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VIA EMAIL

Regulatory.Affairs@terasengas.com

March 11, 2010

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

Dear Mr. Loski:

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

Further to your March 4, 2010 filing of the 2010 First Quarter Gas Cost Report and Rate Changes, enclosed please find Commission Order G-42-10. Terasen is to explain the nature of the changes by way of a bill insert or customer notice, to be submitted to the Commission for review prior to its release.

Yours truly,

A handwritten signature in black ink, appearing to read "Erica M. Hamilton", written over a horizontal line.

for: Erica M. Hamilton

cms
Enclosure



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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-42-10**

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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 2010 First Quarter Gas Cost Report and
Rate Changes Effective April 1, 2010
For the Lower Mainland, Inland, Columbia Service Areas

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner

March 11, 2010

O R D E R

WHEREAS:

- A. On March 4, 2010, pursuant to Commission Letter L-5-01, Terasen Gas Inc. (Terasen Gas) filed its 2010 First Quarter Report on Commodity Cost Reconciliation Account (CCRA) and Midstream Cost Reconciliation Account (MCRA) balances and the Commodity Cost Recovery Charge for the Lower Mainland, Inland and Columbia Service Areas effective April 1, 2010 that were based on February 23, 2010 forward gas prices (the 2010 First Quarter Report); and
- B. By Order G-105-09 dated September 10, 2009, the British Columbia Utilities Commission (the Commission) approved a decrease in the Commodity Cost Recovery Charge for the Terasen Gas Lower Mainland, Inland, and Columbia Service Areas, effective October 1, 2009; and
- C. The 2010 First Quarter Report forecasts a CCRA balance at existing rates of approximately \$16 million surplus after tax at March 31, 2010, and a balance of approximately \$45 million deficit after tax at March 31, 2011; and
- D. The 2010 First Quarter Report forecasts that commodity cost recoveries at existing rates would be 88.4 percent of costs for the following 12 months; and
- E. In the 2010 First Quarter Report, Terasen Gas requests approval for an increase of \$0.656/GJ to the Commodity Cost Recovery Charge from \$4.953/GJ to \$5.609/GJ for natural gas sales rate class customers in the Lower Mainland, Inland, and Columbia Service Areas effective April 1, 2010; and
- F. The 2010 First Quarter Report forecasts MCRA balance at existing rates of approximately \$20 million deficit after tax at December 31, 2010; and a balance of approximately \$6 million surplus after tax at December 31, 2011; and
- G. The Commodity Cost Recovery Charge rate change would increase Lower Mainland Rate Schedule 1 rates by \$0.656/GJ, which would increase a typical residential customer's annual bill by approximately \$62 or 5.8 percent, with an average annual consumption of 95 GJ; and

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ORDER
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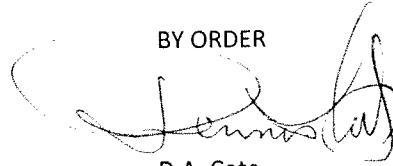
- H. The Commission has determined that the requested change to the Commodity Cost Recovery Rate as outlined in the 2010 First Quarter Report should be approved.

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 increase to the Commodity Cost Recovery Charge for Sales Rate Classes within the Lower Mainland, Inland, and Columbia Service Areas, effective April 1, 2010, to a rate of \$5.609/GJ as set out in the 2010 First 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 or 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 11th day of March 2010.

BY ORDER



D.A. Cote
Commissioner