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

BRITISH COLUMBIA UTILITIES COMMISSION

LETTER NO. L-48-07

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

Log No. 19279

VIA E-MAIL
Regulatory.Affairs@terasengas.com

June 21, 2007

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Thomson:

Re: Terasen Gas (Vancouver Island) ("TGVI")
2007 Price Risk Management Plan (November 2007 – October 2010)

On May 14, 2007 TGVI filed its Price Risk Management Plan ("PRMP") Application for the period November 2007 to October 20010. The PRMP is based on similar objectives to last year's strategy and forms the basis of the Application. They are identified as follows:

1. Remain competitive with alternate fuel sources primarily electricity.
2. Dampen impacts of commodity price volatility on customer rates.
3. Reduce the risk of regional price disconnects.

It is recognized that TGVI is unique in that a natural hedge is in place through the revenue deficiency recovery period as a result of the royalty revenue mechanism. The remaining net gas at risk for 2007/2010 is at a relatively low level after storage and the royalty hedge are taken into account. Therefore, the Commission accepts TGVI's Application to:

- Extend the Price Risk Management Plan over a three-year period from November 2007 to October 2010.
- Execute fixed price contracts to hedge Sumas winter and AECO summer price exposures.
- Implement hedges according to the pre-defined Hedging Implementation Schedule outlined in Section 6.4.
- TGVI will execute hedges to the pre-defined Hedging implementation Schedule attached.

Yours truly,

Original signed by

Robert J. Pellatt

RB/cms
Attachment