

March 15, 2018

AltaLink Management Ltd.
Zora Lazic, SVP Law & Regulatory, General Counsel
2611 – 3rd Avenue SE
Calgary, AB T2A 7W7

Dear Ms. Lazic:

Re: **Alberta Electric System Operator (AESO)
2018 ISO Tariff Application
Proceeding 22942
Consultation on DFO Customer Contribution Issue**

Further to the consultation session held on March 5, 2018 with respect to the DFO Customer Contribution Issue, the AESO has the following questions that will further assist the AESO in understanding the AltaLink Management Ltd. (AltaLink) proposal.

1. Please provide a process graphic illustrating the ongoing payment/transaction flows that would occur on a monthly basis and include in the graphic how these rates would be adjusted if capital structure, ROE, depreciation rates, or income tax rates change.
2. Please explain in detail what would happen and provide numerical examples when a CCD adjustment is required for
 - a) a 5 MW contract increase and a 5 MW contract decrease, including how the PILON would be calculated; and
 - b) when connection project costs change.

Use the parameters provided in the presentation where a \$42 million project would result in a \$308,000/month (\$3.7 million/yr) cost to the DFO. Assume an initial DTS contract level of 20 MW and current AESO investment policy and adjust the initial monthly payment accordingly.

3. Please explain the “risk [to a TFO] associated with building, owning, operating and maintaining” where the customer is a regulated DFO.
4. The following is set out on AltaLink Slide 5, bullet 3: “Upon energization TFO refunds the DFO contribution back to the AESO”. As the AESO is currently not a party to the contribution transaction, please explain why a refund to the AESO is being proposed? Could arrangements not be made such that the TFO works directly with the DFO when DFO contributions are required?
5. Please explain why DFO participation would be mandatory. Would this also be applicable to all DFOs in Alberta and if not, identify the DFOs to whom it would be applicable? Additionally, please comment on paragraph 526 of Decision 2011-474, reproduced below:

“526. In response to the submission by the UCA that Rider I should be mandatory for all DFOs, the Utilities stated that there is no rational basis for creating a distinction between standalone and integrated utilities. The Utilities submitted that all utilities are subject to the standalone principle; and

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therefore corporate affiliations should not necessitate use of Rider I any more than they should be a determinant of the appropriate compensation for CIAC. Therefore, the Utilities submitted that Rider I should be optional for all market participants.”

6. AltaLink’s proposal does not comply with the following subsections of the current ISO tariff:
 - Section 8: 7(2) - A market participant must pay construction contribution amounts to the legal owner of the transmission facility in accordance with the financial obligation provisions of section 5 of the ISO tariff, *Financial Obligations for Connection Projects*.
 - Section 9: 2(2) - The ISO must review the construction contribution determination and may determine a construction contribution adjustment is required when ... [the listed conditions do not include anything that reflects AltaLink’s proposal].
 - Section 9: 6 - The ISO must determine the amount of an adjustment to a construction contribution paid for a connection project in accordance with the construction contribution provisions described in the ISO tariff as applied to the transmission facilities when constructed.
 - Section 9: 7(2) - The legal owner of the transmission facilities must refund a construction contribution adjustment ... [the listed circumstances do not include anything that reflects AltaLink’s proposal].

Does AltaLink have suggestions for revisions to these provisions that would allow for a refund of DFO customer contributions to the AESO?

7. Aside from mandatory participation in the AltaLink proposal and only offering the proposal to a DFO, can AltaLink explain how AltaLink’s proposal differs from Rider I?
8. During the session on March 5, AltaLink indicated that it may pursue the application of their proposal retroactively to 2006. Please confirm this possibility and provide details.

AltaLink may respond to these action items as part of its written comments or as a separate response, either of which will be due by the written comment deadline of March 19, 2018.

Please do not hesitate to contact the undersigned if you have any questions.

Sincerely,

< *Electronically Submitted* >

Doyle Sullivan, P. Eng
Director, Tariff Design