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LETTER NO. L-23-05

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VIA E-MAIL
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March 21, 2005

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

Dear Mr. Thomson:

Re: Terasen Gas Inc.
Terasen Gas (Vancouver Island) Inc.
Terasen Gas (Squamish) Inc.
Terasen Gas (Whistler) Inc. ("Terasen Gas Companies")
<u>2005 Federal Budget's Proposed Increases in Capital Cost Allowance Rates</u>

The 2005 Federal Budget proposed increases in allowed Capital Cost Allowance ("CCA") rates and, in particular, for oil and gas transmission pipelines from 4 percent to 8 percent and a 15 percent rate for compression and pumping equipment on such pipelines.

The Commission requires that each of the Terasen Gas Companies provide a report by Monday, April 4, 2005 that identifies the impact on 2005 income taxes that would result if the proposed CCA rates were to take effect. The report is to provide the proposed effective date of the CCA rate change and for each Terasen Gas Company is to identify the current 2005 income tax provision recovered in rates, the asset pools that are eligible for the CCA rate change and the change in the allowed 2005 CCA deduction that would result if the proposed CCA rates were to take effect.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/yl
cc: Mr. Richard Stout
Chief Regulatory Officer
B.C. Hydro and Power Authority

TGI/Cor/2005FedBudgetPropsdIncrse-CapitalCost