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Our File No.: 8794-2115

December 5, 2006

Alberta Energy and Utilities Board
640 - 5th Ave. S.W.
Calgary, AB
T2P 3G4

Att: Mr. Chris Burt
Application Officer

Dear Mr. Burt:

Re: Application NO. 1482833
ATCO Electric Ltd. ("ATCO Electric")
2007 Interim Tariff Application

ATCO Electric received Arguments from the FIRM Customers and the Industrial Power Consumers Association of Alberta ("IPCAA") regarding the referenced Interim Tariff Application.

ATCO Electric will first address the submission made by IPCAA, as these comments can be disposed of quite easily. First, bald assertions, without a shred of support, that ATCO Electric's requested rate increases are "excessive" or its case "weak", are simply unhelpful to the process. As stated in Argument, ATCO Electric's requests herein are based on the best information available at this time. IPCAA's inflammatory comments do not counter the detailed information provided by ATCO Electric and certainly do not provide a basis for denying ATCO Electric's request.

Second, IPCAA purports to refer to some "long-standing" policy of the Board approving interim rates at current levels. If such a "policy" exists it is unknown to ATCO Electric and appears to be at odds with the Board's two-part test that appears to be understood by both ATCO Electric and the FIRM Customers. At least the FIRM Customers acknowledge that there will likely be a revenue deficiency and it could be material (p. 4). IPCAA makes reference to Decision 2002-110, a decision involving AltaLink and TransAlta's 2003 Interim Tariff Applications. ATCO Electric submits that the circumstance of its current case bears no resemblance to this past decision. IPCAA appears to ignore the past treatment of interim rate requests made by ATCO Electric. Interim rates have been an effective means of reducing the accumulation of any deferral, while treating ATCO Electric fairly in the circumstances.

In short, IPCAA's submissions are without merit and should be rejected by the Board in its consideration of this Interim Tariff Application.

Turning now to the submissions of the FIRM Customers, it appears that the FIRM Customers are prepared to recognize that a significant interim increase in rates is warranted. The debate is with respect to the quantum of such interim increase.

In its attempt to justify an increase equal to 60% of the overall amount requested by ATCO Electric, the FIRM Customers appear to suggest that, if they consider a matter "contentious" and propose to debate it in the upcoming GTA, then ATCO Electric should receive a zero percent interim increase for these items. While the FIRM Customers indeed have a consistent track record of debating various matters in the context of a GTA, regardless of whether a justifiable basis exists or whether the item is material; fortunately, this is not the criterion for determining if a request is reasonable and appropriate.

The FIRM Customers' attempt to create an impression of precision in their derivation of an appropriate level of increase. However, even a cursory examination of the FIRM Customers' position confirms that this "precision" has been achieved by an arbitrary assignment of percentages (ie. 50% and 0%) to various items. These percentages are derived because the FIRM Customers simply do not want to agree with an increase equal to 100% of the requested amount. Simply disagreeing with ATCO Electric's requested increase does not detract from the fact that ATCO Electric's position is the one based on the best available information. As indicated in ATCO Electric's Argument, simply because the FIRM Customers attempt to selectively focus on certain historic information, does not lead to the conclusion that its position has been justified.

In conjunction with the justifications provided in the 2007-08 GTA filing, ATCO Electric has pointed out that the requested interim increases relate to items it intends to pursue in 2007 in order to provide safe and reliable service to customers. While it is recognized that various items will be debated in the upcoming GTA, this again does not justify the arbitrary decreases formulated by the FIRM Customers.

No party appears to take issue with ATCO Electric's scaling approach for Transmission and Distribution or with the requested Rider B – Balancing Pool Adjustment Rider. No further comment is required regarding these items.

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ATCO Electric submits that its requested interim rate increases have been justified and are required to maintain the financial integrity of the company. Otherwise, ATCO Electric will be required to carry a significant, and unwarranted, financial burden for a lengthy period of time. ATCO Electric requests that its requested Interim Tariff Application be approved, as filed.

Yours truly,

BENNETT JONES LLP

A handwritten signature in black ink, appearing to read "Laura Keough". The signature is fluid and cursive, with the first name "Laura" written in a larger, more prominent script than the last name "Keough".

Counsel for ATCO Electric Ltd.