



LETTER NO. L-32-06

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VIA E-MAIL

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June 28, 2006

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
& Chief Financial Officer
Terasen Gas (Vancouver Island) Inc.
16705 Fraser Highway
Surrey, BC V3S 2X7

Dear Mr. Thomson:

Re: Terasen Gas (Vancouver Island) Inc.
Initial Repayment of Government Repayable Contribution

By letter dated June 6, 2006, Terasen Gas (Vancouver Island) Inc. ("TGVI", the "Company") advised the Commission that it is the intention of TGVI to make an initial repayment of the Canada Repayable Contribution on June 30, 2006 in accordance with the Pacific Coast Energy Pipeline Agreement dated December 14, 1995 (the "PCEPA"). TGVI's letter describes how the PCEPA provided funding for the Vancouver Island natural gas pipeline through a \$50 million Canada Repayable Contribution and a \$25 million British Columbia Repayable Contribution and that the loans are repayable commencing in 2012, subject to earlier repayment in accordance with Section 5.06.

TGVI became able to access non-government debt financing on January 13, 2006 through the PCEPA Repayment Credit Agreement that met the requirements under Section 5.06 of the PCEPA and was approved by Commission Order No. G-136-05. In TGVI's view the application of Section 5.06 of the PCEPA in the context of the Special Direction is not clear. This raises the question of whether the required repayment should be in reference to a forecast surplus (under Section 5.06 of PCEPA) or an actual surplus (under the Special Direction). TGVI believes that the PCEPA was intended to be consistent with the Special Direction and is requesting Commission confirmation on or before June 30, 2006 that the Commission takes no issue with Company's intended approach (the "Submission").

The Commission has reviewed TGVI's Submission and confirms that the Commission takes no issue with the Company's intended approach for repayments under the PCEPA and the repayment of the Canada Repayable Contribution in the amount of \$6,222,597 on June 30, 2006.

Yours truly,

Original signed by

Robert J. Pellatt

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