



**LETTER NO. L-51-04**

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**VIA E-MAIL**

Regulatory.Affairs@terasengas.com

October 18, 2004

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

Dear Mr. Thomson:

Re: Terasen Gas (Vancouver Island) Inc.  
2004/05 Annual Gas Contracting Plan

On September 15, 2004, Terasen Gas (Vancouver Island) Inc. ("TGVI") filed its 2004/05 Annual Gas Contracting Plan ("AGCP"), that develops the strategy for acquiring gas supplies that are required for the 2004/05 gas contract year. It outlines the implementation strategy over the next year and discusses longer term contracting issues. The key gas supply portfolio changes for 2004/05 are identified on page 10, Section 2.5.1.

The Commission notes that TGVI filed on June 18, 2004 its 2004 Resource Plan and that a public review process and oral hearing commencing on November 17, 2004 have been established to consider the Resource Plan and an application by TGVI dated August 14, 2004 for a Certificate of Public Convenience and Necessity for a Liquefied Natural Gas facility. The Commission also notes that the 2004/05 AGCP is part of the normal utility supply procurement process for the 2004/05 gas contract year, and anticipates that longer term supply gas matters addressed in the 2004/05 AGCP may be considered and reviewed in the public hearing process to consider the Resource Plan. For greater certainty, consideration of the 2004/05 AGCP does not in any way determine matters in issue in the public review process related to the Resource Plan.

The Commission accepts the key gas supply portfolio changes for 2004/05 as identified in Section 2.5.1 of the 2004/05 AGCP subject to the understanding that all individual gas supply contracts and amendments will continue to be filed in a timely manner pursuant to Section 71 of the Utilities Commission Act. The information

exclusive of the Executive Summary will be treated as confidential. When the contracts are filed, TGVI will be expected to justify that each contract is consistent with meeting the needs of the core customers at the lowest overall costs.

Table 11 indicates a surplus of peak day supply based on the assumption that BC Hydro peaking contract will be renewed for the 2004/05. In future gas contracting plans, TGVI will be expected to demonstrate that it is making optimal use of peaking supplies that are available to it.

Yours truly,

*Original signed by:*

Robert J. Pellatt

RB/cms