

August 30, 2012

Market Participants Receiving System Access Service Under Rate DTS or Rate FTS

Dear Market Participant

Re: **Deferral Account Adjustment Rider C Charge for Fourth Quarter of 2012**

The AESO advises market participants that Deferral Account Adjustment Rider C for the fourth quarter of 2012 will be maintained at a \$2.84/MWh charge, the same level as for the first, second, and third quarters of 2012. This Rider C charge will continue to apply until further notice to all system access services provided under:

- Demand Transmission Service Rate DTS and
- Fort Nelson Demand Transmission Service Rate FTS.

On March 8, 2012, Alberta Energy requested the Alberta Utilities Commission put in a process to limit increases in the current rates or charges for transmission and distribution service. On March 13, 2012, the Commission issued Bulletin 2012-03 which described the approach it will use for currently-pending and new applications filed with it. The AESO interprets the intent of Alberta Energy's request and of Bulletin 2012-03 to be to ensure transmission and distribution rates and riders do not exceed their levels in March 2012. The AESO considers it is appropriate and consistent with this intent to continue to maintain Rider C at the first quarter amount of \$2.84/MWh.

The AESO understands that Bulletin 2012-03 will remain in effect until the Government of Alberta responds to the Retail Market Review Committee's recommendations, which are expected to be provided to the Government by September 5, 2012, in accordance with the deadline established in Ministerial Order 53/2012 dated June 15, 2012. The AESO estimates that maintaining Rider C as a \$2.84/MWh charge will result in a deferral account balance shortfall of \$12.4 million at the end of 2012. The AESO will allocate and recover this shortfall through its 2012 deferral account reconciliation application, which the AESO plans to file with the Commission in the second quarter of 2013.

The AESO expects to revert to its normal process to determine Rider C for the first quarter of 2013 and will publish the Q1 Rider C amount on or before January 1, 2013.

More information, including Alberta Energy's letter and Commission Bulletin 2012-03, is available in the AESO's *Q2 2012 Rider C Estimate – Revised*, which is available on the AESO website at [www.aeso.ca](http://www.aeso.ca) by following the path Market ► Settlement ► Transmission Deferral Accounts ► 2012 Quarterly Deferral Estimates.

This change to Rider C has no impact on Losses Calibration Factor Rider E, which will be determined and published separately under the AESO's normal Rider E process.

If you have questions or would like to discuss this further, please contact:

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## AESO Quarterly Rider C For Q4 2012 - Revised

The following table provides a summary of the AESO's forecasted deferral account balance at July 31, 2012 and the Q4 2012 Rider C rate.

(\$ millions)

	Revenues Collected	(Costs Paid)	Variance Pre-2012	Rider 'C' Collected (Refunded) Pre-2012	Total Variance - Overcollected/ (Undercollected)
	DTS	DTS	DTS	DTS	DTS
<b>Pre-2012 Actuals <sup>(1)</sup></b>					
Operating reserve charge	(0.2)	(0.0)	(0.2)	-	(0.2)
Interconnection charge	(0.4)	-	(0.4)	-	(0.4)
Other system support services charge	(0.0)	(0.0)	(0.0)	-	(0.0)
Voltage control	0.0	(1.7)	(1.7)	-	(1.7)
<b>Pre-2012 Deferral Amount</b>	<b>(0.5)</b>	<b>(1.7)</b>	<b>(2.3)</b>	<b>-</b>	<b>(2.3)</b>

	Revenues Collected	(Costs Paid)	Variance July 2012 YTD	Rider 'C' Collected (Refunded) YTD July 2012	Total Variance - Overcollected/ (Undercollected)
	DTS	DTS	DTS	DTS	DTS
<b>YTD July 2012 Actual</b>					
Operating reserve charge	157.9	(159.1)	(1.1)	1.3	0.2
Interconnection charge	513.4	(576.3)	(62.9)	67.4	4.6
Other system support services charge	3.7	(15.7)	(12.1)	28.6	16.5
Voltage control	16.4	(3.1)	13.3	(6.1)	7.2
<b>YTD July 2012 Deferral Amount</b>	<b>691.4</b>	<b>(754.2)</b>	<b>(62.7)</b>	<b>91.2</b>	<b>28.5</b>

	Estimated Revenues	(Estimated Costs)	Variance Aug / Sept 2012 Estimate	Rider 'C' Collected (Refunded) Aug / Sept 2012	Total Variance - Overcollected/ (Undercollected)
	DTS	DTS	DTS	DTS	DTS
<b>Aug / Sept 2012 Estimate</b>					
Operating reserve charge	51.6	(51.8)	(0.2)	0.4	0.2
Interconnection charge	147.8	(173.8)	(26.1)	18.6	(7.5)
Other system support services charge	1.0	(7.6)	(6.6)	7.9	1.3
Voltage control	4.5	(1.5)	3.0	(1.7)	1.3
<b>Estimated Aug / Sept 2012 Deferral Balance</b>	<b>204.9</b>	<b>(234.8)</b>	<b>(29.9)</b>	<b>25.2</b>	<b>(4.7)</b>

	Estimated Revenues	(Estimated Costs)	Variance Q4 2012 Estimate	Rider 'C' Collected (Refunded) Q4 2012	Total Variance - Overcollected/ (Undercollected)
	DTS	DTS	DTS	DTS	DTS
<b>Q4 2012 Estimate <sup>(2)</sup></b>					
Operating reserve charge	58.5	(59.0)	(0.4)	-	(0.4)
Interconnection charge	227.9	(294.7)	(66.9)	-	(66.9)
Other system support services charge	1.5	(13.9)	(12.4)	-	(12.4)
Voltage control	7.3	(2.3)	5.1	-	5.1
<b>Estimated Q4 2012 Deferral Ending Balance</b>	<b>295.2</b>	<b>(369.8)</b>	<b>(74.6)</b>	<b>-</b>	<b>(74.6)</b>

	Estimated Revenues	(Estimated Costs)	Variance Q4 2012 Estimate	Estimated Rider 'C' Collected (Refunded) as of Q4 2012	Total Variance - Overcollected/ (Undercollected)
	DTS	DTS	DTS	DTS	DTS
<b>Total Estimated YTD Deferral Balance at Q4 2012 Pre-2012 and YTD July 2012 Actual, Aug / Sept 2012 and Q4 2012 Estimated</b>					
Operating reserve charge	267.9	(269.9)	(2.0)	1.7	(0.3)
Interconnection charge	888.7	(1,044.9)	(156.2)	86.0	(70.1)
Other system support services charge	6.2	(37.3)	(31.1)	36.5	5.4
Voltage control	28.2	(8.5)	19.7	(7.8)	11.9
<b>Estimated Deferral Balance at Q4 2012</b>	<b>1,191.0</b>	<b>(1,360.5)</b>	<b>(169.5)</b>	<b>116.4</b>	<b>(53.1)</b>

Numbers may not add due to rounding



- (1) The recovery or refund of deferral balances related to 2011 and prior production years which were settled before the end of 2011 are excluded from the Q4 2012 Rider C calculation and have been incorporated into the 2011 Deferral Account Reconciliation Application. The recovery or refund of 2011 and prior year amounts which were or are forecast to be settled in 2012 are included in the Q4 2012 Rider C calculation.
- (2) Forecast Q4 revenue is based on Rates DTS and FTS as included in the AESO's 2010 ISO Tariff Compliance Filing dated February 11, 2011, which is effective July 1, 2011.

**DTS Customers:** In Q4 2012, a Rider C net adjustment of \$3.71 per MWh will be added to the DTS rates as a charge. [\$(53.1) million (YTD Q4 2012 estimated total variance) / (14,323GWh for Q4 2012) = \$3.71 per MWh]

Rider C Rates for Q4 2012	\$/MWh DTS	DTS Q4/12 GWh
Operating Reserve	\$ 0.02	14,323
Interconnection Charge	\$ 4.90	
Other System Support Services Charge	\$ (0.38)	
Voltage Control	\$ (0.83)	
<b>Total charge (refund)</b>	<b>\$ 3.71</b>	

The analysis of the forecasted deferral account balances are the AESO's best estimate of the costs and revenues based on the information available at the time that this summary was prepared. This information is an estimate only and may not represent the actual costs incurred and revenue collected.

Note - All references to DTS customers or rate schedules include FTS.