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September 24, 2007

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. ("TGI") and Terasen Gas (Vancouver Island) Inc. ("TGVI")
(collectively the "Companies") Application for System Extension & Customer
Connection Changes Review (the "Application") Project No. 3698472
Response to the British Columbia Utilities Commission ("BCUC" or the
"Commission") Information Request ("IR") No. 1, Questions 6.1 and 6.2**

Further to TGI and TGVI's responses to BCUC IR No. 1 submitted on September 18, 2007, the Companies respectfully submit the attached response to BCUC IR No. 1, Questions 6.1 and 6.2.

If there are any questions regarding the attached, please contact Mr. Tom Loski, Director, Regulatory Affairs at (604) 592-7464.

Yours very truly,

**TERASEN GAS INC. and
TERASEN GAS (VANCOUVER ISLAND) INC.**

Original signed by: Tom Loski

For: Scott A. Thomson

cc: Registered Parties (e-mail only)

Attachment



Terasen Gas Inc. ("Terasen Gas" or "TGI") and Terasen Gas (Vancouver Island) Inc. ("TGVI"), collectively ("Terasen" or the "Companies") Application for System Extension & Customer Connection Changes Review	Submission Date: September 24, 2007
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6.0 Reference: Exhibit B-1, Application, Attachment 3, Schedules 3 and 4

Cost Recovery – Past Performance

6.1 Please complete the following tables.

2006 TGI Service Line Installations

Service Line Cost	Forecast Total Service Line Cost (\$)	Actual Total Service Line Cost (\$)	Variance (Forecast-Actual) (\$)
\$1,100 - 1,199		373,294	
\$1,200 - 1,299		346,108	
\$1,300 - 1,399		283,202	
\$1,400 - 1,499		246,397	
\$1,500 - 1,599		215,037	
\$1,600 - 1,699		200,664	
\$1,700 - 1,799		224,274	
\$1,800 - 1,899		236,544	
\$1,900 - 1,999		191,135	
\$2000 - 2,499		809,017	
\$2,500 - 2,999		763,119	
\$3,000 - 3,499		512,380	
> \$3,500		2,849,742	
Total			

2006 TGVI Service Line Installations

Service Line Cost	Forecast Total Service Line Cost (\$)	Actual Total Service Line Cost (\$)	Variance (Forecast-Actual) (\$)
\$1,100 - 1,199		152,720	
\$1,200 - 1,299		171,107	
\$1,300 - 1,399		147,612	
\$1,400 - 1,499		175,865	
\$1,500 - 1,599		105,445	
\$1,600 - 1,699		111,807	
\$1,700 - 1,799		139,237	
\$1,800 - 1,899		96,479	
\$1,900 - 1,999		85,595	
\$2000 - 2,499		437,444	
\$2,500 - 2,999		418,834	
\$3,000 - 3,499		243,150	
> \$3,500		1,331,248	
Total			



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Response:

When analyzing the data necessary to respond to the Information Request, the Companies found that the contributions for services >\$1,100 that were shown in Schedules 3 and 4 of Attachment 3 of the Application, incorrectly included the \$85 New Application Fee. Attached are the updated Schedules 3 and 4 showing the adjusted contributions amount excluding the \$85 fee. Additionally the contributions shown are for all services not just those above \$1,100.

In preparing its response to the Information Request, the Company encountered difficulty in compiling the forecast costs to compare to the actual costs of all service lines. The forecast costs need to be compiled by accessing each service line order within SAP by opening each order and adding several individual fields together manually to arrive at a total forecast cost for the individual service line, which then need to be aggregated to arrive at a total. Not only is this a very time consuming process (estimated at 1 to 2 months), but the manual process is subject to errors. To be better able to extract and analyze the actual service line costs with the forecast service line costs, the Company reviewed forecast data contained within the CAFÉ system with the actual costs from SAP. The CAFÉ system is designed to better compare forecast costing data with actual costs from SAP. The CAFÉ system went live in late March 2006. In order to compare the actual SAP costs with CAFÉ forecast costs the Company reviewed all services forecast using the CAFÉ system. As a result, service line cost comparisons were completed for the period of April to December 2006 in the response to the Information Request.

Question 6.1 requests a comparison of actual to forecast costs for service above \$1,100 based upon Schedules 3 and 4. Schedules 3 and 4 are organized into \$100 blocks based on actual service line costs and not forecast costs. This approach however limits the analysis in a significant manner. Providing a comparison of actual service installations above \$1,100 to forecast costs does not accurately reflect the actual to forecast performance of all services. Comparing actual services over \$1,100 to forecast costs only includes those services that have been under forecast, without showing those services where forecast costs are higher than actual costs. In order to properly compare actual costs to forecast costs using the organizational method found in Schedules 3 and 4, services whose actual cost was below \$1,100 must be included in the analysis. This additional step helps to the overcome the flaw described earlier and allows for a meaningful comparison of actual to forecast costs.

The table below all services whose actual costs per service were below \$1,100 as well as services who's actual per service line cost was above \$1,100, broken down in \$100 increments up to the \$2,000 point.



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TGI - TGVI Actual vs. Forcast Service Line Costs April - December 2006						
		Forecast	Actual	CIAOC	Net Actual (Actual less CIAOC)	Difference
TGI - CAFÉ only	< \$1,100	4,050,666	3,643,832	-1,192,782	2,451,050	1,599,616
	\$1,100 - 1,199	167,019	219,472	-50,482	168,990	-1,971
	\$1,200 - 1,299	152,240	211,298	-47,993	163,305	-11,065
	\$1,300 - 1,399	115,837	161,485	-42,704	118,781	-2,944
	\$1,400 - 1,499	101,649	152,132	-34,841	117,291	-15,642
	\$1,500 - 1,599	85,628	142,112	-28,152	113,960	-28,332
	\$1,600 - 1,699	66,334	110,056	-21,562	88,494	-22,160
	\$1,700 - 1,799	74,854	124,381	-23,515	100,866	-26,012
	\$1,800 - 1,899	88,076	155,350	-30,288	125,062	-36,986
	\$1,900 - 1,999	63,899	119,072	-19,769	99,303	-35,404
	\$2000 - 2,499	261,712	532,524	-89,650	442,874	-181,162
	\$2,500 - 2,999	203,587	482,243	-72,259	409,984	-206,397
	\$3,000 - 3,499	129,524	346,281	-47,011	299,270	-169,746
	> \$3,500	356,899	1,509,564	-137,156	1,372,408	-1,015,509
		5,917,924	7,909,802	-1,838,164	6,071,638	-153,714
TGVI - CAFÉ only	< \$1,100	722,539	832,347	-222,525	609,822	112,717
	\$1,100 - 1,199	79,934	127,297	-24,483	102,814	-22,880
	\$1,200 - 1,299	91,741	159,867	-27,503	132,364	-40,623
	\$1,300 - 1,399	67,592	116,900	-17,719	99,181	-31,589
	\$1,400 - 1,499	66,203	118,945	-18,950	99,995	-33,792
	\$1,500 - 1,599	52,713	97,656	-14,620	83,036	-30,323
	\$1,600 - 1,699	48,379	94,055	-14,408	79,647	-31,268
	\$1,700 - 1,799	44,234	87,709	-12,261	75,448	-31,214
	\$1,800 - 1,899	35,616	70,220	-11,229	58,991	-23,375
	\$1,900 - 1,999	40,734	85,595	-11,515	74,080	-33,346
	\$2000 - 2,499	195,312	408,837	-60,485	348,352	-153,040
	\$2,500 - 2,999	129,755	314,221	-41,283	272,938	-143,183
	\$3,000 - 3,499	69,477	204,075	-21,372	182,703	-113,226
	> \$3,500	172,330	646,962	-62,282	584,680	-412,350
		1,816,559	3,364,686	-560,635	2,804,051	-987,492



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6.2 For TGI and TGVI, please provide the total 2006 service line contributions collected for service lines with cost greater than \$1,100 (as recorded in the general ledger).

Response:

Please refer to the response to Question 6.1 above.

Schedule 3

TERASEN GAS - 2006 SERVICE LINE INSTALLATIONS

(Revised September 24, 2007)

JAN 1 - DEC 31

For Rates : 1 & 2

Service Line Costs	Number of Services	Percentage of Total	Cummulative Percentage	Total Service Line Costs	Percentage of Total	Cummulative Percentage	Average Cost per Service
< \$300	478	4%	4%	63,869	0%	0%	134
\$300 - 399	94	1%	5%	33,015	0%	1%	351
\$400 - 499	220	2%	7%	96,865	1%	2%	440
\$500 - 599	786	7%	14%	445,737	3%	5%	567
\$600 - 699	1814	16%	31%	1,177,142	9%	14%	649
\$700 - 799	2081	19%	50%	1,543,172	12%	26%	742
\$800 - 899	1263	11%	61%	1,041,663	8%	34%	825
\$900 - 999	638	6%	67%	602,463	5%	39%	944
\$1,000 - 1,099	524	5%	72%	547,577	4%	43%	1,045
\$1,100 - 1,199	326	3%	75%	373,294	3%	46%	1,145
\$1,200 - 1,299	277	3%	77%	346,108	3%	49%	1,249
\$1,300 - 1,399	260	2%	79%	283,202	2%	51%	1,089
\$1,400 - 1,499	170	2%	81%	246,397	2%	53%	1,449
\$1,500 - 1,599	140	1%	82%	215,037	2%	55%	1,536
\$1,600 - 1,699	133	1%	83%	200,664	2%	56%	1,509
\$1,700 - 1,799	128	1%	85%	224,274	2%	58%	1,752
\$1,800 - 1,899	126	1%	86%	236,544	2%	60%	1,877
\$1,900 - 1,999	99	1%	87%	191,135	1%	61%	1,931
\$2000 - 2,499	409	4%	90%	809,017	6%	68%	1,978
\$2,500 - 2,999	278	3%	93%	763,119	6%	74%	2,745
\$3,000 - 3,499	157	1%	94%	512,380	4%	78%	3,264
> \$3,500	<u>627</u>	<u>6%</u>	100%	<u>2,849,742</u>	<u>22%</u>	100%	<u>4,545</u>
Total	11,028	100%		12,802,415	100%		1,161
Contributions for Services				-3,102,527			
Adjusted Total				9,699,888	100%		880

Footnotes :

1) Total Service line costs include costs that were accumulated in orders that did not have specific risers posted ie standing jobs (\$1,728.813 , Incl \$2,227 for TGS .
These misc costs have been allocated based on the \$ balance of those jobs with riser counts (approx \$157 per order) .

Schedule 4

TERASEN GAS Vancouver Island (TGVI) - 2006 SERVICE LINE INSTALLATIONS

(Revised September 24, 2007)

JAN 1 - DEC 31

For Rates : LCS-1, RGS, SCS-1, SCS-2

Service Line Costs	Number of Services	Percentage of Total	Cummulative Percentage	Total Service Line Costs	Percentage of Total	Cummulative Percentage	Average Cost per Service
< \$300	181	6%	6%	24,987	1%	1%	138
\$300 - 399	45	1%	8%	15,634	0%	1%	347
\$400 - 499	22	1%	8%	9,890	0%	1%	450
\$500 - 599	76	3%	11%	42,259	1%	2%	556
\$600 - 699	149	5%	16%	97,709	2%	4%	656
\$700 - 799	303	10%	26%	230,184	5%	9%	760
\$800 - 899	307	10%	36%	258,855	5%	14%	843
\$900 - 999	220	7%	43%	210,578	4%	19%	957
\$1,000 - 1,099	205	7%	50%	216,387	5%	23%	1,056
\$1,100 - 1,199	134	4%	55%	152,720	3%	27%	1,140
\$1,200 - 1,299	136	5%	59%	171,107	4%	30%	1,258
\$1,300 - 1,399	109	4%	63%	147,612	3%	33%	1,354
\$1,400 - 1,499	121	4%	67%	175,865	4%	37%	1,453
\$1,500 - 1,599	68	2%	69%	105,445	2%	39%	1,551
\$1,600 - 1,699	68	2%	71%	111,807	2%	42%	1,644
\$1,700 - 1,799	79	3%	74%	139,237	3%	45%	1,762
\$1,800 - 1,899	51	2%	76%	96,479	2%	47%	1,892
\$1,900 - 1,999	44	1%	77%	85,595	2%	49%	1,945
\$2000 - 2,499	197	7%	84%	437,444	9%	58%	2,221
\$2,500 - 2,999	155	5%	89%	418,834	9%	67%	2,702
\$3,000 - 3,499	75	2%	91%	243,150	5%	72%	3,242
> \$3,500	<u>258</u>	<u>9%</u>	100%	<u>1,331,248</u>	<u>28%</u>	100%	<u>5,160</u>
Total	3,003	100%		4,723,029	100%		1,573
Contributions for Services				-570,993			
Adjusted Total				4,152,036	100%		1,383

Footnote :

- 1) Total Service line costs include costs that were accumulated in orders that did not have specific risers posted ie standing jobs (\$821,735). These misc costs have been allocated based on the \$ per orders with a riser count .
- 2) Categorization by cost per service based on the column labelled : Financial Unit Cost incl `no riser count` portion. This is due the fact that for the first few months of 2006 the services for TGVI were accounted for in blanket type orders ie... many units to one order number.