



**LETTER NO. L-32-04**

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. CANADA V6Z 2N3  
TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

ROBERT J. PELLATT  
COMMISSION SECRETARY  
Commission.Secretary@bcuc.com  
web site: <http://www.bcuc.com>

Log No. 6539, 6553

**VIA E-MAIL**

June 28, 2004

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

Dear Mr. Thomson:

Re: Terasen Gas (Vancouver Island) Inc.  
2004 First Quarter Gas Cost Report  
2004 Second Quarter Gas Cost Report

The Commission has examined the 2004 First and Second Quarter Gas Cost Reports provided by Terasen Gas Vancouver Island ("TGVI") dated June 8, and June 9, 2004 respectively. The recommendation in the 2004 Second Quarter Gas Cost Report that rates remain unchanged is accepted. The Gas Cost Variance Account ("GCVA") is projected to be at a deficit of \$6,727,100 by year end and the Revenue Deficiency Deferral Account ("RDDA") is tracking forecast.

In the 2004 First Quarter Gas Cost Report, TGVI proposes that GCVA imbalances be transferred to the RDDA. This is an issue that TGVI will have to present during the annual review process as this is a departure from the negotiated settlement approved by Order No. G-2-03.

Yours truly,

*Original signed by:*

Robert J. Pellatt

RB/yl