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VIA E-MAIL

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March 13, 2008

Mr. Scott Thomson
Vice President, Regulatory Affairs
and Chief Financial Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Thomson:

Re: Terasen Gas Inc.
2008 First Quarter Cost Report
and Rate Changes effective April 1, 2008

Further to your March 7, 2008 filing of the 2008 First Quarter Cost Report for the Lower Mainland, Inland and Columbia service areas, enclosed is Commission Order No. G-38-08.

Yours truly,

A handwritten signature in black ink, appearing to read "Erica M. Hamilton".

Erica M. Hamilton

cms
Enclosure

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-38-08**



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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Terasen Gas Inc. regarding
2008 First Quarter Gas Cost Report
and Rate Changes effective April 1, 2008
for the Lower Mainland, Inland, Columbia Service Areas

BEFORE: L.F. Kelsey, Commissioner
A.A. Rhodes, Commissioner March 13, 2008
P.E. Vivian, Commissioner

O R D E R

WHEREAS:

- A. By Order No. G-105-07 dated September 13, 2007, the Commission approved a decrease in the Commodity Cost Recovery Charge for the Lower Mainland, Inland and Columbia service areas; and
- B. By Order No. G-150-07 dated December 7, 2007 the Commission ordered that no changes be made to the Commodity Cost Recovery Charge effective January 1, 2008; and
- C. On March 7, 2008, pursuant to Commission Letter No. L-5-01, Terasen Gas Inc. ("Terasen Gas") filed a 2008 First Quarter Report on Commodity Cost Reconciliation Account ("CCRA") and Midstream Cost Reconciliation Account ("MCRA") balances and gas commodity charges for the Lower Mainland, Inland and Columbia Service Areas effective April 1, 2008 that were based on February 27, 2008 forward gas prices (the "2008 First Quarter Report"); and
- D. The 2008 First Quarter Report forecasts that Commodity Cost recoveries at current rates would be 83.5 percent of costs for the following 12 months, and requests an increase in Commodity Cost Recovery Charges for natural gas customers in the Lower Mainland, Inland, and Columbia Service Areas effective April 1, 2008; and
- E. The 2008 First Quarter Report requested an increase in the Commodity Cost Recovery Charge for the Lower Mainland Rate Schedule 1 rate of \$1.361/GJ, which would increase a typical residential customer's annual bill by approximately \$150 or 11 percent; and

**BRITISH COLUMBIA
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- F. The Report also forecasts that MCRA revenue would be 101 percent of midstream costs based on forward prices at February 27, 2008, and so Terasen Gas did not propose changes to the Midstream Cost Recovery Charges; and
- G. The Commission concludes that the requested rate changes as outlined in the 2008 First Quarter Report should be approved.

NOW THEREFORE pursuant to Section 61(4) of the Utilities Commission Act, the Commission orders as follows:

1. The Commission approves the proposed flow-through increases to Commodity Cost Recovery Charges for the Lower Mainland, Inland, and Columbia Service Areas, effective April 1, 2008, to a rate of \$8.287/GJ as set out in the 2008 First Quarter Report, Tab 2, Table A, Pages 1, 1.1, and 1.2, Line 33.
2. The Midstream Cost Recovery Charges remain unchanged.
3. Terasen Gas will notify all customers that are affected by the rate changes with a bill insert or bill message to be included with the next monthly gas billing.

DATED at the City of Vancouver, in the Province of British Columbia, this *13th* day of March 2008.

BY ORDER



L.F. Kelsey
Commissioner