



December 19, 2006

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

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

Dear Sirs:

**Re: Terasen Gas Inc. ("Terasen Gas" or the "Company")  
Application for Approval of 2007 Revenue Requirements and Delivery Rates (the  
"Application") and British Columbia Utilities Commission (the "Commission")  
Order No. G-160-06 and Reasons for Decision**

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On October 16, 2006, Terasen Gas filed its Annual Review and Mid-Term Assessment Review material in accordance with Commission Order G-51-03 approving the Settlement Agreement for 2004-2007 Multi-Year Performance-Based Rate Plan and Commission Order No. G-121-06, issued October 2, 2006 establishing the Regulatory Timetable for the Company's 2006 Annual Review and Mid-Term Assessment Review.

On December 14, 2006, the Commission issued Order No. G-160-06 (the "Order") and Appendix A, Reasons for Decision ("Appendix A") approving the Application for 2007 Revenue Requirements and Delivery Rates. In the Order, the Commission approved a common equity component of 35.01 percent and a return on common equity ("ROE") of 8.37 percent, both rounded to the nearest two decimal places, whereas the Application requested Commission approval of an allowed common equity component of 35.01277 percent and an ROE of 8.37131 percent. In the Appendix A to the Order, TGI was directed to inform the Commission if a revision to the proposed 2007 rates is required due to the allowed common equity component and ROE.

TGI wishes to inform the Commission that only Rate Schedule 22A and 22B are affected by this change. Attached please find the revised rate schedules for Rate Schedule 22A and Rate Schedule 22B and the revised financial schedules.

If there are any questions regarding the attached, please contact Mr. Tom Loski, Director, Regulatory Affairs at (604) 592-7464.

Yours very truly,

**TERASEN GAS INC.**

*Original signed by: Tom Loski*

**For:** Scott A. Thomson

Attachment  
c: 2004 – 2007 PBR NSP Participants

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

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TERASEN GAS INC.  
 CALCULATION OF CUSTOMERS' RATES AND TARIFF CONTINUITY  
 EFFECTIVE JANUARY 1, 2007  
 BCUC ORDER NO. G-\_\_\_06

**RATE SCHEDULE 22A:  
 LARGE INDUSTRIAL T-SERVICE**

Line No.	Particulars	Existing Rates	2007 Revenue Requirement and Rider Changes	January 1, 2007 Propose Rates
	(1)	(2)	(3)	(4)
1	Basic Charge per Month	\$4,536.00	(\$90.00)	\$4,446.00
2				
3	Delivery Charge per GJ - Firm			
4	(a) Firm DTQ	\$11.093	(\$0.220)	\$10.873
5	(b) Firm MTQ	\$0.078	(\$0.002)	\$0.076
6				
7	Delivery Charge per GJ - Interr MTQ	\$0.886	(\$0.018)	\$0.868
8				
9	Charges per GJ for UOR Gas	Balancing, Backstopping and UOR per BCUC Order No. G-110-00.		Balancing, Backstopping and UOR per BCUC Order No. G-110-00.
10				
11				
12	Demand Surcharge per GJ	\$17.00	\$0.00	\$17.00
13				
14	Balancing Service per GJ			
15	(a) between and including Apr. 1 and Oct. 31	\$0.300	\$0.00	\$0.300
16	(b) between and including Nov. 1 and Mar. 31	\$1.100	\$0.00	\$1.100
17				
18	Charges per GJ for Backstopping Gas	Balancing, Backstopping and UOR per BCUC Order No. G-110-00.		Balancing, Backstopping and UOR per BCUC Order No. G-110-00.
19				
20				
21	Replacement Gas	Sumas Daily Price plus 20 Percent		Sumas Daily Price plus 20 Percent
22				
23				
24	Administration Charge	\$73.00	(\$1.00)	\$72.00
25				
26	Riders: 2 Revenue shortfall - 2006Q1	\$0.001	(\$0.001)	\$0.000
27	3 ESM	(\$0.010)	(\$0.006)	(\$0.016)
28				
29	Total Variable Cost per GJ			
30	(a) Firm MTQ	<u>\$0.069</u>	<u>(\$0.009)</u>	<u>\$0.060</u>
31				
32	(b) Interruptible MTQ	<u>\$0.877</u>	<u>(\$0.025)</u>	<u>\$0.852</u>

TERASEN GAS INC.  
 CALCULATION OF CUSTOMERS' RATES AND TARIFF CONTINUITY  
 EFFECTIVE JANUARY 1, 2007  
 BCUC ORDER NO. G-\_\_-06

RATE SCHEDULE 22B: LARGE INDUSTRIAL T-SERVICE		Existing October 1, 2006 Rates		2007 Revenue Requirement and Rider Changes		January 1, 2007 Propose Rates	
Line No.	Particulars	Columbia Except Elkview	Elkview Coal	Columbia Except Elkview	Elkview Coal	Columbia Except Elkview	Elkview Coal
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Basic Charge per Month	\$4,278.00	\$4,278.00	(\$85.00)	(\$85.00)	\$4,193.00	\$4,193.00
2							
3	Delivery Charge per GJ - Firm						
4	(a) Firm DTQ	\$7.068	\$1.605	(\$0.140)	(\$0.032)	\$6.928	\$1.573
5	(b) Firm MTQ	\$0.076	\$0.076	(\$0.002)	(\$0.002)	\$0.074	\$0.074
6							
7	Delivery Charge per GJ - Interr MTQ						
8	(a) between and including Apr. 1 and Oct. 31	\$0.704	\$0.175	(\$0.014)	(\$0.003)	\$0.690	\$0.172
9	(b) between and including Nov. 1 and Mar. 31	\$1.015	\$0.252	(\$0.020)	(\$0.005)	\$0.995	\$0.247
10							
11	Charges per GJ for UOR Gas	Balancing, Backstopping and UOR per BCUC Order No. G-110-00.				Balancing, Backstopping and UOR per BCUC Order No. G-110-00.	
12							
13							
14	Demand Surcharge per GJ	\$17.00	\$17.00	\$0.00	\$0.00	\$17.00	\$17.00
15							
16	Charges per GJ for Backstopping Gas	Balancing, Backstopping and UOR per BCUC Order No. G-110-00.				Balancing, Backstopping and UOR per BCUC Order No. G-110-00.	
17							
18							
19							
20	Administration Charge	\$73.00	\$73.00	(\$1.00)	(\$1.00)	\$72.00	\$72.00
21							
22	Riders: 2 Revenue shortfall - 2006Q1	\$0.001	\$0.000	(\$0.001)	\$0.000	\$0.000	\$0.000
23	ESM	(\$0.008)	(\$0.004)	(\$0.010)	(\$0.002)	(\$0.018)	(\$0.006)
24							
25							
26							
27							
28							
29							
30	Total Variable Cost per GJ						
31	(a) Firm MTQ	\$0.069	\$0.072	(\$0.013)	(\$0.004)	\$0.056	\$0.068
32	(b) Interruptible MTQ - Summer	\$0.697	\$0.171	(\$0.025)	(\$0.005)	\$0.672	\$0.166
33	- Winter	\$1.008	\$0.248	(\$0.031)	(\$0.007)	\$0.977	\$0.241
34							

**TERASEN GAS INC.**  
 EFFECT ON CUSTOMERS' RATES OF JANUARY 1, 2007 RATE CHANGES CONSISTING OF  
 2005 REVENUE REQUIREMENT AND RIDER CHANGES  
 BCUC ORDER NO. G-\_\_-06

(AMENDED 2006-12-18)  
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 SCHEDULE 22A  
 LARGE INDUSTRIAL T-SERVICE

**RATE SCHEDULE 22A - LARGE INDUSTRIAL T-SERVICE**

Line No.	Existing October 1, 2006 Rates			Propose January 1, 2007 Charges			Annual Increase/(Decrease)		
	Volume	Rate	Annual \$	Volume	Rate	Annual \$	Annual \$	% of Previous Annual Bil	
1									
2	<b>INLAND SERVICE AREA</b>								
3	Basic Charge	12 months x \$4,536.00 =	\$54,432.00	12 months x \$4,446.00 =	\$53,352.00		(\$1,080.00)	-0.23%	
4									
5	Administration Charge	12 months x \$73.00 =	876.00	12 months x \$72.00 =	864.00		(12.00)	0.00%	
6									
7	Delivery Charge - Firm								
8	- Firm DTQ	2,419.8 GJ x \$11.093 =	322,114.08	2,419.8 GJ x \$10.873 =	315,725.88		(6,388.20)	-1.36%	
9	- Firm MTQ	663,803.9 GJ x \$0.078 =	51,776.70	663,803.9 GJ x \$0.076 =	50,449.10		(1,327.60)	-0.28%	
10									
11	Delivery Charge - Interruptible MTQ	53,497.1 GJ x \$0.886 =	47,398.43	53,497.1 GJ x \$0.868 =	46,435.48		(962.95)	-0.20%	
12									
13	Non-Standard Charges ( not forecast )								
14	UOR, Demand Surcharge								
15	Balancing Service, Backstopping Gas								
16									
17	Riders : 2 Revenue shortfall - 2006Q1	717,301.0 GJ x \$0.001 =	717.30	717,301.0 GJ x \$0.000 =	0.00		(717.30)	-0.15%	
18	3 ESM	717,301.0 GJ x (\$0.010) =	(7,173.01)	717,301.0 GJ x (\$0.016) =	(11,476.82)		(4,303.81)	-0.92%	
19									
20									
21									
22									
23	Total	<u>717,301.0</u>	<u>\$0.655</u>	<u>\$470,141.50</u>	<u>717,301.0</u>	<u>\$0.635</u>	<u>\$455,349.64</u>	<u>(\$14,791.86)</u>	<u>-3.15%</u>

**TERASEN GAS INC.**  
 EFFECT ON CUSTOMERS' RATES OF JANUARY 1, 2007 RATE CHANGES CONSISTING OF  
 2005 REVENUE REQUIREMENT AND RIDER CHANGES  
 BCUC ORDER NO. G-\_\_-06

(AMENDED 2006-12-18)  
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 SCHEDULE 22B  
 LARGE INDUSTRIAL T-SERVICE

**RATE SCHEDULE 22B - LARGE INDUSTRIAL T-SERVICE**

Line No.	Existing October 1, 2006 Rates			Propose January 1, 2007 Charges			Annual Increase/(Decrease)	
	Volume	Rate	Annual \$	Volume	Rate	Annual \$	Annual \$	% of Previous Annual Bil
1								
2	<b>COLUMBIA SERVICE - EXCEPT ELKVIEW COAL</b>							
3	Basic Charge	12 months x	\$4,278.00 =	\$51,336.00	12 months x	\$4,193.00 =	\$50,316.00	(\$1,020.00) -0.30%
4								
5	Administration Charge	12 months x	\$73.00 =	876.00	12 months x	\$72.00 =	864.00	(12.00) 0.00%
6								
7	Delivery Charge - Firm							
8	- Firm DTQ	3,049.3	GJ x \$7.068 =	258,629.40	3,049.3	GJ x \$6.928 =	253,506.60	(5,122.80) -1.49%
9	- Firm MTQ	444,833.6	GJ x \$0.076 =	33,807.35	444,833.6	GJ x \$0.074 =	32,917.69	(889.66) -0.26%
10								
11	Delivery Charge - Interruptible MTQ							
12	- Apr. 1 to Nov. 1	4,747.7	GJ x \$0.704 =	3,342.38	4,747.7	GJ x \$0.690 =	3,275.91	(66.47) -0.02%
13	- Nov. 1 to Apr. 1	-	GJ x \$1.015 =	0.00	0.0	GJ x \$0.995 =	0.00	0.00 0.00%
14								
15	Non-Standard Charges ( not forecast )							
16	UOR, Demand Surcharge, Backstopping Gas							
17								
18	Riders : 2 Revenue shortfall - 2006Q1	449,581.3	GJ x \$0.001 =	449.58	449,581.3	GJ x \$0.000 =	0.00	(449.58) -0.13%
19	3 ESM	449,581.3	GJ x (\$0.008) =	(3,596.65)	449,581.3	GJ x (\$0.018) =	(8,092.46)	(4,495.81) -1.30%
20								
21								
22								
23	TOTAL	<u>449,581.3</u>	<u>\$0.767</u>	<u>\$344,844.06</u>	<u>449,581.3</u>	<u>\$0.740</u>	<u>\$332,787.74</u>	<u>(\$12,056.32)</u> -3.50%
24								
25								
26	<b>COLUMBIA SERVICE - ELKVIEW COAL</b>							
27								
28	Basic Charge	12 months x	\$4,278.00 =	\$51,336.00	12 months x	\$4,193.00 =	\$50,316.00	(\$1,020.00) -0.74%
29								
30	Administration Charge	12 months x	\$73.00 =	876.00	12 months x	\$72.00 =	864.00	(12.00) -0.01%
31								
32	Delivery Charge - Firm							
33	- Firm DTQ	2,670.0	GJ x \$1.605 =	51,424.20	2,670.0	GJ x \$1.573 =	50,398.92	(1,025.28) -0.74%
34	- Firm MTQ	479,391.0	GJ x \$0.076 =	36,433.72	479,391.0	GJ x \$0.074 =	35,474.93	(958.79) -0.69%
35								
36	Delivery Charge - Interruptible MTQ							
37	- Apr. 1 to Nov. 1	0.0	GJ x \$0.175 =	0.00	0.0	GJ x \$0.172 =	0.00	0.00 0.00%
38	- Nov. 1 to Apr. 1	0.0	GJ x \$0.252 =	0.00	0.0	GJ x \$0.247 =	0.00	0.00 0.00%
39								
40	Non-Standard Charges ( not forecast )							
41	UOR, Demand Surcharge, Backstopping Gas							
42								
43	Riders : 2 Revenue shortfall - 2006Q1	479,391.0	GJ x \$0.000 =	0.00	479,391.0	GJ x \$0.000 =	0.00	0.00 0.00%
44	3 ESM	479,391.0	GJ x (\$0.004) =	(1,917.56)	479,391.0	GJ x (\$0.006) =	(2,876.35)	(958.79) -0.69%
45								
46								
47								
48	TOTAL	<u>479,391.0</u>	<u>\$0.288</u>	<u>\$138,152.36</u>	<u>479,391.0</u>	<u>\$0.280</u>	<u>\$134,177.50</u>	<u>(\$3,974.86)</u> -2.88%

TERASEN GAS INC.

SUMMARY OF RATE CHANGE REQUIRED  
FOR THE YEAR ENDING DECEMBER 31, 2007  
(\$000)

Line No.	Particulars	2007	2007			Total	Change
		Advance Materials	Core	Non-Core	Bypass and Special Rates		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	RATE CHANGE REQUIRED						
2							
3	Gas Sales and Transportation Revenue,						
4	At Prior Year's Rates	\$1,465,181	\$1,389,582	\$61,764	\$13,835	\$1,465,181	\$0
5							
6	Add - Other Revenue Related to SCP Third Party						
7	Revenue / Terasen Gas (Vancouver Island)	15,173	0	0	15,173	15,173	0
8							
9	Total Revenue	1,480,354	1,389,582	61,764	29,008	1,480,354	0
10							
11	Less - Cost of Gas	(966,880)	(964,375)	(1,355)	(1,150)	(966,880)	0
12							
13	Gross Margin	\$513,474	\$425,207	\$60,409	\$27,858	\$513,474	\$0
14							
15	Revenue Deficiency (Surplus)	(\$4,129)	(\$8,414)	(\$1,195)	\$0	(\$9,609)	
16							
17	Revenue Deficiency (Surplus) as a % of Gross Margin	-0.80%	-1.98%	-1.98%	0.00%	-1.87%	
18							
19	Revenue Deficiency (Surplus) as a % of Total Revenue	-0.28%	-0.61%	-1.93%	0.00%	-0.65%	

## TERASEN GAS INC.

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UTILITY RATE BASE  
 FOR THE YEAR ENDING DECEMBER 31, 2007  
 (\$000)

Line No.	Particulars	2007	2007		Change	Reference	
		Advance Materials	Existing Rates	Adjustments			Revised Rates
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Plant in Service, Beginning	\$3,140,710	\$3,140,710	\$0	\$3,140,710	\$0	- Tab A-3, Page 7.1
2	CPCNs	8,137	8,137	0	8,137	0	- Tab A-3, Page 7.1
3							
4	Additions	129,717	129,717	0	129,717	0	- Tab A-3, Page 7.1
5	Disposals	<u>(32,918)</u>	<u>(32,918)</u>	0	<u>(32,918)</u>	0	- Tab A-3, Page 7.1
6							
7	Plant in Service, Ending	3,245,646	3,245,646	0	3,245,646	0	
8							
9	Add - Intangible Plant	<u>1,614</u>	<u>1,614</u>	0	<u>1,614</u>	0	
10							
11		3,247,260	3,247,260	0	3,247,260	0	
12							
13	Contributions In Aid of Construction	(131,162)	(131,162)	0	(131,162)	0	- Tab A-3, Page 8
14							
15	Less - Accumulated Depreciation	<u>(744,227)</u>	<u>(744,297)</u>	0	<u>(744,297)</u>	(70)	- Tab A-3, Page 15
16							
17							
18	Net Plant in Service, Ending	<u>\$2,371,871</u>	<u>\$2,371,801</u>	<u>\$0</u>	<u>\$2,371,801</u>	<u>(\$70)</u>	
19							
20							
21	Net Plant in Service, Beginning	<u>\$2,339,687</u>	<u>\$2,339,687</u>	<u>\$0</u>	<u>\$2,339,687</u>	<u>\$0</u>	- Tab A-3, Page 9
22							
23							
24	Net Plant in Service, Mid-Year	\$2,355,779	\$2,355,744	\$0	\$2,355,744	(\$35)	
25	Adjustment to 13-Month Average	0	0	0	0	0	
26	Construction Advances	(11)	(11)	0	(11)	0	
27	Work in Progress, No AFUDC	10,771	10,771	0	10,771	0	
28	Unamortized Deferred Charges	(8,227)	(8,222)	0	(8,222)	5	- Tab A-3, Page 13.1
29	Cash Working Capital	(25,197)	(25,214)	17	(25,197)	0	- Tab A-3, Page 14
30	Other Working Capital	143,982	143,982	0	143,982	0	- Tab A-3, Page 14
31	Deferred Income Tax, Mid-Year	(606)	(606)	0	(606)	0	
32	LIFO Benefit	<u>(2,243)</u>	<u>(2,243)</u>	0	<u>(2,243)</u>	0	
33	Utility Rate Base	<u>\$2,474,248</u>	<u>\$2,474,201</u>	<u>\$17</u>	<u>\$2,474,218</u>	<u>(\$30)</u>	

## TERASEN GAS INC.

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UTILITY INCOME AND EARNED RETURN  
 FOR THE YEAR ENDING DECEMBER 31, 2007  
 (\$000)

Line No.	Particulars	2007				Change	Reference
		2007 Advance Materials	Existing Rates	Revised Revenue	-----Revised Rates----- Total		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	ENERGY VOLUMES (TJ)						
2	Sales	116,776	116,776	0	116,776	0	- Tab A-4, Page 15
3	Transportation	95,397	95,397	0	95,397	0	- Tab A-4, Page 15
4		<u>212,173</u>	<u>212,173</u>	<u>0</u>	<u>212,173</u>	<u>0</u>	
5							
6	Average Rate per GJ						
7	Sales	\$11.873	\$11.904	\$0.000	\$11.832	(\$0.041)	
8	Transportation	\$0.782	\$0.787	\$0.000	\$0.775	(\$0.007)	
9	Average	\$6.886	\$6.906	\$0.000	\$6.860	(\$0.026)	
10							
11	UTILITY REVENUE						
12	Sales - Existing Rates	\$1,390,101	\$1,390,101	\$0	\$1,390,101	\$0	- Tab A-4, Page 16
13	- Increase / (Decrease)	(3,617)	0	(8,416)	(8,416)	(4,799)	
14							
15	Transportation - Existing Rates	75,080	75,080	0	75,080	0	- Tab A-4, Page 16
16	- Increase / (Decrease)	(512)		(1,193)	(1,193)	(681)	
17	<b>Total</b>	<u>1,461,052</u>	<u>1,465,181</u>	<u>(9,609)</u>	<u>1,455,572</u>	<u>(5,480)</u>	
18							
19	Cost of Gas Sold (Including Gas Lost)	966,880	966,880	0	966,880	0	- Tab A-4, Page 17.1
20							
21	<b>Gross Margin</b>	<u>494,172</u>	<u>498,301</u>	<u>(9,609)</u>	<u>488,692</u>	<u>(5,480)</u>	
22							
23	Operation and Maintenance	169,272	169,272	0	169,272	0	- Tab A-5, Page 2
24	Vehicle Lease	1,993	1,993	0	1,993	0	
25	Property and Sundry Taxes	44,452	44,452	0	44,452	0	- Tab A-6, Page 4
26	Depreciation and Amortization	84,701	84,771	0	84,771	70	- Tab A-6, Page 7
27	Other Operating Revenue	(24,910)	(24,910)	0	(24,910)	0	- Tab A-1, Page 7
28		<u>275,508</u>	<u>275,578</u>	<u>0</u>	<u>275,578</u>	<u>70</u>	
29	Utility Income Before Income Taxes	218,664	222,723	(9,609)	213,114	(5,550)	
30							
31	Income Taxes	32,706	34,068	(3,171)	30,897	(1,809)	- Current Revision, Tab 1, Page 5
32							
33	<b>EARNED RETURN</b>	<u>\$185,958</u>	<u>\$188,655</u>	<u>(\$6,438)</u>	<u>\$182,217</u>	<u>(\$3,741)</u>	- Current Revision, Tab 1, Page 6
34							
35	<b>UTILITY RATE BASE</b>	<u>\$2,474,248</u>	<u>\$2,474,201</u>	<u>\$17</u>	<u>\$2,474,218</u>	<u>(\$30)</u>	- Current Revision, Tab 1, Page 3
36							
37	<b>RATE OF RETURN ON UTILITY RATE BASE</b>	<u>7.516%</u>	<u>7.625%</u>		<u>7.365%</u>	<u>-0.151%</u>	



TERASEN GAS INC.

INCOME TAXES / REVENUE DEFICIENCY  
FOR THE YEAR ENDING DECEMBER 31, 2007  
(\$000)

Line No.	Particulars (1)	2007 Advance Materials (2)	2007 ----Revised Rates----		Change (6)	Reference (7)	
			Existing Rates (3)	Revised Revenue (4)			Total (5)
1	CALCULATION OF INCOME TAXES						
2	Earned Return	\$185,958	\$188,655	(\$6,438)	\$182,217	(\$3,741)	- Current Revision, Tab 1, Page 6
3	Deduct - Interest on Debt	(109,712)	(109,714)	0	(109,714)	(2)	
4	Add- Non-Tax Ded. Expense (Net)	(2,290)	(2,290)	0	(2,290)	0	- Tab A-6, Page 6
5							
6	Accounting Income After Tax	73,956	76,651	(6,438)	70,213	(3,743)	
7	Add (Deduct) - Timing Differences	(7,553)	(7,483)	0	(7,483)	70	- Tab A-6, Page 6
8	Add - Large Corporation Tax	0	0	0	0	0	
9							
10	Taxable Income After Tax	\$66,403	\$69,168	(\$6,438)	\$62,730	(\$3,673)	
11							
12	Income Tax Rate (Current Tax)	33.000%	33.000%	33.000%	33.000%	0.000%	
13	1 - Current Income Tax Rate	67.000%	67.000%	67.000%	67.000%	0.000%	
14							
15	Taxable Income (L10 / L13)	\$99,109	\$103,236	(\$9,610)	\$93,626	(\$5,483)	
16							
17	Income Tax - Current (L12 x L15)	\$32,706	\$34,068	(\$3,171)	\$30,897	(\$1,809)	
18							
19	- Large Corporation Tax	0	0	0	0	0	
20							
21	Total	\$32,706	\$34,068	(\$3,171)	\$30,897	(\$1,809)	- Current Revision, Tab 1, Page 4
22							
23							
24	REVENUE DEFICIENCY						
25	Earned Return	\$185,958		(\$6,438)	\$182,217	(\$3,741)	- Current Revision, Tab 1, Page 4
26	Add - Income Taxes	32,706		(3,171)	30,897	(1,809)	- Current Revision, Tab 1, Page 4
27	Deduct - Utility Income Before Taxes,						
28	Existing Rates	(222,793)		0	(222,723)	70	- Current Revision, Tab 1, Page 4
29	Corporate Capital Tax	0		0	0	0	
30							
31	Deficiency/(Surplus) After Corporate Capital Tax	(\$4,129)		(\$9,609)	(\$9,609)	(\$5,480)	

TERASEN GAS INC.

RETURN ON CAPITAL  
FOR THE YEAR ENDING DECEMBER 31, 2007  
(\$000)

Line No.	Particulars	Reference	----- Capitalization -----		Embedded Cost	Cost Component	Earned Return	
			Amount	%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	2007 AT 2006 RATES							
2	Long-Term Debt			\$1,470,051	59.42%	7.018%	4.170%	
3	Unfunded Debt			137,931	5.57%	4.750%	0.265%	
4	Preference Shares			0	0.00%	0.000%	0.000%	
5	Common Equity			866,219	35.01%	9.112%	3.190%	
6								
7				<u>\$2,474,201</u>	<u>100.00%</u>		<u>7.625%</u>	
8								
9	2007 REVISED RATES							
10	Long-Term Debt			\$1,470,051	59.41%	7.018%	4.169%	\$103,162
11	Unfunded Debt		\$137,931					
12	Adjustment, Revised Rates		12	137,943	5.58%	4.750%	0.265%	6,552
13	Preference Shares			0	0.00%	0.000%	0.000%	0
14	Common Equity			866,224	35.01%	8.370%	2.930%	72,503
15								
16				<u>\$2,474,218</u>	<u>100.00%</u>		<u>7.365%</u>	<u>\$182,217</u>
17								
18	2007 ADVANCED MATERIALS							
19	Long-Term Debt			\$1,470,051	59.42%	7.018%	4.170%	\$103,162
20	Unfunded Debt		\$137,892					
21	Adjustment, Revised Rates		12	137,904	5.57%	4.750%	0.265%	6,550
22	Preference Shares			0	0.00%	0.000%	0.000%	0
23	Common Equity			866,293	35.01%	8.801%	3.082%	76,246
24								
25				<u>\$2,474,248</u>	<u>100.00%</u>		<u>7.516%</u>	<u>\$185,958</u>
26								
27	CHANGE FROM 2006 APPROVED							
28	Long-Term Debt			\$0	-0.01%	0.000%	-0.001%	\$0
29	Unfunded Debt		\$39					
30	Adjustment, Revised Rates		0	39	0.01%	0.000%	0.000%	2
31	Preference Shares			0	0.00%	0.000%	0.000%	0
32	Common Equity			(69)	0.00%	-0.431%	-0.152%	(3,743)
33								
34				<u>(\$30)</u>	<u>0.00%</u>		<u>-0.153%</u>	<u>(\$3,741)</u>