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October 2, 2025
File No.: 240148.01197

Electronic Filing

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

Attention: Registrar

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. – 2025 and 2026 Annual Review of Delivery Rates – Final Argument

In accordance with the regulatory timetable in the above proceeding, we enclose for filing the Final Argument of FortisBC Energy Inc., dated October 2, 2025.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

Christopher Bystrom*
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Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

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

AND

FORTISBC ENERGY INC.

ANNUAL REVIEW FOR 2025 and 2026 DELIVERY RATES

FINAL SUBMISSION

OF

FORTISBC ENERGY INC.

OCTOBER 2, 2025

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PART ONE: INTRODUCTION AND OVERVIEW

1. In its Annual Review for 2025 and 2026 Delivery Rates Application (Application),[1] FortisBC Energy Inc. (FEI) seeks approval of permanent delivery rates for 2025 and 2026. FEI files its Application in compliance with British Columbia Utilities Commission (BCUC) Decision and Order G-69-25, which approved a Rate Setting Framework (RSF or Rate Framework) for FEI for 2025 to 2027 (RSF Decision). In accordance with the RSF Decision, an Annual Review process is required to set delivery rates for each year of the RSF. Due to the timing of the RSF Decision, FEI is seeking approval of delivery rates for both 2025 and 2026 in this Annual Review.

2. FEI calculated its 2025 and 2026 revenue requirement consistent with the RSF Decision, using the approved formulas for O&M and Growth capital and the approved forecasts for Sustainment/Other capital from the RSF Decision, and using its 2025 Projected and 2026 Forecast amounts for revenue requirement items that are to be forecast annually. Consistent with past annual reviews, FEI has included in its Application the information required by the RSF Decision[2] and has described the items that have contributed to the revenue deficiencies in each of 2025 and 2026.[3] FEI's Application sets out in detail each component of FEI's revenue requirements, and reports on accounting matters, the Clean Growth Innovation Fund (CGIF) and FEI's performance under the service quality indicators (SQIs) approved by the RSF Decision.[4] FEI's 2024 and June 2025 year-to-date SQI performance indicate that FEI is maintaining service quality.[5]

3. For 2025, FEI is requesting that its current 2025 interim delivery rates and riders be approved on a final basis. BCUC Order G-313-24 approved a 7.75 percent delivery rate increase on an interim and refundable/recoverable basis, effective January 1, 2025. The delivery rates for

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[1] Exhibit B-2, Annual Review for 2025 and 2026 Delivery Rates Application, July 24, 2025.

[2] Exhibit B-2, Application, section 1.3.

[3] Exhibit B-2, Application, section 1.4.

[4] Exhibit B-2, Application, sections 2 to 13.

[5] Exhibit B-2, Application, p. 200.

2025 resulting from the revenue requirement components in the Application, however, result in a 9.10 percent increase from the 2024 delivery rates. As a Decision on this Application is not expected until the end of the year at the earliest, FEI submits that the existing interim delivery rates for 2025 should be made permanent, and the portion of the 2025 revenue deficiency that is greater than 7.75 percent be captured in the existing 2023-2024 Revenue Deficiency deferral account, to be renamed as the 2023-2025 Revenue Deficiency deferral account.[6]

4. For 2026, FEI is requesting an effective delivery rate increase of 10.07 percent for 2026 compared to the 2025 approved interim rates, which is the delivery rate change for 2026 flowing from the approved formulas and forecasts set out in the Application. The 2026 delivery rate increase is primarily due to deferral amortization, particularly the amortization of the Demand Side Management (DSM) deferral account, growth in rate base due to the additions of approved major project capital expenditures, and increased income tax expenses.[7]

5. To avoid greater rate increases in 2026 and increase rate stability, FEI is proposing to commence amortization of the 2023-2025 Revenue Deficiency deferral account on January 1, 2027, over five years.[8]

6. FEI's detailed approvals sought are set out in Section 1.2 of the Application and in its draft order included in Appendix C of the Application.

7. On September 22, 2025, FEI responded to information requests (IRs) from the BCUC and interveners, including the BC Sustainable Energy Association (BCSEA), the British Columbia Old Age Pensioners' Organization et al. (BCOAPO) and Residential Consumer Intervener Association (RCIA) (BCOAPO-RCIA), the Commercial Energy Consumers Association of BC (CEC), and the Canadian Office and Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP). FEI has provided comprehensive responses to the IRs and no material issues were raised.

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6 Exhibit B-2, Application, pp. 1-2.

7 Exhibit B-2, Application, p. 2.

8 Exhibit B-2, Application, pp. 1-2 and Section 12.4.2.1.

8. FEI submits that its Application filed as Exhibit B-2 demonstrates that FEI's proposed revenue requirements and delivery rates for 2025 and 2026 are consistent with the RSF Decision and just and reasonable. FEI submits that its Application should be approved as filed.

9. In the remainder of this Final Argument, FEI addresses the topics canvassed in this proceeding, beginning with general matters and thereafter following the order of topics in its Application, and ending with a response to the BCUC's questions regarding efficiency initiatives for future annual review processes. FEI has not sought in this Final Argument to reproduce all of the evidence filed in its Application, on which it continues to rely, but has sought to focus on the topics canvassed in IRs.

PART TWO: DELIVERY RATE IMPLEMENTATION, 2025 PROJECTION

10. In this Part, FEI addresses general matters raised in this proceeding, including FEI's proposed implementation of permanent delivery rates and the incorporation of five months of actual data into its 2025 Projected amounts.

A. Proposed Implementation of Permanent Delivery Rates Strikes the Right Balance

11. The primary issue in this proceeding is how to implement permanent delivery rates for 2025 and 2026, given the timing of this proceeding and the calculated revenue deficiencies. As summarized in the introduction to this Final Argument, FEI submits that the existing interim delivery rates for 2025 should be made permanent, that the portion of the 2025 revenue deficiency that is greater than 7.75 percent should be captured in the 2023-2025 Revenue Deficiency deferral account and amortized for five years beginning on January 1, 2027, and an effective delivery rate increase of 10.07 percent be approved for 2026. FEI addresses the elements of this proposal below.

(a) 2025 Interim Delivery Rates Should be Made Permanent

12. Due to the expected timing of a decision on this Application in November or December of 2025, the only reasonable option is to set permanent 2025 delivery rates at the existing interim

levels and capture the revenue deficiency greater than the 7.75 percent increase (approximately $15.352 million) in the 2023-2025 Revenue Deficiency deferral account.

13. If FEI were to increase 2025 delivery rates to 9.10 percent on a permanent basis, effective January 1, 2025, FEI would need to collect the incremental 2025 deficiency of $15.352 million from customers through a one-time bill adjustment in the first billing cycle subsequent to the BCUC's decision on the Application. This is not a reasonable approach as it would likely mean that FEI would be applying the one-time bill adjustment in January 2026, at a time when gas consumption is typically highest and customers will already be experiencing both delivery and gas cost rate increases.[9]

14. In short, as 2025 will have passed by the time a Decision on this Application can be implemented, any increase to 2025 interim rates will be experienced by customers in January of 2026. Given the delivery rate increases already required in 2026, FEI submits that making the 2025 interim rates permanent, and deferring the revenue deficiency of approximately $15.352 million, is the only reasonable approach.

(b) FEI Has Proposed the Best Option for 2026 Delivery Rates

15. FEI's proposed approach of recovering the full 2026 revenue requirement in 2026, while delaying amortization of the 2023-2025 Revenue Deficiency deferral account until 2027, is the most reasonable option for 2026 delivery rates and the balance in the 2023-2025 Revenue Deficiency deferral account.

16. The options FEI considered, as well as the advantages and disadvantages of each, are summarized below.[10]

(a) **Option 1: Commence the amortization of the 2023-2025 Revenue Deficiency deferral account in 2026 in addition to fully recovering the 2026 revenue requirement in 2026**. While this option enables FEI to fully recover the 2026 revenue requirement in 2026 and immediately commence recovery of the prior year deferred deficiencies, which reduces rate pressures in future years, it results

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[9] Exhibit B-2, Application, p. 168.

[10] Exhibit B-2, Application, pp. 3-5.

in the highest delivery rate increase on January 1, 2026, at 11.82 percent, which is typically when customer consumption is at its highest. This option also creates some rate volatility, as delivery rates will increase from 7.75 percent in 2025 to 11.82 percent in 2026, and then will drop again in 2027 to a range of 6 to 8 percent based on preliminary estimates.

(b) **Option 2 (Proposed): Recover the full 2026 revenue requirement in 2026 but delay the amortization of the 2023-2025 Revenue Deficiency deferral account until 2027.** This results in a delivery rate increase of 10.07 percent on January 1, 2026, enabling 2026 delivery rates to fully reflect the cost of service in the applicable test year. By delaying the amortization of the 2023-2025 Revenue Deficiency deferral account to 2027, the delivery rate increase in 2026 is mitigated compared to Option 1, and the year-over-year delivery rate increases from 2025 to 2027 will be less volatile (i.e., 7.75 percent in 2025, 10.07 percent in 2026, and 8 to 10 percent in 2027 based on preliminary estimates). The primary disadvantages of this option are that it puts more rate pressure on 2027 compared to Option 1 and extends the time until the deferred deficiencies are fully recovered (i.e., 2031 assuming a 5-year amortization period), thus impacting future rates for an additional year compared to Option 1.

(c) **Option 3a: Divide the delivery rate increase described in Option 1 (i.e., 11.82 percent) into two parts – an 8.00 percent increase effective January 1, 2026 and a further 7.81 percent increase effective July 1, 2026.** This option enables the full recovery of the 2026 revenue requirement in 2026 while reducing the impact to customers on January 1, 2026, and commences recovery of the accumulated revenue deficiencies from prior years. However, this option may result in greater customer dissatisfaction due to the increased complexity of multiple rate changes and the fact that customers will experience a higher-than-typical bill increase in July. It will also result in rate volatility because the rate increase in the second half of the year must be set higher to recover both the last six months' revenue deficiency as well as the uncollected deficiency from the first six months. Due to the higher rates at the end of 2026, all else being equal, the 2027 delivery rate increase could be as low as 2 to 4 percent, based on preliminary estimates.

(d) **Option 3b: Divide the delivery rate increase described in Option 2 (i.e., 10.07 percent) into two parts – an 8.00 percent increase effective January 1, 2026 and a further 4.24 percent increase effective July 1, 2026.** The advantages and disadvantages of Option 3b compared to Option 3a are generally the same, with the exception that the delivery rate increase on July 1, 2026 is lower and there is less rate volatility (the delivery rate increase for 2027 would potentially be in the range of 4 to 6 percent based on preliminary estimates).

(e) **Option 4: Defer a portion of the 2026 revenue deficiency to smooth rate impacts, capping the 2026 delivery rate increase at 9.0 percent.** While this option would keep the 2026 delivery rate increase below 10 percent, the key disadvantage is that a further deficiency will be deferred to future years. Under Option 4, the 2023-2025 Revenue Deficiency deferral account balance at the end of 2026 would be approximately $93.659 million. Commencing amortization of the deferral account in 2027 would put the greatest pressure on 2027 delivery rates of all the options, with a 2027 delivery rate increase as high as 10 to 12 percent based on preliminary estimates. FEI does not consider that further deferral of a revenue deficiency in this way can be justified.

17. FEI's proposed Option 2 provides the best balance between the relevant considerations. Option 2 enables FEI to fully recover the 2026 revenue requirement in 2026, while providing some rate mitigation by delaying the amortization of the 2023-2025 Revenue Deficiency deferral account. Option 2 avoids the higher rate increase in 2026 associated with Option 1, avoids the 10 to 12 percent rate impact in 2027 caused by Option 4 and avoids the rate volatility and customer dissatisfaction associated with Options 3a and 3b.

18. The following comparison of the incremental delivery rate impacts due to the amortization of the 2023-2025 Revenue Deficiency deferral account under each option illustrates how FEI's proposed Option 2 offers the best balance among the options explored. Although the 2023-2025 Revenue Deficiency deferral account will not be fully amortized until 2031, which is one year later than Option 1, Option 2 helps mitigate the immediate delivery rate increase in 2026 and minimizes potential rate volatility from 2026 to 2028.[11]

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[11] Exhibit B-8, MoveUP IR1 1.1.

Table 1: Comparison of the Incremental Delivery Rate Impact due to the 2023-2025 Revenue Deficiency Deferral Account between Options 1, 2, 3a, 3b, and 4

	2026	2027	2028	2029	2030	2031
Option 1 and 3a - Amortization begins in 2026						
Amortization	15,756	16,860	18,085	19,492	21,956	-
Income Tax	5,828	6,236	6,689	7,209	8,121	-
Total Incremental Revenue Requirement ($000s)	21,584	23,096	24,774	26,702	30,077	-
Non-bypass Margin at 2025 Interim Approved ($000s)	1,235,266	1,235,266	1,235,266	1,235,266	1,235,266	1,235,266
Delivery Rate Impact compared to 2025 Interim Approved (%)	**1.75%**	**1.87%**	**2.01%**	**2.16%**	**2.43%**	**0.00%**
Year-over-year Impact (%)	**1.75%**	**0.12%**	**0.14%**	**0.16%**	**0.27%**	**-2.43%**
Option 2 and 3b - Amortization begins in 2027						
Amortization	-	16,737	17,910	19,211	20,706	23,323
Income Tax	-	6,191	6,624	7,105	7,658	8,626
Total Incremental Revenue Requirement ($000s)	-	22,928	24,534	26,316	28,364	31,950
Non-bypass Margin at 2025 Interim Approved ($000s)	1,235,266	1,235,266	1,235,266	1,235,266	1,235,266	1,235,266
Delivery Rate Impact compared to 2025 Interim Approved (%)	**0.00%**	**1.86%**	**1.99%**	**2.13%**	**2.30%**	**2.59%**
Year-over-year Impact (%)	**0.00%**	**1.86%**	**0.13%**	**0.14%**	**0.17%**	**0.29%**
Option 4 - 2026 Delivery Rate Increase capped at 9%						
Amortization	-	18,732	20,044	21,500	23,173	26,102
Income Tax	-	6,928	7,413	7,952	8,571	9,654
Deferred Deficiency	(13,247)	-	-	-	-	-
Total Incremental Revenue Requirement ($000s)	(13,247)	25,660	27,457	29,452	31,744	35,756
Non-bypass Margin at 2025 Interim Approved ($000s)	1,235,266	1,235,266	1,235,266	1,235,266	1,235,266	1,235,266
Delivery Rate Impact compared to 2025 Interim Approved (%)	**-1.07%**	**2.08%**	**2.22%**	**2.38%**	**2.57%**	**2.89%**
Year-over-year Impact (%)	**-1.07%**	**3.15%**	**0.15%**	**0.16%**	**0.19%**	**0.32%**

(c) FEI's Proposed Option Is More Reasonable than BCUC IR1 2.4 Options (i) and (ii)

19. FEI's proposed Option 2 is more reasonable than the two options suggested in BCUC IR1 2.4, which were:[12]

- BCUC IR1 2.4 Scenario (i): The 2025 interim delivery rates are made permanent, the existing 2023-2024 Revenue Deficiency deferral account is amortized beginning January 1, 2026 over a five-year period, FEI fully recovers the 2026 revenue requirement in 2026 (e.g. $124.421 million plus the additional revenue deficiency resulting from commencing amortization of the 2023-2024 Revenue Deficiency deferral account in 2026), and the incremental 2025 revenue deficiency of (e.g. $15.352 million) is deferred and amortized over a one-year period beginning on January 1, 2027; and

[12] Exhibit B-4, BCUC IR1 2.4.

- BCUC IR1 2.4 Scenario (ii): The 2025 interim delivery rates are made permanent, the existing 2023-2024 Revenue Deficiency deferral account is amortized beginning January 1, 2025 over a five-year period, FEI fully recovers the 2026 revenue requirement in 2026 (e.g. $124.421 million), and the incremental 2025 revenue deficiency (e.g. $15.352 million plus the additional revenue deficiency resulting from commencing amortization of the 2023-2024 Revenue Deficiency deferral account in 2025) is amortized over a one-year period beginning on January 1, 2027.

20. In summary, these two options explore ways to more quickly recover the 2023 to 2025 revenue deficiencies and thereby lead to lower carrying costs compared to FEI's Option 2. However, BCUC IR1 2.4 Scenario (i) and (ii) result in delivery rate impacts in 2026 of 11.57 and 11.58 percent, respectively. BCUC IR1 2.4 Scenario (i) results in rate volatility from 2025 to 2027 (7.75 percent in 2025, 11.57 percent in 2026, and 8 to 10 percent in 2027 based on preliminary estimates) that is slightly worse than FEI's Option 2. BCUC IR1 2.4 Scenario (ii) results in a delivery rate increase for 2027 in the range of 9 to 11 percent based on preliminary estimates, which is higher than the estimated increase of 8 to 10 percent under FEI's Option 2.[13]

21. FEI submits that its proposed Option 2 is more reasonable and balanced than BCUC IR1 2.4 Scenario (i) and (ii), considering the rate impacts in 2026 and 2027, rate volatility, and time until the revenue deficiency would be fully amortized. Although the revenue deficiency will not be fully amortized until 2031, FEI's proposed Option 2 has the lowest delivery rate increase in 2026, relatively lower rate volatility, and puts the least pressure on 2027 delivery rates.[14]

(d) FEI's Proposed Options Are More Reasonable than BCOAPO-RCIA IR1 8.2 Options

22. FEI's proposed Option 2 is also superior to the options suggested in BCOAPO-RCIA IR1 8.2.[15]

23. BCOAPO-RCIA Scenario (i), as described by BCOAPO-RCIA, involves capping annual delivery rate increases at 8 percent for 2025 and 2026, and assumes that the $15.4 million revenue deficiency in 2025 is eliminated. However, this scenario would not be reasonable and

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13 Exhibit B-4, BCUC IR1 2.4.

14 Exhibit B-4, BCUC IR1 2.4.

15 Exhibit B-5, BCOAPO-RCIA IR1 8.2.

acceptable to customers, as FEI can only realistically collect the incremental 2025 revenue deficiency through a one-time bill adjustment in January 2026, which is at a time when customers will already be experiencing both delivery and gas cost rate increases. As such, FEI analyzed BCOAPO-RCIA Scenario (i) assuming the 2025 delivery rate increase is maintained at 7.75 percent while capping the 2026 delivery rate increase at 8.00 percent.[16]

24. Compared to BCOAPO-RCIA Scenario (i), FEI submits that its proposed Option 2 provides a more reasonable balance of rate impacts in 2026 and 2027, rate volatility, and the time until the revenue deficiency would be fully amortized. While BCOAPO-RCIA Scenario (i) offers a lower delivery rate increase in 2026, the key disadvantage of BCOAPO-RCIA Scenario (i) is that it would require an additional deficiency deferral of approximately $25.6 million in 2026, which would increase the ending balance of the revenue deficiency deferral account to $102.956 million. The resulting delivery rate increases for 2027 under BCOAPO-RCIA Scenario (i) are estimated to be:[17]

(a) 11 percent to 13 percent if the amortization period is five years;

(b) 14 percent to 16 percent if the amortization period is two years; and

(c) 19 percent to 21 percent if the amortization period is one year.

The resulting delivery rate increases in 2027 would, therefore, be much higher than FEI's proposed Option 2 of 8 to 10 percent and there is a high probability that FEI would have to defer further deficiencies in 2027 and beyond under BCOAPO-RCIA Scenario (i), causing more rate pressures in future years. FEI submits that this additional deferral and resulting impacts in future years outweighs the benefit of capping delivery rate increases in 2026 at 8 percent.[18]

25. FEI submits that both BCOAPO-RCIA Scenarios (ii) and (iii) are not feasible. First, these scenarios assume "income tax expenditures are smoothed for rate making purposes", which would require an incorrect forecast of income tax expenses, which is inappropriate and unreasonable. As part of the approved RSF, a portion of variances in income tax expenses are

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[16] Exhibit B-5, BCOAPO-RCIA IR1 8.2.

[17] Exhibit B-5, BCOAPO-RCIA IR1 8.2.

[18] Exhibit B-5, BCOAPO-RCIA IR1-8.2.

subject to earnings sharing. Therefore, purposefully forecasting income tax expenses as requested would result in FEI under-recovering its prudently incurred costs, which is contrary to the regulatory compact.[19]

26. Second, these scenarios also assume that "the amortization of all deferrals are smoothed, for rate making purposes", which require a change to the amortization periods of all of FEI's previously approved deferral accounts. FEI submits that this assumption is unreasonable, impractical, and inconsistent with previous deferral account amortization approvals. It would not be reasonable to ignore the individual purpose of each of FEI's deferral accounts and seek a change to all of FEI's deferral accounts such that the amortization period was five or eight years. It is also impractical and unnecessary for FEI to recalculate the amortization of its deferral accounts based on either a five-year or eight-year amortization period for rate smoothing purposes given that FEI has an approved revenue deficiency deferral account already in place (i.e., the 2023-2024 Revenue Deficiency deferral account) to serve the purpose of rate smoothing.[20]

27. In conclusion, FEI submits that it has thoroughly analyzed the various options available, including those proposed through IRs, and that its proposed Option 2 offers the best balance of relevant factors, including rate impacts, rate stability and speed of recovery of revenue deficiencies. FEI, therefore, submits that its proposed Option 2 should be approved.

B. Incorporation of Five Months of Actual Data is Reasonable and Appropriate

28. FEI submits that its incorporation of five months of actual data into the calculation of its 2025 revenue requirement, where applicable,[21] is reasonable, does not give rise to any retroactive ratemaking concerns, or have any other inappropriate impact on FEI's 2025 revenue requirements.

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[19] Exhibit B-5, BCOAPO-RCIA IR1 8.2.

[20] Exhibit B-5, BCOAPO-RCIA IR1 8.2.

[21] Exhibit B-2, Application, p. 1.

29. It was reasonable for FEI to use the five months of actual results that were available at the time of filing the Application in mid-2025, as these Actual results represent the best information available to forecast FEI's 2025 revenue requirement. Using actual data available is also consistent with past practice, such as in FEI's and FortisBC Inc.'s (FBC's) 2020-2021 annual reviews. In short, using the actual data that was available for the first five months of 2025 is more accurate and reasonable than using forecast data for past months that is known to be incorrect.

30. Further, using actual results for the purposes of calculating the 2025 revenue requirement is not retroactive ratemaking, as Order G-313-24 approved 2025 delivery rates on an interim basis, prior to the start of the test year. The use of interim rates is a common, well-established mechanism that is used to prevent retroactive ratemaking. With rates approved for a test period on an interim basis, the BCUC necessarily has the power to modify the rates for that test period at a later date, by final order.[22]

31. Using actual results from January to May 2025, rather than forecasts, has an immaterial impact on earning sharing. The impact will be minimal because it has no impact on the primary items that impact earning sharing, as the formulas for O&M and Growth Capital, and the forecasts for regular Sustainment and Other capital, were set by the RSF Decision for the duration of the RSF term.

32. Furthermore, the minor impacts on earning sharing are entirely appropriate. First, the use of five months of actual results should reduce the amount of true-up that would otherwise be required in future years between forecast and actual customers/customer additions as part of the calculation of annual formula O&M and Growth capital; however, this is entirely consistent with the RSF Decision, which approved the true-up mechanisms.[23] Second, while NGT Overhead and Marketing Recoveries is subject to earning sharing, and the use of actual amounts potentially reduces the variance that would otherwise occur, this is appropriate. The alternative of FEI using

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[22] Exhibit B-4, BCUC IR1 1.1.

[23] Exhibit B-4, BCUC IR1 1.1.

forecast values for the first five months of 2025 when actual values are known, and then potentially sharing in the earnings impact (which could be positive or negative) from the resulting variances, would not be a better or more appropriate approach.[24]

33. Finally, with respect to the Flow-through deferral account, FEI expects that including five months of actual results will reduce the variances between the 2025 actuals and forecast, thereby limiting the amount of true-up that will have to be recovered from or returned to customers through the Flow-through deferral account in subsequent years.[25]

PART THREE: FORMULA DRIVERS ARE CALCULATED PER RSF DECISION

34. FEI has calculated the Inflation Factor (or I-Factor) and Growth Factors used for calculating FEI's formula O&M and formula Growth capital amounts in accordance with the RSF Decision.[26] In summary, the net inflation factor for 2025 and 2026 is 3.648 percent and 2.726 percent, respectively. FEI's formula O&M is determined using average customers of 1,102,958 in 2025 and 1,114,373 in 2026, and the formula Growth capital is determined using gross customer additions of 10,000 in 2025 and 8,000 in 2026.[27] FEI's calculations of these formula elements are all detailed in Section 2 of the Application.

35. In response to IRs, FEI clarified the following points:

(a) Net customer reconnections do not impact the formula drivers. FEI has consistently had at least 20,000 net customer reconnections since 2015. However, net customer reconnections do not impact FEI's forecasts of gross customer additions (GCA) or its formula Growth capital and is not relevant to FEI's formula O&M (which is based on the total average customer count, not customer reconnections, regardless of the rate class).[28]

(b) Variances between forecast and actual commercial net customer additions have had no material impact on formula O&M. Moreover, FEI's formula O&M includes

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24 Exhibit B-4, BCUC IR1 1.1.

25 Exhibit B-4, BCUC IR1 1.1.

26 Exhibit B-2, Application, Section 3.

27 Exhibit B-2, Application, p. 19.

28 Exhibit B-7, CEC IR1 2.1 and 2.3.

a true-up mechanism for the actual average customer counts, so that any variance between forecast and actual customer counts are trued-up in the calculation of the formula O&M once the actuals are known.[29]

(c) The approved formula for Growth capital is calculated based on the forecast of gross customer additions (GCA), which comprises only new customers attaching to the natural gas distribution system. As such, net customer additions (or variances in the forecast of net customer additions) have no impact on FEI's formula Growth capital.[30]

36. FEI submits that the IRs raised no issues and that its calculated formula drivers should be accepted for the purpose of setting delivery rates in 2025 and 2026.

PART FOUR: DEMAND FORECAST IS BASED ON APPROVED METHODS

37. FEI's forecast of demand for natural gas is based upon methods approved in the RSF Decision for 2025 to 2027. For 2025, FEI is projecting a small decrease in consumption of 0.2 PJ or 0.09 percent compared to the 2024 Approved level, which results in a decrease in revenue of $188.2 million based on the 2024 Approved rates. For 2026, FEI is forecasting a small increase in consumption of 2.2 PJ or 1.0 percent compared to the 2025 Projected level, which results in an increase in revenue of $100.6 million based on the 2025 Approved Interim rates. The increase in 2026 is primarily due to a forecast increase in demand from residential and commercial customers.[31]

38. In response to IRs from interveners, FEI provided further information where available, including:

(a) The carbon tax is not an input into any of the forecast methods and, therefore, the elimination of the carbon tax in 2025 did not impact demand forecasts for 2025 and 2026;[32]

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29 Exhibit B-7, CEC IR1 5.1 and 5.2.

30 Exhibit B-7, CEC IR1 5.2.

31 Exhibit B-2, Application, p. 20 and Section 3.

32 Exhibit B-7, CEC IR1 3.1.

(b) The decline in the RS 23 customer count is primarily due to customers returning to FEI's bundled service (RS 3), due to volatility at the Huntingdon/Sumas market following the 2018 rupture on Enbridge's T-South pipeline;[33] and

(c) FEI provided the average annual consumption of RS 5 customers, which has been generally increasing since 2015.[34]

39. FEI submits that its demand forecast is based on the methods approved by the RSF Decision and should be accepted for the purpose of setting delivery rates for 2026 and 2026.

PART FIVE: OTHER REVENUE FORECAST IS REASONABLE

40. FEI has forecast its Other Revenue for 2025 and 2026 reflecting all applicable contracts and fixed revenues and based on FEI's best knowledge of the factors that drive the variable components. FEI is projecting a decrease in Other Revenue of approximately $10.170 million from 2024 Approved to 2025 Projected, followed by an increase of approximately $15.704 million from 2025 Projected to 2026 Forecast. The decrease in 2025 and increase in 2026 are both primarily due to changes in RNG Other Revenue related to the City of Vancouver (CoV) Landfill RNG Project, which will be placed in service in 2025.[35]

41. Pursuant to the RSF Decision, forecast variances in Late Payment Charges, Application Charges, NSF Returned Cheque Charges, Other Recoveries, and NGT Overhead and Marketing Recoveries are shared with customers through the Earning Sharing Mechanism. Other variances in Other Revenue are recorded in the SCP Mitigation Revenues Variance Account, the RNG Account, the CNG/LNG Recoveries deferral account or the Flow-through deferral account.[36]

42. FEI submits that the BCUC should approve the continuation of the debiting of the Midstream Cost Reconciliation Account (MCRA) and crediting of Other Revenue in the amount of $346.617 per MMcf/d (equivalent to approximately $0.3059/GJ per day), effective January 1, 2025, and for the duration of the 2025-2027 RSF term, to reflect the inclusion of the 105 MMcf/d

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33 Exhibit B-7, CEC IR1 4.1.

34 Exhibit B-7, CEC IR1 4.3.

35 Exhibit B-2, Application, Section 5.

36 Exhibit B-2, Application, p. 45.

of Southern Crossing Pipeline (SCP) east to west capacity in the gas supply midstream (i.e. MCRA) portfolio. In Decision and Order G-319-20,[37] FEI was approved, for the duration of the 2020-2024 MRP term, to debit the MCRA and credit Other Revenue in the amount of $346.617 per MMcf/d for the 105 MMcf/d of SCP east to west capacity held within the MCRA portfolio. For the duration of the 2025-2027 RSF term, FEI plans to continue to hold all of the 105 MMcf/d of SCP east to west capacity within the MCRA portfolio, which is consistent with FEI's BCUC-accepted 2024/25 and 2025/26 Annual Contracting Plans (ACPs).[38] Therefore, consistent with approved treatment for the duration of the 2020-2024 MRP term and the approved ACPs, FEI submits that the BCUC should approve the continuation of this treatment effective January 1, 2025 and for the duration of the RSF term.[39]

43. FEI submits that no issues were raised in IRs and that its forecast Other Revenue should be accepted for the purpose of setting delivery rates in 2025 and 2026, and the continuation of the debiting of the MCRA and crediting of Other Revenues regarding SCP east to west capacity be approved for the term of the RSF.

PART SIX: FORMULA AND FORECAST O&M EXPENSE IS REASONABLE

44. The majority of FEI's O&M expense is determined by formula as approved by the RSF Decision. For categories of O&M expense that are not determined by formula, FEI has provided a projection of its O&M expense for 2025 and forecast for 2026.

45. FEI submits that its formula O&M has been calculated consistent with the RSF Decision. FEI's 2025 Formula O&M is $312.846 million, representing an increase of 0.1 percent from the 2024 Approved Formula O&M of $312.561 million. The drivers of the increase are the 2025 net inflation factor, the increase in the average customer count forecast from 2024 to 2025, and the elimination of the discount on the growth factor applied to formula O&M, all of which are mostly

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37 Directive 7 to Order G-319-20.

38 The 2024/25 Annual Contracting Plan (ACP) was accepted by Letter L-13-24 and the 2025/26 ACP was accepted by Letter L-7-25.

39 Exhibit B-2, Application, p. 43-44.

offset by the reduction in the Base O&M, which was reset to $299.127 million as part of the approved RSF. The 2026 Formula O&M is $325.220 million, representing a 4.0 percent increase from the 2025 Formula O&M, driven by the 2026 net inflation factor and the increase in the average customer count forecast from 2025 to 2026.

46. FEI submits that its 2025 Projected and 2026 Forecast O&M expense are reasonable and appropriate. For the O&M expenses tracked outside of the formula (i.e., forecast O&M), FEI's 2025 Projected amount is $87.940 million, representing a 52.6 percent increase from the amount approved for 2024. This increase is primarily the result of the reclassification of the Advanced Metering Infrastructure (AMI) related O&M costs from formula O&M to forecast O&M, as approved in the RSF Decision.[40] The 2026 Forecast O&M is $91.321 million, representing a 3.8 percent increase from the amount projected for 2025.

47. Overall, the increase in gross O&M expense from 2024 Approved to 2025 Projected is 8.3 percent, which includes a 0.1 percent increase in formula-driven O&M and a 52.6 percent increase in the O&M forecast outside of the formula (primarily related to the reclassification of O&M costs impacted by the AMI CPCN Project from formula O&M to flow-through O&M). The increase in gross O&M expense from 2025 Projected to 2026 Forecast is 3.9 percent, which includes a 4.0 percent increase in formula-driven O&M and a 3.8 percent increase in the O&M forecast outside of the formula.[41]

48. FEI addresses the topics raised in IRs below, which FEI submits have not identified any issue with FEI's formula or forecast O&M expense. FEI submits that its formula and forecast O&M set out in Section 6 of the Application should be accepted for the purpose of setting delivery rates for 2025 and 2026.

A. Clean Growth Initiative - Renewable Gas Development

49. FEI's 2024 Actual Renewable Gas Development O&M provided in Table 6-9 is net of CleanBC and NRCan funding. FEI incurred $7.531 million in expenditures in 2024. Of these total

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40 RSF Decision and Order G-69-25, p. 29.

41 Exhibit B-2, Application, p. 61.

expenditures, $5.215 million was offset by CleanBC funding and $0.066 million was offset by NRCan funding.[42]

B. Clean Growth Initiative - RNG O&M

50. FEI has sought to achieve savings on its RNG Program Overhead Costs. First, FEI expects to be able to make reductions in customer education costs in future years. The current level of investment in customer education was required in 2024 and is expected to be required in 2025 and 2026 to educate customers about the RNG Blend which was introduced in 2024. However, as the RNG Blend becomes better known and understood by customers, FEI expects to be able to reduce its spending on customer education by potentially $0.250 million with less frequent communications. Second, FEI has identified an opportunity to bring some RNG development activities in-house and has been working on developing the required expertise and skillsets internally. However, the development of this in-house expertise will take time, and the savings are expected to be partially offset by additional costs related to compliance support as the number of RNG facilities has increased. Third, FEI expects that its development of a more robust agreement template for future Biomethane purchase agreements could result in efficiencies in legal costs, as FEI expects it will be less costly to finalize new, future agreements.[43] Finally, FEI notes that there is an economy of scale as the volume of RNG grows over time in comparison to the RNG Program Overhead. This is a result of the fact that the current resources assigned to this area of the business are expected to grow at a slower rate than the costs associated with RNG purchases. In other words, the cost per GJ of RNG will decrease over time.[44] FEI will continue to evaluate its needs related to RNG development and look for opportunities for efficiencies and cost savings where possible.[45]

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42 Exhibit B-5, BCOAPO-RCIA IR1 6.2.

43 Exhibit B-4, BCUC IR1 3.1.

44 Exhibit B-4, BCUC IR1 3.1.

45 Exhibit B-4, BCUC IR1 3.1.

C. Net O&M Increase in 2025 Compared to 2026 Explained

51. The difference in the net O&M increase in 2025 compared to the increase in 2026 is predominantly due to the reclassification of the AMI-related O&M costs from formula to forecast O&M in 2025, as approved by the RSF Decision. The other major differences between 2025 and 2026 are: [46]

- Pension/OPEB expense: FEI is projecting a reduction in the discount rate in 2025 from 5.25 percent to 4.50 percent, but a small increase from 4.50 percent to 4.75 percent in 2026, as discussed in Section 6.3.1 of the Application;
- Integrity O&M: FEI is projecting a decrease in the number of digs in 2025 followed by an increase in 2026, as shown in Table 6-6 of the Application; and
- Variable LNG O&M: The variance in LNG O&M is dependent on FEI's LNG sales under RS 46, which FEI projects will increase by 0.6 PJ in 2025 and maintain a similar level in 2026. As such, the increase in variable LNG O&M is estimated to be higher in 2025 Projected when compared to 2026 Forecast.

As such, the difference in the net O&M increase between 2025 and 2026 is not related to any third-party actions or a result of any one-time "windfall" of O&M savings in 2026.[47]

D. Integrity O&M

52. FEI's 2025 Projected and 2026 Forecast Integrity O&M reflects estimates developed by FEI's Transmission Operations staff and considers past and current costs to complete similar integrity digs, as well as utilizing knowledge and/or estimates of future costs where available. FEI's 2025 Projected Integrity O&M is $9.7 million, which is $1.5 million less than 2024 Approved. For 2026, FEI is forecasting the Integrity O&M to be $12 million, which is $2.3 million higher than 2025 Projected. The increase is due to an expected increase in the number of integrity digs and the average cost per dig, compared to 2025 Projected.[48]

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[46] Exhibit B-5, BCOAPO-RCIA IR1 4.1.

[47] Exhibit B-5, BCOAPO-RCIA IR1 4.1.

[48] Exhibit B-2, Application, section 6.3.3.

53. FEI's average cost per dig is forecast to increase in 2025 and 2026. FEI explained that there are a number of factors contributing to the increasing average cost per dig, including site-specific scope and cost factors as well as broader drivers:[49]

> Site-specific scope and cost factors that vary from dig to dig include site access, site management during the dig, site restoration, pipeline outside diameter, and pipeline repairs (if necessary). For example, digs resulting from the CTS TIMC CPCN Project are occurring in the more complex urban environment of the Lower Mainland. FEI also incurred costs for excavations on its largest diameter pipeline in 2024 – the Huntingdon-Roebuck 1067 mm (NPS 42) pipeline.
>
> Broader drivers that are impacting the average cost per dig include changes in regulations and the evolution within the industry regarding environmental management. Regulatory amendments in 2023 introduced greater complexity and rigour regarding soil relocation and subsequently impacted FEI's soil management practices. For example, soil disposal has been required at some dig sites. Additionally, regulations have been evolving with respect to methane emissions. Most recently, the BC Pipeline Regulation (B.C. Reg. 281/210) was amended to include requirements pertaining to venting and depressurizing pipelines. As a result of these changes in regulations and environmental management practices, costs have increased (for example, specialized equipment is required to avoid venting gas to the atmosphere and more complex procedures increase the required labour hours), thus impacting the average cost per dig.

54. In response to IRs, FEI provided further details on procedures for the depressurization of pipelines when preparing for integrity digs,[50] as well as factors that drive the need for soil disposal.[51]

55. FEI notes that, pursuant to the RSF Decision, integrity digs are a flow-through item with variances between forecast and actual amounts captured in the Flow-through deferral account.

PART SEVEN: RATE BASE ITEMS ARE REASONABLY CALCULATED

56. FEI has reported on its rate base-related items in Section 7 of the Application. FEI's rate base is comprised of mid-year net gas plant in service, construction advances, work-in-progress

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49 Exhibit B-2, Application, p. 53.

50 Exhibit B-5, BCOAPO-RCIA IR1 5.1 and 5.2.

51 Exhibit B-5, BCOAPO-RCIA IR1 5.3.

not attracting AFUDC, unamortized deferred charges, working capital, and deferred income tax. FEI's 2025 Projected rate base is $6.452 billion, while FEI's 2026 Forecast rate base is $6.835 billion. Details of the 2025 Projected and 2026 Forecast plant balances as well as depreciation, retirements, CIAC, working capital, and other rate base items are all provided in Section 11 of the Application. No IRs explored the calculation of FEI's rate base and, as such, FEI has not addressed its rate base calculation any further in this final argument.

57. FEI is not proposing any new rate base deferral accounts, but is requesting the following with respect to its existing rate base deferral accounts:

(a) Approval to rename the Annual Review of 2020-2024 Rates deferral account to the Annual Review Proceeding Costs deferral account, and to use this deferral account to capture actual regulatory proceeding costs related to the Annual Reviews during the RSF term. Further, approval to continue to amortize the deferral account over a one-year period.

(b) Amortization periods for the following previously approved rate base deferral accounts, as described in Section 7.7.2:

- A three-year amortization period for the 2025 MRP Application deferral account, commencing January 1, 2025. FEI also seeks approval to rename the deferral account the 2025-2027 RSF Application deferral account;
- A five-year amortization period for the 2021 Generic Cost of Capital Proceeding deferral account, commencing January 1, 2025;
- A three-year amortization period for the 2021 Renewable Gas Program Comprehensive Review deferral account, commencing January 1, 2025;
- A one-year amortization period for the 2023 Cost of Service Allocation (COSA) Study deferral account, commencing January 1, 2025; and
- A three-year amortization period for the 2022 Long-Term Gas Resource Plan (LTGRP) deferral account, commencing January 1, 2025.

58. FEI has included a detailed justification for each of the above requests in Section 7.7.2 of the Application. FEI submits that the proposals are just and reasonable and should be approved as filed.

59. With respect to the Annual Review Proceeding Costs Deferral Account, FEI clarified in response to BCUC IR1 4.1 that the $0.150 million forecast additions to the deferral account in 2025 relates to the current proceeding, whereas the $0.150 million forecast additions in 2026 relate to the regulatory costs for the Annual Review for 2027 Delivery Rates, which FEI expects to occur and be complete in 2026.[52]

60. FEI agrees that it would be reasonable to reduce the forecast proceeding costs to $0.075 million in 2025 (for the 2025-2026 Annual Review) and $0.075 million in 2026 (for the 2027 Annual Review), considering the regulatory timetable established by Order G-179-25 which excluded a workshop, and the proceeding scope defined by the BCUC's letter regarding intervener registration and instruction on proceeding scope.[53] This assumes that the efficiencies implemented in the current proceeding are similarly implemented for the 2027 annual review.

61. However, while FEI could revise these forecasts as part of the compliance filing to the BCUC's decision on the Application, FEI does not consider it necessary to revise the forecast additions to the Annual Review Proceeding Costs deferral account.[54] This is because the small decrease in the forecast proceeding costs would have no impact on the 2025 delivery rates (as FEI is proposing to maintain permanent 2025 delivery rates at 7.75 percent) and a negligible impact on the 2026 delivery rates (the revenue deficiency would be reduced by $6 thousand and the delivery rate increase would remain at 10.07 percent when rounded to two decimal places). FEI also notes that the actual proceeding costs will be recorded in the deferral account once they are available, and the actual amortization will be trued-up and reflected in subsequent years.

PART EIGHT: FINANCING AND RETURN ARE REASONABLY CALCULATED

62. FEI's 2025 Projected and 2026 Forecast equity financing and ROE are based on the same percentages as approved by Order G-236-23. FEI's debt financing costs on rate base are primarily determined by embedded rates on long-term debt, and to a lesser degree by short-term debt

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[52] Exhibit B-4, BCUC IR1 4.1.

[53] Exhibit B-4, BCUC IR1 4.1.

[54] Exhibit B-4, BCUC IR1 4.1.

rates. The embedded rate on long-term debt for 2025 Projected is in line with 2024 Approved (i.e., 4.68 percent), while the 2026 Forecast rate is expected to increase to 4.73 percent. For the short-term interest rates, FEI is projecting an interest rate of 3.58 percent in 2025 and 3.38 percent in 2026.[55]

63. FEI submits that no issues were raised in IRs and that its projected and forecast Financing Costs should be accepted for the purpose of setting delivery rates in 2025 and 2026.

PART NINE: TAXES ARE REASONABLY FORECAST

64. FEI has forecast its property and income taxes on a basis consistent with prior years, following the applicable legislation for income taxes and relying on forecast changes in property tax rates and assessments.

65. In 2025, property taxes are projected to increase by approximately 4.3 percent from 2024 Approved, with a further increase of 1.9 percent forecast in 2026. The increases are primarily driven by higher assessed values of distribution lines and transmission lines.[56]

66. The corporate income tax rate of 27 percent has not changed since 2024. Income tax is forecast to decrease by 11.5 percent in 2025, but will increase by approximately 45.2 percent in 2026 when compared to the 2025 Projected amount. The forecast increase in 2026 is primarily due to higher amortization of deferral accounts, higher rate base return and higher depreciation expense resulting from the forecast increase in rate base, and reduced income tax deductible resulting from lower undepreciated capital cost (UCC) in asset classes with higher capital cost allowance (CCA) rates when compared to 2025. [57]

67. FEI submits that the IRs raised no issues and that its calculated property and income taxes should be accepted for the purpose of setting delivery rates in 2025 and 2026.

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[55] Exhibit B-2, Application, p. 84.

[56] Exhibit B-2, Application, Section 1.4.9; Section 9.2.

[57] Exhibit B-2, Application, Section 9.3.

PART TEN: EARNINGS SHARING AND RATE RIDERS ARE REASONABLY CALCULATED

68. FEI has calculated earnings sharing and its delivery rate riders consistent with past BCUC decisions. In summary, FEI proposes to distribute a $12.460 million pre-tax credit ($9.095 million after-tax) earnings sharing amount to customers as part of the 2025 delivery rates.

69. FEI is seeking approval of the following with respect to rate riders:

- Approval to set the current 2025 interim Revenue Stabilization Adjustment Mechanism (RSAM) rate rider permanent and set the 2026 RSAM rate ride at $0.212 per GJ, as set out in Table 10-1 of Section 10.3.1.
- Approval to set the current 2025 interim Fort Nelson Residential Customer Common Rate Phase-in Rate Rider permanent and set the 2026 rate rider to be a credit of $0.355 per GJ, as calculated in Table 10-2 of Section 10.3.2.
- Approval to transfer the 2024 ending balance of the 2020 CGIF deferral account to the existing approved Residual Delivery Rate Riders deferral account, effective January 1, 2025, and to record any unspent accrued committed amounts in the Residual Delivery Rate Riders deferral account.

70. FEI provided detailed justification of these requests in Section 10.3 of the Application. The IRs raised no issues with these proposals, which FEI submits are justified and should be approved.

71. FEI addresses its proposal to address the balance in the CGIF deferral account, which was the only topic to attract IRs.

A. CGIF Deferral Account

72. In order to return the ending balance of the 2020 CGIF deferral account to customers as directed by the RSF Decision, FEI proposes to transfer the $5.224 million after-tax balance accumulated in the 2020 CGIF deferral account at the end of 2024 to the existing rate base Residual Delivery Rate Riders deferral account effective January 1, 2025, and to return the $7.156 million ($5.224 million after-tax) to customers in 2025 via amortization of the Residual Delivery Rate Riders deferral account.[58]

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[58] Exhibit B-2, Application, p. 92.

73. This proposal is necessary to avoid a circular AFUDC issue, caused by the fact that AFUDC accumulates on the 2020 CGIF deferral account as it is a non-rate base deferral account and these new AFUDC amounts must be factored into the amortization schedule. While FEI could forecast amortization expense to bring the account balance to zero, to the extent the timing and amount of additions to the account are not exactly as forecast, a variance would occur between actual and forecast AFUDC that would then need to be amortized in the following year. This cycle could continue in perpetuity if the actual AFUDC were not exactly as forecast. Transferring the balance to a rate base deferral account ensures the elimination of this potential circular issue as the forecast return on rate base is ultimately what is recovered from customers, and there is no need to include actual AFUDC amounts in the account.[59]

74. Given that the Residual Delivery Rate Riders account already exists to address the circular AFUDC issue, FEI considers utilizing this account is more efficient than establishing a new deferral account which would then need to be discontinued at a later date.[60]

75. In addition to transferring the 2024 ending balance of the 2020 CGIF deferral account, FEI's approvals sought include approval to record any other unspent accrued committed amounts in the Residual Delivery Rate Riders deferral account. Accordingly, FEI will return to customers any further unspent amounts from the 2020 CGIF deferral account if such amounts arise and submits that no further approvals would be required. FEI accrues various costs or revenues in various deferral accounts, and to the extent the actual costs or revenues differ from the accrued amounts, the differences are captured in the deferral accounts and recovered from or returned to customers via amortization of those deferral accounts. There is no explicit review or approval required for those true-ups, as these deferral accounts (including the Residual Delivery Rate Riders deferral account) are approved to ultimately recover or return the actual balances from/to customers.[61]

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[59] Exhibit B-4, BCUC IR1 7.1.

[60] Exhibit B-4, BCUC IR1 7.1.

[61] Exhibit B-4, BCUC IR1 7.3.

76. FEI expects that there will be a residual balance in the 2025 CGIF deferral account (similar to the 2020 CGIF deferral account) and will seek approval to address this residual balance at the conclusion of the RSF term. At that time, FEI may similarly seek to transfer the residual balance in the 2025 CGIF deferral account to the Residual Delivery Rate Riders deferral account.[62]

PART ELEVEN: ACCOUNTING MATTERS AND EXOGENOUS FACTORS

77. FEI has not identified any new exogenous factors or emerging accounting guidance for 2025 and 2026, and is not proposing any new non-rate base deferral accounts. With respect to its existing non-rate base deferral accounts, FEI seeks the following:

(a) Approval to record the difference between the 2025 interim and permanent delivery rates in the existing 2023-2024 Revenue Deficiency deferral account, rename this account the 2023-2025 Revenue Deficiency deferral account, and amortize the balance over five years, commencing January 1, 2027.

(b) Approval to capture the actual after-tax costs of the 2025 equity issuance in the Flotation Costs deferral account and to amortize the balance in the Flotation Costs deferral account over five years, commencing January 1, 2026.

(c) Approval to modify the existing RNG Account to attract financing costs at FEI's weighted-average cost of capital (WACC), effective January 1, 2025.

78. FEI provides justification for each of these requests in Section 12.4.2 of the Application. FEI submits that its proposals with respect to its non-rate base deferral accounts are just and reasonable and should be approved.

79. FEI has addressed its proposal with respect to the 2023-2024 Revenue Deficiency deferral account in Part Two of this Final Argument. FEI addresses other topics explored in IRs below.

A. Proposed Amortization Periods are Reasonable

80. FEI has appropriately selected amortization periods for the 2023-2025 Revenue Deficiency deferral account and Flotation Costs deferral account,[63] based on a balance of relevant

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62 Exhibit B-4, BCUC IR1 7.4.

63 Exhibit B-2, sections 12.4.2.1 and 12.4.2.2.

considerations, including the nature of the amounts being recorded in the deferral accounts, the expected deferral account balances (and the resulting rate impact from amortizing the balances), the degree of rate smoothing that would be achieved through longer amortization periods, and the potential for intergenerational inequity.[64]

81. BCOAPO-RCIA appear to suggest that, as a rate mitigation measure, FEI should consider longer amortization periods similar to the DSM deferral account.[65] FEI submits that the DSM deferral account is not a reasonable comparison. The rate base portion of the DSM deferral account alone receives additions of approximately $60 million *annually*, which is a much larger balance than the 2023-2025 Revenue Deficiency deferral account or the Flotation Costs deferral account. Given the resulting impact on delivery rates of these amounts and the long-term nature of the benefits derived from DSM expenditures, the DSM deferral account appropriately has a longer amortization period of 10 years.[66]

82. In contrast, FEI's proposed five-year amortization for the 2023-2025 Revenue Deficiency deferral account provides the best balance between rate smoothing and concerns of intergenerational inequity. Any additional rate smoothing achieved by extending the amortization periods beyond five years would be offset by the ongoing rate pressures that continuing to amortize the deferral accounts further into the future would cause for future customers.[67] For the Flotation Costs deferral account, an 8- or 10-year amortization period would be unnecessarily long considering the size of the deferral account balance and the diminishing benefits of rate smoothing. As such, FEI considers a 5-year amortization period appropriately reflects the longer-term nature of equity issuance costs and mitigates the immediate delivery rate impact resulting from too short of an amortization period.[68]

83. FEI submits that its proposed amortization periods are reasonable and appropriate.

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[64] Exhibit B-5, BCOAPO-RCIA IR1 8.1.

[65] Exhibit B-5, BCOAPO-RCIA IR1 8.1.

[66] Exhibit B-5, BCOAPO-RCIA IR1 8.1.

[67] Exhibit B-5, BCOAPO-RCIA IR1 8.1.

[68] Exhibit B-5, BCOAPO-RCIA IR1 8.1.

B. Request that the RNG Account Attract WACC Financing Is Required

84. FEI submits that the BCUC should approve its proposal to modify the existing non-rate base RNG Account to attract WACC financing, effective January 1, 2025, in alignment with the treatment of similar types of costs and non-rate base deferral accounts, and the Fair Return Standard.

85. The modification to the RNG Account is necessary as the RNG Account is now carrying a significant balance, due to the increase in RNG deliveries and the need to smoothly implement the RNG Blend in a way that manages rate impacts. Given FEI's increasing RNG deliveries, FEI expects that this balance will continue to be significant in the upcoming years. While FEI previously proposed that the RNG Account be treated as a non-rate base deferral account with no financing given the majority of the activity in the RNG Account, at that time, related to the cost of service, the majority of the activity and balance in the RNG Account now relates to transactions around the commodity itself (i.e., purchases, sales and the remaining inventory balance). FEI incurs actual financing costs to carry these transactions. They are dollars expended and earned in the current period, without recovery, thereby requiring financing. Consistent with other deferral accounts, including FEI's RNG Mitigation Revenue deferral account, MCRA and CCRA, FEI should be allowed to earn WACC on the RNG Account.[69]

86. The increase in uncollected RNG costs is material enough to negatively impact FEI's overall return in a manner that is inconsistent with the Fair Return Standard. Comparable investment and capital attraction requirements of the Fair Return Standard require that the overall return is sufficient to enable the utility to compete for capital by offering a comparable risk adjusted return and for the utility to attract capital on reasonable terms and conditions. As previously recognized by the BCUC, deferral account financing impacts a utility's risk profile since the financing has a direct impact on a utility's earnings. Currently, the balance in the RNG Account earns no return, which is clearly inconsistent with the Fair Return Standard. Therefore, as the

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[69] Exhibit B-2, Application, p. 175.

amount of the uncollected RNG costs increase, FEI's risk increases commensurately, and the overall return will further deviate from the Fair Return Standard.[70]

87. Accordingly, FEI submits that the BCUC should approve the RNG Account to earn a WACC return. The RNG Account will continue to be a non-rate base deferral account, and there will be no impact to delivery rates as a result of this change. The WACC financing costs will accrue to the RNG Account and will be recovered from all sales service customers through the S&T RNG Blend rider.[71]

PART TWELVE: SERVICE QUALITY INDICATORS INDICATE FEI IS MAINTAINING SERVICE QUALITY

88. Consistent with the RSF Decision and past annual reviews, FEI has reported on its 2024 and 2025 year-to-date performance as measured against the relevant SQI benchmarks and thresholds. The review of SQIs is inherently a retrospective exercise, and the BCUC has long accepted the approach that in each annual review it will review the latest year of actual SQI results.[72] In Order G-44-16, the BCUC considered the appropriate time to consider FBC's performance under SQIs. FBC submitted that the most appropriate time to review SQI results is during the following year's annual review, when full year results are available for all SQI indicators and a complete evidentiary record is available to assess actual performance in the context of the full-year's financial picture.[73] The BCUC agreed, stating:[74]

> The Panel finds that the most appropriate timing for determining if a serious degradation of service has occurred and if a financial penalty is warranted is during the following year's annual filing. FortisBC Inc. is directed to address its 2015 service quality and/or penalties in its next Annual Review filing, anticipated in the summer or fall of 2016. **Going forward, it is anticipated that this same timing will be used to make final determinations on questions of serious degradation of service and financial penalties for subsequent years covered by the Performance**

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70 Exhibit B-2, Application, p. 175.

71 Exhibit B-2, Application, pp. 175-176.

72 Exhibit B-6, BCSEA IR1 5.2.

73 Appendix A to Order G-44-16, p. 2.

74 Appendix A to Order G-44-16, p. 3.

> **Based Ratemaking regime.** The Panel agrees with FBC that this lag provides for a more complete evidentiary record on which to make the necessary determinations. Further, as compared to a transition to midyear SQIs, this approach provides a more elegant and effective solution to the problem contemplated in the Reasons to Order G-202-15. [Emphasis added]

89. FEI's 2024 results indicate that FEI maintained service quality in 2024. In 2024, the last year of FEI's 2020-2024 Multi-Year Rate Plan (2020-2024 MRP), for the nine SQIs with benchmarks, eight performed at or better than the approved benchmarks, with one SQI (Emergency Response Time) only slightly below the benchmark, but well above the threshold. The informational indicators indicate that FEI's performance generally remains at a level consistent with prior years. FEI's June 2025 year-to-date SQI performance indicates that FEI continues to maintain service quality. FEI's SQI results are summarized in Table 13-1, which is reproduced below.

Table 13-1: Approved SQIs, Benchmarks and Actual Performance

Performance Measure	Description	Benchmark	Threshold	2024 Results	2025 June YTD Results
Safety SQIs					
Emergency Response Time	Percent of calls responded to within one hour	>= 97.7%	96.2%	97.5%	96.9%
Telephone Service Factor (Emergency)	Percent of emergency calls answered within 30 seconds or less	>= 95%	92.8%	97.4%	97.8%
All Injury frequency rate (AIFR)	3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked	<= 2.08	2.95	1.41	N/A
		<= 1.64	2.21	N/A	1.43
Public Contacts with Gas Lines	Current year average of number of line damages per 1,000 BC One calls received	<= 8	12	5	N/A
		<= 6	10	N/A	4
Responsiveness to the Customer Needs SQIs					
First Contact Resolution	Percent of customers who achieved call resolution in one call	>= 78%	74%	80%	75%
Billing Index	Measure of customer bills produced meeting performance criteria	<= 3.0	5.0	2.43	2.27
Meter Reading Completion	Informational indicator – number of scheduled meters that were read	>= 95%	92%	95%	N/A
		-	-	N/A	96%

Performance Measure	Description	Benchmark	Threshold	2024 Results	2025 June YTD Results
Telephone Service Factor (Non-Emergency)	Percent of non-emergency calls answered within 30 seconds or less	>= 70%	68%	70%	63%
Meter Exchange Appointment	Percent of appointments met for meter exchanges	>= 95%	93.8%	97.5%	97.9%
Customer Satisfaction Index	Informational indicator - measures overall customer satisfaction	-	-	8.6	8.6
Average Speed of Answer	Informational indicator – amount of time it takes to answer a call (seconds)	-	-	50	77
Reliability SQIs					
Transmission Reportable Incidents	Informational indicator – number of reportable incidents to outside agencies	-	-	0	0
Leaks per KM of Distribution System Mains	Informational indicator - measures the number of leaks on the distribution system per KM of distribution system mains	-	-	0.0040	0.0022
Energy Transition SQIs					
Scope 1 Emissions	Informational indicator – total direct GHG emissions from FEI owned or controlled sources ($MtCO_2e$)	-	-	0.16	Not available
Scope 3 Emissions	Informational indicator – total annual BC emissions resulting from customers' combustion gas delivered by FEI sources ($MtCO_2e$)	-	-	10.9	6.1
Renewable and Lower Carbon Energy Supply Volume	Informational indicator – acquired annual Renewable Gas and Lower Carbon Energy supply (TJ)	-	-	2,776	1,871
	Informational indicator – Renewable and Lower Carbon Energy supply as % of total gas consumed by customers			1.26%	1.52%
Natural Gas for Transportation Volume	Informational indicator – total gas consumed by CNG and LNG customers (TJ)	-	-	3,716	2,810
Demand Side Management Energy Savings	Informational indicator – measure of lifetime gas savings from conservation and energy management programs (TJ)	-	-	14,159	Not available

90. In response to IRs, FEI clarified the following points with respect to its renewable and low carbon energy (RLCE) supply volumes compared to the volumes presented in the 2022 Long-Term Gas Resource Plan (LTGRP) planning scenario:

- The volumes of RNG and other lower-carbon gases presented in the LTGRP were based on a planning scenario that assumed the implementation of certain policies, such as the Greenhouse Gas Reduction Standard, that have not materialized. Since 2022, the policy and regulatory landscape has evolved, creating uncertainty, which has impacted FEI's procurement activities. For example, policies such as the BC Low Carbon Fuel Standard (LCFS) and Zero Carbon Step Code (ZCSC) have impacted potential RNG markets. The LCFS does not recognize out-of-province RNG for credit creation, making RNG for transportation economically challenging for BC companies wishing to decarbonize their fleets. The ZCSC does not recognize in-province or out-of-province RNG as a compliance pathway to reduce emissions.[75]

- RNG capital expenditures do not reflect progress towards meeting the volumes of RLCE in the planning scenario in the LTGRP, as FEI only incurs capital expenditures for in-BC RNG projects, and only incurs significant capital expenditures when it owns the upgrading facility, as is the case for the COV Landfill RNG project.[76]

- FEI has been actively developing RNG projects in BC. The decline in RNG capital expenditures from 2024 Approved to 2026 Forecast reflects the atypical level of capital required for the COV Landfill RNG project in 2024 and 2025, and delays in other projects like the Regional District of Fraser Fort George and Comox Valley projects expected to be in service in 2027 and 2028.[77]

- FEI's RLCE supply volume in Table 13-19 of the Application is not representative of the RLCES *available* to FEI, as FEI diverted a portion of its contracted supply to other markets in 2023 and 2024. In fact, the RLCES available to FEI is almost double the volume shown in Table 13-19 of the Application and has increased significantly year-over-year since 2020.[78]

- FEI continues to evaluate RNG supply opportunities, with priority on in-province RNG supply. However, in-province supply opportunities have extended development timelines and represent a small pool in comparison to out-of-province supply. To further unlock RNG supply within the province, FEI continues to explore new technologies that can either use additional feedstocks or lower the

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75 Exhibit B-4, BCUC IR1 5.1.

76 Exhibit B-4, BCUC IR1 5.1.

77 Exhibit B-4, BCUC IR1 5.1.

78 Exhibit B-4, BCUC IR1 5.2; Exhibit B-7, CEC IR1 12.1.

cost per GJ to meet current economic limits set by the GGRR. Out-of-province supply offers a wider number of and potentially larger projects and will continue to be an important source of RNG that can allow FEI to reach higher RNG supply volumes.[79]

91. FEI provided further information in response to IRs including:

(a) an explanation of the reasons why the volumes of RLCE delivered to customers have varied from the volumes acquired;[80]

(b) FEI's expectations regarding obtaining fuel codes for its in-province supply of RNG,[81] and the status of its pilots to test satellite-based leak technology,[82]

(c) the actions that FEI takes to sustain threshold or benchmark levels of performance for the TSF (non-emergency SQI);[83] and

(d) a description of the recordable injuries for 2024 and 2025 year-to-date for FEI.[84]

92. FEI submits that the IRs do not indicate any material issue in this proceeding and that the SQI results indicate that FEI maintained service quality in 2024 and is continuing to do so in 2025 year to date.

PART THIRTEEN: EFFICIENCIES FOUND FOR THIS ANNUAL REVIEW PROCESS COULD BE CONTINUED IN FUTURE YEARS

93. In its letter of September 9, 2025, the BCUC requested that parties address in their arguments any possible changes to the regulatory process for the next FEI annual review proceeding to set 2027 delivery rates, specifically:

(a) whether the FEI and FBC annual review materials can be filed together as one application and reviewed in one proceeding, or alternatively, if the two utilities' materials are filed separately, whether the two applications can be reviewed in one proceeding; and

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79 Exhibit B-4, BCUC IR1 5.2; Exhibit B-6, BCSEA IR1 8.1.

80 Exhibit B-7, CEC IR1 12.1.

81 Exhibit B-6, BCSEA IR1 8.2.

82 Exhibit B-6, BCSEA IR1 6.1.

83 Exhibit B-8, MoveUp IR1 3.1.

84 Exhibit B-8, MoveUp IR1 3.2.

(b) any other proposals for further efficiencies in the regulatory process.

94. FEI submits that the efficiencies that the BCUC has implemented in this Annual Review proceeding can be continued in future annual reviews, but sees no opportunities for increased efficiencies as a result of filing FEI's and FBC's annual reviews together as one application. In this proceeding, the BCUC has eliminated the workshop, combined interveners into groups and limited IRs to 20 questions per intervener group, while adding a final written argument from FEI. Overall, these changes have resulted in a shorter and more focused proceeding that provides an opportunity for the BCUC to issue its Order in time for FEI to implement rates on January 1 of the Test Period. The process for this proceeding is more efficient than in the past and FEI sees no reason why the efficiencies realized in this proceeding could not be implemented in future years. For example, FEI's next annual review will only cover one test year and should be no more complicated than the current Application.

95. However, filing the FEI and FBC annual review material together or combining the applications in a single proceeding will not offer material improvement, and may in fact lead to inefficiencies. First, combining the two applications would not reduce the amount of material filed, as FEI and FBC each have their own revenue requirement that would need to be separately calculated and explained. The combined application would likely look similar to the two current applications but simply combined in a single document. FEI submits that this would not improve efficiency.

96. Second, combining the applications could create inefficiencies. FEI and FBC have been undertaking the annual review processes for many years and have an established template for the application material and are used to the pattern of resourcing needs for the proceeding that benefits from the staggered nature of the FEI and FBC proceedings. Combining the filings or proceedings would require new templates to be developed and adaptation to a new process, which would take more time than usual. Furthermore, given the similar structure of the applications for FEI and FBC, combining the proceeding could create some confusion, especially as the interveners seek to combine IRs and argument on similar, yet separate and distinct, revenue requirement components of the utilities. Finally, as the intervener groups in the FBC

and FEI proceedings are not entirely the same, there would be inefficiencies with some interveners being involved in a proceeding that covers material that is not relevant to them (e.g., for the Industrial Customer Group that participates in FBC proceedings, but not FEI's).

97. Ultimately, FEI and FBC are two separate utilities serving two different customer groups at two different rates. While there are some commonalities in the underlying cost of service, each has a separate and distinct revenue requirement that needs to be separately explained and justified. Therefore, FEI submits that there are minimal if any efficiencies to be gained by combining the applications or proceedings, with a risk of creating confusion and inefficiencies.

PART FOURTEEN: CONCLUSION

98. FEI submits that its approvals sought are just and reasonable and should be approved as filed.

99. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated: October 2, 2025

Chris Bystrom
Counsel for FortisBC Energy Inc.

Dated: October 2, 2025

C. Gibbons

Courtney Gibbons
Counsel for FortisBC Energy Inc.