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VIA E-MAIL

Regulatory.Affairs@terasengas.com

September 11, 2008

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
Commodity Cost Reconciliation Account and
Midstream Cost Reconciliation Account Deferral Accounts and
2008 Third Quarter Gas Cost Report

Further to your September 4, 2008 filing of the third quarter gas cost report for the Lower Mainland, Inland and Columbia service areas, enclosed is Commission Order G-127-08.

Yours truly,

A handwritten signature in black ink, appearing to read "Constance M. Smith". The signature is written in a cursive style and is positioned above the printed name.

Constance M. Smith

for: Erica M. Hamilton

Enclosure

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-127-08**

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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
Revised 2008 Third Quarter Gas Costs Report
and Rate Changes effective October 1, 2008
for the Lower Mainland, Inland and Columbia Service Areas**

BEFORE: L.F. Kelsey, Commissioner
A.A. Rhodes, Commissioner
P.E. Vivian, Commissioner
September 11, 2008

O R D E R

WHEREAS:

- A. By Order G-94-08 dated June 13, 2008, the Commission approved an increase in the Commodity Cost Recovery Charge for the Lower Mainland, Inland and Columbia Service Areas; and
- B. On September 4, 2008, pursuant to Commission Letter L-5-01, Terasen Gas Inc. ("Terasen Gas" or "TGI") filed its 2008 Third 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 October 1, 2008 that were based on August 27, 2008 forward gas prices (the "2008 Third Quarter Report"); and
- C. The 2008 Third Quarter Report forecasts that Commodity cost recoveries at current rates would be 123.5 percent of costs for the following 12 months; and requested a decrease in Commodity Cost Recovery Charges for natural gas customers in the Lower Mainland, Inland and Columbia Service Areas effective October 1, 2008; and
- D. The 2008 Third Quarter Report has requested approval to decrease the Commodity Cost Recovery Charge from \$9.780/GJ to \$7.922/GJ, which is a decrease of \$1.858/GJ. This equates to a decrease to a residential customer's annual bill, based on an annual consumption of 110 GJ, by approximately \$204 or 12.4 percent; and

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- E. On September 9, 2008, Terasen Gas filed a Revised 2008 Third Quarter Report on CCRA and MCRA balances and gas commodity charges for the Lower Mainland, Inland and Columbia Service Areas effective October 1, 2008 that were based on September 5, 2008 forward gas prices (the "Revised 2008 Third Quarter Report"); and
- F. The Revised 2008 Third Quarter Report forecasts that commodity cost recoveries at current rates would be 129.8 percent of costs for the following 12 months; and requests a decrease in Commodity Cost Recovery Charges for natural gas customers in Lower Mainland, Inland and Columbia Service Areas effective October 1, 2008; and
- G. The Revised 2008 Third Quarter Report requests to decrease the Commodity Cost Recovery Charge from 9.780/GJ to \$7.536/GJ, which is a decrease of \$2.244/GJ. This equates to a decrease to a residential customer's annual bill, based on an annual consumption of 110 GJ, by approximately \$247 or 14.9 percent; and
- H. The Commission concludes that the requested changes to Commodity Cost Recovery Charges for natural gas customers in the Lower Mainland, Inland and Columbia Service Areas, as outlined in the Revised 2008 Third 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 revised proposed flow through decrease to the Commodity Cost Recovery Charges for the Lower Mainland, Inland and Columbia Service Areas, effective October 1, 2008, to a rate of \$7.536/GJ as set out in the Revised 2008 Third Quarter Report.
2. The Midstream Cost Recovery Charges remain unchanged.
3. Terasen Gas will notify all customers that are affected by the rate changes with a bill insert or bill message to be included with the next monthly gas billing.

DATED at the City of Vancouver, In the Province of British Columbia, this 11th day of September 2008.

BY ORDER



L.F. Kelsey,
Commissioner