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December 24, 2008

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")
Application for a Certificate of Public Convenience and Necessity ("CPCN") for the Fraser River South Arm Crossing Upgrade (the "Application")

Correction to Response to the British Columbia Utilities Commission ("BCUC" or the "Commission") Information Request ("IR") No. 1, Question 18.1

On December 19, 2008, Terasen Gas filed the response to the Information Request as referenced above in advance of the December 24, 2008 deadline for IR responses as established in Commission Order No. G-173-08.

Terasen Gas has discovered errors in its response to BCUC IR 1.18.1 which it wishes to correct in this letter and attachments. The response to BCUC IR 1.18.1 presents the results of an economic analysis of the Company's proposal and the four alternatives presented in the Application, incorporating inputs and assumptions provided in the IR. The economic analysis has been revised in this filing for the corrections identified below. The corrections result in an increase to the present value of cash flows in all cases, except Alternative A which remains unchanged. In the December 19th filing, the status quo had the lowest present value; with the corrections Alternative C now has the lowest present value. The table provided in the response to BCUC IR 1.18.1 has also been revised to consistently refer to 2034 as the assumed NPS 24 replacement year.

The corrections to the economic analysis in the revised Attachment 18.1 involved the following:

- Change the timing of the additions to the capital cost allowance ("CCA") pool and the gas plant in service for the dike and soil erosion mitigation costs from 2011 and 2014 to 2010 and 2013;
- Change the depreciation calculation to commence in the year after the plant additions;
- Remove AFUDC from the CCA pool additions in the Status Quo and Alternative C cases; and
- Correct the "avoided depreciation expense on retired facilities" to include retirements subsequent to the first retirement.

We regret any inconvenience this may have caused the Commission and Intervenors. If there are any questions regarding the attached, please contact the undersigned.

Yours very truly,

TERASEN GAS INC.

Original signed by: Diane Roy

For: Tom A. Loski

Attachment

cc (e-mail only): Registered Participants

18.0 Reference: Exhibit B-1, pp. 14 et seq

18.1 Please provide an economic analysis (in fully functioning Excel spreadsheet format) of the 4 HDD alternatives considered and a "status quo" scenario and derive the PV of the cash flows of the 5 scenarios. Consider the following:

- Incremental cash flows (ignore items such as allocated cost and interest);
- Discount rate: Incremental WACC;
- Term: up to 50 years;
- Assumptions may include:
- "Status quo:" Replace NPS 20 and NPS 24 at the end of their useful lives using HDD, estimate costs to mitigate erosion vulnerability and of dike settlement;
- Replace NPS 24: Replace NPS 20 at the end of its useful life using HDD, estimate costs to mitigate erosion vulnerability and of dike settlement;
- Replace NPS 20: Replace NPS 24 at the end of its useful life using HDD, estimate costs of dike settlement;
- Replace NPS 20 with new NPS 30: Replace NPS 24 at the end of its useful life using HDD, estimate costs of dike settlement;

Response:

See Attachment 18.1 for the economic analysis in fully functioning excel format. The Alternatives summarized in the table below are based on those included in the Application, but are modified to include the assumptions in this Information Request.

In order to provide a response to this question, an assumption must be made about when each of the existing crossings reaches "the end of its useful life". The original NPS 20 crossing was installed in 1958 and the NPS 24 crossing was installed 16 years later in 1974. Since that time there have been capital upgrades and expenditures to protect and to extend the life of the crossings. As discussed in the response to BCUC IR1.3.2, recent internal line inspections indicate that the crossings are in relatively sound condition; therefore in the absence of the concerns related to seismic reliability, erosion and dike settlement it would be difficult to estimate when the crossings would otherwise need to be replaced.

For the purposes of this response, therefore, it is assumed that the end of the useful life for each crossing is 60 years, and that in the absence of this Project the NPS 20 would otherwise be replaced in 2018, and the NPS 24 replaced 16 years later in 2034. Note

that this is an assumption for the purpose of this response only and to directionally demonstrate the financial impact of deferring the replacement of one or both crossings.

The future replacement capital costs of the NPS 20 and NPS 24 pipeline crossings are assumed to be the capital costs in the Application, escalated annually at 2% until the year of replacement. The discount rate applied to calculate the present value was 7.48%, based on the approved 2008 ROE, cost of debt and capital structure. The estimated direct cost to mitigate erosion is expected to be $5 million to $10 million in total to be spent in 2009 and 2013. For this analysis, the amount has been set at $7.5 million total (2008 dollars) in those two years.

Alternative	**PV ($m)**
"*Status quo*:" Replace NPS 20 and NPS 24 in 2018 and 2034 respectively using HDD, estimate costs to mitigate erosion vulnerability and of dike settlement	22.5
Alternative A: Replace NPS 20 and NPS 24 now using HDD as proposed in the Application.	26.8
Alternative B: Replace NPS 24 immediately. Replace NPS 20 in 2018 using HDD, estimate costs to mitigate erosion vulnerability and of dike settlement	34.4
Alternative C: Replace NPS 20: Replace NPS 24 in 2034 using HDD, estimate costs of dike settlement	20.5
Alternative D: Replace NPS 20 with new NPS 30: Replace NPS 24 in 2034 life using HDD, estimate costs of dike settlement	30.5

Attachment 18.1

REFER TO LIVE SPREADSHEET

(accessible by opening the Attachments Tab in Adobe)