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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. - Fort Nelson Service Area ("TG Fort Nelson" or the "Company") 2009 Revenue Requirements and Rates Application
Final Submissions of the Company

This is an application for British Columbia Utilities Commission (the "Commission" or "BCUC") approval of an increase in rates for TG Fort Nelson and the RSAM rate rider, effective January 1, 2009 on a permanent basis, pursuant to Sections 58, 60 and 61 of the *Utilities Commission Act*. The relief sought is based on the Company's Amended Application filed on October 30, 2008 as Exhibit B-2.¹

There were no Intervenors or Interested Parties registered in this proceeding, and no comments were submitted to the Commission. The Commission, in its Letter (Exhibit A-4) dated November 6, 2008, stated that Information Request No. 2 would not be required and directed the Company to submit its Final Comments on Thursday, November 13, 2008. This submission constitutes the Company's Final Submissions.

Changes in Industrial Demand

The evidence filed by the Company demonstrates that TG Fort Nelson continues to performed efficiently and effectively in delivering value to its customers. The most significant event affecting the Company's 2009 revenue requirement is the closure of the Company's last major industrial customer. The remainder of these submissions addresses this development.

On October 8, 2008, Canfor Corporation ("Canfor") announced that, due to the continued poor demand and low prices for plywood across North America, by the end of October 2008 it will be indefinitely closing its Tackama Plywood plant in Fort Nelson, once the existing log and veneer inventories are depleted. Earlier this year, Canfor announced closure of its PolarBoard Plant. In 2006, before the turndown in Forestry sector and when both these plants were operating, total industrial demand was approximately 36% of the total demand in the TG Fort Nelson region.

¹ Refer to page 3 of TG Fort Nelson Amended Application dated October 30, 2008

The Company filed the Amended Application on October 30, 2008. The Amended Application included updated information regarding volume forecast for customers served under Rate Schedule 25 (“Transport Customers”), and the most current gas cost recovery charge as approved for October 1, 2008. Additionally, the Amended Application included some modest changes to capital additions for 2008 projected and 2009 forecast, property tax deferral amount for 2008 projected and the long-term debt for 2009 forecast. The overall effect of those updates increased the TG Fort Nelson revenue deficiency from \$209,000 to \$377,000 for 2009. The Amended Application resulted in a margin increase of approximately 36% and RSAM rate rider to be set to \$0.236, an increase of \$0.12 from approved RSAM Rate Rider of \$0.116².

On November 5, 2008, the Company submitted a revised response to BCUC IR No. 1.7.1. The revisions had no impact on the on the 2009 revenue requirements and rate proposals as filed in the Amended Application.

TG Fort Nelson Response to Changes in Industrial Demand

The Company recognizes that closure of forestry plants and mills in smaller communities like Fort Nelson has a material and significant impact on delivery margin requirements. TG Fort Nelson has worked to ensure that the impact to customer rates due to the indefinite closure of the two facilities served under Rate Schedule 25, as announced by Canfor is fair and is in the best interests of customers. Since the closure of plants, the Company has been in contact with Canfor’s operations in Fort Nelson with respect to their estimated natural gas requirements, if any, for the gas year 2008-2009 (November 2008 to October 2009). Canfor has indicated that it expects to use natural gas to protect their fire protection systems and keep their buildings from freezing despite both plants being closed indefinitely. For the purposes of this application, TG Fort Nelson has assumed that these two customers would remain on TG Fort Nelson’s system for another year and will consume 950 GJ per month (minimum bill volume equivalent) during the winter months and 10 GJ per day during the summer months (based on Canfor’s estimate)³.

The Company submits that it has made a fair and reasonable estimate of use rates and customer additions as both Canfor and TG Fort Nelson have very little confidence in the accuracy of Canfor’s forecast for natural gas usage. Any margin variations arising from the difference between forecast and actual deliveries would be captured through the RSAM account and customers would see a favourable bill impact at some time in future, if actual deliveries happen to be more than estimates used in the Amended Application dated October 30, 2008. The Company, in its 2009 Revenue Requirements and Rates Application, has been careful to ensure that the allocation of operating and maintenance costs from TGI is consistent with prior years and Commission Order No. G-27-08.

² As per TG Fort Nelson compliance filing dated March 14, 2008 pursuant to Commission Order No. G-27-08 and Order No. G-39-08. Also, refer to Attachment A, Table 3.7 of the Amended Application dated October 30, 2008.

³ Refer to page 1, paragraph 3 of TG Fort Nelson Amended Application dated October 30, 2008

Relief Sought

The specific orders sought can be found on pages 3 and 4 of the Amended Application. TG Fort Nelson notes that the proposed rates set out in the Amended Application will have to be revised to reflect the Commission approved allowed Return on Equity as per the Generic Mechanism, expected in early December 2008.

The Company submits that the appropriate method to recover the revenue deficiency is to set permanent rates effective January 1, 2009 at a level sufficient to recover the revenue requirements as set out in the Amended Application dated October 30, 2008. Should the Commission be unable to render its decision on the TG Fort Nelson 2009 Amended Revenue Requirements Application for permanent rates in time to be effective January 1, 2009, TG Fort Nelson submits that it is appropriate to implement the same rates on an interim basis pursuant to Section 89 of the *Utilities Commission Act*, effective January 1, 2009.

Conclusion

In sum, the evidence filed by the Company demonstrates that TG Fort Nelson continues to perform efficiently and effectively in delivering value to its customers. In updating its gas usage forecasts and revising the 2009 revenue requirement the Company has responded appropriately to the significant development of the closure of the Canfor Tackama Plywood plant. The Company submits that the rate proposals and approvals being sought as per the Amended Application, which are based on the most up-to-date information available, are reasonable, just and are necessary to cover the cost of service to the customers in the TG Fort Nelson area. The Company respectfully submits that the relief sought in the Amended Application should be granted.

All of which is respectfully submitted.

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski