



June 4, 2008

Alberta Utilities Commission
5th Floor, 640 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Attention: Mr. Robert D. Heggie
Chief Executive Officer

Dear Sir:

RE: ATCO Electric Ltd. Application for Final 2008 Rates

Please find attached ATCO Electric Ltd. request for Alberta Utilities Commission ("AUC") approval to make the currently approved 2008 interim distribution rates and Terms & Conditions **final** effective August 1, 2008.

Should you have any questions, please contact the undersigned at (780) 420-7492.

Sincerely,

Original Signed by James Grattan

James Grattan, CA
Manager, Pricing

JG/by
Att.



1 **INTRODUCTION**

2 ATCO Electric hereby requests Alberta Utilities Commission (“AUC”) approval to make
3 the currently approved 2008 interim distribution rates and Terms & Conditions **final**
4 effective August 1, 2008. ATCO Electric is proceeding with this request as a result of its
5 final review of the last outstanding item from AUC Decision 2008-008, Direction No. 1,
6 with respect to ATCO Electric’s 2008 Distribution Tariff Phase II Refiling Application.
7 This Application sets out ATCO Electric’s response to Direction No. 1 from
8 Decision 2008-008.

9 **A. Overview**

10 In Decision 2007-097, ATCO Electric’s current 2008 distribution tariffs were approved
11 on an interim refundable basis for implementation January 1, 2008, as proposed in
12 ATCO Electric’s 2008 Phase II Refiling Application (1548626). In that Decision, the
13 AUC addressed matters relating to the appropriate interim refundable distribution tariff
14 to be effective January 1, 2008. Subsequently, on January 29, 2008, the AUC issued
15 Decision 2008-008 addressing the remaining matters from the 2008 Distribution Tariff
16 Phase II Refiling Application. With the exception of AUC Directions that will be dealt
17 with at the next Distribution Tariff Application (DTA), in Decision 2008-008,
18 Direction No. 1, the AUC directed ATCO Electric as follows: *“Accordingly, the Board*
19 *directs AE to provide its proposal to deal with the final 2007 AESO tariff as early as*
20 *possible, but no later than 30 days after the approval of that tariff.....”*.

21 Given the timing of ATCO Electric’s 2008 Phase II refiling application and the
22 anticipated timing of the release of the AESO’s 2007 GTA Decision, ATCO Electric was
23 not able to incorporate the final AESO tariff in the cost of service study of its refiling
24 application. As a result, ATCO Electric’s currently approved 2008 tariffs are based on
25 collecting the transmission costs (TAP costs) as forecasted by ATCO Electric in its
26 2007-2008 GTA using the AESO’s June 27, 2006 tariff proposal from its 2007 General



1 Tariff Application. Since it was difficult to estimate the change that would occur in
2 AESO rates in ATCO Electric's refiling application, the AUC recognized that further
3 adjustment would be required to ATCO Electric's final tariff, to reflect any changes
4 arising from the final AESO 2007 tariff.

5 On May 8, 2008, the AUC issued Decision 2008-037 with respect to the AESO's 2007
6 GTA Refiling, approving the 2007 tariff to be implemented effective August 1, 2008.
7 The final approved 2007 tariffs are considerably different in design and structure than
8 the AESO tariff used by ATCO Electric in forecasting the 2008 TAP costs to be
9 recovered in its distribution tariff, including a monthly coincident peak demand as a
10 billing determinant for bulk system charges. Based on ATCO Electric's review of the
11 recently approved 2007 AESO tariff design, the change in TAP costs to ATCO Electric
12 from August 1 to December 31, 2008 will be an increase of approximately \$2 M.

13 ATCO Electric has an existing mechanism in place to collect increases or decreases in
14 the TAP charged to ATCO Electric that occur as a result of changes to AESO rates and
15 rate structure, including differences between the actual and forecasted pool prices. The
16 TAP deferral is calculated by tariff component using actual tariffs and pool prices as well
17 as the final approved forecast volumes, and then comparing to the final approved
18 forecast TAP from the 07-08 GTA by tariff component. The difference due to changes in
19 tariff and tariff structure is accumulated in a deferral account. The deferral amount is
20 later dispensed in a future rider application. Given the long standing methodology used
21 by ATCO Electric to deal with changes in AESO tariffs, ATCO Electric proposes to
22 continue collecting the differences in the monthly TAP charges due to changes in the
23 AESO tariffs (including structure) in a deferral account and dispense the balance via a
24 future Rider G application. This method will ensure both ATCO Electric and all its
25 distribution connected customers are left whole. This will not affect ATCO Electric's
26 transmission connected customers as they continue to bill on a flow-through basis.



1 ATCO Electric submits the above approach is reasonable given the small estimated
2 change in TAP costs for the period.

3 ATCO Electric submits that it has complied with Direction No. 1 from Decision 2008-008
4 and that all outstanding items have been addressed.

5 **B. Approvals Requested**

6 1. Approve ATCO Electric's current approved 2008 interim distribution rates and
7 Terms & Conditions as **final** effective August 1, 2008.

8 2. Confirm that ATCO Electric has complied with AUC Direction No. 1 from
9 Decision 2008-008.

10 ATCO Electric respectfully requests the AUC's approval by July 17, 2008, in order to
11 implement the above requests effective August 1, 2008.