



ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

April 18, 1995

Mr. R. Brian Wallace
Bull Housser & Tupper
3000 Royal Centre
P.O. Box 11130
1055 West Georgia Street
Vancouver, B.C.
V6E 3R3

Dear Mr. Wallace:

Re: Canadian Occidental Petroleum Ltd. ("Canadian Oxy")
Access to the Power Exchange Operation ("PEO")

This is in response to your April 3, 1995 letter to the Commission requesting the Commission take whatever action is necessary to allow your client, Canadian Oxy, to access the PEO on substantially the same terms and conditions as Sterling Pulp Chemicals ("Sterling").

As you are aware, the Commission has been directed by Government not to regulate the PEO, even though transmission and distribution charges between B.C. Hydro and this subsidiary have become a difficult issue to be addressed by the PEO Oversight Committee and the Commission.

The Commission has received several complaints on this matter, specifically about B.C. Hydro's refusal to allow anyone access to the PEO on terms similar to those granted to Sterling. The Sterling contract is on an interim basis for the period February 3, 1994 to July 31, 1995.

In light of the several requests from customers for PEO access, on October 14, 1994, B.C. Hydro filed an application with the Commission to permit Schedule 1821 customers access to the PEO on terms less attractive than those granted to Sterling. B.C. Hydro requested interim approval of this application. Your November 18, 1994 letter to the Commission specifically requested that the Commission deny interim approval of the application, and deal with it at the same time as the pending B.C. Hydro application for other new industrial service options. After considering input from several sources, none of which supported the approval of the application, even on an interim basis, the Commission issued the attached Order No. G-96-94. Among the other stipulations, this Order specifically denies interim approval for any other industrial customer (other than Sterling) to access the PEO until a public review has been held on B.C. Hydro's application.

Your letter is essentially requesting that the Commission rescind or amend the above Order. The Commission has carefully considered the arguments raised in your letter and has decided to deny your request based on the following:

- Terms of access to the PEO have generated much debate and controversy over the past several months between B.C. Hydro and Powerex, and Schedule 1821 customers who wish to access the service. This matter is too important and too complex to be managed on an ad hoc basis, therefore the Commission has determined that other than Sterling, no further access would be allowed until the rates for access have been reviewed in a public hearing.
- The Sterling interim contract expires on July 31, 1995, after which PEO access may not be available to anyone until approved tariffs are in place.
- The PEO, as contemplated in the September, 1993 Disposition Order, is intended to be a useful and beneficial service for both B.C. Hydro and its customers. After three years of operation, the Commission is to undertake a review of the PEO operations to provide a report and recommendation to the Minister. Until then, the PEO remains outside of BCUC regulation.
- Order No. G-96-94 denies interim approval for other industrial customers to access the PEO until a public review of the B.C. Hydro application for PEO access is completed. That application is currently held in abeyance pending completion of the Electricity Market Review hearing.
- There are many interrelated problems related to the operation of the PEO and its financial arrangements with B.C. Hydro which must be reconciled together.

Finally, the Commission recognizes that this matter is important to your client, but in light of the above determinations, sees no merit in pursuing this matter with you in a hearing at this time.

Yours truly,



Robert J. Pellatt

NCJS/ssc

Attch.

cc: Mr. D. Harrison

Senior Vice President and Chief Financial Officer
British Columbia Hydro and Power Authority