



Sarah Walsh
Director, 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: (778) 578-3861
Cell: (604) 230-7874
Fax: (604) 576-7074
www.fortisbc.com

September 20, 2023

Residential Consumer Intervener Association
c/o Midgard Consulting Inc.
Suite 828 – 1130 W Pender Street
Vancouver, B.C.
V6E 4A4

Attention: Peter Helland, Director

Dear Peter Helland:

Re: FortisBC Energy Inc. (FEI)
Annual Review for 2024 Delivery Rates (Application) – Project No. 1599536
Response to the Residential Consumer Intervener Association (RCIA)
Information Request (IR) No. 1

On July 28, 2023, FEI filed the Application referenced above. In accordance with the amended regulatory timetable established in BCUC Order G-241-23 for the review of the Application, FEI respectfully submits the attached response to RCIA 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:

Sarah Walsh

Attachments

cc (email only): Commission Secretary
Registered Interveners

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1 **A. Demand Forecast**

2 **1. Reference: Exhibit B-2 Application p.21**

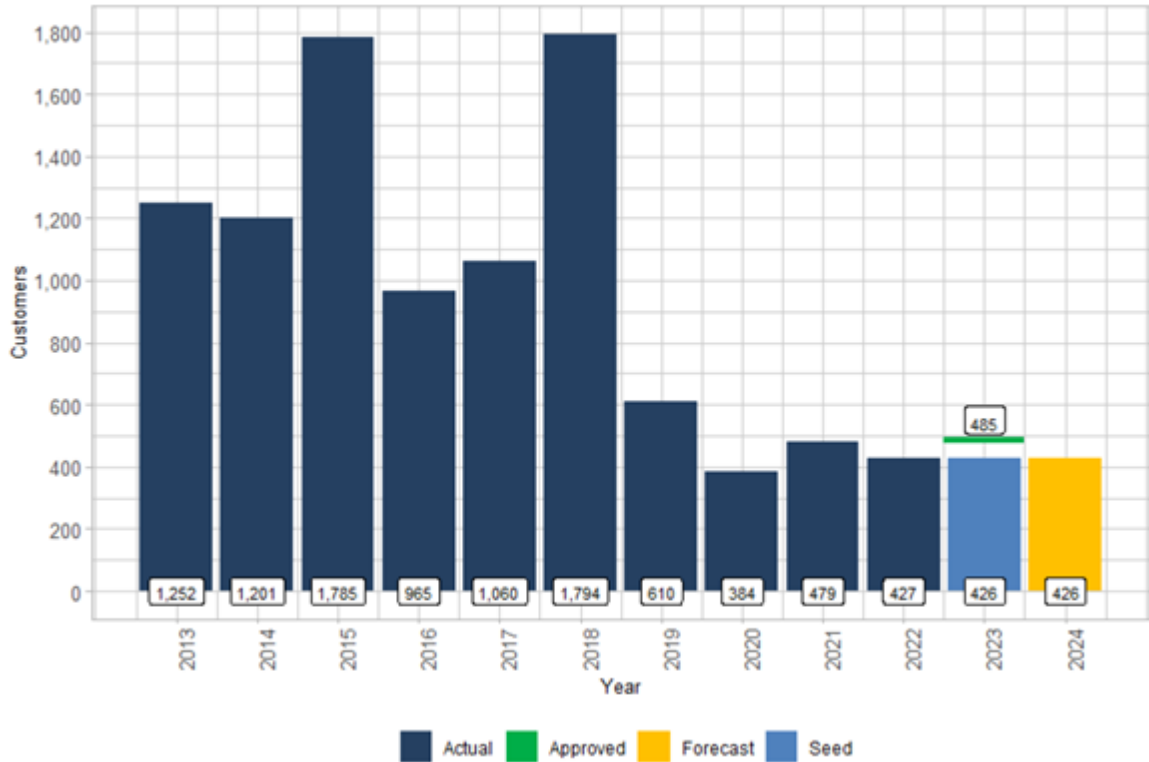
3 **Commercial Customer Additions**

4 On page 21 of the Application, FEI states:

5 The commercial (i.e., Rate Schedules 2, 3, and 23) net customer additions forecast
 6 is based on the average of the actual net customer additions over the last three
 7 years for which a full year of actual data is available (i.e., 2020 to 2022).

8 On page 22 of the Application, FEI provides a graph of commercial customer additions:

Figure 3-5: Commercial Net Customers Additions (Rate Schedule 2, 3, and 23)



9

10 1.1 Please reconcile the forecast commercial customer additions of 426 with the
 11 average of the forecast customer additions in 2020, 2021, and 2022 (average of
 12 384, 479, 427 = 430).
 13

14 **Response:**

15 Effective January 1, 2023, FEI incorporated the Fort Nelson (FEFN) service territory into FEI's
 16 revenue requirement, in accordance with the BCUC's approval of common delivery rates for
 17 FEFN by Order G-278-22. This treatment was also explained at the FEI Workshop during the

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1 Annual Review for 2023 Delivery Rates proceeding. The dark blue bars of Figure 3-5 of the
 2 Application, which provide the historical actuals from 2013 to 2022, exclude FEFN so as to present
 3 the FEI data in a manner consistent with past annual review filings (and because FEFN was not
 4 under common rates with FEI during those years).

5 Please refer to Table 1 below which shows the three-year average of 426 net commercial
 6 customer additions after including FEFN. For clarity, negative customer additions mean there was
 7 a decline in the total number of customers in FEFN.

8 **Table 1: Calculation of 3-year Average Commercial Customer Additions**

Commercial Customer Additions	2020	2021	2022	3-yr Average
FEI	384	479	427	430
FEFN ¹	(5)	(7)	(1)	(4)
Total	379	472	426	426

9 Note to table:

10 ¹ Refer to Section 3.19 of Appendix A2 of the Application for historical net customer additions in FEFN.

11

1 **2. Reference: Exhibit B-2 Application p.28; 2023 Delivery Rate Review Exhibit B-2**
 2 **Application p.29**

3 **Non-NGT LNG Demand**

4 On page 28 of the current Application, FEI provides the forecast of LNG demand:

5

GJ	2023 Approved	2023 Projected	2024 Forecast
CNG	1,468,479	1,580,569	1,762,069
LNG	1,527,696	1,561,900	1,562,600
Total NGT Demand (GJ)	2,996,175	3,142,469	3,324,669
Non-NGT LNG (export)	3,690,789	682,000	1,471,000
Total NGT and Non-NGT Demand (GJ)	6,686,964	3,824,469	4,795,669

6

7 On page 29 of the 2023 Delivery Rate application, FEI provided the forecast of LNG
 8 demand:

9

GJ	2022 Approved	2022 Projected	2023 Forecast
CNG	1,024,550	1,471,479	1,468,479
LNG	1,566,989	1,407,696	1,527,696
Total NGT Demand	2,591,539	2,879,175	2,996,175
Non-NGT Demand (export)	3,083,297	1,188,389	3,690,789
Total NGT and Non-NGT Demand	5,674,836	4,067,564	6,686,964

10

11 2.1 Please explain the factors that resulted in the projected demand for non-NGT LNG
 12 declining from 3,690,789 GJ in the 2023 Delivery Rate application to a projected
 13 682,000 GJ in the current application.

14 **Response:**

15 Please refer to the response to MoveUP IR1 2.1.

16

17

18

19 2.2 Please provide the 2022 actual non-NGT LNG demand.

20

21 **Response:**

22 The 2022 actual non-NGT LNG demand was 124,845 GJ.

23

24

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1
2 2.3 Please explain whether and how variances in the non-NGT demand between
3 forecast and actual are captured in deferral accounts and how the revenue and
4 margin impacts are shared between FEI and its ratepayers.

5
6 **Response:**

7 The variances between forecast and actuals in RS 46 revenue from the non-NGT demand are
8 captured in the Flow-through deferral account. The Flow-through deferral account is amortized
9 over one year, thus the variances between forecast and actual non-NGT demand are fully
10 returned to/recovered from all non-bypass customers in each subsequent year of the MRP term
11 through delivery rates. Please refer to Section 12.4.2.2 of the Application for further details on the
12 Flow-through deferral account.

13

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1 **B. O&M**

2 **3. Reference: Exhibit B-2 Application p.46 ; 2020-2024 MRP Exhibit B-1 Application**
 3 **p.C-23; BCUC Order G-281-22 pp.20,21**
 4 **Integrity Digs**

5 On page C-23 of the 2020-2024 MRP Application, FEI states:

6 The scope of work required for integrity digs will have significant variation
 7 depending on location, surface and subsurface conditions, depth, proximity to
 8 geographic features (i.e., river crossings, environmental zones, and highways),
 9 season, and the number of imperfections requiring visual inspection. In addition,
 10 the actual work required to repair the imperfections is unknown until a physical
 11 inspection of the pipe is performed and an engineering assessment is complete.

12 On page 46 of the current Application, FEI states:

13 In the MRP Decision and Order G-165-20,33 the BCUC approved the treatment of
 14 integrity digs as a flow-through item with variances between forecast and actual
 15 amounts captured in the Flow-through deferral account.

16 On page 44 of the Application, FEI provides a table of O&M (excerpt below):

Line No.	Description	Approved 2023	Projected 2023	Forecast 2024
1	Pension/OPEB (O&M Portion)	\$ 9.577	\$ 9.577	\$ 2.555
2	Insurance	12.242	12.406	13.328
3	Integrity O&M	8.000	9.000	11.200

17
 18 3.1 Please explain why integrity digs are treated as period expenses and not
 19 capitalized.
 20

21 **Response:**

22 FEI has expensed integrity digs since 2004, as part of the Negotiated Settlement Agreement
 23 (NSA) during the 2004-2007 PBR Plan term. The NSA, included as Appendix A to Order G-51-
 24 03, stated:

25 Beginning in 2004, ongoing pipeline integrity costs are to be expensed as O&M
 26 and a levelized adjustment will be made to the base O&M in the formula for years
 27 2004-2007.

28 FEI also notes that integrity digs were approved to be treated as a Flow-through expense in the
 29 MRP Decision and Order G-165-20 (page 74).

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1 With respect to the accounting treatment, integrity digs could be considered as part of a major
2 inspection program, which could result in the amounts being capitalized. However, FEI considers
3 integrity digs as an asset inspection activity, which is a period expense, and it is the subsequent
4 capital repairs, rehabilitation programs, or retrofits of existing pipelines to allow In-Line Inspection
5 (ILI) tools that provide the future economic benefit and are considered capital assets.

6 This conclusion is supported by the US-based Federal Energy Regulatory Commission (FERC)
7 Order on Accounting for Pipeline Assessment Costs (2004)¹ which concluded: “*The Commission’s*
8 *accounting rules, as described above, provide that costs incurred to inspect, test and report on*
9 *the condition of plant to determine the need for repairs or replacements are to be charged to*
10 *maintenance expense in the period the costs are incurred.*” While FERC is not providing
11 authoritative US GAAP guidance, its accounting interpretations for US utility rate-making
12 purposes on how gas utility assessment costs should be treated for rate-making purposes is
13 persuasive and supports expensing.

14
15

16

17 3.2 Please explain whether integrity digs result in repairs to the pipeline that extends
18 its life.

19

20 **Response:**

21 As discussed in the response to RCIA IR1 3.1, integrity digs are an asset inspection activity, while
22 the subsequent capital repairs, rehabilitation programs, or retrofits provide the future economic
23 benefit and are considered capital assets.

24

25

26

27 In its Order G-281-22 on pages 20 and 21, the BCUC states:

28 PNG-West is seeking approval for planned non-CPCN capital expenditures to take
29 place during Test Year 2022, the most significant of which being the Transmission
30 Mainline Integrity Campaign project. In 2022, PNG-West expects to undertake
31 approximately 200 integrity digs, assessments and repairs across various
32 segments of its Western Transmission System at an estimated cost of
33 \$26,787,762.

34 ...

¹ <https://www.federalregister.gov/documents/2004/11/19/E4-3224/accounting-for-pipeline-assessment-costs-notice-of-proposed-accounting-release>.

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1 The Panel accepts PNG-West’s submission regarding its expenditure plans for
2 integrity-related capital work...The Panel considers, however, the Transmission
3 Mainline Integrity Campaign to be a capital intensive, multi-year project which is of
4 significant importance to the continued operation of PNG-West’s transmission
5 system. The Panel is therefore concerned that the capital expenditures related to
6 this project are to be reviewed and approved incrementally across successive
7 RRAs.

8 3.3 Please explain whether treating integrity digs as a period expense is consistent
9 with how other gas distribution utilities in B.C. treat integrity digs. If there is a
10 difference, please explain why.

11
12 **Response:**

13 FEI’s treatment of integrity digs is consistent with other gas utilities, both in and out of BC.

14 The following are examples of other utilities utilizing a treatment consistent with FEI:

- 15 • Enbridge’s 2022 Annual Report, under the discussion of financial results, states: “Higher
16 operating costs at Enbridge Gas largely driven by higher employee costs and higher
17 maintenance and integrity spend.” [Emphasis Added]
- 18 • TC Energy’s 2022 Form 40-F, Management’s Discussion & Analysis states: “Under the
19 approved regulatory models in Canada, non-capital pipeline integrity expenditures on
20 CER-regulated natural gas pipelines are generally treated on a flow-through basis and, as
21 a result, fluctuations in these expenditures generally have no impact on our earnings.
22 Similarly, under our Keystone Pipeline System contracts, pipeline integrity expenditures
23 are recovered through the tolling mechanism and, as a result, generally have no impact
24 on our earnings. Non-capital pipeline integrity expenditures on our U.S. natural gas
25 pipelines are primarily treated as operations and maintenance expenditures and are
26 typically recoverable through tolls approved by FERC.” [Emphasis Added]
27

28 With regard to PNG, PNG-West’s 2020-2021 Revenue Requirements Application stated that
29 integrity digs are normally included within Account 665 of Forecast Operating Expenses:²

10 **2.3.1 Account 665 – Pipelines**

11 The costs in this account cover the routine operating costs of the transmission pipelines that
12 PNG-West operates. Typical activities include: inspecting and operating bridges and other
13 above ground structures, as well as underwater river crossings and other facilities for safety
14 and reliability; performing in-line inspections and close interval surveys and follow-up
15 investigative digs; operating and monitoring the Supervisory Control and Data Acquisition
16 (SCADA) system; maintenance of vegetation on the rights of way (ROW) and operation of the
30 17 cathodic protection system.

² https://docs.bcuc.com/documents/proceedings/2019/doc_56475_b-1-png-west-2020-2021-rra.pdf, Section 2.3, Table 13.



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- 1 With regard to Order G-281-22 referenced in the preamble, FEI understands that the requested
- 2 treatment was specific to a CPCN project that was approved to be included in capital.

- 3 Ultimately, the treatment of expenditures, whether period expenses or capital, are based on
- 4 considerations specific to a utility (with consideration of accepted accounting principles) and are
- 5 subject to BCUC approval.

- 6

1 **C. Rate Riders**

2 **4. Reference: Exhibit B-2 Application p.92**

3 **Clean Growth Innovation Fund**

4 On page 92 of the Application, FEI provides a table of the CGIF balances:

Table 10-7: Clean Growth Innovation Fund 2021-2024 Deferral Account Continuity (\$ millions)

	Actual 2020	Actual 2021	Actual 2022	Actual Jan-June 2023	Projected July-Dec 2023	Forecast 2024
Opening Balance	\$ -	\$ (0.791)	\$ (3.816)	\$ (7.186)	\$ (8.888)	\$ (8.594)
Gross Additions	1.022	1.127	0.972	0.560	3.267	5.773
Rider recoveries	(2.099)	(5.093)	(5.176)	(2.591)	(2.591)	(5.229)
Tax	0.291	1.071	1.135	0.548	(0.182)	(0.147)
AFUDC	(0.005)	(0.130)	(0.301)	(0.219)	(0.200)	(0.458)
Closing Balance	\$ (0.791)	\$ (3.816)	\$ (7.186)	\$ (8.888)	\$ (8.594)	\$ (8.655)

5

6 In Order G-352-22, the BCUC states:

7 Additionally, the BCUC noted that “any monies that remain unspent in the
8 Innovation Fund at the end of the Proposed MRP term will be returned to
9 ratepayers. In short, the costs of the Innovation Fund will be limited to the amount
10 of actual expenditures.”

11 4.1 Please explain how FEI envisions returning unspent Clean Growth Innovation
12 Funds to customers at the end of the MRP term. For example, does FEI intend to
13 implement a credit rate rider? What amortization period does FEI expect to use?

14

15 **Response:**

16 FEI will report on the remaining balance in the CGIF and will propose a method for returning the
17 balance to customers as part of its next rate plan filing, which FEI expects to file in the first quarter
18 of 2024. As the CGIF is currently approved to continue for the duration of the 2020-2024 MRP
19 term, it is premature as part of this annual review to propose the treatment. In particular, FEI will
20 have a full year of 2023 actuals and will have a more informed projection for 2024 of the remaining
21 balance, which will assist FEI in determining the most appropriate time period to return the
22 balance to customers.

23 FEI is planning to propose to continue the CGIF in some form as part of the upcoming rate plan
24 filing in 2024. The reasons stated by the BCUC in the 2020-2024 MRP Decision (pages 155-156)
25 for approving the CGIF, including the need for FEI to accelerate innovation efforts in order to meet
26 the ambitious emissions targets outlined in the CleanBC Plan, have only increased in importance
27 and relevance. Further, the CGIF has been successful in supporting innovations providing cleaner
28 gaseous energy sources, and the level of applicants (and successful grants) have continued to

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1 increase as the MRP term has progressed, pointing to increased momentum, as further explained
2 in the response to BCUC IR1 17.1.

3 Amongst other options, FEI will consider rolling over the remaining balance in the CGIF to a future
4 proposed CGIF, which would potentially be a practical approach. However, FEI recognizes that
5 the BCUC specifically directed that FEI return any unused balance in the CGIF at the end of the
6 current MRP term through a disposal mechanism to be approved by the BCUC³. Accordingly,
7 barring seeking approval of a variance to the MRP Decision determination, FEI is required to
8 return the remaining balance to customers.

9
10

11

12 4.2 Please confirm or otherwise explain whether FEI expects to continue the Clean
13 Growth Innovation Fund in the next MRP.

14 4.2.1 If confirmed, does FEI expect to return unspent Clean Growth Innovation
15 Funds from the 2020-2024 MRP term to customers, while simultaneously
16 funding a CGIF for the 2025-2029 MRP term?

17

18 **Response:**

19 Please refer to the response to RCIA IR1 4.1.

20

21

22

23 4.3 Considering the forecast balance of \$8.655 million in the CGIF account at the end
24 of 2024 is expected to be returned to ratepayers, please explain why it is
25 appropriate to continue funding this account with the CGIF rate rider in 2024 with
26 approximately \$5 million.

27

28 **Response:**

29 The CGIF and rate rider are approved for the duration of the current MRP term. Further, the BCUC
30 considered the potential for unspent amounts in its MRP Decision, and directed FEI to return the
31 unspent balance to customers subsequent to the conclusion of the MRP term.

32 As explained in the response to RCIA IR1 4.1, FEI plans to propose to continue the CGIF in some
33 form as part of its rate plan filing in 2024. At that time, the BCUC and interveners can assess the
34 appropriateness of a future rider amount, including the amount collected each year.

35

³ MRP Decision and Order G-165-20, p. 156.

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1 **D. Service Quality Indicators**

2 **5. Reference: FEI 2023 Delivery Rates Review Exhibit B-4 RCIA IR1 7.1 Service**
3 **Quality Indicators - Process**

4 In its response to RCIA IR1 7.1 from the 2023 Delivery Rates Review, FEI provided an
5 excerpt from the Consensus Recommendation describing the process for evaluating SQI
6 results which has been in place since the 2014-2019 PBR Plan.

7 5.1 Please provide the Consensus Recommendation for evaluating SQI results.

8
9 **Response:**

10 The Consensus Recommendation was included as Appendix A to Order G-14-15, which is
11 publicly available on the BCUC's website. FEI has also provided the Consensus
12 Recommendation as Attachment 5.1 to this response.

13
14

15
16 The Consensus Recommendation for evaluating SQI results previously provided lists four
17 factors that the Commission is to take into account when assessing the magnitude of any
18 reduction in each Company's share of the incentive earnings.

19 5.2 Please provide FEI's views as to whether each of the four factors must be triggered
20 or met (or not met as the case may be) in order for there to be a reduction in
21 incentive earnings.

22
23 **Response:**

24 As referenced in the preamble to this IR, the Consensus Recommendation approved by Order G-
25 14-15 outlined four factors for the BCUC to consider when assessing the magnitude of any
26 reduction in FEI's (or FortisBC Inc.'s (FBC)) incentive earnings. These are as follows (Appendix
27 A to Order G-14-15, page 6).

- 28
- 29 • Any economic gain made by each Company in allowing service levels to deteriorate;
 - 30 • The impact on the delivery of safe, reliable and adequate service;
 - 31 • Whether the impact is seen to be transitory or of a sustained nature; and
 - 32 • Whether each Company has taken measures to ameliorate the deterioration in service.

33 In the FBC Annual Review for 2015 Rates Decision and Order G-107-15 (pages 18-19), the BCUC
34 provided the following guidance on how to follow the Consensus Recommendation, including
consideration of the four factors:

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1 In determining whether financial consequences are in order, the Panel interprets
2 the Consensus Recommendation as asking two fundamental questions: Has a
3 serious degradation of service occurred? To what extent are the performance
4 results attributable to the actions or inactions of the Company?

5 The answer to whether a serious degradation has occurred is largely guided by
6 key points set out in the Consensus Recommendation:

- 7 • SQI performance below threshold does not necessarily mean that a
8 serious degradation of service has occurred, but is a factor to consider in
9 that determination.
- 10 • Two of the four “other factors” noted are also relevant to a determination of
11 whether or not any degradation of service is “serious”:
 - 12 ○ The impact on the delivery of safe, reliable and adequate service;
13 and
 - 14 ○ Whether the impact is seen to be transitory or of a sustained nature.

15 In determining the extent to which the performance results are attributable to the
16 actions or inactions of the Company, the remaining two “other factors” need to be
17 considered:

- 18 • Any economic gain made by each Company in allowing service levels to
19 deteriorate; and
- 20 • Whether each Company has taken measures to ameliorate the
21 deterioration in service.

22 In consideration of the guidance provided in Decision and Order G-107-15, FEI does not consider
23 it reasonable or appropriate for the BCUC to apply financial consequences. FEI has explained in
24 the response to BCUC IR1 19.2 why the below-threshold performance of the Meter Reading
25 Accuracy and Telephone Service Factor (Non-Emergency) SQIs do not represent a sustained
26 deterioration of service and has explained in that response and in the Application that the results
27 are not due to any inaction by FEI. FEI has also described the continued actions that it is taking
28 to address the issues.

29
30

31
32 5.3 Please confirm whether FEI has ever had its incentive earnings reduced on
33 account of not meeting SQI thresholds.

34 5.3.1 If confirmed, please provide a brief summary of the circumstances of
35 each instance.
36



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1 **Response:**

2 During the previous 2014-2019 PBR Plan term and the current MRP term for which SQI thresholds
3 were applicable, FEI has not had its incentive earnings reduced as a result of not meeting SQI
4 thresholds.

5

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1 **6. Reference: Exhibit B-2 Application pp.145,153; BCUC Decision G-366-21, p.20;**
2 **2023 Delivery Rates Review Exhibit B-2 Application p.173**

3 **Service Quality Indicators – Meter Reading Accuracy**

4 In Decision G-366-21 on page 20 with respect to meter reading accuracy, the BCUC
5 states:

6 The benchmark is set at ≥ 95 percent and threshold at 92 percent. FEI's 2020
7 results are 89 percent, which is 3 percent lower than the threshold. The June 2021
8 year-to-date results are 91 percent, which is 1 percent lower than the threshold...
9 FEI states it has taken steps to mitigate the impacts to service quality such that
10 FEI does not consider there has been any serious degradation of service. FEI
11 expects that actual annual results for 2021 will reach the threshold.

12 On page 153 of its Application, FEI states:

13 The 2022 result was 87.8 percent, which is below the benchmark and threshold
14 and the third consecutive year that FEI has had below threshold performance in
15 this metric.

16 ...

17 Consistent with the experience in 2020, the results for 2022 reflect continued
18 challenges as a result of the broader impacts of the COVID-19 pandemic which
19 included staffing challenges and the need for physical distancing and enhanced
20 hygiene practices by meter readers.⁷⁵

21 Footnote 75 to the above text states:

22 The BCUC anticipated this impact in Letter L-20-20, which granted public utilities
23 relief from meter reading, when necessary, for the duration of the State of
24 Emergency in the Province of BC and while social distancing practices remain in
25 place. In BCUC Letter L-20-20, dated March 31, 2020, the BCUC stated:

26 “The BCUC recognizes that this Pandemic greatly impacts utilities and utility
27 customers across British Columbia as many businesses and individuals adjust to
28 working from home, social distancing, and self-isolation. Given these difficult
29 circumstances, the BCUC understands that utilities may not be able to conduct in-
30 person meter reading for all customers at this time due to safety and operational
31 concerns. As such, any public utilities regulated by the British Columbia Utilities
32 Commission (BCUC) that are unable to estimate billings within their endorsed tariff
33 Terms and Conditions are granted relief from meter reading, when necessary, for
34 the duration of the State of Emergency in the Province of British Columbia and
35 while social distancing practices remain in place. In place of meter readings, when
36 necessary, energy consumption may be estimated from best available sources and
37 evidence for billing purposes. When the next actual meter reading is completed,

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1 customers' bills must then be adjusted for the difference between estimated and
2 actual use over the interval between meter readings.”

3 On page 145 of its Application, FEI states:

4 The below-threshold Meter Reading Accuracy performance was primarily due to
5 the broader impacts of the COVID-19 pandemic,⁷³ including staffing challenges
6 and the need for physical distancing and enhanced hygiene practices by meter
7 readers.

8 6.1 Please confirm when the B.C. State of Emergency referenced in the BCUC's Letter
9 L-20-20 was lifted.

10

11 **Response:**

12 The BC State of Emergency, referenced in BCUC Letter L-20-20, officially ended at 11:59 pm on
13 June 30, 2021. Although the BC State of Emergency was officially lifted in 2021, employers were
14 required to have a COVID-19 Safety Plan until April 2022 when the requirement shifted to
15 communicable disease guidance. As such, Olameter maintained some of the safety protocols
16 introduced during the pandemic due to the resurgence of other variants of COVID-19 in 2021 and
17 2022.

18 Further, and generally coinciding with the adjustments in COVID-19 restrictions, labour market
19 conditions changed as evidenced by the significant increase in job vacancies across BC and
20 Canada, as discussed in the responses to BCUC IR1 19.2 and RCIA IR1 7.2. The active labour
21 market impacted employee attrition for many employers, including FortisBC and Olameter.

22

23

24

25 6.2 Please identify the restrictions that were in place in B.C. (either provincial or
26 federal) in 2022 that had a negative effect on meter reading performance.

27

28 **Response:**

29 Please refer to the response to RCIA IR1 6.1 for more details related to the provincial State of
30 Emergency and general labour market impacts experienced.

31 Although many restrictions enacted at the start of the COVID-19 pandemic were lifted in 2021
32 when the Province transitioned to Step 3 of BC's Restart Plan, many restrictions were still strongly
33 encouraged. As such, Olameter maintained its internal safety practices that were enacted in 2020
34 to keep their staff safe, which included physical distancing and enhanced hygiene requirements.
35 Additionally, meter readers experiencing COVID-19 related illness during 2022 followed self-
36 isolation protocols, leading to fewer readers available to complete scheduled meter readings and
37 thus having a negative impact on meter reading performance.

FortisBC Energy Inc. (FEI or the Company) Annual Review for 2024 Delivery Rates (Application)	Submission Date: September 20, 2023
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6.3 Please explain how the need for physical distancing affects meter reading performance.

Response:

Manual meter reading requires the meter reader to be in close proximity to the meter to be able to read and enter the meter read in a handheld device. Physical distancing measures along with enhanced hygiene practices require meter readers to take additional safety measures such as wearing gloves and a mask to access meters in common spaces or small meter rooms which sometimes may require supervised access. These safety protocols increase the time to read individual meters and impact meter readers' ability to read all the meters in a specific meter reading route within the meter reading window, thereby impacting the meter reading performance.

6.4 Please explain how enhanced hygiene practices affect meter reading performance.

Response:

Please refer to the response to RCIA IR1 6.3.

On page 173 of its 2023 Delivery Rates Review Application, FEI states:

FEI continues to work closely with Olameter on their improved performance and as such, barring the impact of any extreme weather or other unforeseen events, FEI expects Olameter to continue to meet the threshold and achieve the benchmark on a monthly basis for the remainder of the year.

On page 153 of its current Application, FEI states:

Olameter continued to experience staffing challenges throughout 2022, including periods where subsequent variants of the virus affected their employees. In addition, meter reading efforts in 2022 were significantly impacted by extreme weather events in the early part of the year and then again in December. All of these weather events contributed to a larger percentage of estimated reads due to the inability to safely access meters. For these reasons, FEI's meter accuracy

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1 results for 2022 being below threshold are attributable to the broader impacts of
2 the COVID-19 pandemic and extreme weather conditions in 2022, rather than any
3 action or inaction of FEI.

4 On page 156 of its Application, FEI states:

5 Factors influencing results include processes, number of emergencies, weather,
6 and traffic conditions.

7 ...

8 The 2022 result was 98.5 percent which was better than the benchmark of 95
9 percent. The June 2023 year-to-date performance is 98.9 percent, which is also
10 better than the benchmark.

11 6.5 Please explain why FEI was able to exceed benchmark performance for meter
12 exchanges in 2022, while Olameter was unable to achieve threshold performance
13 for meter reading in 2022, considering both processes require attending customer
14 sites and accessing meters, while meter exchanges require the further intrusive
15 step of entering the home or business to perform a relight after the meter
16 exchange.

17
18 **Response:**

19 Meter exchanges and meter reading processes are unique and are not comparable. For instance,
20 the majority of the meter exchanges are completed after booking an appointment with the
21 customer, and factors such as weather, traffic conditions and individual safety and hygiene
22 measures are accounted for in the scheduled appointment time. Additionally, the number of meter
23 exchanges to be completed in a year are much lower and can be better planned based on staffing
24 availability and better weather months. On the other hand, meter reading is a daily task to be
25 completed consistently throughout the year and external impacts such as the extreme weather
26 events or staffing issues have a greater impact and can affect entire routes, resulting in a greater
27 impact on the meter reading performance.

28
29

30
31 6.6 Please confirm whether FEI's meter reading contractor was levied or paid penalties
32 to FEI on account of the below-threshold meter reading performance.

33 6.6.1 If confirmed, please provide the amount of penalties levied or paid and
34 explain how these penalties are shared with FEI ratepayers.
35

FortisBC Energy Inc. (FEI or the Company) Annual Review for 2024 Delivery Rates (Application)	Submission Date: September 20, 2023
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1 **Response:**

2 FEI confirms that Olameter was levied penalties of \$285 thousand for 2022. Consistent with how
3 other O&M variances are accounted for under the earnings sharing mechanism, this credit (O&M
4 savings) and cost pressure (i.e., higher meter reading costs due to inflation in the renegotiated
5 contract) is shared equally between customers and FEI.

6
7

8
9 6.7 Please confirm whether FEI requested approval from the BCUC for relief from its
10 meter reading requirements in 2022.

11 6.7.1 If confirmed, please provide FEI's correspondence with the BCUC.

12

13 **Response:**

14 FEI did not request relief from the BCUC for its meter reading requirements in 2022. As part of
15 the Annual Review process, FEI has been providing regular updates to the BCUC on its efforts to
16 mitigate any negative impacts on customers due to the impacts of the pandemic and other
17 external factors like extreme weather events as well as the active labour market which contributed
18 to staffing challenges that impacted meter reading performance.

19
20

21
22 6.8 Please provide the monthly meter reading accuracy results for 2022 and 2023 to
23 date.

24

25 **Response:**

26 Please refer to the response to BCUC IR1 19.1.

27
28

29
30 6.9 Provide the number of billing adjustments made by FEI for 2018 through 2022 and
31 2023 to date, and explain whether these billing adjustments are the result of
32 estimated or incorrect meter reads.

33

34 **Response:**

35 Please refer to the table below showing the number of billing adjustment cases completed for
36 2018 through July 2023.



FortisBC Energy Inc. (FEI or the Company) Annual Review for 2024 Delivery Rates (Application)	Submission Date: September 20, 2023
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Cases Completed	2018	2019	2020	2021	2022	YTD 2023
	6,008	5,445	5,503	7,543	8,173	4,634

1

2 FEI has seen an increase in the number of billing adjustment requests in 2020, 2021 and 2022

3 when compared to previous years. There are several circumstances that may lead to billing

4 adjustments, and while FEI does not track the causes on a granular level, the majority of these

5 cases are most likely the result of estimated meter reads. Internal processes, such as proactively

6 attempting to contact customers with multiple estimates to determine if a customer-provided read

7 is possible to support the estimation, also led to an increase in the billing adjustment requests.

8

FortisBC Energy Inc. (FEI or the Company) Annual Review for 2024 Delivery Rates (Application)	Submission Date: September 20, 2023
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1 **7. Reference: Exhibit B-2 Application pp. 155; 2023 Delivery Rates Review Exhibit**
2 **B-2 Application p.175**

3 **Service Quality Indicators – Telephone Service Factor (Non-**
4 **Emergency)**

5 On page 154 of its Application, FEI states:

6 FEI experienced several challenging circumstances in 2022 that contributed to the
7 year-end performance being below the threshold. These challenges included
8 higher than expected attrition in the contact centre compounded by an increased
9 amount of high bill inquiries over the year. Each of these is described further below.

10 On page 155 of its Application, FEI states:

11 Although the start of 2023 has continued to be challenging, strong performance in
12 first contact resolution, in addition to the promotion of self-service and the call back
13 feature, continues to mitigate the impacts of the lower TSF on customer experience
14 and service quality. Further, beginning in March, FEI achieved a non-emergency
15 TSF above benchmark and positive progress continues (83 percent for the months
16 of March and April, 85 percent for the month of May, and 84 percent for the month
17 of June). FEI expects to recover to threshold levels on a year-to-date basis within
18 the fourth quarter.

19 7.1 Please provide the monthly telephone service factor (non-emergency) results for
20 2022 and 2023 to date.

21
22 **Response:**

23 Please refer to the response to BCUC IR1 19.1.

24
25

26

27 7.2 Please explain whether FEI considers attrition rates of its employees to be a factor
28 within its control.

29

30 **Response:**

31 FEI has influence over some factors that impact attrition rates, including but not limited to, working
32 conditions and rates of pay (in collaboration with labour representation partners); however,
33 attrition rates are also impacted by broader factors such as overall economic and labour market
34 conditions experienced in the Province, and within Canada, which include BC's low
35 unemployment rate and reduced numbers of available skilled talent, which are beyond FEI's
36 control. Please also refer to the response to BCUC IR1 19.2.

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7.3 Please explain the factors that have led to higher attrition of call centre employees.

Response:

FEI has limited information on the specific factors that have led to higher attrition. However, of the 76 Customer Service employees that left in 2022, 17 completed an exit interview. The various reasons cited for leaving FEI include items such as flexibility in work location, family, change in personal circumstances and salary.

As discussed in the response to RCIA IR1 7.2, both British Columbia and Canada experienced a significant increase in job vacancy rates, which contributes to increased attrition across the labour market.

7.4 Please identify the impediments faced by FEI in hiring call centre employees.

Response:

FEI has had some success hiring call centre employees through increasing the timing and size of hiring classes but continues to face impediments from economic and labour market conditions. Please also refer to the response to RCIA IR1 7.2.

7.5 Please confirm or otherwise explain whether FEI has now hired its full anticipated complement of call centre employees.

Response:

FEI begins each year with a forecast; however, due to various factors, there is an ongoing variability expected in contact centre resourcing. Factors that impact resource needs include but are not limited to seasonality, weather patterns, shifting customer behavior, customer programs or communications, absenteeism and attrition. Thus, the anticipated complement of contact centre employees is a moving target that is adjusted from time to time.

In recognition of this variability, FEI reviews its contact centre resource needs on a regular basis to minimize variances between the gap in resources required and available. For 2023 year-to-

1 date, FEI has largely been able to minimize this gap; however, variances in expected and actual
2 head count have occurred.

3
4

5

6 7.6 Please the average numbers of call centre employees for the years 2017 through
7 2023 to date, and the target number of call centre employees for each year.

8

9 **Response:**

10 Please see below for the average annual contact centre employee⁴ FTEs:

Year	Avg. Actual FTE
2017	130
2018	124
2019	113
2020	116
2021	122
2022	122
2023	136 ⁵

11 FEI is unable to provide the targeted amounts as they fluctuate throughout the year and are based
12 on resource planning as further explained in the response in RCIA IR1 7.5. The targets are
13 reviewed and updated depending on changes to volume, attrition, training, overtime, and other
14 reasons.

15
16

17

18 7.7 Please confirm whether higher than forecasted levels of attrition reduce FEI's O&M
19 expenditures below forecasted levels.

20

21 **Response:**

22 The higher attrition resulted in lower Customer Service labour costs which were offset by
23 increases in overtime, training, hiring and other costs. Please also refer to the response to BCUC
24 IR1 19.3.

⁴ FEI understands this question to be inquiring about the frontline unionized call centre employees and as such this total is limited to unionized customer service representatives, customer service admin, and lead roles within the Customer Service department.

⁵ Average FTEs for 2023 is up to July 2023.

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7.8 Please explain whether long wait times on the phone affect FEI’s ability to deliver adequate service.

Response:

The Telephone Service Factor (Non-Emergency) SQI results have not impacted FEI’s ability to deliver adequate service. Please refer to the response to BCUC IR1 19.2.

On page 173 of its 2023 Delivery Rates Review Application, FEI states:

The 2021 result was 70 percent which meets the benchmark. The June 2022 year-to-date performance is 61 percent which is lower than the threshold.

On page 175 of its 2023 Delivery Rates Review Application, FEI states:

Although the start of 2022 has been challenging, strong performance in first contact resolution, in addition to the promotion of self-service and the call back feature, continues to mitigate the impacts of lower TSF on customer experience and service quality. Further, recovery of the non-emergency TSF to above benchmark began in May and positive progress continues (83 percent for the month of May and 79 percent for the month of June), with FEI expecting to recover to threshold levels on a year-to-date basis within the fourth quarter.

7.9 Please explain why FEI expects to recover its telephone service factor results to threshold levels in 2023 from the to-date level of 67%, considering it was in a similar situation in 2022 and its performance only improved from 61% to 62%.

Response:

As shown in the response to BCUC IR1 19.1, the Telephone Service Factor (Non-Emergency) SQI result has recovered and is better than the threshold level and at the benchmark of 70 percent as of August 2023 year-to-date. Further, the monthly results have been better than the benchmark of 70 percent in every month from March through August in 2023.

Each year, there is variability in the factors that impact the Telephone Service Factor (Non-Emergency) SQI which make it difficult to directly compare contributing factors from one year to the next.

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7.10 Please confirm whether FEI anticipates the same call volumes in 2023 as experienced in 2022, or whether FEI expects the volumes to increase or decrease, and explain why.

Response:

While FEI anticipates call volumes for 2023 to be relatively close to 2022 volumes, the actual volumes fluctuate for various reasons such as unexpected weather events, billing changes, and customer preference such as customers utilizing self-serve options (i.e., Account online, Interaction Voice Response (IVR), chat and email).

On page 155 of its Application, FEI states:

To mitigate the impact of this attrition, FEI accelerated the timing of planned new hire classes as well as the size of new hire classes in both 2022 and 2023.

7.11 Please explain what steps FEI has taken to address the below-threshold telephone service factor scores, in addition to accelerating the timing and size of planned new hire classes.

Response:

Similar to the mitigation approach taken in the previous year (as outlined in the response to CEC IR1 27.5 in the Annual Review for 2023 Delivery Rates proceeding), FEI accelerated the timing of new hire classes, increased the number and size of classes, trialed different approaches to onboarding and training of new employees, continued promotion of self-service options for customers, and maintained a heightened focus on First Contact Resolution (FCR) and overall service quality by maintaining coaching and development time for employees and managers.

Please also refer to the response to MoveUP IR1 3.6.

7.12 Please elaborate on the amount of success FEI has had with respect to advancing the timing and size of the planned new hire classes.

FortisBC Energy Inc. (FEI or the Company) Annual Review for 2024 Delivery Rates (Application)	Submission Date: September 20, 2023
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1 **Response:**

2 Due to the multiple factors that influence Telephone Service Factor (Non-Emergency), FEI cannot
3 state with certainty the precise level of impact that advancing the timing and size of planned new
4 hire classes has had; however, FEI believes this change had a positive impact as reflected by the
5 TSF recovery and results in 2023.

6 Please also refer to the response to MoveUP IR1 3.1 for updated year-to-date performance
7 results.

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9

10

11 7.13 Please confirm or otherwise explain whether contracting out a portion of the call
12 centre work is a feasible alternative.

13

14 **Response:**

15 FEI does not consider contracting out a portion of call centre work to be a reasonable alternative
16 to mitigate the higher than forecast attrition experienced in recent years.

17 As discussed in the response to RCIA IR1 7.2, labour market conditions and the impacts of
18 attrition are not isolated to FEI and faced broadly by many organizations; therefore, outsourcing
19 a portion of the call centre work would not guarantee an increase in TSF performance. In addition,
20 outsourcing would make it more challenging to provide oversight of overall service quality.
21 Although challenges with TSF have been faced, overall service quality and customer satisfaction
22 has been maintained as demonstrated by the continued high FCR and Customer Satisfaction
23 Index results.

24

Attachment 5.1



ERICA HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

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

Log No. 48608, 48575

VIA EMAIL

gas.regulatory.affairs@fortisbc.com
electricity.regulatory.affairs@fortisbc.com

February 4, 2015

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

Dear Ms. Roy:

Re: FortisBC Energy Inc. and FortisBC Inc. (FortisBC)
Multi-Year Performance Based Ratemaking Plans for 2014 through 2019
approved by Decisions and Orders G-138-14 and G-139-14
Service Quality Indicator Consultation Process Compliance Filing
Consensus Recommendation

The Commission is in receipt of your letter dated January 14, 2014, regarding the Consensus Recommendations of FortisBC and the stakeholders (collectively the Parties) concerning the Service Quality Indicator consultation process which was a compliance filing related to Orders G-138-14 and G-139-14.

The Consensus Recommendation put forward by the Parties represents a variance to determinations reached in the decisions related to the previously cited Orders. Specifically, acceptance of the Consensus Recommendations would, in effect, rescind or modify the intent of the following determination:

Taking these points into consideration, the Commission Panel determines the most effective way to manage SQIs is to set a satisfactory performance range. The achievement of performance metrics that fall within this range is acceptable. Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences.¹

While establishing thresholds and performance ranges, the Parties do not consider performance at a level inferior to a threshold to necessarily represent a "serious degradation of service," or warrant adverse financial consequences for FortisBC.²

The Parties consider that performance inferior to a threshold should warrant examination during the Annual Review process where it will be determined whether further action is warranted. However, the Parties do

¹ FBC 2014-2018 PBR Decision, p. 149, FEI p. 154.

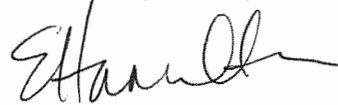
² FEI-FBC-SQI Consensus Agreement, p. 5.

acknowledge that such a circumstance is a factor in determining whether there has been a "serious degradation of service and whether adverse financial consequences for FortisBC are warranted."³

There has been no formal request to reconsider or rescind this determination. However, the Parties have all signed on to the Consensus Recommendation and have developed a process allowing for an effective review process for SQI performance. Given the recommendations of the Parties and the need for regulatory efficiency, in these unique circumstances the Panel has reconsidered its original decision on its own motion and is therefore approving the Consensus Recommendation as filed.

Enclosed please find Commission Order G-14-15.

Yours truly,



Erica Hamilton

dg

Enclosure

cc: BCOAPO et al.
(tbraithwaite@bcpiac.com; support@bcpiac.com)

CEC
(cweafer@owenbird.com)

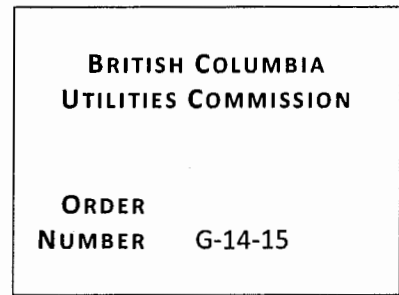
COPE
(jqail@qwlaw.ca)

BCSEA
(wjandrews@shaw.ca)

³ Ibid, p. 5



SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Energy Inc. and FortisBC Inc.
for Approval of the Service Quality Indicator Performance Ranges

BEFORE: D. M. Morton, Panel Chair/Commissioner
D. A. Cote, Commissioner February 4, 2015
N. E. MacMurchy, Commissioner

O R D E R

WHEREAS:

- A. On January 14, 2015, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC), (collectively, FortisBC) filed the Consensus Recommendation package agreement (Recommendation) to comply with directives in the Commission's Decisions on FortisBC's Multi-Year Performance Based Ratemaking Plans for 2014 through 2019 (PBR Plans) accompanying Orders G-138-14 and G-139-14;
- B. In accordance with the Decisions' directives, FortisBC conducted a consultative process with stakeholders and Commission staff, for the purpose of establishing satisfactory performance ranges (thresholds) for each Service Quality Indicator (SQI) benchmark (target);
- C. On October 6, 2014, FortisBC invited all registered interveners in the PBR proceedings to participate in workshops to address the Commission's directives;
- D. FortisBC held workshops on November 21, December 12 and December 19, 2014, to establish a performance band for each SQI benchmark in the Decisions;
- E. The workshops attended by the following parties (Parties): FortisBC, Commercial Energy Consumers of British Columbia Association; British Columbia Old Age Pensioners Organization, et al.; Canadian Office and Professional Employees Union, Local 378; and British Columbia Sustainable Energy Association and Sierra Club British Columbia;
- F. During the workshops, the Parties reached an agreement, the Consensus Recommendation, on the SQI thresholds that could apply to each SQI target;

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-14-15

2

G. The Consensus Recommendation put forward by the Parties represents a variance to determinations reached in the Decisions related to the previously cited orders. Specifically, acceptance of the Consensus Recommendations would, in effect, rescind or modify the intent of the following determination made in the Decisions accompanying Orders G-138-14 and G-139-14, which states:

Taking these points into consideration, the Commission Panel determines the most effective way to manage SQIs is to set a satisfactory performance range. The achievement of performance metrics that fall within this range is acceptable. Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences.

H. No formal request to reconsider or rescind this determination was received. However, given the recommendations of the Parties and the need for regulatory efficiency in these unique circumstances, the Commission Panel considers that approval of the Consensus Recommendation is warranted and has therefore, on its own motion, reconsidered its original decision.

NOW THEREFORE, pursuant to sections 99 and 59-60 of the *Utilities Commission Act*, the Commission orders as follows:

1. The Consensus Recommendation attached as appendix A to this order is approved.
2. The Determination, made in the Decisions accompanying Orders G-138-14 and G-139-14, which states "Performance outside of this range would be unacceptable representing a serious degradation of service which would be subject to consequences" is hereby rescinded.

DATED at the City of Vancouver, in the Province of British Columbia, this ^{JM} 4 day of February 2015.

BY ORDER



D. M. Morton
Panel Chair/Commissioner

Attachment

CONSENSUS RECOMMENDATION
OF
FORTISBC ENERGY INC., FORTISBC INC., COMMERCIAL ENERGY CONSUMERS
OF BRITISH COLUMBIA, BRITISH COLUMBIA OLD AGE PENSIONERS
ORGANIZATION, ET AL, CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES
UNION, LOCAL 378; BRITISH COLUMBIA SUSTAINABLE ENERGY ASSOCIATION
AND SIERRA CLUB BRITISH COLUMBIA

(COLLECTIVELY, THE “PARTIES”)

ON THRESHOLDS FOR SERVICE QUALITY INDICATORS UNDER THE
FORTISBC ENERGY INC. AND FORTISBC INC. 2014-2019 PBR PLANS

RECITALS

- A. On September 15, 2014, the Commission issued its Decisions (the “Decisions”) on FortisBC Energy Inc.’s (“FEI”) and FortisBC Inc.’s (“FBC”, and together with FEI, “FortisBC”) Applications for Approval of a Multi-Year Performance Based Rate Making Plan for 2014 through 2018.
- B. As part of the Decisions, the Commission established Service Quality Indicators (“SQIs”) for each of FEI and FBC for use under the FortisBC 2014-2019 PBR Plans. The Commission also established benchmarks to serve as a “target” for each SQI.
- C. To establish the satisfactory SQI performance ranges around the benchmark “targets”, the Commission directed FEI and FBC “in consultation with stakeholders, to develop a performance range for each SQI covering the range of scores where performance would be found to be satisfactory”. This process was to take place prior to the first Annual Review. The Commission further stated:

“Consultation among the parties should form a part of the process with recommendations flowing from it. In providing its recommendations the Companies are directed to forward to the Commission any comments on the recommendations provided to them by stakeholders and Commission staff.

In establishing the performance range for SQIs, the Panel expects the Companies and the stakeholders to take into consideration the following factors:

- *The variance that has been experienced in the benchmark historically;*
- *The historic trend in the benchmark;*
- *The level of the benchmark relative to the SQI levels achieved by other utilities, including utilities in other jurisdictions;*
- *The sensitivity of the benchmark to external factors such as weather or economic conditions; and*

- *The impact of lower SQI levels on the provision of reliable, safe or adequate service.*

D. On October 6, 2014, FortisBC invited all registered interveners in the PBR proceeding to participate in workshops to address the Commission's directives. The following interveners elected to participate, while others declined:

- Commercial Energy Consumers of British Columbia ("CEC") Association;
- British Columbia Old Age Pensioners Organization, et al. ("BCOAPO");
- Canadian Office and Professional Employees Union, Local 378 ("COPE"); and
- British Columbia Sustainable Energy Association and Sierra Club British Columbia ("BCSEA").

E. FortisBC held workshops at the Commission Hearing Room on the following dates:

- November 21, 2014;
- December 12, 2014; and
- December 19, 2014.

F. Representatives of all Parties were present at each workshop. A representative of Commission Staff (Mr. Don Flintoff) attended each of the workshops as an observer.

G. Minutes of the workshops are appended as to the Consensus Recommendation as Attachments A through C. The minutes were reviewed and approved by all Parties, and Mr. Don Flintoff also provided feedback that was incorporated.

- Attachment A: Minutes from November 21, 2014 workshop
- Attachment B: Minutes from December 12, 2014 workshop
- Attachment C: Minutes from December 19, 2014 workshop

H. The Parties exchanged information and data at the workshops. Copies of documents provided by all parties at the workshops are appended to this Consensus Recommendation as Attachments D through R. Brief descriptions of the documents and their authorship are as follows:

- Attachment D: Material provided by FortisBC at the November 21, 2014 workshop outlining its preliminary recommendations on performance ranges.
- Attachment E: Excerpt (page 152) from the Commission's Decision on FortisBC's Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018 showing the approved service quality indicators and the benchmarks. This was provided by FortisBC for reference at the November 21, 2014 workshop.
- Attachment F: Historical performance data for all SQIs with benchmarks was requested by stakeholders at the November 21, 2014 workshop. In addition, stakeholders requested the standard deviation and range (maximum minus minimum) calculations using 2010 to 2012 period, 2011 to 2013 period, 2012 to 2014 September YTD. This was provided to stakeholders by FortisBC in an email on November 27, 2014.
- Attachment G: Historical data on the number of Gas IBEW employees on the day shifts for the period 2010 to 2014 was requested by stakeholders at the November 21, 2014 workshop. This was provided to stakeholders by FortisBC in an email on November 27, 2014.
- Attachment H: Clarification and documentation related to the normalization methodology used by FortisBC for its SAIDI and SAIFI results was requested by stakeholders at the November 21, 2014 workshop. This was provided to stakeholders by FortisBC in an email on December 4, 2014.
- Attachment I: COPE's alternative proposal to FortisBC's proposed recommendations for SQI acceptable performance ranges. This was provided to stakeholders by COPE in an email on December 4, 2014.
- Attachment J: Comments provided by CEC regarding SQI ranges proposed by FortisBC in an email on December 5, 2014.
- Attachment K: Comments provided by BCSEA regarding FortisBC's SQI consultation process in an email on December 5, 2014.
- Attachment L: Comments provided by Mr. Norm Gabana in a separate discussion with FortisBC representatives on December 1, 2014. The discussion was documented by FortisBC and confirmed by Mr. Norm Gabana in an email on December 3, 2014 as accurate.
- Attachment M: Updated SQI graphs from the first workshop to include different thresholds using recent years' data (i.e. 2010 to 2012). This was provided to stakeholders by FortisBC at the December 12, 2014 workshop.

- Attachment N: Updated table of the approved SQIs along with the benchmarks, FortisBC's initial proposed thresholds, CEC suggested thresholds and FortisBC's amended thresholds. This was provided to stakeholders by FortisBC at the December 12, 2014 workshop as a separate handout.
 - Attachment O: Speaking notes regarding COPE's alternative proposal provided by COPE at the December 12, 2014 workshop.
 - Attachment P: Historical annual SQI performance data redefined to 3 year, 4 year, 5 year and 6 year rolling averages along with the thresholds recalculated to match. This analysis was requested by stakeholders in support of the alternative SQI threshold methodology presented by CEC. This analysis was provided by FortisBC for illustrative purposes with respect to the CEC proposal in an email on December 17, 2014.
 - Attachment Q: Updated table (i.e. same as Attachment N) of the approved SQIs along with the benchmarks, FortisBC's initial proposed thresholds, CEC suggested thresholds and FortisBC's amended thresholds. This was provided again to stakeholders by FortisBC at the December 19, 2014 workshop to help facilitate the discussion.
 - Attachment R: The same data as provided in Attachment P except in graphical form for the 3 year and 6 year rolling averages. This was provided by CEC at the December 19, 2014 workshop to help facilitate the discussion.
- I. The Parties considered the factors identified for consideration in the PBR Decisions.
- J. Parties brought different perspectives to the discussions and different beliefs as to the appropriate approach for determining the thresholds. For instance, CEC expressed their view that (i) service quality should be provided at the benchmark levels established by the Commission and (ii) this service quality should be provided annually and in aggregate over time. FortisBC, in response to this point, expressed its view that (i) service quality metrics are subject to inherent and/or uncontrollable volatility over time, and (ii) the Commission Decisions recognized that there is a range of "satisfactory" performance around benchmarks. These and other issues discussed by the Parties are set out in further detail in the attached documents.
- K. Parties have acted in good faith, and have made appropriate compromises on individual SQI thresholds in the interest of reaching agreement on an overall package that will achieve the objectives established by the Commission.
- L. The following terms represent the agreement of the Parties as to an appropriate package recommendation to the Commission. The Parties request that the Commission incorporate the recommendation into an Order for the two subject utilities.

AGREED TERMS OF THE CONSENSUS RECOMMENDATION

The Parties agree as follows:

Definition of Performance Ranges

The Parties have defined performance ranges for each SQI as being the range between the benchmark set by the Commission in the Decisions and a “threshold” agreed to in this Consensus Recommendation.

Operation of the SQI Performance Ranges

1. Objectives

The objectives of the performance ranges and the review process of results are to:

- a. identify instances of potential deterioration of service quality during the PBR period for which the utility may be accountable
- b. give due recognition to normal volatility which may produce SQI scores inferior to the benchmarks that do not represent serious degradation of service
- c. provide a transparent and efficient Annual Review process in which all stakeholders have confidence

Based on how the Parties have established the thresholds and performance ranges, the Parties do not consider performance inferior to a threshold to necessarily

- represent a “serious degradation of service”, or
- warrant adverse financial consequences for FortisBC

but rather they consider that this circumstance warrants examination at an Annual Review to determine whether further action is warranted. However, performance inferior to a threshold is a factor the Commission may consider in determining whether there has been a “serious degradation of service” and whether adverse financial consequences for FortisBC are warranted.

For clarity, the Parties did not come to any agreement on the implications of circumstances where there is performance inferior to the benchmark in non-consecutive years, or where the average performance over the PBR term is below the benchmark. The Parties have differing views on these matters. However, the Parties agree that nothing in this Consensus Recommendation is intended to limit (a) any right that a Party would otherwise have to raise these matters before the Commission or (b) any right that a Party would otherwise have to object to the matter being raised, or to oppose the substance of the arguments raised.

2. Process

The Parties recommend a two-phase process for the examination of SQI results at each Annual Review:

Phase 1 – Identification of SQI results for discussion at Annual Review

The utility that is subject to the Annual Review in question will provide the results and a brief discussion for all SQIs required by the PBR Decision. It will provide additional explanation on an SQI at an Annual Review if either of the two following circumstances apply to the SQI:

- a. the SQI score in the prior calendar year during the term of the PBR Plan is inferior to the agreed threshold; or
- b. the SQI score in two successive calendar years during the term of the PBR Plan has been between the benchmark and the threshold.

The specification of the two circumstances which will trigger the utility's obligation to provide further explanation at the Annual Review does not eliminate the ability of the utility or any stakeholder to raise any issue or concern in relation to any SQI, or to ask information requests on any SQI as part of the Annual Review, or to propose a change to a threshold based on new information.

Phase 2 – Determination of any financial consequences

After consideration of the information provided by the utility at an Annual Review explaining any SQI performance outside of the performance range, a stakeholder may initiate a complaint with the Commission. The Commission will determine whether any financial consequences for the utility should be imposed and if so, the nature and degree of those consequences.

Determinations of any financial consequences will be made based on whether there has been a serious degradation of service and having regard to the other factors identified by the Commission in the following passage from the Decision:

“When assessing the magnitude of any reduction in each Company's share of the incentive earnings, the Commission will take into account the following factors:

- *Any economic gain made by each Company in allowing service levels to deteriorate;*
- *The impact on the delivery of safe, reliable and adequate service;*
- *Whether the impact is seen to be transitory or of a sustained nature;*
and
- *Whether each Company has taken measures to ameliorate the deterioration in service.*

Agreed Thresholds

1. Considered collectively, and in the context of the overall PBR Plan, the thresholds set out below establish an appropriate performance range around the benchmark specified for each SQI.

Approved Service Quality Indicators (SQIs)

Performance Measure	FEI Indicator	FEI Benchmark	FEI Threshold (Fixed value as indicated for full PBR term) ¹	FBC Indicator	FBC Benchmark	FBC Threshold (Fixed value as indicated for full PBR term) ¹
Safety SQIs						
Emergency Response Time	Percent of calls responded to within one hour	97.7%	96.2%	Percent of calls responded to within two hours	93%	90.6%
Telephone Service Factor (Emergency)	Percent of emergency calls answered within 30 seconds or less	95%	92.8%	N/A	N/A	N/A
All Injury Frequency Rate	3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked	2.08	2.95	3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked	1.64	2.39
Public contacts with pipelines	3 year average of number of line damages per 1,000 BC One calls received	16	16	N/A	N/A	N/A
Responsiveness of Customer Needs SQIs						
First Contact Resolution	Percent of customers who achieved call resolution in one call	78%	74%	Percent of customers who achieved call resolution in one call	78%	72%
Billing Index	Measure of customer bills produced meeting performance criteria	5	<=5	Measure of customer bills produced meeting performance criteria	5	<=5
Meter Reading Accuracy	Number of scheduled meters that were read	95%	92%	Number of scheduled meters that were read	97%	94%
Telephone Service Factor (Non-Emergency)	Percent of non-emergency calls answered within 30 seconds or less	70%	68%	Percent of calls answered within 30 seconds or less	70%	68%
Meter Exchange Appointment	Percent of appointments met for meter exchanges	95%	93.8%	N/A	N/A	N/A
Reliability SQIs						
System Average Interruption Duration Index - Normalized	N/A	N/A	N/A	3 year average of SAIDI (average of cumulative customer outage time)	2.22	2.62
System Average Interruption Frequency Index - Normalized	N/A	N/A	N/A	3 year average of SAIFI (average customer outage)	1.64	2.50

1) Determined by adjusting the benchmark for the range for each year of the PBR term and equals the indicated fixed value applicable for the full term of the PBR.

2. Any Party is at liberty to apply to the Commission, in conjunction with an Annual Review, to change a threshold based on new information.

“Serious Degradation of Service”

The Parties have established the thresholds in recognition of the Commission’s determination that “*the achievement of performance metrics that fall within this range is acceptable*”. The Parties consider performance between the benchmark and the threshold


to represent normal volatility. The Parties' views regarding performance inferior to a threshold are set out in section 1.

“Package” Agreement

3. The Parties acknowledge that the Consensus Recommendation was a product of compromise with the intention of achieving the overall objectives outlined in the Commission's Decisions.
4. The Parties intend for this Consensus Recommendation to be presented to the Commission for acceptance and incorporation into an Order, in its entirety. As such, the Parties agree to
 - (a) request that the Commission convene a procedural conference to consider next steps in the event that the Commission is unwilling to approve the Consensus Recommendation as a whole; and
 - (b) support a reconsideration application seeking acceptance of the Consensus Recommendation in the event that the Commission approves provisions that depart from the Consensus Recommendation.

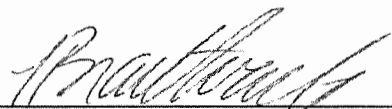
Counterparts

Authorized signatories of the Parties have executed this agreement in counterparts with the same effect as if all Parties had signed the same document. All counterparts will be construed together and will constitute one and the same instrument.



FortisBC, per authorized signatory

January 13, 2015
Date



British Columbia Old Age Pensioners Organization,
et al, per authorized signatory

January 14, 2015
Date

British Columbia Sustainable Energy Association and
Sierra Club British Columbia, per authorized signatory

Date

- 8 -

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FortisBC, per authorized signatory

Date

British Columbia Old Age Pensioners Organization,
et al., per authorized signatory

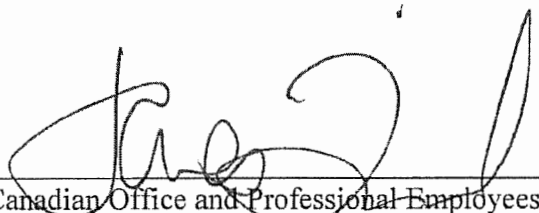
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British Columbia Sustainable Energy Association and
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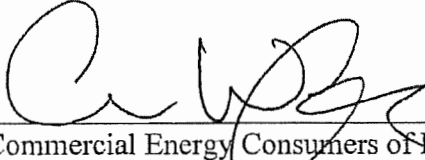
2015-01-13

WILLIAM J. ANDREWS
Barrister & Solicitor
1958 Parkside Lane
North Vancouver, BC, V7G 1X5



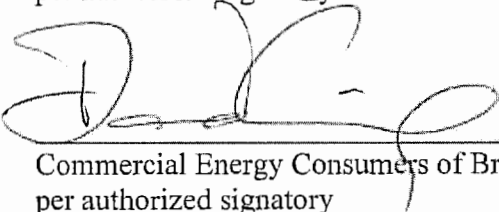
Canadian Office and Professional Employees Union,
Local 378, per authorized signatory

January 13, 2015
Date



Commercial Energy Consumers of British Columbia,
per authorized signatory

January 13, 2015
Date



Commercial Energy Consumers of British Columbia,
per authorized signatory

January 13, 2015
Date