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Regulatory Affairs Correspondence
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British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. – Revelstoke Service Area
2008 Third Quarter Gas Cost Report**

Terasen Gas Inc. ("Terasen Gas") hereby submits to the British Columbia Utilities Commission (the "Commission") the 2008 Third Quarter Gas Cost Report for the Revelstoke Service Area ("Revelstoke"). The attached schedules provide a summary of the forecast monthly deferral account balances based on the forward prices as at August 27, 2008.

Terasen Gas, consistent with previous gas cost filings has utilized a propane price forecast based on an average of 50% NYMEX West Texas Intermediate ("WTI") Light Sweet Crude Oil futures and 50% NYMEX Mt. Belvieu Propane futures to determine the forecast over or under recovery of existing gas cost recovery rates to forecast gas costs. Based on the August 27, 2008 forward prices, average of 50% NYMEX WTI Light Sweet Crude Oil futures and 50% NYMEX Mt. Belvieu Propane futures, and based on the current rates, the projected deferral account balance at September 30, 2008 is \$5,257 surplus (pre-tax) (Tab 1, Page 1, Column 7, Line 4), and the forecast balance at September 30, 2009 is \$114,615 deficit (pre-tax) (Tab 1, Page 1, Column 7, Line 19). The rate change trigger mechanism is calculated to be 97.3% (Tab 1, Page 1, Column 4, Line 24/25), which falls within the deadband range of 95% and 105%, indicating that a rate change is not required. Terasen Gas proposes no change to the propane reference price for the Revelstoke Service Area at this time.

For comparison purpose, Terasen Gas provides the rate change trigger mechanism calculations based on the NYMEX WTI Light Sweet Crude Oil futures in Tab 2, and based on the NYMEX Mt. Belvieu Propane futures in Tab 3.

For information purposes, Terasen Gas provides at Tab 4, Page 1, three sets of forward prices as at August 27, 2008. One set is based on the NYMEX WTI Light Sweet Crude Oil futures, a second set based on the NYMEX Mt. Belvieu Propane futures, and a third set based on an average of 50% NYMEX WTI Light Sweet Crude Oil futures and 50% NYMEX Mt. Belvieu Propane futures.

Provided in Tab 5 are the details of the forecast gas costs for Revelstoke. Terasen Gas requests the information contained in Tab 5 be treated as CONFIDENTIAL.

CONFIDENTIALITY

Consistent with past practice and previous discussions and positions on the confidentiality of selected filings (and further emphasized in Terasen Gas' January 31, 1994 submission to the Commission) Terasen Gas is requesting that this information be filed on a confidential basis pursuant to Section 71(5) of the *Utilities Commission Act* and requests that the Commission exercise its discretion under Section 6.0 of the Rules for Natural Gas Energy Supply Contracts and allow these documents to remain confidential. Terasen Gas believes this will ensure that market sensitive information is protected, and Terasen Gas' ability to obtain favourable commercial terms for future gas contracting is not impaired.

Terasen Gas will continue to monitor the forward prices and will report these results in the 2008 Fourth Quarter Gas Cost Report.

We trust the Commission will find the attached to be in order. However, should any further information be required, please contact Brian Noel at 604-592-7467.

All of which is respectfully submitted.

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachments

TERASEN GAS INC.
REVELSTOKE PROPANE DEFERRAL
FOR THE PERIOD ENDING SEPTEMBER 30, 2009

WITH EXISTING PROPANE REFERENCE PRICE (COMMISSION ORDER NO. G-92-08)

(AUGUST 27, 2008 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-Tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)
1	June 30, 2008 Balance						\$2,692
2	July (Recorded)	64,499	\$0.5047	\$0.4260 ^(A)	\$0.0787	\$5,076	\$7,768
3	August (Projection)	218,801	\$0.4962	\$0.5172 ^(B)	(\$0.0210)	(\$4,595)	\$3,173
4	September (Forecast)	339,923	\$0.4924	\$0.5172	(\$0.0248)	(\$8,430)	(\$5,257)
5	Current Quarter Total	<u>623,224</u>				<u>(\$7,949)</u>	
6							
7	<u>Forecast Volumes and Forecast Prices</u>						
8	October (Forecast)	589,982	\$0.5189	\$0.5172	\$0.0017	\$1,003	(\$4,254)
9	November (Forecast)	918,184	\$0.5388	\$0.5172	\$0.0216	\$19,833	\$15,579
10	December (Forecast)	1,176,057	\$0.5453	\$0.5172	\$0.0281	\$33,047	\$48,626
11	January 2009 (Forecast)	1,242,479	\$0.5427	\$0.5172	\$0.0255	\$31,683	\$80,309
12	February (Forecast)	1,008,049	\$0.5372	\$0.5172	\$0.0200	\$20,161	\$100,470
13	March (Forecast)	914,277	\$0.5279	\$0.5172	\$0.0107	\$9,783	\$110,253
14	April (Forecast)	515,746	\$0.5163	\$0.5172	(\$0.0009)	(\$464)	\$109,789
15	May (Forecast)	433,695	\$0.5140	\$0.5172	(\$0.0032)	(\$1,388)	\$108,401
16	June (Forecast)	277,409	\$0.5117	\$0.5172	(\$0.0055)	(\$1,526)	\$106,875
17	July (Forecast)	238,337	\$0.5191	\$0.5172	\$0.0019	\$453	\$107,328
18	August (Forecast)	214,894	\$0.5270	\$0.5172	\$0.0098	\$2,106	\$109,434
19	September (Forecast)	332,109	\$0.5328	\$0.5172	\$0.0156	\$5,181	\$114,615
20	Total Oct 2008 to Sept 2009	<u>7,861,217</u>				<u>\$119,872</u>	
21							
22							
23							
24	Recovered Costs (Line 20 Col.2 x Line 19 Col.4)		<u>\$4,065,821</u>				
25	Forecast + Deferral Balance (Page 2 Line 13 Col. 9 + Page 1 Line 4 Col. 7)		<u>\$4,180,346</u>	=			97.3%

Note (A) Applied \$0.4260/litre propane reference price (effective January 1, 2008 to June 30, 2008) to the June purchases of 64,499 litres recorded in July. No purchase occurred in July.

Note (B) Propane reference price effective July 1, 2008

TERASEN GAS INC.
 REVELSTOKE FORECAST AVERAGE COST OF PROPANE
 FOR THE PERIOD ENDING SEPTEMBER 30, 2009

(AUGUST 27, 2008 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars (1)	2008/09 Volume (Litres) (2)	Fixed Price Volume (Litres) (3)	Variable Volume (Litres) (4)	Fixed Price (\$/litre) (5)	Variable Price (\$/litre) (6)	Fixed Charges (\$) (7)	Variable Charges (\$) (8)	Total (\$) (9)
1	October 2008	589,982	-	589,982	\$ -	\$ 0.5189	\$ -	\$ 306,115	\$ 306,115
2	November	918,184	450,000	468,184	\$ 0.5341	\$ 0.5433	\$ 240,348	\$ 254,355	\$ 494,703
3	December	1,176,057	450,000	726,057	\$ 0.5341	\$ 0.5522	\$ 240,348	\$ 400,953	\$ 641,301
4	January 2009	1,242,479	450,000	792,479	\$ 0.5353	\$ 0.5469	\$ 240,888	\$ 433,384	\$ 674,272
5	February	1,008,049	450,000	558,049	\$ 0.5353	\$ 0.5386	\$ 240,888	\$ 300,592	\$ 541,480
6	March	914,277	450,000	464,277	\$ 0.5353	\$ 0.5207	\$ 240,888	\$ 241,743	\$ 482,631
7	April	515,746	-	515,746	\$ -	\$ 0.5163	\$ -	\$ 266,298	\$ 266,298
8	May	433,695	-	433,695	\$ -	\$ 0.5140	\$ -	\$ 222,928	\$ 222,928
9	June	277,409	-	277,409	\$ -	\$ 0.5117	\$ -	\$ 141,950	\$ 141,950
10	July	238,337	-	238,337	\$ -	\$ 0.5191	\$ -	\$ 123,714	\$ 123,714
11	August	214,894	-	214,894	\$ -	\$ 0.5270	\$ -	\$ 113,260	\$ 113,260
12	September	332,109	-	332,109	\$ -	\$ 0.5328	\$ -	\$ 176,950	\$ 176,950
13	Total - Oct 2008 to Sept 2009	7,861,217	2,250,000	5,611,217			\$ 1,203,359	\$ 2,982,244	\$ 4,185,603
14									
15	Forecast Average Cost of Propane (\$/Litre)^(A)								\$ 0.5324
16									
17	Forecast Average Cost of Propane (\$/GJ)^(A)								\$ 20.802
18	(Conversion factor 1 Litre = 0.025594 GJ)								

Note (A) Forecast average cost of propane excludes company use, vaporizer use, and unaccounted for gas.

TERASEN GAS INC.
REVELSTOKE PROPANE DEFERRAL
FOR THE PERIOD ENDING SEPTEMBER 30, 2009
WITH EXISTING PROPANE REFERENCE PRICE (COMMISSION ORDER NO. G-92-08)
(AUGUST 27, 2008 FORWARD PRICES BASED ON NYMEX WTI LIGHT SWEET CRUDE OIL FUTURES)

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-Tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)
1	June 30, 2008 Balance						\$2,692
2	July (Recorded)	64,499	\$0.5047	\$0.4260 ^(A)	\$0.0787	\$5,076	\$7,768
3	August (Projection)	218,801	\$0.4962	\$0.5172 ^(B)	(\$0.0210)	(\$4,595)	\$3,173
4	September (Forecast)	339,923	\$0.4937	\$0.5172	(\$0.0235)	(\$7,988)	(\$4,815)
5	Current Quarter Total	<u>623,224</u>				<u>(\$7,507)</u>	
6							
7	<u>Forecast Volumes and Forecast Prices</u>						
8	October (Forecast)	589,982	\$0.5405	\$0.5172	\$0.0233	\$13,747	\$8,932
9	November (Forecast)	918,184	\$0.5613	\$0.5172	\$0.0441	\$40,492	\$49,424
10	December (Forecast)	1,176,057	\$0.5748	\$0.5172	\$0.0576	\$67,741	\$117,165
11	January 2009 (Forecast)	1,242,479	\$0.5621	\$0.5172	\$0.0449	\$55,787	\$172,952
12	February (Forecast)	1,008,049	\$0.5510	\$0.5172	\$0.0338	\$34,072	\$207,024
13	March (Forecast)	914,277	\$0.5341	\$0.5172	\$0.0169	\$15,451	\$222,475
14	April (Forecast)	515,746	\$0.5411	\$0.5172	\$0.0239	\$12,326	\$234,801
15	May (Forecast)	433,695	\$0.5409	\$0.5172	\$0.0237	\$10,279	\$245,080
16	June (Forecast)	277,409	\$0.5354	\$0.5172	\$0.0182	\$5,049	\$250,129
17	July (Forecast)	238,337	\$0.5535	\$0.5172	\$0.0363	\$8,652	\$258,781
18	August (Forecast)	214,894	\$0.5709	\$0.5172	\$0.0537	\$11,540	\$270,321
19	September (Forecast)	332,109	\$0.5772	\$0.5172	\$0.0600	\$19,927	\$290,248
20	Total Oct 2008 to Sept 2009	<u>7,861,217</u>				<u>\$295,063</u>	
21							
22							
23							
24	Recovered Costs (Line 20 Col.2 x Line 19 Col.4)		<u>\$4,065,821</u>				
25	Forecast + Deferral Balance (Page 2 Line 13 Col. 9 + Page 1 Line 4 Col. 7)		<u>\$4,356,144</u>	=			93.3%

Note (A) Applied \$0.4260/litre propane reference price (effective January 1, 2008 to June 30, 2008) to the June purchases of 64,499 litres recorded in July. No purchase occurred in July.

Note (B) Propane reference price effective July 1, 2008

TERASEN GAS INC.
 REVELSTOKE FORECAST AVERAGE COST OF PROPANE
 FOR THE PERIOD ENDING SEPTEMBER 30, 2009
 (AUGUST 27, 2008 FORWARD PRICES BASED ON NYMEX WTI LIGHT SWEET CRUDE OIL FUTURES)

Line No.	Particulars (1)	2008/09 Volume (Litres) (2)	Fixed Price Volume (Litres) (3)	Variable Volume (Litres) (4)	Fixed Price (\$/litre) (5)	Variable Price (\$/litre) (6)	Fixed Charges (\$) (7)	Variable Charges (\$) (8)	Total (\$) (9)
1	October 2008	589,982	-	589,982	\$ -	\$ 0.5405	\$ -	\$ 318,893	\$ 318,893
2	November	918,184	450,000	468,184	\$ 0.5341	\$ 0.5874	\$ 240,348	\$ 275,025	\$ 515,373
3	December	1,176,057	450,000	726,057	\$ 0.5341	\$ 0.6001	\$ 240,348	\$ 435,694	\$ 676,042
4	January 2009	1,242,479	450,000	792,479	\$ 0.5353	\$ 0.5774	\$ 240,888	\$ 457,545	\$ 698,432
5	February	1,008,049	450,000	558,049	\$ 0.5353	\$ 0.5636	\$ 240,888	\$ 314,514	\$ 555,402
6	March	914,277	450,000	464,277	\$ 0.5353	\$ 0.5329	\$ 240,888	\$ 247,429	\$ 488,317
7	April	515,746	-	515,746	\$ -	\$ 0.5411	\$ -	\$ 279,082	\$ 279,082
8	May	433,695	-	433,695	\$ -	\$ 0.5409	\$ -	\$ 234,596	\$ 234,596
9	June	277,409	-	277,409	\$ -	\$ 0.5354	\$ -	\$ 148,538	\$ 148,538
10	July	238,337	-	238,337	\$ -	\$ 0.5535	\$ -	\$ 131,924	\$ 131,924
11	August	214,894	-	214,894	\$ -	\$ 0.5709	\$ -	\$ 122,684	\$ 122,684
12	September	332,109	-	332,109	\$ -	\$ 0.5772	\$ -	\$ 191,678	\$ 191,678
13	Total - Oct 2008 to Sept 2009	7,861,217	2,250,000	5,611,217			\$ 1,203,359	\$ 3,157,601	\$ 4,360,959
14									
15	Forecast Average Cost of Propane (\$/Litre)^(A)								\$ 0.5547
16									
17	Forecast Average Cost of Propane (\$/GJ)^(A)								\$ 21.673
18	(Conversion factor 1 Litre = 0.025594 GJ)								

Note (A) Forecast average cost of propane excludes company use, vaporizer use, and unaccounted for gas.

TERASEN GAS INC.
 REVELSTOKE PROPANE DEFERRAL
 FOR THE PERIOD ENDING SEPTEMBER 30, 2009
 WITH EXISTING PROPANE REFERENCE PRICE (COMMISSION ORDER NO. G-92-08)
(AUGUST 27, 2008 FORWARD PRICES BASED ON MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-Tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)
1	June 30, 2008 Balance						\$2,692
2	July (Recorded)	64,499	\$0.5047	\$0.4260 ^(A)	\$0.0787	\$5,076	\$7,768
3	August (Projection)	218,801	\$0.4962	\$0.5172 ^(B)	(\$0.0210)	(\$4,595)	\$3,173
4	September (Forecast)	<u>339,923</u>	\$0.4911	\$0.5172	(\$0.0261)	<u>(\$8,872)</u>	(\$5,699)
5	Current Quarter Total	<u><u>623,224</u></u>				<u><u>(\$8,391)</u></u>	
6							
7	<u>Forecast Volumes and Forecast Prices</u>						
8	October (Forecast)	589,982	\$0.4972	\$0.5172	(\$0.0200)	(\$11,800)	(\$17,499)
9	November (Forecast)	918,184	\$0.5163	\$0.5172	(\$0.0009)	(\$826)	(\$18,325)
10	December (Forecast)	1,176,057	\$0.5158	\$0.5172	(\$0.0014)	(\$1,646)	(\$19,971)
11	January 2009 (Forecast)	1,242,479	\$0.5232	\$0.5172	\$0.0060	\$7,455	(\$12,516)
12	February (Forecast)	1,008,049	\$0.5233	\$0.5172	\$0.0061	\$6,149	(\$6,367)
13	March (Forecast)	914,277	\$0.5217	\$0.5172	\$0.0045	\$4,114	(\$2,253)
14	April (Forecast)	515,746	\$0.4915	\$0.5172	(\$0.0257)	(\$13,255)	(\$15,508)
15	May (Forecast)	433,695	\$0.4871	\$0.5172	(\$0.0301)	(\$13,054)	(\$28,562)
16	June (Forecast)	277,409	\$0.4879	\$0.5172	(\$0.0293)	(\$8,128)	(\$36,690)
17	July (Forecast)	238,337	\$0.4846	\$0.5172	(\$0.0326)	(\$7,770)	(\$44,460)
18	August (Forecast)	214,894	\$0.4832	\$0.5172	(\$0.0340)	(\$7,306)	(\$51,766)
19	September (Forecast)	<u>332,109</u>	\$0.4885	\$0.5172	(\$0.0287)	<u>(\$9,532)</u>	(\$61,298)
20	Total Oct 2008 to Sept 2009	<u><u>7,861,217</u></u>				<u><u>(\$55,599)</u></u>	
21							
22							
23							
24	Recovered Costs (Line 20 Col.2 x Line 19 Col.4)		<u>\$4,065,821</u>				
25	Forecast + Deferral Balance (Page 2 Line 13 Col. 9 + Page 1 Line 4 Col. 7)		<u>\$4,004,547</u>	=			101.5%

Note (A) Applied \$0.4260/litre propane reference price (effective January 1, 2008 to June 30, 2008) to the June purchases of 64,499 litres recorded in July. No purchase occurred in July.

Note (B) Propane reference price effective July 1, 2008

TERASEN GAS INC.
 REVELSTOKE FORECAST AVERAGE COST OF PROPANE
 FOR THE PERIOD ENDING SEPTEMBER 30, 2009
(AUGUST 27, 2008 FORWARD PRICES BASED ON MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars (1)	2008/09 Volume (Litres) (2)	Fixed Price Volume (Litres) (3)	Variable Volume (Litres) (4)	Fixed Price (\$/litre) (5)	Variable Price (\$/litre) (6)	Fixed Charges (\$) (7)	Variable Charges (\$) (8)	Total (\$) (9)
1	October 2008	589,982	-	589,982	\$ -	\$ 0.4972	\$ -	\$ 293,337	\$ 293,337
2	November	918,184	450,000	468,184	\$ 0.5341	\$ 0.4991	\$ 240,348	\$ 233,686	\$ 474,033
3	December	1,176,057	450,000	726,057	\$ 0.5341	\$ 0.5044	\$ 240,348	\$ 366,213	\$ 606,561
4	January 2009	1,242,479	450,000	792,479	\$ 0.5353	\$ 0.5164	\$ 240,888	\$ 409,224	\$ 650,112
5	February	1,008,049	450,000	558,049	\$ 0.5353	\$ 0.5137	\$ 240,888	\$ 286,671	\$ 527,559
6	March	914,277	450,000	464,277	\$ 0.5353	\$ 0.5084	\$ 240,888	\$ 236,058	\$ 476,945
7	April	515,746	-	515,746	\$ -	\$ 0.4915	\$ -	\$ 253,515	\$ 253,515
8	May	433,695	-	433,695	\$ -	\$ 0.4871	\$ -	\$ 211,261	\$ 211,261
9	June	277,409	-	277,409	\$ -	\$ 0.4879	\$ -	\$ 135,362	\$ 135,362
10	July	238,337	-	238,337	\$ -	\$ 0.4846	\$ -	\$ 115,505	\$ 115,505
11	August	214,894	-	214,894	\$ -	\$ 0.4832	\$ -	\$ 103,836	\$ 103,836
12	September	332,109	-	332,109	\$ -	\$ 0.4885	\$ -	\$ 162,221	\$ 162,221
13	Total - Oct 2008 to Sept 2009	7,861,217	2,250,000	5,611,217			\$ 1,203,359	\$ 2,806,887	\$ 4,010,246
14									
15	Forecast Average Cost of Propane (\$/Litre) ^(A)								\$ 0.5101
16									
17	Forecast Average Cost of Propane (\$/GJ) ^(A)								\$ 19.930
18	<small>(Conversion factor 1 Litre = 0.025594 GJ)</small>								

Note (A) Forecast average cost of propane excludes company use, vaporizer use, and unaccounted for gas.

**TERASEN GAS INC. - REVELSTOKE SERVICE AREA
PROPANE FLOATING PRICES**

Forward Prices: August 27, 2008

CRUDE OIL FUTURES		
Month	Crude Oil Future Prices (US \$ per Barrel)	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Oct-08	\$118.15	\$0.5405
Nov-08	\$118.44	\$0.5613
Dec-08	\$118.79	\$0.5748
Jan-09	\$119.08	\$0.5621
Feb-09	\$119.32	\$0.5510
Mar-09	\$119.52	\$0.5341
Apr-09	\$119.67	\$0.5411
May-09	\$119.79	\$0.5409
Jun-09	\$119.84	\$0.5354
Jul-09	\$119.87	\$0.5535
Aug-09	\$119.89	\$0.5709
Sep-09	\$119.90	\$0.5772

PROPANE FUTURES		
Month	Propane Futures Prices (US \$ per Gallon)	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Oct-08	\$1.70	\$0.4972
Nov-08	\$1.70	\$0.5163
Dec-08	\$1.70	\$0.5158
Jan-09	\$1.70	\$0.5232
Feb-09	\$1.70	\$0.5233
Mar-09	\$1.70	\$0.5217
Apr-09	\$1.66	\$0.4915
May-09	\$1.66	\$0.4871
Jun-09	\$1.66	\$0.4879
Jul-09	\$1.66	\$0.4846
Aug-09	\$1.66	\$0.4832
Sep-09	\$1.66	\$0.4885

50% CRUDE OIL & 50% PROPANE FUTURES	
Month	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Oct-08	\$0.5189
Nov-08	\$0.5388
Dec-08	\$0.5453
Jan-09	\$0.5427
Feb-09	\$0.5372
Mar-09	\$0.5279
Apr-09	\$0.5163
May-09	\$0.5140
Jun-09	\$0.5117
Jul-09	\$0.5191
Aug-09	\$0.5270
Sep-09	\$0.5328

Notes: US-Cdn exchange rates source - Barclays Bank dated August 27, 2008