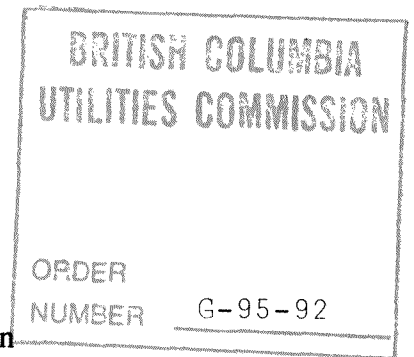




IN THE MATTER OF the Utilities Commission
Act, S.B.C. 1980, c. 60 as amended

and

IN THE MATTER OF an Application by
BC Gas Inc.

and

Commission Order No. G-49-92

BEFORE: M.K. Jaccard,)
Chair; and) October 8, 1992
L.R. Barr,)
Deputy Chair)

O R D E R

WHEREAS:

- A. The Commission, by Order No. G-47-91, gave conditional approval to the BC Gas Inc. Furnace Repair Plan ("the Plan") and issued "Reasons for Decision" attached to that Order; and
- B. On March 31, 1992 BC Gas filed its 1991 Annual Report on the performance and profitability of the Plan; and
- C. The Commission reviewed the 1991 Annual Report on the Plan and concluded that further evidence and review was required; and
- D. By Commission Order No. G-49-92 Ms. Elsie L. Sands was appointed to conduct an Inquiry on the Plan under specified terms of reference and to make a report; and
- E. On September 8, 1992 Ms. Sands filed a Report dated September 4, 1992 and following consideration the Commission accepted the Report and recommendations. The Executive Summary and detailed recommendations are attached as Appendix A to this Order.

NOW THEREFORE the Commission orders as follows:

- 1. BC Gas is instructed to comply with all of the recommendations of the Inquiry Officer's Report as detailed on pages 46-47 of the Report.
- 2. In winding-up the Plan, BC Gas is to cease enrolling new customers in the Plan effective with the date of this Order. Contracts for customers enrolled in the Plan prior to this date are to be honoured until expiry of the one-year term and terminated thereafter.

3. BC Gas is to provide customers, who have been enrolled in the Plan, with a list of alternative insurance plans prior to the termination date of the Plan.
4. In the event BC Gas chooses to operate a successor to the Plan through an affiliated company, an arms-length relationship will be expected in accordance with all of the recommendations of the Inquiry Officer's Report.
5. The Commission is prepared to approve the amortization of costs incurred for the Plan over an appropriate period subject to the filing of a suitably detailed application by BC Gas.

DATED at the City of Vancouver, in the Province of British Columbia, this 13 day of October, 1992.

BY ORDER



Dr. Mark K. Jaccard
Chair

/mmc
Attach.

EXECUTIVE SUMMARY

This Report of Inquiry, delivered in compliance with British Columbia Utilities Commission Order G-49-92, addresses the issues set out in the Terms of Reference for the Inquiry. Those issues concern the BC Gas Furnace Repair Plan (the "Plan"), its subscribers and the effects, if any, that the Plan has on the gas industry.

BC Gas has a special position within the residential gas marketplace in British Columbia by virtue of its position as a monopolistic distributor of gas for residential use within its service area. Through its Furnace Repair Plan BC Gas has entered into direct competition with independent heating contractors in its Coastal Division service area for furnace repair business. Its status as a monopoly gas distributor gives it certain significant advantages over independent contractors in competing for that residential furnace repair business. There are no changes or adjustments to the Plan that will adequately address the concerns of all parties.

Based on findings made in the course of this Inquiry it is my recommendation that the Plan as it presently exists be wound up. Independent gas contractors have in the past and can now provide adequate gas furnace repairs to residents of the lower mainland of British Columbia. While BC Gas should not be prevented from competing with independent gas contractors for furnace repair business through a furnace insurance scheme, in order to ensure a level playing field it should be permitted to do so only through an affiliate that derives no advantage whatsoever from its association with BC Gas.

Accordingly, I recommend as follows:

1. That the BC Gas Furnace Repair Plan as it presently exists should be wound up in an orderly manner. BC Gas has the power under its agreement with subscribers to discontinue the Furnace Repair Plan at any time. In the event of cancellation of the program BC Gas' liability is restricted to a refund of the unexpired portion of the premium payment;
2. That in order to allow free and fair competition between BC Gas and independent gas furnace repair contractors for furnace insurance business, BC Gas should be permitted to operate a gas furnace insurance plan, if it chooses to do so, but only through an affiliate which is a completely stand alone entity that enjoys no advantage from any association it may have with BC Gas;
3. That the following conditions should apply to the relationship between BC Gas and any affiliate it forms to operate a gas furnace repair plan:
 - (a) The name of the affiliate should not resemble the name of BC Gas Inc. and the affiliate should not use any BC Gas trademark except on the same basis as use of the trademark may be generally available to independent contractors;
 - (b) Neither BC Gas nor the affiliate should trade upon or advertise their affiliated status;
 - (c) The affiliate should not have a place of business at or on premises owned or occupied by BC Gas. The affiliate should not share the use of premises, equipment, inventory, personnel or other resources of BC Gas;
 - (d) The affiliate should not advertise, promote or market its products or services through mailings of BC Gas or advertisements in which the name BC Gas appears;
 - (e) The affiliate should maintain accounts, books and records separate and distinct from those of BC Gas;

- (f) All transactions between BC Gas and the affiliate should be conducted on an "arms length" basis;
 - (g) BC Gas should not provide the affiliate with any data or information, including but not limited to customer lists, unless such information is transferred or charged to the affiliate at market value and is made available to third parties under the same terms and conditions that are available to the affiliate;
 - (h) The affiliate should not be so capitalized or financed as to derive an advantage from its association with BC Gas;
 - (i) BC Gas should not provide financial assistance to the affiliate either directly or indirectly;
 - (j) The affiliate should not be given any advantage in enrolling subscribers of the existing Plan.
4. If BC Gas forms an affiliate to sell furnace repair insurance, the relationship between BC Gas and the affiliate should be regulated by the British Columbia Utilities Commission.

Dated this 4th day of September, 1992.



Elsie L. Sands, Inquiry Officer under the
British Columbia Utilities Commission Act