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VIA EMAIL

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December 15, 2010

TERASEN GAS CNG SERVICE AGREEMENT AND CNG/LNG TERMS & CONDITIONS	EXHIBIT A2-7
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Ms. Diane Roy
Director, Regulatory Strategy and Business Analysis
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: Terasen Gas Inc.
Project No. 3698613/Order G-181-10
An Application for Approval of a Service Agreement for
Compressed Natural Gas Service and
for Approval of General Terms and Conditions for
Compressed Natural Gas and Liquefied Natural Gas Service

Commission staff submits the following document for the record in this proceeding:

British Columbia Utilities Commission – Terasen Gas Inc. Natural Gas Vehicle Grant Program Annual Report for 2009 (April 30, 2010).

Yours truly,

Erica M. Hamilton

/yl
Enclosure



**TERASEN GAS
CNG SERVICE AGREEMENT AND
CNG/LNG TERMS & CONDITIONS EXHIBIT A2-7**

Tom A. Loski
Chief Regulatory Officer

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April 30, 2010

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. (“Terasen Gas”)
Natural Gas Vehicle Grant Program – Annual Report for 2009
British Columbia Utilities Commission (the “Commission”) Order No. G-98-99
Compliance Filing**

Attached please find Terasen Gas’ report on the Natural Gas Vehicle (“NGV”) Grant Program for 2009. The NGV Grant Program was approved by Commission Order No. G-98-99 which directed that reports on the program be filed annually.

We trust that the Commission will find this filing to be in order. Should further information be required, please contact Paul Craig at (604) 592-7459.

Yours very truly,

TERASEN GAS INC.

Original signed by: Ilva Bevacqua

For: Tom A. Loski

Attachment

Background

British Columbia Utilities Commission (“Commission”) Order No. G-98-99 approved changes sought by Terasen Gas Inc. (“Terasen Gas” or “Company”) to Rate Schedule 6 to provide grants for customers wishing to purchase factory built Natural Gas Vehicles (“NGV”). In 2005, Terasen Gas applied to the Commission for changes to Rate Schedule 6 to allow for grants to be provided to customers who wished to convert their vehicles as factory built vehicles were no longer readily available in Canada. Commission Order No. G-16-05 approved Terasen Gas’ amendments to Rate Schedule 6, allowing promotional incentive grants to be paid to customers who converted their vehicles to consume natural gas. In Order No G-98-99, Terasen Gas was ordered to file an annual report that reconciled the previous year’s NGV grants and provided a forecast for the upcoming year’s program. This filing constitutes the Company’s report in compliance with that Order.

2007 BC Energy Plan, Bill 17 Clean Energy Act and NGV

Transportation is a major contributor to climate change and air quality problems and the use of conventional transportation fuels, such as gasoline, diesel or propane accounts for approximately 39% of BC’s Green House Gas (“GHG”) emissions, the single largest source of greenhouse emissions.

The 2007 BC Energy Plan (“Energy Plan”) set out a strategy for reducing greenhouse gas emissions and reducing human impacts on air quality and climate. The BC Energy Plan states “natural gas burns cleaner than either gasoline or propane, resulting in less air pollution.”¹

On April 28, 2010, Bill 17, the Clean Energy Act was issued by the Provincial Government that empowered cabinet to make regulations to encourage the use of Natural Gas Vehicles, construction and operation of Natural Gas fuelling infrastructure.

¹ BC Energy Plan, Page 19

Natural Resources Canada's ("NRCAN") GHGenius modeling software indicates heavy-duty natural gas vehicles emit 17% to 29% less GHG emissions than their diesel counterparts and in light-duty vehicles emit almost 23% less GHG emissions compared to their gasoline equivalent. In addition, natural gas vehicles emit 50% to 80% less harmful air quality contaminants such as NO_x, SO_x and particulate matter. Currently, natural gas refueling prices at the pump in BC are up to 45% less than the gasoline equivalent². Terasen Gas believes that given the economic and environmental benefits, natural gas can play a significant role in helping to meet the GHG goals set out in the Energy Plan.

Terasen Gas continues to believe the near-term opportunities for natural gas in the transport sector are in the return to home applications where commercial fuelling technology exists for industrial use vehicles such as light, medium and heavy trucks, port materials handling equipment such as forklifts, converted pickup trucks, as well as bus fleets and waste haulers.

2009 Actual and 2010 Forecast and Market Outlook

The following table summarizes the actual and expected NGV conversions, grant costs and natural gas consumption for 2009, and provides the 2010 forecast.

² Based on April 18 2010 gasoline price of \$1.14 /litre and CNG pump prices of \$0.62 / GLE

TERASEN GAS NGV GRANT PROGRAM ANNUAL REPORT

For the Year Ended December 31, 2009

Summary Of Grants - 2009 Actual

	Amount		Number of Vehicles		Estimated Annual Gas Volumes (GJ) ¹	
	OEM	Non-OEM	OEM	Non-OEM	OEM	Non-OEM
Light Duty Vehicles	\$ -	\$ 22,500	-	8	-	2,000
Medium Duty Vehicles	\$ -	\$ -	-	0	-	-
Heavy Duty Vehicles	\$ 20,000	-	1	-	300	
TOTAL	\$ 20,000	\$ 22,500	1	8	300	2,000

Summary Of Grants - 2010 Forecast

	Amount		Number of Vehicles		Estimated Annual Gas Volumes (GJ) ¹	
	OEM	Non-OEM	OEM	Non-OEM	OEM	Non-OEM
Light Duty Vehicles	\$ -	\$62,500	-	25	-	6,250
Medium Duty Vehicles	\$ -	\$0	-	0	-	0
Heavy Duty Vehicles	\$ 100,000		10	0	20,000	0
TOTAL	\$ 100,000	\$62,500	10	25	20,000	6,250

Note

1. Estimated per vehicle annual volumes are based on:
 - a. taxi @ 905 GJ per annum
 - b. parts delivery vehicle @ 905 GJ per annum
 - c. high fuel usage tradesman's vehicle @ 905 GJ per annum
 - d. tradesman's vehicle @ 500 GJ per annum
 - e. shuttle vehicle @ 905 GJ per annum
 - f. medium duty vehicle for municipal use @ 300 GJ per annum
 - g. municipal, government, school board and miscellaneous vehicle @ 180 GJ per annum
 - h. material handling equipment @ 120 GJ per annum

In 2009, the conversions of light-duty fleet vehicles increased slightly, while the medium duty decreased significantly from the previous year. The decline in grants is due primarily to the lack of availability of Original Equipment Manufacturer (“OEM”) offering product in Canada, the high capital cost of conversions and the continued closure of public NGV Stations.

In 2009, the Company continued NGV marketing efforts primarily focusing on promoting natural gas as a clean and green transportation fuel for return to home fleets and vehicles used in industrial applications such as materials handling equipment in the ports. Terasen Gas has worked closely with key industry customers like BC Transit and City of Vancouver who are both evaluating business cases to adopt natural gas for their fleets. The Company continues to foster partnerships with key technology providers and supports its partners with information on the local market, and identifying potential customers. Terasen Gas rarely promotes the technology used by NGV, but instead focuses on promoting CNG as a transportation fuel.

Terasen Gas NGV Activities Summary

Terasen Gas continues to work with Westport Innovations Inc. (“Westport”) and Cummins Westport Inc. (“Cummins Westport”) as the technology provider for class 8 trucks, buses, waste haulers, and ships. Terasen Gas continues to support Westport’s and Cummins Westport’s efforts with information for their refueling proposals to government.

Terasen Gas has built a relationship with IMW Industries Ltd. of Chilliwack, BC. IMW builds and services fast-fill / slow-fill compression systems and is a leading compressor manufacturer, and has successfully supplied refueling compression systems worldwide.

Terasen Gas continues to believe that the current Rate Schedule 6 grants are necessary to grow the NGV market. Terasen Gas believes for the next five years, the number of personal-use vehicle conversions will remain quite low however industrial vehicles such as light, medium and heavy duty fleet vehicles will begin to rise steadily with government support and legislation. As such Terasen Gas believes there will be a continual increase in grants awarded for return to home fleet vehicles ranging from light duty to heavy duty, industrial use vehicles such as forklifts, pickups, shunt trucks (yard hostlers), waste haulers and class 8 trucks.

Conclusion

The Company believes that the NGV market has changed dramatically since the introduction of Rate Schedule 6 and the provision of grants in 1999. With the increase of return to home refueling infrastructure there is more interest in using natural gas for light, medium and heavy duty vehicles. There is also significant interest in reducing GHG's as a result of government policy and a greater environmental awareness.

Terasen Gas believes that continuing to grow this non-peaking use of natural gas is good for all Terasen Gas customers. The Company is currently further developing its Natural Gas transport strategy and expects to bring forward an application this year.

In sum, Terasen Gas continues to be of the view that the current Rate Schedule 6 grants are necessary to develop the NGV market.