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November 30, 2007

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C. V6Z 2N3

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. – Fort Nelson Service Area (“Fort Nelson”)
Gas Cost Reconciliation Account (“GCRA”) Guidelines
2007 Fourth Quarter Report**

The attached material provides the GCRA report covering the January 1, 2008 to December 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 November 26, 2007, the December 31, 2007 GCRA deferral balance is projected to be approximately \$99,100 surplus (after tax) (Tab 1, Page 2.0, Line 34, Column 2). The GCRA ratio arising from the November 26, 2007 forward prices, the gas purchase cost assumptions, the forecast gas cost recoveries at existing rates for the 12 months ending December 31, 2008, and the projected December 31, 2007 deferral balance is calculated to be 95.3% (Tab 1, Page 1, Line 10, Column 5). The GCRA ratio falls within the deadband range of 95% to 105%, indicating that a rate change is not required at this time.

A summary of the forward prices is provided on Tab 1, Page 3, and a summary of the recorded and forecast monthly GCRA after tax balances is provided on Tab 1, Page 4.

Fort Nelson proposes no change to the existing rates at this time. Fort Nelson will continue to monitor the forward prices and will report these results in the 2008 First Quarter Gas Cost Report.

We trust that 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 truly,

TERASEN GAS INC.

Original signed by: Tom Loski

For: Scott A. Thomson

Attachments

TERASEN GAS INC. - FORT NELSON SERVICE AREA
GAS COST RECOVERY ACCOUNT "GCRA" RATE CHANGE TRIGGER MECHANISM
FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2008
WITH EXISTING JULY 1, 2006 GAS COST RECOVERY RATES
(NOVEMBER 26, 2007 FORWARD PRICES)

Line No.	Particulars	Unit Cost (\$/GJ)	Volume (TJ)	Cost (\$000)	Percentage
	(1)	(2)	(3)	(4)	(5)
1	<u>RATE CHANGE TRIGGER MECHANISM</u>				
2					
3	Total Recovered Gas Costs (Page 2.1, Line 10, Col 14)			<u>\$ 4,110.6</u>	
4					
5	Incurred Gas Costs (Page 2.1, Line 20, Col 15)			\$ 4,458.9	
6	Projected GCRA Balance as at December 31, 2007 (Page 2.0, Line 34, Col 2 grossed-up)			(146.8)	
7	Total Incurred Gas Costs			<u>\$ 4,312.1</u>	
8					
9	Ratio = $\frac{\text{Total Recovered Gas Costs (Line 3, Col 4)}}{\text{Total Incurred Gas Costs (Line 7, Col 4)}}$				
10					<u>95.3%</u>
11					
12					
13					
14					
15					
16					
17	<u>BALANCING REQUIREMENT</u>				
18	(applicable when Rate Change Trigger Mechanism Ratio [Line 10, Col 5] falls outside 95% to 105% deadband)				
19					
20	Gas Costs Recovery Under/(Over) at Existing Rates (Line 7 - Line 3)			\$ 201.5	
21					
22	Forecast Annual Sales Volumes - January 2008 to December 2008		598.5		
23	(Page 2.1, Col. 14, Line 2 + Line 3)				
24					
25	Applicable Gas Cost Recovery Rate Increase (Decrease) (Line 20 / Line22)	<u>\$ 0.337</u>			

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD JAN 1, 2008 TO DEC 31, 2009

Tab 1
 Page 2.0

WITH EXISTING JULY 1, 2006 GAS COST RECOVERY RATES
 (NOVEMBER 26, 2007 FORWARD PRICES)

Line No.	Particulars	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1	RECOVERED GAS COSTS												
2	Total Sales - TJ	109.6	82.2	77.4	41.9	23.5	15.3	10.0	12.7	20.2	44.4	70.6	89.5
3	T-Service UAF - TJ	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
4													
5	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
6	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
7													
8	Recovery on Sales - \$000	\$ 752.7	\$ 564.5	\$ 531.6	\$ 287.8	\$ 161.4	\$ 105.1	\$ 68.7	\$ 87.2	\$ 138.7	\$ 304.9	\$ 484.9	\$ 614.7
9	Recovery on T-Service UAF - \$000	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
10	Total Recovered Gas Costs - \$000	\$ 753.4	\$ 565.2	\$ 532.3	\$ 288.5	\$ 162.1	\$ 105.8	\$ 69.4	\$ 87.9	\$ 139.4	\$ 305.6	\$ 485.6	\$ 615.4
11													
12													
13													
14	INCURRED GAS COSTS												
15	Total Purchases for Sales - TJ	110.2	82.6	77.8	42.1	23.7	15.4	9.9	12.8	20.3	44.7	71.0	89.9
16	- adjusted for Company Use and UAF												
17													
18	Blended Cost - \$/GJ	\$ 7.7307	\$ 7.7238	\$ 7.7178	\$ 6.6543	\$ 6.6796	\$ 6.7170	\$ 6.7568	\$ 6.7897	\$ 6.8015	\$ 6.8355	\$ 7.5428	\$ 7.7184
19													
20	Incurred Gas Costs - \$000	\$ 851.9	\$ 638.0	\$ 600.4	\$ 280.1	\$ 158.3	\$ 103.4	\$ 66.9	\$ 86.9	\$ 138.1	\$ 305.5	\$ 535.5	\$ 693.9
21													
22													
23													
24													
25													
26	GCRA BALANCE												
27	Opening Balance Before Tax	\$ (132.0)	\$ (33.5)	\$ 39.3	\$ 107.4	\$ 99.0	\$ 95.2	\$ 92.8	\$ 90.3	\$ 89.3	\$ 88.0	\$ 87.9	\$ 137.8
28	Activity	98.5	72.8	68.1	(8.4)	(3.8)	(2.4)	(2.5)	(1.0)	(1.3)	(0.1)	49.9	78.5
29	Closing Balance Before Tax	\$ (33.5)	\$ 39.3	\$ 107.4	\$ 99.0	\$ 95.2	\$ 92.8	\$ 90.3	\$ 89.3	\$ 88.0	\$ 87.9	\$ 137.8	\$ 216.3
30													
31	Tax Rate	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%
32	Tax on Activity	32.0	23.7	22.1	(2.7)	(1.2)	(0.8)	(0.8)	(0.3)	(0.4)	(0.0)	16.2	25.5
33													
34	Opening Balance After Tax	\$ (99.1)	\$ (32.6)	\$ 16.5	\$ 62.5	\$ 56.8	\$ 54.2	\$ 52.6	\$ 50.9	\$ 50.2	\$ 49.3	\$ 49.2	\$ 82.9
35	Activity	66.5	49.1	46.0	(5.7)	(2.6)	(1.6)	(1.7)	(0.7)	(0.9)	(0.1)	33.7	53.0
36	Closing Balance After Tax - \$000	\$ (32.6)	\$ 16.5	\$ 62.5	\$ 56.8	\$ 54.2	\$ 52.6	\$ 50.9	\$ 50.2	\$ 49.3	\$ 49.2	\$ 82.9	\$ 135.9
37	(Page 4, Column 2)												

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 RECOVERED AND INCURRED COSTS SUMMARY
 FOR THE PERIOD JAN 1, 2008 TO DEC 31, 2009

WITH EXISTING JULY 1, 2006 GAS COST RECOVERY RATES
 (NOVEMBER 26, 2007 FORWARD PRICES)

Line No.	Particulars	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	12 months	24 months
														Jan08-Dec08	Jan08-Dec09
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	Forecast Total	Forecast Total
														(14)	(15)
1	RECOVERED GAS COSTS														
2	Total Sales - TJ	110.4	82.7	78.0	42.2	23.7	15.4	10.0	12.8	20.4	44.7	71.1	90.2	597.3	1,198.9
3	T-Service UAF - TJ	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.2	2.4
4															
5	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		
6	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		
7															
8	Recovery on Sales - \$000	\$ 758.2	\$ 568.0	\$ 535.7	\$ 289.8	\$ 162.8	\$ 105.8	\$ 68.7	\$ 87.9	\$ 140.1	\$ 307.0	\$ 488.3	\$ 619.5	\$ 4,102.2	\$ 8,234.0
9	Recovery on T-Service UAF - \$000	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	8.4	16.8
10	Total Recovered Gas Costs - \$000	\$ 758.9	\$ 568.7	\$ 536.4	\$ 290.5	\$ 163.5	\$ 106.5	\$ 69.4	\$ 88.6	\$ 140.8	\$ 307.7	\$ 489.0	\$ 620.2	\$ 4,110.6	\$ 8,250.8
11															
12															
13															
14	INCURRED GAS COSTS														
15	Total Purchases for Sales - TJ	111.0	83.0	78.4	42.5	23.8	15.5	10.1	12.8	20.4	45.0	71.5	90.6	600.4	1,205.0
16	- adjusted for Company Use and UAF														
17															
18	Blended Cost - \$/GJ	\$ 7.8266	\$ 7.8286	\$ 7.7306	\$ 6.5956	\$ 6.5646	\$ 6.6025	\$ 6.6486	\$ 6.6857	\$ 6.7197	\$ 6.7612	\$ 7.3693	\$ 7.5638	\$ 7.4265	\$ 7.4098
19															
20	Incurred Gas Costs - \$000	\$ 868.8	\$ 649.8	\$ 606.1	\$ 280.3	\$ 156.2	\$ 102.3	\$ 67.2	\$ 85.6	\$ 137.1	\$ 304.3	\$ 526.9	\$ 685.3	\$ 4,458.9	\$ 8,928.8
21															
22															
23															
24															
25															
26	GCRA BALANCE														
27	Opening Balance Before Tax	\$ 216.3	\$ 326.2	\$ 407.3	\$ 477.0	\$ 466.8	\$ 459.5	\$ 455.3	\$ 453.1	\$ 450.1	\$ 446.4	\$ 443.0	\$ 480.9		
28	Activity	109.9	81.1	69.7	(10.2)	(7.3)	(4.2)	(2.2)	(3.0)	(3.7)	(3.4)	37.9	65.1		
29	Closing Balance Before Tax	\$ 326.2	\$ 407.3	\$ 477.0	\$ 466.8	\$ 459.5	\$ 455.3	\$ 453.1	\$ 450.1	\$ 446.4	\$ 443.0	\$ 480.9	\$ 546.0		
30															
31	Tax Rate	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%	32.00%		
32	Tax on Activity	35.2	26.0	22.3	(3.3)	(2.3)	(1.3)	(0.7)	(1.0)	(1.2)	(1.1)	12.1	20.8		
33															
34	Opening Balance After Tax	\$ 135.9	\$ 210.6	\$ 265.7	\$ 313.1	\$ 306.2	\$ 301.2	\$ 298.3	\$ 296.8	\$ 294.8	\$ 292.3	\$ 290.0	\$ 315.8		
35	Activity	74.7	55.1	47.4	(6.9)	(5.0)	(2.9)	(1.5)	(2.0)	(2.5)	(2.3)	25.8	44.3		
36	Closing Balance After Tax - \$000	\$ 210.6	\$ 265.7	\$ 313.1	\$ 306.2	\$ 301.2	\$ 298.3	\$ 296.8	\$ 294.8	\$ 292.3	\$ 290.0	\$ 315.8	\$ 360.1		
37	(Page 4, Column 2)														

TERASEN GAS INC. - FORT NELSON SERVICE AREA
FORT NELSON INDEX PRICES COMPARISON OF FORWARD CURVES
FOR THE PERIOD ENDING DECEMBER 2009

Fort Nelson Forward Prices - \$/GJ				
Line No.	Particulars	2007 Q4 Gas Cost Report (November 26, 2007 Forward Prices)	2007 Q3 Gas Cost Report (August 28, 2007 Forward Prices)	Difference (4)=(2)-(3)
	(1)	(2)	(3)	
1	2007	2007	2007	
2	January	Recorded \$ 7.10	Recorded \$ 7.10	\$ -
3	February	Recorded \$ 7.46	Recorded \$ 7.46	\$ -
4	March	Recorded \$ 7.25	Recorded \$ 7.25	\$ -
5	April	Recorded \$ 7.35	Recorded \$ 7.35	\$ -
6	May	Recorded \$ 7.34	Recorded \$ 7.34	\$ -
7	June	Recorded \$ 7.04	Recorded \$ 7.04	\$ -
8	July	Recorded \$ 6.49	Recorded \$ 6.49	\$ -
9	August	Recorded \$ 6.35	Projected \$ 6.22	\$ 0.13
10	September	Recorded \$ 6.18	\$ 6.44	\$ (0.26)
11	October	Recorded \$ 6.90	\$ 6.42	\$ 0.48
12	November	Projected \$ 7.54	\$ 7.38	\$ 0.16
13	December	\$ 7.67	\$ 7.70	\$ (0.03)
14	Average - 2007	\$ 7.06	\$ 7.02	\$ 0.04
15				
16	2008	2008	2008	
17	January	\$ 7.73	\$ 7.72	\$ 0.01
18	February	\$ 7.72	\$ 7.72	\$ (0.00)
19	March	\$ 7.72	\$ 7.72	\$ (0.01)
20	April	\$ 6.65	\$ 6.75	\$ (0.10)
21	May	\$ 6.68	\$ 6.76	\$ (0.08)
22	June	\$ 6.72	\$ 6.80	\$ (0.08)
23	July	\$ 6.76	\$ 6.84	\$ (0.09)
24	August	\$ 6.79	\$ 6.88	\$ (0.09)
25	September	\$ 6.80	\$ 6.90	\$ (0.10)
26	October	\$ 6.84	\$ 6.96	\$ (0.13)
27	November	\$ 7.54	\$ 7.68	\$ (0.14)
28	December	\$ 7.72	\$ 7.90	\$ (0.18)
29	Average - 2008	\$ 7.14	\$ 7.22	\$ (0.08)
30				
31	2009	2009	2009	
32	January	\$ 7.83	\$ 8.04	\$ (0.21)
33	February	\$ 7.83	\$ 8.04	\$ (0.21)
34	March	\$ 7.73	\$ 7.92	\$ (0.18)
35	April	\$ 6.60	\$ 6.76	\$ (0.16)
36	May	\$ 6.56	\$ 6.68	\$ (0.12)
37	June	\$ 6.60	\$ 6.74	\$ (0.13)
38	July	\$ 6.65	\$ 6.80	\$ (0.15)
39	August	\$ 6.69	\$ 6.86	\$ (0.17)
40	September	\$ 6.72	\$ 6.89	\$ (0.17)
41	October	\$ 6.76		
42	November	\$ 7.37		
43	December	\$ 7.56		
44	Average - 2009	\$ 7.07	\$ 7.19	\$ (0.12)
45				
46	Comparison of Reporting Period	Jan/08-Dec/08	Oct/07-Sep/08	
47	Average	\$ 7.14	\$ 7.13	\$ 0.01
48	Comparison of Reporting Period	Jan/07-Dec/09	Oct/07-Sep/09	
49	Average	\$ 7.11	\$ 7.47	\$ (0.36)

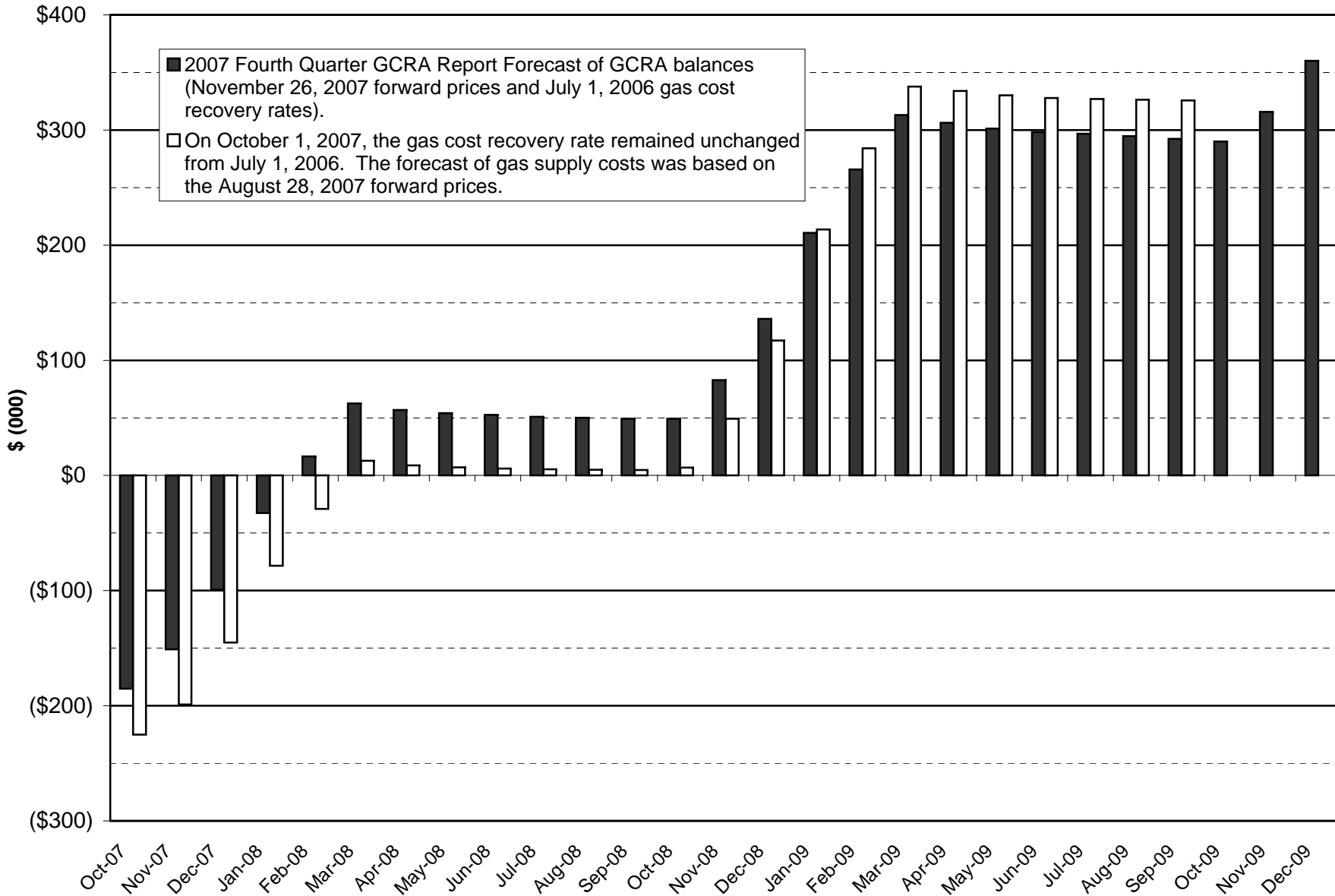
TERASEN GAS INC. - FORT NELSON SERVICE AREA
GCRA AFTER TAX BALANCES (\$000)
FOR THE PERIOD ENDING DECEMBER 2009

Tab 1
Page 4

Line No.	Particulars	2007 Q4 Gas Cost Report		2007 Q3 Gas Cost Report	
		July 1, 2006 Gas Cost Recovery Rates (November 26, 2007 Forward Prices)		July 1, 2006 Gas Cost Recovery Rates (August 28, 2007 Forward Prices)	
	(1)	(2)		(3)	
1	2007 January	Recorded \$	(242.3)	Recorded \$	(242.3)
2	February	Recorded \$	(151.6)	Recorded \$	(151.6)
3	March	Recorded \$	(144.0)	Recorded \$	(144.0)
4	April	Recorded \$	(160.4)	Recorded \$	(160.4)
5	May	Recorded \$	(239.7)	Recorded \$	(239.7)
6	June	Recorded \$	(143.5)	Recorded \$	(143.5)
7	July	Recorded \$	(199.6)	Recorded \$	(199.6)
8	August	Recorded \$	(156.5)	Projected \$	(204.8)
9	September	Recorded \$	(196.6)	\$	(210.8)
10	October	Recorded \$	(185.3)	\$	(225.1)
11	November	Projected \$	(151.0)	\$	(199.0)
12	December	\$	(99.1)	\$	(145.2)
13	2008 January	\$	(32.6)	\$	(78.5)
14	February	\$	16.5	\$	(29.0)
15	March	\$	62.5	\$	12.8
16	April	\$	56.8	\$	8.8
17	May	\$	54.2	\$	7.1
18	June	\$	52.6	\$	6.0
19	July	\$	50.9	\$	5.3
20	August	\$	50.2	\$	4.9
21	September	\$	49.3	\$	4.8
22	October	\$	49.2	\$	6.8
23	November	\$	82.9	\$	49.3
24	December	\$	135.9	\$	117.2
25	2009 January	\$	210.6	\$	213.6
26	February	\$	265.7	\$	284.2
27	March	\$	313.1	\$	337.7
28	April	\$	306.2	\$	334.0
29	May	\$	301.2	\$	330.1
30	June	\$	298.3	\$	327.9
31	July	\$	296.8	\$	326.9
32	August	\$	294.8	\$	326.4
33	September	\$	292.3	\$	325.7
34	October	\$	290.0		
35	November	\$	315.8		
36	December	\$	360.1		

TERASEN GAS INC. - FORT NELSON SERVICE AREA
 GCRA AFTER TAX BALANCES BY MONTH
 FOR THE PERIOD ENDING DECEMBER 2009

Tab 1
 Page 4.1



Tab 1
 Page 4.1