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February 1, 2011

British Columbia Public Interest Advocacy Centre
Suite 209 – 1090 West Pender Street
Vancouver, BC V6E 2N7

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

Attention: Mr. James L. Quail, Executive Director

Dear Mr. Quail:

**Re: Terasen Gas Inc. (“Terasen Gas”)
Customer Choice Program – 2010 Program Summary and Recommendations**

**Response to the British Columbia Public Interest Advocacy Centre on behalf of
the British Columbia Old Age Pensioners Organization et al (“BCOAPO”)
Information Request (“IR”) No. 1 (Exhibit B-3)**

Errata to the Questions 1.1, 1.3 and 1.5

On November 23, 2010, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-191-10 setting out the Regulatory Timetable for review of the Application, on January 7, 2011, Terasen Gas submitted its response to BCOAPO IR No. 1 (Exhibit B-3).

Subsequent to filing the response to the BCOAPO No. 1, TGI discovered errors in the responses to BCOAPO IRs 1.1.1, 1.1.3 and 1.1.5 necessitating this errata filing to make the corrections. The corrections pertain to the amount calculated and shown as “Recoveries & Adjustments” in Table 1 in the response to BCOAPO IR 1.1.1, and the amount shown as “Recoveries” in Table 1 in the response to BCOAPO IR 1.1.3; the amount of the recoveries in both tables were overstated by approximately \$269 thousand as a result of an over accrual of the Marketer transaction fee recovery amounts for December 2010.

Attached please the blacklined corrections to Exhibit B-3, pages 1-3.

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

Yours very truly,

TERASEN GAS INC.

Original signed:

Diane Roy

Attachment

cc (e-mail only): Erica Hamilton, Commission Secretary
Registered Parties



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") Customer Choice Program – 2010 Program Summary and Recommendations	Revised Date: February 1, 2011
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1.0 Reference: Exhibit B-1, General

- 1.1 Please provide a high level estimate as to the total costs that have been paid thus far by the residential rate class to provide the Customer Choice option. Please provide a high-level breakdown of the costs in current \$.

Response:

From August 15, 2006 through December 31, 2010, approximately \$14.8 million has been paid by residential customers to develop, introduce and maintain the Customer Choice program.

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**Table 1: Residential Customer Choice Costs
(In current dollars, August 15, 2006 through December 31, 2010)**

Description	Total
Development	\$ 5,689,291
Operating	2,620,757
Recoveries	(2,728,070)
Education	9,231,075
Net Costs	\$ 14,813,053

- 1.2 Please provide a high level estimate of the total benefits realized by the residential rate class who choose this option and indicate how these benefits are quantified in current \$.

Response:

Terasen Gas has not compiled the data necessary to quantify the dollar savings that have accrued to customers that choose fixed rate Consumer Agreements. The task would require additional time to accomplish. There are approximately 290 price groups currently supported within the Customer Choice program. References in other responses and in the November 2010 filing refer to disparities between the average Gas Marketer and TGI variable rates. These references should not be used to interpolate aggregate cost impacts. The references are presented to describe average price differentials. Because the contracted rates each customer pays can change each year, there is no readily available way to compile the necessary historical information by customer account to calculate actual savings in current dollars.

Since marketer rate offerings also fluctuate with prices in the market, at best, the Company can roughly quantify what an average customer might have paid in 2007 versus what they would have paid if they remained on the default Terasen offering. The Weighted Average CCRA Rate from November 1, 2007 to Dec. 31, 2010 was \$6.48/GJ and the Weighted Average Marketer Rate for a residential customer over this same time period was \$9.69/GJ.



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Financial savings have never represented a stated goal of the program and the Company does not believe the requested analysis is an appropriate measure by which to quantify customer benefits. The value for customers stems from their opportunity to choose commodity suppliers, and the peace of mind knowing that they are protected from unanticipated market fluctuations. TGI has been consistent in this position. As per the Commodity Unbundling Project for Residential Customers CPCN Application, filed with the BCUC on April 13, 2006, research undertaken before the program launched suggested that, "...customers perceived the primary benefit of Unbundling as providing price stability with the **possibility** of savings."¹ Similar to fixed rate mortgages, value is not necessarily derived from savings over the life of the fixed rate term, but rather in the comfort taken that one is protected from unforeseen interest rate increases.

- 1.3 Please provide the annual costs associated with the Customer Choice option allocated to and recovered from the residential class in 2010.

Response:

As of December 31, 2010, recoveries for residential Customer Choice operations were \$1,214,548, with overall net program costs totalling \$181,206.

Table 1: 2010 Residential Customer Choice Costs

Description	Total
Operating	\$ 898,300
Recoveries	(1,214,548)
Education	497,454
Net Costs	\$ 181,206

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¹ Commodity Unbundling Project for Residential Customers CPCN Application, filed with the BCUC on April 13, 2006. Page 14.



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- 1.4 Please provide the projected annual costs associated with the Customer Choice option forecast to be recovered from the residential class in 2011.

Response:

TGI expects to fully recover program costs from existing Gas Marketer fees in 2011. The Company will review the existing fee structure and recommend changes prior to the next Customer Choice Annual General Meeting. The existing fee structure may need to change to ensure adherence to the principle of cost causality. Gas Marketer fees should be used to recover program costs, but the fee structure was not intended to recover original development costs. Based on forecast costs, including customer education, the existing fee structure is expected to result in a small surplus.

- 1.5 Please provide actual or estimated costs for 2010 of (i) the number of customers in the residential class and (ii) the breakdown of residential customers between those taking marketer-supplied commodity and those taking utility-supplied commodity (average numbers in 2010).

Response:

Terasen Gas understands this question is asking the Company to clarify the cost of the Customer Choice program on a per customer basis, and specifically to compare the impact on unbundled versus bundled customers. Program costs are allocated through a midstream rate rider to all residential customers eligible to participate in the Customer Choice Program and includes all residential customers in the Lower Mainland, Inland and Columbia service areas, regardless of their commodity supplier. The 2010 net cost of \$181,206 identified in the response to BCOAPO IR 1.1.3 equates to an estimated rate rider amount of \$0.0026 per GJ, or an annualized cost of approximately \$0.25 for a Lower Mainland residential customer consuming 95 GJ per year.

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- 1.6 Please confirm that the costs associated with the Customer Choice option allocated to and recovered from the residential class are recovered from all residential customers.

Response:

Yes, as noted in BCOAPO IR 1.1.5, the costs associated with the Customer Choice option are allocated to and recovered from all residential customers.