


MADE at the City of Calgary, in the Province of Alberta, on 17th day of July 2008.	 ALBERTA UTILITIES COMMISSION
Alberta Electric System Operator 2004-2007 Deferral Account Reconciliation – Interim Distribution	Application No. 1574594 Proceeding ID. 60

1 BACKGROUND

The Alberta Electric System Operator (AESO) filed an application (the Application) on June 2, 2008, with the Alberta Utilities Commission (AUC or the Commission).

The Application sought approval of the AESO's first reconciliation of deferral accounts for 2004, 2005, 2006, and 2007 and of the AESO's second reconciliation of deferral accounts for 2003. The reconciliations for which approval was requested included the allocation, refund, and collection of reconciled variances arising between the actual costs the AESO has incurred in providing system access service and the forecast amounts recovered in rates charged to customers for those years. The Application also sought approval of adjustments to the previously reconciled variances for the years 1999 to 2002, and for the allocation, refund, and collection of those adjustments.

Additionally, the Application included a request for immediate interim settlement of deferral account balances with customers, including an amount related to the redistribution of interest.

2 ANALYSIS OF INTERIM REQUEST

On June 20, 2008, the Commission issued correspondence requesting the views of the parties with respect to the request for interim settlement of the deferral balances. The Commission heard from a number of parties, with most supporting the interim request.

The Public and Institutional Consumers Association (PICA), while not objecting to the distribution of the principal deferral amounts, was opposed to the inclusion of redistribution of interest. PICA submitted that the inclusion of interest adjustments on an interim basis established a principle that had not been fully examined or tested by the Commission. The request for inclusion of interest in the interim settlement was also opposed by the Alberta Sugar Beet Growers/Potato Growers Association and the Cities of Red Deer and Lethbridge, both of whom suggested some prorating or percentage reduction of the interim settlement to effectively exclude the interest portion.

The AESO maintained that approval of the interim request as filed would result in:

- (a) rate stability, as the AESO reasonably expected the methodology and allocation contained in the application would receive final approval, based on the absence of material concerns raised with respect to the same methodology and allocation used in the AESO's original 2004-2005 application (Application 1548908); and
- (b) intergenerational equity, by returning deferral account amounts to customers as soon as possible to minimize the time between when those amounts were first collected and when they are refunded.

With respect to the inclusion of the interest portion, the AESO submitted that it was inappropriate for a relatively small amount to prevent or delay the return of a much larger balance to customers. The AESO also stated that it did not believe that interim approval of any aspect of the Application would constitute "pre-judgment" of the matter, maintaining that approval of amounts on an interim refundable basis does not necessarily suggest such amounts are likely to receive final approval.

The AESO also considered that immediate interim settlement satisfied relevant factors that the AUC has employed in evaluating applications for interim approval, such as those summarized in Decision [2005-099](#).¹ The factors broadly relate to the quantum of and need for interim approval, and to more general public interest considerations. With respect to the quantum of and need for the interim approval, the AESO submits that the \$51.1 million net balance reconciled in the application represents a probable and material amount that satisfied these factors.

With respect to more general public interest considerations, the AESO submitted that settling the deferral account amounts as quickly as practical was in the public interest. In particular, the AESO noted that \$19.2 million is determined in the application to be refundable to the six AUC-regulated distribution facility owners, and a significant portion of that amount will be refunded to residential, farm, and small commercial consumers.

FortisAlberta Inc. submitted that the interim settlement should not be delayed as a result of the interest issue because when compared to the overall deferral account balance it was not large enough to risk further delay in settlement of the greater overall balance. EPCOR maintained that because of the extraordinary length of time that these deferral account balances have remained outstanding and the materiality of these amounts that approval of the AESO request would contribute to intergenerational equity for all affected parties. TransCanada Energy Ltd. also urged the Commission to consider that more delays would further increase intergenerational inequities and cause increasing difficulty in attributing the deferral account adjustments to the correct customers.

3 COMMISSION FINDINGS

The Commission notes that no party has objected to the distribution of the principal of the deferral account balances and limited opposition was put forth to the inclusion of the interest

¹ Decision 2005-099 – ATCO Gas 2005-2007 General Rate Application Interim Rate Application (Application No. 1404168, Released: August 29, 2005)

portion. The total balance submitted for distribution by the AESO is \$51.1 million with the interest portion of this amount being \$2.9 million or approximately 6%.

In Decision 2005-099, the Alberta Energy & Utilities Board (the Board) summarized several factors it would typically consider when reviewing applications for interim rate increases. These factors can be grouped into two categories, those that relate to the quantum of, and need for, the rate increase and those that related to more general public interest considerations.

The Commission concurs with the AESO that the deferral balances represent probable and material amounts. As noted by the AESO,² the deferral account balances in the Application have been determined based on recorded costs paid and recorded revenues received by the AESO, and have been reconciled to the AESO's financial statements. The allocation of deferral account balances to customers has been prepared in this Application using the same methodology as in the original application (Application 1548908) and as approved in Decision [2005-034](#)³ for 2003.

With respect to public interest considerations the Commission concurs with those parties who have submitted that immediate distribution of the deferral account balance would contribute to intergenerational equity and ease in attributing the deferral account adjustments to the correct customers. The Commission notes that some of the adjustments accounted for relate back to 1999.

The Commission does not consider that inclusion of the interest component on an interim distribution can be construed as prejudging that issue. While the quantum of the interest component by itself could be considered material, it comprises only approximately 6% of the total deferral balance. The Commission considers that greater harm would result to the public interest by unnecessary delay in refunding the deferral balance than would be gained by attempting to exclude the relatively small interest component. Should the redistribution of interest proposed by the AESO not be approved, the necessary adjustments could be made soon after a final decision is rendered. The Commission believes a final decision can be made on a timely basis.

For the above reasons the interim distribution of the deferral account balance is approved as filed.

4 ORDER

IT IS HEREBY ORDERED THAT:

- (1) The interim distribution of the deferral account balance is approved as requested.

END OF DOCUMENT

² Application, page 9

³ Decision 2005-034 – Alberta Electric System Operator (AESO) 2003 Deferral Account Reconciliation (Application 1348574, Released: April 19, 2005)