



Letter No. L-70-06

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 15653

VIA E-MAIL

regulatory.affairs@terasengas.com

November 15, 2006

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
Terasen Gas Inc.
Terasen Gas Vancouver Island Inc.
16705 Fraser Highway
Surrey, B.C. V4N 0E8

Dear Mr. Thomson:

Re: Terasen Gas Inc. ("TGI")
and Terasen Gas (Vancouver Island) Inc. ("TGVI")
2006 Resource Plans

On July 31, 2006, the Commission received for review the 2006 Resource Plans of TGI and TGVI, respectively. The Resource Plans include five-year capital plans and statements of facilities expansion. The Companies are not requesting approval of the capital plans, but rather expect to file separate CPCN applications for any projects, as necessary, in accordance with BCUC guidelines.

The Action Plan in the TGVI Resource Plan describes that TGVI will continue to examine the feasibility of the Mt. Hayes Liquefied Natural Gas ("LNG") storage facility by consulting with stakeholders concerning the benefits of the proposed facility. Given the conclusions reached in the Resource Plan, and following additional stakeholder consultation, TGVI will then determine the timing and the appropriate course of action to advance the LNG project. The Action Plan in the TGI Resource Plan specifies that TGI will work with TGVI to examine the feasibility of the Mt. Hayes LNG facility as an on-system storage resource for both utilities.

The Commission has evaluated the 2006 Resource Plans of TGI and TGVI, respectively and it is satisfied that each plan has been prepared in accordance with its Resource Planning Guidelines and meets the requirements of Section 45(6.1) of the Utilities Commission Act ("UCA"). The Commission is of the view that the four-year Action Plans in each Resource Plan are reasonable under the current planning circumstances of TGI and TGVI. Accordingly, the Commission accepts each Resource Plan and determines that no further review is required at this time. Furthermore, the Commission accepts the TGI and TGVI capital plans and statements of facilities expansion as filed in accordance with Section 45(6) of the UCA.

Commission acceptance of each Resource Plan is based in part on the understanding that TGI and TGVI will continue to file annual gas contracting plans, annual price risk management plans and annual updates to its five-year capital plans and statements of facilities expansion. Commission acceptance of the TGVI Resource Plan should not be understood in any manner to signify at this time acceptance or approval of TGVI's likely preference to advance the Mt. Hayes LNG project. The Commission will review in due course a CPCN for the Mt. Hayes LNG project, if filed, including further review and evaluation, as necessary, of the resource portfolios and project feasibility as set out in the 2006 Resource Plan.

The Commission encourages TGI and TGVI to continue to consult with stakeholders and directs TGI and TGVI to file updated 2008 Resource Plans and associated Action Plans by the end of the first quarter of 2008.

Yours truly,

Original signed by:

Robert J. Pellatt

RG/rt