June 28, 2012

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

Dear Sir or Madam:

Re: **AESO 2012 Amortized Construction Contribution Rider I Application**

1 Please find enclosed the 2012 Amortized Construction Contribution Rider I Application of the Alberta Electric System Operator (AESO). This application is submitted in accordance with directions provided by the Alberta Utilities Commission in Decision 2011-474 in the 2011 Generic Cost of Capital Proceeding.

2 The application complies with all directions in Decision 2011-474 which were to be addressed by the AESO. The AESO accordingly requests approval of proposed Amortized Construction Contribution Rider I, provided as Appendix A of the application, and related incidental changes, as of an effective date to be determined by the Commission.

3 Based on the approval in principle already given to Rider I in Decision 2011-474 and the limited scope of the matters to be addressed, the AESO suggests this application be reviewed through a written proceeding.

4 Please direct all correspondence relating to this application to:

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Yours truly,

[original signed by]

John Martin
Director, Tariff Applications

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
    Raj Sharma, Senior Tariff Analyst, AESO
    Melissa Mitchell, Regulatory Support Services Administrator, AESO
Alberta Electric System Operator
2012 Amortized Construction Contribution Rider I Application

Date: June 28, 2012
Prepared by: Alberta Electric System Operator
Prepared for: Alberta Utilities Commission
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1 Application

On December 8, 2011, the Alberta Utilities Commission (Commission) issued Decision 2011-474 with respect to the Commission-initiated 2011 generic cost of capital proceeding (Application No. 1606549, Proceeding ID No. 833). The Alberta Electric System Operator (AESO) participated in that proceeding and had requested approval of an Amortized Construction Contribution Rider I for incorporation into the ISO tariff. The AESO’s request for approval of Rider I was included in its Evidence on Rider I Matters, filed with the Commission on March 14, 2011.

Decision 2011-474 provided various directions to the AESO with respect to the AESO’s request for approval of Rider I, including the following approval in principle:

Accordingly, the Commission approves Rider I in principle. The Commission directs the AESO to file a specific Rider I tariff application which will give effect to this approval while addressing the following matters. [Section 7.3, page 100, paragraph 538]

This application is submitted in response to the directions of the Commission in Decision 2011-474, and complies with all directions in that decision which were to be addressed by the AESO. The AESO accordingly requests approval of proposed Amortized Construction Contribution Rider I, provided as Appendix A of this application, and related incidental changes, as of an effective date to be determined by the Commission.

This application is organized into the following sections.

1 Application — Provides background on the application and specifies the relief requested.

2 Compliance With Decision 2011-474 — Summarizes the AESO’s compliance with Decision 2011-474 and provides the AESO’s response to each direction in that decision.

3 Implementation — Discusses the effective date of Rider I and the AESO’s proposal for implementation.

This application also includes the following appendices.

A Proposed Rider I: Amortized Construction Contribution Rider — As proposed in this application (and revised from the version proposed in the 2011 generic cost of capital proceeding).

B Definition of Financial Information — As used in proposed Rider I.

C Depreciation Analysis — Supporting the AESO’s response to a direction from Decision 2011-474.

D Blackline Version of Proposed Rider I — Identifying changes from the version provided in the 2011 generic cost of capital proceeding.

1.1 Review and Variance of Decision 2011-474

In February 2012, several utilities (AltaGas Utilities, AltaLink, ATCO Utilities, FortisAlberta, ENMAX, and EPCOR) requested that the Commission review and vary Decision 2011-474. The Commission addressed those requests (Application Nos. 1608120, 1608122, 1608126, 1608127, 1608129, and 1608136) through a single proceeding (Proceeding ID No. 1697) which resulted in Decision 2012-154 issued on June 4, 2012.

The subject matter of the review and variance requests primarily arose from the issue of who should be responsible for any unpaid construction contribution amounts resulting from conversion of a construction contribution to Rider I charges. In Decision 2012-154, the Commission found:

The review panel finds that the process established in the proceeding leading to Decision 2011-474 was fair and provided the Utilities with ample opportunity to present evidence
regarding the issue of stranded assets and risk adjustments resulting from the adoption of Rider I. For these reasons, the review panel finds that the procedural errors alleged by the Utilities in support of their application for a review of Decision 2011-474 regarding the issue of stranded assets and risk adjustments resulting from the adoption of Rider I do not demonstrate a substantial doubt as to the correctness of Decision 2011-474. Therefore, this ground for a review and variance of Decision 2011-474 is denied.

[Section 5, page 10, paragraph 36]

In the interim, the AESO may file its separate Rider I tariff application which should give effect to the findings in Decision 2011-474. To the extent that stranded asset issues arise as a result of the implementation of Rider I, those issues are better suited to be addressed in either the generic proceeding or Proceeding ID No. 20 as the case may be.

[Section 5, page 11, paragraph 40]

This Rider I application is accordingly being filed in response to the directions in Decision 2011-474 and in accordance with the findings in Decision 2012-154.

1.2 Relief Requested

Rider I was approved in principle in Commission Decision 2011-474, subject to certain matters being addressed by the AESO. Given the approval in principle and the limited scope of the matters to be addressed, the AESO suggests this application be reviewed through a written proceeding.

Based on the entirety of this application and in respect of:

- the AESO’s tariff and rates approved by the Commission pursuant to Sections 30 and 119 of the Electric Utilities Act, and
- Commission Decision 2011-474 and directions made thereto,

the AESO requests the following:

(a) confirmation that the AESO has satisfactorily responded to the Commission’s directions in Decision 2011-474;

(b) approval of Amortized Construction Contribution Rider I provided as Appendix A of this application, to be effective as of a date determined by the Commission;

(c) approval of the definition of “financial information” provided in Appendix B of this application for use in the ISO tariff, to be effective as of the same date as Rider I;

(d) approval of the inclusion of a Rider I applicability provision in the terms of each of Rate DTS, Rate PSC, and Rate STS as discussed in Section 2.1 of this application, to be effective as of the same date as Rider I; and

(e) such other relief as the Commission deems appropriate.

All of which is respectfully submitted this 28th day of June, 2012.

Alberta Electric System Operator

Per: ________________________________

Heidi Kirrmaier
Vice-President Regulatory
2 Compliance With Decision 2011-474

This application comprehensively addresses all directions in Decision 2011-474 which were to be addressed by the AESO. In addition, this application includes several incidental changes to definitions and rates that relate to proposed Rider I.

The AESO notes that it has discussed its responses to the directions in Decision 2011-474 with some of the parties who previously commented on Rider I. The AESO has attempted to accommodate any additional comments provided by those parties, while acknowledging that they reserve the right to further examine the revised aspects of Rider I in the course of the Commission’s review of this application.

2.1 Responses to Directions

Decision 2011-474 included four directions to the AESO, which the AESO summarizes as follows:

- file a specific Rider I application,
- include adequate terms and conditions to prevent abuse of opt-out option,
- include adequate terms and conditions to control Rider I entries and exits, and
- resolve concern of Rider I term not matching depreciation lives of financed assets.

The AESO fully responds to all four directions in this application in the following pages.
File a Specific Rider I Application

Direction
19 Accordingly, the Commission approves Rider I in principle. The Commission directs the AESO to file a specific Rider I tariff application which will give effect to this approval while addressing the following matters. [Section 7.3, page 100, paragraph 538]

Response
20 This Rider I application is being filed in response to this direction. The additional directions provided in Decision 2011-474 are specifically discussed on the following pages.
Include Adequate Terms and Conditions to Prevent Abuse of Opt-Out Option

Direction
21 First, the Utilities recommended that the decision by a customer to adopt Rider I should be irrevocable and that Rider I should remain in place for the term agreed to by the customer. The Commission finds that the decision by a customer to adopt Rider I should not be irrevocable. The AESO argued that the uptake of Rider I may be limited if the decision to adopt Rider I is irrevocable. The Commission considers that the value of adopting Rider I, as a means of alleviating the accumulated customer contributions on the balance sheets of the TFOs, may be constrained if customers are not allowed to opt out. In addition, the Commission expects that the AESO’s ability to deny or rescind Rider I will provide the necessary protection for the TFO’s and prevent Rider I customers from abusing the opt out option. The Commission therefore expects that the AESO will include adequate terms and conditions in its Rider I tariff application to prevent abuse of the Rider I opt out option. [Section 7.3, page 100, paragraph 539]

Response
22 Rider I as filed in the 2011 generic cost of capital proceeding included the following provisions respecting termination and “opting out”:

2(4) After the end of the term defined in subsection 2(2)(c) above, the ISO will no longer assess a Rider I monthly charge for the system access service.

4(2) A market participant may terminate Rider I charges upon ninety (90) days written notice and upon payment of any remaining construction contribution not recovered through Rider I charges, as the ISO determines.

23 Having consideration for the comments provided by parties in the 2011 generic cost of capital proceeding and the above direction, the AESO proposes the following more detailed subsection for termination of Rider I:

Termination of Rider I Charges

4(1) After the end of the term defined in subsection 2(2)(c) above, the ISO must terminate Rider I monthly charges for the system access service.

(2) A market participant may request early termination of Rider I monthly charges:

(a) upon at least ninety (90) days written notice;

(b) to be effective no earlier than twelve (12) months after the start of the first settlement period in which the ISO charges Rider I to the market participant; and

(c) upon payment of any remaining construction contribution not recovered through Rider I monthly charges, as the ISO determines.

(3) Unless denied in accordance with subsection 4(4) below, the ISO must accept a request for early termination of Rider I monthly charges.

(4) The ISO may deny a request for early termination of Rider I monthly charges by providing written notice with reasons to the market participant, which reasons may include:

(a) failure to satisfy any of the requirements set out in subsection 4(2) above;

(b) repeated early terminations requested by the market participant for prior conversions of construction contributions to Rider I monthly charges; or
(c) reasonable expectation of harm that may occur to the owner of transmission facilities due to instability affecting planning and decision-making regarding financing arrangements.

(5) Upon termination of Rider I monthly charges, the ISO must:

(a) no longer include Rider I monthly charges on statements of account issued for the system access service, beginning with the first settlement period after all requirements for termination have been satisfied; and

(b) return any security held for Rider I to the market participant promptly after the end of the last settlement period in which the ISO charges Rider I.

24 The AESO submits that the additional provisions in subsection 4 of proposed Rider I address the concerns around potential abuse of the Rider I opt out option. In particular:

- subsection 4(2)(b) requires a market participant to take Rider I for at least twelve months,
- subsection 4(4)(b) allows the AESO to deny a request in the event of repeated opting-in and opting-out by a market participant, and
- subsection 4(4)(c) allows the AESO to deny a request in the event of probable harm to a transmission facility owner.

25 The AESO submits that the additional terminations provisions clearly state the matters the AESO will primarily consider when responding to opt-out requests.
Direction

Second, the Utilities recommended that there should be a one-time limited opt-in period for customers to finance their existing accumulated balance of contributed capital through Rider I. The Utilities argued that, in the absence of an opt-in period, there is the potential for financial harm to the TFOs during periods of capital restraint, arguably because a TFO may not be able to raise sufficient capital to replace the customer contributions. The AESO argued that an opt-in period may not give customers ample time to assess the implications of Rider I, which may limit the uptake of Rider I. Again, the Commission considers that the value of adopting Rider I, as a means of alleviating the accumulated customer contributions on the balance sheets of the TFOs, may be constrained if there is an opt-in period. Therefore, the Commission does not accept the recommendation by the Utilities regarding the limited one-time offer for Rider I. However, the Commission is also concerned that uncontrolled entries and exits into and out of Rider I could unduly complicate forecasting for utilities. The Commission accepts the argument of the AESO that its ability to deny or rescind Rider I will prevent customers from abusing Rider I. Accordingly, the Commission expects that the AESO will include adequate terms and conditions in its Rider I tariff application to prevent this type of abuse of Rider I by customers to the detriment of the TFOs.

[Section 7.3, pages 100-101, paragraph 540]

Response

The termination provisions proposed in response to the Commission direction regarding opt-out options also address potential abuse of uncontrolled exit from Rider I.

Rider I as filed in the 2011 generic cost of capital proceeding included the following provisions respecting entry to Rider I:

1(2) A market participant may request conversion of a construction contribution to an amortized monthly charge any time after commercial operation and prior to the expiry of the term determined in subsection 2(2)(c) below.

1(3) The ISO may, by providing written notice, including reasons, to a market participant:

(a) deny a request to convert a construction contribution to an amortized monthly charge; or

(b) rescind the conversion of a construction contribution to an amortized monthly charge and require the market participant to pay the remaining unpaid balance of the construction contribution to the owner of the transmission facilities in accordance with subsection 7 of section 9 of the ISO tariff.

Having consideration for the comments provided by parties in the 2011 generic cost of capital proceeding and the above direction, the AESO has added the following description of the information and factors the AESO will consider when responding to a market participant’s request for Rider I:

5 In making a decision to deny a request for or rescind the conversion of a construction contribution to Rider I monthly charges, the ISO must consider:

(a) if significant and substantiated doubt exists about the viability of the marker participant’s project or the financial stability of the market participant;

(b) if the market participant is or has been in default on any other amounts owed to the ISO or to an owner of transmission facilities.
(c) available financial information related to the market participant, including financial information the ISO may review or consider under sections 103.3, Financial Security Requirements, and 103.7, Financial Default and Remedies, of the ISO rules;

(d) repeated conversions of a construction contribution to Rider I monthly charges after prior early terminations of such charges by the market participant;

(e) reasonable expectation of harm that may occur to the owner of transmission facilities due to instability affecting planning and decision-making regarding financing arrangements or during periods of capital constraint; and

(f) any other factors that may reasonably be relevant to an assessment of the risk that the market participant may fail to or otherwise be unable to pay the Rider I monthly charges.

The AESO submits that this additional detail in subsection 1(5) of proposed Rider I addresses the concerns around potential abuse of uncontrolled entry to Rider I. In particular:

- parts (a), (b), and (c) detail the information the AESO will consider in assessing the financial capability of the market participant,
- part (d) allows the AESO to deny a request for Rider I in the event of repeated opting-in and opting-out by a market participant, and
- part (e) allows the AESO to deny a request for Rider I in the event of probable harm to a transmission facility owner.

The final part of subsection 1(4) allows the AESO to address other unanticipated factors that may be relevant to a market participant’s request for Rider I.

The AESO suggests that these additional provisions are sufficient for the initial implementation of Rider I. The AESO will review market participant entry to and exit from Rider I prior to the AESO’s next comprehensive tariff application. If it appears that abuse of entry and exit flexibility is occurring, the AESO will propose more stringent entry and exit provisions in its next tariff application.

In addition, subsection 1(4) of Rider I refers to “financial information”, a term already defined for use in the ISO rules. Financial information is defined as follows:

“financial information” means any information and records about the business, credit and financial standing, condition and viability of a market participant or its credit support provider.

In conjunction with the AESO’s request for approval of Rider I, the AESO also requests approval of this definition of financial information for use in the ISO tariff.

The AESO submits that the additional provisions proposed above, together with the termination provisions discussed earlier in this application, appropriately respond to the concerns over uncontrolled entries and exits into and out of Rider I.
Resolve Concern of Rider I Term Not Matching Depreciation Lives of Financed Assets

Direction

Third, the Commission is concerned that the term of the Rider I payments may not match the depreciation lives of the asset financed by way of Rider I. This would, in turn, require that the remaining depreciation expense for the asset financed by Rider I, beyond the Rider I amortization term, be included in the TFO’s revenue requirement and be paid for by customers other than the Rider I customer. The Commission is of the view that no one, other than the customer who is adopting Rider I, should be required to pay for the recovery of the cost of any portion of the assets financed by Rider I. The Commission expects that the AESO’s Rider I application will resolve this issue. [Section 7.3, page 101, paragraph 541]

Response

Under Rider I, a construction contribution is amortized over a term of not more than 20 years. In contrast, under the rate base cost recovery methodology used by transmission facility owners in Alberta, transmission assets are depreciated over average service lives typically of 40 or more years. The AESO interprets the concern expressed in this direction as relating to the impact on non-Rider I participants of the difference in the 20-year Rider I term and the 40-year or longer average service lives of the transmission assets financed through Rider I.

For simplicity, in the following discussion “contributed assets” is used to refer to both the portion of assets for which a construction contribution is paid and that same portion of assets financed through Rider I monthly charges.

The direction suggests that non-Rider I market participants will be required to pay “the remaining depreciation expense for the asset financed by Rider I, beyond the Rider I amortization term.” However, the capital-related costs of the contributed assets are fully recovered through Rider I over the Rider I amortization term. There would be no remaining costs to be recovered at the end of the Rider I term. As the AESO explained in the discussion of Rider I in its 2010 ISO tariff application (Section 4.16, pages 59-60, which were included in Appendix B of the AESO’s Evidence on Rider I Matters filed in the 2011 generic cost of capital proceeding), Rider I is structured to ensure that it recovers all costs included in a transmission facility owner’s revenue requirement related to the contributed assets.

The AESO acknowledges that there is a difference in the timing of cost recovery between the Rider I approach and the construction contribution approach. Capital-related costs of contributed assets are recovered more quickly through Rider I than when a construction contribution is conventionally amortized by a transmission facility owner. Since cost recovery is faster through Rider I, Rider I amounts initially reduce costs paid by non-Rider I participants during the Rider I term. This reduction becomes smaller and disappears near the end of the Rider I term. After the end of the Rider I term, non-Rider I market participants pay higher costs than would have been paid if the construction contribution had been conventionally amortized.

The AESO considers such an impact to be typical when considering options of varying terms. However, Rider I’s termination after 20 years does not mean that any costs associated with the contributed assets are unrecovered. Those costs will have been fully recovered through Rider I.

The AESO also assessed the possibility of extending Rider I’s term to 40 years or more, to match the average service lives of the contributed assets. The AESO expects that such an extension would materially reduce the utilization of Rider I by eligible market participants. The proposed 20-year Rider I term matches the maximum investment term under the ISO tariff, and some market participants already express concern to the AESO regarding the 20-year commitment entailed by investment in connection projects.

The AESO further notes that a Rider I term of 40 years, compared to the proposed term of 20 years, would extend the duration of the additional risk of default associated with assets financed through Rider I.
(even though that risk is extremely small). The longer amortization term would both extend the duration of the additional risk of default as well as increase the outstanding balance over that term, as the balance is repaid more slowly over a longer term. The AESO considers that the proposed term of 20 years is a reasonable balance of considerations relevant to the term of Rider I.

44 Other approaches could potentially align the Rider I term and the average service lives of contributed assets, but would require significant administration to track and reconcile costs especially when construction contributions are adjusted in accordance with the ISO tariff. As discussed in its Evidence on Rider I Matters filed in the 2011 generic cost of capital proceeding, the AESO considers that the implementation of Rider I should minimize any additional administration required.

45 The AESO has included, as Appendix C of this application, a simplified model in Microsoft Excel that illustrates the capital-related components of a transmission facility owner’s revenue requirement when assets are financed through a construction contribution and when similar assets are financed using Rider I. The model also includes the costs that would be recovered from Rider I participants (through Rider I) and from non-Rider I participants (through Rate DTS) under the ISO tariff. In both the Rider I and conventional contribution amortization cases, non-Rider I market participants pay the same net present value of costs. The model includes charts illustrating the difference in cost recovery timing under the different approaches.

46 Since Rider I amounts initially reduce costs paid by non-Rider I participants, Rider I effectively defers some costs that would otherwise be recovered from non-Rider I participants if the construction contribution had been conventionally amortized. Deferring costs to later years may accord with consumer preferences, as mentioned in Decision 2011-134 on ATCO Electric’s 2011-2012 transmission facility owner tariff, which noted, “The UCA submitted that customers prefer to pay later.” (Section 7.4, page 100, paragraph 508)

47 In conclusion, as the net present value of costs recovered from non-Rider I market participants is the same whether contributed assets are financed through Rider I or through conventional construction contribution amortization, no modification of Rider I is required to address the difference between the 20-year Rider I term and the 40-year or longer average service lives of the contributed assets.
2.2 Incidental Changes

In addition to the responses to directions provided in the preceding section, this application also includes other incidental changes, as discussed below.

First, the AESO requests approval of the definition of the term “financial information” as discussed in response to the direction regarding Rider I exit provisions and as provided in Appendix B of this application.

Second, the AESO requests approval to modify Rate DTS, Rate PSC, and Rate STS by adding a term noting that Rider I applies to those rates, as follows:

(#) When requested by the market participant and accepted by the ISO, Amortized Construction Contribution Rider I applies to system access service provided under this rate.

The additional term would be added to Rate DTS, Rate PSC, and Rate STS only when Rider I is approved and would be effective as of the same date as Rider I.

Finally, the AESO has revised some of the provisions and language of Rider I to more clearly describe the rights and obligations associated with Rider I and to reflect the AESO’s current practices for its authoritative documents. Those revisions can be seen in the blackline version provided as Appendix D of this application, which compares proposed Rider I to the version provided in the 2011 generic cost of capital proceeding.
3 Implementation

53 The AESO is not requesting a specific implementation date for Rider I. Instead, the AESO requests that the Commission allow at least two full calendar months after issuing its decision on this application, before Rider I is to become effective.

54 The AESO expects that two months will provide adequate time for billing processes to be modified and tested to allow for the integration of Rider I into the AESO’s monthly settlement procedures. The AESO will advise the Commission if unanticipated issues are encountered which could delay the implementation of Rider I.
Applicability

1(1) Rider I applies when a market participant requests, and the ISO accepts the request, to convert to an amortized monthly charge a construction contribution paid for system access service under:

(a) Demand Transmission Service Rate DTS;
(b) Primary Service Credit Rate PSC; or
(c) Supply Transmission Service Rate STS.

(2) The market participant may request conversion of a construction contribution to Rider I monthly charges any time after commercial operation and at least twelve (12) months prior to the expiry of the term determined in subsection 2(2)(c) below.

(3) Unless denied in accordance with subsections 1(4) and 1(5) below, the ISO must accept a request for conversion of a construction contribution to Rider I monthly charges.

(4) The ISO may, by providing written notice with reasons to the market participant:

(a) deny a request to convert a construction contribution to Rider I monthly charges; or
(b) rescind the conversion of a construction contribution to Rider I monthly charges and require the market participant to pay the remaining unpaid balance of the construction contribution to the owner of the transmission facilities in accordance with subsection 7 of section 9 of the ISO tariff.

(5) In making a decision to deny a request for or rescind the conversion of a construction contribution to Rider I monthly charges, the ISO must consider:

(a) if significant and substantiated doubt exists about the viability of the marker participant’s project or the financial stability of the market participant;
(b) if the market participant is or has been in default on any other amounts owed to the ISO or to an owner of transmission facilities;
(c) available financial information related to the market participant, including financial information the ISO may review or consider under sections 103.3, Financial Security Requirements, and 103.7, Financial Default and Remedies, of the ISO rules;
(d) repeated conversions of a construction contribution to Rider I monthly charges after prior early terminations of such charges by the market participant;
(e) reasonable expectation of harm that may occur to the owner of transmission facilities due to instability affecting planning and decision-making regarding financing arrangements or during periods of capital constraint; and
(f) any other factors that may reasonably be relevant to an assessment of the risk that the market participant may fail to or otherwise be unable to pay the Rider I monthly charges.
(6) Rider I is not applicable to an owner's contribution for a generating unit determined under section 10 of the ISO tariff.

Rider

2(1) The ISO must determine the Rider I monthly charge annually on the date of commercial operation and subsequent anniversaries of that date.

(2) In the n\textsuperscript{th} year after commercial operation, the ISO must calculate the Rider I monthly charge using the formula:

\[
\text{monthly charge} = \frac{1}{\text{term}} + \left[ \left(1 - \frac{n-1}{\text{term}} \right) \times \text{rate} \right] \times \frac{1}{12}
\]

where:

(a) “construction contribution” is the amount the ISO determines for the market participant under subsection 4 of section 5 of the ISO tariff;

(b) “n” is the number of the year after commercial operation for which the charge is being determined, with n increasing from one (1) in the first year to the number of years in the term, defined in subsection 2(2)(c) below, in the final year;

(c) “term” is the lesser of twenty (20) years or the term, in years, of the market participant’s agreement for system access service; and

(d) “rate” is the current annual discount rate applicable to the owner of the transmission facilities, determined under subsection 11 of section 8 of the ISO tariff at the time the Rider I monthly charge is calculated.

(3) The ISO will include Rider I monthly charges on statements of account issued for the system access service to which the construction contribution applies, beginning with the first settlement period after all requirements for Rider I have been satisfied.

(4) If the ISO determines it should adjust the construction contribution in accordance with section 9 of the ISO tariff then, beginning with the settlement period in which the adjustment is effective, the ISO must recalculate the Rider I monthly charge based on the adjusted construction contribution.

Financial Security Required for Rider I

3(1) An owner of an electric distribution system that is regulated by the Commission is not required to provide financial security for Rider I.

(2) Any other market participant who requests conversion of a construction contribution to Rider I monthly charges must provide financial security for Rider I in accordance with this subsection 3.

(3) The market participant must provide financial security to the ISO for the term during which Rider I monthly charges will apply as determined in subsection 2(2)(c) above and in accordance with a schedule which provides financial security:

(a) in the amount of the construction contribution being converted to Rider I monthly charges at least thirty (30) days prior to the start of the first settlement period in which the ISO charges Rider I; and
(b) in the amount calculated annually, at the time of the annual determination of the Rider I monthly charge in subsection 2(1) above, as:

\[
\text{financial security} = \text{construction contribution} \times \left(1 - \frac{n - 1}{\text{term}}\right)
\]

where “construction contribution”, “n” and “term” are defined in subsection 2(2) above.

(4) The ISO may adjust the amount of financial security required for Rider I when the Rider I monthly charge is recalculated in accordance with subsection 2(4) above.

(5) The market participant must provide financial security in accordance with the provisions, including those specifying acceptable forms, of section 103.3, Financial Security Requirements, of the ISO rules.

(6) The ISO may use any unsecured credit it establishes for the market participant to reduce the amount of security the market participant must provide to the ISO for Rider I, up to the limit of such unsecured credit not utilized to reduce other security the ISO or the owner of the transmission facilities requires.

Termination of Rider I Charges

4(1) After the end of the term defined in subsection 2(2)(c) above, the ISO must terminate Rider I monthly charges for the system access service.

(2) A market participant may request early termination of Rider I monthly charges:

(a) upon at least ninety (90) days written notice;

(b) to be effective no earlier than twelve (12) months after the start of the first settlement period in which the ISO charges Rider I to the market participant; and

(c) upon payment of any remaining construction contribution not recovered through Rider I monthly charges, as the ISO determines.

(3) Unless denied in accordance with subsection 4(4) below, the ISO must accept a request for early termination of Rider I monthly charges.

(4) The ISO may deny a request for early termination of Rider I monthly charges by providing written notice with reasons to the market participant, which reasons may include:

(a) failure to satisfy any of the requirements set out in subsection 4(2) above;

(b) repeated early terminations requested by the market participant for prior conversions of construction contributions to Rider I monthly charges; or

(c) reasonable expectation of harm that may occur to the owner of transmission facilities due to instability affecting planning and decision-making regarding financing arrangements.

(5) Upon termination of Rider I monthly charges, the ISO must:

(a) no longer include Rider I monthly charges on statements of account issued for the system access service, beginning with the first settlement period after all requirements for termination have been satisfied; and
(b) return any security held for Rider I to the market participant promptly after the end of the last settlement period in which the ISO charges Rider I.

Terms

5(1) Within sixty (60) days after the start of the first settlement period in which the ISO charges Rider I, the owner of the transmission facilities must return to the market participant the construction contribution paid for the connection project:

(a) in full if Rider I charges begin immediately after commercial operation, or

(b) reduced by that fraction of the term, defined in subsection 2(2)(c) above, representing the number of years, in whole or in part, from the date of commercial operation to the first settlement period in which the ISO charges Rider I.

(2) If the ISO determines a construction contribution adjustment in accordance with section 9 of the ISO tariff for a market participant to whom Rider I is being charged, the ISO must reduce the adjustment refunded or charged to the market participant by that fraction of the term, defined in subsection 2(2)(c) above, representing the number of years, in whole or in part, from the settlement period in which the adjustment is effective to the end of the term.

(3) The terms and conditions of the ISO tariff form part of this rider.

Revision History

Effective Description
2012-06-28 Revised and applied for in 2012 Rider I application.
2011-03-09 Revised and applied for as part of 2011 generic cost of capital proceeding.
2010-03-04 Applied for as part of 2010 ISO tariff application.
Proposed Rider I, as provided in Appendix A of this application, includes the use of “financial information” as a defined term. Financial information is already defined for use in the ISO rules, as follows:

“financial information” means any information and records about the business, credit and financial standing, condition and viability of a market participant or its credit support provider.

The AESO requests approval of the above definition for use in the ISO tariff, to be effective at the same time Rider I is approved to be effective.

As with other definitions used in the ISO tariff, the definition of financial information will not reside in the tariff itself. It will be located in the Consolidated Authoritative Documents Glossary as indicated in subsection 3(g) of section 1 of the currently-approved terms and conditions of the ISO tariff.