



December 11, 2009

TransCanada Pipelines Limited
450 - 1st Street S.W.
Calgary Alberta Canada T2P 5H1

To: Mr. Jim Paton:

Re: **TransCanada Letter on 2010 Loss Factors, October 30, 2009**

The AESO thanks you for taking the time to provide comments on the 2010 Loss Factors. The AESO's responses appear in the order you asked your questions. Additionally, we have posted your letter on our web site as a reference to our responses below.

Question 1: Did the AESO include the Keystone pipeline load for 2010? Information on the substation names and load are attached.

Answer 1: Yes, the Keystone pump station loads are included in the 2010 cases.

Question 2: The AESO stated in the October 21 letter that "Sheerness and Battle River generation are higher and the area load lower". This statement does not agree with the Hanna Area Needs Identification Document. In Table 2.2-1 and 2.2-2 on page 8 of the Hanna Area NID, the forecast peak load is growing at a significant rate with a forecast load growth for the Hanna area of 10.3%. Do the loss factors models for 2010 include the load growth stated in the Hanna Area NID?

Answer 2: For Battle River both load and generation have increased. As shown in the 2010 cases, the generation output has increased more than the load resulting in a higher net out flow in 2010. The loss factor in the Sheerness region has increased over 2009 (0.22%) even though there has been a decline in generation. The slight increase in loss factor is due to the larger shift factor for this year (0.23% higher than last year) and increased generation in the fall cases.

The Loss Factor models will not be the same as the planning models used in the Hanna Area NID. The model difference is because the loss factor and planning processes adhere to slightly different criteria (e.g. the loss factor process uses next year AIES data only, where as a planning model uses long term AIL data) when developing cases. Both results are valid under the criteria used.

Question 3: TransCanada understands that the Keephills 3 generation project has been delayed until Q2 2011. This announcement to shareholders was just made by TransAlta in a press release earlier in the week. TransCanada suggests that this generator be removed from the 2010 loss factor models.

Answer 3: The AESO will keep the Keephills 3 generator in the 2010 loss factor models based on the latest data available to the AESO. For the purposes of the loss factor process, the AESO has used the data for Keephills 3 in a similar way as used in other projects. The AESO understands project details shift during the construction phase. These shifts are taken into consideration in our processes so the information is used in a consistent manner.

The AESO provided specific loss factor assessments in compiling the final loss factor letter, posted on November 6, 2009. Again, thanks for taking the time to provide input.

Yours truly,

“Original signed by”

Robert Baker, P.Eng.
Manager. Forecasting Services

cc: Jeff Nish, P.Eng. Director, Forecasting
Ashikur Bhuiya, P.Eng. Supervisor, Forecasting Services