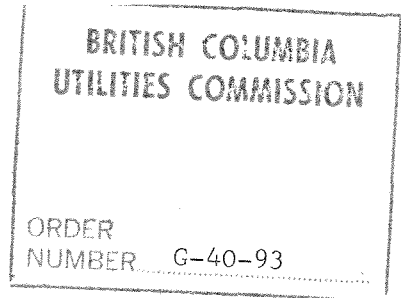




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AN ORDER IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

An Application by BC Gas Inc.

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr, Deputy Chairperson;) June 8, 1993

WHEREAS:

- A. On July 15, 1992 BC Gas Inc. ("BC Gas") applied for Commission approval to participate in the Fraser Valley Gas Exploration Project's Exploration Program ("the Project"), consisting of a 3 well drilling program; and
- B. The Commission, by Order No. G-69-92, denied the Application and required BC Gas to amortize the previously approved costs consisting of \$7,224,000 plus AFUDC over a ten-year period commencing January 1, 1992; and
- C. On May 27, 1993 BC Gas advised the Commission that it had negotiated a settlement with its partners to formally withdraw from the Project and made application for approval to amortize litigation settlement funds; and
- D. The application for settlement ("the Settlement Agreement") is to be made in two parts - \$935,657.50 to be paid upon execution of the Settlement Agreement and a further \$400,996.07 to be paid upon the spudding of the Campbell River well. In exchange for such payment by BC Gas, Conoco Canada Limited ("Conoco") and Dynamic Oil Limited ("Dynamic") will undertake the following:
 - (i) abandon the law suit against BC Gas related to the Fraser Valley Gas Project's Mud Bay, Campbell River and Murray Creek wells;
 - (ii) share well information from the Campbell River and Murray Creek wells with BC Gas;
 - (iii) Provide BC Gas with a "back-in" option to acquire a minimum 33.33 percent working interest in storage;
 - (iv) Conoco and Dynamic will also maintain the fair market value gas purchase contract with BC Gas.
- E. BC Gas, Conoco and Dynamic have agreed to the Settlement Agreement subject to Commission approval; and
- F. The Commission has considered the Application and has concluded that approval of the Settlement Agreement is in the public interest.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves the Settlement Agreement dated May 27, 1993 between BC Gas, Conoco and Dynamic for withdrawal by BC Gas from the Fraser Valley Gas Project including settlement payments and terms negotiated.

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-40-93

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2. The settlement cost to BC Gas (including related legal fees) is to be amortized over a 9 year period commencing January 1, 1994 with such unamortized balances to be charged at the average short-term borrowing rate of BC Gas until the cost is included in rate base for revenue requirement purposes.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of June, 1993.

BY ORDER



Dr. Mark K. Jaccard
Chairperson