



LETTER No. L-29-03

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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.
Second Quarter 2003 Report – Fort Nelson Service Area
Gas Cost Flow-Through and Gas Cost Reconciliation Account Guidelines

Further to your June 6, 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 July 1, 2003, the Commission accepts your recommendation when considering the volatility of natural gas markets and the GCRA account balance.

We note that there is a high degree of volatility in natural gas commodity prices at this time. The rate change trigger mechanism was 90.5% based on May 29, 2003 forward prices which suggests a rate increase is required. However, offsetting the under-recovery of gas purchase costs is a credit in the GCRA account which is not expected to be fully drawn down until November 2003. We confirm that Terasen Gas will monitor the gas supply costs in Fort Nelson and report any future changes that are required in the Third Quarter 2003 Report.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/chm