

December 3, 2009

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Just Energy (B.C.) Limited Partnership 6345 Dixie Road, Suite 200 Mississauga, ON L5T 2E6

Attention: Ms. Nola L. Ruzycki, Director, Regulatory Affairs

Dear Ms. Ruzycki:

Re: Customer Choice – 2009 Program Summary and Recommendations (the "Application")

Response to the Just Energy (B.C.) Limited Partnership ("Just Energy") Information Request ("IR") No. 1

On October 16, 2009, Terasen Gas Inc. ("Terasen Gas") filed the Application as referenced above. British Columbia Utilities Commission Order No. G-143-09 set out the Amended Regulatory Timetable for the Application, Terasen Gas respectfully submits the attached response to Just Energy IR No. 1, one day in advance of the deadline.

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") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | Page 1 |

Information Request ("IR") No. 1

rage 1

1.0 Reference: Exhibit B-1 - Issue 1.3 Alternate Framework to **Process** Cancellations - Appendix A p. 7

1.1 Does Terasen believe that it is practical or reasonable for a consumer to expect to wait up to 12 months for a drop to occur? Please explain the reason for your response.

Response:

Based on the Essential Services Model that underpins the unbundled product, TGI believes that the existing rules pertaining to anniversary drops are reasonable and appropriate. Natural Gas Marketers agreed to these rules prior to the implementation of the Commercial Unbundling Program in 2003, and again in 2006 prior to the launch of the residential program¹. Gas Marketers should adjust their Consumer Agreements and customer communications to ensure that the 12-month rule is appropriately highlighted.

If the 12-month rule is causing Gas Marketers difficulty in managing customer expectations, TGI suggests Gas Marketers adjust their contracts and customer communications to ensure that this information is highlighted and brought to the customer's attention before the sale is finalized. Customers that fully understand the nature of the commitment they are making are less likely to regret the purchase decision or try to avoid their contractual obligation.

Gas Marketers should emphasize that their products do not guarantee savings; rather a fixed rate commodity contract offers protection against gas rate volatility. These are vital product features that when poorly communicated to consumers can result in dissatisfaction and buyer's remorse. When thorough and appropriate communication occurs, the existing processes by which customers can leave the program are appropriate. Customers may dispute the contract because it was not accurately described to them (i.e. Code of Conduct violation), or Gas Marketers can process an uncontested dispute.

As noted in the BCUC IR 5.2, Terasen Gas expanded on why the 12-month rule is in place and why it is an integral component of the ESM.

The ESM and its annual baseload delivery requirements are predicated on the requirement for a fixed price in 12-month time intervals which is necessary to ensure that no financial exposure arises in the Midstream Cost Reconciliation Account ("MCRA"). As the marketer delivery requirement is determined based on a 365 day period, it is then necessary to ensure that the supply agreement with the marketer coincides in length of term (i.e. 12 month time intervals) in order to ensure complete flow-through of a

¹ The history surrounding these agreements is discussed in detail in BCUC IR 6.1.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application

Submission Date: December 3, 2009

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

Page 2

marketer's gas costs to its customers through the MCRA without impacting other customers of the MCRA.²

The parameters of the 12-month anniversary drop are specified in section 5.06, of the Terasen Gas Rate 36 Agreement that each Gas Marketer signs in order to participate in the Customer Choice program. This requirement has existed since the program began in 2004 and until recently, has not proved to be an issue for customers or Gas Marketers. Section 5.06, Marketer Group and Marketer Group Price, states the following:

Prior to submitting Customer Premises enrolment requests, Marketer shall communicate to Terasen Gas, via the electronic format determined by Terasen Gas, the Gas commodity price and the Entry Date on which this price shall become effective. Terasen Gas shall use this price for the purpose of establishing a Commodity Cost Recovery Charge for Customer Premises that the Marketer will subsequently enrol in Commodity Unbundling Service. The price established in the contract between the Marketer and the Customer must be a Fixed Price for 12 Months and may only be changed once per Year on the anniversary of the Entry Date on which the Customer was first enrolled in Commodity Unbundling Service with the Marketer.³

TGI agrees that consumers who have not been informed of this important program rule have reason to be confused and angry. However, Section 5.06 of Rate Schedule 36 should be contained in the contract between the Marketer and its customers. Terasen Gas is not liable for the shortfall if this information is not properly recorded in the Gas Marketer's Consumer Agreement. It is the Marketer's responsibility to include the relevant Terms and Conditions contained in Schedule 36 in its contracts with its customers. Section 2.1 of the Rate Schedule 36 Service Agreement states that the Marketer is bound by the Terms and Conditions contained in Rate Schedule 36.

Terasen Gas believes that the current 12-month rule is a requirement of the Essential Services Model that Gas Marketers agreed to in both in 2003 and 2006. No changes to the 12-month rule are required. Gas Marketers must accurately disclose the nature of their contracts to consumers before sales are finalized.

² BCUC, Commission Information Request No. 1, Terasen Gas Inc., Customer Choice 2009 Program Summary and Recommendations, question 5.2.

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³ Terasen Gas Inc., Rate Schedule 36, Commodity Unbundling Service, effective September 1, 2007. Page R-36.8.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | Page 3 |
| Information Request ("IR") No. 1 | raye s |

1.2 Would Terasen agree that there might be certain circumstances in which a simple drop process outside of the 12-month window may need to occur? Please provide an explanation for your response and in what circumstances.

Response:

Terasen Gas suggests that Gas Marketers who have fulfilled their responsibilities as outlined in the Code of Conduct should have limited need to process drops outside the 12-month window. Allowances for drops during this period are necessarily limited because of the potential negative impact on MCRA. Gas marketers can currently process an uncontested dispute to drop customers before their next anniversary date. TGI believes that Gas Marketers can influence demand for drops outside of the 12-month window by enhancing current sales practices and ensuring adherence to the existing Code of Conduct.

As described on page 24 of the Application, a shift of 10% or 12,500 residential customers currently enrolled in fixed rate contracts that average \$10/GJ into a lower \$6 rate for half the year would result in a revenue deficit of \$1,224,000. The revenue shortfall would result in an additional layer of costs borne by the Midstream, which is already responsible for volume and cost variance. This example demonstrates the impact that price changes can have on the Midstream and why the 12 month fixed rules needs to be maintained and adhere too.

As noted in Section 4.3 of the Application, Price Changes Outside of the Anniversary Date, page 23:

A criticism of the Essential Services Model raised at the Annual General Meeting held earlier this year related to the 12-month fixed price rule. This rule only allows Gas Marketers to offer their customers a price change on either the Anniversary Date of the contract or after the expiry of a contract. Gas Marketers argued that this rule restricts the offering of competitive contracts in the marketplace and results in customer complaints and disputes in situations where the market price of the commodity has substantially declined compared with a contracted price.

As noted by marketers, consumer concerns and disputes have often arisen because of the price variance between the TGI regulated variable rate, and the Gas Marketer's fixed rate offer. Terasen Gas suggests that Gas Marketers could best address this issue by adjusting their sales practices. Consumer Agreements should not be sold under the pretext they will save customers money. There is considerable anecdotal evidence (e.g., customer complaint letters to TGI and extensive dispute activity) that this tactic is widely practiced by Gas Marketers. More appropriately, Marketers should be telling customers that fixed rate contracts represent an assurance that their commodity rates will not be subject to the volatility inherent in the Terasen Gas regulated variable-rate. However, there is no guarantee of savings. Terasen Gas believes that if this information is effectively communicated to customers, requests to cancel contracts outside the 12 month window would be negligible.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application

Submission Date: December 3, 2009

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

Page 4

As described in Just Energy IR 1.1, the stipulation that limits customers from returning to the TGI variable rate outside of the Anniversary date of their contract is based on TGI Rate Schedule 36. Based on the Gas Marketers agreement with Terasen Gas, it is each marketer's responsibility to appropriately communicate salient aspects of their Consumer's Agreement. Failure to adequately disclose this information to customers represents an inappropriate sales practice. As such, TGI contends that the dispute resolution process is the appropriate means by which to process the consumer's request.

If marketers have adequately described the nature of the contract to the consumer and it is verified through the review of the TPV, the BCUC should not levy a dispute fee against the gas marketer. Customers that were found to fully understand the nature of the contract should be held accountable and the adjudication process should ensure that these customers fulfill their contractual obligation. Alternatively, when a breach of the Code of Conduct is verified or an uncontested dispute is processed, the gas marketer should be subject to the dispute fee. Through this process, customers can return to the TGI rate at the Commission's discretion.

TGI contends that gas marketers should have limited need to process drops outside of the Anniversary Date. Gas Marketers must fulfill their obligations to fully disclose the specifics of their Consumer Agreements to customers. For those occasions that Marketers are compelled to drop a customer and return them to the TGI variable rate before the Anniversary Date, Gas marketers can use uncontested disputes.

1.3 Please explain how Terasen would handle the situations where a customer calls in requesting cancellation of their contract, which was signed prior to 2008, and does not contain the clause that a drop may only occur on the contract anniversary date? Please indicate what process should be used in this situation?

Response:

Customers calling TGI regarding contract issues are referred back to their Gas Marketer. If customers indicate that their concern has not been adequately addressed by their Marketer, the call centre representative will offer to raise a dispute. Terasen Gas believes that Gas Marketers have had a responsibility to disclose the specifications related to early contract cancellation since the unbundled product was introduced. As such, the steps necessary to remedy a failure to communicate cancellation rules to customers rests with Gas Marketers and the existing dispute process.

Terasen Gas is not privy to the individual Consumer Agreements used by Gas Marketers. These agreements represent a contract between the Gas Marketer and customer. Alternatively,



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 5 |

each Gas Marketer must sign a Rate Schedule 36 Agreement with Terasen Gas. The TGI Rate Schedule 36 has remained in place since January 1, 2004, prior to the launch of the Commercial Unbundling Program in BC. Based on the agreement:

- the obligation to communicate the 12-month rule falls expressly to Gas Marketers; and
- because the tariff has been in place since January 1, 2004, failure to advise customers about this rule represents a breach of the Code of Conduct and a legitimate reason for customers to dispute their contract.

Gas Marketers have a responsibility to disclose the specifics of their Consumer's Agreement. These Agreements represent considerable financial commitments from the consumer. As such, Gas Marketers must ensure the rules pertaining to the Anniversary Date are adequately communicated to the customer before finalizing the sale. The 12-month rule is a critical aspect of the ESM that underpins the Customer Choice program. Failure to inform customers of their related obligations results is dissatisfaction and buyer's remorse. Extensive use of drops before the Anniversary Date will result in a negative impact on MCRA and extra costs for all TGI customers. The responsibility to communicate the 12-month rule is articulated in Article 26 of the current Code of Conduct for Gas Marketers:

The first page of the agreement between the Gas Marketer and a Consumer must accurately summarize and clearly state the essential elements of the Offer including:

- Price (Canadian \$ per gigajoule);
- Term (length in years, start and end dates);
- Renewal provisions (type, frequency, dates) including default rollover provisions;
- Cancellation provisions;
- Penalties and terms for early termination of the contract, including minimum contract term, and the requirement that the Consumer's Agreements may only be terminated on their anniversary date; and
- Conditions which may affect the price or term of the Offer.

Upon launch of the Residential Customer Choice Program in 2007, Code of Conduct, Article 26 language included the following specifications:

The first page of the agreement between the Gas Marketer and a Consumer must accurately summarize and clearly state the essential elements of the Offer including:

- Price (Canadian \$ per Gigajoule)
- Term (length in years, start and end dates)

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⁴ BCUC Order G-181-08, Code of Conduct for Gas Marketers, Commodity Unbundling Service in the Province of British Columbia, December 12, 2008, page 14.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 6 |

- Renewal provisions (type, frequency, dates)
- Penalties for early termination of the contract
- Conditions which may affect the price or term of the Offer

The minimum contract term is one year with a maximum contract term of no more than five years and the dates for commencement of service and termination of service must coincide with program entry dates.⁵

Article 3 language from the 2007 Code of Conduct indicated:

The Offer and Consumer's Agreements shall state the respective obligations, liabilities and risks of the Gas Marketer and Consumer in clear and understandable terms so that the Consumer may be sufficiently informed to understand them prior to executing Consumer's Agreements.6

Based on historical and current Code of Conduct language, it is clear that Gas Marketers' have always had a responsibility to disclose information about the Anniversary Date. Remedial activity necessary to correct any oversight in customer communications rests with Gas Marketers.

Customers dissatisfied with the rules pertaining to early contract termination may choose to raise a dispute. Gas Marketers should be charged the dispute fee when it is found that they neglected to communicate the 12-month rule to consumers. Alternatively, when it is decided this information was adequately communicated to the consumer, the adjudication process should favour the marketer; the consumer should remain with the Gas Marketer and fulfill their commitment. Even in these cases, however, Gas Marketers are encouraged to contact individuals to clarify the nature of their agreement with Terasen Gas. Prior to the next Anniversary Date, Gas Marketers should advise consumers that have previously filed disputes related to this issue of encroaching cancellation deadlines.

Code of Conduct for Gas Marketers, Updated for changes approved in BCUC Order G45-07, April 19, 2007, page

Code of Conduct for Gas Marketers, Updated for changes approved in BCUC Order G45-07, April 19, 2007, page



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 7 |

2.0 Reference: Exhibit B-1 – Issue 1.5 Program Statistics – Appendix A p. 10

2.1 Please provide an illustration of how Terasen envisions the 36 months of data will be captured and displayed. E.g. will it be on one chart/page?

Response:

As noted on page 11 of the Terasen Gas 2009 Customer Choice Program Summary and Recommendations Application, Appendix A: Annual General Meeting Issues and Recommendations, the presentation of 36 months of activity represents a future goal. Figure 4 and Figure 5 included in Appendix A of the Application represents the working group's agreed to reporting activities. No further work has been undertaken to develop a report that would display 36 months of dispute activity.

The statistics presented were the result of a combined effort that included a working group of members from the BCUC, Terasen Gas, and a representative from Energy Savings BC/Just Energy nominated by all Gas Marketers.

2.2 Please provide the reasoning behind providing Dispute Activity for 36 months.

Response:

As noted on page 11 of the Terasen Gas 2009 Customer Choice Program Summary and Recommendations Application, Appendix A: Annual General Meeting Issues and Recommendations, the proposal to present dispute activity for the last 36 months was made by Commission staff and is in alignment with Better Business Bureau ("BBB") practice. The reporting for BBB reports is based on a rolling three-year window, as exemplified by the following extract from the BBB website:

As always, our database is continuously updated every day through routine BBB operations. The reporting period for BBB reports will continue to be a rolling three-year window. Accreditation status, complaint activity, licensing status changes, governmental action, etc. will be reflected as they occur.⁷

Although the working group that developed the proposed statistical report had some discussions related to this issue, there are no firm plans to introduce a 36-month report at this time. TGI agrees with Commission staff that aligning statistics with Better Business Bureau practices is appropriate. However, it should remain a long-term goal and be thoroughly evaluated prior to the introduction of any new report.

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⁷ Better Business Bureau, http://mbc.bbb.org/SitePage.aspx?site=164&id=0014d34d-cce5-4287-b32f-778e4ee0d1ce



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 8 |

2.3 Will the proposed Table of Disputes begin simply showing one month and build to include the proposed 36 months?

Response:

Please refer to the response to Just Energy IR 1.2.1.

2.4 On the first Dispute Activity graph in appendix B will the marketers be listed in alphabetical order?

Response:

As agreed by the working group, Gas Marketers will be listed in ascending order according to level of dispute activity (i.e., fewest to highest number of disputes per 100 enrolments).

2.5 Does the data in Appendix B represent accurate marketer dispute data? If yes, please explain how a marketer would have 123 disputes per 100 enrolments? See marketer B for the Month of September 08.

Response:

As noted in the response to BCUC IR 1.3.3, figures 4 and 5 on page 11 of Appendix A of the Application are from a mock-up of the new Marketer Performance Report. The figures are fictitious and only used to show how the new report will present dispute information. Based on the matching process outlined in Appendix A of the Application, specific disputes will be matched with corresponding enrolments. Therefore, it will not be possible for marketers to obtain dispute ratios greater than 100. Given time and cost constraints it was not feasible to replicate the proposed matching process outside of existing Customer Choice data processing systems.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 9 |

3.0 Reference: Exhibit B-1 – Issue 1.7 Third Party Verification Call – Appendix A p.14

- 3.1 Please provide the data, survey(s), studies, analysis and/or research that Terasen undertook to reach the conclusion that the proposed TPV methodology changes would:
 - a) be an improvement to the existing methodology;
 - b) result in fewer customer concerns or issues;
 - c) be more efficient for consumers; and
 - d) provide a reasonable time frame for marketers to contact the customer and complete the required TPV call.

Response:

Terasen Gas has not closely examined the TPV practices in other Jurisdictions, as the TPV process in BC was implemented by the BCUC shortly after the Residential Customer Choice Program went live in May, 2007. This process was implemented by the BCUC in reaction to a high level of customer's complaints.

Proposed changes to the TPV represent the opinions of TGI in response to continued high dispute levels. The recommendations pertaining to the TPV process were first suggested by Commission staff at the April 23, 2009 Customer Choice Annual General Meeting. Section 1.7 contained in the Application's Appendix A , Third Party Verification Call, summarizes the views and positions of the stakeholders that participated in the Annual General Meeting. TGI's position is presented as opinion that appears to be consistent with the views of commission staff.

A summary of the TPV process and its use in the Customer Choice Program was described on page 14 of Appendix A:

Third party verification is digitally recorded telephone call between the gas marketer and the residential consumer to confirm with the consumer an understanding of the offer, customers agreement, confirmation letter and cancellation rights. TPV's were not originally required when the was introduced in 2007. Due to an excessive number of disputes, the additional consumer protection activity was subsequently added to the gas marketer code of conduct by commission Order G-73-07, dated June 27, 2007.

On page 14 of Appendix A, Commission staff views presented at the 2009 Customer Choice Annual General Meeting were summarized as follows:

The commission proposes the following changes to the current TPV call process outlined in article 32 code of conduct (updated December 12, 2008):



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | Page 10 |
| Information Request ("IR") No. 1 | Fage 10 |

- use of a standardized script provided by the commission to all gas marketers
- calls must take place not less than 24 hours, and no more than 72 hours after the customer executes the contract

Although no significant research activity has been undertaken by TGI to validate the proposed changes, TGI agrees with Commission staff that further changes are required in an effort to lower dispute levels. Although dropping in 2008, dispute levels are continuing at higher than acceptable levels. Although dispute levels dropped from over 8,000 disputes in 2007, to approximately 3,500 disputes in 2008, over 2,500 disputes were reported in the first six months of 2009. As of the end of October 2009, approximately 4,000 disputes have occurred this year. Trends would suggest approximately 5000 disputes will be raised before the end of 2009.

Terasen Gas agrees with Commission staff, that this trend is unacceptable. TGI believes the Commission proposed changes to the TPV call process represent an appropriate step to try to lower dispute levels.

3.2 Please explain in detail how Terasen determined that the majority of TPV calls chould be completed within 24 business hours? Please also explain how Terasen believes that this is a good business practice and that a reasonable amount of time to contact the customer to complete the TPV call has been allotted?

Response:

First, the Application suggests that the Gas Marketer should be provided 48, and not 24 hours to complete the TPV call. The recommendation is summarized on page 14 of Appendix A of the Application.

Secondly, the recommended changes to the TPV processes are from the Commission staff and not Terasen Gas. The BCUC is responsible for managing disputes between the Gas Marketers and customers, and given their experience they have suggested some changes to the TPV process, which TGI supports.

TGI is also amenable to extend TPV window to 72 hours if deemed preferable by Gas Marketers or Commission staff. TGI also recommends that Gas Marketers incorporate inbound TPV call processes that would allow customers to validate their contracts at their convenience during the TPV window. Further information with respect to this issue is contained in Superior Energy Management IR 1.1.3.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 11 |

3.3 Does TGI agree that there is a risk that Customer Choice may be eliminated or hampered if a reasonable amount of time to complete the TPV call is not afforded to marketers? Please provide a detailed explanation of your response.

Response:

Terasen Gas disagrees that the proposed revised TPV process will result in the collapse of the Customer Choice Program. As noted on page 15 of Appendix A of the Application:

The proposed revised TPV process will provide an extra measure of consumer protection: giving customers the opportunity to investigate and consider the offer more thoroughly. Some individuals may reconsider the purchase decision, change their mind and cancel the contract during the TPV. Although this step will likely lower Gas Marketer sales completion rates, this revised process should reduce price related courtesy drops and disputes and improve customer satisfaction with the program.

It should be recognized that not all customers gravitate towards long-term fixed rate contracts. Sales efforts that inappropriately influence consumers to sign up for contracts they do not fully understand or want should be prevented. If Gas Marketers have adjusted their sales practices to improve the disclosure of Agreement terms and obligations to consumers, TGI suggests that these efforts have to date been unsuccessful. Evidence of this failure is the continued high-level of disputes raised with the BCUC.

Should the Commission adopt the revised TPV process, TGI suggests that Gas Marketer sales completion rates should be re-evaluated a few months after implementation. This will allow stakeholders to gauge the effectiveness of the change to the TPV process, and make further adjustments as deemed necessary. The proposed review process is further elaborated in the response to Superior Energy Management IR 1.1.3.

3.4. Under Terasen's TPV proposal a marketer has a 24 hour business window in which to contact a potential customer to complete a TPV call and failing contact within this time period would result in the contract being void. The suggested time period would pretty much ensure that a marketer would have to attempt to contact the customer very aggressively within that 24 hour business window. If the marketer failed to contact a potential customer within the 48 hour TPV window, 24 business hours, this would require that an Independent Contractor ("IC") would have to re-attend at the consumers home to re-sign the contract and the same process would occur again. Please explain how Terasen believes that this would be a valuable service to the customer and please comment on



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | Page 12 |
| Information Request ("IR") No. 1 | Fage 12 |

whether or not more consumer issues or concerns may arise for Terasen, the BCUC and the marketer under this practice?

Response:

Terasen Gas has two points of clarification related to this question.

First, as stated in the response to Just Energy IR 1.3.3, the Gas Marketer does not have 24 hours to complete the TPV call. Secondly, the recommended changes to the TPV processes are from the Commission staff and not Terasen Gas. The BCUC is responsible for managing disputes between the Gas Marketers and customers, and given their experience they have suggested some changes to the TPV process, which TGI supports.

Terasen Gas believes that the proposal as presented in Appendix A, represents a sound and prudent change to the existing TPV process. As noted in the response to Just Energy IR 1.3.3 above, some sales will likely be lost. TGI suggests that introducing inbound TPV call processes can likely mitigate lost sales. However, adequate levels of consumer protection must be maintained. If marketers have been unable to reach customers within the TPV window, TGI suggests Gas Marketers should make an outbound phone call to the customer to see if they are still interested in securing the Consumer Agreement. Customers could be transferred to the TPV provider as appropriate without the need for the Gas Marketer's sales representative to revisit the customer's home. The decision to send a sales representative back to the customer's home instead of using the telephone and/or mail as necessary (i.e., to obtain customer signature) is left to the discretion of each Gas Marketer.

Terasen Gas acknowledges there are several advantages in conducting the TPV call at the same time the Gas Marketer sales representative is available. However, current dispute levels remain unacceptably high. The proposed change is in direct response to consistently high dispute levels and perceptions that Gas Marketers continue to use inappropriate sales tactics. If the consumer truly wants the long-term fixed-price contract, he or she will accommodate the delayed TPV call. Alternatively, Gas Marketers can consider the implementation of inbound TPV call technology so that customers can call at their convenience.

3.5 Please explain how the goal of not having TPV at the door is meant to decrease the pressure put on a consumer to make a decision and how that rational connects to decreasing the TPV window. In other words, even though an Independent Contractor would not be able to conduct a TPV at the time of the sale the marketer would be avidly attempting to contacting the customer shortly thereafter in order to meet the 48 hour time frame restriction. Would this solution



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | |

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

Page 13

not be contrary to the goal of decreasing any perceived pressure? Please elaborate on your answer.

Response:

All opportunities for coercion should be removed from the Customer Choice Program to ensure adequate consumer protection. Although it is expected that Gas Marketers will be persistent, they should be wary of harassing customers during the TPV window. The need to separate the sales representative/customer interaction from the TPV process is twofold:

- firstly, it ensures that the sales person is not present to coerce the customer signing the contract;
- secondly, it provides the customer with sufficient time to review the Standard Information Booklet, fine print contained in the Consumer Agreement, the Gas Marketer's Terms and Conditions, and compare competitive rates.

Coercion is defined as "...the use of intimidating behaviour that puts the person in immediate fear of the consequences in order to compel that person to act against his or her will." Based on customer disputes and letters to Terasen Gas from customers with sales tactics employed by Gas Marketers, customers are often led to believe there are or may be dire consequences by choosing not to sign a Consumer Agreement (e.g., excessive or unaffordable gas bills). Persistence, on the other hand is defined as the quality of being determined to do or achieve something; it is a firmness of purpose.

The suggested change to the TPV process will not afford Gas Marketers the opportunity to coerce customers into contracts that they quickly become dissatisfied with when the first Terasen Gas bill of the winter arrives in their mailbox. TPV scripting should be straightforward and the process should exclude further sale efforts. Specifically, TPV calls should avoid efforts to resell the Consumer Agreement to the customer. That was the job of the Gas Marketer's sales representative. If the customer has further questions about the Consumer's Agreement, they should be encouraged to call the Gas Marketer's service center for clarification. Customers calling in for information or clarification about the Consumer's Agreement at least 24 hours after the contract signature was obtained could be transferred to the TPV process is desired.

Terasen Gas has no objections to continued efforts to complete the TPV call. However, these calls can lead to harassment. TPV Calls should be limited to avoid harassment of the customer.

The Code of Conduct for Gas Marketers asserts the following:

⁸ http://dictionary.reference.com/browse/coercion

⁹ http://www.thefreedictionary.com/persistence



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | Dogo 14 |

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

Page 14

Gas Marketers shall voluntarily assume responsibility towards the Consumer with respect to fair sales methods, accurate and truthful dissemination of information, and product value, and shall make every reasonable effort to ensure Consumer satisfaction.¹⁰

The change in the TPV window is consistent with this goal. It is designed to give consumers more time to consider the fixed rate option available from Gas Marketers.

TGI expects customers to make an informed choice before signing a Consumer's Agreement. Only the provision of sufficient time will allow this to occur. It is expected that some individuals who signed the Consumer's Agreement will change their minds: some consumers will indicate this during the TPV call, but others may choose to avoid the TPV call altogether. TGI believes this is an acceptable outcome because the current TPV process seemingly fails to provide consumers adequate protection from high pressure sales tactics, or time to review the extensive documentation provided by the sales representative. Although sales capture rates are expected to fall, Terasen Gas anticipates that dispute levels will too. These effects will reflect enhanced levels of consumer understanding about the fixed-rate commodity product. Informed consumers will remain satisfied with their purchase decision even if they are temporarily paying more than the existing default regulated rate.

3.6 Has Terasen examined the TPV practices in other Jurisdictions in North America and in the United Kingdom? If yes, please provide the findings and best practices. If no, how has Terasen determined what a best practice associated with TPV should be?

Response:

Please refer to the response to Just Energy IR 1.3.1.

3.7 On page 15, Terasen states that "The TPV call should occur after the sales representative has left the consumer's home. This will provide customers with an opportunity to review their marketer contract in detail, read the Standard Information Booklet, and avoid any undue influence that may lead them to sign a

¹⁰ Code of Conduct for Gas Marketers, Order G-181-08; December 12, 2008; page 2.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Page and to Just Energy (P.C.) Limited Partnership | |

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

Page 15

contract they do not understand." Would Terasen agree that two of the most positive attributes of the existing TPV call process would be lost? Please fully explain the response. The most positive attributes of the existing TPV call process are: a) ensuring the consumer has a clear understanding of the Contract, reviewing the contract terms and conditions, the essential agreement information and ensuring that the consumer has been provided with the required documents while the information is still fresh in the consumers mind; and b) the ability to obtain information related to the IC's conduct and experience with the customer. It is important to note if a concerning situation is detected an immediate review can be undertaken.

Response:

Please refer to the response to Just Energy IR 1.3.4.

3.8 Please describe the consumer protection mechanisms and timeframes that currently exist. Please explain in TGI's views why these mechanisms are not sufficient to provide the customer with ample time and opportunity to review the marketer contract in detail, review the Standard Information Booklet, avoid any undue influence and cancel the contract without penalty?

Response:

Although the current mechanisms provide sufficient time for customers to review and validate their decision, they fail to mitigate the potential for coercion. Likewise, there is anecdotal evidence based on customer emails and calls to TGI that it can occasionally be difficult to reach Gas Marketer call centres by phone or email. Terasen Gas believes an improved TPV process overcomes these shortfalls.

To ensure adequate consumer protection, customers need a verifiable process that limits the opportunity for Marketers to unduly manipulate the sales transaction. A TPV that is scripted by the Commission will allow customers to confirm their understanding of the program and their purchase decision through a direct, factual process that is devoid of high pressure sales tactics. Furthermore, because the TPV is recorded it protects the interests of both the customer and marketer should a dispute later arise.

Several consumer protection mechanisms are currently in place. Primary mechanisms include the Code of Conduct, licensing, the Standard Information Booklet, the TPV call and the



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 | |
|--|--------------------------------------|--|
| Response to Just Energy (B.C.) Limited Partnership | Page 16 | |

Information Request ("IR") No. 1

Confirmation letter. TGI agrees with the BCUC that the current TPV process should be changed to help enhance consumer protection.

The following is a brief description related to other consumer protection mechanisms that are part of the Customer Choice Program.

Code of Conduct and Business Licensing

Gas marketers participating in the Customer Choice program must be qualified, approved and licensed by the British Columbia Utilities Commission and must adhere to the BCUC's Code of Conduct for Gas Marketers. The Code of Conduct specifies acceptable sales practices, specifications of the Agreements and Contracts, as well as Gas Marketer obligations including their responsibility to ensure consumers are made clear of the terms and conditions of the Agreement.

Third Party Verification Call and Standard Information Booklet

The Third Party Verification call was implemented in response to high dispute rates encountered when the program launched in spring 2007. It is designed to protect the consumer by ensuring there is verifiable evidence that the offer has been thoroughly explained. This explanation should include a review of the Consumer Agreement, the TPV, the Confirmation letter, and the customer's cancellation rights.

The Third Party Verification call is in the form of a digitally recorded telephone call initiated as an outbound call from the Gas Marketer to the Consumer, or as an inbound call initially dialed by the sales agent to the Gas Marketers. Most often the inbound calls are initiated. These digital recordings are to be made available to the Commission within three days after the initial recording, and are to be retained by the Gas Marketer for the term of the Consumers Agreement. The call is to confirm all major topics are clearly understood by the consumer.

The Third Party Verification call should be made after the consumer has had full opportunity to review the Consumer Agreement, the Standard Information Booklet, Notice of Appointment of Marketer, and any Gas Marketer Terms and Conditions. The Customer Choice Standard Information Booklet explains Customer Choice Program so that consumers can make an educated purchase decision.

Confirmation Letter

An additional consumer protection mechanism is the Confirmation letter. Once an enrollment is submitted by the Marketer, the Confirmation letter is generated and sent to the consumer. The Confirmation Letter specifies the 10-day Cancellation window, during which time consumers can cancel the signed Consumer's Agreement without penalty.

In conclusion, while the cancellation period provides sufficient time for customers to review and validate their decision, the current means by which customers can cancel their contracts if they change their mind remain problematic. Customers should be provided a simple and verifiable



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership | Page 17 |

method of cancelling their contract after the Marketer sales representative leaves their premise. A revised TPV call as proposed by the Commission provides an alternative and appropriate mechanism for customers to confirm their purchase decision.

3.9 Please explain in detail the statement at page 15 that says "Irrespective of any comparisons with Ontario or other jurisdictions, by setting the sales process apart from the sales confirmation (TPV), consumers now get an opportunity for second thought." Is this opportunity for second thought not provided by the 10 day cancellation window and Confirmation Letter from Terasen? Please explain your answer fully.

Response:

The reference to Ontario and other jurisdictions on page 15 of the Application reflects TGI's expectation that Gas Marketers would challenge the proposed TPV change because it is inconsistent with TPV processes in other markets. For more information pertaining to this issue please refer to the response to Superior Energy Management IR 1. 1.2.

3.10 Has TGI addressed the option of completing a TPV call immediately after an IC has left the door? Please provide a thorough explanation.

Response:

Please refer to the response to Superior Energy Management IR 1.1.1.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 18 |

4.0 Reference: Exhibit B-1 – Issue 1.10 Additional Line on the Terasen Gas Bill– Appendix A p.21

4.1 With the B.C. Government's increasing focus on the environment and carbon neutrality, please explain how denying an additional line item related to energy or energy related products on the Terasen bill is in line with supporting the Government's goals and objectives?

Response:

As indicated on pages 21 to 23 of Appendix A in the Application, changing the billing infrastructure at Terasen Gas to accept additional billing items is inconsistent with original program objectives, prohibitively costly to implement, and therefore, inappropriate. Terasen Gas believes that additional line items related to energy or energy related products on the Terasen bill is not required to meet the Government's goals and objectives; nowhere has the Government indicated that such a requirement is necessary.

4.2 TGI states at the bottom of page 21 that "Under Section 27.1(c) of Terasen Gas' General Terms and Conditions, Terasen Gas may currently bill the customer for the single fixed price per Gigajoule as indicated by the Gas Marketer, but cannot charge a customer for amounts payable by the customer to the Gas Marketer for services other than the Gas commodity costs. What would be required to change Section 27.1(c) to include not only the Gas Commodity costs but any costs associated with energy related products? Please explain fully.

Response:

Terasen Gas does not support an additional line on the Terasen Gas bill for Gas Marketers to invoice for other product offerings including non-energy items.

Proposed changes to the Terasen Gas General Terms and Conditions would be submitted to the BCUC for review and consideration through an Application process. Suggested changes to the General Terms and Conditions would be based on comprehensive investigation and supporting evidence that demonstrates the recommended change(s) are appropriate and undertaken in the best interest of customers.

As pointed out in the Application, Appendix A, page 22:



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 19 |

Incorporating an additional line on the Terasen Gas bill would necessitate several costly changes, including the following:

- New database fields to accommodate additional billing by marketer would require changes to our Customer Information System;
- Acceptance testing to verify the coded changes work correctly;
- An increased occurrence of two page bills; and
- Additional Terasen Gas overhead to accommodate and maintain the Marketer messaging.

Including an additional billing line for Gas Marketers on the Terasen Gas bill would have other impacts, including:

- collections processes related to bad debt for non-energy purchases;
- potential impact on customer goodwill; and
- increased Call Centre activity.

The additional bill line would necessitate several prohibitively costly changes that would be borne by Terasen Gas customers. TGI customers should not have to pay to support the sale of Gas Marketers' non-gas commodity related offerings.

Terasen Gas opposes any changes to the Terasen Gas bill to accommodate the sale of Gas Marketers' non-gas commodity products or services. TGI has been consistent with its position on this topic since the inception of the Commercial Unbundling Program in 2004.

4.3 Please fully explain what changes would be required by Terasen in order to add an additional line item to the customer bill.

Response:

An additional bill line is inconsistent with TGI's General Terms and Conditions. A decision to include an additional line in the bill would require a change to section 27.1 (c) of the General Terms and Conditions. As discussed in the response to Just Energy IR 1.4.2, Terasen Gas opposes adding a line item to the customer bill that would allow Gas Marketers to bill for nongas commodity items. As indicated in the Application and in the response to Just Energy IR 1.4.2, an additional line on the Terasen Gas bill would require significant changes to existing Terasen Gas systems. A change in the bill would impact the following systems and functions:



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 20 |

- Customer Information System
 - o type and source of data for the bill item;
 - type of interface to be used;
 - o support functions for managing the different systems.
- Billing process
 - the type of charge;
 - the type of tariff to be used;
 - o payment processing;
 - redesign of the bill;
 - tax processing;
 - o account management.
- Collections process -
 - changes to the current collections process this includes separating gas commodity debt and Gas Marketer offerings;
 - o bad debt treatment.
- Call Centre Operations
 - o increased call activity.
- Additional overheads associated with
 - o administrative services provided by other groups within Terasen Gas;
 - administering and managing the process.

A thorough and detailed scoping of requirements would be required to fully understand the required changes and costs to accommodate an additional line on the Terasen bill. However, Terasen Gas opposes any changes to the Terasen Gas bill to accommodate the sale of Gas Marketers' non-gas commodity products or services.

4.4 Has Terasen reviewed the practices in other jurisdictions with respect to the addition of a line item on the utility bill? Please elaborate on your findings?

Response:

Terasen Gas does not support any changes to the Terasen Gas bill to accommodate the sale of Gas Marketers' non-gas commodity products or services. Supporting third party products and services through the TGI bill would entail significant costs for customers and provide minimal or no benefit. As such, Terasen Gas has not researched this issue. However, TGI notes that Enbridge Gas Distribution has published a variety of reports related to its Open Bill services (i.e., billing and bill insert services). Pertinent findings are described in the response to Just Energy IR 1.4.5.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: | |
|--|------------------|--|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 | |
| Response to Just Energy (B.C.) Limited Partnership | Page 21 | |
| Information Request ("IR") No. 1 | Faye 21 | |

4.5 Is Terasen aware of the third party billing service that Enbridge Gas Distribution provides? If yes, why would this not be a workable solution in the B.C. market? If no, would Terasen be willing to look into the services that Enbridge and others provide with respect to facilitating an additional line item on the bill?

Response:

Terasen Gas is aware of the third party billing service that Enbridge Gas Distribution provides. The Enbridge experience with an Open Bill concept reinforces TGI's position that undertaking a similar exercise in BC would not be in the best interest of the Company and its customers. Terasen Gas does not support any changes to the Terasen Gas bill to accommodate the sale of Gas Marketers' non-gas commodity products or services.

Enbridge Open Bill

In Ontario, Enbridge essentially offers a billing and collection service. Enbridge includes third party charges on the bill, and manages the processing, collection and remittance of payments to the third party. The Open Bill model developed as a consequence of Enbridge divesting of nongas commodity related services to an independent energy service provider. The asset transfer agreement that followed assured the third-party continued access to the Enbridge bill. Enbridge's Open Bill model was not implemented to accommodate the non-gas commodity products or services of Gas Marketers. Furthermore, TGI believes that the Enbridge model is inconsistent with the original goals of the 2002 BC Energy Plan¹¹. The goals of this Plan relate to natural gas commodity sales, not other products or services. Terasen Gas has no intentions to pursue billing and collection services for third parties. TGI believes that introducing these services would entail significant costs to implement and manage, but provide minimal or no benefit to our customers or BC residents.

Revenue generation from a TGI billing and collection service is tenuous. Costs on the other hand, are assured. The Enbridge Billing Services project impacted their billing processes, the Customer Information System, and other systems. Generating sufficient revenue to offset implementation, administration and maintenaince costs would be dependent upon successful sales to third parties. Likewise, the participating third parties would need to find the TGI service beneficial in order to continue to using in the long run.

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¹¹ "Natural gas marketers will be allowed to sell directly to small volume customers, and will be licensed to provide consumer protection." Energy for our Future: A Plan for BC, 2002, page 8.



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

December 3, 2009

Submission Date:

Page 22

TGI maintains that the need to introduce the Open Bill service was unique to Enbridge. The business requirement only arose when Enbridge divested their non-commodity offerings to a non-regulated entity. The resulting sale agreement led to the provision of ongoing billing services for this third party. That relationship led to Enbridge's expansion of the service to other third party organizations. TGI does not perceive this activity to be consistent with its business, and as such is opposed to its consideration.

Terasen Gas has consistently maintained that Gas Marketers have access to their customers for gas commodity products, both on the TGI bill as well as through their own mailing list. Any non-gas related services should be billed for separately, at the Marketers' expense. TGI believes that introducing an additional line on the Terasen bill for third party service providers offers minimal value or benefit for Terasen Gas customers. As stated in the Application by the Commission on page 24, Appendix A, "Using the Terasen Gas bill envelope for inserts or messaging may become unduly cumbersome and there are other normal channels of marketing available to Gas Marketers (e.g., flyers, radio, newspaper, etc.)."

Undertaking the changes to support the request at the expectation that Gas Marketers will fund the investment is also unnecessarily risky. There is no guarantee that Marketers would make use of the additional billing line, leaving TGI customers vulnerable to the cover the related implementation costs. TGI customers should not have to bear additional costs to support Gas Marketers' request for added billing functionality.

Lastly, TGI is concerned that customers will perceive its inclusion of an additional billing line or third party bill inserts as endorsement. TGI maintains that Gas Marketer sales activities and/or poor product or service performance may degrade the corporate image of Terasen Gas. Importantly, this erosion of goodwill may influence the future penetration rates of natural gas into homes and businesses.

4.6 Would Terasen be open to providing an additional line item, if an appropriate fee were levied to the requesting marketer in order to cover the utility costs? Please provide full comments.

Response:

Terasen Gas is opposed to providing Gas Marketers with an additional line on the Terasen Gas bill. Terasen Gas customers should not have to bear the cost to accommodate new product and service offerings from Gas Marketers. Gas Marketers should consider billing customers separately for products that cannot be accommodated in the current billing item.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") | Submission Date: |
|--|------------------|
| Customer Choice 2009 Program Summary and Recommendations Application | December 3, 2009 |
| Response to Just Energy (B.C.) Limited Partnership | Dogo 22 |

Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1

Page 23

Relevant reasons why TGI believes providing an additional line item on the Terasen Gas bill include the following:

- Incorporating an additional line on the TGI bill would require considerable investment to adjust the billing system.
- Collections activity would be required to manage bad debt on non-gas commodity related items.
- Increased TGI Call Centre activity would result from the change.
- Any change to the bill would have significant set up costs and additional incremental costs for providing and maintaining the service.
- As discussed in Just Energy IR 1.4.5, Enbridge's Open Bill concept was necessitated by the utility's divestiture of a non-core business activity in 2005. TGI does not face a similar business requirement.
- The request for an additional line on the TGI bill is inconsistent with the objective stated in the Provincial Government's Energy for our Future: A Plan for BC, 2002, which states on page 8, "Natural gas marketers will be allowed to sell directly to small volume customers, and will be licensed to provide consumer protection." This statement speaks to the commodity, not other products or services.
- Employing a service fee to set up and cover associated maintenance costs may make the billing service unattractive and potentially an untenable proposition for Gas Marketers. Recovering program costs from a service fee would be subject to having a service that is desirable, cost effective and capable of achieving a minimum number of billing accounts that generate the required revenue. It is possible that TGI customers would be forced to bear the costs for recovering the expense until such a time that the cost is fully recovered from Gas Marketers. As shown in response 4.5, billing service revenues, even when open to a large number of service providers, may not recover program costs for an extended period.

The Commission and Terasen Gas have made considerable effort to distance marketers from the utility. Allowing Gas Marketers to invoice for non-energy products on the TGI bill will send the wrong message to customers as Terasen Gas will be perceived by many to be promoting Gas Marketers. TGI believes that providing Gas Marketers with additional access to the bill is not in the best interests of customers.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 24 |

5.0 Reference: Exhibit B-1 – Issue 1.11 Open Access to Customers -Appendix A p.24

5.1 Is Terasen aware of the Open Bill Access (access to the utility bill and bill envelope) that Enbridge provides? If yes, would this not be a workable solution in the B.C. market? If no, would Terasen be willing to exam the services that other North American utilities such as Enbridge gas offer?

Response:

Please refer to the response to Just Energy IR 1.4.5.

Would Terasen be open to providing access to the bill and bill envelope if a fee were levied to the requesting marketer that would cover the utility costs?

Response:

Please refer to the response to Just Energy IR 1. 4.6.

TGI has no plans to open its bill to other organizations or companies, including Gas Marketers. As stated in the Application, Appendix A, page 24:

Considerable steps have been taken by the Commission and Terasen Gas to distance marketers from the utility. These steps have influenced all program communications to reinforce the understanding that marketers are distinct, independent operations. By accepting bill inserts or messages on the outside of the utility billing envelope customer may mistakenly believe that Terasen Gas is promoting or has approved the services of a particular Gas Marketer. This will lead to additional calls to the Terasen Gas Customer Care Centre and increased costs. Ultimately it may injure Terasen Gas' reputation and result in additional layers of dispute activity for the Commission to adjudicate.

Many customers will incorrectly perceive third party advertising as a form of product/service endorsement by TGI. If a Gas Marketer offering fails to perform adequately, or their sales representatives employ less than appropriate sales tactics when trying to secure a Consumer's Agreement, TGI may well receive the related fallout. Any revenue opportunity associated with the sale of bill insert space is too limited to offset potential damage to Terasen Gas goodwill.



| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 25 |

6.0 Reference: Exhibit B-1 – Issue 1.14 Marketer Supply Requirement ("MSR")

Calculation/Annual Contracting Plan – Appendix A p.28

6.1 Does Terasen plan on holding a MSR workshop in the future?

Response:

The MSR Calculation report, included in the Application as Appendix D, was submitted to the Commission on March 26, 2009. The MSR Calculation is a fundamental aspect of the Essential Services Model that underpins the Terasen Gas Customer Choice program. Terasen Gas addressed the very few individual gas marketer questions and concerns pertaining to the MSR at the Annual General Meeting. At this point Terasen Gas does not see a need to hold a MSR workshop given that the Company believes here are no issues regarding the MSR Calculation that needs to be further addressed. However, Terasen Gas would be willing to address any inquiries from individual gas marketers should they arise in the future.



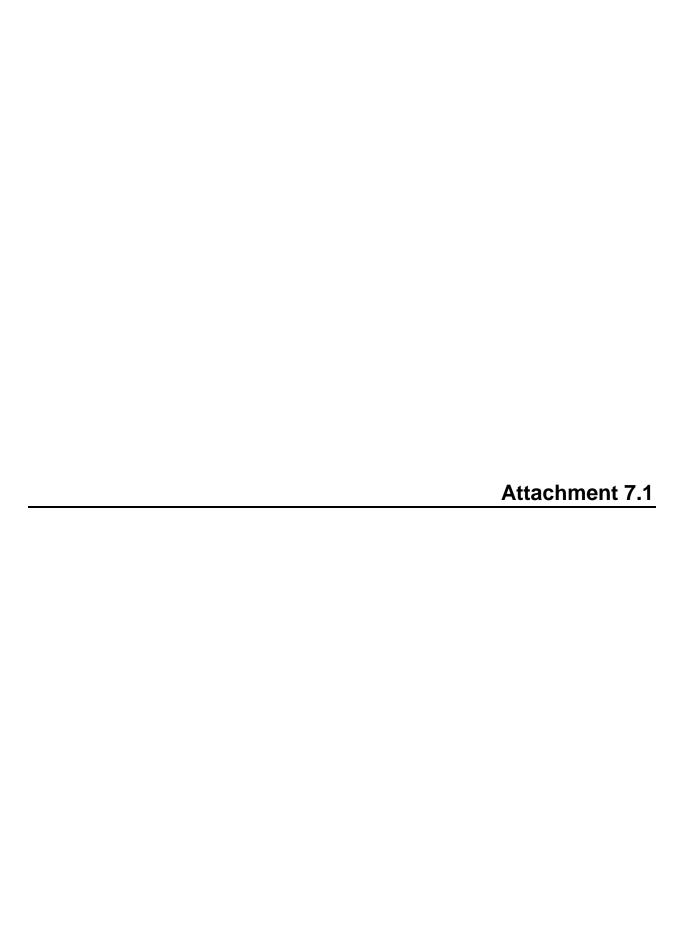
| Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice 2009 Program Summary and Recommendations Application | Submission Date: December 3, 2009 |
|---|--------------------------------------|
| Response to Just Energy (B.C.) Limited Partnership Information Request ("IR") No. 1 | Page 26 |

7.0 Reference: Exhibit B-1 – Issue 1.11 Price and Gas Marketer Information Available to Customer -Appendix A p.34

7.1 Does Terasen have a mock-up of a proposed newspaper ad? If yes, please provide. If no, please indicate if a mock-up will be circulated for comments prior to publishing in any newspaper?

Response:

A mock up of the proposed newspaper ad is presented in Attachment 7.1. The ad features a short description of the customer choice program and describes the differences between the fixed-rate commodity offers available from Gas Marketers, versus the regulated variable-rate available from Terasen Gas. Gas Marketers are presented in alphabetical order and the listing includes both website and contact phone numbers. Consistent with the terasengas.com price depository, rates are presented in tabular format.



before you **Sign** explore your options

Customer Choice offers you the freedom to choose who you buy your natural gas from, an independent gas marketer or your local natural gas utility. Independent gas marketers offer natural gas at long-term fixed prices. Your local natural gas utility offers natural gas at a variable, market-based rate. How you choose to buy your gas is your choice.

For more information on Customer Choice visit terasengas.com

Terasen Gas residential rate (per GJ)*

\$4.95 per GJ effective Oct. 2009

Gas Marketers' Residential Fixed Rates (per GJ)

| Supplier Name | 1 Yr Term | 3 Yr Term | 4 Yr Term | 5 Yr Term |
|--|-----------|-------------|-------------|-----------|
| Access Gas Services Inc. 877-519-0862 www.accessgas.com | \$6.89 | J II ICIIII | , ii iciiii | \$8.79 |
| Active Renewable Marketing Ltd. 1-866-628-9427 www.activerenewable.com | | | | \$8.99 |
| Direct Energy 1-877-376-1445 www.directenergy.com | | \$8.99 | | \$8.49 |
| FireFly Energy 888-780-3298 www.fireflyenergy.ca | | | | \$7.49 |
| Just Energy 866-587-8674 | | | \$8.29 | \$8.29 |
| www.justenergy.com MXenergy (Canada) Ltd. 800-785-4373 www.mxenergy.com | \$8.79 | | | |
| Smart Energy (BC) Ltd. 604-415-3599 www.smartenergybc.com | | | \$8.70 | \$8.70 |
| Summit Energy BC LP 877-222-9520 www.summitenergy.ca | | | | \$8.59 |
| Superior Energy Management 866-872-2991/866-398-2011 www.superiorenergy.ca | | | | \$8.29 |

^{*}Chart shows gas marketers' rates for a range of fixed terms. Terasen Gas rate may change quarterly.



before you **Sign** explore your options

Customer Choice offers you the freedom to choose who you buy your natural gas from, an independent gas marketer or your local natural gas utility. Independent gas marketers offer natural gas at long-term fixed prices. Your local natural gas utility offers natural gas at a variable, market-based rate. How you choose to buy your gas is your choice.

For more information on Customer Choice visit terasengas.com

Terasen Gas residential rate (per GJ)*

\$4.95 per GJ effective Oct. 2009

Gas Marketers' Residential Fixed Rates (per GJ)

| Supplier Name | 1 Yr Term | 3 Yr Term | 4 Yr Term | 5 Yr Term |
|--|-----------|-----------|-----------|------------------------|
| Access Gas Services Inc. 877-519-0862 | \$6.89 | | | \$8.79 |
| www.accessgas.com | | | | |
| Active Renewable Marketing Ltd. 1-866-628-9427 www.activerenewable.com | | | | \$8.99 |
| Direct Energy 1-877-376-1445 www.directenergy.com | | \$8.99 | | \$8.49 |
| FireFly Energy 888-780-3298 www.fireflyenergy.ca | | | | \$7.49 |
| Just Energy 866-587-8674 | | | \$8.29 | \$8.29 |
| www.justenergy.com | | | | / |
| MXenergy (Canada) Ltd. 800-785-4373 www.mxenergy.com | \$8.79 | | | |
| Smart Energy (BC) Ltd. 604-415-3599 www.smartenergybc.com | | | \$8.70 | \$8.70 |
| Summit Energy BC LP 877-222-9520 www.summitenergy.ca | | | | \$8.59 \$7.99/\$8.9 |
| Superior Energy Management 866-872-2991/866-398-2011 www.superiorenergy.ca | | | | \$8.29 |

^{*}Chart shows gas marketers' rates for a range of fixed terms. Terasen Gas rate may change quarterly.



Summary of Comments on 09-343_Marketer Rate Comparison Ad_P2withchange.pdf

Page: 1

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