



**LETTER NO. L-66-04**

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

Log No. 7097, 7341

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

**VIA E-MAIL**

[Stirling.Bates@gems6.gov.bc.ca](mailto:Stirling.Bates@gems6.gov.bc.ca)

December 24, 2004

Mr. Stirling M. Bates  
Director, Regulatory Policy  
Oil and Gas Policy Branch / Oil and Gas Division  
Ministry of Energy and Mines  
PO Box 9318, Stn Prov Gov't  
5th Floor, 1810 Blanshard Street  
Victoria, BC V8W 9N3

Dear Mr. Bates:

Re: Terasen Gas (Squamish) Inc.  
Tantalus Road Main Extension

The Commission has reviewed the financial projections contained in the Terasen Gas (Squamish) Inc. ("Squamish") Tantalus Road main extension application dated August 16, 2004. Due to an administrative error in 2003, Squamish filed the main extension application after construction had commenced. The Commission agrees, that based on the information available, the extension should proceed.

Consistent with previous main extension applications, Squamish will take responsibility for increased RSF funding that result from:

1. Capital costs that are higher than forecast; and
2. Customer consumption and attachments less than forecast.

The Squamish information response dated September 16, 2004 provided additional information. In the application Squamish has included natural gas prices based on its approved July 1, 2004 rates. According to the RSF draw calculation, which includes the \$55,000 contribution in aid of construction from the developer and a \$300 contribution from each new customer attachment, the cumulative RSF draws should be repaid by 2008. However, the profitability of the main extension is significantly impacted by the attachment and forecast usage of the LGS-2 hotel customer. If the hotel were not attached the main extension would become uneconomic.

Commission letter dated September 11, 1998 to Squamish Gas Co. Ltd. entitled “Mains Extensions – Westway Avenue and Diamond Willow” states: “With regard to future mains extension applications under the Squamish Rate Stabilization Agreement, the Commission requests that such mains extensions applications be sent directly to the Ministry of Energy and Mines with a copy to the Commission. Commission staff will continue to provide the Ministry with a financial review of the application and the Ministry’s decision letters can be sent directly to Squamish Gas with a copy to the Commission.” The Commission requests that this process be followed for future applications.

The Commission is requesting a letter from the Ministry to Squamish that approves of the Tantalus Road main extension. If the Ministry does not approve the extension or requires changes which will affect the RSF draw calculations, please provide details explaining the disapproval or the changes.

Yours truly,

*Original signed by:*

Robert J. Pellatt

DC/cms

cc: Mr. Scott A. Thomson, Senior Vice President and CFO  
Terasen Gas (Squamish) Inc.  
Mr. Paul Wieringa, Director  
Electricity Policy Branch  
Ministry of Energy and Mines