



ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

May 16, 1997

Mr. Richard Tarnoff
Natural Resource Industries
Box 19
Hedley, B.C.
VOX 1K0

Dear Mr. Tarnoff:

Re: British Columbia Hydro and Power Authority
Wholesale Transmission Services Application

Thank you for your letter dated May 9, 1997 regarding B.C. Hydro's Wholesale Transmission Services Application and the request by the Natural Resource Industries to have the application addressed through a public hearing. In your letter you indicate that a public hearing is required since there are a number of environmental issues regarding water licenses, provincial environmental laws and policies, and B.C. Hydro operational policies which are of concern to the public. You also indicate that it would be preferable to address the application after the report of the recently created Task Force on Market Reform.

Your letter was considered by the Commission at the same time that it considered the staff report concerning the May 2, 1997 pre-hearing conference and the appropriate process for the disposition of this Application. After general debate, the Commission has determined that it is in the public interest to proceed to dispose of this Application through a negotiated settlement process with a full public hearing to follow only if a settlement is not achieved. Further, the Commission does not find that the public interest would be served if the disposition of the application were held in abeyance until after the report of the Task Force.

In coming to this determination, the Commission noted that the current Application is, to a large extent, a compliance filing arising from determinations made in the June 25, 1996 Decision. Accordingly, there are only a limited number of policy issues to be discussed. In addition, the Commission found that many of the environmental issues to which you allude in your letter are outside of the Commission's jurisdiction to affect. As indicated in its Reconsideration Decision with respect to System Extension dated, August 13, 1996, the Commission's authority to consider externalities is limited to externality conditions that have the potential, in the Commission's judgement, to emerge as unavoidable regulatory costs and to externality considerations that have been expressly directed by government under the appropriate sections of the Act. Finally, the Commission recognized that there was general support expressed for a negotiated settlement process at the pre-hearing conference.

Yours truly,

A handwritten signature in black ink, appearing to read "R. J. Pellatt", is written over a horizontal line.

Robert J. Pellatt

DWE/mmc

NATURAL RESOURCE INDUSTRIES

Box 19, Hedley, B.C., V0X 1K0

Fax / Phone (250)292-8692

BC Fishing Resorts and Outfitters Assn.
Council of Tourist Associations of BC
Guide Outfitting Association of BC
BC Trapping Association
National Farmers Union
Certified Organic Associations of BC
BC Wildcrafters Association

B.C. UTILITIES COMMISSION
RECEIVED & ACKNOWLEDGED

MAY 12 1997

✓ FOR STAFF REVIEW/RESPONSE
✓ FOR RESOURCE ROOM
✓ INFO. TO BE FILED *ll*

May 9, 1997

Mr. Robert J. Pellatt
BC Utilities Commission
900 Howe Street
Vancouver, BC, V6Z 2N3

Dear Mr. Pellatt,

Re: BC Hydro Wholesale Transmission Services Application

Natural Resource Industries attended the pre-hearing conference on May 2, 1997. We have subsequently considered the issues raised at the conference and consulted with our constituents. As a result, we feel it would not be in the public interest to deal with this application by way of a negotiated settlement process for the following reasons.

The preliminary list of issues, and the June 25, 1996 Commission decision on which they are based did not address a number of environmental issues that are of concern to the public. For example, in the Report and Recommendations of the BC Electricity Market Review, September, 1995, the Commission acknowledges that BC Hydro takes non-power impacts into account when determining system dispatch if the cost impacts are minor. BC Hydro has indicated that under increased competitive pressures they will have less flexibility to include these costs. The EMR report concludes that if existing water licenses are insufficient it is an issue that is independent of market structure.

We believe the answer is more complex. Water licenses, provincial environmental laws and policies, and BC Hydro operational policies have evolved together over the years. If the Commission approves changes to the market that affect BC Hydro's operational decisions, the Commission must recognize that current regulations may now be inadequate to maintain the link between the system operation and protection of the environment.

Whitewater Kayaking Association
BC Wildlife Federation
Recreational Canoeists Association
BC Federation of Fly Fishers
Steelhead Society
Outdoor Recreation Council of BC
Commercial Fishing Industry Council

bc: BCH WTS • 96/97 WhseTransServices	Letter Only *
PANEL	STAFF
✓ L.R. Barr	✓ W. Grant
✓ Commissioner	✓ P. Gronert
✓ <i>C. Smith</i>	✓ B. McKinlay
✓ R. Pellatt	✓ D. Emes - L. Staff
— Intervenor File	✓ J.W. Fraser
	✓ C. Lusztig
	✓ R. Rerie
✓ Central Files	✓ G. Fulton Comm. Counsel

NRI saw the Retail Access Hearing as an opportunity to provide evidence to the Commission on some of these issues. By delaying the BC Hydro Wholesale Transmission application, the WKP Wholesale and Retail application, and the Industrial Customers complaint until after that hearing the Commission seemed to be recognizing the need for public input into fundamental changes to the electricity industry.

The Task Force on Market Reform that has been created by the Minister of Investment has, by their mandate, acknowledged the importance of these considerations. Provincial environmental policies may need to reflect any changes in energy policy which may be enacted as a result of the Task Force's recommendations. For this reason, we recommended in the pre-hearing conference that this application be delayed until the results of the Task Force are known.

If the Commission is not willing to wait for that process to unfold, but feels compelled to proceed with this application, then we believe the public must have the opportunity to participate in a formal hearing process. An NSP process dealing with a narrow list of issues and debated in private by a small group of interested parties will not provide the opportunity to identify and scrutinize many of the issues of concern to the public.

Yours truly,

A handwritten signature in black ink, appearing to read "Richard Tarnoff", with a stylized flourish at the end.

Richard Tarnoff

cc: Intervenors