



LETTER NO. L-105-05

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Log No. 10878

VIA E-MAIL

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December 2, 2005

Mr. Scott A. Thomson
Senior Vice President and CFO
Terasen Gas (Squamish) Inc.
16705 Fraser Highway
Surrey, B.C. V3S 2X7

Dear Mr. Thomson:

Re: Terasen Gas (Squamish) Inc.
Main Extensions Review - 2004

The Commission has examined the July 26, 2005 filing of the 2004 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. ("Terasen Squamish") 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.

Terasen Squamish in its Mains Extensions Review reported on four main extensions: Gambier Street, Diamond Willow, Westway Avenue, and Brackendale/Garibaldi Highlands. Terasen Squamish states that it will continue reporting on these main extensions in future reviews.

More than five years of information has been provided for Gambier Street and Westway Avenue main extensions. However, both of these main extensions have unpaid RSF draw balances at the end of 2004. Letter No. L-46-94 states that settlement of the RSF draw variance is expected to be made at the end of five years for small extensions. Since five years of reporting has been completed, these two main extensions may be removed from further reporting if settlements for the current unpaid RSF draw variances are made to the Province as was expected in Letter No. L-46-94.

Diamond Willow main extension has completed four years of actual results and at the end of 2004 has a RSF repayment balance of \$356. Continued reporting is appropriate.

The Brackendale/Garibaldi Highlands main extension has significantly underperformed from forecast, accumulating an RSF draw of \$2,003,529 at the end of 2004 instead of the forecast RSF repayment of \$93,292. Considerable annual draws have occurred over the last six years including an RSF draw of \$376,273 in 2004. Letter No. L-46-94 states that for under-performing extensions, if the RSF draw variance exceeds 15 percent, the utility will only be paid the RSF draw shown in the approved application. If an extension was expected to repay the RSF in a year but the RSF variance indicates that a draw was made, no draw will be allowed for the extension. If the variance on an RSF repayment for an extension exceeds 15 percent, the difference between the actual and forecast RSF repayment will be deducted from the RSF draw for the utility. Since the

Brackendale/Garibaldi Highlands main extension has under-performed from forecast, no draw should be allowed for this main extension in the calculation of the actual RSF.

Yours truly,

Original signed by:

Robert J. Pellatt

DC/dg

cc: Mr. Stirling Bates, Director, Regulatory Section
Ministry of Energy, Mines and Petroleum Resources
Mr. Paul Wieringa, A/Executive Director, Oil and Gas Policy Branch
Ministry of Energy, Mines and Petroleum Resources