



**LETTER NO. L-4-00**

ROBERT J. PELLATT  
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**VIA FACSIMILE**

January 13, 2000

Mr. Ian Anderson  
Vice President, Finance  
Centra Gas British Columbia Inc.  
1675 Douglas Street  
P.O. Box 3777  
Victoria, B.C. V8W 3V3

Dear Mr. Anderson:

Re: Centra Gas British Columbia Inc.  
Deferral Account Treatment of New Customer Passthrough Costs

In accordance with the Special Direction, Commission Order No. G-136-99 approved for Centra Gas British Columbia Inc. ("Centra Gas") the passthrough recovery of increased gas costs forecasted to total approximately \$2.9 million by the end of 1999 from New Customers effective January 1, 2000. The Order approved a New Customer Rate Balancing Account, as a notional account for the purpose of establishing and tracking New Customer Passthrough Costs and the revenue generated through Rider C. The implication from the Special Direction is that the notional account is to remain part of the Revenue Deficiency Deferral Account which is funded by Westcoast purchasing preferred shares from Centra Gas.

In a letter dated December 23, 1999, Centra Gas informed the Commission that Centra Gas will record an entry in 1999 to reduce the cost of gas by approximately \$2.9 million and set up the passthrough costs as a deferred balance sheet asset. The treatment is described as reducing the revenue deficiency financing cost in 1999 which is a benefit to customers. The deferral account will not attract financing costs and will not form a part of the adjusted cost of service.

The deferral account treatment is intended to reduce the 1999 revenue deficiency that is funded by Westcoast and should result in increased short term debt financing in 2000 by Centra Gas. Depending on the avoided cost of preferred share financing and the increased cost of short term debt, the customers may benefit from a reduction in the forecasted Revenue Deficiency Deferral Account for 1999 and 2000. As the deferral account treatment is intended to benefit Centra Gas' shareholders in 1999, any net incremental financing costs for 1999 and 2000 are not to accrue to the Centra Gas customers.

Yours truly,

*Original signed by:*

Robert J. Pellatt

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