



LETTER NO. L-45-09

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Via E-MAIL

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June 11, 2009

Mr. Tom Loski
Chief Regulatory Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Loski:

Re: Terasen Gas (Vancouver Island) Inc. ("TGVI")
2009 Price Risk Management Plan (November 2009 – October 2014)

On May 19, 2009 TGVI filed its Price Risk Management Plan ("PRMP") Application for the period of November 2009 to October 2014. 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 including mitigation of loss of royalty revenue after 2011.
2. Moderate impacts of commodity price volatility on customer rates.
3. Reduce the risk of price disconnects.

It is recognized that TGVI is unique in that the royalty revenue arrangement between TGVI and the Province of British Columbia, provides a natural hedge on approximately 50 percent of TGVI's annual core load requirements. This royalty revenue arrangement expires on December 31, 2011.

As per Letter L-36-09 dated June 8, 2009, the Commission approved TGVI's hedging requests for the royalty period as well as the post royalty hedging requests of: (i) hedging below the 75 percent efficiency electric equivalent with accelerated hedging, and (ii) hedging the Sumas exposure with basis swaps when prices are between the 75 percent and 90 percent efficiency electric equivalents targets.

Following discussions between Commission staff and TGVI and, in response to TGVI's letter dated June 9, 2009 outlining changes to the accelerated hedging targets and implementation in the post royalty period per the Commission staff's request, TGVI is directed to implement the components as identified in the confidential Appendix A (attached).

Appendix A to this Letter will be held confidential.

Yours truly,

Original signed by:

Erica M. Hamilton

RB/yl
Confidential Attachment