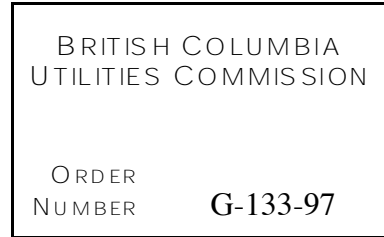


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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

IN THE MATTER OF the Special Direction  
to the British Columbia Utilities Commission by the  
Lieutenant Governor in Council through  
Order in Council No. 1510, dated December 13, 1995

and

An Application by Centra Gas British Columbia Inc.  
for Approval of its 1998/99 Revenue Requirements

**BEFORE:** L.R. Barr, Deputy Chair )  
and Acting Chair ) December 11, 1997  
K.L. Hall, Commissioner )  
P.G. Bradley, Commissioner )

## O R D E R

### WHEREAS:

- A. On August 12, 1997, Centra Gas British Columbia Inc. ("Centra Gas") applied, pursuant to Section 23 of the Utilities Commission Act ("the Act") and Order in Council No. 1510, 1995, for approval of its 1996 actual revenue deficiency and its forecasted 1998 and 1999 revenue deficiencies ("the Application") for its Vancouver Island and Sunshine Coast service areas. The Application is a result of an increase in rate base which is required to serve new customers when actual rates are less than the cost of service; and
- B. The Commission, by Order No. G-95-97, held a Pre-Hearing Conference in Vancouver on September 29, 1997 which allowed participants to discuss potential issues in the Application, procedural matters and timing of the Alternative Dispute Resolution ("ADR") or public hearing process; and
- C. Following input from the Pre-hearing Conference the Commission, by Order No. G-102-97, scheduled an ADR process to commence on November 17, 1997 and, if required, a public hearing would be set by way of a subsequent Order; and

- D. On November 25, 1997, the terms of a proposed Settlement Agreement were circulated to all Registered Intervenors, Centra Gas and the Commission. Comments were received from three registered intervenors. Mr. Bob Jones of the Elphinstone Community Association of Gibsons provided verbal support, the Consumers Association of Canada et al did not take issue with the Settlement Agreement and the Vancouver Island Gas Joint Venture ("the Joint Venture") provided conditional support; and
- E. The Joint Venture did not object to the Settlement Agreement subject to the toll setting and service that Centra Gas would provide to new industrial customers and an unresolved dispute between the Joint Venture and Centra Gas regarding the calculation of demand charges; and
- F. The Commission has reviewed the proposed Settlement Agreement and considers its approval to be in the public interest.

**NOW THEREFORE** the Commission orders as follows:

1. Neither of the issues raised by the Joint Venture affect the Settlement Agreement. The Commission considers that the Joint Venture's concerns about toll setting and service to new industrial customers will be addressed in the Certificate of Public Convenience and Necessity applications that Centra Gas will file separately as contemplated in the Settlement Agreement. The Commission also considers the issue of demand charges to be a contract dispute between the Joint Venture and Centra Gas.
2. The Commission approves for Centra Gas the terms of the proposed Settlement Agreement, attached as Appendix I to this Order.
3. Centra Gas is to comply with all the terms and conditions of the Settlement Agreement..
4. Centra Gas is to inform all customers of the Settlement Agreement's effect on rates to both Pioneer and New Customers.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 12th day of December, 1997.

BY ORDER

*Original signed by:*

Lorna R. Barr  
Deputy Chair  
and Acting Chair

Attachment

IN THE MATTER OF the Utilities Commission Act, RSBC 1996, c. 473, Section 23

- and

IN THE MATTER OF the Special Direction to the British Columbia Utilities Commission  
issued by the Lieutenant Governor in Council through Order in Council 1510, dated  
December 13, 1995

- and -

IN THE MATTER OF an Application by Centra Gas British Columbia Inc.  
for approval of it's Forecast Revenue Requirement and Revenue Deficiency

**NEGOTIATED SETTLEMENT**

November 20, 1997

TO: British Columbia Utilities Commission  
6th Floor, 900 Howe Street  
Vancouver, B.C.  
V6Z 2N3

Attention: Mr. W. J. Grant  
Executive Director, Regulatory Affairs & Planning

On August 15, 1997, Centra Gas British Columbia Inc. ("Centra Gas" or the "Company") filed a Revenue Requirements Application (the "Application") with the British Columbia Utilities Commission (the "Commission"). The Application was for approval of Centra Gas' actual revenue requirement and revenue deficiency for 1996 and forecast revenue requirement and revenue deficiency for the test period 1998 and 1999.

Customers were advised of the Application through bill messages and through public notices published in local community newspapers and in the Victoria Times Colonist, Vancouver Sun and Vancouver Province. Copies of the Application were made available for viewing in the Company's local offices and at the Utilities Commission office.

A publicly advertised Pre-Hearing Conference to discuss the Application was held at the Commission's Offices in Vancouver on September 30, 1997, and a publicly advertised workshop was also held in the Commission's offices in Vancouver on October 17, 1997.

The Commission Staff issued information requests in writing on September 25, 1997, October 2, 1997, and October 22, 1997. In addition to these, Centra Gas also received information requests from the Elphinstone Community Association (ECA) on October 23, 1997, the Vancouver Island Gas Joint Venture (VIGJV) on November 5, 1997, and Beata Jahrig on November 12, 1997. Centra Gas responded to these information requests between October 15, 1997 and November 14, 1997.

A settlement conference was held in Vancouver on November 17 and 18, 1997. In attendance were Commission Staff, representatives of the VIGJV, the ECA (November 17 only), BC Hydro and Centra Gas, all of whom participated in the settlement discussions.

The following is a settlement arrived at between Centra Gas and the intervenors attending the settlement conference. This settlement was achieved with the participation of the Commission Staff.

Centra Gas' actual revenue requirement and revenue deficiency for 1996 are accepted as filed except for the following:

- The 1996/1997 deferral account Regulatory Expense has been reduced \$61,300.

**Centra Gas** and the above mentioned intervenors agree to the 1998 and 1999 forecast revenue requirement and revenue deficiency as shown on the Negotiated Settlement schedules 1 through 7 attached to and forming a part of this agreement. This agreed settlement includes the following adjustments to Centra Gas' Application:

- Gross Operating, Maintenance and Administrative (OM&A) expense is to be reduced from \$30,931,441 to \$29,479,630 in 1998. The gross OM&A for 1999 is to be reduced from \$32,261,131 to \$30,376,220.
- The capitalization of gross OM&A in 1998 shall be limited to a maximum of 24% of gross OM&A (\$7,075,111). For 1999, capitalization of gross OM&A shall be limited to a maximum of 22% of gross OM&A (\$6,682,768).
- Legal fees associated with the 1998/1999 deferral account Regulatory Expense are limited to \$6,100.
- A deferral account will be established in which to record actual customer grants for residential new construction and conversion incentives estimated to be \$505,638 in 1998 and \$515,750 in 1999. Centra Gas will amortize these amounts the following year.

- In 1999, Centra Gas intends to conduct an external marine pipeline inspection. This inspection may be coordinated with similar work for BC Hydro or others to minimize mobilization costs. If the Company considers that the inspection must take place in that year, Centra Gas will justify the project to the Commission and record the cost of this marine inspection in a deferral account. Amortization of the deferral account will be over a one year period commencing in the year 2000 following the Commission's review of these costs.
- Centra Gas will file with the Commission and intervenors its business case supporting a consolidation of the Call Centre and Customer Enquiry staff, including \$253,000 for the telephone system upgrade.
- Centra Gas proposed a new office/warehouse facility in the Courtenay area for 1999. Centra Gas will file with the Commission a CPCN Application for approval of the proposed facility.

The participants also agreed to the following items:

- The settled OM&A expenses include an allowance for the cost of shared services provided by the corporate parent, Westcoast Energy Inc. which was established on a similar basis to the Commission's findings with respect to Pacific Northern Gas (PNG). The PNG amounts were established through Order G-92-97.
- The settled level of gross OM&A, overhead capitalized, and allowed capital additions established above and supported by the attached schedules exclude any impact of the proposed two cogeneration facilities and other CPCN projects. The agreed upon level of gross OM&A, overhead capitalized and allowed capital additions can be adjusted to include, on a forecast basis, Commission approved cogeneration and CPCN projects. The cost of these CPCN projects is to be tracked in a construction work in progress account. If these projects result in a change in gross OM&A or capitalized overhead from the amounts approved in this settlement, Centra Gas will justify these changes in the CPCN applications. Copies of the CPCN applications will be distributed to all registered intervenors.
- The Commission and participating intervenors agree to the two year test period put forth in this Revenue Requirement Application.
- Centra Gas agrees that any compensation received from the insurance claim for the Qualicum and Indian River washout restoration projects will be applied as a credit to the restoration costs recorded in plant account 465.
- Centra Gas agrees to arrange a public meeting on the Sunshine Coast to determine potential customer interest in receiving natural gas service.

The Company and the participants agree to hold confidential the discussions held on November 17 and 18, 1997. Agreement to this settlement is on a without prejudice basis. Any position taken or statement made during the discussions, by the participants or the Company, will not be made public or restrict in any way, positions taken in future proceedings should this settlement not be approved by the Commission, or in future proceedings concerning other applications.

All of which is respectfully submitted.

Dated at Victoria, this 20th day of November, 1997.

Mr. Lindsay A. Hall  
Vice President, Finance,  
Centra Gas British Columbia Inc.

CENTRA GAS BRITISH COLUMBIA INC.  
1998/99 REVENUE REQUIREMENT APPLICATION  
NEGOTIATED SETTLEMENT  
REVENUE DEFICIENCY CONTINUITY SCHEDULE

Schedule 11

LINE	<u>1995 Actual</u>	<u>1996 Actual</u>	<u>1997 Forecast</u>	<u>1998 Forecast</u>	<u>1999 Forecast</u>	<u>Reference</u>
1 Annual Revenue Deficiency	16,904,100	9,135,807	4,611,632	5,562,413	7,637,408	2
2 Deemed Preferred Share Dividend - 1996	0	1,195,503	1,195,503	1,195,503	1,195,503	
3 Deemed Preferred Share Dividend - 1997	0	0	620,485	620,485	620,485	
4 Deemed Preferred Share Dividend - 1998	0	0	0	386,035	386,035	
5 Deemed Preferred Share Dividend - 1999	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>466,322</u>	
6 Deemed Preferred Share Dividends	0	1,195,503	1,815,988	2,202,022	2,668,344	
7 Sub-Total	16,904,100	10,331,310	6,427,619	7,764,436	10,305,753	
8 Interim Revenue Deficiency Financing Rate (Note 1)	6.839%	5.836%	5.836%	5.836%	5.836%	
9 Interim Revenue Deficiency Financing	<u>576,565</u>	<u>301,447</u>	<u>187,545</u>	<u>226,551</u>	<u>300,701</u>	
10 Total Deferral	17,480,665	10,632,757	6,615,165	7,990,986	10,606,454	
11 Cumulative Deferral	17,480,665	28,113,422	34,728,586	42,719,573	53,326,026	
12 Note 1: Calculation of Rate:						
5 Year Canada Bond Rate at June 30 of Following						
13 Year Published by Bank of Canada Review	7.05%	5.32%	5.32%	5.32%	5.32%	
14 Multiply by	<u>58%</u>	<u>58%</u>	<u>58%</u>	<u>58%</u>	<u>58%</u>	
15	4.089%	3.086%	3.086%	3.086%	3.086%	
16 Add	<u>2.750%</u>	<u>2.750%</u>	<u>2.750%</u>	<u>2.750%</u>	<u>2.750%</u>	
17 Equals Interim Revenue Deficiency Financing Rate	6.839%	5.836%	5.836%	5.836%	5.836%	

1998/99 REVENUE REQUIREMENT APPLICATION  
NEGOTIATED SETTLEMENT REVENUE REQUIREMENT

## Schedule 2

to Commission Order No. G-133-97

Page 6 of 11

LINE	1996		1997		1998	1999	Reference
	Negotiated Settlement	1996 Actual	Negotiated Settlement	1997 Outlook	1998 Forecast	1999 Forecast	
1	23,079,000	\$23,078,708	\$21,895,299	\$24,498,266	\$27,343,206	\$28,958,546	52-55
2	28,900,000	28,900,000	29,070,000	29,070,000	29,479,630	30,376,220	56
3	(9,300,000)	(9,300,000)	(7,884,000)	(7,884,000)	(7,075,111)	(6,682,768)	56
4							
Direct Charges and Allocations to Affiliates	(753,436)	(753,436)	(766,334)	(530,079)	(348,943)	(184,423)	60
5	3,694,000	3,693,800	3,859,876	3,859,876	3,794,521	3,794,521	49-50
6	14,283,943	14,286,774	15,063,927	15,063,437	15,839,773	17,047,066	9-12
7	(6,301,907)	(6,301,907)	(6,300,548)	(6,300,548)	(6,301,548)	(6,303,088)	13-16
8	3,943,376	3,943,072	4,418,000	4,204,132	4,706,393	5,041,729	18
Amortization of Deferreds							
9	251,121	253,872	251,121	253,872	253,872	253,872	26-27
10	0	0	157,140	157,140	314,280	314,280	26-27
11	0	0	0	4,286	12,619	32,619	26-27
12	15,046	15,046	15,046	15,046	0	0	26
13	186,500	166,199	186,500	104,899	153,500	153,500	26-27
14	43,900	43,900	43,900	43,900	43,900	43,900	26-27
15	60,585	60,585	0	0	0	0	26
16	0	0	0	0	17,630	17,630	27
17	8,000	7,926	8,000	7,926	0	0	26
18	0	0	0	0	0	505,638	27
19	0	0	0	0	0	0	27
20	755,260	791,438	802,599	971,798	1,056,306	1,091,789	68
21	1,870,395	1,925,215	1,914,583	632,615	1,408,409	1,455,718	69
22	368,978	366,780	370,900	370,900	382,621	391,181	49-50
23	19,000	19,322	20,002	20,002	20,152	20,702	49-50
24	29,632,480	29,542,612	31,735,894	30,995,027	32,050,153	34,151,503	28-31
25	(1,867,000)	(1,867,000)	(1,867,000)	(1,867,000)	(1,867,000)	(1,867,000)	
26	0	0	0	0	0	0	67
	<u>88,889,241</u>	<u>88,872,905</u>	<u>92,994,905</u>	<u>93,691,493</u>	<u>101,284,361</u>	<u>108,613,134</u>	
Reconciliation of Revenue Requirement							
27	58,741,000	58,740,967	61,406,179	68,055,071	74,933,372	80,682,414	32-39
28	14,427,000	14,427,369	14,326,177	14,447,768	13,881,584	13,262,590	48
29	6,127,000	5,715,592	5,583,300	5,827,944	6,148,262	6,248,744	51
30	411,000	853,170	349,079	749,079	758,729	781,977	51
31	79,706,000	79,737,098	81,664,735	89,079,862	95,721,948	100,975,726	
32	<u>9,183,241</u>	<u>9,135,807</u>	<u>11,330,170</u>	<u>4,611,632</u>	<u>5,562,413</u>	<u>7,637,408</u>	
33	88,889,241	88,872,905	92,994,905	93,691,493	101,284,361	108,613,134	



CENTRA GAS BRITISH COLUMBIA INC.  
1998/99 REVENUE REQUIREMENT APPLICATION Schedule 3  
NEGOTIATED SETTLEMENT  
RATE BASE

LINE	1996		1997		1998	1999	Reference
	Negotiated Settlement	1996 Actual	Negotiated Settlement	1997 Outlook	Forecast	Forecast	
1 Beginning of Year	623,802,878	623,802,878	657,538,278	657,538,278	686,796,209	732,625,960	5-8
2 End of Year	657,538,278	657,538,278	687,415,064	686,796,209	732,625,960	759,778,324	5-8
3 13 Month Average Adjustment - V1 Compressor	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,919,231)</u>	<u>0</u>	
4 Average Balance - Mid-Year	<u>640,670,578</u>	<u>640,670,578</u>	<u>672,476,671</u>	<u>672,167,244</u>	<u>703,791,854</u>	<u>746,202,142</u>	
ACCUMULATED DEPRECIATION							
5 Beginning of Year	(28,337,307)	(28,337,307)	(41,644,074)	(41,644,074)	(59,170,167)	(74,146,504)	9-12
6 End of Year	<u>(41,644,074)</u>	<u>(41,644,074)</u>	<u>(59,170,167)</u>	<u>(59,170,167)</u>	<u>(74,146,504)</u>	<u>(90,208,134)</u>	9-12
7 Average Balance - Mid Year	<u>(34,990,691)</u>	<u>(34,990,690)</u>	<u>(50,407,121)</u>	<u>(50,407,120)</u>	<u>(66,658,336)</u>	<u>(82,177,319)</u>	
8 NET MID-YEAR PLANT IN SERVICE	605,679,888	605,679,888	622,069,551	621,760,123	637,133,518	664,024,823	
MID-YEAR ALLOCATED NET COMMON PLANT							
9 Centra Gas Fort St John Inc.	(373,128)	(373,128)	(348,130)	(346,130)	0	0	
10 Centra Gas Whistler Inc.	(128,000)	(128,000)	(128,000)	(128,000)	<u>(128,000)</u>	(128,000)	
11 Centra Gas Port Alice Inc.	<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,600)</u>	<u>(8,600)</u>	
12	(509,728)	(509,728)	(482,730)	(482,730)	(136,600)	(138,600)	
13 MID-YEAR CONTRIBUTIONS	(287,793,904)	(287,793,904)	(281,483,710)	(281,483,710)	(275,246,162)	(269,020,844)	13-16
14 WORKING CAPITAL	<u>8,080,571</u>	<u>11,034,484</u>	<u>10,432,197</u>	<u>13,657,544</u>	<u>15,387,186</u>	<u>15,434,510</u>	
17							
15 MID-YEAR RATE BASE	<u>325,456,827</u>	<u>328,410,740</u>	<u>350,535,308</u>	<u>353,451,227</u>	<u>377,137,942</u>	<u>410,301,889</u>	
Thirteen Month Adjustment:							
16 Total Project Costs for Compressor Addition					17,100,000		
17 13 Month Average X 2 Months (Nov & Dec)					2,630,769		
18 Mid Year Effect of Compressor Addition					<u>8,550,000</u>		
19 Adjustment (Line 17 - Line 18)					<u>(5,919,231)</u>		

CENTRA GAS BRITISH COLUMBIA INC.  
1998/99 REVENUE REQUIREMENT APPLICATION                      Schedule 4  
NEGOTIATED SETTLEMENT  
WORKING CAPITAL SUMMARY

LINE	1996 <u>Actual</u>	1997 <u>Outlook</u>	1998 <u>Forecast</u>	1998 <u>Forecast</u>	<u>Reference</u>
1 Cash Working Capital Requirements	\$1,774,264	\$2,013,969	\$2,127,499	\$2,280,787	18
2 Inventory - Materials and Supplies	2,652,351	2,792,039	3,631,538	3,631,538	19
3 Line Pack/Gas Storage	1,592,454	1,491,757	1,268,769	1,268,769	20
4 Employee Housing Loans	186,077	130,385	103,462	116,923	21
5 Finance Contracts Receivable	3,483,728	3,713,621	3,399,660	3,399,660	22
6 Customer Deposits	(95,327)	(103,921)	(103,921)	(103,921)	23
7 Refundable Contribution	(427,147)	(459,186)	(459,186)	(459,186)	24
8 Employee Withholdings	<u>(962,520)</u>	<u>(1,002,100)</u>	<u>(1,002,100)</u>	<u>(1,002,100)</u>	25
	<u>8,203,882</u>	<u>8,576,563</u>	<u>8,965,721</u>	<u>9,132,471</u>	
Deferred Expenses, Mid-Year:					
10 Financing Costs	962,068	1,797,199	1,543,327	1,289,455	26-27
11 Unamortized Manufactured Gas Plant	0	1,492,828	2,828,516	2,514,236	26-27
12 NGV Conversion Costs	0	12,857	44,405	96,786	26-27
13 Direct Purchase Administration Costs	4,774	4,774	4,774	4,774	26-27
14 Pipe Sampling Survey	18,829	0	0	0	26
15 Generic Utility Systems					
Extension Hearing Costs	22,568	7,523	0	0	26
16 Regulatory Expense	55,878	55,878	76,750	76,750	26-27
17 PCEC Start Up Costs	1,732,230	1,688,330	1,644,430	1,600,530	26-27
18 Deferred Joint Venture					
Refund (G-104-93)	30,293	0	0	0	26
19 Gas Supply Management Study	0	17,630	26,444	8,815	26-27
20 Intergrated Resource Plan Expenses	3,963	3,963	0	0	26
21 Customer Grants and Incentives	0	0	252,819	510,694	27
22 Marine Inspection	<u>0</u>	<u>0</u>	<u>0</u>	<u>200,000</u>	27
23 Total	<u>2,830,602</u>	<u>5,080,981</u>	<u>6,421,465</u>	<u>6,302,039</u>	
24 Total Working Capital Requirements	<u>11,034,484</u>	<u>13,657,544</u>	<u>15,387,186</u>	<u>15,434,510</u>	

CENTRA GAS BRITISH COLUMBIA INC.  
1998/99 REVENUE REQUIREMENT APPLICATION                      Schedule 6  
NEGOTIATED SETTLEMENT  
Deferred Expenses

<u>Line</u>	<u>Year</u>	<u>Account Number</u>	<u>Description</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Amortization</u>	<u>Interest</u>	<u>Ending Balance</u>	<u>Mid-Year Balance</u>
1996:									
1		17001	Financing Costs	\$0	\$2,178,007	(\$253,872)	\$0	\$1,924,135	\$962,068
2		17924	Direct Purchase Administration Costs	4,774		0	0	4,774	4,774
3		17930	Pipe Sampling Survey	37,658	(37,658)	0	0	0	18,829
4		17940	Generic Utility Systems Extension						
			Hearing Cost	30,091	0	(15,046)	0	15,046	22,568
5		17945	1996/97 Regulatory Expense	0	277,956	(166,199)	0	111,756	55,878
6		17959	PCEC Start Up Costs	1,754,180	0	(43,900)	0	1,710,280	1,732,230
7		17960	Deferred Joint Venture Refund(G-104-93)	60,585	0	(60,585)	0	0	30,293
8		17920	Intergrated Resource Plan Expenses	0	15,851	(7,926)	0	7,926	3,963
				<u>\$1,887,288</u>	<u>\$2,434,156</u>	<u>(\$547,527)</u>	<u>\$0</u>	<u>\$3,773,916</u>	<u>\$2,830,602</u>
1997:									
10		17001	Financing Costs	1,924,135	0	(253,872)	0	1,670,263	1,797,199
11		17500	Unamortized Manufactured Gas Plant	0	3,142,795	(157,140)	0	2,985,655	1,492,828
12		17501	NGV Conversion Expense	0	30,000	(4,286)	0	25,714	12,857
13		17924	Direct Purchase Administration Costs	4,774	0	0	0	4,774	4,774
14		17940	Generic Utility Systems Extension						
			Hearing Cost	15,046	0	(15,046)	0	0	7,523
15		17945	1996/97 Regulatory Expense	111,756	(6,857)	(104,899)	0	0	55,878
16		17959	PCEC Start Up Costs	1,710,280	0	(43,900)	0	1,666,380	1,688,330
17		17964	Gas Supply Management Study	0	33,942	0	1,317	35,259	17,630
18		17920	Intergrated Resource Plan Expenses	7,926	0	(7,926)	0	0	3,963
19				<u>\$3,773,916</u>	<u>\$3,199,880</u>	<u>(\$587,068)</u>	<u>\$1,317</u>	<u>\$6,388,046</u>	<u>\$5,080,981</u>

CENTRA GAS BRITISH COLUMBIA INC.  
1998/99 REVENUE REQUIREMENT APPLICATION                      Schedule 6  
NEGOTIATED SETTLEMENT  
Deferred Expenses

<u>Line</u>	<u>Year</u>	<u>Account Number</u>	<u>Description</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Amortization</u>	<u>Interest</u>	<u>Ending Balance</u>	<u>Mid-Year Balance</u>
1998:									
1	17001	Financing Costs		1,670,263	0	(253,872)	0	1,416,391	1,543,327
2	17500	Unamortized Manufactured Gas Plant		2,985,655	0	(314,280)	0	2,671,376	2,828,516
3	17501	NGV Conversion Expense		25,714	50,000	(12,619)	0	63,095	44,405
4	17924	Direct Purchase Administration Costs		4,774	0	0	0	4,774	4,774
5	17945	1998/99 Regulatory Expense		0	307,000	(153,500)	0	153,500	76,750
6	17959	PCEC Start Up Costs		1,666,380	0	(43,900)	0	1,622,480	1,644,430
7	17964	Gas Supply Management Study		35,259	0	(17,630)	0	17,630	26,444
8		Customer Grants and Incentives		<u>0</u>	<u>505,638</u>	<u>0</u>	<u>0</u>	<u>505,638</u>	<u>252,819</u>
				<u>\$6,388,046</u>	<u>\$862,638</u>	<u>(\$795,800)</u>	<u>\$0</u>	<u>\$6,454,883</u>	<u>\$6,421,465</u>
1999:									
10	17001	Financing Costs		1,416,391	0	(253,872)	0	1,162,519	1,289,455
11	17500	Unamortized Manufactured Gas Plant		2,671,376	0	(314,280)	0	2,357,096	2,514,236
12	17501	NGV Conversion Expense		63,095	100,000	(32,619)	0	130,476	96,786
13	17924	Direct Purchase Administration Costs		4,774	0	0	0	4,774	4,774
14	17945	1998/99 Regulatory Expense		153,500	0	(153,500)	0	0	76,750
15	17959	PCEC Start Up Costs		1,622,480	0	(43,900)	0	1,578,580	1,600,530
16	17964	Gas Supply Management Study		17,630	0	(17,630)	0	0	8,815
17		Customer Grants and Incentives		505,633	515,750	(505,638)	0	515,750	510,694
18		Marine Inspection		<u>0</u>	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>400,000</u>	<u>200,000</u>
19				<u>\$6,454,863</u>	<u>\$1,015,750</u>	<u>(1,321,438)</u>	<u>\$0</u>	<u>\$6,149,195</u>	<u>\$6,302,039</u>

1998/99 REVENUE REQUIREMENT APPLICATION Schedule 7  
NEGOTIATED SETTLEMENT  
OPERATING & MAINTENANCE EXPENSES - SUMMARY

LINE	1996 <u>Settlement</u>	1997 Adjusted <u>Settlement</u>	1998 <u>Forecast</u>	1999 <u>Forecast</u>	<u>Reference</u>
OPERATING					
1 Manufactured Gas	\$0	\$0	\$0	\$0	57
2 Transmission	1,532,772	1,776,167	1,717,066	2,116,749	57
3 Distribution	6,778,817	7,130,612	7,508,904	7,813,003	57
4 General Operation	<u>4,649,080</u>	<u>4,729,868</u>	<u>4,751,459</u>	<u>5,038,053</u>	57
5 TOTAL OPERATING	12,960,669	13,636,647	13,977,429	14,967,805	
ADMINISTRATION & GENERAL					
6 Sales Promotion	3,332,545	3,686,497	3,742,002	3,314,106	58
7 Customer Accounting	2,063,282	2,332,209	2,617,685	2,855,514	58
8 Administration & General	<u>9,782,854</u>	<u>8,420,183</u>	<u>8,437,914</u>	<u>8,731,005</u>	58
9 TOTAL ADMINISTRATION & GENERAL	15,178,681	14,438,889	14,797,600	15,400,624	
MAINTENANCE EXPENSE					
10 Transmission	908,958	893,292	1,537,536	1,221,336	59
11 Distribution	508,832	519,014	613,761	666,148	59
12 General	<u>384</u>	<u>392</u>	<u>5,115</u>	<u>5,217</u>	59
13 TOTAL MAINTENANCE EXPENSE	1,418,174	1,412,698	2,156,412	1,892,702	
14 NEGOTIATED SETTLEMENT ADJUSTMENT	<u>(657,524)</u>	<u>(418,234)</u>	<u>(1,451,811)</u>	<u>(1,884,911)</u>	
15 TOTAL GROSS EXPENSES	<u>28,900,000</u>	<u>29,070,000</u>	<u>29,479,630</u>	<u>30,376,220</u>	
CAPITALIZATION					
16 Gross O & M Capitalization	<u>(9,300,000)</u>	<u>(7,884,000)</u>	<u>(7,075,111)</u>	<u>(6,682,768)</u>	
17 TOTAL O & M CAPITALIZATION	<u>(9,300,000)</u>	<u>(7,884,000)</u>	<u>(7,075,111)</u>	<u>(6,682,768)</u>	
NET CHARGES TO AFFILIATES					
19 Fort St John (1)	(561,847)	(334,656)	(168,135)	0	60
20 Whistler	(176,483)	(180,015)	(166,534)	(169,863)	60
21 Port Alice	<u>(15,106)</u>	<u>(15,408)</u>	<u>(14,274)</u>	<u>(14,560)</u>	60
22 TOTAL CHARGES TO AFFILIATES	<u>(753,436)</u>	<u>(530,079)</u>	<u>(348,943)</u>	<u>(184,423)</u>	
23 TOTAL NET DIRECT O & M EXPENSES	<u>\$18,846,564</u>	<u>\$20,655,921</u>	<u>\$22,055,576</u>	<u>\$23,509,031</u>	
24 Average Number of Customers	43,139	49,761	57,672	64,460	
25 Average Gross Expenses Per Customer	670	584	511	471	
26 Average Net Direct Cost Per Customer	437	415	382	365	

(1) Adjusted to reflect the sale of Centra Gas Fort St. John Inc.