BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT
R.S.B.C. 1996, CHAPTER 473

And

FortisBC Energy Inc. Application for Approval of a Multi-Year Performance Based Ratemaking Plan for the years 2014 through 2018

Vancouver, B.C.
March 14th, 2014

Proceedings

BEFORE:

D.M. Morton, Panel Chair/Commissioner

D.A. Cote, Commissioner

B.A. Magnan, Commissioner

N.E. MacMurchy, Commissioner

VOLUME 5

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J. QUAIL L. WORTH	COPE Local 378
W. ANDREWS	B.C. Sustainable Energy Association Sierra Club of British Columbia

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1 **CAARS**
2 VANCOUVER, B.C.
3 March 14th, 2014
4 **(PROCEEDINGS RESUMED AT 8:31 A.M.)**
5 THE CHAIRPERSON: Please be seated.
6 Good morning. Mr. Ahmed, I imagine you
7 have something for us.
8 MR. AHMED: I do, Mr. Chairman. Good morning, Mr.
9 Chairman and Commissioners.
10 THE CHAIRPERSON: Good morning.
11 MR. AHMED: I have two undertakings for filing. The
12 first is Fortis Undertaking No. 5. The transcript
13 reference for this one is in Volume 4, at page 603,
14 lines 16 to 24. It was a request made of Mr. Swanson
15 from Mr. Miller to provide the actual capital spend
16 for 2013 for FBC. I believe this should be Exhibit
17 B2-20.
18 THE CHAIRPERSON: Okay.
19 THE HEARING OFFICER: Marked B2-20.
20 **(FORTISBC UNDERTAKING NO. 5 RE. VOLUME 4, PAGE 603,**
21 **LINES 16 TO 24 MARKED EXHIBIT B2-20)**
22 MR. AHMED: The second undertaking is Fortis Undertaking
23 No. 6. The transcript reference for this is Volume 4,
24 page 606, lines 13 to 23. This was a request made of
25 Mr. Swanson by Mr. Miller, referring to Exhibit A2-20,
26 page 5, to reconcile two tables allocating

1 differences, but total capital columns between major
2 capital and regular capital. I believe this should be
3 B2-21.
4 THE HEARING OFFICER: B2-21.
5 **(FORTISBC UNDERTAKING NO. 6 RE. VOLUME 4, PAGE 606,**
6 **LINES 13 TO 23 MARKED EXHIBIT B2-21)**
7 THE CHAIRPERSON: Thank you, Mr. Ahmed.
8 Mr. Quail, are you set to go?
9 MR. QUAIL: Yes, ready to go.
10 THE CHAIRPERSON: Please go ahead.
11 MR. QUAIL: Yes, Ms. Alexander. Could you state your
12 name for the record, please?
13 MS. ALEXANDER: Yes, my name is Barbara R. Alexander.
14 MR. QUAIL: Do you prefer to be sworn or affirmed? Your
15 choice whether to swear or affirm.
16 MS. ALEXANDER: I see. I will affirm.
17 MR. QUAIL: Oh, and before, I should say on behalf of
18 everybody here, welcome to Canada. You are from the
19 state of Maine, is my understanding.
20 MS. ALEXANDER: I am, and thank you very much. I
21 appreciate the opportunity.
22 THE CHAIRPERSON: Welcome.
23 MR. QUAIL: And I understand that you missed ten inches
24 of snow falling on your house over the last couple of
25 days by virtue of being here, so -- but hopefully it's
26 another reason to perhaps feel glad you've had a

1 little journey from home.
2 **COPE LOCAL 378 PANEL**
3 **BARBARA ALEXANDER, Affirmed:**
4 **EXAMINATION IN CHIEF BY MR. QUAIL:**
5 MR. QUAIL: Q: Ms. Alexander, you are the author of the
6 filed evidence in these proceedings, filed by the
7 Canadian Office and Professional Employees Union,
8 local 378. Is that correct?
9 MS. ALEXANDER: A: Yes.
10 MR. QUAIL: Q: And for the record, that is on the
11 FortisBC Inc. record, Exhibit C2-10, and FortisBC
12 Energy Inc. Exhibit C4-9. And you are also the author
13 of all responses to Information Requests directed to
14 the union in these proceedings. Is that correct?
15 MS. ALEXANDER: A: To the extent they address my
16 testimony, yes.
17 MR. QUAIL: Q: And I understand that you have a
18 correction which you wish to identify in one of those
19 information responses, or arising from one of them.
20 MS. ALEXANDER: A: Arising from one of them, yes. I am
21 using page numbers from my Exhibit C2-10, and so I
22 would like to point out on page 31 an error in a word.
23 It is line 1, page 31, and instead of saying "allowed
24 to go below", the proper word is "allowed to go above"
25 the current three-year average. At the top of page
26 31, line 1.

1 And the same change for a correction in the
2 table on page 35, in which I am proposing the FBC
3 service quality indicators and performance standards
4 under the line -- there are no line numbers, I
5 apologize here.
6 **Proceeding Time 8:35 a.m. T02**
7 But under SAIDI, S-A-I-D-I, and under
8 SAIFI, S-A-I-F-I, the third column should strike the
9 word "minimum" in both instances and substitute the
10 word "maximum". That's it
11 MR. QUAIL: Q: Yes, and I understand that the need for
12 this correction actually came to light arising from an
13 information request directed by Commission staff.
14 MS. ALEXANDER: A: That is correct.
15 MR. QUAIL: Q: And for the record, that is in the
16 FortisBC Energy Inc. proceeding, Exhibit number C2-13.
17 And so as we said, you were the author of
18 that evidence and of the information responses, and
19 for the record, that includes the following exhibits
20 in the FortisBC Energy Inc. record C2-10, C2-13, C2-
21 14, C2-15, C2-16, C2-16-1, C2-17, C2-18 and C2-19 and
22 in the FortisBC Inc. record C4-9, C4-11, C4-12, C4-13,
23 C4-14 and C4-15 and C4-16 and C4-17. And in the
24 common hearing record we have your evidence
25 consolidated and reprinted evidence has been filed as
26 C12-1.

1 Do you adopt the contents of those
2 documents your evidence in this proceeding?
3 MS. ALEXANDER: A: I do.
4 MR. QUAIL: Q: Now, turning to C12-1, is your direct
5 testimony. It sets out your qualifications. C12-1
6 does not contain your -- your qualification are, yes,
7 attached to your evidence. I'll just find mine.
8 Pardon me
9 It's the first appendix in your evidence,
10 Exhibit number BRA-1 is your *curriculum vitae*, is that
11 correct?
12 MS. ALEXANDER: A: Yes.
13 MR. QUAIL: Q: And it states your education and notes
14 that you hold a degree of juris doctor conferred by
15 the University of Maine School of Law, is that
16 correct?
17 MS. ALEXANDER: A: Yes.
18 MR. QUAIL: Q: And you are currently registered as an
19 inactive member of the bar of the State of Maine.
20 MS. ALEXANDER: A: That is correct.
21 MR. QUAIL: Q: And you obtained a Bachelor's degree
22 with distinction in political science in the
23 University of Michigan, is that correct?
24 MS. ALEXANDER: A: Yes.
25 MR. QUAIL: Q: Now, turning to the first page of that
26 exhibit, it contains your areas of your expertise

which you state to be default service customer protection service quality and universal service policies and programs associated with move to competition in the electric, natural gas and telecommunications industries. Is that an area of expertise?

MS. ALEXANDER: A: Yes, it is.

MR. QUAIL: Q: Consumer protection and service quality policies and programs associated with the regulation of competitive energy in telecommunications providers, is that correct?

MS. ALEXANDER: A: Yes.

MR. QUAIL: Q: The regulatory policies associated with the regulation of credit, collection, consumer protection, low income and service quality programs and policies for public utilities. Is that correct?

Proceeding Time 8:38 a.m. T03

MS. ALEXANDER: A: Yes.

MR. QUAIL: Q: Rate design and pricing policies applicable to residential customers?

MS. ALEXANDER: A: Yes.

MR. QUAIL: Q: And finally advanced metering infrastructure costs and benefits in associated time-based pricing proposals.

MS. ALEXANDER: A: Yes.

MR. QUAIL: Q: Immediately after that it indicates

1 prior employment. You were from 1986 to '96 the
2 director of consumer assistance division at the Maine
3 Public Utilities Commission, is that correct?
4 MS. ALEXANDER: A: Yes.
5 MR. QUAIL: Q: And the description that follows, that's
6 what your duties there were.
7 MS. ALEXANDER: A: Yes.
8 MR. QUAIL: Q: And superintendent from 1979 to '83 of
9 the Bureau of Consumer Credit Protection, Department
10 of Professional and Financial Regulation of the State
11 of Maine, is that correct?
12 MS. ALEXANDER: A: Yes.
13 MR. QUAIL: Q: And again your role there is set out
14 beneath that title.
15 Now, flip ahead a page you will come across
16 a long list of publications and testimony. I
17 understand that you've testified in a great number of
18 regulatory proceedings before diverse American
19 tribunals, is that correct?
20 MS. ALEXANDER: A: Yes, I have.
21 MR. QUAIL: Q: And in Canada you have testified before
22 the Canadian Radio, Television and Telecommunications
23 Commission, is that right?
24 MS. ALEXANDER: A: I did.
25 MR. QUAIL: Q: And that was in telecommunications
26 regulatory proceedings several years ago.

MS. ALEXANDER: A: Yes.
MR. QUAIL: Q: I believe that's the first time that our paths ever cross, Ms. Alexander. And you've also published many studies and articles about regulatory law and practice as set out in that portion of your CV.
MS. ALEXANDER: A: Yes.
MR. QUAIL: Q: Moving to the beginning again of your CV, at page 1 of it it lists some recent clients. Just to identify what some of those are, AARP, I understand stands for the American Association of Retired Persons, but they go by AARP rather than the full name, is that correct?
MS. ALEXANDER: A: The organization legally changed its name approximately ten years ago. The legal name is AARP.
MR. QUAIL: Q: And this is the major organization of retired persons in the United States of America, is that correct?
MS. ALEXANDER: A: Yes.
MR. QUAIL: Q: And there are --
MS. ALEXANDER: A: Actually, I need to say they are age 50 and older and many millions of those members are working, including me. So we are not all retired.
MR. QUAIL: Q: I'd qualify too. At least checking this morning, I don't seem to be retired.

1 MS. ALEXANDER: A: That's right.
2 MR. QUAIL: Q: And UWUA is the American Union
3 representing utility employees, is that correct?
4 MS. ALEXANDER: A: It is a Utility Workers of American
5 organization that has locals throughout the country,
6 yes.
7 MR. QUAIL: Q: Okay, and you have an opening statement
8 which you would like to make which has been filed in
9 these proceedings, is that correct?
10 MS. ALEXANDER: A: Yes.
11 MR. QUAIL: Q: So I'll let you proceed.
12 MS. ALEXANDER: A: May I do that now?
13 MR. QUAIL: Q: Yes, please.
14 THE CHAIRPERSON: Please, go ahead.
15 MS. ALEXANDER: A: I am not going to read the document.
16 I understand it's been distributed in written form, so
17 I will not make a speech about every word, but I will
18 summarize my basic overall approach and provide a few
19 comments in response to some of the rebuttal --
20 MR. QUAIL: Q: I'm sorry to interrupt, but for the
21 record, that is Exhibit C12-3.
22 MS. ALEXANDER: A: C12-3?
23 MR. QUAIL: Q: Yes. Please proceed.
24 MS. ALEXANDER: A: First, my testimony is not directed
25 to the structure of the performance based rate-making
26 plan on which you've spent the bulk of your testimony

1 and hearing time to date.
2 **Proceeding Time 8:42 a.m. T04**
3 I have a particular focus on the service
4 quality indicator, or service quality performance
5 plan, associated with the application in front of you.
6 I do not opine as to whether the PBR plan should be
7 approved, but if it is, my recommendations go to the
8 contents of the service quality performance plan in
9 this application.
10 I have found that the proposal by the
11 companies in this proceeding is defective, and as
12 proposed, should I recommend not be adopted. It fails
13 to adopt proper incentives which the company
14 explicitly acknowledges should be addressed in a PBR
15 plan to ensure that service quality is not
16 deteriorating and that customers are not suffering as
17 a result of the desire for increased earnings during
18 the term of the plan, and the obvious implication that
19 cutting expenses in their plan would result in
20 increased earnings.
21 The risk of non-performance on service
22 quality in their proposal in the FortisBC Gas and
23 Electric companies' proposals are -- shift the risk of
24 this non-performance entirely to customers. There are
25 no risks to shareholders under their proposal if
26 service quality is not held to reasonable standards,

1 and there will be disagreements about what those
2 standards should be. But the structure of the plan is
3 that we will collect some data, we will report some
4 data, and we will eliminate in many cases particular
5 standards that we will held accountable to, and if
6 there is a problem with anybody's view of how the data
7 shows that we're doing, we could all get together in a
8 room and talk about it, and if it's really bad, we can
9 sort of blow up the plan and start over. And I use
10 plain-language words to describe my interpretation of
11 their proposal.
12 They propose no level of deterioration that
13 would shift any burden to them to do anything. They
14 do not have enforceable standards for metrics that
15 have been historically linked to specific standards
16 under your prior PBR plans, and that are typically
17 associated with standards in other Canadian and U.S.
18 service quality plans. And I am referring here to
19 KDCAIDI, which is the measure of the duration of
20 interruptions, and SAIFI, S-A-I-F-I, which is the
21 measure of the frequency of interruptions, public
22 contact with pipelines, and the measurement of worker
23 safety with the severe and frequent injury incidence
24 involved.
25 The allegation that these indicators are
26 somehow not capable of being regulated with specific

1 standards is not defensible, and is proven in many,
2 many precedents, both here and in other jurisdictions,
3 to not hold any weight at all. Reliability standards
4 already exclude major events. We have already taken
5 out, you know, major storm events when we talk about
6 those standards. All of them should be associated
7 with a specific performance level.
8 A number -- I've criticized a number of
9 their proposals for the standards they have included.
10 Several of them involve complicated measurements of
11 three or four different things that are melded into an
12 index. The billing index, the customer satisfaction
13 index, all of which weaken and dilute the meaning of
14 the resulting number. So they really don't end up
15 measuring anything in particular. You've just put a
16 lot of stuff in one bag and come up with an index that
17 I don't recommend you do that.
18 **Proceeding Time 8:46 a.m. T05**
19 Their proposals do not reflect any
20 improvement at all, compared to historical
21 performance, and with the elimination of actual
22 performance standards in the areas that I talk about,
23 you've lost even that basis for comparing and
24 assigning responsibility when actual results are
25 reported to you. And in one of them, they are
26 actually deteriorating their current performance, and

1 that is the call centre for the gas company. The
2 telephone service factor for gas customers would, as
3 they have proposed it, move from 75 percent, which
4 they routinely meet and do far better than that in
5 most years, to a 70 percent performance standard.
6 So I recommend some significant reforms to
7 set the balance right, and to make the shareholders
8 bear some responsibility if they do not perform during
9 the term of this plan. So, my recommendation is that
10 there are pre-determined standards, that there are
11 pre-determined consequences for the failure to meet
12 those standards in any annual average year. So we're
13 not micro-managing this week, this month, this
14 quarter. We're taking data of thousands of episodes
15 annually creating an average standard and holding the
16 company to manage its corporation to achieve that
17 standard, over a year's period of time.
18 The risk of non-performance should not be
19 borne by customers. The risk should be borne by
20 shareholders. I have recommended that 1 percent of
21 the retail revenues of both companies be at risk in a
22 maximum catastrophic series of deteriorations that I
23 do not anticipate that are likely to occur, but which
24 provide some maximum boundary on the dollar amounts at
25 risk in the proposal I have made. I have then
26 developed a dollar amount per percentage of

1 deterioration that should be applied to the annual
2 actual performance if it doesn't meet the annual
3 average indicator that I have recommended.
4 My proposal has been adopted by other
5 utility commissions as I have pointed out in my
6 testimony.
7 The dollar amounts are not fines that are
8 classically viewed as being imposed in a civil
9 penalty. They are dollars that go back to customers,
10 which is why I've entitled them "compensation
11 credits". It is the customer who has suffered the
12 poor service quality. It is the utility who has not
13 suffered anything as a result of the poor service
14 quality. And so the compensation goes back to the
15 customers. And I have outlined the theory for why
16 this is related to the revenue requirement and
17 earnings that the company will be enjoying during this
18 plan in my testimony.
19 A couple of words on the rebuttal. The
20 company's rebuttal is bereft of any factual evidence
21 to support its allegations that somehow customers are
22 responsible for poor service quality, or that my
23 recommendations would harm them in terms of some
24 unspecified level of increased costs they might have
25 to bear. None of that is documented, or provided in
26 any evidentiary way, to back up their allegations.

1 Many of the suggestions they have made,
2 particularly Dr. Overcast's emphasis on the notion
3 that the company really isn't in charge of this
4 performance, that somehow customers could be the cause
5 of the poor service quality, or that it's all events
6 outside their control, is frankly not credible, in my
7 opinion. That kind of approach has been rejected in
8 many jurisdictions, and because we're dealing with
9 annual averages, and we're dealing with systems and
10 employee practices and policies that the utility is
11 itself in control of, they have to manage the
12 unforeseen events to provide the benefits to their
13 customers that we're all paying for, in our rates.
14 **Proceeding Time 8:38 a.m. T03**
15 So, I will leave it at that. But let me
16 make it clear that my proposals may need additional
17 detailed definitions and that level of detail may not
18 be reflected in my testimony, but can easily be done
19 and is typically done in the compliance phase once
20 you, the Commissioners, have decided the approach you
21 want to adopt, should you chose to recommend adoption
22 of my overall approach.
23 Acts of God, terrorism, national emergency,
24 obviously those things provide the basis, or should
25 provide the basis for some sort of determination as to
26 whether the performance has been adversely impacted by

1 those irregular and undefined future events. So that
2 there is an opportunity for due process here. But
3 barring any documentation that any of those unusual
4 and hard-to-define events have measurably impacted the
5 annual average, the entire proposal I've made should
6 be self-enforcing, automatic, does not require
7 litigation and does, in fact, save time and resources
8 and send the right signal to correct the imbalance in
9 the plan the companies have proposed.
10 Thank you very much.
11 MR. QUAIL: Q: Thank you. And that concludes the
12 direct evidence of COPE 378. Would you please answer
13 my friends' questions.
14 MS. ALEXANDER: A: Mm-hmm.
15 THE CHAIRPERSON: Thank you, Mr. Quail. Mr. Andrews, are
16 you set? Thank you. Please go ahead.
17 **CROSS-EXAMINATION BY MR. ANDREWS:**
18 MR. ANDREWS: Q: Ms. Alexander, my name is Bill Andrews
19 and I'm the lawyer for the B.C. Sustainable Energy
20 Association and the Sierra Club of B.C.
21 MS. ALEXANDER: A: Good morning.
22 MR. ANDREWS: Q: Good morning. I'd like to begin by
23 discussing the context, the larger context in which
24 the SQIs reside, and start by sort of zooming out to
25 the scale of the scope of the B.C. Utilities
26 Commission's control over the utilities. You would

1 agree with me that there is a limit on the BCUC's
2 regulatory jurisdiction over the utility?
3 MS. ALEXANDER: A: I would presume there are such
4 limits set forth in the statute that would govern the
5 authority of the Commission to act, yes.
6 MR. ANDREWS: Q: And many of the activities of the
7 utility are also governed by other government agencies
8 that have their own specific legal mandates. I'm
9 thinking gas pressure boilers workers compensation.
10 There are dozens of other government agencies that
11 have control over certain aspects of the utility's
12 behaviour, correct?
13 MS. ALEXANDER: A: I would presume so, yes.
14 MR. ANDREWS: Q: So one can think in terms of the
15 notion of a lead regulator. That is the utility is
16 governed by multiple agencies, but on any given issue
17 there will be one regulator that may be acknowledge or
18 it may be disputed, but could be considered the lead
19 regulator.
20 MS. ALEXANDER: A: I defer to you as to your terms
21 about lead regulator. Clearly this Commission has the
22 primary authority for the rates, the terms of service
23 and the quality of service and the reliability of
24 service that is delivered by the utilities in the room
25 today. I mean that would be typical and my
26 interpretation -- if by that you mean lead regulator,

1 I can agree with that.
2 MR. ANDREWS: Q: That is --
3 MR. QUAIL: Mr. Chairman, I'm a little hesitant. I know
4 my friend is basically setting some context. I just
5 want to register that these are essentially questions
6 of law that are being put to the witness rather than
7 questions that perhaps customarily would be matters of
8 evidence. I'm not really objecting, I just want to
9 register that because I'm reluctant to see her
10 examination become a process of legal argument by Mr.
11 Andrews or any other party.
12 THE CHAIRPERSON: Mr. Andrews, could you provide some
13 context for us so we understand where you're --
14 MR. ANDREWS: Yes, where I'm going with this is that the
15 issues that are addressed in the proposed SQI are
16 matters that are within the bailiwick of the Utilities
17 Commission but are also within the bailiwick of
18 innumerable other authorities.
19 **Proceeding Time 8:56 a.m. T07**
20 And so where I'm going with this is how the
21 Commission ought to deal with that, and how Ms.
22 Alexander's concept of an SQI fits into -- and how it
23 deals with the fact that there are many different
24 regulators that control aspects of the companies.
25 THE CHAIRPERSON: Okay. So, Mr. Miller?
26 MR. MILLER: So, Mr. Chair, I don't see these questions

1 as improper at all. The same -- there are many
2 regulatory agencies, and many sort of laws that impact
3 utilities across North America. These questions are
4 not specific to this jurisdiction, they're general
5 questions. And if the expert has a familiarity with
6 other jurisdictions, these same sort of factors are in
7 play. Does Fortis have some control? I think is what
8 Mr. Andrews was going. Yes, but there are other
9 regulatory agencies that also have control, and that
10 goes to the fact how controllable are these
11 indicators.
12 MR. QUAIL: I'm not seeking to interrupt, I just want to
13 put a marker in, in terms of potential directions that
14 this discussion could go. Clearly evidence about
15 foreign law is a matter of evidence; it's a matter of
16 the weight of the law of evidence says, and we have a
17 witness who actually holds the *juris doctor* degree,
18 and in a foreign jurisdiction, and is able to testify
19 about the law in the United States and other
20 jurisdictions. And if that is helpful, that's all
21 well and good. Just want to register the point that
22 I'll be on my feet, particularly if I see things
23 zeroing even further into the question of analysis of
24 the laws of British Columbia.
25 THE CHAIRPERSON: Thank you. Mr. Andrews, so, I think
26 you would understand the -- Mr. Quail's possible

1 objection. So perhaps if we could continue -- if you
2 could continue with that in mind, then that would be
3 good.
4 MR. ANDREWS: Yes. And I actually do want to clarify.
5 The last place I'm trying to go with this witness is
6 the -- any legal evidence.
7 MR. ANDREWS: Q: What I'm getting at here, Ms.
8 Alexander, is would you agree with the proposition
9 that because there are many regulators to do with many
10 aspects of a utility, the service quality indicator's
11 arena has to focus in on the aspects of the utility's
12 behaviour that are most central to the Utilities
13 Commission's core, compared to the myriad of other
14 aspects of the utility's behaviour.
15 MS. ALEXANDER: A: Well, if what you're asking me to
16 opine upon is what kinds of indicators are more
17 appropriate for a utility to be monitored for, as
18 opposed to what the Workers' Compensation Commission
19 might want to monitor and collect data on, I would
20 agree that there is a distinction. And that is why
21 the indicators I have proposed are typically and
22 pretty universally viewed as subject to the management
23 obligation of the utility to respond to whatever the
24 local rules and regulations are in the conduct of its
25 business. And all of that noise about the impact of
26 who says, you know, what law is in effect in British

1 Columbia, all of that noise is reflected in historical
2 performance that I have reviewed in making my
3 recommendation as to what the indicator performance
4 standards should be.
5 MR. ANDREWS: Q: Well, I think you -- earlier in your
6 testimony, you gave examples of things that should be
7 the focus of the service quality indicators to do with
8 SAIDI and SAIFI, and in your opening statement you
9 referred to the workers' measure of worker safety.
10 And I'm suggesting to you that those -- that at least
11 SAIDI and SAIFI, in the electric sphere, are examples
12 of items that would be considered to be right in the
13 centre of the core of the Utilities Commission's
14 relationship with the utility. Correct?
15 As compared to, say, the impact of the
16 utility's operations on fish habitat, which could
17 conceivably be a problem that could conceivably arise
18 before the Utilities Commission. But the Utilities
19 Commission is not generally going to be considered the
20 lead regulator when it comes to ensuring the
21 protection of fish habitat.
22 MS. ALEXANDER: A: Based on that example, I can agree
23 with that distinction. And that's why --
24 MR. ANDREWS: Q: All right. That's where I think --
25 that's where I'm -- so what I'm trying to do is focus
26 in, now, that there are a myriad of potential areas,

1 but we're focusing in on certain areas that are
2 appropriate for the SQI topic that is embedded in the
3 regime that's proposed for Commission approval.
4 **Proceeding Time 9:02 a.m. T08**
5 MS. ALEXANDER: A: I would certainly agree that my
6 recommendations flow within that bound of regulatory
7 oversight that impacts customers and workers, and that
8 are in many ways a direct function of the management,
9 skill, policies, programs and investments by the
10 utility in question, yes.
11 MR. ANDREWS: Q: Let me suggest to you and I'll get
12 your comment, that one way to categorize the kinds of
13 things that would be suitable for consideration, at
14 least, in an SQI component of the framework would be
15 service delivery aspects, that is the actual delivery
16 of electricity and the delivery of natural gas as one.
17 Customer as the second, being customer interaction
18 elements. A third being asset management issues, the
19 concern specifically that cost-cutting would be
20 incented by a PBR and cause assets to be run down
21 inappropriately. And then fourthly what I will
22 describe broadly as corporate social responsibility,
23 that is various different aspects of worker
24 protection, fulfillment of obligations to First
25 Nations, compliance with human rights obligations and
26 that sort of thing.

1 Are those four categories roughly adequate?
2 If there are additional ones can you identify them,
3 and if you think that one of those that I've said are
4 not appropriate, can you identify that?
5 MS. ALEXANDER: A: Well, you've asked me to respond to
6 a way to categorize your presentation to me that does
7 not reflect categories that I immediately can relate
8 to all of the indicators. In other words, I didn't
9 approach it with that overarching set of four
10 criteria, right? So I have to think carefully about
11 agreeing with that because I want to make sure that my
12 recommendations will all be encompassed by those four
13 categories, and if they are encompassed, then I agree
14 with them. So.
15 MR. ANDREWS: Q: Let me go to the next step that to the
16 extent that your recommendation is that in the end,
17 the service quality indicators should focus on a
18 measure of the telephone service factor, it's within
19 what I categorized as customer interaction.
20 MS. ALEXANDER: A: Absolutely.
21 MR. ANDREWS: Q: Now, I noticed in your opening
22 statement you referred to a service quality
23 performance plan, and I'm going to suggest that that
24 terminology is indicative of what may be a
25 fundamentally different approach to this SQI topic
26 that's between what's reflected in your evidence and

1 what's reflected in the company's proposal. That is
2 that it appears that what's proposed is not a plan.
3 There's no details about what they are intending to do
4 and how they are intending to accomplish them. But
5 you've referred to it as a plan. Do you -- would you
6 agree with me that that is a significant difference?
7 MS. ALEXANDER: A: Oh. In the context of what we would
8 normally talk about as a plan, the company's proposal
9 does not incorporate all of the elements of a plan. I
10 use the word "loosely" to refer to the company's
11 proposal for how to address service quality during the
12 term of the PBR and I use the word "plan" only in that
13 sense.
14 THE CHAIRPERSON: Yes, Mr. Ghikas.
15 MR. GHIKAS: Yes, I'm sure you can anticipate why I'm up
16 here, Mr. Chairman. I just want to make sure that my
17 friend is cognizant of my concern that this stray into
18 a friendly cross, and I will just lodge that now and I
19 will sit down and monitor closely the proceedings.
20 THE CHAIRPERSON: Thank you, Mr. Ghikas.
21 MR. QUAIL: Mr. Andrews has two counsel, one on each
22 side ready to sort of --
23 THE CHAIRPERSON: Mr. Andrews, you're on the straight and
24 narrow there.
25 MR. ANDREWS: Well, it's been said that this is cross-
26 examination. It doesn't have to be angry cross-

1 examination so.

2 **Proceeding Time 9:08 a.m. T09**

3 MR. ANDREWS: Q: In the context of a performance based
4 rate making scheme, I suggest that there are -- that
5 one way to look at this SQI mechanism is that it is a
6 response to a concern that by increasing the
7 incentives to the utility, to create efficiencies and
8 spend less money, there would be an unintended adverse
9 consequence of reductions in service or asset
10 management or any of the other categories of utility
11 performance. Is that roughly correct?

12 MS. ALEXANDER: A: The company acknowledged that
13 theoretical concern in its application. In addition
14 to perhaps "letting things go", we also have the lack
15 of any incentive to improve over a five-year period
16 the actual more efficient delivery and improved
17 performance of service quality.

18 MR. ANDREWS: Q: Well, look. I guess -- do you agree,
19 and my friend may consider this to be friendly cross,
20 but I just want to get -- make sure we're sort of on
21 the same page. Do you agree that the role of the SQI
22 regime is to prevent unanticipated adverse
23 consequences that would arise from actions taken that
24 are incented by the other elements of the PBR process?

25 MS. ALEXANDER: A: Yes.

26 MR. ANDREWS: Q: And in your approach to --

MS. ALEXANDER: A: Let me make one addition. Can I do that?

MR. ANDREWS: Q: Please.

MS. ALEXANDER: A: One addition to my "yes".

THE CHAIRPERSON: Please go ahead.

MS. ALEXANDER: A: And the issue here is not just the design of the PBR plan. It's that it's five years without a rate case. I mean, however you design it, that's the bottom line here. And it is that basic fact that I urge you to consider when trying to figure out how to proceed here. Go ahead.

MR. ANDREWS: Q: So, there are -- there is a large number of potential parameters that could be used to define the company's behaviour, correct?

MS. ALEXANDER: A: For what purpose?

MR. ANDREWS: Q: For the purpose of monitoring whether there are unanticipated adverse consequences of the activities and actions taken by the company that are incented by the PBR mechanism which the Commission is being asked to approve.

MS. ALEXANDER: A: I offer no opinion on the wide range of metrics to measure any aspect of the company's activities in five years. My testimony is strictly oriented to service quality and reliability performance.

MR. ANDREWS: Q: Okay. Well, my question actually was

that there are -- there is a large number of measures that could be used to characterize the company's behaviour even within service delivery or within customer interaction, correct?

MS. ALEXANDER: A: Oh, yes. Absolutely. Yes.

MR. ANDREWS: Q: And you've landed on one measure, the telephone service factor, as being in your recommendation the one to which financial penalties should be attached, correct?

MS. ALEXANDER: A: No, I've recommended financial penalties for every one of the indicators in my proposed service quality plan. Telephone service factor is one of eight to ten measures in each of the company's plans.

MR. ANDREWS: Q: Do you see a danger that if financial penalties are attached to -- call it eight to ten specific parameters, that the -- that a theoretical company, to the extent that it's motivated by those incentives, would take steps to maximize its financial position regarding those eight to ten measures but at the unintended consequence of deterioration of other aspects of the company's performance?

Proceeding Time 9:13 a.m. T10

MS. ALEXANDER: A: You would have to give me an example of something that you think would be deteriorated if all of these measurements get the attention they

1 deserve and are shown to be complied with.
2 MR. ANDREWS: Q: Well, let's take as an example, the
3 telephone service factor which -- first let's start
4 with, am I correct to characterize that as a
5 percentage figure representing the percentage of
6 callers to the utility whose call is answered by a
7 live person within 30 seconds.
8 MS. ALEXANDER: A: That is the measurement, yes.
9 MR. ANDREWS: Q: Well, do you consider that there is
10 the theoretical possibility if there's a danger, if
11 there's a financial penalty attached to that metric
12 that one way that a company that was limited to
13 responding to incentives could meet that would be to
14 have a larger number of staff in the call centre so
15 that they are able to answer the phone quickly but
16 save money on training, so that by the time they talk
17 to the customer they are unable to help as well.
18 MS. ALEXANDER: A: Well, that's why my indicators
19 include the answer to the question about the quality
20 of the service the customer received in their recent
21 telephone transaction with the company. We covered
22 that problem.
23 MR. ANDREWS: Q: I actually thought that your testimony
24 was to move away from that and that -- because you
25 said it was blending too many things together.
26 MS. ALEXANDER: A: I rejected the index proposed by the

1 companies. I isolated what I considered to be an
2 appropriate symbol for customer interactions on a
3 satisfaction survey and said the answer to this
4 question should be the one measured and complied with
5 in my proposed plan, and that is, are you satisfied
6 with your recent transaction with our company that you
7 had on the telephone in the past couple of months. So
8 that's right in here.
9 So I've eliminated the four other aspects
10 of their index that were kind of combining all sorts
11 of transactions, thereby diluting the meaning of any
12 one of them.
13 MR. ANDREWS: Q: Let me turn to one specific indicator
14 that the company has been using, which is the accuracy
15 of meter reads and for the electric utility this
16 arising now in the context of the introduction of an
17 advanced metering initiative or a smart meter system.
18 Your recommendation was that that be dispensed with,
19 as I understand it, because the company routinely has
20 satisfactorily performance regarding those meter
21 reads, is that correct?
22 MS. ALEXANDER: A: Right. It's in the interest to the
23 company to issue correct bills and obtain revenues
24 from the bills and so their every incentive is to get
25 the correct meter reading and avoid calls to the
26 company, estimated bills, disputes about the bills and

1 lack of income from paying the bills. So, there is no
2 need, in my opinion, given their strong performance in
3 this area, and the onset of advanced metering, which I
4 understand will be several years in the making, but
5 once that system is installed you will, unless they've
6 not installed the system correctly, you will get
7 accurate meter reading without any visit to the
8 premises at all.
9 MR. ANDREWS: Q: Well, let me suggest to you that the
10 proposition that there's no time more important to
11 monitor whether in fact it's true that the adequacy of
12 meter reads continues as the time in which the company
13 introduces a totally different technology for doing
14 that process. Would you agree with that?
15 MS. ALEXANDER: A: Oh, please don't misinterpret my
16 recommendations here as suggesting that it would be
17 wrong to measure that metric. It would not be wrong
18 to measure that metric and if the Commission wants to
19 continue measuring that metric and include it in the
20 index, I would have no problem with that discretion on
21 their part. I just try to hone in on representative
22 measurements that I thought should carry the most
23 weight and that were in need, in my opinion based on
24 my experience with these in other jurisdictions,
25 deserved the priority attention of the Commission.
26 **Proceeding Time 9:17 a.m. T11**

1 But that does not mean additional metrics
2 could not be added to my proposal. If there are
3 arguments from parties that the Commission accepts in
4 that regard, this would not be something I would
5 object to. It was just a discretionary judgment call
6 on my part about what's in at this point and what
7 could conceivably be on a second tier of perhaps
8 reporting, but not included in the compensation
9 program.
10 MR. ANDREWS: Q: I want to ask about the consequences
11 of excursion from the service quality indicators
12 benchmark standard. Am I right to infer from your
13 opening statement that to the extent that a
14 consequence is the discussion of the reported data at
15 the annual meeting, you dismiss that as ineffective?
16 MS. ALEXANDER: A: Definitely ineffective in terms of
17 assessing a clearly defined, pre-determined
18 consequence for non-performance.
19 MR. ANDREWS: Q: Isn't one of the problems with
20 identifying pre-defined measures and pre-defined
21 consequences that extraordinary care has to be paid to
22 the details of what's included in the required
23 performance, and the financial pros and cons and a
24 weight to be attached to non-performance? In other
25 words, once you start down the road of defining
26 exactly what the utility should be doing, surely it

1 can be argued that eight to ten parameters isn't
2 anywhere close to sufficient to ensure that the
3 utility is operating properly, and that that goes into
4 a regime that is different than the concept of -- on a
5 simple level, whether the PBR regime has had
6 unintended adverse consequences.
7 MS. ALEXANDER: A: My proposals are not intended to
8 monitor the PBR structure generally, the financial
9 impacts on the company, the concerns people may have
10 with respect to level of capital investment and so
11 forth. There is no intent on my part to suggest that
12 my metrics were designed to monitor other aspects of
13 the PBR. My proposals build on the historical
14 approach here in British Columbia of selecting certain
15 metrics to reflect service quality, reliability, and
16 worker safety. There's a long history of doing that
17 here. I reviewed the actual data by this company's
18 performance in all those areas and my real change here
19 is not to change that basic approach, which has been
20 embodied in every PBR plan around here that I'm aware
21 of, but to actually have it make -- have meaningful
22 impact to shift risks to shareholders about non-
23 compliance on the annual report.
24 MR. ANDREWS: Q: By which you mean, your recommendation
25 for financial penalties.
26 MS. ALEXANDER: A: Yes.

1 MR. ANDREWS: Q: Thank you. I have no further
2 questions, thank you.
3 MS. ALEXANDER: A: Okay.
4 THE CHAIRPERSON: Thank you, Mr. Andrews. Mr. Weisberg?
5 MR. WEISBERG: Good morning.
6 THE CHAIRPERSON: Good morning.
7 MR. WEISBERG: Q: Good morning, Commissioners. I
8 somewhat reluctantly insert myself into the narrow
9 confines between a rock and a hard place, otherwise
10 known as my friends Mr. Ghikas and Mr. Quail. I will
11 try to conduct myself in a friendly manner, but not
12 overly friendly.
13 THE CHAIRPERSON: As long as you're not cross.
14 MR. WEISBERG: I do have --
15 MS. ALEXANDER: A: I apologize. I know everyone here
16 knows who you are, but I don't.
17 MR. WEISBERG: I will introduce myself momentarily, thank
18 you.
19 Mr. Quail, before I begin with the witness,
20 I just wanted to clarify the exhibit number of the
21 document I'll be referring to. I know it's Fortis
22 Energy or Fortis Gas, Exhibit C2-10. But I have two
23 exhibit numbers under the FBC for Fortis Electric. I
24 believe it's the same document is marked C4-9 and C12-
25 1. If I have missed a step --
26 MR. QUAIL: I am at a loss. I don't have my computer

1 here, or my -- so somebody who's got the record before
2 them, perhaps, can respond to that.
3 THE CHAIRPERSON: C4-10?
4 MR. WEISBERG: C4-9.
5 THE CHAIRPERSON: C4-9.
6 COMMISSIONER MAGNAN: C4-9 is Fortis Electric. C2-10
7 is --
8 MR. QUAIL: Yes, C-4 -- COPE is C-4 in the FEI record.
9 MR. WEISBERG: So the confusion I'm having --
10 MS. ALEXANDER: A: You're talking about my testimony
11 that was filed in each of the -- I see.
12 MR. QUAIL: I got that exactly wrong. Must be because
13 for me it's early. Anyway, yes. FortisBC Inc., the
14 COPE documents are all lettered C4.
15 THE CHAIRPERSON: C4.
16 MR. QUAIL: So C4-9 is the electric utility COPE
17 evidence.
18 THE CHAIRPERSON: Right. And C2-10 in the gas.
19 MR. WEISBERG: And my point is that on the record, at
20 least on what is on the website, there is also an
21 entry as C12-1, which the C-12 series is --
22 THE CHAIRPERSON: The C-12 is for the hearing, I believe,
23 too.
24 MR. QUAIL: This was at the commencement of the oral
25 hearing, we presented, because there was the omission
26 of a spreadsheet.

1 THE CHAIRPERSON: Right. Okay.
2 **Proceeding Time 9:23 a.m. T12**
3 MR. QUAIL: In the version of what we filed on the
4 Commission's website and so filed a clean copy that's
5 complete for convenience of reference, and it has that
6 reference in both records for convenience as well.
7 MR. WEISBERG: Thank you. We're good. So the document
8 which has just been referred to by various exhibit
9 numbers is one I'll be referring to.
10 **CROSS-EXAMINATION BY MR. WEISBERG:**
11 MR. WEISBERG: Q: Ms. Alexander, my name is Fred
12 Weisberg, I'm counsel for the Irrigation Ratepayers
13 Group, which is a distinct class of customers for
14 Fortis Electric only, and so I'll be asking questions
15 from that perspective.
16 MS. ALEXANDER: A: Yes.
17 MR. WEISBERG: Q: So within FEI Exhibit C2-10, your
18 evidence, if you can turn to page 15 with me, please.
19 MS. ALEXANDER: A: Page 15?
20 MR. WEISBERG: Q: 15.
21 MS. ALEXANDER: A: Yes.
22 MR. WEISBERG: Q: And that's where you begin a
23 discussion of precedence for a more robust service
24 quality index plan and you make reference to a number
25 of other utilities initially in the United States and
26 then in the context of Canada as well.

1 What I'm wondering is whether you know if
2 the utilities that you identified in that evidence
3 have, in fact, been required to pay any penalties
4 under the mechanisms that you've discussed.
5 MS. ALEXANDER: A: Yes, they have.
6 MR. WEISBERG: Q: Do you know the extent or can you
7 give the Commission some example of the scope? And I
8 think what I'm interested in mostly is when you look
9 at what the maximum penalty is, where is the
10 experience been in terms of how often, if every, those
11 maximum levels are reached?
12 MS. ALEXANDER: A: First, you're asking me a question
13 that I don't have a lot of file cards flipping through
14 my head that I know the answer to.
15 MR. WEISBERG: Q: Fair.
16 MS. ALEXANDER: A: I haven't looked at this on an
17 annual basis for all these jurisdictions. I don't
18 have that data base. It could be done, I just haven't
19 done it. Anecdotally I can tell you that there have
20 been significant penalties assessed under the prior
21 California Utility SQI regimes, some of them
22 associated with massive, almost criminal penalties
23 because it was discovered the utility was fudging the
24 data. The same occurred in Minnesota.
25 Now, those are outlyers. I would not
26 suggest that that was typical. And I do not have in

1 my head any particular anecdote for you about whether
2 the maximum penalty has been assessed. I am quite
3 sure it has not been in, for example, Maine or Puget
4 Sound Energy in Washington.
5 What is typically the case is that if the
6 indicator is missed, is missed by some two, three,
7 four percentage points, and the applicable penalty
8 works under the formula that's applicable to that
9 index, and the company reports that to the Commission
10 and the Commission decides when the credit will appear
11 on the bill and how it should be rolled into customer
12 rates. So I am not aware of any instance other than
13 these very outlyer situations I just described in
14 Minnesota and California, in which penalties reached
15 the maximums under any of the SQIs.
16 It is much more typical, and I would not
17 expect to have happen here either, any situation in
18 which you have, as the company described it, serious
19 degradation of a massive scale. I mean, that's just
20 not likely to happen. So we are only operating at the
21 margin here in most normal situations with regard to
22 these credits.
23 MR. WEISBERG: Q: Okay, thank you. Can you turn to
24 page 35 of the same document.
25 MS. ALEXANDER: A: Yes.
26 MR. WEISBERG: Q: On that page there is a table, and

1 this is the comparison of FBC's proposal those
2 benchmark and your own proposed benchmark for the same
3 performance measures and it deals exclusively with FBC
4 not with FEI. I want to look at the last box in that
5 table, the emergency response time.
6 **Proceeding Time 9:28 a.m. T13**
7 MS. ALEXANDER: A: Mm-hmm.
8 MR. WEISBERG: Q: And under your comments, you are
9 proposing that that metric be eliminated from the SQI
10 and you note that customers are more concerned with
11 restoration time, and elsewhere in your evidence I
12 think you elaborate further and describe as their
13 repair time and restoration of power time.
14 MS. ALEXANDER: A: Yes.
15 MR. WEISBERG: Q: So what I'm wondering is, there's no
16 doubt that you're suggesting that emergency response
17 time should be eliminated, but you are not suggesting
18 that it be replaced then with a repair and restoration
19 of power time metric, if I can describe it in those
20 terms. Are you or are you not?
21 MS. ALEXANDER: A: I believe that restoration of power
22 under normal reliability situations are covered with
23 SAIDI and SAIFI.
24 MR. WEISBERG: Q: Okay.
25 MS. ALEXANDER: A: Because if the power is out, then
26 you have an outage and the issue is how many of them

1 you have and what their frequency is.
2 MR. WEISBERG: Q: Okay.
3 MS. ALEXANDER: A: In a major storm, if you are dealing
4 with downed wires or dangerous electrical situations,
5 those are somewhat unique animals. I use that term
6 loosely. Unique kinds of activities, I guess I would
7 say, that are often the subject of a Commission's
8 oversight of the utility's management of restoration
9 once a major event occurs. And I know of many states
10 who closely monitor the response to downed wire calls
11 during major storms, for example, and mandate certain
12 response times by the utility to those calls,
13 interactions with municipalities, management of the
14 facility to stand guard until the appropriate person
15 can come and get the wire to be energized.
16 But those are situations that, in my
17 opinion, don't lend themselves to a routine customer
18 interaction index. At least that was my basis for
19 making my proposal in this regard.
20 MR. WEISBERG: Q: Okay, thank you. Over to page 37.
21 MS. ALEXANDER: A: Yes.
22 MR. WEISBERG: Q: That's where, I believe, is the first
23 time you introduce the quantum of the proposed total
24 for service compensation dollar.
25 MS. ALEXANDER: A: Yes.
26 MR. WEISBERG: Q: And on lines six to eight of your

1 evidence you introduce a recommendation that there be
2 a total of $1.8 million at risk for service
3 compensation dollars for FBC. Although you don't
4 expressly say so there, my understanding of your
5 intention is that that's the total in any given year.
6 Am I correct about that? As opposed to over the five-
7 year term of the PBR.
8 MS. ALEXANDER: A: That is an annual determination,
9 yes, sir.
10 MR. WEISBERG: Q: Okay. And in your direct evidence
11 this morning, the take-away I had was that you expect
12 that outcome reaching the maximum to be very unlikely.
13 Is that your evidence?
14 MS. ALEXANDER: A: Highly unlikely unless the
15 deterioration is on a scale that I cannot conceive how
16 it would happen.
17 MR. WEISBERG: Q: Okay, thank you. Those are all my
18 questions.
19 MS. ALEXANDER: A: Okay.
20 MR. WEISBERG: Mr. Chairman, I will withdraw from my snug
21 place between a rock and hard place, and I thank them
22 for my accommodation.
23 THE CHAIRPERSON: Thank you, Mr. Weisberg.
24 MR. GHIKAS: I think that leaves me, Mr. Chairman.
25 THE CHAIRPERSON: Okay.
26 MR. GHIKAS: Just before we get underway, we put together

1 a package that is hopefully -- it's really just
2 designed to avoid a lot of page flipping. It's got a
3 couple of the sets of information responses from Ms.
4 Alexander in it, and then three pieces of paper in
5 addition to that that aren't in the record that I
6 provided to my friend yesterday, and we may come to
7 those as well. But hopefully this streamlines things
8 a little bit.
9 THE CHAIRPERSON: Okay.
10 MR. GHIKAS: Other than that, what I'm going --
11 THE CHAIRPERSON: Excuse me, Mr. Ghikas, what's the
12 exhibit number for this, please?
13 MR. GHIKAS: Pardon me?
14 THE CHAIRPERSON: Does this have an exhibit number?
15 MR. GHIKAS: Oh, Exhibit B2-22.
16 THE CHAIRPERSON: 22, thank you.
17 MR. GHIKAS: Yes, thank you.
18 **("FORTISBC MATERIALS FOR CROSS-EXAMINATION OF MS.**
19 **BARBARA ALEXANDER (COPE)" MARKED EXHIBIT B2-22)**
20 THE CHAIRPERSON: Please go ahead.
21 MR. GHIKAS: In addition to that, if people can just have
22 handy the written opening statement, Ms. Alexander's
23 written opening statement.
24 And Ms. Alexander, obviously you have your
25 evidence already as well, So if everybody has that
26 handy as well.

Proceeding Time 9:33 a.m. T14

CROSS-EXAMINATION BY MR. GHIKAS:

MR. GHIKAS: Q: Ms. Alexander, you and I met on the elevator, but as I indicated, I'm Matt Ghikas and I am a lawyer for Fortis B.C.

MS. ALEXANDER: A: Good morning, and thank you.

MR. GHIKAS: Q: Good morning. First of all, if you can turn to your opening statement for me, for a moment, your written one, Ms. Alexander, this is on page 4. And at the top of page 4, do you have that there?

MS. ALEXANDER: A: Yes.

MR. GHIKAS: Q: Okay. At the top of page 4, in the second bullet you say,

> "Utilities should not earn incentives for doing their job. The purpose of this SQI with penalties is to right the balance in light of the earnings potential and incentives under the PBR."

And you see that there?

MS. ALEXANDER: A: Yes I do.

MR. GHIKAS: Q: Okay. So, Ms. Alexander, if the whole purpose of your recommendations is to write the balances you put it, in light of earnings potential and incentives under the PBR, don't you first need to understand the earnings potential and the incentives under the PBR?

1 MS. ALEXANDER: A: I don't need to understand the
2 particular ones that are at issue in this proceeding
3 because very PBR proposed by any utility would
4 naturally include incentives to benefit shareholders
5 over the term of the plan, otherwise they would not
6 propose it.
7 MR. GHIKAS: Q: Okay, and specifically the reason I am
8 asking that is because you indicate in your testimony
9 and I am referring to page 4, lines 1 and 2, but you
10 indicate that you made your recommendations and wrote
11 your testimony without even having reviewed the
12 overall structure of the PBR plan submitted by FEI and
13 FBC, right?
14 MS. ALEXANDER: A: Well, I looked at is as part of your
15 application. I was not asked to, and do not opine my
16 opinion on its overall structure.
17 MR. GHIKAS: Q: Okay, could you just -- maybe we should
18 just go there. Page 4. Because --
19 MR. QUAIL: Which document are you --
20 MR. GHIKAS: Q: Sorry, this is page 4 of your
21 testimony.
22 MS. ALEXANDER: A: Page 4 of --
23 MR. GHIKAS: Q: C2-10 in the FEI proceeding and C4-9 in
24 the Electric. So, just on page 4 there, do you have
25 that, Ms. Alexander?
26 MS. ALEXANDER: A: I do.

1 MR. GHIKAS: Q: Okay, so I am just at the top of the
2 page there, the first five lines. You start off by
3 saying that you have not reviewed, and you do not
4 offer an opinion on the overall structure of the PBR
5 plan submitted by FEI or FBC or their proposed revenue
6 requirement determinations, "Rather my testimony is
7 directed at how service quality, safety and customer
8 service performance should be reflected in any PBR
9 plan, should one be approved."
10 So, it indicates there that you had not
11 reviewed it, and I understood you to be modifying that
12 this morning, is that correct?
13 MS. ALEXANDER: A: No, I am not modifying it. Reviewed
14 in the professional sense is what I meant in my
15 testimony. I obviously took a look at the material
16 that was submitted in this application, of which the
17 SQI was an integral part.
18 MR. GHIKAS: Q: Understood, but your review was focused
19 on the SQI components and not the other components of
20 the plan, right?
21 MS. ALEXANDER: A: Absolutely, absolutely.
22 MR. GHIKAS: Q: And you didn't review the revenue
23 requirements?
24 MS. ALEXANDER: A: No I did not.
25 MR. GHIKAS: Q: Thank you. So, essentially, if I
26 understood what you said earlier this morning, when

1 you are making your recommendations, really you are
2 assuming that all PBRs have the same general
3 incentives irrespective of their design, correct?
4 MS. ALEXANDER: A: No, I reviewed what the company said
5 in its application about why I was including a service
6 quality indicator plan in this PBR proposal.
7 MR. GHIKAS: Q: And are you saying that the service
8 levels in any PBR plan should be the same irrespective
9 of the PBR design?
10 MS. ALEXANDER: A: I am sorry, I don't understand your
11 question. Any -- any SQI in any PBR plan would have
12 service levels that are reflective of that utilities
13 historical performance, and any promises and
14 investments and projections about improvement that
15 they have included in their plan before their
16 regulatory body. They are specific to the plan, to
17 the utilities actual historical performance. The
18 history of how service quality has been regulated in
19 that jurisdiction, and the contents of the plan
20 insofar as in here there is discussion about constant
21 emphasis for improvement in service quality and
22 reliability by the company during the term of its
23 plan.
24 **Proceeding Time 9:38 a.m. T15**
25 MR. GHIKAS: Q: Okay, but you would accept that the
26 terms of the plan, apart from the SQIs, dictate the

1 specific incentives that the utility is under,
2 correct?
3 MS. ALEXANDER: A: Well, if what you're asking is PBR
4 plans differ in their structure and incentive content,
5 of course, that would be true, yes.
6 MR. GHIKAS: Q: Right. And in this circumstance, you
7 did not assess the incentive power under the PBR.
8 MS. ALEXANDER: A: No, I relied on what the company
9 said about its incentive power under the PBR plan.
10 MR. GHIKAS: Q: And you don't mention when you're in
11 your opening statement and you say you have to write
12 the balance in light of the earnings potential and
13 incentives under the PBR, you don't mention there any
14 of the risks to customers or company under the PBR.
15 And would you agree with me that it would be important
16 to know what risks the company is taking on under PBR
17 in order to right the balance, as you put it?
18 MS. ALEXANDER: A: What risks are you talking about?
19 MR. GHIKAS: Q: Well, that's my question to you.
20 MS. ALEXANDER: A: No.
21 MR. GHIKAS: Q: Do you not need to understand the risks
22 that the company is taking on in terms of a PBR plan
23 to understand how to right the balance?
24 MS. ALEXANDER: A: The company constructed the plan to
25 accommodate any risk it thought might occur, and
26 obviously constructed the plan to benefit its

shareholders. Otherwise this voluntary proposal would never have been made.

MR. GHIKAS: Q: So, but let me understand this. I mean, you're assuming that because you didn't actually read the details of the plan, apart from the SQIs, did you?

MS. ALEXANDER: A: I explained, I hope, that my statement is a reflection of the obvious, voluntary nature of the plan that has been put forward. And the obvious fact that the company was in control, and made its own decisions about what went in the plan and what didn't. And the company then stated that its plan as proposed provided the proper incentives and the balance, and I looked at those issues in the context of service quality, and found no balance or incentive.

MR. GHIKAS: Q: Okay.

MS. ALEXANDER: A: That's all I can tell you.

MR. GHIKAS: Q: Yeah. And your -- most of your answer there, Ms. Alexander, was focused on incentives again. And I'm talking about risk, and I'm asking you whether in your view the PBR plan in the absence of having reviewed it, how can you assess what risks the company was already taking on in terms of the way the plan has been designed?

MS. ALEXANDER: A: Well, all I can assure you is that they took on no risk with regard to actual service

1 quality performance during the term of the plan. That
2 much I can testify to.
3 MR. GHIKAS: Q: Would you agree, Ms. Alexander, that
4 understanding the risks associated with the plan are
5 equally as important as understanding the incentives
6 under the plan, in terms of deciding how to right the
7 balance, as you put it?
8 MS. ALEXANDER: A: I think it's important to understand
9 the risks and incentives with regard to the company's
10 proposal for how service quality and reliability will
11 be monitored and complied with during the term of the
12 plan, and that is what I evaluated.
13 MR. GHIKAS: Q: And are any risks that the company has
14 taken on outside of the world of SQIs irrelevant,
15 then, Ms. Alexander?
16 MS. ALEXANDER: A: I would rely on the company to have
17 identified those in its proposal for how SQI would be
18 regulated, and I did not find any such references in
19 your application.
20 MR. GHIKAS: Q: Yeah, that actually wasn't my question.
21 My question was, is it irrelevant as to what risks the
22 company is taking on outside of the world of SQIs? To
23 determining whether -- or how to right the balance.
24 Is it irrelevant? Is that your evidence?
25 MS. ALEXANDER: A: It is irrelevant if the company has
26 not identified any risks as the basis for its proposal

1 for how service quality would be addressed during the
2 term of the plan, yes. If you found that irrelevant,
3 I do as well.
4 **Proceeding Time 9:43 a.m. T16**
5 MR. GHIKAS: Q: Now, so, just confirming, Ms.
6 Alexander. We won't find in your testimony any
7 discussion of the risk and reward profile with respect
8 to the proposed X factor, will we?
9 MS. ALEXANDER: A: No, you will not.
10 MR. GHIKAS: Q: Okay. And the same as total factor
11 productivity?
12 MS. ALEXANDER: A: That is correct.
13 MR. GHIKAS: Q: And the same with the earnings sharing
14 mechanism? Correct?
15 MS. ALEXANDER: A: That is correct.
16 MR. GHIKAS: Q: And the same with the efficiency carry-
17 over mechanism, correct?
18 MS. ALEXANDER: A: That is correct.
19 MR. GHIKAS: Q: And the same about the dead bands and
20 re-basing, correct?
21 MS. ALEXANDER: A: I don't -- yes, that is correct.
22 Dead bands about what? The earnings sharing, are you
23 talking about?
24 MR. GHIKAS: Q: Yes, I am.
25 MS. ALEXANDER: A: Yes, okay. Yes. No, you will not
26 find my testimony address that matter directly.

1 MR. GHIKAS: Q: And nor does it address the base year
2 costs at all, correct?
3 MS. ALEXANDER: A: That is correct.
4 MR. GHIKAS: Q: Okay. Now, the -- if you can go to the
5 package that I handed out, Exhibit B2-22, and I'm on
6 the handwritten page at the upper right-hand corner.
7 This is page 6.
8 MS. ALEXANDER: A: Yes.
9 MR. GHIKAS: Q: And there is an IR response here, it's
10 -- what is it? It's a response to an Information
11 Request from, I believe, FortisBC to yourself in the
12 first round of IRs. And you can see that the preamble
13 there quotes a passage from your evidence, and asks
14 "The standards reflect appropriate …" And your quote
15 from your testimony said,
16 "The standards reflect appropriate and
17 reasonable expectations, the costs for which
18 are already reflected in the company's
19 revenue requirement embedded in the PBR
20 plan."
21 And Fortis asked you to explain that statement, and your
22 response was,
23 "Ms. Alexander's statement is a reflection
24 of its filing for PBR that describes its
25 infrastructure investment plans and customer
26 service improvement initiatives in its

1 application."
2 And my question to you, Ms. Alexander, is
3 that if you hadn't reviewed the revenue requirement,
4 how would you know that the filing describes the
5 infrastructure investments and customer service
6 improvement initiatives such that the revenue
7 requirement reflects all of these costs?
8 MS. ALEXANDER: A: That's a fair question. In addition
9 to the specific section of your application that was
10 entitled "Service quality indicators", I did review
11 the supporting application's description of the
12 customer service, its initiatives, its improvements,
13 and the data that was submitted through IRs and in
14 your application about the investments you have made
15 to improve service. I looked at your actual
16 historical performance and I presume that your revenue
17 requirement reflects the ability to deliver something
18 in the future that you have actually delivered in the
19 recent past.
20 MR. GHIKAS: Q: Okay. So if we went back, then --
21 earlier I asked you, Ms. Alexander, I took you to that
22 passage from page 4 of your testimony where you said
23 you had not reviewed the revenue requirement's
24 determinations. Are you now revising that, now?
25 MS. ALEXANDER: A: No. I did not make a determination
26 about the appropriate level of the revenue

1 requirements that you are seeking to start this PBR
2 plan, in effect. I offer no opinion on whether that's
3 an appropriate revenue requirement.
4 I looked at your application with respect
5 to your descriptions of customer service improvements.
6 I looked at your historical performance for the
7 indicators that I have included in this plan, and I
8 made a professional judgment that obviously you have
9 the capacity and the capability to perform as I have
10 recommended here, during the term of this PBR, because
11 you have either done it or you've described how you're
12 going to improve it over the term of the PBR.
13 MR. GHIKAS: Q: Okay. Well, you've said "obviously".
14 It's not entirely obvious to me, Ms. Alexander, but if
15 you just go back to this IR we were looking at here,
16 you're not talking qualitatively in that quoted
17 preamble about the initiatives being undertaken.
18 You're saying that the costs are already reflected in
19 the company's revenue requirement embedded in the PBR
20 plan. And I suggest to you that there is no way you
21 could possibly know that the costs are embedded in the
22 plan without having looked at the costs. Right?
23 **Proceeding Time 9:02 a.m. T17**
24 MS. ALEXANDER: A: I made the assumption, I think
25 entirely appropriate, sir, that the revenue
26 requirement you've proposed included the cost to

1 deliver what the application described as investments
2 you had undertaken and the consumer service and
3 reliability initiatives that you described in your
4 application as providing benefits to customers. I did
5 not look at tracking the account numbers or adding up
6 the dollars.
7 MR. GHIKAS: Q: And you would needed to have done that
8 in order to give the evidence that you gave in that IR
9 response, correct?
10 MS. ALEXANDER: A: Well, I've explained the basis for
11 my statement and I understand that you might quibble
12 with it, but I've told you my opinion about why I said
13 what I said.
14 MR. GHIKAS: Q: Okay. Now, Ms. Alexander, you're not
15 just proposing standards that reflect the exact
16 performance of the utilities today. You are actually
17 recommending higher standards in most instances,
18 correct?
19 MS. ALEXANDER: A: There's only one instance I'm aware
20 of in which I'm actually recommending a standard that
21 is slightly more strict than the one that you have
22 actually performed and that's the telephone service
23 factor. The rest of them all rely on actual
24 performance that I believe you have delivered to your
25 customers.
26 MR. GHIKAS: Q: All right. And let's -- well, let's go

1 to the telephone service factor then.
2 MS. ALEXANDER: A: Yes.
3 MR. GHIKAS: Q: So as I understand it for the electric
4 utility, you are recommending an increase in the
5 telephone service factor for non-emergency calls from
6 70 percent of calls answered in 30 seconds to 80
7 percent of calls answered in 30 seconds, correct?
8 MS. ALEXANDER: A: That would be for the --
9 MR. GHIKAS: Q: For the electric.
10 MS. ALEXANDER: A: -- electric utility, yes.
11 MR. GHIKAS: Q: Okay. And you are actually, if you
12 look at page 36, you indicate that you are actually
13 making the same recommendation for the gas utility
14 too, correct?
15 MS. ALEXANDER: A: Right. But the actual performance
16 of the gas utility was 77 to 78 percent.
17 MR. GHIKAS: Q: Correct.
18 MS. ALEXANDER: A: Currently.
19 MR. GHIKAS: Q: Right. So your -- if we just go -- if
20 we talk about -- let's go back to your opening
21 statement if we could, Ms. Alexander. And I am on
22 page 4 and there is a paragraph (d) at the bottom. Do
23 you see that there?
24 MS. ALEXANDER: A: Yes.
25 MR. GHIKAS: Q: So you say there:
26 "The allegation that there are costs

1 associated with meeting the 80 percent
2 telephone service factor rings hollow when
3 no costs are identified, when the actual
4 performance of FEI's call centre is close to
5 the standard already, and the company fails
6 to recognize that relatively minor changes
7 in staffing levels at certain high usage
8 times of day or days of the week could
9 result in meeting the proposed annual
10 average without significant costs, since
11 most call centre employees are required to
12 work either part time or with flexible
13 schedules."
14 So you see that there?
15 MS. ALEXANDER: A: Yes.
16 MR. GHIKAS: Q: Okay. And today in your written
17 opening you used the term "it rings hollow" and today
18 you said it's bereft of any factual basis, I believe.
19 You make it sound, Ms. Alexander, like it is a
20 preposterous notion that your recommendation would
21 require additional labour costs in the call centre.
22 Is that your evidence?
23 MS. ALEXANDER: A: My evidence is that there is no
24 evidence that it would increase labour costs. It's
25 more of management of the current pool of labour
26 costs.

1 **Proceeding Time 9:53 a.m. T18**
2 MR. GHIKAS: Q: Okay, but is it your evidence -- I
3 mean, I appreciate you're saying there is no evidence
4 but my question to you is, is it your evidence that
5 there will be no increase in labour costs associated
6 with staffing in the call centre by increasing the
7 telephone service factor to 80?
8 MS. ALEXANDER: A: Since I do not have the facts, which
9 only the utility has, and failed to provide, I made a
10 deduction based on the lack of facts to the point that
11 if they were really significant I think we would have
12 heard about them.
13 MR. GHIKAS: Q: And did you --
14 MS. ALEXANDER: A: So that is the basis for my
15 statement.
16 MR. GHIKAS: Q: Okay, and did you ask for the utility
17 to provide those costs? I mean, you seem to be
18 implying that the utility refused to provide them.
19 So, did you ask for them?
20 MR. QUAIL: Pardon me, that was not the witnesses'
21 testimony, she said that they failed to provide it,
22 she did not say "refused". I object to the improper
23 way that her testimony has been put back to her by my
24 friend.
25 MR. GHIKAS: Q: Oh, I'm sorry, I misspoke then, I just
26 must have misheard. The -- let's go about it this

way. Do you accept that improving the telephone service factor could increase the costs associated with operating the call centre?

MS. ALEXANDER: A: That is possible, yes.

MR. GHIKAS: Q: Okay, and maybe we should go about it this way. So, as you pointed out in your testimony, FortisBC Electric's call centre has tracked a consistent telephone service factor over time, at 70 percent each year, correct?

MS. ALEXANDER: A: Yes, and I inquired as to the basis for why it was the same every year.

MR. GHIKAS: Q: Right, and so would you agree with me that the only way that Fortis could achieve that consistently is if they had already optimized their flexible staffing to meet a particular volume of calls of a known average duration?

MS. ALEXANDER: A: I interpreted and quoted from the company's response to my question about that, in my testimony, I believe, and the IR can speak for itself. But the company manages it so that it doesn't perform at a higher level. It manages it to keep the performance at or below 70 percent.

MR. GHIKAS: Q: Well, I am not sure it is managing it to keep it at or below, it is consistently hitting 70 percent, right?

MS. ALEXANDER: A: And the response to why this was so

1 consistent was that the company managed it so that it
2 didn't achieve a higher level, in my opinion. That
3 was the basic response that I received.
4 MR. GHIKAS: Q: Okay, we are actually going to go there
5 in a minute.
6 MS. ALEXANDER: A: Okay.
7 MR. GHIKAS: Q: My question is more related to the fact
8 that they are able to do that, and my question to you
9 is, if they are managing to that level, how could they
10 possibly increase it to 80 without adding staff?
11 MS. ALEXANDER: A: Call centres have a known, and I
12 don't know yours, but everyone of them have a known
13 volume of calls that occur certain days of the week,
14 certain times of the day. And it is a matter of
15 assigning more staff to the high call volume hours, or
16 particular day of the week that is entirely
17 predictable based on the way a modern call centre
18 operates. So, you might shift some staff from lower
19 cost times, and impost staff or shift staff to higher
20 cost times, so that the annual average now -- we are
21 not talking about the daily average, the monthly
22 average, we are talking about an annual average, is
23 consistently attained at a higher level, because at
24 certain peak hours you have really lessened the call
25 waiting time.
26 So, that is a known management tool for

1 call centres that, based on my experience in this
2 field and the regulation of call centre activity is
3 something that I believe is reasonable to ask a
4 utility to explore without assuming that we need
5 significant additional costs.
6 **Proceeding Time 9:58 a.m. T19**
7 MR. GHIKAS: Q: Okay, well, there's a couple of points
8 in there that I'd just like to follow up with, Ms.
9 Alexander. First of all, you talked about shifting
10 more staff to the peak times. I completely get that,
11 I understand it. But doesn't that mean that the time
12 that people are going to wait for their calls to be
13 answered at the times when the people were shifted
14 from there to the high volume times, doesn't that mean
15 they're going to wait longer for their calls?
16 MS. ALEXANDER: A: They might wait a little longer,
17 yeah.
18 MR. GHIKAS: Q: And if you are averaging that
19 experience over a longer period of time, and you have
20 some people waiting longer and some people getting
21 their -- sorry, and some people waiting longer, that
22 gets reflected in the average, doesn't it?
23 MS. ALEXANDER: A: Yes, but the volume of people who
24 are calling at the high peak times far outweighs the
25 performance of the fewer number of people calling at
26 the off-peak times.

1 MR. GHIKAS: Q: Okay, so maybe we can get at it this
2 way then. If on Friday at 5 o'clock you are planning
3 to meet -- you are planning your staffing to hit 70-30
4 on Friday nights at 5:00 because you know what the
5 volume is and you know the average duration of the
6 calls. If you want to hit 80/30 on Fridays at 5 p.m.,
7 is there anything that you can do other than add staff
8 at that time to make that adjustment?
9 MS. ALEXANDER: A: I'm sorry, you're into a level of
10 detail about assumptions on staffing certain hours of
11 the day. You don't manage it to meet 80 percent in 30
12 seconds in any particular hour. You manage it to
13 reach that standard over a 12-month period.
14 MR. GHIKAS: Q: Let me ask you this broader question,
15 stepping away from the telephone service factor for a
16 moment. Is it your evidence, Ms. Alexander, that none
17 of your SQI recommendations have costs associated with
18 them?
19 MS. ALEXANDER: A: Can I ask you if you are referring
20 to incremental costs or --
21 MR. GHIKAS: Q: Yes, incremental.
22 MS. ALEXANDER: A: I have not the capacity, nor have I
23 attempted to predict the cost implications, but the
24 company has had my testimony since -- what was the day
25 this was filed? December 18th. And they have the
26 capacity to document their reaction to my proposals,

1 and they have not done so.
2 MR. GHIKAS: Q: All right. Do you have a hunch? What
3 do you think? Recommending higher service standards,
4 do you think that might increase the costs?
5 MS. ALEXANDER: A: You'll have to show me where I've
6 recommended higher service standards in my proposal
7 here, other than this telephone issue which we've
8 explored.
9 MR. GHIKAS: Q: Okay, we'll go through that then. I'll
10 park that one and we'll go through item by item.
11 MS. ALEXANDER: A: All right.
12 MR. GHIKAS: Q: Let me ask you this, with an eye to the
13 time, but let me ask you this: Who are you
14 anticipating will pay for any costs that flow from
15 your recommendations, the shareholder or customers?
16 MS. ALEXANDER: A: Since I believe that my
17 recommendations, with the possible exception of the
18 telephone service factor, and in the gas area, clearly
19 we're close to my recommendation anyway, and that's
20 the huge volume of customer calls you are handing, but
21 putting that aside, my recommendations reflect what
22 you are actually doing. So in my opinion there could
23 not be, or should not be significant of any kind of
24 incremental cost to achieve these standards.
25 MR. GHIKAS: Q: Okay, and we'll have that debate later.
26 I'm sure Mr. Quail will be having that debate with me

1 at some future date. My question to you is, if there
2 are any costs associated with that, and there's 20,000
3 pages of evidence, so there's lots of evidence that
4 Mr. Quail and I can point at, so all I'm asking you is
5 if there are costs, incremental costs that flow from
6 your proposals, who are you expecting to pay for them,
7 the shareholder or customers?
8 **Proceeding Time 10:03 a.m. T20**
9 MS. ALEXANDER: A: Well, I would expect that your PBR
10 plan allows you the management discretion to operate
11 this company with a typical, average projected -- use
12 any word you want -- level of revenue requirement that
13 is the subject of this proceeding. And that at any
14 one point in time you will have expenses go down and
15 expenses go up for a myriad number of operations in
16 these utilities.
17 So these costs are not something special
18 that need to be highlighted or accommodated if they
19 are minor, relatively non-significant, and that over a
20 five-year period your constant level of investments
21 and management's decisions should result in the
22 earnings projections and the revenue requirement you
23 have proposed in this proceeding.
24 MR. GHIKAS: Q: Okay. And I'm not a hundred percent
25 positive, but I think if we cut through that answer
26 down to the chase, you're expecting the shareholder to

1 pay for it, correct?
2 MS. ALEXANDER: A: No, I expect the customers, as
3 always, to fund the rates necessary to provide a level
4 of service that I believe I have documented is
5 eminently reasonable and expectable, given the
6 promises you've made in this application. That's my
7 position. Customers will pay for all of your regular
8 anticipated and promised improvements to service
9 quality over the term of this plan.
10 MR. GHIKAS: Q: Okay. And so, because you're
11 suggesting that your recommendations reflect that, you
12 believe that -- and it's your evidence, that customers
13 should pay for the achievement of the SQIs.
14 MS. ALEXANDER: A: Ah. I didn't say customers should
15 pay anything specifically in my testimony at all. I
16 said that as always, in utility regulations, customers
17 pay for the revenue requirement that you're seeking in
18 this case. And that revenue requirement is
19 accompanied by an application that documents you've
20 done almost every one of these performance indicators
21 in the past, and your application is accompanied by
22 numbers of statements of improved service quality, and
23 initiatives that you have correctly undertaken to
24 improve service quality in the recent past. You claim
25 you will continue to do so under the term of this
26 plan.

1 MR. GHIKAS: Q: Okay. So you're -- that answer
2 suggests to me, Ms. Alexander, that you're assuming
3 again that the costs of your recommendations are
4 already reflected in the base year revenue requirement
5 that the PBR is based on. And my question to you is,
6 and I'll ask it again, is -- I want you to assume that
7 there are costs. If there are costs associated with
8 your proposals that are not reflected in the costs
9 currently, is it your view that the base year costs
10 should be increased by that amount?
11 MS. ALEXANDER: A: No. I expect the company to manage
12 its system, its service quality, its reliability, and
13 other obligations under the law, under the revenue
14 requirement proposal, and the PBR plan that it has
15 proposed in this proceeding. How rates move during
16 the term of this PBR plan will be governed by the PBR
17 plan. I would never agree that some additional costs
18 that are as yet unidentified should somehow be the
19 subject of additional increases in rates to customers.
20 MR. GHIKAS: This would be a good time, Mr. Chairman, for
21 a break.
22 THE CHAIRPERSON: Great. Okay. We'll return at 10:30,
23 thank you.
24 **(PROCEEDINGS ADJOURNED AT 10:07 A.M.)**
25 **(PROCEEDINGS RESUMED AT 10:31 A.M.) T21/22**
26 THE CHAIRPERSON: Please be seated.

1 Mr. Ahmed.
2 MR. AHMED: Mr. Chairman, I have another couple of
3 undertakings to file.
4 THE CHAIRPERSON: Sure.
5 MR. AHMED: The first one is Fortis Undertaking No. 7.
6 The transcript reference for this one is in Volume 4,
7 page 607, lines 4 to 14. This was a request made of
8 Mr. Swanson by Mr. Miller with respect to reconciling
9 two tables that appear on pages 5 and 6 of Exhibit A2-
10 22. I believe this should be Exhibit B2-23.
11 THE HEARING OFFICER: Marked Exhibit B2-23.
12 **(FORTISBC UNDERTAKING NO. 7 RE. VOLUME 4, PAGE 607,**
13 **LINES 4 TO 14 MARKED EXHIBIT B2-23)**
14 THE CHAIRPERSON: Thank you.
15 MR. AHMED: The second undertaking is Fortis Undertaking
16 No. 8. The transcript reference for this one is
17 Volume 4, page 822, lines 5 to 16. This was a request
18 made of Ms. Roy by Mr. Miller to provide a breakdown
19 of insurance expenses. I believe this one should be
20 Exhibit B2-24.
21 THE CHAIRPERSON: Thank you.
22 HEARING OFFICER: Marked Exhibit B2-24.
23 **(FORTISBC UNDERTAKING NO. 8 RE. VOLUME 4, PAGE 822,**
24 **LINES 5 TO 16 MARKED EXHIBIT B2-24)**
25 MR. AHMED: Thank you, Mr. Chairman.
26 THE CHAIRPERSON: Please continue, Mr. Ghikas.

1 MR. GHIKAS: Thank you. Thank you, Mr. Chairman.
2 MR. GHIKAS: Q: Ms. Alexander, when we left off we were
3 talking about who should bear costs and in the context
4 that we're in today. So now I want to shift to after
5 PBR is over.
6 MS. ALEXANDER: A: After what?
7 MR. GHIKAS: Q: After PBR is over.
8 MS. ALEXANDER: A: After the five-year plan.
9 MR. GHIKAS: Q: Yes, that's right.
10 MS. ALEXANDER: A: Okay.
11 MR. GHIKAS: Q: So after the five-year plan and lets
12 assume we go back to cost of service rate making
13 afterwards.
14 MS. ALEXANDER: A: Yes.
15 MR. GHIKAS: Q: Okay? Are you recommending that your
16 recommended SQIs remain in place even after PBR?
17 MS. ALEXANDER: A: I did not make any recommendation
18 about that. I think that would be another decision by
19 the Commission at that time.
20 MR. GHIKAS: Q: Okay, if they are appropriate today, in
21 your view, why wouldn't they be appropriate after PBR
22 is over?
23 MS. ALEXANDER: A: I have no reason to suggest they
24 would not be appropriate, but I think another
25 evaluation of the actual performance, the expected
26 improvement, and how this mechanism has worked over

1 the past five years would be an important indicator
2 for the Commission to take into account as to how they
3 wanted to proceed in the future.
4 MR. GHIKAS: Q: Well, let's take the telephone service
5 factor for example. If it's, in your view, necessary
6 and appropriate to have people's calls, 80 percent of
7 people's calls answered in 30 seconds today, why would
8 that be any different after PBR is over?
9 MS. ALEXANDER: A: I have not suggested that it would
10 be any different. All I'm suggesting is that five
11 years from now the Commission should have the complete
12 discretion to decide whether or not this mechanism and
13 these standards should remain in place. My
14 recommendations are for the PBR term, that's all.
15 MR. GHIKAS: Q: And what I'm trying to grapple with
16 here, Ms. Alexander, it's only I'm trying to get my
17 head --
18 MS. ALEXANDER: A: I'm sorry, I'm not getting it.
19 MR. GHIKAS: Q: No, no, that's okay, you've answered my
20 question and I'm just trying to get my head around --
21 get my head around how much your recommendation,
22 taking the telephone service factor one for example,
23 how much of that recommendation of having 80 percent
24 is driven by the fact that we are in PBR and how much
25 of it is driven by the fact that you just think 80
26 percent is a better number, period.

1 MS. ALEXANDER: A: Ah, well, thank you. Now I
2 understand your question. I would recommend 80
3 percent in 30 seconds as an annual average in most any
4 context. Obviously the implementation of that in some
5 jurisdictions would have to be tempered by what the
6 actual historical performance was, and what the
7 utility would need to do, or what do the Commission
8 consider appropriate in light of actual historical
9 performance.
10 You know, if you were at the 60 percent
11 level, you know, getting up to 70 or 75 would be a
12 good improvement to get going on a regulated standard.
13 So, but in general, and speaking hypothetically, I
14 have in fact recommended 80 percent within 30 seconds
15 in other contexts in other jurisdictions. Yes. Yes.
16 **Proceeding Time 10:36 a.m. T23**
17 MR. GHIKAS: Q: Okay. Thank you. And that is helpful
18 to me. Now, under cost of service, as I'm sure you're
19 aware, there is no question that O&M costs and capital
20 costs, for example, are borne by ratepayers. And so
21 my question is --
22 MS. ALEXANDER: A: Not -- not on a "I spend it, you pay
23 for it" basis. It's a matter of a test year and an
24 evaluation of all costs, all revenues, all inputs, and
25 a projected known and measurable changes for the rate
26 effective year. So it's not a dollar-for-dollar rate

1 recovery of each item that the utility totes up.
2 That's not how rate-making works.
3 MR. GHIKAS: Q: No. Yes.
4 MS. ALEXANDER: A: Okay.
5 MR. GHIKAS: Q: And thank you. Thank you for that
6 clarification for my benefit. But if it costs -- if
7 the reasonable costs of delivering 80 percent in 30
8 seconds is X, you would agree with me that customers
9 are going to pay X.
10 MS. ALEXANDER: A: Customers will pay a revenue
11 requirement that reflects all costs, all inputs, and
12 all revenues, and embedded with that calculation will
13 be the costs of delivering that particular item. But
14 it is not a tracker, and it is not a guarantee that,
15 for example, rates would go up, because it may be that
16 revenues would be exceeding the historical norm, and
17 that other efficiencies in other areas reduce costs.
18 So there is a balancing impact. But
19 embedded within that calculation would be the costs of
20 delivering that level of service quality, yes.
21 MR. GHIKAS: Q: Okay, thank you. Now, if we can go to
22 page 27 of your evidence, line 15, please. Do you
23 have that there?
24 MS. ALEXANDER: A: Yes.
25 MR. GHIKAS: Q: Okay. Page 27, line 15, you start just
26 towards the end of the line there. "FBC's TSP,"

1 meaning Telephone Service Factor,
2 "…performance for non-emergency calls is
3 exactly 70 percent for recent years. It
4 appears that FBC manages its call centre to
5 achieve its applicable performance
6 benchmark, no more and no less. When asked
7 why the annual average results for its
8 electric customer call centre was 70 percent
9 each year, the customer stated that it
10 manages its staffing levels to match the
11 'desired average telephone service factor of
12 70 percent on a monthly and annual basis.'
13 This is not the response of a company that
14 is focused on meeting customer needs."
15 Now, just zeroing in on the "meeting
16 customer needs" component of your quote there, would
17 you agree, Ms. Alexander, that implicit in that
18 statement, you are making an assumption that customers
19 "need" 10 percent more of their non-emergency calls
20 answered in 30 seconds or less?
21 MS. ALEXANDER: A: What I mean by that statement is
22 that the company is obviously not intending to improve
23 its customer service, even though it has the capacity
24 to do so.
25 MR. GHIKAS: Q: All right.
26 MS. ALEXANDER: A: And when I say "customer needs", I'm

1 not referring to a survey, or my knowledge of any
2 particular data, from your service territory. Let me
3 be clear about that. I am talking about a company
4 that purports to have customer service as one of its
5 primary corporate objectives. That's my basis for my
6 concern here.
7 MR. GHIKAS: Q: Okay. And would you agree with me that
8 it is also a reasonable consideration for the utility
9 to be concerned about delivering service at a
10 reasonable cost to customers?
11 MS. ALEXANDER: A: Of course.
12 MR. GHIKAS: Q: Okay. Now, the 70 percent has been in
13 place for some time for the electric utility. That's
14 the standard they have been achieving for quite some
15 time. And you indicated that you had the capacity,
16 that the utility has the capacity, to achieve a higher
17 standard. And if that was the standard they were
18 hitting under the last PBR and they could have done
19 that for free, don't you think the incentive would
20 have been for them to achieve 80 percent?
21 **Proceeding Time 10:41 a.m. T24**
22 MS. ALEXANDER: A: I can't comment on that. Obviously
23 they're operating the system to meet the standard they
24 think the regulator is imposing on them, no more, no
25 less.
26 MR. GHIKAS: Q: All right. You, Ms. Alexander, are

1 here on behalf of COPE, obviously, correct?
2 MS. ALEXANDER: A: Yes.
3 MR. GHIKAS: Q: Okay, and COPE -- you understand COPE
4 isn't necessarily here representing customers but
5 rather its members, correct?
6 MS. ALEXANDER: A: I will defer to counsel of COPE on
7 who they represent here.
8 MR. GHIKAS: Q: Okay. And you'd accept though that the
9 interests of unionized utility staff and customers may
10 not always be totally aligned?
11 MS. ALEXANDER: A: I haven't tried to identify how that
12 may be true or not true, but I could conceive of
13 situations where that might be the case, yes.
14 MR. GHIKAS: Q: Okay, and your report doesn't discuss
15 how long the remaining 30 percent of people whose
16 calls aren't answered in 30 seconds or less are
17 actually waiting to have their calls answered, does
18 it?
19 MS. ALEXANDER: A: As I've tried to say repeatedly,
20 this is an annual average standard. People will have
21 calls answered more quickly and people will have calls
22 answered far longer than 30 seconds. That is the
23 nature of a call centre. It is managing it for the
24 annual average we are talking about here.
25 MR. GHIKAS: Q: Yes, and I'm asking you whether you can
26 tell me how long the people are actually waiting when

they are not getting their calls answered in 30 seconds or less.

MS. ALEXANDER: A: Based on your own historical data --

COMMISSIONER COTE: Could you repeat your question.

MS. ALEXANDER: A: Yeah, I'm not sure.

MR. GHIKAS: Q: Okay, sorry, let me ask you, okay, so the standard is 70 percent of calls answered in 30 seconds or less, right?

MS. ALEXANDER: A: Mm-hmm.

MR. GHIKAS: Q: That's what they are working to. Okay, so that implies that there is 30 percent of people that are not having their calls --

MS. ALEXANDER: A: No, no, no, no, that's not how it's calculated, I'm sorry.

MR. GHIKAS: Q: Oh, I see. I'm sorry.

MR. QUAIL: Just sort of for the clarity and fairness of the question, is my friend asking what the average wait time is for people who might fall below the annual average? I don't understand the question. Maybe it's just me, but in my submission the question needs to be comprehensible to the witness.

THE CHAIRPERSON: You're asking for the average weight time for those people whose calls are not answered within --

MR. GHIKAS: That would be a good question.

COMMISSIONER COTE: That would be a good answer.

1 MR. GHIKAS: Q: That would be a good question, yeah.
2 Let's go with that one, Ms. Alexander.
3 MS. ALEXANDER: A: Well, I don't have that number here,
4 no.
5 MR. GHIKAS: Q: All right. And you indicated earlier
6 that you didn't conduct any survey of FortisBC
7 customers that would suggest they are dissatisfied
8 with 70/30, correct?
9 MS. ALEXANDER: A: No, customers who are individually
10 asked that question can only react to their own
11 personal experience. Some of them may have waited 60
12 seconds, some of the waited 2 seconds. So you really
13 can't derive much useful information from that sort of
14 survey.
15 MR. GHIKAS: Q: You can't derive useful information as
16 to whether customers are dissatisfied with their wait
17 times?
18 MS. ALEXANDER: A: Oh, you could ask that specific
19 question, certainly. Yes. I understand that.
20 MR. GHIKAS: Q: Okay.
21 MS. ALEXANDER: A: But you have to understand that the
22 people answering that survey will reflect a wide range
23 of wait times that they have experienced in answering
24 that question.
25 MR. GHIKAS: Q: And my only point here is you didn't
26 conduct that survey yourself.

1 MS. ALEXANDER: A: No, I certainly did not, sir.
2 MR. GHIKAS: Q: And you would presumably agree that
3 even if you were to ask that question of whether
4 somebody -- "Do you support higher customer service?"
5 in the abstract, their views might conceivably be
6 different if you said, "And you'd have to pay X more
7 for that service."
8 MS. ALEXANDER: A: I could conceive of that kind of
9 question and answer that you've discussed, yes.
10 Obviously customers are not involved in the details of
11 utility rate making and how revenue requirements are
12 calculated.
13 **Proceeding Time 10:45 a.m. T25**
14 MR. GHIKAS: Q: Well, really, I'm just getting a sort
15 of a willingness-to-pay survey here. You, similarly,
16 didn't conduct any survey of Fortis customers that
17 would suggest they were willing to pay more for
18 additional customer service generally, did you?
19 MS. ALEXANDER: A: No, I did not.
20 MR. GHIKAS: Q: Okay. And are you aware of any such
21 study of FortisBC customers?
22 MS. ALEXANDER: A: Am I aware if the FortisBC customers
23 were asked how much they were willing to pay for
24 certain attributes of their service? The answer is
25 no, I'm not aware such surveys have been done.
26 MR. GHIKAS: Q: Okay. And are you aware of any B.C.

1 Utilities Commission determination that 70 percent is
2 inadequate for either FBC or FEI?
3 MS. ALEXANDER: A: I am not aware of any finding by the
4 Commission on that matter, no.
5 MR. GHIKAS: Q: Okay. And are you aware of any
6 Utilities Commission decision that expressly raised
7 the budget for the specific purpose of increasing the
8 factor to 80/30?
9 MS. ALEXANDER: A: I would hope the Commission doesn't
10 raise budgets for any specific purpose for the utility
11 that it's -- oversight. That's a management decision.
12 MR. GHIKAS: Q: Now, I want to turn to the penalties,
13 Ms. Alexander. And if I can just hit the high points
14 here. So the penalty for a specific performance
15 standard would be 50,000 for a percentage point for
16 the electric utility, correct?
17 MS. ALEXANDER: A: I believe that's correct. Let me
18 make sure that we're all using the same numbers here.
19 MR. GHIKAS: Q: Yeah, I think it's on -- yeah, let's --
20 I think it's page 5, line 1 of your evidence.
21 So you say --
22 MS. ALEXANDER: A: Actually I'm on page 38 of my
23 testimony.
24 MR. GHIKAS: Q: Oh, okay.
25 MS. ALEXANDER: A: 50,000 for FBC and 250,000 for a
26 percentage point for FEI, the gas company.

1 MR. GHIKAS: Q: Okay. And your proposal is that those
2 particular penalties double in the second year if
3 there is a continued sub-par performance, correct?
4 MS. ALEXANDER: A: Yes.
5 MR. GHIKAS: Q: All right. And it's up to a total of
6 1.8 million for the electric utility, correct?
7 MS. ALEXANDER: A: Yes.
8 MR. GHIKAS: Q: And 11.5 million for FEI, correct?
9 MS. ALEXANDER: A: Right. That's on page 37 of my
10 testimony.
11 MR. GHIKAS: Q: Okay. Now, the stipulated penalties
12 that we've just gone through, those would apply
13 irrespective of which metric it is that's gone below
14 the benchmark that's been set?
15 MS. ALEXANDER: A: Yes. It is possible to assign
16 dollar amounts at risk for each metric, and I
17 referenced in my testimony some service quality
18 performance plans in Colorado and Minnesota that
19 actually do it that way. But the recommendation that
20 I have made assumes that the percentage point
21 calculation is done for each metric, but the dollar
22 amount is applied on a uniform basis.
23 MR. GHIKAS: Q: Okay. And that's irrespective -- those
24 apply irrespective of whether -- the ones you've
25 proposed apply irrespective of whether the service
26 levels in absolute terms remain very high. So for

1 example, 79 percent versus 80, there would still be a
2 penalty associated with that.
3 MS. ALEXANDER: A: At some point, a number has to have
4 meaning. Yes.
5 MR. GHIKAS: Q: And that would be irrespective of
6 whether the decline is a single-year event?
7 MS. ALEXANDER: A: The decline. You mean --
8 MR. GHIKAS: Q: Irrespective of whether the variance in
9 the service -- let's say there is a decline in service
10 -- if that's associated with a one-off event, the
11 penalties would still apply in those circumstances,
12 right?
13 MS. ALEXANDER: A: Yes, absolutely.
14 MR. GHIKAS: Q: And it would be irrespective of whether
15 one were to expect natural variation in the particular
16 performance?
17 MS. ALEXANDER: A: Well, that is why a number of my
18 proposals reflect averages over the historical past.
19 MR. GHIKAS: Q: And --
20 MS. ALEXANDER: A: Because that captures that kind of
21 fluctuation.
22 MR. GHIKAS: Q: If it's based on an average, you would
23 agree with me that sometimes that implies that
24 sometimes service is above and sometimes service is
25 below the number.
26 **Proceeding Time 10:50 a.m. T26**

1 MS. ALEXANDER: A: Yes. The company would have to
2 manage to meet the proposed standard. Whatever the
3 standard is, it has to have some meaning. Either meet
4 it or you don't.
5 MR. GHIKAS: Q: And it would be irrespective of the
6 cause of the decline, with the exception of the major
7 storms and catastrophic earthquakes or that type of
8 thing that you mentioned earlier.
9 MS. ALEXANDER: A: Yes. Most of the service quality
10 performance plans allow the utility to seek a waiver
11 from the application of a penalty based on some
12 extraordinary event, and they have to document that
13 that event, whatever it was, had the impact of making
14 it that they couldn't meet the standard. So don't
15 forget we're talking annual averages now. In most
16 cases those events have not been found to have a
17 significant impact on the annual average result. But
18 nonetheless that option should be available.
19 MR. GHIKAS: Q: And your recommendation, just so I
20 understand the waiver that you've just referred to
21 there, that would only occur with respect to large,
22 significant events, correct?
23 MS. ALEXANDER: A: Yes.
24 MR. GHIKAS: Q: And those penalties would apply
25 irrespective of whether the utility actually profited
26 due to the reduced level of service?

1 MS. ALEXANDER: A: There is no evaluation of profit due
2 to any particular event in the utility's delivery of
3 its mandated services to its regulated customers. So
4 no, there would be no such attempt. That's what the
5 point of the compensation is, to represent that
6 impact.
7 MR. GHIKAS: Q: And it would apply, the amounts you've
8 stipulated would apply irrespective of the extent to
9 which the utility had profited if it did so.
10 MS. ALEXANDER: A: Yes. This is an attempt to reflect
11 the fact that you're going five years without a rate
12 case.
13 MR. GHIKAS: Q: And it would apply, the penalties would
14 apply irrespective if you didn't meet the SQI in one
15 metric, you would pay a penalty for that metric
16 irrespective of what the results for the other metrics
17 were.
18 MS. ALEXANDER: A: Absolutely.
19 MR. GHIKAS: Q: Okay, so if nine out of ten exceeded
20 the benchmark --
21 MS. ALEXANDER: A: Right.
22 MR. GHIKAS: Q: -- and one was below, you'd pay the
23 penalty levied for that one that you fell below on,
24 right?
25 MS. ALEXANDER: A: Absolutely. They all have
26 independent value meaning.

1 MR. GHIKAS: Q: And you're not envisaging that the
2 company should get any bonus for having met or
3 exceeded service qualities in nine out of ten metrics?
4 MS. ALEXANDER: A: No, because a bonus means that
5 people will pay you higher rates, and I do not agree
6 that people should pay higher rates because you happen
7 to perform at a higher level than absolutely required
8 in any one year. That's what bonus means.
9 MR. GHIKAS: Q: Okay. And if that scenario of the nine
10 out of ten met continued for the next year, the
11 penalty for that one that you didn't need would
12 double, as we discussed before, correct?
13 MS. ALEXANDER: A: Right, and the theory of that is
14 that the company clearly has notice of its -- a need
15 to perform and improve in a particular area, and it
16 will have a whole year to actually complete that
17 improvement and should be held accountable for having
18 addressed the matter. The option is that you pay to
19 play, and that is that you find a penalty *de minimis*
20 enough so that you go ahead and keep paying it and
21 don't really focus on improvement. And we certainly
22 don't want that incentive built into the plan.
23 So like Washington and Maine, they've
24 adopted this doubling of the penalty approach for the
25 second consecutive year.
26 MR. GHIKAS: Q: Now, if you can turn to your opening

1 statement please, this is -- I'm on page --
2 MS. ALEXANDER: A: Opening statement, okay.
3 MR. GHIKAS: Q: Your opening statement, yes. Your
4 written opening statement, page 4.
5 MS. ALEXANDER: A: Yes.
6 MR. GHIKAS: Q: And I'm at the --
7 THE CHAIRPERSON: Let's just state that that's Exhibit
8 C12-3, shall we? Thank you.
9 MR. GHIKAS: Q: Thank you. C12 was it?
10 THE CHAIRPERSON: 12-3.
11 MR. GHIKAS: Q: C12-3. Thank for that clarification,
12 Mr. Chairman.
13 So on page 4 of Exhibit C12-3, first bullet
14 you indicate no offsets among the indicators, which is
15 what we've just been talking about.
16 **Proceeding Time 10:55 a.m. T27**
17 "Each is valuable. Customers would not
18 agree that a failure to answer the phone
19 within a reasonable time is somehow excused
20 because power was restored faster."
21 And just in terms of your reference to customers would
22 not agree, again you haven't polled any customers to
23 determine if that in fact is the case, right?
24 MS. ALEXANDER: A: No, I base that on my professional
25 experience of 30 years in this business.
26 MR. GHIKAS: Q: You'd agree with me that presumably

1 based on your 30 years of experience, customers also
2 feel reasonably strongly about rate increases,
3 correct?
4 MS. ALEXANDER: A: Obviously customers don't like rate
5 increases if they don't -- particularly if they don't
6 see the value that they are receiving for those kinds
7 of events.
8 MR. GHIKAS: Q: You didn't, I presume, Ms. Alexander,
9 consider or assess whether your recommendations,
10 whether for the SQIs and the associated penalties
11 would have an impact on the utility's cost of capital,
12 did you?
13 MS. ALEXANDER: A: No, I did not. May I expand that
14 answer?
15 MR. GHIKAS: Q: If you feel you need to. That's as
16 much as I need.
17 MS. ALEXANDER: A: Well, I understand that I didn't do
18 any evaluation of your cost of capital needs. However
19 my experience in developing and implementing these SQI
20 factors in other jurisdictions is that utilities have
21 never sought an adjustment to their cost of capital
22 because of the risk that they might not meet these
23 standards. I can say that.
24 MR. GHIKAS: Q: Let's turn to SAIFI, system average
25 interruption frequency index. And just for clarity,
26 this is an SQI that just applies to the electric

1 utilities, correct?
2 MS. ALEXANDER: A: Yes, so I'm looking at my page 35?
3 MR. GHIKAS: Q: Yes.
4 MS. ALEXANDER: A: Okay.
5 MR. GHIKAS: Q: And actually if we go to page 30 of
6 your evidence --
7 MS. ALEXANDER: A: Yes.
8 MR. GHIKAS: Q: -- it has a discussion there of it.
9 MS. ALEXANDER: A: Yes.
10 MR. GHIKAS: Q: Right. And actually page -- let's go
11 to page 31, line 4. Sorry, let's start on page 30,
12 line 22. You say there, "Therefore I recommend…"
13 MS. ALEXANDER: A: 30? I'm sorry.
14 MR. GHIKAS: Q: Page 30.
15 MS. ALEXANDER: A: Line 22. Okay.
16 MR. GHIKAS: Q: Line 22. So last line and you start
17 off by saying:
18 "Therefore I recommend that the performance
19 standard…"
20 and this is for SAIFI,
21 "…not be allowed to go [correction] above
22 the current three-year average 2010 to 2012
23 but that a stricter standard may be in
24 effect over time if improvement continues to
25 occur during the term of the PBR."
26 And then you discuss SAIDI and so if we jump over that

1 sentence.
2 "I recommend that the benchmark performance
3 standard for SAIFI be established at 1.64…"
4 and that's expressed in events,
5 "…a significant improvement compared to the
6 2004-2012 average of 2.24."
7 So a lower number means more reliable, right?
8 MS. ALEXANDER: A: Yes.
9 MR. GHIKAS: Q: Okay. Now, so your recommendation of
10 1.64 is based on, as you've said there, the 2010 to
11 2012 average, correct?
12 MS. ALEXANDER: A: Yes. The recent performance, yes.
13 MR. GHIKAS: Q: And being an average, there are some
14 years that are higher and some years that are lower?
15 MS. ALEXANDER: A: Sure.
16 MR. GHIKAS: Q: And the average, as you say, from 2004
17 to 2012 is actually higher, 2.24, correct?
18 MS. ALEXANDER: A: Yes. In the earlier years of that
19 compilation service was at a less reliable – we'll use
20 that term generically – level than it has been
21 experienced recently.
22 MR. GHIKAS: Q: And just so that I understand this, if
23 Fortis were to maintain the average that it had
24 maintained over the past six years, instead of the
25 past three years, it would be subjected to significant
26 penalties in the first year of the plan, correct?

1 MS. ALEXANDER: A: Well, you can come up with any
2 number that would result in a penalty if it occurred,
3 yes.
4 MR. GHIKAS: Q: And now just returning to the top of
5 page 31 there, just the words that you've got:
6 "But at a stricter standard maybe in effect
7 over time if improvement continues to occur
8 during the term of the PBR."
9 And that's a reference to you using a rolling three-
10 year average, correct?
11 MS. ALEXANDER: A: That is correct.
12 **Proceeding Time 11:01 a.m. T28**
13 MR. GHIKAS: Q: Okay. So if the utility happens to
14 improve its performance above the three-year average
15 -- or sorry, improve its performance in a favourable
16 way --
17 MS. ALEXANDER: A: Yes.
18 MR. GHIKAS: Q: -- next year, the three-year average is
19 going to increase, correct?
20 MS. ALEXANDER: A: The three-year average would require
21 a stricter performance based on the last three years
22 of performance. And in fact, that's been the
23 traditional way in which this metric has been
24 developed here in the past. So that's where I got the
25 idea of doing that. I didn't create that out of whole
26 cloth.

1 MR. GHIKAS: Q: Right. And so the performance -- there
2 is going to be stricter performance requirements
3 effectively over the course of the term.
4 MS. ALEXANDER: A: Well, if you continue to do as
5 you've said in your application you have been doing,
6 which is to make the investments to ensure a decent
7 level of reliability of service, yes.
8 MR. GHIKAS: Q: And you would agree with me that there
9 are factors outside of FortisBC's control that could
10 result in a systems interruption such as a storm, for
11 example?
12 MS. ALEXANDER: A: Those are already excluded.
13 MR. GHIKAS: Q: Well, isn't the exclusion relating to
14 "major events"?
15 MS. ALEXANDER: A: Well, it's a calculation that Fortis
16 has provided as the basis for excluding unusual
17 weather events. And I have not disagreed with that
18 methodology.
19 MR. GHIKAS: Q: Okay. And so that's a reference to the
20 IEEE standards, correct?
21 MS. ALEXANDER: A: Yes. That was the one you
22 recommended. Right.
23 MR. GHIKAS: Q: Right. And just so we're on the same
24 page, what's being excluded are major events, right?
25 MS. ALEXANDER: A: It's any event that --
26 MR. GHIKAS: Q: That meets the test.

1 MS. ALEXANDER: A: -- that meets the criteria for the
2 IEEE exclusion.
3 MR. GHIKAS: Q: Okay, and would you agree with me that
4 there is certainly the potential for storms to have
5 reliability implications even when they do not qualify
6 as a major event?
7 MS. ALEXANDER: A: Absolutely. That's why we use
8 averages.
9 MR. GHIKAS: Q: And you --
10 THE CHAIRPERSON: Mr. Ghikas, just -- I wonder if you
11 could just clarify that question, please. When you
12 say that don't meet the criteria for a major event, do
13 you mean that they don't meet the IEEE criteria?
14 MR. GHIKAS: Yes. So, the exclusion is -- the exclusion
15 from the SAIFI standard is "major events under the
16 IEEE characterization".
17 THE CHAIRPERSON: So you're using those two terms
18 interchangeably, then? The IEEE standard and major
19 events, for the purposes of this part of your --
20 MR. GHIKAS: Thank you for the clarification, Mr.
21 Chairman. Yes.
22 THE CHAIRPERSON: Okay, thank you.
23 MR. GHIKAS: Q: Thank you. Now, just turning to your
24 opening statement again -- sorry to bounce around on
25 you, Ms. Alexander, but the opening statement, Exhibit
26 C12-3. And now I'm at page 6. You have in paragraph

1 (c) there a reference to --
2 MS. ALEXANDER: A: (c)?
3 MR. GHIKAS: Q: "C" as in "cat".
4 MS. ALEXANDER: A: Oh, that's on page 4 on mine.
5 MR. GHIKAS: Q: Oh, page 6. There is page 6, paragraph
6 (c). Under the heading, "Response to Dr. Overcast".
7 MS. ALEXANDER: A: I'm on the right page now.
8 MR. GHIKAS: Q: You are, okay. Good.
9 MS. ALEXANDER: A: Sorry. Sorry.
10 MR. GHIKAS: Q: No, that's quite all right. The
11 paragraph (c), about halfway through, it says:
12 "In fact, the vast majority of outages are
13 due to the impact of trees on power lines."
14 Where are you getting that information for
15 FortisBC?
16 MS. ALEXANDER: A: That information is based on my
17 knowledge of reported reasons for outages by every
18 electric utility whose data I have ever reviewed. And
19 I will tell you right now that I did not review any
20 data from FortisBC.
21 MR. GHIKAS: Q: Okay. And you would agree with me that
22 -- well, you've said you reviewed data from every
23 utility. If you have a utility that's in the middle
24 of the prairies, trees are going to be unlikely to be
25 the major cause of disruptions, right?
26 MS. ALEXANDER: A: The prairie land is typically long-

1 distance transmission lines. We're talking about
2 inhabited areas that utilities serve, and almost every
3 neighbourhood in city and town I'm aware of have
4 trees.
5 MR. GHIKAS: Q: Okay, so --
6 MS. ALEXANDER: A: And they are the source of most of
7 the typical outages that occur.
8 MR. GHIKAS: Q: You would agree with me that it's going
9 to depend on the utility, right?
10 MS. ALEXANDER: A: Oh, I have no doubt, and I would
11 totally agree with you, that the profile, the
12 frequency of outages is a function of your geography,
13 your service territory, and various other demographics
14 that are -- I'm making a generic statement here.
15 **Proceeding Time 11:06 a.m. T29**
16 MR. GHIKAS: Q: Yeah, and I'm not suggesting that no
17 outages occur because trees fall on the line in
18 Fortis's territory.
19 MS. ALEXANDER: A: Right.
20 MR. GHIKAS: Q: Obviously that happens. I was just
21 wondering where you got the information about the vast
22 majority.
23 MS. ALEXANDER: A: Right. I've tried to explain that.
24 MR. GHIKAS: Q: And now, to the extent that outages are
25 caused by trees, you've made a reference here in your
26 opening statement to it reflects the utility's

1 obligation to undertake vegetation management program
2 as well as the utility's management of the restoration
3 of service when an outage occurs. So with respect to
4 the vegetation management program, that's really what
5 we're talking about when we're looking at SAIFI,
6 right?
7 MS. ALEXANDER: A: Well, that's a significant
8 contributor to keeping SAIFI at a reasonable level.
9 MR. GHIKAS: Q: Yeah, and I was just differentiating
10 really, the restoration of service deals more with
11 duration rather than frequency.
12 MS. ALEXANDER: A: I hear you, yes.
13 MR. GHIKAS: Q: Okay. Okay. And you'd agree with me
14 that vegetation management is not something that
15 happens overnight.
16 MS. ALEXANDER: A: I would agree with that. It's
17 usually a specific plan with a specific set of targets
18 about how frequently each circuit has trees managed or
19 vegetation control conducted.
20 MR. GHIKAS: Q: Right. And if FortisBC was to change
21 its vegetation management schedule, you'd agree that
22 there would be a lag before you would see any material
23 impact on reliability, correct?
24 MS. ALEXANDER: A: Well, actually I'm not sure that's
25 true because if you looked at your worst performing
26 circuits and did a fairly prompt targeting of whatever

1 was needed to improve performance on your worst
2 performing circuits, my suggestion is that that kind
3 of fairly quick targeted approach would get your
4 significant results in a fairly short amount of time.
5 MR. GHIKAS: Q: And I didn't recall you going through
6 in your evidence, experience in utility operations,
7 Ms. Alexander.
8 MS. ALEXANDER: A: No, but I'm experienced in how
9 reliability is regulated, and in my states utilities
10 report performance on worst performing circuits as
11 part of their annual reliability report, and they have
12 an obligation to show how they fix them so they don't
13 appear on the list the following year.
14 MR. GHIKAS: Q: You would agree with me that increasing
15 the frequency of vegetation management comes with a
16 cost?
17 MS. ALEXANDER: A: If there is a generic system-wide
18 dramatic change in your vegetation management
19 practices that would be required, yes, it could result
20 in additional costs.
21 MR. GHIKAS: Q: And in terms of the duration of an
22 interruption, in other words the timing it takes to
23 restore the service, you'd agree with me that that
24 would be a function to some degree of how many utility
25 personnel are located in the vicinity of the outage?
26 MS. ALEXANDER: A: It would depend in part on utility

1 personnel, but it would also depend on your proactive
2 maintenance and repair activities, so that perhaps you
3 have -- for example I'm giving something that I know
4 well and I apologize if it's not relevant here, but in
5 Maine a lot of outages are caused by squirrels who get
6 into these transformers, short them out. And the
7 utility found that a good deal of their outages were
8 caused by that and they developed their own proactive
9 squirrel guard system to install throughout its
10 service territory, and the dramatic drop in outages
11 that occurred was proof that that system actually had
12 some impact.
13 So I do not question the innovativeness and
14 the creativity of utility management when faced with
15 this sort of problem, and it's not merely just hiring
16 more people.
17 MR. GHIKAS: Q: And I'm actually talking about duration
18 now. I think that comment about the squirrel, I
19 appreciate the squirrels would have an effect on the
20 frequency, but in terms of the duration of the
21 interruption, that really is a function of how many
22 boots on the ground there are and how fast you can get
23 service back in place, correct?
24 MS. ALEXANDER: A: Well, but you're missing my point.
25 If you have fewer outages you can handle the ones that
26 appear with the current staff you have who are

1 deployed more creatively and with less desire to run
2 around and handle the frequent outages that you can
3 prevent from happening.
4 MR. GHIKAS: Q: Okay.
5 MS. ALEXANDER: A: They do go together.
6 MR. GHIKAS: Q: Did you -- I take your point. Did you
7 consider the staffing arrangements throughout -- FEB
8 has quite a large rural area too. And they'll have
9 areas where there may only be one person in the town,
10 right?
11 **Proceeding Time 11:11 a.m. T30**
12 MS. ALEXANDER: A: Yes.
13 MR. GHIKAS: Q: So did you consider how you could
14 manage, apart from the example that you've just
15 discussed, how you would increase your performance in
16 terms of shortening the duration of outages without
17 adding an additional person to a one-person town?
18 MS. ALEXANDER: A: I did not make that kind of
19 analysis. I put it to you that there are a variety of
20 approaches once that -- if the problem is you have
21 more outages and they are lasting a lot longer as a
22 result of that personnel decision making, you may need
23 to reevaluate that in terms of staged materials,
24 hiring part-time people to be on call. I mean there
25 are a variety of management tools available once the
26 problem is identified. I did not identify any

1 specific issue like that in my analysis.
2 MR. GHIKAS: Q: I'd like to switch to public contact
3 with pipelines. Obviously this is one that just
4 applies to the gas utility, correct?
5 MS. ALEXANDER: A: Yes.
6 MR. GHIKAS: Q: All right. And this is one of the SQIs
7 that you are proposing a performance standard for, and
8 when you use the term "performance standard" that's
9 your designation as to when a penalty is attached for
10 noncompliance, correct?
11 MS. ALEXANDER: A: Right.
12 MR. GHIKAS: Q: Okay. Now, this public contact with
13 pipelines, maybe if we turn to page 36 of your
14 testimony, C2-10, there's a reference there. Just so
15 we are all on the same page, literally. 36.
16 MS. ALEXANDER: A: Yes.
17 MR. GHIKAS: Q: And you'll see it halfway down there.
18 So this is -- the metric is effectively the three-year
19 rolling average of the number of line damages per
20 1,000 BC One calls received, correct?
21 MS. ALEXANDER: A: That's the historical way this has
22 been tracked here. I did not create this metric. I
23 just inserted it because you deleted it.
24 MR. GHIKAS: Q: Understood.
25 MS. ALEXANDER: A: Okay. Right.
26 MR. GHIKAS: Q: Okay, I'm just hoping -- the SQI panel

1 hasn't been up yet, Mr. Alexander, so I'm just wanting
2 to make sure everyone understand what we are talking
3 about when we are talking about it.
4 MS. ALEXANDER: A: Yes.
5 MR. GHIKAS: Q: This metric then is a function of the
6 number of calls to BC One call, right? It's
7 influenced by that.
8 MS. ALEXANDER: A: Yes.
9 MR. GHIKAS: Q: And it's also influenced by the number
10 of pipe strikes, right?
11 MS. ALEXANDER: A: Right.
12 MR. GHIKAS: Q: Okay, so these pipe strikes that we're
13 talking about, they are third parties striking the
14 pipeline and Fortis has no direct control over those
15 individuals, does it?
16 MS. ALEXANDER: A: I would presume they are not
17 employees or contractors of Fortis, but I do not
18 exclude that potential from occurring. But I would
19 agree with you that in most cases I believe what we
20 are dealing with is construction activities over which
21 you are not in charge.
22 MR. GHIKAS: Q: Right. So they are typically going to
23 be contractors and developers and digging into the
24 ground and hitting a line.
25 MS. ALEXANDER: A: That's my typical understanding,
26 yes.

1 MR. GHIKAS: Q: Okay. Fortis can't make someone phone
2 BC One call, can they?
3 MS. ALEXANDER: A: No.
4 MR. GHIKAS: Q: And they obviously can't patrol the
5 streets looking for people who might be digging before
6 they call, can they?
7 MS. ALEXANDER: A: No. It is their obligation to
8 conduct the proper outreach and education and
9 oversight and interaction with all of those entities
10 to make sure that they've done all that they can, and
11 you will not prevent all of the incidents, but the
12 idea is that you have the ability to manage this issue
13 to keep it as low as possible.
14 MR. GHIKAS: Q: Okay, and you've touched on my next
15 point, actually, which is that -- if you go to page 34
16 line 16 -- actually it's line -- you say -- yeah, line
17 16. So you say:
18 "Based on the historical performance FEI has
19 reported a decreasing level of such reported
20 contacts from 19 in 2010 to 13 in 2012. The
21 rolling three-year average of 16 should be
22 included in the SQI for FEI. This metric is
23 a reflection of FEI's educational and
24 outreach programs to prevent such incidents
25 and is a useful indicator of public utility
26 performance."

1 So you are referring there to the outreach, and the
2 outreach and educational programs being the way that
3 Fortis could try to influence this metric.
4 **Proceeding Time 11:16 a.m. T31**
5 MS. ALEXANDER: A: Right. The same reason why it's
6 been included in the previous metrics here in B.C. for
7 that exact reason.
8 MR. GHIKAS: Q: But without a penalty.
9 MS. ALEXANDER: A: Oh, but without a penalty,
10 definitely.
11 MR. GHIKAS: Q: And without a specific number
12 associated with it, right?
13 MS. ALEXANDER: A: Oh, you've had specific numbers.
14 You just don't want one for the next five years.
15 MR. GHIKAS: Q: Oh, I see. You would agree with me
16 that the number of pipeline strikes would be heavily
17 influenced by the amount of construction activity,
18 right?
19 MS. ALEXANDER: A: I could conceive of that
20 relationship, yes. It would also then suggest
21 additional outreach and education as a result of
22 noting that you have additional construction activity
23 going on.
24 MR. GHIKAS: Q: And we'll get to that.
25 MS. ALEXANDER: A: Okay.
26 MR. GHIKAS: Q: Based on what you said here, you

1 consider 16 to be an appropriate standard, and that's
2 based on the average of 2010 to 2012, correct?
3 MS. ALEXANDER: A: That's where I got my number, yes.
4 MR. GHIKAS: Q: And over those three years, the metric
5 is showing an improvement, right?
6 MS. ALEXANDER: A: That's what it says here, yes.
7 MR. GHIKAS: Q: And did you study B.C. economic
8 indicators in arriving at your recommendation?
9 MS. ALEXANDER: A: No, I did not.
10 MR. GHIKAS: Q: And you didn't look at housing starts.
11 MS. ALEXANDER: A: No, I did not.
12 MR. GHIKAS: Q: Presumably you would agree with me that
13 the economy has been relatively slow in the last
14 couple of years?
15 MR. QUAIL: I object. That question is not within the
16 expertise of this witness and is not an appropriate
17 question to put to this panel.
18 MR. GHIKAS: Q: You would agree with me that the lower
19 housing starts would tend to mean lower construction
20 activity?
21 MS. ALEXANDER: A: That connection seems logical, yes.
22 MR. GHIKAS: Q: And you would agree with me that lower
23 construction activity would tend to mean lower --
24 decreased risk of strikes, right?
25 MS. ALEXANDER: A: That, I'm not sure that I can make
26 that conclusion because, as I say, the company would

1 have an obligation to increase its outreach and
2 education with the noted uptick in construction.
3 MR. GHIKAS: Q: Okay. If -- well, let's just --
4 MS. ALEXANDER: A: But let me just say, if this number
5 is too low, then the company could have projected a
6 higher one and documented why it should be higher.
7 MR. GHIKAS: Q: Your approach to using the three-year
8 average will mean that if construction activity picks
9 up, and the number of strikes picks up, your three-
10 year average is going to lag behind the economic
11 recovery, isn't it?
12 MS. ALEXANDER: A: I have made no specific connection
13 between my calculation and the economic ups and downs
14 of the construction industry in your service
15 territory, sir.
16 MR. GHIKAS: Q: And if you can go to your opening
17 statement again, please. This is Exhibit C12-3. And
18 I am on page 5, Ms. Alexander.
19 MS. ALEXANDER: A: Okay.
20 MR. GHIKAS: Q: Okay. So, here we're dealing -- or
21 you're dealing in the opening statement with public
22 contacts with pipelines, and you say, in paragraph (g)
23 as in goat --
24 MS. ALEXANDER: A: Yes.
25 MR. GHIKAS: Q: "With regard to the public
26 contacts with pipelines, the notion that the

1 company should be excused from experiencing
2 more contacts with pipelines because the
3 economy will ramp up ignores the duty of the
4 utility to ramp up its educational and
5 outreach efforts to prevent such incidents
6 when there is reason to believe that
7 additional activity is likely to occur. A
8 public which interacts at times with the
9 utility's infrastructure is an inherent part
10 of their operating environment. The
11 pertinent question is how effectively they
12 minimize risks arising from these
13 transactions."
14 And you refer in that paragraph that I just
15 read to you, in the third line there, "the duty of
16 utilities to ramp up its educational and outreach
17 efforts to prevent such incidents." Where are you --
18 what's the source of that duty that you're referring
19 to, Ms. Alexander?
20 **Proceeding Time 11:21 a.m. T32**
21 MS. ALEXANDER: A: The source of that duty is that I
22 would hope that any utility who noticed an uptick in
23 such contacts would take action immediately to conduct
24 additional outreach and education to prevent such
25 dangerous incidents from occurring to the best of
26 their ability. And that no directive or revenue

1 requirement or tracker or specific request for cost
2 recovery would be the first thing on the utility's
3 mind in that situation.
4 MR. GHIKAS: Q: And does that duty that you just
5 articulated arise irrespective of the costs, Ms.
6 Alexander?
7 MS. ALEXANDER: A: In terms of public safety?
8 Absolutely.
9 MR. GHIKAS: Q: And so how much advertising would the
10 utility have to do?
11 MS. ALEXANDER: A: That I would defer to management and
12 the experts of the company as to what kinds of
13 interactions would be best and most effectively done
14 to respond to what is a trend of increasing incidents
15 of contacts with your pipelines.
16 MR. GHIKAS: Q: All right. You'd agree with me that
17 advertising does cost money, Ms. Alexander?
18 MS. ALEXANDER: A: Advertising costs money. It may be
19 that alternative methods would be more effective. But
20 advertising is typically done.
21 MR. GHIKAS: Q: Under your scheme, Ms. Alexander, can
22 you confirm for me that no matter how much FEI spends
23 on its advertising, FEI would still be penalized if
24 enough third parties disregarded the advertising?
25 MS. ALEXANDER: A: If FEI found that it's advertising
26 was being disregarding then it's ineffective

1 advertising and it needs to rethink its outreach and
2 educational methodologies. Perhaps more in person
3 training, perhaps more interactions with the
4 contractors as the community. I cannot define for you
5 what problems might arise in this area but it would be
6 assumed on my part that it would be your duty to take
7 a look at what's working and what isn't and to fix it.
8 MR. GHIKAS: Q: Or another alternative would be to not
9 set the standard at the bottom of an economic cycle,
10 Ms. Alexander?
11 MS. ALEXANDER: A: If you think the standard is
12 incorrect, I would be happen to respond to your
13 proposed standard.
14 MR. GHIKAS: Q: Customer's satisfaction index. You
15 are recommending that the customer satisfaction index
16 be replaced with a recent call centre transaction
17 measure, correct?
18 MS. ALEXANDER: A: Right. This is something you
19 measure. It's one of five items included in your
20 index, but I recommend that that specific item be the
21 subject of the service quality indicator.
22 MR. GHIKAS: Q: Right. Okay, so this -- and just for
23 everyone's benefit in the room, so there's a survey
24 that goes out that asks a number of questions and
25 there is one particular question that discusses
26 experience with a call centre transaction, right?

1 MS. ALEXANDER: A: Right, a recent call centre
2 transaction.
3 MR. GHIKAS: Q: Okay. Now, let's just go to page 25 of
4 your evidence, please.
5 MS. ALEXANDER: A: Yes.
6 MR. GHIKAS: Q: And for the record, C2-10, page 25 and
7 I am at line 14. So you will see there it says:
8 "The historic results for this particular
9 question…"
10 And that's the question we're talking about, right?
11 MS. ALEXANDER: A: Yes.
12 MR. GHIKAS: Q: Okay.
13 "…indicate that a performance standard of
14 8.5 is routinely achieved for FBC…"
15 that's the electric company,
16 "…and I recommend that FEI be held to the
17 same result."
18 And then:
19 "I recommend that FBC and FEI be required to
20 achieve a result of 8.5 for this survey
21 response during the next PBR plan."
22 So that's your recommendation, right?
23 MS. ALEXANDER: A: Yes.
24 MR. GHIKAS: Q: Okay, so let's just deal with the
25 electric utility for now. So you say that 8.5 is
26 based on what the electric utility has been routinely

1 achieving, right?
2 MS. ALEXANDER: A: Yes. I mean, I don't have all the
3 historical numbers in front of me, but that was the
4 observation I made.
5 MR. GHIKAS: Q: Yes, and maybe I can help you out. If
6 you look at footnote 21.
7 **Proceeding Time 11:26 a.m. T33**
8 MS. ALEXANDER: A: Mm-hmm.
9 MR. GHIKAS: Q: There at the boom.
10 MS. ALEXANDER: A: Mm-hmm.
11 MR. GHIKAS: Q: You'll see that when you made your
12 recommendation you were noting that the customer
13 satisfaction with the electric contract centre has
14 ranged between 8.2 and 8.5 between 2006 and 2012,
15 right?
16 MS. ALEXANDER: A: Mm-hmm.
17 MR. GHIKAS: Q: And 8.5 is a higher standard than 8.2,
18 right?
19 MS. ALEXANDER: A: Yes, it is.
20 MR. GHIKAS: Q: Okay. And so you have picked the top
21 of that range, correct?
22 MS. ALEXANDER: A: I think that we'd need to sit here
23 and look at the actual results on an annual basis in
24 order for me to answer your question.
25 MR. GHIKAS: Q: Okay, I will certainly allow you to do
26 that. The IR, and it's not in my package

1 unfortunately, but it's FBC to CEC -- sorry, it's
2 FBC's response to IR CEC 1.16.1. And I think I have
3 the exhibit number somewhere. I think it's B-10.
4 Exhibit B-10. And you'd find that on page 31 of that
5 exhibit.
6 MS. ALEXANDER: A: I don't have that.
7 MR. GHIKAS: Q: You don't have that?
8 MS. ALEXANDER: A: No.
9 MR. GHIKAS: Q: Okay. Maybe we have an extra copy here
10 for you.
11 COMMISSIONER MacMURCHY: Can you repeat that, please?
12 MR. GHIKAS: It's FBC Exhibit B-10.
13 COMMISSIONER MacMURCHY: B-10, okay.
14 MS. ALEXANDER: A: Yes, thank you.
15 MR. GHIKAS: And it's found on page 31 of the responses.
16 COMMISSIONER MacMURCHY: Thank you.
17 MR. GHIKAS: Yes.
18 COMMISSIONER COTE: What was that?
19 MR. GHIKAS: 1.16.1.
20 MS. ALEXANDER: A: Okay, yes, now I remember this.
21 MR. GHIKAS: Q: Well, hold on one second, Ms.
22 Alexander. We'll just wait for everyone to catch up.
23 The record is a bit of a mess in this one.
24 MS. ALEXANDER: A: Yes, we'll wait, make sure everybody
25 finds it.
26 MR. GHIKAS: It was inevitable that I would forget to put

one of things in the package, but it appears this is the one and hopefully the only one.

We're there? Okay, good.

MR. GHIKAS: Q: Okay, so if we look at this response, Ms. Alexander, I think if you go down to Table 1 it's easiest to see at the bottom there, and I believe that contact centre is the third line up from the bottom?

MS. ALEXANDER: A: Yes, it is.

MR. GHIKAS: Q: Okay. So you have picked the 8.5 and you'll see that 2010, 2011 and 2012 was 8.5 and that's where you're getting that number from, right?

MS. ALEXANDER: A: That's right.

MR. GHIKAS: Q: Okay. But you'll see that -- you would agree with me that in three of the last nine years it has been below that level.

MS. ALEXANDER: A: Well, I can see that it was steadily improving starting in 2005. So I certainly would not want to suggest that that lower level of performance should be used to predict what one would expect under the next five years, and I now recall my evaluation here was to look at what you'd actually done in 2010, '11 and '12 and you have a year to date number here which I did not rely on for 2013 because the year wasn't over and I didn't have the complete data.

MR. GHIKAS: Q: You had three-quarters of the data, though.

1 MS. ALEXANDER: A: Well, whatever. I based it on the
2 three years for which I had complete data, three most
3 recent years with complete data.
4 **Proceeding Time 11:31 a.m. T34**
5 MR. GHIKAS: Q: So if in fact the performance -- the
6 performance ended up looking like the three quarters
7 of 2013, there would be a penalty associated with
8 that, right?
9 MS. ALEXANDER: A: Right. And if you knew you were
10 headed toward a penalty, the company should probably
11 take some action to evaluate more closely the
12 responses it's getting, determine why you're getting
13 the responses you're getting, and seeing if you
14 couldn't take action to get the annual average up to
15 the required level, by the end of the year.
16 MR. GHIKAS: Q: Right.
17 MS. ALEXANDER: A: This is not a surprise.
18 MR. GHIKAS: Q: No. But you would agree with me that
19 if three quarters are in the books at 8.1 by 2013, and
20 the PBR period is to start January 1st, 2014, there is
21 going to be a bit of a lag trying to take those steps
22 that you've just referred to.
23 MS. ALEXANDER: A: Ah. Well, that's possible, yes.
24 MR. GHIKAS: Q: All right. You'd also agree with me
25 that this is a customer survey, right?
26 MS. ALEXANDER: A: Yes, it is.

1 MR. GHIKAS: Q: And there is uncertainty around a
2 customer survey, right?
3 MS. ALEXANDER: A: Well, the surveys are designed and
4 implemented to provide a certain level of statistical
5 validity and I presume the same survey which you've
6 been using all these years reflects that level of
7 validity for all your answers. At some point you need
8 a number and I'm relying on the numbers you provided.
9 MR. GHIKAS: Q: And what should we do with the margin
10 of error in those numbers?
11 MS. ALEXANDER: A: Those numbers reflect the margin of
12 error already.
13 MR. GHIKAS: Q: Okay. And, sorry, what are you basing
14 that on?
15 MS. ALEXANDER: A: You've reported these survey results
16 as having been developed using a survey instrument
17 that meets certain standards for getting valid
18 results. So I'm relying on how you've been doing this
19 all these years. I'm just using the numbers you've
20 been reporting. You've used these numbers in your
21 service quality index for years. I'm continuing to
22 use one set of your numbers for the future, that's
23 all.
24 MR. GHIKAS: Q: I understand that. But now you've
25 introduced penalties into the mix here, Ms. Alexander,
26 and so would you agree with me that dealing with the

1 margin of error in the survey results becomes more
2 important?
3 MS. ALEXANDER: A: Ah, no. Not if we're using survey
4 results calculated the same way every year and we have
5 a three-year annual average to handle those kinds of
6 noise levels up and down.
7 Now, if because now it's meaningful and
8 there is money attached, you want to propose a
9 standard that gives you more leeway, I suppose that's
10 a legitimate approach, and you would have to document
11 why you're doing that. But that's not what we have
12 here.
13 MR. GHIKAS: Q: Ms. Alexander, do you generally
14 consider actual performance more important to measure
15 in the SQIs compared to customer opinions asked in
16 survey questions?
17 MS. ALEXANDER: A: Yes, I do.
18 MR. GHIKAS: Q: All right. And would one of the
19 primary rationales of going to this question in the
20 survey is that it reports on a recent call
21 transaction, correct?
22 MS. ALEXANDER: A: That's my understanding, yes.
23 MR. GHIKAS: Q: Okay. And this morning, you mentioned
24 in your opening statement, and I marked the time down
25 as 9:17 for the future record benefit, but as recent
26 as in being the "past couple of months". Are you --

1 MS. ALEXANDER: A: So what? What are you referring to?
2 I'm sorry.
3 MR. GHIKAS: Q: Sorry. The recent -- when you're
4 talking about recent call centre transactions, you're
5 talking about the value of that being that it's a
6 recent transaction, correct?
7 MS. ALEXANDER: A: Oh, the survey is going to people
8 who have actually had a recent transaction, yes.
9 MR. GHIKAS: Q: Yes.
10 MS. ALEXANDER: A: Yes.
11 MR. GHIKAS: Q: And this morning, you mentioned that as
12 in being the last -- the past couple of months.
13 MS. ALEXANDER: A: I would be corrected as to what
14 exactly the company uses to trigger the survey of
15 recent transactions. So I'm not going to -- I don't
16 want to be held to that degree of fact here. I
17 reviewed that, but I do not recall now what that
18 methodology was, or is.
19 **Proceeding Time 11:36 a.m. T35**
20 MR. GHIKAS: Q: I see, okay. All right, let's just do
21 it this way. So your -- if we just recap here, your
22 telephone service factor for non-emergency calls, the
23 80/30, you, if I recall correctly, and I don't recall
24 your exact wording, but certainly you agreed that it
25 may result in additional staffing in the call centre,
26 right?

1 MS. ALEXANDER: A: I didn't agree with that.
2 MR. GHIKAS: Q: Oh, you didn't. Okay.
3 MS. ALEXANDER: A: No, I said that management would
4 have to manage existing staff to see if they could do
5 it without adding new staff before I would ever reach
6 a conclusion that they somehow needed new staff.
7 MR. GHIKAS: Q: Okay. Well, maybe -- and I'm just
8 going back to one of your IR responses. Maybe if you
9 went to the package with me. Exhibit B2-22, page 2.
10 MS. ALEXANDER: A: I'm looking at the package of IR
11 responses now?
12 MR. GHIKAS: Q: Yes.
13 MS. ALEXANDER: A: Okay.
14 MR. GHIKAS: Q: And so that would be handwritten page
15 2, and this is the response to Fortis Energy questions
16 round 1 to COPE and the response I'm looking at is 2.1
17 and it's just the first sentence there that I'm -- you
18 seem to be more willing to conceded in the first
19 sentence there when you say, "Although that maybe the
20 case," that additional employees may be required than
21 you are willing to do that here. Would you just
22 elaborate on that, please?
23 MS. ALEXANDER: A: Well, all I'm saying is that I would
24 expect management to take a look at the least cost
25 approach to solving the problem, which is to achieve a
26 higher annual average result, and my conclusion is

that I don't feel that it's necessarily inevitable that additional labour costs would be required. Obviously I have to acknowledge the possibility that that is the case, because I didn't have any data from the company to allow me to determine what your evaluation might result in, in this case.

MR. GHIKAS: Q: And you'd agree with me though, it's unlikely the staffing requirements are going down, right?

MS. ALEXANDER: A: I'm not going to opine on staffing levels.

MR. GHIKAS: Q: Okay.

MS. ALEXANDER: A: I would defer to the company who has complete knowledge of how to operate a call centre, given its current staffing, which I do not know anything about. How could I?

MR. GHIKAS: Q: In terms of meter reading accuracy, FortisBC proposed measuring meter reading accuracy. Do you recall that?

MS. ALEXANDER: A: Yes, I do.

MR. GHIKAS: Q: Okay, and that's one of the things that you've recommended doing away with and you indicated this morning some of the reasons for that. But you don't see that one as being necessary, correct?

MS. ALEXANDER: A: I do not believe that it was as important as the other matters that I included in the

index. I entirely understand why some regulators would want to continue that metric and include it. It's not that I'm opposed to doing it, it's that I did not think it was as important as the other ones.

MR. GHIKAS: Q: Okay, and you would agree with me, Ms. Alexander, presumably that the more accurate your meter reading is, that would tend drive down call volumes at the call centre?

MS. ALEXANDER: A: That's certainly one reason why calls might be reduced. That and your automated voice response systems which handle a lot of transactions before anyone hits the button to speak to a live customer service representative.

MR. GHIKAS: Q: And the billing accuracy, that's a measure that FortisBC put forward, correct?

MS. ALEXANDER: A: You put forward an index composed again of two or three different factors that I didn't feel told us very much.

MR. GHIKAS: Q: And one of those was the billing accuracy, right?

MS. ALEXANDER: A: Right.

MR. GHIKAS: Q: And would you agree with me that inaccurate billing is a factor that would tend to prompt calls to the call centre?

MS. ALEXANDER: A: Absolutely.

MR. GHIKAS: Q: And so the higher your billing accuracy

1 is, that would tend to drive down call volumes at the
2 call centre, all things equal, correct?
3 MS. ALEXANDER: A: Right. It's in the company's self-
4 interest to get actual meter reads and issue accurate
5 bills. The incentive to do that is revenues.
6 **Proceeding Time 11:41 a.m. T36**
7 MR. GHIKAS: Q: And certainly that incentive remains
8 strong under PBR too, right?
9 MS. ALEXANDER: A: Absolutely.
10 MR. GHIKAS: Q: Right. And now one of the metrics that
11 Fortis proposed, another one was first call
12 resolution, right?
13 MS. ALEXANDER: A: Yes.
14 MR. GHIKAS: Q: And that's a measure of whether a
15 customer's issue has been resolved the first time it
16 called into the call centre, correct?
17 MS. ALEXANDER: A: Well, I'm not sure that I agree with
18 that. I think that's what the company says it
19 measures, but I have discussed that in my testimony
20 and I'd like to point to why I have not picked up on
21 this measurement and I would like to refresh my memory
22 as to where this is in my discussion here. Okay.
23 MR. GHIKAS: Q: Page 33 maybe?
24 MS. ALEXANDER: A: Ah yes, here it is. First call
25 resolution.
26 MR. GHIKAS: Q: Just for clarity, it actually says

1 "first contact resolution". That's the same thing?
2 MS. ALEXANDER: A: Yes, it is.
3 MR. GHIKAS: Q: Right, okay.
4 MS. ALEXANDER: A: This is an automated question, asks
5 the customer to press a button. If they agree their
6 question was answered with one call.
7 MR. GHIKAS: Q: Right. And earlier -- sorry. Okay.
8 So you would concede presumably that it's a good thing
9 from the customer's perspective to resolve calls early
10 and preferably in the first call?
11 MS. ALEXANDER: A: Resolve them, yes.
12 MR. GHIKAS: Q: Okay. And you put forward a couple of
13 reasons and I want to talk, just talk about those with
14 you. Well, let me do it this way.
15 When a customer's concern is resolved on
16 the first call, that means they don't have to phone
17 back, right?
18 MS. ALEXANDER: A: That's what I'm concerned about. I
19 don't know what the customer understands by pressing
20 that button.
21 MR. GHIKAS: Q: Okay. But you would agree with me that
22 if their concern is resolved, they don't have to phone
23 back, right?
24 MS. ALEXANDER: A: Right, but customers don't know if
25 their concern is resolved when they press that button.
26 They got an answer but they don't know if their

1 concern is resolved.
2 MR. GHIKAS: Q: And do they know when they fill out the
3 survey on recent call centre transaction, whether --
4 are they informed enough then?
5 MS. ALEXANDER: A: I think that's a better recognition
6 of the customer service you're providing than this
7 automatic pushbutton approach. Yes. That's why I
8 included the customer satisfaction answer in the
9 proposal.
10 MR. GHIKAS: Q: Okay, so let's -- you do cite a couple
11 reasons and I don't want to -- what if it was a live
12 survey instead of a pushbutton survey?
13 MS. ALEXANDER: A: I'm not sure what you're getting
14 here that you can't get in your customer satisfaction
15 survey instrument. I thought this was frankly a bit
16 self-serving. I have never seen this in any SQI I've
17 ever been involved in, and I have some concerns about
18 it that I outlined here.
19 MR. GHIKAS: Q: Okay. Well, let's talk about those.
20 MS. ALEXANDER: A: Okay.
21 MR. GHIKAS: Q: So line 9 on page 33, Ms. Alexander,
22 you say, "First," this is the first concern here:
23 "First, unless customers are informed that
24 the answer they receive can be disputed or
25 informally appealed to the upper level
26 management or the Commission, customers who

1 are given an answer that does not help the
2 customer resolve their concerns, the fact
3 that one call was made is not particularly
4 responsive to customer needs."
5 Now, taking that first reason, what
6 information are you relying on to suggest, Ms.
7 Alexander, that customers are not informed that the
8 answer they receive can be disputed.
9 **Proceeding Time 11:45 a.m. T37**
10 MS. ALEXANDER: A: I said "if", or "unless". And I
11 don't know the answer to that question. But I must
12 say, I looked at the customer complaint numbers in
13 this proceeding and was shocked at how few there are.
14 This is not a reflection of a customer base that knows
15 how to dispute payment arrangement terms,
16 disconnection of service, quality of service, and so
17 forth. This is not typical. And I didn't make any
18 statements about that in my testimony, but you're
19 pushing me in that direction here, so -- I had a
20 concern about it.
21 MR. GHIKAS: Q: All right, and the second reason you
22 cite is at the same -- second, this is at line 13 --
23 "…at the time of the asking of the survey
24 question, it may not be possible for the
25 customer to know if his or her problem was
26 resolved with one call. The subsequent bill

1 may raise the same issue and require another
2 call."
3 All right. So essentially you're saying
4 it's too soon to determine whether it's been resolved
5 or not?
6 MS. ALEXANDER: A: Right.
7 MR. GHIKAS: Q: And --
8 MS. ALEXANDER: A: The customer service representative
9 is, I'm sure, in good faith attempting to be helpful.
10 Don't get me wrong. I am sure the company is trying
11 to do the right thing. I am going to assume that
12 here. But many of these things are not handled --
13 complex billing disputes, concerns about usage,
14 explanations for rate increases, or charges, or
15 payment plans, or whatever it is often cannot -- you
16 know, they may have gotten something said to them on
17 the phone but it may not be the end of the concern
18 when the next bill arrives, or the subsequent letter
19 is received, or the customer learns of more
20 information. So that's my point here.
21 MR. GHIKAS: Q: Okay. There is no -- you've said it's
22 self-serving. Those were the words you used. There
23 is no -- you're not proposing any reward if the
24 company beats the benchmark, are you?
25 MS. ALEXANDER: A: No, I am not.
26 MR. GHIKAS: Q: Okay. So, let's stick to the

generalities here. If a customer's concern is in fact resolved, in the first call, they don't have to call back, right?

MS. ALEXANDER: A: Customers may not know of their rights to pursue an answer that they received that they have concerns, disquiet, or dissatisfaction with.

MR. GHIKAS: Q: Not --

MS. ALEXANDER: A: They got an answer. The quality of the answer they got is what is missing here, and that's why the survey is better to track this kind of interaction.

MR. GHIKAS: Q: Not my question, Ms. Alexander.

MS. ALEXANDER: A: I'm sorry. I'm sorry. Sorry.

MR. GHIKAS: Q: My question is, if the customer's concern is resolved, that means they don't have to call back again, right?

MS. ALEXANDER: A: That means they don't call back. Why they don't call back is not known.

MR. GHIKAS: Q: You would agree with me that if many calls are resolved --

MS. ALEXANDER: A: Mm-hmm.

MR. GHIKAS: Q: -- in the first call, that means that the call centre isn't going to have to field as many calls, is it?

MS. ALEXANDER: A: Oh, that's correct. The voice response menu could handle a great many routine

1 inquiries. Have you received my payment? When is my
2 next bill due? What is my outstanding balance? Those
3 are things utilities try to handle with voice
4 response, then you don't involve the call centre at
5 all. Excuse me.
6 MR. GHIKAS: Q: And you would agree with me that under
7 PBR, the utility's incentive, if it can avoid having
8 people need to call back again --
9 MS. ALEXANDER: A: Yes.
10 MR. GHIKAS: Q: -- the utility's incentive is actually
11 to improve first-call resolution.
12 MS. ALEXANDER: A: I think that's an excellent
13 objective. I am not objecting to your utility's
14 attempt to improve its ability to handle calls at the
15 first time that they're speaking to customers. I am
16 only objecting to including it in the SQI for the
17 reasons I stated. You've only got one year experience
18 with this, and there is some unanswered questions that
19 I think would be useful to explore before adding it at
20 this time.
21 MR. GHIKAS: Q: Well, what I'm -- I mean, let me cut to
22 the chase here. As far as I can tell, Ms. Alexander,
23 the only stakeholder that wouldn't benefit from the
24 inclusion in this -- of this SQI is COPE.
25 MS. ALEXANDER: A: Well, that certainly had absolutely
26 nothing to do with my recommendation.

1 MR. GHIKAS: Q: Okay. Well, the customers and the
2 utility, they share in savings from reduced call
3 centre costs, correct? Under the PBR.
4 MS. ALEXANDER: A: We're not talking about rejecting
5 your notion of tracking this, or lauding yourself for
6 reaching a higher level of performance with it. I'm
7 not suggesting you shouldn't undertake this
8 initiative. That's not the issue here.
9 **Proceeding Time 9:02 a.m. T38**
10 MR. GHIKAS: Q: Oh, I'm sorry, I thought that was your
11 recommendation, that they should not.
12 MS. ALEXANDER: A: No, my recommendation is simply not
13 to include this in the service quality plan with
14 penalties, that's all.
15 MR. GHIKAS: Q: Because you wouldn't want to have
16 additional incentive to complete this work.
17 MS. ALEXANDER: A: No, that's not why. I have laid out
18 my concerns about this metric in three or four
19 different sentences here, and it is based on the fact
20 that I have never seen this metric used elsewhere,
21 that I have the concerns I raised, and that you only
22 have one year of experience, and we don't really know
23 what a good benchmark should be because we don't have
24 much historical data here.
25 So maybe in the next PBR plan there would
26 be good reason to include it.

1 MR. GHIKAS: Q: Now, I want to just come back to your
2 penalty mechanism for a moment, Ms. Alexander, and we
3 talked about how a material reduction in a single SQI
4 or modest reductions in multiple metrics could trigger
5 significant penalties, right?
6 MS. ALEXANDER: A: Well, the penalty works the way I
7 proposed it. If you don't meet your standard you're
8 going to incur penalties or customer compensation
9 credits that go back to your customers, yes.
10 MR. GHIKAS: Q: And that's irrespective of the cost.
11 MS. ALEXANDER: A: The cost of what?
12 MR. GHIKAS: Q: Irrespective of the cause of the
13 deterioration, correct? Leaving aside the major
14 events. If the deterioration is for a matter that is
15 beyond the direct control of the utility, they are
16 still bound to meet those standards, correct?
17 MS. ALEXANDER: A: I'm not aware of any of these
18 metrics that are beyond the management control of the
19 utility.
20 MR. GHIKAS: Q: Okay.
21 MS. ALEXANDER: A: That's why we include them here.
22 MR. GHIKAS: Q: You'd agree with me that if something
23 occurs, like someone not phoning in to 1 Call, that's
24 picked up in the metrics, isn't it?
25 MS. ALEXANDER: A: It certainly is, and it's reflected
26 in the base line that allows a number of such calls to

be made that result in damage to the pipeline.

MR. GHIKAS: Q: And you'd agree with me that in the call centre, if the transactions start to take longer, every time somebody phones in it starts to longer to answer the calls, that could affect the metric too, right?

MS. ALEXANDER: A: That's always been true.

MR. GHIKAS: Q: Right.

MS. ALEXANDER: A: Absolutely.

MR. GHIKAS: Q: Okay. So you'd agree with me that if you're clients' members were to go on strike --

MS. ALEXANDER: A: My client's members. Oh, you're talking about COPE, the labour union. Okay.

MR. GHIKAS: Q: If COPE's members were to go on strike or engage in job action, that -- and that resulted in deterioration of SQIs, your proposal would have the utility paying penalties for that, correct?

MS. ALEXANDER: A: I think that's an excellent candidate for a waiver. Yes, I would agree with that.

MR. GHIKAS: Q: Okay, and why is that? Because --

MS. ALEXANDER: A: That's typically included in other waiver languages elsewhere, because it is an event that in the normal course is an external activity that obviously will have an adverse impact for some period of time, and if it's shown that that action is the

1 cause of why the standard for the annual standard is
2 not met, then I think the Commission should hear you
3 on that matter. I have no problem with that.
4 MR. GHIKAS: Q: Okay. So in this circumstance, if it's
5 not within the control of the utility, we'll exclude
6 that, but the others, they remain under the --
7 MS. ALEXANDER: A: I didn't say we'd exclude it. I
8 said that you would have the option to seek a waiver
9 and document that that, in fact, was the reason for
10 not meeting the standard was.
11 MR. GHIKAS: Q: Okay.
12 MS. ALEXANDER: A: In others words, if you have a
13 labour strike for a week, it's unlikely to have the
14 impact of causing you to miss the annual average
15 standard in my opinion. That's -- you know. But if
16 you have a summer-long strike and you have to put
17 management people in your call centre, and hire out
18 contractors to help you with your back-up calls, and
19 it's a three-month deal, I could conceive of how you
20 would want to seek a waiver for that situation.
21 MR. GHIKAS: Q: All right. So let me ask you this
22 question then, Ms. Alexander. If FortisBC is forced
23 to negotiate it's next collective agreements from the
24 position of knowing that any job action will
25 potentially cost it millions of dollars in penalties,
26 whose interests do you think are better served, the

1 unions or the customers who would be paying the staff
2 compensation costs under the collective agreement?
3 MS. ALEXANDER: A: I can't answer that question. I'm
4 not a union labour official. I am giving you my
5 perspective based on my multiple years of history in
6 developing SQIs on behalf of consumers, and that is my
7 approach here, and that's what I was asked to do and
8 that's what I did do.
9 **Proceeding Time 11:56 a.m. T39**
10 MR. GHIKAS: Thank you, Mr. Chairman. Thank you, Ms.
11 Alexander. Those are my questions.
12 THE CHAIRPERSON: Thank you, Mr. Ghikas.
13 MR. QUAIL: Just one point. I understand that what's
14 left in terms of dealing with Ms. Alexander is the
15 Commission Staff. I understand they'll be fairly
16 brief, so I'd ask for the indulgence of the Panel that
17 that be dealt with before the lunch break so then
18 she's done and we can move on after the break.
19 THE CHAIRPERSON: I just want to confer with my
20 colleagues to see if we have any questions also.
21 Mr. Quail, yes, we can accommodate that.
22 However, we are going to take five minutes and we'll
23 come back at five after and finish up. Okay?
24 MR. QUAIL: I commend that.
25 THE CHAIRPERSON: Thank you.
26 **(PROCEEDINGS ADJOURNED AT 11:57 A.M.)**

1 **(PROCEEDINGS RESUMED AT 12:09 P.M.)** **T40/41**
2 THE CHAIRPERSON: Please be seated. Thank you.
3 Mr. Miller?
4 **CROSS-EXAMINATION BY MR. MILLER:**
5 MR. MILLER: Q: I guess it's good afternoon now, Ms.
6 Alexander. I'm Commission counsel, my name is Paul
7 Miller.
8 The first question I have for you is, your
9 recommendations focus primarily on customer-oriented
10 distribution service and do not extend to generation
11 or transmission functions. Is that right?
12 MS. ALEXANDER: A: That's fair, yes.
13 MR. MILLER: Q: And is there a reason for that? Are
14 you more experienced in the first area rather than
15 generation transmission?
16 MS. ALEXANDER: A: I think it's also fair to say that I
17 am more experienced with the customer service that
18 affects the interactions most customers have with
19 their utility. But in addition to that, there are
20 other entities and other sets of standards and
21 regulatory regimes that are typically associated with
22 wholesale generation markets and transmission systems.
23 MR. MILLER: Q: Okay.
24 MS. ALEXANDER: A: And I did point out in some of my
25 questions from the staff in this regard that to the
26 extent there are outages that reflect those events,

they will show up in SAIDI and SAIFI.

MR. MILLER: Q: Okay. From what I gathered from your testimony and your evidence so far, you're seeking to impose financial penalties upon the utility where it's your view they're not managing the operation correctly. Is that right?

MS. ALEXANDER: A: Well, I'm responding to the fact that the utility would retain revenues and earnings under its proposal, if service quality deteriorates in this five-year plan, based on their proposal. So I am "righting that wrong", and I'll use quotes around that, as a description of my opinion about that proposal.

And the way I've done that is to impose risks on shareholders that are retuned to customers to compensate them for the fact that service quality has deteriorated, but the rates have not changed, unless these compensation penalties are passed through to customers.

MR. MILLER: Q: But are your financial penalties intended to punish the utility if the matter is beyond their control? Is that one of your premises, that they should be punished, if it's beyond their control?

MS. ALEXANDER: A: Well, you'd have to give me an example of what you mean by "beyond their control".

MR. MILLER: Q: Beyond management's control. We talked

about catastrophic events. I think you used the term "waiver". There should be a waiver in certain circumstances. So that tells me that you recognize that some events are within management's control and some events aren't. Is that fair?

MS. ALEXANDER: A: I recognize that there are unique and unusual events that are not contemplated or reflected in the historical performance from which I derive my recommended standards. That is correct. So we want to try to not be totally unfair about imposing a customer compensation mechanism when the event in question is outside the bounds of reasonable expectation and/or not reflected in the historical record.

MR. MILLER: Q: I don't think you answered my question. My question was, is your system -- or is your plan designed to punish the utility financially if a matter is beyond their control? It's either yes, no, or partly so and partly not.

MS. ALEXANDER: A: If we define "not in their control" as I have defined it, the answer is no, that is not my intent.

Proceeding Time 12:14 p.m. T42

MR. MILLER: Q: Not as you've define it in terms of these extraordinary events and historical data. If the Commission Panel were to decide an issue about

1 whether it's in management's control or not, and only
2 punish them in situations where it was in management's
3 control, are you saying your definition of these
4 catastrophic events are not reflected in historical
5 data, will necessarily coincide with the panel's
6 determination of it being beyond management's control?
7 MS. ALEXANDER: A: I, obviously, have to defer to the
8 Commission's determination if a waiver request is
9 filed, but I am familiar with how those requests have
10 been filed and granted and denied in many states under
11 regimes quite similar to the one I have recommended.
12 And so I speak from the experiences I have had with
13 regard to looking at this question.
14 Most everything that is likely to occur is
15 contemplated in the normal utility operations and
16 management approach. We know we will have storms. We
17 know the squirrels will run into the transformers. We
18 know the tree will come down. We know maintenance has
19 to occur. We know that -- I mean, all of these are
20 just the normal noise about standard utility
21 operations. And it is utilities' obligation to
22 identify what is going to be happening in the normal
23 course, and take actions to handle it. You can't
24 prevent every outage, so you certainly don't set a
25 standard as zero.
26 MR. MILLER: Q: Okay, now you've got a different

concept. Normal course. So you are only intending to punish them financially if it's outside the normal course.

MS. ALEXANDER: A: Outside the normal course.

MR. MILLER: Q: That's your term you used.

MS. ALEXANDER: A: These standards reflect the normal course.

MR. MILLER: Q: Okay. We'll deal with that a bit later. You talked about the concept of waiver, correct? That there may be some circumstances where the utility should apply for a waiver, is that right?

MS. ALEXANDER: A: Could apply, yes.

MR. MILLER: Q: Could or would in some circumstances. I won't quibble about that.

MS. ALEXANDER: A: Sure.

MR. MILLER: Q: That requires a regulatory filing, does it not?

MS. ALEXANDER: A: Yes, it would.

MR. MILLER: Q: And that would require all interested parties to have an opportunity have input.

MS. ALEXANDER: A: It typically does.

MR. MILLER: Q: And then they will require Commission panel determination, correct? A hearing may need to be held in other words.

MS. ALEXANDER: A: It's possible.

MR. MILLER: Q: Well, it's likely, isn't it? It's not

1 possible, it's likely.
2 MS. ALEXANDER: A: It's entirely possible that there
3 would be no dispute about the waiver request and no
4 request to have a hearing and no need to get involved
5 in a formal proceeding, if in fact nobody intervened
6 or sought to oppose it and the Commission considered
7 it in the normal course, they could issue a decision
8 without having a hearing.
9 MR. MILLER: Q: The Commission staff would still have
10 to become involved and the Commission Panel would
11 still have to become involved and deal with the
12 application, would they not?
13 MS. ALEXANDER: A: I would defer entirely to your
14 process here. I don't mean to suggest I want you to
15 do anything other than what you are required to do
16 under your current regulations.
17 MR. MILLER: Q: Okay. Well, let's deal with what
18 typically happens in this jurisdiction. Are you aware
19 that many customers, ratepayers often call the
20 Commission to deal with complaints?
21 MS. ALEXANDER: A: I would presume that that occurs.
22 MR. MILLER: Q: And I'll tell you in this
23 jurisdiction, the Commission has jurisdiction to act
24 on a complaint or not. You can take that as an
25 assumption. The Commission has the discretion
26 whether to act on a complaint. Were you aware of

1 that? Is that similar to the jurisdictions you are
2 more familiar with?
3 MS. ALEXANDER: A: That is quite similar, but
4 complaints come in several categories in most
5 jurisdictions I'm familiar with. There are informal
6 complaints that the consumer is dissatisfied with the
7 payment plan, the conditions for reconnection of
8 service, the billing dispute or whatever it is and
9 that goes to a section of the staff at the Commission,
10 and they either mediate or resolve that matter without
11 any official commission involvement because they've
12 been delegated the authority to handle those routine
13 disputes.
14 **Proceeding Time 12:19 p.m. T43**
15 If a customer wants to initiate a formal
16 complaint and demand that the Commission hear their
17 views, that is typically a very small number of
18 complaints that utilities commissions handle. So I
19 give you my answer in light of those options.
20 MR. MILLER: Q: So were you aware in this jurisdiction,
21 sometimes complaints are dealt with very informally
22 between the Commission and the utility and it results
23 in customer satisfaction?
24 MS. ALEXANDER: A: That would be entirely typical and I
25 would assume that that would be the case, yes.
26 MR. MILLER: Q: And are you are that sometimes in this

1 jurisdiction the Commission decides not to act on
2 complaints because they don't think they are
3 reasonable?
4 MS. ALEXANDER: A: Right. You can in effect tell the
5 customer, "I'm sorry, we've looked into your matter.
6 We find the utility's actions were appropriate."
7 Absolutely.
8 MR. MILLER: Q: But that customer may still be
9 dissatisfied, correct?
10 MS. ALEXANDER: A: They may be.
11 MR. MILLER: Q: And they may complain to Fortis,
12 correct?
13 MS. ALEXANDER: A: They may complain to --
14 MR. MILLER: Q: Fortis, the utilities.
15 MS. ALEXANDER: A: Oh. Well, I presume they've already
16 been to Fortis. We don't --
17 MR. MILLER: Q: Why do you presume that?
18 MS. ALEXANDER: A: Because most commissions require the
19 customer to first go to the utility and get their
20 response so the commission can review what the utility
21 told them to determine if it's an appropriate
22 complaint or not. That's the rule everywhere I'm
23 familiar with.
24 MR. MILLER: Q: Okay. Now, if there is a waiver
25 request made to the commission by a utility, you
26 understand that there's cost associated with that, is

1 that correct?
2 MS. ALEXANDER: A: Costs associated with what?
3 MR. MILLER: Q: With dealing with the complaint. Or
4 the waiver, the waiver request, sorry.
5 MS. ALEXANDER: A: Oh, the utility has filed the waiver
6 for the annual standard?
7 MR. MILLER: Q: Yes.
8 MS. ALEXANDER: A: There are some regulatory costs,
9 yes.
10 MR. MILLER: Q: Okay. Are you aware in this
11 jurisdiction that the Commission has the right to
12 issue orders on complaints and can direct the utility
13 to do something?
14 MS. ALEXANDER: A: That would not surprise me to hear
15 that that authority exists.
16 MR. MILLER: Q: And are you aware that in this
17 jurisdiction if the Commission's orders weren't
18 followed, they would have the ability to administer a
19 penalty to the utility?
20 MS. ALEXANDER: A: I'm aware of that theoretical
21 possibility, yes.
22 MR. MILLER: Q: It's a statutory event here. It's not
23 a theoretical possibility.
24 MS. ALEXANDER: A: I didn't mean to suggest that the
25 authority was theoretical. I meant to suggest that
26 the idea of assessing the penalty was theoretical

1 depending on the nature of the proceeding involved.
2 You have to have a standard. You have to have a
3 violation and you have to have a determination that
4 the violation has occurred before you can assess a
5 penalty, right? I mean, I'm just assuming due process
6 would require a standard to be in place in order to
7 enforce it and insist that it be complied with.
8 MR. MILLER: Q: So why would it not be more appropriate
9 for the Commission to determine the amount of penalty,
10 if any, rather than these automatic dollar amounts
11 being applied against the utility?
12 MS. ALEXANDER: A: Thank you for asking that question.
13 During this five year period in which the company's
14 revenues are on autopilot as well as its earnings, the
15 time, expense and significant litigation involved in
16 initiating a proceeding, alleging a violation, arguing
17 about whether it occurred, having witnesses come here
18 and tell you all the sob stories about how they
19 weren't in control of this and it didn't happen on
20 their watch and they're very sorry and it won't happen
21 again, and it was just 1 percent and so who cares? I
22 mean, you would not believe the litigation you're
23 setting yourself up for if that's the approach you
24 want to take.
25 It's my experience that in the entire
26 construct of arguing about that and litigating that

1 and getting into formal hearings and issuing orders
2 that utilities might very well appeal, all this time
3 the utility's earnings have not been impacted at all.
4 MR. MILLER: Q: So you just --
5 MS. ALEXANDER: A: So my proposal is a more automatic
6 and routine evaluation that does not involve
7 litigation expense and more regulatory oversight.
8 MR. MILLER: Q: But it does involve waiver
9 applications.
10 MS. ALEXANDER: A: It might, but that's not going to
11 dominate your proceedings, I'll guarantee you.
12 **Proceeding Time 12:23 p.m. T44**
13 MR. MILLER: Q: Now, you used the term "sob stories"
14 from the witnesses, and I assume you're referring to
15 the utilities in that. Is that right?
16 MS. ALEXANDER: A: Sure.
17 MR. MILLER: Q: Why do you have the view that utilities
18 are whiners, or telling sob stories?
19 MS. ALEXANDER: A: Because --
20 MR. MILLER: Q: At least in this jurisdiction.
21 MS. ALEXANDER: A: I have been loose in my words, and I
22 apologize if I've offended anyone. But obviously
23 utilities would have every interest in coming forward
24 and documenting to you in gory detail why the standard
25 was not met, and why it wasn't their fault. That's
26 the nature of the beast, that I am trying to avoid

1 here, because every minute and every dollar and every
2 day they spend doing that with you, their earnings and
3 profits have not been impacted one whit.
4 MR. MILLER: Q: Do you not believe the utilities have
5 an incentive to keep their customers happy so they
6 don't have to deal with the Commission on complaints?
7 MS. ALEXANDER: A: That is entirely a function of the
8 Utility Commission's oversight, how they handle
9 complaints, what they do with them, and what rules and
10 performance standards you have in place.
11 MR. MILLER: Q: I would suggest to you it's more a
12 function of the relationship between the utilities and
13 the Commission, and the relationships they have.
14 MS. ALEXANDER: A: Ah, well, I have approached this
15 process as a quasi-judicial regulatory matter, and not
16 a matter of interactions with people based on personal
17 attributes.
18 MR. MILLER: Q: Most of your experience comes from the
19 American states, correct?
20 MS. ALEXANDER: A: Well, yes, that's correct.
21 MR. MILLER: Q: And do you realize that there may be
22 cultural differences in Canada and the United States
23 about how people interact?
24 MS. ALEXANDER: A: I can theoretically accept that. I
25 certainly haven't detected that sort of cultural
26 difference in my brief time here, or when I testified

before the Canadian CRTC in Ottawa. But I will not pretend that I'm an expert on your local culture and mores.

MR. MILLER: Q: I'm going to hand out a staff witness aid.

MS. ALEXANDER: A: I've got one, actually. Thank you.

MR. MILLER: Mr. Chair, this should be marked Exhibit A2-29.

THE HEARING OFFICER: Marked A2-29.

(FBC/FEI 2014-2018 PBR STAFF WITNESS AID - COPE MARKED EXHIBIT A2-29)

MR. MILLER: Q: So what staff have attempted to do here, Ms. Alexander, is in columns A through C, and I believe we referred to this document, or the columns A to C earlier this morning, this is a list of the performance measures for each utility. Column B is FBC's proposed benchmark and on the second page FEI's proposed benchmark. And then your, or your client -- you and your client's proposed benchmark in column C, okay?

And then in column D, the staff have put in the latest SQI results, and measured it in column E against performance against your proposed benchmarks, and then has calculated the dollar amounts that would result from the penalty. So you were given this shortly -- a while ago, so I'm not suggesting in any

way that you have had a detailed time to go through it.

MS. ALEXANDER: A: Yes.

MR. MILLER: Q: But can you accept that, subject to check? And if you notice anything later, you can let your counsel know, and he can correct us. I should say that there are a couple of corrections that need to be made right now.

MS. ALEXANDER: A: Well, I actually spotted one that I'm sure you're going to catch.

MR. MILLER: Q: It's -- yes.

MS. ALEXANDER: A: But I do accept, subject to check, and I have not reviewed the actual calculations, but that's fair to -- I accept what you did.

MR. MILLER: Q: So let's go through the corrections that need to be made. The first are in columns -- or, sorry, rows 2 and 3, and that was based on your corrections in the evidence this morning. So on those two yellow tables, in column C, it should say "maximum" rather than "minimum", correct?

MS. ALEXANDER: A: Mm-hmm. Yes.

MR. MILLER: Q: And then there is one other error that staff pointed out to me, and that's in column 5, okay? in the far right-hand column -- sorry. Row 5, Column F. It's got 50,000 times 1.41 equals 41. The numbers should actually be the number in the left column, but

1 I'm told the total is the right.
2 **Proceeding Time 12:28 p.m. T45**
3 MS. ALEXANDER: A: I see.
4 MR. MILLER: Q: So it's 41,176 is the right number,
5 but the multiplier is wrong. It should be 8.5. Okay?
6 THE CHAIRPERSON: .85 you mean, Mr. Miller? .85?
7 MR. MILLER: .82, sorry.
8 MS. ALEXANDER: A: The percentage deterioration is .82.
9 Right.
10 MR. MILLER: Q: .82, yes. I'm sorry.
11 MS. ALEXANDER: A: And again, subject to check I see
12 what you've done, yes. f
13 MR. MILLER: Q: Okay, so we'll take that subject to
14 check.
15 MS. ALEXANDER: A: Yes.
16 THE CHAIRPERSON: Sorry, so Mr. Miller, it is .82 is that
17 -- ?
18 MR. MILLER: It's .82, yes.
19 THE CHAIRPERSON: Okay.
20 MR. MILLER: But the gross number is right, 41,176 is
21 right. It was just the multiplier that was wrong.
22 MR. MILLER: Q: Okay, let's go through some of these
23 items. So all injury frequency rate, what does that
24 describe?
25 MS. ALEXANDER: A: Injuries and workplace --
26 MR. MILLER: Q: Injuries to whom?

1 MS. ALEXANDER: A: Workers. Yes.
2 MR. MILLER: Q: Okay. Is it true that not all injury
3 -- sorry, worker-related injuries are due to
4 management's control?
5 MS. ALEXANDER: A: What is true, sir, is that
6 management is in charge of the workplace culture, the
7 safety systems, and the educational activities
8 designed to prevent as many workplace accidents as
9 possible, and that we understand that the most perfect
10 system will never prevent all of them. So that's why
11 we have a baseline that reflects some level of injury
12 that is based on historical information.
13 MR. MILLER: Q: I think you agreed with me, but I'm
14 not sure.
15 MS. ALEXANDER: A: Well, it's the way you're expressing
16 -- you're asking me to give an answer to a question
17 that sounds loaded to me. Management has control.
18 MR. MILLER: Q: The question was very simple.
19 MS. ALEXANDER: A: Yes, I'm sorry, I'm argumentative.
20 MR. MILLER: Q: Are all worker-related injuries -- all
21 worker-related injuries, okay? Are they within
22 management's control?
23 MS. ALEXANDER: A: Of course not.
24 MR. MILLER: Q: Okay. So there may be instances where
25 it would be valid under your circumstance to apply for
26 a waiver if that performance metric was not made, is

that right?

MS. ALEXANDER: A: Not unless there was some -- I don't understand how an external event, which is what waivers are for, would have an impact on this metric. I'm thinking of waivers more in the sense of, you know, massive earthquake, you know. Significant system-wide cyber terrorism attack that prevents reliability of service from being delivered and phone calls from being answered. You know, I've created a very extreme example, but I am not talking about normal activity here when I am talking about waivers.

MR. MILLER: Q: So let's put aside those major events, if I can call them that.

MS. ALEXANDER: A: Right.

MR. MILLER: Q: It's your view that management should be responsible fully, apart from those issues, is that right?

MS. ALEXANDER: A: Management should fulfill its obligation to operate proactively the safest workplace it can do so, given the nature of business that it conducts and the type of work that is being performed.

If you go to FBC and FEI's annual reports to its stockholders, there is a huge glossy section of everyone of those annual reports about worker safety. It's an important matter for them. They do promote their culture as providing that level, and taking

1 responsibility for providing worker safety, and they
2 even trigger executive compensation based on achieving
3 this particular metric.
4 So yes, management is responsible, overall,
5 for this culture and this result.
6 MR. MILLER: Q: Okay. Let's deal with customer
7 satisfaction with recent transaction with call centre.
8 Okay? And that's essentially a measure of a customer
9 calls up and is either satisfied or not with the
10 interaction they had on the phone, is that right?
11 **Proceeding Time 12:33 p.m. T46**
12 MS. ALEXANDER: A: Yes, they're asked a scripted
13 question. They're given options for very satisfied
14 down to dissatisfied, and usually the top two boxes
15 are the average result that we rely on for the answer
16 to this question. Yes.
17 MR. MILLER: Q: Are you cognizant of the fact that
18 there may be customer dissatisfaction not related to
19 anything that's happened in the call centre but merely
20 because the customer didn't get the response they
21 wanted? And I'm going to give you a couple of
22 examples if you like.
23 MS. ALEXANDER: A: Okay.
24 MR. MILLER: Q: So this automated meter system perhaps.
25 MS. ALEXANDER: A: Mm-hmm.
26 MR. MILLER: Q: "Many customers may not like that.

1 They may call up and complain to the utility
2 and be dissatisfied even though the
3 commission has told Fortis to do this."
4 MS. ALEXANDER: A: Mm-hmm.
5 MR. MILLER: Q: And this is a new event. So would you
6 expect that to afflect [*sic*] the metrics?
7 MS. ALEXANDER: A: Yes I do, and I'll explain why. The
8 utility is in charge of what they tell people, how
9 they educate them, and what service options they offer
10 to them. In many U.S. jurisdictions who are
11 installing smart meters, customers ask and commissions
12 have granted opt out procedures for people who are
13 adamantly opposed to having this meter attached to
14 their home, to be excused from having it. They often
15 have to pay more money for this privilege, mind you,
16 but that's a different matter. But the point is there
17 is a method to approach that issue if it rises to the
18 level of having a significant impact on the customer's
19 interactions with both the utility and the commission.
20 In other words, you study why people are
21 not happy and you see if maybe you gave them an answer
22 that really wasn't very helpful, didn't explain things
23 right, didn't give them options, was not provided to
24 them in a professional manner or in a manner that
25 allowed them to think that their opinion was
26 meaningful to the company. There are all kinds of

1 root cause analyses that can be done for dissatisfied
2 customers if that ratchet is growing over time, and
3 the utility has to take some responsibility for how
4 they handle that.
5 MR. MILLER: Q: Okay, let's deal with your opt out
6 example. Someone may be dissatisfied with the cost of
7 the opt out.
8 MS. ALEXANDER: A: Yes.
9 MR. MILLER: Q: And they may call the utility and
10 complain about it even though the utility has no
11 control because it was set by the commission.
12 MS. ALEXANDER: A: Yes. I totally understand. It's a
13 fact of life that you will have customers dissatisfied
14 with rates and decisions the commission makes.
15 MR. MILLER: Q: So let's deal with rates. There's
16 another issue. So one of the newer rate structures
17 within British Columbia, is a tiered rate system,
18 correct?
19 MS. ALEXANDER: A: Mm-hmm.
20 MR. MILLER: Q: Many customers may be dissatisfied with
21 that and call up the utility and complain about it
22 even though the utility has no control over that
23 structure. Is that right?
24 MS. ALEXANDER: A: The utility has implementing rates
25 the Commission has ordered, but the utility has the
26 obligation to figure out why are these people not

1 satisfied? Is it because their bill is larger than it
2 would otherwise be? In that case maybe we ought to
3 develop a program to help them lower their bill,
4 because really that's what people care about.
5 MR. MILLER: Q: Are you suggesting that Fortis or the
6 Fortis utilities don't have DSM programs --
7 MS. ALEXANDER: A: No.
8 MR. MILLER: Q: -- to do that already, and that's not a
9 major tenet of provincial policy here?
10 MS. ALEXANDER: A: No, I'm not suggesting it isn't.
11 I'm just pointing out the management's control of
12 proactively handling dissatisfied customers is not
13 merely a matter of saying, "Oh, I have no control over
14 my rights. Oh, this rate structure was ordered by the
15 Commission so that's the end of it." That's not how a
16 utility can handle what is a difficult situation and
17 may in fact result in more dissatisfaction. The
18 Commission needs to hear that. Maybe they want to
19 reconsider some of their policies or how they handle
20 that matter. I don't know. That's entirely a
21 different issue.
22 But I'm just pointing out how management
23 has authority to take action here, to help get a
24 result that's appropriate.
25 MR. MILLER: Q: Now, the dissatisfaction from
26 customers, it's being lumped together globally in

these measures, correct?

MS. ALEXANDER: A: Say it again?

MR. MILLER: Q: The dissatisfaction with service essentially, or safety, they're being lumped together regardless of whether the dissatisfaction comes from a particular rate class that the utility deals with. Say for example, it may be the residential customers are very upset, but the industrial or commercial, maybe even Mr. Weisberg's irrigation customers, are very happy. Correct?

Proceeding Time 12:38 p.m. T47

MS. ALEXANDER: A: Well, I'll tell you why they're very happy, because they have qualified and well-paid resources to handle any dissatisfaction that they have, and they have account executives at the utility who handle their billing and their problems, on a one-on-one, at least every utility I've ever met certainly does that with its largest customers. It is the mass market customers that I am clearly more focused on here, who don't have anybody to be their ombudsman in those situations.

MR. MILLER: Q: Okay, fair enough.

MS. ALEXANDER: A: Yes.

MR. MILLER: Q: But your financial penalties go to rate classes that aren't dissatisfied, potentially.

MS. ALEXANDER: A: Well, I think I indicated that an

1 allocation of any compensation credits that was
2 incurred would be primarily oriented toward
3 residential and small commercial customers, because
4 they are the ones who are making use of these metrics
5 or interacting in these ways with the utilities. And
6 I explained how we could do that in my testimony.
7 MR. MILLER: Q: So, on Exhibit A2-29, could you check
8 the math, especially with regard to the financial
9 penalties, and have your counsel advise us whether the
10 numbers are correct?
11 MS. ALEXANDER: A: I will do that after the hearing,
12 yes.
13 **Information Request**
14 MR. MILLER: Thank you, Mr. Chair. Those are my
15 questions.
16 THE CHAIRPERSON: Thank you, Mr. Miller.
17 COMMISSIONER COTE: Yes, I've just got a few questions
18 covering a couple of different areas, and I don't
19 think you'll have any problem with them.
20 First off, just before I ask them, have you
21 ever run or been responsible for a call centre
22 operation?
23 MS. ALEXANDER: A: Well, I ran a small call centre at
24 the Maine Public Utilities Commission for handling
25 customer complaints about utility service, but I do
26 not pretend to have operated a large modern call

1 centre of the kind that I'm sure FortisBC is operating
2 in its daily utility regulations.
3 COMMISSIONER COTE: Okay.
4 MS. ALEXANDER: A: What I am familiar with is how to
5 regulate the performance of call centres.
6 COMMISSIONER COTE: No, I understand that.
7 MS. ALEXANDER: A: Yeah, but --
8 COMMISSIONER COTE: It was more just for my -- to get the
9 history.
10 MS. ALEXANDER: A: That's okay. I've had occasion to
11 have probably more knowledge about how they're run
12 than I would normally do, because of my regulatory
13 duties, not because I've actually implemented them.
14 Yes.
15 COMMISSIONER COTE: Okay. I understand that. First off,
16 a couple of questions with regards to the penalty
17 charges, if they fail to hit the SQIs. And I know you
18 won't have this at your fingertips, but if you could
19 at least ballpark, it would be very helpful. You have
20 a scheme that's if you don't hit a certain level, SQI
21 level, and then for each percentage it drops, and
22 there is a potential cumulative penalty when you add
23 up all the SQIs.
24 MS. ALEXANDER: A: Mm-hmm.
25 COMMISSIONER COTE: What percentage of U.S. utilities
26 have adopted a similar program to what you're talking

1 about here?
2 MS. ALEXANDER: A: I don't have that number. I've
3 given --
4 COMMISSIONER COTE: There's examples, I know that, but --
5 MS. ALEXANDER: A: I've given you examples and in order
6 to answer your question, there are thousands of public
7 utilities in the United States.
8 COMMISSIONER COTE: What I'm trying to get at --
9 MS. ALEXANDER: A: I don't have anywhere near the
10 database that would allow me to --
11 COMMISSIONER COTE: I understand that. What I'm really
12 trying to get at is how prevalent it is.
13 MS. ALEXANDER: A: Well, it's certainly not routinely
14 done in a number of states, at all. They rely -- but
15 on the other hand, neither is PBR regulation typical
16 in many U.S. jurisdictions. So what I've concentrated
17 on is giving you examples of where Commissions have
18 adopted this approach for multi-year rate planning.
19 And that's, I think, the key factor that you want to
20 keep in mind. Most U.S. jurisdictions are not doing
21 PBR.
22 COMMISSIONER COTE: Mm-hmm.
23 MS. ALEXANDER: A: And so there is no -- they're
24 handling these matters with specific regulations,
25 numerical standards, investigations and penalties, and
26 rate cases. And in a rate case, you have more

1 flexibility about how to respond to poor performance
2 than you would in a five-year rate plan. So that --
3 and I apologize for evading your question, but that's
4 the best I can do.
5 COMMISSIONER COTE: All right. It was -- I didn't expect
6 a specific answer.
7 MS. ALEXANDER: A: Right. Right.
8 **Proceeding Time 12:42 p.m. T48**
9 COMMISSIONER COTE: And that was close enough. So,
10 looking at the type of program we've had, what would
11 it be fair to say that the bottom line of what you're
12 looking for is that what you want is the achievement
13 of the actual SQI. It's not about penalizing, it's
14 about reaching the goal.
15 MS. ALEXANDER: A: Well, of course. My objective is
16 not to impose penalties, my objective is to incent the
17 utility to meet the standard and make it clear what
18 the result will be if they do not, during this five-
19 year plan in which their earnings and revenues are on
20 autopilot. So it's to right that balance for this
21 five-year plan that I have come up with this proposal.
22 And to the extent that you find the
23 standard is too strict, but you like the idea, there
24 is evidence in the record that would allow you to
25 approach that concern in a reasonable way.
26 COMMISSIONER COTE: Okay. So in your view if there was

1 another way in general, going away from the penalties
2 into something else, and I have nothing specific in
3 mind, but if a way could be found where we could be
4 reasonably satisfied that the SQIs will be met and
5 there will be motivation to do so, you'd be happy with
6 that.
7 MS. ALEXANDER: A: No, I would not be happy with that
8 to be blunt.
9 COMMISSIONER COTE: Okay, why not?
10 MS. ALEXANDER: A: I would only be happy if you came up
11 with a scheme that assigned a penalty for non-
12 compliance.
13 COMMISSIONER COTE: Okay.
14 MS. ALEXANDER: A: What I am suggesting is that the
15 number of the performance standard could be something
16 within your discretion. There are some judgments in
17 my recommendations that I'm very happy to continue to
18 recommend, but I'm saying the concept of having
19 penalties is one that I certainly hope you adopt, and
20 there are many ways in which you could structure the
21 penalty dollars and the performance standards to
22 achieve a reasonable result. But the concept of what
23 I'm recommending is one that I would not back down
24 from.
25 COMMISSIONER COTE: Okay, fair enough. Now, just to
26 shift gears, this change from 70 percent in 30 seconds

1 calls being answered to --
2 MS. ALEXANDER: A: Yes.
3 COMMISSIONER COTE: Pardon me, from 80 percent -- or 75
4 currently, you are promoting 80 and the recommendation
5 is for 70. Is the 80 percent that you are talking
6 about, is that an industry standard?
7 MS. ALEXANDER: A: It is a best practice industry
8 standard. Many large competitive businesses operate
9 very complex call centres and attempt to manage their
10 call centre to meet the standard. I've given examples
11 in my responses to IRs in this case of many utilities
12 who are required to meet and who do meet this
13 standard. So it is a best practice. I cannot sit and
14 tell you that it is 80 percent of the utilities need
15 it. I can't give you that answer. But it is my
16 recommendation as the best practice.
17 COMMISSIONER COTE: Okay, it's the best practice. Have
18 you any idea just industry-wide, forget utilities for
19 a moment --
20 MS. ALEXANDER: A: Okay.
21 COMMISSIONER COTE: -- how often that target is met. Any
22 idea whatsoever?
23 MS. ALEXANDER: A: Well, a lot of the competitive
24 businesses don't release that information.
25 COMMISSIONER COTE: Okay.
26 MS. ALEXANDER: A: But my statement is based on my

1 professional knowledge of what I found when I started
2 developing SQIs in Maine in the late 1990s. I was the
3 author of what I believe to be the first one in the
4 country, as a member of the staff of the Maine PUC,
5 and when I went to look at what the actual telephone
6 service quality should be, in terms of best practice,
7 I did, at that time, talk with and look at literature
8 in the field about what was this common standard for,
9 you know, FedEx and other, you know, large
10 corporations whose business is based on communications
11 with people on the phone.
12 Now, since that time the internet has taken
13 over. And a lot of people don't need to speak to
14 anybody live any more. But when you do, you usually
15 need service properly.
16 COMMISSIONER COTE: Yeah, there is apparently a need for
17 it, because there's a call centre that we're talking
18 about.
19 MS. ALEXANDER: A: Right. Exactly.
20 COMMISSIONER COTE: Now, if a utility -- would your view
21 relative to the target or the SQI that's been set, if
22 the utility had in place an auto call back option --
23 there's probably a technical name for it but, the
24 ability to, as you go on, you wait your 30 seconds and
25 then in which case you've scored poorly. Then you can
26 press a button and be automatically called back. If

that type of an option was put in place, would you change your view relative to the magnitude?

MS. ALEXANDER: A: I had not thought of that. That question has not been asked of me. Typically the IVR menu, the interactive voice response menu at utilities have a series of options about handing routine inquiries without the need to speak to a customer representative.

COMMISSIONER COTE: There's various people that do that but I notice more and more you're getting this option thrown at you and say, "If you'd like a call back we'll call you back automatically in the next…" I don't know, "…hour." Or something like that.

MS. ALEXANDER: A: Well, that certainly wouldn't be a prompt answering of the call, would it? I would have to think that through.

COMMISSIONER COTE: Okay, fair enough.

MS. ALEXANDER: A: Yes.

Proceeding Time 12:48 p.m. T49

COMMISSIONER COTE: Okay, and one last question. I note in looking at -- you've laid out your own set of what you think the SQI should be, and you've removed some of the others. But I note in what exists today, and what you've had there that's something -- I used to be involved in the call centre business, so I know quite a bit about it. I'm not an expert by any means.

1 MS. ALEXANDER: A: Mm-hmm.
2 COMMISSIONER COTE: But I note that abandon rate is not a
3 current metric that's being tracked, and you're not
4 recommending it.
5 MS. ALEXANDER: A: That's a good question. There are
6 several SQIs instates that absolutely regulate the
7 abandonment rate, and the abandonment rate is the
8 people who got tired of waiting. They got into the
9 queue, okay? And at some point, they hung up, because
10 they're tired of waiting.
11 COMMISSIONER COTE: Yes.
12 MS. ALEXANDER: A: And that's the abandonment rate.
13 And I am trying to remember if I asked if they had
14 that historical data here and my vague recollection
15 now, and I'll "subject to check" on this, is they
16 didn't track that. And if I'm wrong about that, it
17 would be worth taking a look at. Because if you --
18 COMMISSIONER COTE: But even if they didn't, would it not
19 be worth starting to establish a database and --
20 MS. ALEXANDER: A: Getting the data on it.
21 COMMISSIONER COTE: Yes.
22 MS. ALEXANDER: A: So you get an historical view of
23 what's happening there, would be very useful. Yes,
24 sir. Absolutely.
25 COMMISSIONER COTE: Okay, all right. That's all the
26 questions I have.

1 COMMISSIONER MAGNAN: Ms. Alexander, you were -- when you
2 were talking about the customer satisfaction with
3 recent transaction call metric --
4 MS. ALEXANDER: A: Mm-hmm.
5 COMMISSIONER MAGNAN: -- and in your testimony on page
6 25, you indicate that you recommend a level of 8.5,
7 and you base that on the historical data from
8 FortisBC, did you not?
9 MS. ALEXANDER: A: Yes, 2010 through 2012, yes.
10 COMMISSIONER MAGNAN: And in the footnotes to your
11 evidence, you indicated that the response rate from
12 2006 to 2012 had ranged from 8.2 to 8.5.
13 MS. ALEXANDER: A: Mm-hmm.
14 COMMISSIONER MAGNAN: Is that correct?
15 MS. ALEXANDER: A: Well, if that's what I wrote --
16 COMMISSIONER MAGNAN: That's what's in the footnote, and
17 in fact it's in the evidence.
18 MS. ALEXANDER: A: Okay. Sometimes I am not clear for
19 asking about FBC or FEI.
20 COMMISSIONER MAGNAN: Yes, it was FBC.
21 MS. ALEXANDER: A: Okay, very good.
22 COMMISSIONER MAGNAN: Okay? So, now, you're suggesting a
23 metric of 8.5. You're suggesting it should be based
24 on just three years?
25 MS. ALEXANDER: A: Yes, because that shows that they
26 have significantly improved in the last ten years, and

1 should be held to that level of improvement for the
2 next five. Why put in place a metric that would allow
3 them to deteriorate as a result of the PBR plan? We
4 want to keep the feet to the fire and get good
5 customer service for the whole five years.
6 COMMISSIONER MAGNAN: And is that metric based on just
7 that one point, that one single year?
8 MS. ALEXANDER: A: No.
9 COMMISSIONER MAGNAN: Or should it be a rolling average
10 going forward?
11 MS. ALEXANDER: A: I -- in this case I recommended 8.5
12 permanently to be the standard for the five-year plan,
13 because they had clearly achieved that for three years
14 in a row. And we would not want a rolling average to
15 allow them to deteriorate performance if in fact they
16 didn't meet that standard during the term of the plan.
17 I mean, that's the implication of rolling average,
18 isn't it? Unless you have a minimum their non-
19 performance gets rolled into the next year's standard,
20 and you get deterioration over the term of five years.
21 COMMISSIONER MAGNAN: Okay. Thank you.
22 MS. ALEXANDER: A: Yes.
23 THE CHAIRPERSON: Ms. Alexander, I just have one question
24 also, please. Did I -- a little while ago, did I
25 understand you -- and I might have not heard you
26 correctly, but did I understand you to say that when

1 you looked at the number of complaints that Fortis --
2 I think it was FortisBC had, you thought it was an
3 unusually low number.
4 MS. ALEXANDER: A: Yes.
5 THE CHAIRPERSON: And that you said the reason for that
6 is that people -- and I've -- not your words,
7 necessarily, but that people don't have an opportunity
8 to complain, or they don't understand that they can
9 complain, or something along those lines?
10 MS. ALEXANDER: A: I had a question about that which I
11 did not pursue in my investigation, and I -- you know,
12 I have a niggling concern about it, maybe you should
13 be looking into that for another reason. But I did
14 not address that matter in my testimony, and I don't
15 have the data to offer any opinion about that to you.
16 But that's the red flag that was raised in my mind
17 when I saw those very low numbers.
18 **Proceeding Time 12:52 p.m. T50**
19 THE CHAIRPERSON: But you're not suggesting that that is
20 the case.
21 MS. ALEXANDER: A: I am not, I have no evidence to
22 suggest that's the case. It's a question --
23 THE CHAIRPERSON: Right.
24 MS. ALEXANDER: A: -- that I would like someone to ask.
25 THE CHAIRPERSON: But it could just as easily be that
26 people simply don't have any complaints, is --

1 MS. ALEXANDER: A: That's highly unlikely, sir. In the
2 modern world the vast majority of complaints to any
3 utility Commission in the U.S. and I suspect elsewhere
4 is about affordability, inability to pay, the need for
5 payment plans or whatever.
6 Now, if everyone here has got enough money
7 to pay their bill in full every month and you don't
8 have disconnections of service, hey, you've found the
9 magic answer. I think it would be great, but I didn't
10 think that that was the case.
11 THE CHAIRPERSON: And the number -- sorry, go ahead.
12 MS. ALEXANDER: A: Yes, I didn't see any category about
13 payment plans and disconnection in the list of
14 customer complaint categories, and that was another
15 red flag that appeared in my mind.
16 THE CHAIRPERSON: Well, is there evidence either that you
17 provided or elsewhere on the record that compares the
18 number of complaints that Fortis gets to the number of
19 complaints that other utilities get?
20 MS. ALEXANDER: A: No. No. I'm not reaching any
21 conclusions. I indicated to you I had a red flag.
22 THE CHAIRPERSON: Okay.
23 MS. ALEXANDER: A: I did not pursue this matter. Let
24 me say this. A number of SQIs include commission
25 customer complaints from utilities, and the incentive
26 is to have the utility resolve it before it comes to

1 the Commission. That's the intent of that complaint
2 metric. It's been controversial. There has been
3 litigation about whether that's an appropriate thing
4 to include in these SQIs. I did not recommend that
5 here.
6 THE CHAIRPERSON: Okay.
7 MS. ALEXANDER: A: So I didn't pursue my concern.
8 THE CHAIRPERSON: Okay, thank you.
9 MS. ALEXANDER: A: Yes.
10 THE CHAIRPERSON: Mr. Quail?
11 MR. QUAIL: No re-examination, nothing arising.
12 THE CHAIRPERSON: Okay. All right, so thank you very
13 much, Ms. Alexander, and you're excused.
14 MS. ALEXANDER: A: Well, thank you very much. It was
15 an honour to appear before you. Thank you.
16 THE CHAIRPERSON: Thank you.
17 (WITNESS ASIDE)
18 THE CHAIRPERSON: Thank you. Mr. Ghikas, are you rising
19 because we're rising or --
20 MR. GHIKAS: No, I'm just excited again.
21 THE CHAIRPERSON: Okay. All right. We'll come back at
22 2:30 then. Thank you.
23 **(PROCEEDINGS ADJOURNED AT 12:58 P.M.)**
24 **(PROCEEDINGS RESUMED AT 2:32 P.M.)** **T51-53**
25 THE CHAIRPERSON: Please be seated. Thank you.
26 Mr. Ahmed?

1 MR. AHMED: Mr. Chairman, I have another undertaking to
2 file. This is Fortis Undertaking NO. 9. The
3 transcript reference for this one is in Volume 4, page
4 674, line 17, to page 675, line 14. This is a request
5 that was made of Mr. Swanson by Mr. Miller, to provide
6 adjustments required to base capital, and the formula
7 to include CPCNs in the base, recognizing that those
8 capital projects would not go through the CPCN process
9 because by being in the formula they are already
10 included in the capital spending envelope.
11 THE CHAIRPERSON: Okay.
12 MR. AHMED: I believe this should be Exhibit B2-25.
13 THE CHAIRPERSON: Thank you.
14 MR. AHMED: And my colleague, Ms. Miller, will introduce
15 the panel.
16 THE CHAIRPERSON: Okay, thank you.
17 MR. GHIKAS: Actually, I'll introduce the panel, and Ms.
18 Miller will take the keys from there. I'll just
19 briefly run the panel through, the witnesses.
20 THE CHAIRPERSON: Let him mark the exhibit first.
21 MR. GHIKAS: Sorry.
22 THE HEARING OFFICER: Marked B2-25.
23 **(FORTISBC UNDERTAKING NO. 9 RE. VOLUME 4, PAGE 674,**
24 **LINE 17 TO PAGE 674, LINE 14 MARKED EXHIBIT B2-25)**
25 MR. GHIKAS: Thank you, Mr. Bemister.
26 Mr. Chairman, the second panel is as

1 indicated, and going to be dedicated to the issue of
2 SQIs. And it consists of five individuals, two of
3 whom you are already familiar with, and the others,
4 Mr. Loski is vice-president of customer service.
5 He'll be able to speak to customer service metrics.
6 He obviously has an in-depth understanding of how the
7 customer service functions operate.
8 Paul Chernikhowsky, who is sitting beside
9 Mr. Loski, is the director of engineering services for
10 both companies. He is going to be able to speak to
11 operational contexts and metrics of that nature. And
12 beside him is Mr. Pataki, who is a director of
13 operations for the Lower Mainland, also an operational
14 person, particularly able to speak on the gas side as
15 well.
16 So collectively, Mr. Chairman, the Panel 2
17 witnesses will support ultimately the proposition that
18 the companies are maintaining appropriate service
19 levels already and that there should be every
20 expectation that the companies will continue to make
21 -- continue to maintain service quality throughout the
22 period.
23 So I will now turn the microphone over to
24 Ms. Miller. Thank you.
25 THE CHAIRPERSON: Thank you.
26 **FEI/FBC - PANEL 1**

TOM LOSKI, Affirmed:

ED OVERCAST, Affirmed:

DENNIS SWANSON, Affirmed:

PAUL CHERNIKHOWSKY, Affirmed:

FERNIC PATAKI, Affirmed:

EXAMINATION IN CHIEF BY MS. MILLER:

MS. MILLER: Q: Thank you very much. Dr. Overcast and Mr. Swanson, as you've already been taken through your direct testimony, I'll move down to the line to Mr. Loski and start with you, if that's okay.

Mr. Loski, do you have a copy of your pre-filed direct testimony before you?

MR. LOSKI: A: Yes, I do.

MS. MILLER: Q: And I just note for the record that that direct testimony is filed at Exhibit FEI B-41, and FBC Exhibit B-40. Mr. Loski, you are the vice-president of customer service for both the gas and the electric companies, is that correct?

MR. LOSKI: A: That is correct.

MS. MILLER: Q: And you have been with FEI and its predecessor companies for 32 years now?

MR. LOSKI: A: Yes, I have.

MS. MILLER: Q: You are a Certified Management Accountant?

MR. LOSKI: A: Yes.

1 MS. MILLER: Q: And you indicate in response to
2 question number 7 of your direct testimony that your
3 role in the preparation of this application and IR
4 responses related primarily to customer service and
5 customer service related SQIs. Is that correct?
6 MR. LOSKI: A: That is correct.
7 MS. MILLER: Q: Did you also contribute to the
8 preparation of the rebuttal evidence in this
9 application?
10 MR. LOSKI: A: Yes, I did.
11 MS. MILLER: Q: Now, are there any changes that you
12 wish to make with respect to your evidence?
13 **Proceeding Time 2:50 p.m. T54**
14 MR. LOSKI: A: Yes, I have two corrections to two IRs
15 that I'd like to put forward at this time.
16 The first correction is to FEI Exhibit B-6
17 and it's our response to BCPSO IR No. 1, question
18 26.6, and in here there were three typos to some
19 numbers and I'll just read out the sentence and
20 explain the difference. So the number of complaints
21 to BCUC totaled 26 -- or pardon me, totaled 37 in
22 2010. That should have read 26. Further it states 4
23 in 2011. That should have read 3 in 2011. And in the
24 next sentence it says as at the end of July 2013 we
25 have 2. That should have read we have 1. And just
26 for comfort to participants, the correct numbers were

1 included in FEI Exhibit B-24, BCUC IR 2.338.10 as well
2 as in FEI Exhibit B-23-1, the response to COPE IR 3-G-
3 14.
4 The second correction I'd like to make is
5 to FBC Exhibit B-18 and our response to COPE
6 Supplemental IR 1.9.6. This IR response provided to
7 COPE Supplementary IR 1.9.6 incorrectly characterized
8 the general tracking system as relating only to
9 customer complaints, when in fact the system is used
10 to record and track all customer inquiries received by
11 FortisBC's customer contact centre, a portion of which
12 relate to customer complaints. These inquiries are
13 categorized by department and in some instances
14 further categorized by particular functions within
15 certain departments, for example account maintenance
16 within customer service or brushing within operations.
17 Although the general tracking system is
18 used to record non-BCUC customer complaints that
19 require further follow-up with customers, the majority
20 of these inquiries recorded in the general tracking
21 system pertain to general customer requests such as
22 locates for underground facilities or extension
23 requests, complex billing inquiries that may require
24 further follow-up, Power Sense inquiries which would
25 be requests for energy efficiency evaluations, may
26 also include media interview requests as well as

1 requests to fix burnt-out street lights.
2 I guess finally I'd like to just apologize
3 for the confusion created by these two errors.
4 MS. MILLER: Q: Thank you very much, Mr. Loski. Do you
5 adopt as your evidence in this proceeding your direct
6 testimony and the materials to which you contributed?
7 MR. LOSKI: A: Yes, I do.
8 MS. MILLER: Q: Thank you. Mr. Chernikhowsky, do you
9 have a copy of your direct testimony which was
10 prefiled in this application?
11 MR. CHERNIKHOWSKY: A: Yes, I do.
12 MS. MILLER: Q: You are the director of engineering
13 services for both the gas and the electric companies?
14 MR. CHERNIKHOWSKY: A: That's correct.
15 MS. MILLER: Q: And in that role you are responsible
16 for asset management, system integrity, engineering,
17 and GIS functions of FEI and the network planning,
18 asset management, engineering and B.C. mandatory
19 reliability standards compliant functions of FBC?
20 MR. CHERNIKHOWSKY: A: That's correct.
21 MS. MILLER: Q: And how long have you held that
22 position for?
23 MR. CHERNIKHOWSKY: A: I have been in that position
24 with FBC since 2010. There was a minor editing issue
25 in my direct testimony. It refers to FEI. I'm
26 actually an employee of the electric division and

1 since January 2013 for both companies.
2 MS. MILLER: Q: And Mr. Chernikhowsky, you are a
3 registered professional engineer in British Columbia?
4 MR. CHERNIKHOWSKY: A: That's correct.
5 MS. MILLER: Q: As well as a senior member of the
6 Institute of Electrical and Electronic Engineers, also
7 referred to as the IEEE?
8 MR. CHERNIKHOWSKY: A: Yes, I am.
9 MS. MILLER: Q: And you indicated in response to
10 question number 7 of your direct testimony that you
11 provided policy guidance, coordination, drafting and
12 review of evidence and IRs on matters relating to the
13 determination of operational service quality
14 indicators, O&M costs, and capital projects for the
15 companies?
16 MR. CHERNIKHOWSKY: A: That's right.
17 MS. MILLER: Q: Did you have any changes that you wish
18 to make to your materials at this time?
19 MR. CHERNIKHOWSKY: A: No, I do not.
20 MS. MILLER: Q: And do you adopt as your evidence in
21 this proceeding your direct testimony and the
22 materials to which you contributed?
23 MR. CHERNIKHOWSKY: A: Yes, I do.
24 MS. MILLER: Q: Thank you very much, Mr. Chernikhowsky.
25 Mr. Pataki, do you have a copy of your
26 prefiled direct testimony before you?

1 MR. PATAKI: A: Yes, I do.
2 MS. MILLER: Q: And you are the director of operations
3 for Metro Vancouver and operations centre for FEI?
4 MR. PATAKI: A: Yes, I am.
5 MS. MILLER: Q: Amongst your qualifications are you a
6 registered professional engineer?
7 MR. PATAKI: A: Yes, I am.
8 MS. MILLER: Q: In the development of these
9 applications, did you provide policy guidance,
10 coordination, drafting and review of evidence in IRs
11 on matters relating to the determination of
12 operational service quality indicators?
13 MR. PATAKI: A: Yes, I did.
14 MS. MILLER: Q: Are there any changes that you wish to
15 make to that evidence now?
16 MR. PATAKI: A: No, there is none.
17 MS. MILLER: Q: Do you adopt as your evidence in this
18 proceeding your direct testimony and the materials you
19 contributed relating to the determination of
20 operational SQIs for FEI?
21 MR. PATAKI: A: Yes, I do.
22 MS. MILLER: Q: Thank you very much.
23 That concludes the direct examination and I
24 turn the panel over for cross-examination.
25 THE CHAIRPERSON: Thank you, Ms. Miller.
26 Go ahead, Mr. Quail.

1 **CROSS-EXAMINATION BY QUAIL:**
2 MR. QUAIL: Yes, we are going to be exploring the issue
3 of service quality indicators. A lot of this
4 discussion and the evidence frames these issues in
5 terms of a lot of statistics, scores and things like
6 that. You're familiar with the evidence that's been
7 filed, obviously, in the proceeding.
8 Would you agree with me that underlying
9 those numbers there's some functions which can carry
10 grave consequences if things go wrong, is that not
11 correct?
12 MR. SWANSON: A: Yes, in certain respects that would be
13 correct.
14 MR. QUAIL: Q: Yes, in fact life and safety can be in
15 peril of the utility is not attentive to some of these
16 issues, isn't that correct?
17 MR. SWANSON: A: The underlying issues, yes, that's
18 correct.
19 **Proceeding Time 2:42 p.m. T55**
20 MR. QUAIL: Q: Yes. So for example, we all saw in the
21 news the terrible tragedy in New York City a couple of
22 days ago, the explosion, people killed, many people
23 gravely injured and at least the initial reports were
24 there was the smell of gas that was detected in the
25 vicinity before the explosion. Have you heard those
26 reports?

I see heads nodding.

MR. PATAKI: A: Yes, we have.

MR. QUAIL: Q: Yes, we understand that there's been no official finding yet of what the causation is there, but simply that sometimes events happen that drive home to us the importance of safety in dealing with gas, for example, and electricity. Is that correct?

MR. SWANSON: A: There's no question, safety is important to us, yeah.

MR. QUAIL: Q: Now, perhaps I drew an improper inference from a portion of the cross-examination of Ms. Alexander this morning from your counsel, which seemed to counter-pose the issue of pubic safety and safeguarding that against the question of cost. I assume that the utility isn't measuring the dollars when it is responding to a situation where safety is at risk.

MR. SWANSON: A: No, we don't measure the dollars, or we don't take the dollars into account when we are dealing with a situation of risk.

MR. QUAIL: Q: Yes, as long as you don't squander it. But you're not trying to find a way to optimize the expenditure to the last dollar. You deal with the situation because there could be great danger to the public or to employees, whoever.

MR. PATAKI: A: So Mr. Swanson, if you'll allow me.

1 What I'm -- make it very clear to the Commission that
2 we take public safety very very seriously, and I take
3 offence to the position that we would be sacrificing
4 public safety at the expense of cost.
5 And there's a number of reasons and a
6 number of elements that are in place to make sure that
7 doesn't happen. First of all, on a corporate basis,
8 FortisBC is very heavily regulated by a technical
9 regulator. We have the Oil and Gas Commission who is
10 our technical regulator. I'm sure you are familiar
11 with the Oil and Gas Commission. The Oil and Gas
12 Commission has adopted a technical standard called CSA
13 Z662. It's a Canadian standard that governs the
14 design, the commissioning 00 the construction, the
15 commissioning, the operation, the maintenance, and the
16 abandonment of our pipeline systems from start to
17 finish.
18 In some cases it is very specific standards
19 and it specifies exactly what we need to do. For
20 example, when it comes to the design of pipelines, it
21 specifies how the pipe needs to be welded together.
22 That's a very detailed specification that's in the
23 code.
24 From an operations and maintenance
25 perspective it will also specify how frequently we
26 need to do certain things. For example, it will

1 specify how frequently we need to patrol our
2 pipelines.
3 In other cases the code provides a
4 framework for us to achieve certain outcomes with
5 respect to safety and integrity, and that framework is
6 called the integrity management program within the
7 code. We have such a program in place, and under that
8 program we monitor a number of activities and metrics
9 and report them to the Oil and Gas Commission to make
10 sure that we maintain the safety and the integrity of
11 our pipeline systems.
12 So on a corporate basis, the extensive
13 technical regulation that's in place would prevent
14 such things from happening.
15 On an organizational basis, I think it's
16 important for the Commission to understand that we
17 have certain parts of our organization that are
18 exclusively focussed on the safety and the integrity
19 of our pipeline systems. We have a system integrity
20 department who looks at nothing but the safety and
21 integrity of our pipeline systems to make sure that
22 the gas stays in the pipeline. So they run pigs
23 through the pipeline, for example. They take all that
24 data, run it through a number of different sets of
25 technical analysis and assess the safety and integrity
26 of the pipeline system.

1 We also have an asset management department
2 that makes sure that we have the optimum operation and
3 maintenance practices in place to ensure the safety
4 and integrity of our pipeline systems.
5 So from an organization perspective, we are
6 very much focussed on safety.
7 MR. QUAIL: Q: Mr. Pataki, I just want to reassure you
8 I wasn't suggesting otherwise. And I've been involved
9 one way or another in the regulation of these
10 companies and their predecessors going back quite a
11 few years, and I must say, I'm not going to take an
12 oath and give evidence here, but certainly been
13 consistent with my experience, that they've been very
14 attentive to safety in their operations.
15 **Proceeding Time 2:47 p.m. T56**
16 MR. PATAKI: A: I just --
17 MR. QUAIL: Q: I just want to assure you, I was not
18 projecting otherwise.
19 MR. PATAKI: A: I just want to make sure the Commission
20 understands how focused we are on safety.
21 THE CHAIRPERSON: I think we understand what you're
22 saying. Thank you very much for clarifying it.
23 MR. PATAKI: A: Okay. Okay. My apologies.
24 MR. QUAIL: Q: Now, zeroing in on the service quality
25 indicators, Dr. Overcast, I understand that -- correct
26 me if I'm wrong -- you were not personally involved in

1 the design of the service quality indicators proposal
2 in this application. Is that correct?
3 MR. OVERCAST: A: That's correct.
4 MR. QUAIL: Q: Okay. And we have looked through your
5 qualifications, which are set out in the FortisBC
6 Energy Inc. Exhibit B1-1, Appendix D-3. I don't know
7 if you have to turn to it, I'm just going to
8 characterize in general in terms of professional
9 experience. We see nothing here that is suggestive of
10 experience or expertise in establishing performance
11 standards for customer services of utilities. Is that
12 a fair characterization?
13 MR. OVERCAST: A: Well, I've been involved in reviewing
14 these kinds of issues. I've testified on some of
15 these issues of behalf of my former employers, so in
16 that sense it's -- it was a minor part of what I did,
17 but it's not zero.
18 MR. QUAIL: Q: Yes. Your shtick, so to speak, hasn't
19 involved designing service quality regimes or
20 liability of service regimes, I take it.
21 MR. OVERCAST: A: No, I've not designed those specific
22 things.
23 MR. QUAIL: Q: Okay. There is a document that I will
24 file now, as an exhibit. What we have done, and some
25 of these have already been distributed, I believe. I
26 believe everybody's got them. It's entitled

1 "Extracted reference exhibits from cross-examination
2 of FortisBC witness panel number 2 by COPE 378". What
3 we've done is just taken documents that we may be
4 making reference to in this cross-examination and --
5 actually Mr. Bemister has very beautifully bound them
6 together -- but so that they're all in sequence and
7 numbered for ease of reference. Simply to facilitate
8 our reference to the document. So you'll see inserted
9 numbers in the top right-hand corner, which I'll be
10 making reference to throughout.
11 THE CHAIRPERSON: Will this have an exhibit number, Mr.
12 Quail?
13 MR. QUAIL: Yes, it should. I understand that the next
14 exhibit number is C12-5.
15 THE CHAIRPERSON: Thank you.
16 THE HEARING OFFICER: Marked C12-5.
17 **(COPE 378 EXTRACTED REFERENCE EXHIBITS FOR CROSS-**
18 **EXAMINATION OF FORTISBC WITNESS PANEL NO. 2 MARKED**
19 **EXHIBIT C12-5)**
20 MR. QUAIL: Q: So there is nothing new in this, but
21 it's simply for ease of reference and avoid trying to
22 figure out which record of the two is being referenced
23 in an IR response or something of that nature.
24 I pull it out now because the first section
25 of this, a good significant part of it, is the reports
26 to annual reviews under the PBR period in the past of

1 FortisBC Inc. And I'll be making reference to this,
2 and for ease of that, we have provided this document.
3 So what I'd like to -- okay. If you turn
4 to page 4, referring to the top right-hand corner, and
5 the reference in the record, in terms of the source of
6 this document, is Exhibit B-18 in the FortisBC Inc.
7 proceeding, attachment 9.5. And in that, FortisBC
8 Inc. was asked to provide a copy of the annual review
9 provided to the Commission for each year of the
10 previous PBR with respect to service quality
11 indicators, and so the responses refer to attachment
12 9.5, and that's what follows, for a good bundle of
13 pages. And we provided this last night, and I expect
14 you've had a chance to familiarize yourself with the
15 contents.
16 So, starting with the 2006 annual review,
17 now, the targets in that annual review were agreed to
18 by parties including the utility as part of a
19 negotiated settlement agreement process, is that not
20 correct?
21 **Proceeding Time 2:52 p.m. T57**
22 MR. SWANSON: A: That's correct.
23 MR. QUAIL: Q: And so FortisBC Inc. or it predecessor
24 -- I don't know what name you had at that time. I
25 guess it will say here. It was FortisBC Inc. -- had
26 consented to those standards, is that correct?

1 MR. SWANSON: A: We agreed to those standards at that
2 time as part of a packaged agreement associated with
3 the PBR.
4 MR. QUAIL: Q: Yes. If you would turn to page 22, in
5 the top right-hand corner, at slide number 69 which is
6 the top slide there, it's entitled 2006 performance
7 standards results. And looking down there, there's a
8 chart which lists the various standards, the 2006
9 target, the actual results and then either a checkmark
10 or a blank, and it appears that where there is not a
11 checkmark, that means that the target was not met, is
12 that correct?
13 MR. SWANSON: A: That's correct.
14 MR. QUAIL: Q: So there were three targets that year
15 which were not met. One was in SAIFI, one was
16 generator force outage rate, and the third was
17 residential extension percentage connected within 30
18 working days. Is that correct?
19 MR. SWANSON: A: That appears to be the case, yes.
20 MR. QUAIL: Q: In the telephone contact centre -- let
21 me locate that here. Give me a moment.
22 Okay, contact centre, it's about -- just
23 past halfway down. It's just called "Contact Centre,
24 telephone service factor". Note the target was 70
25 percent and you actually achieved 72 percent, is that
26 correct?

1 MR. SWANSON: A: That's correct.
2 MR. QUAIL: Q: So you are over-achievers compared to
3 the standard that time around.
4 MR. SWANSON: A: We achieved 72 against a target of 70.
5 MR. QUAIL: Q: That's right. So you earned yourselves
6 a pat on the back, and feel free once again.
7 The AIFR, that's the all injury frequency
8 rate, the very top one there, was set on a three-year
9 rolling average at that time. Is that not correct?
10 MR. SWANSON: A: Yes, that's correct.
11 MR. QUAIL: Q: And there was significant improvement of
12 target of 4.83 and actuals of 2.09, is that right?
13 MR. SWANSON: A: That's correct.
14 MR. QUAIL: Q: So the 4.83 was the product of a three-
15 year rolling average and you bettered that, you came
16 in with fewer than half of the number of the frequency
17 rate for injuries in terms of your actual performance.
18 MR. SWANSON: A: That's correct, for 2006.
19 MR. QUAIL: Q: And if you turn to page 37 -- I'm sorry,
20 that's our page 24. So top corner page 24. Bottom
21 corner says 37. I'll try to keep these straight.
22 This has the materials that were presented for SAIDI
23 and SAIFI, and these also were based on three-year
24 rolling averages, is that correct?
25 MR. SWANSON: A: A three-year normalized rolling
26 average.

1 MR. QUAIL: Q: Yes, that was the target. So for 2006,
2 what we had was the averages of 2004 -- I'm sorry,
3 this was using -- pardon me. I'll withdraw that
4 question.
5 And so the target was 2.87 and the result
6 was 2.62. So actually exceeded the target there. Do
7 you see that?
8 MR. SWANSON: A: Actually there's a qualification on
9 the SAIDI. It's indicating that for 2007 the target
10 was based on 2004, '5 and '6 plus ten percent. I'm
11 not positive of the target for 2006, whether it
12 included a similar adjustment. You'd have to check.
13 MR. QUAIL: Q: Okay. So a different approach towards
14 setting the target of 2.57 for the year going forward
15 which is 2007, if I understand you correctly.
16 MR. SWANSON: A: It may be a different approach. I
17 would have to check and see what underlies the target
18 of 2.87 in 2006.
19 MR. QUAIL: Q: Okay. I don't think we need to drill
20 down to that level of detail.
21 MR. SWANSON: A: No.
22 MR. QUAIL: Q: And then for SAIFI we see the 2006
23 target of 2.76 and a result of 3.53.
24 MR. SWANSON: A: That's correct.
25 MR. QUAIL: Q: And target not met, and the 2007 target
26 was calibrated at 3.15.

1 MR. SWANSON: A: That's also correct.
2 **Proceeding Time 2:57 p.m. T58**
3 MR. QUAIL: Q: So in these indicators, the approach
4 used historical results, which were averaged in order
5 to produce the targets going forward. Is that right?
6 MR. SWANSON: A: Subject to some adjustments, yes,
7 that's correct.
8 MR. QUAIL: Q: Yeah. But the underpinning of it was to
9 extrapolate from past experience in order to set the
10 target going forward.
11 MR. SWANSON: A: Yes.
12 MR. QUAIL: Q: And we've already established that the
13 utility agreed to this as part of a negotiated
14 settlement.
15 MR. SWANSON: A: Yes. The utility did agree to this as
16 part of a negotiated settlement of a package, a
17 complete package of PBR.
18 MR. QUAIL: Q: Okay. And you agree that higher numbers
19 in the case of SAIDI and SAIFI means an increased
20 duration in frequency of outages?
21 MR. SWANSON: A: That's also correct.
22 MR. QUAIL: Q: Okay. And that this would mean that the
23 customers would experience a deterioration of
24 performance compared to the historical record that the
25 target was based on.
26 MR. SWANSON: A: Yes, as the number increases,

1 reliability generally decreases.
2 MR. QUAIL: Q: Now, if you look at our page 25, and
3 referring to slide 75, which is the top slide on that
4 page, there is an indication the SAIFI result has been
5 substantially affected by certain transmission system
6 related events. Do you see that?
7 MR. CHERNIKHOWSKY: A: That's correct.
8 MR. QUAIL: Q: And that's a true statement as far as
9 you're aware?
10 MR. CHERNIKHOWSKY: A: Yes, it is, as far as I'm aware.
11 MR. QUAIL: Q: Okay. There is an outage in Kelowna,
12 and there was the impact of the upgrade of the DG Bell
13 terminal station seem to be indicated. Is that right?
14 MR. CHERNIKHOWSKY: A: That's correct. And just
15 briefly, this is a good example as well where external
16 factors, such as a loss of supply from a neighbouring
17 utility can impact the reliability of FortisBC.
18 MR. QUAIL: Q: But in this SQI regime which you had
19 agreed to, those factors produced that degradation of
20 the number.
21 MR. CHERNIKHOWSKY: A: They did. And they presumably
22 were not normalized out, because they did not meet the
23 major event day criterion. And so they were included.
24 MR. QUAIL: Q: Precisely. They're the kind of thing
25 that happens from time to time, when you're running a
26 transmission system.

1 MR. CHERNIKHOWSKY: A: Exactly. And again, that's
2 where I go back to, that not all major events will get
3 normalized out.
4 MR. QUAIL: Q: Right.
5 THE CHAIRPERSON: Excuse me just for a moment, please,
6 Mr. Quail. When you say "normalized out", does that
7 mean taking out the major events?
8 MR. CHERNIKHOWSKY: A: Excluded from the calculation,
9 correct. So there will be a calculation of SAIDI and
10 SAIFI which include every single outage, and then for
11 the purposes of the normalization, you exclude those
12 large events from it.
13 THE CHAIRPERSON: Thank you. Thank you, Mr. Quail.
14 MR. QUAIL: Q: And I don't understand the utilities to
15 be saying that the calibration of service quality
16 indicators should be based exclusively on the good
17 days when everything is going great. You'd agree with
18 me that that would be unfair.
19 MR. SWANSON: A: We would not necessarily agree with
20 that statement. We would say that the calibration in
21 this case, what was agreed to was a three-year rolling
22 average with some adjustments.
23 MR. QUAIL: Q: But if you're being held to a standard
24 of performance, surely you'll agree with me that in
25 fairness, you wouldn't expect that only the days when
26 the sun is shining and every -- you know, winds are

1 light, trees aren't falling over lines, nobody is
2 disrupting a pipe anywhere. That's -- that is -- you
3 have to reflect the real life of operating these
4 utilities in the normal course.
5 MR. SWANSON: A: The results did reflect the ups and
6 downs. But I just want to caution -- you said, "when
7 you're held to the standard of service". The service
8 qualities in this term of the PBR served a different
9 purpose. It wasn't to hold the utility to a standard
10 of service. It was a reporting mechanism to report
11 how the service was being maintained, whether it was
12 up or down, and it was used for a somewhat different
13 purpose.
14 MR. CHERNIKHOWSKY: A: And, sorry, I'd just like to add
15 one thing to. There is two issues here. There is one
16 with respect to the method of the calculation, and
17 then there is one with respect to the target itself.
18 The way the calculation is done is an industry
19 standard calculation that FortisBC follows. The
20 target that Mr. Swanson is referring to was agreed
21 upon through the negotiated settlement process.
22 **Proceeding Time 3:01 p.m. T59**
23 MR. QUAIL: Q: I just want to explore the concept of
24 being held to the standard, in these indicators, in
25 the context of that PBR settlement. And we could
26 certainly agree that the utility was not being held to

1 the standard in the sense that we would agree there
2 was no financial penalty that was automatically
3 assessed because of failing to meet a standard. We
4 can agree on that.
5 MR. SWANSON: A: There was no automatic penalty
6 assessed as a failure to meet the standard, that's
7 correct.
8 MR. QUAIL: Q: But surely you'll agree with me that
9 those standards and those targets represent
10 expectations in terms of the performance of the
11 utility. I don't think it's a trick question.
12 MR. SWANSON: A: Yeah, loosely speaking I think we can
13 agree.
14 MR. QUAIL: Q: Yeah. That's what a target is. So is
15 it your position that in the absence of a penalty,
16 you're not held to the standard?
17 MR. SWANSON: A: No, that's not our position.
18 MR. QUAIL: Q: Okay. So you wish -- you had said you
19 weren't being held to the standard. You wished to
20 modify your evidence on that.
21 MR. SWANSON: A: No, I'm saying these were used for a
22 reporting purpose. They weren't used as a tool that
23 the utility was held to that standard. For instance,
24 if the SAIDI result or SAIFI result declined, the
25 target would be adjusted. So we weren't being held to
26 a certain number. We reported how we compared against

1 the three year rolling average.
2 MR. QUAIL: Q: I just want to be clear about this. So
3 do I understand you to say that in the absence of a
4 financial consequence for the utility, a SAIDI
5 standard of performance is not something that you are
6 being held to?
7 MR. SWANSON: A: Again I go back to -- it reported our
8 -- these measures reported our performance, the
9 utility's performance as compared to its historical
10 performance with some adjustments up or down. In some
11 cases the utility holds itself to a standard that's
12 higher than these. But this isn't -- this wasn't
13 meant -- it was really meant as a directional measure
14 as well as a tool when assessing the -- a tool when
15 assessing if the utility had done actions incorrectly
16 here, made incorrect decisions along the way to
17 earning incentives basically. So the tool is to
18 monitor the performance of the company to ensure the
19 company wasn't earning incentives at the expense of
20 degraded service.
21 MR. QUAIL: Q: So let's suppose that this Commission
22 were to approve the service quality indicators regime
23 proposed by the two utilities, and prescribes various
24 standards of performance for the various indicators.
25 Are you with me? There were some where you would just
26 be happy with directional ones, others that stipulated

1 actual targets.
2 What is your understanding of the onus on
3 utilities in relation to those stipulated targets?
4 MR. SWANSON: A: Well, obviously the utility would want
5 to try and achieve those targets, but the consequences
6 of doing so would be dependent on what the Commission
7 decision said, I'm sure.
8 MR. QUAIL: Q: Yeah, I'm saying if the Commission were
9 to approve your application with respect to service
10 quality indicators, what would the consequence be?
11 Say there were a significant falling short of one or
12 more of these standards. What would the consequence
13 be?
14 MR. SWANSON: A: That could trigger certain off-ramp
15 mechanisms. A consequence could be -- in an extreme
16 case it could be the end of the PBR term.
17 MR. QUAIL: Q: Now, I believe this was captured in one
18 of the information requests that we posed, but I'd
19 probably answer it without referral. I'd rather not
20 try and find it. But we asked whether you're aware of
21 any instance where any utility had had the -- what
22 we'll call the neutron bomb on its PBR of the off-ramp
23 because of service quality deterioration anywhere.
24 **Proceeding Time 3:06 p.m. T60**
25 MR. SWANSON: A: I think that goes to prove our point
26 that the utilities will try to maintain service and

generally do a pretty good job of maintaining service, but that's true whether you are in PBR or whether you are in cost of service regulation. So it's not surprising that that triggering mechanism doesn't get hit very often.

MR. QUAIL: Q: We can understand that there might be a threshold of, sort of stark horror in terms of what's going out there, service that would justify the off ramp. You'd agree with me that falling short by a few points, nobody is going to expect that that is going to invoke the off ramp. Could we agree on that?

MR. SWANSON: A: I believe that would be the case, yes.

MR. QUAIL: Q: And your own description of the circumstances where that would arise is much more dire than that.

MR. SWANSON: A: Yes.

MR. QUAIL: Q: So we've got this space between meeting the target and falling so far short that Commission has to intervene and drop the bomb. We've got all of that space. What are the consequences to the utility of falling short, to any degree short of dropping the bomb.

MR. SWANSON: A: I think if it was clear that the utility was taking actions and making decisions in such a way that the performance was deteriorating, I'm fairly certain -- even if it wasn't dropping the bomb,

so to speak, I'm sure that the interveners and the Commission would probably have concern with that and that still could trigger the off ramp mechanism.

I don't think necessarily these results have to become, I don't know, as dire as the way you are describing them before that triggering event would actually occur.

MR. LOSKI: A: And if I can add, I would expect that the annual review process that would be occurring, if there had been what would be considered by some a degradation of service quality, I would expect there would be a significant number of interrogatories, et cetera, and discussion to understand what would have caused that to determine, for example, was it something that was within or without the company's control and, as I say, I would expect significant commentary related to that, and ultimately then potentially a Commission decision with respect to that.

MR. QUAIL: Q: Was the PBR arrangement in place in 2006 subject to an off-ramp mechanism?

MR. SWANSON: A: Subject to check, I would have to say I don't believe there was a formal off-ramp position -- or provision.

MR. QUAIL: Q: I would ask maybe for an undertaking to provide a response to that question. If you could

1 check that and get back.
2 MR. SWANSON: A: Certainly.
3 **Information Request**
4 MR. QUAIL: Q: Okay, I now want to get back to where I
5 was a little while ago, talking about the transmission
6 difficulties back in 2006 in Kelowna and elsewhere,
7 and we have your evidence that this is the kind of
8 thing that occurs from time to time in the operation
9 of a transmission system.
10 You are implementing mandatory reliability
11 standards for the bulk transmission system, is that
12 correct?
13 MR. CHERNIKHOWSKY: A: We have implemented the
14 mandatory reliability standards, yes, with respect to
15 the bulk electric system.
16 MR. QUAIL: Q: Okay, and in this application you are
17 seeking separate cost recovery for that program, is
18 that right?
19 MR. CHERNIKHOWSKY: A: The costs for MRS compliance are
20 included in the base cost for 2013 and the costs for
21 that are set going forward on a formula-like basis.
22 MR. QUAIL: Q: And that implementation is designed to
23 prevent these kinds of transmission failures, isn't
24 that correct?
25 MR. CHERNIKHOWSKY: A: I struggle a bit with that. In
26 some theoretical sense, yes, the MRS is intended to

1 ensure the reliability of the bulk electric system,
2 but is it designed to prevent specific transmission
3 system outages such as the nature of what happened
4 here? That's not the case, no.
5 MR. QUAIL: Q: Okay, just to back up a little bit. So
6 we've got your agreement that transmission
7 difficulties such as the -- maybe that was particular
8 -- things go wrong in the transmission system from
9 time to time. That's part of operating an electric
10 utility, isn't that correct?
11 **Proceeding Time 3:11 p.m. T61**
12 MR. CHERNIKHOWSKY: A: Failures due to a number of
13 reasons occur frequently. And in fact I should
14 mention that we actually had a very similar event as
15 this just yesterday, where an outage in the B.C. Hydro
16 system resulted in a significant loss of load in
17 FortisBC system, in the Okanagan.
18 MR. QUAIL: Q: And would you agree with me that a
19 mandatory reliability standards program that doesn't
20 reduce failures of the transmission system has got
21 something pretty fundamentally wrong with it.
22 MR. CHERNIKHOWSKY: A: No, I wouldn't agree with that,
23 because it's -- frankly the implication is that the
24 program essentially has perfection, and that failures
25 will not occur regardless. The program is like many
26 utility systems, it's a risk mitigation system that

1 gets put in place, where you examine possible causes
2 that result in loss of reliability, and you attempt to
3 mitigate those best you can.
4 MR. QUAIL: Q: And if that mitigation is successful,
5 then the impact in terms of the reliability of your
6 transmission system should be reduced.
7 MR. CHERNIKHOWSKY: A: That is the desired outcome,
8 yes.
9 MR. QUAIL: Q: Okay. Do you not have confidence that
10 the utility's mandatory liability standards will
11 reduce disruptions and failures of the transmission
12 system? Do you not have that confidence?
13 MR. CHERNIKHOWSKY: A: No, I think you're mixing up two
14 concepts there. Outages will occur. Right?
15 Electrical equipment that is energized at high
16 voltages will experience failures. There is lightning
17 events. The mandatory reliability standards are
18 focused on, as I said earlier, general concept of
19 reliability, but one of the specific issues with
20 respect to MRS is the concept of preventing cascading
21 outages. Meaning that an outage in your system should
22 not translate into a neighbouring system, and further
23 beyond. Because ultimately the MRS resulted from some
24 of the major outages that occurred, for example, the
25 2003 blackout in Ontario and the northeast, and some
26 of the outages in the western region, where multiple

1 utilities were involved. That is the prime function
2 of the MRS, is to ensure that secure operation of the
3 interconnected electrical system, not necessarily the
4 reliability of -- the specific reliability of the
5 system within the utility itself.
6 MR. QUAIL: Q: Now, move ahead a year to the 2007
7 annual review. And I'll direct you to page 35, the
8 top right-hand corner of the materials. So we're into
9 the FortisBC 2007 annual review and 2008 revenue
10 requirements workshop, FortisBC injury severity rates
11 -- rate, pardon me, is slide 5. Do you have that
12 before you?
13 MR. CHERNIKHOWSKY: A: That's correct.
14 MR. QUAIL: Q: And this was a target which was not met
15 that year, is that correct?
16 MR. CHERNIKHOWSKY: A: That's what the slide indicates,
17 yes.
18 MR. QUAIL: Q: And the indicator that was not met was
19 the total number of lost work days due to injuries and
20 illness for 100 workers. Is that the correct
21 description?
22 MR. CHERNIKHOWSKY: A: Again, that's what the
23 definition shown on the slide is, yes.
24 MR. QUAIL: Q: And you had a target of 17.53, but a
25 result of 41.54. That's correct?
26 MR. CHERNIKHOWSKY: A: That's correct.

1 MR. QUAIL: Q: So, my arithmetic indicates the result
2 was about 236 percent of the target, rounded down a
3 little bit. Does that look right to you, subject to
4 check?
5 MR. SWANSON: A: That's probably about --
6 MR. CHERNIKHOWSKY: A: Yes, I'll agree that that's
7 probably close.
8 MR. QUAIL: Q: Yes. That's, you know, a little
9 calculator, I can do. Higher mathematics I'll defer
10 to the engineers and other people in the room.
11 MR. CHERNIKHOWSKY: A: Well, I don't think it involves
12 the Pythagorean theorem or anything, but no. That's
13 correct.
14 MR. QUAIL: Q: Okay. Now, back in 2007, your target
15 for SAIDI was 2.57 hours per customer. And your
16 target for SAIFI was 3.15 interruptions per customer.
17 Flip ahead to page 36. Sorry, I should have had you
18 do that first. If you look at slide 7 is the SAIDI
19 target of 2.57. Slide 8 is the SAIFI target of 3.15.
20 Do you see those there?
21 **Proceeding Time 3:15 p.m. T62**
22 MR. CHERNIKHOWSKY: A: Yes, I do.
23 MR. QUAIL: Q: In your opinion are those targets
24 appropriate today?
25 MR. CHERNIKHOWSKY: A: I'm not sure --
26 MR. SWANSON: A: That's not what we proposed in our

1 application as part of this PBR.
2 MR. QUAIL: Q: Yes, it may not be what you desire but
3 my question is, are they appropriate?
4 MR. SWANSON: A: Appropriate for what purpose?
5 MR. QUAIL: Q: The appropriate standards for service
6 quality indicators for the Fortis PBRs for the next
7 four to -- next five years.
8 MR. SWANSON: A: They were the average of the prior
9 three years actual results in the 2006.
10 MR. QUAIL: Q: And in fact you have improved
11 performance in both those areas since 2007, isn't that
12 right?
13 MR. CHERNIKHOWSKY: A: Yes, due to system improvements
14 that have taken place since that time, system
15 performances improved.
16 MR. QUAIL: Q: Yes, because the utility is not standing
17 still, you're investing money, you're reorganizing,
18 you're doing things to improve performance. Isn't
19 that correct?
20 MR. SWANSON: A: I struggle again with that. In
21 general terms FortisBC does not make investments
22 solely for the purposes of improving reliability.
23 That is a delicate balance between costs and
24 improvements in reliability. Fundamentally where the
25 improvements in reliability have occurred is due to
26 the system upgrades that were necessary to improve

capacity supply to the area. So along with those upgrades that have added a significant amount of new infrastructure and larger infrastructure, reliability has improved. But the impetus was not to improve reliability. It was a side effect of it.

MR. QUAIL: Q: So I gather that reliability changes are to some extent a discretionary matter in the hands of management, from what you're saying.

MR. SWANSON: A: In some respects it is, but if we look back at -- let's say if we look back at 2011, our last PBR term or the end of the last PBR term, when we sat in our annual review in 2011, most of the discussion about where we were at that point in time was around where the rates were and whether we've overshot performance, Like whether we've now put a rate structure in place or a utility structure in place that's actually delivering too high of a level of performance. And there was a fair amount of discussion about that.

The agreement at that point was no, we hadn't, but there was kind of one of those shots across the bow that basically said let's keep an eye on this.

MR. QUAIL: Q: It's part -- I hate to -- the reason I am breaking is that -- are you referring to a discussion that took place during a negotiated

1 settlement discussion?
2 MR. SWANSON: A: No, no, I'm talking about the annual
3 review.
4 MR. QUAIL: Q: Okay.
5 MR. CHERNIKHOWSKY: A: No, he's actually referring to
6 the 2012-13 revenue requirements process, is what
7 you're referring to, the oral hearing.
8 MR. SWANSON: A: It came up again there.
9 MR. QUAIL: Q: If we come to agreement where we were
10 talking. But my point is that -- and I gather this
11 from Mr. Chernikhowsky's testimony, that there are
12 decisions made in terms of the achievement of
13 different levels of reliability in the system.
14 MR. SWANSON: A: Those decisions can have some impact
15 on reliability, not -- you can't control over
16 reliability but you can have some impact on
17 reliability.
18 MR. QUAIL: Q: Do you agree with Mr. Chernikhowsky's
19 testimony in response to my question earlier on that
20 point?
21 MR. SWANSON: A: I never heard anything I disagreed
22 with.
23 MR. QUAIL: Q: Okay, so the transcript then, we'll rely
24 on that for the answer to my question.
25 So it flows from that that to some extent,
26 changes in reliability involve management judgment

1 calls involving the deployment of resources. I think
2 we -- that's sort of a digest, to my mind, of what we
3 heard from Mr. Chernikhowsky. There seems to have
4 been a management process. I'm not necessarily
5 faulting it. I'm just characterizing the process.
6 **Proceeding Time 3:20 p.m. T63**
7 Obviously you could spend an infinite of
8 money and still not achieve perfect reliability, or
9 you can spend nothing on reliability and the whole
10 system all goes to heck, I'll say, in handwagon. So
11 decisions are made about where to set the targets and
12 to deploy the necessary resources to achieve those
13 weighed against rate impacts and other considerations.
14 MR. CHERNIKHOWSKY: A: Yes, and I guess even to wrap
15 back to our initial discussion there of your original
16 questions of the hazard of delivering energy, and yes,
17 I think we'd all agree that the delivery of electrical
18 and gas energy is inherently -- the commodities
19 themselves do have hazard to them. However, we need
20 to understand that there's a difference between hazard
21 and risk, and risk of course is the likelihood of an
22 unsafe occurrence happening. And of course, we
23 attempt to mitigate that risk.
24 So to circle back to your question, is it
25 possible to fix all of the problems in the system at
26 once? Clearly it's not. There's a scarcity of

1 resources, whether it's skilled labour, materials,
2 dollars. We have to balance all those. So we employ
3 professionals, professional engineers and other staff
4 that understand that balance and attempt to deploy
5 dollars optimally to balance safety, cost and
6 reliability.
7 MR. QUAIL: Q: Just backing up a little bit, and maybe
8 this will frame what some of our concerns are here.
9 PBR, as I understand it, is fundamentally about
10 calibrating incentives on the utility. Is that a fair
11 generalization?
12 MR. SWANSON: A: That's one of the components of a PBR.
13 Another component of PBR is regulatory efficiency.
14 There's several components.
15 MR. QUAIL: Q: And perhaps the source of our -- one of
16 the strengths of PBR that the utility is relying on,
17 or characterizes as strength, is the absence of
18 frequent rebasing of the utility's financial position
19 as would happen if we were in cost service, back every
20 two years. Is that right?
21 MR. SWANSON: A: Yes, that's one of the favourable
22 components.
23 MR. QUAIL: Q: So you are set loose for five years with
24 various -- I won't try to summarize all of the details
25 of the plan, and left to exercise a certain amount of
26 judgment in how to conduct the affairs of the utility

1 over that period to optimize the realization of those
2 incentives in the context of the obligations of the
3 utility.
4 MR. SWANSON: A: Yes, but I wouldn't agree with the
5 "set loose". There's annual review processes, there's
6 many other mechanisms that are in place to ensure, for
7 instance, that you are meeting safety standards
8 because there are other entities which govern things
9 like safety standards or like --
10 MR. QUAIL: Q: Yes, I retract my excessive enthusiasm
11 in using those words.
12 MR. SWANSON: A: Okay.
13 MR. QUAIL: Q: But I think we understand each other.
14 And the concern is that for those five years there are
15 decisions being made by management about how to deploy
16 resources, as we've said, to optimize the realization
17 of those incentives within the context of the
18 regulator compact. Just to sort of retrace the ground
19 we have covered.
20 And you understand the concern that in
21 making judgment calls, for example, about directing
22 resources toward reliability issues, that if there was
23 no consequence of reliability standard slipping, less
24 than enough for the bomb to drop, there's really
25 nothing holding you back from diverting resources
26 toward ends that are more beneficially financially for

1 the utility. I apologize for the long question.
2 MR. SWANSON: A: I don't agree with the
3 characterization, "there's no consequences other than
4 the bomb dropping". We have -- I mentioned earlier
5 that we have other entities which look over certain of
6 the performance -- or certain performance in certain
7 areas such as safety authority. We have annual
8 reviews, where we're going to look at performance and
9 discuss it. You know, we have the Commission who has
10 the right to make orders if they feel we are not
11 acting at an appropriate level. You know,
12 administrative penalties tied to those -- to those
13 orders and our adherence to them.
14 **Proceeding Time 3:24 p.m. T64**
15 There is a lot of consequences. There is
16 consequences in terms of our -- the impact to our
17 customers. There is consequences to the impacts to
18 our costs in certain areas, as reliability slips -- or
19 not necessarily reliability, but as service standards
20 slip, and we'll probably hear from Mr. Loski on that
21 later. As reliability -- or as, sorry, service
22 quality slips in certain areas, it actually causes
23 costs to increase.
24 So there is lots of consequences of
25 deteriorating reliability. It's not just the eventual
26 bomb drop, as you would characterize it.

1 MR. CHERNIKHOWSKY: A: Yeah, and I'd like to add to
2 that. Again, you know, SAIDI and SAIFI and
3 statistics, the number and duration of outages, aren't
4 just numbers. Those customers have to get put back on
5 when they have the outage. And so the utility will
6 incur costs, both operating and capital, to restore
7 them. And so to just say that the reliability
8 increases would have no impact financially, it's not
9 true.
10 MR. QUAIL: Q: I want to just explore this question of
11 the context under the PBR regime such as you are
12 advocating. And the SQI regime that you seek. Where
13 standards are slipping. So it comes around to an
14 annual review. Say it's the second annual review, and
15 the numbers are not looking good on a couple of the
16 indicators. Who bears the onus to do something about
17 that in terms of the regulatory process?
18 MR. SWANSON: A: I believe the utility bears the onus
19 to put forward a report on its results, talk about the
20 direction of those results, the underlying causes of
21 those results, good or bad. But talk about why we
22 believe the results are what the results are.
23 MR. QUAIL: Q: But who bears the onus to make something
24 happen? Maybe I'm -- I see my friend is -- and
25 perhaps we're venturing into a question of law, and
26 see the concern.

1 MR. GHIKAS: I'm okay with the question, Mr. Chairman,
2 provided Mr. Quail is -- the word "onus" makes me a
3 little nervous. Any time lawyers talk about onus --
4 MR. QUAIL: Yes.
5 MR. GHIKAS: -- I want to make sure that the witnesses
6 are talking about it in lay language. So, I'm fine as
7 long as Mr. Quail is talking about, you know, talking
8 about it in the non-legal sense.
9 MR. QUAIL: As the words *spilled out, I thought, "Oh, I
10 bet this will get Mr. Ghikas", and I had no intention
11 of causing that distress.
12 MR. QUAIL: Q: But supposing you come to the annual
13 review two years from now, and some of these numbers
14 are looking kind of ugly, but, you know, just kind of
15 ugly but not gruesome. If that's maybe a way to
16 calibrate things, if I may. Just want to liven --
17 it's 3:30 in the afternoon, Friday, you know, let's --
18 Anyway. And so if people -- the ratepayers
19 and other groups look at the numbers, and things are
20 feeling kind of grim. Nothing happens unless one of
21 them, or the Commission of its own accord, takes
22 action. Isn't that right? In terms of regulatory
23 compulsory process.
24 MR. SWANSON: A: In terms of regulatory compulsory
25 process. I'm not sure exactly what you mean by that.
26 But I can tell you, it's not that nothing happens.

1 Obviously if our service quality is deteriorating,
2 even if it's not gruesome, it would concern the
3 company, and the company -- even outside of PBR, if
4 we're in cost of service, or even if we didn't have a
5 regulator to report to, if your service quality goes
6 down, typically as a company you're somewhat concerned
7 about that, and you'd be looking at what caused it.
8 And if those causes are within your control, you'd be
9 looking at what you can do to fix it.
10 MR. QUAIL: Q: Okay. And I want to make certain --
11 it's just so we understand each other, that you
12 understand where our concern is coming from, and me --
13 I won't speak for other parties, maybe them as well.
14 We're not suggesting that the utilities are
15 deliberately short-changing quality of service, or
16 being negligent in the way that you're running your
17 affairs. As I said earlier, in our experience with
18 these utilities is, they do a diligent job of
19 maintaining reliable services and dealing with the
20 other quality issues. This whole process is about --
21 we heard from your counsel -- I'll try to avoid
22 getting into too much argument here, Mr. Chairman.
23 But anyway, that -- and, you know, let's
24 accept that, that a great deal of efficiency and so on
25 has already been obtained by the utilities over the
26 years. So we're talking about squeaking out some

1 incremental improvements by fine-tuning incentives.
2 Is that a fair way of generally characterizing what
3 this process is about.
4 **Proceeding Time 3:29 p.m. T65**
5 MR. SWANSON: A: Yes, definitely. If we can fine-tune
6 those incentives without doing so at the expense of
7 service quality, yes, we have an incentive to do so
8 and it's in our best interest and the customer's best
9 interest for us to do that.
10 MR. QUAIL: Q: But building in these incentives over
11 and above the normal regulatory compact standard deal,
12 right, is -- the whole theory of PBR is that this
13 encourages the utility to make better and more
14 efficient decisions because of the alignment of the
15 interests of the parties involved in regulatory
16 compact. Is that a fair characterization?
17 MR. SWANSON: A: I'm actually not sure I can agree with
18 that, because it doesn't get the utility to make
19 better decisions because of the alignment. And where
20 I'm going with that is if you didn't have the PBR and
21 if you didn't have the sharing mechanism which aligns
22 the interests, and there were -- and the utility were
23 to find efficiencies, the utility keeps all of them.
24 The variances typically flow to the utility. You put
25 in a sharing mechanism which shares with the customer,
26 shares half the incentive with the customer to align

1 the interests, but that alignment of interest doesn't
2 now suddenly cause us to want to find efficiencies.
3 What it does is it opens up the window to find longer-
4 term efficiency. Or to invest in efficiencies that
5 require a longer-term payback.
6 MR. QUAIL: Q: So sort of straying into Panel 1. I
7 didn't mean to do that. I'm simply trying to frame
8 the following point, is that we're not suggesting that
9 the utilities are going to go out and operate
10 negligently. This process is about fine-tuning
11 incentives, and what we are talking about here, with
12 you folks, is applying that in the context of service
13 quality indicators.
14 So just so you understand, we're not
15 suggesting that you're not going to go out and plan
16 the deterioration of services, but the question of
17 whether or not they are effective incentives in order
18 to ensure that all the incentive built into the other
19 side of the equation to maximize your return doesn't
20 -- not deliberately. You know, your whole premise is
21 that incentives matter, dollar incentives matter.
22 This isn't going to wind up ineluctably draining
23 resources from service quality.
24 MR. SWANSON: A: Now, I'll see if I can get our counsel
25 to rise. When we are talking about negligence, part
26 of our issue with -- I can see him cringing. Part of

1 issue with --
2 MR. QUAIL: Q: Speak slowly so he has time to get up
3 before too much gets on the transcript, please. I
4 sympathize. As counsel, I sympathize totally with his
5 situation.
6 MR. SWANSON: A: Part of our issue with the proposal by
7 COPE's expert witness is this whole idea of automatic
8 penalty mechanisms that the minute you start to slip
9 below your performance, regardless of the cause, an
10 automatic penalty mechanism basically assumes a level
11 of imprudence. So it assumes that you've acted
12 imprudently and that's why you are now -- your
13 reliability or your performance standards are now
14 slipping, and hence a penalty. Because if you are
15 acting prudently and doing all the right things, and
16 your performance standard slips that is unfortunate.
17 But if you are acting prudently, you should be allowed
18 to recover your prudently incurred costs.
19 So as soon as you put in a mechanism, an
20 automatic mechanism like this, you are assuming
21 negligence or you are assuming a level of imprudency,
22 and that's in fact what causes us concern, our
23 greatest concern with these types of mechanisms.
24 MR. QUAIL: Q: So that is your understanding of Ms.
25 Alexander's evidence.
26 MR. SWANSON: A: Yes.

1 MR. QUAIL: Q: Okay. Now, turning to the 2008 annual
2 report, if you looked at page 45, start with page 45
3 of the materials. That's 45 on the top corner. And
4 I'll refer you -- the record shows that there were
5 three out of 13 targets which were not met. Is that
6 your understanding? I'll go to them in turn.
7 MR. SWANSON: A: Yes.
8 MR. QUAIL: Q: So first of all, this is at slide 74 at
9 the bottom of our page 45, all injury frequency rate,
10 the 2008 target was 2.09 and the result was 2.57. Do
11 you see that?
12 **Proceeding Time 3:34 p.m. T66**
13 MR. SWANSON: A: I see that, yes.
14 MR. QUAIL: Q: And the indication is status target not
15 met, and you agree that that was the outcome in that
16 year.
17 MR. SWANSON: A: That was the outcome in that year,
18 yes.
19 MR. QUAIL: Q: Okay. Flipping over to page 46, slide
20 number 75 at the top of the page, injury severity
21 rate, 2008 target 17.53 and 2008 result 18.52.
22 Status, target not met. Is that correct?
23 MR. SWANSON: A: Yes, that is correct. The only reason
24 I'm hesitating is I should also point out, and this
25 isn't a long speech, don't worry, I should also point
26 out that when we look at these numbers in our actual

1 results, if you're looking at the numbers in the
2 current application where there's actual results, you
3 may notice there's a difference. And just so people
4 understand why there's a difference, during the PBR we
5 had agreed to a non-calendar year. So that when we
6 sat in the annual review we'd have actual results
7 rather than forecast a year end.
8 So the numbers aren't going to quite line
9 up because you're looking at a year that ended in I
10 think the end of September, versus the stuff we have
11 in the current application, which is a calendar year
12 indication. But other than that, I agree.
13 MR. QUAIL: Q: Okay, and then we have -- give me a
14 moment. Just flipping ahead on myself here. Page 47
15 at the bottom, slide number 78, SAIDI 2008 target
16 2.45. 2008 result 2.55, status target not met. Is
17 that an accurate report from that year?
18 MR. SWANSON: A: That's correct.
19 MR. QUAIL: Q: 2009 annual report. Please turn to page
20 59 in our materials. And that year it appears that
21 there was one target which was not met which was
22 forced outage rate.
23 MR. SWANSON: A: I see that, yes.
24 MR. QUAIL: Q: Yes, that's at slide 9, top of 59. It
25 indicates that target was .35 percent, result .79
26 percent, status target not met. Is that correct

1 information?
2 MR. SWANSON: A: Yes, that's correct.
3 MR. QUAIL: Q: Now, looking at the SAIFI situation for
4 2008, the SAIFI target -- just hold on a second, make
5 sure I've got this right. Just bear with me please.
6 Yes, the 2008 target for SAIFI was 3.11 was
7 the target number, is that correct?
8 MR. SWANSON: A: Sorry, what year was that?
9 MR. QUAIL: Q: That was in 2008. You can flip back to
10 page 36 of our material, slide 8 if you need reference
11 for that.
12 MR. SWANSON: A: Thank you.
13 MR. QUAIL: Q: You got that? 3.11. That slide 8,
14 bottom of page 36 of our materials, 2008 target is
15 3.11, you see that?
16 MR. SWANSON: A: I see that.
17 MR. QUAIL: Q: Okay. And compares to a 2009 target
18 that we've just looked at of 2.80. See that?
19 MR. SWANSON: A: Yeah, I see that target's decreased as
20 a result of the 2008 result decrease.
21 MR. QUAIL: Q: Yes, because these targets are being
22 adjusted as the PBR rolled along. Correct?
23 MR. SWANSON: A: Yes, I believe they're rolling three
24 year average with some adjustments.
25 MR. QUAIL: Q: Yes.
26 MR. SWANSON: A: That's what we have discussed earlier.

1 MR. QUAIL: Q: So it became materially more stringent
2 going from 2008 to 2009.
3 MR. SWANSON: A: In this case where you bettered the
4 target, that's the case. If you would have -- if your
5 actual performance had been worse than the target it
6 would have gone the other way and your target for 2009
7 would have given you a wider band or more. I guess a
8 lower threshold.
9 MR. QUAIL: Q: Now, and I'll take a break in just a
10 moment. If you look at the other slide on the bottom
11 of our page 58 the SAIFI target for 2000 -- pardon me.
12 Yes, for 2009 was set at 2.80. I think I've just
13 referred you to that, didn't I?
14 **Proceeding Time 3:39 p.m. T67**
15 MR. SWANSON: A: Mm-hmm.
16 MR. QUAIL: Q: No, that the -- just a moment. No, the
17 target set for 2010 was 2.18. Do you see that?
18 That's at the -- on slide 8, the bottom of our page
19 58.
20 MR. SWANSON: A: So for SAIDI, you were saying, it was
21 2.50?
22 MR. QUAIL: Q: SAIDI -- pardon me, the SAIFI target. I
23 need a break too -- is -- for 2010, was calibrated
24 2.18.
25 MR. SWANSON: A: Yes, I see that.
26 MR. QUAIL: Q: So we had three years in sequence, the

1 target went from 3.11 to 2.80 to 2.18 under that PBR.
2 Is that right? Summarizing what we've just been over?
3 MR. SWANSON: A: Yes. That appears to be the case,
4 yes.
5 MR. QUAIL: And it's probably a good moment to take the
6 afternoon break.
7 THE CHAIRPERSON: Okay. All right, we'll return at 4
8 o'clock, then.
9 **(PROCEEDINGS ADJOURNED AT 3:41 P.M.)**
10 **(PROCEEDINGS RESUMED AT 3:59 P.M.)** **T67-69**
11 THE CHAIRPERSON: Please be seated. Thank you.
12 Since it's Friday afternoon, perhaps we can
13 aim at finishing at 5 today, or 5-ish. And Mr. Quail,
14 I'll leave it up to you to let us know when a
15 convenient point around 5 o'clock is.
16 MR. QUAIL: Well, Mr. Chair, this is convenient.
17 THE CHAIRPERSON: It's convenient enough? All right.
18 MR. QUAIL: Well, I guess, you know, I told Paul -- you
19 know, get a hook and haul me off and I'll stop, I
20 won't keep going.
21 THE CHAIRPERSON: Okay. And just before you continue,
22 then, and Monday morning we'll go for an 8:30 start
23 again Monday. Okay. Thank you.
24 MR. QUAIL: Q: I understand that there is a response to
25 the undertaking that was flung wide during the
26 process.

1 MR. AHMED: I believe, Mr. Swanson, there was an
2 undertaking that you took about the 2006 PBR off-ramps
3 at about 3 o'clock, or 3:09 this afternoon.
4 MR. SWANSON: Yes. I can confirm that there was no off-
5 ramp in the 2006 PBR, or 2007 PBR.
6 MR. QUAIL: Q: Can you? Okay.
7 Now, turning to 2010 annual report, and
8 again, we're still under the 2006 negotiated
9 settlement PBR, is that right?
10 MR. SWANSON: A: Technically I think it was called the
11 2007 PBR.
12 MR. QUAIL: Q: Right, okay. That was the PBR that was
13 settled in 2006.
14 MR. SWANSON: A: Yes.
15 MR. QUAIL: Q: Not that that probably matters. If you
16 look at our page 67, and referring to Exhibit C12-5,
17 slide 3, the top of the page. It lists targets that
18 were met and not met. So the targets were met or
19 exceeded in 10 out of 13 categories. You see that?
20 MR. SWANSON: A: I see that.
21 MR. QUAIL: Q: And the three that were not met were the
22 all-injury frequency rate, vehicle incident rate and
23 SAIDI. Is that correct?
24 MR. SWANSON: A: That's correct.
25 MR. QUAIL: Q: Okay. Give me a moment.
26 Okay, if you turn to page -- again, at that

1 same page, the bottom slide is the all-injury
2 frequency rate, target of 1.92, result of 1.98. And
3 the proposed 2011 target was 2.05. Do you see that?
4 MR. SWANSON: A: I do see that.
5 MR. QUAIL: Q: Okay. And flipping ahead to the next
6 page, page 68, we see the vehicle incident rate, the
7 second one where the target was not met, 2010 target
8 1.44, November update result 2.26, and revised result
9 2.03. So I assume that the November update was an
10 interim measure of it, but the revised result
11 represented the finalized number for the year, as
12 determined by the utility. Is that correct?
13 MR. SWANSON: A: I believe it was the finalized result
14 for the -- still for the same period, that's the
15 period ending at the end of September.
16 MR. QUAIL: Q: Okay.
17 MR. SWANSON: A: There is -- it looks like there must
18 have been some restatement or correction.
19 MR. QUAIL: Q: Okay. But again, target was not met and
20 the 2011 target was reduced to 1.60. That is, it's
21 increased from the 2010 target but is below the
22 reported result. Is that correct?
23 MR. SWANSON: A: That's what it states, yes.
24 MR. QUAIL: Q: Okay. And 2000 -- I'm sorry, on page
25 69, we have the SAIDI, which was the third one not
26 met. And here the target was 2.50, the result 2.94.

1 Status not met. And the target was increased relative
2 to the 2010 target, so for 2011 was the proposed
3 target, proposed by Fortis, was 2.69. Is that
4 correct?
5 MR. SWANSON: A: Yeah, and that's actually a good
6 characterization, or just a good add you just made
7 there. You said "proposed at 2.69", because through
8 this period of PBR, we would in some instances -- we'd
9 propose the target, like what we se in these slides.
10 **Proceeding Time 4:04 p.m. T70**
11 And then the actual target that we agreed
12 to may or may not have been that proposed. So this
13 was at the beginning of the annual review process. At
14 the end of the annual review process we could have
15 ended up in certain circumstances with different
16 targets.
17 MR. QUAIL: Q: And the proposed targets were in the
18 main, the product of rolling average calculation, I
19 put it to you.
20 MR. SWANSON: A: Yes.
21 MR. QUAIL: Q: And just as again, another general
22 characterization under the PBR, the targets for
23 service quality indicators were evolving year to year
24 for the life of the PBR.
25 MR. SWANSON: A: I think there may have been a couple
26 of changes during that period, but for the most part I

1 think they were established at the beginning and
2 maintained throughout.
3 MR. QUAIL: Q: What I mean is we've seen and we've gone
4 through these that targets have been adjusted from
5 year to year. They are not constant throughout the
6 PBR. Pardon me if I wasn't clear.
7 MR. SWANSON: A: Okay, yes, that's correct. In most
8 cases.
9 MR. QUAIL: Q: Yes. That's different from what's
10 proposed now.
11 MR. SWANSON: A: That is different than what's proposed
12 now.
13 MR. QUAIL: Q: Okay. Flipping ahead to the 2011
14 review, this again is still under the same PBR
15 settlement that was reached in 2006 that began for
16 2007. Is that right?
17 MR. SWANSON: A: Again with one qualification, and I
18 should have made this last time when we talked about
19 2010. The original term was 2007, '8 and '9 and then
20 subsequently extended in 2009 to 2010 and '11. So
21 there was actually a renegotiation that occurred in
22 2009, but fundamentally it was the same PBR that we
23 started in 2007, yes.
24 MR. QUAIL: Q: Yes. The utility proposed to continue
25 on the envelope with the PBR for additional years and
26 that was sorted out under the aegis of the Commission.

1 MR. SWANSON: A: Yes, sir, correct.
2 MR. QUAIL: Q: Okay. In 2011 all of the targets were
3 met, is that right? If you flip through them, I don't
4 see a single --
5 MR. SWANSON: A: Yes, that appears to be the case.
6 MR. QUAIL: Q: Okay, if you look at page 78 has the
7 slide that contains that, summarizes that result.
8 MR. SWANSON: A: Yes, the third bullet on that.
9 MR. QUAIL: Q: Targets were met or exceeded in all
10 thirteen standards.
11 MR. SWANSON: A: That's correct.
12 MR. QUAIL: Q: Now, for the 2012 results, we have
13 reproduced a different exhibit in this proceeding
14 which begins at page 109, on the top right-hand corner
15 of Exhibit C12-5. And the reference here is in the
16 FortisBC Inc. proceeding Exhibit B12, BCSEA IR 1.34.2,
17 attachment 34.2(d). I hope I'm giving the right one
18 there. Anyway, there it is.
19 And in that year FortisBC Inc. came in
20 slightly below target in 2012 for the customer service
21 index, is that correct?
22 I direct you, you see the table that's the
23 bottom right-hand quadrant of the slide there, of the
24 page. You'll see "Q4 fourth quarter performance
25 results" second one down, "customer, customer service
26 index".

1 MR. SWANSON: A: I see that result.
2 MR. QUAIL: Q: So it came in below target for customer
3 service, just slightly. It had been -- the target was
4 8.5 and came in at 8.4.
5 MR. SWANSON: A: I do want to caution. These aren't
6 the same -- they are similar measures, but these
7 aren't the service quality indicators that were
8 inherent in PBR.
9 MR. QUAIL: Q: Yes.
10 COMMISSIONER COTE: It's the 4th quarter, is it not?
11 MR. LOSKI: A: No, that is the annual result in this
12 case, yes. That was year end, cumulative to year end,
13 yes.
14 MR. QUAIL: Q: Thank you for confirming that. Yes,
15 these are somewhat different measures and there's
16 reference, for example, to a customer service index
17 which is a new beast. But there are familiar things
18 here too, SAIDI, AIFR and so on. There are some
19 familiar characters in this cast as well.
20 MR. SWANSON: A: There are some similarities between
21 the corporate scorecard results and the service
22 quality indicators that we had in PBR.
23 MR. QUAIL: Q: Okay, and under the category of safety
24 in that chart we have all injury frequency rate where
25 the target was 1.54 and the result was 1.72. It says
26 below target and since a big number is bad number,

1 right?

2 **Proceeding Time 4:09 p.m. T71**

3 MR. SWANSON: A: That's correct.

4 MR. QUAIL: Q: And this is an item where you now
5 propose there'd be no numeric target at all but rather
6 directional information reported, is that right?

7 MR. SWANSON: A: Again, these are not the service
8 quality indicators that we're talking about as part of
9 the PBR. These are the corporate scorecard indicators
10 that we use for a completely different purpose.

11 MR. QUAIL: Q: Now, under the financial heading if you
12 look right above that table, it reads:

13 "We finished the year with strong financial
14 results. Regulated earnings totaled $48.5
15 million, more than our target of $44.1
16 million and greater than the 47.5 million
17 earned in 2011."

18 Do you see that statement?

19 MR. SWANSON: A: I see that statement.

20 MR. QUAIL: Q: Is that a true statement?

21 MR. SWANSON: A: I believe it would be true, yes.

22 MR. QUAIL: Q: Okay. So you've said that they were
23 used for different purposes, but I put it to you that
24 SAIDI and AIFR measured the same things here, that is
25 in this document, as in your application before this
26 Commission.

1 MR. SWANSON: A: I believe the calculation of those
2 items --
3 MR. QUAIL: Q: And if that's incorrect, if you could
4 provide me --
5 MR. SWANSON: A: No, I believe they are.
6 MR. QUAIL: Q: So just to be clear, though, I asked you
7 if they -- you said that they performed a different
8 function. I assume that's the same point that was
9 made earlier by this panel, that the service quality
10 indicators had a different role under that PBR. But
11 these are the same beasts we're talking about here.
12 MR. SWANSON: A: The service quality indicators under
13 the former PBR had a specific role attached to them at
14 that time. They served a purpose as part of that PBR.
15 A predefined specific purpose. The fourth quarter or
16 the annual performance results on the corporate
17 scorecard as we're looking at on this page served a
18 separate and unrelated purpose, and the service
19 quality indicators that we have proposed in the
20 current PBR serve yet another purpose. But they do
21 have similarities in their measures between the three
22 of them, yes.
23 MR. QUAIL: Q: Now, the purpose of PBR is to better
24 aligned customer and shareholder interests in the
25 absence of a competitive market. Is that a correct
26 statement?

1 MR. SWANSON: A: That's one of the stated purposes of
2 PBR, yes.
3 MR. QUAIL: Q: And in a competitive market, one of the
4 basic squeezes on market participants is the need to
5 contain cost, and at the same time outperform
6 competitors in terms of offerings to the public. Do
7 you agree with that?
8 MR. SWANSON: A: That may be a little broad.
9 MR. QUAIL: Q: To what extent do you disagree that a
10 participant in a competitive market bases a squeeze
11 between containing the costs and outperforming the
12 rivals? To what extent is that an inaccurate
13 statement?
14 MR. OVERCAST: A: I guess the fundamental problem is if
15 you're talking about the competitive market model
16 where all the participants are too small to influence
17 the market, they're all price takers, they all buy
18 their same -- the inputs from the same place, and in
19 equilibrium they all essentially have the same cost.
20 So I guess I don't understand the question in that
21 context.
22 MR. QUAIL: Q: I don't think I'm going to delve into
23 microeconomic theory at a quarter after four in the
24 afternoon on Friday. I'll maybe save that because --
25 but you'd agree with me that in a competitive market,
26 a company would risk the loss of sales and profits if

it failed to meet customer expectations and service quality.

MR. SWANSON: A: It may.

MR. QUAIL: I'm at Granville Island and I've got a stand full of oranges and other fruits and vegetables, and there's a competitor just down there. Mine are all mouldy. I've got a problem, don't I?

Proceeding Time 4:14 p.m. T72

MR. SWANSON: A: You might.

MR. QUAIL: Q: Yes. Unless -- something said there's a market for mouldy fruit. And, you know, I know later in the winter that's sort of what we're stuck with, isn't it? We're sort of getting to that time of year.

And the point of benefit sharing incentives, put to you, is to find cost savings and efficiencies to encourage the utility to sharpen its pencil, so to speak, more in the manner of a company facing that kind of competitive squeeze.

MR. SWANSON: A: Can you repeat that one more time, please?

MR. QUAIL: Q: No, I don't think I will. Withdraw the question. It's okay. We have the same discussion about it, I'm not going there.

During the term of the PBR proposed by the company, put it to you that there is no mechanism to adjust rates, earnings, or revenues based on the

1 company's service quality and reliability performance
2 during the PBR. Is that correct?
3 MR. SWANSON: A: There is no mechanism inherent in the
4 PBR proposal, but there are mechanisms outside of the
5 PBR proposal which would influence stuff like the
6 company's earnings. For instance, I talked about
7 certain service quality indicators, if we improve, we
8 would actually save money. And if we were doing
9 poorer, we would actually -- it would cost us more
10 money. I have also mentioned the administrative
11 penalties that the Commission has at their disposal,
12 and those would clearly influence earnings, if they
13 were imposed.
14 MR. QUAIL: Q: Yeah, we had the example cited earlier
15 today of meter reading accuracy, where if you excel in
16 that area, it saves you money. Right? There is a
17 built-in incentive that works financially from the
18 nature of the business that you do.
19 MR. LOSKI: A: Yes, that would be the case. If we put
20 it the other way, if our meter reading accuracy was
21 reduced, we would end up having a lot more bills with
22 estimates on them, meaning it would drive a lot more
23 calls to our contact centre, which would mean we would
24 need to employ more COPE resources in order to answer
25 those calls, and it would drive up our costs.
26 MR. QUAIL: Q: And you'd have a lot of unhappy

1 customers out there too.
2 MR. LOSKI: A: And certainly would expect that it would
3 have a negative impact on our customer satisfaction.
4 MR. QUAIL: Q: Now, the PBR proposal suggests the
5 trigger of -- the words are "sustained serious
6 deterioration in service quality" before the
7 Commission would be entitled to intervene and drop the
8 bomb. Is that right?
9 MR. SWANSON: A: I thought it was actually
10 "degradation", not "deterioration".
11 MR. QUAIL: Q: Pardon me, okay. Degradation. Stand
12 corrected. Sustained serious degradation.
13 MR. SWANSON: A: Yeah, that's the same wording that --
14 hang on. Oh. It was the same -- "serious and
15 sustained and unjustified degradation of service".
16 MR. QUAIL: Q: Okay.
17 MR. SWANSON: A: And that wording is similar to the
18 wording that we had in FEI's previous PBR.
19 MR. QUAIL: Q: Okay. And I'm glad you got all of that
20 out and I can rely on the transcript, rather than
21 having to repeat it. Just for recollection.
22 Now, the application does not offer any
23 suggestion how to define or calibrate what is
24 sustained. Is that right?
25 MR. SWANSON: A: That's right. I believe I've
26 testified on the previous panel that it requires some

1 judgment on behalf of stakeholders and Commission
2 eventually.
3 MR. QUAIL: Q: Yes. And I won't repeat that territory
4 that was covered with Panel 1 in the context of the
5 non-SQI issues.
6 Pardon me for taking a moment, but as I
7 flip through things, this process is being shortened.
8 So if everyone will just bear with me.
9 Do you agree that when a three-year rolling
10 average is used to establish a target or performance
11 requirement, deterioration in actual performance over
12 time will result in a lowering of the target to
13 reflect that deterioration. Is that correct?
14 **Proceeding Time 4:19 p.m. T73**
15 MR. SWANSON: A: Yes, generally speaking that would be
16 correct.
17 MR. QUAIL: Q: And we've seen that illustrated in the
18 record under the previous PBR that we've gone through,
19 isn't that right?
20 MR. SWANSON: A: We saw that, yes.
21 MR. QUAIL: Q: So if you under perform the rolling
22 average mechanism, it lowers the bar for you in future
23 years.
24 MR. SWANSON: A: If your result is lower in the most
25 recent year, year average will also be lower.
26 MR. QUAIL: Q: So I put it to you that if a rolling

1 average type of mechanism is used, and we're looking
2 at a five-year envelope for the PBR. If things are
3 getting better, the rolling average process raises the
4 target to reflect that improved situation. Is that
5 correct?
6 MR. SWANSON: A: Again, if your most recent result is
7 higher than the average, the new rolling average will
8 give you a higher measure and vice versa.
9 MR. QUAIL: Q: Things are trending up, the target is
10 increased, right?
11 MR. SWANSON: A: Yes.
12 MR. QUAIL: Q: And if things are trending down, then
13 the bar is lowered and the target is reduced.
14 MR. SWANSON: A: Yes.
15 MR. QUAIL: Q: One reason why the trend might go up is
16 because of successful investments that the utility
17 might make during the PBR.
18 MR. SWANSON: A: That could be one of many reasons that
19 could cause that result. It could just be you had
20 less vehicles hitting your pole that year and you had
21 a better result than expected.
22 MR. QUAIL: Q: If your customer base all becomes more
23 stupid next year and does more stupid things that
24 cause you grief, then your numbers will look worse.
25 If there were a gross trend of that nature averaged
26 over a year throughout your customer base. Would you

1 agree with that?
2 MR. SWANSON: A: I'm sorry, can you repeat that one
3 more time?
4 MR. QUAIL: Q: I'll try. You've suggested that a lot
5 of the different indices that we are looking at, or
6 the different measures that we are looking at can be
7 influenced by customers doing, let's just say, stupid
8 things. Doing things they oughtn't to do.
9 MR. SWANSON: A: Not necessarily customers. I think
10 there's outside influences that can affect it.
11 MR. QUAIL: Q: That's right. Whatever. People out
12 there doing things they shouldn't do that make the
13 numbers get worse.
14 MR. CHERNIKHOWSKY: A: The preferred term will be
15 "third parties".
16 MR. QUAIL: Q: They might be third or they might be
17 second parties as well. They might be your own
18 customers, they could be anybody.
19 MR. SWANSON: A: Well, it could be weather. It could
20 be a variety of items that influence the results.
21 MR. LOSKI: A: If I could just add, Mr. Quail, I don't
22 believe we've, at any time, implied our customers do
23 stupid things.
24 MR. QUAIL: Q: Well, I could challenge the suggestion
25 that your customers never do anything stupid, but Mr.
26 Loski, I won't do that.

1 What I'm focussing on is the objection
2 that's been raised that many of these items are
3 influenced by actions taken by customers. Is that a
4 fair characterization of one of the concerns you've
5 raised with Ms. Alexander's proposal?
6 MR. SWANSON: A: I don't think we've -- yes, customers
7 can influence it, but no, our concern is the influence
8 by parties external to FortisBC. So it's not
9 necessarily customer -- or not even parties. By
10 factors external to FortisBC. It could be weather, it
11 could be -- it could be customers of our neighbouring
12 utility. It could be anything.
13 MR. QUAIL: Q: So you are proposing to change the
14 telephone service factor of call centre performance
15 for FortisBC Energy Inc. from 75 percent to 70 percent
16 for this PBR period, is that correct? Compared to the
17 last?
18 MR. LOSKI: A: That is correct.
19 **Proceeding Time 4:23 p.m. T74**
20 MR. QUAIL: Q: And if you turn to page number 112 of
21 our materials again, referring to the handwritten
22 number in the top right-hand corner. We have a
23 response to an IR that was put to you by the BCPSO.
24 And the text right at the top of that page in the
25 response, you'll see about halfway through it:
26 "FEI did not set the target of the three

1 year average of 76 percent because, as
2 discussed in section C-3.5.4 of this
3 application, FEI is proposing amending the
4 target from 75 percent to 70 percent in
5 order to align the targets for the gas and
6 electric operations, and to more effectively
7 balance cost and service levels."
8 See that?
9 MR. LOSKI: A: Yes, I do.
10 MR. QUAIL: Q: What do you mean by more effectively
11 balance cost and service levels?
12 MR. LOSKI: A: With the nature of the way the telephone
13 service factor works here, first of all we set out
14 earlier on in that response, in that IR response, that
15 the telephone service factor is a measure that
16 balances service quality and costs, and a higher TSF
17 means more resources are available to answer calls,
18 and a lower TSF translates into lower resources levels
19 and therefore lower cost. So the math behind the
20 telephone service factor is something, a formula call
21 the Erlang C model or formula, we had, I believe,
22 reference to that in our rebuttal evidence which was
23 FEI Exhibit B-47 at page 3, question 5.
24 So the underlying premise with the Erlang C
25 model and therefore the telephone service factor,
26 which is an output from that model, is you start with

1 a given, and it can be an estimate or actual,
2 whichever, number of calls that you're going to
3 receive in a given period. We call it an interval.
4 And typically you look at intervals in 30 minute
5 increments. So you'd look at the number of calls that
6 you get in that interval, and then you look at the --
7 and there's an equation of the two gives you your --
8 what's called an arrival rate. So how frequently are
9 the calls coming in.
10 Then you look at the average duration of
11 the call, which is how long they're going to take.
12 Then what you get from that is something called your
13 traffic intensity, which is basically this arrival
14 rate, times the average call duration. And from there
15 you can calculate the telephone service -- if you say
16 goal seek for the telephone service factor you want,
17 which is a probably that calls will be answered within
18 a certain time period, and in this case we've said the
19 time period is 30 seconds. So then if you goal seek
20 for say 70 percent, this model will kick out two
21 things. One, it's going to kick out the number of
22 agents or reps that you need within that interval. So
23 right there there's a -- that's the result.
24 You could come at it the other way where
25 you could stick the numbers of reps that you have or
26 the number of agents in that interval, and out will

1 kick the probability within that time period. And you
2 can adjust time periods, you can adjust the
3 probability, or you can adjust all of the inputs.
4 But if you then take with that model, if
5 you want to change the probability, like in our case
6 moving from 70 percent to 80 percent, what happens and
7 it's just the way the math works out, again based on
8 that given set of inputs of calls, interval and
9 duration, you get a higher number of agents required
10 in that interval.
11 So to increase a service level from 70
12 percent to 80 percent, or conversely to go from 80
13 percent to 70 percent, you have different number of
14 resources required. If you increase service level,
15 more agents. If you decrease service level, fewer
16 agents and therefore fewer costs.
17 **Proceeding Time 4:28 p.m. T75**
18 The other really interesting thing that
19 also is a product of this model is what's called in
20 the contact centre arena, agent occupancy, which looks
21 at -- it's a -- it just simply looks at the arrival
22 rate. Again, it's that number of calls within that
23 interval as then the numerator, and the denominator is
24 the number of agents. So if you increase the number
25 of agents, which would be the result of increasing the
26 service level, you actually end up with a different

1 occupancy level, meaning your agents are going to be
2 less occupied if you're increasing that service level.
3 Meaning occupancy is, in the contact centre arena, is
4 the measure of productivity of your agents.
5 So by increasing your telephone service
6 factor, you actually are decreasing the productivity
7 of your agents. And so, what we -- when we looked at
8 our telephone service level, we've got 70 percent in
9 30 seconds for our electric customers and we've been
10 -- we believe that our customers are of the view that
11 that's a reasonable target. And again, that's a good
12 balance of service quality and cost.
13 And so we're of the view that our gas
14 customers would have the same view of that balance of
15 costs and quality. And we know we've heard a lot from
16 our customers and through the various regulatory
17 processes that we want to see, you know, keep cost
18 increases down and improve productivity. And by going
19 to a 70/30 telephone service factor for our gas
20 customers and maintaining that for our electric
21 customers, we believe is a good measure, then, of cost
22 savings as well as maintaining good service quality
23 and enhancing productivity.
24 COMMISSIONER COTE: Just so I don't lose this, have you
25 tested your base costs to account for this?
26 MR. LOSKI: A: The base costs that are built into our

1 -- for gas, they would be reflective of the experience
2 we had last year, which was 72 percent telephone
3 service factor for our gas operation.
4 THE CHAIRPERSON: And for electric?
5 MR. LOSKI: A: And for electric it was 70 percent. So
6 our -- pardon me. Our base costs for electric reflect
7 the 70 percent.
8 COMMISSIONER COTE: No, but -- okay, go ahead. Continue.
9 MR. LOSKI: A: Oh, sorry. So, yeah. So as we set out
10 in our application for gas, as Mr. Quail pointed out,
11 we propose to reduce the telephone service factor from
12 75/30 down to 70/30. And we estimated that that would
13 have an impact of roughly $50,000 on our costs.
14 Conversely, then, to go from 70 percent to
15 80 percent, just to get the differential, for our gas
16 customers that would represent about $130,000 a year.
17 And if we were to move with our electric customers to
18 go from 70 percent to 80 percent, as COPE has
19 proposed, that would increase our electric costs by
20 approximately $90,000 per year.
21 MR. QUAIL: Q: First of all, just to -- I think this is
22 clear, but that the telephone service factor is an
23 average number over an entire year. Is that right?
24 MR. LOSKI: A: That's correct.
25 MR. QUAIL: Q: And what I wanted to focus on is, first
26 of all, is you've discussed in the main the issue of

1 increasing the target from 75 to 80. But focusing on
2 the question that's laid out in this information
3 response, cranking it down from 75 to 80, and you've
4 indicated that for the gas utility that would
5 represent a reduction in cost of $50,000 per year.
6 MR. LOSKI: A: That is correct.
7 MR. QUAIL: That's right? And you also, if I understand
8 you, testified that your customers are happy with --
9 or embrace that trade-off.
10 MR. LOSKI: A: We believe that that level of telephone
11 service factor will -- our customers will be
12 supportive of it. Certainly with our electric
13 operations and our electric customers at 70/30, we are
14 not getting any, you know, significant number of
15 complaints into our contact centre about wait times.
16 And that -- to me, that's not surprising, in that, you
17 know, whether customers waiting 20 seconds or 40
18 seconds to speak to an agent, that isn't the most
19 important factor for our customers.
20 **Proceeding Time 4:33 p.m. T76**
21 What our customers are looking for in fact
22 is getting their call resolved. And so if they have
23 to wait 40 seconds, or even 45 seconds or 50 seconds,
24 as long as they get their call resolved, they are
25 going to be satisfied, and I think that at 70/30 and
26 then with the average, as we set out in one of the

1 IRs, the average speed of answer is about 42 seconds,
2 I think that's a very very acceptable level for our
3 customers.
4 MR. QUAIL: Q: Now, we're not talking about a situation
5 where the adjustment, say that it was set at -- let's
6 say you are talking between 30 seconds and 40 seconds.
7 Again, we're talking about average numbers here. The
8 actual length of time any individual customer is going
9 to wait on the phone will vary, isn't that right?
10 MR. LOSKI: A: Yes.
11 MR. QUAIL: Q: The distribution presumably will follow
12 some kind of distribution curve which, you know,
13 that's clumped around some kind of an average and then
14 tails off. Some people may be waiting a while, right?
15 MR. LOSKI: A: Agreed. Some customers are going to be
16 waiting fewer than 30 seconds. It might be 5 seconds,
17 10 seconds. Some are going to be waiting a minute or
18 two.
19 MR. QUAIL: Q: Yeah.
20 MR. LOSKI: A: And the average for our electric
21 customers is around 42 seconds.
22 MR. QUAIL: Q: And when we're talking about shifting
23 the TSF, we're talking about that curve being shifted
24 up or down on average in the course of the year, isn't
25 that right? No, it's about where the -- okay, maybe
26 it's not up or down. Is it left or right? Ah, it's

1 getting close to 5 o'clock. Thank goodness for that.
2 Anyway, what we are talking about, there's
3 a profile of call response time, right?
4 MR. LOSKI: A: Right.
5 MR. QUAIL: Q: And if the average is being changed, say
6 from 75 to 70, that means that the bulge in the curve,
7 so to speak, is moving basically to the left. It's a
8 shift from where the bulge is in the shape of that
9 curve.
10 I see Mr. Swanson nodding his head, so
11 somebody in the room understands what I'm groping
12 towards here.
13 MR. SWANSON: A: Yes. There would be a change, and so
14 to put it one way, the -- yeah, the average speed of
15 answer overall is going to change. And you would
16 expect that there would be -- by moving from 75/30 to
17 70/30 you would expect the average would have a modest
18 increase as a result of that. The average speed of
19 answer last year, when we had a 7 percent TSF
20 realized, the average speed of answer was, I believe,
21 31 seconds for our gas customers.
22 MR. QUAIL: Q: There's one other thing, Mr. Loski, I
23 want to clarify. My recollection of your evidence
24 initially when you went through this was that your
25 customers, to the effect your customers are supportive
26 of making that -- again, I'm not trying to reproduce

it verbatim, we'll look at the transcript and we can revisit it Monday, I suppose, but you stated it in the past tense that your information was that your customers were happy with that trade-off, or to that effect. Later I think you were saying no, that you expect that they would be happy with it. Which of those would be a more accurate statement?

That is the difference saving the $50,000, theoretically saving --

MR. LOSKI: A: Mm-hmm.

MR. QUAIL: Q: And that curve shifting so that on average the number is shifted from 75 percent to 70 percent of customer calls being answered in the first 30 seconds. Is it more accurate to say your customers embraced that, or to say you expect your customers would embrace that?

MR. LOSKI: A: I did not say, Mr. Quail, that our customers would embrace that. I didn't use that term.

MR. QUAIL: Q: No.

MR. LOSKI: A: What I believed I said, and certainly what I was trying to portray is that we believe at a 70/30 telephone service factor that our customers -- that that will meet our customer's expectations, and certainly that's been the case in my view with our electric customers.

MR. QUAIL: Q: We'll revisit that with the benefit of

1 the transcript on Monday morning. It certainly won't
2 be done today. But you've cited the amount of $50,000
3 which would be the cost saving. Can you tell me what
4 that translates into in terms of reproduction,. The
5 $50,000 were shaved off. The revenue requirement. By
6 what percentage would a customer's bill be reduced?
7 **Proceeding Time 4:30 p.m. T73**
8 MR. LOSKI: A: I'm not sure of the exact calculation,
9 but certainly $50,000 on the total revenue requirement
10 is not a significant percentage amount. But again, as
11 I said earlier, you know, if we contrast the
12 difference between a 70/30 and an 80/30, it's more
13 like $130,000. But more importantly, we believe that
14 this level of service quality, our customers will be
15 happy with, and more importantly, we're looking to
16 realize some reduction -- or to maintain our cost
17 structure as low as we can and try and -- and hearing
18 from our customers that's important, and hearing from
19 our customers that productivity improvements are
20 important.
21 MR. QUAIL: Q: I have an undertaking, which I think
22 should be pretty simple arithmetic for you. Don't
23 spend your whole weekend with this very difficult
24 question, but if you could please advise on what the
25 average billing pack would be for Fortis Gas customers
26 achieved by a $50,000 reduction in the revenue

1 requirement.
2 MR. SWANSON: A: We can accept the undertaking, but I
3 do also want to add that there's a -- over the last
4 couple of days there's been a fair amount of testimony
5 that we aim to achieve some efficiencies through the
6 PBR period, and that we didn't see any really big
7 projects out there. Some may arise but we don't
8 really see any big projects.
9 What we do expect is to find a bunch of
10 little savings. So we're looking for efficiencies
11 throughout the business. We're going to challenge our
12 managers to find efficiencies throughout the business,
13 where they make sense, in order to get the lowest
14 reasonable cost of providing the service. In $50,000,
15 granted it will show a very very minor rate impact,
16 but that's one $50,000. What we aim to find is a
17 bunch of $50,000 in order to add up to the achievement
18 of our stretch factor, productivity factor or X
19 factor. It counts on the fact that we're going to
20 find a bunch of these little projects and be able to
21 deliver upon them.
22 MR. QUAIL: Q: See, that is precisely the concern that
23 we are raising. And so that we understand each other.
24 That is the PBR structure places pressure or creates
25 incentives, if any of you want to place it, on the
26 utility to find efficiencies, and those are found by

1 degrading service. You've made a deliberate decision
2 to allow the telephone service factor in the gas
3 utility to decline from 75 to 70 in order to achieve
4 the efficiencies that are incented by the PBR. Is
5 that not a fair statement? You may not like it but I
6 put it to you it's an accurate statement.
7 MR. LOSKI: A: Well, I'll come back to the telephone
8 service factor issue here, and certainly I know that
9 we're talking about our proposal at 70/30 and then a
10 proposal from Mr. Quail to go to 80/30, and I've
11 mentioned what the cost implications of that are going
12 to be and that there would be a reduced productivity
13 impact and on our agents. However, certainly if our
14 customers through this process were of the view that
15 80/30 is preferable to 70/30, and the Commission found
16 that that was appropriate, then we would target 80/30
17 and recognizing that our cost structure presumably
18 would be adjusted, or our base cost structure adjusted
19 for that. But we would be targeting 80/30.
20 MR. QUAIL: Q: You were here when Ms. Alexander was
21 giving her testimony in response to questions from the
22 Commission Panel where she made it clear that the
23 precise calibration of these issues really is a matter
24 of the judgment of the Commission, and that she was
25 not in any way insistent on any particular numbers in
26 terms of the actual calibration of the targets. Did

1 you hear that evidence? I assume that you heard that
2 evidence or at least Mr. Swanson was paying attention.
3 I know everybody was getting hungry at that point. I
4 was myself.
5 MR. OVERCAST: A: Before you go on, there's one comment
6 I need to make about the undertaking. I think you've
7 got to address the issue of cost of service because if
8 you're talking about a $50,000 savings in the call
9 centre or $50,000 increase. That's a number that gets
10 allocated on the number of customers by rate class.
11 **Proceeding Time 4:42 p.m. T78**
12 So the impact is not going to be the
13 equivalent of dividing the $50,000 by the total
14 revenue requirement. It's going to be taking the
15 percentage of residential customers times the $50,000
16 and dividing that by the residential bill, and each
17 class. And so if you really want an accurate impact
18 on the most customers, it's going to be looking at the
19 residential class and their share of that benefit or
20 cost.
21 MR. QUAIL: Q: Thank you, Dr. Overcast. These are very
22 clever people. I'm sure that they will be able to
23 answer my question in taking that correct refinement
24 into account. But the evidence that we've heard is
25 that there is this one decision to decrease
26 performance on that indicator to achieve an efficiency

1 of $50,000. That's a fair summary of what you've
2 said. And I believe it was Mr. Swanson said, and this
3 is just a small piece of the story, you're looking for
4 efficiencies all over the place.
5 The image I have is that the so-called
6 death of a thousand cuts. You achieve $50,000 by
7 degrading that service. Do you understand the concern
8 about the pressure to realize the benefit of the
9 incentives built into your proposal? The assertion of
10 that is to look for the thousand cuts to inflict on
11 the customers who rely on you for service.
12 MR. SWANSON: A: And the question is?
13 MR. QUAIL: Q: Do you understand that?
14 MR. SWANSON: A: So there is a whole bunch stated there
15 that we wouldn't agree with --
16 MR. QUAIL: Q: All right.
17 MR. SWANSON: A: The death by the thousand cuts. As
18 Mr. Loski indicated, this isn't a fact -- or this
19 isn't a situation where we're looking to, you know,
20 necessarily -- let me start over.
21 This is a situation where we're putting
22 forward what we believe to be a reasonable level of
23 service in front of the Commission and stakeholders,
24 and we intend to try and achieve the level of service
25 that's decided to be appropriate through this process.
26 We believe that level of service, as Mr. Loski said,

is a number of 70/30. This process is going to decide whether that's the level of service.

Now, the death by a thousand cuts kind of insinuates that we're going to go out there and in order to make a higher return, we're going to decrease service quality. That's not at all what we're going to do.

MR. QUAIL: Q: Well, with respect -- with respect, Mr. Swanson, I mean, the testimony is that you will achieve this saving that's been estimated at $50,000 will be achieved by making this reduction in performance in the call centre.

MR. SWANSON: A: This appropriate --

MR. QUAIL: Q: That's your testimony.

MR. SWANSON: A: This appropriate reduction.

MR. QUAIL: Q: I didn't make it up.

MR. SWANSON: A: This request -- this appropriate reduction to get to a level that we suggest is the right level. If the Commission and stakeholders disagree with us, we're willing to go to a different level as well.

MR. QUAIL: Mr. Chairman, I would be embarking on another section now. Looking at the clock, I think this may be a good point for the hook to come out and me to sit down unless it's your pleasure that I barrel ahead.

THE CHAIRPERSON: No, I am happy to accede to your

1 advice. And okay, so, we'll continue at 8:30 on
2 Monday morning, then.
3 MR. MILLER: Mr. Chair? What time are we starting on
4 Monday morning?
5 MR. QUAIL: It's at 8:30.
6 MR. MILLER: Oh, sorry, I missed that.
7 MR. QUAIL: That's on the record.
8 **(PROCEEDINGS ADJOURNED AT 4:46 P.M.)**
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