



ROBERT J. PELLATT
COMMISSION SECRETARY

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

September 11, 1995

VIA FACSIMILE

Mr. T.A. Sugalski
President
CXY Chemicals Canada Limited Partnership
#1500 - 635 - 8th Avenue S.W.
Calgary, Alberta
T2P 3Z1

Dear Mr. Sugalski:

Re: CXY Chemicals Canada Limited Partnership ("CXY")
Power Exchange Operation ("PEO") Service

This is in response to your letter dated August 16, 1995, and your Mr. Rick Beingessner's letter dated August 22, 1995, regarding CXY's request to the Commission to take the necessary action to allow CXY access to the PEO on terms similar to Sterling Pulp Chemicals Ltd.

As you are aware, access to the PEO has been the subject of much discussion between B.C. Hydro and other interested parties for more than a year, and no permanent solution has yet emerged. The Commission's approval of interim access to Sterling on the conditions granted, was a temporary measure following the unsuccessful efforts to provide service under a trial curtailable load program. The inherent problems in the PEO access policy quickly became apparent to B.C. Hydro, and the utility has been struggling with restructuring proposals ever since.

The Commission is also cognizant of the potential risks confronting B.C. Hydro and its customers if access to the PEO is not managed in an efficient and thoughtful manner. We also appreciate the urgent need to have this service instituted in a broad-based manner so that all electrical users who qualify for such service would have unrestricted access, consistent with new rules approved for such access.

We most certainly understand your frustration at not being afforded access to the PEO after so much time has elapsed since the government issued the September 1993 Disposition Order to Powerex and B.C. Hydro, approving the operation of the PEO. B.C. Hydro's initial application in respect of PEO access was made on October 14, 1994. At that time B.C. Hydro requested interim approval prior to the public hearing on the application. All the information subsequently received by the Commission pursuant to that filing, requested that the Commission deny interim approval of the application; and deal with it at the same time as B.C. Hydro's application for new industrial service options. Unfortunately B.C. Hydro's Industrial Service Options application has had to undergo several iterations, and a final update is now expected to be filed within the next few months.

Again we must emphasize that proper management of access to the PEO is very important to the success and viability of the program, and wide application of such access must be in accordance with terms and conditions that have been the subject of a public hearing. Accordingly, we must again reluctantly reject

your application for PEO access at this time. However, we are hopeful that the PEO will soon be revamped into a credible market for non-firm power supply, available to all large power users in the province.

Yours truly,

A handwritten signature in black ink, appearing to read 'R. Pellatt', with a stylized flourish at the end.

Robert J. Pellatt

NCJS/yk

cc: The Honourable Anne Edwards, Minister
Ministry of Energy, Mines and
Petroleum Resources
Mr. J.P. Sheehan
President and CEO
British Columbia Hydro and Power Authority