

AQW Law File No. 16-061
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November 2, 2016

B.C. Utilities Commission
900 Howe Street
Sixth Floor
Vancouver, BC V6Z 2N3

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

Dear Ms. Ross:

**RE: FortisBC Inc. (FEI)
Project No. 3698887
Multi-Year Performance Based Ratemaking Plan (PBR)
for 2014 through 2019
Approved by the British Columbia Utilities Commission (the BCUC or
the Commission) Order G-139-14 – Annual Review of 2017 Rates**

We make the following submissions on behalf of our client, the Canadian Office & Professional Employees Union, Local 378 (aka the Movement of United Professionals or “MoveUP”). As in other regulatory processes, MoveUP is participating in its capacity as the sole certified bargaining agent for the majority of the subject utility’s “inside” or office employees. The Union’s purpose before the BCUC is to ensure that FBC remains strong and stable while operating in a fair and transparent manner that ensures strong public support. The Union actively participated in the originating PBR approval process and the subsequent Annual Reviews with a direct and material interest in the evaluation of FBC’s financial and operational condition in general as well as the state of its current PBR.

Given the focus of MoveUP’s participation in this process and the Union’s Final Submission in this year’s FEI Annual Review, it should come as no surprise to FBC or the Commission

that the Union's main focus is the sharing of the Customer Care personnel between FEI and FBC. To be clear, the Union does not oppose FBC engaging in the sharing of services and/or personnel with FEI to generate efficiencies that improve service while reducing costs. Efficiencies are necessary to ensure FBC's long term viability but the Union wishes to ensure that the means by which those efficiencies are gained are appropriate and if so, that they are properly and fairly implemented.

The expansion of the existing practice of inter-utility sharing of personnel into their Customer Care services is a relatively new phenomenon, having begun as a pilot project in early 2015. It is, the Union submits, clear that this is just the beginning of the Companies' escalating efforts to amalgamate their customer-facing operations and the Union has no expectation that this represents the full extent to which the two utilities wish to merge their customer service functions.

This Union submission will present its argument while responding to concerns it reasonably expects FBC to raise based on the FEI Annual Review Reply Submission filed earlier today.

The Utility's Use of FEI Employees to Perform FBC Work

Safe and Adequate and "Quality of Service"

In the past, each utility had its own separate pool of customer care employees. These employees were specialists: able to deal with a variety of issues regarding their respective employer's products (electricity versus natural gas) as well as the unique issues inherent to their distribution systems. Now, because FBC is contracting with FEI to have at least 18 of FEI's CSR's provide service to FBC electrical ratepayers in the pursuit of efficiencies, the lines once clearly dividing the two utilities' customer service groups and knowledge bases are blurring. We have a growing pool of employees who are being required to field calls and questions (including ones from construction contractors seeking technical expertise and guidance) for both the gas and electric utilities despite the fact that these utilities provide

two very different products using dramatically different technologies, equipment, processes, logistics, and engineering: each with different risks and hazards.

The Union notes that the Commission has not yet examined the wisdom of this ongoing transition in the Utilities' Customer Care Service models from ones that were self-contained to ones or, more accurately, one that bridges the gap between two different service areas and, more importantly, two very different products and ratepayer groups. The Union's concern is not simply the possibility of inter-utility cross-subsidization but also any adverse effect on the quality of service this blending may create.

At this time, the Union notes that in its Final Reply, FEI interpreted MoveUP's use of the phrase "quality of service" in its FEI submission as a reference to the utility's PBR-related SQI's (FEI Final Reply, page 12). To ensure FBC does not labour under the same misconception, the Union wishes to clarify that its use of that phrase in this submission is not a term of art referring to SQI's. FBC's SQI performance in this PBR cycle is a great source of comfort to the Union and, in particular, the Union wishes to congratulate the Utility on its much improved All Injury Frequency Rate metric. The phrase "quality of service" is instead intended to encompass all aspects of this regulated utility's service to the public as described in the *Utilities Commission Act*: safety, reliability, accessibility, adequacy and so on.

In the absence of a regulatory review, it remains to be seen whether a blending of the utilities' customer care services is in the public interest. If so, the questions remain whether the associated costs are being allocated appropriately and whether the way in which they are approaching this operational merger is or is not compromising the adequacy, reliability, and safety of the service they provide.

Based on page 12 of the FEI Reply argument, the Union anticipates that FBC may take the position that there is no evidence of the differences between FBC and FEI's services listed above (the "dramatically different technologies, equipment, processes, logistics, risks, engineering, and hazards"). Quite frankly, it never occurred to the Union that either of the Utilities might disagree with its assertion that the engineering and safety issues associated

with providing electrical service were dramatically different than those inherent in providing natural gas service. It is not only basic scientific fact but common knowledge and common sense, particularly for those engaged in energy regulation, that delivering electrons is far different than delivering natural gas. The Union it is loath to contemplate wasting this Commission Panel and Intervener's time in future to provide a Comparative Safety, Physics, and Engineering Presentation at each Annual Review to expressly put on the evidentiary record that which is, on its face, obvious to all. In the Union's view, these were not, prior to FEI's Reply submission filed today, controversial facts. Should FBC take a similar position, the Union asserts that the logistical, operational, and safety differences between gas and electric utilities are subjects well within the inherent expertise and jurisdiction of the Commission as an expert tribunal mandated to regulate entities like FBC and FEI in the public interest and no evidence on those assertion need then be filed in order for the Commission to take note of and consider the Union's submissions on this subject.

The fact of the matter is that CSR's in Prince George are now answering questions regarding very different products and distribution systems that, due to the differences in the natures and properties of their products (electrons versus natural gas) require very different approaches and knowledge bases to adequately and safely dispense the necessary information.

While the Annual Review has allowed for a preliminary examination of these issues, the Union submits that it cannot be said that these processes has allowed for anything resembling the fulsome examination this subject matter calls for, particularly in the arena of staff training and resources. The Union is not asking for the Commission to issue a decision in this process with any final conclusions on this subject. Instead, the Union seeks to draw the Commission's attention to a developing situation it has identified through its members' input to encourage the Commission to examine the manner in which FEI and FBC are changing the way their operations are organized and their services delivered. In addition, the Union asks the Commission to consider whether a more detailed examination of this sharing through regulatory oversight and intervention is in the public interest to ensure that the manner in which the Utilities are implementing it is sufficient to ensure the service FEI

and FBC are providing is both adequate and safe: a jurisdiction expressly granted to the Commission under the *Utilities Commission Act*.

The Union does not take issue with the wisdom of sharing services between the two utilities when it is appropriate and in the public interest. For example: human resources specialists manage workforces. Their skills are often very easily transferrable between different companies and often even different sectors. The Union accepts there is a benefit to the companies, their respective ratepayers, and yes, their employees in the sharing of certain roles but there is a line that should not be crossed without a Commission consideration of whether it warrants an examination of the potential impacts on service quality and safety. That line is, in the Union's submission, here.

The Incremental Changes in FEI/FBC's Customer Care Sharing

MoveUP sees a number of parallels between the Utilities' creeping approach to the amalgamation of its customer facing operations and the initial forays of FEI's predecessor, Terasen Gas Inc., into the field of Alternative Energy Services. Terasen Gas began its expansion into AES slowly, just a toe in the pool but that toe quickly became a leg, prompting the Commission to conduct its Inquiry into FortisBC's Alternative Energy Services. That Inquiry was not rooted in any allegation of wrongdoing but rather a legitimate concern that it was unclear whether what Terasen was engaging in was truly in the public interest. The result of that process was the requirement that the utility spin off a new, distinct and regulated utility (now known as FortisBC Alternative Energy Services Inc.) for the development and operation of those AES programs.

Similarly, we have a situation here where the companies are slowly engaging in an ad hoc reorganization of their operations, linking two utilities in a new area of their businesses in the absence of any review by their regulator, the Commission. At a minimum, that process should be subjected to close oversight to ensure that not only are cost efficiencies achieved but that their ratepayers are protected from any cross-subsidizations and degradations in their service. In that vein, MoveUP urges this Commission Panel to be wary of and to closely

monitor how FEI and FBC present the operational changes and accounting projections of the extent of shared services. There is no small incentive to maintain those levels below the Commission's \$100,000 threshold: a threshold the Union notes would require the Utilities to file far more evidence on the subject than currently required, triggering an examination of the operational and accounting reporting with the result likely being a far greater degree of BCUC and Intervener scrutiny.

Based on the FEI Reply Submission, the Union expects that there is a strong chance FBC will also disagree with the Union's use of the analogy of Terasen's movement into AES. The Union is not attempting to draw a direct and exact line between the two situations. Instead, the Union simply noted that the changes that occurred in both situations were gradual but there came a tipping point in Terasen's activities when the Commission felt it must convene a process to examine whether the in-house model Terasen was using was appropriate and in the public interest. Here, FEI and FBC have been changing their Customer Care operations in increments but it has become apparent that this program is expanding beyond its current limits potentially engaging cost allocation and quality concerns sufficient to trigger a Commission determination that a process to examine whether this particular inter-utility shared service is in the public interest and if so, whether it has been implemented in a way that adequately prevents unfair cross-subsidization and a degradation of service or services.

In its Reply, FEI relied upon *British Columbia Hydro and Power Authority v. B.C. Utilities Commission* (1996), 20 B.C.L.R. (3d) 106 to support its assertion that the Union is improperly asking the Commission to assume the management of a public utility (or utilities) by asking that the Commission closely examine this cross-utility work and the associated charges. While FBC has yet to file its Reply, MoveUP will briefly deal with this case in an effort to ensure the Commission has a full understanding of its position not only on process, but the law.

With respect, the BC Hydro case is not relevant to this proceeding. In that case, the Commission had disagreed with the IRP public consultation process BC Hydro had undertaken, finding it to be inadequate and "after the fact". The Commission issued a

Decision that threatened Part 9 sanctions if BC Hydro failed to comply with its various Directions including one to convene a Collaborative Committee, to put to that Committee BC Hydro's resource planning initiatives and analyses, and then to proceed in its resource planning responsibilities guided by the Committee's views and information.

Mr. Justice Goldie's decision in that case found that there was no legislative intent to confer upon the Commission any jurisdiction to force the directors of a public utility to manage its affairs as the Commission saw fit or to enable the Commission to punish default on any such recommendations using Part 9 sanctions. The Union is ever mindful of the limitations on the Commission's jurisdiction as defined by this case and points to two important differences between what MoveUP is asking the Commission to consider and the BC Hydro case. First, MoveUP is not asking that the Commission assume the mantle of FBC's management to direct its internal operations. Instead, the Union is asking that the Commission consider whether an inquiry is now advisable into the de facto merger of the two separate utilities' customer service functions to ensure that any service sharing it is in the public interest and, if so, whether the way it is currently being done is not resulting in any cross-utility subsidization or degradation of service as already discussed above. Second, the Union notes that inquiries of this kind are not unknown or prohibited by law. In fact, MoveUP referred to the Commission Inquiry into the Terasen Alternative Energy Services as a clear example of the process it envisioned as appropriate to the subject matter at hand.

The Moving Target: the Costs to FBC of FEI's CSR Work

At the October 12th FEI Annual Review Workshop, on slide 13 of the Workshop Presentation (Exhibit B-10), FEI asserted, "2016 projected actuals are approximately \$50 thousand". Ms. Dawn Mehrer who appeared to speak to Customer Service and Sharing issues at both the FEI and FBC Annual Review Workshops, confirmed this figure a number of times on the record, first in response to an inquiry by Ms. Sarah Walsh of the Commission (FEI Annual Review Transcript, page 25) and then in response to a MoveUP inquiry (FEI Annual Review Transcript, page 84). Because this figure seemed quite conservative based on the Union's knowledge of the volume of FBC calls FEI Customer Service Representatives (CSR's) were

answering, the Union requested a calculation or derivation of the \$50,000.00 projection (FEI Annual Review, Undertaking No. 2 requested at Transcript page 85, line 20 to page 86 line 5).

Just one week later on October 19th, FEI produced a revised estimate of the cross charges relating to these services in its response to Undertaking No. 2. This new Year End Forecast (YEF) jumped by approximately 61% to \$80,423, an increase of \$30,423 (FEI Annual Review, Response to Undertaking No. 2, Exhibit B-11). In its Final Reply, FEI stated that this discrepancy was entirely explainable because the \$50,000 estimate provided in the Workshop Presentation was based on the Q1 and Q2 experience, saying “[Witnesses] cannot...be expected to have updated forecasts on all costs available to them.” (FEI Final Reply, page 15) Given how FEI and FBC share not only some management personnel but legal counsel, MoveUP thinks it is likely FBC will seek to make this argument in its Reply as well.

The Union can accept that in many circumstances, what FEI said is true. Utility management is a complex business with many moving parts and there are times when witnesses will not know pertinent facts that later emerge. However, it strikes the Union as odd that Ms. Mehrer, the Director of Customer Contact Centres servicing both FEI and FBC, and both FEI and FBC’s primary source of evidence and information at the Workshop could have been unaware that the cross-utility CSR work for Q3 was, for whatever reason, significantly higher than Q1 or Q2. The fact is that Q3 was almost five times busier than Q1 and three times busier than Q2. These differences in the cross-utility call volumes are not negligible and could hardly have gone unnoticed by the person in charge of the Customer Contact Centres. The Union notes that in both the FEI and FBC workshops Ms. Mehrer made no mention of the vacancies in Trail that the Utilities later asserted were the cause of this steep increase in the volume of FBC calls taken by FEI CSR’s during Q3 nor did she mention that due to the obvious increase in Q3’s volumes, the \$50,000 estimate for the year was no longer likely to be representative of the true cross-charges.

The Union agrees with FEI's assertion that its response to MoveUP's request for an Undertaking was "frank and helpful." (FEI Final Reply, page 16), it is, however, unfortunate that Ms. Mehrer was not so frank and helpful when the opportunity presented itself at the Workshops.

Upon receiving the FEI's response to Undertaking No. 2, the Union could not help but to notice that this Forecast was based on an assumption that the Utility's Q4 FBC call volumes would drop to a level close to its Q1 results and an assumption that its 2016 Q4 Cost Per Transaction would diverge quite strongly from its 2015 Q4 ones. The Union assumes that this Forecast was developed in concert with FBC or that FBC accepts and adopts FEI's Forecast as its own.

Quite frankly, the Union strongly disagrees with the assignment of call volume and Cost Per Transaction values that bear no resemblance to the utilities' 2015 Q4 results and notes that due to the constraints of time and process, these assumption were not subjected to the Commission or Interveners' questions to ascertain whether they were reasonable and based on a solid evidentiary foundation. Our client further submits that it is entirely counter-intuitive to project a dramatic decrease in the number of 2016 shared service transactions from Q3 to Q4, given that they are driven by the frequency of higher-demand circumstances for an electrical utility, particularly the impact of autumn/winter weather on the frequency and severity of outages in such an operation and the increase in concerns about billing as heating costs rise. The unlikelihood that FEI and FBC's Q4 Forecast will prove accurate is significantly heightened by the fact that the latter half of 2016 has seen the training-up of 18 FEI CSC employees to take electric utility calls – which no doubt is reflected in the dramatic surge in the number of transactions from Q2 to Q3. The Commission can rely on the evidence elicited by the Union in this process, past experience and common sense to reasonably expect a still higher volume in Q4, given the expanded workforce handling a seasonal upswing in peak demand occurrences.

MoveUP instead urges the Commission to adopt the following Year End Forecast of charges to FBC where 2016's Q4 is based on the experience in Q4 of 2015 with some adjustments in

the calculations as described below. The Union says its restated YEF is actually a conservative projection under the circumstances but it is a reasonable starting point to anchor an examination of FBC’s current situation.

MoveUP has, for the Commission’s convenience, recalculated FEI’s estimate using 2015’s Q4 volumes with a detailed explanation of the source and calculations.

In the 2015 Annual Review of its 2016 rates, FBC presented its calculations in response to MoveUP (then COPE378) IR 1.12.7 with the Cost Per Interaction calculated on a monthly basis. The Union notes from FBC’s response this year to MoveUP IR 1.1.7 (Exhibit B-9) that this practice continued for the balance of the 2015 calendar year. However, in 2016 the utility moved to a calculation of the per transaction costs based on a quarterly average rather than the monthly one. In response to Undertaking No. 4, FBC said the following, “FEI has quarterly reconciliation processes that it undertakes that ensures that its quarterly accounting and reporting is more accurate than the monthly accounting and reporting. Using a quarterly calculation reduces the volatility introduced by the timing issue, ensuring the charges are easier to understand and more reflective of actual costs.” (Exhibit B-13). Although in this process this assertion cannot now be tested, the Union is content to proceed in its proposal using what FBC has asserted is a calculation more reflective of actual costs: a quarterly one.

The source figures MoveUP used in this calculation are those from October, November, and December 2015 as found in FBC’s response to MoveUP IR 1.1.7 in this year’s Annual Review process (Exhibit B-9, page 5).

	15-Sep	15-Oct	15-Nov	15-Dec	16-Jan	16-Feb	16-Mar	16-Apr	16-May	16-Jun	16-Jul	16-Aug
Volume	433	485	739	351	676	264	290	83	497	1,430	2,047	1,998
Cost Per Interaction	\$8.26	\$10.87	\$10.11	\$14.15	\$6.32	\$6.32	\$6.32	\$8.27	\$8.27	\$8.27		
Cross Charges	\$3,578	\$5,273	\$7,475	\$4,968			\$7,776			\$16,630		

**The Union’s Restatement of the FEI Year End Forecast for CSR-Related Cross-Charges
(FEI to FBC)**

	Q1 Actual	Q2 Actual	Q3 Actual	FEI Q4 Forecast	MoveUP Q4 Forecast	MoveUP’s YEF
# Calls	1,230	2,010	6,073	1,400	1,575	10,888
Cost per	\$6.32	\$8.27	\$7.76	\$6.35	\$11.25	
Total Cost	\$7,776	\$16,630	\$47,127	\$8,890	\$17,719	\$89,252

For the average cost per interaction, the Union calculated the total Cross Charges FBC paid to FEI for 2015’s Q4 ($\$5,273 + \$7,475 + \$4,968 = \$17,716$) and divided it by the volume of calls FEI took on FBC’s behalf in that quarter ($485 + 739 + 351 = 1575$) to get a quarterly average cost per interaction of \$11.25. As a result, the Union’s proposed FBC 2016 YEF will have all Cost Per Interactions based on the same calculation parameters now used and preferred by FEI and FBC.

The Union took this average cost per interaction (\$11.25) and applied it to the total 2015 Q4 call volumes for a 2016 Q4 projection of \$17,719 (rounded up). As a result of this restated Q4, the utilities’ YEF for this activity is now \$89,252: \$39,252 more than specified at FEI’s Workshop.

Quite frankly, the Union is concerned that on October 12th, 2016, FEI provided to the Commission and Interveners so deficient a YEF, one presumably developed in cooperation with FBC that was 61% below the figure FEI provided only one week later (\$80,423) and 78.5% below MoveUP’s revised one (\$89,252). Also of concern: this revision only happened because MoveUP challenged Ms. Mehrer’s assertion that their CSR-related cross charges would only amount to \$50,000 in 2016 and requested a detailed calculation.

Why Adopt the Union's YEF?

The Union's YEF for FEI and FBC's CSR-related cross charges is admittedly significantly higher than the utility's latest Q4 projection (FEI Response to Undertaking 2, Exhibit B-11) but it is, the Union submits, a far more reasonable approximation of the volumes and associated costs the Commission might expect FEI and FBC to experience and it entirely consistent with the CSR-related cross charges FBC paid to FEI in 2015's Q4. As discussed above, utilities like FBC typically see higher call volumes when customers' bills begin to rise as temperatures drop and when the winter storm season begins. The Union seeks to provide both the Commission and Interveners with a more representative estimate than FEI's inexplicably low one.

The Effect of MoveUP's Restatement of FEI's YEF on FEI's FTE Calculation

In FEI's response to Undertaking No. 2, FEI stated that 2,577 CSR hours represents approximately 1.4 FTE's.

The Union has used these figures to generate the number of CSR hours per FTE:

$$\$80,000 \div \$31.04 = 2,577 \text{ CSR Hours}$$

$$2577 \div 1.4 = 1841 \text{ CSR Hours per FTE}$$

Based on that representation, MoveUP notes that the Union-generated increase in the Year End Forecast as shown above changes the calculation of the FTE equivalent to 1.6. Using the Union's recommended Q4 forecast figures the FTE equivalent calculation is now as follows:

$$\$89,252 \div \$31.04 = 2,875 \text{ CSR Hours}$$

$$2875 \div 1841 = 1.6 \text{ CSR FTE's (1.56 rounded up as FEI's calculation was)}$$

This is, of course, a projection based on the Union's reasonable use of 2015's Q4 results and it does not build into it any possible escalation in FEI's provision of CSR support to FBC

beyond that already on the evidentiary record. In addition, this higher FTE calculation is somewhat consistent with FBC's YTD FTE calculation of 1.7 (FBC Response to MoveUP Undertaking 3, Exhibit B-13) while building into it an assumption that the Q3 call volume experience is not likely to continue into Q4.

Conclusion

As a result of the escalation in the utilities' operational merging of their customer service functions and the material misstatement of the cross-charges associated with just the CSR-related activities, the Union respectfully requests that this Commission Panel determine whether it is now appropriate to order a process to determine whether the utilities' current Per Interaction costing is appropriate, particularly whether, in light of the increase in this activity, it adequately avoids cross-utility subsidies whereby one group of ratepayers is subsidizing another, and a second, more general process to determine whether the melding of the utilities' customer care functions to one or a blended employee pool is wise, from a cost as well as a service and safety perspective.

All of which is respectfully submitted,

Allevato Quail & Worth

Original on file signed by

Leigha Worth

Barrister & Solicitor