconciliation amounts at the settlement point level.

The new data will be provided to customers upon request. The AESO will advise customers by e-mail of the availability of this additional information.

The AESO will plan to incorporate settlement point detail in all relevant deferral account reconciliation reports when preparing future deferral account reconciliation application.
Technical Meeting Question 8

Reference: Technical Meeting Presentation, slide 30
Application, Appendices F, G, and I-K

Request:

Can the AESO provide a reconciliation of the totals for Other Revenue (provided in Appendix F) and Transmission Line Losses (provided in Appendix G) to the amounts that appear in the monthly customer allocations that are provided in Appendices I, J, and K?

Response:

Please see attached Schedule TM-8A and -8B for the requested reconciliation of other revenue and transmission line losses.