



LETTER No. L-22-01

ROBERT J. PELLATT
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VIA FACSIMILE

July 5, 2001

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: 1995 Losses-Pacific Coast Energy Corporation ("PCEC")

The Commission has reviewed the June 7, 2001 request by Centra Gas that it acknowledge the amount of PCEC 1995 losses for tax purposes and that these losses will not be used in determining revenue requirements in future rate proceedings.

The Commission has reviewed your request, along with the 1995 Vancouver Island Natural Gas Pipeline Agreement ("VINGPA") and the Province's audit results dated November 22, 1996 that examined plant additions, cost of service and revenue deficiency for 1995. The Commission notes that funding for revenue deficiencies ended on December 31, 1994 under Section 6.01 of VINGPA and the audit results specified a 1995 annual revenue deficiency for the Centra Distribution System, but did not identify a 1995 annual revenue deficiency for PCEC.

Subject to any finding from the Province with regard to the 1995 revenue deficiency of PCEC, the Commission considers that the shareholder is responsible for losses incurred by PCEC in 1995. The tax benefit realized from the application of 1995 tax losses will not be used in the determination of subsequent period revenue requirements to the extent such tax loss was the responsibility of the shareholder.

Yours truly,

Original signed by:

Robert J. Pellatt

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cc: Ms. Karen Koncohrada
Director, Minerals, Oil and Gas Branch
Ministry of Energy and Mines