

**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 14th day of August 2006.

BY ORDER

Original signed by

A.W.K. Anderson
Commissioner