

April 7, 2011

To: 2011-2012 AUC Administration Fee assessment recipients

**RE: 2011-2012 AUC Administration Fee**

The Alberta Utilities Commission (AUC) recovers its operating and capital costs through an assessment of the natural gas and electricity sector participants that it regulates. As in the prior two fiscal years, the 2011-2012 AUC Administration Fee will be collected in two portions. The initial collection will occur in early April and represent the AUC's estimated net expenditures for April to December. The second collection, representing the remaining three months of the AUC's fiscal year, will occur in December.

For the 2011-2012 fiscal year the budgeted operating and capital costs of the AUC are \$34.3 million. The 2011-2012 budget is 4.3 per cent higher than the 2010-2011 budget of \$32.9 million. The budget increase is primarily driven by the expected application workload and increases in operating costs.

In determining the individual administration fee amounts, the cost assessment model used by the AUC allocates cost responsibility in two steps. The first step allocates costs to each category of market participant based on staff effort spent in each category. The second step allocates the category amounts to the participants in those categories based on their revenue requirements and number of customers. Certain category amounts however cannot be allocated using the second composite step. For example, all costs for our work in the markets and electric transmission areas are collected entirely from the Alberta Electric System Operator through its trading charge and tariff, respectively. As a result category and individual amounts may vary from the 2011-2012 budget increase of 4.3 per cent.

In the coming year the AUC will be responding to a heavy base load agenda with a particular emphasis on electricity infrastructure related work. Additionally, resources will be expended advancing initiatives in rate regulation intended to create efficiency incentives for distribution system operators. Our administration fee and associated allocations reflect these priorities.

For questions or concerns related to this year's administration fee, please contact Tony Rosgen at 403-592-4409, or by email at [tony.rosgen@auc.ab.ca](mailto:tony.rosgen@auc.ab.ca).

Yours truly,

*(original signed by)*

Robert D. Heggie  
Chief Executive