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Regulatory Affairs Correspondence
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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
2006 Third Quarter Report**

The attached material provides the GCRA report covering the October 1, 2006 to September 30, 2007 period as specified in the British Columbia Utilities Commission (the “Commission”) GCRA Guidelines (Commission Letter No. L-5-01) with regards to Fort Nelson.

Based on the forward prices as at August 21, 2006, and the forecast gas cost recoveries at existing rates, the projected September 30, 2006 GCRA balance is a surplus (after tax) of approximately \$401,000 (Page 4, Col. 2, Line 10) and the forecast balance at September 30, 2007 is a deficit (after tax) of approximately \$119,400 (Page 4, Col. 2, Line 22). The rate change trigger mechanism ratio is determined to be 95.9% (Page 1, Col. 4, Line 8), which falls within the deadband range of 95% to 105%, indicating that no rate change is required at this time.

The summary of the forward prices is shown on Page 3, and the summary and the graph of the GCRA balances are shown on Pages 4 and 4.1, respectively.

Fort Nelson proposes no rate change be made at this time, and anticipates Commission approval of this filing by September 8, 2006.

We trust that the Commission will find this filing to be 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

**TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RATE CHANGE TRIGGER MECHANISM
 FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2007**

Line No.	Particulars (1)	TJ (2)	Cost (3)	Percentage (4)
1	<u>RATE CHANGE TRIGGER MECHANISM (Per BCUC Guidelines)</u>			
2				
3	<u>October 1, 2006 to September 30, 2007</u>			
4				
5	Recovered Gas Costs - \$(000) (Page 2.1, Line 12, Col 26)		\$ 4,192.3	
6				
7	Ratio = Total Recovered / Total Incurred			
8	(Increase<100%<Decrease)			<u>95.9%</u>
9				
10	Incurred Gas Costs - \$(000) (Page 2.1, Line 24, Col 26)		\$ 4,969.1	
11	GCRA Accumulation to September 30, 2006 (Page 4, Line 10, Col 2 grossed up)		(598.5)	
12	Total Incurred - \$(000)		<u>\$ 4,370.6</u>	
13				
14	Balancing Requirement			
15				
16	Increase (Decrease) as Calculated - \$(000) (Line 12 - Line 5)		\$ 178.3	
17				
18	Forecast Annual Sales Volumes (TJ) - October 2006 to September 2007	610.4		
19				
20	Calculated Recovered Gas Unit Cost Change - \$/GJ (Line16 / Line18)		\$ 0.292	

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD OCT 1, 2006 TO SEPT 30, 2008

* EXISTING RATE - JULY 1, 2006 *

Line No.	Particulars	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	RECOVERED COSTS BASED ON JULY 1, 2006 EFFECTIVE RATE												
2													
3	Recovered Gas Costs												
4	Total Sales - TJ	37.1	76.1	99.4	115.9	85.2	72.9	46.2	22.9	13.2	11.5	12.8	17.9
5	T-Service UAF - TJ	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-	-	-	-	-
6													
7	Recovery Unit Cost on Sales - \$/GJ	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680
8	Recov. U. Cost on T-Service UAF - \$/GJ	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680
9													
10	Recovery on Sales - \$000	\$ 254.8	\$ 522.7	\$ 682.7	\$ 796.0	\$ 585.2	\$ 500.7	\$ 317.3	\$ 157.3	\$ 90.7	\$ 79.0	\$ 87.9	\$ 122.9
11	Recovery on T-Service UAF - \$000	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	-	-	-	-	-
12	Total Recovered Gas Costs - \$000	\$ 254.1	\$ 522.0	\$ 682.0	\$ 795.3	\$ 584.5	\$ 500.0	\$ 316.6	\$ 157.3	\$ 90.7	\$ 79.0	\$ 87.9	\$ 122.9
13													
14													
15													
16	INCURRED COSTS BASED ON AUGUST 21, 2006 FORWARD CURVE FOR STATION #2												
17													
18	Incurred Gas Costs - \$(000)												
19	Total Purchases for Sales - TJ	37.0	75.9	99.1	115.5	85.0	72.7	46.0	22.8	13.0	11.4	12.9	17.7
20	- adjusted for Company Use and UAF												
21													
22	Blended Cost - \$/GJ	\$ 6.4915	\$ 7.7126	\$ 8.3841	\$ 8.7007	\$ 8.6928	\$ 8.6001	\$ 7.6709	\$ 7.5617	\$ 7.6146	\$ 7.5476	\$ 7.5821	\$ 7.6548
23													
24	Incurred Gas Costs - \$(000)	\$ 240.2	\$ 585.4	\$ 830.9	\$ 1,004.9	\$ 738.9	\$ 625.2	\$ 352.9	\$ 172.4	\$ 99.0	\$ 86.0	\$ 97.8	\$ 135.5
25													
26													
27													
28	GCRA BALANCE												
29													
30	GCRA BALANCE - \$(000)												
31	Opening Balance Before Tax	\$ (582.4)	\$ (596.3)	\$ (532.9)	\$ (384.0)	\$ (174.4)	\$ (20.0)	\$ 105.2	\$ 141.5	\$ 156.6	\$ 164.9	\$ 171.9	\$ 181.8
32	Activity	(13.9)	63.4	148.9	209.6	154.4	125.2	36.3	15.1	8.3	7.0	9.9	12.6
33	Closing Balance Before Tax	\$ (596.3)	\$ (532.9)	\$ (384.0)	\$ (174.4)	\$ (20.0)	\$ 105.2	\$ 141.5	\$ 156.6	\$ 164.9	\$ 171.9	\$ 181.8	\$ 194.4
34													
35	Tax Rate	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%
36	Tax on Activity	(4.6)	20.9	49.1	69.2	51.0	41.3	12.0	5.0	2.7	2.3	3.3	4.2
37													
38	Opening Balance After Tax	\$ (401.0)	\$ (410.3)	\$ (367.8)	\$ (268.0)	\$ (127.6)	\$ (24.2)	\$ 59.7	\$ 84.0	\$ 94.1	\$ 99.7	\$ 104.4	\$ 111.0
39	Activity	(9.3)	42.5	99.8	140.4	103.4	83.9	24.3	10.1	5.6	4.7	6.6	8.4
40	Closing Balance After Tax - \$(000)	\$ (410.3)	\$ (367.8)	\$ (268.0)	\$ (127.6)	\$ (24.2)	\$ 59.7	\$ 84.0	\$ 94.1	\$ 99.7	\$ 104.4	\$ 111.0	\$ 119.4
41	(Page 4, Column 2)												

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD OCT 1, 2006 TO SEPT 30, 2008

* EXISTING RATE - JULY 1, 2006 *

Line No.	Particulars	Oct-07 (14)	Nov-07 (15)	Dec-07 (16)	Jan-08 (17)	Feb-08 (18)	Mar-08 (19)	Apr-08 (20)	May-08 (21)	Jun-08 (22)	Jul-08 (23)	Aug-08 (24)	Sep-08 (25)	12 months	24 months
														Forecast	Forecast
	(1)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	Total (26)	Total (27)
1	RECOVERED COSTS BASED ON JULY 1, 2006 EFFECTIVE RATE														
2															
3	Recovered Gas Costs														
4	Total Sales - TJ	44.8	78.6	98.2	117.8	86.6	74.1	47.0	23.2	13.4	11.6	13.0	18.2	611.1	1,237.6
5	T-Service UAF - TJ	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-	-	-	-	-	(0.7)	(1.3)
6															
7	Recovery Unit Cost on Sales - \$/GJ	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680		
8	Recov. U. Cost on T-Service UAF - \$/GJ	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680	\$ 6.8680		
9															
10	Recovery on Sales - \$000	\$ 307.7	\$ 539.8	\$ 674.4	\$ 809.1	\$ 594.8	\$ 508.9	\$ 322.8	\$ 159.3	\$ 92.0	\$ 79.7	\$ 89.3	\$ 125.0	\$ 4,197.2	\$ 8,500.0
11	Recovery on T-Service UAF - \$000	-	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	-	-	-	-	-	(4.9)	(9.1)
12	Total Recovered Gas Costs - \$000	\$ 307.7	\$ 539.1	\$ 673.7	\$ 808.4	\$ 594.1	\$ 508.2	\$ 322.1	\$ 159.3	\$ 92.0	\$ 79.7	\$ 89.3	\$ 125.0	\$ 4,192.3	\$ 8,490.9
13															
14															
15															
16	INCURRED COSTS BASED ON AUGUST 21, 2006 FORWARD CURVE FOR STATION #2														
17															
18	Incurred Gas Costs - \$(000)														
19	Total Purchases for Sales - TJ	44.6	78.3	97.9	117.5	86.4	73.8	46.8	23.2	13.3	11.5	12.9	18.1	609.0	1,233.3
20	- adjusted for Company Use and UAF														
21															
22	Blended Cost - \$/GJ	\$ 7.7656	\$ 8.5281	\$ 9.0646	\$ 9.4123	\$ 9.4153	\$ 9.2535	\$ 6.8977	\$ 6.6665	\$ 6.7403	\$ 6.8239	\$ 6.8423	\$ 6.9398	\$ 8.1594	\$ 8.3779
23															
24	Incurred Gas Costs - \$(000)	\$ 346.3	\$ 667.8	\$ 887.4	\$ 1,106.0	\$ 813.5	\$ 682.9	\$ 322.8	\$ 154.7	\$ 89.6	\$ 78.5	\$ 88.3	\$ 125.6	\$ 4,969.1	\$ 10,332.5
25															
26															
27															
28	GCRA BALANCE														
29															
30	GCRA BALANCE - \$(000)														
31	Opening Balance Before Tax	\$ 194.4	\$ 233.0	\$ 361.7	\$ 575.4	\$ 873.0	\$ 1,092.4	\$ 1,267.1	\$ 1,267.8	\$ 1,263.2	\$ 1,260.8	\$ 1,259.6	\$ 1,258.6		
32	Activity	38.6	128.7	213.7	297.6	219.4	174.7	0.7	(4.6)	(2.4)	(1.2)	(1.0)	0.6	As at Sept07	As at Sept08
33	Closing Balance Before Tax	\$ 233.0	\$ 361.7	\$ 575.4	\$ 873.0	\$ 1,092.4	\$ 1,267.1	\$ 1,267.8	\$ 1,263.2	\$ 1,260.8	\$ 1,259.6	\$ 1,258.6	\$ 1,259.2	\$ 194.4	\$ 1,259.2
34															
35	Tax Rate	33.00%	33.00%	33.00%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%		
36	Tax on Activity	12.7	42.5	70.5	96.7	71.3	56.8	0.2	(1.5)	(0.8)	(0.4)	(0.3)	0.2		
37															
38	Opening Balance After Tax	\$ 119.4	\$ 145.3	\$ 231.5	\$ 374.7	\$ 575.6	\$ 723.7	\$ 841.6	\$ 842.1	\$ 839.0	\$ 837.4	\$ 836.6	\$ 835.9		
39	Activity	25.9	86.2	143.2	200.9	148.1	117.9	0.5	(3.1)	(1.6)	(0.8)	(0.7)	0.4	As at Sept07	As at Sept08
40	Closing Balance After Tax - \$(000)	\$ 145.3	\$ 231.5	\$ 374.7	\$ 575.6	\$ 723.7	\$ 841.6	\$ 842.1	\$ 839.0	\$ 837.4	\$ 836.6	\$ 835.9	\$ 836.3	\$ 119.4	\$ 836.3
41	(Page 4, Column 2)														

FORT NELSON SERVICE AREA
**FORT NELSON INDEX PRICES COMPARISON OF FORWARD CURVES
 FOR THE MONTHS JANUARY 1, 2006 TO SEPTEMBER 30, 2008**

		Fort Nelson Forward Prices - \$/GJ				
Line No.	Particulars	Oct. 1, 2006		Jul. 1, 2006		Difference
		Gas Cost Report		Gas Cost Report		
		(August 21, 2006 Forward Prices)		(May 26, 2006 Forward Prices)		(2)-(3)
	(1)	(2)		(3)		(4)
1	2006	<u>2006</u>		<u>2006</u>		
2	January	\$	7.38	\$	6.95	\$ 0.43
3	February	\$	6.90	\$	7.06	\$ (0.16)
4	March	\$	6.69	\$	6.71	\$ (0.03)
5	April	\$	6.48	\$	6.39	\$ 0.10
6	May	\$	6.13	\$	6.45	\$ (0.32)
7	June	\$	6.21	\$	5.86	\$ 0.35
8	July	(a) \$	-	\$	5.92	\$ (5.92)
9	August	\$	6.63	\$	6.01	\$ 0.62
10	September	\$	6.28	\$	6.07	\$ 0.21
11	October	\$	6.49	\$	6.24	\$ 0.25
12	November	\$	7.71	\$	7.72	\$ (0.01)
13	December	\$	8.38	\$	8.29	\$ 0.09
14	Average - 2006	\$	6.27	\$	6.64	\$ (0.37)
15						
16	2007	<u>2007</u>		<u>2007</u>		
17	January	\$	8.70	\$	8.57	\$ 0.13
18	February	\$	8.69	\$	8.59	\$ 0.11
19	March	\$	8.60	\$	8.51	\$ 0.09
20	April	\$	7.67	\$	7.59	\$ 0.08
21	May	\$	7.56	\$	7.45	\$ 0.11
22	June	\$	7.61	\$	7.53	\$ 0.08
23	July	\$	7.55	\$	7.48	\$ 0.07
24	August	\$	7.58	\$	7.57	\$ 0.02
25	September	\$	7.65	\$	7.65	\$ 0.00
26	October	\$	7.77	\$	7.79	\$ (0.02)
27	November	\$	8.53	\$	8.58	\$ (0.06)
28	December	\$	9.06	\$	9.03	\$ 0.04
29	Average - 2007	\$	8.08	\$	8.03	\$ 0.05
30						
31	2008	<u>2008</u>		<u>2008</u>		
32	January	\$	9.41	\$	9.34	\$ 0.07
33	February	\$	9.42	\$	9.35	\$ 0.06
34	March	\$	9.25	\$	9.21	\$ 0.05
35	April	\$	6.90	\$	6.95	\$ (0.06)
36	May	\$	6.67	\$	6.70	\$ (0.03)
37	June	\$	6.74	\$	6.81	\$ (0.07)
38	July	\$	6.82	\$		\$ 6.82
39	August	\$	6.84	\$		\$ 6.84
40	September	\$	6.94	\$		\$ 6.94
44	Average - 2008	\$	7.67	\$	8.06	\$ (0.39)
45						
50						
51						
52	Comparison of Reporting Period	<u>Oct/06-Sept/07</u>		<u>Jul/06-Jun/07</u>		
53	Average	\$	7.85	\$	7.38	\$ 0.47
54	Comparison of Reporting Period	<u>Oct/06-Sept/08</u>		<u>Jul/06-Jun/08</u>		
55	Average	\$	7.86	\$	7.71	\$ 0.15

Note (a): Zero gas purchase volume in July , sales from inventory/storage.

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 GCRA BALANCES AFTER TAX
 FOR THE MONTHS DECEMBER 1, 2005 TO SEPTEMBER 30, 2008
 \$000

Line No.	Particulars	Oct 1, 2006 Report July 1, 2006 Rates (Aug 21, 2006 Forward Prices)	Jul 1, 2006 Report July 1, 2006 Rates (May 26, 2006 Forward Prices)
	(1)	(2)	(3)
1	Dec 2005 - Recorded	\$ (6.3)	\$ (6.3)
2	Jan 2006 - Recorded	(116.4)	(116.4)
3	Feb - Recorded	(267.4)	(267.4)
4	Mar - Recorded	(336.1)	(336.1)
5	Apr - Recorded	(376.7)	(376.7)
6	May - Recorded	(414.7)	(399.9)
7	Jun - Recorded	(400.4)	(416.6)
8	Jul - Recorded	(390.4)	(425.0)
9	Aug - Projected	(392.7)	(432.2)
10	Sep	(401.0)	(443.1)
11	Oct	(410.3)	(458.7)
12	Nov	(367.8)	(415.8)
13	Dec 2006	(268.0)	(322.3)
14	Jan 2007	(127.6)	(203.0)
15	Feb	(24.2)	(112.1)
16	Mar	59.7	(39.5)
17	Apr	84.0	(18.1)
18	May	94.1	(6.6)
19	Jun	99.7	(0.2)
20	Jul	104.4	4.2
21	Aug	111.0	9.3
22	Sep	119.4	18.7
23	Oct	145.3	41.1
24	Nov	231.5	127.8
25	Dec 2007	374.7	270.2
26	Jan 2008	575.6	444.2
27	Feb	723.7	576.9
28	Mar	841.6	680.9
29	Apr	842.1	683.1
30	May	839.0	679.2
31	Jun	837.4	677.8
32	Jul	836.6	
33	Aug	835.9	
34	Sep	836.3	

Terasen Gas Inc.
 Fort Nelson GCRA Month-end Balances (After-Tax)
 For the months December 31, 2005 to September 30, 2007

