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VIA EMAIL

regulatory.affairs@terasengas.com

June 15, 2010

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

Dear Mr. Loski:

Re: Terasen Gas Inc.
Second Quarter Gas Cost Report and
Rate Changes Effective July 1, 2010
for the Lower Mainland, Inland, Columbia Service Areas

Further to your June 3, 2010 filing of the 2010 Second Quarter Gas Cost Report and Rate Changes, enclosed please find Commission Order G-106-10.

Additionally, Commission Staff is directed to:

- Investigate the possibility of improving Midstream Cost Reconciliation Account forecasting capability and will work with Terasen Gas in this regard over the next two months.
- To revalidate the methodology used and approach taken associated with the quarterly review of natural gas commodity costs and rates. This initiative is to be progressed over the next two months.

Also, Terasen Gas is to explain the nature of the changes by way of a bill insert and customer notice, to be submitted to the Commission for review prior to its release.

Yours truly,

for: Erica M. Hamilton
Erica M. Hamilton

MT/ac
Enclosure

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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-106-10**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Filings by Terasen Gas Inc. regarding its
2010 Second Quarter Gas Costs Report
and Rate Changes effective July 1, 2010
for the Lower Mainland, Inland, Columbia Service Areas

BEFORE: D.A. Cote, Commissioner
L.F. Kelsey, Commissioner
June 14, 2010

WHEREAS:

- A. By Order G-42-10 dated March 11, 2010, the British Columbia Utilities Commission (Commission) approved an increase in the Commodity Cost Recovery Charge for the Lower Mainland, Inland, and Columbia Service Areas, effective April 1, 2010; and
- B. On June 3, 2010, pursuant to Commission Letter L-5-01, Terasen Gas Inc. (Terasen Gas) filed its 2010 Second Quarter Report on Commodity Cost Reconciliation Account (CCRA) and Midstream Cost Reconciliation Account (MCRA) balances and gas commodity charges for the Lower Mainland, Inland and Columbia Service Areas effective July 1, 2010 that were based on May 25, 2010 forward gas prices (2010 Second Quarter Report); and
- C. The 2010 Second Quarter Report forecasts a CCRA balance at existing rates of approximately \$30 million surplus after tax at June 30, 2010, and a balance of approximately \$43 million surplus after tax at June 30, 2011; and
- D. The 2010 Second Quarter Report forecasts that commodity cost recoveries at existing rates would be 112.7 percent of costs for the following 12 months; and
- E. In the 2010 Second Quarter Report, Terasen Gas requests approval for a decrease of \$0.633/GJ to the Commodity Cost Recovery Charges from \$5.609/GJ to \$4.976/GJ for natural gas sales rate class customers in Lower Mainland, Inland, and Columbia Service Areas effective July 1, 2010; and

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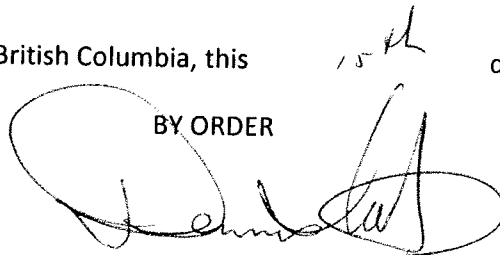
- F. The 2010 Second Quarter Report forecasts MCRA balance at existing rates of approximately \$37 million deficit after tax at December 31, 2010 and a balance of approximately \$49 million deficit after tax at December 31, 2011; and
- G. The Commodity Cost Recovery Charge rate change would decrease Lower Mainland Rate Schedule 1 rates by \$0.633/GJ, which would reduce a typical residential customer's annual bill by approximately \$60 or 5.3 percent, with an average annual consumption of 95 GJ; and
- H. The Commission has determined that the requested change to the Commodity Cost Recovery Charge as outlined in the 2010 Second Quarter Report should be approved.

NOW THEREFORE pursuant to section 61(4) of the *Utilities Commission Act*, the Commission orders as follows:

1. The Commission approves the proposed flow-through decrease to the Commodity Cost Recovery Charge for Sales Rate Classes within the Lower Mainland, Inland, and Columbia Service Areas, effective July 1, 2010, to a rate of \$4.976/GJ as set out in the 2010 Second Quarter Report.
2. The Midstream Cost Recovery Charges remain unchanged.
3. Terasen Gas is to provide a descriptive explanation of the final rates by way of a bill insert and customer notice to all affected customers with the next monthly gas billing, to be submitted to the Commission in draft prior to its release.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of June 2010.

BY ORDER



D.A. Cote
Commissioner