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

Attention: Patrick Wruck, Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. and FortisBC Inc. - Application for Establishment of Equity Issuance Cost Deferral Accounts and Recovery of Equity Issuance Costs

We enclose for filing in the above proceeding the Final Submission of FortisBC Energy Inc. and FortisBC Inc., dated March 13, 2025.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

Matthew Ghikas
Personal Law Corporation

Enclosures

British Columbia Utilities Commission

FortisBC Energy Inc. and FortisBC Inc.

Application for Establishment of Equity Issuance Cost Deferral Account and Recovery of Equity Issuance Costs

Final Submission of FortisBC Energy Inc. and FortisBC Inc.

March 13, 2025

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PART ONE: INTRODUCTION

1. This Application flows directly from the September 5, 2023 British Columbia Utilities Commission (BCUC) Decision and Order G-236-23 in the Stage 1 Generic Cost of Capital (GCOC) proceeding (2023 GCOC Stage 1 Decision). As part of the 2023 GCOC Stage 1 Decision, the BCUC accepted that any reasonable and prudently incurred flotation costs (also referred to as equity issuance costs) are recoverable from customers over and above the approved costs of capital. The BCUC confirmed that FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (together, FortisBC) can request recovery of actual costs incurred by their parent company, Fortis Inc., by providing supporting documentation when FortisBC issues additional equity.

2. FortisBC respectfully submits that the BCUC should approve the orders sought, as outlined in Section 1.1 of the Application. Allowing FortisBC to recover issuance costs starting in 2023 is essential to comply with the Fair Return Standard and ensure that FortisBC's rates are just and reasonable. It was contemplated in the 2023 GCOC Stage 1 Decision. The evidence demonstrates that the proposed recovery reflects actual issuance costs for 2023 and 2024, and the amounts are reasonable. The proposed deferral accounts are an appropriate means of implementing the BCUC's order.

3. This Submission is organized around the following points:

- **Part Two:** Issuance costs are a legitimate cost of providing service to customers and are thus recoverable in rates;
- **Part Three:** This Application flows directly from FortisBC's requested relief in Stage 1 of the GCOC and was contemplated in the 2023 GCOC Stage 1 Decision. It is not retroactive ratemaking;
- **Part Four:** FortisBC's proposed methodology for calculating issuance costs complies with the 2023 GCOC Stage 1 Decision. It reflects actual direct costs incurred by Fortis Inc. to issue equity that, in turn, enables FortisBC to continue providing safe and reliable service to customers;

- **Part Five:** The 2023 and 2024 equity issuance costs are well supported by evidence and customers are demonstrably benefitting from FortisBC's ability to obtain equity from Fortis Inc.; and
- **Part Six:** The proposed deferral accounts and account parameters are appropriate.

PART TWO: EQUITY ISSUANCE COSTS ARE A LEGITIMATE COST OF PROVIDING SERVICE TO CUSTOMERS

4. As the BCUC recognized in the 2023 GCOC Stage 1 Decision, issuance costs, and the impact on the allowed return on equity (ROE), are legitimate costs of providing service and are recoverable through rates.

5. Equity issuance costs relate to the financing and market pressure costs incurred by a company when it sells new equity.[1]

6. The BCUC has acknowledged the Fair Return Standard in numerous decisions, including the 2023 GCOC Stage 1 Decision.[2] The Fair Return Standard requires that the investors must be compensated not only for the risk of the investment, but also the cost of the equity issuance itself. Otherwise, the utility will not have the opportunity to recover its full cost of capital and its earned return will (other things equal) always be lower than its authorized return.[3] Accordingly, providing FortisBC with the opportunity to recover reasonable issuance costs is essential to meet the Fair Return Standard and the statutory requirement that rates be just and reasonable.

7. In the 2023 GCOC Stage 1 Decision, the BCUC acknowledged that issuance costs are legitimate costs of service that are recoverable from ratepayers. However, it departed from its longstanding approach of including flotation costs as an ROE adder. Instead, the BCUC ordered that FortisBC can request recovery of actual issuance costs incurred by Fortis Inc.:

> The Panel accepts that any reasonable and prudently incurred flotation costs incurred by a public utility are recoverable from ratepayers, over and above the approved cost of capital . . . FEI and FBC can request recovery of actual costs incurred by the parent company by providing applicable invoices or other supporting documentation from the parent when FEI and FBC issue additional equity. . . Those expenditures, if and as incurred, can be considered for recovery from the ratepayers of FEI, or FBC as the case may be, following review and

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1 Exhibit B-1, Application, p. 3.

2 Exhibit B-1, Application, p. 4.

3 Exhibit B-1, Application, p. 3, referring to the evidence of Mr. Coyne, FortisBC's expert in the 2023 GCOC Stage 1 proceeding: Exhibit B1-20, FortisBC Response to BCUC IR2 83.3.

approval as part of each utility's Revenue Requirement process in the normal course.[4]

8. This Application is about recovering legitimate costs of service for 2023 and 2024, and meeting the Fair Return Standard, consistent with the BCUC's 2023 GCOC Stage 1 Decision. Since the BCUC had discontinued its longstanding practice of including an ROE adder, rates in 2023 and 2024 would not have been just and reasonable (i.e., lawful and compliant with the UCA) without the BCUC providing some other mechanism to recognize the existence of issuance costs.

[4] 2023 GCOC Stage 1 Decision, pp. 126-127.

PART THREE: THIS APPLICATION FLOWS FROM THE 2023 GCOC STAGE 1 DECISION AND THUS IS NOT RETROACTIVE RATEMAKING

9. In Exhibit B-3, BCUC IR1 1.1, the BCUC asked whether FortisBC's request to recover actual flotation costs incurred in 2023 and 2024 gives rise to any retroactive ratemaking concerns, considering FortisBC's application to establish the Flotation Costs deferral account was made after permanent rates had been established. As discussed in FortisBC's response to BCUC IR1 1.1 and outlined below, the request to recover the actual flotation costs incurred in 2023 and 2024 is appropriate and avoids issues of retroactive ratemaking for the following reasons:

(a) The BCUC's 2023 GCOC Stage 1 Decision contemplated the recording and recovery of these costs in 2023 and subsequent years, and the BCUC had clearly intended to comply with the Fair Return Standard;

(b) The BCUC's direction in the 2023 GCOC Stage 1 Decision to record and recover "actual costs incurred" would make it impractical for the flotation costs incurred in any given year to be reflected in the rates for the same year; and

(c) Regardless, FortisBC brought the Application for deferral accounts before the conclusion of 2024, which provides an additional basis for recovery of the 2024 flotation costs.

A. 2023 GCOC STAGE 1 DECISION CONTEMPLATED RECOVERY OF 2023 AND 2024 FLOTATION COSTS AND ADHERENCE TO THE FAIR RETURN STANDARD

10. FortisBC's request for compensation for flotation costs was made, and granted, in the course of the 2023 GCOC Stage 1 proceeding. It was only by virtue of the BCUC's change in approach to recovery of flotation costs that another follow-up application was necessary.[5] Retroactive ratemaking concerns cannot arise in the circumstances, and the recovery of the 2023 and 2024 costs is essential for the BCUC to comply with the Fair Return Standard and the statutory test for just and reasonable rates.

11. In the 2023 GCOC Stage 1 proceeding, FortisBC's requested approvals had reflected issuance costs, and the methodology FortisBC had used aligned with the BCUC's longstanding

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[5] Exhibit B-3, BCUC IR1 1.1.

approach. The 2023 GCOC Stage 1 Decision acknowledged that flotation costs are a legitimate cost of service. The BCUC explicitly stated that: "FEI and FBC can request recovery of actual costs incurred by the parent by providing applicable invoices or other supporting documentation from the parent when FEI and FBC issue additional equity."[6]

12. After the 2023 GCOC Stage 1 Decision was issued, FortisBC developed an appropriate methodology for determining the actual flotation costs incurred for FEI's and FBC's equity injections based on its parent company's equity issuance costs. With the benefit of the 2023 and 2024 equity issuances (i.e., the first equity issuances to occur since the BCUC directed the new approach to recovering issuance costs), FortisBC was able to provide the necessary evidence contained in its Application and to propose a practical approach for recovering both the 2023 and 2024 equity issuance costs as well as future equity issuance costs.[7]

13. These circumstances are similar to those arising from the *British Columbia Hydro and Power Authority (BC Hydro) Application for Approval of Two New Regulatory Accounts and Changes to the Storm Restoration Costs Regulatory Account* proceeding. In that case, BC Hydro sought approval for an account and to record costs after the year end, given that consideration of the request had been procedurally delayed. In response to a BCUC information request about retroactive ratemaking, BC Hydro stated:[8]

> . . . the approvals sought in this application were filed with and were properly before the BCUC in fiscal 2024, and their consideration has simply been procedurally delayed. BC Hydro submits that its request to defer these costs starting in fiscal 2024 cannot and should not be prejudiced by this procedural delay.

14. The BCUC approved BC Hydro's application,[9] and FortisBC submits that this situation is similar. Although the request for recovery of issuance costs for 2023 and 2024 is filed as a

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6 2023 GCOC Stage 1 Decision, pp. 126-127.

7 Exhibit B-3, BCUC IR1 1.1.

8 BC Hydro Application for Approval of Two New Regulatory Accounts and Changes to the Storm Restoration Costs Regulatory Account Proceeding, Exhibit B-3, BC Hydro Response to BCUC IR1 1.1.2.

9 Order G-236-24.

separate application, it is in substance an extension of the 2023 GCOC Stage 1 proceeding. FortisBC, like BC Hydro, made its request previously (i.e., in FortisBC's Stage 1 evidence). This follow-up filing is only necessary due to the BCUC changing its long-standing approach to reflecting issuance costs as legitimate costs of providing service to customers.

15. There must be some mechanism to allow FortisBC to recover actual issuance costs for 2023 and 2024 rates to have been just and reasonable (i.e., lawful and compliant with the UCA) in those years. The BCUC clearly understood that recovery of flotation costs is required to meet the Fair Return Standard. Therefore, the BCUC should be taken as having understood that FortisBC required an opportunity to file an application for recovery of flotation costs for 2023 as well as future years. If the BCUC were to now deny recovery of issuance costs for 2023 and 2024, then the BCUC would be denying FEI and FBC the opportunity to recover their full cost of capital.[10] This would violate the Fair Return Standard and represent an error in law.

B. THE EFFECT OF THE BCUC'S DIRECTION IS THAT RECOVERY OF FLOTATION COSTS CAN ONLY OCCUR IN A FUTURE YEAR

16. The BCUC's direction for recovery of "actual costs incurred", in lieu of a flotation cost adder, means that the recovery of equity issuance costs can only occur after the size and actual cost of issued equity in each year is known. In other words, it would be impractical for the flotation costs in any given year to be reflected in the rates for the same year.[11] This Application was timely.

17. The years 2023 and 2024 are good examples of this timing issue. It would have been impractical, if not impossible, for FEI and FBC to seek recovery of actual issuance costs in 2023 and 2024 rates given the timing of the 2023 GCOC Stage 1 Decision, the timing of equity injections in 2023 and 2024 (see Table 1 below), and the time FortisBC needed to develop a completely new approach to recovery of flotation costs.

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10 Exhibit B-3, BCUC IR1 1.2.

11 Exhibit B-3, BCUC IR1 1.1.

Table 1: FEI's and FBC's Equity Injections in 2023 and 2024

	Equity Injection Date	Equity Injection Amount
FEI	March 22, 2023	$100 million
	December 19, 2023	$300 million
	September 23, 2024	$275 million
FBC	March 22, 2023	$40 million
	November 26, 2024	$30 million

18. FEI had not even issued its December 19, 2023 equity injection by the date of the 2024 Annual Review Decision (December 7, 2023). Further, consistent with the annual review process, 2024 rates for FEI and FBC were approved and in place prior to January 1, 2024. There would have been no opportunity to incorporate the 2024 equity injections for either utility in 2024 rates through those rate processes.[12]

C. FORTISBC BROUGHT THIS APPLICATION BEFORE THE CONCLUSION OF 2024

19. While the above points are determinative, FortisBC also brought the Application for a deferral account before the conclusion of 2024. This provides an additional basis for recovery of 2024 flotation costs. It is not uncommon for the BCUC to approve deferral accounts after the establishment of permanent rates to capture costs that ought to fairly be recovered from customers. Flotation costs, the recovery of which is necessary for meeting the Fair Return Standard, fall within that category.[13]

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12 Exhibit B-3, BCUC IR1 1.1.

13 Exhibit B-3, BCUC IR1 1.1.

PART FOUR: FORTISBC HAS PROPOSED A REASONABLE METHODOLOGY FOR CALCULATING ISSUANCE COSTS CONSISTENT WITH THE 2023 GCOC STAGE 1 DECISION

20. FortisBC's methodology for calculating actual flotation costs identifies the costs to Fortis Inc. of the source of equity funding used to finance the equity requirements of its subsidiaries in the applicable years. As detailed in Section 3 of the Application, the direct equity issuance costs of Fortis Inc.'s Dividend Reinvestment Plan (DRIP) and equity offering programs can be determined with confidence and precision. Costs will vary from year to year depending on the type of equity financing and the amount of equity issued; therefore, FEI and FBC will provide supporting information in future revenue requirement processes regarding the sources and costs of equity financing by its parent, similar to the information provided in this Application.[14] FortisBC submits that this is a reasonable methodology for determining issuance costs in a manner that complies with the BCUC's 2023 GCOC Stage 1 Decision.

A. 2023 AND 2024 ISSUANCE COSTS ARE ASSOCIATED WITH FORTIS INC.'S DRIP PROGRAM

21. In 2023 and 2024, Fortis Inc. used its DRIP to raise equity, and thus the DRIP costs form the basis for FortisBC's requests for 2023 and 2024.

22. DRIP is a cost-effective form of issuing new shares on a regular basis that is widely used by public utilities. DRIP programs allow shareholders of public companies to reinvest their cash dividends into new additional shares which are purchased directly from the public companies' treasury and are often offered at a discount. This enables public companies to retain the cash that otherwise would have been paid out as cash dividends, to support equity requirements of their operating subsidiaries.[15]

23. There is an observable issuance cost for DRIP programs, which is the discount cost the company incurs on reinvestment of dividends. As discussed in Section 3.1 of the Application, the Fortis Inc. DRIP program shares are issued at a discount to incentivize shareholder participation. This discount essentially represents a recurring cost that is incurred every time shares are reinvested under the DRIP program since it effectively reduces the cash received from the shares

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[14] Exhibit B-3, BCUC IR1 3.1.

[15] Exhibit B-1, Application, Section 3.1.

sold through the DRIP program.[16] FortisBC's proposed methodology for identifying the 2023 and 2024 flotation costs only accounts for this discount cost and does not include other costs that are incurred in maintaining a DRIP program, such as market pressure costs, legal administration, rating agency, auditor fees and filing fees. FortisBC may in future propose a methodology to capture the other issuance costs that are not already recovered in rates (for issuances beyond 2023 and 2024).

B. EQUITY OFFERING PROGRAMS MAY ALSO BE USED IN FUTURE YEARS

24. A public company such as Fortis Inc. can raise equity capital in other ways, including registered direct offerings, public bought deals, and private investments in public equity (PIPEs). The Application identifies the costs of Fortis Inc.'s various equity offering programs that Fortis Inc. has historically used to finance the requirements of its subsidiaries. As discussed in Section 3.2 of the Application, Fortis Inc. may periodically publicly issue equity under a shelf prospectus (i.e., a bought deal equity offering or an ATM program).[17] FortisBC's future issuance costs will reflect various programs, from time to time.

25. The flotation costs associated with the bought-deal equity offerings and the ATM program can be readily defined. Under a bought deal, the investment bank charges Fortis Inc. a fee to purchase an entire equity offering from the issuer and then resells it to investors. The newly issued shares are also sold at a discount to the investment bank to compensate the bank for the initial risk of purchasing the entire equity issuance. The flotation costs, therefore, consist of the bank's fee and the discount to the newly issued shares.[18]

26. The ATM program allows the issuing company flexibility to sell equity in an open market over a period of time as needed, usually in smaller increments, in comparison to the bought deal transactions. The fee for ATM programs is an agent's commission that is paid to the investment bank(s) that execute trades, which is typically lower than what is paid in the bought equity deals. When issued through the ATM program, the equity is not sold at a discount as it is simply sold in

[16] Exhibit B-1, Application, Section 3.1.1; Exhibit B-4 BCOAPO IR1 1.1.

[17] Exhibit B-1, Application, Section 3.2.

[18] Exhibit B-1, Application, Section 3.2.

the open market directly to the interested buyers over extended periods of time. The flotation costs for the ATM program, therefore, consist solely of the bank's fee for executing the trades.[19]

27. As noted in Part Five, Section C below, FortisBC's methodology for identifying the cost of Fortis Inc.'s equity offering programs does not capture the indirect costs of these equity issuances, such as market pressure costs. As these are real costs, and should be recoverable under the Fair Return Standard, FortisBC may in the future propose a methodology for future equity issuances.[20]

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19 Exhibit B-1, Application, Section 3.2.

20 Exhibit B-1, Application, p. 1, Footnote 2.

PART FIVE: CUSTOMERS ARE BENEFITTING FROM RELATIVELY LOW 2023 AND 2024 EQUITY ISSUANCE COSTS

28. Pursuant to the 2023 GCOC Stage 1 Decision, FortisBC is seeking approval to recover actual incurred flotation costs for 2023 and 2024 based on the methodology described above. These costs are well supported by evidence, are at the very low end of historical issuance costs of Fortis Inc. and its peers, and do not include some real indirect costs. Customers are demonstrably benefitting from FortisBC's ability to obtain equity from Fortis Inc.

A. CALCULATION OF 2023 AND 2024 ISSUANCE COSTS

29. The 2023 and 2024 flotation costs of $18.5 million and $1.9 million for FEI and FBC, respectively, are associated with Fortis Inc.'s equity injections received by each utility from January 1, 2023 to December 31, 2024. This aligns with the effective date of the new capital structure and ROE established by the BCUC in the 2023 GCOC Stage 1 Decision.[21]

30. As there were no bought deal equity offerings or equity issued under the ATM program by Fortis Inc. in the 2023-2024 period to fund FortisBC's equity injections, FortisBC is requesting to recover the DRIP discount of 2.0 percent after-tax as this is the actual direct issuance cost incurred by Fortis Inc. to fund FEI's and FBC's equity injections.

31. As explained in Section 4 of the Application, the 2.0 percent DRIP discount is expressed on an after-tax basis as this cost is not deductible for tax purposes and tax expense would have to be incurred when these costs are recovered. Using FortisBC's Canadian federal and BC combined statutory income tax rate of 27.0 percent, 2.0 percent after-tax is equivalent to approximately 2.74 percent before tax. Using the 2.74 percent flotation cost benchmark for the equity injections that occurred from January 1, 2023 to December 31, 2024, FortisBC calculated $18.5 million in flotation costs for FEI and $1.9 million in flotation costs for FBC.

B. 2023 AND 2024 FLOTATION COSTS ARE BELOW HISTORICAL AVERAGE OF FORTIS INC. AND ITS PEERS

32. The proposed 2.0 percent issuance cost for FortisBC's 2023 and 2024 equity injections is below Fortis Inc.'s actual historical weighted average issuance cost for the last 18 years of 6.3

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[21] Directives 1 and 2 of Order G-236-23.

percent, due to Fortis Inc.'s ability to use its DRIP program to raise its equity capital during this period.

33. In Appendix C to the Application, FortisBC has provided evidence of bought equity issuance costs, as well as agents' commissions for ATM programs, for Fortis Inc. and its peer companies' equity offerings from January 1, 2007 to December 2, 2024. Table 3-2 in the Application summarizes the conclusions from Appendix C:

Table 3-2: Fortis Inc. and Peer Company Equity Issuance Costs

	Discount	Fee	Total
Bought Equity Issuance			
Fortis Inc.	2.90%	4.00%	6.90%
Emera Inc.	1.40%	4.00%	5.40%
Hydro One Ltd.	2.70%	2.00%	4.70%
Enbridge Inc.	2.60%	3.79%	6.39%
Algonquin Power & Utilities Corp.	2.90%	3.67%	6.57%
AltaGas Ltd.	4.00%	4.19%	8.19%
Average	**2.75%**	**3.61%**	**6.36%**
At-the-Market Offerings			
Enbridge Inc.	n/a	2.00%	2.00%
Emera Inc.	n/a	2.00%	2.00%
Fortis Inc.	n/a	1.67%	1.67%
Algonquin Power & Utilities Corp.	n/a	2.00%	2.00%
Average		**1.92%**	**1.92%**

34. The proposed 2.0 percent after-tax issuance cost for FortisBC's 2023 and 2024 equity injections is at the very low end of the range of actual historical flotation costs observed at Fortis Inc. and its peer company equity offerings over the last 18 years.[22] As can be observed from Table 3-2 above, flotation costs ranged from as low as 1.67 percent in the case of Fortis Inc.'s ATM program and as high as 8.19 percent for AltaGas Ltd.'s bought deal equity issuance.

35. To be clear, FortisBC's issuance costs may not always be as low as 2023 and 2024. FortisBC's issuance costs in 2023 and 2024 were at the very low end of the range because they were only based on the DRIP discount. However, bought deal transactions are a legitimate means of raising equity, have been used by various utility companies in the past including Fortis Inc., and

22 Exhibit B-1, Application, Section 3.2.1.

will likely be used in the future. Since the methodology is valid, the results of applying that methodology should be acceptable regardless of the results in a particular year. All that said, in so far as 2023 and 2024 are concerned, the benefits that FortisBC customers are seeing from FortisBC's ability to obtain equity financing from Fortis Inc. are particularly significant.

C. FORTISBC'S REQUESTED ISSUANCE COSTS DO NOT INCLUDE REAL INDIRECT COSTS

36. FortisBC's proposed issuance costs for 2023 and 2024 are also low because, as noted above, its current methodology for identifying the cost of Fortis Inc.'s equity offering programs does not capture the indirect costs of these equity issuances, such as market pressure costs. These are real costs and would be recoverable as part of meeting the Fair Return Standard. However, FortisBC is foregoing those costs in 2023 and 2024 for pragmatic reasons – it has yet to develop a methodology for estimating indirect costs and it is important to the Companies to recover the quantified direct costs without delay.[23]

D. STANDALONE ISSUANCE COSTS FOR FEI AND FBC WOULD HAVE BEEN HIGHER

37. The standalone issuance costs for FEI and FBC would have been higher than what is being proposed, showing that customers are benefitting from the Companies' relationship with its parent, Fortis Inc.

38. The recovery of issuance costs is an area where the BCUC's 2023 GCOC Stage 1 Decision departed from the standalone principle. That principle has been accepted by the BCUC on a number of occasions, including in the 2013 GCOC Stage 1 Decision,[24] and FortisBC believes the principle is an essential element of the Fair Return Standard. Nevertheless, at a minimum, the BCUC's assessment of this Application should consider the fact that the issuance costs of Fortis Inc. will be lower than FortisBC's standalone costs. It supports the reasonableness of FortisBC's requests.

39. FEI and FBC could pursue a DRIP program to raise equity on a standalone basis if they were companies with public equity financing; however, they likely would not have access to as

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[23] Exhibit B-5, CEC IR1 1.1, 1.2.

[24] Decision and Order G-75-13, 2013 GCOC Stage 1 Decision, p. 100; Decision and Order G-129-16, 2016 GCOC Decision, pp. 84-85; 2023 GCOC Stage 1 Decision, p. 6.

many shareholders as Fortis Inc. who are willing to accept additional equity in lieu of cash dividends for a 2.0 percent discount. Therefore, FortisBC would likely not be able to solely fund the equity portion of its capital structure via a similar DRIP. FortisBC would have to either increase the discount or turn more frequently to other potentially more costly methods of raising equity.[25]

40. As discussed in Section 3.2.1 of the Application, FortisBC estimated that the average implied issuance cost for FEI and FBC is 7.15 percent and 7.32 percent, respectively, had both utilities issued equity on a standalone basis through a public bought deal equity offering. Smaller equity issuances are also correlated with higher issuance fees on a percentage basis, reinforcing that FEI and FBC issuing equity on a standalone basis would likely be subject to flotation costs in the range of 7.15 to 7.32 percent under the bought deal transaction equity financing approach.[26]

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25 Exhibit B-1, Application, Section 3.2.1; Exhibit B-5, CEC IR1 3.1.

26 Exhibit B-1, Application, Section 3.2.1.

PART SIX: THE PROPOSED DEFERRAL ACCOUNT IS APPROPRIATE

41. FortisBC is seeking approval to recover the actual flotation costs for 2023 and 2024 by recording them in the proposed Flotation Costs deferral accounts, as well as seeking approval to continue the use of the Flotation Costs deferral accounts to record future flotation costs (i.e., costs incurred beyond 2023 and 2024). FortisBC proposes to use the deferral accounts to record future flotation costs as they are incurred. FEI and FBC will seek approval to recover the future flotation costs recorded in the deferral accounts as part of their respective future revenue requirements processes by providing information (similar to information in this Application) regarding the sources and costs of the equity financing by its parent Fortis Inc.[27]

42. FortisBC expanded on the rationale for using deferral accounts in responses to information requests.[28] The use of deferral accounts addresses uncertainty in the timing and amount of issuance costs and is consistent with the BCUC's Guidelines.

43. FEI and FBC will propose an amortization period for the Flotation Costs deferral accounts as part of their respective next rate-setting applications. By applying for an amortization period as part of the Annual Review applications, FEI and FBC will be able to consider the overall rate impacts holistically, particularly the expected rate increases for 2026, which will help to inform an appropriate amortization period for recovery of the 2023 and 2024 flotation costs.[29]

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[27] Exhibit B-3, BCUC IR1 3.1.

[28] Exhibit B-3, BCUC IR1 3.1.

[29] Exhibit B-3, BCUC IR1 2.1.

PART SEVEN: CONCLUSION

44. This Application flows from the BCUC's determinations in the 2023 GCOC Stage 1 Decision on FortisBC's request to recover issuance costs as an ROE adder. The recovery of flotation costs for 2023 and 2024, along with the other orders sought in this Application, are necessary to comply with the Fair Return Standard and ensure that FortisBC's rates are just and reasonable. The issuance costs under the methodology outlined in the Application will necessarily be less than the issuance costs that FEI and FBC would incur on a standalone basis to deliver safe and reliable service to customers. The evidence demonstrates that FortisBC customers are benefitting particularly significantly in 2023 and 2024 by virtue of FortisBC's ability to access funding from Fortis Inc. and the exclusion of indirect issuance costs.

45. FortisBC respectfully submits that the proposals comply with the 2023 GCOC Stage 1 Decision and requests that the BCUC approve the orders sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated:

March 13, 2025

[original signed by Matthew Ghikas]

Matthew Ghikas
Counsel for FortisBC Energy Inc. and FortisBC Inc.

Dated:

March 13, 2025

[original signed by Courtney Gibbons]

Courtney Gibbons
Counsel for FortisBC Energy Inc. and FortisBC Inc.