



ROBERT J. PELLATT
COMMISSION SECRETARY

LETTER NO. L-63-96

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VIA FACSIMILE

December 6, 1996

Mr. David A. Harrison
Senior Vice President and
Chief Financial Officer
British Columbia Hydro and
Power Authority
18th Floor, 333 Dunsmuir Street
Vancouver, B.C.
V6B 5R3

Dear Mr. Harrison:

Re: British Columbia Hydro and Power Authority
Request for Delay of CPCN Requirements for Planned System Extensions

In its letter of November 14, 1996, the Commission required B.C. Hydro to apply for CPCNs prior to beginning construction of several system extensions due for commencement in early next year. The Commission did this because B.C. Hydro had not provided the Commission with sufficient information to assure it that every system extension would be judged by the Commission to be in the public interest.

The Commission has been indicating since the generic hearing on utility system extension tests in late 1995 that it was interested in reviewing the tests used by utilities to evaluate system extension proposals. The events following the hearing, culminating in the Utility System Extension Tests Guidelines of September 5, 1996, indicated the kind of criteria that the Commission would look for in determining the prudence of a system extension. Moreover, as B.C. Hydro must be aware from the Commission's Phase II Reconsideration Decision on Utility System Extension Tests of August 13, 1996, the Commission could require CPCN applications for system extensions in order to determine if the extensions were in the public interest, and that if the utilities wished to reduce regulatory uncertainty they should file their system extension tests by September 30, 1996.

In spite of this advanced notice of the potential delay risk for planned system extensions, with the significant potential for customer hardship, B.C. Hydro opted not to meet the Commission's September 30, 1996 deadline. In its letter of December 2, 1996, B.C. Hydro now asks the Commission to consider customer hardship in setting aside its regulatory requirements for yet another protracted period. From the Commission's perspective, it is unfortunate that B.C. Hydro has decided to focus on customer hardship only at this time.

The Commission agrees to suspend the necessity for CPCNs for system extensions only for those system extensions commencing prior to March 1, 1997.

The Commission accepts B.C. Hydro's proposed deadline of January 31, 1997 for its new system extension test, but that filing must include draft revisions to its tariff pages in conformity with its new test.

Yours truly,

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

Robert J. Pellatt

JF/ssc

cc: Mr. Michael Costello
Interim President & CEO
British Columbia Hydro and
Power Authority