



PROVINCE OF BRITISH COLUMBIA

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

IN THE MATTER OF an Application by
Pacific Northern Gas Ltd.

BEFORE: J.D.V. Newlands,)
Deputy Chairman; and) November 25, 1986
N. Martin,)
Commissioner)

O R D E R

WHEREAS Pacific Northern Gas Ltd. ("PNG") applied
November 25, 1986 for approval in principle of arrangements
outlined in a letter of the same date concerning the supply of
natural gas to the Methanol and Ammonia plants, both near Kitimat,
B.C.; and

WHEREAS the arrangements concern the ability of the
Ocelot Methanol Plant, and the Ocelot Ammonia Plant, to continue
their respective operations for a two-year interim period
commencing November 7, 1986 and ending October 31, 1988; and

WHEREAS in addition to the negotiations between
Ocelot Ammonia Company ("OAC"), responsible for the operation of
the Methanol and Ammonia plants and PNG there are other ongoing
negotiations between OAC and its suppliers; and

WHEREAS the Commission has reviewed the Application
and is satisfied that the intent thereof is in the public interest.


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NOW THEREFORE the Commission hereby orders Pacific
Northern Gas Ltd. as follows:

1. The Commission approves in principle the arrangements outlined in the November 25, 1986 Application by PNG.
2. The inclusion of the deferred income tax component in PNG's customer rates as outlined in the January 29, 1986 Commission Decision is hereby suspended during the interim period of November 7, 1986 through October 31, 1988, or such shorter period during which the Methanol and Ammonia plants continue in operation, and flow-through tax accounting will be applicable, with appropriate adjustments reflected in customer rates for gas service provided by PNG.
3. The foregoing are subject to confirmation by PNG of the following:
 - (a) OAC has obtained sufficient concessions from suppliers to permit the Methanol and Ammonia plants to continue to operate during the interim period of November 7, 1986 through October 31, 1988.
 - (b) PNG and the British Columbia Petroleum Corporation ("B.C.P.C.") entering into an amendment to their gas supply agreement to give effect to the arrangements outlined in PNG's November 25, 1986 Application.

DATED at the City of Vancouver, in the Province of
British Columbia, this 26th day of November, 1986.

BY ORDER


Deputy Chairman