

**AESO 2004 Deferral Account Cut-Off Date and Post Cut-Off Adjustment Process
Comment Matrix
April 7, 2005**

Item	Detail	Comments				
		ATCO Power	EnCana	FIRM	TransCanada	AESO Recommendation
Cut-off Date						
1	Cut-off date of August 31	See comments below.	Support – See comments regarding mid-November filing date.	Support – FIRM Customers desire accuracy in the deferral account process in the shortest time-frame to ensure flow-through of refunds/charges to DISCO end-use customers in a timely fashion. An extended cut-off date to August 31 rather than the present Jan 31 should capture major adjustments for the prior year and final load settlement issues.	Support	All parties were in agreement with the proposed cut-off date. Therefore, the AESO will accept August 31 as the cut-off date.
2	Filing date of mid-November	See comments below.	Support – A retrospective deferral account reconciliation (“DAR”) is intended to assign accurately the deferral amounts based on an alignment of historical revenue and costs. An August 31 data cut-off date and a mid-November filing with accurate input data	Support – With a cut-off date of August 31 FIRM Customers would encourage the AESO to complete the filing earlier than mid-Nov if possible.	Support	All parties were in agreement of a filing date of mid-November. Therefore, the AESO will accept this date and file by mid-November, or earlier, if possible.

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			is more likely to result in the filing of a single DAR calculation, with much smaller probability of corrections and refilings. If the input data could be acquired sooner than as presently available (especially losses), certainly a more timely filing date is reasonable.			
Materiality Threshold						
3-A	For cumulative adjustments for a single cost component, $\pm 1\%$ of AESO annual revenue requirement	See comments below.	Support – Test should apply to any single cost component and to a cumulative of single components. Material if any single cost component adjustment $\geq \pm 1\%$ (± 7.6 MM); material if sum of single cost components adjustments $\geq \pm 1\%$ (± 7.6 MM)	Support – Agree that stating the threshold on a cost component basis eliminates compensating positive and negative effects.	Oppose – The change recommended by the AESO effectively substantially raises the level of materiality since 1% of the revenue requirement remains the materiality test, but is test is applied to one of the four components, which on average would be 25% of the revenue requirement. TransCanada agrees with the logic of the	The AESO accepts EnCana’s position as this addresses the materiality issue. Re: Comments by TransCanada – The AESO considers the $\pm 1\%$ to be material (i.e. significant) and feels that anything less than this would not be cost (the cost for readjusting the deferral account would be greater than the amount identified in the recalculation)

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					AESO that the material test should be applied to each of the 4 cost components. Therefore, TransCanada recommends the materiality test should read: “For cumulative adjustments for a single cost component, ±1% of AESO annual revenue requirement for the corresponding cost component.”	and time effective. Also, costs are not split evenly between the 4 components; therefore, the 25% breakdown is not applicable. Further discussion is required before arriving at a final decision.
4	For <i>revenue</i> , ±\$250,000 per customer or billing period	See comments below.	Support	Oppose – Agree with the AESO that such an amount allocated over all AESO customers would be immaterial.	Oppose - See comments in 4-A below.	Oppose – The AESO agrees with FIRM's comment that such an amount allocated over all AESO customers would be immaterial. Further discussion is required before arriving at a final decision.
4-A	For cumulative adjustments for a single	See comments below.	Oppose – An August 31 cut off date should	Support – Agree that stating the threshold on a	Oppose – TransCanada	Support

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	revenue component, ±1% of AESO annual revenue requirement		<p>result in smaller probability of corrections and refilings.</p> <p>Therefore ±\$250,000 is a reasonable materiality test. An individual customer perspective is important. A review of the 2003 DAR data suggests that even an adjustment of ±\$250,000 represents significant “rate shock” for most customers (except DISCOs and a few STS customers) with the misfortune to have a received a billing error from the AESO.</p>	<p>cost component basis eliminates compensating positive and negative effects.</p>	<p>believes the AESO should be concerned about material impacts on individual customers as a result of deferral account adjustments, not just all other customers. The use of \$250,000 as the threshold may be a concern given the varying sizes of customers. TransCanada would support 4-A as recommended if the following wording was added: “For revenue, ±10% of a customer’s annual charges for a single cost component.” This wording will ensure that major impacts on a customer’s annual charges are not ignored through a materiality standard.</p>	<p>Re: TransCanada comment – See 3-A above.</p>
Post Cut-Off Adjustments — Material Period A Adjustments						
5	Material adjustments require <i>refiling any time before EUB decision is</i>	See comments below.	Support - First Choice EnCana’s first choice is to address <u>material</u>	Oppose - If a material period A adjustment can be allocated on the basis	Oppose – TransCanada agrees with the AESO that	Further discussion is required before arriving at a final

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	<i>issued</i>		adjustments any time before an EUB decision and Order to implement the allocation of the deferral accounts. EnCana views the materiality test as the threshold for determining when adjustments should be made. Breaching the threshold indicates that it would be fair to all parties to recognize the inaccuracy and to make an amendment.	of the respective year's deferral account methodology it is inefficient to have to refile the whole deferral account reconciliation with the adjustment amounts added. It would be more efficient to treat the incremental adjustment with a separate filing.	the original proposal may be inefficient.	decision.
5-A	Alternative A: Material adjustments require <i>refiling any time before close of record</i>	See comments below.	Could support as a second choice, but this assumes that any subsequent process uses the same criteria and method to test and implement adjustments.	Support – This process is supportable since the Board would not have commenced its review.	Support - Of the proposal 5-A or 5-B, TransCanada prefers 5-A since TransCanada expects the Board will issue decisions fairly quickly after the close of record in this type of proceeding.	All parties were in agreement. Therefore, the AESO will accept this proposal.
5-B	Alternative B: Material adjustments before filing <i>delay filing to allow inclusion</i>	See comments below.	Oppose	Oppose – This Alternative is captured in Alternative A above.	Oppose - Proposal 5-B provides too much possibility of further delays.	Further discussion is required before arriving at a final decision.
Post Cut-Off Adjustments — Material Period B Adjustments						
6	Material adjustments in Period B (after decision,	See comments below.	Support – If a 13 th month is to be used to	Oppose - For accuracy purposes material	Support	Oppose

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	refiling, or filing) are included in next year's 13 th month		allocate unprocessed adjustments, the 13 th Month adjustment should be allocated on the production year's monthly revenue. (i.e. 2003 adjustment allocated over 2003 revenue) This 13 th Month adjustment would be part of the next year's DAR. When this option is combined with Option 5, it is expected that the likelihood of a material 13 th Month adjustment to be small.	adjustments should be subject to a production month allocation process and not simply an add-on to next year's reconciliation where the adjustment would be spread evenly across the calendar months.		<p>Material adjustments in Period B (after decision, refiling, or refiling) will be included in next year's 13th month.</p> <p>The AESO feels that FIRM has misunderstood its position; adjustments will be included by the AESO in a 13th month and not spread evenly across the calendar months. As noted by EnCana, when option 6 and 5 are combined, the likelihood of a material 13th month adjustment will be small. (see Encana comment below)</p>

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6-A	Alternative A: A Period B adjustment for a single <i>cost</i> component exceeding $\pm 2.5\%$ of AESO annual revenue requirement would trigger a separate application	See comments below.	Oppose – Changing the threshold of materiality for adjustments to <u>costs</u> does not comport with the principle of consistency and suggests that the importance of adjustments depends on when they discovered.	Support - The separate application would ensure that the material adjustment would be allocated on a production month basis in a similar manner as if the adjustment had been part of the respective year deferral account process.	Support	Further discussion is required before arriving at a final decision.
6-B	Alternative B: A Period B adjustment for a single <i>revenue</i> component exceeding $\pm 2.5\%$ of AESO annual revenue requirement would trigger a separate application	See comments below.	Oppose	Support - The separate application would ensure that the material adjustment would be allocated on a production month basis in a similar manner as if the adjustment had been part of the respective year deferral account process.	Support	Further discussion is required before arriving at a final decision.
Post Cut-Off Adjustments — Non-Material Adjustments						
7	Any Period A refiling would include non-material Period A adjustments	See comments below.	Support – Any refiling should include all known adjustments (material and non-material).	Support - A refiling should capture both material and non-material adjustments.	Support	All parties were in agreement. Therefore, the AESO will accept this proposal.
8	If no Period A refiling occurs, non-material Period A adjustments would be included in next year's 13th month	See comments below.	Support	Support – If an adjustment is non-material then the simplified 13 th month approach is acceptable.	Support	All parties were in agreement. Therefore, the AESO will accept this proposal.

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9	Non-material Period B adjustments would be included in next year's 13th month	See comments below.	Support	Support – If an adjustment is non-material then the simplified 13 th month approach is acceptable.	Support	All parties were in agreement. Therefore, the AESO will accept this proposal.
10	13 th month accumulated amounts would be allocated to customers based on the next year's annual revenue (except for losses which would be allocated on volumes times pool price)	See comments below.	Support – EnCana understands this option to mean the prior-year carryover (13 th Month non material adjustment amounts) would be allocated using the subsequent year's revenue amounts. E.g. 2003 carryover amounts allocated over 2004 revenue amounts. This is supportable if the 13 th Month amounts are non-material only.	Support – Since the 13 th month accumulated amounts are based on non-material amounts allocation on the basis of annual revenue is acceptable.	Support	All parties were in agreement. Therefore, the AESO will accept this proposal.
11	Portions of any adjustments related to a year prior to the deferral account would also be allocated as a 13 th month amount	See comments below.	Support – EnCana understands this option to mean the prior-year carryover (13 th Month amounts) would be allocated using the original year's revenue amounts. E.g. 2002 carryover amounts allocated over 2002 annual revenue amounts. This method is preferable since it is	Oppose – If an adjustment relating to a year prior to a deferral account is material then such adjustment should be subject to a separate filing.	Support	Further discussion is required before arriving at a final decision.

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			closer to the EUB's production month whereby the billing determinants of the (original) production month is to be used to assign deferral account amounts.			
Comments With Respect to Filing to Address Material Adjustment Relating to 2003						
		See comments below.	As part of the materials filed in the 2006 GTA and the materials circulated in preparation of the March 16 th meeting, the AESO has indicated that 2003 costs have been adjusted down by \$36 million. These adjustments exceed even the broadest materiality threshold put forward in the discussion paper. These amounts are material and breach the material threshold. Therefore, consistent with EnCana's position put forward in this discussion paper (Option 5) the 2003 DAR should be	Rather than refiling the entire 2003 deferral account application, for efficiency purposes, any material adjustment for 2003 should be subject to a separate filing.	TransCanada recommends that if a material change has occurred with respect to the 2003 Deferral Accounts, that the adjustment should be changed on the more detailed process that matches the reasons for the material adjustment. TransCanada is largely indifferent as to whether this occurs as a one-time filing or a refiling of the 2003 deferral account reconciliation, assuming the recommendation is adopted.	Re: Encana comment – The AESO would like to restate its comments made during the March 16 th stakeholder consultation meeting: any refiling will not, and can not simply restate the numbers with the adjustments with a brief explanation to accompany. The process of adjustments involves extremely large and complex Excel spreadsheets and requires a lengthy process of checking and re- checking calculations.

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			amended. This would provide the most accurate information for the Board to render its decision. EnCana expects this refiling would simply restate the numbers with the adjustments and a brief explanation of the adjustments for inclusion into the Boards final decision. EnCana believes this is consistent with s.14(2) of the Board's <i>Rules of Practice</i> .			
Additional Comments						
		ATCO Power does not agree with the proposed methodology for dealing with 2004 deferral account balances. ATCO Power supports the implementation of a prospective deferral account rider methodology as quickly as possible.	EnCana provides these comments on a "without prejudice" basis in an effort to advance the development of the DAR method. EnCana understands that the AESO will review the comments of all parties and develop its own position respecting the 2004 DAR method. This position is to be circulated April 6, 2005 and will be further	The foregoing comments pertain to 2003, 2004 and 2005 deferral account reconciliation processes. For the transmission changes in 2006 and when transmission losses will be subject to a separate deferral account, the deferral account cut-off dates and post cut-off adjustment process should be revisited.		Re: ATCO comment – The AESO will be addressing a prospective deferral account rider in mid 2005. Re: EnCana comment – The AESO is not opposed to EnCana altering its position after reviewing comments made by other parties, including the

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			included in an application to be filed later. In view of the process, EnCana may alter the positions presented in this document after consideration of comments by parties, the AESO's application or evidence filed within the 2004 DAR application.			AESO. Re: FIRM comment – The AESO agrees.