



December 29, 2008

Submitted via AUC Digital Data Submission (DDS) System

Alberta Utilities Commission
Utilities Division, Calgary Office
Fifth Avenue Place
400, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Dear sir or madam:

Re: Application for Extension of AESO Interim Refundable Fort Nelson Rider H

On January 2, 2008, the Alberta Energy and Utilities Board (now the Alberta Utilities Commission (“AUC”)) issued Order U2008-2 approving the AESO’s Interim Refundable Fort Nelson Rider H (Application 1552173) effective January 1, 2008. The rider was subsequently the subject of a review request by Husky Oil Operations Limited on January 10, 2008 (Application 1554646). The AUC completed its review and issued Decision 2008-052 confirming Rider H on June 24, 2008.

Interim Fort Nelson Rider H was originally expected to expire or be replaced no later than December 31, 2008.

By way of this submission, the AESO requests the AUC approve the extension of Rider H until it is replaced by a rate to be included in the AESO’s next general tariff application (“GTA”). The AESO currently expects to file its next GTA in the third quarter of 2009, with the expectation that the resulting rates will become effective about a year later, in the third quarter of 2010.

An amended Interim Fort Nelson Rider H schedule is provided as an attachment to this letter.

Additional Background

In its Interim Fort Nelson Rider H Application dated December 19, 2007, the AESO stated the following (page 4):

The AESO requests Rider H to be effective on an interim refundable basis from January 1, 2008, to December 31, 2008. In early 2008, the AESO and BC Hydro will cooperate to consider and study all reasonable alternatives to serve the incremental BC Hydro load. The AESO will then apply for a final rate

determination on an effective and manageable alternative for service to BC Hydro in the Fort Nelson area in the latter half of 2008, allowing for its approval before the interim rider expires.

The AESO expects to include in the final rate application further information relating to longer-term transmission supply in the Rainbow Area, including the impact of the Northwest Alberta Transmission Development. However, a complete long term transmission plan for the area is not expected to be able to be developed in time for inclusion in the final rate application.

The AESO has worked with BC Hydro during 2008 to develop reasonable alternatives to serve BC Hydro load in Fort Nelson. In reviewing the alternatives, the AESO has concluded it should more fully develop its long term transmission plan for the Rainbow Area before filing a final rate application for service to Fort Nelson. BC Hydro has also discussed the alternatives in the Fort Nelson Appendix N1 to its 2008 Long Term Acquisition Plan filed with the British Columbia Utilities Commission on June 12, 2008 and updated on October 24, 2008.

As well, at the time of filing its Interim Fort Nelson Rider H application, the AESO had anticipated that load in the Rainbow Area would require transmission must-run (“TMR”) dispatch of a fourth Rainbow Area generator. Unanticipated load changes in the area have resulted in actual load being less than expected, such that no TMR dispatch of a fourth generator has been attributed to the increase in BC Hydro load, to the end of November 2008.

For these reasons, the AESO requests approval to extend the Interim Fort Nelson Rider H until rates resulting from the AESO’s next GTA become effective. As noted above, the AESO currently expects to file its next GTA in the third quarter of 2009 and resulting rates to come into effect in 2010.

The AESO submits that reviewing the final rate for service to Fort Nelson as part of a general tariff application will allow a more thorough and complete review of the matter in the context of the balance of the AESO’s tariff, and will allow all affected parties an opportunity to participate without adding a separate regulatory process.

The AESO has discussed this approach with BC Hydro and understands that BC Hydro does not oppose it.

As explained in its original application, the AESO considers Rider H to have no undue impacts on other AESO customers, and suggests an expedited review process would be appropriate for this request to extend the rider.

Please direct all correspondence relating to this application to:

John Martin
Director, Tariff Applications
Alberta Electric System Operator
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4
Phone: 403-539-2465
Fax: 403-539-2524
E-mail: john.martin@aeso.ca

April Walters
Executive Assistant, Regulatory
Alberta Electric System Operator
2500, 330 – 5th Avenue SW
Calgary, Alberta T2P 0L4
Phone: 403-539-2463
Fax: 403-539-2524
E-mail: april.walters@aeso.ca

If you need any additional information, please contact April Walters at 403-539-2463 in Calgary or by e-mail to april.walters@aeso.ca.

Sincerely,

[original signed by]

John Martin
Director, Tariff Applications

Attachment

cc: Heidi Kirrmaier, Vice President, Regulatory, AESO
Joanna Sofield, Chief Regulatory Officer, BC Hydro



Rider H **Interim Refundable Fort Nelson Rider** Page 1 of 1

Purpose: The Interim Refundable Fort Nelson Rider H is to recover 50% of the cost of the additional transmission must-run (TMR) dispatch of a fourth generator in the Rainbow Area in support of incremental load near Fort Nelson.

Applicable to: BC Hydro for demand service to Fort Nelson in British Columbia.

Effective: The rider will be effective from January 1 until revoked or replaced by another approved rate or rider.

Rate: At the end of each billing period, the AESO will determine the incremental cost of the additional transmission must-run (TMR) dispatch of a fourth generator in the Rainbow Area, beyond the dispatch that would have been required prior to the addition of an incremental 10 MW of load near Fort Nelson in January 2008. Under this rider, 50% of the incremental cost so determined will be billed to BC Hydro.

Terms: (a) Rider H is an incremental refundable charge in addition to amounts payable for demand and energy under Rate FTS.

 (b) The Terms and Conditions form part of this Rate Schedule.