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COMMISSION SECRETARY

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VIA FACSIMILE

January 22, 1997

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: Centra Gas British Columbia Inc.
Tariff Relating to System Extensions

Commission Letter L-59-96 dated November 21, 1996, commented upon and recommended certain changes to Centra's previously filed system extension proposal and directed Centra to file additional information about the extensions it proposed to make in 1997. On December 31, 1996, Centra Gas filed a letter responding to the Commission's letter.

In reviewing Centra's December 31, 1996 letter, the Commission notes that the earlier test submission did not appear to endorse the inclusion of a of a notional charge for system improvements on its own system in the extension test. Thus Centra's clarification in this regard is helpful. The additional information provided by Centra regarding load growth and incremental costs on the BC Gas system is also helpful. The Commission is also reassured by Centra's clarification that all extension proposals will be expected to meet a profitability index of one or greater. Therefore, the Commission appreciates Centra's explanations, and endorses the approach to these issues put forward by Centra in its December 31 letter.

However, the Commission is not persuaded by Centra's suggestion that no tariff changes are required because its existing tariffs are consistent with the suggested changes. The Commission finds that Centra's arguments are deficient in two respects.

First, the current tariff does not appear to be consistent with the test which Centra proposed to implement. As the case in point, the tariff does not speak to the time period for requiring customer contributions, but does state that refunds of contributions will occur for a period of two years. Since a contribution period and a refund period would logically be the same, this appears to be at odds with statements made by Centra during the system extension hearing that an appropriate contribution period would be 5 years.

Second, Centra states that the existing tariffs are consistent with the Commission's recommendations. However, the existing tariffs do not address major components of either Centra's earlier proposed test or the Commission's system extension guidelines. Although, the existing tariffs contain provisions describing how the collection of customer refunds and refunds are to be administered, there is no description of how the profitability index and magnitude of any required customer contributions will be determined.

Therefore, Centra is directed to submit by February 28, 1997, for final approval, new tariff pages to replace the current interim tariff pages regarding system extensions. The new tariffs should include an appropriately detailed description of the method of calculating the profitability index and any required customer contribution as well as the method of administering customer contributions and refunds. The Commission anticipates that the new tariff will correspond to Centra's previously submitted system extension proposal as endorsed by the Commission in letter L-59-96, along with the modifications or clarifications provided by Centra in its December 31, 1996 letter.

Centra's letter also states that variables within the system extension test fluctuate and therefore fixing those variables in the tariff would create an unnecessary burden for Centra as it would require updating periodically through tariff revisions. The Commission agrees, but also notes that the variables used in the system extension test have a direct bearing on the amount of customer contribution that may be required for a system extension. Therefore, the Commission directs Centra to inform the Commission in writing when it submits its system extension tariffs of the values of variables used in the system extension test. Centra is further directed to apply to the Commission for approval when it changes the values of these variables.

Yours truly,



Robert J. Pellatt

JWF/cms