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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. – Revelstoke Service Area Quarterly Gas Costs
2007 Third Quarter Report**

Terasen Gas Inc. ("Terasen Gas") hereby submits to the British Columbia Utilities Commission (the "Commission") the 2007 Third Quarter Gas Cost Report for the Revelstoke Service Area ("Revelstoke") utilizing a propane price forecast based on an average of 50% NYMEX West Texas Intermediate ("WTI") Light Sweet Crude Oil futures and 50% NYMEX Mt. Belvieu Propane futures. The attached schedules provide a summary of the forecast monthly deferral account balances based on the forward propane prices as at August 28, 2007.

Based on the August 28, 2007 forward prices, average of 50% NYMEX WTI Light Sweet Crude Oil prices and 50% NYMEX Mt. Belvieu Propane prices, and based on the current rates, the projected deferral account balance at September 30, 2007 is \$130,611 surplus (pre-tax) (Tab 1, Page 1, Column 7, Line 4), and the forecast balance at September 30, 2008 is \$80,657 deficit (pre-tax) (Tab 1, Page 1, Column 7, Line 19). The rate change trigger mechanism is calculated to be 97.7% (Tab 1, Page 1, Column 4, Line 24/25), which falls within the deadband range of 95% and 105%, indicating that a rate change is not required. Terasen Gas proposes no change to the propane reference price for the Revelstoke Service Area at this time.

For information purpose, Terasen Gas provides in Tab 2, Page 1, three sets of forward prices as at August 28, 2007. One set is based on the NYMEX WTI Light Sweet Crude Oil futures, a second set is based on the NYMEX Mt. Belvieu Propane futures, and a third set is based on an average of 50% NYMEX WTI Light Sweet Crude Oil futures and 50% NYMEX Mt. Belvieu Propane futures.

Provided in Tab 3 are the details of the forecast gas costs for Revelstoke. Terasen Gas requests the information contained in Tab 3 be treated as CONFIDENTIAL.

CONFIDENTIALITY

Consistent with past practice and previous discussion and positions on the confidentiality of selected filings (and further emphasized in Terasen Gas' January 31, 1994 submission to the



Commission), Terasen Gas is requesting that this information be filed on a confidential basis pursuant to Section 71(5) of the Utilities Commission Act and requests that the Commission exercise its discretion under Paragraph 1.3 of the amended rules and allow these documents to remain confidential in accordance with Paragraph 1.2. Terasen Gas believes this will ensure that market sensitive information is protected, and Terasen Gas' ability to obtain favourable commercial terms for future propane and natural gas contracting is not impaired.

Terasen Gas will continue to monitor the forward prices and will report these results in the 2007 Fourth Quarter Gas Cost Report.

We trust the Commission will find the attached to be in order. However, should any further information be required, please contact Brian Noel at 604-592-7467.

Yours very truly,

TERASEN GAS INC.

Original signed by: Tom Loski

For: Scott A. Thomson

Attachment

TERASEN GAS INC.

REVELSTOKE PROPANE DEFERRAL

FOR THE PERIOD ENDING SEPTEMBER 30, 2008

WITH EXISTING PROPANE REFERENCE PRICE (COMMISSION ORDER NO. G-66-07)

(AUGUST 28, 2007 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	Litres Purchased	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre Column (3)-(4)	Amount Deferred Column (2)x(5)	Pre-Tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	June 30, 2007 Balance						(\$138,455)
2	July (Projection)	328,669	\$0.3493	\$0.3426 ⁽¹⁾	\$0.0067	\$2,202	(\$136,253)
3	August (Projection)	308,666	\$0.3612	\$0.3542 ⁽²⁾	\$0.0070	\$2,161	(\$134,092)
4	September (Projection)	429,788	\$0.3623	\$0.3542	\$0.0081	\$3,481	(\$130,611)
5	Current Quarter Total	<u>1,067,123</u>				<u>\$7,844</u>	
6							
7	<u>Forecast Volumes and Forecast Prices</u>						
8	October (Forecast)	746,269	\$0.3799	\$0.3542	\$0.0257	\$19,179	(\$111,432)
9	November (Forecast)	1,078,378	\$0.3817	\$0.3542	\$0.0275	\$29,655	(\$81,777)
10	December (Forecast)	1,414,394	\$0.3901	\$0.3542	\$0.0359	\$50,777	(\$31,000)
11	January 2008 (Forecast)	1,527,702	\$0.3889	\$0.3542	\$0.0347	\$53,011	\$22,011
12	February (Forecast)	1,304,993	\$0.3807	\$0.3542	\$0.0265	\$34,582	\$56,593
13	March (Forecast)	1,226,850	\$0.3710	\$0.3542	\$0.0168	\$20,611	\$77,204
14	April (Forecast)	640,775	\$0.3629	\$0.3542	\$0.0087	\$5,575	\$82,779
15	May (Forecast)	504,024	\$0.3552	\$0.3542	\$0.0010	\$504	\$83,283
16	June (Forecast)	367,274	\$0.3487	\$0.3542	(\$0.0055)	(\$2,020)	\$81,263
17	July (Forecast)	324,295	\$0.3471	\$0.3542	(\$0.0071)	(\$2,302)	\$78,961
18	August (Forecast)	316,480	\$0.3521	\$0.3542	(\$0.0021)	(\$665)	\$78,296
19	September (Forecast)	445,417	\$0.3595	\$0.3542	\$0.0053	\$2,361	\$80,657
20	Total October 2007 - September 2008	<u>9,896,851</u>				<u>\$211,268</u>	
21							
22							
23							
24	Recovered Costs (Line 20 Col.2 x Line 19 Col.4)		\$3,505,465				
25	Forecast + Deferral Balance (Page 2 Line 13 Col. 9 + Page 1 Line 4 Col. 7)		<u>\$3,586,169</u>	=	97.7%		

Nores:

(1) Blended existing \$0.3542/litre and previous \$0.3252/litre propane reference price effective July 1, 2007 (BCUC Order No. G-66-07) and January 1, 2007 (BCUC Order No.G-169-06).

(2) Approved propane reference price effective July 1, 2007 (BCUC Order No.G-66-07).

TERASEN GAS INC.
REVELSTOKE FORECAST AVERAGE COST OF PROPANE
FOR THE PERIOD ENDING SEPTEMBER 30, 2008

(AUGUST 28, 2007 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars (1)	2007/2008 Volume (Litres) (2)	Fixed Price Volume (Litres) (3)	Variable Volume (Litres) (4)	Fixed Price (\$/litre) (5)	Variable Price (\$/litre) (6)	Fixed Charges (\$) (7)	Variable Charges (\$) (8)	Total (\$) (9)
1	October 2007	746,269	-	746,269	\$ -	\$ 0.3799	\$ -	\$ 283,523	\$ 283,523
2	November	1,078,378	450,000	628,378	\$ 0.3791	\$ 0.3835	\$ 170,599	\$ 241,005	\$ 411,604
3	December	1,414,394	450,000	964,394	\$ 0.3791	\$ 0.3953	\$ 170,599	\$ 381,201	\$ 551,800
4	January 2008	1,527,702	450,000	1,077,702	\$ 0.3791	\$ 0.3930	\$ 170,599	\$ 423,509	\$ 594,108
5	February	1,304,993	450,000	854,993	\$ 0.3791	\$ 0.3815	\$ 170,599	\$ 326,186	\$ 496,785
6	March	1,226,850	450,000	776,850	\$ 0.3791	\$ 0.3663	\$ 170,599	\$ 284,559	\$ 455,158
7	April	640,775	-	640,775	\$ -	\$ 0.3629	\$ -	\$ 232,551	\$ 232,551
8	May	504,024	-	504,024	\$ -	\$ 0.3552	\$ -	\$ 179,048	\$ 179,048
9	June	367,274	-	367,274	\$ -	\$ 0.3487	\$ -	\$ 128,054	\$ 128,054
10	July	324,295	-	324,295	\$ -	\$ 0.3471	\$ -	\$ 112,574	\$ 112,574
11	August	316,480	-	316,480	\$ -	\$ 0.3521	\$ -	\$ 111,433	\$ 111,433
12	September	445,417	-	445,417	\$ -	\$ 0.3595	\$ -	\$ 160,143	\$ 160,143
13	Total - Oct 2007 to Sept 2008	9,896,851	2,250,000	7,646,851			\$ 852,994	\$ 2,863,785	\$ 3,716,780
14									
15	Forecast Average Cost of Propane (\$/Litre)							\$	<u>0.3756</u>

TERASEN GAS INC. - REVELSTOKE SERVICE AREA
PROPANE FLOATING PRICES
Forward Prices: August 28, 2007

CRUDE OIL FUTURES		
Month	Crude Oil Future Prices (US \$ per Barrel)	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Oct-07	\$71.7300	\$0.3837
Nov-07	\$71.1400	\$0.3867
Dec-07	\$70.5500	\$0.3978
Jan-08	\$70.1700	\$0.3865
Feb-08	\$69.8700	\$0.3775
Mar-08	\$69.6700	\$0.3692
Apr-08	\$69.5300	\$0.3736
May-08	\$69.4200	\$0.3667
Jun-08	\$69.3200	\$0.3591
Jul-08	\$69.2300	\$0.3575
Aug-08	\$69.1500	\$0.3711
Sep-08	\$69.0800	\$0.3784

PROPANE FUTURES		
Month	Propane Futures Prices (US \$ per Gallon)	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Oct-07	\$1.2025	\$0.3761
Nov-07	\$1.2075	\$0.3767
Dec-07	\$1.2125	\$0.3824
Jan-08	\$1.2175	\$0.3913
Feb-08	\$1.1850	\$0.3838
Mar-08	\$1.1450	\$0.3728
Apr-08	\$1.0925	\$0.3522
May-08	\$1.0775	\$0.3438
Jun-08	\$1.0775	\$0.3382
Jul-08	\$1.0775	\$0.3368
Aug-08	\$1.0775	\$0.3331
Sep-08	\$1.0775	\$0.3407

50% CRUDE OIL & 50% PROPANE FUTURES	
Month	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Oct-07	\$0.3799
Nov-07	\$0.3817
Dec-07	\$0.3901
Jan-08	\$0.3889
Feb-08	\$0.3807
Mar-08	\$0.3710
Apr-08	\$0.3629
May-08	\$0.3552
Jun-08	\$0.3487
Jul-08	\$0.3471
Aug-08	\$0.3521
Sep-08	\$0.3595

Notes: US-Cdn exchange rates source - Barclays Bank dated August 28, 2007