



LETTER NO. L-35-05

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Log No. 10116

VIA E-MAIL

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June 2, 2005

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.
Proposed Main Extension to Sea to Sky University

The Commission has reviewed the financial projections contained in the Terasen Gas (Squamish) Inc. ("Terasen Squamish) Sea to Sky University ("SSU") main extension application dated May 13, 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, SSU has agreed to pay a refundable contribution in aid of construction ("CIAOC") for the entire cost of the main extension. Consistent with previous main extension applications, Terasen Squamish will take responsibility for increased Rate Stabilization Facility ("RSF") funding that results from capital costs that are higher than forecasted.

In the application, Terasen Squamish has included natural gas prices based on its approved January 1, 2005 rates. The RSF impact analysis pertaining to the SSU main extension indicates favourable RSF payments for each of the 20 years in the forecast period (Case 2). If no load materializes (Case 1), the Annual RSF Discounted Cumulative Draw will be \$28,707 at the end of 20 years.

Due to developer construction timelines, the Terasen Squamish SSU 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 SSU 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 and Mines