Alberta Direct Connect Consumers Association et al

Review and Variance of Alberta Energy and Utilities Board Decision 2007-106: Second Stage

July 13, 2009
ALBERTA UTILITIES COMMISSION
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Review and Variance of Decision 2007-106: Second Stage
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1 INTRODUCTION

1. On March 19, 2008, an application to review and vary Decision 2007-106 (R&V Application) was received from the Alberta Direct Connect Consumers Association, the Industrial Power Consumers Association of Alberta (IPCAA), the Independent Power Producers Society of Alberta (IPPSA), the Public Institutional Consumers of Alberta (PICA), StatoilHydro Canada Ltd. (Statoil), TransCanada Energy Ltd., and TransCanada Keystone Pipeline GP Ltd. (jointly, the R&V Applicants).

2. At issue in the R&V Application was the finding of the Alberta Energy and Utilities Board (EUB or the Board) in Decision 2007-106 that an amendment to Article 9.4 of the Terms and Conditions (Ts & Cs) proposed by the Alberta Electric System Operator (AESO) in its 2007 General Tariff Application (GTA) should be rejected. The proposed amendment to Article 9.4 would have restricted the application of a 12 percent prepaid operations and maintenance (O&M) charge (O&M Charge) to AESO facilities deemed to be in excess of AESO Standard Facilities.2

3. Further to a Notice of the R&V Application issued by the Alberta Utilities Commission (the Commission) on March 28, 2008, Statements of Intent to Participate (SIPs) were received from the following parties in addition to the R&V Applicants:

   • the AESO;
   • AltaLink Management Ltd. (AltaLink);
   • ATCO Electric Ltd.;
   • the Dual Use Customers;3
   • Inter Pipeline Fund (IPF);
   • TransAlta Corporation; and
   • the Office of the Utilities Consumer Advocate (UCA).

4. Following a written process, the Commission concluded in Decision 2008-0904 that the R&V Applicants had established a substantial doubt as to the correctness of the Board’s

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2 “AESO Standard Facilities” mean the least-cost interconnection facilities which meet good transmission practice including applicable reliability, protection, and operating criteria and standards, and generally consist of a single radial transmission circuit and a single transformer to supply an individual Point of Connection (from AESO 2007 GTA, Section 7 – Proposed Tariff at page 1)
3 Air Liquide, ATCO Power, Canadian Natural Resources Limited, Imperial Oil, Petro-Canada, Shell, Suncor
determination in Decision 2007-106 to reject the AESO’s proposed amendment to Article 9.4 of the AESO Tariff Ts & Cs. In accordance with this finding, the Commission indicated that it would issue a Notice of Review to initiate a proceeding to address the following question (Review Question):

Did the Board err in failing to adequately consider the effects of the 12% prepaid O&M charge within the context of the AESO’s contribution policy?

5. A Notice of Review pursuant to Decision 2008-090 was issued by the Commission on October 10, 2008. In response to the Notice of Review, SIPs were received from the R&V Applicants, the AESO, AltaLink and IPF.

6. In correspondence dated December 2, 2008, the Commission directed the R&V Applicants and the AESO to assemble and re-file all materials previously filed in the proceeding dealing with the Commission’s first stage consideration of the R&V Application. In addition, in order to ensure sufficient evidence would be on the record to enable the Commission to make a determination on the Review Question, the Commission directed the R&V Applicants and the AESO to assemble and re-file any evidence relevant to the Review Question that was previously filed in the AESO’s 2007 GTA proceeding (Application 1485517).

7. The requested information was filed by the AESO on January 8, 2009, and by the R&V Applicants on January 9, 2009. In addition to providing the re-filed evidence from prior proceedings, both the AESO and the R&V Applicants provided additional views on the Review Question in cover letters to their respective January 8 and January 9, 2009 submissions.

8. In accordance with the schedule set out in Commission correspondence dated January 7, 2009, the AESO provided responses to certain information requests prepared by the Commission on March 6, 2009.

9. Argument was received from the R&V Applicants, the AESO, AltaLink, and IPF, on or before March 27, 2009. IPCAA, PICA and TCE also filed additional argument apart from the joint submissions of the R&V Applicants. Reply submissions were received from the R&V Applicants, the AESO and TCE on or before April 14, 2009.

10. The Commission considers the record for Proceeding 108 to have closed on April 14, 2009.

2 BACKGROUND TO O&M CHARGE

2.1 AESO 2006 GTA: Decision 2005-096

11. In its 2006 General Tariff Application (2006 GTA), the AESO proposed that its Ts & Cs would provide for a prepaid O&M Charge, calculated as 12 percent of the customer-related costs of an interconnection, to be applied to all new Supply Transmission Service (STS) customers. For all other AESO customers, including Demand Transmission Service (DTS) customers, the AESO proposed to apply the O&M Charge, calculated as 12 percent of the costs of any

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5 In the Second Stage of the Review and Variance Application, (Proceeding ID 108), IPPSA did not remain as part of the R&V Applicants, but the UCA was added as an R&V Applicant

6 A letter in support of TCE’s Argument was filed by Statoil (Ex. 39.01) on March 31, 2009
interconnection facilities deemed to be in excess of the AESO Standard Facilities for the interconnection project.\(^7\)

12. In EUB Decision 2005-096,\(^8\) in respect of the AESO’s 2006 GTA, the Board did not approve a prepaid O&M charge for STS customers on the basis that it conflicted with certain provisions of the Transmission Regulation. The Board found, however, that the Transmission Regulation did not similarly restrict the application of a prepaid O&M Charge on DTS customers. The Board considered that applying the O&M Charge to interconnections made by DTS customers may be beneficial from both the standpoint of economic efficiency and from the standpoint of sending the appropriate economic siting and facility development signals through the contribution policy.\(^9\)

13. However, the Board did not agree with the proposal set forth by the AESO to apply the DTS customer prepaid O&M Charge only on facilities in excess of AESO Standard Facilities (Optional Facilities). Instead, the Board directed that the AESO amend the O&M Charge at the time of its refiling pursuant to Decision 2005-096 such that:

- the surcharge would be determined separately for the optional and non-optional facilities;
- the portion of a DTS interconnection project’s prepaid O&M surcharge based on cost of the optional facilities would be fully charged out to the interconnecting DTS customer, consistent with the Board’s disposition of other optional facility costs; and,
- the portion of the prepaid O&M surcharge related to non-optional facilities would be added to other non-optional facility costs and evaluated against the maximum investment function to determine the amount of customer contribution that may be required in respect of the standard facility portion, if any.\(^10\)

14. In addition, the Board indicated that while it considered that the O&M Charge was directionally appropriate for the purposes of the 2006 tariff, the Board was not convinced that sufficient evidence had been gathered to determine that the 12 percent figure was an accurate representation of the actual costs. As a result, the Board directed the AESO to conduct further analysis of the appropriate amount of the prepaid O&M surcharge and to reflect its findings in the design of the surcharge included no later than with the AESO’s 2008 General Tariff Application.\(^11\)

15. The Board approved the following wording for Article 9.4 of the AESO’s 2006 Tariff Ts & Cs:\(^12\)

9.4 Prepaid Operations and Maintenance

For customers taking service under Rate DTS, a prepaid operations and maintenance charge of 12% will be added separately to the costs of:

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\(^7\) Decision 2005-096, page 66
\(^9\) Decision 2005-096, page 68
\(^10\) Decision 2005-096, page 69
\(^11\) Decision 2005-096, page 69
\(^12\) Appendix 1 to Order U2005-464 – AESO Terms and Conditions of Service for 2006 Test Year
2.2 AESO 2007 GTA: Decision 2007-106

16. The Board addressed the O&M Charge again in Section 8.3 of Decision 2007-106 relating to the AESO’s 2007 GTA. Although the AESO had again applied to have the O&M Charge applied only to Optional Facilities, the Board found that Article 9.4 as previously approved remained, for the most part, appropriate. A more detailed discussion of Decision 2007-106 is provided below, in relation to the issues raised with respect to the Review Question and the Commission’s findings regarding it.

3 O&M CHARGE: ECONOMIC SIGNALS AND COST CAUSATION

3.1 Submissions of the R&V Applicants

17. In their joint argument, the R&V Applicants noted that the Commission and its predecessor Board have established the importance of cost causation to tariff design. In particular, the R&V Applicants noted the following passage from Decision 2007-106:

The second and third principles [of the three primary Bonbright principles as cited in Decision 2005-096] will be satisfied by rates which recover costs in the manner in which they are caused. That is, rates based on cost causation should provide appropriate price signals, should be fair, objective, and equitable, and should minimize or eliminate intercustomer subsidies.

The Board maintains that cost causation therefore remains the primary consideration when evaluating a rate design proposal. This finding is in alignment with Bonbright and also with the majority of the parties in this proceeding.

18. However, the R&V Applicants submitted that the Board’s findings in Decision 2007-106 suggest that the Board assumed that the AESO was only intending to send an economic signal to customers seeking new or expanded interconnections for Optional Facilities, and that no economic signal was being sent for Standard Facilities. The R&V Applicants stated that, in reality, the AESO sends an economic signal for O&M expenses to all customers who use Standard Facilities through the DTS tariff.

19. To illustrate the potential for double-counting, the R&V Applicants described the different treatment that AESO customers with different interconnection costs would experience under the policy of including a 12 percent prepaid O&M Charge. The R&V Applicants noted the AESO’s observation that it has been historical practice for O&M expenses, including any capital expenditures for standard system access service, to be provided by the AESO and a

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13 Decision 2007-106, pp. 105-107
14 R&V Applicants’ Argument, Ex. 37.01
16 R&V Applicants’ Argument, Ex. 37.01, page 5
regulated transmission facility owner (TFO), to be recovered through average rates.\textsuperscript{17} The R\&V Applicants further noted that, whereas Decision 2005-096 provided for a charge based on 12 percent of the cost of both Standard and Optional Facilities, it would be inappropriate to impose such costs on Standard Facilities since doing so would lead to double recovery of some O\&M costs.\textsuperscript{18}

20. The R\&V Applicants submitted that it was notable that none of the interveners have disputed the AESO’s proposal to remedy the double charging of O\&M costs; that is, to limit the O\&M Charge to Optional Facilities, both prior to and during the AESO’s 2007 GTA proceeding, and throughout the current review and variance process.

3.2 Submissions of the AESO

21. In its Argument, the AESO also noted that the Board, in Decision 2007-106, had reiterated the appropriateness of sending economic signals reflecting the cost causation consequences of a customer’s decision. However, as explained in its response to AUC.AESO-003, the AESO stated that:

22. …the cost causation signal provided to a DTS customer includes both:

(i) the customer contribution related to the customer’s interconnection, if any, and

(ii) monthly charges paid over time in accordance with the DTS rate for the service.

As discussed in section 2 of the AESO’s evidence in this review and variance proceeding, DTS customers who paid contributions in 2006 and later years would pay both the O\&M costs recovered through contributions and the O\&M costs recovered through the DTS rate. In effect, those customers would receive an inappropriately inflated cost signal that represents more than the costs being caused by their services.\textsuperscript{19}

23. The AESO noted that the monthly DTS charges a customer incurs are based on the MW and MWh volumes metered for the customer during a billing period. As such, a customer’s MW and MWh volumes would be the same whether the customer’s interconnection included only Standard Facilities or both Standard Facilities and facilities in excess of Standard, and the same monthly DTS charges would apply in either case.

24. Conversely, the AESO submitted that Standard Facilities are the least-cost interconnection facilities able to supply the customer’s load while meeting applicable standards. Given that the primary driver of incremental Standard Facilities cost is incremental load (i.e. the incremental MW and MWh volumes of the customer), the AESO submitted that Standard Facilities are responsive to, and therefore reflective of, the incremental load requirements of the customer. However, as monthly DTS charges are similarly responsive to and reflective of incremental load, incremental MW and MWh volumes result in higher monthly DTS charges which appropriately recover incremental TFO O&M costs associated with incremental Standard Facilities. Accordingly, the AESO submitted that there is no need to recover incremental TFO

\textsuperscript{17} BR.AESO-012 (b) from AESO 2007 GTA, cited in R\&V Applicants’ Argument, Ex. 37.01, page 6
\textsuperscript{18} Application, p. 2, cited in R\&V Applicants’ Argument, Ex. 37.01, page 6
\textsuperscript{19} AUC.AESO-003, Ex. 31.01, cited in AESO Argument, Ex. 32.01, page 2
O&M costs through a customer contribution where the incremental O&M relates to Standard Facilities.\(^{20}\)

### 3.3 Other Intervener Submissions

25. TransCanada Energy Ltd. and TransCanada Keystone Pipeline GP Ltd. (together, TransCanada) submitted that the prepaid O&M expense mechanism is a sub-optimal method of cost recovery from a cost-causation perspective. TransCanada submitted that O&M expenses included in the TFO revenue requirement are a more accurate indicator of actual costs. TransCanada noted that such O&M expenses are currently charged to customers through the AESO tariff in the same year that the services are rendered without requiring O&M expenses to be forecast. In addition, TransCanada submitted that the recovery of O&M costs in this manner would not give rise to intergenerational equity problems.\(^{21}\)

26. Given that O&M costs recovered each year in the annual revenue requirement of each TFO are in turn recovered through the DTS rate, TransCanada submitted that there is no need to conduct a study to forecast this amount into the future in order to create an upfront charge based on a percentage of a transmission facility cost. Furthermore, by charging these costs through the DTS rates, the AESO would avoid the administrative costs to conduct regular studies to examine these factors.

27. AltaLink submitted that, as a transmission facility owner, it had a unique perspective on the matters at issue in the proceeding. In particular, AltaLink noted that the AESO's calculation of O&M Charges is recovered from customers. AltaLink further noted that Standard Facilities are assets included in AltaLink’s rate base and are paid for by Alberta ratepayers. If standard transmission facility assets are included in both the 12 percent prepaid O&M obligation and the other contribution mechanisms of the AESO, AltaLink submitted that it and its customers will be subject to these O&M costs twice.\(^{22}\)

28. Inter Pipeline Fund (IPF) submitted that it was in agreement with the R&V Applicants’ submission that proper economic signals are not sent and cost causation is not properly reflected by charging customers twice; the first time through the O&M Charge, and the second time through the AESO tariff.\(^{23}\)

### 4 O&M Charge: Other Considerations

29. In addition to economic signal and cost causation considerations, parties provided comments regarding a number of other considerations. The Commission considers that of these, the following are most relevant to its determination in this proceeding:

- Application of O&M Charge to Optional Facilities only vs. adjusting the Allowance in Maximum Investment Function; and
- Application of O&M Charge to Standard Facilities above the level of the Maximum Investment Allowance.

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\(^{20}\) AESO Argument, Ex. 32.01, page 3  
\(^{21}\) TransCanada Argument, Ex. 38.02, page 3  
\(^{22}\) AltaLink Argument, Ex. 35.01, page 3  
\(^{23}\) IPF Argument, Ex. 36.01, page 2
4.1 Optional Facilities Only vs. Adjusting Allowance in Maximum Investment Function

30. The R&V Applicants submitted that there are two possible means of addressing the “double-charging” problem. Either: (1) do not apply the O&M Charge in determining the customer contribution, or (2) include the O&M Charge in the point of delivery (POD) cost function so that the maximum investment level includes the 12 percent prepaid O&M costs.

31. Under the latter approach, the R&V Applicants submitted that the addition of the 12 percent prepayment of O&M costs to the capital costs of an interconnection is exactly offset by an increase in the maximum investment levels by 12 percent and should result in no double charging. However, the inclusion of the O&M Charge within the POD cost function would add additional work and complexity to a calculation that is already complex and analytically intensive, as demonstrated by the AESO’s response to AUC.AESO-004(a) to (c).  

32. Assuming the goal is to avoid double charging, the R&V Applicants submitted that the simpler approach would be to not charge the O&M Charge on facilities up to the maximum investment level in the first place. Such an approach would avoid the possibility that the O&M Charge will not be properly included in the POD cost function.

33. IPF noted that the AESO was asked in AUC.AESO-004 to calculate a multiplier that would increase the investment function to account for the O&M Charge. IPF submitted that this approach would be less desirable than eliminating the O&M Charge for all Standard Facilities because such an approach would:

- continue the practice of double charging O&M costs for Standard Facilities in excess of the maximum investment level;
- continue to necessitate the costly creation of new TFO procedures to account for the O&M charge;
- reduce harmonization efforts between the AESO and the distribution facility owners (DFOs);
- exacerbate intergenerational equity concerns as between customers who connected to the grid prior to and after January 2006;
- continue the practice of charging a 12 percent fee on Standard Facilities when the absolute level of the O&M charge is subject to debate and the AESO has yet to complete a thorough study on the matter.

34. In light of these considerations, IPF submitted that the original Board Decision resulted in a tariff which in no way can be considered just and reasonable unless and until the double charging provisions are altered through the elimination of the O&M Charge on all Standard Facilities.

4.2 Application of O&M Charge to Standard Facilities above Maximum Investment Level

35. There was general agreement among the R&V Applicants that the recovery of TFO O&M costs through DTS rates should preclude the application of the O&M Charge to at least

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24 AESO Responses to AUC.AESO-004 (a-c), Ex. 31.01 as cited in R&V Applicants’ Argument, Ex. 37.01, page 10
25 IPF Argument, Ex. 36.01, page 2
some of the costs of Standard Facilities. However, two of the R&V Applicants (IPCAA and PICA) argued that the O&M Charge should be applied to any Standard Facility costs that exceeded the AESO’s maximum investment level.

36. IPCAA noted that the AESO investment policy limits the capital costs of local interconnection facilities incurred on behalf of a customer that can be rolled into rate base through the maximum investment level. Thus, to the extent that O&M costs are assumed to be proportional to capital costs, IPCAA submitted that as the level of capital costs that can be rolled into the tariff is limited, so too should be the associated O&M costs. Accordingly, IPCAA submitted that it supported the application of the O&M Charge to Standard Facilities in excess of the maximum investment level.

37. PICA argued that as the AESO’s investment policy covers both the substation and the transmission line, the length of line may, in some cases, dictate the amount of the capital investment and associated O&M. To the extent that a long line is related to both higher Standard Facility costs and O&M costs, PICA argued that exempting Standard Facilities costs above the maximum investment level from the O&M Charge may prevent customers from getting an appropriate price signal.

38. PICA acknowledged that O&M on Standard Facility substation costs in excess of the maximum investment level could be covered by the DTS rates. However, because the AESO’s investment policy does not distinguish between load-related substation costs and distance-related transmission line costs, PICA submitted that Standard Facility costs above the maximum investment level should be subject to the O&M Charge along with the Optional Facilities.

39. Commenting on the submissions of IPCAA and PICA in its Reply Argument, the AESO submitted that whereas the substation portion of Standard Facilities are appropriately covered by DTS charges which reflect load, there is equally no reason to apply an O&M Charge on the line portion of Standard Facilities. The AESO noted that as its contribution policy does not preferentially apply investment to either the substation or line portion of an interconnection, treating such costs separately is not practical. Furthermore, to the extent that Standard Facility costs are already defined as the least-cost facilities which can supply a customer’s load, it is generally not possible for a customer to respond to a price signal with respect to Standard Facilities other than by abandoning a project.

40. On balance, the AESO submitted that the arguments of IPCAA and PICA for application of the O&M Charge on Standard Facilities above the maximum investment level were outweighed by those made by the AESO and other proceeding participants, namely arguments relating to intergenerational equity, increased tariff complexity, reduced harmonization between AESO and DFO tariffs and requirements for modifications to TFO processes and AESO practices. Accordingly, the AESO submitted that the IPCAA and PICA proposal should be rejected in favour of not applying the O&M Charge to any Standard Facilities, whether above or below the AESO’s maximum investment level.

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26 AESO Reply Argument, Ex. 40.01, page 2
41. In its Reply Argument, TransCanada submitted that IPCAA’s argument does not support applying the O&M Charge to standard facility costs in excess of the AESO maximum investment level. TransCanada agreed with the AESO’s observation that as a customer generally has no ability to reduce the cost of an interconnection below the cost of Standard Facilities, so a customer accepting a service below a Standard Facility is accepting a substandard facility with an unacceptable service quality. From a price signal perspective, therefore, TransCanada submitted that there would be little or no value in applying the O&M Charge, since the customer cannot respond to the price signal.

42. TransCanada submitted that IPCAA provided no evidence of the legitimacy of applying a charge on Standard Facilities costing more than the maximum investment level beyond making an assumption that O&M costs are in proportion to capital costs. TransCanada submitted that this assumed relationship between the O&M Charge and interconnection costs does not provide a sufficient justification for applying a major new charge to customers.

43. TransCanada submitted that PICA had inappropriately focused on the length of line as a reason why costs may be higher for a given interconnection. TransCanada submitted that as there is no evidence about this relationship before the Commission, PICA’s attempt to simplify the investment policy to be proportional to the length of a transmission line should be dismissed. In TransCanada’s view, given that the AESO investment policy does not distinguish between load-related substation costs and distance-related transmission line costs, it would be inappropriate to accept an over-simplified view on this matter in support of a significant new charge to customers.

5 COMMISSION FINDINGS

44. The Commission considers that the current proceeding has brought additional information and added focus to the issue of the O&M Charge, which received relatively limited discussion in the proceeding leading to Decision 2007-106. The Commission will discuss its findings on the main issues raised in this proceeding.

5.1 Economic Signals and Cost Causation

45. The central argument made in opposition to the application of the O&M Charge to the costs of Standard Facilities under the contribution policy is that the charge represents a double counting in addition to the recovery of this same cost through the DTS rate.

46. The Commission accepts the view that interconnecting customers receive an economic signal through both the operation of the customer contribution policy and through the DTS rates that the customer will pay after the connection has been completed.

47. The Commission also accepts that, because O&M costs arising from a customer interconnection will be included in the DTS rates charged to all customers, an interconnecting customer may pay twice for such costs if the O&M Charge results in a customer contribution, to

27 TransCanada Reply Argument, Ex. 41.02
28 IPCAA’s argument was described by TransCanada as: “since the O&M costs are ‘in proportion to capital costs’ and that ‘as the level of capital costs that can be rolled into the tariff is limited so too should the associated O&M costs.’”, Ex. 41.02, page 1
the extent that the O&M costs generated by the interconnection are also recovered through the customer’s DTS rate.

48. Conversely, the Commission notes the observation of the AESO that, because an interconnecting customer’s DTS rates will be the same irrespective of whether the customer was required to pay for Optional Facilities, a double counting does not arise if the O&M Charge is applied only on Optional Facility costs.

49. For the above reasons, the Commission has determined that the O&M Charge should not be added to the cost of Standard Facilities, but should continue to be applied to Optional Facility costs as recommended by the AESO. While this conclusion resolves the core issue of the R&V Application, the Commission considers that additional findings are warranted on some of the other considerations raised.

5.2 Optional Facilities Only vs. Adjusting Allowance in Maximum Investment Function

50. As discussed above in section 5.1 of this Decision, the Commission has determined that applying the O&M Charge on the cost of Standard Facilities may result in a double count after considering the recovery of TFO O&M costs through the DTS rate.

51. While there appears to be agreement amongst parties that such double collection concerns can be effectively addressed by increasing the maximum investment allowance by an amount sufficient to offset the cost of the O&M Charge, the Commission accepts that a simpler means of avoiding the double collection would be to apply the O&M Charge only in respect of the cost of Optional Facilities.

5.3 Application of O&M Charge to Standard Facilities above Maximum Investment Level

52. Having considered the submissions of parties on this issue, the Commission has determined that the O&M Charge should not be applied to Standard Facilities, whether the cost of those facilities falls below or above the level of the AESO’s maximum investment allowance.

53. Notwithstanding the acceptance by the Board, in both Decisions 2005-96 and 2007-106, that, in the absence of better information, there is a linear relationship between O&M costs and interconnection capital costs, the Commission considers that the nature of that relationship has yet to be fully determined. In this regard, the Commission notes that the Board directed the AESO to undertake a more in-depth study of the relationship between incremental O&M and interconnection capital costs in Decision 2005-096.29

54. In light of this uncertainty, with regard to Standard Facility amounts about the maximum investment level, the Commission is not prepared to accept the arguments of IPCAA regarding the proportionality of O&M costs to capital costs. Further, given the AESO’s statement that its contribution policy does not preferentially apply investment to either the substation or line portion of an interconnection, the Commission is not prepared to apply the O&M Charge to

29 Decision 2005-096, page 69: “Accordingly, the Board directs the AESO to conduct further analysis of the appropriate amount of the prepaid O&M surcharge and to reflect their findings in the design of the surcharge included no later than with the AESO’s 2008 General Tariff Application.”
Standard Facilities in excess of the maximum level based on PICA’s assumption that the length of line may, in some cases, dictate the amount of the capital investment and associated O&M.

55. However, the Commission awaits the AESO’s analysis of the relationship between incremental O&M and interconnection capital costs as was originally directed by the Board in Decision 2005-096, and will revisit this matter once that analysis has been completed. The Commission directs the AESO to provide its analysis no later than at the time of its next GTA.

6 AMENDMENT TO ARTICLE 9.4 AND RECONCILIATION

56. As a result of the findings made above, the Commission directs the AESO to amend the wording of Article 9.4 of its Ts & Cs as follows, to reflect the application of the O&M Charge to Optional Facilities only:

9.4 Operations and Maintenance

For customers taking service under Rate DTS, an operations and maintenance charge of 12% will be added to the costs of facilities which exceed the AESO Standard Facilities required to provide service to the Customer.

57. In consideration of the Commission’s finding at section 3.4 of Decision 2008-037 that changes to the AESO contribution policy arising from Decision 2007-106 should be made effective at the same time the balance of the 2007 tariff was made effective, and given that Order U2008-217 set the effective date of the 2007 tariff to be August 1, 2008, the Commission directs the AESO to provide a full reconciliation showing the amounts, by project, of any contribution adjustments arising from this Decision in conjunction with its refiling of revised Ts & Cs reflecting this Decision.

7 SUMMARY OF COMMISSION FINDINGS

58. The Commission has made the following findings in respect of the Review Question considered in the second stage of the R&V Application:

1. The Commission has concluded that the Board erred in its consideration of certain aspects of the O&M Charge in Decision 2007-106.

2. The Commission remains of the view that a charge reflecting the anticipated impact of a new or expanded customer interconnection on incremental TFO O&M costs should be a part of the AESO’s customer contribution policy.

3. The Commission has determined that the Board’s error in the consideration of the O&M Charge in the context of the AESO’s customer contribution policy should be remedied by applying the O&M Charge only in respect of the cost of facilities which exceed the AESO Standard Facilities built for a new or expanded customer interconnection.

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31 Decision 2008-037, page 5
33 Utility Order U2008-217, page 2
4. The Commission has directed the AESO to revise Article 9.4 of the Ts & Cs to reflect its determination that the O&M Charge should be applied in respect of only the optional portion of interconnection project capital costs.

5. The Commission has directed the AESO to refile its 2007 Tariff Ts & Cs to reflect required changes to Article 9.4. The AESO has also been directed to file a reconciliation of the impact of applying the revised wording of Article 9.4 to customer contributions amounts determined for interconnection projects commenced after August 1, 2008. The AESO is further directed to file its analysis of the relationship between incremental O&M and interconnection capital costs as originally directed by the Board in Decision 2005-096.

8 ORDER

59. IT IS HEREBY ORDERED THAT:

(1) The AESO shall provide refiled 2007 tariff terms and conditions reflecting the findings and directions of this Decision on or before August 15, 2009.

(2) The AESO shall provide a full reconciliation of contribution adjustments arising from this Decision by October 15, 2009.

(3) The AESO shall file its analysis of the relationship between incremental O&M and interconnection capital costs, as originally directed by the Board in Decision 2005-096, by no later than the time of its next GTA.

Dated in Calgary, Alberta on July 13, 2009.

ALBERTA UTILITIES COMMISSION

(original signed by)

Carolyn Dahl Rees
Panel Chair

(original signed by)

Bill Lyttle
Commissioner

(original signed by)

Mark Kolesar
Acting Commissioner
### APPENDIX 1 – PROCEEDING PARTICIPANTS

<table>
<thead>
<tr>
<th>Name of Organization (Abbreviation)</th>
<th>Counsel or Representative (APPLICANTS)</th>
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<td><strong>R&amp;V Applicants</strong></td>
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<td>M. Forster</td>
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<td>Alberta Electric System Operator (AESO)</td>
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<td>A. Walters</td>
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<td>Alberta Direct Connect Consumer Association (ADC)</td>
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<td>C. Kearl</td>
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<td>Industrial Power Consumers Association of Alberta (IPCCA)</td>
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<td>Inter Pipeline Fund (IPF)</td>
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<td>A. Hollingworth, Q.C.</td>
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<td>Office Of The Utilities Consumer Advocate (UCA)</td>
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<td>Public Institutional Consumers of Alberta (PICA)</td>
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<td>R. Retnanandan</td>
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<td>StatoilHydro Canada Ltd. (Statoil)</td>
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<td>TransCanada Energy Ltd. (TCE)</td>
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<td>TransCanada Keystone Pipeline GP Ltd. (Keystone)</td>
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<td>P. Klewchuk</td>
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34 The original application for review and variance of Decision 2007-106 was filed on March 19, 2008 on behalf of Alberta Direct Connect Consumers Association (ADC), the Industrial Power Consumers Association of Alberta (IPCCA), the Independent Power Producers Society of Alberta (IPPSA), the Public Institutional Consumers of Alberta (PICA), StatoilHydro Canada Ltd., TransCanada Energy Ltd., and TransCanada Keystone Pipeline GP Ltd. For proceeding 108, IPPSA did not remain as part of the R&V Applicant coalition but was replaced by the Office of the Utilities Consumer Advocate.
Alberta Utilities Commission

Commission Panel
   C. Dahl-Rees, Panel Chair
   B. Lyttle, Commissioner
   M. Kolesar, Acting Commissioner

Commission Staff
   V. Slawinski (Commission Counsel)
   C. Taylor
   J. Halls
   D. Ploof
APPENDIX 2 – SUMMARY OF COMMISSION DIRECTIONS

This section is provided for the convenience of readers. In the event of any difference between the Directions in this section and those in the main body of the Decision, the wording in the main body of the Decision shall prevail.

1. However, the Commission awaits the AESO’s analysis of the relationship between incremental O&M and interconnection capital costs as was originally directed by the Board in Decision 2005-096, and will revisit this matter once that analysis has been completed. The Commission directs the AESO to provide its analysis no later than at the time of its next GTA. ................................................................. Paragraph 55

2. As a result of the findings made above, the Commission directs the AESO to amend the wording of Article 9.4 of its Ts & Cs as follows, to reflect the application of the O&M Charge to Optional Facilities only: ................................................................. Paragraph 56

9.4 Operations and Maintenance

For customers taking service under Rate DTS, an operations and maintenance charge of 12% will be added to the costs of facilities which exceed the AESO Standard Facilities required to provide service to the Customer.

3. In consideration of the Commission’s finding at section 3.4 of Decision 2008-037 that changes to the AESO contribution policy arising from Decision 2007-106 should be made effective at the same time the balance of the 2007 tariff was made effective, and given that Order U2008-217 set the effective date of the 2007 tariff to be August 1, 2008, the Commission directs the AESO to provide a full reconciliation showing the amounts, by project, of any contribution adjustments arising from this Decision in conjunction with its refiling of revised Ts & Cs reflecting this Decision. ...... Paragraph 57