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September 3, 2010

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

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
2010 Third Quarter Gas Cost Report**

The attached materials provide the Terasen Gas Inc. (“Terasen Gas” or the “Company”) 2010 Third Quarter Gas Cost Report (the “Third Quarter Report”) for the CCRA and MCRA deferral accounts as required under British Columbia Utilities Commission (the “Commission”) guidelines.

Terasen Gas, pursuant to the Commission Letter (Log No. 32881, dated June 15, 2010) accompanying Commission Order No. G-106-10, has been working with the Commission staff to review the CCRA and MCRA deferral account mechanisms and the forecasting methodology.

Regarding the natural gas price forecast utilized in the quarterly gas cost reports, Terasen Gas has reviewed the variability inherent in the forecast natural gas prices based on a single forward strip date versus using an average of a number of consecutive forward strip dates. Based on the forward prices on the NYMEX market trading dates for the month of August during the past six years (i.e. 2005-2010) a five-day average reduces the level of variability in the forecast prices compared to the forecast prices based on a single forward strip date. Terasen Gas continues to review the variability of the forecast natural gas prices based on a single forward strip date and an average of a number of consecutive forward strip dates; the Company will next look at the six year historical data related to other months of the year, in particular those periods used within the quarterly gas cost reports, and will review its results with the Commission staff. At this time, the Company believes a gas cost forecast based on a five-day average of forward prices provides a forecast based on reasonably current market information and reduces the amount of price variability relative to a single forward strip date.

Accordingly, Terasen Gas has utilized a five-day average of the August 18, 19, 20, 23, and 24, 2010 forward prices for natural gas (“five-day average forward prices ending August 24, 2010”) within the Third Quarter Report.

As to the rate change trigger mechanism, the Commission Guidelines for Setting Gas Recovery Rates and Managing the Gas Cost Reconciliation Balance (the “Guidelines”) issued as Appendix I to Commission Letter No. L-5-01, dated February 5, 2001 indicated that a 5% trigger mechanism (i.e. the 95% to 105% deadband) be used to determine when a change should be made to existing gas cost recovery rates. Terasen Gas, in conjunction with Commission staff, will continue its review in order to revalidate the methodology used in setting natural gas commodity rates, including the effectiveness of the trigger mechanism in both higher and lower commodity rate environments. The Company considers the trigger mechanism provides one determinate in the evaluation of the appropriateness of existing recovery rates but recognizes that a percentage based mechanism will produce a narrower threshold in absolute \$/GJ terms when commodity rates are lower.

With respect to the MCRA deferral account and investigating the possibility of improving the forecasting capability, Terasen Gas will continue to work with Commission staff to review the forecasting methodology and recovery mechanism. The Company notes that not only is the MCRA subject to price variances but it also captures all of the volumetric variances related to actual versus forecast consumption and, as a result, contains a significantly greater degree of volatility than the CCRA.

The Company anticipates the review of the CCRA and MCRA deferral account mechanisms and the forecasting methodology with the Commission staff to be completed prior to, and any changes coming out of that process to be incorporated in, the 2010 Fourth Quarter Gas Cost Reports wherein both commodity and midstream rates are reviewed and subject to resetting, effective January 1, 2011.

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 September 30, 2010, based on the average forward prices of the last five business days ending August 24, 2010, is projected to be approximately \$27 million surplus (after tax). Further, based on the five-day average forward prices ending August 24, 2010, the gas purchase cost assumptions, and the forecast commodity cost recoveries at present rates for the 12-month period ending September 30, 2011, and accounting for the projected September 30, 2010 deferral balance, the CCRA ratio is calculated to be 107.3% (Tab 1, Page 1, Column 10, Lines 36/37). The ratio falls outside 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 five-day average forward prices ending August 24, 2010, indicates a gas cost flow through decrease, effective October 1, 2010, of \$0.339/GJ would be required to the Cost of Gas (Commodity Cost Recovery Charge) to eliminate the forecast over-recovery of the 12-month forward gas purchase costs and to amortize the projected September 30, 2010 surplus deferral balance. However, the forecast cost of gas beyond the next 12 months, based on the five-day average forward prices ending August 24, 2010 indicates that should the indicated decrease be made to rates effective October 1, 2010, the deferral account would begin accumulating a deficit balance after September 30, 2011 (the end of the 12-month prospective period related to the October 1, 2010 rates).

Terasen Gas notes that when the commodity cost recovery rate is set at a relatively low rate, as it is currently, the five percent deadband, in absolute \$/GJ terms, is a narrow range; the range would narrow even more if rates were to be decreased further. And based on the five-day average forward prices ending August 24, 2010, the current commodity rate will continue to recover the forecast gas costs incurred over the next three month period such that the projected surplus deferral balance at September 30, 2010 will remain relatively unchanged at December 31, 2010.

Further, pursuant to the Negotiated Settlement Agreement on the Terasen Gas 2010-2011 Revenue Requirements and Delivery Rates Application, approved under Commission Order No. G-141-09, the Terasen Gas delivery rates will be increasing by approximately two percent effective January 1, 2011.

Terasen Gas proposes that no change be made in the commodity cost recovery rate effective October 1, 2010. The Company continues to support the commodity revenue-to-cost ratio mechanism and recognizes that the request to not decrease rates October 1, 2010 is out of the ordinary, but believes that the under the current circumstances and in the interest of rate stability 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 2010 Fourth Quarter Gas Cost Report, recognizing that at that time should the existing commodity cost recovery rates produce a recovery-to-cost ratio outside the 95% to 105% deadband range then a rate change would likely be required and would be made in conjunction with the delivery and midstream rates which are subject to resetting effective January 1, 2011.

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 September 30, 2010, based on the average forward prices of the five-day average forward prices ending August 24, 2010, is projected to be approximately \$28 million deficit (after tax). Further, the MCRA balance at December 31, 2010 and December 31, 2011, based on the five-day average forward prices ending August 24, 2010, are projected to be approximately \$5 million deficit (after-tax) and \$1 million deficit (after-tax), respectively. 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.

Tab 2 provides the information related to the allocation of the forecast CCRA and MCRA gas supply costs, based on the five-day average forward prices ending August 24, 2010, to the Sales Rate Classes.

Tab 3, Page 1 provides the monthly CCRA deferral balances with the tested October 1, 2010 commodity cost recovery rate.

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 OCTOBER 1, 2010 TO SEPTEMBER 30, 2012
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010
\$(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		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10								
3	CCRA Balance - Beginning (Pre-tax) ^(1*)	\$ (23)	\$ (30)	\$ (35)	\$ (39)	\$ (33)	\$ (33)								
4	Gas Costs Incurred	\$ 36	\$ 38	\$ 38	\$ 36	\$ 40	\$ 36								
5	Revenue from EXISTING Recovery Rates	\$ (43)	\$ (43)	\$ (42)	\$ (31)	\$ (41)	\$ (39)								
6	CCRA Balance - Ending (Pre-tax)^(2*)	\$ (30)	\$ (35)	\$ (39)	\$ (33)	\$ (33)	\$ (37)								
7															
8	CCRA Balance - Ending (After-tax)^(3*)	\$ (22)	\$ (25)	\$ (28)	\$ (23)	\$ (24)	\$ (27)								
9															
10															
11														Total	
12														Oct-10	
13		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	to	
14	CCRA Balance - Beginning (Pre-tax) ^(1*)	\$ (37)	\$ (40)	\$ (36)	\$ (30)	\$ (24)	\$ (19)	\$ (13)	\$ (17)	\$ (21)	\$ (24)	\$ (27)	\$ (29)	to	
15	Gas Costs Incurred	\$ 38	\$ 44	\$ 46	\$ 46	\$ 42	\$ 46	\$ 36	\$ 37	\$ 36	\$ 38	\$ 38	\$ 37	Sep-11	
16	Revenue from EXISTING Recovery Rates	\$ (41)	\$ (39)	\$ (41)	\$ (41)	\$ (37)	\$ (41)	\$ (39)	\$ (41)	\$ (39)	\$ (41)	\$ (41)	\$ (39)	\$ (479)	
17	CCRA Balance - Ending (Pre-tax)^(2*)	\$ (40)	\$ (36)	\$ (31)	\$ (24)	\$ (19)	\$ (13)	\$ (17)	\$ (21)	\$ (24)	\$ (27)	\$ (29)	\$ (32)	\$ (32)	
18															
19	CCRA Balance - Ending (After-tax)^(3*)	\$ (29)	\$ (26)	\$ (22)	\$ (18)	\$ (14)	\$ (10)	\$ (12)	\$ (15)	\$ (18)	\$ (20)	\$ (22)	\$ (23)	\$ (23)	
20															
21														Total	
22														Oct-11	
23		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	to	
24		Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Sep-12	
25	CCRA Balance - Beginning (Pre-tax) ^(1*)	\$ (32)	\$ (33)	\$ (33)	\$ (31)	\$ (28)	\$ (25)	\$ (24)	\$ (27)	\$ (31)	\$ (34)	\$ (37)	\$ (40)	\$ (32)	
26	Gas Costs Incurred	\$ 39	\$ 40	\$ 43	\$ 44	\$ 40	\$ 43	\$ 36	\$ 37	\$ 37	\$ 38	\$ 38	\$ 37	\$ 471	
27	Revenue from EXISTING Recovery Rates	\$ (41)	\$ (40)	\$ (41)	\$ (41)	\$ (37)	\$ (41)	\$ (40)	\$ (41)	\$ (40)	\$ (41)	\$ (41)	\$ (40)	\$ (482)	
28	CCRA Balance - Ending (Pre-tax)^(2*)	\$ (33)	\$ (33)	\$ (31)	\$ (28)	\$ (25)	\$ (24)	\$ (27)	\$ (31)	\$ (34)	\$ (37)	\$ (40)	\$ (42)	\$ (42)	
29															
30	CCRA Balance - Ending (After-tax)^(3*)	\$ (25)	\$ (24)	\$ (23)	\$ (21)	\$ (19)	\$ (18)	\$ (20)	\$ (23)	\$ (26)	\$ (28)	\$ (30)	\$ (32)	\$ (32)	
31															
32															
33															
34	CCRA RATE CHANGE TRIGGER MECHANISM														
35															
36	CCRA	=	Forecast Recovered Gas Costs (Oct 2010 - Sep 2011)					=	\$ 479	=	107.3%				
37	Ratio	=	Forecast Incurred Gas Costs (Oct 2010 - Sep 2011) + Projected CCRA Pre-tax Balance (Sep 2010)					=	\$ 446	=					

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, 2010, 28.5%, Jan 1, 2011, 26.5%, and Jan 1, 2012, 25.0%).

(2*) For rate setting purpose CCRA pre-tax balances include grossed up projected deferred interest as at September 30, 2010.

(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 OCTOBER 1, 2010 TO SEPTEMBER 30, 2012
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010
\$(Millions)

Line No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1		Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	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)	\$ (11)	\$ 11	\$ 23	\$ 38	\$ 44	\$ 55	\$ (34)
4	Gas Costs Incurred	\$ 122	\$ 92	\$ 207	\$ 27	\$ 2	\$ (5)	\$ 16	\$ 11	\$ 1	\$ 30	\$ 51	\$ 91	\$ 646
5	Revenue from EXISTING Recovery Rates	\$ (115)	\$ (89)	\$ (238)	\$ (7)	\$ (6)	\$ 34	\$ 6	\$ 2	\$ 13	\$ (24)	\$ (41)	\$ (117)	\$ (583)
6	MCRA Balance - Ending (Pre-tax)^(2*)	<u>\$ (27)</u>	<u>\$ (25)</u>	<u>\$ (55)</u>	<u>\$ (35)</u>	<u>\$ (40)</u>	<u>\$ (11)</u>	<u>\$ 11</u>	<u>\$ 23</u>	<u>\$ 38</u>	<u>\$ 44</u>	<u>\$ 55</u>	<u>\$ 29</u>	<u>\$ 29</u>
7														
8	MCRA Balance - Ending (After-tax)^(3*)	<u>\$ (19)</u>	<u>\$ (17)</u>	<u>\$ (39)</u>	<u>\$ (25)</u>	<u>\$ (28)</u>	<u>\$ (8)</u>	<u>\$ 8</u>	<u>\$ 16</u>	<u>\$ 26</u>	<u>\$ 31</u>	<u>\$ 38</u>	<u>\$ 21</u>	<u>\$ 21</u>
9														
10														
11														
12		Recorded	Recorded	Recorded	Recorded	Recorded	Recorded	Projected	Projected	Projected	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*)	\$ 29	\$ 23	\$ 12	\$ 3	\$ 4	\$ (6)	\$ (3)	\$ 1	\$ 23	\$ 39	\$ 41	\$ 28	\$ 29
15	Gas Costs Incurred	\$ 78	\$ 79	\$ 49	\$ 30	\$ 26	\$ (6)	\$ 30	\$ 1	\$ 3	\$ 12	\$ 43	\$ 64	\$ 410
16	Revenue from EXISTING Recovery Rates	\$ (84)	\$ (90)	\$ (58)	\$ (29)	\$ (36)	\$ 8	\$ (26)	\$ 21	\$ 16	\$ (10)	\$ (56)	\$ (84)	\$ (428)
17	MCRA Balance - Ending (Pre-tax)^(2*)	<u>\$ 23</u>	<u>\$ 12</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ (6)</u>	<u>\$ (3)</u>	<u>\$ 1</u>	<u>\$ 23</u>	<u>\$ 39</u>	<u>\$ 41</u>	<u>\$ 28</u>	<u>\$ 7</u>	<u>\$ 7</u>
18														
19	MCRA Balance - Ending (After-tax)^(3*)	<u>\$ 17</u>	<u>\$ 9</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ (4)</u>	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 16</u>	<u>\$ 28</u>	<u>\$ 29</u>	<u>\$ 20</u>	<u>\$ 5</u>	<u>\$ 5</u>
20														
21														
22														
23		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
24		Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2011
25	MCRA Balance - Beginning (Pre-tax) ^(1*)	\$ 7	\$ (16)	\$ (36)	\$ (50)	\$ (49)	\$ (38)	\$ (22)	\$ (3)	\$ 19	\$ 35	\$ 38	\$ 25	\$ 7
26	Gas Costs Incurred	\$ 63	\$ 54	\$ 48	\$ 19	\$ 5	\$ 3	\$ (7)	\$ (4)	\$ (1)	\$ 11	\$ 46	\$ 63	\$ 299
27	Revenue from EXISTING Recovery Rates	\$ (86)	\$ (74)	\$ (62)	\$ (18)	\$ 6	\$ 12	\$ 26	\$ 26	\$ 17	\$ (8)	\$ (59)	\$ (87)	\$ (306)
28	MCRA Balance - Ending (Pre-tax)^(2*)	<u>\$ (16)</u>	<u>\$ (36)</u>	<u>\$ (50)</u>	<u>\$ (49)</u>	<u>\$ (38)</u>	<u>\$ (22)</u>	<u>\$ (3)</u>	<u>\$ 19</u>	<u>\$ 35</u>	<u>\$ 38</u>	<u>\$ 25</u>	<u>\$ 1</u>	<u>\$ 1</u>
29														
30	MCRA Balance - Ending (After-tax)^(3*)	<u>\$ (12)</u>	<u>\$ (26)</u>	<u>\$ (37)</u>	<u>\$ (36)</u>	<u>\$ (28)</u>	<u>\$ (16)</u>	<u>\$ (2)</u>	<u>\$ 14</u>	<u>\$ 26</u>	<u>\$ 28</u>	<u>\$ 18</u>	<u>\$ 1</u>	<u>\$ 1</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, 2010, 28.5%, Jan 1, 2011, 26.5%, Jan 1, 2012, 25.0%).

(2*) For rate setting purpose MCRA pre-tax balances include grossed up projected deferred interest as at September 30, 2010.

(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 SEPTEMBER 30, 2012
AND US DOLLAR EXCHANGE RATE FORECAST UPDATE

Line No	Particulars	Five-day Average Forward Prices - August 18,19,20,23 and 24, 2010		May 25, 2010 Forward Prices		Five-day Average Forward Prices - August 18,19,20,23 and 24, 2010 Less	
		2010 Q3 Gas Cost Report	2010 Q2 Gas Cost Report	2010 Q2 Gas Cost Report	2010 Q2 Gas Cost Report	May 25, 2010 Forward Prices	May 25, 2010 Forward Prices
	(1)	(2)	(3)	(3)	(4) = (2) - (3)	(4) = (2) - (3)	(4) = (2) - (3)
1	Sumas Index Prices - \$US/MMBtu						
2	2009						
3	October	\$ 3.87	\$ 3.87	\$ 3.87	\$ -	\$ -	\$ -
4	November	\$ 5.22	\$ 5.22	\$ 5.22	\$ -	\$ -	\$ -
5	December	\$ 5.47	\$ 5.47	\$ 5.47	\$ -	\$ -	\$ -
6	<i>Simple Average (Oct, 2009 - Sep, 2010)</i>	\$ 4.50	\$ 4.56	\$ 4.56	-1.3%	\$ (0.06)	\$ (0.06)
7	2010						
8	January	\$ 6.49	\$ 6.49	\$ 6.49	\$ -	\$ -	\$ -
9	February	\$ 5.51	\$ 5.51	\$ 5.51	\$ -	\$ -	\$ -
10	March	\$ 4.78	\$ 4.78	\$ 4.78	\$ -	\$ -	\$ -
11	April	\$ 3.98	\$ 3.98	\$ 3.98	\$ -	\$ -	\$ -
12	May	\$ 3.97	\$ 3.97	\$ 3.97	\$ -	\$ -	\$ -
13	June	\$ 3.75	\$ 3.67	\$ 3.67	\$ 0.08	\$ 0.08	\$ 0.08
14	July	\$ 4.06	\$ 3.84	\$ 3.84	\$ 0.22	\$ 0.22	\$ 0.22
15	August	\$ 3.80	\$ 3.94	\$ 3.94	\$ (0.14)	\$ (0.14)	\$ (0.14)
16	September	\$ 3.10	\$ 3.95	\$ 3.95	\$ (0.85)	\$ (0.85)	\$ (0.85)
17	October	\$ 3.34	\$ 4.20	\$ 4.20	\$ (0.86)	\$ (0.86)	\$ (0.86)
18	November	\$ 4.17	\$ 4.97	\$ 4.97	\$ (0.80)	\$ (0.80)	\$ (0.80)
19	December	\$ 4.93	\$ 5.54	\$ 5.54	\$ (0.61)	\$ (0.61)	\$ (0.61)
20	<i>Simple Average (Jan, 2010 - Dec, 2010)</i>	\$ 4.32	\$ 4.57	\$ 4.57	-5.5%	\$ (0.25)	\$ (0.25)
21	<i>Simple Average (Apr, 2010 - Mar, 2011)</i>	\$ 4.05	\$ 4.47	\$ 4.47	-9.4%	\$ (0.42)	\$ (0.42)
22	<i>Simple Average (Jul, 2010 - Jun, 2011)</i>	\$ 4.07	\$ 4.69	\$ 4.69	-13.2%	\$ (0.62)	\$ (0.62)
23	<i>Simple Average (Oct, 2010 - Sep, 2011)</i>	\$ 4.18	\$ 4.93	\$ 4.93	-15.2%	\$ (0.75)	\$ (0.75)
24	2011						
25	January	\$ 4.64	\$ 5.42	\$ 5.42	\$ (0.79)	\$ (0.79)	\$ (0.79)
26	February	\$ 4.58	\$ 5.32	\$ 5.32	\$ (0.73)	\$ (0.73)	\$ (0.73)
27	March	\$ 4.31	\$ 4.90	\$ 4.90	\$ (0.59)	\$ (0.59)	\$ (0.59)
28	April	\$ 3.92	\$ 4.69	\$ 4.69	\$ (0.77)	\$ (0.77)	\$ (0.77)
29	May	\$ 3.94	\$ 4.71	\$ 4.71	\$ (0.77)	\$ (0.77)	\$ (0.77)
30	June	\$ 4.00	\$ 4.76	\$ 4.76	\$ (0.77)	\$ (0.77)	\$ (0.77)
31	July	\$ 4.06	\$ 4.83	\$ 4.83	\$ (0.77)	\$ (0.77)	\$ (0.77)
32	August	\$ 4.11	\$ 4.88	\$ 4.88	\$ (0.77)	\$ (0.77)	\$ (0.77)
33	September	\$ 4.13	\$ 4.91	\$ 4.91	\$ (0.78)	\$ (0.78)	\$ (0.78)
34	October	\$ 4.21	\$ 5.01	\$ 5.01	\$ (0.80)	\$ (0.80)	\$ (0.80)
35	November	\$ 4.96	\$ 5.75	\$ 5.75	\$ (0.79)	\$ (0.79)	\$ (0.79)
36	December	\$ 5.23	\$ 6.04	\$ 6.04	\$ (0.81)	\$ (0.81)	\$ (0.81)
37	<i>Simple Average (Jan, 2011 - Dec, 2011)</i>	\$ 4.34	\$ 5.10	\$ 5.10	-14.9%	\$ (0.76)	\$ (0.76)
38	<i>Simple Average (Apr, 2011 - Mar, 2012)</i>	\$ 4.55	\$ 5.34	\$ 5.34	-14.8%	\$ (0.79)	\$ (0.79)
39	<i>Simple Average (Jul, 2011 - Jun, 2012)</i>	\$ 4.67	\$ 5.41	\$ 5.41	-13.7%	\$ (0.74)	\$ (0.74)
40	<i>Simple Average (Oct, 2011 - Sep, 2012)</i>	\$ 4.78					
41	2012						
42	January	\$ 5.41	\$ 6.24	\$ 6.24	\$ (0.83)	\$ (0.83)	\$ (0.83)
43	February	\$ 5.36	\$ 6.19	\$ 6.19	\$ (0.82)	\$ (0.82)	\$ (0.82)
44	March	\$ 5.22	\$ 6.02	\$ 6.02	\$ (0.80)	\$ (0.80)	\$ (0.80)
45	April	\$ 4.42	\$ 5.01	\$ 5.01	\$ (0.59)	\$ (0.59)	\$ (0.59)
46	May	\$ 4.43	\$ 5.02	\$ 5.02	\$ (0.59)	\$ (0.59)	\$ (0.59)
47	June	\$ 4.46	\$ 5.06	\$ 5.06	\$ (0.60)	\$ (0.60)	\$ (0.60)
48	July	\$ 4.51					
49	August	\$ 4.55					
50	September	\$ 4.58					
51	<u>Conversation Factors</u>						
52	1 MMBtu = 1.055056 GJ						
53	August 18,19,20,23 and 24, 2010 vs May 25, 2010 (\$1US=\$x.xxxCDN)	<u>Forecast Oct 2010-Sep 2011</u>	<u>Forecast Jul 2010-Jun 2011</u>				
54	Barclays Bank Average Exchange Rate	\$ 1.0484	\$ 1.0701	\$ 1.0701	-2.0%	\$ (0.022)	\$ (0.022)
55	Bank of Canada Daily Exchange Rate	\$ 1.0603	\$ 1.0700	\$ 1.0700	-0.9%	\$ (0.010)	\$ (0.010)

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
 AECO INDEX FORECAST FOR THE PERIOD ENDING SEPTEMBER 30, 2012

Tab 1
 Page 4

Particulars	Five-day Average Forward Prices - August 18,19,20,23 and 24, 2010		May 25, 2010 Forward Prices	Five-day Average Forward Prices - August 18,19,20,23 and 24, 2010 Less May 25, 2010 Forward Prices	
	(1)	(2)	2010 Q2 Gas Cost Report	(3)	(4) = (2) - (3)
1 AECO Index Prices - \$CDN/GJ					
2 2009 October		\$ 2.87	\$ 2.87		\$ -
3 November		\$ 4.64	\$ 4.64		\$ -
4 December		\$ 4.53	\$ 4.53		\$ -
5 <i>Simple Average (Oct, 2009 - Sep, 2010)</i>		\$ 4.08	\$ 4.12		-1.0% \$ (0.04)
6 2010 January		\$ 5.16	\$ 5.16		\$ -
7 February		\$ 5.23	\$ 5.23		\$ -
8 March		\$ 4.85	\$ 4.85		\$ -
9 April		\$ 3.84	\$ 3.84		\$ -
10 May		\$ 3.54	\$ 3.54		\$ -
11 June		\$ 3.60	Recorded Projected \$ 3.57		\$ 0.03
12 July		\$ 3.91	Forecast \$ 3.68		\$ 0.23
13 August		\$ 3.51	\$ 3.76		\$ (0.25)
14 September		\$ 3.24	\$ 3.84		\$ (0.59)
15 October		\$ 3.12	\$ 4.01		\$ (0.89)
16 November		\$ 3.56	\$ 4.29		\$ (0.72)
17 December		\$ 3.82	\$ 4.67		\$ (0.85)
18 <i>Simple Average (Jan, 2010 - Dec, 2010)</i>		\$ 3.95	\$ 4.20		-6.0% \$ (0.25)
19 <i>Simple Average (Apr, 2010 - Mar, 2011)</i>		\$ 3.66	\$ 4.14		-11.6% \$ (0.48)
20 <i>Simple Average (Jul, 2010 - Jun, 2011)</i>		\$ 3.69	\$ 4.38		-15.8% \$ (0.69)
21 <i>Simple Average (Oct, 2010 - Sep, 2011)</i>		\$ 3.79	\$ 4.63		-18.1% \$ (0.84)
22 2011 January		\$ 3.96	\$ 4.88		\$ (0.92)
23 February		\$ 3.96	\$ 4.86		\$ (0.90)
24 March		\$ 3.89	\$ 4.75		\$ (0.86)
25 April		\$ 3.74	\$ 4.57		\$ (0.83)
26 May		\$ 3.77	\$ 4.60		\$ (0.83)
27 June		\$ 3.82	\$ 4.65		\$ (0.83)
28 July		\$ 3.88	\$ 4.71		\$ (0.83)
29 August		\$ 3.95	\$ 4.77		\$ (0.82)
30 September		\$ 3.97	\$ 4.80		\$ (0.83)
31 October		\$ 4.05	\$ 4.90		\$ (0.85)
32 November		\$ 4.25	\$ 5.12		\$ (0.87)
33 December		\$ 4.53	\$ 5.41		\$ (0.88)
34 <i>Simple Average (Jan, 2011 - Dec, 2011)</i>		\$ 3.98	\$ 4.83		-17.6% \$ (0.85)
35 <i>Simple Average (Apr, 2011 - Mar, 2012)</i>		\$ 4.15	\$ 5.01		-17.2% \$ (0.86)
36 <i>Simple Average (Jul, 2011 - Jun, 2012)</i>		\$ 4.27	\$ 5.10		-16.3% \$ (0.83)
37 <i>Simple Average (Oct, 2011 - Sep, 2012)</i>		\$ 4.39			
38 2012 January		\$ 4.70	\$ 5.61		\$ (0.92)
39 February		\$ 4.66	\$ 5.56		\$ (0.90)
40 March		\$ 4.51	\$ 5.39		\$ (0.87)
41 April		\$ 4.24	\$ 4.96		\$ (0.72)
42 May		\$ 4.25	\$ 4.96		\$ (0.72)
43 June		\$ 4.28	\$ 5.00		\$ (0.72)
44 July		\$ 4.33			
45 August		\$ 4.41			
46 September		\$ 4.44			

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
STATION NO. 2 INDEX FORECAST FOR THE PERIOD ENDING SEPTEMBER 30, 2012

Particulars	Five-day Average Forward Prices - August 18,19,20,23 and 24, 2010	May 25, 2010 Forward Prices 2010 Q2 Gas Cost Report	Five-day Average Forward Prices - August 18,19,20,23 and 24, 2010 Less May 25, 2010 Forward Prices
	(1)	(2)	(3)
	2010 Q3 Gas Cost Report	2010 Q2 Gas Cost Report	May 25, 2010 Forward Prices
	(1)	(2)	(4) = (2) - (3)
Station No. 2 Index Prices - \$CDN/GJ			
2009			
October	\$ 3.12	\$ 3.12	\$ -
November	\$ 4.84	\$ 4.84	\$ -
December	\$ 4.64	\$ 4.64	\$ -
<i>Simple Average (Oct, 2009 - Sep, 2010)</i>	\$ 3.94	\$ 4.04	-2.5% \$ (0.10)
2010			
January	\$ 5.11	\$ 5.11	\$ -
February	\$ 5.13	\$ 5.13	\$ -
March	\$ 4.39	\$ 4.39	\$ -
April	\$ 3.51	\$ 3.51	\$ -
May	\$ 3.37	\$ 3.37	\$ -
June	\$ 3.44	\$ 3.50	\$ (0.06)
July	\$ 3.67	\$ 3.56	\$ 0.10
August	\$ 3.29	\$ 3.64	\$ (0.35)
September	\$ 2.77	\$ 3.72	\$ (0.94)
October	\$ 2.89	\$ 3.89	\$ (1.00)
November	\$ 3.52	\$ 4.23	\$ (0.70)
December	\$ 3.78	\$ 4.61	\$ (0.83)
<i>Simple Average (Jan, 2010 - Dec, 2010)</i>	\$ 3.74	\$ 4.05	-7.7% \$ (0.31)
<i>Simple Average (Apr, 2010 - Mar, 2011)</i>	\$ 3.49	\$ 4.03	-13.4% \$ (0.54)
<i>Simple Average (Jul, 2010 - Jun, 2011)</i>	\$ 3.53	\$ 4.26	-17.1% \$ (0.73)
<i>Simple Average (Oct, 2010 - Sep, 2011)</i>	\$ 3.66	\$ 4.49	-18.5% \$ (0.83)
2011			
January	\$ 3.92	\$ 4.82	\$ (0.90)
February	\$ 3.92	\$ 4.80	\$ (0.88)
March	\$ 3.85	\$ 4.69	\$ (0.84)
April	\$ 3.55	\$ 4.37	\$ (0.82)
May	\$ 3.58	\$ 4.40	\$ (0.82)
June	\$ 3.63	\$ 4.45	\$ (0.82)
July	\$ 3.69	\$ 4.51	\$ (0.82)
August	\$ 3.76	\$ 4.57	\$ (0.81)
September	\$ 3.78	\$ 4.60	\$ (0.82)
October	\$ 3.86	\$ 4.70	\$ (0.84)
November	\$ 4.21	\$ 5.06	\$ (0.85)
December	\$ 4.49	\$ 5.35	\$ (0.86)
<i>Simple Average (Jan, 2011 - Dec, 2011)</i>	\$ 3.85	\$ 4.69	-17.9% \$ (0.84)
<i>Simple Average (Apr, 2011 - Mar, 2012)</i>	\$ 4.02	\$ 4.87	-17.5% \$ (0.85)
<i>Simple Average (Jul, 2011 - Jun, 2012)</i>	\$ 4.15	\$ 4.96	-16.3% \$ (0.81)
<i>Simple Average (Oct, 2011 - Sep, 2012)</i>	\$ 4.27		
2012			
January	\$ 4.66	\$ 5.55	\$ (0.90)
February	\$ 4.62	\$ 5.50	\$ (0.88)
March	\$ 4.47	\$ 5.33	\$ (0.85)
April	\$ 4.07	\$ 4.77	\$ (0.70)
May	\$ 4.08	\$ 4.78	\$ (0.70)
June	\$ 4.11	\$ 4.81	\$ (0.70)
July	\$ 4.16		
August	\$ 4.24		
September	\$ 4.27		

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
GAS BUDGET COST SUMMARY
 FOR THE FORECAST PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011
 FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010

Line No.	Particulars	Delivered Volumes (TJ)	Costs (\$ 000)	Unit Cost (\$/GJ)	Comments
1	(1)	(2)	(3)	(4)	(5)
	CCRA				
2	<u>TERM PURCHASES</u>				
3	Hunt	0.0	\$ 0	\$ -	
4	Station #2	20,087.0	74,606	3.714	
5	AECO	0.0	0	3.794	
6	TOTAL TERM PURCHASES	<u>20,087.0</u>	<u>\$ 74,606</u>	<u>\$ 3.714</u>	
7	<u>SEASONAL</u>				
8	Hunt	14,429.9	\$ 60,285	\$ 4.178	
9	Station #2	23,726.2	98,614	4.156	
10	AECO	8,009.9	31,139	3.888	
11	TOTAL SEASONAL PURCHASES	<u>46,166.0</u>	<u>\$ 190,038</u>	<u>\$ 4.116</u>	
12	<u>SPOT</u>				
13	Hunt	-	\$ -	\$ -	
14	Station #2	23,526.3	85,643	3.640	
15	AECO	6,420.0	24,127	3.758	
16	TOTAL SPOT PURCHASES	<u>29,946.3</u>	<u>\$ 109,770</u>	<u>\$ 3.666</u>	
17					
18	TOTAL CCRA COMMODITY	96,199.3	\$ 374,414	\$ 3.892	
19	HEDGING (GAIN)/LOSS		108,346		
20	CCRA ADMINISTRATION COSTS		1,083		
21	FUEL-IN-KIND VOLUMES	2,501.2			
22	TOTAL CCRA - MARKETABLE GAS	<u>96,199.3</u>	<u>\$ 483,843</u>	<u>\$ 5.030</u>	
23	MCRA				
24	<u>MCRA COMMODITY</u>				
25	TOTAL MCRA COMMODITY	<u>29,100</u>	<u>\$ 110,970</u>	<u>\$ 3.813</u>	
26					
27	PEAKING	3,573.3	\$ 16,539	\$ 4.628	Daily priced-assumed at 1.5 x month price
28					
29	<u>TRANSPORTATION</u>				
30	WEI		\$ 84,032		
31	NOVA/ANG		\$ 13,307		
32	NWP		12,452		
33	TOTAL TRANSPORTATION		<u>\$ 109,790</u>		
34	<u>STORAGE GAS</u>				
35	<u>Injection</u>				
36	BC (Aitken)	(19,179.6)	\$ (80,113)	4.177	Includes LNG
37	Alberta (Carbon)	(2,807.5)	(12,433)	4.428	
38	Downstream (JP/Mist)	(4,658.5)	(21,713)	4.661	
39	TOTAL INJECTION	<u>(26,645.6)</u>	<u>\$ (114,259)</u>	<u>\$ 4.288</u>	
40	Withdrawal				
41	BC (Aitken)	16,746.6	\$ 99,356	\$ 5.933	Includes LNG
42	Alberta (Carbon)	2,924.7	15,805	5.404	
43	Downstream (JP/Mist)	4,770.4	29,400	6.163	
44	TOTAL WITHDRAWAL	<u>24,441.7</u>	<u>\$ 144,561</u>	<u>\$ 5.915</u>	
45	Storage Demand Charges (fixed only)				
46	BC (Aitken)		17,586		
47	Alberta (Carbon)		3,750		
48	Downstream (JP/Mist)		17,331		
49	TOTAL DEMAND CHARGE		<u>\$ 38,667</u>		
50	NET STORAGE		<u>\$ 68,969</u>		
51	<u>MITIGATION</u>				
52	Resale Commodity	(28,424.7)	\$ (122,789)	4.320	Both on/off system sales of surplus term & storage gas
53	Mitigation of Assets		(9,781)		Includes transportation & storage
54	TOTAL MITIGATION		<u>\$ (132,571)</u>		
55					
56	COMPANY USE GAS	255.1	(723)		Company Use, Heater Fuel, Compressor Fuel
57	GSMIP		1,000		
58	MCRA ADMINISTRATION COSTS		2,528		
59	HEDGING (GAIN)/LOSS		133		
60	TOTAL MCRA - CORE		<u>\$ 176,635</u>	<u>\$ 1.543</u>	
61	Core Sales Volume	<u>114,438.7</u>			
62	TOTAL BUDGET		<u>\$ 660,478</u>		

Note: Gas Budget Cost Summary reflects the amalgamation to the Terasen Gas (Whistler) Inc. ("TGW") and TGI gas supply portfolios.

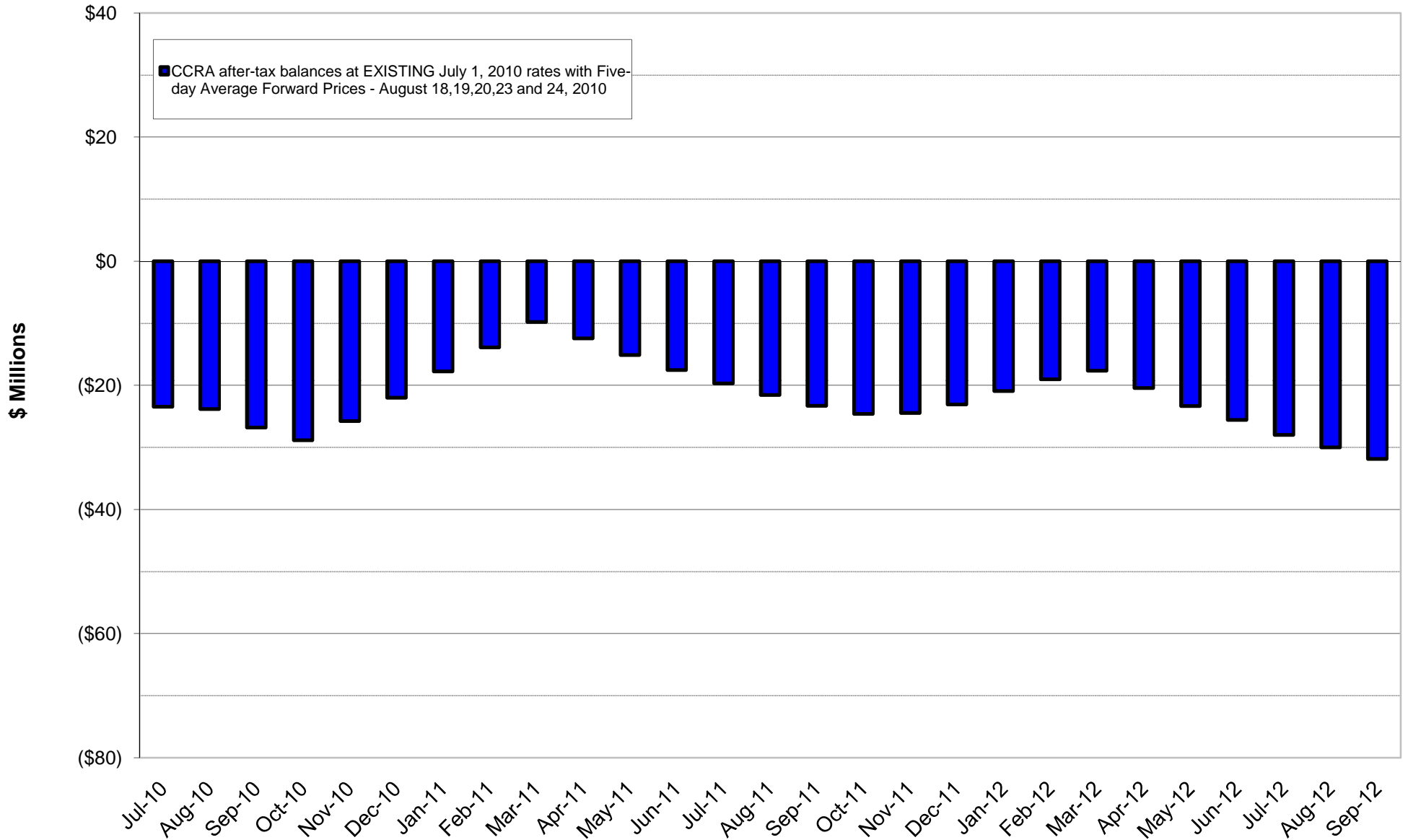
TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
RECONCILIATION OF GAS COST INCURRED
FOR THE FORECAST PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010
\$(Millions)

Tab 1
Page 7

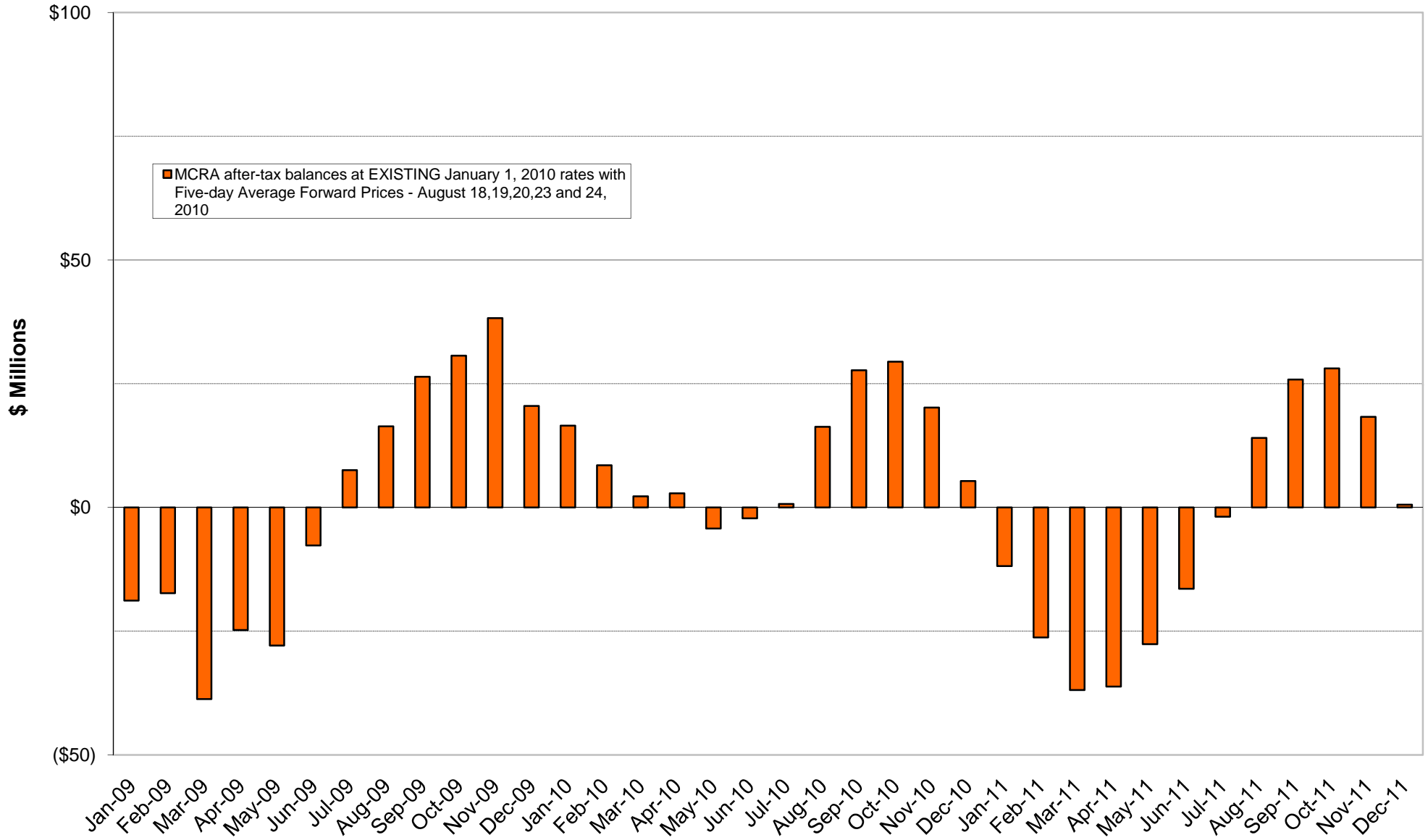
Line No.	Particulars	CCRA/MCRA Deferral Account Forecast	Gas Budget Cost Summary
	(1)	(2)	(3)
1	Gas Cost Incurred		
2	CCRA (Tab 1, Page 1, Col. 14, Line 15)	\$ 484	
3	MCRA (Tab 1, Page 2, Col. 11 Line 15 to Col. 10, Line 26)	300	
4			
5			
6	Gas Budget Cost Summary		
7	CCRA (Tab 1, Page 6, Col. 3, Line 22)		\$ 484
8	MCRA (Tab 1, Page 6, Col. 3, Line 60)		177
9	Total Net Costs for Firm Customers		<u>\$ 660</u>
10			
11	Add back Off-System Sales		
12	Cost		144
13	Margin		(24)
14			
15	Add back On-System Sales		
16	Cost		4
17	Margin		-
18			
19			
20	Totals Reconciled	<u>\$ 783</u>	<u>\$ 784</u>

Note:
Slight differences in totals due to rounding

Terasen Gas Inc. - Lower Mainland, Inland and Columbia
 CCRA After-Tax Monthly Balances
 Recorded to July 2010 and Projected to September 2012



Terasen Gas Inc. - Lower Mainland, Inland and Columbia
 MCRA After-Tax Monthly Balances
 Recorded to June 2010 and Projected to December 2011



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 OCTOBER 1, 2010 TO SEPTEMBER 30, 2011
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010

Line No.	Particulars	Unit	RS-1, RS-2, RS-3, RS-5 and RS-6	Whistler	RS-4	RS-7	RS-1 to RS-7 incl Whistler Total
	(1)		(2)	(3)	(4)	(5)	(6)
1	CCRA Sales Volumes	TJ	95,229.2	762.1	184.5	23.5	96,199.3
2							
3							
4	CCRA Incurred Costs						
5	Station #2	\$000	\$ 256,124.9	\$ 2,049.8	\$ 573.0	\$ 115.1	\$ 258,862.8
6	AECO	\$000	54,826.5	438.8	1.0	0.1	55,266.4
7	Huntingdon	\$000	59,668.5	477.5	138.8	-	60,284.9
8	CCRA Commodity Costs before Hedging	\$000	\$ 370,619.9	\$ 2,966.1	\$ 712.9	\$ 115.3	\$ 374,414.1
9	Mark to Market Hedges Loss / (Gain)	\$000	107,280.8	858.6	206.4	-	108,345.7
10	Core Market Administration Costs	\$000	1,072.6	8.6	2.1	-	1,083.2
11	Total Incurred Costs before CCRA deferral amortization	\$000	\$ 478,973.2	\$ 3,833.2	\$ 921.3	\$ 115.3	\$ 483,843.0
12							
13	Pre-tax Amortization CCRA Deficit/(Surplus) as of Oct 1, 2010^(1*)						
14	TGI Excl. Whistler Remaining Unamortized Dec 31/09 Balance	\$000	\$ (29,647.8)	\$ -	\$ (57.0)	\$ -	\$ (29,704.9)
15	TGI Incl. Whistler Accumulated Unamortized Balance Since Jan 1/10	\$000	(7,687.0)	(61.5)	(14.8)	-	(7,763.3)
16	Total Pre-tax Amortization CCRA Deficit/(Surplus) as of Oct 1, 2010	\$000	\$ (37,334.8)	\$ (61.5)	\$ (71.8)	\$ -	\$ (37,468.2)
17	Total CCRA Incurred Costs	\$000	\$ 441,638.4	\$ 3,771.7	\$ 849.5	\$ 115.3	\$ 446,374.8
18							
19							
20	CCRA Incurred Unit Costs						
21	CCRA Commodity Costs before Hedging	\$/GJ	\$ 3.8919	\$ 3.8919			
22	Mark to Market Hedges Loss / (Gain)	\$/GJ	1.1266	1.1266			
23	Core Market Administration Costs	\$/GJ	0.0113	0.0113			
24	CCRA Incurred Costs (excl. CCRA deferral amortization)	\$/GJ	\$ 5.0297	\$ 5.0297			
25	TGI Excl. Whistler Remaining Unamortized Dec 31/09 Balance	\$/GJ	(0.3113)	-			
26	TGI Incl. Whistler Accumulated Unamortized Balance Since Jan 1/10	\$/GJ	(0.0807)	(0.0807)			
27	CCRA Gas Costs Incurred -- Flow-Through	\$/GJ	\$ 4.6376	\$ 4.9490			

Note (1*) CCRA pre-tax amortization of December 31, 2009 balance does not apply to Terasen Gas (Whistler) Inc.

**TERASEN GAS INC. - LOWER MAINLAND SERVICE AREA AND SUMMARY
MIDSTREAM COST RECONCILIATION ACCOUNT ("MCRA")
MIDSTREAM COST RECOVERY CHARGE FLOW-THROUGH BY RATE SCHEDULE
FOR THE FORECAST PERIOD OCTOBER 1, 2010 to SEPTEMBER 30,2011
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010**

Line No.	Particulars												All Service Areas		
		Residential RS-1	Commercial RS-2 RS-3		Whistler	General Firm Service RS-5	NGV RS-6	Seasonal RS-4	General Interruptible RS-7	Lower Mainland RS-1 to RS-7 and Whistler Total	Term & Spot Gas Sales RS-14	Off-System Interruptible Sales RS-30	Lower Mainland RS-14 & RS-30 and Whistler Total	RS-1 to RS-7 and Whistler Summary	All Rate Schedules and Whistler Summary
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1	LOWER MAINLAND SERVICE AREA														
2															
3	Midstream (MCRA) Sales Volumes (TJ)	51,498.8	17,976.7	13,973.0	762.1	2,728.9	92.2	87.8	-	87,119.5	544.7	27,680.2	115,344.4	114,438.7	142,886.9
4															
5	MCRA Gas Costs Incurred (\$000)														
6															
7	Midstream Commodity Costs	\$ 6,933.1	\$ 2,420.1	\$ 1,881.1	\$ 102.6	\$ 367.4	\$ 12.4	\$ 0.3	\$ -	\$ 11,717.1	\$ 2,579.5	\$ 137,122.7	\$ 151,419.3	\$ 15,571.3	\$ 156,332.1
8	Midstream Tolls and Fees	(1,259.2)	(439.6)	(341.7)	(18.6)	(66.7)	(2.3)	(1.8)	-	(2,129.9)	107.0	6,669.3	4,646.4	(2,798.3)	4,021.8
9	Midstream Mark to Market- Hedges Loss / (Gain)	59.3	20.7	16.1	0.9	3.1	0.1	0.0	-	100.2	-	-	100.2	133.1	133.1
10	Subtotal Midstream Variable Costs	\$ 5,733.1	\$ 2,001.3	\$ 1,555.5	\$ 84.8	\$ 303.8	\$ 10.3	\$ (1.4)	\$ -	\$ 9,687.4	\$ 2,686.5	\$ 143,792.0	\$ 156,165.9	\$ 12,906.0	\$ 160,487.1
11	Midstream Storage - Fixed	\$ 18,257.6	\$ 6,351.5	\$ 3,908.1	\$ 213.2	\$ 572.4	\$ 9.7	\$ -	\$ -	\$ 29,312.5	\$ -	\$ -	\$ 29,312.5	\$ 38,667.0	\$ 38,667.0
12	On/Off System Sales (RS-14 & RS-30)	11,650.8	4,053.1	2,493.9	136.0	365.3	6.2	-	-	18,705.3	-	-	18,705.3	24,674.7	24,674.7
13	GSMIP Incentive Sharing	472.2	164.3	101.1	5.5	14.8	0.3	-	-	758.1	-	-	758.1	1,000.0	1,000.0
14	Pipeline Demand Charges	45,638.8	15,876.9	9,769.0	532.8	1,430.9	24.2	-	-	73,272.6	-	-	73,272.6	95,987.5	95,987.5
15	Core Administration Costs - 70%	1,193.5	415.2	255.5	13.9	37.4	0.6	-	-	1,916.1	-	-	1,916.1	2,527.6	2,527.6
16	Subtotal Midstream Fixed Costs	\$ 77,212.9	\$ 26,861.0	\$ 16,527.5	\$ 901.4	\$ 2,420.8	\$ 40.9	\$ -	\$ -	\$ 123,964.6	\$ -	\$ -	\$ 123,964.6	\$ 162,856.8	\$ 162,856.8
17	Total Incurred Costs before MCRA deferral amortization	\$ 82,946.0	\$ 28,862.3	\$ 18,083.0	\$ 986.3	\$ 2,724.6	\$ 51.2	\$ (1.4)	\$ -	\$ 133,652.0	\$ 2,686.5	\$ 143,792.0	\$ 280,130.5	\$ 175,762.8	\$ 323,343.8
18															
19	Pre-tax Amortization MCRA Deficit/(Surplus) as of Oct 1, 2010^(1*)														
20	TGI Excl. Whistler Remaining Unamortized Dec 31/09 Balance	\$ 3,645.2	\$ 1,268.1	\$ 780.2	\$ -	\$ 114.3	\$ 1.9	\$ -	\$ -	\$ 5,809.7	\$ -	\$ -	\$ 5,809.7	\$ 7,677.3	
21	TGI Incl. Whistler Accumulated Unamortized Balance Since Jan 1/10	14,696.1	5,112.5	3,145.7	171.6	460.8	7.8	-	-	23,594.4	-	-	23,594.4	31,124.1	
22	Total Pre-tax Amort. MCRA Deficit/(Surplus) as of Oct 1, 2010	\$ 18,341.2	\$ 6,380.6	\$ 3,926.0	\$ 171.6	\$ 575.1	\$ 9.7	\$ -	\$ -	\$ 29,404.1	\$ -	\$ -	\$ 29,404.1	\$ 38,801.5	
23															
24	Total MCRA Incurred Costs	\$ 101,287.2	\$ 35,242.9	\$ 22,009.0	\$ 1,157.9	\$ 3,299.7	\$ 60.9	\$ (1.4)	\$ -	\$ 163,056.1	\$ 2,686.5	\$ 143,792.0	\$ 309,534.6	\$ 214,564.3	

Note (1*) MCRA pre-tax amortization of December 31, 2009 balance does not apply to Terasen Gas (Whistler) Inc.

TERASEN GAS INC. - INLAND SERVICE AREA
MIDSTREAM COST RECONCILIATION ACCOUNT ("MCRA")
MIDSTREAM COST RECOVERY CHARGE FLOW-THROUGH BY RATE SCHEDULE
FOR THE FORECAST PERIOD OCTOBER 1, 2010 to SEPTEMBER 30,2011
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010

Line No.	Particulars	Residential RS-1	Commercial RS-2	RS-3	General Firm Service RS-5	NGV RS-6	Subtotal	Seasonal RS-4	General Interruptible RS-7	Inland RS-1 to RS-7 Total	Term & Spot Gas Sales RS-14	Off-System Interruptible Sales RS-30	Inland RS-1 to RS-7 & RS-14 Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	INLAND SERVICE AREA												
2													
3	Midstream (MCRA) Sales Volumes (TJ)	<u>15,535.8</u>	<u>5,754.1</u>	<u>2,711.6</u>	<u>425.6</u>	<u>11.7</u>	<u>24,438.7</u>	<u>96.7</u>	<u>23.5</u>	<u>24,559.0</u>	<u>223.3</u>	<u>-</u>	<u>24,782.3</u>
4													
5	MCRA Gas Costs Incurred (\$000)												
6													
7	Midstream Commodity Costs	\$ 2,151.9	\$ 797.0	\$ 375.6	\$ 58.9	\$ 1.6	\$ 3,385.1	\$ 0.8	\$ 0.2	\$ 3,386.0	\$ 1,058.6	\$ -	\$ 4,444.7
8	Midstream Tolls and Fees	(380.2)	(140.8)	(66.4)	(10.4)	(0.3)	(598.1)	(1.9)	(0.5)	(600.5)	43.9	-	(556.6)
9	Midstream Mark to Market- Hedges Loss / (Gain)	<u>18.4</u>	<u>6.8</u>	<u>3.2</u>	<u>0.5</u>	<u>0.0</u>	<u>28.9</u>	<u>0.0</u>	<u>-</u>	<u>28.9</u>	<u>-</u>	<u>-</u>	<u>28.9</u>
10	Subtotal Midstream Variable Costs	<u>\$ 1,790.1</u>	<u>\$ 663.0</u>	<u>\$ 312.4</u>	<u>\$ 49.0</u>	<u>\$ 1.3</u>	<u>\$ 2,816.0</u>	<u>\$ (1.2)</u>	<u>\$ (0.3)</u>	<u>\$ 2,814.5</u>	<u>\$ 1,102.5</u>	<u>\$ -</u>	<u>\$ 3,917.0</u>
11	Midstream Storage - Fixed	\$ 5,513.3	\$ 2,035.1	\$ 759.1	\$ 89.4	\$ 1.2	\$ 8,398.1	\$ -	\$ -	\$ 8,398.1	\$ -	\$ -	\$ 8,398.1
12	On/Off System Sales (RS-14 & RS-30)	3,518.2	1,298.6	484.4	57.0	0.8	5,359.1	-	-	5,359.1	-	-	5,359.1
13	GSMIP Incentive Sharing	142.6	52.6	19.6	2.3	0.0	217.2	-	-	217.2	-	-	217.2
14	Pipeline Demand Charges	13,387.6	4,941.6	1,843.4	217.0	3.0	20,392.6	-	-	20,392.6	-	-	20,392.6
15	Core Administration Costs - 70%	<u>360.4</u>	<u>133.0</u>	<u>49.6</u>	<u>5.8</u>	<u>0.1</u>	<u>549.0</u>	<u>-</u>	<u>-</u>	<u>549.0</u>	<u>-</u>	<u>-</u>	<u>549.0</u>
16	Subtotal Midstream Fixed Costs	<u>\$ 22,922.2</u>	<u>\$ 8,461.0</u>	<u>\$ 3,156.2</u>	<u>\$ 371.5</u>	<u>\$ 5.1</u>	<u>\$ 34,916.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,916.0</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,916.0</u>
17	Total Incurred Costs before MCRA deferral amortization	<u>\$ 24,712.3</u>	<u>\$ 9,124.0</u>	<u>\$ 3,468.7</u>	<u>\$ 420.6</u>	<u>\$ 6.4</u>	<u>\$ 37,732.0</u>	<u>\$ (1.2)</u>	<u>\$ (0.3)</u>	<u>\$ 37,730.5</u>	<u>\$ 1,102.5</u>	<u>\$ -</u>	<u>\$ 38,833.0</u>
18													
19	Pre-tax Amortization MCRA Deficit/(Surplus) as of Oct 1, 2010												
20	TGI Excl. Whistler Remaining Unamortized Dec 31/09 Balance	\$ 1,100.7	\$ 406.3	\$ 151.6	\$ 17.8	\$ 0.2	\$ 1,676.7	\$ -	\$ -	\$ 1,676.7	\$ -	\$ -	\$ 1,676.7
21	TGI Incl. Whistler Accumulated Unamortized Balance Since Jan 1/10	<u>4,437.8</u>	<u>1,638.1</u>	<u>611.1</u>	<u>71.9</u>	<u>1.0</u>	<u>6,759.9</u>	<u>-</u>	<u>-</u>	<u>6,759.9</u>	<u>-</u>	<u>-</u>	<u>6,759.9</u>
22	Total Pre-tax Amort. MCRA Deficit/(Surplus) as of Oct 1, 2010	<u>\$ 5,538.6</u>	<u>\$ 2,044.4</u>	<u>\$ 762.6</u>	<u>\$ 89.8</u>	<u>\$ 1.2</u>	<u>\$ 8,436.6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,436.6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,436.6</u>
23													
24	Total MCRA Incurred Costs	<u>\$ 30,250.9</u>	<u>\$ 11,168.4</u>	<u>\$ 4,231.3</u>	<u>\$ 510.3</u>	<u>\$ 7.7</u>	<u>\$ 46,168.5</u>	<u>\$ (1.2)</u>	<u>\$ (0.3)</u>	<u>\$ 46,167.1</u>	<u>\$ 1,102.5</u>	<u>\$ -</u>	<u>\$ 47,269.6</u>

TERASEN GAS INC. - COLUMBIA SERVICE AREA
MIDSTREAM COST RECONCILIATION ACCOUNT ("MCRA")
MIDSTREAM COST RECOVERY CHARGE FLOW-THROUGH BY RATE SCHEDULE
FOR THE FORECAST PERIOD OCTOBER 1, 2010 to SEPTEMBER 30,2011
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010

Line No.	Particulars	Residential RS-1	Commercial RS-2	Commercial RS-3	General Firm Service RS-5	NGV RS-6	Subtotal	Seasonal RS-4	General Interruptible RS-7	Columbia RS-1 to RS-7 Total	Term & Spot Gas Sales RS-14	Off-System Interruptible Sales RS-30	Columbia RS-1 to RS-7 Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	COLUMBIA SERVICE AREA												
2													
3	Midstream (MCRA) Sales Volumes (TJ)	<u>1,676.8</u>	<u>722.0</u>	<u>321.5</u>	<u>39.9</u>	<u>-</u>	<u>2,760.2</u>	<u>-</u>	<u>-</u>	<u>2,760.2</u>	<u>-</u>	<u>-</u>	<u>2,760.2</u>
4													
5	MCRA Gas Costs Incurred (\$000)												
6													
7	Midstream Commodity Costs	\$ 284.4	\$ 122.5	\$ 54.5	\$ 6.8	\$ -	\$ 468.1	\$ -	\$ -	\$ 468.1	\$ -	\$ -	\$ 468.1
8	Midstream Tolls and Fees	(41.3)	(17.8)	(7.9)	(1.0)	-	(68.0)	-	-	(68.0)	-	-	(68.0)
9	Midstream Mark to Market- Hedges Loss / (Gain)	<u>2.4</u>	<u>1.0</u>	<u>0.5</u>	<u>0.1</u>	<u>-</u>	<u>4.0</u>	<u>-</u>	<u>-</u>	<u>4.0</u>	<u>-</u>	<u>-</u>	<u>4.0</u>
10	Subtotal Midstream Variable Costs	<u>\$ 245.5</u>	<u>\$ 105.7</u>	<u>\$ 47.1</u>	<u>\$ 5.8</u>	<u>\$ -</u>	<u>\$ 404.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404.2</u>
11	Midstream Storage - Fixed	\$ 599.8	\$ 257.4	\$ 90.7	\$ 8.4	\$ -	\$ 956.4	\$ -	\$ -	\$ 956.4	\$ -	\$ -	\$ 956.4
12	On/Off System Sales (RS-14 & RS-30)	382.8	164.3	57.9	5.4	-	610.3	-	-	610.3	-	-	610.3
13	GSMIP Incentive Sharing	15.5	6.7	2.3	0.2	-	24.7	-	-	24.7	-	-	24.7
14	Pipeline Demand Charges	1,456.5	625.0	220.3	20.5	-	2,322.3	-	-	2,322.3	-	-	2,322.3
15	Core Administration Costs - 70%	<u>39.2</u>	<u>16.8</u>	<u>5.9</u>	<u>0.6</u>	<u>-</u>	<u>62.5</u>	<u>-</u>	<u>-</u>	<u>62.5</u>	<u>-</u>	<u>-</u>	<u>62.5</u>
16	Subtotal Midstream Fixed Costs	<u>\$ 2,493.8</u>	<u>\$ 1,070.2</u>	<u>\$ 377.2</u>	<u>\$ 35.1</u>	<u>\$ -</u>	<u>\$ 3,976.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,976.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,976.2</u>
17	Total Incurred Costs before MCRA deferral amortization	<u>\$ 2,739.3</u>	<u>\$ 1,175.9</u>	<u>\$ 424.3</u>	<u>\$ 40.9</u>	<u>\$ -</u>	<u>\$ 4,380.4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,380.4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,380.4</u>
18													
19	Pre-tax Amortization MCRA Deficit/(Surplus) as of Oct 1, 2010												
20	TGI Excl. Whistler Remaining Unamortized Dec 31/09 Balance	\$ 119.8	\$ 51.4	\$ 18.1	\$ 1.7	\$ -	\$ 190.9	\$ -	\$ -	\$ 190.9	\$ -	\$ -	\$ 190.9
21	TGI Incl. Whistler Accumulated Unamortized Balance Since Jan 1/10	<u>482.8</u>	<u>207.2</u>	<u>73.0</u>	<u>6.8</u>	<u>-</u>	<u>769.8</u>	<u>-</u>	<u>-</u>	<u>769.8</u>	<u>-</u>	<u>-</u>	<u>769.8</u>
22	Total Pre-tax Amort. MCRA Deficit/(Surplus) as of Oct 1, 2010	<u>\$ 602.6</u>	<u>\$ 258.6</u>	<u>\$ 91.1</u>	<u>\$ 8.5</u>	<u>\$ -</u>	<u>\$ 960.8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960.8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960.8</u>
23													
24	Total MCRA Incurred Costs	<u>\$ 3,341.8</u>	<u>\$ 1,434.5</u>	<u>\$ 515.4</u>	<u>\$ 49.4</u>	<u>\$ -</u>	<u>\$ 5,341.1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,341.1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,341.1</u>

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
CCRA MONTHLY BALANCES WITH TESTED RATES (AFTER VOLUME ADJUSTMENTS)
FOR THE FORECAST PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2012
FIVE-DAY AVERAGE FORWARD PRICES - AUGUST 18,19,20,23 AND 24, 2010
\$(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		Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10							
3	CCRA Balance - Beginning (Pre-tax) ^(1*)	\$ (23)	\$ (30)	\$ (35)	\$ (39)	\$ (33)	\$ (33)							
4	Gas Costs Incurred	\$ 36	\$ 38	\$ 38	\$ 36	\$ 40	\$ 36							
5	Revenue from EXISTING Recovery Rates	\$ (43)	\$ (43)	\$ (42)	\$ (31)	\$ (41)	\$ (39)							
6	CCRA Balance - Ending (Pre-tax)^(2*)	\$ (30)	\$ (35)	\$ (39)	\$ (33)	\$ (33)	\$ (37)							
7														
8	CCRA Balance - Ending (After-tax)^(3*)	\$ (22)	\$ (25)	\$ (28)	\$ (23)	\$ (24)	\$ (27)							
9														
10														Total
11														Oct-10
12		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	to
13		Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Sep-11
14	CCRA Balance - Beginning (Pre-tax) ^(1*)	\$ (37)	\$ (38)	\$ (31)	\$ (22)	\$ (13)	\$ (6)	\$ 3	\$ 2	\$ 1	\$ 0	\$ 0	\$ 0	\$ (37)
15	Gas Costs Incurred	\$ 38	\$ 44	\$ 46	\$ 46	\$ 42	\$ 46	\$ 36	\$ 37	\$ 36	\$ 38	\$ 38	\$ 37	\$ 484
16	Revenue from PROPOSED Recovery Rates	\$ (38)	\$ (37)	\$ (38)	\$ (38)	\$ (34)	\$ (38)	\$ (37)	\$ (38)	\$ (37)	\$ (38)	\$ (38)	\$ (37)	\$ (446)
17	CCRA Balance - Ending (Pre-tax)^(2*)	\$ (38)	\$ (31)	\$ (23)	\$ (13)	\$ (6)	\$ 3	\$ 2	\$ 1	\$ 0	\$ 0	\$ 0	\$ 1	\$ 1
18														
19	CCRA Balance - Ending (After-tax)^(3*)	\$ (27)	\$ (22)	\$ (16)	\$ (10)	\$ (4)	\$ 2	\$ 1	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
20														
21														Total
22														Oct-11
23		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	to
24		Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Sep-12
25	CCRA Balance - Beginning (Pre-tax) ^(1*)	\$ 1	\$ 2	\$ 5	\$ 9	\$ 15	\$ 20	\$ 24	\$ 23	\$ 22	\$ 22	\$ 21	\$ 22	\$ 1
26	Gas Costs Incurred	\$ 39	\$ 40	\$ 43	\$ 44	\$ 40	\$ 43	\$ 36	\$ 37	\$ 37	\$ 38	\$ 38	\$ 37	\$ 471
27	Revenue from PROPOSED Recovery Rates	\$ (38)	\$ (37)	\$ (38)	\$ (38)	\$ (34)	\$ (38)	\$ (37)	\$ (38)	\$ (37)	\$ (38)	\$ (38)	\$ (37)	\$ (449)
28	CCRA Balance - Ending (Pre-tax)^(2*)	\$ 2	\$ 5	\$ 9	\$ 15	\$ 20	\$ 24	\$ 23	\$ 22	\$ 22	\$ 21	\$ 22	\$ 22	\$ 22
29														
30	CCRA Balance - Ending (After-tax)^(3*)	\$ 1	\$ 3	\$ 7	\$ 11	\$ 15	\$ 18	\$ 17	\$ 17	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16

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, 2010, 28.5%, Jan 1, 2011, 26.5%, and Jan 1, 2012, 25.0%).

(2*) For rate setting purpose CCRA pre-tax balances include grossed up projected deferred interest as at September 30, 2010.

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



LETTER NO. L-XX-10

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ERICA M. HAMILTON
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DRAFT L-Order

VIA E-MAIL

Regulatory.Affairs@terasengas.com

September 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.
Lower Mainland, Inland and Columbia Service Areas
2010 Third Quarter Gas Cost Report
Commodity Cost Reconciliation Account and Midstream Cost Reconciliation Account

On September 3, 2010 Terasen Gas Inc. filed its 2010 Third 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 October 1, 2010.

Yours truly,

Erica M. Hamilton
Commission Secretary