



April 22, 2009

Posted on AESO website

AESO Stakeholders

Dear Stakeholder:

Re: Invitation to Participate on Working Groups in Consultation for AESO 2010 Tariff Application

In the stakeholder consultation meeting on the AESO's 2010 tariff application held on April 15, 2009, the AESO discussed the formation of several small working groups to explore specific topics for its 2010 tariff application. This letter provides additional information on those working groups, including draft terms of reference, and invites stakeholders to participate on them.

At the April 15 meeting, stakeholders suggested a two-round sign-up process to establish participation on the working groups. The AESO proposes the following process.

- (1) In the first round, stakeholders are requested to indicate on the enclosed sign-up form the working groups on which they are interested in participating. Completed forms are to be returned by **Wednesday, April 29, 2009**, to April Walters at april.walters@aeso.ca.
- (2) The AESO will post the list of first-round working group participants on its website on Thursday, April 30, 2009, and will also distribute the list by email to those who signed up.
- (3) In the second round, stakeholders can ask to participate on additional working groups or to be removed from one or more working groups that they had signed up for in the first round. This will allow stakeholders to balance their participation among the working groups, and avoid duplication on groups where their interest may already be adequately represented. The AESO may also suggest changes during the second round to ensure diversity and balanced representation of views on working groups. Requests for second-round changes should be provided by **Tuesday, May 5, 2009**, to April Walters at april.walters@aeso.ca.
- (4) The AESO will post the final list of working group participants on its website on Wednesday, May 6, 2009, and will also distribute the list by email to participants.

The AESO will schedule initial meetings for the working groups to begin Thursday, May 7, 2009. Details for these initial working group meetings are expected to be provided when the first-round working group list is posted on April 30.

The AESO has also attached to this letter draft terms of reference for the 2010 Tariff Consultation Working Groups. The AESO suggests these terms of reference be used to guide the activities of the working groups. The AESO invites stakeholders to provide comments on the

draft terms of reference and on the proposed working group consultation process, in the space provided on the enclosed signup form.

Information related to the AESO's 2010 tariff consultation is available on the AESO's website at www.aeso.ca by following the path Tariff ► Current Consultation ► 2010 Tariff. The AESO appreciates stakeholders' participation in this consultation.

If you have any comments or questions on this consultation process or the AESO's tariff application, please contact me at 403-539-2465 or john.martin@aesoc.ca, or Raj Sharma at 403-539-2632 or raj.sharma@aesoc.ca.

Sincerely,

[original signed by]

John Martin
Director, Tariff Applications

attachment
enclosure

cc: Heidi Kirrmaier, Vice-President, Regulatory, AESO
Raj Sharma, Senior Tariff Analyst, AESO
April Walters, Executive Assistant, AESO

AESO 2010 Tariff Consultation Working Groups Terms of Reference

1 Purpose

The AESO 2010 Tariff Consultation Working Groups will be forums for stakeholders to provide perspective, advice, and expertise to the AESO on specific topics for the AESO's 2010 tariff application. The Working Groups are intended to augment the internal capabilities of the AESO and support effective consultation by engaging stakeholders in the development of the tariff application.

2 Topics

Working Groups are proposed to examine the following topics for the AESO's 2010 tariff application. Some issues are suggested for exploration within each topic, although each Working Group is expected to determine what issues should be examined for each topic.

- (a) **POD Cost Function and Investment Level Update**
 - Substations included in POD cost data set
 - Inflation index to escalate POD cost data to 2010
 - Multiplier to determine investment level
- (b) **TFO O&M Cost Causation Study**
 - Respond to AUC directions on analysis of TFO O&M costs
 - Determine if TFO O&M costs are energy-related
 - Determine if TFO O&M costs should be functionalized similarly to capital costs
- (c) **DTS Operating Reserve Charge Design**
 - Methodology to analyze and assess design of operating reserve charge
 - Criteria for selection of appropriate design for operating reserve charge
- (d) **Fort Nelson Rate FTS**
 - Rate design principles for Fort Nelson and similar services
 - Cost allocation approaches between BC and Alberta loads in the Rainbow Area
 - Contractual considerations for Fort Nelson and similar services
- (e) **Export and Import Rates XTS and ITS**
 - Rate design principles for higher-priority export and import services
 - Similarities and differences between domestic and intertie services
 - Potential allocation of "deep system" costs to services over merchant interties
- (f) **Deferral Account Riders B and C**
 - Rate design principles for deferral account riders
 - Practicality of improving allocation accuracy of deferral account riders
 - Possible integration of Riders B and C

- (g) **Tariff Changes Related to Transition of Authoritative Documents (TOAD)**
- Provisions that could be moved from tariff to other authoritative documents (such as technical standards or ISO Rules)
 - Common provisions that could be standardized and consolidated
 - Dispersed information that could be consolidated
- (h) **Amortized Customer Contribution Option and Other Contribution Provisions**
- Potential changes to AESO standard facilities definition
 - Potential provisions for amortized customer contribution option
 - Assessment of credit-worthiness and mitigation of risk of default
- (i) **Tariff Provisions Related to Customer-Owned Substations**
- Principles for tariff provisions at customer-owned substations
 - Assessment of Primary Service Credit and associated investment factor
 - Application of substation fraction at customer-owned substations

3 Working Group Members

The Working Groups will consist of AESO stakeholders and AESO employees with interest, expertise, or both in the specific topic being examined in each Working Group.

- Each Working Group will have a maximum of four to six members (including AESO employees). No more than four stakeholder members will be on any one Working Group.
- Stakeholder involvement in a Working Group is voluntary. Membership will generally be on a first come, first served basis.
- Stakeholders may coordinate involvement in different Working Groups among themselves to avoid duplication and overlap of interest.
- The AESO may suggest changes to the composition of individual Working Groups to ensure diversity and balanced representation of views.

4 Duration

Each Working Group will be active from May 1, 2009 to no later than mid-July 2009.

- A Working Group may conclude activities earlier if no further review of the topic would be helpful to the AESO's 2010 tariff application.
- A Working Group may also continue activities for a longer period if an extension is required to effectively satisfy its purpose.

5 Scope and Duties

Working Groups will review and discuss options and alternatives for proposals being considered for inclusion in the AESO's 2010 tariff application. Working Groups are not decision-making bodies. Consultation within Working Groups will not replace general stakeholder consultation. The AESO will consider consultation within the Working Groups in the context of its broader stakeholder consultation.

- (a) Working Groups will determine their own meeting dates and times. Meetings are expected to occur about every two weeks, for one to two hours. Meeting agendas will be prepared and communicated in advance as much as practical. Members may participate in meetings via conference call. A Working Group will generally be coordinated and chaired by an AESO employee. Meetings may be held at the office of the AESO or of other Working Group participants.
- (b) Working Group members are expected to dedicate appropriate time to actively participate in Working Group meetings, to review material prior to meetings, and to address questions raised and issues identified following the meetings. Working Group members may assign work to others within their organizations with appropriate technical or regulatory expertise on the topic.
- (c) Working Group members are expected to engage in informal open discussion on a “without prejudice” basis. Although discussion in Working Groups will not be presented as evidence in the AESO’s tariff application proceeding, the AESO and participants may refer in their respective evidence to any conclusions they reach as a result of Working Group discussion. A participant or representative on any Working Group will not be precluded from participating in the AESO’s tariff application proceeding before the AUC. Neither stakeholders nor the AESO will be limited in any way from expressing views that may differ from those expressed in the Working Group. However, all participants are expected to engage in meaningful and transparent dialogue in the Working Groups.
- (d) The activities of the Working Groups and related written documents will be communicated to stakeholders through postings on the AESO website, as appropriate. However, minutes of discussion and transcripts of conversations will not generally be prepared. All material will be assumed to be non-confidential unless identified otherwise. All such material will be available on the AESO website at www.aeso.ca by following the path Tariff ► Current Consultations ► 2010 Tariff. All stakeholders will generally have opportunity to comment on the material posted, as part of comment processes in the AESO’s general stakeholder consultation.
- (e) Working Group conclusions will be considered by the AESO in developing proposals for its 2010 tariff application. The AESO’s 2010 tariff application will reflect decisions consistent with legislation, policy, and the AESO’s mandate, considering the input and advice provided by the Working Groups. The rationale for the AESO’s proposals will be included in the tariff application.

6 Deliverables

The AESO 2010 Tariff Consultation Working Groups will provide the following.

- (a) Advice and expert comments on specific topics being considered as part of the AESO’s 2010 tariff application.

- (b) Suggestions to improve the studies, analysis, rates, and terms and conditions that will comprise the AESO's 2010 tariff application.
- (c) Identification of legislation, policy, prior regulatory decisions, principles, precedent, and practices that are relevant to the topic being examined by the Working Group.

7 Principles

The activities of the AESO 2010 Tariff Consultation Working Groups will be consistent with the AESO's mandate to prepare a tariff that is just and reasonable, and that is not unduly preferential, arbitrarily or unjustly discriminatory, or inconsistent with or in contravention of any applicable law.

Working Groups will consider topics in the context of an overall Alberta perspective that will improve the fairness, efficiency, clarity, and consistency of the AESO's tariff.

8 Expenses

Working Group members are responsible for their own out-of-pocket expenses and time for participating in Working Group activities. The AESO will not reimburse participants for costs incurred due to involvement on a Working Group.

9 Recent AESO Tariff Decisions

Members of the Working Groups should, at a minimum, be familiar with discussion of the topic in recent AESO tariff decisions, which are listed below for convenience.

- AUC Decision 2008-037: AESO 2007 General Tariff Application Refiling (released on May 8, 2008)
- EUB Decision 2007-106: AESO 2007 General Tariff Application (released on December 21, 2007)
- EUB Decision 2005-132: AESO Review and Variation of Customer Related POD Charge (released on December 6, 2005)
- EUB Decision 2005-131: AESO Refiling of 2005/2006 General Tariff Application per Decision 2005-096 (released on December 6, 2005)
- EUB Decision 2005-096: AESO 2005/2006 General Tariff Application (released on August 28, 2005)