



**LETTER NO. L-19-05**

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**VIA E-MAIL**

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March 23, 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 (Vancouver Island) Inc. ("TGVI")  
BCUC Order No. G-69-03 and Letter No. L-21-04  
Preliminary Expenditures on Gas Supply to Vancouver Island  
Deferral Account – January 2005 Update Report

On March 2, 2005, TGVI filed its January 2005 Update Report on the deferral account related to preliminary expenditures on gas supply to Vancouver Island. According to an update Report, actual expenditures to the end of January 2005 were \$2,061,000. Expenditures to the end of February 2005 are expected to total \$2,992,000. This amount includes \$246,000 for expenditures in February 2005 on the Resource Plan and Certificate of Public Convenience and Necessity ("CPCN") Application process. The Commission notes that written argument in this proceeding was completed on January 14, 2005.

In accordance with Commission Letter No. L-4-05, the Commission reiterates that the maximum amount of expenditures that TGVI is to record in the deferral account is \$2,074,000.

The Commission issued its Decision and Order No. C-2-05 dated February 15, 2005 which approved a CPCN for the liquefied natural gas ("LNG") storage project, with certain conditions. The Commission also issued Order No. E-1-05 dated February 17, 2005 and Reasons for Decision dated March 9, 2005 which accepted the Electricity Purchase Agreement with Duke Point Power Limited Partnership ("Duke Point Power"), with certain conditions. Both Decisions refer to a TGVI transportation service agreement ("TSA") with British Columbia Hydro and Power Authority for service to the Duke Point Power plant.

The Commission expects that TGVI will keep it informed of matters related to the TSA as well as the Engineering Procurement and Construction ("EPC") price and contract for the LNG project, and the LNG Storage Agreement between Terasen Gas Inc. and TGVI in a very timely fashion. Also, the next regular Update Report will be as of the end of March 2005. In the event that TGVI commits to an EPC contract for the LNG facility, the Commission expects that TGVI will then cease filing bimonthly Update Reports and commence filing monthly progress reports as required by Order No. C-2-05.

Yours truly,

*Original signed by:*

Robert J. Pellatt

JBW/ee