



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
FACSIMILE: (604) 660-1102

February 29, 1996

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

Dear Mr. Reghelini:

Re: 1995/1996 Reference Price Calculation Methodology
Spot Purchases made in Substitution for Baseload Purchases

As you would know, the very high NYMEX prices for January, 1996 caused the commodity portion of the price for deliveries under some baseload contracts to be higher than local spot prices. The Commission understands that some spot purchases were arranged to replace gas which could have been purchased under baseload contracts, in order to reduce gas costs overall. (It should also be noted that the supply contracts for spot gas need to be filed in a timely fashion for Commission approval.)

All spot gas purchases were excluded from the reference price calculations which were filed for January, 1996. This is consistent with the definition of "baseload gas" in the July 7, 1995 Buy/Sell Review Decision.

However, the Commission has reviewed the matter in light of current circumstances and has concluded that spot purchases that were made in substitution for baseload purchases should be viewed as part of baseload purchases and should be included as such in the reference price calculation. (Spot gas purchased for other reasons should continue to be excluded.) To the extent that an LDC has made such spot purchases during the 1995/1996 gas year, it is hereby requested to include the appropriate quantity and cost of spot gas in its reference price calculations for the months involved and to refile the calculations.

Yours truly,

A handwritten signature in black ink, appearing to read "R. Pellatt", is written over a horizontal line.

Robert J. Pellatt

JBW/cms

cc: Mr. David M. Masuhara, Vice President, Legal and Regulatory Affairs
BC Gas Utility Ltd.
Mr. C.P. Donohue, Manager of Regulatory Affairs
Pacific Northern Gas Ltd.



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
FACSIMILE: (604) 660-1102

February 29, 1996

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

Dear Mr. Masuhara:

Re: 1995/1996 Reference Price Calculation Methodology
Spot Purchases made in Substitution for Baseload Purchases

As you would know, the very high NYMEX prices for January, 1996 caused the commodity portion of the price for deliveries under some baseload contracts to be higher than local spot prices. The Commission understands that some spot purchases were arranged to replace gas which could have been purchased under baseload contracts, in order to reduce gas costs overall. (It should also be noted that the supply contracts for spot gas need to be filed in a timely fashion for Commission approval.)

All spot gas purchases were excluded from the reference price calculations which were filed for January, 1996. This is consistent with the definition of "baseload gas" in the July 7, 1995 Buy/Sell Review Decision.

However, the Commission has reviewed the matter in light of current circumstances and has concluded that spot purchases that were made in substitution for baseload purchases should be viewed as part of baseload purchases and should be included as such in the reference price calculation. (Spot gas purchased for other reasons should continue to be excluded.) To the extent that an LDC has made such spot purchases during the 1995/1996 gas year, it is hereby requested to include the appropriate quantity and cost of spot gas in its reference price calculations for the months involved and to refile the calculations.

Yours truly,

Robert J. Pellatt

JBW/cms

cc: Mr. C.P. Donohue, Manager of Regulatory Affairs
Pacific Northern Gas Ltd.
Mr. Marcel Reghelini, Manager, Regulatory Affairs & Rates
Centra Gas British Columbia Inc.