Alberta Electric System Operator

2013 and 2014 Deferral Account Reconciliation

January 14, 2016
Alberta Utilities Commission
Decision 20866-D01-2016
Alberta Electric System Operator
2013 and 2014 Deferral Account Reconciliation Proceeding 20866

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1 Introduction and process

1. The Alberta Electric System Operator (AESO) filed an application with the Alberta Utilities Commission on September 24, 2015. The application requested approval of the AESO’s determination of deferral account balances for 2013 and 2014 and for changes to deferral account balances for the years 2007 through 2012 previously considered by the Commission in prior AESO deferral account reconciliation applications.

2. In the application, the AESO requested approval to settle the current deferral account amounts with market participants, on an interim basis, subject to adjustment in the final decision following the Commission’s review.1

3. The Commission issued notice of the application on September 28, 2015, requesting that any submissions regarding support or concerns with the application be filed by October 13, 2015.2 In response to the notice of application, submissions were filed by the following parties:

- Alberta Direct Connect Consumer Association (ADC)
- ATCO Electric Ltd.
- Consumers’ Coalition of Alberta (CCA)
- EPCOR Distribution & Transmission Inc. (EDTI)

4. In its submission to the Commission, ADC identified concerns with the AESO’s deferral account application regarding the deferral account amounts and the timing of the deferral account reconciliation.3 ATCO Electric submitted that it would like to review and test the application, and would like the Commission to consider issues related to the AESO’s methodology and process for calculating its deferral account reconciliation amounts.4 The CCA stated that it would like to test the application with a process of written information requests (IRs) before commenting on whether or not it objected to the application.5 EDTI submitted that the AESO’s proposed timing for its interim settlement with market participants would directly and adversely affect EDTI because interim settlement in December 2015 would not allow sufficient time for EDTI to settle the interim amounts with its customers in 2015.6

5. On October 16, 2015, the Commission issued a process and schedule letter that established an interrogatory process and requested registered participants in the proceeding to provide comments on the need for further process by November 20, 2015. The Commission also requested that participants provide comments with respect to whether they had an objection to

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1 Exhibit 20866-X0002, AESO application, paragraph 4.
2 Exhibit 20866-X0048.
3 Exhibit 20866-X0054.
4 Exhibit 20866-X0049.
5 Exhibit 20866-X0050.
6 Exhibit 20866-X0052.
the AESO’s request for an immediate interim settlement of deferral account amounts with market participants. Comments were due by October 23, 2015.\(^7\)

6. Comments regarding an interim settlement of the AESO’s application were received from the following parties:

- ADC
- ATCO Electric
- EDTI

7. ADC submitted that as of the date of its submission, its members would receive $7,822,530 in deferral account refunds and that it expected the total sum to exceed $8,000,000. ADC argued that this was a significant amount that needed to be returned on an interim basis as quickly as possible and, although there are other customers facing significant charges, delaying the settlement beyond December 2015 would only add to the harm ADC’s members have already experienced from not being able to earn a return on their capital.\(^8\)

8. ATCO Electric submitted that the proposed timing of the AESO’s deferral account reconciliation (DAR) amounts did not allow sufficient time for ATCO Electric to settle the DAR amounts with its customers in 2015 and that the delay in settling DAR amounts with its customers will affect cash flows and timing of revenue recognition under international financial reporting standards (IFRS). ATCO Electric requested that the AESO’s proposal to settle interim DAR amounts in December 2015 be denied and instead be delayed until January 2016 to allow ATCO Electric sufficient time to settle the DAR amounts with its customers in 2016 and thereby mitigate the financial reporting effect of the settlement amount.\(^9\)

9. EDTI opposed the AESO’s proposed timing for an interim settlement and stated that an interim settlement in December 2015 would not allow sufficient time for it to settle the interim amount with its customers in 2015 and as a result, EDTI would be forced to report the interim settlement amount, a refund of $9 million, in its 2015 fiscal year. EDTI submitted that this amount represents greater than 25 per cent of EDTI’s forecast distribution net income, which is material to EDTI. EDTI also requested that the AESO’s proposal to settle the interim deferral amount be deferred until January 2016.\(^10\)

10. In responses to IRs regarding deferral of the interim settlement of the 2013-2014 deferral amounts to January 2016, the AESO stated that an interim settlement date in late 2015 or early 2016 would be acceptable to the AESO, provided that it coincides with the ISO tariff settlement on December 30, 2015, January 29, 2016, or a later ISO tariff settlement date.\(^11\)

11. In its ruling dated December 2, 2015, the Commission determined that it would not approve the application on an interim basis and stated that it would issue its final determination early in the new year.\(^12\)

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\(^7\) Exhibit 20866-X0055.

\(^8\) Exhibit 20866-X0056.

\(^9\) Exhibit 20866-X0057.

\(^10\) Exhibit 20866-X0058.


\(^12\) Exhibit 20866-X0074, Interim settlement and process and schedule.
12. In its letter of October 16, 2015, the Commission stated that it would set out additional process steps, if necessary, following expiry of the deadline for comments from parties on the need for further process. Comments from parties were due November 20, 2015. On November 20, 2015, EDTI submitted that it had reviewed the information responses with respect to the application and in light of the AESO’s agreement that an interim settlement date in early 2016 would be acceptable, EDTI did not require any further process.\textsuperscript{13} No other parties submitted comments.

13. On December 2, 2015, the Commission stated that it would proceed to a decision on the application without further notice or process.\textsuperscript{14} The Commission considers the close of record for this proceeding to be November 20, 2015.

14. In reaching the determinations set out within this decision, the Commission has considered all relevant materials comprising the record of this proceeding. References in this decision to specific parts of the record are intended to assist the reader in understanding the Commission’s reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to this matter.

2 Details of the application

15. The AESO requested approval of the determination and allocation of a $0.8 million net deferral account shortfall. The deferral account balances arise from differences between costs the AESO has incurred in providing system access service and the revenues recovered through rates charged to customers for those years.

16. This application reflects the AESO’s first reconciliation of deferral account balances for the years 2013 and 2014 and changes to deferral account balances for 2007 through 2012 (prior-period adjustments or reconciliations). With respect to the requested prior-period adjustments, the AESO submitted that these prior-period adjustments are needed because of updated information relating to either revenues or costs attributed to specific tariff years.\textsuperscript{15}

17. Specifically, the AESO requested the Commission’s approval of the AESO’s deferral account balance reconciliation calculations as follows:

\begin{itemize}
\item[(a)] A shortfall of $40.2 million of costs for 2014 (first reconciliation).
\item[(b)] A surplus of $18.0 million of costs for 2013 (first reconciliation).
\item[(c)] A surplus of $0.5 million of costs for 2012 (second reconciliation).
\item[(d)] A surplus of $9.1 million of costs for 2011 (third reconciliation).
\item[(e)] A surplus of $12.4 million of costs for 2010 (third reconciliation).
\end{itemize}

\textsuperscript{13} Exhibit 20866-X0073.
\textsuperscript{14} Exhibit 20866-X0074.
\textsuperscript{15} Prior-period adjustments or re-reconciliations arise for a variety of reasons including: metered data adjustments, corrections or restatements, finalization of loss volumes, Commission decisions on transmission facility owner costs and other matters, post-final adjustment mechanism data restatements, vendor invoice corrections, revisions to contract terms, and revisions to rate calculations or application.
(f) A shortfall of $0.4 million of costs for 2009 (fourth reconciliation).

(g) A shortfall of $0.2 million of costs for 2008 (fifth reconciliation).

(h) A shortfall of $0.1 million of costs for 2007 (sixth reconciliation).  

(i) The methodology of allocating deferral account balances to market participants as set out in Section 11 and appendices E through H of the application, for purposes of recovering and refunding outstanding variance amounts from and to market participants receiving system access service under Rate DTS, demand transmission service or Rate FTS, Fort Nelson demand transmission service, of the Independent System Operator (ISO) tariff.

(j) The collection and refund of amounts through the use of a one-time collection/refund option similar to that used for previous years’ deferral account balances.

(k) The collection and refund of the market participant amounts included in the application as soon as practical on an interim refundable basis, with such amounts subject to adjustment in final approvals following a full regulatory review.

(l) Further and other relief as the Commission may prescribe.

18. In addition, the AESO requested that the Commission approve the prudence of certain cost variations with respect to previously-approved amounts in respect of the AESO’s own costs and actual costs incurred with respect to 2013 and 2014.

19. The AESO submitted that the application incorporated all costs paid and revenue collected by the AESO that

- have not been settled in prior deferral account reconciliation filings
- relate to 2014 or prior years for all costs except those related to losses and the provision of a wind forecasting service
- were accounted for up to December 31, 2014

3 Methodology, allocation and settlement of deferral account balances

20. The AESO submitted that it had prepared and filed the 2013-2014 deferral account reconciliation in the same manner as its previous deferral account reconciliation applications and considered that the application continued to reflect the accuracy of the deferral account reporting system and related AESO processes. During stakeholder consultations in 2008 and 2009 related to the AESO’s deferral account reconciliations, stakeholders generally supported a review of the accuracy of the data sorting and calculations performed in the deferral account reporting system.

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16 Exhibit 20866-X0002, AESO application, paragraph 3.
17 On December 2, 2015, in a ruling the Commission did not approve the AESO’s request for interim settlement of the deferral account amounts. Exhibit 20866-X0074.
18 Exhibit 20866-X0002, AESO application, paragraph 40.
19 Exhibit 20866-X0002, AESO application, paragraph 73.
20 Effective January 1, 2006, transmission system losses are no longer subject to retrospective deferral account reconciliation. Costs paid by the AESO for provision of a wind forecasting service for wind-powered generating units are not subject to retrospective deferral account reconciliation. Exhibit 20866-X0002, Section 2.1.3 and Section 2.1.4.
21 Exhibit 20866-X0002, AESO application, paragraph 41.
22 Exhibit 20866-X0002, AESO application, paragraph 89.
In 2009, the AESO engaged PriceWaterhouseCoopers (PwC) to complete specified procedures to assess the calculation and allocation of deferral account balances to individual market participants. The AESO considered that the PwC report supported and validated the accuracy of the deferral account reporting system and related AESO processes. The AESO continued to apply the deferral account reconciliation processes used for 2009 for the preparation and filing of its 2010-2011 and 2012 deferral account reconciliation applications as well as for this application.23

21. Further, the deferral account reconciliations were prepared on a retrospective, monthly, and production month basis, consistent with the method used in previous deferral account reconciliations reviewed and approved by the Commission.24

22. The AESO explained that its deferral account balances and adjustments allocation was implemented through the continued use of a software program developed by the AESO to automate deferral account reconciliation calculations.25 The software program has been used to prepare the AESO’s previous deferral account reconciliation applications since 2004, and the application follows the same methodology as the previous applications.26 The AESO has continued to modify and validate the software program used during each successive annual reconciliation.27

23. The 2007 to 2014 deferral account balances (except for losses) have been allocated to individual market participants based on each customer’s percentage of total revenues collected through the rates in place during the period. After deferral account balances are allocated to each customer, additional revenue already paid by or refunded to each customer (through Rider C or in prior deferral account reconciliation settlements) is subtracted or added by rate and rate component. The remaining balance is the amount of the deferral account charge or refund attributed to the customer on a production month basis, by rate and rate component.

24. The results of the deferral account allocation for each market participant were provided in appendices E through H of the application,28 in annual market participant detail summaries and market participant allocation detail. As stated in Section 2.7 of the application, market participant confidentiality is protected by assigning a number to each AESO direct-connect market participant. This practice is consistent with past deferral account reconciliation applications although the numbers assigned to a specific market participant are not necessarily the same for each deferral account year in this application, and are not necessarily the same as those used in prior applications. Additionally, the AESO submitted that it would provide to any market participant on request, deferral account allocation data for each of the market participants’ settlement points.29

25. Further, consistent with the approach approved for the AESO’s prior deferral account reconciliations, the AESO proposed to settle the outstanding deferral account balances through a one-time payment and collection option. Again, similar to past reconciliations, the AESO also

23 Exhibit 20866-X0002, AESO application, paragraphs 84-89.
24 Exhibit 20866-X0002, AESO application, paragraph 12.
25 Exhibit 20866-X0002, AESO application, paragraph 434.
26 Exhibit 20866-X0002, AESO application, paragraph 16.
27 Exhibit 20866-X0002, AESO application, paragraph 88.
28 Exhibits 20866-X0003 to 20866-X0030.
29 Exhibit 20866-X0002, AESO application, paragraphs 440-441.
offered a three-month payment option, including carrying charges, if the one-time payment option presented a financial burden to market participants.\(^{30}\)

26. No interested party filed argument or submissions in the current proceeding regarding the AESO’s methodology, allocation or settlement of deferral account balances.

**Commission findings**

27. The Commission finds that the deferral account reconciliation processes used by the AESO are consistent with past deferral account reconciliation applications for 2009, 2010-2011 and 2012 as approved in Decision 2011-049,\(^{31}\) Decision 2013-034\(^{32}\) and Decision 2014-034\(^{33}\) and approves the methodology used by the AESO in the application.

28. As the AESO provided information on the allocation of deferral account balances to individual AESO customers on a basis consistent with prior deferral account reconciliation applications and has, as in past applications, indicated its willingness to make available to individual customers additional details on how allocations were determined, the customer allocations for the 2007 to 2014 period as set out in appendices E through H of the application, are approved as filed.

29. The AESO’s proposal to settle outstanding deferral account balances through a one-time payment and collection option with a three-month option for market participants if the one-time payment option presents a financial burden, is reasonable and consistent with past deferral account reconciliation applications. The Commission approves the AESO’s settlement proposal as filed.

### 4 Cost considerations

30. The costs and cost variances applied for in the application are summarized in Table 1 below:

**Table 1. Recorded costs and cost variances subject to assessment in the application**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total wires costs</strong></td>
<td>1,387.6</td>
<td>1,123.8</td>
<td>(23.0)</td>
<td>(11.0)</td>
<td>(12.5)</td>
<td>0.4</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total ancillary services</strong></td>
<td>213.6</td>
<td>398.2</td>
<td>22.6</td>
<td>2.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total G&amp;A and other industry costs</strong></td>
<td>101.0</td>
<td>99.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td>1,702.1</td>
<td>1,621.8</td>
<td>(0.4)</td>
<td>(8.9)</td>
<td>(12.5)</td>
<td>0.4</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Source table</strong></td>
<td>3-1</td>
<td>4-1</td>
<td>5-1</td>
<td>6-1</td>
<td>7-1</td>
<td>8-1</td>
<td>9-1</td>
<td>10-1</td>
</tr>
</tbody>
</table>

\(^{30}\) Exhibit 20866-X0002, AESO application, paragraphs 455-457.


31. The AESO explained, in Section 2.4 of the application, that it considered this proceeding “to be the proper venue for the consideration of the prudence of AESO’s costs incurred with respect to 2014 and 2013.” In addition, the AESO proposed that where significant adjustments to 2012 or to prior year AESO costs are included in the deferral account reconciliation, this proceeding is also the proper venue for consideration of the prudence of those adjustments. However, the prudence of the AESO’s costs incurred with respect to 2012 and prior years, which were already included in the AESO’s 2012 deferral account reconciliation or prior proceedings, should not be reviewed again.\(^\text{34}\)

32. The AESO further noted that ancillary services costs, losses costs, and the AESO’s own administrative costs are approved by the AESO board (acting as the “ISO members” defined in Section 8 of the Electric Utilities Act, SA 2003, c. E-5) in accordance with the Transmission Regulation, AR 86/2007, as amended. The AESO submitted that sections 46(1) and 48(1) of the Transmission Regulation provide that ancillary services costs, losses costs, and the AESO’s own administrative costs, once approved by the AESO board, must be considered as ‘prudent’ by the Commission unless an interested person satisfies the Commission otherwise.\(^\text{35}\)

33. The AESO submitted that the AESO’s budget review and approval process, developed in consultation with market participants, includes an agreed-upon practice to be applied in circumstances where estimated costs are expected to exceed budgeted amounts specifically with respect to general and administrative costs and capital. Variances above a specified threshold are first reviewed with market participants prior to presentation to the AESO board for consideration and approval. A request for additional budget approval may be required to accomplish specific business priorities or to meet the AESO’s mandate, and would only be made after consideration has been given to managing the timing or reducing the scope of other business priorities to remain within budget. The AESO stated that it considered that the structure and approach described above provided an appropriate and adequate process to establish and manage the AESO’s budget.\(^\text{36}\)

34. The AESO submitted that the wires costs included in the application were based on actual billings by the transmission facility owners (TFOs) to the AESO according to final or interim tariffs, deferral account reconciliation or any other adjustments approved by the Commission and the AESO forecasted TFO wires-related costs calculated according to the method described in the AESO’s 2010 ISO tariff application\(^\text{37}\) and subsequently approved in Decision 2011-275\(^\text{38}\) on the AESO’s 2010 ISO tariff compliance filing.\(^\text{39}\)

35. No interested party filed argument or submissions in the current proceeding regarding the AESO’s costs.

**Commission findings**

36. This application represents the first opportunity to consider the actual recorded AESO revenue requirement costs for the years 2013 and 2014, and the first opportunity to consider cost

\(^{34}\) Exhibit 20866-X0002, AESO application, paragraphs 73-78.

\(^{35}\) Exhibit 20866-X0002, AESO application, paragraph 74.

\(^{36}\) Exhibit 20866-X0002, AESO application, paragraphs 76-77.

\(^{37}\) Proceeding 530, Application 1605961-1, Exhibit 0070.ISO-530, application (revised), paragraphs 48-56.


\(^{39}\) Exhibit 20866-X0002, AESO application, paragraph 42.
variances for the year 2012 in relation to the recorded cost amounts for that year, subsequent to the Commission’s assessment in Decision 2014-034. The Commission agrees with the AESO that a deferral account reconciliation proceeding, and not a tariff application, is the proper venue to consider AESO costs incurred with respect to 2013 and 2014 and any cost variances relative to amounts already considered in previous deferral account reconciliation decisions in respect of any prior years.

37. The provisions of the Electric Utilities Act and the Transmission Regulation provide direction to the Commission regarding the extent to which it may assess the costs and expenses incurred by the AESO. As set out by the Commission in Decision 2014-242,\(^\text{40}\) which decided the AESO’s 2014 tariff and 2013 tariff update, the Commission identified four principal categories of costs and expenses incurred by the AESO in its tariff, namely: (1) the AESO’s own administrative costs; (2) ancillary services costs; (3) transmission line losses; and (4) costs related to transmission wires payable under a TFO tariff.

The AESO’s own administrative costs

38. The AESO’s own administrative costs are defined in Section 1(g) of the Transmission Regulation to include: (1) the transmission-related costs and expenses of the AESO respecting the administration, operation and management of the AESO; (2) the transmission-related costs and expenses of the AESO respecting reliability standards and reliability management systems; and (3) the transmission-related costs and expenses required to be paid by the AESO that are not for the costs of providing ancillary services; costs of transmission line losses nor amounts payable under a TFO tariff.

39. As noted by the AESO, Section 46(1) of the Transmission Regulation limits the Commission’s review of the AESO’s own administrative costs to those costs that an interested party has argued are unreasonable. Moreover, the onus is on the interested party, not the AESO, to satisfy the Commission that the AESO’s own administrative costs are not reasonable. In addition, Section 3 of the Transmission Regulation addresses consultation and approval of those costs and requires that the AESO consult with market participants with respect to proposed costs to be approved by the AESO.

40. No interested person has argued that the AESO’s own administrative costs were unreasonable, nor has any party indicated that the AESO has not consulted properly as required pursuant to Section 3 of the Transmission Regulation. Consequently, the AESO’s own administrative costs shown above in Table 1 are considered to be prudent and are approved.

Ancillary services costs and transmission line losses

41. As with the AESO’s own administrative costs, the AESO board also approves the costs for ancillary services and line losses. Consequently, Section 3(1) of the Transmission Regulation also requires the AESO to consult with market participants directly affected by these costs. However, there is no equivalent provision to Section 46(1) of the Transmission Regulation that provides an interested party with the ability to argue the reasonableness of these costs before the Commission.

42. The recovery of ancillary services costs and line loss costs is prescribed in Section 30(4) of the *Electric Utilities Act* and Section 48 of the *Transmission Regulation*. These provisions are as follows:

*Electric Utilities Act*

30(4) The Independent System Operation may recover the costs of transmission line losses and the costs of arranging provision of ancillary services acquired from market participants by

(a) including either or both of those costs in the tariff, in addition to the amounts and costs described in subsection (2), in which case, the Commission must include in the tariff the additional costs it considers to be prudent, or

(b) establishing and charging ISO fees for either or both of those costs.

*Transmission Regulation*

48(1) A reference in the Act to “prudent” or “appropriate” in relation to the ISO’s costs for the provision of ancillary services and costs of transmission line losses means the amounts of those costs that have been approved by the ISO members.

43. The AESO has stated that the 2014 recorded costs of $213.6 million and 2013 recorded costs of $398.2 million for ancillary services and all prior-period cost variances as shown above in Table 1 for ancillary services have been approved by the AESO board and no party has indicated that the AESO has failed to consult properly. The Commission accepts these amounts as prudently incurred and these amounts are approved.

44. As discussed in Section 2.1.3 of the application, the AESO noted that effective January 1, 2006, the cost of transmission system losses is no longer subject to the retrospective deferral account reconciliation that was in effect for 2005 and prior years. Accordingly, the AESO did not include the reconciliation of losses amounts in the application.\(^41\)

**TFO wires-related costs**

45. With respect to TFO wires-related costs and cost variances identified in Table 1 above, the AESO must pay the rates set out in the approved tariff of the owner of each transmission facility pursuant to Section 32 of the *Electric Utilities Act*. The Commission approves the costs and expenses of a TFO in the applicable TFO’s tariff application, pursuant to Section 122 of the *Electric Utilities Act*; it does not review the prudence of these expenditures in an AESO deferral account application nor in an AESO tariff application. Consequently, the costs and cost variances set out above in Table 1 for TFO wires-related costs are approved as filed.

5 **Deferral account balances**

46. The AESO identified a net shortfall of approximately $0.8 million (net of Rider C charges and refunds and any prior deferral account reconciliation settlements) to be allocated to customers, composed of the following annual amounts:

(a) A shortfall of $40.2 million of costs for 2014.

(b) A surplus of $18.0 million of costs for 2013.

\(^{41}\) Exhibit 20866-X0002, AESO application, Section 2.1.3, paragraphs 51-53.
(c) A surplus of $0.5 million of costs for 2012.
(d) A surplus of $9.1 million of costs for 2011.
(e) A surplus of $12.4 million of costs for 2010.
(f) A shortfall of $0.4 million of costs for 2009.
(g) A shortfall of $0.2 million of costs for 2008.
(h) A shortfall of $0.1 million of costs for 2007.\(^{42}\)

47. A summary of the proposed reconciliation between tariff revenues collected, costs paid by the AESO, collections or refunds of Rider C, and prior year deferral account reconciliation collections or refunds in Table 2-3 of the application is reproduced (in part) below:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,476.4</td>
<td>1,391.9</td>
<td>1,243.3</td>
<td>1,069.3</td>
<td>772.1</td>
<td>681.2</td>
<td>737.4</td>
<td>685.3</td>
<td>8,056.8</td>
</tr>
<tr>
<td>Costs paid</td>
<td>(1,702.1)</td>
<td>(1,621.8)</td>
<td>(1,395.7)</td>
<td>(1,231.1)</td>
<td>(881.2)</td>
<td>(788.9)</td>
<td>(870.5)</td>
<td>(735.4)</td>
<td>(9,226.6)</td>
</tr>
<tr>
<td>Deferral account</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus (shortfall)</td>
<td>(225.7)</td>
<td>(229.9)</td>
<td>(152.4)</td>
<td>(161.8)</td>
<td>(109.1)</td>
<td>(107.7)</td>
<td>(133.1)</td>
<td>(50.1)</td>
<td>(1,169.8)</td>
</tr>
<tr>
<td>Rider C collect (refund)</td>
<td>185.5</td>
<td>247.9</td>
<td>158.5</td>
<td>185.8</td>
<td>104.6</td>
<td>96.8</td>
<td>133.5</td>
<td>58.1</td>
<td>1,170.8</td>
</tr>
<tr>
<td>Prior DAR collect (refund)</td>
<td>-</td>
<td>-</td>
<td>(5.6)</td>
<td>(14.9)</td>
<td>16.9</td>
<td>10.5</td>
<td>(0.6)</td>
<td>(8.1)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Net surplus (shortfall)</td>
<td>(40.2)</td>
<td>18.0</td>
<td>0.5</td>
<td>9.1</td>
<td>12.4</td>
<td>(0.4)</td>
<td>(0.2)</td>
<td>(0.1)</td>
<td>(0.8)</td>
</tr>
</tbody>
</table>

Source: Exhibit 20866-X0002, Table 2-3.

48. No interested party filed argument or submissions in the current proceeding regarding the AESO’s deferral account balances.

**Commission findings**

49. No market participants objected to the application or challenged the accuracy of the deferral account reconciliations or the calculation of the net deferral account shortfall of $0.8 million. The Commission approves, on a final basis, the settlement of the deferral account balances with a net deferral account shortfall amount of $0.8 million.

**6 ADC concerns**

50. In its submission to the Commission, ADC requested that the Commission consider the following concerns that it had with respect to the AESO’s application:

   (1) To mandate a deadline for the AESO to file future deferral account reconciliations within three to four months after the calendar year to avoid the significant delay that has occurred with 2013 and 2014.

   (2) To direct the AESO to pay interest for any refunded amounts based on each individual point of delivery and using the approved 2013 generic cost of capital as a benchmark.

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\(^{42}\) Exhibit 20866-X0002, AESO application, paragraph 3.
To create a streamlined procedure for an interim DTS tariff update to be filed and implemented whenever the Rider C amount is forecast to be greater than $2/megawatt hour.\(^{43}\)

51. EDTI also submitted that it is supportive of ADC’s request that the Commission mandate a deadline for the AESO to file future deferral account reconciliations within three to four months after the calendar year to avoid the significant delay that has occurred with 2013 and 2014. It considered the establishment of a filing deadline for the AESO’s deferral account reconciliation applications to be a first step in establishing processes and timelines that will help to minimize the effects of the AESO’s deferral account reconciliation on market participants.\(^{44}\)

52. With respect to the timing of future deferral account reconciliation applications, the AESO submitted in IR responses that because of the concerns raised by interveners in this proceeding, the AESO intends to make the filing of future deferral account reconciliation applications a higher priority going forward.\(^{45}\)

53. Additionally, the AESO explained that in its decision to delay the outstanding 2013 balances, it considered transmission facility owner deferral account reconciliation amounts that would materially affect the AESO deferral account balances, but that were directionally opposite between 2013 and 2014. As a result, combining the AESO’s 2013 and 2014 deferral account reconciliations into a single application addressed balances that were directionally opposite between 2013 and 2014 and, therefore, avoided refunding a surplus in a 2013 reconciliation and then collecting a shortfall in a 2014 reconciliation shortly afterwards.\(^{46}\)

54. With respect to the payment of interest on deferral account balances, the AESO submitted in IR responses that the accumulation of interest on market participant deferral account balances was addressed by the Commission in Decision 2009-010,\(^{47}\) in connection with the AESO’s 2004-2007 deferral account reconciliation application. For the reasons set out in that decision, the Commission found the redistribution of interest on outstanding amounts among market participants to be inappropriate.\(^{48}\)

Commission findings

Deadline for filing of future deferral account reconciliation applications and streamlined procedure for interim DTS tariff updates

55. The AESO has submitted that it intends to make the filing of future deferral account reconciliation applications a higher priority in the future. Additionally, in Decision 2014-242\(^{49}\) the Commission directed the AESO as follows:

704. … Therefore, the Commission directs the AESO to discuss the related matters of annual tariff updates, deferral account reconciliation processes and Rider C design with

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\(^{43}\) Exhibit 20866-X0054, ADC SIP, additional information.

\(^{44}\) Exhibit 20866-X0058, EDTI comments on interim settlement, paragraphs 4-5.

\(^{45}\) Exhibit 20866-X0065, AESO-ADC-2015OCT30-002(b).

\(^{46}\) Exhibit 20866-X0067, AESO-AUC-2015OCT30-004(a).


\(^{48}\) Exhibit 20866-X0065, AESO-ADC-2015OCT30-003(b).

stakeholders prior to filing its next comprehensive GTA, and to provide a report on the outcome of any such discussions, including any recommended changes (if any) within its next comprehensive GTA [general tariff application].

56. In IR responses, the AESO submitted that in prior years, the AESO had worked with market participants to investigate methods to simplify the Rider C and deferral account reconciliation processes and mitigate the imbalances that result. However, alternative methods that achieve these goals have yet to be identified. Further, the AESO has committed to forming a working group, with broad market participant representation, to examine and investigate Rider C structure and deferral account reconciliation methodology as part of its consultation on the planned 2017 ISO tariff application.

57. The Commission considers that this matter can be addressed as part of the consultation directed by the Commission in Decision 2014-242 regarding the matters of annual tariff updates, deferral account reconciliation processes and Rider C design.

Accumulation of interest on deferral account balances

58. In Decision 2009-010, the Commission did not approve the AESO’s proposal regarding accumulation of interest on market participant deferral account balances, stating:

The Commission considers that the non-profit nature of the AESO distinguishes it from a normal distribution or transmission facility owner utility, in that the AESO may continue to retroactively apply for corrections to the amounts charged and refunded from its customers. As such, the very amounts which are the basis for the AESO’s proposal to redistribute interest in this Application could, in future applications, be offset by corrections or adjustments resulting from new information becoming available to the AESO.

and

...there is a limited opportunity within a deferral account reconciliation proceeding to examine all aspects of the AESO tariff as to how the AESO accumulates and dispenses with interest charges.

59. In this application, the AESO has indicated that in 2013, there would have been a surplus and that in 2014 a refund and that for this reason, the amounts were submitted together. This is a reasonable practice and reflects the adjustments contemplated by the Commission in Decision 2009-010 referenced above. In the event that interest on deferral account balances were to be applied to refunded amounts as proposed by ADC, then it would also be necessary to calculate interest payable to the AESO for shortfalls, as would have been the case in 2014. The Commission is not persuaded by the submissions in this proceeding to reconsider its previous determination on this issue.

50 Decision 2014-242, paragraph 704.
51 Exhibit 20866-X0072, AESO-AE-2015OCT30-001(a)iii.
52 Decision 2009-010, paragraph 43.
53 Decision 2009-010, paragraph 45.
7 Order

60. It is hereby ordered that:

(1) The Alberta Electric System Operator’s 2013-2014 deferral account reconciliation application is approved as filed.

Dated on January 14, 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

<table>
<thead>
<tr>
<th>Name of organization (abbreviation)</th>
<th>Company name of counsel or representative</th>
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</thead>
<tbody>
<tr>
<td>Alberta Electric System Operator (AES0)</td>
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<tr>
<td>Alberta Direct Connect Consumer Association (ADC)</td>
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<tr>
<td>ATCO Electric Ltd.</td>
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<tr>
<td>Consumers’ Coalition of Alberta (CCA)</td>
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<tr>
<td>EPCOR Distribution &amp; Transmission Inc. (EDTI)</td>
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Alberta Utilities Commission

Commission panel
- M. Kolesar, Vice-Chair
- B. Lyttle, Commission Member
- H. van Egteren, Commission Member

Commission staff
- C. Wall (Commission counsel)
- S. Karim
- C. Strasser