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September 21, 2022

Movement of United Professionals
c/o Allevato Quail & Roy, Barristers and Solicitors
405-510 West Hastings St.
Vancouver, BC
V6B 1L8

Attention: Mr. Jim Quail

Dear Mr. Quail:

Re: FortisBC Energy Inc. (FEI)

Annual Review for 2023 Delivery Rates (Application)

Response to Canadian Office and Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP) Information Request (IR) No. 1

On July 29, 2022, FEI filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-240-22 for the review of the Application, FEI respectfully submits the attached response to MoveUP IR No. 1.

For convenience and efficiency, FEI has occasionally provided an internet address for referenced reports instead of attaching lengthy documents to its IR responses. FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties

1.0 INTRODUCTION – EARNING SHARING

Reference: Exhibit B-2 p. 1:

As explained in Section 10.2 of the Application, FEI proposes to distribute $0.377 million in earnings sharing to customers in 2023.

1.1 Please provide the median earnings share per residential account.

Response:

The portion of the $0.377 million earnings sharing that will be distributed to residential customers (RS 1) in 2023 will be approximately $0.232 million. For the median demand per RS 1 customer of 82.4 GJ per year, the equivalent savings to the customer's 2023 delivery rate will be approximately $0.003 per GJ or approximately 23 cents to the 2023 bill. FEI notes the average residential use per customer is 90 GJ per year, which equates to a bill savings of 25 cents for the average residential customer.

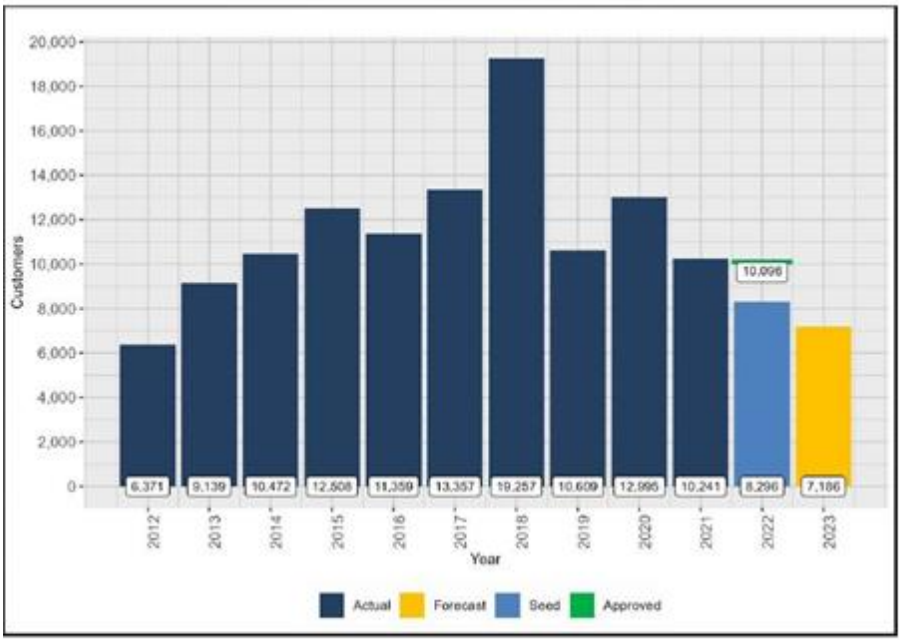
2.0 TOPIC: DEMAND FORECAST

RESIDENTIAL CUSTOMER ADDITIONS

Reference: Ex. B-2, p. 19:

> As shown in Figure 3-2, residential customer additions are forecast to be 1,110 less in 2023F compared to 2022S. Figure 3-2 provides the residential net customer additions for 2012 through 2023.

Figure 3-2: Residential Net Customer Additions



2.1 Does FEI expect to hit a point where annual Residential Net Customer Additions become negative?

2.1.1 If not, please explain.

Response:

Questions regarding FEI's long-term forecasts are more appropriately canvassed in the BCUC's proceeding considering FEI's 2022 Long Term Gas Resource Plan (LTGRP). However, FEI is not forecasting a point during the term of the MRP where annual Residential Net Customer Additions will become negative.

2.2 What are the expected impacts of a declining residential customer base on FEI and on its core customers?

Response:

In general, a declining residential customer base will reduce the overall revenue recovered, thus resulting in higher delivery rates for all of FEI's customers, including residential customers. Such a decline may also result in more costs being allocated to other customer classes as part of future rate design applications. However, as discussed in the response to MoveUP IR1 2.1, FEI is not expecting the residential net customer additions to become negative over the MRP term.

2.3 When (or approximately when) does FEI forecast that this will probably occur?

Response:

Please refer to the response to MoveUP IR1 2.1.

2.4 What measures are FEI taking in the course of the MRP to avoid or delay this development?

Response:

Please refer to Section 3 of FEI's 2022 LTGRP which provides a detailed discussion of FEI's Clean Growth Pathway and 20-year vision (which includes the remaining years of the current MRP and beyond) for a low-carbon energy future where FEI's assets remain used and useful. FEI's Clean Growth Pathway is supported by four key pillars:

- **Pillar 1:** Transitioning to renewable and low-carbon gases to decarbonize the gas supply;
- **Pillar 2:** Investing in DSM programs in support of energy efficiency and conservation measures to reduce energy use among residential, commercial and industrial customers;
- **Pillar 3:** Investing in low-carbon transportation infrastructure to reduce emissions in this sector; and
- **Pillar 4:** Investing in LNG to lower GHG emissions in marine fueling and global markets.

In addition to FEI's plans and vision described above and in more detail in the 2022 LTGRP, FEI has proposed a revised Renewable Gas Program – which is currently being reviewed by the BCUC through the Stage 2 Comprehensive Review and Application for a Revised Renewable Gas Program proceeding. The application includes a proposal that would allow FEI to provide all new residential connections with 100 percent renewable gas to meet Greenhouse Gas Intensity (GHGi) targets imposed by provincial and local governments. New residential connections would be all residential dwellings served by a service line installed on or after the date of implementation of the new residential connections service which FEI anticipates would be January 1, 2024 (the last year of the MRP term). This service would be designed to provide a gas option that would satisfy GHGi targets and other restrictions on new residential construction, thus ensuring customers continue to have a choice for their energy solutions.

2.5 What measures are FEI taking in the course of the MRP to mitigate the impacts of this development on FEI, and on its core customers?

Response:

Please refer to the response to MoveUP IR1 2.4.

INDUSTRIAL DEMAND

Reference: Ex. B-2, p 28:

> As shown in Figure 3-10 below, the demand from the industrial rate schedules is forecast to decrease by approximately 12.3 PJ in 2022S compared to 2021 Actual and to decrease by a further 5.2 PJ in 2023F when compared to 2022S. This decrease in demand is primarily due to FEI's contract with BC Hydro Island Generation (IG) expiring in April 2022, which had a contract demand of approximately 16.4 PJ. BC Hydro IG is now included in the 2023F as a fully interruptible RS 22 customer with a forecast minimum contract demand of 12 TJ per month (or 1.2 PJ per year).

2.6 Has FEI identified other causes of the decrease in industrial demand? If so please provide details.

Response:

FEI notes the aggregate decline of the 2022 Projected and 2023 Forecast industrial demand when compared to 2021 Actual is 17.5 PJ (i.e., 12.3 PJ + 5.2 PJ). As shown in the preamble, 15.2 PJ (i.e., -16.4 PJ + 1.2 PJ) of that aggregate decline is attributable to the BC Hydro Island Generation change while the remaining decline (i.e., 17.5 PJ – 15.2 PJ = 2.3 PJ) is related to the net change in consumption from the rest of the industrial customers that includes over 1,000 customers across a number of rate classes (i.e., RS 4 to 7, 22, 25, 27, Byron Creek, and

VIGJV). FEI analyzed the customers and industry segments that accounted for the remaining 2.3 PJ decline and notes that there are no apparent trends or patterns.

NATURAL GAS FOR TRANSPORTATION AND LNG DEMAND

Reference: Ex. B-2, p 30:

> For non-NGT LNG demand, the 2023 Forecast represents an approximate 2.5 PJ increase from the 2022 Projected volume. FEI continues to have ongoing discussions with multiple potential customers, as global demand for North American LNG remains high as a result of continued easing of COVID-19 pandemic restrictions, geo-political concerns with energy supply from Russia, and rising LNG costs in Asia. While discussions with these potential customers are ongoing, no firm commitments for non-NGT LNG have been made. The main barriers for this demand to materialize continue to be congestion in shipping, and at ports and terminals.
>
> However, potential customers remain optimistic that these barriers can be overcome and remain confident in their ability to take supply in 2022 and beyond. FEI expects to secure firm contracts in 2022 as the winter energy demand in Asia increases.

2.7 To what extent does FEI expect that these elevated demand conditions will persist beyond the Russian invasion of Ukraine (i.e., what is meant by the word “beyond)?

Response:

FEI expects LNG market prices to remain high for the foreseeable future and that LNG will continue to be a large part of the global energy transition over the next decades. The war in Ukraine highlighted some of the difficulties in the current global energy market, and FEI expects countries will continue to diversify their supply and demand for LNG will remain strong.

2.8 Approximately what volumes of LNG, and over what time-periods, does FEI expect for this sales opportunity?

Response:

The 2022 Projection and 2023 Forecast for LNG (non-NGT) volume is 1.188 PJ and 3.691 PJ, respectively. Please refer to Table 3-2 in the Application. Beyond 2023, FEI will continue to market LNG from the Tilbury 1A facility as it is available and expects volumes could remain consistent with the 2023 Forecast over the next three to five years.

As discussed in the response to MoveUP IR1 2.10, RS 46 LNG exports to Asia represent a strong opportunity for FEI to mitigate customer rates by using existing assets. However, FEI also expects the domestic market for LNG will increase substantially within three to five years, specifically for marine LNG bunkering which FEI expects might limit the availability of LNG that can be sold to Asia using ISO-containers.

Opportunities for LNG and LNG export outside of the MRP term are discussed in FEI's 2022 LTGRP.

2.9 What if any capital additions would be required in order for FEI to supply the expected increased demand "in 2022 and beyond"?

Response:

FEI's forecast non-NGT LNG demand can be met with the existing Tilbury LNG resources and no capital additions are required. For a discussion of future capital projects to support longer term increased LNG demand, please refer to FEI's 2022 LTGRP.

For clarity, the capital additions identified in Section 7.2.3.2.1 of the Application for the Tilbury 1A Expansion Project are not newly identified expansions or projects for Tilbury 1A. They are all part of the approved Tilbury 1A Expansion Project authorized by Direction No. 5 to the BCUC as amended by OIC Nos. 557 (2013), 749 (2014), and 162 (2017), with capital expenditures up to $425 million before AFUDC as well as feasibility and development costs.

2.10 To what extent would this expected LNG sales opportunity mitigate the risk of stranded or underutilized domestic distribution assets in the event of a declining core customer base and gas throughput, or the associated risks to core ratepayers? Please discuss.

Response:

FEI's non-NGT LNG demand will help FEI to mitigate the risk of underutilized assets for FEI customers by utilizing the existing Tilbury facility and increasing gas throughput on the transmission system with no incremental capital additions. Based on 2022 Projected and 2023 Forecast volumes, the RS 46 revenue associated with the non-NGT LNG is $6.28 million for 2022 and $19.88 million for 2023.

3.0 TOPIC: SERVICE QUALITY INDICATORS

TELEPHONE SERVICE FACTOR (NON-EMERGENCY)

Reference: Exhibit B-2 p. 173-174:

> Several challenging circumstances were faced in the first quarter of 2022 that have contributed to a year-to-date performance in the non-emergency TSF below threshold. These challenges include higher than normal attrition levels being experienced in the contact centre coupled with rate increases, colder weather and meter reading estimates that resulted in approximately 160 percent more high bill inquiries in the first quarter than the average of the preceding four years. Each of these is described further below.
>
> Customer Service is experiencing higher than expected levels of attrition, having lost 65 Customer Service employees in 2021.89 More than half of the employee exits were in the last half of 2021, resulting in fewer and less experienced employees prepared to support call volumes in the first quarter of 2022. To mitigate the impact of this, FEI accelerated the timing of planned new hire classes as well as the size of new hire classes in both 2021 and 2022.
>
> While some success has been achieved, FEI has continued to face challenges recruiting and retaining newly hired contact centre employees in 2022. In addition, it takes on average approximately 12 months for new 10 employees to be proficient and fully trained in order to support all customer inquiries and calls, and as such, average call handle times remain higher than normal while a greater portion of employees gain this experience.
>
> 89 This is approximately 50 percent more employees than typical. In a typical year, customer service experiences employee attrition in the range of 40-50 employees.

And Reference FortisBC Inc. 2023 Annual Review of Rates, Exhibit B-2, p. 136-137:

> Several challenging circumstances were faced in the first quarter of 2022 that have contributed to a year-to-date performance in the non-emergency TSF below threshold. These challenges include higher than normal attrition levels being experienced in the contact centre coupled with colder weather that resulted in approximately 27 percent more high bill inquiries in the first quarter than the average of the preceding two years. Each of these is described further below.
>
> Customer Service is experiencing higher than expected levels of attrition, having lost approximately 20 percent of its Customer Service Representatives in 2021.67 All exits were in the last half of 2021, resulting in fewer and less experienced employees prepared to support call volumes in the first quarter of 2022. To mitigate the impact of this, FBC accelerated the timing of planned new hire classes as well as the size of new hire classes in both 2021 and 2022. While

some success has been achieved, FBC has continued to face challenges recruiting and retaining newly hired contact centre employees in 2022. In addition, it takes on average approximately 12 months for new employees to be proficient and fully trained in order to support all customer inquiries and calls, and as such, average call handle times remain higher than normal while a greater portion of employees gain this experience.

> 67 On average, FBC has approximately 20 customer service representatives, and 4 left the organization in the latter part of 2021. This compares to typical annual attrition in the range of 1-2 customer service representatives from the organization.

And Reference: BCLRB Decision No. 126/2020, *FortisBC Inc. and FortisBC Energy Inc. -and- Canadian Office and Professional Employees Union, Local 378*, posted at https://www.canlii.org/en/bc/bclrb/doc/2020/2020bclrb126/2020bclrb126.pdf

3.1 Please confirm that Canadian Office and Professional Employees Union, Local 378 is MoveUP.

Response:

It is confirmed that the Canadian Office and Professional Employees Union, Local 378 is known as the Movement of United Professionals, or 'MoveUP'.

3.2 Please confirm that FEI and FBC jointly (as a single "common employer" entity under section 38 of the BC *Labour Relations Code*) employ a consolidated bargaining unit of customer service employees, who operationally work as a single workforce serving both the gas and electric utility and their customers, and also jointly employ a consolidated bargaining unit of administrative and professional employees (i.e., all other employees represented by MoveUP), who operationally work as a single workforce serving both the gas and electric utility and their customers.

3.2.1 If not confirmed, please explain.

3.2.2 In particular, has the Common Employer discontinued operating a single integrated Customer Services Department, or a single integrated Administrative and Professional workforce, for the two utilities? If so please provide particulars.

Response:

It is confirmed that FEI and FBC jointly operate as a consolidated work unit in support of the Companies' Customer Service operations and that the Companies continue to jointly service their Customer Service operations as an integrated unit.

Reflecting that the nature of the work is different in Customer Service, this occurs under a separate and distinct bargaining unit from the rest of the Organization. While employees in the MoveUP Customer Service Centres bargaining unit may be supporting both gas and electric work, each employee is identified as either an FEI or FBC employee and any use of gas employees to perform electric work or support, and vice versa, are appropriately accounted for in accordance with the shared services policy.

3.3 How many persons did the Common Employer employ in each bargaining unit as of December 31, 2020?

Response:

FEI interprets the reference to each bargaining unit in the question to mean the two separate and distinct MoveUP bargaining units: the MoveUP Customer Service Centres bargaining unit and the MoveUP Administrative and Professional bargaining unit.

There were 233 employees within the MoveUP Customer Service Centres bargaining unit as of December 31, 2020.

There were 578 employees within the MoveUP Administrative and Professional bargaining unit as of December 31, 2020.

3.3.1 How many did it employ in each bargaining unit as of July 31, 2022?

Response:

There were 247 employees in the MoveUP Customer Service Centres bargaining unit as of July 31, 2022.

There were 609 employees in the MoveUP Administrative and Professional bargaining unit as of July 31, 2022.

3.4 Please explain the disparity between footnote 89 in the FEI Exhibit B-2 and footnote 67 in the FBC Exhibit B-2.

Response:

MoveUP customer service employees are hired into the organization as an employee of either FEI or FBC. As such, the 2021 attrition data of 65 MoveUP employees in FEI and 4 MoveUP employees in FBC, reflect a combined attrition of 71 MoveUP employees from Customer Service in 2021.

In that regard, footnote 89 in FEI's Annual Review Application (Exhibit B-2) and footnote 67 in FBC's Annual Review Application (Exhibit B-2) represent attrition information that each Company believed to be most relevant to the context of the paragraph and service level results for each Company. In both cases, the figures represent the total MoveUP customer service employee exits attributable to each organization; however, in FBC all of the exits were customer service representatives. Therefore, in the case of FBC a comparison to total customer service representatives helps provide better context around the potential relative impact to frontline customer support.

In addition, slightly different attrition patterns were experienced with MoveUP customer service employees in FEI and FBC and those different patterns are highlighted in the Application for each Company. In the case of FEI MoveUP customer service employees, attrition was experienced throughout the year, with the majority occurring in the latter half of the year. In the case of FBC MoveUP customer service employees, all 4 of the employee exits occurred in the last half of the year. The timing and volume of attrition are factors in potential impacts on various service levels, including the recovery period.

3.5 Please explain the disparity between the statement in this proceeding that "Customer Service is experiencing higher than expected levels of attrition, having lost 65 Customer Service employees in 2021" and the statement in the FBC proceeding that "Customer Service is experiencing higher than expected levels of attrition, having lost approximately 20 percent of its Customer Service Representatives in 2021."

Response:

Please refer to the response to MoveUP IR1 3.4.

3.6 Please explain the disparity between the statement in this proceeding that “More than half of the employee exits were in the last half of 2021” and the statement in the FBC proceeding that “All exits were in the last half of 2021.”

Response:

Please refer to the response to MoveUP IR1 3.4.

3.7 Please provide a table showing the number of resignations (including retirements) by Customer Service Representatives in each quarter of calendar years 2019, 2020, 2021 and 2022 to-date. If FEI is taking the position that the utilities have separate and discrete customer service workforces, please provide a separate table for each utility.

Response:

Please refer to the table below for the number of Customer Service Representative resignations (including retirements) by quarter for the years in question. The Company is not taking the position that the utilities have separate and discrete customer service workforces; however, as described in the response to MoveUP IR1 3.4, FortisBC has provided the information reflecting whether the customer service representative was hired under FEI or FBC to be comparable to the attrition information provided in each respective annual review application.

FEI Quarterly Customer Service Representative Resignations (2019-2022)

	Q1	Q2	Q3	Q4	Total
2019	11	9	7	9	36
2020	6	9	5	10	30
2021	12	9	23	14	58
2022	5	25	N/A	N/A	30

FBC Quarterly Customer Service Representative Resignations (2019-2022)

	Q1	Q2	Q3	Q4	Total
2019	2	1	1	2	6
2020	1	1	2	2	6
2021 [1]	0	2	0	2	4
2022	2	3	N/A	N/A	5

Note to table:

The second quarter resignations occurred in late June and as such, were categorized as occurring in the latter part of the year in the Application.

3.8 Please provide a table showing the annual workforce percentage rate of resignations (including retirements) of FortisBC Common Employer employees for each of its two MoveUP-represented bargaining units in each of 2019, 2020, 2021 and 2022 to-date.

Response:

Please refer to the table below for annual resignations and retirements expressed as a percentage of total employees for bargaining units represented by MoveUP for the years requested:

	2019	2020	2021	2022 (as of August)
MoveUP – Gas [1]	6.05%	N/A	N/A	N/A
MoveUP - Electric[1]	1.50%	N/A	N/A	N/A
MoveUP[1]	N/A	3.50%	7.40%	7.10%
MoveUP CSC	28.80%	16.20%	29.00%	20.90%

Note to table:

[1] MoveUP Professional and Admin contract was two bargaining units until the LRB approved to amalgamate in November 2020.

3.9 What steps have FortisBC management taken to ascertain the reasons for the rate of Customer Service resignations reported in the respective FEI and FBC Exhibits B-2?

Response:

Please refer to the response to CEC IR1 27.1.

3.10 What strategies have FortisBC management adopted in order to improve the attractiveness of the Customer Services work, or to otherwise improve employee recruitment and retention in that department?

Response:

With respect to recruitment, FortisBC has an internal Talent Acquisition department that oversees hiring for all departments and recently an external recruitment agency was also used to assist with hiring for larger customer service new hire classes. FortisBC has updated and simplified the job posting to highlight the role and benefits. In addition, the postings have been advertised on multiple online platforms to help improve attraction. During the recruitment process, the Company highlights corporate values, culture and employee benefits. FortisBC also shares information about its facilities, which include: collaboration spaces, gyms, and other perks available to employees.

FortisBC also hosts open houses of FortisBC's facilities, participates in various career fairs near customer service locations and encourages employee referral opportunities.

With respect to retention, FortisBC Customer Service management encourages and supports celebration of various forms of recognition including employee milestones, team successes and friendly competitions, an easily accessible online peer to peer recognition platform has been put in place, and committees that include employees to provide feedback on retention improvement within the Customer Service department have also been created.

Further, and as described in the response to CEC IR1 27.1, FortisBC completes exit surveys and interviews with employees leaving the Company and any feedback received is also taken into consideration to assist with recruitment and retention.

3.11 Aside from any measures to improve job satisfaction or otherwise mitigate the Customer Service employee attrition rate, please describe any concrete measures FortisBC management is taking to restore the Telephone Service Factor (Non-Emergency) to the threshold level.

3.11.1 When does FortisBC expect to restore this Service Quality Indicator to a score above the threshold?

Response:

FEI identified and implemented measures to restore its non-emergency Telephone Service Factor (TSF) within the first quarter of 2022. These measures have contributed to the achievement of above or near threshold and benchmark performance on a monthly basis since May, as shown in the response to CEC IR1 27.5. However, due to the proportionally large volume of calls through April of 2022, and the corresponding impact of the performance and volume on the year-to-date metric, recovery of the year-to-date metric to threshold levels is not expected until the fourth quarter of 2022.

Measures taken to mitigate the impact of service level challenges include but are not limited to adjustments to the timing of new hire classes, adjustments and improvements to onboarding and training of new employees, continued promotion of self-service options for customers and a heightened focus on First Contact Resolution (FCR) and overall service quality by maintaining coaching and development time for employees and managers.