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British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C. V6Z 2N3

Regulatory Affairs Correspondence
Email: regulatory.affairs@terasengas.com

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. ("Terasen Gas")
Vancouver Low-Pressure Gas Distribution System Replacement and Upgrade
Quarterly Progress Report – as at March 31, 2008**

On May 11, 2006, Terasen Gas filed an application with the British Columbia Utilities Commission (the "Commission") requesting approval of a Certificate of Public Convenience and Necessity ("CPCN") for the replacement and upgrading of the Vancouver Low-Pressure Gas Distribution System ("LP System CPCN" or the "Project"). In its LP System CPCN application, Terasen Gas stated its intention to commence with the replacement and upgrading of 95 kilometers of gas mains and 7,100 gas service lines between 2006 and 2008 at an estimated total cost of \$23,747,000 (including AFUDC),

On June 23, 2006, the Commission issued Order No. C-2-06 approving the LP System CPCN Application. By Commission Order No. C-2-06, Terasen Gas is directed to submit quarterly progress reports and a final report upon Project completion.

This submission constitutes Terasen Gas' seventh quarterly report, as of March 31, 2008, for this Project. In this progress report, Terasen Gas has outlined Project detail that relates to the scheduling and budget tracking of replacement work completed thus far.

Project Planning and Field Coordination

Project Resources & Training

As outlined in the LP System CPCN and its previous quarterly reports, Terasen Gas has utilized some internal resources to complete this work. However, given the size and scope of the Project, most work is being conducted by external contractors. In July 2006, Canadian Utility Construction Corporation ("CUCC") was chosen to provide contract resources for this Project.

Planning and Field Coordination

Terasen Gas staff, experienced in Low-Pressure installation techniques, have been assigned to assist CUCC in organizing work, to ensure the quality of installation with respect to the specialized insertion procedures being employed, and to assist with all aspects of the work from the regulator downstream (regulator, meter, house-lines and appliances).

Terasen Gas staff schedule and confirm the replacement works locations and obtain all required permits and approvals. Arrangements are then made for each directly affected resident to be visited by a Terasen Gas Planner approximately one month ahead of the date that construction is planned to commence. If the resident is at home, they are personally notified of upcoming work that may affect their gas service. The extent of local replacement and upgrading works is provided along with an estimate of the duration of the construction works. If the resident is not at home, a letter is left at the residence explaining the work. A direct contact number to the Terasen Gas Planner is also provided.

In addition, communications with the public also include a link to a Terasen Gas webpage that serves as a reference for affected customers and residents of this area.

<http://www.terasengas.com/AboutUs/NewAndOngoingProjects/Vancouver/Westside/default.htm>

This website provides an overview of the project. Where service replacements have been scheduled by Planners, the date of planned works is also provided.

Mains and Service Replacement and Upgrades

The vast majority of costs associated with this Project relate to Mains and Services Replacements. As a result, reporting activities have focused upon presentation and measurement of these activities.

Q1 2008 Activities

Work in the Riley Park area was completed in January 2008. Crews have proceeded to the Dunbar area.

From January 1 to March 31, 2008, 939 services were replaced and 2 low pressure stations have been removed. At the end of Q1 2008, 5,016 services have been replaced and 2,084 service replacements are pending.

1,046 services were originally projected to be completed in Q1 2008. Therefore the Company has completed approximately 90% of the services it had expected to have completed at this time. The installation schedule had to be rebalanced to accommodate for the events that occurred in the fourth quarter of 2007 that resulted in a short fall for Q1 2008.

2008 Activities

In 2008, the construction crew is scheduled to work in the Dunbar and Kerrisdale areas. While the City of Vancouver also has paving projects in this area Terasen Gas and CUCC continue to work with the City of Vancouver to accommodate both projects. It is anticipated that monthly service replacement targets can be achieved.

In addition to completing all of the Low Pressure gas mains and services upgrades in 2008, Terasen Gas will also be removing all of the 13 remaining Low Pressure Stations. Due to the complexity of station abandonments, the majority of this work is being carried out by Terasen Gas crews.

Although the Company is marginally behind schedule at the end of Q1, 2008, it anticipates that it will be able to recover and complete the project on time. Terasen Gas is currently forecasting that the Project will complete by December 31, 2008, as originally planned.

Project Expenditures

Table 1 provides an overview of total project costs to March 31, 2008 actual project costs, and the project forecast to completion. At this time, Terasen Gas has no reason to believe that the forecast costs to completion, based on the results to date, will vary from the project budget set out in the LP System CPCN application.

Construction work has been completed in the more difficult areas. However, the associated permanent paving invoices from the City of Vancouver have not all been received. Additional paving invoices are anticipated to be submitted by the City of Vancouver.

Table 1 – Low-Pressure Replacement Project Costs (\$'000's)

	Project Costs to March 31/08	Q1 2008 Actual Costs	Project Cost Forecast Total	Project Budget
Project Management	\$223	0	\$356	\$356
Mains and Services	\$11,974	\$2,048	\$22,369	\$22,369
Stations	\$125	\$42	\$376	\$376
AFUDC	\$299	\$20	\$645	\$645
Total	\$12,621	\$2,110	\$23,747	\$23,747

We trust the enclosed is satisfactory. Should you have any questions or comments, please contact the undersigned.

Yours truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski