

Customer Choice Program Cost Recovery Application

BCUC Streamlined Review Process

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Energy at work



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Agenda

- 1. FortisBC's Role in the Program**
- 2. Objective and Approval Sought**
- 3. Basis for Program Cost Review**
- 4. FEI Approach to Program Cost Review**
- 5. Themes Raised During Proceeding**

FortisBC Role

Program Facilitator

- Ensure choice is available for all non-bypass customers
- Administer Program effectively and efficiently
- Principled approach to cost allocation
- Ensure 100% recovery of Program costs

Objectives of the Application

Recover Program costs 100%

Determine a reasonable allocation between Ratepayers and Gas Marketers to recover total program costs

Determine how to allocate Gas Marketer portion of program costs fairly and reasonably among the Gas Marketers

Determine an efficient method for adjusting Program costs annually

Approvals Sought

Allocation of Program Costs

Recovery of Program costs from Gas Marketers

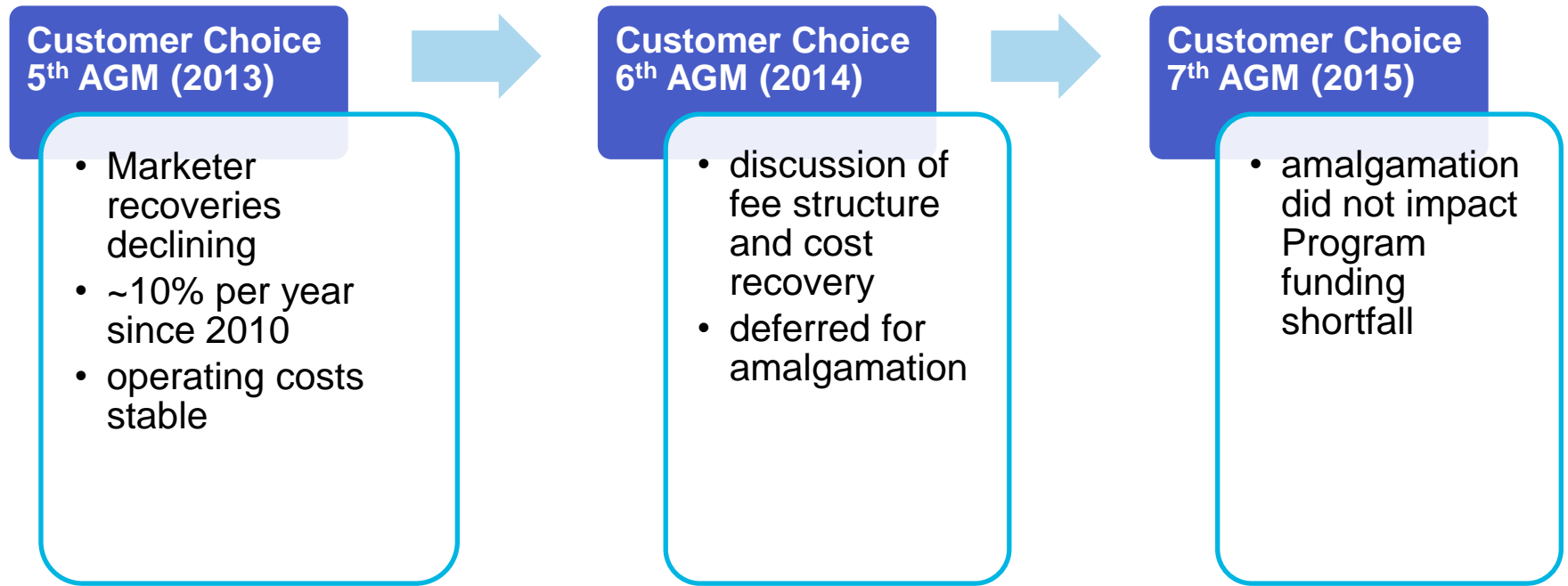
Annual adjustment of fees on April 1

Expenditure of approx. \$3,000 to implement system changes

Recuperation of remaining Program costs from non-bypass customers through delivery rates

BASIS FOR PROGRAM COST REVIEW

Timeline of Events



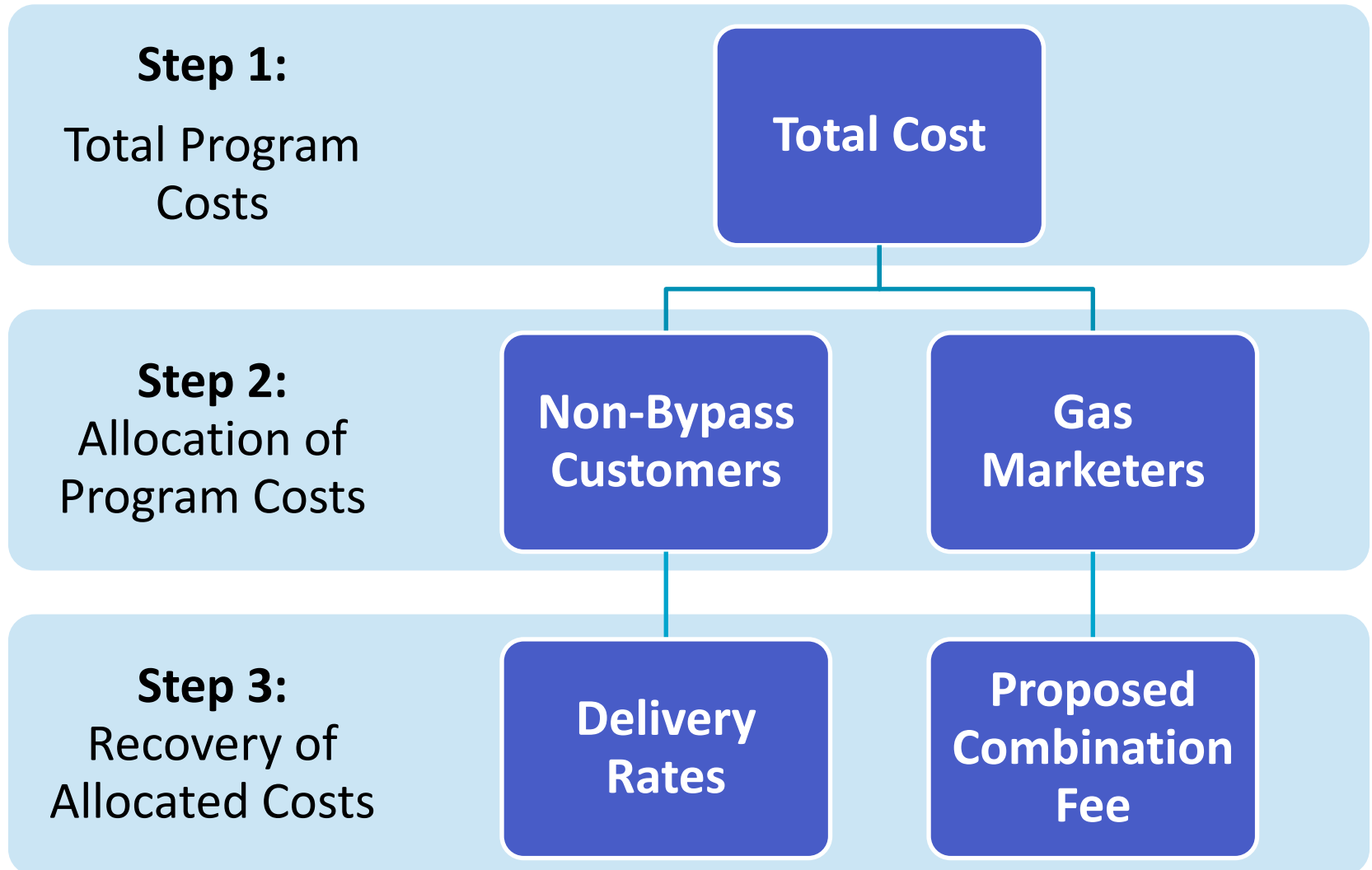
BCUC Order A-12-15 dated Sept 29, 2015, & Accompanying Decision Directed FEI to Submit a Customer Choice Program Fee Structure Application

BCUC Order A-12-15 & Accompanying Decision

“...The Panel directs FEI to include in its program cost recovery application a proposal and rationale for the portion of operating costs to be recovered from gas marketers and the relevant mechanisms. The Panel interprets the current framework for program cost recovery, as approved by Order C-6-06, to mean that the expectation of the Commission was that operating costs would be recovered from gas marketers. However, the Panel acknowledges the use of the words “where possible” is not clear and recommends this be addressed in FEI’s review of costs.”

FEI APPROACH TO PROGRAM COST REVIEW

Three Step Approach



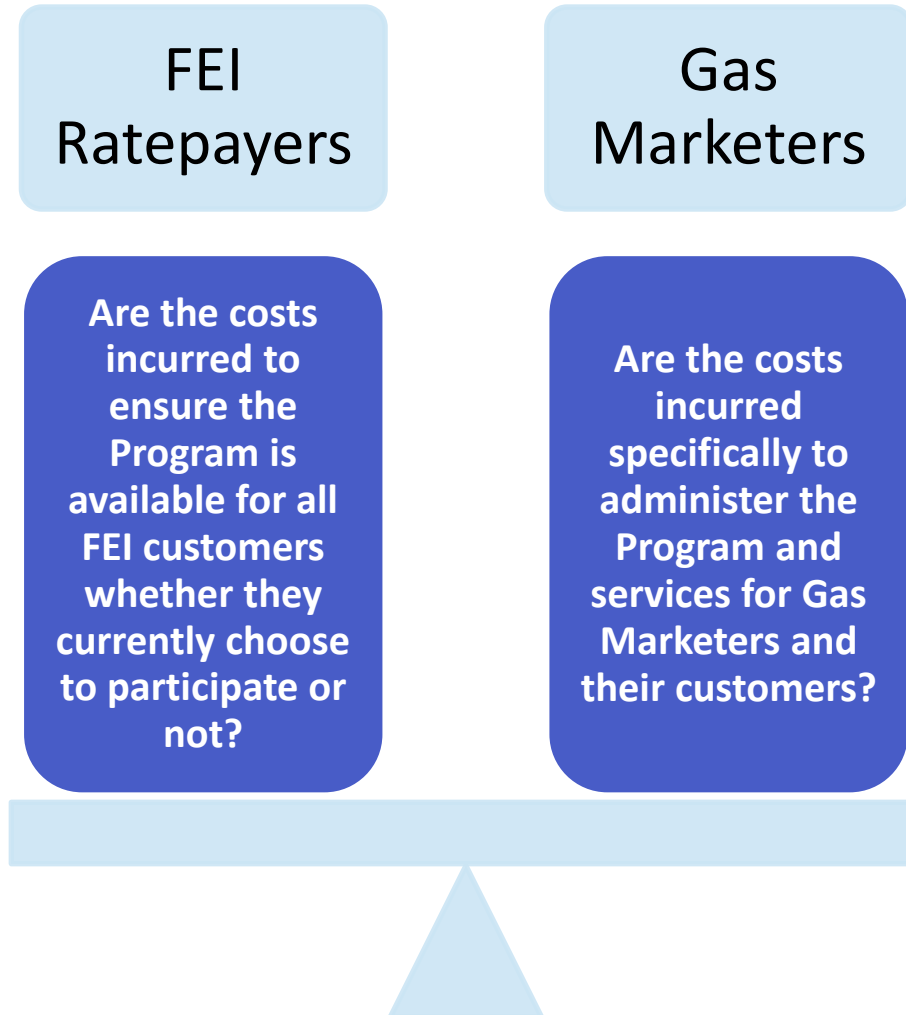
Step 1: Program Costs Categories

Cost Category	2015 Actuals (thousands)	Description
Technology Sustainment	\$ 176	<ul style="list-style-type: none"> • Dedicated to support Gas Marketers • Driven by actual costs
Infrastructure Sustainment	\$ 76	<ul style="list-style-type: none"> • Billing system costs for all Customers • Allocation to Customer Choice
Contact Center	\$ 24	<ul style="list-style-type: none"> • Manage Customer Choice calls
Program Administration	\$ 274	<ul style="list-style-type: none"> • Costs associated with 2 analysts to support the Program
BCUC	\$ 176	<ul style="list-style-type: none"> • BCUC Costs to operate the Program
Customer Education	\$ 264	<ul style="list-style-type: none"> • Radio, digital, print, etc.
TOTAL	\$ 990	

Reference: Ex. B-1, Section 3, Table 3-2

Step 2: Allocation of Program Costs

Program costs allocated based on cost causation:



Step 2: Cost Evaluation

Option	Description	Cost to Make Available	Cost to Administer	Ratepayers	Marketers
1	Technology Sustainment		✓		✓
2	Infrastructure Sustainment	✓		✓	
3	Contact Centre	✓		✓	
4	FEI -Administration		✓		✓
5	BCUC - Administration	✓		✓	
6	BCUC - Disputes		✓		✓
7	Customer Education	✓		✓	

Reference: Ex. B-1, Section 3, Table 3-1

Step 2: Proposed Allocations

Description	2015 Actuals (thousands)	Marketers	Ratepayers	Marketers	Ratepayers
		Allocations (%)		Allocation (\$)	
Technology Sustainment	\$ 176	100%	-	\$ 176	-
Infrastructure Sustainment	76	-	100%	-	\$ 76
Contact centre	24	-	100%	-	24
Program Administration	274	100%	-	274	-
BCUC	176	20%	80%	35	141
Customer Education	264	-	100%	-	264
Total	\$ 990			\$ 485	\$ 505

Reference: Ex. B-1, Section 3, Table 3-2

Step 3: Recovery of Allocated Costs

Proposed Combination Fee (Option 4)

- Proposes a combination flat monthly fixed-fee and a variable charge based on monthly active customers
- Fixed fee of \$2,000/month per Marketer
- Remaining amount divided into a variable Program Administration Fee and an Infrastructure Support fee

Step 3: Recovery of Allocated Costs

Considerations Taken:

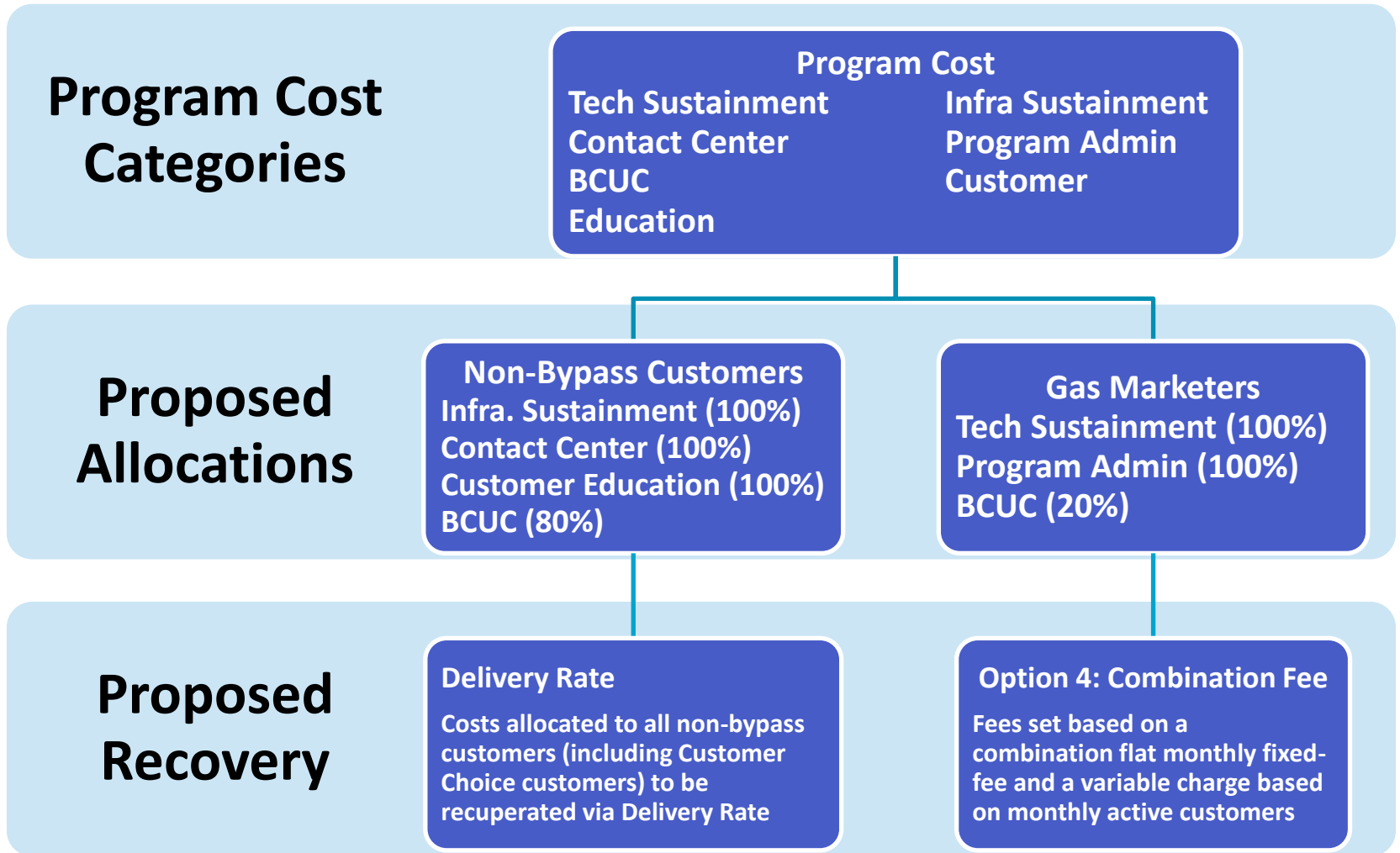
Quantitative

- % impact to Gas Marketers

Qualitative

- Fairness
- Ease of Implementation
- Long Term Flexibility

Summary of Proposal



Key Themes from Information Requests

Key Themes

Cost Allocation

- Discussion of alternative allocation approaches
- FEI believes the proposed Combination Fee Approach, Option 4, remains reasonable

Program Cost

- Components of program costs discussed
- Program costs have been coming down
- FEI has recommended reducing Customer Education costs

Impact on Marketers

- FEI considered the annual percentage impact on Marketer costs
- Balancing cost causation with changes to individual Marketer costs

Key issues

Annual Fee Adjustment

- A method to capture additional costs not currently accounted for in the PBR O&M
- Method to amortize into non-bypass customer rates in future to be determined

Education Costs

- Customer education spending through targeted communications
- Expenditures for ESL radio advertising and limited print ads

Dispute Fees

- Allocation of 20% of BCUC costs
- \$50 Dispute fee at the discretion of the Commission

Thank you



**For further information,
please contact:**

Find FortisBC at:

fortisbc.com

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