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VANCOUVER, B.C. V6Z 2N3 CANADA
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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-60-05**

TELEPHONE: (604) 660-4700
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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 its F2006 Revenue Requirement Application**

BEFORE: L.A. Boychuk, Panel Chair and Commissioner June 23, 2005
L.A. O'Hara, Commissioner
R.W. Whitehead, Commissioner

O R D E R

WHEREAS:

- A. On December 23, 2004, British Columbia Transmission Corporation ("BCTC") filed for approval of its F2006 Revenue Requirements Application ("the Application") and rates effective April 1, 2005 pursuant to sections 58 and 60 of the Utilities Commission Act ("the Act"). For F2006, BCTC applied for interim rates based on the forecast Deemed Equity Component as of April 1, 2005. After April 1, 2005 and determination of the actual Deemed Equity Component, BCTC requested for permanent rates for F2006 based on the actual April 1, 2005 Deemed Equity Component; and
- B. BCTC also requested approval of its depreciation accounts and rates of depreciation, pursuant to Section 56 of the Act; and
- C. By Order No. G-8-05, the Commission established a Pre-Hearing Conference ("PHC"), rescheduled by Order No. G-17-05, to be held on Thursday, March 3, 2005 to identify principal issues and address procedural matters related to process options for review of the Application; and
- D. On February 15, 2005, BCTC filed for Approval of a temporary Open Access Transmission Tariff ("OATT") Terms and Conditions of Service as well as rates for certain Ancillary Services pursuant to sections 60 and 61 of the Act. This filing would effectively roll over the terms and conditions contained in BC Hydro's current Electric Tariff Supplement 30 – the WTS Tariff ("WTS Roll Over Tariff Application"); and
- E. On March 2, 2005, BCTC filed its Evidentiary Update with a reduction to the Total Transmission Revenue Requirement ("TRR") of \$2.6 million, a reduction of \$6.9 million to the Network Integrated Transmission Service charge, and a forecast increase in revenues from Point-to-Point ("PTP") and Ancillary Services of \$4.3 million. On March 9, 2005 BCTC filed revised rate schedules resulting from the Evidentiary Update ("Revised Rate Schedules"); and
- F. On March 8, 2005, following the PHC, the Commission, by Order No. G-25-05, established an Issues List and a regulatory timetable for a Negotiated Settlement Process ("NSP") to review the Application and

**BRITISH COLUMBIA
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approved the WTS Roll Over Tariff Application along with Revised Rate Schedules on an interim refundable basis effective April 1, 2005; and

- G. The Negotiated Settlement discussions were held on May 25 and 26, 2005 and a proposed Settlement Agreement regarding the Application was agreed to by BCTC and Intervenors who participated in the discussions; and
- H. The Negotiated Settlement agreed to by the parties was provided to the Commission and circulated to all Intervenors on June 14, 2005, seeking comment from non-participants by June 21, 2005; and
- I. A non-participant provided a Letter of Comment on the Negotiated Settlement which did not oppose the settlement; and
- J. The Commission has reviewed the Negotiated Settlement, including the Final Issues List and letters of support filed by participants in the NSP and Letter of Comment of the non-participant and considers that approval of the Negotiated Settlement is in the public interest; and
- K. The Commission notes the higher than anticipated Deemed Equity Component resulting from the application of Special Direction No. 9 and BCTC's undertaking to seek determinations from its Board and Shareholder on whether Special Direction No. 9 should be adjusted.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves for BCTC the Negotiated Settlement, attached as Appendix 1 to this Order, the Terms of Settlement along with Tables 2B-1, 2B-2, 7.1, 7.2 and 7.3 showing the effects of the changes arising from the Negotiated Settlement. The Final Issues List, as set out in Appendix A to the Terms of Settlement, includes the additional issues discussed by the Intervenors.
- 2. BCTC's request for approval of the Depreciation Accounts and corresponding depreciation rates are approved for F2006.
- 3. BCTC is to refund any overpayment in rates with interest calculated at the average prime rate of the principal bank with which BCTC conducts its business. BCTC is to inform all customers of the final rates and refund by way of a customer notice.
- 4. BCTC is to provide the Commission with a report in the format of Exhibit B-7 that reconciles Total Transmission Revenue Requirement under the Settlement Agreement with rates by rate schedule.
- 5. The Commission will accept amended Electric Tariff Rate Schedules in accordance with the terms of this Order by no later than July 8, 2005.

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6. BCTC is to advise the Commission on the actions taken related to Special Direction No. 9 by September 30, 2005.

DATED at the City of Vancouver, in the Province of British Columbia, this 23rd day of June 2005.

BY ORDER

Original signed by:

Lori Ann Boychuk
Panel Chair and Commissioner

Attachment



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Log No. 8372

VIA E-MAIL

June 14, 2005

Dear Participants:

Re: British Columbia Transmission Corporation ("BCTC")
Negotiated Settlement
F2006 Revenue Requirement Application

Enclosed with this letter is the proposed settlement package for BCTC's F2006 Revenue Requirement Application.

This settlement package is now public and is being submitted to the Commission and all Intervenors. Also enclosed are Letters of Comments 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 their comments on the settlement package by Tuesday, June 21, 2005. 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,

William J. Grant

FYK/rt

Attachments

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

~~CONFIDENTIAL~~

NEGOTIATED SETTLEMENT

British Columbia Transmission Corporation

**F2006 Revenue Requirement Application
dated December 23, 2004**

On December 23, 2004, British Columbia Transmission Corporation ("BCTC") filed for approval of its F2006 Revenue Requirements Application ("the Application") and rates effective April 1, 2005 pursuant to sections 58 and 60 of the Utilities Commission Act ("the Act"). For F2006, BCTC applied for interim rates based on the forecast Deemed Equity Component as of April 1, 2005. BCTC requested that after April 1, 2005 a determination of the actual Deemed Equity Component be made and used to set permanent rates for F2006 based on the actual April 1, 2005 Deemed Equity Component.

In the Application BCTC also seeks approval of its depreciation accounts and rates of depreciation, pursuant to Section 56 of the Act.

On February 15, 2005, BCTC filed for Approval of a temporary Open Access Transmission Tariff ("OATT") Terms and Conditions of Service as well as rates for certain Ancillary Services pursuant to sections 60 and 61 of the Act. This filing would effectively rollover the terms and conditions contained in BC Hydro's current Electric Tariff Supplement 30 – the WTS Tariff ("WTS Rollover Tariff Application").

On March 2, 2005 BCTC filed an Evidentiary Update with a reduction to the Total Transmission Revenue Requirement ("TRR") of \$2.6 million, a reduction of \$6.9 million to the Network Integrated Transmission Service ("NITS") charge, and a forecast increase in revenues from Ancillary Services of \$4.8 million partially offset by a reduction of \$0.5 million in Point-to-Point ("PTP") revenues. On March 9, 2005 BCTC filed revised rate schedules resulting from the Evidentiary Update ("Revised Rate Schedules").

A Pre-hearing Conference was held on March 3, 2005 at which all parties supported the WTS Rollover Tariff Application and the use of a negotiated settlement process for dealing with the Application.

Pursuant to Order No. G-25-05, the Commission established a regulatory timetable, including a negotiated settlement process for dealing with the Application and approved the WTS Rollover Tariff Application and Revised Rate Schedules on an interim basis effective April 1, 2005.

BCTC provided further evidence in support of the Application through information responses dated April 22, 2005.

A conference was held on May 25 and 26, 2005 pursuant to the Commission's Negotiated Settlement Process to negotiate a settlement of the Application. Participating in the settlement conference were representatives of Joint Industry Electricity Steering Committee, BC Old Age Pensioners' Organization et al, Commercial Energy Consumers of BC, the City of New Westminster, Elk Valley Coal Corporation, BC Hydro and the Applicant. Parties were assisted in reaching a settlement by Commission Staff. Participants discussed a broad range of issues during

the conference including those which are identified in Appendix A attached. The participants in the settlement conference were successful in reaching the following settlement. BCTC has filed amended Tables 7-1 (Total Forecast Debt and Equity), 7-2 (Return on Deemed Equity), 7-3 (Deemed Interest), and Table 2-2 (Total Transmission Revenue Requirement) showing the effects of the changes arising from the Negotiated Settlement.

BCTC and the participants agree to hold confidential the discussions held on May 25 and 26, 2005, unless agreed to by all participants and released publicly by Commission staff. Agreement to this settlement is on a without prejudice basis. Any position taken or statement made during discussions, by the participants or BCTC, will not be made public or restrict in any way, positions taken in future proceedings concerning other applications.

The parties acknowledge and agree that none of the provisions of the settlement agreement are severable. If the Commission does not accept the settlement agreement in its entirety, there is no agreement.

The Application is accepted subject to the following amendments:

1. Deemed Equity/Debt

Special Direction #9 ("SD#9") requires that BCTC's Deemed Equity Component for F2006 and future years be set at its actual level on April 1, 2005. On April 1, 2005 BCTC's Deemed Equity Component was 54.1%. This was a temporary high level caused by unanticipated delays in expenditures. Some of the parties are concerned that this temporary high Deemed Equity Component level may not be consistent with the intent of the Government in issuing SD#9.

Therefore, for the purpose of arriving at the settlement of the Application, the participants have agreed as follows:

- a) Effective April 1, 2005 the BCTC F2006 rates will be approved based on a Deemed Equity Component of 40.7%;
 - b) BCTC agrees to seek determinations from its Board and Shareholder on whether the higher than anticipated Deemed Equity Component as of April 1, 2005 should be adjusted;
 - c) The participants may make submissions regarding appropriate changes to the Deemed Equity Component in SD#9 as part of their letters in support of the settlement;
 - d) BCTC agrees to provide the letters to its Board and Shareholder; and
 - e) Effective December 1, 2005, (1) rates will be approved based on the Deemed Equity Component then established under SD#9 and (2) if necessary, the incremental sum of money that would have been recovered in rates had they been calculated based on a Deemed Equity Component of 54.1% (rather than 40.7%) effective April 1, 2005 will be recovered by a rider prospectively over the remainder of F2006.
2. The rate of return on deemed equity will be revised to 13.51% from 13.52% consistent with Commission Order No. G-48-05.
 3. BCTC's F2006 forecast GridWest expenditures are \$2.1 million. Historically, these costs have been volatile and uncertain. For the purpose of this settlement agreement, the amount of GridWest costs included in F2006 rates shall be \$1.5 million. Any variance in

expenditures from \$1.5 million shall be recorded in an interest bearing deferral account. BCTC will demonstrate the prudence of the variances in the deferral account.

4. While the parties accept the Finance Controller costs as proposed, it is recognized that Key Initiatives funding costs may be reduced following F2006.
5. Capital overhead costs will be increased from \$5.2 million to \$6.5 million to reflect higher capital expenditure levels, resulting in a \$1.3 million decrease in OMA cost for F2006. BCTC will report on its study of appropriate capitalized overhead allocations at its next revenue requirement application.
6. F2006 revenue requirement shall be reduced by \$500,000 in addition to the impacts of items one through five above.
7. BCTC will file a report on its Research and Development program as part of its next revenue requirement application responding to BCUC Decision, October 2004, Page 101 and BCUC IR 33.5, item 5.
8. BCTC's proposed depreciation rates as shown on Table 6-2 are accepted for F2006. BCTC is to file with its next revenue requirement application a depreciation study resulting from the joint review with BC Hydro of depreciation rates. BCTC agrees to consider the impact, if any, of BCTC's non-taxable status on appropriate depreciation rates as part of the depreciation study.
9. BCTC will provide appropriate quality of service indices as part of its next revenue requirement application and respond fully to the directives on page 90 of BCUC Decision October 2004.
10. BCTC shall review its general liability insurance coverage for F2007, including consideration of optimal coverage levels and self-insurance possibilities, and report on the results of that review in its next revenue requirements application.
11. BCTC confirms that the cost of Ancillary Services recorded in the COMDA will be allocated to Ancillary Service customers and not to the NITS customer, BC Hydro.
12. The accelerated deprecation rates on the existing control centre assets will be adjusted on a prospective basis if the System Control Modernization Project ("SCMP") in service date is delayed.

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BRITISH COLUMBIA TRANSMISSION CORPORATION
F2006 Revenue Requirements Application

Application	References
1. Reconciliation of Table 2-1 to Table 6A-3 in the BC Hydro F2005 and F2006 Revenue Requirements Application	BCUC IR 4.1
2. Reconciliation of Table 2-2 to Tables 6A-9 and 6A-10 in the BC Hydro F2005 and F2006 Revenue Requirements Application	BCUC IR 5.1
3. Non-OATT/WTS Revenues increase in Distribution Operations Services from \$2.6 million in F2005 Approved to \$6.8 million in F2006. Provide reasons for the change in costs allocated to Substation Distribution Asset Management	BCUC IR 1 Application, p. 7, Table 2-1, Total Transmission Revenue Requirement, Evidentiary Update, p. 8, Non-OATT/WTS Revenues and Recoveries
4. Significant decrease in Point to Point revenue (\$28.6 million) <ul style="list-style-type: none"> • Variances go to Revenue Deferral Account 	Application, pp. 9, 36 BCUC IR 6.2
5. Procurement department which was originally budgeted in Corporate Services and CFO in F2005 budget was identified as a separate G&A item of \$2.9 million in F2006.	Application, pp. 11, 15 Evidentiary Update p. 6
6. Finance Controller increased from \$2.7 million in F2006 BCH Rev Requirement to \$5.6 million in F2006 Plan. The increase is due to a \$1.9 million transfer of Peoplesoft sustainment cost from Asset Management and Maintenance and \$1.0 million for implementation of key initiatives.	Application, p. 15 BCUC IR 14.1
7. Depreciation and interest on capital leases have changed as a result of capitalizing two of the four operating leases. No financial impact to the total Transmission Revenue Requirement.	Application, p. 12. BCUC IR 16
8. Increased maintenance costs for circuit breakers, switchgear (\$1.0 million) and fire risk reduction program (\$1.5 million)	Application, p.13 JIESC IR 1(a) BCOAPO IR 5(c)

9. Total IT sustainment cost has increased from \$5.0 million to \$8.4 million or 68% from F2005 Forecast to F2006 Plan. This increase is mainly attributed to the support of 2 operating systems: Work Management and Enterprise Geographical Information Systems	Application, pp. 14-15, BCUC IR 17.3
10. BCTC underwent a re-organization in F2005 and a re-alignment of budget. FTE headcounts and associated labour cost were provided but vacancies and associated labour cost were omitted	Application, pp. 14, 18, 19 BCUC IR 15.1
11. Capital Overhead remains unchanged at \$5.2 million for each year relative to capital projects such as Telecommunications Management System for \$3.5million and the OASIS Replacement for \$2.2 million being deferred from F2005 to F2006.	Application, p15 BCUC IR 20.2
12. Research and Development expenditures	Application, pp. 16-18, BCUC IR 33
13. Grid West Initiative Expenditures has increased \$2.0 million from F2005 Forecast of \$1.0 million to F2006 Plan of \$3.0 million. BCTC proposed to reduce the Revenue Requirement by \$900,000 for this expenditure. BCTC seeks a deferral account for variances around the Grid West activity spending.	Application, p. 20. BCUC IR 35.1, 35.3
14. Accelerated depreciation of \$4.9 million increase on the existing control centre assets pending System Control Modernization Project ("SCMP") coming into service in 2008.	Application, pp. 24-25 BCUC IR 21.1, 21.2
15. Depreciation accounts and rates of depreciation. BCTC seeks approval pursuant to Section 56.	Application p.2, Section 6.2 p27
16. Increase in depreciation and amortization expenses in F2006 of \$4.9 million due primarily to the accelerated depreciation on the existing control centre assets	Application, p. 26 Evidentiary Update P. 7 BCUC IR 21
17. Forecast interest rates as per the BC Treasury Board	Application, p. 25. BCUC IR 23
18. Deemed Equity Component consistent with Special Direction 9 and any amendments. <ul style="list-style-type: none"> Board and Shareholder discussion 	Special Direction 9, Application. p. 30, BCUC IRs 37.1, 38.1, 38.2, BCOAPO IR11(b) JIESC IR 4

19. Forecast Debt, Forecast Equity Changes to Tables 7.1 and 7.2 due to changed borrowings and deemed equity.	Special Direction 9, Application, pp. 29-31, Table 7.1, BCUC IR 37.1
20. Rate of Return on Equity at 13.51% • Order G-48-05	Special Direction 9, Application, p. 31, Table 7.2
21. F2006 Interim and Permanent Rates Ref: Application Appendix B-Illustrative Rate Sheets and Attachment L from OATT, Evidentiary Update (Exhibit B-3) and Revised Interim Rate Sheets (Exhibit B-4), BCUC IR 6.1, Supplemental Response to BCUC IR 6.1 (Exhibit B-7)	
22. Non-OATT/WTS Revenues and Recoveries Actual total cost associated with GRTAs and the differential between the \$43.3 million fixed charge for the GRTAs.	Application, p.33 BCUC IR 3.1, 3.2
23. Reduced maintenance for the UHF/VHF radios transferred to BC Hydro Field Services.	Application, p.14 JIESC IR 3.0
24. The deferral account for Forecast Regulatory Expenses	BCUC IR 14.2
25. Program details of the Capital Plan relating to: • reliability indices • BCTC and BC Hydro agreement on various performance indicator targets • long term plan for system reliability • expense areas of system operations, asset management, maintenance and general administration • reduced capital spending and implications for system reliability and performance • current and projected asset base	Application pp.23-24 F2006 Capital Plan, 2005 BCH Revenue Requirement,
26. Insurance expense has increased \$0.5 million due to increasing general liability insurance limit from \$50 million to \$250 million.	Evidentiary update p. 6, BCUC IR 13.2
27. Whether customers who have self-supplied ancillary services will bear any of the cost related to disposition of the Ancillary Services component of the COMDA.	BCUC IR 26.3
28. Gainsharing and variable pay • A breakout of executives, M&P and Union staff	BCUC IR 18.0
29. F2005 write off of forecasted \$5.0 million (\$1.7 million actual) for BCH loading and payroll and the effect on future years.	Application p. 16

30. Western Electric Coordinating Council (WECC) cost increased by \$0.4 million (40%) in F2006.	Evidentiary Update, p. 4
31. Co-ordination of dispositions of balances in BCTC and BCH deferral accounts.	
32. Grid West co-ordination with other Stakeholders. Determination of BCTC's role and benefit to ratepayers.	BCUC IR 35.3

Table 2B-1 Total Transmission Revenue Requirement

May 31, 2005								
Line	\$ millions	F2005 Approved	F2005 Forecast	F2006 BCH Revenue Requirement	F2006 BCTC December 2004 Filing	Evidentiary Update F2006	Negotiated Settlement F2006	Change
	BCTC Operating, Maintenance & Administration							
1	System Operations - Revised	44.2	38.7	45.7	45.0	45.4	43.9	(1.5)
2	Asset Management & Maintenance - Revised	106.5	101.4	106.8	107.4	103.4	103.2	(0.2)
3	General & Administration - Revised	18.6	24.7	17.5	20.2	20.7	19.1	(1.6)
4	BCTC Operating Maintenance & Administration	169.2	164.8	169.9	172.6	169.5	166.2	(3.3)
5	Cost of Market							
	Asset Related Expense	1.0	1.0	5.8	5.8	5.8	5.8	-
6	Interest Expense							
7	Depreciation & Amortization	1.4	1.3	1.7	0.5	0.5	0.5	-
8	Grants & Taxes	18.6	16.6	16.7	21.2	21.5	21.5	-
9	Allowed Return - Negotiated Settlement at 40.7% Deemed Equity Component	0.3	0.3	0.3	0.3	0.3	0.3	-
		3.3	3.4	3.9	3.7	3.6	3.6	-
10	Total BCTC Cost	193.8	187.4	198.3	204.1	201.2	197.9	(3.3)
11	BC Hydro's Cost (a)	474.3	474.3	500.7	497.7	497.7	497.3	(0.4)
12	Total Transmission Cost	668.1	661.7	699.0	701.7	698.9	695.2	(3.7)
	Less Non-OATT/WTS Revenues and Recoveries							
13	Generation Related Transmission Asset Mgmt & Mtc	(43.3)	(43.3)	(43.3)	(43.3)	(43.3)	(43.3)	-
14	Substation Distribution Asset Mgmt & Mtc - Revised (b)	(67.2)	(65.1)	(68.5)	(67.8)	(67.5)	(67.4)	0.1
15	Fortis General Wheeling Agreement	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	-
16	Secondary Revenues	(4.2)	(4.1)	(4.2)	(3.6)	(3.6)	(3.6)	-
17	Generation Control Services	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	-
18	Distribution Operations Services	(2.6)	(2.6)	(2.6)	(6.8)	(6.8)	(6.8)	-
19	Control Centre Leases	(1.4)	(0.2)	(1.5)	(0.2)	(0.2)	(0.2)	-
20	Other Recoveries - BCTC	(0.1)	(0.9)	(0.1)	(2.5)	(2.5)	(2.5)	-
21	Other Recoveries - BCHydro	(1.3)	(1.3)	(1.3)	(0.2)	(0.2)	(0.2)	-
22	Total Non-OATT/WTS Revenues & Recoveries	(125.0)	(122.4)	(126.4)	(129.3)	(129.0)	(128.9)	0.1
23	Total Transmission Revenue Requirement	543.1	539.3	572.6	572.5	569.9	566.3	(3.6)
a) BC Hydro Allowed Return at 13.51%								
b) Impact of higher capital overhead on Substation Distribution Asset Management and Maintenance								

a) BC Hydro Allowed Return at 13.51%

b) Impact of higher capital overhead on Substation Distribution Asset Management and Maintenance

(2.6)

Table 2B-2 Fiscal 2006 Transmission Revenue Requirement (Phase 2)
(for the period April 1, 2005 - March 31, 2006)
\$ millions

May 31, 2005

Line		BC Hydro - Transmission Asset Owner	Asset Management & Maintenance Revenue Requirement	BCTC Revenue Requirement	Transmission Business
1	Gross Operating and Maintenance costs			166.2	171.0
2	Asset Management Fee to BCTC	4.8			
3	Transmission Assets		90.2		90.2
4	Substation Distribution Assets		10.9		10.9
5	Generation Related Transmission Assets		10.1		10.1
6	Cost of Market			5.8	5.8
7	Depreciation and Amortization	134.4		21.5	155.9
8	Allocated 10 % DSM Amortization	3.6		-	3.6
9	Grants and Taxes	90.5		0.3	90.8
10	Financing Charges	133.3		0.5	133.8
11	Gross Transmission Costs	366.7	111.2	194.3	672.1
12	Asset Management Fee from BCHydro	-			
13	Transmission Assets			(90.2)	(90.2)
14	Substation Distribution Assets			(10.9)	(10.9)
15	Generation Related Transmission Assets			(10.1)	(10.1)
16	Non-Tariffed Revenues	(93.7)	(21.0)	(14.1)	(128.9)
17	Net Transmission Costs	272.9	90.2	68.9	432.1
18	BCH Corporate Sustaining Costs	14.7		-	14.7
19	Allowed Return at 13.51%	115.9		3.6	119.5
20	Transmission Revenue Requirement	\$ 403.5	\$ 90.2	\$ 72.5	\$ 566.3
21	Evidentiary Update	404.1	91.4	74.4	569.9
22	Change	(0.5)	(1.2)	(1.9)	(3.6)

Table 7-1 (revised) BCTC Monthly Average Forecast Debt and Equity

(\$ millions)	F2006													
	Actual													Average
	Mar 31, 2005	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Forecast debt	-	7.5	14.8	14.9	16.5	19.0	21.6	23.6	24.4	24.9	25.1	20.4	15.9	19.0
Borrowings	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.0	7.0	7.0	7.0	7.0	7.0	7.1
Capital lease	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	30.2	35.2	40.2	31.5
Debtenture	37.3	44.8	52.1	52.2	53.7	56.2	58.9	60.8	61.6	62.1	62.3	62.6	63.1	57.5
Less: temporary investment	(16.7)	(23.9)	(25.6)	(20.1)	(20.2)	(20.3)	(20.4)	(20.5)	(20.6)	(20.7)	(20.6)	(20.6)	(20.6)	(21.2)
45.9%	20.6	20.9	26.5	32.0	33.5	35.9	38.5	40.3	41.0	41.4	41.7	42.0	42.5	36.4
Forecast equity														
Common shares	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Retained earning	4.3	4.5	4.8	5.1	5.4	5.7	6.0	6.3	6.7	7.0	7.4	7.8	8.2	6.2
54.1%	24.3	24.5	24.8	25.1	25.4	25.7	26.0	26.3	26.7	27.0	27.4	27.8	28.2	26.2
	44.9	45.4	51.3	57.1	58.9	61.6	64.5	66.7	67.7	68.3	69.1	69.8	70.7	62.6

Table 7-2 (revised) F2006 Return on Deemed Equity
(\$ millions)

Total forecast debt and equity	62.6
Deemed equity component	54.1%
Deemed equity	33.9
Rate of return on deemed equity	13.51% (revised based on Commission Order G-48-05)
Return on deemed equity	4.6

Table 7-3 (revised) F2006 Deemed Interest
(\$ millions)

Total forecast debt and equity	62.6
Deemed debt component	45.9%
Deemed debt	28.7
Effective interest rate	4.6%
Deemed Interest	1.3
Less Interest during construction (IDC)	(1.4)
Deemed interest, net of IDC	(0.1)



Marcel Reghelini
Director, Regulatory Affairs
Phone: 604 699-7331
Fax: 604 699-7537
E-mail: marcel.reghelini@bctc.com

June 9, 2005

Mr. William J. Grant
Executive Director, Regulatory Affairs and Planning
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Grant:

**Re: Negotiated Settlement of BCTC's F2006 Revenue Requirement
Project 3698384**

BCTC is in receipt of correspondence of June 7, 2005 from Mr. William Grant concerning the negotiated settlement of the above mentioned application. BCTC has reviewed the Negotiated Settlement Agreement and supporting documents included with Mr. Grant'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.

BCUC Log # 10360

RECEIVED

JUN 13 2005

Routing _____

Sincerely,

A handwritten signature in black ink that reads "Marcel Reghelini".

Marcel Reghelini
Director, Regulatory Affairs

Copy: Settlement Conference Participants



Richard Stout
Chief Regulatory Officer
Phone: (604) 623-4046
Fax: (604) 623-4407

June 10, 2005

Mr. William J. Grant
Executive Director
Regulatory Affairs & Planning
British Columbia Utilities Commission
Sixth Floor – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Grant:

RE: Project No. 3698384
British Columbia Hydro and Power Authority (BC Hydro)
British Columbia Transmission Corporation (BCTC)
F2006 Revenue Requirement Application

BC Hydro accepts the Negotiated Settlement Agreement ("Settlement") for BCTC's F2006 Revenue Requirement Application. BC Hydro notes that its acceptance of the Settlement is without prejudice to any positions it may take in future proceedings concerning other applications.

Yours sincerely,

A handwritten signature in black ink, appearing to be "R. Stout", written over a circular stamp.

Richard Stout
Chief Regulatory Officer

c. Participants in Negotiated Settlement Process



**Bull,
Housser
& Tupper**

3000 Royal Centre . PO Box 11130
1055 West Georgia Street
Vancouver . BC . Canada . V6E 3R3
Phone 604.687.6575 Fax 604.641.4949
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Reply Attention of:	Brian Wallace
Direct Phone:	604.641.4852
Direct Fax:	604.646.2506
E-mail:	RBW@bht.com
Our File:	05-1349
Date:	June 10, 2005

British Columbia Utilities Commission
6th Floor – 900 Howe Street
Vancouver, BC V6Z 2V3

Attention: Robert J. Pellatt
Commission Secretary

Dear Sirs/Mesdames:

**Re: British Columbia Transmission Company
Negotiated Settlement
F2006 Revenue Requirements Application**

We write on behalf of the Joint Industry Electricity Steering Committee ("JIESC") to express its support for the negotiated settlement, as documented in the letter to participants from William J. Grant dated June 7, 2005.

The JIESC believes that the Deemed Equity Ratio which falls out of Special Direction #9, 54.1% is not consistent with BCTC's normal equity ratio of 40.7%, or the intent of the parties when Special Direction #9 was introduced, and accordingly must be changed to a level representative of normal conditions. The 54.1% figure is due solely to unanticipated delays in expenditures by BCTC and it would be unfair and unreasonable if BCTC was to earn a return on equity not generally present due solely to the unanticipated abnormal level of expenditures at one specific point in time.

The JIESC wishes to express its appreciation the efforts of BCTC's regulatory group to reach a settlement in this matter and the assistance of the BCUC staff in concluding the settlement.

Yours truly,

Bull, Housser & Tupper

A handwritten signature in cursive script, appearing to read "RBWallace".

Brian Wallace
RBW/sg/1313401

OWEN BIRD
LAW CORPORATION

William E Ireland, QC
Douglas R Johnson⁺
Allison R Kuchta⁺
Christopher P Weafer⁺
Gregory J Tucker⁺
Gary M Yaffe
Jean L McPherson
Sherri A Robinson

D Barry Kirkham, QC⁺
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Daniel W Burnett⁺
Paul J Brown⁺
Heather E Macdonachie
Susan E Reedy
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James D Burns⁺
Harvey S Delaney⁺
Patrick J Haberl⁺
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J David Dunn⁺
Alan A Frydenlund⁺
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Cheryl M Teron
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R Rees Brock, QC, Associate Counsel
Carl J Pines, Associate Counsel⁺
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Susan E Lloyd, Associate Counsel

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Our File: 23841/0007

June 10, 2005

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
6th Floor, 800 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: **Robert J. Pellatt,**
Commission Secretary

Dear Sirs/Mesdames:

**Re: British Columbia Transmission Corporation F2006 Revenue Requirements
Application – Negotiated Settlement**

We have reviewed the Negotiated Settlement Agreement and supporting documents provided by the Commission's staff on June 7, 2005. The Commercial Energy Consumers Association of British Columbia agrees with the terms set out in the Negotiated Settlement Agreement and supporting documents.

We appreciate the significant effort that the parties and the Commission staff have put in to arrive at this settlement.

If you have any questions regarding the foregoing, please do not hesitate to contact the writer.

Yours truly,

OWEN BIRD LAW CORPORATION

Christopher P. Weafer

Christopher P. Weafer
CPW/jlb

cc: Registered Intervenors who have executed the Confidentiality Agreement



June 10, 2005

By Email

Mr. Robert Pellatt
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3
e-mail: commission.secretary@bcuc.com

Dear Mr. Pellatt:

***Re: British Columbia Transmission Corporation (BCTC) Negotiated Settlement
F2006 Revenue Requirements Application***

The City of New Westminster accepts the F2006 Revenue Requirements Application Settlement reached by the negotiating parties and BCTC, as presented in the June 7, 2005 letter of Commission Executive Director, Bill Grant. The City appreciates the efficiency of the negotiated settlement process and welcomes the progress made on behalf of customers.

The City encourages BCTC, as BC's representative, to assist all BC ratepayers in developing a clearer understanding about the regional transmission organization Grid West and the potential impact of its plans for operation on BC ratepayers.

Yours truly,

Penny Cochrane

Penny Cochrane
Willis Energy Services Ltd.

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

Mr. Randy Grant,
Manager of Collection Services,
City of New Westminster

The
British Columbia
Public Interest
Advocacy Centre

208-1090 West Pender Street
Vancouver, BC V6E 2N7
Tel: (604) 687-3063 Fax: (604) 682-7896
email: bcpiac@bcpiac.com
<http://www.bcpiac.com>

Richard J. Gathercole	687-3006
Sarah Khan	687-4134
Patricia MacDonald	687-3017
James L. Quail	687-3034
Patricia Cochran (articled student)	687-3044
Barristers & Solicitors	

June 10, 2005

VIA E-MAIL

Robert J. Pellatt
Commission Secretary
BC Utilities Commission
Sixth Floor - 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mesdames/Sirs:

Re: British Columbia Transmission Corporation Negotiated Settlement F2006 Revenue Requirement Application

This is to confirm that BCOAPO et al. consent to an Order being made by the Commission to implement the settlement as captured in the documents circulated by Commission staff on June 8, 2005.

Yours truly

BC PUBLIC INTEREST ADVOCACY CENTRE

ORIGINAL IN FILE SIGNED

Jim Quail
Barrister & Solicitor

c: Intervenor

BCUC Log # 10370
RECEIVED

JUN 13 2005

Routing Cd to staff

-----Original Message-----

From: JD Newlands [<mailto:dnewlands@telus.net>]
Sent: Friday, June 10, 2005 9:09 AM
To: Pellatt, Rob BCUC:EX
Cc: Grant, Bill J BCUC:EX; Dal Scott (E-mail); Dan Potts
Subject: British Columbia Transmission Corporation-Revenue Requirements-2005/06

Dear Mr. Pellatt

RE:British Columbia Transmission Corporation
Negotiated Settlement
Revenue Requirements-2005/06

Elk Valley Coal Corporation supports the Negotiated Settlement Agreement,inclusive of the supporting documents, attached to the letter of June 7,2005,from William J.Grant,Executive Director,Regulatory Affairs and Planning,British Columbia Utilities Commission.

This settlement was achieved through the implementation of the British Columbia Utilities Commission,Negotiated Settlement Process.

Yours truly

J.David Newlands



Scott A. Thomson
Vice President,
Finance & Regulatory Affairs

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June 21, 2005

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. R.J. Pellatt, Commission Secretary

Dear Sir:

**Re: Project No. 3698385 – British Columbia Transmission Corporation
F2006 Revenue Requirements Application – Negotiated Settlement**

Terasen Gas Inc. ("Terasen Gas") is a Registered Intervenor in the British Columbia Transmission Corporation ("BCTC") F2006 Revenue Requirement Application. Terasen Gas has received the proposed negotiated settlement of this application attached to the June 14, 2005 letter from Mr. William Grant and notes the request for intervenors that did not participate in the negotiated settlement process to provide letters of comment by June 21, 2005.

Terasen Gas has reviewed the negotiated settlement and does not oppose the Commission issuing an order approving the settlement. While not taking positions or making comment on the elements of this settlement Terasen Gas wishes to indicate that this is without prejudice to views the Company may wish to pursue in future proceedings of BCTC.

Yours truly,

TERASEN GAS INC.

Original signed by

Scott A. Thomson

Cc: Marcel Reghelini, BCTC