



ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

October 30, 1997

Ms. Darlene M. Barnett
Senior Vice-President
Marketing and Customer Services
British Columbia Hydro and
Power Authority
17th Floor, 333 Dunsmuir Street
Vancouver, B.C.
V6B 5R3

Dear Ms. Barnett:

Re: British Columbia Hydro and Power Authority
Application for Variance to Rate Schedule 1848 for September 4, 5 and 6, 1997

In reference to the September 5, 1997 complaint, registered by Willis Energy Services Ltd. on behalf of customers served under Rate Schedule 1848, regarding the unfair rate charged for the above-noted period and the subsequent application made by B.C. Hydro, we wish to comment as follows.

The Commission has reviewed B.C. Hydro's September 16, 1997 application for a variance to Rate Schedule 1848 and determined that B.C. Hydro should be allowed to collect an RTP energy price for September 4, 5 and 6, 1997 equal to the comparable price prevailing on September 3, 1997. The Commission believes that the September 3, 1997 price represents the best available proxy for the B.C./U.S. border price during the subsequent three days' transmission constraint.

The Commission notes that the problems arising in this case are apparently not of a type contemplated at the time the current RTP rate was designed. In particular, the Powerex posted prices were seen as a proxy for the B.C./U.S. border price, but no provision was made for a case where this relationship became invalid. The September 3rd price reflects an attempt to address retrospectively this omission.

The Commission does not accept B.C. Hydro's rationale for the proposed rebate of the 5 mill margin. The problem with the 1848 rate on the days in question was not the margin, but the very idea of using the

Powerex buy price in a situation where this price is clearly reflective of Mid-C hub conditions, not B.C./U.S. border conditions. The Commission notes that if a variance is granted, the new rate should endeavor to replicate the spirit of the old rate – namely, to act as a proxy for the price that would have prevailed that day at the B.C./U.S. border had a market existed there.

In the Commission's view, there is no truly suitable proxy available. The Commission believes, however, that, absent the transmission failure, the core supply and demand conditions of the market are unlikely to have changed sharply between September 3rd and the following three days. This view is supported by the similarity between the RTP prices on the day before the constraint and the day after it.

Yours truly,

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

Robert J. Pellatt

CBL/lm

cc: Mr. Paul Willis, President
Willis Energy Services Ltd.
Registered Intervenors/Interested Parties (BCH RTP97)