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VANCOUVER, B.C. V6Z 2N3 CANADA
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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-6-00

TELEPHONE: (604) 660-4700
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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

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 1997 and 1998 Revenue Deficiencies
and 2000 to 2002 Revenue Requirements

BEFORE:

P. Ostergaard, Chair)	
P.G. Bradley, Commissioner)	
B.L. Clemenhagen, Commissioner)	January 20, 2000
K.L. Hall, Commissioner)	
F.C. Leighton, Commissioner)	

O R D E R

WHEREAS:

- A. On September 10, 1999, 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 1997 and 1998 Actual Revenue Deficiencies and its forecasted 2000 to 2002 Revenue Requirements and Revenue Deficiencies ("the Application") for its Vancouver Island and Sunshine Coast service areas. The forecasted revenue deficiencies result from an increase in the cost of gas and rate base growth which is required to serve new customers when actual rates are less than the cost of service; and
- B. On September 23, 1999, the Commission issued Order No. G-101-99 setting the Application down for a public review by way of an Alternative Dispute Resolution process and established a Regulatory Agenda and Timetable; and
- C. On October 22, 1999, Centra Gas filed an Application for a Certificate of Public Convenience and Necessity ("CPCN") to implement and operate a Customer Interface System ("CIS") for customer

billing and information purposes (“the CIS CPCN Application”). The Commission issued a letter on November 5, 1999 advising that the CIS CPCN Application would form part of the Application review; and

- D. On December 7 and 8, 1999, a Settlement Conference was held in Vancouver, B.C. Representatives from the Commission staff, British Columbia Hydro and Power Authority (“B.C. Hydro”), the Vancouver Island Gas Joint Venture (“VIGJV”), and the British Columbia Public Interest Advocacy Centre (“BCPIAC”) attended, all of whom participated in settlement discussions except for B.C. Hydro; and
- E. A Negotiated Settlement was reached among the participants and circulated to all Registered Intervenors, Interested Parties and the Commission on December 16, 1999; and
- F. The Commission received letters on the Negotiated Settlement from Centra Gas, BCPIAC and the VIGJV; and
- G. The Commission has reviewed the final Negotiated Settlement for Centra Gas’ 1997 and 1998 Actual Revenue Deficiencies and the 2000 to 2002 Revenue Requirements and Revenue Deficiencies and finds that it should be approved.

NOW THEREFORE the Commission approves for Centra Gas the Negotiated Settlement as issued on December 16, 1999 and attached as Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 21st day of January 2000.

BY ORDER

Original signed by:

Lorna R. Barr
Deputy Chair

Attachment



WILLIAM J. GRANT
EXECUTIVE DIRECTOR,
REGULATORY AFFAIRS & PLANNING
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VIA FACSIMILE

December 16, 1999

To: Registered Intervenors and
Interested Parties

Re: Centra Gas British Columbia Inc. ("Centra Gas")
Negotiated Settlement
Approval of 1997 and 1998 Actual and 2000-2002 Revenue Requirements
and Revenue Deficiency

Enclosed with this letter you will find the proposed settlement package with respect to the Centra Gas September 9, 1999 Revenue Requirements and Revenue Deficiency Application.

This settlement package is now public and is being submitted to the Commission and all intervenors and interested parties. Also enclosed are letters of comment received to date from the participants in the negotiated settlement process.

Prior to consideration by the Commission, intervenors and interested parties who did not participate in the settlement negotiations are requested to provide to the Commission any further comments on the settlement package by January 7, 2000. Thereafter, the Commission will consider the settlement package. A public hearing may not be required unless there is significant opposition to the proposed settlement.

Yours truly,

A handwritten signature in black ink, appearing to be "WJ Grant", written over a horizontal line.

W.J. Grant

PWN/lm
Enclosures

cc: Mr. Geoffrey Higgins
Manager, Regulatory Affairs
Centra Gas British Columbia Inc.



WILLIAM J. GRANT
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~~CONFIDENTIAL~~

VIA FACSIMILE

December 13, 1999

Dear Participants:

Re: Centra Gas British Columbia Inc.
Negotiated Settlement
Approval of 1997 and 1998 Actual and 2000-2002 Revenue Requirements
and Revenue Deficiency

On September 9, 1999, 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 requirements and revenue deficiencies for 1997 and 1998, and forecast revenue requirements and revenue deficiencies for the test period 2000 through 2002.

On September 23, 1999 the Commission issued Order No. G-101-99 establishing an Alternative Dispute Resolution ("ADR") process, and set out the Regulatory Agenda pertaining to the Application. Customers were advised of the Application process and Regulatory Agenda through bill messages on the October billing cycles. Copies of the Application were made available for viewing in the Company's local offices and at the Commission office.

On October 22, 1999, Centra Gas filed with the Commission an Application for Certificate of Public Convenience and Necessity to implement and operate a Customer Interface System for customer billing and information purposes ("CIS CPCN Application").

The Commission staff issued Information Requests pertaining to the Application, in writing, on October 26, 1999 (SR1), and October 28, 1999 (SR2). In addition to these, Centra Gas also received Information Requests from British Columbia Hydro and Power Authority ("B.C. Hydro") on November 5, 1999, the Vancouver Island Gas Joint Venture ("VIGJV") on November 5, 1999, and the British Columbia Public Interest Advocacy Centre ("PIAC") on November 8, 1999. Centra Gas responded to these Information Requests on November 19, 1999.

On November 5, 1999, the Commission issued a letter, which included the CIS CPCN Application in the public review of the Application. On November 8, 1999, Centra Gas issued a package of summary schedules and reconciliation showing the impact of combining the two applications. Commission staff issued Information Requests on the combined application on November 25, 1999 and December 1, 1999. Centra Gas responded to these Information Requests between December 1, 1999 and December 6, 1999.

A Settlement Conference was held in Vancouver on December 7 and 8, 1999. In attendance were Commission staff, representatives of the VIGJV, PIAC, B.C. Hydro, and Centra Gas, all of whom, except for B.C. Hydro, participated in the settlement discussions.

The following is a settlement arrived at between Centra Gas and the Intervenors participating in the Settlement Conference. This settlement was achieved with the participation of the Commission staff.

- Centra Gas' actual revenue requirements and revenue deficiencies for 1997 and 1998 are accepted as filed.

Centra Gas and the above mentioned Intervenors participating in the Settlement Conference, agree to the 2000, 2001 and 2002 forecast revenue requirements and revenue deficiencies as shown on the Negotiated Settlement schedules attached to and forming a part of this Agreement. This settlement includes the following adjustments to Centra Gas' Application:

- Gross Operating, Maintenance and Administrative (OM&A) expenses are to be reduced from filed amounts of \$31,364,573, \$32,251,549, and \$33,362,830 in 2000, 2001, and 2002 respectively to \$30,422,000 in 2000, \$31,262,000 in 2001, and \$32,269,000 in 2002 (excluding incremental CIS Banner costs). These amounts were determined in the following manner:

Summary of Gross OM&A (\$000's)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
1998 Actual	\$28,346		
Inflation:			
1999 (1.9%)	539		
2000 (1.6%)	462		
2001 (1.7%)		499	
2002 (2.2%)			657
	<u>\$29,347</u>	<u>\$29,846</u>	<u>\$30,503</u>
Customer Growth:			
2000 (11,549 x \$60)	693	705	720
2001 (5,375 x \$60)		323	330
2002 (5,355 x \$60)			321
Compressor Operating Costs	<u>146</u>	<u>148</u>	<u>150</u>
Gross OM&A (Excluding Pensions)	\$30,186	\$31,022	\$32,024
Handbook Adjustment for Pensions	<u>236</u>	<u>240</u>	<u>245</u>
Gross OM&A (Including Pensions)	<u>\$30,422</u>	<u>\$31,262</u>	<u>\$32,269</u>

Notes:

- Net incremental CIS costs will be added as per the CIS CPCN Application, when approved by the Commission.
- Gross OM&A will be adjusted annually by \$60 per customer for the difference between actual customer growth and forecast customer growth in 2000, 2001 and 2002. Customer growth is the difference in the average number of customers from year to year.
- Gross OM&A above, has been reduced for marketing incentives which are given deferral account treatment as described elsewhere in this agreement.

- d) Pension adjustment reflects the revised standard of Section 3461 of the CICA Handbook with respect to accounting for employees future benefits on an accrual basis.
- The capitalization of gross OM&A included in this settlement is \$6,886,324 in 2000 and based on 22.636% of gross OM&A. Capitalization of Gross OM&A will be established as per the policy and procedures employed by Centra Gas, with annual review by Registered Intervenors to this Application and the Commission in November of each year, prior to setting for each of 2001 and 2002. Included in the review will be a comparison of OM&A capitalization as a percentage of gross OM&A, and as a percentage of capital additions, excluding general plant items.
 - As part of this settlement, all parties agree to the following CIS implementation costs:
 - a) Approval of CIS Banner implementation costs incurred in 1999 consisting of \$960,210. This amount is based on \$812,427 from Table 7.1 of the CIS CPCN Application (revised for \$200,000 reduction in IT&S salary costs) plus \$147,783 from Table 7.2 of the CIS CPCN Application which outline capital costs. These costs are to be charged to a deferral account, and amortized over a ten-year period commencing August 1, 1999;
 - b) Approval of \$270,872 in the existing deferral account for consulting and data conversion costs. These costs are to be amortized on a straight line basis over a ten-year period commencing August 1, 1999; and
 - c) Approval for a deferral account in which 1999 incremental operating costs for CIS, bill printing and remittance processing costs shall be accumulated until CIS CPCN review is completed and treatment is determined.
 - Parties are invited to provide written comment on the CIS CPCN Application by December 31, 1999. Centra Gas may provide additional written evidence in response to submissions from Registered Intervenors.
 - Leasing of the Port Mellon compressor engine and turbine as set out in the Company's Application to Enter Into an Operating Lease for Compressor Equipment at the Port Mellon Compressor Station filed November 24, 1999, is accepted.
 - The Tsolum River crossing improvement will be the subject of a separate CPCN application when the project is required. It is recognized by all parties that approval may require short notice due to external factors. Therefore, capital additions are reduced by \$950,000 in 2002.
 - A deferral account will be established in which to record actual customer grants for marketing incentives programs, estimated to be \$389,649 in 2000, \$359,661 in 2001, and \$367,574 in 2002. Centra Gas will amortize these amounts in the year after they are incurred.
 - A deferral account will be established in which to record actual Application and CIS CPCN Application preparation and ADR settlement hearing costs.

The participants also agreed to the following items:

- With respect to the Company's Application for Recovery of Increased Cost of Gas and Application to Establish 2000 New Customer Rates Pursuant to the Special Direction filed November 4, 1999, parties are invited to provide written comments to the Commission, no later than December 13, 1999 on the application. Centra Gas reserves the right to provide written response to those submissions.
- Centra Gas undertakes to enter into a Commission directed cost allocation and rate design process, prior to 2003. Centra Gas agrees to hold a preliminary meeting in the third week of January 2000 with all parties to review current cost of service information. Centra Gas will file cost of service information by April 30, 2000. Workshops will be held to review cost allocation and rate design alternatives in June 2000. A cost of service and rate design framework will be filed in September

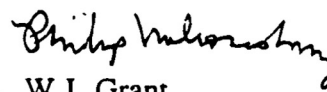
2000. Hearings will be held in November 2000. All costs related to this process will be deferred for future recovery. This process is intended to provide a cost of service allocation method and design framework to be used in determining all customer class rates commencing in 2003 (except ACR-2 and Joint Venture rates). The effect of the rate design on Joint Venture tolls will be determined subject to the JV Transportation Service Agreement.

- The Commission and Intervenor who participated in the Settlement Conference, agree to the three-year test period proposed in the Application.
- Centra Gas will provide an annual reconciliation of the accrual account it has established to provide for Compressor Engine repair costs on a fired hour basis. This reconciliation will be submitted as part of Centra Gas' annual report to the Commission.
- All parties accept the short-term debt rate as filed. Centra Gas will support future short-term borrowings rates with market based evidence.
- Centra Gas agrees to review its Natural Gas Vehicle ("NGV") programs and pursue NGV on a declining, selected basis.
- Centra Gas will provide quality of service indicators in the Annual Report to the Commission. Quality of service indicators to be monitored are leaks per kilometre of transmission pipeline, leaks per kilometre of distribution pipeline (excluding third-party damages) system outages, and emergency response time. These service measures will be tracked with no consequence in terms of costs allowed for the forecast test period.
- Centra Gas commits to providing 1997 through 1999 load factor information to Registered Intervenor for transmission and distribution facilities as they become available, with a comparison as available to the BC Gas Utility Ltd. system.
- Centra Gas commits to provide notice to all parties when CPCN application(s) are filed with respect to service to cogeneration facilities. Gross OM&A and capitalization of OM&A included in this settlement are exclusive of the impact of future cogeneration operating costs on the agreed upon levels of gross OM&A and capitalization included in this Negotiated Settlement.

The Company and the participants agree to hold confidential the discussions held on December 7 and 8, 1999. Agreement to this settlement is on a without prejudice basis in the event this settlement is not approved by the Commission. 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.

Please provide me with written correspondence confirming your acceptance of this settlement by December 15, 1999. Thank you for your contribution in attaining this settlement.

Yours truly,


for W.J. Grant

WJG/mmc

Attachments

cc: Mr. Geoffrey Higgins
Manager, Regulatory Affairs
Centra Gas British Columbia Inc.

CENTRA GAS BRITISH COLUMBIA INC.
 2000/2002 Revenue Requirement Application (ex CPCN)
 Revenue Deficiency Continuity Schedule
 Negotiated Settlement (Pre Final Hearing)

LINE		1995 Actual	1996 Actual	1997 Actual	1998 Actual	1999 Forecast	2000 Forecast	2001 Forecast	2002 Forecast
1	Annual Revenue Deficiency	16,904,100	9,135,807	6,400,378	12,948,576	17,269,482	18,712,486	16,381,214	8,691,503
2	Deemed Preferred Share Dividend - 1996	0	1,195,503	1,195,503	1,195,503	1,195,503	1,195,503	1,038,352	1,038,352
3	Deemed Preferred Share Dividend - 1997	0	0	620,485	620,485	620,485	620,485	620,485	647,003
4	Deemed Preferred Share Dividend - 1998	0	0	0	491,447	491,447	491,447	491,447	491,447
5	Deemed Preferred Share Dividend - 1999	0	0	0	0	919,066	919,066	919,066	919,066
6	Deemed Preferred Share Dividend - 2000	0	0	0	0	0	1,278,821	1,278,821	1,278,821
7	Deemed Preferred Share Dividend - 2001	0	0	0	0	0	0	1,420,098	1,420,098
8	Deemed Preferred Share Dividend - 2002	0	0	0	0	0	0	0	1,388,803
9	Deemed Preferred Share Dividends	0	1,195,503	1,815,988	2,307,435	3,226,501	4,505,322	5,768,269	7,183,590
10	Sub-Total	16,904,100	10,331,310	8,216,366	15,256,011	20,495,983	23,217,808	22,149,484	15,875,094
11	Interim Revenue Deficiency Financing Rate (Note 1)	6.839%	5.836%	5.812%	5.853%	6.056%	5.940%	6.085%	6.085%
12	Interim Revenue Deficiency Financing	576,565	301,447	238,784	446,467	620,618	889,569	673,898	483,000
13	Total Deferral	17,480,665	10,632,757	8,455,150	15,702,478	21,116,602	23,907,377	22,823,382	16,358,093
14	Cumulative Deferral	17,480,665	28,113,422	36,568,571	52,271,050	73,387,651	97,295,028	120,118,410	136,476,503
15	Note 1: Calculation of Rate:								
16	5 Year Canada Bond Rate at June 30 of Following	7.05%	5.32%	5.28%	5.35%	5.70%	5.50%	5.75%	5.75%
17	Year Published by Bank of Canada Review	58%	58%	58%	58%	58%	58%	58%	58%
18	Multiply by	4.089%	3.086%	3.062%	3.103%	3.306%	3.190%	3.335%	3.335%
19	Add	2.750%	2.750%	2.750%	2.750%	2.750%	2.750%	2.750%	2.750%
20	Interim Revenue Deficiency Financing Rate	6.839%	5.836%	5.812%	5.853%	6.056%	5.940%	6.085%	6.085%

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
REVENUE REQUIREMENT
Negotiated Settlement (Pre Final Hearing Costs)

LINE	1997 Actual	1998 Actual	1999 Outlook	2000 Forecast	2001 Forecast	2002 Forecast	Reference
1 Cost of Sales	\$23,747,193	\$27,204,688	\$37,296,327	\$42,056,899	\$43,721,016	\$45,763,741	86 - 91
2 Gross Operating and Maintenance Expenses	29,070,000	29,479,630	30,376,220	30,422,000	31,262,000	32,269,000	92
3 Operating and Maintenance Capitalization	(7,884,000)	(7,075,111)	(6,682,768)	(6,886,324)	(7,076,466)	(7,304,411)	92
4 Direct Charges and Allocations to Affiliates	(544,238)	(354,672)	(225,246)	(227,592)	(223,597)	(228,516)	93
5 B.C. Gas Wheeling Charge	3,763,750	3,774,648	3,838,894	3,900,324	3,966,636	4,053,900	79 - 84
6 Rent For Compressor Equipment Leased From Others	0	0	0	1,640,000	1,640,000	1,640,000	31
7 Depreciation	10,357,688	11,129,334	12,108,782	13,227,587	13,901,901	14,553,447	11 - 16
8 Amortization - CIAC	(1,594,296)	(1,594,296)	(1,594,296)	0	0	0	17 - 22
9 Municipal Taxes	4,182,390	4,676,106	5,145,377	5,635,668	6,053,904	6,437,499	31
Amortization of Deferrals							
9 Financing Costs	254,479	204,176	204,176	253,872	253,872	253,872	32 - 37
10 Unamortized Manufactured Gas Plant	157,140	314,191	314,191	314,191	314,191	314,191	32 - 37
11 NGV Conversion Expense	286	703	2,703	5,203	8,536	11,036	32 - 37
12 Generic Utility Systems Extension Hearing Costs	15,045	0	0	0	0	0	32 - 37
13 Regulatory Expense	104,899	28,492	28,492	20,000	20,000	20,000	32 - 37
14 PCEC Start Up Costs	43,900	43,900	43,900	43,900	43,900	43,900	32 - 37
15 Gas Supply Management Study	0	17,533	17,533	0	0	0	32 - 37
16 Integrated Resource Plan Expenses	7,926	0	0	0	0	0	32 - 37
17 Customer Grants and Incentives	0	0	255,620	465,161	389,649	359,661	32 - 37
18 Compressor Lease	0	0	1,040,001	0	0	0	32 - 37
19 Deferred Rate Increase on Pioneer Rates	0	0	(25,572)	0	0	0	32 - 37
20 CIS Implementation	0	0	51,296	123,108	123,108	123,108	32 - 37
20 Marine Inspection	0	0	0	462,500	0	0	32 - 37
21 Large Corporations Tax	1,097,033	1,044,350	1,176,100	1,139,867	1,163,428	1,186,310	46
22 British Columbia Capital Tax	554,969	1,414,350	1,536,800	1,519,822	1,551,237	1,581,746	47
23 Motor Fuel Tax	352,516	327,015	372,672	396,183	403,147	410,131	79 - 84
24 Provincial Sales Tax	24,688	22,706	31,261	32,435	32,933	33,665	79 - 84
25 Proposed Return on Rate Base	31,420,832	32,282,130	33,179,719	36,916,709	38,328,327	39,147,120	48 - 53
26 Less Special Dividend Provision	(1,867,000)	(1,867,000)	(1,867,000)	(1,867,000)	(1,867,000)	(1,867,000)	
27 Income Tax Expense	0	0	0	0	0	0	38
27 Total Revenue Requirement	93,265,199	101,072,873	116,623,162	129,594,532	134,010,722	138,802,419	
Reconciliation of Revenue Requirement							
28 Natural Gas Sales Revenue	65,213,498	67,224,374	76,377,465	85,703,966	91,490,211	103,613,959	54 - 65
29 Transportation Revenue	13,908,420	13,417,484	13,262,924	13,358,045	14,036,106	14,051,937	78
30 Royalty Income	6,890,120	6,912,000	9,035,004	11,144,475	11,317,863	11,525,634	85
31 Other Revenue	852,784	570,439	678,287	675,560	785,325	919,386	85
32 Total Revenue	86,864,822	88,124,297	99,353,680	110,882,046	117,629,507	130,110,916	
33 Revenue (Surplus) / Deficiency	6,400,378	12,948,576	17,269,482	18,712,486	16,381,214	8,691,503	
34 Total Revenue Requirement	93,265,199	101,072,873	116,623,162	129,594,532	134,010,722	138,802,419	

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
RATE BASE
Negotiated Settlement (Pre Final Hearing Costs)

LINE	1997 Actual	1998 Actual	1999 Outlook	2000 Forecast	2001 Forecast	2002 Forecast	Reference
GROSS PLANT IN SERVICE							
1 Beginning of Year	\$436,099,723	\$467,729,893	\$500,426,694	\$546,707,206	\$572,514,231	\$598,876,372	5-10
2 End of Year	467,729,893	500,426,694	546,707,206	572,514,231	598,876,372	621,318,254	5-10
3 13 Month Average Adjustment - V1 Compressor	0	(3,123,000)	0	0	0	0	
4 13 Month Average Adjustment - V3 Compressor	0	0	(6,778,000)	0	0	0	
5 Average Balance - Mid-Year	451,814,808	480,955,294	516,788,950	559,810,718	584,695,301	609,097,313	
ACCUMULATED DEPRECIATION							
6 Beginning of Year	(33,753,438)	(46,343,525)	(56,896,671)	(67,641,523)	(80,431,399)	(93,670,590)	11-16
7 End of Year	(46,343,525)	(56,896,671)	(67,641,523)	(80,431,399)	(93,670,590)	(107,961,327)	11-16
8 Average Balance - Mid-Year	(40,048,481)	(51,620,098)	(62,269,097)	(74,036,461)	(87,150,994)	(100,815,958)	
9 NET MID-YEAR PLANT IN SERVICE	411,866,327	429,335,196	454,519,853	485,574,257	497,544,307	508,181,355	
MID-YEAR ALLOCATED NET COMMON PLANT							
10 Centra Gas Fort St John Inc.	(346,100)	0	0	0	0	0	
11 Centra Gas Whistler Inc.	(128,000)	(128,000)	(104,335)	(104,335)	(104,335)	(104,335)	
12 Centra Gas Port Alice Inc.	(7,167)	0	0	0	0	0	
13	(481,267)	(128,000)	(104,335)	(104,335)	(104,335)	(104,335)	
14 MID-YEAR CONTRIBUTIONS	(70,264,806)	(88,870,510)	(67,076,214)	(66,279,067)	(66,279,067)	(66,279,067)	17-22
15 WORKING CAPITAL	13,544,812	13,664,136	13,777,356	14,628,677	14,177,666	13,996,076	23
16 MID-YEAR RATE BASE	\$354,685,066	\$374,220,821	\$401,116,660	\$433,819,733	\$445,336,574	\$455,794,029	
Thirteen Month Adjustment:							
17 Total Project Costs for Compressor Addition		7,381,000	19,580,000				
18 13 Month Average X Months in Service		567,500	3,012,000				
19 Mid Year Effect of Compressor Addition		3,690,500	9,790,000				
20 Adjustment (Line 18 - Line 19)		(3,123,000)	(6,778,000)				

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
WORKING CAPITAL SUMMARY
Negotiated Settlement (Pre Final Hearing Costs)
LINE

	1997 Actual	1998 Actual	1999 Outlook	2000 Forecast	2001 Forecast	2002 Forecast	Reference
1 Cash Working Capital Requirements	\$2,073,869	\$2,185,253	\$2,334,088	\$2,561,837	\$2,660,579	\$2,750,511	31
2 Inventory - Materials and Supplies	2,757,119	2,732,494	2,728,765	2,772,425	2,819,556	2,881,587	24
3 Line Pack/Gas Storage	1,441,072	2,565,976	2,832,745	3,047,422	3,039,468	3,057,059	25
4 Employee Housing Loans	130,385	95,308	93,908	90,000	90,000	90,000	26
5 Finance Contracts Receivable	3,546,920	1,441,142	860,567	1,295,756	1,775,756	2,255,756	27
6 Customer Deposits	(117,221)	(181,963)	(214,835)	(232,376)	(249,370)	(266,782)	28
7 Refundable Contribution	(475,322)	(446,235)	(430,639)	(420,000)	(420,000)	(420,000)	29
8 Employee Withholdings	(894,912)	(989,754)	(1,200,129)	(1,242,434)	(1,286,230)	(1,331,569)	30
9 Total	8,461,909	7,402,222	7,004,469	7,872,631	8,429,759	9,016,561	
Deferred Expenses, Mid-Year:							
10 Financing Costs	1,823,480	1,620,736	1,416,560	1,187,536	933,664	679,792	32 - 37
11 Unamortized Manufactured Gas Plant	1,492,828	2,828,266	2,513,781	2,199,590	1,885,399	1,571,208	32 - 37
12 NGV Conversion Costs	857	2,613	7,160	13,207	16,337	14,051	32 - 37
13 Direct Purchase Administration Costs	4,774	4,774	4,774	2,387	0	0	32 - 37
14 Generic Utility Systems Extension Hearing Costs	7,523	0	0	0	0	0	32 - 37
15 Regulatory Expense	55,878	14,246	14,246	20,000	30,000	10,000	32 - 37
16 PCEC Start Up Costs	1,688,330	1,644,430	1,600,530	1,556,630	1,512,730	1,468,830	32 - 37
17 Deferred Rate Increase	(12,786)	(25,572)	(12,786)	0	0	0	32 - 37
18 Gas Supply Management Study	18,058	26,300	8,767	0	0	0	32 - 37
19 Integrated Resource Plan Expenses	3,963	0	0	0	0	0	32 - 37
20 Customer Grants and Incentives	0	127,810	360,401	427,415	374,655	363,618	32 - 37
21 Compressor Lease	0	38,313	38,313	0	0	0	32 - 37
22 CIS Implementation Costs	0	0	589,893	1,118,233	995,125	872,016	
23 Marine Inspection	0	0	231,250	231,250	0	0	32 - 37
24 Total	5,082,904	6,281,914	6,772,887	6,756,247	5,747,909	4,979,514	
25 Total Working Capital Requirements	\$13,544,812	\$13,684,136	\$13,777,356	\$14,628,877	\$14,177,668	\$13,996,076	

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
DEFERRED EXPENSES

Schedule 34

Negotiated Settlement (Pre Final Hearing Costs)

Line	Year	Account Number	Description	Opening Balance	Additions	Amortization	Interest	Ending Balance	Mid-Year Balance
1999									
1		17001	Financing Costs	\$1,518,648	\$0	(\$204,176)	\$0	\$1,314,472	\$1,416,560
2		17504	Unamortized Manufactured Gas Plant	\$2,670,876	0	(314,191)	0	\$2,356,685	\$2,513,781
3		17505	NGV Conversion Costs	\$3,511	10,000	(2,703)	0	\$10,808	\$7,160
4		17924	Direct Purchase Administration Costs	\$4,774	0	0	0	4,774	4,774
5		17945	1998/99 Regulatory Expense	\$28,492	0	(28,492)	0	0	14,246
6		17951	Build Smart Program	\$42,150	60,000	(42,150)	0	60,000	51,075
7		17952	Propane Incentives	\$1,530	12,000	(1,530)	0	12,000	6,765
8		17953	Water Heater Program	\$0	193,181	0	0	193,181	96,591
9		17954	Marketing Incentives	\$211,940	200,000	(211,940)	0	200,000	205,970
10		17955	Compressor Lease	\$76,625	963,376	(1,040,001)	0	0	38,313
11		17959	PCEC Start Up Costs	\$1,622,480	0	(43,900)	0	1,578,580	1,600,530
12		17964	Gas Supply Management Study	\$17,533	0	(17,533)	0	0	8,767
13		17966	Deferred Rate Increase on Pioneer Rates	(\$25,572)	0	25,572	0	0	(12,786)
14		17969	Marine Survey	0	462,500	0	0	462,500	231,250
15			CIS Implementation Costs	0	1,231,082	(51,295)	0	1,179,787	589,893
15				\$6,172,987	\$3,132,139	(\$1,932,339)	\$0	\$7,372,787	\$6,772,887

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
DEFERRED EXPENSES
Negotiated Settlement (Pre Final Hearing Costs)

Schedule 35

Line	Year	Account Number	Description	Opening Balance	Additions	Amortization	Interest	Ending Balance	Mid-Year Balance
2000									
Forecast									
1		17001	Financing Costs	\$1,314,472	\$0	(\$253,872)	\$0	\$1,060,600	\$1,187,536
2		17504	Unamortized Manufactured Gas Plant	\$2,356,685	0	(314,191)	0	\$2,042,494	\$2,199,590
3		17505	NGV Conversion Costs	\$10,808	10,000	(5,203)	0	\$15,605	\$13,207
4		17924	Direct Purchase Administration Costs	\$4,774	0	(4,774)	0	0	2,387
5		17945	2000/02 Regulatory Expense	\$0	60,000	(20,000)	0	40,000	20,000
6		17951	Build Smart Program	\$60,000	0	(60,000)	0	0	30,000
7		17952	Propane Incentives	\$12,000	0	(12,000)	0	0	6,000
8		17953	Water Heater Program	\$193,181	0	(193,181)	0	0	96,591
9		17954	Marketing Incentives	\$200,000	389,849	(200,000)	0	389,849	294,825
10		17959	PCEC Start Up Costs	\$1,578,580	0	(43,900)	0	1,534,680	1,556,630
11		17969	Marine Survey	\$462,500	0	(462,500)	0	0	231,250
12			CIS Implementation Costs	1,178,787	0	(123,108)		1,056,679	1,118,233
12				\$7,372,787	\$459,649	(\$1,692,729)	\$0	\$6,139,707	\$6,756,247

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
DEFERRED EXPENSES
Negotiated Settlement (Pre Final Hearing Costs)

Schedule 36

Line	Year	Account Number	Description	Opening Balance	Additions	Amortization	Interest	Ending Balance	Mid-Year Balance
2001									
Forecast									
1		17001	Financing Costs	\$1,060,600	\$0	(\$253,872)	\$0	\$806,728	\$933,664
2		17504	Unamortized Manufactured Gas Plant	\$2,042,494	0	(314,191)	0	\$1,728,303	\$1,885,399
3		17505	NGV Conversion Costs	\$15,605	10,000	(8,536)	0	\$17,069	\$16,337
4		17945	2000/02 Regulatory Expense	\$40,000	0	(20,000)	0	20,000	30,000
5		17959	PCEC Start Up Costs	\$1,534,680	0	(43,900)	0	1,490,780	1,512,730
6			CIS Implementation Costs	1,056,679	0	(123,108)	0	933,571	995,125
7			Marketing Incentives	389,649	359,661	(389,649)	0	359,661	374,655
6				\$6,139,707	\$369,661	(\$1,153,256)	\$0	\$5,356,112	\$5,747,909

Appendix A
to Commission Order No. G-6-00
Page 12 of 18

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
DEFERRED EXPENSES
Negotiated Settlement (Pre Final Hearing Costs)

Schedule 37

Line	Year	Account Number	Description	Opening Balance	Additions	Amortization	Interest	Ending Balance	Mid-Year Balance
2002									
Forecast									
1		17001	Financing Costs	\$806,728	\$0	(\$253,872)	\$0	\$552,856	\$679,792
2		17504	Unamortized Manufactured Gas Plant	\$1,728,303	0	(314,191)	0	\$1,414,112	\$1,571,208
3		17505	NGV Conversion Costs	\$17,069	5,000	(11,036)	0	\$11,033	\$14,051
4		17945	2000/02 Regulatory Expense	\$20,000	0	(20,000)	0	0	10,000
5		17959	PCEC Start Up Costs	\$1,490,780	0	(43,900)	0	1,446,880	1,468,830
6			CIS Implementation Costs	933,571	0	(123,108)	0	810,462	872,016
7			Marketing Incentives	358,661	367,574	(359,661)	0	367,574	363,618
6				\$5,356,112	\$372,574	(\$1,125,768)	\$0	\$4,602,917	\$4,979,514

CENTRA GAS BRITISH COLUMBIA INC.
2000/02 REVENUE REQUIREMENT APPLICATION
OPERATING & MAINTENANCE EXPENSES - SUMMARY
Negotiated Settlement (Pre Final Hearing Costs)

LINE	1997 Actual	1998 Actual	1999 Settlement	2000 Forecast	2001 Forecast	2002 Forecast	Reference
OPERATING							
1 Manufactured Gas	\$0	\$0	\$0	\$0	\$0	\$0	94
2 Transmission	1,337,665	1,468,074	1,862,249	1,566,263	1,586,822	1,653,070	94
3 Distribution	6,978,931	7,118,758	7,786,748	7,904,661	8,133,694	8,406,927	94
4 General Operation	4,430,656	4,149,773	4,664,642	4,707,652	4,652,005	4,694,925	94
5 TOTAL OPERATING	12,747,252	12,736,605	14,313,639	14,178,576	14,374,521	14,756,922	
ADMINISTRATION & GENERAL							
6 Sales Promotion	3,493,203	2,930,068	3,131,523	3,205,221	3,253,379	3,272,320	95
7 Customer Accounting	2,394,960	2,538,144	2,678,862	3,241,112	3,413,251	3,532,810	95
8 Administration & General	7,949,434	8,150,616	8,517,403	8,562,742	8,952,624	9,321,486	95
9 TOTAL ADMINISTRATION & GENERAL	13,837,617	13,619,030	14,327,788	15,029,075	15,619,254	16,128,616	
MAINTENANCE EXPENSE							
10 Local Storage	6,307	608	0	0	0	0	
11 Transmission	665,221	1,385,760	1,094,216	1,482,926	1,584,330	1,786,292	96
12 Distribution	633,049	602,571	635,267	663,966	673,444	663,000	96
13 General	1,895	1,806	5,310	0	0	0	96
14 TOTAL MAINTENANCE EXPENSE	1,506,472	1,990,745	1,734,793	2,156,922	2,257,774	2,479,292	
15 NEGOTIATED SETTLEMENT ADJUSTMENT	978,659	1,133,250	0	(942,573)	(969,549)	(1,093,830)	
16 TOTAL GROSS EXPENSES	29,070,000	29,479,630	30,376,220	30,422,000	31,262,000	32,269,000	
CAPITALIZATION							
17 Gross O & M Capitalization	(7,884,000)	(7,075,111)	(6,682,768)	(6,886,324)	(7,076,466)	(7,304,411)	99-114
18 TOTAL O & M CAPITALIZATION	(7,884,000)	(7,075,111)	(6,682,768)	(6,886,324)	(7,076,466)	(7,304,411)	
NET CHARGES TO AFFILIATES							
20 Fort St John	(331,398)	(165,000)	0	0	0	0	93
21 Whistler	(200,000)	(179,796)	(210,686)	(227,592)	(223,597)	(228,516)	93
22 Port Alice	(12,840)	(9,876)	(14,560)	0	0	0	93
23 TOTAL CHARGES TO AFFILIATES	(544,238)	(354,672)	(225,246)	(227,592)	(223,597)	(228,516)	
24 TOTAL NET DIRECT O & M EXPENSES	\$20,841,762	\$22,049,847	\$23,468,207	\$23,308,085	\$23,961,936	\$24,736,074	
=====							
25 Average Number of Customers	51,263	58,205	64,013	69,604	74,979	80,334	
26 Average Gross Expenses Per Customer (Line 15/Line 24)	567	506	475	437	417	402	
27 Average Net Direct Cost Per Customer (Line 23/Line 24)	403	379	367	335	320	306	



Centra Gas British Columbia Inc
1675 Douglas Street
P.O. Box 3777
Victoria, British Columbia
V8W 3V3
Tel: (250) 480-4300
Fax: (250) 480-4459

December 14, 1999

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

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Attention: Mr. W. J. Grant, Executive Director

Dear Mr. Grant,

Re: Centra Gas British Columbia Inc. 2000 to 2002 Revenue Requirement
Application - ADR Negotiated Settlement

Centra Gas has reviewed the proposed Negotiated Settlement document arising from the ADR settlement proceeding held December 7 and 8, 1999 at the Commission's Office for the above noted Application. Centra Gas believes that the Settlement Document is a fair and accurate representation of the ADR process, and accepts this settlement proposal as written.

Thank you for your assistance, and the assistance of the Commission Staff in arriving at a negotiated settlement acceptable to all parties.

Yours truly,

Centra Gas British Columbia Inc

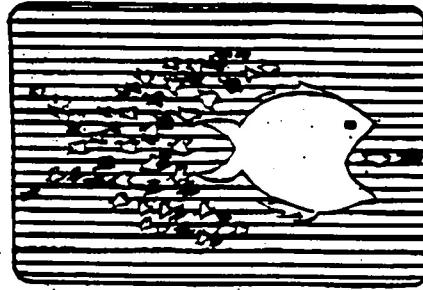
Ian Anderson
Vice President, Finance

cc: ADR Participants

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The
British Columbia
Public Interest
Advocacy Centre

815 - 815 West Hastings Street
Vancouver, B.C. V6C 1B4
Tel: (604) 687-3083 Fax: (604) 682-7898
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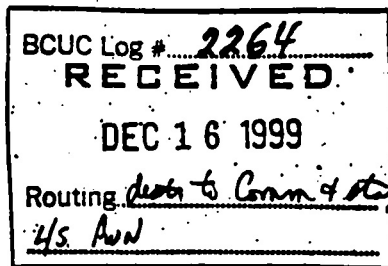


Michael P. O'Henry	687-3034
R.J. Gathercole	687-3008
Sarah Khan	687-4134
Patricia MacDonald	687-3017
Susan Prosser (articles student)	687-3083
Gerritsen & Solicitors	

Via fax and mail: 660-1102

December 16, 1999

W.J. Grant
Executive Director
Regulatory Affairs and Planning
BC UTILITIES COMMISSION
6th Floor - 900 Howe Street
Vancouver, BC V6Z 2V3



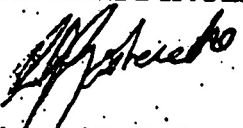
Dear Mr. Grant:

Re: Centra Gas B.C. Inc. Negotiated Settlement

This will confirm that CAC(BC) *et al.* accepts the negotiated settlement as filed.

Yours sincerely,

BC PUBLIC INTEREST ADVOCACY CENTRE


Richard J. Gathercole
Counsel for CAC(BC) *et al.*

cc: Geoffrey Higgins, Centra Gas (via fax only)

RJG:ll
p:\msoffice\dick\energy\7167\grant.let

Lang Michener Lawrence & Shaw

BARRISTERS & SOLICITORS

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Direct Line (604) 691-7427 E-Mail: kgustaf@lmls.com

January 12, 2000

TELECOPIED

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

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Attention: Mr. Bill Grant

Dear Sirs:

**Proposed Settlement re. Centra Gas 2000-2002 Revenue Requirements Application
(the "Centra Application")**

On behalf of the Vancouver Island Gas Joint Venture (the "Joint Venture"), we confirm that the proposed terms of settlement of the Centra Application are acceptable.

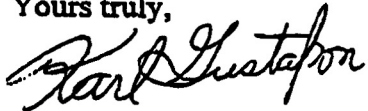
We regret that the Joint Venture was not able to provide this confirmation earlier. While the Joint Venture clearly recognizes that, in the short term, the Centra Application will not impact on its rates, its members are profoundly concerned by the long term implications of Centra's growing revenue deficiency. In the short term, the Joint Venture is also concerned by changing circumstances that could have adverse impacts on the quality of service. These concerns have immediate relevance to the members of the Joint Venture who are well into the process of planning for their future energy requirements. Representatives of the Joint Venture have met recently with Centra to discuss these concerns and we hope that this dialogue will continue.

We have two specific comments regarding the text of the settlement agreement:

1. Page 4, second bullet – We are concerned by the reference to a filing "in September". Although it is not a condition of the Joint Venture's acceptance of the settlement, our preference would be to specify a date in early to mid-September that will facilitate completion of the hearing before the end of the calendar year 2000.
2. Page 4, second last line – We appreciate that the settlement is "on a without prejudice basis". The Joint Venture wishes to make it clear that the settlement is without prejudice to its position that the Joint Venture should not be responsible in the future for any of Centra's revenue deficiencies and that the settlement will not have the effect of waiving or modifying any term or provision of the Transportation Service Agreement dated December 14, 1995 between Centra and the Joint Venture.

We hope you will find the foregoing to be helpful. Please call me if you have any concerns.

Yours truly,



Karl E. Gustafson
for LANG MICHENER LAWRENCE & SHAW

KEG/jcm

cc. Ian Anderson, Vice President Finance, Centra Gas
Vancouver Island Gas Joint Venture - Management Committee
Lloyd Guenther
Jim Langley