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May 20, 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)
British Columbia Utilities Commission (the Commission) Order A-3-16
Supplementary Information Compliance Filing

On April 14, 2016, FEI filed the above noted Application, pursuant to Directive 1 of Order A-12-15 and Order A-1-16 which extended the deadline for the filing date of the Application. FEI requested that the Commission hold confidential Section 5.6 of the Application: Evaluation of the Cost Recovery Options Considered.

On May 10, 2016, the Commission issued Order A-3-16, establishing a Regulatory Timetable for the review of the Application. Directives 1 and 2 of Order A-3-16 directed FEI as follows:

1. FEI is to supplement the Customer Choice Program Cost Recovery Application with the additional information outlined in Appendix A of Order A-3-16.
2. FEI is to revise or further explain its request to the Commission to hold Section 5.6 of the Application confidential prior to the Commission making a determination on the matter, for the reasons outlined in Appendix A to this order.

With respect to Directive 1, FEI addresses each of the items outlined in Appendix A of Order A-3-16 below.

With respect to Directive 2, upon further review of Section 5.6, FEI determined there are portions of that section that would not reveal sensitive market share information and,

therefore, does not require confidentiality. FEI hereby submits a revised confidentiality request for Section 5.6, and includes a revised redacted version of Section 5.6 in Appendix A, for only the specific portions of information which meet the criteria of section 20.1 (a) (ii) of the Commission's Rules of Practice and Procedure, whereby disclosure of such information could reasonably be expected to result in "significant harm or prejudice to that person's competitive or negotiating position". FEI submits that the information in the redacted portions would reveal competitive and market sensitive information specifically attributable to Gas Marketers which could harm their competitive position in the market if revealed. Under the Customer Choice Program, FEI does have an obligation to maintain confidentiality of Gas Marketer specific information in order to not undermine or impede the operation of the Program.

Supplementary Information for Directive 1

Below is the supplementary information requested by the Commission to facilitate a more complete review of the Cost Recovery Application.

- 1. The information contained in Figure 2-2 on page 10 of the Application in table format for ease of review and understanding.***

Response:

For ease of reference, the information contained in Figure 2-2 found on page 10 of the Application has been tabulated in Table 1 below.

Table 1: Customer Choice Program Costs and Recoveries 2007 to 2015

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	-	71,219	166,531	250,853	285,629	303,257	257,215	284,223	274,024
Operating	500,547	476,750	357,487	277,259	242,746	242,473	175,173	245,579	175,769
System Infrastructure	-	386,985	484,792	333,130	156,115	157,290	142,339	136,050	99,882
BCUC	-	36,780	173,815	367,643	136,427	277,713	187,428	118,289	175,771
Customer Education	48,945	2,987,404	747,642	497,454	234,060	310,433	295,346	267,022	263,893
Total Program Costs	549,492	3,959,138	1,930,267	1,726,339	1,054,977	1,291,166	1,057,501	1,051,163	989,339
Gas Marketer Recoveries	399,682	1,103,048	1,306,782	1,425,269	1,264,267	1,166,334	803,711	548,926	422,705
Variance	149,810	2,856,090	623,485	301,070	-209,290	124,832	253,790	502,237	566,634

- 2. A detailed calculation and explanation of the \$75,882 infrastructure sustainment costs stated to be incurred in 2015 (see page 13 of the Application).***

and

- 3. A detailed calculation and explanation of the \$96,000 infrastructure sustainment forecast to be incurred in the future (see page 13 of the Application).***

and

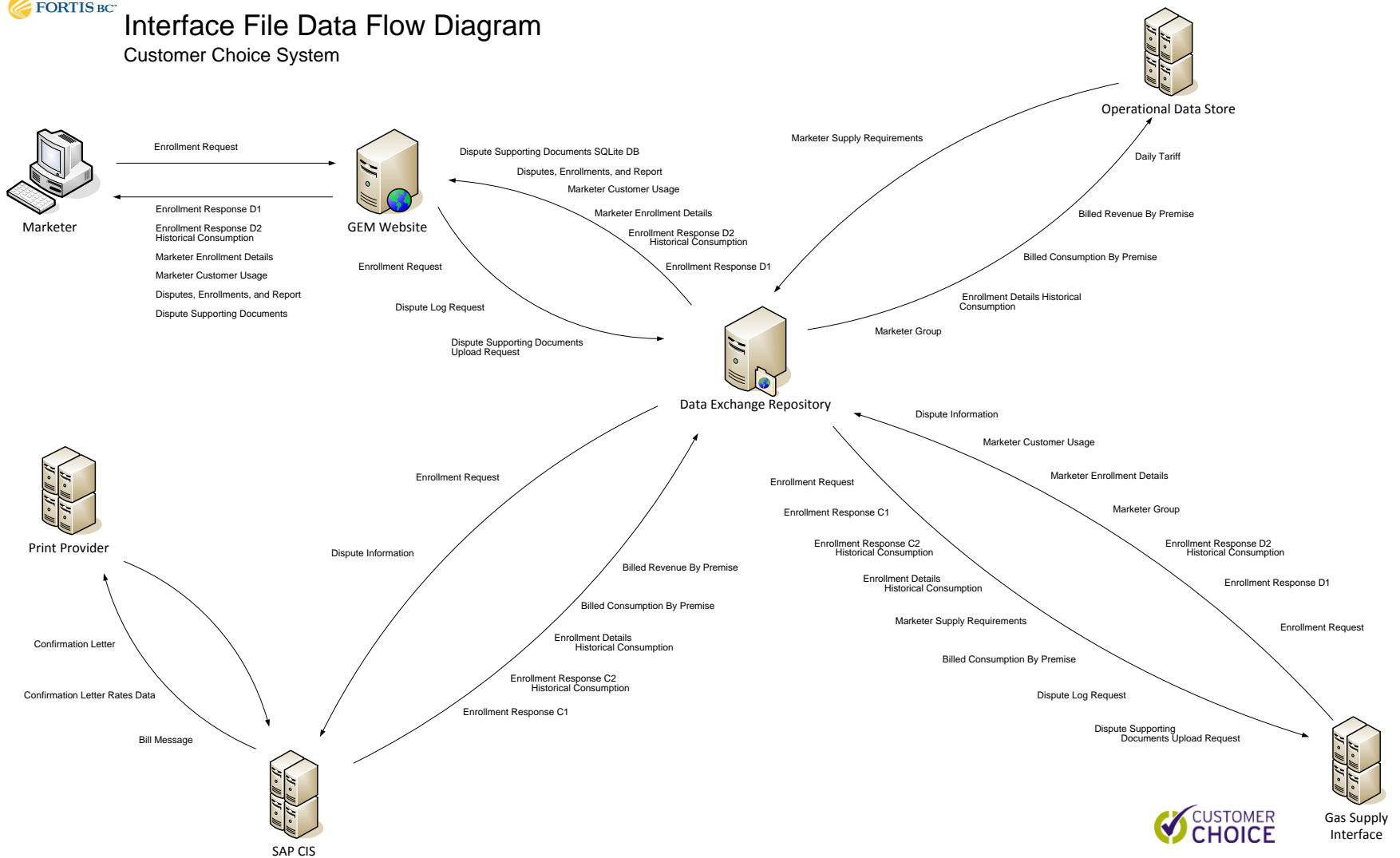
7. The same detailed breakdown and description for items 2, 4, 5 and 6 listed above for actual years 2012 through 2014.

Response:

The costs incurred for Infrastructure Sustainment for Customer Choice represent an allocation of effort related to the maintenance activities associated with the Customer Choice Program from the Customer Services Systems Group. As explained in Section 3.1.1 of the Application, the effort related to the maintenance activities of the Program involves a complex systems environment encompassing the end to end process from customer contract to supply reconciliation. The following diagram illustrates the complexity of the environment that is currently supported.



Interface File Data Flow Diagram Customer Choice System



Given this complex systems environment, part of overall systems sustainment costs are allocated to support the unique features of the Customer Choice Program related to contract management processes, data integrity management and billing support. Ongoing activities that continue to be supported related to the day to day operation of the program include:

- Management of marketing groups (set-ups and retirements)
- Marketer price maintenance
- Data clean up and data correction
- Inclusion of Gas Marketer consideration in the support of all customer communication:
 - Website content
 - Account Online content
 - Bill message and insert considerations

Additionally the network hardware and operating systems that support these interfaces and systems require ongoing maintenance. This includes the following tasks as examples:

- 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 responding to alerts

These sustainment duties associated with managing the Customer Choice systems architecture are required regardless of the level of activity.

FEI does not track tasks performed by its staff at a granular level. The duties required to maintain the system infrastructure are shared amongst the Infrastructure Sustainment team, and the costs charged to the program are derived based on an estimated proportion of hours of work required. After the repatriation of the Customer Service function in 2012, FEI estimated that tasks related to Customer Choice required on average, one half hour of effort per day. This estimate constitutes approximately 8% of the total annual work performed by the department and as such, FEI uses 8% of the Infrastructure sustainment labour budget costs as a proxy for the total annual work required to carry out Customer Choice infrastructure sustainment duties required for the Program. The Company believes that this 8% allocation continues to be a reasonable proxy for the effort required to sustain the Program's system infrastructure.

The total costs for Infrastructure Sustainment for the years 2012 through to 2015, including the 2016 forecast is provided in Table 2 below:

Table 2: Customer Choice Annual Infrastructure Sustainment Costs

Year	Cross-Charge Amount
2012	\$108,541
2013	\$111,039
2014	\$116,400
2015	\$75,882
2016 Forecast	\$96,000

The reason for the general reduction in allocated sustainment costs over the past 4 years is the stabilization of systems, interfaces and business processes following the migration and repatriation of customer service functions in 2012.

4. Explanation and supporting calculation for the \$175,769 incurred in 2015 for technology sustainment (see page 14 of the Application).

and

7. The same detailed breakdown and description for items 2, 4, 5 and 6 listed above for actual years 2012 through 2014.

Response:

The breakdown of Technology Sustainment costs is provided in Table 3 below by vendor and categorized by project, system maintenance charges and trouble-shooting support costs.

Fujitsu Consulting charges a variable monthly maintenance fee based on the amount of hours spent supporting the Customer Choice system infrastructure with service requests for system sustainment or enhancements from the Program Analysts and FEI Technology Management.

KnowledgeTech Consulting charges a monthly maintenance fee to FEI for support of the Forecasting and Financial systems. Customer Choice is charged a portion of that fee of \$1,500 monthly for the technical support of the monthly Marketer Supply Requirements. KnowledgeTech also bills for hours spent investigating and correcting problems and any system/reporting enhancements surrounding the Marketer Supply Requirement process.

The Independent Dispute Process Project was undertaken in 2012 to redesign and implement an improved independent dispute process to allow the process to be more transparent to the customer and provide rebuttal information before any ruling was determined. System improvements were made to GEM and the FEI website to allow customers to submit their own disputes.

There was a report server upgrade project in 2014 and the GEM reports were all updated and moved to the new server. All the report definition files had to be upgraded to a new version to comply with the new server requirements.

Table 3: Technology Sustainment Cost Breakdown 2012 - 2015

Vendor	Details	2012	2013	2014	2015
FUJITSU CONSULTING (CANADA) INC	Monthly Application Maintenance Services	\$ 160,380	\$ 150,385	\$ 209,338	\$ 147,799
	Independent Dispute Process Project	\$ 41,640	\$ 900		
	Server Upgrade Project (NSS Reports move)			\$ 6,570	
HABANERO CONSULTING GROUP	Independent Dispute Process Project	\$ 1,013	\$ 2,125		
TELUS COMMUNICATIONS COMPANY	Independent Dispute Process Project	\$ 1,469			
	Support Request			\$ 254	
FORTISBC INTERNAL CROSS-CHARGE	Independent Dispute Process Project	\$ 3,762			
KNOWLEDGETECH CONSULTING INC	Monthly Sustainment Fee (\$1500)	\$ 13,500	\$ 16,000	\$ 18,000	\$ 18,000
	Mktr Supply Requirement and Reporting Break/Fix Charge	\$ 20,709	\$ 4,688	\$ 10,563	\$ 9,970
GEM SOFTWARE PURCHASE	Active PDF required for uploading of Dispute supporting docs		\$ 1,074	\$ 853	
	Total	\$ 242,473	\$ 175,172	\$ 245,578	\$ 175,769

5. Explanation and supporting calculation for the \$274,024 incurred in 2015 for program administration costs (see page 16 of the Application).

and

7. The same detailed breakdown and description for items 2, 4, 5 and 6 listed above for actual years 2012 through 2014.

Response:

The percentage allocation of time spent on Program administration tasks includes:

Regulatory (approximately 40% of the time spent)

- Co-ordinating and preparing annual Customer Choice Program Summary and other required communications for submission to the Commission and Gas Marketers to meet management and regulatory requirements, including providing:
 - Annual Program Statistics
 - Annual General Meeting Report Submissions
 - Annual Marketer Supply Requirement Changes Letter
 - Annual Fuel Gas Percentages Letter

- Liaising with Manager, Gas Marketing Programs at the BCUC to provide assistance with program rules and disputes

System Support (approximately 40% of the time spent)

- 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 the Commission to provide assistance with technical support, reporting and general questions.

System Development and Enhancements (approximately 20% of the time spent)

- 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 Commission and Gas Marketers upon request.

The costs allocated to Program Administration from 2012 through 2015 broken down into the categories of management salaries, analyst salaries, and other expenses are listed below in Table 4.

Table 4: Program Administration Annual Costs 2012 - 2015

Program Administration	2012	2013	2014	2015
Management support	\$ 82,457	\$ 46,270	\$ 40,969	\$ -
Program Admin Staff Salaries Loaded (2)	\$ 210,548	\$ 207,410	\$ 238,236	\$ 265,699
Other	\$ 10,252	\$ 3,535	\$ 5,018	\$ 8,325
	\$ 303,257	\$ 257,215	\$ 284,223	\$ 274,024

6. More detailed breakdown and explanation of customer education plan costs of \$263,893 incurred in 2015 (see page 19 of the Application).

and

7. The same detailed breakdown and description for items 2, 4, 5 and 6 listed above for actual years 2012 through 2014.

Response:

Since 2012, the annual budget for Customer Education Costs has remained at \$300 thousand, as approved by the Commission in Order A-9-11. The costs allocated for the Customer Education Plan from 2012 through 2015 are summarized below in Table 5.

Table 5: Customer Education Plan Expenses

MEDIA	2012	2013	2014	2015
Website re-design	\$ 878			
Radio advertising	\$ 109,867	\$ 109,616	\$ 103,182	\$ 41,723
Rate comparison ads - newspaper	\$ 166,808	\$ 168,878	\$ 140,411	\$ 130,684
Rate comparison ads - magazine				\$ 6,881
FEI bill inserts	\$ 22,223	\$ 12,296		
FEI newsletters			\$ 3,359	\$ 6,153
Standard information booklet	\$ 10,658	\$ 4,556	\$ 8,915	\$ 7,785
Digital media			\$ 11,155	\$ 50,916
Television advertising				\$ 19,752
Yearly Total	\$ 310,433	\$ 295,346	\$ 267,022	\$ 263,893

Please refer to Appendix B for a detailed account of the Customer Choice Customer Education Plan expenditures and activities as reported in the Customer Choice Annual Report Statistics filed for the years 2012 to 2015.

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 Parties

Appendix A

SECTION 5.6 REVISED REDACTED

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)?

5.6 EVALUATION OF THE COST RECOVERY OPTIONS CONSIDERED

FEI scores whether and how each recovery option meets the quantitative and qualitative objectives considered on a three point scale including: “Poor,” “Fair,” or “Good.” Poor scores suggest the option does not meet the objective. Fair scores indicate that the objective is somewhat met, while “Good” scores indicate that the objective is mostly or completely met.

5.6.1 Baseline for Quantitative Evaluation: 2015 Gas Marketer Recovery Amounts

FEI used the actual recovery figures from each Gas Marketer in 2015 as the baseline to compare the four options. The count for customer participation is based on the number of active customers at December 31, 2015.¹⁸ In the analysis of each of the four options below, the proposed option is applied to each Gas Marketer and the results are compared to the actual 2015 recoveries for each Marketer. The dollar impact and percentage impact are detailed in the tables within each assessment below.

5.6.2 Assessment of Option 1: Equal Fixed Fee per Marketer

Quantitative Objective 1: Impact to Gas Marketers [Score: Poor]

Option 1 is an equal division of costs. This option is seemingly equitable in that there is no differentiation amongst the Marketers with respect to market share. However, the financial impact for the Marketers with low numbers of enrolled customers is high. The Marketers with the largest number of customers would reap the greatest economies of scale. However, Marketers with a small customer base may decide that it is not financially beneficial to remain in the Program. This could quickly shift the burden of cost recovery to a smaller number of Marketers. As well, this option may be financially prohibitive to new Marketers who are considering whether or not they should participate in the Customer Choice Program.

¹⁸ Active customer is defined as a customer with a flowing Gas Marketer contract.

Table 5-3 below shows the results of the quantitative assessment of Option 1. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Other Marketers with low enrolments, [REDACTED] would see their fees spike by more than 244 per cent. [REDACTED]

[REDACTED]

[REDACTED] If [REDACTED] and the other smaller Marketers are influenced to leave the Program, their share of fees would transfer to the Marketers that remain.

If Option 1 is selected, larger Marketers, [REDACTED] would all enjoy immediate annual savings of 58 per cent, 47 per cent and 22 per cent respectively. [REDACTED]

[REDACTED]

[REDACTED]

Based on the major percentage change in annual Gas Marketer recoveries this option results in, FEI believes it is not a suitable allocation approach. For example, [REDACTED] sees a 429 per cent increase in fees, [REDACTED] ends up with an increase of 305 per cent, and [REDACTED] with a 244 per cent increase.

Table 5-3: Quantitative Assessment of Option 1: Equal Fixed Fee per Marketer

Option 1 - Equal Fixed Fee per Marketer *

FIXED FEE CALCULATION	A	B	D = A/B	E = D/12
		Number of Marketers	Annual Fee per Marketer	Monthly Fee per Marketer
Total Marketer Recovery	\$ 484,947	8	\$ 60,618	\$ 5,052

[REDACTED]				
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Total Customers	32,064	\$	419,086	\$	484,947
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Qualitative Objective 1: Fairness [Score: Poor]

Option 1 does not allocate costs in a way that reflects each Marketer's relative use of the Customer Choice systems and administration overhead. Marketers with either no customers or a small customer base would pay the same as Marketers with a large customer base. FEI contends that all Marketers should pay a portion of Program Costs for their continued access to and use of the Program. However, it seems reasonable that Marketers with more customers are

using the systems more often in order to process their enrolments, relying upon administration resources to answer questions and resolve processing issues, and requiring Commission staff to deliberate disputes. Lastly, and most importantly, Gas Marketers with few or no active enrolments cannot recoup fees through commodity sales. Large increases in fees may result in Marketers leaving the Program, driving up costs for remaining Marketers and reducing competitive options for customers that want fixed rate commodity options.

Qualitative Objective 2: Ease of Implementation [Score: Good]

There would be minimal development changes required for any of the four options. The recovery amount would be a simple calculation. FEI can implement the change easily.

Qualitative Objective 3: Long-Term Flexibility [Score: Good]

Option 1 is flexible in that a simple annual recalculation of the fee can be applied to ensure a full recovery of costs. Any over or under recovery at year-end could simply be rolled into the following year's expenses and factored in the recalculation of the fee.

5.6.3 Assessment of Option 2: Proportional Fixed Fee per Marketer

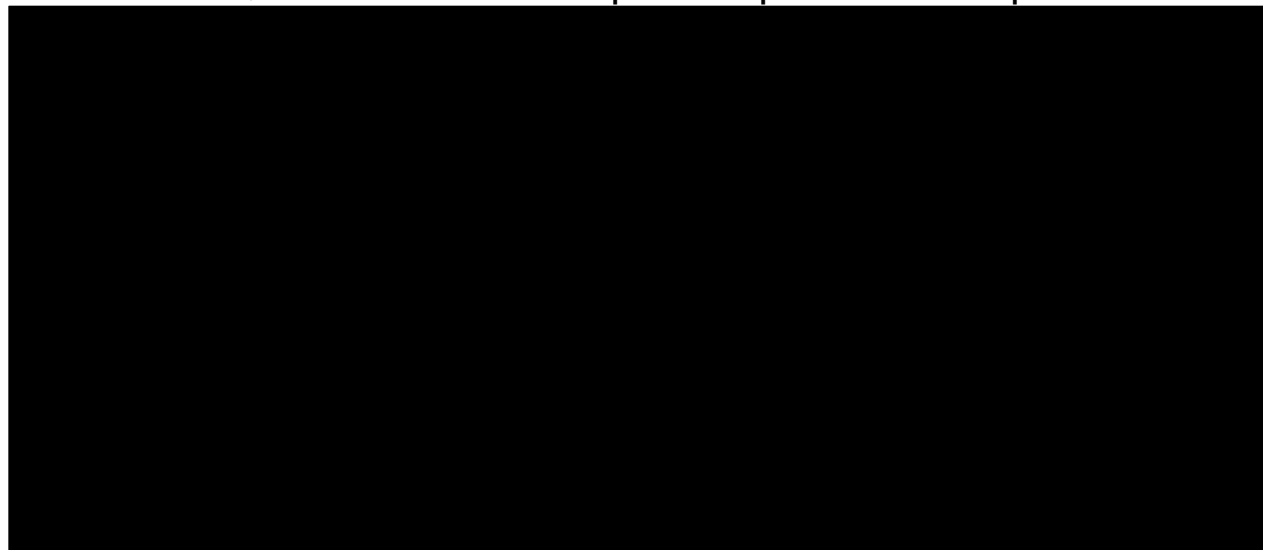
Quantitative Objective 1: Impact to Gas Marketers [Score: Fair]

Option 2 is a proportional division of costs based on each Gas Marketer's share of the total customer base. Table 5-4 below displays the Quantitative Assessment of Option 2: Proportional Fixed Fee per Marketer.


Option 2 results in much lower year over year percentage changes in fees than does Option 1.

FEI rates this Option as "Fair." It is preferable to Option 1 in that it somewhat meets the objective of minimizing the financial impact the replacement fee structure has on Gas Marketers.

Table 5-4: Quantitative Assessment of Option 2: Proportional Fixed Fee per Marketer





Qualitative Objective 1: Fairness [Score: Poor]

Option 2 does not fairly allocate Program costs in a way consistent with the principle of cost causation. 





. All Marketers benefit from the availability of the Program and access to its supporting systems and infrastructure, . This allocation approach seemingly penalizes the Marketer that is successfully selling and maintaining commodity contracts.

Qualitative Objective 2: Ease of Implementation [Score: Good]

Option 2's recovery amount is a simple proportional calculation that is easy to implement. A year-end true up may be required if there is an addition or attrition of Marketers to the Program.

Qualitative Objective 3: Long Term Flexibility [Score: Good]

Option 2 is flexible in that a simple annual recalculation of the fee is required to ensure a full recovery of costs. Any over or under recovery at year-end could simply be rolled into the following year's expenses and included in the recalculation of the fee.

5.6.4 Assessment of Option 3: Variable Fee per Customer

Quantitative Objective 1: Impact to Gas Marketers [Score: Fair]

In Option 3, as in Option 2, recoveries are based on enrolled customers. Percentage fee payment variances are shown in Table 5-5 below and can be seen to be nearly the same as described in Option 2, Quantitative Objective 1. Overall, the impact to Marketers is similar to

Option 2, [REDACTED]
[REDACTED].

Table 5-5: Quantitative Assessment of Option 3: Variable Fee per Customer

Option 3 - Variable Fee per Customer

VARIABLE FEE CALCULATION	A Proposed Gas Marketer Cost Allocation	B Total Customers	C = A/B Variable Fee per Customer (annual)	D = C/12 Variable Fee per Customer (monthly)	
Infrastructure Support	\$ 175,769	32,064	\$ 5.48 per customer	\$ 0.46	D1
Program Administration	\$ 309,178	32,064	\$ 9.64 per customer	\$ 0.80	D2
Total Marketer Recovery	\$ 484,947				

	E	F	G = E x (D1 + D2) x 12	H = G - F	I = G/F - 1
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Total Customers	32,064	\$	419,086	\$	484,947
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Qualitative Objective 1: Fairness [Score: Poor]

Option 3 does not fairly allocate Program costs in a way consistent with the principle of cost causation. [REDACTED]

[REDACTED]. Like Option 2, this allocation approach seemingly penalizes the Marketer that is successfully selling and maintaining commodity contracts. Likewise, it results in material savings for Marketers that want continued access to the Program, but have minimal sales. For these reasons, FEI scores this Option's performance on this particular objective as "Poor."

Qualitative Objective 2: Ease of Implementation [Score: Good]

This option is easy to implement. FEI believes this option fully meets this objective so scores it as "Good."

Qualitative Objective 3: Long Term Flexibility [Score: Good]

Option 3 is flexible because an annual recalculation of the fees can be done to ensure the fees are reflective of any changes to costs and active customer numbers. Year-end Program costs would be subtracted from year-end recoveries so that any over or under recovery could simply

be rolled into the following year's expenses and included in the recalculation of the fee. This process is explored in Section 6.1. FEI believes this option fully meets this objective so scores it as "Good."

5.6.5 Assessment of Option 4: Combination Fee

Quantitative Objective 1: Impact to Gas Marketers [Score: Fair]

Option 4 is a combination of an equal flat fixed fee and a variable fee based on active customers. This option increases the amount to be recovered for all except one Marketer, with the maximum increase being approximately \$43,000 over 2015's recovery as displayed in Table 5-6 below.

Based on this option's percentage impact on each Gas Marketer, FEI rates this option as "Fair." would see decreased fees amounting to 47 per cent. All other Marketers would see fees increase, from 10 per cent for to 114 per cent for .

Table 5-6: Quantitative Assessment of Option 4: Combination Fee

Option 4 - Combination Fee

FIXED FEE CALCULATION		A	B	C	D = A/B x C	E = D/12
			Number of Marketers	Percentage to be Recovered with Fixed Fee	Annual Fee per Marketer	Monthly Fee per Marketer
Total Marketer Recovery	\$	484,947	8	40%	\$ 24,000	\$ 2,000
Total Fixed Allocation	\$	192,000				

VARIABLE FEE CALCULATION		F	G	H = F/G		I = H/12
		Proposed Gas Marketer Cost Allocation	Total Customers	Variable Fee per Customer (annual)		Variable Fee per Customer (monthly)
Infrastructure Support	\$	106,179	32,064	\$ 3.31	per customer	\$ 0.28
Program Administration	\$	186,769	32,064	\$ 5.82	per customer	\$ 0.49
Total Variable Allocation	\$	292,947				

	J	K	L = D	M = J x (I1 +I2) x 12	N = L + M

Qualitative Objective 1: Fairness [Score: Good]

FEI believes that Option 4 does a better job than other options of fairly allocating Program costs in a way consistent with the principle of cost causation. Costs are shouldered by the Marketers most often using Program services and infrastructure, but the fixed fee ensures that all Marketers are charged for continued access to the Program benefits (i.e., the opportunity to enrol customers). For these reasons, FEI believes this option's alignment with the objective of Fairness is "Good."

Qualitative Objective 2: Ease of Implementation [Score: Good]

This option is easy to implement. FEI believes this option fully meets this objective so scores it as "Good."

Qualitative Objective 3: Long Term Flexibility [Score: Good]

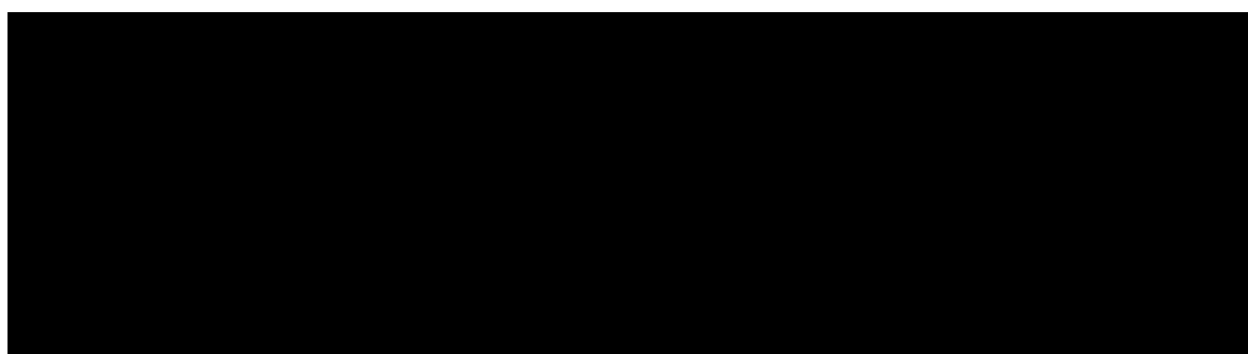
Option 4 is flexible in that an annual recalculation of the fees could be done to ensure the fees are reflective of any changes to costs and active customer numbers. Any over or under recovery at year-end could be rolled into the following year's expenses and included in the recalculation of the fee. FEI believes this option fully meets this objective so scores it as "Good."

5.6.6 Summary of Quantitative and Qualitative Assessment

Table 5-6 below summarizes the cost recovery allocations associated with the four recovery options evaluated. Minor variances in total amounts recovered are associated with each particular fee structure.

Table 5-6: Comparison of Recovery Options – Impact on Gas Marketers

Summary Comparison of Options



Total Customers	32,064	\$	419,086	\$	484,947	\$	484,947	\$	484,947	\$	484,947
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Table 5-7 summarizes FEI's scoring as discussed above. The table's last column includes summary points highlighting the key shortfalls and/or strengths of each option.

Table 5-7: Fee Options Summary

Option	Description	Evaluation				Summary
		Financial impact to individual Gas Marketers	Fairness	Ease of implementation	Long-term flexibility	
1	Equal Fixed Fee per Marketer	Poor	Poor	Good	Good	<ul style="list-style-type: none"> dramatically increases costs for Marketers with low active enrolments may incent Marketers with low enrolment out of market does not reflect each Marketer's relative use of Program infrastructure
2	Proportional Fixed Fee per Marketer	Fair	Poor	Good	Good	
3	Variable Fee per Customer	Fair	Poor	Good	Good	<ul style="list-style-type: none"> may result in greater year-end cost/recovery variances as monthly active enrolment numbers change
4	Combination Fee	Fair	Good	Good	Good	<ul style="list-style-type: none"> Increased costs for all but one Marketer limits the extremes between high and low volume Marketers as compared to other options Projected variance in relation to existing fee structure is generally lower than alternative options fee spreads recoveries across all Marketers based on market share

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

Appendix B

CUSTOMER EDUCATION PLAN 2012-2015

The Customer Education Plan media expenses and activities are detailed below, as previously reported in the Customer Choice Annual Report Statistics filed for the years 2012 to 2015.

1. 2012 CUSTOMER EDUCATION PLAN

Total annual expense: \$310,433

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

- Increase Customer Choice name awareness
- Increase customer protection via education
- Direct traffic to Customer Choice website
- Maintain neutrality

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

Customer Choice Website

Expense: \$878

In September 2012, the language on the website was simplified to be more concise and neutral. The site was also re-designed to ensure that customers were able to target specific information easily in order to better assist them in their decision making. This expense was \$1755 in total, however 50% was expensed in 2011 and 50% in 2012.

Radio Spots

Expense: \$109,867

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

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

Rate Comparison Ads

Expense: \$166,808

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

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

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

Bill Inserts

Expense: \$ 22,223

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

Notable changes include:

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

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

Bill Message

Expense: \$0 (FEI provides bill messaging at no charge to the Program)

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

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

Standard Information Booklet

Expense: \$10,658

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

2. 2013 CUSTOMER EDUCATION PLAN

Total annual expense: \$295,346

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

- Increase Customer Choice name awareness
- Increase customer protection via education
- Direct traffic to Customer Choice website
- Maintain neutrality

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

Radio Spots

Expense: \$ 109,616

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

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

Renewal of the contract with the original radio talent was required in order to re-use the same radio ads.

Rate Comparison Ads

Expense: \$168,878

The Customer Choice Rate Comparison print ads were redesigned in 2012 in an effort to increase Customer Choice Program awareness and to provide consumer information. The same rate comparison ads were used in 2013. The ads were run in local newspapers across British Columbia in seven monthly periods from March to November 2013.

Bill Inserts

Expense: \$12,296

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

Standard Information Booklet

Expense: \$4,556

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

3. 2014 CUSTOMER EDUCATION PLAN

Total annual expense: \$267,022

The Customer Education plan objectives and budget of \$300,000 have remained unchanged since 2011. The plan objectives are to:

- Increase Customer Choice name awareness
- Increase customer protection via education
- Direct traffic to fortisbc.com/choice
- Maintain neutrality

These objectives were executed via radio spots, rate comparison newspaper ads, FEI newsletters, bill messages, and digital media. Digital media was used for the first time in 2014, allowing the Customer Choice Program to more cost effectively target potential customers.

Radio Spots

Expense: \$103,182

Two radio ads were produced in 2011 to increase Customer Choice name awareness. These radio ads have run in radio stations across the province each year since 2012. In 2014, the ads ran for four alternating weeks in July and August. Renewal of the contract with the original radio talent was required in order to re-use the same radio ads this year.

Rate Comparison Ads

Expense: \$140,411

The Customer Choice Rate Comparison print ads have remained unchanged since they were redesigned in 2012. The ads were run in local newspapers of Customer Choice eligible regions in British Columbia for one week in each of the six months from June to November 2014.

FEI Newsletters

Expense: \$3,359

FEI produces quarterly information newsletters for its residential and commercial customers. Informational sections on Customer Choice were included in the summer and fall editions of the newsletters, with layouts ranging in size from one-quarter to one-half page per newsletter.

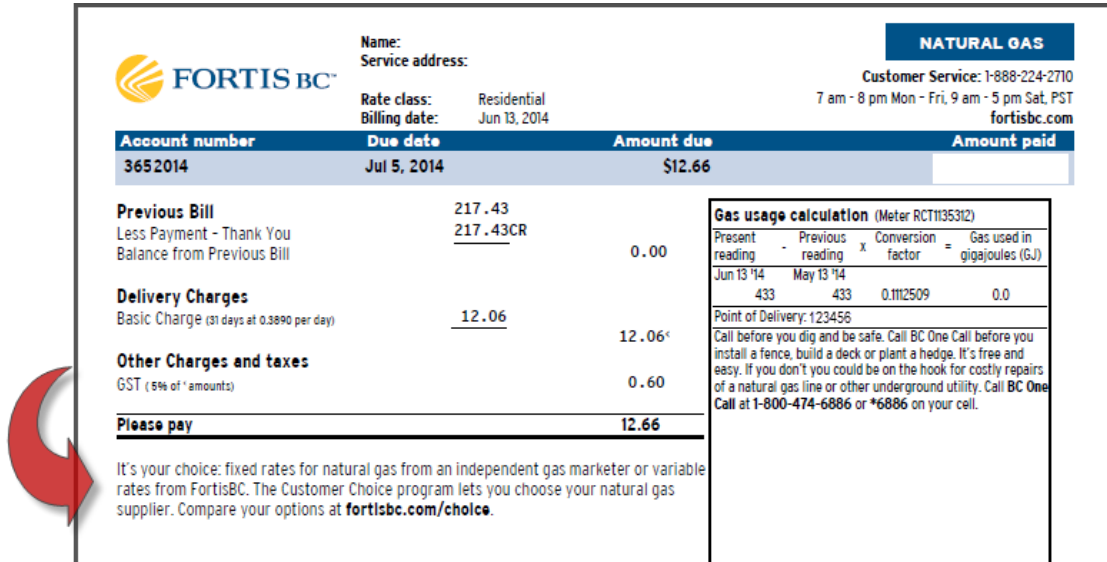
FEI Bill Messaging

Expense: \$0 (FEI provides bill messaging at no charge to the Program)

The following message was included on the June and September 2014 FEI bills (Figure 3-1 below) for residential and commercial customers in the eligible Customer Choice regions.

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

Figure 3-1: Customer Choice Bill Messaging



FORTIS BC™

Name:
Service address:

Rate class: Residential
Billing date: Jun 13, 2014

NATURAL GAS
Customer Service: 1-888-224-2710
7 am - 8 pm Mon - Fri, 9 am - 5 pm Sat, PST
fortisbc.com

Account number	Due date	Amount due	Amount paid
3652014	Jul 5, 2014	\$12.66	

Previous Bill 217.43
Less Payment - Thank You 217.43CR
Balance from Previous Bill 0.00

Delivery Charges
Basic Charge (31 days at 0.3890 per day) 12.06
12.06*

Other Charges and taxes
GST (5% of ' amounts) 0.60

Please pay 12.66

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

Gas usage calculation (Meter RCT1135312)

Present reading	Previous reading	Conversion factor	Gas used in gigajoules (GJ)
Jun 13 '14 433	May 13 '14 433	0.1112509	0.0

Point of Delivery: 123456
Call before you dig and be safe. Call BC One Call before you install a fence, build a deck or plant a hedge. It's free and easy. If you don't you could be on the hook for costly repairs of a natural gas line or other underground utility. Call BC One Call at 1-800-474-6886 or *6886 on your cell.

Standard Information Booklet

Expense: \$8,915

In 2013, the Standard Information Booklet was re-translated into Punjabi and Chinese to reflect the new Independent Dispute Process and the option for customers to log disputes online.

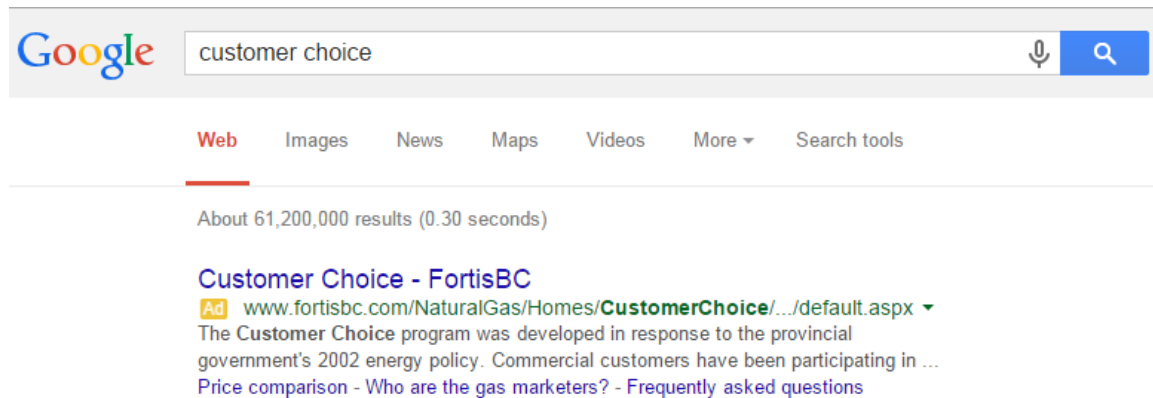
Digital Media

Expense: \$11,155

Digital media consisted of paid Google Search word ads, and internet retargeting through Eyereturn Marketing.

Google Search is targeted at people searching online for keywords relevant to Customer Choice, such as “natural gas rates” or “buying natural gas.” Google Search will return an extension with a direct link to the Customer Choice section of the FortisBC website (Figure 3-2 below).

Figure 3-2: Google Search Results



Internet retargeting is a technique to track user visits to a website by storing information in a retargeting cookie. User visits to subsequent websites will call up the retargeting cookie to display an ad with a specific retargeting message to return the user to the original website. Visitors to the fortisbc.com/choice website would be served Customer Choice banner ads (Figure 3-3 below) on visits to other internet sites. The Customer Choice banner ads ran via Eyereturn Marketing's Eyedemand ad network (which includes Facebook) for 25 weeks from June to November 2014, and via the Shaw/Global TV and CBC properties for eight weeks in June and August 2014.

Figure 3-3: Customer Choice Banner Ads



4. 2015 CUSTOMER EDUCATION PLAN

Total annual expense: \$263,893

The Customer Choice education plan expanded to cover the new program regions of Vancouver Island, Whistler, the Sunshine Coast and Powell River. The program was made available in the new regions starting August 1, 2015; therefore the education plan in the new areas coincided with this date. The budget for 2015 remained unchanged at \$300 thousand.

The objective of the 2015 campaign was to introduce and raise awareness of the Customer Choice program to natural gas customers on Vancouver Island, Whistler, the Sunshine Coast and Powell River, while increasing awareness of the program in the existing areas and directing traffic to fortisbc.com/choice. This was executed via television tags, radio spots, rate comparison newspaper ads, FEI newsletters, and digital media.

Radio Spots

Expense: \$41,723

A new radio advertisement was produced to introduce the Customer Choice Program to the new regions. The ad was run in the new regions for four one-week blocks from July through to September 2015. In order to maximize radio communication to the new regions, radio ads were not run in the rest of the province in 2015.

Rate Comparison Ads

Expense: \$130,684 (newspaper) & \$6,881 (magazine)

The existing Customer Choice Rate Comparison print ad was modified to include wording to introduce the program to the new regions. The ad was run in local newspapers on Vancouver Island, Whistler, the Sunshine Coast and Powell River for ten weeks from August through to November 2015. The Rate Comparison ad was also run as a full page in the September and October 2015 issues of BC's Senior Living magazine.

The existing Customer Choice Rate Comparison print ad was run in local newspapers of the remaining eligible Customer Choice regions for one week in each of the three months from August to October 2015. The Customer Choice Blocking Chart in Figure 4-1 below details the dates, markets and newspapers used for the rate comparison ads.

Figure 4-1: Customer Choice Blocking Chart – Rate Comparison Ads

			August			September				October				November					#	
Element	Market	Name	3	10	17	24	31	7	14	21	28	5	12	19	26	2	9	16	23	Wks
Newspaper	Van Island	Campbell River Mirror																		5
Newspaper	Van Island	Courtenay Comox Valley Echo																		3
Newspaper	Van Island	Comox Valley Record																		2
Newspaper	Van Island	Duncan Citizen																		5
Newspaper	Van Island	Ladysmith Chronicle																		5
Newspaper	Van Island	Nanaimo Daily News																		2
Newspaper	Van Island	Nanaimo News Bulletin																		3
Newspaper	Van Island	Parksville Qualicum News																		5
Newspaper	Van Island	Alberni Valley News																		2
Newspaper	Van Island	Port Alberni Valley Times																		3
Newspaper	Van Island	Powell River Peak																		5
Newspaper	Van Island	Sechelt Reporter																		5
Newspaper	Van Island	Victoria News 6-paper combo																		5
Newspaper	Van Island	Victoria Times Colonist																		10
Newspaper	Van Island	Victoria Times Colonist Extra																		5
Newspaper	Whistler	Whistler Pique																		6
Newspaper	Whistler	Whistler Question																		6
Newspaper	Cariboo																			3
Newspaper	Lower Mainland																			3
Newspaper	Northern BC																			3
Newspaper	Okanagan																			3
Newspaper	Rockies																			3
Magazine	BC	Senior Living																		2

FEI Newsletters

Expense: \$6,153

FEI produces quarterly information newsletters for its residential and commercial customers. The following Customer Choice information piece in Figure 4-2 was included in the spring newsletter for Lower Mainland and Interior BC customers (prior to availability on Vancouver Island and in Whistler).

Figure 4-2: Customer Choice Newsletter – Lower Mainland and Interior

It's your choice

With **Customer Choice*** you can choose who you buy your natural gas from: FortisBC at a variable rate or an independent gas marketer at fixed rates.

Before signing a Consumer Agreement with an independent gas marketer, visit fortisbc.com/choice for all the information you need to make your choice.



CUSTOMER CHOICE

*Customer Choice is not available on Vancouver Island, the Sunshine Coast, Whistler, Revelstoke, Powell River or Fort Nelson.

The summer and fall editions of the newsletters were distributed province wide and included the information piece in Figure 4-3 to introduce the new Customer Choice program regions of Whistler, Vancouver Island, Sunshine Coast and Powell River.

Figure 4-3: Customer Choice Newsletter – Vancouver Island/Whistler



Standard Information Booklet

Expense: \$7,785

The standard information booklet had minor updates to include the new Customer Choice regions of Vancouver Island, Whistler, Sunshine Coast and Powell River. The sections referencing the new regions was translated into Punjabi and Chinese, and published on the FEI website for reference.

Digital Media

Expense: \$50,916

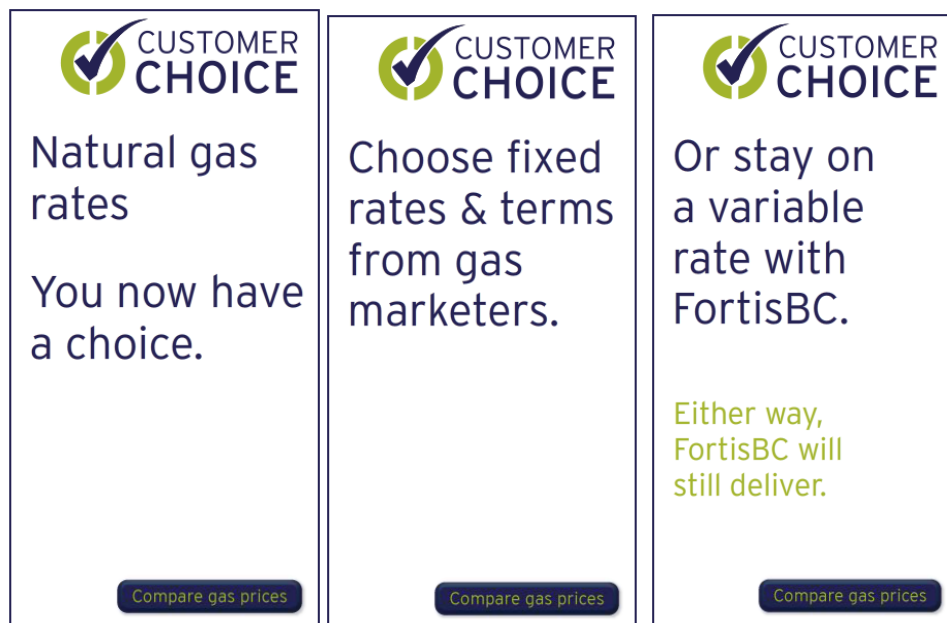
Digital media consisted of both paid media through internet retargeting and Facebook advertising, and unpaid social media through Twitter tweets. Paid digital advertising ran from August through to October 2015 in all Customer Choice program areas with an extra month in November for the new regions of Vancouver Island, Whistler, Sunshine Coast and Powell River.

Internet Retargeting

Visitors to the fortisbc.com/choice website would be served Customer Choice banner advertisements on visits to other internet sites, such as news, information and weather. The three banner ads in Figure 4-4 scrolled in succession and displayed individually. Clicking on the ad would redirect the user to the rates page of fortisbc.com/choice.

The Customer Choice banner advertisements ran via Eyereturn Marketing's Eyedemand advertisement network in Whistler and on Vancouver Island for 15 weeks from August to November, and in the rest of BC for 10 weeks from August through to October 2015.

Figure 4-4: Customer Choice Banner Ads



Facebook

Advertising spots were purchased on Facebook and displayed on the right-hand side of the Facebook page. Each advertisement features a website link directing the customer to more information on the Customer Choice pages of the FortisBC website. A sample of the Facebook ads are included in Figure 4-5 below.

Figure 4-5: Customer Choice Facebook Ads

Customer Choice is coming



Now you can decide who to buy natural gas from: FortisBC or an independent gas marketer.

Display URL: **fortisbc.com/choice** <links to
<http://www.fortisbc.com/NaturalGas/Homes/CustomerChoice/Pages/default.aspx>>

Gas marketer or FortisBC?



Customer Choice is coming to your area this fall. Compare rates for natural gas now.

Display URL: **fortisbc.com/choice** <links to
<http://www.fortisbc.com/NaturalGas/Homes/CustomerChoice/Pages/default.aspx>>

Twitter

FortisBC generated weekly Twitter tweets from July 2015 through to December 2015. The tweets provided both general information about the Customer Choice program, as well as targeted information to introduce Customer Choice to the new program regions. All tweets provided a link to direct customers to the FortisBC website for more information. A sample of tweets is listed in Figure 4-6 below.

Figure 4-6: Customer Choice Twitter Tweets

- *Customer Choice comes to #VancouverIsland this fall & independent gas marketers may visit you. What should you know?*
- *Customer Choice will soon be available to more #naturalgas customers in #BC. Find out where.*
- *#DYK you can buy #naturalgas from an independent gas marketer? We'll still deliver it. How?*
- *Live in #Whistler #PowellRiver #SunshineCoast or #VancouverIsland? Choose how you buy #natgas*

Television

Expense: \$19,752

Customer Choice was featured in fifteen second advertising tags during CHEK television programming. The ads targeted viewers in the new program region of Vancouver Island, and consisted of an announcer reading out a Customer Choice information piece, with the Customer Choice logo displaying at the end of the announcement. The television tags ran for fifteen weeks from August through to November 2015, during popular early evening television shows such as CHEK News. The script of the television tag is as follows:

Natural gas rates – you now have a choice. Buy from independent gas marketers at fixed rates and terms, or stay with FortisBC's variable rate. Compare gas prices at fortisbc.com/compare.