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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-80-06

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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 (Squamish) Ltd.
for Approval to Cease Operation of Metered Bulk Propane Service**

BEFORE: L.F. Kelsey, Commissioner
L.A. Boychuk, Commissioner June 29, 2006

O R D E R

WHEREAS:

- A. On May 1, 2006 Terasen Gas (Squamish) Inc. ("Terasen Squamish" or "the Utility") filed for approval to cease operation of metered bulk propane service and eliminate the Schedule 1 General Service Propane Rate, effective June 15, 2006 ("the Application") with the British Columbia Utilities Commission ("the Commission") pursuant to Section 41 of the Utilities Commission Act ("the Act"); and
- B. The Application proposes to cease operation of metered bulk propane service to 24 customers (21 residential and 3 commercial) currently receiving this service from Terasen Squamish; and
- C. The Commission issued to Terasen Squamish Information Requests No. 1 and 2 on May 5, 2006 and on May 29, 2006, respectively; and
- D. Terasen Squamish filed its response to Information Requests No. 1 and 2 on May 12, 2006 and on June 16, 2006, respectively; and
- E. All customers except for one commercial bulk tank service customer are on the Garibaldi and Brackendale main extension ("GBMX") and therefore could receive natural gas service; and
- F. Terasen Squamish submits that after changes to the customer contact arrangements, provided by Accenture Business Services for Utilities on behalf of CustomerWorks, the Utility would incur additional costs in retaining the propane customers; and
- G. The 23 propane customers who are on the natural gas grid have two options. They can 1) convert to natural gas or 2) remain on propane and continue to receive bottled propane service from one of a number of local propane distributors. The Squamish area is served by four competitive retail propane suppliers; and
- H. Terasen Squamish estimates the balance of the Propane Cost Deferral Account to be \$38,479 by April 2006; and

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- I. Terasen Squamish estimates the cost to convert residential customer appliances from propane to natural gas to be in the range of \$500 - \$1,000 depending on appliance make-up and contractor pricing. This cost would be borne by the customer along with a \$300 connection fee in order to receive gas service in the GBMX service area; and
- J. The Commission has reviewed the Application and the Information Responses and finds that approval to cease bottled propane service is warranted.

NOW THEREFORE pursuant to Sections 41 and 61 of the Act the Commission orders as follows:

- 1. The Commission approves for Terasen Squamish its application to cease bottled propane service and eliminate the Rate Schedule 1 General Service Propane Rate as of September 30, 2006.
- 2. The Commission directs Terasen Squamish to refund in a timely manner the credit balance of the Propane Cost Deferral Account based on the allocation of each premise's calculated consumption of propane. Terasen Squamish should reconcile as of June 30, 2006 the Propane Cost Deferral Account balance and provide refunds to the premises in a timely manner prior to September 30, 2006.
- 3. The Commission directs Terasen Squamish to implement a communication and transition plan for the affected customers so that by September 30, 2006 the propane customers would either have been converted to natural gas or have been transferred to an alternate bulk propane provider.
- 4. The Commission directs Terasen Squamish to provide the proposed wording of the customer notification letter for Commission staff to review by July 6, 2006 and after the review deliver the letter to customers in a timely manner.
- 5. A bottled propane customer who has a concern regarding the transition plan process may provide this comments to the Commission by July 31, 2006.
- 6. Terasen Squamish is to comply with all other directives contained in the Reasons for Decision attached as Appendix A to this Order.
- 7. The Commission may issue further directives on the transition plan process, if required.

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DATED at the City of Vancouver, in the Province of British Columbia, this day of June 2006.

BY ORDER

L.F. Kelsey
Commissioner

Attachment

An Application by
Terasen Gas (Squamish) Inc.
for Approval to Cease Operation of Metered Bulk Propane Service

REASONS FOR DECISION

1.0 APPLICATION

On May 1, 2006 Terasen Gas (Squamish) Inc. ("Terasen Squamish" or "the Utility") filed for approval to cease operation of metered bulk propane service and eliminate the Schedule 1 General Service Propane Rate, effective June 15, 2006 ("the Application") with the British Columbia Utilities Commission ("the Commission") pursuant to Section 41 of the Utilities Commission Act. The Application proposes to cease operation of metered bulk propane service to 24 customers (21 residential and 3 commercial) currently receiving this service from Terasen Squamish. All customers except for one commercial bulk tank service customer are on the Garibaldi and Brackendale main extension ("GBMX") and therefore could receive natural gas service.

2.0 PROPANE COST DEFERRAL ACCOUNT

In its Application, Terasen Squamish states there was a credit balance in the Propane Cost Deferral Account of approximately \$38,000 as at December 31, 2005. The balance was built up over a period of four years as a result of the propane charge being higher than the cost of propane. Terasen Squamish does not intend to use this account to pay for the cost of conversion or to refund the deferral balance. Terasen Squamish intends to seek approval for the disposition of the account by way of a separate application.

The Utility calculated for each of the 36 premises from 2002 to 2005 the consumption for the allocation of the April 2006 \$38,479 credit balance in the Propane Cost Deferral Account (BCUC IR 18.1).

Commission Determination

The Commission directs Terasen Squamish to refund the credit balance of the Propane Cost Deferral Account based on the allocation of each premise's calculated consumption of propane. Terasen Squamish should reconcile as of June 30, 2006 the Propane Cost Deferral Account balance and provide refunds to the premises in a timely manner prior to September 30, 2006.

3.0 CHANGES TO CUSTOMER CONTACT

In its Application Terasen Squamish explains the changes to the customer contact function. The call handling services provided locally by the Terasen Squamish office would instead be handled by Accenture Business Services for Utilities ("ABSU") on behalf of CustomerWorks. Terasen Squamish states that the change in call handling is cost neutral to Terasen Squamish. The Utility cites benefits such as extended call centre hours, additional payment options, and increased systems and interface automation. Terasen Squamish submits that after changes to the customer contact arrangements with ABSU the Utility would incur additional costs in retaining the propane customers and the Utility is of the view that it would not be fair and reasonable for its natural gas customers to incur the additional costs for the 24 propane customers.

Terasen Squamish indicated that the cost of in-house call handling services was \$64,600 (BCUC IR 6.2.1). However, by outsourcing the call handling services the year one cost to natural gas only customers would be \$69,472 and the cost to all customers including propane customers would be \$93,232.

Commission Determination

The Commission finds that the change in call handling costs would not be cost neutral. Costs are incrementally higher when only including the natural gas customers and significantly higher when all customers are considered. The reasoning that the bottled propane customers would cause higher costs to Terasen Squamish is unsupported. The Commission does not consider this rationale by the Utility to be persuasive to justify approval to cease bottled propane service.

4.0 CUSTOMER OPTIONS

Terasen Squamish believes that customers would not be disadvantaged by the Company exiting the bottled propane business since the 24 customers could either switch to natural gas or continue to receive bottled propane service from a local distributor. The 23 propane customers who are on the GBMX natural gas grid have two options. They can 1) convert to natural gas or 2) remain on propane and continue to receive bottled propane service from one of several local propane distributors. The commercial bulk tank service customer who is not on the natural gas grid would not be able to convert to natural gas.

4.1 Convert to Natural Gas

Terasen Squamish in its Application estimates the cost to convert residential customer appliances from propane to natural gas to be in the range of \$500 - \$1,000 depending on appliance make-up and contractor pricing. This cost would be borne by the customer along with a \$300 connection fee in order to receive gas service from Terasen Squamish in the GBMX service area. Terasen Squamish submits that natural gas service is cheaper than bottled propane and based on current rates the customer would expect to recoup the customer conversion costs within 1-2 years. However, if Terasen Squamish rates change as a result of the elimination of the Rate Stabilization Agreement, Terasen Squamish still expects natural gas to be more cost effective than bottled propane and as such customers who switch would still see a benefit and would recoup their costs over time. Customers who convert to natural gas will remain as utility customers of Terasen Squamish.

4.2 Remain on Propane with an Alternate Supplier

Terasen Squamish submits in its Application that all the current bottled propane customers can remain on propane and receive propane service from either from Terasen Squamish' current propane supplier or from another local supplier. To the best of Terasen Squamish's knowledge the Squamish area is served by four propane providers (BCUC IR 10.1). Any customer who remains on propane would no longer be a utility customer of Terasen Squamish. The bottled propane customer would instead be a customer of one of the alternate propane providers that the customer chooses. The alternative propane suppliers are not regulated by the Commission.

Commission Determination

The Commission considers that a competitive bottled propane service exists in the Squamish area as evidenced by the four alternate propane providers and that customers who remain on bottled propane would not be unduly disadvantaged should Terasen Squamish exit the bottled propane service.

The Commission approves for Terasen Squamish to cease bottled propane service and eliminate the Schedule 1 General Service Propane Rate at September 30, 2006.

5.0 COMMUNICATION PLAN

The Utility in its Application outlines the communication plan that Terasen Squamish would undertake should approval be granted by the Commission.

Commission Determination

The Commission finds acceptable a modified Terasen Squamish communication plan that includes:

- A letter from Terasen Squamish to all the affected customers informing them of the change to their service, the option to switch to natural gas, along with a listing of local gas fitters.
- Follow-up phone calls to those customers who did not make contact with Terasen Squamish 2-3 weeks after the letter was sent.
- Additional information would be provided through phone calls based on customer interest.
 - o Option A – convert to natural gas.
 - o Option B – provide information on how to purchase propane from local suppliers with contact information.
- All customers who remain on bottled propane service would receive a final phone call 10 days prior to cancellation of propane service.
- For customers Terasen Squamish is unable to contact by phone, they would receive a “final notice” letter delivered to their door 7 days prior to cancellation of propane service.

The Commission directs Terasen Squamish to implement a communication and transition plan for the affected customers so that by September 30, 2006 the propane customers would either have been converted to natural gas or have been transferred to an alternate propane provider. Terasen Squamish is to inform each affected customer by letter outlining the transition plan and the options of converting to natural gas or remaining on bottled propane. The plan should indicate the actions required by the customer and by what date. Also, the plan should indicate the estimated costs that are to be borne by the customer under each option. For the customer opting to convert to natural gas, Terasen Squamish should expeditiously install the service line and meter and coordinate with the customer’s gas fitter to ensure an orderly transition to natural gas service. For the customer opting to remain on bottled propane, Terasen Squamish should coordinate with the customer to either transfer the account to the Utility’s current propane supplier or to another alternative provider. The Commission expects Terasen Squamish is to make such internal arrangements that it deems necessary to make the transition as seamless as possible for customers.

A bottled propane customer who has a concern regarding the transition plan process may provide comments to the Commission by July 31, 2006. The letter to customers is to include a copy of this Order with

Reasons. The letter should include notification that customers may provide comments to the Commission regarding the transition process by

July 26, 2006. After review of any letters from affected customers regarding the transition plan process, **the Commission may issue further directives on the transition plan process, if required.**

The Commission directs Terasen Squamish to provide the proposed wording of the customer notification letter for Commission staff to review by July 6, 2006 and after the review deliver the letter to customers in a timely manner. The letter for the customer who is off-main and thus cannot convert to natural gas would receive a modified letter.