

'Terms of Reference' for AESO Budget Review Process (ABRP)

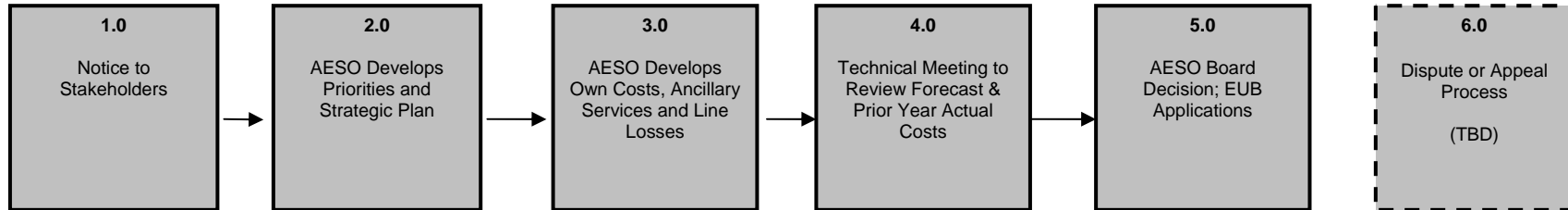
June 20, 2006

Transparency is the overarching principle in the ABRP. The following will ensure transparency to stakeholders during this process.

- The process should be open to all stakeholders that are interested.
- The size of the group should not be limited.
- Comments will be collected in written form, and be shared with all stakeholders (i.e. posted to AESO Website). As well stakeholders will have the opportunity to comment on each others comments.
- The decision rendered by the AESO Board on these matters, will contain reasons / rationale.
- Throughout the process, the AESO will endeavour to provide as much information as reasonably possible to ensure stakeholders have all information relevant to the subject matters under review. However, the AESO and stakeholders will need to agree on the level of detail to discuss (including confidential information), on an issue by issue basis, in an effort to be most effective and efficient.
- At the end of each AESO budget process review cycle, the AESO and stakeholders will evaluate the effectiveness of the process and make appropriate changes if required for the following year.

In Addition:

- Everyone is able to present their views
- Everyone must work within the timeline agreed upon at the start of the process
- This process is not a negotiated settlement
- The material to be delivered to the AESO Board in order to prepare a decision does not have to be agreed upon unanimously
- Information will be provided to all stakeholders in a timely manner
- Stakeholders will have a reasonable time period to review and respond to AESO material
- Nothing will preclude the opportunity the opportunity for stakeholders to ultimately appeal to the EUB. However, the AESO understands it may be required that the AESO have a dispute or appeal process that is exhausted first, prior to stakeholders filing an appeal to the EUB.



- Notice sent to all stakeholders that the process to develop forecast costs and review actual costs will commence;
- Including schedule with all milestone dates

- AESO to solicit stakeholder input on priorities through stakeholders including AESO advisory committees, stakeholder meetings & internal management discussions;
- Review progress on existing strategic plan and priorities with stakeholders
- Stakeholders receive AESO strategic plan and draft priorities prior to review meeting

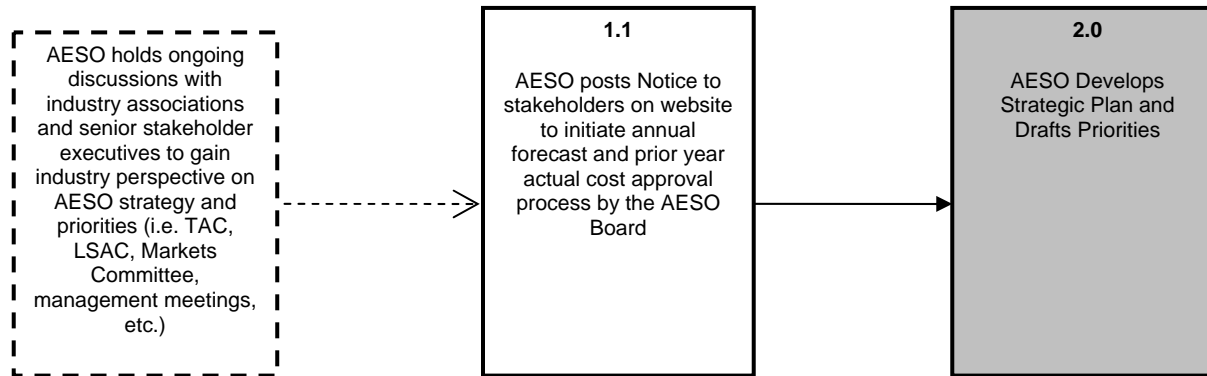
- AESO prepares Own Costs forecast based on priorities and strategic plan set out in step 2.0
- AESO prepares forecast Ancillary Services and Line Losses;
- AESO prepares prior year actual costs compared to approved costs (EUB – Own Costs, AESO Board – Ancillary Services & Losses) with variance explanations;
- AESO provides documents to stakeholders in advance of holding a technical review meeting

- AESO holds technical session(s) with stakeholders where the AESO presents cost results, assumptions and responds to stakeholder questions & comments (IRs);
- AESO posts meeting overview document to AESO website and asks for written comments;
- AESO responds to further questions (IRs)
- AESO makes revisions as deemed necessary;
- AESO prepares an AESO Board Review Document and provides to stakeholders for review prior to submission;
- AESO submits Review Document to the Board for review and decision

- AESO Board reviews Board Review Document;
- Stakeholders make oral or written presentations to the AESO Board on issues of disagreement or concern (multi-lateral);
- Stakeholders have the opportunity to provide comments on each presentation
- AESO Board considers stakeholder presentations and reply comments in its approval process;
- AESO Board issues a decision for AESO's Own Costs, Ancillary Services and Line Losses with rationale;
- AESO submits AESO Own Costs and Deferral Account application with the EUB

- Dispute resolution mechanism for instances where a party disagrees with an AESO Board Approval;
- Process to be determined - involving the AESO, EUB and stakeholders
- To be clarified in the DOE's Final Transmission Regulation

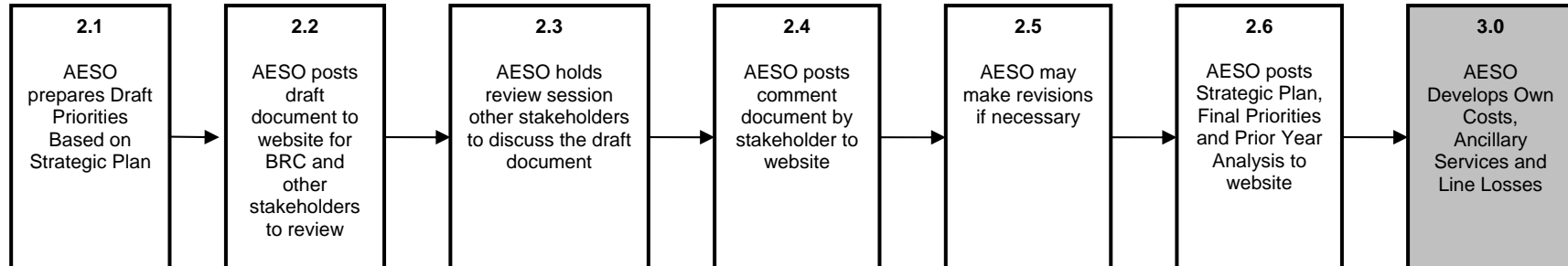
1.0 Notice to Stakeholders



Notice to stakeholders includes:

- Invitation to participate
- Schedule with milestone dates
- Contact Person
- Expectations of next steps

2.0 AESO Develops Priorities and Business Plan



- AESO updates its strategic plan
- Draft document also includes AESO comments on prior year priorities which would include an evaluation of its past performance against the priorities and strategic plan
- Draft document is prepared from information received through ongoing industry associations and stakeholder discussions

Website posting includes:

- Strategic Plan, Draft Priorities, and AESO comments on prior year priorities;
- Invitation to attend a stakeholder meeting to review the document;
- Expectations of next steps & an updated schedule if required

- AESO reviews strategic plan with stakeholders in order to set the context for the draft priorities
- Review session intended to present the information that was provided in advance and address stakeholder issues, questions and comments

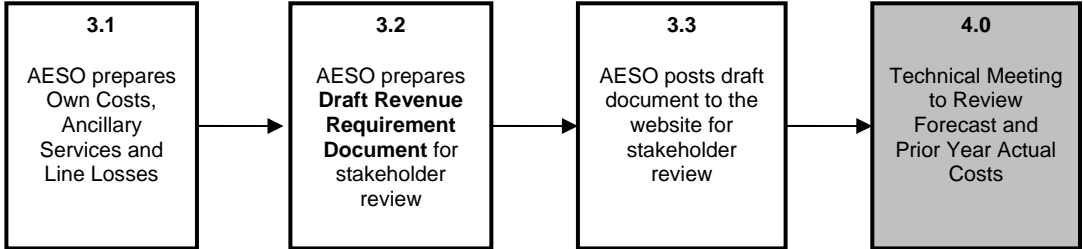
- Comment document posted to AESO website that includes: meeting overview and responses to stakeholder questions from meeting;
- AESO asks stakeholders for written submissions on posted document
- AESO consolidates comments by stakeholder and posts to AESO website

- AESO reviews written comments from stakeholders and may make changes if deemed necessary

Website posting includes:

- Strategic Plan document, Final Priorities based on input from stakeholders; and analysis on prior year priorities
- Expectations of next steps and an updated schedule if required

3.0 AESO Develops Own Costs, Ancillary Services and Line Losses

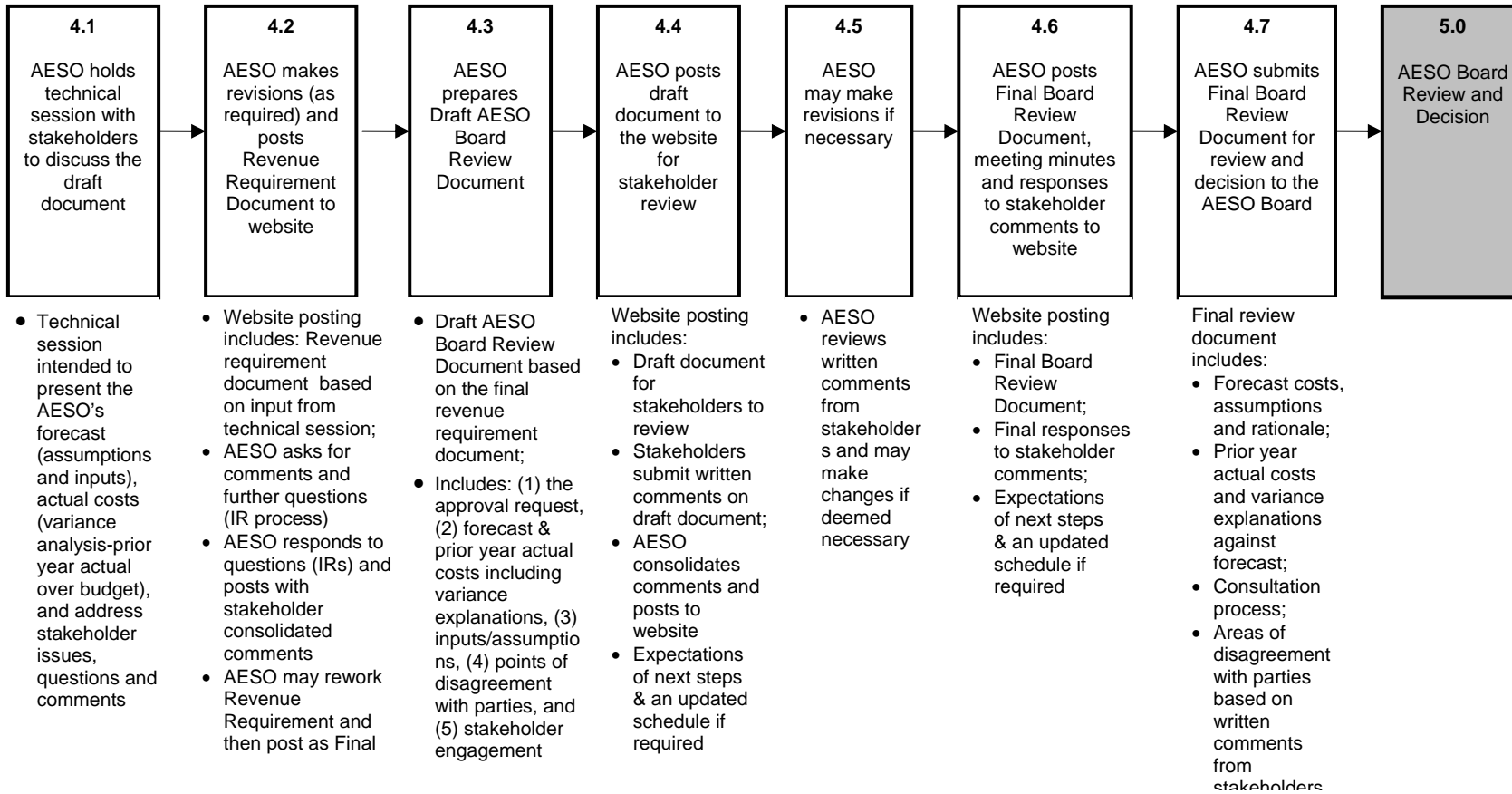


- Process starts with the annual internal AESO budgeting process;
- Preparation of these cost groupings include both forecast and prior year actual costs;
- Own Cost forecast preparation is based on the Final Priorities developed through discussions with stakeholders

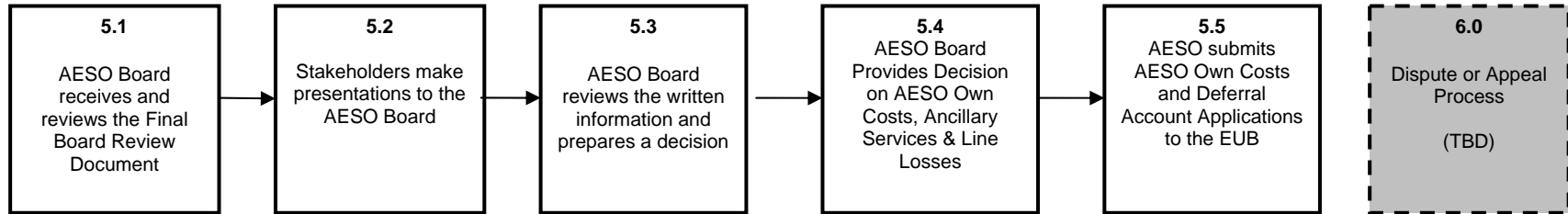
- The draft revenue requirement document includes forecast and prior year actual costs, assumptions and variance explanations

- Website posting includes:
- Draft document for stakeholder review;
 - Invitation to attend the technical session to review the document;
 - Expectations of next steps & an updated schedule if required

4.0 Technical Meeting to Review Forecast and Prior Year Actual Costs



5.0 AESO Board Approval; EUB Applications



- AESO Board reviews the Board Review Document prior to reading or hearing presentations from stakeholders

- Stakeholders provide written presentations in advance of oral presentations
- Stakeholders provided the opportunity to present their case to the AESO Board.
- Stakeholders have the opportunity to provide comments to the AESO Board on each others presentations

- The information for the AESO Board's review includes the content of the Board Review Document, the stakeholder presentations, and the comments on each stakeholder presentation

- The AESO Board Decision includes: AESO Own Costs, Ancillary Services and Line Losses; rationale for the decision; and comments regarding process / procedure and stakeholder engagement
- The decision will be written with sufficient detail to confirm that the AESO Board understood the key issues
- The Decision is communicated to AESO management and to stakeholders as well as posted to the AESO website
- Stakeholders will have the ability to dispute any aspect of the decision through a mechanism to be determined
- Nothing will preclude the opportunity for stakeholders to ultimately appeal to the EUB



Target - October 19th AESO Board Meeting

Appendix 3

- Stakeholder Meetings
- Meeting Material Distributed
- Stakeholder Comments Requested
- Stakeholder Comments Received
- AESO Posts Meeting Summary
- AESO Board Meeting

** revised July 27, 2006 (note asterisks in August and September)

MAY/JUNE					JULY					AUG					SEPT				OCT										
Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri					
29	30 <i>Process Review and Discussion</i>	31	1 <i>Web Posting for Comments on May 30 Meeting</i>	2	3 <i>Holiday</i>	4	5	6 <i>Web Posting for Comments on June 29 Meeting (Step 2.4)</i>	7																2	3	4	5 <i>Web Posting of Final AESO Board Approval Document (Steps 4.6 - 4.7)</i>	6
5	6	7	8	9 <i>Receive Stakeholder Comments from May 30 Meeting</i>	10	11	12	13 <i>Receive Stakeholder Comments from June 29 Meeting (Step 2.4)</i>	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31 <i>Web Posting of Draft AESO Board Approval Document (Step 4.4)</i>			
12	13	14	15 <i>Web Posting on May 30 Meeting Discussion and Comments</i>	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31										
19	20	21	22 <i>Distribution of Materials for June 29 Meeting (Step 2.2)</i>	23	24	25 <i>Web Posting on June 29 Meeting Discussion and Comments (Steps 2.4-2.6)</i>	26	27	28	29	30	31																	
26	27	28	29 <i>2006 Priorities Status, New Strat Plan and Draft Business Priorities (Step 2.3)</i>	30	31																								