



LETTER NO. L-62-06

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Log No. 15837

VIA E-MAIL

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October 5, 2006

Mr. Moe A. Blumes
Treasurer
Stargas Utilities Ltd.
2287 Selkirk Drive
Kelowna, B.C. V1V 2N6

Dear Mr. Blumes:

Re: Stargas Utilities Ltd. ("Stargas")
F2007 Application to Alter Rates
Locking in Gas Commodity Prices

This is in response to your September 29, 2006 e-mail in which you express an intention to lock in gas commodity prices for 80 percent of purchase volumes for three to five years, and request guidance from the Commission with respect to these plans.

The Commission has reviewed Stargas' Information Request responses dated August 27, 2006, which state that the gas supply contract with Direct Energy will remain in effect until one party gives written notice of termination. The Commission has not identified any issues at this time with respect to the gas supply contract.

With regard to locking in commodity prices for up to 80 percent of purchase volumes for three to five years, the Commission considers this to be a relatively aggressive hedging strategy but accepts the strategy in the current market conditions, providing Stargas surveys the opportunities to fix prices that are available to it and confirms that the fixed price it obtains is market competitive.

To the extent Stargas locks in gas prices, Stargas is required to file any amendments to its energy supply contract with Direct Energy and is requested to file a report on the locked-in price and quantity, in a timely fashion. Also, if the locked-in gas price is materially different from its forecast of gas prices, Stargas is requested to recalculate and file updated gas commodity charges for Commission review in the F2007 Application to Alter Rates.

Yours truly,

Original signed by

Robert J. Pellatt

JBW/dlf