



Alberta Electric System Operator

2004 – 2007 Deferral Account Reconciliation

January 27, 2009



ALBERTA UTILITIES COMMISSION

Decision 2009-010: Alberta Electric System Operator
2004 – 2007 Deferral Account Reconciliation
Application No. 1574594
Proceeding ID. 60

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1 INTRODUCTION

1. The Alberta Electric System Operator (AESO) filed an application (Application) with the Alberta Utilities Commission (Commission or AUC) on June 2, 2008 to reconcile its deferral accounts for the period 2004 through 2007. Notice of the Application was issued by the Commission on June 6, 2008. The Application was heard by way of a written process, with written reply argument filed on October 29, 2008. The Commission therefore considers the close of record for the Application to be October 29, 2008.

2 BACKGROUND

2. The AESO had previously submitted an application to the Alberta Energy and Utilities Board (Board) on December 1, 2007, comprising the first reconciliations of 2005 and 2004 deferral account balances, a second reconciliation of 2003 deferral account balances, and reconciliation of deferral account adjustments relating to the years 1999 to 2002 (2004-2005 Application).

3. Due, in large part, to additional prior period amounts refunded to the AESO at the end of 2007 and in early 2008, the AESO deferral account balances increased sufficiently that the AESO proposed, and the Commission approved by letter dated April 16, 2008, that the 2004-2005 Application be held in abeyance pending the filing of a revised and extended 2004-2007 deferral account reconciliation application. Subsequent to the filing of the Application, the 2004-2005 Application was cancelled.

4. The AESO stated that the Application incorporated all costs paid and revenues collected by the AESO that:

- have not been settled in prior deferral account reconciliation filings;
- relate to 2007 or prior years for all costs except those related to losses, and to 2005 and prior years for costs related to losses; and
- were accounted for up to March 31, 2008.¹

5. The AESO indicated that any adjustments relating to 2007 or prior years which occurred on or after March 31, 2008 were not included in the Application but would be addressed in a future deferral account reconciliation application.²

¹ Application, p. 13.

² Application, p. 15.

3 RELIEF REQUESTED

6. In the Application, the AESO requested the Commission's approval of:
- the AESO's deferral account balance reconciliation calculations for the period January 1 to December 31 for each of 2007, 2006, 2005, 2004 and 2003 (second reconciliation);
 - the AESO's deferral account adjustment calculations for the period January 1, 1999 to December 31, 2002;
 - the AESO's customer allocation methodology (presented in section 9 and Appendices H through L of the Application), for purposes of recovering and refunding outstanding variance amounts from and to the AESO's DTS and STS rate classes;
 - collection and refund of amounts through use of a one-time payment/collection option similar to that used for previous years' deferral account balances;
 - collection and refund of the customer amounts included in the Application as soon as practical on an interim refundable basis, with such amounts subject to adjustment in final approvals following a full regulatory review; and
 - the continuation of annual retrospective reconciliations of adjustments to losses relating to years prior to 2006 (notwithstanding the implementation of prospective Rider E for losses in 2006 and later years).
7. The AESO also sought confirmation by the AUC of its acceptance of the AESO's responses to outstanding directions provided in the Application.
8. The Commission approved the AESO's request for distribution of the deferral account amounts on an interim refundable basis in Order [U2008-253](#),³ issued on July 17, 2008.

4 DEFERRAL ACCOUNT BALANCES - METHODOLOGY

4.1 Production Month Determination of Deferral Account Balances

9. The AESO noted that, for the most part, it had maintained the approach approved by the Board in Decision [2005-034](#)⁴ relating to the AESO's 2003 deferral account reconciliation, of presenting its deferral account balances on a "production month" rather than an "accounting month" basis.
10. As described by the Board in Decision 2005-034, under the accounting month approach, adjustments on customer invoices relating to a prior period are attributed to the month in which the adjustment is applied to the customer's invoice. Conversely, under the production month method, invoice adjustment transactions are allocated back to the original month to which an adjusting transaction relates.⁵
11. The AESO noted that aspects of the deferral account balance calculations that did not follow the production month presentation included AESO "own" costs, which account for only about 5% of the AESO's annual revenue requirement. In addition, the AESO noted that while

³ Order U2008-253 – *Alberta Electric System Operator 2004-2007 Deferral Account Reconciliation - Interim Distribution* (Application 1574594, Proceeding ID. 60) (Released: July 17, 2008)

⁴ Decision 2005-034 – *Alberta Electric System Operator (AESO) 2003 Deferral Account Reconciliation* (Application 1348574) (Released: April 19, 2005).

⁵ Decision 2005-034, p. 9, referenced at Application, p. 16.

Rider C adjustments applied on an accounting month basis, the AESO allocated deferral account shortfalls or surpluses to customers on a production month basis and then netted Rider C amounts from customer allocations to determine the final amounts to be refunded or collected from each customer.

12. The AESO noted that whereas its “prior year” adjustments in respect of the years 1999 to 2002 were treated on a production basis, adjustments in respect of the years 1999 to 2001 were applied only on an annual rather than monthly basis. Noting the comparatively small amount of the adjustments in these years and the fact that the deferral account adjustments for these years were originally performed on an accounting basis, the AESO submitted that it was impractical to revisit those years for the purposes of converting the original reconciliation from accounting month to production month. In addition, because of the extremely small size of the 1999 and 2000 adjustments (less than \$100,000 in total over both years), the AESO adopted a simplified approach which included the 1999 and 2000 adjustments as part of the adjustments for 2001.

Commission Findings

13. No parties took issue with either the AESO’s general approach of determining deferral account balances on a production month basis or with the few exceptions to the production month approach described in Application. The Commission continues to be of the view that, in general, the determination and allocation of deferral account balances on a production month basis provides a better representation of how AESO costs were incurred than does the accounting month approach.

14. The Commission agrees with the AESO that both the use of an account month basis for determining deferral account balances in respect of AESO own costs and the treatment of Rider C adjustments as described by the AESO is appropriate. The Commission is also in agreement with the AESO that both the treatment of 1999 to 2001 adjustments on an annual rather than monthly basis and the inclusion of the 1999 and 2000 adjustments within 2001 are reasonable in the circumstances.

4.2 Cost and Revenue Data Included in the Application

15. In section 2.1 of the Application, the AESO provided the particulars of the costs and revenue data attributed to the individual deferral account periods covered by the Application.

16. A number of significant amounts had been attributed to prior periods⁶ under the production month presentation used in the Application. In particular, the AESO indicated that the following prior period items had been discussed with stakeholders during a consultation process:

- a \$24.2 million refund relating to 2001-2003 losses;
- a \$6.2 million refund relating to Transmission Administrator (TA) Adjustments arising from changes to point-of-delivery meter volumes;
- a \$19.2 million refund relating to adjustments to 2003-2007 ATCO Electric TFO costs; and
- a \$2.1 million charge relating to TMR services from the Rainbow Lake facilities.

⁶ For the purposes of the Application, AESO costs and revenue have been attributed to a “prior period” if they occurred prior to 2004.

17. The AESO noted that, effective January 1, 2006, transmission system losses are no longer subject to retrospective deferral account reconciliation as was the case for 2005 and prior years. The AESO further noted that it had applied for and received approval of Calibration Factor Rider E, which adjusts loss factors for the recovery of the actual costs of losses on a prospective basis in accordance with section 33(1) of the *Transmission Regulation*, AR 86/2007. Accordingly, the AESO indicated that no reconciliation of losses amounts for the 2007 and 2006 deferral account years was addressed in the Application. Notwithstanding that transmission system losses occurring subsequent to January 1, 2006 have been and will continue to be taken into account within the Rider E mechanism, the AESO noted that any adjustments to transmission losses relating to years prior to January 2006 would continue to be addressed through the annual retrospective reconciliations for pre-2006 years as described in the Application.

Commission Findings

18. No parties, other than the AESO, raised the matters detailed in section 2.1 of the Application in argument. The Commission has reviewed the processes and assumptions used by the AESO to determine the attribution of costs and revenues to specific deferral account periods as described in section 2.1 of the Application, and considers such processes and assumptions to be reasonable.

5 DEFERRAL ACCOUNT RECONCILIATIONS AND ADJUSTMENTS

19. The AESO maintained that no information requests raised concerns with the revenue, cost, and adjustment amounts presented in the Application, the periods for which data was included, or the attribution of costs, revenues, and adjustment to production months and years, other than in relation to the recognition of interest proposed in the Application. The AESO therefore submitted that the amounts and periods included, and the attribution of amounts to production periods, should be approved as filed.

20. In its argument, the AESO summarized the cost and revenue variance analyses contained in the Application.⁷ The AESO submitted that as no corrections were required to the recorded costs and revenues included in the Application, the deferral account balances and adjustments also be approved as filed.

21. The AESO noted that its proposed redistribution of interest has an impact on the allocation (but not the quantum) of the deferral account balances (the amount impacted was \$2.9 million, or about 6%), and that in the event the redistribution of interest is subject to adjustment, the deferral account balances allocation may need to be revised accordingly.

Commission Findings

22. The Commission notes that no parties objected to the deferral account reconciliations and adjustments in either argument or reply, other than with respect to the AESO's proposal to redistribute interest. The Commission considers that the AESO has provided extensive evidence in this proceeding, and previously via stakeholder meetings with customer groups, to show that it has accurately reconciled its deferral accounts for the time periods in question.

⁷ AESO Argument, p. 5

23. The Commission notes, in particular, the extensive variance explanations provided by the AESO for each year. The Commission also notes that no parties disputed the reasonableness or the prudence of the AESO expenditures, in light of the AESO's variance explanations, in either argument or reply.

24. The Commission has reviewed the deferral account balance reconciliations set out in Tables 3-3, 4-3, 5-4, 6-3, 7-4 of the Application, and the deferral account adjustment calculations set out in Tables 8-2, and 8-3 of the Application. The Commission approves the deferral account balance reconciliations and adjustment calculations set out therein, subject to the Commission's findings regarding the AESO's proposal with respect to the recognition and redistribution of interest, as set out in Section 7 of this Decision.

6 ALLOCATION OF DEFERRAL ACCOUNT BALANCES TO CUSTOMERS

25. The AESO described its processes and procedures for allocating deferral account balances to individual customers in section 2.7 and section 9 of the Application.

26. The AESO noted that the Application provided detail on the allocation of deferral account balances to individual AESO customers, thus requiring the disclosure of transmission revenue received from individual customers. In addition, the AESO noted that the Application included the applied-for refunds to and collections from those individual customers.

27. The AESO noted that because regulated distribution utilities normally include their deferral account refunds and collections in their own tariff applications, the regulated distribution utilities are identified by name within the allocation tables prepared for the Application. However, the AESO noted that for direct-connect customers, the AESO protected the confidentiality of individual customer information by assigning a number to each AESO direct-connected customer. To facilitate the examination of deferral account balance allocations by individual direct-connect customers, the AESO contacted each direct connect customer to so advise them of the identification numbers assigned to them.

28. The AESO described its procedure for allocating 2003 to 2007 deferral account balances in section 9.1 of the Application. In that section, the AESO indicated that, consistent with its previous deferral account reconciliation application for 2003, the allocation of deferral account balances to customers on the basis of each customer's percentage of total revenue collected based on rates in place during the period. In addition, the AESO noted that after allocating deferral account balances, rate and rate components for each customer, the Rider C revenue already paid by each customer was subtracted from the allocation by rate and rate component. After netting out Rider C amounts, the AESO indicated that the remaining balance is the amount of the deferral account charge or refund attributed to the customer on a production month basis, by rate and rate component.

29. The AESO noted that the allocation of adjustments to deferral account balances for years prior to 2003 was done in accordance with procedures devised through stakeholder consultations discussed in Appendix A of the Application. The AESO submitted that after including small adjustments related to 1999 and 2000 within 2001 balances (as described in section 8.1 of the

Application), allocations to customers in respect of 2001 and 2002 reflected allocators for both years as approved in Board Decision 2003-099.⁸

30. At section 9.3 of the Application, the AESO noted that the results of the deferral account allocation for each DTS and STS customer was included within Application Appendices H, J, K, and L using measures designed to protect customer data confidentiality. The AESO indicated that it intended to distribute detailed customer specific data directly to each AESO customer.

31. The AESO noted that in the event that a customer has assigned its System Access Service Agreement (SAS Agreement) to another customer in accordance with the AESO's tariff (for example as contemplated in Article 21.2 of the AESO 2006 terms and conditions of service), the AESO applied its deferral account allocation to the account of the SAS Agreement of the assignee. The AESO noted that, for the purposes of the deferral account balance allocations for the Application, a March 31, 2008 cutoff was assigned to any SAS Agreement assignments.

Commission Findings

32. The Commission considers that the information regarding deferral account balance allocations provided to individual AESO customers as described above was extensive and detailed. In consideration of the detailed information available to customers, the Commission considers it to be telling that the only allocation issues identified by parties in argument or reply submissions related to the AESO's proposal to pay interest on deferral account balances.

33. In view of the above, the Commission considers that the customer deferral account balance allocations set out in the Application that do not relate to the AESO's proposal to recognize interest should be approved as filed. However, in light of the Commission's findings in respect of the recognition of interest as set out below in Section 7 of this Decision, and in light of the fact that the interim refundable distribution of customer amounts set out in Order U2008-253 included the treatment of interest as proposed by the AESO in the Application, the Commission recognizes that further adjustment to settlements with individual customers may be necessary to reflect the Commission's findings with respect to interest. The Commission has provided further directions to the AESO to affect a reconciliation of interim customer allocations to final customer allocations in Section 8.3 of this Decision.

7 RECOGNITION AND REDISTRIBUTION OF INTEREST ON DEFERRAL ACCOUNT BALANCES

34. In the Application, the AESO outlined a proposal for a redistribution related to interest on deferral account balances accruing in 2006, 2005, and 2004 because of what the AESO considered to be the following extraordinary circumstances:

- the Application covered an extended period which included first reconciliations for 2007, 2006, 2005, and 2004, a second reconciliation for 2003, and reconciliations of adjustments for years from 1999 to 2002;
- the Application had been delayed for various reasons and
- the Application included a number of large one-time adjustments.

⁸ Decision 2003-099 – *Alberta Electric System Operator Deferral Account Reconciliation for years 2000, 2001 and 2002* (Application 1313525) (Released: December 16, 2003)

35. The AESO stated that these extraordinary circumstances gave rise to the following results:

- the deferral account balances during 2006, 2005, and 2004 totalled a material surplus for 29 out of 36 months, as summarized in Table 2-2 of the Application;
- the average monthly balance over the three-year period was a surplus of \$11.3 million; and
- the balances had remained outstanding for two to four years, resulting in large part from the AESO's decision to retain a \$24.2 million one-time refund accounted for in May 2005 related to losses incurred from 2001 to 2003.

36. The AESO further explained that the existence of material surpluses for extended periods of time reduced the AESO's interest expense, which in turn reduced the general and administrative costs allocated to the AESO's customers.

37. The AESO stated that it does not earn or incur interest directly on its deferral account balances, but rather deferral account surpluses and shortfalls are managed in conjunction with other financial obligations of the AESO. The AESO indicated that it carries a certain amount of debt to provide working capital and fund capital purchases, and that deferral account balances affect the amount of debt carried. The cost of interest incurred on debt accrues to the AESO's "own costs" which is allocated to AESO customers in accordance with the AESO's approved tariffs.

38. The AESO stated that its proposed redistribution of interest based on deferral account balances would simulate how interest expense would have been incurred had the deferral balances been maintained at zero through Rider C charges or credits. The AESO considered that customers who had supplied the funds which the AESO had used to reduce its interest costs should be awarded an interest amount in recognition.

39. The AESO noted that its previous deferral account reconciliation applications have not included any recognition of interest.

40. This proposal generated significant attention and comment from parties, not all of whom agreed with the AESO's interest redistribution proposal. The Cities of Red Deer and Lethbridge and the Alberta Sugar Beet Growers, Potato Growers of Alberta and the Public Institutional Consumers of Alberta (ASBG/PGA/PICA) submitted that there should be no redistribution of funds related to interest, while TransCanada Energy Ltd. and EPCOR Utilities Inc. supported the concept of interest.

Commission Findings

41. The Commission does not approve the AESO redistribution related to interest proposal, for the reasons that follow.

42. The Commission notes that this Application concerns a first reconciliation related to the years 2004 to 2007, and a second reconciliation of amounts related to the year 2003, and reconciliation of adjustments for years from 1999 to 2002. The Commission considers that further reconciliations with respect to the years 1999 to 2007 may occur as part of future AESO deferral account reconciliation applications. In particular, as the AESO noted in the Application,

any adjustments to transmission losses relating to years prior to January 2006 would continue to be addressed through the annual retrospective reconciliations for pre-2006 years.

43. The Commission considers that the non-profit nature⁹ of the AESO distinguishes it from a normal distribution or transmission facility owner utility, in that the AESO may continue to retroactively apply for corrections to the amounts charged and refunded from its customers. As such, the very amounts which are the basis for the AESO's proposal to redistribute interest in this Application could, in future applications, be offset by corrections or adjustments resulting from new information becoming available to the AESO.

44. Further, with respect to the AESO's recognition of the interest reduction benefits enjoyed by certain of the AESO's customers, it is not clear to the Commission from the evidence on the record that all components of the AESO's tariff have been considered. The ASBG/PGA/PICA, at pages 3 and 4 of their argument, noted the following, which the Commission considers instructive:

However ASBG/PGA/PICA note that AESO monthly interest charges are part of the AESO Administrative and General charges² and such charges are allocated to STS and DTS customers based on the Commission (Board) approved allocations of interconnection charges. Prior to 2006 these charges were allocated 58% to DTS customers and 42% to STS customers. Commencing in 2006 these administrative charges (which include interest charges) are allocated 100% to DTS customers. The effect of this change is that STS customers do not have a cost responsibility for administrative charges and hence any interest charges. However ASBG/PGA/PICA submit that the AESO could require bank debt and hence incur interest charges to fund any losses deferral account balances that could be attributable to a losses mismatch on a monthly basis between revenues, costs and Rider E amounts. Therefore the amounts of any resulting additional interest charges, caused by losses balances which are the cost responsibility of STS customers, could in fact be allocated to DTS customers.

This circumstance postulated above further highlights why a significant proposal such as the current interest imputation on deferral account balances and re-distribution should not be initiated in a deferral account proceeding for approval. ASBG/PGA/PICA submit that in a deferral account proceeding there is a limited opportunity for examination of secondary effects within the AESO structure and therefore such significant proposals should be deferred to future GTA proceedings where all inter-related issues can be examined and tested.

² The actual interest costs in a month result from bank debt balances held by the AESO for working capital due to the timing difference in the collection of revenue and the payment of expenses, and to fund capital purchases. On an annual basis, the 'source' of the debt requirements is reviewed to determine which business function (transmission, energy market or load settlement) required the bank debt for its operations and to develop allocation percentages for the AESO's budget.

Throughout the year, the budgeted allocation percentage is used to associate monthly interest expense to each of the three business functions. At the end of the year, a full-year assessment is made of the actual debt balances and the allocation percentages are adjusted as required.

⁹ Section 14(3) of the *Electric Utilities Act* provides that: "The Independent System Operator must be managed so that, on an annual basis, no profit or loss results from its operation."

Due to the methodology that is used to allocate interest to the three business functions of the AESO, the monthly debt balances are not directly associated to a business function (such as transmission). The interest expense amounts therefore represent allocated annual values.

The actual interest expense amounts shown in column 5 of Schedule ASBG-PGA.AESO-002 (a-e) represent variable interest costs (based on the debt balance and the borrowing rate) and fixed interest costs (comprising credit facility standby fees and fees charged related to the letter of credit issued as security for operating reserve procurement). The fixed interest costs are approximately \$75,000 per year.

[ASBG-PGA.AESO – 002 (b)]

45. The Commission agrees with the ASBG/PGA/PICA that there is a limited opportunity within a deferral account reconciliation proceeding to examine all aspects of the AESO tariff as to how the AESO accumulates and dispenses with interest charges.

46. The Commission has also considered the evidence regarding the magnitude of the deferral amounts on which the AESO is proposing to recognize interest. ASBG/PGA/PICA, in their Argument, attempted to show that the deferral account amounts for the years 2004-2006 were below the Commission [Rule 023](#)¹⁰ materiality thresholds of the larger of \$1,000,000 or 3% of the (company's) revenue requirement,¹¹ and that therefore, the AESO's Rider C was serving its function in minimizing the magnitude of the AESO's deferral account on an ongoing basis.

47. The AESO stated in reply that the ASBG/PGA/PICA had incorrectly assumed that Table 2.2 from the Application was not net of Rider C adjustments and refunds, and that the fact that Table 2.2 was net of Rider C adjustments and refunds could be confirmed from information on the AESO's website.¹²

48. The Commission still considers the information contained in ASBG/PGA/PICA's argument to be useful to observe the magnitude of the deferral account reconciliation amounts in relation to the AESO's revenue requirement. The following table, prepared using information from Table 2.2 and Table 2-4 from the Application, illustrates the magnitude of the average yearly deferral account reconciliation amounts, net of Rider C, in relation to the AESO revenues for the years 2004-2006:

Table 1. Magnitude of Average AESO Deferral Account Surplus (Shortfall) vs AESO Total Revenues

	2004	2005	2006
Average Surplus (Shortfall) net of Rider C (\$M)	\$12.3	\$2.5	\$19.0
AESO Total Revenues (\$M)	\$757.8	\$831.8	\$700.6
Percentage of Total Revenues (%)	1.6	0.3	2.7

49. As shown above, in none of the years 2004-2006 does the average AESO deferral account amount meet the materiality guidelines set out in the Commission's Rule 023. The Commission does not necessarily consider that Rule 023 should be strictly applied in these circumstances, given the AESO's unique non-profit status as mentioned earlier in this Section. However, just as the AESO considered that Rule 023 was an appropriate guideline for

¹⁰ AUC Rule 023: *Rules Respecting Payment of Interest (Formerly EUB IL 2000-01)*.

¹¹ ASBG-PGA-PICA Argument, pp. 5, 6.

¹² AESO Reply, p 14.

determining the amount of interest to be awarded, the Commission considers it helpful to look to the rule as providing some general indicia of when payment of interest may be warranted.

50. When the AESO's deferral account reconciliation amounts are examined based on year end balances, the materiality decreases even further. The following table, using information from Table 2-4 of the Application, compares the year end deferral account reconciliation amounts to the AESO Total Revenues:

Table 2. Magnitude of Year-end AESO Deferral Account Surplus (Shortfall) vs AESO Total Revenues

	2007	2006	2005	2004	2003	2002	2001	2000	1999
Net Surplus (Shortfall) (\$M)	\$2.0	\$11.3	(\$0.9)	(\$5.3)	\$2.0	\$32.3	\$9.7	\$0.1	(\$0.0)
AESO Total Revenues (\$M)	\$685.6	\$700.6	\$831.8	\$757.8	\$850.1	-	-	-	-
Percentage of Total Revenues (%)	0.3	1.6	(0.1)	(0.7)	0.2				

51. In considering the largest deferral account amount listed, namely the \$32.3 million surplus cited for 2002, the Commission notes that \$16.7 million of that \$32.3 million surplus is related to the true-up of interim Transmission Facility Owner tariffs.¹³ Rule 023 provides that amounts related to interim-to-final rate true-ups should not normally be included when an applicant is applying for interest. On page 106, lines 5 to 8, of the Application, the AESO states that the \$32.3 million amount represents about 4% of recorded costs for 2002, which implies that the total 2002 AESO revenue was approximately \$800 million.¹⁴ Therefore, reducing the \$32.3 million value by \$16.7 million due to interim tariff true-up results in a deferral reconciliation amount of \$15.6 million, which amounts to 2.0% of the AESO's total 2002 revenue.

52. The Commission considers that the AESO's Rider C has been properly serving its function and keeping the outstanding deferral account balances to reasonable levels. The Commission does not consider that the magnitude of deferral account amounts under consideration merit the recognition of interest.

53. Consistency in approach to deferral accounts is an important principle to be applied for in considering fair redistributions among customers. The AESO has not previously proposed interest on its deferral account amounts and the Commission does not find that these circumstances warrant a change in treatment.

54. The Commission has considered the "extraordinary circumstances" cited by the parties in support of the interest redistribution proposal, namely, the extended period covered by the Application, the delay in filing the Application and the large one-time adjustments.¹⁵ These circumstances are, in the Commission's view, insufficient support for the interest proposal in light of the reasons discussed in this Section, namely: the ongoing future deferral account adjustments, the need for the examination of the entire AESO tariff as related to interest charges, the magnitude of yearly deferral reconciliation amounts in relation to total AESO revenue, and consistency with past AESO deferral account treatment.

¹³ Application, p. 105, ll. 11-19.

¹⁴ Because the AESO utilizes a deferral account process to recover all of their costs means that, effectively, the AESO's revenue for a given year ultimately equals the AESO costs for that year.

¹⁵ AESO Argument, p. 8.

55. For all of the reasons detailed above, the Commission does not approve the AESO's proposed interest redistribution proposal and thus the Commission has directed the AESO to adjust the amounts refunded to or collected from customers on an interim refundable basis pursuant to Order U2008 253, as further described in Section 8.3 below.

8 OTHER MATTERS

8.1 Retrospective Reconciliation of Losses Relating to Years Prior to 2006

56. The Commission notes the AESO request to continue, in future deferral reconciliation applications, to retrospectively reconcile losses relating to years prior to 2006.

57. The Commission also notes that for 2006 and beyond, a retroactive reconciliation of losses will not be required due to the implementation of the AESO Rider E.

58. The Commission has considered the AESO request to continue, in future deferral reconciliation applications, to retrospectively reconcile losses relating to years prior to 2006 and the Commission considers that the request is reasonable. The Commission therefore approves the AESO request to continue to retrospectively reconcile losses relating to years prior to 2006. The Commission acknowledges however, that this approval may be altered as the result of a future application arising from the stakeholder consultations proposed by the AESO and discussed in Section 8.4, below.

8.2 Response to Board Directions

59. The AESO noted that Board Decision 2003-099, concerning the AESO's deferral account reconciliations for 2000, 2001, and 2002, included 20 directions to the AESO. The AESO stated that the majority of these directions were responded to immediately following the issuance of that decision and in the AESO's 2003 deferral account reconciliation application, filed on June 4, 2004.

60. The AESO stated that additional directions, which required the AESO to evaluate Rider C in a trial period in 2004 and to provide the results of the trial and a recommended rider methodology to be used for 2004, were responded to in a compliance filing on October 21, 2004.

61. The AESO stated that Board Decision 2005-034, concerning the AESO's 2003 deferral account reconciliations, included directions to the AESO to:

- a) Distribute 2003 Deferral Account Balances by June 30, 2005.
- b) Identify and Propose Disposition of Prior Period Adjustments.

62. In response to the first direction, the AESO stated that it had made all refunds and collections associated with the 2003 deferral account reconciliation on June 28, 2005, concurrent with the May 2005 transmission tariff billings issued on that day.

63. In response to the second direction, the AESO stated that amounts included in the AESO's 2003 deferral account reconciliation which relate to other years, and removal of those amounts to provide a "pure" determination of 2003-only costs, were discussed in section 2.3 and summarized in Tables 2-2 and 2-3, with additional detail provided in sections 7.1, 7.2 and Appendix E-1 of the Application.

64. Further, the AESO noted that in the Commission's letter of April 16, 2008, the Commission stated:

To facilitate the parties' and the Commission's review, the Commission considers it appropriate that the revised application include a blackline showing all changes made to the Application, along with a table of concordance or blackline of the IR responses to make clear what page references or other changes are required in order for the AESO's IR responses to be carried through to the revised application.

65. The AESO stated that a redline comparison of the 2004-2005 Deferral Account Reconciliation Application dated December 1, 2007, and this extended 2004-2007 Deferral Account Reconciliation Application was provided as Appendix M. The AESO noted that as the appendices to the applications were provided as PDF files and had been extensively reorganized in this Application, it was not practical to provide a redline comparison of the appendices (other than Appendix A, which was included with the redline comparison of the applications). The AESO did, however, provide a cross-referenced list of appendices at the end of the redline comparison.

66. The AESO noted that revisions to the responses filed on March 18, 2008, to information requests made in the proceeding related to the 2004-2005 Application, were provided as Appendix N-1 of this Application, and that a redline comparison of the original and revised responses was provided as Appendix N-2.

Commission Findings

67. The Commission notes that no parties took issue with the AESO's supplied responses to directives. The Commission has reviewed the AESO responses to directions related to the referenced past decisions and Commission letters and finds that the AESO has completed the remaining Board directives assigned in Decision 2003-099 and Decision 2005-034, and by Commission letter on April 16, 2008.

8.3 Interim to Final Reconciliation

68. In Section 7 of this Decision, the Commission stated that it was not approving the AESO's proposal for redistribution related to interest, which had been approved on an interim refundable basis in Order U2008-253.

69. The Commission notes that as a result of its interim approval, there is a requirement for the AESO to true-up funds between the allocation approved on an interim basis in Order U2008-253 and the allocation which results from a calculation that does not include any redistribution related to interest.

70. The Commission therefore directs the AESO to perform the necessary calculations to remove the amounts relating to the AESO's proposed redistribution related to interest and to arrange for the redistribution of funds between its customers to correct for the amounts awarded on an interim refundable basis in Order U2008-253.

71. The Commission approves the AESO request to collect and refund amounts through use of a one-time payment/collection option.

8.4 Future Deferral Account Reconciliation Applications

72. The AESO provided an overview of its intentions with respect to future deferral account applications in section 2.8 of the Application.

73. In that section, the AESO indicated that it intends to file its 2008 and 2009 deferral account reconciliation applications in the second calendar quarter of the year following each of those deferral account years. In addition, the AESO indicated that it would apply a cut-off date, falling in the first calendar quarter of the year, for transactions to be included within each year's deferral account reconciliation.

74. The AESO indicated that it intends to consult with stakeholders after the Commission issues its final decision in respect of the Application in early 2009 for the purposes of considering:

- when and on what basis full reconciliations should be permanently discontinued for a deferral account year; and
- whether a prospective methodology could be implemented for the AESO's deferral accounts.

75. The AESO noted that if the above described consultations result in recommendations for revisions to Rider B or C, such revisions would be proposed as part of the AESO's next General Tariff Application or in a separate rider amendment application if appropriate.

Commission Findings

76. The Commission has noted previously the value of the AESO stakeholder meetings. The Commission considers that future stakeholder meetings will also be of assistance prior to any future AESO filings, including its next deferral account reconciliation application, and therefore encourages the AESO to conduct these meetings as it sees fit.

77. The Commission expects that the AESO will file its 2008 deferral account reconciliation application in a timely fashion once it has gathered and analyzed all of the information required to do so. The Commission notes the significance of gathering and analyzing all of the data required for the deferral account reconciliation process and commends the AESO for putting forth the effort to develop special software to help streamline and improve the accuracy of this task.

78. Finally, with respect to the suggestion of the AESO that it may pursue revisions to Rider B and/or Rider C either in the context of its next general tariff application proceeding or through a stand alone application dealing specifically with proposed changes to these riders, the Commission considers that it is appropriate that any proposed changes to Rider B and/or Rider C should be considered in the AESO's GTA proceeding rather than through a separate stand alone module. In particular, the Commission considers that as the design of these riders may have a bearing on the ultimate allocation of AESO tariff costs to individual AESO customers, it is appropriate that the existence and/or proposed design of Rider B and Rider C should be known. AESO customers may then take them into account when determining the nature and extent of their involvement in any proceeding regarding the design of DTS and STS rates to apply in future periods.

9 ORDER

79. IT IS HEREBY ORDERED THAT:

- (1) The AESO's deferral account balance reconciliation calculations for the period January 1 to December 31 for each of 2007, 2006, 2005, 2004 and 2003 (second reconciliation) are approved, subject to the removal of any amounts related to the AESO's proposed redistribution related to interest.
- (2) The AESO's deferral account adjustment calculations for the period January 1, 1999 to December 31, 2002 are approved, subject to the removal of any amounts related to the AESO's proposed redistribution related to interest.
- (3) The AESO's proposal for a redistribution related to interest is not approved, and as a result, the AESO shall:
 - (a) recalculate its deferral account allocation to customers to remove the redistribution related to interest;
 - (b) refund or collect, as the case may be, the difference in amounts awarded to customers in Order U2008-253 and amounts recalculated as a result of removing its proposal for redistribution related to interest as ordered in Order (3)(a) of this Decision; and
 - (c) notify the Commission when the refund or collections, as the case may be, ordered in Order 3(b) of this Decision, have been completed.

Dated in Calgary, Alberta on January 27, 2009.

ALBERTA UTILITIES COMMISSION

(original signed by)

Carolyn Dahl Rees
Panel Chair

(original signed by)

Tudor Beattie, Q.C.
Commissioner

(original signed by)

Bill Lyttle
Commissioner