

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comments**

Revised October 18, 2006

Written comments were provided by:

- ADC
- ATCO Electric
- Baymag
- Dual-Use Coalition
- EnCana
- EPCOR
- FIRM
- IPCAA
- Medicine Hat
- PPGA
- TransAlta
- TransCanada Energy
- Vision Quest

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: The ADC
Date: October 10, 2006
Contact: Colette Kearn/Carrie Haines
Phone: (780) 476-6642/ (403) 770-1164
E-mail: Colette@valeopower.com/ Carrie@valeopower.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</p> <p style="text-align: right;"><input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p> <p>The ADC finds this statement much too broad to be acceptable as a blanket statement. In the first case, in 2005 65% (51 of 79) of the lines studied did have a positive correlation coefficient with the AIS load. In the second place, the correlation coefficient was greater when the load was weighted by the net book value of the lines than when weighted by the number of lines. In the third place, the ADC's consultant found that the correlation increases when using the absolute magnitude of the flows, rather than using negative loads to indicate a change in direction. Finally, the study does not shed any light on the relationship between the loading on the lines and broad regional demands (as opposed to the entire provincial demand). While the ADC agrees that coincident demand may not be perfect, the study does not make a compelling case for a better alternative measure of maximum stress, or a departure from the more conventional coincident measure of cost responsibility.</p>	

2 Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat. Support Oppose Indifferent

Reasons for Stakeholder Position:

Regardless of the merits of coincident demand, the Cost Causation Study (CCS), did not indicate that loads were flat and that timing and diversity were not a factor, as the above statement seems to imply. In fact the CCS found (page 32) that the time of maximum stress occurs at various times throughout the year, although perhaps not coincident with the AIS peak load. It also found (page 33) that “some transmission expansions in Northern Alberta are driven by load related concerns that occur in the winter and coincident to the peak Alberta load” and that “the Bulk System must be designed to meet the (coincident) demand of a *larger group* of POD’s” (emphasis added). The ADC does not see how using billing capacity, especially with a ratchet, in any way captures or reflects those considerations. Moreover the use of a ratchet would remove any incentive for a customer to reduce its demand.

3 A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system. Support Oppose Indifferent

Reasons for Stakeholder Position:

The ADC strenuously objects to this position. It is the consideration of the ADC that the 80.9% figure referenced, while relevant to a split of the demand related costs between coincident demand and non-coincident demand, it in no way, shape or form supports a reclassification of demand related costs as energy-related or justifies recovering demand related costs via an energy charge. The ADC notes that the AESO proposes to recover almost one-half of Bulk system wires costs, costs which do not vary at all as a function of annual usage, through an energy charge. This proposal is totally unsupported by the cost study and is at odds with conventional transmission cost allocation and recovery.

Point of Delivery Costs

- 4 Recovering POD costs in accordance with the findings of the *Customer Contribution Study* (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The analysis in the CCS appears reasonable and at this time the ADC does not have any basis for disputing this.

- 5 Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's *Customer Contribution Study*) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Use of minimum intercept is a widely used method for determining the customer-related component of distribution equipment. The ADC has reviewed the alternative approach presented by the PPGA and finds their analysis tenuous and their conclusion untenable.

Bill and Customer Impacts

- 6 The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Should that be necessary, it is accepted procedure to mitigate unreasonably harsh bill impacts. However any such mitigation should be clearly stated, the impacts to other customers should be quantified, and the departure from cost based rates should be minimized. Such a step should be done only when necessary and the cost based objective should not be distorted to accomplish this mitigation. Rather the mitigation measure should be explicitly stated.

- 7 Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Rates for 2006 have been accepted by the Board and are in use. Consequently that is the appropriate benchmark from which to measure any impact. Moreover, when impact is measured it is customary to compare rates to the rates then currently in effect. Moreover, if a prior year (prior to 2006) benchmark is to be used, there is no basis for choosing 2005. Why not use 2000 or 1995 as the benchmark? Clearly any choice except the current rates is arbitrary.

8 Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Commodity is not regulated and can fluctuate. It is only transmission that is regulated and thus it is only the DTS rate that should form the basis for comparison. However, if commodity is included then it is imperative that the same commodity figure (price) be used for both present and proposed rates.

9 The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers). Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The sole justification for mitigating or modifying the results or indications of a cost based rate is to take into account unduly harsh or disruptive increases to any one customer or class of customers. If a DISCO takes service from multiple DTS POD's, and the bill from the AESO changes abruptly for one or even a few of these POD's, as long as that does not precipitate and unduly harsh increase to the DISCO as an entity, there is no reason for any mitigation procedure.

10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

10B Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Capping the increase, and leaving the cost based rate intact, is a more straight-forward way to achieve mitigation without distorting the correct price signal. The only caveat is that the cap should not produce any anomalous or disruptive impacts. (For example, a customer with a 10 MW load paying significantly more than a customer with a load of 9.9 MW, or a high load factor

customer paying more than a low load factor customer.)

Backup or Standby Service

- 11 The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The requirement for a standby rate was raised during the AESO's 2006 GTA and the AESO committed to examining such a rate in its next tariff application. The importance and need for such a rate has not diminished. In the AESO's June 27 Discussion paper it proposed a rate that would be more expensive than standard DTS service when used at greater than a 10% load factor but recognized that, given the short duration and infrequent nature of standby service, such customers would generally not affect short term transmission planning. The ADC did not detect any general opposition to this concept and sees no undue risks associated with the adoption of a rate along the lines proposed in the June 27 Discussion paper.

Demand Opportunity Service (DOS) Rates

- 12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The AESO's review of DOS rates appears to be narrowly focused and the cost impact (eg. A doubling of cost) is not acceptable especially when there is no scientific basis behind the 50% factor. The AESO should have included in the study of DOS rates a broadening of the criteria to determine if other Alberta loads should have access to the rate.

- 13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Prior to deregulation the ability to interrupt in one hour was valued and used by the Utilities. It would be helpful if the AESO could explain why the one hour trigger of a DOS Customer may not be desirable (if the alternative is interrupting firm load) under the future "quick hits" market design where a generating unit may withdraw its intention to start up two hours prior to the settlement interval, or can change their offer into the energy market two hours prior to the settlement period.

- 14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This rate appears to be consistent with current costs.

- 15 Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The relaxed rules for maintenance are not a substitute for a standby rate.

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Exports should be allocated a portion of the fixed costs of the inter-ties based on usage. DTS customers benefit from imports across the inter-ties and should also be allocated a portion of the fixed costs, based on usage of the tie-lines for import (eg a POD type charge). This allocation (based on export/import usage should also flow through to the export opportunity rates).

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The XOS does not need to have all billing determinants equal to DOS 7 Minutes.

- 18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Primary Service Credit

20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Additional Comments

These comments should not be prejudicial and the ADC reserves its rights to modify or expand its positions during the course of any proceeding before the Board as the evidence and record in the case warrants. In particular, the ADC is sceptical that as much as 18.5% of the transmission system is related to energy, and may contest that figure in a fully litigated rate proceeding.

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: ATCO Electric
 Date: October 10, 2006
 Contact: Satar Parhar
 Phone: 780-420-5501
 E-mail: satar.parhar@atcoelectric.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</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:</p>
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.</p> <p style="text-align: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Reasons for Stakeholder Position:</p> <p>All bulk system related cost should not be recovered based on billing capacity as the billing capacity is not the only cost causation factor. It can be argued that the energy is also a significant cost causation factor as it represents average loading conditions for the year. In the absence of any single cost causation factor, a 50% weight to both the billing demand and energy would be a reasonable compromise.</p>
3	<p>A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.</p> <p style="text-align: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p> <p>Reasons for Stakeholder Position:</p> <p>Please see the comments in 2.</p>

Point of Delivery Costs	
4	<p>Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW)</p> <p style="text-align: right;"> <input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </p>

is appropriate.	
Reasons for Stakeholder Position:	
5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p> <p>Reasons for Stakeholder Position:</p> <p>This option is preferred if the rate impact on small PODs (less than 7.5 MW) can not be mitigated in the rate design, through items 6, 7, 8 and 9, and/or through the Primary Service Credit for unconventional (PT type) PODs and notional PODs supplying isolated communities.</p>
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Bill and Customer Impacts	
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p> <p>Reasons for Stakeholder Position:</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p> <p>Reasons for Stakeholder Position:</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p> <p>Reasons for Stakeholder Position:</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).</p> <p>Reasons for Stakeholder Position:</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

The impact on individual PODs should be the basis for comparison, as all the AESO costs (fixed, demand related and energy related) and customer contributions are determined based on individual PODs. A comparison based on a customer's aggregate charges would be against the principle used by the AESO for the calculations of these AESO charges.

10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The impact mitigation should be the same for both transmissions connected and distribution connected customers. This principle is supported by section 30(3)(a) of the EUA, "rates set out in the tariff shall not be different for owners of electric distribution systems, customers who are industrial systems or a person who has made an arrangement under section 101(2) as results of the location of these systems or persons on the transmission system."

10B Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Option 10A appears to be more practical to implement.

Backup or Standby Service

11 The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Demand Opportunity Service (DOS) Rates

12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

14 The AESO's proposal to base the DOS Term rate on variable Support

costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.		<input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
15	Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Export Services		
16	The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
17	The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
18	The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Merchant Export Services		
19	The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Primary Service Credit		
20	The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Reasons for Stakeholder Position:

21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and “unconventional” interconnections) in conjunction with a reduced maximum investment level.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

ATCO Electric supports the AESO's proposal that unconventional and notional PODs receive this credit.

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

As stated in our letter to the AEUB dated November 4, 2005, Baymag operates in a highly competitive, international marketplace and is unable to pass on such drastic increases to customers.

We need stability in the system and, as stated previously, cannot continue to absorb excessive increases and remain a viable operation.

We appreciate the opportunity to be part of the AESO 2007 Rates Consultation process. In the event that you require further clarification, we are available to meet with you at your convenience.

Yours truly,

Baymag Inc.



Andrew M. Gazso
Executive Vice President, Finance

AMG/tc

cc: Dr. Hagen Schultes, President & CEO



**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: BAYMAG INC.
Date: October 12, 2006
Contact: Andy Gazso
Phone: (403) 225-5128
E-mail: Andy.Gazso@Baymag.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs		
1	As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
2	Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
3	A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Point of Delivery Costs		
4	Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position:</p>		

Bill and Customer Impacts		
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: As these cost increases are unreasonably high for a very small number of customers of AESO who are not in a position to pass them on due to market conditions. A way needs to be found to eliminate these extraordinary increases</p>		
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: The impact from 2005 to 2007 represents the true picture of the increase which is considerably larger than if one measures the impact from 2006 to 2007 only</p>		
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: DTS is a relatively Fixed cost, whereas energy costs are a variable cost and are controllable. The true impact is indicated on the DTS portion of the bill.</p>		
9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: Correct, the impact should be measured on each individual POD as only this truly reflects the impact on each customer</p>		
10A	<p>Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

		<input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Unable to answer as we do not have the Technical knowledge to properly respond		
10B	Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Same answer as 10 A		

Backup or Standby Service		
11	The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Demand Opportunity Service (DOS) Rates		
12	The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
13	It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
14	The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
15	Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Primary Service Credit

- 20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Additional Comments

Baymag has only commented to "Bill and Customer Impacts" No. 6 to 10B inclusive, as all other sections require a more in-depth technical knowledge which we do not have available to us. Please see our letter dated October 12,2006 for additional comments and concerns.

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: Dual-Use Coalition
 Date: October 12, 2006
 Contact: Dale Hildebrand
 Phone: 403-869-6200
 E-mail: dale.hildebrand@desiderataenergy.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs

1 As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:
While there is not a strong correlation to system peak, we disagree that CP can not be justified as an appropriate billing determinant for the collect bulk system related charges.

2 Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:
Strongly oppose. Billing capacity includes DTS contract capacity which is an inappropriate billing determinant to use for the collection of bulk system costs. Even the 90% ratchet provision should not apply to the recovery of bulk system charges. Energy, on-peak energy, multiple CPs or measured demand are on our view more appropriate billing determinants.

The AESO is planning the bulk system based on forecast co-incident demands, not on forecast billing capacities. Collection of costs should mirror, to some extent, other AESO polices/practices.

3 A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak ALL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:
The derivation is based on an average over the entire system. This may not be appropriate as 240 kV lines serve multiple purposes. The energy charge proposed may be acceptable if the demand billing determinant is not billing capacity.

Point of Delivery Costs

4	<p>Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.</p> <p>Reasons for Stakeholder Position:</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p> <p>Reasons for Stakeholder Position:</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Bill and Customer Impacts		
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p> <p>Reasons for Stakeholder Position: Avoiding rate shock is an appropriate rate design criteria.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p> <p>Reasons for Stakeholder Position: Why pick two years vs. 1 year or 5 years? The implication is that the EUB made a bad decision by accepting CP which needs to be corrected in the 2007 Tariff. We do not support this implication.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p> <p>Reasons for Stakeholder Position: The AESO has no visibility to its customer's commodity costs. Using pool price as a proxy is neither helpful nor consistent with the industry framework the government has implemented.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose

		<input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Discos flow through AESO costs.		
10A	Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: A robust rate design is better than temporary measures to phase in the full impact.		
10B	Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: A robust rate design is better than temporary measures to phase in the full impact.		

Backup or Standby Service		
11	The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: The DUC is of the view that delaying the implementation of a stand-by rate, applicable only to dual-use customers, will <u>increase</u> the risks of operations and reliability issues in some areas of the province. In areas where the AESO can not provide firm service to all customers, a stand-by rate may be an appropriate mechanism to ensure that customers who only require stand-by service can still receive an adequate level of service. The DUC does not agree with the "trigger participant" concept being applied to load customers.		

Demand Opportunity Service (DOS) Rates		
12	The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
13	It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
14	The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10%	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

load factor is appropriate.	<input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

15	Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
The DUC submits that this is an appropriate use of surplus transmission capacity as demonstrated by prior tariffs approved by the EUB and in use in many other jurisdictions.		

Export Services		
------------------------	--	--

16	The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

17	The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

18	The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Merchant Export Services		
---------------------------------	--	--

19	The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Primary Service Credit		
-------------------------------	--	--

20	The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
----	--	--

Reasons for Stakeholder Position:

The DUC strongly opposes the AESO's September 21, 2006 proposal to reduce the credit level by 2 or 3 times; however, the DUC was generally supportive of prior 2007 tariff PSC proposals. If the September 21, 2007 proposal is based only on transformation costs, then the AESO needs to provide a second option for customers who own the full substation. Customers who made decisions on substation ownership should not be penalized due to changes in regulatory approach (i.e. limiting the basis of the credit from substation to transformation).

21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

Applying the principles to all PODs is appropriate.

Additional Comments

We appreciate your willingness to reconsider a standby tariff as demonstrated at the September 27, 2006 meeting with dual-use customers.

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aesoc.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: EnCana Corporation
Date: October 10, 2006
Contact: Rod Crockford, Rinde Powell, Roger Belland
Phone: 403-645-7871, 403-645-6688, 780-486-4309
E-mail:

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</p> <p style="text-align: right;"><input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p> <p>While the AESO has gone to great effort to demonstrate a lack of coincidence between bulk loading and system peak, it has provided no information on the correlation between system additions and non-coincident peak (NCP). The AESO only offers its opinion that NCP is appropriate without demonstrating any connection between individual NCP and the planning of the bulk system or the need for individual transmission lines. EnCana notes that information provided by the AESO can best be described as a study of line loadings as a proxy for a cost-of-service study and in particular as a proxy for the decision by transmission planners to declare a need for new facilities. This is insufficient and inadequate. Line loadings are influenced by several factors including generation patterns and therefore it cannot in itself describe the load parameters that transmission planning takes into account when developing a need for new transmission lines. Consequently, EnCana does not believe the AESO has adequately demonstrated that a 12CP method of cost recover does not reflect “the Load” transmission planners are intending to serve by adding new facilities.</p> <p>EnCana wishes to emphasize the economic inefficiency created by recurrent changes to the AESO rate design. A large-part of transmission connections involves long-lead investment decisions related to long-life assets. Rate volatility can easily render economic decisions under one design uneconomic under a different rate design with little or no ability to manage such impacts. To avoid such detrimental effects, the transmission rate design needs to be stabilized and implemented for a manageable period of time. Moreover, the desire to avoid rate instability necessitates a need for compelling evidence to demonstrate the substantial incorrectness of the current rate design. In EnCana’s view the AESO has yet to demonstrate that the transmission planners have forsaken the practice of planning to 12 CP load conditions and therefore that the current cost recover is substantially incorrect.</p> <p>That said, the remainder of these comments presumes that the AESO’s premise that “load in every hour is important” is correct. In this case, EnCana believes there are more sound reasons to adopt an energy allocator for bulk system costs based on cost causation principles as discussed throughout these comments.</p>	

- 2 Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

A rate that is designed around cost-causation should reflect how costs are ‘caused’ and provide a “price signal” that encourages cost savings or moderation in the incurrence of costs. If a rate does not correlate to the rise or fall of costs, then it is unlikely that the rate demonstrates a strong “cost causation”.

Under the AESO’s proposal the “price signal” for bulk system costs is composed of the diluted NCP-ratchet component (see comments in Box 3 below) and a second energy charge. The NCP-ratchet portion does not however provide a price signal that will moderate bulk system costs for the vast majority of customers and the vast majority of load levels. That is because demand-ratchet price signals only have an impact at load levels above the designated “floor” or minimum Billing Capacity. Based on the AESO’s definition of Billing Capacity, the lowest “floor” is equal to 90% of Contract Capacity and, as a consequence, the marginal price of using any level of demand up to the Contract Capacity, for any amount of time, is zero or near zero. (See attached Slides for examples of this effect and the consequence of the NCP ratchet for different load-factor customers.)

If the AESO rate is approved, the initial Billing Capacity of all existing customers will be used and each will face a newly imposed ratchet charge extending 24 months.¹ Correspondingly, the operative price signal for all loads up to their Contract Capacity will be zero. This means that all existing customers will be able to alter their utilization of the Bulk System up to their Contract Capacity for any amount of time without any incremental demand-related charge. Equally, there is no incentive to unload the bulk system usage because there is nothing to be saved from using the bulk system for fewer hours.

In effect, the AESO is encouraging customers to raise their hourly usage to higher levels over longer periods of time until they reach their Contract Capacity (all other things being equal). However, such a reaction would result in the loss of the system wide “load diversity” as POD loads increase to higher load factors and produce an increased loading of the bulk system, with a resultant need for expanded capacity. Since, the AESO’s proposed NCP-ratchet is more likely to result in the expansion of costs rather than cost moderation, it is not reasonably aligned with “cost causation”.

As discussed below, the appropriate rate design that reflects cost causation in all hours is an energy charge allocator. Using an energy charge means that the “price signal” for utilization of the Bulk System is the same for all customers, in all hours, and at all load levels. The price signal in this case is consistent. From the very moment the rate is put into effect, each customer whether of a low or high load factor faces the same “price signal” in each hour regarding their use of the Bulk System. Such a price signal is compatible with the observation that “load is important in each hour” and therefore the need to ensure that at each hour customers face higher charges if they cause the loading of the Bulk System to increase.

In sum, the AESO’s proposal fails to demonstrate that it is fair to a customer with a relatively low load-factor as compared to one with a relatively high load-factor. Using the NCP-ratchet approach means that two customers with the same ratchet but different loadings of the bulk system – one with a 5% load-factor and one with a 95% load-factor – would face exactly the same charges for using the bulk system

¹ This is a reasonable assumption since the AESO has not indicated that upon approval the initial Billing Capacity will be zero.

even though the first customer is using the Bulk System a fraction of the time. The AESO attempts to fix this problem by trying to make the problem smaller by reducing the share of the bulk system costs recovered using NCP charge. This does not however fix the fairness problem for the remaining portion recovered using the NCP charge.

3 A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The AESO recognises that an NCP billing determinant does not reflect load diversity – that in any hour specific loads will not be at their NCP even while the sum of the individual loads will be enough to load the bulk system. Because the bulk system does not serve the sum of individual NCPs, nor is it planned to serve them, the AESO proposes to adjust the way bulk charges are recovered by reducing the share of bulk system costs that are to be recovered using an NCP billing determinant. To do this the AESO scales down the share of costs considered “demand-related” by applying an adjustment factor equal to the **percentage of peak AIL at the time of maximum loading on each bulk line**, averaged across 80 240kV circuits. The AESO estimates the adjustment factor to be 80.9%. Consequently,

$$DRC' = DRC * 80.9\%$$

There are two chief flaws with this approach.

First, the AESO’s modification is not an adjustment for the coincidence of POD demand; it is simply a reclassification of costs from the “demand-related” to the non-demand-related classification (in this case “energy-related” classification). Because this approach is not directly sensitive to the pattern of load consumption at each POD, a load that consumes for only 1 hour of the year sees the same reclassification of costs from demand-related to energy-related as a load that consumes for 8760 hours of the year. In effect, each POD is affected equally by facing a reduced “demand-related” cost.

Second, the adjustment factor is based on a relationship which the AESO has demonstrated is not important. Bulk line loading are relatively constant in all hours so the level of AIL at any moment in time is not particularly relevant. Nor for that matter does the ratio of instantaneous AIL to the peak AIL have any explanatory power to differentiate between the coincidence of each POD to the loading of the bulk system and as a consequence is entirely arbitrary.

In sum, the AESO proposed adjustment factor is not reflective of cost causation and should not be used.

An Energy Allocator Reflects Cost-Causation

Since the line loading of the bulk system is relatively constant throughout the year (i.e. range bound) any incremental load in each hour is a possible driver of new capacity. It is therefore important to reflect the coincidence of each POD at each hour of the year. The adjustment that achieves this result is to use the POD specific load factor (LF_{POD}). A load factor represents the sum of the demand for each hour in the year (or month) relative to the POD peak or NCP. Therefore adjusting the POD specific charges by multiplying the NCP-based demand-related charges by the POD load factor provides an appropriate means to reflect on the contribution each POD makes to loading of the bulk lines in each hour of the

year.

Since $NCP * LF_{POD}$ is mathematically equal to the monthly POD energy consumption, it is recommended that the bulk system costs be recovered fully from an energy charge. This approach reflects POD coincidence in each hour of the year and provides a consistent price signal for use of the bulk system.

Does using an energy-only allocator to recover bulk system costs mean that each customer will liberally raise their NCP-peak? The answer is, no. Increasing a POD's NCP peak will not only result in higher bulk system charges for that hour, but will result in higher ratchet charges for the "Local" and "POD" functional costs. These represent approximately 60% of the wires costs and are predominantly recovered through an NCP-ratchet charge. Additionally, any increase of NCP will be physically constrained by the POD capacity. In many cases, raising the NCP will require additional investment, and possibly a customer contribution, which act as obvious and clear constraints to ramping peak demands.

Retaining any amount of NCP-ratchet for bulk system usage will create inequity and unfairness. That is because an NCP-ratchet will lead to the same charges for the bulks system according to a 15-minute instantaneous peak while ignoring the bulk loading for all other hours in the year. Hence two customers with the same NCP peak yet one with a 5% LF and one with a 95% LF will face the same charges even while the first uses the bulk system for a fraction of the time.

Lastly, the AESO claims that its proposal to use the NCP charges align the 2007 DTS rates with the historical rate design. While the recover of transmission costs have historically employed a NCP-ratchet, the degree to which the AESO proposes to use it is unprecedented. Since Decision 2000-1 (1999/2000 GTA) and until Decision 2005-096 (2006 GTA), the cost of transmission facilities (Transmission Wires costs) have been recovered from DTS customers based on 40% energy/60% NCP ratchet. Under the AESO's proposal for the 2007 GTA, costs would be recovered 22.5% energy/ 65.1% NCP ratchet / 12.4% Customer charge. Hence, recovery of costs using fixed charges is considerably higher than in the historical period. Alternatively, recovery of bulk system costs using only an energy-charge would be 45% energy/ 43% NCP-ratchet/ 12.4% Customer charge; a closer alignment to the historical rate design.

Point of Delivery Costs

- 4 Recovering POD costs in accordance with the findings of the *Customer Contribution Study* (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

No comment at this time.

5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position:</p> <p>No comment at this time.</p>		

Bill and Customer Impacts		
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position:</p> <p>EnCana was unable to find the AESO documentation or proposal to mitigate unreasonably high impacts. Where is this located in the materials? As a consequence we cannot comment on this issue at this time.</p> <p>In the September 21 presentation the AESO provided comparison of the DTS bill impact based on the AESO's proposals for the bulk system and POD costs. EnCana requests that the AESO provide similar information based on an energy-only recover of bulk system costs.</p>		
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position:</p> <p>Rate impacts should be a secondary consideration.</p>		
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position:</p> <p>DTS rate impacts should be measured on the basis of the DTS bill alone.</p>		

9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).</p> <p>Reasons for Stakeholder Position:</p> <p>Impacts should be evaluated at each POD.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
10A	<p>Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.</p> <p>Reasons for Stakeholder Position:</p> <p>EnCana cannot comment on a speculative proposal.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
10B	<p>Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.</p> <p>Reasons for Stakeholder Position:</p> <p>EnCana cannot comment on a speculative proposal.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Backup or Standby Service		
11	<p>The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.</p> <p>Reasons for Stakeholder Position:</p> <p>The need for a back-up or standby rate is a direct consequence of the AESO's failure to properly account for low load-factor usage in its bulk system rate design. If, as discussed above, the bulk system rate was recovered using an energy charge, then the need for a specific back-up or standby rate is no longer required.</p> <p>According to the AESO, "short-duration, infrequent use does not give rise to long-term or short-term costs on the transmission system. Discussions with the AESO system planning and operations planning suggest that loads which occur for less than 10% of the time and for only a few times a year would not affect either long-term or short-term planning decisions." (p.23 of 38, Draft Section 4, Draft 2007 GTA Application, September 18, 2006) Regrettably, the AESO inappropriately ignores this observation when</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

proposing the NCP-ratchet for bulk system costs. On the other hand, an energy-based rate would allocate costs in proportion to usage and commensurately reflect that low use has minimal system impact.

Demand Opportunity Service (DOS) Rates

- 12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

EnCana does not support the AESO's observations and proposal. EnCana believes that the AESO is inappropriately viewing DOS through the lens of the energy market and OPP 801 rather than viewing DOS as the mechanism for making opportunity purchases of transmission capacity. Energy and transmission are not interchangeable concepts. OPP 801 aside, the AESO should be prepared to offer unused transmission capacity at different rates and terms in order to maximize the incremental revenue from available capacity. Hence the AESO should continue to offer DOS 1 Hour and should probably consider other DOS services which allow the AESO to gain revenue from unused capacity. This is a separate and distinct issue from that of the curtailment priority of the energy tranche consumed using DOS transmission capacity.

That said, EnCana notes that in the AESO's DOS Business Practice Document (p.7) the priority of curtailment is distinguished as follows:

As indicated in the Tariff, DOS 7 must be curtailed within seven minutes of call down by the SC. Similarly, DOS 1 hour must be curtailed within one hour. Although not specified in the Tariff, DOS Standard must be curtailed within 7 minutes, but DOS Standard customers will be called down after DOS 7 and DOS 1 hour customers.

EnCana therefore believes that there does exist a distinction in curtailment provisions. It does raise concerns however that the AESO has implemented DOS practices which differ from the published Business Practice document. EnCana therefore requests the AESO to explain the status of the Business Practice document and the process the AESO has used to change the curtailment provisions, if any.

- 14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% Support
 Oppose

	load factor is appropriate.	<input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

15	Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Export Services

16	The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

17	The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

18	The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Merchant Export Services

19	The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Primary Service Credit

20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Additional Comments

At p.11 of 38 of DRAFT Section 4 (September 18, 2006) the AESO indicates that it has retained NERA to conduct a review of the bulk system analysis and conclusions in the Update. EnCana requests that the AESO make the NERA report available to all stakeholders as soon as it is substantially completed by NERA.

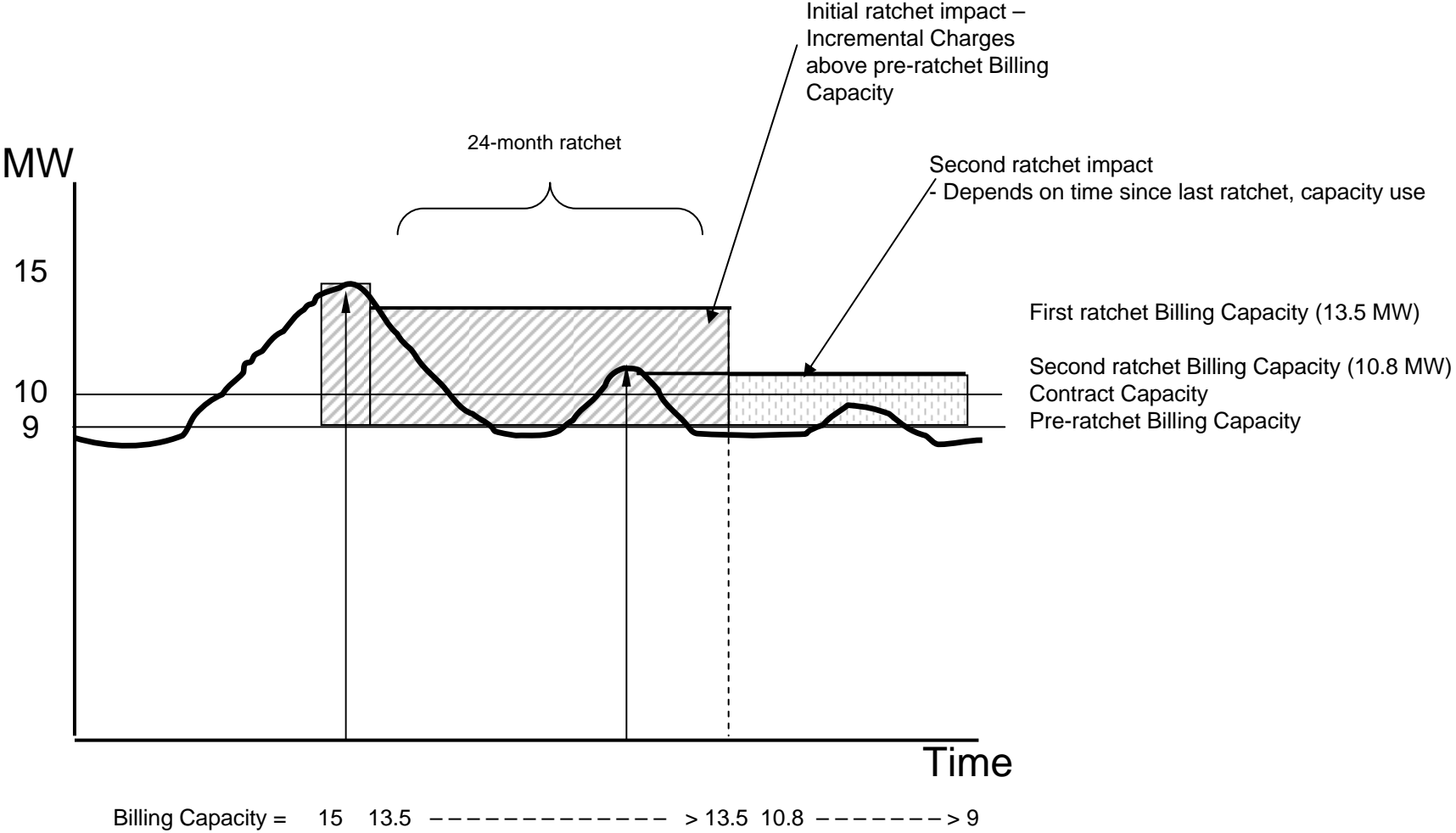
Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

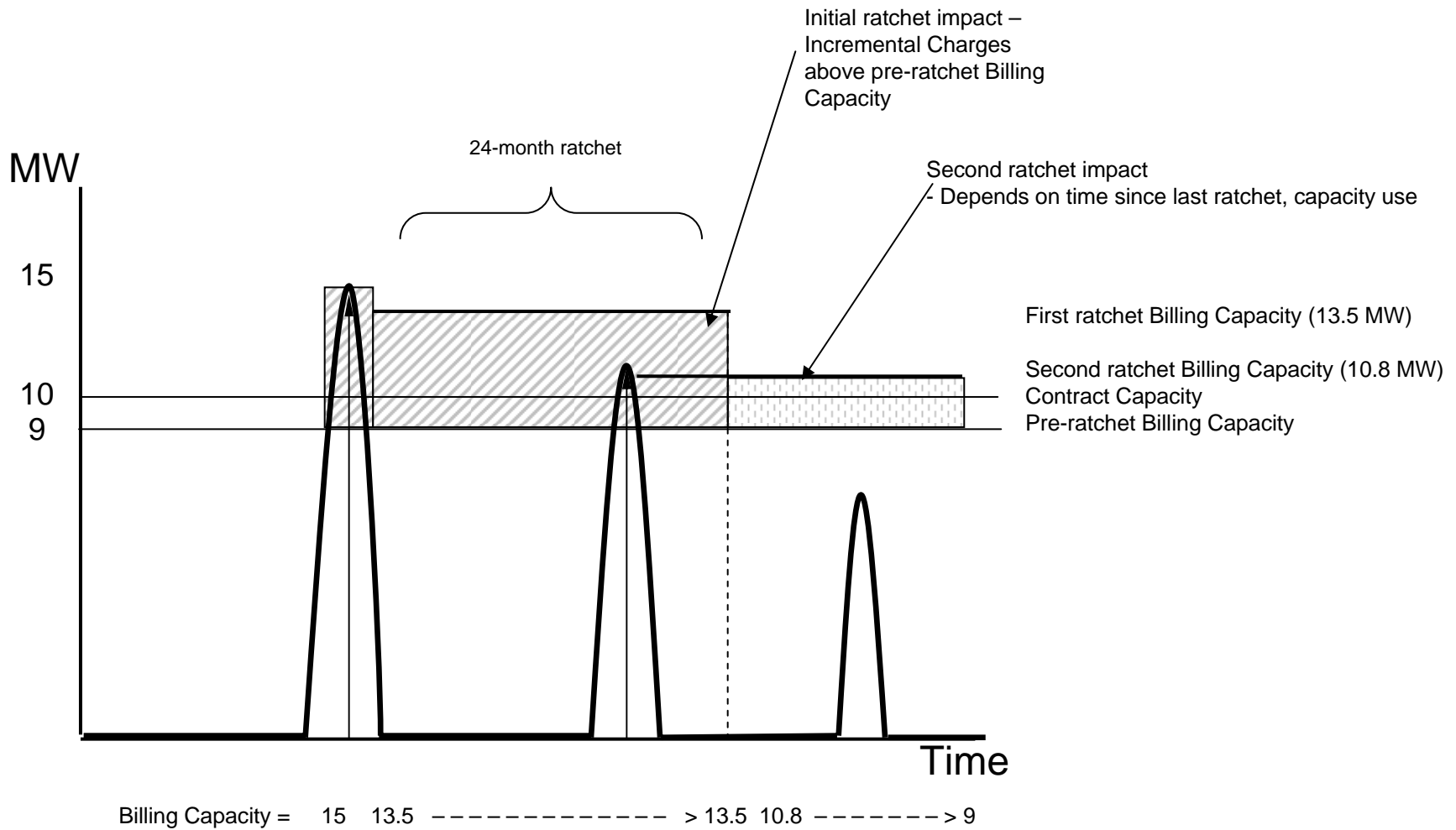
Bulk System Charges – AESO Proposal

- Ratchet Price signal occurs above minimum Billing Capacity
 - At Contract Capacity or less, the ratchet has no effect.
 - Customer charges are the same regardless of load factor.
 - Inherent incentive to raise usage up to Contract Capacity, which would result in loss of “load diversity”.
- Ratchet signal above minimum Billing Capacity
 - Depends on how quickly the second ratchet is set.
 - Duration of ratchet payments will be proportional to how soon after the initial ratchet customer sets a second ratchet.
 - Intensity of ratchet will depend on capacity of second ratchet.
- Ratchets are not sensitive to load-factor (LF)
 - Ratchets provide poor reflection of cost-causation on the bulk system if “load in each hour is important”.
 - Low LF customers see no savings from unloading bulk usage.
 - A low LF customer would see a disproportional impact on charges relative to loading of the bulk system.

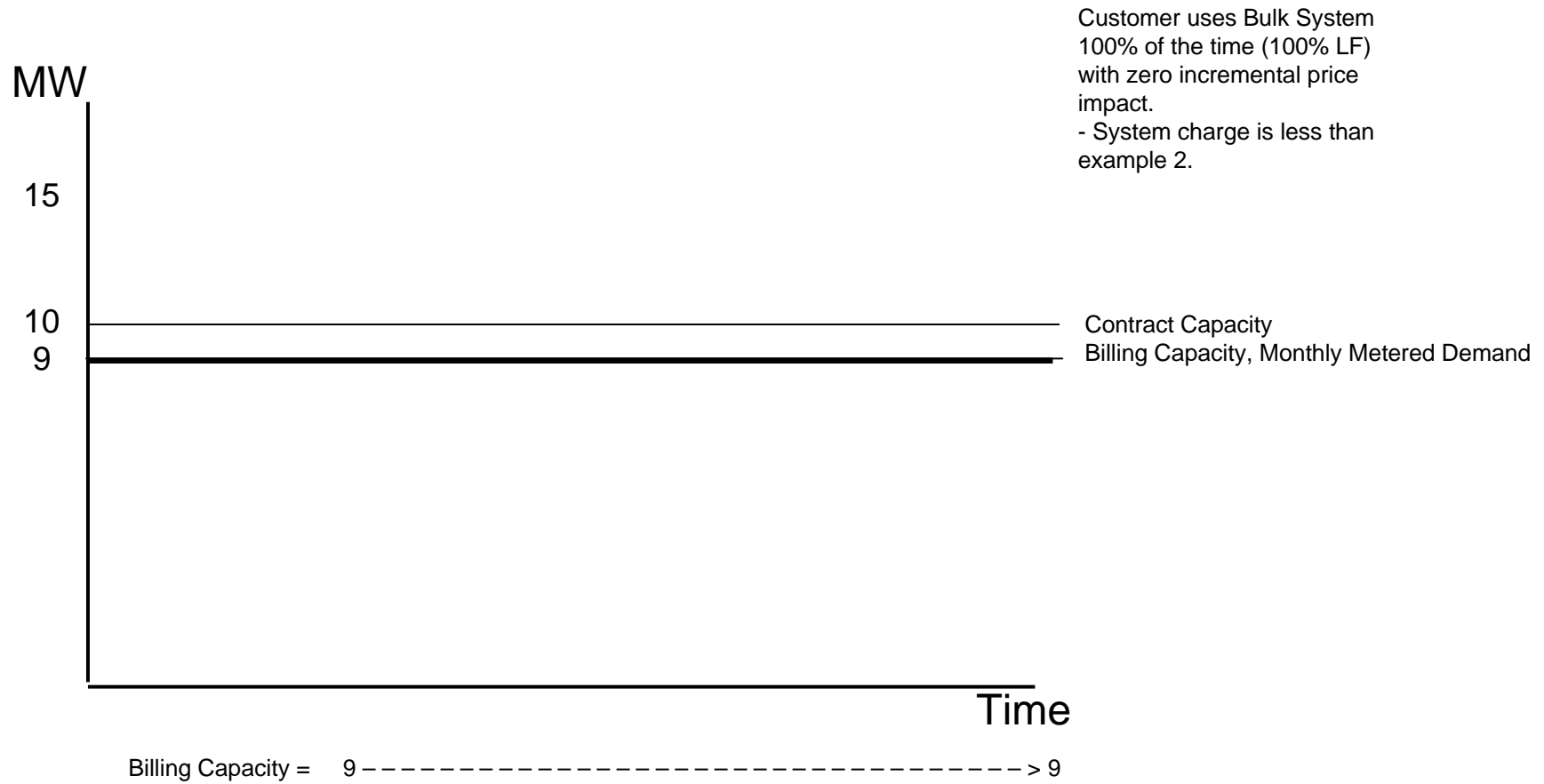
High Load-Factor User with Ratchets



Low LF User with Same Peaks Sees Same Ratchet Charges



High LF User with Lower Peaks has no Incremental Charge



**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: EPCOR Utilities Inc.
Date: October 10 2006
Contact: Ewa Kultys
Phone: (780) 412-4019
E-mail: ekultys@epcor.ca

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</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: EPCOR supports that the use of CP in demand-related cost recovery is not justifiable; because, as previously addressed, coincident peak is a poor billing determinant and a poor measure of transmission cost causation.</p>
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.</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: EPCOR supports that the use of billing demand is preferable to the use of CP for demand-related cost recovery. Billing demand is already familiar to everyone and is operationally superior to the use of CP.</p> <p>However, the AESO's rationale (above) that "because load in every hour and every month is important and average bulk system loading is currently very flat" is not clear to EPCOR. This statement seems to suggest a load factor of near 100%. If that is the case, it would be more appropriate to base cost on energy.</p>
3	<p>A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak ALL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.</p> <p style="text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent </p> <p>Reasons for Stakeholder Position: EPCOR can not verify the calculation leading to either 80.7% (the last proposal) or 80.9% adjustment to demand-related bulk system costs. EPCOR supports using a more broad-based demand allocator for the bulk system, for example "average of excess" or "top 50 hours peaks" as discussed in the June 14, 2006 technical meeting. EPCOR prefers the use of NCP demand in general over the CP demand as an</p>

allocator for the bulk system.

The 80.9% appears to be an *average* frequency measure of the number of times the AIL peak peaks at the same time as the annual maximum loading of each bulk line (the 79-240 kV lines). This does not take into accounts of the weighting of each bulk line, or the relative closeness of peak (diversity or coincidence) of each bulk line at time of the AIL peak.

Furthermore, if the objective was to reflect the diversity of POD peaks on the bulk system EPCOR suggests using the PODs directly as opposed to the use of bulk lines to represent the PODs. The AESO's proposed use of PODs representation will likely result in a misalignment in cost causation.

Point of Delivery Costs

- 4 Recovering POD costs in accordance with the findings of the *Customer Contribution Study* (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 5 Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's *Customer Contribution Study*) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Bill and Customer Impacts

- 6 The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

EPCOR considers that any discussion of what defines "unreasonably high impacts" and any AESO mitigation proposals should be subject to stakeholder consultation.

- 7 Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

EPCOR supports the bill and customer impacts timeline increase to two years.	
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p> <p>Reasons for Stakeholder Position: EPCOR would like to suggest that billing and customer impacts should be measured in a manner consistent with how customers are charged.</p>
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).</p> <p>Reasons for Stakeholder Position: EPCOR supports the impact analysis to base on DTS PODs, as this would permit aggregate analysis to the DTS customer level as presented. The comparison on an individual POD basis provides a more detailed and adequate analysis.</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
10A	<p>Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.</p> <p>Reasons for Stakeholder Position:</p>
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
10B	<p>Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.</p> <p>Reasons for Stakeholder Position:</p>
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent

Backup or Standby Service

11	<p>The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.</p> <p>Reasons for Stakeholder Position: EPCOR would prefer that any further discussion with respect to the provision of back-up or stand-by rates be included in the existing DTS tariff to mitigate the issue of the reliability of the system and to avoid the issue of opportunity and interruptible back-up service.</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Demand Opportunity Service (DOS) Rates

12	<p>The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.</p>
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

		<input checked="" type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR might provide feedback during the AESO's 2007 GTA proceeding. At present, EPCOR is concerned that 50% is an arbitrarily selected value and should be reviewed and addressed during the proceedings.</p>		
13	It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR notes the similarity of the two rates. During the system stress, according to OPPs, the DOS rates have to be curtailed first and there is no difference between the two services.</p>		
14	The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR might provide feedback during the AESO's 2007 GTA proceeding.</p>		
15	Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR is in favour of relaxing the DOS Term to incorporate the need of all scheduled outages and maintenance services.</p>		

Export Services		
16	The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR does not see the need for this service at this time, but has no issues with the proposed rate.</p>		
17	The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: EPCOR might provide feedback during the AESO's 2007 GTA proceeding. At present, EPCOR is concerned that 50% is an arbitrarily selected value and should be reviewed and addressed during the proceedings.</p>		
18	The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose

Indifferent

Reasons for Stakeholder Position:

EPCOR does not see the need for this service at this time, but has no issues with the proposed rate.

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

EPCOR does not have any particular interest in this service at this time, but the proposed rate seems reasonable due to the exclusion of the intertie contribution costs.

Primary Service Credit

- 20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

EPCOR supports the alignment of the Primary Service Credit with the DTS POD charge and is pleased that the AESO has made changes consistent with our July 11, 2006 comments making eligibility for the PSC dependent on the voltage at delivery, regardless of whether they own a substation or not as the AESO has avoided the cost of transformation in both cases.

- 21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

EPCOR supports the alignment of the Primary Service Credit with the DTS POD charge and is pleased that the AESO has made changes consistent with our July 11, 2006 comments making eligibility for the PSC dependent on the voltage at delivery, regardless of whether they own a substation or not as the AESO has avoided the cost of transformation in both cases.

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: FIRM Customers
Date: October 13, 2006
Contact: Henry Unryn / Raj Retnanandan
Phone: (403) 294-1351 / (780) 439-4183
E-mail: unrynhen@telus.net / retnanandan@emrc.ca

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</p> <p style="text-align: right;"><input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p> <p>It is our understanding that the AESO will provide and examine additional detailed data on individual bulk line and POD load profiles. Also the AESO has commissioned NERA to examine the AESO proposals in relation to current methodologies in other jurisdictions with the report expected in mid-October and the report will be shared with stakeholders. FIRM considers a review of the additional data and the NERA report is necessary before providing any further comments.</p>	
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.</p> <p style="text-align: right;"><input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent</p>
<p>Reasons for Stakeholder Position:</p> <p>The recovery of demand-related costs on the basis of billing capacity with a ratchet does not recognize any diversity in the bulk system. FIRM earlier comments on the July 29th presentation elaborated on this position and suggested that cost recovery should be on an energy basis to comport with the data presented to date. FIRM notes that most stakeholder comments to date oppose the proposed use of billing capacity to recover bulk system costs.</p> <p>FIRM anticipates that the forthcoming detailed data on bulk line loadings by hour and the NERA report will provide additional information for consideration of cost recovery methodologies.</p>	

- 3 A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak ALL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

FIRM will await the additional data on various bulk line and POD load profiles to analyse the impact on diversity.

Point of Delivery Costs

- 4 Recovering POD costs in accordance with the findings of the *Customer Contribution Study* (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The Customer Contribution Study is based on a sample of 30 projects out of more than 450 AESO substations. FIRM is concerned that the sample size is too small to reasonably develop an overall rate design and the break-point at 17 MW. AESO should consider the proportionate cost method in relation to fixed charges for PODs less than minimum size as described in item 4 of the August 28, 2006 FIRM submission.

- 5 Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's *Customer Contribution Study*) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The identification of transmission line costs that are separate from other POD costs in the POD analysis remains a concern. It is unclear at this time whether the minimum-intercept analysis provides a reasonable proxy to address costs and cost recovery for small substations.

Bill and Customer Impacts

6 The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Mitigation of high impacts to DTS customers is a desirable objective but consideration should also be given to overall load/supply impacts where both services are provided at a common interconnection point.

7 Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The change in the 2006 AESO tariff where load customers are responsible for all of the transmission costs had a significant impact on the end-use customers of the distribution utilities. The 2007 tariff proposals should be measured against the 2005 tariff in order to assess the cumulative impact of tariff changes.

8 Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The DTS bill impacts should be measured separately in order to assess the direct impact of transmission proposals that are the subject of the application.

9 The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers). Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The comparison on an individual POD basis should be provided but also the impact on a combined DTS/STS customer with a common point of interconnection. The consequential impact of rate design on Disco customers should be a consideration

10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments. However, the preferred option is through design of appropriate rate structures for all customers.

10B Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Backup or Standby Service

11 The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

Demand Opportunity Service (DOS) Rates

12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

15 Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

Export Services

16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This issue has not been reviewed sufficiently at this time to provide comments.

Primary Service Credit

- 20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Directionally this alignment may be appropriate for a stand-alone DTS POD. However a dual-use DTS/STS POD may require further considerations.

- 21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Directionally it appears appropriate that a PSC with a reduced maximum investment level should apply at DTS PODs where there is no TFO owned transformation. However a dual-use DTS/STS POD may require further considerations.

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

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

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs

1	As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

2	Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: IPCAA agrees that recovery of bulk transmission costs should be based on demand (rather than energy).		

3	A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent
Reasons for Stakeholder Position: Given the AESO position that AIL peak is not relevant to cost causation, why is this “reduction” tied to AIL peak? Is this not the place to have feedback from the rate design – in the AESO’s view, what behaviour is beneficial from a cost causation perspective? Perhaps this should override the “if it’s not demand, its energy” thinking?		

Point of Delivery Costs

4	Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Results appear to logically follow from the cost data presented. The AESO could more clearly describe that the customer charge is the minimum resulting from their analysis.

5 Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's *Customer Contribution Study*) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

A bit more explanation as to how the project cost function was used to develop the values in the rates design would be useful.

Bill and Customer Impacts

6 The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

7 Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

8 Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

9 The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

As with the previous refiling, there may be relevant distinctions other than POD or customer (single vs. multiple users etc.) that may need to be considered.

10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.

- Support
- Oppose
- Indifferent

Reasons for Stakeholder Position:

Depends on level of increases, distinctions between users receiving increases etc.

10B Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Backup or Standby Service

11 The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

IPCAA supports the development of appropriately priced standby service. The conclusions presented in the AESO draft application (i.e. that the risks of offering a standby service are too high) appear to be based on a single view of the service to be offered. A dialogue with stakeholders may provide a basis for providing standby without realizing the risks contemplated by the AESO.

Demand Opportunity Service (DOS) Rates

12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

15 Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.

- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This would provide one of the services that users of "standby" have requested.

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Primary Service Credit

- 20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This is a necessary step in aligning costs, rates and investment levels.

- 21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

This is a necessary step in aligning costs, rates and investment levels.

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: City of Medicine Hat (CMH)
Date: October 10, 2006
Contact: Douglas Crichton
Phone: (403) 529 8365
E-mail: doucri@medicinehat.ca

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position: <i>The cost of bulk system building and maintenance does have an association with demand peaks. System planning design is to maximize transfer capabilities. New transmission investments are planned around what future peak loading will be. AESO argument that changing the tariff structure is justified (cost caused) only on loading of the installed system is fundamentally faulty. The AESO should take a broader view and recognize that the value of continuing the 2006 rate structure using demand at coincident peak as a billing determinant for the bulk system.</i></p>
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position: <i>As per the current tariff, demand-related costs should be recovered in part based on demand occurring at the coincident peak. The rate structure should address load factor utilization and efficiency in system use. Incentives for customers to change operations to reduce system use at system peaks will be lost if the rate structure just provides cost recovery on non-coincident peak usage. Reverting from cost recovery on coincident peak in favour of non-coincident peak may be detrimental to long term planning of the system. Customer tariffs costs do relate to how the system is used and planned.</i></p>
3	<p>A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position:</p>

Point of Delivery Costs

4	<p>Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Bill and Customer Impacts		
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
<p><i>The form of mitigation could be argued to be discriminatory as well as being administratively complex. CMH support for mitigation does not in any way provide concurrence with the rate structure changes being proposed. Instead it recognizes that if approved, the impact in tariff increases are unreasonably high and punitive due to the size of increase to the 'fixed' (per MW) vs. 'variable' metered tariff costs that will result. To quantify the impact of the proposed 2007 rate structure changes, 2006 CMH billings (actual usage and hourly pool prices) to end September 2006 were recalculated using the 2007 proposed Rates Schedule. The results are that the net cost of the demand (MW) determined tariffs increase 158% and the metered (MWh) determined tariff costs increase 2 % for a combined overall increase of 85%.</i></p>		
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
<p><i>The 2006 rate structure is fundamentally different than the 2005 rate structure, i.e. shift to collecting revenue requirement from load. 2006 Rates are approved, in place, and the correct benchmark for proposed rate changes. Due to the significant change in rates structure from 2005 to 2006, 2005 is not considered a relevant comparison base. A comparison of 2005 to 2007 would lack credibility due to the introduction of the 'policy' change to charge transmission costs to load. If AESO wishes to compare over multiple years, it is recommended that the 2006</i></p>		

rate structure remain in place for another year or two before such significant changes are proposed.

- 8 Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

From CMH perspective, the introduction of 'transmission plus energy' introduces 'energy market' considerations into the issues. AESO has a responsibility to support an openly competitive energy market and yet for CMH, the 2007 proposed rate structure appears to be counter productive to this objective. CMH utilizes its DTS contract essentially for opportunity purchases from the energy market. CMH has applied for DOS but this application was not approved by AESO due to the inadequacy of the transmission system in South East Alberta. Per this AESO decision, DOS is not an option for CMH. The lack of 'Back-up or Standby Service' also impedes CMH improving on its DTS load factor. The 2007 GTA proposals are negatives to enabling CMH to make better use of the energy market. Measuring customer impacts on 'transmission plus energy' bills need to be better understood before supporting. Does the inclusion of energy bills suggest inclusion of energy (commodity) sales to the market or just energy purchases from the market? Will AESO correlate the impact of the costs of gas fired generation, and co-generation against coal and wind generation? What will be the basis of this comparison? 2006 has been a very volatile year for gas prices. How do the proposed 2007 GTA proposals assist in ensuring an openly competitive energy market? The CMH view is that these proposals do not.

- 9 The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

CMH is one DTS customer with one POD.

- 10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

See response to 10B below.

- 10B Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

CMH does not support the rate structure changes being proposed in the 2007 GTA. Most specifically the elimination of the coincident peak as a bulk system billing determinant. Recommendation is to remain with the 2006 rate structure and levels. Capping the increase to PODs or customers exceeding a maximum increase threshold will increase administration and discrimination. The cost of added complexity and billing administration may be more than billing on coincident-peak, the current rate structure.

Backup or Standby Service

- 11 The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

No evidence has been provided that a back-up or standby rate will be a risk to operations and reliability. To the contrary, comments heard at stakeholder forums have been that such rates exist in other jurisdictions. A specific back-up or standby rate would help CMH improve on its DTS load factor.

Demand Opportunity Service (DOS) Rates

- 12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

DOS is not available to CMH due to the current state of the Transmission System in South East Alberta.

- 13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 15 Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed
- Support

wires costs (equivalent to DOS 7 Minutes) is appropriate.	<input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

18	The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Merchant Export Services		
19	The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Primary Service Credit		
20	The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
21	It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
 Manager, Regulatory
 E-mail: john.martin@aeso.ca
 Phone: (403) 539-2465
 Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: PPGA
 Date: October 10, 2006
 Contact: Ed de Palezieux, Colin Carlsen, Jamie Shand, Neall Banner
 Phone: 650-4544
 E-mail: ed.depalezieux@shaw.ca

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</p> <div style="text-align: right; padding-right: 20px;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position:</p> <p>System planners continue to use the time of system peak in their analysis of new transmission facilities. Since costs arise from the construction of new lines, an analysis based upon actual line loadings is not as relevant as system planning studies. The PPGA believes that the AESO's analysis does not ask the right question and therefore the PPGA is not supportive of moving away from a CP type of billing method.</p>
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.</p> <div style="text-align: right; padding-right: 20px;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position:</p> <p>Since the system is planned based upon an analysis of system peak, bulk system costs should continue to be collected based upon a CP type method.</p>
3	<p>A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.</p> <div style="text-align: right; padding-right: 20px;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position:</p>

Point of Delivery Costs	
4	<p>Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge,</p> <div style="text-align: right; padding-right: 20px;"> <input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose </div>

	<p>48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.</p> <p>Reasons for Stakeholder Position: The PPGA is supportive of using the minimum system approach as presented by the AESO. However, the PPGA uses a different method in creating the minimum intercept, resulting in a lower customer charge (15%) and a higher demand charge to the under and over 17 MW cost categories.</p> <p>Please refer to the PPGA paper on the AESO website.</p>	<input type="checkbox"/> Indifferent
--	--	--------------------------------------

5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p> <p>Reasons for Stakeholder Position: The current AESO approach creates a minimum intercept of \$2.1 Million. The AESO justifies this minimum intercept approach based upon a review of small sites conducted in the 2005 hearing. However, when the PPGA reviewed this small site data, it appears that none of these sites are Greenfield (therefore not matching the rest of the POD data) and that the r-squared of this data is less than one percent. However, if a minimum intercept approach was used on this small site data, a \$1 Million intercept is presented. This \$1 Million intercept is very close to the PPGA intercept of \$0.9 Million. The PPGA therefore believes that the PPGA analysis should form the basis of the customer POD charge.</p> <p>The PPGA is supportive of efforts by the AESO and by others to review other data that may yield more reliable results. The PPGA has made requests of the AESO for the POD specific data included in the original cost/causation report. To date the AESO has not been able to provide this data due to confidentiality concerns. The PPGA requests that the AESO review its confidentiality concerns with the TFO's.</p>	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
---	--	--

Bill and Customer Impacts		
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p> <p>Reasons for Stakeholder Position:</p>	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

rate 65 customers in the Fortis service territory). The PPGA is supportive of using the individual PODs for bill impact analysis since these distribution served transmission PODs would not be properly highlighted in an aggregate analysis.

Generally, the PPGA believes that the notification process to distribution connected customers is flawed. In the 2005 tariff process, many of these customers did not receive proper notification of the EUB rate process, from the AESO, EUB or their distribution utility. The PPGA is supportive of efforts of the implementing agencies to create clear accountability for notifying these distribution billed transmission customers of transmission regulatory proceedings and tariff changes.

10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The PPGA believes that the group that is impacted to the largest extent, from tariff changes, are the small transmission interconnected customers. This POD charge change created a heavy burden to this customer group. As stated previously, the PPGA is supportive of cost causation principles, but in this instance, the evidence presented by the AESO bases a large rate increase on poor data with a very low correlation.

The PPGA has presented an alternative analysis and resulting rates to the AESO. The PPGA believes that this analysis is a better fit for the available data, and results in generally more appropriate rates to the smaller transmission connected customers.

The PPGA believes that the best approach to alleviating rate shock to the smaller transmission connected customer group is to use the PPGA analysis.

10B Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Should the AESO decide to file based upon their existing POD analysis, the PPGA is supportive of offering smaller transmission connected customers relief. The PPGA believes that the method developed by the EUB in the 2006 rate process to be an appropriate measure, creating a GTS type rate for customers below 7.5 MW. The AESO's Greenfield analysis does not include any customers below 7.5 MW, creating a clear breakpoint for rate mitigation.

Backup or Standby Service

11 The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.

Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The PPGA believes that the generation community is concerned about the lack of a standby rate. The generators have stated that the lack of a backup rate is a deterrent to the construction of new generation in Alberta. The PPGA believes that the AESO should be supportive of efforts to construct new generation in the Province. However, the PPGA has not seen any analysis of the 2006 tariff rate impact to co-generation facilities. The PPGA is also not aware of any type of rate analysis that the AESO has conducted that clearly displays the impact to all DTS customers of a backup rate. Can the AESO please address the need for this missing data?

Demand Opportunity Service (DOS) Rates

- 12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The PPGA is supportive of the AESO's termination of this service.

- 14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 15 Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The existing restrictions on DOS service limit its use. The PPGA is supportive of changes to the DOS qualifying criteria to enable more customers to use this rate.

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Primary Service Credit

- 20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

The PPGA believes it is very appropriate to base the Primary Service Credit level on the POD charge analysis. The PSC is designed to compensate customers that pay for their own transformation equipment. The POD charge is designed to have customers pay for the system investment in the cost of their interconnections (including substations). Therefore, it is appropriate to base the PSC on the POD charge analysis.

- 21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: TransAlta Corporation
 Date: October 10, 2006
 Contact: Bob Smith
 Phone: (403) 267-7119
 E-mail: bob_smith@transAlta.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position: There also does not appear to be much justification for changing to some other cost recovery method such as billing capacity. This would suggest more work needs to be done and perhaps reviewing other jurisdictions and/or having an expert consultant review the studies done in Alberta to see if something is being missed.</p>
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position: See comments on point one. There is no real rational for supporting or opposing the position put forward by the AESO.</p>
3	<p>A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div> <p>Reasons for Stakeholder Position: Not clear on why diversity of Pod peaks would result in any reduction if demand related costs are being recovered on billing capacity because there is no correlation between bulk line loading and system load.</p>

Point of Delivery Costs	
4	<p>Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW)</p> <div style="float: right; text-align: right;"> <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent </div>

is appropriate.	
Reasons for Stakeholder Position:	
5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p> <p>Reasons for Stakeholder Position:</p>
	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Bill and Customer Impacts	
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p> <p>Reasons for Stakeholder Position: Yes but see Point 7 below</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p> <p>Reasons for Stakeholder Position: Important to consider both years as some customers faced significant increases in 2006.</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p> <p>Reasons for Stakeholder Position: The AESO should not be trying to undo what is set out in the Act and Regulations by using impacts on transmission costs as a rationale for high DTS impacts.</p>
	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers).</p> <p>Reasons for Stakeholder Position:</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
10A	<p>Impacts should be mitigated through changes to rate structure and levels applicable at all PODs.</p>
	<input checked="" type="checkbox"/> Support <input type="checkbox"/> Oppose

		<input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
10B	Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Backup or Standby Service		
11	The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position: The AESO should continue to investigate offering a backup or standby rate. The AESO should be looking for opportunities to expand services to customers not internally looking to their operations and reliability group for reasons not to supply a service.		

Demand Opportunity Service (DOS) Rates		
12	The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
13	It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
14	The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		
15	Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:		

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Primary Service Credit

- 20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

- 21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced maximum investment level. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position:

Additional Comments: We are concerned that changes are being made every year that significantly impact the tariffs without any real evidence to support those changes. Without the necessary supporting evidence in a cost study we believe that stability of rates becomes an important criteria to be considered. More work on the cost study, including perhaps an additional independent review, is warranted.

Note that additional comments are being provided by Kevin Van Koughnett of Vision Quest Wind.

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: TransCanada Energy
 Date: October 17, 2006, 2006
 Contact: Cheryl Terry/Dan Levson
 Phone: 920-2092/920-2095
 E-mail: Cheryl_Terry@TransCanada.com / Dan_Levson@TransCanada.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs		
1	As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: TransCanada's position has been well articulated in previous correspondence dated July 28, 2006. In that correspondence, TransCanada expressed concerns that (1) the AESO had not provided sufficient evidence to depart from industry practice on the use of the 12 CP or similar method; (2) moving to NCP for bulk system costs results in counter-intuitive impacts to customers, removes incentive for beneficial behaviour such as load shifting and peak suppression and deters the development of a standby tariff to facilitate new cogeneration facilities; (3) the AESO did not follow a standard approach to cost of service studies and placed substantial weight on a transmission usage study which is a weak proxy to cost causation instead of examining the planning decisions that were the cost drivers for the existing transmission system; and (4) the AESO largely ignored key problems with the underlying assumptions used in the transmission usage study, such as including transmission flows related to non-firm exports and assuming cost causation for new transmission lines is driven by transmission flows when all elements are in service (i.e. N-0 conditions), given that transmission systems are not just planned for all elements in service but also for WECC Category B, C and D events. TransCanada also urges the AESO to conduct a review of Board decisions on cost of service principles, including cost causation.</p>		
2	Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: See 1 above.</p>		
3	A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system.	<input type="checkbox"/> Support <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
<p>Reasons for Stakeholder Position: See 1 above.</p>		

Point of Delivery Costs

- 4 Recovering POD costs in accordance with the findings of the *Customer Contribution Study* (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: While TransCanada believes the AESO position is now in the range of reasonableness, further movement towards the proposal of the PPGA should be considered. TransCanada's views on the PPGA proposal are more fully described in item 5 below.

- 5 Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's *Customer Contribution Study*) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: While TransCanada believes the AESO analysis is now in the range of reasonableness, further movement towards the proposal of the PPGA should be considered. The minimum-intercept method has application in distribution systems where there are large numbers of reasonably similar PODs. In the case of substations used as PODs on the transmission system, the minimum intercept method applied to all PODs does not work well. The reason is that the design level for reliability, redundancy, communications, footprint and other cost related factors are materially different for substations of different sizes, complexity and downstream impact. For example, a 10 MW gas compression load could be satisfactorily served with a single tap from a 138 kV or 69 kV transmission line requiring a motorized airbreak, a breaker and transformer, possibly with no telecommunications link and a small footprint with land donated by the industrial customer. A 25 MW load serving a municipality or gas plant may be typically served by taking the transmission line in and out of the substation and will require two breakers, 4 airbreaks, two transformers with motorized high-side airbreaks, a telecommunications link and a relatively large footprint. For a substation located in an urban area of a municipality, the land costs are likely relatively high. The cost of these two PODs is not just impacted by the size of the load, but also by practical downstream implications of outages. While TransCanada is not convinced use of the minimum intercept method is appropriate, if it is to be used, more than one intercept point should be considered. This can be achieved by breaking the analysis into larger complex substations (say 15 MW and larger) and smaller and simpler substations (say less than 15 MW). TransCanada would expect the intercept point on the first group would be considerably higher than the intercept point on the second group. For this analysis to be statistically relevant, the AESO would need to examine costs of most or all existing substations, not just recently constructed substations. Another consideration in this analysis is whether the AESO has adjusted the cost function derived from an analysis of current substations (applicable to the design of an investment

policy) by an adjustment to recognize the embedded cost nature of the tariff structure.

Bill and Customer Impacts

- 6 The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: Giving some weight to high rate impacts, sometimes referred to as “rate shock”, is an appropriate consideration in designing rates (rate stability criteria). The amount of weight to be placed on this factor depends on a number of considerations including the accuracy of the cost of service study. Greater weight can be placed on this consideration if there is no credible evidence that the fixed and variable costs underpinning the cost of service study have materially varied in the time period being examined. For electric utilities, this is frequently the case, however, changes to legislation and regulations can abruptly and materially alter the cost of service for a particular rate class. A recent example is the Alberta regulation requiring demand customers pay for all wires-related costs. In this case, TransCanada does not believe the underlying cost structure has materially changed from 2005 to 2006 and does not have confidence that the cost of service study is properly reflecting the actual costs to serve customers. As result, in these particular circumstances, more weight could be placed on mitigating the degree of the rate increases. However, the preferable alternative would be to improve the cost of service study.

- 7 Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada is not opposed in theory to examining rate changes that compare 2005 to 2007. However, the regulations changed the industry cost structure on January 1, 2006. Those changes impact pool prices since STS rates no longer pay wires-related costs. A rate comparison between 2005 and 2007, to be fair, would require analysis of pool price effects on different customers in the structural transition between 2005 and 2006, with an attempt to identify the effect of the structural change on pool prices. The AESO is not likely in a position to conduct this kind of complex analysis. Consequently, limited weight can be placed on rate comparisons between 2005 and 2007.

- 8 Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.
- Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: Inclusion of commodity charges is largely irrelevant to examining the appropriateness of rate increases for use of the transmission system. Commodity charges will vary substantially between customers and the AESO assumption that pool prices don't change in the AESO comparisons will be inappropriate for some customers. While some customers may have hedged their energy purchases at a competitive rate, others may have more recently committed to more costly hedges or may be exposed to a flow through of pool prices and could experience large cost increases if pool prices rise significantly. Combining transmission charges with commodity charges looks like an effort to reduce the size

of a prospective increase to one that appears smaller. There is minimal value to be gained by this approach and there could even be confusion to customers whose pool price is not constant from year to year. See also TransCanada's comments in item 7 above.

9 The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in aggregate (35 DTS customers). Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: AESO comparisons of rate increases should be conducted in a manner so that the result is indifferent as to whether the downstream customers are served by a Disco or are directly-served industrial loads that have an EU Act Section 101 exemption. The appropriate comparisons are achieved when the AESO examines impacts on individual points of delivery, not points of delivery aggregated into customers such as Discos.

10A Impacts should be mitigated through changes to rate structure and levels applicable at all PODs. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: See response to 10B.

10B Impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: Short term measures designed to mitigate rate shock are typically shared across all users. Assuming the AESO is convinced that the new costs driving the need for the rate changes are supportable in the long term, the AESO should be capping the increase to those PODs or customers exceeding a maximum increase threshold. However, the revenue not received from these customers from the cap to the level they would normally have been charged must be recovered from someone. TransCanada recommends it be borne by all customers through a rate level increase.

Backup or Standby Service

11 The AESO's proposal to not include a specific backup or standby rate is an appropriate response to balance costs with risks of operations and reliability issues. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada is strongly opposed to not including a standby rate in the tariffs. TransCanada believes this is one area where the flaws in the cost of service study are directly and significantly impacting the design of the standby tariff and consequently generation opportunities in the province. TransCanada also believes that a standby tariff design could include conditions that could address any legitimate concerns raised from an operations perspective. TransCanada believes that reliability issues associated with providing standby service can be mitigated in practice. The general direction of the AESO to impose more NCP costs on customers and not provide a standby rate for very low load factor customers is viewed as unnecessarily and inappropriately raising barriers to entry for new generation in Alberta. This has public interest policy implications that must be considered in

rate design. Please refer to comments under item 1 above.

Demand Opportunity Service (DOS) Rates

- 12 The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: The new proposed rate level is a 94% increase from the current rate and is an unreasonably high increase on a tariff that is at least partly a judgment call (i.e. the portion that includes a contribution to fixed costs). TransCanada recommends a much smaller increase.

- 13 It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada is convinced that customers on a DOS 1 Hour rate have potential to assist the AESO during periods of shortages. Customers who can get off the system in one hour rather than 7 minutes can still provide value to the system, particularly for energy supply shortfalls. TransCanada was not convinced of the AESO's recent assessment that DOS 1 Hour customers must respond in 7 minutes for them to be useful. There are many situations that eventually end up in an emergency situation that may or may not require firm load shedding that can develop over several hours. While energy supply shortfalls are a key example, there are situations where low voltage levels or thermal loading can develop over periods much longer than 7 minutes. The more tools at the AESO's disposal to reduce load or to increase generation, the more likely the AESO can avoid shedding firm load. If any changes are to be pursued, the AESO should be looking at implementing additional products that can give AESO operators more flexibility in maintaining system reliability and security.

- 14 The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada supports the general approach taken to calculate the DOS Term rate. However, the assumption of 1 month of maintenance per year is likely too high. A more typical planned maintenance level is 3 weeks per year for coal plants and cogeneration plants combined. Coal plants might have 2 to 4 week annual turnarounds and 4 to 6 week major turnarounds every 4 or 6 years. Cogeneration plants might have 2 to 3 week turnarounds per year with this timeframe being shortened if the turbines are swapped out under a lease or sparing arrangement.

- 15 Relaxing the DOS Term qualifying criteria to make it available for all scheduled maintenance service is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: While this option does not adequately address the need for

a properly designed standby rate, it may provide some assistance in some circumstances.

Export Services

- 16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada generally supports the proposed tariff that places this firm export service on the same level as DTS, adjusted to recognize that a POD is not required when serving export loads. The AESO should consider waving the ETS interconnection charges when ATC is not available since the service is effectively not available.

- 17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada notes the same excessive increase in this rate as occurred for DOS 7 Minutes, i.e. a 94% increase from the previous rate. This substantial and unwarranted increase sends a very negative signal to generation developers. The ability to export power from Alberta requires adequate ATC and tariffs that fairly reflect the level of service being provided (i.e. firm versus opportunity). Good access to and from other markets through exports and imports is essential to bring Alberta markets more in line with larger markets neighbouring Alberta. Without such general alignment, a generation developer sees Alberta as isolated from the rest of North America, subject to more volatile pool prices and having greater likelihood of stranded capacity. The AESO has not provided sufficient cost based rationale for the excessive rate increase in XOS – 1 hour. Also, setting a relatively high tariff will terminate some export transactions by rendering them uneconomic. When this occurs, the AESO and AESO customers lose revenues that can be used to offset other costs. TransCanada recommends a much smaller increase.

- 18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: The new proposed rate level is a 101% increase from the current rate and is an unreasonably high increase on the tariff. Assignment of a portion of the costs for this service is based on the exercise of judgment (i.e. the portion that includes a contribution to fixed costs). The principle of rate stability should be given considerable weight in this tariff change. See comments under item 17 above.

Merchant Export Services

- 19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada has provided substantial feedback in support of TransCanada's opposition to this proposal, particularly if it is the only option available to merchant transmission developers. The AESO's proposal may work for a small interconnection between Alberta and other jurisdictions where the intertie is drawing supply or providing capacity on a fairly distributed basis across the AIES. Consequently, TransCanada is not opposed to the AESO providing a tariff for this class of merchant transmission line. However, in cases where the merchant intertie is only using a very limited and identifiable part of the AIES, the proposed tariff is excessive and could cause unnecessary duplication of facilities or seriously erode what would otherwise be an economic project. TransCanada understands that Section 15(6) of the Transmission Regulation was intended to address this very situation. Section 15(6) clearly deals with interconnections, including merchant interconnections, and directs the AESO to develop an ISO Tariff, rates and terms and conditions that include costs for use of the interconnected electric system that are "appropriate for the class of service provided to persons who use the facilities referred to in this section for import or export of electricity to or from Alberta." TransCanada does not believe that the proposed tariff appropriately reflects the relatively low costs that would be incurred for a small portion of the transmission system that may be required to serve a merchant transmission line. The AESO could remedy this matter by either developing a point-to-point tariff or providing in the tariff for a case-by-case negotiated rate to deal with the latter circumstance.

Primary Service Credit

20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate. Support
 Oppose
 Indifferent

Reasons for Stakeholder Position: TransCanada is concerned that the proposed tariff of \$166/MW/month and \$7,522 per month, which translates into \$140K per year substantially understates the investment that some industrial customers have made in providing their own transformation to lower voltage levels. This is a particularly inappropriate rate in cases where the customer has supplied the entire substation.

Additional Comments

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524

**AESO 2007 Rates Consultation
September 21, 2006 Presentation — Stakeholder Comment Form**

Comments From: Vision Quest Wind
 Date: October 10, 2006
 Contact: Kevin Van Koughnett
 Phone: 403-267-2063
 E-mail: kvankoughnett@visionquestwind.com

On September 21, 2006, the AESO presented a current draft of rate proposals to be included in its 2007 tariff application. The presentation focussed on matters which had changed significantly since the previous presentation on June 29, 2006. The AESO invites stakeholders to provide comments on the proposals presented on September 21, using the following comment form.

Bulk System Demand-Related Costs	
1	<p>As bulk line loading shows little correlation with system load in either hourly or monthly patterns or on individual system peak days, basing bulk system demand-related cost recovery on system peak coincidence cannot be justified. <input type="checkbox"/> Oppose</p> <p>Reasons for Stakeholder Position: Did the AESO attempt other approaches to the statistical analysis including for example three hour running averages to eliminate some of the noise in the correlation. It seems to us there should be a correlation and that perhaps the AESO has to try additional approaches and engage expert advice to conduct such analysis. We will be interested in seeing the NERA analysis.</p>
2	<p>Bulk system demand-related costs should be recovered based on billing capacity because load in every hour and every month is important and average bulk system loading is currently very flat. <input type="checkbox"/> Oppose</p> <p>Reasons for Stakeholder Position: Billing Capacity is based on the maximum demand of a particular customer and this maximum demand may or may not occur at the time of bulk system maximum demand. As a wind generator and a dual-use customer our station service needs are more likely to occur overnight during the coldest weather whereas one would expect bulk system demand to occur near to system peak demand.</p>
3	<p>A reduction to 80.9% of the demand-related cost classification (based on average percentage of peak AIL at time of annual maximum loading on each bulk line) appropriately reflects diversity of POD peaks on the bulk system. <input type="checkbox"/> Oppose</p> <p>Reasons for Stakeholder Position: It is not clear to us how this is applied in the proposed rate structure. Can this be shown with and without the reduction? If you are adjusting for diversity of POD peaks then why not use the existing coincident peak method which is POD by POD rather than in aggregate.</p>

Point of Delivery Costs

4	<p>Recovering POD costs in accordance with the findings of the <i>Customer Contribution Study</i> (30.2% as a customer charge, 48.0% as a demand charge for the first 17 MW of demand, and 21.7% as a demand charge for remaining demand over 17 MW) is appropriate.</p> <p>Reasons for Stakeholder Position: Such a shift favours large customers at the expense of smaller customers. We are a dual use customer and our analysis shows that we would face an increase of over 55% in our DTS costs in 2007 over 2006. The method without the 17 MW split showed over a 40% increase over the 2006 method. The change over 2005 effectively doubles our DTS costs. This excludes commodity costs.</p>	<input type="checkbox"/> Oppose
5	<p>Basing the POD customer charge on the minimum-intercept analysis of the project cost function (in the AESO's <i>Customer Contribution Study</i>) is appropriate. (Stakeholders may wish to review an alternative approach presented by PPGA on September 21 and available in PPGA comments on the AESO website at www.aeso.ca ► Tariff ► Current Consultations ► AESO 2007 Rates ► AESO 2007 Rates Consultation ► 2006-09-20 AESO 2007 Tariff Consultation - Additional Stakeholder Comments.)</p> <p>Reasons for Stakeholder Position:</p>	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

Bill and Customer Impacts		
6	<p>The AESO should include proposals to mitigate unreasonably high impacts arising from 2007 rates.</p> <p>Reasons for Stakeholder Position: We agree – any double digit increase is a high increase.</p>	<input type="checkbox"/> Support
7	<p>Impacts should be measured based on rate changes from 2005 to 2007 rather than those from 2006 to 2007.</p> <p>Reasons for Stakeholder Position: Over the two year period because the rate structure has not yet been stabilized.</p>	<input type="checkbox"/> Support
8	<p>Impacts should be measured based on both DTS and commodity (that is, transmission plus energy) bills rather than solely on DTS bills.</p> <p>Reasons for Stakeholder Position: The market determines the commodity price. The transmission regulatory process determines the transmission costs. Predicting 2007 commodity price would require speculation and this should not be part of ratemaking.</p>	<input type="checkbox"/> Oppose
9	<p>The basis for comparison should be the Impact on an individual point of delivery (484 DTS PODs) rather than on a customer in</p>	<input type="checkbox"/> Support

aggregate (35 DTS customers).	
Reasons for Stakeholder Position: Should be individual point of delivery.	
10A	Impacts should be mitigated through changes to rate structure and levels applicable at all PODs. <input type="checkbox"/> Support
Reasons for Stakeholder Position: Each POD is different.	
10B	Alternatively, impacts should be mitigated by leaving rate structures and levels unchanged and capping the increase to those PODs or customers exceeding a maximum increase threshold. <input type="checkbox"/> Oppose
Reasons for Stakeholder Position: Cost recovery must occur and so the rate structure and rates must change.	

Backup or Standby Service	
11	The AESO's proposal to not include a specific backup or standby rate at this time is an appropriate response to balance costs with risks of operations and reliability issues. <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

Demand Opportunity Service (DOS) Rates	
12	The AESO's proposal to base the DOS 7 Minutes rate on variable costs plus 50% of fixed wires costs is appropriate. <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
13	It is appropriate to terminate the DOS 1 Hour rate based on lack of distinction (from the DOS 7 Minutes rate) in curtailment provisions and qualifying criteria. <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
14	The AESO's proposal to base the DOS Term rate on variable costs plus a fixed cost equivalent to system ratchet costs at 10% load factor is appropriate. <input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
15	Relaxing the DOS Term qualifying criteria to make it available for <input type="checkbox"/> Support

all scheduled maintenance service is appropriate.	<input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

Export Services	
16 The AESO's proposal to base non-recallable ("firm") Export Transmission Service on all components of the DTS rate (excluding the POD charge) converted to \$/MWh is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
17 The AESO's proposal to base the 1-hour Export Opportunity Service (XOS 1 Hour) rate on variable costs plus 50% of fixed wires costs (equivalent to DOS 7 Minutes) is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	
18 The AESO's proposal to base the 1-month Export Opportunity Service (XOS 1 Month) rate on XOS 1 Hour plus an additional contribution to fixed wires costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

Merchant Export Services	
19 The AESO's proposal for merchant export rates (MTS, MOS 1 Hour, and MOS Term) based on non-merchant export rates (XTS, XOS 1 Hour, and XOS 1 Month) less existing inter-tie costs is appropriate.	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent
Reasons for Stakeholder Position:	

Primary Service Credit	
20 The AESO's proposal to align the structure of the Primary Service Credit with the DTS POD charge is appropriate.	<input type="checkbox"/> Support
Reasons for Stakeholder Position: The approach asserts a cost structure to PODS as if TFO supplied and it makes sense where the POD is customer supplied that the structure flow through for consistency.	
21 It is appropriate that the Primary Service Credit apply at interconnections that do not include TFO-owned transformation (accommodating both customer-owned transformation and "unconventional" interconnections) in conjunction with a reduced	<input type="checkbox"/> Support <input type="checkbox"/> Oppose <input type="checkbox"/> Indifferent

maximum investment level.

Reasons for Stakeholder Position: What does “at a reduced maximum investment level” mean and as compared to what? Is not the intent of the PSC to compensate for customer-owned substations as compared to TFO-owned substations? Does this imply you would use a different cost structure for customer-owned substations as compared to TFO-owned substations? Does this imply that the cost structure of TFO-owned substations is higher? Perhaps it’s the wording of the question but we’re unsure of exactly what you’re after.

Additional Comments

We wonder if Billing Capacity as defined is appropriate. Using 90% essentially removes all seasonality and assumes coincidence of metered demand and system peak. We wonder why it is just not the highest metered demand in the billing period as the charge in that billing period. If demand is as stable as indicated then why is a ratchet needed at all?

Please return this form with your comments by October 10, 2006, to:

John Martin
Manager, Regulatory
E-mail: john.martin@aeso.ca
Phone: (403) 539-2465
Fax: (403) 539-2524