
January 12, 2015

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") Complaint – Daily Contract Quantity ("DCQ") Obligation Interpretation – Preliminary Issues
Board File No. EB-2014-0363**

We have received the letter dated January 5, 2015 from Crawford Smith on behalf of Union in the above-captioned matter (the "Union Letter"), and would like to provide the following clarifications in response to the Union Letter. We attach our original December 3, 2014 letter (the "TransAlta Letter") in support of the Board's unique and specialized expertise and jurisdiction relating to this matter for your reference.

First, Union makes reference to the "Old Contract" and "New Contract", and suggests that TransAlta was not forthright about the existence of a New Contract. TransAlta was very clear about the fact that the contract that led to a number of the matters at issue was in place from November 1, 2012 until October 31, 2014, after which the New Contract came into effect.

Union also implies that the matter of the DCQ interpretation as part of the Board's standard terms and tariffs is resolved. With respect, this is not the case. While TransAlta has attempted to take all reasonable steps within its power to prevent further future losses resulting from the ambiguous Old Contract, this does not resolve the issue and/or interfere with the Board's unique and specialized expertise and jurisdiction to determine this important matter associated with the standard terms of a utility contract for utility storage and distribution services under the regulatory compact and the jurisdiction of the Board. In accordance with the utility construct, the issue is within the expertise and jurisdiction of the Board relating to the interpretation of posted utility terms and tariffs. A finding that the Board does not have jurisdiction over such terms and tariffs of a utility contract with its customers may have far-reaching and unintended consequences for the Board in future matters. Similarly, the Board is best placed to

January 12, 2015

ensure compliance with the Storage and Transportation Access Rule ("STAR") that is clearly within the Board's jurisdiction.

The Union Letter indicates that: "(l)ast winter, TransAlta regularly delivered 17904 GJs of gas to Union at Dawn". The Union Letter fails to note that the delivery of 17904 GJ of gas during that time period was made under written protest by TransAlta and the threat of penalty and service interruption by Union (see TransAlta Letter at pages 2-3).

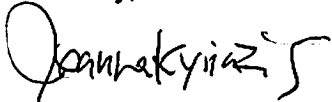
The Union Letter indicates that the Board has no jurisdiction to refer this dispute to arbitration, and argues that if STAR applies, it only requires that parties develop and post a dispute resolution process on its website—the inference being that the development without full implementation of a dispute resolution process is sufficient to discharge the obligation set out in section 2.3.4(viii) of the STAR. Union further notes that it is "prepared to consent to having the dispute brought before the Superior Court of Justice's Commercial List."

TransAlta respectfully submits that the posting of a dispute resolution process without the full implementation of a dispute resolution mechanism, other than consent access to the courts, effectively

- (i) renders the requirements of s.2.3.4(viii) of the STAR meaningless, and
- (ii) undermines the purpose and intent of such dispute resolution provision, which is meant to facilitate resolution through an alternative to costly and cumbersome litigation through the courts of general jurisdiction.

The inclusion of dispute resolution as a requirement of the STAR reflects the fact that arbitration and related dispute resolution is most applicable in complex and specialized utility matters in and of the nature of the current issue. TransAlta therefore requests that the Board give full effect to s.2.3.4(viii) of the STAR and mandate that, at a minimum, the matter be resolved through binding arbitration in the unlikely event that the Board determines that it does not have sufficient jurisdiction to address the matter directly.

Sincerely,



per: Elizabeth L. DeMarco

CC: Crawford Smith

Encl.