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September 24, 2026

Industrial Customers Group
c/o Robert Hobbs
2206 Happy Valley Road
PO Box 1552
Rossland, BC
V0G 1Y0

Attention: Robert Hobbs

Dear Robert Hobbs:

Re: FortisBC Inc. (FBC)
2027 Annual Review of Rates (Application)
Response to the Industrial Customers Group (ICG) 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 ICG IR No. 1.¹

FBC has filed Attachment 8.3 on a confidential basis as identified in the response to ICG IR1 8.3.

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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Reference: Exhibit B-2, Section 2.2, p. 7

“In the RSF Decision, the BCUC approved an I-Factor using the actual CPI-BC and BC-AWE indices from the previous year and using a fixed weighting of 40 percent non-labour and 60 percent labour for each index.”

1.1 Please provide a table showing the annual I-factor and the corresponding annual FBC rate increases for the last ten years, and the cumulative compounded total increase over those ten years.

Response:

Please refer to Table 1 below for the approved I-factor and the corresponding approved FBC rate increases for the last 10 years (i.e., 2017 to 2026), as well as the cumulative compounded total increase over those 10 years. The average increase per year from 2017 to 2026 is approximately 3.16 percent (i.e., 31.59 percent / 10 years).

Table 1: Annual and Cumulative Rate Changes from 2017 to 2026 Approved with Comparison to Annual I-Factor from 2017 to 2026

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual I-Factor (%)	1.42%	1.70%	2.51%	2.81%	4.17%	4.54%	4.34%	4.17%	4.41%	3.37%
Cumulative I-Factor Increase (%)	1.42%	3.12%	5.63%	8.44%	12.61%	17.15%	21.49%	25.66%	30.07%	33.43%
FBC Rate Increase (%)	2.76%	0.00%	0.00%	1.00%	4.36%	3.47%	3.98%	6.74%	5.65%	3.63%
Cumulative FBC Rate Increase (%)	2.76%	2.76%	2.76%	3.76%	8.12%	11.59%	15.57%	22.31%	27.96%	31.59%

Reference: Exhibit B-2, Section 3.3.7, p. 22

“There was a larger-than typical variance between actual and approved load losses in 2025. A variety of factors likely contributed to this result, including the increase in large industrial load in 2025 compared to previous years (as shown in Figure 3-7 above).”

2.1 Actual 2025 load losses appear to be significantly lower than the approved amount. Please explain why an increase in large industrial load in 2025 would reduce load losses, and the effect on rates had the actual load losses been at the approved amount?

Response:

An increase in industrial load could reduce load losses if the load is located close to local generation facilities, which has the effect of reducing overall system power flows and contributing to lower system losses. However, as noted on page 22 of the Application, there are a variety of factors that could impact system losses such as load patterns, generation dispatch, weather conditions, and overall system operating conditions.

As discussed in Section 3.3.7 of the Application, FBC is currently undertaking a comprehensive update to the loss study, which is expected to be filed as part of the next rate-setting application. The results of that study will provide an updated assessment of system loss factors and the updated assumptions of load losses for future gross load forecast. It would be premature to conclude if the lower 2025 actual load losses are permanent or temporary without the results of the comprehensive update to the loss study.

As determined in the RSF Decision, the merits of the approved load forecasting methods are outside the scope of the Annual Reviews during the RSF term. Further, any variance in power supply expense (including variances in load losses) are captured in the Flow-through deferral account and will be returned to/recovered from customers through rates in the following year. Therefore, customers ultimately pay for the actual power purchase expense.

However, to be responsive, if the 2027 Forecast gross load was approximately 55 GWh less, which is the difference in load losses between 2025 Actual and 2025 Approved, the 2027 Forecast would be approximately \$3.0 million less and the 2027 rate increase would be reduced to 5.94 percent.

2.2 How many data center loads greater than 10MW or 50 GWh annually are there in FBC’s service territory, which category do these data center loads belong to, and what was their actual load in 2024, 2025 and year-to-date 2026? Please provide the response confidentially if necessary.

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1 **Response:**

2 FBC declines to provide the requested information, as it would reveal a customer's load
3 information for the requested period and, as such, would be a breach of customer privacy.

4

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1 **3 Reference: Exhibit B-2, Section 5.2, p. 35**

2 “The forecast increase in 2027 is due to expected escalations in unit rental rates for
3 continuing contracts.”

4 3.1 Please describe the expected escalations in unit rental rates? For example, are
5 the escalations the subject of the “continuing contracts”?

6
7 **Response:**

8 The rate drivers for pole attachments differ between contracts, including one contract that is a flat
9 fee contract. Each contract includes formulas that contemplate items such as pole costs, financing
10 and tax costs, maintenance costs (which could include labour, materials, and vehicles), and
11 administration costs. The unit rental rates are calculated each year, instead of prescribed by
12 agreement. Rates for continuing contracts were forecast to increase by approximately 1.0 percent
13 for 2027.

14

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1 **4 Reference: Exhibit B-2, Section 5.3, p. 36**

2 “As a result, FBC will no longer earn a transfer price profit revenue on services provided
3 to FPHI to fulfill these contracts beyond April 1, 2027.”

4 4.1 Please identify the facilities that FPHI managed and/or manages in 2026 and
5 2027?
6

7 **Response:**

8 FPHI operates and manages the Brilliant Expansion, Waneta Expansion, and Arrow Lakes
9 hydroelectric facilities under management agreements, which are all jointly owned by provincial
10 crown corporations Columbia Basin Trust and Columbia Power Corp. These management
11 agreements will be expiring on April 1, 2027 based on termination notices issued to FPHI by the
12 owners of these facilities.

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Reference: Exhibit B-2, Section 7.3.3, p. 49 and Section 11

“FBC forecasts capital expenditures of \$53.400 million in 2027.”

5.1 Please provide the breakdown of the \$53.400 million in capital expenditures, including the total ERP Modernization and CIS Replacement Project costs, the allocation to FBC and FEI, and the per cent completion to the end of 2027?

Response:

The 2027 Forecast capital expenditures of \$53.400 million shown on page 49 of the Application are for the portion of the project allocated to FBC only. Of this amount, \$14.418 million relates to the ERP Modernization Project and \$38.982 million relates to the CIS Replacement Project.

For a detailed breakdown of the project’s forecast capital expenditures, including costs related to implementation vendors, FBC labour, software licenses, and infrastructure, please refer to Section 6 of the ERP Modernization and CIS Replacement Project Application.

The project is expected to be approximately 58 percent of the way through its projected schedule by the end of 2027 and as stated on page 49 of the Application, the project is expected to be complete in 2028.

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Reference: Exhibit B-2, Section 11, Schedule 6, p. 71

6.1 Please explain the increases in Hydraulic Production Plant Account 331 (Structures and Improvements), Account 332 (Reservoirs, Dams & Waterways) and Account 335 (Other Power Plant Equipment) balances over the amounts reported in last year's annual review and rate application Schedule 6?

Response:

The difference between the 2026 ending balance (or 2027 opening balance) shown in Schedule 6 of the current Application and the 2026 ending balance provided in Section 11.2, Schedule 6 of the Annual Review for 2025-2026 Rates application, particularly for the Hydraulic Production Plant Accounts cited in this question, is due to:

- An updated projection of 2026 retirements in the current Application compared to the 2026 retirements included in the Annual Review for 2025-2026 Rates application. The retirements in the prior year application were based on a forecast of retirements at that time.
- Consistent with past Annual Reviews, for rate-setting purposes, the approved regular capital expenditures from the RSF Decision were allocated to the different asset accounts based on the most recent year's actual plant additions. For example, in the Annual Review for 2025-2026 Rates application, both the approved 2025 and 2026 regular capital additions were allocated to each asset account based on the 2024 Actual regular capital additions mix, whereas in the current Application, the same total 2026 Approved regular capital was updated to allocate the 2026 regular capital additions mix based on the 2025 Actual regular capital additions. This update to the 2026 additions between last year's forecast 2026 additions and this year's projected 2026 additions results in differences between the individual plant accounts shown in Schedule 6 of the respective Annual Reviews. However, the total 2026 plant additions remain the same in both Annual Reviews and remain equal to the total approved regular capital in the RSF Decision.

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1 **7 Reference: Exhibit B-2, Section 11, Schedule 11, p. 78**

2 7.1 Please explain the purpose of “5. Other Accounts – Indigenous Relations
3 Agreement (Huth Substation)”, why it has a zero balance, why it does not appear
4 in last year’s annual review and rate application Schedule 11?

5
6 **Response:**

7 The account maintains a zero balance as FBC continues its discussion with the snpink’tn Indian
8 Band regarding the historical impacts of Huth substation. The fund has had a zero balance since
9 it was approved as part of the Annual Review for 2020 and 2021 Rates Decision and Order G-
10 42-21. FBC inadvertently omitted this deferral account from Schedule 11 in last year’s Annual
11 Review due to its zero balance and has since added the deferral account back to the schedule,
12 consistent with the previous Annual Reviews from 2020 through 2024.

13

Reference: Exhibit B-2, Section 12.2.1, pp. 97-98

“The incident was initiated by a fault in the low-voltage C-phase connection of T2. The type of protection in place allowed the fault to persist for an extended duration, resulting in damage to the connection area and the exposure of transformer oil to very high heat, arcing, and oxygen. This in turn resulted in a fire in the oil containment area which also spread to T1.

FBC completed the repair and remediation work in Q1 2025 and filed the insurance claim in July 2025 once all invoices for the remediation work were received.”

8.1 Please confirm that FBC was responsible for operating and maintaining all equipment that caused the fire and/or was damaged in the fire?

Response:

FBC confirms that it operated and maintained the assets located at the Midway Substation that were damaged in the fire. As explained in the response to BCUC IR1 4.1, no deficiencies indicating impending failure were identified during the most recent inspection at the substation prior to the incident.

8.2 Please confirm that there were no fires or other events external to the Midway Substation that caused the fire?

Response:

FBC confirms that there were no external fires or other off-site events that caused or contributed to the incident.

8.3 Please provide the incident report, insurance claim and any investigation reports into the Midway Substation fire, and demonstrate that the fire could not have been prevented with prudent maintenance and design considerations?

Response:

Please refer to Confidential Attachment 8.3 for the engineering investigation report on the Midway Substation fire. The breakdown of the remediation costs is provided in Table 12-1 on page 98 of the Application. As explained in the Application, the final settlement from the insurers resulted in FBC recovering all of the claimed remediation costs (less the insurance deductible).

1 FBC confirms, as supported by the engineering investigation report and the successful recovery
2 of its remediation costs through the insurance settlement, that FBC appropriately designed,
3 operated and maintained the Midway Substation.

4 FBC is requesting that Attachment 8.3 be filed on a confidential basis and be held confidential by
5 the BCUC in perpetuity, pursuant to Section 23 of the BCUC's Rules of Practice and Procedure
6 regarding confidential documents as set out in Order G-192-25.¹ The information contains
7 operationally sensitive details pertaining to the Company's assets which, if disclosed, could
8 impede FBC's ability to work safely and reliably operate its electricity system assets and could
9 increase the risk to the safety of both its workers and the public and/or jeopardize the safety,
10 security, and operation of FBC's systems. FBC is unable to foresee a time when the information
11 may no longer be confidential and, therefore, requests that the information remains confidential
12 in perpetuity. Confidential Attachment 8.3 contains redactions of employee's names and has been
13 provided to the BCUC. Interveners wishing to obtain a copy must file a signed Confidentiality
14 Declaration and Undertaking on the record of this proceeding.

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18 8.4 Please identify any other requests by FBC or approvals by the Commission for
19 exogenous treatment of costs arising from events comparable to the Midway
20 Substation fire?
21

22 **Response:**

23 Please refer to the response to BCUC IR1 4.3.
24
25

26
27 8.5 Please describe the role of the insurer in the completed repair and remediation
28 work?
29

30 **Response:**

31 The insurers had no role in the repair or remediation of the site. The insurers' involvement was
32 limited to insurance-related activities following the event. Specifically, the insurers' role was to
33 confirm coverage, review the supporting documentation and invoices submitted by FBC, and
34 reimburse eligible costs, less the insurance deductible, in accordance with the terms of the
35 insurance policies.

¹ As amended by Order G-228-25.

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8.6 Please describe the nature of the remediation work by third parties and by FBC?

Response:

The remediation work undertaken by FBC and third-party contractors included the following:

- Site restoration activities, including equipment disposal and remediation of impacted soil and concrete;
- Replacement of damaged distribution system assets, including poles, switches, and conductors;
- Construction of transformer foundations and containment systems, including fire protection walls; and
- Installation of replacement transformers and associated protection and control equipment.

8.7 Please demonstrate that when the Midway Substation designed and placed into service, that protection strategies to detect the fault and protect against the ensuing fire were not part of prudent utility design?

Response:

FBC designed and constructed the Midway Substation to the relevant industry standards in place at the time. Please refer to the response to BCUC IR1 4.2.

Attachment 8.3

FILED CONFIDENTIALLY