

Electronic Notification

May 30, 2008

Direct Energy Regulated Services
111 – 5th Ave SW Suite 1000
Calgary, AB T2P 3Y6

Attention: Ms. Corinne Grudecki
Manager, Government & Regulatory Affairs, Canada West

**DIRECT ENERGY REGULATED SERVICES (DERS)
REGULATED RATE OPTION (RRO) ENERGY CHARGE RATES FOR
JUNE 2008
APPLICATION NO. 1573779**

The Alberta Utilities Commission (the AUC or the Commission) is in receipt of a letter from DERS dated May 26, 2008, in which DERS requested acknowledgement of energy charges applicable to its RRO service for the month of June 2008 (the Initial June Charges).

DERS filed signed copies of Certifications of Compliance from the consultation party representatives, and DERS, stating that the procurement of regulated rate supply for May 2008 was done in accordance with the Energy Price Setting Plan (EPSP). The Certification of Compliance from the independent advisor¹ (the Advisor) was filed on May 27, 2008.

DERS and the Advisor noted that the Initial June Charges included Alberta Electric System Operator (AESO) uplift costs² (the Uplift Charge). In the Initial June Charges, the Uplift Charge reflects costs for the months of December 2007 through April 2008 but does not include a forecast cost (effectively zero) for May and June 2008. The Advisor stated that there was a concern that inclusion of the Uplift Charge in an RRO energy charge may be inconsistent with the *Regulated Rate Option Regulation*, AR 262/2005 (the RROR). The Advisor also noted that the AESO Rules³ require that the Uplift Charge be charged to all energy consumers. The Advisor indicated that upon clarification of these apparent contradictory positions it may become necessary to rebate the Uplift Charge to consumers.

On May 28, 2008, DERS filed an amended application which included updated RRO energy charges for the month of June 2008 (the Updated June Charges) that reflect the removal of the

¹ The Advisor assisted in designing the 2006-2011 energy price setting plan (EPSP) and has an ongoing role respecting the procurement of the energy under the protocols established in the EPSP.

² AESO ISO Rule 8.2.4 Settlement for Supplier on the Margin Payments wherein for any settlement interval where a pool participant has been paid a energy production uplift in accordance with rule 8.1.2., a pool participant with energy consumption in the same settlement interval must pay an amount to the ISO.

³ AESO ISO Rule 8.2.4.

Uplift Charge. In a letter dated May 29, 2008, the Advisor indicated that the Updated June Charges filed by DERS were determined in accordance with DERS' 2006-2011 Energy Price Setting Plan (EPSP). The Updated June Charges are shown in the following table.

Rate Class	cents/kWh
Residential	9.676
Commercial	9.833
Industrial	9.287
Farming (Includes REA)	9.595
Irrigation (Includes REA)	9.416
Oil & Gas	9.271
Lighting	5.285

Having reviewed the filing related to the Initial June Charges, AUC staff members consider that these charges appear to contravene section 3(2) of the RROR noted below because these charges have been derived in order to recover actual prior period costs associated with the Uplift Charge:

(2) A proposed regulated rate tariff must not use, provide for or contemplate any deferral accounts, true-ups, rate riders or other similar accounts or devices for energy related costs.

As outlined in section 6(2) of the RROR, the regulatory authority must not approve a regulated rate tariff that uses, provides for or contemplates any deferral accounts, true-ups, rate riders or other similar accounts or devices for energy related costs.

If DERS and other parties to the EPSP consider it appropriate to include the Uplift Charge in the determination of future RRO energy charges, parties should amend the EPSP as required and file a proposal with the Commission that does not contravene the RROR. This proposal should be filed in an application separate from the monthly RRO filing.

In regard to the Updated June Charges, the AUC accepts that these energy charges represent rates determined in accordance with the DERS' EPSP approved by the AUC's predecessor, the Alberta Energy and Utilities Board (the Board), in Order U2006-108, dated April 28, 2006. The EPSP formed part of a Negotiated Settlement (NS), which the Board considered would result in rates that were just and reasonable.

DERS has included the 2008 pretax return margin of \$2.48/MWh in the Updated June Charges in accordance with the Board letter dated December 19, 2007. In Decision 2006-107, the Board directed DERS to update the pretax return margin each year by applying the forecast income tax rate to the Board approved after-tax margin of \$1.75/MWh.

In accordance with section 7(3) of the RROR, the AUC acknowledges that the Updated June Charges as set out above are applicable to DERS' RRO service for the month of June, 2008.

Further, as outlined in sections 7(4) and 7(5) of the RROR, DERS must retain records sufficient to enable the AUC to audit any previous monthly rates set by DERS. Any amount overcharged to customers due to an incorrect rate calculation must be refunded to customers as soon as practicable after the error is discovered.

If any affected party objects to the calculation of the energy charges for the month in question, they should notify the AUC and DERS in a timely manner, and include the nature of their objection and the reason(s) why it should be considered.

A handwritten signature in black ink, appearing to read "CDRees", with a long horizontal stroke extending to the left from the bottom of the signature.

Carolyn Dahl Rees
Commissioner