



ROBERT J. PELLATT  
COMMISSION SECRETARY

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. CANADA V6Z 2N3  
TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
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October 6, 1995

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

Dear Mr. Masuhara:

By way of its Decision dated June 10, 1994, the Commission specified a mechanism to automatically adjust the 1994 rate of return on common equity ("ROE") allowed certain of its utilities to reflect forecast changes in long term interest rates for 1995. The Decision also indicated that if the Commission judged the mechanism to have performed favorably, and capital market conditions so warranted, the Commission might choose to extend the automatic adjustment mechanism for additional years after 1995.

At this time, the Commission considers that the mechanism has performed favorably, and subject to capital market conditions at the time the mechanism is to be applied, intends to apply the mechanism for 1996. However, through informal feedback, the Commission has become aware that there are two possible sources of confusion with respect to the mechanism.

First, the wording of the Decision leaves unclear the effect of a change in the forecast of long-term bond yields of exactly 50 basis points. It is the intention of the Commission to adjust the ROE if the change in the forecast of long-term bond yields is 50 basis points or greater.

Second, the wording does not address the base forecast from which the change in long-term Canada bond yields will be calculated in 1996; that is, whether the base will be the forecast as set out in the Decision which is for 1994 (7.75 percent) or the forecast of long-term Canada bond yield for 1995 as calculated by the mechanism and set out in Commission Letter No. L-39-94 (9.118 percent). By way of this letter, the Commission informs all parties that it intends to use the forecast of long-term Canada bond yields for 1995 established in November of 1994 as the base from which the change in long-term bond yields will be calculated. Similarly, should the mechanism be extended for further years, the base will be the forecast long-term Canada bond yields established for the preceding year.

Yours truly,

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Robert J. Pellatt

DWE/ssc

WKP/Cor/ROE-BaseForecast



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Mr. David A. Harrison  
Senior Vice President,  
Corporate & Financial Affairs and  
Chief Financial Officer  
British Columbia Hydro and Power Authority  
18th Floor, 333 Dunsmuir Street  
Vancouver, B.C.  
V6B 5R3

Dear Mr. Harrison:

By way of its Decision dated June 10, 1994, the Commission specified a mechanism to automatically adjust the 1994 rate of return on common equity ("ROE") allowed certain of its utilities to reflect forecast changes in long term interest rates for 1995. The Decision also indicated that if the Commission judged the mechanism to have performed favorably, and capital market conditions so warranted, the Commission might choose to extend the automatic adjustment mechanism for additional years after 1995.

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Second, the wording does not address the base forecast from which the change in long-term Canada bond yields will be calculated in 1996; that is, whether the base will be the forecast as set out in the Decision which is for 1994 (7.75 percent) or the forecast of long-term Canada bond yield for 1995 as calculated by the mechanism and set out in Commission Letter No. L-39-94 (9.118 percent). By way of this letter, the Commission informs all parties that it intends to use the forecast of long-term Canada bond yields for 1995 established in November of 1994 as the base from which the change in long-term bond yields will be calculated. Similarly, should the mechanism be extended for further years, the base will be the forecast long-term Canada bond yields established for the preceding year.

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October 6, 1995

Mr. Marcel Reghelini  
Manager, Regulatory Affairs and Rates  
Centra Gas British Columbia Inc.  
1675 Douglas Street  
P.O. Box 3777  
Victoria, B.C.  
V8W 3V3

Dear Mr. Reghelini:

By way of its Decision dated June 10, 1994, the Commission specified a mechanism to automatically adjust the 1994 rate of return on common equity ("ROE") allowed certain of its utilities to reflect forecast changes in long term interest rates for 1995. The Decision also indicated that if the Commission judged the mechanism to have performed favorably, and capital market conditions so warranted, the Commission might choose to extend the automatic adjustment mechanism for additional years after 1995.

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October 6, 1995

Mr. C.P. Donohue  
Manager of Regulatory Affairs  
Pacific Northern Gas Ltd.  
1400 - 1185 West Georgia Street  
Vancouver, B.C.  
V6E 4E6

Dear Mr. Donohue:

By way of its Decision dated June 10, 1994, the Commission specified a mechanism to automatically adjust the 1994 rate of return on common equity ("ROE") allowed certain of its utilities to reflect forecast changes in long term interest rates for 1995. The Decision also indicated that if the Commission judged the mechanism to have performed favorably, and capital market conditions so warranted, the Commission might choose to extend the automatic adjustment mechanism for additional years after 1995.

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Mr. R.H. Hobbs  
Manager, Customer and Corporate Services  
West Kootenay Power Ltd.  
1290 Esplanade  
P.O. Box 130  
Trail, B.C.  
V1R 4L4

Dear Mr. Hobbs:

By way of its Decision dated June 10, 1994, the Commission specified a mechanism to automatically adjust the 1994 rate of return on common equity ("ROE") allowed certain of its utilities to reflect forecast changes in long term interest rates for 1995. The Decision also indicated that if the Commission judged the mechanism to have performed favorably, and capital market conditions so warranted, the Commission might choose to extend the automatic adjustment mechanism for additional years after 1995.

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