



Joanna Sofield
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December 21, 2007

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

Dear Ms. Hamilton:

**RE: British Columbia Utilities Commission (BCUC)
British Columbia Hydro and Power Authority (BC Hydro)
Network Economy Quarterly Report – Third Quarter – 2007**

BC Hydro is writing to the BCUC in compliance with BCUC Order No. G-127-06 in connection with the British Columbia Transmission Corporation's (BCTC) Application for Network Economy and Open Access Transmission Tariff. Section 9 of the Settlement Agreement, attached to Order No. G-127-06 as Appendix 1, requires that BC Hydro prepare reports for each quarter of the calendar year containing the information as set out therein. The quarterly reports are to be posted on BC Hydro's website and filed with the BCUC and BCTC by the end of the following quarter.

This letter and the attachment constitute BC Hydro's report for the third quarter of calendar 2007 (July 1 – September 30, 2007).

BC Hydro notes that at the end of the July 19, 2007 business day, a change in the Threshold Purchase Price was reported. However, BCTC was not included in the original email correspondence and therefore, was not notified of the change in the Threshold Purchase Price at the same time as BC Hydro and Powerex Corporation. This was the first change in the Threshold Purchase price since the notification requirements under section 3(b) of Tariff Supplement BCTC-1 had been approved by the BCUC. The error was realized the following morning and immediately rectified by notifying BCTC. BC Hydro also immediately revised its notification procedures to ensure compliance with the tariff. All subsequent changes to the Threshold Purchase Price have been properly communicated to BCTC, Powerex Corporation and BC Hydro.

BC Hydro notes that there was no change during Q3 to the Burrard Heat Rate.

BC Hydro will be posting this letter and the attached report on its website on December 21, 2007 at www.bchydro.com/info/epi/epi5071.html.



As required by subsection 9(e) of the Settlement Agreement I confirm that I:

- 1) have taken steps to confirm the veracity of the information provided in this report; and
- 2) have no reason to believe that the information is inaccurate or untrue.

For further information please contact the undersigned.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Sofield', written in a cursive style.

Joanna Sofield
Chief Regulatory Officer

Enclosure (1)

- c. BCTC
Attention: Marcel Reghelini

BC Hydro's Network Economy Quarterly Report – Q3, 2007 (July 1, 2007 – September 30, 2007)

Pursuant to Order G-127-06, section 9 of the Network Economy Settlement Agreement and section 4 of Tariff Supplement BCTC-1 Network Economy Service:

Initial Threshold Purchase Price¹ at July 1, 2007	Burrard Heat Rate² at July 1, 2007
US\$42/MWh	10.3 MMBTu/MWh

Date of notification	Threshold Purchase Price Change	Burrard Heat Rate Change	Reason for Burrard Heat Rate Change
July 19, 2007 ³	Change to Threshold Purchase Price: US \$30/MWh	No Change from July 1 – September 30, 2007	N/A
July 24, 2007	Change to Threshold Purchase Price: US \$0/MWh		
August 17, 2007 (effective August 21)	Change to Threshold Purchase Price: US \$40/MWh		
August 20, 2007 (effective August 22)	Change to Threshold Purchase Price: US \$50/MWh		
September 27, 2007 (effective October 1)	Change to Threshold Purchase Price: US \$53/MWh		

¹ Pricing is quoted in US\$. For the purpose of allocation of energy and cost of energy, price is converted to CAN\$ based on the Bank of Canada daily noon exchange rate.

² The operational efficiency Burrard heat rate is 9.6 MMBTu/MWh. The quoted Heat Rate of 10.3 MMBTu/MWh is derived by multiplying 9.6 by 1.07 to cover the 7 per cent fuel tax. An additional US\$1.25 is added to the cost of BGS to cover incremental operating costs. However, the System Operating Order for Burrard states that the heat rate is 10.0 MMBTu/MWh. When multiplied by the 7 per cent fuel tax the result would be 10.7 MMBTu/MWh. The discrepancy between this heat rate and the quoted heat rate is under investigation. In any event, Burrard dispatch decisions were based on the quoted heat rate of 10.3 MMBTu/MWh for the third quarter of calendar 2007.

³ At the end of the July 19th business day, a Threshold Purchase Price was reported, but BCTC was not included in the original correspondence, this was rectified the following morning, and BCTC was made aware of the Threshold Purchase Price change.

	July 2007	August 2007	September 2007
Net Domestic volumes (MWh) ⁴	(307,917)	(464,445)	134,066
Burrard Thermal Generating Station volumes (MWh)	685	0	12,080
Monthly System Peak for the integrated domestic system during Q3(MW)	7,182	6,851	6,905
Monthly Estimated Peak for the Lower Mainland Q3 (MW)	3,785	3,556	3,692
Monthly Estimated Peak for Vancouver Island Q3 (MW) ⁵	1,304	1,268	1,363

⁴ As attributed pursuant to the Transfer Pricing Agreement

⁵ Does not include the Gulf Islands