

MoveUP (also known as CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES UNION, LOCAL 378)

INFORMATION REQUEST No.1 TO FORTISBC ENERGY INC.

FortisBC Energy Inc.

Multi-Year Performance Based Rate making Plan for 2014 through 2019

Annual Review for 2018 Rates

1.0 FILLING STAFF VACANCIES

Reference: Introduction, page 1, line 15:

Under the PBR Plan, FEI projects savings in 2017 due to a continuation of its ongoing productivity focus, including a broad-based Company-wide effort to seek alternate solutions to the filling of vacancies and a number of initiatives that result in net O&M and capital savings.

And reference page 5 line 11:

Expenditures and filling of vacancies are being reviewed. While some of the savings are one-time in nature (e.g. delay in filling vacancies, lower call volumes due to warmer weather) as the result of the continuing productivity focus throughout the Company, many of the efficiencies and savings are expected to continue into the future, recognizing that cost pressures in the future may offset the savings.

- 1.1 What are the perceived difficulties with the current “solutions to the filling of vacancies”?
- 1.2 What are the objectives of the “Company-wide effort to seek solutions”?
- 1.3 What if any are the perceived obstacles to finding such solutions?
- 1.4 Please describe such progress as has been made to date toward finding such solutions.

2.0 1.3 REQUIREMENTS FOR THE ANNUAL REVIEW - EFFICIENCY INVESTMENTS

Reference: Table 1-1, page 3, Item 3:

Description: Identification of any efficiency initiatives that the Companies have undertaken, or intend to undertake, that require a payback period extending beyond the

PBR plan period and make recommendations to the Commission with respect to the treatment of such initiatives.

Response or Reference: FEI has not identified any efficiency investments with a payback beyond the end of the PBR period that it is not pursuing

2.1 What efficiency investments with a payback beyond the end of the PBR has FEI identified that it is pursuing?

3.0 EVALUATION OF THE PBR PLAN

Reference: Page 4, section 1.4:

FEI has continued its productivity focus in 2017 and initiated additional projects to enhance the customer experience and improve productivity, in addition to the continuing initiatives from prior years. As a result of this focus and these initiatives, FEI was able to realize savings in O&M expenditures above those embedded in the formula. FEI continues to be challenged to meet growth and maintain the system within the capital formula amount. Overall, the savings achieved result in \$3.462 million of earnings sharing that will be returned to customers in 2018, serving to reduce overall delivery rates for FEI's customers.

3.1 What is the reduction of overall delivery rates for FEI's customers expressed as

(a) A percentage of the total delivery charge?

(b) Dollar savings per annum for the average residential account?

3.2 What is FEI's best estimate of the gross cost of achieving the \$3.462 million savings?

Reference: Page 5, line 16:

In 2017, which is past the mid-point of the PBR Plan which has achieved close to \$50 million in O&M savings to date, FEI is faced with the increasingly difficult challenge of finding new productivity opportunities to meet the annual savings embedded in the formula, and to sustain the level of incremental O&M savings achieved in recent years.

3.3 What if any solutions does FEI contemplate bringing forward to overcome this "increasingly difficult challenge"? Please indicate when they would be brought forward and in what process.

4.0 STAFFING LEVELS

Reference: Page 7 Table 1-3: Employees at year-End

4.1 Please provide a table showing the headcount and FTE for each of the referenced years broken down between MoveUP Bargaining Unit, IBEW Bargaining Unit, and Management & Excluded Employees.

Reference: Appendix 3-C Report on Headcount and FTE Information

4.2 Please confirm that there are no further phases of the Regionalization Initiative that are presently contemplated; or if not confirmed please provide a description of any further phases, their intended impact and their intended timing.

4.3 Please describe any plans for the transfer of operations or service delivery between Vancouver Island and the Mainland during the remaining term of the PBR, whether or not they are designated as part of the Regionalization Initiative, and outline their perceived costs and benefits.

4.4 Please confirm that Operation Blue Pencil is fully implemented; or if not confirmed please provide a description of any further implementation that is contemplated, its intended impact and intended timing.

Reference: Page 9, line 9

4. *The Online Service Application (OSA) initiative, which enables customers to make a self-serve online request for a new service line installation, has been proceeding as planned. The Company launched the OSA to a select group of builder/developers for field trials in July 2016. After garnering feedback and suggested improvements, a full launch of the application proceeded on the Company's external website in September 2016. In March 2017, the additional functionality of requesting a service line abandonment was added to the tool. Customers can go to the Company's website and use the tool to determine if gas service is available for their property, and, for simple service lines, obtain an estimate to install the service and proceed to scheduling the installation online. The tool offers additional functionality for the builder/developer community to manage their projects by tracking their multiple service line orders. To date, approximately 2,600 orders have been processed via the application producing savings of approximately \$0.05 million in 2017*

4.5 What is FEI's best estimate of the rate of take-up of the OSA initiative annually until the completion of the PBR term, in terms of orders processed and savings?

Reference: Page 9 line 22

5. SAP Integration is an initiative to integrate the FEI and FortisBC Inc. (FBC) SAP systems, moving towards a common SAP platform for both companies. It will primarily include the integration of the Human Resources, Supply Chain and Finance systems in SAP. The benefits will include a simplified support model, alignment of processes, simpler business processes (i.e. employee expense processing and single sign-on), reduced licensing costs and integrated payroll. Reduction in support costs will be achieved through reduced annual contractor costs because internal resources will be able to displace the contractor support due to the simplified support requirements.

4.6 Please confirm that where it appears that greater efficiencies or cost-savings can be achieved by making use of employed staff than retaining contracted personnel or services, FEI does not exercise a bias against making use of employed staff, or against increases in headcount or FTEs as an end in itself.

Reference: Page 10 Line 3

· The Planner Tool Box project is an initiative to enable a more effective and efficient means of creating work orders for customer driven projects by improving user-interaction and application functionality. The goal is to streamline and speed up the work order creation process, eliminate repetitive tasks, deliver improvements to user experience/interaction with information systems, and improve customer service. The project will be complete in the first quarter 2018 and will focus on quick win enhancements to CAFE (Customer Attraction Front End) that deliver immediate process improvements (i.e. reducing redundant data entry) for customer driven projects. Anticipated labour savings of \$0.15 million per year are expected from reduced planner time required to process the different work orders that planners work on (i.e. alterations, install mains, meters, etc.).

4.7 How many FTEs does the \$0.15 million anticipated labour savings per year represent?

Reference: Page 10 Line 14

· The “Automate Customer Moves” initiative will remove manual intervention in the back end for processing of requests and improve turnaround time for customers to complete follow on activities, such as registering for paperless billing, equal payment plans and other Company products and services. The project is currently underway and expected to be complete in 2017, with estimated annual savings of \$0.2 million starting in 2018.

4.8 How many FTEs does the \$0.2 million anticipated savings per year represent?

5.0 PENSION AND OPEB EXPENSE

Reference: Page 51 Line 15

Pension and OPEB expenses for 2018 are based upon recent actuarial estimates using a range of assumptions at December 31, 2016 provided by the Company's actuary, Willis Towers Watson. Pension and OPEB expense is broken into O&M, Capital, Retirement Costs, and Core Market Administration Expense (CMAE) categories as shown in Table 6-4.

5.1 What are the assumptions included in the "range of assumptions at December 31, 2016"?

Reference: Page 52 Line 4

Overall, pension and OPEB expense for 2018 is forecasted to be \$1.853 million higher than what was approved for 2017. This increase is primarily due to lower amortization of prior service credit, and higher service cost and interest cost partially offset by a higher expected return on assets.

5.2 Please explain "lower amortization of prior service credit" and the reason for this change.

6.0 LIQUEFIED NATURAL GAS (LNG) INCOME TAX

Reference: Page 82 Line 21

Because the LNG income tax legislation is not yet in force, estimates of the LNG income tax and NGTC have not been included in forecast 2018 rates. If the legislation comes into force before FEI files for its final rates later in 2017, FEI will update the financial schedules to include the forecast impacts of the tax and the difference between the forecast and actual tax will be captured in the Flow-through deferral account.

6.1 What is FEI's best estimate of the tax savings for 2018 if the legislation comes into force before the beginning of that year?

7.0 SERVICE QUALITY INDICATORS – ALL INJURY FREQUENCY RATE

Reference: Page 145 Table 13-4

7.1 Please provide a revised table breaking down the numbers as between MoveUP Bargaining Unit, IBEW Bargaining Unit and Management & Excluded.

7.2 Please provide a brief description of each of the reported injuries since September 2016, the job and union affiliation (if applicable) and the steps taken to avoid recurrence in each instance.

8.0 LNG DEMAND AND REVENUE

8.1 Please provide an update on the status and prospects of FEI initiatives for the export of LNG.

9.0 CALL CENTRE

9.1 Please confirm that the BC Labour Relations Board has issued a certificate to MoveUP with respect to its representation of employees in the Customer Services Centres which replaces the union's original "voluntary recognition" status.

9.2 Please confirm that the certificate identifies both FEI and FBC (as a common employer) as the employer entity in relation to employees within the Customer Services Centres bargaining unit.

9.3 Please confirm that this identification of the two companies as a common employer is made pursuant to section 38 of the *BC Labour Relations Code*:

Several businesses treated as one employer

38 If in the board's opinion associated or related activities or businesses are carried on by or through more than one corporation, individual, firm, syndicate or association, or a combination of them under common control or direction, the board may treat them as constituting one employer for the purposes of this Code and grant such relief, by way of declaration or otherwise, as the board considers appropriate.

Reference: Appendix C-1 Page 3 Item No. 13:

Description/Details:

Costs Allocated to FBC for Call Handling

If in the future the annual costs being allocated to FBC from FEI for the handling of calls exceeds \$100,000 in any one year, FEI is directed to provide an analysis of various cost allocation methodologies and provide evidence as to which will provide the most appropriate results.

Status:

Confirmed costs do not exceed \$100,000.

Section in this Application:

N/A

9.4 Please provide the monthly volume and cost of calls allocated to FBC from FEI from September 1 2016 through August 31 2017.

10.0 SHARED SERVICES

Reference: Appendix C-1 Page 6 Item 20

Description/Details:

Shared Services

FEI is directed to file a review of its shared services model as part of its 2018 Annual Review under its Performance Based Rate Plan or alternatively, as part of its next revenue requirement proceeding.

Status:

The shared services model will be filed at a later date.

Section in this Application:

N/A

10.1 Is "a later date" the next revenue requirement proceeding? If not, why not, and when will it be filed?

10.2 Please describe FEI's intentions in relation to further sharing of services or integration of operations with FBC or other Fortis-related entities, for the duration of the PBR.

11.0 PROJECT ONE

11.1 Please confirm that FEI and FBC are migrating together to a new system known as "Project One".

11.2 Please provide a description of Project One including its functions, capabilities and anticipated benefits. Please file convenient descriptive internally-used materials.

11.3 Please describe the timing and nature of all past and projected implementation phases, and describe the current state of implementation of the project.

11.4 Please detail the cost of implementing Project One during the term of the PBR and how it will be allocated.

11.5 Please describe how Project One will deal with cost tracking and cost allocation issues as between capital and O&M, and as between FEI and FBC.

11.6 Please describe all future plans for the roll-out of Project One or related initiatives.