



LETTER NO. L-14-05

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VIA FACSIMILE

March 3, 2005

Mr. Scott Thomson
Vice President, Finance & Regulatory Affairs
Terasen Gas Inc.
16705 Fraser Highway
Surrey, B.C. V3S 2X7

Dear Mr. Thomson:

Re: Terasen Gas Inc. ("TGI")
Customer Care Agreements

On February 18, 2005, Terasen Gas Inc. ("TGI") submitted a proposal to the Commission outlining its intention to review the extension of the current outsourcing agreement that expires in 2007 with CustomerWorks for an additional three to four years. Further, TGI indicated that a business case and a CPCN Application is currently being prepared by Terasen Gas (Vancouver Island) Inc. ("TGVI") regarding the potential to convert its Banner Customer Information System ("Banner CIS") to the customer care technology platform using the Peace System ("Peace CIS") under TGI's CustomerWorks.

To meet these two business requirements, TGI suggested the option of retaining an independent third party to survey the market and report on the benefits and risks of the available options in the market. Alternatively, a structured survey process can be undertaken to conduct a market survey to assess the capabilities, capacity and costing basis of alternate service providers.

The Commission has reviewed this proposal and accepts the option of TGI retaining an independent third party to assess the value of extending the current outsourcing agreement and to determine the available alternate service providers in the market. The Commission agrees that the use of an independent third party may provide greater comfort of an unbiased validation of this marketplace to the Commission and intervenors. Secondly, this review should evaluate the value of converting TGVI's customer base to the existing technology platform used by the Peace CIS. The terms of reference for engaging the independent third party should be provided to the Commission for review and comment.

Yours truly,

Original signed by:

Robert J. Pellatt

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