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July 18, 2008

British Columbia Utilities Commission
6th Floor, 900 Howe Street
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Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: Terasen Gas Inc. ("Terasen Gas" or the "Company") – Commodity Unbundling for Residential Customers – British Columbia Utilities Commission (the "Commission") Order No. C-6-06

CUSTOMER CHOICE Post Implementation Review Report and APPLICATION for Program Enhancements and Additional Customer Education Funding

Pursuant to Commission Order No. C-6-06, Terasen Gas respectfully submits the attached Customer Choice Post Implementation Review Report and Application for Program Enhancements and Additional Customer Education Funding.

If you have any questions related to this information, please do not hesitate to contact Hans Mertins at (604) 592-7753.

Yours very truly,

TERASEN GAS INC.

Original signed by: Shawn Hill

For: Tom A. Loski

cc (e-mail only): Commodity Unbundling for Residential Customers CPCN Application – Registered Parties
Licensed Gas Marketers

Attachment



Terasen Gas Inc.

COMMODITY UNBUNDLING FOR RESIDENTIAL CUSTOMERS

**CUSTOMER CHOICE Post Implementation Review
Report and
APPLICATION for Program Enhancements and
Additional Customer Education Funding**

July 2008

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1. Executive Summary

In its April 13, 2006 CPCN Application Terasen Gas Inc. ("Terasen Gas" or the "Company") outlined a plan to implement a Commodity Unbundling service for residential customers in British Columbia effective November 1, 2007. This Application was made in response to the Government of British Columbia's energy policy from 2002, in which it stated a desire to allow natural gas sales to low volume customers by licensed gas marketers. The proposed program for residential customers was based largely on the Commercial Unbundling program that was implemented in 2004 as the first phase of the Company's response to this policy direction. On August 14, 2006 the British Columbia Utilities Commission ("BCUC" or the "Commission") approved the Company's April 13, 2006, CPCN Application, including the Essential Services Model and proposed business rules, via Order No. C-6-06. The Customer Choice program was implemented following this order and thereby completed the second phase of the implementation of a Commodity Unbundling service for low volume customers by licensed gas marketers in British Columbia.

In Order No. C-6-06, the Commission also directed Terasen Gas to file with the Commission a final report about the implementation of the Commodity Unbundling service for residential customers by the end of the second quarter of 2008 after project completion. Since the implementation of the Customer Choice program, Commission staff indicated that this report should be expanded to include a number of enhancements to the program and that this report would then also become an application for the approval of funding needed to implement these enhancements as well as for future customer education funding. Following a meeting with Commission staff in June 2008, where a number of enhancements to the dispute handling capabilities of the Customer Choice systems were discussed, Terasen Gas confirmed in a letter dated June 24, 2008, that the report would be filed by July 18, 2008. Additional time was needed to ensure that the enhancements requested by Commission staff were properly understood and that an implementation assessment was obtained from the Company's outsource information technology and customer care providers. The report that follows is intended to meet the requirements set out in Order No. C-6-06.

The report provides a post implementation review of the Residential Phase of Unbundling that was implemented as the Customer Choice program and assesses the effectiveness and efficiency of the implemented solution. This report also presents a review of the Unbundling process to date and offers suggestions for improvement and refinements intended to enhance the attractiveness and effectiveness of the Customer Choice program for all stakeholders.

Residential Phase of Commodity Unbundling

Based on the results to date, Terasen Gas views the implementation of the Residential Phase of Commodity Unbundling through the Customer Choice program as a qualified success given that it has implemented a solution as described in the April 2006 CPCN application that enables Residential Unbundling. This solution was implemented:

- within the approved level of funding;
- delivered on time; and
- functions well.

The business rules and the Essential Service Model ("EMS") that were designed and implemented in Commercial Unbundling Phase 1 have been a significant contributor to the

success of the Unbundling program in British Columbia and will serve as the foundation on which the current program can evolve.

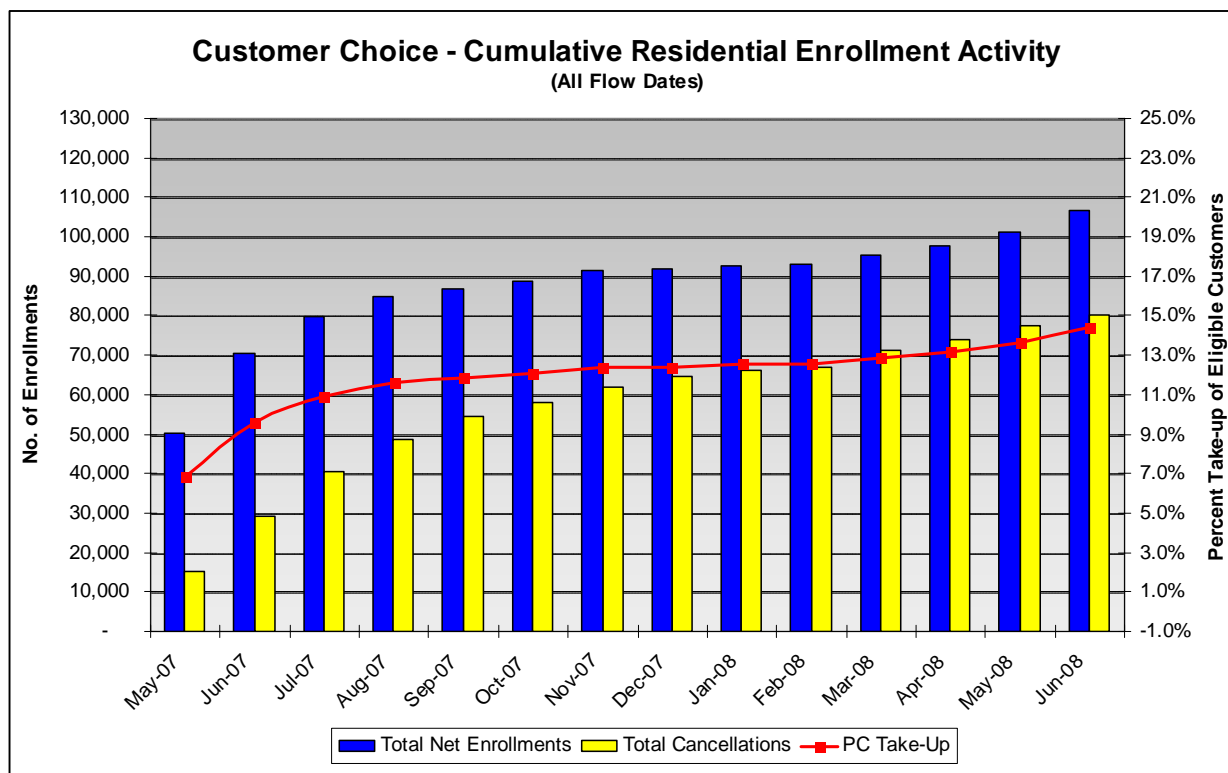
Terasen Gas is encouraged by the level of interest shown by both the number of customers who entered into fixed price contracts for the first time and the number of new gas marketers who found the program attractive for them to participate in the British Columbia marketplace. Residential customers now have real choice in terms of a range of pricing options and choice in terms of who they may buy the natural gas commodity from. The main benefit of a gas marketer fixed rate contract is the rate stability the customer receives during the term of the contract. Recent increases in the default commodity rate offered by Terasen Gas now means that residential customers who signed a fixed rate contract in 2007 or in early 2008 will be paying less for the natural gas commodity than they would be had they elected to remain on the default commodity offering. While this savings may be a short-term gain if commodity prices decline, it does demonstrate a real benefit that residential customers participating in the program are realizing.

Overshadowing this interest however are a significant number of complaints by customers about gas marketers and their sales practices, combined with a large number of disputes logged for customers who were dissatisfied with contracts they had signed with gas marketers. The Company recognizes that the program is still in its early stages of implementation and that additional time is needed before the program has truly stabilized. Once this stabilization process is completed it is expected that both the level of complaints and disputes should be greatly reduced over time. The fact that the number of new complaints and disputes have been decreasing significantly over the last six months is encouraging. This experience is also consistent with the experiences of other jurisdictions that have implemented a commodity unbundling program.

Terasen Gas believes that several enhancements are merited in order to address requests made by both Commission staff and gas marketers. These enhancements will help participants to better manage their participation in the program. The Customer Choice program would be strengthened by these changes.

Consumer and Gas Marketer Interest

As of July 1, 2008 approximately 100, 000 of Terasen Gas' 741,000 Rate Schedule 1 residential customers eligible to participate in the Customer Choice program have signed fixed price contracts that are flowing gas with gas marketers. This total represents approximately 13% of those eligible. The following chart provides a summary of total residential customers enrolled in the program since market open on May 1, 2007 for all gas flow dates less any who elected to cancel their contracts, or where their accounts were finalized by the Company.



Additionally, of the 79,000 Rate Schedule 2 and 3 commercial customers eligible to participate, approximately 20,000 have also signed contracts that are flowing gas with gas marketers. This total represents approximately 25% of those eligible. On combined basis, approximately 119,000 residential and commercial customers are enrolled and flowing gas on fixed price contracts with an independent gas marketers under the Customer Choice program, with a further 10,000 customers enrolled with contracts scheduled to flow gas after July. New enrollments that increase these totals are made each day. The total number of customers currently enrolled represents approximately 15% of all customers eligible to participate in the program.

Fifteen gas marketers are licensed and currently participate in the Customer Choice program and are set out in the following table.

	Gas Marketer	Marketing Focus	
		Residential	Commercial
1	Access Gas Services Inc.	Yes	Yes
2	Active Renewable Marketing Ltd.	Yes	Yes
3	CEG Energy Options Inc.	Yes	Yes
4	Direct Energy Business Services	No	Yes
5	Direct Energy Marketing Ltd. o/a Direct Energy	Yes	No
6	Energy Savings B.C.	Yes	Yes
7	Firefly Energy	Yes	Yes
8	MXenergy (Canada) Ltd.	Yes	Yes
9	Nexen Marketing	No	Yes
10	Premstar Energy - ECNG	No	Yes
11	Smart Energy (BC) Ltd.	Yes	Yes
12	Summitt Energy BC L.P.	Yes	Yes
13	Superior Energy Management Gas L.P.	Yes	Yes
14	Universal Energy Corporation	Yes	Yes
15	Wholesale Energy Group Ltd.	Yes	Yes

Of these 15 gas marketers, three focus their marketing efforts exclusively on commercial customers, one exclusively on residential customers, and 11 on both the residential and commercial customer segments. Prior to the implementation of the Customer Choice program, five gas marketers participated in the Commodity Unbundling program for commercial customers that started in 2004. They were CEG Energy Options, Direct Energy Business Services, Energy Savings B.C., Nexen Marketing, and Premstar Energy.

Thirteen additional new marketers received licenses to participate in the Commodity Unbundling program when marketing to residential customers was permitted beginning May 1, 2007. They include Access Gas, Active Energy, Direct Energy Marketing, Firefly Energy, Intra Energy, MXenergy, Planet Energy, Smart Energy, Summitt Energy, Superior Energy, Tahoe Energy, Universal Energy, and Wholesale Energy.

Of these licensed thirteen gas marketers three have since ceased participation in the program. Tahoe Energy cancelled their marketing plans in June 2007 and withdrew from the program as a gas marketer, Intra Energy also cancelled marketing plans in 2007 and withdrew, while Planet Energy sold its book of customers to another gas marketer in April 2008 and then withdrew. Several other companies have indicated an interest in participating in the Customer Choice program as a gas marketer but have not made a formal application to join the program at this time.

System Implementation and Performance

In terms of the implementation and daily functioning of the Customer Choice enrollment processing system, the Gateway for Energy Marketers ("GEM") application, no significant system or process related issues have been encountered to date. A number of minor enhancements were required however to address system responsiveness when enrollment and dispute activity volumes were much higher than the system was designed for after the market opened in May 2007.

The Residential Phase of the Unbundling program was implemented for a cost of \$11.0 million compared to the approved budget of \$11.1 million. An additional amount of \$1.4 million was

incurred to scope out the design of the program application that was approved by the Commission in August 2006.

The implementation of the Essential Services Model and key aspects of the business rules, the enrollment process and consumer protection and education efforts have progressed well with no major difficulties encountered. The Essential Services Model that governs the conditions under which gas supply arrangements are contracted and delivered in the program has worked well. The Essential Services Model also lowered the cost for gas marketers to participate in the program and facilitated the entry into the market of a much larger number of gas marketers than may otherwise have occurred. Gas marketers have largely met their supply requirements, although some instances occurred earlier in 2008 when Terasen Gas was required to provide backstopping services because of incomplete deliveries made by some gas marketers. The generation of the marketer delivery requirement, scheduling of gas, and the payment process have been completed with few difficulties. The production and mailing of Confirmation Letters to residential customers has been completed largely without problems, except for a slight disruption experienced in January and February of this year when the bankruptcy of the Company's print provider required a new one to be found and processes transitioned to this new provider. The key aspects of the business rules including delivery requirement calculation, receipt point allocation, fuel requirements, backstopping, marketer failure, and bad debt factor are all working or have not been utilized to date (i.e. marketer failure). Terasen Gas recommends no changes to the business rules supporting these processes.

In terms of the enrollment process, Terasen Gas processed approximately 172,000 requests for new residential enrollments from gas marketers since May 2007, as well as an additional 3800 requests for new commercial enrollments, for contracts that are now flowing. The majority of these enrollment requests were made during the four months following market open in May 2007. Customer participation in the program grew from 83,000 residential and 20,000 commercial customers for the November 1, 2007 entry date to 97,000 residential and 19,000 commercial customers as of the June 1, 2008 entry period. In total the Customer Choice systems have processed approximately 1.8 million transactions, a number that includes such activities as the initial enrollment and validation of new customers, the reenrollment of customers selecting new contracts, the cancellation of contracts before the end of the Contract Cancellation Period, customers being terminated from the program for failure to pay, customer moves, and account closures, the porting of contracts to new premises, and the termination of contracts as a result of a dispute decision. Additionally, the Customer Choice systems were responsible for the processing related to logging of over 10,000 disputes against gas marketers' contracts, storage of numerous online supporting documents, and enacting the Commission's ruling for each.

The Terasen Gas call centre has been responsible for handling over 30,000 program enquiries since May 2007, over 14,000 contract cancellation inquiries, 16,000 billing inquiries, and recording over 3,500 complaints by customers. There has been a significant reduction in the level of these activities since market open in May 2007, which is to be expected given the decrease in door-to-door marketing efforts by gas marketers, as well as the overall stabilization of the program as participants became more familiar with program rules and processes.

Terasen Gas believes enrollment issues identified to date are relatively minor in nature given the number of exceptions handled to date compared to the overall number of transactions processed. Where Terasen Gas has encountered processes and system issues processing enrollment transactions, the Company is currently working the contracted billing provider,

CustomerWorks LP to explore solutions to such issues. Solutions may require process improvements or system enhancements.

Enrollment issues are broadly classified into four categories; Gas Marketer Training and Adapting to New Processes, Essential Services Model rules, Terasen Gas' Enrollment Processes and System, and Gas Marketer Suggestions for Improvement.

- Gas Marketer Training and Adapting to New Processes cover issues encountered that are typical with the introduction of new systems and processes. Terasen Gas has been working cooperatively with the gas marketers to reduce the occurrence of these issues. Terasen Gas expects that such issues will continue diminish over time as gas marketers become more familiar with the enrollment process and they refine and improve their own internal processes. It is important to note that not all features of the enrollment processing system will be fully used until at least November 2008. Until that time it will be critical to continue to monitor system performance closely and optimize it to ensure it functions according to specifications.
- The Essential Services Model requires business rules that must be adhered to in order to preserve the intent and integrity of the model. To date, the Customer Choice system has worked very well in enforcing these rules and has prevented business rule violations, such as "poaching" (i.e. a gas marketer signing a customer who is already contracted with another gas marketer), that the old Commercial Unbundling system was not designed to prevent from occurring.
- Terasen Gas' Enrollment Processes and System requires Terasen Gas to continuously monitor the performance of the current system. Terasen Gas also expects to continue to work cooperatively with gas marketers and the Commission to improve system response time, as well as to provide more transactional data where it proves to provide overall value.
- Gas Marketer Suggestions for Improvement comprise of ideas for improving the Customer Choice program. Suggestions for improvement are included later in this report and draw heavily on those made by gas marketers. Terasen Gas will continue to review and evaluate enhancement opportunities for possible implementation as they are identified. Funding for such additional enhancements would have to be approved separately by the Commission before they are implemented.

Stable Rate Program

Terasen Gas' Stable Rate Commodity offering was launched in the fall of 2004 and provided eligible residential customers with the opportunity to lock in the price of the commodity and renew program participation during two further 12 month terms, the last of which ended in December 2007. All 8,700 residential customers enrolled in this program reverted back to the Company's default commodity offering on December 31, 2007 when the program was terminated and were eligible to participate in the Customer Choice program from January 1, 2008. The program was terminated at that time consistent with the direction provided in Commission Order No. C-0-06 from August 14, 2006.

Terasen Gas that believes the development and implementation of the Stable Rate program was a success, meeting the objectives of the program. These objectives include the education of consumers about commodity choice, stimulating consumer interest in alternative gas

commodity offerings, assessing residential consumer response to commodity choice, and aiding in facilitating an orderly transition to an unbundled environment.

Consumer Protection Measures

Consumer protection measures adopted for the Residential Phase of the Unbundling program include the Commission managed dispute resolution and complaints handling processes, licensing of gas marketers, the Code of Conduct for Gas Marketers, Third Party Call Verifications, and Confirmation Letters. Third Party Call Verifications were not part of the original design of the program but implemented to help address complaints about the business practices used by some gas marketers that arose shortly after market open in May 2007. All measures appear to be contributing to the protection of consumers, but a number of recommendations made later in this report are intended to help make these measures function more smoothly.

Price transparency has been greatly improved since the introduction of the Commercial Unbundling program with the publication of monthly rates for each gas marketer on Terasen Gas' website. Pricing information about gas marketers' offerings is now more readily accessible to consumers, which contributes to making an informed purchase decision.

Customer Education

A review of the success of the customer education campaign, using ad tracking research, indicates that it largely met its stated objectives. The specific objectives for the customer education campaign was to make at least 85% of natural gas customers aware of the program and to ensure that these customers have a general understanding of it. Consumers were encouraged to visit the Customer Choice section on the Company's website for more detailed information about the program. The awareness level objectives achieved could not have been established without the use of television. A print and radio advertising campaign will neither reach enough consumers, nor reach them often enough to build the awareness levels that were attained. Presenting information using mass media advertising in a single, clear voice has been paramount to the success of Customer Choice. These communications help to firmly establish the new product and develop a marketplace in which gas marketers can be successful in the long term. Although the April 2006 CPCN application described two successive one year periods for the initial customer education campaign, actual experience shows that any cessation of customer choice advertising is quickly followed by a rapid decline in program awareness levels. This issue represents a key risk to the long-term success of the Customer Choice program. The best means of addressing this issue is a sustained prolonged customer education campaign.

The communications strategy employed met these goals, but more effort is needed after 2008 to maintain program awareness, communicate the difference between commodity and delivery costs, and helps to stabilize and allow the program to grow. Shifting consumers from short term awareness to basic understanding takes time and consistent messaging. Accomplishing this shift will ensure most customers can recall basic Customer Choice information, including what gas marketers offer, and where they can go for more detailed information if needed.

At its peak in 2007, 77% of natural gas customers were aware of Customer Choice. The return of heavy television advertising in early 2008 quickly re-established higher levels of product awareness when the targeted 85% awareness was exceeded in first week of advertising in

January 2008. The customer education campaign launched in early 2007 to help prepare consumers for the introduction of Customer Choice involved primarily the use of a television advertising campaign, radio advertising, bill inserts, bill messaging, newspaper advertising, and a Standard Information Booklet that describes the key elements of the program. This information was delivered throughout 2007 with the specific objectives being to increase awareness of Commodity Unbundling, generate interest for customers to investigate commodity choice, provide information on how to make an informed choice, and describe the process required for switching commodity suppliers.

Shifting people from awareness to basic understanding requires a considerably greater amount of time and consistent messaging. To ensure that customers gained a general understanding of the program, Terasen Gas identified 11 key messages that needed to be communicated. Research that was completed following the delivery of these messages indicates good results. The messages “buy from others”, “can choose rates,” and “marketers independent,” showed strong trends in 2007. The 2008 results continue to be encouraging. Portions of the gains that were achieved throughout in 2007 however, were lost when television advertising ended by late September 2007. However, the return of advertising in January 2008 re-established higher levels of product awareness. The awareness level objectives achieved could not have been established without the use of television. A print and radio advertising campaign will neither reach enough people, nor reach them often enough to build the awareness levels attained with our strategy.

The media strategy that was employed addressed the most important key messages early in 2007. Although results were less dramatic than the primary Customer Choice messages, knowledge of the “two cost components,” commodity and delivery, did reach new peaks. In conjunction with past efforts, Customer Choice communications appear to be finally starting to impact consumer understanding of this issue. By continuing to emphasize this message it will likely result in more satisfied natural gas customers, customers more willing to consider participating in the program, and help reduce the overall number of complaints to Terasen Gas and the Commission.

It is important to note that the Customer Education campaign was not designed to guide customers through a purchase decision, or manage complaints by customers after contact by gas marketers that arose from inappropriate or questionable sales tactics. The key customer education objectives were to raise awareness of the program and to provide information about where to find more program details. These objectives were accepted in the August 14, 2006 decision by the Commission. Customers were provided with clear information indicating that the BCUC was responsible for addressing complaints about gas marketers, as well as resolving any contractual disputes. This information was intended to complement the responsibilities gas marketers have in providing this information before they contract with customers for the supply of natural gas. At the time that the Customer Education Plan was designed in the fall of 2006, a key assumption was made about the conduct of gas marketers in terms of their marketing approach, especially as it related to door-to-door selling. It was assumed that gas marketers would fully meet the requirements of the Code of Conduct as it related to their business practices. Unfortunately, this was not always the case, something that became clear shortly after the opening of the market in May 2007.

As noted earlier, television advertising was the leading driver of program awareness. Moreover, television advertising was essential in motivating consumers to turn their attention to more passive media like bill inserts. On the downside, the creative approach chosen in 2007, as

selected through quantitative research techniques, wore out much earlier than anticipated. In response to this challenge, Terasen Gas developed and selected a more engaging creative approach to deal with Customer Choice that holds the promise of more varied creative material used to engage customers.

The 2008 “Comfort Expert” creative package was selected using qualitative research techniques. It was selected primarily because it is better able to help promote positive feelings about natural gas and is able to deliver key messages more readily than the approach used for the initial launch of Customer Choice. This creative approach however, also provides link to the local distribution utility in a way that encourages consumers to consider the use of natural gas, especially in the light of energy alternatives. A competitive, growing market for natural gas is an important benefit for gas marketers and all customers. Terasen Gas is of the view that customers are more likely to consider participating in the Customer Choice program if there is a clear link to it and to Terasen Gas, which is a company they place considerable trust in. Such a link better positions future customer education campaigns to more effectively raise awareness of the different cost components on the monthly bill, provide more information about gas marketers, and provide more information to help consumers make informed purchase decisions. In short, the “Comfort Expert” creative package is well suited for the delivery of key messages to customers about the unbundling program in a manner that attracts and retains attention through delivery of the message. This approach to the creative package for Customer Choice advertising is consistent with the description of the customer choice education plan included in the April 2006 CPCN application, and noted by the Commission in its August 2006 decision as important to helping customers gain acceptance of the program.

Terasen Gas proposes to continue to refine the Customer Education plan and requests funding approval from Commission for each of the next three years. Alternative media strategies are reviewed later in this report. The recommended strategy is the one that best protects the investments and gains made to date, and starts the process of shifting customers from product awareness to product knowledge. The proposed approach is consistent with what was originally approved in August 2006, and will include soliciting feedback from stakeholders prior to the implementation of each annual campaign. The specific funding requirements are set out later in this report.

Customer Choice Enhancements

Commission staff, which is responsible for the management of the dispute resolution and complaints handling process for the Customer Choice program, and gas marketers, provided a list of enhancements earlier this year that they believe should be considered for implementation as soon as possible. The list of enhancements that Commission staff requested for consideration has been reviewed and formal feedback already provided in a separate letter by the Company dated April 15, 2008. In this letter Terasen Gas stressed the importance of including all stakeholders in a review opportunity given the effect on processes that gas marketers are also responsible for managing. This letter also indicated the need to revisit the cost estimate for any of these enhancements given the period of time that has passed since the estimate was first provided. In terms of coordinating these enhancements with those requested by gas marketers, it is important to note that a number of gas marketer requested enhancements assume that the Commission’s requests have already been implemented.

In a letter dated February 1, 2008 the BCUC asked gas marketers to prepare a report detailing issues and suggested enhancements to the Commodity Unbundling program as they relate to

residential customers. This report was reviewed as part of a meeting held on April 8, 2008 and chaired by Commission staff to consider issues faced by the Commodity Unbundling program. Terasen Gas reviewed each of the issues and proposed enhancements and provides a recommended list of enhancements to the Customer Choice program later in this report. The recommendation considered the discussions that occurred during the April 8th meeting, combined with a detailed design and cost evaluation.

Commission Review of this Report and Approvals

Terasen Gas is of the view that a written regulatory review process including Information Requests and Final Submissions, is reasonable and appropriate for Commission's review of the Application. Terasen Gas requests that the Commission complete its process to review this application by October 1, 2008. A decision by the Commission by October 1, 2008 is critical to ensuring that planning for the next phase of the Customer Education Plan and securing of the external resources necessary for the implementation of the recommended changes is able to proceed at the cost estimate and timeline outlined herein. A proposed regulatory process and timetable is included under section 3.2 of this Application.

Specifically, Terasen Gas seeks approval for the following items and an increase of the existing Residential and Commercial Unbundling Deferral Account spending authorization:

- | | |
|--|---------------------------|
| 1. The 2009-2011 Customer Education Plan (section 7.1) | \$ 3.25 million annually; |
| 2. Terasen Gas recommended enhancements (section 7.2) | \$ 819,200 |
| 3. Commission requested enhancements (section 7.3) | \$ 55,100; and |
| 4. Gas marketer requested enhancements (section 7.4) | \$ 352,500. |

Of these amounts the \$3.25 million per year required for customer education would be considered an operating and maintenance cost to be charged to the deferral account with a one-year amortization, while the \$1.23 million required to fund the implementation of the recommended enhancements would be considered capital and recovered from customers over a three year amortization period. The deferral account treatment, including amortizations, of the customer education funding and the capital funding is consistent with the deferral account treatment approval provided for the Customer Choice implementation in August 2006, as set out in Order No. C-6-06. Additionally the Company proposes to recover these costs from customers by way of a rate rider consistent with cost recovery rate rider approved by the Commission under Order No. C-6-06.

2. Introduction

This report is prepared pursuant to Commission Order No. C-6-06 dated August 14, 2006 that indicated a post implementation report for the Residential Unbundling program should be filed with the Commission following project completion. In its April 13, 2006 CPCN application for the Residential Unbundling program, Terasen Gas indicated that such a report would be filed by mid 2008. The purpose of this report is to assess the effectiveness of the implemented solution with the intent to recommend refinements and introduce changes that will enhance the attractiveness of the overall Commodity Unbundling program for all stakeholders.

In its April 13, 2006 CPCN application, Terasen Gas recommended that a post implementation review of Residential Unbundling be undertaken to assess the effectiveness of the implemented solution. This report is part of that process, and incorporates a review of enhancements identified by gas marketers, Commission staff, and other stakeholders through the fall of 2007 and into the spring of 2008. Terasen Gas expects such reviews to continue in the future in order to identify improvements to the program. This report presents a review of the Commodity Unbundling process to date and offers suggestions for improvement. These improvements represent refinements intended to enhance the attractiveness and effectiveness of the Customer Choice program for all stakeholders.

The implementation of the Residential Unbundling program is preceded by considerable effort that laid the foundation on which the program currently rests. Following the release of the provincial Energy Plan in 2002, the Commission by Letter No. L-49-02 dated December 13, 2002, directed Terasen Gas to update and reassess the Unbundling program that was developed previously and to file a report to the Commission by February 28, 2003 with the intent of making the Commodity Unbundling service option available to small volume residential and commercial customers in time for November 2004. In Commission Letter No. L-14-03, dated April 16, 2003, the Commission directed that Unbundling for small volume customers should be implemented in two phases. Commercial customers were to have an unbundled option effective November 2004 ("Phase 1") with Unbundling to be provided to residential customers in the second phase at some time in the future ("Phase 2"). The Commission directed Terasen Gas to proceed with Commercial Unbundling generally as described in the March 28, 2003 filing. In addition, the Commission directed the provision of a Stable Rate Option ("SRO") for residential customers.

Terasen Gas implemented the proposed Commodity Unbundling service for small and large commercial customers in 2004. Process changes and system development was completed allowing eligible customers to begin enrolling in the program starting May 2004. Gas flowed to customers who elected a gas marketer to provide the commodity on November 1, 2004. In Commission Order No. 6-66-05, dated July 7, 2005, the Commission approved deferral account funding for Terasen Gas to complete the review and validation of the business model rules for the Residential Unbundling program, as well as the timeline leading to a Certificate of Public Convenience and Necessity ("CPCN") application by March 2006. In Commission Order No. 6-10-05, dated October 31, 2005, additional funding was approved to complete the scoping and business systems analysis required to enable the filing of a CPCN application for the Residential Unbundling Program by March 2006. Work on the Scoping Phase of Residential Unbundling commenced in late November 2005. The primary focus of this work involved a review of existing processes and systems used by the Commercial Unbundling program with the aim of identifying improvements and changes needed to support a Residential Unbundling program, as well as the existing Commercial Unbundling program. This review was completed

in early March 2006 and resulted in Terasen Gas filing an Application for the approval of a CPCN for the Commodity Unbundling Project for Residential Customers pursuant to section 45 of the Utilities Commission Act on April 13, 2006.

On August 14, 2006 the Commission approved the CPCN for the Residential Unbundling Program by issuing Order No. C-6-06. Terasen Gas implemented the Residential Unbundling program as Customer Choice through the fall of 2006 and into the spring of 2007. The new commodity unbundling systems were implemented in mid April 2007, a process that included the conversion of all commercial customers enrolled in the previous program to the new systems. On May 1, 2007, gas marketers were allowed to begin marketing to residential customers for the first time. The first enrollment requests made by gas marketers were successfully processed early on May 1, 2007. On November 1, 2007 the first fixed rate contracts came into effect and residential customers billed for the first time with the natural gas commodity supplied by an independent gas marketer.

Residential Commodity Unbundling

Based on the results to date, Terasen Gas is of the view that the residential phase of the Commodity Unbundling program has been a qualified success and is encouraged by the level of interest showed by customers and gas marketers, recognizing that the program is still in its early stage of implementation. Following implementation of the proposed commodity unbundling systems and processes, 741,000 eligible Rate Schedule 1 residential customers in were able to start enrolling in the Commodity Unbundling program beginning May 1, 2007 for the November 1, 2007 entry date. Thirteen new gas marketers were licensed by the Commission to participate in the new program by May 2007 and joined five marketers that had already been licensed and actively marketing fixed price contracts to commercial customers. The first residential customers were successfully enrolled on May 1, 2007 and by the end of the month over 50,000 residential customers were enrolled. These customers resided in all communities served by Terasen Gas in the eligible service territory of the Lower Mainland and Interior of British Columbia. Gas marketers relied primarily on door-to-door selling as the vehicle for offering fixed price contracts. By the October 1, 2007 deadline for the November 1, 2007 entry date, approximately 85,000 residential customers were enrolled. Terasen Gas determined the daily delivery requirements for each gas marketers by mid October and gas began to flow based on these fixed price contracts on November 1, 2007.

As of July 1, 2008, approximately 100,000 residential and 20,000 commercial customers were enrolled in the Customer Choice program with 15 gas marketers licensed to participate in the program. Of these 15 gas marketers, three focus their marketing efforts exclusively on commercial customers, one exclusively on residential customers, and 11 on both the residential and commercial customer segments. Prior to the implementation of the Customer Choice program, five gas marketers participated in the Commodity Unbundling program for commercial customers that started in 2004. They were CEG Energy Options, Direct Energy Business Services, Energy Savings B.C., Nexen Marketing, and Premstar Energy.

Thirteen additional new marketers chose to participate in the Commodity Unbundling program when marketing to residential customers was permitted beginning May 1, 2007. They include Access Gas, Active Energy, Direct Energy Marketing, Firefly Energy, Intra Energy, MXenergy, Planet Energy, Smart Energy, Summitt Energy, Superior Energy, Tahoe Energy, Universal Energy, and Wholesale Energy.

Of these thirteen gas marketers three have since ceased participation in the program. Tahoe Energy cancelled their marketing plans in June 2007 and withdrew from the program as a gas marketer, Intra Energy also cancelled marketing plans in 2007 and withdrew, while Planet Energy sold its book of customers to another gas marketer in April 2008 and then withdrew. Several other companies have indicated an interest in participating in the Customer Choice program as a gas marketer but have not made a formal application to join the program at this time.

Program Issues

While Terasen Gas feels encouraged by the level of interest shown in the Customer Choice program and by the positive working relationship with gas marketers and the Commission, overshadowing this interest are a significant number of complaints by customers about gas marketers and their sales practices, combined with a large number of disputes logged for customers who were dissatisfied with contracts they had signed with gas marketers. The Company recognizes that the program is still in its early stages of implementation and that additional time is needed before it has truly stabilized. Once this process is completed it is expected that both the level of complaints and disputes should be greatly reduced. Notwithstanding a reduction in the level of sales activities by gas marketers, the fact that the number of new complaints and disputes have been decreasing significantly over the last six months is encouraging. This experience is also consistent with the experiences of other jurisdictions that have implemented a commodity unbundling program.

Although much of the complaints and disputes activity occurred immediately following enrollment go-live in May 2007, the level of these activities were sufficient to cause a significant number of customers to question the value of participating in the program. This poses a challenge not only to gas marketers in particular who face the prospect of a reduced market opportunity, but also for the effectiveness of the customer education campaign. Commission attention to the speedy resolution of disputes and greater enforcement of the provisions of the Code of Conduct are encouraging steps in the process to help stabilize the program.

System Performance and Recommendations

In terms of the implementation and daily functioning of the Customer Choice enrollment processing system, the Gateway for Energy Marketers ("GEM") application, no significant system or process related issues have been encountered to date. A number of minor enhancements were required however to address system responsiveness when enrollment and dispute activity volumes were much higher than expected early after market open in May 2007. Gas marketers have largely met their supply requirements, although some instances occurred earlier in 2008 when Terasen Gas was required to provide backstopping services because of incomplete deliveries made by some gas marketers. The generation of the marketer delivery requirement, scheduling of gas, and the payment process have been completed with few difficulties. The production and mailing of Confirmation Letters to residential customers has been completed largely without problems, except for a slight disruption experienced in January and February of this year when the bankruptcy of the Company's print provider required a new one to be found and processes transitioned to this new service provider. Terasen Gas believes enrollment issues identified to date are relatively minor in nature given the number of exceptions handled to date compared to the overall number of transactions processed. Where Terasen Gas has encountered processes and system issues processing enrollment transactions, the Company is currently working with its billing provider, CustomerWorks LP ("CustomerWorks") to

explore solutions to such issues. Solutions may require process improvements or system enhancements.

Terasen Gas believes that several enhancements are merited in order to address requests made by both Commission staff and gas marketers. These enhancements will help participants to better manage their participation in the program. The Customer Choice program would be strengthened by these changes.

3. Background

3.1 Regulatory History

Much of the foundation on which the Customer Choice program rests was established as part of the Phase I of the Commodity Unbundling program for commercial customers that was implemented in 2004. The Essential Services Model and the business rules for Commodity Unbundling were approved by the Commission as Appendix A to Commission Letter No. L-25-03 dated June 6, 2003. Terasen Gas, in its July 18, 2003 Report, outlined an implementation plan for Commodity Unbundling to meet the November 1, 2004 target start-up date for Phase I. The first significant step in that implementation plan was the need for Tariffs and Agreements, a Code of Conduct for Gas Marketers, Rules for Marketers and a Customer Education Program that were the subject of the Terasen Gas Application dated October 27, 2003 and in the Terasen Gas Revisions to the October 27, 2003 Application, dated December 4, 2003. These items were approved by the Commission in Order No. G-90-03, dated January 9, 2004. Terasen Gas then filed an Application dated January 16, 2004, for approval of the Midstream and Commodity Cost Recovery methodology and the setting of rates, as well as outlining the process for a post implementation review. This application was approved in Commission Order No. G-25-04.

In Commission Order No. 6-66-05, dated July 7, 2005, the Commission approved deferral account funding for Terasen Gas to complete the review and validation of the business model rules for the Residential Unbundling program, as well as the timeline leading to a Certificate of Public Convenience and Necessity ("CPCN") application by March 2006. In Commission Order No. 6-10-05, dated October 31, 2005, additional funding was approved to complete the scoping and business systems analysis required to enable the filing of a CPCN application for the Residential Unbundling Program by March 2006. Work on the Scoping Phase of Residential Unbundling commenced in late November 2005. The primary focus of this work involved a review of existing processes and systems used by the Commercial Unbundling program with the aim of identifying improvements and changes needed to support a Residential Unbundling program, as well as the existing Commercial Unbundling program. This review was completed in early March 2006 and resulted in Terasen Gas filing an Application for the approval of a CPCN for the Commodity Unbundling Project for Residential Customers pursuant to section 45 of the Utilities Commission Act on April 13, 2006.

On August 14, 2006 the Commission approved the CPCN for the Residential Unbundling program by issuing Order No. C-6-06. Terasen Gas implemented the Residential Unbundling Program as the Customer Choice program through the fall of 2006 and into the spring of 2007. The new commodity unbundling systems were implemented in mid April 2007, a process that included the conversion of all commercial customers enrolled in the previous program to the new systems. On May 1, 2007, gas marketers were allowed to begin marketing to residential customers for the first time. The first enrollment requests made by gas marketers were successfully processed early on May 1, 2007 and by the end of the month over 50,000 residential customers were enrolled in the program. By November 1, 2007 over 85,000 residential customers were enrolled and the first fixed rate contracts came into effect and customers billed for the first time with the natural gas commodity supplied by an independent gas marketer.

3.2 Application

With this Application, Terasen Gas requests approval for the following:

- Operating Expenditures of \$3.25 million annually for the years 2009-2011, inclusive, for the continuation of the Customer Education campaign.

Please refer to section 4.8.7 for full details.

- Capital Expenditures totaling \$1.226 million, for the phased implementation of specified enhancements to the GEM application

Please refer to section 7 for full details.

- Implementation and operating cost recovery, including AFUDC, using deferral account treatment. Operating costs to be amortized over a one year period, capital costs to be amortized over a three year period, and be recovered via a rate rider from all customers eligible to participate in the Customer Choice program.

The \$3.25 million per year required for customer education would be considered an operating and maintenance cost to be charged to the deferral account with a one-year amortization, while the \$1.23 million required to fund the implementation of the recommended enhancements would be considered capital and recovered from customers over a three year amortization period.

The deferral account treatment, including amortizations, of the customer education funding and the capital funding is consistent with the deferral account treatment approval provided for the Customer Choice implementation in August 2006, as set out in Order No. C-6-06. Additionally the Company proposes to recover these costs from customers by way of a rate rider consistent with cost recovery rate rider approved by the Commission under Order No. C-6-06.

Commission Review of this Report and Approvals

Terasen Gas is of the view that a written regulatory review process including Information Requests and Final Submissions, is reasonable and appropriate for Commission's review of the Application. Terasen Gas requests that the Commission complete its process to review this application by October 1, 2008. A decision by the Commission by October 1, 2008 is critical to ensuring that planning for the next phase of the Customer Education Plan and securing of the external resources necessary for the implementation of the recommended changes is able to proceed at the cost estimate and timeline outlined herein. Terasen Gas proposes the following Regulatory Timetable and Process:

ACTION

Intervenor Registration
Commission and Intervenor Information Requests to Terasen Gas
Response to Commission & Intervenor Information Requests
Intervenor Submissions
Terasen Gas Reply Submissions
Anticipated Commission Decision

DATES

Friday, Aug. 8
Friday, Aug. 8
Wednesday, Aug. 27
Wednesday, Sept. 3
Wednesday, Sept. 10
Wednesday, Oct. 1

4. Customer Choice Implementation

4.1 The Essential Services Model (“ESM”)

The implementation of the Residential Unbundling program is preceded by considerable effort that laid the foundation on which it currently rests. The essential elements of the business model were approved by the Commission in the Commission Letter No. L-25-03 and reiterated in Commission Order No. C-6-06. The Essential Services Model (“ESM”) serves as the foundation for the Commodity Unbundling program that was implemented for commercial customers on November 1, 2004 as well as for residential customers on November 1, 2007. Under the Essential Services Model, a gas marketer delivers to Terasen Gas a quantity of the natural gas commodity based on Terasen Gas’ normalized forecast of the gas marketers’ customers annual load requirements. The delivery is at a 100 percent annual load factor and is allocated to Receipt Points at the three supply/market hubs. They are Sumas, Station 2 and AECO, with delivery allocated on the same basis as that approved by the Commission in the Annual Contract Plan for Terasen Gas. In addition, gas marketers are required to provide fuel gas in-kind equal to Terasen Gas’ average off-system fuel requirements.

Terasen Gas is responsible for contracting and managing the Midstream resources, including transmission pipeline and storage capacity. Terasen Gas is also responsible for providing balancing and peaking gas to the extent required to support annual load shaping. The Midstream resource costs are recorded in a separate gas cost account and are recovered from all customers eligible to participate in the Customer Choice program regardless whether they are supplied by a gas marketer or by Terasen Gas default commodity offering.

Terasen Gas continues its merchant function role and will continue to supply under the standard system supply rate those customers who do not choose to be supplied by a gas marketer. Terasen Gas is the Supplier of Last Resort that provides backstopping services in the event a gas marketer fails to meet their daily delivery requirement and in the event that a gas marketer faces supply failure. Additionally, Terasen Gas is also responsible for longer term infrastructure planning that ensures system reliability and emergency response. In the event a gas marketer experiences supply failure, the Commission will determine whether the supply failure is of a longer term nature and whether the customers should be returned to the commodity supply option provided by Terasen Gas. In the event of a long term gas marketer failure, customers would be returned to the Terasen Gas standard commodity supply rate. The Commission has indicated that any incremental costs may be recovered from customers involved in such an event. In shorter term gas marketer supply failure situations, Terasen Gas provides the supply of natural gas and charges gas marketers the respective backstopping charges.

Since the start-up of the Customer Choice program in November 2007, the Essential Services Model gas supply rules have worked well. Gas marketers have largely met their supply requirements, although some instances occurred in early 2008 when Terasen Gas was required to provide backstopping services because of incomplete deliveries made by some gas marketers. The generation of the marketer delivery requirements, scheduling of gas, and the payment processes are functioning well with few difficulties. To better support the separation of gas costs into the Commodity Cost Recovery Account (“CCRA”) and the Midstream Cost Recovery Account (“MCRA”), increased reporting functionality relating to gas marketer transactions under the Customer Choice program has been implemented.

4.2 Key Business Rules

4.2.1 Customer Eligibility, Enrollment, and Mobility

As originally set out by the Commission in Order No. G-90-03 and reaffirmed in Order No. C-6-06, all bundled residential and commercial sales customers are eligible for participation in the Customer Choice program except for those located on Vancouver Island, on the Sunshine Coast, in Whistler, in Fort Nelson, and in Revelstoke. Customers located in Squamish were not eligible until they were amalgamated into the Lower Mainland service area starting in January, 2007. Currently approximately 741,000 residential customers and 79,000 commercial Rate Schedule 2 and 3 customers are eligible for participation in the program. Gas marketers have largely observed these eligibility rules. Terasen Gas has only received a limited number of enrollment requests for customers in ineligible service areas or rate classes. The unbundling system is designed to validate all enrollment requests and automatically reject any that are ineligible for participation in the program.

By Order No. C-6-06, the Commission directed Terasen Gas to accommodate monthly entry dates starting November 1, 2007. In order to implement monthly entry dates, the system required a conversion to also support the same monthly entry periods for commercial customers, which only permitted quarterly entry periods based on the original design of the Commercial Unbundling program that was implemented in November, 2004. This conversion was completed in time for November 1, 2007. From a system perspective, the systems that are used to support the enrollment and dispute handling processes have performed well, with the marketer portal, dispute logging system, the gas supply tracking system, and the forecasting information system all functioning without major incidents. A number of minor enhancements were required however to address system responsiveness when enrollment and dispute activity volumes were much higher than expected early after market open in May 2007.

In terms of the enrollment and dispute handling processes, Terasen Gas processed approximately 172,000 requests for new residential enrollments from gas marketers since May 2007, as well as an additional 3,800 requests for new commercial enrollments, for contracts that are now flowing. The majority of these enrollment requests were made during the four months following market open in May 2007. Customer participation in the program grew from 83,000 residential and 20,000 commercial customers for the November 1, 2007 entry date to 97,000 residential and 19,000 commercial customers as of the June 1, 2008 entry period. In total the Customer Choice systems have processed approximately 1.8 million transactions, a number that includes such activities as the initial enrollment and validation of new customers, the reenrollment of customers selecting new contracts, the cancellation of contracts before the end of the Contract Cancellation Period, customers being terminated from the program for failure to pay, moves, and account closures, the porting of contracts to new premises, and the termination of contracts as a result of a dispute decision. Additionally, the Customer Choice systems were responsible for processing the logging of over 10,000 disputes against gas marketers' contracts, storage of numerous online supporting documents, and enacting the Commission's ruling for each.

The Terasen Gas call centre has been responsible for handling over 30,000 program enquiries since May 2007, over 14,000 contract cancellation inquiries, 16,000 billing inquiries, and recording over 3500 complaints by customers. There has been a significant reduction in the level of these activities since market open in May 2007, which is to be expected given the decrease in door-to-door marketing efforts by gas marketers, as well as the overall stabilization of the program as participants became more familiar with program rules and processes.

Terasen Gas believes enrollment and dispute processing issues identified to date are relatively minor in nature given the number of exceptions handled to date compared to the overall number of transactions processed. Where Terasen Gas has encountered processes and system issues processing enrollment transactions, the Company is currently working with its billing provider, CustomerWorks LP to explore solutions to such issues. Solutions may require process improvements or system enhancements.

Each gas marketer has been provided training and received instructions from Terasen Gas on how to enroll customers, with the most important training session completed in March 2007. When enrolling customers, gas marketers are responsible for submitting customer enrollment data in the appropriate format and in a timely fashion for Terasen Gas to process. Terasen Gas is responsible for validating the transactions and providing timely feedback to gas marketers, indicating which customer enrollments have been accepted and which enrollment requests have been rejected along with the reason(s) for any rejection. In terms of dispute handling requirements, disputes may be logged by either a Terasen Gas call handling representative, a gas marketer, or by Commission staff. Once logged, gas marketers are required to submit any supporting documentation to the open file, so that the information can be taken into consideration by the Commission when it completes its review and reaches a decision. Daily processing also delivers a consumption history for any newly enrolled customer, any recently billed consumption volume, as well as enrollment changes arising from account finalizations such as those caused by customers moving premises. The system also provides gas marketers with a number of reports that are updated daily.

For the customer enrollment issues identified to date, Terasen Gas believes these issues are relatively minor in nature, given the number of exceptions witnessed to date compared to the overall number of transactions processed. The following is a review of the key issues encountered to date with respect to the customer enrollment and disputes handling processes. Recommendations to address these issues and to make improvements to the program in general are set out in detail later in this report. Issues are broadly grouped into four categories; Gas Marketer Training and Adapting to New Processes, Essential Services Model Rules, Terasen Gas' Enrollment Processes and System, and Gas Marketers' Suggestions for Improvement.

1. Gas Marketer Training and Adapting to New Processes

This section covers issues that are typically encountered with the introduction of new systems and processes. Terasen Gas has been working cooperatively with the gas marketers and Commission staff to reduce the occurrence of these issues. Such issues are expected to continue to diminish over time as gas marketers become more familiar with the enrollment process and Commission staff becomes more familiar with the disputes handling process and they refine and improve their own internal processes. It is important to note that not all features of the enrollment processing system will be fully used until at least November 2008. Until that time it will be critical to continue to monitor system performance closely and optimize it to ensure it functions according to specifications.

Terasen Gas notes that the following situations occurred during the initial stages of customer enrollment and disputes handling.

- Ineligible customers being submitted for enrollment - enrollment requests received for Rate Schedule 1 (residential customers) that were enrolled in the Stable Rate program while it was still active, and for customers in ineligible service areas.
- Repeated enrollment attempts of customers by the same gas marketer using different an incorrect account number and premise number combination.
- Repeated enrollment of customers by the same gas marketer for different entry dates or ineligible entry dates.
- The same customer enrolled multiple times on the same day or on successive days.
- Gas marketers requesting changes after the enrollment cut-off date (i.e. cut-off date of September 30, 2007 for the November 1, 2007 entry date) due to data entry errors or missed contract cancellation deadlines.
- Duplicate disputes logged for the same customer.

Terasen Gas has been working cooperatively with the gas marketers and Commission staff to reduce the occurrence of these issues. These kinds of issues have diminished considerably since May 2007 as the enrollment and disputes handling systems have stabilized and gas marketers and Commission staff become more familiar with the enrollment and disputes handling processes and as they have improved their internal processes for handling these activities.

2. Essential Services Model (ESM) Rules

The ESM requires business rules that must be adhered to in order to preserve the intent and integrity of the model. These business rules are incorporated into the Rules for Gas Marketers, Code of Conduct for Gas marketers and the Rate Schedule 36 agreement between Terasen Gas and the gas marketer. A key business rule in this respect is that a customer must remain enrolled in the program for at least 12 months and in 12-month increments to a maximum of five year at any one time for the same fixed price. To date, the Customer Choice systems have worked very well in enforcing these rules and have prevented business rule violations, such as “poaching” (i.e. a gas marketer signing a customer who is already contracted with another gas marketer), that the old Commercial Unbundling system intentionally did not prevent from occurring.

Following are some examples of how specific customer enrollments create challenges for the approved business rules.

- “Courtesy Drop Requests” or “Contract Cancellation Requests” for customers enrolled, for whom the 10-day cooling-off period has ended and the marketer delivery requirement is already determined. Gas marketers who request special relief for customers by logging a dispute in this situation violate the 12-month fixed price rule and can cause midstream costs to be incurred when a customers is returned to the default commodity supply outside of the planned 12-month period.

- Approximately 2200 customers have been enrolled by gas marketers in contracts with a term between three to five years in duration that are not scheduled to start within a year from initial enrollment. Many of these contracts are not scheduled to start until 2010, 2011, or 2012 and involve switches from one gas marketer to another.

The current design of the Customer Choice systems has been very effective in eliminating many of the ESM violations that were occurring in the Commercial Unbundling program. This design however did not anticipate the need for processing a large number of Contract Cancellation Requests or for processing enrollment requests that were not scheduled to start for a considerable period of time in the future. The recommended enhancements set out later in this report address these issues.

3. Terasen Gas' Enrollment Processes and Systems

Processing the large volume of enrollment and disputes activities requires Terasen Gas to continuously monitor the performance of the current system. Terasen Gas also expects to continue to work cooperatively with gas marketers and the Commission to improve system response time, as well as to provide more transactional data where it proves to provide overall value.

A limited number of system issues concerning the processing of enrollment requests and logging and handling of disputes have also occurred.

- Customers enrolled in batched contracts not dropping properly when a dispute decision is made. This issue has been corrected.
- Customers appearing to be "poached" that was caused by a system error when it incorrectly processed enrollments that were scheduled to port to a new premise.
- Confirmation letters that were delayed in early 2008 because of the bankruptcy of the Company's outsourced print provider.

Terasen Gas is currently working with its billing provider CustomerWorks LP to explore solutions to the above issues. The recommended enhancements set out later in this report seek to address these issues.

4. Gas Marketers' Suggestions for Improvement

Gas marketers identified a number of improvements and presented them in a report to the Commission earlier in 2008. These improvements were the subject of a Commission led workshop held on April 8, 2008. Suggestions for improvement are included later in this report and draw heavily on those recommendations made by gas marketers. Terasen Gas will continue to review and evaluate enhancement opportunities for possible implementation as they are identified. Funding for such additional enhancements would have to be approved separately by the Commission before they are implemented.

4.2.2 Billing and Collections

Customers who signed a fixed price contract with a gas marketer as part of the Customer Choice program have the gas marketer's name, contact telephone number, and commodity price displayed on the Terasen Gas bill once the contract takes effect. Residential customer bills started displaying gas marketers' charges in November 2007 for the first 85,000 enrolled customers. One-hundred-and-twenty days prior to the termination of a customer's contract, Terasen Gas will print a notice on the monthly bill reminding the customer to contact their gas marketer about renewal options.

Gas marketers have indicated a recurring desire to have their logos displayed on customers' bills in addition to the contact details that is currently provided. As indicated previously, Terasen Gas is concerned that the introduction of a gas marketer's logo on the monthly bill may cause confusion for some customers about whom to call depending on the nature of their inquiry. As all emergency, billing, payment, collections and meter reading calls can only be handled through Terasen Gas, it is important that customers do not get confused about whom to call. Terasen Gas does not recommend making any changes to the monthly bill at this time.

4.2.3 Consumer Protection

Consumer protection was identified as being important to promoting and achieving an attractive and competitive business environment for commodity unbundling in British Columbia. Consumer protection measures adopted for the Commercial Phase of the Unbundling program have also been largely adopted for use in the Customer Choice program, but also include a number of important enhancements. These measures include the licensing of gas marketers, the use of the Code of Conduct for Gas Marketers (the "Code of Conduct"), the presentation of the Standard Information Booklet by gas marketers to prospective customers, the provision of a Confirmation Letter to residential customers, the publication of monthly prices offered by gas marketers on the Terasen Gas website, and the Commission managed dispute resolution process.

Licensing of Gas Marketers

In its decision outlined in Letter No. L-25-03 dated June 6, 2003, and reaffirmed in Order No. C-6-06 dated August 14, 2006, the Commission determined that it is responsible for licensing gas marketers, that gas marketers must hold a license from the Commission, and post a performance bond, before they are allowed to participate in the Commodity Unbundling program in British Columbia. In its decision, the Commission also determined that a gas marketer's license may be suspended or revoked for non-compliance with the Code of Conduct and other licensing criteria.

Terasen Gas supports the need to license gas marketers participating in the Customer Choice program as it is a necessary component to ensuring adequate consumer protection. Terasen Gas also welcomes recent Commission efforts to strengthen the review process for annual license renewal applications, especially as they relate to the use of contract cancellation and dispute handling statistics.

Code of Conduct for Gas Marketers

Terasen Gas is of the view that the Code of Conduct is an essential element helping to provide consumers with adequate protection. The Code of Conduct sets out the obligations a gas marketer has when marketing and selling to prospective customers under the terms of the Customer Choice program. The Code of Conduct is clear about how a gas marketer must identify themselves to prospective customers, the information that needs to be included in a contract offer, the obligations a gas marketer has to complete a Third Party Verification Call, and the licensing and bonding requirements gas marketers must meet. Finally, the Code of Conduct is also clear about the sanctions available to the Commission for addressing breaches to the Code of Conduct.

Shortly after market open in May 2007, it became evident that the Code of Conduct was not sufficiently robust to deal with some of the marketing and selling practices followed by a number of gas marketers. These practices resulted in a significant number of complaints by customers following initial contact by door-to-door sale people, and in disputes after contracts were signed.

In response to this problem, the Commission undertook a number of reviews to identify improvements to the Code of Conduct. The completion of Third Party Verification Calls was made a new requirement effective July 2007. In March 2008 additional improvements to the Code of Conduct were made that included a clarification of the responsibilities gas marketers have in handling complaints and disputes made by customers, the need to ensure supporting dispute documentation is provided within nine days from the date that a dispute is logged, and identifying the minimum documentation that a gas marketer must provide when responding to a dispute. The Commission also reiterated the need for a separate Notice of Appointment of Marketer, and that the agreement a gas marketer asks a customer to sign is clearly marked as an "agreement" or "contract" so that there is no confusion by a customer about whether or not they are signing a binding contract. Finally, the Code of Conduct was also strengthened by requiring a gas marketer, or their sales agent, to clearly identify themselves as being with a particular gas marketer as opposed to indicating or creating the impression that they were with the local distribution company.

Terasen Gas is of the view that these changes to the Code of Conduct are an important step in the process to provide more effective consumer protection. These changes will help to address specific issues customers have complained about in terms of the marketing and selling practices used by some gas marketers. It is also encouraging to see that the Commission has taken action against a number of gas marketers since market open in May 2007 by fining them for specific breaches of the Code of Conduct. Additional monitoring of the marketing and selling practices used by gas marketers combined with complaints and disputes by customers is needed in order to determine if additional changes to the Code of Conduct are required.

Confirmation Letters

Following receipt of an enrollment request from a gas marketer, each residential customer is mailed a Confirmation Letter. The Confirmation Letter includes a summary of the gas marketer and contract terms and price the customer is about to enter into. It also indicates the end of the contact cancellation period available to the customer and who to contact if they wish to cancel the contract. The Confirmation Letter was a new addition to the unbundling rules as part of the residential program.

The purpose of the Confirmation Letter is to provide residential customers with an additional level of consumer protection by an independent third party. The letter does this by providing visibility to the pending change in commodity suppliers and price. Terasen Gas believes that customers will be more willing to consider participating in the program if they can clearly see that they have an ability to easily exit a pending contract should they have reservations.

With the exception of a brief period of time in January and February 2008, Confirmation Letters have largely been produced and mailed within the two business day service level standard Terasen Gas is required to meet. Terasen Gas is of the view that the Confirmation Letters have worked well to provide the type of consumer protection they were intended to offer. Gas marketers however, have identified a number of changes they would like to see made to the letter. A response to these suggested changes is included later in the recommended enhancements section of this report.

Price Transparency in the Marketplace

Commodity price is one of the factors of greatest interest to customers making a decision to participate in the Customer Choice program, along with such factors as gas marketer information, supplier reliability, and customer service. Given the early stage in the development of the commodity unbundling marketplace in British Columbia, information about pricing alternatives is critical to consumers. To help address this desire for information Terasen Gas established a pricing depository as part of the Customer Choice program and the first monthly information was posted for consumers to review in May 2007. The website is located at <http://www.terasengas.com/Homes/CustomerChoiceApply/RateGuide/GasMarketersRates/default.htm>. It is updated monthly and includes a history that allows consumers to see how pricing offered by gas marketers participating in the program has changed over time. Each gas marketer is linked to their own web site, where they are encouraged to provide full contact and marketing information for customers to review in more detail. The key purpose of this depository is to provide customers with easy access to pricing information, something that is an important factor in making an informed purchase decision.

Terasen Gas is of the view that this website is largely meeting its consumer protection objectives given the type of the information posted on this website and its availability to the consumer. The process for updating the monthly information appears to be working relatively smoothly, with gas marketers only asked for a minimum of one price to be posted that customers can reasonably contract for in a given month. Many gas marketers however post more than one price, with contract terms of five years being the most prevalent. Gas marketers identified a number of enhancements that should be considered for the pricing depository. A response to these suggested changes is included later in the recommended enhancements section of this report.

Customer Complaint / Dispute Resolution Process

The purpose of the Independent Dispute Resolution process is to provide customers and gas marketers with a means to efficiently resolve disputes. The independence of the arbitrator is a key element in the process. This dispute resolution process was approved in Commission Order No. C-6-06 on August 14, 2006 and implemented as part of the Customer Choice program. The specific process for initiating a dispute requires a customer who is unable to resolve an issue with a gas marketer regarding a contract, to log a formal dispute by either calling the Terasen Gas call centre or the Commission. Prior to initiating a dispute customers

are encouraged to contact their gas marketer first and attempt to resolve any outstanding issue. A dispute file is opened using the Customer Choice system that verifies the contract being disputed and notes basic information about the nature of the dispute. Once the dispute is logged gas marketers need to upload supporting documentation within nine calendar days, after which the Commission reviews the details of the dispute and reaches a decision to either terminate the contract or uphold it.

As of early July 2008 over 10,000 disputes have been logged and adjudicated. Of this total approximately 7000 were logged before contracts started to flow on November 1, 2007. The number of new disputes logged since November 2007 has declined steadily. Approximately 50-100 disputes have been logged monthly over the last few months.

Complaints by customers generally involve issues concerning the business practices of a gas marketer. In this case a review of violations of the Code of Conduct or license conditions is required. In these situations customers are encouraged to contact the Commission if further action is expected.

Based on the experience with the dispute resolution process to date and noting formal written customer complaints to date, Terasen Gas believes the current dispute resolution and complaints handling process is functioning adequately and should continue to be utilized. However, Terasen Gas believes continued efforts to educate customers about the Customer Choice program is necessary to help reduce the number customer disputes and complaints where they are caused by a poor understanding of program rules. Additionally, Commission staff has identified a number of enhancements to help improve the functioning of the dispute handling process. A response to these suggested changes is included later in the recommended enhancements section of this report.

4.3 Overview of the Business Model

4.3.1 Delivery Requirements

In the April 13, 2006 CPCN Application for the implementation of a Residential Unbundling program, Terasen Gas outlined how the delivery requirements for gas marketers was going to be determined. In an earlier decision, L-25-03, the Commission had already affirmed that the delivery requirements were to be determined on a group basis based on historical consumption data and other forecast parameters, and that the delivery requirements would be at an annual 100 percent load factor.

Key points in the calculation of the delivery requirements include,

- delivery requirements will be determined at a Marketer Group level. The delivery requirement will be a daily base-load volume based on the forecast annual normalized load for each marketer group divided by 365 days;
- the forecast annual normalized load for each Marketer Group will be determined based on the annual forecast and will be effective November 1st each year. It will be calculated at the premise level allowing marketer group delivery requirements to be re-determined taking into account customer migration without re-forecasting the overall load;
- a total delivery requirement will be calculated for each gas marketer, which will be a sum of the delivery requirements for each of that gas marketer's groups;

- delivery requirements will be adjusted as required on each entry date; and
- a daily preliminary delivery requirement is also provided to each gas marketer for up to three future entry periods before the delivery requirement is finalized, which allows a gas marketer to review the impact of future enrolled customers well before a final delivery requirement is determined.

Terasen Gas is of the view that no changes are required to the delivery requirement determination process. However, Terasen Gas recognizes there is a need to provide a better understanding to gas marketers of how the delivery requirement calculation is completed. As indicated in the April 8, 2008 Commission led gas marketer workshop, Terasen Gas is prepared to lead a workshop that provides greater insight into the process used for calculating monthly delivery requirements.

4.3.2 Receipt Point Allocation

In the April 13, 2006 CPCN Application for the implementation of a Residential Unbundling program, Terasen Gas outlined the receipt point allocation methodology.

Key aspects of the receipt point allocation business rule include,

- in fulfilling the delivery requirements, gas marketers are to deliver the natural gas commodity to Terasen Gas at three different supply hubs - Sumas, Station 2 and AECO - in the same proportion as the overall Terasen Gas supply portfolio that is approved by the Commission;
- percentages by supply hub are determined annually and are effective November 1st of each year; and
- the total delivery requirement is expressed as a gigajoule per day amount for each receipt point.

For the gas year November 1, 2007 to October 31, 2008, the receipt point allocations as approved in the Annual Contracting Plan were 70% Station 2, 15% Sumas, 15% AECO (NIT). Terasen Gas expects these allocations to remain unchanged for the upcoming gas year November 1, 2008 to October 31, 2009. Terasen Gas does not recommend any change to this business rule.

4.3.3 Fuel Requirements

As outlined in the April 13, 2006 CPCN Application for the implementation of a Residential Unbundling program, gas marketers are to deliver fuel-in-kind equal to Terasen Gas' average off-system fuel requirements. Changes to these fuel percentages are to be communicated to the gas marketers via a notice at least 30 days in advance of each November 1st. Terasen Gas however, reserves the right to adjust the particular Receipt Point Fuel Percentage effective any Entry Date prior to November 1st provided Terasen Gas first obtains Commission approval of such change and then provides gas marketers notice of such change at least 30 days in advance of the subject Entry Date.

4.3.4 Backstopping

The business rule is that Terasen Gas will supply any shortfall for short-term gas marketer failure and that the gas marketer will be charged for any backstopping service use. In order to avoid any backstopping charges that may result from incomplete gas flow, gas marketers are required to ensure that their nominations are in and validated for an entire month. It is important to note that even if gas eventually flows by the end of the day that according to Rate Schedule 36 any cut on or after the Evening Cycle is subject to this charge.

No backstopping service was needed for any gas marketer until January 2008. Starting at that time and continuing to June 2008, Terasen Gas has been required to provide backstopping services to a number of gas marketers due to shortfalls in the required deliveries. Terasen Gas utilized midstream resources and provided backstopping gas in accordance with the terms and conditions of Rate Schedule 36. A summary of the extent of the provision of this service is set out in the following table.

Backstopping Charge Summary for 2008

	No. of Marketers	Total GJs	Total \$s
January	5	811	20,034
February	3	44	1,088
March	4	530	13,555
April	2	37	1,021
May	1	2	56
June	3	324	9,486
TOTAL:		1,748	45,240

Terasen Gas has charged gas marketers for this service by netting the cost of this service against the monthly remittances and working actively with the affected gas marketers in providing information that should help to minimize these types of occurrences. Although the reason for the delivery shortfall in January is attributed to the short-term shutdown of a gas producing plant in Fort Nelson, the reasons for the other shortfalls have not been identified.

Terasen Gas will continue to monitor this situation but does not recommend any changes to this business rule at this time.

4.3.5 Marketer Failure

As outlined in Appendix A to Commission Letter No. L-25-03 and reaffirmed in Commission Order No. C-6-06, the Commission will determine whether a gas marketer supply failure has occurred, and in the event of longer term gas marketer failure, the customers impacted would return to Terasen Gas at the standard system supply rate.

To date, there has been no failure of a gas marketer participating in the Customer Choice program.

4.3.6 Bad Debt Factor

In Commission Order No. G-25-04 dated March 12, 2004, and reaffirmed in Order No C-6-06 dated August 14, 2006, the Commission determined that there would be no incremental bad

debt factor allocated to gas marketers until it can be demonstrated that there is higher (lower) payment risk. Terasen Gas was directed to record in a deferral account the dollar difference between the actual bad debt for unbundled customers and 0.30 percent based on historical experience. The disposition of the amounts in the account and establishment of an appropriate bad debt factor is subject to future determination by the Commission.

A longer period of time is needed before any conclusions can be reached about the degree of risk that customers signing fixed price contracts with gas marketers represent compared with those customers remaining on the default commodity rate. Terasen Gas will continue to monitor this issue and does not recommend any changes at this time.

4.4 Program Overview

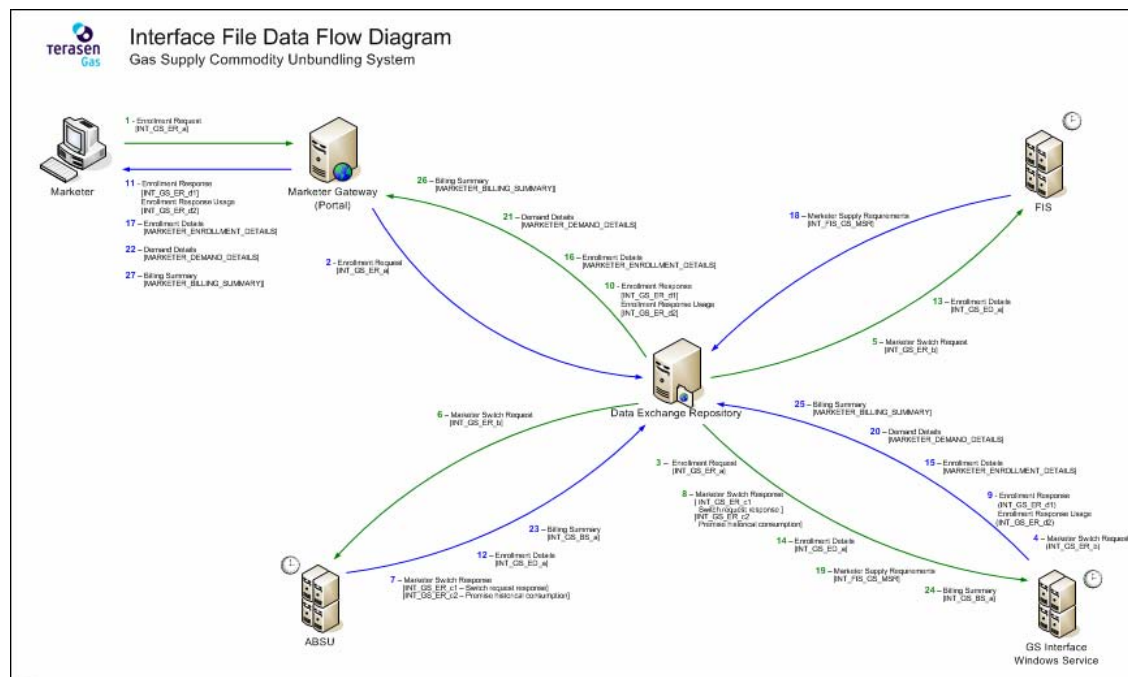
4.4.1 Program and System Design

From a process and systems design perspective, gas marketers, the Commission, and Terasen Gas need to be able to identify and track customers who have entered into alternate commodity supply contracts. The key terms of these contracts need to be tracked so that customers can be properly billed, gas marketers can be accurately remitted, transaction fees calculated, and sufficient information collected so that any disputes can be resolved efficiently. These processes need to be largely automated and require minimal manual processing to function properly.

Once gas marketers are licensed and they have been set up to participate in the Customer Choice program after signing a Rate Schedule 36 Agreement, they may begin to establish Gas Marketer groups and prices, which enable the enrollment of customers. Enrollments are initiated by a gas marketer by uploading a data file using the Gateway for Energy Marketers ("GEM"), a web based interface. Once the enrollment is received by GEM, it is validated and processed in the enrollment database, which sends instructions to the Energy CIS to set up the enrolled customer in the Customer Choice program. The details of this enrollment used to forecast the annual consumption for that enrollment. The annual consumption for the enrolled customers is then aggregated so that the delivery requirement can be calculated. Gas marketers deliver gas to Terasen Gas per instruction in the final delivery requirement. Terasen Gas bills and collects all monthly payments by enrolled customers on behalf of gas marketers. Terasen Gas also provides gas marketers with monthly remittances for their gas sales, less any transaction fees.

The Customer Choice program builds on the experience gained during the implementation and operation of Phase 1 of the Commodity Unbundling program for small and large commercial customers. The implementation of Customer Choice program enhances the processes and technology developed for use in the Commercial Unbundling program in order to support a service similar to that program. The Customer Choice program design differs from that utilized for the Commercial Unbundling program primarily by a greater degree of automation in the processing of enrollments, and by the increased amount of data per enrollment that is tracked. This increased amount of data is required to support the greater degree of automation, as well as to support enhanced reporting and the requirements of the dispute resolution process.

The following schematic provides an overview of the data files flowing between the different Customer Choice systems, after an enrollment request is initiated by a gas marketer.



4.4.2 Program and System Performance

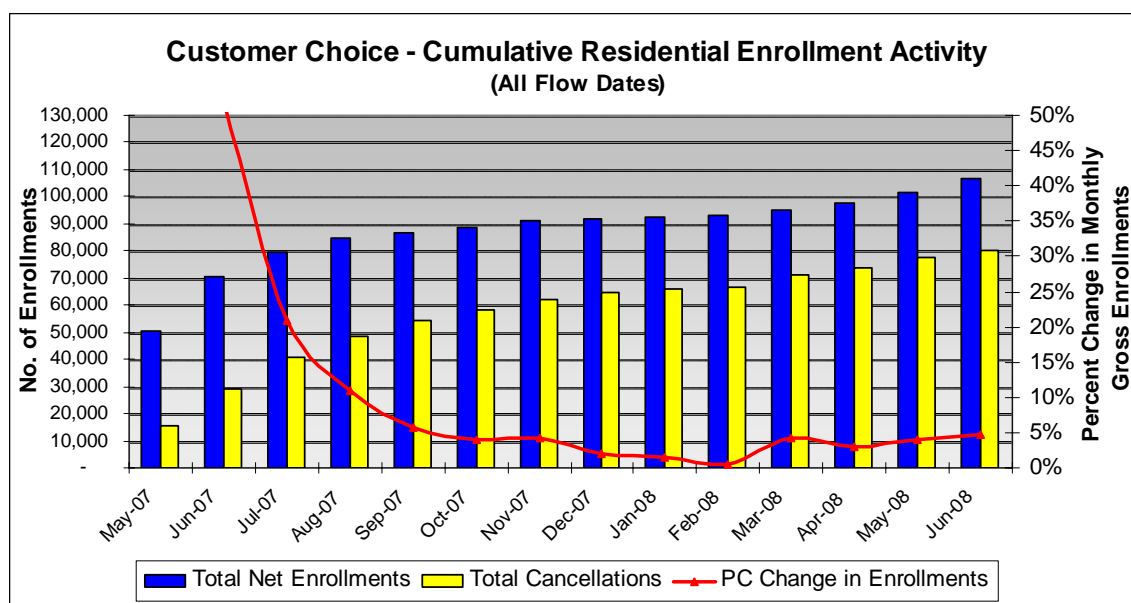
In terms of the implementation and daily functioning of the Customer Choice enrollment processing systems, no significant system or process related issues have been encountered to date. A number of minor enhancements were required however to address system responsiveness when enrollment and dispute activity volumes were much higher than expected early after market open in May 2007.

The implementation of the ESM and key aspects of the business rules, the enrollment process and consumer protection and education efforts have progressed well with no major difficulties encountered. The ESM that governs the conditions under which gas supply arrangements are contracted and delivered in the program has worked well. Gas marketers have largely met their supply requirements, although as pointed out previously in this report some instances occurred earlier in 2008 when Terasen Gas was required to provide backstopping services because of incomplete deliveries made by some gas marketers. The generation of the marketer delivery requirement, scheduling of gas, and the payment process have been completed with few difficulties. The production and mailing of Confirmation Letters to residential customers has been completed largely without problems, except for a slight disruption experienced in January and February of this year when the bankruptcy of the Company's print provider required a new one to be found and processes transitioned to this new provider. The key aspects of the business rules including delivery requirement calculation, receipt point allocation, fuel requirements, backstopping, marketer failure, and bad debt factor are all working or have not been utilized to date (i.e. marketer failure). Terasen Gas recommends no changes to the business rules supporting these processes.

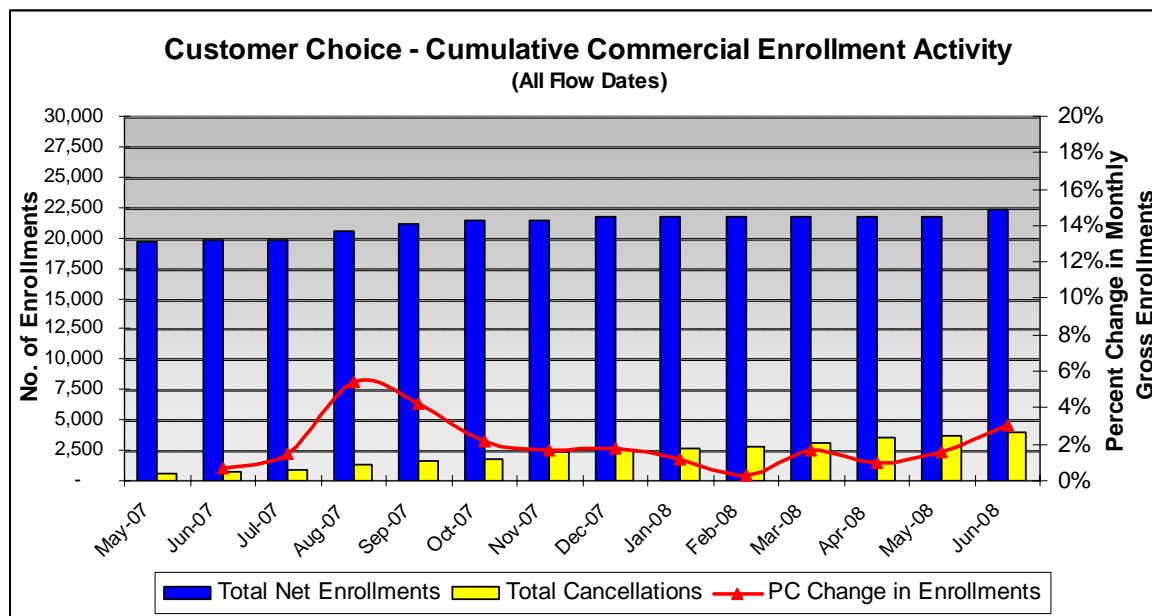
In terms of the enrollment process, Terasen Gas processed approximately 172,000 requests for new residential enrollments from gas marketers since May 2007, as well as an additional 3800 requests for new commercial enrollments, for contracts that are now flowing. The majority of

these enrollment requests were made during the four months following market open in May 2007. Customer participation in the program grew from 83,000 residential and 20,000 commercial customers for the November 1, 2007 entry date to 100,000 residential and 20,000 commercial customers as of the July 1, 2008 entry period. In total the Customer Choice systems have processed approximately 1.8 million transactions, a number that includes such activities as the initial enrollment and validation of new customers, the reenrollment of customers selecting new contracts, the cancellation of contracts before the end of the Contract Cancellation Period, customers being terminated from the program for failure to pay, moves, and account closures, the porting of contracts to new premises, and the termination of contracts as a result of a dispute decision. Additionally, the Customer Choice systems were responsible for processing the logging of over 10,000 disputes against gas marketers' contracts, storage of numerous online supporting documents, and enacting the Commission's ruling for each.

The following chart illustrates the number of cumulative residential enrollments processed by the Customer Choice systems since May 2007.

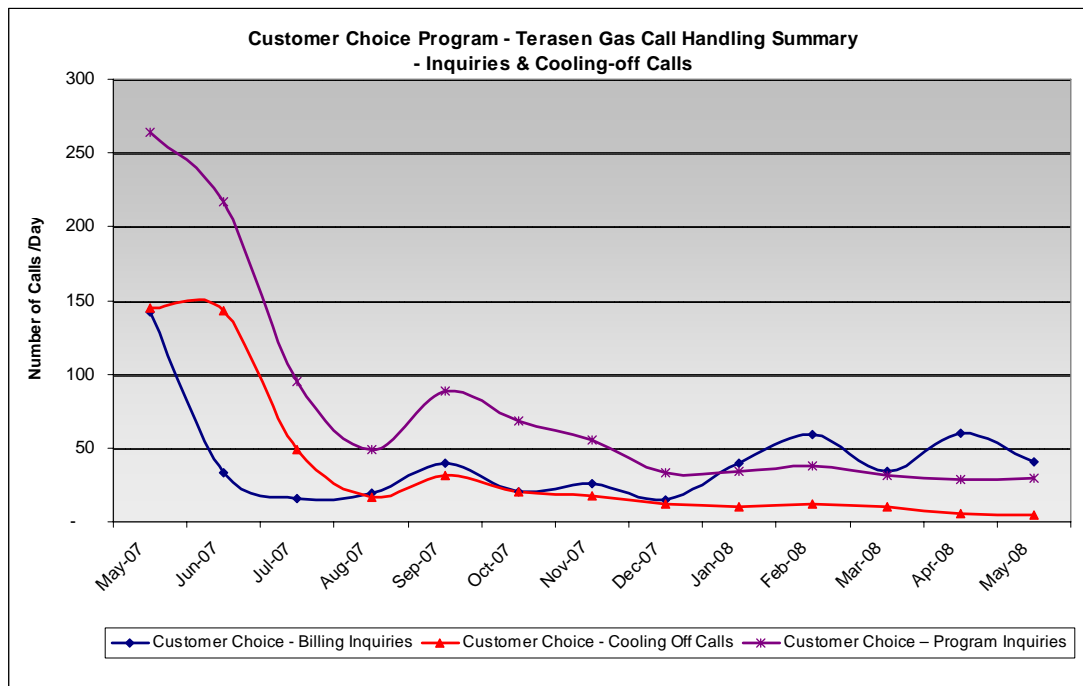


The following chart illustrates the number of cumulative residential enrollments processed by the Customer Choice systems since May 2007.

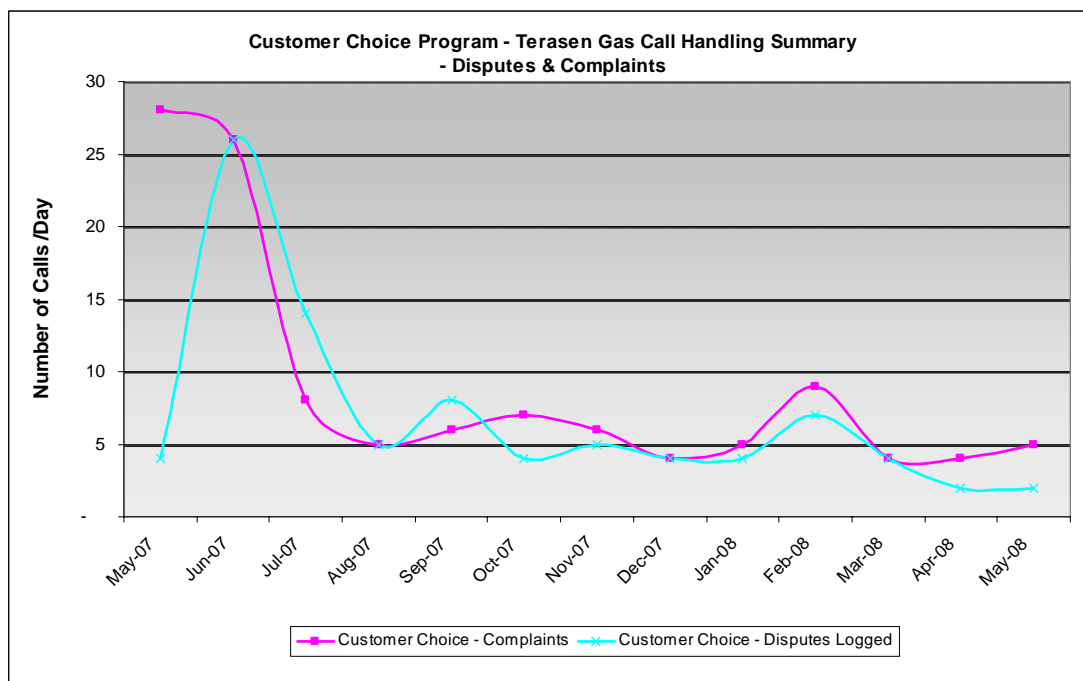


The Terasen Gas call centre has been responsible for handling over 30,000 program enquiries since May 2007, over 14,000 contract cancellation inquiries, 16,000 billing inquiries, and recording over 3500 complaints by customers. There has been a significant reduction in the level of these activities since market open in May 2007, which is to be expected given the decrease in door-to-door marketing efforts by gas marketers, as well as the overall stabilization of the program as participants became more familiar with program rules and processes.

The following chart illustrates the level of daily inquiries handled by the Terasen Gas call centre.



The following chart illustrates the level of daily disputes and complaints calls handled by the Terasen Gas call centre.



Terasen Gas believes enrollment issues identified to date are relatively minor in nature given the number of exceptions handled to date compared to the overall number of transactions processed. It is important to note that the transaction volume handled by the Customer Choice systems significantly greater than anticipated so early after enrollment go-live in May 2007. This had the effect of reducing system performance below the design requirements. Terasen Gas moved quickly to identify the cause for the performance reduction and to implement system improvements as they arose. The Company continues to work with its billing provider, CustomerWorks LP to explore solutions to such issues as they are identified.

4.5 Implementation Timeline

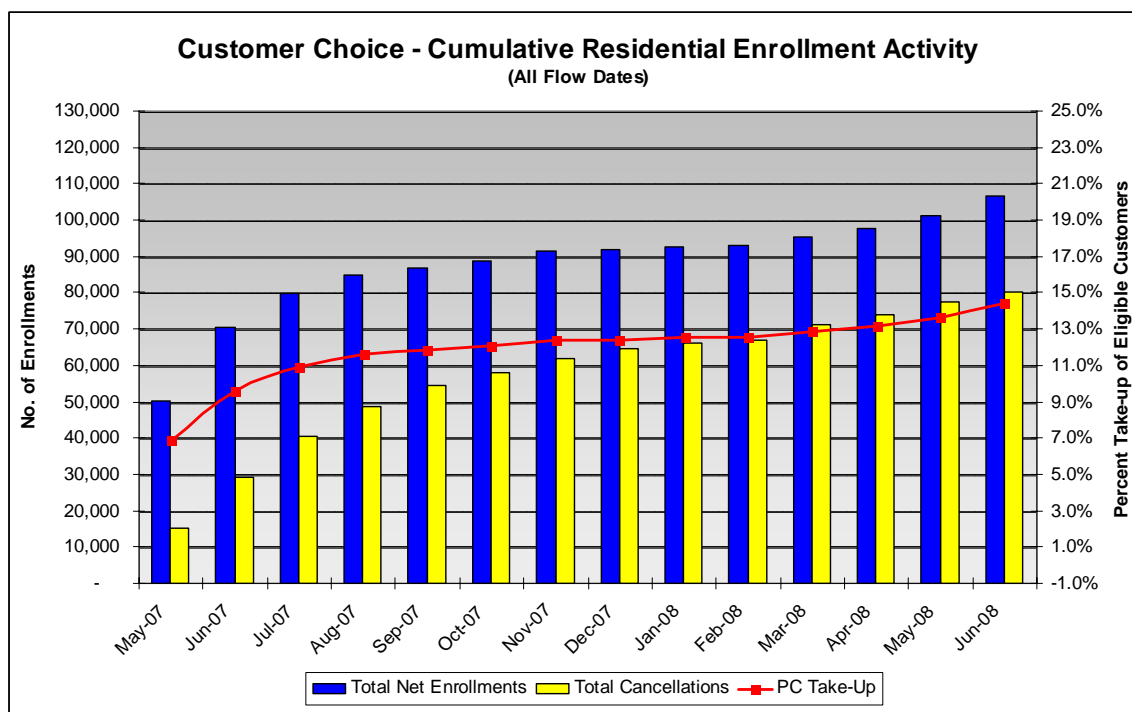
In the April 13, 2006 CPCN Application for the implementation of a Residential Unbundling program, Terasen Gas outlined the following timeline designed to flow natural gas to residential customers on a fixed price basis on November 1, 2007.

September 2006	Terasen Gas updates tariffs, Code of Conduct and licensing requirements, and initiates customer education planning.
March 2007	Tariffs and agreements in place, customer education begins.
April 2007	Residential customers receive bills with midstream and commodity charges split out.
May – September 2007	Gas marketers begin signing contracts with customers. Terasen Gas accepts enrollments until September 30, 2007.
October 2007	Gas marketers notified of delivery requirements.
November 1, 2007	Gas from gas marketers starts to flow and customers will begin to receive bills based upon their contracts with gas marketers.

Terasen Gas managed to adhere to this timeline with residential customers being billed for natural gas supplied by gas marketers starting November 1, 2007.

4.6 Enrollment Statistics

Of Terasen Gas' 741,000 Rate Schedule 1 residential customers eligible to participate in the Customer Choice program as of July 1, 2008, approximately 100,000 have signed a fixed price contract that is flowing with a gas marketer. This total represents approximately 13% of those eligible. The following chart provides a summary of total residential customers enrolled in the program since market open on May 1, 2007 for all gas flow dates less any who elected to cancel their contracts, or where their accounts were finalized by the Company. It also shows the percent of total eligible customers who remain enrolled after contract cancellations are processed.



Additionally, of the 79,000 Rate Schedule 2 and 3 commercial customers eligible to participate, approximately 20,000 have also signed contracts that are flowing gas with gas marketers. This total represents approximately 25% of those eligible. On combined basis, approximately 119,000 residential and commercial customers are enrolled and flowing gas on fixed price contracts with an independent gas marketer in the Customer Choice program, with a further 10,000 customers enrolled with contracts scheduled to flow gas after July 2008. New enrollments that increase these totals are made each day. The total number of customers currently enrolled represents approximately 15% of all customers eligible to participate in the program.

Fifteen gas marketers are licensed and currently participate in the Customer Choice program and are set out in the following table.

	Gas Marketer	Marketing Focus	
		Residential	Commercial
1	Access Gas Services Inc.	Yes	Yes
2	Active Renewable Marketing Ltd.	Yes	Yes
3	CEG Energy Options Inc.	Yes	Yes
4	Direct Energy Business Services	No	Yes
5	Direct Energy Marketing Ltd. o/a Direct Energy	Yes	No
6	Energy Savings B.C.	Yes	Yes
7	Firefly Energy	Yes	Yes
8	MXEnergy (Canada) Ltd.	Yes	Yes
9	Nexen Marketing	No	Yes
10	Premstar Energy - ECNG	No	Yes
11	Smart Energy (BC) Ltd.	Yes	Yes
12	Summitt Energy BC L.P.	Yes	Yes
13	Superior Energy Management Gas L.P.	Yes	Yes
14	Universal Energy Corporation	Yes	Yes
15	Wholesale Energy Group Ltd.	Yes	Yes

Of these 15 gas marketers, three focus their marketing efforts exclusively on commercial customers, one exclusively on residential customers, and 11 on both the residential and commercial customer segments. Prior to the implementation of the Customer Choice program, five gas marketers participated in the Commodity Unbundling program for commercial customers that started in 2004. They were CEG Energy Options, Direct Energy Business Services, Energy Savings B.C., Nexen Marketing, and Premstar Energy.

Thirteen additional new marketers chose to participate in the Commodity Unbundling program when marketing to residential customers was permitted beginning May 1, 2007. They include Access Gas, Active Energy, Direct Energy Marketing, Firefly Energy, Intra Energy, MXEnergy, Planet Energy, Smart Energy, Summitt Energy, Superior Energy, Tahoe Energy, Universal Energy, and Wholesale Energy.

Of these thirteen gas marketers three have since ceased participation in the program. Tahoe Energy cancelled their marketing plans in June 2007 and withdrew from the program as a gas marketer, Intra Energy also cancelled marketing plans in 2007 and withdrew, while Planet Energy sold its book of customers to another gas marketer in April 2008 and then withdrew. Several other companies have indicated an interest in participating in the Customer Choice program as a gas marketer but have not made a formal application to join the program at this time.

4.7 Stable Rate Option Offer and Termination

Terasen Gas launched the Stable Rate Commodity offering in the fall of 2004, which provided eligible residential customers with the opportunity to lock in the price of the natural gas commodity for the first time. The program was extended for another two years after this and allowed existing participants to either renew each year or return to the default commodity offering, as well as for new customers to participate. The last year of the program ended in December 2007. All 8700 residential customers enrolled in this program reverted back to the

Company's default commodity offering on December 31, 2007 when the program was terminated. These residential customers were eligible to participate in the Customer Choice program from January 1, 2008. The program was terminated at that time consistent with the direction provided in Commission Order No. C-0-06 from August 14, 2006.

Terasen Gas believes that the development and implementation of the Stable Rate program was a success, meeting the objectives of the program. These objectives include the education of consumers about commodity choice, stimulating consumer interest in alternative gas commodity offerings, assessing residential consumer response to commodity choice, and aiding in facilitating an orderly transition to an unbundled environment.

4.8 Customer Education Plan and Campaign

A review of the success of the customer education campaign, using ad tracking research, indicates that it largely met its stated objectives. The specific objectives for the customer education campaign was to make at least 85% of natural gas customers aware of the program and to ensure that these customers have a general understanding of it. Consumers were encouraged to visit the Customer Choice section on the Company's website for more detailed information about the program. The awareness level objectives achieved could not have been established without the use of television. A print and radio advertising campaign will neither reach enough consumers, nor reach them often enough to build the awareness levels that were attained.

The communications strategy employed met these goals, but more effort is needed after 2008 to maintain program awareness, communicate the difference between commodity and delivery costs, and help stabilize and grow the program. Shifting consumers from short term awareness to basic understanding takes time and consistent messaging. Accomplishing this shift will ensure most customers can recall basic Customer Choice information, including what gas marketers offer, and where they can go for more detailed information if needed.

Although the April 2006 CPCN application described two successive one year periods for the initial customer education campaign, actual experience shows that any cessation of customer choice advertising is quickly followed by a rapid decline in program awareness levels. This issue represents a key risk to the long-term success of the Customer Choice program. The best means of addressing this issue is a sustained prolonged customer education campaign.

It is important to note that the Customer Education campaign was not designed to guide customers through a purchase decision, or manage customer complaints that arose after contact by gas marketers using inappropriate or questionable sales tactics. It is not possible with current measurement techniques to isolate and measure the influence advertising has on complaint levels. Moreover, if complaints management was set as an objective the resultant communication would have undermined the credibility of the program because it would have questioned the legitimacy of a key participant, the gas marketers. Customers were provided with clear information indicating that the Commission was responsible for addressing complaints about gas marketers, as well as resolving any contractual disputes. This information was intended to complement the responsibilities gas marketers have in providing this information before they contract with customers for the supply of natural gas. At the time that the Customer Education Plan was designed in the fall of 2006, a key assumption was made about the conduct of gas marketers in terms of their marketing approach, especially as it related to door-to-door selling. It was assumed that gas marketers would meet the requirements of the Code of

Conduct fully, something that became clear shortly after the opening of the market in May 2007, was not always the case.

4.8.1 Natural Gas and Advertising to Consumers

A television-oriented campaign is the only way to build and sustain high levels of consumer awareness of the Customer Choice program. Bill inserts are too infrequent and have poor readership. Newspaper advertising does not reach as many people as television and the reader needs to be inclined to read the advertisement in the first place. The overall campaign needs to include all forms of delivery but how these delivery mechanisms are weighted is defined by the objective and goals of the campaign. A less expensive print oriented campaign would have resulted in far lower reach¹, and low awareness levels barring the media attention garnered in the spring and summer of 2007. Regardless of investment level, these other forms of presenting information about the Customer Choice program could not have resulted in reaching the communication objectives set out for the program. Importantly, without a longer-term communication campaign supported by multi-year funding, this awareness level cannot be sustained. While future campaigns no longer need to be concerned about launching a new product, they will be focused on sustaining awareness of an existing product and educating customers on the fine points of the program. This is important so that consumers are better aware of the pricing options available to them and so that they are able to make an informed decision when evaluating fixed priced contracts.

A longer-term communication campaign is also important for a number of other key reasons. Every year a number of British Columbians move into their first home and have to make decisions regarding their natural gas supplier. At the moment they may ignore any messages regarding unbundling because it is not relevant to their personal situation. Similarly, ongoing communication is important to educate people migrating from other parts of Canada where unbundling does not exist, as well as those coming to British Columbia from other countries. These new customers will have to understand the unbundling concept and should have access to unbiased information.

In terms of customers moving through a “decision-making” process, this is completed only by those customers that view a fixed price contract as an opportunity they should consider. Consider below two different advertising scenarios²:

Laundry Detergent

This is a low-involvement, low-priced product. Consumers do not give a lot of thought to this type of purchase. The role of advertising is to create awareness so that when the consumer is faced with a choice in the store, they will consider the product in their purchase decision. Once in store, other factors like price, special offers and shelf space will then be key in helping the decision making process. They might like the advertising, the label, or the brand name and try it

¹ In the application of statistics to advertising and media analysis, reach is defined as the size of the audience who listen to, read, view or otherwise access a particular work in a given time period. Reach may be stated either as an absolute number, or as a fraction of a given population (for instance 'TV households', 'men' or 'those aged 25-35'). For any given viewer, they have been "reached" by the work if they have viewed it at all (or a specified amount) during the specified time period. Multiple viewings by a single member of the audience in the cited time period do not increase reach. Source <http://www.answers.com/topic/reach-advertising>.

² Pauline Hadley-Beauregard, Partner, Wasserman + Partners Advertising. 1020 Mainland St., Vancouver, BC.

out. However it's unlikely that advertising alone would entice anyone to actively investigate a laundry detergent.

Car

On the other end of the spectrum, cars are high-involvement, high-priced products. Most people spend a lot of time deciding which car to buy.

Car advertising plays an important role in making consumers aware of specific products. If the consumer is actively looking to purchase a new car, an effective car ad may well spur them to take some action. A consumer interested in the category may be prompted to go to the manufacturer's website and read product reviews, or to go to a dealer to get more information to help them through the decision-making process. Other factors like size, gas efficiency, availability, options, special offers and price will then all be factors in addition to the advertising in making the decision.

Advertising can also build awareness for those consumers who are not in the market for a new vehicle. If the awareness becomes knowledge, at the point where the consumer is prepared to enter the decision-making process to purchase a vehicle, they may consider that car. If the awareness doesn't move to knowledge, the consumer will not even recall the car.

It is important to note that if a car doesn't fit the consumer's requirements, they will not be open to the advertising message. It's likely that the consumer won't even notice the advertisement. For example, if the car is too expensive, too big, or too small, or not environmentally friendly enough for the consumer, the message is unlikely to stick. No matter how good the ad is, it will not be able to move the consumer to a decision making process on that product.

Natural gas fits somewhere in between these two products. For many it's a low-involvement product. It is a commodity, like electricity or oil. As with the laundry detergent example, advertising about unbundling can make the consumer aware of their options when faced with an opportunity from a gas marketer. However, as discussed in the car example, if the consumer is not in the market for a new supplier or does not feel a concern with their contract, the advertising will not be something that will move them through any decision making process.

As attitudes towards energy evolve with more emphasis on environmental considerations, or as prices shift making energy a bigger part of homeowner budgets, consumer interest and involvement in the category may also shift. As this happens, they may become more engaged in looking for new gas contract options. However, natural gas rate plans will remain less sought after than power brands like Lexus, or Starbucks.

4.8.2 Objectives of the 2007 & 2008 Customer Education Campaign

Specific, stated objectives included the following:

- raise awareness of Unbundling and create a general understanding of the concept to the majority (above 85 per cent) of residential customers³, and;

³ For research purposes, awareness is defined as answering yes to the following: "Have you seen or heard anything about the Customer Choice program or the ability to buy natural for homes from gas marketers instead of Terasen Gas?"

- provide all interested customers with ready access to the information they need to make a knowledgeable decision when selecting a commodity supplier.⁴

These objectives were designed to help ensure that the gas marketers' fixed rate contracts were seen as valid alternatives to Terasen Gas' default rate, mitigate customer confusion about the forthcoming market change, and improve many individuals understanding of the new program. Without the extensive communications, the number of complaints and disputes between gas marketers and residential customers would likely have been much higher.

Terasen Gas however did not foresee some critical issues that arose shortly after the market opened in May 2007. The customer education objectives were not designed to mitigate the illicit sales tactics undertaken by some gas marketer sales representatives. Directly addressing what are clearly Code of Conduct issues in the advertising would have undermined the credibility of the Customer Choice program, endanger its long-term viability, and therefore risk the value of the entire program expenditure.

Terasen Gas ran a radio commercial in the fall of 2007, and updated online information at www.terasengas.com, to clarify that the Company does not engage in door-to-door sales activity. However, gas marketers did voice concern that the messaging was potentially damaging and inappropriate from their perspective. Attentive to this feedback, and anecdotal evidence that the number of complaints related to questionable sales tactics were declining, further messaging addressing this issue was stopped.

By focusing on awareness and education, the Customer Choice customer education campaign has helped to deliver a successful program launch with over 100,000 customers choosing the security of a fixed rate commodity contract. The program has created awareness, but it now needs to shift consumers from short-term awareness to knowledge in order to help ensure the long-term stability of the program. This effort requires considerably more prolonged advertising and consistent messaging.

The communication efforts of Terasen Gas to date, and that over the next several years is critical in creating a stable, healthy marketplace in which gas marketers compete. Customers will understand their natural gas commodity supply options and enjoy a variety of contract offers from a variety of gas marketers. It is with this goal in mind – a strong, stable program – that Terasen Gas remains committed to ensure that the expenditures for the customer education campaign is appropriately directed and that as a result, the program provides an ongoing source of choice in the future.

4.8.2.1 Determining Customer Education Objectives

Although there is some debate about appropriate advertising objectives, it is clear that they must be measurable, and the effects must be largely attributable to the advertising activity itself. "Some maintain that success can only be measured in terms of sales. Others contend that each element in the marketing mix (the "Four Ps") has a more specific role and that a change in sales is the result of each component working together with others."⁵ This latter contention infers two outcomes. First, that the Customer Choice program's marketing mix includes both Terasen Gas

⁴ Residential Unbundling CPCN Decision, August 14, 2006. Section 2.2.1 Customer Education Objectives, pages 24, 25.

⁵ Promotional Strategy. Engel, Warshaw, and Kinnear. Fifth edition, 1983. Page 164.

and gas marketer aspects. Second, that the campaign objectives are appropriately stated in communication terms, because more than advertising alone influences sales or complaints.

The components of a marketing strategy are often referred to as the “Four Ps”:

- Product – is any combination of goods and services offered to satisfy the needs and wants of consumers;
- Price – is simply the amount of money that consumers are willing to pay for a product or service;
- Place – refers to having the right product, in the right location, at the right time to be purchased by consumers; and
- Promotion – encompasses a system of communication tools designed to present a company, its products, and its services to consumers.

“The objective (of a marketing strategy) is to unite these working tools of the marketing manager into an organized and integrated program of action. Each variable contributes in its own unique fashion to the overall objective of maximizing long-run return on investment.”⁶

The Customer Choice program is unique in marketing implications. Terasen Gas was responsible for the launch a new service on behalf of other organizations. This new service is intrinsically linked to what Terasen Gas offers, and yet the Company has limited influence with respect to the overall marketing strategies employed by gas marketers. The gas marketers determine what price they can offer to customers, the locations where they concentrate sales activity, direct product promotion and sales activities, and in many ways the product itself.

Terasen Gas’ education plan focuses on communication and seeks to improve customer satisfaction, product preference, and long-term program sustainability. The awareness based communication objectives are measurable and appropriate. These objectives are primarily designed to:

- ensure that Terasen Gas has a presence in overall marketing strategy for the program;
- limit customer confusion about the program launch by reinforcing the 11 key messages;
- ensure customer satisfaction and product preference is protected from the undue influence of unprofessional sales tactics used by the sales agents of some gas marketers;
- ensure most customers are aware of the product and that the awareness of it shifts to a more fundamental understanding of the product; and
- help to establish a stable, competitive marketplace attractive for gas marketers to compete in and offer a selection of fixed price contracts for the supply of natural gas.

Terasen Gas faces significant reputation risk from the implementation of the Customer Choice program. The marketing strategies employed by gas marketers have the potential to influence customer satisfaction and consumer product preference. Gas marketers control the product by offering fixed price contracts of varying terms, place in terms of which locations they concentrate their marketing efforts, and the price offered to customers. The only meaningful influence Terasen Gas retains with respect to the overall marketing mix is “promotion”. The customer education plan developed by Terasen Gas is designed to help address the issues described

⁶ Ibid. Page 9.

above. Importantly, for it to be successful, it must flexible, properly funded, and delivered over a multi-year period.

4.8.3 Key Messages of the 2007 & 2008 Customer Education Campaign

To ensure customers had a general understanding of the program, Terasen Gas identified 11 key messages that needed to be communicated to customers⁷. The table below summarizes each of these original key messages. In order to manage research costs prudently, and to limit respondent phone call terminations, the messages deemed less important were not tracked in the advertising research studies. Other messages were only tracked in the initial stages of 2007.

The following table includes three columns:

- Ad tracking reference – this is the short title used by TNS Global, the Company's ad tracking vendor, to reference the key message on charts;
- Research status – indicates if the key message was researched, if research has stopped, or if the message continues to be studied; and
- Key message – as per the original CPCN application.

	Ad tracking reference	Research status	Key message
1	Buy From Others	Ongoing	Natural gas commodity unbundling allows third parties called gas marketers to sell long-term fixed-price contracts to supply natural gas to customers providing price stability on natural gas commodity. Choice of supplier is only available on the commodity component.
2	N/A	Not Tracked	Natural gas commodity unbundling is consistent with the provincial government's energy policy released in late 2002 that states licensed gas marketers will be able to sell directly to small volume customers. This new competitive market allows residential homeowners to buy their natural gas commodity from Terasen Gas or licensed gas marketers.
3	N/A	2007 Only	Gas marketers may sign contracts with customers starting May 1, 2003 with delivery beginning November 1, 2007. But check the fine print for terms and condition when you sign.
4	Can Choose Rates	Ongoing	A natural gas marketer may contact you directly after May 1, 2007 or you can find a list of participating gas marketers on www.terasengas.com or www.bcuc.com . Signing a contract with the gas marketer can be compared to signing a contract for a fixed rate mortgage: It sets the price of the natural gas commodity for a specific number of years. Choosing to buy the gas commodity from a gas marketer is an option, not a requirement.

⁷ TGI Commodity Unbundling Project for Residential Customers, CPCN Application, April 13, 2006. Section 8.2 Key Messages, pages 57-59.

	Ad tracking reference	Research status	Key message
5	Knowledge of Customer Choice Program	Ongoing	Unbundled gas services available to residential and small business Terasen Gas customers in the Lower Mainland and B.C. Interior (excluding Whistler, Squamish, Revelstoke, and Fort Nelson).
6	Midstream Charges	Not tracked	Terasen gas pays midstream charges to other companies who store, transport and help us manage the gas we deliver to our customers. Midstream is not a new charge. It is identified separately on your bill so that you can compare the actual commodity price to quotes from other sources.
7	Two Cost Components	Ongoing	Gas service has two components, commodity and delivery. Terasen Gas buys gas on behalf of customers and passes the cost of the commodity on without mark-up. Terasen Gas charges for the delivery service, which is how the company makes its money.
8	Marketers Independent	Ongoing	Natural gas marketers are independent businesses that offer gas supply choices. They have no connection to Terasen Gas. Also reference their obligation to comply with the code of conduct.
9	Safety Not Affected	Ongoing	Gas delivery and billing services will continue to be provided by Terasen Gas and safety will not be compromised.
10	BCUC Responsible	Ongoing	The BCUC is responsible for regulating the gas marketers and their compliance to a code of conduct.
11	Information at Terasengas.com	Ongoing	Visit www.terasengas.com for more information about natural gas commodity unbundling.

These approved communication key messages and the objectives for the Customer Education Plan described earlier in this report are the foundation for all Customer Choice research. The 2007 and 2008 campaign incorporated a number of different methods used to communicate the Customer Choice educational objectives. Television was the lead method, with support from online media, newspapers, and bill inserts. A consistent theme of all consumer communications was to drive traffic to the Terasen Gas website where more in-depth information was available.

4.8.4 2006 Research and Stakeholder Review

The communications development process during the fall of 2006 involved several steps to ensure content and creative appropriateness. Wasserman + Partners were responsible for the development of the creative concepts. These concepts were shared with stakeholders that included the Commission and gas marketers. Ipsos Reid then followed by conducting both qualitative and later quantitative market research to identify the creative strategy and copy approaches preferred by consumers. The research results were shared with the Commission and gas marketers as they became available.

Prior to any artwork or commercials going to final production, Terasen Gas would email the material to stakeholders for comment.

All advertising needed to be neutral and cover a broad range of key messages, and meant that it was educational and could not be motivational in nature. It was designed to introduce a new product and associate the consumer benefit with “choice,” but not the new product itself (fixed rate contracts). Moreover, the educational campaign still needed to engage the audience

enough to ensure their attention. The greater the number of individuals and stakeholders involved, the more challenging it became to balance often disparate goals. The gas marketers wanted a favourable marketplace and advertising that promoted their product, or at least didn't hinder their sales; the Commission wanted to limit complaints; Terasen Gas wanted to meet the objectives agreed to in the Residential Unbundling CPCN Decision.

Research at this stage was required to aid Terasen Gas in:

- understanding consumer perceptions of the current regulatory environment in British Columbia, the pending regulatory change and how best to communicate the change to them;
- evaluating alternative positioning statements to gain insight into what consumers needed to know and found relevant; and
- evaluating specific advertising platforms developed to support the “winning” positioning.

The first phase of research was focused on understanding the first objective noted above. The second phase assessed the communication strategy. The third phase evaluated the creative platforms that would deliver the message.

2006 Phase 1 Research – Positioning Statements (Qualitative)

Depth interviews were employed among gas users to explore perceptions of Terasen Gas' early stage unbundling consumer positioning statements. In total, 18 Lower Mainland and Kelowna residents participated in this research on September 26 and 28, 2006.

In depth interviews provided an iterative approach where accumulated learning about the positioning statements could be gathered, incorporated and evaluated over the course of multiple interviews. Positioning statements were “fine tuned” throughout the research process based on earlier interviews and new ideas tested where the researchers found that some alternatives were not as strong as others. This methodology minimized group think by providing a context that closely mirrors how communications are consumed – independently as opposed to in a group context.

Recruits met the following criteria:

- 100% are primary or shared decision makers in relation to household utilities;
- 100% own their own home and receive bills from Terasen Gas;
- 100% had either positive; or neutral feelings towards Terasen Gas;
- 50% male - 50% female.
- none worked in occupations related to advertising, marketing, public relations, research, natural gas or energy; and
- limitations were set for those not working full or part time.

Participants may have been using natural gas for a long time and in a number of ways within their homes, but this does not mean they knew much about natural gas. In their own words, most felt they knew “nothing” about natural gas.

Despite the range of views expressed about the statements and variability in terms of natural gas knowledge, interest in the sector and regulation preferences, most felt motivated to inform

themselves about the pending industry change. Primary motivators included general curiosity or a desire to “be in the know,” rate savings, and a feeling they might miss an opportunity to benefit if they didn’t get up to speed quickly on what was happening. Ultimately, the qualitative Phase 1 research was used to refine messaging tested in quantitative, Phase 2 testing.

2006 Phase 2 Research – Creative Development (Quantitative)

This evaluation, based on undertaking Ipsos ASI’s Next*AdStrat, is an online quantitative survey methodology designed to evaluate positioning statements and very early stage creative. The focus of Terasen Gas’ AdStrat analysis for this study was on measuring the degree of shift generated on comprehension, behavioural and attitudinal metrics pre and post exposure to unbundling strategy statements. In this case, a test-control methodology was employed to evaluate three positioning statements via three test cells and the study employed a control cell, which functioned as a baseline from which shifts could be measured in the test cells. Fielding was conducted between October 5 and 10, 2006.

For each of the three test cells and the control, Terasen Gas undertook 100 completes per cell or a total sample of n=400. All research respondents met the following criteria:

- 100% live in Terasen Gas’ service areas;
- 100% are between the ages of 25 and 65;
- none work in media, marketing, market research or the energy sector;
- 100% are the primary or a shared decision maker in relation to household utilities;
- 100% own their own home; and
- 100% receive monthly billing from Terasen Gas.

Weighting was applied to all cells based on gender and type of home ownership. These variables were selected for weighting because they were not part of respondent screening and they showed some variability across cells where other demographic variables did not. Weighting was calculated by averaging findings across the noted variables and then applying the resultant weighting to all four cells.

The research was comprised of three test cells where 100 respondents per cell evaluated one positioning statement for Terasen Gas’ unbundling communication initiative, and 100 respondents made up a control cell. Respondents in the control cell were not exposed to any positioning and functioned as a baseline from which post exposure impressions among members of the test cells were measured. This methodology was comprised of both open-ended questions that aided in understanding respondent perceptions of what they read and closed-ended questions that quantified shifts in awareness, persuasion, and measures that aided perceptions of the statements.

Findings indicated “right for you” represented Terasen Gas’ best alternative among the three positioning statements evaluated. It generated the greatest shifts to visit the web site, and communicated the price options message better than the alternatives.

- *“Right for You: Terasen Gas is helping to deliver price options that best fit your needs.”*

- *“You can get the variable market rate from Terasen Gas, or now choose the stability of fixed gas rates from another supplier. You no longer have to fit the same plan as everyone else. Whatever option’s right for you, Terasen Gas will always deliver.”*
- *“It’s simple. It’s easy. Find out more at www.terasengas.com.”*

While “right for you” did not test as the best option across every evaluation metric, it was often the strongest and was more consistently strong across the broadest range of metrics. These metrics included message credibility, generating awareness of changes in relation to natural gas, likelihood to visit Terasen Gas’ website, likeability (closed-ended), and on statement ratings.

Findings suggested that effectively communicating price options would present potential challenges. Dislikes were noted for all positioning statements, but particularly for the preferred “right for you.” Respondents indicated they were left wanting more detailed information about pricing in order to make an informed decision. Reviewing the effectiveness of the Customer Education campaign, suggests that this hurdle has in fact materialized. Softer shifts related to supplier choice may also be a reflection of price being more important to consumers than supplier choice. If so, there is likely a need to emphasize supplier choice somewhat more in the advertising to ensure this message resonates as well as the price message.

Research also indicated that messaging related to price raised questions for respondents that correlated with message dislikes. Verbatim responses on dislikes suggested this reflects two issues: first, when consumers see “price,” – a number – they want more details. Second, some get concerned that prices will increase. While a few comments reflected an understanding that only so much can be communicated in advertising, more wanted additional details. It was suggested at this time that directly acknowledging this challenge in the advertising and / or bridging strongly to the print advertising or web site where more details can be communicated was likely the most effective way to manage this issue.

At this stage it was pointed out the communication platform was faced with a dilemma: if it broke through effectively, it would get the attention desired. However, because of the complexity of the communication, and the resulting inability to provide all of the details, there was a risk of audience frustration, post exposure. As Ipsos pointed out, achieving this balance, “...will be a key communication challenge.”⁸ Some communication elements necessarily changed over the course of the campaign. Events, new information, viewer fatigue and frustration continued to influence communication activity.

2006 Phase 3 Research – Creative Development (Quantitative)

This evaluation used Ipsos ASI’s Next*Idea Television. Next*Idea is an online quantitative survey methodology designed to evaluate television executions. Executions can be at varying levels of completeness: from early stage video boards or animatics incorporating voiceovers and music to produced, finished looking advertising. The focus of Terasen Gas’ Next*Idea evaluation was on measuring the degree of shift generated on comprehension, behavioural and attitudinal metrics pre and post exposure to video boards. A test-control methodology was employed to evaluate three creative executions via three test cells. A control cell comprised of

⁸ Ipsos ASI, Residential Unbundling Study. Public Education Phase 2 Findings: Next* AdStrat. October 25, 2006. Page 8.

British Columbia natural gas consumers who were not exposed to any stimulus was incorporated into Phase 2 providing a relevant baseline from which to measure shifts. Fielding for Phase 2 was conducted between November 16 and 22, 2006. Control fielding was conducted between October 5 and 10, 2006.

As was the case for the Phase 2 advertising strategy evaluation, for each of the three Next*Idea test cells, Ipsos surveyed approximately 100 British Columbian residents per cell, or a total sample of just under 300. All research respondents met the following criteria:

- 100% live in Terasen Gas' service areas;
- 100% are between the ages of 25 and 65;
- none work in media, marketing, market research or the energy sector;
- 100% are the primary or a shared decision maker in relation to household utilities;
- 100% own their own home; and
- 100% receive monthly billing from Terasen Gas.

Weighting was applied to all cells based on gender and type of home ownership. These variables were selected for weighting because they were not part of respondent screening and they showed some variability across cells where other demographic variables did not.

Three creative concepts were tested. Across all executions, positive shifts were observed in relation to awareness that a change is coming, and in the case of two of the concepts, including the "Turnips" concept ultimately chosen, the advertising motivated a desire to visit the Terasen Gas website to learn more. The "Turnips" concept was favoured for its clarity, simplicity, and humour, while the alternative creative concepts were more likely to be perceived as confusing.

At the time Ipsos ASI noted that, "...a key challenge that presents itself for all executions is one that has been evident through each phase of the unbundling or consumer choice research: all executions generate a desire for more information. This is apparent in verbatim dislikes where respondents express a desire for more information post exposure. While providing more information is likely not the answer, particularly given favourable perceptions of "Turnips", arguably the simplest execution, there may be merit in more explicitly or strongly noting that more information is available online and in other sources."⁹

Given these results, "Turnips" was selected as the alternative most likely to succeed. Quantitative research indicated it was the alternative that best communicated the intended message and generated the desired response. Keeping the execution simple and to the point was strongly linked with the successful communication of key messages. That noted, because the simplest execution was also the one that generated a stronger desire for more information, it was suggested that Terasen Gas explore ways to acknowledge that more information was needed. This requirement then also influenced advertising that directed consumers to visit the Terasen Gas website and read printed material for more information.

⁹ Ipsos ASI, Residential Unbundling Study. Public Education Phase 3 Findings: Next* Idea Television. December 5, 2006. Page 4.

4.8.5 Customer Education Campaigns and Results Assessment

4.8.5.1 Review of the 2007 Campaign

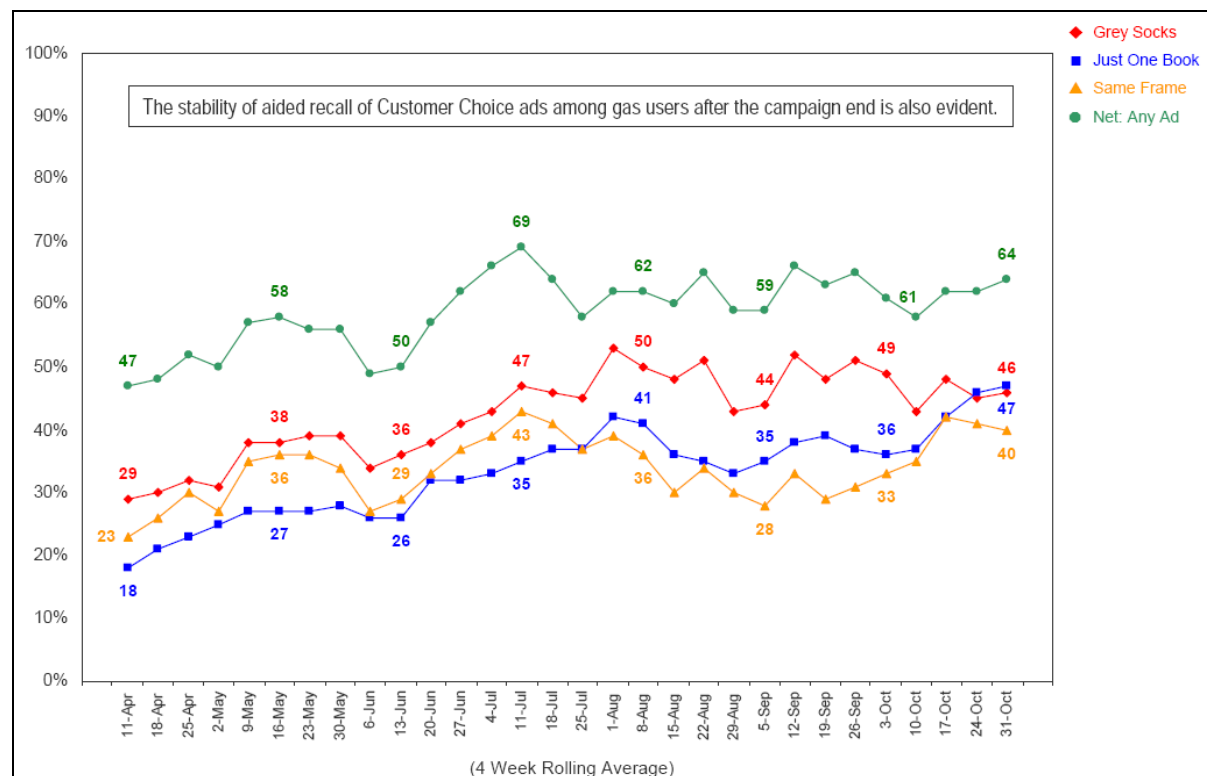
The customer education campaign launched in early 2007 to help prepare consumers for the introduction of Customer Choice involved primarily the use of a television advertising campaign, radio advertising, bill inserts, bill messaging, newspaper advertising, and a Standard Information Booklet that describes the key elements of the program. This information was delivered throughout 2007 with the specific objectives being to increase awareness of Commodity Unbundling, generate interest for customers to investigate commodity choice, provide information on how to make an informed choice, and describe the process required for switching commodity suppliers.

To evaluate the progress of the Customer Education campaign, near continuous advertising tracking (ad tracking) research has been conducted since March 21, 2007. Advertising began shortly before this, on Monday, March 5, 2007. The research is conducted by telephone interviews with homeowners (gas and non-gas) throughout the Company's service area. The following summarizes the methodology used in 2007:

- homeowners between the ages of 25 and 64 years;
- 48 interviews per week;
- 16 interviews for each of Terasen Gas' marketing regions—Lower Mainland, Vancouver Island* and Interior BC. Note: Because of TV media spillage onto Vancouver Island, Revelstoke and Fort Nelson, non-eligible customers were included in this study. Terasen Gas is concerned about possible complaints from customers that are aware of the program, but unable to participate. Based on research findings, in which a significant portion of customers are dissatisfied that the program is not available, Terasen gas expanded communications into these areas in 2008. Ad content tells customers why the program isn't available to them;
- calls between Thursday and Sunday;
- questionnaire measured program awareness, unaided ad recall and aided recall of each commercial aired in 2007;
- ad tracking began March 21 with a scheduled break between June and August, and November and December;
- final data presented is weighted by region; and
- data points represent 4-week, rolling averages.

The following chart shows the level of aided recall for the series of Customer Choice television commercials that were shown starting in March 2007.

Figure 1: Aided recall of 2007 Customer Choice ads (Gas users)¹⁰



On an aided basis, recall of the Customer Choice ads grew steadily through 2007¹¹. Figure 1 suggests that on a cumulative basis, the television commercials had reasonable levels of recall. Even after the campaign ended at the end of September, recall of the television commercials remained relatively high. However, other research presented in graphs that follow suggest that awareness of Customer Choice dropped more readily. This suggests that consumers remembered the creative aspect of the television commercials after they had stopped airing, but they were not as likely to remember the key message associated with the advertisement.

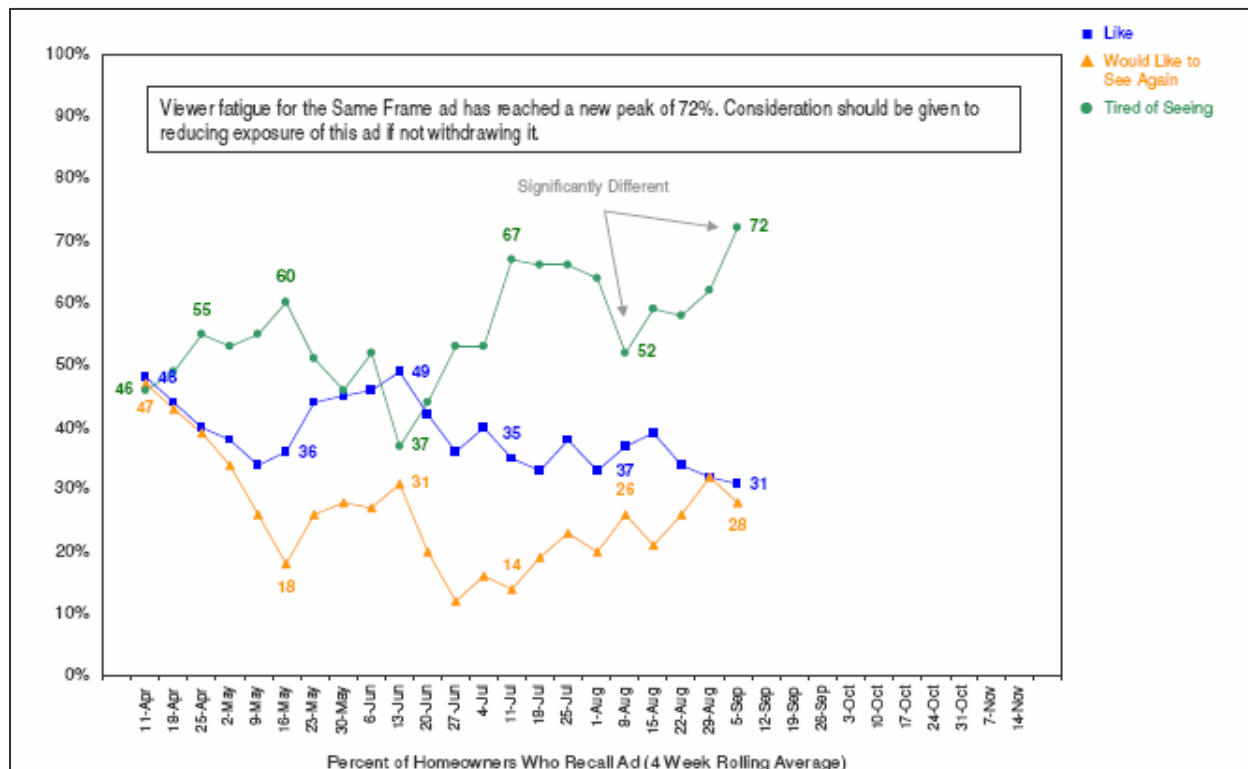
Consumers quickly develop perceptions about television commercials, with some commercials resonating more than others. Some consumers like funny commercials, others prefer more straight forward information. Eventually, after a commercial has been seen enough, it wears out and consumers do not want to see it anymore. Commercials that wear out but continue to be used can result in hurting the company or product associated with the advertisement. Advertising tracking research studies this “viewer fatigue.” In Figure 2 below¹², viewer fatigue for the “Same Frame” ad was as high as 72 per cent of respondents in September 2007. This suggests that the “Same Frame” ad had worn out its welcome. Viewers didn’t want to see it anymore.

¹⁰ Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 16.

¹¹ Note that our education campaign started on March 12, 2007. This preceded testing so the campaign had already started to establish product awareness. The initial data point of April 22 represents data collected during the previous four weeks including March 26 through April 22, 2007. It is expected that initial awareness levels were much lower.

¹² Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 35.

Figure 2: Ad Diagnostics – Same Frame Ad



The “Grey Socks,” and “Just One Book,” commercials also exhibited signs of growing viewer fatigue, but results were more static. At their peak, about 60 per cent of viewers did not want to see any of the 2007 Customer Choice commercials again. In response, Terasen Gas scaled back television advertising in 2007. Instead, new Customer Choice radio and print advertising was developed and delivered that addressed issues the original advertising did not concentrate on.

Importantly, the high levels of viewer fatigue¹³, 46% at launch for the “Same Frame,” was the single most important factor in the Company’s decision to change creative approach for use in 2008.

The cumulative impact of the customer education campaign and growing awareness of the Customer Choice program grew steadily in 2007. This can be seen in Figure 3 that follows. Program awareness reached a peak of 69 per cent of all homeowners last October, just as the TV advertising ended. For natural gas users, this matched an earlier August peak of 77 per cent.

¹³ After the first four weeks of broadcast, viewer fatigue for “Same Frame,” “Just One Book,” and “Grey Socks,” was 46%, 35% and 25% respectively. This is higher than typical commercial fatigue levels.

Figure 3: Heard of Customer Choice program.¹⁴

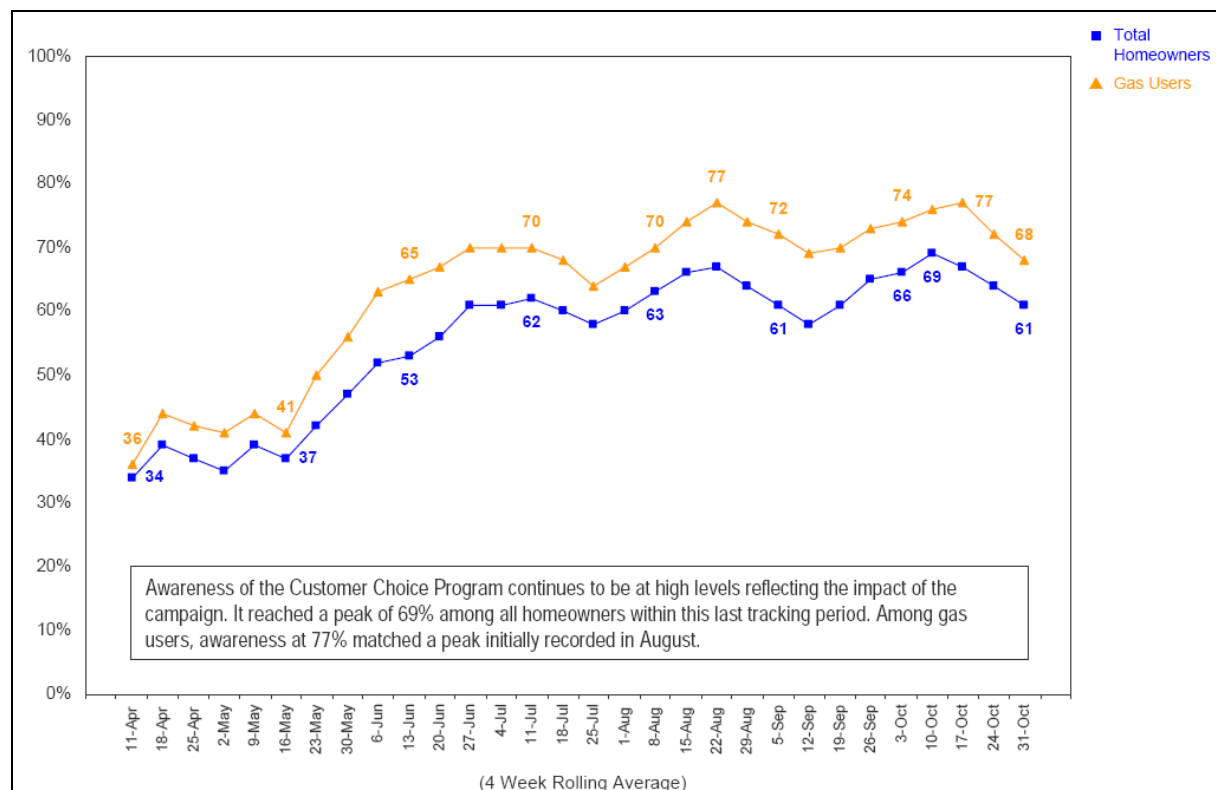


Figure 3 also shows that program awareness dropped quickly after television advertising stopped at the end of September, 2007. The last three data points of each line suggest that awareness of Customer Choice fades quickly once program communications ceases. This result is consistent with advertising theory, and it's why Terasen Gas and other companies refrain from advertising recall research when advertising isn't taking place. It's generally accepted that most people forget advertising within three months. Continuing to conduct research during periods of no advertising typically results in declining sample sizes and data with high margins of error. Importantly, this result demonstrates the importance of ongoing customer communication so that customers eventually internalize the message and it becomes part of their long-term knowledge.

The results shown in Figure 3 fell short of the goal to make at least 85% of natural gas customers aware of the program and contributed in the decision to change creative tactics for 2008 and beyond. Another significant factor however, was the higher than expected viewer fatigue evident early on in 2007. Terasen Gas decided to develop a new creative strategy for 2008 to address this issue. Coupled with billing and gas marketer activity, a heavy television buy using the new "Comfort Expert" creative package helped to briefly push awareness past the 85% target in January 2008.

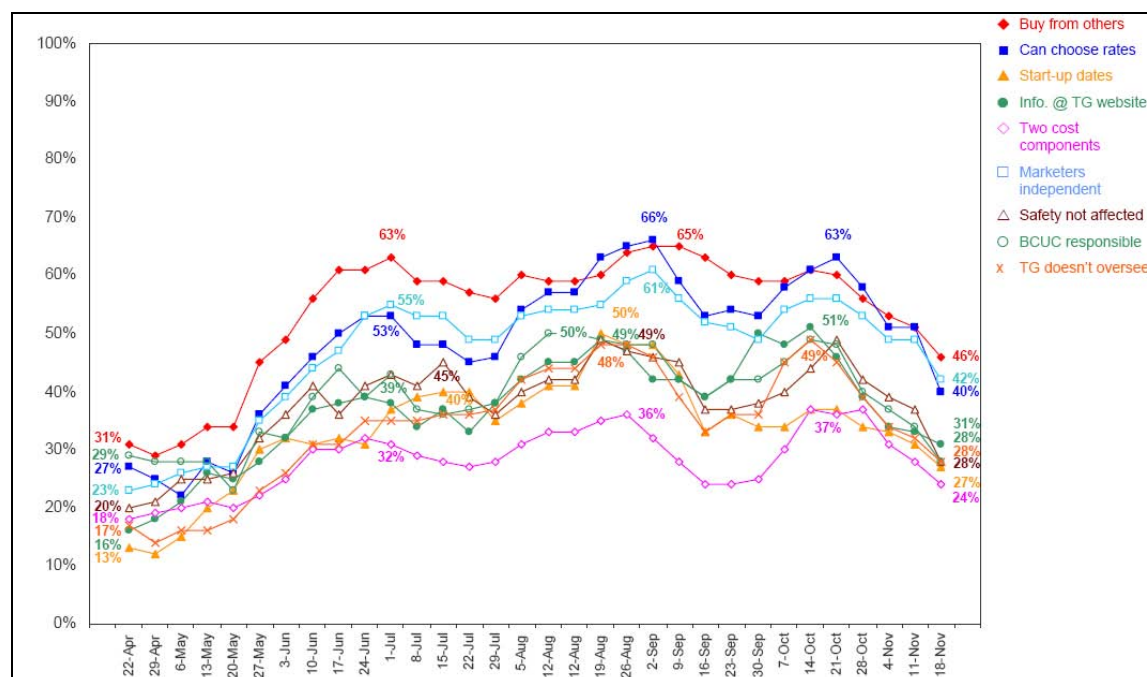
The original 85% awareness target was estimated by Wasserman + Partners, drawn from extensive media purchasing experience. Based on results to date, Terasen Gas suggests the

¹⁴ Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 39.

aided¹⁵ awareness target for Customer Choice change from the original 85% to 70%. Between June 2007 and April 2008, average program awareness has been 72.5%, with a standard deviation of 6.1%. It is apparent that the necessary investment to reach and maintain awareness at the 85% level is cost prohibitive. Wasserman + Partners now suggest that sustained awareness levels of 85% may require an advertising budget as high as \$6m per year¹⁶. Balancing the need to educate customers about the product with the costs to do so, Terasen Gas proposes that a 70% awareness level is prudent and appropriate. The recommendation should help educate those with a higher propensity to select a fixed rate contract, yet facilitate an appropriate pick-up rate to ensure long term program stability. The customer education plan for 2009-11 set out in sections 4.8.7 to 4.8.9 of this report is designed to maintain the level of awareness at around 70%.

The degree to which awareness levels decline following the termination or even decrease in television advertising is shown in Figure 4 that follows.

Figure 4: Knowledge of Customer Choice program elements (percent of gas users in Customer Choice program qualifying area who have heard of program)¹⁷



The trending evident in Figure 4 indicates strong improvements in key TV messages like, “buy from others,” “can choose rates,” and “marketers independent”. Awareness of key messages often doubled or tripled during the television campaign. For those messages that were not specifically included in TV or radio content, awareness levels rose, but less dramatically.

¹⁵ The research respondent is prompted if they have heard of the program.

¹⁶ Based on three six week advertising campaigns.

¹⁷ Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Lines represent 4-week rolling averages. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 44.

"Terasen Gas doesn't oversee," and, "There are two cost components," showed solid, but less dramatic results in 2007. Half of consumers recalled that detailed information about the campaign was readily available on the Company's website at www.terasengas.com. However, significant gains established during the TV campaign were lost when airing stopped in the fall of 2008¹⁸.

Importantly, Figure 4 also illustrates how fluid different issues are in the consumer marketplace. Gains are lost unless adequately reinforced with more messaging. Nevertheless, it illustrates the success of the campaign. The most important key messages were addressed quickly with the media strategy, and the plan helped to reinforce and build greater awareness of each key Customer Choice message.

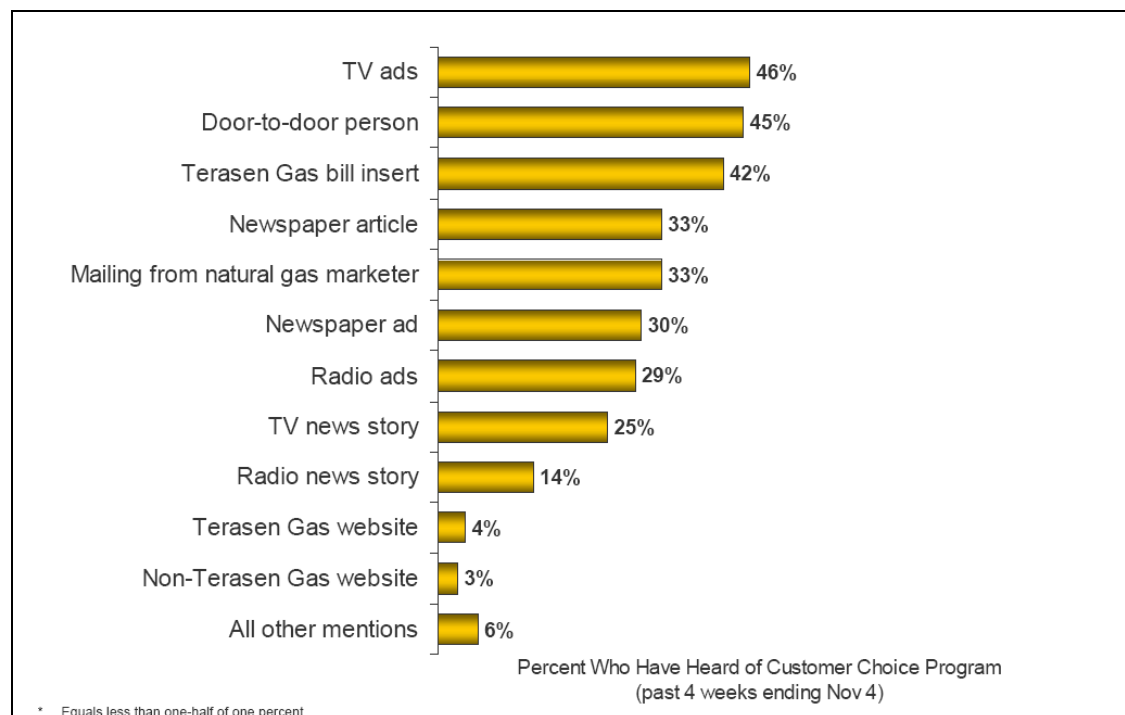
About 60 per cent of the 36 per cent that were aware of Customer Choice at the start of the campaign recalled key messages. Over 71 per cent of the 74 per cent that were aware of Customer Choice at the end of September recalled key messages. For those aware of the program, when blended for all measured attributes, key message awareness improved 19.85 per cent by the end of September. However, the blended improvement from start to end of campaign was only 10.5 per cent percentage points, moving from 60 per cent to 65.5 per cent. Terasen Gas attributes this sharp decline to the withdrawal of television advertising at the end of September.

Although results were less dramatic than the primary Customer Choice messages, knowledge of the "two cost components" did reach new peaks. Despite many past efforts, the Company's expanded Customer Choice communication efforts appear to be starting to impact consumers' understanding of this issue. Terasen Gas believes that continued commodity versus delivery messaging will result in more satisfied gas customers and help minimize customer perceptions that commodity costs are established at the whim of either the gas utility or the Commission. This issue remains foundational to the Customer Choice program. Without understanding the difference between the two cost components, it is impossible to understand the nature of the gas-marketer commodity contract.

Figure 5 shows that television advertising was the leading driver of program awareness. Moreover, Terasen Gas is of the view that television advertising was essential in motivating consumer attention to more passive media like bill inserts, newspaper ads, and even in mailings by gas marketers. The table also exemplifies the interaction of the program's marketing mix. Media, advertising and gas marketer activities have a role to play in shaping consumer perceptions.

¹⁸ Awareness levels recovered swiftly when TV advertising began again in January 2008. See 2008 review section.

Figure 5: Source of information about Customer Choice¹⁹



The door-to-door sales activities undertaken by gas marketers at launch in May 2007 also played a significant role in establishing program awareness, although not in a way that necessarily supported the long-term viability of the program. Approximately 45 per cent of consumers indicated that a gas marketer visit was how they first found out about the program. Ideally, customers had exposure to the program prior to having a gas marketer visit. This sequencing was problematic because the relevance of Customer Choice didn't really materialize until after the program became available.

During the launch period, Terasen Gas communications sought to inform customers about their options. Unfortunately, during this period gas marketers' used high-pressure sales tactics that compromised customers' ability to gather adequate information that could be used to assess an offer. For many consumers, the only source of information referenced was the sales person at their door. Media coverage during this period suggests many people were deceived, for example:

The Daily News continues to get complaints from area residents – senior citizens in particular – upset over deceptive claims that have led them to sign long-term contracts. The latest came from Chase couple They are locked into a fixed-rate contract with ... the company refusing to deal with the complaint.

The couple was initially approached...by salesman ...
"He said he was with Terasen Gas, and right then and there he was misrepresenting himself," Gordon said Thursday. "He had a Terasen logo on his shirt and he had our Terasen bill on his clipboard."

¹⁹ Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 40.

Since their name and address were on the bill, they assumed (the sales person) was with Terasen. They were not informed of the 10-day cooling-off period.²⁰

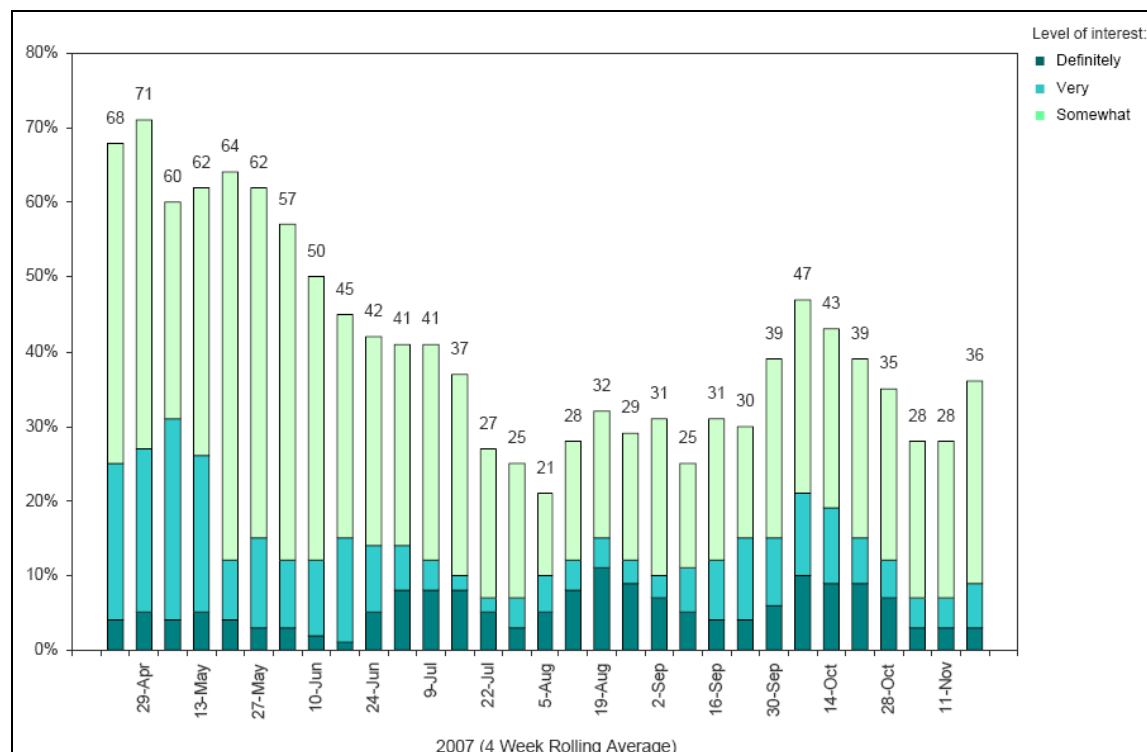
This particular example is consistent with much of the media coverage during 2007. The Company's advertising however, was not designed to address situations where gas marketers violated the Code of Conduct. Similar sales activities pushed many consumers into an ill-informed purchase decision. The result was a flood of disputed contracts and customers complaining about the sales practices followed by gas marketers.

As the program stabilizes and gas-marketer sales activity moderates, continued Terasen Gas education efforts using traditional media will help to better inform customers so that they can manage the sales interaction more capably. They will have a better understanding of the commodity contract offered and more ability to identify false or inaccurate claims.

Figure 6 shows the degree of interest in the Customer Choice program by customers eligible to participate in it. There has been a sharp decline in the number of British Columbians that have "somewhat" of an interest in Customer Choice. The levels of those that are either "definitely" or "very" interested have exhibited volatility, but there is less overall deviation. Since launch, about 15 per cent to 25 per cent of the Terasen Gas customer base appears to be strongly interested in the product offer at any given time. Each bar in Figure 6 indicates the percentage of the total marketplace that is most receptive to the Customer Choice message at any given time.

²⁰ Safeguard to stem gas sales complaints. Mike Youds, Kamloops Daily News

Figure 6: Interest in Customer Choice²¹



Terasen Gas believes that the very high 71% peak interest that occurred in April through early July 2007 with 41%, likely reflects early customer pre-conceptions that competitor commodity rates would be lower than the Terasen Gas default rate. Another significant issue was the negative media coverage during the period, and the unwelcome sales tactics some customers experienced. Interest levels after this launch period have fluctuated from a low of 21 per cent in August 2007 and 22 per cent in February 2008, to highs of 46 per cent in October 2007 and 36 percent in March 2008. It's apparent that interest levels will fluctuate from month to month. Fluctuations occur for many reasons including the following:

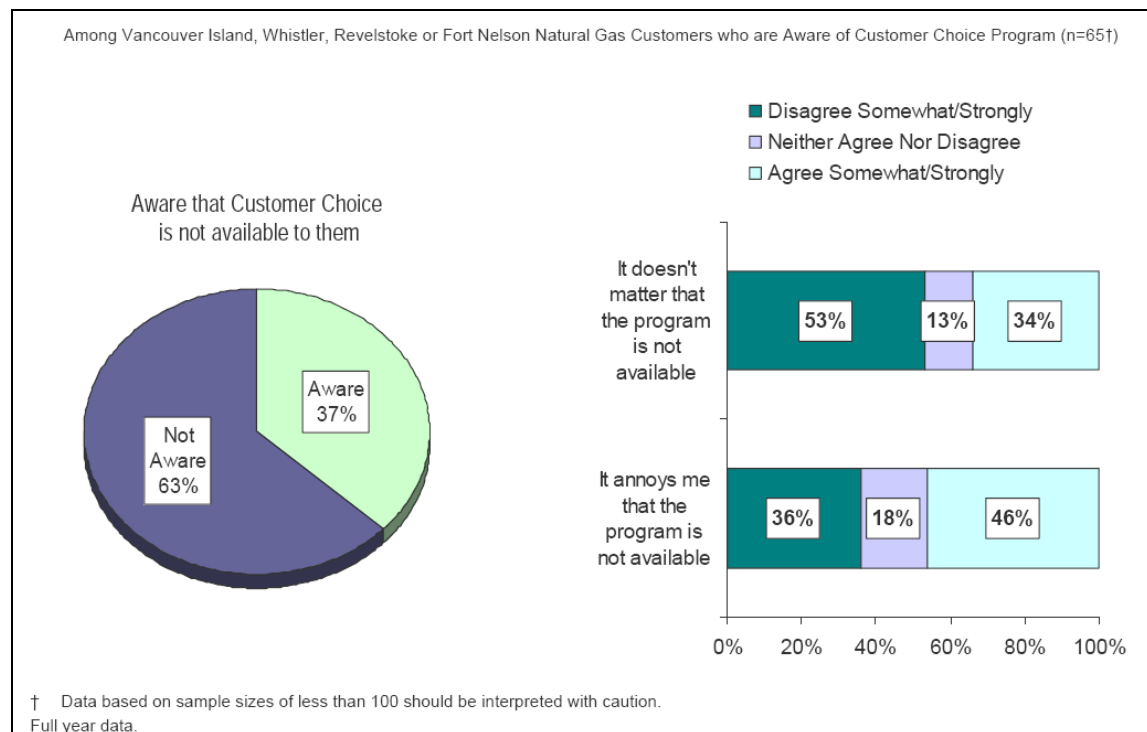
- consumer confidence;
- time of year;
- rate change announcements;
- gas marketer sales activity;
- personal situations like purchasing a new home, losing a job, cost of fuel issues etc.;
- media coverage; and
- Terasen Gas advertising.

It is the goal of the communications that when appropriate, consumers recall Customer Choice. They have either the enough knowledge about the program to make a sound decision, or at least know where to go to find more information about the program.

²¹ Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 43.

Due to the extensive reach of television broadcasting, some Customer Choice communications spill into markets where it is not available. Figure 7 that follows shows the degree to which this is an issue.

Figure 7: Awareness of unavailability in some areas²²



The lack of the availability of the Customer Choice program in all service areas is a source of annoyance for some customers that would like access to fixed rate commodity plans. About one in five customers in these areas are not happy that they cannot take advantage of Customer Choice. This issue was addressed in 2007 with two bill inserts that discussed why the program could not be made available in some service areas. Current research has led to further communication efforts in these areas in 2008.

4.8.5.2 Implications of 2007 Research for the 2008 Campaign

After the first quarter of ad tracking research in 2007, it was evident that audience fatigue would necessitate a review of the creative direction for 2008, and the media strategy for the remainder of the year. Television advertising needed to be reduced earlier than planned, because further broadcast could have resulted in a negative impact on the Customer Choice program and Terasen Gas. Earlier than expected, respondents indicated they didn't want to see the Television commercials anymore. This was despite the fact the overall awareness objectives had not yet been reached. More communications were needed, but the value of the television advertising had been extracted.

²² Terasen Gas 2007 Customer Choice Ad Tracking – November Results. Kelvin Chan and Marina Gilson. TNS Canadian Facts. Page 44.

Television advertising is still the most effective means of consistently reaching a broad audience. However, the creative approach that was chosen in 2006, as selected through quantitative research techniques such as web panels, wore out quickly. In response Terasen Gas needed to develop a more engaging creative approach that could be used as the vehicle for educating consumers about Customer Choice in the future. If the creative approach had not changed direction, the value of continued communications expenditure would likely have been considerably impaired.

Through 2007, Terasen Gas used the tracking research to guide the assessment of the media and creative strategy. The Company began work with Wasserman + Partners to develop a new, more engaging creative platform for Customer Choice communications in 2008 after it became evident that the creative direction used in 2007 was beginning to tire. This platform would also have to be one that could be used successfully for a considerable period of time in the future. Eight creative concepts, developed during the summer of 2007 were considered. Four of the concepts went to focus group testing. No quantitative research was undertaken, but the key takeaways from the 2006 research were considered and influenced final commercial content.

Phase 1 Research

Four creative concepts were tested in Phase 1 research. Consumer feedback was obtained from focus groups conducted in Vancouver, Kamloops, and Victoria. The research provided insights about which campaign concept had the best potential to deliver messages to customers. Research was conducted from September 10 through September 13, 2007. Specific objectives included the following:

- exploration of main and secondary message retention;
- identification of what worked and what did not work;
- what was clear or confusing;
- thoughts and feelings that each concept evoked;
- identify which concept best builds consumer trust; and
- the creative's fit with consumer expectations and appropriateness.

In addition, the creative needed to be down-to-earth, warm, friendly, approachable, humorous, and light-hearted. Wasserman + Partners contend that commercials with these characteristics tend to hold viewer interest better and have longer shelf lives, which are two attributes that Terasen Gas wanted to improve from the 2006 creative approach. Due to the creative nature of the objectives, focus groups were limited to two to three people plus the moderator. The smaller group sizes were required to accommodate four separate concepts. As an iterative process, the smaller group sizes also helped to identify the stronger concepts quickly and place more focus on the most promising concepts in later sessions. Regardless of group size, respondents recorded individual reactions before discussing concepts. To facilitate communication, groups were divided by gender and rough age groups. In Vancouver, they were also split by ethnicity (two groups of South Asians, two groups of East Asians).

Respondents were recruited for being creative and articulate in order to facilitate discussion. Respondents also met the following criteria:

- homeowners /decision makers—at least somewhat responsible for the household's decisions regarding utility services;
- use gas for home heating;

- range of ages (25-65);
- half males / half females; and
- a mix of ethnic groups (Chinese and Punjabi) in Vancouver.

With the “Comfort Experts” concept, the idea of ‘get comfortable’ was delivered clearly. For the most part, it was understood without discussion, that the way to get the comfort benefit was to choose natural gas. Embedding this message in the background benefits both gas marketers and Terasen Gas. It makes natural gas a more appealing choice for homeowners.

The Customer Choice logo did not have great awareness or impact on the whole. This insight influenced the 2008 ad copy to emphasize the term, “gas marketer.” Advertising put less emphasis on the program name in the 2008 year.

For some respondents, the only messages they claimed to be interested in were cost savings or lower rates. This seemed to be most applicable to East Asian respondents recruited. However, this could be also be the result of sampling error and / or communication issues.

Victoria consumers were aware of marketing efforts by gas marketers on the Mainland, but they realized they were not currently affected. Although quantitative research indicated some annoyance related to this perceived bias, it did not arise as a significant issue in the focus groups conducted.

“Comfort Experts” was identified as the best way to communicate the Customer Choice message. The concept promotes positive feelings about natural gas and it delivers key messages clearly. Executions were seen as humorous (at a level fitting with a utility), personally relevant, and motivating. The concepts tested created a sense of comfort, security, and trust. Moreover, the idea works across all media. Based on these findings, the “Comfort Expert” concept was selected for development. Unlike prior approach, which was essentially voted on by the public, research suggested this concept will provide a solid creative foundation for future Customer Choice messaging.

Phase 2 Research

Wasserman + Partners expanded the “Comfort Experts” concept into three potential executions. Phase 2 research explored how well each ad delivered the Customer Choice message and how each execution resonated with consumers. The iterative nature of the process allowed the moderator to hone copy points that were confusing. This qualitative research was conducted in Vancouver on October 16, 2007. A total of three Comfort executions were explored. Specific executions (see appendix for scripts) included:

- Terasen Gas Comfort R&D (Research & Development);
- Chesterfield; and
- Crystal Ball.

Specific objectives included the exploration of main / other messages, what worked or did not work, and what was clear or confusing. As with Phase 1 research, smaller groups, dyads and triads were conducted and each lasted up to 45 minutes. Four respondents per dyad or triad were recruited resulting in the following:

- 1 Dyad: 2 females 30-50;
- 1 Triad: 3 males 30-50;
- 1 Triad: 3 Asian females 30-50; and
- 1 Dyad: 2 Asian males 30-50.

Regardless of group size, respondents recorded individual reactions before discussing the executions. Generally, the “Comfort Expert: idea continued to be seen as entertaining, funny, and an effective vehicle for Customer Choice messaging. Lastly, research suggested it was important to tell the Comfort R&D story before introducing other ads. Ads became more confusing when staged in a different order. The Comfort R&D ad set the foundation so that subsequent ads were understood.

TV Ad #1 – Comfort R&D

Overall, this execution was liked and seen as amusing or enjoyable and relevant. The Customer Choice alternative rates message is delivered well. This concept also establishes the idea that Terasen Gas has a department dedicated to making customers comfortable with natural gas and natural gas appliances. The overall tone and feeling was positive and set the ‘comfort’ stage. The next step, as indicated above, was to ensure a strong, clear link between comfort and rate options. This led to the additional scene where George Everton holds up the two pairs of slippers. One standing for fixed rates, and the other, for variable rates.

TV Ad #2 – Crystal Ball

This execution was simple, clear, amusing and well liked. The message was clear: no one can predict the future, the choice is the customer’s, but the Terasen Gas website can help consumers with the information about Customer Choice it contains.

TV Ad #3 – Chesterfield

The main message was clear: there are options and ‘dealing with Terasen Gas is not going to be a pain’. Some respondents felt the more subtle message was that Terasen Gas does not respect its customers and thinks they are lazy. For those who have no experience with gas marketers, the execution was confusing. For these reasons, and concerns regarding the possibility of undermining consumer confidence in gas marketers, this concept was dropped.

An alternate ad called “Sven,” was developed by Wasserman + Partners to replace this concept. This alternate provides customers with more insight about the Terasengas.com website and the Customer Choice information that is available there. See Appendix for script.

Other Qualitative Research Findings

There is clear instruction from these executions that information about different rate plans and options are available through the Terasen Gas website. The Terasen Gas website was viewed as a credible and trustworthy source of information when compared to gas marketer sites. Respondents noted they would be more likely to check out the website if the ads were likeable, memorable, and entertaining. There was also an acknowledgement that the rate plan choices would be too complicated to put into an advertisement. For some, this was a barrier to action: assumption that it would be too complicated to understand or too much work. The research

reinforced the belief of Terasen Gas that this is a low interest category issue for many consumers.

Not everyone was comfortable going to the Terasen Gas website, or gas marketer sites. People in this category indicated they would prefer a brochure, or print advertisement. Those who have no experience with gas marketers or are not aware of them were confused by the messages that related to gas marketers. To address this issue in 2008, extra attention was paid to reference the term “gas marketer,” and clarify their role in the Customer Choice program.

Ethnic advertising continues to be an important component of the Customer Choice media strategy. But the relatively small size of the ethnic media-buy makes formal tracking studies cost prohibitive. At this time, the ad tracking research using the province’s general population is an appropriate proxy measure.

Its clear from the research process that Customer Choice is not universally known or understood. There was still confusion among gas users regarding their options. Some are not sure of the difference between where the gas comes from and where their bill comes from – getting gas vs. paying for gas. Some believed that Terasen Gas alone offers both variable and fixed rates and that Terasen Gas should be offering only the ‘best’ rates to its customers. Additionally for some, confusion over delivery versus commodity charges led to confusion about the executions. Terasen Gas suggests this issue should be addressed in after 2008 with dedicated messaging. Although print and radio ads continue to tackle the distinction of commodity from delivery, more work is needed. The research overall suggests that considerably more communication is needed to actually shift customers from short term awareness of Customer Choice, to the point where it can be considered part of their knowledge base. These research results suggest that Customer Choice requires a sustained level of customer education over a long period of time in order for the program to be placed on a solid foundation where consumers will openly consider all pricing options and can make informed choices.

4.8.5.3 Review of the 2008 Campaign

The customer education campaign launched in early 2008 introduced a new “Comfort Expert” creative vehicle for the delivery of Customer Choice information but still involved primarily the use of a television advertising campaign. This campaign was supplemented, as it was in 2007, by radio advertising, bill inserts, bill messaging, and newspaper advertising.

As described earlier in this report, the 2008 “Comfort Expert” creative package was selected using qualitative research techniques. This creative was selected primarily because it is better able to help promote positive feelings about natural gas and is able to deliver key messages more readily than the approach used for the initial launch of Customer Choice. This better positions future customer education campaigns to more effectively raise awareness of the different cost components on the monthly bill, provide more information about gas marketers, and provide more information to help consumers make informed purchase decisions. Additionally, the new creative platform assists in efforts to position natural gas as a competitive energy option and helps mitigate the risk of possible stranded assets.

To evaluate the progress of the educational campaign, near continuous advertising tracking (ad tracking) research was conducted since February 6, 2007. Research stopped for approximately 8 weeks, from mid November 2007, through mid January 2008. Terasen Gas and other

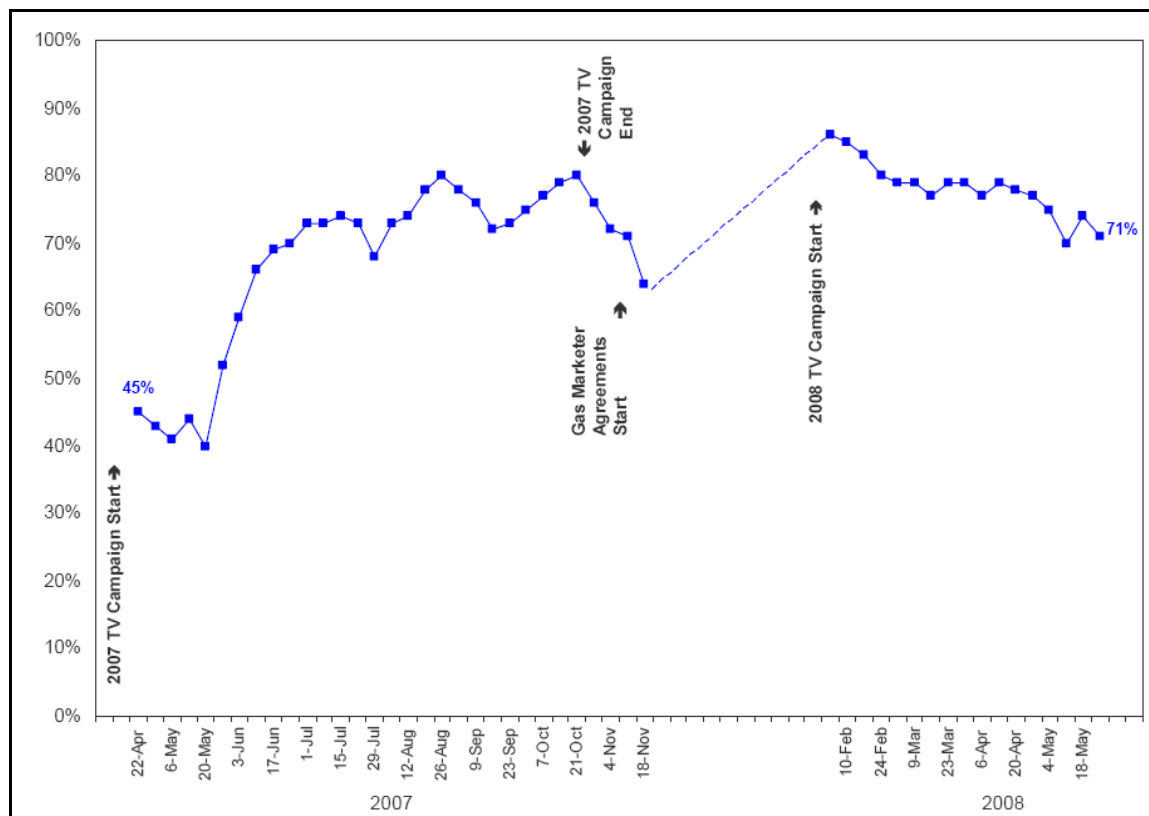
companies typically refrain from continuous advertising tracking when advertising isn't taking place. It's generally accepted that most people forget advertising within three months, which means that continuing to collect research during the periods of no advertising can result in declining sample sizes and data with high margins of error. Small cell sizes occur when data is broken down by region or other category and limit data use.

Research includes telephone interviews with homeowners (gas and non-gas) throughout our service area. In 2008, sample sizes were increased to provide more robust results, and to assist in reviewing data defined by region, or other demographic information. The following summarizes the methodology used in 2008:

- telephone interviews with homeowners, 25 years of age or more;
- 90 interviews per week in a two-week, pre-wave or 'ghost' phase;
- 300 interviews per week in the initial four-week tracking phase for each new commercial;
- 60 interviews per week during other weeks;
- interviews evenly divided among Terasen Gas' marketing regions, including the Lower Mainland, Vancouver Island, and BC Interior; and
- final data weighted by gender and age within region based on the general BC population using Statistics Canada data.

Figure 8 that follows shows that after reaching a peak customer awareness of 77% in the fall of 2007, recall of Customer Choice dropped when television advertising stopped in October. As expected, awareness levels rebounded quickly in 2008 when the new Customer Choice campaign began in January. In fact, during the week of January 14th it reached a level that exceeded 85% awareness target for the first time. This achievement is due to a variety of factors, including the modifications made to the campaign, the selection of high media weights, and the time of year when higher winter bills are first received by customers.

Figure 8: Heard of Customer Choice Program, 2007 through 2008 (gas users in Customer Choice qualifying area)²³



The peaks and valleys shown in Figure 8 are typical of ad tracking data. Like Figure 1, which shows the recall rates associated with the 2007 television commercials, graph lines typically reveal variation between data collection periods and overall trends. In general, recall usually increases when ads are aired sufficiently, and recall declines when commercials stop. Other external factors can influence customers, so just like in political polling, evidence of market changes appear between every period. For instance, with respect to awareness of Customer Choice, extra gas marketer activity, media attention, gas rate changes, or the even weather may be keeping people in front of their television more often than usual. The market is not static.

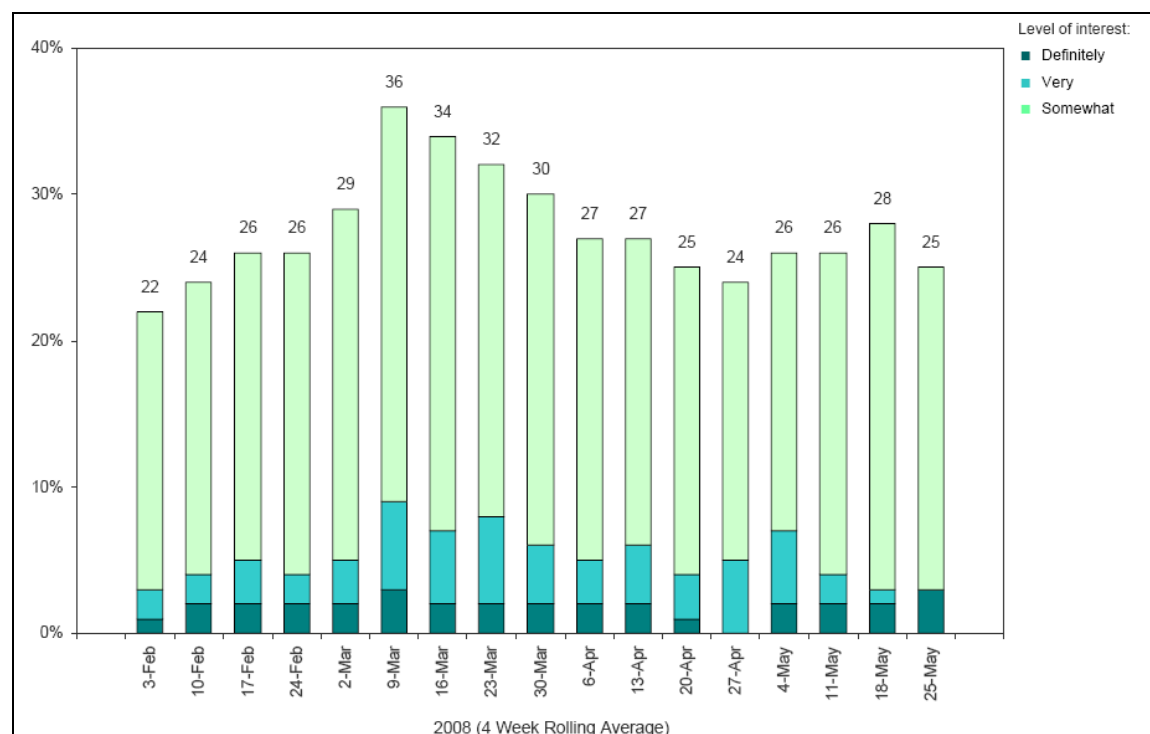
Figure 8 shows after reaching a peak customer awareness of 77% in the fall of 2007, recall of Customer Choice dropped when television advertising stopped in October. As expected, awareness levels rebounded quickly in 2008. Based on the four-week rolling average used in the research, awareness for Customer Choice peaked in January to early February 2008 at about 86%. It was during this period that the Terasen Gas Comfort Expert television campaign

²³ Terasen Gas 2007 Customer Choice Ad Tracking data – supplemental report. Kelvin Chan. TNS Canadian Facts. Data based on 4-week rolling averages ending on date shown.

launched at 200 GRPs²⁴, a level that is considered a medium advertising weight. The subsequent measurements suggest the correlation between television and overall awareness levels. Time of year and marketer activity undoubtedly plays a role as well.

Figure 9 that follows shows that the level of interest in Customer Choice is remains strong. As expected, customer interest in the product peaked in the weeks preceding and just following the April commodity increase made by Terasen Gas. Further declines may occur as the television campaign does not resume until September.

Figure 9: Interest in Customer Choice²⁵



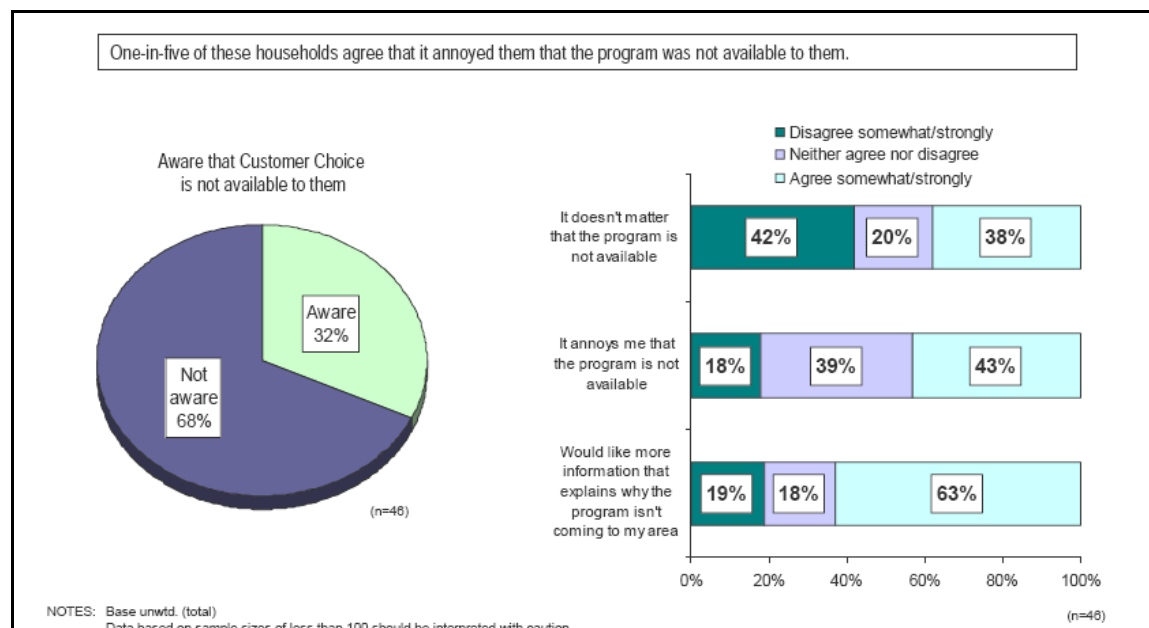
24 GRPs defined: Sum of all rating points over a specific time period or over the course of a media plan; sometimes called homes per rating point. The rating of a show represents the percentage of people (or households) tuned in to a television program as compared to the number of television sets in the particular television universe (geographical location). Each rating point is equal to 1%. If a show has a rating of 7, that means that 7% of all persons (or households) who have a television were tuned in to that show (whether the other televisions were turned on or not). If there are two shows on a particular station during a particular time period, and the first show has a rating of 7 and the other a rating of 10, then the GRPs for that time period equal 17.

Media planners use gross rating points as a method of designing a media schedule in an attempt to deliver a maximum number of GRPs at minimum cost. In this instance, GRPs are calculated by multiplying the total reach (the unduplicated audience) of the schedule by the frequency (average amount of exposures) of the insertion in the proposed schedule. The gross rating points then will represent the product of reach and frequency and will express the "gross" duplicated percentage of audience that will be reached by the proposed plan. (It is important to note that GRPs are a percentage. Therefore, if a given market has 1000 television households, each GRP represents 10 viewing households, whereas in a market of 10,000 television households, each GRP represents 100 viewing households. Thus, the largest amount of GRPs does not necessarily mean the largest audience.) Source: <http://www.answers.com/topic/gross-rating-point?cat=biz-fin>

25 Terasen Gas 2008 Customer Choice Ad Tracking – 2008 Ad Tracking Wave 2 Results. Kelvin Chan. TNS Canadian Facts. Page 52

Figure 10 shows the degree to which customers that are ineligible to participate in the Customer Choice program are dissatisfied that the program is not available.

Figure 10: Awareness of unavailability in Some Areas. Among Vancouver Island, Whistler, Revelstoke and Fort Nelson areas who are aware of Customer Choice.²⁶



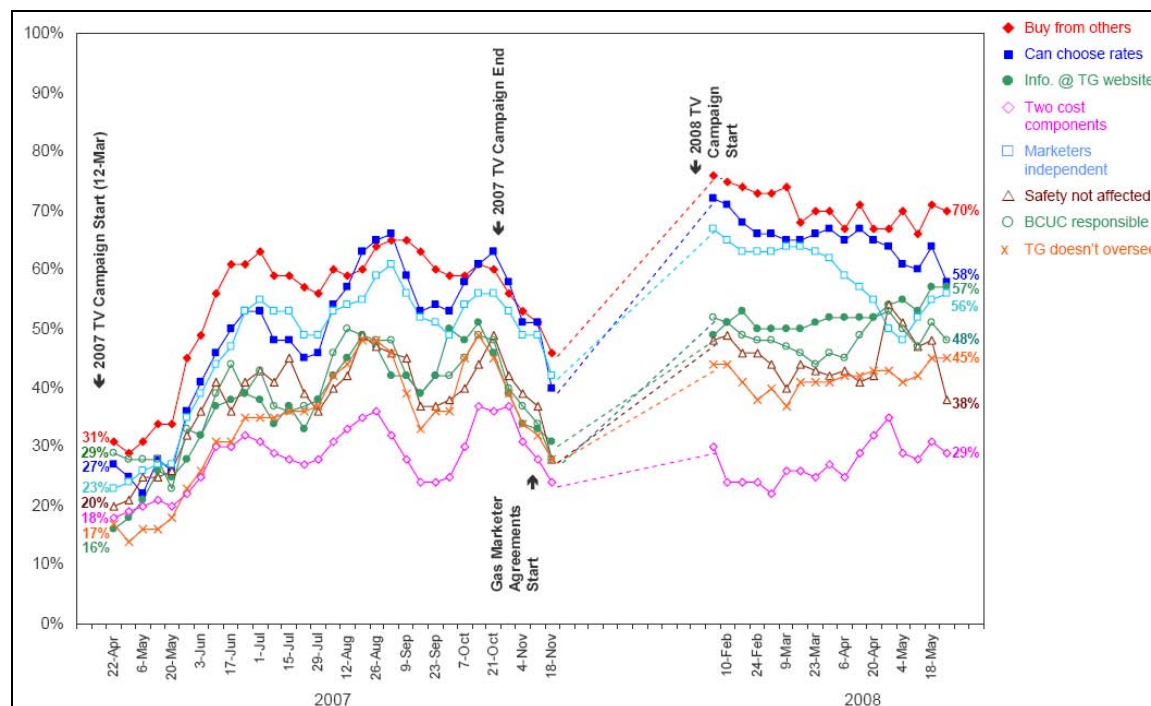
As communication efforts continue in 2008, media spillage occurs into areas where Customer Choice is not available. As mentioned earlier, television remains the most cost effective way to maintain awareness of the program, even when spillage is accounted for. Year over year, 2007 to 2008, a 5% decline occurs in the awareness of Customer Choice in areas not eligible for the program.

In 2008, an additional segment to Figure 10 research was added that asked consumers if they "Would like more information that explains why the program isn't coming to my area." Survey results indicate that 63% of customers who are aware that Customer Choice is not available to them want more information that explains why the program is not available in their area. This result suggests that one-in-five households are annoyed that Customer Choice is unavailable in their area, and they want to know why it isn't available. This insight led to an increase in communications to address their concern. The revised 2008 communication plan for those service areas now includes radio, print advertising, and a bill insert. This expanded media coverage addresses the limitations of the reliance on bill inserts in 2007.

Figure 11 shows that the trending indicates strong improvements in key areas like, "buy from others," "can choose rates," and "marketers independent". There is greater variability and lower trend slopes in messages that were not specifically included in television or radio content.

“Terasen Gas doesn't oversee,” and, “there are two cost components,” had solid, but less dramatic positive trends in 2007. The difference in recall reinforces the severe limitations of a print oriented campaign for such a low involvement product.

Figure 11: Knowledge of program elements (gas users) ²⁷



The complex messaging elements were primarily addressed through print and online messaging. It is the Company's view that television improved the effectiveness of the print messages. Although print was often referenced as a source of information about Customer Choice as per Figure 4, Figure 9 highlights the significant correlation between the television and radio advertising strategy and awareness levels.

Gains were quickly lost when the television campaign stopped airing in the summer and fall periods. Of note is the sudden impact on consumer awareness when the 2008 advertising campaign began. Falling awareness levels in 2008 is attributable to reduced television expenditures in April, May, and June. This reinforces the understanding that consumer awareness fades quickly, but can be re-established if reinforcing messaging is introduced within three to four months. An absence of advertising for a longer period of time severely diminishes the value of the original communication expenditure. Ongoing alignment with the original customer education objectives ensures a movement towards shifting consumers from short term awareness of the program, to the point where the information is internalized and part of their knowledge base. In this way, the expenditure in customer education assures the long term viability of a healthy, competitive marketplace that offers customers choice.

²⁷ Terasen Gas 2007 Customer Choice Ad Tracking data – supplemental report. Kelvin Chan. TNS Canadian Facts. Data based on 4-week rolling averages ending on date shown. As pointed out in our review of 2007 data, our education campaign started on March 12, 2007. Initial awareness levels were likely much lower than shown here. Initial data points show the average results after several weeks of advertising had already occurred.

4.8.6 Response to Commission Letters on Customer Education

4.8.6.1 Letter to Terasen Gas dated March 11, 2008

In its letter dated March 11, 2008, the Commission raises a number of concerns about the effectiveness of the Customer Education campaign and requested that Terasen Gas address these concerns in this report. The following section addresses these specific concerns.

1. The BCUC Questions the effectiveness of the advertising plan given the level of complaints and disputes.

The education campaign largely met the communication goals identified within the CPCN Decision. See 4.8.6.2, Item 1 for full discussion.

Summary: “Companies that do set advertising objectives, for the most part, state them in communication terms...The argument is that communication response can be measured using existing tools, whereas advertising efforts usually cannot be related to sales (or complaint levels) short of full-scale market experiments in which all other marketing variables are held constant, while advertising varies.”²⁸

One of the key challenges for the customer education campaign was to introduce a new product to British Columbians. The campaign needed to provide product visibility and help to enable a marketplace that would facilitate gas marketer sales activities. As much as possible, Terasen Gas endeavoured to keep the communications neutral, unbiased, and informative.

The number of complaints and disputes received were higher than either Terasen Gas or the Commission anticipated. Terasen Gas is of the view that most problems were unforeseen and largely the result of questionable and overly aggressive gas marketer sales tactics. The spring of 2007 saw significant media attention around their activity. However, using advertising to address these issues would compromise the legitimacy of gas marketers and undermine the program’s viability. Terasen Gas believes that issues arising from the business conduct of gas marketers should remain the responsibility of the Commission to resolve because the BCUC governs the Code of Conduct.

2. The BCUC raises concerns regarding the perception that the advertising does not seem to be gaining significant traction with consumers.

Terasen Gas is of the view that the education campaign largely met the communication goals set out in the April 2006 CPCN Application and confirmed in the Decision from August 2006. Please refer to section 4.8.6.2, item 1 provided earlier in this report for a detailed discussion of this issue.

²⁸ Promotional Strategy, Engel, Warshaw, and Kinnear. Fifth edition. 1983. Page 165.

Traction is not specifically defined by the Commission. Terasen Gas interprets the concern as one relating to the number of customers who have investigated the program, who have full comprehension of the program including Code of Conduct and dispute mechanisms, and who have made a purchase decision.

In its April 2006 CPCN Application Terasen Gas did not suggest communications would specifically drive interest in the offer or motivate those who were indifferent through a process of product evaluation and purchase decision making. The advertising remains focused on awareness of the program and the associated key messages originally identified. The success of the advertising program should be measured by its adherence to the original objectives as confirmed in the Commission's Decision from August 2006.

3. The BCUC suggests that the campaign is not moving consumers along the decision-making process – from creating awareness and interest in the residential unbundling program, to stages of consumer valuation and final decision-making.

Terasen Gas is of the view that the evaluation of the customer education campaign should focus on the communication objectives confirmed in the CPCN Decision from August 2006.²⁹

In neither the original application, nor in the response to Commission information requests in June 2006,³⁰ did Terasen Gas suggest communications would motivate customers to identify their existing commodity supply as a "problem". Nor was this a requirement suggested by the Commission or other stakeholders at that time. Some consumers saw it as a problem and began the purchase decision process when they were contacted by gas marketers and presented with fixed price offers. Customers indifferent to the new product at the time of the offer did not.

It is clear that an individual in the early stages of problem recognition most likely will not be stimulated to make a purchase by being exposed to advertisement, especially when the planning period for purchase is relatively long, as it might be with such products as major appliances. All that advertising can legitimately be expected to do is to affect a consumer's propensity to buy through stimulation of awareness or initial interest. Exposure to communication should have some effect therefore in moving a consumer closer to a purchase at some future point. Stimulation of an immediate sale on the other hand is not an appropriate aim.³¹

²⁹ Residential Unbundling CPCN Decision, August 14, 2006. Section 2.2.1 Customer Education Objectives, pages 24, 25.

³⁰ Commodity Unbundling Project for Residential Customers, CPCN Application dated April 13, 2006; Response to British Columbia Utilities Commission, Information Request No. 1, June 2, 2006, 11.1, page 31.

³¹ Promotional Strategy, Engel, Warshaw, and Kinnear. Fifth edition. 1983. Page 167.

Behind each visible act of making a purchase resides a decision making process. This purchase decision process includes the stages a buyer passes through in making choices about which products and services to buy. These stages include³²:

1. Problem recognition. Perceiving a difference between a person's ideal and actual situations big enough to trigger a decision. It can be as simple as noticing an empty milk carton or it can be activated by marketing efforts.
2. Information search. The information search stage clarifies the options open to the consumer and may involve two steps of information search including both an internal and external search stage.
 - a. Internal search – scanning one's memory to recall previous experiences with products or brands. This search is often sufficient for frequently purchased products.
 - b. External search – consumers progress through this stage when past experience or knowledge is insufficient and the risk of making a wrong purchase decision is high and the cost of gathering information is low. The primary sources of external information include personal sources, such as friends and family; public sources, including various product-rating organizations such as Consumer Reports, and lastly; marketer-dominated sources, such as advertising, company websites, and salespeople
3. Alternative evaluation – the information search clarifies the problem for the consumer by suggesting criteria to use for the purchase, yielding brand names that might meet these criteria, and the search process assists consumers develop a value perception.
4. Purchase decision – the actual purchase decision includes three possibilities:
 - a. From whom to buy – which depends on such considerations terms of sale, past experience buying from the seller, and their return policy
 - b. When to buy which can be influenced by the sales approach (in-store, phone or at your door), time or sales pressure, the pleasure associated with the actual shopping experience.
 - c. Do not buy
5. Post-purchase behavior – after buying a product, the consumer compares it with expectations and is either satisfied or dissatisfied. Satisfaction or dissatisfaction affects consumer value perceptions, consumer communications including complaints, and ultimately, repeat-purchase behavior.

Some consumers went through this entire process. They saw the advertising material and recognized the problem. They searched for relevant information, evaluated the alternatives, and then made a purchase decision. These customers are more likely to be satisfied with their decision.

Gas marketer sales' representatives can compress this process. Aggressive doorstep sales techniques lead some customers to rush the first three steps to make an ill-informed purchase decision. Many of these customers did not recognize their gas commodity supply as a "problem" significant enough to even start a purchase decision process. The sales person "creates" the problem for the customer, provide controlled

³² Paraphrased content available from <http://www-rohan.sdsu.edu/~renglish/370/notes/chapt05/>. San Diego State University. SDSU has been designated a "Research University" with high research activity by the Carnegie Foundation. Peers in this group include George Washington University, Syracuse University, Texas Tech University and the University of Oregon.

research input for the customer to consider, and uses their sales acumen to close the sale immediately. These customers are more likely to be dissatisfied with their purchase decision, and voice complaint or initiate disputes.

The evaluation of the customer education campaign should continue to focus on the accepted communication objectives. As per these objectives, the Customer Choice campaign has successfully built significant awareness. Moreover, a significant percentage of gas customers have now moved through the decision making process, with approximately 100,000 residential customers having chosen a gas marketer's contract. Although the number of customers that are somewhat interested in the product has dropped since the program launch, this suggests many consumers that were "riding the fence," have made a purchase decision to stay on the Terasen Gas variable rate for now.

Consistent long term customer education is however needed to ensure awareness gains are harnessed and reinforced over time. Consumers' requirements change over time, whether it's because they've taken a new job or lost their current one, had a child, purchased their first home, or started retirement. Not all customers will move through a purchase decision making process related to their gas commodity at the same time. Some people will never see it as a problem, but as their needs change through the years, it's important they remember that Customer Choice is available. Short term awareness won't ensure this.

Continued advertising ensures consumer awareness of the offer so as to facilitate gas marketer activity. It legitimizes their role so that consumers acknowledge their ability to sell natural gas. Continued advertising will eventually shift consumers from short term product awareness to product knowledge, and this change will ensure the program's long-term viability. With continued presence, advertising moves consumers towards learned, basic product knowledge. At this stage, it is expected that Customer Choice will be a stable program that offers consumers choice. The continued communications effort is critical in this regard so that customers will be able to, more often than not, make informed purchase decisions.

4.8.6.2 Letter to Terasen Gas dated May 28, 2008

In a letter dated May 28, 2008, the Commission reiterated the concerns it voiced earlier about the success of the customer education campaign. In this letter the Commission went further and identified six issues that it wanted Terasen Gas to include a response to in this report. A response to each issue is provided in the following section.

1. Describe the objectives of the marketing program and the clear focus for customer education.

Please refer to sections 4.8.2 and 4.8.3 provided earlier in this report for a detailed discussion about the objectives that were established for the customer education campaign.

In the April 13, 2006 Application for Residential Unbundling, Terasen Gas identified the objectives of the customer education plan. These objectives were approved by the Commission in Order No. C-6-06 on August 14, 2006 and included the following:

- raise awareness of Unbundling and create a general understanding of the concept to the majority (above 85 per cent) of residential customers³³, and;
- provide all interested customers with ready access to the information they need to make a knowledgeable decision when selecting a commodity supplier.³⁴

Terasen Gas also suggested that, “A sound plan will ensure that inquiries to the Terasen Gas call centre and the Commission are minimized. It will also help the number of disputes between Gas Marketers and residential customers.”³⁵ However, this was not included as a measurable objective because of the many marketing variables at play. It is not possible to measure the impact of customer education campaign on complaint levels without a full-scale market experiment in which all other marketing variables are held constant, while only advertising varies.

The customer education campaign was designed to raise awareness of commodity unbundling and encourage those investigating the product to visit the Terasen Gas website for more detailed information. This approach is educational in nature, meaning that it provided basic information in order to establish an understanding and acceptance of the new product. It was not promotional in nature by attempting to sell by advertising or publicity. This approach remains unchanged since the campaign first started in March 2007.

To ensure customers had a general understanding of the program, Terasen Gas identified 11 key messages that needed to be communicated to customers³⁶. Terasen Gas then tested customer awareness of the Customer Choice Program and these key messages.

The table below summarizes each of these original key messages as they were set out in the 2006 application. In order to manage research costs efficiently, and to limit respondent phone call terminations, messages deemed less important were not tracked and others only tracked in the initial stages of 2007.

The following table includes three columns:

- Ad tracking reference – this is the short title used by TNS Global, the Company’s ad tracking vendor, to reference the key message on charts.
- Research status – indicates if the key message was researched, if research has stopped, or if the message continues to be studied.
- Key message – as per the original CPCN application.

	Ad tracking reference	Research status	Summary statement
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³³ For research purposes, awareness is defined as answering yes to the following: “Have you seen or heard anything about the Customer Choice program or the ability to buy natural for homes from gas marketers instead of Terasen Gas?”

³⁴ Residential Unbundling CPCN Decision, August 14, 2006. Section 2.2.1 Customer Education Objectives, pages 24, 25.

³⁵ Residential Unbundling CPCN Decision, August 14, 2006. Section 2.2.1 Customer Education Objectives, pages 24, 25.

³⁶ TGI Commodity Unbundling Project for Residential Customers, CPCN Application, April 13, 2006. Section 8.2 Key Messages, pages 57-59.

	Ad tracking reference	Research status	Summary statement
1	Buy from others	Ongoing	Natural gas commodity unbundling allows third parties called gas marketers to sell long-term fixed-price contracts to supply natural gas to customers providing price stability on natural gas commodity. Choice of supplier is only available on the commodity component.
2	N/A	Not tracked	Natural gas commodity unbundling is consistent with the provincial government's energy policy released in late 2002 that states licensed gas marketers will be able to sell directly to small volume customers. This new competitive market allows residential homeowners to buy their natural gas commodity from Terasen Gas or licensed gas marketers.
3	N/A	2007 Only	Gas marketers may sign contracts with customers starting May 1, 2003 with delivery beginning November 1, 2007. But check the fine print for terms and condition when you sign.
4	Can choose rates	Ongoing	A natural gas marketer may contact you directly after May 1, 2007 or you can find a list of participating gas marketers on www.terasengas.com or www.bcuc.com . Signing a contract with the gas marketer can be compared to signing a contract for a fixed rate mortgage: It sets the price of the natural gas commodity for a specific number of years. Choosing to buy the gas commodity from a gas marketer is an option, not a requirement.
5	Knowledge of Customer Choice program	Ongoing	Unbundled gas services available to residential and small business Terasen Gas customers in the Lower Mainland and B.C. Interior (excluding Whistler, Squamish, Revelstoke, and Fort Nelson).
6	Midstream charges	Not tracked	Terasen gas pays midstream charges to other companies who store, transport and help us manage the gas we deliver to our customers. Midstream is not a new charge. It is identified separately on your bill so that you can compare the actual commodity price to quotes from other sources.
7	Two cost components	Ongoing	Gas service has two components, commodity and delivery. Terasen Gas buys gas on behalf of customers and passes the cost of the commodity on without mark-up. Terasen Gas charges for the delivery service, which is how the company makes its money.
8	Marketers independent	Ongoing	Natural gas marketers are independent businesses that offer gas supply choices. They have no connection to Terasen Gas. Also reference their obligation to comply with the code of conduct.
9	Safety not affected	Ongoing	Gas delivery and billing services will continue to be provided by Terasen Gas and safety will not be compromised.
10	BCUC responsible	Ongoing	The BCUC is responsible for regulating the gas marketers and their compliance to a code of conduct.
11	Information at Terasengas.com	Ongoing	Visit www.terasengas.com for more information about natural gas commodity unbundling.

2. Identify the measurement methodology that assessed the effectiveness in achieving program objectives.

Please refer to sections 4.8.5.1 and 4.8.5.3 provided earlier in this report for a detailed discussion about customer education campaign measurement that was used to assessment the effectiveness of the customer education campaign.

3. Provide the results of focus groups that were used as a basis to design the television-advertising program.

Please refer to section 4.8.5.2 provided earlier in this report for a detailed review and discussion about the use of focus groups and how the results from the information provided by these groups were used to design the customer education campaign.

4. The measurement results that verified the effectiveness in achieving program objectives.

Please refer to section 4.8.5.3 provided earlier in this report for a detailed discussion about the results of customer education campaign measurement and an assessment of the effectiveness of the customer education campaign.

After reaching a peak customer awareness of 77% in the fall of 2007, recall of Customer Choice dropped when television advertising stopped in October. As expected, awareness levels rebounded quickly in 2008 when this year's Customer Choice campaign began. In fact, in January 2008 it reached a level that exceeded the 85% target for the first time. This achievement is likely due to a variety of factors, including the modifications made to the campaign, high media weights, marketer activity, and the time of year when higher winter bills are first delivered to consumers' homes.

Customer Choice program awareness continues to be high, but appears to have peaked. Apparent declines in awareness are likely associated with the reduced levels of television advertising that occurred in March, May and April.

5. Discuss the modifications to the marketing strategy that were applied during the year to better realize the objectives.

Based on research completed during the creative development process, the final media strategy differed in a number of areas from the original plan submitted in the April 13, 2006 application. The application noted that:

Research will occur during the development phase to ensure the messages are clear and noticed by the intended audience, and during the Implementation Phase to ensure the campaign is meeting its objectives.

This (research) will help shape the campaign as it moves through the various phases towards the ultimate objective of residential customers having a clear understanding of Residential Unbundling, and having the tools available to make a sound decision.³⁷

The first two phases of market research suggested television creative should not be depended on to provide significant depth, even when using multiple commercials to stage new information. When testing, the audience was engaged with a message intentionally limited in scope. However, when substantially more information was provided at the same time, the respondent was left wanting for more and resentful that the full details were not immediately evident. Ultimately, research indicated the best strategy was to limit television activity to drive awareness and motivate consumers to look at other media for detail. To align with the findings, television expenditures were adjusted down and put more weight placed on newspaper advertising.

By September 2007 research findings suggested that television audience fatigue was also a concern. In response television expenditures were scaled back even further in late 2007. The savings were re-directed to new radio concepts and further placement of detailed newspaper advertising. The following table outlines the changes made to the customer education campaign.

Activity	Original Plan	Change from 2007 Plan	Summary Explanation
TV	<p>Television will be the lead medium as it has a unique ability to reach almost all of our target audience (above 90%) more cost effectively than any other medium. Radio peaks out at approximately 70%.</p> <p>Not only will television provide intrusive audience reach in a cost effective manner, the messages appear often enough to build broad consumer awareness and understanding of Unbundling and sustain both over the length of the campaign. The Commercial Unbundling experience suggests that awareness of the message builds with continued exposure, but awareness falls rapidly and has to be rebuilt if advertising is decreased.</p> <p>A critical role for television will be to drive people to www.terasengas.com for more information. Television is excellent for delivering a single-minded message, but it's basically limited to 30 seconds or approximately 65 words. The message must be kept simple to be effective. Repeated exposure to www.terasengas.com will push people to the website for more information and ensure the website is the relied upon source for detailed information.</p>	Reduced by \$562k	<p>The revised strategy was designed to provide a continuous advertising presence after initial launch, rather than the originally conceived "pulsing" strategy. The original pulsing strategy included high media weights in the first few weeks of the campaign. This would be followed by lower advertising weights, and later on in 2007, little or no advertising.</p> <p>Research findings suggested that we shouldn't depend upon TV creative to provide significant depth, even when using multiple commercials to stage new information.</p> <p>TV messages were oriented around four key messages including: buy from others, information at website, now you can choose rates, and marketers are independent.</p>
Online	People use the Internet to learn about new	Cut by	When reevaluating the plan, Wasserman +

37 TGI Commodity Unbundling Project for Residential Customers, CPCN Application, April 13, 2006. Section 8.4, Research, page 62.

Activity	Original Plan	Change from 2007 Plan	Summary Explanation
	<p>opportunities and information. People will search the Internet for information on Unbundling to understand what it means to them. In the June 2005 research on Unbundling by NRG Research Group, consumers indicated that the first place they would go to find out about Unbundling would be the Internet.</p> <p>On-line media reinforces television as it allows delivery of a message in an environment where the audience has the ability to get instant additional information by clicking and going to the Terasen Gas website. It allows interested customers to easily get more information on the Residential Unbundling program. On-line advertising also enables the customer to receive the message out of the home – at school or the office, for example.</p>	\$450k	Partners clarified that online advertising works best when it is contextual. In other words, it can be very powerful when it appears beside relevant and related content. If this is not the case, it is largely ignored. Given the nature of the consumer offer, and upon further consideration by Wasserman's media experts, it was suggested that these dollars could have more impact if invested in other media in 2007 and 2008.
Newspaper	<p>Newspapers (daily and community) are also planned as a support medium in order to extend the reach of the campaign to audiences that may be light television users. There is also a segment of the population (usually older) that see newspaper as the traditional source of news and information and would expect to see information on Unbundling in these publications. In addition, newspapers offer an opportunity to provide more details than either on-line ads or television can provide. This helps deliver the secondary messages that can't adequately be explained on television or through on-line ads.</p> <p>Newspaper ads can also run alongside competitive advertising and business editorial. It is anticipated that when the program begins, reporters will be commenting on the process of Unbundling and having ads running at the same time in the same papers expands the story and increases understanding of the concept among residential users.</p> <p>Gas Marketer ads are also likely to be running in the newspapers at the same time and having their information adjacent to the Terasen Gas story will also help clarify the information residential customers need to make an informed decision.</p>	Increased by \$283k	The revised strategy provided a sustained print presence for continuous detailed messaging. Additional newspaper advertising was added to our fall media mix.
Bill inserts	<p>Research indicates that Commercial Unbundling bill inserts were cited as the most frequent "first" source of information. 23% of respondents indicated bill inserts were their first source of information at the beginning of the campaign. This increased to 32% during the second phase but by the end of the campaign, awareness remained virtually unchanged. Standing alone, bill inserts cannot drive sufficient awareness or understanding of Unbundling.</p> <p>Bill inserts offer a good way of providing more details to the homeowner on changes to their</p>	Reduced spending by \$73k	<p>Contextually, bill inserts provide the greatest opportunity to sustain awareness due to their proximity to a highly relevant aspect of Customer Choice – fees. This highly relevant exposure opportunity will reach consumers as they are thinking about their budget and, at some level, considering options.</p> <p>While Bill Insert readership is low, they do provide an opportunity to reach consumers with a sustaining Customer Choice message in an optimal context.</p> <p>Savings offset by labour charges.</p>

Activity	Original Plan	Change from 2007 Plan	Summary Explanation
	bill, explaining midstream charges, and other detailed messages. Other media will remind consumers to check their bills for important updates regarding Unbundling and will drive greater readership levels. Bill inserts can also change more frequently than television ads to best reflect each phase of the campaign. The proposed bill insert strategy is consistent with the Commercial Unbundling communications (six to eight will be produced).		Eight bill inserts were produced. Samples in Appendix.
Consumer trade shows	Consumer trade shows are also recommended to support the Residential Unbundling program. They are unique in that they can provide on-the-ground, face-to-face interaction with a qualified target audience who are thinking about their home, appliances and other energy issues. All other recommended media do not provide the personal interaction that is possible with trade shows. For those people who are looking for in-depth explanations and want to talk directly to an individual, trade shows provide this opportunity. By provincially targeting four to five major home-focused trade shows such as the Home & Garden Show at BC Place in Vancouver, residential customers will get the opportunity to express their issues to Terasen Gas employees and have their questions answered.	Cut by \$150k	Terasen Gas representatives were fully briefed and addressed Customer Choice questions with customers at 2007 shows. A variety of related print materials was also available at our booths. However, based on production time constraints and the difficulty of incorporating the look and feel of the Customer Choice graphics into our booth, the \$150k original budget allocation was shifted to other program media. Current plans call for new Customer Choice home show graphics in fall 2008.
Terasengas.com	<p>The Terasen Gas website will be a central component of the Unbundling campaign. While the primary goal of television is awareness, the primary goal of the web site is to educate. The website in this campaign will be the source of all information on Unbundling: the information source that is easy to find, easy to understand, and makes it simple to get more information. Because of the complexity of the topic of Unbundling, the website will be the place where Terasen Gas will provide deeper information on the topic of Unbundling for consumers. All communications will drive people here to learn more.</p> <p>The website will also be important for people who are searching online to find more information on Unbundling in general. Consumers will be using the Internet and searching on search engines to learn what Unbundling means, what their options are, and how it will impact them. It will be important that the Terasen Gas website ranks high on the search engines for key words and phrases. It will also be important that once a visitor clicks through to the Terasen Gas site they find answers to what they are looking for on their landing page.</p> <p>A number of key initiatives will be required in order for the Terasen Gas website to meet this education function. The current site has substantial depth of information, but site visitors experience difficulty in finding what they need. The site structure is stressed. Incorporation of</p>	Under budget by \$16k	<p>All targets met. We've received tremendous consumer feedback regarding the quality of information about Customer Choice that's available at www.terasengas.com. For example, on June 25, 2007, we received an email from Esther:</p> <p>"I just want to commend Terasen Gas on the excellent information about this new Customer Choice stuff on the terasengas.com website.</p> <p>We have had two sales people at the door, the first one somewhat timid, the second one however, ignored our new 'no soliciting' sign, was extremely aggressive, claimed that the information she was about to share with me, could not be found on-line, initially left the impression that she was with Terasen Gas, but had nothing good to say about Terasen and its profit margins. She never did share with me who she was representing, I was not in a mood to argue but just about had to shut the door in her face.</p> <p>I was happy that just a few days earlier I had read over your website, and it made it very easy to stand my ground."</p> <p>The website was referred to extensively in the media.</p>

Activity	Original Plan	Change from 2007 Plan	Summary Explanation
	new navigational elements is problematic, and sinking Unbundling farther into the site will cause confusion and low traffic. Due to growth and expanding communication requirements, desired information can be difficult to find. Simply adding more information to an already overloaded web site will not attain the goal of educating the public on Unbundling. It is important that the information is easy to find, and once found, easy to navigate.		
Radio		Added \$655k (inclusive of ethnic)	Radio replaces online activity to supplement consumer awareness efforts in markets where Customer Choice is available. Radio's low production cost allowed for new messages to deal with research findings.
Ethnic	Not addressed in application.	Added \$272k	Acknowledging the tremendous growth in ethnic markets, Terasen Gas allocated \$272k to the placement of Chinese and Punjabi communications. The primary allocation went to radio (\$228k) and newspaper (\$41k). \$5k was used to develop Customer Choice content for www.terasengas.com . Television ads were not versioned into other languages because each ad focused heavily on English visuals like store signs. Our advertising agency, Wasserman + Partners suggested translations would prove challenging for other ethnicities to understand. This has been rectified in 2008 with the new Comfort Expert creative concept which has been versioned into both Chinese and Punjabi.
Research	<p>The plan is to research the program's name and the campaign's creative direction thoroughly. Research will occur during the development phase to ensure the messages are clear and noticed by the intended audience, and during the Implementation Phase to ensure the campaign is meeting objectives.</p> <p>Customer group representatives and participating Gas Marketers will be provided the opportunity to vet concepts and messages for appropriateness. These will then be submitted to the Commission for review.</p> <p>Once the material has been produced and is running or delivered, the impact of the campaign will be tracked continuously to make sure it is doing the intended job.</p> <p>The visits to the website will also be tracked on an ongoing basis to determine which pages on the site are being visited, how many people are coming to the site and so on.</p>	Added \$75k	<p>Research activities undertaken to choose the program name, quantitative research methods using online Web panels, and the sample sizes required to obtain acceptable margins of error / confidence intervals pushed expenses past original estimates.</p> <p>Research has been essential to gauge the success of our communication activity, and the identification of poor performing key messages. The proposed 2009 media strategy was shaped by the research completed to date.</p>

Activity	Original Plan	Change from 2007 Plan	Summary Explanation
	All of this data will help shape the campaign as it moves through the various phases towards the ultimate objective of residential customers having a clear understanding of Residential Unbundling, and having the tools available to make a sound decision.		
Employee communication	An appropriate employee communication plan was overlooked.	Add \$21k	In order to ensure employees understood the nature of the Customer Choice program, and that they could answer questions if asked, employee communications were added to the deliverables. A short video about the production process that was undertaken and the changes to the marketplace were occurring, and a variety of print and intranet pieces were completed to introduce Customer Choice to employees.
Other		Add \$162k	Terasen Gas charged \$146k in labour charges to the Customer Choice program in 2007. Costs comprised design, photography, writing, project coordination, and management services. There was also \$15k in travel, incidentals like courier charges, and photography expenses.

Changes made to the 2008 plan are summarized in the following tables.

Activity	Original Plan ³⁸	Change from 2008 Plan as per CPCN	Summary explanation
Bill inserts	\$120,000	Reduced by \$99k	Bill inserts do not measurably improve awareness measurements, but do provide depth of information for those that take the time to read content. Customer Choice content included in the Get Comfortable customer newsletters in 2008. Areas not eligible for Customer Choice also received a dedicated bill insert.
Newspaper	\$516,000	Cut	Awareness goals not attained. Newspaper advertising won't significantly contribute to awareness maintenance.
Radio	-	Add \$495k	Helps maintain program awareness and radio's low production cost allow for the communication of more key messages.
Research	\$140,000	Add \$101k	Increased allocation to accommodate creative testing (not originally planned for), and increased sample sizes for ad tracking research.
Television	\$2,014,000	\$127k shifts to ethnic TV	Overall TV investment is approximately as planned, however, Variance of \$127k shifts to ethnic coverage.
Tradeshow	\$70,000	Reduced by \$50k	Marketing redeveloping tradeshow booth. Customer Choice budget will cover costs associated with program messaging graphics only.
Web	-	Add \$4,500	Modifications to Customer Choice Flash presentation on www.terasengas.com

³⁸

Column reproduced from TGI Commodity Unbundling Project for Residential Customers, CPCN Application, April 13, 2006. Section 8.7, Campaign Costs, page 67.

Activity	Original Plan ³⁸	Change from 2008 Plan as per CPCN	Summary explanation
Ethnic	-	Add \$201k	Ethnic advertising not identified as separate line item within CPCN application. Ethnic advertising in 2008 includes TV and radio in both Punjabi and Chinese.
Employee communications	-	Add \$42k	Costs were higher than 2007 due to COPE labour disruption. Associated work was out-sourced to Wasserman + Partners.
Other		Add \$60k	Forecast Terasen labour charges associated with program/advertising content development.

Media Approach – CPCN 2008 Original Plan ³⁹	Current Forecast – 2008
<p>In 2008, the year starts out with a heavy weight of television activity followed by maintenance flights employing alternate weeks of advertising to stretch the budget and maintain a presence until the late summer. A heavier final advertising push is made at the beginning of the fall heating season on television, on-line ads and newspapers and then advertising drops to television only with maintenance weights up to the year-end.</p> <p>The advertising frequencies have been chosen to provide cost efficient education of residential customers. The heavy-ups are moderate but adequate (e.g. a McDonald's new product launch would be 50% to 75% higher during heavy advertising periods) to get the attention of consumers of a change that they may not see as that important in the grand scheme of their life.</p> <p>The maintenance levels are at a minimum level to maintain awareness and interest in the message. Tracking experience with a number of the agency's clients indicates that advertising frequency lower than that recommended are inadequate to cut through the clutter of daily messages that bombard the consumer. By taking the approach of maintaining a constant presence over the time period, (versus a short burst of heavy advertising) customers are not given the opportunity to forget the message and learning is increased, as is retention. The difference in approaches is like cramming for exams versus TGI Commodity Unbundling Project for Residential Customers April 13, 2006 Page 66 studying the material throughout the year. The second approach is remembered much better and much longer.</p> <p>This campaign is expected to:</p> <ul style="list-style-type: none"> reach 88 - 94% of Terasen Gas residential gas customers, and; be seen by a typical customer 77 to 83 times during the campaign that runs for 22 months starting March 2007 and ending December 2008, which averages just less than one view per week. 	<p>As per our original plan, our TV campaign started heavy, from the end of January through April 23, 2007. This was followed by maintenance flights that employed alternate weeks of advertising.</p> <p>TV activity starts again at the beginning of September and ends on October 26, 2007.</p> <p>Online ads and newspaper advertising was eliminated in favour of radio, and ethnic ads. Continued intrusive communication is important as awareness gains of Customer Choice will decline unless a sustaining program is implemented. The original goal to reach 88-94% of Terasen Gas residential gas customers is not achievable at the current expenditures. Continued concentration on TV helps to maintain the awareness gains already made, and radio helps to introduce other key messages.</p> <p>In any category and for any product, once communication efforts cease, awareness decays. In low-interest or seasonal categories like natural gas marketing, once communication efforts cease it is common for awareness to drop dramatically. With a drop in awareness, marketing efforts by Gas Marketers will be more difficult as they will now be required to re-educate consumers about the Customer Choice program in addition to their gas marketing programs.</p> <p>Terasen Gas expects awareness levels of approximately 70% during advertising campaigns, and lower levels in summer months when supporting messaging is not present.</p>

³⁹ TGI Commodity Unbundling Project for Residential Customers, CPCN Application, April 13, 2006. Section 8.6.4 Media Strategy – 2008 & Beyond, pages 65-66.

6. Describe the cost effectiveness of the selected television advertising campaign in comparison to alternative promotional strategies.

Please refer to CPCN Application for Commodity Unbundling Project #3698421, Response to British Columbia Utilities Commission Information Request No. 1, Section 11.1, 11.2 and 11.3, pages 31-40. A list of media and their relative cost per thousand (CPM) is also included in Section 4.8.7 Customer Education After 2008.

Pertinent sections follow:

Media mix is the proportion of television, radio, print, Web and other advertising used in a campaign. Each medium contributes its own distinct advantages. The best mix for a particular campaign considers the type of product offered, communication objectives, target audience and budget. Considering each of these issues in the context of Commodity Unbundling for residential customers:

1. The type of product being offered: Natural gas is a low interest category for the majority of consumers unlike vacations, a new car or the latest cell phone. People just don't spend a lot of time thinking about energy choices. As a result it is very difficult to get their attention and have them notice and understand a message regarding the unbundling of natural gas. Television and newspapers are critical in getting the message received and understood thereby avoiding confusion in the market place. The sight, sound and general intrusiveness of television allows the message to penetrate into the consciousness of the customer.
2. The communication objectives of the customer education plan identified in section 8.1 of the CPCN included:
 - a. Raise awareness of unbundling and create a general understanding of the concept to the majority (above 85 per cent) of residential customers; and
 - b. Provide all interested customers with ready access to the information they need to make a knowledgeable decision when selecting a commodity supplier.
3. Target audience: The target is to reach all eligible Lower Mainland and BC Interior residential gas customers.
4. Budget: Dependent on the first three objectives.

Terasen Gas' recommended media plan budget was established based on the first three items listed above: the target audience, the audiences' relative interest in the product category, and the communication objectives identified. The proposed budget will result in a viable, healthy unbundling environment that achieves the communication objectives. Spending less than that proposed will result in lower than desired levels of awareness and understanding, poor pick-up rates and potentially higher numbers of consumer complaints.

Media Strategy Rationale

The proposed media strategy is consistent with media theory, consultant advice, and market research findings. Customer interviews last year suggested:

...That if unbundling was to be introduced it would be necessary to have a broadly based communication program to inform people in the province. It was felt the communication program should incorporate television, radio, newspaper, bill inserts and Internet.

The program should be aimed at explaining the unbundling concept and the reasons for it. In addition, respondents would want information on gas marketers including who they were, their stability and reliability, their history and their contact information.⁴⁰

While bill inserts and direct mail offer ideal selective exposure to the customer base, these media have severe limitations because of people's relative indifference to Terasen Gas' product and service. Experience has shown that these media cannot be relied upon to deliver effective reach. Consumers often just throw the inserts away without looking at them or forget the message because they don't see it often enough. This issue is the reason most of the Terasen Gas' safety and marketing communications are now featured on TV commercials instead of bill inserts, trade publications, or magazines.

A specific example of how poorly bill inserts perform can be seen from research conducted after initial commodity spikes several years ago. When asked, "How did you become aware of natural gas prices increasing?" only 11 per cent respondents indicated bill inserts.⁴¹ At the residential audience level, Terasen Gas' experience indicates that approximately 90% of the target audience never read bill inserts. Moreover, bill inserts are largely limited to those opening the bills and may or may not physically reach the household's decision maker.

Research conducted on Commercial Unbundling indicated that even when used with other print vehicles such as trade magazines and direct mail, five bill inserts were unable to build long-term awareness among the majority of commercial customers of the term "Natural Gas Commodity Unbundling" or NGCU (to a high of 53 per cent in Wave 2 and 51 per cent in Wave 3).⁴² Only 2 per cent of respondents at the end of the campaign could correctly name the month and year NGCU was to begin.⁴³

It's necessary to choose a media mix that reaches customers often enough that they remember the key messages. The proposed budget addresses the eleven key messages identified in the Application. With the TV/Newspaper strategy Terasen Gas will reach more than 85 per cent of our target audience and establish effective exposure levels for each message.

40 Focus Group Report Unbundling July 2005 v4, NRG Research Group, Page 4.

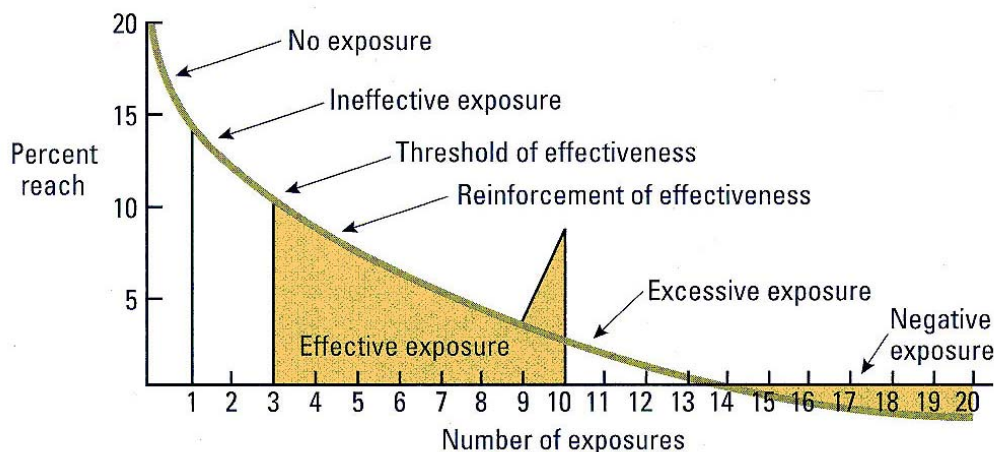
41 BC Gas Rate Increase Survey, BC Wide Consumerscope, July 2000, MarkTrend Research Inc. Table 5, page 5.

42 Terasen Gas Natural Gas Commodity Unbundling Communications Survey, Quantitative Tracking Survey, Wave 3-2004, Draft #3 – Detailed Report. Western Opinion Research Inc., page 3.

43 Terasen Gas Natural Gas Commodity Unbundling Communications Survey, Quantitative Tracking Survey, Wave 3-2004, Draft #3 – Detailed Report. Western Opinion Research Inc., page 3.

"No one knows the exact number of exposures necessary for an ad to make an impact, although advertisers have settled on three as the minimum. Effective reach (exposure) is shown in the shaded area of the graph below to be in the range of 3 to 10 exposures."⁴⁴

Figure 12: Graph of effective reach⁴⁵



"Advertising tracking research in other categories such as financial services (another low interest category) indicates that before a concept can be internalized and remembered, it takes continuous long term exposure to become part of the customer's knowledge base. Television is particularly cost effective at providing a broad reach of the customers with strong frequency. For a province wide customer base it is the most efficient medium on a cost per thousand people reached."⁴⁶

⁴⁴ Advertising & Promotion: An Integrated Marketing Communications Perspective. Belch, Belch and Guolla, 2005. P. 259.

⁴⁵ Advertising & Promotion: An Integrated Marketing Communications Perspective. Belch, Belch and Guolla, 2005. P. 259.

⁴⁶ Comments from: Gary Grafton, Partner, Wasserman + Partners Advertising Inc., Suite 160, 1020 Mainland Street, Vancouver, BC Canada V6B 2T4.

Calculating Cost Per Thousand (CPM)				
		Bill insert	TV	
Target audience		723,500	723,500	
Reach		723,500	3,400,000	
Effective reach (%)		10%	85%	
Effective reach (target audience)		72,350	614,975	
Impressions		1	40 *	
Cost		\$ 30,000	\$ 2,340,000	
CPM				
Bill inserts		$\$30,000 \times 1000$	=	\$ 414.65
		$72,350 \times 1$		
TV		$\$2,340,000 \times 1000$	=	\$ 95.13
		$614,975 \times 40$		
* Assumes commercials will be seen between 77 to 83 times, or approximately 40 times in 2007. With five to six commercials to cover off the three communication phases, each message will be seen on average between six and eight times.				

To highlight the results attained using primarily a mix of television and newspaper, tracking research indicated that during the change of name from BC Gas to Terasen Gas the combination of the two media was able to make 90 per cent of consumers aware of the new name. Residential unbundling is a much more complicated story than a simple name change but it does indicate the effectiveness of TV and newspaper in imparting information.

Television because of its frequency also has the ability to build an initial level of awareness quickly unlike bill inserts which are limited to once per month and have very limited readership. This ability to rapidly build an initial level of awareness will help reduce the confusion in the marketplace in the early phases of the unbundling introduction.

The role of the newspaper is multipurpose. It provides the opportunity to expand on the detail of the unbundling process. It reinforces the unbundling details in the context of other news stories featuring unbundling and therefore increases understanding of the concept. It also offers the opportunity to increase the frequency of the message (critical if it is to be internalized) against the lighter television user.

People choose to watch television or read a newspaper and are therefore actively engaged in the messages provided while bill inserts are passive and will generally be ignored unless the subject matter is very compelling. Unbundling does not fall into this category for most people. There are less expensive media vehicles to try and communicate the details of unbundling, but none of them have near the power and ability of television and newspapers to successfully introduce the residential unbundling concept to customers.

Choosing to implement a budget-compromised media plan will result in significantly lower awareness levels, customer confusion, potentially higher customer complaint rates, and a less than optimal business environment for gas marketers to operate in.

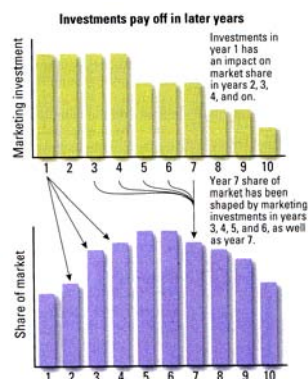
The customer education program has to address a complex and unfamiliar concept in the form of unbundling. The initial challenge is to create awareness among customers of the fact that change is taking place in the manner in which they are able to buy their natural gas. The second challenge is to have customers understand the change and the final challenge is to have them remember the information for future reference in making informed decisions about their natural gas purchases. This takes time and repetition, especially in a category where there is limited interest.

The activities in 2007 are designed to create awareness and understanding with as many customers as possible and the progress against these objectives will be tracked to ensure the objectives are being accomplished.

Support in 2008 and beyond is designed to stabilize and build unbundling in BC. It specifically addresses the third challenge to get the target audience beyond just understanding the concept. People need to internalize the information so that when faced with activities by gas marketers the information is remembered, www.terasengas.com is remembered as a source of additional information and ultimately an informed decision can be made between the competing claims of the various gas marketers.

Ongoing advertising investment past 2007 is consistent with marketing strategies for new product launches in other product or service categories. And while the gas marketers have an important role in shaping the marketplace, marketing communication investment driven by Terasen Gas will ensure long-term Commodity Unbundling viability and consumer understanding. As shown in Figure 12 that follows, the expenditures made in years subsequent to product launch will drive market stability and success⁴⁷.

Figure 13: Marketing investments



4.8.7 Customer Education After 2008

As pointed out earlier this report, television is the most cost efficient medium currently available to build high levels of product awareness. This is due to the wide use of the medium in relation to other forms of media. Over 78% of homeowners in British Columbia, aged 35 and older with families who use natural gas, watch television at some point during the average day. This cost efficiency of television is further supported by the extent of the medium's use – the majority

⁴⁷ Advertising & Promotion: An Integrated Marketing Communications Perspective. Belch, Belch and Guolla, 2005. P. 273

(over 55 per cent) of BC Adults 35+ watch 15 or more hours of television per week. Going forward, television advertising will be used to maintain product awareness.

Radio is also an intrusive medium that provides strong reach against the target audience. Over 78% of the target audience listen to the radio at some point during the average day. Radio has been planned as a support for television because of the medium's ability to build frequency within a defined geography. The lower production costs will allow Terasen Gas to address more detailed key messages. To build 65 per cent weekly audience reach in the Lower Mainland requires approximately 150 Television GRPs⁴⁸. To build the same level of audience reach in radio requires approximately 350 GRPs. This is due to the high-frequency nature of radio compared to the high-reach nature of television because radio reaches a smaller proportion of the population than television does but more frequently.

To purchase a 150 GRP Television schedule in Vancouver/Victoria would require an expenditure of approximately \$48,000. To purchase a 350 Radio GRP schedule to cover the same geography would require a higher expenditure of \$49,061.30. Based on provincial coverage, Wasserman + Partners estimates typical cost per thousand (CPM⁴⁹) measurements by media as follows:

- Television \$9.93;
- Radio \$13.70;
- Out of Home (i.e., billboards, bus signage) \$9.71;
- Daily Newspaper \$175.46;
- Online Display \$35; and
- Magazines ~ \$165.

All of these CPMs are based on planning costs and would fluctuate depending on the final schedule. For example some magazines are sold at a lower CPM than others and weighting schedules towards these would lower the average CPM. Assuming messaging remains consistent with 2008, 20 weeks of 200 GRPs per week are recommended to run during January – March and November / December. However, Terasen Gas recommends the introduction of dedicated commodity vs. delivery messaging and increase to 250 GRPs for the first four weeks of the campaign.

⁴⁸

GRPs defined: Sum of all rating points over a specific time period or over the course of a media plan; sometimes called homes per rating point. The rating of a show represents the percentage of people (or households) tuned in to a television program as compared to the number of television sets in the particular television universe (geographical location). Each rating point is equal to 1%. If a show has a rating of 7, that means that 7% of all persons (or households) who have a television were tuned in to that show (whether the other televisions were turned on or not). If there are two shows on a particular station during a particular time period, and the first show has a rating of 7 and the other a rating of 10, then the GRPs for that time period equal 17.

media planners use gross rating points as a method of designing a media schedule in an attempt to deliver a maximum number of GRPs at minimum cost. In this instance, GRPs are calculated by multiplying the total reach (the unduplicated audience) of the schedule by the frequency (average amount of exposures) of the insertion in the proposed schedule. The gross rating points then will represent the product of reach and frequency and will express the "gross" duplicated percentage of audience that will be reached by the proposed plan. (It is important to note that GRPs are a percentage. Therefore, if a given market has 1000 television households, each GRP represents 10 viewing households, whereas in a market of 10,000 television households, each GRP represents 100 viewing households. Thus, the largest amount of GRPs does not necessarily mean the largest audience.) Source: <http://www.answers.com/topic/gross-rating-point?cat=biz-fin>

⁴⁹

Cost of reaching an audience on a per-thousand basis. media planners use cost per thousand as a basis for comparison of the cost of advertising in various media. However, this comparison is only valid if the various media all reach the same target audience. [Hence Wasserman + Partners calculations are adjusted for target audience size, are represent estimates only] The CPM is computed by multiplying the advertising cost times 1000 and dividing by the total audience. Source: <http://www.answers.com/topic/cost-per-thousand-cpm?cat=biz-fin>

4.8.8 Future Communications

Years one and two of the Customer Choice strategy focused on creating broad program awareness amongst Natural Gas Consumers. Due to the efforts of the 2007 and 2008 information campaigns, overall awareness of 70-75 per cent has been achieved, peaking at 86% in January 2008.

The overriding purpose of The Customer Choice Education Campaign 2007 and 2008 was to provide overall unbiased information regarding the Customer Choice program. This purpose was borne from the understanding that this is a new market in a product category that consumers have not traditionally considered. Presenting information using mass media advertising in a single, clear voice has been paramount to the success of Customer Choice. These communications help to firmly establish the new product and develop a marketplace in which gas marketers can be successful in the long term.

As energy pricing becomes more a concern in household budgeting, programs like Customer Choice may become of greater interest to consumers as one way to help them manage their energy bills. It is important that the information be available to these consumers when they are seeking it out. Over the coming years, existing natural gas customers may decide to explore budget options while new customers will need to be informed about Customer Choice.

Looking forward to the next three years, Terasen Gas recommends shifting the focus of the campaign from developing broad market awareness to developing deeper awareness of the program amongst an interested audience. Continued communication is important as awareness gains of Customer Choice will decline unless a sustaining program is implemented⁵⁰. In any category and for any product, once communication efforts cease, awareness declines steadily. In low-interest or seasonal categories like natural gas marketing, once communication efforts cease, awareness will drop dramatically. With a drop in awareness, marketing efforts by gas marketers may be more difficult as they will now be required to re-educate consumers about the Customer Choice program in addition to their gas marketing programs. Equally important, gas marketers would have to convince consumers that gas marketers are legitimate participants in a program that actually exists.

Any effort to start a new process to educate consumers about the Customer Choice program that involves both Terasen Gas and gas marketers could result in consumers being exposed to multiple interpretations of the Customer Choice program. This could result in confusion, irritation, and complaints by consumers who are not sure who to believe or where to go for unbiased information. Consumers who feel overwhelmed by multi-messaging may also decide to avoid the program altogether which would impact the market potential for Customer Choice.

4.8.8.1 Immediate Communication Objectives

The objectives of the customer education plan are to sustain awareness and increase the depth of knowledge among natural gas users who are most likely to be interested in Customer Choice. The specific objectives for 2009-11 are recommended to be:

⁵⁰ Continued advertising will increase people's familiarity with the Customer Choice product. Over time, this will shift customers from short term awareness to knowledge. The communication effort will not address Code of Conduct issues related to inappropriate sales activity by individual gas-marketer representatives.

1. maintain customer awareness of program at a minimum level of 70-75 per cent throughout 2009 and ongoing (natural gas users only); and
2. increase knowledge of defined program details, specifically delivery vs. commodity, to 50% of natural gas users while the detailed campaign is running.

It is important to note that objectives use natural gas customers as a base and not the population of British Columbia at large. This is because the campaign's purpose is to maintain awareness amongst existing customers rather than build natural gas sales. Terasen Gas believes that these objectives will deliver better levels of consumer awareness and reduce confusion. These objectives would also help to mitigate program related complaints that are based on customer confusion about the offer. Importantly, they do not address such issues as unethical sales tactics employed by gas marketer sales representatives. Issues arising from the business practices followed by gas marketers would remain the responsibility of the Commission to address.

4.8.8.2 Long Term Program Goal

The long-term goal of the customer education campaign is to help shift customers from short term awareness of the program, to the point where the information is internalized and part of their knowledge base. In this way, the expenditure in communication assures the long term viability of a healthy, competitive marketplace that offers customers ongoing choice in commodity contracting services.

4.8.8.3 Key messages

Consistency is required to maintain program awareness. In this regard key messaging in 2009-11 would not change from 2008. All messages will direct to www.terasengas.com for more detailed information about Customer Choice. The sustained awareness of three key messages will be sought: delivery versus commodity, supplier choice and price.

In addition to the core messages presented, should customer feedback or ongoing research identify any additional issues, the campaign should be able to accommodate an additional key message.

Delivery versus Commodity

Establishing greater clarity on the issue of delivery and commodity costs is important in order to build a better understanding of Customer Choice. This should facilitate better consumer understanding of the difference between Terasen Gas and gas marketers, and help clarify the commodity product being sold. Unfortunately, message complexity and time constraints suggest this issue can not address both Customer Choice and the core message in a 30 second commercial. It takes 30 seconds just to relate the core message. Moreover, it was difficult to address this issue with customers when they didn't need to understand the difference. Next year represents a window to address this outstanding communications issue.

In 2007 and 2008 this message was only addressed online and in print. However, Terasen Gas is of the view that this message is core to the successful implementation of the Customer Choice program. To date, it has not been adequately communicated to consumers. Awareness of the two billing aspects peaked at about 40 per cent.

Dedicated TV and radio messaging is necessary to communicate this message to 70-75% of gas customers. The effective communication of this message will mitigate ongoing customer confusion about their Customer Choice options, and have the additional benefit of helping customers better understand the impact of fluctuating commodity costs.

Supplier Choice

This message reinforces that Customer Choice is about natural gas customers having the choice of who they purchase their natural gas from: a fixed rate from independent gas marketers or a variable rate from Terasen Gas.

Price

This message explains that there is no way to predict which supplier, either an independent gas marketer or Terasen Gas, will save the consumer money in the long-run. Steps will be taken to add this message to our research rotation starting in fall 2008.

4.8.8.4 Research

As the campaign is executed, consumer research will be undertaken to continuously track attitudes and beliefs with respect to Customer Choice. This research will explore how receptive audiences are to messaging and to seek insights about how to best move forward. Based on this research, the strategy will continue to evolve in response to findings. This will ensure that the advertising is meeting the objectives set out in this document, and continue to evolve as customer perceptions change.

4.8.8.5 Media strategy

The 2009 to 2011 Customer Choice media strategy will assist marketing efforts by identifying key prospects and creating deeper program awareness amongst this group. The successful execution of this strategy requires understanding which consumers are most budget-conscious and marrying this understanding with timing that is message appropriate. A review of BC homeowners who use natural gas indicates the target audience is adults 35+ with families. Of those who are most concerned with household finances, over 74 per cent are over the age of 35. In addition, over 56 per cent live in households with three or more people (Source PMB 2008).

Audience tracking during 2008 indicated consumer interest in Customer Choice messaging increased during colder months. As a result, Customer Choice messaging should focus on colder periods. So communication efforts will focus on October to March time periods as affordable. This strategy will communicate with this target audience and during this timing through the use of media channels that are both complementary and intrusive in terms of context. Further, this strategy allows for a degree of messaging flexibility. This means, should research insights reveal some needs to messaging revisions, creative in most can be revised to address these concerns.

In any category and for any product, once communication efforts cease, awareness will decline. Once communication efforts cease in low-interest categories like natural gas marketing, consumer awareness will drop dramatically. With a drop in awareness Terasen Gas expects:

- gas marketer credibility to further erode;
- the number of customers aware and interested in the product will decline to levels that do not support ongoing gas marketer sales;
- several existing gas marketers could consolidate;
- the value of communication expenditures to date will be lost as consumer awareness of each program element dissipates; and
- burden future Customer Choice communication efforts with the need to start from scratch (because consumers may not recall the program).

The 2009 Customer Choice Connection Strategy will assist marketing efforts by sustaining the awareness that has been developed in 2007 and 2008. This strategy will do so through the use of Connection Channels that are both complementary and intrusive in terms of context. Complementary Connection Channels are those where the messaging is placed in an environment that is highly applicable to the consumer's mindset at the time of exposure. A bill insert is an example of a Complementary Connection Channel – the consumer is reviewing their bill and is in a more open frame of mind for Customer Choice messaging. However, the powerful context of a Complementary Connection Channel must be weighed with the likelihood of actual exposure to the consumer. A bill insert may sound like an obvious opportunity, but its value is entirely dependent on the consumer reading the piece.

This challenge is exacerbated by the low interest of the category. In the case of natural gas marketing, Complementary Connection Channels alone will not provide enough actual exposure to maintain the awareness levels required by objectives. Research to date conducted by the market research firm used by Terasen Gas reinforces this understanding. As a result, Intrusive Connection Channels are required to support Complementary Channels. Intrusive Connection Channels are those where the messaging seeks out the consumer based on their known habits (which may or may not be related to the message) and interrupts with a sponsored message. Television is an example of an Intrusive Connection Channel that reaches consumers based more on their exposure to the medium rather than its complementary nature.

To achieve sustained awareness objectives for Customer Choice, a mix of Complementary and Intrusive Connection Channels are recommended. When developing creative tactics within each one of these channels, it is imperative that key messages be consistent in order to achieve the stated objective.

4.8.8.6 Complementary Media Channels

Complementary media channels are those where the messaging is placed in an environment that is highly applicable to the consumer's mindset at the time of exposure.

Bill inserts

Contextually, bill inserts provide the greatest opportunity to sustain awareness due to their proximity to a highly relevant aspect of Customer Choice – fees. This highly relevant exposure opportunity will reach consumers as they are thinking about their budget and, at some level, considering options.

While Bill Insert readership is low, they do provide an opportunity to reach consumers with a sustaining Customer Choice message in an optimal context. Past research by Terasen Gas

has indicated that bill insert readership levels are as low as 11 per cent which is not significant enough to maintain awareness objectives in isolation.

The opportunity to maintain ongoing awareness through Bill Inserts alone is limited due to its limited frequency and monthly readership. Given the recent frequency of rate communications using bill inserts and through media attention in preceding months, ideal insertion months are limited to November and February. This frequency is insufficient to maintain awareness of the program. Despite more than a decade of regular rate-change bill inserts, 2007 research suggested only 18 per cent of gas users understand the two price components of their monthly bill (delivery versus commodity).

Customer relations

Terasen Gas has internal resources on hand that can be utilized to maintain Customer Choice awareness. Although these resources may not necessarily involve additional cost to deploy, their involvement within the overall Media Plan must be considered in order to ensure consistent messaging.

These resources include:

- Terasen Gas Community Relations;
- Terasengas.com; and
- Call centres / frontline staff.

Messaging through these resources will be aligned with all other media channels to ensure consistency.

4.8.8.7 Intrusive media channels

Intrusive media channels are those where the messaging seeks out the consumer based on their known habits, which may or may not be related to the message, and interrupts with a sponsored message.

Direct mail

Because of potential rate adjustment communication conflicts, appropriate opportunities to distribute Customer Choice related bill inserts is limited. Moreover, little value is gained from sending the information out in summer months when people aren't thinking about natural gas. Direct Mail is recommended as this tactic will allow for messaging to be highly targeted. Unaddressed Ad Mail can be focused on specific postal carrier walks which can be selected based on their proximity to gas lines – providing reach to existing and potential gas customers. Addressed Ad Mail targeted specifically to those homes that have not selected a fixed rate plan can be layered in to focus efforts on current and undecided consumers. Further, using Direct Mail provides consumers with a permanent communication piece that can be stored and referenced at a later date.

Direct Mail drops are planned during the third week of the campaign. By this time, consumers will have become re-familiarized with the Customer Choice messages and will have a greater understanding of the potential importance the Direct Mail piece may have to them. This will increase the likelihood of the piece being read and kept.

Television

Television is the most cost efficient medium currently available. This is due to the wide use of the medium in relation to other forms of media, such as radio. Over 78% of BC Homeowners aged 35+ with families who use natural gas watch television at some point during the average day. This cost efficiency of television is further supported by the extent of the medium's use. The over 55% of adults 35 or older in British Columbia watch 15 or more hours of television per week. Given this significant reach and frequency advantage, television is recommended to be the lead awareness medium. However, given the budget realities, television will be used to introduce campaign messaging with support media providing longer term sustaining presence.

Ethnic television is recommended to run in conjunction with English television to accommodate the 15 per cent of BC Homeowners who use natural gas and whose home language is not English. Ethnic television will be presented in Cantonese, Mandarin and Punjabi as these are the largest ethnic populations in British Columbia.

Radio

Radio is an intrusive medium that provides strong reach against the target audience. Over 78% of the target audience listen to the radio at some point during the average day. Radio has been planned as a support for television because of the medium's ability to build frequency within a defined geography. To build 65% weekly audience reach in the Lower Mainland requires approximately 150 Television GRPs. To build the same level of audience reach in radio would require approximately 350 GRPs. This is due to the high-frequency nature of radio compared to the high-reach nature of television because radio reaches a smaller proportion of the population than television does but more frequently.

To purchase a 150 GRP Television schedule in Vancouver/Victoria would require an investment of approximately \$48,000. To purchase a 350 Radio GRP schedule to cover the same geography would require a higher investment of \$49,061.30. Assuming messaging remains consistent with 2008, 20 weeks of 200 GRPs per week are recommended to run during January – March and November / December. To introduce Commodity vs. Delivery messaging, an increase to 250 GRPs for the first four weeks of the campaign is recommended to gain traction.

Ethnic radio is recommended to run in conjunction with English television to accommodate the 15 per cent of BC Homeowners who use natural gas and speak a language other than English at home most often. Ethnic radio will be presented in Cantonese, Mandarin and Punjabi as these are the largest ethnic populations in British Columbia.

4.8.9 Proposed Customer Education Funding 2009-2011

The following top line budget proposals are based on campaigns with a commodity versus delivery message and that targets an awareness level of approximately 70%. The 2009 budget proposal has been replicated for 2010 and 2011 while considering potential rate increases. As campaigns will be tracked, the expectation is that there may be adjustments moving forward based on customer response to messaging. Terasen Gas also recommends that a direct mail piece is distributed to customers in 2009 and again in 2011.

With this Application, the Company is requesting Commission approval for annual Customer Education expenditures in the total amount of \$3.25 million per year for the three years 2009

through 2011 as per the table below. The accounting treatment and cost recovery mechanisms, which the Company proposes to be the same as is currently used, is described in more detail in Section 5.3 of this Application.

Customer Choice Customer Education Plan

Proposed Annual Budget - 2009 - 2011

Bill inserts (2 pieces)		
Production	\$	70,000
Direct mail (2 pieces)		
Production & mailing		900,000
Television (1 new commercial)		
Production		250,000
English media		950,000
Ethnic media		60,000
Radio		
Production		10,000
English media		950,000
Ethnic media		60,000
Research		
Tracking		250,000
Total	\$	3,250,000

4.9 Customer Choice Implementation Costs

In the April 13, 2006 CPCN Application for the implementation of a Residential Unbundling program, Terasen Gas outlined the expected implementation costs to be \$11.1 million on a pre-tax basis. Commission Order No. C-6-06 approved an increase of \$11.1 million to the implementation cost deferral account resulting in a total approved deferral account of \$12.5 million.

The Residential Phase of the Unbundling program was implemented for a cost of \$11.0 million compared to the approved budget of \$11.1 million. An additional amount of \$1.4 million was incurred to scope out the solution that was approved by the Commission in August 2006. The Customer Choice program has been fully implemented except for the last requirements of the financial reporting process improvements. Several extract files containing billing data that need to be provided by the Company's outsourced customer care service provider, CustomerWorks LP, need to be integrated into the application. The process to fully identify the detailed reporting requirements was more complex than initially anticipated, but the remaining work is expected to be completed by the end of August, 2008. The costs associated with this delayed completion are included in the implementation amounts cited earlier.

4.10 Customer Choice Operating and Maintenance Costs

In Commission Order No. C-6-06 reaffirmation was provided that operating costs, to the extent possible, are to be recovered from the gas marketers. Terasen Gas charges gas marketers four different transaction fees in order to recover certain operating costs directly from gas marketers.

The transaction fees are charged to the gas marketers on a monthly basis and are netted against the remittances made to them for natural gas deliveries.

- The first transaction fee is called the Customer Administration Fee and is based on the total number of bills sent on behalf of gas marketers to customers who have elected to participate in the Unbundling program. Terasen Gas currently charges a Customer Administration Fee of \$0.40 per month for each bill sent to customers that are enrolled in the gas marketers' groups.
- The second transaction fee is called the Marketer Group Administration Fee and is based on the number of Marketer Groups in effect for a gas marketer as of the first of that particular month. Terasen Gas currently charges a Marketer Group Administration Fee of \$150.00 per month for each active Marketer Group.
- The third transaction fee is call the Confirmation Letter Fee and is based on the total number of Confirmation Letters produced and mailed out in a month to customers enrolled by a gas marketer. Terasen Gas currently charges a Confirmation Letter Fee of \$0.60 per Confirmation Letter.
- The fourth transaction fee is the Dispute Resolution Fee and is based on the total number of dispute decisions made against a gas marketer in given month. Terasen Gas currently charges a Dispute Resolution Fee of \$50.00 per decision made against a gas marketer.

Operating and maintenance costs in support of the Customer Choice program are incurred as a result of the need to complete activities that include call handling, billing, system support, and program administration. Operating and maintenance costs, net of those costs recovered from gas marketers via the transaction fees are accumulated in a deferral account and will be recovered through the use of a rate rider from all eligible customers who are eligible to participate in the Customer Choice program.

5. Customer Choice Cost Recovery and Rate Impact

5.1 Commodity Cost Reconciliation Account (“CCRA”) and Midstream Cost Reconciliation Account (“MCRA”)

Terasen Gas purchases gas on behalf of its sales customers and passes these costs through to sales customers without mark-up. Costs are recovered from customers through gas cost recovery rates. As the gas cost recovery rates are based on forecast costs and actual costs invariably differ from forecast costs, deferral accounts are used to accumulate the difference between the cost incurred by Terasen Gas to purchase the gas commodity and the revenue collected by Terasen Gas through the gas cost recovery component of rates. Prior to April 1, 2004, these costs were collected in the Gas Cost Reconciliation Account (“GCRA”). Effective April 1, 2004, all gas supply costs were assigned to either the CCRA or the MCRA deferral accounts based upon whether the cost related to the Commodity or the Midstream functions.

The CCRA captures the costs incurred by Terasen Gas to purchase its portion of the baseload gas requirements and the revenue collected by Terasen Gas through gas commodity rates. Terasen Gas, in its role as commodity provider, supplies baseload gas, on a 100% load factor basis, as per the forecast annual supply requirements. Terasen Gas' cost for this baseload gas is charged to the CCRA, and the revenue collected by Terasen Gas for the commodity portion of the applicable customer sales is credited to the CCRA. On an annual basis, there will be a difference between the baseload supply requirement and the actual consumed quantity. This volume-related variance is the responsibility of Terasen Gas in its role as Midstream services provider and as such will be transferred to the MCRA. Commodity price-related variances will be collected in the CCRA and will be taken into account when determining commodity rate changes.

The MCRA is designed to capture all the costs associated with the Midstream function and the revenue collected by Terasen Gas through Midstream rates. The commodity providers, both Terasen Gas Commodity and gas marketers, deliver baseload volumes, including any fuel in-kind, at the three receipt points. Terasen Gas will then deliver gas to gate stations to meet daily firm customer demands. Terasen Gas, in its role as Midstream service provider, will use the pipeline, storage resources, spot and peaking purchases, and sale activities as approved in the Annual Contracting Plan to manage load variability. The MCRA will collect any resultant cost variances, including any volume-related variances due to differences between the forecast and actual consumption.

Both the CCRA and MCRA deferral accounts are reviewed and reports filed with the Commission on a quarterly basis. The commodity cost recovery rates, which are subject to variations in the forward price of natural gas, continue to be reviewed and adjusted on a quarterly basis. As well, Terasen Gas will continue to monitor and report MCRA balances consistent with the Company's position that midstream rates be reported on a quarterly basis and, under normal circumstances, midstream rates be adjusted on an annual basis with a January 1 effective date. Midstream cost recovery rates are reviewed quarterly but an annual adjustment mechanism for rate setting appears to be the most appropriate. An annual adjustment process for the MCRA provides stability to the Midstream component of gas costs for customers. In addition, it synchronizes rate changes to the Midstream cost recovery charge with the annual delivery margin adjustment process on January 1st of each year, helping to streamline communications with customers regarding rate adjustments.

5.2 Rate Impact of Implementation, Operating and Maintenance Costs

Also in the April 13, 2006 CPCN application, Terasen Gas proposed that the implementation costs, including AFUDC, be amortized over a three-year period, from January 1, 2008 through December 31, 2010, and be recovered from all eligible residential customers via a rate rider. Commission Order C-6-06 approved the proposed deferral account mechanism and rate rider cost recovery.

5.3 Recovery of Implementation, Operating and Maintenance Costs

In Commission Order No. C-6-06 direction was provided on the allocation of costs to the eligible customers who have the opportunity to participate in the Customer Choice program. Specifically, the implementation costs are to be recovered from customers eligible to participate in the program and annual operating costs, including Customer Education expenditures, should to the extent possible be recovered from gas marketers.

On December 3, 2007, Terasen Gas filed its 2007 Fourth Quarter Gas Cost Report wherein Terasen Gas requested approval for recovery of the residential commodity unbundling deferral costs via a rate rider effective January 1, 2008. Commission Order No. G-150-07, dated December 7, 2007, approved Rate Rider 8 applicable to eligible residential customers within the Terasen Gas Lower Mainland, Inland, and Columbia service areas, excluding the Revelstoke and Fort Nelson service areas be established effective January 1, 2008.

Rate Rider 8 applicable residential customers in Rate Schedules 1, 1U, and 1X was set at \$0.118/GJ, effective January 1, 2008, and comprises a component related to the capital implementation cost recovery and a component related to the operating cost recovery. The residential unbundling implementation cost recovery component amount for 2008 is \$0.068/GJ.

Based on the year-to-date recoveries at May 31, 2008 and the projected recoveries to December 31, 2008, the three-year amortization and recovery of the residential unbundling capital implementation deferral account costs is on track. Consistent with past practice and as part of its 2008 Fourth Quarter Gas Cost Report, Terasen Gas will provide the Commission with updated commodity unbundling deferral account balances and amortization schedules, and will also seek approval for any changes required to the related rate rider recovery amounts effective January 1, 2009.

6. Stakeholder Consultation

Leading up to the submission of this report, Terasen Gas consulted with key stakeholders on the results of the Customer Choice program implementation, with the aim of providing information to allow participants a better understanding of how the new systems operate and to identify enhancement opportunities that promise to strengthen the program. The most important consultations included the Commission led gas marketer workshop held on April 8, 2008, as well as a number of meetings with Commission staff where enhancements to the disputes resolution process were explored.

Most stakeholders were pleased with how the Residential Phase of the Commodity Unbundling program has progressed since implementation. Some concerns were raised regarding the operation of the systems and processes, as well as the effectiveness of the customer education campaign. A detailed review of the enhancements requested by stakeholders follows next in this report.

7. Recommended Enhancements

The following section provides a review of the enhancements requested by the Commission, gas marketers, as well as by Terasen Gas. The total cost of these enhancements, which the Company is requesting Commission approval for with this Application, is as follows:

Customer Education 2009-11	\$ 3.25 million annually (operating and maintenance cost);
Release 1	\$ 14,600 (capital cost);
Release 2	\$ 859,700 (capital cost);
Release 3	\$ 54,300 (capital cost); and
Release 4	\$ 298,200 (capital cost).

Enhancements are grouped into different releases so that they can be implemented as quickly as possible based on their dependency on the Energy CIS system. This grouping is critical given the upgrade work currently underway on this application.

7.1 Customer Education Plan 2009-2011

Terasen Gas recommends a continued Customer Education campaign for each of the next three years. The level of funding required for this campaign in 2009, 2010, and 2011 is \$3.25 million annually.

Please refer to section 4.8.7 for full details.

7.2 Program and Application Enhancements

Enhancements to the Customer Choice application and processes are prioritized according to the following framework:

1. application architecture and design issues affecting enrollment transactions and system performance;
2. application functional and usage enhancements;
3. application user experience enhancements; and
4. application enhancements requiring corresponding changes to the Energy CIS and its enrollment database.

The final priority is constrained by the current work to update the Energy CIS to a new version. All enhancements that require change to the Energy CIS and its enrollment database are under a "code change freeze" until the new Energy CIS system is implemented in October 2008. In order to accommodate the constraints caused by the need to complete an upgrade of the Energy CIS, the proposed enhancements have been grouped into releases that allow for the earliest implementation possible.

7.2.1 Terasen Gas Requested Enhancements

In reviewing enhancements that should be considered in order to help to ensure that the GEM application continues to function efficiently in the future, Terasen Gas identified two key requirements. The first one relates to the need to test interface files, database tables, and reports between the GEM application and the upgraded Energy CIS, to ensure that the

Customer Choice systems continue to function properly after the CIS upgrade is completed. The second one relates to an architectural improvement to the GEM application itself.

The Company's outsourced provider of customer care services, CustomerWorks LP, is in the process of implementing a full version upgrade of the Energy CIS system. From a Customer Choice perspective this upgrade requires the complete testing of all interface files, database tables, and reports to ensure that they will continue to function properly once the upgrade is completed in October 2008. A considerable testing effort needs to be completed in a very short span of time as part of this work. If this work is not completed, there is considerable risk that the Customer Choice systems will cease to function after the Energy CIS upgrade is completed.

In preparing to evaluate the enhancement requests made by the Commission and gas marketers, Terasen Gas conducted an architectural review of the design of the Customer Choice application. The purpose of this review was to identify any design improvements that should be made to increase system reliability and overall performance. Such improvements could then either also address some of the enhancement requests or make their implementation easier and more effective.

This review process identified one critical improvement that should be made. The Customer Choice Portal (GEM website) was deployed with a SQLite database engine which contains datasets to populate data fields in the Customer Disputes Screen, Customer Dispute Detail Screen, Submit BCUC Ruling Screen, and other pages of the GEM website. The decision to use SQLite, rather than an enterprise database engine such as Oracle, was its simplicity to administer, implement, and maintain. SQLite has also demonstrated its effectiveness in medium traffic websites such as GEM, which was assumed to be adequate for the first few years of the Customer Choice program. As the number of enrollments, disputes and supporting documentations grew significantly in the first eight months of the program, the SQLite database engine started to exhibit performance issues due to the large datasets it needs to process. The volume of this data is now too large for this technology to process it efficiently. One work-around that was implemented to address this problem was to restrict the refresh of disputes data to one per day.

Terasen Gas proposes the replacement of the SQLite Database with a SQL Server that is designed to process large volumes of data. This upgrade of the SQLite Server to an enterprise database engine so that data can be refreshed on screens faster and provide updates to the enrollment and dispute datasets to closer to real-time.

Recommended Enhancement Release Schedule & Implementation Cost

Release	Enhancement Items	Implementation Effort in Days	Implementation Timeline	Implementation Cost
2	Customer Choice Testing to Support Energy CIS Version Upgrade	696	Complete by early October	\$ 781,000
2	SQLite Conversion	23	Complete by mid November	\$ 38,200
Total Cost				\$ 819,200

The outsource service provider that Terasen Gas plans on using to implement the enhancements has provided a time and materials estimate to complete the work. While Terasen Gas will manage the implementation of these changes according to this estimate, unforeseen complexities associated with this enhancement could result in costs greater than those set out above. Consistent with the directions set out in Order No. C-6-06, Terasen Gas will charge the quoted costs, plus any additional unforeseen costs, to the deferral account setup to capture costs that need to be recovered from customers eligible to participate in the Customer Choice program.

7.2.2 Commission Requested Enhancements

In a meeting between Commission staff and Terasen Gas at the offices of the BCUC on January 22, 2008, it was agreed that Terasen Gas would complete a review of enhancements identified by Commission staff to the dispute logging and decision ruling process set up in the Customer Choice systems. The purpose of these enhancements is to help make use of the Customer Choice systems easier and to streamline processes needed to support the resolution of disputes. Subsequent discussions with Commission staff have refined the requirements somewhat and are reflected in the section that follows.

These enhancements do not include any requirements to support the statistical reporting of disputes and contract cancellations and the publication of such reports on the Commission's website. Although statistical reporting has been the subject of some recent discussions with Commission staff, these discussions are not sufficiently advanced to allow for a description of any enhancement or cost estimate for an implementation to be included in this report. The requirements for statistical reporting will be addressed separately from the enhancements included in this report.

7.2.2.1 Review Summary

The Commission identified nine enhancements that were reviewed. The table below provides a summary of the degree of implementation ease, the time required to implement the change, and the release number in which each change is included. The release number refers to a grouping of enhancements that are staged so that they can be implemented as soon as possible. Enhancements in each release require changes to similar areas of the GEM application, which reduces the time needed to complete their implementation.

Item	Description	Energy CIS Dependency	Implementation Effort in Hours	Release No
1.	Add ability to classify a new dispute by "Dispute Type".	No	17	2
2.	Display related disputes before a new dispute is created.	No	11	1
3.	Move the "Other" field display associated with question two to the left of the page.	No	6	1
4.	Change the list of questions asked when logging a new dispute.	No	37	2

Item	Description	Energy CIS Dependency	Implementation Effort in Hours	Release No
5.	Add the full name of the filer logging a dispute for a customer to the "Filed By" field.	No	7.5	1
6.	Display the cooling-off deadline (referred to as the "cancellation deadline") for each disputed enrolment.	No	6	1
7.	Add a field to the "File Ruling" page to allow the BCUC to enter a record number.	No	8	2
8.	Add a "Reconsideration Request" button to the "View Ruling" page that automatically logs a reconsideration request when clicked.	No	54	2
9.	Automatically "lock" documents uploaded to a dispute when the dispute is closed.	No	38.5	2

Recommended Enhancements Release Schedule & Implementation Cost

Release	Enhancement Items	Implementation Effort in Days	Implementation Timeline	Implementation Cost
1	2, 3, 5, 6	13	Complete by mid October	\$ 14,600
2	1, 4, 7, 8, 9	36	Complete by late November	\$ 40,500
Total Cost				\$ 55,100

The outsource service provider that Terasen Gas plans on using to implement the enhancements has provided a time and materials estimate to complete the work. While Terasen Gas will manage the implementation of these changes according to this estimate, unforeseen complexities associated with these enhancements could result in costs greater than those set out above. Terasen Gas will charge the quoted costs, plus any additional unforeseen costs, to the deferral account setup to capture costs that need to be recovered from customers eligible to participate in the Customer Choice program.

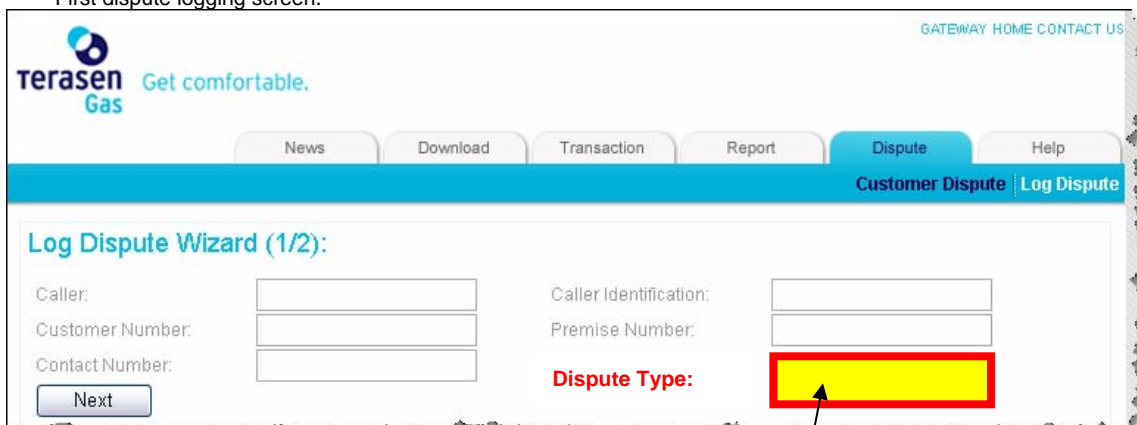
7.2.2.2 Enhancements Review

Requested changes – logging a dispute.

1. Add ability to classify a new dispute by "Dispute Type".

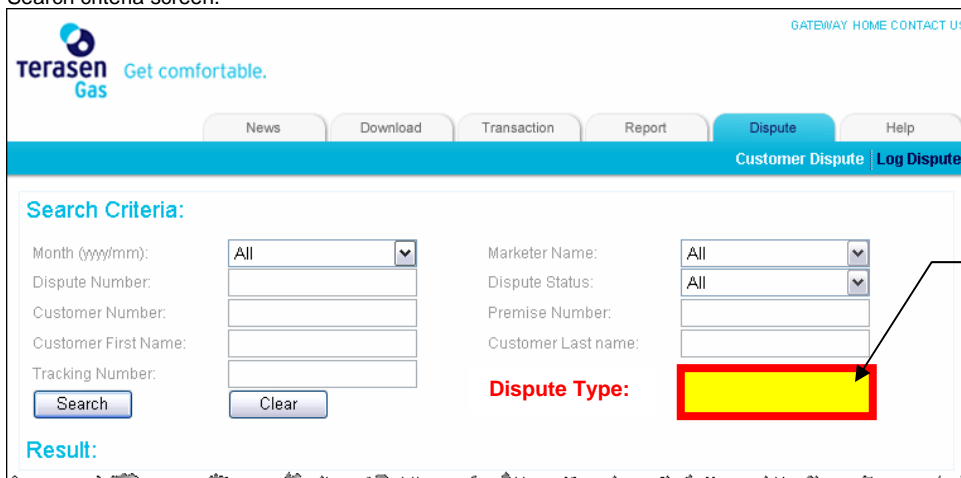
Add a new field with a drop box to classify a dispute as either as a "Standard Dispute", "Cancellation Request" or "Reconsideration Request". This field should default to "Standard Dispute" but allow users to select the other options if needed. Once a dispute is saved, this field needs to be searchable so that the BCUC can isolate different dispute types and so that it can better manage the decision making process.

First dispute logging screen.



Drop box with:
Standard Dispute
Cancellation Request
Reconsideration Request

Search criteria screen.



Need to be
able to
search by
dispute type.

Terasen Gas Response

This enhancement is relatively complex to complete because the database needs to be altered to allow enrollments to be tagged by dispute type and so that a search can be completed by each type of dispute. Existing disputes will be assumed to be "Standard Disputes", which means that any statistical reporting for the period prior to the implementation of this change will not be able to distinguish different dispute types. This functionality will be available to all dispute filers and to all GEM users. Additional training will be required for all GEM users logging a dispute to ensure that this new functionality is properly used.

This enhancement to be included in the second release.

2. Display related disputes before a new dispute is created.

Display related disputes for a customer before a new dispute is saved. This would allow a gas marketer, or Terasen call centre representative, to see if a dispute for the same contract has already been logged and help avoid creating duplicate disputes.

Second screen when logging disputes.



terasen Gas Get comfortable.

GATEWAY HOME CONTACT US

News Download Transaction Report Dispute Help

Customer Dispute Log Dispute

Log Dispute Wizard (2/2):

Caller: Jan29-MD-Test Caller Identification: Hans-54
Customer Number: 801464 Premise Number: 957687
Customer Name: RICHARD CROUSE Customer Address: 1636 E GEORGIA STREET VANCOUVER V5L 2B2
Contact Number: 604-332-7750

Available Marketer Contract:

Marketer	Enrollment Start Date	Enrollment End Date	Marketer Group Price \$	Status
<input type="radio"/> Unive Corporation y	2007/11/01	2008/11/01	9.39	BEEV
<input type="radio"/> Unive Corporation y	2008/11/01	2012/11/01	9.88	BEEV

Questions:

1 Have you contacted the Marketer?

A. ☐ Yes

B. ☐ No

Insert related disputes here or show them on a separate page intermediate page.

Dispute details page once a dispute is saved.

Add a section like this to the second page when first logging a dispute so that related disputes are displayed before the dispute is saved; currently they can only be seen after a dispute is saved.

Customer Dispute Detail:

Dispute #: 514
 Caller: 992 E 63RD AVE VANCOUVER V5X 2N5
 Caller Identification: 72002084
 Contact Number: 2007/06/01
 Date Filed: 2007/06/16
 Date Resolved: 2007/08/16

Filed By: 10338
 Status: Closed
 Days Outstanding: 76
 Marketer Name: Terasen Energy Corporation
 Customer Number: 484015
 Customer Address: 992 E 63RD AVE VANCOUVER V5X 2N5

Related Disputes:

Dispute#	Date Filled	Cust.#	Customer Name	Prem.#	Status	Date Resolved	Days Outstanding
1787	2007/06/21	484015	992 E 63RD AVE VANCOUVER V5X 2N5	514032	Closed	2007/08/03	43
1788	2007/06/21	484015	992 E 63RD AVE VANCOUVER V5X 2N5	514032	Closed	2007/08/03	43

Page 1 of 1
 <<First <Prev Next> Last>> Go to Page Go

Dispute Log:

#	Question	Answer	Others
1	Have you contacted the Marketer?	Yes	
2	What is the nature of your dispute?	Other	accommodate customer request
3	Is there a signed contract in place?	Yes	
4	Was the person signing the contract authorized?	Yes	
5	Is the contract start date as per the agreement?	Yes	
6	Is the commodity price being billed correct?	Yes	
7	What resolution to this dispute would be preferable to you?	Cancel enrolment with Marketer	

Terasen Gas Response

This enhancement is relatively complex to complete because enrollment data must be retrieved from inside the Terasen Gas firewall and displayed outside of it on the GEM system. This enhancement is important because it will help to avoid the creation of unnecessary disputes. It will however not prevent a duplicate from being logged in the event another user attempted to log a dispute for the same customer either that the same time or shortly thereafter. Additional training will be required for all GEM users logging a dispute to ensure how this new functionality is to be used.

This enhancement to be included in the second release.

3. Move the “Other” field display to the left.

Move the “Other” field display associated with question two further to the left of the page.

Dispute Log:

#	Question	Answer	Others
1	Have you contacted the Marketer?	Yes	
2	What is the nature of your dispute?	Other	accommodate customer request
3	Is there a signed contract in place?	Yes	
4	Was the person signing the contract authorized?	Yes	
5	Is the contract start date as per the agreement?	Yes	
6	Is the commodity price being billed correct?	Yes	
7	What resolution to this dispute would be preferable to you?	Cancel enrolment with Marketer	

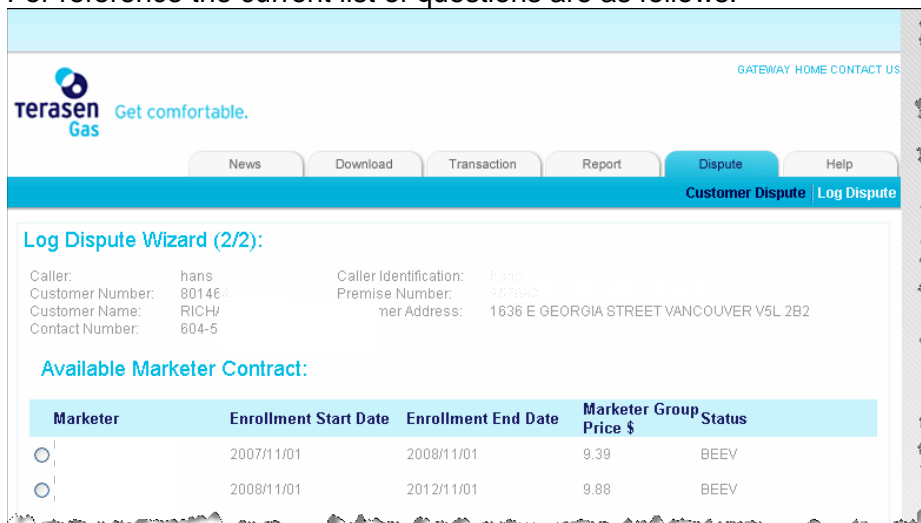
Terasen Gas Response

This enhancement is relatively simple to complete and offers immediate benefits to the BCUC when adjudicating disputes. Moving the display of this field to the left allows the full text captured in this field to be properly viewed when making a screen print of this page. This functionality will be primarily a benefit to the BCUC and is not expected to affect gas marketers. No additional training is needed for GEM users.

This enhancement to be included in the first release.

4. Change the list of questions asked when logging a dispute.

For reference the current list of questions are as follows:



The screenshot shows the 'Log Dispute Wizard (2/2)' page. It includes a header with the Terasen Gas logo and navigation links. Below the header, there are tabs for 'News', 'Download', 'Transaction', 'Report', 'Dispute', and 'Help'. The 'Dispute' tab is selected, and the 'Log Dispute' sub-tab is active. The form contains the following information:

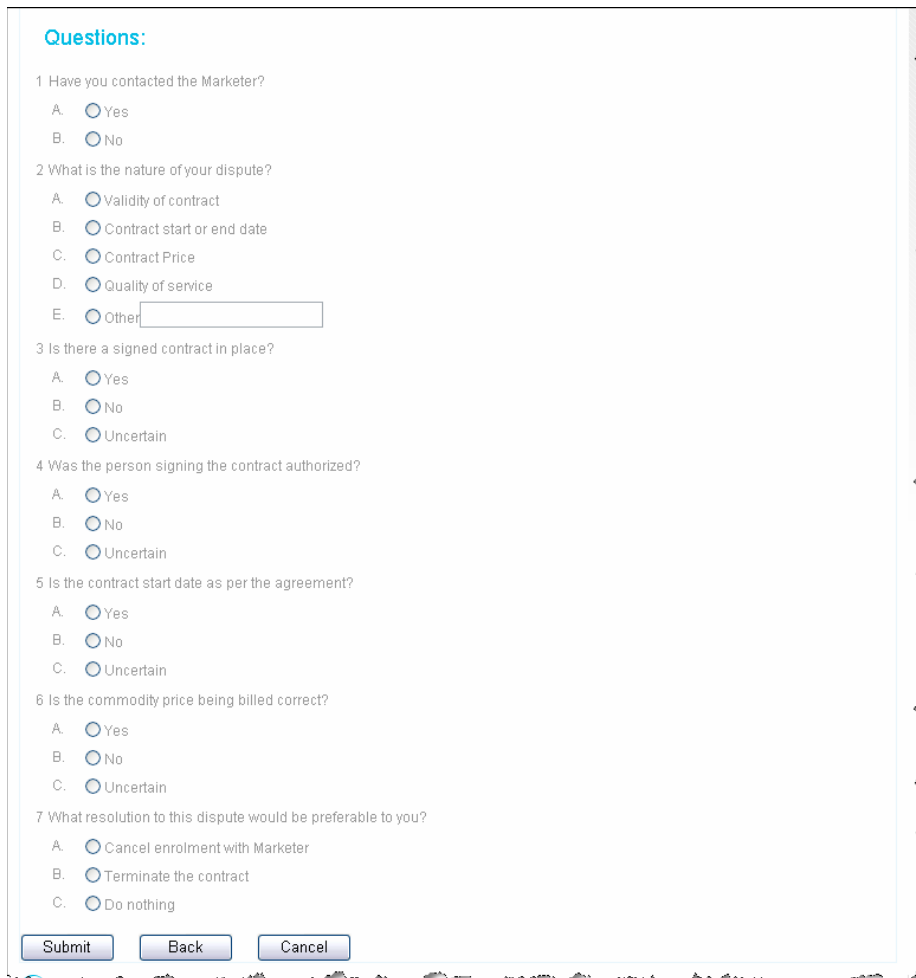
Log Dispute Wizard (2/2):

Caller: hans
Customer Number: 80146
Customer Name: RICH/
Contact Number: 604-5

Caller Identification: hans
Premise Number: 887850
mer Address: 1636 E GEORGIA STREET VANCOUVER V5L 2B2

Available Marketer Contract:

Marketer	Enrollment Start Date	Enrollment End Date	Marketer Group Price \$	Status
<input type="radio"/>	2007/11/01	2008/11/01	9.39	BEEV
<input type="radio"/>	2008/11/01	2012/11/01	9.88	BEEV



Questions:

1 Have you contacted the Marketer?

A. ☐ Yes

B. ☐ No

2 What is the nature of your dispute?

A. ☐ Validity of contract

B. ☐ Contract start or end date

C. ☐ Contract Price

D. ☐ Quality of service

E. ☐ Other

3 Is there a signed contract in place?

A. ☐ Yes

B. ☐ No

C. ☐ Uncertain

4 Was the person signing the contract authorized?

A. ☐ Yes

B. ☐ No

C. ☐ Uncertain

5 Is the contract start date as per the agreement?

A. ☐ Yes

B. ☐ No

C. ☐ Uncertain

6 Is the commodity price being billed correct?

A. ☐ Yes

B. ☐ No

C. ☐ Uncertain

7 What resolution to this dispute would be preferable to you?

A. ☐ Cancel enrolment with Marketer

B. ☐ Terminate the contract

C. ☐ Do nothing

The Commission proposes the following new questions to replace those currently in use.

1. Did you contact the marketer in an attempt to address your concerns?
 - Yes / No responses only, but ensure that the customer service agent logs the dispute where a customer has tried to contact a marketer but was unsuccessful, and where customers indicate strongly they are not willing to continue to deal with a marketer in an effort to resolve contractual issues.
2. What is the nature of your dispute? (No dropdown menu, briefly describe the nature of the dispute in a free form text field.)
 - Implement use of a free form text field that the customer service agent logging a dispute uses to describe the nature of the dispute.
3. The customer service agent reads back the dispute notes and asks, "Does this accurately capture key elements of your dispute?"

4. Are you the account holder?

- Yes / No responses only.

5. Delete, not needed.

6. Delete, not needed.

7. Delete, not needed.

Terasen Gas Response

The current list of questions used in the dispute logging process was designed to keep the time needed by a customer to complete initiating a dispute to a minimum. A drawback with this approach however is that not all facts that are relevant to a customer's claim may be captured through the set of questions. Changing the list of questions asked to those proposed by the Commission will help to provide customers the opportunity to fully set out facts they believe are relevant to their dispute.

Changing the list of questions is an enhancement that is relatively complex to complete because the database needs to be altered to capture responses to new questions. An additional issue is created because the GEM application needs to be able to continue to retrieve responses to the current set of questions, as well as responses to the new set of questions.

This enhancement will affect all dispute filers. Additional training will be required for all GEM users logging a dispute to ensure that the purpose of the new questions is properly understood. Critical in the regard will be the need for all gas marketers and the Terasen Gas call centre to be provided with clear instructions for how question two should be completed so that the written record and facts of a dispute are captured in a meaningful way.

This enhancement to be included in the second release.

Requested changes – viewing a dispute.

5. Add the full name of the filer to the “Filed By:” field.

Change the “Filed By:” field to include the name of the organization logging the dispute – was it a gas marketer, the Terasen Gas call centre, Terasen Gas, or the BCUC? Add the long name of the filer after the filer code to the “Filed By:” field.

Dispute details page once a dispute is saved.

Customer Dispute Detail:

Dispute #:	9007	Filed By:	10339
Caller:	Jan25-MD-Test	Status:	Opened
Caller Identification:	Hans-50	Days Outstanding:	4
Contact Number:	604-592-7753	Marketer Name:	Unnasat Energy Corporation
Date Filed:	2008/01/25	Customer Number:	682533
Date Resolved:		Customer Address:	344 W 64TH AVENUE VANCOUVER V5X 2L9

Related Disputes:

No record(s) found.

Dispute Log:

#	Question	Answer	Others
1	Have you contacted the Marketer?	Yes	
2	What is the nature of your dispute?	Validity of contract	
3	Is there a signed contract in place?	Yes	
4	Was the person signing the contract authorized?	Yes	
5	Is the contract start date as per the agreement?	Yes	
6	Is the commodity price being billed correct?	Yes	
7	What resolution to this dispute would be preferable to you?	Cancel enrolment with Marketer	

Customer History:

Enroll. ID	Eff. Start	Eff. End	Cust. #	Prem. #	Region Code	Rate Class	Marketer Group	Reason Code
46143	2007/11/01	2008/11/01	682533	444269	LM	001	UN8334	1230
46144	2008/11/01	2012/11/01	682533	444269	LM	001	UN8333	1230

Add filer long name after the code number.

Terasen Gas Response

This enhancement has a medium complexity to complete but offers an immediate benefit by showing the long name of the organization who logged the dispute. This functionality will benefit all GEM users. No additional training is needed.

This enhancement to be included in the first release.

6. Display the cancellation (cooling-off) deadline.

Display the contract cancellation deadline for each dispute.

Dispute details page once a dispute is saved.

Customer Dispute Detail:

Dispute #:	9007	Filed By:	10339
Caller:	Jan25-MD-Test	Status:	Opened
Caller Identification:	Hans-50	Days Outstanding:	4
Contact Number:	604-592-7753	Marketer Name:	Universal Energy Corporation
Date Filed:	2008/01/25	Customer Number:	682532
Date Resolved:		Customer Address:	344 W 64TH AVENUE VANCOUVER V5X 2L9

Related Disputes:

No record(s) found.

Dispute Log:

#	Question	Answer	Others
1	Have you contacted the Marketer?	Yes	
2	What is the nature of your dispute?	Validity of contract	
3	Is there a signed contract in place?	Yes	
4	Was the person signing the contract authorized?	Yes	
5	Is the contract start date as per the agreement?	Yes	
6	Is the commodity price being billed correct?	Yes	
7	What resolution to this dispute would be preferable to you?	Cancel enrolment with Marketer	

Customer History:

Enroll. ID	Eff. Start	Eff. End	Cust. #	Prem. #	Region Code	Rate Class	Marketer Group	Reason Code
46143	2007/11/01	2008/11/01	682532	444269	LM	001	018331	1230
46144	2008/11/01	2012/11/01	682532	444269	LM	001	018332	1230

Insert the cancellation deadline date here.

Note that the cancellation deadline date is the date that the enrollment is received by GEM plus 10 days.

Terasen Gas Response

This enhancement is relatively simple to complete and offers an immediate benefit by showing if a dispute is being filed before the end of the cancellation period. This functionality will benefit all GEM users. No additional training is needed.

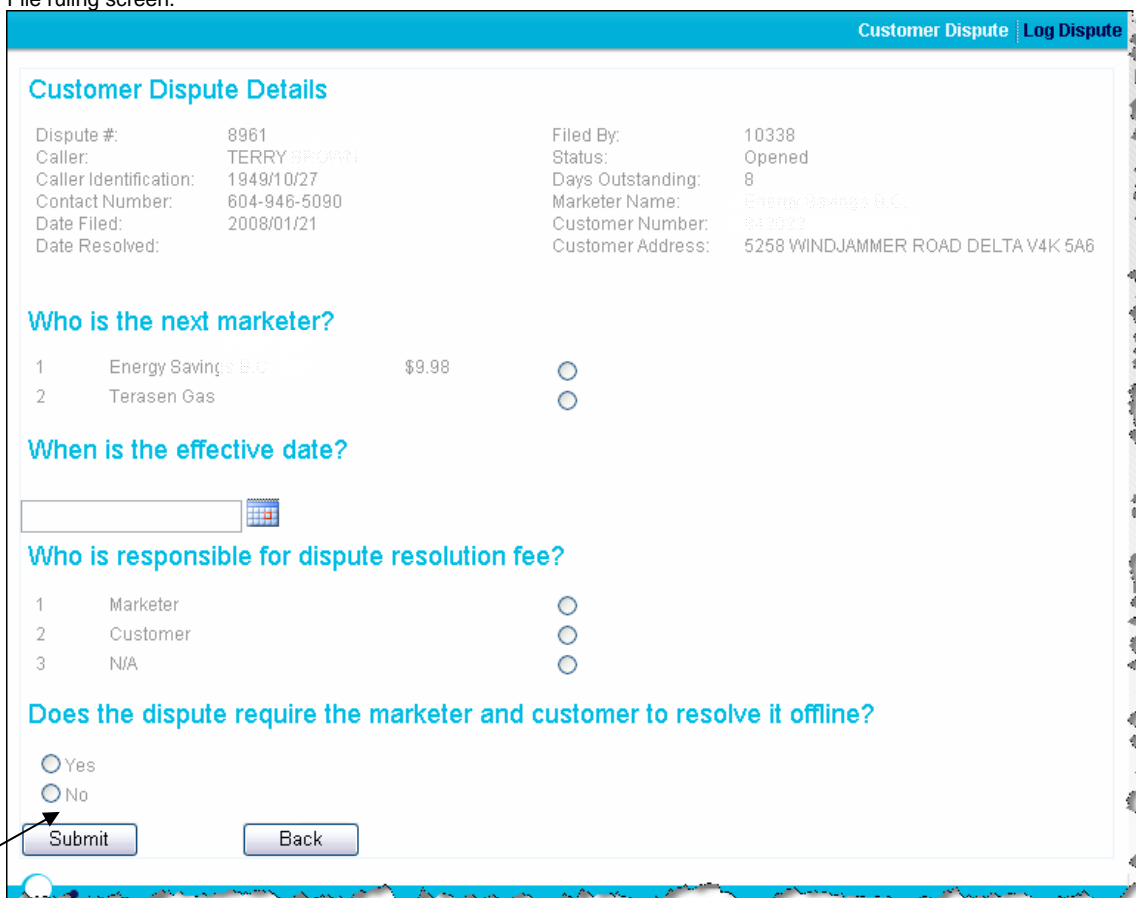
This enhancement to be included in the first release.

Requested changes – the BCUC reviews & decides on a dispute.

7. Add a field to allow the BCUC to enter a record number.

On the “File Ruling” page add a field to allow the BCUC to enter a record number or reference to a dispute so that they can cross reference a GEM dispute with their own records. This field will not be searchable or appear on the “Customer Dispute Detail” page; it should only appear on the “File Ruling” page.

File ruling screen.



Customer Dispute | Log Dispute


Customer Dispute Details

Dispute #:	8961	Filed By:	10338
Caller:	TERRY GREGORY	Status:	Opened
Caller Identification:	1949/10/27	Days Outstanding:	8
Contact Number:	604-946-5090	Marketer Name:	Energy Savings B.C.
Date Filed:	2008/01/21	Customer Number:	843032
Date Resolved:		Customer Address:	5258 WINDJAMMER ROAD DELTA V4K 5A6

Who is the next marketer?

1	Energy Savings B.C.	\$9.98	<input type="radio"/>
2	Terasen Gas		<input type="radio"/>

When is the effective date?



Who is responsible for dispute resolution fee?

1	Marketer	<input type="radio"/>
2	Customer	<input type="radio"/>
3	N/A	<input type="radio"/>

Does the dispute require the marketer and customer to resolve it offline?

☐ Yes
☐ No

Insert field here to
allow free-form text to
be entered.

Terasen Gas Response

This enhancement has a medium complexity to complete and offers the benefit of allowing the Commission to tag disputes in GEM with its own reference identifier. This functionality will be a benefit to the Commission and is not expected to affect gas marketers. The Commission will need to review its internal processes for how it plans on using this new field. No significant additional training is expected to be required for Commission staff.

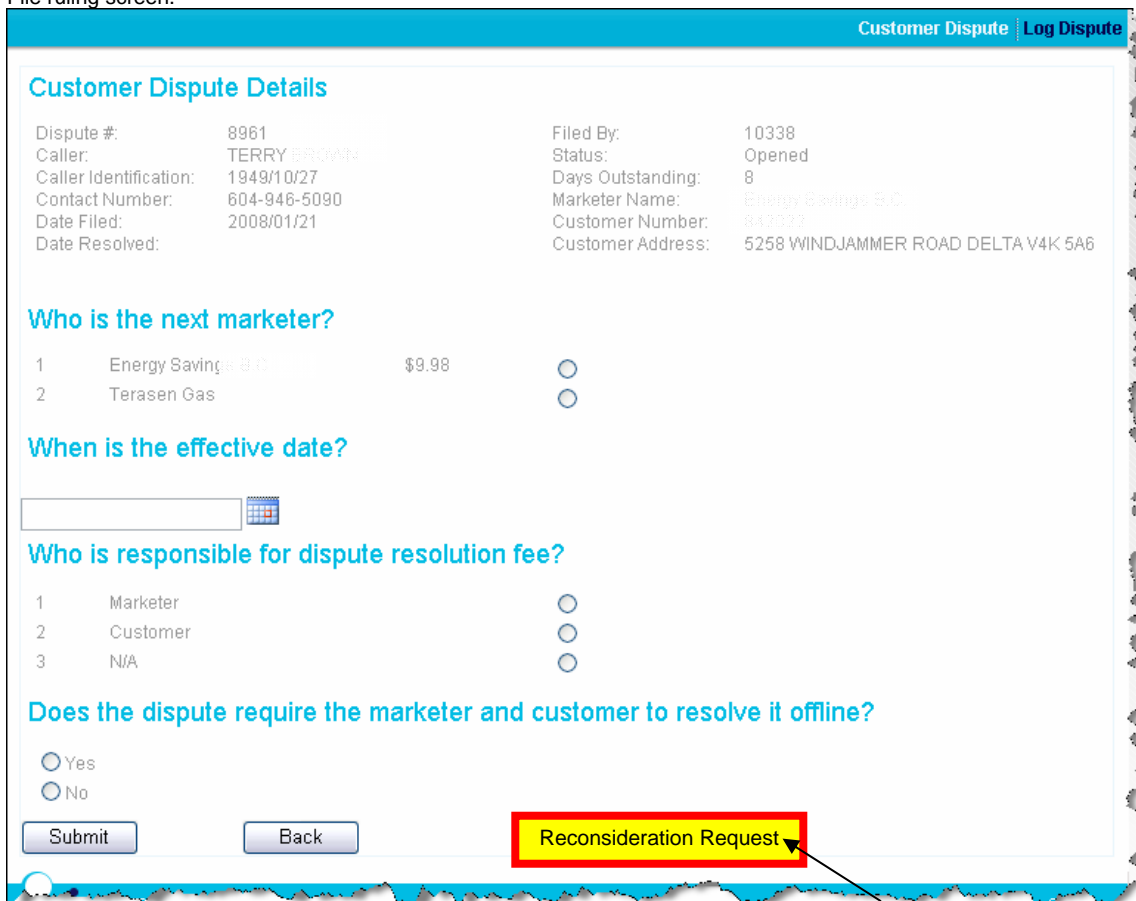
This enhancement to be included in the second release.

8. Automatically create “Reconsideration Requests”.

Add a “reconsideration” button to a dispute that can be pressed after a dispute is closed to trigger the automatic creation of a “Reconsideration Request” dispute. This dispute would

make a copy of a closed dispute, flag it as a “Reconsideration Request”, and populate it with the same question responses as those provided in the initial dispute.

File ruling screen.



Customer Dispute | Log Dispute


Customer Dispute Details

Dispute #:	8961	Filed By:	10338
Caller:	TERRY BROWN	Status:	Opened
Caller Identification:	1949/10/27	Days Outstanding:	8
Contact Number:	604-946-5090	Marketer Name:	Energy Savings B.C.
Date Filed:	2008/01/21	Customer Number:	843077
Date Resolved:		Customer Address:	5258 WINDJAMMER ROAD DELTA V4K 5A6

Who is the next marketer?

1	Energy Savings B.C.	\$9.98	<input type="radio"/>
2	Terasen Gas		<input type="radio"/>

When is the effective date?



Who is responsible for dispute resolution fee?

1	Marketer	<input type="radio"/>
2	Customer	<input type="radio"/>
3	N/A	<input type="radio"/>

Does the dispute require the marketer and customer to resolve it offline?

☐ Yes
☐ No

Add a
“Reconsideration
Request” button here.

Terasen Gas Response

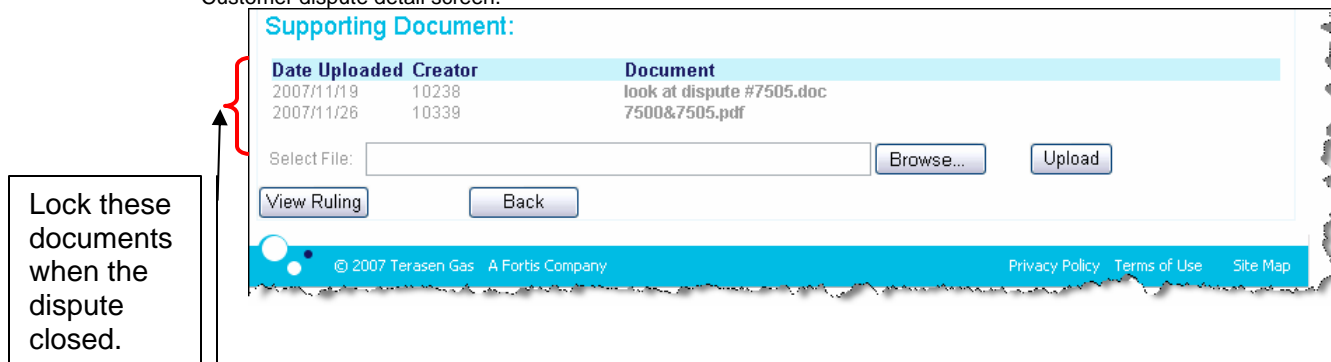
This enhancement is relatively complex to complete because dispute and enrollment data must be retrieved from inside the Terasen Gas firewall in order to properly populate a dispute record. This enhancement however offers considerable process improvements by eliminating the need to re-key data into number dispute set-up screens. This functionality will be a benefit to the Commission and is not expected to affect gas marketers. No significant additional training is expected to be required for Commission staff.

This enhancement to be included in the second release.

9. Automatically “lock” disputes documents when the dispute status changes to closed.

Once a dispute is closed automatically “lock” documents that have been uploaded to the dispute. A process will be set up to convert word documents uploaded as a supporting document to a dispute into a PDF version of the original. This process will not affect voice files that have been uploaded as supporting documents.

Customer dispute detail screen.



Supporting Document:

Date Uploaded	Creator	Document
2007/11/19	10238	look at dispute #7505.doc
2007/11/26	10339	7500&7505.pdf

Select File:

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Lock these documents when the dispute closed.

Terasen Gas Response

This enhancement is relatively complex to complete but offers the benefit of protective documentation attached to a dispute file from being easily altered once it is converted. This functionality will benefit all GEM users uploading documentation to a dispute. No additional training is needed.

This enhancement to be included in the second release.

7.2.3 Gas Marketer Requested Enhancements

In a letter dated February 1, 2008 the Commission asked gas marketers to prepare a report detailing issues and suggested enhancements to the commodity unbundling program as they relate to residential customers. This report was reviewed as part of the Commission led workshop held on April 8, 2008 to consider issues faced by the commodity unbundling program. On March 3, 2008 nine gas marketers filed a report with the Commission that set out issues this group identified are important for discussion, as well as program enhancements that should be considered.

The nine gas marketers that worked as a group to provide this report are:

- Access Gas, CEG Energy Options, Direct Energy Marketing Ltd, Energy Savings BC, MXenergy, Summitt Energy, Superior Energy, Universal Energy, and Wholesale Energy.

Six other gas marketers also participate in the commodity unbundling program but were not included in the group submitting the report. They are:

- Active Renewable Marketing, Direct Energy Business Services, Firefly Energy, Nexen Marketing, Premstar Energy, and Smart Energy.

Terasen Gas reviewed each of the issues and proposed enhancements and provided initial feedback in the April 8 workshop. A more detailed written review is provided for each, including a recommendation about whether or not the suggested enhancement should be considered for implementation, in the following section of this report.

As was indicated in the April workshop, some enhancements, such as those requiring changes to the Energy CIS system, may involve a much longer implementation timeline given that the upgrade to the CIS system precludes any Customer Choice enhancements while this work is being completed.

7.2.4 Enhancements Review - Summary

The gas marketers identified 21 enhancements that were reviewed in the workshop chaired by the Commission on April 8, 2008. The table below provides a summary of the degree of implementation ease, the time required to implement the change, and the release number in which each change recommended by Terasen Gas for implementation is included. All 21 requested enhancements are review in detail in the section following the summary tables provided below.

Item	Description	Energy CIS Dependency	Implementation Effort in Days	Release No
7.2.5.1 (2.1)	Voice Contracting	No	7	3
7.2.5.2 (2.2) & 7.2.5.8 (2.8)	90-120 Day Rule & Validity if Contract Start Dates	Yes	98	4
7.2.5.3 (2.3)	Courtesy ("Operational Correction" Drops) Drops	Yes	61	4
7.2.5.7 (2.7)	Confirmation Letters	No	7	4
7.2.7.2 (4.2)	Receiving Files	Yes	88	4
7.2.7.4 (4.4)	View Details of Dispute Ruling	No	1	3
7.2.7.5 (4.5)	Moving Between Disputes Pages	No	1	3
7.2.7.6 (4.6)	Delayed Viewing of Disputes	No	3.5	3
7.2.7.7 (4.7)	Improve Dispute Searches	No	2	3
7.2.7.8 (4.8)	Multiple Disputes	No	2	3
7.2.7.18 (4.18) & 7.2.7.19 (4.19)	XML and Different File Formats	No	12	3
7.2.7.21 (4.21)	Time Stamping Transactions	Yes	50	4

Recommended Enhancements Release Schedule & Implementation Cost

Release	Enhancement Items	Implementation Effort in Days	Implementation Timeline	Implementation Cost
3	7.2.5.1, 7.2.7.4, 7.2.7.5, 7.2.7.6, 7.2.7.7, 7.2.7.8, 7.2.7.18, 7.2.7.19	29	To be advised post Energy CIS upgrade stabilization.	\$ 54,300
4	7.2.5.2, 7.2.5.8, 7.2.5.3, 7.2.5.7, 7.2.7.2, 7.2.7.21	304	To be advised post Energy CIS upgrade stabilization.	\$ 298,200
Total Cost				\$ 352,500

The outsource service provider that Terasen Gas plans on using to implement the enhancements has provided a time and materials estimate to complete the work. While Terasen Gas will manage the implementation of these changes according to this estimate, unforeseen complexities associated with these enhancements could result in costs greater than those set out above. Terasen Gas will charge the quoted costs, plus any additional unforeseen costs, to the deferral account setup to capture costs that need to be recovered from customers eligible to participate in the Customer Choice program.

The implementation date provided in the table above is subject to the completion of the stabilization of the Energy CIS upgrade. Any extension in the in the time needed to complete this stabilization will result in a delay by when a number of the Customer Choice enhancements will be fully implemented. Terasen Gas however, is reviewing the proposed stabilization period for the Energy CIS upgrade to determine options for either shortening it or to begin implementation of the proposed enhancements earlier. If this review succeeds in identifying an earlier implementation date, this work will begin at that time.

7.2.5 Enhancements Review - Market Design Issues

7.2.5.1 Voice Contracting (2.1)

Marketer and Other Stakeholder Position

Gas marketers believe that the commodity unbundling market in B.C. has matured sufficiently since market open in May 2007 to allow for the introduction of voice contracting. The process of voice contracting promises to reduce many of the ambiguities created by door-to-door sales. It is also presented as a less costly sales method and as a means for reaching more remote communities on a more frequent basis. Gas marketers offer changes to the Code of Conduct needed to support voice contracting and recommended an approval so that it could have been implemented in time for May 1, 2008. The only gas marketer not in support of this proposed change is Access Gas. Access Gas is of the view that customer fatigue is prevalent in today's

marketplace given the number of gas marketers active in the B.C. marketplace and that time is needed for customers to recover from the exposure to a relentless sales push.

British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al ("BCOAPO") expressed concerns in the April 8 workshop about what it viewed were harassing and unethical sales tactics used by gas marketers since market open in May 2007. Voice contracting is viewed as potentially contributing to this problem. BCOAPO also noted concerns about the need to serve non-English speaking customers given the large number of immigrants living in the Lower Mainland of B.C. Finally, BCOAPO also noted that a "do not call" service does not yet exist in Canada that consumers should have available in order to protect themselves from unwanted telephone solicitation.

Terasen Gas Response

Terasen Gas is of the view that voice contracting is a sales method that should be considered for use at some point in the future by gas marketers participating in the Customer Choice program. Terasen Gas anticipates that consumer groups are likely to have significant views on this subject and that any such views must be considered by the Commission.

In order to facilitate the development of a robust and competitive commodity unbundling market in B.C., Terasen Gas believes that gas marketers should be given the opportunity to market using a variety of sales channels, as opposed to being restricted largely to a single method. Approval for voice contracting however should be subject to a number of requirements. The most critical of these is to update the Code of Conduct, ensure that the proposed process conforms to necessary legislation, and that consumer protection is adequately met through script approval by the Commission. A properly designed process could also eliminate the need for third party verification calls if the consumer protection requirements in that process are contained in the voice contracting process and script.

However, Terasen Gas is of view that a more detailed review of the proposed voice contracting process needs to be completed than what gas marketers have outlined in their report or what was discussed during the April 8 workshop. A key element missing from the report is a detailed description of the voice contracting process itself, as well as the minimum elements of the script that would need to be followed. Additionally, existing consumer protection elements such as those provided by the presentation of the signed contract, Notice of Appointment of Marketer, and Standard Information Booklet, as well as the mailing of Confirmation Letters should also apply as a requirement for all customers signing voice contracts.

Terasen Gas also recognizes that the requirements for voice contracting for new contracts may be different, than those for contract renewals but that both should be permitted. Terasen Gas agrees that a renewal letter could be the means by which a gas marketer could contact a customer with a renewal offer. Such a letter however should be reviewed by the Commission for content and approved for use.

Although voice contracting could be easily be accommodated using the existing Customer Choice systems, Terasen Gas needs to assess the impact on system performance of a greater number of voice files that would be uploaded to GEM in response to disputes. System refinements may be needed to ensure that system response times do not degrade. This assessment can be completed once the voice contracting process is determined in detail. Should voice contracting be approved, Terasen Gas will also need time to review the new

process with its call centre agents to ensure that they will be able to adequately address questions from customers about this new program feature.

7.2.5.2 Clarification of the 90-120 day renewal rule (2.2)

Marketer and Other Stakeholder Position

A clarification is requested of the applicability of the Notice Period for agreement renewals to new and incumbent gas marketers as set out in Code of Conduct Article 27. This period is defined as no more than 120 days and no less than 90 days prior to the termination of an agreement. Gas marketers believe that Article 27 prevents incumbent gas marketers from presenting renewal agreements outside the Notice Period.

Gas marketers argue that the wording of this section of the Code of Conduct makes it uncertain if the Notice Period also applies to new gas marketers, and if incumbent gas marketers are prevented from presenting new offers after the Notice Period ends.

In a related concern, gas marketers ask in issue 7.2.5.8 (2.8) if contracts may be signed by customers if these contracts are not scheduled to start for a year or more. Gas marketers note in their report that not all gas marketers agree that there should be a limit on their ability to contract customers well before the scheduled start date of a contract. In the April 8 workshop a number of gas marketers clarified their position on this issue by indicating that a competitive market would be impaired if customers would only be allowed to contract during the 90-120 day window and instead argued that they should be allowed to determine for themselves when they want to enter into a new agreement. The same gas marketers argued that they can provide better service and possibly natural gas for a lower price if they have the flexibility to contract with customers well before the scheduled start date.

Terasen Gas Response

Terasen Gas is of the view that the development of a competitive marketplace will be encouraged if gas marketers are able to offer contracts to customers well before their scheduled start date. This flexibility provides gas marketers with a greater ability to secure natural gas at attractive prices. Limiting the contracting process to one that only occurs immediately prior to gas flow could result in missed opportunities to secure natural gas that a truly competitive marketplace should capture and offer to consumers. The Code of Conduct provides sufficient protection for consumers in terms of the contracting process to help reduce issues arising from contracts that are signed well before they are scheduled to take effect. This protection arises from the requirement for gas marketers to present an offer that is clear and easily understood, as well as refraining from inducing a customer to break an existing contract.

The renewal period as described in Article 27 of the Code of Conduct was intended to ensure that a contracted customer receives notice of a renewal offer with sufficient time in order to prevent unwanted contract evergreening. This time limit was not designed to prevent incumbent or new gas marketers from contacting a customer outside the 90-120 day renewal period and presenting an offer for a new contract. However, such contracting faces a five year limit in terms of the maximum duration that a customer may be contracted for at any time. This program rule also implies a limit in terms of the period of time a customer may be contracted for prior to the start of a contract. For example, a customer who has two years remaining on a five year contract, may sign a new contract, with either the same gas marketer or a new one, at this

time with a maximum term of three years. These two contracts have a combined duration of five years, the maximum period of time allowed by the Customer Choice program. A customer may sign up to five one year contracts with five different gas marketers at any time, or any other combination provided each contract term is in 12 month increments and the total period of time contracted for does not exceed five years at any one time.

The current design of the Customer Choice systems does not have an ability to enforce the five year contracting rule. In order to enforce this program rule, Terasen Gas recommends that the Customer Choice application complete an additional validation of an enrollment request. An enrollment request will be considered valid if the contract term of the new request combined with the time remaining on any active contract plus any future contract that has been accepted is less than or equal to five years. If this combined time is less than five years, the enrollment request will be accepted, if its greater than five years it will be rejected.

This rule will allow gas marketers to contract customers more than one year before a contract is scheduled to start, albeit these contracts would be of progressively shorter duration as the time before the scheduled start increases.

Terasen Gas has observed that a number of enrollments have been accepted for contracts that are not scheduled to flow for a considerable time in the future. Many of these contracts have five year terms. Terasen Gas recommends that these enrollments be grandfathered once this validation enhancement is implemented.

This enhancement is relatively complex to implement given the changes that need to be made to the GEM application and its link to the Energy CIS. No additional training is needed.

This enhancement to be included in the fourth release.

7.2.5.3 Operational Correction Drops (“Courtesy Drops”) (2.3)

Marketer and Other Stakeholder Position

Gas marketers believe that the current system does not allow for the efficient processing of operational correction drops once the 10-day contract cancellation period ends and argue that some customers should be easier to drop from the program as a goodwill gesture. These kinds of drops are required because of potential delays in receiving Confirmation Letters, an inability by some customers to cancel a contract during the contract cancellation period because they may be away on vacation or ill at that time, and to handle senior and disabled customers who may have been inappropriately contracted. Instead, these kinds of drop requests must currently be made by logging a dispute. This process is viewed as unnecessarily cumbersome, includes issues that are needless for the Commission to review, and forces gas marketers to unfairly pay a dispute resolution fee when the courtesy drop is processed as a dispute by the Commission. In the April 8 workshop gas marketers clarified that they are looking for greater flexibility to process such drops and would like an additional window to do this after the contract cancellation deadline end and before the enrollment is included in the marketer supply requirement.

Gas marketers recommend the introduction of an operational correction drop code that could be used to terminate any enrollment they deem to be an operational correction after the end of the cooling-off period but before the delivery requirements are finalized on the 13th of each month.

BCOAP0 indicated concern about why gas marketers need to make special accommodations for some customers they contract with and suggested that the Commission should complete a review of the frequency that such a new enrollment drop code is used if it was introduced. A significant use of this code could be a sign that a gas marketer has poor selling and operational processes.

Separately, gas marketers take issue with how Terasen Gas' call centre agents log disputes. It is believed that these agents do not direct customers to their gas marketer first, before logging a dispute.

Terasen Gas Response

Terasen Gas is of the view that the introduction of an operational correction reason drop code should be considered but approached with caution because it raises a number of concerns. A cornerstone of the Customer Choice program design is the ESM. In order to maintain the integrity of the ESM gas marketers may only contract a customer for a maximum duration of one to five years. Additionally, once a customer is enrolled in the program and gas flows under this contract, they need to remain in the program for either for the full term of the contract, or at minimum in 12 month blocks from the start of the contract. Customers who exit the program outside of these 12 month blocks violate the rule of the ESM, forcing the Utility to secure unplanned commodity supply. An unplanned return of customers to Terasen Gas, such as what could be caused by widespread use of an operational correction drop code, could undermine the integrity of the ESM and impose unreasonable costs on other customers.

A further issue that the use of an operational correction drop code raises is that its use could undermine consumer protection measures that gas marketers are directly responsible for taking the lead in explaining to customers. Gas marketers have a responsibility to clearly explain program rules so that customers who plan vacations know how to exercise their cancellation options. Each gas marketer is also required to have clear policies for handling senior and disabled customers. Confirmation Letters were not designed to be used as the primary notification method for advising a customer of the contract cancellation period and what the contract cancellation deadline is. The Customer Choice program was designed so that non-standard drop requests are processed as disputes in order to provide an incentive to help ensure that gas marketers develop and maintain effective sales processes as well as efficient enrollment handling processes. Terasen Gas believes that once the program stabilizes very few non-standard drops should be required and that by processing them as a dispute, they would continue to be visible and thereby provide an appropriate incentive to gas marketers to improve their interaction with customers and the enrollment handling processes.

Terasen Gas recognizes the challenge that gas marketers face in efficiently processing enrollment requests and drops on a timely basis. In this regard Terasen Gas recommends the implementation of an operational correction drop reason code. This code will be made available for use by gas marketers to terminate enrollments where customers face unusual circumstances. This code can be used to terminate an enrollment whose contract cancellation deadline has passed and before it is included in any final marketer supply requirement. For clarity, any valid new enrollment is scheduled to be included in the next final marketer supply requirement once its 10-day contract cancellation deadline passes. Typically the final marketer supply requirement is processed using the enrollments valid on the 13th of each calendar month. If a gas marketer wishes to cancel the contract for any enrollment that is included in a final marketer supply requirement, a dispute needs to be logged by that gas marketer and a request

explaining the circumstance made to the Commission. The gas marketer logging such a request will select “Contract Cancellation Request” as the dispute type, once this reason code is implemented.

Terasen Gas strongly recommends that the Commission monitor the activity levels resulting from use of such a reason code. To aid in such a monitoring Terasen Gas plans to implement an activity report that will be posted in the Commission’s GEM site and refreshed regularly.

This enhancement is relatively complex to implement given the changes that need to be made to the GEM application and its link to the Energy CIS. Additional information will be provided by Terasen Gas to gas marketers on how to use this functionality once its implemented.

This enhancement to be included in the fourth release.

In terms of the issue gas marketers see concerning the conduct of the Terasen Gas call centre agents handling disputes, the Company disagrees with the suggestion that it follows a process whereby disputes are consistently logged before customers are asked to contact their gas marketer first. In the case where contract are being disputed, customers are asked to confirm that they have already attempted to resolve their concern with their gas marketer. If they indicate that they have not attempted to contact their gas marketer, they are advised that they must do this first before Terasen Gas is able to log a dispute. If the customer has in fact already contacted the gas marketer, and still believes they are justified in proceeding with a dispute, a dispute will be logged by the call centre on behalf of the customer. The details of the dispute are confined to the questions available in the dispute template. Terasen Gas call handlers do not encourage detailed discussions related to the customer's experience as it is the intent of Terasen Gas to remain as neutral as possible. In completing this process however, Terasen Gas is not able to verify if a customer has in fact attempted to contact their gas marketer first and relies strictly on the word of the customer in determining when a dispute may be logged. This approach is based on the assumption that the gas marketer has already properly informed the customer of complaint and dispute handling process at the time that the sale is made.

7.2.5.4 Notice of Appointment of Marketer (2.4)

Marketer and Other Stakeholder Position

The process for collecting a separate signed copy of the Notice of Appointment of Marketer is viewed as cumbersome and challenging in situations where customers have multiple premises. Gas Marketers recommend the incorporation of this document into the customer's contract so that the need for a separate document is eliminated.

Terasen Gas Response

Terasen Gas does not agree with the recommendation made by the gas marketers.

The purpose of the Notice of Appointment of Marketer is to give the prospective customer an opportunity to explicitly agree to allow Terasen Gas to provide information about them and their account to a third party. As such it serves as an important element of consumer protection. Terasen Gas is of the view that as a separate document, this best helps to ensure that a customer's data privacy rights are protected.

No further action is required for this item.

7.2.5.5 Terasen Gas communications (2.5)

Marketer and Other Stakeholder Position

Specific concerns are raised regarding a belief that Terasen Gas is not neutral in its interaction with customers and that this is hindering the development of the market. Specific examples cited in this regard include anti-competitive messaging associated with the customer education campaign, Customer Choice content provided on Terasen Gas' website, and Terasen Gas' call centre agent communication with customers.

In order to address these concerns, gas marketers suggest that Terasen Gas provide the Commission with training documentation and scripts used by its call centre representatives for annual review. Additionally, it is suggested that the Commission should perform quarterly audits of the Terasen Gas call centre to ensure that communication with customers is appropriate. Gas marketers also suggest that the Terasen Gas website needs to be modified to direct customers to gas marketers before logging any dispute, and that an escalation process should be developed to address errors made by Terasen Gas' call centre agents.

Terasen Gas Response

Terasen Gas does not agree with the view or recommendations presented by the gas marketers.

Terasen Gas strives to remain neutral at all times in its interaction with customers seeking information about the Customer Choice program, when presenting information via the customer education campaign, in inquiries from customers enrolled in the program, or where customers wish to register a complaint or log a dispute. In its customer education campaign and presentation of Customer Choice information on its website, Terasen Gas seeks to provide customers with information explaining what customer choice means, which includes fixed vs variable pricing options, who offers each, and program rules. This information also points out that participation is not mandatory and explains who is responsible for addressing complaints and disputes.

Any modification to the information that received greater emphasis since the start of the customer education campaign was based on market research that was conducted regularly since the start of the customer education campaign in March 2007. This approach, as well as the customer education campaign itself, is consistent with what was described by Terasen Gas in its application for residential unbundling in April 2006 and what was reviewed with gas marketers and the Commission in the fall of 2006. Terasen Gas is of the view that the customer education campaign has succeeded in many of the objectives agreed to by all participants in 2006. A large portion of eligible customers have been reached by the campaign and appear to have at least heard about the program. This success helps to explain in part the continued reduction in the number of complaints and disputes logged by the Terasen Gas call centre since the fall of 2007.

In terms of information presented on its website, Terasen Gas provides two references indicating that customers who have a complaint about the Customer Choice program need to contact the gas marketer first.

- *Complaints & disputes*
 - Terasen Gas is not responsible for resolving complaints or disputes customers may have with gas marketers. If you have a problem, you should attempt to resolve it by directly contacting the gas marketer first.

- *What should I do if I have a concern regarding my contract with a gas marketer?*
 - Remember, the gas marketer is independent of Terasen Gas. Terasen Gas is not responsible for resolving complaints or disputes that you may have with a gas marketer. If you have a problem, you should attempt to resolve it by directly contacting the gas marketer first.

Terasen Gas is of the view that these references adequately point out to customers who they need to contact when issues arise. The presentation of this information is intended to complement the responsibility that gas marketers bear in terms of properly informing customers of their rights when they contract with them at the time a sales is made.

In terms of call centre activity, Terasen Gas actively audits call quality related to all call types, including those relating to Customer Choice. The processes established include training related to handling inbound inquiries, complaints and contract disputes. These processes were designed to ensure that the Company maintains a neutral position related to gas marketer contracts. The call centre provides customers with information as requested related to the program but does not offer either recommendations or advice. Audits are conducted twice a year with monthly calibration reviews performed monthly to ensure that call quality is maintained. As Customer Choice calls are included as part of each of these initiatives, Terasen Gas does not believe it is necessary for the Commission to also perform formal audits of call centre activities.

All inbound inquiries related to Customer Choice are logged. In the case of complaints these are responded to internally in most cases. If a customer insists on escalating their complaint they are directed to the BCUC. In the case of contract disputes customers are asked to confirm that they have already attempted to resolve their concern with their gas marketer. If not they are advised that they must contact their gas marketer prior to Terasen Gas being able to log a dispute. If the customer has in fact already contacted the gas marketer, and still believes they are justified in proceeding with a dispute, a dispute will be logged by the call centre on behalf of the customer. The details of the dispute are confined to the questions available in the dispute template. Terasen Gas call handlers do not encourage detailed discussions related to the customer's experience as it is the intent of Terasen Gas to remain as neutral as possible.

Through the winter months Terasen Gas typically handles between 80,000 and 110,000 inbound calls a month. Of these, approximately 3% are related to Customer Choice. Also, as is typical of most call centers, staff turnover is high, generally more than 20% per year. As a result a significant number of new hires are on the phones at any one time managing all call types. Customer Choice training is provided to all new hires as well as one-on-one coaching when new hires start on the phones. Customer Choice calls are included in all training initiatives. Given both the number of calls handled and the high staff turnover Terasen Gas recognizes that errors are made. All examples raised in cases where errors are made, or perceived to made, in the call centre are forwarded to the call centre management team for review and coaching. Refresher training is also provided as required. Terasen Gas believes that its handling of calls

related to the Customer Choice program has been appropriate and completed as required by the program.

For additional information about this issue, please refer to the discussion about the Customer Education plan and campaign provided earlier in this report.

No further action is required for this item.

7.2.5.6 Stakeholder Input into Customer Education Campaign (2.6)

Marketer and Other Stakeholder Position

Concern is raised about Terasen Gas' perceived neutrality in terms of customer education messaging. Specific reference is made to messaging that suggests customers should not change and sign contracts with gas marketers, rather than reinforcing that fact that customers have options to consider.

Gas marketers also raise concerns about the degree to which they have been asked to participate in the development of customer education material and state that they believe that stakeholders were to be consulted in the development of this material on an ongoing basis. Gas marketers go on to recommend that they continue to be provided with an opportunity to comment on all communications relating to the Customer Choice program before it is released for distribution.

Terasen Gas Response

While Terasen Gas agrees that stakeholders have a role to play in reviewing Customer Choice advertising material, the Company disagrees that the Customer Choice education material that has been produced is biased.

As noted earlier in the response to 7.2.5.5 (2.5), Terasen Gas strives to keep program materials informative and neutral. Terasen Gas communication consistently reinforces the notion of choice and the benefit of that choice to customers. As noted in the stakeholder consultations conducted in the fall of 2006 when the Customer Choice education campaign design and plan was reviewed, adjustments to this plan would be based primarily on research. This research and media attention regarding gas marketer sales practices after market opening in May 2007 necessitated the addition of two key messages, including:

- *Terasen Gas doesn't knock on your door to solicit gas commodity contracts.*
 - This message was designed and delivered to disassociate Terasen Gas from questionable sales tactics. This messaging helps clarify the role of Terasen Gas and that of gas marketers, assists in protecting customers from misleading sales agents, and motivates customers to understand the nature of a gas marketer's contract.
- *You don't have to sign a contract with a gas marketer.*
 - Again, this message protects customers from misleading sales tactics. It came to the attention of Terasen Gas, through customers' complaints and media coverage, that there were instances in which gas marketers' sales

representatives demanded to see a customer's gas bill and that they had to sign a contract or they would eventually lose gas service.

These two key messages are factual and Terasen Gas believes helps customers to understand how fixed rate contracts are being marketed and that they are under no obligation to enter into a contract if they do not want to. They also reinforce message two set out as an objective of the Customer Choice customer education campaign that was approved in August 2006, which advises customers that they are allowed to buy either from a gas marketer or Terasen Gas. Customers are not obligated to buy from a gas marketer, nor is Terasen Gas obligated to stop providing a commodity service. These messages are not intended to dissuade customers from participating in the Customer Choice program but rather to fill an information gap that clearly existed after the market opened in May 2007. Many customers have indicated that they do not like the sales tactics many gas marketers employ. Likewise, Terasen Gas does not want to be associated with sales tactics many customers have taken exception to and that many gas marketers employ. These two additional messages clarified the specific role of gas marketers and Terasen Gas in Customer Choice.

Messaging that likely concerns gas marketers, addresses what Terasen Gas does not do, by attributing door-to-door sales to gas marketers alone. In the view of Terasen Gas, such messaging is consistent with the goal of the campaign – educate customers so they can make an informed decision. No communication, to the Company's knowledge, specifically suggested "customers should not change commodity provider."

With respect to the belief that stakeholders were to be consulted in the development of the education campaign on an ongoing basis, Terasen Gas is of the view that this was dedicated to the initial customer education design and plan, but assumed that specific ongoing communications would be driven by research findings. That said, Terasen Gas agrees that all stakeholders have an interest in the development of appropriate customer education messaging and material. Going forward, the Company is prepared to ensure that stakeholders are given an opportunity to provide comment before material is distributed. Although 2008 TV and radio advertising is already produced, any new materials, like bill inserts or print ads, will be distributed for comment prior to placement.

For additional information about this issue, please refer to the discussion about the Customer Education plan and campaign provided earlier in this report.

7.2.5.7 Confirmation Letters (2.7)

Marketer and Other Stakeholder Position

Gas marketers suggest that the Confirmation Letter may no longer be required given the third party verification ("TPV") requirement, the existence of a 10-day cancellation period stipulated by the Business Practices and Consumer Protection Act, and because any delays in processing Confirmation Letters causes customer complaints. Gas marketers recommend either the complete elimination of the Confirmation Letter or, if it is retained, a number of changes made to it. These changes include removal of the reference to the 10-day contract cancellation period, changing the tone of the letter, including the name and possibly the logo of the gas marketer, changing the wording of some of the bolded text, removing all bolding, and providing the option to add an e-mail address.

Terasen Gas Response

Terasen Gas does not agree with gas marketers that Confirmation Letters are no longer required and believes that the current content and layout of the letter is appropriate.

The purpose of the Confirmation Letter is to provide residential customers with an additional level of consumer protection by an independent third party. Importantly, the letter also ensures that the customer is fully aware that a gas marketer will be providing the commodity for a certain period of time and for a price that is most likely different than the default supply offering. The letter also serves final notice that the customer has an option to cancel the contract if they wish. This option should be easy for the customer to exercise – a mere telephone call is all that should be required, subject to verifying the identity of the caller. It is however, not the only notification requirement, or primary method, used to ensure that customers understand their rights and obligations related to contracting with a gas marketer.

Confirmation Letters provide customers who have signed an agreement with a gas marketer, information about the contract they are entering into, allowing the customer an opportunity to confirm that the contract details are accurate. The letter includes information about the customer and their account with Terasen Gas, information about the gas marketer and the contract term and price the customer signed, and indicates who the customer needs to contact if they want to cancel the contract. It also includes a deadline date by when the customer needs to contact the gas marketer if they have any questions about their contract or want to cancel it. This deadline date is ten days after the receipt of a valid enrollment request by Terasen Gas. On the reverse side of the letter, information about the Terasen Gas' default commodity offering is included, as well as a graph showing the current default commodity price and a brief history of the price of the default offering. The Confirmation Letter is generated on the day that a valid enrollment request is received by Terasen Gas and generally mailed the following business day.

Gas marketers identified a number changes that should be made to the letter in the event it is going to be retained. First, the need to make reference to the 10-day contract cancellation period and cancellation options is questioned given that the TPV process requires mention of this. Terasen Gas does not agree with this proposed change. Although the sales process, including the TPV requirements, carry the primary responsibility for informing customers of their cancellation options and any cancellation deadline, it appears that gas marketers are relying primarily on the Confirmation Letter for informing customers of their cancellation rights. This suggests that gas marketers are not communicating contract cancellation option information effectively. Elimination of the contract cancellation reference from the Confirmation Letter would likely result in a significant increase in the number complaints by customers, as well as in the number of disputes logged.

Second, the tone of the letter is questioned, along with a request that the gas marketer's name and possibly logo be made in the letter. Terasen Gas believes that the tone of the letter is appropriate given its purpose and consistent with stakeholder feedback and production approval received in the fall of 2006. The content of the letter is intended to convey factual information in a neutral manner. It is not intended to encourage customers to cancel contracts, but rather to confirm a change in how they will receive commodity supply and the cost of this supply. The letter also appropriately confirms who the gas marketer is that the customer has contracted with and who the customer needs to contact if they have questions about the content of the letter and the deadline date by when they need to cancel the contract if they wish to do so.

Importantly from a consumer protection perspective, the letter infers that a cancellation is easy to complete if desired.

In terms of including a gas marketer's logo on the letter, Terasen Gas does not agree this is appropriate. The purpose of the letter is to convey factual information about a contract that a customer recently signed. The inclusion of a gas marketer's logo would change the purpose of the letter into a form of marketing material in support of gas marketers. Terasen Gas does not believe that this change is appropriate given that it would undermine the consumer protection function of this letter.

Third, gas marketers believe that the letter leads customers to inappropriately believe that customers may cancel their contract via a telephone call before the end of the cooling off period. A recommendation is made to change the bolded sentence that describes the cancellation options so that its less obvious how a contract may be cancelled. Terasen Gas disagrees with this recommended change. The purpose of this section of the letter is to draw attention to and describe in plain language the fact that customers may call their gas marketer if they have any concern about the contract they recently signed or wish to cancel it. The letter correctly implies that this cancellation right should be easy to exercise. Subject to confirming the identity of the caller, no other obligation should be required of a customer seeking to cancel a contract at this time. In the commodity unbundling approval process that occurred in 2006, gas marketers argued that they wanted an opportunity to 'save the sale' if a customer wanted to cancel a contract during the cooling-off period. This opportunity can only be reasonably pursued if a customer is able to easily reach their gas marketer, like it can via a telephone call. Any other process places an unreasonable constraint in front of customers, making it difficult to have a discussion about issues they may face. This constraint undermines the consumer protection responsibilities gas marketers have towards customers.

Fourth, gas marketers suggest the addition of an e-mail address to the letter so that customers seeking to cancel a contract have an alternate method available. Terasen Gas agrees that the inclusion of an e-mail address would help gas marketers provide additional means for customers to use to contact them. This enhancement is relatively complex to implement given the changes that need to be made to the GEM application, to the Energy CIS, and link to the Confirmation Letter print provider. No additional training is needed. This enhancement to be included in the fourth release.

Fifth, gas marketers suggest the removal of the bolding of the text, specifically the sentence that reads:

"If you have any questions or concerns or wish to cancel the above supply arrangement, you may do so by contacting [gas marketer] at 1-xxx-xxx-xxxx on or before [letter date +9 days]."

Terasen Gas disagrees with recommended change. The key purpose of the bolded sentence is to draw attention to the customer the fact that they have signed a contract to which they have a right to cancel within a limited amount of time. Once the deadline date passes customers are bound by the terms of the contract and can not easily be relieved from them for period up to five years. Conveying this right is one of the essential elements of the Confirmation Letter and serves to provide a critical measure of consumer protection.

No further action is required for this item.

7.2.5.8 Contracts With Start Dates Greater Than One Year (2.8)

Marketer and Other Stakeholder Position

Gas marketers ask if contracts may be signed by customers that have start dates greater than one year in the future. Gas marketers note in their report that not all gas marketers agree that there should be a limit on their ability to contract customers well before the scheduled start date of a contract.

Terasen Gas Response

Please refer to the response to issue 7.2.5.2 (2.2) for a detailed discussion of this issue.

7.2.6 Enhancements Review - Operational Issues

7.2.6.1 Validation of DCQ (3.1)

Marketer and Other Stakeholder Position

Gas marketers believe that the calculation of the monthly delivery requirement is insufficiently transparent and can not be validated using the billed consumption volumes provided for enrolled customers. A recommendation is made for the provision of detailed data used in the calculation of the monthly delivery requirement. Gas marketers also recommend that a training session be held to explain how the monthly delivery requirement is calculated, and how forecast volumes change over time. Finally, gas marketers indicate a desire to establish a process for negotiating changes to the methodology used to determine the monthly delivery requirement.

Terasen Gas Response

Terasen Gas agrees that additional information could be provided and a workshop held to help gas marketers understand the process for determining the monthly delivery requirement. Terasen Gas however, does not agree with the recommendation to provide detailed data used in the calculation of the monthly delivery requirement, or that the methodology used in this calculation should be changed through negotiation.

Terasen Gas completes delivery requirements calculations for gas marketers participating in the Commodity Unbundling Service for residential and commercial customers in accordance with Rate Schedule 36 as approved by the B.C. Utilities Commission. This agreement must be signed by gas marketers as a condition of participating in the Commodity Unbundling Service. Under the terms of this agreement Terasen Gas is solely responsible for the calculation of the delivery requirements. Terasen Gas is also responsible for all daily balancing requirements, with gas marketers responsible for ensuring daily delivery of commodity volumes as set out in the monthly delivery requirement. To help prepare for the final delivery requirements, Terasen Gas provides gas marketers with a daily preliminary delivery requirement for at least two months before the final delivery requirement is calculated.

Given the responsibility Terasen Gas has as set out in Rate Schedule 36, and the process followed, the Company does not agree that there is a need for a process to negotiate a change to the methodology used to determine the monthly delivery requirement calculation. Equally, the Company does not agree that there is a value in providing detailed data used in the calculation of the monthly delivery requirement.

As a way of helping gas marketers to understand the monthly delivery requirement, though, Terasen Gas agreed to a preliminary delivery requirement that is updated daily, prior the calculation of the final delivery requirement. This process was implemented in response to a request made by gas marketers when the scope for residential unbundling was discussed in 2005 and 2006. At that time gas marketers asked for a regular update of the likely delivery requirement so that they could more effectively plan their delivery procurement. The purpose of the preliminary delivery requirement is to allow gas marketers an opportunity to review the total volume and ask any questions they may have about the outcome of the calculation. As noted earlier, changes to the forecast that takes effect on each November 1, are made by the end of each July and presented to gas marketers starting August in the form of a daily preliminary delivery requirement.

To more help gas marketers understand the process for determining final delivery requirements, Terasen Gas is prepared to organize a workshop where this process would be reviewed.

7.2.6.2 Criteria for Balancing (3.2)

Marketer and Other Stakeholder Position

Additional information is requested to help understand what triggers calculated changes in customers' consumption volumes. Gas marketers recommend the development of criteria that should be used in determining changes to calculated consumption volumes.

Terasen Gas Response

Please refer to the response to issue 7.2.6.1 (3.1) set out earlier.

7.2.6.3 Price Depository (3.3)

Marketer and Other Stakeholder Position

Issue is taken with the need to post monthly prices on the market pricing depository that is published on the Terasen Gas website. A recommendation is made to permit the posting of prices at the discretion of the individual gas marketer, so that changes are not limited to those published at the start of each month.

Terasen Gas Response

The purpose of the market pricing depository is to provide customers with a relatively easy overview of pricing on offer in the marketplace as they consider their participation in the Customer Choice program. A monthly update, where a history of monthly pricing is maintained, is something in view of Terasen Gas that best meets this objective. The current process is one where gas marketer need at minimum to provide a price that customers can reasonably contract for in the upcoming month. This price does not force gas marketers to continue to offer it if it can not be honoured, nor are gas marketers required to post all prices they may have on offer. The price needs to be submitted by the third Thursday of the month before its posted. Terasen

Gas believes that this process is administratively simple for all parties and assures that regular updates to posted prices take place.

Terasen Gas has been flexible in accommodating pricing updates outside the process described above and believes that this approach will continue to best serve gas marketers and Terasen Gas so that prices are updated according to a reasonably reliable schedule.

7.2.6.4 Customer moves (3.4)

Marketer and Other Stakeholder Position

Additional information is needed to understand the reason and process for customer moves. Marketers believe that new address information is not consistently provided in enrollment response files.

Terasen Gas Response

Gas marketers are notified that a customer enrolled in the program may have moved when that customer is dropped using reason code 2310 (account finalization drop). This drop code however is used more broadly to identify any time that a customer's account is finalized, something that is triggered by not only a customer moving to a new premise, but also for failure to pay or because an account was closed.

Enrollment reason code 1310 (portability enrollment) is used to reenroll a customer when a customer's account is reactivated. This reactivation could occur because the customer notified Terasen Gas that they moved to a new premise, because the customer has settled on payment terms for a past due account, or because the customer decided to reactive a closed account. If these reactivations occur within 45 days from the day that an account was finalized, the enrollment system will re-associate that customer with the active contract and reenroll them using reason code 1310. Gas marketers are provided new address information to extent that data fields are mandatory in the daily enrollment details file. These files need to be monitored for such changes.

Not all customer moves will result in a portability enrollment. Customers need to advise Terasen Gas of any move to a new premise so that the account number can be associated with the new premise. If customers do not advise Terasen Gas of their move, it is not possible to link the two premises to the same customer and the contract will not port and the original enrollment will remain terminated. In such cases Terasen Gas will attempt to locate that customer at the new premise for 45 days and port the contract to the new location if it is identified within this period of time. Any customer moving outside the eligible service territory, or to a premise without gas service, will not port.

To clarify how the customer move process works, consider the following scenarios:

- the customer recently changed a meter and remained at the same premise;
 - no change is made to an enrollment;
- the account changed from the husband's name to the wife's name at the same premise;
 - no change is made to an enrollment as long as the account number does not change;

- if a new account number is requested and set up under a different name at the request of the customer, as it could in the case of a divorce, then the contract will not port;
- the customer moves to another premise with gas service;
 - a contract will port to the new premise provided the customer advises Terasen Gas of the move and that this occurs within 45 days from the day that the original account is finalized.

7.2.7 Enhancements Review - GEM Issues

7.2.7.1 System Security & Response – Security (4.1)

Marketer and Other Stakeholder Position

An issue is raised with the process for changing GEM passwords so that gas marketers are better able to restrict access to the system and data provided by it. Gas marketers recommend the introduction of individual user names and rotating passwords as a way of addressing this concern.

Terasen Gas Response

A change in the way that GEM access is managed is not possible at this time. A significant architectural change would be required in the design of the GEM system to support such a change. Such a change is not cost effective at this time given the original design assumptions used when GEM was created.

The design of GEM assumes that gas marketers provide access to GEM to single trusted user who is responsible for downloading enrollment response files into a secure folder or database and uploading and request files to GEM from there. Once downloaded, the response files should be deleted by the trusted user from GEM so that no one else has access to these files. Access to the folder containing the downloaded files would be managed on a role basis, so that there is no unrestricted access. Additional security could be provided by making these files read only. The original design also assumed that gas marketers would want to change passwords on a regular basis, something that can be done easily on request. Few gas marketers have taken the time to establish a process to request such regular changes. Terasen Gas believes that this approach to managing access to GEM and ensuring the security of the data provided by this system continues to be practical and most cost efficient.

7.2.7.2 System Security & Response - Receiving Response Files (4.2)

Marketer and Other Stakeholder Position

Gas marketers note that the time to receive some enrollment response files can exceed the design expectation. It is recommended that this design expectation be met.

Terasen Gas Response

Terasen Gas agrees that the time needed to provide enrollment response files has on occasion exceeded design expectations. The Marketer Flat File Interface Specifications that describe the design expectations for the GEM system indicate that enrollment response files triggered by an enrollment request should be delivered within 60 minutes. While the response time for most enrollment response files has been within the 60 minute design time, work to optimize system performance is ongoing with the goal to more consistently meet design specifications.

The SQLite Conversion described earlier in section 7.2.1 is expected to help considerably to improve the ability of the GEM system to respond to enrollment requests. Additional work to enhance system response time is planned for implementation by the end of the second quarter of 2009. This enhancement is relatively complex to implement given the changes that need to be made to the GEM application and its link to the Energy CIS.

This enhancement to be included in the fourth release.

7.2.7.3 System Security & Response - Daily File Loading (4.3)

Marketer and Other Stakeholder Position

As issue is raised about multiple response files being returned by GEM even though only one daily enrollment request file is submitted for processing. A delay in processing enrollment request and response files is viewed as the reason for this problem.

Terasen Gas Response

Terasen Gas is not aware of any situation where multiple enrollment response files have been returned even though only one enrollment request file has been submitted for processing. What Terasen Gas has experienced is that gas marketers generally do not submit a single daily enrollment request file, rather that many files are submitted on any given day, or even hour. In order to optimize system response times given this use of GEM by gas marketers, a change was implemented shortly after May 2007 enrollment go-live where by the system waits for 10 minutes and groups requests by gas marketer and then processes the batch as one group. This change had the effect of considerably improving system response times. A delay in providing an enrollment request will not have the effect of returning multiple enrollment response files. Work to optimize system performance is ongoing with the goal to more consistently meet design specifications.

Please also refer to the response to 7.2.7.2.

7.2.7.4 Disputes – Operation Correction Drops / Dispute Resolution (4.4)

Marketer and Other Stakeholder Position

When a dispute is adjudicated and closed, gas marketers are unable to see the details of the decision. Gas marketers recommend that they be allowed to view the decision details contained on the View Ruling page of disputes closed in GEM.

Terasen Gas Response

Terasen Gas agrees that gas marketers should be able to view the details of a decision so that they can better understand its outcome and the potential enrollment change it brings. This change is relatively simple to implement and will be included in the first release.

7.2.7.5 Disputes - moving between forms

Marketer and Other Stakeholder Position

Navigation around the GEM disputes screens is difficult, especially when moving back to the main disputes page is required. Gas marketers recommend moving the 'back' button from the bottom of the page to the top and then preventing the system from logging out after a time of no activity.

Terasen Gas Response

Terasen Gas agrees that the navigation around the disputes section of GEM would be improved by the relocation of the 'back' button. Currently, using the back button will return a user to the main search criteria screen, but with cleared search criteria so that it can be used for a new search. The back button on the browser allows for a retracing of screens in a way that retains search results and search criteria.

In terms of auto log outs after a period of inactivity, Terasen Gas does not recommend this feature to be eliminated but is willing to review the time that passes before the system logs the session off. This feature is a key security feature that should be retained so that the likelihood of unauthorized use of the system is minimized.

Terasen Gas improve page navigation by moving the back button to the top of the screen, adding a reset button next to the back button (this will clear all fields in the form), store the values of all fields in to session state, read values of all fields from session state, and to increase the time before the system logs off users after a period of inactivity. These changes are relatively simple to implement and will be included in the first release.

7.2.7.6 Disputes - Delayed Viewing for Disputes (4.6)

Marketer and Other Stakeholder Position

Documentation uploaded in support of open disputes is not viewable until the system completes a refresh. The time required before the refresh is completed could last several hours. Gas marketers recommend an enhancement to allow for the immediate viewing of all uploaded documents.

Terasen Gas Response

Terasen Gas agrees that disputes documents should be viewable immediately after uploading. Although this capability was part of the original design, the unexpected volume of disputes caused significant system performance issues until the refresh process was limited to once a day. Terasen Gas recommends the replacement of the SQLite Database with a SQL Server that is designed to process large volumes of data as described earlier in section 7.2.1. This upgrade of the SQLite Server to an enterprise database engine will be made so that data can be refreshed on screens faster and provide updates to the enrollment and dispute datasets to closer to real-time.

This change is relatively complex to implement and will be included in the second release.

7.2.7.7 Disputes - Improvements to Disputes Searches (4.7)

Marketer and Other Stakeholder Position

The need for a better search and sort capability is identified so that more efficient reviews of disputes are enabled. Gas marketers recommend a number of additional criteria that should be included in this enhancement.

Terasen Gas Response

Terasen Gas agrees that an enhanced search and sort capability for managing disputes is of value. Terasen Gas recommends the implementation of additional search and sort criteria to include dispute type and status (decision outcome).

This change is relatively complex to implement and will be included in the second release.

7.2.7.8 Disputes - Multiple Disputes Recorded for a Single Issue (4.8)

Marketer and Other Stakeholder Position

The current design of the GEM system allows for multiple disputes to be logged for a single issue. Gas marketers recommend validation steps to be completed to ensure that a dispute is identified if it is already logged.

Terasen Gas Response

Terasen Gas agrees that an enhancement to help prevent the logging of multiple disputes is of value. Please refer to the Commission enhancement request and response described in section 7.2.2.1. item 2.

This enhancement to be included in the second release.

7.2.7.9 System Codes & Efficiency - Create New Reason Code (4.9)

Marketer and Other Stakeholder Position

Gas marketers seek a new enrollment response code that identifies when they have made multiple enrollment requests in error.

Terasen Gas Response

Terasen Gas does not agree that such an enrollment response code should be implemented. Gas marketers are responsible for managing their own enrollment request data and processing the enrollment response data to determine what if any action they need to take. Terasen Gas does not believe that such a cost should be borne by eligible and participating customers in the Customer Choice program.

7.2.7.10 System Codes & Efficiency - Electronic Access to Marketer Group ID (4.10)

Marketer and Other Stakeholder Position

Gas marketers take issue with the manual process required today for requesting the set up of new marketer groups. Instead they recommend the development of an automated process via GEM.

Terasen Gas Response

Terasen Gas does not agree that an automated marketer group set up process presents value at this time given the number of requests being made and given the complexity involved in automating numerous systems and manual processes within Terasen Gas.

7.2.7.11 System Codes & Efficiency - Remittance Reports (4.11)

Marketer and Other Stakeholder Position

Gas marketers believe that remittance reports should be made available online, instead of being sent via fax.

Terasen Gas Response

Terasen Gas does not agree with this suggested enhancement and believes that the current process is effective and provides reasonable service. Remittance reports are prepared monthly and reviewed in detail before they are provided in e-mail form to gas marketers. Terasen Gas does not believe that the process to automate the provision of these reports would deliver sufficient value to offset the cost of this enhancement. Several manual processes are now required to complete the preparation of these reports that do not lend themselves to easy automation.

7.2.7.12 System Codes & Efficiency - Automation of File Transfers (4.12)

Marketer and Other Stakeholder Position

Gas marketers believe that the current design of the GEM system requires significant manual processing and because of this is prone to handling and data input errors. Instead, a FTP option is recommended that would permit a more automated process for uploading enrollment requests.

Terasen Gas Response

While Terasen Gas agrees that a FTP process would address some of the concerns raised by gas marketers, the current system design does not permit use of FTP as an option at this time. A significant system redesign would be needed to support a secure FTP process for use by gas marketers. The cost to implement such a change is prohibitive at this time and not one that could be implemented in the short-term.

7.2.7.13 System Codes & Efficiency - Access to Historical Report Data (4.13)

Marketer and Other Stakeholder Position

Gas marketers believe that a reporting repository should be created and made available as needed. Reports that are recommended to be included in such a repository include the Supply Variance, Marketer Governance Summary, Marketer Demand Details, and Marketer Settlement reports.

Terasen Gas Response

Terasen Gas does not agree that the GEM system should evolve into an historical data or reporting repository for use by gas marketers. The original design of the GEM system assumed that gas marketers would be responsible for downloading any enrollment response files and reports they felt they needed in order to populate their own secure folder or database and reporting library. The design of the system did not anticipate that it would need to store more data or reports than those that would be generated over a three to four month period.

A significant design change would be needed to transform the system into the type of repository suggested by gas marketers. Terasen Gas does not believe that the cost required to complete such a change should be borne by eligible and program customers given that gas marketers should have already developed their own repository. Terasen Gas believes that this approach continues to be reasonable because it helps to ensure that each participant bears a fair share of the costs incurred in participating in the program.

7.2.7.14 System Codes & Efficiency - Limit Daily Files to Current Transactions (4.14)

Marketer and Other Stakeholder Position

The provision of daily enrollment response files are believed to include transactions for customers that are generated in response to enrollment request files submitted on different days, as well as system generated responses. Gas marketers suggest that daily response files should only include enrollment responses to same day transactions.

Terasen Gas Response

Terasen Gas does not agree with the recommendation to limit daily response files in the manner recommended by gas marketers. The GEM system generates a number of response files each day. The first type is a response to enrollment requests. This response file will generally be produced within an hour of when the request was received. However, if the enrollment request is received late in the processing day, it will likely be held and not processed until the next day because other systems like the Company's CIS completes daily processes late each day. Additionally, because a customer's account could be finalized at any time, such changes are processed as they occur and will be included in the first available enrollment response file.

The second type of enrollment response file is a daily file that is produced at the end of each day and includes a cumulative history of all enrollment responses and enrollment changes. In the case of either enrollment response file, the current system design does not allow for a segregation of enrollment responses in the way gas marketers recommend. The cost to redesign the system to accommodate such a change is prohibitive at this time and should not

be borne by eligible and program customers given that gas marketers ought to have already refined their own ability to process enrollment response data.

As set out in earlier responses, the original design of the GEM system assumed that gas marketers would be responsible for downloading their enrollment response files in order to populate their own secure folder or database and then process the data so that they understood the enrollment history for the customers they enrolled in the program. Terasen Gas believes that this approach continues to be reasonable because it helps to ensure that each participant bears a fair share of the costs incurred in participating in the program.

7.2.7.15 System Codes & Efficiency - Customer's address (4.15)

Marketer and Other Stakeholder Position

Customer address information is currently only provided in the daily enrollment response file. Gas marketers recommend that this information be included in all enrollment responses.

Terasen Gas Response

Terasen Gas does not agree with this recommendation. The current design of the enrollment response files attempts to limit the amount of duplicated data. This design helps to ensure that files sizes are kept to a minimum, something that is needed in order to optimize system response times. If customer address information was to be included in other enrollment response files, a considerable system redesign would be needed to first accommodate the provision of this additional data, and because enrollment rejections would have to be blocked from receiving customer address data. Given that gas marketers are responsible for downloading their own enrollment response files in order to populate their own databases, Terasen Gas does not believe that systems designed to process these files should face a problem identifying customer address information and as this information is updated when customers move.

7.2.7.16 System Codes & Efficiency - Effective Date (4.16)

Marketer and Other Stakeholder Position

Gas marketers believe that an effective date for contract changes is needed and should be included when the system generates an automatic enrollment drop, like it does for account finalizations.

Terasen Gas Response

The daily enrollment details file already provides this information. The "Customer Enrollment Start Date" provides the date that the enrollment will be billed at the premise; the "Customer Enrollment End Date" provides that date that the enrollment will cease being billed at the premise.

In the case of an account that is finalized, the Customer Enrollment End Date will be day that the account was finalized, while the Customer Enrollment Start Date would remain unchanged from the contract start date, assuming that the account has not already been finalized before. In the case of a customer porting to a new premise, the Customer Enrollment Start Date will be the

day that the enrollment will be billed at the new premise, while the Customer Enrollment End Date will be the day that the contract is scheduled to terminate.

7.2.7.17 System Codes & Efficiency - Uploading Files into GEM (4.17)

Marketer and Other Stakeholder Position

Gas marketers identified what they believe is a problem with GEM timing out during upload attempts. Additionally, the process to upload supporting documentation to open disputes is viewed as onerous. Gas Marketers recommend the establishment of a FTP process, which would allow for the efficient handling of these documents.

Terasen Gas Response

In terms of the timing out issue, Terasen Gas attempted to replicate the event numerous times but without success. Terasen Gas has not received any notification recently that suggests this issue is still active.

The suggestion to develop a FTP process is not possible at this time for the reasons set out in the response to issue 7.2.7.12 (4.12).

7.2.7.18 System Codes & Efficiency – XML (4.18)

Marketer and Other Stakeholder Position

Gas marketers request the investigation of the use of XML or CSV as a reporting format for reports that are currently delivered in PDF format. This change would allow for the importing of data contained in these reports directly into the customer management systems operated by gas marketers.

Terasen Gas Response

Terasen Gas agrees that the delivery of PDF reports in either XML or CSV formatted files would be helpful in the efficient handling of the data contained in these reports as suggested by the gas marketers. Terasen Gas recommends expanding the reporting delivery to include XML and Excel in addition to PDF report formats.

This change is of medium complexity to implement and will be included in the third release.

7.2.7.19 System Codes & Efficiency - Data Importing (4.19)

Marketer and Other Stakeholder Position

Gas marketers believe that data from GEM can not be extracted for use in tools like excel and recommend the ability to import data in file formats like CSV.

Terasen Gas Response

Terasen Gas delivers all enrollment response files in CSV format. The data in these file is provide in a pipe delimited format that is specifically used because of the ease with which it can be imported for handling in programs like excel. The “Text Import Wizard” is a tool in excel that can be used to convert the enrollment response files into data for further processing.

Please also refer to the response to 7.2.7.18.

7.2.7.20 System Codes & Efficiency - File Archives (4.20)

Marketer and Other Stakeholder Position

Gas marketers take issue with the lack of file archiving by GEM and recommend the archiving of at least one year of data, especially including the Marketer Demand Details report.

Terasen Gas Response

Terasen Gas does not agree with the recommendation made by gas marketers. Please refer to the response to issue 7.2.7.13 (4.13) for a detailed discussion about this issue.

7.2.7.21 System Codes & Efficiency - Time Stamping Transactions (4.21)

Marketer and Other Stakeholder Position

Gas marketers believe that enrollment response transactions are not time stamped and recommend the each transaction included in the daily enrollment details file include a time stamp showing the processing day and time.

Terasen Gas Response

All enrollment responses contained in the hourly enrollment response files are time stamped by the via the system generated file name in which they are included. Enrollments included in the daily enrollment details file however do not include a reconciled time stamp for each enrollment. Terasen Gas recommends the addition of a time stamp to each enrollment response processed by the GEM application.

This enhancement is relatively complex to implement given the changes that need to be made to the GEM application and its link to the Energy CIS.

This enhancement to be included in the fourth release.

8. Next Steps

Terasen Gas has outlined a number of recommendations in this report that are designed to improve the existing Customer Choice program, including the 2009-2011 Customer Education Plan. Terasen Gas requests that the Commission complete its process to review this report and its recommendations and reach a decision on the recommended changes by September 15, 2008. A decision by the Commission by September 15, 2008 is critical to ensuring that planning for the 2009 Customer Education Plan and the implementation of the recommended changes commences no later than September 2008.

9. Appendix A – 2007 & 2008 Customer Education Plan

Terasen Gas described the objectives of the Customer Education Plan for 2007 and 2008 in the CPCN Application from April 13, 2006. This section from the TGI Commodity Unbundling Project for Residential Customers, CPCN Application, April 13, 2006, is provided for reference below.

This plan was approved by Commission Order No. C-6-06 dated August 14, 2006.

10. Customer Education

Customer education is extremely important in ensuring that residential customers have the opportunity to make informed decisions with respect to their choice of gas commodity supplier. Unbundling is a complex and unfamiliar proposition to most consumers in British Columbia. With this in mind, Terasen Gas proposes the following customer education and communications plan.

Based on the successes and failures of the Commercial Unbundling stage, the plan recommends unfolding education and communications in three main stages:

- Pre-Introduction Education;
- Pre-Introduction Competitive Activity (Gas Marketer communications begin) and;
- Unbundling Implementation.

The core message will evolve as the campaign moves from stage to stage. There will also be on-going consumer research to measure the effectiveness of the communications, to allow for fine-tuning and to assist in the identification of necessary budget requirements for future years.

The projected expenditures to conduct a successful campaign are:

- 2006 - \$600,000
- 2007 - \$4,400,000
- 2008 and onwards - \$3,000,000 per year

Ongoing Commercial Unbundling communication activities are expected to require annual expenditures of \$300,000 for the next several years. These monies have not been included in the totals provided. Approval for funding will be requested as part of the established annual post implementation review process for the Commercial Unbundling program.

From lessons learned during the Commercial Unbundling roll-out, Terasen Gas and Wasserman Partners, an advertising consultant, have identified 11 key messages that must be communicated if customers are to be made aware of, and achieve a general understanding of Unbundling.

Because of the broad mix of messages that need to be communicated and the need to achieve a high level of awareness for a subject that is mundane to the target audience, television will be the lead medium, with support from on-line media, newspapers and bill inserts. A constant theme of all consumer communications will be to drive traffic to the Terasen Gas website where the depth of detail that cannot be communicated in the other media can be easily provided. Terasen Gas has provided recommendations as how best to utilize its website to ensure customers are well and easily informed.

10.1 Customer Education Objectives

Communication activities are critical to the successful implementation of Residential Unbundling. A sound plan will ensure that inquiries to the Terasen Gas call centre and the Commission are minimized. It will also help reduce the number of disputes between Gas Marketers and residential customers.

Consistent with the Commercial Unbundling market research conducted in 2004, it is recommended that the focus is on creating attention to attract readership and keeping the messages simple and easy to understand.

The objectives of the customer education plan include the following:

- raise awareness of Unbundling and create a general understanding of the concept to the majority (above 85%) of residential customers; and
- provide all interested customers with ready access to the information they need to make a knowledgeable decision when selecting a commodity supplier.

10.2 Key Messages

Customer communications are scheduled to begin in the first quarter of 2007. The communications strategy considers the successes of Commercial Unbundling, addressing areas that were identified as weaknesses, and factoring in the differences between commercial and residential gas consumers.

The messages do not represent distinct communications. Each must be adequately related to customers either separately, or combined with other messages. Much of the Commercial Unbundling content can be re-purposed for residential communications. In total, eleven messages have been identified as important to communicate to ensure consumers have the appropriate information to make an informed choice on commodity purchase. Several of the messages are considered integral to making it simple for the consumer to understand and to allow them to make an informed choice. These key messages include message 1 on what Commodity Unbundling offers, message 8 stating that natural Gas Marketers are independent from Terasen Gas and message 10 outlining that BCUC is responsible for regulating Gas Marketers activities.

Unbundling and Supplier Choice

A key problem that must be addressed is to find an alternative, more intuitive term for Unbundling. In focus groups conducted last year, the term was perceived as being as inherently meaningless and too technical. Testing will take place to investigate the use of alternative names for natural gas Commodity Unbundling. The adoption of a customer friendly name is recommended.

Message 1: *Natural gas Commodity Unbundling allows third parties called Gas Marketers to sell long-term, fixed-price contracts to supply natural gas to customers, providing price stability on the natural gas commodity. Choice of supplier is only available on the commodity component.*

Message 2: *Natural Gas Commodity Unbundling is consistent with the provincial government's energy policy released in late 2002 that states licensed Gas Marketers will be able to sell directly to small-volume customers. This new competitive market allows residential homeowners to buy their natural gas commodity from either Terasen Gas or licensed Gas Marketers.*

Message 3: *Gas Marketers may sign contracts with customers starting May 1, 2007, with delivery beginning November 1, 2007. But check the fine print for terms and conditions before you sign.*

Message 4: *A natural Gas Marketer may contact you directly after May 1, 2007, or you can find a list of participating Gas Marketers on www.terasengas.com or www.bcuc.com. Signing a contract with a Gas Marketer can be compared to signing a contract for a fixed-rate mortgage: It sets the price of the natural gas commodity for a specific number of years. Choosing to buy the gas commodity from a Gas Marketer is an option, not a requirement.*

Message 5: *Unbundled gas service is available to residential and small business Terasen Gas customers in the Lower Mainland, and BC Interior (excluding Whistler, Squamish, Revelstoke and Fort Nelson).*

Midstream Charges

Communications regarding midstream charges is required, much more so than for the Commercial Unbundling rollout. To mitigate customer confusion, midstream charges and bill changes will be covered more extensively.

Message 6: *Terasen Gas pays midstream charges to other companies who store, transport and help us manage the gas we deliver to our customers. Midstream is not a new charge: It is identified separately on your bill so that you can compare the actual commodity price to quotes from other sources.*

Commodity versus Delivery

Research continues to indicate that most consumers do not understand the natural gas market or the role of Terasen Gas. Many still believe that Terasen Gas explores, produces and sells natural gas at a profit. The communications must dispel this notion and clarify our role as a distribution company.

Message 7: *Gas service has two components – commodity and delivery. Terasen Gas buys gas on behalf of customers and passes the cost of the commodity on without mark up. Terasen Gas charges for the delivery service, which is how the company makes its money.*

Gas Marketers

Commercial Unbundling experience suggests more significant attention be paid to defining Gas Marketers to customers. The residential customer education campaign should provide more information about Gas Marketers including specific details about companies operating in the market, their contact details, their history, customer service and billing and pricing procedures.

Message 8: *Natural Gas Marketers are independent businesses that offer gas supply choices. They have no connection to Terasen Gas. Also reference their obligation to comply with the code of conduct*

Terasen Gas Services and Customer Safety

Message 9: *Gas delivery and billing services will continue to be provided by Terasen Gas and safety will not be compromised.*

Utilities Commission

Message 10: *The BCUC is responsible for regulating the Gas Marketers and their compliance to a code of conduct.*

Terasengas.com

Very few customers (4%) reported having visited the Terasen Gas website during the initial roll out of Commercial Unbundling. Moreover, the proportion visiting the website did not really change during the entire campaign.

Building on the concept of a one-stop shop website approved by the Commission in 2005 in support of the Commercial Unbundling Program, Terasen Gas intends to provide the same information for residential customers. The “one-stop” shop will be designed to provide residential customers easy access to natural gas commodity pricing and other relevant information regarding the Commodity Unbundling program. Research indicates that customers see cost / pricing information as an important factor in making an informed decision and that cost / pricing information is a key factor in choosing a natural Gas Marketer. Terasen Gas will emphasize its website in all communications in order to drive target customers there to find out more about Unbundling.

Message 11: Visit www.terasengas.com for more information about natural gas Commodity Unbundling.

10.3 Media Strategy

With the Commercial Unbundling program, despite using a number of print channels (direct mail, bill inserts, trade publications) and in spite of the audience having a more vested interest in the topic as it affects their bottom line as a business, only 51% recalled seeing or hearing any message regarding Commercial Unbundling.

It takes a combination of media to get the message across. With a residential audience that likely has limited interest in the topic of Unbundling, television is needed to deliver an intrusive message that will cut through the clutter of everyday advertising. Supplementing print strategy with television will help achieve the objectives of the customer education plan.

For the following reasons, the use of a number of media is recommended:

- there are multiple messages that need to be communicated. Different media lend themselves to different messages depending on complexity, interest to audience and visual versus auditory impact;
- the residential audience has differing trust levels and usage levels of specific media. By employing a number of communication channels, the odds messages are received and understood are increased;
- some media like television are excellent for reaching a wide audience while others like newspaper and the web are better for delivering a depth of detail; and

- cost considerations dictate the choice of media. Some media are simply much more cost effective in reaching a broad audience like residential customers than others.

All media will promote www.terasengas.com as the repository of in-depth information about Unbundling.

10.3.1 Television

Television will be the lead medium as it has a unique ability to reach almost all of our target audience (above 90%) more cost effectively than any other medium. Radio peaks out at approximately 70%.

Not only will television provide intrusive audience reach in a cost effective manner, the messages appear often enough to build broad consumer awareness and understanding of Unbundling and sustain both over the length of the campaign. The Commercial Unbundling experience suggests that awareness of the message builds with continued exposure, but awareness falls rapidly and has to be rebuilt if advertising is decreased.

A critical role for television will be to drive people to www.terasengas.com for more information. Television is excellent for delivering a single-minded message, but it's basically limited to 30 seconds or approximately 65 words. The message must be kept simple to be effective. Repeated exposure to www.terasengas.com will push people to the website for more information and ensure the website is the relied upon source for detailed information.

10.3.2 On-line Media

People use the Internet to learn about new opportunities and information. People will search the Internet for information on Unbundling to understand what it means to them. In the June 2005 research on Unbundling by NRG Research Group, consumers indicated that the first place they would go to find out about Unbundling would be the Internet.

On-line media reinforces television as it allows delivery of a message in an environment where the audience has the ability to get instant additional information by clicking and going to the Terasen Gas website. It allows interested customers to easily get more information on the Residential Unbundling program. On-line advertising also enables the customer to receive the message out of the home – at school or the office, for example.

10.3.3 Newspapers

Newspapers (daily and community) are also planned as a support medium in order to extend the reach of the campaign to audiences that may be light television users. There is also a segment of the population (usually older) that see newspaper as the traditional source of news and information and would expect to see information on Unbundling in these publications. In addition, newspapers offer an opportunity to provide more details than either on-line ads or television can provide. This helps deliver the secondary messages that can't adequately be explained on television or through on-line ads.

Newspaper ads can also run alongside competitive advertising and business editorial. It is anticipated that when the program begins, reporters will be commenting on the process of Unbundling and having ads running at the same time in the same papers expands the story and increases understanding of the concept among residential users.

Gas Marketer ads are also likely to be running in the newspapers at the same time and having their information adjacent to the Terasen Gas story will also help clarify the information residential customers need to make an informed decision.

10.3.4 Bill Inserts

Research indicates that Commercial Unbundling bill inserts were cited as the most frequent “first” source of information. 23% of respondents indicated bill inserts were their first source of information at the beginning of the campaign. This increased to 32% during the second phase but by the end of the campaign, awareness remained virtually unchanged. Standing alone, bill inserts cannot drive sufficient awareness or understanding of Unbundling.

Bill inserts offer a good way of providing more details to the homeowner on changes to their bill, explaining midstream charges, and other detailed messages. Other media will remind consumers to check their bills for important updates regarding Unbundling and will drive greater readership levels. Bill inserts can also change more frequently than television ads to best reflect each phase of the campaign. The proposed bill insert strategy is consistent with the Commercial Unbundling communications (six to eight will be produced).

10.3.5 Consumer Trade Shows

Consumer trade shows are also recommended to support the Residential Unbundling program. They are unique in that they can provide on-the-ground, face-to-face interaction with a qualified target audience who are thinking about their home, appliances and other energy issues. All other recommended media do not provide the personal interaction that is possible with trade shows. For those people who are looking for in-depth explanations and want to talk directly to an individual, trade shows provide this opportunity. By provincially targeting four to five major home-focused trade shows such as the Home & Garden Show at BC Place in Vancouver, residential customers will get the opportunity to express their issues to Terasen Gas employees and have their questions answered.

10.3.6 Terasengas.com

The Terasen Gas website will be a central component of the Unbundling campaign. While the primary goal of television is awareness, the primary goal of the web site is to educate. The website in this campaign will be the source of all information on Unbundling: the information source that is easy to find, easy to understand, and makes it simple to get more information. Because of the complexity of the topic of Unbundling, the website will be the place where Terasen Gas will provide deeper information on the topic of Unbundling for consumers. All communications will drive people here to learn more.

The website will also be important for people who are searching online to find more information on Unbundling in general. Consumers will be using the Internet and searching on search engines to learn what Unbundling means, what their options are, and how it will impact them. It

will be important that the Terasen Gas website ranks high on the search engines for key words and phrases. It will also be important that once a visitor clicks through to the Terasen Gas site they find answers to what they are looking for on their landing page.

A number of key initiatives will be required in order for the Terasen Gas website to meet this education function. The current site has substantial depth of information, but site visitors experience difficulty in finding what they need. The site structure is stressed. Incorporation of new navigational elements is problematic, and sinking Unbundling farther into the site will cause confusion and low traffic. Due to growth and expanding communication requirements, desired information can be difficult to find. Simply adding more information to an already overloaded web site will not attain the goal of educating the public on Unbundling. It is important that the information is easy to find, and once found, easy to navigate.

10.4 Research

The plan is to research the program's name and the campaign's creative direction thoroughly. Research will occur during the development phase to ensure the messages are clear and noticed by the intended audience, and during the Implementation Phase to ensure the campaign is meeting objectives.

Customer group representatives and participating Gas Marketers will be provided the opportunity to vet concepts and messages for appropriateness. These will then be submitted to the Commission for review.

Once the material has been produced and is running or delivered, the impact of the campaign will be tracked continuously to make sure it is doing the intended job.

The visits to the website will also be tracked on an ongoing basis to determine which pages on the site are being visited, how many people are coming to the site and so on.

All of this data will help shape the campaign as it moves through the various phases towards the ultimate objective of residential customers having a clear understanding of Residential Unbundling, and having the tools available to make a sound decision.

10.5 Website Enhancements

Terasengas.com should be redesigned to best support Residential Unbundling. A redesign will make it easy to find the desired information and facilitate better use of the site. Search engine optimization will ensure the on-line search tools find the Residential Unbundling program information easily and return the Terasen Gas website in the results.

10.5.1 Information Architecture

Empowering consumers to learn about Unbundling quickly and easily at their convenience on the Terasen Gas website will not be as simple as adding a new content area. This is primarily due to the fact that the web site has outgrown its information architecture, making it difficult and time-consuming for visitors to find what they are looking for. The confines of the current information architecture system require that visitors must often click through several levels of navigation to find what they are seeking. The goal of an updated information architecture

system would be to significantly shorten the path to important information, in particular the Residential Unbundling content.

10.5.2 Interaction Design

To further eliminate any confusion for site visitors, the result of clicking on links and buttons must be self-evident, with no explanation required. Otherwise time spent getting lost, being disappointed, clicking the back button and continually guessing will add to visitors' frustration. This could cause them to leave the site without the information they were looking for, and ultimately, with a negative impression of the Residential Unbundling program.

Areas that fall under interaction design may include:

- site search function;
- usage calculators and other tools;
- animated content (e.g. videos, demos, etc.);
- printable pages;
- e-mail this page;
- adjustable font size;
- online form submissions; and
- PDF downloads.

10.5.3 Search Engine Marketing

The web site will also be critical for people who are searching online to find more information on Unbundling in general. Consumers will be using the Internet and searching on search engines to learn what Unbundling means, what their options are, and how it will impact them. It will be critical that the Terasen Gas website ranks high on the search engines for key words and phrases. It will also be important that once a visitor clicks through to the site they find answers to what they are looking for on their landing page.

10.5.4 Content Development

To educate consumers about Residential Unbundling, the content should be factual and informative, but it should also be engaging. The subject matter can be complex and potentially dry. It is important that full advantage of the medium be taken to present the content in a way that is inviting. This may include video clips, animated demos, visual images, and/or interactive tools.

10.5.5 Interactive Tools

To help consumers understand how Unbundling will personally impact them, Terasen Gas recommends considering interactive tools that would allow them to compare costs with their different options under Unbundling. This also provides transparency, which increases customer trust of the information being provided to them on the web site.

10.6 Education Campaign Timeline

Residential Unbundling communications will unfold in three main stages:

10.6.1 Pre-Introduction Education Phase – March 2007

During this period, the messages will focus on building awareness that in the near future residential natural gas consumers will be given a choice of where they buy their natural gas. Other messages during this period will feature why they are being given a choice and an explanation of why their bill has changed to include midstream charges and what elements go into midstream charges.

10.6.2 Pre-Introduction Competitive Activity – May to November 2007

This phase recognizes that natural Gas Marketers will be starting to pre-sell their contracts in the six month window prior to the November 1, 2007 Gas Flow Date. Communications will continue to build awareness of the impending unbundled rate offerings, advise people that Gas Marketers will likely contact them, and provide information that residential customers need to make an informed decision. In essence the messages from phase one will be continued, but often with more specific details about Unbundling. Another layer will be added to recognize the activities of the Gas Marketers.

This approach is supported by Commercial Unbundling research findings. As the campaign proceeded, customers wanted more specific details about Unbundling such as “cost/pricing information” (23%), “Supplier/Marketer information” (8%) and information about “Program specifics and How does it work” (8%).

10.6.3 Unbundling Implementation – November 2007

Residential customers can now buy their natural gas from the Gas Marketer of their choice. Messages during this phase will reflect the reality of choice: how the process works, the potential risks, the potential rewards, how to contact a Gas Marketer and the fact that regardless of their natural Gas Marketer, Terasen Gas will continue to be the delivery company. These messages will run in the latter portion of 2007 and continue into 2008 to firmly establish awareness and understanding of Unbundling.

Media Scheduling

The pattern of media expenditures reflects the 3 phases of the campaign. At the beginning of each phase, there will be increased advertising activity to introduce the new messages and get attention focused on the new situation. For example, during the Pre-introduction phase, television will run with heavy weight for the first four weeks and then less often for the following four weeks. When ads are appearing frequently on television, newspaper and on-line ads will add to overall frequency. During the less active weeks (maintenance periods), television will run at lower weights and will only be supported with trade show activity when available and bill inserts. Bill inserts will be used between six and eight times during 2007. The website will be active throughout all phases.

The same pattern is followed in the second and final stages although the heavy TV periods will be slightly shorter (three weeks versus four) and the maintenance periods longer. In some cases, there are one-week gaps between the maintenance weeks in order to maintain a

presence while stretching the budget. Continuous weeks run into the fall when customer attention is more focused on heating costs and other energy consumption.

10.6.4 Media Approach – 2008 & Beyond

In 2008, the year starts out with a heavy weight of television activity followed by maintenance flights employing alternate weeks of advertising to stretch the budget and maintain a presence until the late summer. A heavier final advertising push is made at the beginning of the fall heating season on television, on-line ads and newspapers and then advertising drops to television only with maintenance weights up to the year-end.

The advertising frequencies have been chosen to provide cost efficient education of residential customers. The heavy-ups are moderate but adequate (e.g. a McDonald's new product launch would be 50% to 75% higher during heavy advertising periods) to get the attention of consumers of a change that they may not see as that important in the grand scheme of their life.

The maintenance levels are at a minimum level to maintain awareness and interest in the message. Tracking experience with a number of the agency's clients indicates that advertising frequency lower than that recommended are inadequate to cut through the clutter of daily messages that bombard the consumer. By taking the approach of maintaining a constant presence over the time period, (versus a short burst of heavy advertising) customers are not given the opportunity to forget the message and learning is increased, as is retention. The difference in approaches is like cramming for exams versus studying the material throughout the year. The second approach is remembered much better and much longer.

This campaign is expected to:

- reach 88 - 94% of Terasen Gas residential gas customers; and
- be seen by a typical customer 77 to 83 times during the campaign that runs for 22 months starting March 2007 and ending December 2008, which averages just less than one view per week.

10.7 Campaign Costs

2006 Budget

Production	\$ 400,000	TV commercials produced in 2006
Web enhancements	\$ 150,000	Changes to accommodate Unbundling
Research	\$ 50,000	Name and creative concepts
2006 Total:	<u>\$ 600,000</u>	

2007 Budget

Media	
Television media	\$ 1,940,000
Newspaper	\$ 1,240,000
On-line media	\$ 450,000
Sub-total:	\$ 3,630,000

Production	\$ 150,000	Print and TV post production
Bill inserts	\$ 240,000	
Web enhancements	\$ 100,000	
Trade show	\$ 150,000	
Research	\$ 130,000	
Sub-total:	<u>\$ 770,000</u>	
2007 Total:	<u><u>\$ 4,400,000</u></u>	
Launch total:	<u><u>\$ 5,000,000</u></u>	

2008 Budget

Media		
Television media	\$ 1,714,000	
Newspaper	\$ 516,000	
On-line media	\$ 140,000	
Sub-total:	<u>\$ 2,370,000</u>	
Production	\$ 300,000	
Bill inserts	\$ 120,000	
Trade show	\$ 70,000	
Research	\$ 140,000	
Sub-total:	<u>\$ 590,000</u>	
2008 Total:	<u><u>\$ 3,000,000</u></u>	

** Above budget excludes proposed \$300k annual expenditure for commercial customer specific communications in 2007 and 2008.*

11. Appendix B – 2007 & 2008 Advertising Material

**WASSERMAN
+ PARTNERS
ADVERTISING**



VIDEO

AUDIO

OPEN ON EXTERIOR OF "The Same Frame" OPTICAL STORE.

CUT TO INTERIOR. HUNDREDS OF IDENTICAL FRAMES ARE ON DISPLAY.

CUT TO MALE CLERK WEARING GLASSES AS HE'S APPRAISING FACE OF FEMALE CUSTOMER.

CLERK PUTS THE ONLY FRAME THE STORE SELLS ON THE AND APPRAISES HER FACE AGAIN.

CUSTOMER TRIES TO LOOK INTO MIRROR BUT CLERK STOPS HER BECAUSE HE'S NOT THROUGH ASSESSING HOW THE FRAMES LOOK ON HER. FINALLY HE LETS HER LOOK INTO THE MIRROR WITH HIM.

CUT TO FIRST END CARD.
SUPER: CUSTOMER CHOICE

CUT TO SECOND END CARD.
SUPER: Terasen Gas
SUPER: www.terasengas.com
SUPER: Not available in all areas

MUSIC: MUNDANE

CLERK: Try these.

ANNCR: Looking for more choice?

Now you can choose who you buy your natural gas from.

For a list of suppliers and details about CUSTOMER CHOICE visit terasen gas dot com.

TELEVISION

Client	Terasen Gas	Status: AS RECORDED
Title	"The Same Frame"	
Length	:30 Sec	
Comm #	TER7-719-2-30T	
Writer	Tim	
Date	Feb 20, 2007	

**WASSERMAN
+ PARTNERS
ADVERTISING**



VIDEO

AUDIO

<p>OPEN ON EXTERIOR OF "Grey Sock World."</p> <p>CUT TO INTERIOR. CUSTOMERS ARE LOOKING THROUGH THOUSANDS OF PAIRS OF IDENTICAL GREY SOCKS.</p> <p>CUT TO FEMALE SHOPPER SORTING THROUGH GREY SOCKS ON DISPLAY.</p> <p>CUT TO CLEARANCE BIN FILLED WITH GREY SOCKS.</p> <p>CUT TO FIRST END CARD. SUPER: CUSTOMER CHOICE</p> <p>CUT TO SECOND END CARD. SUPER: Terasen Gas SUPER: www.terasengas.com SUPER: Not available in all areas.</p>	<p>MUSIC: MUNDANE</p> <p>P.A. (V.O.): Sock Spill on aisle 5 please.</p> <p>ANNCR: Looking for more choice?</p> <p>Now you can choose who you buy your natural gas from.</p> <p>For a list of suppliers and details about CUSTOMER CHOICE visit terasen gas dot com.</p>	
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T E L E V I S I O N

Client	Terasen Gas	Status: AS RECORDED
Title	"Grey Sock World"	
Length	:30 sec.	
Comm #	TER7-719 -1-30T	
Writer	Tim	
Date	Feb 20, 2007	

**WASSERMAN
+ PARTNERS
ADVERTISING**



VIDEO

AUDIO

<p>OPEN ON EXTERIOR OF "Just One Book."</p> <p>CUT TO INTERIOR. TRACK THROUGH CUSTOMERS LOOKING AT TABLES FILLED WITH THE SAME BOOK.</p> <p>CUT TO VARIOUS CUSTOMERS IN STORE SEARCHING THROUGH SHELVES ALL WITH THE SAME BOOK.</p> <p>CUT TO CUSTOMER IN REFERENCE SECTION LOOKING AT WALL OF SHELVES WITH THE SAME BOOK.</p> <p>CUT TO FIRST END CARD. SUPER: CUSTOMER CHOICE</p> <p>CUT TO SECOND END CARD. SUPER: Terasen Gas SUPER: www.terasengas.com SUPER: Not available in all areas</p>	<p>MUSIC: MUNDANE</p> <p>ANNCR: Looking for more choice?</p> <p>Now you can choose who you buy your natural gas from.</p> <p>For a list of suppliers and details about CUSTOMER CHOICE visit terasen gas dot com.</p>	
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T E L E V I S I O N

Client	Terasen Gas	Status: AS RECORDED
Title	"Just One Book"	
Length	:30 Sec	
Comm #	TER7-719-3-30T	
Writer	Tim	
Date	Feb 20, 2007	

**WASSERMAN
+ PARTNERS
ADVERTISING**



VIDEO

AUDIO

OPEN ON INTERIOR OF "Grey Sock World" WITH CUSTOMERS LOOKING THROUGH GREY SOCKS.

CUT TO INTERIOR OF "Just one book" WITH CUSTOMERS LOOKING THROUGH PILES OF THE SAME BOOK.

CUT TO INTERIOR OF "The same frame" WITH SINGLE CUSTOMER LOOKING AT WALL OF IDENTICAL EYE GLASS FRAMES.

CUT TO FIRST END CARD.
SUPER: CUSTOMER CHOICE

CUT TO SECOND END CARD.
SUPER: Terasen Gas
SUPER: www.terasengas.com
SUPER: Not available in all areas

MUSIC: MUNDANE

ANNCR: Looking for more choice?

Now you can choose who you buy your natural gas from.

For a list of suppliers and details about CUSTOMER CHOICE visit terasen gas dot com.

TELEVISION

Client	Terasen Gas	Status: AS RECORDED
Title	"Multi stores"	
Length	:30 SEC.	
Comm #	TER7-719-4-30T	
Writer	Tim	
Date	Feb 20, 2007	

MultiStore



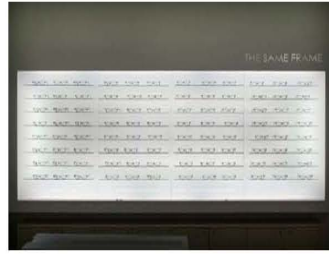
Grey Sock World



Just One Book



The Same Frame



Printed Newspaper Ads 2007

Few things in life are certain. The comfort of natural gas is one of them.

CUSTOMER CHOICE allows you to choose how you purchase your natural gas. Whether you save money in the long run is dependent on the gas market.

- When you buy directly from Terasen Gas, you get a variable rate with the price adjusted quarterly to reflect actual market price.
- When you sign with a gas marketer you get a fixed-price rate. It stays constant regardless of market fluctuations, so you could end up paying more or less than market price.

What is certain is that you can count on the comforts that natural gas provides, as well as reliable service and delivery by Terasen Gas.

To find out more, visit www.terasengas.com



Not available in all areas. The Terasen Gas name and logo, are trademarks of Terasen Inc. The Terasen Gas group of companies includes Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc.



www.terasengas.com



WHAT'S LIFE WITHOUT CHOICE?

Everyone likes to have a choice. Soon you'll be able to choose who you buy your natural gas from. The BC Utilities Commission recently approved regulations that allow independent gas marketers to sell natural gas directly to customers. More competition equals more choice.

You can buy your natural gas from us at a variable rate as you do now. (We buy it on the open market and pass on the cost without markup. We only make a profit on the delivery.) Or you can lock into a long-term, fixed-rate contract with a gas marketer. (They may contact you starting May 1.)



No matter how you choose to purchase your natural gas, we'll deliver it. And provide the customer services you expect, including billing and emergency response. Visit www.terasengas.com for more information about CUSTOMER CHOICE, including a video presentation and a list of licensed gas marketers.



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WHAT'S LIFE WITHOUT CHOICE?

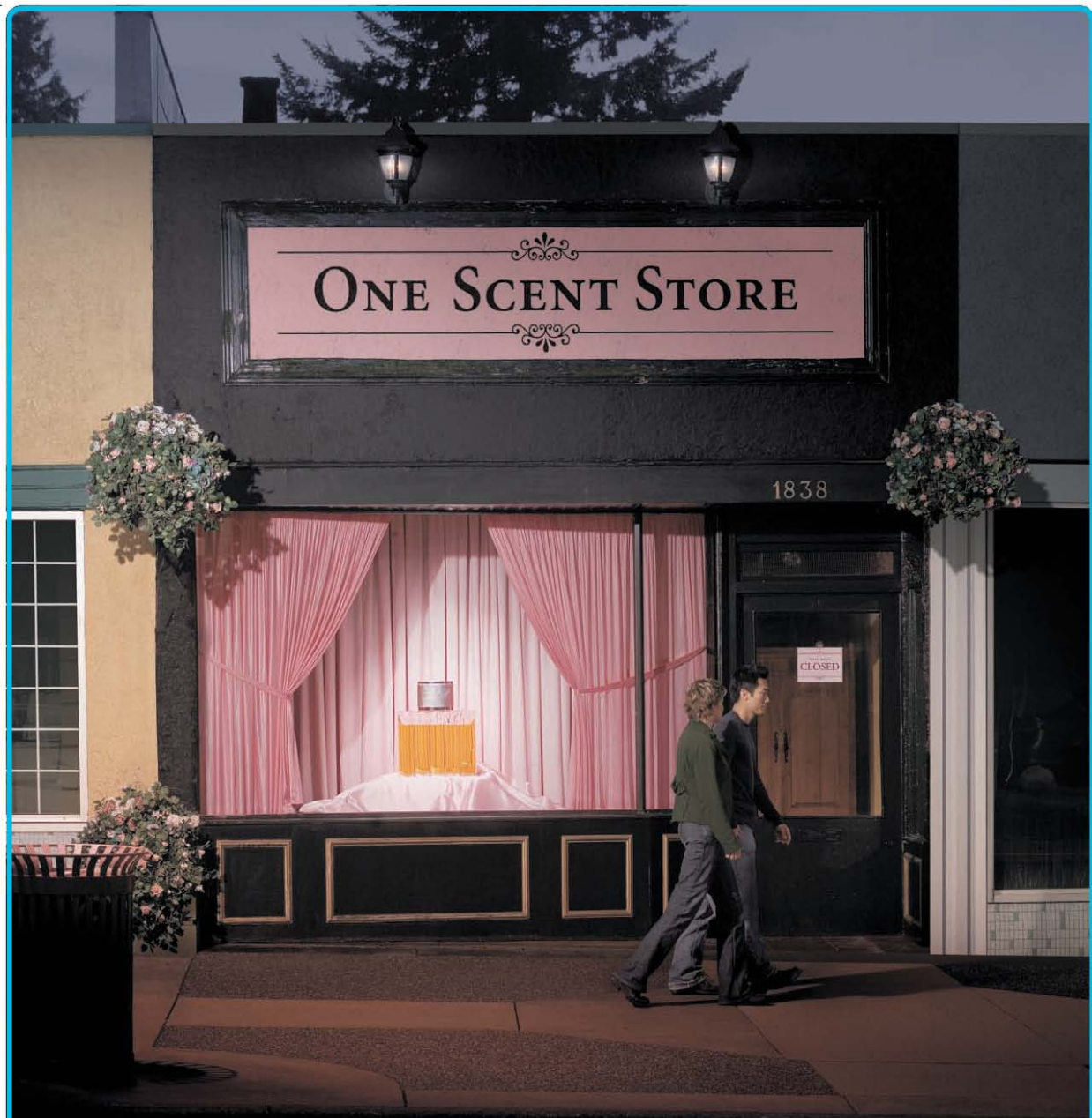
Everyone likes to have a choice. Soon you'll be able to choose who you buy your natural gas from. The BC Utilities Commission recently approved regulations that allow independent gas marketers to sell natural gas directly to customers. More competition equals more choice.

You can buy your natural gas from us at a variable rate as you do now. (We buy it on the open market and pass on the cost without markup. We only make a profit on the delivery.) Or you can lock into a long-term, fixed-rate contract with a gas marketer. (They may contact you starting May 1.)

 No matter how you choose to purchase your natural gas, we'll deliver it. And provide the customer services you expect, including billing and emergency response. Visit www.terasengas.com for more information about CUSTOMER CHOICE, including a video presentation and a list of licensed gas marketers.



Not available in all areas. Terasen Gas is a licensed user of the Terasen Gas and CUSTOMER CHOICE logos.



WHAT'S LIFE WITHOUT CHOICE?

Everyone likes to have a choice. Soon you'll be able to choose who you buy your natural gas from. The BC Utilities Commission recently approved regulations that allow independent gas marketers to sell natural gas directly to customers. More competition equals more choice.

You can buy your natural gas from us at a variable rate as you do now. (We buy it on the open market and pass on the cost without markup. We only make a profit on the delivery.) Or you can lock into a long-term, fixed-rate contract with a gas marketer. (They may contact you starting May 1.)



No matter how you choose to purchase your natural gas, we'll deliver it. And provide the customer services you expect, including billing and emergency response. Visit www.terasengas.com for more information about CUSTOMER CHOICE, including a video presentation and a list of licensed gas marketers.



Not available in all areas. Terasen Gas is a licensed user of the Terasen Gas and CUSTOMER CHOICE logos.

WASSERMAN
+ PARTNERS
ADVERTISING



VIDEO

AUDIO

OPEN ON GEORGE EVERTON WEARING A PALE BLUE TERASEN LAB COAT IN TERASEN GAS "Comfort Research & Development" FACILITY.
SUPER: George Everton, Head of Comfort.

CUT TO GEORGE IN FRONT OF STATION WHERE HELEN, WEARING A TERASEN LAB COAT AND HOLDING A MICROPHONE, IS OBSERVING AND RECORDING CATS NAPPING IN FRONT OF A GAS FIREPLACE.

CUT TO GEORGE WALKING TOWARDS A KITCHEN STATION. HANK, WEARING TERASEN LAB COAT AND OVEN MITTS, IS PULLING A PIPING HOT APPLE PIE FROM GAS OVEN.

CUT BACK TO GEORGE. HE HOLDS UP TO TWO DIFFERENT PAIRS OF SLIPPERS: A PALE BLUE PAIR OF BUNNY SLIPPERS THAT REPRESENT TERASEN'S VARIABLE RATE AND A PUFFY PAIR OF TARTAN SLIPPERS THAT REPRESENT THE FIXED RATE OF INDEPENDENT GAS MARKETERS.

Customer Choice Logo.
terasengas.com
Terasen Gas logo
SUPER: Get comfortable.

Legal: Not available in all areas.

GEORGE: Here in Terasen's renowned "Comfort Research and Development" facility comfort scientists are working to make your life more comfortable.

Today, Helen is observing cats napping. (TO HELEN) Looking forward to that report.

Hank is analyzing comfort food. (TO HANK) I'd like that on my desk by noon.

We've also made it easy to select the natural gas rate plan that's most comfortable for you. A variable rate from Terasen Gas or fixed rate from an independent Gas Marketer. Just go to terasengas.com for all the information about Customer Choice.

TELEVISION

Client	Terasen Gas
Title	Terasen Gas Comfort R & D – Cats "FINAL"
Length	:30 sec. TER 8-342-1-30T
Docket #	TER GAS T85342
Writer	Tim Dundon/Darren Warner
Date	January 9, 2008

WASSERMAN
+ PARTNERS
ADVERTISING



VIDEO

AUDIO

OPEN ON GEORGE EVERTON WEARING A PALE BLUE TERASEN LAB COAT IN TERASEN GAS "Comfort Research & Development" FACILITY.
SUPER: George Everton, Head of Comfort.

CUT TO GEORGE IN FRONT OF A SHOWER STATION WHERE BOB, WEARING A TERASEN LAB COAT AND HOLDING A CLIPBOARD, IS SHOWERING AND RECORDING WATER TEMPERATURE IN SHOWER HEATED BY A GAS WATER HEATER.

CUT TO GEORGE WALKING TOWARDS A KITCHEN STATION. HANK, WEARING TERASEN LAB COAT AND OVEN MITTS, IS PULLING A PIPING HOT APPLE PIE FROM GAS OVEN.

CUT BACK TO GEORGE. HE HOLDS UP TO TWO DIFFERENT PAIRS OF SLIPPERS: A PALE BLUE PAIR OF BUNNY SLIPPERS THAT REPRESENT TERASEN'S VARIABLE RATE AND A PUFFY PAIR OF TARTAN SLIPPERS THAT REPRESENT THE FIXED RATE OF INDEPENDENT GAS MARKETERS.

Customer Choice Logo.
terasengas.com
Terasen Gas logo
SUPER: Get comfortable.

Legal: Not available in all areas.

GEORGE: Here in Terasen's renowned "Comfort Research and Development" facility comfort scientists are working to make your life more comfortable.



Bob is getting into hot water – as usual.

Hank is analyzing comfort food. (TO HANK) I'd like that on my desk by noon.

We've also made it easy to select the natural gas rate plan that's most comfortable for you. A variable rate from Terasen Gas or fixed rate from an independent Gas Marketer. Just go to terasen gas dot com for all the information about Customer Choice.

TELEVISION

Client	Terasen Gas
Title	Terasen Gas Comfort R & D – Shower "FINAL"
Length	:30 sec. TER 8-342-4-30T
Docket #	TER GAS T85342
Writer	Tim Dundon/Darren Warner
Date	January 9, 2008

VIDEO

AUDIO

<p>OPEN ON GEORGE EVERTON HOLDING A FOLDER CONTAINING A LETTER, AND WEARING A PALE BLUE TERASEN LAB COAT IN THE TERASEN GAS "Comfort Research & Development" FACILITY. SUPER: George Everton, Head of Comfort.</p> <p>IN THE BG VARIOUS "COMFORT TESTS" ARE BEING CONDUCTED.</p> <p>CUT TO FORTUNE TELLER WITH CRYSTAL BALL. SHE TAPS ON THE CRYSTAL BALL.</p> <p>CUT TO TV FINANCIAL REPORTER ON SET WITH STOCK TICKER RUNNING ALONG THE BOTTOM OF THE SCREEN.</p> <p>CUT TO WISE MAN SITTING CROSS LEGGED ON TOP OF MOUNTAIN.</p> <p>CUT BACK TO GEORGE. WE REVEAL HE'S WEARING BLUE BUNNY SLIPPERS.</p> <p>Customer Choice Logo. terasengas.com Terasen Gas Logo. SUPER: Get comfortable.</p> <p>Legal: Not available in all areas.</p>	<p>GEORGE: D.R. writes, "I understand Customer Choice lets me choose my own natural gas rate plan: variable or fixed.</p> <p>Which will save me money in the long run?"</p> <p>We asked the experts at predicting the future.</p> <p>FORTUNE TELLER: I got nothing.</p> <p>REPORTER: And I am without a clue.</p> <p>WISE MAN: What are you, a wise guy?</p> <p>The experts agree there is no way to predict which Customer Choice rate plan will save you money. To make an informed choice between a variable rate from Terasen Gas or fixed rate from an independent Gas Marketer, go to terasengas dot com.</p>
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T E L E V I S I O N	Client	TERASEN GAS
	Title	"Crystal Ball" - FINAL
	Length	:30 SEC TER 8-342-2-30T
	Docket #	TER GAS T85342
	Writer	Tim Dundon/Darren Warner
	Date	January 9, 2008

Story Boards

Comfort R&D--Sven



Comfort R&D--Cats



Comfort R&D--Shower



Comfort R&D—Crystal Ball

