



May 28, 2010

Submitted via AUC Digital Data Submission (DDS) System

Alberta Utilities Commission
Utilities Division, Calgary Office
Fifth Avenue Place
400, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Attention: Jay Halls, Application Officer

Dear Jay:

**Re: AESO Responses to Questions Asked During Technical Meeting on
AESO 2009 Deferral Account Reconciliation Application
Application No. 1606095 and Proceeding ID 589**

During the technical meeting on the AESO's 2009 Deferral Account Reconciliation Application held on May 12, 2010, the AESO stated it would provide answers to questions which it was unable to fully address during the meeting itself.

Attached are responses to the questions noted by the AESO. As discussed during the meeting, we are submitting these responses via the Alberta Utilities Commission's Digital Data Submission system so that they may be considered part of the record in this proceeding.

If you have any questions on these responses, please contact me at 403-539-2465 or by email to john.martin@aeso.ca.

Sincerely,

[original signed by]

John Martin
Director, Tariff Applications

attachment

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
Carol Moline, Director, Accounting & Treasury, AESO

Technical Meeting Question 001

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Topic: Specified Procedures Review of Deferral Reporting System

Reference: Technical Meeting presentation, slide 14

Request:

As part of its specified procedures review, did PricewaterhouseCoopers reconcile or validate amounts in the AESO billing system or did they use the output from the billing system as the starting point for their review?

Response:

PricewaterhouseCoopers used the output from the billing system as the starting point.

The *Specified Procedures Report* provided as Appendix A of the application describes the production revenue evaluation in section 3.1.2 (pages 6-7), and includes the following summary:

We [PwC] requested and obtained an extract of the detailed production revenue from the GL [general ledger] and the TSS [transmission settlement system, which is the AESO's billing system].... We used the TSS detail obtained from AESO to compute the TSS revenue on a production month basis by cost category and rate class.

PricewaterhouseCoopers stated that the purpose of their test was “to assess that the production revenue used for the deferral account calculations (TSS revenue) is in agreement with the revenue reported in the GL and that the aggregated production year revenue is in agreement with the AESO 2008 Deferral Account Reconciliation Application which reconciles to the audited income statement.”

Technical Meeting Question 002

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Topic: Approved Forecasts Used to Determine Cost Variances

Reference: Technical Meeting presentation, slide 18

Request:

Please indicate the approval documents for the amounts included as “Approved Forecasts” in Table 3-1 for 2009 and similar tables for other years.

Response:

2009 The 2009 approved forecast was as filed in the AESO’s 2009 Rates Update Application on March 12, 2009. Lines 1 to 11 of Table 3-1 were based on TFO tariff approvals, except for line 3 which was an AESO forecast of the ATCO Electric isolated generation credit. Lines 12 to 61 were based on the *AESO Board Decision* dated January 28, 2009, with amendments to capital costs approved on December 17, 2009, as discussed in section 3.1.5 (page 43, paragraph 211) of the 2009 Deferral Account Reconciliation Application.

The approval documents for approved forecasts for 2008 and prior years were discussed in the first deferral account reconciliations for each of those years, and are summarized below.

2008 The 2008 approved forecast was not filed in an AESO tariff application. Lines 1 to 12 of Table 4-1 were based on TFO tariff approvals, except for line 3 which was an AESO forecast of the ATCO Electric isolated generation credit. Lines 13 to 63 were based on the *AESO Board Decision* dated March 28, 2008.

2007 The 2007 approved forecast was as approved in Alberta Utilities Commission Decision 2008-037 dated May 8, 2008, on the AESO’s 2007 General Tariff Application Refiling dated February 1, 2008.

2006 The 2006 approved forecast was:

- for lines 1 to 36, as approved in Alberta Energy and Utilities Board Order 2005-464 dated December 20, 2005, on the AESO’s 2005-2006 General Tariff Application Second Refiling dated December 9, 2005;
- for lines 37 to 64, as filed in the AESO’s 2006 Own Costs Update on January 13, 2006; and
- for line 65, as approved in Alberta Energy and Utilities Board Decision 2005-021 dated March 22, 2005, on the AESO’s System Coordination Centre.

2005 The 2005 approved forecast was as approved in Alberta Energy and Utilities Board Order 2005-464 dated December 20, 2005, on the AESO’s 2005-2006 General Tariff Application Second Refiling dated December 9, 2005.

- 2004** The 2004 approved forecast was as approved in Alberta Energy and Utilities Board Order U2004-429 dated December 2, 2004, for the AESO's 2004 total revenue requirement, and:
- for lines 1 to 40, as approved in Alberta Energy and Utilities Board Decision 2005-005 dated January 31, 2005, on the AESO's 2004 General Tariff Application Phase I (except for AESO Own Costs); and
 - for lines 41 to 70, as approved in Alberta Energy and Utilities Board Decision 2004-012 dated February 11, 2004, on the AESO's 2004 General Tariff Application "Own Costs" Module.



Technical Meeting Question 003

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Topic: Wires Cost Variances

Reference: Technical Meeting presentation, slide 23

Request:

If the AESO incurred costs related to a transmission project, are any costs transferred to a TFO? If so, do those costs show up in the AESO's recorded costs?

Response:

The AESO sometimes engages outside parties to complete work for a transmission project that would otherwise be charged to the project by a TFO. The AESO's current practice is to recover the costs associated with such work from the TFO. The amounts are not recorded as AESO costs as they are recovered from and recorded by TFOs.



Technical Meeting Question 004

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Topic: Wires Cost Variances

Reference: Technical Meeting presentation, slide 23

Request:

If the AESO reimbursed a TFO for costs incurred for a project which was cancelled, where are those costs recorded by the AESO?

Response:

Prior to 2009, the AESO sometimes included in its direction letters to TFOs an arrangement to pay costs incurred by the TFO if a connection project was cancelled before a cancellation costs agreement was entered into between the TFO and the customer. If incurred, such costs were typically on the order of \$25,000 and were recorded as a wires cost attributable to the TFO. The total amounts have never been large enough to warrant a variance explanation in a deferral account reconciliation application.

Effective January 1, 2009, the AESO no longer includes such an arrangement in its direction letters to TFOs.

Technical Meeting Question 005 (a-b)

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Topic: Ancillary Services Cost Variances

Reference: Technical Meeting presentation, slide 24

Request:

- (a) Please explain why the AESO has not contracted with additional black start service providers and the impact on the AESO's ability to recover from a system-wide black-out (including regional impacts, if any).
- (b) Why hasn't the AESO reduced its forecast costs for black start service, since recorded costs have been less than forecast costs every year since 2004, by on average 31%?

Response:

- (a) The AESO is in negotiations for additional black start services but has not yet reached final agreement for those services. The AESO currently has adequate service providers under contract to recover from a system-wide black-out. The AESO is seeking additional providers to provide redundancy in the event of contingencies and to ensure sufficient geographical coverage to enable prompt system restart times.
- (b) Variances of actual black start costs from forecast costs since 2004 have arisen due to several factors including the unanticipated withdrawal of past service providers and the inability to reach agreements with potential suppliers. When the AESO is negotiating with suppliers for ancillary services, its practice is to include estimated costs for those services in the fiscal year forecast for which the AESO intends to sign commercial agreements for those services. In 2009, the AESO intended to conclude its negotiations for additional black start services but was unable to do so which resulted in the variance of actual costs from forecast.



Technical Meeting Question 006

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Topic: Ancillary Services Cost Variances

Reference: Technical Meeting presentation, slide 24

Request:

Did the lower-than-forecast transmission must-run costs in 2009 relate to ATCO Electric's Rainbow units or from other TMR providers?

Response:

The lower-than-forecast transmission must-run costs in 2009 are due to lower-than-forecast costs for the TMR units in the Rainbow area, which includes ATCO Electric's Rainbow units.



Technical Meeting Question 007

Page 1 of 1

Topic: DTS Customer Results

Reference: Technical Meeting presentation, slides 35-36

Request:

Please confirm that the fourth-largest refund of about \$0.3 million is to a non-DFO Rate DTS customer.

Response:

Confirmed. The customer was a direct-connect Rate DTS customer, and the refund was \$257,361 before GST as provided for DTS Customer 40 in Appendices G-1 and G-2 of the application. Almost all of the refund arises from the allocation of the 2009 deferral account balances to customers.

The AESO has reviewed the allocation of deferral account balances for DTS Customer 40 and has confirmed that all amounts are correct. DTS Customer 40 is one of the AESO's larger direct-connect customers and was the highest load factor direct-connect customer during 2009. As a result of its high load factor, during 2009 DTS Customer 40 paid a proportionately higher share of \$/MWh Rider C charges than other direct-connect customers, resulting in a refund of about one-third of its Rider C charges through the 2009 deferral account reconciliation.