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LETTER NO. L-16-07

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VIA E-MAIL & FACSIMILE

March 7, 2007

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Dear Sirs and Madam:

Re: Silversmith Power and Light Corporation
Service Area Encroachment by British Columbia Hydro and Power Authority

By Letter No. L-3-07 dated January 17, 2007, the Commission denied the complaint and request of Silversmith Power and Light Corporation ("Silversmith") that the Commission order British Columbia Hydro and Power Authority ("BC Hydro") to cease its construction and connection to Klondike Silver Corp. ("Klondike"). The Commission stated that BC Hydro should proceed to connect Klondike, within its applicable Electric Tariff provisions, without further delay.

By letter dated February 23, 2007, counsel for Silversmith requests that the Commission review and reconsider its Decision contained in Letter No. L-3-07 (the "Reconsideration Application"). Silversmith states that the Commission erred by not undertaking a detailed inquiry or holding an oral hearing on the complaint and request, and by failing to deal with important issues that are directly connected to the decision in Letter No. L-3-07.

Silversmith recommends that the Commission institute an oral hearing and permit the introduction of new evidence. The letter states that Silversmith does not object to BC Hydro connecting Klondike to the BC Hydro system, on an interim basis, while the Reconsideration Application is before the Commission.

Reconsideration Application

In the Reconsideration Application, Silversmith does not specify the actions that it is requesting the Commission take as a result of reconsidering the decision in Letter No. L-03-07. The Commission anticipates that a reversal of the decision would result in an Order to BC Hydro that it not serve Klondike, so that if Klondike wanted utility electricity service it would need to obtain it from Silversmith.

A copy of the Reconsideration and Appeals section of the Commission's Participant Guide, which identifies the criteria that the Commission generally applies to determine whether a reasonable basis exists to allow a reconsideration, is enclosed.

An application for reconsideration by the Commission generally proceeds in two phases. In the interest of both regulatory efficiency and fairness, and before the Commission proceeds with a determination on the merits of an application for reconsideration, the application undergoes an initial screening phase. In this first phase, the applicant must establish a prima facie case sufficient to warrant full consideration by the Commission. The Commission usually invites submissions from the other participants in the proceeding that led to the Decision that is the subject of the reconsideration request, or may consider that comments from the parties are not necessary. The Commission typically applies the following criteria to determine whether or not a reasonable basis exists for allowing reconsideration:

- the Commission has made an error in fact or law;
- there has been a fundamental change in circumstances or facts since the Decision;
- a basic principle had not been raised in the original proceedings; or
- a new principle has arisen as a result of the Decision.

Where an error is alleged to have been made, in order to advance to the second phase of the reconsideration process, the application must meet the following criteria:

- the claim of error is substantiated on a prima facie basis; and
- the error has significant material implications.

If the Commission determines that a reconsideration is warranted, the reconsideration proceeds to the second phase where the Commission hears full arguments on the merits of the application.

The Commission hereby establishes a written comment process on the Silversmith Reconsideration Application to address the first phase issue of whether a reasonable basis exists to allow a reconsideration. The first phase will be a preliminary examination to assess the application in light of the following questions:

- Based on the generally applied criteria described above, should there be a reconsideration by the Commission?
- If there is to be a reconsideration, should the Commission hear new evidence and should new parties be given the opportunity to present evidence?
- If there is to be a reconsideration, should it focus on the items from the Reconsideration Application, a subset of these items or additional items?
- If there is to be a reconsideration, what oral, written or other process should be established for the reconsideration?

The first phase assessment process for the Reconsideration Application will be as follows:

- Intervenors and Interested Parties submit written comments, if any, to the Commission by Monday, March 19, 2007, with a copy to Silversmith.
- Silversmith submits a written reply, if any, to the Commission by Friday, March 30, 2007.

Written comments in the first phase should address whether the threshold for reconsideration, based on the generally applied criteria, has been met, rather than the substance of the issues. Following the completion of this written comment process, the Commission will decide whether or not a reconsideration should proceed. If the reconsideration proceeds to the second phase, the parties will be subsequently allowed to address the substance of the issues that the Commission approves for reconsideration.

Other Requests

In its February 23rd letter, Silversmith also questions whether the decision in Letter No. L-3-07 applies to all Klondike loads, or just the load within 90 meters of the BC Hydro lines. The Commission expects that the response to this question may be situation-specific, and should such circumstances arise, would need to be provided with the details of a particular situation before it can consider and respond to the question.

The February 23, 2007 letter also makes the following requests that are, in the view of the Commission, in addition to the complaint and request that are the subject of the decision in Letter No. L-3-07.

- A request that Silversmith be allowed to inject an additional 150 kW into the BC Hydro grid, in addition to the limit of 150 kW that Silversmith states Powerex has set on the amount of power that it can inject into the grid.
- A request that BC Hydro reimburse Silversmith for approximately \$25,000 to upgrade the distribution line from New Denver to Sandon.
- A request that BC Hydro compensate Silversmith for the system benefits that Silversmith's connection provides to the BC Hydro grid.

The reimbursement of costs and the revenue that Silversmith can obtain for the sale of surplus electricity and for system benefits can provide important offsets to Silversmith's costs to serve its other customers. It seems reasonable that Silversmith should initiate discussions with BC Hydro on its concerns in these areas, and also potentially with other electricity purchasers in addition to BC Hydro and Powerex. The F2007 Call and the new Provincial Energy Plan, particularly Policy Action 11 to establish a standing offer for clean energy projects up to 10 MW, may possibly provide opportunities for Silversmith to maximize the revenue it obtains for its surplus power.

In the event that discussions with BC Hydro do not resolve issues related to limitations, charges or payments under the BC Hydro tariff, Silversmith may wish to raise such issues in a separate submission to the Commission. Silversmith may also wish to consider submitting a revenue requirements application to the Commission to address rates for other customers. However, the Commission does not intend to address these matters as part of the Reconsideration Application.

Yours truly,

Original signed by

Constance M. Smith
for: Robert J. Pellatt

JBW/cms
Enclosure