



LETTER NO. L-28-07

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VIA E-MAIL

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April 4, 2007

**UNOCAL – Aitken Creek
Storage Facility Exemption**

EXHIBIT A-11

Mr. Trevor Couldwell
Vice President, Canadian Storage & Trading
Unocal Canada Limited
500 Fifth Avenue S.W.
Calgary, Alberta T2P 0L7

Dear Mr. Couldwell:

Re: Unocal Canada Limited (“Unocal”)
Application for an Exemption pursuant to Section 88(3)
of the Utilities Commission Act for the Aitken Creek Storage Facility

Unocal Request to Strike Document Prepared by Mr. Wightman

This is in response to the motion that Unocal made in its March 2, 2007 Reply Submission that the Commission strike certain materials filed by B.C. Old Age Pensioners’ Organization et al. (“BCOAPO”) from the record of the proceeding. In its written submission dated February 23, 2007, the BCOAPO included a “Critique of Evidence filed in the Unocal Canada Limited Application for an Exemption” that was prepared by their economic consultant, Mr. James Wightman (the “Wightman Document”).

In its Reply Submission, Unocal stated that BCOAPO had not applied for leave to file the Wightman Document as evidence, and that it and others had not had any opportunity to ask information requests on the document. Unocal submitted that it would be inappropriate for the Commission to give the Wightman Document any weight, and requested that the Commission strike it from the record.

By Letter No. L-17-07 dated March 7, 2007, the Commission established a timetable for submitting written comments on the Unocal request.

By letter dated March 8, 2007, Terasen Gas Inc. (“TGI”) submitted that the Wightman Document is not new evidence but rather an analysis of Unocal’s evidence and should be considered as part of the written submission of BCOAPO. TGI felt there was no need to revise the Regulatory Timetable.

BCOAPO, by letter dated March 15, 2005, submitted that Unocal provided no specific example where the Wightman Document allegedly crossed the line from analysis to evidence. BCOAPO stated that its presentation of the Wightman material as an attachment to its Final Submission was unconventional, but that this does not make it evidence. BCOAPO submitted that the material focused on definitional issues and the overall adequacy of the evidence that Unocal presented. BCOAPO requested denial of the Unocal motion to strike the document.

By letter dated March 16, 2007, Unocal submitted that Mr. Wightman makes numerous assertions regarding economic theories, standards and definitions, and that the Wightman Document was intended as expert opinion evidence. Nevertheless, Unocal went on to state that if the Commission concludes that the Wightman Document should remain in the record, then revisions to the Regulatory Timetable are not desirable in order that the Commission can proceed to make its determination on Unocal's Application for an exemption from the Utilities Commission Act. Unocal wishes early resolution of the Application so that it and its customers can conclude negotiations for new storage contracts and, in its March 16, 2007 filing, submitted observations on the Wightman Document to supplement its Reply Submission. Unocal also argued that reopening the record after Final and Reply Submissions have been filed could cause considerable prejudice to it.

The Commission recognizes that, by filing the Wightman Document drafted by their economic consultant as an attachment to its Final Submission, BCOAPO may have used a format that contributed to the concern that the material represents the filing of evidence. However, the Commission is not persuaded that the content of the document, such as references to economic texts and articles, is sufficient to qualify it as evidence, and concludes that the Wightman Document is more properly characterized as an analysis of the evidence filed by Unocal. Furthermore, no party is seeking an opportunity to ask questions on the material and Unocal has provided observations on the document to supplement its Reply Submission. Therefore, the Commission denies the Unocal request to strike the Wightman Document from the record for the proceeding. The Commission will consider the Wightman Document as part of the BCOAPO Final Submission and the Unocal observations on it as part of Unocal's Reply Submission.

The Commission believes that it should also address the issue that Unocal raises regarding the negotiation of new storage contracts, considering that the gas storage year commenced on April 1, 2007. A Commission decision on Unocal's Application for an exemption should not be expected before late April 2007, and may not provide immediate regulatory certainty since prior Lieutenant Governor in Council approval is required for the Commission to grant an exemption. The Commission believes that the interim approval approach used in Commission Orders No. G-107-06 and G-128-06 provides a reasonable regulatory model for the period while the Unocal Application is under consideration, and encourages Unocal to continue to provide storage service to its customers via this model. For example, Order No. G-128-06 accepted for filing on an interim basis a Firm Natural Gas Storage Agreement dated October 5, 2006 with Westcoast Energy Inc., effective November 1, 2006.

Yours truly,

Original signed by:

Robert J. Pellatt

JBW/rt

cc: Registered Intervenors (Unocal-AitkenCrk-RI)
Interested Parties (Unocal-AitkenCrk-IP)