





<p>2009 Deferral Account Reconciliation Application Consultation Meeting</p> <p>John Martin, Regulatory Carol Moline and Roxanne Moeskops, Accounting March 5, 2010 — Calgary</p>	<p>Reliable Power</p> <p>Reliable Markets</p> <p>Reliable People</p>
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<p>Agenda</p>	
<ul style="list-style-type: none">• Introduction (slides 1-4)• Summary and background (slides 5-8)• Deferral account reconciliation methodology (slides 9- 15)• Summary of deferral accounts (slide 16)• Notable variances (slides 17-21)• Allocation to customers (slides 22-29)• Next steps (slides 30)• Future deferral applications (slides 31-33)• Discussion and questions (slides 34-35) <p>2</p>	

Meeting Objectives



- Develop understanding of how deferral account balances are determined and are allocated to customers
- Clarify expectations for 2009 deferral account reconciliation application filing
- Respond to questions about application and methodology
- Identify any stakeholder concerns with application or process
- Discuss approach for current and future deferral account reconciliation applications

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Scope of Presentation



- Presentation is based on preliminary deferral account balances
 - Application will likely contain some differences in numbers when filed
- Discussion is meant to be informal
 - Please ask questions during presentation!
- Discussion is “without prejudice”
 - Does not limit or restrict participants’ rights during regulatory proceeding
 - AESO may comment on what it concludes as a result of discussion

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2009 Deferral Account Reconciliation Application



- AESO plans to file comprehensive deferral account reconciliation application for 2009 in April 2010, including:
 - first reconciliation for 2009;
 - second reconciliation for 2008; and
 - third reconciliations for 2007, 2006, 2005, and 2004
- No new transactions related to years prior to 2004
- AESO will request interim approval for immediate settlement of deferral account amounts with customers

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Preliminary Balances



Surplus (Shortfall) After Rider C, \$ 000


Year	Inter-connection	Losses	Operating Reserve	Voltage Control	OSS Services	Total
2009	(5,887)		38,999	3,981	(56)	37,037
Adjustments Since 2008 Reconciliation						
2008	(3,426)		50	(1,363)	(18)	(4,757)
2007	3,923		(14)	(491)	(13)	3,405
2006	1,492		(14)	10	(3)	1,485
2005	98	-	-	(210)	-	(112)
2004	(9)	-	-	(278)	-	(287)
Total	(3,809)	-	39,021	1,649	(90)	36,771

- Excludes \$35 million payment to AltaLink for work on cancelled 500 kV Edmonton-Calgary project in accordance with Decision 2009-151

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History 

Application	2009	2008	2004-2007
Reconciliations:			
• 1st Full	2009	2008	2004-2007
• 2nd Full	2008	2004-2007	2003
• 3rd Full	2004-2007	2003	—
• Adjustments	—	2001-2002	1999-2002
Filed	Est. Apr 2010	Apr 2009	Jun 2008
Interim Settlement	Est. Jun 2010	Jun 2009	Jul 2008
Final Decision	Late 2010	Oct 2009	Jan 2009

Immediate Interim Settlement 

- Net total 2004-2009 deferral account balances of \$36.8 million surplus based on transactions to December 31, 2009
 - \$96.8 million of 2009 Rider C collections “unwound” and reallocated
- Full regulatory review process would likely conclude in late 2010
- Interim refundable settlement would provide prompt and accurate refund of outstanding balances to customers
- Interim approval by mid-June would allow settlement on invoices issued in June
- Are there approaches that would simplify interim approval process?

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Deferral Account Reconciliation Methodology



- Deferral account balance is actual costs less actual revenue
- Deferral account balances maintained at reasonable levels through quarterly Rider C, which collects or refunds amounts prior to annual reconciliation
- Deferral account balances reconciled and allocated on a production month basis for each year since 2003
- Deferral account balances allocated to customers before Rider C and prior reconciliation amounts
 - Effectively “unwinds” prior cash flows to determine new balances by rate and rate category for each customer

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Deferral Account Reconciliation Application



- Application will follow model of 2008 and 2004-2007 applications
 - Sections for each year will discuss cost variances, revenue variances, and deferral account balances
- Appendices will include extensive reports showing allocation of deferral account balances to customers
 - No changes to report layouts from those in 2008 application, other than adding 2009 year and removing years with no transactions
 - Individual allocations by settlement point will be provided to customers with multiple settlement points on request at time of application (in Microsoft Excel format)
 - AESO standard billing format layout for settlement point information was not developed as requestor did not pursue

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2009 Deferral Account Reconciliation



- Data cut-off date of December 31, 2009
 - Preparation of 2009 application began in February
 - Minimal effect on load customers from changes to transmission billing volumes between initial, interim, and final settlements
- 2010 Q1 Rider C amounts do not apply to 2009
 - 2009 year-end balances carried forward to be settled through deferral account reconciliation
- Some adjustments related to 2009 and prior years have occurred since December 31
 - Adjustments net to \$5.3 million shortfall (net increase to costs)
 - Mainly due to \$5.4 million wire cost adjustment for AltaLink for 2009 interim rate true-up and 2006-2008 deferral accounts

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Excluded Payment to AltaLink



- 2009 reconciliation excludes \$35 million payment to AltaLink for work on cancelled 500 kV Edmonton-Calgary project in accordance with Decision 2009-151
 - Payment made at end of December 2009
 - AltaLink costs incurred in 2006
- AESO has filed request for review and variance relating to payment
 - Submissions on preliminary “threshold” question in January 2010
- \$35 million currently being collected through Rider C over 12 months of 2010
 - AESO considers significant timing uncertainty exists as a result of review and variance application

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Cost Variances



- All costs recorded in revenue requirement categories as approved in Tariff Application forecast
- All costs assigned to production months in accounting system
 - Except AESO “Own Costs” assigned to months in which they occur
- Variances determined as differences between approved forecast and actual costs by revenue requirement category
 - Deferral account application is proper venue to test the AESO’s cost prudence

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Revenue Variances



- All revenue recorded by rate and rate component
- All “base rate” revenues assigned to production months in billing system
- Variances determined as differences between forecast and actual “base rate” revenue by rate and rate component

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Deferral Account Balances



- Deferral account balance is actual costs less actual revenue
 - Equivalent to net of cost variances less revenue variances as long as forecast costs equaled forecast revenues, which has not been true since 2006
- Information provided on all significant cost and revenue variances for 2009 first reconciliation
- Similar information provided for 2008 second reconciliation and 2004-2007 third reconciliations, but only considered variances arising subsequent to those reconciliations filed in 2008 deferral reconciliation application


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Summary of Deferral Accounts, \$ 000 000



	2009	2008	2007	2006	2005	2004
Interconnection	\$528.6	(\$0.8)	(\$0.3)	\$0.0	–	–
Losses	–	–	–	–	–	–
Operating Reserve	98.4	(0.0)	(0.0)	(0.0)	–	–
Voltage Control	45.4	(0.0)	0.0	0.0	–	–
Other System Support	7.9	(0.0)	(0.0)	(0.0)	–	–
Total Revenue	680.3	(0.9)	(0.3)	0.0	–	–
Wires	(534.9)	(2.6)	4.2	1.5	0.1	(0.0)
Ancillary Services	(132.8)	(1.3)	(0.5)	–	(0.2)	(0.3)
Losses	–	–	–	–	–	–
Other Industry	(14.2)	–	–	–	–	–
General & Admin	(58.2)	–	–	–	–	–
Total Costs	(740.1)	(3.9)	3.7	1.5	(0.1)	(0.3)
Surplus (Shortfall)	(59.8)	(4.8)	3.4	1.5	(0.1)	(0.3)
Rider C Collection	96.8	–	–	–	–	–
Net Surplus (Shortfall)	\$37.0	(\$4.8)	\$3.4	\$1.5	(\$0.1)	(\$0.3)


Thresholds for Variance Explanations



Production Year	Variance Explanation Threshold
2009 First Reconciliation	<ul style="list-style-type: none"> ±\$6.0 million variance, or at least ±\$0.6 million and at least ±10% of forecast
2008 Second Reconciliation (half of first)	<ul style="list-style-type: none"> ±\$2.5 million variance, or at least ±\$0.25 million and at least ±5% of forecast
2007 Third Reconciliation (one-third of first)	<ul style="list-style-type: none"> ±\$1.3 million variance, or at least ±\$0.13 million and at least ±3% of forecast
2006 Third Reconciliation 2005 (one-third of first) 2004	<ul style="list-style-type: none"> ±\$1.0 million variance, or at least ±\$0.1 million and at least ±3% of forecast

First reconciliation explanation thresholds are based on about 10% of each year's general and administrative costs component of the AESO's revenue requirement

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- ### Preliminary Notable Variances for 2009
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- ATCO's isolated generation credits were \$6.0 million (65%) lower than forecast in 2009 due to incorrect basis for forecast
 - Wire costs for ENMAX Power were \$4.6 million (15%) higher than forecast in 2009 due to approval of final costs in Decision 2009-035
 - Transmission must-run costs were \$12.9 million (35%) lower than forecast in 2009 due primarily to lower than forecast pool prices and natural gas prices
 - External regulatory costs were \$5.6 million (95%) lower than forecast in 2009 due primarily to fewer regulatory proceedings than forecast
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Preliminary Notable Variances for 2009 (cont'd)



- Operating reserves were \$133.4 million (57%) lower than forecast in 2009
 - Significantly lower pool prices during certain periods
 - Larger discounts for operating reserves
 - Volumes active operating reserves 9% less than forecast due to lower than forecast demand.
 - \$39.0 million surplus balance remaining after Rider C primarily arising in Q4 2009

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Preliminary Notable Variances for 2008



- Additional wire costs of \$2.6 million incurred in 2009 related to 2008
 - \$2.2 million for remaining KEG conversion costs (Decision 2008-101)
 - \$1.7 million for ATCO isolated generation operation and maintenance costs (Decision 2009-032)
 - \$0.9 million refund of taxes for EPCOR Transmission (Decision 2009-031)
- Net refund of billing adjustments for interconnection charges of \$0.8 million
- Additional TMR costs of \$1.4 million incurred in 2009 for settling prior year amounts

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Preliminary Notable Variances for 2007 and 2006



- Additional wire costs of \$4.2 million incurred in 2009 related to 2007 due primarily to ATCO's deferral account reconciliation adjustments of \$3.8 million (Decision 2009-087)
- Additional wires costs of \$1.5 million incurred in 2009 related to 2006 due primarily to AltaLink's deferral account reconciliation adjustments of \$1.6 million (Decision 2009-018)

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Allocation to Customers



- Deferral account balances allocated to customers by rate and rate component
- For wires, ancillary services, other industry, and general and administration costs, allocation based on revenue
- For losses, allocation based on volumes times pool price
 - No losses-related transactions for years prior to 2006
- Rider C amounts applied after deferral account balances allocated to customers

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Individual Customer Amounts



- Rider C amounts charged or refunded to customers over the period are applied on an individual customer basis to determine the net amount to be refunded to or collected from the customer
- Detailed allocation will be provided in appendices to application
- Customers and generators will be assigned random numbers in each year to protect confidentiality
 - Number codes will be provided to each customer
- Similar information will be available on request in Excel format at settlement point level, for customers with multiple settlement points

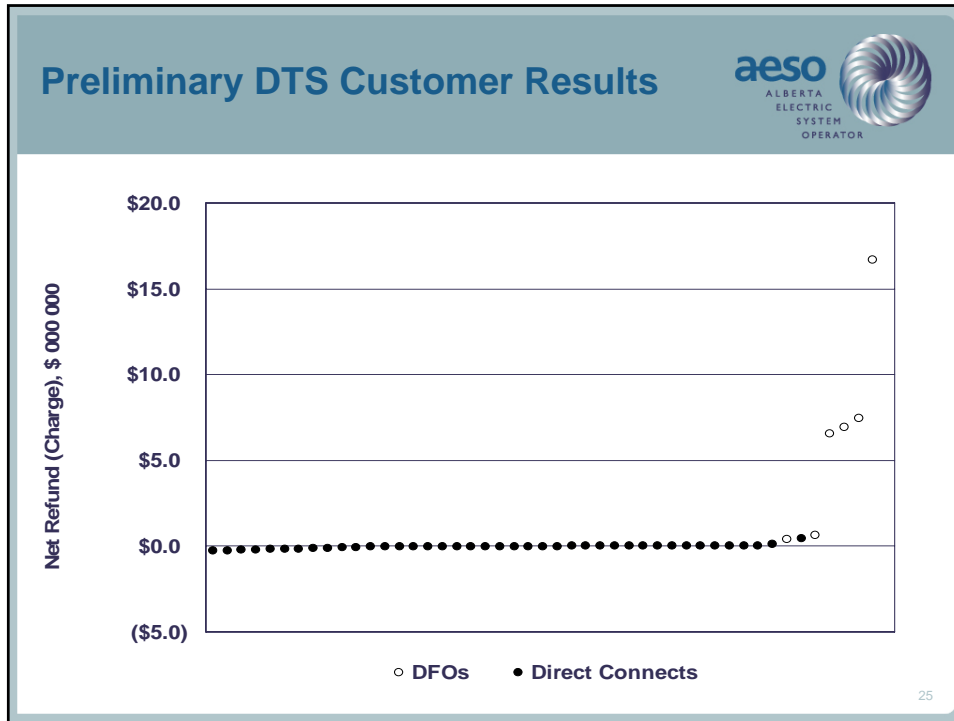
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Billing of Customer Amounts




- Where a System Access Service Agreement is assigned (through Assignment and Novation), the deferral account allocation is to the account of the assignee
 - Effective in 2002 and later years
 - Assignees have been determined as of the December 31, 2009 data cut-off date
- GST will be applied at current rate of 5%

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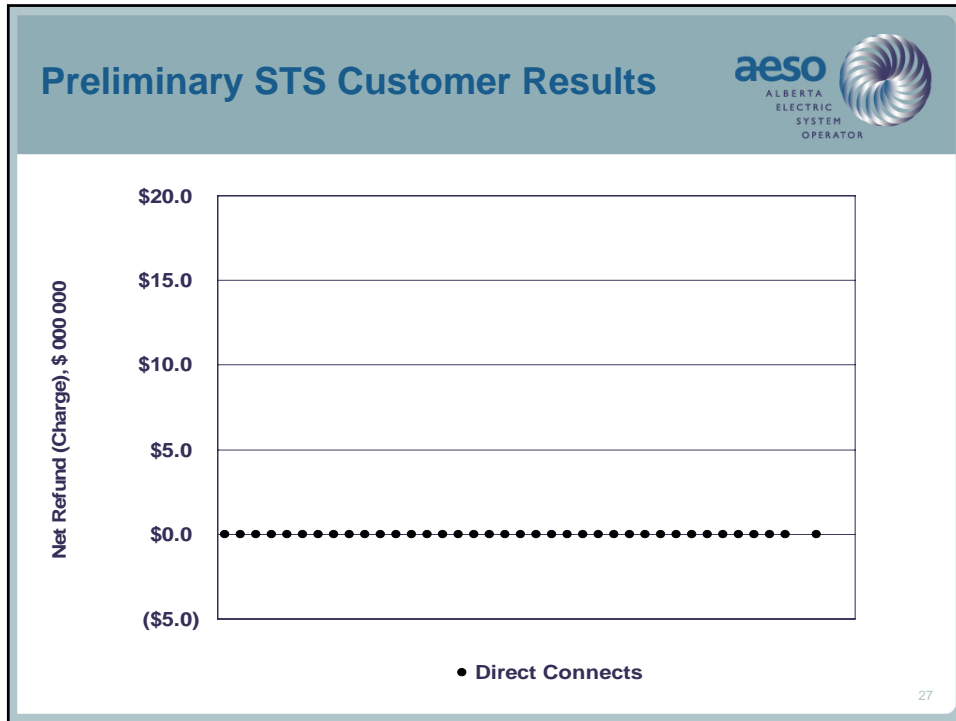


Preliminary DTS Customer Results (cont'd)




	Number of DTS Customers	% of Total DTS Customers
Charges of \$0.1 to \$0.3 million	12	26%
Charges of \$0.01 to \$0.1 million	8	17%
Charges of \$0.0 to \$0.01 million	11	23%
Refunds of \$0.0 to \$1.0 million	12	26%
Refunds of \$1.0 to \$18.0 million	4	8%
Total	47	100%

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Preliminary STS Customer Results (cont'd)



	Number of STS Customers	% of Total STS Customers
Charges of \$0.0 to \$0.001 million	21	54%
Charges of \$0.001 to \$0.01 million	10	26%
Charges of \$0.01 to \$0.03 million	8	20%
Total	39	100%

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Refunding and Collecting



- Settlement through one-time payment and collection
 - In case of financial burden, 3-month payment option available
- AESO will propose interim refundable settlement as soon as possible
 - Would provide prompt and accurate refund of outstanding balances to customers
 - Settlement in June if approval received by mid-June
 - Subject to adjustment in final decision on deferral account reconciliation application, expected in late 2010

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Next Steps



- File 2009 deferral account reconciliation application in April 2010
 - AESO will recommend written proceeding
- Distribute customer and generator number codes
 - Distribution of customer-specific settlement point reports on request
- Request approval for immediate interim settlement as part of filing
- Commission will establish schedule, expected to include information request process

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Future Applications



- AESO expects to continue full reconciliations for all years that have deferral account transactions
 - Does not require development of methodology to address prior year adjustments if full reconciliations are suspended
- Changes proposed in 2010 tariff application expected to reduce Rider C amounts and deferral account balances
 - Hourly allocation of operating reserve costs
 - “Reasonably expected” TFO wires costs for forecast year
 - Annual updates of rate levels between comprehensive tariff applications

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Future Applications (cont'd)



- Could deferral account reconciliation applications be transitioned to compliance filings rather than requests for approval?
 - Could request approval for first reconciliation for a year and treat all subsequent reconciliations as compliance filings to address period adjustments
 - Would address Commission’s “concern about the number of times that additional reconciliation is required in respect of deferral account years”
 - Recent deferral account reconciliations have been approved as filed (with the exception of interest redistribution in 2004-2007 application)

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Future Applications (cont'd)



- Compliance filing approach could reduce Commission review burden
 - Would not be expected to affect AESO or intervener workload
- Possible approaches
 - File 2009 application requesting approval for all years (2004-2009) and proposing compliance filing approach for 2010 application
 - File 2009 application requesting approval for 2009 and treat 2004-2008 as compliance filing

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Discussion and Questions



- Any concerns with proposed 2009 application?
- Comments on treatment of \$35 million AltaLink payment?
- Reaction to compliance filing approach?
- Support for immediate interim settlement?
- Any value in written comment process on any aspects of stakeholder consultation?
- Any value in a technical meeting in late April (after application is filed in early April)?
- Any other options to make deferral account reconciliation process more efficient?

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For More Information



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Tariff ► Current Applications ► 2009 Deferral Account
Reconciliation

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