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February 27, 2020

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

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

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)
2019 Customer Choice Program Cost Annual Program Statistics

FEI attaches the FEI Customer Choice program statistics for the 2019 calendar year.

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

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

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



FORTISBC ENERGY INC.

**2019 Customer Choice Annual Program
Statistics**

February 27, 2020

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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 2019 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 2019.
- **Section 3** provides an overview of gas marketer sales activity and statistics in 2019, a month-to-month comparison of enrolment activity between 2018 and 2019, and a year-to-year comparison of gross and net enrolments from 2015 to 2019.
- **Section 4** summarizes the monthly dispute activity and statistics in 2019 for cancellation and standard disputes, as well as yearly dispute activity from 2015 to 2019.
- **Section 5** provides a summary of the customer education plan for 2019, 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 2019.
- **Section 7** reviews the 2019 Program expenditures and recoveries in light of the gas marketer fee structure that took effect April 1, 2017.
- **Section 8** describes the 2020 Program fees and fee structure.
- **Section 9** provides a summary of each section.

2. PROGRAM PARTICIPATION STATISTICS

2.1 GAS MARKETER PARTICIPATION

In 2019, there were seven gas marketers licensed in BC. There were five gas marketers actively enrolling customers in 2019. Four of the gas marketers offered fixed-rate contracts to FortisBC Energy Inc. (FEI) customers in Rate Schedule 1 residential, and Rate Schedules 2 and 3 commercial customers. Bluestream Energy offered fixed-rate contracts to Rate Schedule 2 and 3 commercial customers only. Table 2-1 below lists the gas marketers that were operating in BC in 2019, their sales activity status, and the rate classes served. A new gas marketer, Easy Energy Inc., entered the Customer Choice Program in October. 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 2019
3	Easy Energy Inc.	Licensed and active effective October 10, 2019
4	Just Energy (formerly Energy Savings BC)	Licensed and active; Changed name to Just Energy in 2009
5	Planet Energy	Licensed; Re-entered the market in February 2010; inactive in 2019
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 2019, there were one hundred and six marketer price groups open. There were eleven new marketer price groups created in 2019. 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 2019.

Figure 2-1: Fixed-Rate Contract Statistics in 2019

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 - 673 - 6% • 2 Year - 101 - 1% • 3 Year - 399 - 4% • 4 Year - 599 - 6% • 5 Year - 8981 - 83% 	<ul style="list-style-type: none"> • 1 Year - \$1.49 to \$7.49 • 2 Year - \$1.85 to \$6.89 • 3 Year - \$1.85 to \$6.99 • 4 Year - \$2.39 to \$6.89 • 5 Year - \$1.85 to \$6.76 	<ul style="list-style-type: none"> • Under \$4 - 1227 - 11% • \$4-\$6 - 7569 - 70% • \$6-\$8 - 1957 - 18% 	<ul style="list-style-type: none"> • 1 Year - \$2.12 • 2 Year - \$3.33 • 3 Year - \$3.44 • 4 Year - \$5.73 • 5 Year - \$5.72

As indicated in Figure 2-1 above, prices per gigajoule (GJ) of gas-charged ranged from a low of \$1.49/GJ to a high of \$7.49/GJ. In 2019, the majority of enrolled contracts have prices between \$4/GJ and \$6/GJ.

The most common contract term signed in 2019 was for a five-year contract, accounting for 83 percent of total enrolments. The price range for a five-year contract term ranged from a low of \$1.85/GJ to a high of \$6.76/GJ, with a weighted average price of \$5.72/GJ.

2.2 CUSTOMER PARTICIPATION

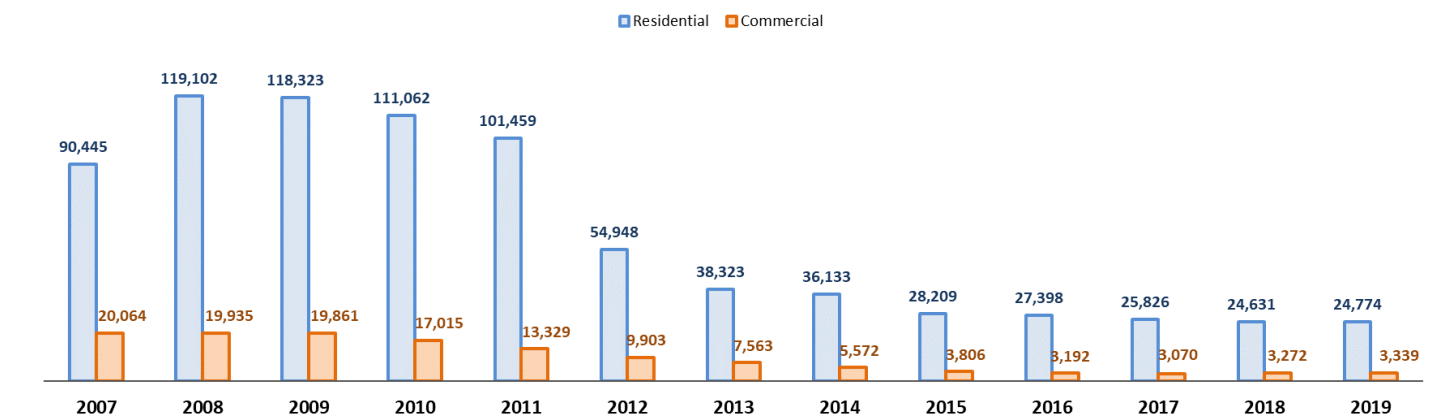
As of December 31, 2019, there were approximately 1.03 million FEI Rate Schedules 1, 2, and 3 customers eligible for the Customer Choice Program. Of those eligible, 939 thousand were residential customers, and 95 thousand were commercial customers.

Of the 939 thousand eligible residential customers, about 25 thousand billed customers were enrolled in Customer Choice. This 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 33 hundred or four percent of billed customers were enrolled in Customer Choice. The percentage of eligible customers participating in Customer Choice in 2019 has remained the same for residential and commercial customers over 2018 participation.

Figure 2-2 below illustrates the year-to-year comparison of both residential and commercial customer Program participation from its 2007 inception through 2019. Total eligible residential and commercial customers are listed by year.

Figure 2-2: Yearly Comparison of Customer Choice Participation (2007 to 2019)



Eligible	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential	739,651	747,594	752,416	759,240	764,241	758,460	765,402	772,804	884,847	896,154	901,507	914,882	939,183
Commercial	79,037	80,317	80,573	80,658	81,050	76,659	77,824	78,838	90,120	91,000	91,428	92,728	95,389

As indicated in Figure 2-2, Customer Choice participation levels increased for the first time since 2008. Total participation in the Customer Choice Program increased by 1 percent in 2019 over 2018. Participation rates for residential customers increased by 1 percent in 2019 over 2018, while participation rates for commercial customers increased by 2 percent over the same period. The overall increase in participation can be attributed to increased sales activity by gas marketers in 2019. The increase in commercial participation can be attributed to large commercial customers formerly on transportation service contracts looking for more stable pricing options that the Customer Choice Program provides.

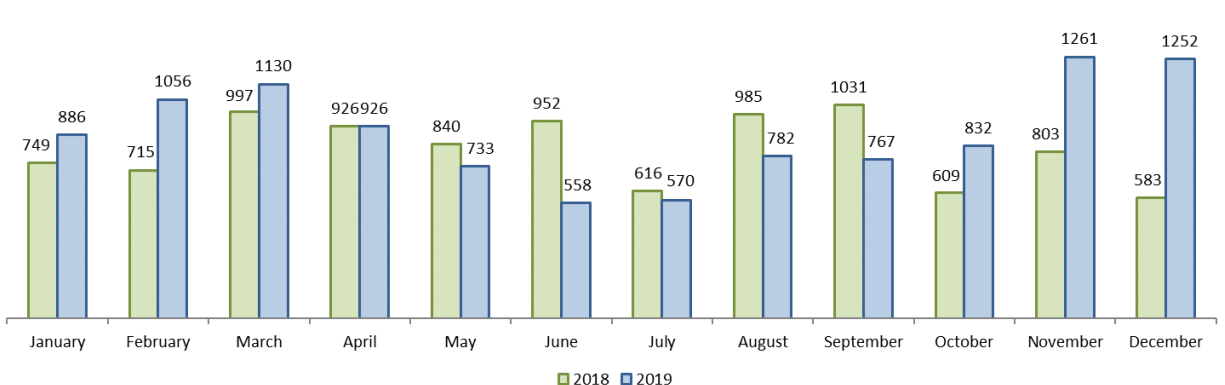
3. ENROLMENT STATISTICS

3.1 GROSS ENROLMENTS

In 2019, new enrolments were submitted at an average rate of 896 per month. Enrolments are counted in the month submitted, and contracts start flowing within five years of submission date. November was the most active month with 1,261 enrolments, which coincides with when the new gas marketer, Easy Energy Inc., started selling contracts. There were over 10 thousand enrolments in 2019, compared to 98 hundred in 2018, leading to an increase of 10 percent in gross enrolments. Gross enrolments increased due to the increase in commercial enrolments into the Program as well as the addition of the new gas marketer.

Figure 3-1 below illustrates the comparison of monthly gross enrolments between 2018 and 2019.

Figure 3-1: Comparison of Monthly Gross Enrolments – 2018 vs. 2019

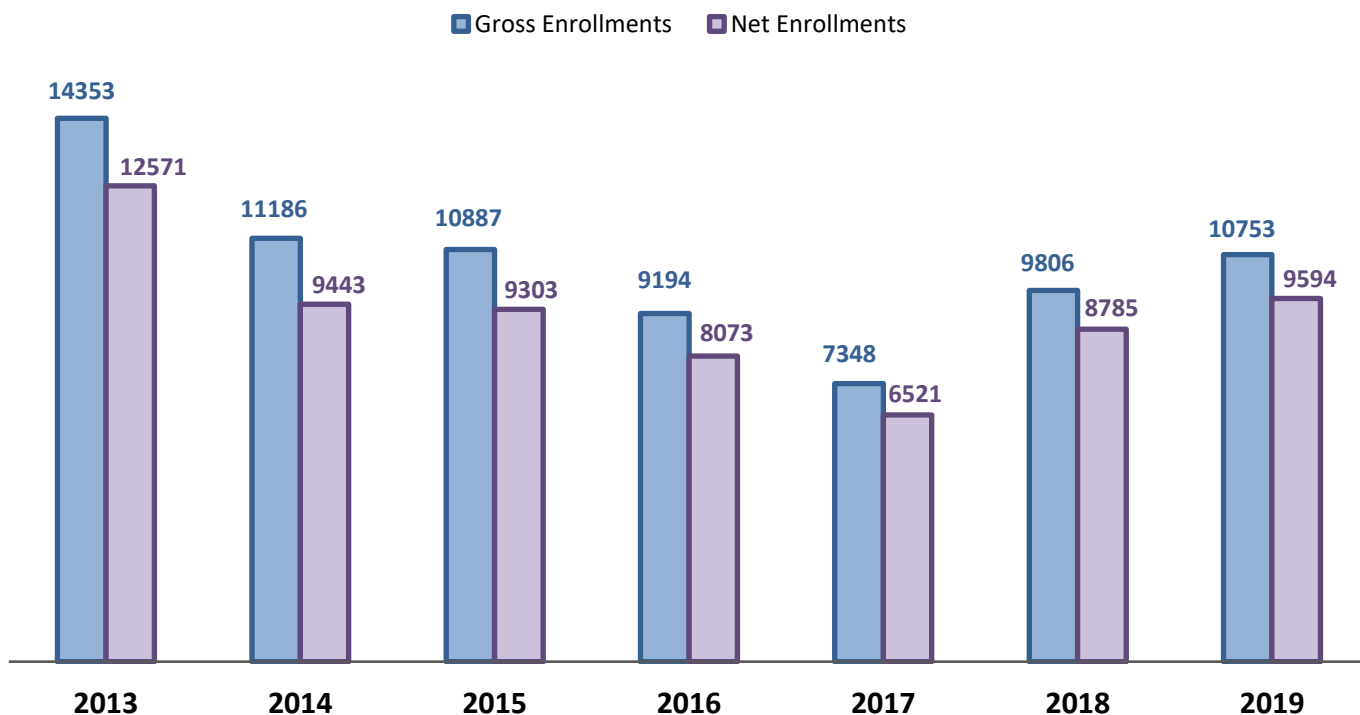


3.2 NET ENROLMENTS

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 95 hundred net enrolments in 2019. Figure 3-2 compares the gross enrolments to net enrolments over the past 7 years, from 2013 to 2019.

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 (2013 – 2019)

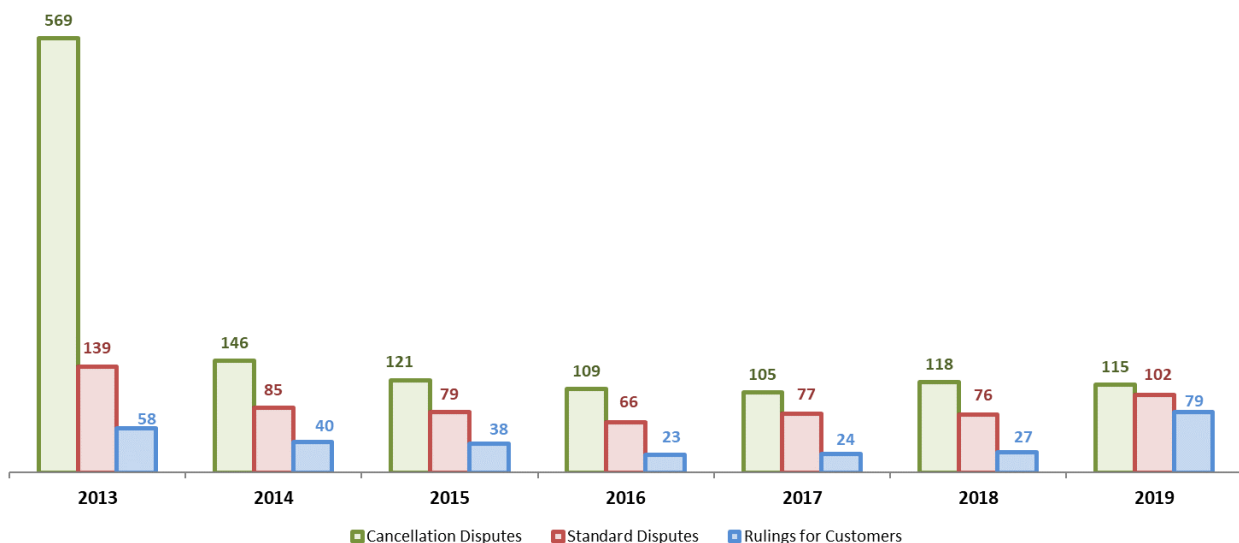


The ratio of net enrolments to gross enrolments was 89 percent in 2019, the same ratio as in 2018. The trend continues to show that less than 20 percent of contracts are cancelled before their start date. This improvement can be linked to the 2011 introduction of consolidated business rules for residential and commercial customers. The consolidated business rules, which include third-party verification calls, 10-day cooling periods, and confirmation letters sent to the account holder for all residential and commercial enrolments, have been effective in ensuring that customers understand their fixed-rate contracts.

4. DISPUTE STATISTICS

Contract disputes continue at low levels as experienced for the past five years, as displayed in Figure 4-1. In 2019, there were 217 total disputes filed compared to 194 disputes logged in 2018. The difference represents a 12 percent increase in dispute filings for 2019. When the disputes raised are calculated as a percentage of sales, total disputes filed have remained steady at 2 percent of gross enrolments for the past six years.

Figure 4-1: Comparison of Yearly Dispute Activity from 2013 to 2019



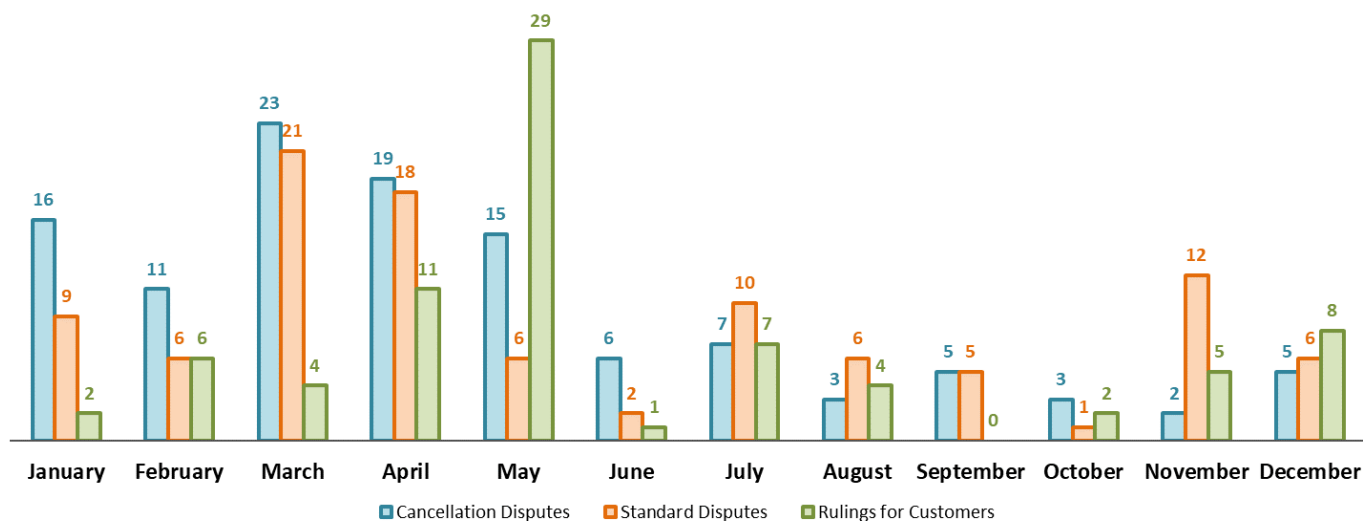
Cancellation disputes are disputes raised by gas marketers who have agreed to release a customer from their contract outside of their contract anniversary date. Cancelling a gas marketer contract outside of the anniversary date contravenes the Essential Services Model. FEI continues to emphasize that cancellation disputes should be restricted to compassionate reasons only, as determined by the British Columbia Utilities Commission (BCUC or the Commission). Cancellation disputes decreased 2.5 percent in 2019 from 118 cancellation disputes submitted in 2018 to 115 cancellation disputes submitted in 2019.

Standard disputes are disputes raised by the customer against their gas marketer in dispute of their contract's validity. These disputes require gas marketers to defend against the customer's claim that their contract is invalid, and are finalized by the Commission with a ruling in favour of either the gas marketer or the customer. Standard disputes increased 34 percent from the 76 raised in 2018 to 102 in 2019. The standard dispute increase can be attributed to the increased contract sales in 2019.

Commission rulings in favour of the customer increased in 2019 to 72 percent of standard disputes raised from 35 percent in 2018. There were some changes in how the rulings for customers were processed in 2019, which contributed to the large increase. 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 or 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 2019.

Figure 4-2: 2019 Monthly Dispute Statistics



5. CUSTOMER EDUCATION PLAN

In 2019, for the third consecutive year, the customer education plan ran with a significantly reduced scope and budget in comparison to the years 2016 and earlier. Consistent with 2017 and 2018, the primary objectives for 2019 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 budget for the 2019 customer education campaign was again set at \$40 thousand, with \$30 thousand allocated to a digital media campaign and \$10 thousand allocated for updating and printing the Customer Choice Standard Information Booklet.

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 May through to mid November 2019 in all regions where the Customer Choice Program is available. Twitter posts ran from February to November 2019. The campaign was effective in driving traffic to the FEI website with 15,951 unique pageviews² on the Customer Choice landing page in 2019. Ninety-seven percent of those pageviews came from Google AdWords.

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.

1

Figure 5-1: Google AdWords Advertisement Extensions

<p>Fixed or Variable Rate?</p> <p>Choose what's right for you.</p> <p>You've got a choice. Know the difference between FortisBC and gas marketers.</p> <p>Compare natural gas prices now.</p> <p>www.fortisbc.com/choice</p>
<p>Gas Marketer or FortisBC?</p> <p>Here's what you need to know.</p> <p>Choose what's right for you. Fixed or variable rate?</p> <p>Compare gas rates & options.</p> <p>www.fortisbc.com/choice</p>
<p>You have a choice.</p> <p>FortisBC or gas marketers?</p> <p>Fixed or variable rate? Choose what's right for you.</p> <p>Choose how you buy natural gas.</p> <p>www.fortisbc.com/choice</p>

- 2 During the campaign period from May to November 2019, over 428 thousand Google ads
3 featuring Customer Choice were delivered, with a click-through rate of 4.17 percent. With almost
4 18 thousand clicks, the cost per click was \$1.68. There were almost eight thousand visits to the
5 Customer Choice webpages where visitors viewed more than one page, with an average of 2.53
6 pages per visit and an average of 2:41 minutes spent on the site.
- 7 FEI is satisfied that the Google AdWords campaign has been effective in its goal of ensuring
8 customers have ready access to Customer Choice information when they are researching it.
9 This is evidenced by the contract dispute rate which remains at low levels for the past five
10 years.
- 11 The digital communication statistics for 2019 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

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 (\$30,000) 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 approximately two times per week from February through to November 2019, reaching 12.4 thousand FEI Twitter followers. The Twitter posts provided general information about the Customer Choice Program and provided a link directing customers to the Customer Choice webpages at fortisbc.com/choice for more information. Figure 5-2 below shows sample Twitter posts.

1

Figure 5-2: Customer Choice Twitter Posts

- Customer Choice is a program in BC that gives you options for buying #NaturalGas. Understand what your options are & compare rates.
#CustomerChoice; *links to:*
<https://www.fortisbc.com/services/natural-gas-services/customer-choice-buying-from-natural-gas-marketers>
- #DYK there is a program in the province called Customer Choice that allows you to choose who you buy your natural gas from? An independent gas marketer or FortisBC. Understand the difference. #CustomerChoice; *links to:*
<https://www.fortisbc.com/services/natural-gas-services/customer-choice-buying-from-natural-gas-marketers>
- If you choose to buy #Natural Gas from an independent gas marketer at a fixed term and rate, FortisBC will still deliver the gas. It's part of a program available in BC called Customer Choice. Learn about your options. #CustomerChoice; *links to:*
<https://www.fortisbc.com/services/natural-gas-services/customer-choice-buying-from-natural-gas-marketers>
- Commodity charge? Delivery? Knowing how rates are set can help you choose who you buy #NaturalGas from. #CustomerChoice; *links to:*
<https://www.fortisbc.com/services/natural-gas-services/customer-choice-buying-from-natural-gas-marketers>
- Through a program called Customer Choice, you can choose who you buy #NaturalGas from. Independent gas marketers can go door-to-door selling fixed-rate contracts. FortisBC does not go door-to-door & offers variable rates. Learn more: #CustomerChoice; *links to:*
<https://www.fortisbc.com/services/natural-gas-services/customer-choice-buying-from-natural-gas-marketers>

2

6. SYSTEM ENHANCEMENTS

System activities for 2019 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 2019 included:

1. Added new 2019 FortisBC header and footer logo to GEM Online Disputes site; adjust header and footer colours
2. Domain changes from BCGASDOM to CORP which affected gas marketers' login IDs
3. Active Directory 2016 Server Upgrade – the impact on GEM Marketer's ID authentication through the new domain controllers
4. Gas marketer disputes webserver move
5. Fix Chrome 70+ browser detection problem; users experienced issues with GEM while using Chrome
6. Marketer supply requirement reports moved to the new Windows 2016 server.
7. Fix Marketer Activity Report issue with request dates
8. Discussions with cybersecurity to allow port access to the internal network
9. Enhanced GEM News page to show fuel requirement and allocation dynamically by reading data from the database
10. Fix Gas Marketer Statistics for License Renewal report date issue

There were two large initiatives performed in 2019 including transitioning former Transportation Services customers into Customer Choice and preparing for a new gas marketer starting in the fall. There were almost one thousand Transportation Services customers that returned to FortisBC supply on November 1 and a few hundred of those customers wanted to enrol in Customer Choice. To accommodate this type of industrial customer who had been on daily automated meter reads required analyzing their current setup and deciding how to prepare logistics for meter reads, billing and enrolment into Customer Choice. Due to billing restrictions, the earliest FEI could accommodate the move to the Customer Choice Program was December 1, 2019.

The second initiative was preparing for the introduction of a new gas marketer into the Customer Choice Program effective October 10 with entry dates starting January 1, 2020. Extensive preparation and regression testing of all downstream systems, including gas supply, the customer information system (SAP), GEM, and reporting databases were performed to ensure a smooth enrolment process was ready for Easy Energy to start enrolling new customers the first week of November.

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

7. PROGRAM EXPENDITURES, RECOVERIES AND FEE STRUCTURE

7.1 REVIEW OF COST RECOVERY APPLICATION DECISIONS

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

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

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

The Panel determines the foregoing allocation model constitutes a principled rationale for allocating program costs and that it constitutes a reasonable middle ground balancing the interests of non-bypass customers and gas marketers.³

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

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

Table 7-1: Program Expenses Percentage Allocation

Annual Program Expenses	% Allocation	
	Marketer	Utility Share (FEI)
Technology Sustainment	50%	50%
Infrastructure Sustainment	0%	100%
Contact Centre	0%	100%
Program Administration	50%	50%
BCUC	60%	40%
Customer Education	20%	80%

The Panel determined the fixed monthly fee for each gas marketer would be set at \$750 per month with the balance 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 2019 CUSTOMER CHOICE PROGRAM COSTS

Table 7-2 below compares the Customer Choice Program costs from 2007 to 2016. The Program cost reporting was restructured from previous years' annual reports to match the categories presented in the Customer Choice Cost Recovery Application.⁸ The Infrastructure Sustainment category 2007-2011 captures the costs that were charged by the outsourced billing provider at the time. The costs from 2012 through 2017 represent the costs cross-charged to the Program by FEI's Customer Service department. The cost reporting shown in Table 7-3 was created in 2017 to 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 2017-2019

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

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 Allianz Development Inc. In 2019, technology sustainment costs increased 11 percent to approximately \$97 thousand from approximately \$88 thousand. The increase can be attributed to extra analysis and support required to prepare for former Transportation Program customers enrolling in the Customer Choice Program.

7.4 INFRASTRUCTURE SUSTAINMENT

Infrastructure sustainment support includes the administration costs of FEI's Contact Centre and Customer Services Systems staff. Support costs for infrastructure sustainment decreased 8 percent in 2019 to \$104 thousand from \$112 thousand in 2018.

7.5 PROGRAM ADMINISTRATION

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

Program administration costs increased slightly to \$219 thousand in 2019 from \$209 thousand in 2018 due to salary inflation plus a 2.83% fringe benefit loading increase. In 2019, the cost allocation percentage was increased to 50 percent of the customer program analyst's costs that were allocated to another department at FEI. FEI has continued to look for cost savings measures for the Program during the annual budget review process.

7.6 BRITISH COLUMBIA UTILITIES COMMISSION COSTS

In 2019, there was a 7 percent increase in BCUC expenditures from \$100 thousand in 2018 to \$107 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 2019 expenditures, which is referenced below in Table 7-4 and detailed in Appendix A: BCUC Customer Choice Program Expenditures 2019. 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 the way financials are recorded by each organization. The information is still of value to clarify the cost breakdown of annual expenses and to show cost savings or increases year-over-year.

Table 7-4: BCUC Table of Expenditures

Function		Cost
Annual Program Administration		\$68,828
Regulatory Proceedings		\$15,883
Annual Dispute Resolution		
Handling, Administration, Investigation	\$21,178	
Adjudication	\$1920	
Subtotal	\$23,098	\$23,098
TOTAL		\$107,809

7.7 CUSTOMER EDUCATION COSTS

A total of \$38,560 was spent from the \$40 thousand budget for customer education in 2019. There was \$30 thousand allocated to the digital media campaign, \$6,960 for printing the Customer Choice Standard Information Booklet, and \$1,600 used to update the Chinese and Punjabi language versions of the booklets. The previous update was done in 2015. The ethnic language brochures are available digitally on fortisbc.com/choice.

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

7.8 TOTAL PROGRAM COSTS

In 2019, total program costs increased 5 percent to approximately \$564 thousand from \$539 thousand in 2018. The Customer Choice program expenses have been evaluated to operate efficiently, and it is expected that annual program costs will continue to remain in the range of \$550-\$575 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 service fees charged to gas marketers. 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. As such, the confirmation letter fee will increase on April 1, 2020, to \$0.95 per confirmation letter due to the postage fee increase that went into effect January 13, 2020. The current cost from the external print vendor is \$0.12 for printing and \$0.83 for postage.

Table 7-5: 2019 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	\$0.95	Cost for each confirmation letter produced
Dispute	\$50	Cost for customer-raised disputes where BCUC has ruled against the marketer

The gas marketer fees were under recovered for 2019 by approximately \$32.9 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.

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 2019 actual costs for the Customer Choice Program. Adjusting for the results, FEI submits the 2020 gas marketer fees and structure in Tables 8-1 through 8-7 below. The new Program fees take effect on April 1, 2020. The 2020 annual Program cost allocation table lists each expense category and the 2019 annual expenses, the percentage of cost-sharing the gas marketers and utility are required to cover, and the respective dollar amounts. The 2020 total gas marketer allocation is set to be approximately \$229 thousand and the utility share amount set at approximately \$335 thousand. The applicable variable fee amounts are then calculated based on the total expected recoverable amount of \$229 thousand plus or minus any over/under-recovery from the previous year and the balance in the deferral account.

Table 8-1: 2019 Annual Program Cost Allocation

Program Expenses	2019 Annual Expenses	Percentage Allocation		Dollar Allocation	
		Gas Marketer	Utility Share (FEI)	Gas Marketer	Utility Share (FEI)
Infrastructure Support Expenses					
Technology Sustainment	\$96,882	50%	50%	\$48,441	\$48,441
Infrastructure Sustainment	\$93,747	0%	100%	-	\$93,747
Program Administration Expenses					
Contact Centre	\$10,004	0%	100%	-	\$10,004
Program Administration	\$218,669	50%	50%	\$109,307	\$109,362*
BCUC	\$105,847	60%	40%	\$63,508	\$42,339
Customer Education	\$38,560	20%	80%	\$7,712	\$30,848
Total Expenses	\$563,709			\$228,968	\$334,741

*includes \$55 manual entry that was coded to ratepayer BCUC in error which throws off the 50% calculation.

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: 2020 Expense Category Proportions

	Expense	Proportion
Infrastructure Support (includes Technology Sustainment)	\$48,441	21.16%
Program Administration (includes Program Administration, BCUC & Customer Education)	\$180,527	78.84%
Total Expenses	\$228,968	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 2019, FEI reports an after-tax balance in the deferral account of \$1,134.46. The 2019 activity in the deferral account is shown in Table 8-3 below.

Table 8-3: 2019 Marketer Cost Variance Deferral Activity

Description	Reference	Sub-Totals	Totals
January 1, 2019 Opening Deferral Balance			(\$22,073)
2019 Gas Marketer Expenses	Table 7-3	\$228,968	
2019 Gas Marketer Recoveries	Table 7-3	(\$196,118)	
Net Gas Marketer 2019 (Over)/Under Recovery		\$32,850	\$32,850
2019 Financing Costs	BCUC Order A-9-16		(\$773)
Taxes on (Over)/Under Recovery			(\$8,870)
December 31, 2019 Ending Deferral Balance			\$1,134
Taxes on deferral account			\$420
Pre-tax deferral account balance: (Over)/Under recovery to marketer)			\$1,554

FEI will recover this under-recovery from marketers in 2020 by applying the pre-tax deferral account balance of \$1,554 ($\$1,134 / (1 - 27\% \text{ tax rate})$) to increase the total amount recoverable from marketers for 2020 as part of the calculation to set the 2020 variable fees.

8.2 FIXED FEES

The fixed fee is set at \$750 per month per gas marketer to equal an annual recovery of \$63,000 based on seven active gas marketers. As shown in Table 8-4 below, this accounts for 27 percent of the total \$230,523 to be recovered from gas marketers. The remaining 73 percent will be recovered from the variable fees.

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

Table 8-4: 2020 Fixed and Variable Fee Recovery Proportions

		Proportion of Total Fees
Total Expenses	\$228,968	
Plus: (Over)/Under recovery	\$1,555	
Total Recoverable from Gas Marketers	\$230,523	
Less: Fixed Fee amount	\$63,000	27.33%
Variable Fee amount	\$167,523	72.67%

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 21.16 percent of the 2019 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 78.84 percent of the 2019 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, 2019, divided by 12 months.

For the Infrastructure Support Fee calculation, the \$167,523 total variable fee amount is multiplied by 21.16 percent, the proportion of this expense category to total expenses, divided by 28,215, the number of active customers on the MSR History report on December 1, 2019, divided by 12 months for a monthly variable fee of \$0.10 per active customer.

For the Program Administration Fee calculation, the \$167,523 total variable fee amount is multiplied by 78.84 percent, the proportion of this expense category to total expenses, divided by 28,215, the number of active customers on the MSR History report on December 1, 2019, divided by 12 months for a monthly variable fee of \$0.39 per active customer.

Table 8-5 below illustrates the calculation of the 2020 variable fees.

Table 8-5: 2020 Variable Fee Calculation

Variable Fee	Gas Marketer Variable Fee Amount		Multiplied by Variable Fee Proportion		Variable Recovery Amount		Number of active customers on Dec 1 2018 MSR report	Divided by 12 months	Variable Fee (per active customer per month)
Infrastructure Support	\$167,523	x	21.16%	=	\$35,441	/	28,215	/ 12 months =	\$0.10
Program Administration	\$167,523	x	78.84%	=	\$132,081	/	28,215	/ 12 months =	\$0.39
Total:					\$167,523				\$0.49

The Infrastructure Support Fee for 2020 will increase from \$0.08 to \$0.10 per active customer per month. The Program Administration Fee will increase from \$0.31 to \$0.39 per active customer per month.

9. SUMMARY

In 2019, Customer Choice saw an increase in overall program participation of 1 percent. There were seven licensed gas marketers in 2019, with five active marketers selling commodity contracts. There was an increase in gross enrolments of 10 percent with over 10 thousand enrolments in 2019 compared to 9.8 thousand enrolments in 2018. This increase was due to increased sales activity by gas marketers. Customer retention rates for the Customer Choice Program remain static year-over-year, showing that only about 1 out of 10 customers cancel their contract before their contract start date.

The majority of customers sign 5-year contracts, which accounted for 83 percent of total enrolments. The contract prices for the five-year terms ranged from \$1.85/GJ to \$6.76/GJ. In 2019, 70 percent of the enrollments were in the \$4/GJ to \$8/GJ price range while 11 percent were under \$4/GJ. Approximately 1.03 million customers were eligible for the Customer Choice Program as of December 1, 2019. 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 unchanged from 2018.

There were 217 total disputes raised in 2019 up 12 percent over the 194 disputes filed in 2018. Standard disputes raised by customers increased 34 percent from 76 raised in 2018 to 102 raised in 2019. Disputes ruled in favour of customers were 77 percent of standard disputes raised for 2019, up 42 percent from 35 percent in 2018. Cancellation disputes raised decreased by 2.5 percent in 2019. Total disputes raised continued to be 2 percent of gross enrolments. The majority of customers tend to remain on their contracts for the entire contract term, rather than request early cancellation for compassionate reasons or dissatisfaction.

The objective of the customer education plan for 2019 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 Customer Choice brochure was reprinted in the English language. As well, the digital version of the Chinese and Punjabi language brochures were reviewed, updated and posted on fortisbc.com/choice.

The focus for GEM and the system infrastructure for 2019 included support activities and performance monitoring of servers and applications. Corporate initiatives to replace aging hardware and upgrade software were continued throughout 2019. Some of these upgrades were categorized as system sustainment and covered by FEI IT Department funding. Preparation and regression testing were performed in anticipation of Transportation service customers returning to Fortis supply on November 1, 2019, and then moving to the Customer Choice Program. Almost a thousand customers returned to Fortis from Transportation services and a few hundred of those customers moved over to the Customer Choice Program to continue being supplied by their gas marketer in a more secure program. Customer Choice also had a new gas marketer, Easy Energy Inc., join the Program in October so system analysis

1 work and preparation were carried out to get the new gas marketer up and running for
2 enrollments by early November.

3 The total annual expenditures for the Customer Choice Program were \$564 thousand in 2019,
4 which was an increase of 5 percent over \$538 thousand in 2018. Program expenses were
5 refined during the Cost Recovery process in 2016, and barring anything unforeseen at this time it
6 is anticipated that overall program costs will remain in the range of \$550-\$575 thousand year-
7 over-year. A deferral account was set up to collect any (over)/under recovery of fees and the
8 amount in the account at the end of 2019 was over \$11 hundred. The under-recovery of \$33
9 thousand was factored into the calculation of the variable program fees for 2020, thereby
10 increasing the amount required for recovery from gas marketers nominally to approximately
11 \$231 thousand. FEI has calculated the 2020 variable transaction fees using the 2019 actual
12 Customer Choice Program costs and has determined that the two fees in 2020 will increase
13 slightly. The Infrastructure Support Fee will increase from \$0.08 to \$0.10 per active customer
14 per month and the Program Administration Fee will increase from \$0.31 to \$0.39 per active
15 customer per month.

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

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

Appendix A

BCUC CUSTOMER CHOICE PROGRAM EXPENDITURES 2019



bcuc
British Columbia
Utilities Commission

Patrick Wruck
Commission Secretary

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February 19, 2020

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 2019

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 2019. Please note the BCUC's annual total of expenditures charged to the Customer Choice program may not precisely match FortisBC Energy Inc.'s (FEI) annual total. Any difference is likely due to a number of factors including that the BCUC's fiscal year differs from FEI's. The BCUC is providing the expense information in FEI's calendar format and recasting the data may cause some variances.

Sincerely,

Original signed by Ian Jarvis for:

Patrick Wruck
Commission Secretary

OK/ad
Enclosure

British Columbia Utilities Commission Customer Choice
Program Expenditures for 2019

Table 1: 2019 Customer Choice program expenditures

Function	Cost (\$)
Annual Program Administration	68,827.99
Regulatory Proceedings	15,883.38
Annual Dispute Resolution	
<i>Handling, Administration and Investigation</i>	21,177.84
<i>Adjudication</i>	1,919.63
Subtotal	23,097.47
<u>TOTAL</u>	<u>107,808.84</u>

Table 2: Customer Choice program cost details

Function	Cost Inputs
Annual Program Administration	Assume 65% BCUC Salaries allocation ¹
	Other 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
	Other 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
	Other 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.