



LETTER NO. L-40-06

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>

Log No. 15202

VIA E-MAIL
srcc@telus.net

July 20, 2006

Mr. Brian Hector
Director
Silver Ridge Community Club
Box 12
New Denver, B.C. V0G 1S0

Dear Mr. Hector:

Re: Silversmith Power and Light Corporation ("Silversmith")
British Columbia Hydro and Power Authority ("BC Hydro")
Residents of Sandon Requesting Service from BC Hydro

This Letter is in response to the June 21, 2006 letter from Silver Ridge Community Club ("SRCC") advising the Commission that a number of property owners in Sandon, B.C., who are also members of SRCC, have requested electrical service directly from BC Hydro. By letter dated June 22, 2006, the Commission asked Silversmith and BC Hydro to comment on the SRCC letter. By letter dated July 7, 2006, the Commission advised that it will make a further determination in the process it will follow in reviewing the matter after it receives the responses of Silversmith and BC Hydro.

The Commission wishes to clarify that this Letter is intended to address the matter raised in the June 21, 2006 letter from SRCC. The Commission notes that Order No. G-68-06 dated June 15, 2006 established the terms of a Silversmith contract to provide service to the Tin Cup Café, and denied a Silversmith request for draft tariff changes. In addition, the provision of service by BC Hydro to Klondike Silver Corporation is outside the scope of this Letter.

Silversmith responded to the SRCC letter by a letter dated July 7, 2006 (attached). Silversmith questions the claims of SRCC to represent a significant number of its customers, and disagrees with most of the 18 points that SCRR raised as to why residents in Sandon may wish to be served directly by BC Hydro. Silversmith acknowledges an error in its recent billing, and states that the overbilling plus interest will be credited to affected customers. Silversmith states that the north side of Carpenter Creek is serviced by new distribution infrastructure that it owns. Silversmith submits that it is willing and able to provide service to existing and new customers in Sandon under the terms of its approved tariff.

BC Hydro responded to the SRCC letter by a letter also dated July 7, 2006 (attached). BC Hydro notes that the granting of a Certificate of Public Convenience and Necessity does not create for any utility an exclusive service territory in which customers cannot request service from an alternate service provider. Nevertheless, a utility customer is generally constrained to receiving service from the local service provider as this typically provides the overall least cost service from the point of view of both the customer and the utility.

BC Hydro submits that it does not have an obligation to supply the residents of Sandon, and references Section 28(1) of the Utilities Commission Act (“the Act”). If BC Hydro were to offer service, its tariff requires that the new customers pay for the cost of the connection. BC Hydro believes these costs would be considerable since it has no direct supply line to Sandon and there is no existing BC Hydro distribution infrastructure close to where the service connections would be required. BC Hydro submits that it would not be practical to have two utilities serving the residents of Sandon, and it would only provide service to Sandon if required to do so by the Commission.

Sections 28, 29 and 30 of the Act state:

“Utility must provide service if supply line near”

- 28**
- (1) On being requested by the owner or occupier of the premises to do so, a public utility must supply its service to premises that are located within 90 metres of its supply line or any lesser distance that the commission prescribes suitable for that purpose.
 - (2) Before supplying the service under subsection (1) or making a connection for the purpose, or as a condition of continuing to supply the service, the public utility may require the owner or occupier to give reasonable security for repayment of the costs of making the connection as set out in the filed schedule of rates.
 - (3) After a hearing and for proper cause the commission may relieve a public utility from the obligation to supply service under this Act or regulations on terms the commission considers proper and in the public interest.

“Commission may order utility to provide service if supply line distant

29 On the application of a person whose premises are located more than 90 metres from a supply line suitable for that purpose, the commission may order a public utility that controls or operates the line

- (a) to supply, within the time the commission directs, the service required by that person, and
- (b) to make extensions and install necessary equipment and apparatus on terms the commission directs, which terms may include payment of all or part of the cost by the applicant.

Commission may order extension of existing service

30 If the commission, after a hearing, determines that

- (a) an extension of the existing services of a public utility, in a general area that the public utility may properly be considered responsible for developing, is feasible and required in the public interest, and

- (b) the construction and maintenance of the extension will not necessitate a substantial increase in rates chargeable, or a decrease in services provided, by the utility elsewhere,

the commission may order the utility to make the extension on terms the commission directs, which may include payment of all or part of the cost by the persons affected.”

The Commission agrees with the view of BC Hydro that typically it is more costly for two utilities to build duplicative facilities to serve the same service area. In the situation at hand, Silversmith states that it is willing and able to provide electrical service to residents in Sandon under the terms of its approved tariff. The responses of Silversmith to the 18 points that SRCC raises in its letter indicates that Silversmith believes many of the issues raised by SRCC are not currently applicable. To the extent that Silversmith and residents in Sandon are unable to resolve specific tariff and other issues related to the provision of service by Silversmith, such matters can be referred to the Commission for a determination.

The BC Hydro response indicates that it does not desire to provide electrical service to residents in Sandon. If, after considering the information in the BC Hydro and Silversmith responses and this Letter, a resident in Sandon wishes to be served by BC Hydro, it would appear that the necessary next step would be an application by such resident(s) under Section 29 or 30 of the Act seeking a Commission direction requiring BC Hydro to provide service and to set the terms for providing such service including payment for the cost of the connection. Consistent with the wording of Section 29, such an application should be made by the prospective customer or customers, including SRCC if it chooses to request service at a location for which it is responsible. An application should include and detail the reasons why service from BC Hydro would be preferred over that from Silversmith, and current, specific information in support of the statements in the application.

The June 21, 2006 letter from the SRCC does not fulfill several of the areas set out in the previous paragraph of this letter, and so cannot be considered an application for a direction to BC Hydro under Section 29 or 30 of the Act. In the circumstances, the Commission determines that it will take no further action in response to the June 21, 2006 SRCC letter.

Yours truly,

Original signed by

Robert J. Pellatt

RJP/dg

Attachments

cc: Ms. Joanna Sofield, Chief Regulatory Officer
B.C. Hydro and Power Authority
Mr. Hal Wright
Silversmith Power & Light Corporation
Mr. Corky Evans
MLA Nelson-Creston
Hon. Wally Oppal, Q.C., Attorney General
Hon. Richard Neufeld, Minister of Energy, Mines & Petroleum Resources
Hon. Bill Bennett, Minister of State for Mining
Hon. Greg Reimer, Deputy Minister, Oil & Gas Branch, Ministry of Energy & Mines