



IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by British Columbia Transmission Corporation
for Network Economy and Open Access Transmission Tariff

BEFORE: L.A. O'Hara, Panel Chair and Commissioner
L.F. Kelsey, Commissioner
A.W.K. Anderson, Commissioner

October 19, 2006

O R D E R

WHEREAS:

- A. Commission Order No. G-127-05 dated December 1, 2005 (the "NE Decision"), issued the following direction to British Columbia Transmission Corporation ("BCTC"):
- "BCTC is directed to consult with BC Hydro, third party users of the system and interested parties, and then apply to the Commission by March 1, 2006 for approval of a clear, enforceable Network Economy Tariff provision. The tariff provision is to include definition of the circumstances under which Network Economy Service is to be used, as well as procedures for monitoring and reporting to detect any unwarranted use of Network Economy Service, and enforcement penalties in the case of any breach of the provision."; and
- B. BCTC conducted consultations with its customers pursuant to the NE Decision in January and February of 2006; and
- C. In accordance with the NE Decision, BCTC applied to the Commission on March 1, 2006, pursuant to sections 58 to 61 of the *Utilities Commission Act*, for approval of tariff terms and conditions relating to the provision of Network Economy service (the "Application"). BCTC sought approval of: (i) revisions to s. 28.4 of BCTC's Open Access Transmission Tariff ("OATT"); (ii) a new Attachment Q to the OATT providing terms and conditions for Network Economy service; and (iii) the terms and conditions of Tariff Supplement BCTC-1, specific to the British Columbia Hydro and Power Authority ("BC Hydro"), all of which were included at Appendix A of the Application; and
- D. Following a Procedural Conference on April 19, 2006, established by Commission Order No. G-33-06, the Commission Panel issued Order No. G-50-06 establishing a regulatory timetable; and
- E. Commission Order No. G-82-06 amended the regulatory timetable and included a second Procedural Conference to be held on August 24, 2006; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-127-06

2

- F. At Procedural Conference No. 2, most parties supported a Negotiated Settlement Process (“NSP”) to be held from September 6 to September 8, 2006; and
- G. On August 29, 2006, the Commission issued Order No. G-105-06, establishing an Amended Regulatory Timetable (“Timetable”) that allowed for an NSP to take place between September 6 and September 8, 2006; and
- H. The Timetable provided dates for the filing of Direct Evidence on Monday, September 11, 2006 and Rebuttal Evidence on Monday, September 18, 2006 and for an Oral Public Hearing to be held, if necessary, beginning October 10, 2006; and
- I. Commission Letter No. L-49-06 required the Alberta Coalition (ENMAX Corporation, TransAlta Corporation and TransCanada Energy Ltd.) to file responses to certain BC Hydro Information Requests by Wednesday, September 13, 2006; and
- J. The NSP took place as scheduled, and the parties involved in the NSP indicated that there was a good possibility of reaching a final settlement and asked the Commission to hold all pending dates in abeyance until it would be known whether a final settlement had been reached; and
- K. On September 8, 2006, the Commission issued Order No. G-111-06, which directed that, as of September 11, 2006, all process steps under the Timetable be suspended until further Order of the Commission; and
- L. Commission Order No. G-111-06 also directed that the requirement in Commission Letter No. L-49-06 that the Alberta Coalition file responses to certain BC Hydro Information Requests by Wednesday, September 13, 2006, also be suspended until further Order of the Commission; and
- M. The Parties reached a Settlement Agreement dated September 22, 2006 (“Settlement Agreement”); and
- N. On September 25, 2006, the Settlement Agreement, along with the letters of acceptance by the participants in the NSP, were made public and circulated to the Commission Panel, and to other Intervenor for comment by September 29, 2006 and;
- O. No comments were received from other Intervenor; and
- P. The Commission has determined that the Settlement Agreement meets the requirements of the direction issued to BCTC by Order No. G-127-05, and approval of the Settlement Agreement is in the public interest; and
- Q. The Settlement Agreement states that BCTC estimates that implementation of the Settlement Agreement may take between 7 to 8 months, but timing could vary depending on a variety of factors.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-127-06

3

NOW THEREFORE the Commission orders as follows:

1. The Commission approves the Settlement Agreement, including Attachment Q to the OATT and Tariff Supplement BCTC-1, both as attached to the Settlement Agreement, and all as attached to this Order as Appendix 1.
2. The revision to Section 28.4 of the OATT as shown in Appendix A of the Application is approved.
3. Once BCTC has the systems and Business Practices in place to implement the Settlement Agreement, BCTC will file Attachment Q and Tariff Supplement BCTC-1 with the Commission. Upon such filing, the reporting in respect to the 1999 Rule pursuant to Commission Orders No. G-58-05 and G-127-05 is no longer necessary.
4. BCTC is to file a status report by April 30, 2007 on the expected timing of implementation of the Settlement Agreement, unless the necessary procedures are already in place at that time and the appropriate filings have been made to the Commission.

DATED at the City of Vancouver, in the Province of British Columbia, this 19th day of October 2006.

BY ORDER

Original signed by:

L.A. O'Hara
Panel Chair and Commissioner

Attachment



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VIA E-MAIL

September 25, 2006

Dear Participants:

Re: British Columbia Transmission Corporation ("BCTC")
Negotiated Settlement
Application for Network Economy and Open Access Transmission Tariff

Enclosed with this letter is the proposed settlement package for BCTC's Application for Network Economy and Open Access Transmission Tariff.

This settlement package is now public and is being submitted to the Commission and all Intervenor. Also enclosed are Letters of Comment from the Participants in the negotiated settlement process.

Prior to consideration by the Commission, Intervenor who did not participate in the settlement negotiations are requested to provide to the Commission their comments on the settlement package by Friday, September 29, 2006.

By Order No. G-111-06, the Commission suspended all process steps established for the Network Economy proceeding by the Amended Regulatory Timetable attached to Commission Order No. G-105-06. After reviewing the Settlement Package and the comments from other Intervenor, the Commission will determine what further process steps, if any, are required prior to making its determination. A public hearing may not be required unless there is significant opposition to the proposed settlement.

Yours truly,

A handwritten signature in black ink, appearing to read "JW Fraser".

James W. Fraser
Director, Strategic Services

JWF/rt

Attachments

cc: Mr. Marcel Reghelini
Director, Regulatory Affairs
British Columbia Transmission Corporation

British Columbia Transmission Corporation

Application for Network Economy and Open Access Transmission Tariff

SETTLEMENT AGREEMENT

DATED as of September 22, 2006

WHEREAS:

A. British Columbia Utilities Commission (“BCUC or Commission”) Order G-127-05, dated December 1, 2005 (the “NE Decision”), issued the following direction to British Columbia Transmission Corporation (“BCTC”):

The NE Panel directs BCTC to consult with BC Hydro, third party users of the system and interested parties, and then apply to the Commission for approval of a clear, enforceable Network Economy Tariff provision by March 1, 2006. The tariff provision is to include definition of the circumstances under which Network Economy Service is to be used, as well as procedures for monitoring and reporting to detect any unwarranted use of the Service, and enforcement penalties in the case of any breach of the provision.

B. BCTC conducted consultations with its customers pursuant to the NE Decision in January and February of 2006.

C. In accordance with the NE Decision, BCTC applied to the Commission on March 1, 2006 pursuant to sections 58-61 of the *Utilities Commission Act* for approval of tariff terms and conditions relating to the provision of Network Economy service (the “Application”). BCTC sought approval of: (i) revisions to s.28.4 of BCTC’s Open Access Transmission Tariff (“OATT”); (ii) a new Attachment Q to the OATT providing terms and conditions for Network Economy service; and (iii) the terms and conditions of Tariff Supplement BCTC-1, specific to the British Columbia Hydro and Power Authority (“BC Hydro”), all of which were included at Appendix A of the Application.

D. The Commission defined the scope of the proceeding as follows in its correspondence dated May 4, 2006 (Exhibit A-5):

The issues of whether Network Economy Service should continue to be available or its priority, both of which have been recently addressed by the OATT Panel in the Decision accompanying Order No. G-58-05, are outside the scope of this proceeding.

E. The Commission, in Order G-105-06 dated August 29, 2006 (Exhibit A-12), established a Negotiated Settlement Process, to commence on September 6, 2006. The following parties took part: the Alberta Coalition, comprised of ENMAX Corporation, TransAlta Corporation and TransCanada Energy Ltd.; EPCOR Utilities Inc.; the Alberta Electric System Operator; British Columbia Hydro and Power Authority (“BC Hydro”); and BCTC (collectively, the “Parties”). The Parties were assisted in reaching a Settlement Agreement by Commission Staff.

F. The Parties approached the Negotiated Settlement Process with a number of objectives in mind, including:

- (a) Permit appropriate use of Network Economy;
- (b) Preclude the inappropriate use of Network Economy;
- (c) Provide for open access and non-discriminatory transmission service;
- (d) Provide for the efficient use of the transmission system;
- (e) Reduce the frequency of unnecessary service interruptions to PTP customers;
- (f) Provide for effective monitoring of Network Economy use;
- (g) Provide transparency; and
- (h) Provide low-cost and reliable service for customers.

G. The Parties consider the Settlement Agreement to represent a pragmatic and cost effective means of addressing the directions of the NE Panel, meeting the objectives set out in Recital F above and of resolving the issues that arose during the course of the Application. Nevertheless, the Parties recognize that a variety of factors may change that might affect the ability of the Settlement Agreement to achieve the objectives set out in Recital F above, including:

- (a) FERC’s decision on the outstanding Notice of Proposed Rulemaking (NOPR);
- (b) The conclusions of BCTC’s December 31, 2006 Tariff Review report to the Commission;

- (c) The Burrard Thermal Generating Station's ongoing availability as a generation resource;
- (d) The capabilities of BCTC's scheduling system and the expected replacement of the scheduling system;
- (e) Any decision by BC Hydro and Powerex to amend materially or cease using the Transfer Pricing Agreement for Electricity and Gas between British Columbia Hydro and Power Authority and Powerex, dated April 1, 2003 (the "Transfer Pricing Agreement");
- (f) Significant changes to the scheduling system or practices in neighbouring jurisdictions, or to the intertie rating with neighbouring jurisdictions.

As such, nothing in this Settlement Agreement is intended to preclude any Party from filing an application or complaint with the Commission with respect to Network Economy Service.

H. Despite the Commission's direction set out in Recital D of this Settlement Agreement, the Parties consider it necessary in order to reach a settlement of the issues to include in the Settlement Agreement changes to the priority of Network Economy Service in the limited circumstances set out below.

I. BCTC estimates that implementation of this Settlement Agreement may take between 7 to 8 months, but timing could vary depending on a variety of factors.

WHEREFORE THE PARTIES AGREE AS FOLLOWS:

1. Attachment Q and Tariff Supplement BCTC-1 will be in the form attached to this Settlement Agreement. The amended Attachment Q and Tariff Supplement BCTC-1 form part of this Settlement Agreement.

2. Once BCTC has the systems and Business Practices in place to implement the Settlement Agreement, BCTC will file Attachment Q and Tariff Supplement BCTC-1 with the Commission. The Parties agree that, upon such filing, the reporting in respect to the 1999 Rule pursuant to Commission Orders G-58-05 and G-127-05 is no longer necessary.

3. The definitions in section 1 of Attachment Q and section 1 of Tariff Supplement BCTC-1 also apply to this Settlement Agreement.
4. An Economic Test will apply to Network Economy reservations as set out in section 2 of Attachment Q and Tariff Supplement BCTC-1.
5. A Utilization Test will apply to Network Economy reservations as set out in section 5 of Attachment Q.
6. BCTC will implement the following scheduling changes to its Business Practices:
 - (a) Unused Network Economy reservations will be curtailed at the end of the pre-schedule window (i.e. on or after 17:00:00); and
 - (b) In Real-Time at XX:40, unused Network Economy reservations will be curtailed first, followed by any other necessary curtailments of Non-Firm Point-To-Point capacity.
7. On a weekly basis, BCTC will post on the BCTC website, www.bctc.com, the following data with respect to Network Economy Service:
 - (a) MWh Volume of Network Economy reservations – Amount of Network Economy transmission reservations;
 - (b) MWh Volume of Network Economy Scheduled Energy – Energy scheduled on Network Economy transmission reservations;
 - (c) Number of Network Economy transactions – Number of transactions for Network Economy transmission reservations. Number of transactions for Network Economy with scheduled energy. Number of Network Economy Schedules.
 - (d) Unused Network Economy – MWh volume of Network Economy transmission reservations minus MWh volume of Network Economy energy scheduled (both adjusted for curtailments and interruptions in accordance with BCTC's business practices from time to time), and the utilization percentage for each hour;

- (e) Network Economy Economic Interruptions – Network Economy interruptions of Non-Firm Point-To-Point transmission service at XX:40, reflecting the last action that resulted in the interruption;
 - (f) The date and time of any change to the Threshold Purchase Price, as defined in section 1 of Tariff Supplement BCTC-1; and
 - (g) The current Burrard Heat Rate, as defined in section 1 of Tariff Supplement BCTC-1.
8. On a weekly basis, BCTC will post on the BCTC website, www.bctc.com, the following data with respect to Non-Firm Point-To-Point service:
- (a) MWh Volume of Non-Firm Point-To-Point reservations – Amount of Non-Firm Point-To-Point transmission reservations;
 - (b) MWh Volume of Non-Firm Point-To-Point Scheduled Energy – Energy scheduled on Non-Firm Point-To-Point transmission reservations;
 - (c) Number of Non-Firm Point-To-Point transactions – Number of transactions for Non-Firm Point-To-Point transmission reservations. Number of transactions for Non-Firm Point-To-Point with scheduled energy. Number of Non-Firm Point-To-Point Energy Schedules; and
 - (d) Unused Non-Firm Point-To-Point – MWh volume of Non-Firm Point-To-Point transmission reservations minus MWh volume of Non-Firm Point-To-Point energy scheduled (both adjusted for curtailments and interruptions in accordance with BCTC's business practices from time to time) and the utilization percentage for each hour.
9. BC Hydro will prepare reports for each quarter of the calendar year, and post the reports on its website and file them with the Commission and the Transmission Provider by the end of the following quarter. The quarterly reports will set out the following information:

- (a) The Threshold Purchase Price, and Burrard Heat Rate at the start of the quarter; each change in the Threshold Purchase Price and Burrard Heat Rate during the quarter; the date of each change during the quarter; and the reason for a change in the Burrard Heat Rate;
- (b) Net domestic volumes allocated pursuant to the Transfer Pricing Agreement for each month of the quarter;
- (c) Burrard Thermal Generating Station volumes for each month in the quarter;
- (d) Monthly system peaks during the quarter for the integrated domestic system, and estimates for the Lower Mainland - Vancouver Island;
- (e) A written attestation by an officer of BC Hydro to the veracity of the information provided to the Transmission Provider pursuant to sections 9(a) to (d) above, and that information provided to the Transmission Provider and the Commission pursuant to section 3(b) of Tariff Supplement BCTC-1 was provided to the Transmission Provider no later than it was provided to Powerex Corp.

10. For each calendar year, BC Hydro will prepare an annual report and post it on its website and file it with the Commission by March 31 of the following year. The annual report will discuss the annual domestic volumes allocated under the Transfer Pricing Agreement and the net amount imported using Network Economy Service that has passed the Economic Test set out in paragraph 2 of Attachment Q. The volumes will necessarily be different since the Economic Test sets priority on an *ex ante* basis and the Transfer Pricing Agreement allocates net volumes on an *ex post* basis.

11. BCTC will convene annual Network Economy Meetings to discuss on a “without prejudice” basis issues arising with respect to the use of Network Economy. The first annual Network Economy Meeting will take place approximately one year after implementation of the revised Network Economy provisions and no later than June 1, 2008. A standing agenda item for the Network Economy Meetings will be to review the use of, and continued requirement for, a different Trigger Price (as that term is defined in section 1 of Attachment Q) for the November to February period.

12. There will be costs associated with the implementation of this Settlement Agreement, potentially exceeding the estimated costs for implementing BCTC's proposal as provided in the Application. The Parties agree that such prudently incurred costs are in the public interest.

13. BC Hydro does not anticipate requiring for some time the use of Network Economy service for the furtherance of forward purchase contracts to serve Network Load. When BC Hydro anticipates requiring such service it will apply to the Commission for an order that BCTC amend Attachment Q and Tariff Supplement BCTC-1 to allow BCTC to provide such service. The Parties agree that:

- (a) the use of Network Economy service for the purpose of delivering energy in furtherance of forward purchase contracts to serve Network Load is appropriate, and
- (b) they will not oppose any application by BC Hydro to the Commission for an order that BCTC amend Attachment Q and Tariff Supplement BCTC-1 to provide such service on the basis that delivery of energy in furtherance of forward purchase contracts to serve Network Load is an inappropriate use of Network Economy Service. For greater clarity, the Parties are not constrained in the positions they might take on an application by BC Hydro with respect to the tests to be applied to determine when forward purchase contracts are being properly used to serve Network Load.

14. This Settlement Agreement represents a compromise reached on a "without prejudice" basis. The positions taken and statements made by the Parties during:

- (a) the Negotiated Settlement Process held on September 6, 7 and 8, 2006; and
- (b) the subsequent discussions among the Parties and their counsel in furtherance of settling the wording of the Settlement Agreement,

will not restrict in any way the positions taken in future proceedings concerning this or other applications. These discussions will remain confidential unless agreed to by all Parties in writing

and the information is released publicly by Commission Staff. The Parties also reaffirm their agreement to abide by the terms of the “Memorandum of Agreement regarding Settlement Discussions” executed by the Parties on August 24 and 28, 2006, covering the discussions held among the Parties prior to the commencement of the Negotiated Settlement Process.

15. None of the provisions of the Settlement Agreement are severable. If the Commission does not accept the Settlement Agreement in its entirety, including without limitation Attachment Q and Tariff Supplement BCTC-1, there is no agreement.

~~CONFIDENTIAL~~

ATTACHMENT Q

Network Economy Service

1. In this Attachment:

“Market Price” means the market price for energy as determined by the Transmission Provider in a manner approved by the Commission.

“Network Economy Service” means the use of the Transmission Provider’s transmission system, pursuant to section 28.4 of the Tariff, to deliver energy to its Network Loads from resources that have not been designated as Network Resources.

“Trigger Price” means the Trigger Price as determined by the Transmission Provider in a manner approved by the Commission.

2. Notwithstanding section 14.7 of the Open Access Transmission Tariff, for each hour in the delivery day:

- (a) Network Economy reservations will have the priority and rights provided in section 14.7 of the Open Access Transmission Tariff only if the Market Price is less than or equal to the Trigger Price for the delivery hour; and
- (b) If the Market Price is greater than the Trigger Price for the delivery hour, Network Economy reservations will have the same priority as Non-Firm Point-To-Point service, with the exception that the provisions of section 14.2 of the Open Access Transmission Tariff providing for reservation priority based on price shall not apply.

The Transmission Provider will post each day on its website or OASIS by **23:59:00**, whether Network Economy for each hour in the delivery day will have the priority as set out in (a) or (b).

3. Where a single Network Economy reservation spans multiple delivery hours, the priority assigned to the whole reservation will be that of the lowest priority hour, as determined in section 2 of this Attachment.

4. The Network Customer must provide the Transmission Provider with its Trigger Price in a form and at times required by the Transmission Provider, and approved by the Commission. The Network Customer may not use Network Economy service for the period in which it is reserved if the Network Customer has failed to comply with this section.

5. The Network Customer must, for the entirety of the reporting period, each reporting period to commence on the day after the last day of the previous reporting period and to include all full weekly reporting periods up to and including the last day of the full weekly reporting period immediately prior to the last day of the calendar month, maintain an average utilization rate of all Network Economy reservations of at least 95% of the average utilization of Daily and Hourly Non-Firm Point-To-Point service by customers, other than the Network Customer or its marketing affiliates, in pre-schedule and Real-Time, over the same reporting period. If the Network Customer's average utilization rate for Network Economy Service over the entirety of the reporting period is below 95% of that level, the Transmission Provider, commencing on the first day of the following calendar month, will curtail all unused Network Economy reservations at thirty minutes prior to the delivery hour. The Network Customer may subsequently reserve additional Network Economy service. These new reservations will have the same priority as provided in section 2(b) of this Attachment. If the average utilization of all Network Economy reservations over the entirety of the reporting period, each reporting period to commence on the day after the last day of the previous reporting period and to include all full weekly reporting periods up to and including the last day of the full weekly reporting period immediately prior to the last day of the calendar month, increases to at least 95% of the average utilization of Daily and Hourly Non-Firm Point-To-Point service by customers, other than the Network Customer or its marketing affiliates, in pre-schedule and Real-Time for the same reporting period, then commencing on the first day of the following calendar month the Transmission Provider will curtail all unused Network Economy reservations in accordance with the Transmission Provider's Business Practices.

**TARIFF SUPPLEMENT BCTC - 1
NETWORK ECONOMY SERVICE**

1. In this Tariff Supplement:

“Burrard Heat Rate” means the heat rate used by BC Hydro in making economic decisions about whether to run Burrard Thermal Generating Station.

“Sumas 2 Gas Index” means the “Midpoint Price” listed in *Gas Daily* for “Northwest, Canadian Border (Sumas)”.

“Threshold Purchase Price” means the Threshold Purchase Price, as defined, and as determined from time to time, in the Transfer Pricing Agreement for Electricity and Gas between British Columbia Hydro and Power Authority (“BC Hydro”) and Powerex Corp, dated April 1, 2003.

“Network Economy Service” is as defined in section 1 of Attachment Q.

2. For the purposes of section 2 of Attachment Q to the Tariff:

- (a) During the period from March 1 to October 31, the Trigger Price is the Threshold Purchase Price;
- (b) During the period from November 1 to February 28 or February 29, as applicable, the Trigger Price is:
 - (i) for transactions at the BC-US intertie, the Sumas 2 Gas Index multiplied by the Burrard Heat Rate; and
 - (ii) for transactions at the BC-Alberta intertie, the Threshold Purchase Price.
- (c) At all times, in the case of imports using Network Economy Service over the US-BC intertie, the Market Price is:
 - (i) for Hours Ending 07:00:00 to 22:00:00 (Monday to Saturday, excluding US NERC Holidays) the Mid-C Heavy Load Hour price as reported by Dow Jones, net of transmission losses, from the last day available as of 17:00:00 of each current day; and

(ii) for Hours Ending 01:00:00 to 06:00:00, Hour Ending 23:00:00 and Hour Ending 24:00:00, Monday to Saturday; all day Sunday; and all US NERC Holidays: the Mid-C Light Load Hour price as reported by Dow Jones, net of transmission losses, from the last day available as of 17:00:00 of each current day.

- (d) At all times, in the case of imports using Network Economy Service over the AB-BC intertie, the Market Price is, for each hour, the most recently available Alberta Pool Price for each hour posted as of 17:00:00.

3. For the purposes of section 4 of Attachment Q, BC Hydro must advise the Transmission Provider of:

- (a) the current Threshold Purchase Price and Burrard Heat Rate on the first business day after Attachment Q and this Tariff Supplement are made effective by order of the Commission;
- (b) any changes to the Threshold Purchase Price, at the same time as BC Hydro communicates the new Threshold Purchase Price to Powerex; and
- (c) any changes to the Burrard Heat Rate, on the date the changes occur.

The Transmission Provider must keep the Threshold Purchase Price provided by BC Hydro confidential.

4. BC Hydro will prepare reports for each quarter of the calendar year, and post the reports on its website and file them with the Commission and the Transmission Provider by the end of the following quarter. The quarterly reports will set out the following information:

- (a) The Threshold Purchase Price, and Burrard Heat Rate at the start of the quarter; each change in the Threshold Purchase Price and Burrard Heat Rate during the quarter; the date of each change during the quarter; and the reason for a change in the Burrard Heat Rate;
- (b) Net domestic volumes allocated pursuant to the Transfer Pricing Agreement for each month of the quarter;

- (c) Burrard Thermal Generating Station volumes for each month in the quarter;
- (d) Monthly system peaks during the quarter for the integrated domestic system, and estimates for the Lower Mainland - Vancouver Island;
- (e) A written attestation by an officer of BC Hydro to the veracity of the information provided to the Transmission Provider pursuant to sections 4(a) to (d) above, and that information provided to the Transmission Provider and the Commission pursuant to section 3(b) above was provided to the Transmission Provider no later than it was provided to Powerex Corp.



Marcel Reghelini
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September 22, 2006

Mr. James W. Fraser
Director, Strategic Services
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Fraser:

**Re: British Columbia Transmission Corporation (BCTC)
Negotiated Settlement
Application for Network Economy and Open Access Transmission Tariff (OATT)
Project No. 3698417**

BCTC is in receipt of correspondence of September 22, 2006 from Mr. James Fraser concerning the negotiated settlement of the above mentioned application. BCTC has reviewed the Negotiated Settlement Agreement and supporting documents included with Mr. Fraser's correspondence and confirms that the documents are consistent with BCTC's understanding of the agreed settlement.

BCTC supports acceptance of the negotiated settlement agreement by the Commission.

The negotiated settlement acknowledges at recital I that implementation of the settlement will take between seven and eight months. This is necessary because of changes to business practices and information systems required to give effect to the terms of negotiated settlement. Upon completion of these changes, BCTC will file for acceptance with the Commission:

- a) Attachment Q to BCTC's OATT in the form attached to negotiated settlement ;
- b) Tariff Supplement BCTC-1, also in the form attached to negotiated settlement; and,
- c) An amendment to Section 28.4 of the OATT, described at page 18, line 21 and at Appendix A, both of Exhibit B-1, to refer to the newly approved Attachment Q.

Once this compliance filing has been accepted for filing by the Commission, the terms of the negotiated settlement will then be fully implemented.

Sincerely,

A handwritten signature in cursive script that reads "Marcel Reghelini".

Marcel Reghelini
Director, Regulatory Affairs

Copy: Settlement Conference Participants



September 22, 2006

Mr. Jim Fraser
Director, Strategic Services
British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Fraser:

Re: **British Columbia Transmission Corporation ("BCTC")**
Negotiated Settlement
Application for Network Economy and Open Access Transmission Tariff

The AESO has reviewed the Final Settlement Agreement (the Settlement) attached to the Jim Fraser letter dated September 22, 2006. The AESO provides this letter as written confirmation of our acceptance of the Settlement.

We understand that the Settlement along with supporting documents and the letters of comment from the participants will be made public and forwarded to the Commission for its review on Monday, September 25, 2006.

Sincerely,



Heidi Kirrmaier
Vice-President, Regulatory

AESO - Alberta Electric System Operator

Barristers & Solicitors
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VIA EMAIL

September 22, 2006

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver British Columbia V6Z 2N3

Attention: James W. Fraser, Director, Strategic Services Secretary

Dear Mr. Fraser:

Re: **British Columbia Transmission Corporation ("BCTC")**
Application for Network Economy and Open Access Transmission Tariff
Project No.: 3698417

I write in response to the Commission's letter of September 22, 2006 in this matter. On behalf of the Alberta Coalition (ENMAX Corporation, TransAlta Corporation and TransCanada Energy Ltd.), I confirm acceptance of the final Negotiated Settlement Agreement as appended to the September 22, 2006 letter from the Commission.

Yours very truly,

McCarthy Tétrault LLP



Terence Dalglish, Q.C.
Counsel

TD/lk

154943-378767

CAL_DOCS #1542484 v. 1

Vancouver, Calgary, London, Toronto, Ottawa, Montréal, Québec and London, England



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September 22, 2006

Mr. James W. Fraser
Director, Strategic Services
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Fraser:

**RE: British Columbia Utilities Commission (BCUC) Project No. 3698417
British Columbia Transmission Corporation (BCTC)
Application for Network Economy and Open Access Transmission Tariff
British Columbia Hydro and Power Authority (BC Hydro)
Submission on Settlement Agreement**

This proceeding was initiated by a March 1, 2006 application by BCTC to the Commission for an order approving certain changes to BCTC's Open Access Transmission Tariff (OATT) regarding the provision of service under section 28.4 of the OATT. Section 28.4 service, referred to in this proceeding as Network Economy service, allows Network Customers under the OATT "to deliver energy to its Network loads from resources that have not been designated as Network Resources... at no additional charge". BC Hydro is the only Network Customer of BCTC, and makes extensive use of Network Economy service to deliver imported energy to its loads.

The March 1, 2006 application would have materially restricted the use by BC Hydro of Network Economy service and in consequence would have had, in BC Hydro's view, adverse financial consequences for BC Hydro (on a consolidated basis).

BC Hydro has been an active participant in this proceeding, as have a number of intervenors who compete with BC Hydro from time to time for transmission service under the terms of the OATT. Three of these intervenors, ENMAX Corporation, TransAlta Corporation and TransCanada Energy Ltd., are referred to collectively as the Alberta Coalition. Both BC Hydro and the Alberta Coalition filed evidence in this proceeding in which alternate proposals were made regarding the OATT tariff provisions governing the use of Network Economy service. The proposal advanced by the Alberta Coalition would have materially restricted the use of Network Economy service by BC Hydro and in consequence would have had, in BC Hydro's view, adverse financial consequences for BC Hydro (on a consolidated basis).



BCUC Order No. G-105-06 established a formal negotiated settlement process (NSP) for the purpose of attempting to resolve BCTC's application and the issues that arose from it, including the competing proposals of BC Hydro and the Alberta Coalition. The NSP took place over the three days during which BC Hydro, BCTC, the Alberta Coalition and Commission staff, among others, were active and fully engaged participants. In the end the participants to the NSP were successful in coming to a settlement agreement which, if approved by the Commission, will resolve BCTC's application.

In BC Hydro's view the settlement agreement, in the form attached to the letter from Commission staff dated September 22, 2006 (the Settlement Agreement), represents a reasonable compromise of the issues raised by the parties to this proceeding. Importantly, BC Hydro believes that any adverse financial effects on BC Hydro or Powerex Corp. arising from either of the BCTC application or the Alberta Coalition proposal are largely mitigated by the Settlement Agreement (including the attached Attachment Q and Tariff Supplement BCTC-1).

In light of the foregoing BC Hydro confirms its approval and acceptance of the Settlement Agreement, and respectfully submits that the Commission ought to approve it without modification.

Yours sincerely,



Joanna Sofield
Chief Regulatory Officer

c: British Columbia Transmission Corporation
Project No. 3698417 – NSP Participants



September 22, 2006

Mr. Jim Fraser
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Dear Mr. Fraser:

**RE: British Columbia Transmission Corporation ("BCTC") Negotiated Settlement
Application for Network Economy and Open Access Transmission Tariff**

With respect to the Final Settlement Agreement (Settlement), circulated on September 22, 2006, in the abovenoted proceeding, please accept this letter as EPCOR Utilities Inc.'s confirmation of acceptance of the Settlement.

Yours truly,

Sian Barraclough
Manager, Regulatory Affairs