
AUMA/CE-DERS (DRT)-11

Reference:

Page 2-2, Table 2.1

Schedules 6.4 - 6.11, 7.1 and 7.2

Preamble:

AUMA and the City of Edmonton desire to see the impact on costs and rates if approval of the Application is delayed beyond August 1, 2003.

Request:

- (a) Please provide revised Tables 6.4 – 6.11 inclusive. 7.1, 7.2 and Tables 2.1, if approval of DERS' Application is delayed and Board approval is received to implement rates effective:
 - (i) October 1, 2003;
 - (ii) November 1, 2003;
 - (iii) December 1, 2003.
- (b) Please explain how DERS proposes to deal with the 2003 Integration Costs if approval of DERS application is delayed to January 1, 2004.
- (c) Please provide the amount of time (i.e. 25 days, 1 month, 2 months, etc.) DERS requires to implement rates (interim or final) once approved by the Board.
- (d) If not discussed in (c) above, if the Board approves rates different than those proposed by DERS or includes additional riders not proposed by DERS, please provide an estimate of the time DERS requires to implement such rates/riders.

Response:

- (a)-(b) Please refer to the attached Schedule-AUMA/CE-DERS(DRT)-11-RRT and Schedule-AUMA/CE-DERS(DRT)-11-DRT. These include Table 2.1, Schedule 6.1 and Schedule 7.2 for the RRT Application, and Table 2.1, Schedule 6.1, Schedule 6.2 and Schedule 7.2 for the DRT Application. Note that the tables and schedules have only been prepared on the basis of a December 1, 2003 implementation date.

Direct Energy RS proposes to maintain the 5 and 12-month test periods as filed. The initial 5-month test period would begin on the effective date of Board approval. This would be followed by a 12-month test period. Direct Energy RS proposes that initial rates be implemented upon Board approval, and be effective for the initial 5-month test period. Rates would then be adjusted, as approved, for the subsequent 12-month test period. Direct Energy RS believes that this proposal provides a simple and workable solution to address an uncertain start date. Direct Energy RS is not proposing to modify any of the basic assumptions and proposals underpinning its current Applications.

Direct Energy RS has forecast that Integration Operating Costs for the RRT will increase by \$137,000 per month for each month of delay beginning August 2003, or a total of \$548,000 for a December start versus an August start. This has the effect of increasing the Amortization expense associated with Integration Operating costs by \$162,000 for the 5-month test period and by \$386,000 for the 12-month test period. In addition the Working Capital requirements increase by \$25,000 for the first 5-month test period and by \$19,000 for the 12-month test period. Penalty Revenue and Bad Debt is impacted by these changes to total revenue as shown on Schedule 6.1.

Direct Energy RS has forecast that Integration Operating costs for the DRT will increase by \$405,000 per month for each month of delay beginning August 2003, or a total of \$1.62 million for a December start versus an August start. This has the effect of increasing the Amortization expense associated with Integration Operating costs by \$479,000 for the 5-month test period and by \$1,141,000 for the 12-month test period. In addition the Working Capital requirements increase by \$1,644,000 for the first 5-month test period and by \$57,000 for the 12-month test period. Penalty Revenue and Bad Debt is impacted by these changes to total revenue as shown on Schedule 6.1.

Direct Energy RS is not forecasting any change to its Integration Capital Costs due to a delay in business start-up at this time.

In addition to the impact on Working Capital from the increase in Integration Operating costs, the Working Capital related to the PEP balance for the first 5-month test period is significantly impacted due to the change in the average PEP balance over the December through April period versus the filed August through December period. This impact has been included in the Working Capital figures discussed above.

Direct Energy RS is not proposing to make any other changes to the forecasts provided for the 5- and 12-month test periods.

Revised RRT and DRT Rates for the 5-month and 12-month test periods are shown on Table 2.1 of the respective Schedules attached to this response. Direct Energy RS has not had sufficient time to thoroughly analyze the model and file a complete set of schedules as requested, but these will be provided as expeditiously as possible. However, as the full extent of the changes and the results, have been provided herein, Direct Energy RS is of the view that this should not impact the timing of the preparation of Intervenor evidence nor the remaining Schedules for this proceeding.

- (c)-(d) Direct Energy RS anticipates it will require approximately 2 weeks between the release of the final Board Decision and implementation. This is subject to both ATCO and DEML being able to proceed expeditiously with the closing of their commercial transaction within this time frame.