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August 23, 2013

Via Email
Original via Mail

Canadian Office and Professional Employees Union Local 378
c/o Jim Quail, Barrister & Solicitor
2nd Floor, 4595 Canada Way
Burnaby, B.C.
V5G 1J9

Attention: Mr. Jim Quail

Dear Mr. Quail

Re: FortisBC Energy Inc. (FEI)

Application for Approval of a Multi-Year Performance Based Ratemaking Plan for 2014 through 2018

Response to the Canadian Office and Professional Employees Union Local 378 (COPE) Information Request (IR) No. 1

On June 10, 2013, FEI filed the Application as referenced above. In accordance with Commission Order G-99-13 setting out the Preliminary Regulatory Timetable for the review of the Application, FEI respectfully submits the response to COPE IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc: Commission Secretary
Registered Parties (e-mail only)

1. TOPIC: CUSTOMER CHOICE PROGRAM

Reference: Customer Service

Exhibit B-1, Section C-3, Heading 3.5.1 DESCRIPTION OF CUSTOMER SERVICE DEPARTMENT

FEI states at page 143 that "The department also oversees mass market customer communications regarding accounts and billing, administers the Customer Choice program, performs market research and analysis . . . . "

And reference: Energy Supply and Resource Development

Exhibit B-1, Section C-3, Heading 3.7.1 GAS SUPPLY

FEI states at pages 162-3 that "Also included is the management of the movement of gas supply provided by natural gas marketers to customers under the Customer Choice program, which began in 2004."

Note: These appear to be the only references to the Customer Choice program in this Application.

Request:

1.1 Please file the FEI Customer Choice Program 2012 Annual Report.

Response:

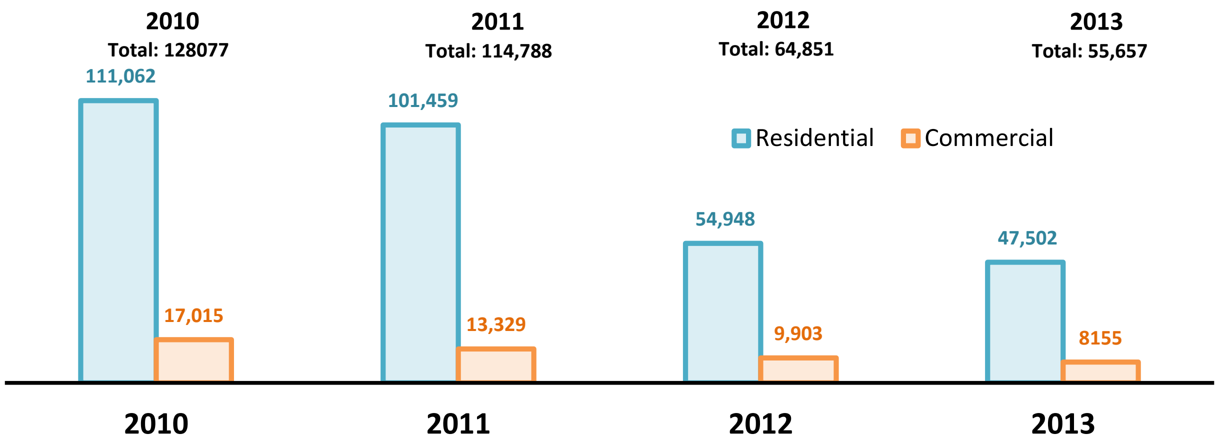
The Customer Choice Program 2012 Annual Report is provided in Attachment 1.1.

1.2 Please file an updated version of Figures 2-3 and 2-4 of the 2012 Annual Report

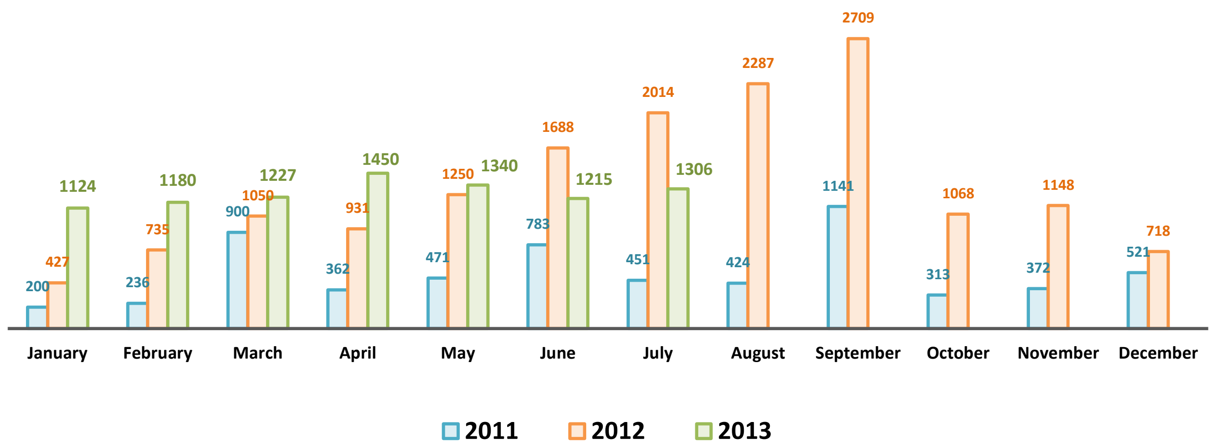
Response:

Please refer to the updated figures below.

Updated Figure 2-3: Customer Participation 2010 to 2013 (to July)



Updated Figure 2-4: Comparison of Monthly Gross Enrollments - 2011 to 2013 (to July)

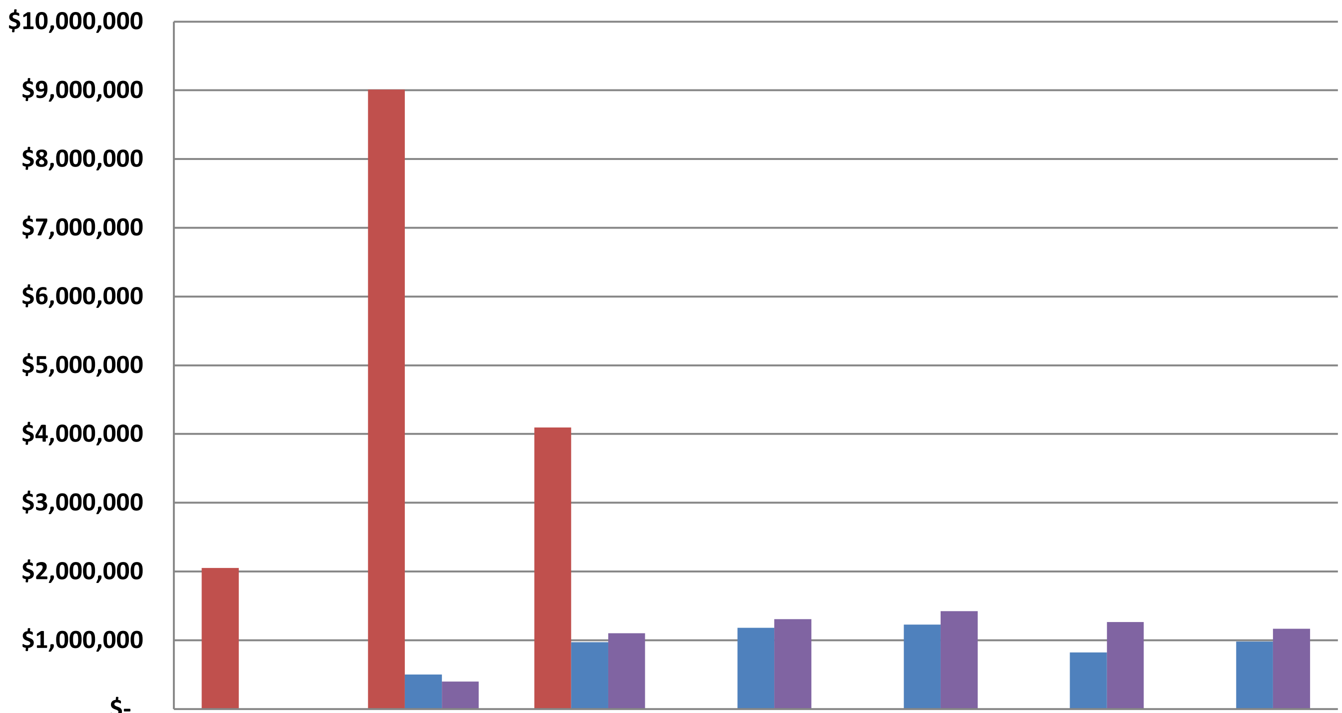


1.3 Please provide a chart showing the total gross cost to FortisBC Energy Inc. and its predecessor in the establishment and operation of the Customer Choice Program since its inception, broken down by year, including your best estimate of the total gross cost of utility staff and contractors applied to the establishment and operation of the program.

Response:

The Customer Choice Program launched on November 1 2007 through the Residential Unbundling CPCN approved by Decision Order C-6-06 in 2006. As such, the timeframe of this analysis begins in 2006 onwards.

The requested information is provided below, along with the related recoveries as requested in COPE IR 1.1.5.



	2006	2007	2008	2009	2010	2011	2012
Total Start-Up Cost	$2,049,673	$9,009,998	$4,096,469	$-	$-	$-	$-
Total Operating Cost		$500,547	$971,734	$1,182,625	$1,228,884	$820,916	$980,733
Total Recoveries		$399,682	$1,103,048	$1,306,782	$1,425,269	$1,264,267	$1,166,334

The Customer Choice Program has matured and stabilized over the years and the declining trend in operating costs since 2010 reflects this. With Program rules and systems stable today, there will be minimal incremental costs associated with administering the program. Refer to section 2.8 of the 2012 Customer Choice Annual Report filed in COPE IR 1.1.1 for a more detailed discussion of 2012 Program expenditures and recoveries.

1.4 Please provide a chart showing the total gross cost per participant in the program each year since its inception.

Response:

FEI does not believe a chart showing the total gross cost per participant in the program each year since its inception is meaningful for evaluation. The Customer Choice Program was initiated by BC legislation aimed at introducing competition in the supply of natural gas for the purposes of providing choice to customers over their supply of natural gas. As such, the costs associated with the program's inception were borne by all customers eligible to participate in Customer Choice. Moreover, program operating costs are to be recuperated from program fees charged to Gas Marketers operating in the Program. For a detailed discussion of 2012 Program costs and recoveries, see the 2012 Customer Choice Annual Report filed in response to COPE IR 1.1.1.

1.5 Please provide a chart showing the total recoveries related directly to offsetting the cost of the program from program-participating marketers and customers each year since its inception.

Response:

Please refer to the response to COPE IR 1.1.3.

2. TOPIC: PENSION AND OPEB COSTS

Reference: 2014-2018 FORECAST O&M OVERVIEW

Exhibit B-1, Section C-3, Heading 3.3.3.4.2 BENEFIT INFLATION

Request:

2.1 Please file the most recent actuarial estimates provided by the Company's actuaries, referenced at page 128 lines 3-4

<u>Response:</u>

Attachment 2.1 is being filed confidentially as it contains information which, if disclosed publicly or to representatives of FEI's bargaining units, will impact FEI in future negotiations. Please refer to CONFIDENTIAL Attachment 2.1 for the most recent actuarial estimates provided by Towers Watson and Morneau Shepell.

3. TOPIC: PENSION AND OPEB COSTS – VARIANCE DEFERRAL

Reference: Exhibit B-1, Section C-3, Heading 3.3.3.4.2 BENEFIT INFLATION

FEI states at page 128 that "For 2013, the actuarial estimate that was recently completed is more than 70 percent higher than the actuarial estimate that was done in 2011 to support the 2012-2013 RRA forecasts and approved amounts. The difference between these two amounts is captured in a deferral account in 2013 for recovery from customers in future rates."

Request:

3.1 Please explain the underlying material reason(s) for this difference: i.e., what changed, or alternatively, to what extent was the previous estimate flawed or erroneous?

Response:

As outlined in response to CEC IR 1.46.1, many of the assumptions that are used in estimating the pension and other post-employment benefits expenses are beyond FEI's control. Between 2011 and today, the biggest driver of the change in the net benefit expense is a lower discount rate today versus when the estimates were prepared in 2011. The discount rate is set in relation to Corporate AA bonds in Canada, at a point in time, for a term which approximates the expected term of the pension plan. As a result of market conditions in the Canadian bond market, the interest rate is significantly lower in 2013 compared to the comparable interest rate in 2011.

4. TOPIC: PENSION AND OPEB COSTS – VARIANCE DEFERRAL

Reference: Exhibit B-1, Section D-4, Heading 4.2.4 Pension and OPEB Variance

FEI states at page 294 that "The EARSL amortization period more appropriately allocates the costs over the future period to which they are applicable. In its most recent accounting valuation done at December 31, 2012, the EARSL for the defined benefit pension plans is 10 years and the EARSL for OPEBs is 15 years."

Request:

4.1 Please explain the difference between in the "Expected Average Remaining Service Life" as between the pension plan and Other Post Employment Benefits.

<u>Response:</u>

The expected average remaining service lifetime (EARSL) for the pension plans is a weighted average of the EARSLs over all pension plans, including both open plans (i.e., plans where employees are still earning benefits) and closed plans (i.e., plans that are closed to new entrants). The open pension plans have EARSLs similar to the EARSL of the other post-employment benefits (OPEBs), but the closed pension plans have significantly lower EARSLs as the employees who are members of these plans are closer to retirement. Therefore, the weighted average of the EARSLs for the pension plans is lower than the EARSL for the OPEBs.

Reference: General

Exhibit B-1

Request:

4.2 Please provide the total impact on shareholder cost, if the Application is approved in its entirety, of FEI's proposals with respect to:

(a) the capitalization of Pension and OPEB costs; and

(b) **(Reference section C3 section 3.3.3.4.2 Table C3-4)** the deferral and amortization of the shortfall between the 2013 Approved and Base Pension & OPEB Expense.

Showing both the total impact and the net change for shareholders compared with 2013.

Response:

For item (a), FEI has interpreted the question as referring to the $930 thousand adjustment to the 2013 Base for the accounting change to recognize the retiree portion of pensions and OPEBs as capital as opposed to O&M. In terms of shareholder return from this change, the aggregate shareholder return associated with the delay in the timing of recovery of the expense from ratepayers over the five-year PBR period from including this amount in 2013 base capital for formula purposes is approximately $399 thousand, ranging from $16 thousand in 2014 to $143 thousand in 2018. The capitalization of the retiree portion of pension and OPEBs is supported by US GAAP guidance discussed in the response to BCUC IR 1.165.1.

For item (b), the $12.607 million variance between the 2013 Approved and 2013 Base O&M expense will all be recorded in the Pension and OPEB Variance deferral account as shown in Schedule 47, Line 22, Column 4 of the financial schedules included in Appendix E of the July 16th Evidentiary Update. However, this treatment is the currently approved treatment and FEI has not proposed to change this treatment in this Application. Additionally, Table C3-4 only uses this amount to derive the 2013 Base pension & OPEB expense which has no shareholder return associated with it.

5. TOPIC: EMPLOYEE BENEFITS

Reference: 2014-2018 FORECAST O&M OVERVIEW

Exhibit B-1, Section C-3, Heading 3.3.3.4.2 BENEFIT INFLATION

Request:

5.1 Please provide a table showing the net annual cost per full-time employee of insured benefits provided to bargaining unit employees in the two years prior to and two years following the implementation of the flexible benefits plan

Response:

The net annual cost per full-time employee of insured benefits provided to bargaining unit employees in the two years prior to and two years following the implementation of the flexible benefits plan is shown in Table 5.1 below. The flexible benefits plan was effective January 1, 2011.

Table 5.1: Net Annual Cost of Insured Benefits Per Full-time Bargaining Unit Employee

	2009	2010	2011	2012
COPE	$5,219.65	$4,774.20	$4,611.28	$4,584.13
IBEW	$4,892.17	$4,708.53	$4,495.24	$4,824.17

The costs reflected in Table 5.1 above include coverage for the following benefits: group life, long-term disability, Medical Services Plan, extended health and dental.

FEI has been able to provide a flexible benefits plan that holds a higher value to employees without incurring higher costs. Employees are able to tailor the benefits plan to suit their personal needs and modify coverage over time as their needs change.

COPE Customer Service employees have a traditional benefits plan. They are not part of the flexible benefits plan, and have not been included in the table above.

6. TOPIC: PERFORMANCE INDICATORS

Reference: Exhibit B-1-1, Appendix C2, Heading 4.4 EMPLOYEE KEY PERFORMANCE INDICATORS

Following Table C2-4 at page 6, FEI states: "The FEU do not incorporate employee KPI's in its scorecard. Instead, employee KPI's are monitored at a departmental level, supported by HR and vary by area depending on business need."

Request:

6.1 Why do the FEU not incorporate employee KPI's in its scorecard, where those indicators are potentially amendable to quantification (e.g., workplace diversity, turn-over, recruitment, etc.)?

Response:

As outlined in the response to BCUC IR 1.191.1, in determining the scorecard categories and measures to use, the Company seeks not only to select the appropriate success measures but also the optimal number of measures (i.e. how many). At this time, FEI believes the six scorecard measures used best represent the overall priorities for Company.

As employee KPIs vary by area depending on business need, employee KPIs are more appropriately monitored at a departmental level.

6.2 What means are employed by FEI to determine "employee engagement" as a KPI?

Response:

Employee Engagement represents employees' commitment to their jobs and motivation to contribute to the achievement of the company's goals and values. FEI believes making sure employees are engaged is important to fostering a productivity focused and customer service culture where employees are encouraged to be as efficient and effective as possible.

Presently, FEI does not formally measure employee engagement in the company using an overall KPI. Instead, measuring and promoting employee engagement is performed at the departmental level, recognizing the needs may vary depending upon the requirements of the different business areas.

6.3 Please provide a summary of FEI's most recent analysis of each of the KPI's listed in Table C2-4.

Response:

As set out in the Application, Table C2-4 of Appendix C2 and the discussion that follows Table C2-4, FEI monitors employee KPIs at the department level, supported by HR.

The KPIs listed in Table C2-4 are:

1. Leadership effectiveness
2. Succession readiness
3. Workforce planning effectiveness
4. Employee engagement
5. Workplace diversity
6. Turnover
7. Recruitment
8. Building a culture of continuous improvement.

Summaries of FEI's most recent analysis of these KPI's (where such analysis is available) are included below:

1. Leadership effectiveness is reviewed individually, against employees' annual performance plans at each year-end. Analysis of leadership effectiveness is specific to an individual leader; a summary is not provided.

2. Succession readiness is reviewed on a case-by-case basis, as employees are considered for future development opportunities. Succession readiness is specific to an individual employee; a summary is not provided.

3. The effectiveness of FEI's workforce planning initiatives was most recently described and assessed in FEU's Five-Year Retirement Management and Workforce Plan (2012-2017) filed August 1, 2012 in compliance with the 2012-2013 RRA Decision and Order G-44-12.

4. Employee engagement is not measured on a regular basis, but is encouraged through FEI's performance-based culture, and its continuing focus on internal development and hiring from within. No summary is available.

5. Workplace diversity is not measured. No summary is available.

6. Turnover and recruitment are reviewed monthly. Please refer to the responses to BCUC IRs 1.79.4.1 and 1.80.5 for information regarding turnover rates in recent years.

   A summary of recruitment information for 2013 to July 13, 2013 is included in Table 6.3 below.

Table 6.3: Recruitment Information to July 13, 2013

No. of Postings	Filled Internally	Filled Externally	Cancelled	Open
325	155	84	33	53

7. Building a culture of continuous improvement has been, and continues to be, a focus, with emphasis being placed on employee annual performance plans, and their link to the short-term incentive program for M&E employees. As noted above, annual performance plans are analyzed at each year-end. Because they are specific to the individual, no summary is provided.

FEI reviews the appropriateness of its current measures regularly and will make the necessary adjustments as required.

7. TOPIC: PBR – IMPACT OF SERVICE QUALITY INDICATORS

Reference: Exhibit B-3 and Exhibit B-1 Section A Table A1-1

Request:

7.1 Confirm that the only mechanism in the operation of the proposed PBR where a degradation in Service Quality indicators would come into play would be to trigger the "Off Ramp".

<u>Response:</u>

The Commission and interveners will have the opportunity to review FEI's SQI results during the Annual Reviews and Mid-term Review. In the case of a sustained and significant degradation of SQI results, the Commission's recourse would be to explore with FEI potential means of rectifying the issue, or if the issues cannot be rectified then the Commission could trigger the off-ramp provision for the complete overview of the PBR plan elements or its possible termination. In determining whether to trigger the off-ramp provision, the Commission should consider whether or not the source of the possible degradation is under the control of FEI's management.

Please also refer to the response to the CEC IR 1.52.1.

7.2 Confirm that the "Off Ramp" mechanism consists of the premature termination of the PBR regime by the intervention of the Commission.

<u>Response:</u>

Yes. Please refer to the response to COPE IR 1.7.1.

7.3 Please provide a chart showing every instance in which an "Off Ramp" has been activated by a regulator of any utility in Canada operating under a PBR regime, and indicating the reason for the invocation of the Off Ramp by the regulator.

<u>Response:</u>

Among the PBR plans presented in Appendix D-1 of the Application, Union Gas' 2008-2012 PBR plan was the only utility for which the off-ramp provision was activated. In the Union Gas case, the earned ROE in the first year of the plan exceeded the allowed ROE by more than 330 basis points which triggered the off-ramp and ultimately led to changes in some elements of the Union Gas plan. For more information about these changes, please refer to page 22 of Appendix D-1 of the Application.

Reference: Exhibit B-1. Section B5: Jurisdictional Comparison

Page 40, Table B5-1, footnote 12

Request:

7.4 Please confirm that under the OEB 4th Generation IR (Electricity), SQIs form part of the mechanism to determine rate setting, and please describe how they are applied in this context.

<u>Response:</u>

The OEB's report established four distinct areas of performance that it expects distributors to achieve. These performance areas are: customer focus, operational effectiveness, public policy effectiveness and financial performance. The OEB also concluded that a scorecard shall be used to monitor individual distributor performance and to compare performance across the distribution sector. Distributors will be required to report their progress against the scorecard on an annual basis.

The Board engaged stakeholders in further consultation on the standards and measures to be included in the distributor scorecard. On July 4, 2013, the Staff Report to the Board on Performance Measurement and Continuous Improvement for Electricity Distributors was released. The Staff's proposed scorecard design includes similar elements to FEI's SQIs and balanced scorecard. However no decision has been made yet as to the exact form and design of the scorecard or its connection with the rate setting by the OEB.

Reference: Exhibit B-1. Section B5: Jurisdictional Comparison

Page 41, Table B5-1

Request:

7.5 Please confirm that in the Gaz Metro 2007-2012 PBR, SQIs were linked to financial incentives to the utility, and please describe how they were linked.

Response:

As indicated in Table B5-1 of the Application, the SQIs in Gaz Metro's 2007-2012 plan were linked to financial incentives. According to Gaz Metro's settlement, Gaz Metro's claim of the performance incentive as dependent on its ability to meet the selected Service Quality Metrics agreed to in the Settlement. A higher achievement equaled a higher claim of the performance incentive as described in the table below:

Overall attainment percentage	Percentage of performance incentive awarded
0% to 84%	0%
85% +	corresponding percentage

The overall attainment percentage was calculated based on the weighted average of results achieved for individual service quality indicators. The attainment percentage for individual SQIs was calculated based on the following formula[1]:

$$B = (R - 50\,\%) * \frac{85\,\%}{(C - 50\,\%)}$$

Where

B = Resulting percentage for indicator (maximum 100%)

R = Percentage achieved for indicator

C = Percentage target result for indicator, i.e. 85%, for all indicators except one which was 75%

In addition, to ensure Gaz Metro did not neglect service quality when in a shortfall situation, it agreed to reimburse customers between $100,000 (for seven SQIs) and $200,000 (for two SQIs) for each of the SQIs for which a minimum 85% score is not attained.

[1] Two SQIs attainment percentages were determined by non-formula mechanisms.

Reference: Exhibit B-1. Section B5: Jurisdictional Comparison

Page 42, para. 1

Request:

7.6 Please describe the indirect reward or penalty mechanism, or other nexus between SQIs and the setting of rates, rewards or penalties in Alberta and Ontario.

Response:

The Alberta Utilities Commission's (AUC) Decision 2012-237 rejected the use of any PBR specific reward or penalty mechanism. However the AUC's Rule 002 and 003 are used to monitor the utilities' service quality indicators performance. In addition, the AUC indicated that Alberta's Gas and Electric Utilities Acts provide the Commission with the legislative authority to take necessary actions when the Commission is of the opinion that a utility has failed to comply with its rules respecting service standards. The AUC also started a consultative process for a review of Rule 002. For more detailed information regarding this process, please refer to the response to BCPSO IR 1.26.2.

Enbridge Gas Distribution Inc. (EGD) and Union Gas were also subject to service quality requirements according to the OEB's "Gas Distribution Access Rule" which was approved by the Board before the approval of incentive rate-setting plans in a separate proceeding. The OEB's consultant report titled "Assessment of Union Gas Ltd. and Enbridge Gas Distribution Inc. Incentive Regulation Plans" explained the SQIs monitoring process:

> *"The Board monitors information the Companies provide each year on their performance on the selected indicators, and if Staff believes there are service problems the Board can investigate the issues, request more in-depth explanations from Company managers, or work co-operatively with the Company to develop an action plan to become compliant with a requirement. However, there are no monetary penalties (or rewards) tied specifically to EGD's or Union's measured performance on the selected service quality metrics relative to their standards".*

Reference: Exhibit B-1, Section B6: FEI 2014 Proposed PBR

Section 6.7, Off-ramp Provision

Heading 6.7.2.2, Non-Financial Triggers

FEI states at page 78: "Triggering the off-ramp provision would be warranted only if there is sustained serious degradation of the SQIs."

Request:

7.7 What in FEI's view would constitute "sustained serious degradation of the SQIs"?

Response:

Please refer to the response to the CEC IR 1.52.1.

7.8 Please describe all of the mechanisms under the proposed PBR by which the Commission can enforce the maintenance of satisfactory performance, as measured by the SQIs, short of invoking the "Off Ramp". With respect to the process in the proposed mid-term assessment review, please describe all mechanisms available to the Commission following a negative review, short of the "Off Ramp".

Response:

As outlined in the Application (Exhibit B-1), Section B6.8 Annual Review, the Commission and interveners will have the opportunity to review and comment on the SQI results during the annual review process. In the case of a failure of a specific SQI result, FEI will provide the necessary reasoning and explanations and will work co-operatively with the Commission and stakeholders to ensure compliance with requirements.

With respect to the mid-term assessment review process outlined in the Application (Exhibit B-1), Section B6.7.1 Mid-Term Assessment Review, the proposed review will be held as part of the third Annual Review. If at this time a material change to service quality is raised, stakeholders will work to identify a change than can address that element and put it forward to the Commission. FEI will work co-operatively to ensure compliance with requirements.

8. TOPIC: ENERGY EFFICIENCY AND CONSERVATION/DEMAND SIDE MANAGEMENT

Reference: Exhibit B-1-1, Appendix I, 2.2 Consistency with British Columbia Energy Objectives, Table I-1

Request:

8.1 FEU has stated that its EEC proposals are "designed to implement all cost-effective (as defined by the Demand Side Measures Regulation) demand-side measures." Is it FEU's position that it has availed itself of all possible avenues to develop and/or continue cost effective EEC programs for the entire proposed PBR period? If no, why not?

Response:

No, the word "all" in the referenced statement was incorrectly included in the Application. Please refer to the responses to BCUC IR 1.224 series for a discussion on how the Companies arrived at the funding level for which approval is requested.

Reference: Exhibit B-1-1, Appendix I, 2.3 Consistency with Long Term Plan

Attachment I-1, Exhibit 4 - Expenditures for Each of the Program Areas and the Total EEC Portfolio

Request:

8.2 If FEU plans to implement all possible cost effective EEC programs for the proposed PBR period at a cost per year ranging from $34.4M to $35.9M, please explain how is this consistent with the much larger EEC request of $64.5M per year (the post NGV Incentives Decision amended figure) presented in the last Revenue Requirement Application? (Is it FEU's position that programs that were cost effective at that time are not any longer?)

Response:

The $64.5 million to which the question refers to is the Companies' funding request incorporating $10 million for a Furnace Early Replacement program, $4 million for a Solar Thermal program, and $10 million for a program to support Thermal Energy upgrades for schools. These were proposed as "New Initiatives" for which program design and development had not been undertaken at the time the 2012-2013 RRA was completed. Of these "New Initiatives", the requests for $4 million for Solar Thermal and $10 million for Thermal Energy upgrades for schools were not approved by the Commission, and the request for $10 million for the Furnace Early Replacement program was approved at a reduced level of $2 million. This effectively reduced the funding envelope under consideration by the Commission to $42.5 million. The amount the Commission ultimately approved in the 2012-2013 RRA proceeding (Order G-44-12), approximately $35.5 million, is consistent with the funding requested for the PBR period.

Reference: Exhibit B-1-1, Appendix I, 2.4.2 Adequacy Pursuant to the DSM Regulation – Rental Accommodations

Request:

8.3 Section 3(b) of the DSM Regulation requires that a public utility's plan portfolio include demand side measures intended specifically to improve the energy efficiency of rental accommodations. Has FEU sought or received any input from government regarding the Utility's position that this requirement is satisfied due to the fact that, "[a]ll programs in the Residential Energy Efficiency Program Area are available to rental properties?"

Response:

It is not the Companies' position that:

> *"…this requirement is satisfied due to the fact that, "[a]ll programs in the Residential Energy Efficiency Program Area are available to rental properties?""*

As indicated in the question, Residential programs support demand side measures which are available to rental accommodations. Note also that a number of the Commercial and Low Income programs support demand side measures which are available to rental accommodations. Additionally the Companies provide support for demand side measures intended specifically to improve the energy efficiency of rental accommodations. Please refer to the response to BCSEA IR 1.15.1.

Reference: Exhibit B-1, 4.2.6 Energy Efficiency and Conservation (EEC) - Decrease to EEC Funding

Request:

8.4 There were three factors FEI stated limited EEC activity for the period leading up to the last Revenue Requirement: Human Resources Issues, Economic Factors, and Low Commodity Cost with Human Resources Issues cited as the key limiting factor of the three. In this Application, the Utility cites the ongoing impacts of our economy and low commodity prices as the reason for a reduced ask. Given that neither of these were key factors in portfolio activity levels in the past, please outline in greater detail their effect on the program as a whole.

Response:

The Companies are making the assumption that the Information Request above is referencing page 16 of Appendix I to the Application (Exhibit B-1-1), where the FEU state:

> *"The financial treatment of EEC expenditures approved in the 2012-2013 RRA Decision was designed to mitigate Commission and Stakeholder concerns regarding actual expenditures coming in below approved levels, as was the case in the early years of our programs. Under the approved treatment, $15 million of expenditures are placed into rates in each of 2012 and 2013, and the difference between the $15 million and actual expenditure levels up to the approved amount placed into rates at the end of the test period, when the actual amounts are known. As discussed later in the document, <u>given that factors beyond the FEU's control, such as the economy and cost of gas, continue to impact the level of EEC expenditures that will be possible in any given year, the Companies are proposing to continue this accounting treatment over the PBR period</u>."* [Emphasis added]

For clarity, the reference above deals with the continued appropriateness of the financial treatment for EEC expenditures, where $15 million annually is placed into rates and the difference between the $15 million and actual expenditures in a given year is recovered in rates in the years following, rather than the impact of the economy and low commodity prices on the magnitude of the funding ask. The Companies are requesting a stable level of funding, in line with what has been approved previously, rather than a reduced level of funding as the IR states. The FEU cannot predict what the economy or commodity prices will do over the PBR period, which is why the currently-approved financial treatment continues to be appropriate as the excerpt above states.

8.5 Does the Utility expect our economy to continue at current levels or commodity prices to remain flat for the proposed five year PBR period? If not, please explain why the proposed increases to the EEC spending remain so low for the duration of this PBR scheme.

Response:

FEI has requested approval of an EEC funding envelope of $34.4 million in 2014 and increasing up to $39.0 million in 2018 which is an average increase of more than 3% per year for that four year interval. If the full amount of the spending envelope of $34.4 million is spent for 2014, this will reflect an increase of 66% from the 2012 EEC spending of $20.7 million. FEI has been expanding its EEC programs and spending since 2009 and does not expect the spending growth rate experienced in the last four years to continue. Thus, while only modest EEC spending growth is forecast during the PBR period, the annual spending amounts are at high levels compared to the last four years of program growth.

8.6 In the last Revenue Requirement, FEI submitted that the development of more programs and initiatives would lead to greater customer participation in the Utility's EEC programs. Given that position, please explain why the Utility has opted not to present a Revenue Requirement or DSM plan with a wider range of EEC programs to incent greater GHG reductions and economic opportunities within British Columbia?

Response:

Please refer to the responses to COPE IRs 1.8.1 and 1.8.2. The FEU also note that the Energy Efficiency and Conservation Advisory Group indicated that there were no major course corrections needed to the proposed 2014-2018 EEC Plan during the conference call held with the group to review the plan May 1, 2013, so key stakeholders believed that the Plan and associated level of funding was appropriate.

Attachment 1.1

Diane Roy
Director, Regulatory Affairs

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Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

June 28, 2013

Via Email
Original via Mail

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: FortisBC Energy Inc. (FEI)
Customer Choice Program 2012 Annual Report

Attached is the FEI 2012 Annual Report on the Customer Choice Program.

If further information is required, please contact Howard Mak, Customer Programs Manager, at 778-571-3273.

Sincerely,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachments

cc (email only): BCPSO
Licensed Gas Marketers

FortisBC Energy Inc.

2012 Annual Report for the Customer Choice Program

June 28, 2013

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1. INTRODUCTION

On July 6, 2012 the British Columbia Utilities Commission (BCUC or the Commission) issued Decision Order A-10-12. In the decision, the Commission scaled back the regulatory process for the Customer Choice Program (the Program) to reflect the following steps:

1. *Commission staff will canvass the Gas Marketers and other interested parties on an annual basis about issues they would like to have addressed;*
2. *FEI will publish a Customer Choice Annual Report that will include program updates and statistics as well as address issues brought forth by other parties; and*
3. *The Commission will decide if a meeting is required to address any of the issues in the Annual Report.*

This filing is FortisBC Energy Inc.'s (FEI) first Annual Report under the revised regulatory process that summarizes the Customer Choice Program's trends and statistics in 2012, the 2012 Annual General Meeting and Decision Order A-10-12 and all items raised by interested parties. The annual report is organized as follows:

- **Section 1: Introduction**

- **Section 2: Program Overview** – This section provides an overview and statistics of Customer Choice in 2012 related to program participation, enrolment and dispute activity and program costs. This section also reviews the customer education plan and the system changes that were implemented in 2012.

- **Section 3: Independent Dispute Process** – This section provides an overview of the revised dispute resolution process implemented in 2012.

- **Section 4: 2012 Customer Choice General Meeting and Decision A-10-12** – This section summarises the topics and discussion held at the 2012 General Meeting, as well as the resulting Decision Order A-10-12.

- **Section 5: Other Interested Parties' Items –** This section addresses the topics of discussion raised by other interested parties. Topics addressed include items brought forth by the Commission, BCSPO and Summitt Energy.

- **Section 6: Conclusion / Next Steps –** This section summarizes the annual report.

2. PROGRAM OVERVIEW & STATISTICS

This section provides an overview of the Customer Choice Program in 2012 and is organized as follows:

- **Section 2.1** describes the Program participation and statistics of both Gas Marketers and customers and includes a year to year comparison of customer participation from 2011 to 2012
- **Section 2.2** provides an overview of Gas Marketer sales activity and statistics in 2012 and includes both a month-to-month comparison of enrolment activity between 2011 and 2012 and a year to year comparison of total enrolments from 2012 to 2013
- **Section 2.3** reviews the dispute activity and statistics in 2012 for cancellation and standard disputes
- **Section 2.4** provides an overview of the Customer Education Plan undertaken in 2012, including a description of its individual components and the overall communication strategy
- **Section 2.5** reviews the system enhances undertaken in 2012
- **Section 2.6** reviews the system process modifications & 2012
- **Section 2.7** reviews the system related issues in 2012
- **Section 2.8** reviews the 2012 Program expenditures, Recoveries and Fee structures
- **Section 2.9** describes the proposed change in receipt point allocation percentages in 2013
- **Section 2.10** provides a summary of the section

2.1 *PROGRAM PARTICIPATION STATISTICS*

2.1.1 Gas Marketer Participation

In 2012, there were 13 Gas Marketers licensed to operate in BC. Of the 13 licensed Gas Marketers, 10 offered fixed contracts to both FEI Rate Schedule 1 residential and FEI Rate Schedule 2Rate Schedule 2 and 3 commercial customers, and 3 Gas Marketers offered fixed contracts to FEI Rate Schedule 2 and 3 commercial customers only. Table 2-1 below lists the Gas Marketers operating in BC, their sales activity status and their customer sales market in 2012. Also Included in the table are Gas Marketers who had been involved in the Customer Choice Program since 2007 but are no longer active.

Table 2-1: List of Gas Marketers

Gas Marketer		Status
Residential and Commercial Gas Marketers		
1	Access Gas Services Inc.	Owns Planet Energy contracts.
2	Active Renewable Marketing Ltd	
3	Direct Energy Marketing Ltd	Combined DEBS and DEML in April 2010
4	Firefly Energy	Owned by AG Energy.
5	Just Energy (formerly Energy Savings BC)	Changed name to Just Energy in 2009.
6	MX Energy (Canada) Ltd	
7	Planet Energy (New)	Re-entered the market in February 2010.
8	Smart Energy (BC) Ltd	
9	Summitt Energy BC L.P.	
10	Superior Energy Management Gas L.P.	
Commercial Only Gas Marketers		
1	Bluestream Energy	
2	Connect Energy	
3	Premstar Energy – ECNG	Owned by Alta Gas.
Past Gas Marketers		
1	CEG Energy Options	Purchased by Energy Savings BC in 2008
2	Intra Energy	Withdrew from Program 2007
3	Nexen Marketing	Sold customers to Access Gas and withdrew
4	Planet Energy	Sold customers to Access Gas in April 2008 and withdrew
5	Tahoe Energy	Withdrew from Program June 2007
6	Universal Energy	Purchased by Just Energy effective July 1, 2009
7	Wholesale Energy Group Ltd	Purchased by Universal Energy in 2008

Fixed-Contract Statistics

In 2012, there were 387 open marketer groups available for customer contract enrolments. Prices per GJ ranged from a low of $2.64/GJ to a high of $11.99/GJ. The most common contract term signed during 2012 was for a five year contract accounting for 48 percent of enrolments. The price range for a five year contract term was a low of $3.89/GJ to a high of $9.79/ GJ. Over 10,000 enrolments or 80 percent of contracts signed in 2012 were in the $4/GJ to $8/GJ range. Figure 3-1 below illustrates the fixed contract statistics for 2012.

Figure 2-1: Fixed Contract Statistics in 2012

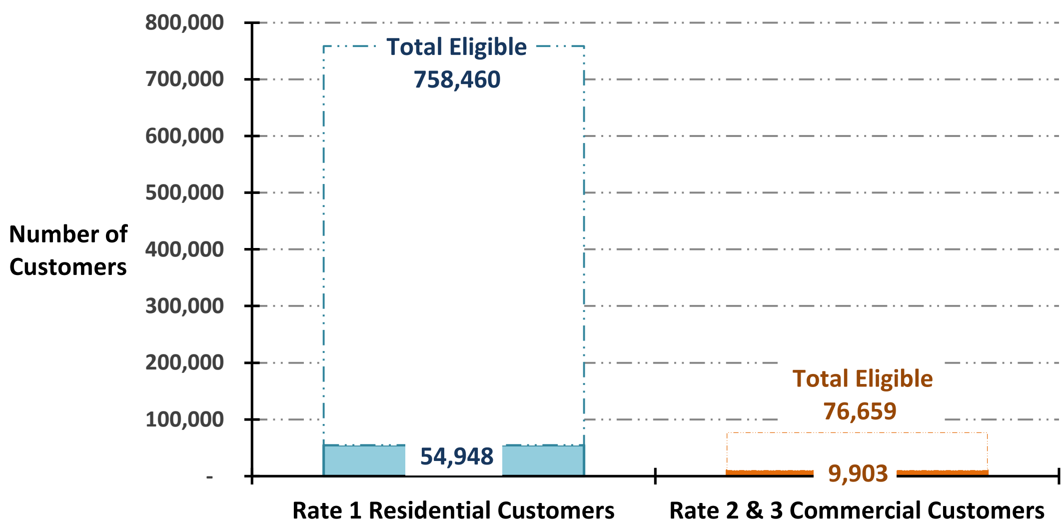
Open Price Points	Percentage of Total Enrollments per Term	Price Range per Enrollment Term	Number of Enrollments by Contract Price Range
• 387	•1 Year - 14.2% •2 Year - 0 .6% •3 Year - 24.7% •4 Year - 12.8% •5 Year - 47.7%	•1 Year - $2.64 to $11.99 •2 Year - $3.11 to $10.49 •3 Year - $3.77 to $10.99 •4 Year - $3.80 to $9.88 •5 Year - $3.89 to $9.79	• Under $4 - 2316 - 18% •$4-$6 - 6525 - 50% •$6 -$8 - 3975 - 30% •$8-$10 - 214 - 2% •$10+ - 15 - 0.1%

2.1.2 Customer Participation

Customer participation in 2012 dropped from 2011. November 1, 2012 marked the 5-year anniversary of the Customer Choice Residential Program launched in 2007. On November 1, 2012, 45,879 customers returned to FEI for their natural gas supply, the majority of which were residential customers.

Figure 2-2 below illustrates the residential and commercial Customer Choice participation rate for 2012.

Figure 2-2: 2012 Residential and Commercial Customer Participation



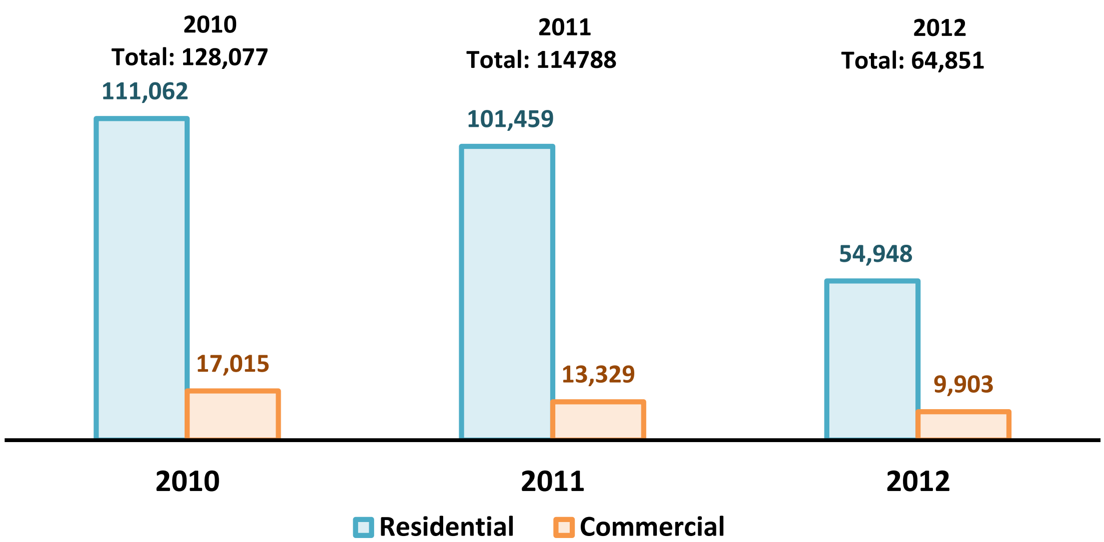
As of December 31, 2012 there were approximately 835,000 FEI Rate Schedules 1, 2 and 3 customers eligible for the Customer Choice Program. As Figure 2-2 illustrates, there were approximately 758,000 eligible residential customers and approximately 76,000 eligible commercial customers for the Customer Choice Program.

Of the approximate 758,000 eligible residential customers, about 55,000 billed customers were enrolled in Customer Choice. This represents approximately 7 percent of the total customer base of eligible residential customers participating in Customer Choice.

Of the approximate 76,000 eligible commercial customers, about 9,900 customers were enrolled in Customer Choice. This represents approximately 13 percent of the total customer base of eligible commercial customers participating in Customer Choice.

Figure 2-3 below illustrates the year-to-year comparison of both residential and commercial Customer Choice participation from 2010 to 2012.

Figure 2-3: Yearly Comparison of Customer Choice Participation (2010 to 2012)



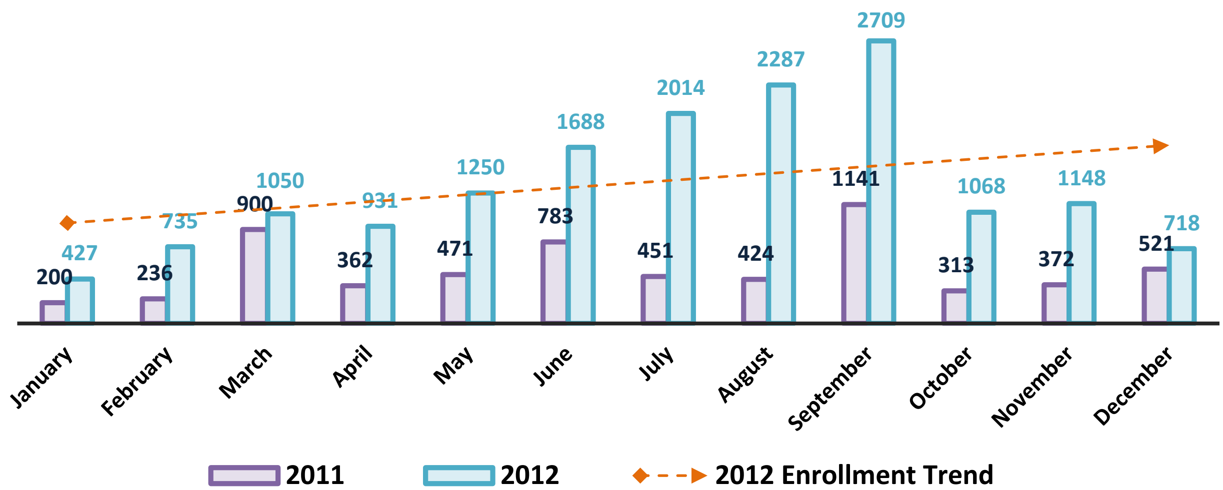
As Figure 2-3 indicates, Customer Choice participation levels have declined in the past three years for both residential and commercial customers. Factors attributing to the decline include, but are not limited to, historically low natural gas prices, customer account closures, decrease in contract renewals, and continued dispute cancellation drops.

Participation rates for residential customers declined by 9 percent in 2011 from 2010 and then 46 percent in 2012 from 2011. This decline in 2012 can largely be attributed to the return of 45,879 customers to FEI on November 1, 2012. Participation rates for commercial customers declined by 22 percent in 2011 from 2010 and 26 percent in 2012 from 2011.

2.2 *ENROLMENT STATISTICS*

Although total customer participation declined sharply in 2012, Gas Marketer sales activity rose considerably in 2012 compare to 2011. New enrollments were submitted at a substantially higher rate in 2012 than in 2011, peaking during the summer months with approximately 7000 cumulative enrollments for the months of July, August and September. Figure 2-4 below illustrates the comparison of monthly gross enrolments between 2011 and 2012.

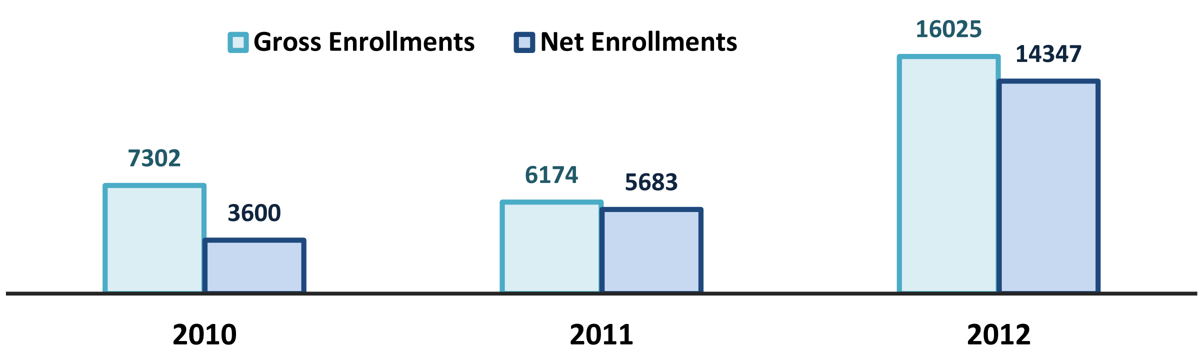
Figure 2-4: Comparison of Monthly Gross Enrollments – 2011 vs. 2012



Total gross enrollments equalled 16,025 in 2012 compared to 6,174 in 2011, and on average monthly gross enrollments in 2012 exceeded those of 2011 by 183 percent. With the removal of ‘Evergreen’ provisions in 2011, whereby expiring contracts automatically renewed, the level of gross enrollment actually represent new contracts submitted.

Figure 2-5 below illustrates the enrollment retention rate over the past three years from 2010 to 2012. The figure compares gross enrollments to net enrollments. Net enrollments are contracts that flow with the Gas Marketer on the contract start date and are calculated as gross enrollments less any 10-day cancellations and operational correction drops[1].

Figure 2-5: Comparison of Yearly Enrollment Activity (2010 – 2012)



As Figure 3-5 indicates, enrollment retention rates have improved considerably since 2010, which coincides with the introduction of consolidated business rules for residential and

[1] 10-day cancellations result from customers who elect to cancel their contract within their 10-day cooling period; Operational Correction Drops are contract cancellations submitted by the Gas Marketers after the 10-day cancellation window but before the contract start date.

commercial customers in 2011. In 2010, the ratio of net enrollments to gross enrollments was only 49 percent. In the following years, net enrollments improved to 92 percent and 90 percent of total gross enrollments for 2011 and 2012 respectively. Seemingly, the consolidated business rules, which include third-party verification calls, 10-day cooling periods and confirmation letters sent to the account holder for all residential and commercial enrollments, have been effective in ensuring that customers understand the fixed rate contracts they signed up for.

2.3 *DISPUTE STATISTICS*

As contract retention rates have increased over the past three years, the number of contract disputes has declined over the same period. There were 1,467 total disputes filed in 2012 down from 2,173 disputes in 2011 and 2,638 disputes in 2010. This represents a 32 percent drop in dispute filings in 2012. The figures below illustrate Customer Choice dispute activity in 2012 and over the past three years. Figure 2-6 illustrates the monthly dispute statistics for 2012. Figure 2-7 provides a yearly comparison of dispute activity from 2010 to 2012.

Figure 2-6: 2012 Monthly Dispute Statistics

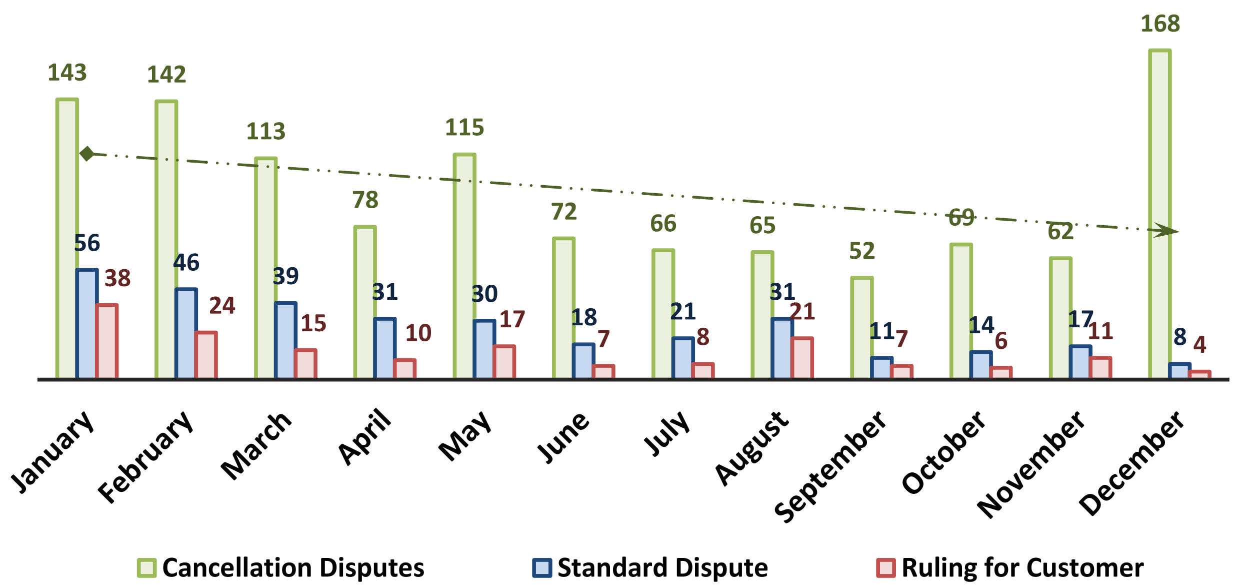
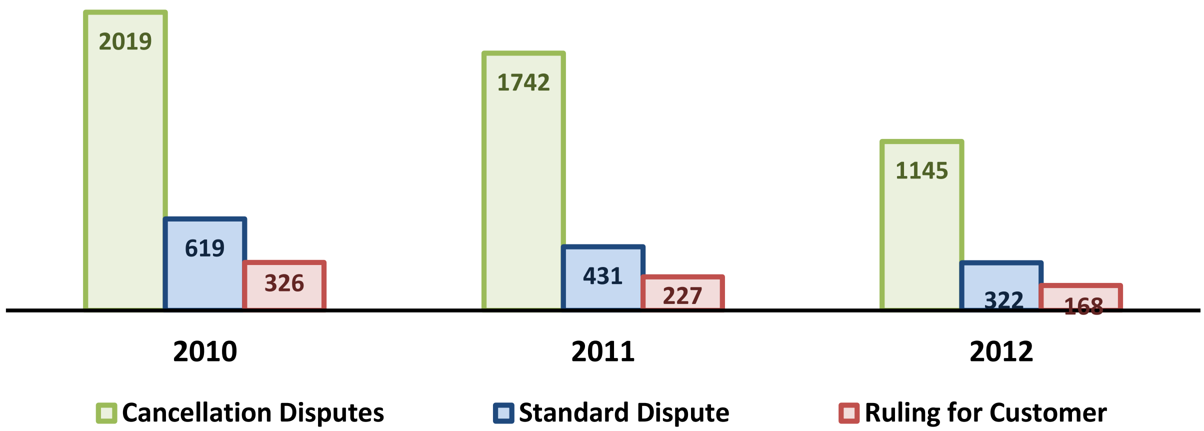


Figure 2-7: Comparison of Yearly Dispute Activity from 2010 to 2012



Cancellation disputes are disputes raised by Gas Marketers who have agreed to release a customer from their contract outside of their contract anniversary date. These disputes contravene the Essential Service Model and may result in additional Midstream Costs, which are recovered by all customers including those not participating in the Program. While the declining rate in Cancellation Disputes since 2010 seems promising, FEI continues to emphasize that Cancellation Disputes must be used sparingly and restricted to compassionate reasons only, as determined by the Commission.

Standard disputes are disputes raised by the customer against their Gas Marketer in dispute of their contract's validity. These disputes require Gas Marketers to defend against the customer's claim that their contract is invalid, and are finalized with a BCUC ruling in favor of either the Gas Marketer or the Customer. Like Cancellation Disputes, standard disputes have also declined since 2010. This suggests that the removal of the 'Evergreen' provision in October 2011 and the introduction of consolidated business rules have been effective in ensuring that customers understand the fixed rate contracts they enter in.

BCUC rulings in favor of the customer over the same period have remained relatively constant, representing approximately 50 percent of all standard disputes raised.

2.4 *2012 CUSTOMER EDUCATION PLAN*

The Customer Education Plan and budget for 2012 remained unchanged from the plan approved in Decision Order A-9-11 for 2011. With a budget of $300 thousand, the Customer Education objectives were to:

- Increase Customer Choice name awareness
- Increase customer protection via education

- Direct traffic to Customer Choice website
- Maintain neutrality

These Objectives were executed via radio ads, rate comparison newspaper ads, bill inserts, bill messaging, and a redesigned Customer Choice website. A brief description of each is described below.

Customer Choice Website

At the heart of the communication strategy is the Customer Choice website, to which all other forms of media direct customers to. In September 2012, the language on the website was simplified to be more concise and neutral. The site was also re-designed to ensure that customers were able to target specific information easily in order to better assist them in their decision making.

Radio Spots

Two radio ads were produced in 2011 to increase the Customer Choice name awareness. In the production of both the scripts and the ads, FEI ensured the content and tonality of the ads remained completely neutral.

The same radio ads were used in 2012, and ran for four alternating weeks in July and August. This timing was particular chosen to aid Gas Marketer sales effort and coincided with potential targeted marketing to the approximate 51 000 Customer Choice customers with contracts scheduled to end in November 2012.

Rate Comparison Ads

The Customer Choice Rate Comparison print ads were redesigned for 2012 in an effort to increase Customer Choice Program awareness and to provide consumer information. Notable changes included:

- A simplified, attention grabbing template
- A prominent display of the Customer Choice Program Logo
- Less precautionary text to better exemplify neutrality
- A clearer and more concise rate table that illustrates each of the Gas Marketers lowest term rates and Fortis' variable rate

The ads were run in local newspapers across British Columbia, in seven monthly periods from March to November 2012.

Bill Inserts

The Customer Choice bill insert was redesigned for 2012. The purpose of the bill insert is to enhance consumer protection so they can make informed choices regarding the Customer Choice Program.

Notable changes include:

1. A reduction from 6 panels to 2 panels
2. Clearer and more concise text that explains the Program, outlines consumer rights and obligations and compares consumer options

The re-designed bill insert was distributed to customers in the eligible Customer Choice areas in June 2012. Customer Choice was also included in a group bill insert with other FEI initiatives in August 2012.

Bill Message

One bill messaging spot was secured on the March 2012 FEI bills, for customers in the eligible Customer Choice areas. The purpose of the bill message is to provide customer information.

- Message: *It's your choice: fixed rates for natural gas from an independent gas marketer or a variable rate from FortisBC. The Customer Choice Program lets you choose your natural gas supplier. Compare your options at fortisbc.com/choice.*

Standard Information Booklet

The standard information booklet was updated to remove old references and terminology such as 'Evergreening,' was translated into Punjabi and Chinese, and published on the FEI website for reference in October 2011.

2.5 *SYSTEM ENHANCEMENTS*

Approvals from BCUC Decision Order A-9-11 regarding the Consolidation of Business Rules, Dispute and Cancellation Drops, the Dispute Ruling Page, Contract Renewals and the Marketer Supply Requirement required several system enhancements to be undertaken. Table 2-2 below summarizes the system enhancement required by Decision Order A-9-11.

Table 2-2: System Enhancement from Decision Order A-9-11

System Enhancements from Decision Order A-9-11
Consolidated Business Rules
1. Reconfiguration of Confirmation Letter to Accommodate all Customers
2. Creation of 1150 Enrollment Code to allow for the waiving of the 10-day Cancellation Period
Dispute and Cancellation Drops
3. Redesign and implementation of the Independent Dispute Process
Dispute Ruling Page
4. Creation of fields to be added to show compensation responsibility and effective reimbursement date
Dispute Ruling Page
5. Removal of the "Evergreen Provision"
Marketer Supply Requirement Reports

System Enhancements from Decision Order A-9-11
6. Creation of premise level reporting

Due to a system freeze that was in place for most of 2011 to accommodate the transition to a new SAP Customer Information System, many of these system changes were not undertaken and implemented until the beginning of 2012.

Reconfiguration of Confirmation Letter

The enrollment confirmation letter, which was previously sent to only residential customers, was reconfigured to accommodate all customers to ensure that the account holder received adequate notification of the contract that has been signed. As large commercial Rate Schedule 3 customers reserved the option to 'opt-out' of the 10-day cooling period, the system generated confirmation letter was reconfigured to include a field that read 'Waived' in place of the opt-out date, as shown in Figure 2-8. The new confirmation letter was implemented January 1, 2012 with the new customer information system.

Figure 2-8: Confirmation Letter Enhancement

The table below summarizes the details of your Agreement with *SuperGas*:

Effective Contract Start Date with *SuperGas*	Effective Contract End Date with *Supergas*	Agreed Contract Price with *SuperGas* ($/GJ)	Agreement Opt-Out Deadline
Dec 1, 2011	Dec 1, 2016	8.29	Waived

If you have waived your right to the 10-day cancellation period as per your contract, the 'Opt-Out Deadline' column above will read 'Waived'.

Creation of New Code for Waiving of 10-Day Cancellation Period

In order for the system to distinguish between those who waived the 10-day cooling period and those who did not, FEI developed a new enrollment code for Rate Schedule 3 customers who elected to waive their 10-day cancellation period. The new 1150 Standard Enrollment No 10-day Cool-Off code will trigger the system to waive the 10-day cancellation period and reject a 2110 Marketer Cancellation Period Drop, if one were submitted. As a result, the confirmation letter will show that the customer has waived their cancellation period by displaying the term "waived" in the opt-out deadline box.

Revised Independent Dispute Process

A working group consisting of a representative from a Gas Marketing company, FEI and BCUC was established to review the independent dispute procedure and make improvements to allow the process to be more transparent to the customer and provide rebuttal information before any ruling was determined. See Section 3 for more information about the changes implemented for the independent dispute process.

Dispute Ruling Page Improvements

Three new fields were added to the dispute ruling page in GEM to allow the Commission to set two effective dates as follows:

- The date the contract should be dropped in the enrolment database and the date FEI should reverse and rebill the customer; and
- The effective date the gas marketer is required to reimburse the customer. The scenario where two effective dates are required happens when a gas marketer is required to reimburse the customer back to the start of their contract.
- A text box was added to the end of the page to allow the Commission to make final comments before the dispute is closed.

Removal of Evergreen Provision

The ability to roll-over contracts automatically at the contract end date for enrollments submitted with an 1130 and 1230 enrollment code was disabled in the FEI customer information system effective October 1, 2011. Any new enrollments with an 1130 or 1230 enrollment code submitted after July 1, 2011 were also returned to the Gas Marketer with an invalid response. Finally, the Marketer non-renewal cancellation code 3320 was disabled since customers would automatically return to FEI supply at the contract end date if there was not a new Gas Marketer enrollment in the system.

Introduction of New Point of Delivery (POD) Level MSR Reports

FEI presented Gas Marketers with two new detailed marketer supply requirement reports to allow for better forecasting of future supply requirements. The new reports were made available on the GEM reporting website May 1, 2012.

1. MSR Details by Marketer Group

This report allows for marketer group reconciliation to the Marketer Demand Details report with a three month entry date view.

- This report replaced the report rolled out November 2011 with a three month entry date view.

2. MSR Details by Point of Delivery

- This new report is a detailed version of the MSR details drilled-down to the POD level with a 3 month entry date view.
- Report allows marketers to more accurately forecast future supply requirements.

3. MSR Details by Contract Year

At the 2011 General meeting, Access Gas requested further refinement of the MSR report. This resulted in the creation of a new MSR Details by Contract Year Report. The purpose of this report is to assist with Gas Marketers future supply requirements planning by displaying the MSR values by POD for the current contract year and the next two future years. The values are derived from the contract year supply based on the annual demand forecast and are subject to change but should remain as is for the current year.

2.6 SYSTEM PROCESS MODIFICATION & REPORTS

In January 2012, FEI repatriated the billing infrastructure and contact centre and launched a SAP Customer Information System. Some process changes were introduced in addition to those mandated in Order A-9-11 and new reporting was implemented to assist marketers with their forecasting needs.

Portability of Contracts

The new Customer Information System processes portability of contracts in a slightly different manner. If a customer changes their contract account number during a premise move, the contract will port to the new premise (POD). This reduces the occurrence of customers changing their account number to break their contract. The enrollment ID should be used as the unique identifier instead of customer account number in GEM. Also, the customer signer name which comes from the enrollment file uploaded will remain the same in the ED_a file.

10 Day Cancellations

Initially, the new Customer Information System did not complete the enrollment process until the 10-day cancellation window had passed. This meant that if a customer cancelled within the 10-day window, the enrollment would never show up in the GEM or the ED_a Transaction History file. This process change caused confusion and complications and was changed in May 2012 back to the old process where all enrollments will appear in GEM and the ED_a file regardless if they were dropped early.

The FEI technical support team implemented the logic changes on May 30th which caused the error messages, "Invalid Drop Request - Enrollment Mismatch and Expired Cooling Off Period," to appear. The system changes were made so that contracts in the cool-off period would appear in ED_a and GEM as well as future-dated contracts that were dropped. The changes affected the date validation logic and caused the drop failures.

Impact:

- Any enrollments between May 20th and 30th, 2012, with a cooling drop 2110 submitted after 4:30pm on May 30th failed. Enrollments submitted after May 30th were not affected.
- All Dispute Resolution drops 2810 processed failed since May 30th.
- All Anniversary drops 2130 submitted since May 30th failed.

- Operational Correction drops 2410 submitted since May 30th failed.

The enrollments and drops that were affected were all manually reprocessed in summer 2012 once the logic was corrected.

Marketer Group Setup Requests

There is a 5 to 7 day turnaround time for new Marketer Group setup requests due to new Customer Information system protocols. It is advisable to request new price groups within the first two weeks of the month so the group will be setup in time to meet the month end deadline for enrollments.

Customer Usage Files

The customer usage files contain customer invoice numbers that are now 11 digits long.

OLD FILE: (Received 01/03/2012)

320051|431154|10345UNBUNDLING| ABC 011|105595408|1|20111230|20111130|20111230|8.40|N|N| 236812|111823 → 9 digits

NEW FILE: (Received 01/05/2012)

50279|200176|10345UNBUNDLING| ABC 001|16065659881|1|20120104|20111203|20120104|8|N|N| 236812|111823 → 11 digits

Disputes

Dispute drops (2810) do not appear in the daily ED_a file or in GEM until the billing reversal has been completed (typically a 5-7 day turnaround) once the dispute is ruled on. The contract will still appear as active in GEM until the process is complete.

Reason Codes

The use of the 3320 Marketer Non-renewal Cancellation is not required to be submitted anymore as all enrollments (including past evergreen codes 1130,1230), expire at the contract end date.

Changes to the ED_a Transaction Status File

The region and rate class references in the daily ED_a file had some data formatting changes made to the codes references. The new codes appear in the customer details file and also in reports. The following table describes the changes.

Table 2-3: Changes to the ED_a Transaction Status File

New Code	Old rate Class	Old Region
D_COLR1	001	COL
D_COLR2	002	COL
D_COLR3	003	COL
D_INLR1	001	INL

New Code	Old rate Class	Old Region
D_INLR2	002	INL
D_INLR3	003	INL
D_LMLR1	001	LML
D_LMLR2	002	LML
D_LMLR3	003	LML

Change to Address Spacing

Address spacing was changed in the new Customer Information system to accommodate file length. This proved to be an issue for how some marketers processed the data into their own system and their address fields were not written correctly affecting customer contact. This file spacing was changed back to spaces between the address information in January 2013.

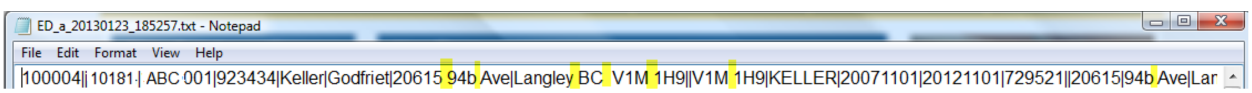
OLD FILE:

88318|10331UNBUNDLING|ABC002|911225|ADAMS|BARB|||||BARB ADAMS|20071101|20121101|20071101|20121101|LM|001|719368||20149|56A AVENUE|LANGLEY|V4B 3S2|1130|SEEV|||2007/05/15 04:00:00 PM

NEW FILE:

88318|10331UNBUNDLING|ABC002|911225|Adams|Barb|Langley,2014956aAve|||V4B3S2| ADAMS|20071101|20121101|20111005|20121101|D_LMLR1|D_LMLR1|719368||20149|56a Ave|Langley|V3A3S2|1130|SEEV|||2007/05/15 04:00:00 PM

January 2013 File:


ED_a_20130123_185257.txt - Notepad
File Edit Format View Help
100004|| 10181 | ABC 001|923434|Keller|Godfriet|20615 94b Ave|Langley BC V1M 1H9||V1M 1H9|KELLER|20071101|20121101|729521||20615|94b Ave|Lar

Updated Marketer Governance Summary Report

The revised Marketer Governance Summary provides marketers with a rolling year count of each type of enrollment and drop activity. As well, the Governance Summary provides a breakdown of the types of disputes filed and how many are ruled for the customer. The revised report was implemented in July 2012.

2.7 SYSTEM RELATED ISSUES IN 2012

In 2012 FEI experienced some challenges with the data conversion and the new SAP system logic. GEM was designed to work with the previous billing system and some of the process changes introduced with SAP caused downstream effects to GEM and the Gas Marketers' systems. The goal for 2012 was to clean up any data conversion issues and identify and correct any holes in the system logic. FEI Customer Choice administration met regularly with the

Company's technical support team to log issues, address logic issues and their impact and coordinate system changes.. Below is a summary of the issues that arose in 2012.

Delay in confirmation letters sent January 5 and 6, 2012

Affected customers were called and given their 10-day cancellation expiry date verbally and told to contact their gas marketer if they wished to cancel their contract before this date. The BCUC was informed of this processing issue in case there are any issues with these customers raising disputes in the future.

File Updates – Portability Moves from January and February

The portability response files (1310) were displaying the effective date of the change (highlighted in blue) in the contract start date field. The files were corrected to display the contract start date and reprocessed to update Gas Marketers' systems.

```
279138|||10181UNBUNDLING| ABC123 |20071201|20120228|20120228|20120118|2310| 103586 ||849193|0|Valid Request
279138|||10181UNBUNDLING| ABC123 |20120229|20121201|20120118|20120118|1310| 103586 ||1049618|0|Valid Request
```

November 1 2320 Contract Expiry Drops

FEI had some trouble processing the large volume of over 50,000 drops that were effective November 1. The problem was with respect to the request and response files the Gas Marketers receive through GEM. In particular, the extract file from the billing system that creates the D1 response files failed to create all of the responses. As well, the interfacing servers between the billing system and GEM had trouble processing all the files that were sent and got hung up requiring manual intervention.

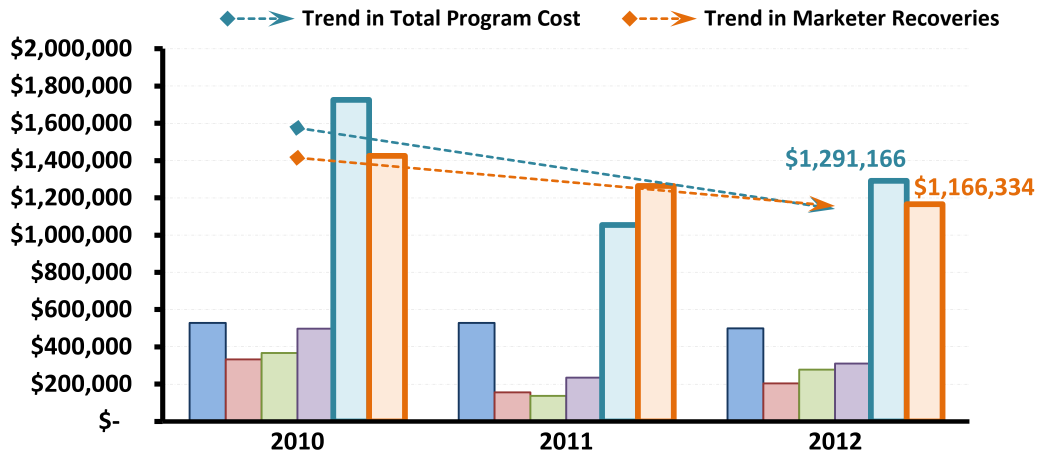
In mid-November, the FEI technical team corrected the system issue and re-ran all of the 2320 drops through the system again in smaller batches and monitored the progress to ensure the drops worked.

There was no customer impact resulting from this system issue. The billing system was updated correctly and all customers with a November 1 end date were returned to the FortisBC supply from a billing perspective.

2.8 *2012 PROGRAM EXPENDITURES, RECOVERIES AND FEE STRUCTURE*

The Customer Choice Program has matured and stabilized over the years and the declining trend in program costs since 2010 reflects this. While the Program's operational expenditures remained stable in 2012, certain factors beyond the Program's control resulted in a 22 percent increase in expenditures from 2011. Figure 2-9 below illustrates Customer Choice Program costs from 2010 to 2012.

Figure 2-9: Customer Choice Program Costs and Recoveries- 2010 to 2012



	2010	2011	2012
Operating Costs	$528,045	$528,375	$498,571
System Infrastructure	$333,130	$156,115	$204,449
BCUC Costs	$367,643	$136,427	$277,713
Customer Education Costs	$497,454	$234,060	$310,433
Total Program Cost	$1,726,272	$1,054,977	$1,291,166
Gas Marketer Recoveries	$1,425,203	$1,264,268	$1,166,334

Operating Costs

The repatriation of customer service functions from Accenture completed in 2012 and resulted in modest cost savings for Customer Choice. In particular, operating costs declined by approximately 5 percent to $500 thousand in 2012 from 2011. This cost saving is a direct benefit of the Customer Care Enhancement Project.

System Infrastructure Support Costs

System infrastructure support costs in 2012 remained consistent with those of 2011 despite an increase in expenditure of approximately $50 thousand. Commission Decision order A-9-11 directed FEI to assist the Commission in revising the Independent dispute process to better exact the principles of procedural fairness. The approximately $50 thousand in additional expenditure in 2012 represents the cost of re-designing and implementing this new process. Excluding this expenditure from System Infrastructure costs brings the 2012 expenditure in line with that of 2011.

British Columbia Utilities Commission Costs

BCUC expenditures charged to the Program increased by more than 100 percent in 2012 to approximately $277 thousand from approximately $136 thousand in 2011.

Customer Education Costs

In 2010, FEI proposed a customer education plan and budget of $300 thousand for 2011 that was not approved until May 31, 2011. The timing of the approval resulted in the late execution of the Customer Education Plan and a budget that was underspent by approximately $50 thousand in 2011.

The Customer Education Plan and budget for 2012 remained unchanged from 2011. In 2012, Customer Education expenditures exceeded the budget by approximately $10 thousand dollars. The increased expenditures accounted for 2011 year-end expenditures that carried forward to 2012.

Total Program Costs

In 2012, total program costs equalled approximately $1.29 million compared to $1.05 million in 2011. Although total program costs in 2012 exceeded those of 2011 by approximately 22 percent, the costs to administer the program remained stable. The re-design and implementation of the Independent Dispute Process, the Customer Education Plan spent to budget and the 103 percent increase in BCUC costs in 2012 were the driving factors that resulted in the increase in expenditures over 2011.

Gas Marketer Recoveries

Since 2010, gas marketer recoveries have declined on average 10 percent per year. In 2012, total gas marketer recoveries declined by 8 percent to $1.16 million, representing approximately 90 percent of total program costs for the year.

Program Fee and Fee Structure

Currently, there are four Program transaction fees charged to Gas Marketers as illustrated in the table below:

Table 2-4: Customer Choice Table of Charges

Transaction Fees	Monthly Charge	Description
Marketer Group Administration Fee	$150 / Marketer Group	Monthly Charge Based on the number of Marketer Groups in effect for the Marketer
Customer Administration Fee	$0.40 / Invoice	Based on total number of invoices that were produced based on a Marketer Group Price
Confirmation Letter Fee	$0.40 / Letter	Based on total number of Confirmation letters produced and sent to Rate Schedules 1,2,3 customers
Dispute Resolution Fee	$50.00 / Dispute	Based on total number of 'at fault' disputes as determined by the Commission

Each transaction fee continues to reflect the cost of administering each item and FEI proposes no changes to the current Program fees or fee structure at this time. However, as gas marketer recoveries have declined on average 10 percent per year since 2010 while Program Costs have remained relatively stable over the same period, FEI must ensure that Program costs are recuperated by Program Fees. Therefore, while FEI believes that the current fee structure and charges are sufficient today, FEI will monitor recovery levels in the future and propose adjustments to the fee structure and/or fees if necessary.

2.9 *PROPOSED CHANG IN RECEIPT POINT ALLOCATION PERCENTAGES IN 2013*

In 2013, FEI proposed changes to the allocations for Huntingdon Pool, Compressor Station 2, and AECO/NIT supply in a request filed with the Commission. If the proposal is accepted by the Commission, the change in receipt point allocation will be effective November 1, 2013.

Currently, the allocation percentages for the respective receipt points as follows:

CURRENT RECEIPT POINT ALLOCATIONS

Receipt Points	Allocation Percentage
Huntingdon Pool	15%
Compressor Station 2	70%
AECO/NIT	15%

FEI has proposed the following changes to the Receipt Point Allocation Percentages:

PROPOSED RECEIPT POINT ALLOCATIONS

Receipt Points	Allocation Percentage
Huntingdon Pool	0%
Compressor Station 2	75%
AECO/NIT	25%

The primary reason for reducing the Huntingdon Pool allocation and increasing the Station 2 and AECO/NIT allocations is to address FEI's concerns about the significant decrease in the level of firm service contracting on Spectra's T-South system beyond March 31, 2013. As a result, a significant portion of gas supply transacted at that hub will not be delivered on firm service contracts, which could impact overall reliability and liquidity at the Huntingdon Pool.

On February 20, 2012, FEI notified all Gas Marketers to advise them of the potential change and requested feedback by March 14, 2013 to be taken into consideration before any proposal was made. FEI received no comments from Gas Marketers.

On May 2, 2013, all Gas Marketers were advised that FEI had proposed the change in allocation percentages described above. If accepted by the Commission the proposed changes to the Receipt Point Allocation Percentages would be effective November 1, 2013. FEI is required to provide at least 30 days' notice to Gas Marketers of any changes to the Receipt Point Allocation Percentages; nevertheless, FEI will promptly provide a further update confirming acceptance of these proposed changes if it is received from the Commission.

FEI will also be communicating the receipt point fuel gas percentages effective November 1, 2013 to natural gas marketers once they are determined in August 2013. These new fuel gas percentages will take into account the new Receipt Point Allocation Percentages if they are accepted by the Commission.

2.10 SUMMARY

2012 was a landmark year for the Customer Choice program as the first batch of five year contracts expired in November 2012, with approximately 45,879 customers returning to FEI for their natural gas supply. As of December 31, 2012, residential billed customers enrolled in Customer Choice accounted for 7 percent of FEI's total Rate 1 customers, and commercial billed customers enrolled in Customer Choice accounted for 13 percent of eligible Rate Schedule 2 and 3 customers.

Gross enrollment activity more than doubled in 2012 as some Gas Marketers were busy working to re-sign the contracts expiring in November. The ratio of net enrollments to gross enrollments improved over the years since the introduction of the consolidated business rules that provide consumers and marketers with better protection during the pre-flow phase after contract signing. Retention rates for 2012 were at 90 percent of gross enrollments netting 14,347 new contracts that flowed during the year.

Dispute filings have dropped steadily over the last three years with the majority being cancellation disputes where the Gas Marketer and the customer have both agreed to cancel the contract early and no adjudication by the Commission is required. Only 22 percent of the 1,467 disputes filed in 2012 were standard disputes where the customer and Gas Marketer could not come to terms and the Commission was required to make a decision on the contract validity. BCUC ruled in favor of the Gas Marketer in 52 percent of standard dispute cases in 2012.

The Customer Education Plan objectives from 2011 continued in 2012 to increase Customer Choice name awareness, increase customer protection through education, direct customers to the website and maintain neutrality. The $300,000 budget was used to deliver these objectives through radio ads, rate comparison ads, bill inserts, bill messaging and a redesigned Customer Choice website. In September 2012, the new website design was launched to assist customers' decision making with clear, simple, neutral language and easier navigation.

System enhancements that arose out of BCUC Decision Order A-9-11 were delivered in 2012 after the new FEI SAP Customer Information System (CIS) was implemented in January 2012. The enhancements included reconfiguring the confirmation letter to be sent to all rate class customers, creation of a new enrollment code to allow for waiving of the 10-day cancellation period, redesigning the independent dispute process, improvements to the dispute ruling page, removing system functionality for the evergreen provision and creation of premise level marketer supply requirement reporting. As well, there were new system processes introduced and system issues that arose with the new CIS implementation.

The Customer Choice program annual expenditures remain fairly stable from 2011 with some cost savings realized in the operating costs. The Customer Care Enhancement Project absorbed some of the initial maintenance costs of the new CIS system for the first half of 2012. The main system enhancement expenditure for 2012 related to the improvements made to the independent dispute process to exact the principles of procedural fairness. Total program costs rose by 22 percent in 2012 due to the independent dispute process project costs, the customer education costs fully spent to budgeted amount and an increase in BCUC charges to the program.

3. INDEPENDENT DISPUTE PROCESS

3.1 *INTRODUCTION*

The purpose of the independent dispute process is to provide a simple, standardized method by which to resolve contract disputes between customers and Gas Marketers. A review of the former dispute resolution process by the Office of the Ombudsperson in 2010 determined that the process did not exact the principles of procedural fairness. The Office of the Ombudsperson concluded that customers were not provided an opportunity to review or rebut evidence lodged against them, and there was no transparency for the customer in the process. As such, the British Columbia Utilities Commission (BCUC) was advised to review and redesign the dispute process.

At the 2010 Customer Choice AGM, and through BCUC Decision Order A-9-11, a working group was created to review and propose a new streamlined dispute handling process to manage disputes between customers and Gas Marketers. The working group consisted of representatives from BCUC, FEI and the Gas Marketers. In revising the dispute process, the working group used the guidelines entitled "*Developing an Internal Complaint Mechanism"* (ICM) issued by the Office of the Ombudsperson (reference: Public Report No 40, Sept 2001). The fundamental elements of the ICM are:

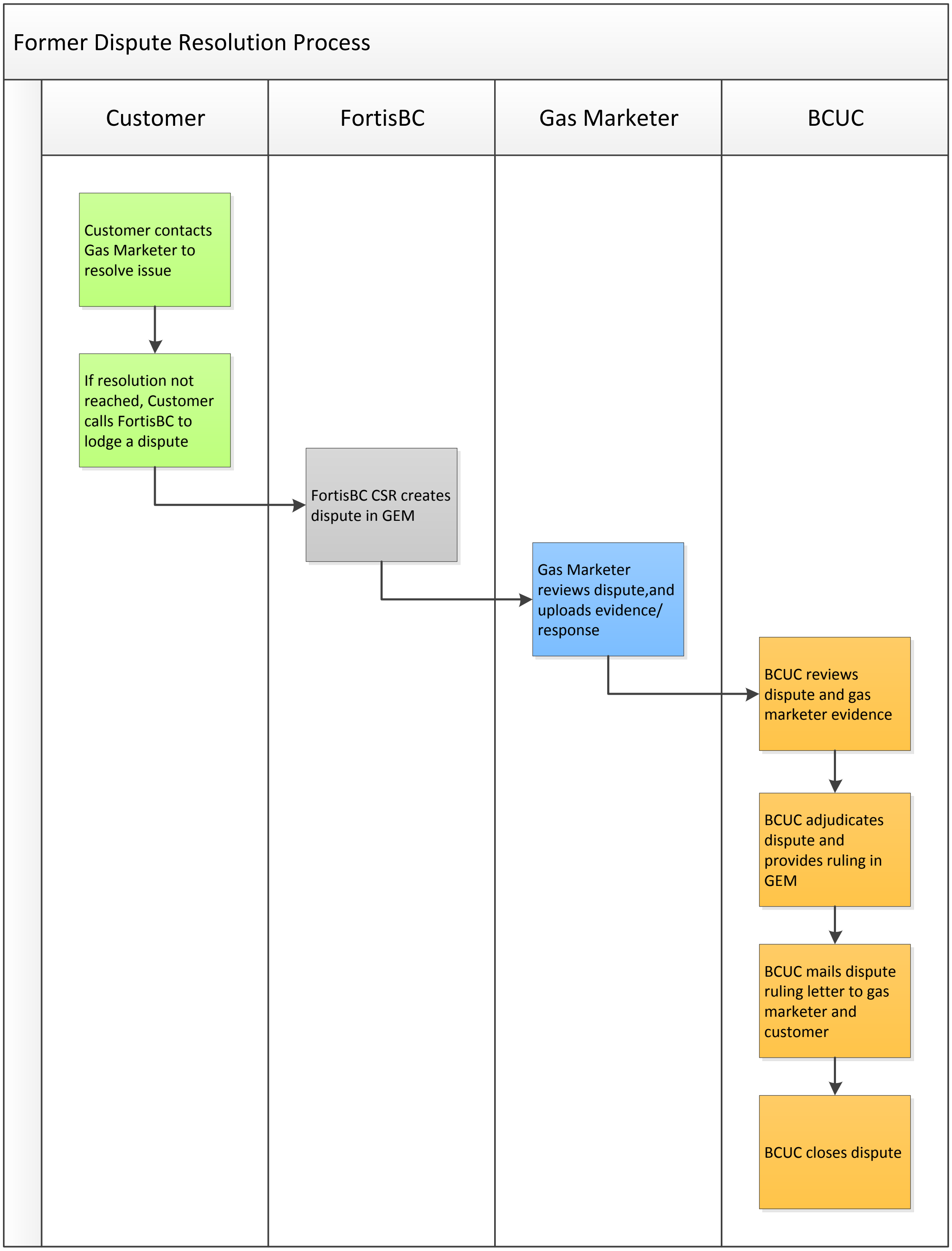
> *1. Define "complaint" – define the types of complaints handled by the Commission.*
>
> *2. Define the process – the process must provide an opportunity for each complaint to be considered, an opportunity for all parties to review all information submitted, provide sufficient details for the final ruling, and all in a timely manner with respect to privacy and confidentiality.*
>
> *3. Document the process – have a clearly written and well-publicized description of the process, available to both staff and the public.*
>
> *4. Making exceptions – create a process that is flexible enough to respond to differing needs and demands of complainants and to adapt to new and/or special situations.*
>
> *5. Accessibility – ensure that the ICM is accessible to the public.*
>
> *6. Data collection – collect information about individual complaints and complaint trends and use the information to improve efficiency, provide higher quality of service and foster improved relationships with the public.*

These guidelines provided the foundation for the new independent dispute process, which ensured procedural fairness and transparency.

3.2 FORMER DISPUTE RESOLUTION PROCESS

Figure 3-1 below illustrates the former dispute resolution process.

Figure 3-1: Former Dispute Resolution Process



As Figure 3-1 illustrates, the former dispute resolution process involved little customer and gas marketer engagement. Customers lodged a dispute and then waited for adjudication from the Commission. In response to the dispute, Gas Marketers were simply required to submit a copy of the signed contract, the Notice of Appointment, the recorded TPV call.

Under the old process the customers were not given an opportunity to view this evidence, nor were they able to respond before adjudication occurred. Moreover, it was found that this evidence often did not address the true nature of the customer's dispute. This made adjudicating a dispute difficult for the Commission.

Additionally, the former process had other deficiencies. In particular, when disputes were raised, they were subject to misinterpretation by the CSR as the customer had no ability to log a dispute in their own words. The customer's words were subject to interpretation by a CSR who submitted the dispute details into the system on their behalf. It was often found that the CSR misinterpreted the nature of the dispute.

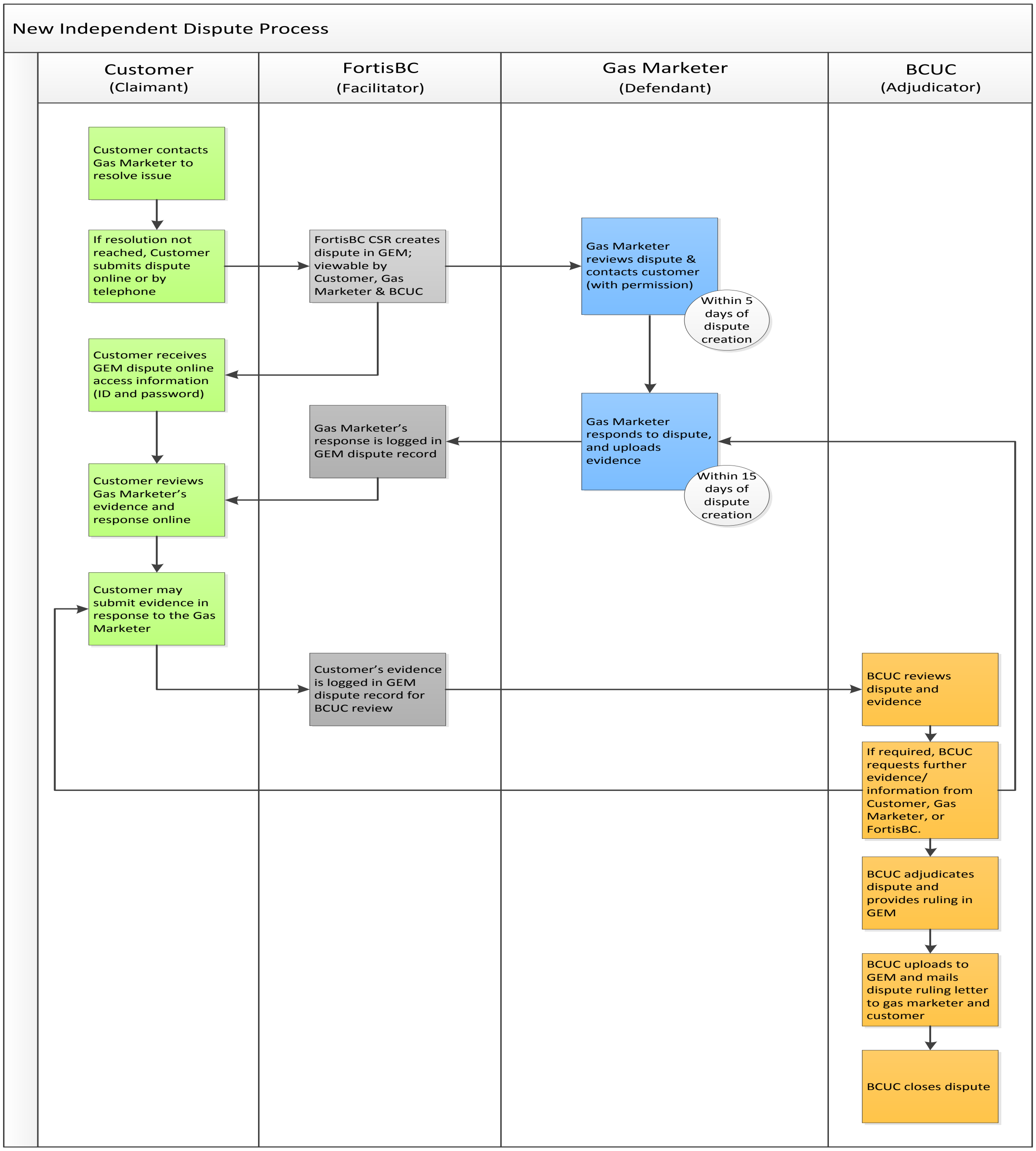
Finally, the dispute resolution process was inefficient in that there was no method of alerting the BCUC or the marketers of new disputes logged in the system, nor was there a set timeframe by which the dispute needed to be resolved. Gas Marketers and the BCUC were required to proactively search for potential disputes and at times disputes were left outstanding for extended periods of time. The design of the new dispute resolution process therefore sought to address not only the issue of procedural fairness and transparency, but also the identified deficiencies described above.

3.3 NEW DISPUTE PROCESS

3.3.1 Revised Process and Enhancements

Figure 3-2 illustrates the Revised Dispute Resolution Process, which was implemented on October 15, 2012.

Figure 3-2: Revised Dispute Resolution Process



As Figure 3-2 illustrates, the revised process involves a much higher degree of engagement between Customers (the Claimant), Gas Marketers (the Defendant) and the Commission (the Adjudicator), with FEI acting as the facilitator of the process. To address the issue of procedural fairness and transparency, the new process allows customers to view and rebut the evidence and response uploaded against them by the Marketer, as well as allows customers to submit evidence in support of their dispute online, by mail or fax. Through an online portal, customers who submit a dispute online are also able to track their dispute from the moment the dispute was initiated until the moment it is ruled upon, with all evidence submitted from both the customer and the Gas Marketer available for viewing.

To address the issue of CSR misrepresentation of the customer's dispute, a standardized form with a series of drop down categories to capture the most important information required to determine the nature of the dispute was implemented for customers logging a dispute on-line. This same form is also used by the FEI CSR if the Customer chooses to lodge the dispute by phone. The form ensures that all the required information is gathered for the BCUC for ruling and minimizes CSR interpretation of the customer's issues.

To increase the efficiency of the process, a Dispute Events page for Marketers and the BCUC was created in GEM to track and monitor disputes. This page lists all disputes logged against the gas marketer, including the number of days the dispute has been open, and whether it is a new, resolved or unresolved dispute to ensure that disputes are not left pending for a long period of time. The statuses 'Resolved' and 'Unresolved' are set by the Gas Marketers, which prompt the BCUC to review and rule on the dispute.

The dispute response and a timeline for resolution were also standardized under the new process with the BCUC issued 'Dispute Guidelines for Gas Marketers'. Once a dispute is raised, the marketer is now required to upload evidence that specifically addresses the customer's dispute within 5 days and contact the customer in an attempt to resolve the dispute (provided the customer indicated they wished to be contacted by the Marketer). If a resolution is reached, the Marketer would set the status of the dispute to 'Resolved', thus prompting the BCUC to rule. If a resolution is not reached, the status of the dispute would be set to 'Unresolved', thus inviting Commission intervention.

To accommodate the revised process, a series of system enhancements were implemented. These enhancements are described below.

3.3.1.1 System Enhancements

FEI has made system enhancements to the FEI website and to the Gateway for Energy Marketers (GEM) application to accommodate the new Independent Dispute Process. An online portal was created for customers to access their disputes via the web.

3.3.1.1.1 FEI WEBSITE:

A new section for Complaints and Contract Disputes was added to the FEI Customer Choice website. The site provides an overview of the new dispute process, as well as provides detailed instructions to log a dispute. From this section, customers are also able to directly log a new dispute, or login to the online portal to view their dispute and/or submit evidence.

Customers fill out an online form with details of their dispute, and submit the form via the website. This form is emailed to FEI, where a customer service rep (CSR) inputs the information into GEM to create a dispute record. Evidence from the customer submitted via the website is managed in the same manner, where the CSR receives the evidence via email, and uploads it into the GEM dispute record on behalf of the customer.

3.3.1.1.2 CREATION OF AN ONLINE PORTAL

To allow customers the ability to view their dispute and supporting evidence online, a new FEI web portal was created. While this portal does not provide direct access to GEM due to security reasons, it does provide a snap shot of the customer's relevant dispute information in GEM. Moreover, access to the portal is secure as the customer requires a user ID and password to login. This information is provided by an automatically generated email to the customer when their dispute is logged in GEM.

3.3.1.1.3 GATEWAY TO ENERGY MARKETERS (GEM) APPLICATION ENHANCEMENTS:

GEM was configured to be a communication hub whereby customers, Marketers, and the BCUC are able to view a dispute, review supporting evidence and upload supporting dispute evidence. Here, a dispute can be tracked as it moves through the stages of the new dispute process, from the start of the process when a dispute is logged, to the end when it is ruled on.

The GEM dispute form has been revised to mirror the dispute form that customers fill out on the FEI website. It captures more detailed information from the customer regarding the reason for the dispute, the dispute description in the customer's own words, and details regarding the gas marketer contract. This ensures consistency between disputes logged online and via a FEI CSR.

To track disputes, a Dispute Events page was added to the Dispute tab in GEM. This page lists all disputes logged against the Gas Marketer, separated into three sections. The first section labeled 'Logged by Customer with Online Access' displays the Standard disputes raised by the customer and logged through FEI (either online or by telephone). Disputes in this section are viewable by the customer.

The second section labeled 'Logged by Customer without Online Access' displays the Standard disputes raised by the customer and logged through FEI by telephone or mail. Disputes in this section are raised by customers without an email address, and therefore do not have online access to view their disputes. These customers will use the mail/fax options to submit evidence and rebut gas marketer evidence.

The third section labeled Logged by Marketer displays the Cancellation disputes raised by the Gas Marketer. The Dispute Events page will be useful for both the Gas Marketer and BCUC to monitor outstanding disputes as it lists the number of days each dispute has been open in a sortable column. There is also a column on this page where Gas Marketers are required to set the status of a dispute to *Resolved* or *Unresolved*, according to the *Interim Dispute Guidelines* (Sections 3.3 and 3.4), issued by the BC Utilities Commission (BCUC) October 2012. The statuses *Resolved/Unresolved* are the prompt for BCUC to review and rule on the dispute.

3.4 *SUMMARY*

Using the fundamental elements of the Internal Complaint Mechanism from the Office of the Ombudsperson, a working group of representatives from the BCUC, FEI and the Gas Marketers sought to resolve the deficiencies and inefficiencies of the former dispute process.

The former process was deficient in that it did not facilitate customer involvement in the dispute process, there was little engagement between the customer and the Gas Marketer, and there was no means by which the Customer could view the dispute, submit evidence, or provide a rebuttal. The former process was inefficient as there were no guidelines or timeframes set for resolving the dispute, nor was there a method of alerting the Gas Marketer or BCUC that a dispute was logged. Disputes themselves were subject to misinterpretation, as CSRs logged the dispute information on the customer's behalf.

The new Independent Dispute Process provides a simple, standardized method by which to resolve contract disputes between customers and Gas Marketers. The customer has a much greater involvement in the process, as system enhancements to the GEM system, the FEI website and Online Portal provide customers with the ability to raise a dispute in their own words, view a dispute, and provide evidence and a rebuttal. Implementation of the Dispute Events page in GEM allows the Gas Marketer and BCUC to easily track and monitor disputes. Also, new guidelines issued by the BCUC have provided timelines and rules by which disputes are to be managed. As a result of these changes, the new Independent Dispute process is a considerable improvement from the previous process and now better exacts the principles of procedural fairness and transparency.

4. 2012 CUSTOMER CHOICE ANNUAL GENERAL MEETING

4.1 *BACKGROUND*

On May 31 2011, the Commission issued Decision Order No. A-9-11 in response to the FEI 2010 Customer Choice Program Summary and Recommendations. In the Decision, the Commission suggested FEI hold a Customer Choice General Meeting between FEI, the Gas Marketers, Commission staff and interested parties sometime in September 2011.

On August 26, 2011, FEI requested to postpone the 2011 General Meeting after consultation with Commission Staff, in order to:

1. Facilitate the implementation of the system changes approved in Decision Order A-9-11 following the completion of FEI's Customer Care Enhancement Project in January 2012;
2. Realize the impact of both the approved system enhancements and FEI's Customer Information System conversion to SAP; and
3. Allow time for the interested parties to adequately prepare for the General Meeting.

On September 19, 2012, the Commission issued a letter agreeing to postpone the General Meeting until early 2012. The Customer Choice General Meeting commenced on April 24, 2012.

4.2 *2012 GENERAL MEETING*

Nine stakeholders participated at the 2012 Customer Choice General Meeting on April 24, 2012. Participation included:

1. Access Gas Services Inc.
2. Active Energy Corp.
3. AltaGas Ltd.
4. Bluestream Energy Inc.
5. Just Energy (B.C.) Limited Partnership
6. Summitt Energy BC LLP
7. British Columbia Public Interest Advocacy Centre ("BCOAPO" and "BCPIAC")
8. FortisBC Energy Inc. (FEI)
9. BCUC Staff

4.3 2012 GENERAL MEETING ITEMS

FEI started the Annual General Meeting with a presentation that reviewed Program participation rates, dispute statistics, system enhancements from 2010, the revised independent dispute process, the 2012 customer education plan and a discussion of the deferral account and administration fees. This was followed by a discussion of the agenda items raised by Gas Marketers and interested parties, which included:

Revised Regulatory Process

FEI requested changing the Annual General Meeting to a General Meeting on an as-needed basis but no more than once per year. FEI would submit an annual report that would include program statistics and yearly updates to the Program.

Code of Conduct Revision

There were sections of the Code of Conduct for Gas Marketers that were ambiguous and required clarification. As well, there were a number of directives in the past five years that needed to be added to the Code of Conduct. See section 5.5.1 for more information on the revision of the Code of Conduct for Gas Marketers.

Additional Bill Line Items

Just Energy gave a presentation expanding on their desire to allow additional bill line items and requested that a working group be established to explore how additional bill line items could be integrated via the 'Pay-As-You-Save' (PAYS) initiative. The presentation included the rationale for how the PAYS program could benefit Customer Choice; the types of services and products that would be billed; examples from other jurisdictions; and potential risks of non-payment for the utility and consumers. Accordingly, Just Energy requested a working group to be setup to determine whether or not accommodating the PAYS program and additional line items on the FEI bill would be feasible.

The Commission has supported FEI's position not to add additional line items to the bill in the past to avoid the issue of cost and cost recovery. As well, the Commission has expressed concern that it may be confusing to the customer if there were additional items and monies being collected for non-utility or non-gas items on behalf of Gas Marketers. However, the Commission questioned whether an opportunity to include additional line items to the bill now existed in light of the utility's requirement to offer the PAYS program. The Commission determined that once the PAYS program is fully developed, then at that time a working group could be convened to examine if additional line items on the gas bill would be appropriate or feasible.

Courtesy Drop versus Operational Drop

BCUC staff delivered a presentation on courtesy drops and dispute trends for 2012. The Commission reported that 8.7 percent of courtesy drops are actually dispute resolutions, meaning that the Marketer submits a cancellation dispute after a standard dispute is filed for the customer contract. Gas Marketers should not be submitting cancellation disputes to resolve a dispute that has already been filed by the customer as it causes the Commission extra time and resources to rule on two disputes and skews the dispute statistics.

The Commission further reported that 8.4 percent of courtesy drops are submitted when marketers missed submitting anniversary drops for the customer, 28.8 percent of courtesy drops are for humanitarian reasons and 51.9 percent are early cancellations with exit fees paid by the customer. The anniversary clause in the consumer agreement that allows customers to cancel only on their anniversary date was not introduced until 2008 so there were quite a number of customers that had the right to pay the exit fee to end their contract at any time.

It was also determined that the wording for the use of Operational Correction Drops[2] should be updated to be more descriptive so Gas Marketers can better understand the purpose of this drop code.

Marketers' Ability to Offer Variable/Short-Term Pricing

Just Energy and Access Gas delivered a presentation on offering shorter term products to consumers without compromising the Essential Services Model.

The Commission suggested that Gas Marketers, coordinated by Access Gas and Just Energy, form a working group and submit three potential product offerings that would work within the ESM model for FEI to evaluate for feasibility. No proposals have been received by FEI to evaluate.

Third Party Verification (TPV) Calls

A discussion was held on further extending the upper time limit for the completion of TPV calls to 45 days for new or renewed customers. Gas Marketers also requested a review of the decision that requires Small Commercial Rate 2 customers to wait 24 hours before completing the TPV call.

Article 33: Third Party Verification of the Gas Marketer Code of Conduct was updated to require the TPV for Residential Rate 1 and Small Commercial Rate 2 customers to be conducted 24 hours after contract execution at the earliest and within 20 calendar days at the latest in order for the sale to be complete. TPV calls for Large Commercial Rate 3 customers are allowed to be completed immediately after contract execution to within 20 calendar days.

Rate 4 Customers

Access Gas requested the Commission consider setting up a transportation tariff similar to Rate 23/25 for seasonal customers interested in procuring natural gas from a Gas Marketer.

[2] An Operational Correction Drop allows Gas Marketers to terminate an enrollment where the consumer agreement cancellation deadline has passed but before it is included the Marketer Supply Requirement on the 14th of each calendar month.

FEI was to investigate the transportation options for rate schedule 4 customers and provide their findings to the Commission. The results of this investigation are discussed below in Section 4.4.2.

4.4 DECISION A-10-12

The results of the April 24, 2012 Annual General Meeting were outlined in Commission Order A-10-12 effective July 9, 2012, with the issuance of the following directions[3]:

1. The new process for Customer Choice Annual General Meeting will be as follows:
   - Commission staff will canvass the Gas Marketers and other interested parties on an annual basis about issues they would like to have addressed;
   - FEI will publish a Customer choice Annual Report that will include Program updates and statistics as well as address issues brought forth by other parties; and
   - The Commission will decide if a meeting is required to address any of the issues in the Annual Report.
2. The changes in the Eighth Revision to the Code of Conduct for Gas Marketers are effective July 9,2012 and Gas Marketers must ensure full compliance with these changes
3. FEI is to investigate the transportation option for Rate Schedule 4 customers.

4.4.1 Eighth Revision of the Code of Conduct

The Eighth revision to the Code of Conduct for Gas Marketers was delivered with Order A-10-12. Decisions made in the past five years were updated in the document as well as some sections that required clarification.

Proposed amendments to the Code of Conduct included:

- **Blend and Extend Offerings –** separate from the Renewal Provisions
- **TPV requirement for internet enrolments** – while a TPV is not required for internet enrollments, this is not written in the Code of Conduct
- **Moves** - clarify instances in which exit fees should not be charged
- **Agreement Specifications** – define "commencement of service" and "program entry dates"
- **Agreement Renewals** – add the option for voice contracting

[3] Commission Decision Order A-10-12, p.3

- **Marketers' offers posted on FEI's price depository on a monthly basis.** Access Gas requested that marketers with marketing/enrolment restrictions on their licenses should be prevented from posting prices

Amendments were made to the following articles:

Article 2 – Price and Other Terms

Article 11 – Truthful Presentation (move information)

Article 12 – Telephone, Door to Door and Internet Marketing (internet enrollments)

Article 13 – Complaints and Dispute Resolutions

Article 26 – Agreement Specifications

Article 27 – Renewal of Agreements

Article 28 – Cancellation of Agreements

Article 33 – Third Party Verification

4.4.2 Prospect for Transportation Option for Rate Schedule 4 Customers

Transportation Service (T-Service) is a service offering available only to large interruptible and firm commercial and Industrial customers with a minimum consumption of 2,000 gigajoules (GJs) per month. Although Gas Marketers, including some of those that participate in Customer Choice, operate as Shippers for this service offering, T-Service is entirely separate from the Customer Choice Program.

FEI Rate Schedule 4 customers are seasonal customers who consume gas during off-peak periods. An example of a seasonal facility that would be captured under this rate schedule is an outdoor swimming pool. Given the minimum consumption threshold of 2,000 GJs per month for T-Service, only approximately 12 FEI Rate 4 customers would be eligible. On October 22, 2012, and then again on June 11, 2013 all 'would-be-eligible' FEI Rate 4 customer were canvassed to determine the appetite for a transportation rate. Four responses in total were received, none of which expressed interest in a transportation service. For that reason, FEI does not believe a prospect exists for a transportation option for FEI Rate Schedule 4 customers due to limited market potential in general and insufficient interest in particular.

4.5 *SUMMARY*

The 2012 Customer Choice General Meeting was held on April 24, 2012, which included a Program summary presentation by FEI, followed by a general discussion on the following Agenda topics:

1. **Revised Regulatory Process** – FEI proposed scaling back the Regulatory Process to include an annual report and a General Meeting on an as-need basis

2. **Code of Conduct Revision** – Ambiguous sections of the Code of Conduct were discussed for clarification and revision (see Section 4.4.1 for revision details).

3. **Additional Bill Line Items** – Just Energy proposed additional bill line items to be allowed with the implementation of the PAYS program. The Commission suggested a working group could be convened to examine feasibility and appropriateness after PAYS was fully developed.

4. **Courtesy Drop versus Operation Drop** – drops and dispute trends for 2012 were reviewed and discussed.

5. **Marketers' Ability to Offer Variable/Short-Term Pricing** – Just Energy and Access Gas proposed the prospect of offering variable/short-term pricing options for customers. The Commission suggested that Gas Marketers submit three product offerings that would not compromise the ESM to FEI for evaluation for appropriateness and feasibility.

6. **TPV Calls** – discussions were held with respect to extending the upper limit for the completion of TPV Calls.

7. **Rate 4 Customers** – Access Gas discussed the prospect of a Transportation option for FEI Seasonal Rate Schedule 4 customers.

Decision Order A-10-12 issued July 6, 2012, approved the scaling back of the Program's regulatory process to include the submission of an Annual Report by FEI that would provide an overview of the Program and address issues raised by interested parties. A General Meeting would occur only if the Commission decided that more discussion was needed to further address the issues raised by interested parties.

Moreover, the Commission issued the Eighth Revision of the Code of Conduct and directed FEI to explore the prospect of a Transportation Rate 4 option for Seasonal customers.

Due to limited market potential and insufficient interest, FEI concludes that an opportunity does not exist for a Transportation option for seasonal FEI Rate 4 customers.

5. OTHER INTERESTED PARTIES' TOPICS

On May 14, 2013, the Commission issued Exhibit A-1, summarizing the decisions outlined in Order A-10-12 regarding the 2012 annual report proceeding and canvassed the interested parties for issues they would like FEI to address in the annual report. Below is a summary of the issues raised by the interested parties.

5.1 COMMISSION PROPOSED CHANGES

The Commission issued Exhibit A-2 on May 14, 2013, proposing changes related to finalizing the Interim Dispute Guidelines, the Dispute Process and the Rules for Gas Marketers. The Commission also invited feedback from all interested parties on the proposed changes. Three stakeholders – Just Energy (JE), Summitt Energy (SE) and the British Columbia Public Interest Advocacy Center on behalf of the British Columbia Pensioners' and Seniors' Organization *et al* (BCPSO) – responded and submitted issues of their own to be addressed in the report. Below is a summary of the proposed changes raised, stakeholder responses and FEI positions to each.

5.1.1 Interim Dispute Guidelines

Since the interim dispute guidelines were introduced on October 15, 2012, Commission staff has gathered feedback from customers and Gas Marketers and would now like to finalize the dispute guidelines with the following changes.

1. **Simplify Gas Marketer deadlines for responding to disputes**
   The Commission would like to allow Gas Marketers (GM) five calendar days to respond to both 'Urgent' and 'Normal' disputes. Currently the interim guidelines require GM to respond to 'Urgent' and 'Normal' disputes within two and five business days respectively. The Commission believes the requirement related to 'Urgent' Disputes is overly prescriptive.

2. **Simplify deadlines by using calendar days only**
   The Commission would like to use calendar days for dispute related deadline instead of business days. Currently Gas Marketer deadlines are in business days, while Customer deadlines are in calendar days. The Commission proposes to use Calendar days only.

3. **Offline accessibility**
   The Commission would like to change the requirement for GM to submit evidence to all customers, including those that do not have online access. Under the Interim Guidelines, GMs are not required to submit evidence to customers if they did not provide an email address. The Commission is concerned that customers without online access will be unable to fully benefit in the revised dispute process.

Gas Marketer's Position

Just Energy (JE) does not believe five calendar days are sufficient time to complete the required items and suggests the response time be set at eight days.

British Columbia Public Interest Advocacy Centre Position

BCPSO offered no comments on the finalization of the interim dispute guidelines

FEI Position

FEI is confident in the revised Independent Dispute Process for dispute resolution and sees no issue with allowing five or eight calendar days as opposed to two calendar days to respond to Urgent Disputes.

5.1.2 Dispute Process

The Commission is concerned about two areas of the new independent dispute process: the level of cancellation disputes raised and the dispute resolution fee. As such, the Commission is proposing the following two changes in respect to both.

1. **Applicability of Dispute Resolution Fee**

   Dispute Resolution Fee to be applicable to all disputes unless the dispute was ruled in favor of the GM: Under the interim guidelines, a dispute resolution fee would not be charged for a standard dispute if the dispute is resolved without the Commission's involvement. However, in practice, where a customer lodges a standard dispute and the Commission is involved in processing it, there are costs to the Program whether it is resolved directly with the marketer or not.

2. **Cancellations**

   Gas Marketers to ensure cancellations resulting from a standard dispute are to be effective on the Anniversary date of the agreement. It will be up to the GM to reimburse the customer for the period between the dispute resolution and the anniversary/cancellation date: The Commission is concerned with the high level of cancellations during the Interim Dispute period and re-asserts that cancellations outside the anniversary date violate the ESM; and will only be allowed for humanitarian reasons or where the commission finds the agreement invalid.

Gas Marketer's Position

Just Energy strongly disagrees with the dispute resolution fee proposal. JE does not believe it is appropriate to charge the same fee for cases that have been resolved and those that have not been resolved.

Just Energy states they do inform the customers about the anniversary rule but that customers insist to be dropped immediately and threaten media attention if not done. JE also states they are unable to calculate the reimbursement amount until after the anniversary date when they know the actual consumption.

BCPSO Position

BCPSO offered no comments on the proposed changes to the dispute process.

FEI Position

FEI agrees with Commission staff that processing disputes, whether it is a Standard Dispute or Cancellation Dispute, cannot be done without cost to the Program. Because Program fees must recuperate the cost of the Program, FEI supports the application of the Dispute Resolution Fee to all disputes as warranted.

FEI strongly supports the Commission's position to have cancellations resulting from a standard dispute be effective on the Anniversary date of the agreement; and for GM to reimburse the customer for the period between the dispute resolution and the anniversary cancellation date.

With respect to JE's concerns with customer who want immediate action, FEI believes that the customer could be satisfied so long as the Gas Marketer is clear they are reimbursing them as if they ended the contract that day but that they would continue be receiving a bill until their anniversary date.

Regarding JEs concern with not knowing how much to reimburse the customer, this could be accomplished in one of two ways: (1) The Gas Marketer could reimburse the customer monthly after they receive the billed consumption usage file; or (2) the reimbursement could be issued as a lump sum after the anniversary date. FEI has always been concerned with cancellations outside the anniversary date and feels that the proposed method upholds the rules of the Essential Service Model.

5.1.3 Rules for Gas Marketers

The Commission proposes four modifications to the Rules for Gas Marketers that was established by Order A-11-11.

1. **Amendment to License Requirement Section 6 and Section 7**

   Replace the wording in Appendix B 'Licence Requirements and Application Instructions' Sections 6 and 7 to improve clarity and understanding. The revised wording does not amend the actual requirements.

2. **Amendment to Appendix B 'License Requirements and Application Instructions' Section 7, criteria (e)**

   Revise the wording in Appendix B 'License Requirements and Application Instructions' Section 7 criteria 'e' to ensure clarity and consistency with respect to the existing ratios. A table outlining the ratio, method of calculation and target would provide greater clarity and guidance to Gas Marketers on what to measure, and how. The intended method of calculation and the targets remain unchanged.

3. Amendment to Appendix B License Application Instructions

Revise the License Application instructions in Appendix B, as outlined in the below tracked changes, to ensure the Gas Marketers understands that in order to have information submitted in an application to the Commission held confidential, the Gas Marketers must request to have sections held confidential.

4. Inclusion Required Terms for the Parental Guarantee

Include Required Terms for the Parental Guarantee, if invoked, as Appendix 0 of the Rules for Gas Marketers.

Gas Marketer's Position

Direct Energy has concerns about fulfilling some aspects of the parental guarantee and finds the changes to the wording overly prescriptive. Direct Energy requests that a degree of flexibility within the wording around parental guarantees is maintained.

Just Energy suggests minor editing of the parental guarantee section. JE submitted an edited copy of the Required Terms - Parental Guarantee section to the Commission with select sentences they wanted removed.

BCPSO Position

BCPSO offered no comments on the proposed changes to the Rules for Gas Marketers.

FEI Position

FEI has no issue with the Commission proposed amendments to the License Requirement and Application Instructions. FEI believes these amendments provide clarity with respect to roles and obligation of the signee.

5.2 SUMMITT ENERGY DISCUSSION TOPICS

5.2.1 Automated TPV Calls

Gas Marketer's Position

Summitt Energy expressed concern that consumer protection issues will likely arise with the use of automated third party verification calls, which may negatively impact the reputation of the Customer Choice Program. Firstly, as automated TPV calls are limited to asking "yes" and "no" responses, they do not give the customer the ability to have the question repeated or clarified. Secondly, the automated system does not allow for telephone numbers to be verified and cannot distinguish voices. Summitt Energy believes that this gives rise to the opportunity for salespersons to complete the TPV call themselves and may encourage unethical sales tactics and fraudulent consumer agreements since an impersonated TPV call could be completed by the sales agent without the knowledge of the customer or the Gas Marketing Company. For these reasons, Summitt Energy believes automated TPV calls should not be allowed.

FEI Position

FEI supports the use of automated TPV calls. A TPV call is a digitally recorded telephone call between the Gas Marketer and the consumer, first introduced to help mitigate subsequent contract disputes. To that end, FEI is of the opinion that it has been successful. The objective of TPV calls are to confirm that the customer understands: (1) the Consumer Agreement that they signed up for; and (2) their Cancellation rights including the timeframe they are allowed should they want to opt out of the agreement without penalty. FEI is of the opinion that automated TPV calls satisfactorily fulfill these customer communication objectives and for that reason supports the use of automated TPV calls.

With respect to Summitt Energy's concern related to impersonation, call verification and voice distinguishing, FEI believes these issues may be more related to inbound TPV calls rather than automated TPV calls. For instance, like an automated system, a live agent would not be able to determine if the voice on the phone is in fact the customer and not the salesperson. Because of this, telephone authentication would be equally unreliable, which makes inbound automated TPV calls susceptible to impersonation. Outbound TPV calls on the other hand, whether automated or live, would be dialing the customer directly based on the agreement submitted by the sales agent. This makes it far more difficult for a sales person to impersonate the customer, with the customer being contacted directly.

FEI recognizes the importance of inbound TPV calls and its effectiveness for meeting the TPV requirement in the enrollment process. For that reason FEI is not suggesting that inbound TPV calls be restricted. However, FEI is suggesting that additional consumer protection measures could be considered for inbound TPV calls. For instance, the Commission could require inbound TPV calls be made from the customer's home phone number (or the one submitted in the application) and no sooner than 24 hours after the consumer agreement is signed. This would be similar to how credit card activation is conducted where consumers receive their new credit card in the mail and must activate it by placing an inbound call to the credit card company to a live agent or automated system for secure activation. FEI believes that such a measure would reduce the Inbound TPV call's susceptibility to impersonation.

5.3 BCPSO DISCUSSION TOPICS

5.3.1 Request for General Meeting for 2013

BCPSO requested a General Meeting for 2013 to discuss key metrics such as enrollments and disputes that would inform whether a review of the Program as a whole is warranted.

FEI Position

As requested by BCPSO, below is a discussion of the key metrics of enrollment rates and dispute activity to inform whether a fulsome review of the Program is warranted. Based on the discussion below, FEI believes that a fulsome review of the Program is premature at this time. In light of strengthened consumer protective measures and stricter enforcement of the Code of Conduct, recent trends in new enrollments and dispute activity suggest that:

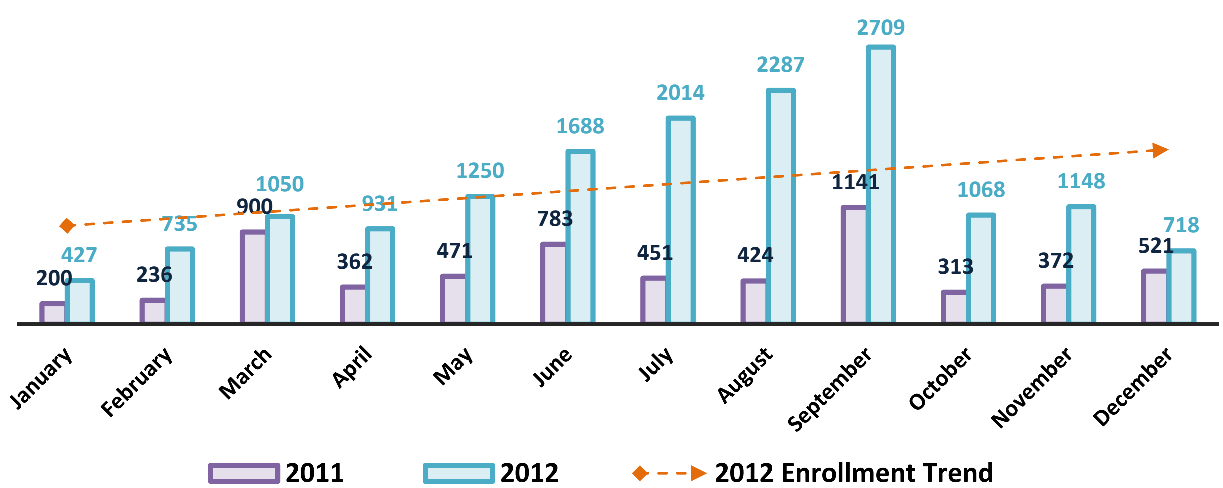
1. There appears to be a rebounding interest for Customer Choice today;
2. The Code of Conduct is seemingly being adhered to; and
3. Customers are seemingly informed in their decision to sign up for fixed rate contracts.

A major concern since the Program's inception has been with respect to consumer protection. Therefore FEI is encouraged with today's declining trend in dispute activity coupled with the increasing trend in net enrollments is encouraging, which suggests that the strengthened consumer protection measures implemented have been effective in ensuring that customer are making informed choice in this time of renewed consumer interest. While FEI remains open to a fulsome review of the Program at some point in the future, FEI believes it is premature to do so at this time.

Recent Statistics and Trends in Enrolment and Dispute Activity

Analyses of new enrollments trends indicate that a consumer interest for Customer Choice not only exists today, but is also beginning to rebound. As indicated in Section 2 of this report, new enrollments were submitted at a substantially higher rate in 2012 than in 2011, peaking during the summer months with approximately 7000 cumulative enrollments for the months of July, August and September. Figure 5-1 below illustrates the comparison of monthly gross enrolments between 2011 and 2012.

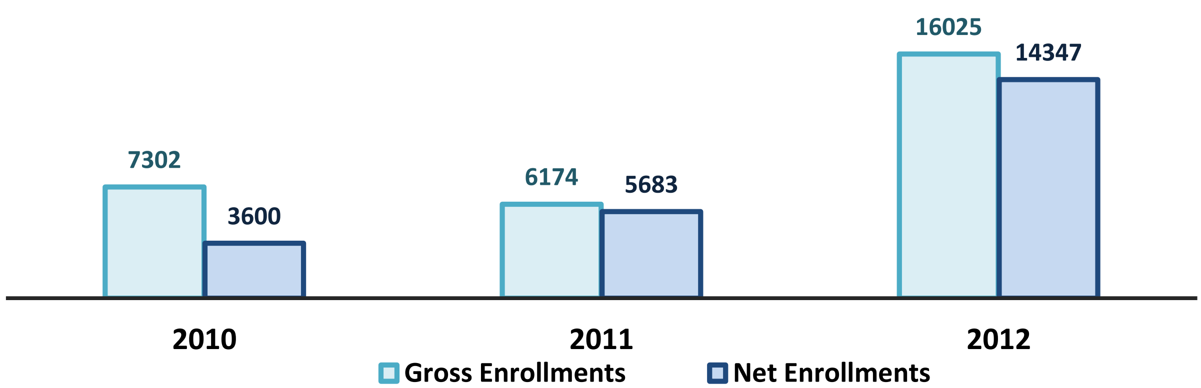
Figure 5-1: Comparison of Monthly Gross Enrollments – 2011 vs. 2012



Total gross enrollments equaled 16,025 in 2012 compared to 6174 in 2011 and on average monthly gross enrollments in 2012 exceeded those of 2011 by 183 percent. With the removal of the 'Evergreen' provision in 2011, whereby expiring contracts automatically renewed, the level of gross enrollment actually represent new contracts submitted.

Where gross enrollments provide an indication of Gas Marketer sales activity, Net Enrollments[4] provide an indication of consumer acceptance and understanding for the product that they've signed up for. Since 2010, enrollment retention rates have improved considerably. In 2010, the ratio of total net enrollments to gross enrollments was only 49 percent of total gross enrollments. However, in the following years since the strengthening of consumer protection measures and the stricter enforcement of the Code of Conduct beginning in 2011, the ratio of net enrollments to gross enrollments improved dramatically to 92 percent and 90 percent for 2011 and 2012 respectively. Figure 5-2 below illustrates the Program's net and gross enrollment comparison from 2010 to 2012.

Figure 5-2: Comparison of Yearly Enrollment Activity (2010 – 2012)



To complete the analysis, an assessment of dispute activity over the same period is required to provide an indication of customer satisfaction with their contract and/or Gas Marketer. As enrollments have increased over the past three years, the number of contract disputes has declined over the same period. There were 1467 total disputes filed in 2012 down from 2173 disputes in 2011 and 2638 disputes in 2010. This represents a 32 percent drop in dispute filings in 2012 during a time of considerable growth in both net and gross enrollments. This trend, together with the trend in gross and net enrollments, suggests that the consumer protection measures[5] implemented over the same period, along with the stricter enforcement of the Code of Conduct may have been effective in ensuring that customers understand the fixed rate

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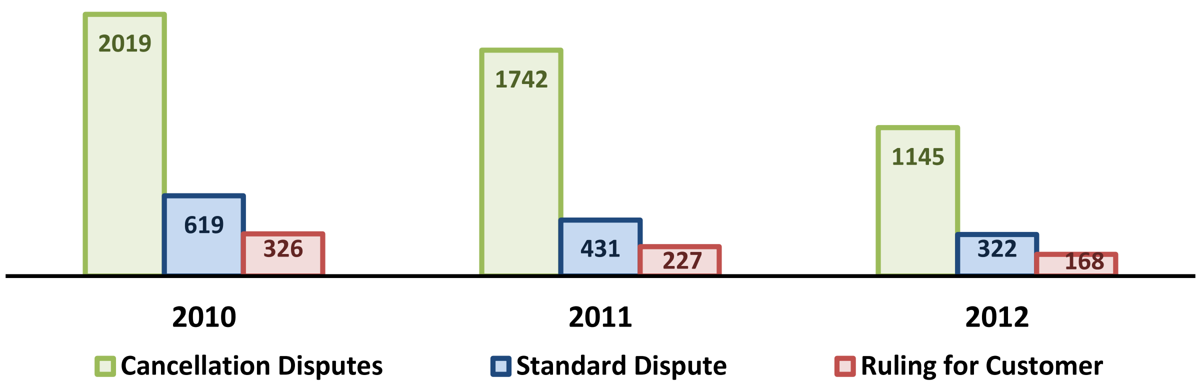
4 Net enrollments are contracts that flow with the Gas Marketer on the contract start date and are calculated as gross enrollments less any 10-day cancellations and operational correction drops.

5 Consumer Protection Measures include standardized third-party verification calls, 10-day cooling periods, the removal of the Evergreen Provision and confirmation letters sent to the account holder for all residential and commercial enrollments.

contracts they signed up for. Figure 5-3 below illustrates the trend in dispute activity from 2010 to 2012.

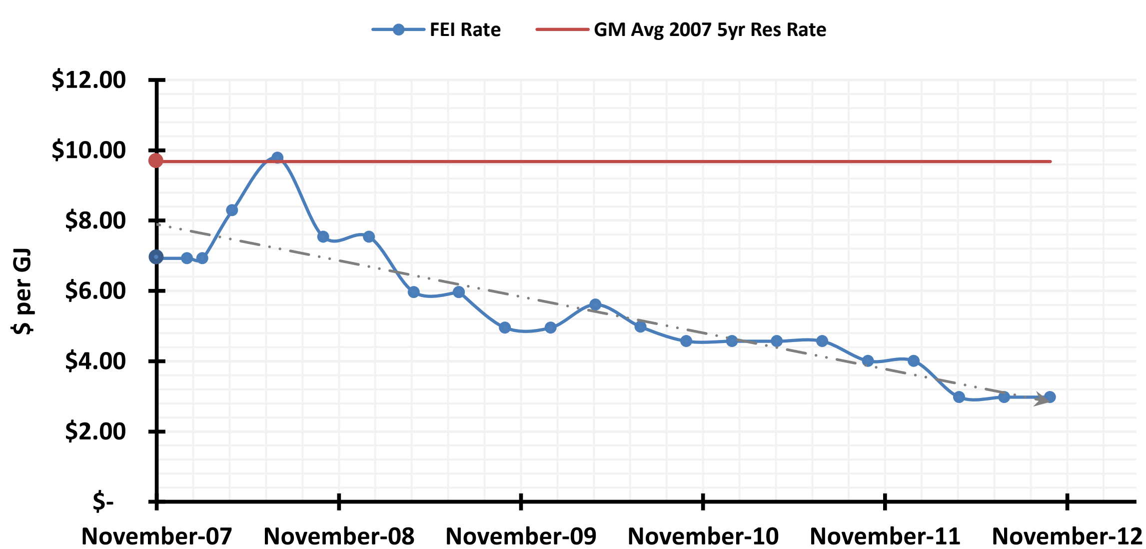
Figure 5-3: Comparison of Yearly Dispute Activity from 2010 to 2012



FEI is encouraged with the recent trends described seem to indicate that consumer interest for fixed-priced contracts is rebounding as customers are seemingly making informed choices when signing up for these contracts.

Unfortunately the Customer Choice residential Program launched shortly before natural gas experienced an unprecedented drop in commodity price, which continued through to 2012. For customers though, it was perceived that Gas Marketers were charging exorbitant premiums when actually the pitfall was largely the result of market forces. Figure 5-4 below compares FEI's variable rate at the Program's inception (the Blue Line) with the average five year fixed rate contract (the Red Line).

Figure 5-4: Comparison of 2007 Average 5 Yr Rate vs. FEI Variable Rate



At Program inception on November 1, 2007, the difference between the FEI Variable rate (the Blue Line) and the average five year fixed residential rate (the Red Line) was $2.73. As Figure 5-4 shows, by July 2008, the FEI variable rate actually surpassed the average five year fixed rate. However, the decline in commodity prices began thereafter, 'bottoming out' at $2.977 per GJ. This resulted in the significantly unfavorable difference between the fixed rate price and the variable rate.

Today's increasing trend in net and gross enrolments and decreasing trend in dispute activity is encouraging. Customers are seemingly making informed choices when signing up for these contracts during a time of renewed consumer interest. For these reasons, FEI believes a fulsome review of the Program would be premature at this time.

The discussion included above sufficiently addresses the issue brought forth by BCPSO. As such, FEI believes and this written submission is sufficient to achieve resolution of the issues in this report and therefore believes the General Meeting for 2013 is not necessary.

5.4 *SUMMARY*

The 2012 Annual Report has summarized recent Customer Choice trends and issues. A few changes to the Program and processes were suggested by Commission Staff, Gas Marketers and the BCPSO. These issues are summarized in Table 5-1 below.

Table 5-1: Summary of Issues and Positions

Issue	Position
Finalization of Interim Dispute Guidelines	
Allowing GMs 5 Calendar days to respond to both 'Urgent' and 'Normal' Disputes: Currently the interim guidelines require GM to respond to 'Urgent' and 'Normal' disputes within 2 and 5 business days respectively. The Commission believes the requirement related to 'Urgent' Disputes is overly prescriptive.	• FEI is confident in the revised Independent Dispute Process for dispute resolution and sees no issue with allowing 5 calendar days as opposed to 2 calendar days to respond to Urgent Disputes. • Just Energy does not believe 5 calendar days are sufficient time to complete the required items and suggests the response time be set at 8 days.
Use of Calendar days for Dispute related Deadline instead of Business days: Currently Gas Marketer deadlines are in business days, while Customer deadlines are in calendar days. The Commission proposes to use Calendar days only.	• FEI is amenable to changing dispute related deadlines for GM and Customers to Calendar days
Requirement for GM to submit evidence to all customers including those that do not have online access: Under the Interim Guidelines, GMs are not required to submit evidence to customers if they did not provide an email address. The Commission is concerned that customers without online access will be unable to fully benefit in the revised dispute process.	• FEI supports the Commission's proposal to require GM to submit evidence to all customers, especially those that do not have online access. In particular, FEI believes conveying the evidence via registered mail, fax or courier is the preferred method of contact. This will ensure procedural fairness to all customers.

Issue	Position
	• Just Energy is concerned with the cost associated with this requirement and resources required. JE suggests that BCUC provide the evidence to the customer if requested.
Dispute Process	
Dispute Resolution Fee to be applicable to all disputes unless the dispute was ruled in favor of the GM: Under the interim guidelines, a dispute resolution fee would not be charged for a standard dispute if the dispute is resolved without the Commission's involvement. However, in practice, where a customer lodges a standard dispute, the Commission finds the involvement in processing it, whether resolved directly with the marketer or not, cannot be done without cost to the Program.	• FEI agrees with Commission staff that processing disputes, whether it is a Standard Dispute or Cancellation Dispute, cannot be done without cost to the Program. Because Program fees must recuperate the cost of the Program, FEI supports the application of the Dispute Resolution Fee to all disputes as warranted • Just Energy strongly disagrees with this proposal. JE does not believe it is appropriate to charge the same fee for cases that have been resolved and those that have not been resolved.
GM to ensure Cancellations resulting from a standard dispute is to be effective on the Anniversary date of the agreement. It will be up to the GM to reimburse the customer for the period between the dispute resolution and the anniversary/cancellation date: The Commission is concerned with the high level of cancellation during the Interim Dispute period and re-asserts that cancellations outside the anniversary date violate the ESM; and will only be allowed for humanitarian reasons and where the commission finds the agreement invalid.	• FEI strongly supports the Commission's position to have cancellations resulting from a standard dispute be effective on the Anniversary date of the agreement; and for GM to reimburse the customer for the period between the dispute resolution and the anniversary cancellation date. FEI has always been concerned with cancellations outside the anniversary date and feels that the proposed method upholds the rules of the Essential Service Model. • Just Energy states they do inform the customers about the anniversary rule but that customers insist to be dropped immediately and threaten media attention if not done. JE also states they are unable to calculate the reimbursement amount until after the anniversary date when they know the actual consumption.
Rules for Gas Marketers	
Amendment to License Requirement Section 6 and Section 7: Changes to enhance clarity	• FEI has no issue with the Commission proposed amendments to the License Requirement and Application Instructions. FEI believes these amendments provide clarity with respect to roles and obligation of the signee.
Amendment to Appendix B 'License Requirements and Application Instructions' Section 7, criteria (e): inclusion of a table outlining ratios, the method of calculation and target to provide clarity and guidance to GM on what to measure and how	• FEI has no issue with the Commission proposed amendments to the License Requirement and Application Instructions. FEI believes these amendments provide clarity with respect to roles and obligation of the signee.

Issue	Position
Amendment to Appendix B License Application Instructions: to ensure GM understand that in order to have information in an application held confidential, they identify the relevant section and provide an explanation for the confidentiality request.	• FEI has no issue with the Commission proposed amendments to the License Requirement and Application Instructions. FEI believes these amendments provide clarity with respect to roles and obligation of the signee.
Inclusion Required Terms for the Parental Guarantee: Comprehensively sets out the legal obligations of the GM Guarantor in the Rules for Gas Marketers where none existed before	• Direct Energy has concerns about fulfilling some aspects of the parental guarantee and finds the changes to the wording overly prescriptive. Direct Energy requests that a degree of flexibility within the wording around parental guarantees is maintained. • Just Energy suggests minor editing of the parental guarantee section.
Automated TPV Calls Accepted method of Third Party Verification	• Summitt Energy is concerned about consumer protection issues arising from the use of automated TPV calls. SE believes consumers are exposed to risks due to the nature of the call that allows only yes and no answers. The consumer cannot express concerns or ask questions. As well, the probability of voice impersonations is high as the salespersons may take advantage of the limitations of an automated call. • FEI believes the problem lies not with automated TPV calls but rather inbound TPV calls. FEI suggests that the Commission could require additional consumer protection measures be added for inbound TPV calls similar to those protection measures related to telephone credit card activations.
2013 Annual General Meeting BCPSO requests a General Meeting to discuss enrollments and disputes metrics to inform whether a fulsome review of the Program is warranted.	• FEI believes the discussion included in the Annual Report sufficiently addresses the issue. Analyses of recent trends demonstrate a renewed consumer interest in Customer Choice in a time when customers are seemingly making informed decision over their gas supply options. As such FEI believes that a fulsome review of the Program is not warranted at this time. Further, FEI believes this written submission is sufficient to achieve resolution of the issues in this report.

While FEI remains open to a fulsome review of the Program at some point in the future, the Company believes it may be premature to do so at this time. As such, FEI will continue to evaluate Customer Choice performance closely.

6. CONCLUSION

Commission Decision Order A-10-12 scaled back the Customer Choice Regulatory Process for 2013 to include an annual report submitted by FEI that reported on Program Statistics and addressed issues raised by Interested Stakeholders. The need for a General Meeting was to be determined by the Commission after review of the report. This filing is FEI's first annual report under the revised regulatory process.

In 2012, the redesigned dispute resolution process was implemented. Commission Decision Order A-9-11 directed FEI to assist the Commission in revising and implementing a dispute resolution process that better exacted the principles of procedural fairness. Today customers are able to lodge a dispute over the internet, by phone or by mail. More importantly, customers now have the ability to review and rebut evidence submitted against them by Gas Marketers.

Over the years the Customer Choice Program has matured and stabilized. This is reflected by improving program statistics and stable operating costs evident since 2010. An unfavourable variance in 2012 was the result of factors beyond the Program's control. In particular, BCUC administration costs were higher than typical and the Commission-directed a re-design and implementation of the Independent Dispute Process.

Upon the five-year anniversary of the Residential Program for Customer Choice, which occurred in 2012, approximately 46 thousand customers returned to FEI for their natural gas supply. While the drop in Program participation rates was significant, rising enrolment levels seem to indicate that there is a rebounding interest in the Program. Moreover, reduced dispute activity suggests that customers are better informed about their decision to sign up for fixed rate contracts. On average, monthly gross enrollments in 2012 exceeded those of 2011 by 183 percent, with net enrollments representing 90 percent of gross enrollments. During this time of considerable growth in net enrollments, contract disputes dropped 32 percent in 2012 from 2011. These statistics and trends suggest that (1) consumer interest for fixed rate contracts is rebounding; (2) that customers are seemingly making informed choices when signing up for these contracts; and (3) that improved processes help ensure consistent adherence to the Code of Conduct. While FEI remains open to a fulsome review of the Program at some point in the future, FEI believes it is premature to do so at this time. As such, FEI will continue to evaluate Customer Choice performance closely.

Attachment 2.1

FILED CONFIDENTIALLY