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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER E-19-94

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AN ORDER IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60, as amended

and

An Application by Centra Gas British Columbia Inc.
for Pricing Arrangements for the 1994/95 Gas Contract Year

BEFORE: M.K. Jaccard, Chairperson; and)
K.L. Hall, Commissioner) October 27, 1994

O R D E R

WHEREAS:

- A. On October 20, 1994 Centra Gas British Columbia Inc. ("Centra Gas") applied to the Commission for approval of gas supply pricing arrangements for the 1994/95 gas contract year with Petro Canada Resources Ltd. ("Petro-Canada") and Talisman Energy Inc. ("Talisman"); and
- B. Centra Gas also requested approval of its strategy to hedge the price of most of its purchases from Petro-Canada, Talisman and Husky Oil Operations Ltd. ("Husky") during November 1994 through March 1995; and
- C. Commission Letter No. L-21-94 approved Centra Gas' 1994/95 Gas Contracting Plan and included a requirement that the utility justify any indexed prices and price hedging for the 1994/95 gas contract year; and
- D. Centra Gas filed information regarding the widespread use of indexed prices and the use of price hedging to reduce price risk; and
- E. The Commission has reviewed the application and is satisfied that the gas supply pricing arrangements and the hedging proposal should be approved.

NOW THEREFORE pursuant to Section 85.3 of the Utilities Commission Act and the Rules, the Commission orders the following for Centra Gas:

- 1. The Letter Agreement with Talisman dated October 5, 1994 which establishes 1994/95 pricing that is based on NYMEX prices for the contract dated April 30, 1991 is approved.
- 2. The Letter Agreement with Petro-Canada dated September 28, 1994 which establishes 1994/95 pricing that is based on NYMEX prices for the contract dated April 30, 1991 is approved.
- 3. Centra Gas' strategy to hedge the price of the greater part of purchases from Talisman, Petro-Canada and Husky during November 1994 through March 1995 at current index levels is approved in principle.

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4. Centra Gas is directed to file, within 30 days of the expiry of a period for which prices are hedged, a report comparing the hedged gas prices with the prices that would otherwise have been payable, and further, to set out in some detail its hedging strategy as part of its 1995/96 gas contracting plan.
5. Centra Gas is directed to file, in a timely manner, the executed contract amendments and a statement of the hedging positions that it establishes.

DATED at the City of Vancouver, in the Province of British Columbia, this *3rd* day of November, 1994.

BY ORDER



Dr. Mark K. Jaccard
Chairperson