



Alberta Electric System Operator

Compliance with Directions in Decision 2009-105

March 30, 2010



ALBERTA UTILITIES COMMISSION

Decision 2010-139: Alberta Electric System Operator
Compliance with Directions in Decision 2009-105
Application No. 1605528
Proceeding ID. 336

March 30, 2010

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1 INTRODUCTION AND BACKGROUND

1. On December 21, 2007, the Alberta Energy and Utilities Board (Board), the predecessor to the Alberta Utilities Commission (AUC or Commission), released Decision [2007-106](#)¹ respecting its findings on the Alberta Electric System Operator's (AESO) 2007 General Tariff application (2007 GTA).

2. In the 2007 GTA, the AESO requested approval of its forecast revenue requirement amounts. The AESO also requested approval of an amendment to Article 9.4 of the Terms & Conditions (Article 9.4) dealing with prepaid Operations and Maintenance (O&M) charges calculated on the costs of interconnection facilities. The Board did not approve the AESO's proposed amendment to Article 9.4 and set out its reasons for that decision in Decision 2007-106.

3. On March 19, 2008, the Commission received an application for a review and variance of Decision 2007-106 (R&V Application) from the Alberta Direct Connect Consumers Association, the Industrial Power Consumers Association of Alberta, the Independent Power Producers Society of Alberta, the Public Institutional Consumers of Alberta, StatoilHydro Canada Ltd., TransCanada Energy Ltd., and TransCanada Keystone Pipeline GP Ltd. with respect to the Board's decision to reject the AESO's proposed amendment to Article 9.4.

4. In Decision [2008-090](#)² the Commission found that requirements for granting the R&V Application were met. Application 1566390, Proceeding ID. 108 was initiated to address the question:

Did the Board err in failing to adequately consider the effects of the 12% prepaid O&M charge within the context of the AESO's Contribution Policy?

5. In Decision [2009-105](#)³ the Commission concluded that the Board erred in its consideration of certain aspects of the O&M charge in Decision 2007-106 and directed the AESO to revise Article 9.4 of its Terms and Conditions on or before August 15, 2009, to reflect its determination that the O&M charge should be applied only in respect of the optional portion

¹ Decision 2007-106: Alberta Electric System Operator 2007 General Tariff Application (Application No. 1485517) (Released December 21, 2007).

² Decision 2008-090: Alberta Direct Connect et al Decision on Preliminary Question Review and Variance of Alberta Energy and Utilities Board Decision 2007-106 (Application No. 1566390) (Released September 18, 2008).

³ Decision 2009-105: Alberta Direct Connect Consumers et al Review and Variance of Alberta Energy and Utilities Board Decision 2007-106: Second Stage (Application No. 1566390, Proceeding ID. 108) (Released: July 13, 2009).

of interconnection project capital costs. The AESO was also directed by the Commission to provide a full reconciliation of contribution adjustments arising from Decision 2009-105 by October 15, 2009.

6. The AESO filed its revised 2007 Terms and Conditions on July 15, 2009.⁴ In response to the direction to provide a full reconciliation of contribution adjustments, the AESO filed this compliance application (Application) with the Commission on October 14, 2009.

7. On October 22, 2009 the Commission issued a Notice of Application. Parties interested in intervening in the proceeding were required to file a statement of intent to participate (SIP) by October 28, 2009. The Office of the Utilities Consumer Advocate, Consumers Coalition of Alberta (CCA), AltaLink Management Ltd. and FortisAlberta Inc. filed SIPs. No specific issues or concerns were raised in any of the SIPs.

8. The Commission issued a process letter on November 3, 2009, establishing the following schedule to deal with the Application:

Information Requests to the AESO	November 16, 2009
Information Responses from the AESO	November 30, 2009
Argument	December 14, 2009
Reply Argument	January 11, 2010

9. CCA was the only party other than the Commission to file information requests to the AESO. The AESO and CCA both filed argument, but the AESO was the only party to file reply argument. The Commission considers the record for this proceeding to have closed on January 11, 2010.

2 DISCUSSION OF ISSUES

10. In Decision 2009-105 the Commission's direction to the AESO to reconcile contribution adjustments was stated as follows:

57. In consideration of the Commission's finding at section 3.4 of Decision [2008-037](#)³⁰ that changes to the AESO contribution policy arising from Decision 2007-106 should be made effective at the same time the balance of the 2007 tariff was made effective,³¹ and given that Order [U2008-217](#)³² set the effective date of the 2007 tariff to be August 1, 2008,³³ the Commission directs the AESO to provide a full reconciliation showing the amounts, by project, of any contribution adjustments arising from this Decision in conjunction with its refiling of revised Ts & Cs reflecting this Decision.

(Footnotes omitted.)

11. In response to this direction, the AESO included in the Application a table entitled "Projects Impacted by Decision 2009-105"⁵ (Projects Table). The Projects Table provided reconciliations for a total of 49 projects with the amounts, by project, of all contribution adjustments. The adjustments reflected the application of the revised wording of Article 9.4 on

⁴ Proceeding ID 108, Exhibit 43.

⁵ Exhibit 2.

customer contribution amounts determined for interconnection projects that had commenced after August 1, 2008.

12. The first section of the Projects Table listed 16 projects with refunds of customer contributions previously paid by customers. The total reduction in O&M charges for this group was \$13.4 million.

13. The second group consisted of 33 projects that had not yet commenced construction but did have the original Article 9.4 provisions applied to them. The total reduction in O&M charges for this group was \$21.2 million. The total of reductions in O&M charges for all projects was \$35.6 million.

14. The AESO noted that the customer contribution amounts may be subject to change based on revised estimates or final costs after project construction is complete.

2.1 Eligibility

15. Decision 2009-105 set the date of August 1, 2008 as the effective date for changes to the AESO contribution policy. All the AESO projects that received permit and license on or after August 1, 2008 were considered eligible for an adjusted customer contribution.

16. In AUC.AESO-002⁶ the AESO was asked to confirm that it had not previously determined (i.e. prior to August 1, 2008) the amount of the required customer contribution for any projects listed in the Projects Table. The AESO could not confirm this but stated that all projects listed in the Projects Table were issued permit and license on or after August 1, 2008 and were thus subject to the AESO's 2007 tariff which became effective on that date and were also eligible for an adjusted customer contribution as a result of Decision 2009-105.

17. The AESO stated that customer contributions were usually recalculated if a customer significantly revised the level or timing of contract capacity but the final contribution policy applied to a project is that which is in effect when the Commission issues permit and license for the project.

18. In AUC-AESO-001,⁷ the AESO included an edited and updated Projects Table (attached as [Appendix 2](#)) that included information on the permit and license date for each project. The updates included a column entitled "AESO Standard Facilities" with cost information; a column entitled "Facilities in excess of Standard" with cost information and a column entitled "Date of Permit and License" for all projects. The AESO also provided a correction to a calculation for Project Number 712, changing the Adjusted Contribution from \$4.7 million to \$5.0 million.

19. In its argument submitted December 14, 2009,⁸ the CCA stated that it had reviewed the Projects Table and had no objections to the calculations set out in the table.

2.2 Incremental O&M and Interconnection Capital Costs

20. In Decision 2009-105 the Commission also directed the AESO to file an analysis of the relationship between incremental O&M and interconnection costs at the time of its next general

⁶ Exhibit 12.01.

⁷ Exhibit 12.02.

⁸ Exhibit 15.01, paragraph 2.

tariff application. In CCA.AESO-002⁹ CCA asked interrogatories relating to that analysis, and in particular, on the relationship between physical facilities, maximum investment level and the O&M charge. In response to CCA's questions, the AESO stated that further discussion of these relationships should more properly occur at the time of its next tariff application.

21. In its argument, CCA acknowledged that the AESO's compliance filing reflects the Commission directions in Decision 2009-105, but submitted that, in view of expected changes to maximum investment levels in 2010, the O&M charge should apply to "investments in excess of maximum investment levels", as opposed to "facilities in excess of AESO Standard Facilities" as was directed in Decision 2009-105. In reply argument, the AESO objected to CCA's challenge to the substance of this direction in the context of this compliance filing, and reiterated its view that these matters should be debated at the time of the AESO's 2010 tariff application.

3 COMMISSION FINDINGS

22. The Commission has reviewed the Application and finds that it fairly responds to the direction contained in paragraph 57 of Decision 2009-105. The Commission notes that no party has raised any *bona fide* objection to the Application or suggested that the AESO has not satisfactorily complied with the directions in Decision 2009-105.

23. With respect to the issues raised by CCA regarding the relationship between physical facilities, maximum investment level and the O&M charge, the Commission agrees with the AESO that an examination of these issues is outside the scope of this Application and should be examined in the context of the AESO's next tariff application as ordered by the Commission in Decision 2009-105.

4 ORDER

24. IT IS HEREBY ORDERED THAT:

The Application is approved as filed.

Dated on March 30, 2010.

ALBERTA UTILITIES COMMISSION

(original signed by)

Carolyn Dahl Rees
Vice-Chair

⁹ Exhibit 13.01.

APPENDIX 1 – PROCEEDING PARTICIPANTS

Name of Organization (Abbreviation) Counsel or Representative
Alberta Electric System Operator (AESO) L. A. Kerr
AltaLink Management Inc. (AML) E. Tadayoni
Consumers' Coalition of Alberta (CCA) J. A. Wachowich
FortisAlberta Inc. (FORTIS) J. Walsh
Office of the Utilities Consumer Advocate (UCA) G. Hill

Alberta Utilities Commission
Commission Panel C. Dahl Rees, Vice-Chair
Commission Staff V. Slawinski (Commission Counsel) C. Taylor J. Halls W. MacKenzie

APPENDIX 2 – PROJECTS TABLE

[\(return to text\)](#)



Appendix 2 -
Projects Table

(consists of 3 pages)

Alberta Electric System Operator
AESO Compliance With AUC Orders in Decision 2009-105

Table AUC.AESO-001
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AESO Responses to Information Requests
Projects Impacted by Decision 2009-105

Project Number	Project Name	A Customer-Related Costs	B AESO Standard Facilities	C Facilities in Excess of Standard	D Reduction in O&M Charge	E Adjusted Contribution	F Date of Permit and Licence
Refunds of Customer Contributions Previously Paid by Customers							
526	FortisAlberta Keystone Lakesend Pump Station	\$14,435,000	\$14,435,000	-	\$1,732,200	\$7,087,600	5 Aug 2009
527	ATCO Electric Keystone Monitor Pump Station	8,501,000	6,677,000	1,824,000	801,240	2,042,880	7 May 2009
528	ATCO Electric Keystone Oyen Pump Station	6,182,000	6,182,000	-	740,840	-	7 May 2009
529	ATCO Electric Keystone Bindloss Pump Station	9,367,000	9,367,000	-	1,124,040	2,704,000	7 May 2009
585	FortisAlberta Broadmoor 420S 138/25 kV Substation	10,563,000	10,563,000	-	1,267,560	2,875,200	17 Nov 2009
595	StatoilHydro Leismer Facility	28,272,880	28,272,880	-	3,392,746	22,452,730	4 Mar 2009
655	FortisAlberta Devon 14S Conductor Upgrade	441,000	351,000	90,000	42,120	58,680	21 Aug 2008
658	Fort Assiniboine Transformer Addition	5,931,000	5,871,000	60,000	695,163	1,122,000	9 Oct 2008
702	FortisAlberta Hardisty Transformer Addition	4,315,376	4,315,376	-	995,000	-	17 Jun 2009
720	FortisAlberta Edgerton Transformer Upgrade	2,518,200	2,387,000	131,200	286,440	913,674	19 May 2009
721	Peace Butte 404S 25 kV Supply	6,484,414	6,290,414	194,000	754,849	4,622,722	22 Oct 2008
726	ATCO Electric Michichi Creek Breaker Addition	998,000	998,000	-	119,760	364,977	19 May 2009
730	ENMAX Crossfield Energy Centre Interconnection	8,260,000	8,260,000	-	6,564	8,230,267	17 Mar 2009
733	Blackmud 155S Transformer Addition	5,738,000	5,663,000	75,000	679,560	3,807,600	21 Aug 2009
804	NW Cardiff 191S Capacity Upgrade	7,622,500	2,602,000	5,014,500	312,240	6,842,640	26 Jun 2009
823	ENMAX No. 26 Substation Upgrades	8,011,966	3,557,422	4,454,544	426,890	5,022,511	25 Jun 2009
Subtotals (16 Projects)		\$127,641,336	\$115,792,092	\$11,843,244	\$13,377,212	\$68,147,481	

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Table AUC.AESO-001
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AESO Responses to Information Requests
Projects Impacted by Decision 2009-105

Project Number	Project Name	A	B	C	D	E	F
		Customer-Related Costs	AESO Standard Facilities	Facilities in Excess of Standard	Reduction in O&M Charge	Adjusted Contribution	Date of Permit and Licence
Reductions in Customer Contribution Estimates to be Paid by Customers in Future							
437	ATCO Electric Britnell Transformer Upgrade	4,922,200	3,027,343	-	590,664	2,916,200	26 May 2009
487	ATCO Electric Updike Substation	13,023,000	11,880,000	150,000	1,425,600	4,747,955	28 Apr 2009
515	Heritage Wind Farm	3,400,000	4,850	-	582	3,395,150	Pending
518	Ghost Pine Wind Farm	2,311,000	2,311,000	-	1,533	2,297,078	Not filed
524	Enel Alberta Riverview Wind Farm	3,720,000	3,720,000	-	775	3,712,767	27 Jan 2009
559	North West Upgrader Facility (Fort Saskatchewan)	29,800,000	22,300,000	17,900,000	2,592,000	16,157,000	Pending
584	Leduc 325S Substation	18,576,000	16,943,000	1,633,000	2,033,160	9,974,960	Not filed
700	TransAlta Rose Valley 635S Substation	7,576,000	7,132,000	-	855,840	1,394,689	10 Dec 2008
709	Connacher Great Divide Oilsands SAGD Project	10,317,000	9,474,921	100,000	1,238,040	1,429,900	Not filed
711	Buffalo Creek Capacity Upgrade	10,785,000	6,217,000	3,629,000	655,440	7,458,880	Pending
712	ATCO Electric Friedenstal 800S Transformer Addition	4,588,000	155,000	4,433,000	18,600	4,964,960	Not filed
722	IPF Lindbergh 969S Substation	12,088,000	11,865,000	223,000	1,423,800	6,451,760	Pending
734	Wainwright 51S Upgrade	6,494,000	2,285,500	4,208,500	274,260	6,047,820	10 Nov 2009
744	Saddle Brook Power Station	15,569,931	44,359	15,525,572	5,323	15,525,572	Pending
748	Three Hills 770S 25 kV Breaker Addition	415,000	415,000	-	50,640	297,000	27 Feb 2009
755	Dome Cutbank 810S Regulator Upgrade	750,000	726,300	23,700	87,156	132,444	29 Apr 2009
769	EPCOR Summerside Substation	20,216,740	12,170,000	4,330,000	1,772,199	11,136,866	29 Jun 2009
778	Mahihkan 837S 25 kV Breaker Addition	359,000	359,000	-	43,080	-	1 Apr 2009
779	Mercer Hill	1,587,000	1,587,000	-	190,440	859,000	15 Jun 2009
801	FortisAlberta Dry Creek Substation Upgrade	4,850,000	4,529,000	321,000	570,000	4,862,000	Not filed
806	Hayter 277S 25 kV Breaker Addition	604,400	503,100	101,300	60,372	113,456	28 Jan 2009
814	Husky Caribou	8,260,000	8,260,000	-	991,200	2,197,000	Pending
821	Christina Lake 723S Capacity Increase	8,050,873	7,600,873	450,000	1,029,451	5,280,873	Not filed
824	Balzac 391S Substation Capacity Increase	7,820,000	4,698,354	1,121,646	563,803	7,746,197	Pending
828	Kearl Oil Sands Project	9,625,471	9,625,471	-	1,155,057	-	14 Aug 2009
829	ENMAX 54S	9,248,840	7,816,347	1,432,493	811,937	1,803,739	Not filed
836	Red Deer 14S 25 kV Breaker Addition	215,000	215,000	-	25,800	-	12 Jun 2009

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Table AUC.AESO-001
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AESO Responses to Information Requests
Projects Impacted by Decision 2009-105

Project Number	Project Name	A	B	C	D	E	F
		Customer-Related Costs	AESO Standard Facilities	Facilities in Excess of Standard	Reduction in O&M Charge	Adjusted Contribution	Date of Permit and Licence
853	Cold Creek 602S Capacity Upgrade	5,219,000	3,242,000	1,977,000	364,920	2,990,840	Pending
859	Transformer Upgrades at ENMAX No. 5	18,460,856	14,957,946	3,502,910	1,794,954	14,715,425	Not filed
895	Transformer Upgrades at ENMAX No. 24	5,660,000	5,660,000	-	679,920	2,650,080	Not filed
897	Fort Assiniboine Capacity Upgrade	5,863,406	5,231,823	631,583	541,299	5,255,316	Not filed
924	Flyingshot 149S 25 kV Breaker Addition	705,197	705,197	-	84,624	329,477	Not filed
925	Crystal Lake 122S 25 kV Breaker Additions	2,046,338	2,046,388	-	265,721	2,046,338	Not filed
Subtotals (33 Projects)		\$253,127,252	\$187,708,772	\$61,693,704	\$22,198,190	\$148,890,742	
Totals (All 49 Projects)		\$380,768,588	\$303,500,864	\$73,536,948	\$35,575,402	\$217,038,223	

Notes:

- Customer-related costs in Column A comprise costs of AESO "standard facilities" (which may include both demand-related costs and supply-related costs) and of facilities in excess of standard.
- Reductions in O&M charges in Column B result from the removal of the 12% operations and maintenance (O&M) charge from demand-related costs of standard facilities in accordance with Decision 2009-105.
- Adjusted contributions in Column C include customer contributions to costs of:
 - demand-related standard facilities above the maximum investment level available to the project (to which the 12% O&M charge no longer applies),
 - supply-related standard facilities (to which the 12% O&M charge does not apply), and
 - facilities in excess of standard (to which the 12% O&M charge continues to apply).