2009 Deferral Account Reconciliation Technical Meeting
John Martin, Regulatory
Carol Moline, Accounting
May 12, 2010 — Calgary

Agenda

• Objectives (slide 3)
• Summary and background (slides 4-10)
• Deferral account reconciliation methodology (slides 11-20)
• Summary of deferral accounts (slides 21 and 30-31)
• Significant variances (slides 22-29)
• Allocation to customers (slides 32-38)
• Responses to Commission directions (slides 39-41)
• Future deferral account reconciliations (slides 42-46)
• Application review process (slide 47)
• Discussion and questions
Meeting Objectives

• Become familiar with application contents
• Develop understanding of how deferral account balances are determined and allocated to customers
• Understand amounts included in 2009 deferral account reconciliation application
• Develop understanding of AESO’s responses to directions from prior decisions
• Clarify expectations for balance of this proceeding
• Respond to questions about application and methodology

2009 Deferral Account Reconciliation Application

• On April 15, 2010, AESO filed a comprehensive deferral account reconciliation application for 2009
  • First reconciliation for 2009
  • Second reconciliation for 2008
  • Third reconciliations for 2007, 2006, 2005, and 2004
• Application included all transactions accounted for up to December 31, 2009 that related to 2009 and prior years
  • No new transactions related to years prior to 2004
2009 Deferral Account Reconciliation Application (cont’d)

• Application followed model of 2008 and 2004-2007 applications
  • Sections for each year discussed cost variances, revenue variances, and deferral account balances
• Appendices included 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 are available on request to customers with more than one settlement point (in Microsoft Excel format)

2009 Deferral Account Reconciliation Application (cont’d)

• AESO requested interim approval for immediate settlement of deferral account amounts with customers
• Commission asked parties to indicate in their statements of intent to participate (SIP) whether they supported or opposed immediate interim settlement
  • IPCAA and TransCanada expressed support
  • FortisAlberta and TransAlta stated they did not object
  • UCA did not comment
What Was Filed in the Application?

1 Background and specific requests for approval
2 Summary of process
3 First reconciliation of 2009 deferral accounts
4 Second reconciliation of 2008 deferral accounts
5-8 Third reconciliations of 2007, 2006, 2005, and 2004 deferral accounts
9-10 Allocating, refunding, and collecting deferral account amounts
11 Responses to directions from prior decisions

What Was Filed in the Appendices?

A Specified procedures report on 2008 deferral account reconciliation
B-C Reconciliations to income statements and balance sheets
D AESO annual reports
E Miscellaneous reconciliations
F Line loss charges
G Summary of customer deferral account balances
H Guide to report layouts
I-K Detailed allocations to customers by month and year
Background

Application

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd Full</td>
<td>2004-2007</td>
<td>2003</td>
<td>—</td>
</tr>
</tbody>
</table>

Filed                      | Apr 2010   | Apr 2009   | Jun 2008   |
Final Decision              | Late 2010  | Oct 2009   | Jan 2009   |

Immediate Interim Settlement

- Net total 2004-2009 deferral account balance of $1.8 million surplus based on transactions to December 31, 2009
- Full regulatory review process will likely conclude in late 2010
- Interim refundable settlement would provide prompt and accurate refund and collection of outstanding balances from customers
- Interim approval by the end of May would allow settlement on invoices issued in June
### Deferral Account Characteristics

Table 2-1, page 17

<table>
<thead>
<tr>
<th>Year</th>
<th>Basis</th>
<th>Adjustment</th>
<th>Attribution</th>
<th>Allocation</th>
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<tbody>
<tr>
<td>2009</td>
<td>production</td>
<td>—</td>
<td>month</td>
<td>2009</td>
</tr>
<tr>
<td>2008</td>
<td>production</td>
<td>—</td>
<td>month</td>
<td>2008</td>
</tr>
<tr>
<td>2007</td>
<td>production</td>
<td>—</td>
<td>month</td>
<td>2007</td>
</tr>
<tr>
<td>2006</td>
<td>production</td>
<td>—</td>
<td>month</td>
<td>2006</td>
</tr>
<tr>
<td>2005</td>
<td>production</td>
<td>—</td>
<td>month</td>
<td>2005</td>
</tr>
<tr>
<td>2004</td>
<td>production</td>
<td>—</td>
<td>month</td>
<td>2004</td>
</tr>
</tbody>
</table>

### Deferral Account Balances

Table 2-4, Page 21

#### Surplus (Shortfall) After Rider C, $ 000

<table>
<thead>
<tr>
<th>Year</th>
<th>Interconnection</th>
<th>Losses</th>
<th>Operating Reserve</th>
<th>Voltage Control</th>
<th>OSS Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>(40,887)</td>
<td>-</td>
<td>38,999</td>
<td>3,981</td>
<td>(56)</td>
<td>2,037</td>
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</table>

Adjustments Since 2008 Reconciliation

<table>
<thead>
<tr>
<th>Year</th>
<th>Interconnection</th>
<th>Losses</th>
<th>Operating Reserve</th>
<th>Voltage Control</th>
<th>OSS Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>(3,426)</td>
<td>-</td>
<td>50</td>
<td>(1,363)</td>
<td>(18)</td>
<td>(4,757)</td>
</tr>
<tr>
<td>2007</td>
<td>3,923</td>
<td>-</td>
<td>(14)</td>
<td>(491)</td>
<td>(13)</td>
<td>3,405</td>
</tr>
<tr>
<td>2006</td>
<td>1,492</td>
<td>-</td>
<td>(14)</td>
<td>10</td>
<td>(3)</td>
<td>1,485</td>
</tr>
<tr>
<td>2005</td>
<td>98</td>
<td>-</td>
<td>(210)</td>
<td>-</td>
<td>-</td>
<td>(112)</td>
</tr>
<tr>
<td>2004</td>
<td>(9)</td>
<td>-</td>
<td>(278)</td>
<td>-</td>
<td>-</td>
<td>(287)</td>
</tr>
<tr>
<td>Total</td>
<td>(38,809)</td>
<td>-</td>
<td>38,519</td>
<td>2,137</td>
<td>(90)</td>
<td>1,771</td>
</tr>
</tbody>
</table>
Deferral Reporting System

- Deferral account applications prepared using a software program developed by the AESO specifically for this purpose
- Internal controls exist to ensure completeness and accuracy of the data and calculations
- Process controls ensure reconciliations between details and summaries, and between final reports and data sources
- Calculations embedded in reporting system have been manually tested and verified in detail

Specified Procedures Review of System

- AESO contracted with independent third party (PricewaterhouseCoopers or PwC) in June 2009 to complete a specified procedures review of the AESO’s deferral reporting system based on the 2008 deferral account reconciliation application
- Copy of PwC final report is included in 2009 deferral account reconciliation application (Appendix A)
- AESO considers PwC report supports and validates the accuracy of the deferral reporting system
- PwC did not note any differences between their calculations and the 2008 AESO deferral account application
Deferral Account Reconciliation Methodology

• Deferral account balance is actual costs less actual revenue

• Deferral account balances reconciled and allocated on a production month basis for each year in application

• Deferral account balances allocated to customers before Rider C and prior reconciliation amounts
  • Effectively “unwinding” prior cash flows to determine new balances by rate and rate category for each customer
  • Quarterly Rider C maintains deferral account balances at reasonable levels by collecting or refunding amounts prior to annual reconciliation

Amounts Included in 2009 Deferral Account Reconciliation

Pages 12-15

• Data cut-off date of December 31, 2009
  • Preparation of 2009 application began in February 2010
  • Minimal effect on load customers from changes to transmission billing volumes between initial, interim, and final settlements

• For transmission system losses, only includes revenue and cost adjustments if prior to January 2006
  • No losses adjustments occurred during 2009 that applied to 2005 or prior years
Amounts Not Included in 2009 Deferral Account Reconciliation

- 2010 Q1 Rider C amounts do not apply to 2009
  - 2009 year-end balances carried forward to be settled through deferral account reconciliation
- Cost and revenue adjustments after December 31, 2009 are not included in 2009 application
- Net $7.3 million shortfall related to 2009 and prior years has occurred since December 2009
  - $5.4 million wires cost adjustment for AltaLink for 2009 interim rate true-up and 2006-2008 deferral accounts
  - $2.0 million TMR adjustment for 2009 minimum true-up for ATCO Electric units

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 prudency
Revenue Variances

• All revenue recorded by rate and rate component
• All “base rate” revenue assigned to production months in billing system
• Variances determined as differences between forecast and actual “base rate” revenue by rate and rate component
  • Forecast revenue calculated using rates in effect in each month times the forecast billing determinants for the month (excluding Rider C revenue)

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 is not true for 2007, 2008, and 2009
• 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 for variances arising since the reconciliations filed in 2008 deferral reconciliation application
### Summary of Net Deferral Accounts, $000 000

Table 2-4, Page 21

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interconnection</td>
<td>$528.6</td>
<td>($0.8)</td>
<td>($0.3)</td>
<td>$0.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Losses</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>98.4</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Voltage Control</td>
<td>45.4</td>
<td>(0.0)</td>
<td>0.0</td>
<td>0.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other System Support</td>
<td>7.9</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>680.3</td>
<td>(0.9)</td>
<td>(0.3)</td>
<td>0.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Wires</td>
<td>(569.9)</td>
<td>(2.6)</td>
<td>4.2</td>
<td>1.4</td>
<td>0.0</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Ancillary Services</td>
<td>(132.8)</td>
<td>(1.3)</td>
<td>(0.5)</td>
<td>0.1</td>
<td>(0.1)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Losses</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other Industry</td>
<td>(14.2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>General &amp; Admin</td>
<td>(58.2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>(775.1)</td>
<td>(3.9)</td>
<td>3.7</td>
<td>1.5</td>
<td>(0.1)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Surplus (Shortfall)</td>
<td>(94.8)</td>
<td>(4.8)</td>
<td>3.4</td>
<td>1.5</td>
<td>(0.1)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Rider C Collection</td>
<td>96.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net Surplus (Shortfall)</strong></td>
<td>$2.0</td>
<td>($4.8)</td>
<td>$3.4</td>
<td>$1.5</td>
<td>($0.1)</td>
<td>($0.3)</td>
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</tbody>
</table>

### Thresholds for Variance Explanations

<table>
<thead>
<tr>
<th>Production Year</th>
<th>Variance Explanation Threshold</th>
</tr>
</thead>
</table>
| 2009 First Reconciliation | • ±$6.0 million variance, or  
                          | • at least ±$0.6 million and at least ±10% of forecast |
| 2008 Second Reconciliation (half of first) | • ±$2.5 million variance, or  
                          | • at least ±$0.25 million and at least ±5% of forecast |
| 2007 Third Reconciliation (one-third of first) | • ±$1.3 million variance, or  
                          | • at least ±$0.13 million and at least ±3% of forecast |
| 2006 Third Reconciliation (one-third of first) | • ±$1.0 million variance, or  
                          | • at least ±$0.1 million and at least ±3% of forecast |
| 2005 Third Reconciliation (one-third of first) |  |
| 2004 Third Reconciliation (one-third of first) |  |

*First reconciliation explanation thresholds are based on about 10% of each year’s general and administrative costs component of the AESO’s revenue requirement.*
### Summary of Significant Cost Variances

#### Pages 34-45

<table>
<thead>
<tr>
<th>Year</th>
<th>Component</th>
<th>Variance Description</th>
</tr>
</thead>
</table>
| 2009 | Wires     | - AltaLink wires: $35.0 million (15%) more than forecast due to Commission Decision 2009-151 for the cancelled Genesee-Langdon 500 kV project  
- ATCO Electric isolated generation credit: $6.0 million (65%) less than forecast due to inappropriate basis for forecast credit  
- ENMAX Power wires: $4.6 million (15%) more than forecast due to Commission Decision 2009-084 approving 2009 TFO tariff on an interim basis |

#### Summary of Significant Cost Variances (cont’d) Pages 34-45

<table>
<thead>
<tr>
<th>Year</th>
<th>Component</th>
<th>Variance Description</th>
</tr>
</thead>
</table>
| 2009 | Ancillary Services | - Operating reserves: $133.4 million (57%) less than forecast primarily due to pool price being significantly lower than forecast, as well as larger discounts compared to previous years  
- Black start service: $1.3 million (44%) lower than forecast due to additional service providers not materializing during 2009  
- Transmission must-run: $12.9 million (35%) lower than forecast in 2009 due primarily to lower than forecast pool prices and natural gas prices |
### Summary of Significant Cost Variances (cont’d)

<table>
<thead>
<tr>
<th>Year</th>
<th>Component</th>
<th>Variance Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Ancillary Services (cont’d)</td>
<td>• Under frequency mitigation: $1.8 million (40%) less than forecast due to the withdrawal of one service provider</td>
</tr>
</tbody>
</table>
| 2009 | Other Industry | • External regulatory costs: $5.6 million (95%) less than forecast due primarily to fewer regulatory proceedings than forecast  
• WECC: $0.7 million (24%) more than forecast due to increase in fees |
| 2009 | General and Admin | • Consultants: $1.2 million (14%) more than forecast due to utilization of consultants |

### Summary of Significant Cost Variances (cont’d)

<table>
<thead>
<tr>
<th>Year</th>
<th>Component</th>
<th>Variance Description</th>
</tr>
</thead>
</table>
| 2009 | General and Admin (cont’d) | • Other administrative: $0.6 million (25%) more than forecast primarily due to increased costs related to public education and consultation and increased costs for recruiting  
• Interest: $0.9 million (50%) less than forecast due to reduced borrowing rates and an increase in working capital surpluses throughout the year.  
• Amortization and depreciation: $2.3 million (31%) less than forecast primarily due to purchasing or commissioning of assets being completed in the last few months of the year |
### Summary of Significant Cost Variances (cont’d)

<table>
<thead>
<tr>
<th>Year</th>
<th>Component</th>
<th>Variance Description</th>
</tr>
</thead>
</table>
| 2009 | Capital   | • General capital: $0.9 million (13%) less than forecast due to slower than anticipated capital infrastructure development and acquisition during 2009  
• Dispatch tool re-architecture: $0.7 million (44%) more than forecast due to complexities associated with integrating the dispatch tool into other AESO systems |
| 2008 | Wires     | • KEG unit transformers conversion: $2.2 million (66%) additional costs paid in 2009 attributed to 2008 |
| 2007 | Wires     | • Additional wire costs of $4.3 million incurred in 2009 related to 2007 due to ATCO Electric’s deferral account reconciliation adjustments of $3.8 million (Decision 2009-087) and $0.3 million from the settlement of TransAlta’s 2007 deferral accounts (Decision 2009-151) |
| 2006 | Wires     | • 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) |
Summary of Significant Cost Variances (cont’d)

<table>
<thead>
<tr>
<th>Year</th>
<th>Component</th>
<th>Variance Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Wires</td>
<td>• $0.1 million (3%) reduction from the settlement of TransAlta’s 2005 deferral accounts (Decision 2009-151)</td>
</tr>
<tr>
<td>2006 and 2005</td>
<td>Ancillary Services</td>
<td>• Interruptible Load Remedial Action Scheme (ILRAS): $0.1 million (8%) less (in each year) due to final settlement on contracts with BCTC</td>
</tr>
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</table>

2009 Deferral Account Summary

Tables 3-1 (Page 33), 3-2 (Page 45), and 3-3 (Page 47)

<table>
<thead>
<tr>
<th>Demand Transmission Service</th>
<th>Forecast $ 000 000</th>
<th>Recorded $ 000 000</th>
<th>Variance $ 000 000</th>
<th>%</th>
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<tbody>
<tr>
<td>Total Revenue</td>
<td>$759.5</td>
<td>$680.3</td>
<td>($79.2)</td>
<td>(10.4%)</td>
</tr>
<tr>
<td>Total Costs</td>
<td>(885.9)</td>
<td>(775.1)</td>
<td>110.8</td>
<td>(12.5%)</td>
</tr>
<tr>
<td>Surplus (Shortfall)</td>
<td>($126.4)</td>
<td>($94.8)</td>
<td>$31.6</td>
<td>(25.0%)</td>
</tr>
<tr>
<td>Rider C Collection</td>
<td>–</td>
<td>96.8</td>
<td>96.8</td>
<td>–</td>
</tr>
<tr>
<td>Net Surplus (Shortfall)</td>
<td>($126.4)</td>
<td>$2.0</td>
<td>$128.4</td>
<td>(101.6%)</td>
</tr>
</tbody>
</table>
Summary of Deferral Account Balances After Rider C, $000 000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$680.3</td>
<td>$737.2</td>
<td>$685.2</td>
<td>$700.6</td>
<td>$831.9</td>
<td>$757.9</td>
</tr>
<tr>
<td>Total Costs Paid</td>
<td>(775.1)</td>
<td>(880.2)</td>
<td>(739.3)</td>
<td>(700.9)</td>
<td>(850.2)</td>
<td>(691.3)</td>
</tr>
<tr>
<td>Surplus (Shortfall)</td>
<td>($94.8)</td>
<td>($142.9)</td>
<td>($54.2)</td>
<td>($0.2)</td>
<td>($18.3)</td>
<td>$66.6</td>
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<tr>
<td>Rider C Collection</td>
<td>96.8</td>
<td>133.5</td>
<td>58.1</td>
<td>15.1</td>
<td>18.7</td>
<td>(72.1)</td>
</tr>
<tr>
<td>Prior Reconciliation</td>
<td>–</td>
<td>4.6</td>
<td>(0.5)</td>
<td>(13.4)</td>
<td>(0.4)</td>
<td>5.2</td>
</tr>
<tr>
<td>Net Surplus (Shortf')</td>
<td>$2.0</td>
<td>($4.8)</td>
<td>$3.4</td>
<td>$1.5</td>
<td>($0.1)</td>
<td>($0.3)</td>
</tr>
</tbody>
</table>

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 adjustments included in this application
- Rider C amounts applied after deferral account balances allocated to customers
Individual Customer Amounts
Pages 96-98 and Appendices G-K

• Rider C amounts charged or refunded to customers over the period were applied on an individual customer basis to determine the net amount to be refunded to or collected from the customer
• Detailed allocation provided in appendices to application
• Customers and generators assigned random numbers in each year to protect confidentiality
  • Number codes have been provided to each customer
• Similar information can be provided on request in Excel format at settlement point level, for customers with more than one settlement point

Billing of Customer Amounts
Pages 97 - 98

• 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 March 31, 2010 when reports were finalized
• GST will be applied at current rate of 5%
### DTS and STS Customer Results

**Table 10-1, Page 100**

<table>
<thead>
<tr>
<th>Range of Refunds and Charges</th>
<th>Number of Customers</th>
<th>Total Amount, $ 000 000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DFO</td>
<td>Non-DFO</td>
</tr>
<tr>
<td>Refund &gt; $2,000,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Refund $1,000,000 – $2,000,000</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Refund $500,000 – $1,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refund $100,000 – $500,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Refund $50,000 – $100,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refund $0 – $50,000</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Subtotal Refunds</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Charge $0 – $50,000</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Charge $50,000 – $100,000</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Charge &gt; $100,000</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Subtotal Charges</td>
<td>2</td>
<td>39</td>
</tr>
<tr>
<td>Total Refunds and Charges</td>
<td>6</td>
<td>41</td>
</tr>
</tbody>
</table>

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### DTS Customer Results

Appendix H

- **Net Refund (Charge), $ 000 000**
  - DFOs
  - Direct Connects
STS Customer Results

Appendix H

Net Refund (Charge), $ 000 000

- STS Customers

Refunding and Collecting

Pages 99 - 100

- Settlement through one-time payment and collection
  - In case of financial burden, 3-month payment option
- AESO proposed interim refundable settlement as soon as possible
  - Parties requested to comment in their SIPS
  - Settlement in June if approval received by end of May
- Subject to adjustment in final decision on 2009 deferral account reconciliation application, expected in late 2010
  - AESO suggests any adjustments be included in 2010 reconciliation application, to be filed in Q2 of 2011
• $35 million payment to AltaLink for costs incurred for cancelled Genesee-Langdon 500 kV project
  • Commission directed AltaLink to give effect to the $35 million backstop arrangement with AESO
  • Payment made by AESO on December 31, 2009
  • Commission dismissed AESO’s request to review and vary their findings with respect to the direction to pay
  • AltaLink included costs in its refiling of its 2009-2010 transmission tariff pursuant to Decision 2009-151
  • AltaLink received interim approval in Commission Decision 2010-054

• Remaining balance of KEG transformer conversion project costs included in 2009 deferral account reconciliation application
  • In Decision 2009-191, Commission directed AESO to include any final cost balances, not already accounted for, in its next deferral account application
  • AESO received and paid one invoice in addition to those accounted for in the 2008 deferral account reconciliation application
  • Additional cost of $2.2 million paid in 2009 has been attributed to 2008
Responses to Commission Directions (cont’d)

• In Decision 2009-191, Commission expressed concerns about number of times that additional reconciliations are required for deferral account years that have already been considered

• AESO investigated and consulted on changes to simplify and improve the efficiency of the preparation and review of deferral account reconciliation applications

• Process review fits best within a deferral account reconciliation application rather than tariff application
  • Changes may potentially be implemented earlier than if in a tariff application

Future Deferral Account Reconciliations

• Considered and rejected “termination and roll-up” approach
  • Reduction in precision (especially for STS-related amounts)
  • Lack of transparency
  • Minimal reduction to time and resource requirements
  • Material adjustments may require re-reconciliation of a terminated year
• While deferral account balances remain relatively large and volatile, an alternative process would be impractical.
• Proposed three changes in the 2010 tariff application that may reduce the size and volatility:
  • Use of “reasonably expected” TFO wires costs for forecast year’s revenue requirement
  • Hourly allocation of operating reserve costs
  • Annual updates of rate levels between comprehensive tariff applications

• Opportunity to modify the review and approval process:
  • Calculation and allocation methodology is approved for the initial reconciliation and that same approach is used in all subsequent reconciliations of the same year
  • Assurance can be provided with a formal compliance review completed by a third party
  • May be prudent to rely on such a compliance review when deferral account balances are less than a specific materiality threshold (less than 1% of the annual revenue requirement subject to deferral account reconciliation)
Future Deferral Account Reconciliations
(cont’d) Page 25 - 29

- AESO suggested a compliance review approach
  - Would be practical and efficient to include confirmation that the first reconciliation of a deferral account year follows the calculation and methodology
  - Compliance review would cover all deferral account reconciliations included in an application
  - AESO would retain the right to request Commission approval of any specific deferral account re-reconciliation
  - Estimated cost between $100,000 and $200,000
  - Assuming no compliance concerns were identified, financial settlement would occur on an interim basis without specific Commission approval

Future Deferral Account Reconciliations
(cont’d) Page 25

- AESO requested approval to use a compliance review approach for the 2010 deferral account reconciliation application
- Discussed with stakeholders the possibility of a negotiated settlement process
  - Stakeholders were concerned they could only assess the accuracy of the calculations and the allocation methodology with respect to their own accounts
  - No individual customer could examine the overall reasonableness of the deferral account reconciliation application due to confidentiality of account information for other customers
Application Review Process

- Filed application on April 15, 2010
- Statements of intent to participate on April 30, 2010
- Technical meeting on May 12, 2010
- Information requests to AESO in early June 2010
- IR responses from AESO in late June 2010
  - Assume no intervener evidence, IRs to interveners, rebuttal evidence, second round of IRs, or oral hearing
- Argument and reply argument in July 2010
- Decision in late October 2010

Discussion and Questions
For More Information

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- Application on AESO website at www.aeso.ca
  Tariff ▶ Current Applications ▶ 2009 Deferral Account Reconciliation