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VIA EMAIL

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December 10, 2010

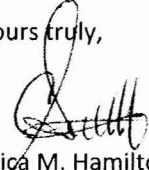
Ms. Diane Roy
Director, Regulatory Affairs
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: Terasen Gas Inc.
2010 Fourth Quarter Gas Costs Report
and Rate Changes effective January 1, 2011
for the Lower Mainland, Inland, Columbia Service Areas

Further to your December 2, 2011 filing of the 2010 Fourth Quarter Gas Costs Report, enclosed please find Commission Order G-187-10.

Yours truly,


Erica M. Hamilton

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Enclosure

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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-187-10**

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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 Fourth Quarter Gas Costs Report
and Rate Changes effective January 1, 2011
for the Lower Mainland, Inland, Columbia Service Areas**

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner December 9, 2010
N.E. MacMurchy, Commissioner
D. Morton, Commissioner

O R D E R

WHEREAS:

- A. By Order G-154-09 dated December 10, 2009, the British Columbia Utilities Commission (Commission) approved an increase in the Terasen Gas Inc. (Terasen Gas) Midstream Cost Recovery Charge for the Lower Mainland, Inland, and Columbia Service Areas, effective January 1, 2010;
- B. By Order G-141-09 dated November 26, 2009 and Order G-158-09 dated December 26, 2009, the Commission approved the Terasen Gas Lower Mainland, Inland, and Columbia Service Areas variable per gigajoule (GJ) Delivery Charges effective January 1, 2011 and the 2009 Return on Equity Rate Rider (Rider 2) charges effective January 1 to December 31, 2010;
- C. The approved Negotiated Settlement Agreement (NSA) for the Terasen Gas 2010-2011 Revenue Requirements Application, attached as Appendix A to Order G-141-09, contains a provision in Section 29, items (b) and (c) that requires Terasen Gas to make application to change the Earnings Sharing Mechanism (ESM) Rate Rider (Rider 3) and the Revenue Stabilization Adjustment Mechanism (RSAM) Rate Rider (Rider 5), effective January 1, 2011, at the same time it submits its 2010 Fourth Quarter report on gas costs;
- D. By Order G-106-10 dated June 15, 2010, the Commission approved a decrease in the Commodity Cost Recovery Charge for the Lower Mainland, Inland, and Columbia Service Areas, effective July 1, 2010;
- E. On December 2, 2010, pursuant to Commission Letter L-5-01, Terasen Gas filed its 2010 Fourth 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 January 1, 2011 based on the five-day average of the November 17, 18, 19, 22, and 23, 2010 forward prices for natural gas (2010 Fourth Quarter Report);

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- F. The 2010 Fourth Quarter Report forecasts a CCRA balance at existing rates of approximately \$17 million surplus after tax at December 31, 2010, and a balance of approximately \$29 million surplus after tax at December 31, 2011;
- G. The 2010 Fourth Quarter Report forecasts that commodity cost recoveries at existing rates would be 109.1 percent of costs for the following 12 months;
- H. Terasen Gas requests approval for a decrease of \$0.408/GJ to the Commodity Cost Recovery Charges from \$4.976/GJ to \$4.568/GJ for natural gas sales rate class customers in Lower Mainland, Inland, and Columbia Service Areas effective January 1, 2011;
- I. The 2010 Fourth Quarter Report forecasts MCRA balance at existing rates of approximately \$5 million surplus after tax at December 31, 2010; and a balance of approximately \$25 million surplus after tax at December 31, 2011;
- J. Terasen Gas requests approval of decreases to the Midstream Cost Recovery Charges for the sales rate classes within the Lower Mainland, Inland, and Columbia Service Areas, effective January 1, 2011, that would eliminate the forecast \$25 million surplus balance in the MCRA at the end of 2011 as shown in the 2010 Fourth Quarter Report;
- K. Terasen Gas requests approval to transfer the residual balance in the Residential Commodity Unbundling Capital deferral account at December 31, 2010 to the Residential Commodity Unbundling O&M deferral account, and to close the Residential Commodity Unbundling Capital deferral account effective December 31, 2010;
- L. Terasen Gas requests approval to reset Rate Rider 8 (Residential Commodity Unbundling Deferred Cost Recovery Rate Rider), applicable to Rate Schedules 1, 1U, and 1X customers within the Lower Mainland, Inland, and Columbia Service Areas, excluding Revelstoke and Fort Nelson, at \$0.009/GJ effective January 1, 2011;
- M. Terasen Gas requests approval to reset Rate Rider 8 (Commercial Commodity Unbundling Deferred Cost Recovery Rate Rider), applicable to Rate Schedules 2, 2U, 2X, 3, 3U, and 3X customers within the Lower Mainland, Inland, and Columbia Service Areas, excluding Revelstoke and Fort Nelson, to zero effective January 1, 2011;
- N. Terasen Gas requests approval to reset the ESM Rate Rider (Rider 3) to the amounts proposed for all non-bypass customer rate classes as shown in the 2010 Fourth Quarter Report effective January 1, 2011;
- O. Terasen Gas requests approval to reset the RSAM Rate Rider (Rider 5) to the amount proposed for the residential and commercial rate classes as shown in the 2010 Fourth Quarter Report effective January 1, 2011;
- P. The combined effect of the previously approved rate changes effective January 1, 2011, and the rate changes effective January 1, 2011 requested within the 2010 Fourth Quarter Report will decrease the unit rate for a residential customer in the Lower Mainland service area by \$0.722/GJ, and will decrease the annual bill of a typical residential customer in the Lower Mainland with an average annual consumption of 95 GJ by approximately \$69 or 6.4 percent;
- Q. The Commission concludes that the requested changes as outlined in the 2010 Fourth Quarter Report should be approved.

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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 January 1, 2011, to a rate of \$4.568/GJ as set out in the 2010 Fourth Quarter Report.
2. The Commission approves the proposed flow-through decreases to the Midstream Cost Recovery Charges for Sales Rate Classes within the Lower Mainland, Inland, and Columbia Service Areas, effective January 1, 2011, as set out in the 2010 Fourth Quarter Report.
3. The Commission approves the transfer of the residual balance in the Residential Commodity Unbundling Capital deferral account at December 31, 2010 to the Residential Commodity Unbundling O&M deferral account, and closing the Residential Commodity Unbundling Capital deferral account effective December 31, 2010.
4. The Commission approves resetting Rate Rider 8 (Residential Commodity Unbundling Deferred Cost Recovery Rate Rider), applicable to Rate Schedules 1, 1U, and 1X customers within the Lower Mainland, Inland, and Columbia service areas excluding Revelstoke and Fort Nelson, at \$0.009/GJ effective January 1, 2011.
5. The Commission approves resetting Rate Rider 8 (Commercial Commodity Unbundling Deferred Cost Recovery Rate Rider), applicable to Rate Schedules 2, 2U, 2X, 3, 3U, and 3X customers within the Lower Mainland, Inland, and Columbia service areas excluding Revelstoke and Fort Nelson, to zero effective January 1, 2011.
6. The Commission approves resetting the ESM Rate Rider (Rider 3) to the amounts proposed for all non-bypass customer rate classes as shown in the 2010 Fourth Quarter Report effective January 1, 2011.
7. The Commission approves resetting the RSAM Rate Rider (Rider 5) to the amount proposed for the residential and commercial rate classes as shown in the 2010 Fourth Quarter Report effective January 1, 2011.
8. Terasen Gas is to provide a descriptive explanation of the final rates by way of a bill insert or customer notice to all affected customers, 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 10th day of December 2010.

BY ORDER



D.A. Cote
Commissioner