July 24, 2013

Interested Parties and Stakeholders
AESO 2014 ISO Tariff Application and 2013 ISO Tariff Update

Dear Stakeholder

Re: Technical Meetings for AESO 2014 ISO Tariff Application and 2013 ISO Tariff Update
Application No. 1609765 and Proceeding ID No. 2718


As noted in the cover letter of its application, the AESO suggested two technical meetings be held to provide an opportunity for participants to more fully understand the information included in the application:

- a workshop for in-depth discussion of the *Alberta Transmission System Cost Causation Study* prepared by London Economics; and
- a more general meeting for discussion of the balance of the proposals in the application.

The AESO accordingly invites stakeholders to participate in the following technical meetings. Please note that these meetings are intended primarily for participants who have registered in the AESO's tariff application proceeding, although other interested parties may attend.

1 **General Technical Meeting**

The first technical meeting will be on the proposals included in the application other than the transmission system cost causation study prepared by London Economics. Details of the meeting are as follows:

<table>
<thead>
<tr>
<th>Time:</th>
<th>1:30 to 4:30 PM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>Thursday, August 8, 2013</td>
</tr>
<tr>
<td>Location:</td>
<td>Royal Room, 2nd Floor, Metropolitan Conference Centre 333 – 4th Avenue SW, Calgary, Alberta</td>
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<tr>
<td>Refreshments:</td>
<td>Beverages and snacks will be provided</td>
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<tr>
<td>Registration:</td>
<td>By 5:00 PM on Tuesday, August 6, 2013, with Tania Berdine, by email to <a href="mailto:tania.berdine@aeso.ca">tania.berdine@aeso.ca</a> or by phone to 403-539-2864</td>
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At the general technical meeting the AESO will summarize the changes in the 2013 ISO tariff update proposed to be effective October 1, 2013, which include:

- updating rate levels for 2013 forecast costs and 2013 forecast billing determinants, resulting in an average 4.2% increase in Rate DTS (net of Rider C);
- introducing Rate XOM, *Export Opportunity Merchant Service*, which removes losses-related charges for exports over the Alberta-Montana intertie; and
- updating Rate DTS maximum investment levels using the 2013 composite inflation index, resulting in a 3.9% increase in investment levels.
The AESO will also summarize the more substantive changes in the 2014 ISO tariff application proposed to be effective July 1, 2014, which include:

- updating the Rate DTS rate design to incorporate findings from the transmission system cost causation study completed by London Economics, which results in:
  - higher proportions of costs being functionalized as bulk system and regional system and a lower proportion as point of delivery; and
  - higher proportions of costs being classified as demand-related;
- updating the point of delivery cost function to incorporate additional greenfield projects as well as upgrade projects, and to utilize a revised and simplified inflation index;
- allocating costs of load shed service for import (LSSI) on an hourly basis similar to the current allocation of operating reserve costs;
- updating rate levels for 2014 projected costs and 2014 forecast billing determinants, resulting in an average 16.9% increase in Rate DTS (net of Rider C);
- calculating an average point of delivery bill impact of 0% based on both Rate DTS and commodity (energy) charges, although individual point of delivery impacts vary from a maximum decrease of -75% to a maximum increase of 60%;
- providing a long-term transmission rate impact projection for 2011-2031 to offer context in which to review the rate changes proposed in the application;
- updating the tariff to reflect current authoritative document guidelines and common definitions;
- updating terms and conditions provisions for system access service requests to clarify responsibilities associated with preparation of connection proposals and need identification documents;
- updating terms and conditions provisions for financial obligations for connection projects to provide additional detail;
- providing additional detail to clarify the classification of participant-related and system-related costs for connection projects;
- updating Rate DTS maximum investment levels to reflect the proposed cost function and directions in Commission Decision 2012-362 on the AESO’s 2012 Construction Contribution Policy Application; and
- providing additional details to clarify the terms and conditions regarding payments and refunds of generating unit owner’s contributions.

Attendees at the meeting are expected to have reviewed and be familiar with the contents of the AESO’s tariff application.

2 Cost Causation Technical Meeting

The second technical meeting will be a more focussed review of the Alberta Transmission System Cost Causation Study prepared by London Economics and the accompanying workbook, included as Appendices E and F of the AESO’s application, respectively. Details of the meeting are as follows:

Time: 1:30 to 4:30 PM  
Date: Thursday, August 15, 2013  
Location: AESO Boardroom, 25th Floor, 330 – 5th Avenue SW, Calgary, Alberta  
Refreshments: Beverages and snacks will be provided  
Registration: By 5:00 PM on Tuesday, August 13, 2013, with Tania Berdine, by email to tania.berdine@aeso.ca or by phone to 403-539-2864
London Economics will participate in this cost causation technical meeting. The discussion will include:

- definitions of bulk system, regional system, and point of delivery transmission cost functions;
- cost causation methodologies, including the voltage method of functionalization used by London Economics;
- functionalization of transmission capital costs for both existing and planned assets, resulting in 60.6% bulk system, 20.1% regional system, and 19.3% point of delivery functionalization of capital costs in 2014;
- functionalization of operating and maintenance (O&M) costs, resulting in 29.1% bulk system, 33.9% regional system, and 37.0% point of delivery functionalization of O&M costs in 2014;
- combined functionalization for capital and O&M costs of 55.2% bulk system, 22.5% regional system, and 22.3% point of delivery in 2014; and
- classification of bulk system and regional system costs, resulting in approximately 91% demand-related and 9% energy-related classification in 2014, on average.

Attendees at the meeting are expected to have reviewed and be familiar with the transmission system cost causation study (Appendix E of the AESO’s application) and workbook (Appendix F of the application).

3 Additional Information

The AESO’s tariff application and related information is posted on the AESO’s website at www.aeso.ca, and may be found by following the path Tariff ► Current Applications ► 2014 ISO Tariff.

If you have any questions on the tariff application or the technical meetings, please contact me at 403-539-2465 or by email to john.martin@aeso.ca.

Yours truly,

[original signed by]

John Martin  
Director, Tariff Applications

cc: Salma Karim, Application Officer, Alberta Utilities Commission  
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Raj Sharma, Senior Tariff Analyst, AESO  
A. J. Golding, Principal, London Economics International LLC