



Overview

- On April 9, 2009, the AESO filed a comprehensive deferral account reconciliation application for 2008 with the Alberta Utilities Commission (“AUC”), to reconcile and allocate to customers an overall deferral account shortfall of \$6.4 million.
- The application also included second deferral account reconciliations for 2007, 2006, 2005, and 2004, a third reconciliation for 2003, and deferral account adjustments for 2002 and 2001.
- 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 recovered from or refunded to 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. Deferral account balances have been managed by rate (DTS and STS) since 2003 and by rate component (interconnection charge, operating reserve charge, voltage control charge, losses charge, and other system support services charge) since 2004.
- Based on rate changes in 2006, Rider C has charged or refunded deferral account balances only to DTS 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 three separate deferral account reconciliation applications, for the years 2004 to 2007, 2003, and 2000 to 2002.
- This application is for the year 2008, and also includes second reconciliations for 2007, 2006, 2005, and 2004, a third reconciliation for 2003, and reconciliation of adjustments for 2002 and 2001.

2008 Deferral Account Reconciliation Amounts

- The application reconciles an overall deferral account shortfall of \$6.4 million, as follows:
 - a shortfall of \$4.6 million for 2008,
 - a shortfall of \$1.4 million for 2007,
 - a surplus of \$2.0 million for 2006,
 - a surplus of \$1.4 million for 2005,
 - a surplus of \$0.1 million for 2004,
 - a shortfall of \$1.6 million for 2003, and
 - a shortfall of \$2.2 million for 2002 and 2001.
- The primary reasons for the deferral account balances over those years were:
 - AUC decisions on final transmission facility owner tariffs and related charges (about \$5 million net shortfall),
 - costs for unforeseeable TMR service from 2004-2008 adjusted in accordance with the AUC’s February 2008 decision on Article 11 (about \$5 million net shortfall), and
 - overcollection for operating reserves through Rider C (about \$4 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 2001) using the methodology approved 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.
- Collections and refunds are made through one-time charges or payments, although a three-month option is offered to customers if one-time payment would be a financial burden.

2008 Deferral Account Reconciliation Application Process

- For the AESO's 2008 deferral account reconciliation application (including the second and third reconciliations for prior years), the AUC is expected to establish a regulatory review process in April 2009 which would lead to a final AUC decision in late 2009.
- The AESO has asked the AUC to approve charging or refunding amounts to customers in June 2009, 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 2009.

Confidential Customer Information

- The 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 DFOs, a net total of \$1.5 million is being charged, and ranges from a \$1.1 million charge to a \$0.3 million refund.
- For the AESO's 60 non-DFO customers, a net total of \$4.9 million is being charged, and ranges from a \$0.6 million charge to a \$0.05 million refund.

Additional Information Included With Application

- Removal of interest redistribution (proposed in AESO's 2004-2007 application) as directed by AUC.
- Inclusion of costs for Keephills-Elleslie-Genesee unit transformers conversion as directed by AUC.
- Summary of conclusions of 2008-2009 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 2001.
- Customer level allocation of annual and monthly deferral account balances.

For More Information

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