



ROBERT J. PELLATT  
COMMISSION SECRETARY

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June 19, 1997

Mr. T.W.W. Jennings  
Manager Gas Supply  
Centra Gas British Columbia Inc.  
1675 Douglas Street  
P.O. Box 3777  
Victoria, B.C.  
V8W 3V3

Dear Mr. Jennings:

Re: Centra Gas British Columbia Inc.  
1997/98 Gas Contracting Plan and Price Management Program

Further to your June 10, 1997 filing, the Commission approves Centra Gas' 1997/98 Gas Contracting Plan ( the "GCP") and Price Management Program (the "PMP") subject to the following comments and on the understanding that all individual supply contracts will continue to be filed in a timely fashion for Commission approval. The GCP is based on a comparison of the several alternatives that Centra Gas has available to it, and favours supplies which are shaped to customer demand profiles over additional term supply. It is a generally acceptable strategy for the 1997/98 gas contract year.

1. The Commission accepts Centra Gas' proposal to increase its firm peak day supply to 76,725 GJ/d. The 11.5 percent increase in supply is consistent with expected firm customer attachments, and available pipeline capacity.
2. Centra Gas intends to contract 24,000 GJ/d of seasonal gas to replace expiring contracts and to meet the additional requirement. Seasonal supply has been identified as the least cost method to shape the supply portfolio to the company's demand profile. Spot gas will also be purchased as required and available. The Commission accepts this approach in principle, but notes that, when individual supply contracts are filed for approval, the company will be expected to justify the cost effectiveness of the alternatives it has selected.

3. The company will need to justify, on the basis of the value received relative to the market index on which the prices are based, any market premiums in the pricing under its seasonal and baseload contracts for 1997/98.
4. Centra Gas has aligned the 1997/98 GCP with the principles of longer term integrated resource planning. A significant portion of the supply portfolio may expire at the end of the 1997/98 gas contract year, and the Commission expects that the Company will act in the context of the supply and transportation needs of its customers over the next several years as it implements the GCP.
5. Centra Gas intends to move expeditiously to fix the price of 2.4 PJ of its winter supply using financial instruments, and to hedge the corresponding currency risk. This position will be in addition to the company's royalty revenue mechanism, and the amount of gas that is hedged will be reviewed on an ongoing basis by the PMP Committee. The Commission accepts this approach, and requests that currency hedges be included in future hedging reports.

The Commission has accepted the GCP and PMP on a "confidential" basis, at the request of Centra Gas, based on the understanding that it contains commercially sensitive information related to individual energy supply contracts.

Yours truly,

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

Robert J. Pellatt

JBW/cms