



**LETTER NO. L-45-05**

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**VIA E-MAIL**

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July 29, 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.  
Transmission Pipeline Integrity Plan ("TPIP")

On February 28, 2005, Terasen Gas filed its Final Completion Report for the 2002 TPIP Certificate of Public Convenience and Necessity ("CPCN"), Commission Order No. C-3-02. Terasen Gas also filed its 2004 TPIP Activities Report. Terasen Gas met with staff from the Oil and Gas Commission and the BCUC on April 21, 2005 to discuss the reports, and on June 1, 2005 Terasen Gas provided additional information on the 24-inch pipeline retrofit cost variance in the 2002 CPCN Final Completion Report.

The Commission notes with some concern the cost variance for the 24-inch retrofit program, but recognizes the factors that Terasen Gas identifies in its explanation of the variance and accepts the Final Completion Report for the 2002 CPCN, Order No. C-3-02.

The Commission also accepts the 2004 TPIP Activities Report.

The Commission anticipates that Terasen Gas will file the Final Completion Report for the 2004 TPIP CPCN, (Order No. C-5-04) and a 2005 TPIP Activities Report in early 2006. The activities report should include a comprehensive summary of TPIP expenditures in 2005. Also, Terasen Gas should include a copy of its Integrity Management Plan with the filing.

The 2006 TPIP filings are expected to complete the reporting on the TPIP retrofitting CPCNs, and Terasen Gas should also have completed baseline assessments for its larger diameter transmission pipelines. In the 2006 filing, the Commission requests that Terasen Gas include recommendations on the appropriate level of reporting on

TPIP activities and results going forward. The Commission is particularly interested in the Integrity Management Plan, the Direct Assessment program and the methods that Terasen Gas uses to determine re-assessment schedules. The Commission does not wish to cause a regulatory burden, but anticipates that the importance of transmission system safety and reliability and the amount of ongoing TPIP expenditures warrant some level of reporting on the costs, results and benefits of the program.

Yours truly,

*Original signed by*

Robert J. Pellatt

JBW/cms

cc: Mr. Gord Hockridge  
Chief Inspecting Engineer  
Oil and Gas Commission