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

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 June 30, 2008**

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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' eighth quarterly report, as of June 30, 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.

### **Q2 2008 Activities**

Work in the Dunbar area was completed in Q2 2008. Crews have proceeded to the Kerrisdale area.

From April 1 to June 30, 2008, 1,032 services were replaced and 2 low pressure stations have been removed. At the end of Q2 2008, 6,048 services have been replaced and 882 service replacements are pending.

1,300 services were originally projected to be completed in Q2 2008. Therefore the Company has completed approximately 87% of the services it had expected to have completed at this time.

## **2008 Activities**

The Kerrisdale neighborhood will be the last area to be worked on. Once all of the Low Pressure gas mains and services have been upgraded, all of the remaining Low Pressure Stations will be removed by Terasen Gas crews.

The Company is marginally behind schedule at the end of Q2, 2008 but remains optimistic that recovery will occur and anticipates a timely project completion. 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 June 30, 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)

	<b>Project Costs to June 30/08</b>	<b>Q2 2008 Actual Costs</b>	<b>Project Cost Forecast Total</b>	<b>Project Budget</b>
Project Management	\$223	0	\$356	\$356
Mains and Services	\$14,311	\$2,336	\$22,369	\$22,369
Stations	\$163	\$37	\$376	\$376
AFUDC	\$355	\$55	\$645	\$645
<b>Total</b>	<b>\$15,052</b>	<b>\$2,428</b>	<b>\$23,747</b>	<b>\$23,747</b>

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