



Diane Roy
Director, Regulatory Services

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

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

July 7, 2016

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

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

Dear Ms. Ross:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698874
Customer Choice Program Cost Recovery Application (the Application)
Response to the British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1

On April 14, 2016, FEI filed the Application referenced above. In accordance with Commission Order A-5-16 setting out the amended Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

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



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 1

1 **1.0 Reference: IMPLEMENTATION PLAN**
2 **Exhibit B-1, Section 1.1, p. 3; Section 6.2.2, pp. 44-45**
3 **Implementation cost estimate**

4 On page 3 of the Application, FortisBC Energy Inc. (FEI) states that it is seeking
5 Commission approval for the “expenditure of approximately \$3,000 to implement system
6 changes to accommodate the recommended new fee structure.”

7 1.1 Why does FEI require Commission approval in order to proceed with this
8 expenditure?
9

10 **Response:**

11 FEI is requesting approval for this expenditure as part of the overall change to the Program fee
12 structure.

13
14

15
16 1.2 Is FEI proposing to recover the \$3,000 implementation cost from gas marketers
17 or from all non-bypass ratepayers?
18

19 **Response:**

20 FEI is proposing to recover the \$3,000 implementation cost from Gas Marketers. The
21 implementation costs would fall under the category of Technology Sustainment and would be
22 included in the annual billing submitted by the outsourced vendor, Fujitsu, for system
23 development work. This is consistent with the Cost Allocation Evaluation criteria specified in the
24 Customer Choice Program Cost Recovery Application¹ because: (1) the cost is a Customer
25 Choice Program sustainment activity; and (2) FEI would not incur the cost if the Program
26 ceased. FEI believes it is appropriate for the implementation costs to be borne 100 percent by
27 the Gas Marketers.

28
29

30
31 1.2.1 If FEI is proposing to recover the cost from gas marketers, please
32 explain the recovery mechanism FEI proposes to utilize and why FEI
33 considers recovery from gas marketers to be appropriate.

¹ Exhibit B-1, Section 3: Cost Assessment, page 15.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 2

1

2 **Response:**

3 The \$3,000 expense would be captured as part of the overall Technology Sustainment costs for
4 the Program and as such, the Company believes it should be allocated to Gas Marketers.

5 With respect to the mechanism to recover costs from Gas Marketers, FEI proposed in the
6 Application², to evaluate the 2016 total costs allocated to Gas Marketers in light of the 2016
7 recoveries recuperated from Gas Marketers. The Annual recovery shortfalls or surpluses would
8 then result in respective fee increases or decreases for the following year. A suitable
9 reconciliation of costs and recoveries, as well as a description of any necessary fee adjustments
10 would be described in the Annual Program Statistics submitted in February, 2017. The new fee
11 amounts would take effect on April 1, 2017.

12

13

14

15 1.2.2 If FEI is proposing to recover the cost from all non-bypass ratepayers,
16 please confirm, or explain otherwise, that this cost would be accounted
17 for as part of FEI's Performance-based Ratemaking (PBR) formula
18 spending envelope. Please also explain why FEI considers it
19 appropriate to recover this cost from all non-bypass ratepayers.

20

21 **Response:**

22 No, FEI is not proposing to recover the implementation cost from all non-bypass customers.
23 FEI is proposing to recover the \$3,000 cost from Gas Marketers as part of the applied for
24 proposed fee structure.

25

² Application (Exhibit B-1), page 41.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 3

1 **2.0 Reference: PROGRAM FEES**

2 **Exhibit B-1, Section 2.2, p. 6; Section 3.1.1, p. 13; Section 5, p. 26**

3 **Marketer price group fee**

4 On page 6 of the Application, FEI states: “Gas Marketers may have as many Marketer
5 Price Groups as they require. However, the monthly amount due was intended to incent
6 Gas Marketers to keep the number of groups to a minimum and keep the Program
7 simple and easy to maintain.”

8 On page 26 of the Application, FEI states: “[the proposed v]ariable service fees include
9 ... the Marketer Group Setup Fee recommended to change to a one-time fee of \$125...”

10 2.1 Does FEI agree that its proposal to change the marketer price group fee from a
11 monthly to one-time fee structure reduces the incentive for gas marketers to keep
12 the number of groups a minimum?
13

14 **Response:**

15 This response addresses BCUC IRs 1.2.1, 1.2.1.1 and 1.2.1.2.

16 FEI agrees that changing the monthly fee to a one-time setup fee reduces the cost to Gas
17 Marketers associated with the number of marketer price groups. However, once a marketer
18 price group is setup, FEI is less concerned with the number of groups that remain open because
19 FEI no longer incurs a third-party monthly fee to maintain each group. To clarify, when the
20 Customer Choice Program was introduced in 2007, there was an outsourced model for
21 customer service information system services and FEI was charged a monthly maintenance fee
22 for Customer Choice maintenance activities. This fee was based on an hourly charge-out rate
23 for system support according to the FEI’s Client Services Agreement with Accenture Business
24 Services for Utilities. In 2012, when the FEI Customer Service functions were brought back in-
25 house, the monthly maintenance charge to the Company ceased. When reviewing the cost
26 structure in 2016 while preparing the Application, it was determined that the on-going
27 maintenance tasks required to support marketer price groups were minimal and suitably
28 included in the infrastructure sustainment activities conducted by in-house employees.

29 The proposed Marketer Group setup fee of \$125 is based on the estimated time and effort
30 incurred by FEI staff to create the marketer price group in the billing system.

31
32

33

34 2.1.1 If FEI does not agree, please explain.
35



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 4

1 **Response:**

2 Please refer to the response to BCUC IR 1.2.1.

3
4

5

6 2.1.2 If FEI does agree, please explain if FEI is no longer concerned with
7 incentivizing gas marketers to keep the number of groups to a minimum
8 and why.

9

10 **Response:**

11 Please refer to the response to BCUC IR 1.2.1.

12
13

14

15

16 On page 13 of the Application, FEI states: “FEI employees also perform various activities
17 related to the day to day operation of the Program including: The management of Gas
18 Marketer price groups (set-ups, maintenance and retirements)...”

19 2.2 Please confirm the ongoing costs to maintain the marketer price groups are
20 recovered under infrastructure sustainment and explain why it is appropriate to
21 recover the ongoing maintenance costs to maintain the marketer price groups
22 from FEI non-bypass ratepayers.

23

24 **Response:**

25 FEI confirms that the ongoing costs to maintain the marketer price groups are proposed to be
26 recovered from non-bypass customers through the proposed infrastructure support fee. As
27 noted in the response to BCUC IR 1.2.1, “When reviewing the cost structure in 2016... it was
28 determined that the on-going maintenance tasks required to support marketer price groups were
29 minimal and suitably included in the infrastructure sustainment activities conducted by in-house
30 employees.” Given the estimated costs to maintain marketer price groups is immaterial, FEI
31 recommends absorbing the associated costs within infrastructure maintenance.

32 To the extent possible, the Company’s proposal attempts to allocate costs into distinct, tracked
33 cost pools. This approach leverages the Company’s existing accounting procedures and helps
34 Program stakeholders to define specific, approved cost allocations moving forward. This has
35 been a source of ambiguity to date. By determining specific allocations now, Program



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 5

- 1 participants obtain clarity concerning how much and what costs should be borne by either Gas
- 2 Marketers or all non-bypass customers in the future.
- 3



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 6

1 **3.0 Reference: PROGRAM FEES**

2 **Exhibit B-1, Section 2.2, p. 6; Section 5, p. 26; Section 6.2.1.1, pp. 43-**
3 **44**

4 **Customer bill fee**

5 On page 6 of the Application, FEI states: “A charge per bill sent to Gas Marketer
6 customers was set at \$0.40 to offset the cost to produce and mail monthly bills.”

7 On page 26 of the Application, FEI states:

8 To determine the best approach to recover the Program costs allocated to Gas
9 Marketers, the Company considered four options. ... Each option includes two
10 fee recovery components, including [a fixed monthly cost recovery fee and
11 variable service fees]. Variable service fees include the continued use of the
12 Confirmation Letter Fee, recommended to decrease to \$.87 per letter; the
13 Marketer Group Setup Fee recommended to change to a one-time fee of \$125;
14 and the Dispute Fee, recommended to remain at \$50 per dispute and applied at
15 the discretion of the BCUC.

16 On pages 43-44 of the Application, FEI states: “The Billing fee title would be removed
17 from the display.”

18 3.1 Please confirm, or explain otherwise, that FEI is eliminating the customer bill fee.

19
20 **Response:**

21 This response addresses BCUC IRs 1.3.1 through 1.3.1.2.

22 Confirmed. FEI is proposing to eliminate the customer billing fee since there is no practical way
23 of disaggregating what portion of the bill production and mailing costs should be allocated to
24 Gas Marketers. This issue was specifically identified during the 7th Customer Choice AGM
25 proceeding,³ where it was pointed out that FEI will send out bills to customers whether or not
26 they happened to participate in Customer Choice. Customer billing costs are part of FEI’s
27 general customer service expenses and should be borne by all non-bypass customers. These
28 costs will be accounted for as Infrastructure Sustainment.

29 The billing fee was appropriate in 2007 when FEI depended upon a third party for customer
30 services. At the time, FEI was charged a \$0.40 billing fee for each Customer Choice bill
31 processed and this fee was passed on to Gas Marketers. Since 2012 when FEI took over
32 responsibility for customer service from the third party, this direct relationship between cost and

³ Commission Decision and Order A-12-15 in the 2014 Customer Choice Seventh Annual General Meeting dated September 29, 2015, p. 8.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 7

1 fee no longer exists. Billing related costs do not fluctuate directly with Program participation
2 rates.

3 Under FEI's proposal, the Company evaluated Program costs and redesigned fees to ensure
4 that they are directly related to existing, underlying costs. Two new fees proposed include the
5 Program Administration Fee and the Infrastructure Support Fee. Monies recuperated from
6 these new fees directly correspond to annual Program costs that FEI believes are attributable to
7 Gas Marketers. The approach will also eliminate the uncorrected cost/recovery variances that
8 occur today.

9
10

11

12 3.1.1 If confirmed, please provide the rationale for eliminating the customer
13 bill fee. Please also explain from whom the customer bill costs are
14 proposed to be recovered and what the estimated annual amount will
15 be.

16

17 **Response:**

18 Please refer to the response to BCUC IR 1.3.1.

19

20

21

22 3.1.2 If the customer bill fee is recovered elsewhere, entirely or partially,
23 please explain.

24

25 **Response:**

26 Please refer to the response to BCUC IR 1.3.1.

27

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 8

1 **4.0 Reference: PROGRAM FEES**

2 **Exhibit B-1, Section 2.2, p. 7; Section 3.14, pp. 17-19; Section 5, p.**
3 **26;**

4 **Exhibit B-1, Appendix A, pp. 1-2**

5 **Dispute resolution fee**

6 On page 7 of the Application, FEI states:

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

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

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

20 On pages 17-18 of the Application, FEI states: “The Commission charges for 2015
21 amounted to \$175,771 ... The BCUC provided the following breakdown of staff time
22 based on an estimate of the average number of working hours spend on each of the
23 three functions over the three year reporting period from 2012 to 2014: [program
24 administration accounts for 65%; regulatory proceedings account for 15%; and dispute
25 resolution accounts for 20%].”

26 On page 19 of the Application, FEI states: “Dispute resolution should be recovered
27 entirely from the Gas Marketers as this expense is incurred in the course of Commission
28 staff’s administration of Gas Marketer activities. This accounts for approximately 20% of
29 BCUC costs annually.”

30 4.1 Please provide further rationale for the change in approach from recovering 50%
31 of Commission staff’s costs for dispute resolution from gas marketers and 50%
32 from FEI non-bypass ratepayers, at program inception, to the proposed change
33 to recover 100% of Commission staff’s costs for dispute resolution from gas
34 marketers.
35

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 9

1 **Response:**

2 The Company conducted a comprehensive review of its fee structure as directed by the
3 Commission in Order A-12-15. As part of this review, the Company developed cost allocations
4 based on the following criteria, as indicated in Section 3 Cost Assessment of the Application:

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

10 In its evaluation, the Company determined that the costs associated with dispute resolution
11 were entirely attributable to Gas Marketers and their customers. For example, if no disputes
12 were raised against gas marketers, then no costs would be incurred to adjudicate those
13 disputes and the Program could still to be made available to all customers without those costs.
14 FEI, therefore, believes dispute resolution costs should be recovered from Gas Marketers.

15 FEI is amenable to an alternative allocation should the Commission determine that a different
16 allocation between Gas Marketers and non-bypass customers for dispute resolution costs is
17 more appropriate.

18
19

20

- 21 4.2 Please comment on whether, in FEI's view, the option for a customer to dispute
22 the validity of an agreement with a gas marketer, and thus some or all of the
23 costs incurred to do so, are incurred to ensure the program is available for all FEI
24 customers whether they currently choose to participate or not, i.e. could the
25 program exist without a dispute resolution process?

26

27 **Response:**

28 The option for a customer to dispute the validity of an agreement with a Gas Marketer is
29 independent from the costs incurred to resolve a specific dispute. For example, if no disputes
30 were raised then no time or costs associated with specific disputes would be incurred. This
31 would allow Commission Staff to focus its resources on Program administration and regulatory
32 proceedings. The dispute resolution process would be available but neither used nor incurring
33 any costs.

34 FEI believes that dispute resolution is directly attributable to Gas Marketers and their customers,
35 so the associated costs should be borne 100 percent by Gas Marketers.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 10

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37

On page 26 of the Application, FEI states:

To determine the best approach to recover the Program costs allocated to Gas Marketers, the Company considered four options. ... Each option includes two fee recovery components, including [a fixed monthly cost recovery fee and variable service fees]. Variable service fees include the continued use of the Confirmation Letter Fee, recommended to decrease to \$.87 per letter; the Marketer 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.

4.3 Please provide rationale for potentially charging gas marketers a \$50 dispute resolution fee in addition to 20% of Commission costs for dispute resolution.

Response:

The \$50 dispute resolution fee was intended to be a penalty to Gas Marketers if a standard dispute was ruled in favour of the customer. It is applied at the discretion of the Commission. A review of this fee indicated that it was insufficient in recovering the true costs associated with resolution of a dispute. As reported in Section 3 Cost Assessment of the Application, the Commission's charges associated with dispute resolution amounted to \$35,154 in 2015. However, the fees recuperated from the \$50 dispute resolution fee amounted to only \$6,150. For this reason, the Company proposes to apportion Gas Marketers the true costs associated with dispute resolution (20 percent of Commission costs for dispute resolution), and potentially the \$50 dispute resolution fee (i.e., please refer to response to BCUC IR 1.4.4) in order to recover the full cost of administering the dispute resolution process.

Moreover, FEI proposes to maintain the \$50 dispute resolution fee to incent Marketers to act in accordance with the Gas Marketers' Code of Conduct in order to limit the number of disputes raised against them. As indicated above, the fee was intended to be punitive to Gas Marketers that fail to follow the Gas Marketers' Code of Conduct and as such have disputes filed against them. The fee is also in place to encourage Gas Marketers to resolve issues with their customers to prevent a dispute from being raised.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 11

1 On Appendix A, page 1 FEI states:

2 During the 2009 Annual General Meeting process, an issue pertaining to the \$50
3 dispute resolution fee was raised by Gas Marketers. Gas Marketers suggested
4 that the dispute resolution fee should be bilateral. Specifically, they wanted to
5 introduce a refundable \$50 fee paid by customers to lodge a price-related dispute
6 in an effort to curtail what Gas Marketers perceived as frivolous disputes.

7 ... Another issue brought up at the 2009 AGM around fees was a request by
8 Access Gas to eliminate the dispute fee for cancellation requests outside the 10-
9 day cancellation period.

10 On Appendix A, page 2 FEI states:

11 The subject of fees was discussed during the 2012 Annual General Meeting in
12 reference to the revised independent dispute process. The Commission was
13 concerned about the applicability of the dispute resolution fee for standard
14 disputes. The interim dispute guidelines that were introduced in October 2012
15 stated that a fee would not be charged for a standard dispute if the dispute was
16 resolved without the Commission's involvement. However, the Commission
17 noted that there were costs to the Program whether it was resolved directly with
18 the marketer or not and wanted to change the dispute fee for all disputes unless
19 the dispute was ruled in favour of the Gas Marketer.

20 4.4 Please comment on potential considerations Commission staff could take into
21 account when determining whether to charge the gas marketer the proposed \$50
22 dispute resolution fee for each of the following types of disputes:

23 i. Standard dispute – adjudicated in favour of gas marketer

24 ii. Standard dispute – adjudicated in favour of customer

25 iii. Standard dispute – resolved directly between gas marketer and
26 customer by cancelling contract prior to anniversary date

27 iv. Standard dispute – resolved directly between gas marketer and
28 customer by continuing contract for remainder of term or up to next
29 anniversary date

30 v. Cancellation dispute

31

1 **Response:**

2 The potential considerations Commission staff could take into account when determining
 3 whether to charge the Gas Marketer the \$50 dispute resolution fee are presented in Table 1
 4 below:

5 **Table 1: Dispute Resolution Fee Scenarios**

DISPUTE TYPE	SCENARIO	\$50 FEE CHARGE
Standard	Adjudicated in favour of gas marketer	NO FEI suggests that Gas Marketers are not charged the dispute fee in this scenario unless warranted by the nature of the dispute.
Standard	Adjudicated in favour of customer	YES FEI suggests that Gas Marketers are charged the dispute fee 100% of the time in this scenario given the dispute was legitimate and the Gas Marketer found at fault and directed to terminate the contract with the customer. This type of situation was the principal driver for the creation of the dispute fee.
Standard	Resolved directly between gas marketer and customer by cancelling contract prior to anniversary date.	YES FEI contends it is not appropriate to cancel a contract outside the anniversary date as it contravenes the Essential Services Model. FEI believes the majority of standard disputes should have a dispute fee attached as they are raised by customers and were not resolved privately outside of the dispute process. FEI contends there may be extenuating circumstances when it is not appropriate to charge the fee to the Gas Marketer in some cases. Even if the dispute is settled between the customer and Gas Marketer directly there is still an administrative cost involved with staff reviewing the dispute details to ensure the dispute process guidelines were followed.
Standard	Resolved directly between gas marketer and customer by continuing contract for remainder of term or up to next anniversary date	YES, in most cases. FEI suggests that this scenario would be decided on a case-by-case basis to determine if it was appropriate to charge the Gas Marketer the \$50 dispute fee. Once a standard dispute has been logged by a customer, it seems appropriate in most cases to charge the Gas Marketer the \$50 dispute fee. This is the ideal solution to continue the contract until the next anniversary date.
Cancellation		NO FEI suggests that in general no dispute fee should be charged to Gas Marketers unless the individual dispute situation warrants it.

6

7 The purpose of the \$50 fee is to incent ethical sales practices by Gas Marketers sales
 8 representatives and agents, and to discourage the creation of cancellation disputes to allow
 9 customers to terminate their contracts before their anniversary date (with the exception of
 10 compassionate reasons).

11
12

13
 14 4.5 According to FEI, as stated above: “The interim dispute guidelines that were
 15 introduced in October 2012 stated that a fee would not be charged for a standard

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 13

1 dispute if the dispute was resolved without the Commission’s involvement.”
2 Please provide the reference (direct quote and page) from the Interim Dispute
3 Guidelines. Alternatively, if there is no reference, please confirm.
4

5 **Response:**

6 The quote in the question was a paraphrase from FEI’s Customer Choice Program 2012 Annual
7 Report dated June 28, 2013, under section 5.1.2 Dispute Process which stated:

8 **5.1.2 Dispute Process**

9 The Commission is concerned about two areas of the new independent dispute process:
10 the level of cancellation disputes raised and the dispute resolution fee. As such, the
11 Commission is proposing the following two changes in respect to both.
12

13 **1. Applicability of Dispute Resolution Fee**

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

20 **2. Cancellations**

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

29
30 It was FEI’s understanding at that time that the Commission was considering making changes to
31 the interim dispute guidelines to address the two areas of concern. As noted in the last
32 sentence under item no. 1 above, and as noted in the excerpt from Appendix A on page 2, the
33 Commission recognized that there were costs to the Program whether a dispute was resolved
34 directly with a marketer or not, and therefore, no such changes were actually made to the
35 interim dispute guidelines, nor to the final Dispute Guidelines, once issued by Order A-12-13.

36

1 **5.0 Reference: COST ASSESSMENT**

2 **Exhibit B-1, Section 3.1, pp. 12-14; Exhibit B-1-3, pp. 3-6**

3 **IT support costs – Infrastructure sustainment**

4 FEI states the following on page 13 of the Application: “Infrastructure sustainment costs
5 were \$75,882 in 2015. Departmental employee vacancies in 2015 resulted in a lower
6 than usual allocation of this cost; however FEI expects future cost allocations to be
7 approximately \$96 thousand annually.”

8 FEI states the following on page 5 of its supplementary information filing:

9 After the repatriation of the Customer Service function in 2012, FEI estimated
10 that tasks related to Customer Choice required on average, one half hour of
11 effort per day. This estimate constitutes approximately 8% of the total annual
12 work performed by the department and as such, FEI uses 8% of the
13 Infrastructure sustainment labour budget costs as a proxy for the total annual
14 work required to carry out Customer Choice infrastructure sustainment duties
15 required for the Program.

16 Table 2 on page 6 of the supplementary information filing shows the actual amounts
17 allocated to Customer Choice infrastructure sustainment in years 2012 through 2015.

18 5.1 Please provide the budgeted infrastructure sustainment costs allocated to
19 Customer Choice for years 2012 through 2015.

20
21 **Response:**

22 This response addresses BCUC IRs 1.5.1 and 1.5.1.1.

23 The 2012 through 2015 budgeted, actual and variance amounts for sustainment costs allocated
24 to Customer Choice are provided in the Table below. In most years, there is no variance since
25 labour costs are allocated to Customer Choice on a percentage of budget basis. In 2012, there
26 was a variance between actual and budgeted infrastructure sustainment costs due to a carry-
27 over of costs from 2011 due to a late invoice that was not processed until 2012.

28 **Table 1: Infrastructure Sustainment – Variance to Budget**

	2012	2013	2014	2015
Budget	104,569	111,039	116,400	75,882
Actual	108,541	111,039	116,400	75,882
Variance	3,972	-	-	-

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 15

1
2 5.1.1 For any years where there was a significant variance between budget
3 and actual costs, please explain the cause(s) of the variance.
4

5 **Response:**

6 Please refer to the response to BCUC IR 1.5.1.
7
8

9
10 5.2 Please explain why FEI does not expect the departmental employee vacancies
11 experienced in 2015 to continue in 2016. As part of this response, please provide
12 the current status of departmental vacancies in infrastructure sustainment.
13

14 **Response:**

15 The vacancies that occurred in 2015 were filled, one at year end 2015 and the other in early
16 2016. There are no ongoing vacancies that impact the allocation methodology.
17
18

19
20 5.3 How often does FEI reassess the amount of time spent by the infrastructure
21 sustainment department on Customer Choice activities for the purposes of
22 determining the appropriate cost allocation? For instance, has the allocation
23 been reviewed since the repatriation of the customer service function in 2012? If
24 not, please explain why not.
25

26 **Response:**

27 The budgeted amount as determined through the allocation percentage is reviewed annually as
28 part of the budget review process. The Company believes the current eight percent allocation is
29 a reasonable approximation of the time required by the infrastructure sustainment department to
30 support Customer Choice on an ongoing basis.
31

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 16

1 **6.0 Reference: COST ASSESSMENT**

2 **Exhibit B-1, Section 3.1, pp. 14-15; Exhibit B-1-3, pp. 6-7**

3 **IT support costs – Technology sustainment**

4 FEI states on page 6 of the supplementary information filing: “Fujitsu Consulting charges
5 a variable monthly maintenance fee based on the amount of hours spent supporting the
6 Customer Choice system infrastructure with service requests for system sustainment or
7 enhancements from the Program Analysts and FEI Technology Management.”

8 6.1 Does Fujitsu Consulting also provide technology sustainment support for other
9 parts of FEI’s information systems? Please explain why or why not.

10

11 **Response:**

12 Fujitsu Consulting is used to sustain other FEI applications within the Information Systems (IS)
13 Application Support team (this is one group under IS). Currently, FEI contracts Fujitsu to
14 sustain other applications such as WINS (Web Interface Nominations System), DCRS (Digitized
15 Construction Records System), Entegrate Reports, RTS (Requisition Tracking System), and
16 Prover System. These are systems that Fujitsu helped design, build, and support for various
17 departments throughout the organization including:

- 18 • Energy Supply
- 19 • GIS
- 20 • Engineering
- 21 • Meter Shop

22

23 Fujitsu charges FEI based on actual hours spent in support of the various systems. The
24 Customer Choice Program is only charged the actual time incurred to support Program specific
25 systems.

26

27

28

29 6.2 Does FEI utilize other external contractors to assist with technology sustainment
30 activities related to other components of its information system? Please explain.

31

32 **Response:**

33 Yes. Aside from Fujitsu Consulting, FEI also utilizes external contractors for other applications
34 such as RKO Solutions for FileNet, SoftLanding for Microsoft System Center and various



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 17

1 software product vendors that support and maintain the product applications we use. These
2 other external contractors are not used to support the Customer Choice Program.

3
4

5

6 6.2.1 If yes, please explain why FEI is not able to utilize the same contractors
7 to provide technology sustainment for the Customer Choice system.

8

9 **Response:**

10 It makes most practical and cost-effective sense for FEI to use Fujitsu to support and sustain
11 the Customer Choice system because Fujitsu was involved with the original design and build of
12 the Customer Choice system and has maintained it since. Fujitsu, therefore, is the most
13 qualified support contractor for the Program with their extensive knowledge of the application
14 programming code and long history working with the systems. Utilizing another contractor to
15 provide technology sustainment for the Customer Choice system would result in higher costs
16 because they would be unfamiliar with the system and its evolution.

17
18

19

20

21 On page 13 of the Application, FEI describes the systems that support Customer Choice
22 as including “a set of integrated systems that are integral within the broader set of
23 systems and processes that facilitate customer account management and billing
24 services.”

25 6.3 Given the integrated nature of the Customer Choice systems within FEI’s overall
26 information system, please explain why FEI requires specific consulting support
27 related to Customer Choice (i.e. Fujitsu Consulting).

28

29 **Response:**

30 Fujitsu is FEI’s external support vendor for the FEI IS Application Support team. Fujitsu was
31 involved in the design and build of the GEM (Gateway for Energy Marketers) and NSS (Nucleus
32 Sub-System) components of Customer Choice system infrastructure, and Fujitsu has been
33 supporting these components since the 2007 implementation. For this reason, the consulting
34 support provided by Fujitsu is required because they are uniquely qualified to support and
35 maintain these particular application components. FEI believes that Fujitsu provides its services
36 at a market comparable cost.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 18

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34

FEI states the following on page 6 of the supplementary information filing:

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.

6.4 What percentage of the total monthly maintenance fee charged to FEI by KnowledgeTech Consulting does the \$1,500 charged to Customer Choice represent?

Response:

The \$1,500 monthly maintenance fee charged to the Program by KnowledgeTech Consulting (KTC) in 2015 represented approximately 43 percent of the total maintenance fee charged to FEI by KTC.

6.5 If the Customer Choice program did not exist, would the monthly maintenance fee charged to FEI by KnowledgeTech Consulting change? Please explain why or why not.

Response:

If Customer Choice did not exist, the total maintenance fee charged to FEI would be lower, since KTC would not be required to perform the duties required to support Customer Choice.

At the beginning of 2016, the monthly support contract with KTC for FEI was terminated altogether. KTC is currently is now used on an as-needed basis and FEI is billed hourly for technology sustainment items.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 19

1 On page 14 of the Application, FEI states the following as part of its evaluation of the
2 Infrastructure Sustainment costs regarding whether the costs are incurred to ensure the
3 Program serves all FEI customers: “Yes, for the most part the costs are incurred to
4 ensure the system infrastructure is in working order and available for Customer Choice
5 enrolments.”

6 6.6 Are any of the technology sustainment costs listed in Table 3 as part of the
7 supplementary information filing incurred to ensure the system infrastructure is in
8 working order and available for Customer Choice enrolments?
9

10 **Response:**

11 No, the technology sustainment costs listed in Table 3 of the supplementary information filing
12 are all costs related to the system maintenance and development costs for the Gateway for
13 Energy Marketers (GEM) and associated system interfaces. The relevance of each cost
14 category is further explained below as to why it is more appropriate to charge the Gas
15 Marketers for these expenses. With respect to the Independent Dispute Process (i.e., customer
16 dispute Web interface), FEI contracted with three vendors to address different development
17 activities necessary to build and implement the solution.

18 ***FUJITSU CONSULTING (CANADA) INC***

19 1. Monthly Application Maintenance Services

- 20 • The system maintenance and development work performed is directly related to
21 GEM and related infrastructure that exists solely to support the Customer Choice
22 Program, Gas Marketers and their customers. These contractors do not touch
23 any system infrastructure that is used to support all ratepayers.
24

25 2. Independent Dispute Process Project

- 26 • This project provided Customer Choice customers a user interface on the FEI
27 website to create and view their own disputes. This enhancement was added at
28 the request of Commission Staff in 2012 to comply with the guidelines entitled
29 “*Developing an Internal Complaint Mechanism*” (ICM) issued by the Office of the
30 Ombudsperson (reference: Public Report No 40, Sept 2001). This site is for the
31 benefit and use of Customer Choice customers only.
32

33 3. Server Upgrade Project (NSS Reports move)

- 34 • The report definition files of GEM reports that are provided for the benefit of Gas
35 Marketers and Commission staff were all upgraded in 2014 by the contracted
36 developers in order to comply with new server hardware requirements.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 20

1 **HABANERO CONSULTING GROUP**

2 1. Independent Dispute Process Project

- 3 • This project provided Customer Choice customers a user interface on the FEI
4 website to create and view their own disputes. This enhancement was added at
5 the request of Commission Staff in 2012 to comply with the guidelines entitled
6 “*Developing an Internal Complaint Mechanism*” (ICM) issued by the Office of the
7 Ombudsperson (reference: Public Report No 40, Sept 2001). This site is for the
8 benefit and use of Customer Choice customers only.

9 **TELUS COMMUNICATIONS COMPANY**

10 1. Independent Dispute Process Project

- 11 • This project provided Customer Choice customers a user interface on the FEI
12 website to create and view their own disputes. This enhancement was added at
13 the request of Commission Staff in 2012 to comply with the guidelines entitled
14 “*Developing an Internal Complaint Mechanism*” (ICM) issued by the Office of the
15 Ombudsperson (reference: Public Report No 40, Sept 2001). This site is for the
16 benefit and use of Customer Choice customers only.

17
18 2. Support Request

- 19 • Cost incurred to set-up three laptop computers to test GEM on three versions of
20 Windows Internet Explorer (IE) browsers: IE8, IE10 and IE11. Analysts tested
21 modifications to GEM after Gas Marketers and Commission Staff upgraded their
22 IE browser versions which created issues with GEM popups and renderings of
23 the screens. Costs incurred to sustain Customer Choice Program GEM
24 application.

25 **FORTISBC INTERNAL CROSS-CHARGE**

26 1. Independent Dispute Process Project

- 27 • This project provided Customer Choice customers a user interface on the FEI
28 website to create and view their own disputes. This enhancement was added at
29 the request of Commission Staff in 2012 to comply with the guidelines entitled
30 “*Developing an Internal Complaint Mechanism*” (ICM) issued by the Office of the
31 Ombudsperson (reference: Public Report No 40, Sept 2001). This site is for the
32 benefit and use of Customer Choice customers only.

33 **KNOWLEDGETECH CONSULTING INC.**

34 1. Monthly Sustainment Fee (\$1,500)

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 21

- 1 • The sustainment work performed is directly related to GEM and related
2 infrastructure that exists solely to support the Customer Choice Program, Gas
3 Marketers and their customers. This fee ensures that the monthly marketer
4 supply requirement is created and sent to GEM, and Customer Choice customer
5 consumption files are processed and sent to GEM for reporting purposes.
6

7 2. Marketer Supply Requirement and Reporting Break/Fix Charge

- 8 • The system maintenance and development work performed is directly related to
9 GEM and related infrastructure that exists solely to support the Customer Choice
10 Program, Gas Marketers and their customers.

11 ***GEM SOFTWARE PURCHASE***

12 1. Active PDF required for uploading of Dispute supporting docs

- 13 • This software license purchase is for software that converts documents uploaded
14 by customers, Gas Marketers or Commission Staff to PDF documents which
15 cannot be altered during the dispute process for record-keeping purposes. This
16 cost is incurred to directly support the Customer Choice Program and its
17 participants only.

18
19 The difference between the Technology sustainment costs incurred by FEI staff to ensure the
20 Customer Choice infrastructure is in working order and available for enrolments and the work
21 performed by outside consultants to support GEM and related infrastructure is that when FEI
22 staff perform maintenance and upgrades on the corporate Customer Information System, there
23 is a downstream effect on the other systems that support Customer Choice. This work is
24 performed to maintain the corporate systems which support all FEI ratepayers whereas the work
25 performed by the consultants is only on the system infrastructure related to Customer Choice. If
26 the Customer Choice Program ceased to exist then the related systems would be gone, the
27 work by the consultants would not be required and those costs would disappear. FEI believes it
28 is appropriate for these costs to be covered by Gas Marketers as 1) the sustainment costs
29 would not exist if Customer Choice ceased to exist and 2) the costs are associated with
30 supporting the Gas Marketers and their customers currently participating in Customer Choice.

- 31
32
33 6.6.1 If yes, please indicate which of the technology sustainment costs serve
34 this function and whether they should therefore be allocated to all
35 ratepayers.
36



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 22

1 **Response:**

2 Please refer to the response to BCUC IR 1.6.6.

3
4

5

6 6.6.2 If not, please explain why not. As part of this response, please
7 specifically address each of the costs listed in Table 3 and explain why
8 each cost does not serve a function similar to the one described in the
9 above preamble.

10

11 **Response:**

12 Please refer to the response to BCUC IR 1.6.6.

13
14

15

16 6.7 Has FEI considered options to reduce the technology sustainment cost
17 associated with Customer Choice program administration? If yes, please
18 describe the options considered by FEI and why each of these options has not
19 been pursued.

20

21 **Response:**

22 FEI has taken measures to reduce the technology sustainment costs associated with Customer
23 Choice program administration. As indicated in Table 3 of the Supplementary Information filing
24 (Exhibit B-1-3), technology sustainment costs have declined almost \$70,000 from 2014 to 2015.
25 The bulk of this reduction is a result of the decrease in Fujitsu Consulting fees charged to the
26 Program from \$209,338 in 2014 to \$147,799 in 2015. The service agreement with Fujitsu was
27 restructured in 2015 to achieve these savings.

28 Technology sustainment costs were further reduced with the termination of Knowledge
29 Consulting's (KTC) fixed monthly maintenance contract, which eliminated all monthly charges
30 from KTC to Customer Choice at the beginning of 2016. KTC is currently used on an as-
31 needed basis and bills the Customer Choice Program on an hourly basis for technology
32 sustainment items.

33

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 24

1 7.2 Are contact centre employees provided with specific training for dealing with
2 Customer Choice calls? If yes, please describe this training and how FEI
3 determines which employees should receive it.
4

5 **Response:**

6 Customer Choice calls are part of the training that all contact centre employees receive. The
7 training consists of an overview of the Customer Choice Program as well as how to answer
8 questions related to the program. Additionally, Customer Service Representatives have access
9 to the FEI Customer Service knowledge base that can be accessed for reference in order to
10 answer Customer Choice questions while on a call with a customer.

11
12

13
14 7.3 Has FEI considered options to reduce contact centre costs associated with the
15 Customer Choice program administration? If yes, please describe the options
16 considered by FEI and why each of these options has not been pursued.
17

18 **Response:**

19 Customer Choice calls account for less than one percent of total calls to the FEI contact centre.
20 The projected costs for anticipated call volumes have been estimated for 2014 and 2015 based
21 on actual call levels experienced in 2012 and 2013. Through its cost review, FEI has found that
22 the variance between the \$24,000 cost allocations to actuals made in both 2014 and 2015 to be
23 immaterial. However, the Company will start capturing and reporting on specific contact centre
24 costs moving forward.

25 FEI's contact centre focuses on first call resolution; ensuring that calls are handled efficiently
26 and issues are resolved to the customer's satisfaction. This focus ensures FEI constantly looks
27 for and acts upon improvement opportunities. Contact centre management evaluates call
28 patterns and customer feedback to identify possible improvement opportunities concerning
29 factors such as processes, policies, training, and targeted customer service representative
30 coaching. Through these efforts, the Company is able reduce contact centre costs when and
31 where possible.

32

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 25

1 **8.0 Reference: ANNUAL OPERATING COSTS**

2 **Exhibit B-1, Section 3.1, pp. 16-17; Exhibit B-1-3, pp. 7-8**

3 **Program administration costs**

4 FEI states on page 16 of the Application “Program administration costs of \$274,024 in
5 2015 included the allocation of two full-time Customer Choice program analysts.”

6 On pages 7-8 of the supplementary information filing, FEI provides the percentage
7 allocation of time spent on each program administration activity, which is divided
8 between Regulatory (40 percent), System Support (40 percent), and System
9 Development and Enhancements (20 percent) activities.

10 8.1 Please explain if the program administration activities described in the
11 Application and in the supplementary information filing are performed by both
12 program analysts, or if each analyst is assigned specific duties.

13
14 **Response:**

15 This response addresses BCUC IRs 1.8.1 and 1.8.1.1.

16 Although many core duties of the two program analysts are the same, some differences exist.
17 Starting in 2015, the Customer Choice manager position and one of the two program analyst
18 positions were eliminated. In an effort to reduce Program costs, the Company delegated some
19 of the responsibilities previously provided by the Customer Choice manager to a new senior
20 customer program analyst. Today there is one customer program analyst, and one senior
21 customer program analyst. The Company maintains that the Program requires two analysts to
22 ensure continuous, daily support.

23 Core work responsibilities shared by both analysts include the following:

- 24 • Verify that the Gateway for Energy Marketers (GEM) and the associated infrastructure is
25 in working order and processing enrolments and drops correctly. This daily task must be
26 completed in a timely manner through the review of various system reports.
- 27 • Escalate any daily system or data processing issues identified to appropriate technology
28 support providers. Analysts ensure issues are resolved in a timely manner and
29 communicated to Gas Marketers as necessary.
- 30 • Ensure the monthly final Marketer Supply Requirement (MSR) is processed on the 14th
31 of the month and sent to Gas Marketers to inform them of their supply requirements for
32 the following month.
- 33 • Ensure the effective maintenance and enhancement of system applications and
34 associated business processes.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 26

- 1 • Initiate and manage billing error corrections and reversals for customers by working with
2 customer contact centre staff.
- 3 • Field calls and emails from Gas Marketers regarding various issues including enrollment
4 or other data processing errors, price group setups and general questions.
- 5 • Develop and perform user acceptance testing to validate report calculations; and test
6 enhancements or system fixes in order to verify data processing accuracy.
- 7 • Coordinate the development and implementation of the annual customer education
8 communications plan.

9
10 The senior customer program analyst also performs the following duties:

- 11 • Facilitates meetings and liaises with other departments within the Company and
12 business partners to facilitate Customer Choice operations.
- 13 • Coordinates and prepares multiple Customer Choice regulatory filings annually from
14 development through editing and approvals.
- 15 • Assists manager customer programs and research with the preparation of annual
16 operating budget and ongoing cost control analysis.
- 17 • Establishes customer migration forecasts for use in the development of gas supply
18 forecasts and rate applications.
- 19 • Liaises with the manager, gas marketing programs at BCUC to provide assistance with
20 technical support, program rules, disputes, reporting, and general questions.
- 21 • Coordinates the development of business cases and the evaluations of vendors'
22 statements of work.
- 23 • Coordinates the work of vendors and consultants as required.

24
25 Please refer to the response to BCUC IR 1.8.2 for further discussion around why the Program
26 requires two program analysts to support Customer Choice.

27
28

29
30 8.1.1 If both analysts perform all of the tasks described in the Application and
31 in the supplementary information filing, please explain how work is
32 distributed between the two employees.
33

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 27

1 **Response:**

2 Please refer to the response to BCUC IR 1.8.1.

3

4

5

6 8.2 Has FEI considered options to reduce the labour cost associated with Customer
7 Choice program administration? If yes, please describe the options considered
8 by FEI and why each of these options has not been pursued.

9

10 **Response:**

11 This response addresses BCUC IRs 1.8.2 and 1.8.3.

12 FEI continually looks for operating efficiencies. Since 2012, Program administration costs have
13 fallen from \$303k in 2012 to about \$274k in 2015. As noted in response to BCUC IR1.8.1, in
14 2015 FEI eliminated a management position that was charging 50 percent of its salary to
15 Customer Choice. Accordingly, many suitable responsibilities were then reallocated to a new
16 senior union position; while a different manager absorbed the few remaining management
17 responsibilities. FEI believes that two FTE union positions are required to support the Program
18 adequately at the current level of participation:

- 19
- 20 • The two high level union positions have specific education and experience requirements.
21 FEI does not believe their duties could be easily transferable to other positions within the
22 Company.
 - 23 • Having two analysts ensures that Customer Choice has expert coverage for both
24 absences and vacations. This ensures system issues and requests from Gas Marketers,
25 internal stakeholders and Commission staff are dealt with promptly and effectively every
26 day.
 - 27 • The systems infrastructure that supports Customer Choice has 47 unique data flows that
28 support the Program. A single change can result in the need to potentially touch a
29 number of these data flows in terms of design, development, testing and implementation.

29

30 FEI will continue to pursue efficiencies in order to contain or lower overall Program costs where
31 possible. However, FEI believes the two dedicated analysts provide an optimal approach to
32 ensure expert coverage is always available to adequately attend to ongoing issues and
33 stakeholder requests.

34 For these reasons, the Company submits that at the minimum, two FTE union analysts are
35 required to support Customer Choice.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 28

1

2

3

4 8.3 Has FEI considered distributing some or all of the program administration
5 activities amongst employees in the organization with comparable skillsets,
6 similar to FEI's approach to infrastructure sustainment? Please discuss.

7

8 **Response:**

9 Please refer to the response to BCUC IR 1.8.2.

10

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 29

1 **9.0 Reference: ANNUAL OPERATING COSTS**

2 **Exhibit B-1, Section 3.1, p. 19; Exhibit B-1-3, p. 9**

3 **Customer education costs**

4 FEI states on page 19 of the Application “The [education] plan objectives are to promote
5 consumer awareness of the Customer Choice Program; maintain customer protection
6 via education; and direct customers to fortisbc.com/choice for more information about
7 the Program.”

8 On page 9 of the supplementary information filing, FEI states: “Since 2012, the annual
9 budget for Customer Education Costs has remained at \$300 thousand, as approved by
10 the Commission in Order A 9-11.”

11 9.1 The Commission approved the current customer education budget in 2011.
12 Please comment on whether FEI is of the view that a \$300 thousand budget is
13 still appropriate and why or why not.

14
15 **Response:**

16 This response also addresses BCUC IRs 1.9.1.1 and 1.9.1.2.

17 If the three objectives regarding consumer awareness, consumer protection through education,
18 and directing customers to fortisbc.com/choice are retained, FEI believes the existing budget
19 represents a suitable investment. However, based on improved digital communication targeting
20 opportunities, FEI believes generating consumer awareness of the Program is no longer
21 necessary. Today, the Company can more effectively reach consumers that are considering
22 purchasing natural gas from a Gas Marketer using search engine optimization; paid search
23 results; and programmatic advertising, which relies upon software to purchase targeted
24 advertising.

25 FEI suggests discontinuing radio advertising except for ESL (English as a second language)
26 audiences. Radio still represents an important channel for difficult to reach ESL audiences, but
27 is no longer needed for other audiences. FEI believes that General Program awareness that
28 might be generated by English radio advertising could be removed from Education Plan
29 objectives.

30 FEI believes some print advertising should continue for audiences that skew older, and are
31 generally less likely to use computers.

32 FEI suggests a cautious approach, starting by reducing the communications annual budget from
33 \$300k to \$225k. The recommended revised budget allocation follows:

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 30

Channel	Budget (000's)
Digital	\$125
Radio (ESL)	\$50
Print	\$50
Total	\$225

1

2 To evaluate the effectiveness of this expenditure moving forward, FEI will provide statistics
3 regarding traffic generated by paid digital advertising in subsequent Customer Choice Program
4 Statistics reporting that is typically submitted each February. Evaluation of print and ESL radio
5 is not viable given the limited budget allocated to each activity. However, FEI maintains that
6 these two important audiences should be targeted with specific communications that endeavor
7 to provide them with a base level of Program awareness and understanding.

8

9

10

11 9.1.1 If FEI is of the view that the budget is no longer appropriate, please
12 state FEI's proposed revised budget and provide details on how FEI
13 would arrange the Customer Choice customer education plan
14 expenditures and activities.

15

16 **Response:**

17 Please refer to the response to BCUC IR 1.9.1.

18

19

20

21 9.1.2 Has FEI considered options to reduce the education cost associated
22 with Customer Choice program administration? If yes, please describe
23 the options considered by FEI and why each of these options has not
24 been pursued.

25

26 **Response:**

27 Please refer to the response to BCUC IR 1.9.1.

28

29

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 31

- 1
2 9.2 Please explain why, from 2014 to 2015:
- 3 i. the expenses for radio advertising have decreased from \$103,182 to
4 \$41,723;
- 5 ii. the expenses for rate comparison ads – newspaper have remained relatively
6 stable and are the highest cost line item; and
- 7 iii. the expenses for digital media have increased from \$11,155 to \$50,916.

8
9 **Response:**

10 In 2015 Customer Choice expanded to Vancouver Island, Whistler, the Sunshine Coast and
11 Powell River. The objective of the 2015 campaign was to introduce and raise awareness of the
12 Customer Choice Program to natural gas customers in the new regions, while increasing
13 awareness of the program in the existing areas and directing traffic to fortisbc.com/choice. The
14 Customer Education Plan budget for 2015 remained unchanged at \$300 thousand.

- 15 i. In 2014, radio ads ran for four weeks on twenty-nine radio stations in eligible regions
16 across the province at a cost of \$103,182. In 2015, radio ads were run in only the
17 new eligible regions of Vancouver Island, Whistler, the Sunshine Coast and Powell
18 River, and not the rest of the province in order to maximize radio communication to
19 these new regions. The new regions are geographically smaller in size in comparison
20 to the remainder of the province, and were able to be covered by thirteen radio
21 stations (less than half of 2014) over the same number of weeks at a cost \$41,723
22 (less than half of 2014).
- 23 ii. Rate comparison ads are included in the current Customer Education Plan as
24 directives from the Commission in 2010 and 2011. In BCUC Order A-3-10 dated
25 February 22, 2010, the Commission approved, "... a new ad program... to be placed
26 in BC community newspapers to inform the public of alternative gas marketers and
27 their posted gas prices,"⁴ to supplement marketer contact information and pricing
28 published on the Company website. Further to this, the Commission stated the
29 belief, "...that educating potential customers that there are many different gas
30 marketers with various fixed price offerings is critical to achieving its goal of informed
31 choice and competition for all customers considering the Customer Choice
32 Program."⁵ In 2011, the Company requested a reduction in the required number of
33 cost comparison ads from twelve monthly ads to seven or eight monthly ads. Twelve
34 monthly ads would consume approximately eighty-five percent of the 2011 Customer

⁴ Order A-3-10, dated February 22, 2010, Appendix A, page 12.

⁵ Order A-3-10, dated February 22, 2010, Appendix A, page 13.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 32

1 Education budget, which had been reduced to \$300,000 from \$500,000 in 2010.⁶ In
2 Commission Order Number A-9-11, the Commission agreed with the Company's
3 request and directed the Company to, "...continue to publish price comparison ads
4 eight times per year."⁷

5 Cost comparison ad expenses were approximately \$170,000 in each of 2012 and
6 2013, reducing to approximately \$140,000 in 2014 and 2015. Print ads were run in
7 approximately forty-five newspapers province wide from 2012 to 2014. In 2015,
8 approximately twenty additional newspapers were added to cover the new regions of
9 Vancouver Island, Whistler, the Sunshine Coast and Powell River. FEI is of the belief
10 that cost comparison ads are an effective method of reaching older audiences that
11 are generally less likely to use computers.

12 iii. Digital media for Customer Choice was first introduced in 2014 with a media buy of
13 \$11,155. In 2015, the digital media buy was increased to \$50,916 as FEI believed
14 this to be a cost effective method to maximize the media reach to the new regions of
15 Vancouver Island, Whistler, the Sunshine Coast and Powell River without an
16 increase to the overall Customer Education budget. Digital advertising is effective in
17 that it targets customers that have searched for Customer Choice related information
18 on the internet. Wasserman & Partners Advertising advised that the digital media
19 purchase of \$52,500 in 2015 could potentially make 8,900,000 digital impressions for
20 Customer Choice. In comparison, an equivalent newspaper ad purchase would have
21 less than 2,000,000 impressions across the province.

22
23 FEI provides its outline for further recommended changes to its Education Plan in the responses
24 to BCUC IRs 1.9.1 and 1.9.2.1.

25
26

27
28 9.2.1 What specific outcomes or deliverables is FEI obtaining from these
29 three categories of customer education plan expenses?
30

31 **Response:**
32 Through the education plan objectives as stated above, FEI hopes to achieve greater customer
33 awareness and understanding about the Customer Choice Program, allowing them to make
34 informed decisions about whether they wish to enroll in the program, how the program works,

⁶ Customer Choice 2010 Program Summary and Recommendations (Exhibit B-1), dated November 23, 2010, Appendix A: 2010 Annual General Meeting – Issues and Recommendations, pages 60-61.

⁷ Order A-9-11, dated May 26, 2011, page 29.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 33

- 1 and what rules are in place for consumer protection. FEI has proposed some adjustments,
- 2 including an overall reduction to the investment as well as new tracking to help improve the
- 3 Company's understanding of communication expenditure effectiveness.
- 4 Please refer to the response to BCUC IR 1.9.1 for further discussion on this topic.
- 5

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 34

1 **10.0 Reference: PROGRAM COST RECOVERY**

2 **Exhibit B-1, Section 5.5.1, Table 5-1, p. 30**

3 **Quantitative assessment**

4 FEI provides the following description of its quantitative evaluation objective in Table 5-1
5 of the Application: “How significantly does the new cost recovery option financially
6 impact each Marketer in comparison to the current recovery structure? Specifically, FEI
7 evaluated the annual percentage change in Marketer costs that arise due to the new
8 fees. The Company anticipates that dramatic spikes will cause some Marketers to
9 withdraw from the Program.”

10 10.1 Please explain the specific financial impact analysis performed by FEI when
11 evaluating the quantitative impact of each option on each of the gas marketers.

12
13 **Response:**

14 This response addresses BCUC IRs 1.10.1 and 1.10.2.

15 The Company has no insight into Gas Marketer operating margins (i.e., cost of gas, marketing,
16 systems etc.), so FEI’s financial analysis was primarily focused on comparing existing fees paid
17 with fees payable under each of the four proposed options. The evaluation of these impacts
18 was based on the interpretation of total dollar change in actual versus proposed recoveries, as
19 well as percentage change; that is [(Total Proposed Recovery/2015 Actual Recovery)-1].

20 The financial impact analysis performed by FEI was not based on any benchmark or threshold,
21 but instead focused upon appropriately spreading overall Program costs to all marketers. FEI
22 worked under the assumption that the Program costs, which are largely fixed in nature, should
23 be allocated to gas marketers in a fair and equitable way.

24
25

26
27 10.2 What threshold or benchmark did FEI use to assess the significance of each new
28 cost recovery option’s financial impact on each of the gas marketers? For
29 instance, did FEI compare the impact of each new cost recovery option on each
30 gas marketer’s operating margin? Please discuss.

31
32 **Response:**

33 Please refer to the response to BCUC IR 1.10.1.

34

1 **11.0 Reference: PROGRAM COST RECOVERY**

2 **Exhibit B-1, Section 5, p. 26**

3 **Approach to recover program costs allocated to gas marketers**

4 On page 26 of the Application, FEI states: "Instead of simply increasing rates for existing
5 fees, FEI believes that new fees should be introduced to do a better job of matching
6 Program costs incurred, and in a way that mitigates dramatic cost shifts to Gas
7 Marketers. This will ensure that changes are as non-disruptive to the marketplace as
8 possible (i.e., Gas Marketers exit the Program), and improve the alignment between
9 costs incurred and fees recovered."

10 11.1 While FEI recommends replacing the current fee structure, please model options
11 for recovering costs as proposed (50% gas marketers, 50% FEI non-bypass
12 customers) under the current transaction fee structure. In other words, if the
13 current fee structure were to be maintained, what would the fees have to be to
14 recover costs as proposed?

15 **Response:**

16 To answer this question, FEI presents a summary of the anticipated 2016 recoveries based on
17 the existing fee structure. The proportion each fee contributes to overall recoveries is presented
18 in the last column. Most of the cost recovery is driven by Marketer Price Group fees (50.9%),
19 and Customer Bill fees (43.4%). Confirmation Letter and Dispute fees contribute less than six
20 per cent of overall recoveries.

21 **Table 1: 2016 Current Fee Structure**

22 **2016 Current Fee Structure**

Line Items	A Current fee per unit	B Estimated units for 2016	C = A * B Estimated recoveries for 2016	D = C/C Total Proportions of line items
Confirmation Letter Fee	\$ 1.02	10,000	\$ 10,200	2.9%
Customer Bill Fee ¹	\$ 0.40	384,000	\$ 153,600	43.4%
Dispute Fee	\$ 50.00	200	\$ 10,000	2.8%
Marketer Price Group Fee ²	\$ 150.00	1,200	\$ 180,000	50.9%
Total			\$ 353,800	

Notes:

1. The 2016 Customer Bill Fee estimated units is the monthly number of customers (32,000) multiplied by the number of months (12)

2. The 2016 Marketer Price Group Fee estimated units is the monthly number of marketer price groups (100) multiplied by the number of months (12)

1 Assuming that Program costs remain at the 2015 actual of \$989,339, in order to cover 50
 2 percent of Program costs recoveries would need to increase by \$140,870, from \$353,800 to
 3 \$494,670. Using the same contribution proportions calculated in Table 1, column D, the
 4 necessary changes to fees is shown in Table 2 below.

5 **Table 2: 2016 Proposed Fees**

2016 Proposed Fees (maintaining existing proportions)

Line Items	E = G/F Proposed fee per unit	F = B Estimated units for 2016	G = H * G Total Estimated recoveries for 2016	H = D Proportions of line items
Confirmation Letter Fee	\$ 1.43	10,000	\$ 14,261	2.9%
Customer Bill Fee ¹	\$ 0.56	384,000	\$ 214,758	43.4%
Dispute Fee	\$ 69.91	200	\$ 13,982	2.8%
Marketer Price Group Fee ²	\$ 209.72	1,200	\$ 251,669	50.9%
Total			\$ 494,670	

Notes:

1. The 2016 Customer Bill Fee estimated units is the monthly number of customers (32,000) multiplied by the number of months (12)

2. The 2016 Marketer Price Group Fee estimated units is the monthly number of marketer price groups (100) multiplied by the number of months (12)

Half of \$989,339 in 2015 total Program costs

6
 7
 8 The Customer Bill Fee would need to increase by \$0.16 to \$0.56; the Dispute Fee would rise
 9 \$19.91 per dispute; and the Marketer Price Group Fee would need to increase by \$59.72 to
 10 \$209.72.

11 The Company does not recommend adopting this cost sharing approach. FEI cautions that the
 12 necessary fee adjustments would have no direct relationship to underlying cost drivers. As
 13 described in the Commission Decision in the 2014 Customer Choice Seventh Annual General
 14 Meeting:

15 There is disagreement among the parties as to whether the customer bill fee should be
 16 shared and the appropriate division between gas marketers and FEI. The Panel is not
 17 persuaded there is sufficient evidence on the record at this time to determine whether
 18 the customer bill fee should be divided between FEI and gas marketers, and if so, a fair
 19 and appropriate division of the costs.⁸

⁸ Commission Decision and Order A-12-15 in the 2014 Customer Choice Seventh Annual General Meeting, dated September 29, 2015, page 8.



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 37

- 1 FEI is unable to establish an appropriate division of costs related to the production and mailing
- 2 of customer bills. The Company's proposed approach eliminates the Customer Bill Fee and
- 3 replaces it with suitable fees that better reflect underlying costs.

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 38

1 **12.0 Reference: COST ASSESSMENT**

2 **Exhibit B-1, Section 3, p. 12**

3 **Principle of cost causality**

4 On page 12 of the Application, FEI states: “The Company conducted a comprehensive
5 review of the Program and applied the principle of ‘cost causality’ (i.e., costs will be
6 borne by those who benefit and cause them to be incurred) in its detailed assessment of
7 Program costs.”

8 12.1 Did FEI consider how the costs for similar programs in other jurisdictions are
9 recovered? If yes, please provide details on FEI’s findings from other
10 jurisdictions. If not, please explain why not.

11
12 **Response:**

13 In order to properly compare programs in other jurisdictions, FEI would need to evaluate and
14 understand both the particular fee structures as well as operating models underpinning each
15 program. The Company considered such a review and determined that the level of effort to
16 perform an appropriate and thorough review of programs in other jurisdictions would be too high
17 relative to the anticipated benefits. FEI believes that the approach taken in the Application is
18 reasonable and would not benefit from a detailed and costly review of approaches in other
19 jurisdictions.

20
21

22
23 12.2 Is the application of the principle of cost causality consistent with how other
24 comparable program fees are recovered in other jurisdictions in Canada/North
25 America?

26
27 **Response:**

28 Please refer to the response to BCUC IR 1.12.1.

29
30

31
32 12.3 For each approach found in other jurisdictions that is different than the approach
33 of cost causality, please explain why FEI does not agree with applying that
34 approach for the Customer Choice program cost recovery.

35



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 39

- 1 **Response:**
- 2 Please refer to the response to BCUC IR 1.12.1.
- 3

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 40

1 **13.0 Reference: PROPOSED FEE STRUCTURE**

2 **Exhibit B-1, Section 5.7.1, p. 39**

3 **Program user fee**

4 On page 39 of the Application, FEI states: “Program User Fee: This is a fixed flat
5 monthly fee that partially recovers the fixed costs of the Customer Choice program. FEI
6 recommends that \$24,000 annually per Marketer be recovered from participating Gas
7 Marketers. A flat fee of \$2,000 per month would be charged to each Gas Marketer,
8 regardless of the number of active customers.”

9 13.1 How does FEI propose to deal with changes in the number of gas marketers from
10 year to year? Please explain fully how changes to the number of gas marketers
11 during a specific year would be incorporated into the proposed cost recovery
12 mechanisms going forward.

13
14 **Response:**

15 In terms of changes to the number of Gas Marketers in the Program and its effect on cost
16 allocations as per Option 4, FEI would incur a surplus or shortfall in Gas Marketer recoveries for
17 a portion of the year. This surplus or shortfall would be accounted for in the Company’s annual
18 reconciliation that would be included in the subsequent FEI Customer Choice Annual Statistics
19 report, typically required by the Commission each February. Any necessary Program fee
20 adjustments would be described in the report. The specific surplus/shortfall would be accounted
21 for through the adjusted fee amounts paid to FEI starting each April 1 (unless the adjustment
22 period is changed to November 1 as discussed in the response to BCUC IR 1.14.1).

23

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 41

1 **14.0 Reference: FEE ADJUSTMENTS**

2 **Exhibit B-1, Section 1.1, p. 2; Section 6.1, p. 41**

3 **Annual adjustment of proposed transaction fees**

4 On page 2 of the Application, FEI states:

5 In this Application, FEI is seeking Commission approval for: ... The annual
6 adjustment of the transaction fees on April 1 of each year starting April 1, 2017
7 by letter notice included with the Annual Program Statistics submitted in February
8 based on: (1) the previous year's actuals; and (2) any annual variance
9 experienced between cost allocation and actual recoveries. The annual
10 variances – either positive or negative – will be incorporated into the calculation
11 of the following year's fee assessment.

12 On page 41 of the Application, FEI states:

13 Transaction fees would continue to be collected monthly throughout the calendar
14 year January to December but any adjustments required for transaction fees
15 would take effect on April 1 of the following year. The fees will be evaluated each
16 January based on the previous year's actuals and adjusted accordingly. In
17 February of each year, FEI would submit a letter along with the Annual Program
18 Statistics outlining the changes to the fee structure for the upcoming year April
19 through March.

20 14.1 FEI's proposed method of adjusting the transaction fees does not allow for
21 affected parties to comment on the transaction fees prior to the adjustment taking
22 effect. Please provide information on alternative methods for adjusting the
23 transaction fees and analysis for each alternative method, e.g. fixed outside
24 escalators, annual or multi-annual review of the transaction fees and process to
25 do so, etc.

26
27 **Response:**

28 The proposed transaction fees for Gas Marketers are set to simply recover the allocated portion
29 of the Program costs that are allocated to them for the given year. Any automatic recalibration
30 of the fees, either upwards or downwards, is to ensure that any over recovery or under recovery
31 from the previous year is reconciled in the current year. The Company believes this is the most
32 efficient approach for adjusting the transaction fees to ensure that allocated costs have been
33 accurately recovered from each Gas Marketer.

34 If an alternative approach is preferred to the automatic adjustment method proposed, the
35 Company believes an annual review process could be appropriate, according to the following
36 approach:



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 42

- 1 1. In February of each year, FEI will evaluate the previous fiscal year's total costs (i.e.,
2 calendar year) allocated to Gas Marketers in light of the monies recouped from Gas
3 Marketers over the same period.
- 4 2. FEI would evaluate annual recovery shortfalls or surpluses and propose respective fee
5 increases or decreases. The recommendation would be included within the Annual
6 Program Statistics that is submitted to the Commission each February.
- 7 3. Discussion about the recommended fee changes could be addressed at either an
8 Annual General Meeting or dedicated proceeding. If the Commission determined that
9 further process in a given year was required, FEI suggests a written process including a
10 single round of information requests, followed by written final submissions and FEI reply
11 submission would be appropriate.
- 12 4. To accommodate this approach, fee adjustments would take effect on November 1
13 instead of April 1 to coincide with the Annual Contracting Plan.

14
15 FEI believes that this approach would accommodate the evaluation of proposed fee
16 adjustments yet ensure that the principle of cost causation is still followed.

17
18

19
20 14.1.1 Based on the method proposed in the Application, and the alternatives
21 requested above, confirm FEI's recommended method and rationale for
22 the recommendation.
23

24 **Response:**

25 In light of the small scale of Customer Choice relative to FEI's overall operation, the Company
26 maintains that the approach it outlined in Section 6.1, page 41 of the Application is appropriate.
27 The approach was designed to ensure that Program costs are accurately recovered from Gas
28 Marketers as determined by the set allocations. Further, the Company has shown (i.e., Figure 2-
29 2, Customer Choice Program Costs and Recoveries 2007 to 2015, Customer Choice Program
30 Cost Recovery Application, page 10) that Program costs have remained reasonably stable since
31 2013. FEI does not anticipate any significant changes to ongoing program costs with the
32 possible exception of a reduction to customer communication expenses (i.e., to be determined
33 through this proceeding). For efficiency and to further limit costs incurred to support the
34 Program, FEI recommends that under most circumstances that notifications of fee adjustments
35 should suffice.

36
37

FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 7, 2016
Response to British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1	Page 43

1
2 14.2 FEI's proposal does not address whether Commission review and/or approval is
3 required in order to adjust the transaction fees. Please confirm whether, in FEI's
4 view, Commission review/approval is required prior to adjusting the transaction
5 fees, and why or why not.

6
7 **Response:**

8 Unless FEI proposes a change to the allocation of costs between Gas Marketers and the
9 Company's non-bypass customers, FEI believes that fee adjustments should not require formal
10 approval. The purpose of adjusting the transaction fees annually is to simply ensure that any
11 variances experienced in the previous year, positive or negative, are reconciled in the upcoming
12 year to make certain that Gas Marketers are not paying any more or less than what is allocated
13 to them.

14 As described in the response to BCUC IR 1.14.1, the Company is amenable to a review process
15 that could be coupled with an Annual General Meeting or in a separate process.

16