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July 11, 2016

British Columbia Public Interest Advocacy Centre  
Suite 208 – 1090 West Pender Street  
Vancouver, B.C.  
V6E 2N7

Attention: Ms. Tannis Braithwaite, Executive Director

Dear Ms. Braithwaite:

**Re: FortisBC Energy Inc. (FEI)**

**Project No. 3698874**

**Customer Choice Program Cost Recovery Application (the Application)**

**Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) Information Request (IR) No. 1**

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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 BCOAPO 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: Commission Secretary  
Registered Parties



FortisBC Energy Inc. (FEI or the Company) Customer Choice Program Cost Recovery Application (the Application)	Submission Date: July 11, 2016
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1    **1.0    Reference:    Exhibit B-1, page 8, Definition of Fixed Costs**

2            The referenced page states:

3            *Since 2012 when FEI insourced this same service, the Company has found that many of*  
4            *the Program costs are largely fixed. ... Most Program costs do not increase or fall in*  
5            *direct relation to enrolments ...*

6            1.1       Can FEI confirm that it defines the fixed costs of the customer choice program as  
7            costs that are invariant with respect to the number of participants in the customer  
8            choice program? If not, please provide FEI's working definition of "fixed costs."  
9

10    **Response:**

11    Yes, FEI confirms that it defines fixed costs as those that do not vary with the number of  
12    participants in the Customer Choice Program.

13

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1    **2.0    Reference:    Exhibit B-1, page 21, Table 3-2, Annual Program Expenses and**  
 2                                **Proposed Allocations, and Exhibit B-1-3, Table 1**

3                2.1    Please provide a breakdown of the 2015 annual program expenses of \$989,339  
 4                                between fixed costs and variable costs and provide a brief rationale for the  
 5                                classification of costs as fixed or variable.

6  
 7    **Response:**

8    Please refer to the response to CEC IR 1.11.1.

9

10

11

12              2.2    Under FEI's proposed fee structure, please provide the amount of 2016 program  
 13                                fixed costs that would be recovered by fixed fees paid by marketers, assuming  
 14                                2016 costs equal 2015 costs.

15

16    **Response:**

17    The majority of 2015's annual program expenses of \$939,339 are fixed, as referenced in the  
 18    response to CEC IR 1.11.1. All of the marketer allocated program expenses of \$484,947 are  
 19    fixed, as per Tables 3-2 in the Application. In proposed Option 4, \$192,000 (or 40%) of the gas  
 20    marketer recoveries would be recovered through fixed fees for the fixed expenses.

21

22

23

24              2.3    Under FEI's proposed fee structure, please provide the amount of 2016 program  
 25                                fixed costs allocated to marketers that would be recovered by fixed fees paid by  
 26                                marketers, assuming 2016 costs equal 2015 costs.

27

28    **Response:**

29    Please refer to the response to BCOAPO IR 1.2.2.

30



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1   **3.0   Reference:   Exhibit B-1, page 23, Figure 4-2, Forecasted Customer Choice**  
2                                   **Enrolments**

3           3.1   Please provide a high-level explanation with respect to the forecasting  
4                                   methodology for customer choice enrolments.

5  
6   **Response:**

7   This answer also addresses BCOAPO 1.3.2 and 1.3.4.

8   The forecasting methodology compares the previous year's monthly forecasted enrollments to  
9   the actual monthly enrolments experienced to determine the percentage change for each rate  
10   class. This percentage change, which FEI terms the "marketer sales factor," is then applied to  
11   the existing enrolments for the next thirty months to derive the forecasted enrolments for the  
12   period. The forecasted enrolments are then multiplied by the commodity use rates from FEI's  
13   Financial Information System to derive the forecasted volumes.

14   Note that the main purpose of creating the enrolment forecast with a marketer sales factor  
15   included was to provide the Company's Energy Supply Group with a way to plan their annual  
16   gas purchase for the following gas year. The marketer sales factor was based on the previous  
17   year's actuals because the enrolment history was so varied in the first few years of the Program.  
18   Although FEI acknowledges the accuracy of the forecast decreases past 12 months, the  
19   information generated has met FEI's immediate planning needs. Further, given the scale of the  
20   Program relative to FEI's overall sales, there has been no urgent need to change the model.

21   When comparing the actual enrolments to forecasted enrolments, the percentage change is  
22   typically under 3 percent or approximately 97 percent accurate. For example, the forecast run in  
23   October 2014 forecasted the February 2015 enrolments for Rate 1 customers to be 29,000 and  
24   the actual number ended up being 29,617 which is a change factor of 2.1%. That percent  
25   change is used as the marketer sales factor for 1-6 months out for Rate 1 as indicated in the  
26   yellow row of Table 1 below. The farther out the forecast is set, the higher the marketer sales  
27   factor as Gas Marketer contracts typically start within six months of the enrolment date.

28   Moreover, as indicated in Table 1 there is a change in the marketer sales factor percentage  
29   applied to the actual enrolments in the months of July 2017 and January 2018. This explains the  
30   slight upticks in forecasted enrollments for both July-December 2017 and January-October  
31   2018.

32   The data table below provides the data from Figure 4-2 of the Application in tabular format.



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1

**Table 1 - Marketer Sales Factors**

<b>Marketer Sales Factors</b>				
# of Months	Months Applied	Rate 1	Rate 2	Rate 3
1-6	January - June 2016	2%	6%	8%
7-9	July - September 2016	5%	10%	11%
10-12	October - December 2016	9%	23%	40%
13-18	January - June 2017	14%	27%	47%
19-24	July - December 2017	20%	30%	48%
25-36+	January - October 2018	25%	32%	50%

2

3

4

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3.2 Have forecasted enrolments been generally accurate when compared with actual enrolments historically?

7

8

9

**Response:**

10 Please refer to the response to BCOAPO IR 1.3.1.

11

12

13

14

3.3 Please provide the information shown in the referenced figure in numerical form in a table.

15

16

17

**Response:**

18 The requested information is presented in Table 1 below:

19

**Table 1: Forecasted Monthly Customer Choice Program Enrollments**

Month	Total
Feb 2016	32,960
Mar 2016	32,840
Apr 2016	32,621
May 2016	32,308
Jun 2016	32,071
Jul 2016	32,794
Aug 2016	32,264



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Month	Total
Sep 2016	31,903
Oct 2016	33,097
Nov 2016	30,665
Dec 2016	30,251
Jan 2017	31,223
Feb 2017	30,927
Mar 2017	30,715
Apr 2017	30,548
May 2017	30,226
Jun 2017	30,012
Jul 2017	31,255
Aug 2017	30,966
Sep 2017	30,692
Oct 2017	30,448
Nov 2017	28,354
Dec 2017	27,785
Jan 2018	28,194
Feb 2018	27,550
Mar 2018	26,945
Apr 2018	26,328
May 2018	25,690
Jun 2018	24,764
Jul 2018	23,896
Aug 2018	23,101
Sep 2018	22,278
Oct 2018	21,632

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11

3.4 Why does FEI forecast slight upticks in enrolments in June 2017 and in December 2017?

**Response:**

Please refer to the response to BCOAPO IR 1.3.1



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1           3.5    If the downward trend in enrolments that begins in January 2018 were to  
2                    continue indefinitely, at what future time would customer choice enrolments  
3                    decline to 0 customers?

4

5    **Response:**

6    FEI does not anticipate Customer Choice enrolments would ever decline to zero as there is  
7    always a percentage of customers that prefer a fixed rate option.

8



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1 **4.0 Reference: Exhibit B-1-3, page 9, Table 5, Customer Education Plan Expenses,**  
2 **Exhibit A-5, BCUC IR 1.9.2 and 1.9.2**

3

4 4.1 In respect of FEI's allocations of the Customer Education Plan Expenses among  
5 the various Media listed in the referenced table, please provide any information  
6 that FEI has with respect to (i) ratepayer awareness, and (ii) media efficacy that  
7 may have been provided by recent surveys, customer engagement exercises,  
8 customer feedback, etc.

9

10 **Response:**

11 Given the relatively limited budget of \$300,000, FEI has not generally conducted market  
12 research to evaluate ratepayer awareness or media efficacy. In 2015, FEI did retain TNS  
13 Canada to evaluate the effectiveness of Customer Choice communications focused primarily on  
14 Vancouver Island and Whistler where the Program was introduced for the first time. The  
15 associated report is provided in Attachment 4.1.

16 Please refer to the response to BCUC IRs 1.9.1 through 1.9.1.2 for discussion regarding  
17 proposed changes to Program communication activities.

18



**Attachment 4.1**

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# Customer Choice Program Communications Awareness Research

Prepared by TNS Canada  
October 23, 2015



# Background

In 2002, a provincial government policy was issued that gives consumers the freedom to purchase natural gas from independent gas marketers along with FortisBC under the Customer Choice program, which is overseen by the British Columbia Utilities Commission (BCUC). The program is currently available to residential and small commercial customers in the Interior and Lower Mainland in British Columbia.

As of November 1, 2015, Customer Choice has become available to natural gas customers in Whistler, Vancouver Island, the Sunshine Coast, and Powell River. Independent gas marketers started marketing for their services in these regions in August 2015.



# Objectives

The new competitive dynamic across Vancouver Island, Whistler, Powell River and Sunshine Coast will have an impact on FortisBC's current customer relationships. Accordingly, FortisBC has initiated this research program to:

- Gauge awareness levels for the *Customer Choice* program and customer understanding of its messaging;
- Determine which channels / media are most effective at reaching customers;
- Outline the level of influence the *Customer Choice* program messaging has;
- Understand the demographics of people who are aware of the *Customer Choice* program.



# Research Design & Sample Profile



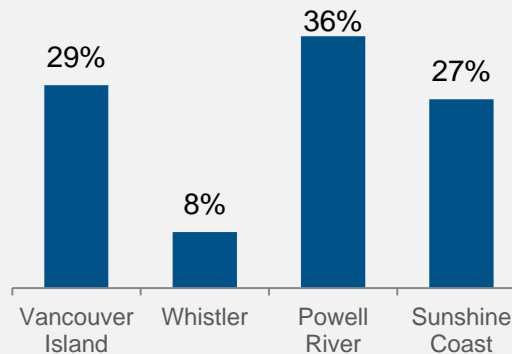
## Methodology

- Telephone Interviews
- Field: Sep 22, 2015 – Oct 5, 2015



## Target groups

- FortisBC Gas customers across:



## Sample size

- 500 interviews

# Topline Summary

# Topline Summary

## **Awareness of communications related to the “Customer Choice” program is moderate**

- One in four customers across Vancouver Island, Whistler, Powell River and Sunshine Coast recall hearing or seeing communications related to the “Customer Choice” program recently. Vancouver Island has the highest recall of the program communications with one in three of its residents recalling the same.
- However, when customers are prompted with a description of the “Customer Choice” program, recall scores increase across all areas. It is worth noting that those who are aware of the program have a good understanding of how the program works with respect to the role of BCUC, FortisBC and independent marketers.

## **Newspaper, TV and FortisBC bill inserts are effective channels in delivering information**

- A Majority of customers recall seeing recent communication on the “Customer Choice” program in newspaper (33%), TV (25%) and bill inserts (20%).
- However, customers feel that bill inserts are the most effective mode for FortisBC to share information related to products and services.

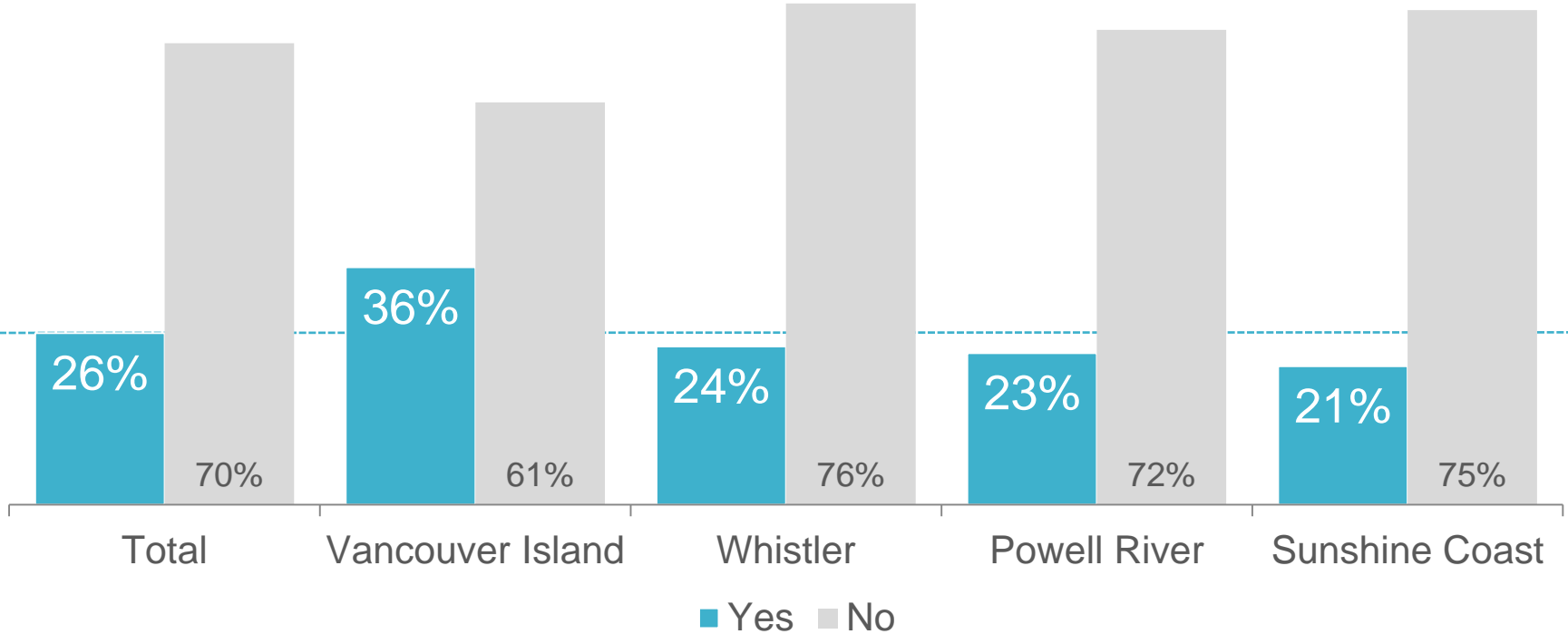
# Results



# Customers in Vancouver Island recall communications related to the “Customer Choice” program most strongly.



*Unprompted Awareness of the term “Customer Choice”*



QC1: Have you heard or seen any communications referring to the term “Customer Choice”?

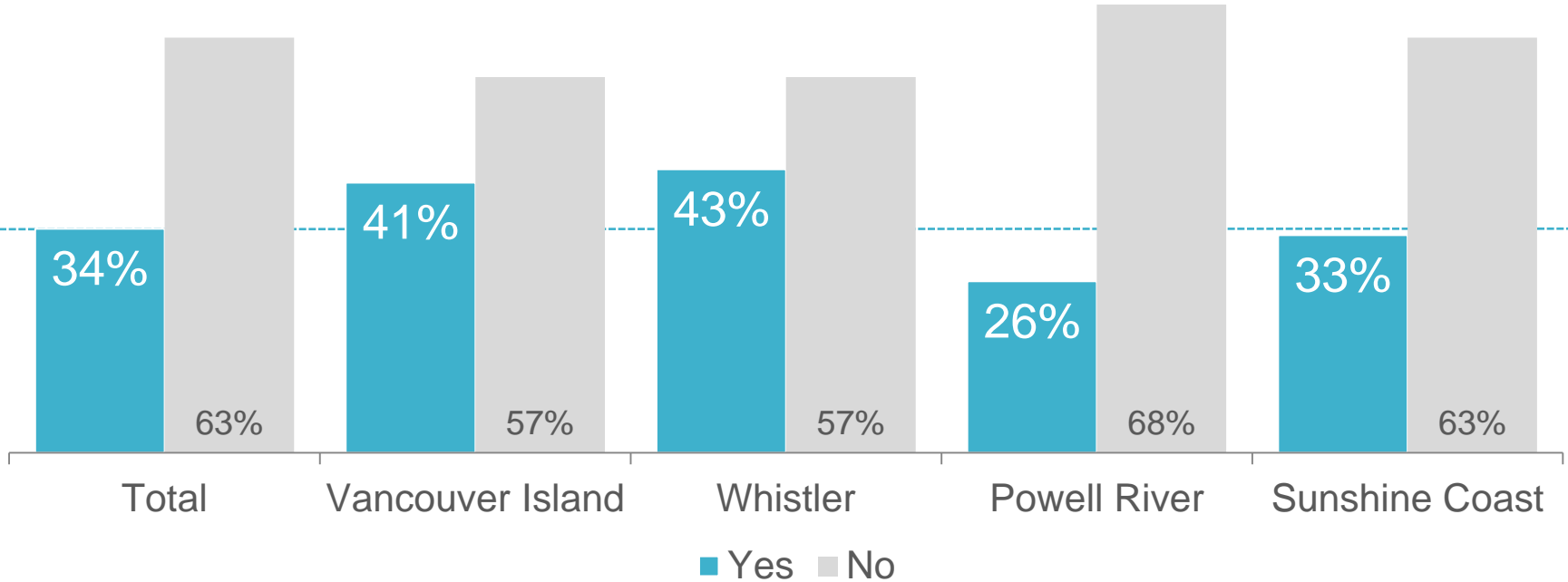
Base Total 500; Vancouver Island 143; Whistler 42; Powell River 180; Sunshine Coast 135



When customers are prompted with a description of the “Customer Choice” program, recall scores increases across all areas. This suggests the customers are more aware of the essence of the program than they are aware of its name.



Prompted Awareness of the “Customer Choice” Program



QC8: Before we asked you about the term “Customer Choice” today, did you know that homeowners in your area can buy natural gas from companies other than FortisBC?

Base Total 500; Vancouver Island 143; Whistler 42; Powell River 180; Sunshine Coast 135



# Despite the moderate awareness levels of the “Customer Choice” program, those who are aware have a good understanding of the program.



*That you can compare rates at Fortis, that you can go with the other companies on a sliding scale, that's not the term they use, that's my term, or you can stay with Fortis, on a fixed rate, is that the way it goes, I can't remember. Basically, one has a fixed rate, and one has a sliding scale.*



*You can compare the Fortis price per volume against private or smaller providers and make a choice.*



*Basically stick with Fortis and their prices or sign a contract with an independent contract on a term period.*



*Supposed to get more options re set pricing with other companies.*



*Something to do with being able to get your gas from a supplier from someone other than Fortis, and you can lock in your rate.*



*I was going to have a choice and i was going to save money, but I doubt it very much. I'll stay with Fortis.*

# Recall of the “Customer Choice” program is strongest through newspaper and TV channels.



33%

Newspaper



25%

TV



20%

w/Bill insert



8%

Radio



5%

Other website

3%

FortisBC website



2%

Social media

Don't know: 17%



QC2: Where did you hear or see this communication?

Base Aware 130



However, customers cite bill inserts as the most effective way for FortisBC to communicate with them.



31%

w/Bill insert



23%

TV



9%

Newspaper



9%

Other website

3%

FortisBC website



3%

Radio



3%

Social media

Other: 20%  
Don't know: 17%



QC5: What method of advertising or communication do you think is most effective in delivering a message from FortisBC?

Base Total 500



Although customers do not see social media, generally, as an effective channel of communication, they mention that Facebook specifically can be an effective social media platform for FortisBC to communicate with its customers.



34%



12%

Don't think you should advertise on social media: 11%

Don't Know: 43%

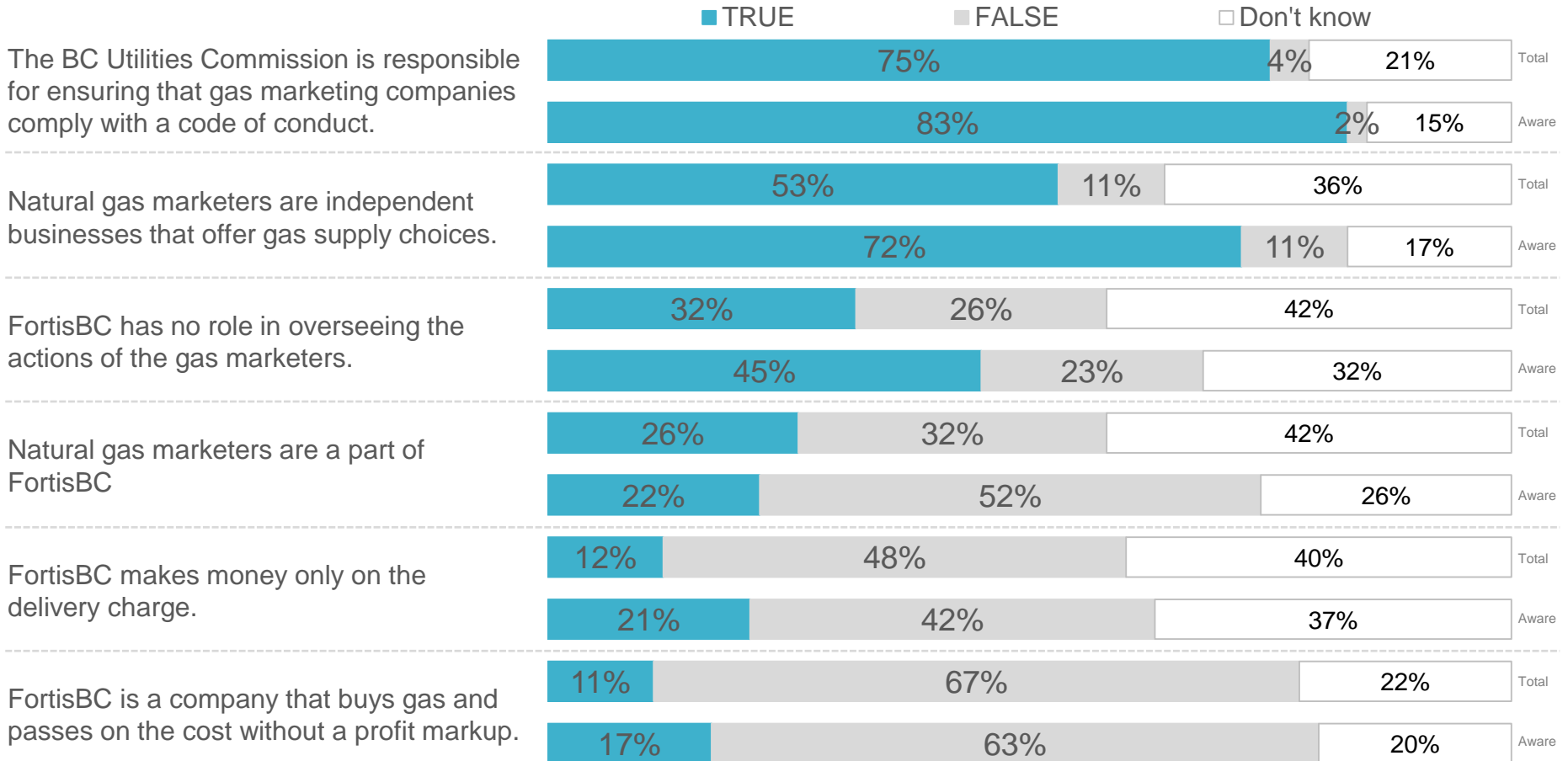
QC7: What specific social media platform do you think would be the most effective in delivering these types of messages?



Base Total 500



# Predisposition to the “Customer Choice” program improves customers’ understanding of the nuances of the role of BCUC, FortisBC and independent marketer have in the program.



QC10: I'm going to read you a number of statements about buying natural gas in your area. Please tell me if you think the statement is true, false, or if you don't know.

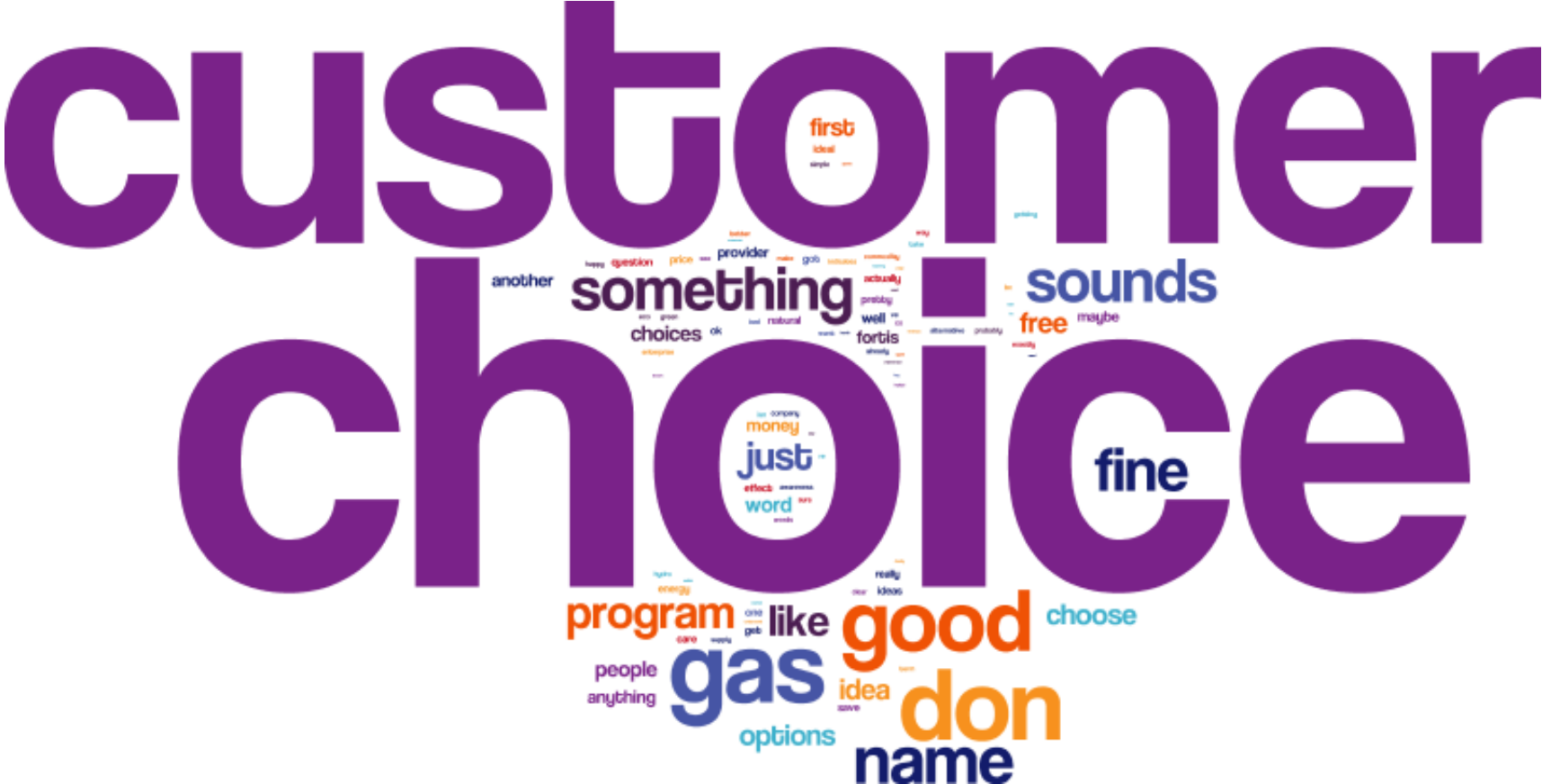
Base Total 500; Aware 130



# APPENDIX



A Majority of customers feel that “Customer Choice” is an ideal name for this program.



QC9: What do you think would be an ideal name for the Customer Choice program?



Base Total 500



# Customer Choice Program Communications Awareness Research

Prepared by TNS Canada  
October 23, 2015

