



**LETTER No. L-45-03**

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**VIA FACSIMILE**  
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September 22, 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.  
Third Quarter 2003 Report – Fort Nelson Service Area  
Gas Cost Flow-Through and Gas Cost Reconciliation Account Guidelines

Further to your September 9, 2003 filing of the above noted report for the Fort Nelson service area recommending that Gas Cost Recovery Charges and Gas Cost Reconciliation Account riders remain unchanged as of October 1, 2003, the Commission accepts your recommendation. The Commission acknowledges that Terasen is expecting to file a 2004 revenue requirements application in the near future, which may warrant an increase in delivery charges.

We note that there is a degree of volatility in natural gas commodity prices at this time. The rate change trigger mechanism was 106.4 percent based on recent forward prices, which suggests a rate decrease is required. However, we confirm that Terasen will monitor the gas supply costs in Fort Nelson and report any future changes that are required in the Fourth Quarter 2003 Report.

Yours truly,

*Original signed by:*

Robert J. Pellatt

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