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September 25, 2025

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

Dear Registrar:

**Re: FortisBC Inc. (FBC)**  
**2025 and 2026 Annual Review of Rates (Application)**  
**Response to the British Columbia Utilities Commission (BCUC) Information**  
**Request (IR) No. 1**

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On July 31, 2025, FBC filed the Application referenced above. In accordance with the regulatory timetable established in BCUC Order G-180-25 for the review of the Application, FBC respectfully submits the attached response to BCUC IR No. 1.<sup>1</sup>

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC INC.**

***Original signed:***

Sarah Walsh

Attachments

cc (email only): Registered Intervenors

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<sup>1</sup> For convenience and efficiency, if FBC has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FBC intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

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6 **A. GENERAL**

7 **1.0 Reference: GENERAL**

8 **Exhibit B-2 (Application), Section 1.1.1, p. 1**

9 **Use of Actuals in 2025 Revenue Requirement**

10 On page 1 of the Application, FBC states:

11 FBC has now calculated the 2025 revenue requirement based on the approved  
 12 formula O&M [operations & maintenance] and forecasts in the RSF [Rate Setting  
 13 Framework] Decision, the actual 2024 results from the final year of the 2020-2024  
 14 Multi-Year Rate Plan (MRP) and five months of actual results in 2025 where  
 15 applicable. [...]

16 1.1 Please complete the below table, clarifying how each item in the revenue  
 17 requirement is forecast for 2025 and their respective treatment of variances from  
 18 forecast.

Item	Basis of Forecast	Treatment of Variances
Customer Growth & Demand		
Power Supply		
Other Revenue		
Net Operations & Maintenance Expense		
Rate Base Growth		
Depreciation, net of Contribution in Aid of Construction		
Deferral Amortization		
Financing Ratio and Rates		
Tax Expense		

19 1.1.1 If actual results differ from forecast for these items, is the shared amount  
 20 (as applicable) that will be included in the Earning Sharing deferral  
 21 account and amortized into rates in a subsequent year different from what

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the amount would have been without the inclusion of five months of actual results in 2025?

**Response:**

Please refer to Table 1 below describing how each item in the revenue requirement is forecast for 2025 and the treatment of variances from forecast. The forecasting methods and the treatment of variances for each item are consistent with the methods and treatment approved in the 2025-2027 Rate Setting Framework Decision and Order G-70-25 (RSF Decision).<sup>1</sup>

FBC has incorporated five months of actual results (where applicable) into the 2025 revenue requirement as this information is available given the timing of filing the Application (i.e., midway through 2025). This approach is reasonable and appropriate, as it incorporates the best information available to forecast FBC's 2025 revenue requirement and is consistent with past practice, including the FBC (and FEI) Annual Reviews for 2020-2021 Rates applications. The alternative of using "forecast" data for the first five months of 2025 instead of using actual available results would not be reasonable. Incorporating five months of actual results for the purposes of calculating the 2025 revenue requirement is not retroactive ratemaking, as this is simply a forecasting technique that incorporates the best information available.

As explained in the Application, Order G-314-24 approved 2025 rates on an interim and refundable/recoverable basis, prior to the start of the year. The use of interim rates is a common, well-established and frequently used mechanism explicitly in place to prevent retroactive ratemaking. With rates approved for a test period on an interim basis, the BCUC necessarily has the power to modify the rates for that test period at a later date, by final order. Thus, utilities are able to file for interim rates prior to the commencement of the test year, and then later undergo the review of a revenue requirement application and the setting of rates. The use of interim rates is necessary in cases, such as the present one, where the revenue requirement application is not able to be filed and a decision issued on the application prior to the start of the test year.

As detailed in Table 1 below and in Table 12-3 of the Application, the primary items that impact earnings sharing are: (i) variances between actual and formula O&M; and (ii) variances in the depreciation, interest and income tax expense resulting from variances in forecast regular capital (i.e., Growth, Sustainment and Other capital). None of these items are updated in the Application, as the formula for O&M and the forecasts for regular Growth, Sustainment and Other capital were set by the RSF Decision for the duration of the RSF term. While the forecast of customers has been updated (and would therefore change the formula O&M to a minor extent from the Interim Rate Application), this is reasonable given that FBC is approved to true-up the difference between forecast and actual customers as part of the calculation of annual formula O&M. Using the five months of actual data simply reduces the amount of true-up that would otherwise be required in future years.

The other component of the revenue requirement that impacts earnings sharing is Other Revenue (as detailed in Table 1 below, variances in all components of Other Revenue with the exception

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<sup>1</sup> RSF Decision and Order G-70-25, p. 18.

of EV DCFC Station carbon credits are subject to earnings sharing). Some of the components of Other Revenue, such as Contract Revenue and Other Recoveries, have been updated to include five months of actuals, as noted in Table 1 below, and the updated amounts could reduce the amount of the potential variance that would otherwise occur. However, the alternative of FBC using forecast values for the first five months of 2025 when actual values are known, and then potentially sharing in the earnings impact (which could be positive or negative) from the resulting variances, would not be a better approach.

FBC expects that including five months of actual results will impact the Flow-through deferral account as the variances between the 2025 actuals and forecasts should be reduced, thereby limiting the amount of true-up that will have to be recovered from or returned to customers through the Flow-through deferral account in subsequent years.

**Table 1: Summary of Basis of Forecast and its Treatment of Variances for 2025**

Item	Basis of Forecast	Treatment of Variances
<b>Customer Growth &amp; Demand</b>	As explained on page 15 of the Application, the 2025 Projected demand forecast is based on the latest full year of actual data (i.e., 2024) with the forecast numbers from January to May being replaced with actuals.	As approved in the RSF Decision, and reflected in Table 12-3 of the Application, all variances related to customer growth and demand are captured in the Flow-through deferral account.
<b>Power Supply</b>	<p>The 2025 Projected Power Supply Costs are based on the following:</p> <ul style="list-style-type: none"> <li> <b>Power Purchase Expense (PPE):</b> <ul style="list-style-type: none"> <li><b>Brilliant Expense:</b> Based on a forecast of the operating and maintenance cost of the plant as well as a true-up to the prior year's actual costs compared to forecast;</li> <li><b>BC Hydro Power Purchase Agreement (PPA):</b> Based on actual purchases of energy and capacity up to May 2025 and forecasts (including potential displacement) for the remainder of the year at the average purchase rate;</li> <li><b>Waneta Expansion:</b> Based on actuals from January to May 2025 plus forecast sales revenue from June to December 2025;</li> <li><b>Market and Contracted Purchases:</b> Based on actuals from January to May 2025 plus executed fixed-price contracts for the remainder of the year as well as forecast short-term market purchases for RS 37 and 38 for the remainder of the year; and</li> <li><b>CPA Balancing Pool:</b> Based on the timing differences in entitlement energy storage under the CPA.</li> </ul> </li> <li><b>Wheeling Expense:</b> Amended and Restated Wheeling Agreement (ARWA) expense is forecast using known volumes and prior year's rates escalated by estimated BC-CPI. Teck wheeling is</li> </ul>	As approved in the RSF Decision, and reflected in Table 12-3 of the Application, any variances between forecast and actual power supply costs are recorded in the Flow-through deferral account.

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Item	Basis of Forecast	Treatment of Variances
	<p>forecast based on the most recent 3 years of historical volumes, using contract rates which are escalated by 2 percent annually. Open Access Transmission Tariff (OATT) wheeling costs are estimated using an average of prior years' expenses.</p> <ul style="list-style-type: none"> <li>• <b>Water Fees:</b> Based on FBC's entitlement usage in the previous year and the rate increases are indexed to BC-CPI.</li> </ul>	
<b>Other Revenue</b>	<p>The 2025 Projected Other Revenue is based on the following:</p> <ul style="list-style-type: none"> <li>• <b>Apparatus and Facilities Rental:</b> Based on actual escalations in unit rental rates for continuing contracts in 2025.</li> <li>• <b>Contract Revenue:</b> Based on customer requirements at the start of the customer's fiscal year, including five months of actuals in 2025.</li> <li>• <b>Transmission Access Revenue:</b> Based on nominations for transmitting power over the FBC system each year.</li> <li>• <b>Interest Income:</b> Primarily comprised of outstanding DSM loan balance based on current interest rate.</li> <li>• <b>Late Payment Charges:</b> 2025 Projected is calculated based on the average of 2023 and 2024 Actual amounts, consistent with the method approved in the RSF Decision.</li> <li>• <b>Connection Charges:</b> Based on the three-year average of actuals.</li> <li>• <b>EV DCFC Stations Carbon Credits:</b> Based on actual credit monetization, consistent with past Annual Reviews.</li> <li>• <b>Other Recoveries:</b> Based on actuals from January to May 2025 plus estimated requirement from June to December 2025.</li> </ul>	<p>As approved in the RSF Decision, and reflected in Table 12-3 of the Application:</p> <ul style="list-style-type: none"> <li>• <b>EV DCFC stations:</b> Variances recorded in the Flow-through deferral account; and</li> <li>• <b>All other items:</b> Variances subject to Earning Sharing.</li> </ul>

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Item	Basis of Forecast	Treatment of Variances
<b>Net Operations &amp; Maintenance Expense</b>	<p><b>Formula O&amp;M:</b></p> <ul style="list-style-type: none"> <li>Based on the approved 2024 Base UCOM of \$495 from the RSF Decision, multiplied by the net inflation factor (Section 2.2 of the Application) and the 2025 Projected average customer count (Section 2.3 of the Application), which is based on full year actuals of 2024 with the forecast numbers from January to May of 2025 being replaced with actuals.</li> </ul> <p><b>Forecast O&amp;M:</b></p> <ul style="list-style-type: none"> <li><b>Pension/OPEB:</b> Based on the 2025 Projected discount rate which is calculated based on the current market yield of high-quality debt instruments.</li> <li><b>Insurance:</b> Based on actual premium from July 2024 to June 2025 and actual premium from July 2025 to June 2026.</li> <li><b>BCUC Levies:</b> Based on Orders G-141-24 and G-117-25.</li> <li><b>EV DCFC Stations:</b> Based on actuals from January to May 2025 plus estimated requirement from June to December 2025.</li> </ul>	<p>As approved in the RSF Decision, and reflected in Table 12-3 of the Application:</p> <ul style="list-style-type: none"> <li><b>Formula O&amp;M:</b> Variances subject to earnings sharing;</li> <li><b>Forecast O&amp;M:</b> <ul style="list-style-type: none"> <li><b>Pension &amp; OPEB:</b> Variances recorded in the Pension/OPEB Variance deferral account;</li> <li><b>BCUC Levies:</b> Variances recorded in the BCUC Levies Variance deferral account; and</li> <li><b>All other items:</b> Variances recorded in the Flow-through deferral account.</li> </ul> </li> </ul>
<b>Rate Base Growth</b>	<p>As explained on page 55 of the Application, the 2025 Projected Rate Base is based on:</p> <ul style="list-style-type: none"> <li>The 2024 actual closing plant balance;</li> <li>Mid-year impact of approved regular capital additions (Growth, Sustainment, and Other capital), net of CIAC;</li> <li>Mid-year impact of depreciation based on approved depreciation rates from the RSF Decision, net of CIAC amortization;</li> <li>Full-year impact related to the true-up of the rate base resulting from the end of the 2020-2024 MRP term; and</li> <li>Full-year impact of the Corra Linn Spillway Gates Replacement CPCN Project.</li> </ul>	<p>Variances in rate base impact depreciation, amortization, interest expense, and income tax. Please refer to the treatment of variances for each individual items.</p>
<b>Depreciation, net of CIAC</b>	<p>As explained in Section 7.6 of the Application, depreciation is calculated using the depreciation rates approved in the RSF Decision at the 2025 opening plant-in-service balance (i.e., January 1 of 2025), net of CIAC which is the treatment approved by Order G-139-14.</p>	<p>As approved in the RSF Decision, and reflected in Table 12-3 of the Application:</p> <ul style="list-style-type: none"> <li>Variances in Clean Growth Projects (i.e., EV DCFC stations), CPCN Projects, and Exogenous items are captured in the Flow-through deferral account; and</li> <li>All other depreciation variances are subject to earnings sharing.</li> </ul>

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Item	Basis of Forecast	Treatment of Variances
<b>Deferral Amortization</b>	Based on the opening balance (i.e., January 1, 2025) and the approved amortization rate of each individual deferral account.	As approved in the RSF Decision and reflected in Table 12-3 of the Application, all variances in deferral amortization will be captured in each respective deferral account which will be trued-up in subsequent years.
<b>Financing Ratio and Rates</b>	For long-term debt, as discussed in Section 8.3.1, FBC does not plan to issue long-term debt in 2025, and will use the funds to repay existing indebtedness and finance the Company's capital expenditure program. The resulting overall long-term debt rate and ratio for 2025 is 4.72 percent and 53.12 percent, respectively. Pursuant to Order G-236-23, the BCUC approved a benchmark capital structure of 59 percent debt and 41 percent equity, resulting in a short-term debt ratio for 2025 of 5.88 percent (i.e., 59 percent minus 53.12 percent). The 2025 Projected short-term interest rate is calculated as shown in Table 8-1 of the Application.	As approved in the RSF Decision and reflected in Table 12-3 of the Application, any variances from interest rates used to set FBC's rates, and any variances in interest resulting from items subject to flow-through treatment will be captured in the Flow-through deferral account. All other differences in interest expense that will affect the achieved ROE will be subject to earnings sharing.
<b>Tax Expense</b>	<p><b>Property taxes:</b></p> <ul style="list-style-type: none"> <li>As explained in Section 9.2 of the Application, the 2025 Projected property taxes are based on actual tax rates from each individual municipality in 2025 and the actual assessed value in 2025.</li> </ul> <p><b>Income Tax:</b></p> <ul style="list-style-type: none"> <li>The calculation of the 2025 Projected income tax is shown in Section 11.1, Schedule 24 of the Application, which is primarily dependent on the 2025 Projected earned return (which is in turn calculated based on the 2025 Projected rate base), depreciation, amortization, and CCA deductibles. The basis of forecast for the 2025 Projected rate base, depreciation, and amortization are discussed above. The CCA deductibles are based on the actual undepreciated capital costs (UCC) in FBC's rate base at the CCA rate set by the <i>Canada Income Tax Act</i>.</li> </ul>	As approved in the RSF Decision and reflected in Table 12-3 of the Application, variances in property tax are captured in the Flow-through deferral account. Any variances in income tax resulting from Clean Growth Projects (i.e., EV DCFC Stations), CPCN Projects, and Exogenous items, as well as variances due to change in tax rates or laws, will be captured in the Flow-through deferral account. Any other variances in income tax will be subject to earnings sharing.

1.2 Please explain why the use of five months of actual results in 2025 for calculating the 2025 revenue requirement would not raise any retroactive ratemaking issues.

**Response:**

Please refer to the response to BCUC IR1 1.1.

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**2.0 Reference: GENERAL**

**Exhibit B-2, Section 1.1.2, p. 2**

**Impact of FBC 2025 Cost of Service Allocation (COSA) and Revenue Rebalancing Application on 2026 Rates**

On page 2 of the Application, FBC states:

FBC notes that the 2026 deficiency does not include the impact related to the 2025 Cost of Service Allocation (COSA) and Revenue Rebalancing Application (2025 COSA Application) which was filed in February 2025 and is currently in the argument phase of the regulatory process. [...] If FBC's proposals in the 2025 COSA Application are approved and FBC is approved to implement the changes effective January 1, 2026, there will be an increase to 2026 permanent rates of approximately 0.19 percent [...] [*Emphasis added*]

2.1 Please clarify how FBC proposes to address the impact on permanent rates for 2026 due to the pending decision on the FBC 2025 COSA and Revenue Rebalancing Application in the following scenarios. For each scenario, please provide the draft directive that FBC proposes for the BCUC to include in its final order on this Application with respect to the permanent rates for 2026:

- a. Scenario 1: The BCUC issues its decision on the FBC 2025 COSA and Revenue Rebalancing Application before issuing its final order and decision on this Application; and
- b. Scenario 2: The BCUC issues its decision in the FBC 2025 COSA and Revenue Rebalancing Application after issuing its final order and decision on this Application.

**Response:**

***BCUC Scenario 1:***

If the BCUC issues its decision on the FBC 2025 COSA and Revenue Rebalancing Application (2025 COSA Decision) before issuing its final order and decision on this Application, there would be no additional directive needed in the decision on this Application and the process for incorporating the impacts of the 2025 COSA Decision into 2026 permanent rates would be as described on page 2 of the Application. FBC provides that explanation below for ease of reference:

Given the expected timing of the 2025 COSA Application decision and the decision on this Application, FBC will include the impacts of the 2025 COSA Application decision in the compliance filing to the decision on the Annual Review for 2025-2026 Rates. In this way, the final approved 2026 rates will reflect both the determinations on this Application and the determinations in the 2025 COSA Application decision.



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For further clarity, the approvals to adjust rates for rebalancing and to amortize the 2025 COSA deferral account over one year, all effective January 1, 2026, are being sought in the 2025 COSA Application (and therefore, subject to any changes from the BCUC in the COSA Decision, will be granted in the 2025 COSA Decision). The specific approval being sought in the 2025-2026 Annual Review Application is to “recover the 2026 revenue requirement and the resulting rate change on a permanent basis, effective January 1, 2026” (i.e., Directive 3 of the draft order provided as Appendix C to the Application). Thus, no additional directives/approvals beyond what are already being sought are required in either the 2025 COSA Application or the 2025-2026 Annual Review Application under Scenario 1. FBC will simply incorporate the results of the 2025 COSA Decision into the compliance filing to the decision on the 2025-2026 Annual Review.

***BCUC Scenario 2:***

FBC considers Scenario 2 to be highly unlikely, as FBC’s reply argument was filed in the 2025 COSA proceeding on August 18 and a decision on the 2025-2026 Annual Review is unlikely to be issued until late November at the earliest given the regulatory timetable established by Order G-180-25. However, irrespective of which decision is issued first, if both decisions are issued by early December, there would no additional directives required in the final orders of either decision. The draft order in the 2025 COSA Application includes the following directive (Directive 4):

FBC is directed to file revised tariff pages reflecting the Decision with the BCUC for endorsement at the same time FBC files tariff pages for the general rate changes effective January 1, 2026, by no later than December 15, 2025.

The draft order in this Application (provided as Appendix C) states (Directive 6):

FBC is directed to file as a compliance filing amended tariff pages in accordance with the terms of this order for the BCUC’s endorsement within 30 days from the date of the issuance of this order.

Thus, if both decisions are received by early December, FBC would incorporate the directives/approvals contained in each decision into the compliance filing to the 2025-2026 Annual Review Decision, which will include the calculation of the final permanent 2026 rates. As FBC must complete this calculation by December 15 in order to be able to implement the necessary billing changes effective January 1, 2026, the compliance filing containing the final permanent 2026 rates would be filed with the BCUC by December 15, 2025 (as stated in Directive 4 of the draft order in the 2025 COSA Application).

The only scenario which would result in changes being required to the process or the approvals in the decisions are if either or both decisions are not issued by early December. If such a situation were to occur, FBC would need to seek approval to set 2026 rates on an interim basis so that any changes resulting from either decision could be incorporated into 2026 rates.

As has been the case in past Annual Reviews, FBC will assess whether it needs to seek interim rate approval closer to the end of the year (i.e., sometime in November) once there is more clarity as to whether a decision will be able to be issued (in this case, decisions on both the 2025 COSA

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- 1 Application and the 2025-2026 Annual Review) in time for FBC to implement permanent 2026
- 2 rates.
- 3

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**3.0 Reference: GENERAL**

**FortisBC Energy Inc. (FEI) and FBC 2025 to 2027 Rate Setting Framework proceeding, Exhibit B-20 (FBC 2025 Interim Rates Application), Section 2, Figure 2-1, pp. 2–3; Exhibit B-2, Section 1.4, Figure 1-1, p. 5**

**2025 Revenue Deficiency**

On page 2 of the FBC 2025 Interim Rates Application, FBC stated that “the interim revenue requirement components set out in the [FBC 2025 Interim Rates] Application result in an effective rate increase of 5.65 percent for 2025 compared to 2024 Approved ...” and “... the effective rate increase results from a revenue deficiency of \$26.895 million.” On page 3 of the FBC 2025 Interim Rates Application, FBC provided Figure 2-1, which summarizes the items that contribute to the forecast revenue deficiency of \$26.895 million.

On page 5 of the Application, FBC states that it is proposing to make permanent the existing interim rates for 2025, effective January 1, 2025, and to capture the portion of the 2025 revenue that is less than 5.65 percent (approximately \$10.199 million) in the existing 2023 Revenue Deficiency deferral account, resulting in an overall deficiency of \$27.146 million in 2025. FBC provides Figure 1-1, which summarizes the items contributing to the forecast revenue deficiency of \$27.146 million. FBC states, “For 2025, the final blue bar represents the sum required to bring the total revenue deficiency to the deficiency determined when setting interim rates for 2025 (i.e., 5.65 percent).”

3.1 Given that FBC is proposing to make permanent the existing interim rate increase of 5.65 percent for 2025, please explain why the amount of the deficiency recovered through the 2025 rates is not the same between Figure 2-1 in the FBC 2025 Interim Rates Application and Figure 1-1 in the Application (i.e. \$26.896 million vs. \$27.146 million).

**Response:**

There are two main reasons why the amount of the deficiency is different between the Interim Rate Application (i.e., \$26.895 million) and this Application (i.e., \$27.146 million):

1. The 2025 revenue requirement was updated in this Application to reflect five months of actuals in 2025 where applicable (please refer to the response to BCUC IR1 1.1 for a discussion of how each item in the 2025 revenue requirement was updated as part of this Application reflecting five months of actuals in 2025 where applicable). Due to this update, the 2025 forecast revenue deficiency decreased from \$26.895 million to \$16.947 million before any deferral of the 2025 revenue surplus. Please refer to the response to BCUC IR1 3.1.1 for a reconciliation and explanation of the changes in the items contributing to the difference in the 2025 forecast revenue deficiency between the Interim Rate Application and this Application.

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2. The 2025 demand forecast was updated as part of this Application with actual demand up to 2024.<sup>2</sup> This has resulted in an increase of \$4.738 million in the overall revenue projected for 2025 at the existing 2024 Approved rates (\$480.467 million in this Application compared to \$475.729 million in the Interim Rate Application).

With an updated revenue deficiency of \$16.947 million and updated revenue at the existing 2024 Approved rates of \$480.467 million, the resulting rate increase for 2025 is 3.53 percent before any surplus deferral. However, since FBC is proposing to maintain the 2025 permanent rate increase at 5.65 percent, approximately \$10.199 million of the surplus needs to be deferred from the 2025 permanent revenue requirement, resulting in a total revenue deficiency of \$27.146 million. In other words, since the 2025 revenue at the existing 2024 Approved rates is now higher by approximately \$4.738 million, the same 5.65 percent increase from the 2024 Approved rates is now equivalent to an increase in revenue recovery of \$27.146 million (i.e., \$480.467 million x 5.65 percent) as reflected in the 2025 permanent rate increase.

Please also refer to Table 1 below which shows that the 2025 permanent revenue deficiency of \$27.146 million is equivalent to a 5.65 percent increase in the 2025 Projected revenue of \$480.467 million at the existing 2024 Approved rates.

**Table 1: Reconciliation of the 2025 Interim and 2025 Permanent Revenue Deficiencies**

Line	Particulars	2025		Reference
		Interim	Permanent	
1	Revenue Deficiency (before 2025 Deferral)	\$ 26.895	\$ 16.947	BCUC IR1 3.1.1
2	2025 Revenue Surplus Deferral	-	10.199	Line 3 - Line 1
3	Total Revenue Deficiency (\$millions)	\$ 26.895	\$ 27.146	Line 5 x Line 6
4				
5	Revenue at 2024 Approved Rates (\$millions)	\$ 475.729	\$ 480.467	Schedule 18, Line 7, Column 3
6	2025 Delivery Rate Change (%)	5.65%	5.65%	Proposed
7				
8	Revenue Deficiency (\$millions)	26.895	27.146	Schedule 1, Column 3

3.1.1 Please reconcile and explain the change in the items contributing to the forecast revenue deficiency between Figure 2-1 in the FBC 2025 Interim Rates Application and Figure 1-1 in the Application (e.g. use of the approved formula in the FEI and FBC 2025 to 2027 Rate Setting Framework Decision, actual 2024 results, etc.).

### **Response:**

Please refer to Table 1 below for a reconciliation and explanation of the changes in the items contributing to the difference in the 2025 forecast revenue deficiency between the Interim Rate

<sup>2</sup> With the forecast numbers from January to May 2025 replaced with actuals as discussed in the response to BCUC IR1 1.1.

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Application and this Application (in the same categories as presented in Figure 1-1 of the Application). As shown in Table 1 below, the primary driver of the decreased revenue deficiency for the 2025 permanent rates is the increase in customer growth and demand, along with a reduction in projected power supply costs for 2025 when compared to the 2025 Interim Rate Application.

**Table 1: Reconciliation of the Changes Between the 2025 Interim and 2025 Permanent Revenue Deficiencies (\$ millions)**

Line	Particular	2025 Interim (Compared to 2024 Approved)	2025 Permanent (Compared to 2024 Approved)	Difference (\$)	Note
1	MRP True-up (O&M, Capital, and Studies)	8.419	9.184	0.765	See Note 1 below
2	Customer Growth & Demand	(18.482)	(23.220)	(4.738)	See Note 2 Below
3	Power Supply	21.046	14.388	(6.658)	See Note 3 Below
4	Other Revenue	(1.147)	(1.743)	(0.596)	See Note 4 Below
5	Net O&M	3.153	4.072	0.919	See Note 4 Below
6	Rate Base Growth	4.568	3.058	(1.510)	See Note 4 Below
7	Depreciation, net of CIAC	3.440	3.717	0.277	See Note 4 Below
8	Deferral Amortization	3.566	3.809	0.243	See Note 4 Below
9	Financing Rate and Ratio Change	(1.892)	(1.391)	0.501	See Note 4 Below
10	Property Tax Expense	2.015	3.010	0.995	See Note 4 Below
11	Income Tax Expense	2.209	2.063	(0.146)	See Note 4 Below
12	<b>Revenue Deficiency (before 2025 Deferral)</b>	<b>26.895</b>	<b>16.947</b>	<b>(9.948)</b>	Sum of Line 1 to 11
13	2025 Revenue Surplus	-	10.199	10.199	See Note 5 Below
14	<b>Total Revenue Deficiency</b>	<b>26.895</b>	<b>27.146</b>	<b>0.251</b>	Line 12 + Line 13
15					
16	Revenue at 2024 Approved Rate	475.729	480.467	4.738	See Note 1 below
17	<b>Rate Change</b>	<b>5.65%</b>	<b>5.65%</b>		Line 14 / Line 16

**Notes to table:**

- 1) The "MRP True-up" line item includes the true-up of the 2020-2024 MRP rate base (as discussed in Section 7.2 of the Application), the resetting of 2024 Base O&M as described in Section C2.3 of FortisBC's 2025-2027 Rate Setting Framework Application (RSF Application), and the changes related to the updated Depreciation Study, Capitalized Overhead Study, and Lead/Lag Study as described in Section D of the RSF Application. At the time of the Interim Rate Application, FBC used a forecast of the 2020-2024 MRP rate base for the purposes of the true-up calculation, along with the proposed 2024 Base O&M and the changes related to depreciation, capitalized overhead, and lead/lag studies presented in the RSF Application. For the 2025 permanent rates (and the resulting 2025 permanent revenue deficiency), FBC updated the MRP rate base true-up to reflect the actual rate base as of the end of 2024, which is higher than the forecast rate base included in the Interim Rate Application. Further, FBC updated the 2024 Base O&M which was reduced by \$1 million in the RSF Decision. The net effect of this reduction (including the changes in capitalized overhead from the \$1 million decrease) and the higher actual rate

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base at the end of 2024 for true-up purposes is an increase in the revenue deficiency by approximately \$0.765 million.

- 2) The overall demand in this Application is slightly lower by approximately 35 GWh than the demand forecast in the Interim Rate Application, which is primarily due to a reduction in industrial demand. However, the overall revenue in 2025 in this Application is projected to be higher than the forecast in the Interim Rate Application. This is because of higher projections of residential demand and customer count as well as higher demand projected for commercial (mostly RS 21) customers and irrigation customers, which more than offset the reduction in revenue resulting from the reduced industrial demand between this Application and the Interim Rate Application.
- 3) As discussed in Note 2, FBC is projecting lower overall demand in 2025 in this Application. As such, FBC is now projecting a decrease in power supply costs by approximately \$6.658 million, primarily due to a reduced projection of PPE from the BC Hydro PPA (including actuals from January to May of 2025).
- 4) The combined differences between the Interim Rate Application and the 2025 permanent revenue deficiency for Other Revenue, net O&M, rate base growth, depreciation, amortization, financing rates and ratio, property tax expenses, and income tax expenses is an increase of approximately \$0.683 million (i.e., sum of Lines 4 to 11). As explained in the response to BCUC IR1 1.1, the 2025 Projected numbers for these items were updated as part of the Application to develop the 2025 permanent revenue requirement, which includes actuals up to May of 2025 where applicable. In contrast, the 2025 forecasts included in the Interim Rate Application were based on information available up to mid-2024. FBC notes that the changes in the net O&M (as reflected in Line 5) include the updated net inflation factor and updated 2025 forecast customer count for the calculation of the formula O&M, as well as updated flow-through O&M forecasts with five months of actuals in 2025.
- 5) As explained in Section 1.1.1 of the Application, in order to maintain the 2025 rate change at 5.65 percent from 2024 Approved, FBC is proposing to defer approximately \$10.199 million of the 2025 permanent revenue surplus and capture this surplus in the existing 2023 Revenue Deficiency deferral account (and to rename the account the Revenue Deficiency/Surplus deferral account).

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**B. LOAD FORECAST AND REVENUE AT EXISTING RATES**

**4.0 Reference: LOAD FORECAST AND REVENUE AT EXISTING RATES**

**Exhibit B-2, Section 3.3.2, p. 21, Appendix A-1, Table A1-3, p. 4**

**2026 Forecast Commercial Load Decline**

On page 21 of the Application, FBC states that the 2026 Forecast commercial load is 979.1 Gigawatt hours (GWh), which is a decrease of 10.4 GWh from 2025 Projected. FBC states that “the forecast decline in commercial load from 2025 to 2026 is based on the weakened GDP [Gross Domestic Product] forecast from the CBOC [Conference Board of Canada] due to prevailing economic issues.”

In Table A1-3 on page 4 of Appendix A-1 to the Application, FBC provides Statistics Canada’s and the CBOC’s “British Columbia (BC) Five-Year Outlook 2025”, which includes the 2025 and 2026 BC GDP forecasts. Per Table A1-3, the BC GDP at market prices is forecast to increase from \$446.428 billion in 2025Q4 to \$462.683 billion in 2026Q4.

4.1 Please clarify FBC’s reasons for the forecast decline in commercial load in the 2026 forecast relative to 2025 projected given that Table A1-3 in Appendix A-1 to the Application shows a higher BC GDP forecast in 2026 relative to 2025.

**Response:**

FBC clarifies that it uses the annual average GDP at basic prices forecasts from the CBOC for the purposes of the commercial load forecasts, not the quarterly GDP forecast or the GDP market price forecasts from the CBOC. As shown in Table A1-3 of Appendix A-1, the GDP growth in 2025 and 2026 is currently forecast to be 1.2 percent and 1.7 percent, respectively.

The explanation regarding the weakened GDP forecast on page 21 of the Application (and referenced in the preamble) is referring to the regression between historical GDP and commercial demand. Please refer to Table 1 below for the actual GDP (at basic prices) and the annual growth rates from 2010 to 2024, as well as the 2025 and 2026 forecasts that were used for the commercial demand forecast. As shown in the table, with the exception of 2020 which was at the peak of the COVID-19 pandemic, the GDP growth was consistently above two percent until 2024, at which time GDP growth started to decline. Growth is forecast to continue to be lower than 2 percent in both 2025 and 2026.

1

**Table 1: 2010-2024 Actual, 2025 and 2026 Forecast GDP and Growth**

Year	GDP Basic Prices (\$2017 millions)	GDP Growth (%)
2010	213,022	2.7%
2011	219,107	2.9%
2012	224,740	2.6%
2013	230,141	2.4%
2014	238,306	3.5%
2015	243,846	2.3%
2016	251,036	2.9%
2017	260,220	3.7%
2018	270,106	3.8%
2019	277,848	2.9%
2020	269,190	-3.1%
2021	290,178	7.8%
2022	302,119	4.1%
2023	309,420	2.4%
2024	313,908	1.5%
2025 Projected	317,801	1.2%
2026 Forecast	323,316	1.7%

2

3 The continued weaker growth in the GDP forecasts for 2025 and 2026 in comparison to years  
4 prior to 2024 (i.e., the years dating back to 2010 which are used as part of the regression) results  
5 in a modest before-savings forecast load increase in 2026 of 7 GWh (as shown in Table 2.4 of  
6 Appendix A2). This increase is entirely offset by the DSM savings, resulting in an overall forecast  
7 decline in after-savings commercial load for 2026 compared to 2025 Projected. For context, the  
8 2024 forecast of GDP growth (basic price) that was used in the Annual Review for 2024 Rates  
9 was 2.7 percent, which resulted in a much higher forecast before-savings commercial load  
10 increase of approximately 18 GWh (and a resulting overall after-savings commercial load  
11 increase).

12



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**5.0 Reference: LOAD FORECAST AND REVENUE AT EXISTING RATES**

**Exhibit B-2, Section 3.5, p. 32, Section 5.8, p. 46, Footnote 33; FBC Electric Vehicle (EV) Direct Current Fast Charging (DCFC) Energy-Based Rate, decision accompanying Order G-176-24 dated June 28, 2024 (FBC EV Fast Charging Decision), p. 10**

**Rate Schedule 96 EV Fast Charging Service Cost Recovery**

On page 10 of the FBC EV Fast Charging Decision, the BCUC approved a rate of \$0.39 per kilowatt hour (kWh) for FBC's Rate Schedule (RS) 96 public EV fast charging service designed to fully recover the cost of service for FBC's EV fast charging service on a 10-year levelized basis. The BCUC also directed FBC to file a monitoring and evaluation report of RS 96 by September 30, 2028.

On page 32 of the Application, FBC states that it now estimates an overall recovery of 93 percent of its cost of service over the 10-year levelization period, considering actual costs and revenues up to 2024 and forecast costs and revenues through 2033. Further, FBC explains that it has not forecasted sales of any carbon credits in 2025 and 2026 due to uncertainty in market pricing, which has contributed to reduction in the overall cost of service recovery.

On page 46 and footnote 33 of the Application, FBC states that it has accumulated a total of 2,187 validated but unmonetized carbon credits related to its EV DCFC stations, with an approximate value of \$0.566 million based on an average market price of \$258.74 per credit per the BC Low Carbon Fuel Standard (LCFS) credit market data published in July 2025. Further, FBC states that it has a claim awaiting validation for 835 credits from the 2024 compliance period.

5.1 Please calculate the overall cost recovery percentage of FBC's public EV fast charging service over the 10-year levelization period assuming that the total accumulated 2,187 validated carbon credits are monetized in 2025 or 2026 at the current market price of \$258.74 per credit.

5.1.1 Please re-calculate the overall cost recovery percentage in the preceding IR if the value of the 835 credits awaiting validation were also monetized at the current market price of \$258.74 per credit (i.e. in addition to the 2,187 existing validated credits for a total of 3,022 credits).

**Response:**

For the purposes of estimating the current overall recovery over the 10-year levelization period, FBC assumed that the 3,022 credits (i.e., 2,187 of validated credits plus the 835 credits awaiting validation) will be monetized in 2027 at a price of \$250 per credit (rounded from the average 2025 Q2 price per credit of \$258.74 from the BC LCFS credit market data published in July 2025).

If FBC assumes the total 3,022 credits will be monetized in 2026 instead of 2027 at a price of \$258.74, the overall recovery would improve slightly to approximately 93.63 percent. FBC does

not expect that it could monetize the credits before the end of 2025; however, if all of the 3,022 credits were monetized in 2025, the overall cost recovery would improve to 94.19 percent. These scenarios are presented in Table 1 below.

**Table 1: Carbon Credit Monetization Scenarios and Impact on Overall Cost Recovery of FBC's EV DCFC Service**

Scenario	Assume Credit Monetized in 2025	Assume Credit Monetized in 2026	Assume Credit Monetized in 2027 (As-Filed)
Accumulated Carbon Credits	3,022	3,022	3,022
Price per Credit (\$)	\$ 258.74	\$ 258.74	\$ 250.00
Total Value of Credits (\$)	\$ 781,912	\$ 781,912	\$ 755,500
Year Monetized	2025	2026	2027
Cost Recovery over 10-year Levelization Period (2024 to 2033)	94.19%	93.63%	93.03%

FBC is actively pursuing opportunities to monetize its validated credits but has only received limited offers with prices well below the average market price of \$258.74 per credit. While FBC has not forecast the sale of credits in 2026, FBC will seek opportunities to sell the credits at a reasonable price. To the extent that FBC is able to sell the credits in 2026, the revenue will be captured in the Flow-through deferral account and returned to customers through rates in 2027. As such, even though FBC is not forecasting any monetization of its credits in 2026 (or 2025), customers will still ultimately benefit if FBC is able to monetize credits in 2025 or 2026.

As shown in Table 1 above, selling the credits one or two years earlier would only marginally improve the overall cost recovery over the 10-year levelization period, as the timing of the credit monetization is not the primary driver of the currently forecast under recovery. The primary reason that the current estimate of the overall recovery over the 10-year levelization period is less than 100 percent is because of the current uncertainty in the market which is resulting in a reduction in the market price for credits. At the time that FBC's EV DCFC Energy-Based Rate Application was filed (i.e., in December 2023), FBC assumed a market price of \$500 per credit with a 10 percent decline each year until 2033. The \$500 per credit was based on the average market price from the BC LCFS at that time. The market price for credits has since declined significantly to approximately \$250 per credit based on the recent average market price from BC LCFS. However, FBC notes that if the price per credit is assumed to improve to approximately \$278 from now until the end of the 10-year levelization period, the overall recovery would return to 100 percent (also assuming that the utilization of FBC's EV DCFC stations continues to grow and exceeds the original forecast as discussed in Section 3.5 of the Application).

FBC anticipates that the credit market will eventually stabilize, potentially in 2026 or after, which is the reason why FBC's current calculation of the overall recovery assumes monetization of its credits in 2027. Monetizing the credits in 2026 (or 2025) at the current average market price (i.e.,

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\$258.74 per credit) will lock in the overall recovery at 93 percent (subject to future growth in station utilization which might improve the overall recovery), thereby preventing customers from benefiting further if the credit market improves. For example, based on the most recently published BC LCFS credit market data, the credit prices have ranged from \$180 to \$312 per credit in Q3 of 2025 and have ranged from \$180 to \$495 per credit year-to-date in 2025. The current breakeven point of \$278 per credit is within these ranges.

As discussed above, FBC only received limited offers for its credits and these offers were well below the market average price of \$258.74 per credit. FBC therefore believes the best approach for customers is to continue to monitor the credit market and pursue monetization opportunities at more reasonable prices as opposed to monetizing the credits immediately at a price that is well below the average market price of approximately \$250 per credit.

5.2 Please explain under what circumstance(s) FBC would seek changes to the currently approved RS 96 EV charging rate of \$0.39 per kWh sooner than September 30, 2028. For example, would FBC consider that above or below a certain level of overall cost recovery over the 10-year levelization period (e.g. 90 percent, 110 percent) would warrant a change?

**Response:**

FBC has not established specific thresholds (e.g., cost recovery falling below 90 percent or exceeding 110 percent) to indicate that a change to the approved energy-based rate of \$0.39 per kWh (including FLO's 15 percent transaction fee) is required. Rather, consistent with the approach outlined in FBC's EV DCFC Energy-Based Rate Application,<sup>3</sup> FBC considers the impact of annual variances and cost recovery in the broader context, including the basis for any cumulative deficiency, the timing of revenues and costs, and the resulting rate impact to FBC's other customers.

The RS 96 energy-based rate has only been effective since August 1, 2024, and there is only one year of actual data available to estimate the overall recovery over the 10-year levelization period. Since the levelized rate was designed to recover the cost of service over a 10-year period and was not expected to be in a surplus position until 2029, it would not be reasonable to re-evaluate and potentially change the RS 96 rates at this time. Rather, FBC continues to consider the monitoring and evaluation report due by September 30, 2028, to be the appropriate time to assess the 10-year levelized rates, as FBC will have at least four and a half years of actual data available.

However, FBC acknowledges that it is possible that significant changes may occur between now and 2028 due to the uncertain and changing nature of EV technologies and the EV market, including the carbon credit market, types of EVs and types of chargers. If significant changes

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<sup>3</sup> See Exhibit B-9, RCIA IR1 7.1 and 7.2.

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- 1 occur and trigger the need to review the RS 96 rates earlier than September 2028, FBC will file a
- 2 separate application outside of the Annual Review process to address those changes or
- 3 circumstances.

4

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1    **C.      RATE BASE**

2    **6.0      Reference:    RATE BASE**

3                                **Exhibit B-2, Section 7.3.1, Table 7-3, p. 57**

4                                **Forecast Capital Expenditures**

5                    On page 57 of the Application, FBC provides Table 7-3 showing the level of forecast  
6                    capital expenditures for 2025 and 2026 approved in the FEI and FBC 2025 to 2027 Rate  
7                    Setting Framework Decision, including 2024 actual total capital expenditures of \$107.413  
8                    million and the 2024 approved total capital expenditures of \$93.433 million for information  
9                    purposes.

10                6.1      Please explain the key factors contributing to the higher actual total capital  
11                                expenditures between 2024 actual and approved. As part of the response, please  
12                                clarify the impact of this higher-than-approved spending on the proposed rate  
13                                increases for 2025 and 2026.

14  
15    **Response:**

16                The key factors contributing to the higher actual total capital expenditures for 2024 compared to  
17                                the forecast developed in mid-2022 (FBC developed its forecasts for 2023 and 2024 regular  
18                                capital at the time of the Annual Review for 2023 Rates) are as follows:

- 19    •    Higher customer connections:  
20                FBC experienced a significant increase in new customer connection activity in 2024 compared  
21                                to the three-year rolling average that was used to develop the 2024 forecast for new connects.  
22                                Also contributing to the higher actual results for new connects in 2024 was an increased  
23                                volume of multi-family developments and large commercial developments, resulting in a  
24                                higher number of meters installed per customer.
- 25    •    Advanced procurement for long lead materials:  
26                There have been significant supply chain issues in recent years and these delays on material  
27                                delivery times have impacted FBC's ability to execute on its planned capital projects and  
28                                programs. The lead times are now approximately two to three years for power transformers  
29                                and three to four years for circuit breakers. As a result, FBC procured long lead materials on  
30                                various transformers and switchgears in 2024 for construction projects in the next few years.
- 31    •    Increase in material costs:  
32                The cost of raw materials that follow a commodity price index were higher than forecast. The  
33                                higher cost of raw materials impacted FBC's major equipment contracts (i.e., transformers  
34                                and breakers), resulting in higher costs to procure the equipment.

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1 The full-year incremental cost of service impact of the variance of \$13.616 million<sup>4</sup> between 2024  
2 Actual and 2024 Approved capital expenditures, net of CIAC, is approximately \$1.213 million, as  
3 shown in Table 1 below. This incremental cost of service impact is included in the 2025 rate  
4 increase as part of the 2020-2024 MRP rate base true-up as discussed in Section 7.2 of the  
5 Application and contributes approximately 0.25 percent to the 2025 rate increase.

6 **Table 1: Breakdown of the Incremental Cost of Service Impact in 2025 Due to the Variance**  
7 **Between 2024 Actual and 2024 Approved Forecast Capital Expenditures**

<b>Incremental Cost of Service</b>	<b>2025</b>
Depreciation	0.429
CIAC Amortization	(0.019)
Income Tax	(0.094)
Earned Return	0.898
<b>Total (\$millions)</b>	<b>\$ 1.213</b>

<sup>4</sup> Table 7-2 of the Application: (\$107.413 million - \$93.433 million) – (\$7.903 million - \$7.539 million) = \$13.616 million; also shown in Table 7-1 of the Application.

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1    **7.0    Reference:    RATE BASE**

2                            **Exhibit B-2, Section 7.4.1, p. 61; FBC 2024 Annual Review of Rates**  
3                            **proceeding, Exhibit B-2, p. 57**

4                            **Corra Linn Dam Spillway Gates Replacement Project**

5                    On page 61 of the Application, FBC states that the final project costs of the Corra Linn  
6                    Dam Spillway Gates Replacement Project are expected to be \$81.823 million.

7                    On page 57 of the FBC 2024 Annual Review of Rates application, FBC stated that the  
8                    final project costs for this project were expected to be \$80.835 million.

9                    7.1    Please explain the factor(s) contributing to the increase in the expected final  
10                    project costs for the Corra Linn Dam Spillway Gates Replacement Project and  
11                    clarify when the actual final project costs will be known.

12

13    **Response:**

14    The increase of \$0.988 million to the final expected project costs is due to finalizing the spare  
15    parts inventory and cofferdam storage, finalizing the global settlement agreement, and some  
16    additional costs required to support the extended project schedule.

17    FBC is on track to close out the project and finalize costs in Q4 2025 as outlined in the Corra Linn  
18    Project Final Report filed with the BCUC on June 25, 2025. The total forecast cost for the project  
19    remains at \$81.823 million.

20