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September 24, 2026

British Columbia Public Interest Advocacy Centre
Suite 408 - 470 Granville Street
Vancouver, B.C.
V6C 1V5

Attention: Leigha Worth, Executive Director and General Counsel

Dear Leigha Worth:

Re: FortisBC Inc. (FBC)

2027 Annual Review of Rates (Application)

Response to the British Columbia Public Interest Advocacy Centre representing the Council of Senior Citizens' Organizations of BC, Active Support Against Poverty, Disability Alliance BC, and Tenants Resource and Advisory Centre (COSCO) 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 COSCO 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.

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1.0 Reference: CUSTOMER GROWTH & VOLUME FORECAST

Exhibit B-2, Section 3, pages 15,16, 26; Appendix A2

Topic: Electrification and Residential Load

Preamble:

FBC forecasts residential customer growth in 2027. While 2027 forecast residential load is modestly higher than 2026 Approved, normalized residential use per customer is forecast to decline. FBC also anticipates increasing electrification within its service territory.

1.1 Without revisiting the approved load forecasting methodology, please identify the extent to which anticipated electrification is reflected in FBC's 2027 residential load forecast and normalized use-per-customer forecast. Based on the forecast assumptions and inputs used in the 2027 Application, please quantify, to the extent available, the approximate incremental residential load reflected in the forecast attributable to: i) electrification of space heating; ii) electrification of water heating; iii) electric vehicle charging; and iv) other material sources of electrification.

Response:

FBC's approved forecasting methodology for the purposes of setting rates during the RSF term is not an end-use forecasting methodology. As a result, the forecast does not contain explicit assumptions, forecast inputs, or quantified adjustments for the factors identified in this question.

The single year forecast for rate-setting purposes is updated annually using the most recent actuals. Therefore, to the extent that any of the factors identified by this question have affected the historical consumption, their impacts are inherently embedded within the historical data used to develop the forecast and will be reflected in the forecast on the same basis as all other historical influences on customer usage.

1.2 Without revisiting the approved load forecasting methodology, please reconcile the principal factors reflected in FBC's 2027 residential load forecast that offset the effects of residential customer growth and incremental electrification and result in a decline in forecast normalized use per customer. Please separately identify, to the extent reflected in the forecast, the contribution of DSM and energy-efficiency savings and any other material factors.

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1 **Response:**

2 As discussed in the response to COSCO IR1 1.1, FBC's approved forecasting method for rate-
3 setting purposes is not based on an end-use approach; as such, FBC is not able to isolate the
4 contribution of DSM and energy efficiency savings or any other material factors that are already
5 inherently embedded within the historical data used to develop the forecast.

6 There are many factors that influence the use rates of residential customers including, but not
7 limited to, changes in customer behaviour, investment in energy efficiency or new technologies,
8 changes in housing stock, or the size of new homes. Given this complexity, FBC is unable to
9 further isolate these factors to determine their relative influence or the specific reasons that would
10 offset the effects of residential customer growth.

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14 1.3 Without revisiting the approved load forecasting methodology or the prudence or
15 need for forecast capital, please explain whether and to what extent the DSM and
16 energy-efficiency savings reflected in FBC's 2027 Application affect the timing or
17 magnitude of the Growth Capital expenditures included in the Application. Where
18 FBC has incorporated such effects into its capital planning, please identify and
19 quantify, to the extent practicable, any Growth Capital expenditures included in the
20 2027 Application that are reduced, deferred or otherwise affected by the DSM and
21 energy-efficiency savings reflected in the forecast.

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23 **Response:**

24 FBC's 2027 Forecast regular Growth capital expenditures of \$46.357 million represent necessary
25 investments after consideration of strategies to avoid, defer or reduce these expenditures and
26 were approved as part of the RSF Decision. Please refer to Section C3.2 of the RSF Application
27 for a discussion of FBC's capital planning process, which was also examined in detail as part of
28 the RSF proceeding.

29

2.0 Reference: RATE BASE

Exhibit B-2, Section 3, Section 7.2, page 46; Appendix A2

Topic: Growth Capital and Timing of Customer Benefits

Preamble:

FBC forecasts \$46.357 million of Growth Capital expenditures in 2027. FBC also forecasts continued residential customer growth and modest growth in residential load relative to 2026 Approved, while normalized residential use per customer declines. Overall, 2027 Forecast net load is below 2026 Approved, primarily due to reduced industrial customer load.

2.1 Without revisiting the approved forecast capital or the underlying load forecasting methodology, please provide a high-level breakdown of the \$46.357 million of Growth Capital expenditures included in FBC's 2027 Application according to the principal requirement or purpose identified by FBC in support of the expenditure, including, to the extent applicable: i) new customer connections; ii) existing load or peak-demand requirements; iii) forecast future load or peak-demand growth, including electrification; iv) system reinforcement associated with customer growth; and v) other material requirements.

Response:

As the 2027 Forecast regular Growth capital expenditures were reviewed in the RSF proceeding and approved in the RSF Decision, FBC considers COSCO's requests in the IR 2 series to be out of scope for this Annual Review. However, to be responsive, FBC provides Table C3-29 from the RSF Application below, which breaks down the \$46.357 million of 2027 Forecast Growth capital expenditures into the categories of Transmission, Distribution, and New Connects.

Table C3-29 of RSF Application: FBC Approved and Forecast Growth Capital Expenditures 2023-2027 (\$000s)

	2023 Approved	2024 Approved	2025 Forecast	2026 Forecast	2027 Forecast
Transmission	6,223	1,088	16,418	19,323	20,149
Distribution	1,899	1,716	1,775	1,747	1,814
New Connects	21,951	21,764	23,156	23,965	24,395
Total Growth (Gross)	30,072	24,568	41,349	45,035	46,357
CIAC (New Connect)	(10,218)	(6,925)	(8,085)	(8,364)	(8,485)
Total Growth (Net)	19,854	17,643	33,264	36,671	37,871

Please refer to Sections C3.4.1.1 to C3.4.1.3 of the RSF Application for details regarding the purpose and nature of the regular Growth capital requirements as well as the expected timing for individual projects that are forecast to exceed \$1 million. Please also refer to the response to BCUC IR1 23.2 in the RSF proceeding for additional details on the incremental increase in system

capacity and alignment with FBC's system peak demand forecasts for the material projects identified under the category of transmission growth.

Please refer to Table 1 below for the breakdown of the incremental revenue requirement in 2027 and 2028 resulting from the 2027 total Growth capital of \$46.357 million. The capital expenditures of \$46.357 million are included as mid-year additions to FBC's rate base in 2027, thus 2028 is the first year when the capital will be reflected in FBC's rate base for the full year.

Table 1: Incremental Revenue Requirement in 2027 and 2028 due to 2027 Growth Capital (\$000s)

Incremental Revenue Requirement	2027	2028
Depreciation	\$ -	\$ 1,443
Property Tax	375	375
Income Tax	(1,536)	60
Earned Return	1,285	2,526
Total (\$000s)	\$ 124	\$ 4,404

Notes to Table:

- Depreciation is calculated based on the opening balance of plant and the approved depreciation rate. Since the Growth capital is added to rate base mid-year in 2027, the 2027 opening balance of plant related to the 2027 Growth capital is zero.
- The income tax savings in 2027 are due to CCA deductions.
- The 2027 earned return includes only the mid-year impact (i.e., 6 months) of the approved Growth capital of \$46.357 million. For 2028, the earned return is calculated based on the full-year impact (i.e., 12 months) of the 2027 Growth capital additions.
- There is no incremental impact to FBC's formula O&M for rate-setting purposes as the formula O&M is based on the average customer count and the net inflation factor.

2.2 For material 2027 Growth Capital expenditures identified in response to 2.1 as being undertaken in anticipation of future customer, load, peak-demand or electrification requirements, please provide, based on the information and forecasts relied upon in the 2027 Application: i) the nature of the future requirement identified by FBC in support of the expenditure; ii) the expected timing and approximate magnitude of that requirement; and iii) the expected in-service and rate-base date of the associated investment.

Response:

Please refer to the response to COSCO IR1 2.1.

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2.3 For the investments identified in response to 2.2, please quantify, based on the rate-base treatment proposed or reflected in the 2027 Application: i) the approximate revenue requirement associated with the investment reflected in 2027 rates; and ii) the approximate annual revenue requirement when the investment is fully reflected in rate base, separately identifying return, depreciation and other material components.

Response:

Please refer to the response to COSCO IR1 2.1.

2.4 For any material investment identified in response to 2.2 that is expected to enter rate base before the future customer, load, peak-demand or electrification requirement identified by FBC is expected to materialize, please provide: i) the expected period between the investment entering rate base and the materialization of the identified requirement; ii) the approximate annual revenue requirement associated with the investment during that period; iii) the portion of that revenue requirement expected to be recovered from customers through 2027 rates and subsequent rates during that period; and iv) the basis on which FBC has determined the timing of the investment's in-service and rate-base treatment.

Response:

Please refer to the response to COSCO IR1 2.1.

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3.0 Reference: REVENUE REQUIREMENT & RATE IMPACTS

Exhibit B-2, Section 1.4 and Section 3

Topic: Cost Growth Relative to Customers and Demand

Preamble:

FBC proposes a permanent rate increase of 6.42% for 2027. FBC forecasts continued customer growth and modest load growth in the residential, commercial and wholesale classes relative to 2026 Approved. Overall, 2027 Forecast net load is approximately 1.4% below 2026 Approved, primarily due to reduced industrial customer load, which FBC states is primarily attributable to reduced demand from a single customer.

3.1 Please provide a table comparing FBC's 2026 Approved and 2027 Forecast amounts for: i) total revenue requirement; ii) average customer count; iii) net load; iv) rate base; v) net O&M expense; vi) depreciation and amortization; and vii) forecast earned return; and viii) the percentage change in each measure from 2026 Approved to 2027 Forecast.

Response:

Please refer to Table 1 below for a comparison between 2026 Approved and 2027 Forecast for the items requested. As identified in the response to CEC IR1 3.1, there was a small error in the 2027 Forecast power supply expense related to the wheeling expense forecast. FBC has accordingly reduced the 2027 Forecast wheeling expense by \$0.159 million. The proposed 2027 rate increase after the correction is 6.39 percent. The table below reflects the correct 2027 Forecast power supply expense as well as the correct 2027 Forecast revenue requirement. FBC will correct this error in the compliance filing to the decision on this Application.

1 **Table 1: Comparison of Revenue Requirement between 2026 Approved and 2027 Forecast**

	2026 Approved	2027 Forecast	Difference (\$000s)	Difference (%)
Average Customer Count	158,546	161,037	2,491	1.6%
Net Load (GWh)	3,714	3,662	(52)	-1.4%
Mid-Year Utility Rate Base (\$000s)	1,897,237	2,019,513	122,276	6.4%
Revenue Requirement				
Power Supply Expense	\$ 221,311	\$ 225,510	\$ 4,199	1.9%
O&M Expense (net)	72,633	76,349	3,716	5.1%
Depreciation, net of CIAC	79,420	84,573	5,153	6.5%
Amortization	3,739	8,645	4,906	131.2%
Property Taxes	23,358	24,500	1,142	4.9%
Other Revenue	(13,958)	(13,580)	378	-2.7%
Deferred Revenue Surplus	-	-	-	0.0%
2025 COSA - Irrigation Rebalancing Phase-in	(457)	(305)	152	-33.3%
Income Tax	15,706	15,599	(107)	-0.7%
Earned Return	126,840	135,830	8,990	7.1%
Total (\$000s)	\$ 528,592	\$ 557,121	\$ 28,529	5.4%

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6 3.2 Based on the amounts provided in response to 3.1 and the information contained
7 in the 2027 Application, please explain the principal factors contributing to
8 differences between the rates of change in FBC's revenue requirement, rate base
9 and other material cost components and the corresponding rates of change in
10 customer count and net load. Please identify which of those factors FBC expects,
11 based on information currently available to it, to continue to affect its revenue
12 requirement or rates after 2027.

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14 **Response:**

15 Table 1 below compares the revenue deficiency between 2026 Approved (which led to the
16 approved 2026 rate increase of 3.63 percent) and 2027 Forecast (which led to the proposed 2027
17 rate increase of 6.39 percent). As identified in the response to CEC IR1 3.1, there was a small
18 error in the 2027 Forecast power supply expense related to the wheeling expense forecast. FBC
19 has accordingly reduced the 2027 Forecast wheeling expense by \$0.159 million. The proposed
20 2027 rate increase after the correction is 6.39 percent. The table below reflects the correct 2027
21 Forecast power supply expense as well as the correct 2027 Forecast revenue deficiency. FBC
22 will correct this error in the compliance filing to the decision on this Application.

Table 1: Comparison of 2026 Approved and 2027 Forecast Revenue Deficiency (\$000s)

Deficiency	2026 Approved (Compared to 2025 Approved)	2027 Forecast (Compared to 2026 Approved)	Difference (\$000s)
Demand Forecast	\$ (2,462)	\$ 4,932	\$ 7,394
Power Supply Expense	13,391	4,199	(9,192)
Other Revenue	(123)	378	501
Net O&M	3,716	3,716	-
Rate Base Growth	6,032	8,199	2,167
Depreciation, net of CIAC	4,659	5,153	494
Amortization	1,183	4,906	3,723
Financing Ratio and Rates	(157)	791	948
Property Tax	1,775	1,142	(633)
Income Tax	1,159	(107)	(1,266)
Deferred Revenue Surplus	(10,199)	-	10,199
2025 COSA - Irrigation Rebalancing Phase-in	(457)	152	609
Total Revenue Deficiency (\$000s)	\$ 18,517	\$ 33,461	\$ 14,944
Revenue at Approved Rates (\$000s)	\$ 510,075	\$ 523,660	\$ 13,585
Rate Change (%)	3.63%	6.39%	

The primary reasons for the higher 2027 Forecast revenue deficiency compared to 2026 Approved are:

1. The elimination of the deferred revenue surplus from 2025, which was approved to be fully amortized into 2026 rates as part of the Annual Review for 2025-2026 Rates Decision. The elimination of the \$10.199 million revenue surplus had an impact of approximately 1.95 percent on the 2027 rate increase. This is a one-time impact and will not continue to affect FBC's revenue requirement after 2027.
2. Rate base growth from 2026 Approved to 2027 Forecast, which was discussed in Section 1.4.5 of the Application and is mainly due to the mid-year impact of FBC's 2027 Approved regular capital additions (Growth, Sustainment, and Other Capital) as well as the CPCN additions of approximately \$33.379 million from the A.S. Mawdsley (ASM) Terminal Station CPCN Project. In contrast, there were no CPCN additions in the 2026 Approved revenue requirement. As noted in Section 1.4.6, the capital additions resulting from regular and CPCN capital also contributed to the increased depreciation in 2027. FBC expects a continued need for increased regular capital expenditures to provide safe and reliable service and to respond to growing electricity needs, as such there will continue to be rate base growth after 2027. Further, as highlighted in Section 7.3 of the Application, there are two ongoing major projects – the Fruitvale Substation CPCN Project and the ERP Modernization and CIS Replacement Project – which are expected to enter rate base in

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- 1 2028 and 2029, respectively. Therefore, rate base growth due to CPCN additions is
2 expected to continue to affect FBC's revenue requirement after 2027.
- 3 3. The significant decrease in industrial load in 2027 contributed to the increased revenue
4 deficiency from 2026 Approved to 2027 Forecast. As discussed in Section 3.3.4, the
5 decrease is almost entirely due to reduced demand from a single customer. FBC does not
6 know whether the demand from this single customer will continue to decline, increase or
7 remain at the same level after 2027.
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4.0 Reference: REVENUE REQUIREMENT & RATE IMPACTS

Exhibit B-2, Section 1.4.7, page 5; Figure 1-1

Topic: Temporary, Ongoing and Future Rate Pressures

Preamble:

FBC states that amortization of deferral accounts in 2027 is forecast to increase by \$4.906 million, primarily due to the elimination of the credit from the non-rate base Revenue Deficiency/Surplus deferral account, which was fully amortized in 2026, and increased amortization from the rate base DSM deferral account, partially offset by credit amortization from the non-rate base Flow-through deferral account.

4.1 Please provide a breakdown of the \$4.906 million increase in 2027 deferral account amortization by deferral account and provide the approximate contribution of each component to the proposed 6.42% 2027 rate increase. Please reconcile the 2027 rate impact associated with the elimination of the Revenue Deficiency/Surplus deferral account credit with FBC's estimate in the 2025/2026 Annual Review that elimination of that credit would result in an approximately 1.93% increase in 2027 rates, all else equal.

Response:

Please refer to Table 1 below for the breakdown of the \$4.906 million increase in 2027 deferral amortization by deferral account and the approximate contribution to the proposed 2027 rate increase.

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Table 1: Breakdown of 2027 Increase of Amortization by Deferral Account¹

	2026 Amortization	2027 Amortization	Difference	Contribution to 2027 Rate Impact
Rate Base Deferrals				
18149 - 3700 - BCUC Levies Variance Account	-	30	30	0.01%
17001 - 3700 - LTD Issue Costs	274	316	42	0.01%
18165 - 3700 - DSM	7,791	8,919	1,128	0.22%
18617 - 3700 - BCUC Initiated Inquiry Costs	146	(16)	(162)	-0.03%
18634 - 3700 - 2021 Generic Cost of Capital Proceeding	169	169	-	0.00%
18700 - 3700 - Tax Effect on LTD Issue Costs	(76)	(81)	(5)	0.00%
18744 - 3700 - 2021 LTERP Regulatory Costs	59	-	(59)	-0.01%
18638 - 3700 - ERP Application and Preliminary Stage Development Costs	-	840	840	0.16%
18751 - 3700 - EV Fleet & Workplace Charging Funding Account	4	7	3	0.00%
18752 - 3700 - 2023-2027 DSM Expenditures Schedule	13	12	(1)	0.00%
18754 - 3700 - Joint Pole Use Audit 2023	16	15	(1)	0.00%
18640 - 3700 - 2025-2027 Rate Setting Framework Application	201	203	2	0.00%
18756 - 3700 - 2025 COSA	328	(44)	(372)	-0.07%
18760 - 3700 - 2024 MRS Audit	70	-	(70)	-0.01%
18753 - 3700 - Climate Change Operational Adaptation	76	76	-	0.00%
18655 - 3700 - Annual Review of 2025-2027 Rates	110	59	(51)	-0.01%
Total Rate Base	9,181	10,505	1,324	0.25%
17946 - 3700 - Pension & OPEB Expense Variance	(124)	561	685	0.13%
18771 - 3700 - Irrigation Rebalancing Phase-in	334	222	(111)	-0.02%
18181 - 3700 - Flowthrough Variance	-	(2,717)	(2,717)	-0.52%
18645 - 3700 - 2023-2025 Revenue Deficiency	(5,934)	-	5,934	1.13%
18622 - 3700 - Earnings Sharing Account	-	(845)	(845)	-0.16%
18653 - 3700 - Flotation Costs	280	477	197	0.04%
18735 - 3700 - Financing Costs at STI	1	23	22	0.00%
18736 - 3700 - Financing Costs at WACD	77	86	9	0.00%
18737 - 3700 - Financing Costs at AFUDC	(262)	147	409	0.08%
Total Non Rate Base	(5,628)	(2,046)	3,582	0.68%
2 Total	3,553	8,459	4,906	0.94%

2

3 The 1.93 percent increase in 2027 rates that was calculated in response to BCOAPO-RCIA IR1
4 1.3 in the Annual Review for 2025-2026 Rates proceeding represented the impact due to the
5 \$10.199 million of 2025 revenue surplus (i.e., \$10.199 million / \$528.592 million = 1.93 percent),²
6 not the entire balance of the deferral account which includes additions from prior years. It also
7 excluded the impact on income tax and earned return. As discussed in Section 12.4.2.1 of the
8 Annual Review for 2025-2026 Rates, the 2023-2025 Revenue Deficiency deferral account was
9 first established by Order G-276-23 to record the incremental revenue deficiency between the
10 2023 interim and permanent rates resulting from the BCUC's decision in the Generic Cost of
11 Capital (GCOC) Stage 1 proceeding (GCOC Stage 1 Decision). The deferral account was
12 approved with a three-year amortization period commencing January 1, 2024. Table 2 below
13 provides a continuity schedule for the 2023-2025 Revenue Deficiency deferral account for 2025
14 and 2026, which shows the \$10.199 million of revenue surplus as an addition to the deferral
15 account in 2025. The 2026 amortization amount of \$5.934 million in Table 2 also aligns with the

¹ Contribution to 2027 rate impact does not include the associated impact on income tax and earned return.

² Based on the 2026 Approved revenue. If calculated based on the 2027 Forecast revenue at 2026 Approved Rates (as shown in Section 11, Schedule 1, Line 34), then the impact is 1.95 percent (i.e., \$10.199 million / \$523.660 million = 1.95 percent).

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2026 amortization amount shown in Table 1 above. As shown in Table 1 above, the net rate impact due to the elimination of the 2023-2025 Revenue Deficiency deferral account (which includes the 2025 revenue surplus and also prior additions resulting from the GCOC Stage 1 Decision) from 2026 to 2027 is 1.13 percent.

Table 2: Reconciliation of the 2023-2025 Revenue Deficiency Deferral Account with the \$10.199 million Revenue Surplus Additions

2023-2025 Revenue Deficiency	2025	2026
Opening Balance	3,023	(5,934)
Gross Additions	(10,199)	-
Less: Tax	2,754	-
Net Additions	(7,445)	-
Amortization	(1,512)	5,934
Ending Balance	(5,934)	-

4.2 Apart from capital expenditures addressed in question 5.1 below and deferral accounts addressed in question 4.3 below, please identify any other material known cost changes reflected in or arising from the 2027 Application that are not fully reflected in 2027 rates and are expected, based on information currently available to FBC, to result in incremental upward or downward rate pressure after 2027. For each material item, please provide the expected timing and quantify, to the extent practicable, the approximate future annual revenue requirement or rate impact.

Response:

Apart from capital expenditures (as discussed in the response to COSCO IR1 5.1) and deferral accounts (as discussed in the response to COSCO IR1 4.3), all other costs forecast for 2027, including power supply costs, net O&M expenses, other revenue, property taxes, income tax, and earned return, are reflected in the 2027 forecast revenue requirements and rates.

Given that these costs are included in the 2027 revenue requirement on a forecast basis, the variances between forecast and actuals will be captured either in the Earnings Sharing deferral account or the Flow-through deferral account and will be recovered from/returned to customers in future years.

4.3 Please identify material deferral account balances expected to remain at the end of 2027 and, for each, provide: i) the forecast year-end balance; ii) the approved or proposed amortization period; and iii) the approximate annual revenue requirement impact after 2027 based on that amortization period.

Response:

For the top four deferral accounts with the highest 2027 Forecast year-end balance, which represent approximately 90 percent of the total 2027 Forecast year-end balance, Table 1 below provides: (i) the forecast 2027 year-end balance; (ii) the approved amortization period; and (iii) the estimated revenue requirement in 2028 based on the 2027 Forecast year-end balance and approved amortization period.

Table 1: 2027 Forecast Year-end Balance, Approved Amortization Period, and Estimated 2028 Revenue Requirement Impact for FBC's Deferral Accounts with the Highest 2027 Forecast Year-End Balance

Deferral Accounts	2027 Forecasted Year-End Balance (\$000s)	Approved Amortization Period	Estimated Revenue Requirement in 2028 based on Approved Amortization Period (\$000s)
Demand Side Management	\$ 61,430	10 Years	\$ 17,974
Deferred Debt Issue Costs	\$ 4,587	Based on Term of Debentures	\$ 765
CPCN Projects Preliminary Engineering	\$ 4,378	Transfer to CWIP After CPCN Approval	n/a
ERP/CIS Application and Preliminary Stage Development Costs	\$ 2,520	4 Years	\$ 1,323
Total	\$ 72,915		

Notes to table:

- The CPCN Projects Preliminary Engineering deferral account was approved by Order G-139-14 as part of the 2014-2019 PBR Plan Decision³ for capturing development costs of CPCN projects (including application costs) prior to receiving CPCN approval. Once the individual CPCN project is approved, the balance in the deferral account specifically related to the CPCN project will be transferred to capital through Construction Work-in-Progress (CWIP). As such, the impact to future revenue requirements due to the CPCN Projects Preliminary Engineering deferral account is not known at this time given it depends on the project receiving CPCN approval, the timing of the project, and the completion of the project.

³ Decision and Order G-139-14, pp. 229-230.

5.0 Reference: RATE BASE

Exhibit B-2, Sections 7.2 – 7.4

Topic: Capital Expenditures Not Fully Reflected in 2027 Rates

Preamble:

FBC forecasts regular 2027 capital expenditures of \$140.365 million and \$55.964 million of expenditures associated with Special Projects and CPCNs, for total 2027 capital expenditures of \$196.329 million. FBC states that some of these expenditures are not expected to enter rate base in 2027.

5.1 Without revisiting the approved forecast capital or the underlying load forecasting methodology, please identify material capital expenditures included in FBC's 2027 Application for which the full revenue requirement is not reflected in 2027 rates. For each such expenditure, please provide: i) the forecast total project cost and 2027 expenditure included in the Application; ii) the expected in-service and rate-base date reflected in the Application; iii) the approximate revenue requirement reflected in 2027 rates; and iv) the approximate annual revenue requirement expected to be reflected in rates when the investment is fully included in rate base, separately identifying return, depreciation and other material components.

Response:

For the 2027 regular capital expenditures of \$140.365 million which will be included in FBC's rate base on a mid-year basis in 2027, the full-year impact will be reflected in FBC's 2028 revenue requirement. Please refer to Table 1 below which shows the incremental revenue requirement impact in 2027 and 2028, both compared to 2026 approved rates, due to the additions of the 2027 regular capital to rate base.

Table 1: Incremental Revenue Requirement due to the Capital Additions of 2027 Regular Capital (\$000s)

Incremental Revenue Requirement	2027	2028
Depreciation	\$ -	\$ 4,368
Property Tax	1,136	1,136
Income Tax	(5,434)	(59)
Earned Return	4,545	8,944
Total (\$000s)	\$ 246	\$ 14,389

Notes to Table:

- Depreciation is calculated based on the opening balance of plant and the approved depreciation rate. Since regular capital is added to rate base mid-year in 2027, the 2027 opening balance of plant related to the 2027 regular capital is zero.
- The income tax savings in 2027 are due to CCA deductions.
- The 2027 earned return includes only the mid-year impact (i.e., 6 months) of the approved regular capital. For 2028, the earned return is calculated based on the full-year impact (i.e., 12 months) of the 2027 regular capital additions.
- There is no incremental impact to formula O&M for rate-setting purposes as the formula O&M is based on the average customer count and the net inflation factor.

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For the Major project capital expenditures of \$55.964 million in 2027, as discussed in Section 7.3 of the Application, they are related to:

- The ASM Terminal Station CPCN Project, which was approved by Order C-6-23. As stated in Section 7.3.1 of the Application, FBC is forecasting an amount of \$33.379 million (including AFUDC) of total capital to be added to rate base on January 1, 2027, with the remaining \$0.750 million of demolition and project closeout costs forecast to occur in 2027. The forecast incremental revenue requirement in 2027 due to the ASM Terminal Station CPCN Project capital additions on January 1, 2027 is approximately \$4.564 million.
- The Fruitvale Substation CPCN Project, which was approved by Order C-4-24. As stated in Section 7.3.2 of the Application, FBC is expecting the project to complete in 2027 with capital additions to rate base on January 1, 2028. Based on the approved Fruitvale Substation CPCN Application, the project is expected to result in an incremental revenue requirement of \$1.440 million when all assets are included in rate base. Please refer to the Fruitvale Substation CPCN Application for a breakdown of the incremental revenue requirement, including earned return, depreciation, and other cost components.
- The ERP Modernization and CIS Replacement Project, which was approved by Order G-126-26. As stated in Section 7.3.3 of the Application, FBC is expecting the project to complete in 2028 with capital additions to rate base on January 1, 2029. Based on the approved ERP Modernization and CIS Replacement Project Application, the project is expected to result in an incremental revenue requirement of \$18.801 million when all assets are included in FBC's rate base. Please refer to the ERP Modernization and CIS Replacement Project Application for a breakdown of the incremental revenue requirement, including earned return, depreciation, and other cost components.