



## **Alberta Electric System Operator**

### **2015 Deferral Account Reconciliation Interim Settlement**

**September 29, 2016**

**Alberta Utilities Commission**

Decision 21735-D01-2016

Alberta Electric System Operator

2015 Deferral Account Reconciliation Interim Settlement

Proceeding 21735

September 29, 2016

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## **1 Introduction**

1. On June 17, 2016, the Alberta Electric System Operator (AESO) filed an application requesting approval of its 2015 deferral account reconciliation and of changes to deferral account balances for 2010 through 2014. The application reflected the reconciled variances arising between the actual costs the AESO incurred providing system access service and the forecast amounts recovered in rates charged to market participants for those years. The AESO requested approval of the determination and allocation of a \$6.7 million<sup>1</sup> net deferral account surplus and approval to refund and collect the allocated amounts, on both a final and interim refundable basis.

2. The Alberta Utilities Commission issued notice of application on June 21, 2016, and written submissions were due on June 30, 2016. In response to the notice of application, submissions were filed by the following parties:

- AltaLink Management Ltd.
- ATCO Electric Ltd.
- Office of the Utilities Consumer Advocate (UCA)
- TransCanada Energy Ltd.
- Alberta Direct Connect Consumers Association (ADC)
- EPCOR Distribution & Transmission Inc. (EDTI)
- Primary Services Group (PS Group)

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<sup>1</sup> A breakdown of the \$6.7 million net surplus is provided in Exhibit 21735-X0037, at paragraph 3 of the application.

## 2 Request for interim settlement

3. In the application, the AESO requested that the Commission approve the current deferral account amounts with market participants, on an interim and refundable basis, in order to settle deferral account amounts immediately with market participants. Immediate settlement would allow the AESO to collect from market participants an outstanding deferral account shortfall, or to refund to market participants an outstanding deferral account surplus, to the greatest extent possible without further delay.<sup>2</sup> The AESO noted that the Commission had approved the interim settlement of all previously applied-for deferral account balances, with the exception of the 2013-2014 and the 2010-2011 applications.<sup>3 4</sup>

4. Regarding the AESO's 2013-2014 deferral account reconciliation application,<sup>5</sup> on December 2, 2015, the Commission did not approve the application on an interim and refundable basis because of the close timing to year-end financial reporting. Instead, the Commission indicated that it would issue its final determination in 2016,<sup>6</sup> and on January 14, 2016, the Commission approved the application on a final basis in Decision 20866-D01-2016.<sup>7</sup>

5. Regarding the AESO's 2010-2011 deferral account reconciliation application, which it filed on May 11, 2012,<sup>8</sup> the Commission could not issue a decision because of restrictions set out in Commission Bulletin 2012-03,<sup>9</sup> which was issued March 13, 2012. In this bulletin, the Commission set out its response to the Alberta Minister of Energy's request to maintain electricity rates at that time. In the bulletin, the Commission explained that it would process and complete the record for currently pending and new applications but would not issue decisions that result in rate increases, and that this approach would remain in effect until the Government of Alberta responded to the Retail Market Review Committee's recommendations. On June 4, 2012, the Commission directed that an interim settlement would not be approved, and established an initial written process to consider the application. On January 29, 2013, the Government of Alberta responded to the Retail Market Review Committee's recommendations. On February 13, 2013, the Commission issued Decision 2013-034<sup>10</sup> and gave final approval to settle the 2010-2011 deferral account amounts.

6. In this application, the AESO submitted that immediate settlement of the deferral account amounts with market participants was appropriate because: (i) the \$6.7 million net surplus

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<sup>2</sup> Exhibit 21735-X0037, paragraph 14.

<sup>3</sup> For 2012 in Decision 2013-370: Alberta Electric System Operator, 2012 Deferral Account Reconciliation Interim Settlement, Proceeding 2809, Application 1609885-1, October 4, 2013; for 2009 in Decision 2010-209: Alberta Electric System Operator, 2009 Deferral Account Reconciliation – Interim Settlement, Proceeding 589, Application 1606095-1, May 13, 2010; for 2008 in Decision 2009-074: Alberta Electric System Operator, 2008 Deferral Account Reconciliation – Interim Settlement, Proceeding 186, Application 1604964-1, June 3, 2009; and for 2004-2007 in Decision 2009-010: Alberta Electric System Operator, 2004 – 2007 Deferral Account Reconciliation, Proceeding 60, Application 1574594-1, January 27, 2009.

<sup>4</sup> Exhibit 21735-X0037, paragraph 14.

<sup>5</sup> Proceeding 20866.

<sup>6</sup> Proceeding 20866, Exhibit 20866-X0074, paragraph 8.

<sup>7</sup> Decision 20866-D01-2016: Alberta Electric System Operator, 2013 and 2014 Deferral Account Reconciliation, Proceeding 20866, January 14, 2016.

<sup>8</sup> Proceeding 1878.

<sup>9</sup> Bulletin 2012-03, Government of Alberta request regarding electricity rates, March 13, 2013.

<sup>10</sup> Decision 2013-034: Alberta Electric System Operator, 2010-2011 Deferral Account Reconciliation, Proceeding 1878, Application 1608444-1, February 7, 2013.

balance represented a probable and material amount;<sup>11</sup> (ii) the allocation of deferral account balances to market participants had been prepared in this application using the same methodology, and the same software program updated annually, as in previous deferral account reconciliation applications; and (iii) the interim refund of the deferral account balances should result in rate stability and intergenerational equity.<sup>12</sup>

7. On July 6, 2016, the Commission issued a letter<sup>13</sup> seeking parties' comments regarding the AESO's request for an immediate interim settlement with market participants. In that letter, the Commission stated that once comments had been received from parties, the Commission would make its ruling regarding the interim settlement. Comments were due by July 20, 2016.

8. In response to the Commission's letter, no party objected to the Commission issuing an interim decision on this application.<sup>14</sup> However, the PS Group requested a one-day hearing to address an issue raised by the PS Group regarding the allocation of deferral account balances to primary service credit customers.

9. In a letter dated September 19, 2016,<sup>15</sup> the Commission found that the PS Group's concerns should be heard within the scope of this proceeding, and that a short oral hearing would be an efficient way to complete the record of this proceeding. As per the process schedule set out by the Commission in the same letter, the Commission anticipated that the oral hearing would be held on November 30 and December 1, 2016. In this same letter, the Commission also advised parties that it intended to issue an interim decision on this application by September 30, 2016.

10. In response to the Commission's September 19, 2016 letter, EDTI submitted a letter on September 21, 2016, stating that it now opposed the AESO's request for an interim settlement of the deferral account reconciliation amounts with market participants in 2016.

11. EDTI explained that it had planned to mitigate the consequences of the timing of the proposed interim settlement by filing a Rider J application with the Commission to refund or collect the deferral account reconciliation amount from its customers in 2016. However, as a result of the delay in the timing of the interim settlement, there was no longer sufficient time for EDTI to settle the interim amount with its customers in 2016. EDTI submitted that it required one month for Commission approval of its Rider J application and an additional three months to refund EDTI's customers.<sup>16</sup> EDTI requested that interim settlement with EDTI be deferred until January 2017.<sup>17</sup> The Commission issued a letter on September 23, 2016, asking parties to respond to EDTI's request by September 26, 2016.<sup>18</sup>

12. The ADC requested the Commission proceed with an interim settlement decision by September 30. It explained that its members are to receive approximately \$5 million in the 2015 deferral account settlement and that these funds are not accumulating interest. Further, it advised that its members were notified of their refund amounts in July 2016 and all indications were that

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<sup>11</sup> Exhibit 21735-X0037, paragraph 17.

<sup>12</sup> Exhibit 21735-X0037, paragraph 18.

<sup>13</sup> Exhibit 21735-X0053.

<sup>14</sup> Exhibits 21735-X0055, 21735-X0058, 21735-X0065.

<sup>15</sup> Exhibit 21735-X0069.

<sup>16</sup> EDTI noted that a three-month rider would be a reasonable period to refund customers and mitigate any consequential billing impacts.

<sup>17</sup> Exhibit 21735-X0070.

<sup>18</sup> Exhibit 21735-X0071.

an interim settlement decision would be made in time for this year's settlement; therefore, members had already accounted for the funds in this fiscal year. The ADC submitted that any further delay would cause additional financial harm to its members.<sup>19</sup>

13. The AESO also continued to request immediate interim settlement of the deferral account balances. It explained that its practice of requesting interim settlement as part of a deferral account reconciliation application was developed through extensive consultation over the past decade and that transmission-connected consumers, whether served directly by the AESO or through a distribution system owner, have encouraged the AESO to accelerate its reconciliation and settlement process as much as practical. Distribution-connected stakeholders have advised the AESO that the greater the regulatory lag that occurs with deferral account settlement, the greater the number of consumers potentially impacted by intergenerational inequity.<sup>20</sup>

14. The AESO further stated that if EDTI suggested that deferral account settlement could occur with other market participants, and that only settlement with EDTI be delayed until January 2017, such an approach would be unfair to consumers, because it would result in a later settlement with transmission-connected consumers served by EDTI than with transmission-connected consumers served directly by the AESO, or potentially by other distribution system owners. Moreover, the AESO argued that delaying settlement only for EDTI also presented a challenge on a practical level, since the AESO's billing system is structured to settle all system access service amounts in a single billing cycle, with no option to exclude one or more parties from settlement.<sup>21</sup>

### 3 Commission findings

15. As a consequence of the hearing process that will consider the issue raised by the PS Group, final approval of this application will not occur until early 2017. In the Commission's view, a \$6.7 million net surplus represents a probable and material amount for some market participants. Consequently, the Commission finds that it would be reasonable to issue an interim refundable settlement now rather than requiring market participants to wait until early 2017 to settle the deferral account balances on a final basis.

16. The Commission has also taken into consideration the fact that additional delay will cause harm to members of the ADC and that the AESO has indicated that its billing system cannot exclude any one party from its settlement. The Commission understands EDTI's concern regarding the timing of this interim settlement but, for the reasons stated above, it is not prepared to delay interim settlement any further. While the Commission continues to prefer that EDTI collect or refund the AESO deferral account reconciliation true-up amounts in its annual transmission access charge deferral account true-up application, EDTI could potentially still settle some or all of its interim amount with its customers in 2016 if it were to submit a Rider J application, and the Commission is prepared to consider an expedited processing of the Rider J application to respond to the timing concerns that were raised.

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<sup>19</sup> Exhibit 21735-X0072.

<sup>20</sup> Exhibit 21735-X0073.

<sup>21</sup> Exhibit 21735-X0073.



17. For the reasons stated above, the Commission finds that the proposed application to settle the 2015 deferral account amounts with market participants, on an interim and refundable basis, is in the public interest and approves the AESO's application.

#### **4 Order**

18. It is hereby ordered that:

- (1) The interim settlement of the deferral account balances set out in the application is approved as requested.
- (2) The AESO shall notify the Commission when the interim settlement has been completed.

Dated on September 29, 2016.

#### **Alberta Utilities Commission**

*(original signed by)*

Mark Kolesar  
Vice-Chair

*(original signed by)*

Bill Lyttle  
Commission Member

*(original signed by)*

Henry van Egteren  
Commission Member



## Appendix 1 – Proceeding participants

Name of organization (abbreviation) Name of counsel or representative
Alberta Electric System Operator (AESO)
AltaLink Management Ltd.
ATCO Electric Ltd.
Office of the Utilities Consumer Advocate (UCA)
TransCanada Energy Ltd.
Alberta Direct Connect Consumers Association (ADC)
EPCOR Distribution & Transmission Inc. (EDTI)
Primary Services Group (PS Group) Regulatory Law Chambers
Suncor Energy Inc.

<p>Alberta Utilities Commission</p> <p>Commission panel</p> <p style="padding-left: 40px;">M. Kolesar, Vice-Chair</p> <p style="padding-left: 40px;">B. Lyttle, Commission Member</p> <p style="padding-left: 40px;">H. van Egteren, Commission Member</p> <p>Commission staff</p> <p style="padding-left: 40px;">C. Wall (Commission counsel)</p> <p style="padding-left: 40px;">J. Graham (Commission counsel)</p> <p style="padding-left: 40px;">S. Karim</p> <p style="padding-left: 40px;">C. Strasser</p>
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