



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

November 20, 2009

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

Access Gas Services Inc.
Suite #1- 730 Eaton Way
Delta, BC
V3M 6J9

Attention: Mr. Tom Dixon, Vice President

Dear Mr. Dixon:

**Re: Customer Choice – 2009 Program Summary and Recommendations (the
“Application”)
Response to the Access Gas Services Inc. (“AGS”) Information Request (“IR”)
No. 1**

On October 16, 2009, Terasen Gas Inc. (“Terasen Gas”) filed the Application as referenced above. In accordance with British Columbia Utilities Commission Order No. G-126-09 setting out the Regulatory Timetable for the Application, Terasen Gas respectfully submits the attached response to AGS IR No. 1.

If there are any questions regarding the attached, please contact Scott Webb at 604-592-7871.

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachments

cc (email only): Registered Parties



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application	Submission Date: November 20, 2009
Response to Access Gas Services Inc. ("AGS") Information Request ("IR") No. 1	Page 1

1) Reference: Exhibit B-1, pp. 39-44, Appendix E

- a. How does Terasen Gas Inc. manage a cut in the evening cycle from one of its suppliers that is not a Gas Marketer participating in the Customer Choice Program ("Other Suppliers")?

Response:

In response to this series of questions (A through G), it should be noted first and foremost that Gas Marketers under the ESM model are not comparable to the Other Suppliers that TGI contracts with for gas supply. The rules of the ESM model are designed specifically for Gas Marketers who operate in the Customer Choice Program whereas TGI is responsible for managing the commodity supply for those customers who do not choose to participate in the Customer Choice Program. Therefore, as a regulated utility, TGI's contracting for commodity with Other Suppliers is outside of the scope of the Customer Choice Program. The rules of the Customer Choice Program were developed for Gas Marketers with direct involvement by several Gas Marketers at the inception of both the Commercial and Residential programs which were subsequently approved by the Commission.

In order to maintain the integrity of the TGI system, these rules require Gas Marketers to adhere to certain standards that reduce uncertainty associated with the supply of gas, especially on the intraday, which has a negative operational effect on all customers while increasing costs for all customers

Any supply cut situation, be it from a Gas Marketer or any Other Supplier, will result in the same negative operational effects to the system. Supply cuts that occur in the intraday have the potential to become operationally critical and financially costly even if the cut is rectified and the full amount delivered on the same gas day. Depending upon the severity of the cut and the size of the load prior to the cut being rectified, TGI may need to prepare to procure alternate sources for gas supply in advance, mainly from its various storage facilities, in the event that the supply cut remains unresolved during the intraday cycles. Considerations include operational risks related to the availability of intraday firm transport and pipeline operating business rules (such as Elapsed Prorated Scheduled Quantity or "EPSQ") related to nominating for gas as each cycle passes. (EPSQ refers to the portion of the scheduled quantity that would have theoretically flowed up to the effective time of the intraday nomination being confirmed, based on a cumulative uniform hourly quantity for each nomination period affected.) Management of supply cuts become more critical as each cycle passes because TGI loses access to its firm transportation rights on the third party pipelines, such as Spectra, that deliver gas into the TGI system. If the supply cut is rectified, TGI may have to reduce storage withdrawals which in turn may be subject to similar pipeline and storage operational limitations. Furthermore, this situation results in increased workload and administration for TGI's Midstream group due to the uncertainty associated with not receiving planned supply within the specified intraday cycles. It



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application	Submission Date: November 20, 2009
Response to Access Gas Services Inc. ("AGS") Information Request ("IR") No. 1	Page 2

is largely for this reason that the current timeline of matching supply by the evening cycle for all Gas Marketers before punitive measures are implemented is currently an operating standard within the ESM model.

TGI is responsible for managing and mitigating the performance of its Other Suppliers as part of its overall portfolio just as the Gas Marketers are responsible for managing the performance of their suppliers. Cost recovery may be sought from Other Suppliers if it is deemed that in spite of the intraday supply cuts getting resolved, the severity of the situation still resulted in significant incremental costs to TGI that could have been avoided if such supply had been matched up the day before by the Evening Cycle. If an Other Supplier's delinquent behaviour is deemed to be occurring on a frequent basis, then TGI has the option, as a punitive measure, to not do any future business with such a supplier. However, it cannot do the same with Gas Marketers that cause these operational uncertainties on TGI's system as they operate within a specified framework of the Customer Choice Program. Therefore, in order to avoid these situations with its Other Suppliers, TGI contracts with operationally reliable and financially worthy counterparties with whom it has developed strong relationships. These Other Suppliers in turn greatly value their long standing alliance with TGI as a utility with a large and diverse customer base backed by solid financial and operational performance year over year. As a result, TGI encounters very few situations in which such supply issues are not resolved on nomination cycles prior to the intraday cycles.

Rate Schedule 36 is the contract between Gas Marketers and TGI for the Customer Choice Program. Its terms and conditions are designed specifically for Gas Marketers and are therefore part and parcel of having such a program in place in the BC marketplace. TGI's contracts with its Other Suppliers are outside of this rate offering and are in place to allow TGI to fulfill the requirements of customers who do not choose to participate in the program. The contract terms within Rate Schedule 36 ensures the performance of Gas Marketers to adhere to a set of standards and therefore punitive measures are prescribed as part of this program when these measures are violated. Other Suppliers provide commodity to TGI for the purpose of meeting the requirements of customers that do not participate in the Customer Choice Program and therefore are not subject to the rules of this program. Ultimately TGI has the ability not to deal with the Other Suppliers if their supply performance is not reliable. This is not the case with the Gas Marketers who provide supply under Rate Schedule 36.

- b. What specific actions does TGI take in the event a cut from one of the Other Suppliers is rectified in the ID1 and/or ID2 cycles and the full amount of nominated gas is delivered on that same Gas Day?



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application	Submission Date: November 20, 2009
Response to Access Gas Services Inc. ("AGS") Information Request ("IR") No. 1	Page 3

Response:

Please see the response to Question A.

- c. Does TGI have a penalty mechanism with any of its Other Suppliers if a gas supply cut in the evening cycle subsequently shows up in the ID1 and/or ID2 cycles and the full amount of nominated gas is delivered on that same Gas Day? If so, please provide full detail. If not, why not?

Response:

Please see the response to Question A.

- d. Does TGI itself pay any penalty to core customers (or otherwise) if one of the Other Suppliers cuts TGI in the evening cycle and the cut is rectified in the ID1 and/or ID2 cycles and the full amount of nominated gas is delivered on that same Gas Day? If so, please provide full detail.

Response:

No, TGI does not pay any penalty to core customers. TGI is clearly not acting as a Gas Marketer and therefore is not subject to the rules of the Customer Choice Program. However, TGI continues to provide commodity to customers who have chosen not to participate in the Customer Choice Program. Furthermore, TGI as the Provider of Last Resort has the responsibility to supply gas to all customers including Gas Marketers' customers in the case of failure by such Gas Marketers to supply gas into TGI's system on any gas day.

As answered in the previous questions, the rules are not comparable since the Other Suppliers to TGI and the Gas Marketers operate under two different frameworks.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application	Submission Date: November 20, 2009
Response to Access Gas Services Inc. ("AGS") Information Request ("IR") No. 1	Page 4

- e. Should Gas Marketers participating in the Customer Choice Program and TGI's Other Suppliers be treated equally when it comes to cuts in the evening cycle that are rectified in the ID1 and/or ID2 cycles and the full amount of nominated gas is delivered on that same Gas Day? If no, please provide reasoning.

Response:

No. The rules are not comparable since the Other Suppliers to TGI and Gas Marketers do not operate in the same framework.

Please also see the response to Question A.

- f. How can Marketers verify that TGI is treating Gas Marketers and its Others Suppliers equally when it comes to cuts in the evening cycle that are rectified in the ID1 and/or ID2 cycles and the full amount of nominated gas is delivered on that same Gas Day?

Response:

Firstly, TGI responds in the same manner to every supply cut by contacting the appropriate party whether it is a Gas Marketer or Other Supplier after it receives notification of a cut from a pipeline's gas scheduling report which is run at the end of each cycle. As discussed in the response to Question A, all supply cuts, irrespective of party, can have a detrimental effect on TGI's system if not resolved as quickly as possible.

Secondly, as discussed in the previous responses, the rules of the ESM model are designed specifically for Gas Marketers who operate in the Customer Choice Program whereas TGI is responsible for managing the commodity supply for those customers who do not choose to participate in the Customer Choice Program. As such, the penalty charges, when applicable, are not the same for Other Suppliers compared to Gas Marketers as the two do not operate under the same set of rules.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application	Submission Date: November 20, 2009
Response to Access Gas Services Inc. ("AGS") Information Request ("IR") No. 1	Page 5

- g. Is TGI aware of any other markets in which a mid-day cut that is rectified on the same gas day keeping the downstream company whole on that day results in an onerous monetary penalty to the upstream supplier? If so, please provide detail.

Response:

The ESM model business rules relating to "penalty charges" are intended to promote supply reliability and the overall integrity of the TGI system. Thus, ensuring risk mitigation for all customers which contributes to the overall program effectiveness. As such, the Gas Marketers are prompted to adhere to a set of standards and therefore punitive measures are prescribed as part of this program when these measures are violated. In TGI's view, these penalty charges are not "onerous", but are in place to incent proper behavior by the Gas Marketers.