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February 28, 2014

**Via Email**  
**Original via Mail**

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

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: FortisBC Energy Inc. (FEI)**  
**2013 Customer Choice Annual General Meeting – Customer Choice Program**  
**Statistics – British Columbia Utilities Commission (the Commission) Order A-2-**  
**14 Compliance Filing**

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On February 3, 2014, the Commission issued Order A-2-14, setting the Preliminary Hearing Timetable for the 2013 Customer Choice Sixth Annual General Meeting.

In accordance with Order A-2-14, Directive no. 2, FEI hereby attaches the Customer Choice Program Statistics for the life of the program.

If further information is required, please contact Howard Mak, Customer Programs Manager at (778) 571-3273 or [howard.mak@fortisbc.com](mailto:howard.mak@fortisbc.com).

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed by: Ilva Bevacqua***

**For:** Diane Roy

Attachment

cc (email only): Registered Parties

## 1. PROGRAM OVERVIEW & STATISTICS

This section provides an overview of the Customer Choice Program in 2013 and is organized as follows:

- **Section 1.1** describes the Program participation and statistics of both Gas Marketers and customers and includes a year to year comparison of customer participation from 2007 to 2013
- **Section 1.2** provides an overview of Gas Marketer sales activity and statistics in 2013 and includes both a month-to-month comparison of enrolment activity between 2012 and 2013 and a year to year comparison of total enrolments from 2007 to 2013
- **Section 1.3** reviews the monthly dispute activity and statistics in 2013 for cancellation and standard disputes as well as a yearly dispute activity comparison from 2007 to 2013.
- **Section 1.4** provides an overview of the Customer Education Plan undertaken in 2013, including a description of its individual components and the overall communication strategy
- **Section 1.5** reviews the system enhancements and discusses system related issues in 2013.
- **Section 1.6** reviews the receipt point allocation changes in 2013
- **Section 1.7** reviews the 2013 Program expenditures, Recoveries and Fee structures
- **Section 1.8** provides a summary of the section

### 1.1 PROGRAM PARTICIPATION STATISTICS

#### 1.1.1 Gas Marketer Participation

In 2013, three Gas Marketers – MX Energy, Connect Energy and Firefly Energy – left the Customer Choice program, leaving 10 licensed Gas Marketers by year-end. Six Gas Marketers were actively enrolling customers in 2013, offering fixed contracts to both FEI Rate Schedule 1 residential and FEI Rate Schedule 2 and 3 commercial customers. One Gas Marketer offered fixed contracts to only commercial FEI Rate Schedule 2 and 3 customers. Table 1-1 below lists the Gas Marketers operating in BC, their sales activity status and their rate class served in 2013. 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 1-1: List of Gas Marketers**

Gas Marketer		Status
<b>Residential and Commercial Gas Marketers</b>		
1	Access Gas Services Inc.	Owns Planet Energy contracts
2	Active Renewable Marketing Ltd	Purchased by Access Gas December 1, 2013
3	Direct Energy Marketing Ltd	Combined DEBS and DEML in April 2010
4	Firefly Energy	Owned by AG Energy. Licences terminated October 2013
5	Just Energy (formerly Energy Savings BC)	Changed name to Just Energy in 2009
6	MX Energy (Canada) Ltd	Licence terminated April 2013
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.	
<b>Commercial Only Gas Marketers</b>		
1	Bluestream Energy	
2	Connect Energy	Licence terminated July 2013
3	Premstar Energy – ECNG	Owned by Alta Gas.
<b>Past Gas Marketers</b>		
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 2013, there were 360 open marketer groups available for customer contract enrolments. The most common contract term signed during 2013 was for a five year contract, accounting for 68 percent of total enrolments. The price range for a five year contract term was a low of \$3.89/GJ to a high of \$7.49/ GJ, with a weighted average price of \$6.79 per GJ. Approximately 13,000 enrolments, representing 93 percent of contracts signed in 2013, were in the \$4/GJ to \$8/GJ range. Figure 3-1 below illustrates the fixed contract statistics for 2013.

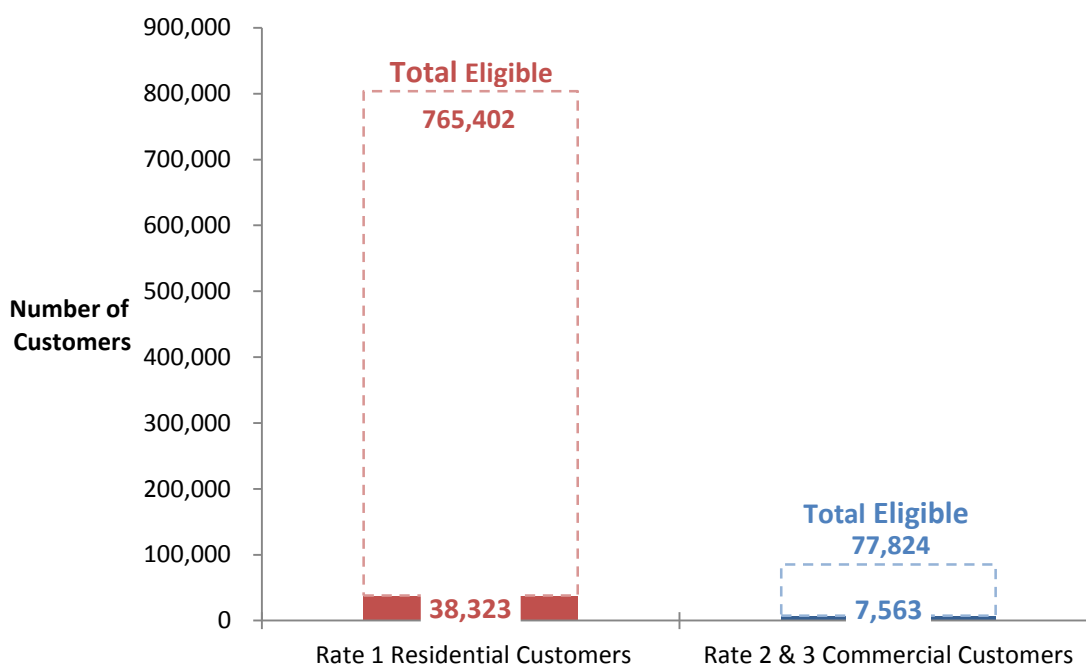
**Figure 1-1: Fixed Contract Statistics in 2013**

Open Price Points	Percentage of Total Enrollments per Term	Price Range per Enrollment Term	Number of Enrollments by Contract Price Range	Weighted Average Price by Term
<ul style="list-style-type: none"> <li>• 360</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Year - 11.6%</li> <li>• 2 Year - 0.8%</li> <li>• 3 Year - 16.3%</li> <li>• 4 Year - 3.4%</li> <li>• 5 Year - 68%</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Year - \$3.39 to \$9.99</li> <li>• 2 Year - \$3.86 to \$9.99</li> <li>• 3 Year - \$3.86 to \$6.89</li> <li>• 4 Year - \$4.14 to \$7.39</li> <li>• 5 Year - \$3.89 to \$7.49</li> </ul>	<ul style="list-style-type: none"> <li>• Under \$4: 937 (6.5%)</li> <li>• \$4-\$6: 4490 (31%)</li> <li>• \$6-\$8: 8919 (62%)</li> <li>• \$8-\$10 - 13 (0.1%)</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Year - \$4.34</li> <li>• 2 Year - \$4.74</li> <li>• 3 Year - \$5.03</li> <li>• 4 Year - \$6.59</li> <li>• 5 Year - \$6.79</li> </ul>

### 1.1.2 Customer Participation

Figure 1-2 below illustrates the residential and commercial Customer Choice participation rate for 2013.

**Figure 1-2: 2013 Residential and Commercial Customer Participation**



As of December 31, 2013 there were approximately 843,000 FEI Rate Schedules 1, 2 and 3 customers eligible for the Customer Choice Program. As Figure 1-3 illustrates, there were approximately 765,000 eligible residential customers and approximately 78,000 eligible commercial customers for the Customer Choice Program.

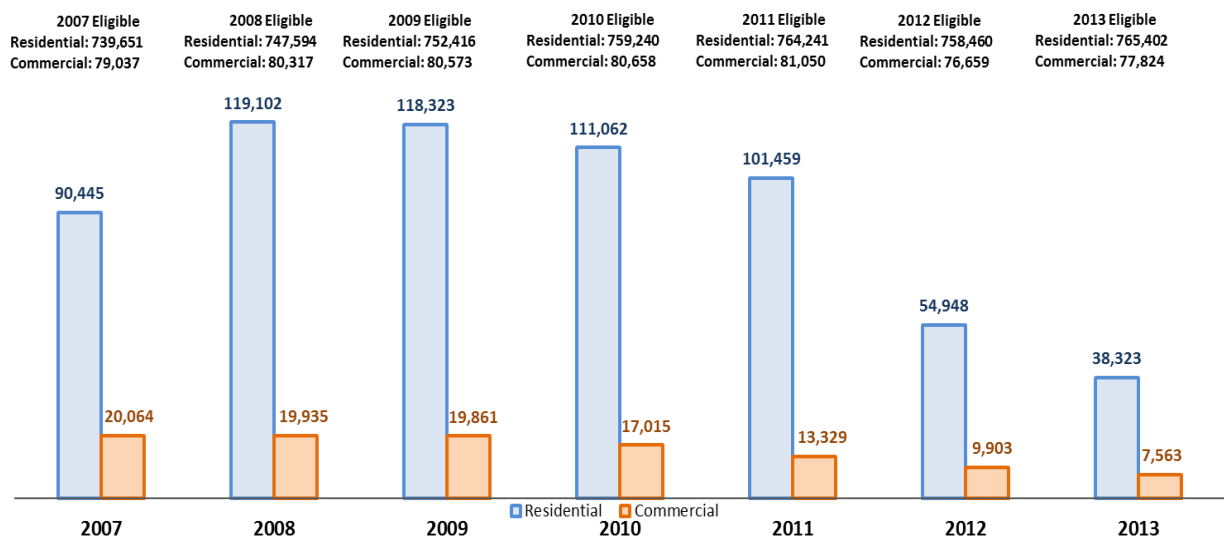
Of the approximate 765,000 eligible residential customers, about 38,000 billed customers were enrolled in Customer Choice. This represents approximately 5 percent of the total customer base of eligible residential customers participating in Customer Choice. This is down from 7

percent of the total customer base of eligible residential customers participating in Customer Choice in 2012.

Of the approximate 78,000 eligible commercial customers, about 7,500 customers were enrolled in Customer Choice. This represents approximately 10 percent of the total customer base of eligible commercial customers participating in Customer Choice. This is down from 13 percent of the total customer base of eligible commercial customers participating in Customer Choice in 2012.

Figure 1-3 below illustrates the year-to-year comparison of both residential and commercial Customer Choice participation from program inception in 2007 to 2013.

**Figure 1-3: Yearly Comparison of Customer Choice Participation (2007 to 2013)**



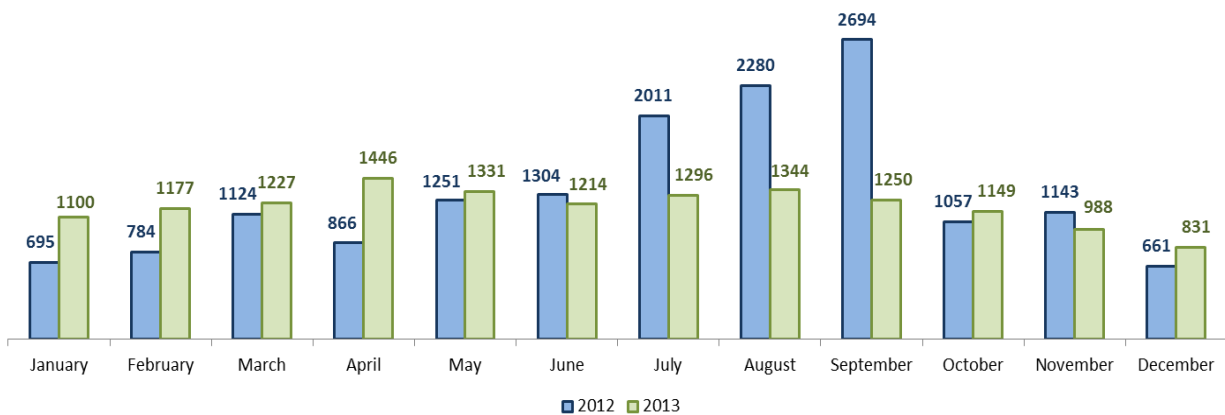
As Figure 1-3 indicates, Customer Choice participation levels have declined since 2009. Participation rates for residential customers declined by 30 percent in 2013 from 2012. This can largely be attributed to the expiration of the 5-year contracts signed in 2008 when Customer Choice was in its second year. Commercial customers declined by 24 percent over the same period. Other factors attributing to the decline include, but are not limited to, historically low natural gas prices, customer account closures, decrease in contract renewals, and dispute cancellation drops.

## 1.2 ENROLMENT STATISTICS

Although total customer participation declined in 2013 for the Customer Choice Program, enrollment activity remained steady. New enrollments were submitted at an average rate of 1,200 enrollments per month. 2013 showed a fairly steady rate of monthly enrollments, peaking in April with 1,446 enrollments submitted. Total gross enrollments totalled over 14,000 in 2013. This is down from approximately 15,000 enrollments in 2012.

1 Figure 1-4 below illustrates the comparison of monthly gross enrollments between 2012 and  
2 2013.

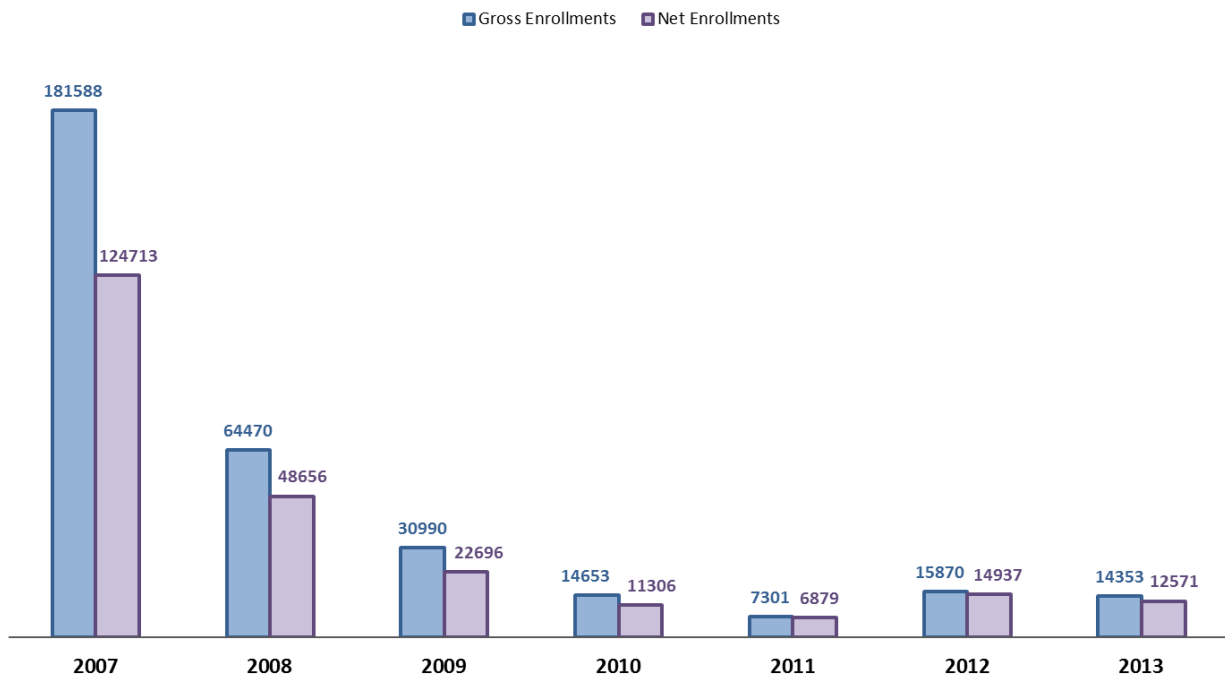
3 **Figure 1-4: Comparison of Monthly Gross Enrollments – 2012 vs. 2013**



4  
5  
6 Figure 1-5 below illustrates the enrollment retention rate over the past seven years from 2007 to  
7 2013. The figure compares gross enrollments to net enrollments. Net enrollments are contracts  
8 that flow with the Gas Marketer on the contract start date and are calculated as gross  
9 enrollments less any 10-day cancellations and operational correction drops<sup>1</sup>.

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<sup>1</sup> 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.

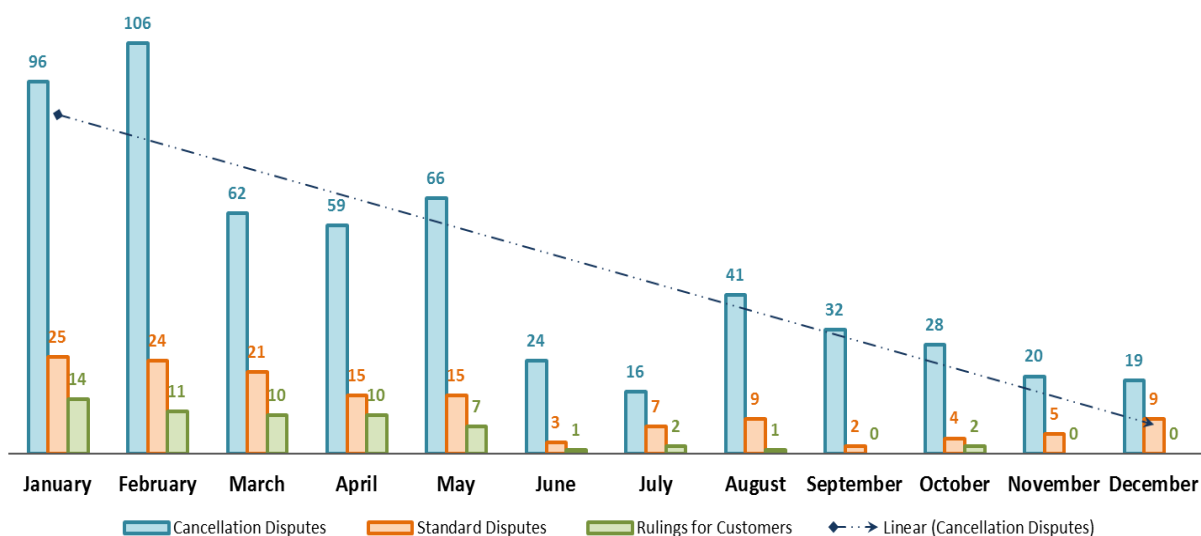
**Figure 1-5: Comparison of Yearly Enrollment Activity (2007 – 2013)**

As Figure 1-5 indicates, the ratio of net enrollments to gross enrollments has improved steadily over the life of the Customer Choice Program. This improvement can be linked to the introduction of consolidated business rules for residential and commercial customers in 2011. 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, seem to have been effective in ensuring that customers understand the fixed rate contracts they signed up for. In 2013, the ratio of net enrollments to gross enrollments was 88 percent.

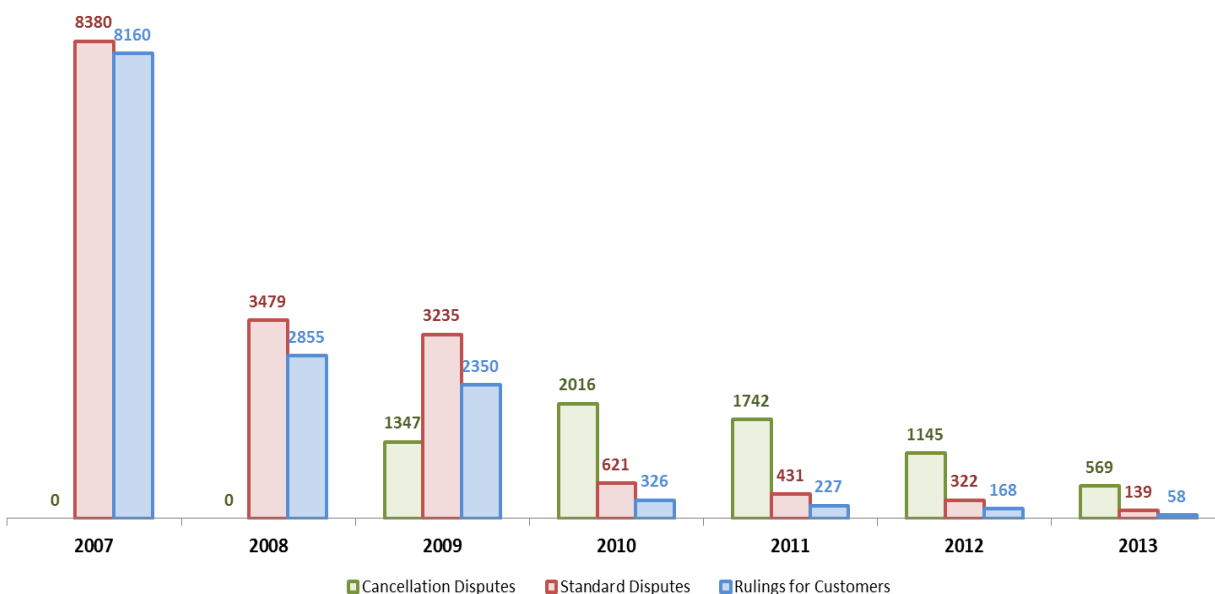
### 1.3 DISPUTE STATISTICS

As customer retention rates have improved over the life of the Customer Choice Program, the number of contract disputes has steadily declined since 2007 and particularly in 2013. There were 708 total disputes filed in 2013 down from 1,467 disputes in 2012. This represents a 52 percent drop in dispute filings in 2013. Figure 1-6 illustrates the monthly dispute statistics for 2013. Figure 2-7 provides a yearly comparison of dispute activity from 2007 to 2013.

**Figure 1-6: 2013 Monthly Dispute Statistics**



**Figure 1-7: Comparison of Yearly Dispute Activity from 2007 to 2013**



1 Cancellation disputes are disputes raised by Gas Marketers who have agreed to release a  
2 customer from their contract outside of their contract anniversary date. These disputes  
3 contravene the Essential Service Model (ESM) and likely result in additional Midstream Costs,  
4 which are recovered by all customers including those not participating in the Program. In 2013,  
5 cancellation disputes were down approximately 50 percent to 569 cancellations submitted from  
6 1,145 cancellations submitted in 2012. While the declining rate in Cancellation Disputes since  
7 2010 seems promising, FEI continues to emphasize that Cancellation Disputes must be used  
8 sparingly and restricted to compassionate reasons only, as determined by the Commission.

9 Standard disputes are disputes raised by the customer against their Gas Marketer in dispute of  
10 their contract's validity. These disputes require Gas Marketers to defend against the customer's  
11 claim that their contract is invalid, and are finalized with a BCUC ruling in favor of either the Gas  
12 Marketer or the Customer. Standard disputes have also declined steadily each year of the  
13 program. In 2013, standard disputes were down 57 percent to 139 disputes logged from 322  
14 disputes logged in 2012. Seemingly, the removal of the 'Evergreen' provision in October 2011  
15 and the introduction of consolidated business rules have been effective in ensuring that  
16 customers understand the fixed rate contracts they enter in.

17 BCUC rulings in favor of the customer over the same period have remained relatively constant.  
18 In 2013, 42 percent of standard disputes raised were ruled in favor of the customer.

#### 19 **1.4 2013 CUSTOMER EDUCATION PLAN**

20 The Customer Education Plan and budget for 2013 has remained constant for the last two  
21 years. With a budget of \$300,000, the Customer Education objectives were to:

- 22 • Increase Customer Choice name awareness
- 23 • Increase customer protection via education
- 24 • Direct traffic to Customer Choice website
- 25 • Maintain neutrality

26 These Objectives were executed via radio spots, rate comparison newspaper ads, bill inserts,  
27 and bill messaging. A brief description of each is described below.

#### 28 **Radio Spots**

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

32 The same radio ads were used in 2012 and 2013, and ran for four alternating weeks in July and  
33 August. This timing was chosen to aid Gas Marketer sales effort.

#### 34 **Rate Comparison Ads**

35 The Customer Choice Rate Comparison print ads were redesigned in 2012 in an effort to  
36 increase Customer Choice Program awareness and to provide consumer information. The same

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rate comparison ads were used in 2013. The ads were run in local newspapers across British Columbia in seven monthly periods from March to November 2013.

### **Bill Inserts**

The Customer Choice bill insert was redesigned in 2012. The purpose of the bill insert is to enhance consumer protection so consumers can make informed choices regarding the Customer Choice Program. The same bill insert was distributed to customers in the eligible Customer Choice areas in April 2013.

### **Standard Information Booklet**

The Standard Information Booklet was re-translated into Punjabi and Chinese to reflect the new Independent Dispute Process and the option for customers to log disputes online. The translated versions of the booklet were published on the FEI website.

## **1.5 SYSTEM ENHANCEMENTS**

There were no system enhancements provisioned in 2013. The focus for 2013 was to fix issues that had arisen since 2012 when the new SAP Customer Information System was implemented. The majority of these issues were behind the scenes process and logic fixes.

### **1.5.1 System Related Issues in 2013**

In 2013, FortisBC Customer Choice administration continued to meet 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 major issues that arose in 2013.

#### **1.5.2 End of Contract Expire Drops Not Processed**

In 2013, there was a technical issue preventing some of the contract expiries from being extracted out of our billing system and sent to Gas Marketer's inboxes at the beginning of each month. The issue was resolved in November and all outstanding contract expiries (code 2320) were sent to update Gas Marketer records. This was for record keeping purposes only as customer billing was not affected by this issue.

#### **1.5.3 Internet Explorer Version 10 and 11**

The latest versions of Windows Internet Explorer (IE) 10 and 11 are not currently compatible with the Customer Choice enrolment and gas nomination system: Gateway for Energy Marketer (GEM). Using an untested version of IE without setting the compatibility mode causes user interface issues with the webpage rendering, as well as issues with logging a dispute properly. In particular, it is possible to bypass mandatory fields and submit disputes with blank information fields as well as submit duplicate disputes without any pop-up blockers. Further testing and development changes are required for GEM to continue to work properly with future versions of Internet Explorer. A fix for this issue is anticipated in 2014.

## 1 Figure 1-8: Example of GEM Appearance in IE 11.0 with Footer Moved to the Middle of the Page


FVAPPD17 - GEM QA2 - BCUC

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News Distribution Summary



**Welcome**

Thank you for participating in the CUSTOMER CHOICE program. If you have any questions or would like to provide feedback, please contact us. Contact information can be found by clicking on the "Contact Us" link located on the upper right side of this page.

**NOTE: This application is configured for use with Internet Explorer only. Do not use other browsers as they may cause data and system issues.**

**Receipt Points, Receipt Point Allocation percentages, and Fuel Rates**

The current Receipt Points, Receipt Point Allocation percentages, and applicable Fuel Rates are set out in the following table:

Receipt Point	Allocation %	Fuel Rate
Huntingdon Pool	0%	0%
Compressor Station 2	75%	3.1%
RECUC	25%	1%

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**Receipt Point Delivery Requirement**

The Total Delivery Requirement is allocated to the applicable Receipt Points on the basis of allocation percentages that are determined annually, effective each November 1st. The Receipt Point allocation percentages are the same allocation percentages as the market hub allocations approved by the BCUC in the FortisBC Annual Contract Plan.

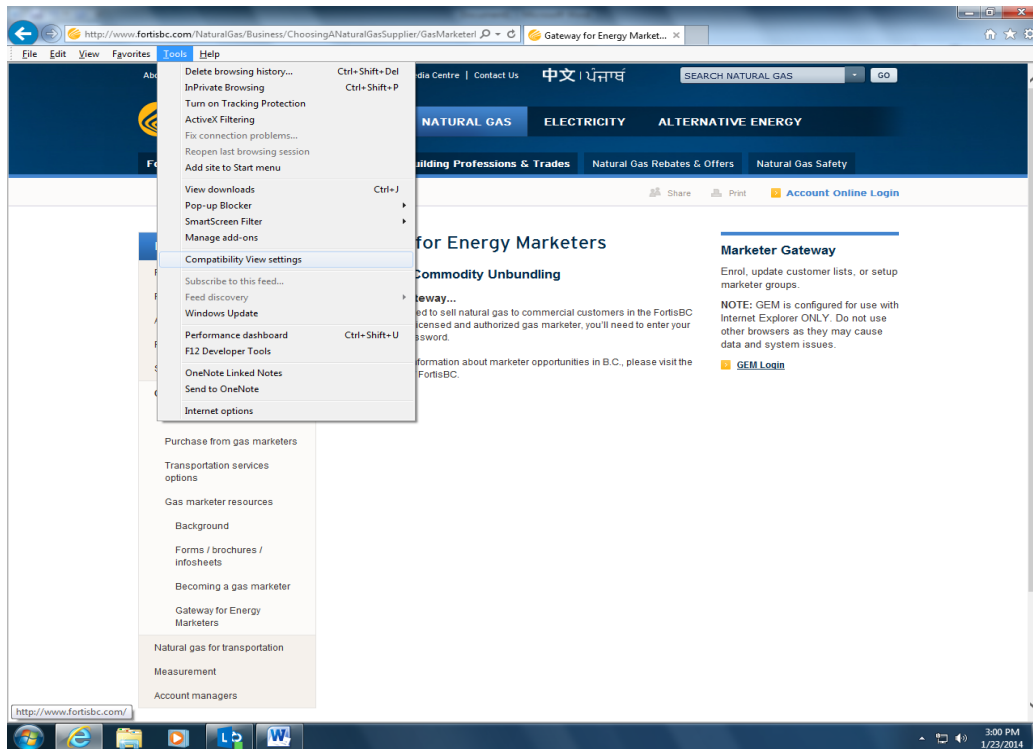
Receipt Point Allocation Percentages generally remain unchanged until the next November 1st and apply to any revisions to the Total Delivery Requirements that come into effect during the year. FortisBC will communicate any changes to these Receipt Point Allocation Percentages to gas marketers at least 30 days in advance of each November 1st.

FortisBC reserves the right to change the Receipt Point Allocation Percentages effective an Entry Date other than November 1st in the event the BCUC approves a change to the Annual Contract Plan. This plan is the basis for the Receipt Point Allocation Percentages and could alter the market hub allocation percentages. FortisBC will provide gas marketers with notice of such changes at least 30 days in advance of the subject Entry Date.

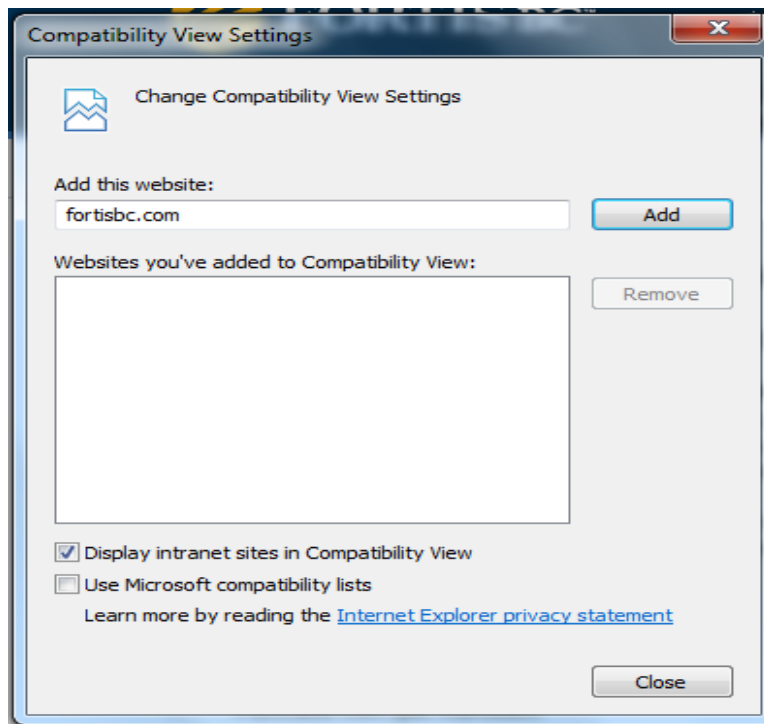
The Receipt Point delivery requirement ("Receipt Point Delivery Requirement") is determined by multiplying the Total Delivery Requirement by the applicable Receipt Point Allocation Percentage. The Receipt Point Delivery Requirement is the Firm delivery requirement for the purchase of natural gas by FortisBC from a gas marketer at each applicable Receipt Point for each day during the applicable Delivery Period.

## 2

**Figure 1-9: Setting Compatibility View to Correct Issues with IE 10 and 11**



**Figure 1-10: Ensure the Checkbox is checked to Display in Compatibility View**



#### 1.5.4 Future Dated Contracts Not Porting

In 2013 it was identified that future dated contracts were not automatically porting to a new Point of Delivery (POD) when a customer moved. The technical support team created a fix for this issue that will be implemented in first quarter 2014. In the meantime, a query was created to search for all contracts that have a 2310 account finalization code, prior to the contract start date, and no corresponding 1310 port to the new POD. These contracts have been manually ported to their new POD.

### 1.6 RECEIPT POINT ALLOCATION CHANGE 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. The primary reason for reducing the Huntingdon Pool allocation and increasing the Station 2 and AECO/NIT allocations was 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. The proposed changes were accepted by the Commission and On November 1, 2013, the allocations for Huntingdon Pool, Compressor Station 2 and AECO/NIT supply were changed to the following:

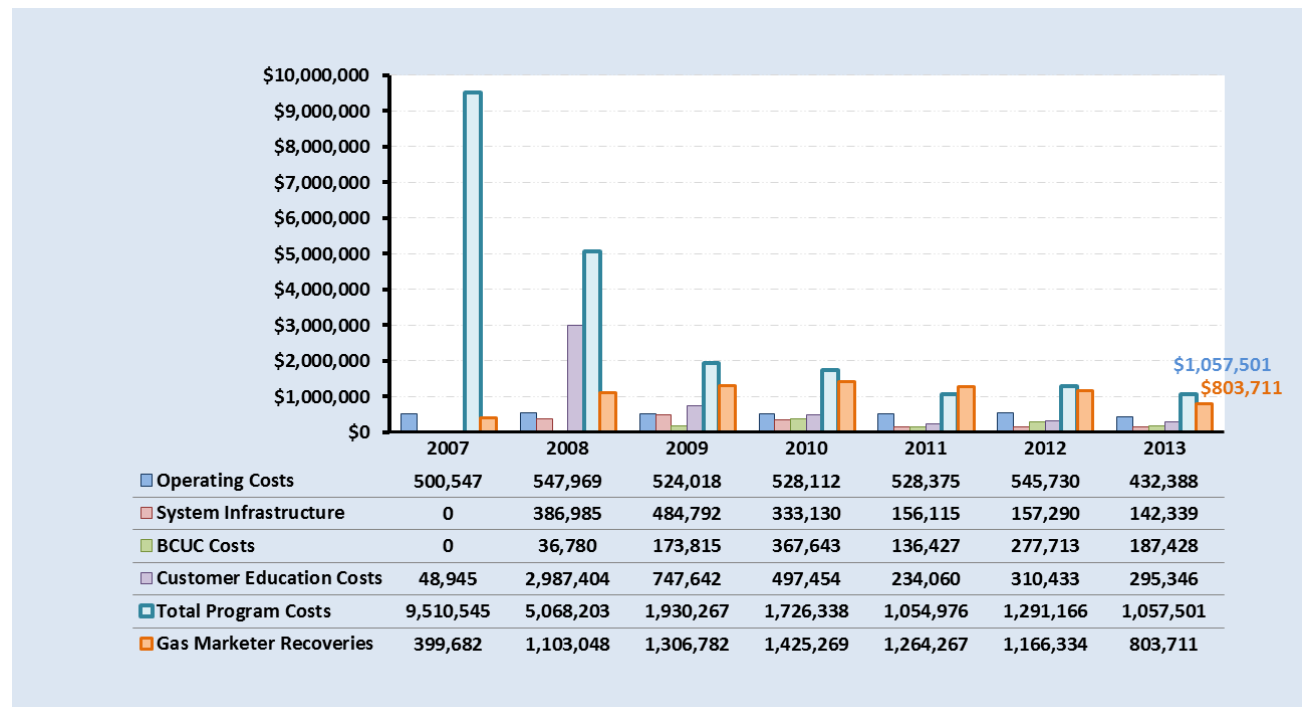
**Table 1-2: 2013 Receipt Point Allocation Changes**

Receipt Points	Old Allocation Percentage	New Allocation Percentage
Huntingdon Pool	15%	0%
Compressor Station 2	70%	75%
AECO/NIT	15%	25%

### 1.7 2013 PROGRAM EXPENDITURES, RECOVERIES AND FEE STRUCTURE

The Customer Choice Program has matured and stabilized since program inception in 2007 and total program costs reflect a more stream-lined program each year. Overall, Program expenditures and Program recoveries decreased in 2013. Figure 1-11 below illustrates Customer Choice Program costs from 2007 to 2013.

**Figure 1-11: Customer Choice Program Costs and Recoveries - 2007 to 2013**



### Operating Costs

Customer Choice Program Operating Costs are down 21 percent in 2013 to \$432 thousand from \$545 thousand in 2012.

### System Infrastructure Support Costs

System infrastructure support costs are down 10 percent in 2013 to approximately \$142 thousand from approximately \$157 thousand in 2012.

### British Columbia Utilities Commission Costs

BCUC expenditures charged to the Program decreased by 33 percent in 2013 to approximately \$187 thousand from approximately \$277 thousand in 2012.

### Customer Education Costs

The Customer Education Plan and budget for 2013 remained unchanged from 2012. In 2013, Customer Education expenditures were underspent by approximately \$5 thousand dollars.

### Total Program Costs

In 2013, total program costs equalled approximately \$1.05 million compared to \$1.29 million in 2012. Total program costs decreased in 2013 by 18 percent which can be attributed to the decrease in operating costs and BCUC charges for the year.

## Gas Marketer Recoveries

Gas Marketer recoveries are down by 31 percent in 2013 to \$800 thousand from \$1.16 million in 2012. This decrease can be attributed directly to the decrease in customer participation and the closing of excess marketer price groups.

## Program Fee and Fee Structure

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

**Table 1-3: Customer Choice Table of Charges**

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

As Gas Marketer recoveries continue to decline each year while Program Costs have remained relatively stable over the same period, FEI must ensure that Program costs are recuperated by Program Fees. FEI will continue to monitor recovery levels in relation to program costs and may propose the prospect of program fee changes for 2015 at the 2013 Annual General Meeting.

## 1.8 SUMMARY

Customer Choice participation experienced a continued decline in 2013 as original 5 year contracts signed in 2008 expired. As of December 31, 2013, residential billed customers enrolled in Customer Choice accounted for 5 percent of FEI's total Rate 1 customers, while commercial billed customers enrolled in Customer Choice accounted for 10 percent of eligible Rate Schedule 2 and 3 customers.

Enrollment activity remained steady throughout 2013, averaging 1200 new enrollments each month. Since the introduction of the consolidated business rules that provide better consumer protection after contract signing, customer retention rates have improved. Retention rates for 2013 were at 88 percent of gross enrollments netting 12,571 new contracts for the year.

1 There was a significant drop in dispute filings in 2013. Dispute filings were down by 52 percent  
2 from 2012. There were 139 standard disputes filed in 2013 which represented only 20 percent  
3 of total disputes filed. Standard disputes are filed when the customer and Gas Marketer cannot  
4 come to terms and the Commission is required to make a decision on the contract validity.  
5 BCUC ruled in favor of the customer in 42 percent of the standard dispute cases in 2013.  
6 Moreover, there were 569 Cancellation disputes filed by Gas Marketers where the Gas Marketer  
7 and the customer have agreed to cancel the contract early and no adjudication by the  
8 Commission is required.

9 The Customer Education Plan objectives have remained the same for the last three years. The  
10 objectives were to increase Customer Choice name awareness, increase customer protection  
11 through education, direct customers to the website and maintain neutrality. The \$300 thousand  
12 budget was used in 2013 to deliver these objectives through radio ads, rate comparison ads and  
13 a bill insert. As well, the standard information booklet was re-translated into Punjabi and  
14 Chinese and published on the FEI website.

15 There were no system enhancements to GEM in 2013. Instead the focus was on addressing  
16 system issues that arose from the 2012 SAP Customer Information System implementation.

17 The Customer Choice program annual expenditures decreased in 2013 by 18 percent with cost  
18 savings realized in operating costs, system maintenance costs and BCUC costs. By contrast,  
19 Gas Marketer recoveries also decreased by 31 percent in 2013 due to the decrease in program  
20 participation and the closing of marketer price groups.

21