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BRITISH COLUMBIA UTILITIES COMMISSION

LETTER NO. L-18-01

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July 3, 2001

Mr. R. Brian Wallace
Bull, Housser & Tupper
Barristers & Solicitors
3000 Royal Centre
P.O. Box 11130
1055 West Georgia Street
Vancouver, B.C. V6E 3R3

Dear Mr. Wallace:

Re: British Columbia Hydro and Power Authority
Complaint: Cost of Electricity to Kemess Mines Ltd.

The Commission has reviewed the complaint of December 21, 2000, B.C. Hydro's submission of January 30, 2001, and your response of May 2, 2001.

The Commission notes that Rate Schedule 1821 is designed to apply to all industrial customers, regardless of variations in individual characteristics. The rate is designed to recover all costs associated with this customer class and recover those costs on an average basis. While the Commission acknowledges that different customers create different costs to the system, it would be impractical to design rates or tariff variances for every individual customer based on this principle.

Tariff Supplement No. 6 is designed to create a uniform connection policy and standard for B.C. Hydro, which limits B.C. Hydro's cost exposure while giving customers a choice of economic alternatives.

Among the electricity supply options available to it, the previous mine owner chose to construct, operate, and maintain its own power line. In doing so it chose not to construct the line to B.C. Hydro standards (which would have created a larger cost exposure for B.C. Hydro) and thus gave up the option to have B.C. Hydro assume ownership. The previous owner presumably determined that a private transmission line was the most economic option. The current mine owner purchased the assets, entered into a new electricity supply arrangement with B.C. Hydro, and is now asking the Commission to compel B.C. Hydro to subtract the owner's property taxes and maintenance costs from that rate. Rate Schedule 1821 does not allow for adjustments to the rate to account for individual customer circumstances such as the situation described for Kemess Mines Ltd. The Commission further believes that to create such a variance would be in violation of

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the rate making principles for Rate Schedule 1821 and would lead to a revenue shortfall for B.C. Hydro, which would have to be made up by other customers.

The Commission finds that the existing standard Rate Schedule 1821 rates charged to Kemess are fair, just and reasonable and not unduly discriminatory. Therefore, pursuant to Section 83 of the Utilities Commission Act, the Commission dismisses the complaint.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/cms
cc: Mr. Ray Aldeguer
Senior Vice President
Legal and Regulatory Affairs and General Counsel
British Columbia Hydro and Power Authority