



March 18, 2008

Submitted via Digital Data Submission System

Alberta Utilities Commission
Utilities Division
Fifth Avenue Place
4th Floor, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Attention: Jamie Cameron, Application Officer

Dear Jamie:

**Re: Responses to Information Requests and Request for Change to Process
for AESO 2004-2005 Deferral Account Reconciliation Application (1548908)**

The Alberta Electric System Operator (AESO) has filed responses to information requests received on its 2004-2005 Deferral Account Reconciliation Application (Application 1548908).

Since the Application was filed, the AESO's deferral account surplus has increased materially due in part to additional amounts refunded to the AESO at the end of 2007. As a result, the AESO now considers that the process for future deferral account applications proposed in the 2004-2005 Application would not be the best mechanism to provide a prompt return of the full surplus to customers. The AESO has therefore examined alternatives which could allow a more prompt settlement of the outstanding deferral account balances, and has conducted a brief consultation process with stakeholders on possible options.

The process proposed in the 2004-2005 Application would result in a refund of a \$15.0 million surplus upon approval of the Application, with a \$41.3 million surplus remaining to be addressed in future applications. As an alternative, the AESO now proposes that the process for the current Application be suspended at this point, to be replaced with an extended 2004-2007 application which the AESO would prepare and file in May 2008. The extended application would incorporate the full \$56.3 million deferral account surplus, or such other amount as had accrued at the application's data cut-off date. The application would accordingly include two additional sections on financial results and deferral account balances for 2007 and for 2006, as well as additional information for any prior years affected by the additional transactions being included. However, the methodology employed in the deferral account reconciliation and allocation would be consistent with that employed in the 2004-2005 Application, and the nature of the information included in the deferral account application would remain the same. The extended application

would result in accurate reconciliation and allocation of all existing deferral account amounts to customers.

At the time of filing the extended application, the AESO intends to also request approval for immediate financial settlement of the deferral account amounts with customers. The AESO considers that the technical meeting and information requests on its 2004-2005 Deferral Account Reconciliation Application have not revealed concerns with the methodology or allocation included in that Application. As well, as explained in Information Response TCE.AESO-007, the AESO considers that preparing a deferral account reconciliation application based on initial settlement data would have minimal impact on the accuracy of deferral account allocations to customers, compared to waiting until after interim or final settlement data was available.

The AESO described the extended application proposal to participants in this proceeding and to other stakeholders in a letter distributed on March 4, 2008. The AESO received written comments from ASBG/PGA, ATCO Electric, EnCana, Enmax, EPCOR, FortisAlberta, Medicine Hat, Red Deer-Lethbridge, TransAlta, TransCanada, and the Utilities Consumer Advocate, all of whom supported the proposal. No comments were received from any party opposing the proposal. The AESO notes that those parties who expressed support for the proposal represent nearly all of the registered participants in the current deferral account proceeding.

The AESO accordingly requests the Alberta Utilities Commission suspend the current process for the AESO's 2004-2005 Deferral Account Reconciliation Application, and allow the AESO to file an extended 2004-2007 application in May 2008, at which point the process may be resumed. The AESO suggests that the information responses already filed, as well as all other submissions to date, remain as part of the record for the extended application proceeding. At the same time, the process for the extended application should allow additional participants to register, as the inclusion of additional years and additional amounts in the application may affect parties who were not affected by the 2004-2005 Application. Additional information requests should also be permitted.

The AESO will post the responses received from stakeholders on the possible process options on the AESO's web site within the next several days. Some parties included comments with their responses, which the AESO will address at the time the responses are posted.

If you have any questions on the information responses or on the requested change to the current process, please contact me at (403) 539-2465 or by e-mail to john.martin@aeso.ca.

Yours truly,

[original signed by]

John Martin
Director, Tariff Applications

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
Carol Moline, Director, Accounting & Treasury, AESO