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Our File No.: 8794-2226

December 9, 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)
Reply Argument**

Further to the Commission's Schedule regarding the referenced Application, please find enclosed herewith the Reply 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
REPLY ARGUMENT

ATCO Electric prepared its Argument-in-Chief in the context of having received only one information request from the AUC regarding its interim 2009 rate request. In addition, no significant concerns were raised by other Interveners during this stage of the Application. Based on these circumstances and the AUC's criteria for establishing interim rates, ATCO Electric elected to summarize, at a high level, those issues which it considered to be the appropriate focus of parties. These issues included ATCO Electric's assessment to determine a proposed target 2009 revenue requirement for the Transmission and Distribution business units and the proposed methodology to scale existing approved rates for the purpose of establishing interim 2009 distribution rates. ATCO Electric submits that the positions it has put forward in the Application remain reasonable and valid; as such, ATCO Electric did not see a need to exhaustively repeat these views again in Argument.

The only Argument received regarding this Application was from the UCA. In its submission, the UCA appears to suggest that ATCO Electric did not provide a "complete explanation" to justify how it satisfied the AUC's two-part test, notwithstanding the detailed information provided. In reality, it is the UCA who has failed to provide any support or basis for its arbitrary conclusions of recommending a maximum interim increase of 25% for Distribution and 50% for Transmission. Significant reductions in the interim increase requested by ATCO Electric to these levels would be nothing short of punitive. While the AUC may ultimately direct certain reductions in ATCO Electric's requested revenue requirement, disallowance of this magnitude are unheard of based on past experience.

As well, the UCA's proposal certainly does not provide any explanation of how its requested level of interim rate increase would provide a stable transition to 2010 distribution rates. In fact, the UCA's only attempt to support its suggested level of increase was based on a broad and general reference to what UCA might address in Evidence in ATCO Electric's 2009 – 2010 GTA. This does not provide a basis for rejecting ATCO Electric's request.


ATCO Electric did not arrive at its proposed 2009 increases cavalierly. As set out in the Application, ATCO Electric provided a "calculated" level of the quantum and need for the interim rate increase based on the best available information. This examination was conducted in the context of reviewing which cost drivers identified in the 2009 – 2010 GTA could be excluded for the purpose of establishing interim 2009 rates while not impacting ATCO Electric's ability to provide safe and reliable service to customers. ATCO Electric must also maintain an ability to complete forecasted work in an environment where it is facing significant cost pressures regarding the services it provides. To deprive ATCO Electric of an opportunity to collect the revenue required to provide such service would negatively impact its financial position. Additionally, when combined with the current uncertainty in the financial markets, any further target revenue reductions would only jeopardize ATCO Electric's financial integrity.

In Argument, the UCA appears to suggest that the recent released Decision 2008-113 regarding ATCO Gas' 2008 – 2009 GRA may influence the determination of the proposed target revenue requirement being sought in this Application. ATCO Electric wishes to point out that at no time throughout this Application was there any reference made to this Decision or GRA related matters. The decision regarding ATCO Electric's 2009 – 2010 GTA will be based on the record to that proceeding as it develops.

UCA's submission is without support and should be rejected by the AUC in its consideration of establishing interim 2009 rates.

The UCA does not oppose ATCO Electric's proposed scaling methodology to determine interim rates, ATCO Electric's proposal to use the next Rider Application to refund amounts relating to the Benchmarking study or the requested Rider B – Balancing Pool Adjustment Rider. As a result, no further comment is required regarding these items.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 9th day of December, 2008.


Loyola Keough
Counsel for ATCO Electric Ltd.