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January 10, 2005

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

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

Dear Sir,

Re: Response to Order G-64-04
Rate Schedules 14 and 14A Single Invoice Function

On March 17, 2004, Terasen Gas requested approval of market-based gas commodity rates, effective November 1, 2004, for Rate Schedules 7, 10, 14 and 14A (the "Application"). On July 9, 2004 the British Columbia Utilities Commission ("BCUC", or the "Commission") issued Order No. G-64-04, which in part directed Terasen Gas Inc. ("Terasen Gas") to "work with the independent marketers to establish a commercially reasonable basis for accomplishing the objective of enabling "the same single invoice function to all marketers" and to report back the Commission within six months. This submission is in response to that directive.

Through the summer and early fall of 2004, Terasen Gas engaged Direct Energy and other gas marketers in a discussion of the potential value to customers of a combined billing arrangement, and how such an arrangement might be structured. At the same time Terasen Gas engaged Accenture Business Services for Utilities (ABSU) to estimate the costs of providing a single billing option to customers receiving their commodity through marketers. ABSU's confidential report has been appended to this filing.

Through a letter (sample and distribution list attached) dated November 8, 2004, Terasen Gas sought some clarification and direction from marketers with respect to the anticipated demand for a joint billing option, the factors that might impact that demand, and expectations with respect to how costs would be recovered. Terasen Gas received only one brief written response via e-mail, with the respondent (IGI Resources, attached) seeing no value in Terasen Gas proceeding with a joint billing proposal.

Follow-up conversations with several other of the marketers now lead Terasen Gas to conclude that the demand for a combined bill is insufficient to warrant further action at this time, and that the potential value of combined billing for transport customers is unlikely to exceed the costs.

We trust that the Commission will find the enclosed to be in order. Should further information be required, please contact Tom Loski at 604-592-7464.

Yours truly,

TERASEN GAS INC.

Original signed by Tom Loski

For: Scott A. Thomson

Attachments

November 8, 2004

Dear,

On July 9, 2004, the British Columbia Utilities Commission (BCUC) issued Order No. G-64-04 and Reasons for Decision relating to Terasen Gas' March 17, 2004 Application for approval of Rate Schedules 7, 10, 14, and 14A effective November 1, 2004. In its Reasons for Decision, the BCUC directed Terasen Gas to "...work with the independent marketers to establish a commercially reasonable basis for accomplishing the objective of enabling "the same single invoice function to all marketers," and to report progress to the Commission within 6 months of these Reasons for Decision."

Following some preliminary informal discussions with marketers during the summer, Terasen Gas asked its invoicing agent, Accenture Business Services for Utilities (ABSU), to prepare a high level cost estimate to implement single invoice functionality for all marketers. ABSU has provided an initial estimate that the initiative could cost between \$240,000 and \$360,000 to implement. Ongoing monthly costs post implementation are estimated to include a fixed cost of \$1,700 plus \$300/marketer and \$6.60/customer.

This estimate is based on a fairly limited scope that does not envisage modifications to the bill design, or the inclusion of any marketer specific information or related materials. The estimate also does not address any modifications that might be required to the systems or processes utilized by any individual marketer.

The assumptions underlying the estimate do include an expectation that a marketer choosing a common billing option with Terasen Gas will include all customers it shares with Terasen (as transport customers) within that option. Due date and other payment terms and conditions in the Terasen Gas Inc. Tariff would also need to apply to marketer charges.

Before proceeding further, Terasen Gas needs a clearer understanding of the marketer interest perceived value in a single billing option. Therefore, we ask that you provide a considered written response to the following questions prior to the end of November:

- 1) If Terasen were to proceed with a joint billing option for marketers, would your company expect to utilize the option?
- 2) What are the key factors that would affect your participation in a single billing option?
- 3) How do you think initial costs should be allocated between participating marketers, and what steps do you feel would be appropriate to ensure full cost recovery from participating marketers?
- 4) What additional concerns/factors/issues need to be addressed in Terasen's evaluation respecting the establishment of a commercially reasonable basis to enable single invoice functionality for all marketers?

Terasen will include the responses in its progress report on the issue to the BCUC expected to be filed before mid January of 2005. Therefore, please indicate any confidentiality considerations with respect to any information provided.

TERASEN GAS INC.

Rick Parnell
Director, Large Commercial/Industrial Markets

Distributed via fax or mail to the following on Nov 8/2004

Absolute Energy Inc.	- Peter Kresnyak
AltaGas Services Inc.	- Dennis Lee
Avista Energy	- Mary McCordic
Canfor	- Marie Moffat
Cargill	- D. Marc Moreau
CEG Energy	- Kirby Morrow
Coral Energy	- Karla Siwak
Direct Energy	- Lyle Oliver
Direct Energy	- Tom Dixon
Encana Corp	- Sandi Earle
Husky Energy	- Morgan Doyle
IGI Resources	- Jim Langley
BP Canada	- Kenneth Gee
Nexen Marketing	- Dawn Friesen
Powerex	- Doug Eger
Premstar	- Paula Samra
Premstar	- Steve Yallouz
RT O'Callaghan	- Dick O'Callaghan
Seminole	- Judy Rafuse
Seminole	- Laurie Volpi
TD Commodity	- Richard Gebauer
Terasen Gas	- Gordon Doyle
Terasen Gas	- Kevin Hodgins
West Fraser Mills	- Kreshka Young

From: Langley, Jim [Jim.Langley@bp.com]
Sent: Friday, November 12, 2004 12:40 PM
To: Rick Parnell
Subject: RE: Marketer Joint Billing
Rick per your November 9 fax.

I will open my response by saying that in general IGI does not believe the proposed service would be valuable to Terasen's industrial customers. In general industrial consumers are sophisticated buyers who buy (or sell) month, day and fixed price positions that may transact as near as a few days prior to the period of delivery. Such complexity would not lend itself to a few lines built into a utility billing system.

Marketers interested in this service should investigate negotiating with Terasen to combine Terasen's distribution charge into a bill issued by the marketer. This would insure that incremental costs associated with this service would be borne solely by those that see perceived value.

In response to Terasen's questions.

1. No, IGI would not expect to use such a service.
2. It is highly unlikely IGI would ever use such a system unless Terasen would be able to offer the system at a cost lower than its true cost.
3. As above; Terasen should negotiate with marketers interested in this service by combining Terasen's distribution charge into a bill issued by the marketer. This would insure that incremental costs associated with this service would be borne solely by those that see perceived value.
4. No costs should be transferred to other customers by spreading costs over an entire rate class for the benefit of one or two service providers.