

1 All amounts for pension and other post employment benefits have been included in the  
2 benefit loading amount as shown in Table 45, Section 5.5 of this Application.

3 **5.7 Affiliate Transactions**

4 FortisAlberta's Inter-Affiliate Code of Conduct ("Code") was approved by the Board on  
5 January 15, 2005 (Decision 2005-002), to be in force starting January 31, 2005. The purpose  
6 of the Code is to establish standards and conditions for interaction between FortisAlberta and  
7 its affiliates.

8 As directed in Decision 2005-002, FortisAlberta filed its initial Code of Conduct Compliance  
9 Plan ("Plan") on March 1, 2005. The Plan was refiled on April 8, 2005, also at the Board's  
10 direction, to mirror the approved ATCO Plan, ensuring consistency across all utilities.

11 On January 25, 2005, FortisAlberta filed a Code of Conduct Exemption Application  
12 ("Exemption") seeking approval for certain management roles that were supporting FortisBC  
13 for a period of time in 2005, and to clarify the pricing parameters between FortisAlberta and  
14 FortisBC. The Exemption was approved on August 16, 2005 in Decision 2005-092. This  
15 Decision concluded that FortisAlberta may use the Cost Recovery Basis for services  
16 provided by it to its Non-Utility Affiliate, FortisBC, provided that the services shall not be  
17 Utility Services.

18 Also, as directed in Decision 2005-092, FortisAlberta has substantiated an appropriate factor  
19 for fully burdened costs for time periods subsequent to 2005. Accordingly, the 2006 actuals,  
20 as well as the 2007, 2008 and 2009 affiliate revenue forecast below has incorporated a fully  
21 burdened cost of labour.

22 The services being provided from affiliates included in the 2008/2009 forecast are as follows.

1  
2

**Table 46- Affiliate Transaction Expenses**  
(\$ Millions)

	<b>2006 Actual</b>	<b>2007 Current Estimate</b>	<b>2008 Forecast</b>	<b>2009 Forecast</b>
Corporate Charges from Fortis Inc.	0.7	0.8	0.7	0.7
Operations Support	0.1	-	-	-
<b>Total</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>

3 Corporate charges listed above are primarily to recover necessary corporate governance  
4 responsibilities of the parent, which issues the public equity that ultimately underpins  
5 FortisAlberta's equity. In 2006, these corporate charges were higher than originally forecast  
6 due to higher governance costs. During 2006, the Company received operations and  
7 engineering support from Newfoundland Power which was not forecast.

8 The services being provided to Affiliates included in the 2008/2009 forecast are as follows.

9  
10

**Table 47 - Affiliate Transaction Revenue**  
(\$ Millions)

	<b>2006 Actual</b>	<b>2007 Current Estimate</b>	<b>2008 Forecast</b>	<b>2009 Forecast</b>
IT Support	0.2	0.1	-	-
Meter Services	0.2	0.1	0.2	0.1
Shared Employees	0.6	-	-	-
<b>Total</b>	<b>1.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>

11 As agreed to in the 2005 NSA, all revenues from affiliates have been included in the  
12 miscellaneous revenue forecast on line 6, Schedule 9 of the Revenue Requirement Schedules  
13 found in Section 3.2 of this Application.

1 The 2008/2009 affiliate transaction revenue is reduced significantly over the 2007 current  
2 estimate as many services were transitioned to FortisBC during 2005 and 2006 and will  
3 continue to be transitioned throughout 2007. Furthermore, in 2006, FortisBC had contracted  
4 directly with third parties providing services for IT, with the exception of AM/FM and  
5 infrastructure support. In 2007, this support is being transitioned to FortisBC and there are  
6 no IT related shared services forecast for 2008/2009.

7 For 2008/2009, affiliate revenues are not expected to be material, as they are related to the  
8 Meter Services only as described below.

9 Meter Services

10 FortisAlberta maintains certification with Measurement Canada allowing the company to  
11 repair and recondition meters and perform compliance testing according to national  
12 standards. Beyond FortisAlberta's own needs, Meter Services refurbishes meters primarily  
13 for FortisBC. The allocation driver for these charges is the percentage of FortisBC meters  
14 refurbished over the total numbers of meters refurbished. In addition, there is a small amount  
15 of work done for Newfoundland Power and Maritime Electric.

16 **5.8 Depreciation Study**

17 FortisAlberta engaged Gannett Fleming Inc. to prepare a full depreciation study for this  
18 Application. This study can be found in Appendix G of this Application. Gannett Fleming  
19 Inc. also prepared the technical update in the 2006/2007 Application as well as the full  
20 depreciation study in the 2005 Application.

21 Although the results of this study do not significantly change depreciation rates during the  
22 2008/2009 test period, there are four issues that are addressed in this Application or will need  
23 to be addressed in future applications.

24 Firstly, the Gannett Fleming study has incorporated a partial implementation of an internally  
25 completed net salvage study. The net salvage study has resulted in the development of clear