



LETTER NO. L-23-03

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May 21, 2003

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V3S 2X7

Dear Mr. Thomson:

Re: Terasen Gas Inc.
2003/04 Gas Contracting Plan

On March 25, 2003, Terasen Gas filed its 2003/04 Gas Contracting Plan ("2003/04 GCP"), which sets out the strategy for acquiring the gas supplies that are needed for the 2003/04 contract year. It outlines the actions necessary to deal with events that may impact the natural gas industry over the next contracting period, and discusses longer term contracting decisions.

The key contracting decisions of the 2003/04 GCP are identified on page 8 and discussed on pages 8, 10 and 11, and the principles for Terasen Gas' longer term contract strategy are listed on pages 11 and 12. The Commission notes the revision in the development of the design weather year that is now based on a composite of the five coldest years during a 40-year period November 1, 1961 through October 31, 2001. The Commission also notes the split in the portfolio mix between the Interior Division and the Lower Mainland Division based on the segmentation of the Duke pipeline.

The Commission accepts the 2003/04 GCP subject to the comments noted in Appendix A and on the understanding that all individual gas supply contracts and amendments will continue to be filed in a timely fashion pursuant to Section 71 of the Utilities Commission Act. The information, exclusive of the Executive Summary, will be treated as confidential. The 2003/04 GCP identifies target ranges for the categories of supply, while the supply contracts will reflect the outcome of negotiations, current market price factors and security of supply considerations. When the supply contracts are filed, Terasen Gas will be expected to justify that each contract is consistent with meeting the needs of core customers at the lowest overall costs.

The Commission accepts the Revelstoke propane acquisition strategy as filed April 2, 2003 for the period September 2003 to March 2004 and notes it is similar to the arrangement applied in the prior year. This material will also be held confidential and the contract is to be filed with the Commission along with a justification that satisfies the criteria for lowest overall costs.

Yours truly,

Original signed by:

Robert J. Pellatt

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Attachment