



LETTER NO. L-73-05

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

Log No. 11227

VIA E-MAIL

Regulatory.Affairs@terasengas.com

September 7, 2005

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

Dear Mr. Thomson:

Re: Terasen Gas Inc. ("TGI")

Residential Unbundling – Business Model and Key Business Rules (Draft) dated August 23, 2005

This will acknowledge receipt of your letter dated August 23, 2005 describing the Business Model and Key Business Rules (draft) for the Residential Unbundling program ("program" or "project"). The draft report outlines the "Guiding Principles for Residential Unbundling" and provides a framework and business rules for the program. TGI will continue to review and possibly modify various aspects of the business rules.

Page 1 of the draft report outlines a number of guiding principles on which the program would be based and in particular there are two areas in which TGI's business model is most directly affected. The stranding of assets and the expansion of the TGI natural gas market overall are fundamental to the risk profile of the utility operation. This project, as with the Commercial effort, will avoid stranding of assets or costs and TGI should not be at risk in this area as identified in item 5, page 1, subject to normal prudence reviews of the actual expenditures. In addition, it is in the interests of both the marketers and TGI that the design of the Residential Unbundling initiative should be supportive of growing an efficient natural gas load as identified in item 9.

The Commission has reviewed the draft letter titled Business Model and Key Business Rules (Draft) dated August 23, 2005 and supports in principle the framework that TGI proposes for residential unbundling for purposes of the scoping phase and developing an implementation plan.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/dlf