



Overview

- On June 2, 2008, the AESO filed a comprehensive deferral account reconciliation application for 2004, 2005, 2006, and 2007 with the Alberta Utilities Commission (AUC), to reconcile and allocate an overall deferral account surplus of \$51.1 million to customers.
- 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 AUC.

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 services charge).
- From 2004 to 2007, Deferral Account Adjustment Rider C refunded or charged deferral account balances to DTS and STS customers through \$/MWh amounts established 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 AUC. The deferral account reconciliation applications ensure that appropriate amounts are allocated to each customer.
- The AESO previously applied to the AUC and received approval for deferral account reconciliations for the years 2000 to 2002 and for 2003.
- This application is for the years 2004, 2005, 2006, and 2007, and also includes a second reconciliation of 2003 and a reconciliation of adjustments for 1999 to 2002.
- This application replaces an early application for the years 2004 and 2005 (filed on December 1, 2007) to include several prior-period adjustments that occurred in December 2007 and early 2008.

2004-2007 Deferral Account Reconciliation Amounts

- The application reconciles an overall deferral account surplus of \$51.1 million, as follows:
 - a surplus of \$2.0 million for 2007,
 - a surplus of \$11.3 million for 2006,
 - a shortfall of \$0.9 million for 2005,
 - a shortfall of \$5.3 million for 2004,
 - a surplus of \$2.0 million for 2003, and
 - a surplus of \$42.1 million for 1999 through 2002.
- The primary reasons for the deferral account balances over those years were:
 - AUC decisions on final transmission facility owner tariffs and related charges (about \$19 million net surplus), and
 - several restatements of meter data affecting losses from 2001-2005 (about \$36 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 AUC 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 AUC will review and approve the deferral account balances and customer allocation methodology through a regulatory process in which stakeholders can participate.
- 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.

2004-2007 Deferral Account Reconciliation Application Process

- For the AESO's 2004-2007 deferral account reconciliation application (including the 2003 second reconciliation and reconciliation of adjustments for 1999-2002), the AUC is expected to establish a regulatory review process in June 2008 which would lead to a final AUC decision in late 2008.
- The AESO has asked the AUC to approve refunding or invoicing amounts to customers in July 2008, on an interim, refundable basis subject to later review and final approval.
- If necessary, the AESO would adjust any amounts settled with customers on an interim basis after the AUC issues its final decision in late 2008.

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) are 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.
- After submitting the application to the AUC, the AESO sent information to each customer on the customer numbers and net deferral account amounts allocated to the customer's services.
- As well, the AESO will provide directly to a customer, on request, reports that detail the customer's deferral account allocation information at a settlement point level.
- 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 \$19.1 million is being refunded, and ranges from a \$0.2 million refund to a \$9.4 million refund.
- For the AESO's 58 non-DFO customers, a net total of \$32.0 million is being refunded, and ranges from a \$0.3 million charge to a \$6.8 million refund.

Additional Information Included With Application

- Customer level allocation of annual and monthly deferral account balances.
- Summary of conclusions of 2004-2008 stakeholder consultation on deferral account matters.
- Reconciliation of deferral account balances to income statements and balance sheets.
- Reconciliation of inter-year adjustments for 2008 to 1999.

For more information

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