



ROBERT J. PELLATT
COMMISSION SECRETARY

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August 7, 1997

Mayor G.S. Battersby, M.D.
The City of Revelstoke
P.O. Box 170
216 MacKenzie Avenue
Revelstoke, B.C.
V0E 2S0

Dear Mayor Battersby:

Re: BC Gas Utility Ltd.
BCUC Order No. G-100-96
Revelstoke Propane Cost Deferral Account

The Commission has reviewed your letter dated July 21, 1997 which inquires if there has been any further consultation and consideration of alternative recovery options for the BC Gas-Revelstoke Propane Cost Deferral Account. Commission staff have been communicating with BC Gas for the past several months regarding the deferral account recovery and the tendering process for a new propane supply contract. We understand that BC Gas has also communicated with the City of Revelstoke regarding these matters.

The Commission expects that BC Gas will file an application prior to September 1, 1997 which will address the recovery of the Revelstoke Propane Cost Deferral Account and the proposed new propane supply contract. In the absence of other workable options to recover the propane cost deferral account, the Commission considers the proposal of BC Gas to recover the Propane Cost Deferral Account in Revelstoke's customer rates is consistent with the regulatory principle of commodity cost recovery from applicable customers. The alternatives available to BC Gas and its customers may be limited to the length of the recovery period.

The Commission accepts that a three-year recovery period will lessen the rate impact compared to a shorter recovery period and encourages the City of Revelstoke to discuss the alternative recovery periods with BC Gas, as well as any other options the parties may identify.

With regard to seeking government assistance that was mentioned at the Inquiry, it is the Commission's view that the onus in approaching the provincial government for such assistance lies with the municipality along with the support of BC Gas.

Yours truly,

A handwritten signature in black ink, appearing to read 'R. Pellatt', with a stylized flourish at the end.

Robert J. Pellatt

RJP/lm

cc: Mr. D.M. Masuhara,
Vice President, Legal and Regulatory Affairs
BC Gas Utility Ltd.