March 7th 2012

Contribution Policy Working Group
March 5th 2012, Meeting #6
Meeting Notes and Summary

Attendees

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Stakeholder Segment</th>
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<tbody>
<tr>
<td>Vittoria Bellissimo</td>
<td>IPCAA</td>
<td>Industrial</td>
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<tr>
<td>Ed de Palezieux</td>
<td>Enbridge</td>
<td>Industrial</td>
</tr>
<tr>
<td>Miles Stroh</td>
<td>FortisAlberta</td>
<td>DFO (non-affiliated)</td>
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<td>Mike Windsor</td>
<td>ENMAX</td>
<td>TFO / DFO</td>
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<td>Wayne Taylor</td>
<td>UCA</td>
<td>Small customers</td>
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<td>Ken Koenig</td>
<td>ATCO Electric</td>
<td>TFO / DFO</td>
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<td>David Morris</td>
<td>AltaLink Management Ltd.</td>
<td>TFO</td>
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<td>John Martin</td>
<td>AESO</td>
<td>ISO</td>
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<td>Lee Ann Kerr</td>
<td>AESO</td>
<td>ISO</td>
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Meeting Summary

Action Items from previous meeting

ATCO and ENMAX (Ken and Mike) provided information on their respective inflation indices.

The DTS levels for the “18 old projects” were updated to reflect the “maximum DTS capacity”. The maximum DTS capacity is the highest contracted DTS level for a POD over the life of the POD.

The principles were revised, and further revisions will be discussed at this meeting.

Contribution policy principles

Prior to finalizing the principles, John provided some rationale for advancing the cost causation secondary principle up to a primary principle. As a result of basing much of our analysis on cost causation, it would seem prudent to escalate the cost causation principle to a primary principle. The new principles are listed below:

Primary Principles

1. Provides Effective Price
2. Maintains Intergenerational Equity
3. Is Based on Cost Causation
Secondary Principles

1. Is Based on Local Costs
2. Is Robust and Sustainable
3. Treats All Load Market Participants Equitably
4. Compensates Utilities Equitably
5. Is Simple, Consistent, and Transparent

Inflation Index

The current AESO index considers StatsCan indices for substation equipment, transmission line systems, industrial structures and APEGGA values. StatsCan has stopped producing one of the indices (as of 2010).

ATCO utilizes a transmission index based on EUCPI and AWE, but excludes the labour component of EUCPI.

ENMAX uses an index based on the EUCPI and monthly Alberta Average Hourly Earnings (AHE) – weighting of each is 50/50.

A graph demonstrated there was very little difference when applying the 3 indices to our average cost function. The AESO will consider a variation of the ENMAX index for further discussion at the next working group meeting.

Upgrade Projects

The group reviewed some information on upgrade projects. AltaLink was able to provide cost estimates for three configurations, based on certain assumptions. The three connection project configurations are described below. Assume a transmission voltage of 138/144 kV and service to a DFO at 25 kV. Assume a geographic location somewhere in east-central Alberta, with no difficult construction conditions. Assume summer construction.

Configuration 1: 17 MW Greenfield
- greenfield construction
- 17 MW load
- one 25 MVA transformer
- 1 km of 138 kV line, single radial connection to existing system substation with addition of 138 kV breaker at system substation
- three 25 kV feeders leaving substation
- in-service date 2013
AML cost estimate +50%/-50% - $8,975,000

Configuration 2: 17 MW Upgrade
- upgrade of existing 10-year-old substation (existing substation as in Configuration 1, with original in-service date of 2003)
- 17 MW increase in load (from 17 MW to 34 MW)
- addition of second 25 MVA transformer
- addition of three more 25 kV feeders leaving substation
- upgrade in-service date 2013
AML cost estimate +50%/-50% - $4,585,000
Configuration 3: 34 MW Greenfield
- greenfield construction
- 34 MW load
- two 25 MVA transformers
- 1 km of 138 kV line, single radial connection to existing system substation with addition of 138 kV breaker at system substation
- six 25 kV feeders leaving substation
- in-service date 2013

AML cost estimate +50%/-50% - $12,663,000

Ken will work on getting ATCO estimates for same configurations.

The AESO will do some further analysis for discussion at our next working group meeting.

Maximal Investment Level

The AESO provided further analysis of investment and contribution levels based on various multipliers. The AESO noted that in Decision 2007-106 on the AESO’s 2007 tariff application, the Commission explained it did not provide “general endorsement of an 80/20 rule as a guiding principle”. The Commission did however assess the investment level such that 79.2% of the data points received at least 80% investment. The resulting investment level covered 88% of costs and 56% of projects. The levels were presented in the project cost coverage calculator.

Impact on TFO Rates

The AESO presented a slide showing the estimate impact of increased investment levels on TFO rates. The graph indicated that after 30 years, TFO rates would increase by approximately 1.5% with investment levels at 150% of current investment levels, and would increase by approximately 3.0% with investment levels at 200% of current investment levels.

Contributions between Utilities

The working group members discussed the concept of contributions between utilities. A discussion took place around how contributions flow through DFO and TFO revenue requirements. The group reviewed the mechanisms/principles matrix and proposed that the difference in principles that are satisfied between the DFO paying a contribution versus a DFO not paying a contribution violated the following principles to some degree:

1. Provides effective price signals
2. Maintains intergenerational equity
3. Is based on local costs
4. Is based on cost causation

The group discussed the various concepts and concluded that parties wanted more time to consider this subject. This will be discussed further at our next working group meeting.

Action Items

1. AESO to post slides from meetings in handout version (2 to a page);
2. AESO to compile information on upgrade outliers; and
3. AESO to investigate effect of including upgrade project cost data in greenfield multiplier analysis.

Next Steps

The next meeting is scheduled for Monday March 5th 9:00 am – 12:00 noon, AESO offices, Room 2506. The following agenda items are proposed:

1. Discuss whether a contribution should be required between utilities;

2. Consideration of appropriate investment levels for upgrade and Greenfield projects;

3. Finalization of mechanism and investment level proposals; and

4. Determination of appropriate inflation index.