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COMMISSION SECRETARY

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VIA FACSIMILE

September 19, 1996

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Westcoast Gas Services Inc.
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Jane L. Peverett
Vice President, Regulatory Affairs
Westcoast Energy Inc.
Pipeline Division
1333 West Georgia Street
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Dear Sirs/Madam:

Re: Transportation and Processing of Gas for Others
Complaint Regulation under the Utilities Commission Act (the "Act")

Further to the Commission's letter of June 7, 1996, responses have been received from each of you and also from several of the parties to whom you provide transportation and processing services. These responses show there is broad support that the Commission's regulation of such facilities should be on a complaint basis. The purpose of this letter is to describe how the Commission proposes to implement regulation on a complaint basis, and to seek your further comments.

Upstream facilities which are under provincial jurisdiction and which are entirely or mainly used to provide gas transportation and processing for others, fall within the definition of "public utility" and as such would be regulated under Part 3 of the Act. At the request of the owner of such facilities, the Commission is prepared to seek approval of the Lieutenant Governor in Council for an exemption from most of the provisions of Part 3. The Commission will require a minimal annual report and will retain the ability to conduct an inquiry or hearing. The facilities would be regulated on a complaint basis, where a "complaint" would take the form of an application under Part 5 of the Act.

Part 5 provides that the Commission may, on application by an interested party and after a hearing, declare a person to be a common carrier or common processor with respect to a facility. The Commission

will review the legitimacy of the complaint and the efforts of the parties to resolve the matter by negotiation before setting down a hearing (which could be written or oral) to deal with it. After a hearing to consider the factors such as competitive drainage that are relevant to the situation, the Commission may issue an order which establishes the conditions of service for the facility, including access to service, relative throughput rates and fees for service.

The Commission has relatively broad and discretionary powers under Part 5 and could, for example, readily consider rates that are based on something other than depreciated rate base. Also, in the absence of a complaint, information about rates need not be filed. It has been suggested that the Act should be amended to require the approval of the Lieutenant Governor in Council prior to issuing a declaration under Part 5; the Commission considers that a change to the Act in this regard is unnecessary.

The operating company will be required to file an annual report for each separate, significant facility (pipeline system or processing plant). Annual reports will provide complainants with reasonable information to support complaints and this should serve to discourage frivolous complaints. They will also provide historical information about a facility, which can be especially useful if a complaint is received after a change in ownership. Initial reporting requirements are set out in the attached schedule, although this may change based on experience with the complaint process. The reports should be filed with the Commission and all shippers at the facility within 90 days following fiscal year end.

The Commission recovers its costs from the parties which it regulates, and proposes an annual fee of \$1,000 for each reporting company. The costs of handling a complaint if significant will be recovered from the parties concerned, and will be allocated in a manner to be determined by the Commission.

The Commission requests that the recipients of this letter provide a copy to any party currently contracting for transportation or processing service in the subject facilities. All parties should submit any comments and suggestions regarding the foregoing regulatory format to the Commission by October 15, 1996.

Yours truly,



Robert J. Pellatt

JBW/lm
Attach.

ANNUAL REPORTING REQUIREMENTS

Part 5 Complaint Regulation of Companies that Transport or Process Gas for Others

A Report is Required for each Separate, Significant Pipeline System or Processing Facility.

1.0 Previous Year Actuals Compared to Forecast

- Facility name, location, function, capacity.
- Any significant changes in capacity during the year.
- Throughput during the year.
- Name, address, contact name and telephone number for each shipper.
- Accumulated capital cost of facility at beginning and end of year, with brief explanation of significant capital additions.
- Annual depreciation and accumulated depreciation to end of year, with explanation if fees are based on something other than accumulated capital cost less accumulated depreciation.
- Annual operating expense, maintenance expense, administration expense and allocated overhead, plus any other costs or expenses incurred during the year.

2.0 Current Year Forecast

- Capacity of facility and uncommitted firm and interruptible capacity available.
- Throughput during the year.
- Capital cost of any significant expansion and capacity to be added.
- Annual depreciation.
- Annual operating expense, maintenance expense, administration expense and allocated overhead, and any other costs or expenses.

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