



Topic: Validation of Calculations

Reference: PriceWaterhouse Coopers Specified Procedures Report.

Preamble: The data in the tables in the PriceWaterhouse Coopers report have been redacted. The UCA notes that there does not appear to be any customer specific data other than for Distribution Facility Owners. As such, the UCA does not expect that the information should be confidential. The UCA requires the data in the tables to validate the conclusions of the report and the assertions of the AESO.

Request:

Please provide the PriceWaterhouse Coopers report with the data in the tables included.

Response:

Please see Attachment UCA.AESO-001 which is an unredacted version of the PricewaterhouseCoopers ("PwC") deferral account review report. As explained in the cover letter from PwC, they have reviewed the report and now agree to its release in response to UCA's information request.

The AESO cautions that the report was prepared by PwC on the understanding it would be used by the management of the AESO and would not be disclosed publicly, in accordance with PwC's engagement with the AESO. As a result, the report should not be relied upon for other than its stated purpose and in the context of the AESO's deferral account reconciliation.

Topic: Closure of prior years

Reference: Application Section 2.8.

Preamble: The UCA notes that the AESO recommends that its practice of reconciling every year in each deferral account application continue and that no years be closed.

Request:

- (a) Please confirm that customers related to prior years may not be the same customers as are in place at the date of the deferral account application.
- (b) Please provide the AESO's understanding of how Distribution Facility Owners allocate all deferral account balances to customers. Include in the discussion the AESO's assessment of how Distribution Facility Owners allocate deferral account balances related to prior years to customers in place in the related prior year.
- (c) Please confirm that all prior year adjustments in this application relate to Commission Decisions on Transmission Facility owners or the AESO impacting prior years. If not confirmed please fully explain.
- (d) Please discuss the AESO's expectations related to the impact of Commission Decisions on prior years over time. At some point, will all Commission directions for a year be complete and each year be closed for all Transmission Facility owners?
- (e) In light of (d) above, please confirm that in the long run, after all applications and deferral accounts have been adjudicated, the only adjustments to prior years will be for metering or billing errors. If not confirmed, please fully explain.
- (f) Please fully discuss the practices and regulations related to correction of metering or billing errors. Are there any limits on how far back metering or billing errors can be corrected?
- (g) Please confirm that metering or billing errors will be related to specific customers or Distribution Facility owners. If not confirmed, please fully explain.

Response:

- (a) Confirmed. The AESO notes that the statement is true both for users of the transmission system as well as for end-use customers of distribution facility owners.
- (b) The AESO understands that distribution facility owners allocate deferral account balances to their customers as follows.

- (i) For transmission-connected DFO customers, deferral account balances related to those customers are generally refunded or charged directly to those customers. That is, there is generally a direct flow-through of AESO deferral account balance amounts to transmission-connected DFO customers.

The AESO understands that both current year deferral account balances as well as prior year deferral account balances are treated in this direct flow-through manner, for transmission-connected DFO customers.

- (ii) For distribution-connected DFO customers, deferral account balances related to those customers are generally refunded or charged as part of DFO deferral account settlement processes. Amounts are usually included with other transmission-related costs in the relevant DFO deferral account, and a rider is calculated by rate class that will refund or collect the appropriate amount from each DFO customer rate class, excluding transmission-connected DFO customers who are treated as discussed in part (i) above. The rider is applied to current consumption of each customer in a rate class. Any deferral account balances remaining to be refunded or collected after the period in which a rider is effective is generally included in a subsequent DFO deferral account settlement process. All riders are subject to approval of the Alberta Utilities Commission, for those distribution facility owners regulated by the Commission.

The AESO understands that both current year deferral account balances as well as prior year deferral account balances are refunded or collected through such riders on future consumption, for distribution-connected DFO customers.

- (c) Not confirmed.

The majority of **cost** adjustments for 2008 and prior years do relate to Commission decisions on matters relating to transmission facility owners or the AESO, but some smaller cost adjustments did not arise from Commission decisions. In 2008, for example, adjustments to location based credit standing offer (LBC SO) amounts and to trading fees and other related charges did not arise from Commission decisions.

As well, prior year **revenue** adjustments generally do not relate to Commission decisions.

- (d) The AESO understands that the Commission has the jurisdiction to issue decisions that affect any prior years, without restriction. For example, the AESO's 2004-2007 deferral account reconciliation included the impact of Decision 2007-104, released on December 21, 2007, which approved a total of \$16.1 million resulting from compliance with Direction 38's requirement for ATCO Electric to refund future income taxes that ATCO Electric had collected from customers as part of a transition to a flow-through method to compute federal and provincial income taxes. That decision resulted in adjustments to ATCO Electric's TFO tariff for the years 2003 through 2007. As can be seen from this example, Commission decisions may address significant refunds or collections relating to production years several years earlier.
- (e) The AESO agrees that, subject to no Commission decisions that affect prior years and after reasonable passage of time to allow adjustments not related to decisions to occur,

the only adjustments that arise should be revenue adjustments related to metering or billing adjustments, including post final adjustment mechanism (PFAM) adjustments.

- (f) The AESO understands that the primary documents that may affect metering and billing adjustments are the *Electricity and Gas Inspection Act* and AUC Rule 021, being the Settlement System Code Rules.

Various sections of the *Electricity and Gas Inspection Act* apply in different circumstances. Section 24(3) appears to potentially extend the furthest back in time where, for a meter that has been incorrectly connected, if there has been an incorrect use of any prescribed apparatus respecting the registration of a meter, or if an incorrect multiplier has been used, any resulting error is deemed to have existed from the time of installation of the meter or from the time that the apparatus or multiplier had been in use, without further limitation.

Under section 5.3.1(1) of AUC Rule 021 (Version 2.0, effective January 1, 2010), post-final adjustment mechanism (PFAM) adjustments may apply to load settlement transactions dating from and after January 1, 2001. Errors for periods before January 1, 2001, are to be addressed by the claimant to the relevant organization responsible for load settlement at that time. PFAM adjustments may also be subject to materiality limits under section 5.3.7 of AUC Rule 021.

- (g) Metering or billing adjustments will be related to specific customers (who may be distribution facility owners). The revenue shortfall or surplus resulting from the metering or billing adjustments will create a deferral account balance that will then need to be settled with all customers. As well, an adjustment to a specific customer's revenue will affect the allocation of deferral account balances to that customer, which will also affect the deferral account balance to be allocated to other customers.