



LETTER NO. L-45-08

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VIA E-MAIL

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September 26, 2008

**TERASEN UTILITIES
2008 RESOURCE PLAN**

EXHIBIT A-3

Mr. Tom Loski
Chief Regulatory Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Loski:

Re: Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and
Terasen Gas (Whistler)
2008 Resource Plan – Project No. 3698520

On May 28, 2008 Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) (collectively "Terasen") filed their Energy Efficiency and Conservation Programs Application (the "EEC Application"). On June 20, 2008 by Order G-102-08 the Commission established a preliminary regulatory timetable to review the EEC Application. Subsequently on September 18, 2008 by Order G-130-08 the Commission established a written hearing process and regulatory timetable for the EEC Application.

On June 27, 2008 Terasen filed its 2008 Resource Plan (the "Resource Plan") and on August 22, 2008 the Commission, by Order G-120-08, established a written review process and regulatory timetable for the Resource Plan.

British Columbia Hydro and Power Authority ("BC Hydro") wrote to the Commission on September 9, 2008 requesting a determination from the Commission with respect to both the EEC Application and the Resource Plan confirming that EEC-related issues would be dealt with exclusively in the EEC proceeding. BC Hydro further stated that the Commission should not render a decision with respect to the Resource Plan until the EEC Application had been properly considered.

By letter dated September 11, 2008 BCOAPO et al. ("BCOAPO") stated that it shared BC Hydro's concerns and requested that the regulatory process for the Resource Plan be delayed until after the EEC decision is made public.

Terasen replied to the BC Hydro and BCOAPO submissions by letter dated September 12, 2008. Terasen supported the concept of a Commission directive confirming that EEC-related issues would be dealt with exclusively in the EEC proceeding, but opposed any delay of the hearing process for the Resource Plan. Terasen noted the Resource Plan neither sought approval of the EEC measures nor of any other capital

expenditures.

Terasen stated that given the limited magnitude of Terasen's proposed fuel switching measures, and assuming these measures were dealt with exclusively in the EEC proceeding, that BC Hydro's contention of the need for a delay in the Resource Plan proceeding did not follow logically. Terasen did not agree with BCOAPO's submission that its position with respect to the Resource Plan may change depending upon the results of the EEC Application, stating that the EEC Application should not be the subject matter of the Resource Plan proceeding.

The Commission Panel agrees with Terasen that the approvals requested in the Resource Plan are limited in nature, and further believes that, with the exception of the Energy Efficiency and Conservation section of the Resource Plan, which Terasen has addressed by reference to its EEC Application, they are distinct from the issues to be considered in the EEC Application. It is the Commission Panel's view that all parties are in material agreement that issues related to the EEC Application and fuel switching should be severed from the Resource Plan hearing and are properly dealt with in the EEC proceeding.

The Commission Panel is not persuaded by the BCOAPO arguments of the potential for unnecessary duplication or that its position might significantly change as a result of the Panel's decision on the EEC Application. The Commission agrees with Terasen's view that Intervenor concerns regarding particular aspects of the EEC Application should not be the subject matter of the Resource Plan in any event. The Commission Panel is also of the view that, because the issues in the Resource Plan and the EEC Application are sufficiently distinct, it could approve the Resource Plan, except for EEC issues, subject to and in advance of a decision with respect to the EEC Application.

The Commission Panel therefore directs that all issues related to the EEC, including fuel switching, are to be dealt with exclusively in the EEC proceeding, and declines any adjustment to the regulatory timetable for the 2008 Resource Plan.

Yours truly,

Original signed by

Erica M. Hamilton

JWF/ac

cc: Registered Intervenors (*Terasen08-RPlan-RI*)
Registered Intervenors (*TGI-TGVI-EECP-RI*)