



ROBERT J. PELLATT
COMMISSION SECRETARY

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September 15, 1995

Mr. Alan Fogwill
Senior Economist
Centra Gas British Columbia Inc.
1675 Douglas Street
P.O. Box 3777
Victoria, B.C.
V8W 3V3

Dear Mr. Fogwill:

Re: Centra Gas British Columbia Inc.
Request for Interpretation/Clarification of part of Order G-55-95
DSM Accounting Policy - Point 4 "Program Failure and Prudency"

The Commission has considered your August 2, 1995 request for an interpretation and clarification of the terms "Program Failure" and "Prudency" used in the DSM Accounting Policy. Centra Gas suggested that program failure could be defined, by management, as a Total Resource Cost ("TRC") Test result of 30 percent less than an original TRC less than 1, and 0.7 for an original TRC greater than 1.

Centra Gas also suggested that the Commission should only consider the prudency of an approved program after an impact evaluation indicated program failure and only to the extent of money spent after a failure was identified.

Point 4 of the approved Accounting Policy reads as follows:

"4. Program Failure and Prudency

When management concludes that a program, representing significant or material cost, has failed and no remedial action appears probable then a partial or full abandonment may occur. The unamortized costs of the abandoned program or portion shall be amortized using a rapid write-off.

Prudency may be determined by the Commission case by case in the same manner as supply-side investments."

The Commission is satisfied that the wording of the accounting policy conveys the intended meaning and does not need the Commission's specification of what constitutes program failure or prudency.

Management may find it a useful control to specify some "rules of thumb" for its own use, but the Commission believes that it is not reasonable for the Commission to fetter its own judgment.

The Commission's disposition of the results of a prudency review would need to take relevant information into account including whether or not the utility was given pre-approval by the Commission for any specific DSM project.

Yours truly,

A handwritten signature in black ink, appearing to read "R. Pellatt", with a stylized flourish at the end.

Robert J. Pellatt

RJP/yk