



**LETTER NO. L-4-03**

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**VIA FACSIMILE**  
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February 5, 2003

Mr. Robert K Hanson  
Chair  
Alberni Aluminium Corporation  
65 King Street West, Suite 801  
Toronto, Ontario M5H 2M5

Dear Mr. Hanson:

Re: British Columbia Hydro and Power Authority ("B.C. Hydro")  
Power Supply for Proposed Alberni Aluminium Project  
Complaint - Interpretation of Rate Schedule 1821

This letter responds to your Complaint of November 18, 2002 concerning B.C. Hydro's interpretation of Rate Schedule 1821 – Transmission Service, including the terms and conditions of service as they would apply to your proposed aluminum smelter in the Alberni Valley. The Commission has reviewed B.C. Hydro's letters to you of October 28, 2002 and November 19, 2002, its response to the Commission of December 13, 2002 and your final submission of January 13, 2003, including attachments. In addition, the Commission has reviewed the documents in the Appendix attached to this letter.

B.C. Hydro has offered to supply your request for 650 MW of load under Electric Tariff Rate Schedule 1821 with terms and conditions pursuant to Tariff Supplement No. 6. The Commission has determined that these are the appropriate tariffs to apply to your request for power. B.C. Hydro has informed you that according to Tariff Supplement No. 6, loads greater than 150 MW require that the customer contribute to the reinforcement of the transmission and generation system. According to B.C. Hydro's preliminary studies these reinforcement requirements are estimated to cost \$4.2 billion and the Alberni Aluminium Project would be responsible for approximately \$1.27 billion as a customer contribution. While the Commission reserves judgement on the exact nature of the incremental generation and transmission facilities required, it has determined that B.C. Hydro has correctly applied Tariff Supplement No. 6 in principle and considers that the estimate of facilities is consistent with the size of the load and its location.

The Commission also recognizes that there are a number of issues that require review which may affect the terms and conditions of Rate Schedule 1821. First, the Commission anticipates that it will receive a revenue requirements application from B.C. Hydro in late 2003. Following Commission review of that application, B.C. Hydro will likely file a rate design application that will include rate design issues associated with Rate Schedule 1821.

The Commission further recognizes that Policy Action No. 14 of the province's new Energy Policy indicates that large industrial customers will be able to buy some or all of their electricity from the market place. Also, as set out in Policy Action No. 1, the Commission expects that terms of reference will be received soon for an inquiry into the terms and conditions of a B.C. Hydro heritage energy contract, followed by a government determination on the nature and amount of the contract.

The outcome of these hearings and government deliberations will affect the future cost of power for B.C. Hydro customers and the terms and conditions of service for transmission customers, and may have a bearing on Rate Schedule 1821. Your concerns that Tariff Supplement No. 6 may allocate too much of the cost of generation and transmission reinforcement to large new consumers and that B.C. Hydro should provide long term rate certainty to new 1821 customers, would be reviewed in these proceedings. Pending completion of these reviews and policy decisions, the Commission believes that Tariff Supplement No. 6 and Rate Schedule 1821 remain appropriate.

While the foregoing reviews are underway, Alberni Aluminium Corporation may wish to arrange its electrical supply from Independent Power Producers or the market place. At present, B.C. Hydro has no tariff provisions that provides for retail wheeling. Pending the results of the reviews, the Commission would consider changes to B.C. Hydro's current Wholesale Transmission Service tariff to ensure that electricity supply is transmitted to your plant from third party suppliers.

Yours truly,

*Original signed by:*

Robert J. Pellatt

RWR/cms

Attachments

cc: The Honourable Richard Neufeld - [steven.simons@gems7.gov.bc.ca](mailto:steven.simons@gems7.gov.bc.ca)  
The Honourable Rick Thorpe - [cse.minister@gems7.gov.bc.ca](mailto:cse.minister@gems7.gov.bc.ca)  
Ms. Janet Schlackl - [jmschlac@alberni-region.com](mailto:jmschlac@alberni-region.com)  
Mr. Patrick James - [pmjames@attglobal.com](mailto:pmjames@attglobal.com)  
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Mr. Keith Wyton, Sarita Furniture Ltd., Port Alberni - [kwyton@island.net](mailto:kwyton@island.net)  
Mr. Ray Aldeguer, Senior Vice-President  
Corporate Resources & General Counsel  
British Columbia Hydro and Power Authority

## APPENDIX

## List of documents in Alberni Complaint File:

1. E-mail to the Commission from Mr. Keith Wyton of January 15, 2003
2. E-mail to the Commission from Mr. Keith Wyton of January 10, 2003
3. E-mail to the Commission from Janet Schackl of January 2, 2003
4. Letter to Mr. Hanson from B.C. Hydro of November 19, 2002
5. Letter to the Commission from Mr. Hanson of November 18, 2002
6. Letter to B.C. Hydro from Mr. Hanson of November 18, 2002
7. Briefing Package for Meeting with the B.C. Utilities Commission staff of November 8, 2002 – unsigned (presumably prepared by Economic Development Commission of the Regional District of Alberni-Clayoquot)
8. Letter from B.C. Hydro to Mr. Hanson of November 5, 2002
9. E-mail to the Commission from Mr. Bruce Rozenhart of October 30, 2002
10. Letter to Mr. Hanson from B.C. Hydro of October 28, 2002 with attachments