



LETTER NO. L-4-02

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

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

Log No. 330

VIA FACSIMILE

February 4, 2002

Mr. David M. Masuhara
Vice President, Regulatory, Environment
& Safety, Supply Chain & Logistics
BC Gas Utility Ltd.
24th Floor, 1111 West Georgia Street
Vancouver, B.C. V6E 4M4

Dear Mr. Masuhara:

Re: BC Gas Utility Ltd.
Application to Approve the Terms of a Proposed Operating Agreement
Between BC Gas Utility Ltd. and Interior Municipalities

The Commission has reviewed your Application of December 6, 2001 and finds that the process suggested by BC Gas would be inconsistent with the Commission's authority under Section 32 of the Utilities Commission Act. In particular, the Commission believes that it would be inappropriate for it to undertake a general review to establish a standard form agreement between BC Gas and municipalities in the Inland and Columbia service territories.

In the normal course of events the Commission would expect the existing Franchise Agreements between BC Gas and individual municipalities to continue in force until their expiry dates, unless BC Gas and the individual municipality mutually agree to changes which they would like to file for approval by the Commission. Where an individual agreement has expired, the Commission expects that BC Gas and the municipality would make every effort to negotiate a new operating agreement. Only if the two parties are not able to agree to a new agreement would the Commission anticipate BC Gas making application to the Commission pursuant to Section 32 of the Utilities Commission Act to have the Commission determine the terms of such an agreement. The Commission would review the circumstances in each municipality and determine the appropriate terms and conditions on an individual basis.

At this juncture, the Commission notes from your Application that BC Gas has expired agreements with several municipalities and that negotiations toward the establishment of new agreements have been unsuccessful. Where those conditions exist, it would be appropriate for BC Gas to file an application with the Commission for each such municipality. It may be desirable for the Commission to review the several applications in one proceeding because of the commonality of many of the issues. However, the Commission anticipates ruling on the terms and conditions for each municipality individually.

Please provide the Commission with BC Gas' response to this letter by February 22, 2002.

Yours truly,

Original signed by:

Robert J. Pellatt

WJG/mmc