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February 22, 2019

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)
2018 Customer Choice Annual Program Statistics

FEI attaches the FEI Customer Choice program statistics for the 2018 calendar year.

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

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

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



FORTISBC ENERGY INC.

**2018 Customer Choice Annual Program
Statistics**

February 22, 2019

Table of Contents

1. INTRODUCTION.....	1
2. PROGRAM PARTICIPATION STATISTICS	2
2.1 Gas Marketer Participation	2
2.1.1 Fixed-Rate Contract Statistics.....	3
2.2 Customer Participation	3
3. ENROLMENT STATISTICS.....	5
3.1 Gross Enrolments.....	5
3.2 Net Enrolments.....	5
4. DISPUTE STATISTICS	7
5. CUSTOMER EDUCATION PLAN.....	9
5.1 Digital Media.....	9
5.1.1 Search Engine Marketing: Google AdWords Service	9
5.1.2 Social Media: Twitter Posts.....	11
6. SYSTEM ENHANCEMENTS	12
7. PROGRAM EXPENDITURES, RECOVERIES AND FEE STRUCTURE.....	16
7.1 Review of Cost Recovery Application Decisions.....	16
7.2 2018 Customer Choice Program Costs	18
7.3 Technology Sustainment	20
7.4 Infrastructure Sustainment.....	20
7.5 Program Administration	20
7.6 British Columbia Utilities Commission Costs.....	20
7.7 Customer Education Costs	21
7.8 Total Program Costs.....	21
7.9 Gas marketer Recoveries	22
8. PROGRAM FEES AND FEE STRUCTURE.....	23
8.1 Deferral Account & Recovery Amount	24
8.2 Fixed Fees	24
8.3 Variable Fees	25
9. SUMMARY	26

APPENDIX A: BCUC Customer Choice Program Expenditures 2018

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	17
Table 7-2: Customer Choice Program Costs 2007 to 2016.....	19
Table 7-3: Customer Choice Program Costs 2017-2018.....	19
Table 7-4: BCUC Table of Expenditures.....	21
Table 7-5: 2019 Customer Choice Service Fees	22
Table 8-1: 2018 Annual Program Cost Allocation.....	23
Table 8-2: 2019 Expense Category Proportions.....	23
Table 8-3: 2018 Marketer Cost Variance Deferral Activity.....	24
Table 8-4: 2019 Fixed and Variable Fee Recovery Proportions.....	24
Table 8-5: 2019 Variable Fee Calculation.....	25
Figure 2-1: Fixed-Rate Contract Statistics in 2018	3
Figure 2-2: Yearly Comparison of Customer Choice Participation (2007 to 2018).....	4
Figure 3-1: Comparison of Monthly Gross Enrolments – 2017 vs. 2018.....	5
Figure 3-2: Comparison of Yearly Enrolment Activity (2007 to 2018).....	6
Figure 4-1: Comparison of Yearly Dispute Activity from 2007 to 2018	7
Figure 4-2: 2018 Monthly Dispute Statistics	8
Figure 5-1: Google AdWords Advertisement Extensions	10
Figure 5-2: Customer Choice Twitter Posts	11
Figure 6-1: Customer Disputes Online Form	13

1. INTRODUCTION

This filing provides an overview of the Customer Choice Program's (Customer Choice or the Program) key metrics for 2018 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 2018.
- **Section 3** provides an overview of gas marketer sales activity and statistics in 2018; a month-to-month comparison of enrolment activity between 2013 and 2018; and a year-to-year comparison of gross and net enrolments from 2007 to 2018.
- **Section 4** summarizes the monthly dispute activity and statistics in 2018 for cancellation and standard disputes, as well as yearly dispute activity from 2007 to 2018.
- **Section 5** provides a summary of the customer education plan for 2018, 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 2018.
- **Section 7** reviews the 2018 Program expenditures, recoveries and the gas marketer fee structure that took effect April 1, 2017.
- **Section 8** describes the 2019 Program fees and fee structure.
- **Section 9** provides a summary of each section.

2. PROGRAM PARTICIPATION STATISTICS

2.1 GAS MARKETER PARTICIPATION

In 2018, there were six licensed gas marketers licensed in BC. There were four gas marketers actively enrolling customers in 2018. Four of the gas marketers offered fixed-rate contracts to FortisBC Energy Inc. (FEI or the Company) 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 2018, 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
Residential and Commercial Gas Marketers		
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. DEBS inactive in 2018
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; inactive in 2018
5	Summitt Energy BC L.P.	Licensed and active
Commercial Only Gas Marketers		
1	Bluestream Energy	Licensed and active
Past Gas Marketers		
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 2018, there were ninety-five marketer price groups open. There were eight new marketer price groups created in 2018. A marketer price group is defined by the price that customers have agreed to pay per gigajoule (GJ) for their natural gas commodity. Figure 2-1 below provides the statistics for fixed-rate contracts sold to customers in 2018.

Figure 2-1: Fixed-Rate Contract Statistics in 2018

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
•95	<ul style="list-style-type: none"> •1 Year - 4% •2 Year - .5% •3 Year - 8% •4 Year - 4% •5 Year - 83% 	<ul style="list-style-type: none"> •1 Year - \$1.85 to \$7.49 •2 Year - \$1.85 to \$7.49 •3 Year - \$1.85 to \$6.99 •4 Year - \$2.89 to \$6.89 •5 Year - \$2.14 to \$6.99 	<ul style="list-style-type: none"> •Under \$4 - 250 - 13% •\$4-\$6 - 6889 - 70% •\$6 -\$8 - 1667 - 17% 	<ul style="list-style-type: none"> •1 Year - \$3.07 •2 Year - \$4.39 •3 Year - \$3.84 •4 Year - \$5.69 •5 Year - \$5.88

As indicated in Figure 2-1 above, prices per GJ of gas charged ranged from a low of \$1.85/GJ to a high of \$7.49/GJ. In 2018, the majority of contracts were enrolled with prices between \$4/GJ and \$6/GJ.

The most common contract term signed in 2018 was for a five-year contract, accounting for 83 percent of total enrolments. The price range for a five-year contract term ranged from a low of \$2.14/GJ to a high of \$6.99/GJ, with a weighted average price of \$5.88/GJ.

2.2 CUSTOMER PARTICIPATION

As of December 31, 2018, there were approximately 1.02 million customers served under FEI Rate Schedules 1, 2 and 3 eligible for the Customer Choice Program. Of those eligible customers, approximately 927 thousand were residential customers and approximately 94 thousand were commercial customers.

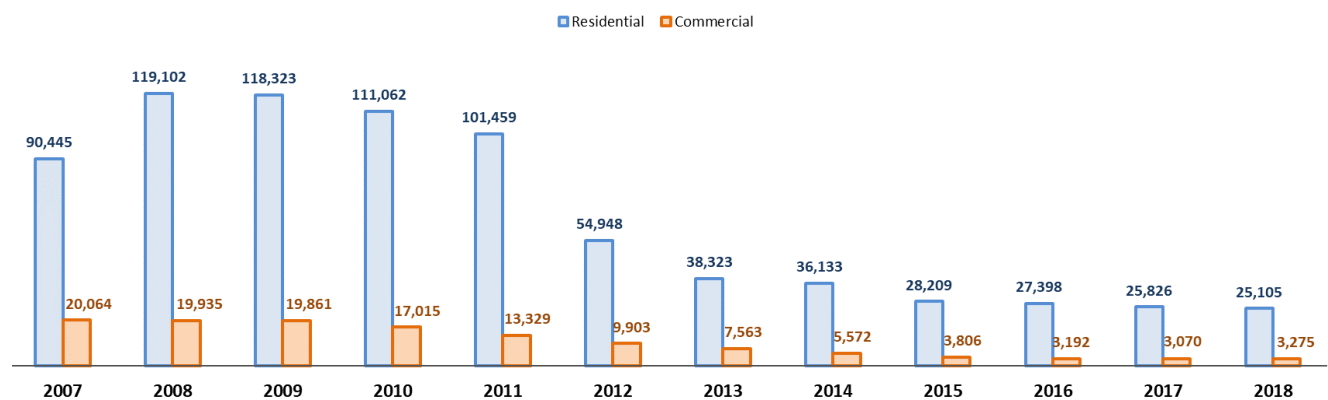
Of the approximately 927 thousand eligible residential customers, approximately 25 thousand billed customers were enrolled in Customer Choice. This represents approximately three

percent of the total customer base of eligible residential customers participating in Customer Choice.

Of the approximately 94 thousand eligible commercial customers, about 3 thousand or 4 percent of billed customers were enrolled in Customer Choice. The percentage of eligible customers participating in Customer Choice in 2018 has remained consistent with 2017 participation for residential customers and increased by 1 percent for commercial customer participation.

Figure 2-2 below illustrates the year-to-year comparison of both residential and commercial customer Program participation from its 2007 inception through 2018. Total eligible residential and commercial customers are listed by year.

Figure 2-2: Yearly Comparison of Customer Choice Participation (2007 to 2018)



Eligible	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	739,651	747,594	752,416	759,240	764,241	758,460	765,402	772,804	884,847	896,154	901,507	914,882
Commercial	79,037	80,317	80,573	80,658	81,050	76,659	77,824	78,838	90,120	91,000	91,428	92,728

As Figure 2-2 indicates, Customer Choice participation levels have been relatively stable since 2015. Participation levels in the Program decreased very slightly in 2018, down 1.79 percent over 2017 levels. Participation rates for residential customers declined by 2.79 percent while participation rates for commercial customers increased by 6.7 percent in 2018 over 2017. The overall decrease in residential participation can be attributed to continued low and stable natural gas commodity prices, decreased contract sales activity by gas marketers, and customer account closures. The increase in commercial participation can be attributed to large commercial customers formerly on transportation service contracts looking for more stable pricing options which are available through the Customer Choice Program.

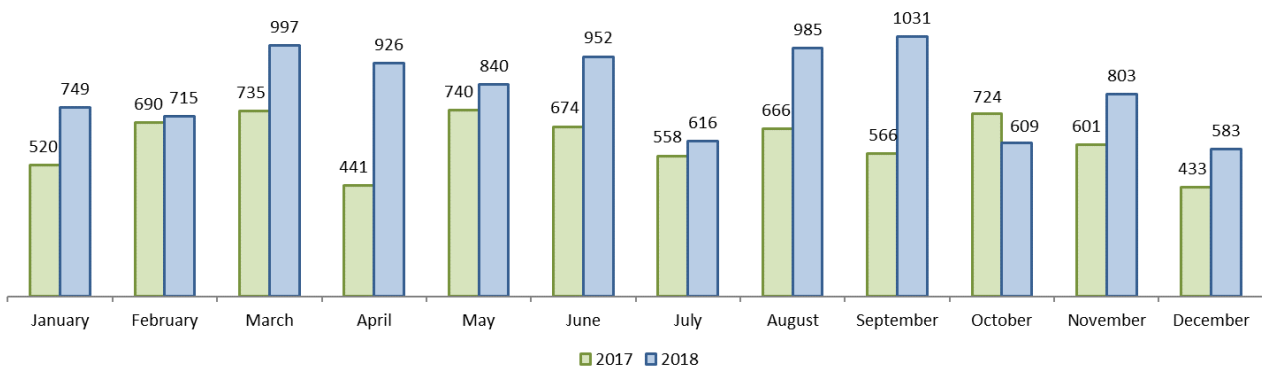
3. ENROLMENT STATISTICS

3.1 GROSS ENROLMENTS

In 2018, new enrolments were submitted at an average rate of 817 per month. Enrolments are counted in the month submitted and contracts start flowing within five years of submission date. September was the most active month with 1,031 enrolments. There were over 9,800 enrolments in 2018, compared to 7,300 in 2017, leading to an increase of 33 percent in gross enrolments. Gross enrolments increased in 2018 mainly due to the increase in commercial enrolments into the Program.

Figure 3-1 below illustrates the comparison of monthly gross enrolments between 2017 and 2018.

Figure 3-1: Comparison of Monthly Gross Enrolments – 2017 vs. 2018

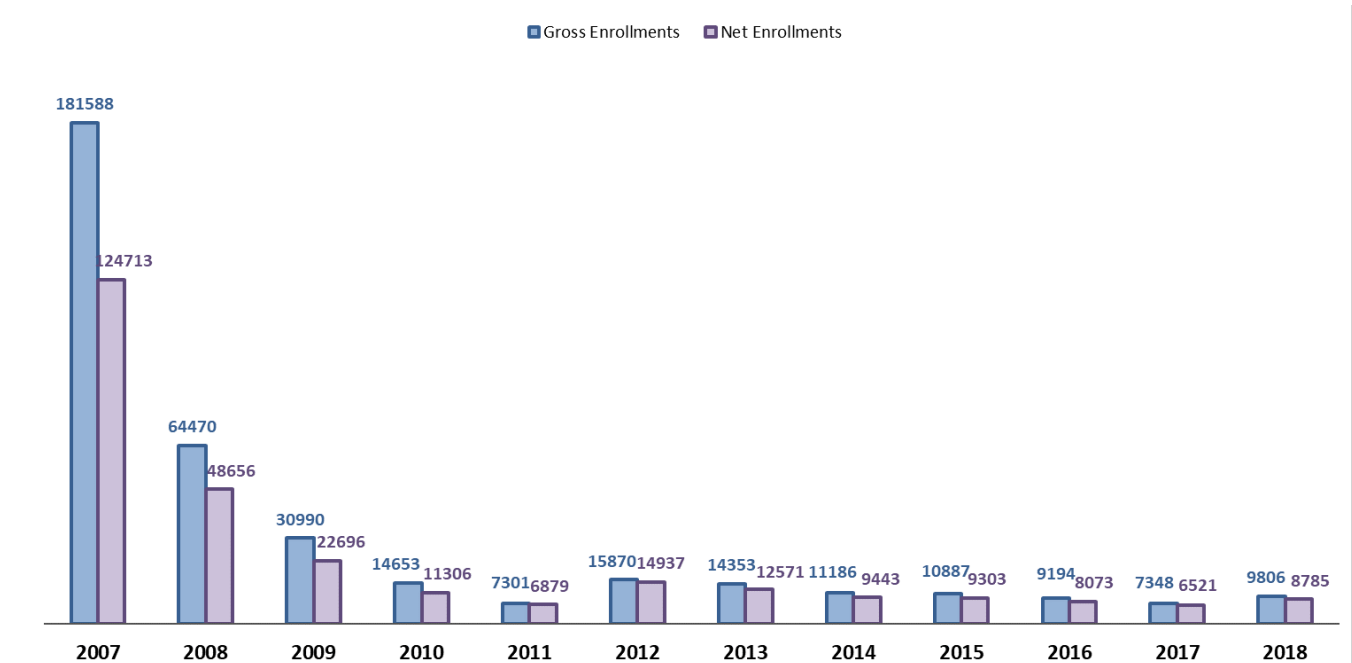


3.2 NET ENROLMENTS

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.¹ There were over 8,700 net enrolments in 2018. Figure 3-2 compares the gross enrolments to net enrolments over the past 12 years from 2007 to 2018.

¹ 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 to 2018)

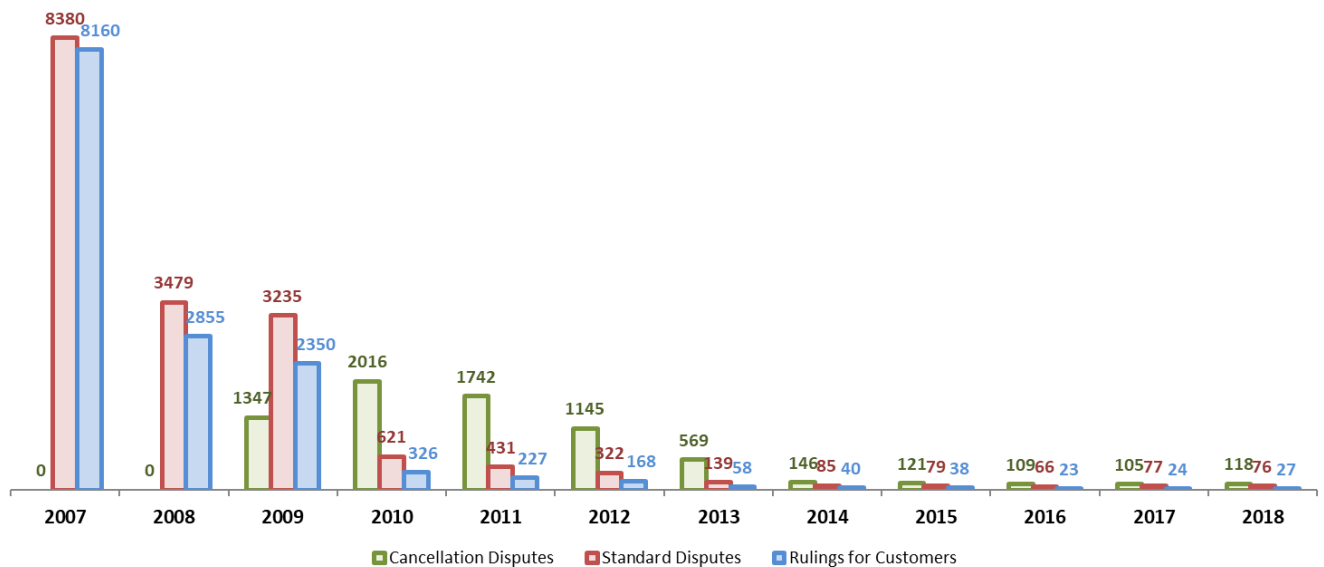


The ratio of net enrolments to gross enrolments was 90 percent in 2018, up from 89 percent in 2017. The trend continues to show that since 2011 less than 20 percent of contracts are cancelled before their start date. This improvement can be linked to the 2011 introduction of consolidated business rules 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 to remain at the low levels experienced over the past five years as displayed in Figure 4-1. In 2018, there were 194 total disputes filed, which is up slightly from 182 disputes logged in 2017. This represents a 4 percent increase in dispute filings in 2018. 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 five years.

Figure 4-1: Comparison of Yearly Dispute Activity from 2007 to 2018

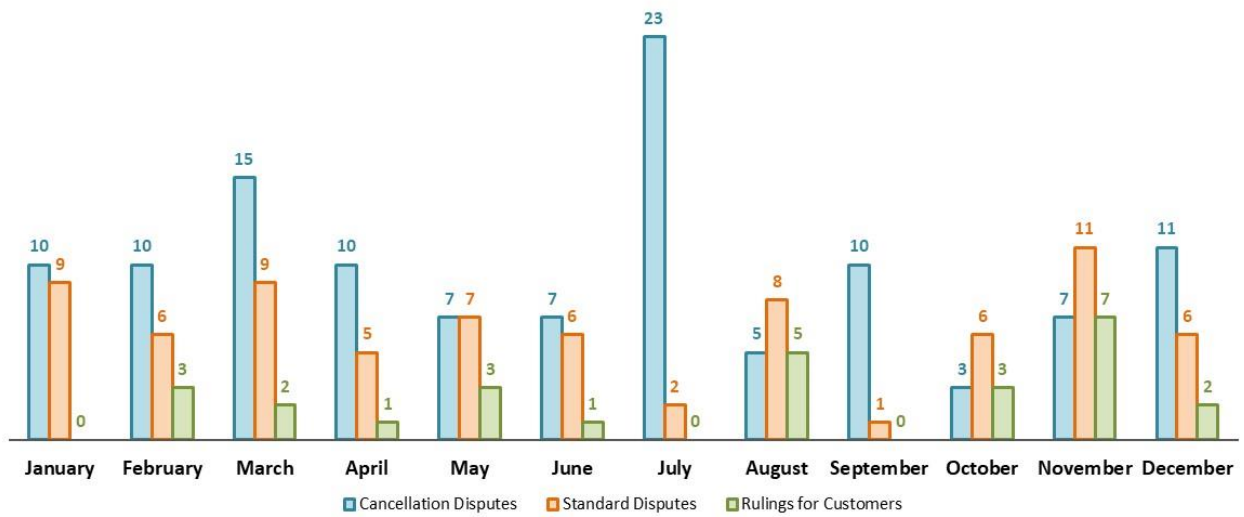


Cancellation disputes are disputes raised by gas marketers who have agreed to release a customer from their contract outside of their contract anniversary date. Cancelling a gas marketer contract outside of the anniversary date contravenes the Essential Services Model. FEI continues to emphasize that cancellation disputes should be restricted to compassionate reasons only, as determined by the British Columbia Utilities Commission (BCUC). Cancellation disputes increased 12 percent in 2018 from 105 cancellation disputes submitted in 2017 to 118 cancellation disputes submitted in 2018.

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 BCUC with a ruling in favour of either the gas marketer or the customer. Standard disputes decreased 1 percent from the 77 raised in 2017 to 76 in 2018.

BCUC rulings in favour of the customer increased in 2018 to 35 percent of standard disputes raised, as compared to 31 percent in 2017. Figure 4-2 illustrates the monthly dispute statistics for 2018.

Figure 4-2: 2018 Monthly Dispute Statistics



5. CUSTOMER EDUCATION PLAN

In 2018, for the second consecutive year, the customer education plan ran with a significantly reduced scope and budget in comparison to years 2016 and earlier. Consistent with 2017, the primary objectives for 2018 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.

The budget for the 2018 customer education campaign was again set at \$40 thousand. The budget allocated \$30 thousand to a digital media campaign and \$10 thousand for printing the Customer Choice Standard Information Booklet. However, the \$10 thousand budgeted funding for the booklet was not spent, as the previous year's booklet stock had not yet 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 through the end of November 2018 in all regions where the Customer Choice Program is available. The campaign was effective in driving traffic to the FEI website with 24,102 unique pageviews² on the Customer Choice landing page in 2018. Ninety-three percent of these pageviews came from Google Adwords. The campaign delivered over 296 thousand impressions with a click through rate of 7.78 percent. The industry benchmark is 1 to 2 percent, therefore, the campaign performed extremely well.

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 www.fortisbc.com/choice.

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

² Definitions:

- Pageview: A pageview is recorded every time a page is viewed.
- Impressions: The number of times an ad has been served.
- Click through rate: Number of clicks divided by number of impressions.

Figure 5-1: Google AdWords Advertisement Extensions

<p>Fixed or Variable Rate? Choose what's right for you. www.fortisbc.com/compare-now Compare natural gas prices now.</p>
<p>Gas Marketer or FortisBC? Here's what you need to know. www.fortisbc.com/compare-now Compare natural gas rates and options.</p>
<p>Gas Marketer or FortisBC? Choose what's right for you. www.fortisbc.com/compare-now You have a choice for Natural Gas. Compare gas rates and options.</p>
<p>Gas Marketer or FortisBC? You have a choice. www.fortisbc.com/compare-now Choose how you buy natural gas.</p>

During the campaign period from June to November 2018, almost 300 thousand Google ads featuring Customer Choice were delivered. There were over 15 thousand visits to the Customer Choice webpages where visitors viewed more than one page, with an average of 2.66 pages per visit and an average of 2:12 minutes spent on the site. The digital display statistics are described in Table 5-1 below.

Table 5-1: Digital Display Statistics

	Front End		Back End				
			All Visits		Non-Bounce		
Google AdWords Campaign	Impressions Delivered	Clicks	Pages / Visit	Bounce Rate	Visits	Pages / Visit	Avg. Visit Duration
June 15 - Nov 30 2018	296,908	23,108	2.01	39.30%	15,086	2.66	0:02:12

Definitions:

- *Impressions: The number of times an ad has been served.*
- *Clicks: Count of clicks on an ad.*
- *Bounce: A visit with one page-view only, regardless of how much time spent on the page.*
- *Non-bounce: A visit with more than one page viewed.*

5.1.2 Social Media: Twitter Posts

FEI generated Twitter posts one to two times per week from January through to October 2018, reaching 11.6 thousand FEI Twitter followers. The Twitter posts provided general information about the Customer Choice Program and provided a link directing customers to the FEI 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 gives you options for buying #NaturalGas. Understand your options & compare rates. #CustomerChoice; *links to:*
<http://www.fortisbc.com/NaturalGas/Homes/CustomerChoice/Pages/default.aspx>
- #DYK you can buy #NaturalGas from an independent gas marketer and we'll still deliver it. Here's how: #CustomerChoice; *links to:*
<http://www.fortisbc.com/NaturalGas/Homes/CustomerChoice/Pages/default.aspx>
- We don't sell #NaturalGas contracts door-to-door but independent marketers can. Here's what you need to know; *links to:*
<http://www.fortisbc.com/NaturalGas/Homes/CustomerChoice/BuyingFromAGasMarketer/Pages/At-your-door.aspx>

6. SYSTEM ENHANCEMENTS

System enhancements for 2018 consisted mainly of the continuation of corporate initiatives to upgrade aging hardware, software, and system infrastructure. These upgrades are necessary to ensure the system infrastructure continues to function optimally and to prevent any security vulnerabilities on our web servers.

In 2018, the GEM dispute pages and customer-facing gas marketer dispute website underwent a full process and functionality review. Both sites required multiple updates to ensure the full functionality would continue to be accessible to the BCUC Staff, gas marketers, and customers logging their own disputes. As internet browser versions change, that can have an effect on the current code and some functionality stops operating or no longer operates as intended. Some of the back-end software, such as JavaScript had become outdated with the current browser version. Some of the functionality such as calendar pop-ups, information boxes, and use of the backspace button required updating to continue to function properly. In GEM, software updates were required to allow BCUC Staff to continue to close disputes properly. All software upgrades required full testing of the GEM website and Customer Choice gas marketer dispute website to ensure full functionality before the upgrades were deployed. The gas marketer dispute site also required graphic changes to reflect updated FEI logos in 2018. The updated customer dispute online form including functionality updates is displayed below in Figure 6-1.

The server which housed the Marketer Supply Requirements (MSR) reports and FEI customer forecasting reports was decommissioned and replaced in 2018 due to aging infrastructure. This required end-to-end testing in the new environment to ensure all reports were functional and providing accurate results. The new server was installed and operational by the end of July.

1

Figure 6-1: Customer Disputes Online Form

GATEWAY HOME | CONTACT US



Log a Dispute

This application is configured to work best with Internet Explorer. Chrome and Edge are also now compatible. Use of other browsers may cause data and system issues.

Please reference your FortisBC Bill to complete this form.

Customer Information

Title:

First Name:

Last Name:

Business Name :

Job Title:

Mailing Address:

Daytime Phone #:

Alternate Phone #:

Email Address:

Email Confirmation:

Gas Marketer:

FortisBC Account Number:
Please ensure your Account number is accurate to avoid delays in processing your dispute.

Point of Delivery (POD) Number:
Please ensure your POD number is accurate to avoid delays in processing your dispute.

Type of Account: ☐ Commercial ☐ Residential

Which contract are you disputing? : ☐ Current Contract ☐ Future Contract

Contract Dates: Start: End:

2

Questions

- 1
Dispute Reason:
Select the Contract Dispute Category in which your dispute falls.
[Your dispute must fall under one of the following Categories to qualify as a Contract Dispute.](#)

-- select --
- 2
Dispute details:
Provide a brief outline of why you are disputing your Gas Marketer contract. (Max Characters: 255).
[This will allow the Gas Marketer to adequately respond to your dispute.](#)
- 3
Have you contacted the Gas Marketer regarding this dispute?

☐ Yes ☐ No

If Yes, provide details: (Max Characters: 255).
[This information will help the BCUC adjudicate your dispute.](#)
 - [When did you speak to the Gas Marketer?](#)
 - [With whom did you speak with and at what telephone number?](#)
 - [What resolution did they offer you?](#)
- 4
How did you become aware you were on a Gas Marketer contract?

-- select --
- 5
Did you receive a contract?

☐ Yes ☐ No

6 When did you receive the contract?

☐ In the mail ☐ At time of sale ☐ Did not receive contract

7 Are you the account holder or are you authorized on the account.
A power of attorney will be required if you are not authorized on the account.

☐ Yes ☐ No

8 Do you wish to be contacted directly by a Gas Marketer Dispute Resolution Specialist to resolve your dispute?
If you indicate yes, you will be contacted within 5 business days.

☐ Yes ☐ No

9 Do you wish to file a dispute for other locations?

☐ Yes ☐ No


If you wish to file a dispute for other contracts you may have for other properties, please list the Account Numbers and 'Point of Delivery' (POD) numbers in the text field below (Max Characters: 255).

Disclaimer

☐ You agree that by submitting this form you will be providing personal information to FortisBC, and you are consenting to the collection, use, and disclosure of this personal information for purposes relating to your dispute, which may include disclosure of this information to the British Columbia Utilities Commission [(the "BCUC")] and any third parties that are involved in this dispute resolution process. [You may be contacted directly by the BCUC and/or such third parties as part of this dispute resolution process.] For more information on FortisBC's commitment to privacy, please review our Privacy Policy at www.fortisbc.com

Submit

Cancel

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1

2 FEI Customer Choice administration continued to meet monthly with the Company's technical

3 support team to log, assess and address any issues, and coordinate system changes. All

4 business-critical applications within FEI are tested in keeping with standard software

5 development life cycle processes and procedures. Within FEI's SAP suite of systems, including

6 peripheral systems supporting the Customer Choice Program, the development and testing

7 process follows SAP best practice. FEI maintains four separate environments for the

8 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 BCUC 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.³

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

³ Order A-9-16 dated October 18, 2016, pages 14 to 15.

Table 7-1: Program Expenses Percentage Allocation

Annual Program Expenses	% Allocation	
	Marketer	Utility Share (FEI)
Technology Sustainment	50%	50%
Infrastructure Sustainment	0%	100%
Contact Centre	0%	100%
Program Administration	50%	50%
BCUC	60%	40%
Customer Education	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 set \$750 monthly fee would not change annually with changes in the number of gas marketers participating in Customer Choice.⁴

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, 2017.⁵

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

⁴ Order A-9-16 dated October 18, 2016, page 29.

⁵ Order A-9-16 dated October 18, 2016, page 30.

Variance deferral account and incorporated into the subsequent year's fee adjustment.⁶

The BCUC 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 BCUC's information requests in accordance with Order A-13-16.⁷

The BCUC 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 2018 CUSTOMER CHOICE PROGRAM COSTS

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.⁸ 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 Service department. The cost reporting shown in Table 7-3 was created in 2017 to better depict going-forward the amount of expenses paid by gas marketers and the utility and the addition of a line item for any over/under recovery. The table depicts the actual expenses incurred in 2017 and 2018, split between the gas marketer and utility share, and the gas marketer actual recoveries for each year. These amounts derive the actual over/under-recovery.

⁶ Order A-9-16 dated October 18, 2016, page 32.

⁷ Order A-13-16 dated December 15, 2016, Regulatory Timetable.

⁸ Customer Choice Program Cost Recovery Application dated April 14, 2016.

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
Total Program Costs	\$ 549,492	\$ 3,959,138	\$ 1,930,267	\$ 1,726,339	\$ 1,054,977	\$ 1,291,166	\$ 1,057,501	\$ 1,052,163	\$ 989,339	\$ 989,530
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 2017-2018

Cost Description	2017	2018
Technology Sustainment	\$ 91,577	\$ 87,598
Infrastructure Sustainment	\$ 93,541	\$ 96,259
Contact Centre	\$ 16,000	\$ 15,994
Program Administration	\$ 203,800	\$ 209,084
BCUC	\$ 116,679	\$ 99,599
Customer Education	\$ 29,700	\$ 30,000
Total Program Costs	\$ 551,297	\$ 538,534
Actual Utility share	\$ 327,661	\$ 324,410
Actual Gas Marketer share	\$ 223,636	\$ 214,124
Gas Marketer Recoveries	\$ 257,464	\$ 206,388
(Over)/Under-recovery	\$ (33,828)	\$ 7,736

⁹ 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 2018, technology sustainment costs decreased 4 percent to approximately \$88 thousand from approximately \$92 thousand.

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 increased slightly in 2018 due to salary inflation to \$112 thousand from \$109 thousand in 2017.

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 costs increased slightly to \$209 thousand in 2018 from \$204 thousand in 2017. Consistent with the previous year, 30 percent of the customer program analyst's costs were allocated to another department at FEI in 2018.

7.6 BRITISH COLUMBIA UTILITIES COMMISSION COSTS

There was a 15 percent decrease in BCUC expenditures in 2018 to \$100 thousand from over \$117 thousand in 2017. There was no annual general meeting held in 2018 which reduced BCUC expenses for the year. The BCUC expenses may include Program administration costs, annual general meeting expenditures, BCUC decisions, external expert consultations, and dispute handling and adjudication activities.

BCUC Staff provided a breakdown of their 2018 expenditures, which is referenced below in Table 7-4 and detailed in Appendix A: BCUC Customer Choice Program Expenditures 2018. The annual total provided by BCUC Staff does not exactly match the invoiced amount FEI reports on primarily 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.

Table 7-4: BCUC Table of Expenditures

Function		Cost
Annual Program Administration		\$64,052
Regulatory Proceedings		\$14,781
Annual Dispute Resolution		
Handling, Administration, Investigation	\$19,708	
Adjudication	\$456	
Subtotal	\$20,164	\$20,164
TOTAL		\$98,997

7.7 CUSTOMER EDUCATION COSTS

There was \$30 thousand spent on customer education in 2018 realizing a cost savings for 2018 as the \$10 thousand set aside for the purchase of Customer Choice brochures was not required. It was agreed to in the Cost Recovery Application decision to reduce the budget to \$40 thousand annually for the time being.

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.¹⁰

FEI is satisfied that the digital communications strategy is working as anticipated, so no changes are recommended at this time.

7.8 TOTAL PROGRAM COSTS

In 2018, total program costs decreased 2 percent to approximately \$539 thousand from \$551 thousand in 2017. The Customer Choice program expenses have been evaluated to operate efficiently and it is expected that annual program costs will continue to remain in this range of \$550 thousand.

¹⁰ Exhibit B-1 - Order A-9-16 Compliance Filing, dated November 17, 2016, page 8-9.

7.9 GAS MARKETER RECOVERIES

Gas marketer recoveries include the fixed fee recovery rate of \$750 per month from each licensed gas marketer as well as monthly variable fees charged per enrolled customer for infrastructure support and program administration. Additionally, there are three service fees that are charged on a per use basis. Table 7-5 below illustrates the service fees charged to gas marketers. These fees became effective on April 1, 2017 as approved in Order A-1-17¹¹. It was agreed that the cost to produce confirmation letters would be a direct flow-through cost to gas marketers. As such, the confirmation letter fee will increase on April 1, 2019 to \$0.93 per confirmation letter due to the postage fee increase that went into effect January 1, 2019. The current cost from the external print vendor is \$0.12 for printing and \$0.81 for postage.

Table 7-5: 2019 Customer Choice Service Fees

Service Fees	Cost	Description
Marketer Price Group Set-up	\$125	One-time cost to setup a new marketer price group
Confirmation Letter	\$0.93	Cost for each confirmation letter produced
Dispute	\$50	Cost for customer-raised disputes where BCUC has ruled against the marketer

The gas marketer fees were under recovered for 2018 by approximately \$7.7 thousand. As the fees collected versus the fees required will never match exactly due to the variables of changes in customer enrolments monthly, and the collection of service fees, the \$7.7 thousand difference is minimal and underscores how well the new cost recovery process is working.

¹¹ 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 2018 actual costs for the Customer Choice Program and provides the 2019 gas marketer fees and structure in Tables 8-1 through 8-7 below. The new Program fees take effect April 1, 2019. The 2019 annual Program cost allocation table lists each expense category and the 2018 annual expenses, the percentage of cost sharing the gas marketers and utility are required to cover, and the respective dollar amounts. The 2019 total gas marketer allocation is set to be approximately \$214 thousand and the utility share amount set at approximately \$324 thousand. The applicable variable fee amounts are then calculated based on the total expected recoverable amount of \$214 thousand plus or minus any over/under recovery from the previous year and the balance in the deferral account.

Table 8-1: 2018 Annual Program Cost Allocation

Program Expenses	2018 Annual Expenses	Percentage Allocation		Dollar Allocation	
		Gas Marketer	Utility Share (FEI)	Gas Marketer	Utility Share (FEI)
Infrastructure Support Expenses					
Technology Sustainment	\$ 87,598	50%	50%	\$ 43,799	\$ 43,799
Infrastructure Sustainment	96,259	0%	100%	-	96,259
Program Administration Expenses					
Contact Centre	15,994	0%	100%	-	15,994
Program Administration	209,084	50%	50%	104,546*	104,538*
BCUC	99,599	60%	40%	59,779*	39,820*
Customer Education	30,000	20%	80%	6,000	24,000
Total Expenses	\$ 538,534			\$ 214,124	\$ 324,410

*rounded during the monthly accounting allocation process.

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: 2019 Expense Category Proportions

	Expense	Proportion
Infrastructure Support (includes Technology Sustainment)	\$ 43,799	20.45%
Program Administration (includes Program Administration, BCUC & Customer Education)	\$ 170,325	79.55%
Total Expenses	\$ 214,124	100.00%

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 BCUC in Order A-9-16.¹² After performing the year-end reconciliation for 2018, FEI reports an after-tax balance in the deferral account of \$22,073.54. The 2018 activity in the deferral account is shown in Table 8-3 below.

Table 8-3: 2018 Marketer Cost Variance Deferral Activity

Description	Reference	Sub-Totals	Totals
January 1, 2018 Opening Deferral Balance			\$ (26,128)
2018 Gas Marketer Expenses	Table 7-3	\$ 214,124	
2018 Gas Marketer Recoveries	Table 7-3	\$ (206,388)	
Net Gas Marketer 2018 (Over)/Under Recovery		\$ 7,736	\$ 7,736
2018 Financing Costs	BCUC Order A-9-16		\$ (1,593)
Taxes on (Over)/Under Recovery			\$ (2,089)
December 31, 2018 Ending Deferral Balance			\$ (22,074)
Taxes on deferral account			\$ (8,164)
Pre-tax deferral account balance: (Over)/Under recovery to marketer)			\$ (30,238)

FEI will return this over-recovery (credit balance) to marketers in 2019 by applying the pre-tax deferral account balance of \$30,238 (\$22,074 / (1 – 27% tax rate)) to reduce the total amount recoverable from marketers for 2019 as part of the calculation to set the 2019 variable fees.

8.2 FIXED FEES

The fixed fee is set at \$750 per month per gas marketer to equal an annual recovery of \$54,000 based on six active gas marketers. As shown in Table 8-4 below, this accounts for 29 percent of the total \$183,886 to be recovered from gas marketers. The remaining 71 percent will be recovered from the variable fees.

Table 8-4: 2019 Fixed and Variable Fee Recovery Proportions

		Proportion of Total Fees
Total Expenses	\$214,124	
Plus: (Over)/Under recovery	\$(30,238)	
Total Recoverable from Gas Marketers	\$183,886	
Less: Fixed Fee amount	\$54,000	29.37%

¹² Order A-9-16_FEI Customer Choice Program Cost Recovery Decision, Section 3.5, Year-end reconciliation, pg. 30

		Proportion of Total Fees
Variable Fee amount	\$129,886	70.63%

8.3 VARIABLE FEES

Two variable fees are 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 20.45 percent of the 2018 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 BCUC, and customer education. These expenses make up 79.55 percent of the 2018 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 History report on Dec 1 2018, divided by 12 months.

For the Infrastructure Support Fee calculation, the \$129,886 total variable fee amount is multiplied by 20.45 percent, the proportion of this expense category to total expenses, divided by 28,002, the number of active customers on the MSR History report on Dec 1 2018, divided by 12 months for a monthly variable fee of \$0.08 per active customer.

For the Program Administration Fee calculation, the \$129,886 total variable fee amount is multiplied by 79.55 percent, the proportion of this expense category to total expenses, divided by 28,002, the number of active customers on the MSR History report on Dec 1 2018, divided by 12 months for a monthly variable fee of \$0.31 per active customer.

Table 8-5 below illustrates the calculation of the 2019 variable fees.

Table 8-5: 2019 Variable Fee Calculation

Variable Fee	Gas Marketer Variable Fee Amount		Multiplied by Variable Fee Proportion		Variable Recovery Amount		Number of active customers on Dec 1 2018 MSR report		Divided by 12 months		Variable Fee (per active customer per month)
Infrastructure Support	\$129,886	x	20.45%	=	\$ 26,568	/	28,002	/ 12 months =			\$ 0.08
Program Administration	\$129,886	x	79.55%	=	\$103,318	/	28,002	/ 12 months =			\$ 0.31
Total:					\$129,886						\$ 0.39

The Infrastructure Support Fee for 2019 will remain the same as 2018 at \$0.08 per active customer per month. The Program Administration Fee will also remain at the same level for 2019 as it was for 2018 at \$0.31 per active customer per month.

9. SUMMARY

In 2018, Customer Choice saw a decrease in overall program participation of 1.79 percent. Notably, there was an increase in participation in the program by commercial customers of 6.7 percent. There were six licensed gas marketers in 2018, but only four active marketers selling commodity contracts. 2018 experienced an increase in gross enrolments of 33 percent due to the increased interest in the Program by commercial customers. There were over 9.8 thousand enrolments in 2018 compared to 7.3 thousand enrolments in 2017. Customer retention rates for the Customer Choice Program remain static year-over-year showing that only about 1 out of 10 customers cancel their contract before their contract start date.

The majority of customers sign 5-year contracts which accounted for 83 percent of total enrolments. The contract prices for the five-year terms ranged from \$2.14/GJ to \$6.99/GJ. In 2018, 87 percent of the enrollments were in the \$4/GJ to \$8/GJ price range while 13 percent were under \$4/GJ. Just over 1 million customers were eligible for the Customer Choice Program as of December 1, 2018. Of those eligible, three percent of Rate Schedule 1 customers and four percent of Rate Schedule 2 and 3 customers were participating in the Program. Rate Schedule 2 and 3 participation went up 1 percent from 2017 participation rates while Rate Schedule 1 customer participation remained unchanged.

There were 194 total disputes raised in 2018 up 4 percent over the 182 disputes filed in 2017. Standard disputes raised by customers decreased by 1 from 2017 to 76 raised in 2018. Disputes ruled in favour of customers was 35 percent for 2018, up 4 percent from 31 percent in 2017. Cancellation disputes raised increased by 12 percent in 2018. Total disputes raised continued to be 2 percent of gross enrolments. The majority of customers tend to remain on their contracts for the entire contract term, rather than request early cancellation for compassionate reasons or dissatisfaction.

The customer education plan objective for 2018 continued to focus on ensuring customers had ready access to information about the Customer Choice Program and that customers were able to make an informed decision in their selection of a natural gas commodity supplier. This was achieved through search engine marketing tactics. A digital media campaign was engaged with both paid media through Google AdWords and no-cost social media through Twitter. There was \$10 thousand remaining in the \$40 thousand budget at year end as no purchase of the Customer Choice brochure was required.

The focus for GEM and the system infrastructure for 2018 continued on upgrading aging hardware, software, and system infrastructure. Some of these upgrades were categorized as system sustainment and covered by FEI IT Department funding. The GEM dispute website and

1 online dispute system, designed to allow customers to log their own disputes through
2 FortisBC.com, underwent a review of the processes and system infrastructure in place and
3 required some updating of aging software tools.

4 The total annual expenditures for the Customer Choice Program were \$539 thousand in 2018,
5 which was a decrease of 2 percent over \$551 thousand in 2017. Since the Program expenses
6 were refined during the Cost Recovery process in 2016 and barring anything unforeseen at this
7 time, it is anticipated that overall program costs will remain in the range of \$550 thousand year-
8 over-year. A deferral account was setup to collect any (over)/under recovery of fees and the
9 amount in the account at the end of 2018 was over \$22 thousand. The over-recovery was
10 factored into the calculation of the variable program fees for 2019 reducing the amount required
11 for recovery from gas marketers to approximately \$184 thousand. FEI has calculated the 2019
12 variable transaction fees using the 2018 actual Customer Choice Program costs, and has
13 determined that the two fees in 2019 will remain the same as 2018. The Infrastructure Support
14 Fee will continue at \$0.08 per active customer per month and the Program Administration Fee
15 will continue at \$0.31 per active customer per month.

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

¹³ Order A-9-16 dated October 18, 2016, page 32.

Appendix A

BCUC CUSTOMER CHOICE PROGRAM EXPENDITURES 2018



bcuc
British Columbia
Utilities Commission

Patrick Wruck
Commission Secretary

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February 15, 2019

Sent via email

Mr. Doug Slater
Director, Regulatory Services
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
doug.slater@fortisbc.com.
gas.regulatory.affairs@fortisbc.com

Re: FortisBC Energy Inc. Customer Choice Program – British Columbia Utilities Commission Customer Choice Program Expenditures for 2018

Dear Mr. Slater:

Enclosed, please find a breakdown of the British Columbia Utilities Commission (BCUC) expenditures charged to the Customer Choice program for the calendar year 2018. Please note the BCUC's annual total of expenditures charged to the Customer Choice program may not precisely match FortisBC Energy Inc.'s (FEI) annual total. Any difference is likely due to a number of factors including that the BCUC's fiscal year differs from FEI's. The BCUC is providing the expense information in FEI's calendar format and recasting the data may cause some variances.

Sincerely,

Original Signed by:

Patrick Wruck
Commission Secretary

KC/aci
Enclosure

British Columbia Utilities Commission Customer Choice
Program Expenditures for 2018

Table 1: 2018 Customer Choice program expenditures

Function	Cost (\$)
Annual Program Administration	64,051.74
Regulatory Proceedings	14,781.17
Annual Dispute Resolution	
<i>Handling, Administration and Investigation</i>	19,708.23
<i>Adjudication</i>	456.16
Subtotal	20,164.39
<u>TOTAL</u>	<u>98,997.30</u>

Table 2: Customer Choice program cost details

Function	Cost Inputs
Annual Program Administration	Assume 65% BCUC Salaries allocation ¹
	Legal costs related to annual program administration
	General administration costs (e.g. courier)
Annual Dispute Resolution	
<ul style="list-style-type: none"> Handling, Administration and Investigation 	Assume 20% BCUC Salaries allocation External/expert consultation costs for work performed related to disputes, e.g. translation services, contracted dispute analysts
<ul style="list-style-type: none"> Adjudication 	Commissioner costs for work performed regarding adjudicated disputes Legal costs for work performed regarding adjudicated disputes
Regulatory Proceeding Costs	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

¹ 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 years: 65% towards annual program administration; 20% towards annual dispute resolution; and 15% towards regulatory proceedings.