



June 6, 2006

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. – Lower Mainland, Inland, and Columbia Service Areas
Commodity Cost Reconciliation Account (“CCRA”) and Midstream Cost
Reconciliation Account (“MCRA”) Quarterly Gas Costs
2006 Second Quarter Report**

The attached materials provide the 2006 Second Quarter Report for the CCRA and MCRA deferral accounts as required under British Columbia Utilities Commission (the “Commission”) guidelines.

The materials comprising this report are attached herein under Tab 1. The CCRA ratio arising from forward prices as at May 26, 2006, gas purchase cost assumptions, forecast commodity cost recoveries at present rates, and the projected June 30, 2006 CCRA surplus balance is 99.6% (Tab 1, Page 5, Line 11). The ratio falls within the deadband range of 95% to 105%, indicating that a rate change is not required at this time.

The monthly deferral account balances for the CCRA, the MCRA, and for these accounts on a combined basis are shown on the schedule provided within Tab 1, Page 1. The December 31, 2006 MCRA balance is forecast, at existing rates, to be approximately \$1 million (after tax) deficit, indicating the current midstream rates are appropriate. Terasen Gas Inc. (“Terasen Gas”) continues to support the position that midstream rates be reported on a quarterly basis and, under normal circumstances, midstream rates be adjusted on an annual basis with a January 1st effective date.

In summary, Terasen Gas proposes that no change be made to either the commodity or the midstream rates at this time, and anticipates Commission approval of the filing by June 9, 2006.

We trust that the Commission will find this filing in order. If there are any questions regarding this filing, please contact Brian Noel at 604-592-7467.

Yours very truly,

TERASEN GAS INC.

Original signed by: Tom Loski

For: Scott A. Thomson

Attachments

Scott A. Thomson
VP, Finance & Regulatory Affairs and
Chief Financial Officer

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TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
BCUC CCRA/MCRA GAS COST GUIDELINES
CCRA & MCRA ACTIVITY AND CURRENT FORECAST (After Monthly Volume Adjustments)
(\$ Millions)
May 26, 2006 Forward Curve

Line No.	Particulars	Recorded	2006									2007				Total Jul-Jun		
		Previous Qtr (1*) Jan-Mar	Rec Apr	Proj May	Proj Jun	Forec Jul	Forec Aug	Forec Sep	Forec Oct	Forec Nov	Forec Dec	Forec Jan	Forec Feb	Forec Mar	Forec Apr		Forec May	Forec Jun
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	CCRA Forecast (at proposed rates)																	
2																		
3	CCRA Balance, Beginning - Pre-Tax	\$ 1	\$ (37)	\$ (37)	\$ (45)	\$ (57)	\$ (69)	\$ (79)	\$ (88)	\$ (96)	\$ (79)	\$ (55)	\$ (37)	\$ (21)	\$ (4)	\$ (1)	\$ 1	\$ (57)
4																		
5	Gas Costs Incurred (Incl. Hedging, etc.)	225	62	60	55	58	59	58	61	74	84	87	79	86	70	71	70	857
6																		
7	Revenue From Commodity Cost Recovery Rates	(263)	(63)	(68)	(67)	(69)	(69)	(67)	(69)	(57)	(59)	(69)	(63)	(69)	(67)	(69)	(67)	(797)
8																		
9	CCRA Balance, Ending - Pre-Tax	<u>\$ (37)</u>	<u>\$ (37)</u>	<u>\$ (45)</u>	<u>\$ (57)</u>	<u>\$ (69)</u>	<u>\$ (79)</u>	<u>\$ (88)</u>	<u>\$ (96)</u>	<u>\$ (79)</u>	<u>\$ (55)</u>	<u>\$ (37)</u>	<u>\$ (21)</u>	<u>\$ (4)</u>	<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 3</u>
10																		
11	CCRA Balance, Ending - After Tax ^(2*)	<u>\$ (25)</u>	<u>\$ (25)</u>	<u>\$ (31)</u>	<u>\$ (39)</u>	<u>\$ (46)</u>	<u>\$ (53)</u>	<u>\$ (59)</u>	<u>\$ (65)</u>	<u>\$ (54)</u>	<u>\$ (37)</u>	<u>\$ (25)</u>	<u>\$ (14)</u>	<u>\$ (3)</u>	<u>\$ (1)</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 2</u>
12																		
13	MCRA Forecast (at proposed rates)																	
14																		
15	MCRA Balance, Beginning ^(1*)	\$ (40)	\$ (46)	\$ (49)	\$ (40)	\$ (23)	\$ (7)	\$ 10	\$ 24	\$ 30	\$ 17	\$ 1	\$ (6)	\$ (8)	\$ (13)	\$ (10)	\$ (4)	\$ (23)
16																		
17	Gas Costs Incurred (Incl. Hedging, etc.)	289	56	(12)	(10)	(10)	(11)	(5)	10	56	76	83	72	55	14	(9)	(17)	311
18																		
19	Revenue From Commodity Cost Recovery Rates	(295)	(58)	21	27	27	28	19	(4)	(68)	(92)	(90)	(74)	(60)	(11)	15	24	(284)
20																		
21	MCRA Balance, Ending - Pre-Tax	<u>\$ (46)</u>	<u>\$ (49)</u>	<u>\$ (40)</u>	<u>\$ (23)</u>	<u>\$ (7)</u>	<u>\$ 10</u>	<u>\$ 24</u>	<u>\$ 30</u>	<u>\$ 17</u>	<u>\$ 1</u>	<u>\$ (6)</u>	<u>\$ (8)</u>	<u>\$ (13)</u>	<u>\$ (10)</u>	<u>\$ (4)</u>	<u>\$ 4</u>	<u>\$ 4</u>
22																		
23	MCRA Balance, Ending - After Tax ^(2*)	<u>\$ (31)</u>	<u>\$ (33)</u>	<u>\$ (27)</u>	<u>\$ (15)</u>	<u>\$ (4)</u>	<u>\$ 7</u>	<u>\$ 16</u>	<u>\$ 20</u>	<u>\$ 12</u>	<u>\$ 1</u>	<u>\$ (4)</u>	<u>\$ (5)</u>	<u>\$ (8)</u>	<u>\$ (6)</u>	<u>\$ (2)</u>	<u>\$ 3</u>	<u>\$ 3</u>
24																		
25	Combined CCRA and MCRA Forecast (at proposed rates)																	
26																		
27	Combined Balance, Beginning ^(1*)	\$ (39)	\$ (83)	\$ (86)	\$ (85)	\$ (80)	\$ (75)	\$ (69)	\$ (64)	\$ (66)	\$ (62)	\$ (54)	\$ (43)	\$ (29)	\$ (17)	\$ (11)	\$ (3)	\$ (80)
28																		
29	Gas Costs Incurred (Incl. Hedging, etc.)	513	118	47	45	48	48	53	71	129	159	171	151	141	84	62	53	1,169
30																		
31	Revenue From Commodity Cost Recovery Rates	(558)	(121)	(46)	(40)	(43)	(41)	(48)	(73)	(125)	(151)	(159)	(136)	(129)	(78)	(54)	(43)	(1,081)
32																		
33	Combined Balance, Ending - Pre-Tax	<u>\$ (83)</u>	<u>\$ (86)</u>	<u>\$ (85)</u>	<u>\$ (80)</u>	<u>\$ (75)</u>	<u>\$ (69)</u>	<u>\$ (64)</u>	<u>\$ (66)</u>	<u>\$ (62)</u>	<u>\$ (54)</u>	<u>\$ (43)</u>	<u>\$ (29)</u>	<u>\$ (17)</u>	<u>\$ (11)</u>	<u>\$ (3)</u>	<u>\$ 7</u>	<u>\$ 7</u>
34																		
35	Combined Balance, Ending - After Tax ^(2*)	<u>\$ (56)</u>	<u>\$ (58)</u>	<u>\$ (57)</u>	<u>\$ (54)</u>	<u>\$ (50)</u>	<u>\$ (46)</u>	<u>\$ (43)</u>	<u>\$ (44)</u>	<u>\$ (42)</u>	<u>\$ (36)</u>	<u>\$ (29)</u>	<u>\$ (19)</u>	<u>\$ (11)</u>	<u>\$ (7)</u>	<u>\$ (2)</u>	<u>\$ 4</u>	<u>\$ 4</u>
36																		

Notes: Slight differences in totals due to rounding.
 (1*) Pre-tax opening balances have been restated based on current income tax rates, to reflect grossed-up after tax amounts.
 (2*) For rate setting purposes, the MCRA/CCRA after tax balances are independently grossed up to reflect pre-tax amounts.

TERASEN GAS INC. - LOWER MAINLAND, INLAND AND COLUMBIA SERVICE AREAS
BCUC CCRA/MCRA GAS COST GUIDELINES
CCRA & MCRA ACTIVITY AND CURRENT FORECAST (After Monthly Volume Adjustments
(\$ Millions)
May 26, 2006 Forward Curve

Line No.	Particulars	12 Month Forecast To Jun 30, 2007	2007 Forec Jul	Forec Aug	Forec Sep	Forec Oct	Forec Nov	2007 Forec Dec	2008 Forec Jan	Forec Feb	Forec Mar	Forec Apr	Forec May	2008 Forec Jun	12 Month Forecast To Jun 30, 2008	24 Month Forecast To Jun 30, 2008
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1	CCRA Forecast (at proposed rates)															
2																
3	CCRA Balance, Beginning - Pre-Tax	\$ (57)	\$ 3	\$ 7	\$ 11	\$ 15	\$ 21	\$ 33	\$ 53	\$ 77	\$ 99	\$ 122	\$ 121	\$ 118	\$ 3	\$ (57)
4																
5	Gas Costs Incurred (Incl. Hedging, etc.)	857	73	74	72	76	80	89	93	84	91	66	66	65	928	1,785
6																
7	Revenue From Commodity Cost Recovery Rates	(797)	(69)	(70)	(68)	(70)	(68)	(69)	(69)	(62)	(69)	(66)	(69)	(86)	(834)	(1,631)
8																
9	CCRA Balance, Ending - Pre-Tax	<u>\$ 3</u>	<u>\$ 7</u>	<u>\$ 11</u>	<u>\$ 15</u>	<u>\$ 21</u>	<u>\$ 33</u>	<u>\$ 53</u>	<u>\$ 77</u>	<u>\$ 99</u>	<u>\$ 122</u>	<u>\$ 121</u>	<u>\$ 118</u>	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ 97</u>
10																
11	CCRA Balance, Ending - After Tax ^(2*)	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 7</u>	<u>\$ 10</u>	<u>\$ 14</u>	<u>\$ 22</u>	<u>\$ 35</u>	<u>\$ 51</u>	<u>\$ 66</u>	<u>\$ 81</u>	<u>\$ 81</u>	<u>\$ 79</u>	<u>\$ 65</u>	<u>\$ 65</u>	<u>\$ 65</u>
12																
13	MCRA Forecast (at proposed rates)															
14																
15	MCRA Balance, Beginning ^(1*)	\$ (23)	\$ 4	\$ 10	\$ 17	\$ 23	\$ 26	\$ 27	\$ 31	\$ 34	\$ 40	\$ 39	\$ 42	\$ 49	\$ 4	\$ (23)
16																
17	Gas Costs Incurred (Incl. Hedging, etc.)	311	(22)	(26)	(17)	10	65	87	95	81	62	15	(8)	(16)	327	638
18																
19	Revenue From Commodity Cost Recovery Rates	(284)	29	33	23	(7)	(65)	(83)	(92)	(76)	(62)	(11)	15	24	(273)	(557)
20																
21	MCRA Balance, Ending - Pre-Tax	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 17</u>	<u>\$ 23</u>	<u>\$ 26</u>	<u>\$ 27</u>	<u>\$ 31</u>	<u>\$ 34</u>	<u>\$ 40</u>	<u>\$ 39</u>	<u>\$ 42</u>	<u>\$ 49</u>	<u>\$ 58</u>	<u>\$ 58</u>	<u>\$ 58</u>
22																
23	MCRA Balance, Ending - After Tax ^(2*)	<u>\$ 3</u>	<u>\$ 7</u>	<u>\$ 12</u>	<u>\$ 16</u>	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ 21</u>	<u>\$ 23</u>	<u>\$ 27</u>	<u>\$ 27</u>	<u>\$ 29</u>	<u>\$ 33</u>	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ 39</u>
24																
25	Combined CCRA and MCRA Forecast (at proposed rates)															
26																
27	Combined Balance, Beginning ^(1*)	\$ (80)	\$ 7	\$ 17	\$ 28	\$ 38	\$ 47	\$ 60	\$ 84	\$ 111	\$ 138	\$ 161	\$ 164	\$ 168	\$ 7	\$ (80)
28																
29	Gas Costs Incurred (Incl. Hedging, etc.)	1,169	51	48	55	86	145	176	189	166	153	80	58	49	1,255	2,423
30																
31	Revenue From Commodity Cost Recovery Rates	(1,081)	(40)	(37)	(45)	(77)	(132)	(152)	(162)	(138)	(131)	(78)	(54)	(61)	(1,107)	(2,188)
32																
33	Combined Balance, Ending - Pre-Tax	<u>\$ 7</u>	<u>\$ 17</u>	<u>\$ 28</u>	<u>\$ 38</u>	<u>\$ 47</u>	<u>\$ 60</u>	<u>\$ 84</u>	<u>\$ 111</u>	<u>\$ 138</u>	<u>\$ 161</u>	<u>\$ 164</u>	<u>\$ 168</u>	<u>\$ 155</u>	<u>\$ 155</u>	<u>\$ 155</u>
34																
35	Combined Balance, Ending - After Tax ^(2*)	<u>\$ 4</u>	<u>\$ 11</u>	<u>\$ 19</u>	<u>\$ 26</u>	<u>\$ 32</u>	<u>\$ 40</u>	<u>\$ 56</u>	<u>\$ 74</u>	<u>\$ 93</u>	<u>\$ 108</u>	<u>\$ 110</u>	<u>\$ 112</u>	<u>\$ 104</u>	<u>\$ 104</u>	<u>\$ 104</u>

Notes: Slight differences in totals due to rounding.
 (1*) Pre-tax opening balances have been restated based on current income tax rates, to reflect grossed-up after tax amounts.
 (2*) For rate setting purposes, the MCRA/CCRA after tax balances are independently grossed up to reflect pre-tax amounts.

TERASEN GAS INC. - LM, INLAND AND COLUMBIA SERVICE AREAS
 SUMAS INDEX FORECAST FOR THE 26 MONTHS ENDING JUNE 30, 2008
 AND US DOLLAR EXCHANGE RATE FORECAST UPDATE

Line No.	Particulars	Apr 1, 2006	July 1, 2006	July 1, 2006
		Trigger Test March 7, 2006	Trigger Test May 26, 2006	Trigger Test Less Existing Rates
		Forward	Forward	Forecast
		Prices	Prices	Difference
	(1)	(2)	(3)	(4)
1	Sumas Index Prices - \$US/MMBTU			
		Jan 2006-Mar 2007	Jan 2006-Jun 2008	
2	January 2006	\$ 9.66	\$ 9.66	\$ -
3	February	\$ 7.12	\$ 7.12	-
4	March	\$ 6.39	\$ 6.39	-
5	April	\$ 5.63	\$ 5.81	Rec. 0.18
6	May	\$ 5.59	\$ 5.89	Proj. 0.30
7	June	\$ 5.68	\$ 4.88	Forec. (0.80)
8	July	\$ 5.85	\$ 5.10	(0.75)
9	August	\$ 6.00	\$ 5.30	(0.70)
10	September	\$ 6.12	\$ 5.42	(0.70)
11	October	\$ 6.18	\$ 5.76	(0.42)
12	November	\$ 7.54	\$ 7.29	(0.25)
13	December	\$ 8.55	\$ 8.58	0.03
14	Simple Average (Jan, 2006 - Dec, 2006)	\$ 6.69	\$ 6.43	-3.9% \$ (0.26)
15	Simple Average (Apr, 2006 - Mar, 2007)	\$ 7.06	\$ 6.80	-3.7% \$ (0.26)
16	Simple Average (Jul, 2006 - Jun, 2007)		\$ 7.21	2.1% \$ 0.15
17	Simple Average (Oct, 2006 - Sep, 2007)		\$ 7.75	9.8% \$ 0.69
18	January 2007	\$ 9.24	\$ 9.23	\$ (0.01)
19	February	\$ 9.25	\$ 9.26	0.01
20	March	\$ 9.05	\$ 9.09	0.04
21	April		\$ 7.23	1.60
22	May		\$ 7.07	1.48
23	June		\$ 7.18	1.51
24	July		\$ 7.31	1.46
25	August		\$ 7.42	1.42
26	September		\$ 7.53	1.41
27	October		\$ 7.72	1.54
28	November		\$ 8.76	1.22
29	December		\$ 9.51	0.96
30	Simple Average (Jan, 2007 - Dec, 2007)		\$ 8.11	14.9% \$ 1.05
31	Simple Average (Apr, 2007 - Mar, 2008)		\$ 8.30	17.6% \$ 1.24
32	Simple Average (Jul, 2007 - Jun, 2008)		\$ 8.25	16.9% \$ 1.19
33	Simple Average (Oct, 2007 - Sep, 2008)			
34	January 2008		\$ 10.03	\$ 0.79
35	February		\$ 10.05	0.80
36	March		\$ 9.81	0.76
37	April		\$ 7.05	1.42
38	May		\$ 6.84	1.25
39	June		\$ 6.95	1.28
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TERASEN GAS INC. - LM, INLAND AND COLUMBIA SERVICE AREAS
 AECO INDEX PROJECTIONS
 FOR THE 26 MONTHS ENDING JUNE 30, 2008

Line No.	Particulars	Apr 1, 2006 Trigger Test March 7, 2006 Forward	July 1, 2006 Trigger Test May 26, 2006 Forward	July 1, 2006 Trigger Test Less Existing Rates Forecast Difference
		(1) Prices Jan 2006-Mar 2007	(2) Prices Jan 2006-Jun 2008	(4)
1	AECO - \$CA/GJ			
2	January 2006	\$ 11.48	\$ 11.48	\$ -
3	February	\$ 8.02	\$ 8.02	-
4	March	\$ 6.87	\$ 6.87	-
5	April	\$ 6.05	\$ 6.31	Rec. 0.26
6	May	\$ 6.18	\$ 6.23	Proj. 0.05
7	June	\$ 6.24	\$ 5.25	Forec. (0.99)
8	July	\$ 6.35	\$ 5.35	(1.00)
9	August	\$ 6.47	\$ 5.54	(0.93)
10	September	\$ 6.57	\$ 5.67	(0.90)
11	October	\$ 6.67	\$ 5.98	(0.69)
12	November	\$ 7.73	\$ 7.19	(0.54)
13	December	\$ 8.82	\$ 8.52	(0.30)
14	Simple Average (Jan, 2006 - Dec, 2006)	\$ 7.29	\$ 6.87	-5.8% \$ (0.42)
15	Simple Average (Apr, 2006 - Mar, 2007)	\$ 7.46	\$ 6.96	-6.7% \$ (0.50)
16	Simple Average (Jul, 2006 - Jun, 2007)		\$ 7.34	-1.6% \$ (0.12)
17	Simple Average (Oct, 2006 - Sep, 2007)		\$ 7.88	5.6% \$ 0.42
18	January 2007	\$ 9.57	\$ 9.19	\$ (0.38)
19	February	\$ 9.53	\$ 9.23	(0.30)
20	March	\$ 9.32	\$ 9.05	(0.27)
21	April		\$ 7.52	1.47
22	May		\$ 7.35	1.17
23	June		\$ 7.43	1.19
24	July		\$ 7.56	1.21
25	August		\$ 7.68	1.21
26	September		\$ 7.80	1.23
27	October		\$ 7.99	1.32
28	November		\$ 8.65	0.92
29	December		\$ 9.43	0.61
30	Simple Average (Jan, 2007 - Dec, 2007)		\$ 8.24	10.5% \$ 0.78
31	Simple Average (Apr, 2007 - Mar, 2008)		\$ 8.43	13.0% \$ 0.97
32	Simple Average (Jul, 2007 - Jun, 2008)		\$ 8.36	12.1% \$ 0.90
33	Simple Average (Oct, 2007 - Sep, 2008)			
34	January 2008		\$ 9.97	\$ 0.40
35	February		\$ 10.00	0.47
36	March		\$ 9.74	0.42
37	April		\$ 7.28	1.23
38	May		\$ 7.06	0.88
39	June		\$ 7.13	0.89

TERASEN GAS INC. - LM, INLAND AND COLUMBIA SERVICE AREAS
 STATION NO. 2 INDEX PROJECTIONS
 FOR THE 26 MONTHS ENDING JUNE 30, 2008

Line No.	Particulars	Apr 1, 2006 Trigger Test March 7, 2006 Forward		July 1, 2006 Trigger Test May 26, 2006 Forward		July 1, 2006 Trigger Test Less Existing Rates Forecast Difference	
		Prices		Prices			
	(1)	(2)		(3)		(4)	
1	Station No. 2 - \$CA/GJ	Jan 2006-Mar 2007		Jan 2006-Jun 2008			
2	January 2006	\$	9.53	\$	9.53	\$	-
3	February	\$	7.06	\$	7.06		-
4	March	\$	6.21	\$	6.21		-
5	April	\$	5.58	\$	5.94	Rec.	0.36
6	May	\$	5.71	\$	5.87	Proj.	0.16
7	June	\$	5.77	\$	4.80	Forec.	(0.97)
8	July	\$	5.88	\$	4.91		(0.97)
9	August	\$	6.00	\$	5.09		(0.91)
10	September	\$	6.10	\$	5.22		(0.88)
11	October	\$	6.20	\$	5.54		(0.66)
12	November	\$	7.38	\$	6.96		(0.42)
13	December	\$	8.47	\$	8.30		(0.17)
14	Simple Average (Jan, 2006 - Dec, 2006)	\$	6.66	\$	6.29	-5.6%	\$ (0.37)
15	Simple Average (Apr, 2006 - Mar, 2007)	\$	7.04	\$	6.62	-6.0%	\$ (0.42)
16	Simple Average (Jul, 2006 - Jun, 2007)			\$	7.01	-0.4%	\$ (0.03)
17	Simple Average (Oct, 2006 - Sep, 2007)			\$	7.58	7.7%	\$ 0.54
18	January 2007	\$	9.22	\$	8.98	\$	(0.24)
19	February	\$	9.18	\$	9.01		(0.17)
20	March	\$	8.97	\$	8.84		(0.13)
21	April			\$	7.19		1.61
22	May			\$	6.98		1.27
23	June			\$	7.10		1.33
24	July			\$	7.23		1.35
25	August			\$	7.35		1.35
26	September			\$	7.47		1.37
27	October			\$	7.66		1.46
28	November			\$	8.41		1.03
29	December			\$	9.19		0.72
30	Simple Average (Jan, 2007 - Dec, 2007)			\$	7.95	12.9%	\$ 0.91
31	Simple Average (Apr, 2007 - Mar, 2008)			\$	8.13	15.5%	\$ 1.09
32	Simple Average (Jul, 2007 - Jun, 2008)			\$	8.07	14.6%	\$ 1.03
33	Simple Average (Oct, 2007 - Sep, 2008)						
34	January 2008			\$	9.73	\$	0.51
35	February			\$	9.76		0.58
36	March			\$	9.50		0.53
37	April			\$	6.98		1.40
38	May			\$	6.71		1.00
39	June			\$	6.83		1.06

06-06-06
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TERASEN GAS INC.
COMBINED CCRA AND MCRA RECOVERY - TO - COST RATIOS
FORECAST FOR THE 12 MONTHS ENDING JUNE 30, 2007
May 26, 2006 Forward Curve
Recorded Balances to April 30, 2006

Line No.	Particulars (1)	Balances (2)
		\$(millions)
1	<u>CCRA Rate Change Trigger Mechanism</u>	
2	Forecast Recovered Gas Costs per BCUC Guidelines (Jul 2006 - Jun 2007) (Tab 1, Page 1, Col. 18, Line 7)	\$ 797
3		-
4	Total Recovered Gas Costs (Jul 2006 - Jun 2007)	<u>\$ 797</u>
5		
6	Forecast 12-month Gas Supply Cost (Jul 2006 - Jun 2007) (Tab 1, Page 1, Col.18, Line 5)	\$ 857
7		
8	Projected CCRA Grossed-up After Tax Balance (at June 30, 2006) (Tab 1, Page 1, Col. 5, Line 9)	<u>(57)</u>
9	Total Gas Cost - Trigger Mechanism Denominator	<u>\$ 800</u>
10		
11	CCRA Trigger Mechanism Ratio	\$ 797 / \$ 800 = <u>99.6%</u>
12		
13		
14		
15		
16	<u>MCRA Ratio</u>	\$(millions)
17	Forecast Recovered Gas Costs per BCUC Guidelines (Jul 2006 - Jun 2007) (Tab 1, Page 1, Col. 18, Line 19)	\$ 284
18		-
19	Total Recovered Gas Costs (Jul 2006 - Jun 2007)	<u>\$ 284</u>
20		
21	Forecast 12-month Gas Supply Cost (Jul 2006 - Jun 2007) (Tab 1, Page 1, Col. 18, Line 17)	\$ 311
22		
23	MCRA Grossed-up After Tax Balance excluding interest (at June 30, 2006) (Tab 1, Page 1, Col. 5, Line 21)	<u>(23)</u>
24	Total Gas Cost - Denominator	<u>\$ 288</u>
25		
26	MCRA Ratio	\$ 284 / \$ 288 = <u>98.8%</u>
27		
28		
29		
30		
31	<u>COMBINED CCRA and MCRA RATIOS</u>	\$(millions)
32	Forecast Recovered Gas Costs per BCUC Guidelines (Jul 2006 - Jun 2007) (Tab 1, Page 1, Col. 18, Line 31)	\$ 1,081
33		-
34	Total Recovered Gas Costs (Jul 2006 - Jun 2007)	<u>\$ 1,081</u>
35		
36	Forecast 12-month Gas Supply Cost (Jul 2006 - Jun 2007) (Tab 1, Page 1, Col. 18, Line 29)	\$ 1,169
37		
38	Combined CCRA and MCRA Grossed-up After Tax Balance (at June 30, 2006) (Tab 1, Page 1, Col. 5, Line 33)	<u>(80)</u>
39	Total Gas Cost - Denominator	<u>\$ 1,088</u>
40		
41	Combined CCRA and MCRA Ratio	\$ 1,081 / \$ 1,088 = <u>99.4%</u>
42		
43		
44		
45		
46		
47	Note: Slight differences in totals due to rounding.	

GAS BUDGET COST SUMMARY

July 1, 2006 to June 30, 2007

ITEM	TJ's Delivered	\$,000	\$/GJ	COMMENTS
TOTAL	116,047.9	\$1,043,037	\$8.988	Total Net Costs for Firm Customers after offsets
A) TERM PURCHASE				
				Priced Based on 100% Monthly Forward
TOTAL	50,641.5	\$376,366	\$7.432	Invoice incl. Fuel to LML/EKE
Sumas	13,940.7	\$104,862	\$7.522	Includes Kingsgate/Stanfield/SIPI
Station #2	29,400.8	\$218,005	\$7.415	50% priced at AEEO + basis
AEEO	7,300.0	\$53,499	\$7.329	
B) SEASONAL	TOTAL	83,161.4	\$636,204	\$7.650
Sumas	3,782.3	\$35,229	\$9.314	Includes Kingsgate/Stanfield/SIPI
Station #2	63,030.4	\$481,660	\$7.642	
AEEO	16,348.7	\$119,315	\$7.298	
C) PEAKING/SPOT	TOTAL	2,733.2	\$20,594	\$7.535
Sumas	204.2	\$2,164	\$10.596	Daily priced-assumed at 1.5 * month price
Station #2	2,373.0	\$17,184	\$7.242	
AEEO	156.0	\$1,246	\$7.987	
D) HEDGING (GAIN)/LOSS				
TOTAL		\$70,702	N/A	
Sumas		N/A		
AEEO		N/A		Includes coverage of Stn#2 AEEO Deals
Basis (Sumas-NYMEX)		N/A		
E) TRANSPORTATION				
				Terasen Gas-held only - Includes variable cost & fuel
TOTAL		\$87,493		
WEI	161,695.0	\$69,814	\$0.432	90% T-South
NOVA/ANG	47,815.0	\$11,642	\$0.243	
NWP	7,550.0	\$6,038	\$0.800	
F) STORAGE GAS COMMODITY				
				Net Cost (Includes variable cost & fuel)
TOTAL	(25,903.1)	\$59,979.1	N/A	
(I) Injection credit of term costs				
B.C. (Aitken)	(14,931.2)	(\$99,024)	\$6.632	Credit of variable cost of term gas to withdrawal period
Alberta (Carbon)	(2,899.5)	(\$19,487)	\$6.721	
Downstream (JP/Mist)	(8,072.4)	(\$58,077)	\$7.194	
TOTAL	(25,903.1)	(\$176,587.9)	\$6.817	
(II) Withdrawal Cost				
B.C. (Aitken)	19,817.5	\$120,640	\$6.088	Includes LNG
Alberta (Carbon)	2,986.5	\$17,176	\$5.751	
Downstream (JP/Mist)	9,500.2	\$65,811	\$6.927	
TOTAL	32,304.2	\$203,626.7	\$6.303	
(III) Storage Demand Charges (fixed only)				
B.C. (Aitken)		\$20,584		Includes LNG
Alberta (Carbon)		\$1,318		
Downstream (JP/Mist/SoCal)		\$11,039		
TOTAL		\$32,940.3		
G) MITIGATION ACTIVITIES				
TOTAL		(\$211,391)		
Resale Commodity	(24,965.4)	(\$198,500)	\$7.951	Both on/off-system sales of surplus term & storage gas
Mitigation of Assets		(\$12,892)		(Note #1) Includes transportation & Storage
H) OTHER COSTS				
TOTAL	(1,923.9)	\$3,089		
Terasen Gas Fuel	284.9			
Terasen Gas Admin		\$2,089		
GSMIP		\$1,000		
Fuel in Kind	(1,923.9)			

May 26th Forward Prices

Note #1: This is net mitigation recovered	
Total sales are:	\$x
Gross costs are:	-\$y
= Net Mitigation	

Reco
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TERASEN GAS INC.
RECONCILIATION OF GAS COSTS INCURRED
FOR THE TWELVE MONTHS ENDING JUNE 30, 2007
(Forecast based on May 26, 2006 Forward Prices)
\$(Millions)

Tab 1
Page 7

Line No.	Particulars	CCRA/MCRA Deferral Acct Forecast	Gas Budget Cost Summary
	(1)	(2)	(3)
1	Gas Cost Incurred - CCRA/MCRA		
2	12 Months Forecast to June 30, 2007		
3	(Tab 1, Page 1, Column 18, Line 29)	\$ 1,169	
4			
5	Gas Budget Cost Summary		
6	Total Net Costs for Firm Customers		\$ 1,043
7			
8	Add Back Off-System Sales		
9	Cost		139
10	Margin		46
11			
12	Add Back On-System Sales		
13	Cost (Rate 14)		11
14	Margin (Rate 14)		2
15			
16			
17	Deduct Marketer Supplied Commodity		(72)
18			
19	Rounding		(1)
20			
21	Reconciled Total Gas Costs Incurred		
22	CCRA/ MCRA 12 Month Forecast	<u>\$ 1,169</u>	<u>\$ 1,169</u>
23			
24	Note:		
25	Slight differences in totals due to rounding.		

Terasen Gas Inc.
 Lower Mainland, Inland and Columbia CCRA and MCRA Month-end Balances (After-Tax)
 Recorded to April 30, 2006 and Estimate to June 30, 2007
 At The April 1, 2006 Existing Rates

