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February 20, 2006

Mr. Michel Mantha
Secretary of the Board
National Energy Board
444 - Seventh Avenue S.W.
Calgary, Alberta T2P 0X8

VIA FAX: 403 292-5503

Dear Mr. Mantha:

**Re: British Columbia Transmission Corporation (BCTC)
Comments on Proposed Amendments to the NEB Cost Recovery Regulations**

Thank you for the opportunity to file written comments on the Proposed Amendments to the NEB Cost Recovery Regulations presentation made in Toronto on January 19, 2006.

I. Levy on Newly Regulated IPLs

The amendments approved by the NEB assess a 0.2% of total capital costs levy on newly regulated IPLs. BCTC is concerned about both the implementation of and the basis for this fee.

a) Recovery of costs from unlicensed entities

As was seen in the Sumas Energy 2 case, Canadian entities regulated by the Board are required to bear substantial costs incurred by applicants who are, for any reason, unable to attain an NEB license. This places an unfair burden on companies licensed in Canada, and allows proponents of new lines to walk away from failed applications without any responsibility for sharing costs.

BCTC believes that the current NEB legislation must be amended in tandem with the new cost recovery regulations to allow the Board to recover costs from all proponents of new IPLs, regardless of the status of their licensing applications.

b) Recovery of costs in event of a shortfall

Participants in the January 19, 2006 workshop of the Cost Recovery Concept were assured by NEB staff that the 0.2% figure was adopted after analysis of transmission industry-specific cost recovery needs, and that it would be adequate to cover NEB costs.

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BCTC requests that the NEB provide further information about the adequacy of the 0.2% figure to recover all costs incurred by new IPL applicants. Also, BCTC would like information regarding the NEB's cost recovery contingency plan in the event that there is a shortfall resulting from the 0.2% levy.

II. Cost Recovery from IPLs -- Apportioning the Cost-Recovery Pool

The NEB's proposed actual pool to be shared by large IPLs is to be apportioned by total MWh of exports and imports. BCTC believes that this calculation is too simplistic and could result in unfair tariffs for Canadian companies for inadvertent flows, loop flows and wheel-throughs of power from other jurisdictions. This will ultimately result in a hindering of trade.

BCTC requests that the NEB modify the formula for apportioning the cost recovery pool to net out inadvertent flows, loop flows and wheel-throughs.

III. Schedule for Implementation of New Costing Regime

BCTC is concerned about the timing of a new costing regime. A scheme to phase in the costing regime in a manner that fits with the review schedules of each regulated entity with its respective regulator would seem appropriate. This would avoid a scenario in which the companies that will be assuming these costs -- regulated entities with fixed rates of return -- must pay them without revenues in place

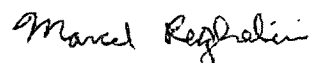
IV. NEB Accountability

BCTC is concerned about the NEB's inability to specifically account for its costs in the electricity sector or to offer concrete assurances that costs will not unexpectedly escalate under the proposed new cost-recovery regimen. There is a need for a mechanism to monitor and review cost increases and appeal those as appropriate.

In addition, industry is bearing the costs for NEB reports and other work not directly related to the licensing and regulation of multi-jurisdictional power lines. There is currently no mechanism for industry to control, or even monitor, the decision-making process in respect to whether such studies should be conducted. This seems unfair in principle, and BCTC believes it needs to be addressed.

Thank you for the opportunity to provide comment on this process.

Sincerely,



Marcel Reghelini
Director, Regulatory Affairs