



Scott A. Thomson
Vice President, Regulatory Affairs and
Chief Financial Officer

16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 592-7784
Fax: (604) 576-7074
Email: scott.thomson@terasengas.com
www.terasengas.com

December 10, 2007

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

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. – Revelstoke Service Area Quarterly Gas Costs
2007 Fourth Quarter Report**

Terasen Gas Inc. ("Terasen Gas") hereby submits to the British Columbia Utilities Commission (the "Commission") the 2007 Fourth 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 December 7, 2007.

Based on the December 7, 2007 forward prices, average of 50% NYMEX WTI Light Sweet Crude Oil prices and 50% NYMEX Mt. Belvieu Propane futures, and based on the current rates, the projected deferral account balance at December 31, 2007 is \$32,159 deficit (pre-tax) (Tab 1, Page 1, Column 7, Line 4), and the forecast balance at December 31, 2008 is \$571,122 deficit (pre-tax) (Tab 1, Page 1, Column 7, Line 19). The rate change trigger mechanism is calculated to be 83.1% (Tab 1, Page 1, Column 4, Line 24/25), which falls outside the deadband range of 95% and 105%. Therefore, an increase in the propane reference price and customer rates is indicated. The twelve-month amortization of the projected December 31, 2007 deferral account deficit balance increases the forecast average propane cost of \$0.4220/litre (Tab 1, Page 2, Column 9, Line 15) by \$0.0040/litre, for a total revised reference price of \$0.4260/litre (Tab 1, Page 3, Line 10). The reference price increase of \$0.0718/litre corresponds to a rate increase of \$2.918/GJ (Tab 1, Page 3, Line 20). This equates to a burnertip increase of approximately \$233 or 15.2% for a typical residential customer (Tab 1, Page 5, Line 16) with an average annual consumption of 80 GJ.

Terasen Gas hereby requests Commission approval for an increase in the propane reference price for use in the Revelstoke Propane Cost Deferral Account from \$0.3542/litre to \$0.4260/litre which corresponds to a rate increase of \$2.918/GJ to be effective January 1, 2008.

For information purpose, Terasen Gas provides in Tab 2, Page 1, three sets of forward prices as at December 7, 2007. One set is based on the NYMEX WTI Light Sweet Crude Oil futures, a second set based on the NYMEX Mt. Belvieu Propane futures, and a third set



based on an average of 50% NYMEX WTI Light Sweet Crude Oil futures and 50% NYMEX Mt. Belvieu Propane futures. Terasen Gas will continue to monitor the trends and evaluate the effectiveness of both the NYMEX propane and NYMEX crude oil futures in forecasting propane prices for the purposes of determining commodity recovery rates.

Based on the December 7, 2007, forward prices for the NYMEX WTI Light Sweet Crude Oil futures and the NYMEX Mt. Belvieu Propane futures, the increase in burnertip is approximately 17.5% and 12.9% respectively, for a typical residential customer with an average annual consumption of 80 GJ.

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 discussions 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 Section 6.0 of the Rules for Natural Gas Energy Supply Contracts and allow these documents to remain confidential. 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 2008 First 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 DECEMBER 31, 2008

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

(DEC. 7, 2007 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-Tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)
1	September 30, 2007 Balance						(\$137,715)
2	October (Actuals)	1,052,687	\$0.3749	\$0.3542	\$0.0207	\$21,791	(\$115,924)
3	November (Projection)	1,008,715	\$0.4086	\$0.3542	\$0.0544	\$54,874	(\$61,050)
4	December (Projection)	1,414,394	\$0.4201	\$0.3542	\$0.0659	\$93,209	\$32,159
5	Current Quarter Total	<u>3,475,796</u>				<u>\$169,874</u>	
6							
7	<u>Forecast Volumes and Forecast Prices</u>						
8	January 2008 (Forecast)	1,262,015	\$0.4272	\$0.3542	\$0.0730	\$92,127	\$124,286
9	February (Forecast)	1,023,677	\$0.4185	\$0.3542	\$0.0643	\$65,822	\$190,108
10	March (Forecast)	925,998	\$0.4092	\$0.3542	\$0.0550	\$50,930	\$241,038
11	April (Forecast)	523,560	\$0.4198	\$0.3542	\$0.0656	\$34,346	\$275,384
12	May (Forecast)	441,510	\$0.4127	\$0.3542	\$0.0585	\$25,828	\$301,212
13	June (Forecast)	285,223	\$0.4054	\$0.3542	\$0.0512	\$14,603	\$315,815
14	July (Forecast)	242,244	\$0.4054	\$0.3542	\$0.0512	\$12,403	\$328,218
15	August (Forecast)	218,801	\$0.4124	\$0.3542	\$0.0582	\$12,734	\$340,952
16	September (Forecast)	339,923	\$0.4168	\$0.3542	\$0.0626	\$21,279	\$362,231
17	October (Forecast)	589,982	\$0.4257	\$0.3542	\$0.0715	\$42,184	\$404,415
18	November (Forecast)	918,184	\$0.4315	\$0.3542	\$0.0773	\$70,976	\$475,391
19	December (Forecast)	1,176,057	\$0.4356	\$0.3542	\$0.0814	\$95,731	\$571,122
20	Total January - December 2008	<u>7,947,175</u>				<u>\$538,963</u>	
21							
22							
23							
24	Recovered Costs (Line 20 Col.2 x Line 19 Col.4)		<u>\$2,814,889</u>				
25	Forecast + Deferral Balance (Page 2 Line 13 Col. 9 + Page 1 Line 4 Col. 7)		<u>\$3,385,990</u>				83.1%

TERASEN GAS INC.
REVELSTOKE PROPANE
CALCULATION OF PROPANE COST INCREASE FLOWTHROUGH
FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2008

(DEC. 7, 2007 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	\$/Litre	\$/GJ
1	Calculation of New Propane Reference Price		
2			
3	i. Forecast average Cost of Propane (Tab 1, Page 2, Line 15, Col.9)		
4	January 1, 2008 to December 31, 2008	\$0.4220	\$16.488
5			
6	ii. Twelve months amortization of Deferral Account	<u>0.0040</u>	<u>\$0.156</u>
7			
8			
9			
10	New Reference Price	<u>\$0.4260</u>	<u>\$16.644</u>
11			
12	Existing Propane Reference Price (BCUC Order No. G-66-07)	<u>\$0.3542</u>	<u>\$13.839</u>
13	(Conversion factor 1 Litre = 0.025594 GJ)		
14			
15			
16	Increase in Propane Reference Price to be flowed through in customers' rates	\$0.0718	\$2.805
17			
18	Add: Unaccounted For/Company Use/Vaporizer Use Adjustment (3.99%) ⁽¹⁾	<u>0.0029</u>	<u>\$0.113</u>
19			
20	Total Propane Cost Flowthrough	<u>\$0.0747</u>	<u>\$2.918</u>
21	(Conversion factor 1 Litre = 0.025594 GJ)		

Note: (1) The Unaccounted For/Company Use/Vaporizer Use Adjustment of 3.99% is based on 2004, 2005 and 2006 data.

	Litres	%
Sales	26,173,800	
Less: Propane Used for Vaporizer	288,520	1.10%
Company Use	5,723	0.02%
Unaccounted For	<u>751,699</u>	<u>2.87%</u>
Total	<u>1,045,942</u>	<u>3.99%</u>

TERASEN GAS INC.

Tab 1

REVELSTOKE PROPANE DEFERRAL

Page 4

FOR THE PERIOD ENDING DECEMBER 31, 2008

WITH PROPOSED REFERENCE PRICE EFFECTIVE JANUARY 1, 2008

(DEC. 7, 2007 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	Volumes In Litre	Average Price Per Litre	Approved Reference Price	Amount Deferred Per Litre	Amount Deferred	Pre-Tax Deferral Balance
	(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)=(2)*(5)	(7)
1	September 30, 2007 Balance						(\$137,715)
2	October (Actuals)	1,052,687	\$0.3749	\$0.3542	\$0.0207	\$21,791	(\$115,924)
3	November (Projection)	1,008,715	\$0.4086	\$0.3542	\$0.0544	\$54,874	(\$61,050)
4	December (Projection)	1,414,394	\$0.4201	\$0.3542	\$0.0659	\$93,209	\$32,159
5	Current Quarter Total	<u>3,475,796</u>				<u>\$169,874</u>	
6							
7				Proposed			
8				Reference			
9				Price			
10	Forecast Volumes and Forecast Prices						
11	January 2008 (Forecast)	1,262,015	\$0.4272	\$0.4260	\$0.0012	\$1,514	\$33,673
12	February (Forecast)	1,023,677	\$0.4185	\$0.4260	(\$0.0075)	(\$7,678)	\$25,995
13	March (Forecast)	925,998	\$0.4092	\$0.4260	(\$0.0168)	(\$15,557)	\$10,438
14	April (Forecast)	523,560	\$0.4198	\$0.4260	(\$0.0062)	(\$3,246)	\$7,192
15	May (Forecast)	441,510	\$0.4127	\$0.4260	(\$0.0133)	(\$5,872)	\$1,320
16	June (Forecast)	285,223	\$0.4054	\$0.4260	(\$0.0206)	(\$5,876)	(\$4,556)
17	July (Forecast)	242,244	\$0.4054	\$0.4260	(\$0.0206)	(\$4,990)	(\$9,546)
18	August (Forecast)	218,801	\$0.4124	\$0.4260	(\$0.0136)	(\$2,976)	(\$12,522)
19	September (Forecast)	339,923	\$0.4168	\$0.4260	(\$0.0092)	(\$3,127)	(\$15,649)
20	October (Forecast)	589,982	\$0.4257	\$0.4260	(\$0.0003)	(\$177)	(\$15,826)
21	November (Forecast)	918,184	\$0.4315	\$0.4260	\$0.0055	\$5,050	(\$10,776)
22	December (Forecast)	1,176,057	\$0.4356	\$0.4260	\$0.0096	\$11,290	\$514
23	Total January - December 2008	<u>7,947,175</u>				<u>(\$31,645)</u>	

TERASEN GAS INC.
 PROPOSED JANUARY 1, 2008 PROPANE COST INCREASE
 TYPICAL ANNUAL CONSUMPTION

(DEC. 7, 2007 FORWARD PRICES BASED ON NYMEX 50% WTI LIGHT SWEET CRUDE OIL AND 50% MT. BELVIEU PROPANE FUTURES)

Line No.	Particulars	Rate 1 - Residential				Rate 2 - Small Commercial				Rate 3 - Large Commercial			
		Use per Customer (GJ)	Unit Revenue (\$/GJ) or (\$/mo.)	Revenue (\$)	% Increase	Use per Customer (GJ)	Unit Revenue (\$/GJ) or (\$/mo.)	Revenue (\$)	% Increase	Use per Customer (GJ)	Unit Revenue (\$/GJ) or (\$/mo.)	Revenue (\$)	% Increase
1	REVELSTOKE PROPANE												
2	- INLAND SERVICE AREA												
3													
4	Delivery Margin Related Charges												
5	Basic Charge		\$10.94	\$131.28			\$22.96	\$275.52			\$122.48	\$1,469.76	
6	Delivery Charge + Rider 3 + Rider 5	80.0	\$2.773	221.84		350.0	\$2.352	823.20		5,700.0	\$2.054	11,707.80	
7													
8	Commodity Related Charges												
9	Commodity Cost+Midstream Cost+Rider 1	80.0	\$14.739	1,179.12		350.0	\$13.648	4,776.80		5,700.0	\$13.648	77,793.60	
10													
11	Typical Annual Bill at current rates (excluding any applicable PST or GST)	<u>80.0</u>		<u>1,532.24</u>		<u>350.0</u>		<u>5,875.52</u>		<u>5,700.0</u>		<u>90,971.16</u>	
12													
13													
14													
15	January 1, 2008 Propane Cost Flowthrough												
16	Propane Price Increase		\$2.918	233.44	15.2%		\$2.918	1,021.30	17.4%		\$2.918	16,632.60	18.3%
17	Typical Annual Bill after Propane Price Change			<u>\$1,765.68</u>				<u>\$6,896.82</u>				<u>\$107,603.76</u>	

TERASEN GAS INC. - REVELSTOKE SERVICE AREA
PROPANE FLOATING PRICES
Forward Prices: December 7, 2007

CRUDE OIL FUTURES		
Month	Crude Oil Future Prices (US \$ per Barrel)	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Jan-08	\$88.2800	\$0.4277
Feb-08	\$88.1500	\$0.4171
Mar-08	\$87.9400	\$0.4084
Apr-08	\$87.6800	\$0.4335
May-08	\$87.4200	\$0.4300
Jun-08	\$87.1700	\$0.4221
Jul-08	\$86.9200	\$0.4207
Aug-08	\$86.6800	\$0.4360
Sep-08	\$86.4800	\$0.4397
Oct-08	\$86.3100	\$0.4557
Nov-08	\$86.1500	\$0.4442
Dec-08	\$85.9900	\$0.4539

PROPANE FUTURES		
Month	Propane Futures Prices (US \$ per Gallon)	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Jan-08	\$1.5025	\$0.4266
Feb-08	\$1.4800	\$0.4199
Mar-08	\$1.4375	\$0.4100
Apr-08	\$1.3750	\$0.4061
May-08	\$1.3400	\$0.3955
Jun-08	\$1.3250	\$0.3888
Jul-08	\$1.3250	\$0.3901
Aug-08	\$1.3300	\$0.3888
Sep-08	\$1.3350	\$0.3939
Oct-08	\$1.3400	\$0.3957
Nov-08	\$1.3450	\$0.4173
Dec-08	\$1.3500	\$0.4161

50% CRUDE OIL & 50% PROPANE FUTURES	
Month	Weighted Average Unit Cost (including transportation) (Cdn \$ per Litre)
Jan-08	\$0.4272
Feb-08	\$0.4185
Mar-08	\$0.4092
Apr-08	\$0.4198
May-08	\$0.4127
Jun-08	\$0.4054
Jul-08	\$0.4054
Aug-08	\$0.4124
Sep-08	\$0.4168
Oct-08	\$0.4257
Nov-08	\$0.4315
Dec-08	\$0.4356

Notes: US-Cdn exchange rates source - Barclays Bank dated December 7, 2007