

**AESO 2007 Rates Consultation
Stakeholder Comments and AESO Responses — January 12, 2006**

AESO Proposal	Stakeholder Comment	AESO Response
Matters Settled in 2005-2006 Tariff Decisions		
<p>1 The AESO considers the following matters to have been largely addressed in the EUB's decisions resulting from the AESO's 2005-2006 GTA proceeding:</p> <p>(a) Cost causation is the primary rate design principle.</p> <p>(b) Transmission system functionalization will remain bulk system, local system, and point of delivery.</p> <p>(c) Transmission system classification will remain as determined in Decision 2005-096.</p> <p>(d) The DTS interconnection charge will not be further unbundled.</p> <p>(e) The point of delivery charge will continue to use a substation fraction based on contract capacity.</p> <p>(f) The billing capacity ratchet will remain 90% for 24 months.</p> <p>(g) Ancillary service charges will not be further unbundled.</p> <p>(h) The Fort Nelson rate will remain based on the DTS rate.</p> <p>(i) The STS rate will continue to charge just losses and RGUCC.</p> <p>(j) RGUCC will continue to be</p>	<p>ADC – Position not indicated The ADC agrees that the following matters were largely addressed in the 2005-2006 GTA proceeding and there is no reason to revisit these issues as they appeared in that proceeding.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support ATCO Electric is concerned with the erosion of the postage stamp rate principle with the notion that cost causation is the primary rate design principle. As such ATCO Electric can not support part (a) of this list in the context of the AESO's rate design.</p> <p>ATCO Power – Support Support for the above AESO positions is contingent upon the follow-up for items (b) and (e), which appears to be outlined in Question #3, below. Specifically, the definitions and boundaries between system, local and POD lack consistency and clarity. Also, the use of the Substation Fraction does not resolve the issues associated with the alignment of tariff components, for example, the appropriate allocation of POD charges to customers that have fully contributed to the cost of their connection.</p> <p>CNRL – Support</p> <p>EnCana – Position not indicated</p>	<p>Parties generally agreed with the listed matters being largely addressed in the 2006 GTA decisions, and the AESO will not propose major changes to these matters in its 2007 GTA. See additional responses to specific comments below.</p> <p>The AESO will consider several rate design principles, including:</p> <ul style="list-style-type: none"> • recovery of the total revenue requirement; • provision of appropriate price signals; • fairness, objectivity, and equity; • stability and predictability of rates and revenue; and • practicality, including simplicity, convenience, understandability, acceptability, and billing ease. <p>But it is clear from Decision 2005-096 and other recent EUB decisions that cost causation is the primary principle, and must be given the most weight in a proposed rate design.</p> <p>The AESO agrees that further refinements to some matters are required, and considers refinements to items (b) and (e) to be addressed in AESO Proposal 3, below.</p> <p>Please see response to ATCO Power's</p>

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<p>charged as laid out in Information Response BR.AESO-039.</p>	<p><i>Cost of Service (items (b), (c))</i> – The AESO should be mindful of two considerations: first, the Board should make decisions based on the best information available at the time of its decision, and second, the Board considers the TCCS to be a “first step” (Decision 2005-096, p.19). Taken together, EnCana does not believe that the Board intended or implied that it was not necessary to revisit any aspects of the wires cost-causation study or the DTS-wires rate design.</p> <p>EnCana does not object to defining the wires functions as “bulk”, “local” or “POD”. EnCana does however believe that these categories lack a clear distinction, which in turn leads to problems with the current functionalization of costs and the inconsistent application of the customer contribution calculation. At a minimum the distinction between these functions must be clarified. Once clarified, the AESO should re-examine whether the current categorization of costs is appropriate. Additionally, such clarification will be required in order to proceed with the identification of “cost drivers” and the attendant classification of costs.</p> <p><i>POD Costs (item (e))</i> – The appropriateness of the sub-station fraction will follow from the effort to clarify the distinction between “local” and “POD” costs. Furthermore, the review of cost allocations for customer owned and dual-use substations may lead to a more appropriate approach. Neither consideration should be foreclosed at this time.</p> <p>EPCOR – Position not indicated</p> <p>With two qualifications, EPCOR agrees that the matters listed have been previously determined and need not be re-opened in the 2007 application.</p> <p>EPCOR’s first qualification pertains to part (a). The statement that “cost causation is the primary rate design principle” reflects the acknowledged importance of cost causation in determining the Tariff structure. EPCOR’s qualification is that all rate design principles must still be considered in concert, and without undue bias. As explained in J.C. Bonbright’s reference text, principles other than cost causation may still be determinative. For instance, the principles of stability, predictability and administrative practicality might well outweigh the selection of an unstable billing determinant whatever its justification on the basis of cost causation.</p> <p>EPCOR submits that the Board’s comments in Decision 2005-096 that “the principle of rate shock, which can conflict with this cost causation principle, must take a secondary consideration to cost causation in arriving at an appropriate rate design” (Decision 2005-096, Section 5.2, page 17) should be interpreted as specific to the AESO’s 2005-2006 GTA given the unusual circumstances where transmission rate increases in 2006 in the order of 70% to 80% resulted from changes in transmission tariffs that were mandated by the Transmission Regulation. Outside of a mandated change in rates, EPCOR expects that the</p>	<p>comments, above. The AESO considers refinements to items (c) to also be addressed in AESO Proposal 3, below.</p> <p>Please see response to ATCO Electric’s comments, above.</p>

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	<p>Board would give greater consideration to the principle of stability and predictability than what is suggested by Decision 2005-096.</p> <p>In light of these comments, EPCOR proposes that rate design principles retain the balanced consideration of principles intended by Bonbright as adopted in Alberta over many decades.</p> <p>EPCOR's second qualification pertains to part (c). Further analysis of transmission system classification should consider expanding the classification of point of delivery costs to include a component based on energy in addition to the fixed component and the component based on non-coincident metered demand. EPCOR notes that in the AESO's 2005-2006 GTA Second Refiling, dated December 9, 2005 (Section 4, page 8), the "cost of relief" related to relief provided to single-user transmission-connected services on point of delivery charges is recovered based on energy. The energy component of the point of delivery charges may well be required beyond 2006.</p> <p>IPCAA – Support At some point issues are settled and, even if parties do not agree with the decisions made, we must move on. The issues listed are issues that fit this characterization. Let's move on.</p> <p>Kinder Morgan – Support KM supports the AESO assertion regarding these rate issues.</p> <p>Luscar – Support (a) This is the most fair, cost-efficient and market-supportive way. (Same answer for (c), (d)) (b) Reasonable, practical way to split costs into categories with homogeneous cost causation mechanisms. There is also a customer service component. Should consider splitting POD costs into substation vs line costs to make cost function more well-behaved. Also normalize for vintage before doing the correlation to remove vintaging noise in the estimating. (c) See (a). (d) See (a). (e) Appropriate way to normalize for size. (f) Plant is fungible enough to have minimal stranding after 2 years. Simpler. (g-j) No comment</p> <p>Medicine Hat – Support Agree with all (a) thru (f) statements.</p> <p>TransAlta – Position not indicated</p>	<p>The <i>Transmission Cost Causation Study</i> found that only 0.3% of POD costs varied with usage (either energy or load factor). The AESO considers this amount too small to provide a pricing signal or warrant separate recovery. The AESO also considers recovery of the "cost of relief" on a usage (energy) basis to be a short-term measure for 2006 only.</p> <p>Please see response to ATCO Power's comments, above. However, the AESO does not plan to normalize data for vintage in the 2007 GTA, as noted in AESO Proposal 4.</p>

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	<p>TransCanada – Oppose TransCanada is opposed to the positions adopted by the AESO as follows:</p> <p>(a) While TransCanada accepts the Board emphasis on the importance of cost causation (item (a) above), the AESO explanatory materials go well beyond what the Board stated in Decision 2005-096. TransCanada’s specific concern is with respect to page 2 of the AESO explanatory materials wherein the AESO states “Rate changes which are not supported by cost causation require substantive and irrefutable support from one or more of the remaining principles.” The term “irrefutable” is defined by the Merriam Webster dictionary as “impossible to refute”. Irrefutable is defined by the Oxford English Dictionary as “that cannot be refuted”. The Oxford English Dictionary goes on to define “refuted” as “(1) prove the falsity or error of (a statement etc. or the person advancing it) (2) rebut or repel by argument (3) deny or contradict (without argument)”. Taken together, for something to be irrefutable, it must be impossible to be proven false, to be rebutted or repelled by argument, denied or contradicted. All rate design criteria can normally be rebutted or repelled by argument, denied or contradicted since each criterion has an element of judgement. Even the notion of cost of service, often considered similar to “cost causation” is imprecise as there are often multiple ways to analyze cost causation for different time frames (embedded, short run incremental or long run incremental) and for imprecise asset definitions and grouping of costs. For example, Mr. Reimer, a witness of the AESO in the GTA 2006 proceedings used three different methods for determining cost causation. Also, it is important to note that in some other jurisdictions cost of service is not considered to be the same as cost causation relative to embedded costs. In Board Decision 2005-096, the Board stated that “all three criteria should be given the most weight when evaluating a proposed rate design”. The three criteria referred to by the Board were from Bonbright’s principles and were all of the Bonbright principles listed except the fourth which is “stability and predictability of rates and revenue”.</p> <p>(b) TransCanada is concerned that the use of customer charges for point of delivery costs may be inappropriate. In the 2006 GTA, the concept of using a customer charge for charging point of connection costs was not supported by a complete evidentiary record and expert opinions. Problems with the application gave rise to significant customer concerns which were temporarily resolved in Decisions 2005-131 and 2005-132. TransCanada believes the use of fixed customer charges should be tested to ensure that charges are supported by the cost of service criterion consistent with the Board emphasis on cost of service. Linked to this review is the use of substation fractions to allocate costs per item (e).</p>	<p>Please see response to ATCO Electric’s comments, above.</p> <p>The AESO considers that the EUB’s approval of cost causation evidence in the AESO’s 2006 GTA, although opposing argument was presented by the AESO and other parties, provides the level of irrefutable support required for other rate design principles. This does not mean that “irrefutable support” cannot be challenged, will be entirely objective, and will be founded on perfect data or fully articulated theory. Rather, “substantive and irrefutable support” indicates that evidence supporting other principles must be convincing enough to result in deviation from the cost causation principle (which “must be afforded the most weight”).</p> <p>Please see response to ATCO Power’s comments, above. However, the AESO notes that the appropriateness of customer charges was demonstrated by the <i>Transmission Cost Causation Study</i>, and the EUB only deviated from this to address rate stability and predictability concerns. The AESO does not consider any party to have substantively challenged that POD costs include a customer-related</p>

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	<p>(c) Regarding further unbundling of ancillary service costs, TransCanada assumes that the statement under item (g) should not be construed as a decision to eliminate the XMR proposal being considered by the AESO in the context of exports, imports and merchant transmission. An XMR charge is effectively an ancillary service charge that would be charged to the customer classes benefiting from those services, i.e. export tariffs.</p> <p>(d) The Regulating Generating Unit Connection Costs discussed in item (j) are recovered as a part of the STS tariff. The best evidence on the record in the 2006 GTA is that the costs underlying the RGUCC are 27% of the revenues. Consequently, all PPA Buyers (and their customers) are subsidizing other STS customers. Given the Board emphasis on cost causation being the primary driver for tariffs, the AESO should include a review of these costs in the current cost of service study. Schedule BR-AESO-39 A can be easily modified to incorporate a different cost for interconnection PPA generators.</p>	<p>component.</p> <p>The AESO generally agrees with TransCanada's comments on allocation of XMR costs as an ancillary service.</p> <p>The AESO does not plan further review of RGUCC costs in its 2007 GTA, given the EUB's support for this position at page 21 of Decision 2005-096.</p>
<p>2 The AESO will provide individual billing data for each DTS service as part of its 2007 GTA.</p>	<p>ADC – Oppose The ADC would oppose having billing data for all of the AESO's 480 services submitted as part of the 2007 GTA. It does not seem likely that much could be gained by viewing each and every service instead of examples of each type of service that the AESO serves. This type of disclosure is not appropriate in a competitive market.</p> <p>AltaLink – Will be submitting comments later</p> <p>ATCO Electric – Support</p> <p>ATCO Power – Support Significant decisions should be based on facts and data.</p> <p>CNRL – Support CNRL supports this as seeing the individual customer impacts would have flagged the rate shock issue much earlier and would have allowed the AESO to modify the DTS Tariff Proposals much earlier.</p> <p>EnCana – Position not indicated At this time, EnCana is not opposed to the AESO including individual bill impacts as part of the 2007 GTA. However, the AESO has not explained why such information is required and how it will form part of the GTA application. EnCana does hold some concern that such data will be used to deviate from a rate design that is predominantly determined on the basis of "cost-causation" or</p>	<p>Parties generally agreed with the proposal to provide individual DTS billing data as part of the AESO's 2007 GTA. The AESO believes that availability of such data may have avoided some of the bill impact concerns that became visible after the EUB issued Decision 2005-096. Much of the billing data that will be provided is already included to some extent for AESO Direct Connect customers in annual deferral account reconciliation filings. Data will also be provided in a manner that protects customer confidentiality, as recommended by TransCanada.</p> <p>The AESO believes provision of individual DTS billing data will allow full examination of the impact of rate changes on all customers, rather than on groups of customers or on an average basis. Provision of such data</p>

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	<p>that such calculations are used as a basis to calculate “winners and losers” and prevent a rate-design modification that is sound and principled.</p> <p>EPCOR – Position not indicated EPCOR supports the AESO providing individual billing data for each DTS service as part of its 2007 GTA.</p> <p>IPCAA – Support This approach would permit interveners to accurately assess the impact of various tariff alternatives so that they may be incorporated into intervener evidence. This may result in a more complete record in the GTA proceeding.</p> <p>Kinder Morgan – Support KM is supportive of this full disclosure of data.</p> <p>Luscar – Indifferent</p> <p>Medicine Hat – Support This will provide a better understanding of costs of own service level (usage) in relation to other DTS customers.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Support There appears to be substantial confusion on the part of customers as to what impact the refiled tariffs will have on individual customer bills. TransCanada endorses this effort by the AESO to provide billing data that can be used to evaluate the impact of proposed tariff changes on customer bills. Without this information, most, if not all, customers are unable to determine their position on various rate changes and innovations. TransCanada supports that this information should be disclosed in a way that protects customer confidentiality.</p>	<p>should permit argument based on specific, rather than generalized, evidence.</p>
Transmission Cost Causation Study Refinements		
<p>3 The AESO proposes to undertake the following refinements to the <i>Transmission Cost Causation Study</i> for inclusion in the AESO’s 2007 GTA:</p> <p>(a) Study major bulk paths. (b) Refine differentiation between local system and</p>	<p>ADC – Position not indicated. The ADC would agree that these are refinements that should occur for the 2007 GTA.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support ATCO Electric is of the view that the postage stamp rate design criteria will</p>	<p>Parties generally agreed with the listed refinements to the <i>Transmission Cost Causation Study</i>. See additional responses to specific comments below.</p> <p>The AESO agrees that contributions should not come from a single type of</p>

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<p>point of delivery.</p> <p>(c) Assess the cost drivers for the point of delivery function in more detail.</p> <p>(d) Review cost and ownership issues relating to dual-use substations.</p> <p>(e) Review treatment and impact of customer contributions.</p> <p>(f) Study operations, maintenance, and administration cost causation.</p> <p>(g) Consider separating export and import facilities from domestic facilities.</p>	<p>be violated if certain discos or customers in certain areas end up paying most of the contributions expected from 20% of the customers. We suggest that the AESO should consider these concerns when dealing with part (e).</p> <p>ATCO Power – Support Analysis of the above issues is critical to developing a fair rate that properly aligns the components of the tariff. Based on the discussion paper, it is our understanding that: in (c) the analysis will consider line, substation and connection components as a minimum; in (d) the analysis will breakout and review the demand and customer components of the POD charge, including those costs itemized in (f). It is our opinion that Items (d) and (e) should consider both dual-use and load only customers. Presumably these customers contribute varying amounts based on their actual connection cost. Their contributions are expected to vary based on proximity to system and other customers. Currently, it appears that a lone customer will pay a much higher POD charge than an equivalent urban customer, which seems inappropriate given the contribution policy. An analysis and explanation of the POD charges assessed to different customers and showing that the POD cost allocation by the substation fraction or other method, results in appropriate customer charges would be valuable. We strongly believe that the analysis should review and consider the customer contribution levels under the current tariff as well as the customer contributions to be provided under the new tariff. This analysis would be intended to ensure that both groups receive the appropriate credit for their respective contributions.</p> <p>CNRL – Support CNRL also expects that the definitions of Bulk and Local facilities to be documented and the justification for including transmission facilities in each of categories to be consistent and defensible.</p> <p>EnCana – Position not indicated (a) <i>Study major bulk paths</i> – EnCana agrees that the 2007 GTA should include a study of all bulk paths – not just “major” bulk paths. EnCana believes this should include a clear distinction as to the wires that should be included under the definition of “bulk” paths. Additionally, it should include a clear examination of the factors driving costs, including capital or O&M costs. Specifically, what factors drive the system planners to determine the need for new “bulk” wires (capital costs) and what factors drive the TFO to engage O&M costs. (b) <i>Differentiation between local and POD, (c) POD Cost Drivers, (d) ownership, (e) customer contributions</i> – EnCana agrees that the 2007 GTA</p>	<p>customer or from customers in a single geographic area.</p> <p>The AESO will work with Reimer Consulting to determine the details of the refinements to the <i>Transmission Cost Causation Study</i>, and will include consideration of ATCO Power’s comments.</p> <p>At this point the AESO intends to complete “a more thorough review of all those lines comprising the bulk system” as directed by Decision 2005-096. It is likely that such review will indicate similarities between some lines, such that not all lines need be studied in detail.</p>

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	<p>should include a clear distinction between “local” and “POD” functions and therefore a distinction between such costs. This distinction needs to be used consistently, whether for rate-making purposes or for customer contribution purposes.</p> <p>The rate-design for POD costs needs to ensure that it properly aligns with basic rate-making principles. For example, rates should not charge twice nor should rates allocate costs to those that do not “cause” the costs.</p> <p>EnCana supports the examination of cost components and the cost drivers related to PODs. Such a study should include a break-down of standard POD design required to provide reliability levels, a determination of the cost function, including any non-linear relationship (i.e. step-changes) associated with the use of standardized equipment sizes, the nature of any economies of scale, and the relationship between POD design and reliability objectives. While some of these costs will be related to customer capacity requirements, not all costs will and a determination of the multiple factors affecting POD design and costs needs to be disclosed.</p> <p>EPCOR – Position not indicated</p> <p>EPCOR considers it most important that the AESO focus its cost study efforts on the fundamental issue of transmission cost causation. The question of exactly how the electrical characteristics of each class of transmission customer influences the fixed and variable costs of the transmission system and the need for future reinforcements requires significant refinement.</p> <p>It is not useful to deploy resources on detailed analysis of classifications and allocators that were developed for integrated generation planning. An example would be coincidence of the demand at a specific P.O.D. with Province-wide peak load. This concept is relevant to generation adequacy but has little relevance for domestic transmission adequacy. Transmission must be planned to meet specific transmission criteria and contingencies such that the critical stresses and cost drivers for many elements occur in many hours other than hours of peak aggregate Provincial load. The concepts of “bulk”, “local”, “delivery point” and their mutual boundaries should be considered with this in mind.</p> <p>Customer contributions are an artifact of the “postage stamp” social rate philosophy that limits the revenue requirement for existing customers and contributions therefore have no bearing in a cost causation study.</p> <p>EPCOR agrees that the study should attempt to distinguish between costs incurred for domestic adequacy versus costs incurred specifically to accommodate exports. The physically integrated nature of electric systems and the “lumpiness” of transmission increments whereby some export capacity is at least temporarily created as a result of reinforcing the system for domestic purposes, renders such cost allocations challenging and subject to controversy. It is important however to address customer concerns relating to potential cross</p>	<p>The AESO expects that analysis of POD costs may be limited by a lack of detailed data available for many PODs from the TFOs.</p> <p>The AESO disagrees that “contributions therefore have no bearing in a cost causation study”. If one component of costs is recovery of and return on capital costs, and such costs have already been fully contributed by a customer, then the customer should not again be allocated those costs.</p>

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	<p>subsidization between domestic loads and extra Provincial loads, as this may be an impediment to timely system reinforcement. It is also reasonable to presume that extra-Provincial loads were not intended to benefit from postage stamp tariffs.</p> <p>As it is unlikely that EPCOR's concerns with respect to transmission cost causation can be addressed by AESO's proposed February filing schedule, EPCOR urges the AESO to consider a later filing date that would allow these issues to be more comprehensively considered and canvassed.</p> <p>IPCAA – Support IPCAA supports study of additional bulk paths, refinement of system and POD (to match investment policy criteria, if possible). Given the discussion in the last TCCS on the state of and detail contained within the TFO financial records it is not clear to IPCAA that any useful information will be derived from historical cost data for cost drivers related to PODs. In the stakeholder session Ed Hucman indicated that he had not obtained resources to undertake a similar analysis of the recent POD projects utilized for evaluation of the POD investment levels. If an analysis of historical data is undertaken, the current cost data should also be examined. Recognizing that resources are not infinite, IPCAA would rather see resources spent analyzing cost data from recent projects – where some insight may be gained – rather than examining historical data.</p> <p>Kinder Morgan – Support KM is very concerned over the current POD charge in the 2006 tariff. The current rate cliff that exists at the 5 MW level will play into KM investment decisions and the POD charge will impact the economic viability of various KM projects. Refining the differentiation between local system and POD is a key part of the analysis. KM is also of the opinion that the investment policy is no longer aligned with rates since the POD charge is based on data from prior investment policies. KM would welcome an opportunity to participate on an AESO stakeholder committee to further discuss and refine the definition of these refinements, the type of analysis that will be used and to discuss the outcomes of the study.</p> <p>Luscar – Support (a) Not sure what additional study will show. (b) Likely these costs behave differently and a bright line between them would be helpful. (c) Fully support. We are expecting further analysis will reveal the true mechanisms of cost differences and allow better model for rate design. (d) Would like to see user have a cost-neutral choice of self-providing if he thinks he can do it cheaper himself. This disciplines the TFO or DFO to build</p>	<p>The AESO will assess whether recent project data included in the investment level study could also be utilized when refining the POD analysis in the <i>Transmission Cost Causation Study</i>.</p> <p>The AESO considers that POD charges and investment policy are generally aligned, since both POD charges and investment policy include a fixed component and a demand component. The 2006 DTS rate is based on existing project costs, rather than “prior investment policy”, and it is unlikely those costs would vary materially under different policies.</p>

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	<p>frugally.</p> <p>(e) There should be coherence between contribution policies and credit for self-supply.</p> <p>(f) Not sure how this will change tariff. Total \$ and determinants will not likely change.</p> <p>(g) Luscar supports any effort which allocates costs more fairly to imports and exports and reduces cross-subsidies from intra-AB load. Beneficiaries of Imports and exports are the importers and exporters.</p> <p>Medicine Hat – Oppose Only agreement is with 3(e) as further clarity is seen as needed here. For the remainder, the value added from the outcome of these items (i.e. redistribution of revenue requirements within DTS rate categories) doesn't seem worth the cost of undertaking the refinements.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Support While TransCanada offers overall support for pursuing these initiatives, TransCanada recommends the AESO consider the following:</p> <p>(a) Assuming the AESO plans to undertake cost of service studies with a primary focus on cost causation, then the AESO, when studying the major bulk paths to better determine the relationship between the time of maximum stress and the time of system peak (per item (a) above), should place primary weight on the planning decisions that were made when the AESO (or its predecessors) obtained approval for the various transmission lines. It the cumulative sum of those planning decisions that has given rise to the current assets and their costs, not how the system is operated today. In fact operating a system is usually done under different criteria and practices than when planning a transmission line. If the AESO proposes to alter the cost causation principle by using actual operating practices for classifying and allocating costs, then the AESO should be explicit about such adjustments.</p> <p>(b) Regarding item (d) above, the review of cost issues should include any offsetting charges (such as the RGUCC) which are financially equivalent to ownership or to a contribution in aid of construction. If the AESO concludes that a customer is the owner of an asset or is treated financially equivalent to being the owner, any revenues received from those assets (such as through a DTS charge in a dual-use POC) should be paid to that customer, not to the TFOs or other rate payers.</p> <p>(c) In considering whether the AESO should pursue item (g) to separate transmission facilities used for export and imports, the AESO should examine the planning justification for these facilities. For example, it is</p>	<p>The AESO agrees that not all refinements are expected to produce material changes to rates. However, some refinements are required by EUB directions, while others may support maintaining the 2006 rate structure.</p> <p>The AESO generally agrees that the cost causation study should assess how the transmission system is planned and built, rather than how it is operated.</p> <p>The AESO agrees that a customer who owns or contributed to an asset should be treated equitably and fairly, but does not believe that would result in crediting the customer with revenue related to those assets.</p>

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	<p>TransCanada’s understanding that for the 500 kV BC-Alberta tie line, the quantified benefit used to justify the line on the Alberta side was the ability of the tie-line to provide 300 MW of reserve capacity more economically than three -100 MW gas turbines along with other non quantified and broad spectrum benefits.</p>	
<p>4 The AESO proposes to defer further refinements to the Transmission Cost Causation Study in the following areas to a future GTA:</p> <p>(a) Assessing the impact of customer responses on transmission planning.</p> <p>(b) Differentiate depreciation and return by vintage of assets.</p> <p>(c) Update cost data used in the Transmission Cost Causation Study.</p>	<p>ADC – Position not indicated The ADC would support deferring these refinements to a subsequent GTA.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support</p> <p>ATCO Power – Indifferent In the interim, it may be instructive to take the limited number of PODS that are considered in the analysis, estimate their replacement cost and review the magnitude and direction of this change on the proposed tariff.</p> <p>CNRL – Support The AESOs new position on standard facilities and the requirement for much higher customer contributions is not likely supported by the historical data; one issue is that the data may not be available, the customer contributions being lumped into no cost capital and the optional facilities becoming one with the system facilities, the second is that the earlier incarnations of the AESO, ESBI and Grid CO were much more willing to consider looped facilities and second transformers as system facilities. It will be of value to see if the AESO can determine the impact of customer responses and to see how much of the transmission system was built by customer selection of optional facilities.</p> <p>EnCana – Position not indicated <i>(a) Assessing impact of customer response</i> – EnCana agrees that the AESO should monitor and provide feedback on the customer response to the new DTS rate design. However, EnCana does not agree that this should be used as a reason not to review or alter the 1 CP peak-billing for bulk system use if it is determined for rate-design reasons to no longer be appropriate. <i>(b) Adjust wire costs to reflect depreciation and vintage of assets</i> – EnCana requests that the AESO put forward a clear plan to address this issue, including a clear time line. <i>(c) Update cost data</i> – EnCana requests that the AESO put forward a clear plan to address this issue, including a clear time line.</p>	<p>Parties generally agreed with deferring consideration of the listed refinements to the <i>Transmission Cost Causation Study</i>. See additional responses to specific comments below.</p> <p>The AESO does not plan to further review coincident peak billing in its 2007 GTA, as noted in AESO Proposal 5, below.</p> <p>The AESO will develop a plan to address these deferred matters in the course of refining the <i>Transmission Cost Causation Study</i> for its 2007 GTA.</p>

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	<p>EPCOR – Position not indicated <i>See comments in section 3.</i></p> <p>IPCAA – Support As IPCAA indicated at the stakeholder session, it would be premature to undertake work to establish the depreciated cost of various assets before deciding if such distinctions are useful. IPCAA encourages the AESO to attempt to bring some resolution to the question of the appropriate costs to utilize in rate design (e.g. RCN, trended replacement cost, original cost or depreciated original cost) before undertaking any work in this area. Utilizing different types of costs will result in different split of revenue requirement between functions (bulk/local/POD) as well as differences in classification (demand/energy and customer/demand).</p> <p>Kinder Morgan – Support</p> <p>Luscar – Support, Oppose (a) Not sure what that means. If it means price responsiveness, it may be useful study. (b) May increase predictability of costs by normalizing for vintage, but rates should be vintage neutral (Kahn Principle- everyone in an instant has equal right to every vintage of common asset). (c) This should be an on-going exercise.</p> <p>Medicine Hat – Support See response to 3 above and agree with deferral.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Support TransCanada supports the deferral of these refinements to the cost study but is unclear on the meaning of the term “impact of customer responses on transmission planning.” If an example of this refinement is the willingness of a trigger participant such as a wind generator agreeing to be curtailed for a reasonable number of hours in exchange for the deferral of a major transmission line and a payment for accepting lower than normal service, this option should be considered. It could be written up in principle with details developed on a case by case basis. Consequently, a major amount of cost analysis would not be necessary unless the opportunity presents itself.</p>	<p>This item meant assessing whether customers were responding to the price signals given by the DTS rate, and, if so, how and in what manner those responses were affecting transmission system planning at the AESO. The AESO considers that more time would be required to develop such an assessment.</p> <p>Please see AESO response to Luscar comments, above.</p>

AESO Proposal	Stakeholder Comment	AESO Response
Single Coincident Peak Billing for Bulk System Demand		
<p>5 Single monthly coincident peak billing will continue to be used in 2007 to recover the coincident demand component of the bulk system charge.</p>	<p>ADC – Position not indicated The ADC supports the continued use of the single monthly coincident peak billing for 2007.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support</p> <p>ATCO Power – Support</p> <p>CNRL – Support The Single peak, difficult as it is to predict, is still somewhat of a signal to customers, whereas averaging it takes away any incentive to even worry about it.</p> <p>EnCana – Position not indicated If the study of bulk system “cost drivers” suggests a more appropriate cost-allocator, then such a cost-allocator should be reflected in the 2007 rate-design. In other words, rate-design should follow from cost-causation, not a popularity vote conducted by the AESO.</p> <p>EPCOR – Position not indicated In its October 14, 2005 letter to the Board (which is attached for reference), EPCOR explained at length the practical, administrative and billing stability concerns of using a coincident peak allocator as a billing determinant and proposed some more practical methods. As indicated in its letter to the Board, EPCOR also remains unconvinced of the merits of the single coincident peak as a measure of transmission cost causation. EPCOR continues to hold these views and requests that the AESO take the time to consider more appropriate and practical billing determinants for its 2007 application.</p> <p>In its Reply Comments filed with the Board on November 4, 2005, the AESO notes that “collecting transmission costs on a coincident peak demand basis is utilized in other jurisdictions, including those of the British Columbia Transmission Corporation and SaskPower” (Section 2, page 3). EDI questions the relevance of this argument considering that these provinces are not subject</p>	<p>Parties generally supported the continuation of individual-month coincident peak billing in 2007. See additional responses to specific comments below.</p> <p>The AESO does not plan to further review coincident peak billing in its 2007 GTA. The AESO expects to focus on refining the bulk system demand-usage split in 2007, rather than assessing alternative approaches to billing coincident demand.</p> <p>The AESO believes the practical and administrative concerns of billing on coincident demand have been addressed for 2006 (although the AESO is still assessing if the coincident system demand can be made more visible). The majority of customers did not consider stability to be a concern, given that the same amounts would be charged by the AESO over a 12-month period in any case.</p> <p>The AESO provided its comments in response to EPCOR’s comment that the AESO’s approach was “novel”. The AESO agrees that billing approaches in other jurisdictions is of limited</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>to the billing and settlement complexities that exist in a deregulated market such as Alberta. In addition, EPCOR notes that while it agrees with AESO's comment that EPCOR's proposal to use metered data from a previous year "would significantly delay the price signal provided by a coincident peak demand billing approach" (Section 2 page 3 of AESO's Reply Comments), EPCOR's proposal would provide greater rate stability and predictability and would be far more practical to implement than the using the coincident peak demand in the current period as the billing determinant.</p> <p>IPCAA – Support IPCAA agrees that it would be premature to make any changes in the 2007 GTA.</p> <p>Kinder Morgan – Support KM agrees with the use of a single monthly coincident peak billing for the 2007 tariff since it will simplify calculation and operations efforts.</p> <p>Luscar – Oppose Luscar supports the use of coincident peak for bulk system demand charge, but would like to see the peak calculated on a basket of tightest hours, perhaps 50 top hours, and perhaps based on lowest supply "cushion" (Supply-Load) rather than highest load. At least do the math to see how it changes who pays. That way, the tariff encourages load to curtail whenever supply is tight and reinforces the behaviour after it has occurred. It will be very hard for a curtailer to pick the exact right hour if he has only one shot per month. He will be demotivated to curtail.</p> <p>Medicine Hat – Oppose Agree with the need to gain experience with 1 CP billing but also believe efforts should continue toward a broader definition of coincident peak. This broader definition may be achievable in 2007 vs. a delay.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Support The single monthly coincident peak billing method is normally referred to in the power industry as the 12 CP method. It would be helpful if the AESO could confirm this understanding to reduce confusion in definitions.</p>	<p>relevance, but notes that coincident peak demand billing is also utilized in jurisdictions in the United States where deregulated markets do exist.</p> <p>The AESO does not plan to further review coincident peak billing in its 2007 GTA. Parties proposed a wide range of alternative definitions of coincidence during the 2006 GTA and refiling process. The AESO believes it would be appropriate to gain some experience with the 2006 approach before implementing further changes.</p> <p>See AESO response to Luscar comments above.</p> <p>The AESO agrees that monthly coincident peak approaches are generally called "12 CP", while annual coincident peak approach are generally called "1 CP". The AESO's proposal was differentiating between individual monthly and 12-month average approaches to 12 CP billing.</p>

AESO Proposal	Stakeholder Comment	AESO Response
Additional Rate Classes		
<p>6 If costs attributable to standby service are not appropriately recovered through the 2007 DTS, the AESO plans to include a specific standby rate in its 2007 GTA.</p>	<p>ADC – Position not indicated The ADC would not oppose the creation of new rates if the cost basis exists for differentiation.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support</p> <p>ATCO Power – Support</p> <p>CNRL – Support CNRL strongly supports a separate Standby Service, 85 MW of DTS at Project Horizon is just to support plant load during a generator forced outage. The AESO must, under the present policies, plan to support the 85 MW of stand by 100% of the time when the actual usage is only 5% of the time. There are avoided transmission costs if a Standby Tariff is established. This is particularly relevant in areas like Fort McMurray and Cold Lake where there are large DTS customers with low load factors and the demand is mostly for standby service on generator outages. Note that the avoided coincident Bulk Charge is not equivalent to a standby tariff since a generator that is off during a coincident peak is still paying the full DTS tariff.</p> <p>EnCana – Position not indicated Agreed.</p> <p>EPCOR – Position not indicated Ideally the design of DTS would be structured to properly reflect cost recovery over a wide range of load factors including the use of transmission systems to provide intermittent standby service. To the extent that this is not possible, a separate standby rate that better matches the costs of standby service is supportable with the usual rate transition considerations. The first step in such an assessment would be a comprehensive review of cost causation as requested above. EPCOR does not support the concepts of interruptible or opportunity standby.</p> <p>IPCAA – Support IPCAA supports appropriate rates for all categories of service, including that which may be described as “standby”. IPCAA hopes that the assessment of costs applicable to standby does not rest solely on a review of TFO recorded historical costs, as there is little likelihood that such a review will provide</p>	<p>Parties generally supported the introduction of a standby rate if a cost basis exists. See additional responses to specific comments below.</p> <p>The AESO considers the Bulk Charge coincident demand component to be appropriate for a standby service since it is based on attributing costs to use at time of system peak. The AESO is examining the Local and Point of Delivery Charges to assess how those costs should be attributed to standby service.</p> <p>The AESO agrees that a DTS rate that recovers costs appropriately from a wide variety of customers would be preferred. A separate rate would be considered only if the DTS rate is found to inappropriately recover cost from standby or similar services.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>meaningful results.</p> <p>Kinder Morgan – Support</p> <p>Luscar – Support Luscar supports a standby charge that reflects the diversity of the system the unit is being supported by, as demonstrated by how the engineers actually plan for it. If very little extra plant is actually being installed to cover for the standby, a very small fraction of the costs should be attributed to it. The proposed process already seems to be accomplishing this by being largely based on coincident peak without ratchet.</p> <p>Medicine Hat – Oppose See response to 3 above. This proposal is predicated on preliminary cost study refinements being available. Instead, gaining experience with the 2006 rate structure and changes seems appropriate.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Support TransCanada generally supports cost based tariffs but also recognizes that demand ratchets and other mechanisms that work reasonably well for higher load factor customers may not work in the context of a relatively low load factor use of local facilities for standby purposes. TransCanada is also aware that cost of service studies are not precise and leave rate designers with a range of costs that need to be recovered from rates for a given transmission service. Consequently, where there is flexibility in tariff design and where the Government supports the general idea that transmission tariffs should not be a barrier to entry for generation, it is appropriate that standby tariffs be designed so they do not discourage highly efficient forms of generation from being developed. In Decision 2005-096, while acknowledging that low load factor customers impose significant costs, the Board agreed that the development of a standby rate would be appropriate and may offer some flexibility to low load factor customers. If the AESO treats its existing tariff as already including the most salient features of at a standby tariff, the filing should include sufficient details to demonstrate for various load sizes and load factors, that this indeed is the case.</p>	<p>During its 2006 GTA the AESO indicated it would investigate a standby rate for its 2007 GTA, and considers it should follow through on that commitment.</p> <p>The AESO believes that a standby rate should be implemented only if supported by cost causation analysis, and not for purposes of market development or encouragement of specific types of generation.</p>
<p>7 If a cost basis for separate rates for industrial and DISCO (or similarly differentiated) services is evident and</p>	<p>ADC – Position not indicated The ADC would not oppose the creation of new rates if the cost basis exists for differentiation.</p>	<p>Some parties raised valid concerns in opposition to creating separate rate classes. The AESO has further reviewed this proposal, and considers</p>

AESO Proposal	Stakeholder Comment	AESO Response
<p>defendable, the AESO will proceed to develop such rate classes for the 2007 GTA if practical.</p>	<p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support</p> <p>ATCO Power – Position not indicated Not enough information to indicate a position at this time.</p> <p>CNRL – Oppose PODs have a tendency to change from rural to urban, industrial to residential, and back and there is no clean clear separation between the end positions. Defining a cost driver to differentiate the costs to drive the different rates is a challenge.</p> <p>EnCana – Position not indicated The distinction between DISCO and industrial rates should first and foremost be captured through a proper rate design – especially as this relates to POD and wires costs. The AESO should consider separate rates if and only if the cost basis cannot be properly incorporated into a single rate design. The legislative requirements also need to be considered.</p> <p>EPCOR – Position not indicated EPCOR opposes this concept. The initiative appears to be based on the provision of mandatory differentials in service reliability and rates based on social or end-use considerations that violate the “postage stamp” principal. “Postage stamp” transmission rates require that a cost of service boundary be established beyond which a contribution in aid of construction is charged. This protects all customers from bearing the costs of those customers that require extraordinary costs of interconnection such as additional transformers or lines of supply. The contribution policy supports customer choice and ensures that those who request an additional service pay for it – just as those that request only a lesser level of service may receive a credit through interruptible rates. These are both optional modifications to a base level of service inherent under a “postage stamp” tariff. While rate differentials between individual and Disco customers may be appropriate if their electrical characteristics result in differences in costs of service not captured in the structure of DTS, this is distinct from rate differentials reflecting a departure from postage stamp policy. EPCOR considers the former to be dependent on a thorough examination of transmission cost causation. EPCOR is opposed to rate differentials which simply reflect a departure from the postage stamp policy.</p> <p>IPCAA – Support</p>	<p>that more background work needs to be completed before additional rate classes could be proposed.</p> <p>The AESO therefore does not expect to develop industrial and DISCO (or similarly differentiated) rate classes for its 2007 GTA, but may consider this further in a future GTA.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>IPCAA supports cost-based rates for all categories of service. If it can be established that the cost to serve industrial and DISCO PODs are materially different then separate rates should be considered.</p> <p>Kinder Morgan – Support</p> <p>Luscar – Oppose It is hard to conceive of a cost structure that is different by class that is not already captured by the use of demand, energy and POD components of rates. Different rate classes are only needed in jurisdictions with a single part rate (e.g. unit energy rate) who use the different classes to approximate the differential allocation of costs that we do explicitly by having a multi-part rate (Energy, Non-coincident and coincident peaks, POD).</p> <p>Medicine Hat – Support Support is based on primacy of cost causation principle; however per comments in 3 and 6 above the degree of additional study and need to gain experience with 2006 rate structure remains as a concern.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Support. TransCanada supports exploration of separation of DTS into industrial and DISCO customers or a similar distinction. Such separation allows DISCO customers to advance pricing systems that are more heavily weighted towards a postage stamp system and allows industrial customers to move towards more cost based and individualized rates. Forcing these two customer classes into one rate class for several years has caused considerable frustration for both classes of customers. Any analysis of separating the two rate classes should be careful to examine rates, cost of service, and relevant terms and conditions for matters such as investment levels and customer contributions.</p>	
Opportunity Rates		
<p>8 The AESO will review the rate levels for DOS 7 Minutes, DOS 1 Hour, and DOS Term rates for the 2007 GTA.</p>	<p>ADC – Position not indicated It would be worthwhile to revisit the rate levels of the opportunity rates, especially the ability to buy and the comparability of intra-Alberta opportunity rates versus export opportunity rates.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support</p>	<p>Parties generally supported a review of DOS rate levels. The AESO will therefore plan to include such a review in its 2007 GTA.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>ATCO Power – Support Support in principle.</p> <p>CNRL – Support CNRL supports a review of all opportunity rates, they are useful and will be utilized by CNRL during generator turnarounds and planned generation outages, plus to manage excess load peaks when the timing of generator installations do not match exactly to load additions.</p> <p>EnCana – Position not indicated</p> <p>EPCOR – Position not indicated Any review of the rate levels of DOS should also include a review of their effectiveness in capturing incremental revenue and avoiding cannibalization. If this is not possible in the AESO's proposed filing timeframe, then such study should be postponed.</p> <p>IPCAA – Indifferent If the AESO is proposing to review the level of DOS rates, does it also propose to review (a) the criteria for qualifying for DOS and (b) review the level of other opportunity rates such as import and export rates? If not, why not?</p> <p>Kinder Morgan – Support</p> <p>Luscar – Support Each of these services has different value to the system. The closer the rates reflect the true differential in value, the more efficient the market will be.</p> <p>Medicine Hat – Oppose Review has potential to be contentious and extended.</p> <p>TransAlta – Position not indicated</p> <p>TransCanada – Indifferent TransCanada does not have DOS load. However, to the extent these rates provide greater flexibility and more efficient use of the transmission system, they should be encouraged.</p>	

AESO Proposal	Stakeholder Comment	AESO Response
Matters Not Being Considered for the AESO's 2007 GTA		
<p>9 The AESO does not intend to pursue the following matters in its 2007 GTA:</p> <ul style="list-style-type: none"> (a) Performance-based rates. (b) Self-supply of ancillary services through a regulated tariff. (c) Purchase or sale of reactive power through a regulated tariff. (d) Differentiation of transmission services based on interconnection voltage level. 	<p>ADC – Position not indicated The ADC would support delaying some of these issues to another time, or just not pursuing certain matters such as performance based ratemaking. However, the ADC would like to see a commitment from the AESO as to when these issues will be addressed, specifically, which GTA these issues will be brought forth for stakeholder consideration.</p> <p>AltaLink – <i>Will be submitting comments later</i></p> <p>ATCO Electric – Support</p> <p>ATCO Power – Indifferent At this time, we believe that developing the proper structure of the tariff takes precedence over the matters listed in item #9.</p> <p>CNRL – Oppose As a customer connecting 179 MW at the 260 kV voltage level, CNRL Project Horizon is opposed to having to pay POD and Local Connection charges. CNRL sees the benefit of having a Primary Service Credit that avoids the POD charges if the customer owns their own substation, and that avoids the local connection charges if the customer is connected at 260 kV.</p> <p>EnCana – Position not indicated <i>(b) Self-supply of ancillary services through a regulated tariff</i> – EnCana requests that the AESO put forward a clear plan to address this issue, including a clear time line.</p> <p>EPCOR – Position not indicated EPCOR agrees that the issues listed do not merit consideration for 2007. However, EPCOR proposes that Performance Based Rates do merit consideration in the AESO's subsequent applications.</p> <p>IPCAA – Indifferent</p> <p>Kinder Morgan – Support</p> <p>Luscar – Support, Oppose (a) Support. (b) Oppose: Luscar would like to see self-supply of ancillary services. If tariff rates are too high, the customer can avoid them by self-supplying.</p>	<p>The AESO will assess whether these matters require additional consideration in the course of preparing its 2007 GTA, and if appropriate will propose a plan to further address these matters in the future.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>(c) As a potential supplier of reactive services, Luscar would like to see generators paid for this valuable service. If it knew it would be compensated, Luscar may specify its generator differently. In its preferred location in the province, this behaviour should be encouraged to the benefit of all load.</p> <p>Medicine Hat – Oppose AESO position on (a) and (d) is supported; however (b) and (c) should be pursued.</p> <p>TransAlta – Oppose TransAlta believes reactive power issues should not be deferred to some time after 2007. Voltage control problems on the Alberta electric system persist and we assert that until the AESO addresses them within the tariff and Terms and Conditions of its tariff they will continue to grow in magnitude. Other jurisdictions have found these problems increase as the system becomes more fully utilized and we predict the costs of addressing them would be less if a more commercial approach to reactive power issues were implemented.</p> <p>TransCanada – Indifferent TransCanada can see merit in these options but is not currently in a position to make a financial case in support of the urgency of pursuing these options. TransCanada expects that a number of these items will be discussed in the context of work done regarding market policy.</p>	
Additional Comments		
	<p>ATCO Power – Additional comments are provide under the Terms and Conditions Comment Form, supplied separately.</p> <p>EnCana – EnCana is not supportive of a piece-meal approach to the cost-of-service study of wires and interconnection costs. EnCana submits that unless all parties have a clear understanding as to the overall objective and the terminal point of the cost-of-service study, there is an increased risk of unnecessary regulatory confrontations. As such, EnCana submits that regulatory efficiency and customer satisfaction can best be achieved if the AESO clearly articulates the principles and procedures for a full and comprehensive wires cost-of-service study (i.e. A cost-of-service methodology checklist). With a complete appreciation of the various steps required to accomplish a comprehensive study, the AESO and customers can then examine the appropriate timing of each element. EnCana requests that the AESO circulate such a comprehensive methodology with its December 23 comments (or as soon as practical) along</p>	<p>Having given further consideration to the matters included in its December 13, 2005, discussion paper and the comments received from stakeholders, the AESO generally agrees that the quantity and complexity of issues which should be dealt with in its 2007 GTA are greater than could be addressed before a filing in late February. The AESO therefore plans to review the schedule for its 2007 GTA and related consultation, and provide stakeholders with a revised proposal in the near future.</p> <p>The AESO generally considers that the</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>with a discussion of the deficiencies of the existing method and the proposed timing for addressing the deficiencies. Additionally, the AESO should request feedback on the methodology checklist and prepare for a discussion as part of the January 17 consultation meeting.</p> <p>EPCOR – As a general comment, EPCOR recommends that given the quantity, complexity and sensitivity of issues to be addressed during consultations for the AESO's 2007 GTA, the AESO should consider extending the proposed schedule. A modified schedule with a filing date post February 2006 would be appropriate to allow sufficient time for a thorough consultation with stakeholders and a full consideration of the issues presented below.</p> <p>Kinder Morgan – For Kinder Morgan the key issue with AESO rates is the surprise inclusion of a POD charge, the lack of effective data supporting the level of POD charge and the resulting rate shock presented to certain customer groups (notwithstanding expected impacts on pool prices due to changes in STS rates). KM is of the opinion that the inclusion of the POD charge and relief granted to customers less than 5 MW, has prejudicially singled out “pipeline type” loads (6-10 MW) with 200% increase in rates and resulting rate shock. KM is very supportive of refinements to the Transmission Cost Causation Study.</p> <p>KM would support the AESO in seeking a negotiated settlement on some rate issues.</p> <p>Luscar – Luscar makes additional comments in the terms and conditions section that also apply in this section.</p> <p>Red Deer-Lethbridge – From the discussion papers, as well as the conversation that preceded it at the AESO's stakeholder consultation of December 8th, it is apparent to the Cities that the AESO intends to address a number of very important long-term issues, either in the 2007 GTA or a subsequent 2008 GTA proceeding. We believe it is also fair to say that the AESO is in the process of developing its recommendations that will appear in a future GTA, but has not finished that process.</p> <p>As your discussion papers highlight, a number of issues are not fully resolved, particularly those that relate to cost causation and investment policy. The Cities are concerned that an expedited 2007 GTA application is not in the long-term best interests of customers. An abbreviated 2007 GTA application will inevitably propose short-term solutions for the contentious topics outlined in the AESO's discussion papers. We believe this will lead to considerable controversy and a drawn-out hearing process with very little to be gained in terms of long-term tariff objectives. Adding to our concern is that the AESO's 2008 GTA application might be delayed should this scenario occur. Controversy and</p>	<p>rate design focus of its 2007 GTA should be refinements to the 2006 rate structure rather than major additions of rates or rate components. The AESO will provide in its next discussion paper additional details on which matters it specifically proposes to include in its 2007 GTA.</p>

AESO Proposal	Stakeholder Comment	AESO Response
	<p>debate is unavoidable, and the Cities prefer that it be centered around solid research and strong AESO leadership.</p> <p>As an alternative to a February filing date for its 2007 GTA, the Cities suggest that the AESO investigate further what issues it may be able to fully and comprehensively resolve in time for an August 1, 2006 or September 1, 2006 filing date. These extra months will give the AESO more time to research and recommend solutions to the problems it has outlined in its December 13th discussion papers, as well as to fully assume a leadership role on the issues of minimum service norms for DISCOs and harmonization.</p> <p>TransCanada – Primary Service Credit: The primary service credit should be designed to offset the costs incurred on the transmission system when a customer pays for their own transformation facilities. If the AESO proposes a DTS charge that includes both demand and fixed components to it, the PSC should be redesigned to maintain the same overall objective of treating a customer owned facility on approximately the same tariff basis as a customer who does not own their own facilities. Simply put, the PSC should be aligned and consistent with the DTS charge.</p>	<p>The AESO agrees that the Primary Service Credit should be reviewed in the context of the 2006 DTS rate design, as part of AESO Proposal 3 above.</p>