



**LETTER NO. L-30-02**

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**VIA FACSIMILE**

July 12, 2002

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

Dear Mr. Masuhara:

Re: BC Gas Utility Ltd.  
2002/03 Gas Contracting Plan

On May 30, 2002, BC Gas filed its 2002/03 Gas Contracting Plan ("2002/03 GCP"), which sets out the strategy for acquiring the gas supplies that are needed for the 2002/03 contract year. It outlines the actions necessary to deal with events that may impact the natural gas industry over the next contracting period, and discusses longer term contracting decisions. On July 4 and 10, 2002, BC Gas responded to information requests from Commission staff.

The objectives of the 2002/03 GCP are identified on page 5, the Key Contracting Decisions are set out on pages 24 and 25, and the principles for BC Gas' longer term contract strategy are listed on pages 69 and 70. The Commission notes BC Gas' efforts to use the Resource Optimization Model ("ROM") to assess the economics of alternative supply scenarios, and expects that a closer link between ROM results and specific supply recommendations will be evident in future gas contracting plans. The Commission also notes the section describing the monthly Priority Schedules and how BC Gas manages and optimizes daily gas purchases.

The Commission accepts the 2002/03 GCP subject to the comments noted in Appendix A, which will be treated as confidential, and on the understanding that all individual gas supply contracts and amendments will continue to be filed in a timely fashion pursuant to Section 71 of the Utilities Commission Act. The 2002/03 GCP identifies target ranges for the categories of supply, while the supply contracts will reflect the outcome of negotiations, current market price factors and security of supply considerations. When the supply contracts are filed, BC Gas will be expected to justify that each contract is consistent with meeting the needs of core customers at the lowest overall costs.

The Commission anticipates that annual and peak day load forecasts may be an issue in BC Gas' 2003 Revenue Requirement proceeding. At the request of BC Gas, the Commission accepts the 2002/03 GCP, except for the material on load forecasting, on a "confidential" basis on the understanding that it contains commercially sensitive information related to energy supply contracts.

Yours truly,

*Original signed by:*

Robert J. Pellatt

JBW/cms  
Attachment