



**LETTER NO. L-45-04**

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**VIA E-MAIL**

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August 27, 2004

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

Dear Mr. Thomson:

**Re: Terasen Gas (Squamish) Inc.  
Main Extensions Review - 1999 to 2002**

The Commission has examined the April 22, 2004 filing of the 1999 to 2002 Squamish Main Extensions Review ("Main Extensions Review") in accordance with the approach described in Letter No. L-46-94. The Main Extensions Review compares the projected and actual Rate Stabilization Fund ("RSF") impact of construction costs, customer additions and volume additions. Terasen Gas (Squamish) Inc. ("TGS") uses the per unit rates of revenue, cost of gas, O&M / customer, income taxes and property taxes from the approved extension in determining the actual RSF impact.

Five or more years of information has been provided for Hunter Place, Marina Estates, Mamquam Holdings, Warehouse Complex, Eagle Grove Seniors Housing, Government Road Pub, and Stawamus Reserve main extensions approved from 1995 to 1998. The variance explanation provided with the report regarding these extensions is acceptable and no additional analysis is required. In accordance with Letter No. L-46-94, these main extensions may be removed from future review reports as five years of results have been reported and all RSF draws have been repaid.

The Gambier Street extension has a small unpaid RSF draw at the end of 2002. Letter No. L-46-94 expected that the unpaid RSF draw variance would be settled at the end of five years. TGS proposes to continue reporting on the Gambier Street extension until a consistent pattern of profitability has been established. Considering the small unpaid RSF draw on the Gambier Street extension and that continuous annual repayments have been made since 1998, continued reporting is acceptable. Westway Avenue main extension has exceeded the forecast RSF draw variance limit of 15 percent and has an unpaid RSF draw balance. Further reporting of Westway Avenue main extension is required until five years of reporting has been provided and the accumulated RSF draw balance has been repaid or until settlement is made for the RSF draw variance.

Even though Diamond Willow main extension has a small RSF repayment balance, this main extension has under-performed since it has exceeded the forecast RSF draw variance limit of 15 percent. Under-performing main extensions must be included in the yearly main extension report for a period of five years as per Letter No. L-46-94.

The Brackendale / Garibaldi Highlands main extension has significantly underperformed from forecast, accumulating an RSF draw of \$1,254,863 at the end of 2002. Considerable annual draws have occurred over the last four years including an RSF draw of \$379,734 in 2002. TGS acknowledges in its filing that it is aware of its commitments and obligations under the Brackendale / Garibaldi Highlands approval. Also, TGS notes it has had an initial meeting with Ministry staff to discuss the resolution of the RSF shortfall from the Brackendale / Garibaldi Highlands main extension and that further discussions are anticipated.

Yours truly,

*Original signed by:*

Robert J. Pellatt

DC/cms

cc: Mr. Stirling M. Bates, Director, Regulatory Policy  
Oil and Gas Policy Branch / Oil and Gas Division  
Ministry of Energy and Mines  
Mr. Paul Wieringa, Director  
Electricity Policy Branch  
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