



LETTER NO. L-5-06

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. 12801, 13095, 13173

VIA E-MAIL

Regulatory.Affairs@terasengas.com

January 24, 2006

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs and CFO
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

On December 9, 2005, as part of the current Scoping Phase for a Residential Unbundling Program (the "Program"), Terasen Gas Inc. ("TGI") filed a report with the Commission entitled "*Terasen Gas Inc. Residential Unbundling – Business Model and Key Business Rules (FINAL)*" ("Application"). The Application provided a summary of the guiding principles and essential elements that TGI believes are necessary to ensure commodity choice for residential customers is implemented successfully and described the business model and key business rules that TGI recommends in support of the Program. TGI indicated that it is seeking endorsement by the Commission of the proposed framework and business rules in order to prepare a delivery plan with capital and operating cost estimates for implementation of Residential Unbundling. TGI proposed a timetable to obtain comments of stakeholders and gas marketers operating in the Commercial Unbundling program and for TGI to respond to those comments. The comments and information which TGI received from all interested parties was incorporated into TGI's response and a second filing dated January 5, 2005, entitled "*Stakeholders' Submissions, Residential Unbundling – Business Model and Key Business Rules (FINAL)*".

In a letter dated January 11, 2005, TGI clarified its initial request for endorsement. Based on the stakeholder feedback, TGI noted that some of the proposed business rules remain in contention and require further discussion and that some were supported by a majority of stakeholders.

TGI, therefore, now requests the Commission 'approval' where the business rule/issue is supported by the majority of stakeholders and seeks the Commission 'endorsement' where the Commission agrees that TGI's recommendations are appropriate for the purpose of the Scoping Phase but will be reviewed further as part of the upcoming Certificate of Public Convenience and Necessity ("CPCN") application expected to be filed in March 2006. TGI is requesting approval or endorsement of business rules to allow the Program cost estimation phase to advance. TGI is not seeking resolution by the Commission at this time of the matters in dispute or issues raised and discussed in the comments received and TGI's responses.

Subject to the following comments, the Commission approves the recommendations set out in Appendix A and

endorses the recommendations in Appendix B. TGI requests approval of balancing provisions. The Commission considers that no approval is required as no changes are proposed. Endorsement of the need to review Gas Marketer licensing, code of conduct and performance bonding is sought by TGI. The Commission is of the view that while it may be reasonable to review these matters, such review is not part of the scoping of business rules.

The Commission considers the discussion in the Application and subsequent filings dated January 5 and 11, related to views on the proposed operational details of the Program to have been useful from the point of view of better understanding the need for, and specifications of, the Program systems. The Commission 'approvals' of the recommendations set out in Appendix A, and 'endorsements' of the recommendations in Appendix B of the January 11, 2006 letter should not be taken as approval of the specific Program details as presented by TGI. For example, while the Commission supports the inclusion of functionality into the system design to support fees; whether or not a Customer Choice Fee or an Essential Services Fee should be imposed is yet to be determined. TGI and stakeholders have discussed several other Program issues that will as necessary be resolved in the review of the CPCN.

The Commission looks forward to the filing and review of TGI's CPCN Application which will provide an opportunity for all proposed operating details and costs to be examined.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/dg

cc: Interested Parties (TGI-ABCT-Phase 1)