Terasen Gas

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June 2, 2006

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Mr. R.J. Pellatt, Commission Secretary

Dear Sir:

Re: Terasen Gas Inc. ("Terasen Gas")
Certificate of Public of Convenience and Necessity ("CPCN")
Application for Commodity Unbundling for Residential Customers
Project # 3698421

Response to Ministry of Energy, Mines and Petroleum Resources Information Request No. 1

Terasen Gas respectfully submits the attached responses to the above noted Information Request.

Twenty hard copies of the attached will be sent to the Commission office by Monday, June 5, 2006

The full submission including all appendices will be available on the Terasen Gas website by Tuesday, June 6, 2006 at the following location:

http://www.terasengas.com/_Publications/Regulatory/Submissions/LowerMainlandInterior/default.htm

If there are any questions regarding this Application, please contact Mr. Tom Loski, Director, Regulatory Affairs at (604) 592-7464.

Yours very truly,

TERASEN GAS INC.

Original signed by: Tom Loski

For: Scott A. Thomson

Attachment

1.0 Reference: 1.4 Cost of Service, page 6

“Assuming that the implementation and operating costs remain unchanged from the amount estimated in this Application in sections 10.2.1 and 10.2.2 and based on the cost recovery proposal as outlined in section 10.2.3, eligible customers who have access to the program will be charged approximately $0.10 /GJ per year for the first three years of the program. This cost will result in a typical eligible residential customer paying approximately $0.83 per monthly bill, or $9.90 annually.”

1.1 Please provide detail to the table in section 10.2.3 to explain these calculations.

Response:

Please refer to the response to BCUC IR1 question 3.1 for a detailed schedule that sets out how the average cost of $0.10 per GJ is calculated.

Assuming that the average residential customer consumes 100 GJs annually, then the annual cost is $10.00 per customer. The detailed schedule does not contain the rounding differences included in this simple calculation and accounts for the difference between the $9.90 amount referenced in the Application and the $10.00 cited above.

2.0 Reference: 3.1 Overview of Unbundling Solutions in Other Jurisdictions, page 14

"With regards to the question of the value Unbundling has brought to residential customers in the three Canadian jurisdictions researched, Alberta, Manitoba and Ontario, none of the utilities or regulators' representatives interviewed indicated they had in the past undertaken research to measure the success of their retail commodity choice programs from the customer's perspective. However, the utilities and regulators' representatives interviewed believed that customers perceived the primary benefit of Unbundling as providing price stability with the possibility of cost savings."

2.1 This would suggest that there is limited research to validate residential unbundling programs. Please provide detail to explain this argument.

Response:

As outlined in section 3 of the CPCN Application, Terasen Gas conducted considerable secondary market research into understanding developments in other jurisdictions, primarily other provinces in Canada. This research was used to guide the development of the business framework and rules for the proposed Residential Unbundling solution for B.C. Appendix 1 summarizes the key elements of the Residential Unbundling programs in Canada, providing an assessment and update on residential unbundling developments.

In addition to the above research efforts, Terasen Gas through its own research staff in August 2005 contacted through telephone interviews representatives from Enbridge Gas, the Ontario Energy Board, Manitoba Hydro, Manitoba Public Utilities Board, Atco Gas, and the Alberta Ministry of Government Services in order to assess the value of residential unbundling to customers in other jurisdictions and to determine the measures of success in use by other jurisdictions.

In the three Canadian jurisdictions, representatives from the organizations contacted indicated that their customers perceived that the primary benefit of unbundling was price stability. A secondary benefit was potential cost savings. None of the organizations had undertaken studies to validate these benefits to customers. Also, none of the organizations had established measures for determining whether the unbundling programs were successful or not. The focus of utilities appeared to be on ensuring the successful administration of the unbundling programs rather than the value of the programs to retail customers. Regulators interviewed appeared to focus on the number of customer complaints received.

In addition to the above research efforts, Terasen Gas conducted primary research in order to determine the level of interest and value proposition of unbundling to its residential customers. The research findings are discussed on pages 18 – 20 of the Application.

3.0 Reference: 3.3.1 Objectives of Study, page 18

"In the quantitative phase conducted between July 27 and August 7, 2005, a time when the market for natural gas was experiencing price volatility, 801 residential customers were surveyed by telephone to quantify the findings from the qualitative phase, and to examine important differences in sub-groups."

3.1 Conducting this survey during a period of high price volatility may have resulted in skewed results to survey questions. Please explain the time frame chosen.

Response:

In Commission Order No. G-66-05 dated July 7th, 2005 the Commission approved $300,000 requested by Terasen Gas to complete the review and validation of the business model rules for the Residential Unbundling program and the timeline leading to a CPCN Application by March 2006.

As part of this approval Terasen Gas was directed by the Commission to submit an application by September 16, 2005 addressing the justification of the implementation of a Residential Unbundling program and, as appropriate, seeking approval of deferral account funding to complete the scoping and business systems analysis so that a CPCN Application for the Residential Unbundling program can be filed with the Commission by March 2006.

In order to meet the Commission's order to submit an application by September 16, 2005 Terasen Gas had a limited window from July to August 2005 to complete the survey and include the survey results for consideration by the Commission in determining whether to approve Terasen Gas' September 2005 application for approval of further deferral account funding.

Since the survey was conducting during a time when the market for natural gas was experiencing price volatility (i.e. hurricane season), the results may have been skewed towards reporting a higher degree of customer interest than otherwise.

3.2 The choice of n=801 sample size of residential customers is a small sample size to gain adequate information. Please explain the sample size chosen.

Response:

On page 9 of Appendix 4 in the CPCN Application is a summary of survey sampling process utilized. The results for the sample size of 801 are statistically significant and are accurate to within +/- 3.5 percentage points at the 95 percent level of confidence. As a basis of comparison, it is common for surveys to have sample sizes of 500, providing for a sampling error of 4.5%.

For the analysis of sub-groups, it was decided that the 800 sample size would be adequate to provide large enough sample sizes for sub-groups. A larger size would have been warranted if detailed analyses were required of regional sub-groupings (e.g. a demographic comparison for each region) as opposed to comparisons of demographics for the entire sample.

4.0 Reference: 4.2 Customer Education, page 21

"Due to the pilot nature of the program and concerns primarily over the level of residential customer interest in commodity choice…"

4.1 Please elaborate on these concerns.

Response:

Following are examples of references to comments and statements by stakeholders and the Commission made over the last several years concerning the potential level of residential customer interest in commodity choice.

Shortly after the release of the 2002 provincial energy policy, Terasen Gas filed a report with the Commission on February 28, 2003 titled "Commodity Unbundling and Customer Choice" responding to a request from the Commission to re-assess the feasibility of introducing Unbundling for small volume consumers. Some stakeholders consulted by Terasen Gas for their perspectives and thoughts on facilitating Unbundling for small volume consumers expressed concerns about the value proposition for small volume consumers. Some stakeholders commented that "retail unbundling does not appear to be customer driven". Please refer to the February 28, 2003 report starting on page 35 for list of stakeholders consulted and for further comments provided by stakeholders.

In Letter L-14-03 dated April 16, 2003 the Commission provides direction on the implementation of commodity unbundling noting that:

> "Other parties expressed concern about the cost of full unbundling, the risks of permitting contract terms longer than one year for residential customers and the uncertainty about the number of customers who may choose an unbundled option. These parties generally favoured a phased approach that initially would limit choice of supplier to commercial customers."

Most recently, in the cover letter to the Commission Order No. G-110-05 approving Terasen Gas's request for deferral account funding of a scoping solution for the Residential Unbundling program, the Commission commented that:

> "However if the projected target market for the Residential Unbundling Program is only a very small portion of the potential market, and the cost analysis indicates a significant expenditures is necessary to modify the Terasen Gas customer information system, then justification of this Program must be reassessed"

5.0 Reference: 5.1.4 Solution Overview, page 30

5.1 Please explain your use of a Customer Choice fee in light of the lack of such fees used by other jurisdictions as identified in Section 3.1.

Response:

Based on Terasen Gas' research, other jurisdictions do have mechanisms to address stranded gas cost or benefits. However, it is important to recognize that each jurisdiction is unique due to differences in regulatory structures, gas cost recovery mechanisms, unbundling models and business rules, cost/price structures of competing energy sources, and different utility default offerings. These factors affect the need for stranded gas cost exit fees.

Terasen Gas' default offering is unique from other jurisdictions because financial hedging is used more extensively than elsewhere in Canada. For example, in Alberta the default offering from the regional utility does not have financial hedging as part of that offering. Terasen Gas uses financial hedging tools in part to help keep natural gas rates competitive with electric rates in British Columbia and reduce price volatility for customers. This hedging plan extends for three years into the future. Other jurisdictions have only implemented hedges for up to 12 months. Gas Metro in Quebec has a hedging plan that extends beyond 12 months and they face the same issue as Terasen Gas in trying to keep natural gas rates competitive with electric rates.

Terasen Gas understands that several jurisdictions in Canada have mechanisms in place to deal with stranded gas costs. In Manitoba for example, Centra Gas has the right to apply to the Manitoba Public Utilities Board for an exit fee mechanism if customers remaining on the system will be unduly burdened by absorbing deferral account balances left by behind by customers departing for an unbundled service offering. A special rate rider was invoked following such an application in 2002.

A second jurisdiction that has stranded gas cost recovery embedded is Ontario with the rate design mechanism used by Enbridge Gas. In this rate design customers who leave the system partially share in the recovery or distribution of both deferral accounts balance and inventory valuations changes at their point of exit. This occurs through a year-end one-time adjustment.

Terasen Gas proposed the Customer Choice Fee as a way to manage stranded gas costs within the CCRA account. Terasen Gas feels strongly that a mechanism needs to be in place to properly handle stranded gas costs but is open to stakeholder ideas on how to deal with this issue.

6.0 Reference: 5.3.2 Nature of the Commodity Unbundling Service, page 34

"All midstream costs will be managed through a separate gas cost account and charged to customers rather than Gas Marketers."

6.1 Please clarify that the reference to "customers" means customers participating in the residential unbundling program and not Terasen Gas customers as a whole.

Response:

The reference to customers means all customers who pay the midstream charge (MCRA), which include Rate Schedules 1 through 7. Customers in other rate classes do not pay for midstream charges as they are responsible for managing midstream requirements directly.

Commission Order G-25-04 dated March 12, 2004 sets out the treatment of midstream costs as part of the first phase of Commodity Unbundling. No change is proposed for the Residential phase of the Commodity Unbundling program.

7.0 Reference: 5.3.3 Delivery Requirements, page 35

"A weighted average blended price will be determined for the marketer's total delivery requirement and marketer remittances will be based on this blended price"

7.1 Please explain the mechanics of this blended price and provide a numerical example to illustrate. What are the price assumptions?

Response:

Commission Order G-25-04 dated March 11, 2004 set out the approval for the blended price methodology as part of the first phase of Commodity Unbundling. No change is proposed for the second phase, the Residential Unbundling program.

As part of the enrollment process, Gas Marketers must initially set up a Marketer Group before customers can be enrolled. The Group defines the price ($Cdn/GJ) that the customer will pay for natural gas they consume.

In terms of the blended price calculation, as outlined in Terasen Gas Rate Schedule 36 Appendix D, an example is provided that illustrates how the Total Delivery Requirements lead to the calculation of the Blended Price. Once Marketers are provided with their Delivery Requirements for each delivery point, Station 2, Huntingdon, and AECO, each Marketer Group is allocated a portion of the total Delivery Requirement based on the price agreed between Gas Marketer and Customer. After all groups have been allocated their portion of the Delivery Requirement, the sum of the individual Delivery Requirements for each Group will equal the Total Delivery Requirement as determined by the normalized annual forecast. Dividing the sum of the dollar amounts determined for each Marketer Group by the Total Delivery Requirement yields the Blended Price. Note: Fuel Requirements are not included in the calculations since these are paid in kind to the midstream (MCRA).

Example:

Marketer ABC has a total Delivery Requirement is 10,000 GJs for an entry period based on the customers it has enrolled for that entry period.

Assume Marketer Group ABC001 is signed up at $10/GJ and Marketer Group ABC002 is signed up at $11/GJ, which is determined by agreement between the Gas Marketer and Customer.

Using the annual normalized forecast, it has been determined that for group ABC001 Marketer ABC needs to deliver 6,000 GJs and for group ABC002 the Marketer ABC needs to deliver 4,000 GJs. Using these figures the Blended Price can be determined.

Station	Marketer Delivery Requirment (GJ)	Amount ($)	WAP ($)
Station 2 (70%)	7,000	$72,800.00	$10.40
Huntingdon (15%)	1,500	$15,600.00	$10.40
AECO (15%)	1,500	$15,600.00	$10.40
TOTAL	**10,000**	**$104,000.00**	**$10.40**

MARKETER GROUP DELIVERY REQUIREMENT

Marketer Group	Marketer Delivery Requirment (GJ)	Amount ($)	Price ($)
ABC001	6,000	$60,000.00	$10.00
ABC002	4,000	$44,000.00	$11.00
TOTAL	**10,000**	**$104,000.00**	**$10.40**

↑ Normalized Annual Forecasts ↑ Blended Price

$104,000 / 10,000 GJ = $10.40/GJ ← Blended Price

8.0 Reference: 5.3.3 Delivery Requirements, page 35

"Furthermore, if variances caused by customer attrition within a group are significant, Terasen Gas reserves the right to complete an un-scheduled forecast reallocation and re-determine a Gas Marketer's delivery requirement."

8.1 Please define "significant".

Response:

The Report on Commodity Unbundling and Customer Choice Phase I dated July 18, 2003 that was filed in response to Letter L-18-03 sets out the right to re-forecast a Gas Marketer's delivery requirement as part of the first phase of Commodity Unbundling. No change is proposed for the second phase, the Residential Unbundling program.

As part of the Commercial program, Terasen Gas established the Midstream Cost Reconciliation Account (MCRA). The MCRA is used to manage swings in load and to meet the design day requirements of the core customer base.

Volume variances within the MCRA can be caused for two reasons, either by a difference in actual load vs. forecasted normalized load, or by a change in customer behavior.

The Essential Serves Model design takes into account the difference in actual load vs. forecasted load caused by weather variance. Terasen Gas will only perform a re-forecast when the variance is due to changes in consumer behavior. This may be caused by the customers reacting to something in the marketplace, such as higher commodity prices for natural gas. The MCRA was designed to help capture any gains or loses between forecast and actual values created from weather deviations. Anything outside of that may be considered a significant enough change to require an unscheduled forecast reallocation.

9.0 Reference: 5.3.6 Backstopping, page 37

"For shortfalls that remain following the final nomination cycle for the Gas Day, the shortfall will be supplied by Terasen Gas at cost."

9.1 What impacts will there be on supply for, and costs due to, these shortfalls on customers that are not eligible for the residential unbundling program?

Response:

Commission Letter L-25-03 dated June 6, 2003 sets out the method available to Terasen Gas for managing marketer failure as part of the Commercial Unbundling program. No change is proposed to this practice for the Residential Unbundling program. The process for managing marketer failure is described in the response to BCUC IR1 question 8.1.

Rate Schedule 36 sets out the how costs are to be treated in the event of such an occurrence. A marketer supply failure occurs when a Gas Marketer fails to supply gas as required by the Delivery Requirement, which would force Terasen Gas to provide backstopping gas in order to prevent a supply interruption.

If a marketer supply failure occurs, Terasen Gas can apply to the Commission to have the license of the failing Gas Marketer revoked. Should a Gas Marketer's license be revoked by the Commission, this decision would confirm a marketer failure. The Gas Marketer's customers would be returned to the default offering and potentially charged directly for any incremental gas costs associated with their unscheduled return. Any costs not charged directly to returning customers would flow through to the MCRA account. The costs of backstopping gas are paid for by all customers who pay the Midstream service charge and is not limited to those participating in the Residential Unbundling program. These customers include those found in Rate Schedules 1 through 7.

10.0 Reference: 5.4.1 Number of Customers, page 38

“Terasen Gas reserves the right to introduce a customer limit cap, subject to Commission approval should there be unanticipated significant customer migration impacting Terasen Gas’ annual contracting process and Price Risk Management Plan.”

10.1 Please explain “unanticipated customer migration” and why it would occur?

Response:

Unanticipated customer migration refers to a circumstance where the number of customers electing to participate in the proposed Residential Unbundling program is materially greater than the level forecast. This circumstance could occur in situations where a Gas Marketer is able to offer a substantially lower gas price than Terasen Gas’ default rate as a result of a significant decline in the price of natural gas. In this case, customers would likely have a greater incentive to switch to the Gas Marketer. Conversely, it is likely that customer migration to an unbundled rate will be lower when the default rate shows a significant advantage.

Although no specific cap is outlined for Residential Unbundling, what Terasen Gas is proposing is similar to that approved for the Commercial Unbundling program. To ensure the smooth implementation of the Commercial Unbundling program, a cap on the number of customers was approved (10,000 for the first entry period) and no entry period for the second entry date (February/2005) was initially contemplated. This cap was designed to help Terasen Gas manage any significant system and processing problems that could be encountered as the program ramped up. These restrictions were also intended to help Terasen Gas manage any impact to the Annual Contracting Plan (ACP) and the Price Risk Management Plan (PRM).

As part of this Application, Terasen Gas has not identified a specific restriction on entry dates or customer caps, but seeks a means to ensure that the program implementation is as smooth as possible and that Terasen Gas retains the right to bring issues forward to the Commission that have a significant impact to the ACP or the PRM. Terasen Gas is obligated to not only manage the Commodity Unbundling program in a prudent manner, but also to manage the default offering for customers who choose to remain.

Please refer to Terasen Gas’ response to question 9.1 of BCUC Information Request No. 1.

10.2 What percentage of customer uptake of the residential unbundling would constitute an unanticipated customer migration?

Response:

Please refer to Terasen Gas’ response to question 9.1 of BCUC Information Request No.1. As mentioned in that response, Terasen Gas has not specifically identified any restriction on entry dates or customer caps, but included this clause to protect Terasen

Gas' right to bring issues or problems forward to the Commission that have an impact on the ACP or the PRM and the ability of the systems and processes supporting the Residential Unbundling program. Terasen Gas has an obligation to not only manage the Unbundling Program in a prudent manner, but Terasen Gas has an obligation to manage the default offering for those customers that remain.

In developing its forecasted customer participation for the purpose of projecting annual operating costs for the program, Terasen Gas has assumed approximately 40,000 residential customers will migrate by end the of 2007 towards the Unbundling program. At this time, should migration be more than 50% higher (i.e. 60,000 customers in total participating), Terasen Gas intends to review the impacts on the ACP, PRM and the ability of the systems and processes to sustain the program with corrective action as required.

10.3 How will unanticipated customer migration impact the calculation of the Customer Choice fee?

Response:

Unanticipated migration will cause the remaining utility customers to be under or over hedged, leading to a lower or higher stranded gas cost or benefit than would otherwise have occurred.

Please refer to the response to BCUC IR1 question 21.4 for a review of the calculation of the Customer Choice Fee.

10.4 Please explain how unanticipated customer migration will impact Terasen's annual contracting process and Price Risk Management Plan?

Response:

Within the Price Risk Management Plan, which is subject to Commission review and approval, Terasen Gas determines the amount of hedging carried out as part of the default offering. If Terasen Gas experiences unanticipated migration, the Price Risk Management Plan could be over or under hedged. Terasen Gas' actions, if any, to address any unanticipated customer migration will depend on the market conditions at the time such as whether the hedges are in or out of the money, the significance of the under/over hedge volumes and the price volatility in the marketplace.

10.5 Please explain the number determined for the customer limit cap and over what time period. Will it be calculated on a cumulative or annual basis?

Response:

As stated in the response to question 10.1, the Company has not identified a specific cap limit for customer enrolments, however, as discussed in response to question 10.2, if customer migration exceeds the initial forecast migration of 40,000 customers by more than 50%, the Company will review its impacts to determine of a cap is necessary. Please see the response to question 10.2.

11.0 Reference: 5.5.1 Project Costs, pages 40 and 41

"The final component includes $5.0 million for the customer education campaign that is planned for 2007."

11.1 Please provide the rationale for the majority of the customer education campaign budget expenditure in 2007 rather than in 2006.

Response:

Expenditures planned for 2006 are limited to the following:

- message testing;
- TV commercial production; and
- changes to www.terasengas.com to better facilitate commodity unbundling communications.

These activities will take four to five months to complete. It's significantly more cost effective to produce all the required TV commercials at once, in 2006, and have everything needed to parallel the communication activities with the three education phases identified in Sections 8.6.1, 8.6.2 and 8.6.3 of the Application. These planning and production activities are completed most cost effectively immediately prior to the planned launch of the education plan itself early in 2007. The time required to complete the planning and production phase does not permit it to be moved either into 2007 or the education plan to be moved ahead into late 2006. Planned 2007 media expenditures coincide with the roll-out of unbundling, marketer activities and customers' actual purchase decision regarding unbundled rates.

11.2 Assuming all eligible customers sign up for the residential unbundling program, the total cost per customer would be approximately $17.25 (based on total cost of $12.5 million spread over 723,500 customers). Please reconcile this amount with the $9.90 average cost per customer per year estimated in table 12 on page 88.

Response:

The $9.90 average cost per customer per year or $30 per customer over the recommended 3 year amortization period represents approximately recovery of $12.5 million for implementation costs and $3.0 per year, for three years, for operating and customer education costs. In total, from 2008 to 2010, then approximately $22 million is proposed to be recovered (i.e. $12.5 million + $9.0 million). On a customer base of 723,500, this equates to approximately $30 recovered from each customer over the three year period.

12.0 Reference: Table 5 - Residential Unbundling Operating Costs, page 46

12.1 Please provide detail to support the customer growth forecast.

Response:

The average number of residential customers shown on Table 5 is extracted from Terasen Gas' current five year sales and revenue forecast and yields an annual growth rate of approximately 1.7%. This forecast assumes a continued strength in British Columbia's residential construction market. The strength of this market is underpinned by net positive migration into British Columbia, by continued gains in employment, and by increases in net income. The forecast growth in the number of customers is comparable to the rate of growth experienced in recent years.

12.2 What mechanisms will be put in place to protect customers against significant unexpected costs?

Response:

The largest portion of the estimated operating costs will be incurred as a result of additional customer care services CustomerWorks is expected to provide. To protect against significant unexpected cost increases Terasen Gas was provided a fixed price bid for these services. Additionally, these operating costs are also ones that scale with the number of transactions that expected to be processed, which is driven by the number of enrollments. A final operating agreement with CustomerWorks for the provision of these services will need to be negotiated in the fall of 2006 should Application be approved. It is expected that this agreement will largely model a similar agreement that was negotiated for the Commercial Unbundling program and approved by the Commission and cover a multi-year period. This approach helps to ensure that any cost increases are kept to a minimum.

13.0 Reference: 5.5.2 Modifying Revenue Accounting and Financial Reporting Processes to Support Residential Unbundling

"Should the cost estimate at that time be higher than the $0.5 million included in this Application, Terasen Gas will advise the Commission and seek approval for additional funding."

13.1 In what instance(s) does Terasen anticipate such a change in the cost estimate to occur?

Response:

As described in the Application a solution that addresses the revenue accounting and financial reporting process deficiencies has not been determined. If approval for this review is granted by the Commission in its decision, Terasen Gas will complete a detailed design analysis and develop a delivery plan in the fall of 2006. Given the preliminary nature of the review to date the Application included this caution about the cost estimate because a final cost proposal has not been prepared. The preliminary cost estimate assumes that significant changes to the Residential Unbundling Application filed on April 13, 2006 are not required. Should the review in the fall of 2006 conclude that such a change is necessary, then the preliminary cost estimate is likely to be too low. In this case Terasen Gas would seek Commission approval for additional funding.

14.0 Reference: 5.9 Project Risks, page 47

14.1 What are the probabilities of such risks occurring and how will they impact Terasen Gas customers?

Response:

In its Application Terasen Gas identified three key risks. They include the timing of other IT system improvement projects, implementation cost increases if the project faces delays, and changes in the proposed business framework and rules. In the response to BCUC IR 1 question 2.2 Terasen Gas indicated that the final date for a Commission decision on the Application is August 15, 2006. Should the Commission reach a decision by this date then the projects risks are mitigated. Should a decision be delayed after this date, then the project will be delayed and face cost increases as described in the Application and in additional detail in the responses to BCUC IR 1 questions 2.1, 2.2, and 2.3.

15.0 Reference: 8.2 Key Messages, page 58

"Message 2: Natural Gas Commodity Unbundling is consistent with the provincial government's energy policy released in late 2002 that states licensed Gas Marketers will be able to sell directly to small-volume customers."

15.1 The 2002 Energy Plan states that "Natural Gas marketers will be allowed to sell directly to small volume customers..." The use of the word "able" in your message to customers implies that the unbundling program has already been approved and that Gas Marketers have the ability to accomplish such an action. Please clarify your use of the word "able".

Response:

The revised wording of the statement included in Message 2 on page 58 of the Application should have used "will be allowed" instead of "will be able".

16.0 Reference: 9.2 Code of Conduct, page 69

"contracts for residential consumers are fully portable within the service regions eligible to participate in the proposed Residential Unbundling program;"

16.1 Please explain the procedure for customers who participate but then move out of an eligible service region.

Response:

A key feature of the proposed Residential Unbundling program is contract portability. Portability means that customers moving from a premise to another one in an eligible service region would have their contract moved with them to the new premise.

From a process perspective, customers would be required to provide Terasen Gas with moving details that include the date of the move and the new premise address. Terasen Gas would then update enrollment records to reflect this change. In cases where a customer moves into a premise in an ineligible service region, the customer would be dropped from the Residential Unbundling program on the date that the account is finalized. In situations where customers do not provide moving information, Terasen Gas will attempt to locate the customer in the new premise on a best efforts basis and update enrollment records to reflect this change.

17.0 Reference: 9.3 Dispute Resolution Process

"Terasen Gas proposes that the Independent Dispute Resolution process be used primarily to handle disputes for residential customers, as it believes commercial customers are more knowledgeable and capable of handling disputes, either directly with Gas Marketers or through the courts."

17.1 Please explain the Independent Dispute Resolution process available to Gas Marketers to address complaints regarding residential customers.

Response:

Please refer to Application section 9.3.2, pages 71-71, for a detailed description of how the proposed Independent Dispute Resolution process is intended to function.

Additional information about this process can be found in responses to BCUC IR 1 questions 19.1 to 19.10 and 20.1.

18.0 Reference: 9.3.5 Role of the BC Utilities Commission and Other Third Parties, page 75

"Based on its initial discussion with the Better Business Bureau, Terasen Gas believes there is merit in pursuing further the possibility of the Better Business Bureau being contracted on behalf of the Commission to manage the dispute resolution process."

18.1 Please explain the Better Business Bureau's proposed role in the dispute resolution process.

<u>Response:</u>

The Independent Dispute Resolution mechanism proposed by Terasen Gas offers a process to manage disputes by either the Commission or by a third party appointed by the Commission. Terasen Gas contacted the Better Business Bureau to gauge the degree of interest it may have in playing the role of Commission appointed arbiter. The role of the arbiter is described in the response to question 17.1 above.

As part of its decision, the Commission needs to consider how the Independent Dispute Resolution mechanism will function and who will play the role of arbiter if the Commission decides to select a third party to fulfill this responsibility. The Better Business Bureau may or may not fulfill this role.