



LETTER NO. L-1-01

ROBERT J. PELLATT
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VIA FACSIMILE

January 10, 2001

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.
Internal Audit Services Review
of Distributed Energy Services Company Ltd. (DESCO) Activities

On December 8, 2000 the Internal Audit Services department of BC Gas Utility Ltd. provided its report as requested in Commission Letter No. L-37-00. The Commission accepts the report and the finding that utility staff are acting in compliance with the Transfer Pricing Policy and Code of Conduct for BC Gas Utility Ltd.

The Commission was not previously aware that: "With the exception of two senior executives, all senior executives at 1111 West Georgia are employees of BCGUL ...". The Commission believes that it will be more appropriate to review the senior executive issue in the context of the upcoming BC Gas Revenue Requirements Application. As such, there is no further action required at this time.

The Commission wishes to thank Mr. Wilding and his staff for their efforts in undertaking this review. We recognize that the nature of the review leaves the Internal Audit Services Department of BC Gas in a somewhat awkward position and we appreciate the professional way in which Mr. Wilding undertook the review.

Yours truly,

Original signed by:

Robert J. Pellatt

WJG/cms

cc: Mr. Ewan Wilding
Director, Internal Audit Services
BC Gas Utility Ltd.