



**Diane Roy**  
Vice President, Regulatory Affairs

**Gas Regulatory Affairs Correspondence**  
Email: [gas.regulatory.affairs@fortisbc.com](mailto:gas.regulatory.affairs@fortisbc.com)

**Electric Regulatory Affairs Correspondence**  
Email: [electricity.regulatory.affairs@fortisbc.com](mailto: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](mailto:diane.roy@fortisbc.com)  
[www.fortisbc.com](http://www.fortisbc.com)

February 28, 2018

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. (FEI)**  
**2017 Customer Choice Program Cost Annual Program Statistics**

---

FEI attaches the FEI Customer Choice program statistics for the 2017 calendar year.

If further information is required, please contact Scott Web, Manager, Customer Programs & Research at 604-592-7649.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Diane Roy

Attachment

cc (email only): Licensed Gas Marketers  
British Columbia Public Interest Advocacy Centre  
Commercial Energy Consumers Association of British Columbia



**FORTISBC ENERGY INC.**

**2017 Customer Choice Annual Program  
Statistics**

**February 28, 2018**

## Table of Contents

<b>1. INTRODUCTION.....</b>	<b>1</b>
<b>2. PROGRAM PARTICIPATION STATISTICS .....</b>	<b>2</b>
2.1 Gas Marketer Participation .....	2
2.1.1 Fixed-Rate Contract Statistics.....	3
2.2 Customer Participation .....	3
<b>3. ENROLMENT STATISTICS.....</b>	<b>5</b>
3.1 Gross Enrolments.....	5
3.2 Net Enrolments.....	5
<b>4. DISPUTE STATISTICS .....</b>	<b>7</b>
<b>5. CUSTOMER EDUCATION PLAN.....</b>	<b>9</b>
5.1 Digital Media.....	9
5.1.1 Search Engine Marketing: Google AdWords Service .....	9
5.1.2 Social Media: Twitter Posts .....	10
5.2 Customer Choice Webpages.....	11
5.2.1 Search Engine Optimization.....	11
5.2.2 Customer Choice Webpages Updates .....	11
<b>6. SYSTEM ENHANCEMENTS .....</b>	<b>14</b>
<b>7. PROGRAM EXPENDITURES, RECOVERIES AND FEE STRUCTURE.....</b>	<b>17</b>
7.1 Review of Cost Recovery Application Decisions .....	17
7.2 2017 Customer Choice Program Costs .....	19
7.3 Technology Sustainment .....	21
7.4 Infrastructure Sustainment.....	21
7.5 Program Administration .....	21
7.6 British Columbia Utilities Commission Costs.....	22
7.7 Customer Education Costs .....	23
7.8 Total Program Costs.....	23
7.9 Gas marketer Recoveries .....	23
<b>8. PROGRAM FEES AND FEE STRUCTURE.....</b>	<b>25</b>
8.1 Deferral Account & Recovery Amount .....	26
8.2 Fixed Fees .....	27
8.3 Variable Fees .....	27
<b>9. SUMMARY .....</b>	<b>29</b>

### APPENDIX A: BCUC Customer Choice Program Expenditures 2017

## Index of Tables and Figures

Table 2-1: List of Gas Marketers.....	2
Table 5-1: Digital Display Statistics.....	10
Table 7-1: Program Expenses Percentage Allocation .....	18
Table 7-2: Customer Choice Program Costs 2007 to 2016 .....	20
Table 7-3: Customer Choice Program Costs 2017 .....	20
Table 7-4: BCUC Table of Expenditures.....	23
Table 7-5: Customer Choice Table of Charges .....	24
Table 8-1: 2018 Annual Program Cost Allocation.....	25
Table 8-2: 2018 Expense Category Proportions.....	26
Table 8-3: 2017 Marketer Cost Variance Deferral Activity .....	26
Table 8-4: 2018 Gas Marketer Recovery Amount .....	27
Table 8-5: 2018 Forecasted Marketer Cost Variance Deferral Activity .....	27
Table 8-6: 2018 Fixed and Variable Fee Recovery Proportions.....	27
Table 8-7: 2018 Variable Fee Calculation.....	28
Figure 2-1: Fixed-Rate Contract Statistics in 2016 .....	3
Figure 2-2: Yearly Comparison of Customer Choice Participation (2007 to 2017).....	4
Figure 3-1: Comparison of Monthly Gross Enrolments – 2016 vs. 2017 .....	5
Figure 3-2: Comparison of Yearly Enrolment Activity (2007 – 2017).....	6
Figure 4-1: Comparison of Yearly Dispute Activity from 2007 to 2017 .....	7
Figure 4-2: 2017 Monthly Dispute Statistics .....	8
Figure 5-1: Google AdWords Advertisement Extensions .....	10
Figure 5-2: Customer Choice Twitter Posts .....	11
Figure 5-3: Previous Customer Choice Landing Page (2016) .....	12
Figure 5-4: New Customer Choice Landing Page .....	13
Figure 6-1: NSS Administration Page for Managing Program Fees .....	15
Figure 6-2: Revised Marketer Settlement Report .....	16

## 1. INTRODUCTION

This filing provides an overview of the Customer Choice Program's (Customer Choice or the Program) key metrics for 2017 and is organized as follows:

- **Section 2** describes customer and gas marketer participation rates in the Program and includes a year-to-year comparison of customer participation from 2007 to 2017.
- **Section 3** provides an overview of gas marketer sales activity and statistics in 2017; a month-to-month comparison of enrolment activity between 2013 and 2017; and a year-to-year comparison of gross and net enrolments from 2007 to 2017.
- **Section 4** summarizes the monthly dispute activity and statistics in 2017 for cancellation and standard disputes, as well as yearly dispute activity from 2007 to 2017.
- **Section 5** provides a summary of the customer education plan for 2017, including a description of the individual components and the overall communication strategy.
- **Section 6** reviews the system enhancements and system related issues that occurred in 2017.
- **Section 7** reviews the 2017 Program expenditures, recoveries and the new gas marketer fee structure that took effect April 1, 2017.
- **Section 8** describes the 2018 Program fees and fee structure.
- **Section 9** provides a summary of each section.

## 2. PROGRAM PARTICIPATION STATISTICS

### 2.1 GAS MARKETER PARTICIPATION

In 2017, there were six licensed gas marketers operating in BC. There were four gas marketers actively enrolling customers in 2017. Four of the gas marketers offered fixed-rate contracts to FortisBC Energy Inc. (FEI) customers in Rate Schedule 1 residential, and Rate Schedules 2 and 3 commercial customers. Bluestream Energy only offered fixed-rate contracts to Rate Schedule 2 and 3 commercial customers. Table 2-1 below lists the gas marketers operating in BC in 2017, their sales activity status and the rate classes served. The table also lists gas marketers that are no longer active in the Program.

**Table 2-1: List of Gas Marketers**

Gas Marketer		Status
<b>Residential and Commercial Gas Marketers</b>		
1	Access Gas Services Inc.	Licensed and active
2	Direct Energy Marketing Ltd	Licensed; Combined Direct Energy Business Services (DEBS) and Direct Energy Marketing Ltd. (DEML) in April 2010
3	Just Energy (formerly Energy Savings BC)	Licensed and active; Changed name to Just Energy in 2009
4	Planet Energy	Licensed; Re-entered the market in February 2010
5	Summitt Energy BC L.P.	Licensed and active
<b>Commercial Only Gas Marketers</b>		
1	Bluestream Energy	Licensed and active
<b>Past Gas Marketers</b>		
1	Premstar Energy – ECNG	Owned by Alta Gas. License terminated October 2016
2	Active Renewable Marketing Ltd	Purchased by Access Gas on December 1, 2013
3	CEG Energy Options	Purchased by Energy Savings BC in 2008
4	Connect Energy	License terminated July 2013
5	Firefly Energy	Owned by AG Energy. License terminated October 2013
6	Intra Energy	Withdrew from Program 2007
7	MX Energy (Canada) Ltd	License terminated April 2013
8	Nexen Marketing	Sold customers to Access Gas and withdrew
9	Planet Energy	Sold customers to Access Gas in April 2008 and withdrew
10	Smart Energy (BC) Ltd	Withdrew from Program November 2014
11	Superior Energy Management, a Division of Superior Plus LP	Withdrew from Program July 2016

	Gas Marketer	Status
12	Tahoe Energy	Withdrew from Program June 2007
13	Universal Energy	Purchased by Just Energy effective July 1, 2009
14	Wholesale Energy Group Ltd	Purchased by Universal Energy in 2008

### 2.1.1 Fixed-Rate Contract Statistics

By the end of 2017, there were eighty-five marketer price groups open as five had been closed during the year. There was only one new marketer price group created in 2017. A marketer price group is defined by the price that customers have agreed to pay per GJ for their natural gas commodity. Figure 2-1 below provides the statistics for fixed-rate contracts sold to customers in 2017.

**Figure 2-1: Fixed-Rate Contract Statistics in 2016**

Open Price Groups	Percentage of Total Enrolments per Term	Price Range per Enrolment Term	Number of Enrolments by Contract Price Range	Weight Average Price by Term
• 85	<ul style="list-style-type: none"> <li>• 1 Year - 5%</li> <li>• 2 Year - .5%</li> <li>• 3 Year - 2%</li> <li>• 4 Year - 6%</li> <li>• 5 Year - 87%</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Year - \$2.28 to \$7.19</li> <li>• 2 Year - \$2.89 to \$7.49</li> <li>• 3 Year - \$2.89 to \$7.49</li> <li>• 4 Year - \$3.80 to \$6.89</li> <li>• 5 Year - \$2.89 to \$7.99</li> </ul>	<ul style="list-style-type: none"> <li>• Under \$4 - 458 - 6%</li> <li>• \$4-\$6 - 2854 - 39%</li> <li>• \$6-\$8 - 4035 - 55%</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Year - \$3.60</li> <li>• 2 Year - \$5.83</li> <li>• 3 Year - \$4.38</li> <li>• 4 Year - \$6.34</li> <li>• 5 Year - \$6.35</li> </ul>

As indicated in Figure 2-1 above, prices per gigajoule (GJ) of gas charged ranged from a low of \$2.28/GJ to a high of \$7.99/GJ. In 2017, the majority of contracts were enrolled with prices between \$6/GJ and \$8/GJ.

The most common contract term signed in 2017 was for a five-year contract, accounting for 87 percent of total enrolments. The price range for a five-year contract term ranged from a low of \$2.89/GJ to a high of \$7.99/GJ, with a weighted average price of \$6.35/GJ.

## 2.2 CUSTOMER PARTICIPATION

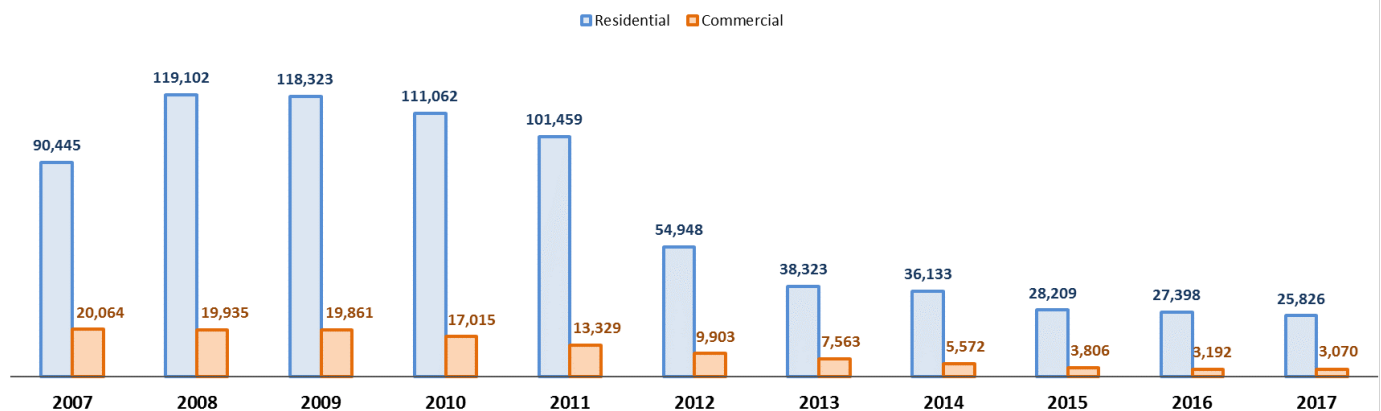
As of December 31, 2017, there were approximately 993 thousand FEI Rate Schedules 1, 2 and 3 customers eligible for the Customer Choice Program. Of those eligible, approximately 902 thousand were residential customers and approximately 91 thousand were commercial customers.

Of the approximately 902 thousand eligible residential customers, about 26 thousand billed customers were enrolled in Customer Choice. This represents approximately three percent of the total customer base of eligible residential customers participating in Customer Choice.

Of the approximately 91 thousand eligible commercial customers, about three thousand or three percent of billed customers were enrolled in Customer Choice. The percentage of eligible customers participating in Customer Choice has decreased one percent for commercial customers and remained the same for residential customers over 2016 participation.

Figure 2-2 below illustrates the year-to-year comparison of both residential and commercial customer Program participation from its 2007 inception through 2017. Total eligible residential and commercial customers are listed by year.

**Figure 2-2: Yearly Comparison of Customer Choice Participation (2007 to 2017)**



Eligible	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential	739,651	747,594	752,416	759,240	764,241	758,460	765,402	772,804	884,847	896,154	901,507
Commercial	79,037	80,317	80,573	80,658	81,050	76,659	77,824	78,838	90,120	91,000	91,428

As Figure 2-2 indicates, Customer Choice participation levels have been declining since 2008. Participation levels in the Program continued to decrease in 2017. Total participation in the Customer Choice Program was down 5.5 percent in 2017 over 2016. Participation rates for residential customers declined by 5.7 percent in 2017 over 2016, while participation rates for commercial customers declined by 3.8 percent over the same period. The decrease in participation can be attributed to continued low and stable natural gas commodity prices, decreased contract sales activity by gas marketers, and customer account closures.



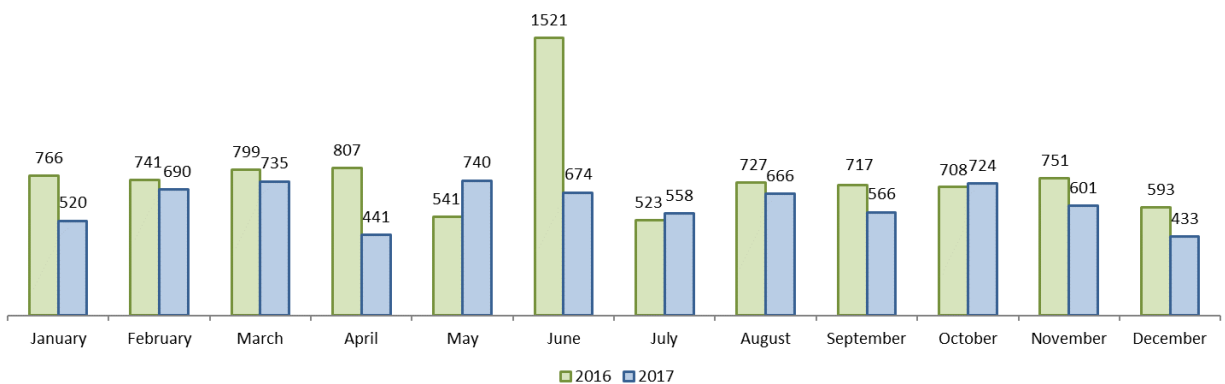
## 3. ENROLMENT STATISTICS

### 3.1 GROSS ENROLMENTS

In 2017, new enrolments were submitted at an average rate of 612 per month. Enrolments are counted in the month submitted and contracts start flowing within five years of submission date. Enrolments peaked in May with 740 enrolments submitted. Gross enrolments for 2017 of over 73 hundred customers were down 20 percent from total gross enrolments of over 91 hundred customers in 2016. Gross enrolments decreased in 2017 due to less sales activity by the active gas marketers and non-activity by some of the licensed gas marketers.

Figure 3-1 below illustrates the comparison of monthly gross enrolments between 2016 and 2017.

**Figure 3-1: Comparison of Monthly Gross Enrolments – 2016 vs. 2017**

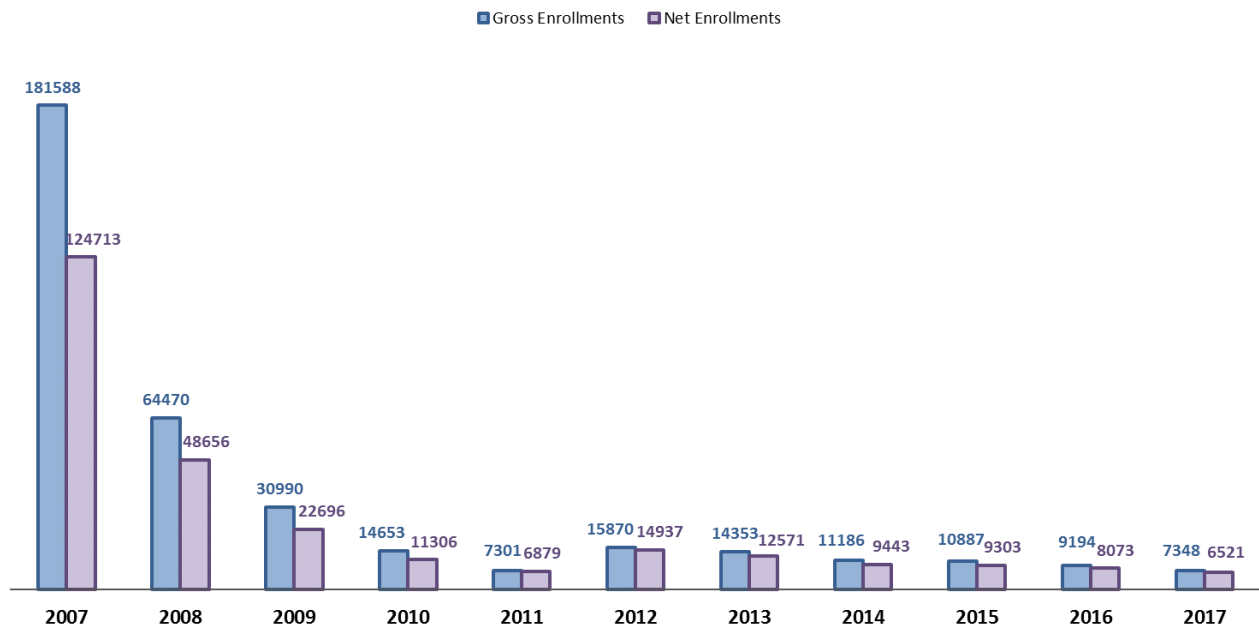


### 3.2 NET ENROLMENTS

Net enrolments are contracts that flow with the gas marketer on the contract start date and are calculated as gross enrolments, less any 10-day cancellations and operational correction drops.<sup>1</sup> The Program enrolled over 6,500 net customers in 2017. Figure 3-2 compares the gross enrolments to net enrolments over the past 11 years from 2007 to 2017.

<sup>1</sup> 10-day cancellations result from customers who elect to cancel their contract within their 10-day cooling period. Operational Correction Drops are contract cancellations submitted by the gas marketers after the 10-day cancellation window but before the contract start date.

**Figure 3-2: Comparison of Yearly Enrolment Activity (2007 – 2017)**

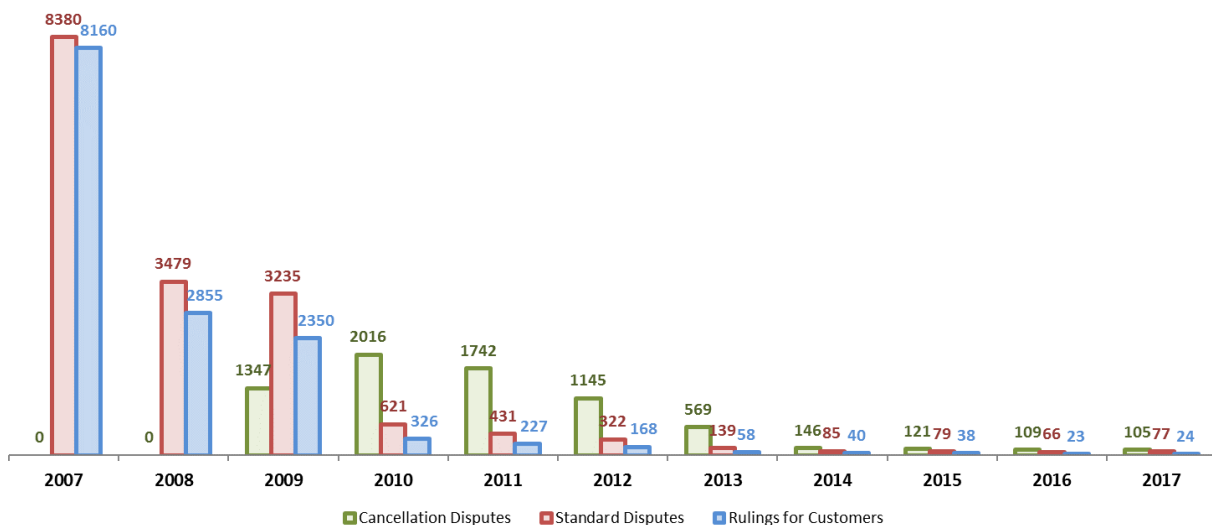


The ratio of net enrolments to gross enrolments was 89 percent in 2017, up from 88 percent in 2016. The trend continues since 2011 to show less than 20 percent of contracts are cancelled before their start date. This improvement can be linked to the 2011 introduction of consolidated business rules for residential and commercial customers. The consolidated business rules, which include third-party verification calls, 10-day cooling periods, and confirmation letters sent to the account holder for all residential and commercial enrolments, have been effective in ensuring that customers understand their fixed-rate contracts.

## 4. DISPUTE STATISTICS

Contract disputes continue at low levels as experienced since 2014. In 2017, there were 182 total disputes filed, which is up slightly from 175 disputes logged in 2016 as displayed in Figure 4-1. This represents a 4 percent increase in dispute filings in 2017. When the disputes raised are calculated as a percentage of sales, total disputes filed have remained steady at 2 percent of gross enrolments for the past four years.

**Figure 4-1: Comparison of Yearly Dispute Activity from 2007 to 2017**



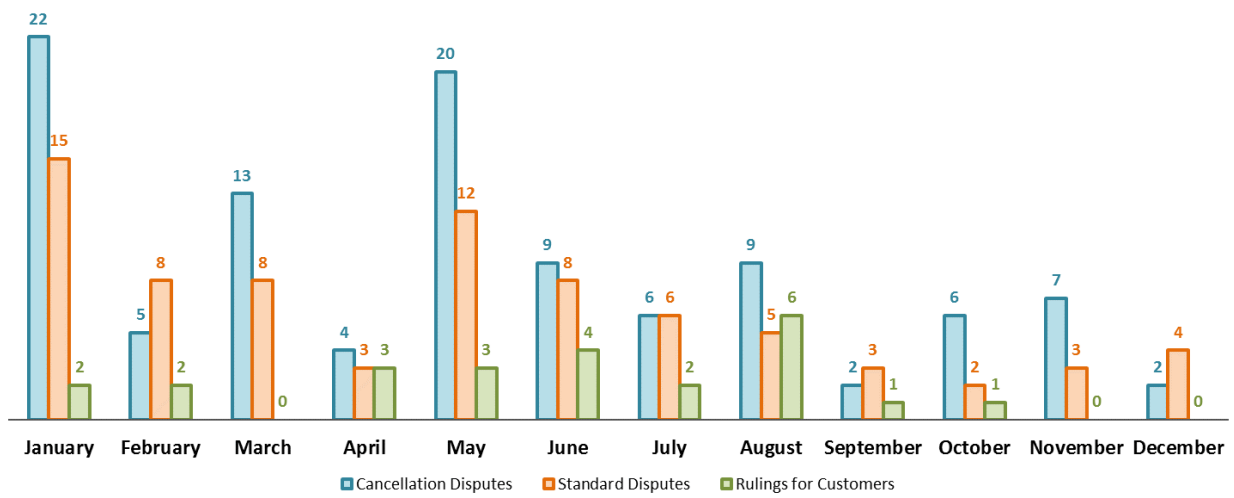
Cancellation disputes are disputes raised by gas marketers who have agreed to release a customer from their contract outside of their contract anniversary date. Cancelling a gas marketer contract outside of the anniversary date contravenes the Essential Services Model. FEI continues to emphasize that cancellation disputes should be restricted to compassionate reasons only, as determined by the British Columbia Utilities Commission (BCUC or the Commission). Cancellation disputes declined 4 percent from 109 cancellation disputes submitted in 2016 to 105 cancellation disputes submitted in 2017.

Standard disputes are disputes raised by the customer against their gas marketer in dispute of their contract's validity. These disputes require gas marketers to defend against the customer's claim that their contract is invalid, and are finalized by the Commission with a ruling in favour of either the gas marketer or the customer. Standard disputes increased 17 percent from the 66 raised in 2016 to 77 in 2017.

Commission rulings in favour of the customer decreased in 2017 to 31 percent of standard disputes raised. Figure 4-2 illustrates the monthly dispute statistics for 2017.

1

**Figure 4-2: 2017 Monthly Dispute Statistics**



2  
3

## 5. CUSTOMER EDUCATION PLAN

In 2017, the customer education plan was significantly reduced in scope and budget from previous years. This change was proposed by FEI in 2017, in consultation with the gas marketers, and approved by BCUC.<sup>2</sup> Previous customer education campaigns focused on increasing awareness of the Customer Choice Program. However, with a limited budget, this objective could not have been achieved successfully this year. Therefore, the primary objectives for 2017 were focused on:

- ensuring customers have ready access to information about the Customer Choice Program when they are researching it; and,
- ensuring customers are able to make an informed decision in the selection of a commodity supplier

To achieve the 2017 objectives, search engine optimization<sup>3</sup> (SEO) and search engine marketing tactics were reviewed and the Customer Choice webpages were overhauled to improve navigation and accessibility to Program information.

The budget for the 2017 customer education campaign was set at \$40 thousand, a substantial reduction from the annual \$300 thousand budget in the years 2012 to 2016. The 2017 budget allocated \$30 thousand to a digital media campaign and \$10 thousand for printing the Customer Choice Standard Information Booklet. However, budgeted booklet funds were not utilized, as the previous year's booklet stock had not been depleted by year-end.

### 5.1 DIGITAL MEDIA

Digital media consisted of both paid search engine marketing through Google AdWords, and unpaid social media through Twitter. Paid digital advertising ran from June 1 to November 30, 2017 in all Customer Choice Program areas.

#### 5.1.1 Search Engine Marketing: Google AdWords Service

The search engine marketing campaign used Google AdWords to deliver targeted ads to people searching online for Customer Choice information. Keywords relevant to Customer Choice, such as "gas rates", "buying natural gas" or "gas marketer" would prompt Google AdWords to return an extension with a direct link to the Customer Choice webpages. Clicking on the extension directed the user to the Customer Choice webpages at [fortisbc.com/choice](http://fortisbc.com/choice).

<sup>2</sup> Customer Choice Program Cost Recovery Compliance Filing to Order A-9-16, Reasons for Decision, Feb 20 2017, Appendix A to Order A-1-17, Pages 9 & 10.

<sup>3</sup> Search Engine Optimization (SEO) definition: the process of maximizing the number of visitors to a particular website by ensuring that the site appears high on the list of results returned by a search engine.

A sample of the various Google AdWords advertisement extensions are shown in Figure 5-1 below:

**Figure 5-1: Google AdWords Advertisement Extensions**

<p>Fixed or Variable Rate?  <a href="http://www.fortisbc.com/CompareNow">www.fortisbc.com/CompareNow</a>  Choose what's right for you.  Compare natural gas prices now.</p>
<p>Gas Marketer or FortisBC?  <a href="http://www.fortisbc.com/CompareNow">www.fortisbc.com/CompareNow</a>  Here's what you need to know.  Compare natural gas rates &amp; options</p>
<p>Gas Marketer or FortisBC?  <a href="http://www.fortisbc.com/CompareNow">www.fortisbc.com/CompareNow</a>  You have a choice for natural gas.  Compare gas rates &amp; options now.</p>
<p>You Have a Choice  <a href="http://www.fortisbc.com/CompareNow">www.fortisbc.com/CompareNow</a>  FortisBC or independent marketers?  Choose how you buy natural gas.</p>

During the campaign period, over 513 thousand Google ads featuring Customer Choice were delivered. As shown in Table 5-1 below, there were over eleven thousand visits to the Customer Choice webpages where visitors viewed more than one page, with an average of 4.72 pages per visit and an average of 1:25 minutes spent on the site. This is the *non-bounce* rate in Table 5-1.

**Table 5-1: Digital Display Statistics**

Site	Category	Flight	Back End				
			All Visits		Non-Bounce		
			Pages / Visit	Bounce Rate	Visits	Pages / Visit	Avg. Visit Duration
Google AdWords	AdWords	June 1 - November 30	4.68	1.00%	11,075	4.72	0:01:25

*Definitions:*

*Bounce: a visit with one page-view only, regardless of how much time was spent on that page.*

*Non-bounce: a visit with more than one page viewed.*

### 5.1.2 Social Media: Twitter Posts

FortisBC generated Twitter posts one to two times per week from February through to the end of August 2017, reaching almost 10.5 thousand FortisBC Twitter followers. The Twitter posts provided general information about the Customer Choice P

rogram and provided a link directing customers to the FortisBC website for more information. A sample of Twitter posts is listed in Figure 5-2 below.

**Figure 5-2: Customer Choice Twitter Posts**

- Customer Choice lets you decide: #naturalgas at fixed rates from gas marketers or variable from us. Compare now.
- #DYK you can choose who to buy #naturalgas from? A gas marketer or us, it's your choice.
- #naturalgas at a variable rate from us or fixed rates from gas marketers? It's up to you!

## **5.2 CUSTOMER CHOICE WEBPAGES**

### **5.2.1 Search Engine Optimization**

From an existing search engine optimization (SEO) standpoint, the Customer Choice landing page on the FEI website ranks high under key search terms and phrases in Google, the primary search engine for users. All of the following key terms and phrases ranked at the top of the Google search page:

- customer choice
- gas marketer
- gas choice
- buying natural gas
- gas marketer or utility
- purchasing natural gas

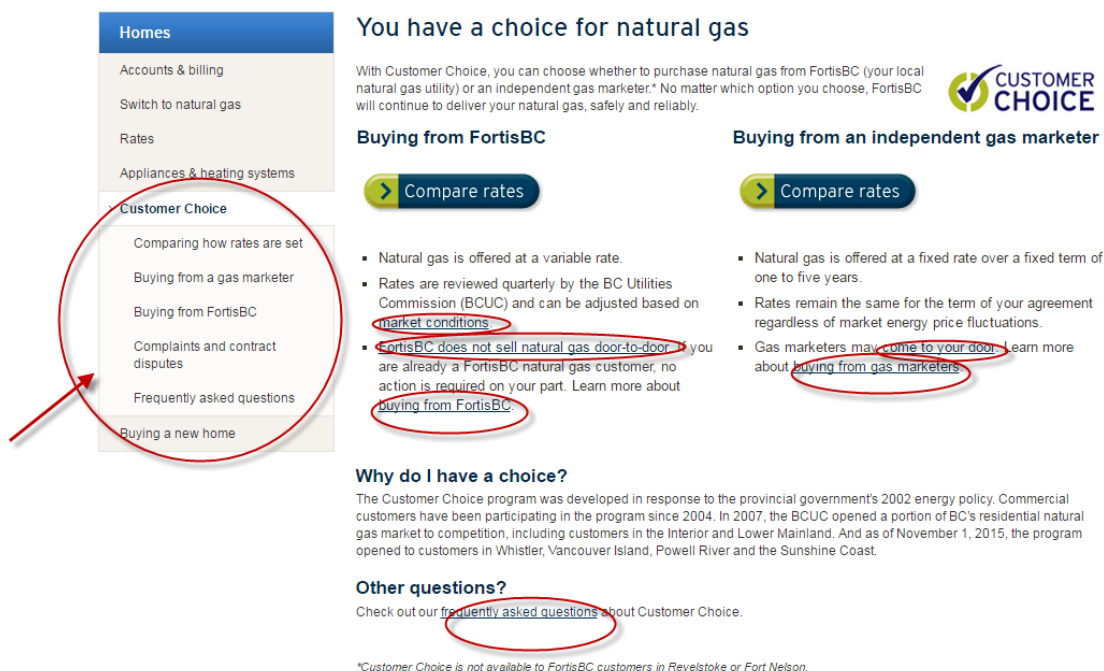
The search results and high ranking for Customer Choice content reflects a strong SEO. This, combined with the search engine marketing campaign (Google AdWords) that generates Customer Choice ads at the top of the search page, with Customer Choice content below, establishes a clear and efficient path to accessing information about Customer Choice. The strong SEO supports the customer education objective of ensuring customers have ready access to information about the Customer Choice Program.

### **5.2.2 Customer Choice Webpages Updates**

While the SEO and search engine marketing tactics will efficiently deliver customers to the Customer Choice webpages, it is important that the user experience with the content on these pages also reflects the customer education goals, to ensure customers have ready access to the Program information. With this in mind, there were a number of improvements made to the webpages in 2017.

The previous Customer Choice landing page, shown in Figure 5-3 below, had a considerable amount of information. The links to the supporting pages were not easy to find as they were buried in the copy within the two tables (under the compare rates buttons). It was also not intuitive for the customer to look for additional information in the left navigation bar (red arrow).

**Figure 5-3: Previous Customer Choice Landing Page (2016)**

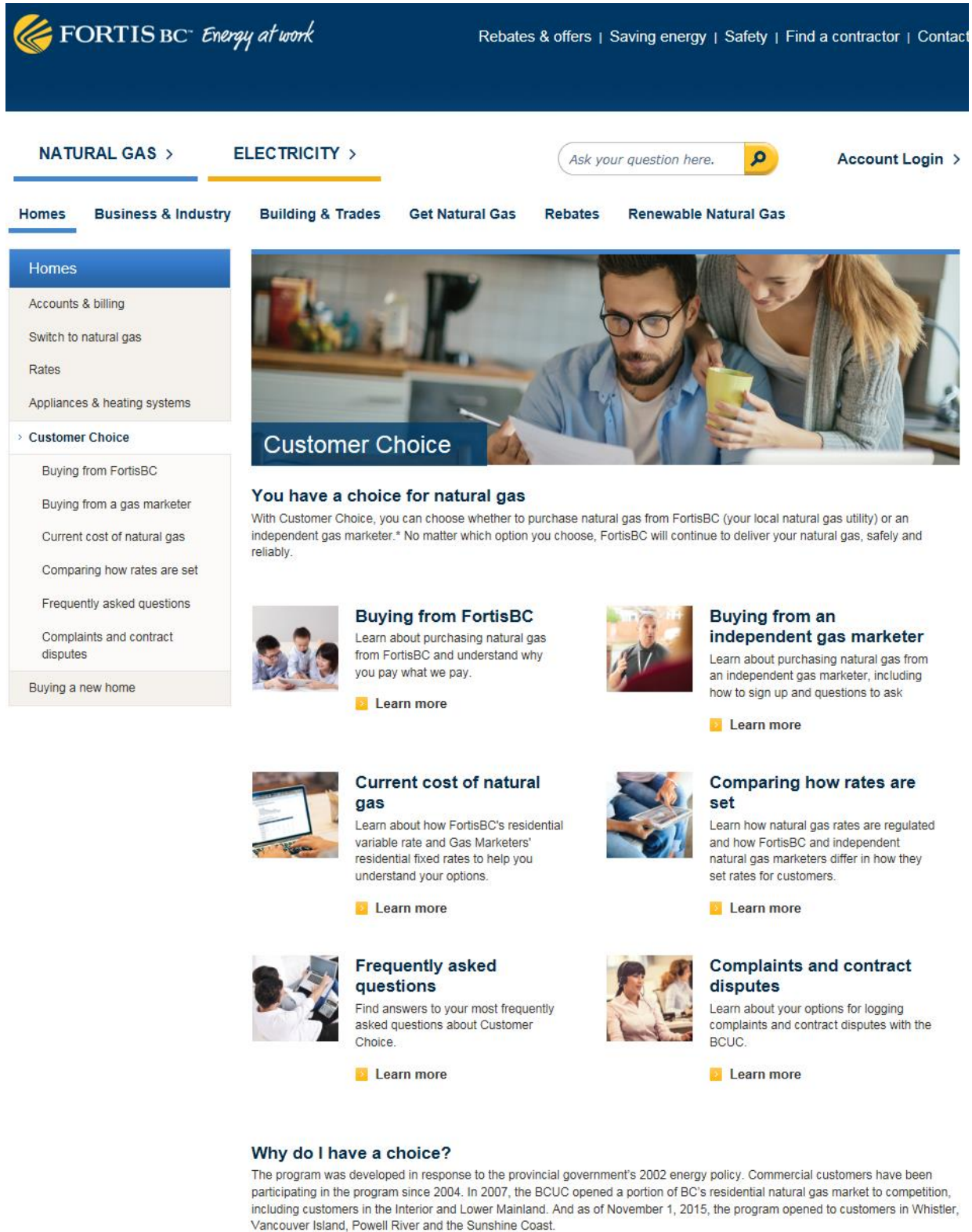


The updated Customer Choice landing page is shown in Figure 5-4 below. Changes to the page were done to align with the layout and navigation format of other FortisBC pages. Visitors can easily find information based on a format with less copy and a more clear call to action. The remaining Customer Choice pages were also reviewed and similarly updated for clarity and content.



1

**Figure 5-4: New Customer Choice Landing Page**



The screenshot shows the FortisBC website's 'New Customer Choice' landing page. The header features the FortisBC logo and navigation links: 'Rebates & offers | Saving energy | Safety | Find a contractor | Contact'. Below the header, there are tabs for 'NATURAL GAS' and 'ELECTRICITY', with 'NATURAL GAS' selected. A search bar with the placeholder 'Ask your question here.' and a magnifying glass icon is next to the 'Account Login' link. The main navigation bar includes links for 'Homes', 'Business & Industry', 'Building & Trades', 'Get Natural Gas', 'Rebates', and 'Renewable Natural Gas'. The 'Homes' section is expanded, showing a list of topics: 'Accounts & billing', 'Switch to natural gas', 'Rates', 'Appliances & heating systems', 'Customer Choice' (selected), 'Buying from FortisBC', 'Buying from a gas marketer', 'Current cost of natural gas', 'Comparing how rates are set', 'Frequently asked questions', 'Complaints and contract disputes', and 'Buying a new home'. The 'Customer Choice' section features a large image of a couple looking at a document, with the heading 'Customer Choice' and the subheading 'You have a choice for natural gas'. The text explains that with Customer Choice, customers can choose to purchase natural gas from FortisBC or an independent gas marketer. Below this, there are eight tiles, each with an image, a title, a brief description, and a 'Learn more' link. The tiles are: 'Buying from FortisBC', 'Buying from an independent gas marketer', 'Current cost of natural gas', 'Comparing how rates are set', 'Frequently asked questions', 'Complaints and contract disputes', 'Why do I have a choice?', and 'Why do I have a choice?'. The 'Why do I have a choice?' tile includes a detailed paragraph about the program's history and scope.

**NATURAL GAS >** **ELECTRICITY >** [Ask your question here.](#) [Account Login >](#)

**Homes** **Business & Industry** **Building & Trades** **Get Natural Gas** **Rebates** **Renewable Natural Gas**

**Homes**

- Accounts & billing
- Switch to natural gas
- Rates
- Appliances & heating systems
- > Customer Choice**
  - Buying from FortisBC
  - Buying from a gas marketer
  - Current cost of natural gas
  - Comparing how rates are set
  - Frequently asked questions
  - Complaints and contract disputes
  - Buying a new home

**Customer Choice**

**You have a choice for natural gas**

With Customer Choice, you can choose whether to purchase natural gas from FortisBC (your local natural gas utility) or an independent gas marketer.\* No matter which option you choose, FortisBC will continue to deliver your natural gas, safely and reliably.

**Buying from FortisBC**  
Learn about purchasing natural gas from FortisBC and understand why you pay what we pay.  
[Learn more](#)

**Buying from an independent gas marketer**  
Learn about purchasing natural gas from an independent gas marketer, including how to sign up and questions to ask  
[Learn more](#)

**Current cost of natural gas**  
Learn about how FortisBC's residential variable rate and Gas Marketers' residential fixed rates to help you understand your options.  
[Learn more](#)

**Comparing how rates are set**  
Learn how natural gas rates are regulated and how FortisBC and independent natural gas marketers differ in how they set rates for customers.  
[Learn more](#)

**Frequently asked questions**  
Find answers to your most frequently asked questions about Customer Choice.  
[Learn more](#)

**Complaints and contract disputes**  
Learn about your options for logging complaints and contract disputes with the BCUC.  
[Learn more](#)

**Why do I have a choice?**

The program was developed in response to the provincial government's 2002 energy policy. Commercial customers have been participating in the program since 2004. In 2007, the BCUC opened a portion of BC's residential natural gas market to competition, including customers in the Interior and Lower Mainland. And as of November 1, 2015, the program opened to customers in Whistler, Vancouver Island, Powell River and the Sunshine Coast.

\*Customer Choice is not available to FortisBC customers in Revelstoke or Fort Nelson.

2

## 6. SYSTEM ENHANCEMENTS

Corporate initiatives to upgrade aging hardware, software and system infrastructure projects continued throughout 2017. There was a replacement project to switch all the older 2000/2003 servers to newer server software. The server that housed the GEM Application was identified as one of those servers to be upgraded. In order to move the GEM application software into the new environment, end-to-end testing was required to ensure compatibility with the following:

- Microsoft .NET 4.0 framework
- Changes to the internal network
- Creating a test environment
- Dealing with Firewall issues
- Integration with SAP

The effort involved for the migration started in January and was implemented successfully into production in November. There was also a new reporting server hardware upgrade implemented in the fourth quarter and all GEM reports required testing in the new environment to confirm functionality and results were still accurate.

Additionally, there were system changes required as a result of the 2016 Program Cost Recovery Application decision.<sup>4</sup> The NSS administration website required changes to manage the new gas marketer fees that took effect April 1, 2017. Validation was performed to make sure only numbers are entered in the fields. As well, users are only able to select future months in the Effective Date drop down list. Charges are applied to the Marketer Settlement Reports from that date onwards. All fees are programmed to calculate monthly with the exception of Marketer Group Setup, which is a one-time cost only.

---

<sup>4</sup> Order A-9-16 Customer Choice Cost Recovery Application, Section 4.1, p. 31

**Figure 6-1: NSS Administration Page for Managing Program Fees**

NSS HOME | LOGOUT



Marketer DemandMarketer GroupAdministrationReportManagement

Charge FeeMarketer TransactionStranded Cost

### Customer Choice Program Charge Administration

Effective Date:  yyyy/mm/dd

Marketer Groups (\$/Group)	<input type="text" value="0"/>
Customer Billing Fee (\$/Enrolled Customer)	<input type="text" value="0"/>
Marketer Group Setup (\$/new group)	<input type="text" value="125"/>
Infrastructure Support Fee (\$/active customer)	<input type="text" value="0.08"/>
Dispute Resolution Decisions (\$/Dispute)	<input type="text" value="50"/>
Bad Debt Proportions (%)	<input type="text" value="1"/>
Confirmation Letters (\$/Letter)	<input type="text" value="0.87"/>
Program Administration Fee (\$/active customer)	<input type="text" value="0.41"/>
Program User Fee (\$/month)	<input type="text" value="750"/>


© 2011 A Fortis CompanyPrivacy PolicyTerms of Use

The updated Marketer Settlement report to capture the new program fees was developed in first quarter and implemented in March 2017. Changes were made to the fee summary section of the report to add the new fees and remove the inactive fees.

- a) Add Program User Fee row
- b) Add Infrastructure Support Fee(\$/active customer) row
- c) Add Program Administration Fee (\$/active customer) row
- d) Add Marketer Group Setup (\$/new group) row
- e) Remove existing Marketer Groups (\$/Group) row

Additionally, a database structural change to add an extra field was required to distinguish between active and non-active fees. A new database stored procedure was required to accommodate the extra field. Figure 6-2 illustrates the revised Marketer Settlement Report.

**Figure 6-2: Revised Marketer Settlement Report**

 FORTIS BC™

CUSTOMER CHOICE Program

Marketer Settlement Report

Marketer: ABC Marketer

Month: 2017-Apr

Fee Summary

	Count	Unit Price (\$/Unit)	Amount (\$)
Program User Fee (\$/month)	1	750	\$750.00
Infrastructure Support Fee (\$/active customer)	2002	0.08	\$160.16
Program Administration Fee (\$/active customer)	2002	0.41	\$820.82
Confirmation Letters (\$/Letter)	38	0.87	\$33.06
Dispute Resolution Decisions (\$/Dispute)	1	50	\$50.00
			Total
			\$1814.04

Dispute Resolution Decision Detail

Customer #	Customer Name	Caller Name	Dispute ID	Decision Date	Fee (\$)
3811574		Melissa	85730	17-Apr-28	\$50.00

FEI Customer Choice administration continued to meet regularly with the Company's technical support team to log, assess and address issues, and coordinate system changes. All business-critical applications within FEI are tested in keeping with standard software development life cycle processes and procedures. Within FEI's SAP suite of systems, including peripheral systems supporting the Customer Choice Program, the development and testing process follows SAP best practice. FEI maintains four separate environments for the development life cycle including sandbox, development, quality assurance, and production.

## 7. PROGRAM EXPENDITURES, RECOVERIES AND FEE STRUCTURE

### 7.1 REVIEW OF COST RECOVERY APPLICATION DECISIONS

In Order A-9-16 issued on October 18, 2016, the Commission outlined its decision regarding allocation of Customer Choice Program costs.

The Panel determines that the cost causation principle is the appropriate basis for allocating the Customer Choice program costs. It further determines the cost causation principle should be applied on the basis of the following criteria:

- i. Are the costs incurred specifically to administer the program and services for gas marketers and their customers? If so, these costs should be allocated to marketers;
- ii. Are the costs incurred to ensure the program is available for all eligible customers whether they currently choose to participate or not? If all FEI non-bypass customers benefit from the cost, then these types of costs should be allocated to all FEI non-bypass customers; and
- iii. Where costs are incurred to administer the program and also ensure it is available for all eligible FEI customers, non-bypass customers and gas marketers should share those costs.

The Panel determines the foregoing allocation model constitutes a principled rationale for allocating program costs and that it constitutes a reasonable middle ground balancing the interests of non-bypass customers and gas marketers.<sup>5</sup>

Table 7-1 below illustrates the allocation of costs between gas marketers and ratepayers as determined by the Panel:

<sup>5</sup> Order A-9-16 dated October 18, 2016, pages 14 to 15.

**Table 7-1: Program Expenses Percentage Allocation**

Annual Program Expenses	% Allocation	
	Marketer	All Ratepayers (FEI)
<b>Technology Sustainment</b>	50%	50%
<b>Infrastructure Sustainment</b>	0%	100%
<b>Contact Centre</b>	0%	100%
<b>Program Administration</b>	50%	50%
<b>BCUC</b>	60%	40%
<b>Customer Education</b>	20%	80%

The Panel determined the fixed monthly fee for each gas marketer would be set at \$750 per month with the balance to be recovered through variable fees. The fee would not change annually with changes in gas marketer participation.<sup>6</sup>

The Panel approved the use of a non-rate base deferral account to capture and record any under or over recovery of gas marketer fees to be used as a debit or credit when these fees are set annually starting on April 1, 2017.<sup>7</sup>

The Panel determined the fees would be adjusted annually according to the following process:

- i. FEI evaluates the previous fiscal year's total costs (i.e. calendar year) allocated to gas marketers in light of the monies recouped from gas marketers over the same period.
- ii. FEI evaluates annual recovery shortfalls or surpluses and proposes respective fee increases or decreases in the Annual Program Statistics submitted to the Commission each February.
- iii. Any fee adjustments proposed in the Annual Program Statistics take effect automatically, unless a party raises the issue for discussion and the Commission determines a review is warranted, either during the Customer Choice Program Annual General Meeting or by dedicated proceeding, as determined by the Commission.
- iv. Fee adjustments take effect on April 1 each year. If the fee adjustments undergo a review, any variances between FEI's proposed adjustment and the determined adjustment will be recorded in the non-rate base Marketer Cost

<sup>6</sup> Order A-9-16 dated October 18, 2016, page 29.

<sup>7</sup> Order A-9-16 dated October 18, 2016, page 30.

Variance deferral account and incorporated into the subsequent year's fee adjustment.<sup>8</sup>

The Commission issued Order A-13-16 on December 15, 2016, establishing the regulatory timetable for the Compliance Filing and on January 16, 2017 FEI filed its response to the Commission's information requests in accordance with Order A-13-16.<sup>9</sup>

The Commission issued Order A-1-17 on February 20, 2017, approving the following:

1. FortisBC Energy Inc.'s proposed Customer Choice Program service fees are approved: the Marketer Price Group Set-Up Fee is \$125 per setup request; the Confirmation Letter Fee is \$0.87 per confirmation letter; and the Dispute Fee is \$50.
2. FortisBC Energy Inc. is directed to calculate the 2017 variable transaction fee using the forecast 2017 Customer Choice Program costs.
3. Beginning in the year 2018 and beyond, FortisBC Energy Inc. is directed to calculate the variable transaction fees based on the prior year's actual program costs, as set out in Order A-9-16.

## **7.2 2017 CUSTOMER CHOICE PROGRAM COSTS**

The Customer Choice Program expenditures for 2017 were reduced by 44 percent as a direct result of the restructuring done for the Cost Recovery Application. There was a decrease in gas marketer recoveries by 26 percent over 2016 which was also a result of reallocating how costs were to be recovered by gas marketers as outlined in Table 7-1 above.

Table 7-2 below compares the Customer Choice Program costs from 2007 to 2016. The Program cost reporting was restructured from previous years' annual reports to match the categories presented in the Customer Choice Cost Recovery Application. The Infrastructure Sustainment category 2007-2011 captures the costs that were charged by the outsourced billing provider at the time. The costs from 2012 through 2017 represent the costs cross-charged to the Program by FEI's Customer Services Group. The cost reporting table has been adjusted again in 2017 to better depict going-forward the amount of expenses paid by gas marketers and ratepayers and the addition of a line item for the over/under recovery. Table 7-3 below displays the annual program expenses for 2017, the gas marketer recoveries less the actual over-recovery and the share of the total expenses gas marketers and ratepayers paid in 2017.

<sup>8</sup> Order A-9-16 dated October 18, 2016, page 32.

<sup>9</sup> Order A-13-16 dated December 15, 2016, Regulatory Timetable.



**Table 7-2: Customer Choice Program Costs 2007 to 2016**

Cost Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Technology Sustainment	\$ 500,547	\$ 476,750	\$ 357,487	\$ 277,259	\$ 242,746	\$ 242,473	\$ 175,173	\$ 246,579	\$ 175,769	\$ 68,346
Infrastructure Sustainment	-	\$ 386,985	\$ 484,792	\$ 333,130	\$ 156,115	\$ 157,290	\$ 142,339	\$ 136,050	\$ 99,882	\$ 109,660
Program Administration	-	\$ 71,219	\$ 166,531	\$ 250,853	\$ 285,629	\$ 303,257	\$ 257,215	\$ 284,223	\$ 274,024	\$ 308,627
BCUC	-	\$ 36,780	\$ 173,815	\$ 367,643	\$ 136,427	\$ 277,713	\$ 187,428	\$ 118,289	\$ 175,771	\$ 217,264
Customer Education	\$ 48,945	\$ 2,987,404	\$ 747,642	\$ 497,454	\$ 234,060	\$ 310,433	\$ 295,346	\$ 267,022	\$ 263,893	\$ 285,633
<b>Total Program Costs</b>	<b>\$ 549,492</b>	<b>\$ 3,959,138</b>	<b>\$ 1,930,267</b>	<b>\$ 1,726,339</b>	<b>\$ 1,054,977</b>	<b>\$ 1,291,166</b>	<b>\$ 1,057,501</b>	<b>\$ 1,052,163</b>	<b>\$ 989,339</b>	<b>\$ 989,530</b>
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	\$ 347,769
Variance	\$ 149,810	\$ 2,856,090	\$ 623,485	\$ 301,070	\$ (209,290)	\$ 124,832	\$ 253,790	\$ 503,237	\$ 566,634	\$ 641,761

**Table 7-3: Customer Choice Program Costs 2017**

Cost Description	2017
Technology Sustainment	\$ 91,577
Infrastructure Sustainment	\$ 109,541
Program Administration	\$ 203,800
BCUC	\$ 116,679
Customer Education	\$ 29,700
<b>Total Program Costs</b>	<b>\$ 551,297</b>
Gas Marketer Recoveries	\$ 257,464
(over)/under-recovery	\$ (33,828)
Gas Marketer share	\$ 223,636
Ratepayer share	\$ 327,661 <sup>10</sup>

<sup>10</sup> Table reflects pre-tax figures. Refer to section 8.1 *Deferral Account & Recovery Amount* for details on after-tax recovery amounts.



### **7.3 TECHNOLOGY SUSTAINMENT**

Technology sustainment support includes the labour costs for the external technical support provided by Fujitsu Consulting and KnowledgeTech Consulting.

In 2017, technology sustainment costs increased by 34 percent to approximately \$92 thousand from approximately \$68 thousand. The increase is due to software licensing fees and increased technical support required for developing and programming system and reporting changes because of the Cost Recovery Application decisions.

### **7.4 INFRASTRUCTURE SUSTAINMENT**

Infrastructure sustainment support includes the administration costs of FEI's Contact Centre and Customer Services Systems staff. Support costs for infrastructure sustainment remained the same as 2016 at \$109 thousand in 2017.

FEI noted in the Compliance Filing:

In the future, based on experience over the life of the Program, FEI will set the infrastructure sustainment cost at a fixed amount. This fixed amount would be revised only in cases where material changes to the Program are required.<sup>11</sup>

### **7.5 PROGRAM ADMINISTRATION**

Program administration costs include the loaded salaries for one senior customer program analyst and one customer program analyst along with associated non-labour expenses. Over the years, there has been a significant increase in benefit loading costs. Since 2009, the Pension & Other Post-Employment Benefits that an employee will begin to receive at the start of retirement accounts for 88 percent of the total increase to the benefit loading allocation. These amounts are not influenced by FEI directly, but rather determined by actuarial analysis.

Program administration decreased 34 percent to approximately \$204 thousand in 2017 from approximately \$309 thousand in 2016. The decrease is a result of the Cost Recovery Application decision to cross-charge 0.3 of an FTE analyst time out of the Program to another Department at FEI.

FEI noted in the Compliance Filing:

However, if a reduction in program communications is approved as discussed in Section 3 below, some tasks can be eliminated and the Company expects some further labour savings may be achievable. If a reduced communication budget is approved, FEI can reduce the total labour cost allocated to the Program. This

---

<sup>11</sup> Exhibit B-1 - Order A-9-16 Compliance Filing, dated November 17, 2016, page 12.

cost reduction will be achieved by the customer program analyst allocating approximately 30% of person hours worked to other tasks outside of Customer Choice. FEI will summarize the savings that materialize in future annual reports. Importantly, this approach will ensure that the current timeliness of Customer Choice support does not erode<sup>12</sup>.

## 7.6 BRITISH COLUMBIA UTILITIES COMMISSION COSTS

There was a 46 percent decrease in Commission expenditures in 2017 to \$117 thousand from over \$217 thousand in 2016. The decrease can be attributed to the reduction of approximately 0.25 of a full time equivalent. There was no annual general meeting held in 2017, although there were some costs incurred related to the completion of the Cost Recovery Application in early 2017. The Commission expenses may include Program administration costs, annual general meeting expenditures, Commission decisions, external expert consultations, and dispute handling and adjudication activities. The Commission reviewed their Program expenditures during the 2016 Cost Recovery Application process and found some areas for cost savings.

The Commission stated in their response to the Compliance filing:

The Commission reduced staff costs considerably from 2012 to 2013, but see an opportunity to reduce costs further (due to the decreased workload resulting from declining program enrollment) by reducing approximately 0.25 of a staff Full-Time Equivalent (FTE) from the Customer Choice Program. Based on 2015 staffing costs, this would result in approximately \$30,000 in annual cost savings to the Customer Choice Program.<sup>13</sup>

BCUC staff provided a breakdown of their 2017 expenditures, which is referenced below in Table 7-4 and detailed in Appendix A: BCUC Customer Choice Program Expenditures 2017. The annual total provided by BCUC staff does not exactly match the invoiced amount FEI reports on due to the differences in fiscal year and the way financials are recorded by each organization. The information is still of value to clarify the cost breakdown of annual expenses and to show cost savings or increases year-over-year.

<sup>12</sup> Exhibit B-1 - Order A-9-16 Compliance Filing, dated November 17, 2016, page 8

<sup>13</sup> FEI Application for Customer Choice Program Cost Recovery Compliance Filing dated November 14, 2016, page 3

**Table 7-4: BCUC Table of Expenditures**

Function		Cost
Annual Program Administration		\$77,680
Regulatory Proceedings		\$20,653
Annual Dispute Resolution		
Handling, Administration, Investigation	\$21,613	
Adjudication	\$1,435	
Subtotal		\$23,048
<b>TOTAL</b>		<b>\$121,381</b>

## **7.7 CUSTOMER EDUCATION COSTS**

In 2017, customer education expenditures were approximately \$30 thousand compared to a \$286 thousand expenditure in 2016. This large decrease is a result of Cost Recovery Application decision to reduce spending on customer education.

FEI noted in the Compliance Filing:

The limited investment of \$225 thousand is just too small to generate high levels of consumer awareness about the Program. However, it may be necessary in the future to implement a broader awareness campaign to inform new customers and remind existing customers of the Program. In the meantime, the Company believes that some communications should continue at a lower expenditure level to ensure consumers have ready access to unbiased Program information.<sup>14</sup>

## **7.8 TOTAL PROGRAM COSTS**

In 2017, total program costs decreased to approximately \$551 thousand from \$989 thousand in 2016. This decrease of 44 percent in total program costs is very close to the 42 percent budget reduction FEI recommended in the Cost Recovery Application Compliance Filing.<sup>15</sup> Each program expenditure cost was analyzed extensively to see where cost savings could be achieved.

## **7.9 GAS MARKETER RECOVERIES**

At the beginning of 2017, there were four Program transaction fees charged to gas marketers monthly as illustrated in the Table 7-5.

<sup>14</sup> Exhibit B-1 - Order A-9-16 Compliance Filing, dated November 17, 2016, page 8-9.

<sup>15</sup> Exhibit B-1 - Order A-9-16 Compliance Filing, dated November 17, 2016, page 13.

**Table 7-5: Customer Choice Table of Charges**

Transaction Fees	Monthly Charge	Description
Marketer Group Administration	\$150 / Marketer Group	Based on the number of open marketer groups
Customer Billing	\$0.40 / Enrolled Customer	Based on total number of invoices that were produced
Confirmation Letter	\$1.02 / Letter	Based on total number of confirmation letters produced
Dispute Resolution	\$50.00 / Dispute	Based on total number of 'at fault' disputes as determined by the Commission

On April 1, 2017 the new service fees took effect as approved in Order A-1-17<sup>16</sup>.

#### **Service Fees:**

- **Marketer Price Group Set-up Fee:** This is a per-use, one-time fee to set-up a new Marketer price group. The effort required to set up a price group includes 0.5 hours configuration time at \$100 per resource hour, 0.5 hours testing time at \$50 per resource hour, and 0.5 hours approval time at \$100 per resource hour. The fee is set at \$125 per setup request.
- **Confirmation Letter Fee:** This is an existing variable fee charged for each confirmation letter sent to a newly enrolled Customer Choice customer. Investigation concludes this charge is a direct flow-through cost from the external vendor of \$0.12 for printing and \$0.75 for postage. The fee is \$0.87 per confirmation letter.
- **Dispute Fee:** This is a variable fee charged at the discretion of the BCUC, for customer-raised disputes where BCUC has ruled against the Marketer. The fee remains at \$50 per ruled dispute.

Gas marketer recoveries were down 26 percent in 2017 to \$257 thousand from \$348 thousand in 2016. This decrease is due to the change in cost recovery methodology and resulting new fees charged to gas marketer effective April 1, 2017. The gas marketers were charged based on a fixed monthly user fee of \$750 per gas marketer as well as variable Infrastructure Support and Program Administration Fees based on their number of customers. They were also charged per use service fees for confirmation letters, disputes processed and marketer price group setups.

<sup>16</sup> Order A-1-17 dated February 20, 2017, Section 3.1, Service Fee approvals, page10.

## 8. PROGRAM FEES AND FEE STRUCTURE

FEI has reviewed the 2017 actual costs for the Customer Choice Program and provides the 2018 gas marketer fees and structure in Tables 8-1 through 8-7 below. The new Program fees take effect April 1, 2018. The 2018 annual Program cost allocation table lists each expense category and the 2017 annual expenses, the percentage of cost sharing the gas marketers and ratepayers are required to cover, and the respective dollar amounts. The 2018 total gas marketer allocation is scheduled to be approximately \$224 thousand and the ratepayer amount set at approximately \$328 thousand. The applicable fixed and variable fee amounts are then calculated based on the total expected recoverable amount of \$224 thousand.

**Table 8-1: 2018 Annual Program Cost Allocation**

Program Expenses	2017 Annual Expenses	Percentage Allocation		Dollar Allocation	
		Gas Marketer	All Ratepayers (FEI)	Gas Marketer	All Ratepayers (FEI)
<b>Infrastructure Support Expenses</b>					
Technology Sustainment	\$ 91,577	50%	50%	\$ 45,789	\$ 45,789
Infrastructure Sustainment	\$ 93,541	0%	100%	\$ -	\$ 93,541
<b>Program Administration Expenses</b>					
Contact Centre	\$ 16,000	0%	100%	\$ -	\$ 16,000
Program Administration	\$ 203,800	50%	50%	\$ 101,900	\$ 101,900
BCUC	\$ 116,679	60%	40%	\$ 70,007	\$ 46,672
Customer Education	\$ 29,700	20%	80%	\$ 5,940	\$ 23,760
<b>Total Expenses</b>	<b>\$ 551,297</b>			<b>\$ 223,636</b>	<b>\$ 327,661</b>

Table 8-2 below shows the proportional breakdown between the infrastructure support expenses and the program administration expenses. This proportional breakdown is used in the fee calculation in section 8-3 Variable Fees.

**Table 8-2: 2018 Expense Category Proportions**

		Expense Proportion
<b>Infrastructure Support Expenses</b> (includes Technology Sustainment expense)	\$ 45,789	20.47%
<b>Program Administration Expense</b> (includes Program Administration, BCUC & Customer Education expenses)	\$ 177,847	79.53%
<b>Total Expenses</b>	<b>\$ 223,636</b>	<b>100.00%</b>

## 8.1 DEFERRAL ACCOUNT & RECOVERY AMOUNT

The year-end reconciliation process approving the setup of a non-rate base deferral account to capture the annual marketer fees was outlined by the Commission in Order A-9-16.<sup>17</sup> After performing the year-end reconciliation for 2017, FEI reports an after-tax balance in the deferral account of \$26,128. The 2017 activity in the deferral account is shown in Table 8-3 below.

**Table 8-3: 2017 Marketer Cost Variance Deferral Activity**

Description	Reference	Sub-Totals	Totals
January 1, 2017 Opening Deferral Balance		\$	-
2017 Gas Marketer Expenses	Table 7-3	\$ 223,636	
2017 Gas Marketer Recoveries	Table 7-3	(257,464)	
Net Gas Marketer 2017 (Over)/Under Recovery		\$ (33,828)	(33,828)
Taxes on 2017 activity (\$33,828 x 26%)			8,795
2017 Financing Costs	BCUC Order A-9-16		(1,095)
December 31, 2017 Ending Deferral Balance		\$	(26,128)

FEI will return this over-recovery (credit balance) to marketers in 2018 by applying the pre-tax deferral account balance of \$35,791<sup>18</sup>, as calculated in Table 8-4 below, to reduce the total amount recoverable from marketers for 2018 as part of the calculation to set the 2018 variable fees. Table 8-4 also shows the calculation of the net amount of \$187,845 to be recovered from marketers for 2018.

<sup>17</sup> Order A-9-16\_FEI Customer Choice Program Cost Recovery Decision, Section 3.5, Year-end reconciliation, pg. 30

<sup>18</sup> 2018 tax rate is 27% while 2017 tax rate was 26% as shown in Table 8-3 above

**Table 8-4: 2018 Gas Marketer Recovery Amount**

Description	Reference	Totals
Recoverable from Gas Marketers in 2018	Table 8-1	\$ 223,636
Less: Pre-tax refund of 2017 ending deferral account balance (((\$26,128) / (1 - 27%))		(35,791)
Net recoverable from Gas Marketers in 2018		\$ 187,845

To prove the calculation of the net recoverable amount from gas marketers in 2018 in Table 8-4 above, FEI also provides Table 8-5 below which shows the forecasted 2018 Marketer Cost Variance deferral account activity, excluding potential 2018 financing costs.

**Table 8-5: 2018 Forecasted Marketer Cost Variance Deferral Activity**

Description	Reference	Sub-Totals	Totals
January 1, 2018 Opening Deferral Balance	Table 8-3		\$ (26,128)
2018 Gas Marketer Expenses	Table 8-1	\$ 223,636	
2018 Gas Marketer Recoveries	Table 8-4	(187,845)	
Net Gas Marketer 2018 (Over)/Under Recovery		\$ 35,791	35,791
Taxes on 2018 activity (\$35,791 x 27%)			(9,664)
December 31, 2018 Ending Deferral Balance			\$ -

## 8.2 FIXED FEES

The fixed fee is set at \$750 per month per gas marketer to equal an annual recovery of \$54 thousand based on six active gas marketers. As shown in Table 8-6 below, this accounts for 29 percent of the total \$187,845 to be recovered from gas marketers. The remaining 71 percent will be recovered from the variable fees.

**Table 8-6: 2018 Fixed and Variable Fee Recovery Proportions**

	Proportion of Total Fees	
Fixed Fee amount	\$ 54,000	28.75%
Variable Fee amount	\$ 133,845	71.25%
Recoverable from gas marketers	\$ 187,845	100.00%

## 8.3 VARIABLE FEES

Two variable fees will be charged to gas marketers monthly. The first is the Infrastructure Support Fee that covers the allocation of the technology sustainment expense to gas marketers. This makes up 20.47 percent of the 2017 actual expenses (from Table 8-2 above). The second variable fee is the Program Administration Fee that covers the gas marketers' allocation of the expenses from the FEI contact centre, Program administration, the Commission and customer education. These expenses make up 79.53 percent of the 2017 actual expenses.

The monthly variable fees are determined by the actual annual expenses, less the over-recovery in the deferral account, less the fixed fee recovery, multiplied by the proportion of each expense category (from Table 8-2 above), divided by the number of active customers on the MSR report on Dec 1 2017, divided by 12 months.

For the Infrastructure Support Fee calculation, the \$133,845 total variable fee amount is multiplied by 20.47 percent, the proportion of this expense category to total expenses, divided by 29,028, the number of active customers on the MSR report on Dec 1 2017, divided by 12 months for a monthly variable fee of \$0.08 per active customer.

For the Program Administration Fee calculation, the \$133,845 total variable fee amount is multiplied by 79.53 percent, the proportion of this expense category to total expenses, divided by 29,028, the number of active customers on the MSR report on Dec 1 2017, divided by 12 months for a monthly variable fee of \$0.31 per active customer.

Table 8-7 below illustrates the calculation of the 2018 variable fees.

**Table 8-7: 2018 Variable Fee Calculation**

Variable Fee	Total Variable Fee Amount	Expense Proportion		Variable Recovery Amount	Number of active customers (per Dec 1 2017 MSR report)	Divided by 12 months	Variable Fee (per active customer per month)
Infrastructure Support Fee (includes Technology Sustainment expense)	\$ 133,845	x 20.47%	=	\$ 27,404	/ 29028	/ 12 months =	\$ 0.08
Program Administration Fee (includes Program Administration, Commission & Customer Education expenses)	\$ 133,845	x 79.53%	=	\$ 106,441	/ 29028	/ 12 months =	\$ 0.31

The Infrastructure Support Fee remains the same from 2017 to 2018 at \$0.08 per active customer per month. The Program Administration Fee decreased \$0.10 from \$0.41 per active customer per month in 2017 to \$0.31 per active customer per month in 2018. The reduction is a result of lower program administration costs, Commission costs and customer education costs in 2018, as described in previous sections of this report.



## 9. SUMMARY

Participation in the Customer Choice Program decreased in 2017 by 5.5 percent. There were six licensed gas marketers in 2017 but only four active marketers selling commodity contracts. The result of lower gas marketer sales activity in 2017 was a decline in enrollment numbers of 20 percent. There were over 7,300 customer enrollments for 2017 compared to 2016 enrollment numbers of 9,200. The customer enrolment retention rate for 2017 of 89 percent indicates that only about 1 out of 10 customers cancelled their contract before their contract start date. Consumer protection measures in place for Customer Choice continue to work as intended resulting in the increasingly high contract retention rate.

The most common contract term signed continues to be a five-year contract, accounting for 87 percent of total enrolments. Contract prices for a five-year term ranged from \$2.89/GJ to \$7.99/GJ. In 2017, 94 percent of the enrollments were in the \$4/GJ to \$8/GJ price range while 6 percent were under \$4/GJ. As of December 31, 2017, there were approximately 993 thousand customers eligible for the Customer Choice Program. Of those eligible, participation in the Program included three percent of residential Rate Schedule 1 customers and three percent of commercial Rate Schedule 2 and 3 customers. This percentage participation is unchanged since last year for residential customers and down one percent for commercial customers.

The total number of disputes filed in 2017 was 182 disputes, which was up seven disputes from 175 filed in 2016. Standard disputes raised by customers increased by 11 disputes over 2016 to 77 raised in 2017. Thirty one percent of disputes were ruled in favor of customers, which was down from the previous years' average of 35 percent ruled for customers. The number of cancellation disputes raised by the gas marketers decreased by 4 percent in 2017. As a percentage of sales, total disputes raised continued to be 2 percent of gross enrolments for the fourth year. Customers are more likely to remain on their contracts for the entire contract term, rather than request early cancellation for compassionate reasons or dissatisfaction.

In 2017, the scope and budget of the customer education plan was reduced to \$40 thousand from \$300 thousand as agreed upon during the Cost Recovery Application process. The customer education plan objective for 2017 was focused on ensuring customers have ready access to information about the Customer Choice Program and that customers are able to make an informed decision in their selection of a natural gas commodity supplier. This was achieved through a review of search engine optimization and search engine marketing tactics. A digital media campaign was engaged with both paid media through Google AdWords and no-cost social media through Twitter. As well, the Customer Choice webpages were reviewed and updated.

The focus for GEM and the system infrastructure for the year was on upgrading aging hardware, software and system infrastructure. The upgrades were all categorized as system sustainment and covered by FEI IT Department funding. As a result of the Cost Recovery Application decision, changes were made to the GEM administration website and database tables to accommodate the entry and updating of program fees annually. Also the Marketer Settlement Report required updating to capture and report the new program fees.

1 The total annual expenditures for the Customer Choice Program decreased in 2017 by 44  
2 percent as a result of the analysis performed during the Cost Recovery Application process  
3 completed in early 2017. The methodology for recovering fees from gas marketers changed in  
4 April 2017 resulting in the collection of \$257 thousand in recoveries from marketers. A deferral  
5 account was setup to collect any under/over recovery of fees and the amount in the account at  
6 the end of 2017 was over \$35 thousand. The over-recovery was factored into the calculation of  
7 the variable program fees for 2018 reducing the amount required for recovery from gas  
8 marketers to \$188 thousand. FEI has calculated the 2018 variable transaction fees using the  
9 2017 actual Customer Choice Program costs. The Infrastructure Support Fee will be \$0.08 per  
10 active customer per month. The Program Administration Fee will be \$0.31 per active customer  
11 per month.

12 The fee adjustments that are submitted each February with the Annual Program Statistics will  
13 take effect automatically each April 1 and any warranted review will be handled through the  
14 Annual General Meeting or dedicated proceeding. Any resulting variance between the actual  
15 adjustment of fees and the reviewed adjustment of fees by the Commission will be recorded in  
16 the non-rate base Marketer Cost Variance deferral account and incorporated in the subsequent  
17 year's fee adjustment.<sup>19</sup>

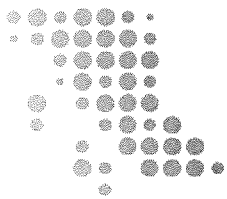
---

<sup>19</sup> Order A-9-16 dated October 18, 2016, page 32.

**Appendix A**

---

**BCUC CUSTOMER CHOICE PROGRAM EXPENDITURES 2017**



**bcuc**

British Columbia  
Utilities Commission

**Patrick Wruck**  
Commission Secretary

Commission.Secretary@bcuc.com  
**bcuc.com**

Suite 410, 900 Howe Street  
Vancouver, BC Canada V6Z 2N3  
**P:** 604.660.4700  
**TF:** 1.800.663.1385  
**F:** 604.660.1102

February 27, 2018

Sent via email

Ms. Diane Roy  
Vice President, Regulatory Services  
FortisBC Energy Inc.  
16705 Fraser Highway  
Surrey, BC V3S 2X7  
Gas.Regulatory.Affairs@fortisbc.com

Dear Ms. Roy:

**Re: FortisBC Energy Inc. Customer Choice Program – British Columbia Utilities Commission Costs**

Enclosed please find a breakdown of the BC Utilities Commission (Commission) expenditures charged to the Customer Choice program for the calendar year 2017. Please note the Commission's annual total of expenditures charged to the Customer Choice program may not precisely match FortisBC Energy Inc.'s (FEI's) annual total. Any difference is likely due to a number of factors including that the Commission's fiscal year differs from FEI's. The Commission is providing the expense information in FEI's calendar format and recasting the data may cause some variances.

Sincerely,

Patrick Wruck  
Commission Secretary

KC/yl  
Enclosure

# British Columbia Utilities Commission

## Customer Choice Program Expenditures: 2017

**Table 1: 2017 Customer Choice program expenditures**

Function	Cost (\$)
<b>Annual Program Administration</b>	<b>77,679.57</b>
<b>Regulatory Proceedings</b> <i>(Annual General Meeting &amp; FEI Customer Choice Program Cost Recovery Application)</i>	<b>20,652.93</b>
<b>Annual Dispute Resolution</b>	
<i>Handling, Administration and Investigation</i>	21,612.73
<i>Adjudication</i>	1,434.98
Subtotal	23,047.71
<b><u>TOTAL</u></b>	<b><u>121,380.21</u></b>

**Table 2: Customer Choice program cost details**

Function	Cost Inputs
<b>Annual Program Administration</b>	Assume 65% BCUC Salaries allocation <sup>1</sup>
	Legal costs related to annual program administration
	General administration costs (e.g. courier)
<b>Annual Dispute Resolution</b>	
• <b>Handling, Administration and Investigation</b>	Assume 20% BCUC Salaries allocation
	External/expert consultation costs for work performed related to disputes, e.g. translation services, contracted dispute analysts
• <b>Adjudication</b>	Commissioner costs for work performed regarding adjudicated disputes
	Legal costs for work performed regarding adjudicated disputes
<b>Regulatory Proceeding Costs</b> <i>(Annual General Meeting &amp; FEI Customer Choice Program Cost Recovery Application)</i>	Assume 15% BCUC Salaries allocation
	Allwest Court Reporting costs (Hearing Room rental, transcription, etc.)
	Commissioner costs for work performed
	Legal costs for work performed
	External/expert consultation costs for work performed

<sup>1</sup> BCUC Salaries for work related to the Customer Choice program are not billed by function, but rather to the program as a whole. The following breakdown of staff time is based on an estimate of working hours spent on each of the three functions and is approximate and on average over the three year reporting period: 65% towards annual program administration; 20% towards annual dispute resolution; and 15% towards regulatory proceedings.