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December 2, 2005

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Mr. R.J. Pellatt, Commission Secretary

Dear Sir:

**Re: Terasen Gas Inc. – Fort Nelson Service Area (“Fort Nelson”)
Gas Cost Reconciliation Account (“GCRA”) Guidelines
2005 Fourth Quarter Report**

The attached material provides the GCRA report covering the January 1, 2006 to December 31, 2006 period as specified in the Commission Guidelines (Commission Letter No. L-5-01) with regards to Fort Nelson.

In accordance with Commission GCRA guidelines, using forward prices as at November 22, 2005, forecast gas cost recoveries at current rates, and the projected December 31, 2005 GCRA surplus after tax balance of \$50.7 K (Page 4, Col. 2, Line 13), the rate change trigger mechanism ratio is determined to be 95.8% (Page 2, Col. 4, Line 8). The ratio falls within the deadband range of 95% to 105%.

Fort Nelson proposes that no rate change related to gas commodity costs be made at this time. The comparison of the forward prices is shown on Page 3. The summary and the graph of the GCRA balances are shown on Pages 4 and 4.1. Fort Nelson will continue to monitor the gas supply costs and report to the Commission in its 2006 First Quarter Report regarding any changes that may be required.

Commission Order G-17-04 dated February 5, 2004 approved the implementation of a Rate Stabilization Adjustment Mechanism (“RSAM”) account for Fort Nelson effective January 1, 2004. Fort Nelson forecasts that there will be about \$76,850 (net-of-tax) new RSAM additions, including interest, for the two-year period of 2004 and 2005. The Commission directed Fort Nelson to amortize the RSAM balance following Terasen Gas Inc.’s methodology. Accordingly, the net-of-tax RSAM balance is amortized over three years. The after-tax amount to be amortized in 2006 is \$25,617 (\$76,850/3). On a pre-tax basis, this amounts to \$38,234 or \$0.039/GJ.

Fort Nelson requests Commission approval to add an RSAM rider for \$0.039/GJ effective January 1, 2006.

We trust that the Commission will find this filing to be in order. Fort Nelson is anticipating Commission approval of this filing by December 9, 2005. Should further information be required, please contact Brian Noel at 604-592-7467.

Yours very truly,

TERASEN GAS INC.

Original signed by Tom Loski

For: Scott A. Thomson

Attachments

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RATE CHANGE TRIGGER MECHANISM
 FOR THE 12 MONTHS ENDING DECEMBER 31, 2006

| Line No. | Particulars (1) | TJ (2) | Cost (3) | Percentage (4) |
|----------|--|-----------|-------------------|-------------------|
| 1 | <u>RATE CHANGE TRIGGER MECHANISM (Per BCUC Guidelines)</u> | | | |
| 2 | | | | |
| 3 | <u>January 1, 2006 to December 31, 2006</u> | | | |
| 4 | | | | |
| 5 | Recovered Gas Costs - \$(000) | | \$ 4,979.6 | |
| 6 | | | | |
| 7 | Ratio = Total Recovered / Total Incurred | | | |
| 8 | (Increase<100%<Decrease) | | | <u>95.8%</u> |
| 9 | | | | |
| 10 | Incurred Gas Costs - \$(000) | | \$ 5,274.8 | |
| 11 | GCRA Accumulation to December 31, 2005 (Page 4, Line 13, Col 2 grossed up) | | (76.5) | |
| 12 | Total Incurred - \$(000) | | <u>\$ 5,198.3</u> | |
| 13 | | | | |
| 14 | Balancing Requirement | | | |
| 15 | | | | |
| 16 | Increase (Decrease) as Calculated - \$(000) (Line 12 - Line 5) | | \$ 218.7 | |
| 17 | | | | |
| 18 | Forecast Annual Sales Volumes (TJ) - January to December 2006 | 596.9 | | |
| 19 | | | | |
| 20 | Calculated Recovered Gas Unit Cost Change - \$/GJ (Line16 / Line18) | | \$ 0.366 | |

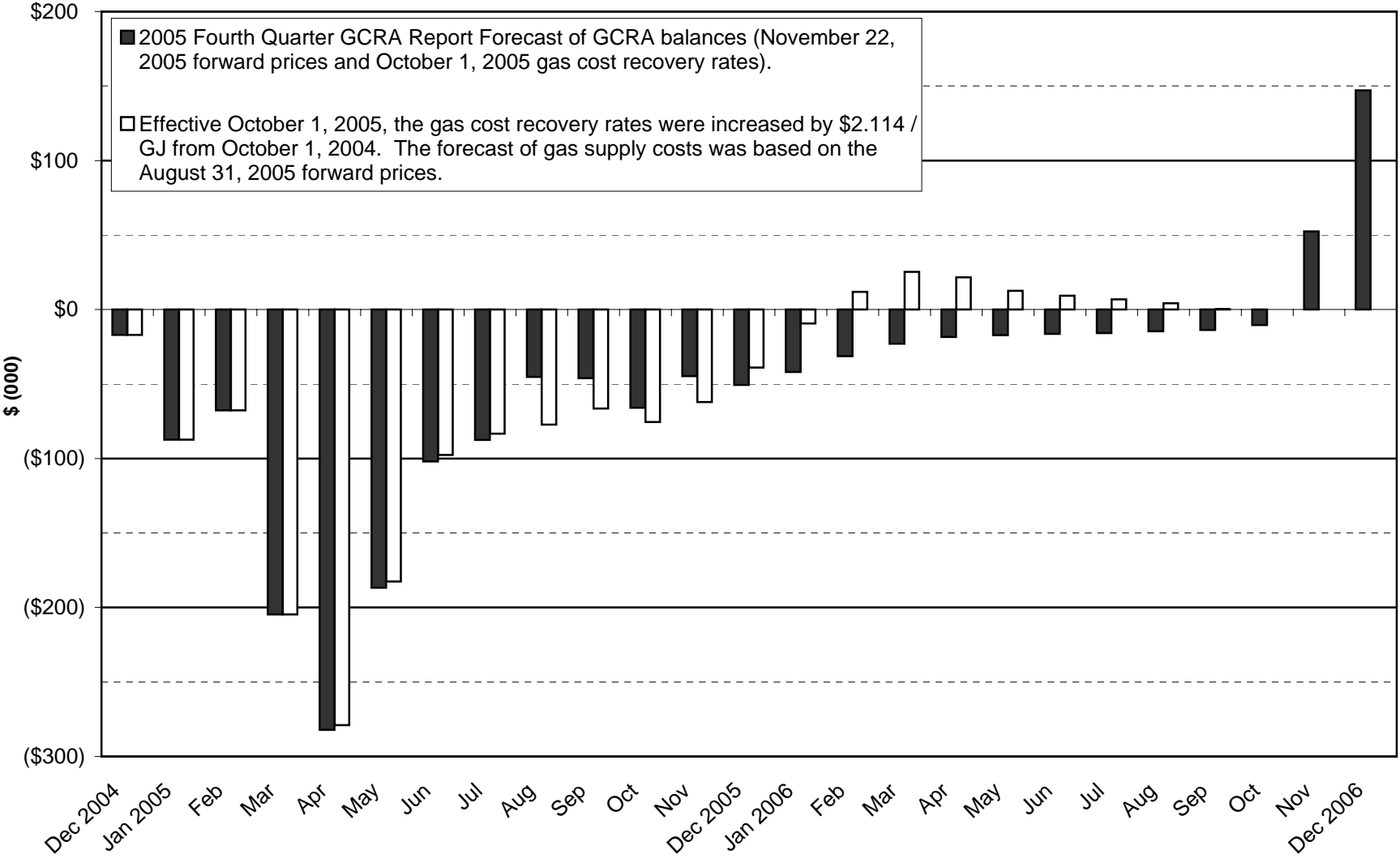
FORT NELSON SERVICE AREA
 FORT NELSON INDEX PRICES COMPARISON OF FORWARD CURVES
 FOR THE MONTHS JANUARY 1, 2006 TO DECEMBER 31, 2006

| | | Fort Nelson Forward Prices - \$/GJ | | |
|----------|---------------------------------------|--|--|-----------------------|
| Line No. | Particulars | Jan. 1, 2006 Gas Cost Report (Nov. 22, 2005 Forward Prices) | Oct. 1, 2005 Gas Cost Report (Aug. 31, 2005 Forward Prices) | Difference (2)-(3) |
| | | (1) | (2) | (3) |
| 1 | 2005 | 2005 | 2005 | |
| 2 | January | \$ 6.14 | \$ 6.14 | \$ - |
| 3 | February | \$ 6.04 | \$ 6.04 | \$ - |
| 4 | March | \$ 6.77 | \$ 6.77 | \$ - |
| 5 | April | \$ 6.67 | \$ 6.78 | \$ (0.11) |
| 6 | May | \$ 6.25 | \$ 6.31 | \$ (0.06) |
| 7 | June | \$ 6.34 | \$ 6.36 | \$ (0.02) |
| 8 | July | \$ 6.57 | \$ 6.52 | \$ 0.05 |
| 9 | August | \$ 6.96 | \$ 7.09 | \$ (0.13) |
| 10 | September | \$ 8.06 | \$ 7.15 | \$ 0.91 |
| 11 | October | \$ 8.62 | \$ 7.91 | \$ 0.72 |
| 12 | November | \$ 8.80 | \$ 8.64 | \$ 0.16 |
| 13 | December | \$ 8.28 | \$ 8.73 | \$ (0.45) |
| 14 | Average (Jan 2005 - Dec 2005) | \$ 7.12 | \$ 7.04 | \$ 0.08 |
| 15 | | | | |
| 16 | 2006 | 2006 | 2006 | |
| 17 | January | \$ 8.50 | \$ 8.82 | \$ (0.32) |
| 18 | February | \$ 8.56 | \$ 8.79 | \$ (0.23) |
| 19 | March | \$ 8.56 | \$ 8.69 | \$ (0.13) |
| 20 | April | \$ 8.52 | \$ 8.25 | \$ 0.27 |
| 21 | May | \$ 8.43 | \$ 8.02 | \$ 0.41 |
| 22 | June | \$ 8.45 | \$ 8.04 | \$ 0.41 |
| 23 | July | \$ 8.48 | \$ 8.07 | \$ 0.41 |
| 24 | August | \$ 8.50 | \$ 8.07 | \$ 0.43 |
| 25 | September | \$ 8.50 | \$ 8.05 | \$ 0.45 |
| 26 | October | \$ 8.53 | | \$ 8.53 |
| 27 | November | \$ 9.61 | | \$ 9.61 |
| 28 | December | \$ 9.81 | | \$ 9.81 |
| 29 | Average (Apr 2005 - Mar 2006) | \$ 7.68 | \$ 7.65 | \$ 0.03 |
| 30 | Average (Jul 2005 - Jun 2006) | \$ 8.19 | \$ 8.05 | \$ 0.14 |
| 31 | Average (Oct 2005 - Sept 2006) | \$ 8.52 | \$ 8.34 | \$ 0.18 |
| 32 | Average (Jan 2006 - Dec 2006) | \$ 8.70 | | |
| 33 | | | | |
| 34 | | | | |
| 35 | Comparison of Reporting Period | Jan/06-Dec/06 | Oct/05-Sept/06 | |
| 36 | Average | \$ 8.70 | \$ 8.34 | \$ 0.36 |

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 GCRA BALANCES AFTER TAX
 FOR THE MONTHS DECEMBER 31, 2004 TO DECEMBER 31, 2006
 \$000

| Line No. | Particulars | Jan 1, 2006 Report Oct 1, 2005 Rates (Nov. 22, 2005 Forward Prices) | Oct 1, 2005 Report Oct 1, 2005 Rates (Aug. 31, 2005 Forward Prices) |
|----------|---------------------|---|---|
| | (1) | (2) | (3) |
| 1 | Dec 2004 - Recorded | \$ (17.0) | \$ (17.0) |
| 2 | Jan 2005 - Recorded | (87.4) | (87.4) |
| 3 | Feb - Recorded | (67.8) | (67.8) |
| 4 | Mar - Recorded | (204.5) | (204.5) |
| 5 | Apr - Recorded | (282.1) | (278.9) |
| 6 | May - Recorded | (186.7) | (182.6) |
| 7 | Jun - Recorded | (101.9) | (97.5) |
| 8 | Jul - Recorded | (87.5) | (83.4) |
| 9 | Aug - Recorded | (45.2) | (77.3) |
| 10 | Sep - Recorded | (46.0) | (66.4) |
| 11 | Oct - Recorded | (66.0) | (75.5) |
| 12 | Nov - Projected | (44.7) | (62.1) |
| 13 | Dec 2005 | (50.7) | (39.0) |
| 14 | Jan 2006 | (41.9) | (9.3) |
| 15 | Feb | (31.4) | 11.9 |
| 16 | Mar | (22.9) | 25.3 |
| 17 | Apr | (18.5) | 21.6 |
| 18 | May | (17.3) | 12.6 |
| 19 | Jun | (16.3) | 9.3 |
| 20 | Jul | (15.8) | 6.8 |
| 21 | Aug | (14.6) | 4.2 |
| 22 | Sep | (13.8) | 0.1 |
| 23 | Oct | (10.4) | |
| 24 | Nov | 52.3 | |
| 25 | Dec 2006 | 147.0 | |

Terasen Gas Inc.
 Fort Nelson GCRA Month-end Balances (After-Tax)
 For the months December 31, 2004 to December 31, 2006



CALCULATION OF AMORTIZATION OF RSAM (RIDER 5)
FOR THE YEAR ENDED DECEMBER 31, 2006
(\$000)

| Line No. | Particulars (1) | Annual Volumes (TJ) (2) | Amortization (\$000) (3) | Amortization of RSAM Unit Rider (\$/GJ) (4) |
|----------|---|-------------------------------|---------------------------------|--|
| 1 | <u>RSAM (Rider 5) Calculation</u> | | | |
| 2 | | | | |
| 3 | Rate 1 - Residential | 291.1 | | \$0.039 |
| 4 | Rate 2.1 - Small Commercial | 202.6 | | \$0.039 |
| 5 | Rate 2.2 - Large Commercial | 104.8 | | \$0.039 |
| 6 | Rate 25 - General Firm Transportation | <u>379.9</u> | | \$0.039 |
| 7 | | <u>978.4</u> | <u>\$ 38.234</u> ⁽¹⁾ | |
| 8 | | | | |
| 9 | | | | |
| 10 | <u>Note 1: RSAM Rider Change</u> | | | |
| 11 | | | | |
| 12 | Terasen Gas forecasts that there will be approximately \$76,102 (net-of-tax) of new RSAM additions over the | | | |
| 13 | two-year period of 2004 and 2005. Including interest, the total year end balance is now projected to be | | | |
| 14 | \$76,850. As directed by the Commission, Fort Nelson's RSAM balance is to be amortized following TGI's | | | |
| 15 | methodology. Accordingly, the RSAM balance will be amortized over three years. The net-of-tax RSAM balance | | | |
| 16 | to be amortized in 2006 is \$25,617. On a pre-tax basis, this amounts to \$38,234 or \$0.039/GJ. | | | |
| 17 | | | | |
| 18 | | | | |
| 19 | Amortization = 1/3 of Projected December 31, 2005 RSAM Balance | | | |
| 20 | = 1/3 * \$76,850 | | | |
| 21 | = \$25,617 Net-of-tax amortization | | | |
| 22 | | | | |
| 23 | Gross Amortization = Net-of-tax amortization / (1 - tax rate) | | | |
| 24 | = \$25,617 / (1 - 33%) | | | |
| 25 | = <u>\$38,234</u> | | | |