



LETTER NO. L-75-07

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VIA E-MAIL

September 20, 2007

To: BCTC F2007 Transmission Revenue Requirements Registered Intervenor
(*BCTC-F2007TRR-RI*)

Re: British Columbia Transmission Corporation ("BCTC")
F2007 Transmission Revenue Requirements Application
Negotiated Settlement - Response to Undertakings

The F2007 Transmission Revenue Requirements Application - Negotiated Settlement that was approved by Commission Order No. G-139-06 contained a number of undertakings. On August 3, 2007 BCTC filed a response to the following undertakings ("August Response to Undertakings"), with a copy provided to the Registered Intervenor from the F2007 Transmission Revenue Requirements proceeding:

- Item 6 Harmonizing BCTC's Transmission Revenue Requirement Application with BC Hydro's Revenue Requirement Application
- Item 11 Frequency of the Asset Condition Assessment Report
- Item 15 Balanced Scorecard Framework
- Item 16 Risk Management Branch regarding possible pooling arrangements
- Item 19 Ratemaking in-service date of BCTC Certificate of Public Convenience and Necessity (CPCN) Projects

Item 11 describes the requirement under the Asset Management and Maintenance Agreement for BCTC to commission an audit every three years on the asset health and maintenance of the Transmission System where the scope of the audit can be modified. BCTC met with BC Hydro and Power Authority ("BC Hydro") and reached an audit plan arrangement which includes a process audit in F2010 of the Asset Health Index. On Item 11, page 3, BCTC notes that the Commission's June 15, 2007 Decision on BCTC's Transmission System Capital Plan F2008 to F2017 on page 36 refers to Commission Order No. G-91-05, page 26, Directive 11 that states "*The Commission Panel finds that the three-year interval between asset condition audits is appropriate.*"

It appears to BCTC that Directive 11 from Commission Order No. G-91-05 may be in conflict with Item 11 from Order No. G-139-06 and BCTC is seeking clarification regarding the approach to transmission asset condition assessments. BCTC indicates that it and BC Hydro would prefer not to undertake a complete audit every three years. BCTC recommends acceptance of the agreement between BCTC and BC Hydro regarding the conduct of asset health assessments.

On September 18, 2007 BCTC filed a response to undertaking Item 12 Merits of a fixed-cost approach to Generation Related Transmission Assets (“GRTAs”) relative to actual or forecast costs (September Response to Undertakings) with a copy provided to the Registered Intervenors from the F2007 Transmission Revenue Requirements proceeding.

The Registered Intervenors are requested to provide their comments on BCTC’s August and September Response to Undertakings by Friday, October 12, 2007, with a copy to BCTC. Registered Intervenors are also requested to provide their views on Item 11 and whether a complete audit on transmission asset condition assessments should be done every three years or should the agreement between BCTC and BC Hydro establish the conduct of asset health assessments.

BCTC is requested to provide its reply comments by Friday, October 19, 2007.

Yours truly,

Original signed by:

Erica M. Hamilton

PWN/dg