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June 5, 2009

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

Regulatory Affairs Correspondence
Email: regulatory.affairs@terasengas.com

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. ("Terasen Gas") – Fort Nelson Service Area ("Fort Nelson")
Gas Cost Reconciliation Account ("GCRA") and
2009 Second Quarter Gas Cost Report**

The attached materials provide the 2009 Second Quarter Gas Cost Report for Fort Nelson as required under British Columbia Utilities Commission (the "Commission") guidelines.

Based on the forward prices as at June 1, 2009, the June 30, 2009 GCRA deferral balance is projected to be approximately \$58,500 surplus after tax (Tab 1, Page 2.0, Column 2, Line 34). Further, based on the June 1, 2009 forward prices, the gas purchase cost assumptions, and the forecast gas cost recoveries at present rates for the 12-month period ending June 30, 2010, and accounting for the projected June 30, 2009 deferral balance, the GCRA ratio is calculated to be 102.0% (Tab 1, Page 1, Column 3, Line 10). The ratio falls within the deadband range of 95% to 105%, indicating that a rate change is not required at this time.

A summary of the forward prices is provided on Tab 1, Page 3, and a summary of the recorded and forecast monthly GCRA balances is provided on Tab 1, Page 4.

Provided in Tab 2 are the details of the forecast gas costs for Fort Nelson. Terasen Gas requests the information contained in Tab 2 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.

In this regard, Terasen Gas further believes that the Core Market could be disadvantaged and may well shoulder incremental costs if utility gas supply procurement strategies as well as contracts are treated in a different manner than those of other gas purchasers, and

believes that since it continues to operate within a competitive environment, there is no necessity for public disclosure and risk prejudice or influence in the negotiations or renegotiation of subsequent contracts.

In summary, Terasen Gas proposes no change to the existing Fort Nelson rates at this time.

Terasen Gas will continue to monitor the forward prices and will report these results in the 2009 Third Quarter Gas Cost Report for Fort Nelson.

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. - FORT NELSON SERVICE AREA
 GAS COST RECONCILIATION ACCOUNT ("GCRA") RATE CHANGE TRIGGER MECHANISM
 FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010
 WITH EXISTING APRIL 1, 2009 GAS COST RECOVERY RATES
 (JUNE 1, 2009 FORWARD PRICES)

Line No.	Particulars	Annual (\$000)	Percentage	Volume (TJ)	Unit Cost (\$/GJ)
	(1)	(2)	(3)	(4)	(5)
1	<u>RATE CHANGE TRIGGER MECHANISM</u>				
2	Projected Grossed-up GCRA Balance as at June 30, 2009	\$ (83.6)			
3	(Page 2.0, Line 34, Col 2 after tax amount grossed up using 30.0% tax rate)				
4					
5	Forecast Incurred Gas Costs - July 2009 to June 2010	\$ 3,439.1			
6	(Page 2.0, Line 20, Col 14)				
7	Forecast Recovered Gas Costs - July 2009 to June 2010	\$ 3,423.0			
8	(Page 2.0, Line 10, Col 14)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 3,423.0	=		<u>102.0%</u>
11		\$ 3,355.5			
12					
13					
14					
15					
16	<u>BALANCING REQUIREMENT</u>				
17	(applicable when Rate Change Trigger Mechanism Ratio falls outside 95% to 105% deadband)				
18					
19	Forecast 12 Month Recovery Volumes - July 2009 to June 2010			552.1	
20	(Page 2.0, Col. 14, Line 2)				
21					
22	Projected GCRA Balance at June 30, 2009 (Line 2)	\$ (83.6)			\$ (0.151)
23	Forecast GCRA Activities - July 2009 to June 2010 (Line 5 - Line 7)	16.1			\$ 0.029
24	(Over) / Under Recovery at Existing Rates	<u>\$ (67.5)</u>			
25					
26	Tested Rates (Decrease) / Increase				<u>\$ (0.122)</u>

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2011

**WITH EXISTING APRIL 1, 2009 GAS COST RECOVERY RATES
 (JUNE 1, 2009 FORWARD PRICES)**

Line No.	Particulars													12 months
		Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul09-Jun10 Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1 RECOVERED GAS COSTS														
2 Total Sales - TJ		9.2	11.7	18.8	41.2	65.3	82.9	101.3	75.9	71.5	38.6	21.6	14.1	552.1
3 T-Service UAF - TJ		-	-	-	-	-	-	-	-	-	-	-	-	-
4														
5 Recovery Unit Cost on Sales - \$/GJ		\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200
6 Recovery Unit Cost on T-Service UAF - \$/GJ		\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078
7														
8 Recovery on Sales - \$000		\$ 57.0	\$ 72.5	\$ 116.6	\$ 255.4	\$ 404.9	\$ 514.0	\$ 628.1	\$ 470.6	\$ 443.3	\$ 239.3	\$ 133.9	\$ 87.4	\$ 3,423.0
9 Recovery on T-Service UAF - \$000		-	-	-	-	-	-	-	-	-	-	-	-	-
10 Total Forecast Recovered Gas Costs - \$000		<u>\$ 57.0</u>	<u>\$ 72.5</u>	<u>\$ 116.6</u>	<u>\$ 255.4</u>	<u>\$ 404.9</u>	<u>\$ 514.0</u>	<u>\$ 628.1</u>	<u>\$ 470.6</u>	<u>\$ 443.3</u>	<u>\$ 239.3</u>	<u>\$ 133.9</u>	<u>\$ 87.4</u>	<u>\$ 3,423.0</u>
11														
12														
13														
14 INCURRED GAS COSTS														
15 Total Purchases Incl. Company Use and UAF - TJ		9.3	11.8	19.0	41.7	66.1	83.9	102.5	76.8	72.4	39.1	21.9	14.3	558.8
16														
17														
18 Blended Cost - \$/GJ		\$ 5.0081	\$ 5.0436	\$ 5.0593	\$ 5.1058	\$ 6.0435	\$ 6.2738	\$ 6.7175	\$ 6.3914	\$ 6.3681	\$ 6.0410	\$ 6.0846	\$ 6.1615	
19														
20 Forecast Incurred Gas Costs - \$000		<u>\$ 46.6</u>	<u>\$ 59.5</u>	<u>\$ 96.1</u>	<u>\$ 212.9</u>	<u>\$ 399.5</u>	<u>\$ 526.4</u>	<u>\$ 688.5</u>	<u>\$ 490.9</u>	<u>\$ 461.1</u>	<u>\$ 236.2</u>	<u>\$ 133.3</u>	<u>\$ 88.1</u>	<u>\$ 3,439.1</u>
21														
22														
23														
24														
25														
26 GCRA BALANCE														
27 Opening Balance Before Tax		\$ (83.6)	\$ (94.0)	\$ (107.0)	\$ (127.5)	\$ (170.0)	\$ (175.4)	\$ (159.4)	\$ (99.0)	\$ (78.7)	\$ (60.9)	\$ (64.0)	\$ (64.6)	
28 Forecast Activity		(10.4)	(13.0)	(20.5)	(42.5)	(5.4)	12.4	60.4	20.3	17.8	(3.1)	(0.6)	0.7	\$ 16.1
29 Closing Balance Before Tax		<u>\$ (94.0)</u>	<u>\$ (107.0)</u>	<u>\$ (127.5)</u>	<u>\$ (170.0)</u>	<u>\$ (175.4)</u>	<u>\$ (163.0)</u>	<u>\$ (99.0)</u>	<u>\$ (78.7)</u>	<u>\$ (60.9)</u>	<u>\$ (64.0)</u>	<u>\$ (64.6)</u>	<u>\$ (63.9)</u>	
30														
31 Tax Rate		30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	28.50%	28.50%	28.50%	28.50%	28.50%	28.50%	
32														
33														
34 Opening Balance After Tax		\$ (58.5)	\$ (65.8)	\$ (74.9)	\$ (89.2)	\$ (118.9)	\$ (122.7)	\$ (114.0)	\$ (70.8)	\$ (56.3)	\$ (43.6)	\$ (45.8)	\$ (46.2)	
35 Forecast Activity		(7.3)	(9.1)	(14.4)	(29.8)	(3.8)	8.7	43.2	14.5	12.7	(2.2)	(0.4)	0.5	\$ 12.7
36 Closing Balance After Tax - \$000		<u>\$ (65.8)</u>	<u>\$ (74.9)</u>	<u>\$ (89.2)</u>	<u>\$ (118.9)</u>	<u>\$ (122.7)</u>	<u>\$ (114.0)</u>	<u>\$ (70.8)</u>	<u>\$ (56.3)</u>	<u>\$ (43.6)</u>	<u>\$ (45.8)</u>	<u>\$ (46.2)</u>	<u>\$ (45.7)</u>	

**WITH EXISTING APRIL 1, 2009 GAS COST RECOVERY RATES
 (JUNE 1, 2009 FORWARD PRICES)**

Line No.	Particulars													12 months
		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1 RECOVERED GAS COSTS														
2 Total Sales - TJ		9.1	11.6	18.6	40.8	65.1	82.7	101.0	75.6	71.3	38.6	21.4	13.9	549.7
3 T-Service UAF - TJ		-	-	-	-	-	-	-	-	-	-	-	-	-
4														
5 Recovery Unit Cost on Sales - \$/GJ		\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200	\$ 6.200
6 Recovery Unit Cost on T-Service UAF - \$/GJ		\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078	\$ 8.078
7														
8 Recovery on Sales - \$000		\$ 56.4	\$ 71.9	\$ 115.3	\$ 253.0	\$ 403.6	\$ 512.7	\$ 626.2	\$ 468.7	\$ 442.1	\$ 239.3	\$ 132.7	\$ 86.2	\$ 3,408.1
9 Recovery on T-Service UAF - \$000		-	-	-	-	-	-	-	-	-	-	-	-	-
10 Total Forecast Recovered Gas Costs - \$000		<u>\$ 56.4</u>	<u>\$ 71.9</u>	<u>\$ 115.3</u>	<u>\$ 253.0</u>	<u>\$ 403.6</u>	<u>\$ 512.7</u>	<u>\$ 626.2</u>	<u>\$ 468.7</u>	<u>\$ 442.1</u>	<u>\$ 239.3</u>	<u>\$ 132.7</u>	<u>\$ 86.2</u>	<u>\$ 3,408.1</u>
11														
12														
13														
14 INCURRED GAS COSTS														
15 Total Purchases Incl. Company Use and UAF - TJ		9.2	11.7	18.8	41.3	65.9	83.7	102.2	76.5	72.2	39.1	21.7	14.1	556.4
16														
17														
18 Blended Cost - \$/GJ		\$ 6.2644	\$ 6.2855	\$ 6.2766	\$ 6.2932	\$ 6.8129	\$ 7.0147	\$ 7.1241	\$ 7.1250	\$ 7.0323	\$ 6.1187	\$ 6.1285	\$ 6.2238	
19														
20 Forecast Incurred Gas Costs - \$000		<u>\$ 57.6</u>	<u>\$ 73.5</u>	<u>\$ 118.0</u>	<u>\$ 259.9</u>	<u>\$ 449.0</u>	<u>\$ 587.1</u>	<u>\$ 728.1</u>	<u>\$ 545.1</u>	<u>\$ 507.7</u>	<u>\$ 239.2</u>	<u>\$ 133.0</u>	<u>\$ 87.8</u>	<u>\$ 3,786.0</u>
21														
22														
23														
24														
25														
26 GCRA BALANCE														
27 Opening Balance Before Tax		\$ (63.9)	\$ (62.7)	\$ (61.1)	\$ (58.4)	\$ (51.5)	\$ (6.1)	\$ 66.4	\$ 168.3	\$ 244.7	\$ 310.3	\$ 310.2	\$ 310.5	
28 Forecast Activity		1.2	1.6	2.7	6.9	45.4	74.4	101.9	76.4	65.6	(0.1)	0.3	1.6	\$ 377.9
29 Closing Balance Before Tax		<u>\$ (62.7)</u>	<u>\$ (61.1)</u>	<u>\$ (58.4)</u>	<u>\$ (51.5)</u>	<u>\$ (6.1)</u>	<u>\$ 68.3</u>	<u>\$ 168.3</u>	<u>\$ 244.7</u>	<u>\$ 310.3</u>	<u>\$ 310.2</u>	<u>\$ 310.5</u>	<u>\$ 312.1</u>	
30														
31 Tax Rate		28.50%	28.50%	28.50%	28.50%	28.50%	28.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	
32														
33														
34 Opening Balance After Tax		\$ (45.7)	\$ (44.8)	\$ (43.7)	\$ (41.8)	\$ (36.9)	\$ (4.4)	\$ 48.8	\$ 123.7	\$ 179.9	\$ 228.1	\$ 228.0	\$ 228.2	
35 Forecast Activity		0.9	1.1	1.9	4.9	32.5	53.2	74.9	56.2	48.2	(0.1)	0.2	1.2	\$ 275.1
36 Closing Balance After Tax - \$000		<u>\$ (44.8)</u>	<u>\$ (43.7)</u>	<u>\$ (41.8)</u>	<u>\$ (36.9)</u>	<u>\$ (4.4)</u>	<u>\$ 48.8</u>	<u>\$ 123.7</u>	<u>\$ 179.9</u>	<u>\$ 228.1</u>	<u>\$ 228.0</u>	<u>\$ 228.2</u>	<u>\$ 229.4</u>	

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 STATION NO. 2 INDEX PROJECTIONS
 FOR THE PERIOD ENDING JUNE 30, 2011

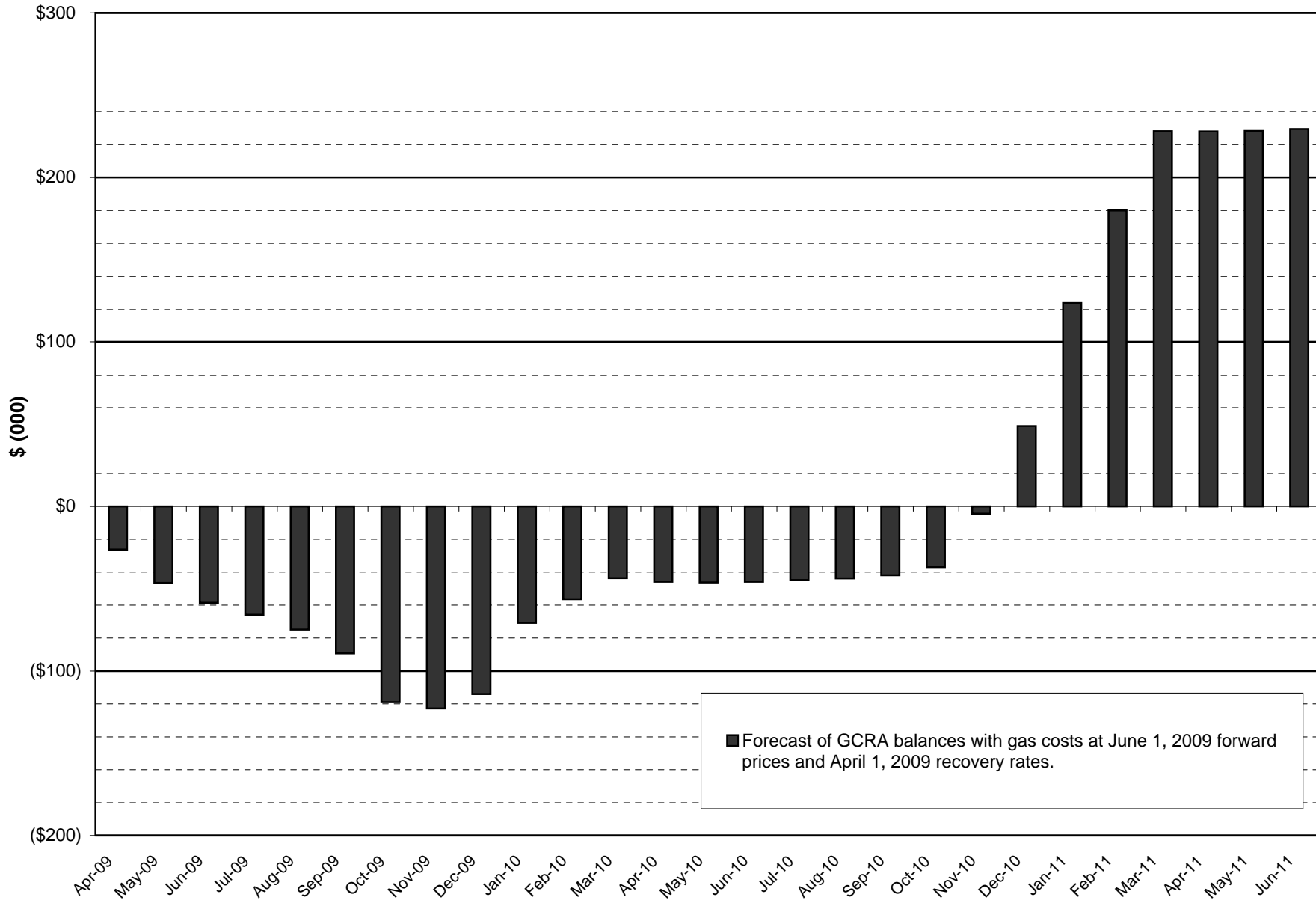
Line No.	Particulars	Feb 24, 2009 Forward Prices 2009 Q1 Gas Cost Report	June 1, 2009 Forward Prices 2009 Q2 Gas Cost Report	June 1, 2009 based Forecast Less Feb 24, 2009 based Forecast
	(1)	(2)	(3)	(4) = (3)-(2)
1	Station No. 2 - \$CDN/GJ			
2	2009 January	Recorded \$ 6.52	↑ \$ 6.52	-
3	February	Projected \$ 4.79	↑ \$ 4.79	-
4	March	Forecast \$ 4.05	↑ \$ 4.08	0.03
5	April	↓ \$ 3.97	Recorded \$ 3.71	(0.26)
6	May	↓ \$ 4.07	Projected \$ 2.92	(1.15)
7	June	↓ \$ 4.23	Forecast \$ 3.30	(0.93)
8	July	\$ 4.39	↓ \$ 3.38	(1.01)
9	August	\$ 4.48	↓ \$ 3.51	(0.97)
10	September	\$ 4.52	↓ \$ 3.61	(0.91)
11	October	\$ 4.64	↓ \$ 3.77	(0.87)
12	November	\$ 5.40	↓ \$ 4.71	(0.69)
13	December	\$ 6.06	↓ \$ 5.41	(0.65)
14	Simple Average (Jan, 2009 - Dec, 2009)	\$ 4.76	\$ 4.14	-13.0% \$ (0.62)
15	Simple Average (Apr, 2009 - Mar, 2010)	\$ 5.06	\$ 4.29	-15.2% \$ (0.77)
16	Simple Average (Jul, 2009 - Jun, 2010)	\$ 5.45	\$ 4.78	-12.3% \$ (0.67)
17	Simple Average (Oct, 2009 - Sep, 2010)	\$ 5.83	\$ 5.29	-9.3% \$ (0.54)
18	2010 January	\$ 6.38	\$ 5.72	\$ (0.66)
19	February	\$ 6.37	\$ 5.76	(0.61)
20	March	\$ 6.23	\$ 5.69	(0.54)
21	April	\$ 5.60	\$ 5.21	(0.39)
22	May	\$ 5.63	\$ 5.25	(0.38)
23	June	\$ 5.74	\$ 5.35	(0.39)
24	July	\$ 5.88	\$ 5.47	(0.41)
25	August	\$ 5.97	\$ 5.57	(0.40)
26	September	\$ 6.01	\$ 5.62	(0.39)
27	October	\$ 6.12	\$ 5.71	(0.41)
28	November	\$ 6.75	\$ 6.34	(0.41)
29	December	\$ 7.20	\$ 6.74	(0.46)
30	Simple Average (Jan, 2010 - Dec, 2010)	\$ 6.16	\$ 5.70	-7.5% \$ (0.46)
31	Simple Average (Apr, 2010 - Mar, 2011)	\$ 6.42	\$ 6.00	-6.5% \$ (0.42)
32	Simple Average (Jul, 2010 - Jun, 2011)		\$ 6.20	
33	2011 January	\$ 7.46	\$ 6.96	\$ (0.50)
34	February	\$ 7.45	\$ 6.96	(0.49)
35	March	\$ 7.21	\$ 6.77	(0.44)
36	April		\$ 6.05	
37	May		\$ 6.04	
38	June		\$ 6.12	

TERASEN GAS INC. - FORT NELSON SERVICE AREA
GCRA AFTER TAX BALANCES (\$000)
FOR THE PERIOD ENDING JUNE 30, 2011
WITH EXISTING GAS COST RECOVERY RATES

Line No.	Particulars	2009 Q2 Gas Cost Report Apr 1, 2009 Gas Cost Recovery Rates (June 1, 2009 Forward Prices)		2009 Q1 Gas Cost Report Apr 1, 2009 Gas Cost Recovery Rates (Feb 24, 2009 Forward Prices)	
		(1)	(2)	(3)	
1	2009 January		\$ (94.0)	Recorded	\$ (94.0)
2	February		\$ (60.7)	Projected	\$ (122.4)
3	March		\$ (215.6)		\$ (156.6)
4	April	Recorded	\$ (26.2)		\$ (175.2)
5	May	Projected	\$ (46.5)		\$ (184.4)
6	June		\$ (58.5)		\$ (189.4)
7	July		\$ (65.8)		\$ (192.0)
8	August		\$ (74.9)		\$ (195.2)
9	September		\$ (89.2)		\$ (200.5)
10	October		\$ (118.9)		\$ (210.9)
11	November		\$ (122.7)		\$ (190.5)
12	December		\$ (114.0)		\$ (151.9)
13	2010 January		\$ (70.8)		\$ (76.0)
14	February		\$ (56.3)		\$ (34.1)
15	March		\$ (43.6)		\$ 3.2
16	April		\$ (45.8)		\$ 6.3
17	May		\$ (46.2)		\$ 8.8
18	June		\$ (45.7)		\$ 11.4
19	July		\$ (44.8)		\$ 13.8
20	August		\$ (43.7)		\$ 16.9
21	September		\$ (41.8)		\$ 21.9
22	October		\$ (36.9)		\$ 33.1
23	November		\$ (4.4)		\$ 51.1
24	December		\$ 48.8		\$ 73.9
25	2011 January		\$ 123.7		\$ 151.8
26	February		\$ 179.9		\$ 194.7
27	March		\$ 228.1		\$ 233.0
28	April		\$ 228.0		
29	May		\$ 228.2		
30	June		\$ 229.4		

- 32 **Notes:** Comparison of Recorded with Projected GCRA balances
- 33 (a) Timing difference as deemed Aitken Creek storage costs for December 2008 and January 2009 were recorded in February 2009, partially mitigated by Imbalance credit which was not forecast.
- 34 (b) In March 2009, the Imbalance credit of \$134,400 was recorded which was not forecast and the February 2009 deemed Aitken Creek storage costs were recorded.
- 35 (c) Timing difference as deemed Aitken Creek storage costs for March 2009 were recorded in April 2009, the month for which they were not forecast.
- 36 The cost was further increased by Imbalance debit of \$80,200, as Imbalance debits and credits were not forecast.

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 GCRA AFTER TAX BALANCES BY MONTH
 FOR THE PERIOD ENDING JUNE 2011





LETTER NO. L-XX-09

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VANCOUVER, B.C. CANADA V6Z 2N3
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BC TOLL FREE: 1-800-663-1385
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Log No. XXXX

ERICA M. HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

DRAFT ORDER

VIA E-MAIL

Regulatory.Affairs@terasengas.com

June XX, 2009

Mr. Tom Loski
Chief Regulatory Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Loski:

Re: Terasen Gas Inc. ("Terasen Gas")
Fort Nelson Service Area
2009 Second Quarter Gas Cost Report
Gas Cost Reconciliation Account

On June 5, 2009 Terasen Gas filed the 2009 Second Quarter Gas Cost Report ("Report") for the Fort Nelson service area. The Commission acknowledges receipt of the Report and accepts the recommendation that customer rates remain unchanged for the Fort Nelson service area, as of July 1, 2009.

Yours truly,

Erica M. Hamilton
Commission Secretary