



**IN THE MATTER OF**

**TERASEN GAS INC.**

**COMMODITY UNBUNDLING**

**PROJECT FOR RESIDENTIAL CUSTOMERS**

**CERTIFICATE OF PUBLIC CONVENIENCE**

**AND NECESSITY APPLICATION**

**DECISION**

**AUGUST 14, 2006**

**Before:**

**A.W.K. Anderson, Commissioner**

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## **1.0 INTRODUCTION**

### **1.1 Background**

Terasen Gas Inc. (“Terasen Gas”; “TGI”) is a company incorporated under the laws of the Province of British Columbia and is a wholly owned subsidiary of Terasen Inc. (“TI”). TI is a wholly owned subsidiary of Kinder Morgan, Inc. Terasen Gas maintains an office and place of business at 16705 Fraser Highway in the City of Surrey in the Province of British Columbia, V3S 2X7.

Terasen Gas is the largest natural gas distribution utility in British Columbia, providing sales and transportation services to residential, commercial and industrial customers in over 100 communities throughout the Province, with approximately 800,000 customers served on the Mainland including the Inland, Columbia and Lower Mainland service areas. Terasen Gas’ distribution network delivers gas to over eighty percent of the natural gas customers in British Columbia.

With the release of the British Columbia Energy Policy, “Energy for Our Future: A Plan for BC”, on November 25, 2002 (“Energy Policy”), Commercial and Residential Commodity Unbundling gained momentum. Policy Action #19 of the Energy Policy states that licensed natural gas marketers will be allowed to sell directly to low-volume customers.

Terasen Gas’ standard system supply tariffs for its residential, commercial and other sales customers covers both the gas commodity and the delivery of the gas to the customer’s premise. This is referred to as burner-tip or bundled service, and will continue to be offered as the default supply option. Unbundling refers to separation of the supply of the gas commodity from the delivery of the gas, whereby the customer purchases gas from a supplier other than Terasen Gas (“Unbundling”).

Following the release of the Energy Policy, the Commission by Letter No. L-49-02 dated December 13, 2002 directed Terasen Gas to update and reassess the Unbundling program that was developed previously and to file a report to the Commission by February 28, 2003 with the intent of making the Commodity Unbundling service option available for November 2004.

In Commission Letter No. L-14-03, dated April 16, 2003, the Commission directed that Unbundling for small volume customers should be implemented in two phases. Commercial customers were to have an unbundled option effective November 2004 (“Phase 1”) with Unbundling to be provided to residential customers in the second phase at some time in the future (“Phase 2”). The Commission directed Terasen Gas to proceed with Commercial Unbundling generally as described in the March 28, 2003 filing. In addition, the Commission directed the provision of a Stable Rate Option (“SRO”) for residential customers. Terasen Gas implemented the proposed Commodity Unbundling service for small and large commercial customers. Process changes and system development was completed allowing eligible customers to begin enrolling in the program starting May 2004. Gas flowed to customers who elected a gas marketer to provide the commodity on November 1, 2004.

In Commission Order No. G-66-05, dated July 7, 2005, the Commission approved deferral account funding for Terasen Gas in the amount of \$300,000 to complete the review and validation of the business model rules for the Residential Unbundling Program, as well as the timeline leading to a Certificate of Public Convenience and Necessity (“CPCN”) application by March 2006.

In Commission Order No. G110-05, dated October 31, 2005, additional funding was approved to complete the scoping and business systems analysis required to enable the filing of a CPCN application for the Residential Unbundling Program by March 2006. Work on the Scoping Phase of Residential Unbundling commenced in late November 2005. The primary focus of this work involved a review of existing processes and systems used by the Commercial Unbundling program with the aim of identifying improvements and changes needed to support a Residential Unbundling program, as well as the existing Commercial Unbundling program. This review was completed in early March 2006 and resulted in TGI filing an Application for the approval of a CPCN for the Commodity Unbundling Project for Residential Customers pursuant to section 45 of the Utilities Commission Act (“Act”) on April 13, 2006 (“Application”). The proposed design of the Residential Unbundling program is described in Section 5 of the Application (Exhibit B-1).

The proposed Residential Unbundling program is a continuation of the Commodity Unbundling program introduced in November 2004 for commercial customers. Starting May 2004, gas marketers began enrolling commercial customers in the Commercial Unbundling program with a Gas Flow Date of November 1, 2004. Total enrolled commercial customers have reached approximately 16,000 by early 2006 representing approximately 20 percent of total eligible commercial customers. Stakeholders such as Direct Energy Marketing Ltd. (“DEML”), Energy Savings B.C. (“ESBC”), (collectively, the “Retailer Group” or “RG”) and CEG Energy Options Inc. (“CEG”) have been generally very pleased with the results of the Commercial Unbundling program to-date as noted in their comments during a Commission sponsored workshop on April 8, 2005 where stakeholders were invited to comment on the performance of the Commercial Unbundling program. A key feature of the Commercial Unbundling program that helps to explain the program’s success is the relatively simple process and systems design that enables the automation of a significant portion of day to day operations. Once a customer is enrolled by a gas marketer, the systems automatically process the majority of back-office requirements with minimal manual intervention.

## **1.2 Application**

The proposed Residential Unbundling design differs from the existing Commercial Unbundling program primarily by the greater degree of automation in the processing of enrolments, and by the increased amount of data per enrolment that will be tracked. The increased amount of data is required to support the degree of automation planned, as well as to support enhanced reporting and the requirements of the Independent Dispute Resolution Mechanism. Existing systems and processes which form the foundation of the proposed Residential Unbundling program continue to be used. Existing interfaces also continue to be used for the most part. The proposed process and system changes needed to support a Residential Unbundling program were also designed with the intent to incorporate the existing Commercial Unbundling program requirements.

The Commercial Unbundling program would benefit from the proposed Residential Unbundling plan process and system improvements. From an operational perspective, both programs would use common processes and systems and would not differ from each other, except for some business rule exceptions. Unlike for Commercial Unbundling Program the proposed Residential Unbundling program would have Confirmation Letters sent, contracts could be ported to a new premise, and the Independent Dispute Resolution Process would differ.

### 1.2.1 The Application

Terasen Gas seeks a CPCN pursuant to Section 45 of the Act. Terasen Gas also seeks Commission approvals of rate riders, transaction fees, and tariff amendments pursuant to Sections 59 and 60 of the Act. As set out in Section 1.5 of the Application, Terasen Gas requests the following regulatory approvals:

To implement Commodity Unbundling for all residential customers in its service areas, excluding Fort Nelson and Revelstoke, effective November 1, 2007.

- **To increase the existing Residential Unbundling Deferral Account spending authorization by \$11.1 million, from \$1.4 million to \$12.5 million.**

Terasen Gas estimates the implementation phase will cost \$11.1 million and seeks approval to charge these costs to the Residential Unbundling Deferral Account. Included in the \$11.1 million is \$0.5 million that is required to modify existing revenue accounting and financial reporting processes to support the Residential Unbundling program.

- **To recover implementation and operating costs for the Residential Unbundling program using deferral account treatment.**

Terasen Gas seeks approval of the deferral account mechanism and cost recovery rider and proposed transaction fees. TGI also seeks approval to apply the existing Bad Debt treatment as approved by the Commission in Order No. G-25-04 for the Commercial Unbundling program to be applied to the Residential Unbundling program.

- **To revise and prepare tariffs and agreements required for the Residential Unbundling program as discussed in Section 6.2 of Exhibit B-1.**

Terasen Gas further seeks approval to the use of the existing Notice of Appointment of Marketer developed for the Commercial Unbundling program; the approval of a new Rate Schedule 1U that outlines the Residential Unbundling service; a revised Base Purchase / Sale Agreement between Marketer and Terasen Gas and changes to Terasen Gas' General Terms and Conditions. Rate Schedule 1X is required in the event of a long term Gas Marketer failure. That rate schedule will enable the recovery of additional costs from customers returning to the utility default rate.

In addition to the regulatory approvals outlined above, Terasen Gas seeks Commission approval of the following items that affect the proposed business framework and model and the customer education efforts required to successfully implement the Residential Unbundling program.

- **Approval of the Residential Unbundling Framework and Final Business Rules.**

Terasen Gas seeks approval of the final Residential Unbundling Business Model and Business Rules contained in Appendix 6 of Exhibit B-1.



- **Approval of Marketer Licensing.**

Terasen Gas proposes that the Commission a review and increase the bonding requirements from the existing \$250,000 for a gas marketer to a structure where the bonding requirement increases with the number of customers a gas marketer has signed up in the Unbundling program.

- **Approval of Gas Marketer Code of Conduct.**

Terasen Gas seeks approval of the proposed revised Gas Marketer Code of Conduct (“Code of Conduct”) discussed in Section 9.2 of Exhibit B-1 in support of the Residential Unbundling program.

- **Approval of the Independent Dispute Resolution Process.**

Terasen Gas requests approval of the proposed Independent Dispute Resolution Process outlined in Section 9.3 of Exhibit B-1 and identification of the part(ies) responsible for resolving contract disputes. This approval will also include direction on whether the same dispute resolution process applies to both residential and commercial customers, or if separate processes are required for each group of customers.

- **Approval to Proceed with the Customer Education Plan.**

Terasen Gas seeks approval of the proposed Customer Education Plan outlined in Section 8 in order to begin research and television production activities in the fall of 2006. Terasen Gas will work with Commission staff to outline a schedule to gather input from interested stakeholders.

- **Approval to Proceed with the Stable Rate Offering for 2007.**

In Section 4 of Exhibit B-1, Terasen Gas seeks approval from the Commission to extend the Stable Rate Offering after 2006 for the foreseeable future.

### 1.3 Project Description

In response to Commission direction, Terasen Gas proposes to implement a Commodity Unbundling service for residential customers in British Columbia effective November 1, 2007. Residential Rate Schedule 1 customers in the Lower Mainland, Inland, and Columbia service areas will be eligible to participate. The implementation of this service represents Phase 2 of the direction contained in Commission Letter No. L-14-03.

The proposed Residential Unbundling model and implementation plan builds on the experience gained during the implementation and operating of Phase 1 of the Commodity Unbundling program for small and large commercial customers. The scope of the proposed project includes required customer education efforts, the overall solution architecture and project management, as well as the development, testing, and deployment of the systems and processes needed to support a Residential Unbundling service offering.

In preparing for this project, Terasen Gas completed a detailed design review and cost estimate using external consultants as part of the Pre-Scoping<sup>1</sup> and Scoping Phase<sup>2</sup> for Residential Unbundling between July 2005 and March 2006. To complete this work, the Commission approved \$1.4 million in funding in 2005 to be recorded in a deferral account. In this Application, Terasen Gas requests additional funding to implement the proposed Residential Unbundling program. This next stage of the project, the “Implementation Phase” is scheduled to start no later than September 2006 and will run throughout 2007, with the first customers receiving gas under the program (“Gas Flow Date”) on November 1, 2007. The total implementation and ongoing operating costs for the Implementation Phase of the proposed Residential Unbundling program include:

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<sup>1</sup> Refers to work completed based on Commission Order G-66-05 from July 7, 2005.

<sup>2</sup> Refers to work completed based on Commission Order G-110-05 from October 31, 2005.

**Implementation Phase Costs 2006 & 2007**

Residential Program Process & System Changes	\$ 6.1 million
Customer Education	<u>5.0 million</u>
<b>Total:</b>	<b>\$ 11.1 million</b>

Funding Approved to Date	<u>1.4 million</u>
<b>Total Implementation Costs</b>	<b>\$ 12.5 million</b>

**Ongoing Program Costs After 2007**

Estimated Annual Operating Costs	0.6 million
Annual Customer Education Costs	<u>3.0 million</u>
<b>Total Annual Ongoing Costs</b>	<b>\$ 3.6 million</b>

The total implementation cost estimates assume that the Implementation Phase starts no later than September 2006. Additionally, any scope changes for the Implementation Phase arising out of a final decision to proceed with the proposed Residential Unbundling program may result in the need to revise the cost estimates provided. The actual costs will be collected in a deferral account and recovered from residential customers who have access to the program via a rate rider.

The required process and systems changes will be completed for use by April 2007, allowing Gas Marketers to begin the process of enrolling customers starting May 2007, with gas flowing to enrolled customers starting November 1, 2007. The initial year's customer education efforts are proposed to start in March 2007, and run continuously through a number of phases to the end of 2007. In subsequent years of the Residential Unbundling program, customer education will still be required on an ongoing basis, although on a reduced scale dropping from \$5 million in year one to \$3 million in subsequent years. Ongoing customer education is required to ensure residential customers are aware of and informed about the Residential Unbundling program.

#### **1.4 Business Model and Key Business Rules**

As with the Commercial Unbundling, the Residential Unbundling program is based on the Essential Services Model. Under the Essential Services Model, gas supply arrangements are identified as either commodity or midstream resources. Terasen Gas buys the gas commodity for resale to its bundled sales customers, and takes delivery of the gas commodity that Gas Marketers are selling to their unbundled customers. For both its bundled sales customers and unbundled customers, Terasen Gas is responsible for midstream resources including contracting and managing transportation and storage requirements and providing balancing and peaking services. All midstream costs will be managed through a separate midstream cost reconciliation account (“MCRA”), and midstream costs will be recovered through Terasen Gas’ midstream cost recovery charge for bundled and unbundled customers.

The main elements of the business model and key business rules for Residential Unbundling were submitted in summary form on January 11, 2006 for review and approval or endorsement by the Commission. Commission approval was requested where the business rule / issue in question was supported by the majority of stakeholders. Commission endorsement was requested where the Commission agreed that Terasen Gas’ recommendation(s) were appropriate for the purpose of the Scoping Phase but would be reviewed further for final approval as part of the CPCN application.

In Letter No. L-5-06 dated January 24, 2006 the Commission approved and endorsed the majority of recommendations put forth by Terasen Gas. The Commission noted however that no approval of the existing balancing provisions is required as no changes are proposed. Further, the Commission commented that it is of the view that while it may be reasonable to review Gas Marketer licensing, Code of Conduct and performance bonding as suggested by Terasen Gas, such review is not part of the scoping of the business rules.

A more in-depth discussion of Terasen Gas’ recommendations on the proposed business rules and framework for Residential Unbundling is found in Appendix 6 of Exhibit B-1. The Appendix contains a copy of Terasen Gas’ December 9, 2005 filing titled “Terasen Gas Inc. Residential Unbundling –

Business Model and Key Business Rules (FINAL)”, outlining a proposed framework for Residential Unbundling, as well as a matrix of the approved and endorsed business rules that was filed with the Commission on January 11, 2006. Appendix 7 of Exhibit B-1 is a copy of Terasen Gas’ filing dated January 5, 2006 entitled “Stakeholders’ Submissions, Residential Unbundling – Business Model and Key Business Rules (FINAL)”, containing Terasen Gas’ responses to stakeholder comments received.

#### 1.4.1 Gas Supply Rules

Terasen Gas proposes no changes from the gas supply rules currently utilized for Commercial Unbundling.

### **1.5 Terasen Gas’ Updates to the Application (Exhibit B-7)**

Commission Letter L-5-06 responded to Terasen Gas’ request for approval or endorsement of business rules in order to allow the Residential Unbundling program cost estimation phase to advance. TGI did not seek resolution by the Commission of matters in dispute with other interested parties at that time. A Commission led workshop was held on June 15, 2006 with all stakeholders to discuss a resolution of the outstanding issues that would need to be examined in a public hearing held on June 27, 2006.

TGI’s interpretation of the results of the workshop on areas of agreement and the outstanding issues in dispute is set out in the “Updates to the Application” dated June 22, 2006 (Exhibit B-7).

#### 1.5.1 Customer Education Plan

Terasen Gas agreed to solicit input and comment from the Retailer Group, CEG, BCOAPO and Commission staff in developing the messaging and delivery of the customer education plan. A similar process to that used for the development of Commercial Unbundling education efforts will be utilized. For the Commercial Unbundling education, Terasen Gas developed draft key messages and material and circulated to stakeholders for comment. Revisions were made as appropriate and re-circulated to

stakeholders for further comment and finalization. As outlined during the workshop, Terasen Gas intends to consult with stakeholders in the fall of 2006 – October and November.

Gas Marketers expressed a desire to have input into the development and delivery of the messaging for the proposed Customer Education Plan, ensuring that the messages were balanced. Gas marketers also expressed concern about the program being branded as a utility program, creating confusion in consumers' eyes. BCOAPO also expressed an interest in providing input into the development and delivery of the messages for the planned customer education efforts.

#### 1.5.2 Confirmation Letter – 10 Day Cooling Off Period

Terasen Gas agreed to a service level standard to generate the confirmation letter. Terasen Gas proposes a two business day standard to produce and mail the Confirmation Letter through Canada Post. At the June 15 workshop, gas marketers supported having the 10 day cooling off period commence as of the date the enrolment (switch) transaction is sent by a gas marketer to Terasen Gas. Terasen Gas' proposal as set out in the Application is to have the ten day cooling off period start when Terasen Gas produces the Confirmation Letter. Gas marketers commented that they are concerned that any significant delay by Terasen Gas in sending out the Confirmation Letter would increase the risk of their gas supply. After further discussion, Gas marketers commented that they would be satisfied if Terasen Gas was able to commit to a service level standard to send out a Confirmation Letter within a certain elapsed time period after receiving the enrolment request from the gas marketer. Gas marketers suggested a 48 hour response time.

#### 1.5.3 Contract Portability – Customer Information Collected

To support contract portability, Terasen Gas agreed to provide a customer's forwarding address and contact number as long as the customer has provided written consent. To facilitate this, Terasen Gas proposes that appropriate language be added to "Section 3 Authorization" of the existing Notice of Appointment of Marketer (found in Appendix 9 of the Application) to provide customer written consent

to release the referred to contact information. In addition, Schedule 36 will also be amended to include language specifying the requirement for Terasen Gas to forward appropriate customer contact information in the event of the contract being ported to another premise within Terasen Gas' eligible service area.

Gas marketers commented that Terasen Gas' original proposal to provide Gas Marketers with changing customer information, such as forwarding address and contact number, due to the customer moving does not support gas marketers' needs to administer their contracts with their customers. Terasen Gas stated its concerns about sharing forwarding address and contact information is due to existing consumer privacy legislation.

#### 1.5.4 Hard Block – No ESM Fee

Terasen Gas agreed to support the adoption of a 'hard block' approach to preventing customer poaching (overwriting) for the term of the contract between the customer and the first Gas Marketer. To support the proposed enrolment process, Terasen Gas will require start and end dates for the agreement between a gas marketer and a customer. Terasen Gas will use the information to produce the Confirmation Letter sent to the customer fully disclosing the price and the contract term including the start and end dates to the customer; and also to detect and prevent customer poaching (overwriting) for the term of the contract between the customer and the first gas marketer.

At the June 15 workshop, Gas Marketers supported the use of a 'hard block' process instead of the 'soft block' proposed by Terasen Gas. Based on their experience, gas marketers stated that the majority of poaching incidents are caused in error or the residential consumer signs the second contract in error. As set out in the Application, Terasen Gas supported the 'soft block' approach as it provides consumers greater mobility but yet still holds them accountable for related early termination costs. As stated in its response to question 21.8 of BCUC Information Request No. 1, Terasen Gas is not opposed to adopting a 'hard block' approach as it recognizes it will deter poaching of customers and prevent any 12 month fixed price rule violations, eliminating the need for the proposed Essential Services Model ("ESM") Fee. As stated above, Terasen Gas now requests approval for implementation of the 'hard block' approach.

#### 1.5.5 Independent Dispute Resolution Process – Wording in Contract to Allow Commission to Resolve Disputes

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With regards to the wording required for a contract, in its response to question 19.8 of BCUC Information Request No.1, Terasen Gas proposed the following wording:

“All disputes arising out of or in connection with this contract shall be referred to and finally resolved by arbitration administered by the British Columbia Utilities Commission (the “BCUC”) [or to another body appointed by the BCUC for the purposes of resolving disputes between customers and Gas Marketers] and conducted according to the BCUC’s rules for the resolution of such disputes.”

Gas marketers commented that they supported having a robust dispute resolution process which provides for timely address of customer disputes. However, gas marketers raised concerns over having a third party other than the Commission be responsible for resolving disputes. On this issue, Terasen Gas supported having the Commission responsible for handling customer complaints and disputes regarding Unbundling.

#### 1.5.6 Fees

- Customer Choice Fee
- Dispute Resolution Fee
- Confirmation Letter Fee
- Bill Messaging Fee

**Customer Choice Fee** - In the Update to the Application, Exhibit B-1, Terasen Gas now supports the MCRA alternative to have stranded gas costs/benefits calculated and transferred over to the MCRA and recovered from all eligible customers.



In its original Application, Terasen Gas proposed the Customer Choice Fee to recover commodity costs stranded when customers leave Terasen Gas' default commodity offering. Gas Marketers stated that the Customer Choice Fee and the proposed ESM Fee would present a significant barrier to the development of the market. Gas Marketers and BCOAPO were supportive of the proposed alternative to have stranded gas costs/benefits calculated and transferred over to the MCRA and recovered from all eligible customers.

**Dispute Resolution** – Terasen Gas states that it understands that general agreement amongst stakeholders was reached during the June 15<sup>th</sup> workshop to have gas marketers pay a dispute resolution fee. In the Application, Terasen Gas states the amount is to be determined with the fee to be comprised of a fixed and variable component.

Terasen Gas proposes the following fee structure, given the stated assumptions, for stakeholder consideration. The assumptions are:

- Approximately 800 disputes per year
- 6 licensed Gas Marketers in the program
- Annual operating costs for the dispute resolution process of \$100,000, primarily for staff
- Aim to recover 50% share of costs from Gas Marketers

For the fixed portion of the fee, Terasen Gas proposes a charge of \$1,000 per gas marketer per year, similar to the \$1,000 application fee that is required from a gas marketer when applying for a new license or renewal of an existing license. For the variable portion of the fee, based on the above assumptions, the fee per dispute processed will be \$50. The proposed dispute resolution fee is estimated to recover approximately \$50,000 in costs from gas marketers annually; lowering the overall \$600,000 estimated annual operating costs of the Residential Unbundling Program net of marketer fees for the Dispute Resolution Program to approximately \$550,000 per year.

**Confirmation Letter Fee** - no change is proposed to the \$0.60 per Confirmation Letter fee sent out on behalf of Gas Marketers.

**Bill Messaging Fee** - the Gas Marketers decided to revisit this issue at a future date. No issue remains outstanding with regard to the Bill Messaging Fee.

#### 1.5.7 Additional Items

In addition to the updates listed above, Terasen Gas updated the Application with regards to the following matters:

##### Section 6.2.6 Commodity Unbundling Rate Schedule

In addition to the proposed Rate Schedule 1U required to support Residential Unbundling service for residential customers, Terasen Gas has identified the need for a new Rate Schedule “1X” to provide for the event of a long term gas marketer failure, where residential customers are brought back to the utility’s default rate. Should there be costs that have to be passed onto the customers returning back to the utility default rate, these customers will be assigned to the Rate Schedule 1X, enabling the recovery of the additional costs through a surcharge to these customers.

##### Revision to page 35 of Application

Terasen Gas noted a correction starting with the last sentence of the fourth paragraph on page 35 of the Application. The page originally read:

“The total delivery requirement and the individual marketer group delivery requirements will be communicated to marketers at least 30 days in advance of the entry date.”

*The reference to 30 days should be changed 15 days.*

### 1.5.8 Resolved Issues Between Terasen Gas and Stakeholders Without the Need for an Application Update

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Other issues were discussed at the June 15 workshop. As Terasen Gas states in its “Updates to the Application” these were resolved (Exhibit B-7. p. 1). A summary of these issues and the discussion is provided here for reference.

#### Terasen Gas – Reservation of the right to introduce an enrolment cap

Terasen Gas clarified that the statement included in the Application “Terasen Gas reserves the right to introduce a customer limitation cap, subject to Commission approval should there be unanticipated significant migration impacting Terasen Gas’ Annual Contracting Plan and Price Risk Management Plan” was also intended to help manage any unforeseen significant system and processing problems that would be encountered. Based on the experience for Commercial Unbundling, Terasen Gas commented that it does not expect significant problems to occur for Residential Unbundling but wishes to reserve the right to introduce a customer enrolment cap should it be required.

Stakeholders provided no comment and agreed this was not an issue.

#### Variable Pricing

Some gas marketers requested that the Unbundling program support not only 12 month or greater fixed price options but variable pricing options less than 12 months (i.e. monthly). Terasen Gas replied that in order to provide annual load balancing services, which is an integral component of the overall Essential Services Model, adherence to the 12 month fixed price rule must be maintained. All stakeholders agreed. Terasen Gas stated that the ESM is integral to the proposed solution to implement Residential Unbundling as it provides a “made-in-B.C.” solution that addresses British Columbia’s supply infrastructure and market requirements, giving consumers the ability to exercise choice while still reflecting the capacity constraints in B.C. Further, the ESM is supportive of growing efficient gas load,

as it enables customers not only to exercise choice but ensuring the responsibility of infrastructure planning is optimized through a regulated infrastructure planner.

Gas Marketers withdrew this issue.

#### Bad Debt – Incremental deferral account treatment

Terasen Gas' proposed bad debt treatment for Residential Unbundling is the same as that approved for the Commercial Phase of Commodity Unbundling. In that phase, the Commission, by Order No. G-25-04, directed Terasen Gas to record in a deferral account the dollar difference between the actual bad debt for unbundled customers and 0.30 percent based on historical experience, which is the overall bad debt recovery forecast used for the purpose of the Terasen Gas annual budget.

Stakeholders provided no comment and agreed this was not an issue.

#### Marketer Access to Bill Messaging Service - Bill Stuffers

Gas marketers expressed an interest in sending their bill inserts through Terasen Gas' bill. Terasen Gas replied that existing privacy legislation requires customer consent before marketers can send customers product information or offerings. BCAOPO commented that based on their previous experience and understanding of this issue, there are concerns about a gas marketer sending inserts through the utility's bill.

Gas marketers agreed to revisit the issue in the future.

### **1.6 Terasen Gas' Outstanding Issues after the June 15, 2006 Workshop**

In Terasen Gas' view the following issues remained outstanding after the June 15, 2006 workshop as no agreement was reached.

- **Performance Bond – Increased with delivery volumes** - Terasen Gas has proposed a performance bonding requirement for gas marketers that increases with the number of customers or delivery volumes that gas marketers sign-up in the Unbundling program.
- **Electronic signature – Voice signature** - Gas Marketers are seeking approval to use voice signatures as an acceptable authorization method when enrolling customers over the phone. As an alternative to introducing use of voice signatures in year 1 of the Residential Unbundling program, gas marketers suggested that the use of voice signatures instead be approved as part of the Application for use in renewal of existing contracts.

Terasen Gas understands that, subject to telemarketer licensing conditions, existing legislation in B.C. provides for the use of voice signatures in place of wet signatures. TGI endorses (prefers) the use of online electronic signatures as an acceptable means to enrol customers.

- **Stable Rate Option** - Terasen Gas proposes to extend the Stable Rate Option after 2006 for the foreseeable future.

### **1.7 Response to Terasen Gas’ “Updates to the Application” and Outstanding Issues (Exhibit B-7)**

DEML and ESBC expressed their concern with regard to TGI’s interpretation of the discussion around the following issues:

- **Dispute Resolution Fee** - DEML considered the Dispute Resolution Fee unreasonable (Exhibit C3-9) and ESBC (C11-7) was opposed to a fee. In the marketer’s view, a payment of \$50 per dispute applied to the marketer assumes fault and responsibility for costs regardless of the outcome of the dispute resolution process.

- **Electronic Signature – New Contracts and Renewals** - DEML stated that voice signatures for contract renewals is a separate process from voice contracting on original contracts and one is not an alternative to another. The marketer supports both the implementation of both systems as each contributes to the success of the marketplace (Exhibit C3-9).

In ESBC's opinion voice signature should be used for obtaining consent for the renewal of existing contracts as the customer already has been receiving service from the marketer. A renewal notice would alert the consumer to the expiration of the contract and the marketer would follow up by phone to obtain the customer's response. Voice consent is obtained using a digitally recorded call that is stored for the term of the contract and available to both the customer and the Commission.

ESBC argued there is no evidence to suggest that the use of voice signature presents any customer concern. The renewal notice is still presented in writing with sufficient time to consider a response. The marketer must obtain the customer's decision in time to instruct Terasen Gas on the correct course of action (Exhibit C11-7).

- **Variable Pricing** - DEML has not withdrawn the issue of variable pricing but views this issue as not mandatory for the implementation of Residential Unbundling at this time. DEML will investigate whether variable rate offerings are achievable in British Columbia (Exhibit C3-9).

## **1.8 Regulatory Process (Procedural Orders and Steps)**

The cost estimate in the Application assumes that Commission approval is granted in time to permit the start of the Implementation Phase in September 2006. Additionally, any scope changes arising out of a final decision to proceed with the proposed Residential Unbundling program may result in the need to revise the cost estimate included in the Application.

Terasen Gas expects that a September 2006 start of the Implementation Phase will permit the process and systems changes to be completed and ready for use by April 2007. This completion would allow gas marketers to begin the process of enrolling customers starting May 2007, with gas flowing to enrolled customers starting November 1, 2007.

#### 1.8.1 Finalization of Details of Residential Unbundling

##### **Approval of Activities by November 30, 2006**

There are a number of activities that must be worked out with stakeholders and require Commission approval by November 30, 2006. These activities are components of the Implementation Phase and include the content of the Confirmation Letter, design and content of the education program and development of the Dispute Resolution process. In addition, TGI will seek approval of the final operating agreement with CustomerWorks for support of the Residential Unbundling program by November 2006.

##### **Post Implementation Review**

TGI proposes that a post implementation review of the Residential Unbundling program take place by mid 2008 which is approximately six months after the projected start of the program (November 1, 2007). At this point, the program will be assessed and refinements may be introduced to enhance the program's effectiveness.

## 2.0 RESIDENTIAL UNBUNDLING EXPENDITURE JUSTIFICATION

### 2.1 Project Costs

In preparing for this Application, Terasen Gas completed a detailed design review and cost estimate using external consultants as part of the Pre-Scoping and Scoping Phase for Residential Unbundling between July 2005 and March 2006. The Commission approved \$1.4 million in funding for deferral treatment in 2005 to complete this work. Terasen Gas now requests additional funding to be recorded in a deferral account required to complete the Implementation Phase of Residential Unbundling. The total implementation and operating costs for the proposed Residential Unbundling program includes:

- **\$11.1 million - the estimated additional direct cost to complete the Implementation Phase of Residential Unbundling.**

This amount is comprised of five components that require expenditures from September 2006 to November 2007. The following table provides a summary of these costs:

#### **Residential Unbundling - Implementation Phase Costs**

##### **A. Program Implementation Phase Costs (Sep 2006 – Dec 2007)**

	<u>2006</u>	<u>2007</u>	<u>Total</u>
Build – Accenture Business Services for Utilities (“ABSU”) & Knowledge Tech Consulting (“KTC”)	2,834,000	2,008,750	4,842,750
Build - Terasen Gas	82,000	126,000	208,000
Terasen Gas Finance Process Changes	165,000	335,000	500,000
Terasen Gas Build Contingency	308,000	247,000	555,000
<u>Customer Education</u>	<u>600,000</u>	<u>4,400,000</u>	<u>5,000,00</u>
<b>Total</b>	<b>\$3,989,000</b>	<b>\$ 7,116,750</b>	<b>\$11,105,750</b>
Cumulative	3,989,000	11,105,750	



The first component includes \$4.84 million on a fixed price basis to cover the cost to build and complete the proposed process and systems changes by ABSU and KTC. Terasen Gas' IT department has reviewed the cost proposal and believes that it represents appropriate value based on the experience of previous systems projects and appears to be in line given the level of detail and certainty required as an output of the Pre-Scoping Phase.

The second component is \$0.2 million and is intended to cover Terasen Gas' cost to provide IT infrastructure and facilities for third party vendors while the project is being built, as well as to cover the costs of a full time project manager.

The third component is \$0.5 million required to complete the scoping, design, and implementation of a solution for revenue accounting and financial reporting process that are needed to ensure that these processes are able to sustain the proposed Residential Unbundling program over the long-term. Additional information about this item can be found in Section 5.5.2 of the Application.

The fourth component includes a contingency by Terasen Gas of \$0.6 million. This cost is intended to cover scope changes that may arise from the final decision that effects the proposed process and systems changes that need to be built.

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

- **\$0.6 million – the estimated annual operating costs.**

Approximately \$0.6 million in operating costs will be incurred annually once the program is operational. This amount is net of estimated recoveries from gas marketers. Costs that are expected to be incurred include labour costs for two full time equivalents ("FTE") required by Terasen Gas to help administer the program, one FTE required to administer the Independent

Dispute Resolution process by a third party, and by ABSU<sup>1</sup> for the cost of incremental customer care activities. The final level of these costs will be established after an operating agreement with ABSU for the provision of customer care services required by the program is negotiated in the fall of 2006.

- **\$3.0 million – annual funding required for continued customer education after 2007.**

To continue with ongoing customer education approximately \$3.0 million is required annually after 2007. This funding is needed to help ensure the success and continued sustainability of the proposed Residential Unbundling program.

Based on the costs set out above, the total estimated implementation cost to provide a Residential Unbundling program in British Columbia is \$11.1 million in implementation cost plus \$1.4 million in previously approved spending for a total of \$12.5 million.

## **2.2 Customer Education Program**

Terasen Gas requests approval for a customer education and communications plans. Based on the successes and difficulties of the Commercial Unbundling stage, the plan recommends unfolding education and communications in three main stages:

- Pre-Introduction Education;
- Pre-Introduction Competitive Activity (Gas Marketer communications begin) and;
- Unbundling Implementation.

The core message will evolve as the campaign moves from stage to stage. There will also be on-going consumer research to measure the effectiveness of the communications, to allow for fine-tuning and to assist in the identification of necessary budget requirements for future years.

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<sup>1</sup> ABSU is Terasen Gas' outsource billing and CIS provider.

The projected expenditures to conduct a successful campaign are:

- 2006 - \$600,000
- 2007 - \$4,400,000
- 2008 and onwards - \$3,000,000 per year

Ongoing Commercial Unbundling communication activities are expected to require annual expenditures of \$300,000 for the next several years. These monies have not been included in the \$11.1 million implementation phase costs. Approval for funding will be requested as part of the established annual post implementation review process for the Commercial Unbundling program.

#### 2.2.1 Customer Education Objectives

Terasen Gas states that communication activities are critical to the successful implementation of Residential Unbundling. A sound plan will ensure that inquiries to the Terasen Gas call centre and the Commission are minimized. It will also help reduce the number of disputes between Gas Marketers and residential customers.

Consistent with the Commercial Unbundling market research conducted in 2004, Terasen Gas recommends that the focus is on creating attention to attract readership and keeping the messages simple and easy to understand.

The objectives of the customer education plan include the following:

- to raise awareness of Unbundling and create a general understanding of the concept to the majority (above 85 percent) of residential customers; and

- to provide all interested customers with ready access to the information they need to make a knowledgeable decision when selecting a commodity supplier.

### 2.2.2 Education Campaign Timeline

Residential Unbundling communications will unfold in three main stages:

#### **Pre-Introduction Education Phase – March 2007**

During this period, the messages will focus on building awareness that in the near future residential natural gas consumers will be given a choice of where they buy their natural gas. Other messages during this period will feature explanations for providing marketer choice, details of the midstream charges and for the composition of those charges.

#### **Pre-Introduction Competitive Activity – May to November 2007**

This phase recognizes that gas marketers will be starting to pre-sell their contracts in the six month window prior to the November 1, 2007 Gas Flow Date. Communications will continue to build awareness of the impending unbundled rate offerings, advise people that gas marketers will likely contact them, and provide information that residential customers need to make an informed decision. In essence the messages from phase one will be continued, but often with more specific details about Unbundling. Another layer will be added to recognize the activities of the gas marketers.

This approach is supported by Commercial Unbundling research findings. As the campaign proceeded, customers wanted more specific details about Unbundling such as “cost/pricing information” (23 percent), “Supplier/Marketer information” (8 percent) and information about “Program specifics and How does it work” (8 percent).

### **2.3 Project Justification**

Following the launch of the Commercial Unbundling phase in 2004, Terasen Gas was directed by the Commission in 2005 to investigate and evaluate the requirements to introduce commodity choice to residential natural gas customers in British Columbia. Since then, Terasen Gas, using funding approved by the Commission, has been scoping the requirements of a Residential Unbundling program for a November 1, 2007 Gas Flow Date. A key component of this work included stakeholder consultations and the development of business rules needed by the proposed program.

The successful implementation of a Residential Unbundling program faces a number of challenges. First, a number of IT system improvement projects over the next two to three years are under consideration by Terasen Gas. These projects largely use common resources, which require them to be staged in such a manner that permits them to be completed within a tight window and to minimize overlap. If approved, the Implementation Phase for Residential Unbundling will need to begin no later than September 2006, so that the available completion window is used and to avoid any scheduling and resource problems. A delay preventing a September 2006 start for the Implementation Phase will result in a change to the November 1, 2007 Gas Flow Date for the program with the revised date dependent not only on availability of third party vendor resources but also on Terasen Gas' other business requirements. This may result in a full year's delay of the program with a revised Gas Flow Date of November 1, 2008, as the events and activities required to support the program such as the customer education and opening up the system for receiving customer enrolments on May 1 will be have to re-sequenced into a workable plan.

A second challenge involves project implementation costs. Although Terasen Gas has received fixed price proposals from third party vendors to implement process and system changes, the price proposals are valid only for a short period of time around a September 2006 start date for the Implementation Phase. A delay significantly after September 2006 could result in a 2-9 percent cost increase for a significant portion of the implementation costs. A delay greater than one year after a September 2006 start for the Implementation Phase would require a new review of all third party pricing proposals.

A third challenge involves changes to the proposed business framework and rules. Should the Commission, in its review of the Application, determine that changes are warranted to the proposed business framework and model and customer education efforts, the timing of the proposed Implementation Phase schedule may be impacted by potential incremental costs to rework and redesign system and process requirements developed as part of the scoping efforts to date.

#### **2.4 Cost of Service**

In Letter No. L-73-05, dated September 7, 2005, the Commission confirmed that Terasen Gas' shareholders will not be at risk for (1) the costs to implement a Residential Unbundling program, (2) any of the operating costs incurred in operating such a program, or (3) for any assets stranded by Residential Unbundling.

Terasen Gas proposes that program implementation costs be recovered from all residential customers who are able to participate in the Residential Unbundling program. Ongoing operating costs would be recovered where possible from gas marketers. Further, any residual operating costs would be recovered using a rate rider from residential customers who are eligible to participate in the program. The proposed cost treatment approach follows the methodology adopted for use in the Commercial Unbundling program.

In Order No. G-25-04 dated March 12, 2004 regarding Commercial Unbundling, the Commission directed use of deferral account treatment and a cost recovery methodology using a three year amortization period and inclusion of allowance for funds used during construction ("AFUDC") on the program development costs incurred in the implementation of the Commercial Unbundling program. Cost recovery of the ongoing operating costs related to providing the Commercial Unbundling program to the extent possible were to be recovered from Gas Marketers. Any operating costs not recovered from gas marketers were to be accumulated in a deferral account and expected to be recovered from all commercial customers who are eligible to participate in the program, through the use of a rate rider.

Eligible customers who have access to the Residential Unbundling 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. After the initial three years of the program operating, Terasen expects the cost to residential customers to fall by approximately one half with the full recovery of the initial implementation costs.

## **2.5 Primary Customer Market Research**

Terasen Gas conducted primary market research to determine residential customers' awareness of Unbundling, the value proposition for customers in having supply choice, customers' level of interest in Unbundling, and understanding how residential customers prefer to be informed about Unbundling to assist with developing an effective customer education program (Exhibit B-1, Appendix 4). Through a third party research firm, NRG Research Group, Terasen Gas conducted focus groups to explore Residential Unbundling in greater depth and to assist with the questionnaire design. A quantitative survey was also completed with a minimum sample size to provide statistically significant results.

Findings of the Survey found at Exhibit B-1, Section 3.3.2, pages 18-19 are as follows:

1. Awareness was very low and only 13 percent of customers surveyed had ever heard of unbundling before. Most customers surveyed did not know the meaning of the term.
2. Approximately 60 percent of respondents indicated that having purchase options or being given a choice of natural gas suppliers provided value.
3. The number of respondents that were very interested in participating in the Unbundling program primarily because of choice and competition (even with a \$1 monthly service charge) is estimated to be in the 5 percent to 10 percent range or 40,000 to 80,000 customers.

### **3.0 OUTSTANDING ISSUES**

The development of the Residential Unbundling program has evolved through a consultation process that involved stakeholders and interested parties. The Commission led workshop held on June 15, 2006 sought to identify the remaining outstanding issues items, so that the public hearing could focus on any unresolved issues. The public hearing on the Application was held June 27, 2006 with Written Argument filed on July 6, 2006 and Reply Argument on July 14, 2006. Terasen Gas, BCOAPO, the Retailer Group, CEG and MEMPR all participated at the public hearing and filed Argument. TGI, BCOAPO and the RG filed Reply Argument. Mr. Jean Binette did not attend the public hearing, but filed Argument and Reply. The views of the Applicant and the Intervenors on the issues outstanding at the time of the public hearing and the Commission's Determination of those issues follow.

#### **3.1 The Justification for Residential Unbundling Expenditures**

##### **Terasen Gas**

Terasen Gas states that it is not promoting the Residential Unbundling program but rather is responding to calls from interested parties, the Commission, and the B.C. Energy Policy to provide commodity choice in the marketplace (Exhibit B-1, p. 4). TGI believes it has developed a cost-effective and workable solution with the accompanying processes and systems to effectively implement Residential Unbundling in British Columbia (Exhibit B-1, pp. 4-5).

In its Reply, TGI states that there is a benefit conferred on all eligible customers by having energy supplier choice available. It refers to Appendix 4 of the Application (Exhibit B-1) and submits that its view is supported by the results of the customer survey undertaken in 2005 which indicated that 60 percent of respondents found “a lot of value: or “some value” in having choice of natural gas suppliers and having more purchase options available. It further submits that even with a \$1 monthly



service charge, the survey forecasted that between 40,000 to 80,000 customers would enrol in the program and the momentum generated in Commercial Unbundling reflects this.

TGI further argues that the Commercial Unbundling program lends support to this projection and may be a good indicator of consumer interest. Customer participation has grown from 2 percent to 20 percent since November 1, 2004 as the program gained traction in the marketplace demonstrating that energy choice has value. According to TGI, the actual costs of approximately \$10 per year or less than \$1 per month are not significant. TGI concludes its Reply on the issue of the benefits of Residential Unbundling with the submission that, contrary to the Argument of BCOAPO, there is benefit conferred on all eligible customers by having choice available and there is a no cross subsidy between those that actually wish to participate in the program with marketers and the remaining customers that continue with TGI. Therefore, TGI submitted it is important that all eligible customers pay regardless whether they participate or not (Reply Argument paras. 2-6).

## **BCOAPO**

In Argument, the BCOAPO submitted that the Commission's mandate under section 45 of the Act requires that in order for a certificate of public convenience and necessity to be granted, the Commission must essentially determine that the application is in the public interest. In this case, BCOAPO identified Policy Action #19 of the Energy Policy and the relevance of the Commission's 2003 Decision approving Commercial Unbundling as the two matters which influence the Commission's consideration in this application (Argument, paras. 8-9).

Policy Action #19 of the BC Energy Policy states that "Natural Gas Marketers will be allowed to sell directly to small volume consumers and will be licensed to provide consumer protection." In BCOAPO's submission, Policy Action #19 does not bind the Commission in the exercise of its statutory responsibilities under Section 45 of the Act. It simply indicates that government views this as a good idea. It submits that a government can only bind an independent tribunal such as the Commission in three ways: (1) by statutory special direction; (2) by an appeal by the tribunal to cabinet; and (3) by legislation (Argument, paras. 13-14).

BCOAPO observes that (1) no special direction has been issued by the Lieutenant Governor in Council pursuant to section 3(1) of the Act, (2) the Act does not provide for an appeal to cabinet and (3) that the government has not enacted legislation requiring the implementation of Residential Unbundling. The BCOAPO submits that in the absence of a special direction, Policy Action #19 is not binding on the Commission. It further submits that while section 71(1) of the Act deals with Gas Marketers, it is silent about natural gas commodity unbundling (Argument, paras. 10-17).

As for the relevance of the Commission's 2003 decision involving Commercial Unbundling, BCOAPO argues that that decision neither sets a precedent nor requires the Commission as a matter of law to approve Residential Unbundling. It refers to Order No. G-66-05 dated July 7, 2005 where the Commission required Terasen Gas to submit an application to justify the implementation of the Residential Unbundling Program. It further points to Commission Letter No. L-5-06 dated January 24, 2006 where the Commission said it was not approving specific program details and looked forward to the filing of TGI's CPCN Application which would provide the opportunity for the examination of all operating details and costs. In BCOAPO's submission, this sequence of orders indicates that justification of a CPCN for this program is still open to review (Argument, para. 20).

BCOAPO submits that the Commission must consider the Application under section 45 of the Act on its merits as there is nothing in law that requires the Commission to approve unbundling. According to BCOAPO it is the balancing of costs and benefits that ultimately determines whether the requirements of section 45 are met. The implementation and operation costs must be weighed against the benefits of energy supply choice, rate stability and the potential for reduced energy costs (Argument, para. 29-30).

In BCOAPO's view, the majority of the implementation and operating costs are the responsibility of residential customers regardless of whether they take advantage of the Residential Unbundling program. It notes that the implementation costs are significant and total \$12.5 million of which \$1.4 million has already been approved by the Commission. The ongoing operating costs are estimated to be \$3.6 million over three years of which \$3 million is allocated to education. Residential customers will

be responsible for all the education expenses with only a portion of the remaining costs to be recovered from marketers (Argument, paras. 30-31).

BCOAPO submits that the benefit for customers resulting from access to choice of energy suppliers is uncertain as customer demand for this alternative has not been demonstrated. The number of energy suppliers is limited to a possible maximum of six marketers however it is unclear whether they all will participate or even the services that may be available. BCOAPO points out that only 60 percent of those surveyed by Terasen Gas indicated an interest in choice *per se* with low costs involved (Argument, para. 40).

BCOAPO further observes that although the commercial program has been in place for some time, it has not stimulated residential customers to demand similar options. There has not been such a positive response to the Commercial Unbundling market (Argument para. 46).

On the issue of rate stability, BCOAPO notes that the Retailer Group has provided little, if any, evidence to indicate that their offerings provide increased rate stability benefits over the existing rate structure that would justify incurring the costs proposed in the Application. It submits that Terasen Gas and the RG appear to view the availability of stable rate options as the major benefit to consumers. It points out, however, that the Commodity Cost Reconciliation Account (“CCRA”) and the MCRA are two programs that are already in place which provide this protection against commodity cost volatility. The BCOAPO adds that the SRO, which it supports, offers a similar protection but states later in its discussion of “possible savings” that only 8,000 out of 700,000 customers (or about 1 to 1.5 percent) have taken advantage of this offering (Argument paras. 52, 53, 59 and 69).

In BCOAPO’s view, the final benefit, the potential for energy cost savings exists but there is no guarantee and customers are just as likely to pay more than the default rate as they are to obtain a cost reduction in their annual energy bill. In BCOAPO’s submission, considering the magnitude of the costs, the benefits are tenuous at best (Argument paras. 60; 65).

BCOAPO concludes that absent the existence of the government's interest expressed in the Energy Policy, Residential Unbundling cannot be justified. It submits that the Retailer Group has produced no independent evidence to support Residential Unbundling and that Residential Unbundling will require a significant cross subsidy from a large majority of customers not in the program. In BCOAPO's view, the RG has relied on government policy as justification and even if this program is approved, the marketers may only participate if the structure presents a suitable business model that includes the elimination of the SRO (Argument paras. 72, 73 and 84-86).

### **Retailer Group**

The Retailer Group is for the most part supportive of the Terasen Gas Application. It does not address the issue of justification of the Residential unbundling program in its Argument. In Reply, the RG responds to Paragraph 40 of the BCOAPO Argument. While it agrees with BCOAPO that Terasen Gas' survey results reflect a lack of customer knowledge about the definition and mechanics of Residential Unbundling, it submits that one could reasonably expect that greater consumer familiarity of this subject would result in an increased level of interest. The RG further submits that a survey indicating that 60 percent of consumers consider choice is important and agrees with Terasen Gas that this represents a significant level of interest. The RG states it believes that Residential Unbundling should occur as soon as possible to provide consumers the necessary tools to protect themselves from rising prices (Reply, pp. 1-3).

### **MEMPR**

The MEMPR supports the development of a Residential Commodity Unbundling program in British Columbia. It is the position of MEMPR that the Residential Unbundling program will provide value to natural gas customers and promote a competitive residential natural gas market. The MEMPR supports the implementation of Residential Unbundling in a responsible and cost effective manner with an emphasis on consumer protection (Argument, p. 9).

**CEG**

With certain exceptions, CEG supports the Application as revised by Exhibit B-7 on June 22, 2006. In CEG's submission the evidence clearly indicates that the Commercial Unbundling program is a success as there is strong acceptance of the Gas Marketers' product offerings. It submits that among the commercial customers who have opted to switch to a competitive marketer are many residential customers who are represented by groups of condominium owners. In CEG's view this level of interest can be extrapolated to the single unit homeowner market. It concludes, therefore, that there is no reason to believe that the residential market will be any less receptive than the commercial segment (Argument, p. 1).

**Mr. Jean Binette**

Mr. Binette is opposed to the Application. He submits that there is an issue of fairness as the proposed Residential Unbundling plan is at direct odds with the Commission's mandate that requires it to protect natural gas consumers from unnecessary energy costs (Reply Argument dated July 6, 2006).

Commission Determination

The Commission Panel agrees with the BCOAPO that neither Energy Policy Action #19 nor the Commission's 2003 Decision approving Commercial Bundling is binding upon it. The Commission Panel bases its determinations on the merits of the Application.

The Residential Unbundling program provides customers with competitive choices for their gas supply needs. The availability of a variety of competitive open market choices is viewed by the Commission Panel as having significant value and benefit to residential customers. Market survey results performed by TGI indicated that 60 percent of respondents found value in having a choice of natural gas suppliers and more energy options. These results suggest a positive inclination to choice even though about only 10 percent of the survey respondents were initially aware of the concept of unbundling.

The Commission Panel accepts that the Commercial Unbundling program provides an indicator of likely positive consumer interest that can be expected for the Residential Unbundling program. Initially the commercial program showed customers to have little interest in such an alternative but over two years the program has expanded from 2 percent to 20 percent which is a significant reaction. This momentum indicates that customer education is extremely important to promote awareness and the level of market share indicates that customers consider this rate alternative to have value. As customers gain more knowledge about the program, participation levels should ramp up in a pattern similar to small business customers.

In addition the trade-off between costs and benefits is in favour of Residential Unbundling. It is true that some customers will be paying for the program even though they choose not to have a contract with a Gas Marketer but rather to continue as customers of TGI. However the choice of residential unbundling can be considered as an exercisable option which customers may decide to activate at anytime based on their risk profile or assessment of energy market conditions. As with any option there is a premium or cost if unexercised, but in this case it is not significant.

TGI estimates that an individual customer will pay about \$10 per year or less than \$1 per month for the option value. Since potentially all residential customers benefit, it is reasonable that all customers should contribute to the overall cost.

The Commission Panel concludes that the Application as revised by Exhibit B-7, subject to the exceptions discussed later in this chapter, is in the public interest. The Commission Panel accepts the implementation cost estimate of \$12.5 million in total, and the estimate of annual operating costs of \$0.6 million. The Commission Panel accepts the estimate of \$3.0 million for customer education for 2008, but will expect Terasen Gas to address the education funding for 2009 and subsequent years in its post implementation review in 2008.

## 3.2 Outstanding Implementation Issues

Several implementation issues remain in dispute. All were examined at the public hearing. They include the following:

- Stable Rate Option
- Independent Dispute Resolution Process and Fee
- Amount of the Performance Bond for Gas Marketers
- Electronic and Voice Signatures for New Contracts and Contract Renewals
- Confirmation Letter and the 10- day Cooling Off Period

### 3.2.1 Stable Rate Option

Terasen Gas has marketed the SRO to residential customers for 2004 and 2005 as a one year fixed commodity rate offering over the calendar year, that the SRO is priced at a premium to the residential default rate. It is provided on a first come first served basis in a short sign-up window beginning in November and is capped at 20,000 customers.

#### **Terasen Gas**

TGI says that residential customers have responded with increasing enrolment in the SRO from approximately 2,000 during its initial year in 2005 to 8,000 customers in 2006. TGI requests that the Commission approve the SRO for 2007 and further approve the offer of the SRO for the foreseeable future in an unbundled environment into 2008 and beyond (Argument para. 32).

In TGI's view this rate form provides educational value, more choice and serves as a benchmark for the unbundled marketplace. TGI designed this alternative to mirror the products offered for sale by Gas Marketers so as not to impair the development of a competitive market (Exhibit B-2, BCUC IR1,

response to Question 6.1). According to TGI, the cap limitation, short sign-up period and rate characteristics constrain the intrusion of the SRO into the competitive marketplace (Argument, paras. 33-34).

TGI provided evidence that the SRO can function in an unbundled marketplace alongside offerings from Gas Marketers. It used the Northern Indiana Public Service Company as an example of a regulated utility that offers a stable rate option and other products in an unbundled marketplace that also permits seven Gas Marketers to offer commodity choice to about 50,000 customers [Exhibit B-2, BCUC IR1, Question 6; (T2: 58)].

In its Reply, TGI reiterates its arguments in support of the SRO. In its view, the SRO acts as a primer and can coexist with Gas Marketers as it allows customers to take advantage of this service before making a long term commitment on a three to five year marketer offering (Reply Argument paras. 10 and 11).

### **BCOAPO**

In BCOAPO's submission, the Commission should allow TGI to continue with its current SRO offering. It submits that the present enrolment level of 8,000 customers represents only 1.14 percent of the potential marketplace and should not be a threat to the success of marketers. According to BCOAPO, if choice is the only benefit to all eligible customers, there should be a full range of choice available (Argument, paras. 96-97).

### **Retailer Group**

In the view of the RG, the SRO is an intrusive offering that will compete directly with products from Gas Marketers and if left in place, will allow the continued involvement of TGI in the marketplace. The RG suggests that the SRO terminate by the end of the 2007 calendar year unless it is offered through an affiliate of TGI, operating under a code of conduct (such as the Terasen Gas Code of Conduct and Transfer Pricing Policy for Provision of Utility Resources and Services) (Argument, p. 4).



The RG submits that the Application provides for an educational program that is best suited to create product awareness in the marketplace, not the SRO. In the RG's submission, the SRO is a competitive product that captures the customer for one year creating a barrier to choosing similar products from marketers. With one entry date and no valid price comparison information that is useful to the customer, the SRO provides no useful educational value.

In the RG's view, the continuation of the SRO serves as direct competition to marketer's offerings and it is unlikely that the one year market will ever develop without the elimination of this product. According to the RG, by offering this product, TGI has created an unlevel playing field with competitive marketers while there is no risk to TGI's shareholders (Argument, p. 5).

The RG also responded to the TGI evidence that the impact on the marketplace when the 20,000 enrolment cap is compared to the 700,000 potential customers is relatively small. The RG submits that the real comparison should be made with the 40,000 to 80,000 potential customers that are expected to take advantage of the Residential Unbundling program. If that comparison is made according to the RG, the results indicate 25 percent to 50 percent market penetration for the SRO (Argument, p. 5).

## **CEG**

CEG submitted TGI's assumption that marketers will offer only multi-year contract terms was erroneous. CEG intends to offer one year contracts if there is sufficient customer interest in this shorter term option. However as TGI is the dominant supplier and enjoys a competitive advantage, CEG says that it will not participate in this market segment and compete against the SRO if the SRO remains in place (Argument, p. 2).

In CEG's view, the SRO price does not provide meaningful benchmark information to customers. The market price is set at one point in time each year while marketers will be providing price offers to customers on an ongoing basis throughout the year. As the SRO does not reflect current market prices, it is more likely to provide misleading information to customers (Argument, pp. 2-3).

According to CEG, the default customers or those that remain with TGI and do not take advantage of the SRO receive no benefit regardless of whether the SRO price is lower or higher than marketers. The SRO is not perfectly hedged as TGI must estimate the volume taken up by customers and the net gain or loss is transferred to the CCRA. Therefore in CEG's view, the net losses transferred to the CCRA will always outweigh the net gains to the detriment of TGI's default customers.

The educational value of the SRO is also suspect in CEG's opinion. According to CEG, the educational campaigns of both TGI and marketers will provide residential customers with the necessary information on the availability of new supply options.

As its final point, CEG submits, like the RG, that TGI has an unfair competitive position in the marketplace when competing with marketers. It argues that if Terasen Gas wants to compete it should do so through a non-regulated arms length entity subject to a code of conduct. It further submits that the new (non-regulated) entity's access to the billing envelope and the use of the Terasen Gas brand should be restricted (Argument, p. 3).

## **MEMPR**

In MEMPR's view, the SRO is a competitive barrier and therefore poses a threat to a successful residential unbundling program in B.C. If TGI wants to continue with the SRO in an unbundled market then it should do so through a non-regulated business (Argument p. 9, para. 27).

## **Commission Determination**

The Commission Panel is of the view that successful launching of residential unbundling (customer choice for commodity supply) should be based upon a market with a "playing field" which is as level as possible and which at the outset gives no participant an undue advantage. The Commission Panel considers that TGI's current brand impact is significant in comparison to the Gas Marketers who are attempting to develop brand and product awareness. The Commission Panel also considers that TGI's

SRO offering constitutes a form of unbundling, albeit internal, as it does provide the customer with a supply choice.

At this point in the development of residential gas commodity unbundling, Gas Marketers appear to be at a disadvantage when competing against the existing SRO which has been marketed under the TGI brand for the last two years. The Commission Panel concludes that it would be detrimental to the development of a robust competitive market if the SRO were to be permitted to continue in its present form beyond 2007.

The Commission Panel considers that product awareness and educational value are decidedly different concepts. TGI argues that the continuation of the SRO will create educational value by using its strong brand awareness in the marketplace. However the Commission Panel considers that the result would be a strong differential advantage for the SRO offered by TGI that could inhibit marketers from entering this shorter term market segment and possibly even the Residential Unbundling program itself. If TGI is persuaded that ongoing education for commodity unbundling is of value, it can surely be undertaken independent of the existence of the SRO.

The Commission Panel concludes that TGI has significant advantages over marketers besides its brand and if allowed to participate with the SRO will create an unlevel playing field. The shareholders of TGI are not at risk for the losses on this product, which is decidedly different from other participants in an unregulated competitive marketplace. It would be unreasonable to expect marketers to compete directly with the regulated host utility for unbundled gas supply services.

The Commission Panel therefore concludes that the SRO must be terminated by December 31, 2007. If TGI decides to participate in the unbundled residential market, it must do so through a non-regulated arm's length entity subject to the Terasen Gas Code of Conduct and Transfer Pricing Policy or Provision of Utility Resources and Services.

### 3.2.2 Independent Dispute Resolution Process and Fee

Terasen Gas requests approval of the Independent Dispute Resolution process set out in Section 9.3 of the Application. The purpose of the Independent Dispute Resolution process is to provide customers and Gas Marketers with a means to efficiently resolve disputes. The independence of the arbitrator is a key element in the process. Customers need the assurance that their complaints will be resolved fairly.

#### **Terasen Gas**

It is TGI's position that if disputes between customer and Gas Marketer can not be resolved between the parties, they should be settled through arbitration. The arbiter would be either the Commission or an independent party selected by the Commission. The decision of the arbiter would be final and binding on the customer and the Gas Marketer (Argument, para. 38).

In its Reply, in responding to the RG position on this issue, TGI submits that the dispute resolution process should be efficient and result in a final determination of the disputed issue. It argues that it would be a disservice to customers to have the Commission investigate compliance conditions for a marketer's licence and the court determine the coincident claim for damages. In TGI's submission, although customers would be encouraged to resolve disputes with a Gas Marketer first, the process should not discourage customers from seeking an efficient resolution to a dispute (Reply Argument, paras. 16-17).

TGI proposes that the costs of managing the process should be shared approximately equally between Gas Marketers and customers. TGI is of the opinion that customers will act responsibly and not make frivolous claims. Gas Marketers would pay for their share of costs through fixed and variable transaction fees while the eligible customer's share would be embedded in their cost of service. Terasen Gas submits that cost sharing in this way aligns the marketer's interest with their customers as both sides will have an interest in minimizing complaints (Reply Argument, para. 18).

**Retailer Group**

The Retailer Group does not believe that it is the role of the Commission or TGI to oversee a dispute resolution or have the responsibility for arbitration. It submits that the customer has other legal avenues to pursue contractual disputes that are outside compliance matters where the Commission has authority. The RG submits that the Commission's responsibility should be to review and decide upon complaints that only relate to a breach of compliance or other condition of the Gas Marketer's Licence. If a marketer satisfies these requirements, the complainant is free to pursue other legal remedies (Argument, p. 11).

Nor does the RG support the imposition of fees or costs assigned to the marketer to support the Commission acting as an arbiter. According to the RG, the Independent Dispute Resolution Process is a function of the enactment of government policy similar to the education process and the costs should be borne by all residential customers. The RG also does not support a fee structure which imposes costs on the marketer regardless of fault and there should be some penalty applied to the customer to discourage frivolous and unsubstantiated claims (Argument, pp. 11-12).

**CEG**

The CEG agrees with the position of the RG. In CEG's opinion, it is unreasonable to apply even a nominal fee to a marketer if there is compliance with the Code of Conduct and contract commitments to both the customer and utility are being fulfilled. If customers are not at risk for fees, the CEG submits that even a small proportion of customers can take advantage of the process and lodge frivolous complaints causing an administrative and financial burden to marketers (Argument, p. 1).

**BCOAPO**

BCOAPO agrees with TGI that the Commission is the appropriate party to run the arbitration process for the resolution of energy contract disputes between marketers and customers. It is familiar with the

marketers involved in the unbundling program and regulates the utility that delivers the energy product (Argument, para. 93).

BCOAPO also agrees with TGI's proposal relating to the payment of the Dispute Resolution Fee, BCOAPO submits that the Dispute Resolution Fee of \$50 should be paid by the marketer as a cost of doing business. In BCOAPO's view, the suggestion that customers would use this fee as a method to pursue spurious claims against marketers cannot be justified. (T275) (Argument, paras. 94-95).

### Commission Determination

The Commission Panel concludes that the Commission, or its designate, is the appropriate arbiter of energy contract disputes between Gas Marketers and consumers and the most appropriate party to manage the dispute resolution process. Customers will first be encouraged to resolve disputes with their Gas Marketer and if that fails, enter into a dispute resolution process managed by the Commission. The Commission directs that the Code of Conduct be revised to require that contracts between a Gas Marketer and a residential customer provide that unresolved disputes are to be referred to the Commission or its designate for resolution or direction. The Gas Marketer should be responsible for the dispute resolution fee, unless the Commission, or its designate, determines that the residential customer has made a frivolous complaint or, for some other reason, should be responsible for payment of the \$50 fee. The Commission approves a fixed portion of the dispute resolution fee of \$1,000 per marketer and a transaction fee of \$50 per dispute (Exhibit B-7, p. 4).

#### 3.2.3 Amount of Performance Bond for Gas Marketers

In order to be granted a Gas Marketer licence, a marketer must post a \$250,000 bond or letter of credit with the Commission as a performance bond. The Commission has direct access to the full amount of the security and may apply this sum against the outstanding expenses of a Gas Marketer in the event the marketer defaults on financial obligations to its customers or suppliers.

**Terasen Gas**

TGI proposes a change to the existing bonding requirements for Gas Marketers operating in the Residential Commodity Unbundling program. The change would result in an increase in the performance bonding requirement for Gas Marketers increasing with the number of customers that a marketer enrolls. TGI submits that the proposed increase in the performance bonding requirement is an important element of consumer protection, since it provides consumers with some assurance that funds will be available to fulfill a marketer's fixed price obligations for the term of the contract. TGI suggests that the intent of licensing marketers is to assure consumers that obligations under the supply agreements will be met (Exhibit B-7, p. 5; Exhibit B-2, IR1, Response to Question 18.4 and Argument, paras. 45-48).

In the alternative TGI proposes that a regular credit review of the marketer's financial condition be undertaken on a quarterly or semi-annual basis. If there is evidence of the inability of a marketer to honour its contractual supply arrangements then the performance bond can be increased. The amount would be determined on the basis of the market and credit status conditions at the time (Exhibit B-2, IR1, Response to Question 18.1).

**Retailer Group**

DEML gave evidence that the current level of performance bond (\$250,000) is the highest level that it pays anywhere that it operates (T2: 177). In the RG's view, there is no need to increase the bonding requirement above the current \$250,000 level to reflect consumption. The RG submits that marketers' financial health is examined by the Commission through the licensing process and imposing a higher bond level may discourage potential market entrants (Argument, p. 11).

## **CEG**

CEG submits that the current \$250,000 bond requirement or letter of credit is consistent with other western Canadian jurisdictions and does not present a barrier to unsuitable marketers. According to CEG, the gas market has matured over time so that credit worthiness is an important factor that prevents undercapitalized companies from acquiring gas supply. It notes that no amount of funding that can insulate customers from an Enron like-financial failure (Argument, p. 2).

CEG further submits that under the Residential Unbundling program, TGI is the default supplier so customers are not at risk for the physical interruption of gas supply if a marketer failure occurs. Increasing the credit requirements based on the number of customers signed by a marketer would simply increase business costs and result in even fewer marketers participating in the program (Argument, p. 2).

### Commission Determination

The Commission Panel finds that the current level of the Performance Bond is consistent with other Canadian jurisdictions. DEML indicates that it is the highest level anywhere it operates. The intent of the bond is not to pay the total outstanding costs if a marketer defaults on obligations to customers or suppliers, but to present a reasonable financial stability test for applicants seeking a Gas Marketer's Licence. The Performance Bond is intended, inter alia, to set a minimum financial capability standard for applicant organizations. The Commission concludes that the \$250,000 level for the Performance Bond is sufficient for the purposes of Residential Unbundling.

#### 3.2.4 Electronic and Voice Signatures for New Contracts and Contract Renewals

The marketers propose that voice recording of a customer's agreement to a contract be an acceptable substitute for a "wet signature" or a signed contract. This would apply to new contracts as well as contract renewals.



## **Terasen Gas**

Article 12 of the proposed Code of Conduct sets out the requirements that TGI suggests should govern Telephone Marketing activities of a Gas Marketer. It requires a Gas Marketer to forward a written agreement to the consumer and to obtain a signed agreement in return from the consumer (Exhibit B-1, Appendix 8, p. 7). TGI would switch the customer's gas supply once this signed agreement or an electronic signature was received (Exhibit B-7, p. 6). TGI submits that customers will be more aware that they have entered into a legally binding contract, if a signed agreement is required rather than simply a voice response to a telemarketer (Argument, paras. 49 and 53).

TGI further submits that voice signatures for new contracts or existing contract renewals should not be used during the initial years of Residential Unbundling where choice is an unfamiliar concept to most customers and the potential exists for a significant number of customer complaints. TGI submitted that once the program is in place, this issue could be reevaluated as part of the post implementation review in 2008 (Argument, paras. 51 and 52; T2: 44).

The Retailer Group introduced evidence that consisted of regulations and other documents from jurisdictions outside British Columbia (Exhibit C3-8). The evidence included a set of regulations specific to the marketing of energy in Alberta and a Texas document<sup>1</sup> related to the marketing of electricity. DEML stated the evidence was intended to serve as examples where voice contracting was permitted and the supporting regulations to accommodate this option (T2: 195). TGI submits that this evidence indicates voice contracting requires its own set of regulations and this channel should not be used in the initial years of Residential Unbundling (Argument, para. 54).

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<sup>1</sup> Alberta Energy Marketing Regulation – Part 2.1

Telephone Marketing Contract Section 16

Marketing Contract Renewal

Public Utility Commission of Texas

Telemarketing Summary

Voice Signature in Canada

Direct Energy Marketing Limited Quality

Assurance Practices Telemarketing, Ontario

TGI also observes that the modifications of the existing systems it has proposed do not include the provision for consumer protection measures of the type in the regulations contained in Exhibit C8-3. TGI offered the example of clause 11.4(1)(xii) of the Alberta Energy Marketing Regulation which requires that each agreement for the supply of energy that is entered into by telephone contain a provision that allows for the consumer to cancel the agreement within 60 days after receiving the first billing statement. TGI notes that its proposed processes and system modifications do not allow for cancellation within this timeframe. According to TGI, the development of the appropriate set of regulations for voice contracting, and their incorporation into the processes and systems used by TGI will delay the introduction of Residential Unbundling and potentially change the capital and operating expenditures for the project (Argument, para. 55).

At the oral hearing, DEML also proposed a pilot project to demonstrate both that customer complaints would not increase and that this is an efficient method of validating the customer's agreement to a contract. TGI opposes the pilot project. TGI submits that a pilot project does not serve any value without the appropriate regulations in place to govern marketing of natural gas by telephone. Further, TGI submits that the pilot project is also potentially discriminatory as allowing DEML this option could provide preferred treatment to DEML and discriminate against other marketers (Argument, para. 56).

### **Retailer Group**

The RG states that voice contracting or electronic transactions are recent developments and in mature jurisdictions such as Ontario voice contracting was not available in the first year of the residential unbundling program. In other markets such as New York which has telemarketing regulations in place, energy marketers utilized this channel when the market opened. Alberta and Texas did not initially have voice contracting but now have regulations in place. In Texas voice contracting is the dominant sales channel. Ohio regulatory authorities have also stated their preference for voice contracting over a "wet signature" (Exhibit C11-6, response to Question 8).

The RG submits that British Columbia has legislation in place which allows for the use of digitally recorded voice consent to satisfy the requirements of a customer signature. In DEML's opinion, many companies commonly use voice contracting and it is a service that consumers expect to have. DEML submits that voice contracting strengthens consumer protection as it removes many of the ambiguities from door to door sales (Argument, pp. 6-7).

As stated earlier in these Reasons, DEML proposes to undertake a pilot project for voice contracting for new contracts. This would include both a customer cap and reporting requirements possibly to both TGI and the Commission in order to demonstrate the validity of voice contracting (T2: 270). DEML is also willing to discuss with the Commission and all stakeholders the voice contracting process and the audit methods to ensure consumer protection (Argument, p. 7).

The RG submits that the regulatory requirements applicable to new contracts differ from those which apply to renewal contracts in most jurisdictions. This is due to what the RG describes as "a clear difference" between the relationship from a consumers perspective and accordingly from the perspective of consumer protection. The RG supports the immediate implementation of voice contracting for contract renewals. In its submission, such an approach reflects an existing relationship between the parties as the customer has been receiving service for up to five years before a contract renewal is necessary. The marketer receives a more immediate response before the expiry of the contract (as much as 30 days before), which increases the accuracy of any exchange of information with TGI. The RG submits that the result is a more efficient contracting process that is used effectively in other markets to enhance the business experience with the customer (Argument, pp. 7-9).

In discussing the issue of voice contracting regulations and requirements from other jurisdictions, and the introduction a set of similar rules in British Columbia, Mr. MacIntyre indicated that "I think it could be included in the code of conduct for marketers." However, DEML did not present any evidence with respect to suggested details of the process, the documentation available to the customer under a voice contracting arrangement or the means of interfacing with TGI's process and systems proposals.

Mr. Potter stated that ES does not use voice contracting for new contracts. He described the ES renewal process as follows:

“On the renewal side,...when the [contract term]comes due, we send out a paper package that says, ‘Here’s your renewal package, here are your options -- you can cancel, you can renew, et cetera.’ And they can either sign it or send it in, or we can follow up and we can go through a scripting process. So I think, just for clarity, we don’t currently use it for new contracts. We use it as receiving consent, or in writing,...” [T2, p. 198].

## **CEG**

CEG does not presently use either electronic or voice signature for either new gas supply contracts or customer renewals. Notwithstanding that CEG submits that voice and electronic signature contracting should not be prohibited. In CEG's view if there is a clearly defined script for a voice contract, a customer can more easily understand a plain language verbal offer than a written contract. CEG submits that electronic signature of internet based contracts is widely accepted and should be a permitted method of completing a contract (Argument, p. 2).

## **BCOAPO**

BCOAPO has serious reservations about the use of voice contracting or voice renewals at this time. In BCOAPO’s view, protecting the consumer is the main concern. It points to the evidence of Mr. MacIntyre that there is no detailed legislation in British Columbia comparable to the Fair Trading Act of Alberta which provides such protections (Argument, paras. 98-99).

### Commission Determination

The Commission Panel considers that it does not have sufficient detailed evidence of adequate consumer protection measures under a voice contracting arrangement, and concludes that approving of voice

contracting would be premature at this time. In particular, the Commission Panel believes that the customer should have in hand a hard or electronic copy of the full, detailed contract that was verbally agreed to, prior to receiving the Confirmation Letter from Terasen Gas. However, the Commission Panel also considers that voice contracting can be an efficient business process under appropriate circumstances. With sufficient evidence and appropriate regulatory requirements to be set out in the Code of Conduct or otherwise, and particularly if the process proposed did not require changes to Terasen's system development scope and timetable, the Commission would be prepared to revisit this matter in the future. The Commission Panel encourages Terasen Gas to include the matter in its ongoing consultations with Gas Marketers.

With one modification, contract renewals will be governed by proposed Article 12 of the Code of Conduct. The Commission Panel will allow electronic signature for customers committing to new contracts or renewing existing contracts. TGI is directed to amend Article 12 accordingly.

### 3.2.5 Confirmation Letter and the 10-Day Cooling Off Period

The 10-day cooling off period allows a customer time to review a contract commitment and cancel an agreement without penalty. The Confirmation Letter is sent out by Terasen Gas after notification from marketer that a transaction with a customer has been completed and includes a provision to cancel that contract. The letter alerts the customer that a commodity gas contract has been entered into with a marketer and TGI is no longer providing that service. However in order for this process to be effective, the customer must be provided with enough time to respond to the letter once it is received (Terasen Argument, p. 17).

In the Application TGI proposed a change to the Code of Conduct to introduce the requirement of a Confirmation Letter and a ten-day cooling off period that is specific to residential customers (Exhibit B-1, p. 69). TGI listed "Confirmation Letter-10 day cooling off period" as an updated item in its Application Update, but one for which it understood there was no dispute (Exhibit B-7, p. 2). In Argument, it acknowledged that there were questions respecting the ten day cooling off period and that there does not appear to be agreement among all participants on this issue (Argument, para. 58).

**Terasen Gas**

TGI commits to a service level standard of two business days from the marketer's enrolment request for the generation of the Confirmation Letter. TGI proposes that the ten days forming the cooling off period will be counted on a calendar basis from the date of the Confirmation Letter and include weekends and statutory holidays (Argument, para. 60).

According to TGI, the ten-day cooling off period cannot be lengthened as TGI requires some time period to finalize the marketer supply requirement and marketers must arrange for the start of gas flows on the first day of the month. In order to support a monthly entry process, TGI requires 30 days prior to the monthly gas flow date. The processing includes the 2 business days to produce and mail the Confirmation Letter, the ten-day cooling off period followed by approximately five days for TGI to calculate and complete the marketer supply requirement, which is in turn followed by approximately 13 days for Gas Marketers to arrange for gas supply for the first day of the following month. TGI submits that any extension of the cooling-off period reduces the period available to marketers (Argument, para. 60; Reply Argument, para. 21).

**Retailer Group**

In Argument, the RG clarified its support for the additional cooling off period proposed by TGI. It referred to the Business Practices and Consumer Protection Act which stipulates a requirement of a ten day cooling off period to commence from the date of signing of the contract. In addition, it says that TGI has proposed to issue a Confirmation Letter to the customer within two "deemed" business days from the date it received an enrolment transaction request from the Gas Marketer. Once the Confirmation Letter is sent by TGI, the customer has an additional ten calendar days to cancel the contract without penalty. In RG's view this amounts to 22 days for the customer to cancel the contact and that is well beyond the ten-day cooling-off period. The RG does not oppose this proposal provided that it applies only to residential customers and the Compliance Letter is deemed to have been sent to the consumer within two days of the enrolment request to TGI (Argument, p. 10).

**BCOAPO**

The issue of the ten day cooling off period is only of serious concern to the BCOAPO if Voice Contracting and Voice Renewals are permitted. In the case of wet signature agreements, on the evidence of Mr. Potter, customers are immediately provided with a copy of their contract. In such circumstances, the 12 day cooling off period suggested at the oral hearing is satisfactory to the BCOAPO (T2: 249; 252 and Argument, para. 100).

In the case of Voice Signatures, BCOAPO requests the Commission consider applying a ten-day cooling off period beginning at the time the customer actually receives a copy of the contract. In the alternative, BCOAPO requests that the Commission put in place a timeframe that incorporates 16 days from TGI mailing the Confirmation Letter. BCOAPO submits this would allow six days for mail delivery to rural areas and ten days for the cooling-off period (Argument, paras. 101 and 102).

Commission Determination

The Commission Panel accepts TGI's proposal of a ten day cooling off period. The Commission Panel directs Terasen Gas to establish systems that will allow it to generate the Confirmation Letter within a two business day service level standard following notification of a transaction request from the marketer. For greater certainty, Confirmation Letters will be generated for contract renewals as well as for new contracts. The Confirmation Letter is to inform the consumer of the consumer's ability to cancel the contract within ten calendar days from the date of the letter. Terasen Gas will also include historical pricing information in the Confirmation Letter and a guide to the pricing depositor website that provides Gas Marketers' price information. The Commission directs Terasen Gas to provide the current residential gas commodity default rate, five years of historical price information on the residential default rate and a discussion of how the default rate is variable and subject to change in the future, so that customers can make an informed choice on energy supply options.

#### **4.0 ISSUES NOT IN DISPUTE BUT THE SUBJECT OF COMMENTS IN ARGUMENT OR REPLY**

##### **4.1 Consumer Education and Utility Branding of Customer Education Material**

###### **Terasen Gas**

Terasen Gas agrees that a collaborative process that includes all stakeholders should be formed to develop educational materials. TGI intends to solicit input from the RG, CEG, BCOAPO and Commission staff in developing the messaging and delivery of consumer education in order to maintain a balanced and neutral representation of consumer choices (Exhibit B-7; Reply, para. 23).

TGI disagrees with the RG that educational materials and messages should not be branded due to a potential for consumer confusion. According to TGI, branding of educational material with a balanced and neutral message will help to raise awareness and interest in Residential Unbundling, legitimize the role of marketers, and minimize customer confusion. In its evidence and its submissions TGI expressed the view that customers look to the utility to supply information on natural gas and removing the Terasen Gas branding from the customer education material will diminish the effectiveness of efforts to promote consumer confidence in commodity choice, and to address concerns about ongoing service reliability and the role of Gas Marketers (T2: 57-58 and Reply Argument, paras. 23-29).

TGI understands that at this time Gas Marketers are not seeking access to bill inserts distributed by the utility.

###### **Retailer Group**

In the RG's view, educational material should not be branded by the utility as it leads to customer confusion (T2: 57). According to the RG, such confusion would be minimized if TGI formed an



unregulated affiliate bound by a code of conduct and branded differently from the distribution company (Argument, p. 3).

### Commission Determination

The Commission concludes that utility branded sponsorship of the customer educational material will lend appropriate credibility to the development of the Residential Unbundling program during the implementation phase. TGI is directed to include this issue as part of the collaborative process.

#### **4.2 Customer Choice Fee – Transfer to Midstream Cost Reconciliation Account**

##### **Terasen Gas**

In the Application Update (Exhibit B-7), TGI changed its position on the Customer Choice Fee from that set out in the Application (Exhibit B-1, Section 10.1.1, p. 80). It now agrees with stakeholders that stranded costs and benefits should be transferred to the MCRA and then recovered through rates from all residential and commercial customers eligible for commodity unbundling (Argument, paras. 19-20).

##### **BCOAPO**

BCOAPO submitted that it believes cost causality or user pay is the preferable way to recover costs like stranded gas costs, but stated that in the absence of a cost causality model the proposal to recover stranded gas from the MCRA presents the best consumer option.

##### **MEMPR**

The MEMPR submits that the stranded gas costs should be transferred to the MCRA and all customers eligible for the program should bear the cost (Argument, paras. 26-27).

**Retailer Group**

The RG also supports the new TGI position that stranded costs and credits should be transferred to the MCRA (Argument, pp. 5-6).

Commission Determination

The Commission Panel agrees with TGI, MEMPR and the RG. TGI is to transfer stranded costs and benefits to the Midstream Cost Reconciliation Account for recovery through rates from all residential and commercial customers eligible for commodity unbundling.

**4.3 Enrolment Cap****Terasen Gas**

It is TGI's position that the enrolment cap is a contingency item that would be requested from the Commission in the event significant processing problems materialize or other unforeseen events. At this point Terasen Gas states that it is simply alerting participants to the possibility that an unforeseen event may occur to cause it to seek relief from the Commission. The Commission need not make an order at this time and it is not considered in dispute (Exhibit B-1, p. 35; T2: 47; T2: 148).

According to TGI, it is premature to establish the procedure that has to be followed or the level of the cap. It is not possible to establish the enrolment restriction before May 1, 2007 as any problems related to process will not be identified until after that date. If TGI initiates such a request, the specific reasons and conditions will be known (Argument, para. 24-25).

**MEMPR**

MEMPR submits that in any TGI application to introduce an enrolment cap all interested parties must be provided with an opportunity to intervene as the success of the program is limited by this action. If there are operational issues and a cap is required, it should be short term in nature to minimize disruption (Argument, paras. 14-16; Exhibit B-1, p. 38, MEMPR IR1, Question 10.1).

**Retailer Group**

The RG is not opposed to TGI's request to impose an enrolment cap provided this restriction is established before May 1, 2007. Although the RG recognizes that system failures or process matters may arise that require this action in the short term, RG requests that requests for enrolment restrictions be subject to public comment prior Commission approval (Argument, pp. 12-13).

Commission Determination

The Commission Panel recognises that an enrolment cap contingency item may be necessary. However, TGI is not requesting a decision on this item at this time. Accordingly, any Commission decision on the appropriate process should take place when and if TGI applies for an enrolment cap.

**4.4 Waiver of Cooling Off Period for Small Commercial Customers****Retailer Group**

DEML proposes that the Code of Conduct be changed for small commercial customers with annual consumption over 2000 GJ. According to DEML, these are sophisticated customers who should have the ten-day cooling-off period removed (Argument, p. 12).

**Terasen Gas**

In Reply, TGI referred to the view that it expressed in its response to RG IR1, Question 27 (Exhibit B-2) that it would be appropriate to waive the ten-day period for “sophisticated small commercial customers who, in aggregate, have more than the Low Volume Consumer threshold, but have individual premises where the consumption is less than 2000 gigajoules per year”. TGI suggests adding revised wording to the Code of Conduct or alternatively that the gas marketer can ask the commercial customer to waive the ten-day cooling off requirement as part of the supply agreement. TGI prefers the latter option (Reply Argument, para. 42).

Commission Determination

This issue should be brought forward in a separate application, as the issue is not directly related to the Residential Unbundling application currently before the Commission.

Dated at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of August 2006.

*Original signed by:*

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A.W. Keith Anderson  
Commissioner

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** C-6-06

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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Terasen Gas Inc.  
for Approval of a Certificate of Public Convenience and Necessity  
for the Residential Commodity Unbundling Project

**BEFORE:** A.W.K. Anderson, Commissioner August 14, 2006

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**WHEREAS:**

- A. On November 25, 2002, the Government of British Columbia issued its energy policy, "Energy Plan for our Future: A Plan for BC." Policy Action #19 stated, in part, that "The Utilities Commission Act will be amended in spring 2003 to allow direct natural gas sales to low-volume customers, and to require the licensing of marketers who serve those customers"; and
- B. On March 16, 2005, Terasen Gas Inc. ("Terasen Gas") submitted its report entitled Commodity Unbundling Post Implementation Review and Next Steps (the "Report") that presented a review of the Commercial Unbundling Program to date with suggestions for improvement and refinements to enhance its effectiveness; and
- C. On April 8, 2005, the Commission held a workshop on the Commercial Commodity Unbundling Program at which Terasen Gas presented the Report and stakeholders were invited to provide their comments. Gas Marketers requested that the Residential Unbundling Program be introduced as soon as it is feasible; and
- D. Commission Order No. G-66-05 dated July 7, 2005 approved \$300,000 in deferral account funding for Terasen Gas to complete market research and the review and validation of the business model rules for the Residential Unbundling Program and also the timeline leading to a Certificate of Public Convenience and Necessity ("CPCN") application by March 2006; and
- E. Commission Order No. G-110-05 dated October 31, 2005 approved additional deferral account expenditures of \$1,053,800 for Terasen Gas to complete the scoping and business systems analysis work to enable the filing of a CPCN application for the Residential Commodity Unbundling Project with the Commission by March 2006; and
- F. On April 13, 2006, Terasen Gas applied for approval of a CPCN for the Commodity Unbundling Project for Residential Customers pursuant to Section 45 of the Utilities Commission Act (the "Application") , to implement effective November 1, 2007, unbundling for residential customers in its service territory (excluding Fort Nelson and Revelstoke). Terasen Gas expects that the additional capital expenditure will be

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\$11.1 million for a total of \$12.5 million. The Application also requests Commission approval of a deferral account mechanism for cost recovery of the implementation and operating costs, and changes to tariffs and agreements to support the Residential Commodity Unbundling Project; and

- G. Commission Order No. G-46-06 dated April 28, 2006 determined that the Application would be examined through an Oral Public Hearing as set out in the Regulatory Timetable attached to the Order; and
- H. Commission Order No. G-69-06 dated June 16, 2006 revised the Regulatory Timetable; and
- I. On June 22, 2006 Terasen Gas updated its CPCN Application by addressing several outstanding issues in the Application; and
- J. The Commission has considered the Application, the evidence and the submissions presented to it, and has determined that the Residential Commodity Unbundling Project is in the public interest subject to the conditions and changes that are set out in this Order and the Decision that is issued concurrently with the Order.

**NOW THEREFORE** the Commission orders as follows, pursuant to sections 45, 46, 59, 60 and 61 of the Utilities Commission Act:

1. A Certificate of Public Convenience and Necessity is granted for the Residential Commodity Unbundling Project for residential customers in all Terasen Gas service areas, excluding Fort Nelson and Revelstoke, effective November 1, 2007.
2. The Residential Unbundling Deferral Account spending authorization is increased by \$11.1 million from \$1.4 million to \$12.5 million. Included in the \$11.1 million is \$0.5 million required to modify existing revenue accounting and financial reporting processes to support the Residential Commodity Unbundling Project.
3. Implementation and operating costs for the Residential Commodity Unbundling Project are to be recovered using deferral account treatment as set out in the Application. The proposed deferral account mechanism, cost recovery rider and the proposed Group Fee, Customer Bill Fee and Confirmation Letter Fee set out in section 10.2 of the Application are approved.
4. Bad Debt treatment for the Residential Commodity Unbundling Project is approved under the same terms as approved by Commission Order No. G-25-04 for Commercial Unbundling. A zero incremental bad debt factor is to apply to unbundled residential customers for the initial period of Residential Commodity Unbundling Project. Terasen Gas is to establish a deferral account to record the dollar difference between the actual bad debt experience and the 0.30 percent of the gross revenue received from residential unbundled customers.
5. The existing Notice of Appointment of Marketer form developed for the Commercial Unbundling program is approved for use with the Residential Commodity Unbundling Project. The new Rate Schedule 1U that outlines the Residential Unbundling service; a revised Base Purchase/Sale Agreement between Gas Marketer and Terasen Gas, changes to Terasen Gas' General Terms and Conditions as set out in Appendix 11 of the Application and Rate Schedule 1X are approved.

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6. The Residential Unbundling Business Model and Business Rules in Appendix 6 of the Application are approved.
7. The request to continue the Stable Rate Offering (“SRO”) after 2007 for the foreseeable future is denied. Terasen Gas is to terminate the SRO program no later than December 31, 2007.
8. The Code of Conduct changes set out in section 9.2 of the Application with the exception that the Independent Dispute Resolution Process and Fees for the Residential Commodity Unbundling Project are approved as set out in subsection 3.2.2 of the Decision. Voice signatures for new contracts and contract renewals are not approved. Electronic signatures are approved for new contracts and contract renewals. The 10-day Cooling Off Period and the issuance of the Confirmation Letter are approved as set out in section 3.2.5 of the Decision.
9. The Code of Conduct is amended to require that contracts between a Gas Marketer and a residential customer will include a provision that all disputes arising out of the contract will be referred to and resolved by arbitration administered by the Commission or other body appointed by the Commission for purposes of resolving such disputes, and conducted according to the Commission’s rules for the resolution of such disputes.
10. The request to increase the amount of the Performance Bond is denied. The Performance Bond as a requirement for a Gas Marketer’s Licence will remain at \$250,000.
11. The Customer Education Plan as set out in section 8 of the Application as modified by section 2.2 of the Decision, is approved. Terasen Gas will consult with Gas Marketers and other stakeholders, and with Commission staff, in the development of the Customer Education Plan.
12. Terasen Gas will comply with the other directions and conditions that are set out in the Decision that is issued concurrently with this Order.
13. Terasen Gas will file with the Commission quarterly progress reports on the Residential Commodity Unbundling Project schedule and costs, followed by a final report on project completion. Terasen Gas will determine the form and content of the reports in consultation with Commission staff.

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**DATED** at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of August 2006.

BY ORDER

*Original signed by*

A.W.K. Anderson  
Commissioner



**LIST OF ACRONYMS**

ABSU	Accenture Business Services for Utilities
Act	The Utilities Commission Act
AFUDC	Allowance for Funds used during Construction
Application	Terasen Gas' Application for the approval of a CPCN for the Commodity Unbundling Project for Residential Customers
BCOAPO	BC Old Age Pensioners Association, et al.
BCUC	British Columbia Utilities Commission
CCRA	Commodity Cost Reconciliation Account
CEG	CEG Energy Options Inc.
Code of Conduct	Gas Marketer Code of Conduct
CPCN	Certificate of Public Convenience and Necessity
DEML	Direct Energy Marketing Ltd.
Energy Policy	Energy for Our Future: A Plan for BC
ESBC	Energy Savings B.C
ESM	Essential Services Model
FTE	Full time equivalents
Gas Flow Date	The date customers start receiving gas under the program
KTC	Knowledge Tech Consulting
MCRA	Midstream Cost Reconciliation Account
MEMPR	Ministry of Energy, Mines and Petroleum Resources
NIPSCO	Northern Indiana Public Service Company
Retailer Group; RG	Direct Energy Marketing Ltd , Energy Savings B.C.
SRO	Stable Rate Option

**LIST OF ACRONYMS**

Terasen Gas; TGI	Terasen Gas Inc.
TI	Terasen Inc.

**LIST OF APPEARANCES**

G.A. FULTON	Commission Counsel
C. JOHNSON	Terasen Gas Inc.
R. GATHERCOLE	B.C. Old Age Pensioners' Organization Council of Senior Citizens' Organizations Federated Anti-Poverty Groups of British Columbia End Legislated Poverty Active Support Against Poverty Tenants' Rights Action Coalition
J. DAVISON	Ministry of Energy, Mines and Petroleum Resources
G. MACINTYRE	Direct Energy Marketing Limited
K. MORROW R. MAGNESON	CEG Energy Options Inc.
G. POTTER	Energy Savings B.C.
K. MILLER	Direct Energy Marketing Limited. Energy Savings B.C. (The Retailer Group)
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R. BROWNELL J.B. WILLISTON	Commission Staff
ALLWEST REPORTING LTD.	Court Reporter

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated April 27, 2006 filing Order No. G-46-06, Notice of Workshop, Procedural Conference and Regulatory Timetable
A-2	Letter dated May 3, 2006 advising the revision and the addition of new items in the Regulatory Timetable
A-3	Letter dated May 8, 2006 granting an extension to BCOAPO (Exhibit C4-2) for filing its Information Requests
A-4	Letter dated May 11, 2006, filing Commission's Information Request No. 1 to Terasen Gas Inc.
A-5	Letter dated June 12, 2006 filing Commission's Information Request No. 1 to Direct Energy Marketing Limited
A-6	Letter dated June 13, 2006 filing Commission's Draft Issue List for June 15 <sup>th</sup> Workshop
A-7	Letter dated June 16, 2006 and Order No. G-69-06 issuing a revised Regulatory Timetable
A-8	Letter dated June 26, 2006 to Mr. Jean Binette regarding responses to Terasen Gas Information Requests not filed
A-9	Letter dated June 29, 2006 requesting comments from participants as to whether or not it is necessary for Commission counsel to seek Leave from the Panel Chair to correct a photocopy error in Exhibit C3-8
A-10	Letter dated July 18, 2006 notification not to proceed with Oral Argument

*APPLICANT DOCUMENTS*

B-1	Letter dated April 13, 2006 filing the Application for Commodity Residential Unbundling Project CPCN
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**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
B-2	Letter dated June 2, 2006 filing responses to: <ul style="list-style-type: none"><li>• Commission's Information Request No. 1</li><li>• BCOAPO's Information Request No. 1</li><li>• CEG Energy Options Inc's Information Request No. 1</li><li>• Jean Binette's Information Request No. 1</li><li>• Ministry of Energy, Mines and Petroleum Resources' Information Request No. 1</li><li>• Energy Savings BC's and Direct Energy Marketing Ltd.'s Information Request No. 1</li></ul>
B-3	Letter dated June 12, 2006 filing Information Requests on Intervenor Evidence from Jean Binette (Exhibit C2-3)
B-4	Letter dated June 12, 2006 filing Information Requests on Intervenor Evidence from Direct Energy Marketing Limited & Energy Savings B.C. ("Retailer Group") (Exhibit C3-3 and Exhibit C11-3)
B-5	Commodity Residential Unbundling Workshop - June 16, 2006 Presentation and Handout Materials
B-6	Letter dated June 22, 2006 filing response to Intervenor Information Request No. 1 (Exhibit C12-2)
B-7	Letter dated June 22, 2006 filing update to CPCN Application, pursuant to Order No. G-69-06
B-8	Letter received June 23, 2006 filing Direct Testimony of Witness Panel, Tom A. Loski, James Wong and Hans Mertins
B-9	Letter dated June 23, 2006 commenting on Intervenor Jean Binette's outstanding responses to Terasen Gas' Information Request on Intervenor Evidence (Exhibit B-3)
B-10	<b>Submission at Public Hearing</b> - Letter dated June 22, 2006, filing no opposition on request by Direct Energy Marketing Limited to file Additional Evidence

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
<i>INTERVENOR DOCUMENTS</i>	
C1-1	<b>MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES (MEMPR)</b> – Letter dated May 1, 2006 advising attendance at the Workshop and Procedural Conference, and requesting Intervenor status for Jennifer Davison & Stirling Bates
C1-2	Letter dated May 18, 2006 filing Information Request No. 1 to Terasen Gas
C2-1	<b>BINETTE, JEAN</b> - Email dated May 1, 2006 requesting Intervenor Status
C2-2	Email received May 19, 2006 filing Information Request No. 1 to Terasen Gas
C2-3	Email received June 8, 2006 filing Intervenor Evidence to Terasen Gas
C2-4	Email received June 12, 2006 filing Information Request on Intervenor Evidence
C2-5	<b>Submission at Public Hearing</b> - Email received June 22, 2006 filing comments on request for Leave of Evidence
C2-6	Email received June 26, 2006 filing comments on outstanding Terasen’s Information Request No. 1 and comments on filing Final Argument and request for advance ruling on admissibility of Evidence
C2-7	Email received June 26, 2006 filing response and comments to Terasen’s letter (Exhibit B-9)
C2-7R	Email received June 26, 2006 filing revised response and comments to Terasen’s letter (Exhibit B-9)
C2-8	<b>Submission at Public Hearing</b> - Email received June 27, 2006 stating Mr. Binette will not appear at June 27, 2006 Public Hearing, and directing additional written information requests to Terasen Gas
C3-1	<b>DIRECT ENERGY MARKETING LIMITED (DEML)</b> – Letter dated May 3, 2006 notifying their attendance at the Procedural Conference and requesting Intervenor Status for Glenn MacIntyre

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
C3-2	Letter dated May 19, 2006 filing Information Request No. 1 jointly with Gord Potter of Energy Savings of BC to Terasen Gas
C3-3	Letter dated June 8, 2006 filing Evidence jointly with Gord Potter of Energy Savings of BC to Terasen Gas (amended via e-mail dated June 9, 2006)
C3-4	Letter dated June 21, 2006 filing response to Information Request No. 1 filed jointly with Gord Potter of Energy Savings of BC (ESBC) to the Commission
C3-5	Letter dated June 21, 2006 filing response to Information Request filed jointly with Gord Potter of Energy Savings of BC (ESBC) to Jean Binette
C3-6	Letter dated June 21, 2006 filing response to Information Request No. 1 filed jointly with Gord Potter of Energy Savings of BC (ESBC) to Terasen Gas
C3-7	<b>Submission at Public Hearing</b> - Letter dated June 22, 2006 filing request for Leave of Evidence
C3-8	<b>Submission at Public Hearing</b> - Letter dated June 22, 2006 attaching the new Evidence that DEML requested Leave to File
C3-9	<b>Submission at Public Hearing</b> - Letter dated June 23, 2006 filing response and comments to Terasen's update to the CPCN Application (Exhibit B-7)
C3-10	<b>Submission at Public Hearing</b> – Received June 27, 2006, Glenn K. MacIntyre M. Ec., P. Eng's biography
C4-1	<b>BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION ET AL (BCOAPO)</b> - Received letter dated May 4, 2006 from Richard J. Gathercole requesting Intervenor Status and for James Wightman of Econalysis Consulting Services Inc.
C4-2	Letter dated May 4, 2006 requesting Commission to extend the Regulatory Timetable filing dates for Information Requests
C4-3	Letter dated May 24, 2006 filing Information Request No. 1 to Terasen
C5-1	<b>CEG ENERGY OPTIONS INC.</b> – Fax dated May 12, 2006 requesting Intervenor Status by Kirby Morrow
C5-2	Letter dated May 19, 2006 filing Information Request No. 1 to Terasen Gas

**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
C6-1	<b>SASK ENERGY INCORPORATED</b> – Online web registration dated May 12, 2006 requesting Intervenor Status by Ken From  <b>WITHDRAWN – ENTERED AS EXHIBIT D-1</b>
C7-1	<b>FORTISBC INCORPORATED</b> – Letter dated May 16, 2006 requesting Intervenor Status for Joyce Martin
C7-2	Email dated June 8, 2006 advising that FortisBC will not be attending the Workshop or Procedural Conference
C8-1	<b>R.T. O’CALLAGHAN &amp; ASSOCIATES LTD.</b> – Letter dated May 15, 2006 requesting Intervenor Status for Richard O’Callaghan
C9-1	<b>MAXEY, NELLE</b> – Online registration received May 17, 2006 requesting Intervenor Status
C10-1	<b>YOUNG, TED</b> – Letter received May 17, 2006 requesting Intervenor Status
C11-1	<b>ENERGYSAVINGS B.C. (ESBC)</b> – Letter dated for May 17, 2006 requesting Intervenor Status for Gord Potter, Vice President Regulatory Affairs
C11-2	Letter dated May 19, 2006 filing Information Request No. 1 jointly with Glenn MacIntyre of Direct Energy Marketing Limited (DEML) to Terasen Gas
C11-3	Letter dated June 8, 2006 filing evidence jointly jointly with Glenn MacIntyre of Direct Energy Marketing Limited (DEML) to Terasen Gas
C11-4	Letter dated June 21, 2006 filing response to Information Request No. 1 filed jointly with Glenn MacIntyre of Direct Energy Marketing Limited (DEML) to the Commission
C11-5	Letter dated June 21, 2006 filing response to Information Request No. 1 filed jointly with Glenn MacIntyre of Direct Energy Marketing Limited (DEML) to Jean Binette



**EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
C11-6	Letter dated June 21, 2006 filing response to Information Request No. 1 filed jointly with Glenn MacIntyre of Direct Energy Marketing Limited (DEML) to Terasen Gas
C11-7	Letter dated June 23, 2006 filing response and comments to Terasen's update to the CPCN Application (Exhibit B-7)
C11-8	<b>Submission at Public Hearing</b> – Received June 27, 2006, Gord Potter, Vice President, Regulatory Affairs, Energy Savings BC Biography
C12-1	<b>CANADIAN OFFICE AND PROFESSIONAL UNION (COPE)</b> - Received letter dated May 25, 2006 requesting Intervenor Status for Gwenne Farrell and Lori Winstanley
C12-2	Letter dated June 7, 2006 filing Information Request No. 1 to Terasen Gas

*INTERESTED PARTY DOCUMENTS*

D-1	<b>SASK ENERGY INCORPORATED</b> – Online web registration dated May 12, 2006 requesting Interested Party Status by Ken From
D-2	<b>SPENCER, JOHN J. AND JOCELYNE M.T.</b> – Email dated May 12, 2006 requesting Interested Party status and follow-up email of May 24, 2006

*LETTERS OF COMMENT*

E-1	Letter of Comment received May 15, 2006 from Carolyn Linden, Prince George, BC
E-2	Letter of Comment received May 18, 2006 from Regina Dalton, Abbotsford, BC