



2000 – 10423 101 St NW, Edmonton, AB
T5H 0E8 Canada
epcor.com

March 23, 2018

Alberta Electric System Operator
Calgary Place, 2500, 330 – 5th Avenue SW
Calgary, AB T5P0L4

Attention: Doyle Sullivan
Director, Tariff Design

Dear Mr. Sullivan:

Re: Proceeding 22942 – DFO Customer Contribution Issue Session

1. EPCOR Distribution & Transmission Inc. (“EDTI”) provides the following comments on the DFO Customer Contribution Issue Session held by the Alberta Electric System Operator (“AESO”) on March 5, 2018.
2. EDTI is in general agreement with the eight principles listed as being important considerations in an optimal construction contribution policy.¹
3. EDTI does not have any specific comments on AltaLink Management Ltd.’s (“AML”) proposal other than that the treatment of all DFOs in the province should be equal. If AML’s proposal is accepted, it should apply to all DFOs, not only FortisAlberta. With respect to FortisAlberta’s presentation, EDTI agrees that the AESO tariff must be applied in an open access, non-discriminatory manner, and that there is a need to address the underlying issue of rising contribution levels and/or insufficient transmission investment levels.
4. EDTI highlights that any proposed changes to the treatment of customer contributions must also consider the impact on cost recovery under both transmission cost of service regulation as well as distribution performance-based regulation. More specifically, EDTI is concerned that any change in customer contribution treatment include mechanisms to ensure that the utility in question is provided with a reasonable opportunity to recover its capital investment including a fair return on that investment under each form of regulation.

¹ Decision 2012-362, pdf page 8: (1) Provide effective price signals (2) Maintain intergenerational equity (3) Be based on cost causation (4) Be based on local costs (5) Be robust and sustainable (6) Treat all load market participants equitably (7) Compensate utilities equitably (8) Be simple, consistent, and transparent

5. EDTI remains concerned that AML's proposal highlights a deeper underlying issue of increasing Customer Contribution amounts being paid by DFOs for transmission facilities without verification that these allocations are just and reasonable and in the public interest, and whether contributions are being allocated to all DFOs in the province consistently.
6. EDTI also notes that there appears to be a flaw in either the contribution policy, or the AESO's application of it. Generally, new transmission facilities, or modifications to existing facilities, that are required for the AESO to meet its obligations under sections 15(1)(e) and (f) of the *Transmission Regulation* and to comply with Alberta Reliability Standard TPL-002-AB1-0 should be classified as system-related components regardless of who initiated the project for which the components were determined to be necessary. There may be advancement costs required if a customer did not provide proper notice or requires the facilities sooner than can be reasonably scheduled, and thus increase the construction cost. But barring those rare occasions, a properly designed contribution policy should be one where system-related components are classified as such regardless of who initiated the project. This does not appear to be the case for either the AESO's proposed tariff, or the manner in which the AESO applies its currently approved tariff. To illustrate this issue, EDTI provides the following examples.
7. In the Needs Identification Document for 138 kV Transmission System Reinforcement in Downtown Calgary² filed with the AUC in 2015, the AESO stated that an outage to one of the 138 kV transmission lines (2.3L) serving downtown Calgary during summer peak loading conditions would cause a thermal overload to another 138 kV transmission line (2.82L) serving downtown Calgary. It identified this as a violation of Alberta Reliability Standard TPL-002-AB-0, and therefore required transmission system reinforcement to alleviate the constraint. This project was classified as a *system project*, with no customer contribution from the DFO.
8. In 2015, EDTI's distribution function submitted a System Access Service Request ("SASR") and Distribution Deficiency Report ("DDR") to the AESO to address reliability concerns of the transmission system in south-central and west Edmonton. In the DDR, EDTI identified a number of existing TPL-002-AB1-0 violations, where an outage to an existing transformer or transmission line would cause another transmission line serving the area to be overloaded. The AESO's preferred solution includes the installation of a new 240/72 kV transformer and a 72 kV transmission line. The costs to install both facilities have been classified by the AESO as *participant-related*.
9. The driver of these two projects is the same. The only difference is that one was identified by the AESO through a system study, the other was identified by EDTI and then confirmed by the AESO through a system study, but the treatment of the costs for transmission development to resolve the issues is entirely different in both cases. Under a principled approach, such inconsistent cost

² Exhibit 21038-X0009

treatment should not occur. The classification of a transmission development required to address an overheating/overloading violation of TPL-002-AB1-0 should be consistent in the province, regardless of who identified the violation or in which load center the violation occurs.

10. Please contact me directly at 780-441-7109 if you have any questions with respect to this letter.

Sincerely,

[Electronically Submitted]

Saqib Chaudhary
Director, Regulatory Affairs
EPCOR Distribution & Transmission Inc.