



February 14, 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. - Fort Nelson Service Area ("TG Fort Nelson") 2008 Revenue Requirements and Rates

Response to the British Columbia Utilities Commission ("BCUC" or the "Commission") Information Request ("IR") No. 2

On November 30, 2007, Terasen Gas filed the Application as referenced above. In accordance with Order No. G-158-07 which established the preliminary Regulatory Timetable, on January 16, 2008, the Commission issued Commission Staff IR No. 1 (Exhibit A-2), to which the Company submitted responses (Exhibit B-2) on January 30, 2008.

Following its review of the Company's response to BCUC IR No. 1, Commission Staff made three additional verbal information requests ("BCUC IR No. 2"). On February 8, 2008, the Commission issued Order No. G-19-08 amending the Regulatory Timetable for the Application, and directing TG Fort Nelson to formally file the responses to BCUC IR No. 2 by February 14, 2008, after which the record of the proceeding would be closed.

In accordance with Order No. G-19-08, TG Fort Nelson respectfully submits the attached response to BCUC IR No. 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.

Original signed by: Guy Leroux

For: Scott A. Thomson

Attachment

Scott A. Thomson
Vice President, Regulatory Affairs and
Chief Financial Officer

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Terasen Gas Inc. Fort Nelson Service Area ("TG Fort Nelson" or the "Company") 2008 Revenue Requirements for Delivery Rates and RSAM Application	Submission Date: February 14, 2008
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20.0 Reference: Customer Reconnections, January 30, 2008 Revised Application (Exhibit B-1-3) and Response to BCUC IR No. 1 (Exhibit B-2), Question 2.1, page 3

20.1 Has the revenue associated with the re-connections as shown in the response to Question 2.1 been accounted for? If so, where is it shown?

Response:

For 2008, \$17,000 of "Other Operating Revenue" accounts for revenue from connections, including the re-connections detailed in response to Question 2.1.

Please refer to the January 30, 2008 Revised Filing (Exhibit B-1-3), Attachment 5, Schedule 10 – Other Revenue, Line 3, "Revenue from Service Work" which reflects the \$17,000 in service revenue.



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21.0 Reference: Average FTE and Contractor Costs, January 30, 2008 Revised Application (Exhibit B-1-3), Attachment 5, Schedule 7 and Response to BCUC IR No. 1 (Exhibit B-2), Question 14.4, page 23

21.1 Given the increase in FTE from 4.5 to 5.8 over the 2004-2008 period and the increased focus on O&M related jobs, it would be expected that Contractor Costs would have decreased. As shown in Schedule 7, Contractor costs in 2004 were \$174,000 and in 2008 were \$175,000. Please explain why Terasen employees did not do some of the work of those contractors.

Response:

Total contractor costs from 2004 to 2008 averages \$170,000 per year with the majority of the costs (about \$133,000 per year) relating to CustomerWorks to provide customer care support. The remaining dollars primarily represent Fort Nelson's share of allocated operating and maintenance costs of TGI, approximately \$36,000 per year. These shared services costs include charges related to Marketing, Information Technology, Gas Supply and Transmission, Finance and Regulatory, Facilities and Logistics, Human Resources and President. The actual direct contractor costs to Fort Nelson are small, averaging \$2,000 per year and are incurred mostly for welding services in support of required repair activities. Most of the contractor dollars spent does not represent work that IBEW staff located in Fort Nelson would normally perform.

For clarification, on February 5, 2008, TG Fort Nelson filed an erratum to the response to Question 14.4 (Exhibit B-2-1) correcting the Full Time Equivalent (FTE) counts. The correction reflects that FTEs have only increased from 4.0 in 2004 to 4.7 in 2008 rather than 4.0 to 5.8 from 2004 to 2008 as originally shown in the January 30, 2008 response to BCUC IR No.1, Question 14.4. The revised table shown again below, provides the FTEs for only O&M activities with the FTEs calculated by taking only the O&M direct and allocated labour dollars and converting them to O&M FTE equivalents using estimates of annual salaries.

FTE	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
M&E	1.7	1.3	1.4	1.4	1.4
COPE	1.2	1.2	1.1	0.9	1.0
IBEW	1.0	1.9	2.0	2.3	2.3
Total	4.0	4.4	4.5	4.6	4.7

The overall increase in FTE's between the period 2004 to 2008 is 0.7, which includes reductions in the M&E FTE's of 0.3 and 0.2 for COPE. This is offset by an increase of 1.3 FTE's for the IBEW. The increase in IBEW FTEs from 2004 to 2008 is not the result of an increase in full time regular IBEW employees in TG Fort Nelson, which has remained constant at two full time employees required to perform capital and O&M work. Rather, it is the result of an increase in a higher proportion of field staff's (those staff located in TG Fort Nelson and other Terasen Gas employees performing work in the TG Fort Nelson service area) time allocated to O&M related activities, with less to capital, and the impact of higher training costs attributed to higher staff turnover in recent years, which is also charged to O&M expense.



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22.0 Reference: Average Residential Use, January 30, 2008 Revised Application (Exhibit B-1-3), Attachment 5, Schedule 7 and Response to BCUC IR No. 1 (Exhibit B-2), Question 13.1, page 19

22.1 What is the average residential use per account for 2007 and 2008, comparing TGI and TG Fort Nelson?

Response:

Average residential use rates, in Gigajoules per year, are provided in the table below. Please note that the data in the 2007 Actual column is not normalized.

	2007 Projected	2007 Actual*	2008 Forecast
TGI	97.1	101.6	96.1
TG Fort Nelson	148.8	143.4	148.8
* NOT normalized			

22.2 What is the breakdown, by rate class, of the number of customers and the average sales volumes used in the shared services allocation, comparing TGI and TG Fort Nelson? Show 2007 Forecast and 2008 Projection as per the response to BCUC IR No. 1 (Exhibit B-2), Question 13.1.

Response:

The following tables provides a breakdown by rate class of the number of customers and the sales volumes used in the shared service allocation factor for 2007 Forecast and 2008 Projection. In the response to BCUC IR No. 1 (Exhibit B-2), the Table provided in response to Question 13.1 used a "Year-End" figure as opposed to "Average" for Fort Nelson under "Average Customers". The table below, for consistency of presentation with TGI figures, uses the correct "Average". There is no change to the percent allocation factor (0.3%).



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Company	Rate Class	2007 Forecast	2008 Projection
Sales Volumes (GJs)			
TGI	Rate 1	73,790,236	72,022,904
	Rate 2	24,260,151	24,004,341
	Rate 3	16,594,552	15,454,395
	Rate 4	157,283	161,300
	Rate 5	3,512,275	3,461,726
	Rate 6	136,787	99,940
	Rate 7	49,355	19,329
	Total TGI:		118,500,640
Fort Nelson	Rate 1	287,100	284,900
	Rate 2.1	203,374	205,100
	Rate 2.2	96,042	99,400
	Total Fort Nelson:	586,515	589,400
Total TGI & Fort Nelson:		119,087,155	115,813,336
Fort Nelson as % of total:		0.4%	0.5%
Average Customers			
TGI	Rate 1	736,274	748,595
	Rate 2	74,173	74,407
	Rate 3	4,673	4,505
	Rate 4	28	21
	Rate 5	318	316
	Rate 6	34	30
	Rate 7	3	2
	Transport	1,977	2,094
	Total TGI:	817,480	829,970
Fort Nelson	Rate 1	1,909	1,901
	Rate 2.1	400	408
	Rate 2.2	29	30
	Rate 25	2	2
	Total Fort Nelson:	2,340	2,341
Total TGI & Fort Nelson:		819,820	832,311
Fort Nelson as % of total:		0.3%	0.3%