

December 23, 2009

Alberta Utilities Commission
10th Floor, 10055 – 106 St.
Edmonton, Alberta T5J 2Y2

**Attention: Mr. Michael Hagan, P. Eng.,
Executive Director, Rates,
Utilities Division**

Dear Mr. Hagan:

Re: Direct Energy Regulated Services Regulated Rate Tariff Transition Rate for January 2010

Direct Energy Regulated Services (DERS) is filing with the Alberta Utilities Commission (Commission or AUC) Regulated Rate Tariff (RRT) transition rates for January 2010 for the service territory of ATCO Electric Ltd.

The derivations of these rates are detailed on the attached supporting schedules. DERS has also attached a letter from the advisor stating that he has reviewed the rates and confirms that they are calculated in accordance with DERS' EPSP. DERS has also attached signed copies of the Certification of Compliance from the independent advisor, consultation party representatives and DERS for the January 2010 time period.

On page 52 of Decision 2006-107, the Alberta Energy and Utilities Board directed DERS to update the pre-tax return margin each year by applying the forecast income tax rate to the Board approved after-tax return margin of \$1.75/MWh. Consistent with the forecast included in DERS 2009-2011 DRT/RRT Non-Energy Application No. 1600749, DERS is applying a 28% forecast income tax rate for 2010 to the approved after-tax return margin of \$1.75/MWh, resulting in a pre-tax return margin of \$2.43/MWh.¹

As such, DERS has included the 2010 pretax Return Margin of \$2.43/MWh in the January 2010 RRT Energy charge calculation. To aid in comparison, DERS has compiled the table below:

| <i>Year</i> | <i>Tax Rate</i> | <i>Resulting Pre-Tax Return Margin</i> |
|-------------|-----------------|--|
| 2009 | 29.0% | \$2.46/MWh |
| 2010 | 28.0% | \$2.43/MWh |

Attached for the Commission's acknowledgement is DERS' Rider "P" Energy Charge Schedule applicable to Rates E1 through E7 for April 2009. The RRT Rate Schedule including Rider "P" was filed as Attachment #9 as part of the 2006-2011 EPSP Application. The RRT Rate Schedules were approved in Order 2008-374 with respect to DERS' 2009 Interim Default Rate Tariffs and Regulated Rate Tariffs Non-Energy Application. The energy charges contained in the attached Rider "P" were determined in accordance with Schedule E of the Energy Price Setting Plan contained within the Settlement Agreement approved in EUB Order 2006-108. For the Commission's information, DERS has also attached the Rider "P (REA)" Energy Charge Schedule applicable to REA farm and irrigation service.

¹ AUC Decision 2009-238 – Direct Energy Regulated Services 2009/2010/2011 DRT and RRT Non Contested Items (Application No. 1600749) (Released: December 3, 2009), p.22

Should you require additional information please contact the undersigned at 403-290-5378.

Yours truly,

<ORIGINAL SIGNED BY S. PUDDICOMBE>

Sarah Puddicombe

Analyst, Government & Regulatory Affairs, Canada West

Direct Energy Marketing Limited

Direct Energy Regulated Services is a business unit of Direct Energy Marketing Limited