

**Stakeholder Comments**  
**AESO 2007 Terms and Conditions Consultation**  
July 27, 2006

Written comments were received from:

ATCO Electric

EnCana

EPCOR

IPCAA

Petro-Canada

TransCanada

**AESO 2007 Terms and Conditions Consultation  
Discussion Paper — Stakeholder Comment Form**

Comments From: ATCO Electric  
Date: July 11, 2006  
Contact: Satar Parhar  
Phone: 780-420-5501  
E-mail: satar.prahar@atcoelectric.com

**Article 5 – System Access Application**

1. The proposed revisions to Article 5 effectively provide additional clarity and are appropriate requirements for customers applying for new or expanded System Access Service.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Article 9 – Customer Contribution Policy**

2. The method for determining a raw data cost function as identified in the final analysis component of the study is a reasonable cost function on which to build an investment policy.
- X Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

3. For application of the “80/20” criterion, the resulting investment formula of \$4.918M + \$0.914M/MW is the appropriate formula.
- X Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

The second term (\$0.914M/MW) of the above formula should read (\$0.194M/MW).

4. The AESO has sufficiently complied with Direction 13A of EUB Decision 2005-096, and was able to effectively address the following through the course of the Customer Contribution Study:
1. *Incorporate a sufficient number and diversity of data points*
  2. *Determine the Raw Interconnection Project Cost Function*
  3. *Determine an appropriate multiplier such that 80% of projects do not pay a contribution.*
- X Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

5. For staged loads where material changes in loads cross approved tariff vintages the AESO is proposing to apply the customer contribution policy approved at the time of the request.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

6. To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.

- Support
- Oppose
- Indifferent

Guidelines:

- 1) The AESO contribution policy in effect at the time will apply to all customers with DTS contract changes;
- 2) Any balance of unused investment from original customer contribution determinations may not be carried forward after the in-service date. Balances of unused investment do not actually reflect balances held by the AESO. Load increases or decreases will be invested in based on the investment policy in effect at the time of the load change request, and additional investment will not be available.
- 3) A "Grace Period" of one year from in-service date for new projects will allow customers time for operational analysis of future load changes. Customers that would like to change their DTS contracts within one year of their in-service date may revert to the customer contribution investment policy in effect at the time of the first customer contribution determination.
- 4) Customers can extend the original DTS commitment term to be eligible for further AESO investment.
- 5) To be eligible for the fixed component of the investment function the customer must contract for at least 1.0 MW for each year of the contracted term (assuming the project is eligible for this component of the local investment function).
- 6) In the event that the maximum AESO Investment exceeds the Interconnection costs of the customer, the excess amount is not available in the future to the same or another Customer to apply at any other Point of Service.

Reasons for Stakeholder Position:

7. The proposed to Article 9.14 reasonably accommodates the Board's annual generic return on equity orders.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

8. The Dual-Use Ratio, while originally designed to apportion POC installation costs between supply and demand customers, should apply to other multiple use POC situations.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

**Article 14 – Reductions or Termination of Contract Capacity**

9. The proposed additions to Article 14 up to including the following are reasonable.

- the proposed lump sum payment for a reduction or termination of service
- regarding some operational aspects of the five year notice period
- The discount rate used in the calculation will be the same one as outlined in Article 9.14
- The opportunity for the AESO to revisit the calculation if there are material differences between the requested contract capacity and actual contract capacity.

Support  
 Oppose  
 Indifferent

10. The proposed additions to Article 14.5 addressing several RGUC considerations as outlined in the discussion paper are reasonable.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Article 15 – Financial Security, Billing and Payment Terms**

11. The proposed financial measure prior to withholding service when in non-compliance of providing incremental financial security is reasonable.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

12. The proposed amendment to Article 15.8 providing clarity around the 1.4% late payment charge is reasonable.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Additional Comments**

Please return this form with your comments by July 11, 2006, to:

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Manager, Regulatory  
E-mail: [ed.hucman@aeso.ca](mailto:ed.hucman@aeso.ca)  
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**AESO 2007 Terms and Conditions Consultation  
Discussion Paper — Stakeholder Comment Form**

Comments From: EnCana Corporation  
Date: July 11, 2006  
Contact: Rod Crockford, Rinde Powell, Roger Belland  
Phone: 403-645-7871, 403-645-6688, 780-486-4309  
E-mail:

**Article 5 – System Access Application**

1. The proposed revisions to Article 5 effectively provide additional clarity and are **appropriate** requirements for customers applying for new or expanded System Access Service.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

The proposed revisions to Article 5 provides a separate interconnection process for Distribution Utilities (Discos) versus transmission customers, including Generation, industrial loads and industrial systems.

EnCana opposes the AESO's proposal to put into practice an openly discriminatory scheme for access to the Transmission system. The approach openly discriminates against the system access interests of non-Disco customers by providing Discos with preferential and privileged access to TFOs for purposes of initiating and completing the interconnection process. Since the timing of milestones in the interconnection process establishes the "queue" position and the "queue" position establishes the AESO's allocation of transmission capacity, Discos will be afforded an unequalled advantaged for gaining transmission capacity.

In the slides of the June 29 stakeholder session, the AESO describes the changes as required to reflect the new or expanded System Access Service. The AESO has nonetheless omitted the reasons why a discriminatory approach to the interconnection process and system access is required, nor why this discriminatory approach is consistent with the requirements of the EU Act, including s.29.

**Article 9 – Customer Contribution Policy**

2. The method for determining a raw data cost function as identified in the final analysis component of the study is a reasonable cost function on which to build an investment policy.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

3. For application of the "80/20" criterion, the resulting investment formula of \$4.918M + \$0.914M/MW is the appropriate formula.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

4. The AESO has sufficiently complied with Direction 13A of EUB Decision 2005-096, and was able to effectively address the following through the course of the Customer Contribution Study:

1. *Incorporate a sufficient number and diversity of data points*
2. *Determine the Raw Interconnection Project Cost Function*
3. *Determine an appropriate multiplier such that 80% of projects do not pay a contribution.*

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

5. For staged loads where material changes in loads cross approved tariff vintages the AESO is proposing to apply the customer contribution policy approved at the time of the request.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

EnCana is opposed to the AESO proposal. The administrative convenience of the AESO is not sufficient grounds for interfering with the application of past-approved tariffs.

If the AESO is to proceed with its proposal to change from a “vintage-tariff” approach to a “current-tariff” approach for re-calculating the Customer Contribution whenever there is a material change in the load assumptions, then it must provide a full accounting as to its impact including:

- 1) The number of times the AESO has had to recalculate a Customer Contribution in each of the past 5 years and the reasons why,
- 2) The estimated number of existing Customer Contribution agreements that will be affected on a going-forward basis in each of the next 5 years,
- 3) The estimated savings in AESO administration from a change in the recalculation approach,
- 4) The reason why the AESO is unable to maintain accurate records of a historical Customer Contribution calculation and the associated tariff,
- 5) The estimated windfall harm or benefit to an existing Customer from no longer using the “vintage” tariff and instead applying the “current” tariff to calculate the Customer contribution when there is a material change in the load assumptions,
- 6) The reason why the windfall harm or benefit to an existing Customer is justified,
- 7) The distribution of windfall gains between Discos and other customers,
- 8) How the AESO intends to address the windfall harm or benefits of existing Customers.

6. To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.

- Support  
 Oppose  
 Indifferent

Guidelines:

- 1) The AESO contribution policy in effect at the time will apply to all customers with DTS contract changes;
- 2) Any balance of unused investment from original customer contribution determinations may not be carried forward after the in-service date. Balances of unused investment do not actually reflect balances held by the AESO. Load increases or decreases will be invested in based on the investment policy in effect at the time of the load change request, and additional investment will not be available.
- 3) A "Grace Period" of one year from in-service date for new projects will allow customers time for operational analysis of future load changes. Customers that would like to change their DTS contracts within one year of their in-service date may revert to the customer contribution investment policy in effect at the time of the first customer contribution determination.
- 4) Customers can extend the original DTS commitment term to be eligible for further AESO investment.
- 5) To be eligible for the fixed component of the investment function the customer must contract for at least 1.0 MW for each year of the contracted term (assuming the project is eligible for this component of the local investment function).
- 6) In the event that the maximum AESO Investment exceeds the Interconnection costs of the customer, the excess amount is not available in the future to the same or another Customer to apply at any other Point of Service.

Reasons for Stakeholder Position:

Is it the "vintage" tariff or the "current" tariff that applies if the EUB approves a change in the customer contribution formula and investment levels and the Customer increases its load amounts, all during the "grace period"?

Please explain how the guidelines reduce the administrative burden.

7. The proposed to Article 9.14 reasonably accommodates the Board's annual generic return on equity orders.

- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

8. The Dual-Use Ratio, while originally designed to apportion POC installation costs between supply and demand customers, should apply to other multiple use POC situations.

- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Article 14 – Reductions or Termination of Contract Capacity**

9. The proposed additions to Article 14 up to including the following are reasonable.

- the proposed lump sum payment for a reduction or termination of service
- regarding some operational aspects of the five year notice period
- The discount rate used in the calculation will be the same one as outlined in Article 9.14
- The opportunity for the AESO to revisit the calculation if there are material differences between the requested contract capacity and actual contract capacity.

- Support  
 Oppose  
 Indifferent

10. The proposed additions to Article 14.5 addressing several RGUCC considerations as outlined in the discussion paper are reasonable.

- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

The AESO proposes to allow Customers to extend their termination period by way of written notice. The notice period will be extended for a period no longer than the time remaining in the original notice period.

EnCana is concerned that the AESO is creating administrative rules that will be burdensome and have no practical purpose or system benefit. EnCana is not aware of many termination services in any one year, so it would seem that the proposal around extensions would be applied very infrequently. When it does apply, it is not clear how it assists the planning of the system or the recover of rates. In general, the proposal lacks a full accounting of the impacts and benefits including:

- 1) There is no information on how often Customers request a termination of service let alone how often a terminating load asks for an extension of any material length in time;
- 2) There is no information on how an extension interferes or causes a change in system planning and therefore system costs;
- 3) There is no information on why restricting extensions to the period remaining in the original termination notice period has any practical impact on system planning and costs;
- 4) There is no information as to why a pragmatic ad hoc approach that evaluates the reasonableness of the circumstances and the materiality of the extension would not be just as effective as a formulaic approach;
- 5) There is no information as to how the system planners use customer contract information in planning the system and incurring costs; If planners do not use this information then why is the administrative rule required?

**Article 15 – Financial Security, Billing and Payment Terms**

11. The proposed financial measure prior to with holding service when in non-compliance of providing incremental financial security is reasonable.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

The proposed articles should make clear the time interval in regards to the interest rate (e.g. 6% per annum) and should also be clear as to the basis for interest calculation (e.g. Interest will be calculated from the due date to the date on which value is received using daily simple interest prorated from the annual TD prime rate plus 6%.)

12. The proposed amendment to Article 15.8 providing clarity around the 1.4% late payment charge is reasonable.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Additional Comments**

Article 7 is out of date and requires reference to the proper metering standards documents.

Please return this form with your comments by July 11, 2006, to:

Ed Hucman  
Manager, Regulatory  
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**AESO 2007 Terms and Conditions Consultation  
Discussion Paper — Stakeholder Comment Form**

Comments From: EPCOR Utilities Inc.  
Date: July 11, 2006  
Contact: Richard Stout  
Phone: (780) 412-3017  
E-mail: rstout@epcor.ca

<b>Article 5 – System Access Application</b>	
<p>1. The proposed revisions to Article 5 effectively provide additional clarity and are appropriate requirements for customers applying for new or expanded System Access Service.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR agrees that the revisions provide additional clarity for customers applying for new or expanding System Access Service.</p>	

<b>Article 9 – Customer Contribution Policy</b>	
<p>2. The method for determining a raw data cost function as identified in the final analysis component of the study is a reasonable cost function on which to build an investment policy.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR disagrees that the proposed method is appropriate, as it sacrifices inter-generational equity in order to achieve increased investment. Contribution policy is about fairness and the boundary of “postage stamp” rates. It is not about precise cost functions of locational signals.</p>	
<p>3. For application of the “80/20” criterion, the resulting investment formula of \$4.918M + \$0.914M/MW is the appropriate formula.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: The 80/20 criterion is only a guideline and should not be taken as a hard-and-fast metric to be met at all cost. EPCOR does not support revisions to the investment formula especially based on limited data (5 or 6 years) which is not sufficient to conclude that the 80/20 criterion is necessarily appropriate. Other rate design criteria such as stability have to be considered.</p> <p>EPCOR notes that the discussion paper has used 0.194 rather than 0.914 as the constant in the above equation.</p>	
<p>4. The AESO has sufficiently complied with Direction 13A of EUB Decision 2005-096, and was able to effectively address the following through the course of the Customer Contribution Study:</p> <ol style="list-style-type: none"> <li>1. <i>Incorporate a sufficient number and diversity of data points</i></li> <li>2. <i>Determine the Raw Interconnection Project Cost Function</i></li> <li>3. <i>Determine an appropriate multiplier such that 80% of projects do not pay a contribution.</i></li> </ol>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: This question is better presented to the Energy and Utilities Board</p>	

5. For staged loads where material changes in loads cross approved tariff vintages the AESO is proposing to apply the customer contribution policy approved at the time of the request.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: Using the policy approved at the time of the request is sensible for immediate processing. However, when reviewing files for tracking of excess/unused investment, the variability of versions of contribution policy (and authenticating the version) will add a layer of complexity.

6. To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.

Support  
 Oppose  
 Indifferent

Guidelines:

- 1) The AESO contribution policy in effect at the time will apply to all customers with DTS contract changes;
- 2) Any balance of unused investment from original customer contribution determinations may not be carried forward after the in-service date. Balances of unused investment do not actually reflect balances held by the AESO. Load increases or decreases will be invested in based on the investment policy in effect at the time of the load change request, and additional investment will not be available.
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- 6) In the event that the maximum AESO Investment exceeds the Interconnection costs of the customer, the excess amount is not available in the future to the same or another Customer to apply at any other Point of Service.

Reasons for Stakeholder Position:

7. The proposed to Article 9.14 reasonably accommodates the Board's annual generic return on equity orders.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: This question is better presented to the Energy and Utilities Board

8.	The Dual-Use Ratio, while originally designed to apportion POC installation costs between supply and demand customers, should 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 14 – Reductions or Termination of Contract Capacity**

9.	The proposed additions to Article 14 up to including the following are reasonable. <ul style="list-style-type: none"> <li>• the proposed lump sum payment for a reduction or termination of service</li> <li>• regarding some operational aspects of the five year notice period</li> <li>• The discount rate used in the calculation will be the same one as outlined in Article 9.14</li> <li>• The opportunity for the AESO to revisit the calculation if there are material differences between the requested contract capacity and actual contract capacity.</li> </ul>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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10.	The proposed additions to Article 14.5 addressing several RGUCC considerations as outlined in the discussion paper are reasonable.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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Reasons for Stakeholder Position: EPCOR conditionally supports the Article 14 revisions, and would like clarification regarding the statement “provisions that the charge will be applied if the unit were to power up again.” EPCOR needs to understand exactly how such charges will be applied, and the AESO’s view on average versus incremental connection costs, before a determination of support or opposition for this section can be made.

**Article 15 – Financial Security, Billing and Payment Terms**

11.	The proposed financial measure prior to withholding service when in non-compliance of providing incremental financial security is reasonable.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

12.	The proposed amendment to Article 15.8 providing clarity around the 1.4% late payment charge is reasonable.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position: The discussion paper identified a 1.5% late payment charge as opposed to the above identified 1.4%		

<b>Additional Comments</b>

Please return this form with your comments by July 11, 2006, to:

Ed Hucman

Manager, Regulatory  
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Senior Regulatory Analyst  
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Phone: (403) 539-2741  
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**D.B. MACNAMARA, Executive Director  
INDUSTRIAL POWER CONSUMERS ASSOCIATION OF ALBERTA**

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E-mail: dmacnamara@shaw.ca**

**DATE:** *JULY 11/06*

**PLEASE DELIVER TO:**

**NAME:** *ED HUCMAN*  
**COMPANY:** *AESO*  
**TELECOPIER NO:** *539-2949*

**TOTAL NUMBER OF PAGES** 5 **(INCLUDING THIS COVER PAGE)**

**IF ALL PAGES ARE NOT RECEIVED, OR IF ANY PAGE IS NOT LEGIBLE, PLEASE  
TELEPHONE 266-6433 AS SOON AS POSSIBLE.**

**OPERATOR:**

**COMMENTS:**

*COMMENT FORMS FOR  
AESO 2007 TERMS & CONDITIONS  
CONSULTATION*

**AESO 2007 Terms and Conditions Consultation  
Discussion Paper — Stakeholder Comment Form**

Comments From: IPCAA  
 Date: July 10, 2006  
 Contact: Ron Mikkelsen / Dan Macnamara  
 Phone: (403) 263-3326 / 266-3180  
 E-mail: [consult@drazen.com](mailto:consult@drazen.com) / [dmacnamara@shaw.ca](mailto:dmacnamara@shaw.ca)

**Article 5 – System Access Application**

1. The proposed revisions to Article 5 effectively provide additional clarity and are appropriate requirements for customers applying for new or expanded System Access Service.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Article 9 – Customer Contribution Policy**

2. The method for determining a raw data cost function as identified in the final analysis component of the study is a reasonable cost function on which to build an investment policy.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: The final customer contribution study is a significant improvement over the preliminary study. It may be helpful for the AESO to examine those projects that would face a customer contribution and provide a short description as to why the costs for a particular installation were significantly above average and therefore a customer contribution is reasonable. This would help to establish that the investment policy is achieving its intended goal of limiting the degree of cost sharing for facilities with costs significantly greater than average.

3. For application of the "80/20" criterion, the resulting investment formula of  $\$4.918M + \$0.914M/MW$   $\$0.194M/MW$  is the appropriate formula.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: IPCAA supports the approach of multiplying the average cost function by a multiplier to establish the maximum investment level.

4. The AESO has sufficiently complied with Direction 13A of EUB Decision 2005-096, and was able to effectively address the following through the course of the Customer Contribution Study:
1. *Incorporate a sufficient number and diversity of data points*
  2. *Determine the Raw Interconnection Project Cost Function*
  3. *Determine an appropriate multiplier such that 80% of projects do not pay a contribution.*
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: The approach taken by the AESO would appear to incorporate the best information available. If cost escalation is as drastic as anecdotal evidence would suggest, would the AESO propose an escalation mechanism within the investment levels proposed? If so, what would be an applicable index for such escalation?

5. For staged loads where material changes in loads cross approved tariff vintages the AESO is proposing to apply the customer contribution policy approved at the time of the request.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

6. To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.
- Support  
 Oppose  
 Indifferent

**Guidelines:**

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**Reasons for Stakeholder Position:**

7. The proposed to Article 9.14 reasonably accommodates the Board's annual generic return on equity orders.
- Support  
 Oppose  
 Indifferent

**Reasons for Stakeholder Position:**

8. The Dual-Use Ratio, while originally designed to apportion POC installation costs between supply and demand customers, should apply to other multiple use POC situations.
- Support  
 Oppose  
 Indifferent

**Reasons for Stakeholder Position:**

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9. The proposed additions to Article 14 up to including the following are reasonable.
- the proposed lump sum payment for a reduction or termination of service
  - regarding some operational aspects of the five year notice period
  - The discount rate used in the calculation will be the same one as outlined in Article 9.14
  - The opportunity for the AESO to revisit the calculation if there are material differences between the requested contract capacity and actual contract capacity.
- Support  
 Oppose  
 Indifferent

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- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

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- Support  
 Oppose  
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Reasons for Stakeholder Position:

**Additional Comments**

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Comments From: Desiderata Energy Consulting Inc (for Petro-Canada)  
 Date: July 12, 2006  
 Contact: Dale Hildebrand  
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 E-mail: dale.hildebrand@desiderataenergy.com

<b>Article 5 – System Access Application</b>	
1. The proposed revisions to Article 5 effectively provide additional clarity and are appropriate 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:	

<b>Article 9 – Customer Contribution Policy</b>	
2. The method for determining a raw data cost function as identified in the final analysis component of the study is a reasonable cost function on which to build an investment policy.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Analysis appears to be appropriate and consistent with EUB directives	
3. For application of the “80/20” criterion, the resulting investment formula of \$4.918M + \$0.914M/MW is the appropriate formula.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Follows from the data	
4. The AESO has sufficiently complied with Direction 13A of EUB Decision 2005-096, and was able to effectively address the following through the course of the Customer Contribution Study: <ol style="list-style-type: none"> <li>1. <i>Incorporate a sufficient number and diversity of data points</i></li> <li>2. <i>Determine the Raw Interconnection Project Cost Function</i></li> <li>3. <i>Determine an appropriate multiplier such that 80% of projects do not pay a contribution.</i></li> </ol>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Need to finalize and move on. AESO has complied with Board directives.	
5. For staged loads where material changes in loads cross approved tariff vintages the AESO is proposing to apply the customer contribution policy approved at the time of the request.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Significant charges between the 2005, 2006 and 2007 investment policies have and will continue to impact customers who are trying to interconnect. The AESO needs to propose a policy to bridge the significant changes caused by the regulatory process. Applying the customer contribution policy approved at the time of the request is inconsistent with past	

practice and will create more confusion, and potentially litigation.

6. To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.
- Support  
 Oppose  
 Indifferent

Guidelines:

- 1) The AESO contribution policy in effect at the time will apply to all customers with DTS contract changes;
- 2) Any balance of unused investment from original customer contribution determinations may not be carried forward after the in-service date. Balances of unused investment do not actually reflect balances held by the AESO. Load increases or decreases will be invested in based on the investment policy in effect at the time of the load change request, and additional investment will not be available.
- 3) A "Grace Period" of one year from in-service date for new projects will allow customers time for operational analysis of future load changes. Customers that would like to change their DTS contracts within one year of their in-service date may revert to the customer contribution investment policy in effect at the time of the first customer contribution determination.
- 4) Customers can extend the original DTS commitment term to be eligible for further AESO investment.
- 5) To be eligible for the fixed component of the investment function the customer must contract for at least 1.0 MW for each year of the contracted term (assuming the project is eligible for this component of the local investment function).
- 6) In the event that the maximum AESO Investment exceeds the Interconnection costs of the customer, the excess amount is not available in the future to the same or another Customer to apply at any other Point of Service.

Reasons for Stakeholder Position:

Still need to address issue under 5 above. These rules make sense.

7. The proposed to Article 9.14 reasonably accommodates the Board's annual generic return on equity orders.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

8. The Dual-Use Ratio, while originally designed to apportion POC installation costs between supply and demand customers, should apply to other multiple use POC situations.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**Article 14 – Reductions or Termination of Contract Capacity**

9.	The proposed additions to Article 14 up to including the following are reasonable. <ul style="list-style-type: none"><li>• the proposed lump sum payment for a reduction or termination of service</li><li>• regarding some operational aspects of the five year notice period</li><li>• The discount rate used in the calculation will be the same one as outlined in Article 9.14</li><li>• The opportunity for the AESO to revisit the calculation if there are material differences between the requested contract capacity and actual contract capacity.</li></ul>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
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10.	The proposed additions to Article 14.5 addressing several RGUCC considerations as outlined in the discussion paper are reasonable.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
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Reasons for Stakeholder Position:  
Five year notice period is too long – in most cases there are minimal impacts on system planning. A payment in lieu of notice based on PV of Billing Capacity Charges is too onerous. In most cases you are charging for something you never provided. The AESO needs to re-think how contract capacities have been determined and provide a mechanism for changes that is consistent with how contract capacities were set (need to differentiate between contract capacities based on investment and contract capacities arbitrarily set at 90% of load).

**Article 15 – Financial Security, Billing and Payment Terms**

11.	The proposed financial measure prior to withholding service when in non-compliance of providing incremental financial security is reasonable.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
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Reasons for Stakeholder Position:

12.	The proposed amendment to Article 15.8 providing clarity around the 1.4% late payment charge is reasonable.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
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Reasons for Stakeholder Position:

**Additional Comments**

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Please return this form with your comments by July 11, 2006, to:

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**AESO 2007 Terms and Conditions Consultation  
Discussion Paper — Stakeholder Comment Form**

Comments From: TransCanada Energy Ltd.  
Date: July 11, 2006  
Contact: Cheryl Terry / Dan Levson  
Phone: 920-2092 / 920-2095  
E-mail: [Cheryl\\_Terry@TransCanada.com](mailto:Cheryl_Terry@TransCanada.com) / [Dan\\_Levson@TransCanada.com](mailto:Dan_Levson@TransCanada.com)

**Article 5 – System Access Application**

1. The proposed revisions to Article 5 effectively provide additional clarity and are appropriate requirements for customers applying for new or expanded System Access Service.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransCanada generally supports these changes. The wording in the clauses may cause some confusion regarding the following:

- a. Article 5.1 part a) and d) and 5.2 part d) are subject to Article 5.3. Articles 5.1 and 5.2 apply to Distributors, but Article 5.3 only applies to Generators, Industrial Systems and Industrial Load Applications, not to Distributors (at least per the headings of each Article). Also, it is not clear what Article 5.1 and 5.2 is subject to in Article 5.3.
- b. Article 5.3, part e) is subject to Article 5.3. It appears that at least part of Article 5.3 is therefore subject to itself.
- c. It is not clear why Distributor's are not subject to a Preliminary Assessment Fee. If the work involved in developing a customer proposal for a generator, industrial system or industrial load is significant and requires a fee, it would be expected similar work would be required to address a Distributor seeking System Access Service. Also, while the fee is non-refundable if the project doesn't proceed, it can also be the case that a Distributor's plans for a new POC also may not proceed. It appears unfair that the current billing mechanism charges Generators, Industrial Systems and Industrial Loads but does not charge Distributors. The fee should be assessed to all Customers and refunded within 90 days of energization.

**Article 9 – Customer Contribution Policy**

2. The method for determining a raw data cost function as identified in the final analysis component of the study is a reasonable cost function on which to build an investment policy.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: The cost function, in general, is approaching a more realistic estimate. However, per TransCanada's separate correspondence on this matter, there may be errors in the data that, once corrected, will provide a more accurate correlation between DTS Capacity and Substation Costs.

3. For application of the "80/20" criterion, the resulting investment formula of \$4.918M + \$0.914M/MW is the appropriate formula.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: While TransCanada is generally supportive of the structure

of the investment formula, TransCanada cannot support the actual values in the formula until the potential errors in the data are satisfactorily resolved. It is a reasonable to assume that the errors result in an understatement of the investment levels that would be required to meet an 80/20 criterion.

4. The AESO has sufficiently complied with Direction 13A of EUB Decision 2005-096, and was able to effectively address the following through the course of the Customer Contribution Study:
- 1. *Incorporate a sufficient number and diversity of data points*
  - 2. *Determine the Raw Interconnection Project Cost Function*
  - 3. *Determine an appropriate multiplier such that 80% of projects do not pay a contribution.*
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransCanada supports the general approach taken by the AESO to determine an investment function. TransCanada supports the use of actual projects constructed over the last few years as long as the older projects are correctly adjusted to reflect cost increases that have occurred in the Alberta context. The results as reflected in the investment function are now approaching what appears to be a reasonable level. Given that Upgrade costs and Greenfield projects are to be treated as one investment function, TransCanada agrees with the approach taken by the AESO to weight the Upgrade project and Greenfield costs by their capital cost. The costs of Upgrades are somewhat less than average (as expected) and the use of a common investment function results in a small but probably tolerable cross subsidy from Greenfield projects to Upgrade projects through the investment policy.

TransCanada's unresolved concern is the need for further refinement of the data underpinning the investment function. These concerns are provided in more detail in a separate letter.

5. For staged loads where material changes in loads cross approved tariff vintages the AESO is proposing to apply the customer contribution policy approved at the time of the request.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransCanada agrees that the AESO has appropriately identified the issues involved in this matter and has acknowledged that there is no consensus on this matter. It appears that the AESO is moving from one "bookend" position (i.e. that customers are treated by the investment policy in existence at the time they made their original economic decisions) to almost the other "bookend" position (i.e. the customer is treated on the current investment policy modified by a one year grace period). The AESO's main concern driving the change appears to be their administrative burden to track investment policies that change over the years and the inequities that can arise for existing customers when invoking historical tariffs. Given the relative small number of customers that the AESO must manage, the much smaller subset of customers who choose to stage their load and the large financial impact that customer contribution calculations can have on individual customers, TransCanada believes the AESO's administrative burden should be given little weight. TransCanada understands there is potential for inequities to develop. Historical investment policies, assuming they were aligned with the cost of service and rates at the time will become less appropriate if there are material changes in new cost of service studies and new rates and rate structures, thereby rendering the old investment policy inappropriate (noting that customers normally move to the new rates). However, the AESO has provided no evidence to demonstrate if these inequities exist or are material.

TransCanada recommends a compromise position where the one year grace period would be replaced with a five year grace period. This compromise addresses both concerns raised by the AESO (administrative burden and intergenerational inequities), yet provides more rate stability and may be fairer to companies who cannot determine with sufficient accuracy their future load requirements even within one year of their in-service date. Also, the AESO proposal, which lacks flexibility to recognize changing customer load requirements, will give an even stronger incentive for customers to request facilities that address the current and future requirements as long as no customer contribution is required. A five year grace period would encourage customers to only request facilities that address their current requirements. There are a significant number of customers who cannot know with any certainty their future load requirements, even within one year of their in-service date. Some examples are pipeline pumping loads, gas storage loads and electric compression loads in new gas fields.

In summary, a five year grace period is a more moderate change than the one proposed by the AESO, yet allows old and increasingly less relevant investment policies to be eventually eliminated from consideration.

Many existing customers are under the impression that the investment policy that applied when they made their original investment decisions would still apply to changed load levels. The proposed AESO change, whether modified by a one year grace period or a five year grace period (as TransCanada has recommended), should be communicated to all affected customers. Should the change be approved, it will have the effect of a material change in the investment policy. Therefore, the recommended change warrants full disclosure and communication early enough for impacted customers to raise their concerns.

6. To accompany this approach, the AESO suggests that the following guidelines be established to guide the determination process.

Support  
 Oppose  
 Indifferent

Guidelines:

- 1) The AESO contribution policy in effect at the time will apply to all customers with DTS contract changes;
- 2) Any balance of unused investment from original customer contribution determinations may not be carried forward after the in-service date. Balances of unused investment do not actually reflect balances held by the AESO. Load increases or decreases will be invested in based on the investment policy in effect at the time of the load change request, and additional investment will not be available.
- 3) A "Grace Period" of one year from in-service date for new projects will allow customers time for operational analysis of future load changes. Customers that would like to change their DTS contracts within one year of their in-service date may revert to the customer contribution investment policy in effect at the time of the first customer contribution determination.
- 4) Customers can extend the original DTS commitment term to be eligible for further AESO investment.
- 5) To be eligible for the fixed component of the investment function the customer must contract for at least 1.0 MW for each year of the contracted term (assuming the project is eligible for this component of the local investment function).
- 6) In the event that the maximum AESO Investment exceeds the Interconnection costs of the customer, the excess amount is not available in the future to the same or another Customer to apply at any other Point of Service.

Reasons for Stakeholder Position: TransCanada has some recommended changes to the principles as follows:

- a. The AESO should make it clearer that during the Grace Period, the balances of unused investment described in item 2) above would continue to apply to changes in load requirements until after the grace period has expired.
- b. As described in more detail in response to 5) above, TransCanada recommends a five year grace period.
- c. TransCanada disagrees with principle 5) above and recommends it be deleted. The AESO is in effect translating a fixed investment into a fixed investment per MW by this principle and merging it with contract term. The AESO has not provided any support for this proposal. The proposal is confusing and implies that the fixed investment for a substation is simultaneously linked to both capacity and contract term. If the AESO is concerned about the initial investment not being supported by tariff revenue, the investment can be supported by conditions (such as a minimum of 5 MW for the AESO to make the full fixed investment). In the absence of solid evidence for the AESO's

position, this principle should be dropped.

7. The proposed to Article 9.14 reasonably accommodates the Board's annual generic return on equity orders.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

8. The Dual-Use Ratio, while originally designed to apportion POC installation costs between supply and demand customers, should apply to other multiple use POC situations.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransCanada is generally in support of the allocation as proposed. However, the apportionment of the costs needs to be consistent with the ownership of the facility costs that are being apportioned. If the substation costs are owned by the supplier or demand customer, any apportioned costs should be reimbursed to the owner, not the AESO or a TFO who has no ownership interest in the facilities. Put another way, if a customer pays demand-related costs for facilities it owns and has paid for, that customer should be repaid the amount charged. Any repayments should be adjusted for Primary Service Credits received, if any.

#### **Article 14 – Reductions or Termination of Contract Capacity**

9. The proposed additions to Article 14 up to including the following are reasonable.
- the proposed lump sum payment for a reduction or termination of service
  - regarding some operational aspects of the five year notice period
  - The discount rate used in the calculation will the same one as outlined in Article 9.14
  - The opportunity for the AESO to revisit the calculation if there are material differences between the requested contract capacity and actual contract capacity.
- Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: The AESO has provided no rationale as to why extensions to notice periods should be limited to once in the notice period. If the concern is that the AESO does not know customer intentions for planning purposes, the use of notice periods is a weak tool to achieve this goal as the notice period only has a 5 year window at most. A proven, successful practice in Alberta is for transmission planners to talk to larger customers about their longer term needs as a part of their transmission planning process. If the AESO's concern is that customers are using the notice period to maintain flexibility in their long term obligations, this is understandable given the onerous minimum charges applied by the AESO, even after the contract term has expired. The AESO should explore other solutions to these issues such as more flexible notice periods after the original contract has expired and setting a minimum notice period for a new request to extend the notice period to the length of time to plan, obtain approval and construct new transmission capacity. Customers who do not provide adequate notice could lose their rights to firm transmission capacity if another customer requests the capacity. There is no need to limit a request to once in the notice period if appropriate

restrictions are placed on the notices.

10. The proposed additions to Article 14.5 addressing several RGUCC considerations as outlined in the discussion paper are reasonable.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position: TransCanada is not opposed to the AESO recommended changes but, as the AESO acknowledged in its Powerpoint presentation, the purpose of the RGUCC was to create a level playing field between regulated PPA generators and new generators. Leaving the RGUCC levels uncorrected to properly reflect the best cost causation information available from the cost causation study defeats the purpose of providing a level playing field. Therefore, TransCanada cannot support the AESO position due to the AESO's lack of response to this material concern.

### **Article 15 – Financial Security, Billing and Payment Terms**

11. The proposed financial measure prior to withholding service when in non-compliance of providing incremental financial security is reasonable.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**We do not see a financial penalty as a reasonable intermediary step and would oppose the change.** Our rationale is as follows:

Should a Customer of the AESO be experiencing financial problems a penalty is not an effective incentive for that customer to provide replacement or additional security. It may in fact be easier for the customer to pay the penalty than to procure and provide the appropriate security requested by the AESO. This intermediate step may allow the customer to mask a more serious problem.

The proposed intermediate step prolongs the time that a customer, who may be experiencing financial problems, remains on the system and thus increases the potential exposure and ultimately the potential loss to AESO & other participants.

12. The proposed amendment to Article 15.8 providing clarity around the 1.4% late payment charge is reasonable.

Support  
 Oppose  
 Indifferent

Reasons for Stakeholder Position:

**We support the change in the way in which the penalty is calculated however we do not think the proposed penalty is a significant enough deterrent to late payers.**

The current penalty makes no distinction for a one day late payment as opposed to a 30 day late payment and so once a customer is one day late they may as well prolong their payment the full 30 days. As such this should be amended.

The proposed penalties however appear to be too light as the penalty charge (part (ii) of the proposed 15.8) may not be a significant enough deterrent to prevent a late payment by a customer. Our reasons for wanting a strong deterrent are twofold.

i. If we have a customer who is experiencing financial difficulties and they have to choose between paying several creditors we do not want the AESO to be the one that receives payment only after all other creditors are paid.

ii. Any time the AESO has to use their credit facilities to finance late payers ultimately the rest of the participants share in the associated cost.

### **Additional Comments**

Regarding charging Prepaid O&M charges on standard facilities, TransCanada does not believe this is necessary and will introduce unnecessary intergenerational inequities. The reason prepaid O&M is required to be charged for non-standard facilities is to recognize that customers requesting non-standard facilities will also require the long term maintenance of those facilities by the TFO. Without charging for prepaid O&M, the other customers on the system will pay for the majority of the O&M charges on these non-standard facilities and therefore will be subsidizing the O&M charges for the customer with the non-standard facility. There is no cross-subsidy for standard facilities and no prepaid O&M should have been charged for these facilities in the past. If prepaid O&M is charged for standard facilities, then new customers will be cross-subsidizing customers prior to this change. Also, the calculation of prepaid O&M is based on a long term forecast and could be over or understated, creating the potential for further cross-subsidies. Therefore, given that there is no reason to be charging prepaid O&M for standard facilities, and there will be unnecessary cross-subsidies by doing so, TransCanada cannot support this proposal.

Due to the short period of time for comments and since consultations are occurring in the summer vacation period, the comments provided are not necessarily complete. TransCanada reserves the right to provide further comments at a later date.

Please return this form with your comments by July 11, 2006, to:

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