



LETTER NO. L-43-04

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Log No. 6697

VIA E-MAIL

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August 25, 2004

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V3S2X7

Dear Mr. Thomson:

Re: Terasen Gas Inc.
2004-2006 Price Risk Management Plan

On June 30, 2004 Terasen Gas Inc. ("TGI") filed its Price Risk Management Plan ("PRMP") Application for the period November, 2004 to October, 2006. Beginning November 1, 2004 the Commercial Commodity Unbundling program will begin and in preparation the TGI gas portfolio has been divided into Commodity and Midstream components to reflect the major elements in the Essential Services Model. The Commodity portfolio includes the commodity required to fulfill normal annual customer demand while the Midstream portion maintains the resources to meet the peak day.

TGI maintains the three primary objectives of last year's plan as the foundation for the Application. The main goal is to ensure that rates stay competitive with electricity rates in the Province for continued load retention and development of new load growth. Other concerns are rate stability so the dampening of price volatility and risk diversification to meet potential regional price discounts are major elements.

The key contracting decisions that require Commission approval are identified on page 2 of the Application and amended in Information Request No.1 dated August 6, 2004, question 9.1. With the introduction of the Essential Services Model, the Commission finds that a third party review of the PRMP at this juncture would be beneficial. TGI is instructed to hire an outside consultant to review its 2004 - 2006 PRMP and price risk management process as outlined in Appendix A item 1. In the interim, TGI is to implement components of the PRMP as identified in the confidential Appendix A items 2 and 3.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/cms
Attachment