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British Columbia Utilities Commission
Suite 410, 900 Howe Street
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Attention: Registrar

Dear Sirs/Mesdames:

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

In accordance with the regulatory timetable in the above proceeding, we enclose for filing the Reply Argument of FortisBC Energy Inc., dated October 24, 2025.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Christopher Bystrom*
*Law Corporation

Encl.

cc (email only): Registered Interveners



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

REPLY SUBMISSIONS
OF
FORTISBC ENERGY INC.

OCTOBER 24, 2025

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PART ONE: INTRODUCTION AND OVERVIEW

1. Five interveners filed final arguments in this proceeding, with BCOAPO and RCIA filing a joint final argument. The interveners are largely supportive of FEI's sought approvals, although their support was divided for FEI's proposed approach to recovering its 2023-2025 revenue deficiency:

- (a) BCOAPO does not oppose the granting of the approvals sought by FEI, except for FEI's proposal to set permanent rates for 2026 that would recover its 2026 revenue requirements;
- (b) BCSEA does not oppose the granting of the approvals sought by FEI, except for FEI's proposal to amortize the 2023-2025 revenue deficiency over five years commencing January 1, 2027;
- (c) MoveUP supports the granting of the approvals sought by FEI, except with respect to FEI's proposed treatment of the 2025 revenue deficiency, for which it does not propose nor support any alternative treatment;
- (d) RCIA supports or is silent on the granting of the approvals sought by FEI, except RCIA recommends that the BCUC reduce FEI's projected revenue requirement attributable to integrity digs in 2025 and 2026 and adjust the 2026 delivery rate increase to reflect the reduced revenue requirement; and
- (e) CEC supports the granting of the approvals sought by FEI, except for FEI's proposed amortization period for the Flotation Costs deferral account and request that the RNG Account earn a WACC return. CEC also recommends that the BCUC direct FEI to file certain information regarding RCLES volumes and customer reconnections in future Annual Review applications, and direct FEI to seek further RNG (O&M) cost savings.

2. In this Reply Submission, FEI responds to the arguments filed by the interveners, organized around the following key points:

- (a) FEI's proposed approach to implementing permanent delivery rates and amortizing the 2023-2025 revenue deficiency is the most reasonable option and should be approved;
- (b) FEI's proposed 2025 and 2026 revenue requirements are reasonable;

- (c) The directives that CEC argues the BCUC should issue are not necessary and would not improve the BCUC's review of FEI's Annual Review applications; and
- (d) The majority of interveners agree with FEI that a combined FEI-FBC Annual Review proceeding would not introduce efficiencies or result in cost savings.

3. While FEI has sought to be comprehensive in responding to the issues raised in this proceeding, silence in this Reply Submission on any particular point should not be taken as agreement.

PART TWO: FEI'S PROPOSED DELIVERY RATE IMPLEMENTATION IS REASONABLE AND APPROPRIATE

4. The primary issue in this proceeding is how to implement permanent delivery rates for 2025 and 2026, given the expected timing of a decision on this Application, and the calculated revenue deficiencies. 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, which fully recovers FEI's cost of service in 2026.¹

A. Making 2025 Interim Delivery Rates Permanent is the Only Reasonable Approach

5. BCSEA is the only intervener that opposes FEI's proposal that 2025 interim rates be made permanent. BCSEA submits that "the permanent delivery rates for 2025 and 2026 should be set so as not to result in revenue deficiencies for 2025 and 2026."² FEI has explained at paragraphs 12 to 14 of its Final Argument why it is reasonable to make 2025 interim rates permanent. BCSEA's proposal would require a one-time billing adjustment in the first billing cycle subsequent to the BCUC's decision on the application, which would likely be in January 2026, at a time when consumption is highest and customers are already experiencing both commodity and gas cost increases. This is not a reasonable approach.

¹ Contrary to BCSEA's argument at paras. (c) and (d), FEI is not proposing to defer any revenue deficiency from 2026.

² BCSEA Final Submission, para. (c).

6. While BCSEA's position is "that the costs of FEI's current delivery service should be recovered in current delivery rates and not transferred to future customers," BCSEA does not address the fact that 2025 will be completed before the 2025 revenue deficiency could be recovered from customers, such that it would, in fact, have to be recovered in 2026 through a billing adjustment. Since the 2025 deficiency can only be recovered in 2026, BCSEA's position that the 2025 revenue deficiency be recovered in current rates is not technically feasible. BCSEA does not explain why it is unreasonable to make 2025 interim rates permanent and, at a minimum, recover the 2025 revenue deficiency over 2026, rather than through a one-time billing adjustment. BCSEA's position appears to be solely based on its opposition to any deferral at all, which FEI submits is simply unreasonable and impractical for 2025 delivery rates.

7. FEI, therefore, submits that BCSEA has not reasonably explained or justified its proposal for 2025 delivery rates, and that BCSEA's position should be rejected.

8. Given that the existing 2025 interim rates should be made permanent, the outcome of BCSEA's position is that the 2023-2025 revenue deficiencies would need to all be fully recovered through 2026 delivery rates. FEI responds to this proposal below.

B. FEI Has Proposed the Most Reasonable Option for 2026 Permanent Delivery Rates

9. Intervenors provided a range of positions on FEI's proposed 2026 delivery rates and the treatment of the 2023-2025 revenue deficiencies:

- (a) CEC and RCIA support FEI's proposed 2026 delivery rates and amortization of the 2023-2025 revenue deficiencies beginning in 2027;
- (b) BCOAPO argues that FEI should defer a greater amount to future years by capping 2026 delivery rates at 8 percent and deferring the resulting 2023-2026 deficiencies over five years beginning in 2027;
- (c) BCSEA opposes the deferral of any revenue deficiency from 2023-2025, which would result in a delivery rate increase of 19.08 percent in 2026; and
- (d) MoveUP opposes FEI's proposed treatment of the 2023-2025 revenue deficiencies, but does not propose nor support any alternative treatment.

C. BCOAPO's Proposal to Defer a Greater Revenue Deficiency is Not the Best Approach

10. BCOAPO submits that the BCUC should cap 2026 delivery rates at 8 percent and amortize the resulting 2023-2026 revenue deficiencies over five years beginning in 2027 (BCOAPO-RCIA Scenario (i)).³ In short, BCOAPO is proposing to defer additional amounts beyond 2026 compared to FEI's proposal, on the basis that it lowers the delivery rate impact in 2026. FEI submits that BCOAPO's proposal should be rejected, as FEI's proposed Option 2 strikes a better balance of mitigating rate impacts in 2026 and 2027, smoothing rate volatility, and shortening the time until the deferred revenue deficiencies are fully recovered.

11. FEI addressed BCOAPO-RCIA Scenario (i) at para. 24 of its Final Submission. To reiterate, while BCOAPO's proposed scenario offers a lower delivery rate increase in 2026, its key disadvantage is that it would require an additional deficiency deferral of approximately \$25.6 million in 2026, which would increase the ending balance of the 2023-2025 Revenue Deficiency deferral account to \$102.956 million. This would result in a higher delivery rate increase in 2027 in the estimated range of 11 to 13 percent, compared to 8 to 10 percent in 2027 under FEI Option 2.⁴ BCOAPO cites rate shock in 2026 as a reason to reject FEI Option 2, but fails to acknowledge that its proposed scenario would result in even higher rate impacts in 2027.⁵

12. Further, despite BCOAPO's focus on cumulative rate increases, BCOAPO ignores the fact that its proposed scenario would result in a higher projected cumulative rate increase between 2025-2027 than FEI Option 2 (28.1-30.5 percent under FEI Option 2 versus 29.2-31.5 percent under BCOAPO's scenario).⁶ BCOAPO's proposed scenario would also mean that FEI would likely have to defer further deficiencies in 2027 and beyond, causing more rate pressures in future

³ It appears from BCOAPO-RCIA's Final Argument, Tables 2 and 3, that BCOAPO is referring to the scenario described in Exhibit B-5, BCOAPO-RCIA IR1 8.2(i), with a five-year amortization period commencing in 2027 and with the 2025 delivery rate increase maintained at 7.75 percent and the 2026 delivery rate increase capped at 8 percent.

⁴ FEI Final Argument, para. 24.

⁵ BCOAPO-RCIA Final Argument, pp. 4, 6, 9.

⁶ BCOAPO-RCIA Final Argument, Table 3, p. 5.

years. This additional deferral and resulting impacts in future years outweighs the benefits of capping delivery rate increases in 2026 at 8 percent.⁷

13. BCOAPO submits that FEI should implement a “long-term rate mitigation plan” to avoid rate shock.⁸ BCOAPO raised this topic in the RSF proceeding and FEI refers to paragraphs 30 to 37 of its Reply Submission in that proceeding, in which FEI explained the steps it is taking to mitigate impacts.⁹ FEI is conscious of the higher delivery rates in recent years and the impacts on customers. However, the driver of the need for rate smoothing in this case is largely driven by the timing of the RSF Decision and the current Annual Review process, which makes changing the 2025 interim rates impractical. These particular circumstances do not suggest the need for a “long-term” rate mitigation plan, which FEI assumes would consider issues well beyond 2025 and 2026 delivery rates. FEI submits that it has appropriately responded with a rate smoothing proposal that best balances competing rate setting considerations. FEI will continue to pursue strategies to control costs and mitigate rate increases each year, including in its next rate framework after the RSF term concludes.

D. BCSEA’s Proposal Ignores Fundamental Rate Setting Principles

14. While BCOAPO seeks to defer more costs, BCSEA submits that there should be no deferral beyond 2026, advocating for 2025 and 2026 delivery rates that eliminate the balance in the Revenue Deficiency deferral account and recover the full 2025 and 2026 revenue requirement in 2025 and 2026.¹⁰ FEI submits that this proposal does not reflect a reasonable balance of rate setting considerations, is rooted in irrelevant and illegal principles, and should be rejected.

15. Under BCSEA’s proposal, the 2023-2025 revenue deficiencies would need to be fully recovered in 2026, meaning that customers would see an estimated 19.08 percent increase in

⁷ FEI Final Argument, para. 24.

⁸ BCOAPO-RCIA Final Argument, p. 9.

⁹ [FortisBC Reply Argument, FortisBC 2025 to 2027 Rate Setting Framework.](#)

¹⁰ BCSEA Final Argument, para. 1(c).

2026 delivery rates.¹¹ FEI considers that this level of delivery rate impact in 2026 would result in high customer dissatisfaction, and is not preferable to FEI's proposal.

16. While BCSEA refers to a balance between intergenerational equity and customer acceptance of increasing delivery rates,¹² it is clear that BCSEA has not sought to balance these or other rate-setting considerations, but is opposed in principle to creating any revenue deficiencies in 2025 and 2026. FEI submits that this is fundamentally an incorrect approach to rate setting. FEI's delivery rates should be set with the goal of striking a reasonable balance amongst competing considerations which, in this case, means seeking a reasonable balance of rate impacts, rate volatility, and the time until the revenue deficiency would be fully amortized (i.e., intergenerational equity). FEI submits that its proposal strikes this reasonable balance, whereas BCSEA's proposal explicitly does not.

17. BCSEA admits its proposed approach to delivery rates "may be difficult for some customers to bear", but suggests that the Panel should recognize the Province's elimination of the BC Carbon Tax.¹³ While FEI noted the impact (savings) to customers flowing from the elimination of the BC Carbon Tax in the Application,¹⁴ FEI submits that the extent of delivery rate impacts in a given year, and the mechanisms available to manage delivery rate impacts, should also be considered on their own merits, regardless of changes in non-delivery related costs such as the Carbon Tax. Further, as described in the Application, IR responses, and in this Reply, it is not feasible to adjust 2025 permanent delivery rates due to the expected timing of the decision on this Application, and it is not reasonable to apply a one-time billing adjustment in January 2026. Given these factors, including the impact on 2026 delivery rates of recovering all previous years' deferred deficiencies (i.e., 2023, 2024 and 2025) in 2026, the elimination of the BC Carbon

¹¹ The total cost of service impact due to the one-year amortization of the 2023-2025 revenue deficiencies in 2026 would be approximately \$111.285 million. This includes the balance of \$78.781 million in the 2023-2025 Revenue Deficiency deferral account at the end of 2025 as discussed on page 3 of the Application, plus the financing costs in 2026 as well as the incremental income tax expense of approximately \$30.040 million due to the additional amortization in 2026.

¹² BCSEA Final Argument, para. 1(d).

¹³ BCSEA Final Argument, para. 1(e).

¹⁴ Exhibit B-2, Application, p. 2.

Tax was not a consideration in FEI's evaluation or justification for its proposed delivery rate changes for 2025 and 2026.¹⁵

18. At its root, BCSEA's position is based on a policy perspective that a natural gas distribution utility should no longer be allowed to smooth rates, and that the BCUC should introduce short-term rate shock and increase rate volatility to encourage natural gas customers to leave FEI's service.¹⁶ FEI submits that this approach is incorrect in law. The BCUC's jurisdiction over FEI's rates remains the same as it has in the past and accepted rate-setting principles remain applicable. There is no change in law that would justify the BCUC no longer considering factors such as rate impacts and stability when setting FEI's rates.

19. Furthermore, there is no evidence or reasonable basis for believing that the treatment of the 2023 to 2025 revenue deficiencies would have any material impact on customer adoption of conservation and efficiency measures or the use of natural gas, as BCSEA alleges.¹⁷ It is well known that the demand for natural gas is relatively inelastic in response to price, especially in the short term.¹⁸

20. FEI submits that BCSEA's position is grounded in a legal error, neither just nor reasonable, and must be rejected.

E. MoveUP's Concerns Are Not Relevant to the Treatment of the Revenue Deficiency

21. MoveUP opposes FEI's proposed treatment of the 2023-2025 revenue deficiencies, but does not propose any alternative. They submit that they "do not advocate any specific choice among the canvassed options, but say that the framing of the issue itself reflects an inadequacy

¹⁵ Exhibit B-5, BCOAPO-RCIA IR1 1.1.

¹⁶ BCSEA Final Argument, paras. 1(d) and 1(e).

¹⁷ BCOAPO submits at para. (d) that deferring costs to future ratepayers would send a price signal that would discourage customers from adopting conservation and efficiency measures and transitioning from natural gas to lower-carbon alternatives.

¹⁸ See, for example: *Advocacy Centre for Tenants-Ontario v. Ontario Energy Board*, [2008 CanLII 23487](#) (ON SCDC) at para. 39; BCUC Order and Decision [G-9-19](#), Application regarding FEI's 2018 Fourth Quarter Gas Cost Report And Rate Changes effective January 1, 2019 for the Mainland and Vancouver Island Service Area, p. 4; BCUC Report [12-27-2012](#), FEI Alternative Energy Solutions Final Report, p. 8.

in FEI's strategy to meet its future challenges."¹⁹ In reply, FEI submits that it has evaluated the alternatives in light of relevant rate setting considerations and proposed the option that best balances those considerations, which is the correct rate setting approach and should be accepted.

22. Furthermore, the treatment of the 2023-2025 revenue deficiencies is a discrete issue that is largely driven by the timing of the RSF Decision and the accumulated balance in the existing 2023-2024 Revenue Deficiency deferral account resulting from the BCUC's decision on the Generic Cost of Capital Stage 1 proceeding. It does not engage the wider concerns that MoveUP raises. MoveUP's submissions on FEI's future and FEI's responses to those submissions were canvassed extensively in the RSF proceeding. The BCUC has approved the RSF for three years and the Annual Review is designed to be an efficient process by which delivery rates are set each year under the RSF. The Annual Review is not the forum in which to revisit previous proceedings or decide the future of the utility. FEI submits that MoveUP's submissions on this point should be given no weight vis-à-vis the treatment of the 2025 revenue deficiency. To the extent that MoveUP is interested in FEI's plans for its future, FEI will be filing its next Long Term Gas Resource Plan in 2026.

PART THREE: THERE IS VIRTUAL CONSENSUS THAT FEI'S 2025 AND 2026 REVENUE REQUIREMENTS ARE REASONABLE

23. Interveners' submissions take issue with only three relatively minor aspects of FEI's 2025 and 2026 revenue requirements. FEI responds to these three issues below, but submits that given how minor the three items are, there is a virtual consensus that FEI's proposed 2025 and 2026 revenue requirements are reasonable.

A. Integrity Dig O&M

24. RCIA recommends that the BCUC reduce FEI's projected revenue requirement attributable to integrity digs by \$0.5 million in 2025 and \$1.5 million in 2026 and adjust the 2026

¹⁹ MoveUP Final Argument, p. 2.

delivery rate increase to reflect the reduced revenue requirement.²⁰ RCIA suggests that FEI's forecast of integrity dig costs is flawed, because changes in regulatory requirements do not appear to be a driver of the increased average integrity dig costs in 2025 and 2026. Instead, RCIA argues that the 2024 actual average dig cost should be escalated by the proposed inflation factors established by the RSF Decision.²¹

25. FEI submits that its 2025 Projected and 2026 Forecast integrity dig costs are reasonable, and RCIA has mischaracterized FEI's evidence. FEI Transmission Operations staff project and forecast FEI's estimated costs based on past and current costs to complete similar integrity digs, as well as their knowledge and/or estimates of future costs where available. FEI stated that the reasons for the increase in integrity dig expenditures for 2024 Actual, 2025 Projected and 2026 Forecast are as follows:²²

- (a) Site-specific scope and cost factors are contributing to the increasing average cost per dig, including digs that occur in the more complex urban environment of the Lower Mainland; and
- (b) Regulatory amendments and changes to environmental management practices have increased the cost of FEI's soil management practices, including new requirements to dispose of soil at some dig sites, and introduced requirements pertaining to venting and depressurizing pipelines that increase costs associated with, for example, use of specialized equipment and more complex procedures.

26. The fact that FEI continues to use the same established methods for depressurizing and venting pipelines as it has since 2020 does not detract from FEI's evidence that, since 2023, the requirements have become more complex to meet the requirements of the amendments to the *BC Pipeline Regulation*.²³ As discussed in response to BCOAPO-RCIA IR1 5.1, its procedures are used in varying proportions²⁴ and FEI's estimates for the future are based on the experience and knowledge of future projects. Similarly, soil relocation costs have increased between 2023 and

²⁰ BCOAPO-RCIA Final Argument, p. 15.

²¹ BCOAPO-RCIA Final Argument, p. 14.

²² Exhibit B-2, Application, p. 53.

²³ B.C. Reg. 281/210.

²⁴ Exhibit B-5, BCOAPO-RCIA IR1 5.1.

2024 due to regulatory changes and this increase in costs has been carried forward into 2025 and 2026 estimates, as FEI assumes that soil disposal will be similar to 2024 levels.²⁵ It is the combination of these regulatory changes since 2023 and the site-specific scope and cost factors that are contributing to the increase in FEI's estimates of integrity dig expenditures. RCIA's focus on the impact of regulatory changes alone is an overly reductive framing of the complex influences on FEI's integrity dig costs.

27. Further, FEI notes that variances in Integrity O&M will be captured in the Flow-through deferral account and returned to or recovered from customers. FEI expects that the result of RCIA's proposal is that FEI's actual Integrity O&M will be greater than inflation, as it has forecast, which means that the higher costs will be deferred and recovered in future years, which is not a desirable outcome. If FEI's expectations turn out to be incorrect and FEI has over-forecast its integrity dig costs, which FEI submits it has not, those savings will be returned to customers, keeping them whole. FEI, therefore, submits that its forecast Integrity Dig O&M should be approved.

B. Amortization of the Flotation Costs Deferral Account

28. CEC recommends that the BCUC direct FEI to adopt a 10-year amortization period for the Flotation Costs deferral account.²⁶ FEI continues to consider a 5-year amortization period to be more appropriate than a 10-year amortization period. As described in the Application:²⁷

. . . A 5-year amortization period sufficiently reflects the long-term nature of the issuance costs and their benefit period. The rate impact resulting from a 5-year amortization period (i.e., 0.41 percent) approximately equals to the average rate impacts of the four amortization scenarios discussed above and adequately smooths out any lumpiness in equity issuances and their associated costs. FEI therefore considers that a 5-year amortization period appropriately reflects the nature of the costs and provides a reasonable balance between mitigating the immediate delivery rate impact and creating an overly long amortization period.

²⁵ Exhibit B-5, BCOAPO-RICA IR1 5.3.

²⁶ CEC Final Argument, para. 204.

²⁷ Exhibit B-2, Application, p. 173.

29. A 5-year amortization period is most appropriate for the Flotation Costs deferral account. While FEI's flotation costs do provide longer-term benefits like the DSM expenditures (to which a 10-year amortization period applies), there are various factors to balance when determining the appropriate amortization period for a deferral account, including the amounts being recorded in the deferral account, the expected deferral account balance (and the resulting rate impact from amortizing the balance), the degree of rate smoothing that would be achieved through longer amortization periods, and the potential for intergenerational inequity.²⁸

30. In particular, the size of the balance in the account is an important factor that sometimes outweighs others. For example, deferral accounts with small balances are typically amortized over a short period of time, regardless of the length of benefits that they may be associated with, due to the minor rate impact resulting from a short amortization period. In this regard, it is significant that the DSM deferral account has a much larger balance than the Flotation Costs deferral account, which is a significant factor justifying its 10-year amortization period. In contrast, a 10-year amortization period for the Flotation Costs deferral account would be unnecessarily long considering the size of the deferral account balance and the diminishing benefits of rate smoothing that would result.²⁹ FEI, therefore, submits that the 5-year amortization period for the Flotation Costs deferral account reflects the best balance between rate smoothing and concerns of intergenerational inequity.

C. The RNG Account Should Earn a WACC Return

31. CEC recommends that the BCUC deny FEI's request that the RNG Account earn a WACC return because (a) FEI changed its position on whether the RNG Account ought to attract WACC financing, (b) a large component of the RNG Account relates to cost of service, (c) FEI may be incentivized to mismanage its RNG activities and account balances, and (d) FEI has achieved higher than allowed returns on equity from 2020 to 2025.³⁰ As discussed below, the RNG Account

²⁸ Exhibit B-2, Application, pp. 172-173; Exhibit B-5, BCOAPO-RCIA IR1 8.1.

²⁹ Exhibit B-2, Application, pp. 172-173.

³⁰ CEC Final Argument, para. 210-211.

should earn a WACC return in accordance with the Fair Return Standard, and none of CEC's arguments are relevant to this conclusion.

32. FEI has changed its position on whether the RNG Account ought to attract WACC financing for the reasons explained in the Application.³¹ FEI's proposal should be judged on its merits in this proceeding, and in consideration of the changes in circumstance described in the Application.³² Despite CEC's submission that there is a large component of the RNG Account that relates to cost of service,³³ FEI's evidence is that 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). As FEI incurs actual financing costs to carry these transactions, the BCUC should approve its proposal to modify the RNG Account to attract WACC financing, effective January 1, 2025, in accordance with the Fair Return Standard and in alignment with the treatment of similar types of costs and non-rate base deferral accounts. The RNG Account will continue to be a non-rate base deferral account, and there will be no impact on 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.³⁴

33. CEC submits that the approval sought by FEI, if granted, "may be a disincentive to the Utility's effective management of its RNG purchasing activities and account balances".³⁵ It is not clear what CEC means in terms of managing its RNG purchasing activities and account balances, or how passing on financing costs to customers would disincentivize FEI from proper management, but FEI objects to the suggestion that it would mismanage its RNG activities. All of these activities are overseen by the BCUC.

34. CEC submits that FEI has achieved, on average, higher than allowed returns on equity from 2020 to 2025. This is an irrelevant consideration. FEI's actual return on equity will always

³¹ Exhibit B-2, Application, Section 12.4.2.3.3.

³² Exhibit B-2, Application, Section 12.4.2.3.

³³ CEC Final Argument, para. 210.

³⁴ Exhibit B-2, Application p. 176.

³⁵ CEC Final Argument, para. 210.

vary to some extent from approved, as it is subject to numerous factors each year. As submitted above, FEI should earn a WACC return on the balance of the RNG Account in accordance with the Fair Return Standard.

PART FOUR: NON-REVENUE REQUIREMENT ISSUES RAISED BY CEC LACK MERIT

35. FEI submits that it should not be required to provide the further information CEC advocates that FEI be directed to provide in future Annual Review proceedings, including information respecting customer reconnections and RCLES volumes. As discussed below, this information would not assist the BCUC or the public in understanding the issues relevant to FEI's delivery rates or other matters within the scope of the Annual Review. FEI also clarifies CEC's misunderstandings of FEI's evidence filed in this proceeding, including aspects of FEI's evidence respecting the forecast customer additions for RS 23, RNG Program Overhead costs, and the calculation methodology for five-year SQI averages. FEI also submits that there is no need for the BCUC to make a direction that FEI seek further savings in RNG (O&M) customer education costs and expedite the planned in-housing of certain of its RNG development activities, as FEI has already conducted these activities.

A. Customer Reconnections

36. CEC recommends that the BCUC direct FEI to file with its Annual Review applications, beginning in its next application, prior year's actuals of customer move-ins, move-outs, and net customer reconnections broken down by rate class.³⁶ CEC provides no rationale for this request, other than it sought this information to "better understand the magnitude of customer reconnections by rate class, and whether net customer reconnections inform or interact with the AC or GCA growth factors."³⁷ However, FEI does not maintain records of move-ins and move-outs categorized by rate class, and this information is not valuable for understanding any of the formula elements or any aspect of FEI's revenue requirements and is not relevant to FEI's forecasting methods which were reviewed and approved in the RSF proceeding. As discussed in

³⁶ CEC Final Argument, para. 1.

³⁷ CEC Final Argument, para. 43.

response to CEC IR1 2.1, customer reconnections do not represent a net new customer or a new connection, and do not impact FEI's forecast of gross customer additions (GCA) or its formula Growth capital. The information broken down by rate class is also not relevant to FEI's formula O&M (which is based on the average customer count, not customer reconnections, regardless of the rate class).³⁸ Tracking this information for the purposes of satisfying CEC's request in future Annual Review applications would result in additional costs and require onerous changes to FEI's systems, with no benefit to understanding the issues relevant to FEI's Annual Review. For this reason, the BCUC should deny CEC's request.

B. Forecast Data of Customer Additions for RS 23

37. CEC accepts FEI's demand forecast but suggests that there is "somewhat conflicting information" in FEI's forecast data for RS 23,³⁹ by which FEI understands CEC to be referring to the increased number of RS 23 customers in 2025 and 2026 despite the declining numbers in prior years. CEC also submits that FEI may have over forecast 2025 and 2026 commercial customer additions, "especially if RS 23 customer moves to RS 5 (as opposed to RS 3) were to continue in 2025 and/or 2026".⁴⁰

38. The demand forecast methodology has been approved by the BCUC, so this topic is not in scope. However, FEI wishes to clarify that there is no conflicting forecast data or over forecasting of customer additions. As discussed in response to CEC IR1 4.1, while RS 23 customers may switch to RS 3 or RS 5, the majority of customers who leave RS 23 are returning to RS 3 bundled service.⁴¹ Given the delivery rates of RS 3 and RS 23 are the same and the small number of RS 23 customers switching to RS 5, there is an immaterial change to the overall delivery margin due to the rate switching.

³⁸ Exhibit B-7, CEC IR1 2.1, 2.2, 2.3.

³⁹ CEC Final Argument, para. 69.

⁴⁰ CEC Final Argument, para. 76.

⁴¹ Exhibit B-7, CEC IR1 4.1.

39. Further, the forecast number of RS 23 customers is based on a three-year average that has included actual net additions from January to May 2025.⁴² The inclusion of this actual data led to an increase in the demand forecast.⁴³ The historical trend of declining RS 23 customers is only an historical trend and does not conflict with the slight reversal of that trend forecast for 2025 and 2026, which is an output of the BCUC-approved demand forecast methodology.

C. Renewable and Lower Carbon Energy Supply

(a) Renewable and Lower Carbon Energy Supply Costs

40. The CEC recommends that the BCUC direct FEI to routinely file with its Annual Reviews:

- a) the prior year's RLCES purchase volumes including the related average purchase cost (\$/GJ);
- b) the actual prior year's delivered RLCES volumes and the corresponding average revenue (\$/GJ);
- and c) the prior year's undelivered RLCES volumes and the corresponding average pooled cost of inventory (\$/GJ).⁴⁴

41. CEC has not provided any rationale for this request. The requested information is not helpful in analyzing FEI's revenue requirements and rates or service quality, and therefore is not needed in the Annual Review.

42. FEI already reports annually to the BCUC on its RNG program and provides significant detailed information in RNG-related proceedings, including its periodic applications to set the RNG Bland percentage. There is no need to duplicate that effort in the Annual Review process.

(b) RNG O&M

43. CEC takes issue with FEI's statement that "there is an economy of scale as the volume of RNG grows over time in comparison to the RNG Program Overhead".⁴⁵ CEC submits that because

⁴² Exhibit B-2, Application, p. 24; see also: Exhibit B-7, CEC IR1 4.1.

⁴³ Exhibit B-7, CEC IR1 4.2.

⁴⁴ CEC Final Argument, para. 3.

⁴⁵ FEI Final Argument, para. 50.

FEI is carrying an inventory of undelivered RNG volumes, the increased costs associated with undelivered RNG purchases/inventory will overshadow any such economies of scale.⁴⁶

44. FEI's statement is factually correct. As the RNG volumes grow over time in comparison to the RNG Program Overhead, and as the current resources assigned to this area of business grow more slowly than the costs associated with RNG purchases, FEI will achieve efficiencies and cost savings that, all else equal, lower the cost per GJ of RNG.⁴⁷ The carrying of an inventory of RNG is irrelevant to this point, as it does not change the economies of scale that will allow FEI to achieve savings on its RNG Program Overhead costs.

45. CEC recommends that the BCUC direct FEI to seek further savings in RNG (O&M) customer education costs for both 2025 and 2026, and to expedite the planned in-housing of certain of its RNG development activities in order to achieve productivity improvements in 2025 and 2026.⁴⁸ CEC provides no explanation for why such a direction is necessary.

46. As discussed in the response to BCUC IR1 3.1, FEI indicated that it would seek these savings and continue to look for additional opportunities. As RNG services such as the RNG Blend become better known and understood by customers, FEI will naturally be able to reduce its spending on customer education. FEI has already begun developing in-house expertise and skillsets related to RNG project development across the RNG program.⁴⁹ FEI does not require a specific directive from the BCUC to accomplish that which is already being undertaken. It will take time for customer awareness of RNG services to develop, and for FEI to develop expertise and capacity in-house, which is already being pursued. To the extent that FEI is able to realize savings from these actions earlier than expected, and actual 2025 and/or 2026 RNG Program Overhead is less than projected/forecast, these savings will be flowed through to customers in subsequent years.⁵⁰

⁴⁶ CEC Final Argument, paras. 154-155.

⁴⁷ FEI Final Argument, para. 50.

⁴⁸ CEC Final Argument, para. 156.

⁴⁹ Exhibit B-4, BCUC IR1 3.1.

⁵⁰ Exhibit B-4, BCUC IR1 3.1.

D. SQI Averages

47. CEC takes issue with FEI's approach to calculating five-year averages for its SQIs, on the basis that FEI uses four and a half years of data instead of the prior full five calendar years. CEC says that this approach is not consistent with FEI's submission 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".⁵¹

48. As FEI explained in response to CEC IR1 11.1,⁵² FEI provides the SQI data for the first six months of the 2025 calendar year, and also provides the actual results from 2020-2024 along with the rolling five-year average for each of these years. Consistent with past practice, FEI only used the 2025 YTD data for the 2025 five-year rolling average. This comprehensive approach, which provides the most recent data and a rolling average for each of the five prior years, provides the most relevant and complete picture of FEI's SQI results.

PART FIVE: ANNUAL REVIEW PROCESS

49. Only CEC submits that there could be efficiencies in a combined filing of FBC's and FEI's Annual Review applications.⁵³ MoveUP, BCSEA, BCOAPO and RCIA recommend against combining future Annual Reviews for Fortis's gas and electric utilities.⁵⁴ FEI agrees with BCOAPO and RCIA that the efficiency factors that ordinarily weigh in favour of combined hearings do not apply to a combined FEI-FBC Annual Review proceeding. RCIA also confirms FEI's expectation that a combined proceeding would create logistical challenges for interveners that could increase costs and reduce efficiencies.⁵⁵

⁵¹ CEC Final Argument, para. 219.

⁵² Exhibit B-7, CEC IR1 11.1.

⁵³ CEC Final Argument, para. 231.

⁵⁴ BCSEA Final Argument p. 3; MoveUP Final Argument, p. 2; BCOAPO-RCIA Final Argument, p. 16.

⁵⁵ BCOAPO-RCIA Final Argument, p. 16.

50. In response to CEC's proposal to work with FEI and FBC to develop a combined application, FEI submits that this is not required as the Utilities are fully capable of, and solely responsible for, developing their rate applications. Moreover, the CEC's proposal would introduce inefficiencies and increase the time required to develop an application, contrary to the BCUC's efficiency objectives.

51. MoveUP, BCOAPO and RCIA recommend that the BCUC re-institute the previous format of Annual Review proceedings, specifically the workshops, as a way to streamline the evidentiary process in future proceedings and achieve the transparency objectives of utility regulation, among other things.⁵⁶ FEI does not oppose a return to the workshop format, but supports the BCUC's efficiency objectives and believes a continuation of the process used in this Annual Review would be consistent with those objectives.

52. BCOAPO, RCIA, and CEC caution against implementing further limitations to the Annual Review process.⁵⁷ FEI agrees that further attempts to expedite the process would not be in the public interest of utility oversight.

PART SIX: CONCLUSION

53. FEI submits that the approvals sought in the Application are reasonable and appropriate and should be approved as filed. The interveners are largely supportive of the approvals sought by FEI and, as FEI has explained above, FEI's proposed approach to implementing permanent 2025 and 2026 delivery rates and amortizing the 2023-2025 Revenue Deficiency deferral account is the most reasonable option and should be approved.

⁵⁶ BCOAPO-RCIA Final Argument, pp. 17, 18.

⁵⁷ CEC Final Argument, para. 229.

54. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated:

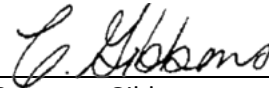
October 24, 2025



Chris Bystrom
Counsel for FortisBC Energy Inc.

Dated:

October 24, 2025



Courtney Gibbons
Counsel for FortisBC Energy Inc.