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February 22, 2021

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

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)
2020 Customer Choice Program Cost Annual Program Statistics

FEI attaches the FEI Customer Choice program statistics for the 2020 calendar year.

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

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

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



FORTISBC ENERGY INC.

**2020 Customer Choice Annual Program
Statistics**

February 22, 2021

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1. INTRODUCTION

This filing provides an overview of the Customer Choice Program's (Customer Choice or the Program) key metrics for 2020 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 2020.
- **Section 3** provides an overview of gas marketer sales activity and statistics in 2020, a month-to-month comparison of enrolment activity between 2019 and 2020, and a year-to-year comparison of gross and net enrolments from 2014 to 2020.
- **Section 4** summarizes the monthly dispute activity and statistics in 2020 for cancellation and standard disputes, and yearly dispute activity from 2014 to 2020.
- **Section 5** summarizes the customer education plan for 2020, 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 2020.
- **Section 7** reviews the 2020 Program expenditures and recoveries in light of the gas marketer fee structure that took effect April 1, 2017.
- **Section 8** describes the 2021 Program fees and fee structure.
- **Section 9** provides a summary of each section.

2. PROGRAM PARTICIPATION STATISTICS

2.1 GAS MARKETER PARTICIPATION

In 2020, there were seven gas marketers licensed in BC, of which five were actively enrolling customers. Four 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 offered fixed-rate contracts to Rate Schedule 2 and 3 commercial customers only. Table 2-1 below lists the gas marketers operating in BC in 2020, 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. Inactive in 2020
3	Easy Energy Inc.	Licensed and active
4	Just Energy (formerly Energy Savings BC)	Licensed and active; Changed name to Just Energy in 2009
5	Planet Energy	Withdrew from Program August 1, 2020; Re-entered the market in February 2010; inactive in 2020.
6	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

	Gas Marketer	Status
11	Superior Energy Management, a Division of Superior Plus LP	Withdrew from Program July 2016
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 2020, there were one hundred and thirteen marketer price groups open. There were seven new marketer price groups created in 2020. 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 2020.

Figure 2-1: Fixed-Rate Contract Statistics in 2020

Enrolments per Term	Price Range per Enrolment Term	Enrolments by Contract Price Range	Average Price Weighted by Number of Enrolments
<ul style="list-style-type: none"> • 1 Year - 406 - 5% • 2 Year - 131 - 1% • 3 Year - 250 - 3% • 4 Year - 488 - 5% • 5 Year - 7768 - 86% 	<ul style="list-style-type: none"> • 1 Year - \$1.85 to \$7.00 • 2 Year - \$2.50 to \$7.00 • 3 Year - \$2.50 to \$7.00 • 4 Year - \$2.5 to \$7.00 • 5 Year - \$2.00 to \$7.00 	<ul style="list-style-type: none"> • Under \$4 - 826 - 9% • \$4-\$6 - 2627 - 29% • \$6 -\$7 - 5590 - 62% 	<ul style="list-style-type: none"> • 1 Year - \$3.38 • 2 Year - \$5.43 • 3 Year - \$5.10 • 4 Year - \$5.66 • 5 Year - \$6.05

As indicated in Figure 2-1 above, prices per gigajoule (GJ) of gas-charged ranged from a low of \$1.85/GJ to a high of \$7.00/GJ. In 2020, the majority of enrolled contracts have prices between \$6.00/GJ and \$7.00/GJ.

The most common contract term signed in 2020 was for a five-year contract, accounting for 86 percent of total enrolments. The price range for a five-year contract term ranged from a low of \$2.00/GJ to a high of \$7.00/GJ, with a weighted average price of \$6.05/GJ.

2.2 CUSTOMER PARTICIPATION

As of December 31, 2020, there were approximately 1.04 million FEI Rate Schedules 1, 2, and 3 customers eligible for the Customer Choice Program. Of those eligible, 947 thousand were residential customers, and 95 thousand were commercial customers.

Of the 947 thousand eligible residential customers, about 24 thousand billed customers were enrolled in Customer Choice. This amount represents roughly three percent of the total customer base of eligible residential customers participating in Customer Choice.

Of the 95 thousand eligible commercial customers, approximately 35 hundred or four percent of billed customers were enrolled in Customer Choice. The percentage of eligible customers participating in Customer Choice in 2020 has remained the same for residential and commercial customers over 2019 participation. Figure 2-2 below illustrates the residential and commercial Customer Choice participation rate for 2020.

Figure 2-2: 2020 Residential and Commercial Customer Participation

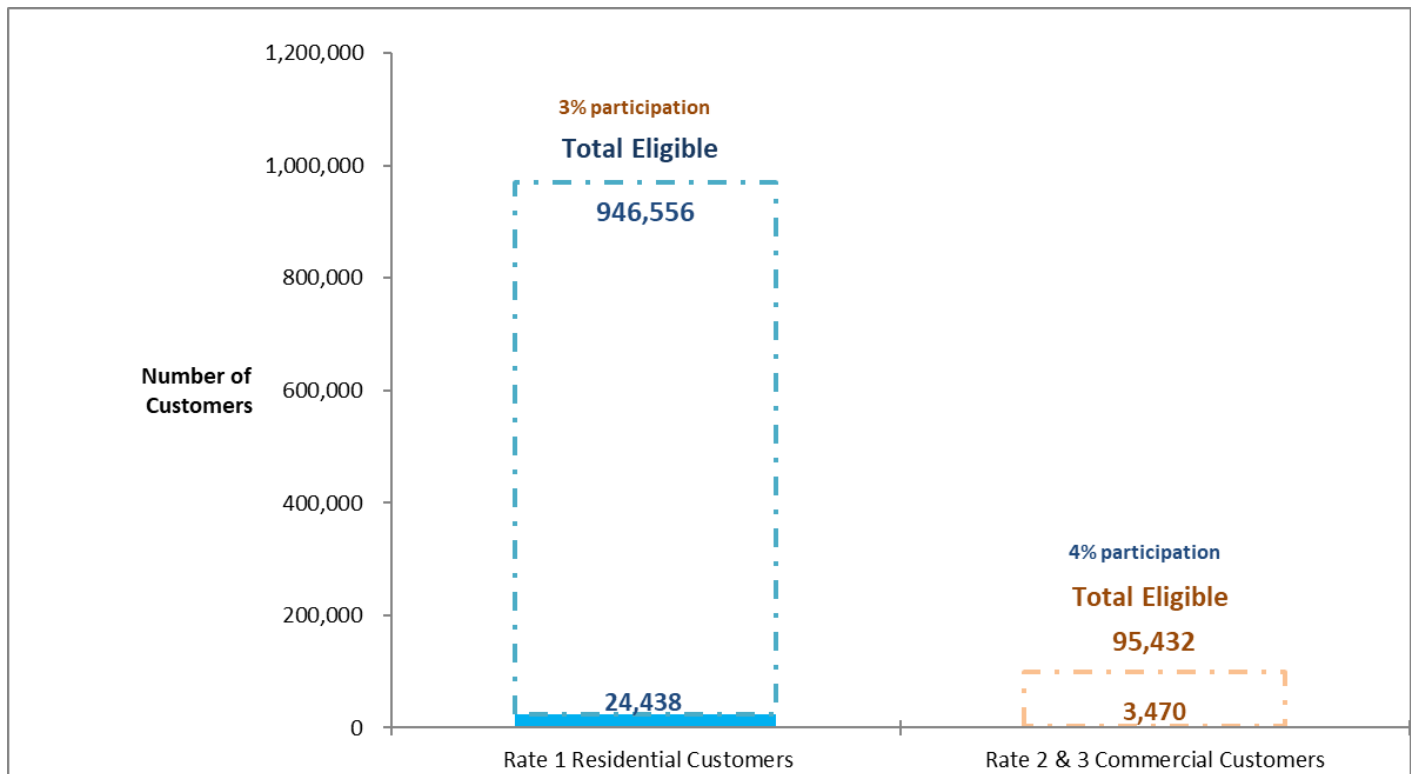
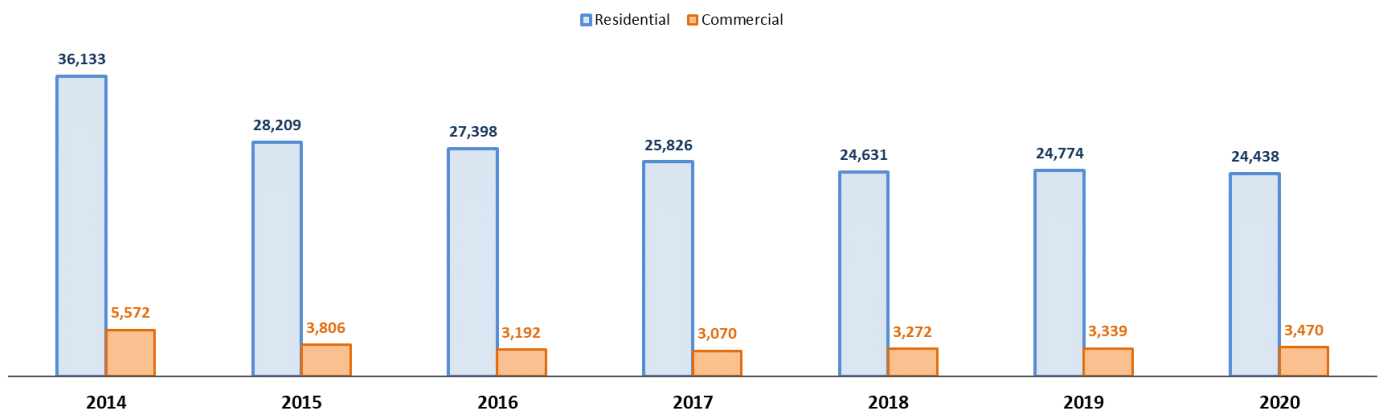


Figure 2-3 below illustrates the year-to-year comparison of residential and commercial customer Program participation for the past seven years.

Figure 2-3: Yearly Comparison of Customer Choice Participation (2007 to 2020)



- 1 Participation numbers for residential customers decreased by one percent in 2020 over 2019,
- 2 while participation rates for commercial customers increased by four percent over the same
- 3 period. The increase in commercial participation can be attributed to large commercial
- 4 customers formerly on transportation service contracts looking for more stable pricing options
- 5 that the Customer Choice Program provides.

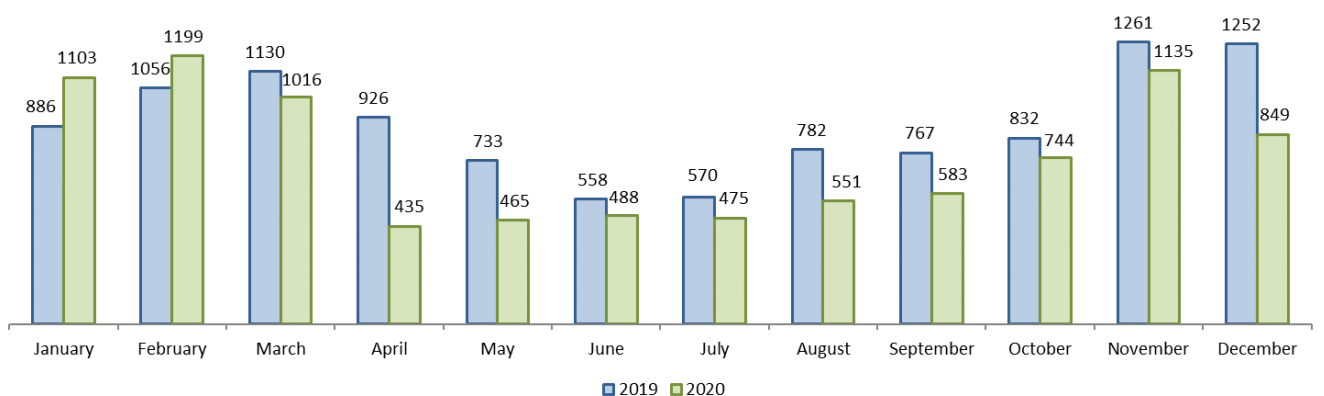
3. ENROLMENT STATISTICS

3.1 GROSS ENROLMENTS

In 2020, new enrolments were submitted at an average rate of 754 per month. Enrolments are counted in the month submitted, and contracts start flowing within five years of submission date. February was the most active month with 1,199 enrolments, which was the last full month of regular sales practices before the COVID-19 pandemic was declared and door-to-door sales were restricted. Despite the fact that for the majority of 2020, restrictions were in place limiting in-person contact, gas marketers could use other sales avenues such as phone sales and physically distanced in-person sales to continue running their businesses. The result was a decrease of 16 percent in gross enrolments with just over nine thousand enrolments in 2020, compared to almost eleven thousand in 2019.

Figure 3-1 below illustrates the comparison of monthly gross enrolments between 2019 and 2020.

Figure 3-1: Comparison of Monthly Gross Enrolments – 2019 vs. 2020

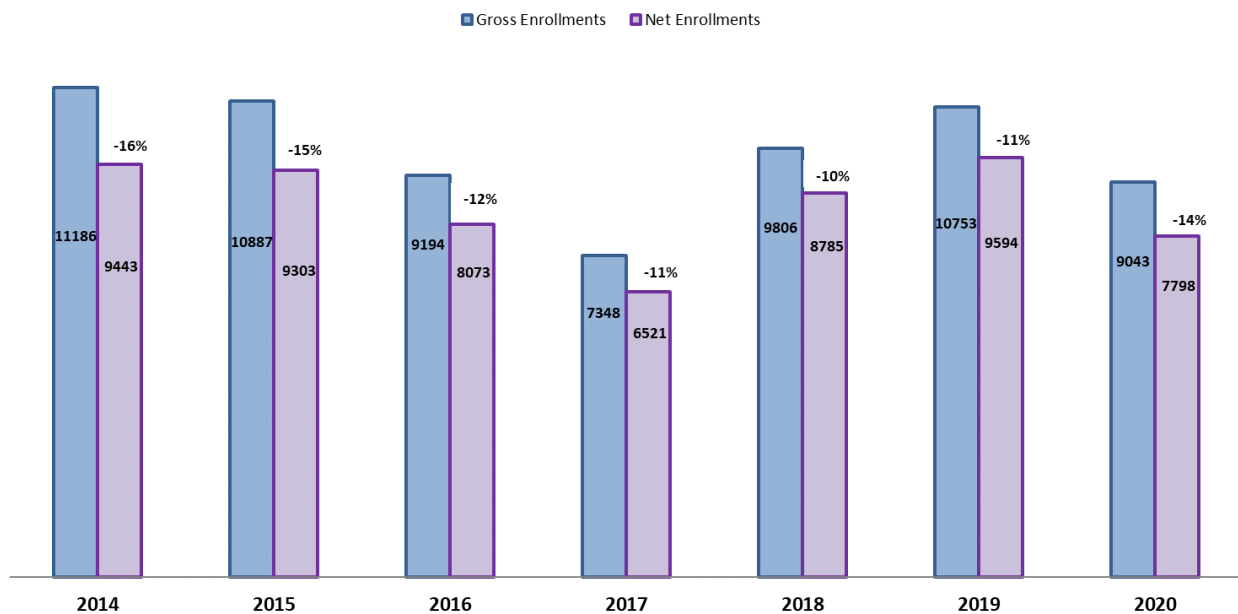


3.2 NET ENROLMENTS

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 78 hundred net enrolments in 2020. Figure 3-2 compares the gross enrolments to net enrolments over the past seven years, from 2014 to 2020.

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 (2014 – 2020)

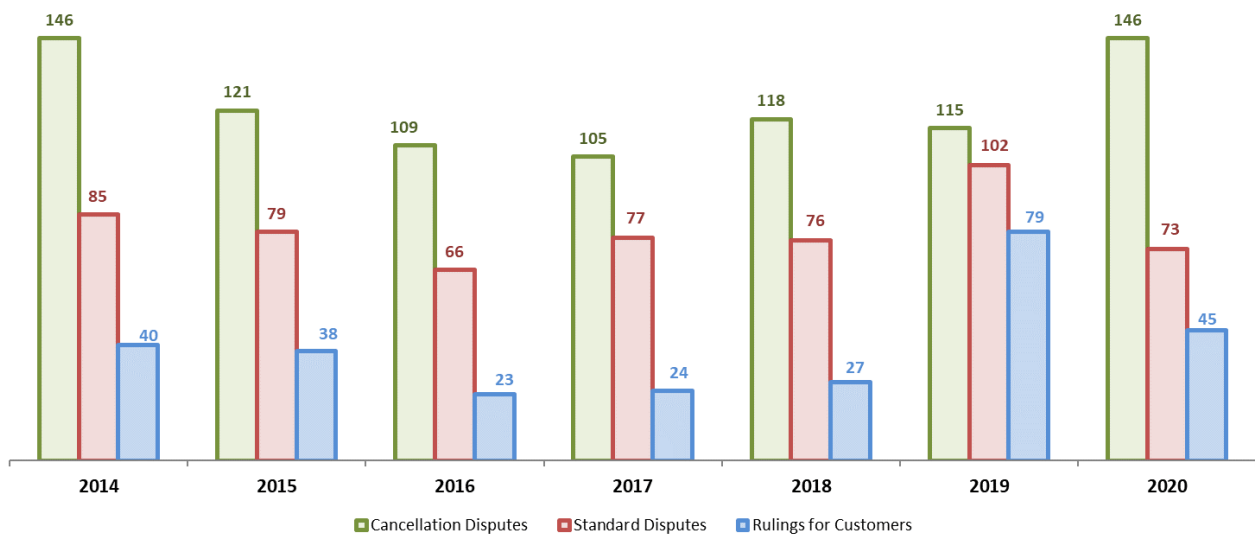


The ratio of net enrolments to gross enrolments was 86 percent in 2020, down three percent from 2019. The trend continues to show that less than twenty percent of contracts are cancelled before their start date. This improvement can be linked to the 2011 introduction of consolidated business rules for 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 for the past seven years, as displayed in Figure 4-1. In 2020, there were 219 total disputes filed compared to 217 disputes logged in 2019. The difference is a one percent increase in dispute filings for 2020. When the disputes raised are calculated as a percentage of sales, total disputes filed have remained steady at two percent of gross enrolments for the past seven years.

Figure 4-1: Comparison of Yearly Dispute Activity from 2014 to 2020

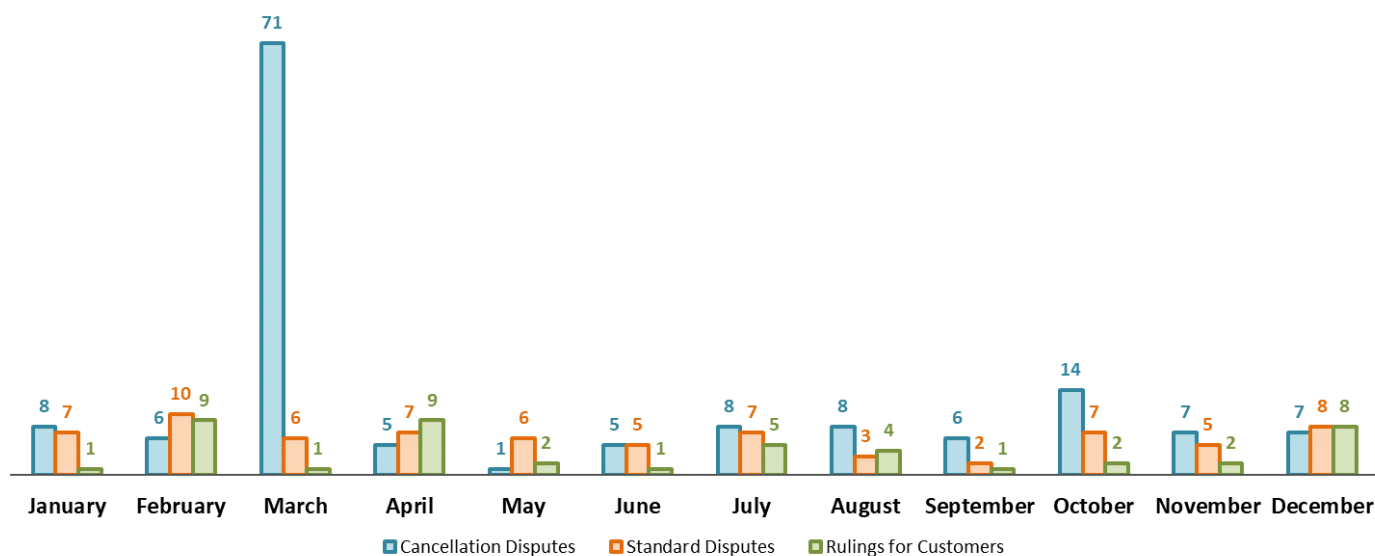


Cancellation disputes are disputes raised by gas marketers who have agreed to release a customer from their contract outside of their contract anniversary date. Cancelling a gas marketer contract outside of the anniversary date contravenes the Essential Services Model. FEI continues to emphasize that cancellation disputes should be restricted to compassionate reasons only, as determined by the British Columbia Utilities Commission (BCUC or the Commission). Cancellation disputes increased by 27 percent in 2020 from 115 cancellation disputes submitted in 2019 to 146 cancellation disputes submitted in 2020. The increase in cancellation disputes for 2020 can be attributed to Planet Energy submitting cancellation disputes to let some of their customers terminate their contracts early to meet their program exit date of August 1, 2020.

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 28 percent from 102 raised in 2019 to 73 in 2020. The increase in cancellation disputes raised by the gas marketer over standard disputes raised by the customer demonstrates cooperation between the two parties to settle contract issues without the need for BCUC to adjudicate the dispute.

BCUC rulings favouring the customer decreased in 2020 to 62 percent of standard disputes raised from 77 percent in 2019. There were some changes in how the rulings for customers were processed since 2019, which has contributed to the increase in rulings for the customer. For example, when the customer and the gas marketer came to a mutual agreement without BCUC adjudication, the standard dispute was ruled in favour of the customer even if the customer remained on the contract to the anniversary or end date. Another scenario is when the future contract was dropped with an operational correction drop after the dispute was created. In both those instances, previously, the contract would have been ruled for the gas marketer as they were resolved without adjudication. Figure 4-2 illustrates the monthly dispute statistics for 2020. The large number of cancellation drops in March can be mostly attributed to Planet Energy preparing to exit the Program.

Figure 4-2: 2020 Monthly Dispute Statistics



5. CUSTOMER EDUCATION PLAN

In 2020, consistent with the years 2017 through 2019, the primary objectives for customer education focused on:

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

The 2020 customer education budget was again set at \$40 thousand, with \$30 thousand allocated to a digital media campaign and \$10 thousand allocated for printing the Customer Choice Standard Information Booklet. 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 mid-June through to the end of November 2020 in all regions where the Customer Choice Program is available. Twitter posts ran for eight months in 2020. The digital media campaign effectively drove traffic to the FEI website, with 20,615 unique page-views² on the Customer Choice landing page in 2020. Sixty-four percent of those page-views came from Google AdWords, twenty-five percent were from organic Google searches, and the remaining eleven percent were from unknown sources.

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 "cost of gas", "natural gas price" or "home gas" 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

Buying gas for home? | You have options. | FortisBC or marketers.

www.fortisbc.com

Customers Choice lets you choose. Variable rates or a fixed rate and contract.

[Compare gas rates](#)

Use gas at home? | You have choices. | It's called Customer Choice.

www.fortisbc.com

Buy your gas from FortisBC. Or buy from independent gas marketers.

[Compare gas rates](#)

Use gas at home? | Gas contract almost up? | You have options.

www.fortisbc.com

Buy from FortisBC at variable rates. Or buy from gas marketers at fixed rates.

[Compare gas rates](#)

During the campaign period from June to November 2020, just under 206 thousand Google ads featuring Customer Choice were delivered, with a click-through rate of 4.58 percent. With over ninety-four hundred clicks, the cost per click was \$2.70. There were over four thousand visits to the Customer Choice webpages where visitors viewed more than one page, with an average of 2.86 pages per visit and an average of 4:10 minutes spent on the site. There was a decrease in the impressions delivered in 2020, compared to 2019, as a more specific keyword list was used in 2020 to ensure no overlap with other Google AdWords FEI had in market. This contributed to fewer impressions but higher quality traffic as seen through 2020's stronger average session duration and greater number of pages visited.

FEI is satisfied that the Google AdWords campaign has been effective in ensuring customers have ready access to Customer Choice information when they are researching it. This success is evidenced by the continued low number of contract disputes.

The digital communication statistics for 2019 and 2020 are described in Table 5-1 below.

Table 5-1: Digital Communication Statistics

Google AdWords Campaign		Front End				Back End				
						All Visits		Non-Bounce		
Year	Months	Impressions Delivered	Clicks	CTR	CPC	Pages/ Visit	Bounce Rate	Visits	Pages/ Visit	Avg. Visit Duration
2019	May-Nov	428,045	17,841	4.17%	\$1.68	1.6	66.30%	7,955	2.53	0:02:41
2020	June-Nov	205,741	9,428	4.58%	\$2.70	1.74	60.17%	4,281	2.86	0:04:10

Definitions:

- *Impressions: The number of times an ad has been served.*

- *Clicks: Count of clicks on an ad.*
- *CTR (Click-through rate): Number of clicks divided by number of impressions.*
- *CPC: Cost per click - Amount of advertising spend (net of service fees) divided by number of clicks.*
- *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 four to six times per month for eight months of 2020, reaching 12.8 thousand FEI Twitter followers. Twitter posts ran for the majority of the year, except for April, May, October and November 2020. Non-COVID related messaging was paused across all FEI social media in April and May 2020. Alternate FEI messaging had priority in October and November. The Twitter posts provided information about the Customer Choice Program related to rate comparison, door-to-door sales, and telephone sales. Each post provided a link directing customers to the Customer Choice webpages at [fortisbc.com/choice](https://www.fortisbc.com/choice) for more information. Figure 5-2 below shows the Twitter posts run in 2020.

Figure 5-2: Customer Choice Twitter Posts

- #DYK you have a choice on where you buy #NaturalGas from? #CustomerChoice lets you buy from FortisBC or a gas marketer. Understand your options and compare rates.
- Use #NaturalGas at home? You can choose a fixed or variable rate when buying gas. Understand your options & compare rates. #CustomerChoice
- You can buy your #NaturalGas at a fixed or variable rate. Understand your options & compare rates. #CustomerChoice
- What's your preference for buying #NaturalGas? A fixed rate and contract or variable rate and no contract? Learn more with #CustomerChoice.
- Is your #NaturalGas contract almost up? With #CustomerChoice you have options between fixed and variable rates. Compare the difference.
- FortisBC doesn't sell #NaturalGas contracts door-to-door but independent marketers can. Here's what you need to know: #CustomerChoice
- Independent gas marketer knocking at your door? Here are a few helpful tips on what to know about your #NaturalGas: #CustomerChoice
- Telephone marketing sales are on the rise now and you may be called by a #NaturalGas marketer because of something called #CustomerChoice. Learn more.

In all posts, #CustomerChoice links to: <https://www.fortisbc.com/services/natural-gas-services/customer-choice-buying-from-natural-gas-marketers>

6. SYSTEM ENHANCEMENTS

System activities for 2020 consisted mainly of support and performance monitoring of all servers and applications associated with the Gateway for Energy Marketers (GEM). FortisBC also continued its corporate initiatives to upgrade aging hardware, software, and system infrastructure.

As FEI upgrades system infrastructure, GEM functionality and reports require continuous monitoring and testing to ensure everything continues to work as designed. Some of the system enhancements and sustainment items applied in 2020 included:

1. Net Scalar Migration for MarketerDisputes.fortisbc.com and Marketers.fortisbc.com
2. 5 Year Contract Rule - revisited twelve scenarios required to perform system checks upon enrolment
3. Windows 10 1909 build Application Testing
 - a. MarketerDisputes PDF not opening
4. Working with CompuGEN on Marketers' BCGASDOM to CORP Account Move.
5. DMZ Switch Project: Replace the old DMZ switches with the new DMZ switches
 - a. Tested all the apps on SOVMWEBP01 - MarketerDisputes.fortisbc.com & Marketers.fortisbc.com
6. Request or Change Access to an Active Directory Group - Completed, 10620 password change, and changing all the Test Marketers Accounts with a generic password.
7. Updated Marketer Activity Report – BCUC to fix 0 YTD numbers for December
8. Fixed incorrect effective end date issue on Enrolment History Report
9. Fixed MSRDrilldown2 report
10. Updated Marketer Settlement - Final report to show two decimal places in Unit Value column
11. Updated/uploaded SSRS report source code for NSS SSRS reports
12. Checked that NSS SSRS reports runs fine on Windows 10 1909 Test VM and on the new Edge browser

There were two improvement projects completed in 2020 to provide program analysts access to data they previously did not have access to, allowing for increased data transparency in reporting. Improvements in reporting capabilities and better access to data allows the Customer Choice program analysts to provide better customer service to gas marketers, internal FEI departments, and the BCUC.

Upgrade to Billed Consumption Data Warehouse Project

The gas marketers are provided supply requirements (MSR) for each point of delivery (POD) enrolled in the Customer Choice Program. Up to 24 months of historical consumption is

1 provided to gas marketers upon enrolment and monthly consumption is provided
2 thereafter. The MSR premise volumes are based on billed consumption history (excluding
3 reversals). Prior to the project, the Customer Choice analysts had no access to the historic
4 consumption used to create the annual marketers' supply requirement and they were not able to
5 view the consumption volumes that were used to generate the individual premise
6 supply. Quantifying the supply requirements was nearly impossible.

7 The project has provided better historical consumption values (including billing reversals) for the
8 supply requirement calculation by accessing the billed consumption data warehouse instead of
9 accessing an older database that provided only a snapshot in time of twelve months of historical
10 consumption data that was not accessible by the analysts. The Customer Choice analysts can
11 now reasonably quantify the supply values when receiving inquiries about individual customer's
12 current MSR values from gas marketers.

13 **Customers Sales Migration Factors Improvements Project**

14 Sales migration factors are analyzed and updated by the Customer Choice analysts quarterly
15 and used in forecasting customer migration to Customer Choice contracts. Historical enrolment
16 data is analysed and sales factors are determined for the next 24 months. This information is
17 used by the Energy Supply department to plan their gas purchases for the next gas year and is
18 referenced in the FEI Annual Contracting Plan. Previously, the Customer Choice analysts had to
19 rely on the Forecasting department analysts to enter the migration factors into the database so
20 they could run the migration reports for the Energy Supply department. This project updated a
21 Customer Choice application already used in the MSR calculation to include the sales factors
22 for reporting customer migration. This project provided a front-end interface so the Customer
23 Choice analysts can update the data in the database without dependence on the Forecasting
24 department or external developers, saving time, consulting costs and creating process
25 efficiencies. The subject matter experts responsible for the reporting are now able to control the
26 process end-to-end, increasing data reporting accuracy. Figure 6-1 below displays the screen
27 view of the application upgrade to enter sales factor data.

Figure 6-1: Customer Choice Application for Entering Sales Factors

MSR

Use Rates

Factors ▾

Contract Year Supply ▾

Marketer Sales Factors Details

January 2021

Region Code	Rate Code	Factor
LML	RATE1	<input type="text" value="0.02"/>
LML	RATE2	<input type="text" value="0.01"/>
LML	RATE3	<input type="text" value="0.01"/>
INL	RATE1	<input type="text" value="0.02"/>
INL	RATE2	<input type="text" value="0.01"/>
INL	RATE3	<input type="text" value="0.01"/>
COL	RATE1	<input type="text" value="0.02"/>
COL	RATE2	<input type="text" value="0.01"/>
COL	RATE3	<input type="text" value="0.01"/>
VI	RATE1	<input type="text" value="0.02"/>
VI	RATE2	<input type="text" value="0.01"/>
VI	RATE3	<input type="text" value="0.01"/>

FEI Customer Choice administration continued to meet monthly with the Company's technical support team to log, assess, address issues, and coordinate system changes. All business-critical applications within FEI are tested in keeping with standard software development lifecycle 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 practices. FEI maintains four separate environments for the development lifecycle, 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 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 2020 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 the outsourced billing provider charged 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 describe 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 since 2017, 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 2017-2020⁹

Cost Description	2017	2018	2019	2020
Technology Sustainment	\$ 91,577	\$ 87,598	\$ 96,882	\$ 149,613
Infrastructure Sustainment	\$ 93,541	\$ 96,259	\$ 93,747	\$ 97,451
Contact Centre	\$ 16,000	\$ 15,994	\$ 10,004	\$ 10,015
Program Administration	\$ 203,800	\$ 209,084	\$ 218,669	\$ 226,484
BCUC	\$ 116,679	\$ 99,599	\$ 105,847	\$ 107,502
Customer Education	\$ 29,700	\$ 30,000	\$ 38,560	\$ 28,400
Total Program Costs	\$ 551,297	\$ 538,534	\$ 563,709	\$ 619,465
Actual Utility share	\$ 327,661	\$ 324,410	\$ 334,741	\$ 361,235
Actual Gas Marketer share	\$ 223,636	\$ 214,124	\$ 228,968	\$ 258,230
Gas Marketer Recoveries	\$ 257,464	\$ 206,388	\$ 196,118	\$ 220,672
(Over)/Under-recovery	\$ (33,828)	\$ 7,736	\$ 32,850	\$ 37,558

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 TechKnowledge Consulting Inc. In 2020, technology sustainment costs increased 54 percent to approximately \$150 thousand from approximately \$97 thousand. The increase is primarily attributed to the two reporting development projects discussed in Section 6, namely the Upgrade to Billed Consumption Data Warehouse and the Customer Sales Migration Factors Improvement. The first project was to provide program analysts with access to the historic consumption data used in creating the annual Marketer Supply Requirement. The second project was to create a front-end interface to allow program analysts to enter the sales factors used to determine Customer Choice customer migration numbers required by the Energy Supply department. For further details on the projects, please refer to Section 6.

7.4 INFRASTRUCTURE SUSTAINMENT

Infrastructure sustainment support includes the administration costs of FEI's Contact Centre and Customer Service Systems staff. Support costs for infrastructure sustainment increased 3 percent in 2020 to \$107 thousand from \$104 thousand in 2019.

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. These amounts are not influenced by FEI directly but rather determined by actuarial analysis.

Program administration costs increased to \$226 thousand in 2020 from \$219 thousand in 2019 due to salary inflation plus a 4 percent fringe benefit loading increase.

7.6 BRITISH COLUMBIA UTILITIES COMMISSION COSTS

In 2020, there was a two percent increase in BCUC expenditures from \$106 thousand in 2019 to \$108 thousand. 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 2020 expenditures, which is referenced below in Table 7-4 and detailed in Appendix A: BCUC Customer Choice Program Expenditures 2020. The annual total provided by BCUC Staff does not exactly match the invoiced amount FEI reports on primarily due to the differences in the fiscal year and how 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	\$63,698
Regulatory Proceedings	\$5,308
Annual Dispute Resolution	
Handling, Administration, Investigation	\$26,541
Adjudication	\$11,127
Subtotal	\$37,668
TOTAL	\$106,673

7.7 CUSTOMER EDUCATION COSTS

A total of \$28,400 was spent from the \$40 thousand budget for customer education in 2020. There was \$30 thousand¹⁰ allocated to the digital media campaign and \$0 spent in 2020 to print the Customer Choice Standard Information Booklet.

It was agreed to in the Cost Recovery Application decision in 2016 to reduce the budget to \$40 thousand annually.

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.¹¹

FEI believes that the digital communications strategy is generally working as anticipated. In a future filing, FortisBC may request permission to increase education funding to improve Customer Choice program awareness.

7.8 TOTAL PROGRAM COSTS

In 2020, total program costs increased ten percent to approximately \$619 thousand from \$564 thousand in 2019. The Customer Choice program expenses have been evaluated to operate efficiently. Some years will see higher expenditures due to development costs in the Technology Sustainment category to support upgrades to GEM or reporting capabilities.

¹⁰ Less \$1600 accrual from Captus Advertising that was posted in 2019 then reversed in 2020.

¹¹ 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, three service fees are charged on a per-use basis. Table 7-5 below illustrates the updated service fees that will be charged to gas marketers in 2021. These fees became effective on April 1, 2017, as approved in Order A-1-17.¹² 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, 2021, to \$0.97 per confirmation letter due to the postage fee increase that went into effect January 11, 2021. The current cost from the external print vendor is \$0.12 for printing and \$0.85 for postage.

Table 7-5: 2021 Customer Choice Service Fees

Service Fees	Cost	Description
Marketer Price Group Set-up	\$125	One-time cost to set up a new marketer price group
Confirmation Letter	\$0.97	Cost for each confirmation letter produced
Dispute	\$50	Cost for customer-raised disputes where BCUC has ruled against the marketer

Gas marketer fees were under recovered for 2020 by \$37.6 thousand. The fees collected versus the fees required will never match exactly due to the variables of changes in customer enrolments monthly, unexpected expenses, and the collection of service fees.

¹² 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 2020 actual costs for the Customer Choice Program. Adjusting for the results, FEI submits the 2021 gas marketer fees and structure in Tables 8-1 through 8-7 below. The new Program fees take effect on April 1, 2021. The 2021 annual Program cost allocation table lists each expense category and the 2020 annual expenses, the percentage of cost-sharing the gas marketers and utility are required to cover, and the respective dollar amounts. The 2021 total gas marketer allocation is set to be approximately \$258 thousand and the utility share amount set at approximately \$361 thousand. The applicable variable fee amounts are then calculated based on the total expected recoverable amount of \$258 thousand plus or minus any over/under-recovery from the previous year and the balance in the deferral account.

Table 8-1: 2021 Annual Program Cost Allocation

Program Expenses	2020 Annual Expenses	Percentage Allocation		Dollar Allocation	
		Gas Marketer	Utility Share (FEI)	Gas Marketer	Utility Share (FEI)
Infrastructure Support Expenses					
Technology Sustainment	\$149,613	50%	50%	\$74,807	\$74,807
Infrastructure Sustainment	\$97,451	0%	100%	-	\$97,451
Program Administration Expenses					
Contact Centre	\$10,015	0%	100%	-	\$10,015
Program Administration	\$226,484	50%	50%	\$113,242	\$113,242
BCUC	\$107,502	60%	40%	\$64,501	\$43,001
Customer Education	\$28,400	20%	80%	\$5,680	\$22,720
Total Expenses	\$619,465			\$258,230	\$361,235

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: 2021 Expense Category Proportions

	Expense	Proportion
Infrastructure Support (includes Technology Sustainment)	\$74,807	28.97%
Program Administration (includes Program Administration, BCUC & Customer Education)	\$183,423	71.03%
Total Expenses	\$258,230	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-9-16.¹³ After performing the year-end reconciliation for 2020, FEI reports an after-tax balance in the deferral account of \$29,478. The 2020 activity in the deferral account is shown in Table 8-3 below.

Table 8-3: 2020 Marketer Cost Variance Deferral Activity

Description	Reference	Sub-Totals	Totals
January 1, 2020 Opening Deferral Balance			\$1,134
2020 Gas Marketer Expenses	Table 7-3	\$258,230	
2020 Gas Marketer Recoveries	Table 7-3	(\$220,672)	
Net Gas Marketer 2020 (Over)/Under Recovery		\$37,558	\$37,558
2020 Financing Costs	BCUC Order A-9-16		\$926
Taxes on (Over)/Under Recovery			(\$10,140)
December 31, 2020 Ending Deferral Balance			\$29,478
Taxes on deferral account			\$10,903
Pre-tax deferral account balance: (Over)/Under recovery to marketer			\$40,381

FEI will recover this under-recovery from marketers in 2021 by applying the pre-tax deferral account balance of \$40,381 (\$29,478 / (1 – 27% tax rate)) to increase the total amount recoverable from marketers for 2021 as part of the calculation to set the 2021 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 18 percent of the total \$298,611 to be recovered from gas marketers. The remaining 82 percent will be recovered from the variable fees.

Table 8-4: 2021 Fixed and Variable Fee Recovery Proportions

		Proportion of Total Fees
Total Expenses	\$258,230	
Plus: (Over)/Under recovery	\$40,381	
Total Recoverable from Gas Marketers	\$298,611	
Less: Fixed Fee amount	\$54,000	18.08%
Variable Fee amount	\$244,611	81.92%

¹³ Order A-9-16_FEI Customer Choice Program Cost Recovery Decision, Section 3.5, Year-end reconciliation, pg. 30

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 28.97 percent of the 2020 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 71.03 percent of the 2020 actual expenses.

The monthly variable fees are determined by the actual annual expenses, plus the under-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 December 1, 2020, divided by twelve months.

For the Infrastructure Support Fee calculation, the \$244,611 total variable fee amount is multiplied by 28.97 percent, the proportion of this expense category to total expenses, divided by 28,043, the number of active customers on the MSR History report on December 1, 2020, divided by twelve months for a monthly variable fee of \$0.21 per active customer.

For the Program Administration Fee calculation, the \$244,611 total variable fee amount is multiplied by 71.03 percent, the proportion of this expense category to total expenses, divided by 28,043, the number of active customers on the MSR History report on December 1, 2020, divided by twelve months for a monthly variable fee of \$0.52 per active customer.

Table 8-5 below illustrates the calculation of the 2021 variable fees.

Table 8-5: 2021 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 2020 MSR report	Divided by 12 months	Variable Fee (per active customer per month)
Infrastructure Support	\$244,611	x	28.97%	=	\$70,862	/	28,043	/ 12 months =	\$0.21
Program Administration	\$244,611	x	71.03%	=	\$173,749	/	28,043	/ 12 months =	\$0.52
Total:					\$244,611				\$0.73

The Infrastructure Support Fee for 2021 will increase from \$0.10 to \$0.21 per active customer per month. The Program Administration Fee will increase from \$0.39 to \$0.52 per active customer per month.

9. SUMMARY

In 2020, Customer Choice saw a decrease in overall program participation of one percent. There were seven licensed gas marketers in 2020, with five active marketers selling commodity contracts. There was a decrease in gross enrolments of sixteen percent with over nine thousand enrolments in 2020 compared to almost eleven thousand enrolments in 2019. The COVID-19 pandemic restrictions limiting in-person contact likely contributed to the decrease in sales. In the fall of 2020, gas marketers could resume some door-to-door sales with safety precautions in place. They also developed or refined other marketing channels such as telephone sales. Customer retention rates for the Customer Choice Program remain static year-over-year, showing that only about one out of ten customers cancel their contract before their contract start date.

The majority of customers sign five-year contracts, which accounted for 86 percent of total enrolments. The contract prices for the five-year terms ranged from \$2.00/GJ to \$7.00/GJ. In 2020, 62 percent of the enrolments were in the \$6.00/GJ to \$7.00/GJ price range while 9 percent were under \$4.00/GJ. Approximately 1.04 million customers were eligible for the Customer Choice Program as of December 1, 2020. 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. The Customer Choice participation rates remain relatively unchanged from 2019.

There were 219 total disputes raised in 2020 up one percent over the 217 disputes filed in 2019. Standard disputes raised by customers decreased 28 percent from 102 raised in 2019 to 73 raised in 2020. Disputes ruled in favour of customers were 62 percent of standard disputes raised for 2020, down from 77 percent in 2019. Cancellation disputes raised increased by 27 percent in 2020 primarily due to Planet Energy submitting early contract cancellations for their customers as they prepared to leave the Program. Total disputes raised continued to be two 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 objective of the customer education plan for 2020 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.

The focus for GEM and the system infrastructure for 2020 included support activities and performance monitoring of servers and applications. As discussed in more detail in Section 6, there were two improvement projects completed in 2020 to provide Customer Choice program analysts access to data they previously did not have access to.

1 The total annual expenditures for the Customer Choice Program were \$619 thousand in 2020,
2 which was an increase of ten percent over \$564 thousand in 2019. The deferral account
3 records any over/under-recovery of fees. The amount in the deferral account at the end of 2020
4 was over \$29 thousand. The under-recovery of \$38 thousand was factored into the calculation
5 of the variable program fees for 2021, thereby increasing the amount required for recovery from
6 gas marketers to approximately \$299 thousand. FEI has calculated the 2021 variable
7 transaction fees using the 2020 actual Customer Choice Program costs and has determined
8 that the two fees in 2021 will be increasing. The Infrastructure Support Fee will increase from
9 \$0.10 to \$0.21 per active customer per month and the Program Administration Fee will increase
10 from \$0.39 to \$0.52 per active customer per month.

11 As previously approved by the BCUC, the annual fee adjustments submitted will take effect
12 automatically on April 1. Any review, if warranted, will be handled through the Annual General
13 Meeting or process as may be determined by the BCUC. Any resulting variance between the
14 actual adjustment of fees and the reviewed adjustment of fees by the BCUC will be recorded in
15 the non-rate base Marketer Cost Variance deferral account and incorporated in the subsequent
16 year's fee adjustment.¹⁴

¹⁴ Order A-9-16 dated October 18, 2016, page 32.

Appendix A

BCUC CUSTOMER CHOICE PROGRAM EXPENDITURES 2020



bcuc
British Columbia
Utilities Commission

Marija Tresoglavic
Acting Commission Secretary

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February 9, 2021

Sent via email

Ms. Diane Roy
Vice President, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
gas.regulatory.affairs@fortisbc.com

Re: FortisBC Energy Inc. Customer Choice Program – British Columbia Utilities Commission Customer Choice Program Expenditures for 2020

Dear Ms. Roy:

Enclosed, please find a breakdown of the British Columbia Utilities Commission (BCUC) expenditures charged to the Customer Choice program for the calendar year 2020. 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,

Marija Tresoglavic
Acting Commission Secretary

DD/dg
Enclosure

British Columbia Utilities Commission Customer Choice
Program Expenditures for 2020

Table 1: 2020 Customer Choice program expenditures

Function	Cost (\$)
Annual Program Administration	63,698.00
Regulatory Proceedings	5,308.00
Annual Dispute Resolution	
<i>Handling, Administration and Investigation</i>	26,541.00
<i>Adjudication</i>	11,127.00
Subtotal	37,668.00
<u>TOTAL</u>	<u>106,673.00</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.