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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-14-15**

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

**and**

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

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

**O R D E R**

**WHEREAS:**

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

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

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

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

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

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

**DATED** at the City of Vancouver, in the Province of British Columbia, this 4<sup>th</sup> day of February 2015.

BY ORDER

*Original signed by:*

D. M. Morton  
Panel Chair/Commissioner

Attachment

**CONSENSUS RECOMMENDATION**  
**OF**  
**FORTISBC ENERGY INC., FORTISBC INC., COMMERCIAL ENERGY CONSUMERS**  
**OF BRITISH COLUMBIA, BRITISH COLUMBIA OLD AGE PENSIONERS**  
**ORGANIZATION, ET AL, CANADIAN OFFICE AND PROFESSIONAL EMPLOYEES**  
**UNION, LOCAL 378; BRITISH COLUMBIA SUSTAINABLE ENERGY ASSOCIATION**  
**AND SIERRA CLUB BRITISH COLUMBIA**  
**(COLLECTIVELY, THE “PARTIES”)**  
**ON THRESHOLDS FOR SERVICE QUALITY INDICATORS UNDER THE**  
**FORTISBC ENERGY INC. AND FORTISBC INC. 2014-2019 PBR PLANS**

**RECITALS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Attachment N: Updated table of the approved SQIs along with the benchmarks, FortisBC's initial proposed thresholds, CEC suggested thresholds and FortisBC's amended thresholds. This was provided to stakeholders by FortisBC at the December 12, 2014 workshop as a separate handout.
- Attachment O: Speaking notes regarding COPE's alternative proposal provided by COPE at the December 12, 2014 workshop.
- Attachment P: Historical annual SQI performance data redefined to 3 year, 4 year, 5 year and 6 year rolling averages along with the thresholds recalculated to match. This analysis was requested by stakeholders in support of the alternative SQI threshold methodology presented by CEC. This analysis was provided by FortisBC for illustrative purposes with respect to the CEC proposal in an email on December 17, 2014.
- Attachment Q: Updated table (i.e. same as Attachment N) of the approved SQIs along with the benchmarks, FortisBC's initial proposed thresholds, CEC suggested thresholds and FortisBC's amended thresholds. This was provided again to stakeholders by FortisBC at the December 19, 2014 workshop to help facilitate the discussion.
- Attachment R: The same data as provided in Attachment P except in graphical form for the 3 year and 6 year rolling averages. This was provided by CEC at the December 19, 2014 workshop to help facilitate the discussion.

- I. The Parties considered the factors identified for consideration in the PBR Decisions.
- J. Parties brought different perspectives to the discussions and different beliefs as to the appropriate approach for determining the thresholds. For instance, CEC expressed their view that (i) service quality should be provided at the benchmark levels established by the Commission and (ii) this service quality should be provided annually and in aggregate over time. FortisBC, in response to this point, expressed its view that (i) service quality metrics are subject to inherent and/or uncontrollable volatility over time, and (ii) the Commission Decisions recognized that there is a range of "satisfactory" performance around benchmarks. These and other issues discussed by the Parties are set out in further detail in the attached documents.
- K. Parties have acted in good faith, and have made appropriate compromises on individual SQI thresholds in the interest of reaching agreement on an overall package that will achieve the objectives established by the Commission.
- L. The following terms represent the agreement of the Parties as to an appropriate package recommendation to the Commission. The Parties request that the Commission incorporate the recommendation into an Order for the two subject utilities.

## **AGREED TERMS OF THE CONSENSUS RECOMMENDATION**

The Parties agree as follows:

### **Definition of Performance Ranges**

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

### **Operation of the SQI Performance Ranges**

#### **1. Objectives**

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

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

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

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

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

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

## 2. Process

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

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

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

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

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

### Phase 2 – Determination of any financial consequences

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

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

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

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

## Agreed Thresholds

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

Approved Service Quality Indicators (SQIs)

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

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

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

## “Serious Degradation of Service”

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

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

### **"Package" Agreement**

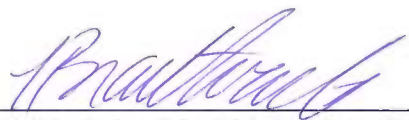
3. The Parties acknowledge that the Consensus Recommendation was a product of compromise with the intention of achieving the overall objectives outlined in the Commission's Decisions.
4. The Parties intend for this Consensus Recommendation to be presented to the Commission for acceptance and incorporation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

### **Counterparts**

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

  
\_\_\_\_\_  
FortisBC, per authorized signatory

January 13, 2015  
\_\_\_\_\_  
Date

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

January 14, 2015  
\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

- 8 -

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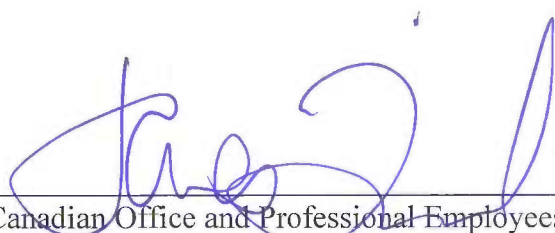
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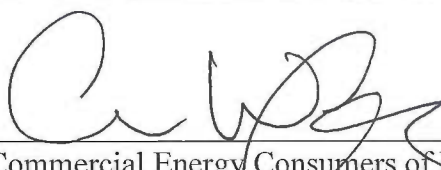
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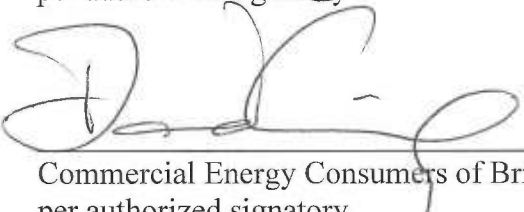
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Canadian Office and Professional Employees Union,  
Local 378, per authorized signatory

January 13, 2015  
Date

  
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Commercial Energy Consumers of British Columbia,  
per authorized signatory

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