



LETTER No. L-91-07

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Log No. 22272

VIA E-MAIL

November 7, 2007

Regulatory.Affairs@terasengas.com

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

Dear Mr. Thomson:

Re: Terasen Gas Inc. ("TGI") and Terasen Gas (Vancouver Island) Inc. ("TGVI")
Administrative Matters related to the Amalgamation of TGI and
Terasen Gas (Squamish) Inc. ("TGS") effective January 1, 2007 (the "Amalgamation")

On October 16, 2006, TGI filed Advance Review Materials to set rates for 2007 in accordance with the Settlement Agreement for the 2004-2007 Multi-Year Performance-Based Rate Plan. The Advance Review Materials also included a request that the Commission approve the amalgamation of TGI and TGS effective January 1, 2007 (the "2007 Rate Application").

The Province of British Columbia (the "Province"), TGI, TGVI and TGS had entered into a Squamish Gas Arrangements Termination Agreement dated October 5, 2006 (the "Termination Agreement"). The Termination Agreement required, among other items, that the TGS and TGVI Transportation Service Agreement dated April 1, 1990 (the "TSA") be amended to provide for a unit toll of \$1.05/GJ effective January 1, 2007 for the transport of natural gas on the TGVI system to TGS. In regards to the Amalgamation, on November 2, 2006, the Province issued Order of the Lieutenant Governor in Council ("OIC") Nos. 766, 767 and 768 and Vancouver Island Natural Gas Pipeline Special Direction No. 3 to the Commission.

By Order No. G-160-06 dated December 18, 2006, the Commission approved TGI's 2007 Rate Application effective January 1, 2007 and the requested revisions that were required as a result of the Amalgamation. In that Order, the Commission agreed with TGI's legal opinion that Commission approval was not required for the Amalgamation.

On October 3, 2007, TGI and TGVI requested approval of three administrative matters regarding the Amalgamation:

1. TGVI requests that the Commission accept the amendment of the TSA effective January 1, 2007 as described in Section 2.4 of the Termination Agreement pursuant to Sections 3 and 4 of Special Direction No. 3. These amendments fix the toll paid to TGVI by TGI for transportation on the TGVI system at \$1.05/GJ. The amendments also fix the term of the TSA so that it terminates on the later of the date the TGVI revenue deficiency is reduced to zero or the date which the Commission establishes a new transportation rate for transportation of gas to Squamish.

The Commission accepts that this requested amendment is in accordance with Section 2.4 of the Termination Agreement, OIC 768-06 and Sections 3 and 4 of Special Direction No. 3.

2. TGI requests Commission approval, effective January 1, 2007, of the Second Revision of Page D-6 Tariff page pursuant to Section 5.3 of the Termination Agreement and Sections 8 and 9 of Special Direction No. 3 to include "Squamish" within the defined area of the Lower Mainland Service Area.

The Commission accepts that this requested amendment is in accordance with Section 5.3 of the Termination Agreement and Sections 8 and 9 of Special Direction No. 3. Enclosed is an endorsed copy of the Second Revision of Page D-6 Tariff page approved effective January 1, 2007 by Commission Order No. G-160-06.

3. TGI requests Commission endorsement of the First Revision of Frontispiece formally cancelling the TGS Gas Tariff which no longer exists as approved by Commission Order No. G-160-06.

Enclosed is an endorsed copy of the First Revision of Frontispiece formally cancelling the TGS Gas Tariff approved effective January 1, 2007 by Commission Order No. G-160-06.

Yours truly,

Original signed by

Erica M. Hamilton

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Enclosures