



LETTER No. L-28-03

ROBERT J. PELLATT
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June 25, 2003

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

Dear Mr. Thomson:

Re: Terasen Gas Inc. ("Terasen Gas")
Second Quarter 2003 Report
Gas Cost Flow-Through and Gas Cost Reconciliation Account Guidelines

Terasen Gas' Second Quarter 2003 Report dated June 6, 2003 indicated, pursuant to the Guidelines outlined in Letter No. L-5-01, that a rate change is not required.

The forward and actual monthly index prices for Sumas, AECO and Station No. 2 remain very volatile and the GCRA levels in the short term (March 1, 2003 and June 30, 2003) are lower than anticipated. Based on the May 29, 2003 Sumas forward prices, the rate change trigger mechanism is within the 95 percent to 105 percent deadband.

Therefore, the Commission accepts Terasen Gas' recommendations that a rate change is not required at this time.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/yl