

**Updated Discussion of Changes to AESO Deferral Account Reconciliation Process  
AESO 2010 Tariff Consultation  
Stakeholder Comments on November 26, 2009 Request for Comments From AESO**

The AESO invited stakeholders to provide comments on potential changes to the AESO deferral account reconciliation process, which were discussed in more detail in a stakeholder meeting at the AESO office on November 19, 2009, and in a letter posted on the AESO website on November 26, 2009. The AESO acknowledges that stakeholder comments are provided without prejudice to the rights of customers under the AESO tariff, the Electric Utilities Act, regulations, and decisions of the Alberta Utilities Commission.

Request for Comments:           November 26, 2009  
Consultation Period:           November 26 through December 4, 2009

Written comments were provided by the following parties by December 4, 2009:

- Cities of Red Deer and Lethbridge
- EPCOR Distribution and Transmission Inc.
- FortisAlberta Inc.
- TransAlta
- TransCanada

The comments as provided by each stakeholder are attached. The AESO will provide responses to comment, where necessary, in the near future.

December 4, 2009

John Martin  
Director, Tariff Applications  
Alberta Electric System Operator  
2500, 330 – 5<sup>th</sup> Avenue SW  
Calgary, AB T2P 0L4

Dear Mr. Martin

SUBJECT: AESO Deferral Account Reconciliation Process

Further to your request, the Cities of Red Deer and Lethbridge offer their comments on the AESO's deferral account discussion papers dated November 19<sup>th</sup> and 26<sup>th</sup>. The Cities primary interest on this matter is to reduce the volatility and magnitude of deferral account variances, which currently cause unpredictable swings in Rider C charges and additional reconciliations many months (and even years) after the fact. In this regard, the AESO's 'roll-up' approach to deferral account reconciliation (as per the November 12<sup>th</sup> discussion paper) does not address the Cities' concerns, nor does it reduce the Cities' administrative burden. The Cities agree with the general conclusion of the AESO's November 26<sup>th</sup> discussion paper that it would be prudent to maintain status quo while pursuing other initiatives to minimize future deferral account balances.

The Cities also acknowledge that the AESO's November 26<sup>th</sup> discussion paper requests feedback on the possible elimination of Rider B as well as the content of the AESO's next GTA. While the Cities support the principle of maintaining a financially viable ISO, they are unable to comment further as the AESO is uniquely qualified to determine whether Rider B is required for this purpose. Furthermore, the Cities consider it inappropriate to formally comment on the content of the AESO's next GTA without the benefit of reviewing the AESO's proposals in the context of a complete draft application.

The Cities are appreciative of the AESO's efforts to improve its tariff and associated processes. Should you have any questions, feel free to contact me at (403) 781-7690.

Sincerely,

<sent by email>

Nigel Chymko  
President

cc: Otto Lenz  
Ligong Gan

**Updated Discussion of Changes to AESO Deferral Account Reconciliation Process  
AESO 2010 Tariff Consultation  
November 26, 2009 Request for Comments — Stakeholder Comment Form**

The AESO invites stakeholders to provide comments on the following potential changes to the AESO deferral account reconciliation process, which were discussed in more detail in a stakeholder meeting at the AESO office on November 19, 2009, and in a letter posted on the AESO website on November 26, 2009. The AESO acknowledges that stakeholder comments are provided without prejudice to the rights of customers under the AESO tariff, the *Electric Utilities Act*, regulations, and decisions of the Alberta Utilities Commission.

Request for Comments: November 26, 2009  
Consultation Period: November 26 through December 4, 2009

Comments From: EPCOR Distribution and Transmission Inc.  
Date: December 4, 2009  
Contact: Pat Wong  
Phone: 780-412-3361  
E-mail: pwong@epcor.ca

<b>1 Proposed Changes to Riders B and C</b>
The AESO proposes to delete Rider B and file the attached draft of Rider C for approval as part of its 2010 tariff application.
<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Rider B appears to be obsolete.

<b>2 AUC Comments in 2008 Deferral Account Reconciliation Decision</b>
The AESO proposes to include in its 2010 tariff application a general discussion of the information provided in the November 26, 2009, letter but no specific requests for approval of deferral account reconciliation process changes.
<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Timing considerations.

<b>3 Changes to Deferral Account Reconciliation Process</b>
(a) The AESO no longer considers the proposed “termination and roll-up” approach described in its November 12, 2009, discussion letter to be practical.
<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: The termination and roll-up approach does not reduce any work for the AESO.

(b)	The AESO proposes to continue to provide annual deferral account reconciliation applications that include full reconciliations of all production years to which transactions in the application year relate.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Supported by stakeholders.		

<b>4 Other Alternative Processes</b>		
(a)	The AESO considers implementation of an alternative process to be impractical as the balances in the AESO's deferral accounts continue to remain relatively large and volatile, due in large part to variances between operating reserve costs and revenues (which both vary with pool price).	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: For the reasons cited by the AESO.		
(b)	The AESO suggests it may be reasonable to defer further changes to the deferral account reconciliation process until the proposed operating reserve charge is reviewed in the AESO's 2010 tariff application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
(c)	The AESO proposes to continue to meet with stakeholders during preparation of its annual deferral account reconciliation applications, and will re-assess the conclusions in its November 26 letter at those meetings.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

<b>Additional Comments</b>
The AESO should continue to explore the viability of having its DAR models /methodologies approved by the AUC, then filing the calculations for information only.

Please return this form with your comments by December 4, 2009, to:

Ghaz Marinho  
 Regulatory Services  
 E-mail: [ghaz.marinho@aeso.ca](mailto:ghaz.marinho@aeso.ca)  
 Phone: 403-539-2474  
 Fax: 403-539-2949

**Updated Discussion of Changes to AESO Deferral Account Reconciliation Process  
AESO 2010 Tariff Consultation  
November 26, 2009 Request for Comments — Stakeholder Comment Form**

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Request for Comments: November 26, 2009  
 Consultation Period: November 26 through December 4, 2009

Comments From: FortisAlberta Inc.  
 Date: December 1, 2009  
 Contact: Miles Stroh  
 Phone: (403) 514-4229  
 E-mail: Miles.Stroh@fortisalberta.com

<b>1 Proposed Changes to Riders B and C</b>	
The AESO proposes to delete Rider B and file the attached draft of Rider C for approval as part of its 2010 tariff application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: FortisAlberta supports the deletion of Rider B. Rider C is able to perform the functions of Rider B and Rider B has not been used since 2003.  FortisAlberta specifically supports the AESO's proposal to release the Rider C forecast 30 days in advance of it becoming effective because this would allow FortisAlberta to better forecast costs to be incurred through its deferral rider in the upcoming quarter.	

<b>2 AUC Comments in 2008 Deferral Account Reconciliation Decision</b>	
The AESO proposes to include in its 2010 tariff application a general discussion of the information provided in the November 26, 2009, letter but no specific requests for approval of deferral account reconciliation process changes.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

<b>3 Changes to Deferral Account Reconciliation Process</b>	
(a) The AESO no longer considers the proposed "termination and roll-up" approach described in its November 12, 2009, discussion letter to be practical.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

- (b) The AESO proposes to continue to provide annual deferral account reconciliation applications that include full reconciliations of all production years to which transactions in the application year relate.  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

As per the presentation presented by the AESO on November 19, 2009, the full reconciliation would provide for a more precise and accurate reconciliation.

**4 Other Alternative Processes**

- (a) The AESO considers implementation of an alternative process to be impractical as the balances in the AESO's deferral accounts continue to remain relatively large and volatile, due in large part to variances between operating reserve costs and revenues (which both vary with pool price).  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

Please refer to reason in 3(b) above.

- (b) The AESO suggests it may be reasonable to defer further changes to the deferral account reconciliation process until the proposed operating reserve charge is reviewed in the AESO's 2010 tariff application.  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

- (c) The AESO proposes to continue to meet with stakeholders during preparation of its annual deferral account reconciliation applications, and will re-assess the conclusions in its November 26 letter at those meetings.  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Additional Comments**

Please return this form with your comments by December 4, 2009, to:

Ghaz Marinho  
 Regulatory Services  
 E-mail: [ghaz.marinho@aeso.ca](mailto:ghaz.marinho@aeso.ca)  
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Request for Comments: November 26, 2009  
 Consultation Period: November 26 through December 4, 2009

Comments From: TransAlta  
 Date: December 3, 2009  
 Contact: Bob Smith  
 Phone: 403-267-7119  
 E-mail: bob\_smith@transalta.com

<b>1 Proposed Changes to Riders B and C</b>	
The AESO proposes to delete Rider B and file the attached draft of Rider C for approval as part of its 2010 tariff application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

<b>2 AUC Comments in 2008 Deferral Account Reconciliation Decision</b>	
The AESO proposes to include in its 2010 tariff application a general discussion of the information provided in the November 26, 2009, letter but no specific requests for approval of deferral account reconciliation process changes.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: TransAlta agrees with the AESO that deferral account process changes are more efficiently addressed in the deferral account reconciliation application.	

<b>3 Changes to Deferral Account Reconciliation Process</b>	
(a) The AESO no longer considers the proposed “termination and roll-up” approach described in its November 12, 2009, discussion letter to be practical.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: TransAlta was okay with the proposal the AESO made for termination and roll-up; however, if the AESO prefers to continue the current multiple year retrospective deferral account reconciliations in annual applications that works for TransAlta as well. TransAlta is most	

concerned that the AESO continues to provide the information by settlement point.

- (b) The AESO proposes to continue to provide annual deferral account reconciliation applications that include full reconciliations of all production years to which transactions in the application year relate.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: See (a) above.

#### 4 Other Alternative Processes

- (a) The AESO considers implementation of an alternative process to be impractical as the balances in the AESO's deferral accounts continue to remain relatively large and volatile, due in large part to variances between operating reserve costs and revenues (which both vary with pool price).
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransAlta accepts the AESO conclusion that deferral accounts continue to remain relatively large and volatile.

- (b) The AESO suggests it may be reasonable to defer further changes to the deferral account reconciliation process until the proposed operating reserve charge is reviewed in the AESO's 2010 tariff application.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransAlta is not sure of the what evidence the AESO has to make this conclusion but since the AESO has a defined process that works there does not appear to be any reason to make changes at this time.

- (c) The AESO proposes to continue to meet with stakeholders during preparation of its annual deferral account reconciliation applications, and will re-assess the conclusions in its November 26 letter at those meetings.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

#### Additional Comments

Please return this form with your comments by December 4, 2009, to:

Ghaz Marinho  
Regulatory Services  
E-mail: [ghaz.marinho@aeso.ca](mailto:ghaz.marinho@aeso.ca)  
Phone: 403-539-2474  
Fax: 403-539-2949

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Request for Comments: November 26, 2009  
Consultation Period: November 26 through December 4, 2009

Comments From: TransCanada  
Date: December 4, 2009  
Contact: Chris Best  
Phone: 403-920-2081  
E-mail: chris\_best@transcanada.com

<b>1 Proposed Changes to Riders B and C</b>
The AESO proposes to delete Rider B and file the attached draft of Rider C for approval as part of its 2010 tariff application. <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: TransCanada is indifferent to the removal of Rider B.
TransCanada supports the proposed Rider C, with the exception of the newly added clause 3(3) which indicates no interest will be charged or credited for deferral account amounts. In the past, the AUC and AEUB have taken different approaches to the payment of interest in different circumstances (see AUC Decision 2009-010 and EUB Decisions 2003-033 & 2003-054). TransCanada believes parties should retain the right to recover interest payments should the circumstances warrant. TransCanada recommends the AESO consider the following revision to Term 3(3):  The <b>ISO</b> will not <i>typically</i> add or deduct interest to or from amounts recovered or refunded through Rider C or through a deferral account reconciliation application <b><i>unless the Commission orders otherwise in appropriate circumstances.</i></b> (changes in bold and italics).

<b>2 AUC Comments in 2008 Deferral Account Reconciliation Decision</b>
The AESO proposes to include in its 2010 tariff application a general discussion of the information provided in the November 26, 2009, letter but no specific requests for approval of deferral account reconciliation process changes. <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:

TransCanada supports the Deferral Account Reconciliation (DAR) process remaining separate from the General Tariff Application process. This will allow the DAR to be considered in more detail and more quickly.

**3 Changes to Deferral Account Reconciliation Process**

- (a) The AESO no longer considers the proposed “termination and roll-up” approach described in its November 12, 2009, discussion letter to be practical.  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

TransCanada is of the view that the “termination and roll-up” approach adds little value while creating greater risk of increased workload and potential for errors if terminated years are later reopened. The “termination and roll-up approach” will also add to the complexity and cost when customers reconcile their billing information with that used by the AESO in deferral account reconciliations.

- (b) The AESO proposes to continue to provide annual deferral account reconciliation applications that include full reconciliations of all production years to which transactions in the application year relate.  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

The current full DAR process, systems and timing have only been in place for one year (2008). TransCanada would like to see it utilized for at least two more years (2009 & 2010) before any material changes are made, such as moving to a prospective approach. Consideration of more substantive changes to the DAR process will be more appropriate when the AESO’s proposed revisions to recovery of operating reserve costs have been approved and implemented and have demonstrated a reduction in the amount of the Deferral Account amounts to be reconciled.

**4 Other Alternative Processes**

- (a) The AESO considers implementation of an alternative process to be impractical as the balances in the AESO’s deferral accounts continue to remain relatively large and volatile, due in large part to variances between operating reserve costs and revenues (which both vary with pool price).  Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

See 3(b) comments

(b)	The AESO suggests it may be reasonable to defer further changes to the deferral account reconciliation process until the proposed operating reserve charge is reviewed in the AESO's 2010 tariff application.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
See 3(b) comments		

(c)	The AESO proposes to continue to meet with stakeholders during preparation of its annual deferral account reconciliation applications, and will re-assess the conclusions in its November 26 letter at those meetings.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Ongoing discussion on these changes is appropriate.		

<b>Additional Comments</b>

Please return this form with your comments by December 4, 2009, to:

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Regulatory Services  
E-mail: [ghaz.marinho@aeso.ca](mailto:ghaz.marinho@aeso.ca)  
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