

Loyola G. Keough
Direct Line: 403.298.3429
e-mail: keoughl@bennettjones.com
Our File No.: 8794-2226

December 2, 2008

Alberta Utilities Commission
10055 – 106 Street
Edmonton, AB
T5J 2Y2

Att: Mr. David Cherniwchan
Application Officer

Dear Sirs:

**Re: ATCO Electric Ltd. ("ATCO Electric")
2009 Interim Tariff Application
Application No. 1593221 (I.D. 121)
Final Argument**

Further to the Commission's Schedule regarding the referenced Application, please find enclosed herewith the Final Argument of ATCO Electric.

Should you have any questions regarding this matter, please do not hesitate to contact the undersigned.

Yours truly,



Loyola G. Keough
Counsel for ATCO Electric Ltd.

ALBERTA UTILITIES COMMISSION
ATCO ELECTRIC LTD.
2009 INTERIM TARIFF APPLICATION
APPLICATION NO. 1593221, ID 121
FINAL ARGUMENT

By Application dated October 31, 2008 ATCO Electric Ltd. ("ATCO Electric") requested approval of its proposed 2009 Interim Distribution and Transmission Facility Owner Tariffs pursuant to Section 102 of the *Electric Utilities Act (EUA)*. In this Application ATCO Electric proposed that the 2009 Interim Tariffs be set so as to recover approximately 86% of the proposed revenue requirement increase for Transmission and approximately 77% of the proposed revenue requirement increase for Distribution for 2009 from the proposed revenue requirement amounts specified in ATCO Electric's 2009 – 2010 General Tariff Application (GTA) (No. 1578371), filed July 4, 2008. In arriving at its position respecting the amount of the proposed 2009 revenue requirement that ATCO Electric considered would be appropriate to be recovered under interim rates, ATCO Electric reviewed the cost drivers associated with the transmission and distribution revenue requirements set out in the 2009 – 2010 GTA and excluded those amounts that ATCO Electric determined would be contentious issues for the purpose of establishing interim 2009 rates. ATCO Electric also took into consideration that the transition to final 2010 rates should be as smooth as possible, so that customers do not experience significant rate swings from year to year. Based on the information currently available, customers do not appear to challenge ATCO Electric's proposed 2009 target revenue requirement for the purpose of establishing interim rates. As such, ATCO Electric submits that it has reasonably satisfied the AUC's two-part test as set out in the original Application.

The only Information Request received by ATCO Electric was from the AUC seeking clarification regarding whether it would be more appropriate to offset the proposed rate increase for 2009 with the estimated net refund from ATCO's IT and CC&B Benchmarking settlement agreement. While ATCO Electric was mindful of the

impact the refund would have on interim rates effective January 1, 2009, ATCO Electric would rather put in place rates now that more closely reflect the circumstances of the test period that is currently subject of a GTA; and deal with the results from the Benchmarking Study in a future Rider application early in 2009. This long standing practice of dispensing deferral account balances in a Rider G application, which is typically dispensed over a five-month period, has been used extensively by ATCO Electric in the past. In addition, as noted in response to AUC-AE-1(b), even if the results from the benchmarking study are dealt with in this Application, ATCO Electric would still be required to go through the process of developing a separate rider component that reasonably reflects the manner in which the total refund is to be provided to customers as opposed to directly offsetting the proposed target 2009 revenue requirement for the purpose of establishing 2009 rates. This exercise would require some additional process time.

As outlined in ATCO Electric's letter to the AUC dated September 26, 2008¹, recently, one of the larger components of Rider G has been the collection of the higher than forecast TAP costs from customers. A significant portion of the TAP increase has been a result of higher than forecast pool prices. For this same reason, ATCO Electric is estimating a significant increase in TAP expense for 2008 as well. As a result, combining the benchmarking results with the estimated deferral account balances for 2008 will help reduce the net Rider G to either a small collection or refund.

In bringing forth this Application, ATCO Electric did not propose any new method to arrive at interim rates for 2009. The approach taken by ATCO Electric to establish interim distribution rates by applying scaling factors against current approved rates to meet a target forecast revenue requirement has been used in the past, and approved in Decisions 2005-133 and 2006-132. As a result, ATCO Electric submits that the reasons for approving the scaling adjustment methodology remain appropriate for establishing 2009 interim rates. The total scaling factor adjustment remains comprised of two components, the first relating to the recovery of costs specifically assigned to the distribution function and the second component recovering TAP charges from the AESO.

¹ ATCO Electric's Proposed Schedule to Dispense of Benchmarking Results submitted as part of ATCO's 2003-2007 Benchmarking and I-Tek Placeholders True-Up Application No. 1562012, Proceeding ID. 32

ATCO Electric proposes to continue to utilize the deferral account approach to capture any differences that may arise as a result of the revenue requirement being changed by the AUC's final decision on the Phase I GTA. Any adjustments as a result of a difference between the interim tariff and the final tariff will be dispensed at a later date through a future rider application.

For the reasons detailed above, ATCO Electric submits that its request to recover the proposed target revenue requirement amounts specified in this Application based on the approach outlined herein on an interim refundable basis, effective January 1, 2009, is reasonable and appropriate. ATCO Electric requests that the AUC approve its Interim Tariff Application as filed.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 2nd day of December, 2008.