



LETTER NO. L-41-06

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. 15531, 15532

VIA E-MAIL

silversmith@netidea.com

July 20, 2006

Mr. Hal Wright
Silversmith Power & Light Corporation
Wrightway Charter Co. Ltd.
Box 369
New Denver, BC V0G 1S0

Dear Mr. Wright:

Re: Silversmith Power & Light Corporation ("Silversmith")
Electric Service for Klondike Silver Corporation ("Klondike")

This is in response to Silversmith's letters dated July 10 and 18, 2006 regarding the provision of electrical service to Klondike. In the July 10, 2006 letter, Silversmith requests the help of the Commission to clear up misinformation and to re-establish communications between Silversmith and Klondike. In the July 18, letter, Silversmith states that service of Klondike by British Columbia Hydro and Power Authority ("BC Hydro") will cause serious economic harm to Silversmith and may create technical problems for Silversmith's protection equipment and generating plant. Silversmith requests that the Commission contact Mr. Richard Hughes of Klondike directly to inquire why he has avoided making contact with Silversmith, and expresses a hope that the Commission will instruct Klondike to begin discussions with Silversmith for a service contract.

In a letter dated June 8, 2006 to Mr. Greg Reimer of the Ministry of Energy and Mines, the Commission states:

"Commission staff have discussed this matter with Mr. James of BC Hydro and with Mr. Corky Evans, MLA and are of the opinion that there is no regulatory impediment for BC Hydro to supply power to Klondike Silvercorp, or any other citizen of Sandon according to the terms and conditions of its tariffs. However, if Silversmith Power and Light were to file a complaint with the Commission alleging that it should be the utility to supply Klondike Silverscorp and those citizens of Sandon who opt to receive service from BC Hydro, the Commission would be required to make a determination as to public interest. At the moment no complaint is before the Commission for determination by either Silversmith Power and Light, Klondike Silver Corp or any other citizen of Sandon (except as noted below) and therefore no action by the Commission is necessary or contemplated."

The Commission understands that Silversmith now has a copy of this letter.

In a letter dated July 7, 2006, responding to matters raised by the Silver Ridge Community Club ("SRCC"), BC Hydro stated:

"BC Hydro notes that the granting of a CPCN does not create for any utility, including BC Hydro, an exclusive service territory in which customers cannot request service from an alternate service provider. Although the members of the SCRR are free to request service from BC Hydro, a utility customer is generally constrained to receiving service from the local service provider as this typically provides the overall least cost service from the point of view of both the customer and the utility."

In response to your July 10 and 18, 2006 letters, by copy of this letter the Commission brings Silversmith's desire to provide electrical service to Klondike directly to the attention of Mr. Hughes. Beyond that, it is not clear whether the Silversmith letters also are a complaint to the Commission alleging that Silversmith should be the utility to supply electricity to Klondike, rather than BC Hydro. If Silversmith wishes to file such a complaint, it should confirm this intention, and should set out the basis in the Utilities Commission Act and the Silversmith Certificate of Public Convenience and Necessity Order No. C-11-96, or otherwise, for the Commission to require that BC Hydro not serve Klondike. Silversmith should confirm and substantiate the basis for requiring that BC Hydro not serve Klondike in the context of the situation where Klondike prefers to obtain service from BC Hydro and BC Hydro wishes to serve Klondike under the terms of its tariff.

Yours truly,

Original signed by

Robert J. Pellatt

JBW/dlf

cc: Mr. Richard Hughes
Klondike Silver Corporation
Ms. Joanna Sofield
Chief Regulatory Officer
BC Hydro and Power Authority
Mr. Corky Evans, MLA
Nelson-Creston
Mr. Greg Reimer
Deputy Minister, Oil and Gas Division
Ministry of Energy and Mines