



Tom A. Loski
Chief Regulatory Officer

16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 592-7464
Cell: (604) 250-2722
Fax: (604) 576-7074
Email: tom.loski@terasengas.com
www.terasengas.com

September 11, 2009

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")
2010 and 2011 Revenue Requirements and Delivery Rates Application**

**Response to the British Columbia Utilities Commission ("BCUC" or the
"Commission") Supplemental Information Request ("IR") No. 2**

On June 15, 2009, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-89-09 setting out the Regulatory Timetable for the Application, Terasen Gas respectfully submits the attached response to BCUC Supplemental IR No. 2.

If there are any questions regarding the attached, please contact the undersigned.

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachment

cc (e-mail only): Registered Parties



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 1

137.0 Reference: Head Count History

Exhibit B-4-2, BCUC 1.81.0

Exhibit B-1, Part III, Appendix F-2

Exhibit B-1, Part III. Section C, Table 3, p. 247

Headcount Growth

The following was prepared by Commission staff to show the change in TGI's employee headcount from 2003, based on responses provided in BCUC 1.81.1 and 1.81.2.

	2003	2004	2005	2006	2007	2008	P2009	F2010	F2011
Total Headcount	1,197	1,121	1,104	1,083	1,114	1,155	1,271	1,326	1,342
% change		-6.3%	-1.5%	-1.9%	2.9%	3.7%	10.0%	4.3%	1.2%

On page 147 of the Application, TGI states that "the total number of FTE employees was relatively flat ...(2004-2007)...the upward trend from 2007-2008 recognizes actions taken to manage the demographic risks and the nature of the changing business environment."

137.1 Please explain why the average change in total headcount between 2003-2008 is -0.6 percent while a significant increase is noted in 2009 of 10 percent? Please explain why TGI's "actions to manage the demographic risks and the nature of the changing business environment" could not be duplicated in 2009?

Response:

Actions taken to manage the changing nature of the business environment in 2009 are explained in detail in the responses to BCUC IRs 1.86.1 – 1.86.4 with reference to increases in the number of FTE employees for the same period. These changes could not be effectively managed with 2008 staffing levels.

The increase in TGI projected headcount for 2009 can be attributed in large part to the following departments: Marketing & Business Development, Business & IT Services, and Human Resources & Operational Governance.

Increased headcount in Marketing & Business Development was addressed in TGI's response to BCUC 1.86.3. Additional positions were added in 2009 as a result of BCUC Order No. G-36-09 for approved EEC programs (note that all EEC staff costs are capitalized as per Order No. G-36-09).

Increased headcount in Business & IT Services was addressed in TGI's response to BCUC 1.86.2. The overall increase in headcount can be attributed to the need to address past vacancy



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 2

challenges and to hire net new staff to meet existing and future strategic business objectives in the areas of Business Intelligence, and Operations Engineering.

The increased headcount in the Human Resources & Operational Governance can be attributed to an increase in temporary employees. Human Resources manages a group of temporary employees (typically called Relief Clerks) who are placed on assignments within the company for temporary periods due to vacations, leaves of absence, workload and seasonal projects.

Headcount for temporary Employees	
2008 (as at December 31, 2008)	38
2009 (as at July 15, 2009)	78

Relief clerk wages and FTE are accounted for within the receiving departments, but their headcount is captured in HR. This is also explained in the response to BCUC IR 2.107.1 and is similarly reflected in Appendix F2, page 2 of the Application where total FTE for HROG between 2008-2009 (not including Relief Clerks) is shown to have decreased by 11 or 13%.

Another explanation for the general increase in headcount for 2009 can be explained by how the headcount data has been collected. For example, the headcount figures reported as at December 31, 2008 reflect all active employees on that date. In calculating the proposed headcount for 2009, we have captured all active employees as of July 15, 2009, and then added the number of vacancies expected to be filled by year-end. A position that was vacant on December 31, 2008 would not have been included in the reported figures for 2008, but if filled in the first half of 2009 would add incremental headcount for 2009. For reference, 82 employees were hired externally in the first half of 2009.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 3

138.0 Reference: Organizational Chart by Department

Exhibit B-4-2, BCUC 1.82.0

Human Resources & Operations Governance

138.1 Under the Human Resources & Operations Governance organizational chart, please describe the difference in job duties for the "Training Manager", "the Learning and Development Specialist", and the "Competency Manager." Please be specific in describing how each position is necessary, adds value, and is not a duplication of responsibilities.

Response:

The positions identified above serve distinct functions. They are critical to maintaining the quality of our field training, the need to link training to specific competencies, and our commitment to providing enhanced management and leadership training.

Training Manager:

- The Training Manager is responsible for the development and delivery of training, with a primary focus on field related training. The Training Manager supervises the Instructors, Training Coordinator, Training Assistant and Instructional Designers. This position is also responsible for maintaining the training shops (PE fusion, welding and customer service). The Training Manager works closely with Distribution and Transmission operating departments to develop annual training plans and ensures that training is delivered to meet code and regulatory requirements, provide safe delivery of service to customers, and meet the needs of the business.
- The Training Manager is necessary for managing the various processes and resources required for the development and delivery of internal training. Training required for our field workforce is specific to our industry, and the Training Manager leads a department that develops and delivers this specialized training utilizing primarily internal resources.

Learning and Development Specialist:

- The Learning and Development Specialist is responsible for working with various client groups to determine the training requirements related to management and other non-field related mandatory training (Preventing Violence in the Workplace, Manager Boot Camp, Gas Industry Awareness). The Learning and Development Specialist



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 4

coordinates external resources to deliver training based on the requirements of various departments to meet the needs of customers and respond to changing needs of the business, including compliance with new policies. This position also coordinates the Manager in Training (MIT) program and Engineer in Training (EIT) program.

- The Learning and Development Specialist continues to be necessary for coordinating our formal management development programs (EIT and MIT) and ensuring that we identify the development requirements for our Management and Exempt employees and implement plans for meeting these requirements. Much of the training for this group of employees is developed and delivered externally and this position coordinates the necessary external resources. Investment in employee development is a key component of our strategy to retain, attract and motivate employees. The EIT and MIT programs are an essential part of our recruitment strategy. These programs provide an excellent development opportunity for new employees, which in turn results in qualified and engaged employees to meet the future needs of our company.

Competency Manager:

- This new position is required to oversee the competency management process to ensure that we demonstrate compliance with the new regulatory requirements in CSA Z662 related to our Asset Integrity Management Program. The focus for this position is developing assessment criteria for the required competencies, managing the employee assessment process, and ensuring the integrity of all competency related data. This position also manages the implementation, upgrades and enhancements for any IT tools (including SAP and FileNet) supporting competency management. For example, an output of the competency management process could be the requirement to provide training to an employee that has not met all the competency requirements for a specific task. In this example, the Competency Manager is responsible for identifying the specific need for training to fill a competency deficiency, while the Training Manager is responsible for the development and delivery of the required training to fill the competency deficiency.

Our investment in Training and Development will assist in mitigating knowledge loss related to our significant retirement risk and is a key element of the Human Resources strategic focus on retaining, attracting, and motivating employees.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 5

139.0 Reference: Organizational Chart by Department

Exhibit B-4-2, BCUC 1.82.0

Exhibit B-4, BCUC 1.33.2

Marketing & Business Development

139.1 The detailed organizational charts filed by TGI indicate that there has been a significant structural change in the Marketing and Business Development department, particularly in the area of Resource Planning and Energy Efficiency. Please identify how many of these positions are designed specifically for the Alternative Energy Solutions (AES) business segment. Will these employees be cross trained in TGI's core business of gas delivery? If so, how does TGI plan to distinguish the cost of service for gas delivery and for AES given that "each customer or group of customers for a particular alternative energy project will have as separate cost of service, rate and...rate category" as indicated in BCUC 1.33.2.

Response:

No positions are designed solely for the Alternative Energy Solutions business segment. As noted in the responses to BCUC IR 1.72.2 and 1.94.2.3, these staff will work with customers from an account management, sales and market development standpoint. They will be providing energy solutions which primarily involve natural gas, but will also provide alternative energy solutions where that solution is the right energy use for the proposed project. As TGI develops more of these projects and tracks costs associated with the developing alternative energy projects, as opposed to natural gas projects, it will be in a position to allocate sales and development costs for future revenue requirements and alternative energy projects.

While marketing and sales costs are pooled, and as noted in the response to BCUC IR 1.21.1, once a customer has signed an agreement all costs from that point forward would be allocated directly and would be capitalized as per IFRS and accounted for within the rate the customers will pay for service. This is also noted in response to BCUC IR 1.72.2 TGI as follows:

"However, as noted in response to BCUC IR 1.19.1, and on page 267 of the Application, TGI believes it is important to allocate a portion of overhead costs, including Marketing related costs, to the customers who would receive alternative energy solutions. As part of the economic tests for the alternative energy solutions including biogas, DES, solar and geo, customers will be allocated a fair portion of these costs and as the alternative energy business grows and more customers are added, the overall share of these costs allocated to AES customers will grow accordingly. As discussed in BCUC IR 1.20.1 the costs



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 6

included in the economic tests for AES customer will include an overhead allowance, similar to the overhead allowance included in TGI's main extension test, so that AES rates will recover more than the direct costs of the particular project only."

The following table was prepared by Commission staff based on data supplied by TGI in BCUC 1.82.1 and 1.82.2. (for comparative purposes, the President and Executive Assistant was exempt from the total headcount as was done in the past).

Dept.	2006	2007	%	2008	%	% change		2011	Incremental % change
						2010	from 2006		
HR&OG	97	86	-11.3%	100	16.3%	137	37.0%	138	0.7%
BS&IT	260	307	18.1%	317	3.3%	373	17.7%	381	2.1%
Distribution	463	492	6.3%	510	3.7%	514	0.8%	517	0.6%
Reg Affairs & Finance	55	64	16.4%	66	3.1%	75	13.6%	75	0.0%
Mktg & Bus Development	77	84	9.1%	80	-4.8%	134	67.5%	138	3.0%
Gas Supply & Transmission	131	81	-38.2%	82	1.2%	91	11.0%	91	0.0%
TOTAL	1,083	1,114	2.9%	1,155	3.7%	1,324	14.6%	1,340	1.2%

139.2 In the proposed 2010 organizational chart, the majority of the increase in headcount appears to be the Marketing and Business Development and Human Resource & Operations Governance departments. Would the increase in these departments likely be as high if the Alternative Energy Solutions proposal in the Application was not approved or partially approved?

Response:

No. TGI believes that, while the majority of the headcount for the Marketing department are required in order to meet customer needs regardless of whether or not the customer seeks natural gas or alternative energy, there may be some staff that are not required if TGI does not provide any alternative solutions. However, as noted in response to BCUC IR 1.94.2.3, customers still expect additional contact time to learn and understand various energy options. Even if TGI were not in a position to offer alternative energy solutions, the Company believes that it will still require additional time with customers to convince them of the benefits of natural gas without any option for alternative energy or in combination with alternative energy solutions.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 7

For Human Resources & Operational Governance the increase in headcount can be attributed to the increase in temporary employees. Human Resources manages temporary employees that are placed on assignments within the company for temporary coverage due to vacations, leave of absences, workload and seasonal projects. The staffing numbers in this area are not impacted by TGI's proposals with respect to alternative energy solutions.

139.3 There appears to be fluctuating number of employees in the Gas Supply and Transmission department. Please discuss this trend including the changes in the business environment over the last 4 years.

Response:

In the table presented in TGI's response to BCUC IR 1.81.1 the total headcount given for the Gas Supply and Transmission department ("GS&T") is 131. This headcount included the Measurement department, which in 2006 was part of GS&T. After removing Measurement's 50 employees, the total for GS&T for 2006 becomes 81, making the headcount between 2006 and 2008 essentially flat.

	2006	2007	2008	2009
Headcount	81	81	82	90

Please see TGI's response to BCUC IR 1.86.4 for an explanation of the increase in headcount from 2008 to 2009.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 8

140.0 Reference: Organizational Chart by Department

Exhibit B-4-2, BCUC 1.74.1 and BCUC 1.81.1-1.81.2

Headcount and FTE Location

140.1 Provide a breakdown of the number of FTEs by location (Lower Mainland, Interior) for each of the functional areas (Distribution, Finance & Regulatory Affairs) in BCUC 1.74.1.

Response:

The table below provides a breakdown of FTEs by location (Lower Mainland, Interior, Vancouver Island) and functional area for the years 2006-2011. It is important to note that these calculations include dependent contractors and are based on average actual FTE for the years 2006-2008, forecast FTE for 2009, and average budgeted FTE for 2010-2011. FTE totals for each year match the response to BCUC IR1.74.1.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 9

IR 140.1 - FTE by Geographical Location

	2006				2007				2008			
	Interior	Lower Mainland	Island	Fin. FTE	Interior	Lower Mainland	Island	Fin. FTE	Interior	Lower Mainland	Island	Fin. FTE
Gas Supply and Transmission	24	56		80	25	56		81	25	55		80
Marketing	3	72		75	4	76		80	4	77		80
Business and Information Technology Services	28	264	1	293	30	270	1	300	33	277	1	311
Human Resources and Operations Governance		85		85		84		84		87		87
Finance and Regulatory Affairs		59		59		58		58		63		63
President and CEO Office		2		2		2		2		2		2
Distribution	145	344	2	491	150	352	1	504	154	370	2	526
Grand Total	200	883	3	1085	209	898	2	1109	216	931	3	1149
	2009				2010				2011			
	Interior	Lower Mainland	Island	Fin. FTE	Interior	Lower Mainland	Island	Fin. FTE	Interior	Lower Mainland	Island	Fin. FTE
Gas Supply and Transmission	15	75	0	90	15	81	0	96	15	81	0	96
Marketing	5	105	2	112	5	120	2	127	5	124	2	131
Business and Information Technology Services	39	314	3	356	39	327	3	370	39	334	3	377
Human Resources and Operations Governance	0	77	0	77	0	85	0	85	0	88	0	88
Finance and Regulatory Affairs	0	68	0	68	0	67	0	67	0	67	0	67
President and CEO Office		2		2		2		2		2		2
Distribution	161	381	2	544	168	405	2	575	168	408	2	578
Grand Total	220	1022	7	1249	227	1087	7	1321	227	1104	7	1338



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	Submission Date: September 11, 2009
Response to British Columbia Utilities Commission ("BCUC" or the "Commission") Supplemental Information Request ("IR") No. 2	Page 10

140.2 Provide a breakdown of the headcount by location (Lower Mainland, Interior) for each of the functional areas (Distribution, Finance & Regulatory Affairs) in BCUC 1.81.1/1.81.2.

Response:

Please refer to Attachment 140.2.

Attachment 140.2

2003					2004				
	COPE	IBEW	M&E	Total		COPE	IBEW	M&E	Total
Distribution					Distribution				
Interior	28	135	27	190	Interior	25	135	21	181
Lower Mainland	243	266	87	596	Lower Mainland	153	254	42	449
Vancouver Island					Vancouver Island			1	1
Total	271	401	114	786	Total	178	389	64	631
Finance, Reg Affairs					Finance, Reg Affairs				
Interior					Interior				
Lower Mainland	31		16	47	Lower Mainland	34		23	57
Vancouver Island					Vancouver Island				
Total	31		16	47	Total	34		23	57
Business & IT Services					Business & IT Services				
Interior	2			2	Interior	2			2
Lower Mainland	19	4	29	52	Lower Mainland	34	3	27	64
Vancouver Island					Vancouver Island				
Total	21	4	29	54	Total	36	3	27	66
HR & Operations Governance					HR & Operations Governance				
Interior					Interior	1		1	2
Lower Mainland	43	9	38	90	Lower Mainland	138	8	57	203
Vancouver Island					Vancouver Island			1	1
Total	43	9	38	90	Total	139	8	59	206
Marketing					Marketing				
Interior		1		1	Interior		1	3	4
Lower Mainland	31		20	51	Lower Mainland	27		34	61
Vancouver Island					Vancouver Island				
Total	31	1	20	52	Total	27	1	37	65
Gas Supply & Transmission					Gas Supply & Transmission				
Interior	5	17	5	27	Interior	3	15	3	21
Lower Mainland	27	17	32	76	Lower Mainland	26	20	28	74
Vancouver Island					Vancouver Island			1	1
Total	32	34	37	103	Total	29	35	32	96
President					President				
Interior	1		1	2					
Lower Mainland	2		61	63					
Vancouver Island									
Total	3		62	65					
Grand Total	432	449	316	1197	Grand Total	443	436	242	1121

2005					2006				
	COPE	IBEW	M&E	Total		COPE	IBEW	M&E	Total
Distribution					Distribution				
Interior	19	115	18	152	Interior	18	110	19	147
Lower Mainland	127	170	37	334	Lower Mainland	130	151	34	315
Vancouver Island			1	1	Vancouver Island			1	1
Total	146	285	56	487	Total	148	261	54	463
Finance, Reg Affairs					Finance, Reg Affairs				
Interior					Interior				
Lower Mainland	30		21	51	Lower Mainland	30		25	55
Vancouver Island					Vancouver Island				
Total	30		21	51	Total	30		25	55
Business & IT Services					Business & IT Services				
Interior	2		1	3	Interior	2	1	1	4
Lower Mainland	137	71	54	262	Lower Mainland	134	68	53	255
Vancouver Island			1	1	Vancouver Island			1	1
Total	139	71	56	266	Total	136	69	55	260
HR & Operations Governance					HR & Operations Governance				
Interior					Interior				
Lower Mainland	48	9	42	99	Lower Mainland	45	5	47	97
Vancouver Island					Vancouver Island				
Total	48	9	42	99	Total	45	5	47	97
Marketing					Marketing				
Interior		1	3	4	Interior			3	3
Lower Mainland	21		39	60	Lower Mainland	30		44	74
Vancouver Island			1	1	Vancouver Island				
Total	21	1	43	65	Total	30		47	77
Gas Supply & Transmission					Gas Supply & Transmission				
Interior	10	36	7	53	Interior	10	35	5	50
Lower Mainland	42	18	23	83	Lower Mainland	46	13	22	81
Vancouver Island					Vancouver Island				
Total	52	54	30	136	Total	56	48	27	131
Grand Total	436	420	248	1104	Grand Total	445	383	255	1083

2007					2008				
	COPE	IBEW	M&E	Total		COPE	IBEW	M&E	Total
Distribution					Distribution				
Interior	17	118	17	152	Interior	14	128	18	160
Lower Mainland	131	168	39	338	Lower Mainland	128	180	40	348
Vancouver Island			2	2	Vancouver Island			2	2
Total	148	286	58	492	Total	142	308	60	510
Finance, Reg Affairs					Finance, Reg Affairs				
Interior					Interior				
Lower Mainland	38		26	64	Lower Mainland	38		28	66
Vancouver Island					Vancouver Island				
Total	38		26	64	Total	38		28	66
Business & IT Services					Business & IT Services				
Interior	9	18	3	30	Interior	12	16	4	32
Lower Mainland	153	64	59	276	Lower Mainland	155	63	65	283
Vancouver Island			1	1	Vancouver Island			2	2
Total	162	82	63	307	Total	167	79	71	317
HR & Operations Governance					HR & Operations Governance				
Interior					Interior				
Lower Mainland	38	8	40	86	Lower Mainland	42	6	52	100
Vancouver Island					Vancouver Island				
Total	38	8	40	86	Total	42	6	52	100
Marketing					Marketing				
Interior	1		3	4	Interior	1		4	5
Lower Mainland	33		47	80	Lower Mainland	29		46	75
Vancouver Island					Vancouver Island				
Total	34		50	84	Total	30		50	80
Gas Supply & Transmission					Gas Supply & Transmission				
Interior	4	17	4	25	Interior	5	17	3	25
Lower Mainland	19	15	22	56	Lower Mainland	18	15	24	57
Vancouver Island					Vancouver Island				
Total	23	32	26	81	Total	23	32	27	82
Grand Total	443	408	263	1114	Grand Total	442	425	288	1155

Projected Headcount by Geography (2009 - 2011)

Headcount	Geographic Location	2009				2010				2011			
		COPE	IBEW	M&E	Grand Total	COPE	IBEW	M&E	Grand Total	COPE	IBEW	M&E	Grand Total
Business & IT Services	Interior	12	16	4	32	12	16	4	32	12	16	4	32
	Island			2	2			2	2			2	2
	Lower Mainland	173	74	75	322	185	74	80	339	192	74	81	347
Business & IT Services Total					356				373				381
Distribution	Interior	14	124	18	156	14	124	18	156	14	124	18	156
	Island			2	2			2	2			2	2
	Lower Mainland	133	168	46	347	141	168	47	356	143	168	48	359
Distribution Total					505				514				517
Finance, Reg Affairs, & Pres	Lower Mainland	39		30	69	40		35	75	40		35	75
Finance, Reg Affairs, & Pres Total					69				75				75
Gas Supply & Transmission	Interior	5	17	3	25	5	17	3	25	5	17	3	25
	Lower Mainland	21	18	23	62	22	19	25	66	22	19	25	66
Gas Supply & Transmission Total					87				91				91
HR & Operations Governance	Lower Mainland	67	6	62	135	67	6	64	137	67	6	65	138
HR & Operations Governance Total					135				137				138
Marketing	Interior	1		4	5	1		4	5	1		4	5
	Island			2	2			2	2			2	2
	Lower Mainland	37		73	110	41		86	127	41		90	131
Marketing Total					117				134				138
President	Lower Mainland			2	2			2	2			2	2
Grand Total					1271				1326				1342

Marketing - 2 Island EE's in 2009 (Bob Anderson, Cathi Gagne)