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July 4, 2025

British Columbia Public Interest Advocacy Centre
Suite 803 - 470 Granville Street
Vancouver, B.C.
V6C 1V5

Attention: Leigha Worth, Executive Director

Dear Leigha Worth:

Re: FortisBC Inc. (FBC)

**2025 Cost of Service Allocation (COSA) and Revenue Rebalancing (Application)
Response to the British Columbia Public Interest Advocacy Centre representing
the British Columbia Old Age Pensioners' Organization, Active Support Against
Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC,
and the Tenant Resource and Advisory Centre et al. (BCOAPO) Information
Request (IR) No. 2**

On February 14, 2025, FBC filed the Application referenced above. In accordance with the amended regulatory timetable established in BCUC Order G-127-25 for the review of the Application, FBC respectfully submits the attached response to BCOAPO IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Commission Secretary
Registered Interveners

FortisBC Inc. (FBC or the Company) 2025 COSA and Revenue Rebalancing (Application)	Submission Date: July 4, 2025
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1 **14.0 Reference: Exhibit B-10, RCIA 1.1 and 1.3**

2 **Exhibit B-1 (Updated), Appendix A, page 40 (pdf 143)**

3 **2017 COSA and Rate Design Application (RDA), Exhibit B-1,**

4 **Attachment A, Appendix B,**

5 **pages 58-60 (pdf 260-262)**

6 **Preamble:** RCIA 1.1 states: “No, there have not been any changes to the methodology
7 for the Minimum System Study”.

8 RCIA 1.3 states: “The minimum system equipment includes a 15 kVa
9 transformer, a 40-foot pole, and No. 2 aluminum conductor steel reinforced
10 (ACSR).”

11 Exhibit B-1 (Updated) states (Appendix A, page40):

12 “FortisBC has a total of 84,510 poles ranging from 30 feet to 80 feet, with
13 both single- and three-phase configuration. The cost per pole, before
14 overhead, ranges from \$756 to \$5,152 per pole, based on the current
15 purchase price, with installation and material costs, also before overhead,
16 ranging from \$1,691 to \$2,526.

17 ...

18 When the minimum size was applied across all poles, the results showed
19 a minimum system cost of \$215.6 million compared to an installed cost of
20 \$250.3 million. This means that 86% of the costs were related to the
21 minimum size pole and were therefore classified as customer-related costs.
22 The remaining 14% was classified as demand related. This compares to
23 an 81% customer/19% demand split resulting from the last minimum
24 system study, which was conducted in 2017 and used again in the 2020
25 update.”

26 The 2017 COSA & RDA appears to have used the cost of a 35’ pole (see
27 Appendix B, page 58 {\$106,367,871/70,382=\$1,511.29/pole}).

28 14.1 Please explain why FBC has changed its minimum system requirements in this
29 Application from the 35’ pole used in the 2017 COSA and RDA to the 40’ used in
30 this Application.

31
32 **Response:**

33 **The following response has been provided by EES Consulting:**

34 This change is due to the standard pole size for new services changing, not a change in the
35 methodology. The 40-foot pole is currently the cheapest pole that FBC can acquire. The 35-foot

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1 pole is slightly more expensive, likely due to it being less standard. However, as shown in the
2 below table, the price difference is minor.

Pole Type	Cost
35' Single	\$2,553.66
40' Single	\$2,551.64

3
4

5

6 14.1.1 Please clarify whether this change in the minimum system requirement
7 is a change to the methodology for the Minimum System Study or not. If
8 yes, please reconcile with FBC's response to RCIA 1.1.

9

10 **Response:**

11 As indicated in Exhibit C4-4, BCOAPO withdrew this question.

12

13

14

15 14.2 Please explain and quantify the impact on the customer/demand split for poles as
16 well as the overall impact on the COSA of this change in FBC's minimum system
17 requirements.

18

19 **Response:**

20 **The following response has been provided by EES Consulting:**

21 Please refer to the response to BCOAPO IR2 14.1. There is no material impact on the minimum
22 system allocation.

23

1 **15.0 Reference: Exhibit B-8, CEC 6.3**

2 **Preamble:** CEC 6.3 provides the following table:

	Residential	Residential without Net Metering	Net Metering Only
Annual NCP Load Factor	41.2%	41.5%	23.8%
Annual CP Load Factor	41.2%	41.5%	24.2%

3

4 15.1 Please explain why the Annual NCP and Annual CP Load Factors for Residential
5 net metering customers are significantly less than those for Residential customers
6 without net metering.

7

8 **Response:**

9 **The following response has been provided by EES Consulting:**

10 There could be multiple reasons for the differences, including demographic and recruitment
11 factors not related to load patterns. However, generally speaking, the annual NCP and annual CP
12 load factors are less because net metering lowers the average energy consumption compared to
13 the annual non-coincident and coincident demand. Lowering average energy without changing
14 capacity usage results in a lower load factor.

15

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1 **16.0 Reference: Exhibit B-9, BCOAPO 3.2**
2 **FBC’s Electric Tariff, Section 9.1**

3 **Preamble:** BCOAPO 3.2 states:

4 “While the total load was previously served under RS 31, the portion
5 converted to RS 38 is load served that was above the customer’s Contract
6 Demand.”

7 16.1 Why was the referenced customer permitted to exceed its approved Contract
8 Demand and what were the monthly rates used to bill the load (previously serviced
9 under RS 31) above the customer’s Contract Demand?
10

11 **Response:**

12 FBC permitted the referenced customer to exceed its Contract Demand while FBC was
13 negotiating interruptible service under RS 38 with the customer. During this time, FBC billed the
14 customer’s load – including the amount above the Contract Demand – under RS 31.

15 Since a customer’s Contract Demand does not necessarily represent a physical system limitation,
16 a customer may be permitted to exceed its Contract Demand with the prior consent of FBC. If the
17 customer’s load were to exceed the Contract Demand on a frequent or ongoing basis, this would
18 indicate a need to renegotiate the customer’s General Service Agreement.

19

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1 **17.0 Reference: Exhibit B-9, BCOAPO 8.1 and 8.2**

2 **Preamble:** BCOAPO 8.1 states:

3 “Typical assets included in the Street Lights and Signal Systems account
4 are lighting poles, lighting fixtures, bulbs, timing or light sensing equipment,
5 and related, for all different types of utility-owned and maintained lights.”

6 In response to BCOAPO 8.2 as to why Lighting is identified as not using
7 Primary or Secondary Distribution, resulting in Lighting not being allocated
8 any of the Rate Base associated with Poles, Towers & Fixtures,
9 Conductors and Devices or Line Transformers and is also not allocated any
10 related Distribution Expenses EES states:

11 “EES uses this treatment within the COSA because lighting has its
12 distribution costs direct-assigned. Unlike for other rate classes, direct
13 assignment is possible because FBC tracks both the capital cost and
14 lighting-related O&M separately. If lighting were separately allocated costs
15 in addition to those that are directly assigned, it would double count costs
16 attributable to lighting.”

17 17.1 Because the assets EES indicated are included in the Street Lights and Signal
18 Systems account and are directly assigned to Lighting do not include any
19 distribution assets (apart from the poles the lighting fixtures are located on), please
20 explain how the current COSA allocates to Lighting any of the rate base associated
21 with the upstream Primary or Secondary Distribution assets or the Line
22 Transformers used to provide service to the Lighting class but shared with other
23 customers (as suggested in the response to BCOAPO 8.2).

24 **Response:**

25 **The following response has been provided by EES Consulting:**

26 The current COSA does not allocate material amounts of upstream rate base to Lighting due to
27 the directly assigned costs and the large reduction in demand from the conversion of most lights
28 to LED technology. There is some upstream cost for lighting, but because there is such a large
29 drop in wattage typically for the more efficient technology, a full upstream allocation would tend
30 to over-allocate the impact based on historical costs. Therefore, the input adjustment to exclude
31 those costs is appropriate.
32

33

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1 **18.1 Reference: Exhibit B-9, BCOAPO 11.1**

2 **Exhibit B-1, pages 38-39**

3 **Exhibit B-1, COSA 2025 Model, Load Tab (Cells A70:L75)**

4 **Preamble:** The Application states: (pages 38-39)

5 “Consistent with past COSA Studies, the 2025 COSA results were used to
6 establish the difference in costs in order to set the appropriate discount for
7 taking service at a higher voltage level. The COSA is set up to account for
8 the voltage level associated with each customer class. This allows the
9 allocation of costs for the specific facilities used by customers within the
10 class. To determine the difference in costs solely based on a change in
11 voltage level, the COSA was recalculated assuming a higher voltage level
12 for the class in question. The difference was calculated independently for
13 each class where such a discount is offered but assumed the entire class
14 rather than specific customers were served at the higher voltage level.
15 None of the load data or allocation factors were changed for the various
16 classes when completing the calculation. The only difference is that certain
17 costs were no longer assigned to the class. The resulting difference in the
18 unit costs for each class was then taken from the 2025 COSA to determine
19 the appropriate discount level on a per kVA basis.” (emphasis added)

20 The Load Tab indicates that for purposes of the 2025 COSA:

- 21 • RS 21 is assumed to use the utility’s Transmission, Primary and
22 Secondary services.
- 23 • RS 30 is assumed to use the utility’s Transmission and Primary
24 Services.
- 25 • RS 40 is assumed to use the utility’s Transmission and Primary
26 Services.

27 BCOAPO 11.1 states:

28 “In the COSA model, RS 21 unit costs on the Unit Cost tab assume that the
29 rate class takes service at all delivery levels and has an allocation of costs
30 for all those levels. For RS 30, there is an exclusion of any cost allocated
31 based on Non-Coincident Peak Secondary, while an inclusion of any cost
32 allocated on Non-Coincident Peak Primary or other allocation factors. For
33 RS 40, there is a general exclusion of both primary and secondary
34 distribution related costs altogether. The result of this difference produces
35 differences in unit costs for service voltage levels and the differences
36 between those unit costs form the basis for the transformation discounts
37 based on the Unit Cost results tab.” (emphasis added)

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1 18.1 The following table sets out BCOAPO’s current understanding of the difference in
 2 the utility services assumed to be used by each rate class (RS 21, RS 30 and RS
 3 40) for purposes of the 2025 COSA and the re-calculated COSA as used to
 4 determine the transformation discounts for each class. Please confirm whether the
 5 table is correct and explain any corrections. In doing so, please reconcile the
 6 corrected table with the description of the delivery levels assumed to be used by
 7 each rate class in the 2025 COSA as provided in response to BCOAPO 11.1.
 8

Rate Class	Use of Utility Services Assumed in 2025 COSA	Use of Utility Services Assumed in Recalculated COSA
RS 21	Transmission, Primary & Secondary	Transmission & Primary
RS 30	Transmission & Primary	Transmission
RS 40	Transmission & Primary	Transmission

9
 10 **Response:**

11 **The following response has been provided by EES Consulting:**

12 BCOAPO’s table provided in the question is incorrect, and as such no reconciliation is required.
 13 There have been no changes to the assumptions regarding the use of utility services in the
 14 updated COSA model. Therefore, the delivery levels in the table below are still valid.

Rate Class	Use of Utility Services Assumed in 2025 COSA
RS 21	Transmission, Primary & Secondary
RS 30	Transmission & Primary
RS 40	Transmission & Primary

15

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1 **19.0 Reference: Exhibit B-9, BCOAPO 11.2**

2 **Exhibit B-8, CEC 5.1**

3 **Preamble:** BCOAPO 11.2 states:

4 “Please refer to the response to CEC IR1 5.2 for an analysis of the billing
5 impacts from the proposed changes to the transformation discounts. The
6 discounts that apply to the default rates are calculated from information
7 within the COSA; however, the discounts themselves are not “captured in
8 the 2025 COSA”. (emphasis added)

9 CEC 5.1 indicates the number of customers in RS 21, RS 30 and RS 40
10 that receive transformation discounts.

11 19.1 Please clarify whether, for purposes of calculating the revenues for the revenue to
12 cost ratios for RS 21, RS 30 and RS 40, the revenues were adjusted to account
13 for the transformation discounts applicable to the customers in each of these three
14 rate classes.

15
16 **Response:**

17 **The following response has been provided by FBC and EES Consulting:**

18 The revenues used for the purposes of calculating the R/C ratios, which were based on the
19 revenue forecast from FBC’s Annual Review for 2024 Rates, were not adjusted to account for the
20 transformation discount except for the single customer on RS 40 that receives the transformation
21 discount under a Bypass Agreement. As shown in CEC IR1 5.1, the number of customers
22 receiving the discount in RS 21 and RS 30 is very small and would not materially change the R/C
23 ratios resulting from the COSA study. FBC also notes that any variance between forecast and
24 actual revenue would be captured by the existing Flow-through deferral account and, as such,
25 the impact of the discount would be reflected in the COSA study through the amortization of the
26 deferral account.

27

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1 **20.0 Reference: Exhibit B-1 (Updated), pages 2, 32, 36 and 37**

2 **Exhibit A-9, BCUC 13.2**

3 **Preamble:** The Updated Application states:

4 “FBC seeks approval of a non-rate base deferral account titled the Irrigation
5 Rebalancing Phase-in deferral account, attracting FBC’s weighted average
6 cost of capital (WACC). The deferral account will be amortized over the
7 proposed five-year phase-in period and recovered from all customers
8 through FBC’s general rate increases.” (page 2)

9 “FBC proposes to phase-in the rate increase due to revenue rebalancing
10 to RS 60 customers over a 5-year period. As shown in Table 7-9 below, a
11 5-year phase-in period will reduce the immediate impact to RS 60
12 customers from 14.9 percent to 3.0 percent. FBC considers a 5-year
13 phase-in period the most appropriate as it avoids rate shock (even when
14 considering the combined impact of the rebalancing and FBC’s annual
15 general rate increases).” (page 36)

16 “In order to facilitate the phase-in of the impact to RS 60 customers and
17 maintain overall revenue neutrality, FBC is seeking BCUC approval
18 pursuant to sections 59 to 61 of the UCA for a non rate base deferral
19 account, titled the Irrigation Rebalancing Phase-in deferral account,
20 attracting FBC’s WACC, to capture the revenue deficiency resulting from
21 the phase-in for RS 60 customers. The deferral account will be amortized
22 over the same 5-year phase-in period for RS 60 customers and will be
23 recovered from all customers through FBC’s general rate increases.” (page
24 37)

25 At page 32 the Updated Application concludes that Rebalancing Option 4’s
26 5% rate increase for the RS 60 class aligns with Principle 6 – Rate Stability
27 (Customer rate impact should be managed).

28 Table 7-9 of the Updated Application (page 36) indicates that phase-in
29 periods of 3 years or 4 years would result in annual rate increases for the
30 RS 60 class of 5% and 3.7% respectively.

31 BCUC 13.2 requests:

32 “Please provide an illustrative example of how the proposed Irrigation
33 Rebalancing Phase-in deferral account will work including the annual
34 deferred amount in dollars, the annual amortized amount in dollars, and the
35 annual bill impact by rate schedule in percent and dollars for each year.”

36 20.1 If not provided in response to BCUC 13.2, please provide the annual bill impacts
37 (in percent and dollars) for each of FBC’s rate classes.
38

1 **Response:**

2 Please refer to the response to BCUC IR2 13.2.

3
4

5

6 20.2 Please provide tables that, for Option 2 with phase in periods of 3 years and also
7 of 4 years, set out: (i) the annual deferred amounts in dollars for each year of the
8 deferral period, (ii) the annual amortized amount in dollars for each year of the
9 deferral period (assuming the recovery period matched the phase- in period); and
10 (iii) the annual bill impact in percent and dollars for each year for each of FBC's
11 rate classes as a result of the amortization.

12

13 **Response:**

14 For FBC's proposed Option 2 but with a 3-year phase-in period for RS 60 customers, please refer
15 to Table 1 below. Specifically, please see Line 3 for (i) the annual deferred amounts in dollars for
16 each year of the deferral period, Line 11 for (ii) the annual amortized amount over the deferral
17 account period, and Line 20 for (iii) the annual rate impact (when compared to 2025 Approved
18 rates on an interim basis) resulting from the amortization of the deferral account. Please also refer
19 to Table 2 below for the annual bill impact for each rate schedule in percent and dollars in each
20 year of the 3-year phase-in period.

21 **Table 1: Illustration of the Proposed Irrigation Rebalancing Phase-in Deferral Account with a 3-**
22 **Year Amortization Period**

Line	Particular	Reference	Year 1	Year 2	Year 3
1	Total Revenue Shift to RS 60 Required (\$000s)	Table 7-8 of Updated Application	609	609	609
2	RS 60 Revenue Shift per year with 5-year Phase-In (\$000s)		(203)	(305)	(609)
3	Revenue Deficiency to be recorded to Deferral Account	Line 1 + Line 2	406	305	-
4					
5	Proposed Irrigation Rebalancing Phase-in Deferral Account (\$000s)				
6	Opening Balance	Line 12; Prior Year	-	-	-
7	Gross Additions	Line 3	406	305	-
8	Less: Tax	- Line 7 x 27%	(110)	(82)	-
9	WACC	(Line 6 + (Line 7 + Line 8)/2) x WACC	9	7	-
10	Net Additions	Sum of Line 7 to Line 9	305	229	-
11	Amortization	- Line 10	(305)	(229)	-
12	Closing Balance	Line 6 + Line 10 + Line 11	-	-	-
13					
14	Incremental Revenue Requirement				
15	Amortization	- Line 11	305	229	-
16	Income Tax Expense	[Line 15 / (1 - 27%)] x 27%	113	85	-
17	Total (\$000s)	Line 15 + Line 16	418	314	-
18					
19	FBC 2025 Approved (Interim) Revenue Requirement (\$000s)	G-314-24	502,624	502,624	502,624
20	Estimate Incremental Rate Impact (%)	Line 17 / Line 19	0.08%	0.06%	0.00%

23

1 **Table 2: Estimated Bill Impact (Compared to 2025 Interim Rates) by Rate Schedule in % and \$**
 2 **Each Year Over the 3-year Phase-in Period**

Rate Schedule	Avg. kWh / Customer	Year 1		Year 2		Year 3	
		Bill Impact (\$)	Bill Impact (%)	Bill Impact (\$)	Bill Impact (%)	Bill Impact (\$)	Bill Impact (%)
RS 01 Residential	9,812	1.5	0.08%	1.1	0.06%	-	0.00%
RS 20 Small Commerical	22,762	2.8	0.08%	2.1	0.06%	-	0.00%
RS 21 Commerical	350,882	33.4	0.08%	25.0	0.06%	-	0.00%
RS 30 Large Commercial Primary	7,055,997	606.3	0.08%	454.7	0.06%	-	0.00%
RS 31 Large Commerical Transmission	54,541,341	3,837.0	0.08%	2,877.8	0.06%	-	0.00%
RS 40 Wholesale Primary	50,060,472	4,759.7	0.08%	3,569.8	0.06%	-	0.00%
RS 41 Wholesale Transmission	89,395,279	7,689.7	0.08%	5,767.2	0.06%	-	0.00%
RS 50 Lighting	6,711	1.6	0.08%	1.2	0.06%	-	0.00%
3 RS 60 Irrigation	34,451	3.3	0.08%	2.4	0.06%	-	0.00%

4 For FBC's proposed Option 2 but with a 4-year phase-in period for RS 60 customers, please refer
 5 to Table 3 below. Specifically, please see Line 3 for (i) the annual deferred amounts in dollars for
 6 each year of the deferral period, Line 11 for (ii) the annual amortized amount over the deferral
 7 account period, and Line 20 for (iii) the annual rate impact (when compared to 2025 Approved
 8 rates on an interim basis) resulting from the amortization of the deferral account. Please also refer
 9 to Table 4 below for the annual bill impact for each rate schedule in percent and dollars in each
 10 year of the 4-year phase-in period.

11 **Table 3: Illustration of the Proposed Irrigation Rebalancing Phase-in Deferral Account with a 4-**
 12 **Year Amortization Period**

Line	Particular	Reference	Year 1	Year 2	Year 3	Year 4
1	Total Revenue Shift to RS 60 Required (\$000s)	Table 7-8 of Updated Application	609	609	609	609
2	RS 60 Revenue Shift per year with 5-year Phase-In (\$000s)		(152)	(203)	(305)	(609)
3	Revenue Deficiency to be recorded to Deferral Account	Line 1 + Line 2	457	406	305	-
4						
5	Proposed Irrigation Rebalancing Phase-in Deferral Account (\$000s)					
6	Opening Balance	Line 12; Prior Year	-	-	-	-
7	Gross Additions	Line 3	457	406	305	-
8	Less: Tax	- Line 7 x 27%	(123)	(110)	(82)	-
9	WACC	(Line 6 + (Line 7 + Line 8)/2) x WACC	10	9	7	-
10	Net Additions	Sum of Line 7 to Line 9	343	305	229	-
11	Amortization	- Line 10	(343)	(305)	(229)	-
12	Closing Balance	Line 6 + Line 10 + Line 11	-	-	-	-
13						
14	Incremental Revenue Requirement					
15	Amortization	- Line 11	343	305	229	-
16	Income Tax Expense	[Line 15 / (1 - 27%)] x 27%	127	113	85	-
17	Total (\$000s)	Line 15 + Line 16	471	418	314	-
18						
19	FBC 2025 Approved (Interim) Revenue Requirement (\$000s)	G-314-24	502,624	502,624	502,624	502,624
13 20	Estimate Incremental Rate Impact (%)	Line 17 / Line 19	0.09%	0.08%	0.06%	0.00%

1 **Table 4: Estimated Bill Impact (Compared to 2025 Interim Rates) by Rate Schedule in % and \$**
 2 **Each Year Over the 4-year Phase-in Period**

Rate Schedule	Avg. kWh / Customer	Year 1		Year 2		Year 3		Year 4	
		Bill Impact (\$)	Bill Impact (%)	Bill Impact (\$)	Bill Impact (%)	Bill Impact (\$)	Bill Impact (%)	Bill Impact (\$)	Bill Impact (%)
RS 01 Residential	9,812	1.7	0.09%	1.5	0.08%	1.1	0.06%	-	0.00%
RS 20 Small Commerical	22,762	3.1	0.09%	2.8	0.08%	2.1	0.06%	-	0.00%
RS 21 Commerical	350,882	37.5	0.09%	33.4	0.08%	25.0	0.06%	-	0.00%
RS 30 Large Commercial Primary	7,055,997	682.1	0.09%	606.3	0.08%	454.7	0.06%	-	0.00%
RS 31 Large Commerical Transmission	54,541,341	4,316.7	0.09%	3,837.0	0.08%	2,877.8	0.06%	-	0.00%
RS 40 Wholesale Primary	50,060,472	5,354.7	0.09%	4,759.7	0.08%	3,569.8	0.06%	-	0.00%
RS 41 Wholesale Transmission	89,395,279	8,650.9	0.09%	7,689.7	0.08%	5,767.2	0.06%	-	0.00%
RS 50 Lighting	6,711	1.8	0.09%	1.6	0.08%	1.2	0.06%	-	0.00%
3 RS 60 Irrigation	34,451	3.7	0.09%	3.3	0.08%	2.4	0.06%	-	0.00%

4 As shown in the tables above, whether the phase-in period is over a three- or four-year period (or
 5 five-year period as demonstrated in the response to BCUC IR2 13.2), the rate impact to all other
 6 customers resulting from the phase-in of RS 60 rebalancing is small, ranging from 0.08 percent
 7 in Year 1 with a three-year phase-in period to 0.10 percent in Year 1 with a five-year phase-in
 8 period (as shown in BCUC IR2 13.2). As such, when determining the appropriate number of years
 9 for the phase-in period, the key consideration should be the overall rate impact to RS 60
 10 customers resulting from the phase-in, not the rate impact to other customer classes.

11 As shown in Table 7-9 of the Updated Application, FBC's proposed Option 2 with a five-year
 12 phase-in period will mitigate the rate increase to approximately 3.0 percent per year for RS 60
 13 customers (or 3.9 percent per year for RS 60 in-season rates as shown in the response to BCUC
 14 IR2 13.1). If the phase-in is over a three- or four-year period, then the impact to RS 60 customers
 15 would increase to 5.0 percent and 3.7 percent, respectively (or 6.4 percent and 4.8 percent,
 16 respectively, for the RS 60 in-season rates).

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1 **21.0 Reference: Exhibit B-1, pages 29-30 and 34-37**

2 **Exhibit B-9, BCOAPO 9.1 & 8.1**

3 **Preamble:** BCOAPO 9.1 states:

4 “Instead, FBC has appropriately assessed the proposed Option 2 in
5 consideration of the option’s alignment with the relevant Bonbright
6 principles, including the following:

7 -For Bonbright Principle 2, the fair apportionment of costs among
8 customers refers to the extent to that the R/C ratios fall within the range of
9 reasonableness such that the costs recovered from each customer group
10 closely reflect the costs to serve them. The absolute relevant to this
11 consideration.

12 -For Bonbright Principle 4 (customer understanding and acceptance), FBC
13 considered whether any of the customer groups whose R/C ratios are
14 already within the range of reasonableness would be rebalanced under the
15 proposed rebalancing options. If a particular customer group is already
16 within the range of reasonableness, then generally it is expected that there
17 would be no change to their rates due to revenue rebalancing. FBC
18 considers this to be more relevant than whether the RS 60 customer class
19 has a larger or smaller absolute percentage point change in their R/C ratio
20 compared to RS 40 or other customer groups.” (emphasis added)

21 Exhibit B-1 (Updated) states:

22 “Based on the evaluation of the revenue rebalancing options against
23 Bonbright’s rate design principles, Option 2 is FBC’s preferred and
24 proposed option. Option 2 reflects the best balance between the above-
25 discussed rate design principles when compared to other revenue
26 rebalancing options. In order to mitigate the rate impact to RS 60 customers
27 from rebalancing, FBC proposes to phase-in the impact over five years, as
28 further discussed below.” (page 36)

29 “In order to facilitate the phase-in of the impact to RS 60 customers and
30 maintain overall revenue neutrality, FBC is seeking BCUC approval
31 pursuant to sections 59 to 61 of the UCA for a non rate base deferral
32 account, titled the Irrigation Rebalancing Phase-in deferral account,
33 attracting FBC’s WACC, to capture the revenue deficiency resulting from
34 the phase-in for RS 60 customers. The deferral account will be amortized
35 over the same 5-year phase-in period for RS 60 customers and will be
36 recovered from all customers through FBC’s general rate increases.” (page
37 37)

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1 BCOAPO 8.1 provides FBC's assessment of an alternative that FBC has
2 referred to as BCOAPO Option 8.

3 21.1 Please confirm that, as result of FBC's proposal to phase in the rate impacts to RS
4 60 customers over 5 years, to establish a deferral account capturing the resulting
5 annual revenue deficiencies with recovery from all customers, FBC's
6 implementation of Option 2 will impact the rates of all customer groups, including
7 those whose revenue to cost ratios are already within the range of reasonableness.
8

9 **Response:**

10 Confirmed. However, as demonstrated in the response to BCUC IR2 13.2, the rate impact
11 resulting from the amortization of the proposed Irrigation Rebalancing Phase-in deferral account
12 is small, ranging from 0.1 percent in Year 1 to zero percent in Year 5 over the five-year phase-in
13 period. For the average residential customer, this is equivalent to a bill impact ranging from just
14 less than \$2 in Year 1 to \$0 in Year 5 during the phase-in period.

15
16

17
18 21.2 BCOAPO notes that FBC's assessment of Option 2 using the Bonbright rate
19 design principles did not take into account the impact of the proposed phase in
20 and deferral account recovery. BCOAPO also notes FBC's assessments of FBC
21 Option 1 and BCOAPO Option 8 did not include a "phase-in". Please explain why.
22

23 **Response:**

24 As indicated in Exhibit C4-4, BCOAPO withdrew this question.
25
26

27
28

29 21.2.1 Please provide the results (tables similar to Tables 1, 2 and 3 per
30 BCOAPO 10.3) for FBC Option 1 and Option 2 as well as BCOAPO
31 Option 8 (per BCOAPO 8.1) where, in each case, the impacts on RS 60
32 customers are phased-in over a 5 year period and the balance accrued
33 in the proposed deferral account is recovered from all customers.
34

34 **Response:**

35 ***FBC Option 1:***

36 For FBC's Option 1 as presented in the Updated Application but with a phase-in period of five
37 years, please refer to Table 1 below for the R/C ratios as well as the average monthly bill impact

1 in percentage and in dollars for RS 60 customers each year over the five-year phase-in period.
 2 Please also refer to Table 2 below for a summary of the revenue shift and resulting R/C ratios as
 3 well as Table 3 below for a summary of the monthly bill impact in percentage and in dollars for all
 4 rate schedules each year during the phase-in period (in the same format as Tables 2 and 3 of the
 5 response to BCOAPO IR1 10.3).

6 **Table 1: R/C Ratio and Bill Impact of RS 60 Customers under FBC Option 1 as Presented in the**
 7 **Updated Application with a 5-year Phase-in Period**

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue shift per year (\$000s)	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187
Cumulative revenue shift over phase-in period (\$000s)	\$ 187	\$ 373	\$ 560	\$ 746	\$ 933
RS 60 R/C Ratio	80.9%	84.4%	87.9%	91.5%	95.0%
Effective Rate Increase per year (%)	4.6%	4.6%	4.6%	4.6%	4.6%
Cumulative Rate Increase (%)	4.6%	9.1%	13.7%	18.3%	22.9%
Approx. Monthly Bill Impact per year (\$)	\$ 14.1	\$ 14.1	\$ 14.1	\$ 14.1	\$ 14.1
Approx. Cumulative Monthly Bill Impact (\$)	\$ 14.1	\$ 28.2	\$ 42.3	\$ 56.4	\$ 70.5

9 **Table 2: Summary of Revenue Shift and Resulting R/C Ratios between Rate Schedules per Year**
 10 **under FBC Option 1 as Presented in the Updated Application with a 5-year Phase-in Period**

	FBC Option 1 w/ 5-year Phase-in for RS 60									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio
RS 01	-	99.5%	-	99.5%	-	99.5%	-	99.5%	-	99.5%
RS 20	(1,134)	105.0%	-	105.0%	-	105.0%	-	105.0%	-	105.0%
RS 21	(233)	102.0%	-	102.0%	-	102.0%	-	102.0%	-	102.0%
RS 30	(90)	100.4%	-	100.4%	-	100.4%	-	100.4%	-	100.4%
RS 31	(55)	105.0%	-	105.0%	-	105.0%	-	105.0%	-	105.0%
RS 40	581	95.0%	-	95.0%	-	95.0%	-	95.0%	-	95.0%
RS 41	-	98.3%	-	98.3%	-	98.3%	-	98.3%	-	98.3%
RS 50	-	99.8%	-	99.8%	-	99.8%	-	99.8%	-	99.8%
RS 60	187	80.9%	187	84.4%	187	87.9%	187	91.5%	187	95.0%

12 **Table 3: Summary of Monthly Bill Impact in % and \$ for an Average Customer in Each Rate**
 13 **Schedule per Year under FBC Option 1 as Presented in the Updated Application with a 5-year**
 14 **Phase-in Period**

	FBC Option 1 w/ 5-year Phase-in for RS 60									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)
RS 01	-	-	-	-	-	-	-	-	-	-
RS 20	(2.4%)	(6)	-	-	-	-	-	-	-	-
RS 21	(0.3%)	(11)	-	-	-	-	-	-	-	-
RS 30	(0.3%)	(198)	-	-	-	-	-	-	-	-
RS 31	(0.3%)	(1,156)	-	-	-	-	-	-	-	-
RS 40	1.1%	4,838	-	-	-	-	-	-	-	-
RS 41	-	-	-	-	-	-	-	-	-	-
RS 50	-	-	-	-	-	-	-	-	-	-
RS 60	4.6%	14	4.6%	14	4.6%	14	4.6%	14	4.6%	14

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1 Please refer to Table 4 below which provides an illustration of the proposed Irrigation Rebalancing
 2 Phase-in deferral account under FBC Option 1 with a five-year phase-in period for RS 60
 3 customers. Specifically, please refer to Line 3 for (i) the annual revenue deficiency amounts that
 4 would be posted to the deferral account for recovery from all customers, Line 17 for (ii) the total
 5 amount that would be recovered from all customers and (iii) the amount that would be recovered
 6 from all customers in each year of the phase-in period, and Line 20 for (iv) the additional rate
 7 increase all customers will see in each year of the phase-in period due to the amortization of the
 8 deferral account.

9 **Table 4: Illustration of the Proposed Irrigation Rebalancing Phase-in Deferral Account under FBC**
 10 **Option 1 as Presented in the Updated Application with a 5-year Phase-in**

Line	Particular	Reference	Year 1	Year 2	Year 3	Year 4	Year 5
1	Total Revenue Shift to RS 60 Required (\$000s)	Table 7-1 of Updated Application (RS 60 at 95%)	933	933	933	933	933
2	RS 60 Revenue Shift per year with 5-year Phase-In (\$000s)		(187)	(233)	(311)	(467)	(933)
3	Revenue Deficiency to be recorded to Deferral Account	Line 1 + Line 2	746	700	622	467	-
4							
5	Proposed Irrigation Rebalancing Phase-in Deferral Account (\$000s)						
6	Opening Balance	Line 12; Prior Year	-	-	-	-	-
7	Gross Additions	Line 3	746	700	622	467	-
8	Less: Tax	- Line 7 x 27%	(202)	(189)	(168)	(126)	-
9	WACC	(Line 6 + (Line 7 + Line 8)/2) x WACC	16	15	13	10	-
10	Net Additions	Sum of Line 7 to Line 9	561	526	468	351	-
11	Amortization	- Line 10	(561)	(526)	(468)	(351)	-
12	Closing Balance	Line 6 + Line 10 + Line 11	-	-	-	-	-
13							
14	Incremental Revenue Requirement						
15	Amortization	- Line 11	561	526	468	351	-
16	Income Tax Expense	[Line 15 / (1 - 27%)] x 27%	208	195	173	130	-
17	Total (\$000s)	Line 15 + Line 16	769	721	640	480	-
18							
19	FBC 2025 Approved (Interim) Revenue Requirement (\$000s)	G-314-24	502,624	502,624	502,624	502,624	502,624
20	Estimate Incremental Rate Impact (%)	Line 17 / Line 19	0.15%	0.14%	0.13%	0.10%	0.00%

12 As shown in Table 4 above, under FBC Option 1 the additional rate impact to all customers
 13 resulting from the amortization of the Irrigation Rebalancing Phase-in deferral account is small at
 14 0.15 percent in Year 1 of the five-year phase-in period. For the average residential customer, this
 15 is equivalent to a total bill impact of approximately \$2.70 in Year 1.

16 FBC's assessment of FBC Option 1 against the Bonbright rate design principles remains the same
 17 as in Section 7.2.1 of the Updated Application. Introducing a five-year phase-in to FBC Option 1
 18 (as proposed by BCOAPO) still results in a fairly significant rate impact to RS 60 customers, while
 19 also resulting in small impacts to all other customer classes. Accordingly, and consistent with the
 20 Bonbright assessment in Section 7.2.1 of the Updated Application, FBC's Option 1 aligns with
 21 principle 2 by bringing all R/C ratios within the RoR; however, it does not align with principles 4
 22 and 6.

23 **FBC Option 2 (Proposed):**

24 FBC Option 2 with a five-year phase-in period for RS 60 customers is the proposed option, as
 25 explained in Section 7.3 of the Updated Application. Please refer to Table 5 below for the R/C
 26 ratios as well as the average monthly bill impacts in percentage and in dollars for RS 60 customers
 27 each year over the five-year phase-in period. Please also refer to Table 6 below for a summary

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1 of the revenue shift and resulting R/C ratios as well as Table 7 below for a summary of the monthly
 2 bill impact in percentage and in dollars for all rate schedules each year during the phase-in period
 3 (in the same format as Tables 2 and 3 of the response to BCOAPO IR1 10.3).

4 **Table 5: R/C Ratio and Bill Impact of RS 60 Customers under FBC Proposed Option 2 as**
 5 **Presented in the Updated Application with a 5-year Phase-in Period**

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue shift per year (\$000s)	\$ 122	\$ 122	\$ 122	\$ 122	\$ 122
Cumulative revenue shift over phase-in period (\$000s)	\$ 122	\$ 244	\$ 366	\$ 487	\$ 609
RS 60 R/C Ratio	79.6%	81.9%	84.3%	86.6%	88.9%
Effective Rate Increase per year (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Cumulative Rate Increase (%)	3.0%	6.0%	9.0%	11.9%	14.9%
Approx. Monthly Bill Impact per year (\$)	\$ 9.2	\$ 9.2	\$ 9.2	\$ 9.2	\$ 9.2
Approx. Cumulative Monthly Bill Impact (\$)	\$ 9.2	\$ 18.4	\$ 27.6	\$ 36.8	\$ 46.0

7 **Table 6: Summary of Revenue Shift and Resulting R/C Ratios between Rate Schedules per Year**
 8 **under FBC Proposed Option 2 as Presented in the Updated Application with a 5-year Phase-in**
 9 **Period**

	FBC Option 2 w/ 5-year Phase-in for RS 60									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio
RS 01	-	99.5%	-	99.5%	-	99.5%	-	99.5%	-	99.5%
RS 20	(1,134)	105.0%	-	105.0%	-	105.0%	-	105.0%	-	105.0%
RS 21	-	102.4%	-	102.4%	-	102.4%	-	102.4%	-	102.4%
RS 30	-	100.7%	-	100.7%	-	100.7%	-	100.7%	-	100.7%
RS 31	(55)	105.0%	-	105.0%	-	105.0%	-	105.0%	-	105.0%
RS 40	581	95.0%	-	95.0%	-	95.0%	-	95.0%	-	95.0%
RS 41	-	98.3%	-	98.3%	-	98.3%	-	98.3%	-	98.3%
RS 50	-	99.8%	-	99.8%	-	99.8%	-	99.8%	-	99.8%
RS 60	122	79.6%	122	81.9%	122	84.3%	122	86.6%	122	88.9%

11 **Table 7: Summary of Monthly Bill Impact in % and \$ for an Average Customer in Each Rate**
 12 **Schedule per Year under FBC Proposed Option 2 as Presented in the Updated Application with a**
 13 **5-year Phase-in Period**

	FBC Option 2 w/ 5-year Phase-in for RS 60									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)
RS 01	-	-	-	-	-	-	-	-	-	-
RS 20	(2.4%)	(6)	-	-	-	-	-	-	-	-
RS 21	-	-	-	-	-	-	-	-	-	-
RS 30	-	-	-	-	-	-	-	-	-	-
RS 31	(0.3%)	(1,156)	-	-	-	-	-	-	-	-
RS 40	1.1%	4,838	-	-	-	-	-	-	-	-
RS 41	-	-	-	-	-	-	-	-	-	-
RS 50	-	-	-	-	-	-	-	-	-	-
RS 60	3.0%	9	3.0%	9	3.0%	9	3.0%	9	3.0%	9

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1 With regard to the annual revenue deficiency amount resulting from the phase-in and the
 2 associated annual rate impact due to the amortization of the proposed Irrigation Rebalancing
 3 Phase-in deferral account under FBC's proposed Option 2 with a five-year phase-in period, please
 4 refer to the response to BCUC IR2 13.2. The additional rate impact to all customers, which will be
 5 recovered as part of FBC's annual general rate increase through the amortization of the deferral
 6 account, is small at 0.1 percent in Year 1 and gradually reducing to 0 percent by Year 5 of the
 7 phase-in period. For the average residential customer, this is equivalent to a total bill impact of
 8 just less than \$2 in Year 1.

9 Since the additional rate impact due to the amortization of the revenue deficiency from the phase-
 10 in of RS 60 customers is small at only 0.1 percent in Year 1, FBC's assessment of its proposed
 11 Option 2 against the Bonbright rate design principles remains the same. As discussed in Section
 12 7.2.2 of the Updated Application, FBC's proposed Option 2 aligns with principle 2 (partially) and
 13 4, but does not fully align with principle 6.

14 **BCOAPO Option 8 (per BCOAPO IR1 10.1):**

15 FBC believes this question is referring to BCOAPO Option 8 from the response to BCOAPO IR1
 16 10.1, not BCOAPO IR1 8.1, as such, the following response is based on the result as presented
 17 in the response to BCOAPO IR1 10.1.

18 FBC notes that the R/C ratios and the average monthly bill impact for RS 60 customers under
 19 BCOAPO Option 8 with a five-year phase-in period is the same as FBC Option 1 with a five-year
 20 phase-in period as shown above, since both options are aimed at rebalancing RS 60 customers
 21 to 95 percent over a five-year period. As such, please refer to Table 1 above for the R/C ratios as
 22 well as the average monthly bill impacts in percentage and in dollars for RS 60 customers each
 23 year over the five-year phase-in period. For the summary of the revenue shift and resulting R/C
 24 ratios of all rate schedules over the five-year phase-in period under BCOAPO Option 8, please
 25 refer to Table 8 below (in the same format as Table 2 of the response to BCOAPO IR1 10.3). For
 26 the summary of the monthly bill impact in percentage and in dollars for all rate schedules over the
 27 five-year period under BCOAPO Option 8, please refer to Table 9 below (in the same format as
 28 Table 3 of BCOAPO IR1 10.3).

29 **Table 8: Summary of Revenue Shift and Resulting R/C Ratios between Rate Schedules per Year**
 30 **under BCOAPO Option 8 as Presented in BCOAPO IR1 10.1 with a 5-year Phase-in Period**

	BCOAPO Option 8 w/ 5-year Phase-in for RS 60									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Revenue Shift (\$000s)	R:C	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio	Revenue Shift (\$000s)	R:C Ratio
RS 01	-	99.5%	-	99.5%	-	99.5%	-	99.5%	-	99.5%
RS 20	(1,370)	104.5%	-	104.5%	-	104.5%	-	104.5%	-	104.5%
RS 21	-	102.4%	-	102.4%	-	102.4%	-	102.4%	-	102.4%
RS 30	-	100.7%	-	100.7%	-	100.7%	-	100.7%	-	100.7%
RS 31	(143)	104.5%	-	104.5%	-	104.5%	-	104.5%	-	104.5%
RS 40	581	95.0%	-	95.0%	-	95.0%	-	95.0%	-	95.0%
RS 41	-	98.3%	-	98.3%	-	98.3%	-	98.3%	-	98.3%
RS 50	-	99.8%	-	99.8%	-	99.8%	-	99.8%	-	99.8%
RS 60	187	80.9%	187	84.4%	187	87.9%	187	91.5%	187	95.0%

1 **Table 9: Summary of Monthly Bill Impact in % and \$ for an Average Customer in Each Rate**
 2 **Schedule per Year under BCOAPO Option 8 as Presented in BCOAPO IR1 10.1 with a 5-year**
 3 **Phase-in Period**

	BCOAPO Option 8 w/ 5-year Phase-in for RS 60									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)	Avg. Monthly Bill Impact (%)	Avg. Monthly Bill Impact (\$/Mth)
RS 01	-	-	-	-	-	-	-	-	-	-
RS 20	(2.9%)	(7)	-	-	-	-	-	-	-	-
RS 21	-	-	-	-	-	-	-	-	-	-
RS 30	-	-	-	-	-	-	-	-	-	-
RS 31	(0.8%)	(2,981)	-	-	-	-	-	-	-	-
RS 40	1.1%	4,838	-	-	-	-	-	-	-	-
RS 41	-	-	-	-	-	-	-	-	-	-
RS 50	-	-	-	-	-	-	-	-	-	-
RS 60	4.6%	14	4.6%	14	4.6%	14	4.6%	14	4.6%	14

4
 5 FBC notes that the annual balance of the proposed Irrigation Rebalancing Phase-in deferral
 6 account under BCOAPO Option 8 with a five-year phase-in period would be the same as FBC
 7 Option 1 with a five-year phase-in period, as the amounts of revenue being deferred for RS 60
 8 customers are the same between the two options. As such, please refer to Table 4 above for the
 9 annual revenue deficiency amounts to be recorded in the deferral account as well as the additional
 10 rate increase to all customers due to the amortization of the deferral account in each year of the
 11 phase-in period. As shown in Table 4 above, the additional rate impact to all customers due to
 12 the phase-in of RS 60 customers, which will be recovered as part of FBC's annual general rate
 13 increase through the amortization of the deferral account, is small at 0.15 percent in Year 1 of the
 14 five-year phase-in period.

15 With regard to the Bonbright rate design principles, FBC notes that an assessment was provided
 16 in the response to BCOAPO IR1 10.3 for BCOAPO Option 8 but with a three-year amortization
 17 period. Considering the changes from a three-year to a five-year phase-in period are small, and
 18 the additional rate impact to all customers due to the amortization of the Irrigation Rebalancing
 19 Phase-in deferral account is small at 0.15 percent, FBC's assessment of BCOAPO Option 8
 20 against the Bonbright rate design principles remains the same as was discussed in BCOAPO IR1
 21 10.3.

22 **Conclusion:**

23 Based on the assessment of each option discussed above against the Bonbright rate design
 24 principles, FBC continues to consider its proposed Option 2 to be superior. As demonstrated
 25 above, although FBC's proposed Option 2 does not rebalance the R/C ratio of RS 60 to 95 percent
 26 (i.e., RS 60's R/C ratio will move to 88.9 percent), it provides the best balance amongst the
 27 Bonbright rate design principles of fair appointment of costs, customer understanding and
 28 acceptance, and managing the rate impact to RS 60 customers. FBC also notes that the rate
 29 impact to all other customer classes due to the revenue deficiency from the phase-in of RS 60
 30 customers is small at 0.1 percent under FBC's proposed Option 2. Thus, FBC's assessment
 31 against the Bonbright rate design principles remains the same even with the proposed five-year
 32 phase-in.

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21.2.2 Please provide tables for FBC Option 1 and BCOAPO Option 8 that, based on a 5-year phase-in, set out: (i) the annual revenue deficiency amounts that would be posted to the deferral account for recovery from all customers; (ii) the total amount that would be recovered from all customers (assuming the recovery period matched the phase-in period); (iii) the amount that would be recovered from all customers in each of the years of the phase-in (assuming the recovery period matched the phase-in period); and (iv) the additional rate increase all customers will see in each year of the phase-in period due to this recovery.

Response:

Please refer to the response to BCOAPO IR2 21.2.1.

21.2.3 Please provide evaluations for FBC Option 1 and Option 2 as well as BCOAPO Option 8 (per BCOAPO 8.1) using on Bonbright Principles 1, 4 and 6 where, in each case, the impacts on RS 60 customers are phased-in over a 5 year period and the balance accrued in the proposed deferral account is recovered from all customers and the evaluation takes into account the impacts of the phase-in on each rate class.

Response:

Please refer to the response to BCOAPO IR2 21.2.1.

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1 **22.0 Reference: Exhibit B-9, BCOAPO 10.3**

2 **Preamble:** BCOAPO 10.3 requested the results of an option whereby the proposed
3 revenue to cost ratios for each year of the phase-in would maintain revenue
4 neutrality (without the need for deferral account). However, the response
5 provided does not do so as seen by the results presented in Table 1 which
6 indicates revenue deficiencies of approximately \$621 M in Year 1 and \$311
7 M in Year 2.

8 22.1 Based on the 2025 COSA results in the Updated Application, please provide the
9 results (versions of Tables 1, 2 and 3 per BCOAPO 10.3 by year) and an evaluation
10 based on the Bonbright principles for a variation of BCOAPO Option 8 where: (i)
11 the R/C ratio for RS 60 is phased in to 95% over 5 years with equal bill impacts in
12 each year; (ii) the R/C ratio for RS 40 is increased to 95% in the first year; (iii) the
13 R/C ratio for RS 20 is reduced to maintain revenue neutrality; and (iv) if the R/C
14 ratio for RS 20 in a given year would be less than 105.3% then the ratios for both
15 RS 20 and RS 31 are set at the same value in order to maintain revenue neutrality.
16 (Note: Based on BCOAPO 10.3 it is expect that only the R/C ratio for RS 20 would
17 need to be adjusted in order to maintain revenue neutrality in Years 1, 2 and 3 but
18 that in Years 4 and 5 the ratios for both RS 20 and RS 31 will need to be adjusted
19 to a common value for each year in order to maintain revenue neutrality and that
20 this common R/C ratio will be 104.3% in Year 5).

21
22 **Response:**

23 For the purposes of this response, FBC refers to the rebalancing scenario requested in this
24 question as BCOAPO Option 22.1.

25 As demonstrated below, BCOAPO Option 22.1 will require revenue rebalancing each year over
26 the 5-year phase-in period. Further, the rate classes that require rebalancing would be different
27 depending on the year of the phase-in period. Additionally, RS 20 and RS 31 will remain outside
28 of the RoR with R/C ratios above 105 percent until the fourth year of the 5-year phase-in period.
29 In light of all of these factors, FBC considers the approach suggested by BCOAPO in this question
30 to be impractical and overly complicated. In contrast, as illustrated in the response to BCUC IR2
31 13.2, FBC's proposed approach of utilizing a deferral account to facilitate the phase-in is easy to
32 understand, transparent, and consistent with the approach used for past phase-ins. Further,
33 FBC's phase-in approach will not delay the rebalancing of RS 20 and RS 31 back to within the
34 RoR, and the incremental rate impact (as shown in the response to BCUC IR2 13.2) to all
35 customers resulting from the phase-in for RS 60 customers is small at 0.1 percent in Year 1 of
36 the 5-year phase-in period.

37 Please refer to Table 1 below for the R/C ratios as well as the average monthly bill impact in
38 percentage and in dollars for RS 60 customers based on the rebalancing phase-in approach
39 under BCOAPO Option 22.1 (in the same format as Table 1 of BCOAPO IR1 10.3). Please also
40 refer to Table 2 for a summary of the revenue shift as well as the resulting R/C ratios for all rate
41 schedules, and Table 3 for a summary of the monthly bill impact in percentage as well as in dollars

1 for all rate schedules each year during the phase-in period (both tables in the same format as
2 Tables 2 and 3 of the response to BCOAPO IR1 10.3).

3 **Table 1: R/C Ratio and Bill Impact of RS 60 Customers Over a 5-year Phase-in Period under**
4 **BCOAPO Option 22.1**

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue shift per year (\$000s)	\$ 187	\$ 187	\$ 187	\$ 187	\$ 187
Cumulative revenue shift over phase-in period (\$000s)	\$ 187	\$ 373	\$ 560	\$ 746	\$ 933
RS 60 R/C Ratio	80.9%	84.4%	87.9%	91.5%	95.0%
Effective Rate Increase per year (%)	4.6%	4.6%	4.6%	4.6%	4.6%
Cumulative Rate Increase (%)	4.6%	9.1%	13.7%	18.3%	22.9%
Approx. Monthly Bill Impact per year (\$)	\$ 14.1	\$ 14.1	\$ 14.1	\$ 14.1	\$ 14.1
Approx. Cumulative Monthly Bill Impact (\$)	\$ 14.1	\$ 28.2	\$ 42.3	\$ 56.4	\$ 70.5

6 **Table 2: Summary of Revenue Shift and Resulting R/C Ratios between Rate Schedules per Year**
7 **under BCOAPO Option 22.1**

	BCOAPO Option 22.1 w/ 5-year Rebalancing Phase-in									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Revenue Shift (Year-over-Year) (\$000s)	R:C Ratio	Revenue Shift (Year-over-Year) (\$000s)	R:C Ratio	Revenue Shift (Year-over-Year) (\$000s)	R:C Ratio	Revenue Shift (Year-over-Year) (\$000s)	R:C Ratio	Revenue Shift (Year-over-Year) (\$000s)	R:C Ratio
RS 01	-	99.5%	-	99.5%	-	99.5%	-	99.5%	-	99.5%
RS 20	(767)	105.8%	(187)	105.4%	(145)	105.1%	(136)	104.8%	(136)	104.5%
RS 21	-	102.4%	-	102.4%	-	102.4%	-	102.4%	-	102.4%
RS 30	-	100.7%	-	100.7%	-	100.7%	-	100.7%	-	100.7%
RS 31	-	105.3%	-	105.3%	(42)	105.1%	(50)	104.8%	(50)	104.5%
RS 40	581	95.0%	-	95.0%	-	95.0%	-	95.0%	-	95.0%
RS 41	-	98.3%	-	98.3%	-	98.3%	-	98.3%	-	98.3%
RS 50	-	99.8%	-	99.8%	-	99.8%	-	99.8%	-	99.8%
RS 60	187	80.9%	187	84.4%	187	87.9%	187	91.5%	187	95.0%

9 **Table 3: Summary of Monthly Bill Impact in % and \$ for an Average Customer in Each Rate**
10 **Schedule per Year under BCOAPO Option 22.1**

	BCOAPO Option 22.1 w/ 5-year Rebalancing Phase-in									
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Average Monthly Bill Impact (Year-over-Year) (%)	Average Monthly Bill Impact (Year-over-Year) (\$/Mth)	Average Monthly Bill Impact (Year-over-Year) (%)	Average Monthly Bill Impact (Year-over-Year) (\$/Mth)	Average Monthly Bill Impact (Year-over-Year) (%)	Average Monthly Bill Impact (Year-over-Year) (\$/Mth)	Average Monthly Bill Impact (Year-over-Year) (%)	Average Monthly Bill Impact (Year-over-Year) (\$/Mth)	Average Monthly Bill Impact (Year-over-Year) (%)	Average Monthly Bill Impact (Year-over-Year) (\$/Mth)
RS 01	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RS 20	(1.6%)	\$ (4.2)	(0.4%)	\$ (1.0)	(0.3%)	\$ (0.8)	(0.3%)	\$ (0.7)	(0.3%)	\$ (0.7)
RS 21	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RS 30	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RS 31	-	\$ -	-	\$ -	(0.2%)	\$ (877.0)	(0.3%)	\$ (1,051.8)	(0.3%)	\$ (1,051.8)
RS 40	1.1%	\$ 4,838.0	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RS 41	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RS 50	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
RS 60	4.6%	\$ 14.1	4.6%	\$ 14.1	4.6%	\$ 14.1	4.6%	\$ 14.1	4.6%	\$ 14.1

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1 As shown in the tables above, BCOAPO Option 22.1 will lead to RS 20 and RS 60 experiencing
2 rebalancing every year during the 5-year period, while RS 40 will only experience rebalancing in
3 the first year and RS 31 will experience rebalancing in Years 3 to 5.

4 In terms of rate impact, even if the rate increase to RS 60 is smoothed over five years, the impact
5 to RS 60 customers in each year (i.e., approximately 4.6 percent) will be higher than FBC's
6 proposed Option 2. Further, the cumulative rate impact of 22.9 percent over the 5-year phase-in
7 period is significant, especially when considering that this cumulative increase does not include
8 FBC's annual general rate increases over the same period.

9 When assessed against the Bonbright rate design principles, BCOAPO Option 22.1 fails to align
10 with all three applicable principles:

11 • **Principle 2 – Fair Apportionment of Costs Among Customers**

12 Although all rate schedules will be within the desired RoR after the 5-year phase-in period,
13 RS 20 and RS 31 will not move to within the RoR until Year 4, while RS 60 will not move
14 to within the RoR until the end of the phase-in period. In contrast, the phase-in approach
15 proposed by FBC moves RS 20 and RS 31 to within the RoR immediately.

16 • **Principle 4 – Customer Understanding and Acceptance**

17 FBC considers BCOAPO Option 22.1 to be confusing and difficult for customers to
18 understand. For each year during the phase-in period, there will be different customer
19 groups that will experience rate changes due to revenue rebalancing in addition to FBC's
20 general rate increases. In contrast, FBC's proposed phase-in approach is transparent and
21 easy to understand.

22 • **Principle 6 – Rate Stability (Customer Rate Impact Should be Managed)**

23 Even with a 5-year phase-in period for RS 60, BCOAPO Option 22.1 will result in a
24 significant cumulative rate impact (i.e., 22.9 percent) over the 5-year period, and this
25 cumulative rate impact is before FBC's annual general rate increases. In contrast, FBC's
26 proposed Option 2 will reduce the rate impact to approximately 3 percent per year or
27 cumulatively to 14.9 percent over the 5-year period.

28 For all of the reasons described above, FBC continues to consider its proposed Option 2 to be
29 superior to BCOAPO Option 22.1. FBC's proposed use of a deferral account to facilitate the
30 phase-in of rebalancing for RS 60 customers is transparent and easy to understand, and it does
31 not require recalculation of revenue rebalancing each year for different rate schedules during the
32 phase-in period.

33