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

Attention: Registrar

Dear Sirs/Mesdames:

Re: FortisBC Inc. – 2027 Annual Review of Rates – Reply Argument

In accordance with the regulatory timetable in the above proceeding, we enclose for filing the Reply Argument of FortisBC Inc., dated November 2, 2026.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

Christopher Bystrom*
*Law Corporation

Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF THE UTILITIES COMMISSION ACT, R.S.B.C. 1996, CHAPTER 473

AND

FORTISBC INC.

ANNUAL REVIEW FOR 2027 RATES

REPLY SUBMISSION

OF

FORTISBC INC.

NOVEMBER 2, 2026

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PART ONE: INTRODUCTION AND OVERVIEW

1. FortisBC Inc. (FBC) submits that its Annual Review for 2027 Rates Application (Application) should be approved. The six interveners that filed final arguments in this proceeding express substantial agreement with the Application. The interveners' positions are summarized below:

(a) B.C. Sustainable Energy Association (BCSEA) supports FBC's proposed rate increase.[1]

(b) The Council of Senior Citizens' Organizations of BC et al. (COSCO) seeks no adjustment to FBC's proposed 2027 revenue requirement, but comments on possible reassessment of Growth capital investments under future regulatory frameworks.[2]

(c) The Canadian Office and Professional Employees Union, Local 378 (MoveUP) supports FBC's proposed rate increase and its sole recommendation is for a status report on the development of leading safety indicators.

(d) The Commercial Energy Consumers Association of BC (CEC) recommends approval of FBC's rate increase request, except that it would recover the $0.250 million Midway Substation fire insurance deductible over a future amortization period rather than through exogenous factor treatment.[3]

(e) The Industrial Customer Group (ICG) does not oppose the Application, except for recovery of the Midway Substation fire insurance deductible, and seeks examination of the terms of service to FBC's data centre customer.[4]

(f) The Residential Consumer Intervener Association (RCIA) does not oppose the Application except for exogenous factor treatment of the Midway Substation fire insurance deductible, and recommends directions concerning insurance forecasting, system losses, Long-Term Electric Resource Plan (LTERP) costs, EV charging cost reporting, and Emergency Response Time performance.[5]

2. FBC responds below to the issues raised by interveners. FBC submits that the objections and recommendations of interveners are without merit and should be rejected. The interveners

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1 BCSEA Final Argument.

2 COSCO Final Argument, pp. 5-6.

3 CEC Final Argument, paras. 1 and 58.

4 ICG Final Argument, pp. 2 and 5.

5 RCIA Final Argument, Section 3, p. 10.

seek to introduce a new criterion for exogenous factor treatment and make recommendations that are often inconsistent with the Rate Framework Decision and are not supported by the evidence. While FBC has sought to respond comprehensively, silence on any particular point should not be taken as agreement.

PART TWO: FORECAST O&M EXPENSE IS REASONABLE

A. MRS Audit Costs Follow the Approved Treatment

3. CEC supports FBC's forecast O&M, but recommends that the BCUC reconsider the scope of the Annual Review process and direct FBC to justify why it should not amortize MRS audit costs over three years in the next revenue requirements application.[6] This request is out of scope and should be denied. FBC previously deferred its triennial MRS audit costs and amortized them over three years, but proposed the current Forecast (flow-through) treatment in its Rate Framework Application.[7] The CEC did not oppose FBC's request and the BCUC approved the treatment in the Rate Framework Decision.[8] Order G-182-26 excludes re-adjudication of this approved treatment.[9] FBC submits that there is no basis to revisit the BCUC's determination in this proceeding and that it would be inappropriate for the BCUC to prejudge the next rate-setting application through a direction in this proceeding.

B. Forecast Insurance Expense Is Reasonable

4. RCIA submits that the BCUC should find that FBC has not demonstrated that a 5 percent escalation remains the most reasonable forecasting assumption for its forecast insurance expense, and should direct that future forecasts be informed by available market indicators, with escalation factors reflecting prevailing conditions.[10] FBC submits that its forecast insurance expense is reasonable and that RCIA's request should be rejected. FBC highlights four reasons below.

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6 CEC Final Argument, pp. 4-5.

7 Rate Framework Application, Exhibit B-1, pp. C-64 and C-65.

8 Rate Framework Decision and Order G-70-25, p. 18.

9 Order G-182-26, Directive 2.

10 RCIA Final Argument, p. 6.

5. First, FBC's forecast insurance expense is well supported. FBC's forecast incorporates the actual insurance expense for the first half of 2027, a 5 percent escalation for the second half, and the $0.160 million wildfire fighting service fee.[11] Known insurance premium information is, therefore, reflected in the forecast, with opportunity for variances from forecast limited to the second half of the year.

6. Second, FBC's forecast method has produced reasonable results. Over 2021 to 2025, variances between forecast and actual insurance premiums ranged from -3.2 percent to 2.8 percent, with a variance of only -0.1 percent in 2025.[12] These results show there is little room for improvement in the accuracy of the forecast.

7. Third, RCIA's proposal would add considerable complexity to what is currently a simple, transparent and well-understood forecasting methodology which has consistently produced reasonably accurate results. RCIA's recommendation would require FBC to source, interpret and weigh multiple external market indicators each year in place of a straightforward calculation. Rather than improving the forecast, introducing these additional sources of evidence would likely generate increased controversy in future proceedings, as interveners would be invited to contest FBC's selection, interpretation and weighing of industry outlooks, broker forecasts and other market indicators. This added complexity and controversy would come without any appreciable benefit to ratepayers, given that the existing flow-through treatment already ensures that ratepayers pay only the actual cost of insurance over time.

8. Finally, the BCUC has approved flow-through treatment for insurance expense because these expenses are difficult to forecast and outside of FBC's control. Changes in insurance premiums are difficult to predict and can be highly variable. FBC, therefore, does not agree with RCIA that it should be investing time and resources developing complicated forecast methods for costs that are, by their nature, fundamentally uncertain. This is especially the case given the

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[11] Exhibit B-2, Application, pp. 41-42.

[12] Exhibit B-11, RCIA IR1 5.1.

potential variance amounts are too small to have a material impact on rates and considering that customers pay only for the actual insurance expense via flow-through treatment.

9. FBC's existing methodology should therefore be retained and its forecast insurance expense approved.

C. EV Charging Costs and Reporting Have Been Explained

10. RCIA does not oppose FBC's forecast EV DCFC O&M costs, but observes that operating costs are forecast to rise faster than throughput, and seeks a direction that FBC provide cost per unit of energy dispensed and cost-per-station measures in the RS 96 Evaluation Report.[13] FBC submits that RCIA has not established any inefficiency in FBC's EV DCFC O&M costs and the comparison of a 31.6 percent increase in O&M costs with a 26 percent increase in load does not justify its requested direction.

11. First, RCIA does not account for the timing of FLO's network management renewal fees, which are incurred every two years. As explained on page 43 of the Application, the $0.099 million increase from 2026 Projected to 2027 Forecast is primarily driven by FLO renewal fees and higher third-party utility costs. As the previous renewal occurred in 2025, comparing 2027 with 2026 compares a renewal year against a non-renewal year, which distorts the comparison and thus is not indicative of a recurring annual increase of the magnitude indicated by RCIA.[14]

12. Second, there is no reason to expect O&M costs to increase in direct proportion to energy dispensed. For example, contractual fee escalation and third-party utility rate increases can increase costs even without load growth. RCIA did not ask any IRs on this topic, so a more detailed explanation is not available on the record.

13. Third, FBC tracks and forecasts EV DCFC costs at the charging network level only, as this reflects how FBC manages the service and how many underlying costs are incurred. For example, FBC's labour costs are often associated with network level operations, while maintenance and

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[13] RCIA Final Argument, pp. 8-9.

[14] Exhibit B-2, Application, p. 43.

inspection fees are not limited to charging stations themselves, but may relate to switchgear, lighting equipment, and other electrical infrastructure that serves multiple charging stations at a site. Further, where possible, FBC combines service work and inspections in groups to ensure technician travel costs are kept as low as possible. Therefore, FBC does not track or attribute O&M costs on a per station basis and is unable to provide actual or forecast station-level costs.[15]

14. FBC submits that RCIA has not established any issue with FBC's 2027 forecast EV DCFC O&M costs or any need for the additional reporting it proposes.

PART THREE: LOAD AND POWER SUPPLY FORECASTS ARE REASONABLE

A. Load Forecast Methodology is Out of Scope

15. Although the CEC supports approval of FBC's load forecast, CEC argues that the Commercial and Industrial load forecasts are lower than expected "based on past experience" and that the BCUC should request future adjustments to the load forecast adjustments to assess what CEC calls "effectively deferred future rate increases".[16] FBC submits that the CEC's suggestion should be rejected. As determined in the Rate Framework Decision, FBC's load forecast methodology is approved for the term of the Rate Framework, and the merits of the approved load forecasting methods are outside the scope of the Annual Reviews.

16. The CEC similarly supports approval of FBC's power supply costs, but "recommends that the Commission consider adjusting the power supply costs…to better understand the degree of effectively deferred future rate increases."[17] FBC submits that the CEC's request should be rejected. Although CEC supports approval of the forecasts, CEC appears to be arguing at the same time that, if the load forecast is increased, then power supply expense and rates should also increase. However, CEC has not established any basis to increase the load forecast, which would be outside of the scope of this proceeding, nor a direct link between load increases and rate

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15 Exhibit B-11, RCIA IR1 6.1.

16 CEC Final Argument, paras. 8-13.

17 CEC Final Argument, paras. 14-17.

increases. Amongst other things, incremental revenues must also be considered. FBC submits that CEC's arguments are ambiguous and unsupported and should be rejected.

B. FBC Is Updating its System Loss Study

17. RCIA recommends that the BCUC direct FBC to file its updated Loss Study with its next rate-setting application, together with comparative utility benchmarking and explanations of material deviations.[18] FBC submits that this direction should be rejected.

18. First, FBC does not require a direction to file an updated loss study. FBC recognizes the need for a new loss study. FBC is currently completing an updated Loss Study using actual results from 2019 to 2025 based on Advanced Metering Infrastructure (AMI) data, and plans to include the study as part of its next rate-setting application.[19]

19. Second, FBC does not have comparative utility benchmarking, and such benchmarking is not meaningful.[20] Fundamentally, system losses depend on utility-specific characteristics and operating conditions, making direct comparisons to other utilities challenging and of limited value. For example, FBC's existing 7.6 percent loss factor is based on the approved 2019 Loss Study which reflects FBC's system characteristics, just as BC Hydro's reported loss percentages reflect its system characteristics.[21] FBC's ability to explain the differences between its loss factor and the loss factor of BC Hydro or any other utility would be limited because FBC does not have the required visibility into other utilities' systems and their methodology to measure losses. Even if FBC could explain the differences, this would be of academic interest only, as it would not change FBC's system-specific loss factor. In short, FBC's loss percentage should be based on a system-specific study, which FBC is currently conducting and plans to file with its next rate application. RCIA's requested direction for utility benchmarking and variance explanations should, therefore, be rejected.

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18 RCIA Final Argument, pp. 6-7.

19 Exhibit B-2, Application, pp. 22-23; FBC Final Argument, para. 7.

20 Exhibit B-11, RCIA IR1 1.1.

21 Exhibit B-11, RCIA IR1 1.1 and 1.2.

C. Data Centre Service Rate Design Is Out of Scope

20. ICG asks the BCUC to consider the terms on which FBC serves a data centre customer under RS 31 and RS 38, suggesting that incremental supply costs may place upward pressure on rates that is inconsistent with government policy.[22] FBC submits that ICG's request should be denied.

21. FBC is serving the data centre customer under BCUC-approved rate schedules, which are publicly available in FBC's Electric Tariff.[23] FBC is not proposing any rate design change in this proceeding; the BCUC reviews cost allocation and rate design in separate proceedings. FBC's most recent cost of service allocation (COSA) and revenue rebalancing application was approved by Order G-265-25. FBC will file its next COSA study when there is a significant change in its operations, structure, or rate design.

22. Further, there is no government policy applicable to FBC's service to data centres. The *Data Centre Facility and Hydrogen Production Facility Power Supply Regulation,* B.C. Reg. 8/2026, passed under the recent amendments to the *Utilities Commission Act* (UCA),[24] applies only to BC Hydro. For example, section 3(1) states: "The authority must not, during the two-year period commencing on the reference date, make available for conventional data centre purposes more than a total of 100 MW of new electricity capacity." [Emphasis added.] As such, per section 60 of the UCA, FBC has a duty to provide service to its data centre customer that is just, reasonable, and not unduly discriminatory, and may not subject it to any undue prejudice or disadvantage.

23. Finally, ICG has not shown that there is any increase in FBC's rates due to the data centre customer. To the extent that FBC can provide firm service to customers with its existing infrastructure, this should be expected to reduce rates, as FBC's infrastructure will be used more efficiently and FBC's costs spread over more customer demand. In addition, as the BCUC

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22 ICG Final Argument p. 2.

23 FortisBC Inc. Electric Tariff for Service in the West Kootenay and Okanagan Areas.

24 Section 2 of the *Energy Statute Amendments Act, 2025*, enacted a new section 21.1 of the UCA that empowers the Lieutenant Governor in Council to make regulations regarding the provision by a public utility of electricity service "to store or process electronic data, including electronic data used for artificial intelligence".

approved in Order G-265-25, FBC's revenue from providing non-firm service under RS 38 is credited to all customers, which will reduce rates, all else equal.

PART FOUR: NEW RATE BASE DEFERRAL ACCOUNTS SHOULD BE APPROVED

24. Although FBC is not seeking approval of an amortization period for the 2028+ Rate Setting Application and 2026 LTERP deferral accounts in this proceeding,[25] RCIA submits that the selection of an amortization period should be guided by the benefits-matching principle.[26] FBC submits that there is no basis or need for the BCUC to prescribe a rigid rule for the determination of amortization periods in this proceeding. While FBC agrees that benefits matching is important, it is not the only relevant factor when determining an amortization period. For example, the rate impact of the amortization period and rate smoothing effects are other relevant factors. FBC submits that the appropriate periods should be determined when FBC seeks disposition of the accounts, on the evidence then available.

25. RCIA also questions the magnitude of the $1.090 million LTERP deferral account forecast, and recommends that the BCUC direct FBC to report the actual balance of the 2026 LTERP deferral account against the $1.090 million forecast, with an explanation of any material variance, at the time it proposes an amortization period.[27] FBC submits that there is no need for the direction RCIA seeks. FBC has explained in the Application that the 2026 LTERP is a significant advancement in scope and analytical approach compared to the 2021 LTERP, including the first use of end-use forecasting and enhanced integration of electric and gas planning.[28] FBC has provided a breakdown of the forecast costs, and a more detailed breakdown and description of the forecast $0.450 million in analytical work.[29] RCIA criticizes FBC for not providing a similar detailed breakdown of the forecast $0.500 million in regulatory proceeding costs,[30] but FBC has

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25 Exhibit B-2, Application, Sections 7.6.1.1 and 7.6.1.2, pp. 54-55.

26 RCIA Final Argument, p. 7.

27 RCIA Final Argument, pp. 7-8

28 Exhibit B-2, Application, p. 55.

29 Exhibit B-11, RCIA IR1 9.1.

30 RCIA Final Argument, p. 8.

not yet filed the 2026 LTERP and the regulatory process has not yet been determined. The actual regulatory proceeding costs will, of course, vary depending on the regulatory process determined by the BCUC and the extent of intervener participation. Ultimately, FBC's forecast is only a forecast and FBC will recover only actual costs from customers. FBC will bring forward its amortization proposal in a future rate-setting application, when the balance in the deferral account can be examined. To the extent needed, FBC can compare actual costs to forecast and explain material variances, but this will occur in the ordinary course of the regulatory process and does not require a separate BCUC direction.

PART FIVE: THE MIDWAY SUBSTATION FIRE SATISFIES THE EXOGENOUS FACTOR CRITERIA

26. ICG,[31] RCIA[32] and CEC[33] oppose exogenous factor treatment for the $0.250 million Midway Substation fire insurance deductible, with CEC recommending that the costs should be approved for recovery from customers over time.[34] FBC submits that the intervener arguments misapply the approved criteria for exogenous factor treatment. Contrary to ICG, RCIA and CEC, the Midway Substation fire insurance deductible was due to an unforeseen event that was outside of FBC's control and is properly treated as an exogenous factor over the remaining term of the Rate Framework.

27. The test for determining whether the Midway Substation fire costs qualify for exogenous factor treatment is to apply the five criteria approved by the BCUC. In the Rate Framework Decision, the BCUC approved the following:[35]

> Exogenous factor treatment subject to BCUC approval for events that are non-controllable and unforeseeable in nature and that meet the following criteria:
>
> 1. The costs/savings must be attributable entirely to events outside the control of a prudently operated utility;

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31 ICG Final Argument, p. 5.

32 RCIA Final Argument, pp. 4-5.

33 CEC Final Argument, paras. 55-58.

34 CEC Final Argument, paras. 55-58.

35 Decision and Orders G-69-25 and G-70-25, p. 15.

2. The costs/savings must be directly related to the exogenous event and clearly outside the base upon which the rates were originally derived;

3. The impact of the event was unforeseen;

4. The costs must be prudently incurred; and

5. The costs/savings related to each exogenous event must exceed the BCUC-defined materiality threshold.

28. At paragraph 38 of its Final Argument, FBC has set out how the Midway Substation fire costs meet these criteria. In the subsections below FBC responds to:

- the intervener arguments on the five criteria;
- ICG's and CEC's claim that there is a sixth criteria that the event must be external to FBC's system; and
- CEC's recommendation that the costs be recovered over an amortization period.

A. The Costs Are Attributable Entirely to Events Outside the Control of a Prudently Operated Utility

29. RCIA argues that the Midway Substation fire was within FBC's control because the delayed operation of the fuses and the shared oil containment contributed to the size of the loss, as FBC could have installed different equipment to prevent it.[36] RCIA's argument misapplies the approved criteria as it imports a higher standard than that of "a prudently operated utility". The approved criterion explicitly refers to a prudently operated utility. As such, the criterion does not require FBC to take extraordinary or disproportionate precautions to prevent a loss, which would come at a higher cost to customers. In other words, the test is not whether FBC could theoretically have prevented the damage with the benefit of hindsight or by installing different equipment or containment arrangements that were required at the time. Rather, the criterion requires the actions of a prudently operated utility.

30. Thus, FBC submits that the costs were entirely attributable to events outside the control of a prudently operated utility. The event was a fault in the low-voltage C-phase connection of

[36] RCIA Final Argument, p. 4.

T2. The protective equipment and oil containment systems installed by FBC did not cause this fault. Although newer technologies may have avoided damage to T1, FBC took precautions of a prudently operated utility to prevent damages from the fault. FBC prudently designed, operated and maintained the Midway Substation, including the use of high side fuse protection, which is an acceptable option under relevant industry standards.[37]

31. FBC submits that RCIA's position entails that FBC should be replacing equipment on its system earlier than needed to eliminate potential risks, at a higher cost to customers. If FBC is forced to bear the costs of these types of events, then it implies that FBC should be operating its system to a standard higher than that of a prudent utility. FBC submits that this is not the regulatory standard and not in the interest of customers.

32. CEC argues that the event was within FBC's control because FBC could have inspected more frequently.[38] This argument is flawed for two reasons. First, CEC identifies no evidence that a prudently operated utility should have undertaken more frequent inspects. FBC submits that it took the precautions of a prudently operated utility: FBC inspected the station quarterly, and performed a visual and infrared inspection on January 31, 2024, less than three months before the April 23, 2024 fire, which identified no deficiencies indicating impending failure.[39] Second, the CEC's position is speculative because it assumes that more frequent inspections would have prevented the fault. There is no evidence that a different inspection interval would have detected or prevented the fault. In fact, all equipment was operating properly before the fault.[40]

B. The Costs Are Directly Related to the Exogenous Event and Clearly Outside the Base Upon Which the Rates Were Originally Derived

33. The CEC agrees that the costs were related to the event, but suggests that FBC could have accumulated a fund, collected in a deferral account, for future deductibles.[41] It is not clear to FBC

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37 Exhibit B-5, BCUC IR1 4.2 and 4.2.1; Exhibit B-9, ICG IR1 8.3; Exhibit B-12, Appendix A, Midway Substation Fire – Post Incident Report, pp. 1-2.

38 CEC Final Argument, para. 47.

39 Exhibit B-5, BCUC IR1 4.1.

40 Exhibit B-5, BCUC IR1 4.1.

41 CEC Final argument, paras. 48-58.

if CEC is disputing that the Midway Substation fire costs are outside the base upon which rates were originally derived. However, FBC does not have a fund or deferral account for insurance deductibles and, given the rarity of these events, does not consider that it is reasonable to expect FBC to have had one in place. In any case, the hypothetical scenario that FBC could have had a deferral account for insurance deductibles does not answer whether the actual Midway Substation fire costs were included in the base upon which rates were derived. They were not. The costs were not previously incurred, were not known at the time that FBC filed its Rate Framework Application, and were not included in FBC's 2025-2027 Sustainment capital forecasts.[42]

C. The Impact of the Event Was Unforeseen

34. RCIA argues that the impact of the event was foreseen due to the known characteristics of the single-phase fuse protection and because transformer fires are a recognized hazard,[43] while CEC similarly argues that the known risk of a protection failure and the existence of insurance implies that the impact was foreseen.[44] FBC submits that these arguments are made with the benefit of hindsight and confuse awareness of a general risk with foresight of this particular event's impact. By RCIA's and CEC's logic, damage due to storms, floods and forest fires are equally foreseeable, as they are recognized hazards which FBC knows will occur at some point and takes steps to mitigate.

35. The question of whether the impact of the event was foreseen must be applied prospectively, based on the information available before the event. As FBC has explained, the Midway Substation fire was caused by an electrical fault and was an atypical and non-recurring event.[45] While FBC is aware of the general risk of a fault and the potential for a resulting fire, the occurrence of the particular fault leading to the Midway Substation fire was essentially random and unforeseeable. FBC's general knowledge of a mechanism by which the damage could have

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42 Exhibit B-2, Application, Table 12-1, pp. 98-99; Exhibit B-5, BCUC IR1 4.2.1.

43 RCIA Final Argument, p. 5.

44 CEC Final Argument, para. 52.

45 Exhibit B-2, Application, pp. 97-99; Exhibit B-5, BCUC IR1 4.2.1.

occurred does not establish that this particular fire, or even a fire of this nature and magnitude, at this particular time, and its resulting costs, was foreseen. Equally, the fact that FBC had an insurance policy that was deemed to cover the loss does not entail that the insured event was foreseen. To the contrary, insurance is purchased to cover categories of potential losses, not the costs of a particular event such as the Midway Substation fire.

36. In summary, FBC could not have reasonably foreseen this event and the resulting costs to repair the Midway Substation.

D. The Costs Were Prudently Incurred

37. No intervener argues that FBC acted imprudently.

38. However, ICG states that under "cost of service regulation the Midway fire costs would not be recoverable costs."[46] Under cost of service regulation, the Midway Substation fire costs would, in principle, be recoverable as long as FBC acted prudently. Due to timing, FBC would likely not know of these costs to be able to forecast an insurance deductible as part of its revenue requirements, but the BCUC could grant deferral treatment of the costs once FBC knew of them.

39. Further, ICG misstates the evidence when it goes on to say: "That may explain why this is the first time FBC has attempted to recover such costs."[47] In fact, FBC stated that it has never claimed an insurance deductible as an exogenous factor (although FortisBC Energy Inc. has done so).[48] FBC was not asked whether it had ever recovered the amount of an insurance deductible; nor is this relevant to the requested exogenous factor treatment.

E. The Costs Exceed the BCUC-Defined Materiality Threshold

40. None of the interveners argue that the costs are below the materiality threshold.

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[46] ICG Final Argument, p. 5.

[47] ICG Final Argument, p. 5.

[48] Exhibit B-5, BCUC IR1 4.3.

F. There Is No "Outside the System" Criteria

41. ICG and CEC submit that to qualify for exogenous factor treatment the event must "originate outside the electric grid"[49] or must not be "endogenous".[50] FBC submits that ICG and CEC have transformed the term "exogenous" into a sixth criteria for exogenous factor treatment. However, the term "exogenous" is merely a label. In FBC's view, it refers to events that are outside FBC's control and unforeseeable in nature. As quoted above, the Rate Framework Decision approved exogenous factor treatment "for events that are non-controllable and unforeseeable in nature" that meet the five criteria. In any case, the label "exogenous" is not itself a test for whether exogenous treatment is granted. If that were so, the BCUC would need to have at least defined the term "exogenous" or specified some criteria for how to apply it, which the BCUC did not do. In FBC's submission, it is clear from the Rate Framework Decision that the operative test is the five criteria approved by the BCUC, which includes the key criteria of non-controllable and unforeseeable.

42. ICG's and CEC's proposed distinction between events inside and outside the grid or substation introduces a geographical restriction that the approved test does not contain. There is no approved criterion related to whether the event originated outside the utility's property. In FBC's submission, it would be arbitrary to restrict exogenous events to their origin. For example, whether a fire originated on FBC's property or not is irrelevant to whether exogenous factor treatment should be granted. FBC also notes that exogenous events such as a change in law or accounting practice do not have a geographic location at all – they are neither inside nor outside of the utility system.

43. FBC, therefore, submits that adopting a new criterion for exogenous factor treatment as ICG and CEC propose would be inconsistent with the Rate Framework Decision and is outside the scope of this Annual Review.

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[49] ICG Final Argument, p. 3.

[50] CEC Final Argument, paras. 50-53.

44. Granting exogenous treatment for the Midway Substation fire does not open the door for exogenous treatment of routine equipment failures. The five criteria set by the BCUC essentially ensure that only rare, material, unpreventable events are treated as exogenous. The cost of routine repair work is included in FBC's Regular capital forecasts and is, therefore, reflected in the base upon which rates were derived. The materiality criteria further confines exogenous treatment to exceptional events.

G. Amortization of Insurance Deductible is Not Necessary

45. While CEC opposes exogenous factor treatment, CEC recommends that the $0.250 million insurance deductible be recovered from ratepayers over an amortization period.[51] FBC does not consider that an amortization is necessary for these costs. Given the relatively small amount, FBC considers that the carrying costs of amortizing the insurance deductible over the life of the substation (40 years) would outweigh the benefit of deferral.

PART SIX: FBC IS MAINTAINING SERVICE QUALITY

A. FBC Is Taking Concrete Steps to Improve Emergency Response Time

46. CEC submits that the BCUC should direct FBC to provide a plan to raise its Emergency Response Time performance above the benchmark.[52] FBC submits that CEC's request for an improvement plan has already been provided. FBC acknowledges that Emergency Response Time was below the 90.6 percent threshold in both 2024 and 2025, with results of 89.5 percent and 90.4 percent, respectively. To improve performance, FBC has set out the corrective measures it is taking to address each of the challenges impacting performance.[53] The June 2026 year-to-date result of 91.6 percent is better than threshold, and FBC is focused is on bringing performance up to the benchmark.[54] As such, FBC submits that CEC's requests for a further plan to raise performance is not required.

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51 CEC Final Argument, para. 57

52 CEC Final Argument, paras. 59-61.

53 Exhibit B-5, BCUC IR1 5.1; FBC Final Argument, paras. 42-44.

54 FBC Final Argument, para. 42.

47. RCIA requests a direction that FBC provide regional reporting for Kettle Valley, Grand Forks and Boundary in the next Annual Review.[55] FBC submits that RCIA's additional regional reporting requirement effectively introduces a new SQI and is not necessary. In the next rate-setting application, FBC will report on its actual 2026 SQI results and will include 2027 performance to date. This will allow the BCUC to assess the effectiveness of FBC's corrective measures, including whether the trend in performance so far in 2026 continues throughout 2026 and into 2027. FBC submits that this reporting is sufficient and consistent with the Rate Framework Decision, and that RCIA's request for additional reporting is unnecessary and should be denied.

B. Additional SQI Requirements Are Not Warranted

48. CEC seeks improvement plans for measures below benchmark, benchmarks and thresholds for informational measures, expansion of interconnection reporting to commercial and industrial customers, and additional KPIs.[56] FBC submits that CEC's requests should be rejected for the following reasons:

- An SQI result between benchmark and threshold is an acceptable result and does not warrant a direction for an improvement plan.
- FBC's suite of SQIs was approved by the Rate Framework Decision and deliberately includes both benchmarked and informational measures; CEC's requests seek to revise elements of the Rate Framework and are out of scope.
- The Interconnection Utilization informational indictor was specifically designed for FBC's wholesale municipal customers and has no possible application to FBC's commercial and industrial customers.
- As 2027 is the final year of the current Rate Framework, FBC does not consider the development of new SQIs or changes to the suite of SQIs to be practical for inclusion in the current Rate Framework.

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[55] RCIA Final Argument, p. 9.

[56] CEC Final Argument, paras. 61-65.

C. FBC Continues to Investigate Leading Safety Indicators

49. MoveUP requests a direction that FBC include a status report in its next Annual Review application on leading safety indicators.[57] FBC submits that MoveUP's requested direction is not necessary. FBC has stated that it will continue to investigate new safety indicators and will communicate any findings or results through future rate-setting applications, as appropriate.[58] At this time, FBC's investigations have identified several factors requiring further consideration, including data availability, consistent application across business units, the availability and appropriateness of external benchmarking data, and whether any new measure would provide meaningful insight beyond FBC's existing safety metrics.[59] FBC continues to explore the potential for a new indicator, but mandating a report before findings or results are available would serve no purpose.

PART SEVEN: FUTURE RATE PRESSURES DO NOT WARRANT DIRECTIONS IN THIS PROCEEDING

50. ICG invokes Nelson Hydro's letter of comment as an example of customer concerns about cumulative rate increases, which ICG submits should be considered by the BCUC.[60] FBC understands the importance of affordability, but neither Nelson Hydro nor ICG identify any error in how FBC has applied the approved Rate Framework, forecast its 2027 revenue requirements, or calculated its 2027 rates. As discussed in Part Eleven of FBC's Final Argument, FBC will implement the approved rate change in accordance with its approved rate schedules and rate design. Going forward, FBC will continue to balance affordability of rates with the need to provide reliable and sustainable service to customers.

51. COSCO similarly raises concerns about future rate pressures and recommends that the BCUC consider whether, in future regulatory frameworks, a mechanism should be available for reassessment of previously approved Growth capital expenditures, where material changes in

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57 MoveUP Final Argument, p. 2.

58 Exhibit B-10, MoveUP IR1 1.1.

59 Exhibit B-10, MoveUP IR1 1.1.

60 ICG Final Argument, p. 1.

the underlying assumptions occur, before those expenditures are committed.[61] FBC submits that COSCO has not established the need for any new regulatory mechanism and its recommendation should be rejected.

52. First, FBC submits that the evidentiary record does not support COSCO's recommendation. This proceeding is narrowly focused on setting FBC's 2027 rates and there is no evidence to support the notion that there is an issue with Growth capital projects proceeding to completion that are not needed. COSCO's concerns are misplaced.

53. Second, COSCO's suggested mechanism would introduce delay and uncertainty to growth-related projects precisely at a time when FBC needs to proceed expeditiously to grow its system to meet demand. As will be discussed more appropriately in FBC's 2026 LTERP, FBC is facing growing demand for electricity and needs to build out its system and resources to meet that demand. Introducing a new regulatory hurdle for growth projects now would introduce uncertainty to projects that would slow FBC's progress and result in increased costs to customers. In addition to regulatory costs, FBC's procurement models and construction schedules would need to be adjusted to contemplate a BCUC regulatory review at the time projects would otherwise be proceeding. This could result in delays in procurement of equipment, de-mobilization of construction crews, and the need to renegotiate contracts, which could result in significant cost increases.

54. Third, there is no gap in the BCUC's current oversight of FBC. FBC's Regular capital forecasts were reviewed in the Rate Framework proceeding, while major projects, such as the ASM Terminal Station, Fruitvale Substation, and ERP Modernization and CIS Replacement projects, have received separate BCUC approvals. The fact that the full-year impact of capital additions or project completion falls in a subsequent year is well understood and reflects the timing of rate base inclusion and depreciation rates. It is customary for FBC to provide forecast rate impacts of its projects in all of its major project applications, so that the future rate impacts of a project can be seen before they are approved. The BCUC also reviews and approves FBC's

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[61] COSCO Final Argument, pp. 4-6.

depreciation rates, which determine the length of time over which FBC's capital assets are recovered from customers. Further, the BCUC reviews FBC's long-term resource plans, which consider a longer time horizon and consider the potential need for additional resources to meet demand.

55. Finally, FBC carefully manages all of its projects, and has an incentive to ensure that all of the assets it constructs are used and useful and recoverable in rates.

56. In summary, there is no need for COSCO's suggested regulatory mechanism and such a mechanism would only result in increased costs and risks to customers. FBC, therefore, submits that COSCO's recommendation should be rejected.

PART EIGHT: CONCLUSION

57. FBC submits that interveners express broad support for approval of the Application and that the relatively few issues raised are without merit. The Midway Substation fire costs satisfy the approved exogenous factor criteria and the directions proposed by interveners are not warranted. FBC accordingly respectfully requests approval of the relief set out in Section 1.2 of the Application, including permanent rates effective January 1, 2027, reflecting the proposed increase of 6.39 percent, subject to the updated June 2026 AWE-BC results.

58. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated: November 2, 2026

[original signed by Chris Bystrom]

Chris Bystrom
Counsel for FortisBC Inc.