



LETTER NO. L-53-05

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. 10550

VIA E-MAIL

Stirling.Bates@gov.bc.ca

July 14, 2005

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

Dear Mr. Bates:

Re: Terasen Gas (Squamish) Inc.
Penny Lane Main Extension

The Commission has reviewed the financial projections contained in the Terasen Gas (Squamish) Inc. ("Terasen Squamish") Penny Lane main extension application dated June 30, 2005. Based on the information provided, the Commission agrees that the extension should proceed.

Due to the nature of the development and the uncertainty of demand, Terasen Squamish is not prepared to assume the volume risk, and therefore economic risk, for the development. As such, the Penny Lane developer has agreed to pay a refundable contribution in aid of construction of \$9,700 for the entire cost of the main extension. Terasen Squamish will take responsibility for increased Rate Stabilization Facility ("RSF") funding that results from capital costs that are higher than forecast.

In the application, Terasen Squamish has included natural gas prices based on its January 1, 2005 effective tariff and the July 1, 2005 effective gas cost. The RSF impact analysis pertaining to the Penny Lane main extension indicates favourable RSF payments for the first four years. Based on essentially no load, the Annual RSF Discounted Cumulative Draw will be \$293 at the end of 20 years.

Due to developer construction timelines, the Terasen Squamish Penny Lane main extension application should be considered at the Ministry's earliest convenience. If approval is granted, the Commission requests a copy of the Ministry's response to Terasen Squamish approving the Penny Lane main extension. Should the Ministry not approve the extension, or require changes that affect the RSF payment calculations, please provide the Commission with details regarding the disapproval, or the changes.

Yours truly,

Original signed by:

Robert J. Pellatt

DC/yl

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