



ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

June 20, 1996

Mr. Peter Budd
Canadian Independent Gas
Marketing Association
702 - 626 West Pender Street
Vancouver, B.C.
V6B 1V9

Dear Mr. Budd:

Re: BC Gas Utility Ltd.
1996 Rate Design Application
Issues Relating to Gas Cost Allocation

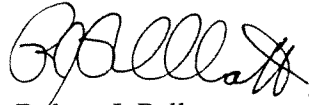
This letter is in response to your letter dated June 3, 1996 on behalf of the Canadian Independent Gas Marketing Association ("the CIGMA letter"). This letter expresses a concern that CIGMA was given only one week to prepare and file its evidence on gas cost allocation matters. It also identifies a number of concerns that CIGMA has expressed to the Commission previously. However, the CIGMA letter does not provide any evidence in support of its concerns or any proposals for an alternative gas cost allocation methodology in a form which might assist parties in the BC Gas rate design proceeding now before the Commission.

CIGMA was first advised by the Commission of the likely regulatory schedule for BC Gas rate design matters in August of 1995. The BC Gas 1996-98 revenue requirements settlement approved by Commission Order No. G-99-95 in November of 1995 confirmed that BC Gas was required to file a rate design application June 1, 1996. The Commission notes from CIGMA's previous May 13, 1996 letter that CIGMA met with staff members representing the Province and the Commission on March 27, 1996. Commission staff has advised the Commission that procedural matters including the likely need for CIGMA to prepare a gas cost allocation filing were discussed at that meeting. In a letter to the Commission dated April 18, 1996 which was copied to CIGMA, BC Gas advised that it did not intend to include any material on gas supply cost allocation in its rate design filing. Given these circumstances, the Commission believes that CIGMA has had ample notice of the need to prepare material in support of its concerns about gas cost allocation for BC Gas.

The CIGMA letter also mentions concerns expressed to it by certain BC Gas industrial customers. The Commission notes that any concerns which have been expressed to it by BC Gas customers relate to cost of delivery service, not to cost of gas. The Commission has received no complaints from customers of any rate class about the approved gas cost allocation methodology currently in use by BC Gas.

In the absence of detailed evidence from CIGMA demonstrating the inappropriateness of the Commission's previous gas cost allocation determination, the Commission considers that it would be contrary to the principles of procedural fairness to burden those parties participating in the BC Gas rate design proceeding with further discussion of CIGMA's complaint. The Commission will be prepared to consider the CIGMA complaint in this proceeding, perhaps as a separate phase if timing requires, but only if CIGMA or other marketers take a lead role in providing detailed evidence on the issues in a reasonable timeframe which permits the scheduling of workshops and exchange of information requests prior to a hearing. Otherwise the matter will have to be deferred to a future proceeding.

Yours truly,



Robert J. Pellatt

PHG/cms

cc: Mr. D.M. Masuhara, Vice President, Legal and Regulatory Affairs
BC Gas Utility Ltd.
Mr. Bruce McRae, Ministry of Employment & Investment
Registered Intervenors - BCG'96RD