

Direct Energy Regulated Services (DERS)

Regulated Rate Tariff (RRT) Transition Rate for the Period July 1, 2004 Through September 30, 2004

What is happening to regulated electricity rates?

Changes to government legislation enacted in 2003 require regulated electricity providers to offer only a transition rate to eligible customers by no later than July 1, 2004. Until June 30, 2004, regulated customers served by DERS in the ATCO Electric Ltd. service territory have been provided electric energy under a pool price flow through rate. Effective July 1, 2004, DERS' customers will be served under a rate that is fixed for three-month periods. This is called an RRT transition rate, and will be in place until June 30, 2006. The current legislation mandates a return to pool price flow through rates at that time.

How is the RRT transition rate determined?

DERS does not own any electric generating capacity. Therefore, under a Price Setting Plan approved by the EUB, DERS purchases blocks of electricity for its customers under contracts with varying terms at varying fixed prices. Representatives of consumer groups, as well as an independent advisor, participate in all purchase decisions with DERS. The rates to consumers represent a blended price of the electricity purchased, and include costs related to DERS' procurement activities and compensation for the consumer groups' and advisor's participation. The rates are filed with the EUB, as are details supporting their derivation. The rates will be effective for 3 months, at which time DERS will file new rates for a subsequent 3 month period.

What is the Energy Price Setting Plan mentioned above?

DERS negotiated with consumer groups in arriving at the Energy Price Setting Plan. These negotiations were conducted under the EUB's Negotiated Settlement Guidelines, and all meetings were attended by an EUB observer. Upon completion of negotiations, DERS filed the Settlement Agreement, including the Energy Price Setting Plan, with the Board, and received approval on April 30, 2004. The Energy Price Setting Plan sets out the details of how DERS is to acquire electricity for consumers, what costs are allowable, and how the RRT transition rate is to be calculated. The Energy Price Setting Plan also specifies the involvement of consumer groups throughout the process. For example, DERS can only purchase electricity if the price is at or below a price for the volume and term specified by the consumer groups. The consumer groups and the independent advisor must agree with DERS' calculation of the RRT transition rates before they are filed with the Board.

Are electricity rates increasing over June?

The answer to this question will be customer-specific. Up to July 1, 2004, consumers paid for their electricity under a pool price flow through rate. This means that the rate for electricity on each customer's bill reflected the average of the power pool price over

that customer's billing period. Because the power pool price varies on an hourly basis, each billing cycle will have a different average rate. For example, customers with a billing period from May 14 through June 15 had an average rate of 9.1152 cents per kWh, while customers with a billing period from May 18 through June 17 had an average rate of 7.2781 cents per kWh. Under the RRT transition rate, all customers within the same customer class will pay the same rate for each 3 month period.

What is the RRT transition rate for July through September?

The RRT transition rates are as follows:

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| Residential | 7.900 ¢ per kWh |
| Commercial | 7.913 ¢ per kWh |
| Industrial | 7.442 ¢ per kWh |
| Farm, including REAs | 7.614 ¢ per kWh |
| Irrigation, including REAs | 7.482 ¢ per kWh |
| Oil & Gas | 7.495 ¢ per kWh |
| Lighting | 5.316 ¢ per kWh |

Is this change due to DERS taking over retailing for ATCO Electric?

No. The government legislation requiring regulated providers to offer only an RRT transition rate after July 1, 2004 applies to all regulated entities in Alberta. This requirement would have applied to ATCO Electric, had they still been the regulated retailer, in the same manner it applies to DERS.