



September 10, 2008

Submitted via Digital Data Submission System

Alberta Utilities Commission
Utilities Division
Fifth Avenue Place
400, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Attention: Jamie Cameron, Application Officer

Dear Jamie:

Re: AESO Comments on TransCanada Energy's Motion in AESO 2004-2007 Deferral Account Reconciliation Application (Application 1574594, Proceeding ID 60)

On September 2, 2008, the Alberta Utilities Commission (AUC) invited interested parties to provide comments on TransCanada Energy's (TCE's) motion of August 27, 2008 requesting the AESO be compelled to provide a full response to Information Request (IR) TCE.AESO-004 (d) on the above-noted application.

Background

IR TCE.AESO-004 (d) asks the AESO to provide individual customer amounts which would be allocated as a result of TCE's proposed modified interest calculation, in the form of Appendix H-2 to the AESO's application.

On August 22, 2008, the AESO advised the AUC it would not file a response to TCE.AESO-004 (d) as the effort required to answer the request is not reasonable. As an alternative, in its information responses filed on September 9, 2008, the AESO included a discussion of the potential magnitude of the impact of the modified interest redistribution on different categories of customers, namely, regulated distribution utilities, DTS direct-connect customers, and STS customers.

The TCE motion asserts that:

- the requested information “is potentially critical both for the AUC's deliberations on this matter and for reasons of fairness”;
- the AESO “already conceded that a breakdown of the amounts payable/receivable by customer number is both important and relevant”; and

- “there is no material harm in an extension to the schedule to obtain the requested information.”

The AESO submits the following comments on each of TCE’s points of argument.

1. The requested information is neither critical to deliberations on the redistribution of interest nor for reasons of fairness

The AESO agrees with TCE that “the appropriate treatment for interest in relation to the deferral account monies” is important, but submits that the resulting impact on individual customers is **not** the appropriate determinant for the approach to calculating interest. The treatment of interest should be considered and approved based on relevant regulatory principles, and those principles can be satisfactorily argued using information already on the record in this proceeding.

TCE also argues that not having a response to the IR “places TransCanada at an unfair disadvantage relative to other interveners and the AESO in making its case.” With respect, to date all parties have access to the same information in this proceeding (with the exception of the confidential response to IR AUC.AESO-001 (a), which was provided only to the AUC), and TCE is not disadvantaged relative to other interveners. In particular, TCE has access to the same information as all other interveners for the purpose of preparing argument and reply relative to the principles upon which the treatment of interest should be based.

Given that the impact on individual customers resulting from the treatment of interest is not critical to consideration of different approaches, the AESO maintains that the extensive effort required to fully respond to TCE.AESO-004 (d) is unreasonable at this time. The AESO has further investigated the effort required, and estimates that revising the deferral account reconciliation program to produce settlement-quality results using a modified interest calculation would require at least two calendar months due to limited availability of IT resources. Alternatively, the AESO could reproduce the calculations in Microsoft Excel, which is estimated to require about 15 person-days of work and could probably be completed within four calendar weeks. Resources would need to be diverted from other priorities at the AESO in either case.

Based on the effort required to respond to TCE’s request, the AESO submits it would be appropriate and reasonable to determine individual customer impacts after treatment of interest has been debated and a specific approach approved by the AUC. The additional effort would then only be required if the approved approach differs from that proposed in the AESO’s application.

2. The AESO considers that a breakdown of alternative interest amounts by customer is neither important nor relevant at this time

The AESO agrees with TCE that amounts payable or receivable by customers is important and relevant to the regulatory review of the deferral account reconciliation, but primarily in the context of the overall deferral account balances. The specific amounts allocated to

customers as a result of interest redistribution are considerably smaller than the overall deferral account balances, and are therefore materially less important and relevant.

In particular, the AESO requested in its application that the AUC approve the customer allocation methodology used to determine individual customer amounts. The methodology was accordingly included in the AESO's application, with all relevant amounts and detail, to allow full review by both the AUC and customers to ensure the methodology reflected the description in the application and was consistent with approvals in prior applications. Redistribution of interest results in changes to deferral account balances but not to the allocation methodology, and individual customer amounts are important and relevant only in review of the allocation methodology.

TCE also suggests the AESO has produced information similar to that requested in TCE.AESO-004 (d) "for another intervener group in ASBG-PGA.AESO-001". With respect, the information provided in response to ASBG-PGA.AESO-001 is **not** the same as that requested by TCE. The AESO noted in section 2.3 of its application that its proposed redistribution of interest differed from previous applications which did not explicitly include any recognition of interest. ASBG/PGA requested that the AESO provide information as it would be calculated under the approach of previous applications, consistent with prior AUC decisions. The AESO had anticipated such a request due to the nature of its interest redistribution proposal, and had saved an interim version of its deferral account reports that excluded interest redistribution to allow a response to such a request.

The calculation of interest proposed by TCE, on the other hand, does not reflect an approach previously approved by the AUC. The AESO is also not aware of a precedent for TCE's proposal, nor has any been cited by TCE. The AESO therefore could not have reasonably anticipated TCE's request, which differs as well from the basis advocated by TCE in its first-round IRs. Responding fully to TCE.AESO-004 (d) would require extensive additional effort as discussed above, which could not have been anticipated and which would be expended for an unexamined and untested approach to the redistribution of interest. The AESO maintains that the extensive effort required to complete such work is unreasonable, particularly prior to any assessment of the appropriateness of TCE's proposed approach.

3. There should be no unnecessary delay to the finalization of the deferral account reconciliation.

In the AESO's submission, interim approval should not be used as justification for extending a regulatory proceeding. Although the interim approval granted by the AUC has allowed the AESO to refund to customers the \$51.1 million net deferral account surplus, the interim nature of that approval limits the certainty available to customers in accounting for and relying on any amounts they were refunded or charged. The AESO understands that customers desire certainty of the deferral account amounts as soon as practical, and delaying that certainty by requiring unreasonable responses to information requests is simply not warranted.

Conclusion

In summary, the AESO considers that responding to TCE.AESO-004 (d) would require an unreasonable effort that is not required to allow appropriate consideration of different approaches to redistribution of interest. Furthermore, the AESO submits the information requested in the IR is not required for the development of argument and reply in this proceeding, and does not disadvantage TCE or any other intervener. For these reasons, the AESO submits that TCE's motion should be dismissed.

In the event the AUC compels the AESO to respond to TCE.AESO-004 (d), the AESO estimates that to do so would require about four calendar weeks at a minimum as discussed above. In such event, the AESO requests that the balance of the proceeding schedule be adjusted to allow such time.

If you have any questions on this matter, please contact me at 403-539-2465 in Calgary 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