

Stakeholder Comments
AESO 2007 GTA, Terms & Conditions of Service
January 12, 2006

Written comments were received from:

- ADC
- ATCO Electric
- ATCO Power
- CNRL
- EnCana
- EPCOR Utilities
- IPCAA
- Kinder Morgan
- Luscar
- City of Medicine Hat
- Cities of Red Deer & Lethbridge
- TransCanada

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: The Alberta Direct Connect Consumers Association (ADC)
 Date: January 6, 2006
 Contact: Carrie Haines
 Phone: 403 770 1164
 E-mail: carrie@valeopower.com

Relevance of Investment Policy Principles

2.1	<p>A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p>There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

All of the investment policy principles that were used in the determination of previous investment policies remain valid and should have continued use in the development of the AESO’s Investment Policy.

Maximum Local Investment

2.2	<p>The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:</p> <ul style="list-style-type: none"> • Review relevance of sample/size; • Deconstruct project cost into line, substation, and optional supply; • Index original costs to current dollars; • Align with rate design including definitions of bulk, local and POD; and • Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate). 	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

Some of the issues should be reviewed for the 2007 GTA, but it would not be necessary to expect implementation as early as 2007. Since the AESO will have perhaps a year of experience with the Board approved investment policy, it would make sense to determine what kind of behaviour will result from the change.

Work should be completed to ensure that the investment policy is aligned with rate design

including the definitions of cost categories of bulk, local and POD.

It is not clear why work would be completed to deconstruct project costs into line, substation and optional supply – would this simply be a sanity check to determine if the investment policy aligns with the transmission cost of service study which the rates are based on?

It would make sense to investigate if the 80%/20% rule of thumb is indeed the policy direction that should be followed – an investigation of the results may show that it's possible we would have ended up with this result, regardless of a policy direction. It would be valuable to have a documented history of why the 80/20 rule is place and why it has not changed over a number of years.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities Support
 Oppose
 Indifferent

Reasons for stakeholder position:

The 12% O&M charge is intended to represent the present value of annual TFO operating expense over a 20 year life.

In the AESO's filing, 12% O&M charges are calculated based on the cost of any interconnected facilities that are deemed to be in excess of the term "standard" facilities. The Board has directed that the 12% surcharge be determined separately for standard and optional facilities. The Board also stated that:

"The portion of the prepaid O&M surcharge related to non-optional facilities is added to other non-optional facility costs and evaluated against the maximum investment function to determine the amount of customer contribution that may be required in respect of the standard facility portion, if any."

It is not entirely clear why the Board wanted to have the 12% O&M charge included on standard *and* optional facilities, clarification would be beneficial. In the AESO's application, the O&M charge was intended to shield all other customers from having to pay O&M charges (pooled over all customers on the system) for optional facilities. The ADC could potentially support the removal of the prepaid O&M charge on standard facilities if there is no compelling reason for its inclusion.

2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2	Investigate an alternate investment design: (a) Declining Block Maximum Investment (b) Equivalent Annual Cost (Revenue Requirement) Method	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

The AESO should gauge the behaviour of participants under the current investment policy before considering changing the policy again so quickly. The current policy has been overly generous compared with the 80%/20% rule with only 10% of projects requiring a contribution – this would obviously not fall within the intergenerational equity principle.

It is unclear whether the AESO has determined if there are economies of scale that may result from load sizes. Have other non-linear cost function options been explored?

Regardless of the look of the cost function that emerges from work undertaken to comply with Board direction 13A, the function should remain stable once scrutinized and established. Changes should not occur for 2007, and then occur again for 2008.

Article 9.4 - Annualized Prepaid Operations and Maintenance

2.3	Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

Article 9.5 - Dual-Use Ratio

2.4	Modify ratio to apply to other multiple use POC situations	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
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Reasons for stakeholder position:

Article 9.7 – Staged Loads

2.5	Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using: (a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

2.5	(b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose
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	<input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
2.5 (c) Hybrid – develop a hybrid of the two alternatives.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Article 9.14 - Discount Rate	
2.6 Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Interconnection Process - Article 5	
3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Article 13	
3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Contract Termination Modifications (Article 14.3)	
4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include: <ul style="list-style-type: none"> • details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity • Discount rate will be as per Article 9.14 • And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual 	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent

Reasons for stakeholder position:

Late Payment Charge (Article 15)

- 5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month
- Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Harmonization Directions 12A and 22

- 6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.
- Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Harmonization should start with the AESO and work its way down to the DISCOs. Customers of a certain size should be indifferent between becoming a customer of the AESO versus a customer of a distribution company. This should be the case from both a cost and operational standpoint.

Additional Comments

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
Manager, Regulatory
E-mail: ed.hucman@aeso.ca
Phone: (403) 539-2469
Fax: (403) 539-2524

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: ATCO Electric
 Date: December 20, 2005
 Contact: Satar Parhar
 Phone: 780-420-5501
 E-mail: satar.parhar@atcoelectric.com

Relevance of Investment Policy Principles	
<p>2.1 A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p>There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
Reasons for stakeholder position:	

Maximum Local Investment	
<p>2.2 The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:</p> <ul style="list-style-type: none"> • Review relevance of sample/size; • Deconstruct project cost into line, substation, and optional supply; • Index original costs to current dollars; • Align with rate design including definitions of bulk, local and POD; and • Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate). 	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
Reasons for stakeholder position:	
ATCO Electric supports the idea of doing this work now for 2007 GTA rather than waiting for 2008 GTA.	

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA	
<p>2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level</p>	<p><input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose</p>

		<input type="checkbox"/> Indifferent
Reasons for stakeholder position:		
2.2	Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position: ATCO Electric does not support charging a prepaid O&M for standard facilities.		
2.2	Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: If a prepaid O&M charge is to continue, the sample project costs should incorporate the added O&M charge.		
2.2	Investigate an alternate investment design: (a) Declining Block Maximum Investment (b) Equivalent Annual Cost (Revenue Requirement) Method	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position: ATCO Electric would be open to further investigation.		

Article 9.4 - Annualized Prepaid Operations and Maintenance		
2.3	Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: ATCO Electric does support a prepaid O&M scheme, however, if a prepaid O&M charge is to continue, ATCO Electric is in support of a varying percentage based on contract term.		

Article 9.5 - Dual-Use Ratio		
2.4	Modify ratio to apply to other multiple use POC situations	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:		

Article 9.7 – Staged Loads		
2.5	Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using: (a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<i>Reasons for stakeholder position: This methodology reflects the economics at the period in time when the customer made their economic decisions. This methodology also reflects the Disco's staged contracts / buy-down / buy-up policies.</i>		
2.5	(b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO's approved tariff at the time of the request.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<i>Reasons for stakeholder position: This approach maybe warranted in certain situations. For example, in the event a new load comes on to a relatively small new POD whereby requiring additional facilities, there is a potential for the customer to buy-down their original contract and contract based on the new load and current approved Terms and Conditions.</i>		
2.5	(c) Hybrid – develop a hybrid of the two alternatives.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<i>Reasons for stakeholder position: As stated above, there is a potential to apply both methodologies.</i>		

Article 9.14 - Discount Rate		
2.6	Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<i>Reasons for stakeholder position:</i>		

Interconnection Process - Article 5		
3.1	Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<i>Reasons for stakeholder position:</i>		
Article 13		
3.2	Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose

Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper). Indifferent

Reasons for stakeholder position:

Contract Termination Modifications (Article 14.3)

4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include:

- details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity
- Discount rate will be as per Article 9.14
- And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual

X Support
 Oppose
 Indifferent

Reasons for stakeholder position: *ATCO Electric supports this methodology as it harmonizes with the Disco's buy down policies.*

Late Payment Charge (Article 15)

5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month

X Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Harmonization Directions 12A and 22

6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.

X Support
 Oppose
 Indifferent

Reasons for stakeholder position: *ATCO Electric proposes that a standard disco or multi customers POD rate be established which is based on a standard reliability criteria (acceptable to discos and multi customer PODs) and undiluted postage stamp rate principle. It seems that the harmonization issues have become more complex and difficult to resolve as a result of Decision 2005-096. In ATCO Electric's view, one of the harmonization principle accepted by the Board was that a customer should be indifferent whether the customer is connected to transmission or distribution. With Decision 2005-096, it would be more difficult to achieve this requirement when there is a potential of a big gap between what disco customers would pay versus what some transmission connected customers would pay.*

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Additional Comments

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
Manager, Regulatory
E-mail: ed.hucman@aeso.ca
Phone: (403) 539-2469
Fax: (403) 539-2524

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: ATCO Power
 Date: 2005-12-20
 Contact: Kelly Scott
 Phone: 403-209-6985
 E-mail: Kelly.scott@atcopower.com

Relevance of Investment Policy Principles	
2.1	<p>A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p style="margin-top: 20px;">There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>
	<p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p>
<p>Reasons for stakeholder position: We agree that there is not one clear principle that supercedes the others, we also point out the importance of considering all of the principles in the decision. In particular, bullet #3 must not be sacrificed to reach a conclusion. Both existing and new customers have made, or will make, investments in infrastructure. Fairness requires that the value and purpose of these past or future investments should not be disregarded.</p> <p>In the discussion Paper the words “local connection costs” are used. We interpret this to mean POD costs as defined in the DTS rate. The definitions of POD, local and system, are rather fuzzy at this point.</p>	

Maximum Local Investment	
2.2	<p>The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:</p> <ul style="list-style-type: none"> • Review relevance of sample/size; • Deconstruct project cost into line, substation, and optional supply; • Index original costs to current dollars; • Align with rate design including definitions of bulk, local and POD; and • Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate).
	<p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p>
<p>Reasons for stakeholder position: Further analysis is required to develop an investment</p>	

level function that satisfies the principles in 2.1, above. With regard to bullet #3, the analysis should probably be completed with and without the indexing, to determine the impact of this component and any appropriate application within the tariff.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level Support
 Oppose
 Indifferent

Reasons for stakeholder position: Opposition to this action is premised on the process and not the intended result. It is understandable that this complete analysis will not be completed in time for the 2007 process. It should nevertheless be started immediately rather than deferred as it impacts both existing and new customers. Results or analyses that are complete at the time of the 2007 filing should be made available. If there are obvious actions that could result these should also be provided. Where it is too early to make conclusions because the analyses provided are incomplete or inconclusive, AESO should clearly make this statement.

Subject to the above comments, the choice between the interim alternatives provided in question #2.2 should be based on the principles outlined in the previous question and this choice should be explained and justified. The choice of ‘no change’ should be explained and justified in the same fashion as each of the other alternatives.

2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities Support
 Oppose
 Indifferent

Reasons for stakeholder position: The choice between the interim alternatives provided in question #2.2 should be based on the principles outlined in the previous question and this choice should be explained and justified. Changes should serve to better align the tariff components for customers.

2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level Support
 Oppose
 Indifferent

Reasons for stakeholder position: : The choice between the interim alternatives provided in question #2.2 should be based on the principles outlined in the previous question and this choice should be explained and justified. Changes should serve to better align the tariff components for customers.

2.2 Investigate an alternate investment design:
 (a) Declining Block Maximum Investment Support
 (b) Equivalent Annual Cost (Revenue Requirement) Method Oppose
 Indifferent

Reasons for stakeholder position: : The choice between the interim alternatives provided in question #2.2 should be based on the principles outlined in the previous question and this

choice should be explained and justified. Changes should serve to better align the tariff components for customers.

Article 9.4 - Annualized Prepaid Operations and Maintenance

- 2.3 Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper
- Support
 Oppose
 Indifferent

Reasons for stakeholder position: How will O&M be treated where a party chooses to extend the term of an existing agreement, or signs a new agreement for existing service?

Article 9.5 - Dual-Use Ratio

- 2.4 Modify ratio to apply to other multiple use POC situations
- Support
 Oppose
 Indifferent

Reasons for stakeholder position: This seems like a reasonable approach in principle. Is there evidence that this provides a reasonable proxy for cost allocation in non-standard circumstances or circumstances where connection capacity is significantly different?

Article 9.7 – Staged Loads

- 2.5 Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using:
(a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.
- Support
 Oppose
 Indifferent

Reasons for stakeholder position: There should be alignment of the tariff components for existing and new customers. If alignment exists then use of an existing tariff would be preferable to invoking historical tariffs. One exception may be where a customer is actually in the process of constructing a connection when the tariff changes.

- 2.5 (b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO's approved tariff at the time of the request.
- Support
 Oppose
 Indifferent

Reasons for stakeholder position: There should be alignment of the tariff components for existing and new customers. If alignment exists then use of an existing tariff would be preferable to invoking historical tariffs. One exception may be where a customer is actually in the process of constructing a connection when the tariff changes.

- 2.5 (c) Hybrid – develop a hybrid of the two alternatives.
- Support

<input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:

Article 9.14 - Discount Rate	
2.6 Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Interconnection Process - Article 5	
3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Reasons for stakeholder position: The proposal does not appear to address the situation where no construction is required to supply the additional STS, unless this is accomplished in 5.2 (e).

Article 13	
3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).	x Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Reasons for stakeholder position: It is our understanding that the intent of this action is to amend the "Customer Commitment Determination" provided at the end of the discussion paper by moving the "Commitment " to an earlier stage in the process, provided appropriate security is provided to AESO. This is reasonable and workable. Commitment can also be measured in terms of real progress towards construction. A new project should not bump an existing project back in the queue, where real progress is being made on the first committed project. This would be most evident where a smaller and less complicated project applied after, but could reach construction sooner than the first project. As a point of fairness, a small project should not generally drive a large contribution for a larger project. Neither should queue position be reserved by projects that are not making real progress.

Contract Termination Modifications (Article 14.3)	
4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include: <ul style="list-style-type: none"> • details on the calculation, which the AESO is proposing would be the present value difference between the current 	x Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

<ul style="list-style-type: none"> contract capacity and the new requested contract capacity Discount rate will be as per Article 9.14 And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual
<p>Reasons for stakeholder position: There should be opportunities for either party to revisit the calculation if there are material differences between the requested contract capacity and actual.</p>

Late Payment Charge (Article 15)	
5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for stakeholder position: AESO is not a credit facility, nevertheless, AESO should justify the high 19.68% per annum charge.</p>	

Harmonization Directions 12A and 22	
6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for stakeholder position:</p>	

Additional Comments

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
 Manager, Regulatory
 E-mail: ed.hucman@aeso.ca
 Phone: (403) 539-2469
 Fax: (403) 539-2524

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: Canadian Natural Resources Limited
 Date: December 19th, 2005
 Contact: Dean Chesterman
 Phone: 403-669-6051
 E-mail: Chesterman.consulting@shaw.ca

Relevance of Investment Policy Principles

2.1	A number of guiding principles were utilized when deciding on previous investment policies. For instance: <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p>There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

Policy Harmonization is only required to the point where customers at lower load levels (like 1 to 5 MW) are indifferent as to whether they are served off of the distribution system or the transmission system. Harmonization is only required to prevent a customer from forcing a transmission connection because of the higher transmission investment or lower transmission rates.

Maximum Local Investment

2.2	The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following: <ul style="list-style-type: none"> • Review relevance of sample/size; • Deconstruct project cost into line, substation, and optional supply; • Index original costs to current dollars; • Align with rate design including definitions of bulk, local and POD; and • Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate). 	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

Forensic Accounting of the past interconnection projects will demonstrate that the AESO position on standard vs optional facilities is not supported by the historical data.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

The AESO has reduced their transmission investments with the new definition of standard facilities, with the new investment policy, and with the load only tariff. Customers are see much high costs for transmission connections. The existing investment policy where nearly half the customers pay a contribution is much higher than the historical average and is impacting customers.

2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities Support
 Oppose
 Indifferent

Reasons for stakeholder position:

The 12% O&M charge on all facilities is at least fair to all customers, taking it off for “standard facilities” unfairly penalizes customers subjected to a large optional facilities charge, particularly since such a high percentage of customers are now paying contributions for optional facilities.

2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Or just eliminate the 12% O&M charge there is no definite cost driver to justify the 12% anyway. It is simply a front loaded estimate that does not provide any signal since it is applied to every facility.

2.2 Investigate an alternate investment design:
(a) Declining Block Maximum Investment Support
(b) Equivalent Annual Cost (Revenue Requirement) Method Oppose
 Indifferent

Reasons for stakeholder position:

CNRL supports a traditional investment policy, where the required facilities to serve a customer include looped facilities, and second transformers for loads over 20 MVA. Any return to that sort of traditional investment policy is supported.

Article 9.4 - Annualized Prepaid Operations and Maintenance

2.3 Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper Support
 Oppose
 Indifferent

Reasons for stakeholder position:

CNRL is opposed to the 12% Prepaid O&M Charge. The charge is a guess as to the possible future O&M costs and not based on any real cost driver. The impact of inflation means the present value is not representative of any future cost. The changing technologies indicate the

future maintenance costs are likely reduced from present costs. Then there is the generational issue for customers connecting today that are having to pay more for optional facilities due to the AESO standard facilities definition, the reduced AESO investment and the increase in Prepaid O&M vs Customers who connected only a couple of years ago when the AESO invested in looped transmission facilities and did not charge a Prepaid O&M charge.

Article 9.5 - Dual-Use Ratio

2.4 Modify ratio to apply to other multiple use POC situations Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Provided the AESO Proposals do not conflict with the non-use of the Dual Ratio on Primary Service Credit customers, CNRL is not opposed.

Article 9.7 – Staged Loads

2.5 Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using:
 (a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known. Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Stepping back into the past and recalculating investment policy impacts on customers is interesting but subject to a lack of information and will open the AESO to all kinds of games playing. Considering the difficulty in getting project interconnection details and costs, and considering the number of different investment policies used by the AESO over the last 5 years, the results are not likely to be very reliable, and will be challenged by customers.

2.5 (b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request. Support
 Oppose
 Indifferent

Reasons for stakeholder position:

This position is much more defensible, though there is an issue with excess contribution or unused investment. Provided the customer declares the interconnection as a staged load and the AESO documents the extra investment available in the first stage for use in the next stage, this can be readily resolved. Much like customer facilities turning into system facilities, a five year limit would be appropriate.

2.5 (c) Hybrid – develop a hybrid of the two alternatives. Support
 Oppose
 Indifferent

Reasons for stakeholder position:

The recalculation method is difficult and subject to challenge, combining it with anything will make it almost impossible to sort out. Customers are looking for a clear and reasonably predictable method and having to declare a staged load and seeing the unused AESO investment available for the second stage will be that method.

Article 9.14 - Discount Rate	
2.6	<p>Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders</p> <p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p>
Reasons for stakeholder position:	
Anything that takes hard numbers out of approved documents is supported. References to formulas or to the generic cost of capital are acceptable.	

Interconnection Process - Article 5	
3.1	<p>Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service</p> <p style="text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent </p>
Reasons for stakeholder position:	

Article 13	
3.2	<p>Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).</p> <p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p>
Reasons for stakeholder position:	
Customers have to manage their own commitments to their management teams and to their own bankers, giving them the opportunity to commit earlier and to commit to a cash flow of costs instead of having to pay the full contribution upfront is much preferred.	

Contract Termination Modifications (Article 14.3)	
4.0	<p>Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include:</p> <ul style="list-style-type: none"> • details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity • Discount rate will be as per Article 9.14 • And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual <p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p>
Reasons for stakeholder position:	
Projects see changes and a predicable methodology for changing the contract capacity is of value.	

Late Payment Charge (Article 15)	
5.0	Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
Yes, attempt to avoid running afoul of the usury interest legislation.	

Harmonization Directions 12A and 22	
6.0	Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
Policy Harmonization is only required to the point where customers at lower load levels (like 1 to 5 MW) are indifferent as to whether they are served off of the distribution system or the transmission system. Harmonization is only required to prevent a customer from forcing a transmission connection because of the higher investment or lower rates.	

Additional Comments

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
 Manager, Regulatory
 E-mail: ed.hucman@aeso.ca
 Phone: (403) 539-2469
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**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: EnCana Corporation
Date: December 20, 2005
Contact: Rod Crockford, Rinde Powell, Roger Belland
Phone: 403-645-7871, 403-645-6688, 780-486-4309
E-mail:

Relevance of Investment Policy Principles

- 2.1 A number of guiding principles were utilized when deciding on previous investment policies. For instance:
- the effect on economic signaling
 - account for postage stamp rates
 - fairness of application to existing and new customers (“80/20 rule”)
 - policy harmonization with distribution companies
 - customer should pay a contribution where the costs to serve that customer are greater than the revenue received

- Support
 Oppose
 Indifferent

There isn't one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO's investment policy.

Reasons for stakeholder position:

The purpose of a customer contribution policy was captured by the Board in its statement: “An appropriate contribution policy therefore provides a suitable balance to an unlimited obligation to serve [at postage-stamp rates] by imposing economic discipline on siting decisions.” By its nature an appropriate policy seeks to balance the postage-stamp open access model with individual cost responsibility. This suggests that a comparison of the potential “rolled-in” (or pooled) interconnection costs to the customer's rate-responsibility (under contract) should be a primary consideration.

EnCana agrees that any contribution policy should provide fairness to existing and new customers. EnCana does not agree that a simplistic “80/20 rule” necessarily provides an adequate measure of this principle. At best, it should be used as a secondary criterion, if at all.

Maximum Local Investment

2.2 The AESO should comply with Direction 13A in the 2007 GTA.
The review and analysis should review the following:

- Review relevance of sample/size;
- Deconstruct project cost into line, substation, and optional supply;
- Index original costs to current dollars;
- Align with rate design including definitions of bulk, local and POD; and
- Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate).

- Support
 Oppose
 Indifferent

Reasons for stakeholder position:

A proper determination of cost responsibility must begin with a clear articulation of relevant costs. Accordingly, the AESO needs first to develop a clear distinction between “bulk”, “local” and “POD” functions and a clear distinction as to when any or all of the costs associated with such functions should be “system” or “customer” related.

EnCana agrees that POD costs must be deconstructed and the relevant cost-drivers defined. EnCana believes that attempting to correlate POD costs to MW capacity is overly simplistic and ignores relevant factors such as standardized equipment sizing, economies of scale, POD location, and reliability requirements of POD customers, among other things.

EnCana agrees that vintage and inflation impacts will distort any examination of POD costs. EnCana submits that such distortions should be removed when examining the cost function for POD projects. (i.e. use normalized current value costs) One approach may be for the AESO to collect data from the TFOs and DFOs to identify component (equipment) parts of existing PODs, then use current cost estimates to construct current dollar cost function. Using this approach, the AESO could build a random sample of POD costs that is representative of typical interconnections. This random sample could then be used to develop an appropriate cost-function.

EnCana does not support further use of the 103 project sample provided by the AESO, at least not in aggregate form. Firstly, representing POD costs in this manner is overly simplistic and provides no clear indication into the dispersion of costs. It perpetuates the simplistic approach of “line-drawing” in order to arrive at an 80/20 rule, without a substantive basis for the line. Second, there is no clear indication that this “sample” is fairly representative of typical POD connections and costs (over a period of time). For instance, at least 60 of the “sample” points are hypothetical with no clear basis for the service requirements and therefore costs.

EnCana submits that it is premature to discuss timing. First, the AESO and customers should determine what work needs to be accomplished then consider a comprehensive plan, and finally, in light of the plan, consider appropriate timing. The AESO should provide its findings from additional analysis conducted since the Dec. 8th meeting and an outline of its comprehensive work plan for discussion at the next consultation meeting.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Direction 13 – Linear investment function

EnCana submits that the decision to continue with a linear investment function or modify the investment function should be a direct result of the examination of POD costs. It would be premature to discuss such retention or change at this time. (A determination should be based on cost-causation, not an AESO popularity vote.)

Direction 20 – 12% Prepaid O&M

EnCana is concerned that the inclusion of the pre-paid O&M results in the AESO charging twice for costs – once in the contribution and once in the TFO wire costs. Furthermore, the Board raised the concern as to whether the 12% figure appropriately track costs. EnCana therefore recommends that the AESO revisit the principles and cost allocation method associated with the pre-paid O&M.

2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2 Investigate an alternate investment design:
(a) Declining Block Maximum Investment Support
(b) Equivalent Annual Cost (Revenue Requirement) Method Oppose
 Indifferent

Reasons for stakeholder position:

The AESO should investigate all methodologies that are consistent with cost-of-service principles and the ‘balance of interests’ principle articulated by the Board. At a minimum, the AESO should consider an “Equivalent Revenue Requirement” method that is coupled with an appropriate “collar”.

Article 9.4 - Annualized Prepaid Operations and Maintenance	
2.3	Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Article 9.5 - Dual-Use Ratio	
2.4	Modify ratio to apply to other multiple use POC situations
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Article 9.7 – Staged Loads	
2.5	Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using: (a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
<p>EnCana understands that the contribution policy applicable at each POC is the one which was in effect at the time of the original interconnection. If, for example, an interconnection occurred in 2003, the 2003 Tariff applies for all further customer contribution calculations at that POC. Any re-balancing or refund of contributions would be according to the 2003 Tariff. The AESO discussion in section 2.5 proposes to alter this approach.</p> <p>EnCana questions why the AESO cannot maintain (or has not maintained) adequate records of interconnection costs and customer contribution amounts. Such records form a key aspect of the AESO’s mandate to provide system access and should be maintained by the AESO. Furthermore, it should not be a reason to deviate from the existing approach to rebalancing contributions (i.e. vintage year tariff).</p> <p>EnCana holds some concern with moving away from the vintage-year tariff application to a current-year tariff application. In addition to the legal concerns, the AESO needs to address concerns about fairness, in particular whether the original customer will be refunded for any contributions and how, and whether the contribution charge to a new customer would be more or less favourable than the vintage-year tariff. There needs to be a fulsome discussion prior to proposing changes.</p>	
2.5	(b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request.
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

Indifferent

Reasons for stakeholder position:

The AESO needs to provide further information and examples of its proposal to use a second standalone charge based on the current-year contribution policy. EnCana has concerns that this will lead to charging twice for the same interconnection costs as well as the inter-generational and inter-customer fairness of such an approach.

2.5 (c) Hybrid – develop a hybrid of the two alternatives. Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Article 9.14 - Discount Rate

2.6 Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders Support
 Oppose
 Indifferent

Reasons for stakeholder position:

EnCana is agreeable to using the generic ROE for purposes of the Article 9.14 discount rate.

Interconnection Process - Article 5

3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Article 13

3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper). Support
 Oppose
 Indifferent

Reasons for stakeholder position:

The allocation of available capacity in constrained areas should be approved by the Board. Article 13 should not be put into effect until the terms and conditions of allocation have been finalized.

Contract Termination Modifications (Article 14.3)

4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include:

- details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity
- Discount rate will be as per Article 9.14
- And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Insufficient information to provide comments.

Late Payment Charge (Article 15)

5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Inserting the word “pro rata” may be sufficient. e.g.
Late payments by the Customer are subject to a late payment charge of 1.5% per month for each month or the pro rata amount for each part thereof where such payment is late.

Harmonization Directions 12A and 22

6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO’s 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

EnCana submits that harmonization should encompass the issues that ensure that customers are interconnected in a manner that promotes the orderly and economically efficient expansion of the distribution and transmission systems. As noted by the Board this should include at minimum, standards of interconnection, cut-off or exclusion conditions for interconnecting to either the distribution or transmission system, similarly structured investment and contribution methods. Ideally, a harmonized policy will ensure that customers are interconnected at the least cost required to provide adequate service

(as desired by the customer) and prevents interconnections that are socially costly but least cost to the customer.

Additional Comments

Please return this form with your comments by December 19, 2005, to:

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**AESO 2007 GTA - Terms and Conditions of Service
December 13, 2005 Discussion Paper – EPCOR Comments**

Comments From: EPCOR Utilities Inc.
Date: December 20, 2005
Contact: Richard Stout or Carmen Piercey
Phone: (780) 412-3017; (780) 412-8817
Email: rstout@epcor.ca; cpiercey@epcor.ca

2.1 Relevance of Investment Policy Principles

Contribution or “Investment” Policy is a social policy which defines the boundaries of postage stamp rates. The Contribution Policy is principally a mechanism by which to apply what is considered to be fair treatment of new vs. existing customers that will maintain the acceptability of postage stamp rates over time. As such, EPCOR’s view is that it is not useful to analyze such discrete concepts as “economic signaling” or “lifetime revenues” (although popular as rationalizations) as they are not relevant to the determination of a chronically supportable fair contribution. Historical practices and intergenerational equity are more important than detailed and elusive analytics premised on essentially arbitrary definitions.

2.2 Maximum Local Investment

In complying with Board directions, EPCOR considers it important not to lose sight of the fundamental long-term equity purpose of contribution policy as an integral part of postage stamp rate philosophy noted above.

2.2. Directive 13 and 20

EPCOR supports stability of the investment level in general and considers that any refinements to the investment level should be gradual.

2.3 Annualized Prepaid Operations and Maintenance

For optional, non-standard facilities, EPCOR considers that the prepaid O & M charge should be based on a forecast commercial life which may differ from the DTS contract length that the customer is prepared to execute.

2.4 Article 9.4 - Dual Use Ratio

EPCOR supports the consistent use of these ratios in multiple use situations.

2.5 Article 9.7 - Staged Loads

Contributions for staged loads have historically been calculated and adjusted as if the development timing was known at the outset. EPCOR's view is that this process should continue, in order to maintain fairness and consistency of application. (A contemporary approach may introduce inequities, a hybrid approach would be too complex).

2.6 Article 9.14 - Discount Rate

EPCOR supports having all discount rates consistent with Board decisions on return on equity.

3.1 Interconnection Process - Article 5

No comment.

3.2 Article 13

EPCOR supports the early reservation of transmission capacity, provided adequate financial security is posted.

4.0 Contract Termination Modifications (Article 14.3)

EPCOR supports provisions that allow for the reduction of contract capacity with a contribution adjustment, without requiring complete termination of service.

5.0 Late Payment Charge (Article 15)

EPCOR supports clarity of the late payment calculation.

6.0 Harmonization Directions 12A and 22

Firstly, given the importance of fairness and historical precedent in determining contribution policy, EPCOR suggests that little movement in this area can be accomplished for the proposed timing of the 2007 GTA application.

EPCOR believes that the AESO must primarily develop policies that recognize the significance of fair contribution policy as an integral aspect of postage stamp philosophy for transmission. Distribution companies are not required by legislation to provide postage stamp tariffs and may develop unique policies to meet their own unique circumstances and philosophies, as EPCOR Distribution Inc. ("EDI") has done. Therefore, in consideration of these fundamental differences, it is not clear to EPCOR what is intended by "harmonization" of contribution policies.

In its 2005-2006 Distribution Tariff Application (Phase II, Section 10.1.1), EDI responded to a Board directive to "...undertake a review of the contribution

policies and practices of other distribution utilities in Alberta with a goal of developing terms consistent with industry practices...". After reviewing the wide variation of contribution policies across the distribution companies studied, EDI concluded that its current contribution policy was appropriate for EDI given the "specific nature of EDI's municipal franchise area and its historical operations" and that no changes to its current contribution policy were warranted.

In EPCOR's view, the challenges of harmonizing contribution policies amongst distribution companies and with the AESO lie primarily with the different objectives and unique circumstances of each distribution company and the AESO. Contribution policies have been developed and optimized over time to best accomplish the objectives of each company given its own unique circumstances.

To the extent that "voltage level shopping" to arbitrage differences between contribution policies at the transmission and distribution level is considered a problem, the AESO terms and conditions can readily incorporate a provision to prohibit "investment" where it believes a proposed transmission interconnection is intended to attract a higher investment level, and service at a distribution voltage level would be more efficient.

As Distribution companies must flow-through the transmission tariff, the contribution policies of Distribution companies for transmission voltage customers can be expected to become harmonized over time, with the approved AESO policy as the reference. EPCOR could not consider it appropriate for AESO transmission policy to be driven by disparate Distribution tariff policies.

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: IPCAA
 Date: December 19, 2005
 Contact: Dan Macnamara
 Phone: (403) 266-3180
 E-mail: dmacnamara@shaw.ca

Relevance of Investment Policy Principles	
2.1	<p>A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p style="margin-top: 20px;">There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>
	<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent </div> </div>
<p>Reasons for stakeholder position: IPCAA has the following comments related to the “principles” cited by the AESO:</p> <ul style="list-style-type: none"> • IPCAA agrees that economic signals are an important component of developing investment policy. In fact, the only reason an investment policy is needed is to provide such signals. • IPCAA is not aware of any Board finding that investment policy applied to customer-dedicated facilities faced limitations related to maintaining postage-stamp treatment. • The “80/20” rule seems to get an inordinate amount of attention. It may be more productive to focus on the characteristics of PODs that result in higher costs and therefore require contributions. • Given the structure of the industry, it is difficult to see seamless integration (“harmonization”?) with the distribution companies. Our structure “pancakes” transmission and distribution charges. Ensuring that distribution customers only pay for the facilities they utilize (for example, as does Fortis’ Rate 63) ensures that customers do not see incentives to be served at transmission level only to avoid cross-subsidization at the distribution level. • The idea of developing an investment policy based on NPV of revenue does not address the question of what degree of cost averaging should be reflected in the tariff. Ultimately, all cost averaging could be eliminated and each customer could pay the entire cost of their POD with a choice to pay for it upfront or finance it via the TFO and pay POD specific annual charges. This would, by definition, set the investment level equal to the NPV of revenues. 	

Maximum Local Investment

2.2 The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:

- Review relevance of sample/size;
- Deconstruct project cost into line, substation, and optional supply;
- Index original costs to current dollars;
- Align with rate design including definitions of bulk, local and POD; and
- Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate).

- Support
- Oppose
- Indifferent

Reasons for stakeholder position: IPCAA is in agreement with further analysis of project costs to understand why there is a wide degree of scatter among project costs, especially for smaller PODs. Such examination should take place prior to examining alternatives to obtain a “better fit” in a regression analysis.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level

- Support
- Oppose
- Indifferent

Reasons for stakeholder position: There appears to be an inconsistency between the investment level (calculated without O&M) and the current application of the policy (which is to include O&M). The inconsistency should be resolved.

2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities

- Support
- Oppose
- Indifferent

Reasons for stakeholder position: See comments below.

2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level

- Support
- Oppose
- Indifferent

Reasons for stakeholder position: IPCAA’s view is that there should be consistency between the project costs and the investment policy derived from those costs. Either the O&M charge should be added to the project costs and incorporated into the investment policy or the O&M should be removed from non-optional facilities. Either would provide consistency.

2.2 Investigate an alternate investment design:
 (a) Declining Block Maximum Investment
 (b) Equivalent Annual Cost (Revenue Requirement) Method

- Support
- Oppose

<input type="checkbox"/> Indifferent
Reasons for stakeholder position: IPCAA does not oppose further analysis of POD related costs, for example separating line and other substation costs. IPCAA is opposed to adopting, for example, a declining block maximum investment where such cost distinctions are not also reflected in the POD components of the DTS tariff. The AESO did not make it clear in its presentation materials nor in either of the discussion papers that

Article 9.4 - Annualized Prepaid Operations and Maintenance	
2.3 Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Article 9.5 - Dual-Use Ratio	
2.4 Modify ratio to apply to other multiple use POC situations	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: IPCAA understands that this is simply a clarification.	

Article 9.7 – Staged Loads	
2.5 Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using: (a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: No view at this time.	
2.5 (b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: No view at this time.	
2.5 (c) Hybrid – develop a hybrid of the two alternatives.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: No view at this time.	

Article 9.14 - Discount Rate		
2.6	Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: Provides clarity and simplicity.		

Interconnection Process - Article 5		
3.1	Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: No view at this time.		

Article 13		
3.2	Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: No view at this time.		

Contract Termination Modifications (Article 14.3)		
4.0	Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include: <ul style="list-style-type: none"> • details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity • Discount rate will be as per Article 9.14 • And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual 	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: No view at this time.		

Late Payment Charge (Article 15)		
5.0	Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent

Reasons for stakeholder position:

Harmonization Directions 12A and 22

6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.

- Support
- Oppose
- Indifferent

Reasons for stakeholder position: No position at this time.

Additional Comments

Significant issues that should be addressed in the 2007 GTA include:

- Changes to PSC to appropriately reflect the customer/demand form of the POD charges.
- Examination of POD costs to understand the scatter in costs and conclude whether the linear investment function appropriately reflects costs.

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
Manager, Regulatory
E-mail: ed.hucman@aeso.ca
Phone: (403) 539-2469
Fax: (403) 539-2524

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: Kinder Morgan Canada Inc. (KM)
Date: December 21, 2005
Contact: Lisa van Hemert
Phone:
E-mail:

Relevance of Investment Policy Principles	
2.1	<p>A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p style="margin-top: 20px;">There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>
<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent	
<p>Reasons for stakeholder position: Kinder Morgan agrees that a balance must be maintained between all principles. KM supports a further principle that all user groups are not prejudiced against or adversely affected by contribution policy changes.</p>	

Maximum Local Investment	
2.2	<p>The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:</p> <ul style="list-style-type: none"> • Review relevance of sample/size; • Deconstruct project cost into line, substation, and optional supply; • Index original costs to current dollars; • Align with rate design including definitions of bulk, local and POD; and • Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate).
<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent	
<p>Reasons for stakeholder position: Kinder Morgan (KM) agrees that this analysis should be completed to properly align the investment policy with 2006 rates.</p>	

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA	
2.2	<p>Continue to comply with Directions 13 and 20 – propose no</p>
<input type="checkbox"/> Support	

changes to the Local Investment Level	<input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: The current contribution policy does not align with the 80/20 principle, and Direction 20 makes it less so. Kinder Morgan proposes that a more rigorous analysis be conducted of the O&M costs and the financial impact and potential financial impacts on TFO's.	
2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
As stated in 2.1.	
2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
2.2 Investigate an alternate investment design: (a) Declining Block Maximum Investment (b) Equivalent Annual Cost (Revenue Requirement) Method	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
The 80/20 rule is not being met with the current design. Investigating alternative designs could be accomplished while complying with direction 13A.	
Article 9.4 - Annualized Prepaid Operations and Maintenance	
2.3 Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	
Do not support the inclusion of prepaid O&M charge without a more thorough analysis on the impact on TFOs. In the event that O&M charges need to be included, Kinder Morgan would support a lower payment amount for shorter terms. The actual amount of the reduction needs further analysis.	
Article 9.5 - Dual-Use Ratio	
2.4 Modify ratio to apply to other multiple use POC situations	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: Kinder Morgan does not support the current POD charge. In the event that the POD charge continues, Kinder Morgan supports applying a ratio to other	

POC situations.

Article 9.7 – Staged Loads

2.5 Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using:
(a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.5 (b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request.

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.5 (c) Hybrid – develop a hybrid of the two alternatives.

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

The Hybrid supported by Kinder Morgan is using the customer contribution amount from either a) or b) that is optimal for a particular customer. Assuming that option a) includes using the investment and tariff at the time of the original investment, the benefit of using a) is that it enables the customer to know the full investment climate and rules as the first investment is made. In option b) the customer makes multiple investment decisions, which allows the customer to understand the tariff rates that are in place at the time of each investment. Kinder Morgan supports AESO terms and conditions that create greater investment certainty. By enabling the customer to choose the contribution policy that best benefits the customer for staged loads, the AESO would reduce investment-timing uncertainty.

Article 9.14 - Discount Rate

2.6 Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board’s annual generic return on equity orders

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Interconnection Process - Article 5

3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Kinder Morgan supports improvements to the customer interconnection process that will improve the speed in which decisions are made, and new projects are completed.

Article 13

3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper). X Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Customers should secure their standing for short-term constrained capacity by executing a final CCA for a project. Partial CCA's that cover only part of project cancellation costs should not secure capacity.

Can the AESO please clarify its policy for queue positioning for interconnection priority. What is inferred by the term "AESO project scheduling"?

Contract Termination Modifications (Article 14.3)

4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include: X Support
 Oppose
 Indifferent

- details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity
- Discount rate will be as per Article 9.14
- And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual

Reasons for stakeholder position:

Kinder Morgan supports the AESO in bringing greater clarity to contract reductions. The AESO should also consider situations where contract capacity may be reduced in the short term, and then increased in later years. In addition, the AESO should enable a refund of termination payments should the customer modify their contract capacity reduction request after making payment the AESO, in the event that the AESO experiences minimal costs in making a subsequent increase in the DTS contract level.

Late Payment Charge (Article 15)

5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month X Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Harmonization Directions 12A and 22

6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.

- Support
 Oppose
 Indifferent

Reasons for stakeholder position:

In regards to harmonization efforts with Disco's, Kinder Morgan would support and participate in a consultation committee in regards to Disco/AESO harmonization. Kinder Morgan is interested in discussing and analyzing transmission versus distribution service. KM is supportive of technical, site specific analysis to determine appropriate service levels as opposed to an arbitrary MVA cutoff.

Additional Comments

Given the number of areas concern outlined by Kinder Morgan, KM would be supportive of a delayed AESO filing to enable adequate stakeholder consultation on these issues. Kinder Morgan would be supportive of efforts by the AESO to reach a negotiated settlement on at least some of these topics.

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
Manager, Regulatory
E-mail: ed.hucman@aeso.ca
Phone: (403) 539-2469
Fax: (403) 539-2524

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: Luscar
Date:
Contact:
Phone:
E-mail:

Relevance of Investment Policy Principles	
2.1	<p>A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p style="margin-top: 20px;">There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>
<div style="text-align: right; margin-bottom: 10px;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for stakeholder position: The AESO should adopt a principle that costs which vary between customers should be split into two types:</p> <ol style="list-style-type: none"> a) costs that vary by a fluke in how the system was designed to achieve engineering economies (e.g. the particular amount of economic oversizing that was done to accommodate future growth, whether a load is closer or farther from the transmission system when the routing was part of a much larger optimization (e.g. another feasible routing could just as easily have built the line right next door to the load) or the timing of placement was just before or just after the load came on line (last straw, free-rider). b) Costs that are clearly caused by a load that has different characteristics than other loads. For example, if one load is much peakier, less predictable or very distant from any practical configuration of the network, or if it requires a significantly higher grade of service. <p>Only the type b) costs should have differential rates. Even where a particular load has cost characteristics that are significantly out of normal range, they should at least be given credit for the average amount of investment if everyone else is. That average amount would be rolled into general tariffs and not collected by individual levies on specific customers. The choice of how much credit ought to be given to the average customer is arbitrary. The 80/20% rule is a convenient starting point. Luscar suggests that this 20% be based on customers, not dollars. That means that the 80% percentile customer would start to pay a surcharge for their extraordinary costs. Since the larger variance costs will be significantly over average, that will probably result in more than 20% costs being recovered. The cut off should not necessarily be at that point where the customer’s future revenues will not likely cover their costs, since some of that now-idled capacity may be fungible enough to be used by the next customer in that area.</p>	

Maximum Local Investment		
2.2	The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following: <ul style="list-style-type: none"> Review relevance of sample/size; Deconstruct project cost into line, substation, and optional supply; Index original costs to current dollars; Align with rate design including definitions of bulk, local and POD; and Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate). 	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:		
Luscar supports further analysis to find the mechanisms of cost variance. It is unlikely that the correlation will be so low once these cost elements are decomposed.		
Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA		
2.2	Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:		
2.2	Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: The treatment of O&M costs should be the same as for the assets themselves. The target should be to have normal levels of O&M costs rolled into rates so that about 80% of the cases pay nothing.		
2.2	Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:		
2.2	Investigate an alternate investment design: <ul style="list-style-type: none"> (a) Declining Block Maximum Investment (b) Equivalent Annual Cost (Revenue Requirement) Method 	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:		

Article 9.4 - Annualized Prepaid Operations and Maintenance		
2.3	Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:		

Article 9.5 - Dual-Use Ratio		
2.4	Modify ratio to apply to other multiple use POC situations	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: Costs should be allocated in ratio of the benefit to the various users.		

Article 9.7 – Staged Loads		
2.5	Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using: (a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position: Luscar would prefer a system where the customer does not pay for capacity until he is expecting to use it. It is an engineering economics decision that should not be born by specific customers differentially.		
2.5	(b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO's approved tariff at the time of the request.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:		
2.5	(c) Hybrid – develop a hybrid of the two alternatives.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:		

Article 9.14 - Discount Rate		
2.6	Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

X Indifferent
Reasons for stakeholder position:

Interconnection Process - Article 5	
3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: Need more information to assess the issue.	

Article 13	
3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: Luscar sees the need for a generator to “materially commit” to building a generation once the AESO has committed funding. However, the principle should be to keep the AESO and TFO cash neutral and zero-risk. It is not normal in regular business dealings to pay any more than the costs already incurred or committed. Furthermore, the construction industry has well-established mechanisms for providing security and protection from non-compliance (Letters of Credit, construction bonds) that cost pennies on the dollar compared to upfront cash. The GCP and interconnect charge should not be used to reduce rate base and mitigate the shift of transmission costs from supply to load. Those cost shifts should flow through to load in lower energy costs in any event. And even if they didn’t, these contributions are only collected from new generation and are therefore grossly discriminatory. They could also discourage or delay legitimate investment and eventually cost load in higher pool prices and lower reliability. Even those who have paid these new charges do so in protest. “Material commitment” should be considered to be adequately demonstrated by signing a CCA and posting security and by continuing to meet prudent schedules going forward.	

Contract Termination Modifications (Article 14.3)	
4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include: <ul style="list-style-type: none"> • details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity • Discount rate will be as per Article 9.14 • And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual 	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position:	

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Late Payment Charge (Article 15)

5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
--	--

Reasons for stakeholder position: 1.5% seems high for the risk of not collecting for an essential service. Customers with a previously good payment history should be given a less onerous rate.

Harmonization Directions 12A and 22
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6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
--	---

Reasons for stakeholder position: Just as it has been doing effectively for the 2006 GTA and various other initiatives, the AESO should schedule a number of sessions, each dedicated to one of these aspects, then after hearing the contending positions, prepare a proposal and comment matrix.

Harmonization should simple mean that there is some coherence between the tariffs of the various TFO's, DFO's and the AESO. Ideally, facilities in the same circumstances should not have different rates in different service territories. Similarly, there should be no reason why a customer should see a substantial difference in costs for the same service by choosing one vendor over another (e.g. transmission connection vs distribution connection).

--

Additional Comments

Losses for 2006 should have received their final disposition by the time the 2007 rates are up for review. Luscar would like to take the opportunity to re-raise the contentious issues in a hearing setting and would therefore recommend that losses tariffs be part of the 2007 GTA process. Luscar had previously submitted, to the Losses consultation committee, a proposal to develop a metric that quantified the distortions in dispatch and payments, by generator, caused by the AESO's current proposal, and to use the results of that metric to guide the choice of a more efficient future loss factor method.

The AESO currently has a credit allowance policy on interconnection charges and GCP , which it extends to the TFO through a delegation agreement. That credit policy is very binary, either granting or not granting credit based strictly on Credit Rating. The AESO should consider a sliding scale and use some discretion based on the size off the project, the longevity of the creditor and that company's other involvement with the AESO that might allow some consolidation of credit facilities to reduce credit costs.

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
Manager, Regulatory
E-mail: ed.hucman@aeso.ca
Phone: (403) 539-2469
Fax: (403) 539-2524

Luscar Comments Jan11 GTA 2007 Issues.txt

From: Allen Crowley [allen@edcassociates.com]
Sent: Wednesday, January 11, 2006 5:54 PM
To: Ed Hucman
Subject: GTA 2007 Issues.

I was reviewing some notes I had prepared in August after a preliminary 2007 GTA session the AESO had. There are items in those notes that I should have mentioned in my feedback comments on the current process.

There are three:

- 1) Luscar would like various credit allowance terms reviewed to allow large corporations with medium credit ratings to receive some credit allowance. The current process is very binary and cuts off at a very high credit rating. For very long-standing corporations, could there be more flexibility in determining credit allowances?
- 2) New TMR rules and tariffs should be reflected in the new tariff.
- 3) Proposed XMR rates, T&C's and procedures should be discussed for inclusion in the 2007 application.

Allen Crowley, President

Crowley Enterprises Ltd

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**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: City of Medicine Hat
Date: December 19, 2005
Contact: Douglas Crichton
Phone: (403) 529-8365
E-mail: doucri@medicinehat.ca

Relevance of Investment Policy Principles

- 2.1 A number of guiding principles were utilized when deciding on previous investment policies. For instance:
- the effect on economic signaling
 - account for postage stamp rates
 - fairness of application to existing and new customers (“80/20 rule”)
 - policy harmonization with distribution companies
 - customer should pay a contribution where the costs to serve that customer are greater than the revenue received

Support
 Oppose
 Indifferent

There isn't one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO's investment policy.

Reasons for stakeholder position: Agree that it isn't clear that one principle supersedes others and all can be counted to lesser or greater extent in development of the investment policy.

Maximum Local Investment

- 2.2 The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:
- Review relevance of sample/size;
 - Deconstruct project cost into line, substation, and optional supply;
 - Index original costs to current dollars;
 - Align with rate design including definitions of bulk, local and POD; and
 - Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate).

Support
 Oppose
 Indifferent

Reasons for stakeholder position: Await AESO's 2008 GTA to comply, AESO to do required study during 2007.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2 Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2 Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2 Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level Support
 Oppose
 Indifferent

Reasons for stakeholder position:

2.2 Investigate an alternate investment design:
(a) Declining Block Maximum Investment Support
(b) Equivalent Annual Cost (Revenue Requirement) Method Oppose
 Indifferent

Reasons for stakeholder position:

Article 9.4 - Annualized Prepaid Operations and Maintenance

2.3 Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper Support
 Oppose
 Indifferent

Reasons for stakeholder position: Fairness and clarity.

Article 9.5 - Dual-Use Ratio

2.4 Modify ratio to apply to other multiple use POC situations Support
 Oppose
 Indifferent

Reasons for stakeholder position: Fairness and clarity.

Article 9.7 – Staged Loads

2.5 Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using:
(a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.

Support
 Oppose
 Indifferent

Reasons for stakeholder position: Appreciation of the historic information availability difficulties and impracticality of recalculations.

2.5 (b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request.

Support
 Oppose
 Indifferent

Reasons for stakeholder position: This option appears most fair and simple in implementation.

2.5 (c) Hybrid – develop a hybrid of the two alternatives.

Support
 Oppose
 Indifferent

Reasons for stakeholder position: The same historic information difficulties should exist for the hybrid or it would discriminate on basis of availability of information. Disagree with Hybrid approach.

Article 9.14 - Discount Rate

2.6 Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board’s annual generic return on equity orders

Support
 Oppose
 Indifferent

Reasons for stakeholder position: Standardization and consistency.

Interconnection Process - Article 5

3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service

Support
 Oppose
 Indifferent

Reasons for stakeholder position: Uncertainty around expectations/details of the Distribution Planning Study requirement; e.g. applicability to City of Medicine Hat.

Article 13

3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required

Support
 Oppose

financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).	<input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Contract Termination Modifications (Article 14.3)	
4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include: <ul style="list-style-type: none"> • details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity • Discount rate will be as per Article 9.14 • And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual 	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Late Payment Charge (Article 15)	
5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for stakeholder position: Addition of late payment to ‘part thereof’ of a month is unduly restrictive and unreasonable. Result can be severe penalty (1.5% interest) for a payment that is ‘a day late’ due to an administrative error.	

Harmonization Directions 12A and 22	
6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO’s 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for stakeholder position:	

Additional Comments

Please return this form with your comments by December 19, 2005, to:

Edward Hucman
Manager, Regulatory
E-mail: ed.hucman@aeso.ca
Phone: (403) 539-2469
Fax: (403) 539-2524



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December 23, 2005

Heidi Kirrmaier
Alberta Electric System Operator
2500, 330 – 5 Ave SW
Calgary, AB T2P 0L4

Dear Ms. Kirrmaier

SUBJECT: AESO 2007 Rates and Terms & Conditions Discussion Papers

On behalf of the Cities of Red Deer and Lethbridge, I am extending our comments on the AESO's 2007 GTA discussion papers dated December 13th.

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.

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 debate is unavoidable, and the Cities prefer that it be centered around solid research and strong AESO leadership.

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.

I trust that you will find these comments constructive. Should you wish to discuss the matter further, please feel free to contact me at (403) 781-7690.

Sincerely,

'send by e-mail'

Nigel Chymko
President

**AESO 2007 GTA – Terms and Conditions of Service
December 13, 2005 Discussion Paper — Stakeholder Comment Form**

Comments From: TransCanada Energy Ltd. (“TransCanada”)
 Date: December 21, 2005
 Contact: Dan Levson or Cheryl Terry
 Phone: Dan at (403) 920-2095 or Cheryl at (403) 920-2092
 E-mail: Dan_Levson@transcanada.com or Cheryl_Terry@transcanada.com

Relevance of Investment Policy Principles	
2.1	<p>A number of guiding principles were utilized when deciding on previous investment policies. For instance:</p> <ul style="list-style-type: none"> • the effect on economic signaling • account for postage stamp rates • fairness of application to existing and new customers (“80/20 rule”) • policy harmonization with distribution companies • customer should pay a contribution where the costs to serve that customer are greater than the revenue received <p style="margin-top: 20px;">There isn’t one clear principle that supersedes all the others. All these principles can co-exist and should be accounted for in the development of the AESO’s investment policy.</p>
	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for stakeholder position: TransCanada acknowledges that the AESO statement reflects status quo thinking on investment policy. However, should the AESO split the DTS tariff into DISCO customers and Industrial customers, the industrial customers may seek more emphasis on economic signaling and less emphasis on postage stamp rates for an Industrial DTS tariff and the related investment policy. The distinction between the two tariffs and investment policies would be POD charges only. TransCanada recommends that the AESO add one further principle: “clarity on the definition of minimum reliability and the corresponding standard facilities”.</p>	

Maximum Local Investment	
2.2	<p>The AESO should comply with Direction 13A in the 2007 GTA. The review and analysis should review the following:</p> <ul style="list-style-type: none"> • Review relevance of sample/size; • Deconstruct project cost into line, substation, and optional supply; • Index original costs to current dollars; • Align with rate design including definitions of bulk, local and POD; and • Assess value of 80/20 project target and adjust source data to arrive at 80/20 (if appropriate).
	<p><input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>

Reasons for stakeholder position: TransCanada agrees that further work is required to arrive at an appropriate investment level. TransCanada has the following comments:

1. In deconstructing the project cost into line, substation, and optional supply, it is essential that a clear definition of minimum accepted reliability and standard facilities be determined, particularly for industrial customers. Without this clear definition, there is opportunity for large inequities in treatment between various industrial and DISCO customers to occur, particularly at the present since the DISCO customers and industrial customers are served by the same rate class (the DTS rate class). The analysis of historical data must include assignment of customer contributions where those contributions have been charged to customers. To ignore customer contributions is to introduce a bias into the analysis since throughout almost all of the history of transmission assets (giving rise to the embedded costs under review), it is only the industrials who have been charged customer contributions.
2. Regarding alignment of rate design that include definitions of bulk, local and POD, POD charges should either include assets supporting RGUCC or RGUCC related assets should be given a separate category.
3. TransCanada supports previous Board decisions that speak of the 80/20 rule in terms of number of projects (or new customers) that pay a contribution rather than defining the boundary between postage stamp tariffs and customer contributions as “80% of project costs” as noted at page 1 of the Discussion Paper. Moving to an “80% of project costs” definition will cause a substantial increase in the number of customers who pay customer contributions and will create intergenerational inequities. While TransCanada does not support this change in the current design of the investment policy, if the change is to be proposed, it should be advanced by the AESO with a full justification demonstrating that the benefits exceed the costs.
4. The AESO should consider the need for a mechanism to increase the maximum investment level over time to reflect increases in the costs of construction due to inflation and other factors.

Maximum Local Investment – Directive 13 cannot be completed for the 2007 GTA

2.2	Continue to comply with Directions 13 and 20 – propose no changes to the Local Investment Level	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position: See TransCanada’s explanation below regarding Direction 20.

2.2	Continue to comply with Direction 13 but request the removal of the prepaid O&M charge on standard facilities	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position: TransCanada endorses this proposal for the following reasons:

1. It is important to understand why prepaid O & M charges were historically applied to optional facilities. An optional facility is a facility requested by a specific customer to

address their unique reliability requirements where those requirements exceed the reliability provided by a utility as a part of their standard facility designed to meet their reliability standard for that class of service. Since optional facilities require O & M charges over time, an unwarranted cross-subsidy from all other customers would occur if the specific customer was not charged for the O & M on those optional facilities. The O & M for optional facilities can either be charged to the specific customer year by year or they can be present valued for the life of the contract and added to the capital cost of the investment. The practice of present valuing the O & M charges has become the accepted practice.

2. Including a capitalization of O & M charges on standard facilities is problematic. First, TransCanada is not aware of a rate design requirement for this change. Second, since O & M charges will fluctuate over time, any difference between the present valued amounts and the actual annual amounts adds to inter-generational inequity. Third, there is an administrative cost of estimating these costs and attributing them to individual customers. Fourth, if customers are to be charged these O & M costs, it is within their right to challenge the legitimacy of those costs particularly in light of the “bathtub curve” of maintenance which suggests that, with the exception of the first one or two years, the cost of maintaining new facilities is probably quite low for the majority of the first part of the life of the asset. This will potentially lead to unnecessary regulatory activity. Finally, since the original investment levels did not account for these charges, there is a strong case that the investment levels should be adjusted upwards to account for these new charges. If this occurs, and it should, the effect of adding the present value of the O & M charges will be neutralized in the long term by an increase in the investment levels, rendering the changed practice a waste of regulatory effort.

2.2	Amend Maximum Local Investment to align with Direction 20 i.e. increase the sample project costs by the 12% O&M charge and determine a new Maximum Local Investment level	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position: TransCanada considers this a second preference to removing the prepaid O & M charge on standard facilities for the reasons stated above.

2.2	Investigate an alternate investment design: (a) Declining Block Maximum Investment (b) Equivalent Annual Cost (Revenue Requirement) Method	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for stakeholder position:

1. TransCanada supports looking at a Declining Block Maximum investment to recognize large project economies of scale. The AESO should consider splitting investment policy into small and large load customers with different investment levels for each, which might also be supported by different rate riders. This approach could solve the large number of contributions being paid primarily by small load customers. Also, it has the potential to address concerns raised by TransCanada in the AESO 2006 GTA about the typical treatment of reliability and the associated standard facilities for large customers such as those over 15 MVA.
2. TransCanada supports examination of the Equivalent Annual Cost (Revenue Requirement) Method. TransCanada’s main observation is that, to fit within the current

postage stamp approach, the formula needs an adjustment to incorporate postage stamp considerations where customers with below average costs cross subsidize customers with above average costs to a defined limit (the 80/20 rule). The current formula provided at page 8 of the Discussion Paper does not appear to include this adjustment. Another approach would be to base investment on the average costs as embedded in the tariff. In that context, for discussion purposes, TransCanada offers the following comments:

- a. Alignment between the customer contribution policy in Article 9, the unbundling of the DTS tariff and provision of the Primary Service credit could potentially be improved with a customer contribution policy based on revenue versus cost method for all new interconnections. With the unbundling of the DTS tariff in the 2006 GTA proceeding, the opportunity exists to clearly define the interrelationship between incremental cost and the POD Delivery charge in rate DTS. In the past, the AESO has used an average cost of interconnection adjusted to the 80/20 rule to set rules for the customer contribution. These rules include defining distribution versus transmission service, customer versus system related costs, customer contribution refunds and the ratio of generation to load. Changing from a rule based to a more business economics approach may improve acceptance of customer related costs and facilitate additional TFO investment without impacting other rate payers.
- b. TransCanada notes that the Fortis Alberta's distance based tariff is an example of where customers located closer to major substations pay less than customers further away. In a similar manner, using a variable POD Delivery Charge in the DTS tariff, all of the POD costs could be recovered for each interconnection. Customer-related facility costs could be recovered through monthly payments that could be higher or lower than the current POD Delivery Charge to reduce or eliminate customer contributions. Providing for changes to the POD Delivery Charge to recover all of the interconnection costs removes the need for further work on the investment levels, the 80/20 rule on projects, AESO Standard Facilities definition, optional facility costs, 10 year refund period, early retirement of a POD or provision for the bypass of local POD facilities. Customers that have already interconnected would continue to pay the DTS tariff with a declining POD Delivery Charge as the facilities depreciate.
- c. New customers with a variable POD Delivery Charge would no longer require a Primary Service Credit as this would be recovered through a reduced POD Delivery Charge. The AESO could also consider combining the POD Delivery Charge and Primary Service Credit eliminating the need for two tariffs.
- d. In a similar manner, customers on the STS tariff could elect to pay a POD Delivery Charge for facilities needed to interconnect generation facilities. This would not change the fundamentals of the investment policy but would allow TFOs to invest in customer-related generation transmission facilities. The provision of a variable POD Delivery Charge in the STS and DTS tariff would also eliminate the need for the ratio in the investment formula. The ratio would no longer be needed because all facility costs would be recovered from the generator and load.

Article 9.4 - Annualized Prepaid Operations and Maintenance

2.3 Where the AESO Customer arranges for DTS service over a lesser DTS contract term, the prepaid O&M charge should be reduced accordingly, as set out on page 11 of the discussion paper

Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada understands that the impetus behind this proposal largely follows from the Board direction to charge prepaid O & M on standard facilities. Please refer to TransCanada comments above on this matter. Should the direction on this matter not be rescinded, TransCanada supports the general concept of recognizing variations in contract term. Renewals in contract terms would require a further adjustment, which would increase the administrative burden of managing this type of charge.

Article 9.5 - Dual-Use Ratio

2.4 Modify ratio to apply to other multiple use POC situations

Support
 Oppose
 Indifferent

Reasons for stakeholder position: The position proposed by the AESO appears reasonable given the explanation. While the AESO addresses the “who pays” question, the question also needs to be raised about who ultimately receives the funds. If a substation is owned by a supply side or demand side customer and funds are being charged to other customers for the use of that facility according to the proposed ratio, the funds being charged should be ultimately credited to the party who has paid for the asset. In other words, these payments should be made to the asset owner by the AESO and should not be paid to the TFO since the TFO does not own the asset. Similarly, if a customer is being charged for an asset (via a customer contribution or RGUCC), that customer should receive any benefit of payments for the use of the same asset, not the TFO or AESO’s other customers.

Article 9.7 – Staged Loads

2.5 Expand Article 9.7 to articulate situations where material changes in staged loads cross approved tariff vintages by using:
(a) Recalculate based on original policy – step back in time and recalculate customer contribution as if the stages were originally known.

Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada supports this approach to recognize changes arising from material changes in staged loads. Staged loads can either increase or decrease load commitments. To treat staged loads differently than other loads introduces an unnecessary inequity between customers.

2.5 (b) Stand alone load change – determine customer contribution for the incremental load and project costs (if applicable) based on the AESO’s approved tariff at the time of the request.

Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada also supports this approach. There may be no choice in adjusting staged loads if the investment policy at the time of the original contract is no longer accessible.

2.5 (c) Hybrid – develop a hybrid of the two alternatives.

Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada would support a hybrid approach based on the following principles:

1. A customer can choose between the two alternatives proposed by the AESO above.
2. If a customer chooses adjustments for staging under one investment policy, they must accept all of the practices and changes that would have been implemented under that investment policy. In other words, a customer cannot select favorable adjustments under one policy and favorable adjustments under the other policy. This approach is based on the idea that an investment policy at a given point in time, including all of the practices associated with that investment policy, was deemed to be just and reasonable by the regulator at the time. Therefore, if the customer had known at the time of contract what is now known about its staged development, it could have accessed the pricing commitments and benefits at that time.

Article 9.14 - Discount Rate

2.6 Modify the discount rate formula set out in Article 9.14(a) to accommodate the Board's annual generic return on equity orders

Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada has not examined this proposal in detail, although on the surface, it seems reasonable.

Interconnection Process - Article 5

3.1 Amend Article 5 to reflect certain requirements for customers applying for new or expanded System Access Service

Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Article 13

3.2 Amend Article 13.1(a) to permit customers to secure transmission capacity earlier in the interconnection process by executing a Construction Commitment Agreement or by providing the required financial security (as outlined in the Customer Commitment Practice made available at the end of the discussion paper).

Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada cannot endorse this proposal as

presented. The AESO needs to consider the work done by the constraints management committee on the definition of trigger participants in the allocation of transmission capacity. It oversimplifies the issue to specify that the construction commitment agreement is the method by which capacity is allocated. In the development of the construction commitment agreement the AESO can take several months for larger interconnections while small services could be completed in a few weeks. Similarly, smaller projects can be constructed more quickly than larger projects. The AESO needs to consider the first-in first-served principle and rules for customer commitment and timelines as it applies to the interconnection of new load or generation. Refer to the November 2, 2005 letter from TransCanada to Anita Lee at the AESO.

Contract Termination Modifications (Article 14.3)

- 4.0 Expand Article to account for situations where customers may wish to simply reduce their contract capacity rather than terminate entirely. Additions would include:
- details on the calculation, which the AESO is proposing would be the present value difference between the current contract capacity and the new requested contract capacity
 - Discount rate will be as per Article 9.14
 - And there should be an opportunity revisit the calculation if there are material differences between the requested contract capacity and actual
- Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada can support this proposal in principle with the understanding that the AESO is referring to fixed items and not variable costs.

Late Payment Charge (Article 15)

- 5.0 Amend Article 15.8 to provide clarity regarding the application of the 1.5% late payment charge – where it would apply even in circumstances where payment is late for less than one month
- Support
 Oppose
 Indifferent

Reasons for stakeholder position:

Harmonization Directions 12A and 22

- 6.0 Stakeholders please comment on the best way to proceed with compliance to these directions and an assessment of what can be accomplished in time for the AESO's 2007 GTA. Please also provide a definition or your interpretation of harmonization as it relates to Directions 12A and 22.
- Support
 Oppose
 Indifferent

Reasons for stakeholder position: TransCanada cannot comment on the resources of the AESO and Discos available to achieve harmonization.

Harmonization to TransCanada can be summarized as the indifference to obtaining service from a distribution versus a transmission interconnection. The indifference applies to the capital and operating costs of the interconnection and the functionality of the customer facilities. The test of this policy is when the customer can choose the distribution or transmission interconnection and receive similar customer contribution and interconnection costs. This also assumes that the functionality of the customers facilities are not impacted by significant motor starting restrictions, low voltage problems or any other problems that require the customer to provide additional facilities to mitigate the problems.

Harmonization also manages the process by which a distribution connected customer expands its requirements beyond the functional capacities of the distribution system. Once these conditions are reached, transition from distribution to transmission service should not result in an onerous customer contribution as it is expected that the AESO and disco planning process accounts for such possibilities.

Additional Comments

Please return this form with your comments by December 19, 2005, to:

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