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February 28, 2022

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)
2021 Customer Choice Program - Annual Program Statistics

FEI attaches the FEI Customer Choice program statistics for the 2021 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.

**2021 Customer Choice Annual Program
Statistics**

February 28, 2022

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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 2021 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 2021.
- **Section 3** provides an overview of gas marketer sales activity and statistics in 2021, a month-to-month comparison of enrolment activity between 2020 and 2021, and a year-to-year comparison of gross and net enrolments from 2015 to 2021.
- **Section 4** summarizes the monthly dispute activity and statistics in 2021 for cancellation and standard disputes, and yearly dispute activity from 2015 to 2021.
- **Section 5** summarizes the customer education plan for 2021, 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 2021.
- **Section 7** reviews the 2021 Program expenditures and recoveries in light of the gas marketer fee structure that took effect April 1, 2017.
- **Section 8** describes the 2022 Program fees and fee structure.
- **Section 9** provides a summary of each section.

2. PROGRAM PARTICIPATION STATISTICS

2.1 GAS MARKETER PARTICIPATION

In 2021, there were six 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 2021, 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	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. Re-entered the market in February 2010. License terminated August 1, 2020
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
12	Tahoe Energy	Withdrew from Program June 2007

Gas Marketer		Status
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 2021, there were one hundred and twenty-one marketer price groups open. There were eight new marketer price groups created in 2021. 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 2021.

Figure 2-1: Fixed-Rate Contract Statistics in 2021

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 - 93 - 1% • 2 Year - 158 - 1% • 3 Year - 860 - 6% • 4 Year - 1174 - 8% • 5 Year - 12,396 - 84% 	<ul style="list-style-type: none"> • 1 Year - \$1.85 to \$7.50 • 2 Year - \$3.74 to \$7.50 • 3 Year - \$2.68 to \$7.50 • 4 Year - \$3.19 to \$7.50 • 5 Year - \$3.00 to \$7.50 	<ul style="list-style-type: none"> • Under \$4 - 1016 - 7% • \$4-\$6 - 2902 - 20% • \$6-\$7.50 - 10,763 - 73% 	<ul style="list-style-type: none"> • 1 Year - \$4.90 • 2 Year - \$6.09 • 3 Year - \$4.83 • 4 Year - \$5.88 • 5 Year - \$6.37

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 \$7.50/GJ. In 2021, the majority of enrolled contracts have prices between \$6.00/GJ and \$7.50/GJ.

The most common contract term signed in 2021 was for a five-year contract, accounting for 84 percent of total enrolments. The price range for a five-year contract term ranged from a low of \$3.00/GJ to a high of \$7.50/GJ, with a weighted average price of \$6.37/GJ.

2.2 CUSTOMER PARTICIPATION

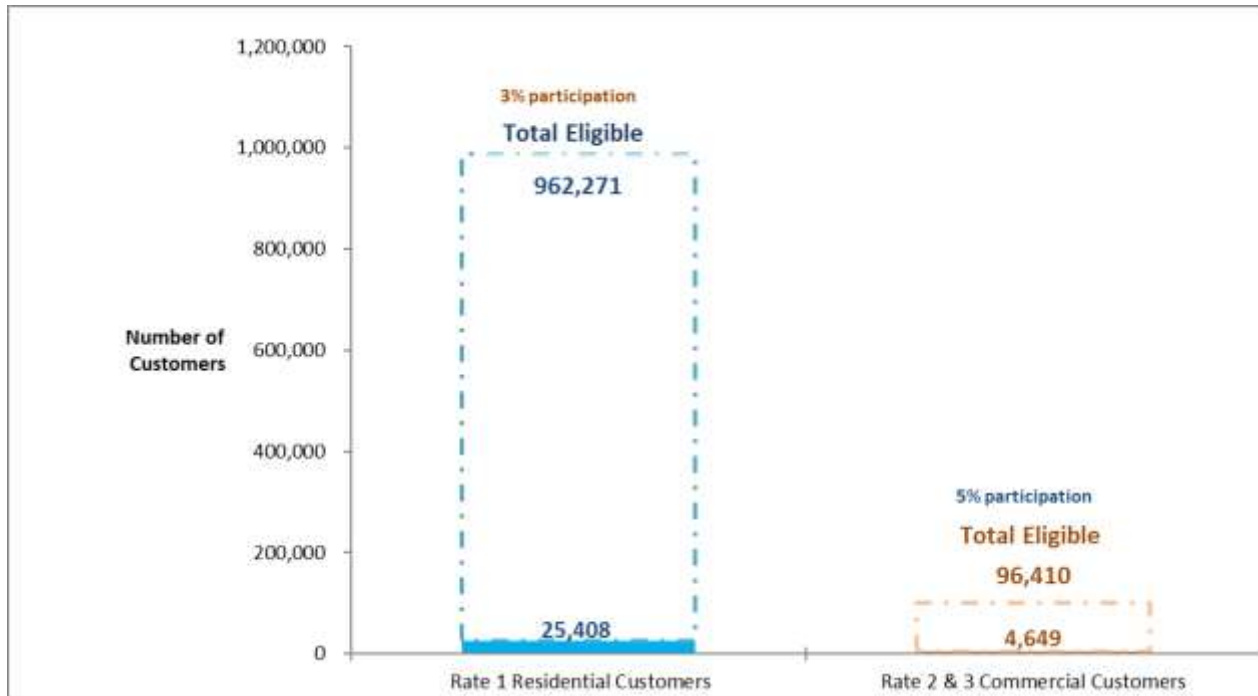
As of December 31, 2021, there were approximately 1.06 million FEI Rate Schedules 1, 2, and 3 customers eligible for the Customer Choice Program. Of those eligible, 962 thousand were residential customers, and 96 thousand were commercial customers.

Of the 962 thousand eligible residential customers, about 25 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 96 thousand eligible commercial customers, approximately 46 hundred or five percent of billed customers were enrolled in Customer Choice. The percentage of eligible customers participating in Customer Choice in 2021 has remained the same for residential and increased by

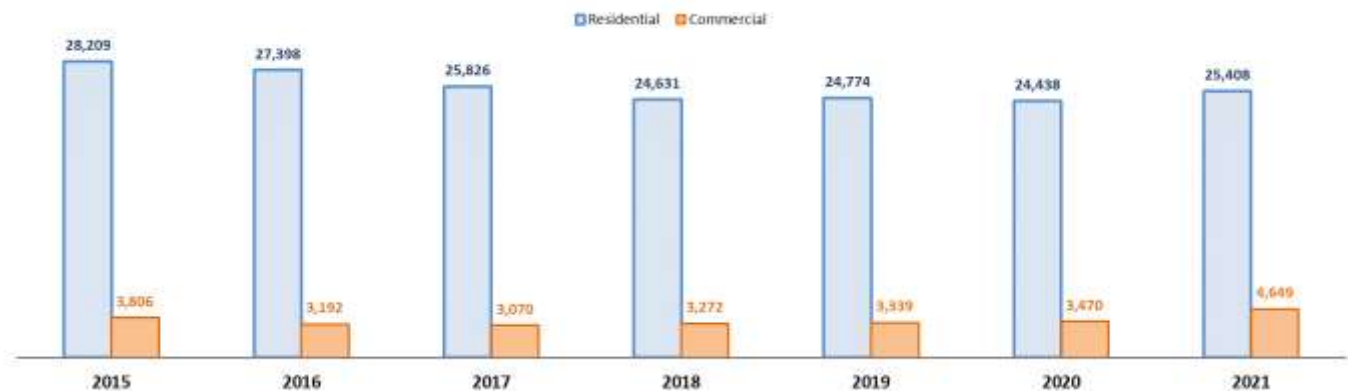
1 1 percent for commercial customers over 2020 participation. Figure 2-2 below illustrates the
2 residential and commercial Customer Choice participation rate for 2021.

Figure 2-2: 2021 Residential and Commercial Customer Participation



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

Figure 2-3: Yearly Comparison of Customer Choice Participation (2008 to 2021)



9 Participation numbers for residential customers increased by four percent in 2021 over 2020,
10 while participation rates for commercial customers increased by thirty four percent over the same
11 period. The Customer Choice Program has not seen these participation levels since 2014. The
12 increase in participation is likely driven by increased activity by gas marketers and also may be
13 attributed to anticipated increases in natural gas prices.

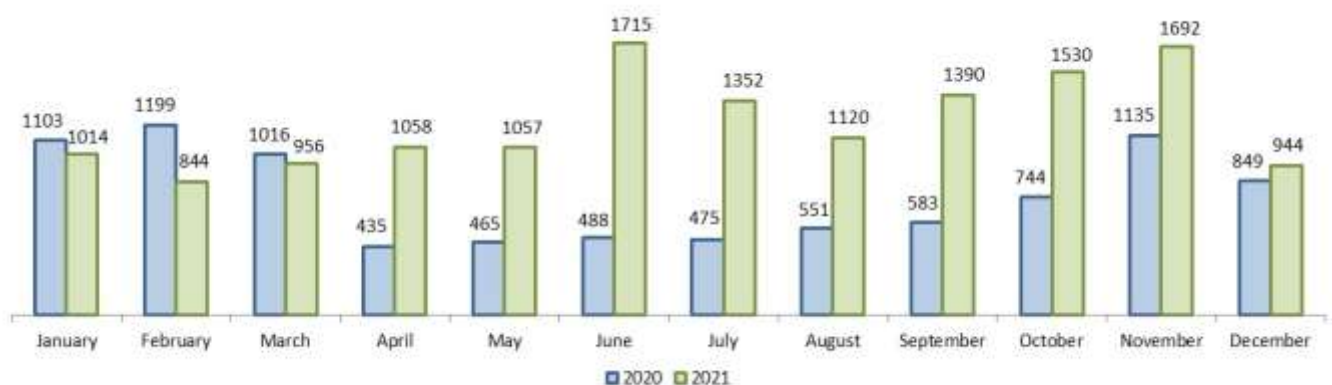
3. ENROLMENT STATISTICS

3.1 GROSS ENROLMENTS

In 2021, new enrolments were submitted at an average rate of 1223 per month. Enrolments are counted in the month submitted, and contracts start flowing within five years of submission date. June was the most active month with 1,715 enrolments. Gas marketers currently use a combination of phone sales and physically distanced in-person sales to run their businesses as the COVID-19 pandemic continued through 2021. In-person sales were prohibited spring 2020 when the pandemic started through to the fall when in-person sales with restrictions were allowed to resume. The result was an increase of 38 percent in gross enrolments with almost fifteen thousand enrolments in 2021, compared to over nine thousand in 2020.

Figure 3-1 below illustrates the comparison of monthly gross enrolments between 2020 and 2021. April 2020 through September 2020 reflects the in-person sales ban put in place during the beginning of the pandemic.

Figure 3-1: Comparison of Monthly Gross Enrolments – 2020 vs. 2021

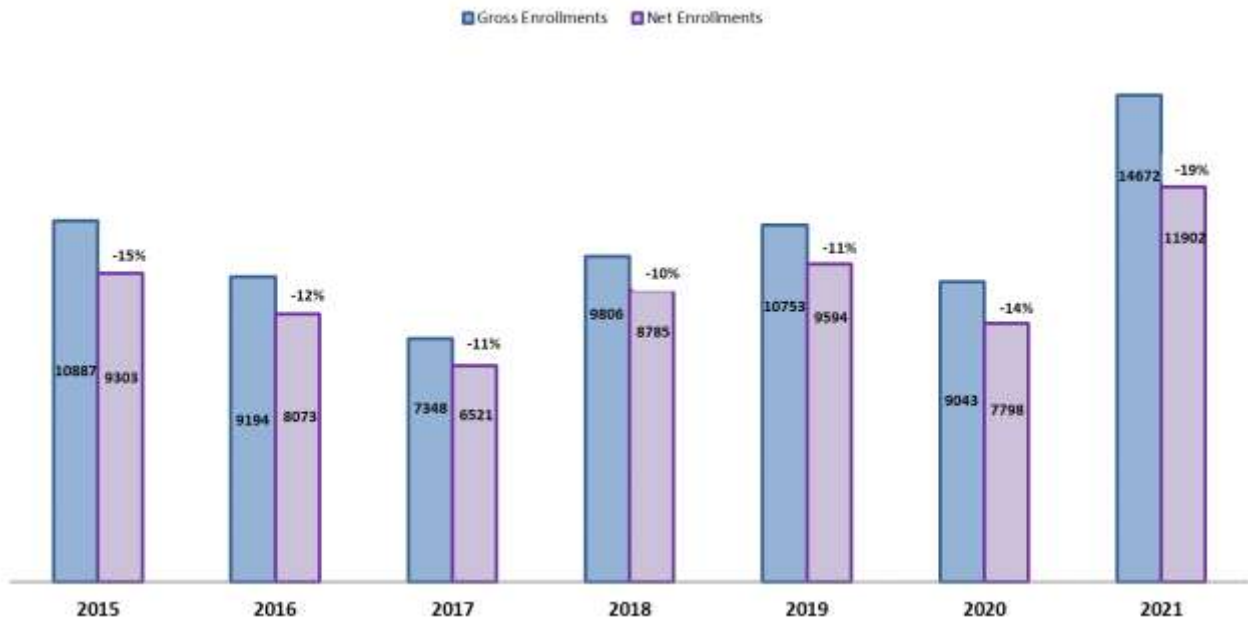


3.2 NET ENROLMENTS

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 eleven thousand net enrolments in 2021. Figure 3-2 compares the gross enrolments to net enrolments over the past seven years, from 2015 to 2021.

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 (2015 – 2021)

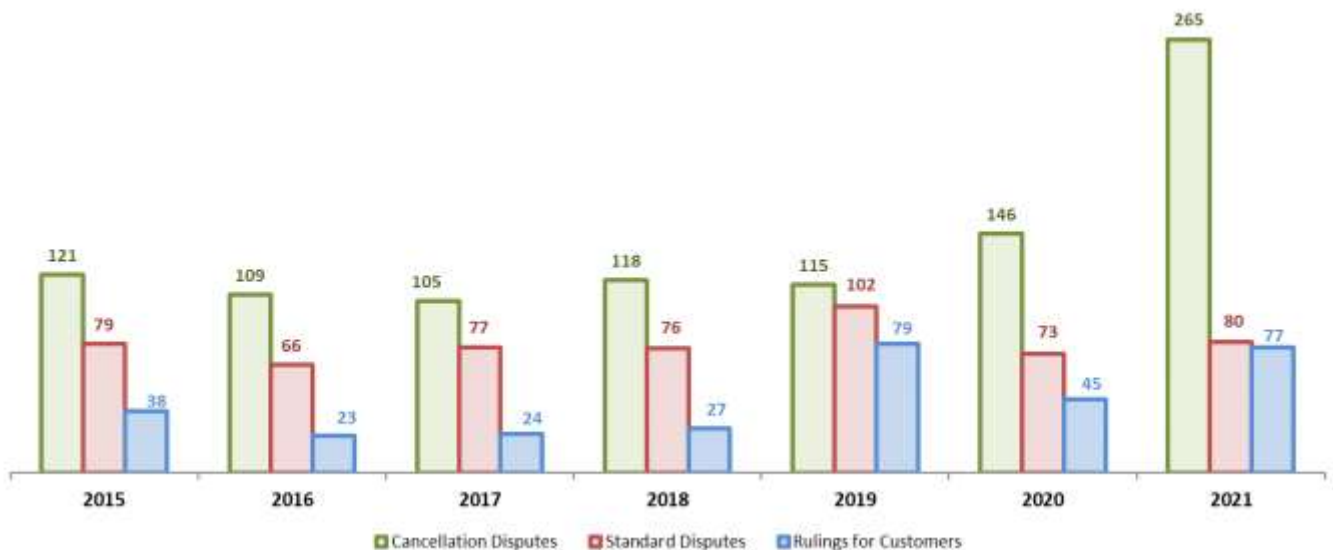


The ratio of net enrolments to gross enrolments was 81 percent in 2021, down five percent from 2020. The trend continues to show that less than twenty percent of contracts are cancelled before their start date. This improvement can be linked to the 2011 introduction of consolidated business rules for 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 2021, there were 345 total disputes filed compared to 219 disputes logged in 2020. There was a 58 percent increase for total disputes filed in 2021. This increase can be attributed to the increased sales activity by gas marketers. 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 2015 to 2021



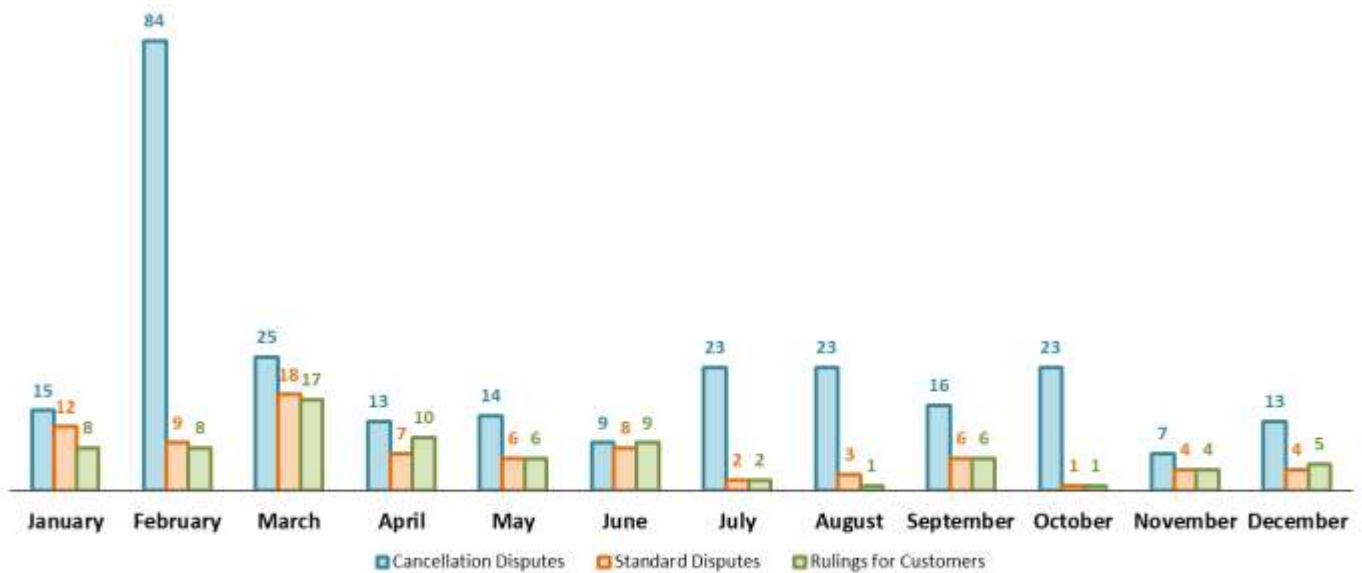
Cancellation disputes are disputes raised by gas marketers who have agreed to release a customer from their contract outside of their contract anniversary date. Cancelling a gas marketer contract outside of the anniversary date contravenes the Essential Services Model. FEI continues to emphasize that 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 82 percent in 2021 from 146 cancellation disputes submitted in 2020 to 265 cancellation disputes submitted in 2021. The increase in cancellation disputes for 2021 is primarily attributable to one large commercial customer with multiple properties that was dropped by the gas marketer outside of their contract anniversary date.

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 increased 10 percent from 73 raised in 2020 to 80 in 2021.

BCUC rulings favouring the customer increased in 2021 to 96 percent of standard disputes raised from 62 percent in 2020. 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 2021.

Figure 4-2: 2021 Monthly Dispute Statistics



5. CUSTOMER EDUCATION PLAN

Since 2017, the primary objectives for customer education are to ensure customers:

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

The 2021 customer education budget was again set at \$40 thousand, with \$33 thousand allocated to a digital media campaign and \$7 thousand allocated for printing the Customer Choice Standard Information Booklet. The \$7 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 early April through to the end of November 2021 in all regions where the Customer Choice Program is available. Twitter posts ran throughout all twelve months in 2021. The digital media campaign effectively drove traffic to the FEI website, with 33,231 unique page-views² on the Customer Choice landing page in 2021. Sixty-one percent of those page-views came from Google AdWords, twenty-six percent were from organic Google searches, five percent were directly accessed through the web link and the remaining eight percent were from unknown sources.

5.1.1 Search Engine Marketing: Google AdWords Service

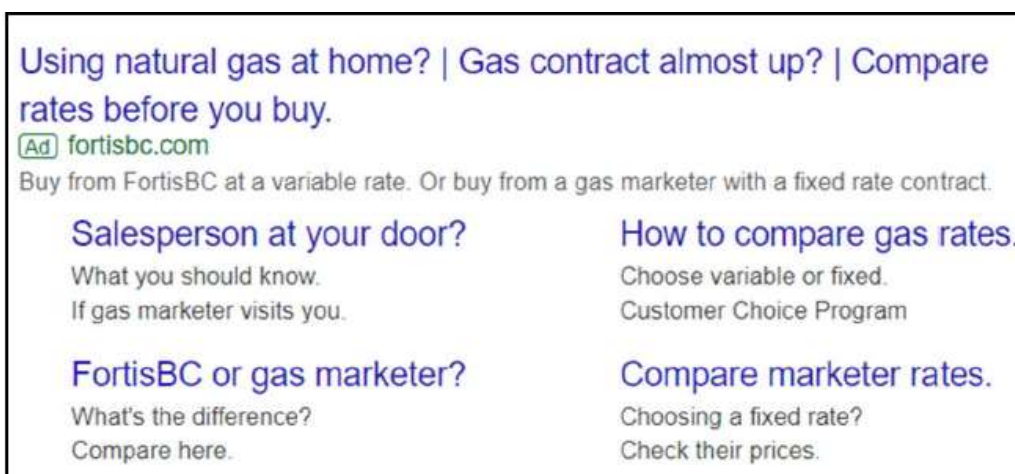
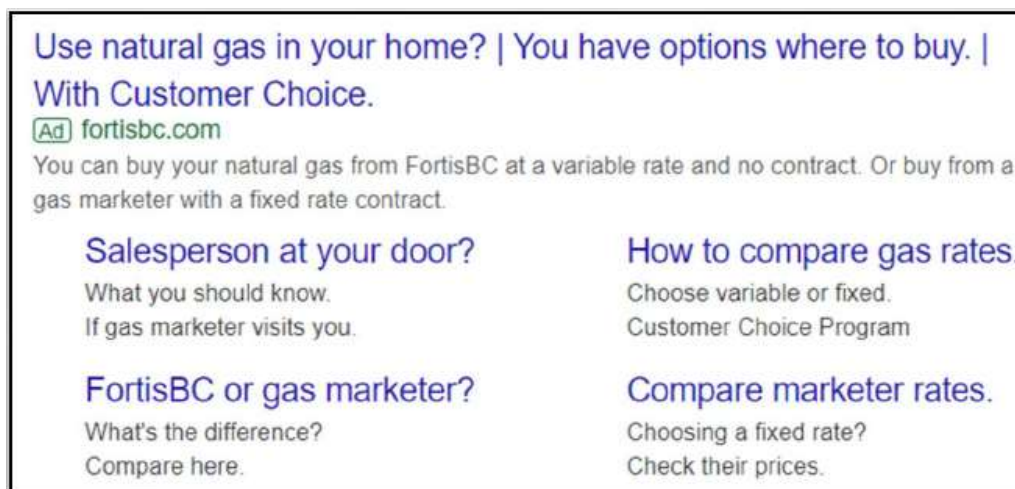
The search engine marketing campaign used Google AdWords to deliver targeted ads to people searching online for Customer Choice information. Keywords relevant to Customer Choice, such as “cost of gas”, “natural gas price” or “home gas” would prompt Google AdWords to return an extension with a direct 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.

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



During the campaign period from April to November 2021, 214 thousand Google ads featuring Customer Choice were delivered, with the click-through rate increasing to 6.43 percent. With almost fourteen thousand clicks, the cost per click was \$2.06. There were over six thousand visits to the Customer Choice webpages where visitors viewed more than one page, with an average of 1.83 pages per visit and an average of 4:05 minutes spent on the site. 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 raised proportional to enrollments.

The digital communication statistics for 2019 through to 2021 are described in Table 5-1.

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
2021	April-Nov	214,295	13,759	6.43%	\$2.06	1.83	61.95%	6,148	3.19	0:04:05

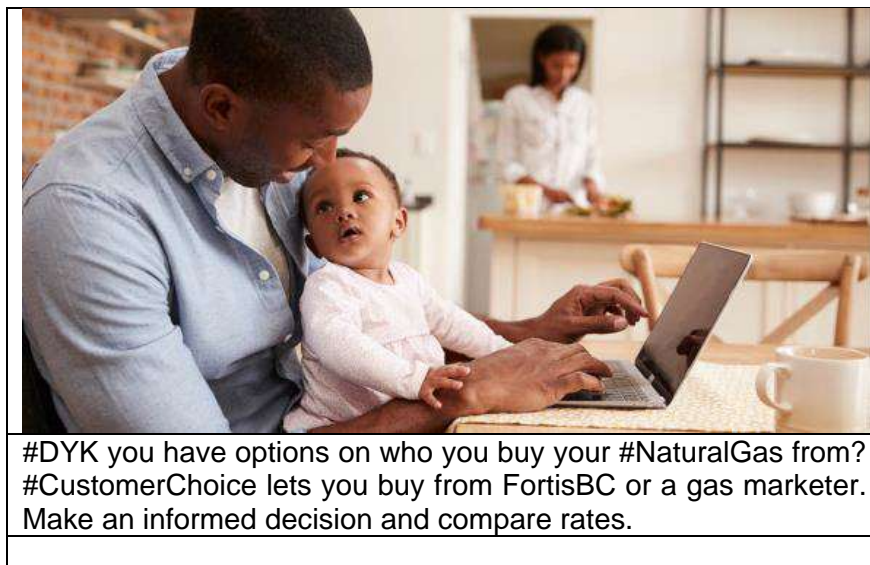
Definitions:

- *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 eight to nine times per month for all of 2021, reaching 13.4 thousand FEI Twitter followers. The Twitter posts provided information about the Customer Choice Program related to rate comparison, door-to-door sales, and contract renewals. Each post provided a link directing customers to the Customer Choice webpages at fortisbc.com/choice for more information. Figure 5-2 below shows the Twitter posts run in 2021.

Figure 5-2: Customer Choice Twitter Posts





Gas marketer at your door? Get the facts before you speak with a door-to-door salesperson selling #NaturalGas contracts from an independent gas marketer. #CustomerChoice



FortisBC doesn't sell #NaturalGas contracts door-to-door but independent marketers can. Here's what you need to know before you speak to a salesperson. #CustomerChoice



Use #NaturalGas at home? You can choose a fixed or variable rate when buying gas. Understand your options & compare rates. #CustomerChoice



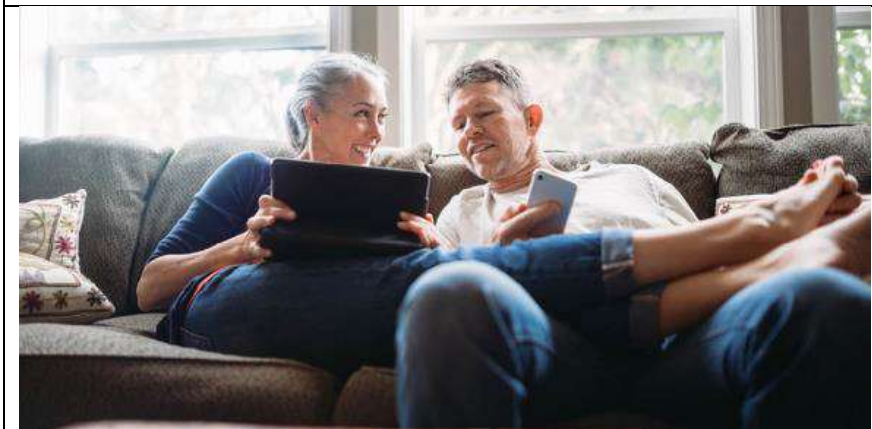
Is your #NaturalGas contract almost up? With #CustomerChoice you choose either a fixed rate contract with a gas marketer or FortisBC's variable rate with no contract. Compare the difference before you decide. #CustomerChoice



Is your #NaturalGas contract almost up? You'll revert back to FortisBC's variable rate unless you renew your contract with a gas marketer. With #CustomerChoice you have options between fixed and variable rates. Compare the difference before you renew.



What's your preference for buying #NaturalGas? Learn more about a fixed rate and contract with a natural gas marketer, or a variable rate and no contract with FortisBC. #CustomerChoice



Use #naturalgas in your home? You have options on who to buy it from with #CustomerChoice. Choose from either a variable rate with no contract from FortisBC, or a fixed-rate contract with an independent gas marketer.

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 2021 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 2021 included:

- Updated distribution list of the Marketer Demand Summary report subscription
- Updated distribution list for Scheduled Anniversary Drop report subscription
- Developed enhanced 5 year contract validation rules
- Marketer SQL database service account changed from BCGASDOM to CORP domain
- Fixed the Effective End Date issue on the Enrollment History report
- Added unbundling numbers beside marketer name in the Marketer parameter drop down of the Marketer Group Price report
- Updated several Customer Choice ODS SSRS reports
 - Enhancements to the Customer Choice reporting portal
 - Archived obsolete reports, enhanced existing reports with more meaningful picklist and report details
 - Additionally, all Customer Choice reports were reconciled to each other
- Improvements to the POD Consumption Analysis reports in PowerBI

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

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

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

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

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 2021 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.

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 2017-2021⁹

Cost Description	2017	2018	2019	2020	2021
Technology Sustainment	\$ 91,577	\$ 87,598	\$ 96,882	\$ 149,613	\$ 52,571
Infrastructure Sustainment	\$ 93,541	\$ 96,259	\$ 93,747	\$ 97,451	\$ 98,040
Contact Centre	\$ 16,000	\$ 15,994	\$ 10,004	\$ 10,015	\$ 10,018
Program Administration	\$ 203,800	\$ 209,084	\$ 218,669	\$ 227,202	\$ 191,975
BCUC	\$ 116,679	\$ 99,599	\$ 105,847	\$ 107,502	\$ 109,769
Customer Education	\$ 29,700	\$ 30,000	\$ 38,560	\$ 28,400	\$ 33,287
Total Program Costs	\$ 551,297	\$ 538,534	\$ 563,709	\$ 620,183	\$ 495,660
Actual Utility share	\$ 327,661	\$ 324,410	\$ 334,741	\$ 361,594	\$ 300,868
Actual Gas Marketer share	\$ 223,636	\$ 214,124	\$ 228,968	\$ 258,589	\$ 194,792
Gas Marketer Recoveries	\$ 257,464	\$ 206,388	\$ 196,118	\$ 220,672	\$ 299,870
(Over)/Under-recovery	\$ (33,828)	\$ 7,736	\$ 32,850	\$ 37,917	\$ (105,078)

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 2021, technology sustainment costs decreased 65 percent to approximately \$53 thousand from approximately \$150 thousand in 2020. The decrease is primarily attributed to the retirement of one consultant from Fujitsu whose duties were redistributed among FEI technical support staff and the remaining Fujitsu consultant as well as the absence of any major project upgrades in 2021.

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 one percent in 2021 to \$98 thousand from \$97 thousand in 2020.

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 decreased sixteen percent to \$192 thousand in 2021 from \$227 thousand in 2020 due to an employee short-term leave of absence as well as an accounting reallocation of .2 FTE salary to the deferral account.

7.6 BRITISH COLUMBIA UTILITIES COMMISSION COSTS

In 2021, there was a two percent increase in BCUC expenditures from \$108 thousand in 2020 to \$110 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 2021 expenditures, which is referenced below in Table 7-4 and detailed in Appendix A: BCUC Customer Choice Program Expenditures 2021. 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 2021 Expenditures

Function	Cost
Annual Program Administration	\$63,558
Regulatory Proceedings	\$5,296
Annual Dispute Resolution	
Handling, Administration, Investigation	\$26,483
Adjudication	\$14,233
Subtotal	\$40,716
TOTAL	\$109,570

7.7 CUSTOMER EDUCATION COSTS

A total of \$33,287 of the \$40 thousand budget was spent on digital media customer education in 2021. The remaining \$7 thousand budgeted was not spent because there was sufficient inventory of the Customer Choice Standard Information Booklet to meet marketer demand.

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.¹⁰

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 2021, total program costs decreased twenty percent to approximately \$496 thousand from \$620 thousand in 2020. 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. In 2021, the combination of decreased total program costs along with increased gas marketer sales activity led to a higher than usual over-recovery of \$105 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, 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 2022. These fees became effective on April 1, 2017, as approved in Order A-1-17.¹¹ It was agreed that the cost to produce confirmation letters would be a direct flow-through cost to gas marketers. The postage fees have increased to \$0.94 per confirmation letter from \$0.85 effective January 1, 2022. The printing cost from the external print vendor has also increased from \$0.12 to \$0.16. As such, the confirmation letter fee will increase on April 1, 2022 to \$1.10.

Table 7-5: 2022 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	\$1.10	Cost for each confirmation letter produced
Dispute	\$50	Cost for customer-raised disputes where BCUC has ruled against the marketer

Gas marketer fees were over-recovered for 2021 by \$105 thousand. The fees collected versus the fees required will never match exactly due to the variables of changes in monthly customer enrolments, unexpected expenses, and the collection of service fees.

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 2021 actual costs for the Customer Choice Program. Adjusting for the results, FEI submits the 2022 gas marketer fees and structure in Tables 8-1 through 8-5 below. The new Program fees take effect on April 1, 2022. The 2022 annual Program cost allocation table lists each expense category and the 2021 annual expenses, the percentage of cost-sharing the gas marketers and utility are required to cover, and the respective dollar amounts. The 2022 total gas marketer allocation is set to be approximately \$195 thousand and the utility share amount set at approximately \$301 thousand. The applicable variable fee amounts are then calculated based on the total expected recoverable amount of \$195 thousand plus or minus any over/under-recovery from the previous year and the balance in the deferral account.

Table 8-1: 2022 Annual Program Cost Allocation

Program Expenses	2021 Annual Expenses	Percentage Allocation		Dollar Allocation	
		Gas Marketer	Utility Share (FEI)	Gas Marketer	Utility Share (FEI)
Infrastructure Support Expenses					
Technology Sustainment	\$ 52,571	50%	50%	\$ 26,286	\$ 26,286
Infrastructure Sustainment	\$ 98,040	0%	100%	\$ -	\$ 98,040
Program Administration Expenses					
Contact Centre	\$ 10,018	0%	100%	\$ -	\$ 10,018
Program Administration	\$ 191,975	50%	50%	\$ 95,988	\$ 95,988
BCUC	\$ 109,769	60%	40%	\$ 65,861	\$ 43,908
Customer Education	\$ 33,287	20%	80%	\$ 6,657	\$ 26,630
Total Expenses	\$ 495,660			\$ 194,792	\$ 300,868

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: 2022 Expense Category Proportions

	Expense	Proportion
Infrastructure Support (includes Technology Sustainment)	\$ 26,286	13.49%
Program Administration (includes Program Administration, BCUC & Customer Education)	\$ 168,506	86.51%
Total Expenses	\$ 194,792	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 2021, FEI reports an after-tax balance in the deferral account of \$47,119. The 2021 activity in the deferral account is shown in Table 8-3 below.

Table 8-3: 2021 Marketer Cost Variance Deferral Activity

Description	Reference	Sub-Totals	Totals
January 1, 2021 Opening Deferral Balance			\$29,478
2021 Gas Marketer Expenses	Table 7-3	\$194,792	
2021 Gas Marketer Recoveries	Table 7-3	(\$299,870)	
Net Gas Marketer 2021 (Over)/Under Recovery			(\$105,078)
2021 Financing Costs	BCUC Order A-9-16		\$110
Taxes on (Over)/Under Recovery			\$28,371
December 31, 2021 Ending Deferral Balance			(\$47,119)
Taxes on deferral account balance			(\$17,428)
Pre-tax deferral account balance: (Over)/Under recovery to marketer			(\$64,547)

FEI will return this over-recovery to marketers in 2022 by applying the pre-tax deferral account balance of \$64,547 (\$47,119/(1 – 27% tax rate)) to reduce the total amount recoverable from marketers for 2022 as part of the calculation to set the 2022 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 41 percent of the total \$130,245 to be recovered from gas marketers. The remaining 59 percent will be recovered from the variable fees.

Table 8-4: 2022 Fixed and Variable Fee Recovery Proportions

		Proportion of Total Fees
Total Expenses	\$ 194,792	
Plus: (Over)/Under recovery	\$ (64,547)	
Total Recoverable from Gas Marketers	\$ 130,245	
Less: Fixed Fee amount	\$ 54,000	41.46%
Variable Fee amount	\$ 76,245	58.54%

¹² 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 13.49 percent of the 2021 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 86.51 percent of the 2021 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 December 1, 2021, divided by twelve months.

For the Infrastructure Support Fee calculation, the \$76,245 total variable fee amount is multiplied by 13.49 percent, the proportion of this expense category to total expenses, divided by 30,231, the number of active customers on the MSR History report on December 1, 2021, divided by twelve months for a monthly variable fee of \$0.03 per active customer.

For the Program Administration Fee calculation, the \$76,245 total variable fee amount is multiplied by 86.51 percent, the proportion of this expense category to total expenses, divided by 30,231 the number of active customers on the MSR History report on December 1, 2021, divided by twelve months for a monthly variable fee of \$0.18 per active customer.

Table 8-5 below illustrates the calculation of the 2022 variable fees.

Table 8-5: 2022 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 2021 MSR report		Divided by 12 months		Variable Fee (per active customer per month)
Infrastructure Support	\$76,245	x	13.49%	=	\$10,289 /		30,231	/	12 months =		\$ 0.03
Program Administration	\$76,245	x	86.51%	=	\$65,956 /		30,231	/	12 months =		\$ 0.18
Total:					\$76,245						\$ 0.21

The Infrastructure Support Fee for 2022 will decrease from \$0.21 to \$0.03 per active customer per month. The Program Administration Fee will decrease from \$0.52 to \$0.18 per active customer per month.

9. SUMMARY

In 2021, Customer Choice experienced an increase in overall program participation of four percent. There were six licensed gas marketers in 2021, with five active marketers selling commodity contracts. There was an increase in gross enrolments of 38 percent with almost fifteen thousand enrolments in 2021 compared to just over nine thousand enrolments in 2020. The addition of other marketing channels such as phone sales likely contributed to the increase in contracts enrolled in 2021. Customer retention rates for the Customer Choice Program shows that about two out of ten customers cancel their contract before their contract start date.

The majority of customers sign five-year contracts, which accounted for 84 percent of total enrolments. The contract prices for the five-year terms ranged from \$1.85/GJ to \$7.50/GJ. In 2021, 73 percent of the enrolments were in the \$6.00/GJ to \$7.50/GJ price range while 7 percent were under \$4.00/GJ. Approximately 1.06 million customers were eligible for the Customer Choice Program as of December 1, 2021. Of those eligible, three percent of Rate Schedule 1 customers and five percent of Rate Schedule 2 and 3 customers were participating in the Program. The commercial Customer Choice participation rates increased by one percent in 2021.

There were 345 total disputes raised in 2021 up 58 percent over the 219 disputes filed in 2020. Standard disputes raised by customers increased 10 percent from 73 raised in 2020 to 80 raised in 2021. Cancellation disputes raised increased by 82 percent in 2021 primarily due to one large commercial customer with multiple properties who was courtesy dropped early from their contracts. Total disputes raised continued to be about 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 2021 continued to focus on ensuring customers have ready access to information about the Customer Choice Program and that customers are able to make an informed decision in their selection of a natural gas commodity supplier. This was achieved through search engine marketing strategies. 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 2021 included support activities, report improvements and updates, as well as performance monitoring of servers and applications.

The total annual expenditures for the Customer Choice Program were \$496 thousand in 2021, which was a decrease of twenty percent from \$620 thousand in 2020. The deferral account records any over/under-recovery of fees. The credit amount in the deferral account at the end of 2021 was about \$65 thousand. The over-recovery from gas marketers of \$105 thousand was factored into the calculation of the variable program fees for 2022, thereby decreasing the amount required for recovery from gas marketers to approximately \$130 thousand. FEI has calculated the 2022 variable transaction fees using the 2021 actual Customer Choice Program costs and has determined that the two fees in 2022 will be decreasing. The Infrastructure Support Fee will

- 1 decrease from \$0.21 to \$0.03 per active customer per month and the Program Administration Fee
2 will decrease from \$0.52 to \$0.18 per active customer per month.
- 3 As previously approved by the BCUC, the annual fee adjustments submitted will take effect
4 automatically on April 1. Any review, if warranted, will be handled through the Annual General
5 Meeting or process as may be determined by the BCUC. Any resulting variance between the
6 actual adjustment of fees and the reviewed adjustment of fees by the BCUC will be recorded in
7 the non-rate base Marketer Cost Variance deferral account and incorporated in the subsequent
8 year's fee adjustment.¹³

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

Appendix A

BCUC CUSTOMER CHOICE PROGRAM EXPENDITURES 2021



bcuc
British Columbia
Utilities Commission

Patrick Wruck
Commission Secretary

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February 8, 2022

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 2021**

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 2021. 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. As recasting the data may cause some variances, the BCUC is providing the expense information in FEI's calendar format.

Sincerely,

Original signed by:

Patrick Wruck
Commission Secretary

DD/db
Enclosure

British Columbia Utilities Commission
Customer Choice Program Expenditures for 2021

Table 1: 2021 Customer Choice program expenditures

Function	Cost (\$)
Annual Program Administration	63,558.00
Regulatory Proceedings	5,296.00
Annual Dispute Resolution	
<i>Handling, Administration and Investigation</i>	26,483.00
<i>Adjudication</i>	14,233.00
Subtotal	40,716.00
<u>TOTAL</u>	<u>109,570.00</u>

Table 2: Customer Choice program cost details

Function	Cost Inputs
Annual Program Administration	Assume 60% BCUC Salaries allocation ¹
	Legal costs related to annual program administration
	General administration costs (e.g. courier)
Annual Dispute Resolution	
• <i>Handling, Administration and Investigation</i>	Assume 35% BCUC Salaries allocation
	External/expert consultation costs for work performed related to disputes, e.g. translation services, contracted dispute analysts
• <i>Adjudication</i>	Commissioner costs for work performed regarding adjudicated disputes
	Legal costs for work performed regarding adjudicated disputes
Regulatory Proceeding Costs	Assume 5% 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: 60% towards annual program administration; 35% towards annual dispute resolution; and 5% towards regulatory proceedings.