



LETTER NO. L-53-04

ROBERT J. PELLATT
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VIA FACSIMILE

October 14, 2004

Mr. A.K. MacMillan, P. Eng
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Mr. Richard Stout
Chief Regulatory Officer
British Columbia Hydro and Power Authority
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Dear Sirs:

Re: British Columbia Hydro and Power Authority ("BC Hydro")
Complaint by Canadian Forest Products Ltd. ("Canfor")
regarding Retention of the Guarantee Balance

The Commission has reviewed the complaint filed by Canfor on September 16, 2004, and BC Hydro's response on October 1, 2004.

The Commission denies Canfor's request that the revenue generated from incremental sales of electricity on Rate Schedule 1821 should be used to reduce the amounts owing under the revenue guarantee. The Commission agrees with BC Hydro that Canfor's proposal would result in a stranded investment and that other transmission customers would ultimately pay for the upgrade to the distribution line. The Commission considers that granting Canfor's request would result in an unfair allocation of the costs of the distribution upgrade to transmission customers because revenues that otherwise would be allocated to offset a share of transmission costs would be returned to Canfor as an offset to the guarantee for the distribution upgrade.

The Commission requests that BC Hydro recalculate the amount owing under the guarantee when Canfor commences service under Rate Schedule 1821, returning to Canfor the amount that has been reduced from the guarantee while retaining the balance.

Yours truly,

Original signed by:

Robert J. Pellatt

RG/rt

cc: Mr. Jim Engleson
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