



Overview

- Comprehensive revenue requirement (Phase I) and rates and terms and conditions (Phase II) application, including responses to outstanding EUB directions
- Tariff expected to be effective on or around October 1, 2007
- Existing tariff will remain in place until new tariff is effective, with any differences in revenue collected or refunded through deferral account Rider C

Revenue Requirement (\$ millions)

Cost Component	2007 Forecast	2006 Approved	2005 Actual	2004 Actual
Wires	\$445.2	\$439.5	\$418.0	\$394.6
Ancillary Services	184.5	150.6	189.6	123.3
Losses	196.0	131.0	201.8	142.2
Other Industry Costs	5.5	5.5	5.3	5.0
General and Administrative	41.3	32.2	30.3	26.3
Total	\$872.5	\$758.8	\$844.5	\$691.4

Increase of \$113.7 million (15%) compared to 2006 Approved

- Forecast developed in transparent and inclusive AESO Budget Review Process with stakeholders and approved by AESO Board
- Increase of \$5.7 million (1.3%) in wires costs based on latest approved final or interim TFO tariffs
- Increase of \$33.9 million (22.5%) in ancillary services primarily due to increase in active operating reserve costs resulting from forecast increases in pool price and procured volumes
- Increase of \$65.0 million (49.6%) in losses resulting from forecast 62.4% increase in pool price (to \$66.89/MWh) offset by 8.9% decrease in forecast losses volumes
- No change in other industry costs
- Increase of \$9.1 million (28.3%) in general and administrative costs primarily due to increases in salaries, benefits, and consulting costs

Rate design

- Average 2.7% decrease to DTS rate and average 6.0% decrease to STS rate reflecting offset of cost increase by increases in billing determinants (including pool price)
- Changes to structure of DTS interconnection charge reflecting cost studies and stakeholder concerns, including consideration of backup service requirements
- Changes to qualifying criteria for the Demand Opportunity Service (DOS) Term rate and increases to DOS rate levels to reflect current transmission system costs
- Introduction of non-recallable Export Transmission Service Rate XTS and recallable Export Opportunity Service (EOS) Rate XOS 1 Month; current EOS rate renamed EOS 1 Hour
- Introduction of MTS and MOS rates for exports over merchant transmission interconnections
- Adjustments to Primary Service Credit structure and levels to align with DTS POD charge

Terms and conditions of service

- Development of three-component investment function reflecting detailed contribution study:
 - \$54,500/year x Substation Fraction, plus
 - \$35,800/MW/year for first 7.5 MW x Substation Fraction, plus
 - \$8,900/MW/year over 7.5 MW
- Reduction of investment levels by 40% if customer receives Primary Service Credit
- Clarification of which version of tariff applies to different types of system access requests



- Removal of prepaid operations and maintenance charge from standard facilities
- Clarification of payment in lieu of notice provision for reductions and terminations of service
- Introduction of financial penalties for non-payment of security
- Inclusion of new *pro forma* Construction Commitment Agreements to clarify roles and responsibilities of the parties involved
- Revisions and clarifications to substation fraction, interconnection requirements, reliability standards, service capacity, interconnection process, metering standard, discount rate, reduction and terminations, RGU connection costs, and interest and late payment charges

DTS rate change

DTS Rate Component	Unit	Proposed (1 Oct 2007)	Current (1 Jan 2006)	Change
System charge	\$/MW coincident	–	\$1,233.00	(17.9%)
	\$/MW	\$1,176.00	\$553.00	
	\$/MWh	\$2.42	\$1.67	44.9%
Point of delivery charge	\$/MW ≤7.5 MW	\$3,129.00	\$707.00	96.8%
	\$/MW >7.5 MW	\$776.00		
	\$/month	\$4,762.00	\$21,899.00	(79.0%)
Operating Reserve Charge % of Pool Price		3.33%	3.87%	(14.0%)
Voltage Control Charge	\$/MWh	\$0.93	\$0.98	(5.1%)
OSS Services Charge	\$/MW	\$77.00	\$76.00	1.3%
Net Change				(2.7%)

- Changes to system and point of delivery components reflect transmission cost causation update and detailed project study
- Other increases and decreases reflect changes to revenue requirement components
- Rate cap proposed to ensure no point of delivery experiences an unreasonable bill increase

STS rate change

STS Rate Component	Unit	Proposed (1 Oct 2007)	Current (1 Jan 2006)	Change
Losses (see notes)	% of Pool Price	4.76%	5.06%	(5.9%)
RGU Connection Costs	\$/MW	\$304.00	\$326.00	(6.7%)
Net Change				(6.0%)

- Loss factor provided above is system average only; actual loss factors are location-specific
- Decrease in system average loss factor results from decrease in volume of losses
- Decrease in RGU Connection Costs results from on-going cost amortization over life of units

Additional information included with application

- Summary of extensive stakeholder consultation which preceding filing of application
- Responses to outstanding matters
- Demand and energy requirements forecast methodology
- Blackline comparison of current and proposed tariff

For more information

- AESO Regulatory: Heidi Kirrmaier, Vice President, (403) 539-2751, heidi.kirrmaier@aeso.ca
John Martin, Manager, (403) 539-2465, john.martin@aeso.ca
Ed Hucman, Manager, (403) 539-2469, ed.hucman@aeso.ca
April Walters, Assistant, (403) 539-2463, april.walters@aeso.ca