



March 2, 2007

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
2007 First Quarter Report**

The attached material provides the GCRA report covering the April 1, 2007 to March 31, 2008 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 February 28, 2007 and the forecast gas cost recoveries at existing rates, the March 31, 2007 GCRA deferral balance is projected to be a surplus (after tax) of approximately \$121,900 (Page 4, Line 6, Column 2), and the March 31, 2008 GCRA deferral balance is forecast to be a deficit (after tax) of approximately \$458,400 (Page 4, Line 18, Column 2). The rate change trigger mechanism ratio is determined to be 86.3% (Page 1, Line 8, Column 4), which falls outside the deadband range of 95% to 105%, normally indicating that a rate increase would be required. However, the Fort Nelson GCRA deferral balance is currently in a surplus position and the GCRA deferral is forecast to remain in a surplus position until November 2007. Furthermore, the heating season is almost over and the incremental gas cost recoveries provided by a rate change effective April 1, 2007 would be minimal. Therefore, Fort Nelson proposes no change to rates at this time.

A summary of the forward prices is provided on Page 3, and a summary and graph of the recorded and forecast GCRA balances are shown on Pages 4 and 4.1, respectively.

In summary, Fort Nelson proposes no change to the existing rates at this time.

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

Scott A. Thomson
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Chief Financial Officer

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**TERASEN GAS INC. - FORT NELSON SERVICE AREA
RATE CHANGE TRIGGER MECHANISM
FOR THE 12 MONTHS ENDING MARCH 31, 2008**

Forward Prices as at February 28, 2007

Line No.	Particulars	Volume (TJ)	Cost	Percentage
	(1)	(2)	(3)	(4)
1	<u>RATE CHANGE TRIGGER MECHANISM (Per BCUC Guidelines)</u>			
2				
3	<u>April 1, 2007 to March 31, 2008</u>			
4				
5	Recovered Gas Costs - \$(000) (Page 2.1, Line 12, Col 26)		<u>\$ 4,285.6</u>	
6				
7	Ratio = Total Recovered / Total Incurred			
8	(Increase<100%<Decrease)			<u>86.3%</u>
9				
10	Incurred Gas Costs - \$(000) (Page 2.1, Line 24, Col 26)		\$ 5,148.3	
11	GCRA Accumulation to March 31, 2007 (Page 4, Line 6, Col 2 grossed up)		(181.9)	
12	Total Incurred - \$(000)		<u>\$ 4,966.4</u>	
13				
14				
15	Balancing Requirement			
16				
17	Increase (Decrease) as Calculated - \$(000) (Line 12 - Line 5)		\$ 680.8	
18				
19	Forecast Annual Sales Volumes - April 2007 to March 2008	624.0		
20	(Page 2.1, Col. 26, Line 4 + Line 5)			
21				
22	Calculated Recovered Gas Unit Cost Change - \$/GJ (Line17 / Line19)		\$ 1.091	

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD APR 1, 2007 TO MAR 31, 2009

* EXISTING RATE - JANUARY 1, 2007 *

Line No.	Particulars	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	RECOVERED COSTS BASED ON JANUARY 1, 2007 EFFECTIVE RATE												
2													
3	Recovered Gas Costs												
4	Total Sales - TJ	46.2	22.9	13.2	11.5	12.8	17.9	44.8	78.6	98.2	117.8	86.6	74.1
5	T-Service UAF - TJ	(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	Recovery Unit 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	\$ 317.3	\$ 157.3	\$ 90.7	\$ 79.0	\$ 87.9	\$ 122.9	\$ 307.7	\$ 539.8	\$ 674.4	\$ 809.1	\$ 594.8	\$ 508.9
11	Recovery on T-Service UAF - \$000	(0.7)	-	-	-	-	-	-	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
12	Total Recovered Gas Costs - \$000	<u>\$ 316.6</u>	<u>\$ 157.3</u>	<u>\$ 90.7</u>	<u>\$ 79.0</u>	<u>\$ 87.9</u>	<u>\$ 122.9</u>	<u>\$ 307.7</u>	<u>\$ 539.1</u>	<u>\$ 673.7</u>	<u>\$ 808.4</u>	<u>\$ 594.1</u>	<u>\$ 508.2</u>
13													
14													
15													
16	INCURRED COSTS BASED ON FEBRUARY 28, 2007 FORWARD PRICES												
17													
18	Incurred Gas Costs - \$000												
19	Total Purchases for Sales - TJ	46.0	22.8	13.0	11.4	12.9	17.7	44.6	78.3	97.9	117.5	86.4	73.8
20	- adjusted for Company Use and UAF												
21													
22	Blended Cost - \$/GJ	\$ 7.3491	\$ 7.4061	\$ 7.4615	\$ 7.5044	\$ 7.5381	\$ 7.5691	\$ 7.6243	\$ 8.2354	\$ 8.5429	\$ 8.7090	\$ 8.6881	\$ 8.5687
23													
24	Incurred Gas Costs - \$000	<u>\$ 338.1</u>	<u>\$ 168.9</u>	<u>\$ 97.0</u>	<u>\$ 85.6</u>	<u>\$ 97.2</u>	<u>\$ 134.0</u>	<u>\$ 340.0</u>	<u>\$ 644.8</u>	<u>\$ 836.4</u>	<u>\$ 1,023.3</u>	<u>\$ 750.6</u>	<u>\$ 632.4</u>
25													
26													
27													
28	GCRA BALANCE												
29													
30	GCRA BALANCE - \$000												
31	Opening Balance Before Tax	\$ (165.8)	\$ (144.3)	\$ (132.7)	\$ (126.4)	\$ (119.8)	\$ (110.5)	\$ (99.4)	\$ (67.1)	\$ 38.6	\$ 201.3	\$ 416.2	\$ 572.7
32	Activity	21.5	11.6	6.3	6.6	9.3	11.1	32.3	105.7	162.7	214.9	156.5	124.2
33	Closing Balance Before Tax	<u>\$ (144.3)</u>	<u>\$ (132.7)</u>	<u>\$ (126.4)</u>	<u>\$ (119.8)</u>	<u>\$ (110.5)</u>	<u>\$ (99.4)</u>	<u>\$ (67.1)</u>	<u>\$ 38.6</u>	<u>\$ 201.3</u>	<u>\$ 416.2</u>	<u>\$ 572.7</u>	<u>\$ 696.9</u>
34													
35	Tax Rate	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	32.50%	32.50%	32.50%
36	Tax on Activity	7.1	3.8	2.1	2.2	3.1	3.7	10.7	34.9	53.7	69.8	50.9	40.4
37													
38	Opening Balance After Tax	\$ (121.9)	\$ (107.5)	\$ (99.7)	\$ (95.5)	\$ (91.1)	\$ (84.9)	\$ (77.5)	\$ (55.9)	\$ 14.9	\$ 123.9	\$ 269.0	\$ 374.6
39	Activity	14.4	7.8	4.2	4.4	6.2	7.4	21.6	70.8	109.0	145.1	105.6	83.8
40	Closing Balance After Tax - \$000	<u>\$ (107.5)</u>	<u>\$ (99.7)</u>	<u>\$ (95.5)</u>	<u>\$ (91.1)</u>	<u>\$ (84.9)</u>	<u>\$ (77.5)</u>	<u>\$ (55.9)</u>	<u>\$ 14.9</u>	<u>\$ 123.9</u>	<u>\$ 269.0</u>	<u>\$ 374.6</u>	<u>\$ 458.4</u>
41	(Page 4, Column 2)												

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD APR 1, 2007 TO MAR 31, 2009

* EXISTING RATE - JANUARY 1, 2007 *

Line No.	Particulars	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	12 months	24 months
														Apr07-Mar08	Apr07-Mar09
	(1)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	Total	Total
1	RECOVERED COSTS BASED ON JANUARY 1, 2007 EFFECTIVE RATE														
2															
3	Recovered Gas Costs														
4	Total Sales - TJ	47.0	23.2	13.4	11.6	13.0	18.2	45.5	79.8	99.8	122.5	90.1	76.8	624.6	1,265.5
5	T-Service UAF - TJ	(0.1)	-	-	-	-	-	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)	(1.2)
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	Recovery Unit 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	\$ 322.8	\$ 159.3	\$ 92.0	\$ 79.7	\$ 89.3	\$ 125.0	\$ 312.5	\$ 548.1	\$ 685.4	\$ 841.3	\$ 618.8	\$ 527.5	\$ 4,289.8	\$ 8,691.5
11	Recovery on T-Service UAF - \$000	(0.7)	-	-	-	-	-	-	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(4.2)	(8.4)
12	Total Recovered Gas Costs - \$000	\$ 322.1	\$ 159.3	\$ 92.0	\$ 79.7	\$ 89.3	\$ 125.0	\$ 312.5	\$ 547.4	\$ 684.7	\$ 840.6	\$ 618.1	\$ 526.8	\$ 4,285.6	\$ 8,683.1
13															
14															
15															
16	INCURRED COSTS BASED ON FEBRUARY 28, 2007 FORWARD PRICES														
17															
18	Incurred Gas Costs - \$000														
19	Total Purchases for Sales - TJ	46.8	23.2	13.3	11.5	12.9	18.1	45.3	79.5	99.4	122.2	89.8	76.5	622.3	1,260.8
20	- adjusted for Company Use and UAF														
21															
22	Blended Cost - \$/GJ	\$ 7.3815	\$ 7.2720	\$ 7.3176	\$ 7.3769	\$ 7.4317	\$ 7.4773	\$ 7.5685	\$ 8.3417	\$ 8.5453	\$ 8.6505	\$ 8.6252	\$ 8.5296	\$ 8,2730	\$ 8,2609
23															
24	Incurred Gas Costs - \$000	\$ 345.5	\$ 168.7	\$ 97.3	\$ 84.8	\$ 95.9	\$ 135.3	\$ 342.9	\$ 663.2	\$ 849.4	\$ 1,057.1	\$ 774.5	\$ 652.5	\$ 5,148.3	\$ 10,415.4
25															
26															
27															
28	GCRA BALANCE														
29															
30	GCRA BALANCE - \$000														
31	Opening Balance Before Tax	\$ 696.9	\$ 720.3	\$ 729.7	\$ 735.0	\$ 740.1	\$ 746.7	\$ 757.0	\$ 787.4	\$ 903.2	\$ 1,067.9	\$ 1,284.4	\$ 1,440.8		
32	Activity	23.4	9.4	5.3	5.1	6.6	10.3	30.4	115.8	164.7	216.5	156.4	125.7	As at Mar08	As at Mar09
33	Closing Balance Before Tax	\$ 720.3	\$ 729.7	\$ 735.0	\$ 740.1	\$ 746.7	\$ 757.0	\$ 787.4	\$ 903.2	\$ 1,067.9	\$ 1,284.4	\$ 1,440.8	\$ 1,566.5	\$ 696.9	\$ 1,566.5
34															
35	Tax Rate	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.00%	32.00%	32.00%		
36	Tax on Activity	7.6	3.1	1.7	1.7	2.1	3.3	9.9	37.6	53.5	69.3	50.0	40.2		
37															
38	Opening Balance After Tax	\$ 458.4	\$ 474.2	\$ 480.5	\$ 484.1	\$ 487.5	\$ 492.0	\$ 499.0	\$ 519.5	\$ 597.7	\$ 708.9	\$ 856.1	\$ 962.5		
39	Activity	15.8	6.3	3.6	3.4	4.5	7.0	20.5	78.2	111.2	147.2	106.4	85.5	As at Mar08	As at Mar09
40	Closing Balance After Tax - \$000	\$ 474.2	\$ 480.5	\$ 484.1	\$ 487.5	\$ 492.0	\$ 499.0	\$ 519.5	\$ 597.7	\$ 708.9	\$ 856.1	\$ 962.5	\$ 1,048.0	\$ 458.4	\$ 1,048.0
41	(Page 4, Column 2)														

TERASEN GAS INC.
 FORT NELSON SERVICE AREA
 FORT NELSON INDEX PRICES COMPARISON OF FORWARD CURVES
 FOR THE MONTHS OCTOBER 1, 2006 TO MARCH 31, 2009

		<u>Fort Nelson Forward Prices - \$/GJ</u>					
Line No.	Particulars	Apr. 1, 2007		Jan. 1, 2007			
		Gas Cost Report		Gas Cost Report			
		(February 28, 2007		(November 21, 2006			
		Forward Prices)		Forward Prices)			
	(1)	(2)	(3)	Difference			
				(2)-(3)			
				(4)			
1	2006	<u>2006</u>		<u>2006</u>			
2	October	\$	6.04	\$	6.04	\$	-
3	November	\$	7.65	\$	7.65	\$	-
4	December	\$	7.70	\$	7.70	\$	-
5	Average - Oct to Dec 2006	\$	7.13	\$	7.13	\$	-
6							
7	2007	<u>2007</u>		<u>2007</u>			
8	January	\$	7.66	\$	7.78	\$	(0.12)
9	February	\$	8.02	\$	7.79	\$	0.23
10	March	\$	8.01	\$	7.79	\$	0.22
11	April	\$	7.35	\$	7.93	\$	(0.58)
12	May	\$	7.41	\$	7.91	\$	(0.51)
13	June	\$	7.46	\$	7.95	\$	(0.49)
14	July	\$	7.50	\$	7.97	\$	(0.47)
15	August	\$	7.54	\$	8.01	\$	(0.47)
16	September	\$	7.57	\$	8.03	\$	(0.46)
17	October	\$	7.62	\$	8.08	\$	(0.46)
18	November	\$	8.24	\$	8.43	\$	(0.20)
19	December	\$	8.54	\$	8.66	\$	(0.12)
20	Average - 2007	\$	7.74	\$	8.03	\$	(0.29)
21							
22	2008	<u>2008</u>		<u>2008</u>			
23	January	\$	8.71	\$	8.78	\$	(0.07)
24	February	\$	8.69	\$	8.78	\$	(0.10)
25	March	\$	8.57	\$	8.67	\$	(0.10)
26	April	\$	7.38	\$	7.65	\$	(0.27)
27	May	\$	7.27	\$	7.54	\$	(0.27)
28	June	\$	7.32	\$	7.59	\$	(0.27)
29	July	\$	7.38	\$	7.66	\$	(0.29)
30	August	\$	7.43	\$	7.71	\$	(0.28)
31	September	\$	7.48	\$	7.75	\$	(0.28)
32	October	\$	7.57	\$	7.83	\$	(0.26)
33	November	\$	8.34	\$	8.52	\$	(0.18)
34	December	\$	8.55	\$	8.67	\$	(0.12)
35	Average - 2008	\$	7.89	\$	8.10	\$	(0.21)
36							
37	2009	<u>2009</u>		<u>2009</u>			
38	January	\$	8.65	\$	-	\$	8.65
39	February	\$	8.63	\$	-	\$	8.63
40	March	\$	8.53	\$	-	\$	8.53
41	Average - Jan to Mar 2009	\$	8.60	\$	-	\$	8.60
42							
43							
44							
45	Comparison of Reporting Period	<u>Apr/07-Mar/07</u>		<u>Jan/07-Dec/07</u>			
46	Average	\$	7.93	\$	8.03	\$	(0.10)
47	Comparison of Reporting Period	<u>Apr/07-Mar/08</u>		<u>Jan/07-Dec/09</u>			
48	Average	\$	7.90	\$	8.06	\$	(0.16)

TERASEN GAS INC. - FORT NELSON SERVICE AREA
GCRA BALANCES AFTER TAX
FOR THE MONTHS OCTOBER 1, 2006 TO MARCH 31, 2009
\$000

Line No.	Particulars	Apr 1, 2007 Gas Cost Report January 1, 2007 Rates (Feb 28, 2007 Forward Prices)	Jan 1, 2007 Gas Cost Report July 1, 2006 Rates (Nov 21, 2006 Forward Prices)
	(1)	(2)	(3)
1	Oct - Recorded	(494.1)	(494.2)
2	Nov - Recorded	(372.5)	(453.9)
3	Dec 2006 - Recorded	(327.1)	(397.7)
4	Jan 2007 - Recorded	(242.3)	(328.2)
5	Feb - Projected	(177.2)	(276.1)
6	Mar	(121.9)	(231.5)
7	Apr	(107.5)	(199.2)
8	May	(99.7)	(183.7)
9	Jun	(95.5)	(175.3)
10	Jul	(91.1)	(167.3)
11	Aug	(84.9)	(157.0)
12	Sep	(77.5)	(144.1)
13	Oct	(55.9)	(108.8)
14	Nov	14.9	(27.6)
15	Dec 2007	123.9	89.1
16	Jan 2008	269.0	240.0
17	Feb	374.6	351.2
18	Mar	458.4	440.0
19	Apr	474.2	464.3
20	May	480.5	474.8
21	Jun	484.1	480.8
22	Jul	487.5	486.5
23	Aug	492.0	493.3
24	Sep	499.0	503.6
25	Oct	519.5	531.9
26	Nov	597.7	619.6
27	Dec 2008	708.9	738.9
28	Jan 2009	856.1	
29	Feb	962.5	
30	Mar	1,048.0	

Terasen Gas Inc.
 Fort Nelson GCRA Month-end Balances (After-Tax)
 For the months January 1, 2007 to December 31, 2008

