



LETTER NO. L-40-00

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

VIA FACSIMILE

August 10, 2000

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

Dear Mr. Masuhara:

Re: BC Gas Utility Ltd.
Vancouver International Airport Authority
Authorization to Resell Natural Gas

Attached is a letter dated July 26, 2000 from the Vancouver International Airport Authority ("the Airport Authority") requesting authorization to resell a portion of the natural gas that it buys from BC Gas under Rate Schedule 5 to its tenants. The Commission understands that the tenants are generally food court services and that individual meters have been installed. The Airport Authority intends to mark-up its average cost of gas by 15 percent to defray the cost of metering and administration. The resulting cost to each tenant is expected to be less than the cost of taking service under Rate Schedule 3.

In this circumstance, the authorization that is needed appears to be with respect to the BC Gas tariff. Section 3.2 of the General Terms and Conditions states:

"Unless authorized in writing by BC Gas, a customer must not sell or supply gas supplied to it by BC Gas to other persons . . . "

Section 2.1 of Rate Schedule 5 states:

"This Rate Schedule applies to the sale of firm gas, no portion of which may be resold . . . "

Please review the situation, and confirm whether BC Gas is prepared to provide the Airport Authority with written authorization and/or an amendment to Rate Schedule 5 to permit the resale of gas.

.../2

If an amendment to Rate Schedule 5 is needed, BC Gas may wish to request approval of an amendment to this and other Rate Schedules that enable the Utility to grant written authorization for the resale of gas, at least with respect to resales to tenants, with the authorization subject to review by the Commission in the event of a complaint by an end user or other interested party.

Please respond to the request by August 25, 2000.

Yours truly,

Original signed by:

Alison Cormack
for: Robert J. Pellatt

RJP/yl

Enclosure

cc: Mr. Bob Cowan (Fax: 276-6505)
Vice President, Engineering
Vancouver International Airport Authority
Mr. Arthur Kruszewski (Fax: 276-6395)
Vancouver International Airport Authority
Mr. Matt Steele (Fax: 576-7122)
BC Gas Utility Ltd.
Mr. Greg Morandini (Fax: 576-7122)
BC Gas Utility Ltd.

July 26, 2000

British Columbia Utilities Commission
Box 250, 6th Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: R. J. Pellat
Commission Secretary

BCUC Log # <u>3812</u>
RECEIVED
AUG 03 2000
Routing <u>dist. to Comm. of Staff</u>
<u>4/S JAW</u>

Dear Mr. Pellat:

**Re: Supply and sale of natural gas to tenants of
Vancouver International Airport Authority**

This is an application by Vancouver International Airport Authority (the "Airport Authority") for authorization to resell a portion of its natural gas supply to its tenants.

Background

The Airport Authority is incorporated under the *Canada Corporations Act, Part II* as a not-for-profit corporation. All earnings are reinvested in the Airport.

A Board of Directors of a maximum of 15 directors governs the Airport Authority. Various government and professional bodies appoint nine directors, up to five are appointed from the community at large and the President and CEO of the Authority holds one seat on the Board.

On July 1, 1992, the federal government transferred the management and operation of Vancouver International Airport (composing most of Sea Island) to the Airport Authority's local control. The terms of the transfer are set out in a sixty-year lease with a twenty-year renewal.

Gas Supply

BC Gas Utility Ltd. supplies natural gas to the Airport Authority and other users on Sea Island. The Airport Authority is supplied gas by way of two interruptible Rate 7 Schedule gas lines for heating the airport, and one Rate 5 Schedule gas line for re-sale. The Airport Authority has a number of airline and other tenants who provide a wide range of services to the travelling public. Many of these tenants require natural gas supply. Some of these tenants are supplied directly by BC Gas, for example there are two other gas lines directly supplying air terminal building food and beverage tenants (Rate 3 Schedule).

Proposed Gas Pricing for Tenants

The Airport Authority proposes to resell gas to tenants on essentially the same basis that it resells electricity. This would be at a rate based on the average cost of natural gas per GJ. This average cost would be determined each month by dividing (a) the total of the charges invoiced to the Airport Authority by BC Gas (including the basic monthly charge, total variable costs, and monthly demand charge); by (b) the metered use by the Airport Authority. The invoiced charges used for the purpose of this calculation would include Social Services Tax, but would exclude Goods and Service Tax. The calculated average cost of natural gas would be multiplied by each tenant's metered or estimated monthly consumption in GJ to determine the tenant's monthly natural gas bill. Due to a lag in the invoicing process, there will be about a one month lag in the average natural gas cost that is applied (for example, tenant bills issued for the month of June would reflect the calculated average natural gas cost for the previous month of May).

In order to recover the investments made to enable the Authority and its tenants to benefit from the more favourable natural gas costs, tenants' natural gas bills would be subject to a 15% surcharge. This surcharge would be for the purpose of recovering the cost of system capital and maintenance, as well as billing and administration. It should be noted that under the terms of the Lease between the Airport Authority and the federal government, the Airport Authority is obliged to pay additional rent on utility revenues received from tenants.

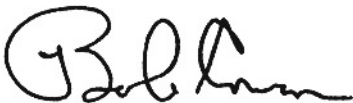
The agreement with the tenants would be on the following terms:

The Tenant shall pay to the Landlord as Additional Rent a charge for supplying natural gas to the Premises as determined by the Landlord based on the Tenant's consumption in a manner generally applicable to all tenants (provided that the Tenant shall not pay more for such natural gas than if the Premises were a separate, free standing building and such natural gas were supplied directly to the Tenant and the Tenant's consumption were separately metered).

Thank you for your attention to this application. If you require further information, please contact Artur Kruszewski at 276-6313.

Yours truly,

VANCOUVER INTERNATIONAL AIRPORT AUTHORITY



Bob Cowan
Vice President, Engineering