



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

March 4, 2010

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. – Fort Nelson Service Area (“TG Fort Nelson”)
Gas Cost Reconciliation Account (“GCRA”) and
2010 First Quarter Gas Cost Report**

The attached materials provide the TG Fort Nelson 2010 First Quarter Gas Cost Report as required under British Columbia Utilities Commission (the “Commission”) guidelines.

Based on the forward prices as at February 23, 2010, the March 31, 2010 GCRA deferral balance is projected to be approximately \$32,100 deficit after tax (Tab 1, Page 2, Column 2, Line 33). Further, based on the February 23, 2010 forward prices, the gas purchase cost assumptions, the forecast gas cost recoveries at present rates for the 12-month period ending March 31, 2011, and accounting for the projected March 31, 2010 deferral balance, the GCRA ratio is calculated to be 101.4% (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 4, and a summary of the recorded and forecast monthly GCRA balances is provided on Tab 1, Page 5.

Provided in Tab 2 are the details of the forecast gas costs for TG Fort Nelson. Terasen Gas Inc. (“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.

Terasen Gas will continue to monitor the forward prices and will report these results in the TG Fort Nelson 2010 Second 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. - FORT NELSON SERVICE AREA
 GAS COST RECONCILIATION ACCOUNT ("GCRA") RATE CHANGE TRIGGER MECHANISM
 FOR THE PERIOD APRIL 1, 2010 TO MARCH 31, 2011
 WITH **EXISTING JANUARY 1, 2010** GAS COST RECOVERY RATES
(FEBRUARY 23, 2010 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 March 31, 2010	\$ 44.8			
3	(Tab 1, Page 2, Line 33, Col 2 after tax amount grossed up using 28.5% tax rate)				
4					
5	Forecast Incurred Gas Costs - April 2010 to March 2011	\$ 3,312.7			
6	(Tab 1, Page 2, Line 19, Col 14)				
7	Forecast Recovered Gas Costs - April 2010 to March 2011	\$ 3,403.7			
8	(Tab 1, Page 2, Line 9, Col 14)				
9					
10	Ratio = $\frac{\text{Forecast Recovered Gas Costs}}{\text{Forecast Incurred Gas Costs} + \text{Projected GCRA Balance}}$	= \$ 3,403.7	= <u>101.4%</u>		
11		= \$ 3,357.5			
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 Sales Recovery Volumes - April 2010 to March 2011			538.4	
20	(Tab 1, Page 2, Col. 14, Line 2)				
21					
22	Projected GCRA Balance at March 31, 2010 (Line 2)	\$ 44.8			\$ 0.0833
23	Forecast GCRA Activities - April 2010 to March 2011 (Line 5 - Line 7)	(91.0)			\$ (0.1690)
24	(Over) / Under Recovery at Proposed Rates	<u>\$ (46.2)</u>			
25					
26					
27	Proposed Rates (Decrease) / Increase				<u>\$ (0.086)</u>

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD APRIL 1, 2010 TO MARCH 31, 2012

WITH EXISTING JAN 1, 2010 GAS COST RECOVERY RATES
 (FEBRUARY 23, 2010 FORWARD PRICES)

Line No.	Particulars													12 months
		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr10-Mar11 Forecast Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	RECOVERED GAS COSTS													
2	Total Sales - TJ	39.3	21.7	13.9	9.4	12.4	23.1	39.5	64.8	81.7	96.5	69.7	66.4	538.4
3	T-Service UAF - TJ	-	-	-	-	-	-	-	0.1	0.1	0.3	0.2	0.2	0.9
4														
5	Recovery Unit Cost on Sales - \$/GJ	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	
6														
7	Recovery on Sales - \$000	\$ 247.9	\$ 136.9	\$ 87.7	\$ 59.3	\$ 78.2	\$ 145.7	\$ 249.2	\$ 408.8	\$ 515.4	\$ 608.8	\$ 439.7	\$ 418.9	\$ 3,396.5
8	Recovery on T-Service UAF @ \$8.078 - \$000	-	-	-	-	-	-	-	0.8	0.8	2.4	1.6	1.6	7.2
9	Total Forecast Recovered Gas Costs - \$000	<u>\$ 247.9</u>	<u>\$ 136.9</u>	<u>\$ 87.7</u>	<u>\$ 59.3</u>	<u>\$ 78.2</u>	<u>\$ 145.7</u>	<u>\$ 249.2</u>	<u>\$ 409.6</u>	<u>\$ 516.2</u>	<u>\$ 611.2</u>	<u>\$ 441.3</u>	<u>\$ 420.5</u>	<u>\$ 3,403.7</u>
10														
11														
12														
13	INCURRED GAS COSTS													
14	Total Purchases Incl. Company Use and UAF - TJ	39.9	22.0	14.1	9.5	12.6	23.4	40.1	65.8	82.9	98.1	70.9	67.5	546.8
15														
16														
17	Incurred Cost - \$/GJ	\$ 5.5632	\$ 5.6111	\$ 5.6688	\$ 5.7331	\$ 5.7371	\$ 5.7183	\$ 5.7420	\$ 6.1048	\$ 6.2047	\$ 6.2754	\$ 6.2708	\$ 6.2248	
18														
19	Forecast Incurred Gas Costs - \$000	<u>\$ 222.0</u>	<u>\$ 123.4</u>	<u>\$ 79.9</u>	<u>\$ 54.5</u>	<u>\$ 72.3</u>	<u>\$ 133.8</u>	<u>\$ 230.3</u>	<u>\$ 401.7</u>	<u>\$ 514.4</u>	<u>\$ 615.6</u>	<u>\$ 444.6</u>	<u>\$ 420.2</u>	<u>\$ 3,312.7</u>
20														
21														
22														
23														
24														
25	GCRA BALANCE													
26	Opening Balances (Pre-Tax) ^(1*)	\$ 44.7	\$ 18.8	\$ 5.3	\$ (2.5)	\$ (7.3)	\$ (13.2)	\$ (25.1)	\$ (44.0)	\$ (51.9)	\$ (52.0)	\$ (47.6)	\$ (44.3)	
27	Forecast Activity	(25.9)	(13.5)	(7.8)	(4.8)	(5.9)	(11.9)	(18.9)	(7.9)	(1.8)	4.4	3.3	(0.3)	\$ (91.0)
28	Closing Balances (Pre-tax) - \$000	<u>\$ 18.8</u>	<u>\$ 5.3</u>	<u>\$ (2.5)</u>	<u>\$ (7.3)</u>	<u>\$ (13.2)</u>	<u>\$ (25.1)</u>	<u>\$ (44.0)</u>	<u>\$ (51.9)</u>	<u>\$ (53.7)</u>	<u>\$ (47.6)</u>	<u>\$ (44.3)</u>	<u>\$ (44.6)</u>	
29														
30														
31	Tax Rate	28.50%	28.50%	28.50%	28.50%	28.50%	28.50%	28.50%	28.50%	28.50%	26.50%	26.50%	26.50%	
32														
33	Opening Balance (After-Tax)	\$ 32.1												
34	Closing Balances (After Tax) - \$000	<u>\$ 13.6</u>	<u>\$ 3.9</u>	<u>\$ (1.7)</u>	<u>\$ (5.1)</u>	<u>\$ (9.3)</u>	<u>\$ (17.8)</u>	<u>\$ (31.3)</u>	<u>\$ (36.9)</u>	<u>\$ (38.2)</u>	<u>\$ (35.0)</u>	<u>\$ (32.6)</u>	<u>\$ (32.8)</u>	

Slight differences in totals due to rounding.

Note (1*) Pre-tax opening balances are restated based on current income taxes, to reflect grossed-up after tax amounts.

**WITH EXISTING JAN 1, 2010 GAS COST RECOVERY RATES
 (FEBRUARY 23, 2010 FORWARD PRICES)**

Line No.	Particulars													12 months
		Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr11-Mar12 Forecast Total
	(1)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
1	RECOVERED GAS COSTS													
2	Total Sales - TJ	39.1	21.6	13.8	9.3	12.3	23.0	39.3	64.4	81.2	96.8	70.0	66.7	537.5
3	T-Service UAF - TJ	-	-	-	-	-	-	-	0.1	0.1	0.3	0.2	0.2	0.9
4														
5	Recovery Unit Cost on Sales - \$/GJ	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	\$ 6.309	
6														
7	Recovery on Sales - \$000	\$ 246.7	\$ 136.3	\$ 87.1	\$ 58.7	\$ 77.6	\$ 145.1	\$ 247.9	\$ 406.3	\$ 512.3	\$ 610.7	\$ 441.6	\$ 420.8	\$ 3,391.1
8	Recovery on T-Service UAF @ \$8.078 - \$000	-	-	-	-	-	-	-	0.8	0.8	2.4	1.6	1.6	7.2
9	Total Forecast Recovered Gas Costs - \$000	<u>\$ 246.7</u>	<u>\$ 136.3</u>	<u>\$ 87.1</u>	<u>\$ 58.7</u>	<u>\$ 77.6</u>	<u>\$ 145.1</u>	<u>\$ 247.9</u>	<u>\$ 407.1</u>	<u>\$ 513.1</u>	<u>\$ 613.1</u>	<u>\$ 443.2</u>	<u>\$ 422.4</u>	<u>\$ 3,398.3</u>
10														
11														
12														
13	INCURRED GAS COSTS													
14	Total Purchases Incl. Company Use and UAF - TJ	39.7	21.9	14.0	9.4	12.5	23.3	39.9	65.4	82.4	98.4	71.2	67.8	545.9
15														
16														
17	Incurred Cost - \$/GJ	\$ 5.2557	\$ 5.2592	\$ 5.3153	\$ 5.3842	\$ 5.3973	\$ 5.3841	\$ 5.3102	\$ 5.8974	\$ 6.0540	\$ 6.1613	\$ 6.1541	\$ 6.0472	
18														
19	Forecast Incurred Gas Costs - \$000	<u>\$ 208.7</u>	<u>\$ 115.2</u>	<u>\$ 74.4</u>	<u>\$ 50.6</u>	<u>\$ 67.5</u>	<u>\$ 125.4</u>	<u>\$ 211.9</u>	<u>\$ 385.7</u>	<u>\$ 498.9</u>	<u>\$ 606.3</u>	<u>\$ 438.2</u>	<u>\$ 410.0</u>	<u>\$ 3,192.8</u>
20														
21														
22														
23														
24														
25	GCRA BALANCE													
26	Opening Balances (Pre-Tax) ^(1*)	\$ (44.6)	\$ (82.6)	\$ (103.7)	\$ (116.4)	\$ (124.5)	\$ (134.6)	\$ (154.3)	\$ (190.3)	\$ (211.7)	\$ (221.4)	\$ (228.2)	\$ (233.2)	
27	Forecast Activity	(38.0)	(21.1)	(12.7)	(8.1)	(10.1)	(19.7)	(36.0)	(21.4)	(14.2)	(6.8)	(5.0)	(12.4)	\$ (205.5)
28	Closing Balances (Pre-tax) - \$000	<u>\$ (82.6)</u>	<u>\$ (103.7)</u>	<u>\$ (116.4)</u>	<u>\$ (124.5)</u>	<u>\$ (134.6)</u>	<u>\$ (154.3)</u>	<u>\$ (190.3)</u>	<u>\$ (211.7)</u>	<u>\$ (225.9)</u>	<u>\$ (228.2)</u>	<u>\$ (233.2)</u>	<u>\$ (245.6)</u>	
29														
30														
31	Tax Rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	25.00%	25.00%	25.00%	
32														
33	Opening Balance (After-Tax)	\$ (32.8)												
34	Closing Balances (After Tax) - \$000	<u>\$ (60.7)</u>	<u>\$ (76.2)</u>	<u>\$ (85.5)</u>	<u>\$ (91.5)</u>	<u>\$ (98.9)</u>	<u>\$ (113.4)</u>	<u>\$ (139.9)</u>	<u>\$ (155.6)</u>	<u>\$ (166.0)</u>	<u>\$ (171.1)</u>	<u>\$ (174.8)</u>	<u>\$ (184.1)</u>	

Slight differences in totals due to rounding.

Note (1*) Pre-tax opening balances are restated based on current income tax

TERASEN GAS INC. - FORT NELSON SERVICE AREA
STATION NO. 2 INDEX FORECAST FOR THE PERIOD ENDING MARCH 31, 2012

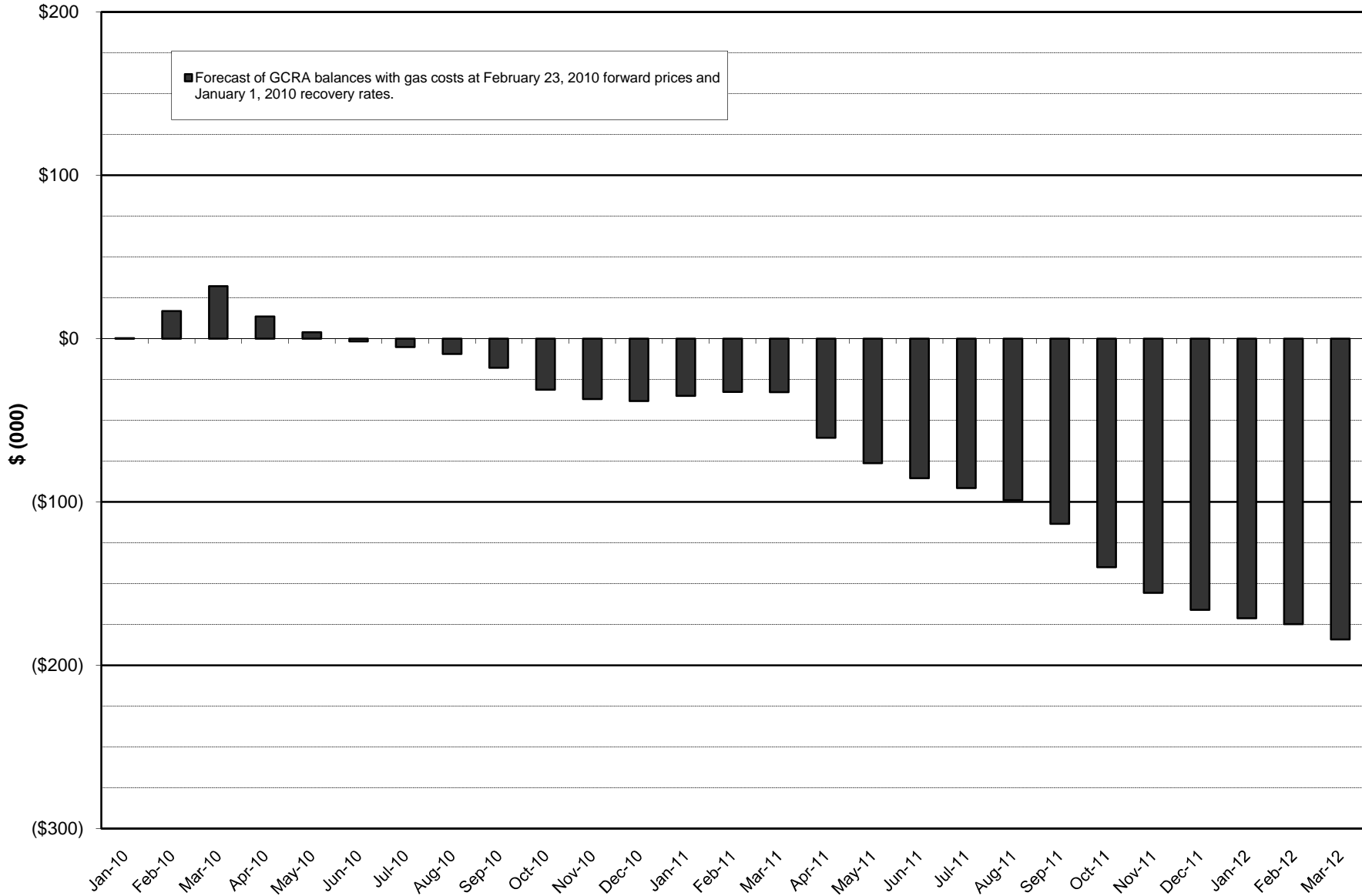
Line No	Particulars	Feb 23, 2010 Forward Prices 2010 Q1 Gas Cost Report	Dec 2, 2009 Forward Prices Revised 2009 Q4 Gas Cost Report	Feb 23, 2010 Forward Prices Less Dec 2, 2009 Forward Prices (4) = (2) - (3)
	(1)	(2)	(3)	
1	Station No. 2 Index Prices - \$CDN/GJ			
2	October	\$ 3.12	\$ 3.12	\$ -
3	November	\$ 4.84	\$ 4.84	\$ -
4	December	Recorded \$ 4.64	Projected \$ 4.64	\$ -
5	Simple Average (Jan, 2009 - Dec, 2009)	\$ 3.84	\$ 3.84	\$ -
6	Simple Average (Apr, 2009 - Mar, 2010)	\$ 3.82	\$ 3.63	5.0% \$ 0.18
7	Simple Average (Jul, 2009 - Jun, 2010)	\$ 4.07	\$ 3.87	5.0% \$ 0.19
8	Simple Average (Oct, 2009 - Sep, 2010)	\$ 4.51	\$ 4.32	4.3% \$ 0.19
9	2010 January	Recorded \$ 5.11	Forecast \$ 3.92	\$ 1.19
10	February	Projected \$ 5.13	\$ 4.52	\$ 0.61
11	March	Forecast \$ 4.81	\$ 4.42	\$ 0.39
12	April	\$ 4.24	\$ 4.19	\$ 0.05
13	May	\$ 4.31	\$ 4.26	\$ 0.05
14	June	\$ 4.38	\$ 4.36	\$ 0.03
15	July	\$ 4.46	\$ 4.46	\$ 0.00
16	August	\$ 4.52	\$ 4.54	\$ (0.02)
17	September	\$ 4.55	\$ 4.60	\$ (0.05)
18	October	\$ 4.65	\$ 4.75	\$ (0.10)
19	November	\$ 4.98	\$ 5.41	\$ (0.42)
20	December	\$ 5.30	\$ 5.85	\$ (0.55)
21	Simple Average (Jan, 2010 - Dec, 2010)	\$ 4.70	\$ 4.61	2.1% \$ 0.10
22	Simple Average (Apr, 2010 - Mar, 2011)	\$ 4.81	\$ 5.04	-4.5% \$ (0.23)
23	Simple Average (Jul, 2010 - Jun, 2011)	\$ 4.95	\$ 5.32	-6.8% \$ (0.36)
24	Simple Average (Oct, 2010 - Sep, 2011)	\$ 5.08	\$ 5.56	-8.7% \$ (0.49)
25	2011 January	\$ 5.52	\$ 6.08	\$ (0.56)
26	February	\$ 5.50	\$ 6.08	\$ (0.58)
27	March	\$ 5.36	\$ 5.95	\$ (0.59)
28	April	\$ 4.87	\$ 5.35	\$ (0.48)
29	May	\$ 4.84	\$ 5.34	\$ (0.49)
30	June	\$ 4.89	\$ 5.40	\$ (0.51)
31	July	\$ 4.95	\$ 5.46	\$ (0.51)
32	August	\$ 5.01	\$ 5.53	\$ (0.52)
33	September	\$ 5.04	\$ 5.56	\$ (0.52)
34	October	\$ 5.14	\$ 5.69	\$ (0.55)
35	November	\$ 5.54	\$ 6.18	\$ (0.64)
36	December	\$ 5.84	\$ 6.47	\$ (0.63)
37	Simple Average (Jan, 2011 - Dec, 2011)	\$ 5.21	\$ 5.76	-9.5% \$ (0.55)
38	Simple Average (Apr, 2011 - Mar, 2012)	\$ 5.34		
39	2012 January	\$ 6.05		
40	February	\$ 6.03		
41	March	\$ 5.83		

TERASEN GAS INC. - FORT NELSON SERVICE AREA
GCRA AFTER TAX BALANCES (\$000)
FOR THE PERIOD ENDING MARCH 31, 2012
WITH EXISTING GAS COST RECOVERY RATES

Line No.	Particulars	2010 Q1 Gas Cost Report Jan 1, 2010 Gas Cost Recovery Rates (February 23, 2010 Forward Prices)		Revised 2009 Q4 Gas Cost Report Jan 1, 2010 Gas Cost Recovery Rates (December 2, 2009 Forward Prices)	
		(1)	(2)	(3)	(3)
1	2009	January	\$ (94.0)	\$	(94.0)
2		February	\$ (60.7)	\$	(60.7)
3		March	\$ (215.6)	\$	(215.6)
4		April	\$ (26.2)	\$	(26.2)
5		May	\$ (133.6)	\$	(133.6)
6		June	\$ (143.2)	\$	(143.2)
7		July	\$ (165.7)	\$	(165.7)
8		August	\$ (180.4)	\$	(180.4)
9		September	\$ (204.6)	\$	(204.6)
10		October	\$ (139.4)	\$	(139.4)
11		November	\$ (206.2) (a)	Recorded Projected	\$ (102.2)
12		December	\$ (26.2)	\$	(39.7)
13	2010	January	Recorded \$ 0.3	\$	19.6
14		February	Projected \$ 16.9	\$	35.1
15		March	\$ 32.1	\$	47.3
16		April	\$ 13.6	\$	28.1
17		May	\$ 3.9	\$	18.4
18		June	\$ (1.7)	\$	13.0
19		July	\$ (5.1)	\$	9.8
20		August	\$ (9.3)	\$	5.9
21		September	\$ (17.8)	\$	(2.0)
22		October	\$ (31.3)	\$	(14.3)
23		November	\$ (36.9)	\$	(12.1)
24		December	\$ (38.2)	\$	(0.1)
25	2011	January	\$ (35.0)	\$	21.3
26		February	\$ (32.6)	\$	36.4
27		March	\$ (32.8)	\$	48.9
28		April	\$ (60.7)	\$	30.1
29		May	\$ (76.2)	\$	20.1
30		June	\$ (85.5)	\$	14.4
31		July	\$ (91.5)	\$	11.0
32		August	\$ (98.9)	\$	7.0
33		September	\$ (113.4)	\$	(0.9)
34		October	\$ (139.9)	\$	(14.4)
35		November	\$ (155.6)	\$	(5.9)
36		December	\$ (166.0)	\$	14.8
37	2012	January	\$ (171.1)		
38		February	\$ (174.8)		
39		March	\$ (184.1)		

Notes: Comparison of Recorded with Projected GCRA balances
(a) Timing difference as deemed Aitken Creek storage costs for November 2009 were recorded in December 2009.

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 GCRA AFTER TAX BALANCES BY MONTH
 FOR THE PERIOD ENDING MARCH 2012





LETTER NO. L-XX-10

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

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. xxxx

DRAFT ORDER

VIA E-MAIL

Regulatory.Affairs@terasengas.com

March xx, 2010

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
2010 First Quarter Gas Cost Report
Gas Cost Reconciliation Account

On March 4, 2010 Terasen Gas filed the 2010 First Quarter Gas Cost Report (the "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 April 1, 2010.

Yours truly,

Erica M. Hamilton
Commission Secretary