

April 12, 2010

To: 2010-2011 AUC Administration Fee assessment recipients

RE: 2010-2011 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 (companies and the AESO) that it regulates. A cost assessment model is used to allocate cost responsibility among industry categories and to set fees for specific participants within each category. Similar to 2009-2010, the 2010-2011 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 November.

The AUC's planned fiscal year 2010-2011 operating and capital costs are \$32.9 million. The 2010-2011 plan is 3.5 per cent higher than the 2009-2010 budget of \$31.8 million and 0.6 per cent higher than the 2008-2009 budget of \$32.7 million. The increase in our 2010-2011 budget is primarily driven by an unavoidable pension cost increase and costs related to new initiatives.

The cost assessment model used by the AUC allocates cost responsibility in two steps. The first step assigns direct costs and allocates common costs to each category of market participant (e.g., electricity distribution, gas transmission etc.) based on estimates of staff effort spent in each category. The second step allocates the responsibility to recover the costs within the categories to the participants in those categories based on their revenues and number of customers. For the 2010-2011 planning period we anticipate a period of high regulatory demand in the electric transmission category. Our forecast is based on the clear government objective to strengthen the transmission grid, an anticipated extended period of strong investment in transmission infrastructure, and our annual 24-month forecast survey of utilities. As a consequence the allocation in the electric transmission category has increased by \$2.1 million.

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.

Yours truly,

(original signed by)

Robert D. Heggie
Chief Executive