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January 27, 2004

British Columbia Utilities Commission
6th Floor
900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. R.J. Pellatt

Dear Sir:

**Re: Revisions to Commodity Unbundling and Customer Choice Phase 1
Cost Allocation Application – January 16, 2004**

Terasen Gas Inc. submitted its Commodity Unbundling and Customer Choice Phase 1 Cost Allocation Application on January 16, 2004. In that submission, Schedules F and G were identified as draft, subject to final negotiations.

As mentioned during the January 26, 2004 Workshop, Terasen Gas Inc. has finalized negotiations and submits revised Schedules F and G for consideration. These revised Schedules replace the draft Schedules included in the Application under Appendix 6 and 7 respectively. Revisions made to Schedule F include a change to the Base Fees stipulated in the table on page 4 under Section 5 as well as some minor wording changes under Section 7. The revised Schedule G includes minor wording changes under Section 7.

As stated in its Commodity Unbundling and Customer Choice Phase 1 Cost Allocation Application on January 16, 2004, Terasen Gas Inc.

"is requesting approval of...the operating costs related to Scope Changes to the Client Servers Agreement with CustomerWorks Limited Partnership for the Commodity Unbundling program and the Stable Commodity Rate program, effective April 1, 2004, as outlined in Section 6...".

Terasen Gas is requesting that approval be based on the revised Schedules F and G.

If there are any questions regarding the content of this letter, please contact Tom Loski at 604-592-7464.

Yours very truly,

TERASEN GAS INC.

Original signed by Tom Loski for

Scott Thomson

/gj
Enclosures

Schedule "F"
Commercial Unbundling Operational Services

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1. DEFINITIONS

Capitalized terms that are contained in this Schedule and are not defined herein shall have the respective meanings set out in Clause 1 of the Client Services Agreement.

- 1.1. "Commercial Unbundling Program" shall mean a British Columbia Utilities Commission ("BCUC") approved initiative which provides large and small commercial Customers with an opportunity to purchase their gas commodity from a supplier other than Terasen.
- 1.2. "Marketers" shall mean a party licensed by the BCUC to contract with end use Customers to provide gas commodity.

2. SCOPE OF SERVICES

- 2.1. CustomerWorks agrees to provide Terasen with the following services for all Terasen's large and small commercial Customers in accordance with the policies and procedures outlined in the Protocol and as set out below for the Commercial Unbundling Program.
- 2.2. Generally, CustomerWorks will provide Commercial Unbundling Operational Services (the "Services") as follows:
 - (a) Customer inquiry services related to billing and enrollment including calls related to the midstream gas components, Marketer names and phone numbers as well as participant status;
 - (b) Customer inquiry services resulting from Terasen's Customer education campaign;
 - (c) data capture and data transfer services related to Customer enrollments, rate changes, enrollment rejections, exception handling and rejection processing;
 - (d) financial reporting support identifying charges directly related to the new marketer tariffs;
 - (e) adjustment processing for retroactive rate changes resulting from Customer disputes;
 - (f) compilation and distribution of Customer consumption history at a premise based on authorized requests from Marketers; and

- (g) Tariff set-up and maintenance related to the new marketer tariffs and Terasen midstream components.

3. SERVICE GUIDELINES

3.1. CustomerWorks' Responsibilities

CustomerWorks will:

- (a) perform the Services with sufficient and adequately trained staff in accordance with mutually agreeable policies and practices and sufficient to meet the service levels, all of which are set out in this Schedule and the Protocol;
- (b) consult with Terasen through Terasen's coordinator or the coordinator's designate on matters related to the Services;
- (c) ensure that adequate and appropriate systems, Customer contact technology and equipment are available to meet the service levels; and
- (d) provide reasonable access to Terasen for monitoring purposes on request.

3.2. Terasen' Responsibilities

Terasen will:

- (a) be responsible for pre-validating transaction files and will own the relationship with Marketers and be responsible for all Marketer related communications with CustomerWorks;
- (b) provide timely notification of changes to the requirements for Commercial Unbundling or the parameters used to determine pricing; and
- (c) provide timely information and decisions on the Commercial Unbundling Program and related business process issues.

3.3. Program Assumptions

- (a) Only existing large and small commercial Customers on Rates 2, 3, and 23, within the Lower Mainland, Inland and Columbia divisions, are eligible to participate in the Commercial Unbundling Program, excluding propane customers in Revelstoke;
- (b) The initial Commercial Unbundling Program customer billing start date will be November 1, 2004. Subsequently, the Commercial Unbundling Program will support quarterly entry dates beginning in May 2005;
- (c) Marketers will be required to maintain a 24/7 telephone service to support Customer inquiries related to Marketer provided rates and contract terms as well as advising of appropriate emergency contact procedures;
- (d) Marketers will be limited to one rate change annually per pricing option; and
- (e) CustomerWorks will not handle disputes between Customers and Marketers.

3.4. Service Levels

- (a) Terasen will receive monthly reporting of complaints directly related to the Commercial Unbundling Program;
- (b) CustomerWorks will report monthly financial information by Tariff class in accordance with the timelines as established by Terasen and as set out in the Protocol;
- (c) Enrolment transactions and rejection responses will be processed each business day;
- (d) Customer correspondence related to the Commercial Unbundling Program will be responded to within four (4) Business Days of receipt;
- (e) Exceptions will be processed within three (3) Business Days; and
- (f) Authorized Marketer requests for consumption history will be processed within five (5) Business Days of receipt.

Schedule "F"
Commercial Unbundling Operational Services

3.5. Policies and Practices

3.5.1 CustomerWorks shall deliver the Commercial Unbundling Operational Services in accordance with the Protocol.

3.5.2 Terasen will:

- (a) retain final approval rights for scripts, training materials and other materials for any Customer communications including approval of delivery method or channel;
- (b) retain the right to monitor call quality.

4. REPORTS

CustomerWorks shall provide all management reports to Terasen in accordance with the Protocol which may be amended, from time to time.

5. PRICING

5.1. CustomerWorks will provide the Services described in this Schedule for three (3) years at the fees set out in the following table:

	2004	2005	2006
Commercial Unbundling Operational Services - Base Fees	\$ 77,329	\$ 121,632	\$ 121,632
Enrolment Exception Transaction - per occurrence	\$ 23.70	\$ 23.70	\$ 23.70
Marketer Group Set-up Request - per group	\$1,776	\$1,776	\$1,776
Marketer Rate Change Request - per rate change per group	\$ 91	\$ 91	\$ 91
Request for Customer consumption information - per request	\$ 30	\$ 30	\$ 30

Note: Base fees will be billed monthly. Transactional fees will be billed monthly as incurred.

Schedule "F"
Commercial Unbundling Operational Services

The base and variable fees are based on the following assumptions related to market participation and the program assumptions described in Section 3.3 of this Schedule.

- a) Two Marketers are expected to participate in the first year of the program, each offering two pricing options. In the next two years participation is expected to increase to four additional Marketers each offering four pricing options; and
- b) The number of enrolment requests is expected to be 10,000 requests per year with an exception handling rate of 15% in the first year and decreasing to 10% in the two following years.

6. PERFORMANCE MEASURES, DEFICIENCY CURE PERIODS AND PENALTIES

The performance Measures, Deficiency Cure Periods and Penalties set out in Schedule "A" and Schedule "B" shall apply.

Note: For the first ninety (90) days after the midstream charges are shown separately on commercial bills, any billing accuracy errors that are directly attributable to the calculation or presentment of these charges will be exempt from the calculation of billing accuracy for penalty determination purposes. In addition, for the first ninety (90) days after the start of billing Marketer tariffs in November 2004, any billing accuracy errors that are directly attributable to the calculation or presentment of these charges will be exempt from the calculation of billing accuracy for penalty determination purposes.

7. TERMINATION OF SCHEDULE "F"

Notwithstanding Clause 3.4 of the Client Services Agreement, the parties agree that Terasen may terminate this Schedule upon thirty (30) days written notice with no penalties or damages. All costs, reasonably and directly incurred by CustomerWorks or its subcontractors related to the Commercial Unbundling Operational Services, shall be paid by Terasen.

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1. DEFINITIONS

Capitalized terms that are contained in this Schedule and are not defined herein shall have the respective meanings set out in Clause 1 of the Client Services Agreement.

- 1.1. "Stable Rate" or "Stable Commodity Rate" shall mean a gas commodity rate established as a fixed annual rate and offered by Terasen as an alternative to the standard rate.
- 1.2. "Stable Rate Program" shall mean a British Columbia Utilities Commission ("BCUC") approved initiative which provides residential Customers with an opportunity to select a gas commodity purchase alternative that guarantees the price of the commodity for a one year term.

2. SCOPE OF SERVICES

- 2.1. CustomerWorks agrees to provide Terasen with the following services for all Terasen's residential Customers in accordance with the policies and procedures outlined in the Protocol and as set out below for the Stable Rate Program.
- 2.2. Generally, CustomerWorks will provide Stable Rate Operational Services ("Services") as follows:
 - (a) Customer inquiry services resulting from Terasen's Customer education campaign;
 - (b) Customer inquiry services related to program enrolment, rejections, participation requirements and billing of the new Stable Rate tariff ;
 - (c) data capture services related to processing Customer enrollment requests, rejection processing, rate change processing and exception handling;
 - (d) confirmation services to provide Customers with written notice of their acceptance or rejection status at the time of enrolment;
 - (e) data update services related to the reversion of Customers to the standard offering in response to Customer requests;
 - (f) reporting of Stable Rate metrics related to Customer participation;

- (g) financial reporting support identifying charges directly related to the stable rate Tariff; and
- (h) Tariff set-up and maintenance related to the new Stable Rate option.

3. SERVICE GUIDELINES

3.1. CustomerWorks' Responsibilities

CustomerWorks will:

- (a) perform the Services with sufficient and adequately trained staff in accordance with mutually agreeable policies and practices and sufficient to meet the service levels, all of which are set out in this Schedule and the Protocol;
- (b) consult with Terasen through Terasen's coordinator or the coordinator's designate on matters related to the Services;
- (c) ensure that adequate and appropriate systems, Customer contact technology and equipment are available to meet the Service levels; and
- (d) provide reasonable access to Terasen for monitoring purposes on request.

3.2. Terasen's Responsibilities

Terasen will provide:

- (a) timely notification of changes to the requirements for the Stable Rate Program or the parameters used to determine pricing; and
- (b) timely information and decisions on the Stable Rate Program and related business process issues.

3.3. Program Assumptions

- (a) Only existing Terasen Gas residential Customers on Rate 1, within the Lower Mainland, Inland and Columbia divisions, are eligible to participate in the Stable Rate Program, excluding propane customers in Revelstoke.
- (b) There will be only one Stable Rate alternative available within each Terasen operating division.
- (c) The Stable Rate Option Program customer billing start date will be January 1, 2005 and will run for one year. A one year optional extension is anticipated.
- (d) The stable rate Tariff will remain unchanged during the term of the Stable Rate Option Program.

3.4. Service Levels

- (a) Customer enrollments and confirmation / rejection letters will be processed within five (5) Business Days of receipt unless exceptions occur, in which case the transaction will be processed within (6) Business Days.
- (b) Cancellation requests in response to confirmation letters will be processed within five (5) Business Days of being advised by customers.
- (c) Customer correspondence related to the Stable Rate Program will be responded to within four (4) Business Days of receipt;
- (d) All enrollment / rejection transactions will be captured in the customer information system for tracking and audit purposes.
- (e) CustomerWorks will report monthly financial information by Tariff class within the timelines as established by Terasen and as set out in the Protocol.
- (f) All Customer requested removals from the Stable Rate Option will be processed within five (5) Business Days of receipt.

Schedule "G"
Stable Rate Program Operational Services

3.5. Policies and Practices

- (a) Customer issue management shall be dealt with in accordance with Schedule "A".
- (b) CustomerWorks shall deliver the Stable Rate Program Operational Services in accordance with the Protocol.
- (c) Terasen will:
 - (i) retain final approval rights for scripts, training materials and other materials for any Customer communications including approval of delivery method or channel; and
 - (ii) retain the right to monitor call quality.

4. REPORTS

CustomerWorks shall provide all management reports to Terasen in accordance with the Protocol which may be amended, from time to time.

5. PRICING

5.1. CustomerWorks will provide the services described in the Schedule for three (3) years at the fees set out in the following table:

	2004	2005	2006
2005 Stable Rate Program - Base Fees	\$ 36,600	\$ 73,200	
Stable Rate Enrolment Transaction - per occurrence	\$ 26.00	\$ 26.00	
Optional 2006 Stable Rate Program - Base Fee		\$ 50,580	\$ 101,160
Stable Rate Enrolment Transaction - per occurrence		\$ 30.00	\$ 30.00

Note: Base Fees will be billed monthly. Transactional fees will be billed monthly as incurred.

Schedule "G"
Stable Rate Program Operational Services

The Base Fees and variable fees are based on the following assumptions related to market participation and the program assumptions described in Section 3.3 of this Schedule.

- a) The Base Fees and variable fees are based on the assumption that participation will not exceed 20,000 enrollments in each of the two years of the Stable Rate Program.

6. PERFORMANCE MEASURES, DEFICIENCY CURE PERIODS AND PENALTIES

The performance measures, deficiency cure periods and penalties shall be in accordance with those set out in Schedules "A" and "B".

7. TERMINATION OF SCHEDULE "G"

Notwithstanding Clause 3.4 of the Client Services Agreement, the parties agree that Terasen may terminate this Schedule upon thirty (30) days written notice with no penalties or damages. All costs, reasonably and directly incurred by CustomerWorks or its subcontractors related to the Stable Rate Program Operational Services, shall be paid by Terasen.