IN THE MATTER OF

BRITISH COLUMBIA TRANSMISSION CORPORATION
TRANSMISSION SYSTEM CAPITAL PLAN
F2006 TO F2015 UPDATE

DECISION

June 14, 2006

Before:

A.J. Pullman, Commissioner

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COMMISSION ORDER NO. G-67-06

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1.0 INTRODUCTION

The British Columbia Transmission Corporation ("BCTC") is a provincial Crown Corporation that began operations August 1, 2003. Under a Master Agreement with the British Columbia Hydro and Power Authority ("BC Hydro"), BCTC is responsible for operating, managing, and maintaining BC Hydro's transmission system. BCTC is also responsible for planning, obtaining regulatory approvals for, and constructing projects that sustain or enhance the transmission system's capability to transport electric power, and for entering into commitments and incurring expenditures for such projects. BC Hydro is required to fund capital expenditures for core transmission assets (which BC Hydro continues to own) if such expenditures are approved by the British Columbia Utilities Commission ("Commission", "BCUC"). Certain other capital assets, such as control centres, are funded and owned by BCTC.

This is the third application by BCTC to the Commission in respect of its Transmission System Capital Plan. The first was filed in May 2004, requesting approval for capital expenditures commencing in F2005 (that is the fiscal year ending March 31, 2005) and was subsequently approved by Commission Order No. G-103-04. The second was filed in March 2005 and described projects within the period F2006 to F2015; however, BCTC requested approval for capital expenditures scheduled to begin in either F2006 or F2007. Commission Order No. G-91-05 dealt with this application.

On January 27, 2006, BCTC filed an update of its Transmission System Capital Plan F2006 to F2015 ("the Update Application") requesting approval for a number of new growth projects not included in its March 2005 filing.

BCTC states that it proposes to file an application with the Commission in November 2006, which will, inter alia, address the 42 directives set out in Commission Order No. G-91-05, as well as seek approval for capital expenditures on projects scheduled to begin in either F2008 or F2009 .

The Commission, upon receipt of the Update Application, issued Order No. G-35-06 on March 30, 2006 establishing a written public hearing process and establishing a regulatory timetable for the issue of Commission and Intervenor Information Requests to BCTC (April 30, 2006) and responses thereto by BCTC (April 28, 2006) with Intervenor Argument to be filed by May 5, 2006 and Final Argument to be filed by BCTC on May 12, 2006.

2.0 THE APPLICATION

BCTC files an application to the Commission for the following orders:

> Approval under Section 45 6.2(b) of the Utilities Commission Act ("UCA") that capital expenditures related to the following projects beginning in F2006 and F2007 are in the public interest:
>
> **New Growth Projects**
>
> - Athalmer Substation – 69 kV Bus Tie and Disconnect Switch Addition
> - Brilliant Expansion Remedial Action Scheme
> - Future IPP Interconnections (F2007)
> - Golden 69 kV Capacitor Bank Additions
> - Horne Payne Protection Upgrade
> - Murrin Fault Level Reduction
> - Oyster River – 132/25 kV Transformer Addition
> - Porteau Substation Expansion and Relocation
> - Spences Bridge – 12/25 kV and Station Upgrade
> - Sperling Feeder Section Addition
> - Kinder Morgan TransMountain Pumping Station Expansion (TMPSE).
>
> (Exhibit B-1, p. 3)

In addition, it seeks approval for the following projects and adjustments, also under Section 45 6.2(b) of the UCA:

> **Sustaining Capital Customer-funded Projects**
>
> - Lines 60L93 and 60L94 Relocation
> - Line 60L73 Relocation-Grandview Corners Development

Sustaining Capital – Other

- Asset Management Support Systems Program (EGIS)

Changes to Underground and Submarine Cables and Overhead Lines/Right-of-Way programs

- F2007: Reduce Underground and Submarine Cables program by $520K and increase Overhead Lines / Right-of-Way program by $556K.

(Exhibit B-1, pp. 2, 4-5)

In addition, BCTC seeks approval under Section 99 of the UCA, that capital expenditures related to the Ashton Creek Neutral Reactor and Surge Arrester for 5L91 Single Pole Reclosing project are in the public interest and that the Commission reconsider its Order No. G-51-05, which disallowed them (Exhibit B-1, Appendix 2).

3.0 PROJECTS

BCTC provides a reconciliation of the number of projects approved by the Commission in Orders No. G-103-04 and G-91-05, those it proposes to remove and new growth projects together with their estimated expenditures as follows:

	#	F2006 ($ 000)	F2007 ($ 000)
Approved by the Commission	51	92,039	180,917
Projects Removed	(8)	(19,546)	(44,582)
Proposed Additions	11	3,962	42,093
Project for Reconsideration	1	574	
Proposed total		**77,029**	**178,428**

(Exhibit B-1, Schedule 1)

3.1 Projects Removed

	#	F2006 ($ 000)	F2007 ($ 000)
IPP interconnections	1	18,863	41,847
Other Projects	7	683	2,735
	8	**19,546**	**44,852**

BCTC states that the bulk of the approved expenditure on projects it wishes to remove relates to 14 independent power projects. One of these has been cancelled and the remaining 13 have been deferred by BCTC pending commitment from the developers to proceed with the design and construction of interconnection facilities.

The remaining projects comprised $683,000 in F2006 and $2,735,000 in F2007, and were either in the definition phase or were relatively minor projects.

3.2 Proposed Additions

BCTC seeks approval for the following 11 additional projects:

Proposed Transmission Project Additions	Project Total	$ 000 F2006	F2007
Athalmer - 69 kV Bus Tie and Disconnect Switch Addition	581	29	552
Brilliant Expansion Remedial Action Scheme	345	345	-
Future IPP Interconnections (F2007)	1,000	-	
Golden – 69 kV Capacitor Bank Additions	1,810	10	1,800
Horne Payne – Protection Upgrade	197	41	155
Murrin Fault Level Reduction	8,076	25	1,827
Oyster River – 132/25 kV Transformer Addition	3,000	-	100
Porteau Station Expansion & Relocation	3,553	140	3,396
Spences Bridge – 12/25 kV Conversion & Station Upgrade	2,047	185	1,862
Sperling – Feeder Section Addition	7,173	-	18
Kinder Morgan TMPSE	34,584	3,187	31,383
	62,366	**3,962**	**42,093**

(Exhibit B-1, Schedule 1)

3.2.1 Athalmer – 69 kV Bus Tie and Disconnect Switch Addition

BCTC states that the need for the Athalmer project arose when it was discovered that the existing transformer had become overloaded and this had not been noticed due to metering problems (Exhibit B-1, pp. 15-6).

3.2.2 Brilliant Expansion Remedial Action Scheme

BCTC states that it had carried out a remedial action scheme to accommodate the interconnection of the as Brilliant Expansion Project and that the developer had funded the project. It had not been included in the March 2005 filing as the contractual details had not been finalized (Exhibit B-1, p. 17).

3.2.3 Future Independent Power Producer Interconnections (F2007)

BCTC states that the Independent Power Producer ("IPP") interconnections estimate was based on its assessment of IPP projects with whom it expected to execute Facilities Agreements in F2007. It states that no attempt has been made to breakdown the estimate in two components namely Network Upgrades (funded by BC Hydro) and Direct Assignment Facilities (funded by the developers) (Exhibit B-1, p. 19; Exhibit B-3, BCUC IR-1, 11.1).

3.2.4 Golden – 69 kV Capacitor Bank Additions

BCTC states that as a result of unnoticed metering errors at the Golden substation it needs to install two capacitor banks and circuit breakers to enable BC Hydro to meet the forecast load demand growth until the winter of 2008/09 by which time BCTC expects to have designed permitted and constructed a second 69kV line from Invermere to Golden.

Under the worse single contingency supply capability will only be approximately 26.5 MVA which is equal to the load forecast for 2008/09 (Exhibit B-1, p. 20; Exhibit B-3, BCUC IR-1, 13.1).

3.2.5 Horne Payne – Protection Upgrade

BCTC states the Horne Payne protection upgrade was omitted from the original F2006-F2015 Transmission System Capital Plan ("TSCP") in error (Exhibit B-3, BCUC IR-1, 14.1).

3.2.6 Murrin Fault Level Reduction

BCTC states that the Murrin Fault Level Project had not been defined or internal approvals completed by the time the F2006-F2015 TSCP was submitted. It is the first phase of a long term project for the Murrin substation Seismic Upgrade, 230 kV switchyard rebuild and cable relocation, for which Commission approval will be sought in its proposed November 2006 filing. This phase of the project

will reduce the fault level of Murrin substation by adding current limiting neutral reactors to the station transformers, replacing and relocating transformer T7 (230/12 kV 84 MVA) with a 150 MVA dual winding unit, and reconnecting the 12 kV bus into two separate rings (Exhibit B–1, p. 24; Exhibit B-3, BCUC IR-1, 15.7).

3.2.7 Oyster River – 132/25 kV Transformer Addition

BCTC states that the existing load at Oyster River substation in central Vancouver Island is served by a single 41.7 MVA transformer with a 20 MVA mobile transformer for backup. The mobile transformer is not located at Oyster River. If the station transformer goes out of service, there will be a total station outage until the mobile transformer is moved to the station and connected. The peak load at Oyster River substation has increased substantially and will exceed the mobile transformer capacity by 2008 (Exhibit B-1, p. 26).

3.2.8 Porteau Station Expansion & Relocation

BCTC states that the existing Porteau substation is a pole-mounted 200 kVA single phase transformer tapped to a 69 kV circuit. This project will construct an expanded substation at a nearby site, equipped with a single 10 MVA 3-phase 60/25 kV transformer and three feeder positions. The design will include provision for a second 10 MVA transformer and three additional feeder positions (Exhibit B-1, p. 28).

3.2.9 Spences Bridge – 12/25 kV Conversion & Station Upgrade

BCTC proposes to construct a new 69/25 kV, 10 MVA substation to replace the existing 69/12 kV, 1.5 MVA substation at Spences Bridge. The new substation will be constructed on existing BC Hydro property adjacent to the existing substation, which will be retired.

BCTC claims that the project will improve the reliability of supply to Lytton and enable the Lytton diesel generating station, which provides back up supply to the region, to be decommissioned by BC Hydro (Exhibit B-1, p. 30).

3.2.10 Sperling – Feeder Section Addition

The Sperling Feeder Section Addition is to install a fourth distribution feeder section to increase Sperling substation's firm capacity from 177 MVA to 224 MVA to meet growth in the South False Creek Area (Exhibit B-1, p. 32).

3.2.11 Kinder Morgan Canada TMPSE

The major additional project being proposed by BCTC is the Kinder Morgan Canada Inc. ("KMC") TransMountain Pumping Stations Expansion ("TMPSE").

BCTC states that KMC has requested electricity supply from BC Hydro staged between December 1, 2006 and February 28, 2007 in order to meet a commercial operation date of March 31, 2007. Since this project was not included in previous BC Hydro Network Integration Transmission Services ("NITS") applications or load forecasts, BCTC required BC Hydro to make a formal application for service via the Open Access Same-time Information System ("OASIS") (Exhibit B-1, p. 35).

BCTC states that as part of the expansion of the TransMountain pipeline system KMC has sought and received National Energy Board ("NEB") approval under Section 58 of the National Energy Board Act for its TMPSE project whereby it will upgrade six existing pumping stations and construct seven new pumping stations. BCTC states that the following work is required:

Transmission Facilities

1. Reconductor sections of 138 kV circuit 1L210 in the North Thompson (67 km) to increase capacity;
2. Construct connection points (taps) in three 138 kV circuits to connect KMC transmission lines that will supply the new Finn Creek, Blackpool and Stump Lake pumping stations; and
3. Construct connection points (taps) in three 69 kV circuits to connect KMC transmission lines that will supply the new Hope, Wahleach and Port Kells pumping stations.

Substation Facilities

1. Valleyview: Install a 40 MVAR, 138 kV capacitor bank and a 230/138 kV, 168 MVA transformer;
2. Savona: Install a 40 MVAR, 138 kV capacitor bank;
3. Brocklehurst: Install a third 9.8 MVAR, 25 kV capacitor bank, two 20 MVAR, 138 kV capacitor banks and a +/- 8 MVAR, 138 kV Static Synchronous Compensator ("STATCOM");
4. Avola: Install three 6.0 MVAR, 138 kV capacitor banks and one +/- 24 MVAR, 138 kV STATCOM; and
5. Valemont: Install a 138 kV line position and circuit breaker to connect to a KMC transmission line that will supply their new Rearguard pumping station.

KMC will construct, own and operate the transmission lines that connect to the transmission system at the connection points noted in items 2 and 3 above (Exhibit B-1, p. 34).

BCTC describes the cost of these facilities and how KMC will fund them.

The customer contributions or advances for the KMC TMPSE project cover the Basic Transmission Extension costs incurred by BCTC of approximately $3.3 million. These are costs incurred by BCTC for facilities that only benefit KMC or that are required strictly to facilitate KMC supply. They are Direct Assignment costs that must be funded up front by KMC prior to project implementation. Basic transmission extension costs for the various TMPSE projects are as follows:

1. Substation Basic Transmission Extension facilities (various station work including KMC station): $0.6 million.
2. Brocklehurst Substation (protection, control and communication requirements): $0.03 million.
3. Valemount Substation (KMC line terminal position): $1.6 million.
4. Various transmission lines (taps off 6 transmission lines to interconnect KMC lines): $0.8 million.

These funds are refundable only to the extent that they are not required to cover all of the costs incurred by BCTC for the activities they were intended to fund. If the project should be cancelled, costs incurred by BCTC will not be refunded. If the project is completed and the funding provided for these components exceeds the costs incurred, the excess funds will be refunded.

The security requirements provided by KMC are intended to cover the System Reinforcement costs incurred by BCTC of approximately $31.6 million in case the project is cancelled after initiating project implementation, or the incremental revenue provided to BC Hydro by the additional KMC load is insufficient to fund to System Reinforcements according to BC Hydro's tariffs and financial criteria.

BCTC states that security requirements for the various TMPSE projects are as follows:

1. Various substation facilities (protection, control and communication requirements): $0.4 million.
2. Avola Substation (24 MVAR STATCOM and 3 – 6.0 MVAR, 138 kV capacitor banks): $16.0 million.
3. Brocklehurst Substation (8 MVAR STATCOM , 2 – 20 MVAR, 138 kV capacitor banks and 1 – 9.6 MVAR, 25 kV capacitor bank): $8.2 million.
4. Savona Substation (40 MVAR, 138 kV capacitor bank): $1.6 million.
5. Valleyview Substation (40 MVAR, 138 kV capacitor banks and 168 mva, 230/138 kV transformer): $5.2 million.
6. Various transmission line (1L210 upgrade for 70^{o} C operation): $0.2 million.

The security provided is reduced and returned to KMC as the funding requirements are met in accordance with BC Hydro's tariffs and financial criteria (Exhibit B-3, JIESC IR-1, 4.1).

In response to information requests for load data, capacity factors and a business case supporting the expenditures, BCTC replies:

> "BCTC is proceeding with the TMPSE project on the basis of a NITS request from BC Hydro. Monthly and annual loads and capacity factors were not provided to BCTC in

> this process" and "BCTC is proceeding with the TMPSE project on the basis of a NITS request from BC Hydro. As such, BCTC (and BC Hydro through the BC Hydro Owner's Revenue Requirement) will recover their costs for this project through Transmission Revenue Requirements over the lives of the assets. BCTC does not have the requested information" (Exhibit B-3, JIESC IR-1, 4.2, 4.3).

So far as other impacts that the TMPSE project may have on the BCTC system, BCTC notes that in the short term a number of outages will be necessary during the construction period and that in the long term the KMC projects will essentially consume all of the spare capacity presently available in the North Thompson 138 kV system. Longer-term system planning studies will be required to determine the preferred project or projects to provide the capacity necessary to meet future load growth in the North Thompson Valley. The most practical project at this time appears to be the construction of a new line, which could cost in the order of $30 million. BCTC states that a range of options will be considered, including both transmission options and "nonwires solutions" such as demand side management and local generation (Exhibit B-3, BCUC IR-1, 20.5).

3.3 Other items

BCTC says that for the relocation of lines 60L93 and 60L94 it has received a letter of credit from the customer for the full estimated cost and the customer has paid the full estimated cost of line 60L73 relocation in advance (Exhibit B-3, JIESC IR-1, 4.1).

For the Enterprise Geographic Information System ("EGIS") program BCTC states that the work scheduled for F2006 was completed on time and is now available for use on the PowerGrid application. It states that structure data for all 69 kV circuits will be complete in F2007 and that the project will be completed in F2009 with the capture of property (cadastral) information (Exhibit B-3, BCUC IR-1, 3.2).

Finally, BCTC states that it has reduced cable spending by $520,000 and increased overhead lines and right-of-way programs as a result of an internal review of project priorities.

3.4 Views of the Intervenors

Intervenors do not comment on any of the removed or additional projects or the other items, with the exception of the TMPSE project where the Joint Industry Electricity Steering Committee ("JIESC") submits to the Commission that it is concerned that the regulatory process that is in place since the split of BC Hydro and BCTC into two separately regulated entities, is not providing the Commission with the information it needs in order to be able to make appropriate decisions. The JIESC emphasizes that its submissions in this case are not aimed at the merits of this particular project, but only address this project as an example of the problems that are arising in the current regulatory environment.

The JIESC submits "In this case we have a substantial project being built to serve an identifiable customer. If this were a BC Hydro application, the Commission would be able to examine the revenues, costs and necessary investment to fund the project and determine whether the utility's customer contribution policy had been appropriately applied. Because BCTC is proceeding with the project on the basis of a NITS request by and for BC Hydro, this type of information is not available.

This puts the Commission in the untenable position that it could approve the project on the basis of a BC Hydro's NITS request to BCTC and then be faced with having to approve the project in the BC Hydro rate base, on the basis that the project was requested by BCTC and approved by the BCUC. In the submission of the JIESC, the Commission must direct better integration of the regulatory process to ensure that the Commission and stakeholders have all the information they require with respect to a project, at the time approval is sought, so this situation is avoided" (Exhibit C3-3, pp. 2, 3).

BC Hydro adds:

> "Regarding the Kinder Morgan Canada TMPSE project, the JIESC asks the BCUC to direct better integration of the regulatory review of transmission projects that arise from customer service requests to BC Hydro. BC Hydro does not disagree with the JIESC that more clarity on the process would be desirable. Indeed, this is an important issue for both BC Hydro and its customers. However, in BC Hydro's view no resolution of the issue is practically possible without the involvement of BC Hydro and its customers in an appropriate forum. Thus, BC Hydro requests an opportunity to make submissions on an appropriate process through which the issue may be addressed" (Exhibit C1-2).

4.0 VIEWS OF THE COMMISSION PANEL

4.1 Projects Removed

The Commission Panel approves the removal of the seven projects and the various IPP interconnections from its Order No. G-91-05. Should BCTC wish at any time in the future to resurrect these projects it must seek again Commission approval.

So far as concerns the IPP interconnections it is clear to the Commission Panel that the established regulatory parameters are not serving their intended purpose. The Commission Panel notes BCTC's observation that it is still analyzing different approaches to IPPs, and expects to provide a recommended approach on how to treat the uncertain nature of IPP interconnections in its next Capital Plan Application. The Commission Panel directs BCTC to address this issue in its proposed November 2006 application.

4.2 New Growth Projects

For the reasons set out above, the Commission Panel sees no merit in approving an amount of $1 million in respect of unspecified potential IPP interconnections for F2007, and accordingly does not approve this item.

So far as the Sperling Feeder Section Addition Project is concerned, the Commission Panel notes that only $18,000 is forecast to be spent in F2007 out of a project total of $7.2 million. The Commission Panel notes its directive in the Commission Order No. G-103-04 directing BCTC to file Certificate of Public Convenience and Necessity ("CPCN") applications for projects involving Metro Vancouver 230 kV supply projects and is of the opinion that BCTC should include this project in its proposed November 2006 application. Accordingly, the Commission Panel does not approve this item.

The Commission Panel has considered the evidence and submissions concerning the TMPSE project and shares the JIESC's concerns about the lack of information concerning the Project revenues and costs and the application of BC Hydro's contribution policy. The Commission Panel is prepared to find this project to be in the public interest on the condition that within 10 working days of the date of this Decision, BCTC and BC Hydro jointly respond to the JIESC's Information Requests 4.2 and 4.3, and that BC Hydro sets out its customer contribution policy and confirms that the TMPSE project complies with it and that the JIESC be afforded an opportunity to comment on the joint response. The Commission Panel directs BCTC to address the JIESC's concerns with the existing regulatory process in its proposed November 2006 application.

The Commission Panel finds the remaining projects to be in the public interest and approves them as follows:

- Athalmer Substation – 69 kV Bus Tie and Disconnect Switch Addition
- Brilliant Expansion Remedial Action Scheme
- Golden 69 kV Capacitor Bank Additions
- Horne Payne Protection Upgrade
- Murrin Fault Level Reduction
- Oyster River – 132/25 kV Transformer Addition
- Porteau Substation Expansion and Relocation
- Spences Bridge – 12/25 kV and Station Upgrade

The Commission Panel finds the two Sustaining Capital Customer-funded projects to be in the public interest.

The Commission Panel finds Sustaining Capital – Other: Asset Management Support Systems Program ("EGIS") to be in the public interest.

The Commission Panel finds the proposed changes for F2007 between cables and overhead lines/right-of-way programs to be in the public interest.

5.0 RECONSIDERATION

5.1 BCTC's Application

BCTC seeks reconsideration under Section 91 of the UCA of the Ashton Creek Neutral Reactor and Surge Arrester for 5L91 Single Pole Reclosing Project ("Ashton Creek Project").

BCTC states that the Ashton Creek Project was proposed in the March 23, 2005 Application, with a targeted in-service date of February 2006. In order to meet this in-service date, the project was initiated prior to the Commission's Decision and Order No. G-91-05. BCTC states that it proceeded with the Ashton Creek Project based on its favourable economic benefits (approximately $80,000 per year) and risk mitigation benefits (avoided generation shedding, avoided islanding and improved line availability).

In Order No. G-91-05, the Commission included this project with the group of South Interior Bulk System projects and denied BCTC's application for approval pending submission of a comprehensive System Development Plan for the South Interior bulk transmission system.

BCTC believes that the Ashton Creek Project should be considered separately from the other South Interior reinforcement projects. The driver for this project is enhanced reliability and improved system performance, supported by a favourable economic justification. The drivers for the South Interior reinforcement project are significant increases in generation expected in the South Interior region (Exhibit B-1, p. 11).

BCTC states that it did not file for reconsideration at the time Order No. G-91-05 was issued in September 2005 because after reviewing the number and complexity of Directives contained in the Decision, it elected to prepare an Update Application rather than a full Capital Plan Application in the fall of 2005. The Update Application, filed on January 27, 2006, represented BCTC's first capital filing subsequent to Order No. G-91-05. BCTC considers the Update Application to be the appropriate context for filing the reconsideration application because BCTC believes that seeking reconsideration of the Ashton Creek Project without first showing the Commission that a comprehensive plan was in place

to address the many directives in the Decision was less likely to be successful (Exhibit B-3, JIESC IR-1).

BCTC states that the total project cost was $574,000 (Exhibit B-1, p. 11).

In response to an information request asking why the Ashton Creek Project might more properly be categorized as a Sustaining Capital project rather than a Growth Capital project, BCTC replies that, in its opinion, Sustaining Capital projects are intended to maintain existing performance levels and that the Ashton Creek Project upgrades the protection scheme that will reduce the outage frequency, which in turn will reduce generation shedding and the probability of islanding due to the loss of both 5L91 and 5L98 (Exhibit B-3, BCUC IR-1,10.1). BCTC states that the project is intended to improve the performance of the existing system and is therefore independent of the implementation of the growth projects in the Southern Interior (Exhibit B-3, BCUC IR-1,10.2).

5.2 Views of the Intervenors

The JIESC submits that:

> "The JIESC understands, particularly where applications are filed late, that some work may be undertaken prior to formal approval of a utilities plan by the Commission. This fact, however, does not give an Applicant any right to ignore relevant Commission orders and directions. BCTC's failure to immediately advise the Commission of the situation with respect to this facility upon the issuance of Order No. G-91-05 is extremely serious in terms of regulatory precedent and protocol. When utilities ignore Commission orders and findings, and proceed as if they do not exist, regulation cannot be effective.
>
> The JIESC submits that the Commission must implement sanctions in this case. The appropriate sanction is to remove any impacts of this project from BCTC's revenue requirement until such time, if ever, that an application for review and reconsideration is brought on and a Commission order finding the facilities to be in the public interest is issued. In addition, the Commission should make it very clear to BCTC and other utilities in British Columbia that when a Commission order is issued and the utility is acting contrary to that order, that it must immediately cease that conduct or, alternatively, apply to the Commission for an order permitting the conduct" (Exhibit C3-3, p. 1).

BC Hydro takes a slightly different view from the JIESC and submits:

> "The JIESC's request for relief bring into sharp focus, for the first time, the issue of what legal consequences flow from a BCUC determination, or lack of a BCUC determination, under section 45(6.2)(b) of the Act. Without elaborating on the points at this time, BC Hydro does not agree with the JIESC that it is unlawful for public utilities in British Columbia to incur expenditures on projects that have not received a favourable determination pursuant to section 45(6.2)(b) of the Act; that the BCUC has the jurisdiction to sanction a public utility that does incur expenditures in the absence of such a determination; or that a successful application for reconsideration is required before a utility can recover in rates costs associated with a project that was not the subject of a favourable determination. In light of the foregoing BC Hydro respectfully requests an opportunity to fully address the jurisdictional and legal issues raised by the JIESC on this point prior to the BCUC issuing a decision on the JIESC's requested relief" (Exhibit C1-2, pp. 1-2).

5.3 Views of the Commission Panel

The Commission Panel is of the opinion that where the Commission appears to have erred in a finding of fact in decisions rendered by it, it behooves the affected Applicant (or indeed any affected party) to point the apparent error out to the Commission in a timely manner so that it may be corrected.

In Order No. G-91-05 the Ashton Creek project was one of a series of Growth Capital projects for the South Interior bulk transmission system for which the Commission denied approval and directed BCTC to submit a comprehensive System Development Plan for the South Interior bulk transmission system (Decision, pp. 38-41). Later in the Decision, the Commission described BCTC's sustaining Capital Portfolio as follows:

> "BCTC's Sustaining Capital Portfolio is comprised of the investments required to sustain the current and future performance capability of the transmission system, to meet customer and system requirements, and to meet industry reliability standards. These investments extend the useful life of an asset, replace an asset at the end of its useful life, or reduce the risk of asset failures or other operational problems" (Decision p. 47).

Notwithstanding BCTC's response to BCUC Information Request 10.1, the Commission Panel believes that the Ashton Creek Project should more properly have been described as a Sustaining Capital project

as it reduces the risk of operational problems that currently exist and which will continue to exist regardless of the growth of the South Interior bulk transmission system. Accordingly, the Panel amends Order No. G-91-05 to increase the allowed Sustaining Capital in F2006 by $574,000 in respect of the Ashton Creek Project.

So far as the JIESC's call for sanctions the Commission Panel is not prepared to invoke any of the powers available to the Commission over this matter including sanctions.

Dated at the City of Vancouver, in the Province of British Columbia, this 14th day of June 2006.

Original sign by

_____

A.J. Pullman
Commissioner

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ORDER NUMBER G-67-06

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

and

An Application by
British Columbia Transmission Corporation
for Approval of a Transmission System Capital Plan F2006 to F2015 Update

BEFORE: A.J. Pullman, Commissioner June 14, 2006

O R D E R

WHEREAS:

A. The British Columbia Transmission Corporation ("BCTC") filed with the Commission a Transmission System Capital Plan Update (the "Update") on January 27, 2006 and an amendment to that Update filing on February 20, 2006; and

B. The Commission, on March 6, 2006, requested views from intervenors to the Transmission System Capital Plan F2006 to F2015 as to the appropriate process for the review of the Update filing; and

C. On March 17, 2006, the Commission received the views of British Columbia Hydro and Power Authority and on March 20, 2006, the Commission received the views of the Joint Industry Electricity Steering Committee; and

D. On March 30, 2006 the Commission issued Order No. G-35-06 establishing a written public hearing process and a regulatory timetable.

NOW THEREFORE Pursuant to Sections 45 and 99 of the Utilities Commission Act, the Commission has considered the Application, the evidence, and submissions presented to it and has determined the following:

1. That under Subsection 45(6.2)(b) of the Act, the following capital expenditures related to the projects listed below, beginning in F2006 and F2007, are in the public interest:

   New Growth Projects
   - Athalmer Substation – 69 kV Bus Tie and Disconnect Switch Addition
   - Brilliant Expansion Remedial Action Scheme

…/2

- Golden 69 kV Capacitor Bank Additions
- Horne Payne Protection Upgrade
- Murrin Fault Level Reduction
- Oyster River – 132/25 kV Transformer Addition
- Porteau Substation Expansion and Relocation
- Spences Bridge – 12/25 kV Conversion and Station Upgrade

Sustaining Capital Customer-funded Projects

- Lines 60L93 and 60L94 Relocation
- Line 60L73 Relocation – Grandview Corners Development

Sustaining Capital – Other

- Asset Management Support Systems Program (EGIS)

Changes to Underground and Submarine Cables and Overhead Lines / Right-of-Way programs

- F2007: Reduce Underground and Submarine Cables program by $520K and increase Overhead Lines / Right-of-Way program by $556K

2. That the Kinder Morgan Canada Inc. TransMountain Pumping Station Expansion project will be in the public interest provided that the conditions described in Section 4.2 of the Decision that accompanies this Order are met.

3. That Order No. G-91-05 be amended to increase the allowed Sustaining Capital in F2006 by $574,000 in respect of the Ashton Creek Neutral Reactor and Surge Arrester for 5L91 Single Pole Reclosing project.

DATED at the City of Vancouver, in the Province of British Columbia, this 14th day of June 2006.

BY ORDER

Original signed by:

A.J. Pullman
Commissioner

GLOSSARY

Acronym	**Term**
Ashton Creek	Ashton Creek Neutral Reactor and Surge Arrester for 5L91 Single Pole Reclosing Project
BC Hydro	British Columbia Hydro and Power Authority
BCTC	British Columbia Transmission Corporation
BCUC or Commission	British Columbia Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
EGIS	Enterprise Geographic Information System
IPP	Independent Power Producer
JIESC	Joint Industry Electricity Steering Committee
KMC	Kinder Morgan Canada Inc.
NEB	National Energy Board
NITS	Network Integration Transmission Service
OASIS	Open Access Same-time Information System
STATCOM	Static Synchronous Compensator
TMPSE	TransMountain Pumping Station Expansion
TSCP	Transmission System Capital Plan
UCA	Utilities Commission Act

EXHIBIT LIST

Exhibit No.	Description
COMMISSION DOCUMENTS	
A-1	Letter dated March 30, 2006 and Order No. G-35-06 establishing a written hearing process and regulatory timetable
A-2	Letter dated April 3, 2006 clarifying the Commission's Decision and Order G-91-05
A-3	Information Request No. 1 dated April 12, 2006 to British Columbia Transmission Corporation
APPLICANT DOCUMENTS	
B-1	Letter dated January 27, 2006 filing the Transmission System Capital Plan F2006 to F2015 Update
B-2	Letter dated February 20, 2006 filing an amendment to the Transmission System Capital Plan F2006 to F2015 Update
B-3	Letter dated April 28, 2006 filing responses to Commissions' Information Request No. 1 (Exhibit A-3) and JIESC's Information Request No. 1 (Exhibit C3-2)
B-4	Letter dated May 2, 2006 filing responses to Commission's outstanding Information Request No. 1 (Exhibit A-3)
INTERVENOR DOCUMENTS	
C1-1	**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BC HYDRO) –** Received online registration dated April 3, 2006 from Susan Bradley requesting Intervenor Status
C1-2	Letter dated May 11, 2006 filing response and request to file submissions to Commission on issues raised with respect to the regulatory and approval processes being undertaken (Exhibit C3-3)
C2-1	**FORTISBC INC –** Received online registration dated April 6, 2006 from Joyce Martin requesting Intervenor Status

EXHIBIT LIST

Exhibit No.	Description
C3-1	**JOINT INDUSTRY ELECTRICITY STEERING COMMITTEE (JIESC) –** Received letter dated April 10, 2006 from R. Brian Wallace of Bull, Housser & Tupper requesting Intervenor Status
C3-2	Letter received April 12, 2006 filing Information Request No. 1 to BCTC
C3-3	Letter dated May 5, 2006 commenting on the Ashton Creek Project and the Kinder Morgan Canada TMPSE Project for 60 MW of capacity with respect to the regulatory and approval processes being undertaken
C4-1	**COLUMBIA POWER CORPORATION (BRUCE DUNCAN) –** Web registration on April 10, 2006 from Bruce Duncan requesting Intervenor Status