



**LETTER NO. L-42-06**

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**VIA E-MAIL**

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July 28, 2006

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

Dear Sirs:

Re: Terasen Gas Inc. ("Terasen Gas")  
2006 Price Risk Management Plan (November 2006 – October 2009)  
Application for Reconsideration of Letter No. L-20-06

The Terasen Gas 2006-2009 Price Risk Management Plan ("PRMP") Application dated April 25, 2006 requested confirmation that the definition of a hedging term include one year as well as one summer or winter season. Commission Letter No. L-20-06 responded to the PRMP, and denied the request that the definition of a hedging term include one year. By letter dated June 22, 2006, Terasen Gas requested that the Commission reconsider this part of Letter No. L-20-06. To alleviate concerns that a one year hedge could move forward a later scheduled hedge, Terasen Gas proposed to use a "lesser of" rule so that a currently scheduled hedge would only be delayed, and not advanced, in order to execute a one year hedge.

As Terasen Gas is aware, an application for reconsideration by the Commission proceeds in two phases. In the interests of regulatory efficiency and fairness, in the first phase the Commission screens a reconsideration application to see if it establishes a prima facie case sufficient to warrant a reconsideration. The Commission generally applies the following criteria to determine whether or not a reasonable basis exists for allowing reconsideration:

- the Commission has made an error in fact or law;
- there has been a fundamental change in circumstances or facts since the Decision;
- a basic principle had not been raised in the original proceedings; or
- a new principle has arisen as a result of the Decision.

Terasen Gas' June 22, 2006 letter does not address these criteria in support of its request for a reconsideration, or demonstrate that the Commission's Decision will have a material adverse effect. The Commission concludes that

Terasen Gas has not substantiated sufficient grounds to warrant a reconsideration of Letter No. L-20-06, and denies the application for reconsideration.

Nevertheless, the Commission recognizes that the PRMP is a living document. If circumstances change in the future, the Commission would be prepared to revisit the definition of hedging term in the content of a revised and updated PRMP.

Yours truly,

*Original signed by*

Robert J. Pellatt

JBW/dlf