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Regulatory Affairs Correspondence
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Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

**Re: Terasen Gas Inc. ("Terasen Gas" or the "Company")
Application for Approval of Biomethane Service Offering and Supporting
Business Model, for the Approval of the Salmon Arm Biomethane Project and
for the Approval of the Catalyst Biomethane Project (the "Application")
Response to the Commercial Energy Consumers Association of British
Columbia ("CEC") Information Request ("IR") No. 1, Questions 10.1 and 10.2**

On June 8, 2010, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-109-10 setting out the Regulatory Timetable for the review of the Application, Terasen Gas submitted its response to CEC IR No. 1 on August 6, 2010.

In order to take into account discussions with the Ministry of Finance and any recent developments, Terasen Gas committed to responding to IRs relating to the application of carbon tax by August 18, 2010. Accordingly, Terasen Gas respectfully submits the attached response to CEC IR 1.10.1 and 1.10.2.

If you have any questions or require further information related to this Application, please do not hesitate to contact the undersigned.

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachment

cc (e-mail only): Erica Hamilton, Commission Secretary
Registered Parties



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Application for Approval of Biomethane Service Offering and Supporting Business Model, for the Approval of the Salmon Arm Biomethane Project and for the Approval of the Catalyst Biomethane Project (the "Application")	Submission Date: August 17, 2010
Response to Commercial Energy Consumers Association of British Columbia ("CEC") Information Request ("IR") No. 1	Page 1

10. Reference: Exhibit B-1, Page 28

- **Contribution Programs:** The earliest types of programs were contribution programs that were designed to allow customers to contribute to a utility managed fund for renewable energy project development. In most contribution programs, customers can determine the amount of their monthly donation. In some cases the customer contribution is tax deductible, which utilities accomplish by setting up separate non-profit entities to administer the program.

10.1. Is there a tax deductible status for contributions to GHG reduction in BC?

Response:

Terasen Gas is not aware of any current income tax deduction associated with the reduction of GHG emissions in the province of British Columbia.

Seeking to maximize value for our customers, the Company has applied to the British Columbia Ministry of Finance for confirmation that Biomethane as described in the Application will be exempt from Carbon Tax. On July 28th, 2010 Terasen Gas received a letter from the British Columbia Ministry of Finance confirming that combustion of both Biogas and Biomethane are activities exempt from the Carbon Tax. The Company had hoped to be able to provide a clear answer at this time as to whether or not the proposed Green Gas program will be allowed to exempt customers from paying Carbon Tax on the portion of their purchased gas that is Biomethane, however the Company is still in ongoing discussions with the British Columbia Ministry of Finance to clarify a point of ambiguity within the letter received on July 28th, 2010. Please see the response to BCSEA IR 1.20.2 for more details.

10.2. Hasn't the BC Government gone in the other direction by taxing the carbon content in conventional natural gas and not taxing biomethane?

Response:

Agreed.

Please refer to the response to CEC IR 1.10.1.