

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
Stakeholder Comments on April 8, 2008 Letter From AESO**

April 21, 2008

Written comments were provided by:

- Alberta Direct Connect Consumer's Association (ADC)
- Alberta Sugar Beet Growers and Potato Growers of Alberta (ASBG/PGA)
- ATCO Power
- Cities of Red Deer and Lethbridge
- ENMAX
- EPCOR Utilities
- FortisAlberta
- Public Institutional Consumers of Alberta (PICA)
- TransAlta
- TransCanada Energy
- Utilities Consumer Advocate (UCA)

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: Alberta Direct Connect Consumer's Association "ADC"
 Date: April 18th, 2008
 Contact: Colette Kearl, Executive Director
 Phone: (780) 920-9399
 E-mail: colette@valeopower.com

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
(a) "Normal" deferral account treatment would not attract interest.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
(b) Interest will be calculated based on monthly deferral account balances.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
(c) Interest will accrue only after a transaction has been recorded by the AESO.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

<p>(e) No interest will accrue in respect of transactions recorded in 2007 or 2008.</p> <p>Reasons for Stakeholder Position:</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(f) Interest will be calculated to the expected date of settlement with customers in June 2008.</p> <p>Reasons for Stakeholder Position:</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(g) Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.</p> <p>Reasons for Stakeholder Position:</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

<p>Additional Comments</p> <p>The ADC supports the notion of interest to clear up these deferral account balances in the way the AESO has proposed. The deferral account goes back a number of years and it seems fair that the impacted parties are compensated accordingly. The expectation is that this situation won't arise again in the future.</p>
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Please return this form with your comments by March 12, 2008, to:

John Martin
Director, Tariff Applications
E-mail: john.martin@aes0.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

UNRYN & ASSOCIATES LTD.

REGULATORY CONSULTANTS

1020, 105 - 150 Crowfoot Crescent N.W., Calgary, Alberta T3G 3T2

Tel (403) 294-1351 Fax (403) 265-4061

e-mail: unrynhen@telus.net

18 April 2008

VIA e-mail

Alberta Electric System Operator
Mr. John Martin
Director, Tariff Applications
Calgary Place
2500, 330 - 5th Ave SW
Calgary, AB T2P 0L4

Dear Sir:

**Re: ALBERTA ELECTRIC SYSTEM OPERATOR (AESO)
2004 – 2007 DEFERRAL ACCOUNT RECONCILIATION APPLICATION
APPLICATION NO. 1548908
RECOGNITION OF INTEREST**

Further to the AESO Consultation Meeting of April 16, 2008 on the issue of Recognition of Interest for the referenced Application the Alberta Sugar Beet Growers and the Potato Growers of Alberta (ASBG/PGA) hereby submit written comments as requested by the AESO at the meeting.

The AESO has changed the initial 2004 – 2005 Deferral Account Application to cover the extended period of 2004 – 2007 to accommodate significant refunds to the AESO in 2007 and provide a process to refund amounts to customers in a timely matter. In addition to the extended deferral account reconciliation period the AESO is now proposing to recognize interest on the refunds that the AESO has received from customers or TFOs. The preliminary AESO calculations on the recognition of interest indicate that load customers (DTS) would have to pay an additional \$2.9 million and supply customers (STS) would receive a corresponding credit of \$2.9 million since the AESO can record neither a profit nor a loss in a year. However the AESO proposal to recognize interest raises a number of concerns which the ASBG/PGA will elaborate on in the following.

In reviewing the amounts and dates of adjustments included in the AESO Deferral Accounts [Schedule TCE.AESO-002 (b-c)] both the DTS and STS customers have overall net decreases as adjustments [\$13.7 million for DTS and \$33.6 million for STS]. Directionally this would suggest that both DTS and STS customers should be provided interest credits if there is recognition of interest in the deferral reconciliation process.

However the STS net adjustment of a \$33.6 million decrease is largely attributable [\$29.4 million] to adjustments for losses costs which only impact STS customers. Therefore it is submitted that any recognition of interest responsibility in the circumstances of losses adjustments should result in interest charges and interest credits shared amongst STS customers without an impact on DTS customers.

ASBG/PGA also note that of the \$29.4 million adjustments for losses costs, \$24.2 million is attributable to a single energy market participant [TCE.AESO-002 a]. The AESO indicated that a metering error for this single energy participant resulted in an overstatement of energy supplied to the system and consequently an overstatement of the losses in the system for the period 2001 through 2003. This amount was calculated on the basis of the hourly pool prices and corrected volumes during the 3 year period.

ASBG/PGA submit that since this single energy market participant utilized additional AESO funds over the extended period then the AESO should consider further action for the recovery of interest on these excess funds from that participant. Additionally the AESO should consider whether any recoverable interest amount from this participant could be incorporated into the deferral account reconciliation process.

With respect to DTS customers there is some apparent benefit of a refund of prior payments to the AESO by reducing the level of debt that the AESO requires for ongoing working capital requirements [TCE.AESO-10 a]. However it is uncertain on how the ad hoc refund payments are accommodated in the AESO's planning process for working capital requirements. If the AESO does not require the funds when they are received then presumably the funds are placed in short-term deposits that may attract minimal interest. On the other hand the AESO proposes to impute interest on the payments as soon as they are recorded in the AESO books. In the context of the present AESO proposal for the recognition of interest ASBG/PGA submit that an assessment of the costs and benefits for each of DTS and STS customers should be done separately to ensure that cross-subsidization does not occur.

In conclusion ASBG/PGA submit that it is premature at this time to accept the proposed AESO methodology for a recognition of interest; this issue should be further investigated and could be addressed in the next Deferral Account Reconciliation Application. However the main 2004 – 2007 Deferral Account Reconciliation filing should proceed as expeditiously as possible with refunds provided to customers on the basis that these refunds would be refundable depending on the final decision of the Commission.

Yours truly,

UNRYN & ASSOCIATES LTD.

(e-mailed)

J. Henry Unryn

Representing the
ASBG/PGA

cc: Jamie Cameron, AESO
Bruce Webster, ASBG
Vern Warkentin, PGA
Jeff Bronsch, PGA

From: Kim.Johnston@atcopower.com
Sent: Friday, April 18, 2008 1:04 PM
To: John Martin
Subject: Recognition of Interest

John,

ATCO Power is in support of the recognition of interest in 2004-2007 Deferral Account Reconciliation Application.

Sincerely,

Kim Johnston
209-6949

April 18, 2008

John Martin
Alberta Electric System Operator
2500, 330 - 5 Ave SW
Calgary, Alberta T2P 0L4

Dear Mr. Martin

SUBJECT: Request for comments on the AESO's "Recognition of Interest" proposal (relating to AESO 2004-2005 Deferral Account Reconciliation Application 1548908, currently held in abeyance)

On behalf of the Cities of Red Deer and Lethbridge ("the Cities"), I am responding to the AESO's April 8th letter requesting stakeholder feedback on the AESO's "Recognition of Interest" proposal. On matters of principle, the Cities do not support the AESO's proposal, which can be characterized as a redistribution of deferral account balances by charging interest to those who owe money to the AESO in order to fund interest payments to those who are owed refunds.

First, the Cities do not believe that AUC Rule 023, "Rules Respecting Payment of Interest" is of any guidance in this situation because it does not contemplate that the "utility" is the AESO. Given the history and full context of AUC Rule 023, the Cities believe that the Commission intended the utility shareholder, the party who is ultimately responsible for managing the timely disposition of deferral account balances, to be responsible for funding interest payments on refunds. Of course, the AESO is a non-profit organization and so in this situation other customers are left to fund the interest payments. Customers who are charged interest under the AESO's proposal did not have any control over managing the timely disposition of the AESO's deferral account balance, but they are penalized nonetheless.

The inherent unfairness of the "Recognition of Interest" proposal is accentuated when the AESO attempts to limit the calculation of interest to the 2004-05 period. By doing so, the AESO does not consider how each customer's tariff payment history from January 2006 to present day may have added to or reduced each customer's allocated surplus or deficit. For example, it is particularly unfair that a customer could be charged more than two year's worth of interest on an individual deficit balance that was already paid back in early 2006. Similarly, it would seem that the same customer should owe more interest if it continued to under-pay in 2006, and the same arguments of unfairness would also apply

to customers with surplus balances. It is for this reason that the AESO cannot arbitrarily stop the interest calculation at December 2005. There is no logical end date to calculating interest once it has started.

This leads to the Cities' most serious concern about the AESO's proposal: the AESO does not propose any firm policy for when the interest calculation will apply and when it will not. The Cities do not consider that there can ever be a principled, correct, or easily defined policy to govern when the interest calculation proposal can be applied in the future. Without any precedent other than "awarding interest is possible," the Cities are certain that following some unforeseen or unusual event, a future AESO customer will raise the argument to award interest again. Should the AESO be convinced to pay interest, it will be unfair to all customers who were previously issued refunds without interest, either because the dollar amount was marginally smaller, the refund lag was marginally shorter, or the customer was simply not aware that they could have asked for and received similar treatment.

In conclusion, the Cities strongly recommend that the AESO reconsider its intentions to include an interest calculation in its upcoming revised deferral account filing. In the effort to make things more equitable to those customers who were wronged, the AESO will only shift the burden to other parties while at the same time creating a precedent that will likely increase administrative and regulatory costs in the future.

If the AESO intends to file its "Recognition of Interest" proposal regardless, the AESO's final application to the AUC should recognize that there will not be unanimous support. Any deferral account reconciliations issued to customers before a final AUC decision on the matter should be partially withheld or simply exclude the interest calculation until such time as the matter is resolved.

Should you have any questions or comments, please contact me at (403) 781-7690.

Sincerely,

<sent by email>

Nigel Chymko
President

cc: Otto Lenz
Ligong Gan
Phyllis Smith

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: ENMAX
 Date: April 18, 2008
 Contact: Penny Haldane
 Phone: 403 514-1506
 E-mail: phaldane@enmax.com

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
(a) "Normal" deferral account treatment would not attract interest. Reasons for Stakeholder Position:	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
(b) Interest will be calculated based on monthly deferral account balances. Reasons for Stakeholder Position:	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
(c) Interest will accrue only after a transaction has been recorded by the AESO. Reasons for Stakeholder Position:	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%. Reasons for Stakeholder Position:	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

<p>(e) No interest will accrue in respect of transactions recorded in 2007 or 2008.</p> <p>Reasons for Stakeholder Position:</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(f) Interest will be calculated to the expected date of settlement with customers in June 2008. Tentatively Changed to July 2008 per John Martin April 17, 2008</p> <p>Reasons for Stakeholder Position:</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(g) Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.</p> <p>Reasons for Stakeholder Position:</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

<p>Additional Comments</p>
<p> </p>

Please return this form with your comments by March 12, 2008, to:

John Martin
 Director, Tariff Applications
 E-mail: john.martin@aeso.ca
 Phone: (403) 539-2465
 Fax: (403) 539-2524

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: EPCOR Utilities Inc.
Date: April 18, 2008
Contact: Pat Wong
Phone: 780-412-3361
E-mail: pwong@epcor.ca

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
<p>(a) "Normal" deferral account treatment would not attract interest.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: Agreed. Such an approach would be consistent with AUC Rule 023 respecting the payment of interest.</p>	
<p>(b) Interest will be calculated based on monthly deferral account balances.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: This is a reasonable proposal by the AESO.</p>	
<p>(c) Interest will accrue only after a transaction has been recorded by the AESO.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: This is a reasonable proposal by the AESO.</p>	
<p>(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: Such an approach would be consistent with AUC Rule 023 respecting the payment of interest.</p>	

<p>(e) No interest will accrue in respect of transactions recorded in 2007 or 2008.</p> <p>Reasons for Stakeholder Position: This is a reasonable proposal by the AESO.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(f) Interest will be calculated to the expected date of settlement with customers in June 2008.</p> <p>Reasons for Stakeholder Position: This is a reasonable proposal. However, if the actual date of settlement is later than June 2008, interest calculations should be modified accordingly.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(g) Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.</p> <p>Reasons for Stakeholder Position: This is a reasonable proposal by the AESO.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

<p>Additional Comments</p>
<p>Should the AESO decides to settle all amounts with customers in advanced of AUC approval, EPCOR will have no objections.</p>

Please return this form with your comments by April 18, 2008, to:

John Martin
 Director, Tariff Applications
 E-mail: john.martin@aeso.ca
 Phone: (403) 539-2465
 Fax: (403) 539-2524

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: FortisAlberta
Date: April 18, 2008
Contact: Miles Stroh
Phone: 514-4229
E-mail: miles.stroh@fortisalberta.com

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
(a) "Normal" deferral account treatment would not attract interest.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
FortisAlberta has difficulty supporting a principle that "normal" deferral account treatment would not attract interest, as it implies that "unusual" deferral account events should necessarily attract interest. It is also unclear how the AESO would differentiate between "normal" and "unusual" deferral balances and FortisAlberta questions the AESO's basis for suggesting this is an "unusual" case.	
While FortisAlberta, as a distribution wire owner, is financially indifferent to the recognition or treatment of interest in the AESO's upcoming application (i.e. Any interest attributed to FortisAlberta PODs due to the AESO deferral reconciliation would flow through dollar-for-dollar to the respective FortisAlberta's Rate 65 transmission connected customers or be recorded in its FortisAlberta's AESO Charges Deferral Account for its distribution connected customers), FortisAlberta has a concern on behalf of its load customers as it appears that approximately \$1.2 million could be retroactively re-allocated to these load customers to fund interest compensation to AESO STS generation customers.	
If the AESO proceeds with this approach to recognize interest, FortisAlberta believes that any such proposal would require a thorough review by the AUC and load customer representatives to ensure that public interest is being maintained. This is particularly true in light of the timing and circumstances upon which these principles and the recognition of interest are being proposed.	
(b) Interest will be calculated based on monthly deferral account balances.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

X Indifferent	
Reasons for Stakeholder Position:	
Please see response to proposed principle (a) above which explains why FortisAlberta, as a distribution wire owner, would be indifferent to recognition of interest. If interest is recognized, FortisAlberta would be supportive of calculating interest based on monthly balances as this approach is reasonable and consistent with the calculation methodology applied with respect to AUC Rule 023.	
(c) Interest will accrue only after a transaction has been recorded by the AESO.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
Please see response to proposed principle (a) above.	
(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
Please see response to proposed principle (a) above which explains why FortisAlberta, as a distribution wire owner, would be indifferent to recognition of interest. If interest is recognized, FortisAlberta would be supportive of calculating interest based on Bank of Canada's Bank Rate plus 1½% as this approach is reasonable and consistent with the calculation methodology applied with respect to AUC Rule 023.	
(e) No interest will accrue in respect of transactions recorded in 2007 or 2008.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
Please see response to proposed principle (a) above.	
(f) Interest will be calculated to the expected date of settlement with customers in June 2008.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
Please see response to proposed principle (a) above.	
(g) Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

X Indifferent

Reasons for Stakeholder Position:

Please see response to proposed principle (a) above.

Additional Comments

During the April 16th, 2008 Consultation on this issue, the AESO requested parties' comments on whether it would be advisable to proceed with immediate financial settlement of the deferral reconciliation amounts prior to receiving AUC approvals on this matter.

FortisAlberta notes that, subsequently, the AUC issued a letter of April 16th, 2008 on this Application in which the AUC contemplates issuing an order before any immediate financial settlement occurs. That being said, FortisAlberta does not believe that the letter prohibits financially settling the applied-for principal amounts in a timely manner upon AUC interim approval of these amounts. Final settlement adjustments could then follow, if required, once the AUC has issued a final determination on this matter, including any additional scrutiny of particular issues such as the recognition of interest.

Please return this form with your comments by **April 18**, 2008, to:

John Martin
Director, Tariff Applications
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: PICA
 Date: April 21, 2008
 Contact: Raj Retnanandan
 Phone: 780-439-4183
 E-mail: retnanandan@emrc.ca

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

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(a) "Normal" deferral account treatment would not attract interest.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
(b) Interest will be calculated based on monthly deferral account balances.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Interest should only be applicable if there is a policy on interest among customer classes. There is no policy respecting interest between customer classes at present. Therefore interest should not be applied retroactively among customer classes.	
(c) Interest will accrue only after a transaction has been recorded by the AESO.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: See b) above	
(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: See b) above	

(e)	No interest will accrue in respect of transactions recorded in 2007 or 2008.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
(f)	Interest will be calculated to the expected date of settlement with customers in June 2008.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: See b) above		
(g)	Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: See b) above		
Additional Comments		

Please return this form with your comments by March 12, 2008, to:

John Martin
 Director, Tariff Applications
 E-mail: john.martin@aeso.ca
 Phone: (403) 539-2465
 Fax: (403) 539-2524

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: TransAlta Corporation
 Date: April 17, 2008
 Contact: Bob Smith
 Phone:(403) 267-7119
 E-mail:bob_smith@transalta.com

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
<p>(a) "Normal" deferral account treatment would not attract interest.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: Would expect the deferral amounts would normally be small and not over an extended time frame and therefore interest not warranted.</p>	
<p>(b) Interest will be calculated based on monthly deferral account balances.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: Conceptually the payment of interest is appropriate when the deferral account amount is large and extends over a long period. The benefits and penalties to each party is too large to ignore. Although supportive of the AESO position of making some interest payments, TransAlta believes their calculation is conceptually not correct. Interest should be paid by those who have received a benefit over the time period and should be paid to those who paid too much over the time period. TransAlta is prepared to accept the calculation of interest done by the AESO as a means to recognize some payment of interest.</p>	
<p>(c) Interest will accrue only after a transaction has been recorded by the AESO.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p>	
<p>(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p>	

(e)	No interest will accrue in respect of transactions recorded in 2007 or 2008.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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(f)	Interest will be calculated to the expected date of settlement with customers in June 2008.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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(g)	Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Additional Comments: Not sure why the AESO chose the method they did rather than calculating interest on the overpayments and underpayments (should be the same overall amount).

Please return this form with your comments by March 12, 2008, to:

John Martin
 Director, Tariff Applications
 E-mail: john.martin@aeso.ca
 Phone: (403) 539-2465
 Fax: (403) 539-2524

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
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Comments From: TransCanada Energy Ltd.
 Date: April 18, 2008
 Contact: Chris Best
 Phone: (403) 830-0380
 E-mail: chris_best @transcanada.com

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
<p>(a) "Normal" deferral account treatment would not attract interest.</p>	<p>X Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p> <p>If Rider "C" is utilized effectively and the deferral account is filed early the following year for settlement by the end of June each year then the dollar amounts should be small enough and the time periods short enough that interest would not be a material issue.</p>	
<p>(b) Interest will be calculated based on monthly deferral account balances.</p>	<p>X Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position: In principle, interest calculations should begin when one party has financially suffered as a result of another party benefiting from an underpayment of their obligations. TransCanada holds that the correct interest adjustment calculation should take into account the dates and amounts when some customers were undercharged and others overcharged and determine the interest (i.e. their cost of capital) that should be charged or credited to these amounts. However, recognizing this is difficult to determine accurately, may vary between customers and will involve some judgment, TransCanada is willing to accept the AESO proposal to use AESO deferral account balances. For this application, TransCanada will support interest calculated on the monthly deferral account balances or on the average of the balances of the month end amounts (as proposed in the stakeholder meeting).</p>	
<p>(c) Interest will accrue only after a transaction has been recorded by the AESO.</p>	<p>X Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p>	

TransCanada provides conditional support to this position.

TransCanada is of the view that many customers benefited and others were harmed by the treatment of the deferral account adjustments prior to, as well as after, the recording of transactions by the AESO. TransCanada would prefer to see those amounts calculated and adjusted for interest. However, in the spirit of resolving this application and dispersing these large amounts that have been held for considerable time, TransCanada is willing to accept the AESO's proposal of only applying interest after the transaction is recorded. Parties prepared to pursue interest prior to the amounts being recorded by the AESO should not be precluded from pursuing these avenues of relief as a result of decisions made in this application.

- (d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This proposed rate does not likely reflect the cost of capital of the parties who were harmed or benefited from over or underpayments. The cost of capital of larger industrial customers and suppliers is typically higher than this amount. However, to facilitate the processing of the current application, TransCanada supports the use of the AESO's cost of debt savings arising from the deferral account surplus balances. The interest calculated using the Bank of Canada's Bank Rate plus 1½% is a reasonable proxy to the AESO's cost of debt.

- (e) No interest will accrue in respect of transactions recorded in 2007 or 2008. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: The condition on this support is that 2007 and 2008 Deferral account balances are adjusted on a timely basis. If, for example, the deferral account adjustment proceeding for 2008 was materially delayed, TransCanada suggests the payment of interest would need to be revisited. For example, if the TAA PFAM amounts are not included in the current application, there will be justification to pay interest on these amounts if their disbursement is materially delayed.

- (f) Interest will be calculated to the expected date of settlement with customers in June 2008. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

TransCanada would support the AESO taking the initiative to settle the Deferral Account at the end of June by settling with customers at that time and informing the AUC rather than requesting the AUC's permission to do this. TransCanada would also support the AESO calculating the interest until July 2008 if it appears that is the realistic date when the deferral accounts can be adjusted.

- (g) Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated. Support

- Oppose
 Indifferent

Reasons for Stakeholder Position: If the Commission approves the AESO proposal to use deferral account balances as the basis of the interest calculations, it follows that interest should be allocated in the same manner.

Additional Comments

Please return this form with your comments by March 12, 2008, to:

John Martin
Director, Tariff Applications
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**Recognition of Interest in AESO 2004-2007 Deferral Account Reconciliation
April 8, 2008 Discussion Paper — Stakeholder Comment Form**

Comments From: Utilities Consumer Advocate
 Date: April 18, 2008
 Contact: Russ Bell / Ron Henderson
 Phone: (780) 421-1356 / (780) 644-5476
 E-mail: russ@russbell.ca – ron.b.henderson@gov.ab.ca

On April 8, 2008, the AESO distributed a discussion paper on the topic of recognition of interest relating to amounts in the AESO's deferral accounts. The paper described the manner in which the AESO contemplates treating interest in the deferral account reconciliation in the 2004-2007 application, provided the rationale for that treatment, and sought input from stakeholders. The AESO invites participants in the 2004-2005 deferral account reconciliation application proceeding, as well as other interested stakeholders, to provide comments by Friday, April 18, 2008, on the principles proposed by the AESO for the recognition of interest, using the attached comment form.

Principles for Recognition of Interest in Extended 2004-2007 Application	
<p>(a) "Normal" deferral account treatment would not attract interest.</p> <p>Reasons for Stakeholder Position: As the AESO manages deferral account balances through riders and only extraordinary items should attract interest, and normal course of business items should not attract interest.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(b) Interest will be calculated based on monthly deferral account balances.</p> <p>Reasons for Stakeholder Position: To be clear the UCA supports this position in this instance only as it is an extra ordinary event. In principle, the UCA would not support interest as indicated in (a) above.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(c) Interest will accrue only after a transaction has been recorded by the AESO.</p> <p>Reasons for Stakeholder Position: Only transactions within the control of the AESO should attract interest. In principle, the UCA would not support interest as indicated in (a) above.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(d) Interest will be calculated using the Bank of Canada's Bank Rate plus 1½%.</p> <p>Reasons for Stakeholder Position: As this is consistent with AUC rules, the UCA supports the rate. In principle, the UCA would not support interest as indicated in (a) above.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

<p>(e) No interest will accrue in respect of transactions recorded in 2007 or 2008.</p> <p>Reasons for Stakeholder Position: See (a) above.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(f) Interest will be calculated to the expected date of settlement with customers in June 2008.</p> <p>Reasons for Stakeholder Position: In principle, the UCA would not support interest as indicated in (a) above.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>(g) Interest will be allocated in the same manner as the deferral account balances on which the interest is calculated.</p> <p>Reasons for Stakeholder Position: In principle, the UCA would not support interest as indicated in (a) above.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

<p>Additional Comments</p>
<p>1. The UCA would suggest the use of mid month (average of opening and closing balances) balanced is a better measure of cash requirements through the month than month end balances as proposed. The UCA requests that the AESO investigate the impact of this on the amount of interest, and if significant, implement for this application. Also, the AESO should use mid month balances in the future when interest is required.</p> <p>2. The UCA is not opposed to the immediate disbursement of funds pending AUC approval as long as the AESO is clear in the wording of all correspondence that the amounts are subject to AUC approval and may change.</p>

Please return this form with your comments by March 12, 2008, to:

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Director, Tariff Applications
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