August 31, 2009

Milner Power Inc.
1220, 715 5th Avenue SW
Calgary Alberta T2P 2X6

Attention: Rob Watson

Re: Your Loss Factor Letter, July 23, 2009

Thank you for your letter dated July 23, 2009. We have provided responses to your questions in the order they were listed.

Question 1. Elimination of Transmission Must Run (TMR) in the Northwest
In their August 21, 2006 letter, the AESO indicated the $300 million Northwest (NW) transmission upgrade would be completed by 2009 and would eliminate future requirements for transmission must run (TMR) in the area. On August 6, 2008, Milner requested the AESO provide a status update regarding upgrades to which the AESO responded;

"Please indicate the exact project(s) you are referring to and the latest documentation. The AESO will update accordingly."

Unlike other major transmission projects in the province, the AESO has not provided updates on the status of the NW upgrade. The latest publicity available forecast of TMR requirements from the AESO that Milner could find is dated October 12, 2007. The document is available on the AESO's web site at http://www.aeso.ca/downloads/2007-10-12_-_TMR_Estimate.pdf. In that document, the AESO forecasts the TMR in the Grande Prairie area will be zero by 2010 and the TMR in the Rainbow area will be zero by 2011.

The 2010 draft GSO does not reflect the AESO's forecast elimination of TMR in the Grande Prairie area. It is anticipated the elimination of TMR in the Grande Prairie area will have a significant impact on the area loss factor. Consistent with Section 31(3) of the Transmission Regulation, if the TMR generation in the Grande Prairie area is forecast to be eliminated in 2010, Milner requests that the AESO remove it from the GSO so that it does not influence the calculation of

2010 loss factor. Alternatively, if the AESO has revised forecast for TMR in the NW, and the Grande Prairie area in particular, please provide the updated forecast and indicated when the AESO anticipates the need for TMR will be removed in the Grade Prairie area.

Response: The AESO has utilized historical data for the TMR units' capacity calculation (please refer to the letter published on TMR issues on May 13, 2008 and the link can be found at http://www.aeso.ca/downloads/GSO_TMR_changes_2009.pdf). Regarding your request on the dates of TMR reductions, TMR will change as the projects are placed in service. The estimated completion dates of the NW transmission are 2012. The AESO will adjust TMR in the GSO based on historical information, system additions, changes in area generation, and changes in area load. For the latest updates on system projects, please refer to:
www.aeso.ca > Transmission > Planning > System Projects > Quarterly Reports.

There exists an opportunity to develop a process to determine the output of these units given the change of the output of these units from TMR to normal merit order. The AESO would be prepared to consult on the treatment of these units prior to the transmission changes.

Question 2. Assumed Dispatch of Northern Prairie Power Generation
Milner notes that the assumed output levels for the Northern Prairie Power project in the summer and fall cases is a constant 10.9 MW. This is the same level assumed in the 2009 GSO issued by the AESO on 2008-08-27. A review of the available historical data for the Northern Prairie generator indicates the average output from this plant has been 4.2 MW. Milner suggests that this is a more appropriate generation level to assume in the Summer and Fall cases of the GSO.

Response: As per the AESO rules (Appendix 6, Section 3.2), the GSO uses owner supplied production profile for all new generation facilities. In absence of such data the AESO uses ICBF (five year average from the latest Canadian Electricity Association Generation Equipment Status Annual Report) for the capacity calculation. The AESO has followed the rule in preparing the 2010 GSO. The AESO will use historical data for two seasons (Winter and Spring) and owner-provided data for the remaining two seasons (Summer and Fall).

Yours truly,

"original signed by"

Robert Baker, P.Eng.
cc: Ashikur Bhuiya, P.Eng.