

**2007 Terms & Conditions of Service
Stakeholder Consultation**

Edward Hucman, Regulatory
Telus Convention Centre, Glen Room 209 - Calgary
December 8, 2005


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Agenda

- Purpose
- Customer Contribution Policy
 - Issues
 - Alternatives
 - Article 9.4: vary O&M charge with DTS contract term
 - Article 9.5: broaden dual-use ratio
 - Article 9.14: discount rate
- Interconnection Process
 - Amend Articles 5 & 13 to align with interconnection process
- Reductions or Terminations of Contract Capacity
 - Article 14
- Financial Security, Billing and Payment Terms
 - Article 15
- AESO / DISCO Harmonization Directive
- Upcoming Milestones
- Questions & Session wrap-up


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Purpose

- Continue discussion initiated in August 2005
- Update stakeholders on terms and conditions items being considered for 2007 GTA
- Hear from stakeholders on what terms and conditions items should be given priority in time for 2007 filing


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Customer Contribution Policy “Issues”:

- Board Decision “not final” on the issue of customer contribution
 - Directive 13: conduct additional research to determine:
 - Average project costs
 - Are costs linear or kinked
 - Appropriate multiplier to have 80% of projects fall within the selected tolerance multiplier
- 2006 investment levels do not achieve the “80/20 rule of thumb”
 - 39% of projects would result in a customer contribution
- Addition of 12% O&M charge not reflected in investment levels
 - Where 47% of projects would result in a customer contribution

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Customer Contribution Policy Alternatives

Alternative 1

- Propose no changes to the Contribution Policy
- Conduct further research in 2006 and answer Directive 13 in 2008 GTA


Pros:

- Decision “not final”
- Limited stakeholder opposition
- Went through the regulatory process

Cons:

- Creates intergenerational inequity
- Fails to meet previously established “80/20 rule of thumb”
- Creates uncertainty in the industry
- Further testing and debate required

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Customer Contribution Policy Alternatives

Alternative 2

- Implement a stop gap measure in 2007 GTA using the current 103 project sample (vs. 60 provided in the application)
 - Increase investment levels to account for 12% O&M charge & add multiplier to achieve “80/20 rule of thumb”
 - Increase investment levels to account for 12% O&M charge
 - Remove 12% O&M charge on “AESO Standard Facilities”
- Conduct further research in 2006 and answer Directive 13 in 2008 GTA

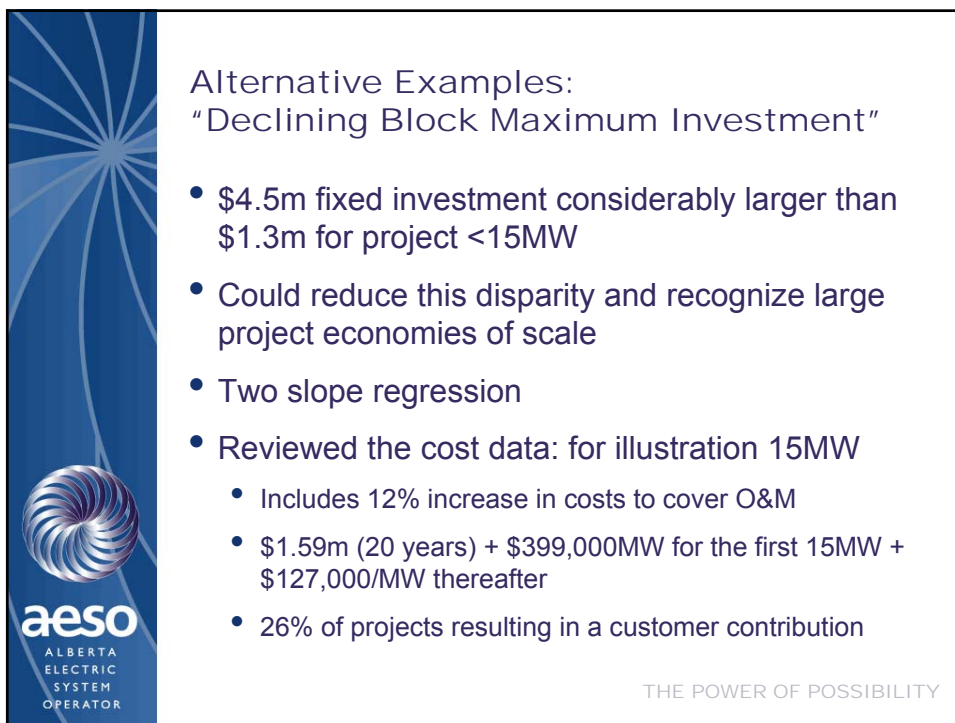
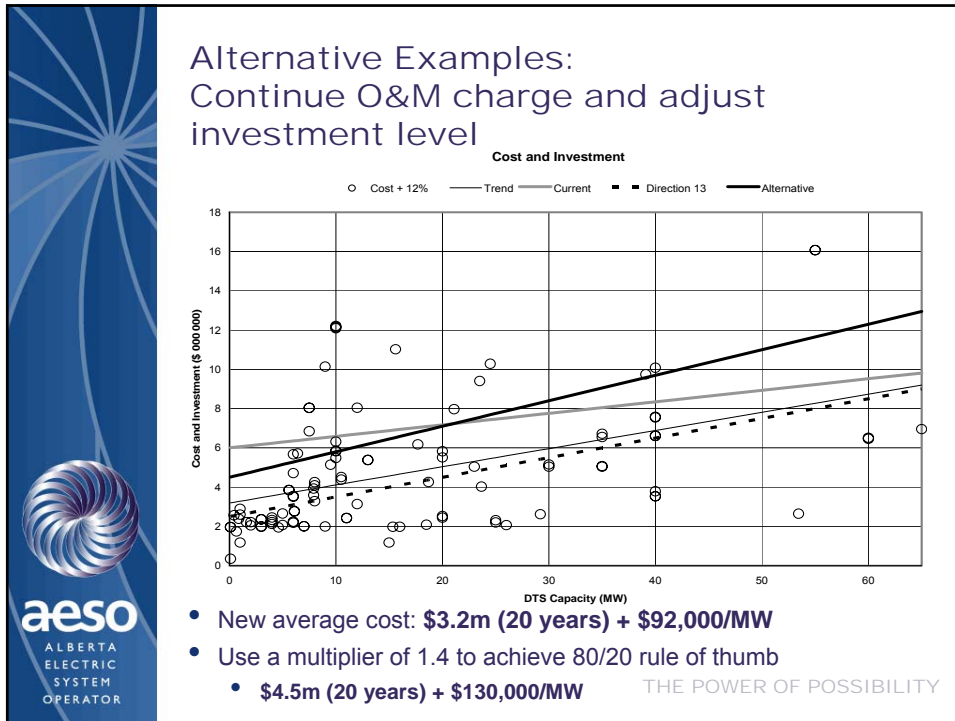
Pros:

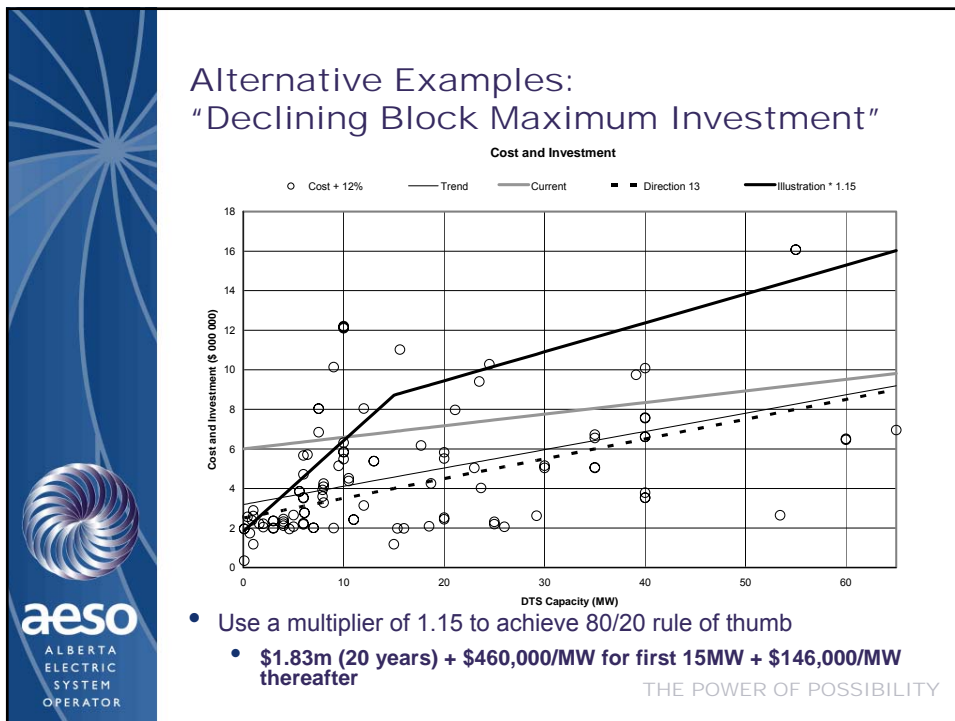
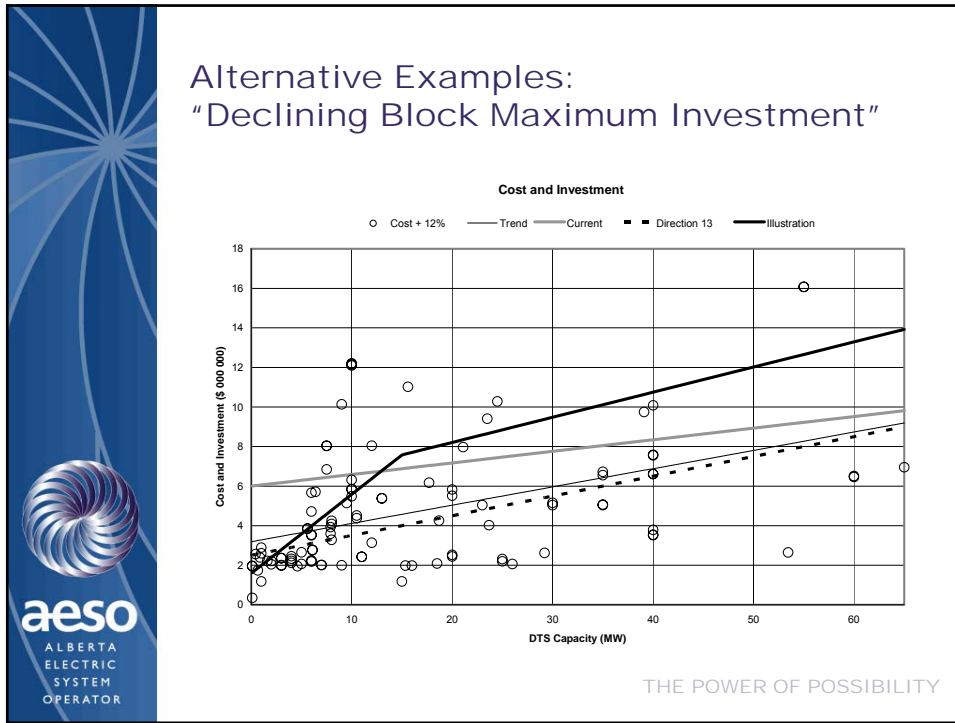
- Reduces intergenerational inequity impact
- *Meets desired “80/20 rule”*


Cons:

- Still creates uncertainty in the industry
- Further testing and debate required + revisiting of recently discussed issues
- *May not solve intergenerational inequity*
- *Fails to meet previously established “80/20 rule”*

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Customer Contribution Policy Alternatives

Alternative 3

- Conduct research as outlined in Directive 13 for the 2007 GTA
 - Solidify current 103 samples and find additional data points:
 - Determine average project costs
 - Are costs linear or kinked?
 - Determine appropriate multiplier to have 80% of projects fall within the selected tolerance multiplier


Pros:

- Meets EUB directives
- Reduces intergenerational inequity
- Reduces uncertainty in industry

Cons:

- Data collected may not be that much different than the 103 point provided in the AESO's refiling application
- Analysis delays beyond refiling date
- Insufficient stakeholder consultation prior to 2007 filing

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Customer Contribution Policy Alternatives


AESO's Position:

- Alternative 3
- Conduct research as outlined in Directive 13 for the 2007 GTA i.e.:
 - Determine average project costs
 - Are costs linear or kinked?
 - Determine appropriate multiplier to have 80% of projects fall within the selected tolerance multiplier
 - Answer question or 80/20 rule of thumb is % of projects or % of costs

Rationale:

- Best option to achieve clarity in the shortest timeline
 - Reducing impacts of industry uncertainty and intergenerational impacts
- AESO not sure the data collected would be that much different than what been collected to date
 - So why wait the additional year to end up in the same position


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Article 9.4
Prepaid O&M

- As per Direction 20 amended Article 9.4 to include prepaid O&M charge of 12% to the costs of AESO standard facilities
- The 12% prepaid O&M charge is intended to represent the present value of annual TFO operating expense over a twenty year life.
- Amend (and reduce) the O&M charge for AESO customers that arrange for DTS service over a lesser DTS contract term


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Article 9.5
Dual-use ratio

- As per Direction 14 reinserted the dual-use ratio as Article 9.5.
- Dual-use ratio designed to apportion POC installation costs between supply and demand customers at one site
- Proposing that it also apply to other multiple use POC situations.
 - i.e. where two demand customers or one dual-use customer and one demand customer share a POC.


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Article 9.14
Discount Rate

- The AESO is proposing to modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders.

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Articles 5 & 13
Interconnection process


Article 5

- Further refinements to the transmission system interconnection process
- Proposing to amend Article 5.1 and 5.2 to reflect certain requirements of the Customer when applying for new or expanded System Access Service.

Article 13

- The AESO is also proposing to amend Article 13.1(a) to permit Customers to secure transmission capacity by executing a Construction Commitment Agreement or by providing the required financial security.


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Article 14
Contract Termination Modifications

- As outlined in Refiling, the AESO explained that bulk system charges need not be considered in contract termination payouts (Direction 25), as those charges are based on coincident demand and metered energy, which would be zero for a zero load customer.
- To add certainty and clarity Article 14.3 will be amended

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Article 15
Late Payment Charge

- The AESO is proposing to amend Article 15.8 to provide clarity to the existing wording
- Avoid interpretation that the full 1.5% late payment charge would apply even in circumstances where payment is late for less than one month.

Late Payment Charge

- *Late payments by the Customer are subject to a late payment charge of 1.5% per month for each month or part thereof for which such payment is late.*


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Directive 12a & 22 Harmonization with DISCOs

- Process not initiated
- Interested in hearing from DISCO's on how to proceed
- What does "Harmonization" mean?
- What can accomplished in 2007 GTA vs. 2008 GTA


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Upcoming Milestones

- AESO distribute Terms and Conditions Discussion Paper: Monday Dec. 12, 2005
- Stakeholder comments to the AESO: Monday Dec. 19
- Response matrices: Thursday Dec. 22
- Discussion paper #2: Wednesday Jan. 11, 2006
- Consultation meeting #2: Tuesday Jan. 17
- Stakeholder comments: Friday Jan. 20
- Response matrices: Wednesday Jan. 25


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Discussion & Questions

- Particularly interested in the alternatives discussed regarding the customer contribution policy
- AESO / DISCO harmonization
- Other proposed revisions to the terms and conditions
- Is there anything else you feel that needs attention that was not discussed

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- Information can be accessed on www.aeso.ca by following the path Tariff ► Current Consultations ► 2007 Terms & Conditions

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