



**LETTER NO. L-17-04**

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**VIA FACSIMILE & COURIER**

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March 11, 2004

Mr. Joe Peters  
President  
Hemlock Valley Electrical Services Limited  
20955 Hemlock Valley Road  
Agassiz, B.C. V0M 1A1

Dear Mr. Peters:

Re: Customer Security Deposits and Interest Payments Complaint ("Complaint")

Upon receipt of a complaint, the Commission generally institutes a relatively informal process led by Commission staff to seek to resolve the complaint with input from the utility. If resolution is not possible, the Commission will then decide whether a hearing is necessary and, if so, the form that the hearing is to take - written or oral.

A Complaint was made to the Commission on June 13, 2002 regarding the Hemlock Valley Electrical Services Limited ("Hemlock Valley", "Company") non-payment of interest on security deposits. The Commission understands that, since that time, Commission staff have met with representatives of the Company on several occasions and that, while some progress has been made towards a resolution of the Complaint, an impasse has now been reached. Staff have advised the Commission that the Company has not only failed to complete the "Master Plan" it agreed to in September 2002, but has most recently failed to complete a report to the Commission on the results of the Company's attempt to contact customers to determine if they have paid security deposits. This report was originally due January 15, 2004 but was received with substantially incomplete information on February 5, 2004. The deadline was subsequently extended to February 26, 2004 (date suggested by Hemlock Valley staff) to allow the Company additional time to complete the submission of information. As of March 8, 2004 no further information has been received from Hemlock Valley.

Based on reviews performed by Commission staff, including numerous discussions with Hemlock Valley's Accounting Manager, it is the Commission's understanding that the Company did not accrue interest on customer security deposits from 1995 to 2001. In accordance with a work plan agreed upon between Commission and Company staff in 2002, out of approximately 250 customers, some 50 customers received a credit of up to \$52.50 for interest accrued for the period to the end of December 2001. For these 50 customers, Hemlock Valley has been able to determine from its records that the security deposit was actually paid. The Commission also understands that for the subsequent period, January 1, 2002 to December 31, 2003, Hemlock Valley has paid security deposit interest to all current customers.

However, due to problems with staff turnover, staff training and its accounting system, Hemlock Valley states that it has not been able to determine from its records whether or not the approximately 200 remaining customers have paid the required security deposit. Consequently, the Company has not paid any interest thereon, for the period from 1995 to the end of December 2001.

To attempt to resolve the issue of back-interest payment for the approximately 200 remaining customers, Hemlock Valley decided to contact these customers (by phone or otherwise) to try and determine whether the security deposit was paid. An incomplete report on the results of the contacts was filed with the Commission on February 5, 2004.

The Commission understands from staff that Hemlock Valley is not prepared, at this time, to make back-interest payments to any of the approximately 200 remaining customers if the Company is unable to confirm that the customer has paid the security deposit or if the customer can no longer be contacted. The Commission notes, however, that the Company's Annual Reports to the Commission have consistently reported in excess of \$23,000 as being held by the Company in the form of customer security deposits.

Hemlock Valley Electrical Services Limited Tariff terms and conditions approved by the Commission state, in part, as follows:

"The Company will pay on cash security deposits simple interest calculated at the average annual savings account rate of the bank with which it deals from the date of receipt of such deposit. Such payment shall be made in the form of a credit to the Customer's account, on the bill for the period ending May 31<sup>st</sup> of each year."

As well, the Tariff terms and conditions state that a domestic Customer being serviced under "General Service Rate" shall be required to pay a deposit of \$150 to the Company and that all Commercial/Industrial customers shall be required to pay a deposit equal to three months of the customer's estimated gross revenue to the Company.

As the Company will be aware, it has certain statutory obligations as a utility. These include the duty to keep records (Utilities Commission Act, s.44) and to comply with its filed tariffs (Utilities Commission Act, s.63).

The Commission is not prepared to allow this matter to remain unresolved. If the Company does not make an acceptable proposal for the resolution of the Complaint by 4:30 p.m. Wednesday, March 31, 2004, the Commission will consider ordering a hearing into this matter.

Yours truly,

*Original signed by:*

*Constance M. Smith*

*for:* Robert J. Pellatt

BMcK/cms

cc: Hemlock Valley Ratepayers Association