



LETTER NO. L-35-08

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VIA E-MAIL

regulatory.affairs@terasengas.com

July 10, 2008

Mr. Tom Loski
Chief Regulatory Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V3S 2X7

Dear Mr. Loski:

Re: Terasen Gas (Vancouver Island) Inc.
2008 Annual Gas Contracting Plan – November 2008 – October 2009

On June 23, 2008, Terasen Gas (Vancouver Island) Inc. ("TGVI") filed its 2008/09 Annual Gas Contracting Plan ("ACP"). The primary objectives of TGVI's ACP are consistent with previous years' filings and are outlined as follows:

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.

The Commission accepts the 2008/09 ACP and the major components as described in the confidential document on pages 15 and 16. A summary is as follows:

- An increase of 1.7 TJ/day or 1.6% to 110.4 TJ/day from the 2007/08 ACP.
- Increase in Huntingdon seasonal and peaking purchases due to the increase in the peak day.
- The storage and transportation portfolio to remain unchanged from 2007/08.

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. TGVI 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 2008/09 ACP that will analyse whether the objectives of the plan have been met.

A copy of the non-confidential 2008/09 ACP Executive Summary is attached.

Yours truly,

Original signed by

Erica Hamilton

RB/cms
Attachment