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

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. ("Terasen Gas")
Customer Choice Program Enhancements and Additional Customer Education
Funding Application (the "Application")**

Response to the Marketer Group Information Request ("IR") No. 1

On July 18, 2008, Terasen Gas filed the Application as referenced above. On July 29, 2008, the Commission issued Order No. G-113-08 setting out the Regulatory Timetable for the Application. On August 22, 2008, the Marketer Group, comprised of Access Gas Services Inc., Active Energy ULC, Direct Energy Marketing Limited, Energy Savings B.C., MXenergy Inc., Summitt Energy BC LP, Superior Energy Management Gas L.P., and Universal Energy Corp. submitted information requests in accordance with Order No. G-133-08.

Terasen Gas respectfully submits the attached response to the Marketer Group IR No. 1.

If there are any questions regarding the attached, please do not hesitate to contact Hans Mertins at (604) 592-7753.

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachment

cc: Registered Parties (e-mail only)



Terasen Gas Inc ("TGI", "Terasen Gas" or the "Company") Application for Customer Choice Enhancements and Additional Customer Education Funding	Submission Date: September 10, 2008
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TGI-MG-1

Reference: Section 4.8.5.2 Implications of 2007 Research for the 2008 Campaign

Preamble: "The Customer Choice logo did not have great awareness or impact on the whole." Page 58

Request:

- (a) Can the addition of the Terasen Gas logo to the Customer Choice logo on all marketing material and through advertising be seen to cause or reduce confusion with the customers? If yes, why? If not, why not?

Response:

Without supporting market research, Terasen Gas cannot definitively answer this question.

To date, there is no evidence that the use of both the Terasen Gas logo and Customer Choice logo is a source of customer confusion. In fact, ad tracking suggests that awareness that "marketers are independent" (63%, March 2008) scores only three percentage points below "you can choose rates" (66%, March 2008). This indicates that the current strategy works. Almost everyone familiar with the rate options is aware that gas marketers are independent of Terasen Gas.

Based on anecdotal evidence and our ad tracking research, most customer confusion appears to arise when individual sales representatives mislead customers into thinking they are a Terasen Gas employee or representative. According to TNS Canadian Facts, "To date, the main reason for dissatisfaction among homeowners who signed a contract is that they believe the marketer lied." For this reason, Terasen Gas agrees with the Commission that the Terasen Gas logo should be moved to a less prominent location on the Standard Information Booklet, given that this booklet is distributed to all customers signing contracts.

Please also refer to the responses to BCUC IR 1.2.1 and 1.2.2.



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TGI-MG-2

Reference: Section 4.8.6.1 Letter to Terasen Gas dated March 11, 2008,

Preamble: "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." Page 67

Request:

- (a) Why does Terasen Gas view that assisting in customer valuation and final decision making is outside the role of the Customer Education Campaign?

Response:

With respect to the preamble above, the Company's concern specifically relates to the words, "...not moving consumers along the decision making process." Reviewing the buying decision process model presented in the recent application, there are five steps¹:

1. Problem recognition
2. Information search
3. Alternative evaluation
4. Purchase decision
5. Post-purchase behavior

Terasen Gas advertising educates consumers about the fixed and variable rate commodity-supply options now available. The campaign is not designed to stimulate direct sales, but rather communicates the information that customers need so that they can competently evaluate the supply alternatives. The Company is indifferent as to which commodity supply option a customer chooses provided that the customer is satisfied that they have made an informed choice. As such, the communication of Terasen Gas delivers unbiased, relevant information customers need to know so that they can make an informed purchase decision. The goal of Terasen Gas is to inform. It is for this reason that Terasen Gas does not believe that an increase in market share by gas marketers, as it is suggested by this question, should be an objective for the Customer Choice program. Market share is a function of final decision making by customers considering offers from gas marketers. Given that some informed customers will decide to select an offer from a gas marketer and others not, a more appropriate concern for the Customer Education campaign is to help ensure that customers are satisfied that they were able to make an informed choice. When customers are able to this, they are more likely to consider another offer from a gas marketer when it is presented.

¹ Terasen Gas Inc., Customer Choice Post Implementation Report and Application for Program Enhancements and Additional Customer Education Funding, page 68.



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The Customer Education campaign provides information to consumers at several of the above stages, and one that is not an aspect of the model, namely, "awareness." Consumers need to know about something before they ever recognize it as a problem that needs attention. Likewise, being aware of something does not necessitate a purchase decision.

*"Regardless of type of buyer decision situation, some combination of internal and external stimuli will first trigger the buying decision process by high-lighting an unsatisfied need."*² As mentioned earlier, the Company's goal is to inform customers about the supply options available to them, not to ensure that the sale of fixed rate contracts increase over time.

Once a customer identifies the problem (i.e., I wonder if I should switch to a fixed-rate natural gas commodity contract?), Terasen Gas' messaging will become important. These customers move past stage 1, problem recognition phase into stage 2 information search. At this stage, customers will be more receptive to Terasen Gas and Marketer print ads, websites, and they will ask their friends, family and neighbours for opinions as well.

Customers may refer to Terasen Gas Customer Choice communications in stage 3 alternative evaluation, as well. When actively comparing the different options available, customers will want to make sure that the default variable rate isn't, in fact, the best option. Likewise, they will find a lot of useful information about the best questions to ask marketers, and find out exactly how the program works.

The Customer Education materials, however, also describe what to do if customers are not happy about their purchase decision (stage 5).

It is clear that Terasen Gas communications assist customers at several stages of the buying decision process. However, the Company's advertising does not, "...move consumers along the...process." and it appropriately is not designed to do this. The customer must decide for themselves when the time to do so is right for them. Terasen Gas will educate customers so they can make an informed choice. Gas marketers should pursue sales with the same goal in order to limit disputes, cancelled contracts, and complaints.

Please also refer to the responses provided to BCUC IR 1.1.1 to 1.1.6.

(b) Who should be responsible for these evaluations and decisions?

Response:

Consumers are responsible for the evaluation of any offer from a gas marketer and for making a final decision about whether or not to sign a contract. They will initiate a purchase decision process however, only when the time is right for them and need to be

² Marketing. Business Review Books, Fourth Edition, Richard L. Sandhusen, Barron's Educational Series, Inc., Copyright 2008, page 254.



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given the opportunity on their own time in order to be satisfied they have made an informed choice. The decision point might be, for example, at the moment when they see a television commercial or when a gas marketer knocks at their door. Likewise, it may be several months or years in the future when they receive a rate adjustment bill insert or purchase a new home. Many types of events can trigger advertising recall and product evaluation, but the timing is never predictable. Moreover, current research techniques cannot evaluate the effectiveness of advertising in terms of how well it influences when consumers activate this process. The focus by Terasen Gas on the measurement of communication objectives is also consistent with current market research techniques.

- (c) If customer valuation and final decision making is deemed to be a requirement of the Customer Education Campaign, what specific education would be required to accomplish this—what medium would be best suited to make this happen?

Response:

Terasen Gas does not consider customer valuation and final decision making to be an appropriate "requirement of the Customer Education Program" for the reasons described in Marketer Group IR 1.2(a) and 1.2(b). Terasen Gas does not believe that an increase in market share by gas marketers, as it is suggested by this question, should be an objective for the Customer Choice program. Market share is a function of final decision making by customers considering offers from gas marketers and is something that is most directly influenced by gas marketers.

However, if the Commission were to require customer valuation and final decision-making to be a requirement of the Customer Education Campaign, Terasen Gas would require direction with respect to how this goal might be researched and evaluated. From an overall marketing perspective, telemarketing and selling door-to-door are the most effective way to motivate an immediate purchase decision. No medium can consistently motivate consumers to engage in a purchase evaluation.

Appropriate methods of evaluating the success of advertising are discussed in Section 4.8.2.1 of the current application. The relevant section is included here for reference.

"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."³

This latter contention infers two outcomes. First, that the Customer Choice program's marketing mix includes both Terasen Gas and gas marketer aspects. Second, that the

³ Promotional Strategy. Engel, Warshaw, and Kinnear. Fifth edition, 1983, page 164.



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campaign objectives are appropriately stated in communication terms, because more than advertising alone influences sales or complaints.⁴

- (d) What level of success would be appropriate to determine whether customers are capable in evaluating and decision making?

Response:

If, "What level of success would be appropriate to determine whether customers are capable in evaluating and decision making," is meant to establish the awareness goals by which we judge successful communication, Terasen Gas suggests:

- 70 per cent of customers need to know about the program, and that they can go to www.terasengas.com for more detailed information; and
- 50 per cent of customers know that gas marketers can only contract for the commodity portion of their Terasen Gas bill.

Terasen Gas hopes to improve penetration of all secondary key messages, but as stated on pages 85 and 86 of the July 18, 2008 Application⁵, the percentages above represent specific targets.

It is important to note that Terasen Gas does not believe that, if the question suggests that a certain market share by gas marketers be used as a success measure, that this is an appropriate objective for the Customer Choice program. Customers could for instance easily decide after evaluating an offer that the offer does not represent value to them and decide to remain on the default commodity rate offered by Terasen Gas. These customers would have successfully participated in the program, feel satisfied that they made an informed choice, but would not be counted in a measure of market share.

At a foundational level, for customers to make an informed decision they should understand the specific nature of the contract they are signing. Ideally, they can recall appropriate questions to ask the sales representative and that the contract is for gas commodity only. Customers need to know how to compare the marketer offer with the rate offered by Terasen Gas. Lastly, that Terasen Gas will continue to administer billing and fulfill safety functions.

The continued study of seven of the original 11 key messages acts as a proxy for this evaluation. Messages we continue to research in ad tracking include:

- Buy from others;
- Can choose rates;

⁴ Customer Choice Post Implementation Report and Application for Program Enhancements and Additional Customer Education Funding, pages 39-40.

⁵ Customer Choice Post Implementation Report and Application for Program Enhancements and Additional Customer Education Funding, page 86.



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- Knowledge of the Customer Choice program;
- Two cost components;
- Marketers independent;
- Safety not affected;
- BCUC responsible; and
- Information at www.terasengas.com.

Ensuring customers understand the contract they sign is ultimately the responsibility of the customer and the gas marketer's sales representative.



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TGI-MG-3

Reference: Section 4.8.6.2, Letter to Terasen Gas dated May 28, 2008

Preamble: "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." Page 69 **Request:**

Request:

- (a) Considering the communication objectives confirmed in the CPCN Decision from August, 2006, how did the BCUC anticipate that disputes would be less than experienced?

Response:

Terasen Gas cannot answer this question. The BCUC has not shared with Terasen Gas the volume or specific nature of the complaints it has received to date, or what level it deems to be acceptable.

- (b) How could Terasen educate the public to reduce the number of disputes?

Response:

The complaint level that Terasen Gas is currently experiencing is relatively moderate and appears to have stabilized at a low level compared to what occurred in the period immediately after market open in May 2007. The Company sees no need to make further adjustments to the Customer Education plan from what was set out in the July 18, 2008 Application in order to attempt to address this issue. The Company understands that complaints and disputes relate primarily to the differing and sometimes aggressive business practices used by gas marketers. Most of these practices relate to gas marketers misrepresenting which company they are with, claiming that they are from Terasen Gas. Given that issues arising from the business practices followed by some gas marketers form the basis of most complaints and disputes, Terasen Gas is of the view that there is a well established process for addressing these concerns via enforcement of the Code of Conduct for Gas Marketers by the Commission. Using the complaints handling and disputes resolution process is the most effective way of addressing the reason for such issues and ensuring that the total number of complaints and disputes are reduced over time.

With this in mind, Terasen Gas does not believe customer education can be used as an effective tool for reducing most complaint and disputes. To do otherwise risks undermining the viability of the Customer Choice program. Gas marketers employing sales agents, however, are in the best position to tackle this issue. A disciplined training and selling process complemented by an effective auditing process is the most effective way of preventing such complaints and disputes from arising.



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Please also see response to BCUC IR 1.1.1.

- (c) What objectives would Terasen Gas set to measure the success of such an initiative?

Response:

Please refer to the responses to Marketer Group IR 1.3b and BCUC IR 1.1.1.



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TGI-MG-4

Reference: Section 4.8.8.1 Immediate Communication Objectives

Preamble: "increase knowledge of defined program details, specifically delivery vs. commodity, to 50% of natural gas users while detailed campaign is running." Page 86

Request:

(a) What evidence does Terasen Gas use to determine that 50% is reasonable?

Response:

Before the campaign began, knowledge of the two cost components of the Customer Choice program was approximately 1 in 5 gas users (18 per cent among gas users in the qualifying area). At its peak it was over 1 in 3. Given the trend seen in 2007 it appears that 50 per cent is an ambitious but realistic target based on the level of funding requested for 2009-2011. A higher level of awareness appears to require significantly greater expenditure levels, something that is not reasonable at this time.

Consumer understanding of the difference between delivery and commodity is a critical foundation that allows gas marketers to have meaningful discussion with customers about fixed price contracts for the natural gas commodity. Without knowledge of the distinction, customers cannot actually understand the nature of the gas marketer product. For this reason, it is important to concentrate on the communication of this key message. This issue is addressed on pages 86 and 87 of the July 18, 2008 Application:

"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."

"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."



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TGI-MG-5

Reference: Section 7.2.2.2 Enhancements Review

Preamble: "Add a new field with a drop box to classify a dispute as either as a "Standard Dispute", "Cancellation Request" or "Reconsideration Request". Page 99

Request:

- a) Does Terasen Gas think that there are enough categories to adequately categorize the different issues in the GEMs?

Response:

Terasen Gas is of the view that the proposed increase from one dispute type to three is sufficient at this time. Each of the three dispute types corresponds to the dispute handling alternatives that were identified as necessary for the efficient processing of enrollment drop requests once enrollments are included in the Final Marketer Supply Requirement.



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TGI-MG-6

Reference: Section 7.2.5.1 Voice Contracting

Preamble: "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." Page 113.

Request:

(a) Please indicate what date Terasen Gas believes is "some point in the future"?

Response:

From the perspective of Terasen Gas the detailed elements required to support an effective Voice Contracting process by gas marketers, the Commission, and Terasen Gas have yet to be identified. Additionally, consumer stakeholders will potentially have significant views on the final Voice Contracting process, but no formal review of a detailed proposed Voice Contracting process has taken place. With this background in mind, "some point in the future" means after sufficient time has passed that allows for a proper review of a detailed proposed Voice Contracting process by all stakeholders. From Terasen Gas' perspective, such a review could take place in 2009.

From a market development perspective Terasen Gas is of the view that gas marketers should be in a position to provide sufficient evidence that the marketplace is ready for voice contracting given their interest in gaining its approval.

(b) Will this apply to both new and renewal contracts?

Response:

As indicated on page 113 of the July 18, 2008 Application, voice contracting should apply to both new and renewal contracts, but that the requirements for each may differ.

(c) Please provide a summary of the appropriate indicators that are publicly available that Terasen Gas believes would provide sufficient evidence that the marketplace is ready for an additional sales channel.

Response:

In the view of Terasen Gas sufficient time is needed to ensure that the new processes and applications developed for use by the Customer Choice program have been used



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and work properly. At minimum most of these features will only be utilized after November 1, 2008, a full year after the start of billing on a gas marketer's rate.

From a market development perspective Terasen Gas is of the view that gas marketers should be in a position to provide sufficient evidence that the marketplace is ready for an additional sales channel given their interest in gaining approval for this channel.

- (d) Given these indicators, what prevents the introduction of voice contracting at this time?

Response:

Please refer to the response to Marketer Group IR 1.6a and 1.6c.



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TGI-MG-7

Reference: Section 7.2.5.1 Voice Contracting

Preamble: "Approval for voice contracting however should be subject to a number of requirements." Page 113

Request:

- (a) Please identify what Terasen Gas sees as the necessary requirements for the approval of voice contracting.

Response:

Please see the response to Marketer Group IR 1.6a.

- (b) Does Terasen Gas agree that current legislation allows marketers to contact eligible consumers via telephone in an attempt to sell them a new or renewed contract?

Response:

This is not within Terasen Gas' area of expertise. The Company recommends gas marketers to consult with an advisor with expertise in the area of consumer protection or their respective legal counsel.



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TGI-MG-8

Reference: Section 7.2.5.1 Voice Contracting

Preamble: "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." Page 113

Request:

- (a) If approved by the Commission, does Terasen Gas support a detailed review of the proposed voice contracting process in Q4 of 2008 with an implementation date of January 1, 2009?

Response:

Without knowing what the detailed requirements are to implement Voice Contracting, Terasen Gas cannot offer an opinion on the timing of the implementation of Voice Contracting at this time. If significant changes need to be made to the Customer Choice systems and processes, then the implementation date will be considerably longer than if the implementation to support Voice Contracting is relatively simple.

Please also refer to the responses to Marketer Group IR 1.6a and 1.10b.

- (b) If not, what would be an appropriate implementation date?

Response:

Please refer to the responses to Marketer Group IR 1.6a and 1.10b.



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TGI-MG-9

Reference: Section 7.2.5.1 Voice Contracting

Preamble: "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." Page 113

Request:

- (a) A renewal letter is currently compliant with the Code of Conduct. Please clarify whether or not this statement is referring to a renewal telephone call and not a letter.

Response:

Terasen Gas specifically referred to a renewal letter and not a renewal telephone call on page 113 of the July 18, 2008 Application. In terms of a review of any proposed Voice Contracting process, such a review would have to include all elements of the proposed process, including the renewal process. The renewal process, depending on what is proposed, could include either a letter or telephone call, the content of which and process for delivering each would have to be reviewed.



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TGI-MG-10

Reference: Section 7.2.5.1 Voice Contracting

Preamble: "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." Page 13

Request:

- (a) Please provide an indication of the time required to complete such an assessment.

Response:

Once Terasen Gas receives clear indication of the type and volume of voice files, plus any other documentation that may be required, that would be uploaded into the GEM application in response to disputes, an impact assessment could be completed over a two to three week period. The time required to complete such an assessment, however, is conditional on the resources available by the outsourcer that would be asked to complete such an assessment.

- (b) If it is determined that voice files will impact GEM system performance, what enhancements can be made to address this issue.

Response:

The type of enhancement alternatives that would be considered cannot be determined until an impact assessment is completed as described in the response to Marketer Group IR 1.10a. The size of voice files that would be created by a Voice Contracting process and that would be submitted as evidence in the event of a dispute to the GEM system is a key concern. Should these files be large in terms of size and number, they could affect the responsiveness of the system and cause a delay in the ability of the system to process enrollment requests. As a result, Terasen Gas requires a clear and detailed description of the Voice Contracting process to be able to complete any assessment and determine what enhancements may be required.



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TGI-MG-11

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

Preamble: "Terasen Gas has observed that a number of enrolments 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 enrolments be grandfathered once this validation enhancement is implemented. "

"This implementation is to be included in the fourth release." Page 115

Request:

- (a) Considering the gas supply and contract implications of future contract start dates on incumbent marketers and that the enhancement for providing this information to incumbent marketers will not be included until the fourth release, can Terasen Gas provide marketers with a list of their customers that are not available for renewal at end of the contract term date? If yes, can this list be provided to marketers monthly? If no, can Terasen Gas explain why it cannot provide this information?

Response:

Terasen Gas has no current process established for providing an update like that suggested by the gas marketers. The original design of the Commercial Unbundling program, and included in the Customer Choice program, is that gas marketers are responsible for ensuring that they do not contract customers for a period of time in excess of five years. Recognizing the difficulty that can arise in determining exactly how much time is available to contract for in this five year window, Terasen Gas proposed the enhancement described on pages 114-115 of the July 18, 2008 Application.

- (b) Can Terasen gas please describe the legal or regulatory basis for determining the start date of the contract?—does Terasen Gas view the start date as the date of signature, or the first date gas service is provided?

Response:

Terasen Gas uses the request date when the enrollment is received from the gas marketer for determining when the Confirmation Letter is generated and for determining the start of the 10-day Contract Cancellation Period. The contract start date is provided by the gas marketer when the enrollment request is first made, and is the date that the contracted rate is first used to bill the customer the natural gas commodity. Terasen Gas does not see the actual contract as part of this process.



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- (c) Can Terasen Gas provide an approximate date as to when the implementations of the fourth release will take effect?

Response:

Given that the Energy CIS implementation that is currently being completed requires a code freeze for approximately six months before any enhancements can be implemented, release four is expected to be implemented some time in the first half of 2009. Terasen Gas will be in a better position to identify the probable implementation time once the Energy 8 update is completed in October and a period of time has passed that allows for an assessment of the stability of the upgrade.



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TGI-MG-12

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

Preamble: Article 27 of the Code of Conduct that is being referred to in this section states: "The renewal date shall be such that it coincides with a LDC program entry date. Notice periods for contract renewal should require the Gas Marketer to give notice to the Consumer no more than 120 days and no less than 90 days prior to the applicable renewal date."

"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." Page 114

Request:

- (a) Can Terasen Gas define the terms evergreen, renewal, and new contract to better clarify the understanding of these terms among market participants?

Response:

The term "evergreen", as its referred to in Article 27 of the Code of Conduct, means the renewal of an expiring contract at the end of its term at the same price for a new 12 month period unless a gas marketer provides other instructions prior to the renewal date. This process repeats itself at the end of the 12 month period unless the gas marketer provides Terasen Gas with alternate instructions.

The term "renewal" means the recontracting of a customer at the expiry of a contract by the same gas marketer and where the terms, conditions, and price remain largely unchanged.

The term "new contract" means the signing of a contract by a gas marketer either for the first time, or where a period of time has passed since the expiry of a previous contract, or where the terms, conditions, and price are largely changed after the expiry of a previous contract.

- (b) Does Terasen Gas think that using the term evergreen, rather than renewal, in Article 27 of the Code of Conduct will clarify the understanding among marketers?

Response:

No, Terasen Gas does not agree that such a change would clarify the understanding of this clause. The use of "renewal date" in this clause conveys the requirement for gas



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marketers to proactively manage the contract status of a customer whose contract is about to expire. The use of "evergreen" in place of "renewal date" in this clause would then suggest that all contracts can be evergreened automatically at the discretion of the gas marketer. This is not the intended interpretation of what a gas marketer is required to do when faced with an expiring contract. The clause correctly indicates, however, that Terasen Gas will evergreen a contract that expires where Terasen Gas has not received instructions before the entry cut-off date from the gas marketer about how to handle the expiring contract.

- (c) Can Terasen please clarify whether Terasen's interpretation of Article 2 of the Code of Conduct requires consumers to return to Terasen's supply at the end of a five year contract?

Response:

Consumers facing the end of a five year contract, or contract of any duration, will not return to Terasen Gas' default supply option provided a new valid enrollment has been processed and it has a contract start date that takes effect when the existing contract expires. If a customer chooses not to renew with a gas marketer at the end of an expiring contract, or there is a gap in time between the two contracts, they will be returned to Terasen Gas' default supply.



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TGI-MG-13

Reference: 7.2.5.3 Operational Correction Drops ("Courtesy Drops")

Preamble: "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 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." Pages 116-117

Request:

- (a) If the 10 day cancellation period for a customer's enrolment ended on September 1st, is the customer immediately considered to be part of the marketer supply requirement? Does the marketer have the opportunity between September 2nd and September 13th to use the operational correction drop?

Response:

In the example cited, the enrollment is not yet included in the Marketer Supply Requirement because final Marketer Supply Requirement will not be completed until the 13th of the month. The only way that enrollment could be dropped after September 1, however, is if the new Operational Correction drop is used prior to September 13 or if a dispute is logged in GEM and the Commission rules in the customer's favour.

- (b) If the 10 day cancellation period for a customer's enrolment ended on September 1st but the marketer needed to terminate the enrolment on September 16th, could the marketer use the Contract Cancellation Request?



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Response:

In the case of this scenario, the answer depends on if the enrollment is included in the Final Marketer Supply Requirement or not. If it is included, then the new Operational Correction drop cannot be used and a dispute needs to be logged. If it is not included in a Final Marketer Supply Requirement, then the new Operational Correction drop can be used.

- (c) Please explain whether marketers can use the operational correction drop for flowing customers. If the operational correction drop cannot be used for flowing customers, please explain why and explain how these customer drops would be processed.

Response:

The new Operational Correction drop cannot be used for any enrollment that is included in a Final Marketer Supply Requirement, which would include any that are flowing. A drop once this happens violates the ESM model and the 12 month pricing rule, forcing Terasen Gas to secure unplanned commodity supply. In this case, the only way of terminating the enrollment is to log a dispute (as a Cancellation Request once this functionality is implemented) and request the Commission to terminate the contract.

- (d) Will there be a drop down in GEM's Dispute/Log Dispute section to select Contract Cancellation Request? If not, how will Contract Cancellation Request be identified in GEM?

Response:

Yes, please refer to the first screen shot on page 100 of the July 18, 2008 Application for a mock up showing the dispute types that are proposed for implementation.

- (e) Please explain how the reason code of operational correction drop will be communicated to marketers.

Response:

The implementation of this enhancement is expected to be completed this fall after Commission approval is provided. The change, along with any other enhancement will be described in an e-mail sent to all gas marketers.



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- (f) Please confirm that there will be no fees associated with the operational correction drop.

Response:

It is the understanding of Terasen Gas that there will be no fee associated with the use of the new Operational Correction drop and none were requested as part of the July 18, 20098 Application made by Terasen Gas. The Commission, however, is expected to monitor its frequency of use in order to ensure that it is used on an exception basis only.

- (g) Please confirm that operational correction drops will not be included in the customer complaint statistics considered by the BCUC for licence renewal purposes.

Response:

This is a matter for the Commission to decide but Terasen Gas believes it is reasonable to expect that use of the new Operational Correction drop will not be included in the calculation of complaint statistics.

- (h) Which reason code is Terasen suggesting the BCUC monitor with a report? Will the marketers be included in the development of the activity report that will be posted on the Commission's GEM site?

Response:

Terasen Gas assumes that this question refers to the report tracking use of the new Operational Correction drop. Terasen Gas plans to provide a report that provides a summary of the number of occurrences that the new Operational Correction drop is used by gas marketer so that its use can be monitored. This report will simply be based on data generated by gas marketers as they use this new drop code and does not require the input of gas marketers to be developed. The number of this code has not yet been identified.



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TGI-MG-14

Reference: Section 7.2.5.5 Terasen Gas Communications

Preamble: "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 in the fall of 2006." Page 118

Request:

- (a) Terasen Gas allowed review and comment for the original campaign, yet did not allow comment by gas marketers on the fall 2007 campaign. In the fall 2007 campaign Terasen Gas only allowed research and media attention to dictate its direction and did not request comments by gas marketers. Please explain why Terasen Gas took this approach for the 2007 fall campaign.

Response:

Terasen Gas suggested and adhered to an inclusive review process with gas marketers and the BCUC to assist in the fall 2006 launch of Customer Choice. This ensured that key issues were adequately addressed. However, as noted in the original CPCN Application from April 2006, Terasen Gas expected market research to fulfill this function post launch.

After the launch of Customer Choice, Terasen Gas used market research to guide communication decisions. While the approach allowed the Company to develop advertising in a more timely fashion, and address communication gaps quickly, Terasen Gas recognizes the importance of returning to the original, shared-review process. The Company commits to seeking feedback on future Customer Choice advertising before any production is undertaken.

- (b) Does Terasen Gas view that the BCUC and gas marketers also have a significant interest in the communication regarding the Customer Choice Program to customers? If not, why not?

Response:

Yes. This was addressed in Section 7.2.5.6, page 124 of the July 18, 2008 Application.

"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



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*advertising is already produced, any Customer Choice new materials, like bill inserts or print ads, will be distributed for comment prior to placement.*⁶

- (c) Does Terasen Gas view that each market entity: gas marketers, Terasen Gas, Consumer Organizations, and the BCUC have a role in ensuring the neutrality and content of the messages to the public? If not, why not?

Response:

Each market entity, or stakeholder, has a role to play in ensuring neutral and effective messaging to consumers about the Customer Choice program. As noted in Section 7.2.5.6, page 124 of the July 18, 2008 Application:

*"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."*⁷

While Terasen Gas is committed to ensuring that customers understand all their commodity supply options, the Company has no financial motive to influence customers to select either the default variable rate from Terasen Gas, or a fixed rate commodity contract from a gas marketer. Alternatively, gas marketers do have a clear underlying motive to sell their products, something that can set the objectives of gas marketers at odds with those of Terasen Gas, of the Commission, and of other stakeholders.

To date, the concerns voiced by marketers primarily relate to the following:

1. That an advertisement may damage their reputation – This occurred in fall 2007 when Terasen Gas ran radio messaging to clarify that Terasen Gas does not go door-to-door to secure sales. The commercial was pulled after Terasen Gas received and acted on gas marketer complaints that the messaging might harm the program over the long term.
2. Providing customers with clarity regarding the Company's default commodity rate – Ensuring customers understand the variable rate is consistent with the communication goals of the campaign. Only with a clear understanding of both fixed and variable rates can customers make an informed decision.

⁶ Terasen Gas Inc., Customer Choice Post Implementation Review Report and Application for Program Enhancements and Additional Customer Education Funding, 7.2.5.6, page 124.

⁷ Terasen Gas Inc., Customer Choice Post Implementation Review Report and Application for Program Enhancements and Additional Customer Education Funding, 7.2.5.6, page 124.



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Terasen Gas will seek comment from interested parties prior to future Customer Choice advertising production, and incorporate or adjust content as appropriate. Comments will be assessed in light of the campaign's stated communication goals and impact on long-term program success.

- (d) If a communication decision cannot be supported by either Marketers, Terasen Gas, Consumer Organizations, or the BCUC, should there be a formal resolution process to hear and resolve the issue? If so, what process would occur? If not, why not.

Response:

Terasen Gas is committed to working with gas marketers, consumer organizations and the BCUC to identify Customer Choice communications that are effective and mutually acceptable.

Terasen Gas will seek comments from interested parties before production begins. However, Terasen does not recommend the adoption of a formal resolution process. Comments will be assessed in light of the campaign's communication goals and impact on long-term program success. The Company will incorporate or adjust Customer Choice content as deemed appropriate and completed in such a manner that ensure the delivery of communications on a timely basis.

While Terasen Gas is committed to ensuring that customers understand all their commodity supply options, the Company has no financial motive to influence customers to select either the default variable rate from Terasen Gas, or a fixed rate commodity contract from a gas marketer. Alternatively, gas marketers have an underlying motive to sell their products.

Please also see response to Marketer Group IR 1.14(c).

The Company retains responsibility in the final selection of wording and creative direction. Consensus regarding messaging may not possible at all times given the number of parties involved. Nonetheless, Terasen Gas will address input that is consistent with the stated Customer Choice communication goals and furthers the development of a strong and functioning Customer Choice program.



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TGI-MG-15

Reference: Section 7.2.5.6 Stakeholder Input into Customer Education Campaign

Preamble: "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 ad, will be distributed for comment prior to placement."
Page 121

Request:

- (a) Why has Terasen Gas not allowed gas marketers to comment on the TV and radio advertising before it goes out?

Response:

Please see response to Marketer Group IR 1.14(a).

- (b) What would Terasen Gas do with comments provided by the gas marketers and the BCUC?

Response:

Please see response to Marketer Group IR 1.14(c).

- (c) What happens if there is disagreement?

Response:

Please see response to Marketer Group IR 1.14(d).



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TGI-MG-16

Reference: Section 7.2.7.10 System Codes & Efficiency- Electronic Access to Marketer Group ID

Preamble: "Terasen Gas does not agree that an automated marketer group set up process presents value at this time..." Page 131

Request:

(a) What specific reasons does Terasen Gas have to disagree?

Response:

The cost and complexity to develop an automated process to set up new Marketer Groups is considerable. Given the small number of requests to set up new Marketer Groups that needed to be processed after market open in May 2007, Terasen Gas does not believe this expenditure or effort represents value for money at this time.

(b) Can Terasen Gas explain why there is a \$150/MG charge per marketer group?

Response:

The charge per marketer group is one of four administrative fees gas marketers are required to pay when participating in the Customer Choice program. These fees, including the charge per marketer group, are designed to ensure that gas marketers pay for a portion of the costs incurred in operating and maintaining the Customer Choice program. These fees are consistent with the description of fees that was included on page 86 of the April 2006 Residential Unbundling Application and as approved by the BCUC in August 2006.