



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

and

Application by British Columbia Transmission Corporation
for Approval of Rates Effective April 1, 2008 and April 1, 2009

BEFORE: L.A. O'Hara, Panel Chair
and Commissioner June 26, 2008

O R D E R

WHEREAS:

- A. On February 20, 2008, British Columbia Transmission Corporation ("BCTC") filed an application for approval of its F2009 and F2010 Transmission Revenue Requirements (the "Application") pursuant to Sections 58 and 89 of the Utilities Commission Act (the "Act"). The Application seeks approval of permanent rates effective April 1, 2008 and April 1, 2009 and to amend on an interim basis the current rates effective April 1, 2008, to reflect the rates BCTC is seeking on a permanent basis as proposed in Table 11-9 of the Application; and
- B. The Application forecasts a revenue deficiency of \$51.4 million in F2009 and a further revenue deficiency of \$38.7 million in F2010, which result in the proposed revenue requirement increases of 9.9 percent and 6.8 percent for F2009 and F2010 respectively. The rates that BCTC seeks to have approved effective April 1, 2008 and April 1, 2009, are set out in Table 11-9 columns (d) and (e) respectively of the Application. The proposed rates are forecast to have an impact on British Columbia Hydro and Power Authority ("BC Hydro") rates of 1.7 percent in F2009 and an additional 1.2 percent in F2010. The impacts on BC Hydro rates from the proposed BCTC rate changes are already reflected in the BC Hydro F2009/F2010 Revenue Requirements application ("BC Hydro F09/F10 RRA"); and
- C. In the Application BCTC sets out that upon conclusion of the proceeding BCTC will implement permanent rates and make adjustments to prior billings, in accordance with the Commission's decision on the Application; and
- D. BCTC's Application also seeks approval of: (i) Substation Distribution Asset Management and Maintenance costs and Distribution Operations Services costs for F2009 and F2010; and (ii) continuation of the existing deferral accounts and approval of a new deferral account; and

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- E. By Order No. C-4-06 the Commission ordered that the incentive/penalty mechanism described in Section 9 of its July 7, 2006 Vancouver Island Transmission Reinforcement (“VITR”) Decision, be applicable to the VITR Project. The Application includes evidence that the cost variances of the VITR Project have primarily been outside BCTC’s control, and BCTC therefore requests that it be granted relief from the effects of the mechanism; and
- F. By Order No. G-22-08, the Commission approved interim refundable rates effective April 1, 2008 as set out in Table 11-9 column (d) of the Application; and
- G. By Order No. G-23-08, the Commission scheduled a Procedural Conference for March 20, 2008 to address procedural matters related to the Application. At the Procedural Conference, the British Columbia Old Age Pensioners’ Organization et al. (“BCOAPO”) made a motion that in view of the number of BC Hydro proceedings currently before the Commission this Procedural Conference be adjourned for a period of three months or longer (the “BCOAPO Motion”) (T1:5-8). The Commission Panel considered the BCOAPO Motion, found that although it had significant merit the submissions by BCTC and other Intervenor were more persuasive and, accordingly decided that the Procedural Conference would proceed as planned (T1:15); and
- H. At the Procedural Conference, BCTC and the Intervenor supported a negotiated settlement review process (“NSP”) for the review of the Application with the JIESC proposing a Pre-hearing Conference and BCOAPO proposing a second Procedural Conference in the event the NSP is not successful in resolving all of the issues; and
- I. By Order No. G-54-08, the Commission established a regulatory timetable for an NSP commencing May 14, 2008 and a second Procedural Conference on Wednesday, June 11, 2008 (the “Second Procedural Conference”). The settlement discussions concluded on May 15, 2008; and
- J. In a letter dated May 28, 2008, the Commission requested that NSP Participants provide comments regarding whether the Second Procedural Conference should be cancelled. The NSP Participants agreed that the Second Procedural Conference should be cancelled and Commission Order No. G-89-08 cancelled the Second Procedural Conference; and
- K. The NSP Participants provided Letters of Support for the proposed Settlement Agreement and Registered Intervenor who did not participate in the Settlement provided no comments by the deadline of June 20, 2008; and
- L. BCTC has applied to the Commission for approval of its F2009-F2018 Transmission System Capital Plan (“TSCP”). A Commission decision on the TSCP application (the “TSCP Decision”) is pending. BCTC will reflect in final rates the impact of the F2009 and F2010 capital expenditure approvals to be provided in the Commission’s TSCP Decision; and

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- M. BC Hydro has applied to the Commission for approval of the BC Hydro F09/F10 RRA. By Order No. G-78-08 the Commission set a regulatory timetable which schedules a Negotiated Settlement Process for the BC Hydro F09/F10 RRA for August 18-22, 2008 and a oral public hearing to commence (if necessary) on October 6, 2008. BCTC will reflect in final rates the impact of pending Commission BC Hydro F09/F10 RRA Decision on BC Hydro's Owners Revenue Requirement; and
- N. The Commission having reviewed the proposed Settlement Agreement and the comments related thereto and noting the support of all parties to the Proposed Settlement, in which none of the provisions are severable, considers that approval is warranted.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves the Settlement Agreement attached as Appendix 1 to this Order.
2. Pursuant to Section 6 of Special Direction No. 9, the Commission approves the continuation of the existing deferral accounts and the establishment of a new deferral account for International Financial Reporting Standards costs.
3. The Commission approves the Substation Distribution Asset Management and Maintenance costs and Distribution Operations Services costs for F2009 and F2010, to be incurred by BCTC for provision of services to BC Hydro, as shown in Table 7-14 and described in Sections 7.6.2 and 7.6.5 of the Application.
4. After the determination of items identified in recitals L and M, the Commission will accept amended Electric Tariff Rate Schedules in accordance with the terms of this Order.
5. BCTC is to refund any overpayment in rates with interest calculated at BCTC's most recent annual weighted cost of debt as set out in the Commission Order that establishes permanent rates for BCTC. BCTC is to inform all customers of the final rates and refund by way of a customer notice.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of June 2008.

BY ORDER

Original signed by:

L.A. O'Hara
Panel Chair and Commissioner

Attachment



WILLIAM J. GRANT
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VIA E-MAIL

June 13, 2008

Log No. 24119

TO: Registered Intervenors (BCTC-2009-10RR-RI)

Dear Registered Intervenors:

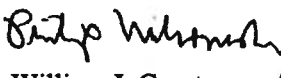
Re: British Columbia Transmission Corporation ("BCTC")
Negotiated Settlement
F2009 and F2010 Transmission Revenue Requirements Application

Enclosed with this letter is the proposed settlement package for BCTC's F2009 and F2010 Transmission Revenue Requirements Application.

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

Prior to consideration by the Commission, Intervenors who did not participate in the settlement negotiations are requested to provide to the Commission with their comments on the settlement package by Friday, June 20, 2008. Thereafter, the Commission will consider the settlement package. A public hearing may not be required unless there is significant opposition to the proposed settlement.

Yours truly,


for William J. Grant

SPS/rt

Attachments

cc: Ms. Janet Fraser
Director, Regulatory Affairs
British Columbia Transmission Corporation
janet.fraser@bctc.com

~~CONFIDENTIAL~~

British Columbia Transmission Corporation

F2009 and F2010 Transmission Revenue Requirement Application
Dated February 20, 2008

NEGOTIATED SETTLEMENT
Dated as of May 15, 2008

WHEREAS:

- A. On February 20, 2008, British Columbia Transmission Corporation ("BCTC") filed an application for approval of its F2009 and F2010 Transmission Revenue Requirements (the "Application") pursuant to Sections 58 and 89 of the Utilities Commission Act (the "Act"). The Application sought approval of permanent rates effective April 1, 2008 and April 1, 2009, adjusted for changes in the Commission's determination of the benchmark return on equity, and the amendment of rates on an interim basis effective April 1, 2008, to reflect the rates BCTC is seeking on a permanent basis as proposed in Table 11-9 of the Application; and
- B. The Application forecast a revenue deficiency of \$51.4 million in F2009 and a further revenue deficiency of \$38.7 million in F2010. The rates that BCTC sought to have approved effective April 1, 2008 and April 1, 2009 are set out in Table 11-9 columns (d) and (e) respectively of the Application. The proposed rates were forecast to have an impact on British Columbia Hydro and Power Authority ("BC Hydro") rates of 1.7 percent in F2009 and an additional 1.2 percent in F2010. The impacts on the rates of BC Hydro from the proposed BCTC rate changes are reflected in the BC Hydro F2009/F2010 Revenue Requirements application (RRA); and
- C. In the Application, BCTC set out that upon conclusion of the proceeding BCTC will implement permanent rates and make adjustments to prior billings, in accordance with the Commission's decision on the Application; and
- D. BCTC's Application also sought approval of: (i) Substation Distribution Asset Management and Maintenance costs and Distribution Operations Services costs for F2009 and F2010; and (ii) continuation of the existing deferral accounts and approval of a new deferral account; and
- E. By Order No. C-4-06 the Commission ordered that the incentive/penalty mechanism described in Section 9 of its July 7, 2006 Vancouver Island Transmission Reinforcement ("VITR") Decision, be applicable to the VITR Project. In the Application, BCTC sought relief from the effects of the mechanism; and
- F. By Order No. G-22-08, the Commission approved interim refundable rates effective April 1, 2008 as set out in Table 11-9 column (d) of the Application. The difference between the F2009 interim rates and permanent rates that are determined by the Commission following

consideration of the Application is subject to refund with interest calculated at BCTC's most recent annual weighted cost of debt as set out in the Commission Order that establishes permanent rates for BCTC; and

- G. By Order No. G-23-08, the Commission scheduled a Procedural Conference for March 20, 2008 to address procedural matters related to the Application; and
- H. At the Procedural Conference, the Commission received submissions on the principal issues arising from or related to the Application, process options for the review of the Application, the Commission's proposed regulatory timetable that was circulated on March 19, 2008, location of the proceedings and other matters that would assist the Commission's efficient review of the Application; and
- I. By Order No. G-54-08, the Commission established a Negotiated Settlement Process to begin on May 14, 2008. The following parties took part: BC Old Age Pensioners' Organization et al., Joint Industry Electricity Steering Committee, Elk Valley Coal Corporation, BC Hydro and BCTC (collectively, the "Parties"). The people who participated in the Negotiated Settlement Process are identified in the attached Schedule 1. The Parties were assisted in reaching this Negotiated Settlement Agreement by Commission staff; and
- J. All of the participants strongly support the objective of providing safe, reliable and cost effective service. BCTC believes that nothing in this settlement will restrict BCTC's ability to provide safe, reliable, and cost effective service, or to promote the safety of the public and those working on the transmission system, or to meet its planning obligations under its tariff.

WHEREFORE THE PARTIES AGREE AS FOLLOWS:

- 1. The Parties agree to hold confidential the discussions held on May 14 and 15, 2008 unless disclosure is agreed to by all Parties and released publicly by Commission staff.
- 2. This Negotiated Settlement Agreement represents a compromise reached on a "without prejudice" basis. Neither this Negotiated Settlement Agreement, nor the positions taken and statements made by the Parties during the Negotiated Settlement Process, will restrict in any way the positions that may be taken by any of the Parties in other proceedings.
- 3. This Negotiated Settlement Agreement is a comprehensive settlement of all issues related to the F2009 and F2010 Transmission Revenue Requirement of BCTC except for the components of the BC Hydro Owner's Revenue Requirement (BCH ORR) described on page 13, lines 3 to 11, of the Application that are to be considered in the BC Hydro F2009/F2010 RRA Proceeding. Refer to clause 31, which relates to the BCH ORR.
- 4. None of the provisions of this Negotiated Settlement Agreement are severable. If the Commission does not accept and approve this Negotiated Settlement Agreement in its entirety, there is no agreement.
- 5. The Application is accepted subject to the provisions that follow.

6. BCTC's permanent rates for F2009 and F2010 will be determined based on the provisions of this Negotiated Settlement Agreement.
7. BCTC's Transmission Revenue Requirement (TRR) consists of the BCTC Revenue Requirement (BCTC RR), the Asset Management/Maintenance Revenue Requirement (AMMRR) and the BCH ORR. A summary of these as set out in the Application are included in Appendix A.
8. In the test period and beyond, the TRR is affected by a number of cost drivers. These drivers were described in Sections 3.1.1 and 3.1.2 of the Application, with their resulting rate impacts described in Section 3.2 of the Application. Amongst those cost drivers are:
 - a. Capital Plan Growth;
 - b. Transmission System Development, including Transmission Expansion and the study of exports to California;
 - c. Compliance with Industry Standards such as WECC, NERC and FERC 890;
 - d. Compliance with government requirements such as Public Private Partnership Assessments, Carbon Neutrality, and Long-term Transmission report; and
 - e. Cost Escalation.
9. BCTC has only one NITS customer (BC Hydro), but NITS service represents approximately 85% of the revenue recovered through transmission rates and the NITS class is responsible for paying all of the TRR net of Point-to-Point and Ancillary Service revenues. The determination of the proposed NITS charge was shown in Table 11-3 in the Application and this table is reproduced at the end of Appendix A. BC Hydro's payments to BCTC for the NITS service is the means by which transmission service costs impact the rates to end use customers in British Columbia. Therefore BCTC presented the impact of its requested TRR on the NITS charge. Section 3.2 included a breakdown of the factors contributing to the change in the NITS Charge in Table 3-1. This table has been expanded below to include the dollar value impacts in addition to the percentage impacts.

Table 1: Expanded NITS Impact

Network Charge Rate Change \$ millions						
Line No.	F2009		F2010		Annualized	
	(a)	(b)	(c)	(d)	(e)	(f)
1 Capital Expenditures						
1 SCMP	16.1	3.7%	(7.6)	-1.6%	2.8	1.1%
2 VITR	14.9	3.4%	17.7	3.6%	10.9	3.5%
3 Other	3.9	0.9%	23.1	4.8%	9.0	2.8%
4 Capital Expenditures Impact	34.9	7.9%	33.2	6.8%	22.7	7.4%
5 Net OMA	17.9	4.1%	5.6	1.2%	7.8	2.6%
6 Higher PTP Revenue	(5.2)	-1.2%	(2.8)	-0.6%	(2.7)	-0.9%
7 Network Charge Change	47.6	10.8%	36.0	7.4%	27.9	9.1%

The table demonstrates that the majority of the requested increase is driven by capital projects, the two largest of which are the previously approved SCMP and VITR projects. Given this and clause 15 below, the focus of the Parties' discussions during the negotiated settlement process mostly concerned OMA expenditures.

BCTC Gross OMA is increasing by \$33.8 million, from \$172.1 million in the F2008 Forecast to \$205.9 million in the F2009 Plan. The reasons for the increase in BCTC's Operations and G&A costs are described in BCTC's responses to BCUC IR 2.183.1 and BCOAPO 1.17.2, respectively, while the reasons for the increase in maintenance costs, part of the AMMRR, are included in BCTC's responses to BCOAPO IR 1.15 and BCOAPO 1.16.

As part of this Negotiated Settlement Agreement BCTC agreed to reduced expenditure levels for F2009 and F2010 as set out in clause 10 and clause 11, below and Appendix B, Table 1.

10. **F2009 Revenue Requirements** – The combined BCTC RR and AMMRR for F2009 is accepted at \$177.9 million, a reduction of \$4 million from that sought in the Application, subject to adjustments from Capital Expenditure Approvals, as referenced in clause 15, and adjustments to components of the BCH ORR that occur in the BC Hydro F2009/F2010 Revenue Requirement Proceeding, as referenced in clause 31, and adjustments to the allowed rate of return on equity as referenced in clause 32.
11. **F2010 Revenue Requirements** – The combined BCTC RR and AMMRR for F2010 is accepted at \$172.7 million, a reduction of \$5 million from that sought in the Application, subject to adjustments from Capital Expenditure Approvals, as referenced in clause 15, and adjustments to components of the BCH ORR that occur in the BC Hydro F2009/F2010 Revenue Requirement Proceeding, as referenced in clause 31, and adjustments to the allowed rate of return on equity as referenced in clause 32.

12. **System Control Centre** – BCTC set up a provision for the decommissioning and dismantling costs for the System Control Centre (SCC) building on leased land from Simon Fraser University. BCTC and BC Hydro are currently negotiating the sale of the control centre building located on leased land to Simon Fraser University at a nominal value. The terms and conditions are not finalized at the time of this Application [Exhibit B-1, Section 7.4.3, page 75, lines 4 – 13]. If BCTC and BC Hydro are able to negotiate an agreement with Simon Fraser University that avoids the costs of dismantling the System Control Centre, then any unused amount of BCTC's share of the Asset Retirement Obligation (\$222,000) relating to the System Control Centre at Simon Fraser University will be credited to the F2009 Revenue Deferral Account.
13. **Community Investment/Donation Costs** – The BCTC application sought to increase expenditures for Community Investment / Donations primarily as a strategic tool to help build awareness and relationships with stakeholders and communities where it has an operational presence or impact. The program also supports BCTC's employee recruitment and retention programs by positioning the corporation as an employer of choice in an increasingly competitive job market [Exhibit B-1, page D-1]. There is no agreement amongst the Parties on the appropriate funding for costs associated with the Community Investment Program and Donations.
14. **Carbon Neutral Costs** – The Application sets out F2009 and F2010 costs pertaining to the requirement for provincial Crown corporations to achieve carbon neutrality. These costs are internal BCTC costs relating to the assessment and reporting of carbon emissions. BCTC's forecast F2009 and F2010 Transmission Revenue Requirement did not include costs relating to the purchase of carbon credits. Any costs relating to the purchase of carbon credits are to be brought forward in the next Transmission Revenue Requirement application.
15. **Capital Expenditure Approvals** – BCTC has applied to the Commission for approval of its F2009 – F2018 Transmission System Capital Plan (TSCP) application. A Commission Decision on the TSCP application is pending. BCTC will reflect in final rates the impact of capital project approvals provided in the Commission's decision on BCTC's F2009-2018 TSCP application.
16. **Capitalized Overhead** – BCTC's capitalized overhead as a percentage of gross OMA is forecast to increase from 5.4 percent in F2007 Approved to 6.3 percent in F2009 Plan and F2010 Plan. The methodology used for the capitalization of overhead costs including the direct charging of 16 staff costs to capital is accepted. In future revenue requirement applications, BCTC will report the amount of labour capitalized, and loadings thereon, as part of the capitalized overhead reporting.
17. **Compliance with Industry Standards** – Included in the F2009 and F2010 Transmission Revenue Requirements for F2009 and F2010 are costs relating to compliance with industry standards, including FERC Order 890, WECC and NERC. BCTC will track incremental costs for compliance with FERC Order 890, WECC and NERC standards and report these costs in its next Transmission Revenue Requirement application.

18. **Efficiency Gains** – The BCTC key budgeting assumptions include a 1 percent productivity improvement. (Ref: B-1, p. 98). The efficiency gains as projected by BCTC are accepted.
19. **Emergency Maintenance Deferral Account** – The Emergency Maintenance Deferral Account (EMDA) records variances between forecast and actual non-capital emergency maintenance expenditures. The EMDA was approved by Commission Order No. G-96-04 dated October 28, 2004 and was set with a \$2.0 million annual limit. This approved provision was established by taking the five year simple average of emergency maintenance expenditures during the period F1999 to F2003. BCTC has increased the emergency maintenance OMA included in the forecast F2009 and F2010 Transmission Revenue Requirement. Over the five-year periods F2003 to F2007 and F2004 to F2008, emergency expenditures have averaged approximately \$3 million. A corresponding adjustment of the threshold for the deferral account for F2009 and F2010 is required (Ref: B-1, p. 268). The \$1 million increase in OMA funding for emergency maintenance and the corresponding increase in the EMDA is accepted; and the EMDA will continue to record variances between forecast (now \$3 million) and actual non-capital emergency maintenance expenditures.
20. **Transmission Corridor Vegetation Management** – Vegetation management is required to ensure public and worker safety and system reliability. BCTC is optimizing its vegetation maintenance program through having an innovative integrated vegetation management program, which was recognized in the 2007 NERC Standards Readiness Audit of BCTC as being a Potential Example of Operational Excellence [Exhibit B-1, Sec. 9.3.2.2.3, page 138, lines 6 – 25]. The Parties accept that the goal is to manage vegetation in a manner that is socially and environmentally responsible, is cost effective over the long term and promotes the provision of safe and reliable transmission service.
21. **International Financial Reporting Standards (IFRS)** –The Application contains OMA costs of \$100,000 in F2009 and \$300,000 in F2010 as incremental costs associated with the implementation of IFRS (Ref: B-1, Sec. 3.1.2, p. 25, Sec. 12.3 pp. 275-277, BCUC IRs 1.33 and 1.61, JIESC IR 1.5). A deferral account is to be created and all incremental non-capital costs associated with the implementation of IFRS will be recorded in that deferral account for future prudence review and disposition.
- BCTC will work with other utilities in cost effectively assessing and implementing IFRS where there are synergies and where it does not impact BCTC's ability to meet the timeline set out by the Canadian Accounting Standards Board. There will still be BCTC specific costs that need to be incurred (for example, the need for the BCTC external auditor to review and accept accounting policy changes and IFRS implementation). It is also recognized that there will be differences respecting IFRS requirements between Crown corporations and investor owned utilities.
22. **Labour Resourcing Plan** – Commission Order No. G-64-07 ordered "...BCTC to provide a 5-year labour plan, similar in nature to the 5-year capital plan, in its next revenue requirement application." BCTC filed its five year labour plan in Section 3 of the Application. As part of its next Transmission Revenue Requirement application, BCTC will file a new five year labour resourcing plan using the best information then available. The F2005 Approved FTE was 329 positions. The Plan 2009 is 419 FTE. The five year labour

resourcing plan will include information on externally contracted labour to assist parties in assessing BCTC's total labour resourcing costs.

23. **Labour Salary/Performance Pay** – As part of its next Transmission Revenue Requirement application, BCTC will report on salary and performance pay in a format similar to the response to BCUC information request 2.179.1, adjusted for vacancies.
24. **Cost of Debt** – The Application was based on interest rates as per Treasury Board forecasts from January 2008 (Ref: B-1, pp. 65-67). Rates then were approximately 1.25 percent higher than at the time of the Negotiated Settlement Agreement.

BCTC provided more recent interest rate estimates in its cost of debt calculations for the F2009 and F2010 Revenue Requirements.

25. **Research & Development (R&D) Program** – BCTC plans to spend \$1.6 and \$1.7 million per year on R&D in F2009 and F2010, respectively. The proposed R&D program and funding level is accepted. BCTC will file a copy of the Transmission System Technology Strategy when completed, currently anticipated to be July 2008.
26. **Short-Term Point to Point Transmission Service** – Directional pricing of short-term service approved under the Commission's OATT Decision, issued under Order No. G-58-05, came into effect subsequent to approval of the F2007 forecast [Exhibit B-1, Sec. 11.1.1.4, page 257, lines 5 – 7] and resulted in zero priced transmission on transmission schedules flowing counter to the direction of the economic transactions as indicated by the market prices in the Alberta and Mid-Columbia markets. [BCUC IR 1.40.1, Attachment 6, page 7]. The transaction fee associated with zero-priced reservations is the minimum charge of \$55 per transaction for discounted short-term service, billed in accordance with Rate Schedules 01 and 02 of the OATT [BCUC IR 2.188.1]

BCTC expected directional zero-pricing would only marginally impact PTP revenue, while increasing the utilization of the system. This is consistent with BCTC's rate design goals. However, subsequent analysis indicated that after the implementation of the directional zero-pricing, ST sales increased while revenue decreased. [JIESC IR 1.18.4]

BCTC intends to complete its consultation on FERC Order No. 890 in the first quarter of F2009, followed by an application for associated tariff changes. BCTC is also currently evaluating further its Short-term Rate Design and potential alternatives. [JIESC IR 1.18.5]

BCTC agrees to file, by December 31, 2008, a rate design application for ST-PTP pricing.

27. **Transmission Expansion Policy** – BCTC participation in a study to expand transmission between British Columbia, the Pacific Northwest and California is accepted.
28. **VITR Incentive/Penalty** – Commission Order No. C-4-06 ordered that the incentive/penalty mechanism described in Section 9 of its July 7, 2006 Decision be applicable to the Vancouver Island Transmission Reinforcement Project. Forecast expenditures on the VITR Project will exceed the cost threshold established pursuant to Order No. C-4-06. In the

Application, BCTC included evidence that the capital expenditures on the VITR Project exceeded the cost threshold due to market conditions and unexpected environmental requirements, and occurred despite good management of the Project. The penalty as calculated under Order No. C-04-06 is \$1.575 million. In the Application, BCTC raised questions about the validity of the penalty and sought relief from the penalty.

It is agreed that BCTC will credit the amount of \$1.575 million to the F2008 Revenue Deferral Account (RDA), which will form part of the disposal of the F2008 deferral balances, anticipated in F2009 and shown in Table 2 of Appendix B.

It is agreed that the crediting to the F2008 RDA as described above fulfills all of BCTC's obligations under the incentive/penalty mechanism ordered by Commission Order No. C-4-06 and BCTC has no further obligation relating to the VITR Project incentive/penalty mechanism. Nothing in this Negotiated Settlement Agreement is to be interpreted as suggesting imprudence respecting the costs of, or BCTC's management of, the VITR Project.

29. Information Roadmap and Information Management (Application Roadmap) strategies

– The Information Roadmap initiative is to determine the state of information (data) management at BCTC, how IT information flows between different areas of the organization, and the current state of data & information governance within BCTC business areas. The strategy under development consists of a 3-5 year Information Roadmap with prioritized initiatives which need to be executed to bring the state of BCTC's information to the desired target maturity level.

The Information Management Strategy is an Application Roadmap that involves assessing the state of BCTC's current application portfolio, and determining key aspects such as the maturity, sustainment strategy and business process enablement of these applications. The study is expected to result in the formulation of a 5-10 year Roadmap identifying application gaps as well as opportunities for application consolidation, improved governance and integration of BCTC's applications portfolio. (Ref: BCUC IR 1.55.1)

BCTC will file a copy of the Information Roadmap and Information Management (Application Roadmap) strategies report when completed.

30. Long Term Transmission Vision – BCTC agrees to consult on the Long Term Transmission Vision report currently under development prior to bringing it forward as evidence in a regulatory proceeding.

31. BC Hydro Owners Revenue Requirement (BCH ORR) – BC Hydro owns the transmission system and receives the BCH ORR. Pursuant to the Master Agreement, the BCH ORR is included in the TRR Application filed by BCTC. The BCH ORR reflects the costs related to BC Hydro's ownership of the transmission system and management of transmission property rights as stated in Section 4.7 of the Master Agreement. (Ref. B-1, p. 46)

The BCH ORR for each of F2009 and F2010 as set out in the Application will be adjusted to reflect any adjustments that occur in the BC Hydro F2009/F2010 Revenue Requirement Proceeding to the components of the BCH ORR described on page 13, lines 3 to 11, of the Application.

32. **ROE Adjustment for F2009 and F2010** – BCTC's annual rate of return on deemed equity ("ROE") is equal to the annual ROE allowed for BC Hydro (Special Direction 9, 3(c)). By Order No. G-40-08, the Commission approved interim rates for BC Hydro effective April 1, 2008. In the event that BC Hydro's approved final F2009 rates reflect an adjustment to its ROE, BCTC will adjust its F2009 rates accordingly. BCTC's rates for F2010 (commencing April 1, 2009) will be adjusted to reflect any change to the benchmark return on equity set by the Commission and any other change in the return on equity for BC Hydro allowed by the Commission in BC Hydro's F2010 rates.
33. **Deferral Accounts** – It is agreed that an order under Section 6 of Special Direction No. 9 should be made approving the continuation of BCTC's existing deferral accounts and approving a new deferral account for IFRS costs as described in clause 21.
34. **Substation Distribution Asset and Distribution Operation Services Costs** – It is agreed that an order approving Substation Distribution Asset Management and Maintenance costs and Distribution Operations Services costs for F2009 and F2010, to be incurred by BCTC for provision of services to BC Hydro, as shown in Table 7-14 and described in Sections 7.6.2 and 7.6.5 of the Application, should be made.
35. Until the conclusion of the BC Hydro F2009/F2010 RRA proceeding and issuance of the Commission's decision on BCTC's F2009-2018 TSCP application, the BCTC rates will continue as interim rates. The interest rate that will be applied to interim rate refunds will be calculated at BCTC's most recent annual weighted cost of debt as set out in the Commission Order that establishes permanent rates for BCTC.

SCHEDULE 1

The following Parties participated in the NSP discussion:

Participant	Party
Cal Johnson	Counsel for British Columbia Transmission Corporation
Marcel Reghelini	British Columbia Transmission Corporation
Lisa Prescott	British Columbia Transmission Corporation
Janet Fraser	British Columbia Transmission Corporation
Patti Jer	British Columbia Transmission Corporation
Elizabeth Hong	British Columbia Transmission Corporation
Brian Wallace	Counsel for Joint Industry Electricity Steering Committee
Lloyd Guenther	Joint Industry Electricity Steering Committee
Dan Potts	Joint Industry Electricity Steering Committee
Leigha Worth	Counsel for B.C. Old Age Pensioners Organization <i>et al</i>
Jim Quail	Counsel for B.C. Old Age Pensioners Organization <i>et al.</i>
J. David Newlands	Elk Valley Coal
Ian Webb	Counsel for British Columbia Hydro and Power Authority
John Irvine	British Columbia Hydro and Power Authority
Allan Leonard	British Columbia Hydro and Power Authority
Gordon Fulton	Counsel for British Columbia Utilities Commission
Tony Roberts	British Columbia Utilities Commission
Philip Nakoneshny	British Columbia Utilities Commission
Bill Grant	British Columbia Utilities Commission
Suzanne Sue	British Columbia Utilities Commission

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix A

Appendix A: Summary of Transmission Revenue Requirements

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix A

Table 4-1. Transmission Revenue Requirement Summary

Line No.	\$ millions	Ref.	F2007 Approved	F2007 Actual	F2007 /F2008 Approved Note 1	F2008 Forecast	F2009 Plan	F2010 Plan
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	BCH ORR	Section 5.0	363.3	360.7	364.8	365.5	388.9	431.8
2	AMMRR	Section 6.0	87.3	87.3	87.3	87.3	91.5	93.7
3	BCTCRR	Section 7.0	67.3	66.3	67.3	69.0	90.4	84.0
4	Deferral Account Clearing			1.0		(1.7)		
5	TRR		517.9	515.3	519.4	520.1	570.8	609.5
6	Year over Year Change BCH ORR			(2.6)	4.1	0.7	23.4	42.9
7	AMMRR			-	-	-	4.2	2.2
8	BCTCRR			(1.0)	1.0	1.7	21.4	(6.4)
9	Deferral Account Clearing			1.0	(1.0)	(1.7)	1.7	-
10	\$ Change			(2.6)	4.1	0.7	50.7	38.7
11	BCH ORR			(0.7%)	1.1%	0.2%	6.4%	11.0%
12	AMMRR			-	-	-	4.8%	2.4%
13	BCTCRR			(1.5%)	1.5%	2.5%	31.0%	(7.1%)
14	Deferral Account Clearing			-	-	-	-	-
15	Year Over Year % Change			(0.5%)	0.8%	0.1%	9.7%	6.8%
F2009 Plan compared to F2007/F2008 Approved							51.4	
							9.9%	

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix A

Table 5-1. BCH Owner's Revenue Requirement

Line No.	\$ millions	Ref.	F2007 Approved	F2007 Actual	F2008 Approved	F2008 Forecast	F2009 Plan	F2010 Plan
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Allowed Net Income	Sec. 5.2	103.2	107.5	97.5	97.9	95.8	111.3
2	Finance Charges	Sec. 5.2	119.5	121.6	123.3	125.2	137.4	152.5
3	Operating, Maintenance & Administration	Sec. 5.1	5.8	6.1	5.8	5.4	3.5	3.5
4	Corporate Costs	Sec. 5.6	11.2	11.2	10.8	10.8	19.6	21.1
5	Depreciation & Amortization	Sec. 5.3	99.0	88.9	100.5	95.5	100.4	110.5
6	DSM	Sec. 5.4	3.4	3.4	3.7	3.6	4.3	5.3
7	Grants & Taxes	Sec. 5.5	87.8	88.5	89.6	93.4	95.9	98.6
8	Total Transmission Cost		429.9	427.2	431.2	431.8	456.9	502.8
	Less Non-Tariffed Revenues and Recoveries							
9	Generation Related Transmission Assets	Sec. 5.7.1	(37.9)	(37.9)	(37.9)	(37.9)	(35.0)	(35.1)
10	Substation Distribution Assets	Sec. 5.7.2	(25.1)	(25.3)	(24.9)	(24.9)	(29.5)	(32.5)
11	Secondary Revenues	Sec. 5.7.3	(3.4)	(3.2)	(3.4)	(3.4)	(3.4)	(3.4)
12	Control Centre Leases	Sec. 5.7.4	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	-
13	Total Non-Tariffed Revenue and Recoveries		(66.6)	(66.5)	(66.4)	(66.3)	(68.0)	(71.0)
14	BCH ORR		363.3	360.7	364.8	365.5	388.9	431.8
15	Year-over-year Change			(2.6)	4.1	0.7	23.4	42.9
16	Year-over-year Change %			(0.7%)	1.1%	0.2%	6.4%	11.0%

Note 1: Under the terms of Master Agreement Section 4.13 (d), (e), and (f) BC Hydro will receive the approved BCH ORR for F2007 and F2008 (line 14 Columns (b) and (d)) rather than the F2007 Actual or F2008 Forecast (line 14, Columns (c) and (e)). The Allowed Net Income shown for F2007 Actual and F2008 Forecast reflect an allocation of BC Hydro's consolidated Allowed Net Income. The allocation of BC Hydro's consolidated Allowed Net Income is further discussed in BC Hydro's F2009 and F2010 Revenue Requirement Application.

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix A

Table 6-1. Asset Management / Maintenance Revenue Requirement

Line No.	\$ millions	Ref.	F2007 Approved	F2007 Actual	F2008 Forecast	F2009 Plan	F2010 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Gross Asset Management & Maintenance Cost	Sect. 9.3	104.4	106.4	108.0	114.8	116.6
	Less Non-Tariffed Revenues						
2	GRTA Management & Maintenance	Sect. 7.6.1	(5.4)	(5.4)	(5.4)	(8.3)	(8.2)
3	SDA Management & Maintenance	Sect. 7.6.2	(11.7)	(13.7)	(15.3)	(15.0)	(14.7)
4	Total AMMRR		87.3	87.3	87.3	91.5	93.7
5	Year-over-year Change			-	-	4.2	2.2
6	Year-over-year Change %			-	-	4.8%	2.4%

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix A

Table 7-1. BCTC Revenue Requirement

Line No.	\$ millions	Ref.	F2007 Approved	F2007 Actual	F2008 Forecast	F2009 Plan	F2010 Plan
		(a)	(b)	(c)	(d)	(e)	(f)
1	Operations	Sec. 9.2	40.2	43.5	45.3	54.8	53.6
2	Maintenance	Sec. 9.3	97.7	100.3	102.0	110.0	112.1
3	General and Administration	Sec. 9.4	24.3	24.4	24.2	26.5	26.9
4	Deferral Account Clearing ^(Note 2)	Sec. 12	-	(0.9)	(3.8)	-	-
5	Operating, Maintenance and Administration Costs	Sec. 9	162.2	167.3	167.7	191.3	192.6
6	Allowed Return on Deemed Equity ^(Note 1)	Sec. 7.2.4	2.9	2.7	1.8	6.3	5.7
7	Cost of Deemed Debt ^(Note 1)	Sec. 7.2.3	0.2	1.2	1.4	3.8	3.5
8	Cost of Market	Sec. 7.3	6.8	4.9	5.1	5.3	5.1
9	Depreciation & Amortization	Sec. 7.4	14.6	14.2	14.4	20.9	16.4
10	Grants & Taxes	Sec. 7.5	0.3	0.3	0.3	1.6	1.6
11	Deferral Account Clearing ^(Note 2)	Sec. 12	-	1.9	2.1	-	-
12	Gross Transmission Costs		187.0	192.5	192.8	229.2	224.9
	Asset Management Fees from BCHydro						
13	Transmission Assets	T6-1.L4	(87.3)	(87.3)	(87.3)	(91.5)	(93.7)
14	Substation Distribution Assets	Sec. 7.6.2	(11.7)	(13.7)	(15.3)	(15.0)	(14.7)
15	Generation Related Transmission Assets	Sec. 7.6.1	(5.4)	(5.4)	(5.4)	(8.3)	(8.2)
16	Gross Asset Management Fees from BCHydro	Sec. 6	(104.4)	(106.4)	(108.0)	(114.8)	(116.6)
17	Gross BCTC Revenue Requirement		82.6	86.1	84.8	114.4	108.3
18	Non-OATT Revenues	Sec. 7.6	(15.3)	(18.8)	(17.5)	(24.0)	(24.3)
19	BCTCRR	L18+L17	67.3	67.3	67.3	90.4	84.0
20	Year-over-year Change		-	-	-	23.1	(6.4)
21	Year-over-year Change %		-	-	-	34.3%	-7.1%

Note 1: F2007 Approved, F2009 Plan and F2010 Plan reflect BCTC's allowed return on its deemed capital structure. F2007 Actual and F2008 Forecast reflect the actual/forecast net income and interest charges.

Note 2: F2007 Actual reflects the expense deferral account balances, before interest, that were cleared in September 2007. F2008 Forecast reflects the forecast expense deferral account balances at year end. The F2008 Forecast also includes \$0.4 million pertaining to the forecast revenue sufficiency resulting from the change from Interest During Construction

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix A

Table 11-3. NITS Determination

Line No.	\$ millions	Ref.	F2007 Approved	F2007/ F2008 Approved	F2009 Plan	F2010 Plan
		(a)	(b)	(c)	(d)	(e)
1	Total Transmission Costs		616.9	618.2	686.1	727.7
2	Less Non-OATT Revenues and Recoveries		(99.0)	(98.8)	(115.3)	(118.2)
3	TRR	Table 4-1 L5	517.9	519.4	570.8	609.5
	Less PTP & Ancillary Service Revenues					
4	PTP Revenue	Table 11-1 L5	(70.8)	(70.9)	(76.1)	(78.9)
5	Ancillary Services - Scheduling, System Control & Dispatch Revenue	Table 11-2 Line 2	(3.3)	(3.3)	(3.5)	(3.6)
6	Other Ancillary Services Revenue	Table 11-2 Line 3	(6.0)	(6.0)	(4.4)	(4.2)
7	Total PTP and Ancillary Services Revenue		(80.1)	(80.2)	(84.0)	(86.7)
8	NITS Charge	L3 + L7	437.8	439.2	486.8	522.8
9	\$ change			1.4	47.6	36.0
10	% change			0.3%	10.8%	7.4%

F2009 and F2010 TRR – Negotiated Settlement Agreement

Appendix B: NSA Adjustments and Deferral Account Balances

Table 1

Line No.	\$ millions	F2009 Plan	F2010 Plan
		(a)	(b)
	BCTC		
1	Operations	54.8	53.6
2	Maintenance	110.0	112.1
3	General and Administration	26.5	26.9
4	Total OMA	191.3	192.6
5	Return on Deemed Equity	6.3	5.7
6	Cost of Deemed Debt	3.8	3.5
7	Cost of Market	5.3	5.1
8	Depreciation & Amortization	20.9	16.4
9	Grants & Taxes	1.6	1.6
10	BCTC Total Cost	229.2	224.9
11	Less Non-OATT Revenue and Recoveries	(47.3)	(47.2)
12	Combined BCTC RR and AMMRR as filed	181.9	177.7
13	Less NSA Adjustment (Clause 10 and 11)	(4.0)	(5.0)
14	Adjusted Combined BCTC RR and AMMRR	177.9	172.7
	BC Hydro		
15	Allowed Net Income	95.8	111.3
16	Finance Charges	137.4	152.5
17	Operating, Maintenance & Administration	3.5	3.5
18	Corporate Costs	19.6	21.1
19	Depreciation & Amortization	100.4	110.5
20	DSM	4.3	5.3
21	Grants & Taxes	95.9	98.6
22	BC Hydro Total Cost	456.9	502.8
23	Less Non-Tariffed Revenue and Recoveries	(68.0)	(71.0)
24	BC Hydro ORR (Note)	388.9	431.8
25	Total Transmission Revenue Requirement	566.8	604.5

Note: Table 1 lines 15 - 24 reflect the BCH ORR as filed. The BCH ORR will be revised subject to changes as described in Clause 31 of the NSA.

Table 2

Line No.	Account Name	F2008 Forecast Revenue/Expenditures	F2008 Plan Revenue/Expenditures	F2008 Deferral Account Balances		
				Difference Transferred to Deferral Accounts	Interest	Balance as at March 31, 2008 Owed Customer / (Owed BCTC)
	(a)	(b)	(c)	(d)	(e)	(f) = (d)+(e)
1	Revenue Deferral (RDA) 01.0000.17100.000.00	510.9	519.4	(8.5)	(0.2)	(8.7)
2	NSA Adjustment of \$1.575 million (Clause 28)			1.6		1.6
3	Adjusted Revenue Deferral	510.9	519.4	(6.9)	(0.2)	(7.1)
4	Emergency Maintenance Deferral (EMDA) 01.0000.17200.000.00	5.2	2.0	(3.2)	(0.1)	(3.3)
5	Cost of Market Deferral (COMDA) 01.0000.17300.000.00	5.1	6.8	1.7		1.7
6	Regulatory Expense Deferral (REDA) 01.0000.17400.000.00	3.6	3.0	(0.6)		(0.6)
7	Total	524.8	531.2	(9.0)	(0.3)	(9.3)

From: JD Newlands [<mailto:dnewlands@telus.net>]
Sent: Friday, June 13, 2008 9:58 AM
To: Grant, Bill J BCUC:EX
Cc: Doug Stokes; Sue, Suzanne BCUC:EX
Subject: British Columbia Transmission Corporation-Revenue Requirements-Negotiated Settlement.

Bill

RE: British Columbia Transmission Corporation ("BCTC")
Negotiated Settlement
F2008/09 and 2009/2010 Transmission Revenue Requirements Application

Elk Valley Coal Corporation ("EVCC"), has five operating mines in British Columbia, namely Fording River, Greenhills, Line Creek, Elkview, and Coal Mountain, located in South Eastern, British Columbia.

EVCC is the world's second largest exporter of metallurgical coal.

EVCC, is provided electrical service, amongst other facilities by Line No. 11274.

EVCC attended and participated in the Negotiated Settlement Process, the result of which resulted in a reduction of the Revenue Requirements, of in the order of \$4 and \$5 million in F2009 and 2010, respectively, all as further set out in the Negotiated Settlement Agreement, attached to the June 9, 2008, letter of W.J Grant, Transition Advisor, Regulatory Affairs and Planning, British Columbia Utilities Commission.

Elk Valley Coal Corporation, supports the Negotiated Settlement, attached to your letter of June 9, 2008.

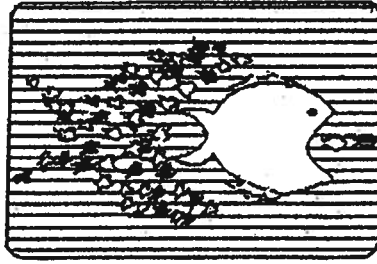
Yours truly.

J. David Newlands

Cc Doug Stokes, Vice-President Operations, Elk Valley Coal Corporation
suzanne.sue@bcuc.com

**The
British Columbia
Public Interest
Advocacy Centre**

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Barristers & Solicitors

Pawanjit Joshi
Articled Student

June 12, 2008

VIA EMAIL

Erica Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Sirs/Mesdames:

**Re: British Columbia Transmission Corporation F2009 and F2010 Revenue
Requirements Application - Project No. 3698499**

We continue to represent BCOAPO et al in this proceeding.

Our clients are prepared to accept the Negotiated Settlement Package finalized by Mr. Bill Grant becoming an Order of the Commission in full resolution of this process.

Yours truly,

BC Public Interest Advocacy Centre

Leigha Worth
Barrister & Solicitor

cc: parties of record



BC Transmission
CORPORATION

Building Connections

Janet L. Fraser
Director, Regulatory Affairs
Phone: 604 699-7318
Fax: 604 699-7537
E-mail: janet.fraser@bctc.com

June 11, 2008

William J. Grant
Transition Advisor
B.C. Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Grant:

**Re: British Columbia Transmission Corporation (BCTC)
Negotiated Settlement of the
F2009 and F2010 Transmission Revenue Requirement Application
Project 3698499**

BCTC is in receipt of the correspondence of June 9, 2008 from Mr. William J. Grant concerning the negotiated settlement of the captioned application. BCTC has reviewed the draft Negotiated Settlement Agreement (Agreement) included with Mr. Grant's correspondence and believes that the Agreement properly reflects the settlement discussions and confirms its acceptance of the Agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Janet Fraser", written over a horizontal line.

Janet L. Fraser
Director, Regulatory Affairs

cc: Suzanne Sue
Financial Analyst
British Columbia Utilities Commission
suzanne.sue@bcuc.com

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Director, Strategic Partnerships
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June 12, 2008

Ms. Erica M. Hamilton
Commission Secretary
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

**RE: Project No. 3698499
British Columbia Utilities Commission (BCUC)
British Columbia Transmission Corporation (BCTC)
BCTC F2009-F2010 Revenue Requirements Negotiated Settlement Process
British Columbia Hydro and Power Authority (BC Hydro)**

BC Hydro writes in regards to the above-noted matter, and in response to the June 9, 2008 letter from BCUC staff. That letter attached the settlement agreement that arose from the negotiated settlement process regarding BCTC's F2009-F2010 Revenue Requirements Application. BC Hydro was a participant in that process and writes to support acceptance of the settlement agreement by the BCUC.

For further information, please contact the undersigned.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Al Leonard", written over a faint circular stamp.

Al Leonard
Director, Strategic Partnerships

c. Attention: Suzanne Sue
British Columbia Utilities Commission (BCUC)

Project 3698499 NSP Participants





**Bull, Housser
& Tupper LLP**

3000 Royal Centre . PO Box 11130
1055 West Georgia Street
Vancouver . BC . Canada . V6E 3R3
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Reply Attention of:	R. Brian Wallace
Direct Phone:	604.641.4852
Direct Fax:	604.646.2506
E-mail:	RBW@bht.com
Our File:	08-1936
Date:	June 12, 2008

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Box 250
Vancouver, B.C.
V6Z 2N3

Attention: William J. Grant

Dear Sirs/Mesdames:

**Re: British Columbia Transmission Corporation ("BCTC")
Negotiated Settlement
F2009 and F2010 Transmission Revenue Requirements Application**

The Joint Industry Electricity Steering Committee (the "JIESC") supports the Negotiated Settlement Agreement in this matter as documented in the attachment to your letter of June 9, 2008.

Yours truly,

Bull, Housser & Tupper

R. Brian Wallace
RBW/sg/1687273