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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER C-15-05**

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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 (Vancouver Island) Inc.  
for Approval of a Certificate of Public Convenience and Necessity  
for Customer Care Conversion**

and

**An Application by Terasen Gas Inc.  
for Approval of an Amendment to the Client Services Agreement**

**BEFORE:** L.F. Kelsey, Commissioner  
L.A. Boychuk, Commissioner July 29, 2005

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

**WHEREAS:**

- A. On February 18, 2005, Terasen Gas Inc. ("TGI") submitted a proposal to the Commission outlining its intention to review the extension of the current Customer Care outsourcing agreement with CustomerWorks Limited Partnership ("CustomerWorks") that expires in 2007. In addition, TGI indicated that Terasen Gas (Vancouver Island) Inc. ("TGVI") was preparing a business case to convert from the Banner Customer Information System ("Banner CIS") to the customer care technology platform using the Peace Customer Information System (Peace CIS") under CustomerWorks; and
- B. By Letter No. L-14-05, the Commission accepted TGI's proposal to retain an independent third party to:  
1) assess the value of extending the current outsourcing agreement; 2) evaluate the available alternate service providers in the market; and 3) evaluate the value of converting TGVI's customer base to the Peace CIS. The Commission requested that the Terms of Reference for engaging the independent third party be provided for review and comment; and
- C. On March 17, 2005, TGI submitted the Terms of Reference to the Commission; and
- D. By Letter No. L-27-05, the Commission noted but did not provide comments on the Terms of Reference as filed and requested that the report from the independent third party, Doug Louth and Associates Inc. ("DLAI"), be filed with the Commission no later than May 13, 2005; and

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- E. On April 20, 2005, TGVI filed, pursuant to Section 45 of the Utilities Commission Act, an application for approval of a Certificate of Public Convenience and Necessity to convert the Customer Care activities from the current combination of an outsourced and in-house delivery environment to a fully outsourced business model with CustomerWorks (“the Application”). Concurrently, TGI filed an application for approval of a new Schedule H as an Amendment to the existing Client Service Agreement with CustomerWorks, to include TGVI; and
- F. On May 13, 2005, TGI submitted a report prepared by DLAI which evaluated the following: 1) the available alternative service providers for TGI, 2) the value of extending TGI’s current service outsourcing agreement with CustomerWorks and 3) the value of converting TGVI’s customer base to the Peace CIS under CustomerWorks; and
- G. TGVI’s Application together with TGI’s independent third party report were reviewed by a written process with Final Reply Comments from TGVI on June 10, 2005; and
- H. On June 20, 2005, TGVI submitted an Addendum to the Application with copies to all Registered Intervenor for approval to extend the depreciation rate for the new software cost additions from 5 to 8 years; for TGVI to accept any deficit from this project should subsequent conversions to a new customer information system (“CIS”) platform occur prior to the benefits being realized by the ratepayers; and for TGVI to be responsible for any amount exceeding 110 percent of the capital cost estimate in the Application; and
- I. Registered Intervenor comments were submitted by the British Columbia Public Interest Advocacy Centre (“BCPIAC”) on behalf of the BC Old Age Pensioners Organization (“BCOAPO”) and the Rental Owners and Managers Association of BC (“ROMA BC”). BCPIAC, on June 2, 2005, raised concerns inter alia regarding cost overruns in the Conversion and recommended an asymmetric deferral account to protect customers. With TGVI’s Addendum to the Application proposing to cap the cost at 110 percent of the capital cost estimate in the Application, BCPIAC indicated on June 21, 2005 that its concerns had been largely addressed. ROMA BC provided unqualified support for the Application; and
- J. The Commission has considered the Application, the Addendum to the Application, responses to information requests, Registered Intervenor and TGVI’s comments, the report from DLAI and TGI’s application for a new Schedule H as an Amendment to the existing Client Service Agreement with CustomerWorks, and finds the project is in the public interest and should be approved.

**NOW THEREFORE** pursuant to Section 45 of the Utilities Commission Act the Commission:

- 1. Issues a Certificate of Public Convenience and Necessity to TGVI for the conversion of the Customer Care activities and approves for TGI a new Schedule H as an Amendment to include TGVI in the existing Client Service Agreement between TGI and CustomerWorks.
- 2. Approves the depreciation rate of 8 years for the new software cost additions associated with the conversion to the Peace CIS outsourced through CustomerWorks.

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3. Approves the backstopping by TGVI for the risk of the peak cumulative deficit of \$335,000 (expected to occur in 2013), or the indicated deficit at any other such time in the event that Customer Care activities are transitioned to a different provider using a CIS other than the Peace CIS, if such conversion is completed prior to the indicated benefits having been realized. The Commission notes TGVI's request that should a subsequent conversion preserve or exceed the benefits anticipated in this Application and the Addendum thereto, TGVI may request at that time, that the Commission consider whether this provision should be set aside.
4. Approves a cap of 100 percent of the capital cost estimate of \$6.31 million, related to the conversion of the Customer Care activities, for addition to the Rate Base. Costs that exceed this level are at the risk of TGVI's shareholder. TGVI must provide to the Commission the actual capital cost, subject to the 100 percent cap, to update the Net Present Value calculations for the purpose of determining the early conversion indemnity.
5. TGVI is to provide a copy of this Order, by e-mail or facsimile if possible, to all Intervenor and Interested Parties currently registered in the TGVI 2003 – 2005 Negotiated Settlement Process as well as the TGVI 2004 Annual Review, as soon as possible.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 29<sup>th</sup> day of July 2005.

**BY ORDER**

*Original signed by:*

L.A. Boychuk  
Commissioner