



LETTER No. L-19-03

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 2746, 3064

VIA FACSIMILE

9, 604-623-4407

May 5, 2003

Mr. Ray Aldeguer
Senior Vice-President
Corporate Resources & General Counsel
British Columbia Hydro and Power Authority
333 Dunsmuir Street
Vancouver, B.C. V6B 5R3

Dear Mr. Aldeguer:

Re: Recommendations relating to a Heritage Contract for
British Columbia Hydro and Power Authority's existing Generation Resources
and to Stepped Rates and Transmission Access

By letter dated April 30, 2003, BC Hydro filed its proposal regarding a Heritage Contract, Stepped Rates and Access Principles ("BCH Proposal"). The filing was in response to the Terms of Reference issued on March 25, 2003 and Order No. G-23-03 issued April 1, 2003.

The Terms of Reference, paragraph 6, state:

"The Commission shall require BC Hydro to file by April 30, 2003 a proposal that identifies the detailed Recommendations and reasons that BC Hydro believes should be contained in the Commission's report to the Lieutenant Governor in Council."

The Terms of Reference, paragraph 4, further state:

"The Commission shall make specific Recommendations relating to any changes it believes are desirable in the rates of transmission voltage customers to accomplish the objectives set out in the Energy Plan, including:

- a) ...
- b) The detailed provisions of new stepped rate schedules as more fully described in the Energy Plan, including load aggregation by a customer with facilities at more than one location; and
- c) The principles which should govern the terms and conditions under which large industrial or transmission rate customers wishing to obtain generation from alternate suppliers may decline to obtain service from BC Hydro or may apply to obtain service from BC Hydro thereafter."

The BC Hydro Proposal states at Volume 2 of 2, Chapter 6, page 16: "It is not possible to identify the steps government need take in connection with stepped rates at this time." Instead, BC Hydro has identified three principles that it believes should apply to stepped rates and proposes further consultation. The proposed consultation is described in the BCH Proposal at Chapter 5, page 15. At Chapter 4, page 8 of the BCH Proposal BC Hydro states that it "has reached the very firm conclusion that development of access rules must await identification of the specific rate design to which the rules of access will attach."

Given the Energy Plan and the Terms of Reference, the Commission believes that its Recommendations should identify the steps government need take in connection with both stepped rates and access principles. In this regard, the BCH Proposal does not provide sufficient evidence for the Commission to make the Recommendations contemplated in the Terms of Reference.

The Commission accepts that further consultation may advance the development of stepped rates and access principles and expects that the implications for transmission customers of stepped rates and shopping credits will be further explored at the May 13, 2003 Workshop. At that Workshop the issue of further processes, including further opportunities for Commission staff led consensus building, will be discussed so as to enable BC Hydro to complete its proposal. Following the Workshop, the Commission may issue a further procedural Order.

The Commission expects all participants to adhere to the schedule for filing of evidence as set forth in Order No. G-23-03. The Commission directs BC Hydro to file a proposal on stepped rates and access principles, preferably supported by participants in any Commission led session, by the July 16 filing date for Supplementary Evidence, though earlier if possible. The Commission expects participants will want to prepare information requests to BC Hydro in those two areas, before receipt of BC Hydro's proposal, if necessary. It further expects BC Hydro to provide responses to those information requests that are sufficiently comprehensive and substantial to be of assistance to all participants and the Commission.

BC Hydro's proposal for stepped rates and access principles may be examined at the public hearing scheduled to commence on July 28. The proposal should balance the interests of transmission voltage customers and BC Hydro, and should be designed to achieve the benefits of other aspects of the Energy Plan, including the promotion of conservation, energy efficiency, and opportunities for Independent Power Producers to participate in future energy supply.

Yours truly,

Original signed by:

Robert J. Pellatt

RHH/cms

cc: Registered Intervenors