



LETTER NO. L-11-06

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VIA E-MAIL

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March 17, 2006

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.
Review of Main Extension Test

In a letter dated July 28, 2005, Terasen Gas (Vancouver Island) Inc. ("TGVI") noted that TGVI had committed to provide a main extension report to the Commission, and outlined challenges faced by TGVI in providing the information required to complete the report. In its letter TGVI requested certain changes to the scope of the report and to the timing of filing of the report.

By letter dated September 22, 2005 (Exhibit A-4 of the TGVI 2006/07 Revenue Requirements proceeding), the Commission proposed that issues related to the main extension test including the July 28 letter be within the scope of the Negotiated Settlement Process ("NSP") established to review the TGVI's 2006/07 Revenue Requirement. By letter dated September 27, 2005, the Commission confirmed that main extension test issues were to be included within the scope of the NSP, and noted that the Commission and intervenors could file information requests on those issues.

The Negotiated Settlement Agreement, approved by Order No. G-126-05, stated that TGVI would adopt the Terasen Gas Inc. ("TGI") main extension test, with appropriate revisions to the inputs, commencing January 1, 2006.

The Commission accepts that the report, to which TGVI referred in its July 28 letter, is of limited use now that TGVI has adopted the same test as TGI. However, the Commission directs TGVI to ensure that its records

contain sufficient data to enable TGVl to provide meaningful reviews upon request of the main extension test's performance. This would include information such as the accuracy of forecasts relative to actual attachments and usage. TGVl is directed to file a report to the Commission by April 30, 2006 that describes the main extension test inputs for TGI and TGVl and explains the reasons for any differences. The report should describe the measures that TGVl proposes to use to assess the accuracy and effectiveness of the TGVl main extension test, and the data that TGVl will collect to support those measures.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/yl

cc: 2006-2007 Negotiated Settlement Participants
(TGVl_2006-07RR-RI)