



LETTER NO. L-36-06

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VIA E-MAIL

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July 13, 2006

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 (Vancouver Island) Inc.
2006/07 Annual Gas Contracting Plan

On June 22, 2006, Terasen Gas (Vancouver Island) Inc. ("TGVI") filed its 2006/07 Annual Gas Contracting Plan ("2006/07 ACP"). The primary objectives of TGVI's ACP are consistent with previous years' filings and are comprised of the following two objectives:

1. To contract for cost-effective supply resources that ensure safe and reliable natural gas deliveries to meet Core customer design peak day while militating against upstream and downstream supply disruptions.
2. To develop a portfolio resource mix with price diversity that incorporates contracting flexibility for both short and longer-term planning.

TGVI utilizes pipeline capacity, storage resources, commodity purchases, hedging and resale activities as outlined within this ACP. The Commission accepts the 2006/07 ACP and the major components as outlined in detail, in the confidential document on pages 1 to 3. A summary is as follows:

1. The peak day is to increase from 103.1 TJ/d in 2005/06 to 107.9 TJ/d in 2006/07 or an increase of 4.7% (excluding system gas and fuel).
2. The feasibility of utilizing T-South Short Term Firm Service ("STFS") for Winter 2006/07 in place of Huntingdon seasonal supply if the option becomes available.
3. The renewal of storage contracts which expire or require notice to extend prior to the submission of the 2007/08 ACP.
4. Station 2 and Huntingdon gas supply contracts are to be renegotiated.

The information exclusive of the Executive Summary will be treated as confidential. All individual gas supply contracts and amendments will continue to be filed in a timely manner pursuant to Section 71 of the Utilities Commission Act. TGVl will continue to be expected to justify that each contract is consistent with meeting the needs of the core customers at the lowest cost and will also be required to file a report with the Commission at the end of the 2006/07 ACP that will analyse whether the objectives of the plan have been met.

A copy of the non-confidential 2006/07 ACP Executive Summary is attached.

Yours truly,

Original signed by

Robert J. Pellatt

RJP/dg
Attachment