



August 11, 2006

Alberta Electric System Operator
2500, 300 – 5th Ave SW
Calgary, AB T2P 0L4

Attention: Mary-Beth Hansen
Account Coordinator

Dear Ms. Hansen,

**Re: AESO Process Change Consideration
Micro-generation**

EPCOR Utilities Inc. (“EPCOR”) would like to provide the following comments regarding the AESO’s Process Change Consideration document on Micro-generation (“Micro-generation Proposal”) released July 27, 2006.

EPCOR fully supports the AESO’s initiative to establish an interim solution for Micro-generation in Alberta, and commends the AESO for establishing a formal process and soliciting feedback from all interested parties. Until the Department of Energy (“DOE”) releases a final policy on Micro-generation, this process should hopefully provide clarity to all parties dealing with micro-generators in the Province.

While generally supportive of the AESO’s approach, EPCOR does not support the principles that seem to be assumed in some of the qualifying statements presented in the Micro-generation Proposal. Due to the concerns regarding these qualifying statements and limitations of the comment form, EPCOR is therefore responding to the Micro-Generation proposal in letter format to better address the overarching principles that need to be agreed upon before an interim solution can be reached. For greater clarity, EPCOR has also attached to this letter, the response provided to the DOE’s in November 2005 (“EPCOR Proposal”) on the Micro-generation discussion paper release on October 4, 2005. This proposal represents EPCOR’s solution for dealing with Micro-generation in Alberta on a long-term basis, which may vary slightly from the statements made below. Without further direction from the DOE the statements made below align best with an interim solution, while possibly warranting change in a final solution.

Defining Micro-generators

EPCOR’s most fundamental concern arises from the AESO’s proposal to define micro-generators as a *cumulative site capacity of less than 150kW in size, and exports less than 25kW to the AIES*. As outlined in the attached EPCOR Proposal, the term “micro-generation” should only be used for generators that are less than 25kW, as larger

generators cannot be readily accommodated on a distribution system and special arrangements to improve generator economics (such as net-billing) are not supportable above this threshold. Therefore, for customers exceeding the 25kW threshold, EPCOR does not support their classification as “micro” generation. They are typically proposed as part of large commercial or industrial developments, where the cost of connection, interval metering, data management, and power pool settlement represent a small fraction of the total cost of the project. These generators may also require significant and expensive modification or upgrades to the distribution system in order to prevent deterioration of service to other customers.

The Settlement System Code (Section 4.6.1 Distributed Generation) also identifies 25kW as being the point below which the impact on settlement is considered too small to require specific adjustments. EPCOR therefore suggests that any generator with a nameplate rating of less than 25 kW be considered “micro” and afforded treatment under Option 1, as described in the Micro-generation Proposal.

Visibility

Having defined micro-generation as less than 25kW, EPCOR supports the proposal that micro-generators in this category do not need to be visible to the AESO, nor should be required to become a Pool Participant. Although these generators are relatively small in size, EPCOR will continue to track their individual consumption and generation. This information would be available to the AESO upon request.

Generation Metered Data

EPCOR understands this statement to refer to a situation in which a bidirectional cumulative (or interval) meter has been installed, and this meter indicates that during some hours there has been a net export of power by the customer to the system. With this understanding, EPCOR supports this position, as it would have the effect of requiring customers to pay for their use of the transmission and distribution system in proportion to their metered use of that system. Until there is a definitive policy resolution of this matter, this appears to be a reasonable interim policy.

Costs

Other costs incurred by the wire service provider including metering and data management costs would be included in the utility’s revenue requirements to be recovered via the distribution access tariff from all of its customers. Although this represents a cross-subsidy, the amount is expected to be small. This is supportable in the interests of encouraging small scale renewable developments and to reduce the financial incentive to omit notifying the utility of the (hazardous) operation of a parallel generator, and receive “net-metering” by default.

Settlement

EPCOR will prepare a charge for the registered consumption from the distribution system based on all components of the applicable retail tariff including transmission system access (SAS), distribution system access (DAS), energy commodity, retailing charges, franchise fees, and taxes. EPCOR will also prepare a credit for the registered export to the distribution system based on the retail energy commodity charge of the applicable retail tariff. The export credit will be deducted from the consumption charge to produce the net bill to the customer (a reduction in the customer energy commodity charge only). The customer will not receive a net payment when the credit exceeds the consumption charge.

EPCOR appreciates the opportunity to provide comments on this initiative. Please contact me at (780) 412 – 3017 if you have any questions.

Sincerely,

<original signed by>

Richard Stout
VP, Regulatory Affairs
EPCOR Utilities Inc.