

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 2019 Rates

1.0 ANNUAL REVIEW REQUIREMENTS

REFERENCE: Exhibit B-2 p. 3 Table 1-1 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

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

REFERENCE: Exhibit B-2 Appendix C-1 page 3 Item 13, Directive No. 12a:

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

AND REFERENCE: FortisBC Inc. Annual Review for 2019 Rates, Exhibit B-2, page 5:

1. Sharing of Gas and Electric Contact Centre Staff

In 2018, FBC continued to leverage gas and electric contact centre staff to achieve three goals: to reduce operating costs, to maintain or improve service levels to customers, and to provide learning and development opportunities for staff.

In total, the integration of activities is forecast to produce annual savings for FBC of approximately \$0.300 million.⁴

4 This may fluctuate slightly year to year depending on the number of electric calls answered by representatives in Prince George.

1.2 Please provide the monthly volume and cost of calls allocated to FBC from FEI from August 1 2017 through July 31 1 2018.

1.3 Please describe the process by which this data was obtained.

1.4 How do you reconcile the assertion that FEI handled less than \$100,000 of call centre business for FBC with FBC's corresponding evidence that it saved approximately three times that sum from the integration of activities in the same period?

2.0 EVALUATION OF PBR PLAN

REFERENCE: Exhibit B-2 page 77

10.1 EARNINGS SHARING

The PBR Decision (at page 124) stated that the inclusion of symmetric earnings sharing is beneficial to both FEI and its customers and approved an earnings sharing mechanism where gains and losses are shared equally between FEI and customers. For 2019, FEI is proposing to distribute a \$1.466 million pre-tax credit (\$1.070 million after tax) as shown in Table 10-1 below.

2.1 Please provide a table showing the earnings sharing with customers in each year of the PBR term including the projection for 2018, and the cumulative values through 2018, expressed as:

- (a) The total dollar amount of amount of shared earnings
- (b) The percentage of the total delivery charge
- (c) The dollar savings *per annum* for the average residential account

REFERENCE: Exhibit B-2 page 4 section 1.4. Overview of O&M Savings

Net ratepayer gains from PBR

2.2 Please identify the savings and efficiencies that have been achieved for ratepayers since the inception of the PBR Plan that have been a direct result of the PBR – i.e., that would not have been achieved in the absence of the incentive mechanisms and other features of the PBR plan.

2.3 Please explain why FEI would not have achieved each of them pursuant to its service obligations and the “regulatory compact” under a cost-of-service regulatory regime, through the test period.

2.3.1 If FEI says that it would not have achieved any degree of savings for ratepayers with respect to those identified matters absent the PBR plan, please explain why.

2.4 What is FEI’s estimate of the net incremental financial value that was achieved for ratepayers flowing from those savings and efficiencies over and above the value that would have been achieved in the absence of the PBR?

Net shareholder gains from PBR and extent of PBR financial incentive

2.5 What is the net earnings sharing credit available to shareholders for the corresponding period?

2.6 How many dollars per share does this represent for the company?

2.7 What percentage of gross O&M does this credit represent?

2.8 Aside from FBC’s desire to attain all objectives defined by the Commission, does FBC agree that the monetary value of this credit does not provide a material incentive to the company to modify its operations and management decision-making in order to achieve it? If not, please explain how and to what extent the amount of the shareholder credit is sufficient to incent FBC to modify its operations and management decision-making.

REFERENCE: FEI ANNUAL REPORT 2018 Ex B-2 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.

AND REFERENCE: CURRENT PROCEEDINGS, Exhibit B-2 page 5:

In 2018, as we near the end of the term of the current PBR Plan, FEI continues to be 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. As a result, the 2018 projected O&M savings of \$5.0 million is lower than recent years, recognizing the impact of the PIF factor in the allowed annual O&M funding available. Contributing also to the productivity challenge are new cost pressures the Company is experiencing.

2.9 As a general proposition, has FEI sought to implement the most substantial and realizable efficiencies and savings for ratepayers in the early phase of the PBR term, that were reasonably achievable at that time? If not, please explain why not.

2.10 To what extent has this strategy (of first harvesting low-hanging fruit) produced an erosion of incremental annual ratepayer benefit from the PBR plan?

2.11 Please provide any additional substantial explanations for the decay in annual earnings sharing over the course of the PBR.

2.12 If there is a renewal or continuation of the PBR plan after its current expiry, what basis, if any, is there for the Commission to expect that this trend will not continue (i.e., to expect that the renewal or continuation would re-create more substantial realizable efficiencies than were available through the latter years of the present PBR plan?)

3.0 STAFFING

REFERENCE: Exhibit B-2 page 6 Table 1-3

3.1 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: Exhibit B-2 page 1

Under the PBR Plan, FEI projects savings in 2018 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.

3.2 What are the “alternate solutions to the filling of vacancies and to what extent have they been applied?

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

3.3 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.

3.4 Please describe any plans for the transfer of operations or service delivery in either direction 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.

3.5 What criteria does FEI apply in deciding whether to engage contractors rather than employees for specific roles and tasks?

4.0 PENSION AND OPEB EXPENSE

REFERENCE: Exhibit B-2 page 50

Pension and OPEB Expense

Pension and OPEB expenses for 2019 are based upon actuarial estimates using a range of assumptions as at December 31, 2017 provided by the Company's actuary, Willis Towers Watson. Pension and OPEB expense is segregated amongst O&M, Capital, Asset Removal Costs, and Core Market Administration Expense (CMAE) categories as shown in Table 6-4.

4.1 What assumptions are included in the "range of assumptions as at December 31, 2017"?

5.0 PROJECT ONE

REFERENCE: FEI 2018 ANNUAL REVIEW Exhibit B-7 (Responses to MoveUP IR 1) IRs 11.2 to 11.6

5.1 Please provide updated responses to these Information Requests

6.0 SERVICE QUALITY INDICATORS

REFERENCE: Exhibit B-2 page 140-141 All Injury Frequency Rate

6.1 Please provide a listing of all recorded injuries in 2017 and YTD, showing for each incident the employee category (MoveUP, IBEW or Excluded), the work location, the person's job, the

nature of the injury, the amount of time lost, and a brief summary of any remedial/preventive measures taken as a result.