



LETTER NO. L-64-07

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VIA E-MAIL

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August 2, 2007

**TGVI/TGI Mt. HAYES LNG
STORAGE/DELIVERY AGREEMENT EXHIBIT A-5**

Mr. Karl E. Gustafson, Q.C.
Lang Michener LLP
1500 – 1055 West Georgia Street
PO Box 11117
Vancouver, B.C. V6E 4N7

Dear Mr. Gustafson:

Re: Terasen Gas (Vancouver Island) Inc. / Terasen Gas Inc.
Project No. 3698465 / Order No. G-63-07
Certificate of Public Convenience and Necessity Application
to enter into a Storage and Delivery Services Agreement
for the Mt. Hayes Liquefied Natural Gas Storage Project

This is in response to your letter dated August 1, 2007 requesting the Commission to consider and make Orders with respect to two matters related to the Application by Terasen Gas (Vancouver Island) Inc. ("TGVI") and Terasen Gas Inc. ("TGI") for the Mount Hayes LNG Storage Project ("the Project") (Exhibit C1-4).

1. Linkage of Increase in ROE to CPCN

The Vancouver Island Gas Joint Venture ("VIGJV") requests that the Commission direct TGVI to immediately declare whether it will proceed with the LNG facility, if approved, regardless of whether the Commission also approves the requested premium in ROE. The VIGJV also asks that the Commission sever the request for a premium in ROE be denied and severed from the Application.

The request for a premium in ROE was clearly stated in the Application, and prior to your letter no party requested that the issue be severed from the matters to be considered in the proceeding. TGVI has been asked to clarify its position on the linkage between the request for a premium in ROE and its willingness to proceed with the Project in Information Requests No. 1 and 2.

The Commission concludes that matters related to the request for a premium in ROE, including whether it should make a determination on the issue in this proceeding, should be addressed in evidence and agreement submitted in the proceeding. Therefore, the Commission denies the VIGJV request for an Order regarding this matter.

2. Inadequate Responses to Information Requests

VIGJV requests that the Commission direct TGVI and TGI to provide complete answers to several questions from Information Request No. 1, that Intervenor be permitted a further round of Information Requests to deal with the information in the responses and that written process be replaced by an oral hearing if TGVI and TGI fail to provide the information requested.

The Commission notes that VIGJV addressed most of these questions in its Information Request No. 2 dated August 1, 2007 (Exhibit C1-3). The outstanding item is Number 3 which deals with a *pro forma* copy of the tariff that would apply to a new third party shipper on its system. The Commission is not persuaded that the relevance of such a tariff to the proceeding at hand is sufficient to warrant a direction to TGVI to develop one at this time.

It is the responsibility of TGVI and TGI to provide responsive and complete answers to all relevant Information Requests directed to them. However, the Commission concludes that TGVI and TGI should be permitted to respond to Information Request No. 2 without further direction at this time. If the VIGJV continues to have concerns about the quality of the answers to its Information Requests after reviewing the responses to Information Request No. 2, it may wish to request a third set of Information Requests or seek an Order to have TGVI and TGI respond to specific questions or to replace the written process with an oral hearing. Therefore, at this time, the Commission denies the VIGJV request for an Order.

Yours truly,

Original signed by:

Robert J. Pellatt

JBW/dlf