



August 16, 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 Submission on Confidentiality Request in  
AESO 2009 Deferral Account Reconciliation Application  
Application No. 1606095 and Proceeding ID 589**

- 1 The Alberta Electric System Operator (“AESO”) provides the following submission concerning the Industrial Power Consumers Association of Alberta (“IPCAA”) Submission of July 30, 2010 in the above-noted proceeding, which the Commission is treating as a motion (“Motion”) under Section 9 of the Commission’s Rule 001, as set out in your letter of August 5, 2010. For the reasons which follow, the AESO submits that the Motion should be denied in its entirety.

### **Relevant Facts**

- 2 In Decision 2008-101, the Commission ordered the AESO to (a) pay to the owners of the Genesee Generating Units the actual direct costs for the Genesee Generating Station – 500 kV Transformer Upgrade (“Project”), upon presentation of acceptable documentation to validate the quantum of such costs, and (b) to include such costs in the AESO’s next deferral account application.
- 3 This Order reflected the following findings by the Commission:
- (a) the then-current estimate of the direct costs of the Project were \$4,534,068.00 with an accuracy of  $\pm 30\%$ ;
  - (b) no interested party commented on the prudence of the estimated direct costs for the Project; and
  - (c) the estimate of the direct costs for the Project was prudent.

- 4 In accordance with the Commission's order in Decision 2008-101, the AESO included \$3.3 million of recorded Project costs for 2008 in its 2008 Deferral Account Reconciliation Application. At that time the AESO had completed a preliminary review that indicated the costs were consistent with those anticipated in the AESO's application for recovery of the Project costs. The AESO also noted that work on the Project was not yet completed and further costs were expected to be incurred in 2009. The \$3.3 million of costs was settled with customers on an interim basis in June 2009, and approved on a final basis in Commission Decision 2009-191 on October 29, 2009. In Decision 2009-191, the Commission also directed the AESO to include any costs not already accounted for in the 2008 application in its next deferral account reconciliation application.
- 5 The AESO engaged Revay and Associates to complete an audit of invoices received for the project to ensure that only actual direct costs for the project had been invoiced to the AESO and to validate the quantum of such costs. Revay and Associates provided its *Cost Review Report* to the AESO in 2009, attesting to the prudence, accuracy, and completeness of the actual direct costs of the Project.
- 6 In accordance with the Commission's direction in Decision 2009-191, the AESO included the remaining balance of \$2.2 million of recorded Project costs for 2008 in its 2009 Deferral Account Reconciliation Application. That amount was settled with customers on an interim basis in June 2010, in accordance with Commission Decision 2010-209 on May 13, 2010.
- 7 In response to IPCAA Information Request IPCAA.AESO-001, a redacted version of the *Cost Review Report* prepared by Revay and Associates was filed by the AESO on July 6, 2010. The AESO also provided a comparison of the estimated and final recorded costs of the Project.
- 8 On July 15, 2010, IPCAA advised the Commission by letter it had reviewed the redacted report and was "left with remaining concerns with respect to the cost increases for this project."
- 9 On July 26, 2010, having regard to the fact that IPCAA made no statement which suggested that the redacted version of the *Cost Review Report* filed by the AESO needed to be filed on an unredacted basis in order to address any remaining concerns of IPCAA, the Commission ruled that it "will not require the filing of an unredacted version of the [*Cost Review Report*]." In that same ruling, the Commission requested parties to indicate whether or not it was their intention to file evidence in respect of the Application not later than July 30, 2010, such that the Commission might then determine whether an Intervener evidence process step is required.
- 10 On July 30, 2010, IPCAA filed its Submission, which the Commission is treating as a motion under section 9 of the Commission's Rule 001.

### **AESO Submission**

- 11 In the first two items of relief requested in IPCAA's Motion (page 7, sections 4.1 and 4.2), IPCAA continues to seek the filing of an unredacted version of the *Cost Review Report*. IPCAA states that its unresolved concerns about the prudence of the costs of the Project warrant such disclosure, reiterating the same concerns previously expressed by IPCAA in its July 15 letter. Nevertheless, the Commission has previously ruled that it "will not require the filing of an unredacted version of the [*Cost Review Report*]" . The question of the filing of an unredacted version of the *Cost Review Report* has been determined, and IPCAA has provided no new evidence that warrants a review of that determination, which is effectively the relief IPCAA is seeking.

- 12 In the third item of relief requested in its Motion (page 7, section 4.3), IPCAA requests the Commission review the appropriateness of the recovery of the direct costs of the Project in a single year. The AESO notes that, as described in paragraphs 4 and 6 above, the costs have actually been recovered over two years, although amounts in each year were attributed to the 2008 production year. The methodology for recovery of the costs of the Project was approved in Decision 2009-191, when the matter was included in the AESO's 2008 deferral account reconciliation application in accordance with the original direction in Decision 2008-101. The question of the methodology for recovery of the project costs has therefore been determined on a final basis, and IPCAA has provided no new evidence that warrants a review of that determination.
- 13 The balance of the Motion (page 8, sections 4.4 to 4.8) comprises various requests by IPCAA that the Commission now direct the AESO to produce further considerable and detailed information and documents, and to conduct comparative cost analysis. IPCAA suggests that these various requests are warranted because, among other reasons, the *Cost Review Report* has in its view been redacted more than necessary. IPCAA also suggests that the AESO's explanation for actual cost variances is or may be incomplete.
- 14 There is no evidence that these suggestions are more than speculation on IPCAA's part, and such speculation does not warrant the granting of relief, given the disclosure that has been made which clearly validates the quantum of the direct costs of the Project in accordance with the Commission's order in Decision 2008-101. Revay and Associates were contracted as professionals qualified to review the costs charged to the AESO. As provided in their *Cost Review Report* on the record (in a redacted version) in this proceeding, they found that the direct costs invoiced to the AESO were prudent, accurate, and complete.
- 15 As no party has indicated an intention to file evidence in respect of the Application, the AESO submits that the Commission can now proceed with the remaining stages of the proceeding. The Commission, in the AESO's submission, should deny IPCAA's Motion and establish a process for argument and reply prior to deciding the Application.
- 16 If you need any additional information related to this submission, please contact me at 403-539-2465 in Calgary or by email to john.martin@aeso.ca.

Yours truly,

*[original signed by]*

John Martin  
Director, Tariff Applications

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