

3 STAKEHOLDER CONSULTATION (PHASE II)

5 The AESO conducted extensive stakeholder consultation as part of the development of the 2007 Tariff proposals (i.e. “Phase II”, comprising Rates and Terms and Conditions of Service) put forward in this Application. This was separate from and in addition to the ABRP developed to incorporate stakeholder input in respect of the revenue requirement (or “Phase I”) as discussed in Section 2.

10 Stakeholder consultation on Phase II matters was primarily conducted through the following streams from June 2005 through October 2006.

- 15 • Consultation on the AESO’s 2005-2006 GTA Refiling from September through November 2005 allowed stakeholders to provide comments and concerns with respect to certain aspects of the 2006 tariff, included comments to the EUB as part of the formal refiling proceeding.
- 20 • Consultation on the development of the AESO’s 2007 tariff, including the 2007 rates and 2007 terms and conditions of service, began in August 2005 and continued until October 2006, and sought input from stakeholders and provided information from the AESO on various aspects of the 2007 tariff. This consultation included the *2006 Transmission Cost Causation Update* and the *2006 Customer Contribution Study*. This stream of consultation was by far the most extensive in terms of scope and time.
- 25 • Consultation on export, import, and merchant interconnection tariffs from June through September 2005 sought input from stakeholders on specific aspects of those matters to be included in the 2007 tariff, and also drew comments from the ATC (Available Transfer Capacity) Working Group which was separately addressing options of increasing ATC on the Alberta-British Columbia inter-tie.

30 Like the ABRP, the intent of the Phase II consultation was to further the objective of involving stakeholders in the development of the proposals, thereby ideally minimizing the extent of review required by the EUB and/or through the EUB process once the proposals are filed. Transparency and inclusiveness were two of the primary principles behind the Phase II consultation as well. In support of the transparency objective, comments were
35 provided in writing by all parties, and consistently shared by way of distribution to the participants in addition to posting to the AESO’s website. No stakeholders were precluded from participating in the process at any point in time.

40 The consultation process in respect of Phase II matters was not designed to necessarily result in consensus among interested parties, and unlike the ABRP the proposals would not be taken to the AESO Board for a decision. It was meant to provide an opportunity for the AESO and stakeholders to jointly assess reasonable tariff solutions in consideration of the varying stakeholder positions.

45 It is the AESO’s view that the AESO and stakeholders alike participated in the consultation in an effort to allow for an increased degree of understanding among parties, with regard to matters such as the appropriate underlying principles, data, and analysis to be utilized for

the various tariff proposals in this Application. In the AESO's opinion, this was accomplished.

5 At the same time, the AESO understands that each stakeholder is not necessarily in agreement with each aspect of this Application. This does not mean the consultation was fruitless; as noted above, it was not intended to arrive at a consensus. Nevertheless, the AESO believes sufficient progress was made in the consultation such that there should not be the need to reopen every aspect of the proposals herein, and that there is a reasonable possibility stakeholders may agree, at a minimum, that some items in this Application do not
10 require further review or at least not as protracted a review as would otherwise be required.

As noted in Section 1, the AESO requests the EUB permit the AESO to continue discussions with stakeholders to narrow the focus of the next stages of the review and approval process.

15 The consultation to date took the form mostly of meetings and workshops with presentations to larger industry groups, meetings with smaller groups and individual stakeholders, discussion papers, and formal comment processes. This was supplemented with some less formal discussions as well. In general, meeting and workshop presentations, discussion
20 papers, study reports, requests for comments, reply comments by stakeholders, and AESO responses to stakeholder comments were distributed to parties involved in the consultation processes as well as made publicly available by posting on the AESO's website.

The documentation for the consultation processes described above can be found on the AESO's website at www.aeso.ca by following the paths:

- Tariff ► Previous Applications ► 2005-2006 Tariff Refiling
- Tariff ► Current Consultations ► 2007 Rates
- Tariff ► Current Consultations ► 2007 Terms and Conditions
- Tariff ► Current Consultations ► Export, Import, and Merchant Tariffs

30 At the June 29, 2006 stakeholder meeting in respect of the 2007 Rates and Terms and Conditions, the AESO presented a preview of the then-current draft of its 2007 proposed rates and terms and conditions of service. Subsequent stakeholder feedback was incorporated resulting in further revisions to the Tariff proposal. The AESO shared these
35 updates about one week prior to its planned filing date of July 28, 2006. In response to feedback from stakeholders indicating some of those revisions required more opportunity for review, the filing was delayed and further stakeholder consultation was held from July to October 2006. Based on that further consultation, the 2007 proposed Rates and Terms and Conditions were revised again, and the nature of the revisions was communicated October
40 26, 2006, and these now form the basis of this Application.

Over 50 stakeholders, organizations, or associations were formally involved in various parts of these consultation processes. Those parties who attended formal meetings or workshops or who provided written comments include:

- ADC (Alberta Direct Connect Consumers Association; Brubaker & Associates, Inc.)
- AltaGas Income Trust
- AltaLink Management Ltd.

- ATCO Electric
- ATCO Power
- Balancing Pool
- Baymag Inc.
- 5 • BC Hydro (Lawson Lundell)
- BCTC (British Columbia Transmission Corporation)
- BP Canada Energy
- Candela Energy Corporation
- Canexus Income Fund (previously a division of Nexen Inc.)
- 10 • Cities of Red Deer and Lethbridge (Chymko Consulting)
- City of Calgary
- City of Medicine Hat
- CNRL (Canadian Natural Resources Limited; Chesterman Consulting)
- Direct Energy
- 15 • DOW Chemicals
- Dual-Use Coalition (Desiderata Energy)
- EnCana Corporation (CRD Energy Services)
- Enmax
- EPCOR
- 20 • EUB (Alberta Energy and Utilities Board)
- FIRM Group (AAMDC, AFREA, AIPA, CCA, AUMA, and PICA; Unryn & Associates Ltd.)
- First Nations (Graves Engineering)
- FortisAlberta
- Husky Energy
- 25 • IAG (Implementation & Advisory Group Ltd.)
- Inter Pipeline Fund
- IPCAA (Industrial Power Consumers Association of Alberta; Drazen Consulting Group)
- IPPSA (Independent Power Producers Society of Alberta)
- Kinder Morgan Canada (formerly Terasen Pipelines)
- 30 • Luscar Ltd.
- MATL (Montana Alberta Tie Ltd.)
- NEB (National Energy Board)
- Nexen Inc.
- NOVA Chemicals
- 35 • Petro-Canada (Desiderata Energy)
- PICA (Public Institutional Consumers of Alberta)
- PKS Ventures Inc.
- PowerEx
- PPGA (Pipeline Power Group and Associates; Current Solutions Inc.; Depal Consulting
- 40 Ltd.)
- Rangeland Pipelines
- SaskPower
- Shell Canada
- Talisman Energy
- 45 • TransAlta



- TransCanada Energy (Sibbald Consulting)
- UCA (Utilities Consumer Advocate)
- Utility Network Partners
- Valeo Power
- 5 • Vision Quest Wind Electric

10 The AESO has not repeated in this Application all comments and exchanges that took place throughout the consultation, but refers to them where they are germane to the particular discussion.

15 The AESO considers the consultation conducted for its 2007 Tariff Application to have been thorough, transparent, and effective. Stakeholder participation helped the AESO assess the priority of different issues, ensure alternatives were adequately explored, and develop sound underlying rationale for various aspects of the tariff, all of which, in the AESO's view, ultimately resulted in appropriate and sustainable proposals in this Application.