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CONFIDENTIAL

November 24, 2022

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Sara Hardgrave, Acting Commission Secretary

Dear Ms. Hardgrave:

Re: FortisBC Inc. (FBC or the Company)

**Application for Approval to Sell the Princeton Bridge Street Properties
(Application) - CONFIDENTIAL**

FBC hereby applies, pursuant to section 52 of the *Utilities Commission Act* (UCA), for approval from the British Columbia Utilities Commission (BCUC) to sell the Princeton Bridge Street properties (Princeton Office Properties) to the Town of Princeton. FBC proposes to provide the gain on the sale of the Princeton Office Properties to customers.

The Princeton Office Properties consist of two properties: (i) the land and building located at 231 Bridge Street; and (ii) the adjacent land at 91 Bridge Street (consisting of land only). These two properties were formerly owned by Princeton Light and Power Company, Limited (PLP), and the building located at 231 Bridge Street was built in 1999.

Earlier this year, the Town of Princeton approached FBC about purchasing the Princeton Office Properties. FBC engaged with an independent appraisal company, Inland Appraisers Ltd., to obtain an updated appraisal for the Princeton Office Properties, which was completed in May 2022 and determined that the fair market value for the Princeton Office Properties is [REDACTED]. FBC then engaged in negotiations with the Town of Princeton and reached an agreement to sell the Princeton Office Properties for [REDACTED]. The agreement is conditional on BCUC approval of the Application.

Section 52 of the UCA requires FBC to seek BCUC approval to dispose of the Princeton Office Properties. In determining whether to approve the disposition, FBC submits that the BCUC's public interest assessment should center on whether the sale results in harm to customers in

terms of quality or quantity of service.¹ This disposition will not affect the quality and quantity of FBC's service to customers as FBC no longer requires the Princeton Office Properties for utility service, and FortisBC Energy Inc. (FEI), who has been leasing the Princeton Office Properties since 2014 for mustering and storage purposes, has provided notice of termination of its lease at the end of 2022, as discussed further below.

Notwithstanding the determination of the Supreme Court of Canada that the proceeds of sale are to the account of the shareholder,² FBC proposes that customers receive the benefit of the gain on the sale of the Princeton Office Properties, estimated at approximately [REDACTED]. To implement this approach, FBC requests approval as part of this Application to establish a non-rate base deferral account attracting a weighted average cost of capital (WACC) return until it is placed into rate base on January 1, 2024, to record the gain on the sale (i.e., the net proceeds of the sale less the net book value of the land and buildings of the Princeton Office Properties). Once transferred to rate base in 2024, FBC proposes to amortize the balance in the deferral account over one year.

Request for Confidentiality

The public version of this Application has been redacted to remove commercially sensitive details about the valuation and listing of the property. Pursuant to Section 19 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-178-22, FBC requests that the commercially sensitive details of the Application and Appendices be held confidential by the BCUC at this time. The purchase and sale information and the contracts resulting from negotiations should be confidential as they contain sensitive market information, the release of which could adversely affect negotiations relating to the sale of the property. If approval of this Application is granted and upon completion and closing of all transactions, the confidential portions of the Application and Appendices may be made public.

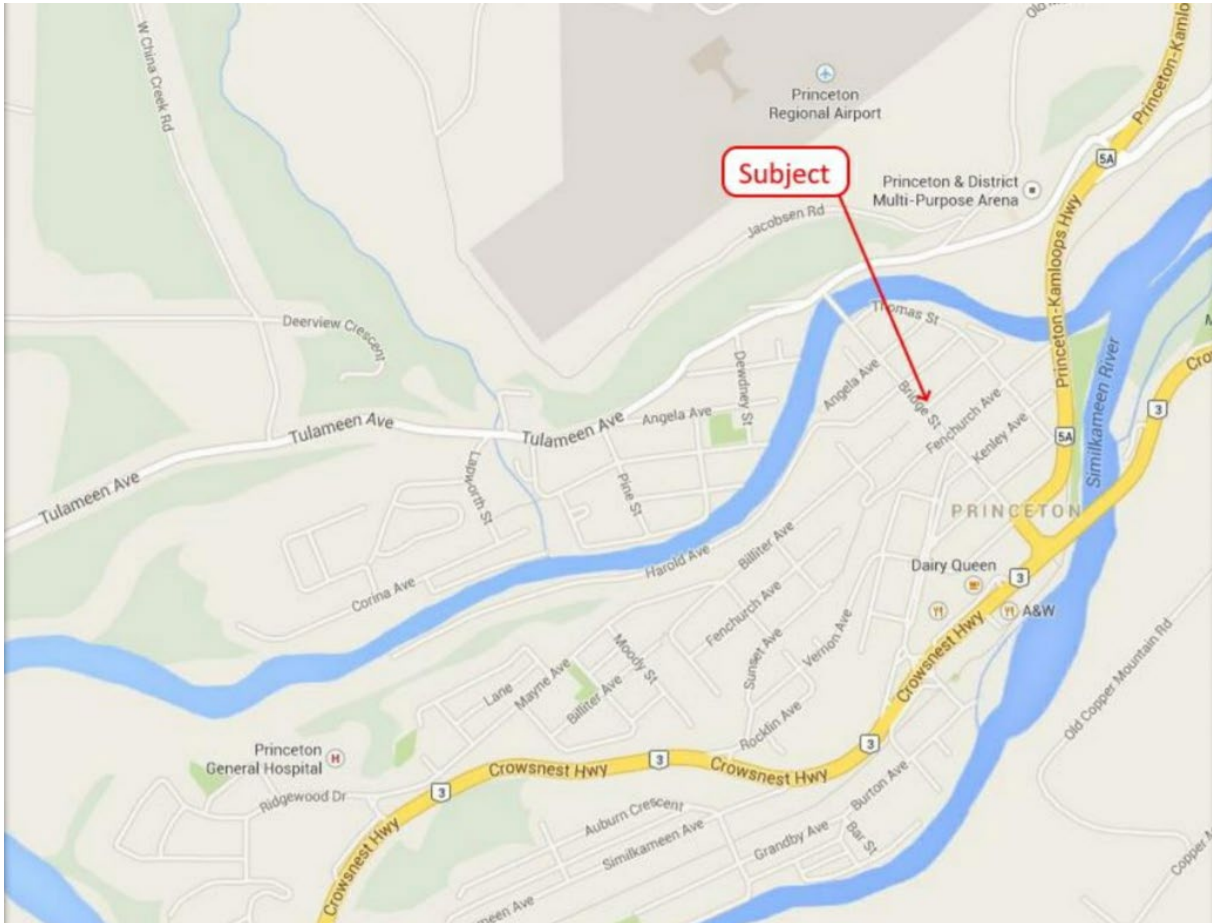
The Princeton Office Properties Are No Longer Needed for Utility Service

The Princeton Office Properties are centrally located at 231 Bridge Street and 91 Bridge Street, in the downtown core in the Town of Princeton, as shown in Figure 1 below.

¹ *ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board)*, 2006 SCC 4 at 168 and 181-182. The decision is available online at the following: [extension://elhekieabhbkmcefcobjddigcaadp/https://scc-csc.lexum.com/scc-csc/scc-csc/en/17/1/document.do](https://scc-csc.lexum.com/scc-csc/scc-csc/en/17/1/document.do)

² *ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board)*, 2006 SCC 4.

Figure 1: Location of Princeton Office Properties



The Princeton Office Properties encompass an “L” shaped site comprised of two separate legal parcels totaling 0.069 acres and 3,000 square feet, as shown in Figure 2 below.

Figure 2: Aerial Photo of Princeton Office Properties (Boundaries are Approximate)



The Princeton Office Properties include a two-storey commercial building of approximately 3,815 square feet and a basement. The building was constructed in 1999 by PLP. It is a split-level design with a larger front area and smaller offset rear area accessible by wide stairs. Figure 3 below is a picture of the front of the two-storey building.

Figure 3: Front of Princeton Office Properties, Looking North from Bridge Street



FBC acquired the Princeton Office Properties upon its merger and consolidation with PLP. Pursuant to Order G-47-05 dated May 19, 2005, the BCUC approved the purchase of all the issued and outstanding shares of PLP by Fortis Inc. and the transfer to Fortis Pacific Holdings Inc. (FPHI). On December 1, 2006, the Lieutenant Governor in Council gave consent to the merger of PLP and FBC, and Order in Council 852, 2006 was issued. Subsequently, Order G-159-06 approved the transfer of the issued and outstanding shares of PLP to FBC and the consolidation and merger of PLP assets into FBC. As part of the approval of the consolidation and merger, PLP was wound up.

In 2007, upon completion of the PLP consolidation and merger of assets into FBC, FBC centralized the administration and contact centre roles to FBC's Trail office. However, FBC continued to use the Princeton Office Properties for materials and furniture storage.

In 2014, the opportunity arose with the expiry of FEI's Princeton muster lease to relocate the FEI muster to the FBC-owned Princeton Office Properties. Accordingly, since 2014, FEI has been leasing the Princeton Office Properties from FBC for mustering and for storage purposes. However, FEI has advised it will terminate its lease with FBC at the end of 2022. FEI no longer requires this location for mustering and will be using another location for its storage needs.

FBC does not foresee any prospect that it will need the Princeton Office Properties for utility service in the future.

FBC Has Negotiated the Sale of the Princeton Office Properties to the Town of Princeton

The Town of Princeton has a small commercial real estate market which is easily impacted by external events. Over the years, FBC has had discussions with the Town of Princeton regarding the possible sale of the Princeton Office Properties.

In 2018, FBC received interest in the Princeton Office Properties from the Town of Princeton. FBC attempted to negotiate a sale but was unable to reach an agreement. The appraised value of the Princeton Office Properties at the time was [REDACTED].

In 2022, the Town of Princeton renewed discussions with FBC on purchasing the Princeton Office Properties.

FBC engaged an independent appraisal company, Inland Appraisers Ltd., to provide an updated appraisal for the Princeton Office Properties, which was completed in May 2022. The updated appraisal valued the Princeton Office Properties at [REDACTED]. The appraisal is filed confidentially as Appendix A to the Application.

FBC engaged in negotiations with the Town of Princeton and reached an agreement to sell the Princeton Office Properties [REDACTED]. The agreement, which is filed confidentially as Appendix B to the Application, is conditional on BCUC approval of the Application. The anticipated date of sale is approximately the first quarter of 2023.

In determining whether to approve the disposition, FBC submits that the BCUC's public interest assessment should center on whether the sale results in harm to customers in terms of quality or quantity of service. In *ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board)*, the Court discussed a property disposition in the context of a similar provision in the Alberta legislation, stating: "The provision can only be meant to ensure that the asset in question is indeed non-utility, so that its loss does not impair the utility function or quality."³

As discussed above, FBC is no longer using the Princeton Office Properties to provide service to customers and sees no prospect that it would need the properties for utility service in the future. Therefore, the sale will not harm FBC's customers in terms of quality or quantity of service.

Treatment of Gain from Sale of Princeton Office Properties

Notwithstanding the determination of the Supreme Court of Canada that the proceeds of sale are to the account of the shareholder,⁴ FBC proposes to provide the gain on the sale of the Princeton Office Properties to customers. FBC estimates the net amount to be provided to customers will be approximately [REDACTED].

The gain on sale is determined as follows:

- The sales proceeds of [REDACTED], net of disposal costs and income taxes (i.e., the net proceeds); less

³ *ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board)*, 2006 SCC 4 at 168. Also see the Court's discussion at pages 181-182. The decision is available online at the following: [extension://elhekieabhbkmcfcoobjddigjcaadp/https://scc-csc.lexum.com/scc-csc/scc-csc/en/17/1/document.do](https://elhekieabhbkmcfcoobjddigjcaadp/https://scc-csc.lexum.com/scc-csc/scc-csc/en/17/1/document.do)

⁴ *ATCO Gas & Pipelines Ltd. v. Alberta (Energy & Utilities Board)*, 2006 SCC 4.

- The net book value (NBV) of the lands and building of the Princeton Office Properties including disposal costs and taxes payable.

The sale price of [REDACTED] is fixed per the sales agreement attached confidentially as Appendix B. However, the NBV of the properties, the disposal costs and taxes payable are estimates, as follows:

- NBV of the lands and building of \$101,000 (estimated as of March 31, 2023);
- Disposal costs of \$20,000, consisting of legal, regulatory and conveyancing costs, site clean-up, appraisal costs, as well as the maintenance costs (utilities, security, and property taxes) for the period of time between removal from rate base and closing of sale; and
- Taxes payable of \$8,000.

FBC does not anticipate the actual costs to vary significantly from the above estimates.

FBC proposes to record the actual revenues and costs associated with the sale of the Princeton Office Properties (i.e., the gain on the sale) in a new non-rate base deferral account (Princeton Office Disposition deferral account) attracting WACC. The balance in the non-rate base deferral account would then be transferred to rate base on January 1, 2024, and FBC proposes to amortize this balance over one year in 2024. The deferral account mechanism will enable FBC to flow the gain to customers in a timely fashion. Please refer to Appendix C which addresses the considerations identified in the BCUC's Regulatory Account Filing Checklist as they pertain to the proposed new deferral account.

FBC will report on the details of the balance in the Princeton Office Disposition deferral account (i.e., the actual gain recorded in the deferral account) as part of FBC's Annual Review for 2024 Rates application.

Summary of Approvals Sought and Proposed Regulatory Process

FBC seeks approval of the following in this Application:

1. Pursuant to section 52 of the UCA, approval to dispose of the Princeton Office Properties.
2. Pursuant to sections 59 to 61 of the UCA, approval to establish a non-rate base deferral account (Princeton Office Disposition deferral account) attracting WACC, to capture the gain on the sale of the Princeton Office Properties. This account will be transferred to rate base on January 1, 2024 and will be amortized over one year commencing January 1, 2024.

A draft form of order sought is provided in Appendix D.

FBC submits that a minimal, if any, regulatory process is required for the review of the Application. First, as FBC no longer requires the properties and FEI is terminating its lease, the sale of the Princeton Office Properties will not have any impact on FBC's service to customers. Second, FBC has obtained an independent fair market value appraisal of the Princeton Office Properties [REDACTED]. Third, FBC is proposing to provide the gain on the sale of the Princeton Office Properties to FBC customers.

While FBC does not consider a public review process to be necessary for this Application, should the BCUC determine that some form of public process is required, FBC respectfully proposes the following regulatory timetable for review of the Application.

FBC considers that the public notice should be limited to providing notice to the registered interveners in the most recent Annual Review for 2023 Rates proceeding. Requiring the publication of notice in print/display-ad format in news publications is unnecessary for this Application and would result in increased costs of the regulatory process, reduce regulatory efficiency, and reduce the gain on sale for FBC customers. As explained in this Application, FBC has proposed to provide the gain on the sale of the Princeton Office Properties fully to customers and there is no impact to the quantity or quality of service. Any regulatory process requiring publication of notice and/or the participation of registered interveners would only serve to increase the costs of the regulatory review process for the Application and thus reduce the overall benefit (i.e., gain on sale) flowing to customers.

Action	Date (2022)
BCUC Information Request (IR) No. 1	December 8
FBC Response to IR No. 1	December 19
Deadline for Letters of Comment	December 23
FBC Responses to Letters of Comment	December 30

In order to facilitate the sale of the Princeton Office Properties in a timely manner, FBC respectfully requests BCUC approval to be provided prior to January 31, 2023.

Conclusion

FBC submits that the proposed sale of the Princeton Office Properties is in the public interest and should be approved. The sale will have no impact on FBC's service to customers and

The proposed Princeton Office Disposition deferral account will enable FBC to flow the gain on the sale to customers in a timely fashion.

If you require further information or have any questions regarding this submission, please contact Becky Richardson at (604) 592-7744.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

Appendix A

APPRAISAL – 231 BRIDGE STREET, PRINCETON

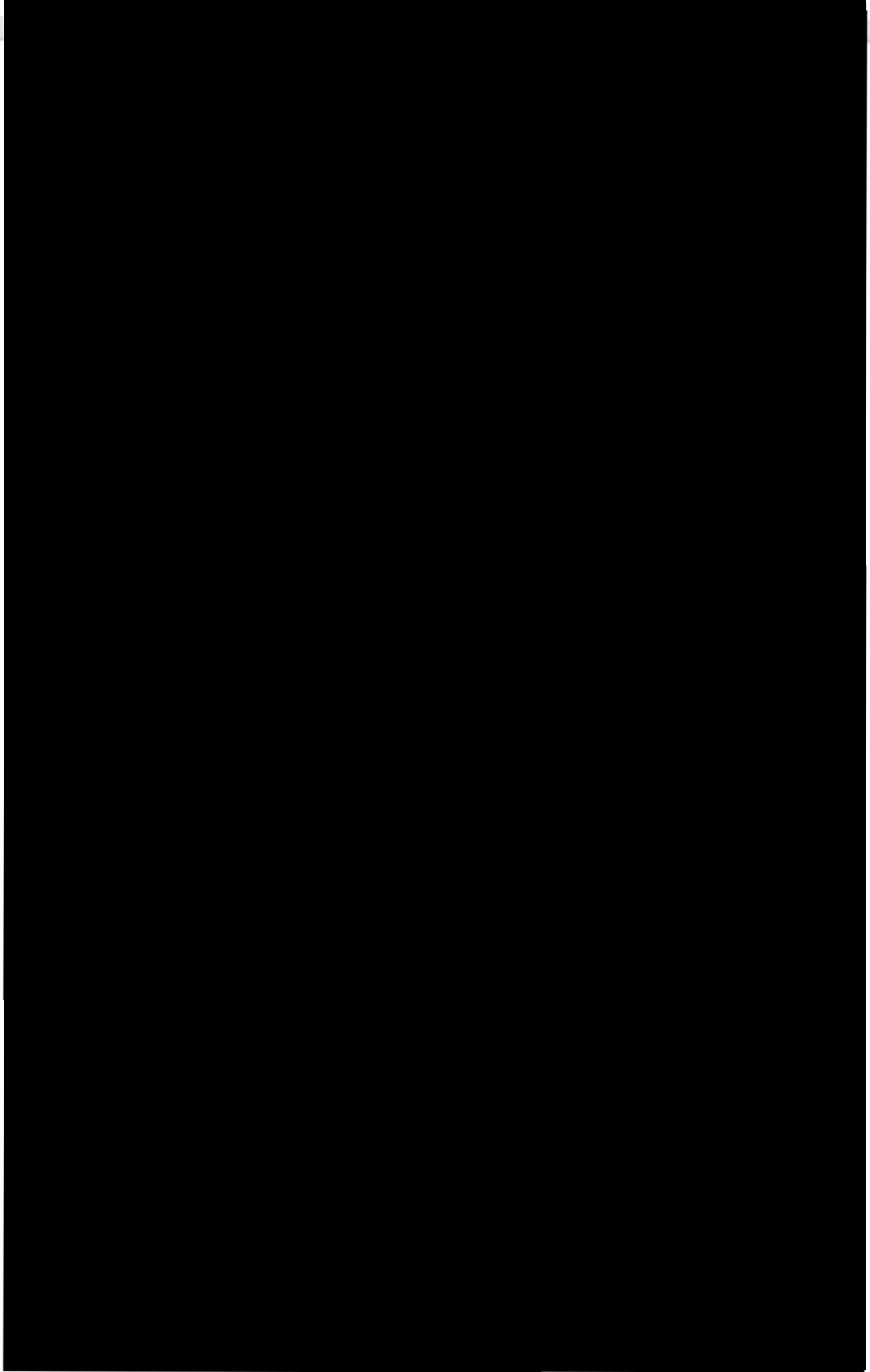
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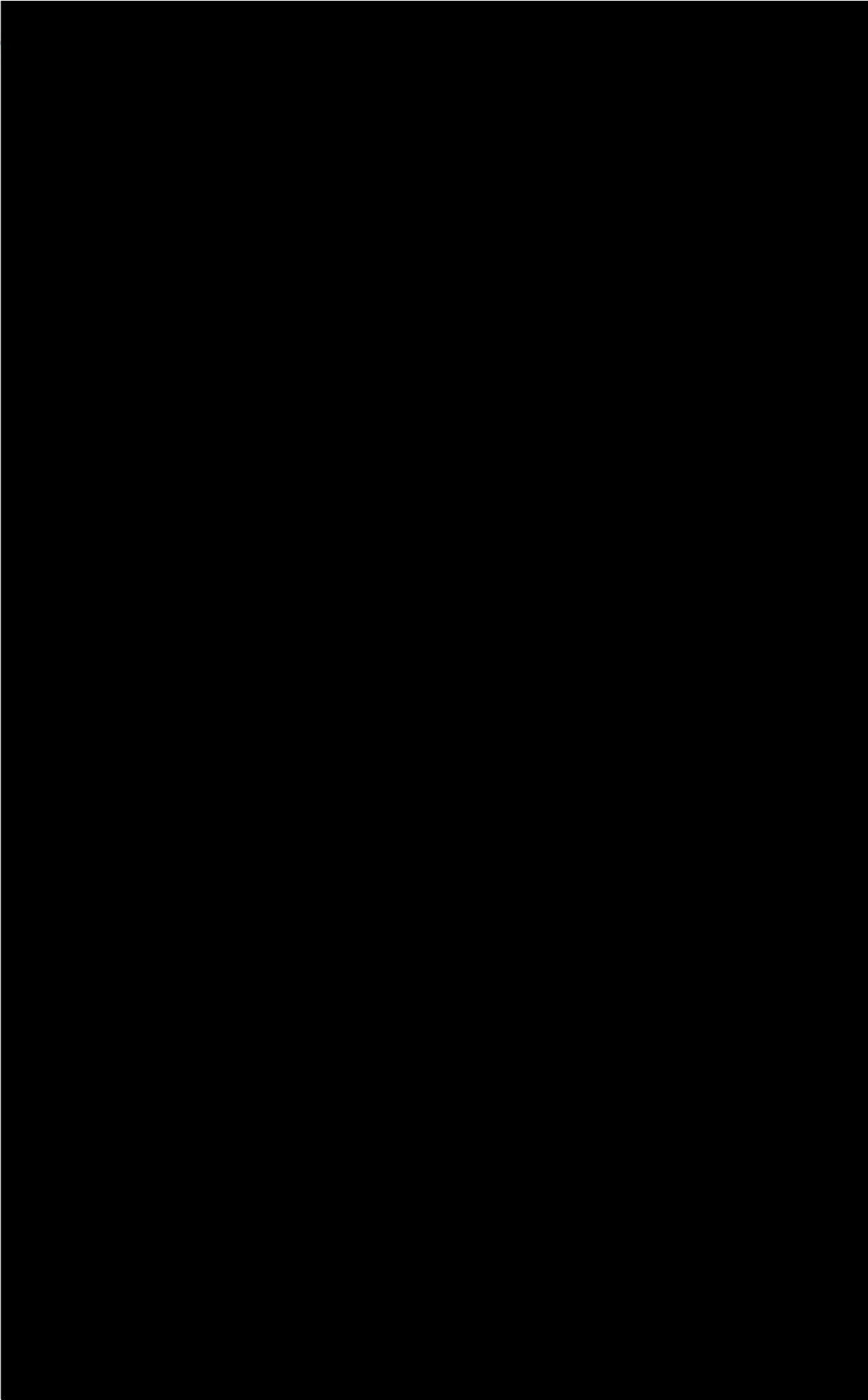
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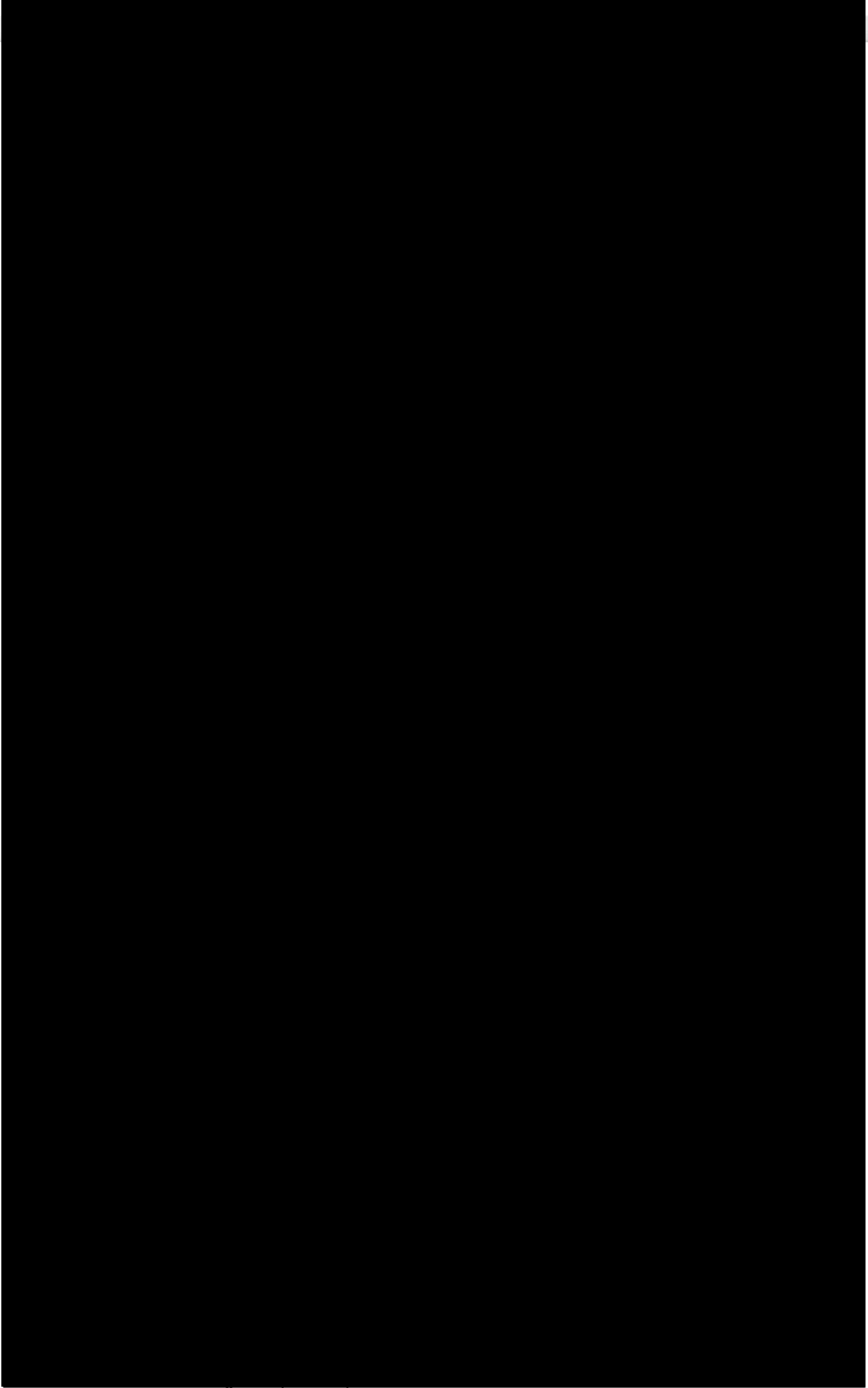
Appendix B

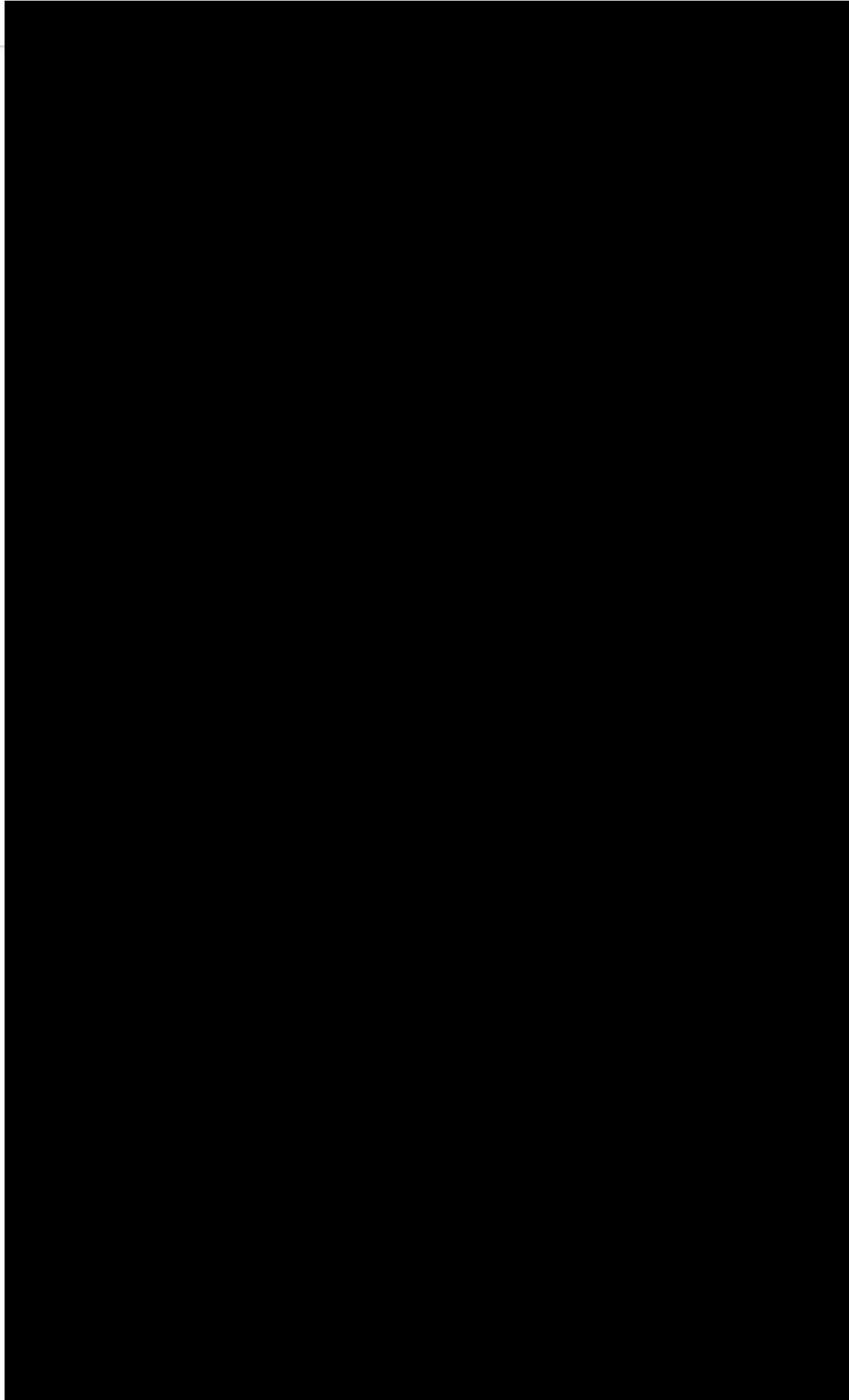
SALE AND PURCHASE AGREEMENT

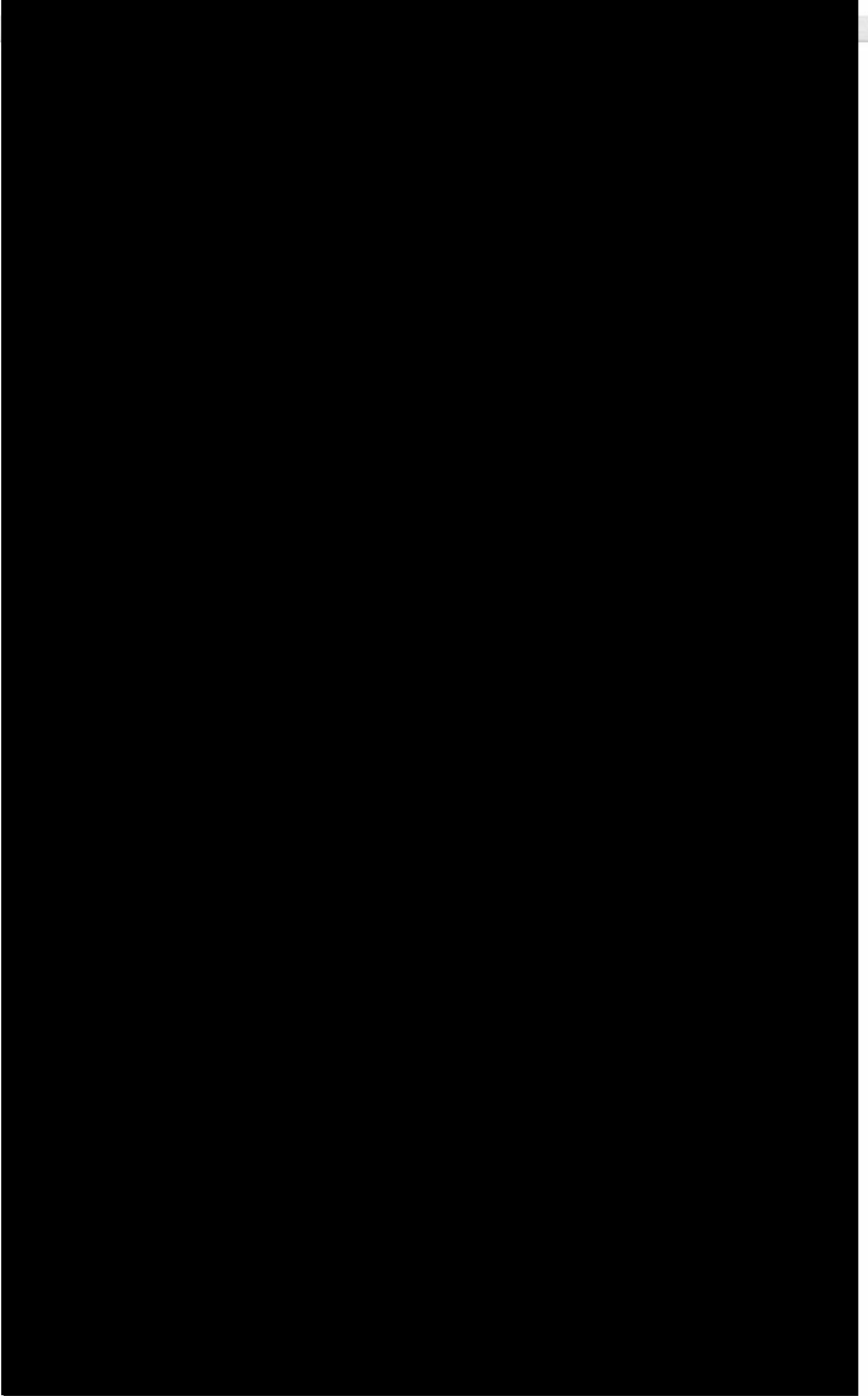
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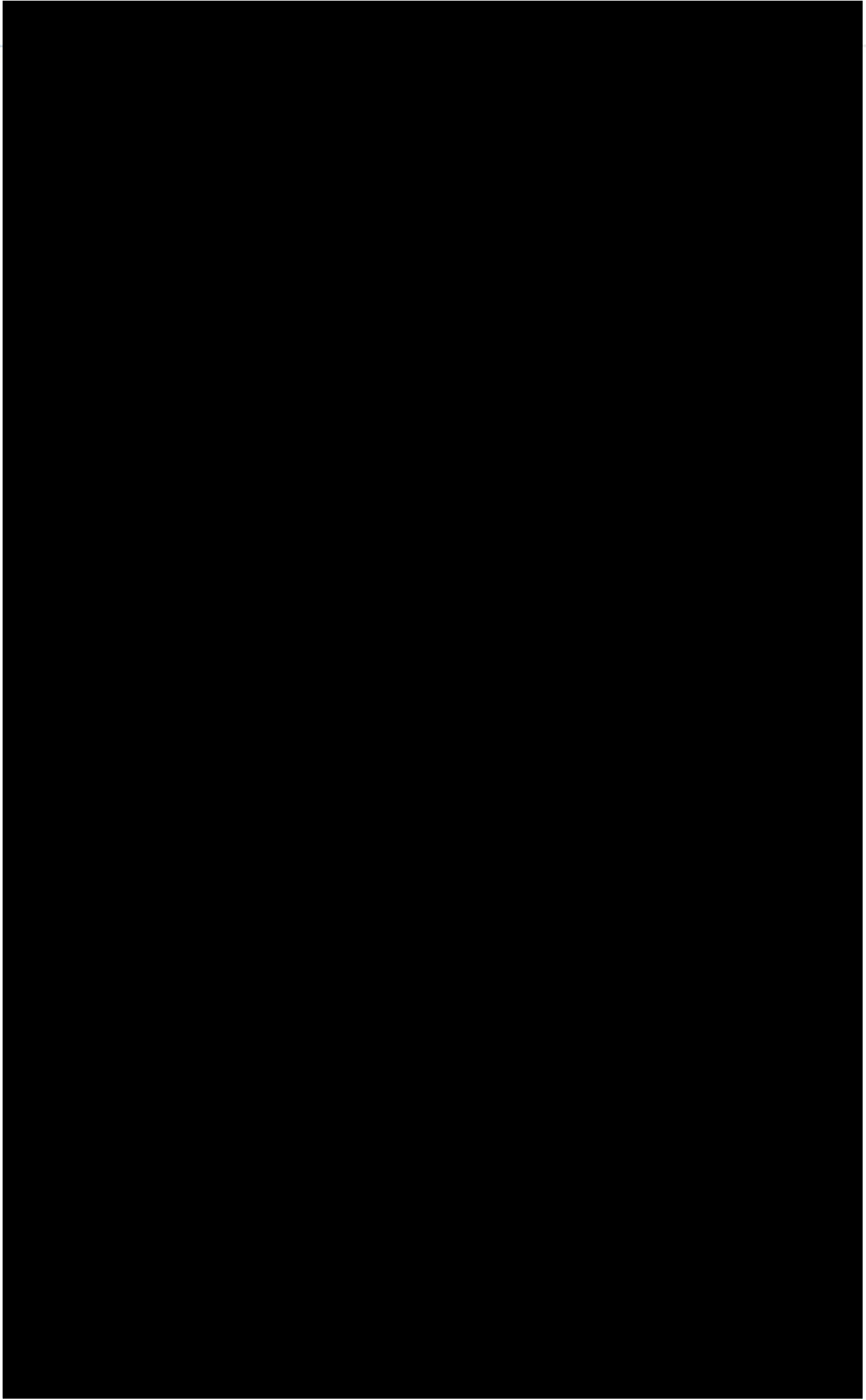


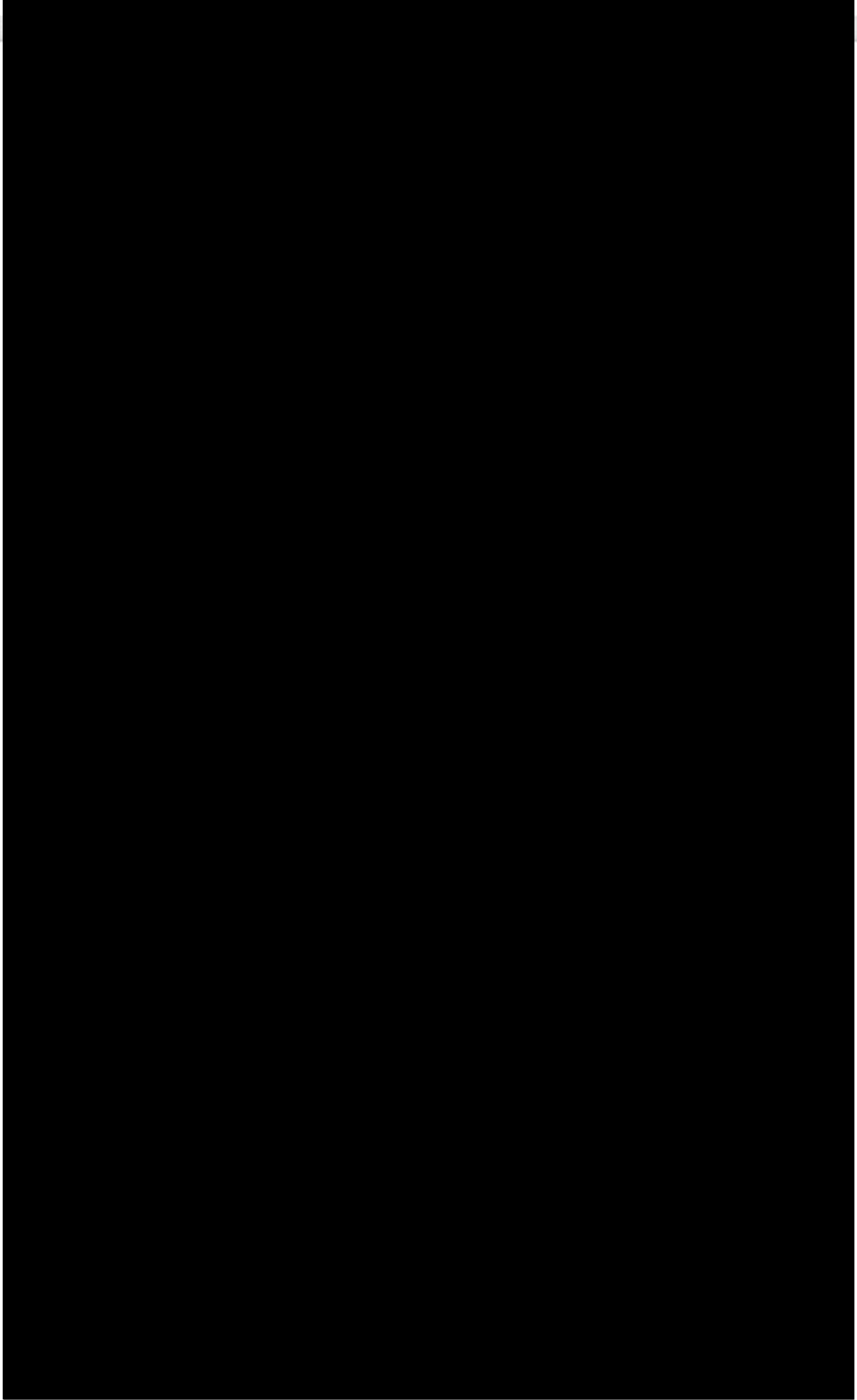


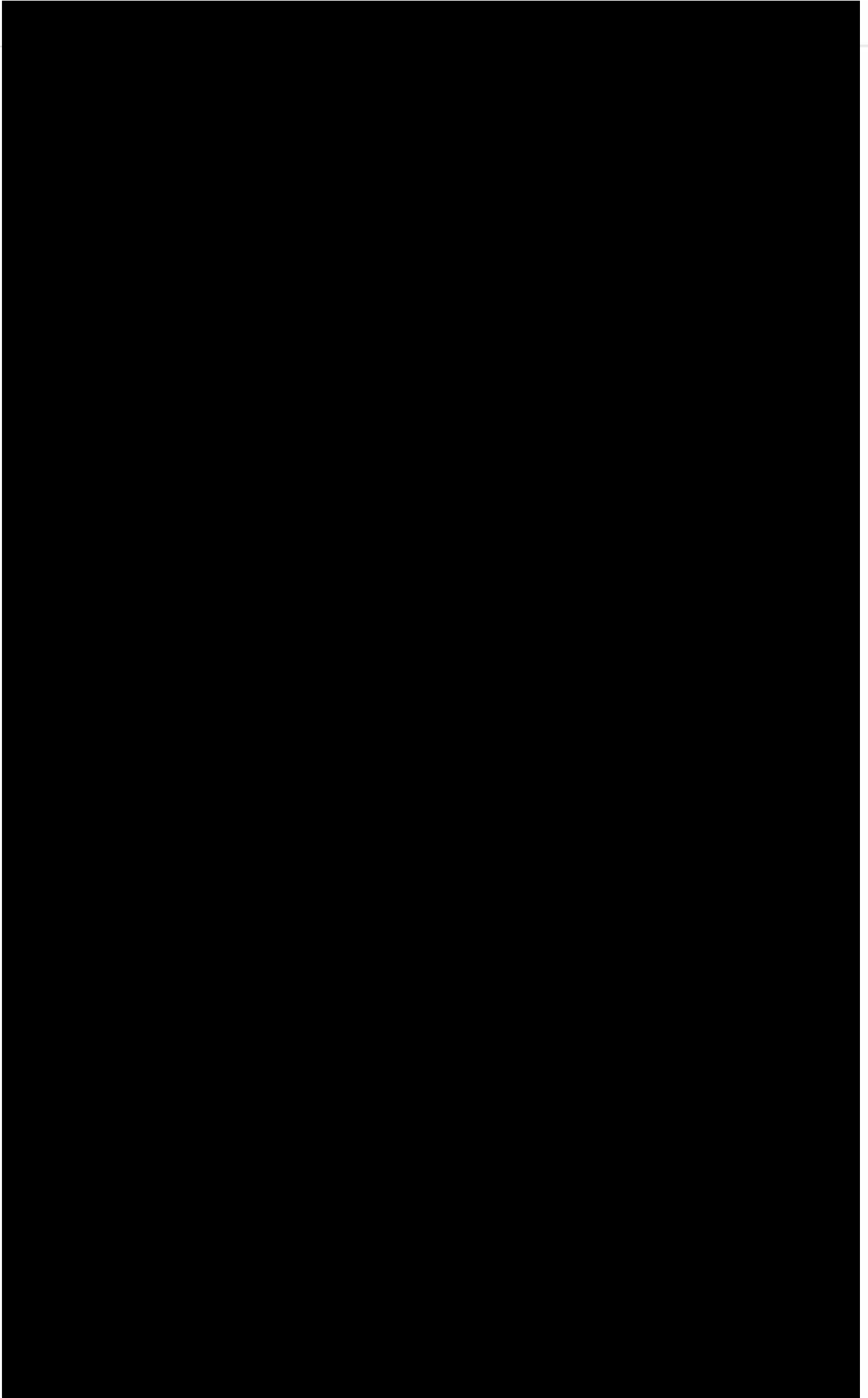


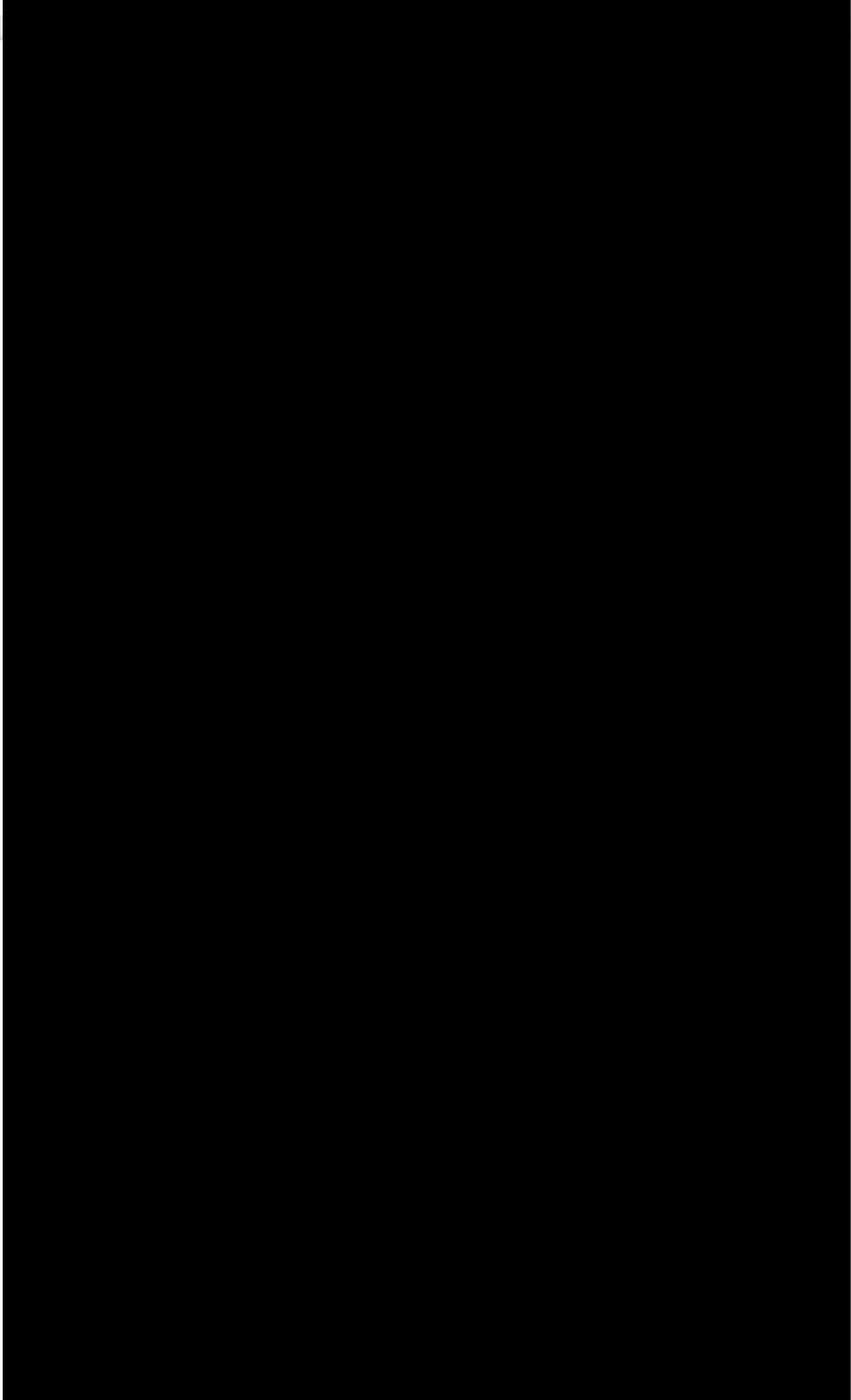


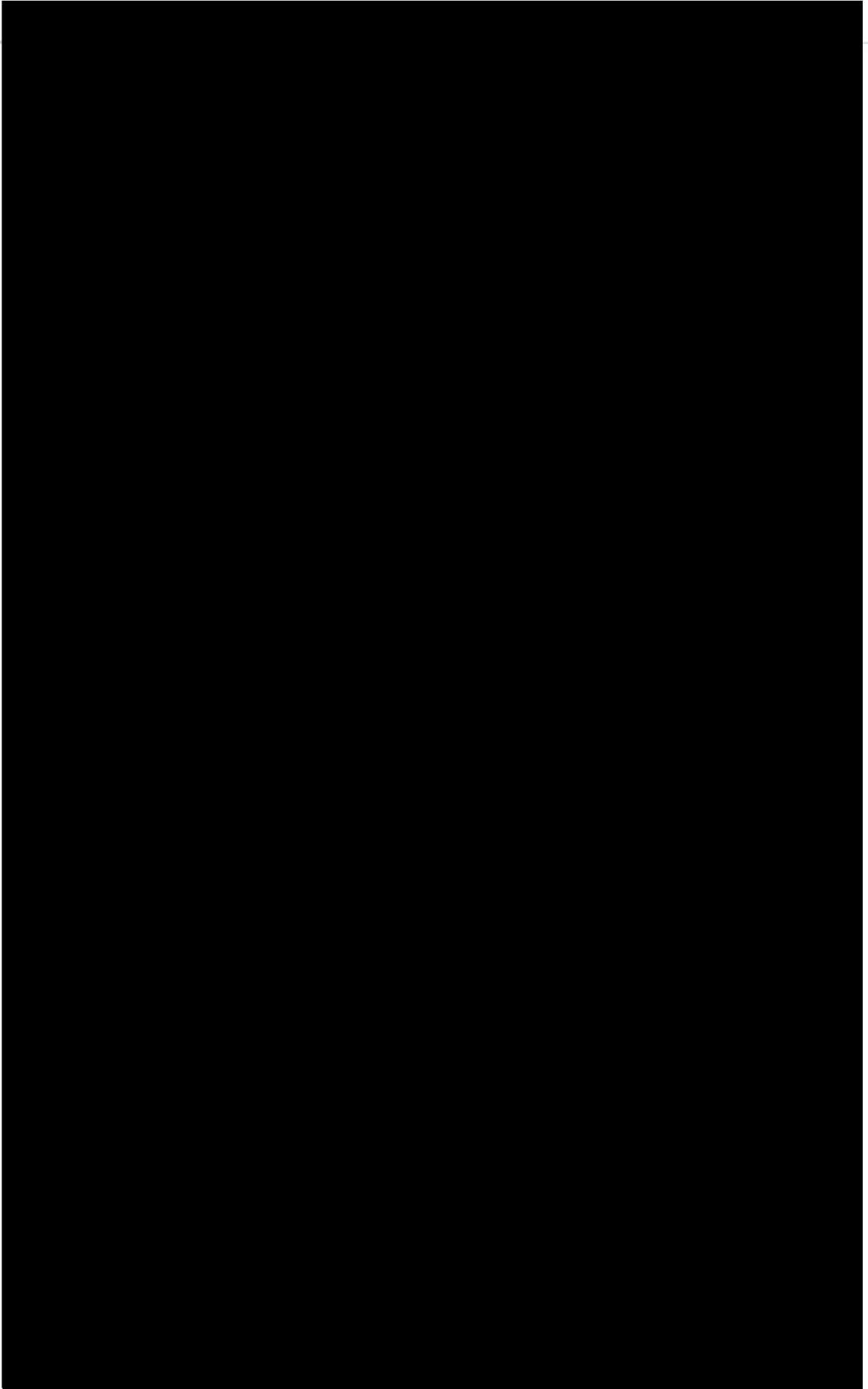


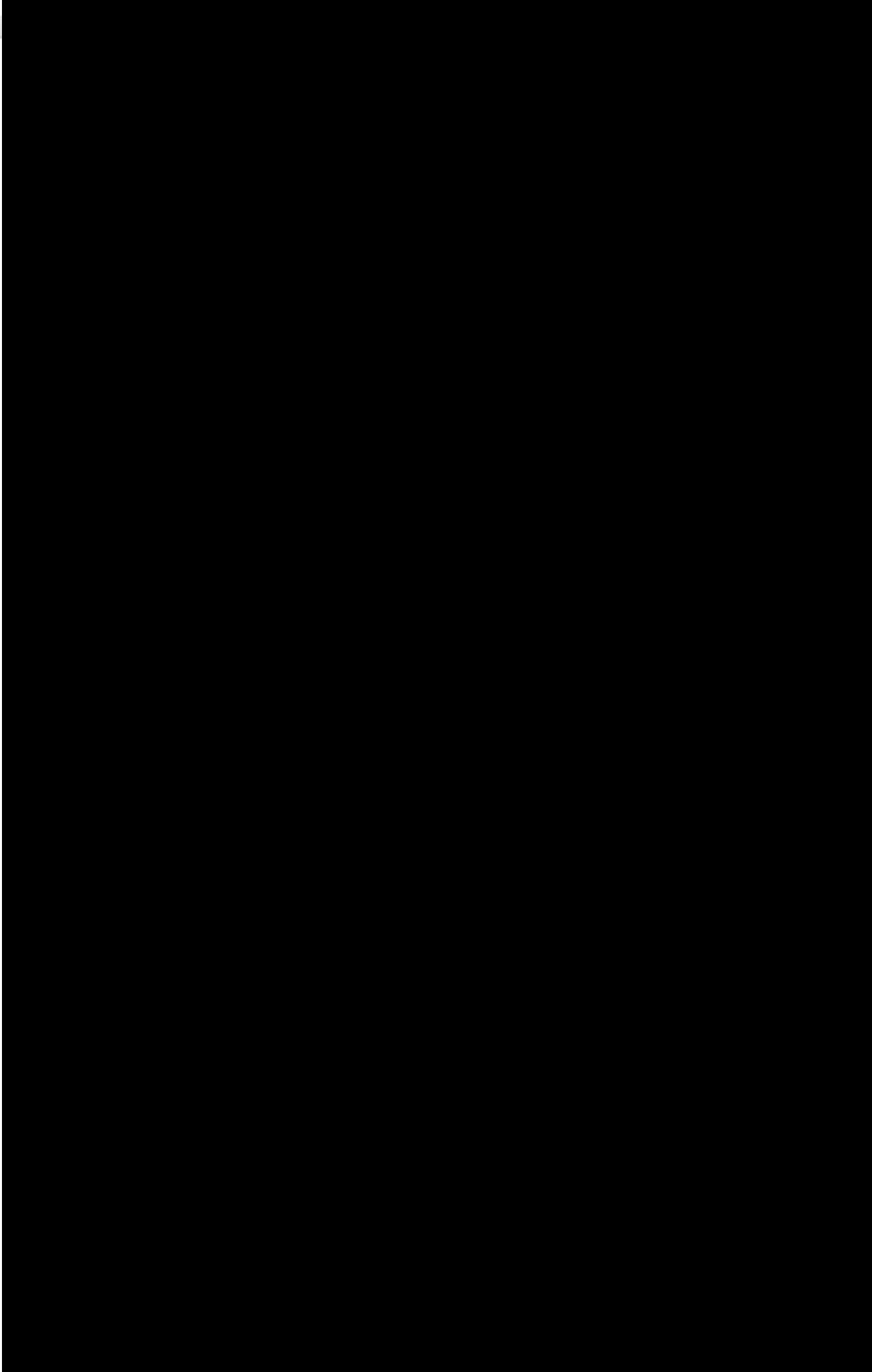


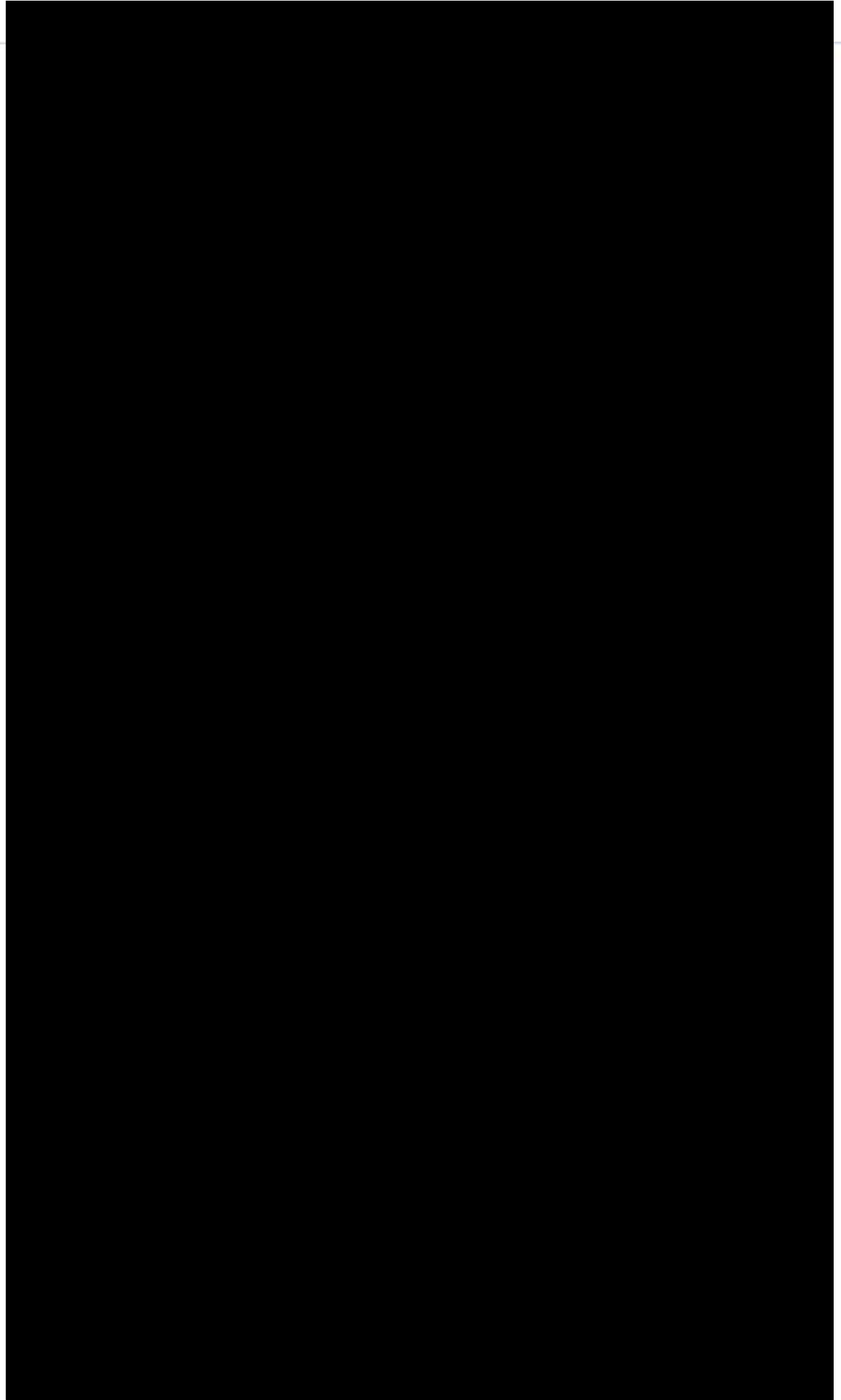


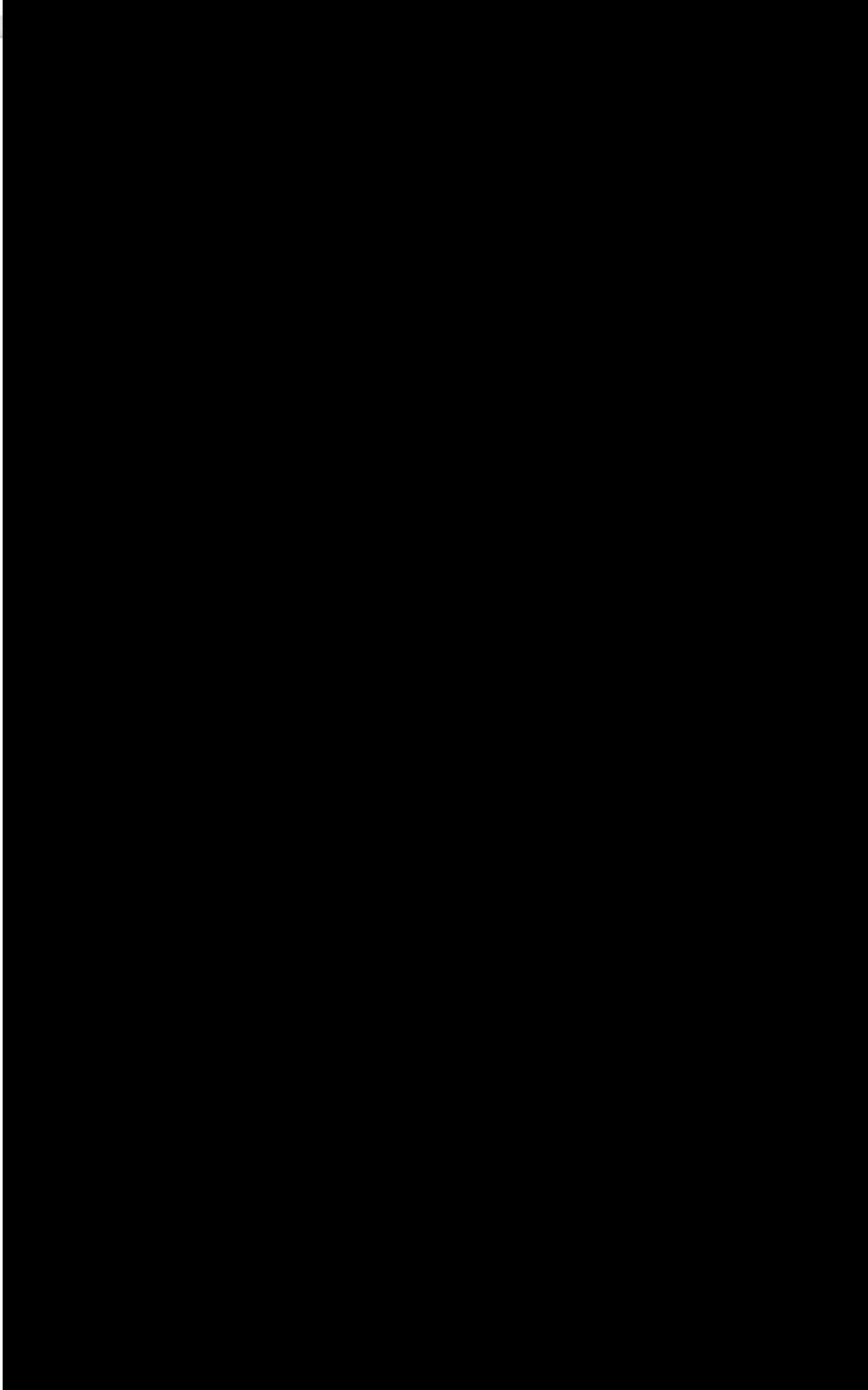


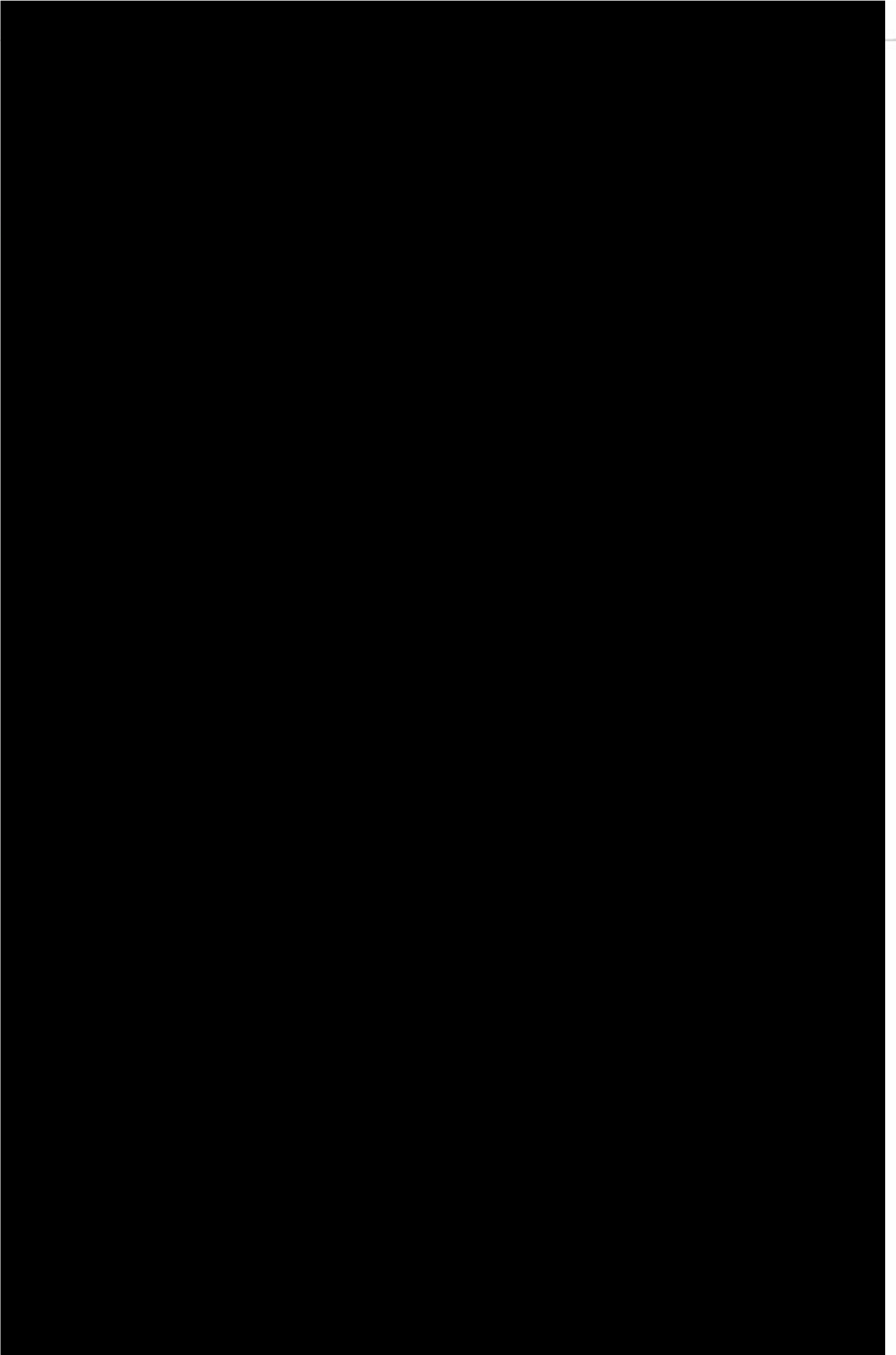












Appendix C

DEFERRAL ACCOUNT FILING CHECKLIST

APPENDIX C

DEFERRAL ACCOUNT FILING CHECKLIST



Item	Consideration	Princeton Office Disposition
I.	Indicate if the request is: (a) for a modification or a change in scope to an existing Commission approved regulatory account; or (b) to establish a new regulatory account.	FBC requests the establishment of one new deferral account to capture the actual revenues and costs associated with the sale of the Princeton Office Properties (i.e., the gain on the sale).
a)	If the request is for a modification or change in scope to an existing regulatory account, explain why the existing regulatory account is an appropriate account to use (specifically addressing the existing account's intended and approved purpose, mechanism for recovery, timeline for recovery and carrying costs).	N/A
b)	If the request is for approval of a new regulatory account, state the purpose of the regulatory account and explain its intended use.	The requested account will capture the actual revenues and costs associated with the sale of the Princeton Office Properties (i.e., the gain on the sale).
II.	Propose a term (i.e. length of time) that the regulatory account should be approved for and explain why that term is appropriate.	The anticipated date of sale is approximately the first quarter of 2023.
III.	Identify any alternate treatments that were considered, including an overview of what the accounting treatment would be in the absence of approval of the request to establish a regulatory account, and explain why these alternate treatments may not be appropriate.	In the absence of this deferral account, the sales proceeds would be recorded in the individual components of the revenue requirement, i.e., disposal costs will be expensed to O&M or recorded in accumulated depreciation, taxes payable will be recorded as tax, and the gain on the Net Book Value (i.e., proceeds less the remaining net book value) will be recorded in accumulated depreciation, all of which would be subject to the Earnings Sharing Mechanism. The gain on sale would therefore be shared 50/50 with customers, as opposed to returning the full net gain to customers via the deferral account. Alternatively, as discussed in the Application, all amounts could be recorded to the account of the shareholder.
IV a)	Address: whether, or to what extent, the item is outside of management's control;	The gain on the sale from the Princeton Office Properties is within FBC's control. Based on the circumstances described in the Application and the resulting benefits for customers, FBC determined that selling the Princeton Office Properties is the best course of action, which will result in a gain that will flow back to customers.

Item	Consideration	Princeton Office Disposition
b)	the degree of forecast uncertainty associated with the item;	FBC does not anticipate actual costs to vary significantly from the estimates provided in the Application. Please refer to the <i>Treatment of Gain from Sale of Princeton Office Properties</i> section of the Application.
c)	the materiality of the costs	FBC estimates the gain on sale to be approximately [REDACTED]
d)	any impact on intergenerational equity	See the response to item IX.
V.	Classify the regulatory account as either: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching account; (d) retroactive expense account; or (e) other.	FBC classifies the Princeton Office Disposition deferral account as Other as it relates to a one-off sale of property.
VI.	Identify if the regulatory account is a cash or non-cash account.	The Princeton Office Disposition would be a cash account.
VII.	Specify what additions to the regulatory account are being requested (i.e. type and amount of additions), including whether the account is intended to capture additions for a specific period of time or on an ongoing basis.	The addition to the account will be the gain on the sale of the Princeton Office Properties. Please refer to the <i>Treatment of Gain from Sale of Princeton Office Properties</i> section of the Application.
VIII.	Propose a mechanism for recovery (e.g. how the balance in the regulatory account will be recovered or refunded to ratepayers) and explain why it is appropriate.	The gain will be refunded in revenue requirements by way of amortization expense.
IX.	Propose a timeline for recovery (e.g. the period over which the regulatory account balance is either collected or refunded; also referred to as the amortization period) and explain why it is appropriate.	FBC proposes to record the gain on the sale in the Princeton Office Disposition deferral account in 2023. The balance in the non-rate base deferral account would then be transferred to rate base on January 1, 2024, and amortized over one year in 2024, which will enable FBC to flow the gain to customers in a timely fashion.
X.	Propose a carrying cost for the balance in the regulatory account and explain why it is appropriate.	FBC is requesting carrying costs based on its weighted average cost of capital (WACC). Non-rate base deferral accounts are generally financed using WACC and rate base deferral accounts are included in rate base and are therefore implicitly financed using WACC.
XI.	Outline a recommended regulatory process for the Commission's review of the application.	The proposed deferral account can be reviewed as part of this Application. Please refer to the <i>Summary of Approvals Sought and Proposed Regulatory Process</i> section of the Application.

Appendix D
DRAFT G ORDER



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Inc.
Application for Approval to Sell the Princeton Bridge Street Properties

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. On November 24, 2022, FortisBC Inc. (FBC) filed an application with the British Columbia Utilities Commission (BCUC), pursuant to section 52 of the *Utilities Commission Act* (UCA), for approval to sell the land and building located at 231 Bridge Street and the adjacent land located at 91 Bridge Street (Princeton Office Properties) to the Town of Princeton (Application);
- B. In the Application, FBC proposes to provide the gain on the sale of the Princeton Office Properties to FBC's customers, and for this purpose, requests approval to establish a non-rate base deferral account attracting a weighted average cost of capital (WACC) return to record the gain on the sale of the Princeton Office Properties. The balance in the non-rate base deferral account would then be transferred to rate base on January 1, 2024, and FBC proposes to amortize this deferral account over one year in 2024;
- C. FBC requests that the commercially sensitive details of the Application and Appendices be held confidentially by the BCUC as they contain commercially sensitive market information, the release of which could adversely affect negotiations relating to the sale of the Princeton Office Properties. If approval of this Application is granted and upon completion and closing of all transactions, the confidential portions of the Application and Appendices may be made public; and
- D. The BCUC has reviewed the Application and finds that approval is warranted.

NOW THEREFORE the BCUC orders as follows:

- 1. Pursuant to section 52 of the UCA, the BCUC approves the sale of the Princeton Office Properties to the Town of Princeton.

2. Pursuant to sections 59 to 61 of the UCA, the BCUC approves the creation of a new non-rate base deferral account, titled the Princeton Office Disposition deferral account, attracting a weighted average cost of capital return, to record the gain on the sale of the Princeton Office Properties. The balance in the non-rate base deferral account is approved to be transferred to rate base on January 1, 2024 and to be amortized over one year in 2024.
3. The BCUC agrees to keep confidential the redacted portions of the Application and Appendices that were filed confidentially until all commercial transactions contemplated in the Application are completed. FBC will file a written notice to the BCUC within 15 days upon closing of all transactions. At that time, the Application along with the Appendices will then become public.
4. FBC will provide the details of the final balance in the Princeton Office Disposition deferral account as part of FBC's Annual Review for 2024 Rates application.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner