Sarah Walsh
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3861
Cell: (604) 230-7874
Fax: (604) 576-7074
www.fortisbc.com

September 6, 2024

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

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC)

Application for Approval of a Rate Setting Framework for 2025 through 2027 (Application)

Errata to the Application Dated September 6, 2024

On April 8, 2024, FortisBC filed the Application referenced above. During the course of responding to Information Requests (IR) No. 1, FortisBC has identified corrections required to the Application and Appendices E-2 and E-3[1] which are noted in the responses to the BCUC IR1 3.1, 6.2, 16.2, and 23.10.

Accordingly, FortisBC submits this Errata filing reflecting the corrections required. For ease of identification of the revisions made, FortisBC has provided the revised pages from Exhibit B-1 blacklined. Clean versions of the revised Draft Orders are also included. The following lists the revised pages:

Description	Revised Pages
Application, Section A1.3.2	Page A-5
Application, Section A2.2	Page A-19
Application, Section A2.3	Page A-21
Application, Section C1.3	Page C-4, C-5, C-6
Application, Section C2.2.1	Page C-26
Application, Section C2.2.4	Page C-32, C-33, C-34, C-36
Application, Section C2.3.1	Page C-49
Application, Section C2.3.4	Page C-52, C-53, C-54
Application, Section C2.4	Page C-62

[1] Exhibit B-1.

Description	Revised Pages
Application, Section C2.6	Page C-66
Application, Section C3.4.1.1	Page C-106, C-108
Application, Appendices E-2 and E-3	Draft Orders

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments

cc (email only): Registered Interveners

the average (i.e., 35.0 percent better than the average). Further, when considering FortisBC's productivity under multi-year rate plans since 2014, Dr. Kaufmann's analysis shows that FEI and FBC have exceeded industry norms, generating significant cost savings for customers.

Under the Rate Framework, the amount to be included in rates for FortisBC's O&M expenses will continue to be determined by an index-based formula, supplemented by annual forecasts for categories of costs that are appropriately not subject to a formula. Together, the proposed formula and forecast O&M reflect FortisBC's best estimate of what will be needed to meet the challenges and requirements that will arise over the 2025 to 2027 Rate Framework term. This includes the O&M required to address the impacts of the energy transition and other new requirements, while continuing to meet service quality and reliability requirements, which is a key focus for FortisBC.

For the Rate Framework, both FEI and FBC established the 2024 Base O&M using the same method used to establish the 2019 Base O&M in the Current MRP, which was approved by Orders G-165-20 and G-166-20 (MRP Decision). The majority of FortisBC's O&M expenses will be determined by an indexed-based formula, which uses an O&M per customer amount adjusted for customer growth and inflation, less a productivity improvement factor. The starting point for determining the O&M per customer amount is the 2024 Base O&M, which is the adjusted actual O&M expenditures for 2023 expressed over the average number of customers for 2023, escalated by the approved formula indexing factors for 2024, and includes expected spending for 2024 and incremental funding proposed for the term of the Rate Framework.

Both FEI and FBC are requesting an increase to the 2024 Base O&M upon which the 2025 O&M formula spending envelope will be calculated. The 2024 Base O&M has been determined by returning the 2023 embedded savings from the Current MRP to customers ($4.322 million[3] and $4.235 million[4] to FEI and FBC customers, respectively), adjusting for certain exogenous factors and for the movement of certain items to or from flow-through treatment, adding amounts for required spending that will begin in 2024, and adding required net incremental funding for the term of the Rate Framework ($9.652 million[5] for FEI and $5.556 million[6] for FBC). FEI's 2024 Base O&M is forecast at $302.127 million and FBC's Base O&M is forecast at $76.269 million.

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Similar to the Current MRP, FortisBC is proposing an indexing formula with inflation (I), productivity (X) and growth factors. FortisBC proposes to continue the use of a weighted composite I-Factor, consisting of the following inflation indexes: labour indexed to Statistics Canada's AWE:BC and non-labour indexed to the All-items Index for CPI:BC.[7] However, in order to improve efficiency, FortisBC proposes to return to fixed labour and non-labour weightings, which FortisBC considers is appropriate and more efficient.

3 Section C2.2.1, Table C2-1.
4 Section C2.3.1, Table C2-10.
5 Section C2.2.1, Table C2-1.
6 Section C2.3.1, Table C2-10.
7 In Orders G-164-14 for FEI and G-182-14 for FBC, the BCUC approved the use of Statistics Canada CANSIM Table 326-0020 (now 18-10-0004-01) to determine the CPI:BC and CANSIM Table 281-0063 (now 14-10-0223-01) to determine AWE:BC.

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2. APPROVALS SOUGHT

2.1 *INTRODUCTION*

In this Application, FEI and FBC are respectfully seeking an Order or Orders from the BCUC, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), granting the approvals set out in Sections A2.2 and A2.3, respectively. Draft forms of Order sought for FEI and FBC are included in Appendix E of the Application.

2.2 *FEI APPROVALS*

Proposed Rate Framework

1. Approval of the rate setting mechanisms set out in Section C1 and in Table C1-1 of this Application for setting delivery rates for the years 2025 through 2027, including:
   a) A three-year term from 2025 to 2027, with the potential to extend the term beyond 2027, subject to review and approval by the BCUC (Section C1.2);
   b) Use of an index-based approach to Base O&M and Growth capital, incorporating:
      i) A 2024 Base O&M per customer, as described in Section C2.4;
      ii) A 2024 Base Unit Cost Growth Capital of $9,300, as described in Section C3.3.1.2.2, Table C3-4;
      iii) An inflation factor as set out in Section C1.3, including a fixed labour weighting of 50 percent and fixed non-labour weighting of 50 percent;
      iv) An X-Factor of 0.38 percent, as set out in Section C1.4.2;
      v) A growth factor set at 100 percent of the growth in average number of customers for O&M and 100 percent of Gross Customer Additions for Growth capital, with a true-up to actual when available, all as set out in Section C1.5;
   c) Approval of the level of forecast Sustainment and Other capital to be incorporated in rates over the term of the Rate Framework, as set out in Section C3.3;
   d) Flow-through treatment for the items described in Section C4.13.2 and Table C4-7;
   e) Exogenous factor treatment as described in Section C1.6;
   f) The Service Quality Indicators listed in Table C6-2 of Section C6.3 and described in Appendix C6-1;

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b) Net salvage rates in the amounts set out in Table D2-4 in Section D2.2;

c) Modification to the approved Lead Lag days as set out in Table D3-1, Section D3.2;

d) The methodologies of allocating common corporate service costs from Fortis Inc. and FortisBC Holdings Inc. to FEI, as set out in Section D4; and

e) The capitalized overhead rate of 14.5 percent, as set out in Section D5.4.

Other Approvals

5. Approval to continue the use of the non-rate base Flow-through deferral account, attracting a WACC return, as described in Section C4.13.2 and Table C4-7.
6. Approval of Exogenous Factor treatment for the 2021 Flood costs, as described in Section C1.6.1.
7. Approval to maintain the CPCN threshold for FEI at $15 million during the term of the Rate Framework.

2.3 *FBC Approvals*

Proposed Rate Framework

1. Approval of the rate setting mechanisms set out in Section C1 and in Table C1-1 of this Application for setting rates for the years 2025 through 2027, including:

a) A three-year term from 2025 to 2027, with the potential to extend the term beyond 2027, subject to review and approval by the BCUC (Section C1.2);

b) Use of an index-based approach to Base O&M, incorporating:

i) A 2024 Base O&M per customer, as described in Section C2.4;

ii) An inflation factor as set out in Section C1.3, including a fixed labour weighting of 60 percent and fixed non-labour weighting of 40 percent;

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iii) An X-Factor of 0.20 percent, as set out in Section C1.4.3;

iv) A growth factor set at 100 percent of the growth in average number of customers, with a true-up to actual when available, as set out in Section C1.5;

c) Approval of the level of forecast Growth, Sustainment and Other capital to be incorporated in rates over the term of the Rate Framework, as set out in Section C3.4;

d) Flow-through treatment for the items described in Section C4.13.2 and Table C4-7;

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and Growth capital (FEI) formulas are providing reasonable funding levels, whether adjustments need to be made to flow-through items and/or other components of the Rate Framework, and will assess overall whether the Rate Framework continues to be flexible enough to accommodate the impacts of the energy transition as understood at that time.

1.3 *INFLATION (I) FACTOR*

The use of an inflation or I-Factor in a rate-setting framework provides recognition that utility costs are subject to the general inflationary pressures occurring in the economy, although the specific pressures or weightings of the various inflationary influences may be different than for the economy in general. As in the Current MRP, FortisBC proposes to continue the use of a weighted composite I-Factor, consisting of the following inflation indexes: labour indexed to Statistics Canada's AWE:BC and non-labour indexed to the All-items Index for CPI:BC.[38] However, FortisBC proposes to return to fixed labour and non-labour weightings. Fixed weightings were approved for FortisBC's 2014-2019 PBR Plans and were proposed for its Current MRP.

In proposing the weightings, FortisBC reviewed the recent history (2019 to 2023) of the labour and non-labour splits that were approved during the term of the Current MRP as shown in Table C1-2 below.

Table C1-2: History of Labour and Non-labour Split for FEI and FBC

	FEI		FBC	
	Labour	Non-Labour	Labour	Non-Labour
2019	52%	48%	62%	38%
2020	51%	49%	63%	37%
2021	51%	49%	60%	40%
2022	49%	51%	57%	43%
2023	48%	52%	59%	41%
Average	50%	50%	60%	40%

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	FEI	
	Labour	Non-Labour
2019	52%	48%
2020	52%	48%
2021	51%	49%
2022	51%	49%
2023	49%	51%
Average	51%	49%

FortisBC is proposing a fixed 50 percent labour weighting for FEI and a fixed 60 percent labour weighting for FBC, based on the average of the 2019 to 2023 actual labour weightings. This is a departure from past filings where the same percentages were applied to both FEI and FBC. Using the proposed weightings, the I-Factor determination for the Rate Framework is expressed as follows:

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[38] In Orders G-164-14 for FEI and G-182-14 for FBC, the BCUC approved the use of Statistics Canada CANSIM Table 326-0020 (now 18-10-0004-01) to determine the CPI:BC and CANSIM Table 281-0063 (now 14-10-0223-01) to determine AWE:BC.

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$$I_t = L\%\ x\ AWE\!:\!BC_{t-1}\ + N\%\ \ x\ CPI\!:\!BC_{t-1}$$

Where: *I = inflation factor*
L = labour weighting
AWE:BC = labour index
N = non-labour weighting
CPI:BC = non-labour index
t-1 = most recent July to June values

In proposing to move back to a fixed labour and non-labour weighting approach as was approved in the 2014-2019 PBR Plans, FortisBC considered its objective of increasing regulatory efficiency during the Rate Framework against the potential for decreased accuracy of the annual labour and non-labour weightings. As explained below, FortisBC considers the benefits of regulatory efficiency outweigh the potential for decreased accuracy.

The BCUC stated in the MRP Decision that "to attain a higher degree of accuracy, the Panel finds that it is more appropriate to set the labour to non-labour ratio annually and to base it on the most recently completed year."[39] Although accuracy is a valid consideration, it should be balanced against other equally important considerations such as regulatory efficiency. As with the other components of the indexing formulas, it is only necessary for the inflation factor to be reasonable, not exact. For example, if FEI's labour weighting had been fixed at 50 percent for the term of the Current MRP, the actual labour weightings would have ranged from 2 percent higher to 2 percent lower than a fixed 50 percent. The impact would then have been that in some years (assuming that the AWE:BC increased more than CPI:BC each year, as was generally experienced during the Current MRP), FEI's formula O&M funding would have been slightly lower or slightly higher (or equal). Ultimately, however, the impact to FEI's overall O&M funding envelope would have been minor, and consistent with the intent of the formula-based approach to O&M funding, FEI would manage these annual variations through re-allocation of resources as needed. The same would also be true for FBC.

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FortisBC has observed during the Current MRP term that there may be less acceptance of the approach directed in the MRP Decision of recalculating the labour and non-labour ratios annually based on the number and types of information requests received during the Annual Reviews. While FortisBC appreciates that the intent is generally to understand how the weightings are being calculated and why they are changing annually, the requests ultimately result in additional time and effort for the Companies to prepare these responses and do not have a bearing on the approvals being sought in the Annual Reviews, because the method for calculating the weightings was established in the MRP Decision and is not subject to change during the term of the Current MRP. FortisBC therefore considers that moving back to fixed labour and non-labour weightings is appropriate and more efficient.

[39] MRP Decision, pp. 47-48.

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A fixed weighting is also appropriate because of the relatively short term of the Rate Framework (three years) which limits the potential for significant variations, and because the impact of the weighting changes on a year-to-year basis on the O&M and Growth capital envelopes is not material. FortisBC also notes that the AUC[40] adopted fixed labour to non-labour ratios in the most recent PBR plans for the utilities in Alberta, even though there are a number of utilities, and each has a different weighting from year to year.

FortisBC accordingly proposes that the weightings for AWE:BC and CPI:BC rates be fixed at 50 percent labour and 50 percent non-labour for FEI, and at 60 percent labour and 40 percent non-labour for FBC for the term of the Rate Framework.

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1.4 *X-FACTOR VALUES FOR FEI'S AND FBC'S INDEXING FORMULAS*

Another feature of FEI's and FBC's indexing formulas pertains to the X-Factor values which, along with industry input price changes (the inflation factor), are two industry-specific data that are used to decouple the link between the utility's allowed costs and its actual costs.

The X-Factor, also referred to as the productivity improvement factor (PIF), is typically computed as the sum of the industry productivity growth trend and a company-specific stretch factor (if appropriate). FortisBC retained the services of Dr. Lawrence Kaufmann, an expert in the field of productivity studies, to conduct two separate productivity studies for FEI's and FBC's respective industries and recommend an appropriate, evidenced based X-Factor (including any stretch factor, if appropriate) for their indexing formulas. Based on his analysis, Dr. Kaufmann recommends the following X-Factor values for FEI and FBC:

- An X-Factor of 0.38 percent, consisting of a 0.28 percent industry O&M partial factor productivity (PFP) and a 0.10 percent stretch factor for FEI's O&M and Growth capital indexing formulas.
- An X-Factor of 0.20 percent, consisting of a 0.20 percent industry PFP and zero percent stretch factor for FBC's O&M indexing formula.

In the following sections, FortisBC discusses each of these recommendations. Dr. Kaufmann's Report (Appendix C1-1 to this Application) provides more detailed analysis and explanation of the methodology, model inputs and the results.

1.4.1 The Appropriate Measure for Estimating FortisBC's X-Factors is O&M Productivity

In the 2020-2024 MRP Application, FortisBC did not conduct a productivity study to support its proposed X-Factor. Rather, FortisBC's proposed X-Factor value was based on the Total Factor Productivity (TFP) studies conducted by experts in other North American jurisdictions. However, considering that FortisBC's indexing formulas are mainly focused on O&M expenses, the BCUC

[40] In their decision on Alberta's PBR3, the AUC's rationale for choosing a fixed ratio was to "ensure that the distribution utilities' incentives will not be influenced by the relative rates of inflation between the components in the I factor".

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Table C2-1: FEI 2024 Base O&M ($ millions)

2023 Approved Base O&M	299.302
2023 Savings - Base O&M	(4.322)
2023 Actual Base O&M	**294.980**
Adjustment for exogenous factor and flow through items (in 2023 dollars)	(18.007)
2024 Base O&M (in 2023 dollars)	**276.973**
2024 Inflator	1.0443
2024 Base O&M (in 2024 dollars)	**289.243**
Adjustments for Required 2024 Spending (in 2024 dollars)	3.232
2024 Projected Base O&M	**292.475**
Net incremental funding for Rate Framework (in 2024 dollars)	9.652
2024 Base O&M for Rate Framework	**302.127**

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2.2.2 Adjustments for Exogenous Factor and Flow-through Items

As discussed below, there is one exogenous factor adjustment required for 2021 flooding and remediation activities, and there are two adjustments proposed related to flow-through expenditures.

2.2.2.1 Exogenous Factor

It is necessary to make an adjustment of $0.576 million to add back a one-time credit recorded in the 2023 Actual formula O&M related to the 2021 flooding and remediation exogenous factor event. Please refer to Section C1.6.1 for details of this exogenous factor event and the calculation of the one-time credit.

2.2.2.2 Flow-Through Items

In addition to the exogenous factor discussed above, there are two flow-through adjustments included in the "Adjustments for exogenous factor and flow through items" line in Table C2-1 above. The first adjustment is to remove the O&M costs that will be impacted by FEI's Advanced Metering Infrastructure (AMI) project from formula O&M, and the second adjustment is to include the O&M costs for the Inland Gas Upgrade (IGU) and Coastal Transmission System (CTS) Transmission Integrity Management Capabilities (TIMC) projects in formula O&M.

2.2.2.2.1 ADVANCED METERING INFRASTRUCTURE PROJECT

In response to the BCUC's approval of FEI's AMI Project CPCN Application in May 2023,[68] FEI is proposing to reclassify certain costs currently in formula O&M to forecast (flow-through) O&M during the Rate Framework term. The reason for the proposed reclassification is that FEI will be in the process of deploying AMI during this period and the related O&M costs currently included

[68] Decision and Order C-2-23 dated May 15, 2023.

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associated with three carbon trading systems that FEI is expecting to report under, including the BC Low Carbon Fuels Standard, Environment and Climate Change Canada's Clean Fuel Regulation, and the BC Output Based Pricing System.

In addition, Canadian regulators have enhanced the requirements for environmental disclosure related to GHG emissions and climate risk. Guidance for Environmental, Social, and Governance (ESG) reporting continues to evolve with a shift away from voluntary reporting to proposed required reporting from regulators and standard setters globally, including:

- Proposed National Instrument 51-107, Disclosure of Climate-related Matters by the Canadian Securities Administrators (CSA);
- Proposed Rule Release No. 33-11042, The Enhancement and Standardization of Climate-Related Disclosures for Investors by the Securities Exchange Commission (SEC); and
- General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures by the Canadian Sustainability Standards Board (CSSB) through the recently published exposure drafts of CSDS 1 and 2. While the standards will be voluntary, they will inform Canadian regulators in deciding on mandatory rules for sustainability and climate-related disclosure. The CSSB is suggesting that its standards apply on or after January 1, 2025.

Consistent with the increased need for data accumulation, analysis, validation, verification, and controls to support climate-related disclosures, FEI requires additional resources to administer and support its participation.

To support these reporting and compliance requirements, FEI requires $0.800 million starting in 2024 for two new positions, as well as costs related to membership dues, external audit fees and consulting costs.

2.2.4 Net Incremental Funding for the Term of the Rate Framework

To address key issues and changes in its operating environment, FEI requires net incremental O&M funding to be added to its 2024 Base O&M. The following table and discussion describe the net incremental O&M funding required over the term of the Rate Framework, organized by the respective business drivers.

Table C2-3: FEI Net Incremental Funding for the Term of the Rate Framework

Business Driver	$ millions
Government, Indigenous and Community Engagement	2.499
Environment and Sustainability	1.800
Corporate Security	1.607
Technology	2.946
System Operations and Adaptation	0.800
Total	**9.652**

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2.2.4.1 Government, Indigenous and Community Engagement

As discussed in Section B1 and further below, there continue to be substantial shifts within the policy environment that are significantly influencing FortisBC and its customers, particularly now that policies are reaching implementation and are affecting FortisBC's operations. At the same time, requirements for Indigenous engagement are increasing and becoming more complex, requiring additional resources and funding to build and maintain relationships.

Table C2-4 below provides the net incremental funding requests for this area, followed by a discussion and rationale for the requests. For context, FEI has also provided the historical actual expenditures since the start of the Current MRP and the projected base funding for 2024.

Table C2-4: FEI Government, Indigenous and Community Engagement Net Incremental Funding ($ millions)

	Historical Actual Expenditures				Projected Base	Proposed Incremental
	2020	2021	2022	2023	2024	
Government Relations and Public Policy	2.041	2.202	2.246	2.510	2.621	0.234
Community and Indigenous Relations	4.624	4.279	4.810	5.455	5.697	1.990
Customer Engagement	6.878	5.730	6.424	6.942	7.250	0.275
Total	**13.543**	**12.211**	**13.480**	**14.907**	**15.567**	**2.499**

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Each of the three identified areas are discussed further below.

2.2.4.1.1 GOVERNMENT RELATIONS AND PUBLIC POLICY

Climate policy at the local, Indigenous, provincial and federal levels of government are both a significant challenge and opportunity for FortisBC. Since the beginning of the Current MRP, FortisBC has faced a rapidly evolving policy environment, significantly influenced by government responses to climate change. These policy changes, aimed at reducing GHG emissions and promoting cleaner energy solutions, have created a challenging and complex operating landscape for utilities. FortisBC must navigate a combination of government climate plans, targets, legislation, and regulation to enable its Clean Growth Pathway. Examples of government policy initiatives are highlighted in Section B1. These policies collectively demand an increase in FortisBC's efforts to contribute to policy development, advocate for positive policy outcomes for customers, and support the implementation of new policies.

To support policy development and advocate on behalf of customers, FortisBC is challenged to undertake increased analysis to identify positive policy outcomes, respond to consultation requests at various levels of government and engage in detailed policy development with government staff. For example, in 2020, the Companies helped develop the analysis and related

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Pathways for British Columbia to Achieve its GHG Reduction Goals report (Pathways Report)[77] to inform optimal ways to achieve government GHG and economic targets. The Companies then used the Pathways Report to guide their participation in government policy discussions on behalf of customers.

Accordingly, FortisBC is requesting new funding of $0.300 million, which will be allocated between FEI ($0.234 million) and FBC ($0.066 million). The new funding consists of two new positions. These positions will be responsible for conducting analyses to identify policy outcomes and ensuring new or amended policies align with FortisBC's objectives to provide safe, affordable, reliable, and resilient service while also supporting provincial GHG reduction targets.

2.2.4.1.2 COMMUNITY AND INDIGENOUS RELATIONS

Table C2-5 below provides the breakdown of the funding request for Community and Indigenous Relations.

Table C2-5: Breakdown of Community and Indigenous Relations Net Incremental Funding ($ millions)

Breakdown of Net Incremental Funding	Net Incremental Funding
Community Engagement	0.480
Community Investment	0.250
Total Community	**0.730**
Indigenous Relations Engagement	0.560
Advancing Reconciliation	0.700
Total Indigenous	**1.260**

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Community Engagement and Investment

Community Engagement

In addition to the resources identified above for engagement with federal and provincial governments, FEI requires incremental resources within its Community Relations team to support the engagement required for capital projects, ongoing operations, and the implementation of climate policy at the local level.

Increasingly restrictive municipal climate policies, uncertainty around FEI's role in supporting provincial and municipal decarbonization goals, and a political environment that favours electrification, are just a few of the challenges in FEI's municipal operating environment.

[77] https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/guidehouse-report.pdf.

- **Indigenous Initiatives:** these are projects that meet the unique needs of Indigenous organizations or communities; and
- **Environment:** these are projects that directly benefit the environment.

Through this program, FortisBC currently provides $1.100 million in donation funding to support grassroots initiatives to more than 126 municipalities and regional districts and 58 First Nations communities, of which $0.750 million is allocated to FEI and the remaining $0.350 million is allocated to FBC. Consistent with FortisBC's efforts to increase engagement with local and Indigenous communities across the Province, FortisBC has experienced an increase in funding requests. Funding requests from Indigenous communities in particular have increased, with this segment making up nearly 30 percent of the overall Community Investment spending in 2023.

Along with these grassroots initiatives, the Community Investment program also provides funding for business development such as conferences, forums and workshops. These include conferences for local governments, Indigenous economic development, climate change and Net Zero collaboration, and local chambers. There has been an increase in these business development requests to connect with local politicians and business leaders, which accounts for approximately 25 percent of the overall Community Investment spending.

FEI requires incremental funding of $0.250 million to extend the support for the communities it serves. The increase to FBC's funding amount is discussed in Section C2.3.4.1.2.

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Indigenous Relations and Reconciliation

Indigenous Relations and Reconciliation is an increasingly predominant activity and continues to require enhanced engagement, relationship building, capacity support, economic inclusion and community investment.

There have been significant changes in the policy landscape as it relates to Indigenous rights and reconciliation in recent years. This includes policy changes, legal decisions, and discoveries in communities – all of which have increased the need for and expectations around engagement with Indigenous Nations since the filing of the 2020-2024 MRP Application. In November 2019 and June 2021 respectively, the Province and Government of Canada enacted laws to affirm the application of the UN Declaration for the Rights of Indigenous Peoples (the Declaration) to provincial and federal laws.[78] Both levels of government have also developed action plans to implement the Declaration and align legislation with their respective Declaration Acts. The Declaration is a foundational document which provides a framework for reconciliation and cooperative relations founded on principles of justice, democracy, and human rights. The adoption of the Declaration, both federally and provincially, marked a significant step towards reconciliation and has significant impacts on FortisBC.

[78] Declaration on the Rights of Indigenous Peoples Act, SBC 2019 c. 44 and United Nations Declaration on the Rights of Indigenous Peoples Act, SC 2021 c. 14.

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Table C2-10 shows how the 2024 Base O&M is calculated using the above adjustments. Each adjustment is discussed in the sections that follow.

Table C2-10: FBC 2024 Base O&M ($ millions)

2023 Approved Base O&M	70.318
2023 Savings - Base O&M	(4.235)
2023 Actual Base O&M	**66.083**
Adjustment for exogenous factor (in 2023 dollars)	0.585
2024 Base O&M (in 2023 dollars)	**66.668**
2024 Inflator	1.0356
2024 Base O&M (in 2024 dollars)	**69.043**
Adjustments for Required 2024 Spending (in 2024 dollars)	1.670
2024 Projected Base O&M	**70.713**
Net incremental funding for Rate Framework (in 2024 dollars)	5.556
2024 Base O&M for Rate Framework	**76.269**

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2.3.2 Adjustment for Exogenous Factor

FBC has adjusted the 2023 Actual Base O&M to incorporate the ongoing O&M associated with a previously approved exogenous factor.

2.3.2.1 Mandatory Reliability Standards (MRS) Assessment Report (AR) 13

As part of the Annual Review for 2022 Rates Decision,[83] the BCUC approved exogenous factor treatment for FBC's incremental costs of MRS compliance associated with MRS AR 13, as these costs were not included in the Current MRP's Base O&M. As explained in the Annual Review for 2024 Rates Application,[84] FBC projects $0.585 million of O&M spending in 2024, which is consistent with the 2023 Projected amount and is the amount of O&M that is expected to be incurred annually to maintain compliance with AR 13. This spending is related to ongoing efforts to maintain procedures and processes, hardware and software that address supply chain risk assessments, ongoing licensing and maintenance of the hardware and software, and the documentation to maintain compliance with AR 13. As these costs will continue through the term of the Rate Framework, they are included as an adjustment to the Base O&M for the purpose of setting the 2024 Base O&M. This treatment is consistent with how FBC incorporated exogenous factor impacts into Base O&M when establishing the 2019 Base O&M in the Current MRP.

2.3.3 Adjustments for Required 2024 Spending

Since FBC used 2023 Actual expenditures as the starting point for determining its 2024 Base O&M, any new O&M expenditures that will begin in 2024 are not yet reflected in the Base O&M

[83] Decision and Order G-374-21, p. 21.
[84] Section 6.3.5, p. 52.

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This work is critical to both identify and further explore the best resource options as well as to develop the new framework under which FBC operations will be coordinated with BC Hydro, as the existing framework does not cover additional FBC generation resources not envisioned in the Canal Plant Agreement. As noted above, this work is aligned with the 2021 LTERP.

2.3.4 Net Incremental Funding for the Term of the Rate Framework

To address key issues and changes in its operating environment, FBC requires net incremental O&M funding to be added to its 2024 Base O&M. The following table and discussion describe the net incremental O&M funding required over the term of the Rate Framework, organized by the respective business drivers.

Table C2-11: FBC Net Incremental Funding for the Term of the Rate Framework

Business Driver	$ millions
Government, Indigenous and Community Engagement	1.231
Environment and Sustainability	0.500
Corporate Security	0.453
Technology	1.099
System Operations and Adaptation	2.273
Total	**5.556**

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2.3.4.1 Government, Indigenous and Community Engagement

As discussed in Section B1 and further below, there continues to be substantial shifts within the policy environment that are significantly influencing FortisBC and its customers, particularly now that policies are reaching implementation and are affecting FortisBC's operations. At the same time, requirements for Indigenous engagement are increasing and becoming more complex, requiring additional resources and funding to build and maintain relationships.

Table C2-12 below provides the related net incremental funding requests for this area, followed by a discussion and rationale for the requests. For context, FBC has also provided the historical expenditures since the start of the Current MRP and the projected base funding for 2024.

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Table C2-12: FBC Government, Indigenous and Community Engagement Net Incremental Funding ($ millions)

	Historical Actual Expenditures				Projected Base	Proposed Incremental
	2020	2021	2022	2023	2024	
Government Relations and Public Policy[86]	-	-	-	-	-	0.066
Community and Indigenous Relations	0.501	0.468	0.652	0.654	0.677	1.015
Customer Engagement	1.227	1.065	1.045	0.991	1.027	0.150
Total	1.728	1.533	1.697	1.645	1.704	1.231

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Each of these three areas is discussed further below.

2.3.4.1.1 GOVERNMENT RELATIONS AND PUBLIC POLICY

As discussed in Section B1.4.2, policies are increasingly promoting the use of electricity, including in home heating, light duty transportation and industrial processes. FBC is focused on keeping pace with the growing demand for electricity in a constantly evolving operating environment and requires additional resources to engage with government on policy development impacting the electric system. For example, on February 15, 2024, the Province deposited Order in Council (OIC) No. 60 which amended the *Clean Energy Act* (CEA). The CEA now includes an objective to, by 2030, ensure that 100 percent of the electricity generated in British Columbia and supplied to the integrated grid is generated from clean or renewable resources, and to ensure that the infrastructure necessary to transmit that electricity is built. FBC will need to engage with government regarding how this objective is defined, including on the compliance pathways and technologies that are considered “clean”. Further, FBC expects to engage with government on behalf of its customers to promote public policies related to the decarbonization of buildings that minimize impacts on peak demand in its service territory.

Please refer to Section C2.2.4.1.1 for a discussion of FortisBC’s Government Relations and Public Policy requirements. FBC’s share of the net incremental funding of $0.300 million for the two new positions described in that section is $0.066 million.

2.3.4.1.2 COMMUNITY AND INDIGENOUS RELATIONS

Table C2-13 below provides the breakdown of the funding request for Community and Indigenous Relations.

[86] Historically, FBC has engaged with government periodically on public policy matters. These engagements occurred infrequently and were supported by other departments within the Company, as applicable. Funding is required to support the increased and more frequent need for engagement.

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Table C2-13: Breakdown of Community and Indigenous Relations Net Incremental Funding ($ millions)

Breakdown of Net Incremental Funding	Net Incremental Funding
Community Investment	0.125
Total Community	**0.125**
Indigenous Relations Engagement	0.580
Advancing Reconciliation	0.310
Total Indigenous	**0.890**

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Community Investment

Please refer to the Section C2.2.4.1.2 for details of FortisBC's community investment program. Similar to the need identified for FEI, FBC requires new community investment funding of $0.125 million to support to the communities that FBC serves and operates in.

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Indigenous Relations and Reconciliation

Please refer to Section C2.2.4.1.2 for details of some of the significant changes in the public policy landscape regarding Indigenous rights and reconciliation over the last few years.

Similar to FEI, FBC is increasing its focus on strengthening relationships with Indigenous peoples, communities, and First Nations consistent with an increased commitment for engagement and consensus seeking at the provincial and federal levels. Much of FBC infrastructure was developed and constructed in the earlier part of the 20th century when laws around consultation and engagement with Indigenous communities were different than they are today. This creates some unique challenges and requires increased engagement with Indigenous communities, particularly where resolving historical grievances is part of moving new projects forward. For example, before the FBC Oliver office and substation were built, the land used was removed from the Osoyoos Indian Band Indian (OIB) Reserve No. 1, which the OIB is seeking to be returned. These challenges require enhanced engagement and will impact future projects.

Indigenous Relations Engagement

To support enhanced engagement activities, FBC requires net incremental funding of $0.580 million, which is comprised of $0.480 million for three new Community & Indigenous/Initiatives Relations Manager positions and $0.100 million in non-labour costs. These roles will support key activities related to engagement, Indigenous initiatives and advancing reconciliation efforts, including, among other activities:

- Supporting engagement related to FBC's infrastructure growth; and
- Supporting engagement related to the replacement or upgrade of aging assets.

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2.4 *FORMULA O&M DETERMINATION DURING THE TERM OF THE RATE FRAMEWORK*

Similar to the Current MRP, the rates for both FEI and FBC in each year during the term of the Rate Framework will reflect the recovery of both index-based O&M and forecast O&M. The annual index-based O&M will be calculated based on the previous year's Unit Cost O&M (UCOM), which is defined as the Base O&M per customer count, escalated by the inflation factor less the productivity factor, and multiplied by a forecast of the average number of customers for the test year. For forecast/flow-through O&M, the Companies will continue to forecast certain O&M expenditures annually, with variances between forecast and actual amounts recorded in deferral accounts. Please refer to Section C2.5 for further discussion of the proposed forecast O&M items.

The starting UCOM (i.e., 2024 UCOM) for FEI and FBC will be calculated using the 2024 Base O&M as set out in Sections C2.2.1 and Section C2.3.1, respectively, and divided by the 2024 average number of customers (calculated as the 12-month average of the number of customers) of FEI and FBC at the time of the Annual Reviews for setting 2025 rates. As an example, using the 2024 Approved average number of customers for FEI[89] and FBC,[90] the 2024 UCOM would be $277 per customer and $502 per customer for FEI and FBC, respectively.

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The UCOM is then escalated using the I – X indexing approach (inflation less productivity) in each year during the term of the Rate Framework. The inflation factors that FortisBC proposes to use are described in Section C1.3 and the productivity or X factors that FortisBC proposes to use are described in Section C1.4.

In summary, each year's indexed-based O&M is determined by applying an indexing factor to the previous year's UCOM and then multiplying by a forecast of the average number of customers, expressed as follows:

$$\mathrm{OM}_t = UCOM_{t-1} \times (1 + (I - \mathrm{X})) \times \mathrm{AC}_t + TUp_{t-2}$$

Where: *OM = Indexed-based Operating and Maintenance Expense*
UCOM = Unit Cost O&M
t = Forecast Year
I = Inflation Factor
X = Productivity Factor
AC = Average Number of Customers
TUp = True-up

Consistent with the Current MRP, FEI and FBC will each forecast the average number of customers for the rate-making year as part of the Annual Review process and will continue to include a true-up to the indexed-based O&M based on the actual average number of customers

[89] 2024 Forecast provided in the FEI Annual Review for 2024 Delivery Rates, approved by Order G-334-23. The 2024 Forecast average number of customers was 1,089,371.
[90] 2024 Forecast provided in the FBC Annual Review for 2024 Rates, approved by Order G-340-23. The 2024 Forecast average number of customers was 152,006.

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typically exceed the materiality threshold. Moreover, these are mandatory costs for FBC that are outside management's control and, therefore, in principle these MRS costs should be recovered in rates and not subject to a materiality threshold.

Therefore, FBC proposes to treat the incremental MRS assessment report costs as forecast (flow-through) O&M (or capital) during the term of the Rate Framework. Given that the assessment reports occur at varying intervals, FBC notes that none or multiple reports may be issued during the term of the Rate Framework.

2.6 *CONCLUSION*

During the term of the Current MRP, FortisBC has prioritized and managed its overall O&M expenditures, delivering savings of $28.0 million[94] and $11.8 million[95] to FEI and FBC customers, respectively. The cost benchmark analysis performed by Dr. Kaufmann in Appendix C1-1 demonstrates that both Companies are performing efficiently. Specifically, when comparing average O&M costs per customer against industry peers, FEI performed slightly better than the average (i.e., 0.2 percent better than the average), while FBC performed significantly better than the average (i.e., 35.0 percent better than the average). Further, when considering FortisBC's productivity under multi-year rate plans since 2014, Dr. Kaufmann's analysis shows that FEI and FBC have exceeded industry norms, generating significant cost savings for customers.

For the Rate Framework, both FEI and FBC established the 2024 Base O&M using the same method used to establish the 2019 Base O&M in the Current MRP, which was approved by Orders G-165-20 and G-166-20. Starting with 2023 Actual expenditures passes savings onto customers ($4.322 million and $4.235 million to FEI and FBC customers, respectively) before considering necessary adjustments and net incremental funding necessary to address new and incremental requirements over the term of the Rate Framework.

Both FEI and FBC require incremental funding to meet new and incremental requirements, particularly in the areas driven by the energy transition, increasing physical and cyber security risks, and Indigenous relations and reconciliation. FEI and FBC propose net incremental funding of $9.652 million and $5.556 million, respectively, to meet these requirements.

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Finally, FEI and FBC propose to continue with an annual forecast of certain O&M expenses, with the variances between forecast and actual amounts recorded in deferral accounts. This treatment remains appropriate as this category of costs is not conducive to being included in an index-based O&M formula because they are either tied to parts of the business that are changing in response to government policy or are otherwise outside the control of management.

94 Section B2.2.2.2, Table B2-8.
95 Section B2.2.2.2, Table B2-9.

3.4.1.1 Transmission Growth Capital

Transmission Growth capital consists of discrete projects that are determined by transmission system capacity requirements, based on forecast load, for adequate supply during periods of peak demand and adverse weather conditions.

FBC is forecasting an increase in Transmission Growth capital expenditures over the Rate Framework term. To continue providing reliable supply to its customers, FBC is planning to reconductor four transmission lines and to upgrade or rebuild seven stations to accommodate load growth, the energy transition, and increasing electrical loads. In particular, several of the Transmission Growth projects are required to address the resulting increase in demand in the City of Kelowna, which is one of the fastest growing cities in Canada.

Table C3-30 below provides the Transmission Growth capital projects planned to be undertaken during the term of the Rate Framework.

Table C3-30: FBC Forecast Transmission Growth Capital Projects 2025-2027 ($000s)

Project	2025 Forecast	2026 Forecast	2027 Forecast
Reconductor 52L & 53L	3,067	3,000	-
Glenmore Low Voltage Bus Capacity and Equipment Upgrades	1,421	174	-
Duck Lake Second Distribution Transformer Addition	4,683	681	-
Christina Lake Station Upgrade	1,567	3,962	2,322
Saucier Second Distribution Transformer Addition	5,269	7,294	2,757
DG Bell Second Distribution Transformer Addition	411	2,724	7,511
Princeton 138 kV Capacitor Bank Addition	-	414	1,766
Reconductor 51L & 60L	-	1,075	5,000
Glenmore Station Capacity Upgrade	-	-	791
Total Transmission Growth	**16,418**	**19,323**	**20,149**

Projects over $1 million that are planned to be undertaken over the 2025-2027 timeframe are described as follows:

- **Reconductor 52L & 53L:** This project is required to provide a reliable transmission supply to the Penticton and Oliver regions. An outage of the 63 kV transmission lines 52L or 53L will cause the remaining line to become overloaded beyond its emergency rating when the Penticton area summer peak load is approximately 135 MW, which is forecast to occur during the Rate Framework term. To provide adequate capacity during this N-1 event and allow for future load growth in the Penticton and Oliver regions, this project will reconductor the 52L and 53L transmission lines to a higher ampacity conductor. FBC plans to commence work on this project in 2024, with the majority of expenditures forecast to be incurred in 2025 and 2026. The estimated total cost of this project is $6.6 million.

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estimated total cost of this project is $15.9 million, with expenditures forecast to be incurred from 2024 to 2027.

- **DG Bell Second Distribution Transformer Addition**: This project is required to accommodate load growth and provide a reliable supply to the Upper Mission area of Kelowna. During a DG Bell Transformer T1 (DGB T1) outage, the most recent load forecast indicates FBC planning criteria will not be met during the Rate Framework term. This project will install a second transformer at the DG Bell (DGB) distribution substation. This project also involves the addition of new circuit breakers and a voltage transformer on the high voltage side of the existing DGB T1, which will complete the 138 kV ring bus. Completing the ring bus will improve and simplify the protection scheme at the DGB terminal station and increase operational reliability in the Kelowna area. As FBC explained in the Annual Review for 2023 Rates, this project was deferred from the original 2024-2025 construction schedule to accommodate the Duck Lake Second Transformer Addition. The estimated total cost of the DG Bell Second Distribution Transformer Addition project is $11.4 million, with expenditures forecast to be incurred from 2025 to 2028.

- **Princeton 138 kV Capacitor Bank Addition:** An outage of the 230 kV 40L transmission line or Bentley Transformer T1 (BEN T1) results in low voltage near the Princeton area given forecast load levels during the Rate Framework term. To mitigate the low voltage, this project will install a minimum of 10 MVAR additional reactive compensation at the Princeton (PRI) substation to provide acceptable voltage during an N-1 event. The estimated total cost of this project is $2.2 million, with expenditures forecast to be incurred in 2026 and 2027.

- **Reconductor 51L & 60L:** This project is required to provide a reliable transmission supply to Kelowna and its surrounding area. In the event of an outage to one of the F.A. Lee (LEE) terminal substation transformers (LEE T2, LEE T3 or LEE T4), followed by an outage to another LEE transformer, the flow on the remaining LEE transformer exceeds the emergency rating. Re-configuring the Kelowna loop to reduce the post contingency transformer flow results in exceeding the emergency rating of the 138 kV transmission lines 51L and 60L based on forecast load levels during the Rate Framework term. To provide adequate capacity during this N-1-1 event and allow for future load growth in the Kelowna area, this project will reconductor 51L and 60L to a higher ampacity conductor. The estimated total cost of this project is $11.2 million, with expenditures forecast to be incurred from 2026 to 2028.

- **Glenmore Station Capacity Upgrade:** This project is required to accommodate load growth and provide a reliable supply to central Kelowna. The most recent load forecast indicates the Glenmore Transformer T2 (GLE T2) summer peak load will exceed its 31.5 MVA nameplate rating during the Rate Framework term. To increase station capacity, this project will replace GLE T2 with a new larger unit. The estimated total cost of this project is $8.0 million, with expenditures forecast to be incurred from 2027 to 2030. Project costs

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Errata dated September 6, 2024

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER
G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.
Application for Approval of a Rate Setting Framework for the Years 2025 through 2027

BEFORE:
[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

A. On April 8, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 pf the *Utilities Commission Act* seeking approval of a rate setting framework (Rate Framework) for the years 2025 through 2027 (Application);

B. In the Application, FortisBC seeks approval of the Rate Framework for the upcoming three years, including, amongst other items, an indexed approach to FEI's and FBC's Operations and Maintenance (O&M) expense and FEI's Growth capital, three-year forecasts of FEI's Regular Sustainment and Other capital and FBC's Regular Growth, Sustainment and Other capital, Service Quality Indicators (SQIs) for FEI and FBC, and a refreshed innovation fund for FEI;

C. The Application also seeks approval of deferral accounts, updated depreciation rates and other supporting studies, and other approvals for the term of the Rate Framework;

D. By Order G-##-24, the BCUC established a public hearing process and regulatory timetable for the review of the Application; and

E. The BCUC has reviewed the Application, the evidence and submissions by all parties in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows for FEI:

1. Approval of the rate setting mechanisms set out in Section C1 and in Table C1-1 of the Application for setting delivery rates for the years 2025 through 2027, including:

    a. A three-year term from 2025 to 2027, with the potential to extend the term beyond 2027, subject to review and approval by the BCUC (Section C1.2);

    b. Use of an index-based approach to Base O&M and Growth capital, incorporating:

        i. A 2024 Base O&M per customer, as described in Section C2.4;

        ii. A 2024 Base Unit Cost Growth Capital of $9,300, as described in Section C3.3.1.2.2, Table C3-4;

        iii. An inflation factor as set out in Section C1.3, including a fixed labour weighting of 50 percent and fixed non-labour weighting of 50 percent;

        iv. An X-Factor of 0.38 percent, as set out in Section C1.4.2; and

        v. A growth factor set at 100 percent of the growth in average number of customers for O&M and 100 percent of Gross Customer Additions for Growth capital, with a true-up to actual when available, all as set out in Section C1.5;

    c. Approval of the level of forecast Sustainment and Other capital to be incorporated in rates over the term of the Rate Framework, as set out in Section C3.3;

    d. Flow-through treatment for the items described in Section C4.13.2 and Table C4-7;

    e. Exogenous factor treatment as described in Section C1.6;

    f. The Service Quality Indicators listed in Table C6-2 of Section C6.3 and described in Appendix C6-1;

    g. Continuation of the Earnings Sharing Mechanism, with half of ROE variances to be shared with customers as set out in Section C1.7;

    h. Off ramps as described in Section C1.9; and

    i. The Annual Review process, with changes to the scope of the Annual Reviews, as described in Section C1.10, including approval of FEI's demand forecasting methods for the term of the Rate Framework.

2. Approval to return to customers the balance in the 2020 Clean Growth Innovation Fund (CGIF) and to establish the 2025 CGIF and rate rider for the term of the Rate Framework as follows:

    a. Establish the non-rate base 2025 CGIF, attracting a WACC return, to record the funding collected through the Innovation Fund rate rider and the expenditures. Any residual balance will be returned to customers at the end of the Rate Framework;

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b. Continue the Innovation Fund basic charge rate rider of $0.40 per month during the term of the Rate Framework; and

c. Return the ending balance of the 2020 CGIF to customers through amortization of the deferral account over one year in 2025.

3. Approval of the following regarding CMAE during the term of the Rate Framework:

    a. To continue to forecast the CMAE budget by cost component using a new, simplified template, as described in Appendix C4-3;

    b. To submit the CMAE forecast for approval as a separate application at or near the same time as FEI's Third Quarter Gas Cost Report;

    c. To review the prior year's forecast to actual CMAE variances within the CMAE forecast application, using the new, simplified template;

    d. To continue to treat CMAE as part of FEI's Cost of Gas, allocating 25 percent of costs to the Commodity Cost Reconciliation Account (CCRA) and 75 percent to the Midstream Cost Reconciliation Account (MCRA); and

    e. To record the variances between forecast and actual CMAE in the CCRA and MCRA using the same allocation as is used to allocate the forecast CMAE.

4. Approvals of the following based on supporting studies to be used in the determination of rates for FEI effective January 1, 2025:

    a. Depreciation rates in the amounts set out in Table D2-3 in Section D2.2;

    b. Net salvage rates in the amounts set out in Table D2-4 in Section D2.2;

    c. Modification to the approved Lead Lag days as set out in Table D3-1, Section D3.2;

    d. The methodologies of allocating common corporate service costs from Fortis Inc. and FortisBC Holdings Inc. to FEI, as set out in Section D4; and

    e. The capitalized overhead rate of 14.5 percent, as set out in Section D5.4.

5. Approval to continue the use of the non-rate base Flow-through deferral account, attracting a Weighted Average Cost of Capital (WACC) return, as described in Section C4.13.2 and Table C4-7.

6. Approval of Exogenous Factor treatment for the 2021 Flood costs, as described in Section C1.6.1.

7. Approval to maintain the CPCN threshold at $15 million during the term of the Rate Framework.

8. FEI is directed to file with the BCUC, within 30 days of the issuance of this order, a compliance filing for the Panel's approval incorporating the impacts of all adjustments as outlined in the Decision.

9. FEI must comply with all other directives contained in the Decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

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Application for Approval of a Rate Setting Framework for the Years 2025 through 2027

BEFORE:
[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

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A. On April 8, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 pf the *Utilities Commission Act* seeking approval of a rate setting framework (Rate Framework) for the years 2025 through 2027 (Application);

B. In the Application, FortisBC seeks approval of the Rate Framework for the upcoming three years, including, amongst other items, an indexed approach to FEI's and FBC's Operations and Maintenance (O&M) expense and FEI's Growth capital, three-year forecasts of FEI's Regular Sustainment and Other capital and FBC's Regular Growth, Sustainment and Other capital, Service Quality Indicators (SQIs) for FEI and FBC, and a refreshed innovation fund for FEI;

C. The Application also seeks approval of deferral accounts, updated depreciation rates and other supporting studies, and other approvals for the term of the Rate Framework;

D. By Order G-##-24, the BCUC established a public hearing process and regulatory timetable for the review of the Application; and

E. The BCUC has reviewed the Application, the evidence and submissions by all parties in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows for FBC:

1. Approval of the rate setting mechanisms set out in Section C1 and in Table C1-1 of the Application for setting rates for the years 2025 through 2027, including:

    a. A three-year term from 2025 to 2027, with the potential to extend the term beyond 2027, subject to review and approval by the BCUC (Section C1.2);

    b. Use of an index-based approach to Base O&M, incorporating:

        i. A 2024 Base O&M per customer, as described in Section C2.4;

        ii. An inflation factor as set out in Section C1.3, including a fixed labour weighting of 60 percent and fixed non-labour weighting of 40 percent;

        iii. An X-Factor of 0.20 percent, as set out in Section C1.4.3; and

        iv. A growth factor set at 100 percent of the growth in average number of customers, with a true-up to actual when available, all as set out in Section C1.5;

    c. Approval of the level of forecast Growth, Sustainment and Other capital to be incorporated in rates over the term of the Rate Framework, as set out in Section C3.4;

    d. Flow-through treatment for the items described in Section C4.13.2 and Table C4-7;

    e. Exogenous factor treatment as described in Section C1.6;

    f. The Service Quality Indicators listed in Table C6-7 of Section C6.4 and described in Appendix C6-2;

    g. Continuation of the Earnings Sharing Mechanism, with half of ROE variances to be shared with customers as set out in Section C1.7;

    h. Off ramps as described in Section C1.9; and

    i. The Annual Review process, with changes to the scope of the Annual Reviews, as described in Section C1.10, including approval of FBC's load forecasting methods for the term of the Rate Framework.

2. Approvals of the following based on supporting studies to be used in the determination of rates for FBC effective January 1, 2025:

    a. Depreciation rates in the amounts set out in Table D2-7 in Section D2.3;

    b. Net salvage rates in the amounts set out in Table D2-8 in Section D2.3;

    c. Modification to the approved Lead Lag days as set out in Table D3-2, Section D3.3;

    d. The methodologies of allocating common corporate service costs from Fortis Inc. and FortisBC Holdings Inc. to FBC, as set out in Section D4; and

    e. The capitalized overhead rate of 15.5 percent, as set out in Section D5.4.

3. Approval to continue the use of the non-rate base Flow-through deferral account, attracting a Weighted Average Cost of Capital (WACC) return, as described in Section C4.13.2 and Table C4-7.

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4. Approval to maintain the CPCN threshold at $20 million during the term of the Rate Framework.

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5. FBC is directed to file with the BCUC, within 30 days of the issuance of this order, a compliance filing for the Panel's approval incorporating the impacts of all adjustments as outlined in the Decision.

6. FBC must comply with all other directives contained in the Decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

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WHEREAS:

A. On April 8, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 pf the *Utilities Commission Act* seeking approval of a rate setting framework (Rate Framework) for the years 2025 through 2027 (Application);

B. In the Application, FortisBC seeks approval of the Rate Framework for the upcoming three years, including, amongst other items, an indexed approach to FEI's and FBC's Operations and Maintenance (O&M) expense and FEI's Growth capital, three-year forecasts of FEI's Regular Sustainment and Other capital and FBC's Regular Growth, Sustainment and Other capital, Service Quality Indicators (SQIs) for FEI and FBC, and a refreshed innovation fund for FEI;

C. The Application also seeks approval of deferral accounts, updated depreciation rates and other supporting studies, and other approvals for the term of the Rate Framework;

D. By Order G-##-24, the BCUC established a public hearing process and regulatory timetable for the review of the Application; and

E. The BCUC has reviewed the Application, the evidence and submissions by all parties in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows for FEI:

1. Approval of the rate setting mechanisms set out in Section C1 and in Table C1-1 of the Application for setting delivery rates for the years 2025 through 2027, including:

    a. A three-year term from 2025 to 2027, with the potential to extend the term beyond 2027, subject to review and approval by the BCUC (Section C1.2);

    b. Use of an index-based approach to Base O&M and Growth capital, incorporating:

        i. A 2024 Base O&M per customer, as described in Section C2.4;

        ii. A 2024 Base Unit Cost Growth Capital of $9,300, as described in Section C3.3.1.2.2, Table C3-4;

        iii. An inflation factor as set out in Section C1.3, including a fixed labour weighting of 50 percent and fixed non-labour weighting of 50 percent;

        iv. An X-Factor of 0.38 percent, as set out in Section C1.4.2; and

        v. A growth factor set at 100 percent of the growth in average number of customers for O&M and 100 percent of Gross Customer Additions for Growth capital, with a true-up to actual when available, all as set out in Section C1.5;

    c. Approval of the level of forecast Sustainment and Other capital to be incorporated in rates over the term of the Rate Framework, as set out in Section C3.3;

    d. Flow-through treatment for the items described in Section C4.13.2 and Table C4-7;

    e. Exogenous factor treatment as described in Section C1.6;

    f. The Service Quality Indicators listed in Table C6-2 of Section C6.3 and described in Appendix C6-1;

    g. Continuation of the Earnings Sharing Mechanism, with half of ROE variances to be shared with customers as set out in Section C1.7;

    h. Off ramps as described in Section C1.9; and

    i. The Annual Review process, with changes to the scope of the Annual Reviews, as described in Section C1.10, including approval of FEI's demand forecasting methods for the term of the Rate Framework.

2. Approval to return to customers the balance in the 2020 Clean Growth Innovation Fund (CGIF) and to establish the 2025 CGIF and rate rider for the term of the Rate Framework as follows:

    a. Establish the non-rate base 2025 CGIF, attracting a WACC return, to record the funding collected through the Innovation Fund rate rider and the expenditures. Any residual balance will be returned to customers at the end of the Rate Framework;

b. Continue the Innovation Fund basic charge rate rider of $0.40 per month during the term of the Rate Framework; and

c. Return the ending balance of the 2020 CGIF to customers through amortization of the deferral account over one year in 2025.

3. Approval of the following regarding CMAE during the term of the Rate Framework:

   a. To continue to forecast the CMAE budget by cost component using a new, simplified template, as described in Appendix C4-3;

   b. To submit the CMAE forecast for approval as a separate application at or near the same time as FEI's Third Quarter Gas Cost Report;

   c. To review the prior year's forecast to actual CMAE variances within the CMAE forecast application, using the new, simplified template;

   d. To continue to treat CMAE as part of FEI's Cost of Gas, allocating 25 percent of costs to the Commodity Cost Reconciliation Account (CCRA) and 75 percent to the Midstream Cost Reconciliation Account (MCRA); and

   e. To record the variances between forecast and actual CMAE in the CCRA and MCRA using the same allocation as is used to allocate the forecast CMAE.

4. Approvals of the following based on supporting studies to be used in the determination of rates for FEI effective January 1, 2025:

   a. Depreciation rates in the amounts set out in Table D2-3 in Section D2.2;

   b. Net salvage rates in the amounts set out in Table D2-4 in Section D2.2;

   c. Modification to the approved Lead Lag days as set out in Table D3-1, Section D3.2;

   d. The methodologies of allocating common corporate service costs from Fortis Inc. and FortisBC Holdings Inc. to FEI, as set out in Section D4; and

   e. The capitalized overhead rate of 14.5 percent, as set out in Section D5.4.

5. Approval to continue the use of the non-rate base Flow-through deferral account, attracting a Weighted Average Cost of Capital (WACC) return, as described in Section C4.13.2 and Table C4-7.

6. Approval of Exogenous Factor treatment for the 2021 Flood costs, as described in Section C1.6.1.

7. Approval to maintain the CPCN threshold at $15 million during the term of the Rate Framework.

8. FEI is directed to file with the BCUC, within 30 days of the issuance of this order, a compliance filing for the Panel's approval incorporating the impacts of all adjustments as outlined in the Decision.

9. FEI must comply with all other directives contained in the Decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

ORDER NUMBER
G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.
Application for Approval of a Rate Setting Framework for the Years 2025 through 2027

BEFORE:
[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

A. On April 8, 2024, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) filed an application with the British Columbia Utilities Commission (BCUC) pursuant to sections 59 to 61 pf the *Utilities Commission Act* seeking approval of a rate setting framework (Rate Framework) for the years 2025 through 2027 (Application);

B. In the Application, FortisBC seeks approval of the Rate Framework for the upcoming three years, including, amongst other items, an indexed approach to FEI's and FBC's Operations and Maintenance (O&M) expense and FEI's Growth capital, three-year forecasts of FEI's Regular Sustainment and Other capital and FBC's Regular Growth, Sustainment and Other capital, Service Quality Indicators (SQIs) for FEI and FBC, and a refreshed innovation fund for FEI;

C. The Application also seeks approval of deferral accounts, updated depreciation rates and other supporting studies, and other approvals for the term of the Rate Framework;

D. By Order G-##-24, the BCUC established a public hearing process and regulatory timetable for the review of the Application; and

E. The BCUC has reviewed the Application, the evidence and submissions by all parties in this proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons provided in the decision issued concurrently with this order, the BCUC orders as follows for FBC:

1. Approval of the rate setting mechanisms set out in Section C1 and in Table C1-1 of the Application for setting rates for the years 2025 through 2027, including:

    a. A three-year term from 2025 to 2027, with the potential to extend the term beyond 2027, subject to review and approval by the BCUC (Section C1.2);

    b. Use of an index-based approach to Base O&M, incorporating:

        i. A 2024 Base O&M per customer, as described in Section C2.4;

        ii. An inflation factor as set out in Section C1.3, including a fixed labour weighting of 60 percent and fixed non-labour weighting of 40 percent;

        iii. An X-Factor of 0.20 percent, as set out in Section C1.4.3; and

        iv. A growth factor set at 100 percent of the growth in average number of customers, with a true-up to actual when available, all as set out in Section C1.5;

    c. Approval of the level of forecast Growth, Sustainment and Other capital to be incorporated in rates over the term of the Rate Framework, as set out in Section C3.4;

    d. Flow-through treatment for the items described in Section C4.13.2 and Table C4-7;

    e. Exogenous factor treatment as described in Section C1.6;

    f. The Service Quality Indicators listed in Table C6-7 of Section C6.4 and described in Appendix C6-2;

    g. Continuation of the Earnings Sharing Mechanism, with half of ROE variances to be shared with customers as set out in Section C1.7;

    h. Off ramps as described in Section C1.9; and

    i. The Annual Review process, with changes to the scope of the Annual Reviews, as described in Section C1.10, including approval of FBC's load forecasting methods for the term of the Rate Framework.

2. Approvals of the following based on supporting studies to be used in the determination of rates for FBC effective January 1, 2025:

    a. Depreciation rates in the amounts set out in Table D2-7 in Section D2.3;

    b. Net salvage rates in the amounts set out in Table D2-8 in Section D2.3;

    c. Modification to the approved Lead Lag days as set out in Table D3-2, Section D3.3;

    d. The methodologies of allocating common corporate service costs from Fortis Inc. and FortisBC Holdings Inc. to FBC, as set out in Section D4; and

    e. The capitalized overhead rate of 15.5 percent, as set out in Section D5.4.

3. Approval to continue the use of the non-rate base Flow-through deferral account, attracting a Weighted Average Cost of Capital (WACC) return, as described in Section C4.13.2 and Table C4-7.

4. Approval to maintain the CPCN threshold at $20 million during the term of the Rate Framework.
5. FBC is directed to file with the BCUC, within 30 days of the issuance of this order, a compliance filing for the Panel's approval incorporating the impacts of all adjustments as outlined in the Decision.
6. FBC must comply with all other directives contained in the Decision issued concurrently with this order.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner