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July 27, 2016

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130, Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698874
Customer Choice Program Cost Recovery Application (the Application)
Response to Undertakings from the Streamlined Review Process

On July 21, 2016, the Commission held a Streamlined Review Process regarding the Application. FEI respectfully attaches its responses to the Undertakings from the Workshop.

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)
Project No. 3698874
Customer Choice Program Cost Recovery Application (the Application)
UNDERTAKING No. 1

SRP DATE: July 21, 2016
REFERENCE: Exhibit A2-1 Commission Staff Questions
REQUESTOR: Sarah Walsh, Commission Staff
QUESTIONS: PBR Related Questions

RESPONSE:

In the 2013 Base O&M for PBR, there was \$300,000 included for Customer Choice Education costs, which are recovered from non-bypass ratepayers through FEI's delivery rate. This was the 2013 Approved amount; the actual amounts for 2013 did not affect the PBR Base O&M since the Base O&M was set based on the Approved. Since 2013, this amount has escalated in the formula O&M each year of the PBR and has been included in delivery rates as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Customer Choice O&M	\$ 300,000	\$ 301,863	\$ 304,326	\$ 307,488
Net Inflation Factor		100.621%	100.816%	101.039%

Each year, actual Customer Choice Program Costs are incurred and Recoveries from Marketers are realized. This was shown in Table 1 from Exhibit B-1-3, which is reproduced below.

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

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

When FEI prepares its Annual Report to the Commission, FEI calculates the difference between the \$300,000 (escalated by inflation) that has been recovered from non-bypass customers, and the net actual Customer Choice Program Costs, and removes this amount from regulated O&M, such that only the formula-calculated amount is recovered in delivery rates, and any variances from this amount are excluded from the earnings sharing mechanism. These amounts were \$200,374 in 2014 (\$502,237 - \$301,863) and \$262,308 in 2015 (\$566,634 - \$304,326). In this way, non-bypass ratepayers have not been affected by the under-recoveries of costs from Marketers in 2014 and 2015. The under-recoveries have been to the account of FEI's shareholder.

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UNDERTAKING No. 1

With FEI's proposal in this Application, the amount to be recovered from non-bypass customers would increase to approximately \$500 thousand¹ from the current \$300 thousand. To accomplish this, FEI proposes that the O&M recovered under the PBR formula be increased by \$200 thousand, effective January 1, 2017². Any variances from this amount during the remaining years of the PBR (2017 through 2019) would be subject to the earnings sharing calculation. FEI has amended its approvals sought and attached a revised draft order to reflect this request.

Another of FEI's proposals was to set the Marketer fees each year starting April 1, 2017, to reflect (1) the previous year's actuals for the components of the costs to be recovered from Marketers³; and (2) any annual variance experienced between the cost allocation and the actual recoveries for the prior year for these same components. To accomplish this, FEI will require a deferral account to ensure the Marketers-allocated costs are only recovered from Marketers. The deferral account will capture the actual Marketer-allocated costs and actual Marketer recoveries each year. Therefore, FEI has also amended the approvals sought in the revised draft order to reflect the request for a deferral account. FEI proposes the creation of a non rate base deferral account, attracting a weighted average cost of capital return.

In summary, with FEI's proposals as amended, Marketer-allocated costs will only be recovered from Marketers, and any variances between the costs recovered from non-bypass customers and the actual costs incurred will be shared equally for the remainder of the PBR Term.

¹ Per Table 3-1 of the Application, this consists of IT Infrastructure Support Costs, Contact Centre Costs, BCUC Costs for Program Administration and Regulatory Proceedings, and Customer Education Costs.

² If this request is approved, FEI will include this adjustment in an Evidentiary Update to its Annual Review for 2017 Delivery Rates.

³ Per Table 3-1 of the Application, this consists of IT Technology Sustainment Support Costs, Program Administration Costs, and BCUC Costs for Dispute Resolution.



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application for the Customer Choice Program Cost Recovery

BEFORE:

Panel Chair/Commissioner
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. FortisBC Energy Inc. (FEI) obtained a Certificate of Public Convenience and Necessity (CPCN) on August 14, 2006 for the Commodity Unbundling Project for Residential Customers (Customer Choice) in accordance with the government's 2002 energy policy which allows for the direct sale of natural gas to residential and small volume commercial customers through gas marketing companies licensed by the British Columbia Utilities Commission (the Commission);
- B. On September 29, 2015, the Commission issued Order A-12-15, which, among other things, directed FEI to submit an application regarding the Customer Choice program fee structure (the Program Cost Recovery Application or the Application) to the Commission by March 31, 2016;
- C. By Order A-1-16, following FEI's request for an extension to the filing date of the Program Cost Recovery Application, the Commission ordered that FEI submit the Program Cost Recovery Application by April 14, 2016;
- D. On April 14, 2016, FEI filed the Customer Choice Program Cost Recovery Application (the Application), recommending a new fee structure for the recovery of costs associated with the Customer Choice program and seeking approvals for specific items for the new fee structure;
- E. The Commission has reviewed and considered the Application and concludes that the requested approvals are fair and reasonable and in the public interest.

NOW THEREFORE the British Columbia Utilities Commission orders as follows:

1. The FEI Application for Customer Choice Program Cost Recovery as applied for is approved.

2. FEI is approved to increase the 2017 Base O&M under the PBR formula by \$200 thousand.
3. FEI is approved to create a non rate base Marketer Cost Variance deferral account, attracting a weighted average cost of capital return, to record actual Marketer-allocated costs and actual Marketer recoveries each year.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

FortisBC Energy Inc. (FEI)
Project No. 3698874
Customer Choice Program Cost Recovery Application (the Application)
UNDERTAKING No. 2

SRP DATE: July 21, 2016

**TRANSCRIPT
REFERENCE:** Volume 1, Page 62, Lines 19 to 23

REQUESTOR: Mr. Craig

QUESTIONS: Provide Customer Choice Contact Centre costs as percentage of total Contact Centre Costs.

RESPONSE:

The 2016 Contact Centre budget is approximately \$16 million. Customer Choice Program Contact Centre costs of \$24 thousand represents approximately 0.15 percent of the total budget.