



LETTER NO. L-12-02

ROBERT J. PELLATT
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VIA FACSIMILE

March 26, 2002

Log No. 838

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.
Demand-Side Management ("DSM") –
Treatment of Customer Incentive Expenditures

The Commission has reviewed your letter dated March 7, 2002 requesting that the Commission confirm for 2002 continuation of the practice of deferring DSM customer incentives to a maximum of \$1,585,000 and amortizing the deferred balance over the following three years.

Based on discussions between BC Gas and Commission staff, it is the Commission's understanding that it is BC Gas' intent to continue its DSM activities at the same levels and in the same manner as it has in the recent past. Specifically, BC Gas expects similar levels of DSM expenditures for both program expenses [i.e. the types of expenses that would be included in rates under the previous Performance Based Rate mechanism as Defined Required Incremental Activities ("DRIA")] and for customer incentives in 2002 as it spent in recent years. The Commission also understands that it is BC Gas' intent to return to customers any difference between actual DSM program expenses and the maximum amount to be included in rates under DRIA.

Therefore, based on the understanding that BC Gas intends to continue its past practices with respect to DSM generally, the Commission hereby approves BC Gas' request.

Finally, as a matter of clarification, the Commission notes that, if the yearly customer incentive amounts are correct as indicated in the table in the March 7, 2002 letter, the total amount of actual customer incentives to be deferred should be \$4,484,000.

Yours truly,

Original signed by:

Robert J. Pellatt

JWF/mmc