

January 30, 2018

Dear Market Participants:

Re: Proceeding 22942 – Consultation on 12 Coincident-peak Method and Refunding FortisAlberta Customer Contributions by AltaLink

The Alberta Electric System Operator (AESO) is requesting comments on the following proposed process to address the Alberta Utilities Commission (AUC) direction in its January 19, 2018 letter in Proceeding 22942¹ regarding (1) the coincident metered demand rate design issue and (2) distribution facility owner customer contribution issues.

AESO Proposed Process:

- A. The AESO will offer an opportunity to all participants to prepare submissions to be presented in a facilitated stakeholder session or sessions. The AESO will be a participant in the session(s) and will invite AUC staff to attend as observers. The submissions will be made available for all participants' review in advance of the session(s). The submissions should include:
1. **Coincident Metered Demand Issue:**
 - a. A summary of each participant's position for the bulk recovery methodology, including:
 - i. A recommendation to change the methodology or maintain the existing coincident metered methodology;
 - ii. Any analysis completed by the participant, as well as noting any further data or data analysis that may be required (by the AESO or others); and
 - iii. If a methodology change is recommended, the recommended timing of when the change should be made.
 - b. The participant's proposed weighting of the following five (5) rate design principles applicable to the bulk recovery methodology:²
 - i. Recovery of the total revenue requirement;
 - ii. Provision of appropriate price signals that reflect all costs and benefits, including in comparison with alternative sources of service;
 - iii. Fairness, objectivity, and equity that avoids undue discrimination and minimizes inter-customer subsidies;

¹ Exhibit 29242-X0112.

² Proceeding 29242, 2018 ISO Tariff Application, Exhibit 29242-X0002.01, para 92.

- iv. Stability and predictability of rates and revenue; and
- v. Practicality, such that rates are appropriately simple, convenient, understandable, acceptable and billable.

2. Distribution Facility Owner Customer Contribution Issue:

- a. AltaLink to prepare a summary of its position in regards to FortisAlberta Inc.'s customer contributions as raised in AltaLink's 2017-2018 general tariff application;
 - b. Other interested participants to summarize their position regarding the treatment of FortisAlberta Inc.'s customer contributions as raised in AltaLink's 2017-2018 general tariff application; and
 - c. AltaLink and the other participants to indicate whether AltaLink's proposal should apply to all DFOs or only to Fortis (together with a supporting rationale).
- B. The AESO is initially proposing to address both issues in the same stakeholder sessions, however, depending on the interest and the number of submissions, the AESO may break this into two separate sessions.
- C. After each presentation, there will be a question and answer period for all participants to ask clarifying questions.
- D. Before the close of a facilitated session, next steps can be determined that may include:
- a. Requests for additional facilitated sessions to present further submissions;
 - b. Requests for additional data and analysis; and
 - c. Requests for additional facilitated session(s) to document options, rate design principles' weighting and timing required for any changes.
- E. After the facilitated sessions have concluded, the AESO will host a follow up session to present the recommendations that it proposes to file with the AUC in a revised 2018 comprehensive ISO tariff application.

The AESO intends to inform the AUC before March 30, 2018 of the planned process and any status updates available.

Market participants can submit their comments regarding the proposed process by way of a letter to ISOTariffnotice@aeso.ca by February 8, 2018. In your letter, please advise if you plan to participate in the facilitated session(s), indicate the issue(s) you intend to address, your position in regards to the issue(s) (whether you support a change or not, or whether you are neutral) and whether you intend to present a submission in support of your position.

Yours truly,

Doyle Sullivan, P. Eng
Director, Tariff Design

cc: Miranda Keating Erickson, Vice-President, Markets