BRITISH COLUMBIA UTILITIES COMMISSION

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VIA FACSIMILE

August 8, 1995

Mr. John Hall
President
Princeton Light and
Power Company, Limited
P.O. Box 700
Princeton, B.C.
V0X 1W0

Dear Mr. Hall

Re: Princeton Light and Power Company, Limited
Schedule F- Lease Lighting

By way of letter dated July 12, 1995, PLP submitted for approval tariff pages showing how the 4.52 % increase in the revenue requirement approved by Order G-56-95 has been applied to rates. Review of these pages shows that an increase of 20 percent has been applied to customers under Rate Schedule F, Lease Lights. The accompanying documentation states that the revenue from this class must be adjusted by 15 % to stay within the approved limits of Stage 3 of the Ten Stage Plan approved by Commission Decision and Order No. G-27-90.

The Commission has reviewed the above referenced Decision and notes that it states the following:

> "Considering that the FACOS study was based on the 1987/88 fiscal year, the Commission finds that the first three stages of the Ten Stage Plan the maximum time horizon acceptable. Future pass-throughs and revenue requirement increases at 7% or below will be allocated to each rate class on the basis of the revenue allocations established in the first three stages of Table No. 6. Increases above these levels will require an updated FACOS and further justification by the Applicant based on the existing market realities and rate design objectives.
>
> At the end of this three stage period the Applicant should have formulated a rate restructuring proposal for the Commercial and Industrial Tariffs and updated the FACOS Study. At that time, considering market conditions, rate design goals and cost of service parameters, the Applicant may submit a second proposal outlining further rate shifts.
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> To compliment this information it is recommended that a marginal cost of service study be developed. A long-run incremental cost study is an aid in planning intra class rate design and inter class revenue responsibility. It will serve as well as an invaluable tool to effectively engage the DSM program."

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Staff review indicates that PLP has not complied with these requirements, but has simply applied numbers from the 1988 Fully Allocated Cost of Service ("FACOS") study. The Commission does not find that this provides sufficient justification to allow the proposed 20 percent increase to the Schedule F customers. Accordingly, the Commission requires that PLP resubmit tariff pages applying the 4.52% rate increase across-the-board as approved by Order No. G-56-95.

Should PLP wish to continue with its rate design restructuring, it will need to provide further justification as to its desirability. The Commission recognizes that a complete FACOS study may not be warranted for a utility the size of PLP. Therefore justification for the increase to Schedule F customers need not be a complete FACOS study but should give some indication of the recent costs of serving these customers and the revenues attributable to them. Should you wish to discuss this matter further, you may contact Ms. Deborah Emes, Manager Strategic Services, at 660-4700 or B.C. toll free 1-800-663-1385.

Yours truly,

Constance M. Smith

for: Robert J. Pellatt

DWE/ssc