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September 1, 2006

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

The attached materials provide the Terasen Gas Inc. (“Terasen Gas”) 2006 Third 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 August 21, 2006, gas purchase cost assumptions, forecast commodity cost recoveries at present rates, and the projected September 30, 2006 CCRA surplus balance is 99.8% (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 MCRA balance at September 30, 2006 is projected to be approximately \$13 million deficit (before tax). Based on the gas purchase cost assumptions, the August 21, 2006 forward prices, and the forecast midstream cost recoveries at present rates, the December 31, 2006 MCRA balance is forecast to be approximately \$28 million deficit (before tax). Midstream rates currently include an amount being refunded to customers via Rate Rider 6 which is expected to end December 31, 2006. Further, based on the current MCRA forecast, Terasen Gas anticipates that it will be necessary to increase midstream rates effective January 1, 2007, which is consistent with Terasen Gas’ 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 September 8, 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

06-08-31
16:40

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)
August 21, 2006 Forward Curve

Tab 1
Page 1

Line No.	Particulars	Recorded Previous Qtr Apr-Jun	2006 Rec Jul	Proj Aug	Proj Sep	Forec Oct	Forec Nov	Forec Dec	2007 Forec Jan	Forec Feb	Forec Mar	Forec Apr	Forec May	Forec Jun	Forec Jul	Forec Aug	2007 Forec Sep	Total Oct-Sep
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
1	<u>CCRA Forecast (at proposed rates)</u>																	
2																		
3	CCRA Balance, Beginning - Pre Tax ^(1*)	\$ (37)	\$ (58)	\$ (67)	\$ (75)	\$ (83)	\$ (91)	\$ (90)	\$ (82)	\$ (60)	\$ (41)	\$ (21)	\$ (18)	\$ (15)	\$ (12)	\$ (8)	\$ (4)	\$ (83)
4																		
5	Gas Costs Incurred (Incl. Hedging, etc.)	184	61	60	59	62	68	79	91	82	90	71	73	71	74	74	73	908
6																		
7	Revenue From Commodity Cost Recovery Rates	(205)	(70)	(69)	(66)	(70)	(68)	(70)	(70)	(63)	(70)	(68)	(70)	(68)	(70)	(70)	(68)	(823)
8																		
9	CCRA Balance, Ending - Pre-Tax	<u>\$ (58)</u>	<u>\$ (67)</u>	<u>\$ (75)</u>	<u>\$ (83)</u>	<u>\$ (91)</u>	<u>\$ (90)</u>	<u>\$ (82)</u>	<u>\$ (60)</u>	<u>\$ (41)</u>	<u>\$ (21)</u>	<u>\$ (18)</u>	<u>\$ (15)</u>	<u>\$ (12)</u>	<u>\$ (8)</u>	<u>\$ (4)</u>	<u>\$ 1</u>	<u>\$ 1</u>
10																		
11	CCRA Balance, Ending - After Tax ^(2*)	<u>\$ (39)</u>	<u>\$ (45)</u>	<u>\$ (51)</u>	<u>\$ (55)</u>	<u>\$ (61)</u>	<u>\$ (61)</u>	<u>\$ (55)</u>	<u>\$ (40)</u>	<u>\$ (28)</u>	<u>\$ (14)</u>	<u>\$ (12)</u>	<u>\$ (10)</u>	<u>\$ (8)</u>	<u>\$ (5)</u>	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 1</u>
12																		
13	<u>MCRA Forecast (at proposed rates)</u>																	
14																		
15	MCRA Balance, Beginning ^(1*)	\$ (46)	\$ (29)	\$ (8)	\$ 5	\$ 13	\$ 17	\$ 21	\$ 28	\$ 26	\$ 29	\$ 37	\$ 40	\$ 45	\$ 52	\$ 59	\$ 65	\$ 13
16																		
17	Gas Costs Incurred (Incl. Hedging, etc.)	98	34	(15)	(8)	11	77	80	84	75	73	18	(6)	(15)	(21)	(24)	(15)	337
18																		
19	Revenue From Commodity Cost Recovery Rates	(81)	(14)	28	17	(7)	(74)	(73)	(86)	(73)	(65)	(15)	11	22	28	31	21	(280)
20																		
21	MCRA Balance, Ending - Pre-Tax	<u>\$ (29)</u>	<u>\$ (8)</u>	<u>\$ 5</u>	<u>\$ 13</u>	<u>\$ 17</u>	<u>\$ 21</u>	<u>\$ 28</u>	<u>\$ 26</u>	<u>\$ 29</u>	<u>\$ 37</u>	<u>\$ 40</u>	<u>\$ 45</u>	<u>\$ 52</u>	<u>\$ 59</u>	<u>\$ 65</u>	<u>\$ 71</u>	<u>\$ 71</u>
22																		
23	MCRA Balance, Ending - After Tax ^(2*)	<u>\$ (19)</u>	<u>\$ (6)</u>	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 14</u>	<u>\$ 19</u>	<u>\$ 18</u>	<u>\$ 19</u>	<u>\$ 25</u>	<u>\$ 27</u>	<u>\$ 30</u>	<u>\$ 35</u>	<u>\$ 39</u>	<u>\$ 44</u>	<u>\$ 48</u>	<u>\$ 48</u>
24																		
25	<u>Combined CCRA and MCRA Forecast (at proposed rates)</u>																	
26																		
27	Combined Balance, Beginning ^(1*)	\$ (83)	\$ (87)	\$ (75)	\$ (71)	\$ (69)	\$ (74)	\$ (70)	\$ (53)	\$ (34)	\$ (13)	\$ 16	\$ 22	\$ 30	\$ 40	\$ 51	\$ 62	\$ (69)
28																		
29	Gas Costs Incurred (Incl. Hedging, etc.)	282	96	45	51	72	145	159	175	157	164	89	66	56	53	50	58	1,245
30																		
31	Revenue From Commodity Cost Recovery Rates	(286)	(84)	(41)	(49)	(77)	(141)	(143)	(156)	(136)	(135)	(82)	(59)	(46)	(42)	(39)	(47)	(1,103)
32																		
33	Combined Balance, Ending - Pre-Tax	<u>\$ (87)</u>	<u>\$ (75)</u>	<u>\$ (71)</u>	<u>\$ (69)</u>	<u>\$ (74)</u>	<u>\$ (70)</u>	<u>\$ (53)</u>	<u>\$ (34)</u>	<u>\$ (13)</u>	<u>\$ 16</u>	<u>\$ 22</u>	<u>\$ 30</u>	<u>\$ 40</u>	<u>\$ 51</u>	<u>\$ 62</u>	<u>\$ 73</u>	<u>\$ 73</u>
34																		
35	Combined Balance, Ending - After Tax ^(2*)	<u>\$ (58)</u>	<u>\$ (50)</u>	<u>\$ (47)</u>	<u>\$ (46)</u>	<u>\$ (49)</u>	<u>\$ (47)</u>	<u>\$ (36)</u>	<u>\$ (23)</u>	<u>\$ (9)</u>	<u>\$ 10</u>	<u>\$ 15</u>	<u>\$ 20</u>	<u>\$ 27</u>	<u>\$ 34</u>	<u>\$ 41</u>	<u>\$ 49</u>	<u>\$ 49</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.

06-08-29
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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)
 August 21, 2006 Forward Curve

Tab 1
Page 1.1

Line No.	Particulars	12 Month Forecast To Sep 30, 2007	2007 Forec Oct	Forec Nov	2007 Forec Dec	2008 Forec Jan	Forec Feb	Forec Mar	Forec Apr	Forec May	Forec Jun	Forec Jul	Forec Aug	2008 Forec Sep	12 Month Forecast To Sep 30, 2008	24 Month Forecast To Sep 30, 2008
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1	<u>CCRA Forecast (at proposed rates)</u>															
2																
3	CCRA Balance, Beginning - Pre Tax ^(1*)	\$ (83)	\$ 1	\$ 7	\$ 20	\$ 40	\$ 65	\$ 88	\$ 110	\$ 109	\$ 106	\$ 104	\$ 102	\$ 100	\$ 1	\$ (83)
4																
5	Gas Costs Incurred (Incl. Hedging, etc.)	908	76	80	90	94	88	92	66	66	65	68	68	66	918	1,826
6																
7	Revenue From Commodity Cost Recovery Rates	(823)	(70)	(68)	(70)	(69)	(65)	(69)	(67)	(69)	(67)	(69)	(69)	(67)	(820)	(1,643)
8																
9	CCRA Balance, Ending - Pre-Tax	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 20</u>	<u>\$ 40</u>	<u>\$ 65</u>	<u>\$ 88</u>	<u>\$ 110</u>	<u>\$ 109</u>	<u>\$ 106</u>	<u>\$ 104</u>	<u>\$ 102</u>	<u>\$ 100</u>	<u>\$ 99</u>	<u>\$ 99</u>	<u>\$ 99</u>
10																
11	CCRA Balance, Ending - After Tax ^(2*)	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 13</u>	<u>\$ 27</u>	<u>\$ 43</u>	<u>\$ 59</u>	<u>\$ 74</u>	<u>\$ 73</u>	<u>\$ 71</u>	<u>\$ 69</u>	<u>\$ 68</u>	<u>\$ 67</u>	<u>\$ 67</u>	<u>\$ 67</u>	<u>\$ 67</u>
12																
13	<u>MCRA Forecast (at proposed rates)</u>															
14																
15	MCRA Balance, Beginning ^(1*)	\$ 13	\$ 71	\$ 73	\$ 71	\$ 74	\$ 78	\$ 83	\$ 96	\$ 99	\$ 106	\$ 116	\$ 125	\$ 135	\$ 71	\$ 13
16																
17	Gas Costs Incurred (Incl. Hedging, etc.)	337	16	69	82	89	76	77	18	(6)	(15)	(18)	(22)	(13)	352	689
18																
19	Revenue From Commodity Cost Recovery Rates	(280)	(14)	(71)	(80)	(84)	(71)	(64)	(14)	13	24	28	31	21	(280)	(559)
20																
21	MCRA Balance, Ending - Pre-Tax	<u>\$ 71</u>	<u>\$ 73</u>	<u>\$ 71</u>	<u>\$ 74</u>	<u>\$ 78</u>	<u>\$ 83</u>	<u>\$ 96</u>	<u>\$ 99</u>	<u>\$ 106</u>	<u>\$ 116</u>	<u>\$ 125</u>	<u>\$ 135</u>	<u>\$ 143</u>	<u>\$ 143</u>	<u>\$ 143</u>
22																
23	MCRA Balance, Ending - After Tax ^(2*)	<u>\$ 48</u>	<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ 49</u>	<u>\$ 52</u>	<u>\$ 56</u>	<u>\$ 64</u>	<u>\$ 67</u>	<u>\$ 71</u>	<u>\$ 77</u>	<u>\$ 84</u>	<u>\$ 90</u>	<u>\$ 96</u>	<u>\$ 96</u>	<u>\$ 96</u>
24																
25	<u>Combined CCRA and MCRA Forecast (at proposed rates)</u>															
26																
27	Combined Balance, Beginning ^(1*)	\$ (69)	\$ 73	\$ 80	\$ 91	\$ 114	\$ 142	\$ 171	\$ 206	\$ 208	\$ 212	\$ 219	\$ 227	\$ 235	\$ 73	\$ (69)
28																
29	Gas Costs Incurred (Incl. Hedging, etc.)	1,245	92	149	172	182	164	168	83	60	50	49	46	53	1,270	2,515
30																
31	Revenue From Commodity Cost Recovery Rates	(1,103)	(84)	(139)	(150)	(154)	(135)	(133)	(81)	(56)	(43)	(41)	(38)	(46)	(1,100)	(2,203)
32																
33	Combined Balance, Ending - Pre-Tax	<u>\$ 73</u>	<u>\$ 80</u>	<u>\$ 91</u>	<u>\$ 114</u>	<u>\$ 142</u>	<u>\$ 171</u>	<u>\$ 206</u>	<u>\$ 208</u>	<u>\$ 212</u>	<u>\$ 219</u>	<u>\$ 227</u>	<u>\$ 235</u>	<u>\$ 243</u>	<u>\$ 243</u>	<u>\$ 243</u>
34																
35	Combined Balance, Ending - After Tax ^(2*)	<u>\$ 49</u>	<u>\$ 54</u>	<u>\$ 61</u>	<u>\$ 76</u>	<u>\$ 95</u>	<u>\$ 114</u>	<u>\$ 138</u>	<u>\$ 140</u>	<u>\$ 142</u>	<u>\$ 147</u>	<u>\$ 152</u>	<u>\$ 158</u>	<u>\$ 163</u>	<u>\$ 163</u>	<u>\$ 163</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.

Tab 1 Page 1.1

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

Line No.	Particulars	April 1, 2006 Trigger Test March 7, 2006	October 1, 2006 Trigger Test August 21, 2006	October 1, 2006 Trigger Test Less Existing Rates
		Forward Prices (ExistingTariff Rates)	Forward Prices (Quarterly Test Rates)	Forecast Difference
	(1)	(2)	(3)	(4)
1	<u>Sumas Index Prices - \$US/MMBTU</u>	<u>Jan 2006-Mar 2007</u>	<u>Jan 2006-Sep 2008</u>	
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	0.18
6	May	\$ 5.59	\$ 5.89	0.30
7	June	\$ 5.68	\$ 4.91	(0.77)
8	July	\$ 5.85	\$ 5.09	Rec. (0.76)
9	August	\$ 6.00	\$ 5.91	Proj. (0.09)
10	September	\$ 6.12	\$ 5.71	Forec. (0.40)
11	October	\$ 6.18	\$ 5.82	(0.36)
12	November	\$ 7.54	\$ 7.61	0.06
13	December	\$ 8.55	\$ 9.14	0.58
14	Simple Average (Jan, 2006 - Dec, 2006)	\$ 6.69	\$ 6.59	-1.5% \$ (0.10)
15	Simple Average (Apr, 2006 - Mar, 2007)	\$ 7.06	\$ 7.10	0.6% \$ 0.04
16	Simple Average (Jul, 2006 - Jun, 2007)		\$ 7.50	6.2% \$ 0.44
17	Simple Average (Oct, 2006 - Sep, 2007)		\$ 7.94	12.5% \$ 0.88
18	January 2007	\$ 9.24	\$ 9.85	\$ 0.61
19	February	\$ 9.25	\$ 9.86	0.62
20	March	\$ 9.05	\$ 9.65	0.60
21	April		\$ 7.22	1.59
22	May		\$ 7.05	1.46
23	June		\$ 7.13	1.46
24	July		\$ 7.23	1.38
25	August		\$ 7.31	1.31
26	September		\$ 7.41	1.29
27	October		\$ 7.55	1.38
28	November		\$ 8.57	1.03
29	December		\$ 9.47	0.91
30	Simple Average (Jan, 2007 - Dec, 2007)		\$ 8.19	16.0% \$ 1.13
31	Simple Average (Apr, 2007 - Mar, 2008)		\$ 8.23	16.6% \$ 1.17
32	Simple Average (Jul, 2007 - Jun, 2008)		\$ 8.14	15.3% \$ 1.08
33	Simple Average (Oct, 2007 - Sep, 2008)		\$ 8.03	13.7% \$ 0.97
34	January 2008		\$ 10.05	\$ 0.81
35	February		\$ 10.05	0.81
36	March		\$ 9.78	0.73
37	April		\$ 6.87	1.24
38	May		\$ 6.64	1.05
39	June		\$ 6.71	1.04
40	July		\$ 6.80	0.95
41	August		\$ 6.87	0.87
42	September		\$ 6.97	0.86
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TERASEN GAS INC. - LM, INLAND AND COLUMBIA SERVICE AREAS
AECO INDEX PROJECTIONS
FOR THE 26 MONTHS ENDING SEPTEMBER 30, 2008

Line No.	Particulars	April 1, 2006 Trigger Test March 7, 2006 Forward Prices	October 1, 2006 Trigger Test August 21, 2006 Forward Prices	October 1, 2006 Trigger Test Less Existing Rates Forecast Difference
		(Existing Tariff Rates)	(Quarterly Test Rates)	
	(1)	(2)	(3)	(4)
1	AECO - \$CA/GJ	Jan 2006-Mar 2007	Jan 2006-Sep 2008	
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	0.26
6	May	\$ 6.18	\$ 6.23	0.05
7	June	\$ 6.24	\$ 6.30	0.06
8	July	\$ 6.35	\$ 5.49	Rec. (0.86)
9	August	\$ 6.47	\$ 5.84	Proj. (0.63)
10	September	\$ 6.57	\$ 6.14	Forec. (0.43)
11	October	\$ 6.67	\$ 6.01	(0.66)
12	November	\$ 7.73	\$ 7.60	(0.13)
13	December	\$ 8.82	\$ 9.20	0.38
14	Simple Average (Jan, 2006 - Dec, 2006)	\$ 7.29	\$ 7.12	-2.3% \$ (0.17)
15	Simple Average (Apr, 2006 - Mar, 2007)	\$ 7.46	\$ 7.39	-0.9% \$ (0.07)
16	Simple Average (Jul, 2006 - Jun, 2007)		\$ 7.70	3.2% \$ 0.24
17	Simple Average (Oct, 2006 - Sep, 2007)		\$ 8.17	9.5% \$ 0.71
18	January 2007	\$ 9.57	\$ 9.96	\$ 0.39
19	February	\$ 9.53	\$ 9.94	0.41
20	March	\$ 9.32	\$ 9.72	0.40
21	April		\$ 7.61	1.55
22	May		\$ 7.43	1.25
23	June		\$ 7.52	1.28
24	July		\$ 7.62	1.27
25	August		\$ 7.67	1.20
26	September		\$ 7.77	1.20
27	October		\$ 7.92	1.25
28	November		\$ 8.55	0.81
29	December		\$ 9.49	0.66
30	Simple Average (Jan, 2007 - Dec, 2007)		\$ 8.43	13.0% \$ 0.97
31	Simple Average (Apr, 2007 - Mar, 2008)		\$ 8.46	13.4% \$ 1.00
32	Simple Average (Jul, 2007 - Jun, 2008)		\$ 8.34	11.8% \$ 0.88
33	Simple Average (Oct, 2007 - Sep, 2008)		\$ 8.20	9.9% \$ 0.74
34	January 2008		\$ 10.09	\$ 0.52
35	February		\$ 10.10	0.57
36	March		\$ 9.82	0.50
37	April		\$ 7.16	1.11
38	May		\$ 6.92	0.74
39	June		\$ 7.00	0.75
40	July		\$ 7.08	0.73
41	August		\$ 7.10	0.64
42	September		\$ 7.21	0.64

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

Line No.	Particulars	April 1, 2006 Trigger Test March 7, 2006 Forward Prices	October 1, 2006 Trigger Test August 21, 2006 Forward Prices	October 1, 2006 Trigger Test Less Existing Rates Forecast Difference
		(Existing Tariff Rates)	(Quarterly Test Rates)	
	(1)	(2)	(3)	(4)
1	<u>Station No. 2 - \$CA/GJ</u>	<u>Jan 2006-Mar 2007</u>	<u>Jan 2006-Sep 2008</u>	
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	0.36
6	May	\$ 5.71	\$ 5.87	0.16
7	June	\$ 5.77	\$ 4.78	(0.99)
8	July	\$ 5.88	\$ 4.98	(0.90)
9	August	\$ 6.00	\$ 5.69	(0.31)
10	September	\$ 6.10	\$ 5.49	(0.61)
11	October	\$ 6.20	\$ 5.64	(0.56)
12	November	\$ 7.38	\$ 7.39	0.01
13	December	\$ 8.47	\$ 8.99	0.52
14	Simple Average (Jan, 2006 - Dec, 2006)	\$ 6.66	\$ 6.46	-3.0% \$ (0.20)
15	Simple Average (Apr, 2006 - Mar, 2007)	\$ 7.04	\$ 6.98	-0.9% \$ (0.06)
16	Simple Average (Jul, 2006 - Jun, 2007)		\$ 7.40	5.1% \$ 0.36
17	Simple Average (Oct, 2006 - Sep, 2007)		\$ 7.90	12.2% \$ 0.86
18	January 2007	\$ 9.22	\$ 9.75	\$ 0.53
19	February	\$ 9.18	\$ 9.73	0.55
20	March	\$ 8.97	\$ 9.51	0.54
21	April		\$ 7.31	1.72
22	May		\$ 7.13	1.42
23	June		\$ 7.22	1.45
24	July		\$ 7.32	1.44
25	August		\$ 7.37	1.37
26	September		\$ 7.47	1.36
27	October		\$ 7.62	1.42
28	November		\$ 8.30	0.92
29	December		\$ 9.24	0.76
30	Simple Average (Jan, 2007 - Dec, 2007)		\$ 8.16	15.9% \$ 1.12
31	Simple Average (Apr, 2007 - Mar, 2008)		\$ 8.18	16.2% \$ 1.14
32	Simple Average (Jul, 2007 - Jun, 2008)		\$ 8.08	14.8% \$ 1.04
33	Simple Average (Oct, 2007 - Sep, 2008)		\$ 7.95	12.9% \$ 0.91
34	January 2008		\$ 9.84	\$ 0.62
35	February		\$ 9.85	0.67
36	March		\$ 9.57	0.60
37	April		\$ 6.92	1.34
38	May		\$ 6.68	0.97
39	June		\$ 6.76	0.99
40	July		\$ 6.84	0.96
41	August		\$ 6.86	0.87
42	September		\$ 6.97	0.87

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TERASEN GAS INC.
COMBINED CCRA AND MCRA RECOVERY - TO - COST RATIOS
FORECAST FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2007
August 21, 2006 Forward Curve
Recorded Balances to July 31, 2006

Line No.	Particulars	Balances
	(1)	(2)
1	<u>CCRA Rate Change Trigger Mechanism</u>	<u>\$(millions)</u>
2	Forecast Recovered Gas Costs per BCUC Guidelines (Oct 2006 - Sep 2007) (Tab 1, Page 1, Col. 18, Line 7)	\$ 823
3		
4	Total Recovered Gas Costs (Oct 2006 - Sep 2007)	<u>\$ 823</u>
5		
6	Forecast 12-month Gas Supply Cost (Oct 2006 - Sep 2007) (Tab 1, Page 1, Col. 18, Line 5)	\$ 908
7		
8	Projected CCRA Grossed-up After Tax Balance (at September 30, 2006) (Tab 1, Page 1, Col. 5, Line 9)	(83)
9	Total Gas Cost - Trigger Mechanism Denominator	<u>\$ 825</u>
10		
11	CCRA Trigger Mechanism Ratio	<u>\$ 823 / \$ 825 = 99.8%</u>
12		
13		
14		
15		
16	<u>MCRA Ratio</u>	<u>\$(millions)</u>
17	Forecast Recovered Gas Costs per BCUC Guidelines (Oct 2006 - Sep 2007) (Tab 1, Page 1, Col. 18, Line 19)	\$ 280
18		
19	Total Recovered Gas Costs (Oct 2006 - Sep 2007)	<u>\$ 280</u>
20		
21	Forecast 12-month Gas Supply Cost (Oct 2006 - Sep 2007) (Tab 1, Page 1, Col. 18, Line 17)	\$ 337
22		
23	MCRA Grossed-up After Tax Balance excluding interest (at September 30, 2006) (Tab 1, Page 1, Col. 5, Line 21)	13
24	Total Gas Cost - Denominator	<u>\$ 351</u>
25		
26	MCRA Ratio	<u>\$ 280 / \$ 351 = 79.6%</u>
27		
28		
29		
30		
31	<u>COMBINED CCRA and MCRA RATIOS</u>	<u>\$(millions)</u>
32	Forecast Recovered Gas Costs per BCUC Guidelines (Oct 2006 - Sep 2007) (Tab 1, Page 1, Col. 18, Line 31)	\$ 1,103
33		
34	Total Recovered Gas Costs (Oct 2006 - Sep 2007)	<u>\$ 1,103</u>
35		
36	Forecast 12-month Gas Supply Cost (Oct 2006 - Sep 2007) (Tab 1, Page 1, Col. 18, Line 29)	\$ 1,245
37		
38	Combined CCRA and MCRA Grossed-up After Tax Balance (at September 30, 2006) (Tab 1, Page 1, Col. 5, Line 33)	(69)
39	Total Gas Cost - Denominator	<u>\$ 1,176</u>
40		
41	Combined CCRA and MCRA Ratio	<u>\$ 1,103 / \$ 1,176 = 93.8%</u>
42		
43		
44		
45		
46		
47	Note: Slight differences in totals due to rounding.	

GAS BUDGET COST SUMMARY

Oct 1, 2006 to Sept 30, 2007

ITEM	TJ's Delivered	\$,000	S/GJ	COMMENTS
TOTAL	115,556.9	\$1,099,657	\$9.516	Total Net Costs for Firm Customers after offsets
A) TERM PURCHASE				
TOTAL			37,868.7	\$306,281
			\$8.088	Priced Based on 100% Monthly Forward
Sumas	1,167.9	\$7,220	\$6.182	Invoice incl. Fuel to LML/EKE
Station #2	29,400.8	\$239,440	\$8.144	Includes Kingsgate/Stanfield/SIPI
AECO	7,300.0	\$59,621	\$8.167	50% priced at AECO + basis
B) SEASONAL				
TOTAL			103,057.8	\$858,341
			\$8.329	
Sumas	14,020.7	\$124,007	\$8.845	Includes Kingsgate/Stanfield/SIPI
Station #2	74,118.6	\$611,223	\$8.247	
AECO	14,918.5	\$123,111	\$8.252	
C) PEAKING/SPOT				
TOTAL			2,026.0	\$16,984
			\$8.383	
Sumas	204.2	\$2,317	\$11.349	Daily priced-assumed at 1.5 * month price
Station #2	1,665.8	\$13,321	\$7.997	
AECO	156.0	\$1,346	\$8.629	
D) HEDGING (GAIN)/LOSS				
TOTAL			\$43,488	N/A
Sumas		N/A		
AECO		N/A		Includes coverage of Stn#2 AECO Deals
Basis (Sumas-NYMEX)		N/A		
E) TRANSPORTATION				
TOTAL			\$89,728	Terasen Gas-held only - Includes variable cost & fuel
WEI	161,695.0	\$74,772	\$0.462	90% T-South
NOVA/ANG	47,815.0	\$10,171	\$0.213	
NWP	7,550.0	\$4,785	\$0.634	
F) STORAGE GAS COMMODITY				
TOTAL			(32,459.6)	\$10,500.7
			N/A	Net Cost (Includes variable cost & fuel)
(I) Injection credit of term costs				
B.C. (Aitken)	(20,156.4)	(\$150,189)	\$7.451	Credit of variable cost of term gas to withdrawal period
Alberta (Carbon)	(2,986.5)	(\$22,319)	\$7.473	
Downstream (JP/Mist)	(9,316.7)	(\$76,130)	\$8.171	
TOTAL			(32,459.6)	(\$248,637.6)
			\$7.660	
(II) Withdrawal Cost				
B.C. (Aitken)	19,817.5	\$133,368	\$6.730	Includes LNG
Alberta (Carbon)	2,986.5	\$18,916	\$6.334	
Downstream (JP/Mist)	9,463.8	\$72,653	\$7.677	
TOTAL			32,267.8	\$224,937.3
			\$6.971	
(III) Storage Demand Charges (fixed only)				
B.C. (Aitken)		\$20,577		Includes LNG
Alberta (Carbon)		\$1,333		
Downstream (JP/Mist/SoCal)		\$12,291		
TOTAL			\$34,201.0	
G) MITIGATION ACTIVITIES				
TOTAL			(228,864)	
Resale Commodity	(25,053.0)	(\$215,209)	\$8.590	Both on/off-system sales of surplus term & storage gas
Mitigation of Assets		(\$13,656)		(Note #1) Includes transportation & Storage
H) OTHER COSTS				
TOTAL			(2,150.8)	\$3,198
Terasen Gas Fuel	279.3			
Terasen Gas Admin		\$2,198		
GSMIP		\$1,000		
Fuel in Kind	(2,150.8)			

August 21st Forward Prices

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

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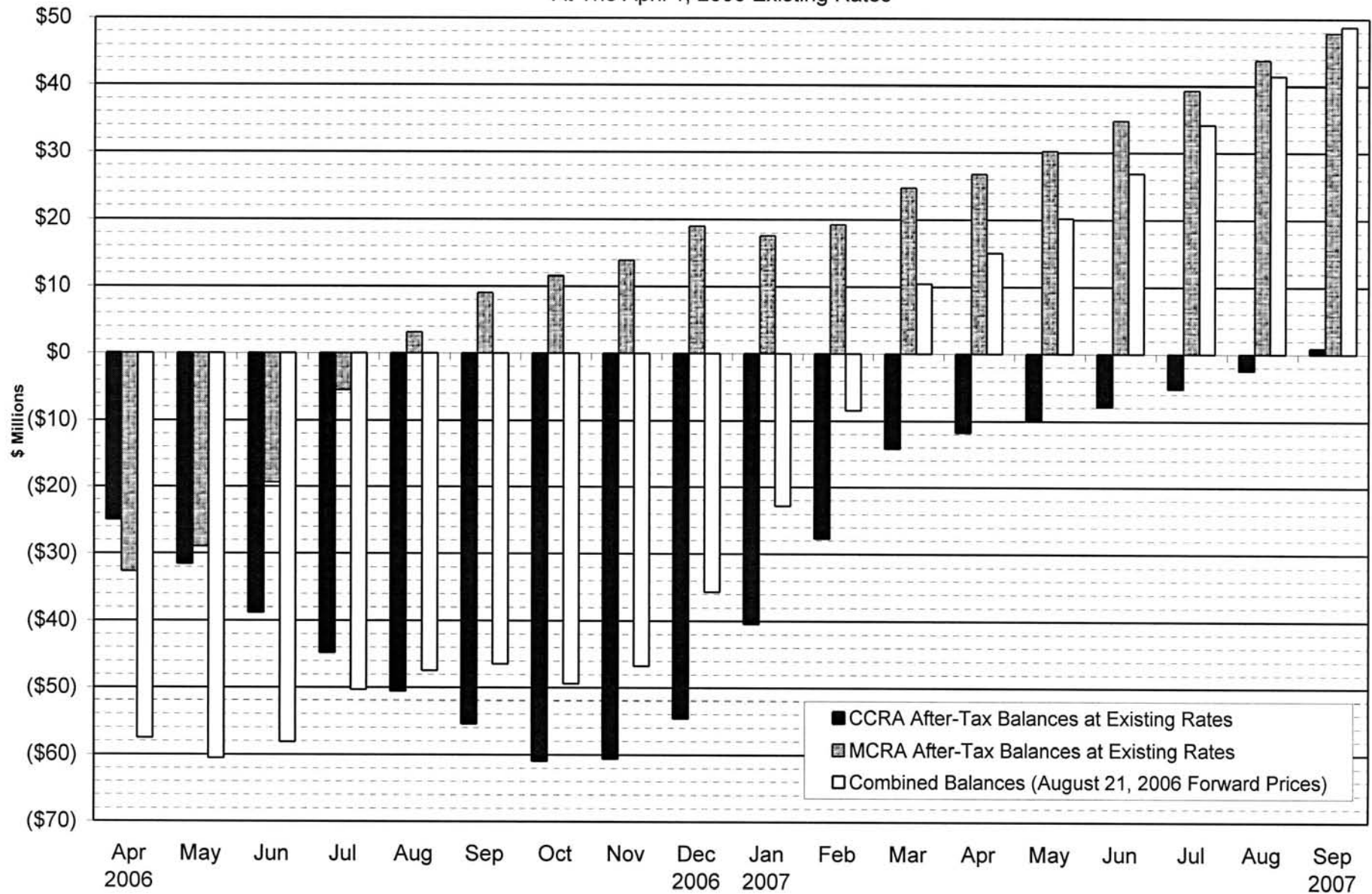
TERASEN GAS INC.
RECONCILIATION OF GAS COSTS INCURRED
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2007
(Forecast based on August 21, 2006 Forward Prices)
\$(Millions)

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 September 30, 2007		
3	(Tab 1, Page 1, Column 18, Line 29)	\$ 1,245	
4			
5	Gas Budget Cost Summary		
6	Total Net Costs for Firm Customers		\$ 1,100
7			
8	Add Back Off-System Sales		
9	Cost		171
10	Margin		29
11			
12	Add Back On-System Sales		
13	Cost (Rate 14)		13
14	Margin (Rate 14)		1
15			
16			
17	Deduct Marketer Supplied Commodity		(68)
18			
19	Rounding		(1)
20			
21	Reconciled Total Gas Costs Incurred		
22	CCRA/ MCRA 12 Month Forecast	<u>\$ 1,245</u>	<u>\$ 1,245</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 July 31, 2006 and Estimate to September 30, 2007
At The April 1, 2006 Existing Rates

Tab 1
Page 8



Tab 1
Page 8