



**LETTER NO. L-15-05**

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Log No. 9249

**VIA E-MAIL**

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March 4, 2005

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

Dear Mr. Thomson:

Re: Terasen Gas Inc. ("Terasen Gas")  
Application for Rate Schedules 7, 10, 14 and 14A  
Market Based Commodity Rates for the 2005/06 Gas Contract Year

Following a written hearing process, Commission Order No. G-64-04 and Reasons for Decision approved Rate Schedule 7, 10, 14 and 14A tariffs for the gas contract year from November 1, 2004 through October 31, 2005. Pursuant to directions in the Reasons for Decision, Terasen Gas subsequently filed the following reports:

- A letter dated December 14, 2004 which provided a fully allocated cost of service study for the provision of Rate Schedule 14 and 14A service in relation to Gas Management Fee revenue from these rate schedules, and a statement regarding the analysis from Terasen Gas' Internal Audit Services;
- A letter dated January 10, 2005 regarding the development and cost of a single combined billing option for customers buying their commodity through marketers, and the response from marketers which led Terasen Gas to conclude that the demand for a combined bill is insufficient to warrant further action. A confidential report by Accenture Business Services for Utilities ("ABSU") on the cost of providing a single billing option was appended to the letter; and
- A letter dated February 9, 2005 which provided an analysis of the cost of core market supply resources that are used to provide gas balancing for transportation customers, and recommendations on a Swing Premium methodology for the 2005/06 gas contract year.

On February 23, 2005, Terasen Gas submitted its application for Rate Schedules 7, 10, 14 and 14A for the November 1, 2005 to October 31, 2006 gas contract year (the "Application"). Terasen Gas proposes to maintain the current terms of service for the most part, but sought approval for the following changes:

- Rate Schedule 14 for service to marketers and customers who do not require gas nominating and balancing service, will not be available for 2005/06; and
- The Swing Premium for the Annual Fixed Price option under Rate Schedule 14A would be reduced from \$0.93/GJ to \$0.69/GJ.

The Commission requests that Terasen Gas make available on its web page at [www.terasengas.com](http://www.terasengas.com) the Application and the foregoing reports (except for the confidential ABSU report) that Terasen Gas filed in response to Order No, G-64-04 and Reasons for Decision. Terasen Gas is also requested to provide a copy of this letter to all Rate Schedule 7, 10, 14 or 14A customers in the 2003/04 and 2004/05 gas contract years, and to all gas marketers who are active in Terasen Gas service area.

Interested parties are invited to provide comments on the Application, and on the single billing option and other reports that Terasen Gas has filed, to the Commission by Friday, March 18, 2005, with a copy to Terasen Gas. Terasen Gas may respond to the comments by Friday, March 25, 2005. After reviewing the comments, the Commission intends to render a decision regarding the Application.

Yours truly,

*Original signed by:*

Robert J. Pellatt

JBW/yl

cc: TGI-RS7 Participants