



June 7, 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 Second Quarter Report**

The attached material provides the GCRA report covering the July 1, 2007 to June 30, 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 June 1, 2007 and the forecast gas cost recoveries at existing rates, the June 30, 2007 GCRA deferral balance is projected to be a surplus (after tax) of approximately \$154,400 (Page 4, Line 9, Column 2), and the June 30, 2008 GCRA deferral balance is forecast to be a deficit (after tax) of approximately \$355,600 (Page 4, Line 21, Column 2). The rate change trigger mechanism ratio is determined to be 89.1% (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 December 2007. The incremental gas cost recoveries provided by a rate change effective July 1, 2007 would be minimal during the summer season. Therefore, Fort Nelson proposes no change to rates at this time. Fort Nelson will continue to monitor the forward prices and will report these results in the 2007 Third Quarter Gas Cost Report.

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
VP, Finance & Regulatory Affairs and
Chief Financial Officer

16705 Fraser Highway
Surrey, B.C. V3S 2X7
Tel: (604) 592-7784
Fax: (604) 576-7074
Email: scott.thomson@terasengas.com
www.terasengas.com

Regulatory Affairs Correspondence
Email: regulatory.affairs@terasengas.com

**TERASEN GAS INC. - FORT NELSON SERVICE AREA
RATE CHANGE TRIGGER MECHANISM
FOR THE 12 MONTHS ENDING JUNE 30, 2008**

Forward Prices as at June 1, 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>July 1, 2007 to June 30, 2008</u>			
4				
5	Recovered Gas Costs - \$(000) (Page 2.1, Line 12, Col 26)		<u>\$ 4,294.4</u>	
6				
7	Ratio = Total Recovered / Total Incurred			
8	(Increase<100%<Decrease)			<u>89.1%</u>
9				
10	Incurred Gas Costs - \$(000) (Page 2.1, Line 24, Col 26)		\$ 5,052.3	
11	GCRA Accumulation to June 30, 2007 (Page 4, Line 9, Col 2 grossed up)		<u>(230.5)</u>	
12	Total Incurred - \$(000)		<u>\$ 4,821.8</u>	
13				
14				
15	Balancing Requirement			
16				
17	Increase (Decrease) as Calculated - \$(000) (Line 12 - Line 5)		\$ 527.4	
18				
19	Forecast Annual Sales Volumes - July 2007 to June 2008	625.3		
20	(Page 2.1, Col. 26, Line 4 + Line 5)			
21				
22	Calculated Recovered Gas Unit Cost Change - \$/GJ (Line17 / Line19)		\$ 0.843	

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD JUL 1, 2007 TO JUN 30, 2009

* EXISTING RATE - JANUARY 1, 2007 *

Line No.	Particulars	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-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	11.5	12.8	17.9	44.8	78.6	98.2	117.8	86.6	74.1	47.0	23.2	13.4
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	\$ 79.0	\$ 87.9	\$ 122.9	\$ 307.7	\$ 539.8	\$ 674.4	\$ 809.1	\$ 594.8	\$ 508.9	\$ 322.8	\$ 159.3	\$ 92.0
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	\$ 79.0	\$ 87.9	\$ 122.9	\$ 307.7	\$ 539.1	\$ 673.7	\$ 808.4	\$ 594.1	\$ 508.2	\$ 322.1	\$ 159.3	\$ 92.0
13													
14													
15													
16	INCURRED COSTS BASED ON JUNE 1, 2007 FORWARD PRICES												
17													
18	Incurred Gas Costs - \$000												
19	Total Purchases for Sales - TJ	11.4	12.9	17.7	44.6	78.3	97.9	117.5	86.4	73.8	46.8	23.2	13.3
20	- adjusted for Company Use and UAF												
21													
22	Blended Cost - \$/GJ	\$ 7.1312	\$ 7.1856	\$ 7.2370	\$ 7.3215	\$ 8.0911	\$ 8.3800	\$ 8.5232	\$ 8.5223	\$ 8.4269	\$ 7.3532	\$ 7.2628	\$ 7.3320
23													
24	Incurred Gas Costs - \$000	\$ 81.3	\$ 92.7	\$ 128.1	\$ 326.5	\$ 633.5	\$ 820.4	\$ 1,001.5	\$ 736.3	\$ 621.9	\$ 344.1	\$ 168.5	\$ 97.5
25													
26													
27													
28													
29													
30	GCRA BALANCE - \$000												
31	Opening Balance Before Tax	\$ (214.6)	\$ (212.3)	\$ (207.5)	\$ (202.3)	\$ (183.5)	\$ (89.1)	\$ 57.6	\$ 250.7	\$ 392.9	\$ 506.6	\$ 528.6	\$ 537.8
32	Activity	2.3	4.8	5.2	18.8	94.4	146.7	193.1	142.2	113.7	22.0	9.2	5.5
33	Closing Balance Before Tax	\$ (212.3)	\$ (207.5)	\$ (202.3)	\$ (183.5)	\$ (89.1)	\$ 57.6	\$ 250.7	\$ 392.9	\$ 506.6	\$ 528.6	\$ 537.8	\$ 543.3
34													
35	Tax Rate	33.00%	33.00%	33.00%	33.00%	33.00%	33.00%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%
36	Tax on Activity	0.8	1.6	1.7	6.2	31.2	48.4	62.8	46.2	37.0	7.2	3.0	1.8
37													
38	Opening Balance After Tax	\$ (154.4)	\$ (152.9)	\$ (149.7)	\$ (146.2)	\$ (133.6)	\$ (70.4)	\$ 27.9	\$ 158.2	\$ 254.2	\$ 330.9	\$ 345.7	\$ 351.9
39	Activity	1.5	3.2	3.5	12.6	63.2	98.3	130.3	96.0	76.7	14.9	6.2	3.7
40	Closing Balance After Tax - \$000	\$ (152.9)	\$ (149.7)	\$ (146.2)	\$ (133.6)	\$ (70.4)	\$ 27.9	\$ 158.2	\$ 254.2	\$ 330.9	\$ 345.7	\$ 351.9	\$ 355.6
41	(Page 4, Column 2)												

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD JUL 1, 2007 TO JUN 30, 2009

* EXISTING RATE - JANUARY 1, 2007 *

Line No.	Particulars	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	12 months	24 months
														Jul07-Jun08	Jul07-Jun09
	(1)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	Forecast Total	Forecast Total
		(26)	(27)											(26)	(27)
1	RECOVERED COSTS BASED ON JANUARY 1, 2007 EFFECTIVE RATE														
2															
3	Recovered Gas Costs														
4	Total Sales - TJ	11.6	13.0	18.2	45.5	79.8	99.8	122.5	90.1	76.8	48.7	24.0	13.9	625.9	1,269.8
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	\$ 79.7	\$ 89.3	\$ 125.0	\$ 312.5	\$ 548.1	\$ 685.4	\$ 841.3	\$ 618.8	\$ 527.5	\$ 334.5	\$ 164.8	\$ 95.5	\$ 4,298.6	\$ 8,721.0
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	\$ 79.7	\$ 89.3	\$ 125.0	\$ 312.5	\$ 547.4	\$ 684.7	\$ 840.6	\$ 618.1	\$ 526.8	\$ 333.8	\$ 164.8	\$ 95.5	\$ 4,294.4	\$ 8,712.6
13															
14															
15															
16	INCURRED COSTS BASED ON JUNE 1, 2007 FORWARD PRICES														
17															
18	Incurred Gas Costs - \$000														
19	Total Purchases for Sales - TJ	11.5	12.9	18.1	45.3	79.5	99.4	122.2	89.8	76.5	48.6	23.8	13.7	623.8	1,265.1
20	- adjusted for Company Use and UAF														
21															
22	Blended Cost - \$/GJ	\$ 7.4134	\$ 7.4745	\$ 7.5095	\$ 7.5967	\$ 8.4191	\$ 8.5569	\$ 8.6390	\$ 8.6346	\$ 8.5598	\$ 4.7406	\$ 4.6571	\$ 4.7136	\$ 92.8	\$ 179.7
23															
24	Incurred Gas Costs - \$000	\$ 85.3	\$ 96.4	\$ 135.9	\$ 344.1	\$ 669.3	\$ 850.6	\$ 1,055.7	\$ 775.4	\$ 654.8	\$ 230.4	\$ 110.8	\$ 64.6	\$ 5,052.3	\$ 10,125.6
25															
26															
27															
28															
29															
30	GCRA BALANCE - \$000														
31	Opening Balance Before Tax	\$ 543.3	\$ 548.9	\$ 556.0	\$ 566.9	\$ 598.5	\$ 720.4	\$ 886.3	\$ 1,101.4	\$ 1,258.7	\$ 1,386.7	\$ 1,283.3	\$ 1,229.3		
32	Activity	5.6	7.1	10.9	31.6	121.9	165.9	215.1	157.3	128.0	(103.4)	(54.0)	(30.9)	As at Jun08	As at Jun09
33	Closing Balance Before Tax	\$ 548.9	\$ 556.0	\$ 566.9	\$ 598.5	\$ 720.4	\$ 886.3	\$ 1,101.4	\$ 1,258.7	\$ 1,386.7	\$ 1,283.3	\$ 1,229.3	\$ 1,198.4	\$ 543.3	\$ 1,198.4
34															
35	Tax Rate	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%		
36	Tax on Activity	1.8	2.3	3.5	10.3	39.6	53.9	68.8	50.3	41.0	(33.1)	(17.3)	(9.9)		
37															
38	Opening Balance After Tax	\$ 355.6	\$ 359.4	\$ 364.2	\$ 371.6	\$ 392.9	\$ 475.2	\$ 587.2	\$ 733.5	\$ 840.5	\$ 927.5	\$ 857.2	\$ 820.5		
39	Activity	3.8	4.8	7.4	21.3	82.3	112.0	146.3	107.0	87.0	(70.3)	(36.7)	(21.0)	As at Jun08	As at Jun09
40	Closing Balance After Tax - \$000	\$ 359.4	\$ 364.2	\$ 371.6	\$ 392.9	\$ 475.2	\$ 587.2	\$ 733.5	\$ 840.5	\$ 927.5	\$ 857.2	\$ 820.5	\$ 799.5	\$ 355.6	\$ 799.5
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 JUNE 30, 2009

		Fort Nelson Forward Prices - \$/GJ				
Line No.	Particulars	2007 Q2		2007 Q1		Difference
		Gas Cost Report		Gas Cost Report		
		(June 1, 2007 Forward Prices)		(February 28, 2007 Forward Prices)		(2)-(3)
	(1)	(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	\$	7.10	\$	7.66	\$ (0.56)
9	February	\$	7.46	\$	8.02	\$ (0.56)
10	March	\$	7.25	\$	8.01	\$ (0.76)
11	April	\$	7.36	\$	7.35	\$ 0.01
12	May	\$	7.18	\$	7.41	\$ (0.23)
13	June	\$	7.17	\$	7.46	\$ (0.29)
14	July	\$	7.13	\$	7.50	\$ (0.37)
15	August	\$	7.19	\$	7.54	\$ (0.35)
16	September	\$	7.24	\$	7.57	\$ (0.33)
17	October	\$	7.32	\$	7.62	\$ (0.30)
18	November	\$	8.09	\$	8.24	\$ (0.14)
19	December	\$	8.38	\$	8.54	\$ (0.16)
20	Average - 2007	\$	7.41	\$	7.74	\$ (0.33)
21						
22	2008	<u>2008</u>		<u>2008</u>		
23	January	\$	8.52	\$	8.71	\$ (0.19)
24	February	\$	8.52	\$	8.69	\$ (0.17)
25	March	\$	8.43	\$	8.57	\$ (0.14)
26	April	\$	7.35	\$	7.38	\$ (0.03)
27	May	\$	7.26	\$	7.27	\$ (0.01)
28	June	\$	7.33	\$	7.32	\$ 0.01
29	July	\$	7.41	\$	7.38	\$ 0.04
30	August	\$	7.47	\$	7.43	\$ 0.04
31	September	\$	7.51	\$	7.48	\$ 0.03
32	October	\$	7.60	\$	7.57	\$ 0.03
33	November	\$	8.42	\$	8.34	\$ 0.08
34	December	\$	8.56	\$	8.55	\$ 0.01
35	Average - 2008	\$	7.87	\$	7.89	\$ (0.02)
36						
37	2009	<u>2009</u>		<u>2009</u>		
38	January	\$	8.64	\$	8.65	\$ (0.01)
39	February	\$	8.63	\$	8.63	\$ 0.01
40	March	\$	8.56	\$	8.53	\$ 0.03
41	April	\$	4.74	\$	-	\$ 4.74
42	May	\$	4.66	\$	-	\$ 4.66
43	June	\$	4.71	\$	-	\$ 4.71
50	Average - Jan to Mar 2009	\$	6.66	\$	8.60	\$ (1.94)
51						
52						
53						
54	Comparison of Reporting Period	<u>Jul/07-Jun/08</u>		<u>Apr/07-Mar/08</u>		
55	Average	\$	7.73	\$	7.93	\$ (0.20)
56	Comparison of Reporting Period	<u>Jul/07-Jun/09</u>		<u>Apr/07-Mar/09</u>		
57	Average	\$	7.49	\$	7.90	\$ (0.41)

TERASEN GAS INC. - FORT NELSON SERVICE AREA
GCRA BALANCES AFTER TAX
FOR THE MONTHS JANUARY 1, 2007 TO JUNE 30, 2009
\$000

Line No.	Particulars	2007 Q2 Gas Cost Report	2007 Q1 Gas Cost Report
		January 1, 2007 Rates (June 1, 2007 Forward Prices)	January 1, 2007 Rates (Feb 28, 2007 Forward Prices)
	(1)	(2)	(3)
1	Oct	(494.1)	(494.1)
2	Nov	(372.5)	(372.5)
3	Dec 2006	(327.1)	(327.1)
4	Jan 2007	(242.3)	(242.3)
5	Feb	(151.6)	(177.2)
6	Mar	(144.0)	(121.9)
7	Apr - Recorded	(160.4)	(107.5)
8	May 2007 - Projected	(156.1)	(99.7)
9	Jun	(154.4)	(95.5)
10	Jul	(152.9)	(91.1)
11	Aug	(149.7)	(84.9)
12	Sep	(146.2)	(77.5)
13	Oct	(133.6)	(55.9)
14	Nov	(70.4)	14.9
15	Dec 2007	27.9	123.9
16	Jan 2008	158.2	269.0
17	Feb	254.2	374.6
18	Mar	330.9	458.4
19	Apr	345.7	474.2
20	May	351.9	480.5
21	Jun	355.6	484.1
22	Jul	359.4	487.5
23	Aug	364.2	492.0
24	Sep	371.6	499.0
25	Oct	392.9	519.5
26	Nov	475.2	597.7
27	Dec 2008	587.2	708.9
28	Jan 2009	733.5	856.14
29	Feb	840.5	962.54
30	Mar	927.5	1048.04
31	Apr	857.2	
32	May	820.5	
33	Jun	799.5	

Terasen Gas Inc.
 Fort Nelson GCRA Month-end Balances (After-Tax)
 For the months May 1, 2007 to June 30, 2009

