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September 24, 2008

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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")**

Reply Submissions of Terasen Gas

On July 18, 2008, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-113-08 setting out the Regulatory Timetable for the Application, Terasen Gas respectfully attaches its Reply Submissions.

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)

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF the *Utilities Commission Act*,
R.S.B.C. 1996, Chapter 473 (the “*Act*”)**

and

**An Application by Terasen Gas Inc.
Application for Customer Choice Program Enhancements and Additional
Customer Education Funding**

WRITTEN REPLY SUBMISSIONS OF

TERASEN GAS INC.

September 24, 2008

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REPLY SUBMISSIONS OF TERASEN GAS INC.

I. INTRODUCTION

1. The *Customer Choice Post Implementation Report and Application for Program Enhancements and Customer Education Funding* that Terasen Gas Inc. ("Terasen Gas") filed with the Commission on July 18, 2008 responds to the Commission's direction in Order No. C-6-06 to provide a final report about the implementation of the Commodity Unbundling service for residential customers in British Columbia (the "Final Report"). Terasen Gas respectfully submits that the Commission should approve the additional funding sought in this Application to implement a number of enhancements to the Customer Choice program.

II. OVERVIEW OF FINAL REPORT AND APPLICATION

2. The implementation of the Residential Phase of Commodity Unbundling through the Customer Choice program has been a qualified success. Customer Choice was implemented within the approved level of funding, delivered on time, and functions well. The business rules and the Essential Services Model that were designed and implemented in Commercial Unbundling Phase 1, has been a significant contributor to the success of the Unbundling program in British Columbia and serves as the foundation on which the 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. 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.

3. 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. The awareness level objectives achieved could not have been established without the use of television advertising. A print and radio advertising campaign will neither reach enough consumers, nor reach them often enough to build the awareness levels that were attained. Experience shows that any cessation of Customer Choice advertising is quickly followed by a rapid decline in program awareness levels. The long-term success of the Customer Choice program depends on a sustained customer education campaign.

The 2008 “Comfort Expert” creative package that was used to develop advertising after 2007 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 more broadly provides a link to Terasen Gas so that it can be used 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 the education program is delivered by the Company, and if there is a clear link between the Customer Choice program and Terasen Gas. Customers place considerable trust in Terasen Gas.

4. 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. Issues arising from the marketing and selling practices of gas marketers are the source of almost all disputes and complaints by customers relating to the Customer Choice program. These disputes and complaints are not caused by a deficiency in the Customer Education Plan. The original design of the Customer Education Plan appropriately assumed that such questionable sale practices by gas marketers would be addressed by the Commission as violations of the *Code of Conduct for Gas Marketers*. Terasen Gas refrained from using mass media to address this issue given the potential negative impact to the program as a whole. Terasen Gas submits that enforcement of the *Code of Conduct for Gas Marketers* is the most appropriate and effective means of reducing disputes and complaints arising from the business practices of gas marketers.

5. In the report, Terasen Gas also identified a number of enhancements that address requests made by both Commission staff and gas marketers that also improves the application used for enrollment processing and disputes handling. These enhancements will help participants to better manage their participation in the program. The specific items and funding levels for which Terasen Gas requests approval are:

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

6. In a letter dated September 8, 2008, Terasen Gas requested the Commission to provide approval for the enhancements grouped into releases one and two by October 1, 2008 and that reasons for the approval can be provided later with the Commission Decision for the Application. The total funding required to implement these two releases is \$874,300. Enhancement release one includes improvements to the dispute handling functionality in GEM, and release two includes additional disputes handling functionality as well as two critical system upgrades. These two upgrades include a replacement of the SQLite Database that is used for disputes processing, and testing of the Customer Choice systems to ensure that it can properly support the upgrade to the Energy CIS that is planned to be made in early October 2008. Approval for enhancement releases one and two by October 1, 2008 are required because they form the foundation for all other enhancements set out in the Application. Interveners did not challenge the proposed enhancements included in these two releases, or the level of funding requested.

III. REPLY TO WRITTEN SUBMISSION OF INTERVENORS

7. Neither BCOAPO, nor the Marketer Group, objected to the funding requested in this Application. Terasen Gas submits that the discreet issues raised by these intervenors relating to the enhancements recommended in the Application and to the Customer Education Plan for 2009-2011 do not justify changes to the Application.

a) Voice Contracting (7.2.5.1)

8. Terasen Gas submits that voice contracting should be considered for use. The concern raised by BCOAPO that there is inadequate consumer protection in place has merit; however, this concern can be addressed by amending the *Code of Conduct for Gas Marketers*. Terasen Gas agrees with the Marketer Group that a collaborative process that includes gas marketers, the Commission, other stakeholders like BCOAPO, and Terasen Gas is appropriate for determining the detailed requirements of a voice contracting process.

9. The time needed to complete this work will not allow for its introduction in January 2009. Additionally, as indicated in the responses to Marketer Group IR1.6 to 1.8, until the detailed requirements of a voice contracting process are determined, no Customer Choice system evaluation can be completed in order to determine if any enhancements are needed to support this new process. Depending on the type of process agreed to, system enhancements could be more complex and require a longer implementation time than would

be available in order to meet a January 1, 2009 implementation date. As a result, Terasen Gas submits that it is more appropriate to begin such a review in 2009 and identify an appropriate implementation date then, once the details of a voice contracting process are better understood.

b) Clarification of the 90-120 Day Renewal Rule (7.2.5.2; BCUC IR 1.9.2)

10. BCOAPO did not comment on the issue of the 90-120 Day Renewal Rule in its reply submission. The Marketer Group agreed that the change suggested by Terasen Gas was acceptable and would clarify the intent of Article 27. This change involves removing the “*no more than 120 days and*” from Article 27. Terasen Gas submits that this change should be approved.

11. The Marketer Group also suggested that a definition of "contract renewals" be included in the *Code of Conduct for Gas Marketers* as this would help explain the meaning of Article 27. Terasen Gas submits that the inclusion of a definition of renewal in the *Code of Conduct for Gas Marketers* is not required. Terasen Gas' proposed change to Article 27 would remove the ambiguity that is the real issue. Nevertheless, if the Commission determines to adopt a definition of "contract renewals" it should take the form of the definition proposed by Terasen Gas in its response to Marketer Group IR 1.12, which incorporates price as a factor in whether an offer is a renewal or a new contract. An offer that includes a substantial change from a contract facing expiry should be considered a new contract. As price is a key element of any offer, a significant price change included in any new offer compared to an expiring contract is sufficient for to be considered a new contract.

c) Contracts with Start Dates Greater Than One Year (7.2.5.2; BCUC IR 1.9.1)

12. BCOAPO did not comment on the issue of contracts with start dates greater than one year from the date of signing. The Marketer Group expressed the view that current legislation permits this to occur.

13. Terasen Gas submits that the development of a competitive market is best served if consumers are given the opportunity to contract well before the start date of a contract. As pointed out on pages 114-115 of the July 18, 2008 Application, contracting already faces a maximum limit in terms of the duration that a customer may be contracted for at any one time. This limit also ensures that a customer does not sign a contract with a significant period of time before it comes into effect. The *Code of Conduct for Gas Marketers* appears

to be sufficiently robust to able to address any consumer protection issue that such contracts may raise.

14. The Marketer Group suggested a change to Article 26 of the *Code of Conduct for Gas Marketers* in order to address what it sees as a shortfall in consumer protection if the sale of contracts with a start date greater than one year is allowed. Terasen Gas submits that the suggested change to Article 26 offers no additional consumer protection relating to this issue and is therefore unnecessary.

15. The Marketer Group proposes that notice be given to all other members of the Marketer Group in the event a customer is enrolled in a contract with a start date greater than one year from signing so they may provide a competing offer. Terasen Gas submits that this would be inappropriate. Providing such information raises concerns about consumer privacy.

d) Validation of the Five Year Rule in GEM (7.2.5.2; BCUC IR 1.9.2)

16. Terasen Gas disagrees with the Marketer Group's argument that Article 26 of the *Code of Conduct for Gas Marketers* is sufficiently clear for participants to fully understand the meaning of the Five Year Rule. If participants fully understood this rule, then logically no customer would have been enrolled thus far in the program for a contracted period greater than five years. In fact, a number of customers have been enrolled to date in contravention of the Five Year Rule. Terasen Gas submits that the changes to Article 26 it proposed in response to BCUC IR 1.9.2 are required. Further, Terasen Gas does not agree with the Marketer Group that customers should be allowed to be contracted for a period of time greater than five years just to facilitate a gas marketer's ability to contract a customer for the five year maximum term possible. While it's clearly in the interest of a gas marketer to bind a customer to the longest term possible, such contracts, or contracting process, may not be in the best interest of the consumer.

e) Operational Correction Drops ("Courtesy Drops") (7.2.5.3; BCUC IR 1.10.1)

17. The Marketer Group acknowledged the willingness of Terasen Gas to consider the implementation of an Operation Correction Drop code but did not specifically address Terasen Gas' reservations about its use.

18. Although Terasen Gas is prepared to implement an Operation Correction Drop code in recognition of the challenges gas marketers face in the efficient processing of enrollment requests, BCOAPO correctly observed that an Operation Correction Drop code might allow gas marketers to terminate contracts at their discretion after the contract is included in a final Marketer Supply Requirement. Rate payers would unfairly have additional costs imposed on them as a result of customers being forced to move unexpectedly back to the default offering of Terasen Gas. This mechanism could be misused by gas marketers in managing the enrollment handling process, mask violations of the *Code of Conduct for Gas Marketers*, or as a means to avoid paying legitimate dispute resolution fees.

19. Terasen Gas therefore submits that the use of this code should only be allowed provided that gas marketers use it in exceptional circumstances. No enrollment should be terminated after the end of the 10-day Contract Cancellation Period simply because gas marketers missed this deadline, to evade payment of the dispute resolution fee, or mask violations of the *Code of Conduct for Gas Marketers*. Importantly, no enrollment should be dropped by a gas marketer once the enrollment is included in a final Marketer Supply Requirement. Where the necessity to complete such a drop is identified, the dispute resolution process should to be used and the Commission asked to review the merits of the request.

20. The Marketer Group proposed definitions for "Operation Correction Drops" and "Courtesy Drops". Terasen Gas agrees that defining activities is of value but does not agree with the Operational Correction Drop or Courtesy Drop definitions suggested by the Marketer Group. Consistent with the description of the activities that should be included under an Operational Correction Drop that appear on page 115 of the July 18, 2008 Application, an Operational Correction Drop should be limited to the processing of enrollment terminations that may be made necessary as a result of such events as a potential delay in receiving Confirmation Letters, a system delay that prevented the timely processing of Contract Cancellation Requests at the end of the 10-day period, or an inability by some customers to cancel a contract during the Contract Cancellation period because they were ill. All such requests would be submitted using the established enrollment handling process and not by logging a dispute. Terasen Gas agrees with the Marketer Group that the use of this code should not necessarily attract payment of a fee, or be included in the calculation of complaint statistics.

21. In the view of Terasen Gas, the activities included as Courtesy Drops as described by the Marketer Group are already included in Cancellation Requests and therefore do not require a definition. Cancellation Requests that are logged using the dispute resolution process, is available to request the termination of a contract that a gas marketer has identified as a goodwill gesture and where the enrollment is already included in a final Marketer Supply Requirement.

f) Confirmation Letters (7.2.5.7)

22. BCOAPO indicated a continued concern regarding gas marketers advocating either the elimination or modification of significant portions of the Confirmation Letter. BCOAPO agrees with the position of Terasen Gas that Confirmation Letters provide an important support for consumer protection, that they are neutral, and that they provide consumers with the information needed should they wish to cancel their contract with a gas marketer. The Marketer Group did not provide comment on Confirmation Letters in its reply submission. Terasen Gas submits that Confirmation Letters provide an important element of consumer protection, that the current content and tone is appropriate, and that no changes to it should be made at this time.

g) Customer Education (4.8)

23. BCOAPO and the Marketer Group commented on a number of issues relating to the Customer Education Plan, the campaigns for 2007 and 2008, and the proposed plan for 2009-2011. In general, both interveners agree that a customer education campaign is needed at this stage in the development of the Customer Choice program, that Terasen Gas should lead in its delivery, and that the primary objectives includes raising the awareness levels of the program and the provision of information to customers. All parties agree that it is not appropriate for a customer education to be structured to reduce complaints or disputes; complaints and disputes are more appropriately addressed by enforcing the terms of the *Code of Conduct for Gas Marketers*.

24. The issues raised by BCOAPO and the Marketer Group centred around the role of stakeholders in the development and production of customer education advertising, including determination of which participants are responsible for bearing program costs; a desire by stakeholders to provide final approval for all customer education material, including a dispute resolution process where agreement can not be reached by

stakeholders; a review of the key elements of the content of the Customer Education Plan, including use of logos; and a desire for a formal date that the Customer Education Plan will end by, including a process for evaluating its success and determining new objectives for further campaigns. Terasen Gas submits, for the reasons discussed below, that the issues raised by BCOAPO and the Marketer Group do not justify changes to the Application.

The Role of Stakeholders

25. The Marketer Group indicated in its view, that the provision of information about Customer Choice to consumers is the joint responsibility of Terasen Gas and gas marketers. Terasen Gas submits that all stakeholders have a responsibility to ensure that consumers are provided with the right information that can be used to evaluate commodity choice alternatives and that all have a responsibility for ensuring that their interaction with consumers is responsible and meets the requirements of any consumer protection provisions. However, as Terasen Gas indicated in responses to BCUC IR 1.1.1 to 1.1.5 and 1.13.2, the role of gas marketers is significantly different from all other stakeholders. Gas marketers are not impartial participants in the Customer Choice program and have considerable incentive to engage in business practices that maximize their returns at the expense of the need to ensure consumers are properly protected. The business practices followed by a number of gas marketers since market open in May 2007 confirm that this concern is a significant issue. Terasen Gas submits that it would be inappropriate to expand the role of gas marketers in such a manner that provides them with the ability to stall customer education materials or change the content of the materials in favour of their interests.

Content Review and Dispute Resolution Process

26. BCOAPO indicated that, while it does not oppose consultation with stakeholders, it prefers research to drive changes to the Customer Education Plan. BCOAPO is also of the view that stakeholders were adequately consulted about the customer education material that was produced and that this material has been neutral. The Marketer Group advocates a much greater role for stakeholders in content review. It advocates, for instance, a process that would prevent customer education material under dispute from being released until a dispute resolution process had been undertaken and a decision reached on the content of materials.

27. Terasen Gas submits that the customer education communications to date have been neutral and informational in nature. As Terasen Gas indicated in the response to Marketer Group IR 1.14, there is value of a shared-review process and the Company will seek feedback from stakeholders before the production of any new material. However, stakeholders involvement must not be extended so as to impede the overall objectives of the education communication programs. The role of gas marketers is different from all other stakeholders as indicated earlier. Gas marketers are not impartial participants in the Customer Choice program and have considerable incentive to engage in business practices that maximize their returns at the expense of the need to ensure consumers are properly protected. Terasen Gas submits that the processes advocated by the Marketer Group would give gas marketers undue influence over the content of education materials.

28. The processes contemplated by the Marketer Group also unnecessarily restrict the flexibility of Terasen Gas to respond to changes that need to be made based on market research and because of other environmental factors like significant natural gas price spikes, or unforeseen market issues (i.e. marketer failure). While it is reasonable to present communication plans annually, these communication plans should be a guideline that is subject to change at the Company's discretion based on market research and other environmental factors. A more formal review process and dispute resolution process could cause lengthy delays in the approval of these communication plans to the detriment of consumers and the Customer Choice program.

29. Maintaining the flexibility to quickly modify aspects of a communications plan is critical to the effectiveness of customer education. Communication plans may need to change quickly as market research findings suggest it is required. The type of research played a vital role in shaping the Company's customer education efforts to date. In 2007, for example, the television advertising was pulled earlier than planned because many viewers had tired of seeing it. This finding motivated Terasen Gas to re-allocate a significant portion of the television budget to newspaper and radio advertising. Likewise, customer misconceptions that gas marketers may be Terasen Gas employees led the Company to quickly place radio advertising in fall 2007. Both activities improved the value of education expenditures, but both types of these changes would have been impossible to implement in a timely fashion if formal submissions and approvals were first required.

30. The Marketer Group refers on page 12 of its reply submission to two examples where it suggest a formal review process would have prevented the delivery of messages they do

not view as adhering to the key messages. These submissions should be rejected. First, the “Peach Cobbler” advertisement cited by the Marketer Group is not funded by the Customer Choice program. So even with a formal review process in place, this advertisement would not have come under gas marketer purview. The radio commercial was developed to address the Company’s underlying concern about bill insert effectiveness. Despite years of communications regarding delivery versus commodity using bill inserts, tracking research revealed negligible impact. Radio is a better medium to drive consumer awareness. It reaches more people, more frequently. After completing an internal review, and in response to concerns expressed by gas marketers, Terasen Gas decided to halt airing of this commercial. Terasen Gas is completing an internal review of other material in response to feedback by gas marketers to this commercial, including pending rate adjustment bill inserts, brochures, and www.terasengas.com to ensure that information contained in this material is factually correct and does not have the appearance of Customer Choice advertising.

31. The Marketer Group cited an instance where it believes the Customer Choice logo did not appear on marketing materials. This is simply incorrect. All Program related television and print advertisements to date have featured Customer Choice and Terasen Gas logos. This includes the commercial referenced by gas marketers (see Figure 1) below.



Figure 1: Comfort Experts Ad

32. The George Everton character speaking in the ad tells the audience, “We’ve also made it easy to choose the natural gas rate plan that’s most comfortable to you; a variable rate from Terasen Gas, or a fixed rate plan from an independent natural gas marketer.” The suggestion is that comfort comes from “choice,” and not the Terasen Gas variable rate. The use of the plaid slippers is only used to reinforce the verbal message conveyed that there are two different offers now available to consumers. Awareness of Customer Choice peaked while this commercial was airing.

33. From the Company’s perspective, the existing production process and the demonstrated receptiveness by Terasen Gas to feedback from gas marketers has worked well to date. This approach has helped to deliver a successful Customer Education Plan and serves as the foundation for the proposal for customer education for 2009-2011.

Key Elements of the Customer Education Plan

34. Although BCOAPO did not comment on the key elements of the Customer Education Plan in its reply submission, the Marketer Group indicated they agreed with all elements, with the exception that the Marketer Group does not believe that its appropriate for Terasen Gas to have a role in consumer protection.

35. As indicated earlier in this submission, Terasen Gas is of the view that all stakeholders have a responsibility to ensure that consumers are provided with the right information that can be used to evaluate commodity choice alternatives and that all have a responsibility for ensuring that their interaction with consumers is responsible and meets the requirements of any consumer protection provisions. This view forms the basis for helping consumers via the Customer Education Plan and ensuring that product preference is not negatively influenced by the business practices followed by some gas marketers.

36. Terasen Gas has a role in customer protection, something that the Company has consistently stated is critical since the start of the Commodity Unbundling Program in 2004. This role is a key element of the Essential Services Model that the program is based on. Terasen Gas would have strenuously opposed any business model without this feature when the initial phase of the Commodity Unbundling Program was implemented. Although the use of media like television or radio is not an appropriate way to minimize complaints and disputes, ensuring that customers know what to do should things go wrong is an

ongoing responsibility of the Company. Terasen Gas submits that it is important for the long-term success of Customer Choice that customers are knowledgeable about their rights and the methods available for recourse if they believe they have not been adequately protected. This involvement is demonstrated by the extensive information available through www.terasengas.com, the use of the Terasen Gas call centre, the mailing of the Confirmation Letter, and the Company's role in the development of the Standard Information Booklet. Equally, Terasen Gas needs to continue to publish information about what to do and who to call should a customer have a problem with their gas supply contract. Ensuring that customers can access the information easily is important and it has appropriately been a responsibility of Terasen Gas since the program launched. This approach does not however extend to the enforcement of consumer protection, something Terasen Gas agrees is the responsibility of the Commission and the Business Practices & Consumer Protection Authority of British Columbia.

Customer Education Plan End Date

37. BCOAPO supports the proposed Customer Education Plan for 2009-2011. The Marketer Group also indicated support for an education campaign over the next year. Terasen Gas submits that approval of a three year Customer Education Plan as proposed in its July 18, 2008 Application provides the best certainty on which customer education can be delivered effectively. This duration provides the necessary time needed to properly plan the required customer education elements, to deliver them, and to make any adjustments as circumstances change. It also allows for the proper evaluation of the effectiveness of customer education and development of a new Customer Education Plan for the period after 2011. Although many other jurisdictions limited customer education to three to five years, it is not clear to Terasen Gas that such a limitation will necessarily serve customers in British Columbia well. Results to date suggest that several more years of customer education are needed to shift the majority of natural gas consumers from program awareness to program knowledge. After this has been achieved it may be possible to scale back customer education efforts, although Terasen Gas does not think it likely. Terasen Gas believes that any decision to scale back should be based on research using appropriate measurement techniques using a market research specialist.

h) Other Issues – Timing of Technical Workshop

38. BCOAPO did not provide comment on the timing of a technical workshop in its reply submission. The Marketer Group however questioned why such a workshop needed to wait until the next annual meeting. Terasen Gas submits that a technical workshop is better held during the next annual meeting because the number of enhancements that are planned for implementation over the next six to nine months are considerable and that the changes to the program they bring should also be reviewed in such a technical workshop. As a result of the timing of when these enhancements will be implemented, a workshop held in conjunction with the next annual meeting will likely provide greater value than one held in the fall of this year.

i) Other Issues – Process for Updating the Market Pricing Depository

39. BCOAPO did not provide comment on the process for updating the Market Pricing Depository in its reply submission. The Marketer Group however indicated that it noted the flexibility of Terasen Gas in this regard and supported this continued practice. Terasen Gas remains of the view that this approach serves all participants well and that no change to this process is required.

j) Other Issues – Gas Marketer Self-Regulation

40. BCOAPO did not provide comment on the issue of gas marketer self-regulation in its reply submission. The Marketer Group however indicated that while self-regulating associations can develop over time it believes that an informal association works effectively today and that this approach should not change at this time. Terasen Gas supports this view and does not believe a more formal form of self-regulation is required at this time. The Company however, also believes that the Commission continues to have a critical role to play in the oversight of gas marketers participating in the Customer Choice program and does not recommend any reduction in this responsibility.

k) Other Issues – Customer Choice Program Costs

41. Although BCOAPO provided comment in its reply submission on the treatment of customer education costs suggesting that gas marketers should pay for a portion or all customer education costs, it did not provide direct comment on the issue of the treatment of overall program cost. The Marketer Group indicated it supported the position of Terasen

Gas that program costs should be recovered from customers eligible to participate in the program as well as from gas marketers but did not address the specific issue of whether or not they should pay for some or all customer education costs.

42. Terasen Gas submits that customer education cost should continue to be recovered almost wholly from customers given that the purpose of this expenditure is to increase the awareness of the program and provide information. The purpose of customer education is not to sell a particular product or guide a customer through a purchase decision, something that is the responsibility of gas marketers. This treatment of these costs helps to ensure that gas marketers are not placed in a position where they can exercise inappropriate influence on customer education messaging.

IV. CONCLUSION

43. Terasen Gas respectfully submits that its Application of July 18, 2008 should be approved as requested.

All of which is respectfully submitted.

TERASEN GAS INC.

Original signed:

Tom A. Loski
Chief Regulatory Officer