



Tom A. Loski
Chief Regulatory Officer

16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 592-7464
Cell: (604) 250-2722
Fax: (604) 576-7074
Email: tom.loski@terasengas.com
www.terasengas.com

June 8, 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. – Lower Mainland, Inland, and Columbia Service Areas
Commodity Cost Reconciliation Account (“CCRA”) and Midstream Cost
Reconciliation Account (“MCRA”) Quarterly Gas Costs
2009 Second Quarter Gas Cost Report**

The attached materials provide the Terasen Gas Inc. (“Terasen Gas” or the “Company”) 2009 Second Quarter Gas Cost Report for the CCRA and MCRA deferral accounts as required under British Columbia Utilities Commission (the “Commission”) guidelines.

The monthly deferral account balance for the CCRA is shown on the schedule provided in Tab 1, Page 1, for the existing rates. The CCRA balance at June 30, 2009, based on the June 1, 2009 forward prices, is projected to be approximately \$40 million surplus (after tax). Further, based on the June 1, 2009 forward prices, the gas purchase cost assumptions, and the forecast commodity 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 CCRA ratio is calculated to be 107.5% (Tab 1, Page 1, Column 10, Lines 36/37). The ratio does not fall inside the deadband range of 95% to 105%, indicating that current rates are over recovering costs at this time.

The forecast cost of gas, based on the June 1, 2009 forward prices indicate that a rate decrease of \$0.413/GJ effective July 1, 2009 would eliminate the surplus over the next 12 months. However, the natural gas futures for the periods beyond the 12-month forecast period are contango. The forecast cost of gas beyond the next 12 months, based on the June 1, 2009 forward prices and due to the contango market, indicate that should a mechanistic rate decrease be flowed through rates effective July 1, 2009 the revenue-to-cost ratio for the October 1, 2009 to September 30, 2010 period (which relates to the 2009 third quarter reporting period) would be approximately 97%, just within the deadband but now under recovering costs. And, the revenue-to-cost ratio for the January 1, 2010 to December 31, 2010 period (which relates to the 2009 fourth quarter reporting period) would be approximately 91%, well outside the deadband and under recovering costs to approximately the same extent that current rates are over recovering costs for the July 1, 2009 to June 30, 2010 period.

Further, the forecast cost of gas beyond the next 12 months, based on the June 1, 2009 forward prices and due to the contango market, indicate that should no change be made to rates effective July 1, 2009 the revenue-to-cost ratio for the October 1, 2009 to

September 30, 2010 period (which relates to the 2009 third quarter reporting period) would be approximately 106%, just outside the deadband though still over recovering costs. And, the revenue-to-cost ratio for the January 1, 2010 to December 31, 2010 period (which relates to the 2009 fourth quarter reporting period) would be approximately 102%, within the deadband and only slightly over recovering costs.

Terasen Gas acknowledges that the commodity futures markets continue to experience a large degree of price volatility and is mindful that, should a rate decrease be flowed through effective July 1, 2009, even a slight increase in the natural gas futures prices from the June 1, 2009 forward prices could trigger a rate increase October 1, 2009.

Terasen Gas proposes that no change be made in the commodity cost recovery rate effective July 1, 2009. The Company continues to support the commodity revenue-to-cost ratio mechanism and recognizes that the request to not decrease rates July 1, 2009 is out of the ordinary, but believes that under the current circumstances it is not inappropriate to leave rates unchanged at this time. Terasen Gas will continue to monitor the forward prices and will report the results in its 2009 Third Quarter Gas Cost Report, recognizing that at that time should the existing rates produce a recovery-to-cost ratio outside the 95% to 105% deadband range then a rate change will be required effective October 1, 2009.

The monthly deferral account balance for the MCRA is shown on the schedule provided in Tab 1, Page 2, for the existing rates. The MCRA balance at June 30, 2009, based on the June 1, 2009 forward prices, is projected to be approximately \$13 million surplus (after tax). Further, the MCRA balance at December 31, 2009, based on the June 1, 2009 forward prices, is projected to be approximately \$28 million deficit (after-tax). Terasen Gas will continue to monitor and report MCRA balances consistent with the Company's position that midstream rates be reported on a quarterly basis and, under normal circumstances, midstream rates be adjusted on an annual basis with a January 1 effective date.

In summary, Terasen Gas proposes that no change be made to either the commodity rates or the midstream rates at this time.

We trust that the Commission will find this filing in order. If there are any questions regarding this filing, please contact Brian Noel at 604-592-7467.

All of which is respectfully submitted.

Sincerely,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachments

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
CCRA MONTHLY BALANCES AT EXISTING RATES (AFTER VOLUME ADJUSTMENTS) AND RATE CHANGE TRIGGER MECHANISM
FOR THE FORECAST PERIOD JULY 1, 2009 TO JUNE 30, 2011
JUNE 1, 2009 FORWARD PRICES
 \$(Millions)

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
1		Recorded	Recorded	Recorded	Recorded	Projected	Projected								
2		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09								
3	CCRA Balance - Beginning (Pre-tax) ⁽¹⁾	\$ (33)	\$ (29)	\$ (31)	\$ (37)	\$ (40)	\$ (47)								
4	Gas Costs Incurred	\$ 63	\$ 54	\$ 55	\$ 39	\$ 42	\$ 38								
5	Revenue from EXISTING Recovery Rates	\$ (60)	\$ (56)	\$ (61)	\$ (42)	\$ (49)	\$ (47)								
6	CCRA Balance - Ending (Pre-tax) ⁽²⁾	<u>\$ (29)</u>	<u>\$ (31)</u>	<u>\$ (37)</u>	<u>\$ (40)</u>	<u>\$ (47)</u>	<u>\$ (57)</u>								
7															
8	CCRA Balance - Ending (After-tax) ⁽³⁾	<u>\$ (21)</u>	<u>\$ (22)</u>	<u>\$ (26)</u>	<u>\$ (28)</u>	<u>\$ (33)</u>	<u>\$ (40)</u>								
9															
10															
11														Total	
12		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Jul-09	
13		Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	to	
14	CCRA Balance - Beginning (Pre-tax) ⁽¹⁾	\$ (57)	\$ (63)	\$ (69)	\$ (74)	\$ (78)	\$ (72)	\$ (63)	\$ (54)	\$ (45)	\$ (36)	\$ (36)	\$ (35)	\$ (57)	
15	Gas Costs Incurred	\$ 37	\$ 38	\$ 37	\$ 39	\$ 48	\$ 52	\$ 53	\$ 47	\$ 52	\$ 42	\$ 44	\$ 43	\$ 532	
16	Revenue from EXISTING Recovery Rates	\$ (43)	\$ (43)	\$ (42)	\$ (43)	\$ (42)	\$ (43)	\$ (43)	\$ (39)	\$ (43)	\$ (42)	\$ (43)	\$ (42)	\$ (510)	
17	CCRA Balance - Ending (Pre-tax) ⁽²⁾	<u>\$ (63)</u>	<u>\$ (69)</u>	<u>\$ (74)</u>	<u>\$ (78)</u>	<u>\$ (72)</u>	<u>\$ (64)</u>	<u>\$ (54)</u>	<u>\$ (45)</u>	<u>\$ (36)</u>	<u>\$ (36)</u>	<u>\$ (35)</u>	<u>\$ (34)</u>	<u>\$ (34)</u>	
18															
19	CCRA Balance - Ending (After-tax) ⁽³⁾	<u>\$ (44)</u>	<u>\$ (48)</u>	<u>\$ (52)</u>	<u>\$ (55)</u>	<u>\$ (51)</u>	<u>\$ (45)</u>	<u>\$ (38)</u>	<u>\$ (32)</u>	<u>\$ (26)</u>	<u>\$ (26)</u>	<u>\$ (25)</u>	<u>\$ (24)</u>	<u>\$ (24)</u>	
20															
21															
22														Total	
23		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Jul-10	
24		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	to	
25	CCRA Balance - Beginning (Pre-tax) ⁽¹⁾	\$ (34)	\$ (32)	\$ (30)	\$ (28)	\$ (25)	\$ (17)	\$ (7)	\$ 4	\$ 15	\$ 25	\$ 27	\$ 30	\$ (34)	
26	Gas Costs Incurred	\$ 44	\$ 45	\$ 43	\$ 45	\$ 48	\$ 53	\$ 54	\$ 49	\$ 52	\$ 44	\$ 45	\$ 44	\$ 565	
27	Revenue from EXISTING Recovery Rates	\$ (42)	\$ (42)	\$ (41)	\$ (42)	\$ (41)	\$ (42)	\$ (42)	\$ (38)	\$ (42)	\$ (41)	\$ (42)	\$ (41)	\$ (498)	
28	CCRA Balance - Ending (Pre-tax) ⁽²⁾	<u>\$ (32)</u>	<u>\$ (30)</u>	<u>\$ (28)</u>	<u>\$ (25)</u>	<u>\$ (17)</u>	<u>\$ (7)</u>	<u>\$ 4</u>	<u>\$ 15</u>	<u>\$ 25</u>	<u>\$ 27</u>	<u>\$ 30</u>	<u>\$ 33</u>	<u>\$ 33</u>	
29															
30	CCRA Balance - Ending (After-tax) ⁽³⁾	<u>\$ (23)</u>	<u>\$ (22)</u>	<u>\$ (20)</u>	<u>\$ (18)</u>	<u>\$ (12)</u>	<u>\$ (5)</u>	<u>\$ 3</u>	<u>\$ 11</u>	<u>\$ 18</u>	<u>\$ 20</u>	<u>\$ 22</u>	<u>\$ 24</u>	<u>\$ 24</u>	
31															
32															
33															
34	<u>CCRA RATE CHANGE TRIGGER MECHANISM</u>														
35															
36	CCRA	Forecast Recovered Gas Costs (Jul 2009 - Jun 2010)							\$ 510						
37	Ratio	Forecast Incurred Gas Costs (Jul 2009 - Jun 2010) + Projected CCRA Pre-tax Balance (Jun 2009)							\$ 475		<u><u>107.5%</u></u>				

Notes: Slight differences in totals due to rounding.

(1*) Pre-tax opening balances are restated based on current income tax rates, to reflect grossed-up after tax amounts (Jan 1, 2009, 30.0%, Jan 1, 2010, 28.5%, and Jan 1, 2011, 26.5%).

(2*) For rate setting purpose CCRA pre tax balances include grossed up projected deferred interest as at June 30, 2009.

(3*) For rate setting purpose CCRA after tax balances are independently grossed-up to reflect pre-tax amounts.

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
MCRA MONTHLY BALANCES AT EXISTING RATES (AFTER VOLUME ADJUSTMENTS
FOR THE FORECAST PERIOD JULY 1, 2009 TO JUNE 30, 2011
JUNE 1, 2009 FORWARD PRICES
\$(Millions)

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1		Recorded	Recorded	Recorded	Recorded	Projected	Projected	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
2		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	2009
3	MCRA Balance - Beginning (Pre-tax) ^(1*)	\$ (34)	\$ (27)	\$ (25)	\$ (55)	\$ (35)	\$ (40)	\$ (19)	\$ 7	\$ 35	\$ 58	\$ 68	\$ 61	\$ (34)
4	Gas Costs Incurred	\$ 122	\$ 92	\$ 207	\$ 27	\$ 2	\$ (2)	\$ 1	\$ 1	\$ 5	\$ 20	\$ 50	\$ 57	\$ 582
5	Revenue from EXISTING Recovery Rates	\$ (115)	\$ (89)	\$ (238)	\$ (7)	\$ (6)	\$ 26	\$ 25	\$ 26	\$ 19	\$ (11)	\$ (56)	\$ (79)	\$ (506)
6	MCRA Balance - Ending (Pre-tax) ^(2*)	\$ (27)	\$ (25)	\$ (55)	\$ (35)	\$ (40)	\$ (19)	\$ 7	\$ 35	\$ 58	\$ 68	\$ 61	\$ 39	\$ 39
7														
8	MCRA Balance - Ending (After-tax) ^(3*)	\$ (19)	\$ (17)	\$ (39)	\$ (25)	\$ (28)	\$ (13)	\$ 5	\$ 24	\$ 41	\$ 47	\$ 43	\$ 28	\$ 28
9														
10														
11														
12		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
13		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	2010
14	MCRA Balance - Beginning (Pre-tax) ^(1*)	\$ 39	\$ 13	\$ (5)	\$ (17)	\$ (19)	\$ (9)	\$ 5	\$ 22	\$ 41	\$ 57	\$ 61	\$ 55	\$ 39
15	Gas Costs Incurred	\$ 70	\$ 58	\$ 46	\$ 14	\$ (4)	\$ (2)	\$ (1)	\$ (11)	\$ (5)	\$ 22	\$ 64	\$ 73	\$ 326
16	Revenue from EXISTING Recovery Rates	\$ (96)	\$ (77)	\$ (58)	\$ (16)	\$ 13	\$ 16	\$ 19	\$ 30	\$ 20	\$ (18)	\$ (70)	\$ (92)	\$ (329)
17	MCRA Balance - Ending (Pre-tax) ^(2*)	\$ 13	\$ (5)	\$ (17)	\$ (19)	\$ (9)	\$ 5	\$ 22	\$ 41	\$ 57	\$ 61	\$ 55	\$ 36	\$ 36
18														
19	MCRA Balance - Ending (After-tax) ^(3*)	\$ 10	\$ (4)	\$ (12)	\$ (13)	\$ (7)	\$ 3	\$ 16	\$ 29	\$ 40	\$ 43	\$ 39	\$ 25	\$ 25

Notes: Slight differences in totals due to rounding.

(1*) Pre-tax opening balances are restated based on current income tax rates, to reflect grossed-up after tax amounts (Jan 1, 2009, 30.0%, Jan 1, 2010, 28.5%).

(2*) For rate setting purpose MCRA pre tax balances include grossed up projected deferred interest as at June 30, 2009.

(3*) For rate setting purpose MCRA after tax balances are independently grossed-up to reflect pre-tax amounts.

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
SUMAS INDEX FORECAST FOR THE PERIOD ENDING JUNE 30, 2011
 AND US DOLLAR EXCHANGE RATE FORECAST UPDATE

Line No	Particulars	Feb 24, 2009 Forward Prices		Jun 1, 2009 Forward Prices		Jun 1, 2009 Forward Prices Less Feb 24, 2009 Forward Prices	
		(1)	(2)	(3)	(4) = (3) - (2)		
1	Sumas Index Prices - \$US/MMBTU						
2	2009 January	Recorded	\$ 6.89	↑	\$ 6.89	\$ -	
3	February	Projected	\$ 4.80	↑	\$ 4.80	\$ -	
4	March	Forecast	\$ 3.88	↑	\$ 3.83	\$ (0.05)	
5	April		\$ 3.63	Recorded	\$ 3.59	\$ (0.04)	
6	May	↓	\$ 3.72	Projected	\$ 2.74	\$ (0.98)	
7	June		\$ 3.85	Forecast	\$ 2.88	\$ (0.97)	
8	July		\$ 3.99	↓	\$ 3.53	\$ (0.46)	
9	August		\$ 4.07		\$ 3.66	\$ (0.41)	
10	September		\$ 4.11	↓	\$ 3.76	\$ (0.35)	
11	October		\$ 4.21		\$ 3.91	\$ (0.30)	
12	November		\$ 4.88		\$ 4.73	\$ (0.15)	
13	December		\$ 6.19		\$ 6.23	\$ 0.04	
14	Simple Average (Jan, 2009 - Dec, 2009)		\$ 4.52		\$ 4.21	-6.9% \$ (0.31)	
15	Simple Average (Apr, 2009 - Mar, 2010)		\$ 4.77		\$ 4.48	-6.1% \$ (0.29)	
16	Simple Average (Jul, 2009 - Jun, 2010)		\$ 5.11		\$ 5.06	-1.0% \$ (0.05)	
17	Simple Average (Oct, 2009 - Sep, 2010)		\$ 5.43		\$ 5.57	2.6% \$ 0.14	
18	2010 January		\$ 6.46		\$ 6.53	\$ 0.07	
19	February		\$ 6.47		\$ 6.56	\$ 0.10	
20	March		\$ 5.60		\$ 5.68	\$ 0.08	
21	April		\$ 5.06		\$ 5.33	\$ 0.27	
22	May		\$ 5.09		\$ 5.37	\$ 0.29	
23	June		\$ 5.18		\$ 5.48	\$ 0.30	
24	July		\$ 5.30		\$ 5.60	\$ 0.30	
25	August		\$ 5.38		\$ 5.69	\$ 0.31	
26	September		\$ 5.41		\$ 5.74	\$ 0.33	
27	October		\$ 5.50		\$ 5.83	\$ 0.33	
28	November		\$ 6.06		\$ 6.43	\$ 0.37	
29	December		\$ 7.19		\$ 7.62	\$ 0.43	
30	Simple Average (Jan, 2010 - Dec, 2010)		\$ 5.72		\$ 5.99	4.7% \$ 0.27	
31	Simple Average (Apr, 2010 - Mar, 2011)		\$ 5.95		\$ 6.30	5.9% \$ 0.35	
32	Simple Average (Jul, 2010 - Jun, 2011)				\$ 6.50		
33	2011 January		\$ 7.41		\$ 7.84	\$ 0.42	
34	February		\$ 7.42		\$ 7.83	\$ 0.41	
35	March		\$ 6.46		\$ 6.86	\$ 0.39	
36	April				\$ 6.17		
37	May				\$ 6.15		
38	June				\$ 6.24		
39	<u>Conversation Factors</u>						
40	GJ/MMBTU		1.055056		1.055056		
41	Average Barclays Bank Exchange Rate (\$1 US = \$x.xxxx CDN)		\$ 1.2406		\$ 1.0896	-12.2% \$ (0.151)	
42	Bank of Canada Daily Exchange Rate (\$1 US = \$x.xxxx CDN)						
43	February 24, 2009 vs June 1, 2009		\$ 1.2470		\$ 1.0872	-12.8% \$ (0.160)	

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
AECO INDEX FORECAST FOR THE PERIOD ENDING JUNE 30, 2011

Line No	Particulars	Feb 24, 2009 Forward Prices 2009 Q1 Gas Cost Report	Jun 1, 2009 Forward Prices 2009 Q2 Gas Cost Report	Jun 1, 2009 Forward Prices Less Feb 24, 2009 Forward Prices
	(1)	(2)	(3)	(4) = (3) - (2)
1	AECO Index Prices - \$CDN/GJ			
2	2009 January	Recorded \$ 6.22	\$ 6.22	\$ -
3	February	Projected \$ 5.33	\$ 5.33	\$ -
4	March	Forecast \$ 4.59	\$ 4.48	\$ (0.11)
5	April	\$ 4.16	Recorded \$ 3.82	\$ (0.34)
6	May	\$ 4.26	Projected \$ 3.24	\$ (1.03)
7	June	\$ 4.42	Forecast \$ 3.35	\$ (1.07)
8	July	\$ 4.58	\$ 3.63	\$ (0.95)
9	August	\$ 4.67	\$ 3.76	\$ (0.90)
10	September	\$ 4.71	\$ 3.86	\$ (0.85)
11	October	\$ 4.83	\$ 4.03	\$ (0.81)
12	November	\$ 5.39	\$ 4.73	\$ (0.66)
13	December	\$ 6.06	\$ 5.43	\$ (0.62)
14	Simple Average (Jan, 2009 - Dec, 2009)	\$ 4.93	\$ 4.32	-12.4% \$ (0.61)
15	Simple Average (Apr, 2009 - Mar, 2010)	\$ 5.17	\$ 4.42	-14.5% \$ (0.75)
16	Simple Average (Jul, 2009 - Jun, 2010)	\$ 5.57	\$ 4.93	-11.5% \$ (0.64)
17	Simple Average (Oct, 2009 - Sep, 2010)	\$ 5.95	\$ 5.43	-8.7% \$ (0.52)
18	2010 January	\$ 6.37	\$ 5.74	\$ (0.63)
19	February	\$ 6.37	\$ 5.78	\$ (0.59)
20	March	\$ 6.23	\$ 5.71	\$ (0.52)
21	April	\$ 5.82	\$ 5.43	\$ (0.39)
22	May	\$ 5.85	\$ 5.47	\$ (0.38)
23	June	\$ 5.96	\$ 5.57	\$ (0.39)
24	July	\$ 6.10	\$ 5.69	\$ (0.40)
25	August	\$ 6.19	\$ 5.79	\$ (0.41)
26	September	\$ 6.23	\$ 5.84	\$ (0.39)
27	October	\$ 6.34	\$ 5.93	\$ (0.41)
28	November	\$ 6.74	\$ 6.33	\$ (0.41)
29	December	\$ 7.19	\$ 6.74	\$ (0.45)
30	Simple Average (Jan, 2010 - Dec, 2010)	\$ 6.28	\$ 5.83	-7.2% \$ (0.45)
31	Simple Average (Apr, 2010 - Mar, 2011)	\$ 6.54	\$ 6.12	-6.4% \$ (0.42)
32	Simple Average (Jul, 2010 - Jun, 2011)		\$ 6.32	
33	2011 January	\$ 7.45	\$ 6.96	\$ (0.50)
34	February	\$ 7.44	\$ 6.95	\$ (0.48)
35	March	\$ 7.20	\$ 6.77	\$ (0.43)
36	April		\$ 6.26	
37	May		\$ 6.25	
38	June		\$ 6.33	

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
STATION NO. 2 INDEX FORECAST FOR THE PERIOD ENDING JUNE 30, 2011

Line No	Particulars	Feb 24, 2009 Forward Prices 2009 Q1 Gas Cost Report	Jun 1, 2009 Forward Prices 2009 Q2 Gas Cost Report	Jun 1, 2009 Forward Prices Less Feb 24, 2009 Forward Prices
	(1)	(2)	(3)	(4) = (3) - (2)
1	Station No. 2 Index Prices - \$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	\$ (0.27)
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	\$ (0.55)
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	\$ (0.40)
25	August	\$ 5.97	\$ 5.57	\$ (0.41)
26	September	\$ 6.01	\$ 5.62	\$ (0.39)
27	October	\$ 6.12	\$ 5.71	\$ (0.41)
28	November	\$ 6.75	\$ 6.34	\$ (0.42)
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	

GAS BUDGET COST SUMMARY

FOR THE FORECAST PERIOD JULY 1, 2009 TO JUNE 30, 2010

JUNE 1, 2009 FORWARD PRICES

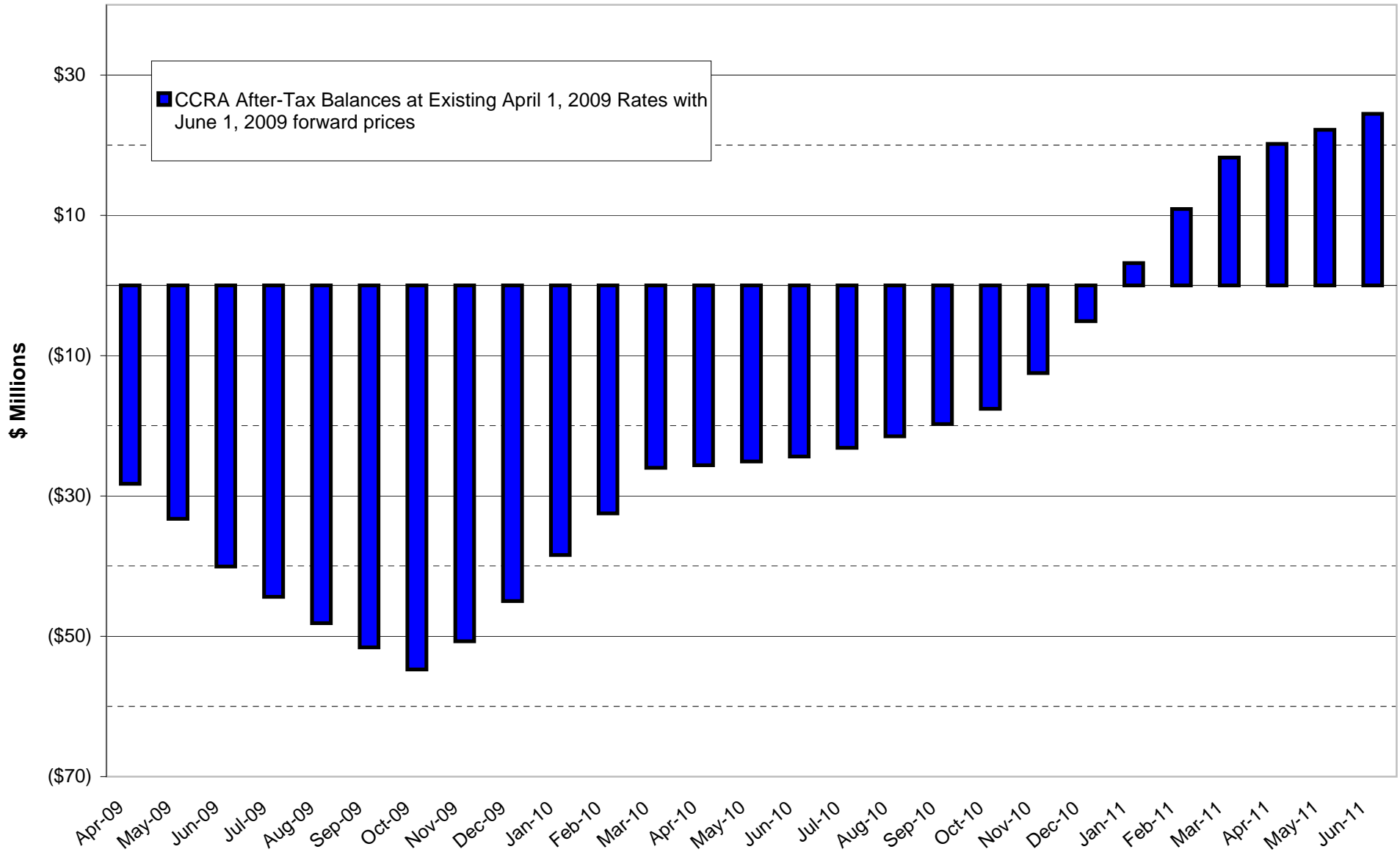
Line No.	Particulars	Delivered Volumes (TJ)	Costs (\$ 000)	Unit Cost (\$/GJ)	Comments
(1)	(2)	(3)	(4)	(5)	
1	CCRA				
2	<u>TERM PURCHASES</u>				
3	Hunt	0.0	\$ 0	\$ -	
4	Station #2	20,999.5	102,497	4.881	
5	AECO	1,740.3	8,577	4.928	
6	TOTAL TERM PURCHASES	22,739.9	\$ 111,073	\$ 4.885	
7	<u>SEASONAL</u>				
8	Hunt	12,840.1	\$ 65,369	\$ 5.091	
9	Station #2	22,105.1	116,913	5.289	
10	AECO	6,220.8	32,831	5.278	
11	TOTAL SEASONAL PURCHASES	41,165.9	\$ 215,113	\$ 5.226	
12	<u>SPOT</u>				
13	Hunt	-	\$ -	\$ -	
14	Station #2	16,816.0	79,271	4.714	
15	AECO	4,879.0	22,341	4.579	
16	TOTAL SPOT PURCHASES	21,695.0	\$ 101,612	\$ 4.684	
17					
18	TOTAL CCRA COMMODITY	85,600.8	\$ 427,799	\$ 4.998	
19	HEDGING (GAIN)/LOSS		103,683		
20	CCRA ADMINISTRATION COSTS		665		
21	FUEL-IN-KIND VOLUMES	1,345			Fuel-in-kind gas costs included in CCRA commodity purchase costs
22	TOTAL CCRA - MARKETABLE GAS	85,600.8	\$ 532,146	\$ 6.217	Fuel-in-kind gas volumes are not part of total marketable gas
23	MCRA				
24	<u>MCRA COMMODITY</u>				
25	TOTAL MCRA COMMODITY	34,121.5	\$ 173,268	\$ 5.078	
26					
27	PEAKING	372.8	\$ 2,188	\$ 5.871	Daily priced - forecast at 1.5 x month price
28	<u>TRANSPORTATION</u>				
29	WEI		\$ 71,609		
30	NOVA/ANG		9,729		
31	NWP		5,572		
32	TOTAL TRANSPORTATION		\$ 86,909		
33	<u>STORAGE GAS</u>				
34	<u>Injection</u>				
35	BC (Aitken)	(18,333.7)	\$ (95,672)	\$ 5.218	Includes LNG
36	Alberta (Carbon)	(2,878.2)	(15,313)	5.320	
37	Downstream (JP/Mist)	(6,811.4)	(40,066)	5.882	
38	TOTAL INJECTION	(28,023.3)	\$ (151,051)	\$ 5.390	
39	<u>Withdrawal</u>				
40	BC (Aitken)	21,802.7	\$ 117,316	\$ 5.381	Includes LNG
41	Alberta (Carbon)	2,935.9	12,236	4.168	
42	Downstream (JP/Mist)	7,365.7	44,386	6.026	
43	TOTAL WITHDRAWAL	32,104.3	\$ 173,938	\$ 5.418	
44	<u>Storage Demand Charges (fixed only)</u>				
45	BC (Aitken)		\$ 21,367		
46	Alberta (Carbon)		1,400		
47	Downstream (JP/Mist)		20,509		
48	TOTAL DEMAND CHARGE		\$ 43,276		
49	NET STORAGE		\$ 66,163		
50	<u>MITIGATION</u>				
51	Resale Commodity	(36,201.6)	\$ (192,615)		Both On / Off System sales of surplus term & storage gas
52	Mitigation of Assets		(12,644)		Includes transportation & storage mitigation
53	TOTAL MITIGATION		\$ (205,259)		
54	<u>OTHER</u>				
55	COMPANY USE GAS	(174.6)	\$ (655)	\$ 3.753	Company Use, Heater Fuel, Compressor Fuel
56	GSMIP		1,000		
57	MCRA ADMINISTRATION COSTS		1,551		
58	HEDGING (GAIN)/LOSS		-		
59	TOTAL MCRA - CORE		\$ 125,166	\$ 1.159	Average unit cost based on Core sales volume
60	Core Sales Volume	108,016.7			Total Core sales volume per Gas Sales Forecast
61					
62	TOTAL BUDGET		\$ 657,312		

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
RECONCILIATION OF GAS COST INCURRED
FOR THE FORECAST PERIOD JULY 1, 2009 TO JUNE 30, 2010
JUNE 1, 2009 FORWARD PRICES
\$(Millions)

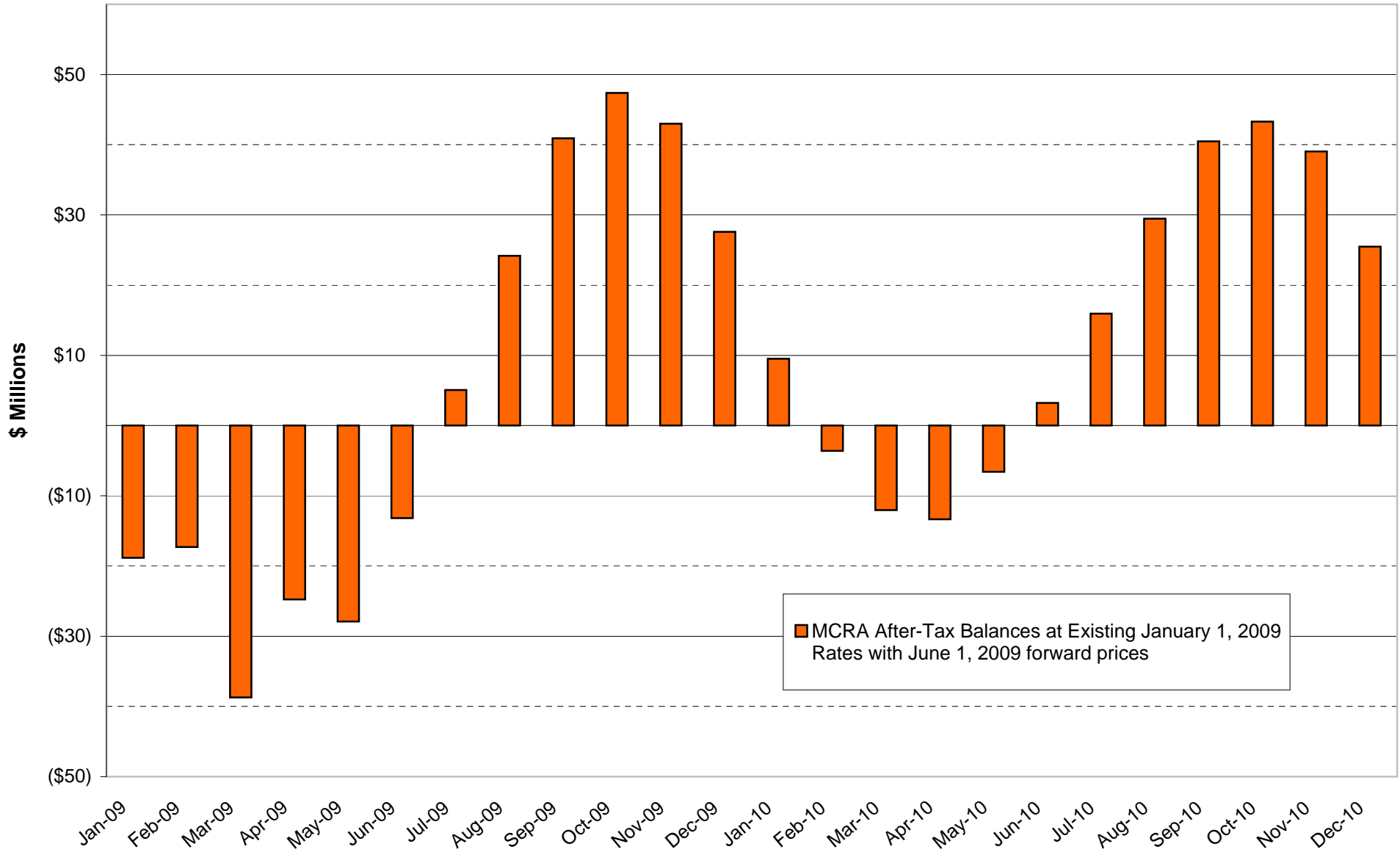
Line No.	Particulars (1)	CCRA/MCRA Deferral Account Forecast (2)	Gas Budget Cost Summary (3)
1	Gas Cost Incurred		
2	CCRA (Tab 1, Page 1, Column 14, Line 15)	\$ 532	
3	MCRA (Tab 1, Page 2, Col. 8 Line 4 to Col. 7, Line 15)	318	
4			
5			
6	Gas Budget Cost Summary		
7	CCRA (Tab 1, Page 6, Column 3, Line 22)		\$ 532
8	MCRA (Tab 1, Page 6, Column 3, Line 59)		125
9	Total Net Costs for Firm Customers		<u>\$ 657</u>
10			
11	Add back Off-System Sales		
12	Cost		201
13	Margin		(12)
14			
15	Add back On-System Sales		
16	Cost		5
17	Margin		(1)
18			
19			
20	Totals Reconciled	<u>\$ 850</u>	<u>\$ 850</u>

Note:
Slight differences in totals due to rounding

Terasen Gas Inc.
 Lower Mainland, Inland and Columbia CCRA After-Tax Monthly Balances
 Recorded to Apr 2009 and Projected to June 2011



Terasen Gas Inc.
 Lower Mainland, Inland and Columbia MCRA After-Tax Monthly Balances
 Recorded to January 2009 and Projected to December 2010



TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
 COMMODITY COST RECONCILIATION ACCOUNT ("CCRA")
COST OF GAS (COMMODITY COST RECOVERY CHARGE) FLOW-THROUGH BY RATE SCHEDULE
FOR THE FORECAST PERIOD JULY 1, 2009 TO JUNE 30, 2010
(JUNE 1, 2009 FORWARD PRICING)

Tab 2
 Table A
 Page 1.0

Line No.	Particulars	Unit	RS-1, RS-2, RS-3, RS-5 and RS-6	RS-4	RS-7	RS-1 to RS-7 Total
	(1)		(2)	(3)	(4)	(5)
1	CCRA Sales Volumes	TJ	85,377.0	211.8	12.1	85,600.8
2						
3						
4	CCRA Incurred Costs					
5	Station #2	\$000	\$ 297,733.3	\$ 868.0	\$ 79.3	\$ 298,680.6
6	AECO	\$000	63,747.7	1.2	0.1	63,749.0
7	Huntingdon	\$000	65,269.3	99.7	-	65,369.0
8	CCRA Commodity Costs before Hedging	\$000	\$ 426,750.4	\$ 968.9	\$ 79.3	\$ 427,798.6
9	Mark to Market Hedges Loss / (Gain)	\$000	\$ 103,447.6	234.9	-	\$ 103,682.5
10	Core Market Administration Costs	\$000	\$ 663.2	1.5	-	\$ 664.7
11	Total Incurred Costs before CCRA deferral amortization	\$000	\$ 530,861.2	\$ 1,205.3	\$ 79.3	\$ 532,145.8
12						
13	Pre-tax Amortization CCRA Deficit/(Surplus) as of Jul 1, 2009	\$000	\$ (57,092.9)	(129.6)	-	\$ (57,222.6)
14	Total CCRA Incurred Costs	\$000	\$ 473,768.3	\$ 1,075.6	\$ 79.3	\$ 474,923.3
15						
16						
17	CCRA Incurred Unit Costs					
18	CCRA Commodity Costs before Hedging	\$/GJ	\$ 4.9984			
19	Mark to Market Hedges Loss / (Gain)	\$/GJ	\$ 1.2117			
20	Core Market Administration Costs	\$/GJ	\$ 0.0078			
21	CCRA Incurred Costs (excl. CCRA deferral amortization)	\$/GJ	\$ 6.2179			
22	Pre-tax Amortization CCRA Deficit/(Surplus) as of Jul 1, 2009	\$/GJ	\$ (0.6687)			
23	CCRA Gas Costs Incurred -- Flow-Through	\$/GJ	\$ 5.5491			



LETTER NO. L-XX-09

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102
Log No. xxx

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

DRAFT L-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.
Lower Mainland, Inland and Columbia Service Areas
2009 Second Quarter Gas Cost Report
Commodity Cost Reconciliation Account and Midstream Cost Reconciliation Account

On June 8, 2009 Terasen Gas filed its 2009 Second Quarter Gas Cost Report (the "Report"). The Commission acknowledges receipt of the Report and accepts the recommendation that customer rates remain unchanged for the Lower Mainland, Inland and Columbia service areas as of July 1, 2009.

Yours truly,

Erica M. Hamilton
Commission Secretary