LETTER NO. L-58-97

ROBERT J. PELLATT
COMMISSION SECRETARY

BRITISH COLUMBIA UTILITIES COMMISSION

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VIA FACSIMILE

September 11, 1997

Mr. John S. Barnes
President & General Manager
Central Heat Distribution Limited
720 Beatty Street
Vancouver, B.C.
V6B 2M1

Dear Mr. Barnes:

Re: Central Heat Distribution Limited
<u>1996 Annual Report to the Commission and the 1997 Financial Forecast</u>

The Commission has reviewed Central Heat's 1996 Annual Report to the Commission and the 1997 Financial Forecast. Central Heat continues the use of unfunded debt financing as it expects a period of low interest rates and because savings achieved in interest financing help to offset the requirement for tariff increases.

The Commission recognizes that financing the utility solely by short-term debt, in the absence of an interest deferral account, may provide increased returns to the shareholders. The Commission has reviewed Central Heat's forecasts of 1997 short-term debt costs and considers that the expected return on equity is in a zone of reasonableness that is acceptable to the Commission.

The Commission expects that past savings from the use of short-term debt are to be considered before an application to increase customer rates.

Yours truly,

Robert J. Pellatt

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CHDL/Cor/1996 AnnRpt/97 Financial Forecst