

FAX



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To A National Energy Board	From De Wayne Snowdon
Attention À l'attention de Michel Mantha	Telephone No. (506) 458-4610 No. de téléphone
Fax No. (403) 292-5503 N° de fax	Fax No. (506) 458-4000 N° de fax
Date 20 February, 2006	Pages (including cover page) 4 Pages (page couverture y comprise)

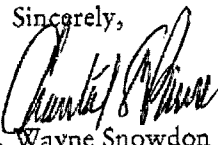
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**Re: New Brunswick Power Transmission Corporation
Comments on Proposed Amendments to the Cost Recovery Regulations**

In relation to the above captioned matter, New Brunswick Power Transmission Corporation respectfully submits comments on the proposed amendments to the Cost Recovery Regulations.

Simultaneously, the original hardcopy will be sent via courier to the Board.

Sincerely,


Wayne Snowdon
Vice President

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Form / formulaire 0709



Énergie NB Power

Transport Transmission

MAIL ROOM
BUREAU DE CORRESPONDANCE

2006 FEB 21 A 8:21

NEB / ONE

Tel. (506) 458-4610
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February 20, 2006

By Facsimile & Courier

Mr. Michel Mantha
Secretary, National Energy Board
444 Seventh Avenue SW
Calgary, Alberta
T2P 0X8

Dear Mr. Mantha:

**Re: New Brunswick Power Transmission Corporation
Comments on Proposed Amendments to the Cost Recovery Regulations**

Thank you for the opportunity to provide comments on the electricity cost recovery concept approved by the National Energy Board (the "Board"). New Brunswick Power Transmission Corporation ("NB Power Transmission") has actively participated in the discussions leading up to the information session held on January 19th, 2006 wherein the Board presented the concept and the new process.

Although NB Power Transmission supports in principle the Board's initiative to review the current methodology for cost recovery to ensure that costs are more appropriately distributed amongst electricity industry members, we raise the following concerns with the Board. The first is the issue of cost shifting and its impact on the elimination of barriers between jurisdictions. The second is the appropriate levy for newly regulated International Power Lines. The third is the recovery of costs from unlicensed entities and the fourth is non-application costs.

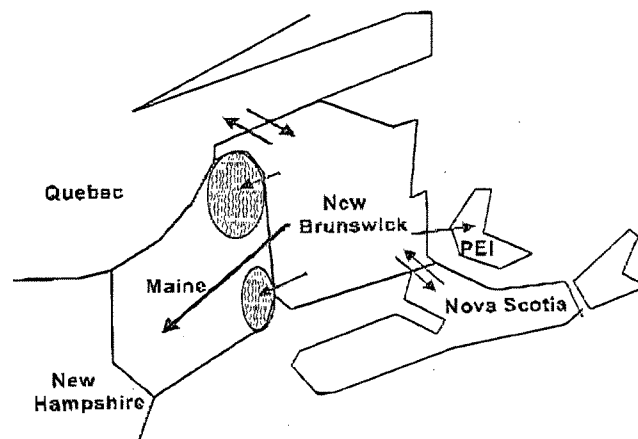
1. Cost Shifting and Creation of Barriers

The recoverable cost pool methodology proposed by the Board will be shared by large International Power Line companies in the proportion of total MWh of exports and imports.

NB Power Transmission submits that the use of MWh as the cost determinant does not align with most Open Access Transmission Tariffs whereby transmission service is priced based on capacity reserved. Although an application can be made to the regulator to adjust the tariff to levy a surcharge based on MWh flow, this will introduce a cost barrier that may inhibit trade. NB Power Transmission has been in discussion with neighboring utilities to reduce or eliminate any transmission barriers.

NB Power Transmission also submits that this approach does not appropriately address exports and imports that originate in adjacent provinces and may result in inter-provincial cost shifting. A more standard approach to cost recovery (i.e. as opposed to a MWh surcharge) is to adjust the tariff rate. In New Brunswick, this means that approximately 75% of costs are borne by network customers. If all importers and exporters are within New Brunswick, then customers will receive benefits from the imports and exports to offset any increased costs. However, for any energy that flows through New Brunswick to Nova Scotia or Prince Edward Island, for example, network customers will also pay for 75% of the National Energy Board costs.

A unique situation also exists for a portion of the state of Maine. The service territories in Northern Maine, show below, are only electrically connected to the New Brunswick network and indirectly connected to the remainder of the Maine network via the New Brunswick/New England interconnection line ("MEPCO"). For all energy transactions between Northern Maine and the balance of the Maine network administered by the New England Independent System Operator, energy simply flows from the United States to the United States. The cost recovery methodology does not only charge for this flow, it charges twice.



NB Power Transmission would recommend to the Board that consideration be given to adjusting the formula to account for these scenarios.

2. Appropriate Levy for Newly Regulated International Power Line

It is proposed that newly regulated International Power Lines will be levied 0.2% of project capital costs as estimated by the Board in issuing a certificate or permit.

During the information session, very little information was provided to attendees on the rationale for the 0.2% levy. A levy based on the cost of capital projects may not recover the actual costs incurred by the Board for new International Power Line applicants. The level of effort and resources required in the review of an application will depend on the nature and complexity of a project, not necessarily the cost of a project. Furthermore, not every application undergoes a hearing which can often add significant cost to the review process.

3. Recovery of Costs from Unlicensed Entities

The levy proposed by the Board will only apply in the case where a certificate or permit is issued to an applicant. Unsuccessful proponents would not incur costs.

NB Power Transmission recognizes that the Board can only recover cost from licensed entities regulated by the Board. Therefore, NB Power Transmission recommends that that amendments to the National Energy Board legislation be made concurrently with the cost recovery regulatory process to allow the Board to recover costs associated with all applications, thereby ensuring that industry will not continue to bear the costs of failed applications.

4. Non-Application Costs

Non-application costs such as market monitoring, export returns and other non-allocated cost will be recovered by the pool.

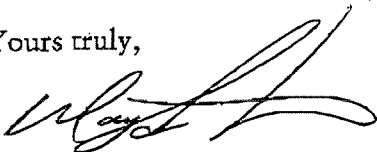
NB Power Transmission understands that the Board has a mandate to monitor market activities in order to assess issues and trends and to inform the public about how the energy market functions. However, the cost to provide these services should be paid by the beneficiaries of such services.

It is recommended to the Board that consideration be given to implement a process to track these costs to ensure that the appropriate beneficiaries are identified.

In summary, any changes to the requirements of the Open Access Transmission Tariff must be facilitated through the New Brunswick System Operator (NBSO). The Board should consider actively engaging NBSO in this initiative to discuss the issues noted in the first bullet.

Should you have any questions or require additional information respecting this matter, please do not hesitate to contact me at (506) 458-4610.

Yours truly,



Wayne Snowdon
Vice President

Cc: C. St-Pierre, Regulatory and Environmental Affairs