



ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

July 28, 1995

Mr. J.P. Sheehan
President and Chief Executive Officer
British Columbia Hydro and Power Authority
333 Dunsmuir Street
Vancouver, B.C.
V6B 5R3

Mr. M.J. Filippelli
Manager, Raw Materials & Energy
Sterling Pulp Chemicals Ltd.
2 Gibbs Road
Toronto, Ontario
M9R 1R1

Dear Sirs:

Re: Sterling Pulp Chemicals Ltd. ("Sterling")
Requested Permission to Extend Power Exchange Operation ("PEO") Service

We are writing in response to the letter from Mr. Sheehan of July 10, 1995 (copy attached) in which the Commission is asked to reconsider its Decision to deny Sterling a six-month extension of its access to the PEO. The Commission's Decision is contained in a letter to Mr. Filippelli dated June 29, 1995.

In the July 10, 1995 letter, B.C. Hydro indicates that an extension is required to allow Sterling time to adjust its business to the higher electricity costs associated with a return to the 1821 tariff.

On July 19, 1995 Commission staff met with representatives from B.C. Hydro and Sterling to discuss the PEO access request. At that meeting Sterling advised that it had recently invested some \$2.6 million in new and upgraded facilities to increase production in anticipation of a permanent PEO or PEO-type service. Sterling also explained the status of its current contracts and the timing of potential price adjustments. On this account, Sterling indicated that the Company's net income was close to the break-even point and that it could not appreciably amend any of its contracts over the next six months to compensate for significant increases in electricity charges.

Discussions also revealed that Sterling would be satisfied with a phased return to standard electricity service, and in exchange, would be prepared to be periodically interrupted by B.C. Hydro for most of its 1821 supply on 30 minutes notice.

The Commission has considered the new information presented and has decided to reconsider its June 29, 1995 Decision. The Commission will allow Sterling a phased return to 1821 service over the upcoming six months in the following manner:

PERIOD COMMENCING	BCH SCHEDULE 1821 (MVA)	PEO ESTIMATE (MVA)
August 1, 1995	5	60
September 1, 1995	10	55
October 1, 1995	15	50
November 1, 1995	20	45
December 1, 1995	25	40
January 1, 1996	30	35
February 1, 1996	30	0

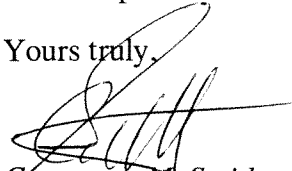
In conjunction with the above schedule, B.C. Hydro is authorized to interrupt Sterling's 1821 supply down to a minimum of 5 MVA on 30 minutes notice during the six-month period. Such interruptions would be at the discretion of B.C. Hydro.

In approving this arrangement the Commission acknowledges that any revenue shortfall to B.C. Hydro will not be recovered from B.C. Hydro's ratepayers. The Commission also notes that Sterling was operating its plant in the range of 25-30 MVA prior to signing with the PEO, and peak consumption is now approximately 65 MVA. A full return to 1821 could result in the Sterling load being curtailed to the 30 MVA level once again.

It is to be understood that the above arrangement for the transition period terminates on January 31, 1996, or sooner if new PEO access tariffs, or other services are approved before then. The Commission recognizes that there is a strong interest for B.C. Hydro to provide some form of short-term or interruptible service, and will endeavor to facilitate the expeditious implementation of such a service to the extent possible.

B.C. Hydro and Sterling are now required to develop and formalize appropriate terms and conditions for the transition period and to file these with the Commission as soon as possible.

Yours truly,


Constance M. Smith

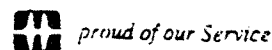
for: Robert J. Pellatt

NCJS/ssc

Attch.

cc: **The Honourable Anne Edwards,**
Minister
Ministry of Energy, Mines and
Petroleum Resources
Mr. W.D. MacMillan
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Transmission Customer Services
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Mr. Barry Weenk, P.Eng.
Project Manager
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P.O. Box 130, McLeese Lake, B.C. V0L 1P0



Office of the President and
Chief Executive Officer

July 10, 1995

Mr. Robert J. Pellatt
British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Box 250
Vancouver, B.C.
V6Z 2N3

Dear Mr Pellatt:

With reference to your 29th June decision denying Sterling continued access to the PEO, I appreciate the fairness and equity principles that formed the basis of a very difficult decision. Based on recent discussions with Sterling following the ruling, it would appear that they require time to adjust their business to the electricity costs associated with the 1821 Tariff.

With this in mind, I ask you to reconsider extension of PEO access benefits to Sterling for a reasonable period which Sterling has suggested should be six months.

Thank you for your consideration.

Yours very truly,

John P. Sheehan
President and
Chief Executive Officer

c: Mr. P.S. Timmons
Sterling Pulp Chemicals Ltd.

B.C. UTILITIES COMMISSION RECEIVED & ACKNOWLEDGED JUL 11 1995FOR STAFF REVIEW/RESPONSEFOR RESOURCE ROOM INFO. TO BE FILED.....
