Written comments were provided by:
- Cities of Red Deer and Lethbridge
- EnCana Corporation
- EPCOR Utilities
- FortisAlberta
- TransAlta
- TransCanada Energy
March 27, 2009

John Martin  
Director, Tariff Applications  
Alberta Electric System Operator  
2500, 330 - 5th Avenue SW  
Calgary, Alberta T2P 0L4

Dear Mr. Martin

SUBJECT: AESO 2008 Deferral Account Reconciliation

On behalf of the Cities of Red Deer and Lethbridge (‘the Cities’), I am providing feedback on the AESO’s presentation of March 3rd. Overall, the Cities are left with the impression that the AESO’s 2008 deferral account application should not contain material policy issues contrary to the Cities’ interest. The Cities are therefore generally supportive of the AESO’s decisions, recommendations, all of which should lead to a timelier deferral account reconciliation.

We also acknowledge that the ability to reconcile the 2008 deferral account earlier compared to previous years is in part due to changes in the Rider C calculation for Q1 2009. At the highest level, the Cities understand that the AESO has made a trade-off between speed and precision. Unlike previous years, Rider C for Q1 2009 did not include Q4 2008 variances. Ordinarily, Rider C would have begun to reconcile the Q4 portion of the 2008 deferral account balance immediately on January 1st, but at the cost of delaying a more precise reconciliation of the entire 2008 deferral account balance.

The Cities do not have a full appreciation as to the accuracy of Rider C at an individual customer level, but we are left with the impression that Rider C is a very blunt instrument. It is for this reason that the Cities encourage the AESO to focus on long run solutions that will minimize reliance on Rider C and future deferral account reconciliations. This may include, but is not limited to, tariff design improvements, regular tariff updates (i.e. similar to the AESO 2009 Rates Update Application No. 1604888), and other means to improve certainty of future operating reserve costs.
Thank you for the opportunity to provide feedback on this matter. Should you have any questions, please contact me at (403) 781-7690.

Sincerely,

<sent by email>

Nigel Chymko,
President

cc: Otto Lenz
    Ligong Gan
On March 3, 2009, the AESO met with interested stakeholders to review information being prepared for the AESO’s 2008 deferral account reconciliation (“DAR”) application as well as other related deferral account matters. The AESO provided further information on certain topics discussed during that meeting in a letter dated March 12, 2009, and is now seeking comments from stakeholders on those topics. The AESO invites stakeholders to provide their comments by Friday, March 27, 2009, using the attached comment form.

### 1. Immediate Interim Settlement of Deferral Account Balances

(a) The AESO proposes to file as part of its 2008 DAR application a request for interim approval to immediately settle deferral account balances with customers.

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Reasons for Stakeholder Position:

In general, EnCana supports a principle to dispose of deferral account imbalances as soon as practical. A request for interim disposition, followed by a final disposition, if required, adheres to this principle.

(b) The AESO further proposes to continue the practice of requesting immediate interim settlement at the time of filing all future DAR applications, barring unforeseen reasons to do otherwise.

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Reasons for Stakeholder Position:

In general, EnCana supports a principle to dispose of deferral account imbalances as soon as practical. A request for interim disposition, followed by a final disposition, if required, adheres to this principle.

### 2. Exclusion of Year-End Balances From Q1 Rider C

For future years, the AESO proposes to exclude year-end balances from the calculation of first quarter Rider C amounts and to file DAR applications in April.

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Reasons for Stakeholder Position:

EnCana understands AESO’s proposal as follows:

- At the end of each production year the AESO will determine if there exists and imbalance between the revenue and costs for each prior production year;
- These imbalances will be excluded from the Rider C calculation for Q1;
- These imbalances will be channelled into a new DAR filing based on a data cut-off of the prior...
production year-end (December statements);
- The AESO will file the new DAR in April of each year and request interim settlement, with
  reconciliation invoices settled in May of each year;
- A final reconciliation settlement occurs after the AUC approval, if necessary.

This approach adheres to the principle of disposing of prior-year imbalances as soon as practical.

3 Inclusion of Prior Year Balances in Q2, Q3, and Q4 Rider C

Based on discussion at the consultation meeting and the comments provided in its March 12 letter, the AESO proposes to change its current practice to include prior year balances in the calculation of Q2, Q3, and Q4 Rider C amounts.

Reasons for Stakeholder Position:

EnCana understands the issue to be that of determining how to dispose of an imbalance pertaining to a prior-year when the imbalance is newly arisen following the close of the DAR (year-end). EnCana understands that today the AESO does not dispose of a new "prior-year-imbalance" until the next DAR application. If AESO's proposal #2 is adopted, a "doing nothing" strategy would result in the prior-year imbalance remaining in the working capital pool until the following spring (i.e. until May, when the next DAR is settled on an interim basis.) (Alt-1)

EnCana understands the AESO proposal to instead address a prior-year imbalance arising after year-end (DAR cut-off) by channelling it into the current year Rider C calculation, for an initial disposition. This would result in the imbalance monies being disposed of (credit or charge) but in a manner that allocates the imbalance differently than under the DAR. (Alt-2) Generally, this adheres to the principle for prompt disposition but at the risk of an inaccurate disposition, which is considered generally to be minor.

EnCana notes a third alternative. If a prior-year imbalance arises prior to the disposition of the DAR (i.e. May invoices) the AESO could amend its DAR application (filed in April) to incorporate the new imbalance. (Alt-3) This would result in a delay to the disposition of the DAR, but in this case with the gain of an accurate disposition, which could be material. Hence, EnCana suggests the AESO retain the flexibility to amend the DAR application if a newly arisen imbalance is material. (This recommendation is consistent with the approach used to address the 2007-2004 DAR last year.)

Alt-2 and Alt-3 are consistent with the principle for prompt disposition.
4 Alternatives to Full Reconciliations

The AESO proposes to conduct more detailed stakeholder consultation on alternatives to full reconciliations in future consultation prior to preparing its 2009 DAR application.

X Support
☐ Oppose
☐ Indifferent

Reasons for Stakeholder Position:

Since the AESO must dispose of all imbalances, a practice of ending prior-year reconciliations would likely result in the AESO disposing of un-reconciled prior-year imbalances by adding it to current year accounts by way of a miscellaneous charge/credit in the AESO's rates. Consequently, EnCana suggests that it would be more appropriate for the AESO to consult on this issue in preparation for the 2010 GTA; in particular, as to the necessity for a miscellaneous charge/credit mechanism needed to clear post-reconciliation prior-year imbalances as a means for permanent closure on prior-year deferral accounts. (Say, for example, for prior-year accounts which have been reconciled for at least three years.)

5 Potential Changes to Riders B and C

Consultation for the AESO’s 2010 GTA has already begun, and the AESO will include discussion of potential changes to Riders B and C in that consultation, either with all stakeholders or through a smaller working group.

X Support
☐ Oppose
☐ Indifferent

Reasons for Stakeholder Position:

EnCana cautions that the AESO should strive to minimize the use of Riders. The use of multiple Riders and multi-year DAR adjustments make it increasingly difficult for customers to make sense of their bills.

As part of the 2010 GTA consultation, the AESO should consider the adoption of annual updates to base rates (similar to the 2009 update filing) in order to automatically scale base rates and to reduce the reliance on Riders as much as practical.

Additional Comments

Please return this form with your comments by March 27, 2009, to:

John Martin
Director, Tariff Applications
E-mail: john.martin@aeso.ca
Phone: 403-539-2465
Fax: 403-539-2524
Comments From: EPCOR Utilities Inc.  
Date: March 27, 2009  
Contact: Pat Wong  
Phone: 780-412-3361  
E-mail: pwong@epcor.ca

On March 3, 2009, the AESO met with interested stakeholders to review information being prepared for the AESO’s 2008 deferral account reconciliation (“DAR”) application as well as other related deferral account matters. The AESO provided further information on certain topics discussed during that meeting in a letter dated March 12, 2009, and is now seeking comments from stakeholders on those topics. The AESO invites stakeholders to provide their comments by Friday, March 27, 2009, using the attached comment form.

1 Immediate Interim Settlement of Deferral Account Balances

(a) The AESO proposes to file as part of its 2008 DAR application a request for interim approval to immediately settle deferral account balances with customers.

Reasons for Stakeholder Position: Expedient settlement of the AESO DAR is consistent with the recommendation from stakeholders in the 2004-2007 AESO DAR proceeding.

(b) The AESO further proposes to continue the practice of requesting immediate interim settlement at the time of filing all future DAR applications, barring unforeseen reasons to do otherwise.

Reasons for Stakeholder Position: Consistency is desirable.

2 Exclusion of Year-End Balances From Q1 Rider C

For future years, the AESO proposes to exclude year-end balances from the calculation of first quarter Rider C amounts and to file DAR applications in April.

Reasons for Stakeholder Position: This appears a reasonable trade-off in order to settle the DAR in the shortest timeframe.

3 Inclusion of Prior Year Balances in Q2, Q3, and Q4 Rider C

Based on discussion at the consultation meeting and the comments provided in its March 12 letter, the AESO proposes to change its current practice to include prior year balances in the calculation of Q2, Q3, and Q4 Rider C amounts.

Reasons for Stakeholder Position: This appears a reasonable trade-off in order to settle the
4 Alternatives to Full Reconciliations

The AESO proposes to conduct more detailed stakeholder consultation on alternatives to full reconciliations in future consultation prior to preparing its 2009 DAR application.

Reasons for Stakeholder Position: Agreed.

5 Potential Changes to Riders B and C

Consultation for the AESO’s 2010 GTA has already begun, and the AESO will include discussion of potential changes to Riders B and C in that consultation, either with all stakeholders or through a smaller working group.

Reasons for Stakeholder Position: Agreed.

Additional Comments

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1 Immediate Interim Settlement of Deferral Account Balances

(a) The AESO proposes to file as part of its 2008 DAR application a request for interim approval to immediately settle deferral account balances with customers.

Reasons for Stakeholder Position:
It is important that settlement and billing of AESO deferral adjustments be accurate, timely and efficient for end-use customers. Whenever possible, AESO should work towards simplifying the deferral account reconciliation.

(b) The AESO further proposes to continue the practice of requesting immediate interim settlement at the time of filing all future DAR applications, barring unforeseen reasons to do otherwise.

Reasons for Stakeholder Position:
Please see response in 1(a).

2 Exclusion of Year-End Balances From Q1 Rider C

For future years, the AESO proposes to exclude year-end balances from the calculation of first quarter Rider C amounts and to file DAR applications in April.

Reasons for Stakeholder Position:

3 Inclusion of Prior Year Balances in Q2, Q3, and Q4 Rider C

Based on discussion at the consultation meeting and the comments provided in its March 12 letter, the AESO proposes to change its current practice to include prior year balances in the calculation of Q2, Q3, and Q4 Rider C amounts.

Reasons for Stakeholder Position:
4 **Alternatives to Full Reconciliations**

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Reasons for Stakeholder Position:

5 **Potential Changes to Riders B and C**

Consultation for the AESO’s 2010 GTA has already begun, and the AESO will include discussion of potential changes to Riders B and C in that consultation, either with all stakeholders or through a smaller working group.

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Reasons for Stakeholder Position:
FortisAlberta like more information regarding this issue.

**Additional Comments**

FortisAlberta Inc. would like to reiterate the importance of settlement and billing of ongoing AESO deferral adjustments to be accurate, timely and efficient for end-use customers, particularly large transmission connected customers that receive a direct flow-through of AESO tariff but they are not direct customers of the AESO.

FortisAlberta has 248 Points of Delivery (“PODs”) of which 85 are transmission-connected PODs that receive a direct flow-through of the AESO deferral reconciliation amounts. Currently, the Rider C is applied and billed by the AESO on a per POD basis whereas final AESO reconciliation amounts are not broken out on a per POD basis but settled with FortisAlberta in aggregate. To date, FortisAlberta is very appreciative of the AESO’s cooperation in providing the necessary additional information that is currently required by FortisAlberta to allow the breakdown of its aggregate amount for end-use transmission connected customers. However, this approach creates an extra step which can create the potential for discrepancies and further delays to end-use transmission connected customers.

FortisAlberta submits that its non-opposition is provided with the request that the AESO should commit to working towards integrating its deferral reporting program results on a per POD basis with its normal AESO tariff billing processes/files. This would ensure consistent billing treatment of AESO deferral amounts to the benefit of end-use customers going forward.

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Oppose  
Indifferent |

### Reasons for Stakeholder Position:

- **Support**
- **Oppose**
- **Indifferent**

### 2 Exclusion of Year-End Balances From Q1 Rider C

For future years, the AESO proposes to exclude year-end balances from the calculation of first quarter Rider C amounts and to file DAR applications in April.

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|   | xOppose  
Support  
Indifferent |

### Reasons for Stakeholder Position: It is our understanding that the AESO has always included the year end balances in the Q1 Rider C. The rationale given by the AESO for changing this process is not very persuasive (excluding the year end balance would allow the AESO to start preparation of the DAR application earlier).

### 3 Inclusion of Prior Year Balances in Q2, Q3, and Q4 Rider C

Based on discussion at the consultation meeting and the comments provided in its March 12 letter, the AESO proposes to change its current practice to include prior year balances in the calculation of Q2, Q3, and Q4 Rider C amounts.

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See 2 above – no strong evidence to change
### 4 Alternatives to Full Reconciliations

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Reasons for Stakeholder Position:

**Additional Comments:** Wrong time to be making changes without a strong reason to do so. I did not hear any compelling reasons for making changes at this time.

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1 Immediate Interim Settlement of Deferral Account Balances

(a) The AESO proposes to file as part of its 2008 DAR application a request for interim approval to immediately settle deferral account balances with customers. X Support

Reasons for Stakeholder Position: TransCanada has historically and consistently encouraged the AESO to reduce the time required to settle deferral accounts and this proposal supports that request. TransCanada’s support for the exclusion of Year-End balances from Q1 Rider C is contingent on the year-end balances being included in the calculation of the Q2 Rider C (as described in part 2 below).

(b) The AESO further proposes to continue the practice of requesting immediate interim settlement at the time of filing all future DAR applications, barring unforeseen reasons to do otherwise. X Support

Reasons for Stakeholder Position: It would be helpful if the AESO identified some examples of circumstances where it would not request immediate interim settlement. For example, would a small deferral account amount to be reconciled become a justification for not requesting immediate interim settlement? If so, what is the level of dollars at which interim settlement would not be requested? Are there other examples where immediate interim settlement would not be requested?

2 Exclusion of Year-End Balances From Q1 Rider C

For future years, the AESO proposes to exclude year-end balances from the calculation of first quarter Rider C amounts and to file DAR applications in April. X Support

Reasons for Stakeholder Position: The decision to exclude year-end balances from first quarter Rider C amounts leaves $1.6 million owed to DTS customers, when DTS customers are required to pay the AESO $3.4 million (as per the DAR application). While it would be preferred to have these two amounts netted, if the AESO includes the $1.6 million refund in the...
Q2 Rider C amounts (per item 3 below), TransCanada finds the proposal acceptable. However, TransCanada’s support for the exclusion of Year-End balances from Q1 Rider C is contingent on the year-end balances being included in the calculation of the Q2 Rider C, including 2008. In future years, the AESO should establish an upper threshold (say $15 million) where such balances would be included in calculations of first quarter Rider C amounts instead of being used in the DAR application. While this could delay the DAR application (3 or 4 months), there would be an increase in accuracy. This could become material when balances are quite large and would justify the delay in the DAR application.

3 Inclusion of Prior Year Balances in Q2, Q3, and Q4 Rider C

Based on discussion at the consultation meeting and the comments provided in its March 12 letter, the AESO proposes to change its current practice to include prior year balances in the calculation of Q2, Q3, and Q4 Rider C amounts.

Reasons for Stakeholder Position: TransCanada generally supports this proposal as it more quickly attributes known deferral account balances to customers, thereby reducing intergenerational inequities and better aligning working capital requirements with the functions of the AESO that are driving those requirements.

4 Alternatives to Full Reconciliations

The AESO proposes to conduct more detailed stakeholder consultation on alternatives to full reconciliations in future consultation prior to preparing its 2009 DAR application.

Reasons for Stakeholder Position: TransCanada can see an opportunity to reduce the AESO’s administrative burden by adjusting smaller deferral account balances from previous years in simpler mechanisms than a full reconciliation.

5 Potential Changes to Riders B and C

Consultation for the AESO’s 2010 GTA has already begun, and the AESO will include discussion of potential changes to Riders B and C in that consultation, either with all stakeholders or through a smaller working group.

Reasons for Stakeholder Position:

Additional Comments