



ROBERT J. PELLATT
COMMISSION SECRETARY

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

VIA FACSIMILE

September 5, 1997

Westcoast Gas Services Inc.
c/o Mr. J.J. Arvay
Arvay Finlay
Barristers
4th Floor, 888 Fort Street
Victoria, B.C.
V8W 1H8

Dear Mr. Arvay:

Re: BC Gas Utility Ltd.
Certificate of Public Convenience and Necessity ("CPCN") Application
Southern Crossing Pipeline Project ("SCP")

This is in response to your letters dated August 11 and August 19, 1997 which raised several questions and concerns regarding the subject proceeding.

Your August 11 letter expresses the view that the Commission is unable to issue a CPCN until BC Gas has obtained a Project Approval Certificate ("PAC") under the Environmental Assessment Act ("EAA") for the project, and suggests that the Commission consider cancelling or postponing the SCP hearing. Letters have subsequently been received from the B.C. Public Interest Advocacy Centre ("PIAC"), the Association for the Advancement of Sustainable Energy Policy and BC Gas, all of which oppose any interruption in the hearing schedule.

The Commission has reviewed your submission and those from the other parties and determines that the hearing will go ahead as scheduled. Section 6 of the EAA does not prohibit regulatory proceedings under other statutes. Under Section 46 of the Utilities Commission Act, the Commission may issue a CPCN which is conditional on BC Gas obtaining a PAC. The Commission considers that such a conditional CPCN would not be an "approval" pursuant to section 6 of the EAA, and that this approach would avoid a conflict with the EAA.

The Commission is also not persuaded that the risk of expending money and effort unwisely would be reduced if the EAA review preceded the CPCN hearing. Both a PAC and a CPCN are needed for the SCP to be built, and there appears to be merit to first determine which of several resource options is preferred. Also, considering the long term analysis of gas demand and supply resources that supports the CPCN Application, there does not seem to be a significant risk that the data will quickly become out of date.

With regard to your letter dated August 19, 1997 and further to earlier correspondence on this matter, the Commission confirms that, in the event a CPCN for the SCP is refused, the outcomes which you identify are possible. Other outcomes are possible as well, depending on the conclusions of the Commission Panel based on the evidence presented. PIAC's letter dated August 25, 1997 raises several concerns which may restrict the Commission, assuming it refuses a CPCN for the SCP, from going much further than that in the current phase of the proceeding.

With regard to onus, BC Gas is the applicant and is responsible for justifying the approval of a CPCN for the SCP. The Commission Panel's conclusions in the hearing will depend on the evidence, including information about resource options which may represent attractive and creditable alternatives to the SCP.

Yours truly,



Robert J. Pellatt

JBW/cms
Attachment

cc: Mr. David M. Masuhara, Vice President,
Legal and Regulatory Affairs
BC Gas Utility Ltd.
BCG SCP Registered Intervenors