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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER C-9-00

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

and

An Application by Centra Gas British Columbia Inc.
for a Certificate of Public Convenience and Necessity
for its Customer Interface System

BEFORE: P. Ostergaard, Chair)
L.R. Barr, Commissioner)
P.G. Bradley, Commissioner) May 11, 2000
B.L. Clemenhagen, Commissioner)
N.F. Nicholls, Commissioner)

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On October 22, 1999, pursuant to Section 45 of the Utilities Commission Act ("the Act"), Centra Gas British Columbia Inc. ("Centra Gas") applied to the British Columbia Utilities Commission ("the Commission") for a Certificate of Public Convenience and Necessity ("CPCN") for approval of its Customer Interface System, bill printing and remittance processing services ("the CIS CPCN Application"). The new system is designed to replace services that are no longer offered by Centra Gas Manitoba Inc.; and
- B. On November 5, 1999, the Commission issued a letter to Registered Intervenors, which included the CIS CPCN Application in the public review of the Centra Gas Revenue Requirements Application, established by Commission Order No. G-101-99; and
- C. A Settlement Conference was held in Vancouver on December 7 and 8, 1999, and a Negotiated Settlement was reached among the participants and circulated to all Registered Intervenors, Interested Parties and the Commission on December 16, 1999; and

- D. As part of the settlement, all parties agreed to certain CIS implementation, consulting and data conversion costs, to be charged to a deferral account and amortized over a ten-year period commencing August 1, 1999. The settlement also provided for a deferral account in which the 1999 incremental operating costs for CIS, bill printing and remittance processing costs shall be accumulated until the CIS CPCN Application review is completed and treatment is determined; and
- E. Commission Order No. G-6-00 approved the terms of the Negotiated Settlement; and
- F. Parties were invited to provide written comment on the CIS CPCN Application and Centra Gas provided additional written evidence in response to the submission from the B.C. Public Interest Advocacy Centre on behalf of the Consumers' Association of Canada (B.C. Branch) et al.; and
- G. Centra Gas filed an amended Application on May 8, 2000; and
- H. The Commission has reviewed the costs, timing and justification of the CIS CPCN Application and has determined that approval is necessary and in the public interest.

NOW THEREFORE pursuant to Section 45 of the Act and the Reasons attached as Appendix A to this Order, the Commission issues a CPCN to Centra Gas for its October 22, 1999 CIS Application approving the incremental operating expenses identified on Line 2 of the November 8, 1999 filing of Schedule A.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of May 2000.

BY ORDER

Original signed by:

Peter Ostergaard
Chair

Attachment

An Application by Centra Gas British Columbia Inc.
for a Certificate of Public Convenience and Necessity
for its Customer Interface System

REASONS

1.0 BACKGROUND

Centra Gas British Columbia Inc. ("Centra Gas") has been purchasing its customer information and billing services from Centra Gas Manitoba Inc. for a number of years. That system was reaching the end of its useful life and was not Y2K compliant so the affiliated company decided to discontinue the service. In 1997, Centra Gas began to investigate other options, the most cost-effective of which appeared to be a joint effort with other Westcoast Energy Inc. affiliates, including Pacific Northern Gas Ltd. ("PNG"), to purchase a new software package from outside vendors. The package chosen by Westcoast was SCT Utility System Inc.'s Banner system, to be developed by its unregulated business unit [now called Enlogix CIS L.P. ("Enlogix")]. This system was also purchased by Centra Gas Manitoba Inc.

Recognizing the difficulties created by similar customer information and billing projects such as BC Gas Inc.'s Theseus and British Columbia Hydro and Power Authority's Dafron projects, the Commission engaged Douglas Louth Associates Inc. in April 1997 to review the development on behalf of the British Columbia customers. Subsequent to the submission of the Consultant's Report to the Commission in June 1997, Centra Gas and PNG hired the firm to continue in the capacity as an active advisor to the senior executives and their implementation teams. In 1999, the consultant was asked by the Utilities to review the options available for bill printing and remittance processing services. In addition, Commission staff continued to monitor the project and were briefed by the Utilities on the capabilities of the system as it progressed.

2.0 APPLICATION

On October 22, 1999, pursuant to Section 45 of the Utilities Commission Act, Centra Gas applied to the Commission for approval of implementation expenditures and ongoing costs of its new Customer Interface System ("CIS"), bill printing and remittance processing services. Centra Gas provided its Business Case in support of the Application, including a financial analysis of the costs and rate impact compared to the existing system and the alternatives.

Commission Order No. G-101-99 had established an Alternative Dispute Resolution (“ADR”) process and Regulatory Agenda pertaining to Centra Gas’ Revenue Requirements Application. This application sought approval of Centra Gas’ actual expenditures for 1997 and 1998, and its forecast expenditures for 2000, 2001 and 2002. Customers were advised of the ADR process and Regulatory Agenda through bill messages. The costs identified in that application were based on the old customer information system, not the higher costs of the new system. To ensure a proper public review, the Commission issued a letter to Registered Intervenors including the CIS Certificate of Public Convenience and Necessity (“CPCN”) Application (“the CIS CPCN Application”) in the ADR process. On November 8, 1999, Centra Gas filed summary Revenue Requirement schedules adding the incremental costs of the new system for the periods under review.

A Settlement Conference was held in Vancouver on December 7 and 8, 1999, and a Negotiated Settlement was reached among the participants and circulated to all Registered Intervenors, Interested Parties and the Commission on December 16, 1999. As part of the Settlement, all parties agreed that the 1999 implementation costs of \$812,247 (CIS CPCN Application Section 7.1.1), the consulting and data conversion costs of \$270,872 (CIS CPCN Application Section 7.1.2), and the capital costs of \$147,783 (CIS CPCN Application Section 7.1.3), could be amortized over a ten-year period commencing August 1, 1999. The Settlement also noted that net incremental CIS costs will be added as per the CIS CPCN Application, when approved by the Commission.

3.0 BUSINESS SERVICES AGREEMENTS

The new systems were implemented successfully in 1999. However, the utilities separately negotiated business services agreements with Enlogix. Centra Gas agreed to a flat fee of \$850,000 per year plus inflation, and a comparison with the agreements negotiated by PNG and Centra Gas Manitoba Inc. shows that there were a number of features not found in the Centra Gas agreement (Banner CIS Staff Information Request SR-1). Centra Gas responded that each company negotiated in the best interests of its customers and its unique business characteristics.

As part of the Revenue Requirements Settlement, parties were given the opportunity to comment on the CIS CPCN Application. The British Columbia Public Interest Advocacy Centre also had concerns about the contract terms and conditions and the negotiated price, noting that other utilities provided more advantages to their customers. Centra Gas replied that, during the negotiation process, it was not in a position to compare its contract with others and that give-and-take is a fundamental basis for negotiations of this type. As well, Centra Gas warned that, as in Ontario, where the regulator desired various changes to the Union Gas/Enlogix contract, the agreement could not be altered without a concomitant re-negotiation of the fees. The Commission agrees with Centra Gas that a partial re-opening of the contract would leave Centra Gas captive to Enlogix unless the Utility

had a realistic opportunity to terminate the relationship. Any review of alternatives by Centra Gas would have to include a re-evaluation of the costs as compared to purchasing other utility customer information system packages at this time, such as BC Gas Utility Ltd.'s Program Mercury.

4.0 REVISED APPLICATION

On May 4, 2000, Centra Gas filed a revised CPCN application for the Customer Interface System, due to a calculation error that incorrectly inflates the avoided legacy system charges, thereby understating the incremental cost of the new system. The amended application provides a revised Schedule A with increased incremental costs. However, this schedule (Schedule A R2) does not properly account for the impact of the Revenue Requirements Settlement.

As well, the original Application and the original Schedule A were part of the negotiated settlement proceeding. While the Commission would prefer to see more improvements in Centra Gas' productivity as a result of the improved CIS; for the same reasons that Centra Gas is unwilling to re-open the Enlogix Business Service Agreement, the Commission is unwilling to re-open the CIS CPCN Application.

5.0 APPROVALS

Pursuant to Section 45 of the Act, a CPCN is issued to Centra Gas for its October 22, 1999 CIS Application approving the incremental operating expenses identified on Line 2 of the November 8, 1999 filing of Schedule A.