BOARD ORDER: MGB 117/05

IN THE MATTER OF THE *Municipal Government Act* being Chapter M-26 of the Revised Statutes of Alberta 2000 (Act).

AND IN THE MATTER OF COMPLAINTS respecting Linear Property Assessments for the 2004 tax year filed on behalf of ATCO Power Ltd. and Alberta Power (2000) Ltd.

BETWEEN:

ATCO Power Ltd. and Alberta Power (2000) Ltd. as represented by Wilson Laycraft LLP - Complainants

- a n d -

The Designated Linear Assessor for the Province of Alberta as represented by Brownlee LLP - Respondent

BEFORE:

Members:

A. Savage, Presiding Officer
M. Chilibeck, Member
D. Thomas, Member

Secretariat:

M. d'Alquen
P. Wong

Upon notice being given to the affected parties, a hearing was held in the City of Edmonton in the Province of Alberta from Monday, May 30, 2005 to Friday, June 10, 2005. The hearing was related to complaints filed with the Municipal Government Board (MGB) regarding assessments prepared by the Assessment Services Branch of the Alberta Ministry of Municipal Affairs regarding the Linear Property Assessment Unit Identifiers (LPAU-IDs) listed in Appendix C of this Order.

OVERVIEW

The LPAU-IDs under complaint make up five electric power generation plants. Alberta's legislative scheme classifies most power generation plants - including the subject plants - as linear property. As such, they are assessed pursuant to rules set out in the "Alberta Linear Property Assessment Minister's Guidelines" (Guidelines), which are amended by Ministerial

Order from year to year. The Designated Linear Assessor (DLA) of the Department of Alberta Municipal Affairs is responsible for applying the Guidelines to prepare the assessments.

Amongst other things, the Guidelines require the DLA to apply depreciation to a base cost amount established by "Schedule A" and "Schedule B". This depreciation is split into amounts under "Schedule C" and "Schedule D". Schedule C depreciation is set out in tables that the DLA applies using a relatively simple mechanical method. The Guidelines state that Schedule C depreciation is "exhaustive". However, for some properties - including the subjects – they also allow the DLA to apply additional Schedule D depreciation if "acceptable evidence of loss is provided and documented by the linear property owner". The current dispute centres on whether the Respondent has provided "acceptable evidence of loss", thus qualifying for additional Schedule D depreciation.

The Complainants argue that each of the facilities under complaint has sustained a loss in value that is not fully reflected in the age-life depreciation tables set out under Schedule C of the Guidelines. Furthermore, they assert that the Respondent ought to have granted further depreciation under Schedule D of the Guidelines to reflect the additional losses in value.

The Respondent argues that the subject facilities have already received Schedule C depreciation, which is "exhaustive" under the Guidelines. Furthermore, it says that Schedule D only provides authority to grant additional depreciation due to losses stemming from extraordinary or catastrophic events which the Complainants have failed to prove.

Appendix C of this Order indicates the totals for each plant as well as the specific outstanding properties under complaint.

BACKGROUND

Description of the Subject Properties

The electrical power generating plants under complaint are known as HR Milner, Valleyview, Poplar Hill, Rainbow 1, 2, 3, and Sturgeon. Brief descriptions of these plants are as follows.

- HR Milner is a 145 megawatt (MW) coal fired steam run generating plant. It started operating in 1972 and has remained largely as built, although it has received limited additions such as environmental equipment. HR Milner is located in the Municipal District of Greenview and was assessed at $24,921,140 for the 2004 tax year.

- Valleyview is a 45 MW generating plant built in 2002 with a single gas fired turbine with synchronous condenser. The plant is located in the Municipal District of Greenview and was assessed at $26,658,590 for the 2004 tax year.

- Poplar Hill is a 45 MW generating plant built in 1998 with a single gas fired turbine with synchronous condenser. The plant is located in the County of Grande Prairie and was assessed at $22,910,270 for the 2004 tax year.

- Rainbow 1, 2, 3 is an 88 MW generating plant built in 1968 with three gas fired turbines. Turbine 1 dates from 1961, and turbines 2 and 3 from 1970 and 1966. The plant is located in the Municipal District of Mackenzie and was assessed at $10,260,090 for the 2004 tax year.

- Sturgeon is an 18 MW generating plant built in 1957 with two gas fired turbines. Turbine 1 dates from 1957 and Turbine 2 from 1953. The plant is located in the Municipal District of Greenview and was assessed at $2,080,880 for the 2004 tax year.

Appendix C of this Order sets out the separate LPAU-IDs in relation to these properties.

Deregulation of the Alberta Power Generation Market

These complaints take place in the context of the Alberta power market, which began deregulation in 1995 or 1996. A basic description of certain features of this market is required to appreciate some important arguments advanced during this hearing, particularly in relation to market value and economic obsolescence. These features were described by expert witnesses appearing before the MGB panel and are outlined briefly below.

Power Purchase Arrangement Auctions

Power Purchase Arrangements (PPAs) were auctioned as part of the deregulation process. These arrangements allowed buyers to obtain certain rights in relation to pre-deregulation facilities. The most basic of these rights is the right to generate power from the facilities and sell it into the energy and ancillary services markets. In return for remuneration fixed by the PPA, the facility owners also undertook certain obligations, including the obligation to make their facilities available to the PPA purchasers. HR Milner, Sturgeon, and Rainbow 1, 2, 3 were all operating before 1995 and were, therefore, part of the PPA auction process.

Hourly Power Generation Market

Power generation deregulation was accomplished by initiating an hourly market. Under this system, electrical generating units submit daily offers to sell portions of their capacity with up to seven differently priced blocks of capacity allowed per unit. Offers are then pooled and "stacked" so that a dispatcher may call upon capacity as required for the lowest available price. A unit that is dispatched and operates for an hour receives the Alberta Electric System Operator (AESO) price for that hour irrespective of the offer price. Thus, a unit can ensure dispatch by offering at $0.00 and then collect the going AESO price for each hour of operation.

Ancillary Services and Other Remuneration

The AESO deploys a number of mechanisms to maintain grid stability and reliability. Some of the mechanisms discussed at this hearing include operating reserve contracts, locational credit programs for generators located in supply deficit areas, and transmission-must-run (TMR) contracts.

Operating reserves contracts: Operating reserves are supplied as capacity availability rather than energy. The province requires maintenance of operating reserves equivalent to a certain percentage of the demand for electricity at any given time. To this end, AESO acquires operating reserves on a daily basis through a competitive market operated by the Alberta Watt Exchange. Operating reserves are acquired for all hours of the day and are generally priced at a discount to the energy price.

Transmission-must-run: TMR contracts oblige a generation facility to provide electricity when load exceeds generation in return for compensation, thus reducing transmission system congestion.

Line loss credits and debits: Line loss credits and debits encourage power generation in areas of the province where demand exceeds production. In simple terms, electricity producers far from the main generating areas receive a premium for their output, while prices paid to producers within the main generating areas are discounted. This arrangement encourages electrical generation in deficit areas, thus easing strain on the transmission system and reducing inefficiencies caused by long distance transmission. Line loss credits vary both seasonally and from year to year and are earned only when electrical generation occurs.

Recommendations Resulting from Computer Input Errors

During the course of the hearing, the Respondent indicated that review of the subjects' assessments had revealed assessment errors for some properties resulting from mistaken computer inputs. These errors were not related to any of the grounds of appeal; however, the Respondent recommended reduced assessments based on the corrected inputs.

PRELIMINARY ISSUES

Preliminary Issue 1: Confidential information

Before this hearing began the MGB held a series of preliminary hearings to resolve matters such as disclosure of evidence, timing of the merit hearing and other procedural matters (decision letters DL 057/04, DL 113/04, DL 139/04, DL 015/05, DL 030/05, DL 067/05 and DL 72/05). During these preliminary hearings, the Complainants indicated they would request the merit hearing panel to adopt measures to protect commercially sensitive information. In particular, the

Complainants wished to protect information pertaining to the efficiency measures or "heat rates" of the various facilities under complaint.

In final argument, the Complainants clarified their request for protection:

> "ATCO acknowledges that as for the newer facilities, the manufacturer does publish an intended heat rate for the turbine itself. The table in page 26 [of Mr. Davies' report] represents the actual heat rate from the facilities themselves as operated by ATCO. ATCO would prefer that information not be publicized to the extent the Board can protect that information in the context of a full and fair decision.
>
> Otherwise, ATCO has been provided a copy of the transcript and from this point in their review, they have determined that the evidence in chief in the cross examination concerning their facilities did not lead to areas which they would consider confidential."

The MGB wishes all parties to participate fully in the hearing process by disclosing all information relevant to the complaints. To this end, the MGB will protect information of a confidential nature to the extent possible under the legislation and in the context of a fair and open hearing. Therefore, the MGB has sealed page 26 of Mr. Davies' Report pursuant to section 9.3 of the MGB Procedure Guide.

Preliminary Issue 2: Respondent's Application to Exclude Evidence

Summary of Respondent's Position

The Respondent requested the MGB to exclude some of the Complainants' rebuttal material exchanged prior to the hearing based on two main grounds, as follows.

Ground (1) The Complainants' rebuttal material contains new evidence, much of which relates to what Schedule C depreciation is intended to encompass. This evidence was available to the Complainants when they made their first submissions and ought to have been included then. By introducing this evidence as rebuttal, the Complainants have improperly "split their case".

Ground (2) Some of the Complainants' rebuttal evidence also refers to the Machinery and Equipment Assessment Guidelines (M&E Guidelines) which are irrelevant to the regulated linear assessment process.

The particular evidence that the Respondent sought to exclude included the following:

- the evidence and willsay statement of the Larry Kennedy and a letter from Larry Kennedy dated May 24, 2005,

- the Rebuttal Reports of the witnesses Don Davies and Grant Clark and the willsay statement of Grant Clark,
- a report entitled "2004 Alberta Electrical Energy Industry Statistics" prepared by Energy Demand Consulting Associates Ltd. (the EDC Report),
- a report entitled "Fortis Inc. Depreciation Study Calculated Annual Accrual Rates Applicable to Plant in Service at December 31, 2003" prepared by Gannett Fleming (the Gannett Fleming Report), and
- the 2003 Alberta Machinery and Equipment Assessment Manual.

Summary of Complainants' Position

In reply to the Respondent's Ground (1), the Complainants argued that they did not know what the Respondent considered to be included under Schedule C until they received the Respondent's submissions. Therefore, they now require an opportunity to rebut that position. In reply to Ground (2), the Complainants indicated that the M&E Guidelines treat depreciation in a similar manner to the (linear) Guidelines. Therefore, the effect of market value on Schedule D depreciation under the M&E Guidelines is relevant to Schedule D depreciation for linear property.

MGB Decision

The Respondent's request to strike the Complainants' rebuttal evidence is denied.

Reasons - Ground (1): Late Introduction of Evidence

The Complainants' evidence and argument as to the scope of both Schedules C and D will assist the MGB to arrive at a fair and fully informed decision regarding the complex issues under complaint. Furthermore, the MGB is satisfied that admitting these submissions in rebuttal will not prejudice the Respondent. In this regard, the MGB notes that the Respondent did not indicate that it was unprepared to proceed with the merit hearing as a result of late disclosure; neither did it claim that more time was required to prepare. In short, the MGB is satisfied that the Respondent had full opportunity prepare for the rebuttal evidence and argument and address it at the hearing.

The MGB notes that it is the first level of hearing for linear property complaints. Furthermore, the MGB's informal disclosure process is unlike that of the courts in that there is no pre-hearing opportunity to explore opposing positions fully through pleadings and discovery. These circumstances argue in favour of wider latitude for inclusion of evidence to ensure full and fair consideration of the matters under complaint.

With respect to the willsay statement of Mr. Clark, the Gannett Fleming Report and the EDC Report, the following more particular comments apply.

- The MGB reviewed its earlier orders regarding the willsay statement of Mr. Clark and finds that his willsay statement meets the requirements set.

- The Respondent itself referred to portions of the Gannet Fleming report in its submissions; hence, the MGB believes the Complainants are entitled to submit the balance of the report in rebuttal.

- The MGB believes the EDC Report regarding 2004 Alberta Energy Industry Statistics may be relevant to show trends in conjunction with the 2002 report. However, the MGB recognizes that the assessor could not have had access to the 2004 report when preparing the assessments and will take its "ex post facto" nature into account when attributing weight.

Reasons - Ground (2): Relevance of Machinery and Equipment Guidelines

The MGB was not prepared to make a finding as to the relevance of similarities or differences of approach taken under the Schedule D depreciation in the M&E Guidelines without first hearing the evidence and argument on that matter. Therefore, this category of evidence was admitted.

ISSUES

The question at hand is whether the DLA should have granted additional "Schedule D" depreciation in relation to the generating facilities under complaint. This question raises the following issues.

Issue 1: What kind of depreciation is accounted for under Schedule C?

Issue 2: What kind of depreciation remains to be covered under Schedule D and how can it be calculated? In particular, how should market value indicators of loss of value be treated?

Issue 3: In view of Issues 1 and 2, does the evidence presented support and quantify additional depreciation under Schedule D for the subject plants?

LEGISLATION

In order to decide these matters, the MGB examined the relevant legislation, including the following provisions.

Municipal Government Act (Act)

Section 284(1)(g) defines electric power systems. Section 284(1)(k)(i) then includes electric power systems as linear property.

284 (1) In this Part and Parts 10, 11 and 12,

(g) "electric power system" means a system intended for or used in the generation, transmission, distribution or sale of electricity

(k) "linear property" means

(i) electric power systems, including structures, installations, materials, devices, fittings, apparatus, appliances and machinery and equipment, owned or operated by a person whose rates are controlled or set by the Public Utilities Board or by a municipality or under the Small Power Research and Development Act , but not including land or buildings,

Section 292 establishes the DLA's duty to assess linear property.

292 (1) Assessments for linear property must be prepared by the assessor designated by the Minister.

(2) Each assessment must reflect

(a) the valuation standard set out in the regulations for linear property, and

(b) the specifications and characteristics of the linear property on October 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the linear property, as contained in

(i) the records of the Alberta Energy and Utilities Board, or

(ii) the report requested by the assessor under subsection (3).

(3) If the assessor considers it necessary, the assessor may request the operator of linear property to provide a report relating to that property setting out the information requested by the assessor.

(4) On receiving a request under subsection (3), the operator must provide the report not later than December 31.

(5) If the operator does not provide the report in accordance with subsection (4), the assessor must prepare the assessment using whatever information is available about the linear property.

Section 293 establishes a further duty to prepare assessments by applying the valuation standards set out in the Regulations.

293 (1) In preparing an assessment, the assessor must, in a fair and equitable manner,

(a) apply the valuation standards set out in the regulations, and

(b) follow the procedures set out in the regulations.

(2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

Matters Relating to Assessment and Taxation Regulation (AR 289/99)

Section 4(1) distinguishes property subject to the market value standard from regulated property.

4(1) The valuation standard for improvements is
(a) the valuation standard set out in section 5, 6 or 7, for the improvements referred to in those sections, or
(b) for other improvements, market value.

Section 6(2) identifies the procedures set out in the Alberta Linear Property Assessment Minister's Guidelines as the valuation standard for linear property assessment.

6(2) In preparing an assessment for linear property, the assessor must follow the procedures set out in the Alberta Linear Property Assessment Minister's Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

2003 Minister's Guidelines

The "2003 Alberta Linear Property Minister's Guidelines" (Appendix II of the 2003 Minister's Guidelines) contains the procedure the assessor must use to determine assessments for linear property. This process involves calculating the product of four factors: (1) "base cost" (Schedule A factor), (2) Assessment Year Modifier (Schedule B factor), (3) Depreciation (Schedule C Factor), (4) Additional Depreciation (Schedule D factor).

Section 1.003 describes the purpose of the Schedule A, B, C and D factors. In particular, Schedules C and D are described as follows:

> (c) **Schedule C** – provides the process for determining depreciation or lists the depreciation factor allowed by the *2003 Alberta Linear Property Assessment Minister's Guidelines*. Schedule C factors are specified to three significant digits. ***The depreciation factors prescribed in Schedule C for linear property are exhaustive. No additional depreciation can be applied except as specified in Schedule D.***
>
> (d) **Schedule D** - provides the process for determining additional depreciation or lists the additional depreciation factor allowed by the *2003 Alberta Linear Property Assessment Minister's Guidelines*. Schedule D factors are specified to three significant digits. ***The additional depreciation for linear property described in Schedule D is exhaustive. No additional depreciation can be given by the assessor.***

Table 2.1 identifies the Schedule A, B, C, and D factors for the subject property. The included costs - "*ic*" – used in Schedule A are identified by reference to the Alberta Construction Cost

Reporting Guide (Appendix V of the 2003 Minister's Guidelines), while the cost factor – "*cf*" - is fixed according to year of construction. The Schedule B factor - fixed at 1.050 by Table 2.1 – stipulates the combined year over year change in the value of property components. The Schedule C depreciation tables are set out in the Tables indicated in Table 2.1. Finally, the Schedule D is set at 1.00, but the assessor has discretion to allow additional depreciation on a case-by-case basis for some types of property, including the subject property.

Table 2.1:

ACC	ACC Description	Schedule A	Schedule B	Schedule C	Schedule D
…					
GEN 111	HR Milner	*ic x cf*	1.050	Table 2.15	1.000**
…					
GEN 300	Less than 50 MW units	*ic x cf*	1.050	Table 2.28	1.000**
…					

** … For ACCs beginning with GEN, the assessor may adjust for additional depreciation (Schedule D) only on a case by case basis, if acceptable evidence of loss is provided and documented by the linear property owner (operator).

Table 2.15 (reproduced below) and Table 2.28 (partially reproduced below) identify Schedule C factors for the subject properties. The tables specify a fixed and immediate factor of 0.750 (25% depreciation) and maximum factor of 0.200 (80% depreciation) after a certain number of years.

TABLE 2.15 SCHEDULE C FACTORS FOR ACC GEN 111

Chronological Age	Schedule C Factor	Chronological Age	Schedule C Factor	Chronological Age	Schedule C Factor
0	0.75	**7**	0.450	**14**	0.251
1	0.75	**8**	0.412	**15**	0.233
2	0.738	**9**	0.378	**16**	0.215
3	0.662	**10**	0.348	**17**	0.200
4	0.597	**11**	0.320	**>17**	0.200
5	0.542	**12**	0.295		
6	0.493	**13**	0.272		

TABLE 2.28 SCHEDULE C FACTORS FOR ACC GEN300

Chronological Age	Generation Unit Effective Age							
	1	**2**	**3**	**4**	**5**	**6**	**7**	**…**
0	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
1	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
2	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
3	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
4	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
5	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
6	0.750	0.750	0.750	0.750	0.750	0.750	0.750	…
7	0.733	0.733	0.730	0.728	0.725	0.723	0.719	…
8	0.696	0.695	0.693	0.691	0.689	0.686	0.682	…
9	0.660	0.659	0.657	0.655	0.653	0.650	0.647	…
10	0.624	0.623	0.622	0.620	0.618	0.615	0.612	…
11	0.588	0.558	0.587	0.585	0.583	0.581	0.578	…
12	0.553	0.552	0.552	0.551	0.550	0.547	0.545	…
13	0.519	0.519	0.519	0.517	0.516	0.515	0.512	…
14	0.486	0.486	0.485	0.485	0.483	0.482	0.480	…
15	0.453	0.453	0.453	0.453	0.451	0.451	0.450	…
16	0.422	0.422	0.422	0.420	0.420	0.420	0.419	…
17	0.390	0.390	0.390	0.390	0.390	0.390	0.388	…
18	0.361	0.361	0.361	0.361	0.361	0.361	0.359	…
19	0.333	0.333	0.333	0.333	0.333	0.333	0.303	…
20	0.303	0.303	0.303	0.303	0.303	0.303	0.276	…
21	0.276	0.276	0.276	0.276	0.276	0.276	0.250	…
22	0.250	0.250	0.250	0.250	0.250	0.250	0.225	…
23	0.225	0.225	0.225	0.225	0.225	0.225	0.201	…
24	0.201	0.201	0.201	0.201	0.201	0.201	0.200	…
25	0.200	0.200	0.200	0.200	0.200	0.200	0.303	…

ISSUE 1: WHAT KIND OF DEPRECIATION IS ACCOUNTED FOR UNDER SCHEDULE C?

Summary of Complainants' Position

The Schedule C depreciation tables are intended to capture all reasonably foreseeable forms of obsolescence using typical age life predictions. However, depreciation tables become less reliable as a reflection of value the further one moves away from the date of a property's construction. Where depreciation predicted by the tables turns out to be inaccurate, losses can occur that are not contemplated under Schedule C. Unexpected changes in market conditions can cause losses that fall into this category. Thus, economic obsolescence due to unanticipated increases in operating costs or an unanticipated surplus in province-wide generation capacity would not be reflected in the Schedule C.

In support of their position, the Complainants pointed to the evidence of Mr. Kennedy. Mr. Kennedy is a Certified Depreciation Professional who was employed by the consulting company that prepared the Schedule C table on behalf of the Department of Alberta Municipal Affairs. He testified that a market surplus of electrical energy was not contemplated when the Schedule C tables were drawn up and implemented. Therefore, losses due to weakened market prices for electricity were not included under Schedule C. Thus, he indicated that

> "… the one thing that wasn't in there [i.e. the EUB and Schedule C tables], and I'll be very frank about it, is that at the time there was an electric generation game, there was no constraints on generation. The units were running as hard as they could, as often as they could, as long as they could, within the grid as existed in the province. … So essentially there was no development of capacity utilization factors in these." (Page 526 of the transcript.)

Summary of Respondent's position

The Guidelines state that:

> "The depreciation factors prescribed in Schedule C are exhaustive."

The word "exhaustive" implies that the Schedule C depreciation tables are all inclusive. Thus, there is no room for further depreciation except in very limited circumstances in schedule D**.**

This interpretation is supported by the evidence of Mr. Shymanski, a professional engineer with considerable experience regarding depreciation of electrical and gas utilities in Alberta. He testified that the Schedule C tables for the subject generation plants – which first appeared in the Guidelines for 2000 – were calculated based on principles of depreciation adopted by the Alberta Energy and Utilities Board (EUB). Furthermore, he said the EUB considered all types of depreciation, including physical, functional, and economic depreciation. Capacity utilization and the changing regulatory environment for electric power generation relate to economic depreciation and were amongst the factors the EUB considered when establishing the tables. Mr. Shymanski's testimony is backed by the EUB decisions that formed the basis of the depreciation factors for Milner, Rainbow, and Sturgeon.

While it is true that Mr. Kennedy's oral evidence suggests depreciation due to low use of capacity is not reflected in the depreciation tables, the preponderance of evidence supports Mr. Shymanski's contrary view. This evidence includes Mr. Kennedy's own written testimony in Exhibit C17-5, the Gannett Fleming Report, and Mr. Driscoll's recollection of his discussions with Mr. Kennedy when the Schedule C tables were prepared.

Findings

1. The depreciation tables adopted by the EUB are the basis for the Schedule C depreciation tables set out in the Guidelines.

2. The Schedule C depreciation tables are intended to account for losses in value due to a wide range of causes including decommissioning costs, functional, physical, and economic obsolescence.

3. The Schedule C depreciation tables do not reflect obsolescence due to causes that were unforeseeable when the tables were prepared. Such obsolescence may result from catastrophic events, but may also have other causes.

Reasons

Interpretation of "exhaustive" in Section 1.003(c)

Section 1.003(c) of the Guidelines defines the process for determining the appropriate Schedule C depreciation factor and includes the following statements:

> "The depreciation factors prescribed in Schedule C for linear property are exhaustive. No additional depreciation can be applied except as specified in Schedule D."

This provision involves an apparent self-contradiction, since on the one hand it says Schedule C factors are "exhaustive", while on the other hand it specifically allows for additional depreciation under Schedule D. However, despite its awkward wording, the intent of the provision is clear: Schedule C depreciation is exhaustive, unless additional depreciation is allowed under Schedule D. This interpretation avoids contradiction and attributes a sensible meaning to 1.003(c) within the context of the legislation. In this connection, the MGB notes that for some properties, the Guidelines set the Schedule D factor at 1.0 and allow no discretion to grant additional depreciation. For example, properties with ACC Codes beginning with EDS, ESL, EFS, ET, and CDIE fall into this category. In such cases, Schedule C depreciation is truly exhaustive. In contrast, Schedule D stipulates that for the subject properties, additional depreciation may be granted "on a case by case basis, if acceptable evidence of loss is provided." Thus, it is obvious that for the subject properties the Schedule C depreciation factor is not necessarily exhaustive.

The Scope of Schedule C

Both parties recognized that the taxation scheme does not intend to "double count" sources of depreciation; hence, the scope of Schedule C depreciation affects what can be captured under Schedule D. With this in mind, the parties introduced useful evidence regarding the

development and application of the Schedule C tables, including evidence from Mr. Kennedy and Mr. Shymanski.

Mr. Kennedy and Mr. Shymanski established that the Schedule C tables are based on similar principles to those adopted by EUB Decision U97065 in relation to depreciation of pre 1995 generating facilities. They also confirmed that the EUB tables and their Schedule C derivatives are based on a form of straight line depreciation, where "the most prevalent method of allocation is to distribute an equal amount of cost to each year of service life" (Transcript, p. 1231). Finally, it appears that Schedule C depreciation tables reflect allocations for forecasts of decommissioning costs and of physical, economic, and functional obsolescence. Thus, Mr. Shymanski says

> "… in order to come up with a forecast for the life and net salvage, the depreciation analyst expert looks at a number of causes of retirement to allow him or her to provide a proper forecast. These causes are physical, functional and economic causes. The physical causes would typically be wear and tear, accidents, acts of nature. Functional causes of obsolescence would be obsolescence, changes in technology, use. Economic causes of retirement would typically be changes in environmental regulation, regulatory regimes, and decisions of competitiveness in the marketplace." (Transcript, pages 1232 – 1233)

The above evidence establishes at least two important findings in relation to the Schedule C tables: (1) they are based on forecasts respecting a wide set of factors (including market factors) that tend to cause obsolescence, and (2) they are intended to spread included costs methodically over the anticipated service life of an asset. It follows that the EUB/Schedule C depreciation tables probably do not reflect sources of obsolescence that were not foreseeable when the tables were prepared. Such unforeseeable causes include catastrophic events such as accidental explosions; however, they could also include economic events such as dramatic changes in the market.

Capacity Utilization

The above findings are consistent with the evidence of both Mr. Shymanski and Mr. Kennedy regarding recognition of capacity utilization factors in the depreciation tables. Mr. Shymanski established that power generation forecasts are relevant to the calculations on which the depreciation tables are based. Mr. Kennedy's testimony is consistent with Mr. Shymanski's, but suggests, in addition, that while the authors of the depreciation tables considered capacity utilization to be relevant, they expected robust prices and demand for output from generating facilities to continue into the future. Therefore, the tables do not reflect constraints on generation due to market forces that may have developed after their preparation.

ISSUE 2:WHAT KIND OF DEPRECIATION REMAINS TO BE COVERED UNDER SCHEDULE D AND HOW CAN IT BE CALCULATED? IN PARTICULAR, HOW SHOULD MARKET VALUE INDICATORS OF LOSS OF VALUE BE TREATED?

Complainants' Position

Scope of Schedule D Depreciation

As indicated above, the Schedule C depreciation tables become less reliable as a reflection of value the further one moves away from the date of a property's construction. In recognition of this fact, the legislative scheme adopted Schedule D to allow additional depreciation for any losses left uncovered by Schedule C. In support of their position, the Complainants pointed to the evidence of Mr. Clark.

Mr. Clark was previously employed by Alberta Municipal Affairs as Co-ordinator, Linear Property Assessment. He testified that in his experience, the Department of Alberta Municipal Affairs used Schedule C tables to calculate typical depreciation. If a taxpayer were able to provide sufficient evidence of additional losses in value from any cause, then further depreciation would be granted under the more flexible Schedule D. This practice conforms to accepted principles of appraisal and assessment, whereby: (1) depreciation consists of loss in value from all causes, and (2) all forms of obsolescence must be accounted for to arrive at a fair approximation of value.

As argued in the last section, the relevant Schedule C depreciation tables do not reflect underutilization due to unforeseen market events such as a surplus in generation capacity in the province. It follows that if obsolescence from such events is shown to have occurred, it must be captured under Schedule D. Furthermore, to deny depreciation for this source of obsolescence would violate the principles of equity. As confirmed by Mr. Clark, the concept of under-utilization applies to additional depreciation for all forms of linear and regulated property. Thus, the principle of equitable assessment demands that Schedule D depreciation be granted to recognize underutilization of the subject properties.

Market Value As a Measure of Schedule D Depreciation

Market value concepts provide a practical method to measure losses in value that are not captured by Schedule C. Market forces have always been the benchmark in Alberta for the assessment of industrial facilities; thus, the 1984 and 1967 Manuals published by the Department of Alberta Municipal Affairs provided that "total depreciation is the difference between replacement cost new and market value at the same date". This quotation reflects the classic definition of depreciation found in appraisal texts. It is also consistent with jurisprudence confirming economic and functional obsolescence as relevant factors when determining market value and quantifying depreciation.

Given that market value is an effective way to measure depreciation not captured under Schedule C (and hence available under Schedule D), factors that affect market value such as adverse economic conditions, super-adequacy, and underused capacity will be important for determining whether further depreciation is warranted. If there have been recent arm's length sales of facilities, then evidence as to sales price will also indicate value.

The above position is supported by the evidence of Mr. Davies, a senior consultant with expertise in the area of assessment, obsolescence and depreciation. Mr. Davies indicated that that capacity utilization is an important factor in assessment, a claim backed by the Department of Alberta Municipal Affairs' own Guidelines. Actual use of available capacity is inherent in the appraisal concepts of underutilization, excess operating costs and super-adequacy, and has always been a benchmark for abnormal depreciation in Alberta. (BP Energy Canada v. Municipal District of Greenview, MGB 052/05; Strathcona No. 20 (County) v. Alberta (Assessment Appeal Board) [1995] A.J. No. 369. This understanding was also echoed in the evidence of Mr. Clark.

Respondent's Position

Scope of Schedule D Depreciation

Schedule D must be interpreted in light of the rest of the depreciation calculation process set out under Schedule C. As indicated above, Schedule C is exhaustive and covers all physical, functional, and economic factors. Thus, the discretion to grant additional depreciation to generation linear property under Schedule D only applies where there is proof of extraordinary factors not covered in Schedule C.

This interpretation is consistent with Mr. Driscoll's assertion that Schedule D depreciation covers only catastrophic events or highly unusual situations and that to allow a wider scope to Schedule D would "double count" what has already been allowed under Schedule C. Mr. Driscoll is Director of Regulated Standards and Utilities Assessment with the Department of Alberta Municipal Affairs. The interpretation is also consistent with situations in which Schedule D depreciation has actually been applied since the 2000 tables came into effect. These situations were as follows: (i) an explosion at a generation unit located near Wabamun, (ii) a specific order from the EUB to one of the Wabamun units to limit its production, and (iii) a gas fired single cycle generator in southern Alberta where defective installation of a turbine resulted in a cost to cure comparable to the entire original cost of the asset.

With regard to the Complainants' argument concerning equity, the DLA should not consider schedules or legislation applicable to other types of property. Section 293 of the Act coupled with the *Matters Relating to Assessment and Taxation Regulation* directs the linear assessor to follow the specific Schedules A, B, C and D for each type of linear property. Furthermore, the MGB has found in previous cases that equity in linear property is the consistent application of the specific schedules for that type of linear property only (e.g. Town of Canmore – Board Order

MGB 287/98). Thus, what is contemplated under the "Schedule D" factors applicable to M&E or other linear property is irrelevant to the assessment of power generation linear property.

Market Value As a Measure of Schedule D Depreciation

The Complainants are requesting the MGB to find that market based valuation concepts should be applied to linear property in the last step of the calculation process (Schedule D). However, the valuation standard for linear property is not market value; rather, it is the calculation procedure set out in the Guidelines as sanctioned by section 6 of the *Matters Relating to Assessment and Taxation Regulation (*MRAT*)*. Section 4 of MRAT clearly reflects the distinction between properties subject to the market value standard and properties subject to regulated valuation standards. This distinction is recognized by

- recent MGB decisions, including: Town of Canmore, Board Order MGB 287/98; Utilicorp Networks Canada, Board Order MGB 089/02; GT Group Telecom, Board Order MGB 135/03; GT Group Telecom, Board Order MGB 117/04,
- the testimony of Mr. Driscoll, and
- the testimony of Mr. Gettel, an expert appraiser with experience relating market value to regulated value.

Since the regulated standard bears no relation to market value, the Complainants' income-based market value analysis is wholly inapplicable.

Findings

1. Schedule D allows the assessor to allocate further depreciation for losses due to unforeseeable causes of obsolescence. Such losses would include, but are not necessarily limited to losses resulting from catastrophic events and could include losses relating to unexpected changes in market conditions.

2. The regulated depreciation tables were modified as a result of assessment policy to include 25% fixed and immediate depreciation and an 80% depreciation cap.

Reasons

Scope of Schedule D Depreciation

Table 2.1 sets the Schedule D depreciation factor at 1.00; however, this factor is qualified by a note indicating that

> "… the assessor may adjust for additional depreciation (Schedule D) only on a case by case basis if acceptable evidence of loss is provided and documented by the linear property owner (operator)."

The question thus arises: what constitutes "acceptable evidence of loss" under Schedule D?

The regulated standard itself provides no explicit answer to this question, leaving considerable room for dispute over the provision's intended scope. The MGB finds that the question is best answered having regard for the legislative context including the role Schedule C plays alongside Schedule D. In this connection, the MGB notes its earlier finding that unforeseeable causes of obsolescence are probably not reflected in Schedule C and that Schedule C is intended to spread included costs methodically over the anticipated service life of an asset.

With these aspects of Schedule C in mind, the MGB concludes that where Schedule D allows additional depreciation, the intent is to build flexibility into the depreciation scheme to reflect causes of obsolescence that were not foreseeable but nevertheless affect the rational distribution of included costs over the useful life of an asset. In short, the MGB is satisfied that persuasive evidence of unforeseeable loss or abbreviation of useful life would be "acceptable evidence" relevant to additional depreciation under Schedule D. Such losses may arise from catastrophic events - such as the explosion at the Wabamun plant - but may also arise from unforeseeable market events or still other causes.

Market Value As a Measure of Schedule D Depreciation

As indicated above, any evidence is relevant to Schedule D depreciation if it shows a cause of obsolescence that is not reasonably foreseeable and affects the rational distribution of included costs over the useful life of an asset. Such evidence may include evidence relating to market value, since dramatic fluctuations in market value could reflect unanticipated losses or changes in an asset's expected useful life. Without more definitive wording in the legislation or further evidence from policy manuals or other documentation from the Department of Alberta Municipal Affairs, the MGB does not accept that market value concepts are without relevance to determining or quantifying Schedule D depreciation.

Having said this, the MGB agrees that the regulated standard for the subject properties is not market value; rather, it is a function of the factors identified under Schedules A, B, C, and D of the Guidelines. While the terms of Schedule D are somewhat vague, they should be interpreted in the context of the regulated scheme within which they apply. The Complainants' argument that Schedule D is intended to allow the assessor flexibility to adjust to market value would be stronger if it were clear that the goal of Schedule C depreciation is to achieve market value. In fact, it appears the intent of Schedule C is not to approximate market value, but simply to distribute "included costs" in a methodical fashion over the life of the asset. Moreover, the evidence of Mr. Driscoll suggests that the method of allocation – including the immediate 25% reduction and 80% cap - was determined in part by policy considerations divorced from any connection with market value. Thus, he says in his report:

> "Here again these depreciation policy decisions of linking depreciation to AEUB type depreciation, providing an immediate 25% reduction to a maximum of 80% reinforce the position that market value was not a consideration in the assessment process for electric power generation."

In conclusion, the MGB finds that while market value concepts may be of relevance to the regulated scheme, market value is not the regulated standard and the DLA is not necessarily obliged to adjust an assessment downward to market value. The purpose behind the regulated scheme is not to guarantee assessment at the lower of market or Schedule C depreciated value. In this connection, the MGB notes that the replacement of market value with the regulated standard carries advantages to the taxpayer, including a fixed and immediate deduction of 25% at the outset of an asset's life. The 80% depreciation cap toward the end of an asset's life cannot be disregarded should market value fall below that level.

ISSUE 3: IN VIEW OF ISSUES 1 AND 2, DOES THE EVIDENCE PRESENTED SUPPORT AND QUANTIFY ADDITIONAL DEPRECIATION UNDER SCHEDULE D FOR THE SUBJECT PLANTS?

HR Milner

Complainants' Position

The Complainants argued that as of the assessment date, HR Milner was an aging and inefficient facility with an uncertain economic future. These factors caused additional losses in value ultimately reflected in a low purchase price (5.5 million plus an additional 15 million over 12 years) negotiated for a transaction in late 2003.

In support of their position, the Complainants pointed to the evidence of Mr. Wilson, Manager of the HR Milner facility. He established that HR Milner suffers inefficiencies related to its design. Unlike conventional coal plants, which burn thermal coal, HR Milner was designed to burn cheap waste coal from a metallurgical coalmine. Therefore, it was built without concern for fuel costs. In 2001 HR Milner's waste coal supplier went bankrupt, thus depriving the plant of secure access to a local supply of cheap waste coal. HR Milner now burns a fuel mix including more expensive thermal coal from a more distant source. These circumstances make HR Milner's fuel and fuel transportation costs more expensive than its competitors'.

Mr. Wilson also established that as an aging facility, HR Milner will need capital investment in the form of several large repairs: for example, new turbine blades will be required in 2006 and extensive work is required on a generator. HR Milner is already over 30 years old and had an original design life of only 35 years.

The disadvantages of inefficiency, age and high fuel costs have been exacerbated by unexpected developments in the energy market that developed since deregulation. Chief amongst these is an

oversupply of generating capacity in Alberta and a consequent decline in the price for electricity, as outlined in the Report of Mr. Davies. Cumulatively, these factors have undercut HR Milner's competitiveness and resulted in capacity under-utilization. Thus, Mr. Davies' report indicated that HR Milner has a capacity utilization factor of 63% as opposed to 83% to 85% range for other large coal fired plants. This factor puts it 19th out of 19 large coal fired plants in Alberta. Mr. Wilson confirmed that HR Milner had no additional source of revenue in the year of assessment except a TMR contract that concluded and was not renewed in January 2004.

Sales evidence confirms the loss in value from the factors identified above. As shown by Mr. Wilson, several purchase offers were received in the latter part of 2003, all with nearly identical purchase prices. The successful bidder was Maxim, who offered $5,500,000 plus an agreement to pay a possible $15,000,000 over the next 12 years. This offer was conditional upon a long-term coal supply agreement being in place before closing the deal. The present value of $15,000,000 over 12 years is only $7,397,590, even if one adopts the Respondent's suggested discount rate. Thus, the plant's market value could have been no more than $13,000,000 as of the assessment date.

An arm's length sale of a facility in the relevant time frame is the best evidence of market value. (Regional Assessment Commissioner, Region 11 v. Nesse Holdings et al (1984) 47 O.R. (2d) 766; Regional Assessment Commissioner, Region 11 v. Nesse Holdings et al (1986) 54 O.R. (2d) 437, 58 O.R. 128 CA, Halifax Industries Ltd. v. Nova Scotia (Director of Assessment) [1982] NSJ 141, CH 29616. The sale to Maxim was an arm's length transaction orchestrated by an independent banking firm on a competitive proposal basis. All sources of revenue were disclosed to potential purchasers. Finally, the sale occurred only after a concerted effort by AESO to sell HR Milner's output. The plant did not sell in the initial PPA auction, and a potential sale in 2001 fell through due to the failure of HR Milner's waste-coal supplier. Furthermore, a successful bidder was not found until 2003. In summary, the sales evidence shows H.R. Milner was assessed well above its actual market value, leaving scope for Schedule D depreciation to cover unanticipated additional losses in value.

Respondent's Position

The Respondent submitted that evidence as to market value is irrelevant to show depreciation under Schedule D. However, even if it were relevant, the evidence does not support the Complainants' claimed low market value, as shown by the following considerations.

- Mr. Fulton indicated that ATCO received $61 million for HR Milner in 2001.

- Mr. Fulton testified that HR Milner represents 22% of the northwest transmission area's generation capacity and is consequently extremely important for grid stability. The sale by the balancing pool to the Maxim consortium of investors in 2004 cannot be considered a true reflection of the market, because the seller was motivated by an overall desire to maintain the stability of the grid and the northwest transmission area.

- Mr. Wilson and the Maxim Annual Reports indicate that Maxim has had excellent financial performance from the HR Milner plant in 2004 – 2005.

- Failure to sell the PPA at auction does not show HR Milner has no value, since other important and valuable generation plants also failed to sell.

- Contrary to Mr. Davies' claims, there is no excess capacity in the market for generation that could not have been foreseen at the time the Schedule C tables were developed. Mr. Fulton explained that the excess capacity that does exist is required by Alberta to fulfil its commitments to other jurisdictions in western North America to maintain the stability of the grid.

- North-western Alberta is in fact a supply deficit area, meaning that HR Milner is well placed to earn line loss credits due to its remote location. These credits are important, because HR Milner gets a premium for its output.

Thus, even if market value concepts were relevant, the evidence would not support the Complainants' request for additional depreciation under Schedule D.

Finding

The evidence does not support further depreciation for HR Milner under Schedule D.

Reasons

As indicated in the first part of this Order, the foreseeability of a cause of loss is an important factor when determining whether its effects are to be allowed under Schedule D. Repairs and similar problems connected with age are reasonably foreseeable and cannot attract depreciation under Schedule D. While unexpected developments such as decreases in AESO prices and loss of a cheap waste coal supply could be relevant, there was little evidence to prove how these developments affected the overall performance of the plant. In this connection, the MGB notes Mr. Davies' evidence that HR Milner's capacity utilization was only about 63%, putting it 19th out of 19 large coal fired plants in Alberta. On the other hand, Mr. Davies' analysis concerning profitability was largely theoretical and left no allowance for the effects of line loss credits and debits. Furthermore, his conclusions regarding profitability must be weighed against the evidence of the Plant Manager, Mr. Wilson, who indicated that capacity utilization is only one of many measures of a plant's performance and that HR Milner was financially viable for the period in question.

With respect to sales evidence, the Complainants rely on the sale in January to place HR Milner's market value at $5,500,000 plus the discounted value of $15,000,000 over 12 years. However, Mr. Fulton's testimony suggests that the sale price negotiated by the AESO was

strongly motivated by a desire to find a buyer who would keep the plant operating in a supply deficit area. The sale for 61 million dollars in 2001 tends to support this suggestion, although the MGB placed little weight on this factor due to the timing of the sale and inconclusive evidence as to the assets it included.

While the MGB agrees that sales evidence during the relevant time period can be persuasive, the circumstances surrounding the 2004 sale cloud its probative value, and the MGB also accords it little weight. To gain a clearer picture of whether HR Milner suffered a significant unpredictable decline in value or profitability, the MGB would require detailed information on the plant's past, present and expected long term financial performance. Little such evidence was provided, although it is presumably in the Complainants' control. The MGB is not prepared to reduce the assessment based on the evidence provided.

Valleyview and Poplar Hill

Complainants' Position

Unforeseeable developments in the electrical energy market left Valleyview and Poplar Hill with competitive disadvantages resulting in economic obsolescence that must be allowed as further depreciation under Schedule D. In support of their position, the Complainants pointed to the evidence of Mr. Davies and Mr. Wiens. As noted earlier, Mr. Davies is a senior consultant with expertise in the area of assessment, obsolescence and depreciation, while Mr. Wiens is the Manager responsible for the Valleyview, Poplar Hill and Rainbow facilities.

The confidential information in Mr. Davies' report compares the heat rates for the various properties with changes in system heat rate that have occurred in recent years. Heat rates are a measure of facility efficiency, while the system heat rate is market price for power/ market cost of fuel. Mr. Davies' report shows that system heat rates have declined since deregulation due to a marked increase in the cost of gas coupled with the development of an oversupply of generation capacity in Alberta and lower prices for electricity. These circumstances have made it impossible for facilities with higher heat rates to profit by selling energy into the grid. As a result, capacity utilization has dropped for Valleyview and Poplar Hill from a significant percentage in 2002 to 0.9% and 3.2% in 2004.

The loss in value suffered can be quantified using income value analysis techniques. Thus, Mr. Davies estimated the expected net income per hour of operation for the subject plants using average peak price, average fuel costs, heat rate, and variable costs. Multiplying the net income rate per hour by the expected number of operating hours then yielded a potential annual income, which Mr. Davies averaged for 2003 and 2004. After averaging potential annual incomes for 2003 and 2004, Mr. Davies applied reductions for income to structures and management and capitalized the resulting net income at 14%. His final market value estimate is only $4,716,949 for each plant, suggesting a further reduction in assessment of $21,941,641 for Valleyview and $18,193,321 for Poplar Hill.

Mr. Davies' evidence is supported by that of Mr. Wiens, who indicated that Valleyview and Poplar Hill's earnings result from two main revenue streams, namely: the merchant market and the TMR market. Thus, while TMR contracts are significant, overall profitability requires a competitive status in the merchant market as well. The three-year average capacity utilization figures of 6.3% for Valleyview and 16.6% for Poplar Hill are far below the 60% range anticipated when the plants were conceived and built. Consequently, Valleyview's bottom line in 2003 showed a loss of approximately 1.078 million, while 2004 showed a loss of approximately 2.7 million. Likewise, Poplar Hill showed positive earnings of only $123,000 in 2003 and a loss of $1,240,000 in 2004. Mr. Wiens predicted little change for the next few years, given the state of the market, the excess capacity in the province and the facilities' heat rates. Finally, he indicated that line loss credits are not a significant source of revenue, amounting to only about 2 percent of generation in the case of Valleyview.

Respondent's Position

For reasons explained earlier, market value evidence is irrelevant to Schedule D depreciation. However, even if it were relevant, Mr. Davies' suggested value for Poplar Hill and Valleyview is highly unreliable. Mr. Fulton identified the following flaws in Mr. Davies' income value analysis. First, the analysis is not based on actual income and expenses; rather, it uses hypothetical figures based on average AESO prices and capacity utilization. These theoretical amounts do not reflect the actual bidding strategies used in the marketplace. For example, a plant with high production costs and low capacity utilization would only place bids when it could cover its marginal costs. Thus, the price received for such plants would be much higher than the AESO average.

Second, contrary to Mr. Davies' claims, there is no excess capacity in the market for generation that could not have been foreseen at the time the Schedule C tables were developed. Mr. Fulton explained that there is no excess generation capacity beyond that required of Alberta to fulfil its role in maintaining the stability of the electricity grid for western North America. Moreover, the subject facilities are located in an area with a local generation deficit. This location gives them an advantageous position in the transmission support services market.

Third, the Complainants' income-based analysis fails to reflect important sources of income such as TMR contracts, line loss credits and other ancillary support services. For example, Poplar Hill received $2.3 million in 2003 for the provision of TMR services. The evidence of Mr. Fulton establishes that Poplar Hill and Valleyview were built specifically and primarily to provide TMR support to the grid – not to compete as merchant plants. This is confirmed by the 20-year contracts for this purpose evidenced by the EUB decision/order in Exhibits R19 and R20. Thus, to ignore such sources of revenue seriously misrepresents the actual income streams associated with these two generation facilities.

Fourth, Mr. Fulton addressed the Complainants assertion that Poplar Hill and Valleyview are vulnerable to rising gas prices and declining heat rates by showing that ATCO is compensated for the cost of gas under the TMR contracts when called upon to provide generation.

Findings

The Valleyview and Poplar Hill plants were not built for the primary purpose of selling output into the merchant market.

The evidence does not support further depreciation for Valleyview and Poplar Hill under Schedule D.

Reasons

The Complainants argue that an unforeseen shift in the electricity market resulted in low capacity utilization with a consequent loss in value due to reduced revenue expectations. While this argument is cogent in principle, the MGB finds there is insufficient evidence to support or quantify the claimed loss in value.

The MGB noted Mr. Wiens' testimony that the Valleyview and Poplar Hill plants rely on income streams from both merchant sales and TMR contracts to remain profitable, and that they were not profitable in 2003 and 2004 due to low capacity utilization. However, this evidence would have been more useful had it been supplemented by reliable (preferably audited) documentation showing actual performance and explaining how the various categories of revenues and expenses were recognized. Documentation showing future forecasts along with underlying assumptions and supporting rationales would also help to estimate the anticipated longevity of the claimed loss in profitability. Such documentation is presumably within the Complainants' control and could be of significant probative value.

With respect to the evidence of Mr. Davies, the MGB accepts Mr. Fulton's criticism that use of theoretical values for revenues and expenses does not reflect potential income from actual bidding strategies available to the plant. Once again, the MGB considers that corroboration of theoretical values by actual figures for revenues and expenses would be persuasive evidence that is presumably within the Complainants' control.

A second difficulty with Mr. Davies' analysis is that it makes no allowance for the effects of line loss credits, TMR contracts or other support services. The evidence of Mr. Fulton and EUB decision 2002-031 and EUB order U99024 confirm that the Valleyview and Poplar Hill plants were purpose built with TMR support central to their function. The omission of this important revenue stream is, therefore, a significant flaw in the analysis. In view of these considerations, the MGB placed little weight on the valuation suggested by Mr. Davies.

Rainbow 1, 2, and 3

Complainants' Position

Like the other gas fired generation facilities under complaint, Rainbow suffers from abnormal economic obsolescence due to a combination of high heat rate, unanticipated increases in the cost of fuel and unanticipated decreases in the price of power generated. Furthermore, Rainbow is an old plant requiring repairs and its physical status prevents it from operating two of its three turbines. Accordingly, further depreciation is required under Schedule D.

In support of its position, the Complainants again pointed to the evidence of Mr. Davies.

As indicated earlier, Mr. Davies confirmed that a surplus of electrical generation capacity in Alberta has led to low electrical energy prices, while gas prices have soared. These economic conditions explain why gas fired plants such as Rainbow do not operate at viable production capacity levels. Mr. Davies also presented an income value analysis - similar to that performed for the Valleyview and Poplar Hill plants - resulting in a suggested assessment of $1,026,010.

Rainbow's disadvantages are reflected in low capacity utilization figures for its three units. Thus, units 1 and 3 had capacity utilization of 0%, and unit 2's capacity utilization was only 17.2% when averaged over three years. These figures are far below the 53.0% average for other gas fired plants in Alberta, as listed on page 17 of Exhibit C17-1.

Mr. Davies' testimony is again supported by that of Mr. Wiens, who confirmed that Rainbow suffers from obsolescence flowing from the following factors:

- Rainbow 1, 2, and 3 are all older, less efficient units that cannot compete well in the energy market, particularly given rising fuel costs and declining prices for electrical energy. Their slow start-up time also means that unlike Valleyview and Poplar Hill, they cannot compete as "peaker" units, dispatched on short notice to take advantage of high electricity prices during peak demand.

- Rainbow units 1 and 3 require extensive maintenance to continue to operate; consequently, these units have been unavailable for power generation since January of 2002 (Unit 1) and August of 2003 (Unit 3) and have little or no economic value.

- The primary function of the Rainbow Lake units is to provide TMR services to back up other units in the Rainbow Lake area. However, Unit 2 - which was overhauled in 2004 - is the only one required for this purpose.

Respondent's Position

The Complainants' income analysis for the Rainbow units is irrelevant and inaccurate for similar reasons to those identified in relation to Valleyview and Poplar Hill. First, it uses hypothetical figures based on average AESO prices and capacity utilization rather than actual documented income and expenses. Second, it ignores revenue that is not tied to the sale of energy into the grid. These income streams include substantial fixed payments to ATCO from Duke Energy under a PPA contract (taken over from Engage Energy) as well as revenue from shorter term TMR contracts and line loss credits. Mr. Fulton established that during the 2003 year ATCO received contractual payments from Duke Energy under the PPA auctioned in 2000. These payments amount to some $8 to $8.5 million per year. Mr. Wiens and Mr. Fulton agreed that the Rainbow Units are not vulnerable to rising gas prices, because under the PPA it is Duke Energy - not ATCO – that bears this risk. Mr. Fulton also indicated that Rainbow's remote location makes it well placed to collect line loss credits; these credits are important, because revenue is generated for energy that is never actually produced.

With regard to maintenance, Mr. Fulton's testimony shows the maintenance required for Rainbow 1 and 3 is not the result of unforeseen or catastrophic circumstances; rather, it is the type of regular overhaul periodically required by these facilities. Furthermore, Duke Energy's decision not to perform the required maintenance was driven by contractual considerations under the PPA. As a result of Duke Energy's contractual decision to forego the maintenance, ATCO is not obliged to provide Duke Energy with generation under the terms of the PPA. This evidence explains the lack of production from Rainbow 1 and 3 and contradicts the Complainants' assertions that these units were taken out of service due to competitive disadvantages. These circumstances again confirm that even if market value concepts were relevant to Schedule D depreciation, the evidence does not support the Complainants' claim regarding additional losses.

Findings

The evidence does not support further depreciation for Rainbow 1, 2, and 3 under Schedule D.

Reasons

As with Valleyview and Poplar Hill, the MGB finds the Complainants' income analysis approach unreliable as an indication of loss in value due to unforeseen economic obsolescence. In this connection, the MGB notes that the actual capacity utilization for Unit 2 in 2004 spiked to 56.2% (per Mr. Davies' report, Exhibit C3) and an overhaul was deemed worthwhile to keep that unit in operation. Even assuming such a spike is explicable as an anomaly, the probative value of Mr. Davies' analysis suffers from its disregard for potential income streams not directly related to the mainstream energy market. Prominent amongst these are the fixed payments to ATCO under the PPA amounting to over 8 million dollars per year in 2003 and 2004, and revenue flowing to Duke Energy under TMR contracts. The MGB notes that Mr. Wiens'

testimony suggests that at least some TMR services will continue to be provided by unit 2 into 2006 to back up other facilities in the Rainbow Lake area.

The Complainants' case with respect to Rainbow 1 and 3 is somewhat stronger since these units were shut down in January 2002 and August of 2003 due to unperformed maintenance. On the surface, this track record suggests their owners deemed them to be unprofitable. However, Mr. Fulton's evidence concerning the PPA suggests that the decision to shut down units 1 and 3 rather than perform the required maintenance was likely a business decision prompted by the terms and timing of the PPA agreement in place between Duke Energy and ATCO rather than a function of an unexpectedly weak market. This is particularly so given Mr. Fulton's description of the Northwest Alberta region as an energy deficit with market incentives such as line loss credits. With respect to the maintenance costs themselves, the Complainants produced no documentation to prove their quantum or show they were of an unanticipated nature; hence, they are not a potential ground for Schedule D depreciation.

In view of the above considerations, the MGB does not find sufficient evidence of loss in value due to unforeseeable economic obsolescence that would warrant granting further depreciation under Schedule D.

Sturgeon

Complainants' Position

Like the other gas fired generation facilities under complaint, Sturgeon suffers from abnormal economic obsolescence due to a combination of high heat rate, unanticipated increases in the cost of fuel and unanticipated decreases in the price of power generated. Thus, Mr. Davies' report at page 32 shows Sturgeon's heat rate at 21.0 (highest of all the gas fired facilities under complaint) and system heat rate declining from 10.0 in 2003 to 8.9 in 2004. These circumstances explain why Sturgeon has not operated since 2003 and is not expected to operate in 2005. In short, Sturgeon has suffered an unanticipated complete loss in value that must be captured under Schedule D; thus, Mr. Davies' conclusion at page 32 of his report (Exhibit C3) was that

> "depreciation on the Sturgeon Power Plant has reached the 100% level or a Schedule D factor of 0.00, reflecting the fact that the linear generating plant has no value".

In addition to Mr. Davies' analysis, the Complainants again pointed to the evidence of Mr. Wiens. He indicated that Sturgeon is not physically operable, because there is a fault in the underground cable link between turbine and substation. Repairing the fault would require moving an office building located above it and would be very expensive. Accordingly, Sturgeon has reported zero available power since July 2003, and its physical condition alone warrants further depreciation under Schedule D.

Mr. Wiens confirmed that not only is Sturgeon unable to compete as a merchant plant, its long start up time - ranging from 0.5 to 1.5 hours – also reduces its competitiveness in the ancillary services market. Thus, Sturgeon has no TMR agreements or ancillary services revenue to make up for its inability to sell into the grid. While it is true that Sturgeon's owners decided to keep it as a merchant plant in 1999 rather than decommission it, prices for electricity have fallen significantly since then. These disadvantages in a market characterized by low prices are sources of obsolescence not anticipated under Schedule C and, therefore, further depreciation is required under Schedule D.

Respondent's Position

The Complainants' income analysis for Sturgeon is irrelevant and inaccurate for similar reasons to those identified in relation to the other gas fired plants under complaint.

As with the other facilities, Mr. Davies' approach ignores evidence regarding support services income such as shorter term TMR contracts and uses inaccurate pricing to calculate potential revenue. In contrast to Mr. Davies, Mr. Fulton calculated a potential gross income of approximately $1 million for Sturgeon for 2004 using a marginal cost bidding approach. He also established that since Sturgeon was an operating plant before deregulation, it received the necessary funds for decommissioning through the regulated rates; thus, decommissioning expenses cannot contribute to a loss in value to be recognized in Schedule D. Finally, with regard to the cable fault, Mr. Fulton indicated this is essentially a maintenance question and hence does not affect depreciation under Schedule D.

Finding

The evidence does not support further depreciation for Sturgeon under Schedule D.

Reasons

Unlike the other gas fired plants, the evidence suggests that Sturgeon has little prospect for income from TMR services and its value would appear to lie mainly in its ability to sell power into the merchant market. The evidence regarding its prospects for doing so was mixed. On the one hand, Mr. Wiens and Mr. Davies indicated that its age and high heat rate make Sturgeon a "museum piece" with no prospects in today's market, where costs are unexpectedly high and electricity prices low. Furthermore, the plant has not been operable since July 2003 due to a fault in the line between generator and turbine. On the other hand, Mr. Fulton said that Sturgeon could in theory generate significant revenue by selling into the merchant market of 2003 and 2004 and that its location as a facility in north-western Alberta (a power deficit area) gives it a competitive advantage. Furthermore, he characterized repairs to the cable fault as a maintenance issue irrelevant for the purposes of assessment.

After considering the evidence, the MGB remains unconvinced that further depreciation would be available under Schedule D. While the cable fault could represent an unanticipated shortening of the facility's useful life (consistent with further depreciation under Schedule D), few details were provided to support or quantify the anticipated costs of repair. In addition, Mr. Fulton's evidence regarding the strategic location in a power deficit area (North-western Alberta) of the subject plants (including Sturgeon) suggests that even an inefficient plant such as Sturgeon may yet have an active role to play. In this regard, the MGB took note of Mr. Wiens' evidence that no serious steps toward decommissioning have yet occurred.

In view of the above considerations, the MGB finds the evidence does not support a further reduction in assessment; moreover, given that the majority of Sturgeon has already received 80% depreciation, the scope for additional depreciation under Schedule D is negligible in any event.

DECISION

The complaints are denied and the assessments are confirmed with the exception of the LPAU-IDs for which the Respondent recommended changes due to calculation errors. For those LPAU-IDs for which calculation errors occurred, the MGB adopts the Respondent's recommendations as set out in Appendix D.

It is so ordered.

SUMMARY

The dispute between the parties centred on whether additional depreciation is available under Schedule D for the subject power generation plants. This matter required considering whether there is "acceptable evidence" of additional loss in value pursuant to Schedule D of the Guidelines.

With a view to resolving this matter, the MGB examined the legislated depreciation scheme embodied by Schedules C and D. It concluded that the scheme does not attempt to approximate market value; rather, it attempts to distribute regulated included costs over the expected life of the asset. The distribution scheme is affected by policy considerations unrelated to market value, including a fixed and immediate deduction at the beginning of an asset's life together with a depreciation cap toward the end of its life. Anticipated life for Schedule C purposes is determined by calculations based on all forms of obsolescence. Causes of obsolescence that were not foreseeable when the Schedule C tables were prepared may be reflected under Schedule D where they are shown to have occurred. Thus, while dramatic changes in market value may be relevant to determining whether unforeseen causes of obsolescence have occurred, the standard is not the lower of market value or Schedule C depreciated cost. In short, "acceptable evidence" relevant to additional depreciation under Schedule D would be persuasive evidence of loss or abbreviation of useful life due to unforeseen causes of obsolescence.

The MGB next examined the Complainants' submissions regarding each of the subject properties to determine whether they contained persuasive evidence of loss or abbreviation of useful life due to unforeseen causes of obsolescence requiring further depreciation under Schedule D. The panel found that the evidence presented was insufficient to establish or quantify losses that would qualify for additional depreciation within the regulated scheme due to unforeseen economic, physical, or other forms of obsolescence. Therefore, no further depreciation was awarded under Schedule D.

Dated at the City of Edmonton, in the Province of Alberta, this 30th day of November 2005.

MUNICIPAL GOVERNMENT BOARD

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(SGD) D. Thomas, Member

APPENDIX "A"

APPEARANCES

NAME	**CAPACITY**
G. Ludwig	Counsel for the Complainant
D. Davies	Witness for the Complainant
L. Kennedy	Witness for the Complainant
G. Clark	Witness for the Complainant
G. Wilson	Witness for the Complainant
B. Wiens	Witness for the Complainant
B. Sjølie	Counsel for the Respondent
C. Zukiwski	Counsel for the Respondent
T. Marriott	Counsel for the Respondent
B. Gettel	Witness for the Respondent
S. Fulton	Witness for the Respondent
B. Shymanski	Witness for the Respondent
D. Driscoll	Witness for the Respondent

APPENDIX "B"

DOCUMENTS RECEIVED AND CONSIDERED BY THE MGB:

NO.	ITEM
P1	Letter from Bennett Jones LLP to MGB dated May 16, 2005, with attached portions of the Freedom of Information and Protection of Privacy Act and the MGB Procedure Guide
P2	Letter from Brownlee to the MGB dated May 18, 2005, with supporting documentation in 14 tabs
P3	Letter from AEC International to the MGB dated May 26, 2005
P4	Coil-bound document containing decision letters and correspondence relating to preliminary hearings, including DL 072/05, DL 030/05, DL 015/05, and DL 113/04.
P5	Coil-bound document entitled: Authorities – Scope of Rebuttal Evidence
P6	Willsay Statement of Grant Clark as amended March 22
P7	MGB Decision Letter NO. DL 057/04
P8	MGB Decision Letter NO. DL 139/04
P9	Letter from AEC to the MGB dated November 15, 2004
P10	Letter from AEC to the T. Robert dated December 6, 2004
P11	Letter from Brownlee to MGB dated December 13, 2004
P12	Mersey Paper Co v County of Queens 18 DLR (2d) 19 (N.S.S.C.)
C1	Submission of the Complainants
C2	AEC Report regarding HR Milner Generating Plant
C3	AEC Report Regarding Poplar Hill, County of Grande Prairie and Rainbow 1, 2, 3, M.D. of Mackenzie
C4	AEC Report: References for Power Generating Plants
R5	Respondent's Legal Argument
R6	Commentary Assessment Appeals: HR Milner Generating Plant and 4 ATCO Power Generating Plants (Prepared by Brian S. Gettel)
R7	Commentary Re: Assessment Appeals: HR Milner Generating Plant and ATCO Power Valleyview, Sturgeon, Poplar Hill and Rainbow 1, 2, 3 Power Plants (Prepared by Barry Shymanski)
R8	Report of Sheldon Fulton of Forte Business Solutions with respect to Complaints Filed By Maxim Power Corporation's (HR Milner Facility in Municipal District of Greenview) and ATCO Power's Generation Facilities (Sturgeon in Municipal District of Greenview) (Rainbow Units 1, 2, & 3 in Municipal District of Mackenzie) (Poplar Hills in County of Grande Prairie) (Valleyview in Municipal District of Greenview)
R9	Report of Dan Driscoll
R10	Respondent's Volume of Legislation
R11	Respondent's Volume of Documents
R12	Respondent's Volume of Authorities

C13 Rebuttal Brief of the Complainants
C14 Willsay Statements of Barry Wiens
C15 Willsay Statement of Graham Wilson
C16 Willsay Statement of Grant Clark
C17 Three Ring Binder Prepared by AEC
- C17-1 AEC "Rebuttal Report" dated May 19, 2005
- C17-2 Appendix I [to Rebuttal Report]: Letters to the Assessor Requesting Additional Depreciation on the Subject Plants
- C17-3 Appendix I [to Rebuttal Report]: Excerpt from "Valuing Machinery and Equipment" (American Society of Appraisers, 2000)
- C17-4 Interpretive Guide to Appendix V of the Consolidation of 2003 Minister's Guidelines
- C17-5 Letter to Wilson Laycraft LLP from Gannett Fleming, Inc. dated May 24, 2005
- C17-6 Willsay Statement of Larry Kennedy
- C17-7 Rebuttal Report Prepared by Grant Clark, dated May 24, 2005
- C17-8 2004 Alberta Electric Energy Industry Statistics, dated April 2005 – Energy Demand Consulting Associates
- C17-9 Curriculum Vitae of Donald J. Davies
- C17-10 Letter from ATCO Power to AEC International dated May 20, 2005
- C17-11 Fortis Alberta Inc. Depreciation Study prepared by Gannett Fleming
- C17-12 Appendix III – 2003 Alberta Machinery and Equipment Assessment Minister's Guidelines

R18 Oversized Hand-Drawn Schematic Depicting Legislative Framework for Linear Property
R19 EUB Decision 2002-031
R20 EUB Order U99024
R21 EUB Decision 2002-103
R22 Two page Document with first page entitled "LPAU IDs be confirmed by MGB"
R23 Flow Chart with "Physical", "Functional", and "Economic" in the first row of boxes
R24 Final recommendations on plant-by-plant basis (Prepared by Alberta Municipal Affairs)
R25 Respondent's Evidence Summary and Legal Argument
C26 Final Summation of Alberta Power (2000) Ltd. and ATCO Power Ltd.
R27 Respondent's Reply to Summary and Legal Argument
C28 Final Rebuttal of the Appellants

APPENDIX "C"

Outstanding 2004 (tax year) Linear Property Assessment Complaints Filed on behalf of ATCO Power Ltd. and Alberta Power (2000) Ltd.

Assessee MA ID	Assessee	Plant	TJ MA ID	Municipality	LPAU-ID	2003 Assessment (2004 Tax year)
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178908	18,428,340
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178909	572,900
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178910	13,210
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178911	141,950
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178912	398,830
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178913	52,320
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178914	215,540
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178915	1,727,520
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178916	33,570
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178917	1,489,740
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178918	305,290
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178919	870
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178920	102,450
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178921	1,024,260
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178922	69,160
20241	Alberta Power (2000) Ltd.	HR Milner	0481	M.D. of Greenview	2178923	43,190
					TOTAL	**24,619,140**
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178847	6,350
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178848	1,653,110
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178849	112,640
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178850	3,210
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178851	10,930
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178852	492,390
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178853	428,990
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178854	4,740
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178855	7,990
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178856	1,732,720
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178857	200,970
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178858	160,700
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178859	920
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178860	3,810
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178861	1,300
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178862	1,130
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178863	590
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178864	720
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178878	1,876,210
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178879	773,380
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178880	4,150
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178881	2,990
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178882	45,590
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178883	1,712,520
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178884	20,690
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178885	80
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178886	6,000

Assessee MA ID	Assessee	Plant	TJ MA ID	Municipality	LPAU-ID	2003 Assessment (2004 Tax year)
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178887	160
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178888	1,250
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178889	590
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178890	697,970
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178891	28,860
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178892	113,200
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178899	146,790
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178900	1,930
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178901	4,520
					TOTAL	**10,260,090**
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178865	4,200
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178866	11,180
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178867	9,650
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178868	2,750
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178869	6,430
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178870	2,010
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178871	2,100
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178872	310
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178873	1,490
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178874	560
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178875	2,750
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178876	15,680
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178877	2,080
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178893	17,360
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178894	6,910
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178895	1,880
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178896	8,740
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178897	7,910
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178898	770
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178924	26,280
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178925	146,310
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178926	213,240
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178929	381,070
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178930	162,500
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178931	874,000
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178932	26,470
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178933	3,030
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178934	19,050
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178935	113,600
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178936	10,210
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178937	360
					TOTAL	**2,080,880**
20429	ATCO Power Ltd.	Poplar Hills	0133	County of Grande Prairie	2178819	16,762,120
20429	ATCO Power Ltd.	Poplar Hills	0133	County of Grande Prairie	2178824	5,390,750
20429	ATCO Power Ltd.	Poplar Hills	0133	County of Grande Prairie	2178825	598,380
20429	ATCO Power Ltd.	Poplar Hills	0133	County of Grande Prairie	2178826	159,020
					TOTAL	**22,910,270**
20429	ATCO Power Ltd.	Valleyview	0481	M.D. of Greenview	2178845	26,658,590
					TOTAL	**26,658,590**

APPENDIX "D"

Respondent's recommended changes due to calculation errors.

Assessee MA ID	Assessee	Plant	TJ MA ID	Municipality	LPAU-ID	2003 Assessment (2004 Tax year)	Respondent's Recommendations
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178847	6,350	6,100
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178848	1,653,110	1,584,230
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178849	112,640	111,760
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178850	3,210	3,160
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178851	10,930	10,690
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178853	428,990	137,500
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178854	4,740	2,130
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178855	7,990	1,320
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178863	590	580
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178864	720	690
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178880	4,150	1,220
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178881	2,990	830
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178882	45,590	12,160
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178888	1,250	900
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178889	590	300
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178890	697,970	308,150
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178891	28,860	11,870
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178892	113,200	40,940
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178899	146,790	49,930
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178900	1,930	620
20241	Alberta Power (2000) Ltd.	Rainbow	0505	M.D. of Mackenzie	2178901	4,520	1,200
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178869	6,430	6,400
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178870	2,010	1,780
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178871	2,100	1,680
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178872	310	220
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178873	1,490	760
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178874	560	270
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178875	2,750	1,210
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178876	15,680	6,450
20241	Alberta Power (2000) Ltd.	Sturgeon	0481	M.D. of Greenview	2178924	26,280	7,310