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April 14, 2016

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

Attention: Ms. Laurel Ross, Acting Commission Secretary and Director

Dear Ms. Ross:

Re: FortisBC Energy Inc. (FEI)

Customer Choice Program Cost Recovery Application (the Application)

Pursuant to British Columbia Utilities Commission (the Commission) Directive 1 of Order A-12-15, and Order A-1-16 extending the deadline for the filing date, FEI files the attached Application for the Customer Choice Program Cost Recovery.

Request for Confidentiality

FEI requests that the Commission hold the following Sections of the Application confidential:

1) Section 5.6: Evaluation of the Cost Recover Options Considered; and,
2) Appendix D: Cost Recovery Options by Marketer.

The listed sections should be kept confidential on the basis that they contain sensitive market share information where if disclosed, the competitive position of each Gas Marketer participating in Customer Choice would be known.

In accordance with the Commission's Rules of Practice and Procedure established in Order G-1-16, FEI has provided a redacted version of the Application that the Commission may make publicly available. The Confidential Application will be provided to the Commission under separate cover.

FEI has no objection to Intervener groups such as the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) having access to the confidential materials, subject to a signed Undertaking of Confidentiality, included as part of Appendix E to the Application. However, Gas Marketers, even upon signing an Undertaking of Confidentiality, should only be granted access to that portion of CONFIDENTIAL Appendix D that pertains to its company for the reasons described above.

If further information is required, please contact Scott Webb, Manager Customer Programs and Research, at 604-592-7649.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Interveners FEI 2013 and 2014 Customer Choice Annual General Meetings

FORTIS BC™

FORTISBC ENERGY INC.

Application for Customer Choice Cost Recovery - Analysis and Recommendation

April 14, 2016

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1. INTRODUCTION AND APPROVALS SOUGHT

The Customer Choice Program offers a fixed-rate commodity option to natural gas customers and was mandated by the BC Government as part of its 2002 Energy Plan.

In 2015, FortisBC Energy Inc. (FEI or the Company) conducted a preliminary review of the Customer Choice Program's (the Program) existing Gas Marketer fee structure in preparation for the Annual General Meeting (AGM) process.[1] On September 29, 2015, the Commission issued Order A-12-15 and accompanying decision, which directed FEI to submit a Program cost recovery application by March 31, 2016. The Commission directed FEI to include in this application a proposal and rationale for the portion of Program costs to be recovered from Gas Marketers and the relevant mechanisms necessary to do so.

On January 8, 2016, FEI requested a one-month extension to the deadline for filing the Cost Recovery Application (the Application) to allow for adequate time to review the Commission's expenditure data. The Commission issued Order A-1-16 dated January 13, 2016 denying the one-month extension period, but instead providing a two-week extension and a new deadline of April 14, 2016 to submit the Cost Recovery Application.[2]

Customer participation in the Program has declined significantly since 2012. Marketer fees, currently charged on a per enrolled customer basis, are increasingly unable to cover essentially flat Program costs (i.e., Program costs have remained stable for the last several years).

FEI incurs approximately $1 million in annual Program costs. FEI's recommended solution considers the interests of all Program participants to ensure that:

- Customers choosing not to participate are protected from undue costs;
- Gas Marketer costs remain reasonable in recognition of depressed commodity prices and lower than anticipated sales opportunities; and
- FEI is provided with a flexible recovery mechanism that is simple to administer and uses existing systems and processes to effectively address annual cost versus recovery variances.

To appropriately allocate Program costs, FEI:

1. Reviewed Program costs by evaluating historical financial reporting for relevant cost centres; consulting with Internal groups including Information Services, Customer Service, and external technology service providers to identify specific, granular costs incurred to maintain Program operation. The BCUC was also contacted and asked to categorize their costs to include in this analysis;

[1] See Appendix A, Timeline of Relevant Events for more discussion regarding the events leading to the development of this Application, page 2

[2] Order A-1-16 dated January 13, 2016, page 2

2. Reviewed the current transaction fees[3] and determined they no longer sufficiently recover Program costs. Without adjustment to these fees and with no meaningful increase in participation rates, existing fees will consistently under-recover Program costs thereby burdening FEI's customers with extra cost;
3. Evaluated costs and recommended allocations in accordance with the principle of cost causality such that costs will be borne by those who cause them to be incurred;
4. Evaluated Gas Marketer recovery amounts experienced over the last several years, and projected the likely variances between the recoveries under the current fee structure in 2016 and future years; and
5. Considered various cost recovery mechanisms using both quantitative criteria (e.g., how much in costs would be allocated to each marketer), as well as qualitative considerations (e.g., Can the fee structure be efficiently changed to meet future recovery requirements s).

As a result, FEI recommends a mix of (1) flat monthly charges to better reflect the largely fixed cost nature of the infrastructure that supports Customer Choice; and (2) variable fees designed to recover operating costs from Gas Marketers based on their active, monthly customer count.

1.1 *APPROVALS SOUGHT*

In this Application, FEI is seeking Commission approval for:

1. The proposed allocation of Program costs based on the analysis described in Section 3.2 of this Application, on an ongoing basis.
2. Recovery of Program costs from Gas Marketers with the following fee structure as described in Section 5.7 of the Application:
    a. A monthly fixed fee of $2,000 per Gas Marketer; and
    b. Two monthly variable fees that are based on the previous year's actual program costs and each Gas Marketer's respective number of monthly active customers to recover the remaining balance of total costs allocated to Gas Marketers for that year.
    c. The service fees outlined for Marketer Price Group Setup, Confirmation Letters and Dispute processing. The Company has requested changes to the Marketer Price Group Setup and Confirmation Letter Fees while the Dispute Fee will remain the same.
3. The annual adjustment of the transaction fees on April 1 of each year starting April 1, 2017, by letter notice included with the Annual Program Statistics submitted in February based on:

[3] CPCN dated April 13, 2006, Section 10.2.2 Operating Costs, p. 85 reference to transaction fees

(1) the previous year's actuals; and (2) any annual variance experienced between cost allocation and actual recoveries. The annual variance – either positive or negative – will be incorporated into the calculation of the following year's fee assessment. See section 6.1 for more details.

4. The expenditure of approximately $3,000 to implement system changes to accommodate the recommended new fee structure. See section 6.2.2 for more details.

5. The recuperation of all remaining Program costs from non-bypass delivery rates.

FEI believes that approvals sought are reasonable and fair to both Gas Marketers and FEI's ratepayers as the proposed fee structure is based on the principle of cost causation and ensures that Gas Marketers bear responsibility for the operating costs the Company incurs as a direct result of their involvement in the Program, while acknowledging the Company's obligation to make the Program available to all ratepayers.

1.2 *ORGANIZATION OF THE APPLICATION*

This Application details the results of FEI's comprehensive review of the Program costs and existing Gas Marketer recoveries and presents FEI's recommendations regarding the appropriate amounts and mechanisms by which FEI should recover Program costs attributable to Gas Marketers. The remaining sections of this filing are organized as follows:

- **Section 2: Overview of the Program and Program Costs** – Provides a background of Customer Choice; how the existing fee structure was derived and details the existing Gas Marketer Customer Choice fee structure and explains why FEI needs to change it.
- **Section 3: Cost Assessment** – Provides aan assessment of actual Program costs and presents FEI's proposed allocation of these costs for 2016 and future years.
- **Section 4: Gas Marketer Recoveries** – Reviews current Gas Marketer recoveries and demonstrates that they are insufficient to recover costs incurred by FEI to facilitate the Program.
- **Section 5: Program Cost Recovery Options** – Introduces the four cost recovery options considered, describes the approach that FEI used to evaluate those options and recommends a preferred approach based on that evaluation.
- **Section 6: Implementation Plan** – Describes FEI's recommended approach and implementation plan for Program cost recovery.
- **Section 7: Conclusion** – Provides a summary conclusion of FEI's Cost Recovery Review Application..

1.3 *REGULATORY REVIEW OF THE APPLICATION*

FEI believes that a written hearing process, with one round of Information Requests from the Commission and Interveners, will provide an appropriate and efficient review of this Application. FEI proposes the following regulatory timetable:

Table 1-1: Proposed Regulatory Timetable

ACTION	DATES (2016)
Intervener and Interested Party Registration	Monday, May 9
Information Session for Interveners and Interested Parties	Monday, May 16
Commission Information Request No. 1	Tuesday, May 31
Intervener Information Request No. 1	Monday, June 6
FEI Response to Information Requests No. 1	Monday, June 20
FEI Written Final Submission	Thursday, June 30
Intervener Written Final Submission	Thursday, July 14
FEI Written Reply Submission	Thursday, July 21

The timeline proposed will allow FEI to implement the new fee structure system changes by April 1, 2017.

In determining the best approach to review this Application, the Company considered either a written process or a Streamlined Review Process and believes a written process is most appropriate for the following reasons.

1. For a Program already constrained for resources, a written process would be the most cost effective method of reviewing this Application.
2. This Application proposal is not complex and therefore a written process would be sufficient for the issues described and the proposals set forth.
3. Given the confidential nature of Sections 5.6 and Appendix D of this Application, that includes market share information, a Streamlined Review Process would not lend itself to Gas Marketer participation.

2. AN OVERVIEW OF THE PROGRAM AND PROGRAM COSTS

2.1 *THE PROGRAM*

Customer Choice allows customers to buy their natural gas from either a Gas Marketer, or FortisBC. FortisBC continues to deliver the gas commodity through its pipeline system to customers.

The precursor to the Customer Choice Program was Commercial Unbundling that launched in 2004. Following this, the Company was directed to investigate the requirements necessary to expand Unbundling to residential natural gas customers. The implementation plan proposed Residential Unbundling in a CPCN filed by the Company on April 13, 2006 leveraged the processes and technology already developed for Commercial Unbundling and included some improvements to provide greater automation and reporting capabilities to support a new dispute resolution process. In the 2006 CPCN Decision, it was determined that the proposed cost treatment for Residential Unbundling was to follow the same approach taken for Commercial Unbundling: Implementation costs were to be recovered from all eligible residential customers and ongoing operating costs were intended to be recovered from Gas Marketers where possible. Any residual operating costs were to be recovered using a rate rider. The specific determination follows:

> The Residential Unbundling Deferral Account spending authorization is increased by \$11.1 million from \$1.4 million to \$12.5 million. Included in the \$11.1 million is \$0.5 million required to modify existing revenue accounting and financial reporting processes to support the Residential Commodity Unbundling Project.

And;

> Implementation and operating costs for the Residential Commodity Unbundling Project are to be recovered using deferral account treatment as set out in the Application. The proposed deferral account mechanism, cost recovery rider and the proposed Group (Price) Fee, Customer Bill Fee and Confirmation Letter Fee set out in section 10.2 of the Application are approved.[4]

"Unbundling" was a term that described the splitting of commodity costs and delivery charges that was necessary on customer billing to facilitate the introduction of fixed rate products to customers. In 2007, references to Commercial and Residential Unbundling were discontinued in favour of the simpler name, "Customer Choice." The Program made fixed-rate contracts available to Rate Schedule 1 Residential, and Rate Schedule 2 and 3 Commercial customers under a single name. Consistent with the principle of cost causation, it was intended for the

[4] BCUC Order C-6-06, An Application by Terasen Gas Inc. for Approval of a Certificate of Public Convenience and Necessity for the Residential Commodity Unbundling Project, August 14, 2006, page 2.

Program's operating costs to be borne by Gas Marketers competing within the Program where possible.[5]

2.2 PROGRAM FEES AS APPROVED IN 2006 CPCN

FEI proposed four fees in the 2006 CPCN. Two of the fees already existed within Commercial Unbundling, including the Marketer Price Group Fee and the Customer Bill Fee. For the residential launch two additional fees were proposed: the Confirmation Letter Fee and the Dispute Resolution Fee. The four fees remain the same today with the exception of an adjustment to the Confirmation Letter Fee that is discussed further in Section 5. Each of the fees is described further below.

1. **Marketer Price Group Fee:**

   The Marketer Price Group Fee is a $150 monthly fee for Marketer Groups[6] was based on charges from FEI's outsourced billing provider to maintain each group. The fee was based on an hourly charge-out rate for system support according to FEI's Client Services Agreement with Accenture Business Services for Utilities; the third party FEI outsourced its customer services to at that time. Gas Marketers may have as many Marketer Price Groups as they require. However, the monthly amount due was intended to incent Gas Marketers to keep the number of groups to a minimum and keep the Program simple and easy to maintain.

2. **Customer Bill Fee:**

   A charge per bill sent to Gas Marketer customers was set at $0.40 to offset the cost to produce and mail monthly bills.

3. **Confirmation Letter Fee: [Currently set at $1.02 per letter]**

   A key business rule in Appendix G of the 2006 CPCN states:

   Consistent with the cost-causality principle discussed earlier where the costs of the program are attributed and recovered from the part(ies) who benefit directly from Residential Unbundling, FEI proposes that Gas Marketers be charged the incremental costs of generating and sending out the confirmation letter.[7]

   The Confirmation letter fee was set at $0.60 per letter sent out on behalf of Gas Marketers.

[5] FEI Application for Approval of a Certificate of Public Convenience and Necessity for the Residential Commodity Unbundling Project dated April 13, 2006, p.85

[6] A Marketer Price Group is defined by the price that customers have agreed to with the Marketer for their natural gas commodity. Each group's price represents the Commodity Cost Recovery Charge FortisBC bills customers enrolled in that particular price group.

[7] CPCN dated April 13, 2006, Appendix G Residential Unbundling Business Model and Key Business Rules

4. Dispute Resolution Fee:

To recover 50% of the estimated $100,000 in dispute processing charges estimated at the time in 2006, both a fixed and variable dispute fee were approved. The fixed dispute fee was set at $1,000 per Gas Marketer per year, while the variable fee was set at $50 per dispute. Combined, it was estimated that the proposed dispute resolution fees would recover approximately $50,000 in costs from Gas Marketers annually.

The Gas Marketer Dispute Resolution Fees were established based upon the following assumptions:

- Approximately 800 disputes per year;
- Six licensed Gas Marketers in the program;
- Annual operating costs for the dispute resolution process of $100,000, primarily for Commission staff; and
- Goal to recover 50% of costs from Gas Marketers.

Table 2-1 provides a description of transaction fees as originally proposed and approved by Order C-6-06 for the Customer Choice Program. In accordance with Order C-6-06, the Commission's expectation was that Program costs would be recovered from Gas Marketers where possible and should be clarified during FEI's review of costs.

Table 2-1: Description of Transactions Fees as Originally Approved in 2006[8]

Fee	Description	Cost Type	Introduced	Notes
Marketer Price Group Fee	$150 per month for each active Marketer Price Group charged to Gas. Fee is designed to offset the cost to set up and maintain groups in the Customer Information System.	Operating cost recovery.	Commercial Unbundling, 2004	
Customer Bill Fee	$0.40 per month charged to Gas Marketers based on the number of bills sent to customers. Fee is designed to offset the cost to produce and mail monthly bills.	Operating cost recovery.	Commercial Unbundling, 2004	
Confirmation Letter Fee	$0.60 charged to Gas Marketers based on the number of enrolments that take place for a Gas Marketer. Fee is designed to recover cost to produce	Operating cost recovery.	Residential Unbundling, 2007	A request to adjust the fee to $1.02 was approved in 2015.

8 CPCN dated April 13, 2006, Section 10.2.2 Operating Costs, table 10 Program Fees: Operating Cost Recovery p. 86

Fee	Description	Cost Type	Introduced	Notes
	and mail confirmation letters.			
Dispute Resolution Fee	$50 per dispute to be applied at discretion of BCUC.	Operating cost recovery.	Residential Unbundling, 2007	

When Commercial Unbundling was introduced in 2004, the Company contracted with an outsourced vendor for its customer care services. FEI negotiated with this vendor to deliver both contact centre and the systems related support necessary to deliver Commercial Unbundling. In 2007, when Unbundling was extended to the residential market and renamed Customer Choice, customer care services continued to be outsourced. In 2012, FEI repatriated its customer service function, including activities and infrastructure necessary to support the Program.

The original fee structure was developed based on FEI's outsourced customer service model, a model that did not change until 2012 when FEI repatriated its contact centre services. Importantly, the historical fee structure was set up to support the Customer Choice Program through launch and its first few years, but was not intended to be a permanent fee structure. For instance, in the 2006 CPCN Application, FEI states, "All fees are subject to change based on a regular review of operating costs incurred in the operation of the Residential Unbundling program." [9]

The ongoing operation of Customer Choice requires operating resources. Examples of the resources needed include Program administration and contact centre services, systems related maintenance and enhancement activities, as well as funding for various customer education materials. Rather than adjusting the existing fee amounts, FEI believes that a new fee structure should be implemented that more accurately reflects historical Program costs. With several years of costing data now available, FEI can now rely on this information to help design a better cost recovery approach.

2.3 PROGRAM FEES AND CURRENT FEE STRUCTURE

Fees tied to participation rates as described in Table 2-1 above made sense when the Program launched because many costs were estimates. At the time, FEI outsourced customer service to Accenture and negotiated a service model that could expand or shrink based on enrolment levels. Since 2012 when FEI insourced this same service, the Company has found that many of the Program costs are largely fixed. For example, the Program relies upon two FEI administrative staff whether there are 30,000 or 130,000 participants. Similarly, the BCUC relies upon a dedicated Program manager to oversee disputes. Most Program costs do not increase or fall in direct relation to enrolments; however current fees are directly tied to enrolment levels. Participation rates have fallen so existing fees no longer cover Program costs.

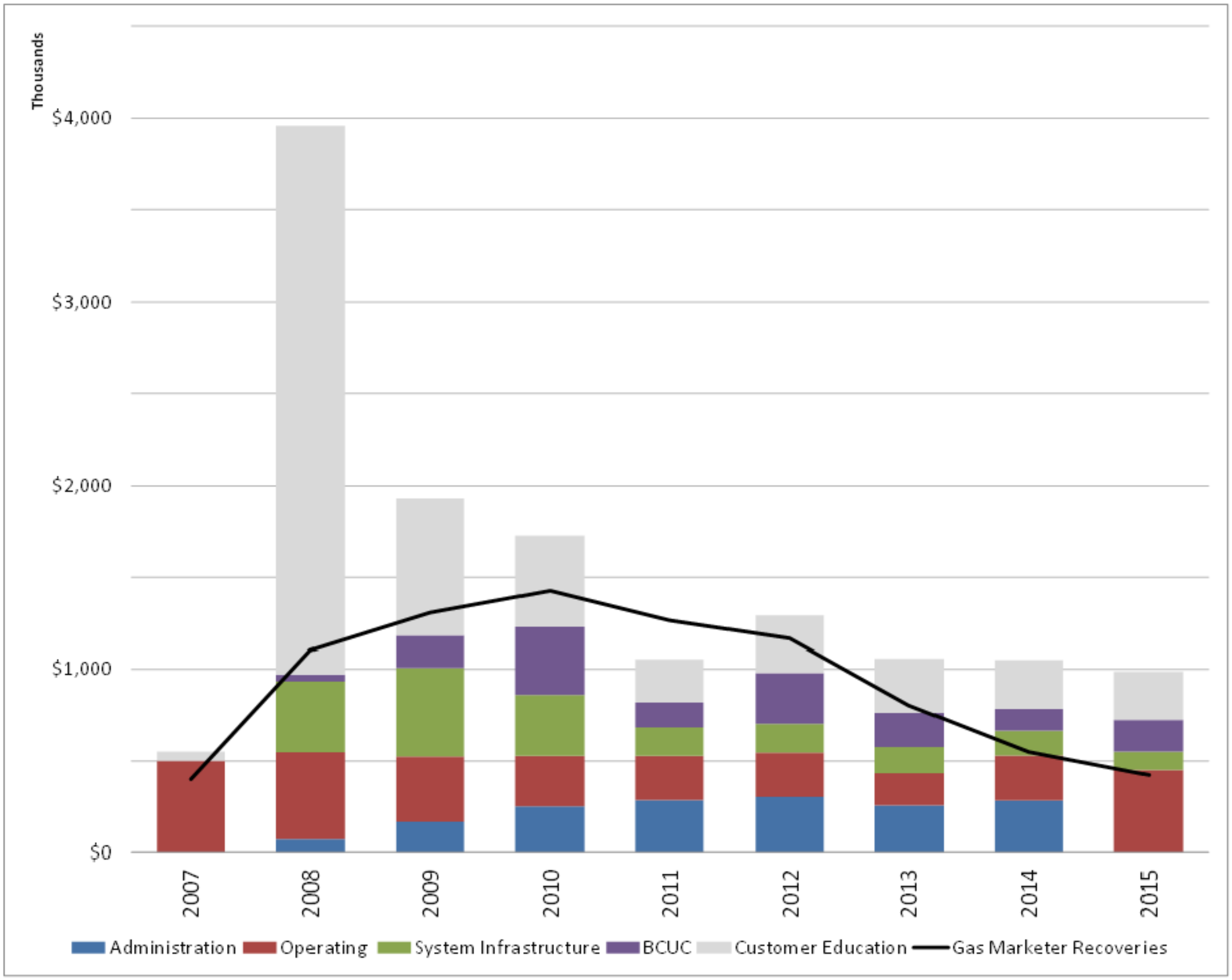
[9] CPCN dated April 13, 2006, section 10.2.2 Operating Costs, p 87

2.4 *ISSUES WITH CURRENT FEE STRUCTURE*

FEI incurs approximately $1 million in annual Program costs. With the exception of BCUC costs, total Program costs have been stable since 2011. As stated above, lower participation rates have resulted in reduced recoveries from fees. Contributing to lower recoveries, include: (1) decreasing dispute levels due in large part to the additional consumer protection measures put in place in 2011 (i.e., consolidated business rules for residential and commercial customers were adopted); and (2) Gas Marketers' efforts to reduce the number of price groups.[10] Current recoveries from fees no longer cover the Program's costs, as illustrated in Figure 2-2 below. Customer Education fees, shown in light grey in Figure 2-2 have been allocated to all ratepayers since Customer Choice started in 2007, while the remaining operating costs were intended to be recovered from Gas Marketers where possible.

[10] Gas Marketers have worked to consolidate their Marketer Price Groups. By reducing the number of price groups supported, Gas Marketers have been able to reduce their costs and as a result, the associated fees collected by FEI have fallen too.

Figure 2-2: Customer Choice Program Costs and Recoveries 2007 to 2015 [11]



Besides a minor adjustment in 2015 to the Confirmation Letter Fee, fee rates have not changed since the Program launched in 2007. From 2007 through 2009, this was of little consequence because FEI used a deferral account and billing rate rider that allowed it to address both the Program's original investment, as well as any annual recovery/cost variances. However, the approach was no longer required by 2010 given the stable and relatively low costs of the Program in relation to FEI's overall costs. That is, the variances arising from the operation of the Program, which generated rate rider amounts of essentially zero, made it administratively impractical to continue to administer the deferral account. As a result, in FEI's 2010/2011 Revenue Requirement Application, the Company proposed and the Commission approved the termination of the unbundling deferral account and rate rider. However, variances began to re-occur as the Gas Marketer recoveries began to drop off in 2013. These variances are illustrated in Figure 2-2.

[11] Costs for systems development, implementation and stabilization incurred from 2007 through 2009 were considered Program implementation costs and are not included in this graph. These costs were charged directly to a deferral account with amounts recovered from all non-bypass customers through a rate rider. See Section 2.1 for more information about implementation cost treatment.

To address this situation, the revised fee mechanism should address the projected annual recovery shortfalls expected for the foreseeable future, and efficiently adjust to accommodate positive or negative annual variances in recoveries versus costs. A timeline leading up to the review of the Customer Choice Program transaction fees is included in Appendix A: Timeline of Relevant Events.

Section 3 discusses FEI's cost assessment review of the Program's transaction fees.

3. COST ASSESSMENT

The Company conducted a comprehensive review of the Program and applied the principle of "cost causality" (i.e., costs will be borne by those who benefit and cause them to be incurred) in its detailed assessment of Program costs. While the Company endeavours to recover Program operating costs from Gas Marketers, it recognizes that there are certain costs that are necessarily incurred to ensure that the Program is made available for the benefit of all FEI customers by providing a fixed-rate option. The Company believes that these specific costs should appropriately be borne by all FEI ratepayers.

To allocate costs to either Gas Marketers or FEI non-bypass customers, the Company evaluated the Program's costs using two criteria presented below. The criteria rest upon the notion of cost causation alluded to above: Which groups benefit and cause the costs to be incurred?

1. Are the costs incurred specifically to administer the Program and services for Gas Marketers and their customers? If so, these costs should be allocated to Gas Marketers.
2. Are the costs incurred to ensure the Program is available for all FEI customers whether they currently choose to participate or not? If all FEI ratepayers benefit from the cost, then these types of costs should be allocated to all FEI ratepayers.

The following sections summarize the costs incurred by FEI to facilitate the Customer Choice Program. After each cost category is introduced and described, it is evaluated in light of the criteria presented above, which is followed by a recommendation as to whether the cost should be allocated to all ratepayers or Gas Marketers.

3.1 *ANNUAL OPERATING COSTS*

The annual Customer Choice expenditures support a variety of activities including contact centre services, information technology (IT) support, customer education, Program administration, and BCUC oversight. The financial information provided in this section is based on 2013-2015 historical actuals.

3.1.1 IT Support Costs

IT support costs comprise of activities undertaken by FEI employees, as well as a number of contractors. The former is characterized as "Infrastructure Sustainment" work, and the latter as "Technology Sustainment" work. Each work activity is further described below.

3.1.1.1 Infrastructure Sustainment:

The Customer Choice Program at FEI relies upon a complex systems environment that encompasses the end-to-end process from customer contract enrolment to gas supply reconciliation. There are numerous unique data flows that are required to support the business requirements of the Program. Any changes to the Customer Choice Program will impact these data flows in terms of design, development, testing and implementation.

Infrastructure sustainment activities include work completed by eight FEI employees, whose collective labour time associated with Customer Choice systems total less than one full-time employee annually. The support work performed for Customer Choice is in addition to the duties the employees fulfil for other areas of the Company and the labour force employed would continue even if Customer Choice did not exist. The network hardware and operating systems that support the interfaces and systems noted above require ongoing maintenance, such as:

- Hardware upgrades
- Operating systems upgrades
- Server patching for vendor changes and security compliance
- Code changes to support technical upgrades
- Investigation and resolution of data synchronization issues
- Interface monitoring and alert response

FEI employees also perform various activities related to the day to day operation of the Program including:

- The management of Gas Marketer price groups (set-ups, maintenance and retirements)
- Data clean-up and data correction
- Inclusion of Customer Choice Program content in the support of all customer communication, including:
  - Website content
  - Account Online content
  - Bill messaging and bill inserts

Infrastructure sustainment costs were $75,882 in 2015. Departmental employee vacancies in 2015 resulted in a lower than usual allocation of this cost; however FEI expects future cost allocations to be approximately $96 thousand annually.

The systems that support Customer Choice include a set of integrated systems that are integral within the broader set of systems and processes that facilitate customer account management and billing services. As the work associated with maintaining the Customer Choice Program support tasks are distributed amongst eight FEI employees' job duties, the Company would not attain any cost savings if the support was no longer necessary.

The evaluation process for determining how the infrastructure sustainment costs should be allocated is listed below.

Cost Allocation Evaluation

1. Are the costs incurred specifically to administer the Program and services for Gas Marketers and their customers? These costs should be allocated to Gas Marketers.

   Answer: No, FEI asserts that the associated costs are incurred by several employees to ensure the Program system infrastructure is available for all ratepayers who choose to participate in Customer Choice. It is likely that the same labour expense would be incurred whether the Customer Choice Program existed or not. The labour resources perform the Customer Choice infrastructure duties in addition to support duties for other FEI systems.

2. Are the costs incurred to ensure the Program serves all FEI customers whether they currently choose to participate or not? These types of costs should be allocated to all ratepayers.

   Answer: Yes, for the most part the costs are incurred to ensure the system infrastructure is in working order and available for Customer Choice enrolments. Although there are activities (e.g. create Gas Marketer Price Groups) that would no longer occur if the Program was terminated, it is unlikely that FEI would benefit from measurable cost savings. Sustainment activities directly associated with Gas Marketers and Program management are intermittent and span several FEI employees. Accumulated savings would not generate headcount savings.

FEI Recommendation:

Infrastructure sustainment expenses should be recovered 100% by ratepayers because it is unlikely that FEI would realize tangible savings if the Program was terminated.

3.1.1.2 Technology Sustainment:

FEI also uses relies upon external help to support components of the Customer Choice program at a cost of $175,769 in 2015. Their duties include:

- Providing system maintenance for Gateway for Energy Marketers (GEM) and associated system interfaces
- System development work for enhancements to GEM, system infrastructure and reporting
- Data investigation and root cause analysis
- Break/fix duties associated with the system infrastructure

- Report building, data queries and trend analysis
- System documentation

FEI would no longer incur these technology sustainment costs in the future if the Program no longer existed. The evaluation process for determining how the technology sustainment costs should be allocated is listed below.

Cost Allocation Evaluation

1. Are the costs incurred specifically to administer the Program and services for Gas Marketers and their customers? These costs should be allocated to Gas Marketers.

   Answer: Yes, the contracted labour support is specifically hired to develop and maintain the Customer Choice related systems and interfaces.

2. Are the costs incurred to ensure the Program serves all FEI customers whether they currently choose to participate or not? These types of costs should be allocated to all ratepayers.

   Answer: No, the costs are incurred to pay for the maintenance and support tasks related to those customers currently participating in Customer Choice.

FEI Recommendation:

Technology sustainment expenses should be recovered 100% from Gas Marketers as these expenses are incurred solely to sustain the Customer Choice program. If the Program ceased FEI would no longer incur the associated costs.

3.1.2 Contact Centre Costs

The FEI customer contact centre handles a variety of Customer Choice related phone calls that include: general inquires about the Program from customers not participating in the Program; specific questions from Customer Choice customers and customers wishing to raise contract disputes. The contact centre manages an estimated 775[12] hours of Customer Choice calls each year. At a loaded labour rate of $31 per hour which includes benefits and concessions, this amounts to approximately $24 thousand in annual contact centre costs.[13]

The evaluation process for determining how the Contact Centre costs should be allocated is described below.

[12] Estimate based on prior years' actuals from 2013 and 2014

[13] A loaded labour rate is the average hourly salary including benefits and concessions. It is calculated as average annual fully loaded labour costs divided by the average annual chargeable hours worked.

Cost Allocation Evaluation

1. Are the costs incurred specifically to administer the Program and services for Gas Marketers and their customers? These costs should be allocated to Gas Marketers.

   Answer: No, it is FEI's belief that it is appropriate to charge the Contact Centre costs to all ratepayers as customer calls are not tracked to the detailed level of knowing whether a Customer Choice coded call is for an existing Customer Choice customer or an FEI customer with a general question regarding the Program.

2. Are the costs incurred to ensure the Program serves all FEI customers whether they currently choose to participate or not? These types of costs should be allocated to all ratepayers.

   Answer: Yes, the Contact Centre Representatives are available to answer questions for current and potential Customer Choice participants.

FEI Recommendation:

Contact Centre costs are incurred to serve all customers, whether or not they currently choose to participate in the Program. These costs should be allocated 100% to FEI ratepayers as access and service is provided to all customers.

3.1.3 Program Administration Costs

Program administration costs of $274,024 in 2015 included the allocation of two full-time Customer Choice program analysts.

Program administration includes:

- Co-ordinating and preparing annual Customer Choice Program Summary and other required communications for submission to BCUC and Gas Marketers to meet management and regulatory requirements;
- Developing the framework for customer migration forecasts for use in the development of gas supply forecasts and rate applications;
- Fielding calls and emails from Gas Marketers regarding various issues including enrolment or other data processing errors, price group setups and other general questions;
- Ensuring the effective maintenance and enhancement of system applications and associated business processes;

- Liaising with Manager, Gas Marketing Programs at the BCUC to provide assistance with technical support, program rules, disputes, reporting and general questions;
- Developing and performing user acceptance testing to validate report calculations, test enhancements or system fixes and verify data processing accuracy; and
- Developing ad hoc reports for the BCUC upon request.

These costs are incurred to support Gas Marketer requirements that facilitate day-to-day or other recurring Program operational requirements.

The evaluation process for determining how the program administration costs should be allocated is listed below.

Cost Allocation Evaluation

1. Are the costs incurred specifically to administer the program and services for Gas Marketers and their customers? These costs should be allocated to Gas Marketers.

   Answer: Yes, the program administration support of Customer Choice is provided for the benefit of Gas Marketers and their customers.

2. Are the costs incurred to ensure the Program serves all FEI customers whether they currently choose to participate or not? These types of costs should be allocated to all ratepayers.

   Answer: No, the program administration support is primarily focused on Customer Choice related tasks.

FEI Recommendation:

Program administration costs will be allocated 100% to Gas Marketers as these services are provided solely for marketer support.

3.1.4 BCUC Costs

The Commission charges for 2015 amounted to $175,771. BCUC salary charges for work related to the Customer Choice Program are not billed by function, but rather to the Program as a whole. The BCUC provided the following breakdown of staff time based on an estimate of the average number of working hours spent on each of the three functions over the three year reporting period from 2012 to 2014:

- Program administration accounts for 65% of charges and includes:
  - Legal costs related to annual program administration
  - General administration costs (e.g. courier)

- Regulatory proceedings account for 15% of charges and includes:
    - Annual General Meeting (AGM)
        - Allwest Court Reporting costs (Hearing Room rental, transcription, etc.)
        - Commissioner costs for work performed
        - Legal costs for work performed
        - External/expert consultation costs for work performed

- Dispute resolution accounts for 20% of total charges and includes:
- Handling, administration and investigation
- External/expert consultation costs for work performed related to disputes (e.g. translation services, contract dispute analysis)
- Adjudication
    - Commissioner costs for work performed regarding adjudicated disputes
    - Legal costs for work performed regarding adjudicated disputes

The evaluation process for determining how the BCUC costs should be allocated is listed below. The information provided for this evaluation is based on the submission by BCUC provided to FEI.[14]

Cost Allocation Evaluation

1. Are the costs incurred specifically to administer the program and services for Gas Marketers and their customers? These costs should be allocated to Gas Marketers.

   Answer: No, the program administration support of Customer Choice and regulatory proceedings is provided for the benefit of all ratepayers. In contrast, dispute resolution activity is specifically related to Gas Marketers and their customers.

2. Are the costs incurred to ensure the Program serves all FEI customers whether they currently choose to participate or not? These types of costs should be allocated to all ratepayers.

   Answer: Yes, the program administration support and regulatory proceeding costs are incurred to benefit all ratepayers whether or not they currently participate in the Program. In contrast, dispute resolution activity is specifically related to Gas Marketers and their customers.

[14] Response to Request for BC Utilities Commission Customer Choice program cost data dated January 22, 2016.

FEI Recommendation

BCUC Program administration and regulatory proceeding charges should be recovered entirely ratepayers as these services are provided to ensure the Program is working, suitable and available to all customers. This activity accounts for approximately 80% of BCUC costs annually.

Dispute resolution should be recovered entirely from the Gas Marketers as this expense is incurred in the course of Commission staff's administration of Gas Marketer activities. This accounts for approximately 20% of BCUC costs annually.

3.1.5 Customer Education Costs

The customer education plan costs were $263,893 in 2015. The plan objectives are to promote consumer awareness of the Customer Choice Program; maintain customer protection via education; and direct customers to *fortisbc.com/choice* for more information about the Program. This is executed via various radio advertisements, rate comparison newspaper and magazine advertisements, FEI newsletters; and increasingly via digital media, including Facebook, Twitter and programmatic ad purchases (i.e., paid ads that appear in Customer Choice related search engine results).

FEI believes that the option Customer Choice provides is beneficial either today, or at some point in the future to FEI customers if, for example, their personal situation changes. Choosing a fixed rate commodity product may not make sense for many when natural gas prices remain depressed, but it is more appealing to consumers when prices are more volatile and generally increasing. Spending a modest amount on customer information about the Program promotes general awareness and education and helps customers know where they can obtain more information. In the end, FEI wants to ensure that customers make informed purchase decisions.

The evaluation process for determining how the customer education costs should be allocated is listed below.

Cost Allocation Evaluation

1. Are the costs incurred specifically to administer the program and services for Gas Marketers and their customers? These costs should be allocated to Gas Marketers.

   Answer: No, the costs are incurred to provide education services about the Customer Choice Program to all customers.

2. Are the costs incurred to ensure the Program serves all FEI customers whether they currently choose to participate or not? These types of costs should be allocated to all ratepayers.

Answer: Yes, customer education costs are meant to benefit all customers whether they are currently participating in the Program or not.

FEI Recommendation:

The customer education plan costs will continue to be allocated 100% to FEI ratepayers as this service is provided to all customers to ensure they make an informed purchase decision.

3.1.6 Summary of Cost Evaluation

Table 3-1 below summarizes the evaluation criteria used to determine the allocation of the Customer Choice Program costs.

Table 3-1: Summary of Cost Allocation Review

Option	Description	Evaluation		Recommendation
		Costs Specific to Administer Program?	Costs Serve all FEI Customers?	
1	IT Support Costs - Infrastructure Support	No	Yes	• The same labour expense would be incurred regardless of the existence of Customer Choice • 100% to ratepayers
2	IT Support Costs - Technology Sustainment	Yes	No	• Expenses incurred solely to sustain the Program • 100% Gas Marketers
3	Contact Centre Costs	No	Yes	• Contact Centre costs are incurred to serve all FEI customers • 100% to ratepayers
4	Program Administration Costs	Yes	No	• Expenses incurred solely to support the Program • 100% Gas Marketers
5	BCUC Costs - Program Administration and Regulatory Proceedings	No	Yes	• These services are incurred to support the existence of Customer Choice • 100% to ratepayers
6	BCUC Costs - Dispute Resolution	Yes	No	• Dispute resolution is provided to support Gas Marketers and their customers • 100% Gas Marketers
7	Customer Education Costs	No	Yes	• Customer Education is provided to all FEI customers • 100% to ratepayers

3.2 *COST SUMMARY AND PROPOSED COST ALLOCATIONS*

The proposed allocation of expenses between Gas Marketers and ratepayers is summarized in Table 3-2 and applied to the Program's 2015 expenses, which were approximately $1 million.

Table 3-2: Annual Program Expenses and Proposed Allocations

Cost Description	2015 Actuals	Allocation (%) Marketers	Allocation (%) All Ratepayers	Allocation ($'s) Marketers	Allocation ($'s) All Ratepayers
Technology Sustainment	$ 175,769	100%	0%	$ 175,769	$ -
Infrastructure Sustainment	75,882	0%	100%	-	75,882
Contact Centre	24,000	0%	100%	-	24,000
Program Administration	274,024	100%	0%	274,024	-
BCUC	175,771	20%	80%	35,154	140,617
Customer Education	263,893	0%	100%	-	263,893
Total Expenses	$ 989,339			$ 484,947	$ 504,392

In Section 4, FEI's recent experience with respect to Gas Marketer Recoveries is summarized.

4. GAS MARKETER RECOVERIES

When FEI reviewed the costs of the Program and determined the appropriate cost allocations of the Program expenses based on the principle of cost causality, the anticipated amount of shortfall from recoveries decreased from the current levels. As shown in Table 3-2 above, FEI determined that Gas Marketers should be responsible for 49% of the total program costs based on 2015 Actuals. Table 4-1 below shows the estimated amount of recoveries expected for 2016 based on the existing fee structure. It is apparent that the current fee structure is not covering the portion of the operating costs of the Program that is allocated to Gas Marketers. The estimated shortfall is approximately $131,147 for 2016, assuming 2016 costs equal 2015 costs. This number is based on the Gas Marketer allocated cost of $484,947 in 2015 less estimated Gas Marketer recoveries of $353,800 in 2016.

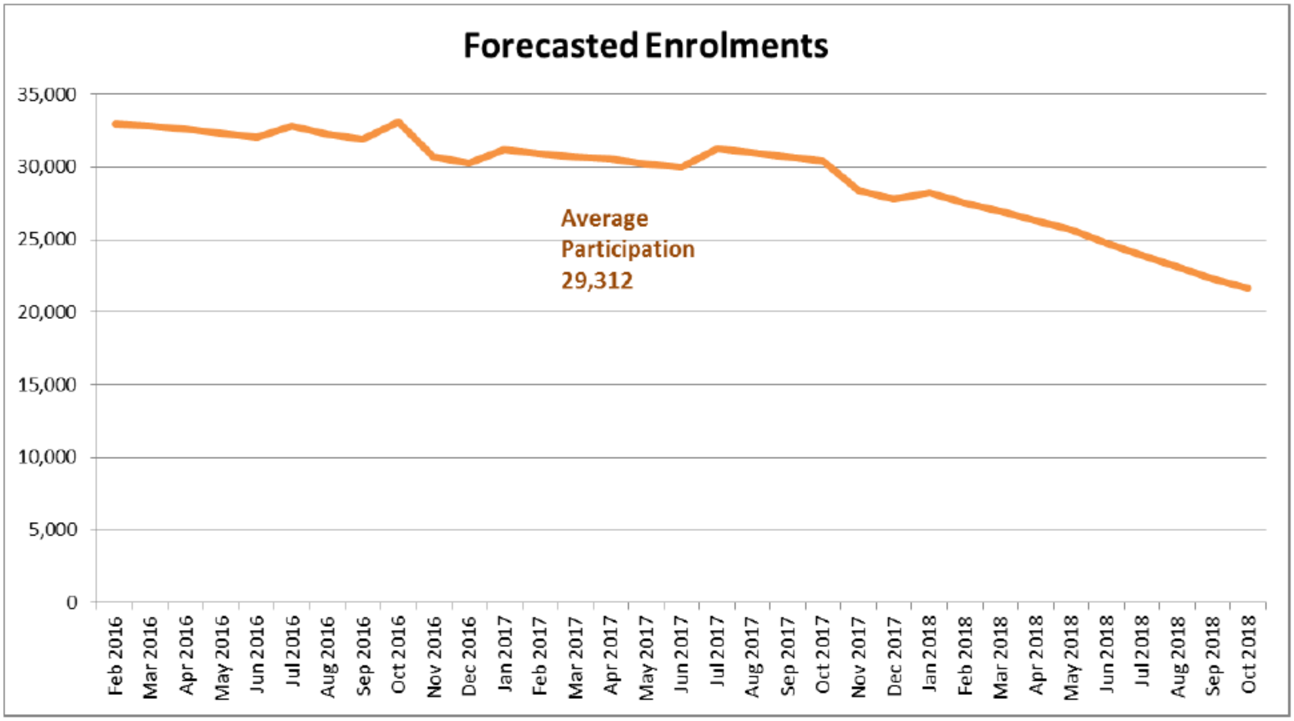
Table 4-1: Estimated 2016 Gas Marketer Recoveries

Transaction Fees	Recovery Amount	Estimate Based On:
Marketer Group Administration	$180,000	100 open mktr price groups * $150 * 12 months
Customer Billing	$153,600	32,000 participation * $0.40 bill fee * 12 months
Confirmation Letter	$10,200	10,000 annual enrolments * $1.02 letter fee
Dispute Resolution	$10,000	200 average disputes * $50
Total Estimated 2016 Recoveries	**$353,800**	

During 2016, Customer Choice participation is forecasted to remain at approximately 32,000 customers. Over the next 30 months, the forecast is showing an average 29,312 participants as displayed in Figure 4-2 below. The forecast is derived from the current enrolments in GEM plus a sales factor percentage based on the previous two years of sales history and extended to the end of the current corporate forecast. The Customer Choice enrolments forecast is used to calculate the estimated future Gas Marketer Volumes that are reported in the Annual Contracting Plan.[15]

[15] 2015-2016 Annual Contracting Plan Executive Summary, Section 2.3.1, p ES-6, lines 8-16

Figure 4-2: Forecasted Customer Choice Enrolments



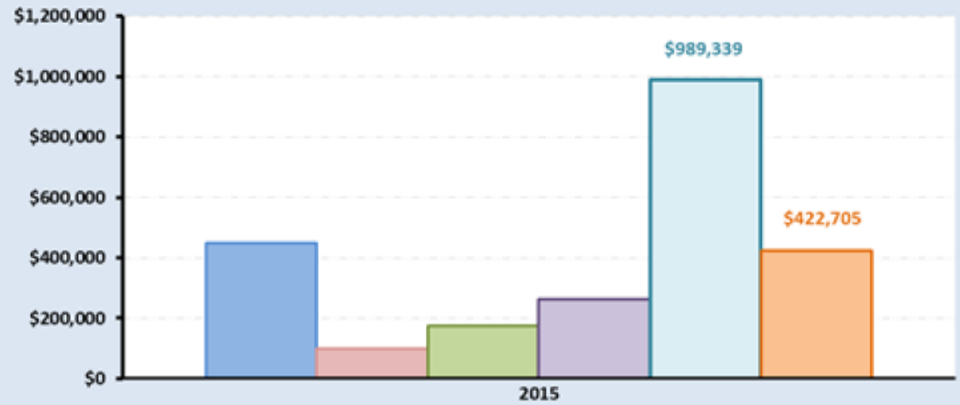
Since the majority of the marketer transaction fees such as the billing fee and confirmation letter fee are based on participation levels, declining customer participation adversely affects the cost recovery ability of the Program. At the height of the Program in 2008, participation levels reached over 139,000 participants. Participation remained at over 100,000 customers until the first wave of five year contracts expired in November 2012. At that time, participation levels dropped to approximately 65,000 customers.

While participation rates remain relatively stable now, the closing of Gas Marketer price groups also affects the amount of monthly recoveries and diminishes the ability of FEI to recover operating costs for the Program. Also, as the number of disputes fall so do the fees collected, thereby contributing fewer dollars to recover BCUC administrative costs.

Additionally, recoveries are further impaired because fewer Gas Marketers are participating in the Program. There are currently eight licensed Gas Marketers, six of which are actively enrolling customers, comparing to fifteen participants in the early years of the Customer Choice program. This decrease in Gas Marketer participation has contributed to the decline in program recoveries. Less Gas Marketers participating in the Program has meant that with the existing transactional based fee structure, there are fewer recoveries from open Marketer Price Groups.

Figure 4-3 below shows the Program costs and recoveries that resulted in a shortfall of total Program costs for 2015. The shortfall is expected to continue with the current transactional fee structure that is heavily based on customer participation levels.

Figure 4-3: 2015 Customer Choice Program Costs and Recoveries



	2015
Operating Costs	449,793
System Infrastructure	99,882
BCUC Costs	175,771
Customer Education Costs	263,893
Total Program Costs	989,339
Gas Marketer Recoveries	422,705

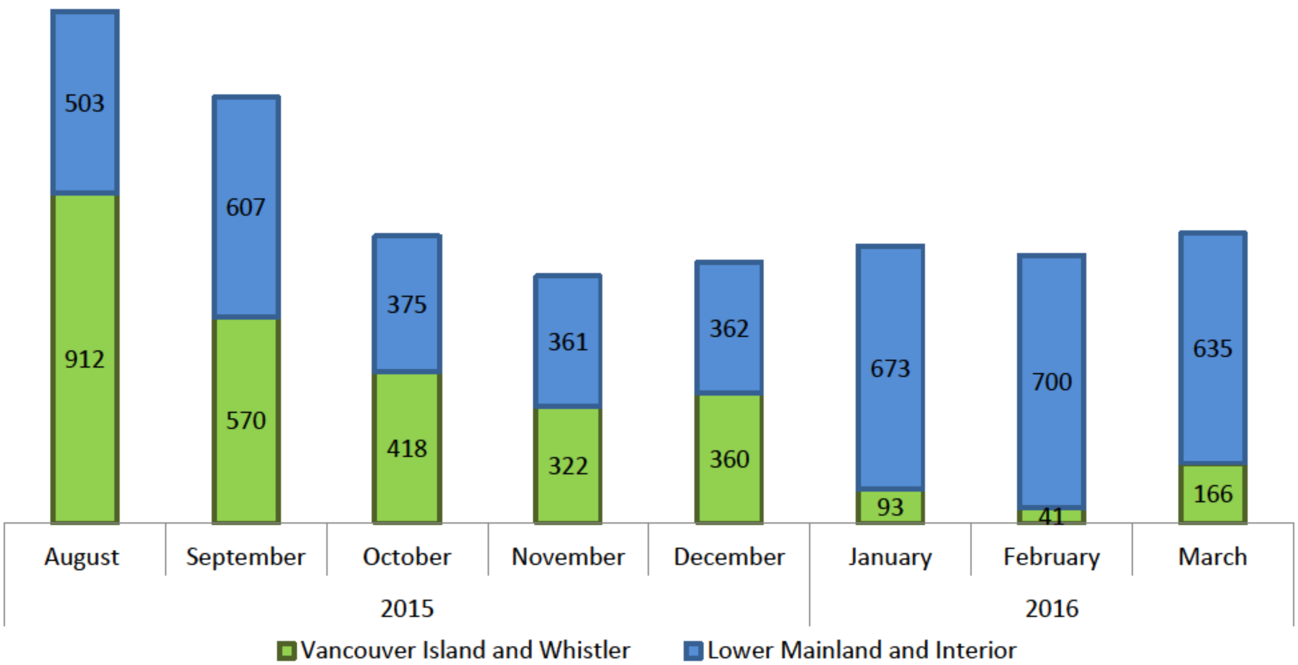
4.1 *IMPACT OF EXPANSION TO VANCOUVER ISLAND AND WHISTLER REGIONS ON COST RECOVERY*

In Order A-12-15, the Commission ordered FEI to include an evaluation of how the expansion to Vancouver Island and Whistler may have impacted the cost recovery of the Program.[16] A summary of the evaluation is provided below.

The effect on the Gas Marketer recoveries of expanding the Customer Choice Program to Vancouver Island and Whistler has been negligible to date. Sales during the first five months of program expansion were steady and represented over half of total gross program enrolments. The average total gross enrolments were almost 900 per month for the first half of 2015, decreasing to 441 gross enrolments from August to December once the new areas were eligible for participation in Customer Choice. This suggests that the sales focus shifted from the existing regions to the new regions instead of resulting in any spike in sales activity. Total gross enrolments in the new regions were 516 average enrolments per month from August to December 2015. The first three months of enrolment activity for 2016 show that sales have decreased substantially on Vancouver Island and the focus has returned to enrolling Lower Mainland and Interior customers. By comparison, total gross enrolments for the first three months of 2016 are 4% lower than the same period for 2015. Figure 4-4 below compares the total gross enrolments by existing regions to the enrolments by new regions from August 2015 to March 2016.

[16] Order A-12-15 dated September 29, 2015 Section 2.2, P. 4

Figure 4-4: 2015/2016 Lower Mainland and Interior vs. Vancouver Island and Whistler Enrolments



5. PROGRAM COST RECOVERY

Instead of simply increasing rates for existing fees, FEI believes that new fees should be introduced that do a better job of matching Program costs incurred, and in a way that mitigates dramatic cost shifts to Gas Marketers. This will ensure that changes are as non-disruptive to the marketplace as possible (i.e., Gas Marketers exit the Program), and improve the alignment between costs incurred and fees recovered. This section presents four different possible recovery options, including FEI's recommended go forward strategy.

When evaluating new fees, FEI considered if they:

- address current and forecasted recovery shortfalls;
- account for the reduced number of active Gas Marketers participating in the Program;
- can be adjusted to reflect higher or lower participation rates in the future; and
- adequately address potential over-recoveries from Gas Marketers.

To determine the best approach to recover the Program costs allocated to Gas Marketers, the Company considered four options. Refer to CONFIDENTIAL Appendix D for the details of each option. Each option includes two fee recovery components, including: (1) A fixed monthly cost recovery fee that allocates costs to the Marketers either equally, proportionally by customer base, or a combination thereof; and (2) minor variable service fees that remain unchanged across all options. Variable service fees include the continued use of the Confirmation Letter Fee, recommended to decrease to $.87 per letter; the Marketer Price Group Setup Fee recommended to change to a one-time fee of $125; and the Dispute Fee, recommended to remain at $50 per dispute and applied at the discretion of the BCUC. The four new fee options considered include the following:

- **Option 1: Equal Fixed Fee per Marketer** proposes an equal division of the required recovery amongst all participating Gas Marketers.
- **Option 2: Proportional Fixed Fee per Marketer** proposes a proportional division of the required recovery amongst all participating Gas Marketers, based on each Marketer's share of the Customer Choice customer base.
- **Option 3: Variable Fee per Customer** proposes set fees charged per enrolled customer. The set fees would reflect costs for Program administration and technical support.
- **Option 4: Combination Fee** proposes a blend of an equal fixed fee and variable fees charged to the Marketer based on the Marketer's monthly number of enrolled customers.

Each option was assessed based on the proposed cost allocations and 2015 Program Costs presented in Table 3.2: Annual Program Expenses and Proposed Allocations. The options are expanded upon below in Section 5.1 through 5.4, and then evaluated more fully in Section 5.6.

5.1 PROGRAM COST RECOVERY OPTION 1 – EQUAL FIXED FEE PER MARKETER

Option 1 involves a simple equal division of the allocated Program costs amongst all participating Gas Marketers. For example, using $484,947 as the required Marketer recovery for 2015, this option would result in a fixed fee of $60,618 per Marketer per year, or $5,052 per Marketer per month based on eight licensed Gas Marketers. Under this option no other fees are proposed for the recovery of fixed costs. All service fees are applicable, and charged on a per use basis.

A year-end reconciliation would be used whereby any under or over recovery of fees at year-end would be included as a debit or credit in the following year's charge to each Gas Marketer based on the same equal fixed fee methodology as set out above. The debit or credit would be included in the recalculation of the following year's fixed fee.

5.2 PROGRAM COST RECOVERY OPTION 2 – PROPORTIONAL FIXED FEE PER MARKETER

Option 2 involves a proportional division of the required recovery of fixed costs amongst all participating Gas Marketers. The proportional rate would be determined by each Marketer's share of the Customer Choice customer base.[17] For example, if Marketer ABC Energy held 25% of all active customers, then that Marketer would pay 25% of $484,947, or $121,237 annually ($10,103 per month). Under this option no other fees are proposed for the recovery of fixed costs. All service fees are applicable, and charged on a per use basis.

A year-end reconciliation could be considered for this option whereby any under or over recovery of fees at year-end would be included as a debit or credit in the following year's charge to each Gas Marketer based on the same proportional fee methodology as set out above. The debit or credit would be included in the recalculation of the following year's fixed fee.

5.3 PROGRAM COST RECOVERY OPTION 3 – VARIABLE FEE PER CUSTOMER

Option 3 involves calculating a set fee per customer to recover the allocated Program costs. Two set fees are considered in light of the historical costs presented in Section 3, including: 1) a Program Administration Fee to recover largely fixed administration costs and 2) an Infrastructure Support Fee to recover technology support costs. These fees would be calculated based on the total number of active customers participating in the Program. The monthly amount charged to Gas Marketers would be determined based on the number of active customers each Marketer has in their portfolio on a monthly basis (i.e., [Program Administration Fee + Infrastructure Support Fee] x Gas Marketer's Active Enrolments). The calculation is the same for both fees; however FEI suggests that keeping them separate provides greater clarity

[17] Comprehensive customer enrolment reports are available to FEI and BCUC, while Gas Marketers have access to daily reports that provide information their own customers.

with respect to the underlying costs and the granularity will be helpful for future Program reviews.

The Program Administration fee and the Infrastructure Support fee would be calculated as follows. For example, if there are 30,000 active customers in the Program with program administration costs of $300,000 annually and technology support costs of $150,000 annually, the Program Administration fee would be set at $10 per customer annually, or $0.83 per customer per month, and the Infrastructure Support fee would be set at $5 per customer annually, or $0.42/month.

Sample Calculation:

Program Administration Fee:

$300,000 / 30,000 customers = $10 / customer annually / 12 months = $0.83 / customer / month

Infrastructure Support Fee:

$150,000 / 30,000 customers = $5 / customer annually / 12 months = $0.42 / customer / month

Using the sample fees above, a Gas Marketer with 5,000 active enrolled customers at January 1, would be charged $4,167 for Program Administration (5,000 customers multiplied by $0.83 per customer) and $2,083 for Infrastructure Support (5,000 customers multiplied by $0.42 per customer) for the month of January. These remittance amounts would be recalculated each month based on each Marketer's current active customer base.

Option 3 is similar to Option 2 in that the fees are proportional to the Gas Marketer's share of the Customer Choice customer base, but differs in that the total monthly charge is not static, but would vary based on each month's enrolment numbers.

Under this option all variable service fees are applicable, and charged on a per use basis.

A year-end reconciliation could be considered for this option whereby any under or over recovery of fees at year-end would be included as a debit or credit in the following year's charge to each Gas Marketer based on the same fee methodology as set out above. The debit or credit would be included in the recalculation of the following year's fixed fee.

5.4 PROGRAM COST RECOVERY OPTION 4 – COMBINATION FEE

Option 4 proposes a combination of a flat monthly fixed-fee and a variable fee charged to the Marketer based on their monthly number of active customers. The flat fee would be static and based on a portion of the required recoverable amount due from the Gas Marketers. FEI proposes this amount be set at $2,000 per month ($24,000 annually) per licenced Gas

Marketer, which amounts to approximately 40 per cent of the projected 2016 Gas Marketer related costs. This allocation would allocate about 5 per cent of the Program's annual costs to each Marketer. The Company is amenable to an alternative percentage or monthly amount. Almost all the costs attributable to Gas Marketers are fixed in nature so the amount apportioned through the fixed component is largely subjective. The proposed amount mitigates some of the considerable changes to individual Marketer charges seen in the other alternatives, especially Option 1.

The remaining recoverable amount would be divided proportionally into a Program Administration fee and an Infrastructure Support fee, as described above in Option 3. Thus, each Marketer would be charged a monthly flat fixed fee, as well as set fees for program administration and infrastructure support for each active Customer Choice customer in their portfolio. This option combines aspects from both Option 1 and 3 in that there is a set fee component that remains static throughout the year for each Marketer regardless of market share, and a dynamic fee component that varies monthly based on the Gas Marketers particular share of the total Customer Choice customer base.

Example calculation:

Annual recovery required:

Base fee of $24,000/Marketer/year x 8 Marketers = $192,000 recovery

Program Administration Fee: $300,000 – ($192,000 x 67%) = $172,000

Infrastructure Support Fee: $150,000 – ($192,000 x 33%) = $86,000

Program Administration Fee:

$172,000 / 30,000 customers = $5.73 / customer annually / 12 months = $0.48 / customer / month

Infrastructure Support Fee:

$86,000 / 30,000 customers = $2.87 / customer annually / 12 months = $0.24 / customer / month

Under this option all variable service fees are applicable, and charged on a per use basis.

A year-end reconciliation would occur whereby any under or over recovery of fees would be included as a debit or credit in the following year's expenses, and then factored into the recalculation of the following year's monthly fee and/or the infrastructure and program administration fee rates.

5.5 EVALUATION FRAMEWORK

To evaluate the options considered and to determine a preferred option, FEI used a two-step evaluation framework that involved both a quantitative and qualitative assessment. The assessment focuses on the effect each option has on Marketers' monthly fees. FEI believes the revised fees should recognize the low participation rate in Customer Choice, and the limited active enrolments of some Marketers. This low enrolment compromises the ability of Marketers to absorb new or increased costs. If rates spike dramatically, it may motivate many to leave the Program thereby increasing cost allocations to remaining Marketers. This in turn may motivate additional Marketers to leave thereby compromising the Program's ongoing operation, meaningful competition with respect to Marketer rates, and the availability to customers of fixed rate products altogether.

Each step of the evaluation framework is further described below.

5.5.1 Step One: Quantitative Assessment

FEI first conducted a quantitative assessment of each potential option.

The purpose of this assessment was to evaluate the extent to which each of the options considered resulted in sufficient recoveries, taking into consideration the financial impact on each Gas Marketer. FEI used the 2015 recovery amounts as a baseline to compare the proposed options.

Table 5-1 below summarizes the quantitative assessment criteria used to assess and evaluate the options considered.

Table 5-1: Quantitative Evaluation Objective

#	Quantitative Objective	Description
1	Impact to individual Gas Marketers	How significantly does the new cost recovery option financially impact each Marketer in comparison to the current recovery structure? Specifically, FEI evaluated the annual percentage change in Marketer costs that arise due to the new fees. The Company anticipates that dramatic spikes will cause some Marketers to withdraw from the Program.

5.5.2 Step Two: Qualitative Assessment

In step two of the evaluation framework, FEI conducted a qualitative assessment on the four proposed options, taking into consideration the results of the quantitative assessment. FEI considered the objectives of fairness to the Gas Marketer, ease of system and process implementation, and flexibility of the proposed fee structure to accommodate future fee changes. Table 5-2 below summarizes the qualitative assessment criteria used to assess and evaluate the options considered.

1 **Table 5-2: Qualitative Evaluation Objectives**

#	Qualitative Objective	Description
1	Fairness	Does the fee structure effectively allocate costs to each Marketer in alignment with the principle of cost causality? Do allocations fairly reflect the costs each Marketer causes and benefits from?
2	Ease of Implementation	How much work and expense is required to implement the new recovery structure, with respect to system and process changes?
3	Long Term Flexibility	Can the fee structure be efficiently changed to meet future recovery requirements (i.e., change to recoup shortfalls or reallocate over-recoveries with reduced fees)?

2

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

5.7 RECOMMENDED APPROACH

Based on the quantitative and qualitative assessment of the four options considered, FEI believes that Option 4: Combination Fee best achieves the objective of cost recovery that is fair to Gas Marketers, easy to implement and flexible. More specifically,

- FEI ratepayers would be protected from potential fee recovery shortfalls;
- The new fee schedule should cause minimal disruption in terms of the number of Gas Marketers that choose to continue to participate in the Customer Choice Program;
- It ensures all licensed Gas Marketers share in the basic operating costs to run the Program. Those Marketers with more customers are not paying all costs while others benefit from the same services but pay substantially less;
- While some Gas Marketers would pay a higher percentage towards the total operating costs than they do now, FEI does not perceive the dollar increase as excessive (e.g. a small Marketer paying around $18,000 in the current fee structure would be paying 40% more which equates to $25,000); and
- The combination model is not a complete departure from the existing Marketer fees paid now.

5.7.1 Proposed Fee Structure

Based on Commission approval of the cost allocations proposed in Section 3.2, the following summarizes the recommended fee structure and amounts to be paid by Gas Marketers. The fees are divided into two sections: Fixed Cost Recovery Fees charged to recover the Program's fixed costs, and Service Fees charged per service used.

Fixed Cost Recovery Fees:

- **Program Administration Fee**: This fee covers FEI Program administration costs and BCUC costs. The sum of these costs, divided by the number of active customers, determines the per customer Program administration fee. For example, costs for 2015 of $309,178 divided by 32,015 active customers, on a monthly basis would be $0.80 per active customer per month.
- **Infrastructure Support Fee**: This fee consists solely of IT Support Costs, divided by the number of active customers. For 2015 these costs were $175,769 divided by 32,015 active customers. On a monthly basis this would result in a charge of $0.46 per active customer per month.
- **Program User Fee**: This is a fixed flat monthly fee that partially recovers the fixed costs of the Customer Choice Program. FEI recommends that $24,000 annually per Marketer be recovered from participating Gas Marketers. A flat fee of $2,000 per month would be charged to each Marketer, regardless of the number of active customers.

Service Fees:

- **Marketer Price Group Set-up Fee**: This is a per-use, one-time fee to set-up a new Marketer price group. The effort required to set up a price group includes 0.5 hours configuration time at $100 per resource hour, 0.5 hours testing time at $50 per resource hour, and 0.5 hours approval time at $100 per resource hour. The fee would be set at $125 per setup request.
- **Confirmation Letter Fee**: This is an existing variable fee charged for each confirmation letter sent to a newly enrolled Customer Choice customer. FEI proposes to retain this fee. However, based on FEI's in-depth review of Program costs the fee should fall from the currently charged $1.02 to $0.87 per confirmation letter. Investigation concludes this charge is a direct flow-through cost from the external vendor of $0.12 for printing and $0.75 for postage.
- **Dispute Fee**: This is a variable fee charged at the discretion of the BCUC, for customer-raised disputes where BCUC has ruled against the Marketer. FEI proposes to retain this fee unchanged in the new fee structure, at $50 per ruled dispute.

Upon Commission direction, fee amounts can be adjusted to accommodate changes to the cost allocations recommended in Section 3. However, the proposed fee structure should not need to be altered.

The Program's historical fees, the recent change to the Confirmation Letter approved in 2015, and the proposed new fees that will be implemented if approved are displayed in Appendix B: Historical and Proposed Fee Structure by Year.

6. IMPLEMENTATION

This section discusses the Implementation Plan and fee structure review for Option 4: Combination Fee structure. The following questions were taken into consideration when deciding on an appropriate implementation plan for Option 4: Combination Fee structure:

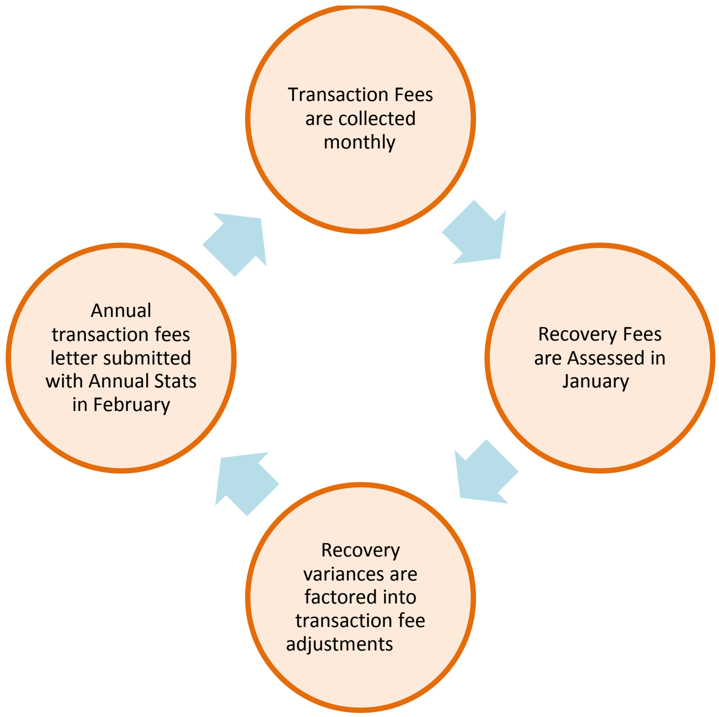
1. How often to adjust fees, and when?
2. How to implement the proposed solution?
3. Is there long-term flexibility in the fee structure?

6.1 *FEE ADJUSTMENTS*

Transaction fees would continue to be collected monthly throughout the calendar year January to December but any adjustments required for transaction fees would take effect on April 1 of the following year. The fees will be evaluated each January based on the previous year's actuals and adjusted accordingly. In February of each year, FEI would submit a letter along with the Annual Program Statistics outlining the changes to the fee structure for the upcoming year April through March. Any variance in the recoveries would be factored into the next year and transaction fees adjusted up or down accordingly. This variance reconciliation would address the need to handle positive and negative variances that arise when recoveries do not match program costs. If customer participation levels increase in the future, any positive variance from fees collected would benefit the Gas Marketers in the following year when lower fees would be required.

FEI will submit a letter to the Commission in February establishing the rates and any changes to be effective on April1 of the new year. The annual statistics report submitted in February of each year would continue to contain detailed information about the Customer Choice operating costs and expenses and additionally would include the new information about the Gas Marketer recovery reconciliation. Figure 6-1 below depicts the proposed transaction fee annual review cycle.

Figure 6-1: Transaction Fee Annual Review Cycle



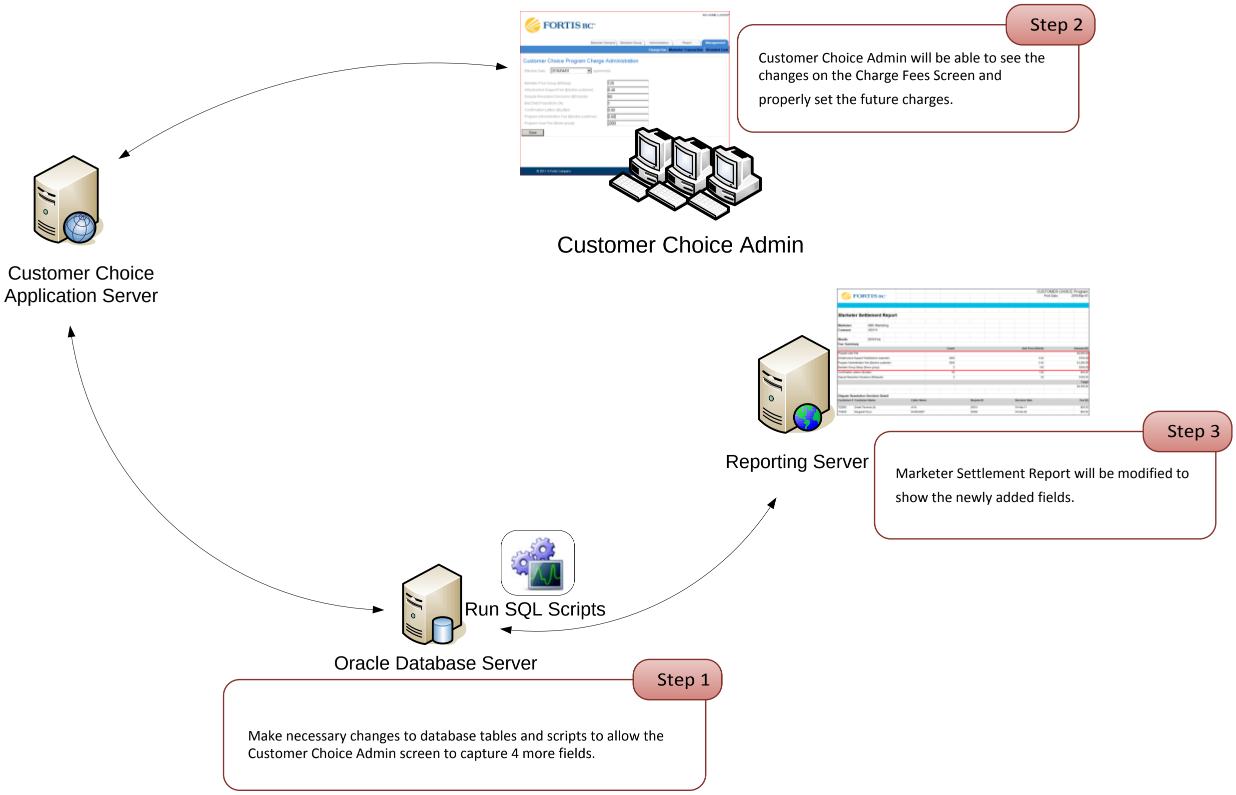
6.2 *IMPLEMENTATION PLAN*

The implementation plan for the revised fee structure was developed in consultation with the external developers from Fujitsu Canada Inc. who work on-site for FEI maintaining the GEM system and associated system infrastructure and has been providing system development and support for the Customer Choice program inception in 2007. When designing the new program fee structure, consideration of how to implement the new fees within the framework of the existing system and accounting processes was taken into consideration to keep implementation costs as low as possible. The following principles were considered for the design implementation:

- minimize modifications to existing systems;
- leverage strengths of existing system functionality;
- low maintenance costs; and
- automate processes where possible.

The existing system would need to be changed to create a new version of code tested and implemented into production and to update current system and report documentation to reflect the changes made. Figure 6-2 below shows the high level overview of the system changes required.

Figure 6-2: High Level Overview



6.2.1 System Changes Required

To implement the proposed fee structure, there would be minimal development changes required and no underlying process changes necessary. Creating automated processes for processing the fees would keep maintenance and administration efforts at a minimum. There would be system changes required to the GEM administration website, affected database tables and the Marketer Settlement Report logic in order to accommodate adding the new Infrastructure Support Fee, Program Administration Fee and Program User Fee.

6.2.1.1 Program Charge Administration Website

There is an existing GEM Program Charge Administration screen that allows the program analysts to adjust the fees and effective dates as necessary. The process for calculating the Confirmation Letter Fee and the dispute resolution decisions and related fees would not change. The system developers would modify the Program Charge Administration screen to display the new fees Infrastructure Support, Program Administration and Program User Fee. These fees would be calculated monthly using the active customer count logic that already exists. The Program User Fee would be charged at a flat rate per month. The Billing fee title would be removed from the display. The Marketer Price Group fee would be updated to display ($/Setup) instead of ($/Group). Figure 6-3 below displays a mock-up of the Program Charge Administration screen in the GEM Administration website with the new fees added.

Figure 6-3: GEM Program Charge Administration Screen

6.2.1.2 Reporting Changes

FEI would be able to leverage the process already in place for counting active customers for the Customer Bill Fee and apply that logic to the two new fees for Infrastructure Support Fee and Program Administration Fee. System logic would need to be written to change the Marketer Group Fee from a monthly fee to a one-time setup fee. As well, new system logic would be developed to include the monthly charge for the Program User Fee on the Marketer Settlement Report.

The Marketer Settlement Report is run on the first day of every month and emailed via report subscription to the Energy Supply Services group for processing of the purchase statement. The Marketer Settlement Report logic would be updated to generate the proper counts and calculation of the correct amounts to charge to Gas Marketers. Report logic will be updated to ensure the display of the new fees, Program User Fee, Infrastructure Support Fee, and Program Administration Fee in the Fee Summary section of the report. Figure 6-4 below depicts the changes that would be required to the monthly Marketer Settlement Report to add the proposed new fees.

Figure 6-4: Marketer Settlement Report Mock-up

FORTIS BC

CUSTOMER CHOICE Program
Print Date: 2016-Mar-01

Marketer Settlement Report

Marketer: ABC Marketing
Contract: 103111

Month: 2016-Feb

Fee Summary

	Count	Unit Price ($/Unit)	Amount ($)
Program User Fee			$2,000.00
Infrastructure Support Fee($/active customer)	3000	0.25	$750.00
Program Administration Fee ($/active customer)	3000	0.42	$1,260.00
Marketer Group Setup ($/new group)	2	150	$300.00
Confirmation Letters ($/Letter)	40	1.02	$40.80
Dispute Resolution Decisions ($/Dispute)	2	50	$100.00
			Total
			$4,450.80

Dispute Resolution Decision Detail

Customer #	Customer Name	Caller Name	Dispute ID	Decision Date	Fee ($)
722892	Greek Taverna Ltd.	AVA	35015	16-Feb-11	$50.00
734658	Margaret Chow	MARGARET	35009	16-Feb-29	$50.00

There would be no changes to the existing gas accounting invoicing process with the new transaction fees. The Energy Supply Services group would still receive the Marketer Settlement Report on the 1st of the month and then manually input the charges into the FEI Entegrate System that tracks gas purchase information. The new fees would be setup in the Entegrate System so they could be generated on the Gas Marketer Purchase Statement.

6.2.1.3 Database Table Changes

To accommodate the new fees into the Marketer Settlement Report, a couple of minor changes are required to the database tables. The database table changes required include the addition of an extra field called "Active" to distinguish which charge type is active, and a stored procedure change to accommodate the extra field entitled, "Active". This change would be required in order to keep the existing fees (e.g. Customer Billing Fee) in the database table and marked as inactive allowing for only the new/active fees to be displayed. This would allow for more flexibility for any future changes or if it is decided to re-activate an inactive transaction fee.

The detailed system enhancements requirements and cost estimate provided by Fujitsu is attached in Appendix C: Business Requirements for Customer Choice Cost Recovery Change Implementation Plan.

6.2.2 Implementation Cost Estimate

The development work required to implement the new transaction fees and make changes to existing fees is minimal and can be completed in approximately 25 hours of development time for a cost of approximately $3,000. Any scope changes or development delays exceeding past

September 1, 2016 arising out of the completion of the cost recovery review process may result in the need to revise the cost estimate included in this Application.

6.2.3 Implementation Timeline

FEI expects that the implementation can be completed within 90 days of the approval date of the Application.

7. CONCLUSION

The purpose of this Application, as directed by Order A-12-15, was to (1) provide stakeholders with a thorough review of Program costs; (2) attribute costs to Gas Marketers or FEI customers as appropriate; and (3) propose a suitable Gas Marketer fee recovery mechanism. FEI believes the approach the Company took to address these objectives was thorough and fair to both customers and Gas Marketers. FEI respectfully requests that the Application be approved as proposed.

Appendix A

TIMELINE OF RELEVANT EVENTS

TIMELINE OF RELEVANT EVENTS

The appropriateness and possible adjustment of Gas Marketer fees has been touched upon several times at Customer Choice annual general meetings. The following summarizes notable discussions.

During the 2009 Annual General Meeting process, an issue pertaining to the $50 dispute resolution fee was raised by Gas Marketers. Gas Marketers suggested that the dispute resolution fee should be bilateral.[1] Specifically, they wanted to introduce a refundable $50 fee paid by customers to lodge a price-related dispute in an effort to curtail what Gas Marketers perceived as frivolous disputes. British Columbia Public Interest Advocacy Centre, on behalf of British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre, *et al* (BCOAPO) and FortisBC Energy Inc. (FEI) did not agree with the recommendation. FEI suggested that the most efficient way to decrease the overall number of disputes was to enforce the Code of Conduct and increase the dispute fee to an amount more punitive than the $50 charge.[2] British Columbia Utilities Commission (BCUC or the Commission) staff felt there was some merit with the Gas Marketers request but felt charging customers a dispute fee would contravene the Commission's consumer protection responsibilities. Further, Commission staff suggested that if Gas Marketers kept to the main objectives of ensuring consumers were making an informed choice and establishing a competitive marketplace, there would little or no need to stem price-related contract disputes.

Another issue brought up at the 2009 AGM around fees was a request by Access Gas to eliminate the dispute fee for cancellation requests outside the 10-day cancellation period.[3] BCOAPO and FEI opposed eliminating the dispute fee for cancellations due to concerns about the impact of this request on all ratepayers. FEI recommended reviewing the appropriateness of removing the fee for cancellations at the next AGM. Commission staff did not oppose the elimination of the dispute fee for cancellations if it meant that Gas Marketers and customers were able to resolve their issues on their own. In the end, the related dispute fees were retained.

During the 2010 Annual General Meeting process, Just Energy questioned why FEI charges Gas Marketers a monthly fee for each price point and suggested that there should not be a fee for creation of new price points.[4] FEI noted at that time that existing fees were approximately covering the Program overhead and administrative costs. FEI confirmed that the marketer group fee price was analyzed and set in 2006 based on fees paid to the external billing service provider.

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[1] 2009 Customer Choice Program Summary and Recommendations, Appendix A: section 1.4, Dispute Resolution Fees, p. 9
[2] 2009 Customer Choice Program Summary and Recommendations, p. 16
[3] 2009 Customer Choice Program Summary and Recommendations, section 1.1 Cancellation Requests, pg. 2-3
[4] 2010 Customer Choice Program Summary and Recommendations, section 2.8 Price Point Charges, p. 33

Also in 2010, Commission staff brought up program expenses as an issue and questioned whether Gas Marketers should bear more of the program costs including customer education expenses.[5] BCOAPO thought that ratepayers should not pay for any of the education costs and that Gas Marketers should pay for a share as they receive direct benefit from the expenditure. FEI's position was that all operating costs should be recovered from Gas Marketers where possible via fees and be subject to adjustment as necessary to reflect cost of service changes. FEI's opinion was that all customers who are eligible for the program should be responsible for the education expenses, as they all benefit from its availability whether or not they choose to participate.

By 2012, FEI reporting indicated that Gas Marketer recoveries were declining an average of 10 percent per year since 2010 while program costs remained fairly stable over the same period. FEI stated in the 2012 Annual Report that the current fee structure was sufficient for the time being but needed to be monitored closely for future adjustments.[6]

The subject of fees was discussed during the 2012 Annual General Meeting in reference to the revised independent dispute process.[7] The Commission was concerned about the applicability of the dispute resolution fee for standard disputes. The interim dispute guidelines that were introduced in October 2012 stated that a fee would not be charged for a standard dispute if the dispute was resolved without the Commission's involvement. However, the Commission noted that there were costs to the Program whether it was resolved directly with the marketer or not and wanted to charge the dispute fee for all disputes unless the dispute was ruled in favour of the Gas Marketer. Just Energy disagreed with the proposal as they did not believe it was appropriate to charge the same fee for cases that have been resolved and those that have not. FEI agreed with the Commission that there was an inherent fixed cost associated with the administration of disputes. FEI maintained that Gas Marketers should be charged to help recover these Program expenses.

In 2015, FEI raised an issue for discussion at the 7th Annual General Meeting to review the transaction fees charged to Gas Marketers. In the Customer Choice Program Statistics, filed by FEI on March 6, 2015, FEI stated,

> As Gas Marketer recoveries decline while Program costs remain stable, FEI must ensure that Program costs are recuperated by Program fees. While the expansion to Vancouver Island and Whistler will provide an extra infusion of Program funds, FEI does not believe it will be enough to cover the shortfall in Program funding in future years. The Company will raise this issue and present the company's recommendations regarding potential fee adjustments at the next Customer Annual General Meeting.[8]

[5] 2010 Customer Choice Program Summary and Recommendations, section 2.14 Billing Issues, p. 62
[6] 2012 Annual Report for the Customer Choice Program, p. 18
[7] 2012 Annual Report for the Customer Choice Program, section 5.1.2 Dispute Process, p. 36
[8] 2014 Customer Choice Program Statistics, Section 7.7 Program Fee and Fee Structure, pp 19-20

As well, BCOAPO requested a discussion around cost recovery, fees and mechanisms at the AGM. In their letter dated March 27, 2015, BCOAPO stated, "As it will be very difficult to forecast recoveries going forward, in addition to adjusting the fees paid by marketers, BCOAPO would like to discuss the possibility of establishing a variance account such that any over- or under-recoveries going forward would be refunded or charged to marketers. BCOAPO would like a discussion of the possibility of a variance account or some other similar mechanism to ensure that program costs are fully recovered from the marketers."[9] In Order A-3-15, the Panel directed that the discussion on this issue, "…be limited to whether a detailed review of the cost recovery, fees and mechanisms is required at this point; and if so, on the development of a potential plan and timeline for doing so."[10]

At the 7th Annual General Meeting, FEI proposed fee adjustments to the billing and confirmation letter charges in order to cover the current cost of postage as the fees had not been adjusted since Program inception in 2007. FEI presented the actual program costs to April 30, 2015 and showed a projected shortfall of $200,000 in fee recovery if the confirmation letter and billing fee amounts were left unchanged. The actual shortfall for 2015 ended up being just over $300,000.[11] FEI proposed a solution to recover the shortfall for the year was to adjust the confirmation letter fee to $1.02 and the billing fee to $0.80 with a one-time retroactive billing to Gas Marketers to January 1, 2015. FEI submitted that the Company's proposal to update the postage fee component of the billing and confirmation letter charge to cover the current cost of business postage was fair, leveraging the fee structure presented and approved in the original 2006 CPCN. The Company also suggested a fulsome review of the transaction fees and recommendations should be conducted and filed as a separate application in 2016.

While Gas Marketers supported the change to the print and postage rate for the confirmation letter, they did not support a change to the billing fee. The Gas Marketer Group (Access Gas Services Inc., Direct Energy Marketing Limited, Bluestream Energy Inc. and Just Energy (B.C.) Limited Partnership) felt the bill was a shared cost and Gas Marketers should not be responsible for the full cost of postage and print fees. The Gas Marketer Group maintained that all program costs were never intended to be recovered fully from Gas Marketers as Customer Choice is a program that is available to all residential consumers. Further, they suggested that increasing fees will increase the cost of providing service to Gas Marketer customers and likely result in a further decline in Program participation.[12.]

In Order A-12-15, the Panel directed FEI to submit an application to the Commission regarding the Customer Choice Program fee structure by March 31, 2016.[13] On November 18, 2015, FEI requested Commission staff provide a breakdown of the BCUC expenditures charged to the Customer Choice Program for the years 2010 to 2015. This information breakdown was requested to assist FEI staff with the comprehensive review of Program expenses. On

[9] Exhibit C5-2, pp. 1–2
[10] Order A-3-15, Appendix B, p 2
[11] 2015 Customer Choice Program Statistics, Section 7, figure 7-1
[12] 2014 Customer Choice Seventh Annual General Meeting, p. 47-51.
[13] Order A-12-15, Section 2.2, pp. 3-4

December 14, 2015, Commission staff replied stating they required additional time to complete the information request and would provide the information by January 22, 2016. The Commission stated they would provide FEI with cost breakdown for the years 2012, 2013 and 2014 only as the Commission adopted a new financial IT system in 2012 and the data is not readily available. Further, the information for 2015 would not be available in time to include with the information request.[14] On January 8, 2016, FEI requested a one-month extension to the deadline for filing the Cost Recovery Application to allow for adequate time to review the Commission's expenditure data. The Commission issued Order A-1-16 dated January 13, 2016 denying the one-month extension period, but instead providing a two-week extension and a new deadline of April 14, 2016 to submit the Cost Recovery Application.[15]

[14] Letter Dated December 14, 2015, Re: FortisBC Energy Inc. Request for BC Utilities Commission Customer Choice program cost data, Log No. 51308

[15] Order A-1-16 dated January 13, 2016, p 2

Appendix B

HISTORICAL AND PROPOSED FEE STRUCTURE BY YEAR

Historical and Proposed Fee Structure by Year

2007

- **Customer Bill Fee** - $0.40 per bill
- **Marketer Price Group Fee** - $150 per month per group
- **Confirmation Letter Fee** - $0.60 per confirmation letter
- **Dispute fee** - $50 per dispute applied at BCUC discretion

2015

- **Confirmation Letter Fee** – Adjusted to $1.02 per confirmation letter

2016 (Proposed)

- **Program Administration Fee** - $0.42 per enrolled customer
- **Infrastructure Support Fee** - $0.25 per enrolled customer
- **Program User Fee** - $2,000 per month
- **Marketer Price Group Fee -** $125 one time charge for initial set-up
- **Confirmation Letter Fee** - $0.87 per confirmation letter
- **Dispute Fee** - $50 per dispute applied at discretion of BCUC

Appendix C

BUSINESS REQUIREMENTS FOR CUSTOMER CHOICE COST RECOVERY IMPLEMENTATION PLAN

Business Requirements

for

Customer Choice Cost Recovery

Change Implementation Plan

Version 1.0

Document control

Version	Issue Date	Author	Description of Change
V 0.1	30.03.2016	Shane Chow	Draft

1. Introduction

1.1 Purpose

The purpose of this document is to provide a description of the functional design of the Customer Choice Program Charge Administration screen within the Nucleus Subsystem Administration Website (NSS). NSS Admin is a website in which Gas Supply interacts with to perform its business duties and monitoring of the Customer Choice program.

1.2 Terms and Definitions

Term	Abbreviation	Description
Nucleus Sub System Website	**NSS Website**	This is an internal web application that allows Gas Supply to make changes to the Marketer Groups and Manage other aspects of the Customer Choice system.

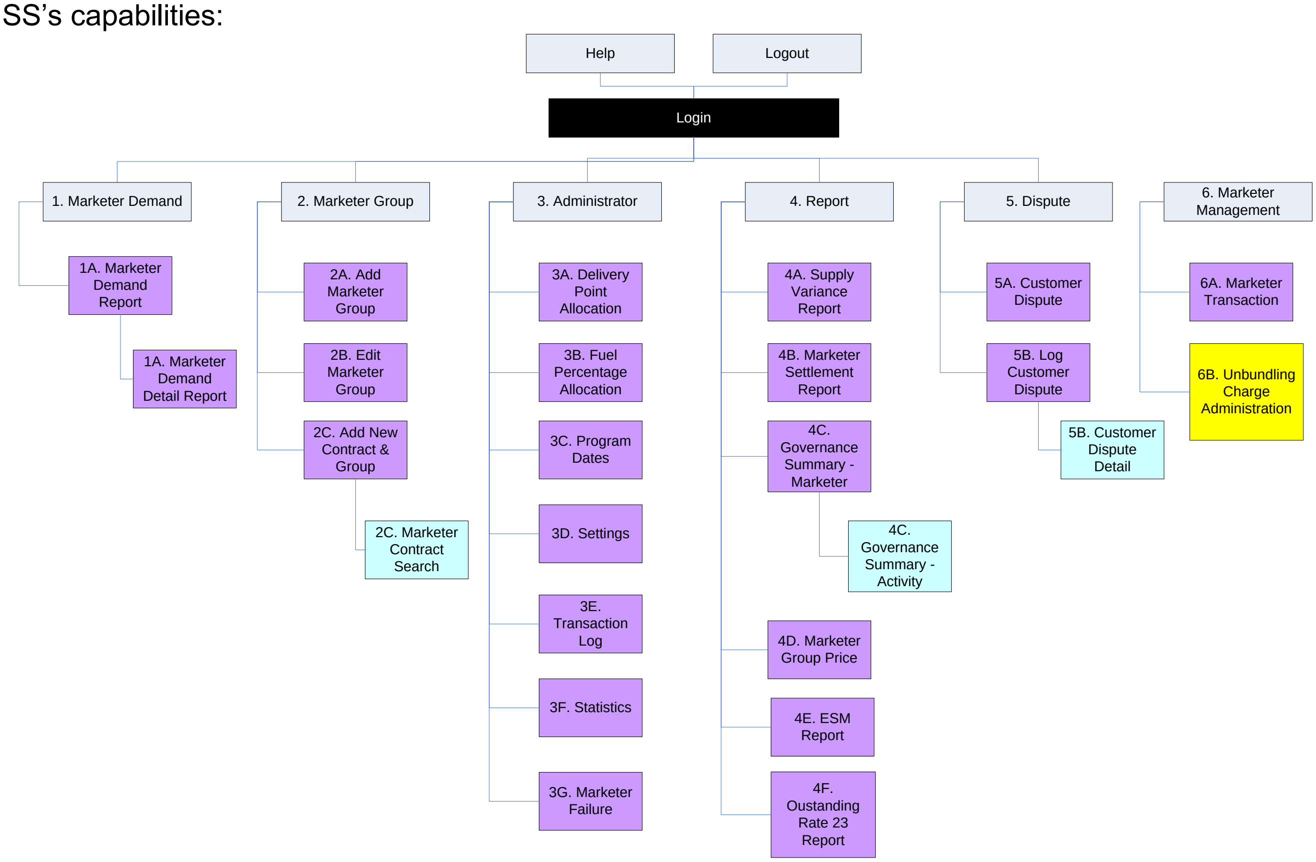
2. Project Description

2.1 Project Scope

This document covers the visible portions of the Nucleus Subsystem that assist users with the administration processes for the Customer Choice Programs that involves the Charge Fees. We will focus on the “Unbundling Charge Administration” highlighted in yellow in the screen below.

2.2 Project Overview

The Nucleus Sub-System plays an instrumental role for Gas Supply in the program. It serves to provide a variety of functions shown below. NSS is organized into various sections, namely Login, Marketer Demand, Marketer Group, Administration, Report and Dispute. Depending on what action the users are trying to perform, they can easily navigate the application by clicking on the appropriate tabs on the top of the screen. This site map provides a high level overview of NSS’s capabilities:



2.3 Project Background and Description

Customer Choice staff has analyzed their existing cost recovery model and identified better options to recover the costs to run the Customer Choice program. We need to modify the Customer Choice Admin Charge Fee screen to accommodate for the cost recovery fields necessary to capture the proper information to generate the Marketer Settlement Report.

A copy of the Marketer Settlement report in PDF format is emailed to tradelog@fortisbc.com (Gas Supply email distribution) every first day of the month at noon via report subscription. It includes data for the previous month. This process will remain the same. However, the content in the Fee Summary section of the report will be changed to display the new set of fees.

3. Overall Description

There will be three changes to the NSS Admin Website, the Marketer Settlement Report and database table changes.

3.1 NSS Admin Website Changes (Unbundling Charge Administration)

3.1.1 Current Process

Currenty the admin manages fees associated with the marketers from the NSS Web application. Admins are able to change the per unit program charges that will be reflected in marketer's settlement reports. Validation is performed to make sure only numbers are entered in this field. As well, users are only able to select future months in the drop down list. Charges will be applied to the Settlement Reports from that date onwards.


NSS HOME | LOGOUT
FORTIS BC
Marketer Demand
Marketer Group
Administration
Report
Management
Charge Fee
Marketer Transaction
Stranded Cost
Customer Choice Program Charge Administration
Effective Date:
2016/04/01
yyyy/mm/dd
Marketer Groups ($/Group)
150
Customer Billing Fee ($/Enrolled Customer)
0.40
Dispute Resolution Decisions ($/Dispute)
50
Bad Debt Proportions (%)
1
Confirmation Letters ($/Letter)
0.60
Save
© 2011 A Fortis Company
Privacy Policy
Terms of Use

3.1.2 Proposed Changes

Admin Website Changes:

1. Modified Customer Choice Admin Website→Management→Charge Fee option screen
2. Changes should contain the following data entry fields
   a. Marketer Price Group ($/Setup)
   b. Infrastructure Support Fee ($/active customer)
   c. Confirmation Letters ($/Letter)
   d. Dispute Resolution Decisions ($/Dispute)
   e. Bad Debt Proportions (%)
   f. Program Administration Fee ($/active customer)
   g. Program User Fee ($/month)
   h. All fees calculated monthly with the exception of Marketer Group Setup which is a one time cost only

The Charge Fee screen is data driven, there are two tables that the application queries to fill the screen above. The two tables are called:

Table Name:
NSS_UNBUNDLING_FEE
NSS_UNBUNDLING_CHARGE_TYPE

We will create the initial SQL scripts to run to make the modifications to both the tables. This will be tested in the QA environment.

3.2 Report Changes

Customer Choice Report Changes:

1. The following 2 Customer Choice SSRS reports will be modified:
    a. Marketer Settlement Report
    b. Marketer Settlement Report – Final

2. Changes to the "Fee Summary" section for the 2 reports above include:
    a. Add Program User Fee row
    b. Add Infrastructure Support Fee($/active customer) row
    c. Add Program Administration Fee ($/active customer) row
    d. Add Marketer Group Setup ($/new group) row
    e. Remove existing Marketer Groups ($/Group) row

CUSTOMER CHOICE Program
Print Date: 2016-Mar-01

Marketer Settlement Report

Marketer: ABC Marketing
Contract: 103111

Month: 2016-Feb

Fee Summary

	Count	Unit Price ($/Unit)	Amount ($)
Program User Fee			$2,000.00
Infrastructure Support Fee($/active customer)	3000	0.25	$750.00
Program Administration Fee ($/active customer)	3000	0.42	$1,260.00
Marketer Group Setup ($/new group)	2	150	$300.00
Confirmation Letters ($/Letter)	40	1.02	$40.80
Dispute Resolution Decisions ($/Dispute)	2	50	$100.00
			Total
			$4,450.80

Dispute Resolution Decision Detail

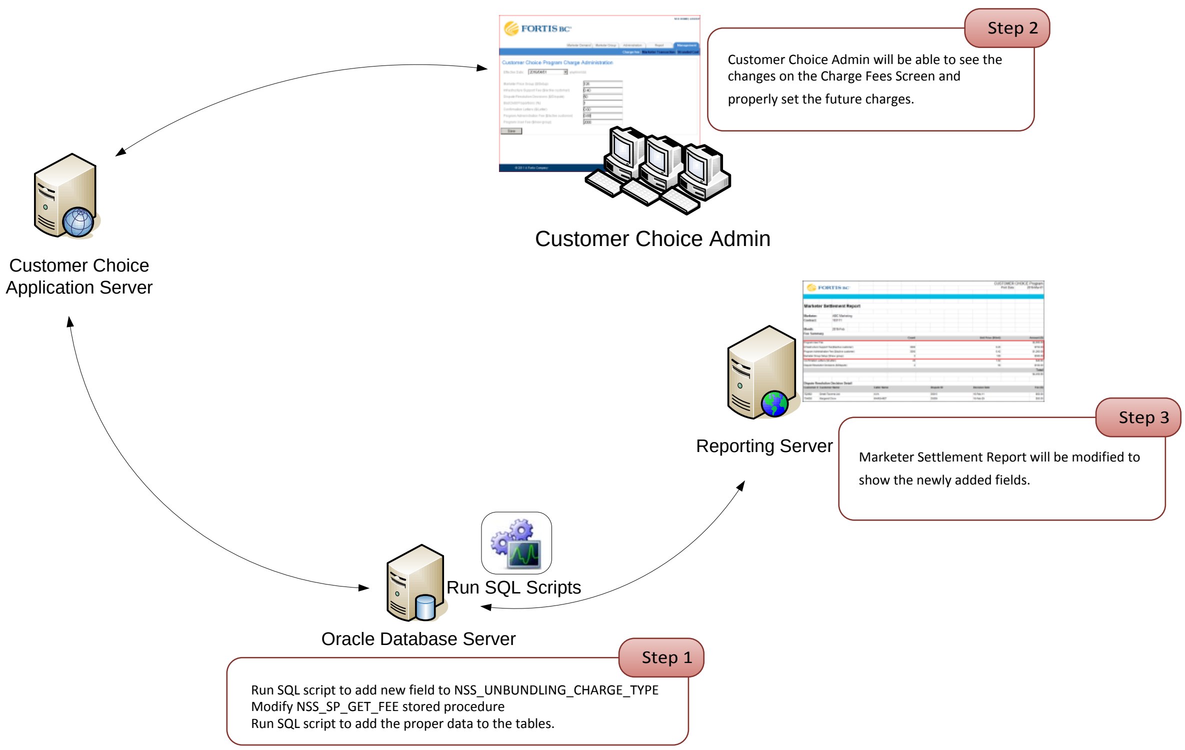
Customer #	Customer Name	Caller Name	Dispute ID	Decision Date	Fee ($)
722892	Greek Taverna Ltd.	AVA	35015	16-Feb-11	$50.00
734658	Margaret Chow	MARGARET	35009	16-Feb-29	$50.00

3.3 Database table changes

Database structural change required for NSS_UNBUNDLING_CHARGE_TYPE table. We need to add an extra field called "Active" to allow the application distinguish which charge type is currently active or not.

There will also be a database stored procedure change to NSS_SP_GET_FEE to accommodate for the extra added field.

3.4 High level overview



3.5 Deliverables:

- New version of code implemented in production.
- Change current documentation to reflect the changes made

3.6 Assumptions:

- All enhancements will be deployed in a single release
- Client is available for UAT
- Time and Materials with Scope engagement

3.7 Estimate Time:

Time / hrs	Resources	Estimate Cost
7	Senior Developer (Web)	$805
18	Senior Developer (Reporting)	$2,070
	Total Cost	$2,875

Appendix D

COST RECOVERY OPTIONS BY MARKETER

FILED CONFIDENTIALLY

Appendix E

DRAFT ORDER AND UNDERTAKING OF CONFIDENTIALITY

British Columbia Utilities Commission

Sixth floor, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
TEL: (604) 660-4700
BC Toll Free: 1-800-663-1385
FAX: (604) 660-1102

ORDER NUMBER
G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application for the Customer Choice Program Cost Recovery

BEFORE:
Panel Chair/Commissioner
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

A. FortisBC Energy Inc. (FEI) obtained a Certificate of Public Convenience and Necessity (CPCN) on August 14, 2006 for the Commodity Unbundling Project for Residential Customers (Customer Choice) in accordance with the government's 2002 energy policy which allows for the direct sale of natural gas to residential and small volume commercial customers through gas marketing companies licensed by the British Columbia Utilities Commission (the Commission);

B. On September 29, 2015, the Commission issued Order A-12-15, which, among other things, directed FEI to submit an application regarding the Customer Choice program fee structure (the Program Cost Recovery Application or the Application) to the Commission by March 31, 2016;

C. By Order A-1-16, following FEI's request for an extension to the filing date of the Program Cost Recovery Application, the Commission ordered that FEI submit the Program Cost Recovery Application by April 14, 2016;

D. On April 14, 2016, FEI filed the Program Cost Recovery Application, recommending a new fee structure for the recovery of costs associated with the Customer Care program and seeking approvals for specific items for the new fee structure;

E. The Commission has reviewed and considered the Application and concludes that the requested approvals are fair and reasonable and in the public interest.

NOW THEREFORE the British Columbia Utilities Commission orders as follows:

1. The FortisBC Energy Inc. Application for Customer Choice Program Cost Recovery as applied for is approved.

…/2

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

FortisBC Energy Inc.
Application for Customer Choice Program Cost Recovery

CONFIDENTIAL Undertaking

I, _____________________, am a participant acting for ____________________________ in the matter of the review of the FEI's Application for the Customer Choice Program Cost Recovery*.*

In this capacity, I request access to the confidential information. I understand that the execution of this undertaking is a condition of an Order of the Commission, and the Commission may enforce this Undertaking pursuant to the provisions of the *ATA.*

I hereby undertake

a) to use the information disclosed under the conditions of the Undertaking exclusively for duties performed in respect of this proceeding;

b) not to divulge information disclosed under the conditions of this Undertaking except to a person granted access to such information or to staff of the Commission;

c) not to reproduce, in any manner, information disclosed under the conditions of this Undertaking except for purposes of the proceeding;

d) to keep confidential and to protect the information disclosed under the conditions of this Undertaking;

e) to return to FEI, under the direction of the Commission, all documents and materials containing information disclosed under the conditions of this Undertaking, including notes and memoranda based on such information, or to destroy such documents and materials and to file with the Commission a certification of destruction at the end of the proceeding or within a reasonable time after the end of my participation in the proceeding; and

f) to report promptly to the Commission any violation of this Undertaking.

Dated at _________________________ this ______day of ____________, 2016.

Signature: ______________________________

Name: ______________________________
(please print)

Address: ______________________________

Telephone: ______________________________

Fax: ______________________________

E-mail: ______________________________