



Alberta Electric System Operator

2007 General Tariff Application Refiling

May 8, 2008



ALBERTA UTILITIES COMMISSION

Decision 2008-037: Alberta Electric System Operator
2007 General Tariff Application Refiling
Application No. 1558815

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1 INTRODUCTION

On February 1, 2008, the Alberta Electric System Operator (AESO) filed an application (the Application) with the Alberta Utilities Commission (the Commission or the AUC) refiling its 2007 General Tariff Application.

The Application was dealt with by way of a written process with written reply received on April 11, 2008. The Commission therefore considers the close of record for the Application to be April 11, 2008.

2 BACKGROUND

The AESO filed its original 2007 GTA, on November 6, 2006, with the Alberta Energy & Utilities Board (EUB). An oral hearing was held in Calgary, Alberta and Decision [2007-106¹](#) was issued on December 21, 2007. That decision directed the AESO to refile the 2007 GTA to comply with the finding, conclusions and directions contained in Decision 2007-106. This Application is in response to that direction and contains responses to the directions contained in the original decision, rate calculations and a proposed tariff including amendments to the Terms and Conditions of Service (T&C).

3 ISSUES & FINDINGS

3.1 Omissions

In the course of reviewing parties' comments, the AESO noted two minor omissions in the refiled terms and conditions of service that it proposed to correct in the final tariff when implemented. For completeness, those two corrections were detailed as follows.

In the Definitions and Interpretation Article 1.1, Demand Opportunity Service should be defined as:

“DOS” or “Demand Opportunity Service” means service under either Rate Schedule Demand Opportunity Service (DOS 7 Minutes), Demand Opportunity Service (DOS 1 Hour), or Demand Opportunity Service (DOS Term). [added text underlined]

DOS 1 Hour was inadvertently omitted from the definition in the AESO's tariff as originally filed in the 2007 General Tariff Application, but should have been included.

¹ Decision 2007-106 – Alberta Electric System Operator General Tariff Application for the Period January 1, 2007 to December 31, 2007 (Application 1485517) (Released: December 21, 2007)

Direction 19 of Decision 2007-106 directed the AESO to remove the word “prepaid” from Article 9.4. In Article 9.4 of the refiled terms and conditions, “prepaid” was removed from the body of the article but was left in the article title. The AESO proposed that it be removed in the final tariff, and the article will be correctly titled, “9.4 Operations and Maintenance”.

The Commission considers the proposed corrections to the refiling to be appropriate and are therefore approved. The AESO is directed to make the proposed corrections to its terms and conditions in its second refiling.

3.2 Consistency in Billing Determinants

The AESO noted the Alberta Sugar Beet Growers and Potato Growers of Alberta’s (ASBG/PGA) statement that the Demand Transmission Service (DTS) billing capacity billing determinants in Schedule Comm.AESO-001 (h)-A-5.6 totaled 114,648.1 MW-months, and in Schedule Comm.AESO-001 (h)-B-5.6 totaled 118,929.4 MW-months. ASBG/PGA suggested that “the AESO should provide the reasons for the difference in the Billing Determinants between the two cases and provide a supporting spreadsheet with the derivation of the proposed Billing Determinants.”²

The AESO explained that the difference in the billing determinants arose from the different approaches to the application of the substation fraction included in the refiling and in the information response schedules.³

In the February 1 refiling, the substation fraction was not applied to any demand tiers, and the total of the billing determinants included in the tiers equaled the total DTS billing capacity of 118,929.4 MW-months.

In the “A” series of schedules attached to Information Response Comm.AESO-001 (h), the first 7.5 MW of billing capacity was multiplied by the substation fraction, with no other impact on any other demand tiers. The billing determinant for the first demand tier was therefore reduced for DTS customers at shared substations, which the AESO referred to as equivalent billing capacity in the schedules. Billing determinants for other tiers remained unchanged, resulting in a total equivalent DTS billing capacity of 114,648.1 MW-months, a reduction of 4,281.3 MW-months.

In the “B” series of schedules attached to Information Response Comm.AESO-001 (h), the size of the demand tiers are multiplied by the substation fraction, and effectively reduced for DTS customers at shared substations. The result is that billing determinants are shifted from the lower tiers to the higher tiers, and the total DTS billing capacity remains at 118,929.4 MW-months.

The AESO noted the same effect was discussed by DUC on pages 3-5 of the Dual-Use Customers’ (DUC) comments.

The AESO submitted the above explanation accounts for the difference in billing determinants between the “A” and “B” schedules of Information Response Comm.AESO-001 (h). As the billing determinants were calculated based on a forecast of monthly billing capacities for individual customers, the AESO considered that providing a spreadsheet with the derivation of

² AESO comments, page 2

³ Response to Comm.AESO-001(g)

the billing determinants would disclose detailed billing determinants for individual customers. The AESO explained it consistently treats individual customer billing determinants as confidential information. The AESO maintained the provision of monthly detailed individual customer billing capacities, even when not identified by customer name or account, would exceed the usual standards of disclosure for such information.

The Commission accepts the explanation of the AESO with respect to the difference in the billing determinants. The Commission also concurs with the AESO's concerns respecting the release of billing determinants of individual customers. The Commission does not consider the release of such information to be appropriate or necessary. Therefore, the Commission approves the billing determinants as proposed by the AESO in response Comm_AESO-001 (h) – B5.10.

3.3 Application of Substation Fraction at Dual-Use Sites

Both ASBG/PGA and the Industrial Power Consumers Association of Alberta (IPCAA) expressed concern with the application of the dual use fraction to dual-use sites. ASBG/PGA commented, "The concern is whether the economies of scale inherent in the approved DTS POD cost function are directly applicable to the dual-use substation case."⁴ IPCAA similarly commented, "IPCAA would note that the AESO has not discussed the impact of applying its proposed approach to PODs serving DTS and STS ("dual-use") loads....This approach can and should be adopted for dual-use sites at this time, although IPCAA would also support a future examination of alternative mechanisms for sharing costs at dual-use sites."⁵ DUC submitted lengthy comments in support of the AESO position.

The AESO noted the following from the GTA:

Finally, the *Transmission Cost Causation Update* included a review of dual-use substation costs, but concluded the functionalization of such costs could not be determined from analysis of the TFO cost data. The *Update* recognized that in Decision 2005-096 the EUB approved dual-use substation cost sharing based on the substation fraction approach. Substation fractions have therefore been used to apportion the cost of dual-use substations between demand (functionalized as POD) and supply (functionalized as bulk system) in the *Update*.⁶

The AESO maintained that, as stated in the application, there is no easily-determined basis for the sharing of costs between load and supply services at dual-use sites. The application therefore proposed that the substation fraction approach be used at dual-use sites in the same manner as at sites serving multiple DTS customers, and no party objected to that approach during the course of the proceeding. The AESO submitted that applying the substation fraction similarly at both dual-use and multiple-DTS sites should be approved at this time, as provided in Attachment Comm.AESO-001 (j)-B filed on April 26, 2008.

The AESO also stated, as noted in the excerpt from the 2007 GTA, application of the substation fraction at dual-use sites may have implications for cost functionalization as well as rate design. If the approach should be further examined, the AESO supported IPCAA's suggestion that such examination be carried out in a future GTA rather than in the context of this refiling, to ensure all aspects of alternative approaches are thoroughly considered.

⁴ ASBG/PGA comments, page 3

⁵ IPCAA comments, page 3

⁶ Section 4.3.1, page 7

The Commission concurs with the comments of the AESO. It is inappropriate to raise the concerns expressed by ASBG/PGA and IPCCCA at the refiling stage. The application of the substation fraction similarly at both dual-use and multiple-DTS sites is approved, as provided in Attachment Comm.AESO-001 (j)-B filed on March 26, 2008. As suggested by IPCAA, however, the Commission is willing to receive evidence with respect to this matter when the next GTA is heard.

3.4 Effective Date of Contribution Policy

In their comments on the Refiling both AltaLink and TransCanada Energy Ltd. (TCE) suggested that the contribution policy (Article 9 of the AESO T&C) be made effective retroactive to the issue date of Decision 2007-106. AltaLink stated the following were the advantages of the proposal:

- It would alleviate the inefficiencies that are being created for the AESO, interconnection customers and the TFOs through the delay of projects (by customers) until the new maximum investment function becomes effective. This concern was described by the AESO in its response to DUC.AESO-002. It is apparent that the AESO has heard this concern expressed by customers, as has AltaLink;
- Implementation of the proposal results in no harm to the interested parties or to the general public, since any required adjustments would be made when the AUC's interim approval is finalized;
- No significant changes to the investment formula (per Decision 2007-106) are expected between the interim tariff and final tariff, therefore any adjustments that result from changes are expected to be minimal;
- The maximum investment function was established and set in Decision 2007-106 and is not unduly preferential, arbitrarily or unjustly discriminatory; and
- The proposed interim approval of the maximum investment function would be just and reasonable and would address the current inefficiencies resulting in customers deferring interconnections.⁷

The AESO submitted that delays and schedule changes cannot be avoided retroactively; any delays or schedule changes that have already occurred cannot be reversed. Only future delays and schedule changes can be avoided, which would be achieved by approval of the contribution policy on a go-forward basis. The AESO submitted there is no reason to approve the contribution policy retroactively.

TCE stated that “the utilities and predecessors to the AESO, at least in some instances, have exercised discretion as to which investment policy applies.”⁸ The AESO did not necessarily disagree, but suggested that utilities do not typically offer an investment policy to its customers prior to that investment policy being approved and effective. As noted in Information Response DUC.AESO-002, final approval has not yet been provided for the contribution policy in the AESO's tariff, and the AESO doubted that any utility would apply a contribution policy prior to its approval.

⁷ AltaLink comments, page 2

⁸ AESO comments, page 5

TCE further suggested that “discretion as to which investment policy applies” be used such that a customer would not pay “a substantially higher contribution.”⁹ The AESO responded that where discretion is used to reduce a customer contribution, the concurrent increase in investment leads to higher rates for all customers. Although the overall impact to rates may be small, the “no harm to the interested parties or to the general public” claimed by AltaLink was not necessarily true. The AESO further submitted that the discretion suggested by TransCanada exceeded the “reasonable exercise of discretion” allowed by Article 3.4 of the AESO’s tariff, and that any discretion with respect to application of the proposed investment policy should be specifically granted by the Commission with due consideration for all impacts on customers.

Finally, the AESO noted TCE stated, “The Commission could allow signing of the necessary agreements until as late as the date of energization....”¹⁰ The AESO considered such an approach to be inconsistent with provisions which exist in both the current and proposed tariffs, namely, “All Customer Contributions and System Contributions...must be paid by the Customer before the start of construction of transmission facilities...” (Article 9.2). For a contribution to be appropriately determined and paid, an agreement must be signed under the tariff in effect at the time, prior to construction of interconnection facilities — not at the date of energization which typically occurs several months, and sometimes even years, later.

In conclusion, the AESO maintained its view that it is generally appropriate for the effective date of a contribution policy to be coincident with the effective date of the balance of the tariff. The AESO considers that any exception in the current circumstance should be specifically confirmed by the AUC, as requested in the AESO’s letter of February 28, 2008. The AESO further submitted that any discretion granted to the AESO with respect to its application of the contribution policy should also be clearly laid out by the AUC.

The Commission holds that while the AESO may have in the past implemented the contribution policy in advance of the tariff, it is inappropriate for the Commission to direct the AESO to apply its rates or terms and conditions prior to their approval. The tariff would normally be viewed as a whole and that implementation on a piecemeal basis may be neither appropriate nor fair to all customers. Therefore, the Commission approves implementation of the contribution policy at the same time the balance of the tariff is effective.

3.5 Mitigation of Rate Shock

In Decision 2007-106, the EUB provided the following direction to the AESO:

Therefore, the Board directs the AESO to prepare bill impacts that compare the bills which result from the directions in this Decision to the current Board approved tariff. The bill comparison will include all components of a customers’ bill, including commodity costs, similar in format to Board information request BR-AESO-003.¹¹ The pool price assumed for the commodity charge is to be the same for both periods so that the comparison isolates the increase attributable to transmission costs only. All other assumptions used in developing the results and the impact of those assumptions are to be included in the analysis. For any POD receiving an increase of greater than 10% (in comparison to the 2006 tariff), the Board directs the AESO to provide the nature of the customers served by each POD (whether Disco, direct connect, or a Disco customer on a

⁹ AESO comments, page 5

¹⁰ AESO comments, page 5

¹¹ Ex. 064

flow through rate), the total dollar impact to the POD and the total amount it would cost to subsidize all such PODs down to the 10% increase level.¹²

The Commission finds that the AESO response to Comm.AESO-001 is a complete and helpful response to this direction. In particular, the Commission notes schedule B-8 of that response¹³ which indicated the individual PODs affected and the amounts involved.

The Commission has reviewed the schedule and notes that only 13 PODs suffer cost increases above the 10% threshold. The annual cost of subsidizing these customers down to the 10% threshold is approximately \$340,000.¹⁴ The Commission also notes that two of these customers are dual-use customers. The Commission does not consider it reasonable to offer a subsidy to these dual-use customers as there is no evidence to suggest that their total DTS and STS billings exceed the threshold. Excluding these two customers yields an annual subsidy cost of approximately \$326,000¹⁵ for the remaining 11 PODs. Given that this is a relatively small amount in relation to the AESO's total forecast revenue from the DTS rate, the Commission considers it reasonable to offer relief to these 11 PODs for the billing amount above the threshold. The Commission also finds that it is reasonable to apply the revenue deficiency that will result from capping the increase to the 11 PODS to customers through the DTS deferral account.

Therefore, the AESO is directed to propose, in a second refiling by May 15, 2008, a rider which will provide credits to the 11 Multiple DTS and Single DTS PODs identified in Schedule B-8 of the AESO's response to Comm.AESO-001 (i). The credit shall be in the amount that each customers' forecast monthly billings exceed the 10% threshold. The cost of this subsidy is to be charged to the DTS deferral account and collected from all DTS customers as an energy charge as part of Rider C, and subsequently reconciled with other deferral account amounts in a deferral account reconciliation application or applications. Unless otherwise ordered by the Commission, this rider shall remain in place until December 31, 2009. The matter of rate shock may be reviewed in the next GTA.

4 CONCLUSIONS & NEXT STEPS

The AESO stated it had addressed all matters raised by parties in their comments on the refiling. The AESO requested that its proposed tariff be approved as refiled on February 1, 2008, as amended to incorporate the updated DTS, Fort Nelson Transmission Service (FTS), Primary Service Credit (PSC), DOS 1 Hour, and DOS Term rate schedule and the updated Article 9.6 provided in Attachment Comm.AESO-001 (j)-B filed on March 26, 2008, and as corrected as noted in their submission.

The AESO also stated it has assessed the time and resources required to implement the proposed tariff in the AESO's billing system and processes. The AESO estimated it will need three months after the AUC issues its final decision approving the tariff to ensure an accurate and smooth implementation of the proposed tariff. The AESO therefore requests that the final tariff be

¹² Decision 2007-106, page 63

¹³ Copy of which is attached as Appendix A to this Decision

¹⁴ Appendix A

¹⁵ Appendix A

approved to be effective on the first day of the month following 90 days after the date of the decision of the AUC on this refiling, assuming no further refiling is required.

The Commission concurs with the AESO that it has satisfactorily addressed all the concerns raised by the parties and has correctly calculated the rates as directed in Decision 2007-106.

The only matter not addressed by the AESO directly is the matter of rate shock mitigation which the Commission has dealt with above. The rate shock mitigation measure directed by the Commission will, however, require a second refiling to approve the rider to be proposed by the AESO as a result of the above direction and to also correct the errors and omissions identified by the AESO in the refiling. Therefore, the AESO is directed to submit a second refiling containing the rate shock mitigation rider no later than May 15, 2008.

While not contemplated in the AESO timetable the Commission does not consider that the filing of a second refiling seeking approval of the rate shock mitigation rider should delay the implementation of new rates. The Commission has approved all the rate calculations as submitted by the AESO in its refiling. The Commission considers that the approval of a second refiling can take place concurrent with the reprogramming of the AESO's billing system. Therefore, the AESO is directed to implement all the rates and T&C approved in this first refiling August 1, 2008, subject to the additional directions contained in this decision being addressed in the second refiling.

5 ORDER

THEREFORE, it is ordered that the AESO shall, on or before May 15, 2008, file a second refiling of its 2007 GTA as required by this Decision, incorporating the findings, conclusions and directions in this Decision.

Dated in Calgary, Alberta on May 8, 2008.

ALBERTA UTILITIES COMMISSION

(original signed by)

Tom McGee
Commissioner

(original signed by)

Douglas A. Larder, Q.C.
Acting Commissioner

(original signed by)

Laurie J. Bayda
Acting Commissioner

APPENDIX A – AESO RESPONSE TO COMM.AESO-001 – SCHEDULE B-8



Appendix A to
Decision 2008-037 - F

(consists of 1 page)

**Bill Impact Analysis With Substation Fraction Applied to Tier Sizes
Per-POD Bill Impacts for DTS Charges and Commodity Where Increase Is Greater Than 10%**

POD No.	Customer	Bill Cap (MW)	Avg Month (MWh)	LF (%)	SF	CMD/HMD	DTS Cap (MW)	STS Cap (MW)	Connection Type	Substation Type	Average Monthly Bill (\$)		2006 to 2007 Increase		Amount of Increase >10%	
											2006	2007	(\$)	(%)	(\$)	(%)
9	ATCO Electric	0.2	53	34%	1.00	60%	0.2	-	DFO Transmission-Connected	Single DTS	\$4,574	\$10,132	\$5,558	122%	\$5,101	112%
192	FortisAlberta	0.3	45	23%	1.00	46%	0.3	-	DFO Transmission-Connected	Single DTS	\$5,360	\$10,749	\$5,389	101%	\$4,853	91%
193	FortisAlberta	0.5	150	44%	1.00	53%	0.5	-	DFO Transmission-Connected	Single DTS	\$14,156	\$19,145	\$4,990	35%	\$3,574	25%
195	FortisAlberta	0.6	263	62%	1.00	71%	0.6	-	DFO Transmission-Connected	Single DTS	\$22,712	\$27,525	\$4,813	21%	\$2,541	11%
197	FortisAlberta	0.8	95	17%	1.00	80%	0.9	-	DFO Transmission-Connected	Single DTS	\$11,439	\$15,891	\$4,452	39%	\$3,308	29%
202	FortisAlberta	1.2	80	9%	1.00	29%	1.0	-	DFO Transmission-Connected	Single DTS	\$12,586	\$16,400	\$3,814	30%	\$2,555	20%
205	FortisAlberta	1.5	81	8%	1.00	13%	1.3	-	DFO Transmission-Connected	Single DTS	\$13,753	\$17,221	\$3,468	25%	\$2,092	15%
209	FortisAlberta	1.7	77	6%	1.00	20%	1.9	-	DFO Transmission-Connected	Single DTS	\$15,880	\$18,672	\$2,792	18%	\$1,204	8%
270	FortisAlberta	8.6	88	1%	1.00	70%	9.5	-	DFO Transmission-Connected	Single DTS	\$39,059	\$43,037	\$3,978	10%	\$72	0%
451	Direct Connec	0.9	2	0%	0.03	5%	1.0	32.0	AESO Direct-Connected	Dual-Use (DTS)	\$2,016	\$2,251	\$235	12%	\$34	2%
466	Direct Connec	5.6	0	0%	0.55	0%	6.2	-	AESO Direct-Connected	Multiple DTS	\$19,097	\$21,689	\$2,592	14%	\$682	4%
471	Direct Connec	7.7	66	1%	1.00	12%	6.4	-	AESO Direct-Connected	Single DTS	\$28,504	\$32,540	\$4,036	14%	\$1,185	4%
480	Direct Connec	17.2	124	1%	1.00	0%	8.0	80.0	AESO Direct-Connected	Dual-Use (DTS)	\$57,623	\$64,499	\$6,876	12%	\$1,114	2%

\$28,316