June 11, 2009

POD Cost Function and Investment Level Update Working Group Members  
AESO Stakeholders

Dear Working Group Member:

Re:   **Meeting Agenda for POD Cost Function and Investment Level Update Working Group**

The second meeting of the POD Cost Function and Investment Level Update Working Group for the AESO’s 2010 tariff application is scheduled as follows:

- **Time:** 9:00 to 11:00 AM
- **Date:** Friday, June 12, 2009
- **Location:** Meeting Room 2539, AESO Office, 330 – 5th Avenue SW, Calgary
- **Refreshments:** Coffee, juice, and pastries

This working group includes the following members:

- AltaLink: Dean Fischbach
- DUC: Dale Hildebrand
- ENMAX: Penny Haldane
- IPCAA: Sheldon Fulton
- TransCanada: Vince Kostesky
- UCA: Ed de Palezieux
- AESO: John Martin, Raj Sharma

If you intend to participate in the meeting by conference call, are unable to attend the meeting, or will be represented by an alternate, please let me know as soon as possible. IPCAA has already advised that they are unable to participate in this first meeting.

The agenda for the meeting is proposed to include the following items:

1. **Review agenda**  
   
2. **Review draft meeting notes for May 19, 2009**  
   - Please see enclosed draft meeting notes

3. **Inflation index used to escalate historical costs to 2010**  
   - Are there concerns with using different indices for historical and forecast costs?
   - Are there additional concerns with the composite historical index?
   - Are there other ways to address the concerns around volatility and the need for a reliable forecast for the index?
Applicability to upgrade projects

- Please review section 5.5 of the discussion paper
- Are there other considerations for ensuring the POD cost function reasonably reflects costs for upgrade as well as greenfield projects?

Development of maximum investment level

- How can the POD cost function be translated into a maximum investment level?
- What approach should be used in the absence of an “80/20 rule”?
- How can the contribution policy design considerations mentioned by the AUC in Decision 2007-106 (page 94) be addressed?
  - Sending of economic signals
  - Removal of incentives to pursue facilities beyond those required
  - Avoidance of undue upward pressure on rates
  - Anticipated costs of an interconnection
  - Changes to service characteristics and standards of functionality

Updates in future rate applications

- How should investment level be updated as part of a rates update application (between general tariff applications)?

Follow-up required for next meeting

- Summarize what tasks need to be completed before next meeting and who will complete them

Dates and times for next meeting(s)

Adjourn

This agenda and all other printed information related to the POD Cost Function and Investment Level Update Working Group is available on the AESO’s website at www.aeso.ca by following the path Tariff ▶ Current Consultations ▶ 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@aeso.ca, or Raj Sharma at 403-539-2632 or raj.sharma@aeso.ca.

Sincerely,

[original signed by]

John Martin
Director, Tariff Applications

enclosures

cc: Raj Sharma, Senior Tariff Analyst, AESO