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September 24, 2026

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC
V6B 0S6

Attention: Patrick J. Weafer

Dear Patrick J. Weafer:

Re: FortisBC Inc. (FBC)
2027 Annual Review of Rates (Application)
Response to the Commercial Energy Consumers Association of British
Columbia (CEC) Information Request (IR) No. 1

On July 31, 2026, FBC filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-151-26 for the review of the Application, FBC respectfully submits the attached response to CEC IR No. 1.¹

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Registrar
Registered Interveners

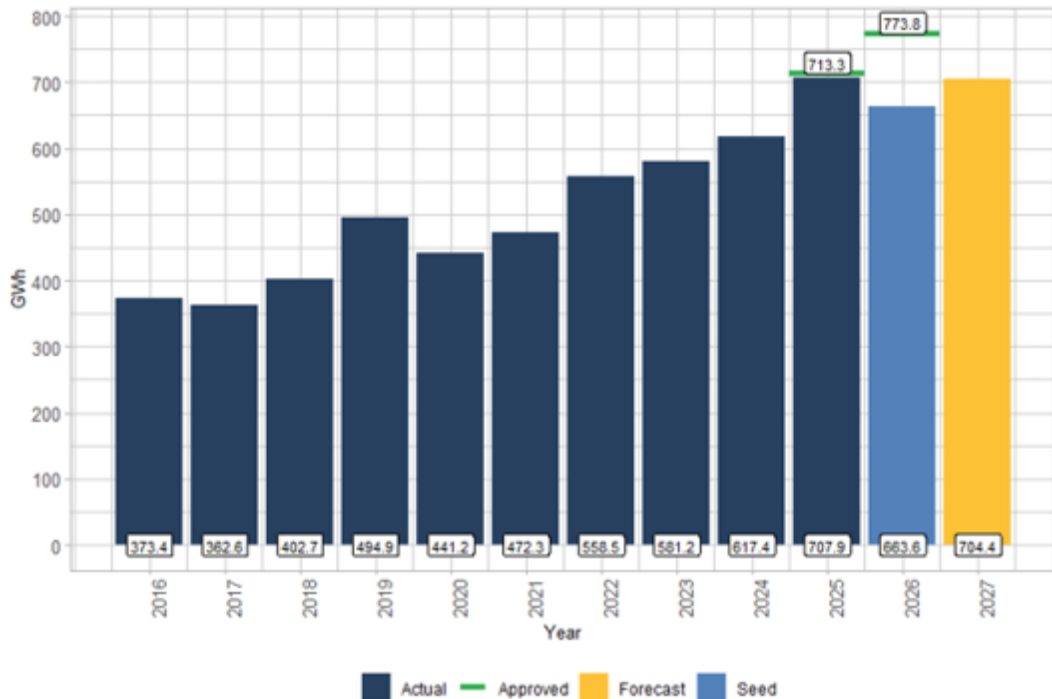
¹ For convenience and efficiency, if FBC has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FBC intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

1 1. **Reference: Exhibit B-2, Table 3-7, Page 20**

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Figure 3-7: After-Savings Industrial Load (GWh)



2
3 1.1 Given that the Industrial Sector forecast well in excess of actuals for 2026 using
4 the same methodology and resulted in an Approved forecast well in excess of
5 actual results, it would appear that the rebound in 2027 may also have an uncertain
6 basis, which could mean that this estimate might also be overstated. The CEC
7 believes it is possible, or even likely, that the Industrial actuals may be below
8 forecast. Please comment on the possibilities.

9
10 **Response:**

11 FBC's load forecasting methodology is outside of the scope of the Annual Review.

12 To clarify, the 2026 after-savings industrial load is not actual load (as referenced by the CEC in
13 the question); it reflects the Seed Year forecast for the Industrial class, which incorporates the
14 most current customer survey information available at the time of forecasting, including updated
15 expectations for 2026 load. The majority of the variance between 2026 Approved and 2026 Seed
16 is attributable to an updated forecast for RS 38 load associated with one large customer.

17 FBC obtains annual load forecasts directly from its industrial customers through a customer
18 survey process, as these customers are best positioned to forecast their operational and energy

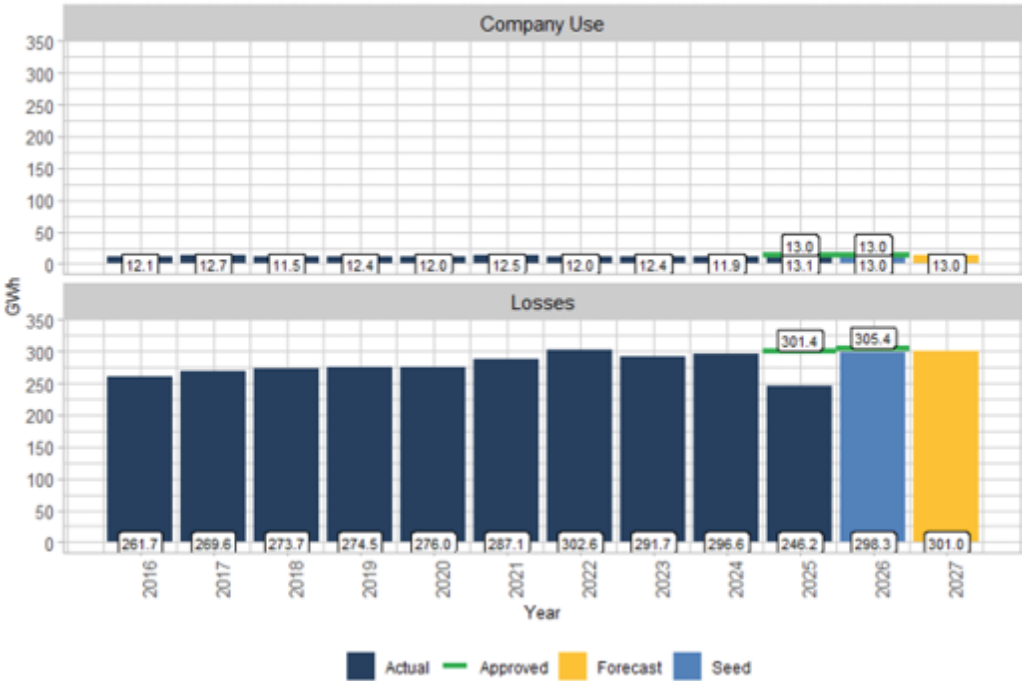
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1 requirements. While FBC does not know with certainty whether actual industrial load in 2027 will
2 be above or below forecast, industrial load forecasts have historically been reasonably accurate.
3 As shown in Figure 3-7 of the Application, the most recent year of actual results (i.e., 2025) were
4 very close to the approved level.

5

1 2. **Reference: Exhibit B-2, Table 3-10, Page 23**

Figure 3-10: Company Use and Normalized After-Savings Load Losses (GWh)



2

3 2.1 Given that the industrial load changes were a significant factor for the industrial

4 load forecast and impacted the Load Losses calculations, the CEC believes that it

5 is possible, or potentially likely, that the load losses could be below the forecast.

6 Please comment on the possibilities.

7

8 **Response:**

9 Currently, FBC continues to forecast losses based on 7.6 percent of gross load based on the

10 2019 Loss Study. However, and as explained in Section 3.3.7 of the Application, FBC is currently

11 undertaking a comprehensive loss study, and the results of that study will provide an updated

12 assessment of system loss factors and inform future assumptions used in forecasting. Generally,

13 when total gross load is lower, the associated losses are also lower; however, actual system

14 losses are influenced by other factors as well, including local generation levels, weather

15 conditions, and overall system operating conditions.

16

1 **3. Reference: Exhibit B-2, Table 4-1, Page 27 and Table 4-5, Page 33**

Table 4-1: Power Supply Cost (\$ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast
1	Power Purchase Expense	\$ 200.280	\$ 184.590	\$ 203.991
2	Wheeling Expense	7.725	7.348	8.213
3	Water Fees	13.306	13.304	13.465
4	Total Power Supply Cost	\$ 221.311	\$ 205.243	\$ 225.669
5				
6	Gross Load (GWh)	4,032	3,862	3,974

2
3 The 2026 Projected wheeling expense is \$0.377 million lower than 2026 Approved due to
4 lower projected load. The 2027 Forecast wheeling expense is \$0.488 million higher than
5 2026 Approved. This is a result of increased ARWA use and rates as of October 1, 2026,
6 which is based on forecast BC-CPI, as well as increases to the Teck wheeling rate.

7 3.1 Given that the Power Purchase Expense has increased from 2026 approved to
8 2027 forecast by 1.85% and the Gross Load has decreased from the same 2026
9 approved by -1.44%, please explain why the wheeling expense has increased by
10 6.70% whether this is incongruous with likely needs, and why and how the Teck
11 wheeling rate has increased.

12
13 **Response:**

14 While responding to this IR, FBC discovered an error in the calculation of the 2027 Forecast
15 wheeling expense. The 2027 Forecast wheeling expense is \$8.054 million, not \$8.213 million.
16 The correct increase in wheeling expense from 2026 Approved is therefore 4.3 percent, which is
17 driven by both higher wheeling rates and higher use. FBC will correct this error in the compliance
18 filing to the decision on this Application. The impact to the proposed 2027 rate increase from the
19 corrected 2027 Forecast wheeling expense is a reduction to the proposed 2027 rate increase
20 from 6.42 percent to 6.39 percent.

21 Under the terms of the Amended and Restated Wheeling Agreement (ARWA) with BC Hydro,
22 FBC submits a wheeling use nomination for each contract year running from October 1st to
23 September 30th of the following year. Nominations are submitted in June for the contract year
24 commencing in October, five years in the future. Once the wheeling nomination is accepted by
25 BC Hydro, the nominated volume does not adjust based on fluctuations in the load forecast.

26 Wheeling rates under the ARWA are adjusted annually in accordance with the provisions of BC
27 Hydro's Rate Schedule (RS) 3817. Under this schedule, the applicable rate for each contract year
28 is escalated based on BC CPI. The BC CPI adjustment used in the Application for the 2026 and
29 2027 contract years is 2.6 percent and 2.0 percent, respectively. The Teck wheeling rate
30 increases by 2.0 percent annually in accordance with the terms of the applicable contractual
31 agreement.

1 **4. Reference: Exhibit B-2, Table 6-4, Page 41**

Table 6-4: Pension and OPEB Expense (\$ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast
1	O&M	\$ (1.375)	\$ (1.375)	\$ (0.410)
2	Capital	2.395	2.395	2.471
3	Total Pension & OPEB Expense	\$ 1.020	\$ 1.020	\$ 2.061

2
3 The total 2027 Forecast Pension and OPEB expense is \$1.041 million higher than 2026
4 Approved. This increase is primarily due to the following:

- 5 • An increase in interest costs of \$1.319 million. These changes are largely due to
6 an increase in the actuarially determined discount rate from 4.75 percent to 5.00
7 percent; and
- 8 • A decrease in the amortization of actuarial gains. The increase is partially offset
9 by:
- 10 • A higher expected return on assets of \$0.743 million, reflecting continued growth
11 in pension plan asset values.

12 4.1 Please confirm that FBC has an obligation to accept the actuarial determinations
13 as commitments to its pension plans and that the changing parameters are not
14 really under FBC's control and hence this is an unavoidable cost.

15
16 **Response:**

17 FBC confirms that pension and OPEB obligations and related expenses are determined in
18 accordance with US GAAP (ASC 715), based on actuarial valuations prepared by independent
19 qualified actuaries. The assumptions used to measure these obligations and related expenses,
20 including the discount rate, expected return on plan assets, demographic assumptions, mortality
21 assumptions, and retirement patterns, are developed using accepted actuarial methodologies and
22 are therefore generally not under FBC's control.

23 FBC reviews the actuarial assumptions and results through its normal governance process;
24 however, the resulting pension and OPEB expense is primarily affected by external economic
25 conditions, capital market performance, interest rates, demographic experience, and actuarial
26 methodologies discussed above. As explained in the Application, the primary driver (i.e., the
27 discount rate) is based on market yields for high-quality double-A corporate bonds and is therefore
28 market-based rather than determined at FBC's discretion. Accordingly, changes in pension and
29 OPEB expense that result from updated actuarial assumptions are generally outside FBC's direct
30 control and represent costs associated with meeting the Company's obligations under its pension
31 and OPEB plans.

1 **5. Reference: Exhibit B-2, Table 7-4, Page 50**

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Table 7-4: Reconciliation of 2027 Capital Expenditures to Plant Additions (\$ millions)

Line No.	Description	2027 Forecast	Reference
1	Forecast Capital Expenditures	\$ 140.365	Section 11, Schedule 5, Line 2
2	Flow-Through Capital Expenditures	-	Section 11, Schedule 5, Line 3
3	Total Gross Regular Capital Expenditures	\$ 140.365	Sum of Lines 1 and 2
4	Capitalized Overhead	14.005	Section 11, Schedule 5, Line 18
5	AFUDC	0.880	Section 11, Schedule 5, Line 19
6	Change in Work in Progress	-	Section 11, Schedule 5, Line 21
7	Total Regular Additions to Plant	\$ 155.250	Sum of Lines 3 through 6
8			
9	<u>Special Projects and CPCN</u>		
10	AS Mawdsley Terminal	\$ 0.750	Section 11, Schedule 5, Line 7
11	Fruitvale Station	1.814	Section 11, Schedule 5, Line 8
12	ERP Modernization and CIS Replacement Project	53.400	Section 11, Schedule 5, Line 9
13	Subtotal	\$ 55.964	Sum of Lines 10 through 12
14	AFUDC	2.720	Section 11, Schedule 5, Line 25
15	Change in Work in Progress	(25.305)	Section 11, Schedule 5, Line 27
16	Total CPCN Additions to Plant	\$ 33.379	Sum of Lines 13 through 15
17			
18	Total Plant Additions	\$ 188.629	Line 7 + Line 16

2

3 5.1 Please provide the equivalent reconciliation of Capital Expenditures for 2026, such

4 that a comparison can be made, and confirm that the CPCN referenced has

5 already been approved by the Commission such that this impact is now a required

6 completion by FBC.

7

8 **Response:**

9 Please refer to Table 1 for the equivalent reconciliation of 2026 Approved capital expenditures to

10 2026 Approved capital additions. FBC confirms that the CPCNs and special projects listed for

11 both 2026 and 2027 have been approved by the BCUC. These projects include:

- 12 • The AS Mawdsley Terminal Station CPCN Project, approved by Order C-6-23;
- 13 • The Fruitvale Substation CPCN Project, approved by Order C-4-24; and
- 14 • The ERP Modernization and CIS Replacement Project, approved by Order G-126-26.

15 FBC notes that there were no CPCN or special project additions to rate base in 2026 (i.e., Line

16 16 of Table 1 below is zero for 2026 Approved).

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1 Table 1: Reconciliation of Capital Expenditures for 2026 Approved and 2027 Forecast (\$ millions)

Line No.	Description	2026 Approved	2027 Forecast	Reference
1	Forecast Capital Expenditures	\$ 142.074	\$ 140.365	Section 11, Schedule 5, Line 2
2	Flow-Through Capital Expenditures	0.490	-	Section 11, Schedule 5, Line 3
3	Total Gross Regular Capital Expenditures	\$ 142.564	\$ 140.365	Sum of Lines 1 and 2
4	Capitalized Overhead	13.323	14.005	Section 11, Schedule 5, Line 18
5	AFUDC	0.430	0.880	Section 11, Schedule 5, Line 19
6	Change in Work in Progress	0.410	-	Section 11, Schedule 5, Line 21
7	Total Regular Additions to Plant	\$ 156.727	\$ 155.250	Sum of Lines 3 through 6
8				
9	<u>Special Projects and CPCN</u>			
10	AS Mawdsley Terminal	\$ 12.205	\$ 0.750	Section 11, Schedule 5, Line 7 (2027) and 8 (2026)
11	Fruitvale Station	6.184	1.814	Section 11, Schedule 5, Line 8 (2027) and 9 (2026)
12	ERP Modernization and CIS Replacement Project	-	53.400	Section 11, Schedule 5, Line 9
13	Subtotal	\$ 18.389	\$ 55.964	Sum of Lines 10 through 12
14	AFUDC	2.361	2.720	Section 11, Schedule 5, Line 25
15	Change in Work in Progress	(20.750)	(25.305)	Section 11, Schedule 5, Line 27
16	Total CPCN Additions to Plant	\$ -	\$ 33.379	Sum of Lines 13 through 15
17				
2	18 Total Plant Additions	\$ 156.727	\$ 188.629	Line 7 + Line 16

3

1 **6. Reference: Exhibit B-2, Table 9-1, Page 61 & Explanations Page 62**

Table 9-1: Property Taxes (\$ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast
1	Generation Plant	\$ 3.984	3.911	\$ 4.245
2	Transmission and Distribution	8.608	8.933	9.724
3	Substation Equipment	6.071	5.338	5.701
4	Land and Building	1.801	1.833	1.855
5	1% In-Lieu of Municipal Taxes	2.894	2.677	2.975
6	Total Property Taxes	<u>\$ 23.358</u>	<u>\$ 22.692</u>	<u>\$ 24.500</u>
7				
8	2026 Projected and 2027 Forecast Compared to 2026 Approved		-2.9%	4.9%
9	2027 Forecast Compared to 2026 Projected			8.0%

2
3 Changes in Assessed Values. Forecast changes in the assessed values of FBC's property
4 are based on expected inflationary changes to BC Assessment legislated improvement
5 rates and land values. Increases forecast are based on the historical five-year
6 compounded annual growth rate. For 2027:

- 7 a) A 6.1 percent increase in assessed values of distribution and transmission lines;
8 b) A 6.1 percent increase in assessed values for generating facilities calculated using
9 legislated cost manuals for valuing generating facilities;
10 c) A 6.1 percent increase in assessed values for substations calculated using
11 legislated cost manuals for valuing substations; and
12 d) A 2.0 percent decrease for office improvements and no change in office land
13 values.

14 6.1 Please indicate when FortisBC Inc. last contested any of its property tax
15 assessments and provide a summary of the outcome of such challenge, if one has
16 been made, and, if not, please explain whether FBC has obtained any information
17 about businesses challenging their assessments and what, if anything, has been
18 the result of such challenges.

19
20 **Response:**

21 When appeals are necessary, they are typically focused on correcting assessment information,
22 property classifications, valuations, or other matters that may have unintended tax implications.

23 FBC reviews its entire assessment portfolio annually; however, in general, FBC takes a
24 collaborative approach with BC Assessment. Most issues are identified and resolved prior to the
25 appeal period through ongoing discussions and data verification. This approach helps ensure
26 assessment records are accurate while avoiding many of the downsides associated with the
27 formal appeal process, including:

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- **Administrative costs and staff time.** Preparing and supporting an appeal requires significant effort to gather information, review assessment data, prepare evidence, and attend hearings.
- **Uncertainty.** Until an appeal is resolved, there may be uncertainty regarding the final assessment value, classification, and resulting tax liability.
- **Potential for unintended outcomes.** An appeal does not guarantee a more favourable assessment. Depending on the circumstances and evidence presented, the original assessment may be upheld or, in some cases, adjusted in an unexpected manner. In addition, due to the similarity of FBC's assets across multiple jurisdictions, an unfavourable decision could have broader implications for other folios in subsequent years.

One example of an appeal occurred in 2026 and involved two right-of-way properties that had been assessed at \$175,000 and \$189,000. Both properties were classified as Residential and were fully exempt from property taxation. While this initially appeared to be a favourable outcome, the Residential classification resulted in the properties becoming subject to the Provincial Speculation and Vacancy Tax of approximately \$7,280 annually after the Province expanded the list of municipalities subject to the tax.

FBC successfully appealed the assessments, arguing that the properties should be classified as Utility and valued using the legislated right-of-way rates. Following the appeal, the assessed values were reduced to \$15,600 and \$22,400, and both properties were reclassified as Utility.

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7. Reference: Exhibit B-2, Page 5 & Page 50

Depreciation (Section 7) Depreciation expense in 2027 is forecast to increase the revenue deficiency by \$5.365 million.

This increase is primarily due to the additions to rate base from regular capital as discussed above.

The increase in depreciation expense is partially offset by a forecast increase of \$0.212 million in Contributions in Aid of Construction (CIAC), resulting in a net increase of \$5.153 million in depreciation expense.

7.5 ACCUMULATED DEPRECIATION

FBC's rate base includes both the accumulated depreciation on plant in service and accumulated amortization of CIAC. Both are increased through depreciation expense and decreased through retirements. The depreciation rates used for 2027 were approved in the RSF Decision and are based on FBC's most recent depreciation study. Depreciation is calculated beginning January 1 of the year after the assets are placed in service, which is the treatment approved by Order G-139-14. Based on calculating depreciation expense at these approved depreciation rates on the opening plant-in-service balance net of CIAC, the 2027 depreciation expense is calculated as \$84.573 million.

7.1 Please confirm, or otherwise explain, that given the pre-approval of rates and the actual increases in plant and level of retirements there is little that FBC may do to change the outcome and impact on the ratepayers of the depreciation amounts.

Response:

FBC confirms that many of the components of the revenue requirement related to its rate base are the result of previously approved depreciation rates, forecast capital expenditures, and Major projects.

FBC's current depreciation rates from the 2022 Depreciation Study were approved by the BCUC as part of the RSF Decision; accordingly, the rates of depreciation (and net salvage) applied to FBC's assets are not subject to change/approval as part of this Application.

Further, the increase in plant is primarily due to capital additions resulting from FBC's regular capital expenditures which were approved in the RSF Decision, and capital additions associated with previously approved Major projects (please see the response to CEC IR1 5.1).

As also approved in the RSF Decision and reflected in Table 12-3 of the Application, variances between actual and approved depreciation associated with Clean Growth Projects, CPCN Projects, or Exogenous items (resulting from variances between actual and approved capital additions) are captured in the Flow-through deferral account and recovered from or returned to customers in the following year. Any other depreciation variances (such as variances in capital additions that are related to regular capital) are subject to earnings sharing.

1 **8. Reference: Exhibit B-2, Figure 7-1, Page 51**

Figure 7-1: FBC Forecast Mid-Year Balances of Rate Base Deferral Accounts by Category

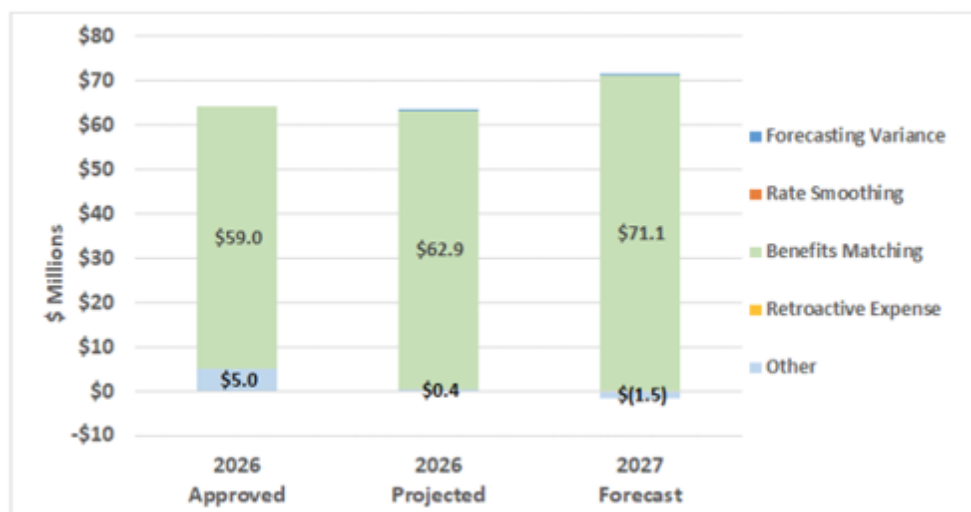


Figure 7-1 provides the mid-year deferral account balances for 2026 Approved, 2026 Projected, and 2027 Forecast summarized by deferral account category. For 2027, FBC is forecasting a mid-year balance of unamortized deferred charges in rate base to be a debit of \$69.635 million, which is an increase of \$5.664 million from the 2026 Approved level. The largest drivers of the increase in the 2027 Forecast balance are the DSM deferral account and the ERP Application and Preliminary Stage Development Costs deferral account, which are partially offset by a decrease in the Pension and OPEB Liability deferral account.

8.1 Please confirm that the approval of DSM and the ERP Application have already been approved for timing as benefit matching deferrals, which is an accepted accounting concept and the proper approach to timing of expenditure and as such the deferral account balances are a mandatory approach for FBC.

Response:

FBC confirms that its DSM deferral account has already been approved¹ and that this deferral account is classified as a “Benefits Matching” deferral account as defined in the BCUC Regulatory Account Filing Guidelines.² The ERP/CIS Application and Preliminary Stage Development Costs deferral account was approved by Order G-126-26 and is also classified as a “Benefits Matching” deferral account.

The use of approved deferral accounts is an accepted accounting concept under US GAAP. The rationale for establishing the DSM deferral account and the ERP/CIS Application and Preliminary

¹ The DSM deferral account was initially approved by Order G-123-98. The 10-year amortization period was approved by Order G-58-06.

² <https://docs.bcuc.com/documents/Guidelines/Regulatory-Account-Filing-Guidelines.pdf>.

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- 1 Stage Development Costs deferral account, and the alternatives to deferral account treatment,
- 2 were explored in the respective applications at the time FBC sought approval of the accounts.
- 3