



LETTER NO. L-75-05

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA E-MAIL/FACSIMILE

September 15, 2005

To: British Columbia Hydro and Power Authority
British Columbia Transmission Corporation
Intervenors and Interested Parties of the BC Hydro F2005
and F2006 Revenue Requirements Application

Re: British Columbia Hydro and Power Authority ("BC Hydro")
British Columbia Transmission Corporation ("BCTC")
April 1, 2005 Service Level Agreements

At the close of the oral phase of the hearing on the BC Hydro F2005 and F2006 Revenue Requirements Application and the BCTC Deferral Accounts Application ("the Applications"), the Commission requested that BC Hydro and other parties address in argument whether the service level agreements contemplated in the Master Agreement are Designated Agreements and, if not, the Commission's jurisdiction to approve the agreements. On page 12 of the October 29, 2004 Decision on the Applications, the Commission decided that "the question concerning the Commission's jurisdiction to approve the service level agreements can be more properly dealt with once the agreements are filed and will allow the public the opportunity to address the issue at that time."

On August 15, 2005, BC Hydro filed for information the April 1, 2005 Service Level Agreements ("SLA") entered into between BC Hydro and BCTC for the provision of services to each other. The SLAs filed are:

1. Field Services Service Agreement;
2. Engineering Service Agreement;
3. Generation Control Services Agreement;
4. SDA Asset Management Service Agreement; and
5. Distribution Operations Service Agreement.

In the August 15, 2005 filing, BC Hydro submitted that in the SLAs, BC Hydro and BCTC are, in effect, contractors of each other with respect to the services they provide and that accountability to the Commission resides with the party acquiring the service not with the service provider. BC Hydro stated that none of the services provided under the SLAs include the provision of electricity, or any other regulated public utility service from one party to another. In BC Hydro's view, none of the SLAs are rates for services for which a filing under Section 61(1) of the Utilities Commission Act or Commission approval is required. BC Hydro submitted that this

does not limit the Commission's jurisdiction to review the costs resulting from the SLAs in the revenue requirement proceedings for BC Hydro or BCTC. On August 18, 2005, BCTC filed a letter that agreed with the positions taken by BC Hydro.

The Commission requests that Participants make submissions on the question of the Commission's jurisdiction to approve the service level agreements and on the question of whether or not there should be a public hearing; and if a public hearing is recommended, whether or not it should be an oral or written hearing. Submissions from intervenors and interested parties are due on September 29, 2005 and BC Hydro and BCTC are to file reply comments by October 6, 2005.

Yours truly,

Original signed by:

Robert J. Pellatt

PWN/cms