



April 30, 2008

Submitted via e-mail

Alberta Utilities Commission
Utilities Division
Fifth Avenue Place
4th Floor, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Attention: Jamie Cameron, Application Officer

Dear Jamie:

Re: AESO Argument in Husky Oil Complaint Application on AESO Interim Fort Nelson Rider H (Application 1554646)

The Alberta Electric System Operator (AESO) provides the following argument on the above-noted application, in accordance with the schedule set out in the April 16, 2008 letter of the Alberta Utilities Commission (AUC).

In preparing this argument the AESO has considered:

- the Complaint filed by Husky Oil Operations Limited (Husky) on January 10, 2008;
- the AESO's responses to information requests filed on March 14, 2008;
- the AESO's original Interim Fort Nelson Rider H Application filed on December 19, 2007; and
- Order U2008-2 of the Alberta Energy and Utilities Board (EUB) issued on January 2, 2008 which approved Rider H as filed.

As laid out in greater detail below, the AESO submits there is no evidence that the incremental service to BC Hydro has an unreasonable impact on the reliability of the transmission system in northwestern Alberta, nor that the potential for loss of load is unreasonably impacted. The AESO therefore submits there is no reason for the AUC to alter or rescind Order U2008-2, and that the Complaint filed by Husky should accordingly be dismissed pursuant to section 24(2) of the *Alberta Utilities Commission Act* (AUC Act).

(The AESO notes that the Husky Complaint was made to the AUC on January 10, 2008 in respect of Order U2008-2, which was issued on January 2, 2008, albeit by the Alberta Energy and Utilities Board. While the Order and the Husky Complaint both refer to section 58(2) of the *Public Utilities Act*, the AESO understands that this provision was repealed effective January 1,

2008 upon the coming into force of the AUC Act. It is the AESO's sense that this Complaint should probably have been brought pursuant to section 24(2) of the AUC Act, but that nothing of substance turns on this point. The AESO does suggest that the AUC's decision on the Husky Complaint should be made pursuant to section 24(2) of the AUC Act.)

1. Nature of Husky's Complaint

Order U2008-2 correctly characterized the AESO's Interim Fort Nelson Rider H Application as concerning "the recovery of costs related to the provision of certain incremental contract capacity to BC Hydro to enable service to additional load at Fort Nelson, British Columbia." Husky has not disputed the proposed approach to the recovery of those costs, nor the approved recovery of costs through Interim Rider H.

Husky also does not appear to dispute the AESO's provision of service to BC Hydro, a customer outside the geographical boundaries of Alberta. Husky comments in its Complaint (page 3), "In the interim, if load continues to grow, whether that load is in BC or Alberta a more suitable solution needs to be developed, albeit short term." This is consistent with the views of the AESO in its Application (page 5):

The AESO also considers that if an Alberta customer in the area were to request an increase in load, the AESO would likely propose in the short term to implement additional TMR dispatch of Rainbow Area generation in order to provide the service. The AESO's approach in such a case would therefore be similar to the proposal in this application: namely, a short-term alternative of additional TMR dispatch, while different longer term alternatives are investigated. In the Alberta case, all of the incremental TMR costs would be recovered from Alberta customers. In the BC Hydro case in this application, the proposal to recover 50% of the costs is reasonable and recognizes the uncertainty around the final rate determination.

The AESO further explained that it generally does not distinguish between serving British Columbia load and Alberta load in the Rainbow Area in Information Response HOL.AESO-005 (d), and explained the basis for that treatment in Information Response HOL.AESO-009 (a-c).

In summary, Husky appears to not be disputing the recovery of costs through Rider H (which was the subject of the AESO's Rider H Application), nor the provision of service to BC Hydro as opposed to a customer in Alberta.

Husky's Complaint specifically arises from its concerns regarding the impact on existing Husky load of service to incremental load of another customer. In Husky's view, "AESO's Application 1552173 has understated the potential impacts of the new BC load on Rainbow Area System Reliability." (Husky Complaint, page 1)

2. Impact on Reliability

As discussed above, Husky's Complaint arises from the potential impact of service to incremental load in the Rainbow Area on reliability to existing services in the area. As stated in the AESO's Rider H Application, the AESO considers the impact on reliability to be reasonable. The AESO noted (page 5):

During any period in which four generators are dispatched on-line when Rainbow Area load exceeds 130 MW, if a planned or unplanned outage of one of the four generators occurs no backup TMR generator will be available. Load services will then need to be curtailed either in accordance with a plan designed for a specific contingency or in preparation for the second contingency.

After receiving approval of Rider H, the AESO proceeded to develop load curtailment procedures as described in Information Response HARVEST.AESO-002 (a-b). As indicated in the AESO's Rider H Application, Operating Policies and Procedures (OPP) 501 was updated to reflect the new procedures. OPP 501 as effective March 1, 2008, was provided in Information Response HOL.AESO-003 (b).

The AESO further noted in Information Response HARVEST.AESO-002 (d) that under revised OPP 501, "The curtailment of Harvest load prior to any other loads essentially restores the Rainbow Area system to the status that would have existed without the connection of the Harvest load, under the defined conditions based on AESO Operating Criteria."

The AESO accordingly submits that the impact on reliability to existing services in the Rainbow Area is reasonable.

3. Historical Reliability Concerns

Husky suggests that historical precedent must also be considered by stating in its Complaint (page 1), "Rainbow TMR generation governed by AESO Operating Policies and Procedures (OPP) 501 has historically been operated with at least one generator available for standby operation."

However, Husky also notes (page 2), "This potential loss of standby generation the Rainbow Lake area is now facing is similar to that which occurred in late 2005 and again in late 2006.... AESO helped alleviate these concerns [in 2005] by promising to evaluate each generator outage individually and dispatch one [of] the non TMR units prior to the loss of a second generator if this was warranted.... AESO responded to this dilemma [in 2006] by extending the TMR agreement of Rainbow 2." Husky therefore acknowledges that the concerns expressed about reliability to its service have been on-going, and that the AESO has developed specific responses to changing circumstances that affect TMR dispatch in the area.

The AESO submits its response in the current case has a similar effect in addressing the specific circumstances giving rise to reliability concerns. In particular, the AESO explained its rationale for the new load curtailment procedures in Information Response HARVEST.AESO-002 (e):

When planning the addition of load in a constrained area, the AESO will assess reliability issues such as voltage stability and thermal overloads that may occur as a result of the additional load. If there is no practical way to accommodate the additional load in the constrained area without implementing load curtailment procedures, the additional load may be required to curtail before other loads until appropriate transmission system infrastructure can be provided to alleviate the constraint. Alternatively, the additional load may decide not to be connected to the system until such infrastructure is in place. Existing load does not have similar options, such as delaying interconnection, available to it.

The AESO submits its proposed curtailment of the Harvest load is consistent with its historical practice, and addresses the current concerns of Husky in a manner similar to that which addressed Husky's prior concerns about reliability in the Rainbow Area.

4. Other Concerns

Husky raises a number of other specific issues in the closing paragraphs of its Complaint which are not directly related to the provision of incremental service to BC Hydro. These issues include:

- the extended running time of existing generators dispatched for TMR service;
- AESO plans in the event of a catastrophic failure of a generating unit;
- coordination of generator maintenance schedules;
- load restoration plans; and
- area load shed methodology.

The AESO suggests these issues have limited impact on the service to Husky load, and are not relevant to consideration of the Complaint. However, the AESO notes that information on these issues was provided in Information Responses Comm.AESO-001 (c), HARVEST.AESO-001 (b-c), HOL.AESO-003 (c), and HOL.AESO-009 (m).

Conclusion

In conclusion, the AESO submits:

- that Husky has not disputed the proposed approach to recovery of costs through Rider H, nor the provision of service to BC Hydro;
- that the impact on reliability in the Rainbow Area is reasonable and has been appropriately managed through revisions to Operating Policies and Procedures (OPP) 501;
- that reliability concerns have historically existing in the Rainbow Area and have been addressed appropriately by the AESO in both prior and current circumstances, and
- the other concerns raised by Husky are not relevant to consideration of the Complaint.

Therefore, Husky has not provided sufficient grounds for the AUC to vary or rescind Order U2008-2, and the Complaint should accordingly be dismissed pursuant to section 24(2) of the AUC Act.

If you have any questions concerning the AESO's argument, please contact me at (403) 539-2465 or by e-mail to john.martin@aeso.ca.

Yours truly,

[original signed by]

John Martin
Director, Tariff Applications

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
Geoff Martin, Husky