



Diane Roy
Vice President, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

November 17, 2016

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Laurel Ross, Acting Commission Secretary and Director

Dear Ms. Ross:

Re: FortisBC Energy Inc. (FEI)
Project No. 3698874
Customer Choice Program Cost Recovery Application
British Columbia Utilities Commission (BCUC) Order A-9-16 Compliance Filing

On October 18, 2016, the BCUC issued its Decision and Order A-9-16 (the Decision) regarding the FEI Customer Choice Program Cost Recovery Application. On pages 26-27 of the Decision, the BCUC requested FEI add to the evidentiary record for four areas, as follows:

To add to the evidentiary record and facilitate the cost review process, the Panel directs FEI to file within a period of 30 days following this decision the following information as a compliance filing:

FEI program administration

- Further description of the tasks performed by each of the two FEI program analysts, the time requirement to fulfill each task and how often each of the tasks needs to be performed.
- Using the information in Table 1 in Exhibit B-1-3, provide a detailed explanation for the costs incurred each year, including how many analysts were used in each year, whether the analysts were senior or junior and the percentage of management time allocated to the Customer Choice program.

- An explanation of the impact of reducing the frequency of performance of tasks by the analysts.

BCUC costs

- A copy of the information provided by the BCUC to FEI outlining BCUC costs for use in the Application.
- Any further information the BCUC is able to provide to facilitate a cost review.

Customer education

- An explanation of costs to maintain a Customer Choice program informational presence on the FEI website and make the Standard Informational Booklet available.
- An explanation of how the customer education costs were charged to PBR and how this links to the additional \$200 thousand requested.

Infrastructure sustainment

- An explanation of why infrastructure sustainment was adequately maintained in 2015 despite staff vacancies but require additional costs to be attributed to it once the vacancies have been filled.
- An explanation of why no sustainment cost savings are possible given the number of Customer Choice program customers continues to decline.

FEI provides the requested information on each of these four areas below.

1 FEI Program Administration

1.1 Further description of tasks performed by the FEI program analysts

The program administration cost category currently includes the salary and benefits for one Senior Customer Program Analyst and one Customer Program Analyst (together, the Analysts), along with some associated non-labour expenses. In the past, there were also costs in the Program for management time, but with the creation of the Senior Customer Program Analyst role in 2015, these costs are no longer incurred. FEI believes this approach has proven to be an efficient and cost effective way to administer the Program. The approach ensures adequate institutional knowledge available to solve marketer and system issues and conduct system maintenance activities. The Senior Customer Program Analyst and Customer Program Analyst both have considerable systems analysis, business process experience and education that are distinct to their particular roles.

Employees and contractors providing technical support for the Program typically work under the guidance and direction of the Analysts, who have expert understanding of the Program's business rules. This expertise makes the Analysts particularly qualified to solve problems efficiently and guide the development of necessary system solutions with technical support staff.

Labour efficiencies and cost savings were achieved starting in 2015 by eliminating the separate Customer Choice Manager position and promoting one of the Customer Program Analysts to Senior Customer Program Analyst. In 2016, the Customer Choice Cost Recovery regulatory proceeding has resulted in increased Program costs for legal assistance and work completed by the Analysts' manager.

As per the BCUC's request, FEI has endeavoured to provide greater clarity of time devoted to Program administration tasks. Hours listed below are approximations as time spent on individual tasks has not been tracked historically.

1.1.1 Regulatory (approximately 35 percent of annual work)

- Preparing annual Customer Choice Program Summary and other required communications for submission to the BCUC and gas marketers to meet management and regulatory requirements (Annually 400-680 hours) including providing:
 - Annual Program Statistics
 - Annual General Meeting Report Submissions
 - Investigating, writing, editing and coordinating various information requests.
 - Calculating and preparing the Annual Marketer Supply Requirement Changes Letter
 - Reviewing Annual Contracting Plan and preparing the Annual Fuel Gas Percentages Letter
 - Develop ad hoc reports for the BCUC upon request.
- Liaising with Manager, Gas Marketing Programs at the BCUC to provide assistance with Program rules and disputes. (Monthly 4-12 hours)
- In some years (2009, 2010, 2014, and 2016), there have been additional regulatory compliance filings required that arise out of an AGM. These filings require extensive time spent researching solutions and improvements, liaising with stakeholders, and writing and editing to prepare submissions to the BCUC.
- The effort for the Customer Education plan is variable and depends on whether existing education material is re-used, or whether new material is created. New material entails coordination of FEI's communication staff and external media vendors. As well, feedback from the gas marketers is solicited, and review sought by BCUC staff. 2011 saw the creation of new radio spots. In 2012, the rate comparison print ads, bill inserts and the Customer Choice pages on the FEI website were all redesigned. The media remained

unchanged for 2013, with the exception of ethnic language translations of the Standard Information Booklet. In 2014, digital media was introduced. In 2015, the Customer Choice education plan was expanded to cover the new Program regions of Vancouver Island, Whistler, the Sunshine Coast and Powell River.

1.1.2 System support (approximately 35 percent of annual work)

- Calculation and communication of annual marketer supply requirements (MSR). The analysts also provide content for the annual contracting plan submission and they prepare the content and write the annual fuel gas percentages and MSR changes letters. These changes drive system updates that the analysts must coordinate and prepare for in order for everything to be in place for the new gas year, starting November 1.
- Verifying that the Gateway for Energy Marketers (GEM) system and the associated infrastructure is in working order and processing enrolments and drops correctly. This daily task must be completed in a timely manner through the review of various system reports. (Daily 2-7.5 hours)
- Escalating any daily system or data processing issues identified to appropriate technology support providers. The Analysts ensure issues are resolved in a timely manner and communicated to gas marketers as necessary. (Daily 2-7.5 hours)
 - Provides communication liaison between GEM/ODS technical development and maintenance and the gas marketers and BCUC staff
 - Explores, identifies, prioritizes and monitors system performance
 - Explores, expresses and prioritizes corrective and adaptive application maintenance modifications to meet business requirements
 - Recommends appropriate process solution to meet business requirements
 - Ensures user documentation is updated to reflect changes resulting from the implementation of these solutions
 - Initiates and manages billing error corrections and reversals for customers by working with customer contact centre staff:
- Fielding calls and emails from gas marketers regarding various issues including enrolment or other data processing errors, price group setups and other general questions. (Daily 2-4 hours)
- Ensures the monthly final MSR is processed on the 14th of the month and sent to gas marketers to inform them of their supply requirements for the following month. (Monthly 1-2 hours)
- Ensuring the effective implementation of system enhancements and associated business processes. (Daily 2-7.5 hours)

- Liaising with Manager, Gas Marketing Programs at the BCUC to provide assistance with technical support, reporting and general questions (Monthly 4-12 hours)
- Coordinates the development and implementation of the annual customer education communications plan. The effort required varies year to year, and is dependent on whether existing material is re-used or new education material is created. (Annually 100 - 250 hours)
 - Responds to requests for the standard information booklet by gas marketers
 - Orders and ships the booklets, liaises with the supplier to ensure adequate supply, coordinates with internal communications staff for updates to the booklet. (Monthly 2-4 hours)
 - Coordinate and develop radio spots for Customer Choice awareness
 - Coordinate and develop cost comparison print ads for newspapers
 - Coordinate and develop quarterly information newsletters for bill inserts
 - Coordinate and develop digital media
 - Develops and monitors customer education budget
 - Monitors and processes vendor invoicing for payment

1.1.3 System development and enhancements (approximately 20% of annual work)

- Develop and perform user acceptance testing to validate report calculations; and test enhancements or system fixes in order to verify data processing accuracy. (Monthly 30-40 hours)
 - Participates as functional expert in testing GEM system enhancement and maintenance releases
 - Identifies business processes or process steps which require testing
 - Develops and executes test scripts
 - Evaluates and reports on results
- Develop appropriate test scenarios and perform user acceptance testing to validate report calculations, test enhancements or system fixes and verify data processing accuracy
- Develop ad hoc reports for the BCUC and gas marketers upon request. (Annually 75-150 hours)

1.1.4 Senior Customer Program Analyst (approximately 10% of annual work)

In addition to the activities outlined in section 1.1 above, the Senior Customer Program Analyst performs the following incremental duties:

- Facilitates meetings and liaises with other departments within the Company and vendors to facilitate Customer Choice operations. (Weekly 2-6 hours)
 - Advocates for the Customer Choice Program to ensure the Program is in good working order
 - Coordinated project team to ensure Customer Choice was included in the plans for amalgamation of Vancouver Island and Whistler and the support infrastructure to run the Program was in place for enrolments starting August 1, 2015
- Coordinates, prepares and consolidates content for Customer Choice regulatory filings annually from development through editing and approvals. (Monthly 12 to 150 hours)
 - Liaises with FEI regulatory department and management staff on development and review of regulatory filings and prepares draft documents for review and oversees document through timely filing
- Assists Manager, Customer Programs and Research with the preparation of annual operating budget and ongoing cost control analysis. (Monthly 4-12 hours)
 - Monthly review and variance explanation and recommends adjustments to year-end forecast as necessary
- Develops the framework for customer migration forecasts for use in the production of gas supply forecasts and rate applications (Monthly 4-12 hours)
 - Run and review migration forecasting report monthly
 - Liaise with Energy Supply group to contribute to annual contracting plan report and support their gas supply planning each month
 - Quarterly analysis of forecasted vs. actual migration
- Liaises with the Manager, Gas Marketing Programs at the BCUC to provide assistance with technical support, Program rules, disputes, reporting, and general questions. (Monthly 4-12 hours)
- Coordinates the development of business cases and the evaluations of vendors' statements of work. (Annually 37.5 – 75 hours)
- Coordinates the work of vendors and consultants as required. (Weekly 5-10 hours)

1.2 Detailed Explanation for the Costs incurred Each Year

In Table 1 below, FEI provides a detailed explanation for the costs that have been incurred each year from 2008 to 2015. This information supplements what was earlier submitted and identified as Table 1 in Exhibit B-1-3.

Table 1: Program Administration Detailed Costs 2008 to 2015

| Program Administration | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Management support | 70,942 | 87,601 | 52,457 | 91,992 | 81,506 | 45,234 | 38,997 | - |
| Program Admin Staff | - | 61,924 | 155,714 | 131,363 | 152,285 | 160,122 | 163,033 | 172,522 |
| Admin Staff benefit loading | - | 10,477 | 35,273 | 39,886 | 58,263 | 47,288 | 75,203 | 93,178 |
| Expenses | 277 | 6,529 | 7,409 | 22,388 | 10,278 | 4,571 | 6,990 | 8,324 |
| Miscategorized expense | | - | - | - | 925 | - | - | - |
| Total | 71,219 | 166,531 | 250,853 | 285,629 | 303,257 | 257,215 | 284,223 | 274,024 |

As is shown in Table 1, the majority of costs have been for management, Program admin staff (analysts) and their associated benefit loading. There has been a significant increase in the 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% of the total increase to the benefit loading allocation. These amounts are not influenced by FEI directly, but rather determined by actuarial analysis.

Table 2 below displays the number of analysts employed and the percentage of management time allocated to the Customer Choice Program for the years 2008 through 2015. The Senior Customer Program Analyst position was created in 2015.

Table 2: Customer Choice Program Staff Breakdown

| Labour | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------------|------------|------------|------------|-------------|------------|------------|------------|----------|
| Analyst/Senior Analyst ~ FTE | 0 | 0.9 | 2.2 | 1.8 | 2 | 2 | 2 | 2 |
| Mgmt ~ FTE | 0.7 | 0.8 | 0.5 | 0.85 | 0.7 | 0.4 | 0.3 | 0 |
| Total | 0.7 | 1.7 | 2.7 | 2.65 | 2.7 | 2.4 | 2.3 | 2 |
| Management % of Program Admin | 100% | 53% | 21% | 32% | 27% | 18% | 14% | 0% |

FEI notes that in the period from 2007 to 2009, resources from various departments (energy supply, regulatory, research) were assisting with the Program in addition to dedicated Customer Choice Program staff.

1.3 Impact of reducing frequency of task completion

This section addresses the request to provide “An explanation of the impact of reducing the frequency of performance of tasks by the analysts.”

FEI maintains that a reduction in the frequency of tasks performed by the Customer Choice Senior Customer Program Analyst and Customer Program Analyst would result in

degradation in overall service, and the Program's systems and data, resulting in an erosion of FEI customer and marketer confidence and satisfaction.

However, if a reduction in Program communications is approved as discussed in Section 3 below, some tasks can be eliminated and the Company expects some further labour savings may be achievable. If a reduced communication budget is approved, FEI can reduce the total labour cost allocated to the Program. This cost reduction will be achieved by the Customer Program Analyst allocating approximately 30% of person hours worked to other tasks outside of Customer Choice. FEI will summarize the savings that materialize in future annual reports. Importantly, this approach will ensure that the current timeliness of Customer Choice support does not erode.

2 BCUC Costs

This section addresses the requests to provide “A copy of the information provided by the BCUC to FEI outlining BCUC costs for use in the Application and any further information the BCUC is able to provide to facilitate a cost review.”

The additional information provided by BCUC staff to facilitate the cost review is included in Appendix A: BCUC Expenditures. FEI suggests that in future more detail be provided on invoices such that FEI can provide this type of more detailed information in its annual reporting to the BCUC.

3 Customer Education

This section addresses the request to provide “An explanation of costs to maintain a Customer Choice program informational presence on the FEI website and make the Standard Informational Booklet available.”

The Company continues to believe that Customer Choice communications are an important consumer protection activity. As stated in the original Program CPCN, the objectives of the customer education plan include the following:

- a. raise awareness of Unbundling and create a general understanding of the concept to the majority (above 85%) of residential customers; and
- b. provide all interested customers with ready access to the information they need to make a knowledgeable decision when selecting a commodity supplier.¹

Realistically, the proposed communications expenditure of \$225 thousand² is insufficient to address objective a. above. 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

¹ Commodity Unbundling Project for Residential Customers, April 13, 2006, page 57.

² Exhibit B-6, response to BCUC IR 1.9.1

believes that some communications should continue at a lower expenditure level to ensure consumers have ready access to unbiased Program information. This access helps FEI continue to fulfill objective b. above, ensuring consumers have ready access to the information they need to make an informed decision about a natural gas commodity supplier.

3.1 Standard Information booklet and fortisbc.com costs

FEI acknowledges the BCUC’s position regarding the ongoing customer education spending. In particular, on page 25 of Order A-3-16, the Panel notes that, “given the lack of customer uptake and FEI’s admission there is no longer a need to generate customer awareness, the Panel recommends that FEI reconsider this expenditure or at least solicit the support of the gas marketers before proceeding with additional expenditures.”³

In light of the more limited communication objectives (i.e., excluding objective a. above in relation to generating 85% consumer awareness in the Program) and the need to reduce costs, the Company proposes to decrease the education expenditure by \$185 thousand, from the previously recommended \$225 thousand in 2017, to \$40 thousand. This amount will fund \$10 thousand to cover the anticipated re-print costs for the Standard Information Booklet; and the remaining \$30 thousand will be used to fund search engine optimization (SEO). SEO will help safeguard consumers in the FEI service territory who search online for terms such as “gas marketer,” or “Customer Choice,” by displaying the link to fortisbc.com/choice in their search results. No incremental costs are associated with the maintenance of Customer Choice content on fortisbc.com. FEI proposes to discontinue Customer Choice communication in newspapers, magazines, FEI newsletters, radio, television, and digital media (i.e., other than SEO) for 2017.

The proposed adjustments to communication expenditures are provided in Table 3.

Table 3: Communication Budget Expenditures

| Channel | Original Budget (000’s) | Proposed expenditure (000’s) |
|--------------|-------------------------|------------------------------|
| Digital | \$125 | \$30 |
| Radio (ESL) | \$50 | \$0 |
| Print | \$50 | \$10 |
| Total | \$225 | \$40 |

Reducing communication activities will also help FEI drive some labour efficiency as detailed in sections 1.1 and 1.1.2 above by reducing the Analyst’s efforts on Customer Education to approximately 40-60 hours per year.

³ BCUC, Project No. 3698874/Order A-3-16, Customer Choice Program Cost Recovery Application, page 25.

3.1.1 Gas marketer feedback

To help inform this decision to propose a reduction to communication expenditures, FEI requested feedback from gas marketers. Those gas marketers who responded were fully supportive of the recommendation. Their positions are summarized in Table 4 below.

Table 4: Gas Marketer Feedback

| | Gas Marketer | Agree | Disagree | Comments |
|---|-----------------------------|---|----------|--|
| 1 | Access Gas Services Inc. |  | | Access Gas Services Inc. supports reducing the education expenditure as proposed. |
| 2 | Direct Energy Marketing Ltd |  | | Direct Energy is okay with FEI's proposal to reduce education expenditures by \$185,000, from the previously recommended \$225,000 in 2017, to \$40,000. Thanks for the opportunity to provide comments on this matter. |
| 3 | Just Energy |  | | Just Energy (B.C.) Limited Partnership is agreeable to reducing education expenditures by \$185,000, from the previously recommended \$225,000 in 2017, to \$40,000. |
| 4 | Planet Energy | | | No feedback received |
| 5 | Summitt Energy BC |  | | Summitt supports this proposal. |
| 6 | Bluestream Energy | | | No feedback received |

3.2 Treatment of customer education expense during PBR

This section addresses the request to provide “An explanation of how the customer education costs were charged to PBR and how this links to the additional \$200 thousand requested.”

As explained in the response to Exhibit A2-1, Undertaking No. 1, “In the 2013 Base O&M for PBR, there was \$300 thousand included for Customer Choice Education costs, which are recovered from non-bypass ratepayers through FEI’s delivery rate. This was the 2013 Approved amount; the actual amounts for 2013 did not affect the PBR Base O&M since the Base O&M was set based on the Approved. Since 2013, this amount has escalated in the formula O&M each year of the PBR and has been included in delivery rates as follows.”⁴

FEI has re-produced the table from that response below and included the 2017 forecasted amount using the net inflation factor increase requested in the October 5, 2016 Evidentiary Update for the FEI Annual Review of 2017 Rates Application.

⁴ Exhibit A2-1 Information Request from the SRP, pg 1, line 22-26

Table 5: Customer Choice O&M Included in PBR Formula O&M

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017 (Fcst)</u> |
|----------------------|-------------|-------------|-------------|-------------|--------------------|
| Customer Choice O&M | \$ 300,000 | \$ 301,863 | \$ 304,326 | \$ 307,488 | \$ 310,554 |
| Net Inflation Factor | | 100.621% | 100.816% | 101.039% | 100.997% |

While FEI’s proposal for Customer Choice Education costs (the costs included in the Base O&M) for 2017 are now only \$40 thousand as shown in Table 3 above, there are additional costs to be borne by non-bypass natural gas customers based on Order A-9-16. To illustrate this, FEI provides the table below which uses the forecast of 2017 Total Program Costs from Table 7 and the percentage splits between non-bypass customers and marketers as determined in Order A-9-16.

Table 6: 2017 Forecasted Program Costs

| | Total | Non-Bypass Customers | | Gas Marketers | |
|------------------------------|--------------|----------------------|-------------|---------------|--------------|
| | | % of Total | \$ of Total | % of Total | \$ of Total |
| Customer Education | \$ 40,000 | 80% | \$ 32,000 | 20% | \$ 8,000 |
| BCUC | 120,000 | 40% | 48,000 | 60% | 72,000 |
| System Infrastructure | 112,000 | 100% | 112,000 | 0% | - |
| Operating | 80,000 | 50% | 40,000 | 50% | 40,000 |
| Administration | 229,000 | 50% | 114,500 | 50% | 114,500 |
| Total Program Costs | \$ 581,000 | | \$ 346,500 | | \$ 234,500 |
| Recovery through Formula O&M | (310,554) | | (310,554) | | - |
| Gas Marketer Recoveries | (406,000) | | - | | (406,000) |
| Under/(Over) Recovery | \$ (135,554) | | \$ 35,946 | | \$ (171,500) |

The table above shows that the portion of total Program costs incurred that is to be allocated to non-bypass customers is forecasted to exceed the amount recovered from non-bypass customers through formula O&M by approximately \$36 thousand. The additional \$200 thousand requested increase to Base O&M was based on a similar calculation as the one above, using 2014 through 2016 actual/projected costs. However, given the decrease in total Program costs forecasted for 2017 and the changes to the allocation method as set out in Order A-9-16, FEI no longer requires the additional \$200 thousand increase to the Base O&M. Instead, the \$36 thousand variance shown above would now be captured in the PBR O&M sharing calculation and the additional costs shared equally between FEI and non-bypass customers. FEI will be incented to reduce this variance in future years to create savings for both the utility and customers.

For completeness in explaining the results from the table above, FEI also notes the approximate \$171 thousand forecasted 2017 over-recovery from marketers would be returned to gas marketers in the following year through the Marketer Cost Variance deferral account approved in Order A-9-16.

4 Infrastructure Sustainment

4.1 Infrastructure sustainment labour allocations

This section addresses the request to provide “An explanation of why infrastructure sustainment was adequately maintained in 2015 despite staff vacancies but require additional costs to be attributed to it once the vacancies have been filled.”

The reported costs for 2015 were understated due to an error in allocating time to the Program, which was discovered upon management review of the infrastructure sustainment costs for the Customer Choice Cost Recovery Application. Due to vacancies not filled until year end 2015 and early 2016, support for the Customer Choice Program was redistributed amongst the remaining staff but costs were not correctly allocated to the Program. Therefore, there are no additional costs required in 2016 and beyond; if the 2015 costs were corrected, the same cost level would have been maintained.

FEI notes that the cost for infrastructure sustainment was originally determined through an analysis of the key processes and resources required to sustain the systems and interfaces required to support the Program. This determined the base cost associated with the Program and was expected to remain constant over time. In the future, based on experience over the life of the Program, FEI will set the infrastructure sustainment cost at a fixed amount. This fixed amount would be revised only in cases where material changes to the Program are required.

4.2 Sustainment costs in light of lower Program participation

This section addresses the request to provide “An explanation of why no sustainment cost savings are possible given the number of Customer Choice program customers continues to decline.”

Although the number of customers participating in the Program continues to fall, FEI does not anticipate lower sustainment costs since almost all activities are not dependent on the number of customer participating in the Customer Choice program.

Sustainment costs are determined by the time and effort required to keep all of the processes, systems and interfaces operational. These costs do not vary based on participation volume. These costs are fixed and would only change if there are material changes to the design of the Program. The activities associated with Customer Choice operations include on-going system maintenance requirements such as data and infrastructure monitoring of systems and interfaces used solely to support the Customer Choice Program.

The tasks below associated with ongoing system maintenance have no direct relationship to participation levels of Customer Choice and are directly related to the overall system infrastructure in place at FEI used for Customer Choice.

- Hardware upgrades
- Operating systems upgrades

- Server patching for vendor changes and security compliance
- Code changes to support technical upgrades
- Investigation and resolution of data synchronization issues
- Interface monitoring and responding to alerts

5 FEI Recommendation

FEI has demonstrated effective management of the Customer Choice Program and has continued to seek cost efficiencies where possible. In Table 7 below, FEI provides its 2016 year end forecast (YEF) and its 2017 Budget, as compared to 2015 actual results. The 2017 Budget is \$581 thousand.

The 2016 YEF is higher than 2015 by \$13 thousand, although this variance is overstated due to the fact that certain System Infrastructure costs were not recorded in 2015 as discussed above. Although FEI was able to achieve significant savings in the Technology Sustainment category, these savings were offset by incremental expenses for the Customer Choice Cost Recovery proceeding. In the area of Technology Sustainment, FEI was able to reduce the support costs by an estimated \$100 thousand. This was achieved by restructuring the Fujitsu support contract as well as changing the KnowledgeTech service agreement to a time and materials support model.

Table 7 shows a large planned decrease in the 2017 Budget. The lower Program Administration costs are attributable to lower benefit loading costs in 2017 versus 2016. Potential cost savings due to the proposed labour savings of 0.30 FTE have not been accounted for in the 2017 Administration budget at this point. In the System Infrastructure category, FEI has decreased the budget as a result of a review of the contact centre reporting on call codes and billing operations hours worked.⁵ For 2016, the projected number of Customer Choice related calls is down by 20% and billing support is down more than 50%. BCUC costs are expected to be lower in 2017 as this proceeding will be complete and due to the BCUC's commitment to reduce Program labour by 0.25 Full-Time Equivalent (FTE). Finally, Customer Education costs have been reduced to \$40 thousand as discussed above.

Table 7: Customer Choice Total Program Costs (\$)

| Description | 2015 | 2016 YEF | 2017 Budget |
|-------------------------------|---------|-----------|-------------|
| Administration | 274,024 | 265,000 | 229,000 |
| Technology Sustainment | 175,769 | 70,000 | 80,000 |
| System Infrastructure | 99,882 | 130,000 | 112,000 |
| BCUC | 175,771 | 237,000 | 120,000 |
| Customer Education | 263,893 | 300,000 | 40,000 |
| Total Program Costs | 989,339 | 1,002,000 | 581,000 |

⁵ Response to BCUC IR 1.7.3, pg 24 dated July 7, 2016

5.1 Service Fees Approval

FEI requests confirmation from the BCUC that the service fees as set out on page 39 of the Application⁶ and reproduced below are approved as proposed. The services fees were not specifically addressed in Order A-9-16 although the \$3 thousand expenditure to implement the system changes was approved.

Service Fees:

- **Marketer Price Group Set-up Fee:** This is a per-use, one-time fee to set-up a new Marketer price group. The effort required to set up a price group includes 0.5 hours configuration time at \$100 per resource hour, 0.5 hours testing time at \$50 per resource hour, and 0.5 hours approval time at \$100 per resource hour. The fee would be set at \$125 per setup request.
- **Confirmation Letter Fee:** This is an existing variable fee charged for each confirmation letter sent to a newly enrolled Customer Choice customer. FEI proposes to retain this fee. However, based on FEI's in-depth review of Program costs the fee should fall from the currently charged \$1.02 to \$0.87 per confirmation letter. Investigation concludes this charge is a direct flow-through cost from the external vendor of \$0.12 for printing and \$0.75 for postage.
- **Dispute Fee:** This is a variable fee charged at the discretion of the BCUC, for customer-raised disputes where BCUC has ruled against the Marketer. FEI proposes to retain this fee unchanged in the new fee structure, at \$50 per ruled dispute.

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

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Registered Parties

⁶ Application for Customer Choice Cost Recovery – Analysis and Recommendation dated April 14, 2016

Appendix A



VIA EMAIL

gas.regulatory.affairs@fortisbc.com

November 14, 2016

Ms. Diane Roy
Vice President, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Application for Customer Choice Program Cost Recovery
Compliance Filing Pursuant to Order A-9-16

In the decision issued concurrently with Order A-9-16, from the FortisBC Energy Inc. (FEI) Customer Choice Program Cost Recovery proceeding, the British Columbia Utilities Commission (Commission) directed:

...the Panel finds that an assessment of Customer Choice program costs and any decision as to whether to increase the PBR [Performance Based Ratemaking] base O&M [Operating and Maintenance] amount is more appropriately made through a separate regulatory process. Depending on the outcome of this separate regulatory process it will be determined whether a recommendation to increase the base O&M recovered under PBR is warranted.

To add to the evidentiary record and facilitate the cost review process, the Panel directs FEI to file within a period of 30 days following this decision the following information as a compliance filing:

- [Specific FEI program costs]; and
- BCUC costs including:
 - A copy of the information provided by the Commission to FEI outlining BCUC costs for use in the Application.
 - Any further information the BCUC is able to provide to facilitate a cost review.

In order to facilitate compliance with the above-noted directive, the Commission is providing the following information.

Request 1: Information outlining Commission costs for use in the Application

By letter dated November 18, 2015, FEI requested a breakdown of the Commission expenditures charged to the Customer Choice program by specific functions. The Commission provided the information for the years 2012-2014 to FEI by letter dated January 22, 2016. Please find a copy of this filing enclosed.

Request 2: Any further information the Commission is able to provide to facilitate a cost review

The Commission is able to provide further information on its 2015 costs, which were not previously filed with FEI, and information on how the Commission could potentially reduce its program costs.

1. The Commission's program costs for calendar year 2015, by the specific functions, previously requested by FEI:

2015 Customer Choice Program Expenditures

| Function | Cost (\$) |
|---|--------------------------|
| Annual Program Administration | 93,914.62 |
| Annual Regulatory Proceeding | |
| <i>Annual General Meeting</i> | 37,824.70 |
| <i>Commission Decisions</i> | - |
| <i>External/expert consultation</i> | - |
| Subtotal | 37,824.70 |
| Annual Dispute Resolution | |
| <i>Handling, Administration and Investigation</i> | 27,994.476 |
| <i>Adjudication</i> | 3,734.19 |
| Subtotal | 31,728.67 |
| <u>TOTAL</u> | <u>163,467.99</u> |

2. Information on how the Commission could potentially reduce its program costs.

While the cost categories requested by FEI are useful, Commission costs can also be broken down into the following categories: commissioner; legal services; commission staff; and other costs. The tables below show Commission costs broken down by these categories.

BCUC Costs by Staff, Legal, Commissioner and Other

| Year | Total | Staff | Commissioner | Legal | Other |
|------|-----------|-----------|--------------|----------|---------|
| 2015 | \$163,467 | \$139,972 | \$5,440 | \$11,230 | \$6,824 |
| 2014 | \$144,558 | \$134,648 | \$1,378 | \$2,869 | \$5,661 |
| 2013 | \$164,106 | \$155,960 | \$1,050 | \$2,008 | \$5,087 |
| 2012 | \$251,479 | \$228,611 | \$3,740 | \$12,729 | \$6,398 |

BCUC Cost Categories as a Percentage of Total Costs

| Year | Total | Staff | Commissioner | Legal | Other |
|------|-----------|-------|--------------|-------|-------|
| 2015 | \$163,467 | 86% | 3% | 7% | 4% |
| 2014 | \$144,558 | 93% | 1% | 2% | 4% |
| 2013 | \$164,106 | 95% | 1% | 1% | 3% |
| 2012 | \$251,479 | 91% | 1% | 5% | 3% |

Staff costs are an area for potential cost reduction. Staff costs comprised an average of 90 percent of program costs between 2012 and 2015. Commission staff work relates primarily to program administration and handling, administering and investigating disputes. Much of the program administration work is not dependent on program enrollment as it is related to administering the Customer Choice program in general. However, workload related to disputes is more dependent on program enrollment. Program enrollment has decreased since 2012 which has resulted in a reduction in program administration work, albeit small, and a reduction in work related to disputes. The Commission reduced staff costs considerably from 2012 to 2013, but see an opportunity to reduce costs further (due to the decreased workload resulting from declining program enrollment) by reducing approximately 0.25 of a staff Full-Time Equivalent (FTE) from the Customer Choice program. Based on 2015 staffing costs, this would result in approximately \$30,000 in annual cost savings to the Customer Choice program.

Given that the legal, commissioner and other costs have consistently comprised a relatively low percentage of the total Commission costs and are primarily tied to proceedings such as the Annual General Meeting, there does not appear to be an opportunity to commit to a reduction in these costs going forward. While a portion of these costs are related to dispute adjudication, which as discussed above, has reduced with declining program enrollment, the commissioner and legal costs related to dispute adjudication can be unpredictable as they are driven by individual cases; further reason why it is difficult to commit to cost reduction in these areas. The Commission will continue to manage these costs effectively for the work for which it is required.

Yours truly,



Laurel Ross

KC/nd
Enclosures



VIA EMAIL

gas.regulatory.affairs@fortisbc.com

January 22, 2016

Ms. Diane Roy
Director, Regulatory Affairs
FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Dear Ms. Roy:

Re: FortisBC Energy Inc.
Request for BC Utilities Commission Customer Choice program cost data

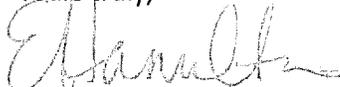
We are in receipt of your letter dated November 18, 2015 requesting a breakdown of the British Columbia Utilities Commission (Commission) expenditures charged to the Customer Choice program for the years 2010 to 2015.

As explained in our letter dated December 14, 2015, the Commission is unable to provide the requested information for the years 2015, 2011 and 2010 because the Commission adopted a new financial IT system in 2012 and financial data at the level of detail requested for the years prior to the adoption of the new system is not readily accessible. Regarding 2015, the requested information is not available as the year has only just concluded.

Please find the information requested for the years 2012, 2013 and 2014 attached.

Of note is that the Commission's annual totals of expenditures charged to the Customer Choice program do not match FEI's annual totals as reported in the FEI 2014 Customer Choice Seventh Annual General Meeting Customer Choice Program Statistics. The differences are likely due to a number of factors including that the Commission's fiscal year differs from FEI's. The Commission provided the expense information in FEI's calendar format and recasting the data caused some variances.

Yours truly,



Erica Hamilton

KC/cms
Enclosure

cc: Registered Parties to the Customer Choice 7th Annual General Meeting

British Columbia Utilities Commission

Customer Choice Program Expenditures: 2012 to 2014

Table 1: 2014 Customer Choice program expenditures

| Function | Cost (\$) |
|---|--------------------------|
| Annual Program Administration | 88,882.20 |
| Annual Regulatory Proceeding | |
| <i>Annual General Meeting</i> | 26,206.37 |
| <i>Commission Decisions</i> | - |
| <i>External/expert consultation</i> | - |
| Subtotal | 26,206.37 |
| Annual Dispute Resolution | |
| <i>Handling, Administration and Investigation</i> | 26,929.66 |
| <i>Adjudication</i> | 2540.09 |
| Subtotal | 29,469.75 |
| <u>TOTAL</u> | <u>144,558.32</u> |

Table 2: 2013 Customer Choice program expenditures

| Function | Cost (\$) |
|---|--------------------------|
| Annual Program Administration | 100,043.66 |
| Annual Regulatory Proceeding | |
| <i>Annual General Meeting</i> | 28,484.28 |
| <i>Commission Decisions</i> | - |
| <i>External/expert consultation</i> | - |
| Subtotal | 28,484.28 |
| Annual Dispute Resolution | |
| <i>Handling, Administration and Investigation</i> | 33,892.33 |
| <i>Adjudication</i> | 1,686.01 |
| Subtotal | 35,578.40 |
| <u>TOTAL</u> | <u>164,106.34</u> |

Table 3: 2012 Customer Choice program expenditures

| Function | Cost (\$) |
|---|--------------------------|
| Annual Program Administration | 139,344.73 |
| Annual Regulatory Proceeding | |
| <i>Annual General Meeting</i> | 38,689.10 |
| <i>Commission Decisions</i> | - |
| <i>External/expert consultation</i> | - |
| Subtotal | 38,689.10 |
| Annual Dispute Resolution | |
| <i>Handling, Administration and Investigation</i> | 64,520.84 |
| <i>Adjudication</i> | 8,924.62 |
| Subtotal | 73,445.46 |
| <u>TOTAL</u> | <u>251,479.29</u> |

Table 4: Customer Choice program cost details

| Function | Cost Inputs |
|---|---|
| Annual Program Administration | Assume 65% BCUC Salaries allocation ¹ Legal costs related to annual program administration General administration costs (e.g. courier) |
| Annual Dispute Resolution | |
| • 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 |
| • Adjudication | Commissioner costs for work performed regarding adjudicated disputes Legal costs for work performed regarding adjudicated disputes |
| Annual Regulatory Proceeding Costs | |
| • Annual General Meeting (AGM) | Assume 15% BCUC Salaries allocation Allwest Court Reporting costs (Hearing Room rental, transcription, etc.) Commissioner costs for work performed for AGM Legal costs for work performed for AGM External/expert consultation costs for work performed for AGM |
| • Commission Decisions | None – the only Commission Decision expenditures charged to FEI are those related to the Annual General Meeting |
| • External/expert consultation | None – any external/expert consultation expenditures charged to FEI are covered under Annual Dispute Resolution and Annual General Meeting, as applicable |

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 three year reporting period: 65% towards annual program administration; 20% towards annual dispute resolution; and 15% towards Annual General Meeting proceedings.

Average Annual Cost per Dispute: 2012 to 2014

The tables below outline: the BC Utilities Commission's average annual cost per dispute, by dispute type and year; and the average annual dispute cost inputs.

Table 1: Average annual cost per dispute, by dispute type and year

| | 2012 | 2013 | 2014 |
|---------------------|----------|----------|----------|
| STANDARD | | | |
| • Avg. cost | \$196.02 | \$201.07 | \$267.07 |
| • Total filed | 322 | 139 | 85 |
| CANCELLATION | | | |
| • Avg. cost | \$8.96 | \$13.41 | \$46.11 |
| • Total filed | 1145 | 569 | 146 |

Table 2: Average annual dispute cost inputs

| Dispute type | Inputs |
|--------------|--|
| Standard | $\frac{[15\% \text{ BCUC Salaries}^2 + \text{External/expert consultation costs}^3 + \text{Adjudication costs}^4]}{\text{Number of standard disputes filed in calendar year}}$ |
| Cancellation | $\frac{5\% \text{ BCUC Salaries}^5}{\text{Number of cancellation disputes filed in calendar year}}$ |

² Of the total 20% of BCUC Salaries allocated to annual dispute resolution, as shown in Table 4 of the preceding section, assume 15% related to work performed for standard disputes.

³ Assume all external/expert consultation costs for work performed related to annual dispute resolution, as outlined in Table 4 of the preceding section, is related to standard disputes.

⁴ Adjudication costs are comprised of Commissioner costs and legal costs for work performed for adjudicated disputes, as shown in Table 4 of the preceding section.

⁵ Of the total 20% of BCUC Salaries allocated to annual dispute resolution, as shown in Table 4 of the preceding section, assume 5% related to work performed for cancellation disputes.



POSITION DESCRIPTION

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

JOB TITLE:
Manager, Gas Marketing Programs

DEPARTMENT:
Policy, Planning and Customer Relations

JOB TITLE OF
IMMEDIATE SUPERVISOR
Director

PROGRAM:

The BCUC is a quasi-judicial regulatory agency whose mandate is to ensure that industries and residents of BC receive safe, reliable and non-discriminatory energy services at fair rates; that utility shareholders are afforded a reasonable opportunity to earn a fair return on their invested capital; and that regulated monopolies operate in accordance with the public interest. As part of its service, FortisBC offers the Customer Choice program under which consumers may purchase their gas from gas marketers.

PURPOSE OF POSITION:

Reporting to the Director, Policy, Planning and Customer Relations, the Manager of Gas Marketing Programs is responsible for overseeing the provision of regulatory and policy expertise in the analysis and regulation of Gas Marketers, and for facilitating the decision making process for customer complaints, disputes and the annual licensing application process.

The Manager's role is to be forward looking and outward facing, building effective relationships with Gas Marketers to ensure that BC residents' needs are managed fairly and that the Customer Choice program evolves in line with the Commission's Strategic Direction.

Duties involve ensuring the smooth administration of the Gas Marketing Programs; developing and maintaining key working relationships with Utilities, Gas Marketers, industry and other primary stakeholders; actively monitoring other jurisdictions to identify proceedings and legal decisions that are relevant to the Programs; managing the process of annual licensing of Gas Marketers; ensuring Gas Marketers' compliance with Commission rules and individual licence requirements; managing investigations into Gas Marketer activities; and the coordinating work for assigned staff and contractors retained for a specific project.

The Manager is responsible for overseeing the review and analysis of complaints, disputes and compliance inquiries; ensuring the complaint and dispute processes functions in an efficient and transparent manner; developing and improving processes and procedures internally and externally; and developing metrics to track the performance of the Programs.

Duties support the fulfillment of the Gas Marketing/Customer Choice component of the Commission's mandate. As such, the position requires a detailed knowledge of the Utilities Commission Act (UCA), the

Administrative Tribunals Act, Freedom of Information and Protection of Privacy Act and Ombudsman Act, as they relate to the Customer Choice program.

SPECIFIC ACCOUNTABILITIES / DELIVERABLES:

- Establishes and maintains currency with the Utilities Commission Act, the Administrative Tribunals Act, Freedom of Information and Protection of Privacy Act and Ombudsman Act (as related to the Customer Choice program)
- Oversees the daily processing of complaints and disputes, ensuring a fair, transparent, inclusive process that encourages well represented input from the Consumer and the Gas Marketer; acts as the escalation point prior to adjudication for complex disputes
- Reviews and processes marketer new and renewal licence applications tracks compliance with the licence conditions, Rules for Gas Marketers and the Code of Conduct and takes appropriate action in case of non-compliance
- Comments and approves all Gas Marketers' customer facing materials and process documentation as soon as changes are made and prior to their commercial distribution and/or use
- Leads the Customer Choice annual review process for the program; canvases the Gas Marketers and other interested parties about issues they would like addressed and assesses and establishes if a meeting is required to address any of the issues
- Enhances access to appropriate information related to the Customer Choice Program by improving availability, navigability, and quality of information on the website, in printed materials and other communications to stakeholders
- As assigned, become involved with other energy related assignments to facilitate broadening of knowledge and capability

NATURE OF WORK AND POSITION LINKS

This position reports to the Director, Policy, Planning and Customer Relations. It functions in a results-oriented environment with frequently changing issues and priorities. To fulfil the responsibilities of the position and achieve the goals and objectives of the BCUC, the Manager must develop and maintain the following relationships:

- Gas Marketers/ FortisBC/ Customer Advocacy Group/Consumers: represents the BCUC as the key liaison; advises on rights and obligations under the Utilities Commission Act, the Code of Conduct and the Rules for Gas Marketers; clarifies issues, identifies process and additional data requirements; proactively facilitates discussion between stakeholders and gas marketers throughout working sessions to resolve issues; represents the BCUC to ensure procedural fairness in the resolution of issues throughout the process
- Contracted CA Firm: schedules compliance audits and obtain/ clarify results
- Other Related North American Regulatory Boards and Associations: exchanges data regarding frequency, scope and magnitude of issues, studies, statistical evidence and approaches to issues
- Legal Counsel: seeks legal opinions on the application of relevant legislation and on rules of procedure(e.g. Code of Conduct, Rules for Gas Marketers)
- BCUC Commissioners: provides subject matter expertise and advice on issues before the commission; prepares draft orders and/or reasons for decisions, reports and/ or recommendations for the approval, modification or rejection (in whole or in part) of license applications and complaint or compliance resolutions; provides assurance on the validity, accuracy, inclusiveness of evidence

Qualifications

Education

Degree in Business Administration, Policy Analysis, Law and/or equivalent;

Experience:

- Experience in an organization that operated in either a legal or regulated environment
- Experience in working with and assessing marketing materials, scripts, training manuals, customer contracts and all other customer facing materials
- Experience with tracking customer statistics, analyzing trends and proposing changes for process improvement
- Experience dealing with the implementation of new/ revised policies , procedures and processes
-

Desirable Experience:

- Experience dealing with the analysis, development and administration of progressive policies , procedures and processes
- Experience providing analysis to senior business, regulatory or government officials

Knowledge

- Knowledge of regulatory processes
- Knowledge of business English including grammar, spelling and syntax
- Demonstrated proficiency in a variety of computer applications (i.e. MS Office suite of products)

Desirable Knowledge

- Understanding of BC government structures, administration and approval processes

Skills and Abilities

- Excellent written and oral communication, presentation/ facilitation and inter-personal skills
- Excellent analytical, judgement, persuasion and consensus building abilities
- Ability to develop and maintain appropriate relationships with colleagues and stakeholders in a quasi judicial/ regulatory environment
- Ability to remain objective and unbiased in face of competing interests from different parties
- Excellent issue management skills
- Excellent attention to detail
- Ability to manage multiple priorities and produce results within deadlines
- Ability to link long-range visions and concepts to daily work
- Ability to maintain confidentiality