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Our File No.: 8794-2132

June 27, 2008

Alberta Utilities Commission
Fifth Avenue Place, 4th Floor
425 - 1st Street SW
Calgary, AB T2P 3L8

Attention: Mr. Chris Burt
Application Officer

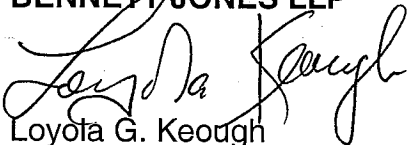
Dear Sir:

**Re: ATCO Electric Ltd.
2008 Rider G Application No. 1571803
Reply Argument**

Please find attached hereto ATCO Electric Ltd.'s Reply Argument in the above-noted proceeding. Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

BENNETT JONES LLP



Loyola G. Keough
Counsel for ATCO Electric Ltd.

LGK/jb
Encl.

ALBERTA UTILITIES COMMISSION

ATCO ELECTRIC LTD.

2008 RIDER G APPLICATION

APPLICATION NO. 1571803

PROCEEDING ID. 50

REPLY ARGUMENT

1. In accordance with the AUC's Procedural Schedule for the referenced Application, ATCO Electric received Argument from PICA, dated June 26, 2007 [sic]. ATCO Electric has provided detailed submissions which addressed many aspects of this 2008 Rider G Application and will direct the AUC and interested parties to the Application itself and Information Responses for the positions advanced by ATCO Electric. However, ATCO Electric does have comments with respect to the need for an external review of reported data and carrying costs calculations as noted by PICA in Final Argument.
2. With respect to the need for a third party review of the reported data, PICA stated in its Final Argument that a review would not duplicate the current Application process, but rather "serve as a supplementary step to the Commission's approval process..." ATCO Electric considers the additional exercise is not necessary and that it would involve a considerable amount of time and expense to complete. This would not be an efficient use of resources when there is already a detailed and thorough process in place where the Application is tested sufficiently by the AUC and interested parties, as outlined in Information Response PICA-AE-1 & 2. It is also important to stress that the AUC granted relief to FAI (FortisAlberta Inc.) in Decision 2008-044 on the requirement to have an audit of its PPDA. In that Decision, the Commission concluded that such a review would involve a certain amount of time and the costs cannot be further justified. ATCO Electric supports this Decision.

3. ATCO Electric takes exception to the following statement by PICA in Final Argument as follows:

“The objective of the recommended review would be to provide additional assurance the amounts being reported are, in fact, in accordance with the books and records of AE. For example, Schedule A.2, 2007 Residual Rider, reports AE collected or booked \$5.966 M in respect of the 2007 Rider G approved amount of \$6.242 M. In PICA’s submission, neither the Commission nor intervenors, through a review of the Application and IR responses, are able to test the reasonableness or accuracy of the reported collection of \$5.966 M.”

ATCO Electric takes the accuracy and reporting of any of its financial amounts very seriously. As noted in PICA-AE-1(b), ATCO Electric has internal controls in place that are reviewed on a quarterly basis by ATCO Electric’s Internal Audit group to test processes and ensure amounts related to deferral account balances and their application are accurate. In addition, as noted in response to CCA/PICA-ATCO-1 from ATCO Electric’s 2007 Rider G Application, the collection/refund amounts approved in any rider application is also subject to a review process undertaken by ATCO Electric’s independent auditor, PricewaterhouseCoopers (PWC). All rider collections or refunds are applied to customer bills with the same level of attention and detail as the application of ATCO Electric’s entire distribution wires tariff. From the initial Application process to the implementation of rates and riders, ATCO Electric does not treat the tracking, reporting and collection of billing amounts differently. ATCO Electric submits there is sufficient testing and working diligence performed in ensuring amounts collected or refunded are accurate and in accordance with the approved rider application.

4. With respect to carrying cost calculations, PICA set out its position on page 3 of its Final Argument as follows:

“As Rider G is an interim rate, essentially a true-up mechanism, it appears the same reasons AE advances in favor of not computing carrying costs to the

\$4.550 M refund in relation to the 2007 Interim Rates [Sch. A.3. Component B] should also apply to the Components D and E. Therefore, PICA submits no carrying costs should be applied to any of these components.”

ATCO Electric submits that the request and mechanism for applying carrying costs on deferral balances has been clearly set out previously in ATCO Electric’s 2005-2006 GTA (regarding the 2006 deferral balances) and 2007-2008 GTA (regarding the 2007 deferral balances). In fact, ATCO Electric is reflecting the actual carrying costs on the 2006 deferral account balances that were approved by the AUC in the 2006 Deferral Adjustment Application (AUC Order U2007-256). Applying carrying costs on deferral balances has been a longstanding practice.

5. ATCO Electric urges the AUC to accept the positions advanced by ATCO Electric, and its proposed 2008 Rider G design which is consistent with the longstanding approach accepted by the AUC.