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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) Previously Confidential Information Request (IR) No. 1

On April 14, 2016, FEI filed the Application referenced above. On July 4, 2016, the Commission issued its revised version of BCUC Confidential IR No. 1 (Exhibit A-6-1) replacing company names such that it no longer required confidentiality. 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 Previously Confidential IR No. 1 on a public basis.

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



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1 **1.0 Reference: PROGRAM COST RECOVERY**

2 **Exhibit B-1, Section 5.6.5, Table 5-6, p. 36**

3 **Quantitative assessment of Option 4 – Combination fee**

4 1.1 Please provide the same quantitative assessment as is provided on page 36 of
5 the Application under the following four scenarios:

6 (i) 10 percent fixed fee recovery;

7 (ii) 20 percent fixed fee recovery;

8 (iii) 30 percent fixed fee recovery; and

9 (iv) 50 percent fixed fee recovery.

10

11 **Response:**

12 FEI has provided the four requested quantitative assessment scenarios based on seven active
13 marketers, as one active marketer will be withdrawing from the Customer Choice Program
14 effective July 31, 2016. For comparison, the first table listed below shows a 40 percent fixed fee
15 recovery, as in Table 5-6, page 36 of the Application, however with only seven active marketers
16 instead of the eight in the original Application.

1 **Table 1 – Quantitative assessment of Option 4 – Combination fee: 7 marketers, 40% fixed fee**
2 **recovery**

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		
Total Marketer Recovery	\$ 484,947	7	40%	\$ 27,711	\$ 2,309
Total Fixed Allocation	\$ 193,979				

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	\$ 105,461	31,996	\$ 3.30 per customer	\$ 0.27 I1
Program Administration	\$ 185,507	31,996	\$ 5.80 per customer	\$ 0.48 I2
Total Variable Allocation	\$ 290,968			

	J	K	L = D	M = J x (I1 + I2) x 12	N = L + M	O = N - K	P = N/K - 1
Gas Marketer	Active Customers	2015 Actual Recoveries	Proposed Fixed Fee	Proposed Variable Fee	Total Proposed Recovery	Impact on Marketer (\$'s)	Impact on Marketer (%)
Company A	-	\$ -	\$ 27,711	\$ -	\$ 27,711	\$ 27,711	-
Company B	51	11,457	27,711	464	28,175	16,718	146%
Company D	735	14,951	27,711	6,684	34,395	19,444	130%
Company E	2,673	39,229	27,711	24,308	52,019	12,791	33%
Company F	3,996	113,736	27,711	36,339	64,050	(49,685)	-44%
Company G	6,707	77,577	27,711	60,993	88,704	11,127	14%
Company H	17,834	144,537	27,711	162,181	189,892	45,355	31%
Total Customers	31,996	\$ 419,086	\$ 193,979	\$ 290,968	\$ 484,947		

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1 (i) 10 percent fixed fee recovery:

2 **Response:**

3 **Table 2: Quantitative assessment of Option 4 – Combination fee: 7 marketers, 10% fixed fee**
 4 **recovery**

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	7	10%	\$ 6,928	\$ 577
Total Fixed Allocation	\$ 48,495				

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	\$ 158,192	31,996	\$ 4.94 per customer	\$ 0.41
Program Administration	\$ 278,260	31,996	\$ 8.70 per customer	\$ 0.72
Total Variable Allocation	\$ 436,452			

	J	K	L = D	M = J x ((I1 + I2) x 12)	N = L + M	O = N - K	P = N/K - 1
Gas Marketer	Active Customers	2015 Actual Recoveries	Proposed Fixed Fee	Proposed Variable Fee	Total Proposed Recovery	Impact on Marketer (\$'s)	Impact on Marketer (%)
Company A	-	\$ -	\$ 6,928	\$ -	\$ 6,928	\$ 6,928	-
Company B	51	11,457	6,928	696	7,624	(3,834)	-33%
Company D	735	14,951	6,928	10,026	16,954	2,002	13%
Company E	2,673	39,229	6,928	36,462	43,390	4,161	11%
Company F	3,996	113,736	6,928	54,509	61,437	(52,299)	-46%
Company G	6,707	77,577	6,928	91,489	98,417	20,840	27%
Company H	17,834	144,537	6,928	243,271	250,199	105,662	73%
Total Customers	31,996	\$ 419,086	\$ 48,495	\$ 436,452	\$ 484,947		

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1 (ii) 20 percent fixed fee recovery:

2 **Response:**

3 **Table 3: Quantitative assessment of Option 4 – Combination fee: 7 marketers, 20% fixed fee**
4 **recovery**

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	7	20%	\$ 13,856	\$ 1,155
Total Fixed Allocation	\$ 96,989				

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	\$ 140,615	31,996	\$ 4.39 per customer	\$ 0.37
Program Administration	\$ 247,343	31,996	\$ 7.73 per customer	\$ 0.64
Total Variable Allocation	\$ 387,958			

	J	K	L = D	M = J x (I1 + I2) x 12	N = L + M	O = N - K	P = N/K - 1
Gas Marketer	Active Customers	2015 Actual Recoveries	Proposed Fixed Fee	Proposed Variable Fee	Total Proposed Recovery	Impact on Marketer (\$'s)	Impact on Marketer (%)
Company A	-	-	\$ 13,856	\$ -	\$ 13,856	\$ 13,856	-
Company B	51	11,457	\$ 13,856	618	14,474	3,017	26%
Company D	735	14,951	\$ 13,856	8,912	22,768	7,816	52%
Company E	2,673	39,229	\$ 13,856	32,411	46,266	7,038	18%
Company F	3,996	113,736	\$ 13,856	48,452	62,308	(51,428)	-45%
Company G	6,707	77,577	\$ 13,856	81,324	95,179	17,602	23%
Company H	17,834	144,537	\$ 13,856	216,241	230,096	85,560	59%
Total Customers	31,996	\$ 419,086	\$ 96,989	\$ 387,958	\$ 484,947		

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1 (iii) 30 percent fixed fee recovery:

2 **Response:**

3 **Table 4: Quantitative assessment of Option 4 – Combination fee: 7 marketers, 30% fixed fee**
4 **recovery**

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	7	30%	\$ 20,783	\$ 1,732
Total Fixed Allocation	\$ 145,484				

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	\$ 123,038	31,996	\$ 3.85 per customer	\$ 0.32	11
Program Administration	\$ 216,425	31,996	\$ 6.76 per customer	\$ 0.56	12
Total Variable Allocation	\$ 339,463				

	J	K	L = D	M = J x (11+12) x 12	N = L + M	O = N - K	P = N/K - 1
Gas Marketer	Active Customers	2015 Actual Recoveries	Proposed Fixed Fee	Proposed Variable Fee	Total Proposed Recovery	Impact on Marketer (\$'s)	Impact on Marketer (%)
Company A	-	\$ -	\$ 20,783	\$ -	\$ 20,783	\$ 20,783	-
Company B	51	11,457	20,783	541	21,325	9,867	86%
Company D	735	14,951	20,783	7,798	28,581	13,630	91%
Company E	2,673	39,229	20,783	28,359	49,143	9,914	25%
Company F	3,996	113,736	20,783	42,396	63,179	(50,557)	-44%
Company G	6,707	77,577	20,783	71,158	91,942	14,364	19%
Company H	17,834	144,537	20,783	189,211	209,994	65,457	45%
Total Customers	31,996	\$ 419,086	\$ 145,484	\$ 339,463	\$ 484,947		

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1 (iv) 50 percent fixed fee recovery:

2 **Response:**

3 **Table 5: Quantitative assessment of Option 4 – Combination fee: 7 marketers, 50% fixed fee**
 4 **recovery**

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	7	50%	\$ 34,639	\$ 2,887
Total Fixed Allocation	\$ 242,474				

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	\$ 87,885	31,996	\$ 2.75 per customer	\$ 0.23
Program Administration	\$ 154,589	31,996	\$ 4.83 per customer	\$ 0.40
Total Variable Allocation	\$ 242,474			

Gas Marketer	J Active Customers	K 2015 Actual Recoveries	L = D Proposed Fixed Fee	M = J x (I1 + I2) x 12 Proposed Variable Fee	N = L + M Total Proposed Recovery	O = N - K Impact on Marketer (\$'s)	P = N/K - 1 Impact on Marketer (%)
Company A	-	-	\$ 34,639	\$ -	\$ 34,639	\$ 34,639	-
Company B	51	11,457	34,639	386	35,026	23,568	206%
Company D	735	14,951	34,639	5,570	40,209	25,258	169%
Company E	2,673	39,229	34,639	20,257	54,896	15,667	40%
Company F	3,996	113,736	34,639	30,283	64,922	(48,814)	-43%
Company G	6,707	77,577	34,639	50,827	85,466	7,889	10%
Company H	17,834	144,537	34,639	135,150	169,790	25,253	17%
Total Customers	31,996	\$ 419,086	\$ 242,474	\$ 242,474	\$ 484,947		

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1 **2.0 Reference: PROGRAM COST RECOVERY**

2 **Exhibit B-1, Section 5.6.6, Table 5-6, p. 37**

3 **Comparison of recovery options – Impact on gas marketers**

4 2.1 Please provide the detailed calculations to support the “2015 Actual Recoveries”
 5 provided in Table 5-6 for each gas marketer.

6
 7 **Response:**

8 Table 1 below provides the 2015 Actual Recoveries presented in Table 5-6 of the Application for
 9 each gas marketer, broken down by the annual amounts recovered from each of the current
 10 fees charged by the Program.

11 **Table 1: 2015 Gas Marketer Recoveries**

Gas Marketer	Confirmation Letter Fee	Customer Bill Fee	Dispute Fee	Marketer Price Group Fee	2015 Actual Recoveries
Company A	\$ -	\$ -	\$ -	\$ -	\$ -
Company B	\$ 56	\$ 152	\$ -	\$ 11,250	\$ 11,457
Company C	\$ 10	\$ 1,039	\$ 200	\$ 16,350	\$ 17,599
Company D	\$ 116	\$ 3,436	\$ -	\$ 11,400	\$ 14,951
Company E	\$ 2	\$ 14,627	\$ 300	\$ 24,300	\$ 39,229
Company F	\$ 1,073	\$ 27,753	\$ 600	\$ 84,310	\$ 113,736
Company G	\$ 1,113	\$ 32,464	\$ 3,200	\$ 40,800	\$ 77,577
Company H	\$ 4,976	\$ 80,111	\$ 1,850	\$ 57,600	\$ 144,537
Total	\$ 7,345	\$ 159,582	\$ 6,150	\$ 246,010	\$ 419,086

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17 2.2 Please provide a qualitative explanation as to why the Actual 2015 Recovery
 18 from Company F is approximately 45 percent higher than the recovery from
 19 Company G despite the fact that Company F has significantly fewer active
 20 customers than Company G.

21

22 **Response:**

23 More than half of the 2015 annual recovery amount from all the Gas Marketers consists of
 24 marketer price group fees. The marketer price group fee is a monthly fee charged to each



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1 marketer based on the number of open marketer price groups¹ (price points) they retain each
2 month. There is no correlation between the marketer price group fee and the number of
3 customers in the program. Gas Marketers can have as many or as few marketer price groups
4 as they wish, with as many or as few customers enrolled in each.

5 Company F had 57 marketer price groups open for all or part of 2015 and paid marketer price
6 group fees of \$84,310. This amounts to 74 percent of their fee recoveries. Company G had 40
7 percent fewer open marketer price groups than did Company F, with 34 price groups open for
8 all or part of 2015. Company G paid \$40,800 in marketer price group fees, amounting to 53
9 percent of their fee recoveries. The difference in the number of open marketer price groups
10 explains the disparity in the overall fees between the two marketers, and has no relation to the
11 number of customers each marketer retains.

12 Table 1 below shows the breakdown in fees paid by the two marketers, as well as the fees paid
13 by the aggregate of all eight licensed marketers.

14 **Table 1: 2015 Gas Marketer Recovery Fee Breakdown for Company F, Company G, and all Gas**
15 **Marketers**

Gas Marketer	Confirmation Letter Fee	Customer Bill Fee	Dispute Fee	Marketer Price Groups (open all or part of 2015)	Marketer Price Group Fee	2015 Actual Recoveries
Company F	\$ 1,073	\$ 27,753	\$ 600	57	\$ 84,310	\$ 113,736
Company G	\$ 1,113	\$ 32,464	\$ 3,200	34	\$ 40,800	\$ 77,577
All Gas Marketers	\$ 7,345	\$ 159,582	\$ 6,150	174	\$ 246,010	\$ 419,086

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¹ A marketer price group is defined by the price point that customers have agreed to with the Marketer for their natural gas commodity. Each group's price represents the Commodity Cost Recovery Charge FortisBC bills customers enrolled in that particular price group.

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1 **3.0 Reference: PROGRAM COST RECOVERY**

2 **Exhibit B-1, Section 5.1, Table 5-1, p. 30; Section 5.6.5, Table 5-6, p.**
3 **36;**

4 **Section 5.7, p. 38**

5 **Recommended approach**

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

12 Table 5-6 on page 36 of the Application shows that the impact of Option 4 on Company
13 D and Company B is an increased recovery of 105 percent and 114 percent,
14 respectively.

15 FEI states on page 38 of the Application: “While some Gas Marketers would pay a
16 higher percentage towards the total operating costs than they do now, FEI does not
17 perceive the dollar increase as excessive (e.g. a small Marketer paying around \$18,000
18 in the current fee structure would be paying 40% more which equates to \$25,000).”

19 3.1 Does FEI consider the increased cost recoveries from Company D and Company
20 B and resulting from the proposed Option 4 to be a “dramatic spike”? Please
21 explain why or why not.

22

23 **Response:**

24 As noted in the Application and the excerpt above, implementing Option 4 would result in
25 percentage fee increase on Company D and Company B of 105 percent and 114 percent
26 respectively. These percentage increases should be considered in light of the number of
27 customers currently enrolled by each Gas Marketer, and each company’s gross revenues
28 associated with their Customer Choice contracts..

29 Company D had 735 customers enrolled as of December 31, 2015. Their 2015 annual
30 throughput was over one million GJs, and their 2015 gross billings for unbundled commodity
31 sales were \$4,209,437.98. In light of their gross revenues, it may be that the fee increases are
32 manageable. However, without knowing Company D’s cost structure FEI cannot be certain.

33 Company B had 51 customers as of December 31, 2015, with annual billings of \$28,019.93
34 (excludes GST). In 2015, recoveries from Company B were \$11,457. Increasing their fees to
35 approximately \$24,466 as proposed in Option 4 may be more problematic for Company B.



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1 Importantly through this Application process, FEI emphasizes that it is amenable to other cost
2 allocation approaches, so long as the overall costs allocated to Gas Marketers are recouped
3 each year.

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7 3.2 Please discuss the likelihood that the increased cost recoveries produced by
8 Option 4 would lead to certain small gas marketers to withdraw from the
9 Program. What evidence, if any, does FEI have to support this assumption?
10 Does FEI consider its quantitative assessment of Option 4 as “Fair” to be
11 applicable to each of the gas marketers, or is this assessment based on the
12 overall quantitative impact to the gas marketers compared to the other cost
13 recovery options evaluated? Please explain.

14

15 **Response:**

16 FEI considers its assessment of Option 4 as “Fair” as an assessment of the overall quantitative
17 impact to all the Gas Marketers compared to the other cost recovery options evaluated. The
18 Company is not in a position to assess whether any particular Gas Marketer may withdraw from
19 the Program. This situation is explored further in the response to BCUC IR 1.3.2.1.

20

21

22

23 3.2.1 Are there any specific gas marketers to which FEI would assess the
24 quantitative impact of Option 4 as “Poor”? If not, please explain why not.
25 If yes, please identify each gas marketer and explain why FEI would
26 assess the impact as “Poor”.

27

28 **Response:**

29 As discussed in the response to BCUC IR 1.3.2, the description of Option 4 in Table 5-7, page
30 38 of the Application, is the Company’s subjective interpretation of the overall quantitative
31 impact to the Gas Marketers compared to the other cost recovery options evaluated.

32 FEI is not in a position to characterize the quantitative impact on individual Gas Marketers.

33