



WACHOWICH & COMPANY
Barristers & Solicitors

March 23, 2019

Alberta Electric System Operator (AESO)
2500, 330-5th Avenue SW
Calgary, AB
T2P 0L4

Attn: Brenda Hill
Regulatory Coordinator
Legal & Regulatory Affairs

Dear Madam:

Re: Alberta Electric System Operator (“AESO”)
2018 ISO Tariff Application ID22942-Distribution Facility Owner (DFO)
Contributions

CCA representatives participated in the March 5, 2018 consultation meeting respecting the above. In accordance with the schedule established by the AESO following that meeting, CCA is pleased to provide the following comments:

- a) In CCA’s view a contribution is a tariff. Therefore, an approach where DFO’s are subject to a monthly site-specific tariff, in place of an upfront contribution to the Transmission Facility Owner (TFO), for facilities not covered by the AESO’s investment policy, is a change in form of the tariff and not in substance. CCA agrees with AltaLink that the replacement of contributions by a tariff should not apply to large industrial customers due to potential issues around prudential requirements.
- b) A site-specific tariff could be based on the levelized cost of the facility over its expected service life and reflect the applicable TFO cost of capital and depreciation rates. Replacing a contribution by an equivalent tariff for recovery of the capital costs of a facility may facilitate greater accountability on the part of DFOs for the facilities they request, particularly since contributions would no longer be rate based.
- c) The change in tariff method as described above must include all TFOs and DFOs and any changes should be on a go forward basis and not involve any refund of historical contributions to the TFOs as this may potentially have a shock effect on the DFO’s balance sheet, financing and capital structure and may amount to retroactive rate making. Certain adjustments to DFO PBR capital tracker assumptions may be necessary if the above change in tariff method is implemented on a go forward basis.

James A. Wachowich Robert J. Wachowich

d) There should be a systematized process for planning and coordination between the AESO, the TFOs and the DFOs and the exercise of due diligence and oversight responsibilities by the AESO to ensure the optimum solution is chosen in all situations including ones where choosing a distribution facility solution may be in the interest of the DFO owners but not necessarily in the public interest.

If you have any questions with respect to the above, please contact the writer.

Yours truly,

WACHOWICH & CO.

PER:

JAMES A. WACHOWICH, Q.C.

CCA Legal Counsel