



LETTER NO. L-58-07

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

Log No. 19359

VIA E-MAIL

regulatory.affairs@terasengas.com

July 11, 2007

Mr. Scott Thomson
Vice President, Finance and Regulatory Affairs
and Chief Financial Officer
Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Mr. Thomson:

Re: Terasen Gas Inc.
2007/08 Midstream Annual Gas Contracting Plan

On May 16, 2007, Terasen Gas Inc. ("Terasen Gas" or "TGI") filed on a confidential basis its 2007/08 Midstream Annual Contracting Plan ("2007/08 ACP"). The Commission generally accepts the 2007/08 ACP and items listed on pages 35 to 36. The major portfolio changes affecting the 2007/08 ACP are as follows:

- Terasen Midstream recommends a forecast peak day value for 2007/08 of 1,275 TJ/d, a slight decrease of 0.5% from the 2006/07 value of 1,282 TJ/d.
- For 2007/08, supply from Commodity Providers will be based on a normalized annual demand of 321 TJ/d, plus fuel.
- The Receipt Point Allocation Percentages remain consistent with the current year's delivery requirements: 70% at Station 2, 15% at Alberta and 15% at Huntingdon.
- Commencing November 1, 2007, Commodity Providers (Commercial and Residential Commodity Unbundling Marketers and Terasen Gas) will be required to deliver - excluding fuel - 225 TJ/d at Station 2, 48 TJ/d at Huntingdon and 48 TJ/d at AECO (Alberta).
- Commodity Providers' fuel requirements for the period November 1, 2007 to October 31, 2008 are projected to be the same as for the previous year: 3.0% at Station 2 and 1.0% at Alberta.
- The supply requirement from Terasen Gas Commodity for winter 2007/08 and summer 2008 is estimated at 291TJ/d and 281TJ/d respectively based on forecasted Commercial and Residential Unbundling take-up rates of approximately 30 TJ/d (i.e. 321 TJ/d – 30 TJ/d) for starting of winter 2007-08 and 40 TJ/d for starting of summer 2008 (i.e. 321 TJ/d – 40 TJ/d).

- Incremental storage contracts and third party storage redelivery service agreements to be negotiated as outlined in greater detail within the confidential sections of the 2007/08 ACP.
- Renewal of storage contracts and third party redelivery service which expire or require notice to extend prior to the submission of the 2008/09 Midstream Annual Contracting Plan, as outlined in greater detail within the confidential sections of the 2007/08 ACP.
- Station 2, Alberta, Huntingdon, Stanfield and Kingsgate supply will be negotiated as outlined in greater detail within the confidential sections of the 2007/08 ACP.

Attached is Terasen Gas' non-confidential 2007/08 Midstream Resources Annual Gas Contracting Plan that is available for public dissemination.

Yours truly,

Original signed by

Robert J. Pellatt

RB/cms

Enclosure

cc: Interested Parties

EXECUTIVE SUMMARY

1 INTRODUCTION

The contents of this report summarize the proposed 2007/08 Midstream Annual Contracting Plan (the "2007/08 ACP") for Terasen Gas Inc. ("Terasen Gas" or "TGI" or the "Utility") and its midstream resources for the year commencing November 1, 2007.

The Essential Services Model ("ESM"), developed by Terasen Gas to support commodity unbundling for low-volume customers and approved by the British Columbia Utilities Commission (the "Commission"), allows for the provision of commodity (baseload supply gas) by Terasen Gas and other commodity providers (gas marketers) to meet normal annual demand. In addition Terasen Gas provides midstream services which include the commodity (seasonal and peaking supply), storage and pipeline capacity necessary to meet the peak day demand and to manage the variability in demand. Terasen Gas, in its role as manager of midstream resources, will be referred to as "Terasen Midstream" or "the Midstream". Also Terasen Gas, in its role as a manager of Commodity providers, will be referred to as "Terasen Commodity".

1.1 Objectives of the 2007/08 ACP

The primary objectives of the 2007/08 ACP are comprised of the following two mandates:

1. To contract for cost-effective supply resources which ensure safe and reliable natural gas deliveries to meet core customer design peak day while mitigating against potential upstream and downstream supply disruptions.
2. To develop a portfolio resource mix which incorporates price diversity and provides contracting flexibility for both short-term and longer-term planning.

Terasen Midstream must not only meet peak design day demand but also manage elevated loads over extended periods of colder weather, and mitigate any interruptions in delivery capacity related to both transportation and storage. While customers and regulators expect the Utility to procure and deliver natural gas in the most cost-effective manner possible, Terasen Midstream holds the responsibility to identify, monitor and mitigate potential operational and market-related risks. These objectives of cost effectiveness while meeting reliability, diversity and flexibility can at times be competing with one another.

A simple example can be illustrated in the case of holding pipeline capacity. Terasen Gas holds significant T-South capacity on the Spectra Energy Westcoast ("Westcoast") System from Station 2 to Huntingdon. In any given year, the forecast price of buying gas directly at Huntingdon may be less than the cost of paying for the pipeline capacity and purchasing gas at Station 2. So viewed in isolation, in any one year it may not appear be cost effective to hold T-South pipeline capacity. The forward difference between Station 2 and Huntingdon prices is a forecast based on the market perception of the availability of pipeline capacity. However, holding pipeline capacity allows Terasen to access broader markets for supply. It also allows greater flexibility in contracting such as including Aitken Creek storage or Alberta supply. Holding the capacity also gives greater assurance that supply can be contracted over the long term even when markets tighten. In this way a cost effective objective would appear to compete with the objectives of reliability and diversity. However, during times when markets do tighten and the value of pipeline capacity rises, these objectives can also be aligned in the case of purchasing pipeline capacity.

The optimal portfolio that is selected is based on a balance of resources that combines the objectives of the plan. The portfolio selected each year is based on selecting the lowest cost option and is based on market data available to Terasen Gas at that time. However as anyone would expect, due to the many factors that go into it the market for natural gas, that market is always changing. Not only absolute prices change but everything from premiums to secure physical supply to the relationships between pricing points change. So even though a portfolio was planned to be the most cost effective, viewed in hindsight there may have been other options that were lower cost. For example in a warm winter, the price of natural gas may not be much different than the price in the summer and so in

hindsight it may not have been as cost effective to hold storage versus purchasing supply each day. Alternatively, in a cold winter or a winter where there are supply problems, it may have been better to seek a portfolio with more storage and less direct purchase on the day.

2 CONTRACTING STRATEGY

The contracting strategy of Terasen Gas is based on the peak day demand forecast for the service region. A portion of that peak day demand is met by Terasen Commodity (baseload supply), which is based on the normalized annual demand and the remaining portion of peak day demand is met through Midstream services, which include commodity (seasonal and peaking supply), storage and pipeline capacity to deliver baseload supply, seasonal supply and storage gas to Terasen Gas' service region. Due to the peaky nature (increased demand for only few days during the winter season) of load duration, Terasen Gas' Commodity and Midstream portfolio plays a vital role in meeting the primary objectives of the 2007/08 ACP as discussed above.

The contracting strategy for Terasen Commodity and Terasen Midstream's portfolio include a combination of monthly and daily priced supply for price diversification. This further helps to minimize the cost of re-sale on a given day as Marketer unbundling volumes are updated.

2.1 Peak Day Demand Forecast

The recommended peak day demand for 2007/08 is 1,275 TJ/d, representing a 0.5% decrease over the 2006/07 file design day value of 1,282 TJ/d. The 2007/08 design day value is derived by determining the average design day use rate per customer for each of the past three most recently completed contract years for each service region, and applying that use rate to the 2006/07 actual customer account times the growth rates for 2007-08. While TGI has forecast customer growth of approximately 2%, it was offset by a slightly lower peak use per customer based on three year averaging methodology used to forecast peak day demand. As a result, estimated peak day demand for 2007/08 fell slightly compared to 2006/07. It is important to note that the peak day demand forecast is an estimate and actual use will vary somewhat from the forecast. As can be observed in the table, while the trend has been slow upward growth, whenever the base year is reforecast, small adjustments up or down from the previous base can be expected.

Table 1 illustrates the historical and forecast proposed peak day and normal loads during winter and summer season for each service region.

Table 1: Filed and Forecast Peak Day by Service Region and Normal Loads during Winter and Summer Season

Contract Year	2002-03*	2003-04*	2004-05*	2005-06*	2006-07*	2007-08	2008-09	2009-10	2010-11	2011-12
Columbia	28.0	28.0	27.1	23.9	26.2	27.0	26.9	26.7	26.6	26.5
Coastal	913.0	924.0	901.8	906.9	938.6	934.1	938.2	944.8	951.8	959.7
Squamish	4.0	4.0	4.0	4.0	4.2	4.2	4.4	4.6	4.8	5.1
Ft. Nelson	5.0	5.0	5.1	5.3	5.4	5.5	5.6	5.7	5.8	5.9
Inland	295.0	299.0	322.0	319.0	307.8	304.0	305.6	309.2	313.1	317.3
Peak Day Load	1245.0	1260.0	1260.0	1259.1	1282.2	1274.8	1280.7	1291.0	1302.1	1314.4
Change	-64.0	15.0	0.0	-0.9	23.1	-7.4	6.0	10.3	11.0	12.4
Normal Load (Winter)	495.0	510.8	504.0	496.9	522.8	517.3	517.4	516.9	518.2	526.0
Normal Load (Summer)	200.8	187.3	185.4	179.5	179.9	188.0	188.1	187.9	188.4	191.3

Notes:

1. Peak Day filed values are indicated with an asterisk. Peak day values do not include company use compressor fuel.
2. Normal Load values are actualized till 2005-06 and the numbers beyond that reflect forecast values.

2.2 Commodity Portfolio Overview: 2007-08

As forecast at April 27, 2007, Terasen Commodity and Commodity Unbundling Marketers (Commercial and Residential) must provide the normalized annual load requirement of 321 TJ/d, plus fuel, to Terasen Midstream for the 2007/08 contract year based on the following delivery allocations: 70% at Station 2, 15% at AECO, and 15% at Huntingdon. Customer migration to Marketers under Commodity Unbundling is forecast to be approximately 30 TJ/d for November 1, 2007. Consequently, Terasen Commodity will be required to provide the following amounts at the specified delivery points starting November 1, 2007:

Station 2:	(321 TJ/d – 30 TJ/d) x 70% plus 3% fuel = 210 TJ/d
Huntingdon:	(321 TJ/d – 30 TJ/d) x 15% = 44 TJ/d
Alberta:	(321 TJ/d – 30 TJ/d) x 15% plus 1% fuel = 44 TJ/d

With the implementation of the Residential Unbundling (“Customer Choice Program”) commencing May 1, 2007 and gas flow effective November 1, 2007, some TGI customers will be migrating to gas marketers. Given the uncertainty over customer migration volumes for the next winter and summer periods, there is a potential for Terasen Commodity to be over or under-supplied with physical gas, as the Annual Contracting Plan will be based on a forecasted customer migration number several months before the actual customer migration is known. Terasen Gas does not anticipate any significant stranded costs/benefits arising from the physical supply purchases. And, in an effort to reduce the probability of the occurrence of stranded costs/benefits, Terasen Gas will monitor the actual customer enrolments as they occur beginning May 1, 2007, in order to determine if the Terasen Commodity portfolio is trending towards being over-supplied or under-supplied for November 1, 2007. As Terasen Gas secures its firm supply rateably over time there is an opportunity to cut back buying should a forecast change result in an oversupply projection. Because the average use per customer is small relative to the overall portfolio, it will take a large change in migrating customers to have a significant impact on migration volumes. For example 20,000 customers is approximately 5,500 GJ/d of Terasen Commodity supply.

2.3 Midstream Portfolio Overview: 2007-08

Terasen Midstream’s annual evaluation of its portfolio considers critical factors such as security of supply, reliability, delivered cost of supply, and availability of alternative incremental resources as the fundamental drivers in determining the most viable options. To replace expiring resources and/or meet future growth requirements, the Midstream has several alternatives to assess for 2007/08:

1. Huntingdon Supply
2. Station2 Supply
3. Seasonal Storage (Typically for 151 days of Winter season)
4. Downstream Storage (Typically for 15-40 days during winter)
5. Stanfield Seasonal, Spot and Peaking Supply
6. Kingsgate and/or Alberta Supply

Terasen Gas performed a thorough evaluation of the supply options available for the upcoming winter period, taking into account key market developments which have affected regional pricing and supply sourcing dynamics in the Pacific Northwest (“PNW”). Upon evaluation of the peak and normal day load forecasts, current portfolio mix and market developments, Terasen Midstream recommends the following resource portfolio for 2007/08:

Table 2: Recommended Peak day portfolio for 2007-08 vs 2006-07
For the 2007-08 Contract Year

PEAK DAY PORTFOLIO (TJ/d)	2006-07 ACP Filed	2007-08 ACP Forecast Portfolio
Fort Nelson Division	5	5
Huntingdon Baseload Supply (CCRA gas & Mktrs)	48	48
Alberta Baseload Supply (CCRA gas & Mktrs)	48	48
Station 2 Baseload Supply (CCRA gas & Mktrs)	225	225
Total Baseload Supply	321	321
Seasonal Supply	183	183
Seasonal Storage	157	157
Downstream Storage	253	262
Peaking Supply (Hunt, Kingsgate, Stanfield)	145	128
Spot Supply	26	26
LNG (4 days)	166	166
Industrial Curtailment	26	26
Total Midstream Supply	956	948
Total Resources (TJ/day)	1282	1275
Peak Day Demand (TJ/day)	1282	1275

Notes:

1. Volumes are delivered and DO NOT include fuel, unless stated based on current projected fuel ratios.

In addition, Terasen Midstream will continue its practice from previous years with respect to backstopping and trim supply, industrial curtailment available on a peak day, and downstream balancing requirements.

Terasen Midstream will maintain the ability to purchase daily spot gas as required to back-stop disruptions in supply, meet colder than design weather or replace declines in deliverability associated with storage, Liquefied Natural Gas (“LNG”) or peaking supply (i.e. trim). The Commission may revoke a Marketer’s license, either as the result of a Marketer exiting the marketplace or due to a demonstrated pattern of supply unreliability. In either event, customers affected by longer-term Marketer failure would return to Terasen Gas supplied commodity at the standard system supply rate in addition to any associated incremental costs. Finally, Terasen Midstream would continue its current practise with respect to managing downstream balancing requirements as the ability to balance supply and load within a gas day offers an effective mechanism to manage temperature swings and provides greater control with respect to commodity resale decisions.

Terasen Midstream requests approval from the Commission for the following proposed recommendations and changes to the Midstream portfolio for the 2007/08 contract year:

1. Terasen Midstream recommends a peak day value for 2007/08 of 1,275 TJ/d, a slight decrease of 0.5% from the 2006/07 value of 1,282 TJ/d.
2. For 2007/08, supply from Commodity Providers will be based on a normalized annual demand of 321 TJ/d, plus fuel.
3. The Receipt Point Allocation Percentages remain consistent with the current year’s delivery requirements: 70% at Station 2, 15% at Alberta and 15% at Huntingdon.
4. Commencing November 1, 2007, Commodity Providers (Commercial and Residential Unbundling Marketers and Terasen Gas) will be required to deliver - excluding fuel - 225 TJ/d at Station 2, 48 TJ/d at Huntingdon and 48 TJ/d at AECO (Alberta).
5. Commodity Providers’ fuel requirements for the period November 1, 2007 to October 31, 2008 are projected to be the same as for the previous year: 3.0% at Station 2 and 1.0% at Alberta.
6. The supply requirement from Terasen Gas Commodity for winter 2007/08 and summer 2008 is estimated at 291TJ/d and 281TJ/d respectively based on forecasted Commercial and Residential Unbundling take-up rates of approximately 30 TJ/d (i.e. 321 TJ/d – 30 TJ/d) for starting of winter 2007-08 and 40 TJ/d for starting of summer 2008 (i.e. 321 TJ/d – 40 TJ/d).
7. Incremental storage contracts and third party storage redelivery service agreements will be negotiated as outlined in greater detail within the confidential sections of the 2007/08 ACP.
8. Terasen Midstream recommends the renewal of storage contracts and third party redelivery service which expire or require notice to extend prior to the submission of the 2008/09 Midstream Annual Contracting Plan, as outlined in greater detail within the confidential sections of the 2007/08 ACP.
9. Station 2, Alberta, Huntingdon, Stanfield and Kingsgate supply will be negotiated as outlined in greater detail within the confidential sections of the 2007/08 ACP.

3 MARKET OVERVIEW

The North American energy market continues to experience high levels of volatility both in the natural gas and crude oil sectors. Factors that resulted in bearish outlook for natural gas during the winter of 2006-07 included storage inventories, a slowdown in the US economy and an in-active hurricane season.

Natural gas production has almost flattened over the past few months and is expected to grow at a slow pace over the next year. The resource base has matured and conventional resources are no longer as productive as they once were. Lower gas prices in 2006/07 in combination with rising completion costs have resulted in producers cutting exploration budgets. The current rig counts in Canada reflected a decrease of 318 rigs year over year. With gas production in North America

flattening, imported LNG is expected to play an important role in meeting increased demand. Currently, about 9.6 Bcf/d of new regasification capacity is under construction in North America, which is expected to grow in the coming years. However, the key to increasing LNG imports is availability of supply. Having less optionality, it is becoming apparent that European and Asian markets will compete for this supply, leaving North America as a swing LNG market.

The largest factor influencing the growth in demand for natural gas continues to be increasing demand from gas-fired electric generation. This has put the upward pressure on natural gas prices as demand for electricity continues to grow in North America in line with economic growth. Currently, natural gas fired generation provides one of the few environmentally acceptable methods of meeting that growth both through higher utilization of existing facilities and through the development of new facilities.

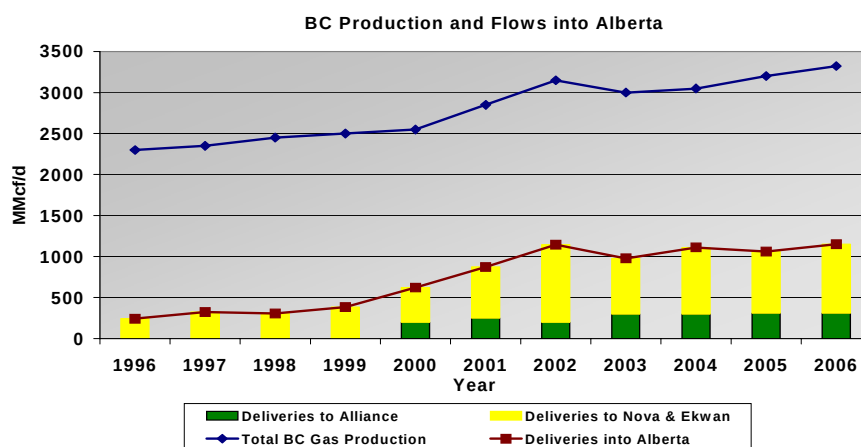
3.1.1 Regional Supply-Demand Balance

Several key market fundamentals, both short-term and long-term, could potentially affect natural gas prices in 2007/08. Factors such as fuel switching, prices of competing fuels, LNG diversions, production shut-ins, storage inventories and weather could affect the supply-demand balance, generally setting short-term prices. The supply-demand balance can be altered by the impact of investment decisions in the long run, which in turn affects the current short-run market balance putting upward or downward pressure on natural gas prices.

The current regional planning context is characterized by the need to establish strategies which secure long-term supply and develop storage and natural gas pipeline infrastructure to maintain resource adequacy in the Pacific Northwest. The 2006 Northwest Gas Association ("NWGA") Outlook Update identifies the key challenges relating to regional supply-demand balances and pricing dynamics including expected growth and changing nature of regional demand, increased competition for supply, and lagging development of new resources.

3.1.1.1 Regional Supply Update

Figure 1: BC Production and Flows into Alberta (MMcf/d)



As illustrated in the figure above, since 1995, approximately 3 Bcf/d of incremental take-away capacity has been added from Northeast BC into Eastern markets with new pipeline infrastructure. With additions of new and proposed pipeline infrastructures (Alliance, Ekwan, AltaGas and Westcoast), producers in BC have greater opportunities and flexibility to move their gas to those markets offering the highest returns. In addition, more gas is currently flowing north into the PNW than in the past as a result of depressed pricing in the Rockies, which is further compounding the reduction of flows on the Westcoast system. As a result, Westcoast has faced increasing levels of de-contracting on T-South over the past couple of years.

During this past winter cold snap from November 23, 2006 to November 30, 2006, the linepack integrity on Westcoast system was compromised. Pressures dropped below the contract minimum of 500 psig on November 28 (the coldest day) for an eight hour period. Although TGI had sufficient authorized volume to meet its system demand, the gas could not be delivered due to the low pressures. Terasen Gas used LNG from its Tilbury Island LNG storage facility to augment pipeline supply during this critical period. Given the heavy reliance on the Westcoast system, Terasen Gas continues to have concerns about the security and reliability of Station 2 supply to be delivered to the Terasen Gas' service region.

Several locations have been proposed for LNG import terminals in the PNW, including two in British Columbia (Kitimat and Prince Rupert), and in Oregon (Bradwood Landing, Port Westward, Skipanon Natural Gas Facility, Tansy Point, and Jordan Cove). Kitimat and Prince Rupert LNG facilities would compete with Station 2 supply sources in the PNW market. Although these projects are currently in the very preliminary stages, they represent possible supply options for 2011 and beyond. Import LNG would likely take the form of a new baseload supply source similar to Station 2 or AECO sourced supply.

Supply into the region is getting tighter year over year and producers have been focused on building optionality and access to markets in Eastern North America. The market at Station 2 has become less liquid with fewer counterparties present and a focus on short term transactions versus long term. As Terasen Gas sources nearly 85% of its gas through Station 2 and Sumas, it continues to monitor this market with a view to looking for opportunities to diversify its supply and ensure long term reliability.

3.1.1.2 Regional Demand Update

In its recent Outlook Study, NWGA projects demand for natural gas in the region to grow at a rate of 2.1% per year with a cumulative projected growth rate of 8.1% over the next five years. The industry consensus is an expectation of a change in the region's load shape resulting from higher demand growth in the residential and commercial segment relative to base-load demand.

The largest factor influencing growth in demand for natural gas continues to be increasing demand from gas-fired electric generation. Currently, natural gas-fired generation provides one of the few environmentally acceptable methods of meeting growth in electric demand both through higher utilization of existing facilities and through the development of new facilities. In BC, British Columbia Hydro and Power Authority's electricity demand growth continues to be very strong with an estimated increase of 25%-45% by 2025. Elsewhere in the region electricity demand continues to grow as well. In the absence of any new significant sources of electricity generation in the PNW, meeting this demand growth will pose a significant challenge.

An emerging development is the increasing uncertainty in demand associated with dispatchable operations of gas-fired electric generation. In the I-5 Corridor, a significant amount of gas-fired electric generation capacity is currently under-utilized. As in the rest of North America, the only short-term response to increases in electricity demand will have to be served through gas-fired sources which represent a significant wildcard in forecasting natural gas demand within the region. The NWGA Outlook Study forecasts a combined peak day in the I-5 corridor of approximately 3.95 Bcf/d for 2007-08 and shows that adequate pipeline and storage infrastructure either exists or is planned to meet that peak day in the next several years. However, under-utilized gas-fired generation facilities currently could represent a potential peak day demand of up to 1.1 Bcf/d versus approximately 420 mmcf/d (excluding Burrard Thermal) currently forecast in the study. Additionally, work commenced this spring on the completion of two new gas-fired generating plants at Gray's Harbour (Satsop Plant) and Longview (Mint Farm Plant) Washington, representing an additional 120 mmcf/d of demand when completed.

Wholesale electricity and natural gas markets in the PNW can be linked at times due to the use of natural gas as a feedstock. Volatility in either market can, and has at times spilled over into the other market. These trends of higher weather sensitive load, growing use and unpredictable operation of

gas-fired generation increases peak day demand and uncertainty in supply availability respectively, creating a greater need for high deliverability shorter duration resources in the region.

4 LONG TERM CONTRACTING STRATEGY

Terasen Midstream's longer-term contracting strategy is mainly driven by the same objectives as the short-term supply and price risk plans of ensuring safe, reliable and cost-effective natural gas deliveries while maintaining contracting flexibility. In addition, long-term contracting strategy intends to address longer term resource requirements, assess the impact of changing supply, demand, and pricing dynamics on gas procurement strategies and to recognize the need to develop a supply portfolio which promotes diversified access to supply and selection of resources which most effectively meets customer demand characteristics over a longer time.

Some of the key messages that have been derived from long term planning include:

- Development of cost-effective transportation infrastructure to Huntingdon which will improve access to a competitive market.
- Considering the effects of the following issues on Station 2 premiums: Spending cuts on natural gas exploration, production decline in Northern BC, increasing migration of BC sourced supply into Alberta, and the impact of Westcoast's policies on availability of supply and value of capacity. Evaluate the impacts of continued de-contracting of T-North capacity to Station 2 by producers and marketers, and increasing movement of gas east.
- Continue to use downstream storage and encourage the development of incremental facilities to replace expiring contracts, if economical. Local facilities, such as LNG storage on Vancouver Island provide increased deliverability and supply security within the region. Downstream storage is increasingly more difficult to obtain and further constrained by a shortage of firm redelivery service back to Sumas.
- Continue to diversify the portfolio by purchasing a mix of supply at various price indices (AECO, Huntingdon, Kingsgate, Stanfield and Station 2), with the flexibility to shift pricing from these points to optimize portfolio assets and overall economics depending on market conditions.

5 KEY MESSAGES / UPDATES: 2007/08 ACP

- **Peak Day Demand 2007/08:** Slightly down, a decrease of 0.5% compared to 2006-07.
- **Commodity Portfolio:** Baseload Supply and receipt point allocation at Stn2, AECO and HUNT to remain at same levels as last year.
- **Midstream Portfolio:**
 - o Combination of Downstream Storage and Re-delivery continues to tighten.
 - o Contracted for a new Mist Storage and associated Re-delivery Contract with 9,200 Dth/d of deliverability for 26 days of capacity.
- **Operating Issues/Concerns:** Westcoast's winter operational problems have raised concerns about the reliability of the Westcoast system.
- **Long-Term Contracting:** Terasen Gas is in need of:
 - o On-system short-duration resources, such as LNG storage on Vancouver Island, to manage exposure to short-term market prices.
 - o Diversity and long run security of supply. With a high degree (85%) dependence on Station 2 sourced supply, Terasen Gas will continue to monitor and explore opportunities to diversify supply sources with such projects as import LNG in the region or the Inland Pacific Connector.