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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-53-08

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**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by Kyuquot Power Ltd.
for Approval of a Revision to Electric Tariff Rate Schedule 1102**

BEFORE: L.F. Kelsey, Commissioner
P.E. Vivian, Commissioner March 19, 2008

O R D E R

WHEREAS:

- A. By Order No. C-18-01, the Commission approved a Certificate of Public Convenience and Necessity ("CPCN") application by Synex Energy Resources Ltd. ("SERL") to construct and operate a 14.4 kV single phase connection to British Columbia Hydro and Power Authority's provincial electricity grid in order to provide electricity to Fair Harbour, Chamiss Bay and Kyuquot. The CPCN approval was conditional on SERL, or a company formed for the purposes, being a public utility. In accordance with Order No. C-18-01, SERL founded a wholly-owned subsidiary, Kyuquot Power Ltd. ("KPL"), a public utility for the purpose of operating the distribution line; and
- B. Following a written hearing process, by Order No. G-11-06, the Commission approved an Electric Tariff for Kyuquot Power Ltd. ("KPL") containing terms and conditions of service and rate schedules on a permanent basis effective November 15, 2005. In the Reasons attached to Order No. G-11-06, the Commission accepted KPL's estimated cost of approximately \$3.6 million for SERL to construct the distribution line extension without markup subject to recording any funding received from the Ka:'yu:'k't'h'/Che:k:tles7et'h' Nation ("KCN"); and
- C. On February 5, 2007, KPL filed an application to change from a single Rate Schedule 1101 that covers all customers of the utility and to create a new Rate Schedule 1102 for service exclusively to the KCN effective March 31, 2007. It was KPL's understanding that the Department of Indian and Northern Affairs ("INAC") approved funding to KCN in the amount of \$1 million prior to March 31, 2007 to lower the cost of electricity to KCN and in subsequent years KCN would receive a further \$2 million to reduce its electricity rates (the "2007 Application"); and

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- D. The 2007 Application requested approval to record 15 percent of the expected payment of \$1 million from KCN to cover the accumulated shortfall in earned return of KPL with the remaining \$850,000 to be applied as a Contribution in Aid of Construction ("CIAC") and reduce the rate to KCN by 6.8 cents/kW.h in Rate Schedule 1102. KPL provided a copy of the Application to KCN and INAC; and
- E. The Commission established a written hearing process to review the 2007 Application. KPL proposed in discussions with KCN and INAC that 15 percent of the grant received by KCN be paid to SERL to cover the markup on the construction of the distribution line extension and 85 percent of the grant received by KCN be used to reduce rates for KCN (BCUC IR No. 2, Q. 2.1 and 2.5) (the "Revised 2007 Application"). In the Revised 2007 Application, KPL requested approval to reduce KCN's rate by 6.8 cents/kW.h in Rate Schedule 1102 effective when KCN makes a payment of \$850,000 to KPL (BCUC IR No. 1, Q. 1.10; IR No. 2, Q. 2.5); and
- F. By Order No. G-58-07 dated May 31, 2007, the Commission approved the requested change to Rate Schedule 1101 and the new Rate Schedule 1102 to be effective from the date that KCN provides the CIAC payment of \$850,000 to KPL, subject to review if a complaint was filed by KCN, INAC or an affected customer within 6 months of the Order. No complaints were received. The CIAC payment of \$850,000 was received by KPL from KCN on February 18, 2008; and
- G. INAC recently advised KPL that a second CIAC payment of \$850,000 would be forthcoming soon and on March 9, 2008 KPL filed an Application to amend Rate Schedule 1102 to decrease the energy charge by 6.8 cents per kWh from \$0.282 per kW.h to \$0.214 per kW.h upon receipt by KPL of the second CIAC payment (the "Application"); and
- H. The Commission has reviewed the Application and finds that approval is warranted.

NOW THEREFORE pursuant to Section 60 of the Act, the Commission orders as follows:

1. The Commission approves for KPL the requested amendments to the Electric Tariff Rate Schedule 1102 based on the Application and KCN providing a second CIAC of \$850,000 to KPL, subject to directive 2.
2. The approved revision to Rate Schedule 1102 is to be effective from the date that KCN provides the second CIAC payment of \$850,000 to KPL. Upon receipt of the second CIAC payment from KCN, KPL is to inform the Commission within 10 working days about the CIAC payment amount and the date the CIAC payment was received.
3. If the second CIAC payment from KCN to KPL is not in accordance with the terms of this Order then KPL will be required to reapply for approval of the appropriate rate changes.
4. KPL is to provide a copy of this Order to KCN and INAC.

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5. KPL is to inform all affected customers of the approval of the Application and its conditions by way of a customer notice.
6. The revision to Rate Schedule 1102 approved by this Order is subject to review if a complaint is filed by KCN, INAC or an affected customer within 6 months of this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of March 2008.

BY ORDER

Original signed by

L.F. Kelsey
Commissioner