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September 21, 2026

Residential Consumer Intervener Association
Unit 530 - 1130 W Pender Street
Vancouver, B.C.
V6E 4A4

Attention: Michael Vaney, Director

Dear Michael Vaney:

Re: FortisBC Energy Inc. (FEI)

2027 Annual Review of Delivery Rates (Application)

Response to the Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 1

On July 24, 2026, FEI filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-150-26 for the review of the Application, FEI respectfully submits the attached response to RCIA IR No. 1.[1]

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Registrar
Registered Interveners

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[1] For convenience and efficiency, if FEI has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

CHAPTER 6: O&M EXPENSE

1.0 Reference Exhibit B-2, Page 43

Section 6.3.2 Insurance Expense

FEI presents the following:

Table 6-5: Insurance Expense ($ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast
1	Insurance Premium	$ 12.748	$ 11.816	$ 11.665

FEI states:

"The 2027 Forecast is calculated based on the actual insurance renewal from July 2026 to June 2027 plus 5 percent escalation for the insurance renewal from July 2027 to June 2028."

1.1 Please provide a table showing the actual dollar amounts of the insurance renewals for each of July 2023 to June 2024, July 2024 to June 2025, July 2025 to June 2026 and July 2026 to June 2027.

Response:

The table below shows FEI's actual insurance premiums for the periods requested.

Insurance Period	FEI Insurance Premiums ($000s)
July 2023 to June 2024	13,003
July 2024 to June 2025	12,809
July 2025 to June 2026	12,437
July 2026 to June 2027	11,382

1.2 Please explain the basis for FEI applying 5 percent escalation for the insurance renewal from July 2027 to June 2028.

Response:

FEI has utilized the same method for forecasting insurance premiums in the Annual Reviews since the establishment of the 2014-2019 PBR Plan. This approach ensures that the most recently available actual premiums are incorporated into the forecast and applies an estimate of potential increases in future premiums. FEI considers its approach reasonable and reflective of the fact

that changes in insurance premiums are difficult to predict and can be highly variable, which is why FEI is approved to treat insurance premiums as a Flow-through expense.

Because FEI includes actual (known) insurance premiums for the first half of the forecast year (in this case January to June 2027), any known impacts are reflected in the test year forecast. For example, the softening in market insurance rates between 2026 and 2027 is reflected in the 2027 Forecast for insurance premiums, which is lower than both the 2026 Approved and 2026 Projected amounts.

Further, the current approach has yielded reasonable results. As shown in Table 1 below, the variances between forecast and actual insurance premiums over the past five years have been relatively minor, ranging from a variance of -0.3 percent to 3.9 percent. Attempting to improve the accuracy of FEI's insurance premium forecast through analysis of industry studies or other external sources of information may lead to more variability in the annual forecasts without providing notable improvements in forecasting accuracy. The current approach is simple, allows for a consistent forecasting method year-over-year, and has historically yielded reasonable results.

Table 1: Variances Between Actual and Forecast Insurance Premiums from 2021 to 2025

	Approved ($000s)	Actual ($000s)	Variance ($000s)	Variance (%)
2021	$ 9,908	$ 10,308	$ 400	3.9%
2022	$ 11,474	$ 11,485	$ 11	0.1%
2023	$ 12,242	$ 12,371	$ 129	1.0%
2024	$ 13,328	$ 12,871	$ (457)	-3.6%
2025	$ 12,623	$ 12,585	$ (38)	-0.3%

Note to table:

[1] The insurance premiums in this table are based on the calendar year (January to December), whereas the table in the response to RCIA IR1 1.1 shows the actual insurance premiums based on the renewal period of July to June each year.

1.2.1 If possible, please provide references to any insurance industry studies that support the chosen 5% escalation.

Response:

FEI's forecast methodology is not based on any insurance industry studies. Please refer to the response to RCIA IR1 1.2 for further discussion.

1.2.2 Please provide comments on the study by Aon[1] and an article that references a report by Marsh[2] that suggest that insurance markets remain soft.

Response:

FEI generally agrees that there is a softening in the insurance market following years of higher than 5 percent annual premium increases experienced in the early 2020s. As the table in the response to RCIA IR1 1.1 shows, FEI has experienced a decline in actual insurance premiums since 2023. However, the articles referenced by RCIA comment on the overall Canadian insurance industry and are not specific to utilities. Insurers consider the specific risk profile of the Insured when determining premiums, in addition to the replacement value of assets being insured, including major capital additions to be completed in the insurance period.

Further, as discussed in the response to RCIA IR1 1.2, the softening of the insurance market is already reflected in the actual data incorporated into the forecast and further changes in insurance premiums are difficult to predict and can be highly variable, despite recent trends. FEI's current approach of applying a 5 percent escalation to the forecast insurance premiums for the last six months of 2027 is consistent with the approach used over the past two multi-year rate plan terms and has yielded reasonably accurate results. It is expected that there will be variances between forecast and actual insurance premiums, which is why the variances are approved to be treated as Flow-through, with the difference between forecast and actual amounts either returned to or recovered from customers in the subsequent year.

As shown below, reducing the forecast to reflect either a 0 percent increase or a decrease to insurance premiums (as suggested by RCIA in IR1 1.2.4 and 1.2.5) would have only a minor impact on the 2027 delivery rate increase. Table 1 below provides the 2027 forecast for insurance premiums based on the two scenarios requested by the RCIA:

- 6 months of actual insurance premiums from January 2027 to June 2027, plus a 0 percent increase applied to the final 6 months of 2027 (i.e., July to December 2027); and
- 6 months of actual insurance premiums from January to June 2027, plus an 8.5 percent decrease to the final 6 months of 2027. The 8.5 percent decrease represents the percentage reduction from the premium for July 2025 to June 2026 to the premium for July 2026 to June 2027, as shown in the response to RCIA IR1 1.1.[3]

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1 Aon. (2026). Insurance market report: 2026 spring update. Available: [Online].

2 Where commercial insurance rates are heading. (2026, July 29). Canadian Underwriter. Available: [Online].

3 $11.382 million / $12.437 million – 1 = -8.5%.

Table 1: Changes in 2027 Delivery Rate Increase Assuming a 0% Increase and an 8.5% Decrease in July to December 2027 Insurance Premiums

$ millions	As Filed	0% Increase for Jul-Dec 2027 (RCIA IR1 1.2.4)	8.5% Decrease for Jul-Dec 2027 (RCIA IR1 1.2.5)
Actual (Jan - Jun 2027)	$ 5.691	$ 5.691	$ 5.691
Forecast (Jul - Dec 2027)	$ 5.974	$ 5.691	$ 5.207
Total 2027 Forecast	**$ 11.665**	**$ 11.382**	**$ 10.898**
2027 Delivery Rate Increase (%)	**3.43%**	**3.41%**	**3.38%**
Change from As Filed (%)	0.00%	-0.02%	-0.05%

1.2.3 If FEI has a claims history that supports the 5% escalation, please provide specific details of the claims (incident/event and dollar amounts).

Response:

FEI does not have any material claims in its claims history related to the current insurance period.

1.2.4 Please provide a sensitivity analysis of the 2027 Revenue Requirement assuming a flat (0%) insurance premium escalation.

Response:

Please refer to the response to RCIA IR1 1.2.2.

1.2.5 Please provide a sensitivity analysis of the 2027 Revenue Requirement that assumes a reduction in the July 2027 insurance renewal that is the same percentage reduction as the most recent (July 2026) insurance renewal.

Response:

Please refer to the response to RCIA IR1 1.2.2.

2.0 Reference Exhibit B-2, Pages 44-45

Section 6.3.3 Integrity O&M

FEI presents the following:

Table 6-6: Integrity Digs Activities and Expenditures

Line No.	Reason for Digs	2025 Actual	2026 Approved	2026 Projected	2027 Forecast
1	**ILI Digs – New Tool(s):** ILI digs attributed or projected due to an inspection with an ILI technology or ILI tool that has not been previously run in a given pipeline segment.	56	59	41	53
2	**ILI Digs – New Practice(s):** ILI digs attributed or projected due to changes to industry practices or standards (e.g., strain-based criteria for dent digs) requiring a corresponding change from FEI's past integrity dig practices.	17	15	3	14
3	**ILI Digs – Established Tools and Practices:** ILI digs identified through previously established technologies, tools, and practices	35	36	52	72
4	**Non-ILI Digs:** Digs identified through above-ground cathodic protection and coating surveys.	6	6	8	15

FEI states:

> *"FEI is scheduled to complete four baseline in-line inspections (totalling over 320 km of pipe) associated with the Coastal Transmission System (CTS) and Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Projects in 2026, with subsequent integrity digs expected to occur in both 2027 and 2028."*

2.1 Please confirm whether FEI could shift the ILI digs for lower-priority or stable anomalies identified in the ILIs completed in 2026 into the 2028 forecast year, rather than including them in the forecast for 2027.

2.1.1 If confirmed, please discuss the potential benefits of this approach regarding increased forecasting accuracy for 2028, specifically regarding site-specific complexities (e.g., terrain features, environmental permitting, and access constraints).

Response:

In accordance with CSA Z662 defect criteria and industry practice, FEI's selection of ILI digs does not include anomalies assessed as stable. Stable anomalies are ILI-reported anomalies that are not associated with a time-dependent failure mechanism. Examples of stable anomalies include:

- plain dents with no concern of cracking;
- ripples, wrinkles and buckles with no concern of cracking; and
- manufacturing-related anomalies with no time-dependent threat interaction.

For example, dent defect criteria have evolved such that only dents with a cracking concern require digging.

FEI is forecasting to perform digs for two lower-priority anomalies in 2027, as they are close to higher-priority anomalies. Lower-priority anomalies are ILI-reported anomalies whose time to failure has been quantitatively assessed through accepted engineering methods, and for which the time to failure falls conservatively outside of FEI's dig execution timeline. Nonetheless, FEI may undertake digs for lower priority anomalies where they are close to higher-priority anomalies or needed to validate ILI results. These two types of digs are:

- **Opportunity Digs:** These digs are undertaken due to geographic proximity to a higher-priority dig. Opportunity digs can provide overall benefit by reducing landowner impact and optimizing site mobilization costs.
- **ILI Validation Digs:** The interpretation of an ILI tool run requires an assessment of the degree and accuracy of anomaly detection and anomaly sizing provided. Following an in-line inspection with a new tool (i.e., baseline inspection), and if no higher-priority digs are identified through analysis of the inspection data, FEI considers undertaking ILI validation digs to support its assessment of the vendor and tool (including evaluation of contractual commitments) and to demonstrate the quality of the data for use in future integrity assessments.

In 2027, FEI is currently forecasting two opportunity digs, to dig two lower-priority anomalies that are in geographic proximity to two higher-priority anomalies. FEI considers it prudent to optimize site mobilization costs by grouping the four digs in geographic proximity in 2027 and has not identified benefits in shifting the two opportunity digs into the 2028 forecast year.

3.0 Reference Exhibit B-2, Pages 51-52

Section 6.3.7 Clean Growth Initiative – Renewable Gas Development

On page 51, FEI states:

> *"The increase in 2026 Projected is primarily due to FEI's plan to undertake a hydrogen development study to assess the practical requirements for deploying hydrogen fuel cell Class 8 trucks with a large fleet partner in BC."*

On page 52, FEI states:

> ***"Hydrogen Development Study:***
>
> - *2026 – This study will assess the practical requirements for deploying hydrogen fuel cell Class 8 trucks with a large fleet partner in BC. The work will evaluate suitable deployment lanes and use cases, expected hydrogen demand, vehicle integration requirements, fuelling infrastructure needs, hydrogen supply options, cost competitiveness, reliability risks, and phased rollout requirements. The study will support FEI's assessment of future hydrogen transportation demand, infrastructure requirements, supply planning, and potential implementation pathways."*

3.1 Please provide details of any contributions by the large fleet partner or by any level of government to the development study mentioned above.

Response:

The large fleet partner in BC that FEI is working with as part of the study is not providing a financial contribution, but will provide in-kind support, including fleet and route data, duty-cycle and vehicle operating information, staff participation, site access, and participation in workshops and interviews. No level of government is providing funding for the study.

The study will draw on relevant data, results and lessons learned from the previously completed six-month hydrogen fuel cell Class 8 truck demonstration, including information developed through the Transport Canada Zero-Emission Truck Test Bed project. These learnings are expected to help inform the assessment of deployment requirements, vehicle integration, hydrogen demand, fueling infrastructure and potential deployment pathways.

4.0 Reference Exhibit B-2, Pages 51-52

Section 6.3.7 Clean Growth Initiative – Renewable Gas Development

On page 51, FEI states:

> *"For 2027, FEI is forecasting an increase of $0.426 million from 2026 Approved. This increase is mainly related to FEI's plan to undertake a feasibility study to assess hydrogen fuelling options for CPKC Rail."*

On page 52, FEI states:

> ***"CPKC Rail Feasibility Study:***
>
> - *2027 – This study will assess hydrogen fuelling options for CPKC's switch locomotive operations yard in Pitt Meadows and define the technical, siting, permitting, infrastructure, and hydrogen supply requirements needed to support a potential pilot or phased deployment. The study will evaluate whether rail operations could provide a high-throughput anchor load to support development of a broader hydrogen hub.."*

4.1 Please provide details of any contributions by CPKC or by any level of government to the feasibility study mentioned above.

Response:

CPKC is not providing a financial contribution to the study, but will provide in-kind support, including locomotive operating and duty-cycle information, site and yard information, staff and technical input, site access, and participation in workshops and interviews. At this time, no level of government is providing funding for the feasibility study.

4.2 Please provide an estimate of how technical, operational and commercial information and insights from the ATCO EnPower[4] / CPKC projects in Calgary and Edmonton have impacted the forecast cost of the feasibility study.

Response:

The ATCO EnPower/CPKC hydrogen production and refuelling projects in Calgary and Edmonton provide relevant technical and operational precedent, and lessons from CPKC's experience with those projects are expected to inform the Pitt Meadows assessment as the feasibility work

[4] ATCO EnPower, & Canadian Pacific Kansas City. (2024, November 20). ATCO EnPower and CPKC complete construction of two hydrogen production & refuelling stations in Alberta. ATCO. Available: [Online].

progresses. However, the Alberta projects do not provide a directly comparable basis for estimating the cost of the Pitt Meadows study.

The scope and level of effort required for the Pitt Meadows study will depend on project- and site-specific factors, including hydrogen supply arrangements, locomotive operating requirements and duty cycles, site layout, applicable permitting requirements, infrastructure requirements, and the configuration and sizing of fuelling equipment, including compression, storage and dispensing.

Accordingly, while experience from the Calgary and Edmonton projects may assist FEI and CPKC in evaluating specific technical and operational considerations and may help inform the study as it progresses, FEI has not attributed a specific increase or decrease in the forecast study cost to those projects.

CHAPTER 8: FINANCING AND RETURN ON EQUITY

5.0 Reference Exhibit B-2, Page 43

Section 6.3.2 Short-Term Debt

FEI states:

> *"FEI obtains short-term funding primarily through the issuance of commercial paper to Canadian institutional investors. FEI backstops the commercial paper issuances by maintaining a $900 million committed credit facility that matures in July 2031. The credit facility provides FEI with short-term liquidity to fund its capital program and working capital requirements. FEI also maintains a letter of credit facility that matures in March 2027 to support its letters of credit. In 2026, the letter of credit facility was reduced from $55 million to $40 million."*

5.1 Please provide a table that shows actual maximum commercial paper outstanding in each of 2024 and 2025, the forecast maximum commercial paper outstanding in 2026 and the forecast maximum commercial paper outstanding for 2027.

5.1.1 Please identify the operation or capital program drivers for peak commercial paper requirements in each of the years (actual for 2024 and 2025 and forecast for 2026 and 2027).

5.1.2 Please explain how FEI determines the appropriate size of its committed credit facility in relation to commercial paper issuance.

Response:

The maximum commercial paper balances outstanding in each of 2024 and 2025 and forecast maximum balances for 2026 and 2027, based on current financing assumptions, are as follows:

Commercial Paper	2024 Actual	2025 Actual	2026 Forecast	2027 Forecast
Maximum Commercial Paper Outstanding	$594 million	$650 million	$707 million	$772 million

2024 (Actual)

FEI's peak commercial paper requirements in 2024 were primarily driven by increased capital expenditures, most notably funding associated with the Eagle Mountain-Woodfibre Gas Pipeline (EGP) Project. Under existing agreements, FEI was required to fund approximately $400 million of EGP Project costs beginning January 1, 2024. This represented a significant change from prior years, when cash deposits received from Woodfibre LNG had funded these expenditures. Commercial paper requirements were further increased by higher demand side management (DSM) expenditures. Finally, FEI did not issue long-term debt between November 2022 and October 2025, resulting in a greater reliance on short-term borrowings to fund ongoing cash requirements.

2025 (Actual)

FEI's peak commercial paper requirements continued to increase in 2025 as FEI had not accessed the long-term debt market for nearly three years at that point. Key capital spending drivers included the Coastal Transmission System (CTS) and Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Projects, the Inland Gas Upgrades (IGU) Project, and FEI's DSM program, with overall DSM expenditures increasing relative to 2024.

2026 (Forecast)

FEI forecasts higher peak commercial paper requirements in 2026 due to continued growth in capital expenditures. In addition, FEI was required to repay $150 million of maturing debt in April 2026. Major capital program drivers include the CTS and ITS TIMC Projects, IGU Project, Advanced Metering Infrastructure (AMI) Project, and the Tilbury Phase 1B Expansion Project. Together, these factors are expected to increase short-term funding requirements and contribute to higher peak commercial paper balances.

2027 (Forecast)

FEI forecasts that peak commercial paper requirements will remain elevated in 2027, primarily due to increased capital expenditures associated with the EGP Project. FEI expects to fund an additional $350 million of EGP-related capital expenditures towards the end of 2027 that will not be supported by cash deposits from Woodfibre LNG. Continued investment in FEI's broader capital program, which includes major projects such as the Tilbury 1B, AMI and the Enterprise Resource Planning Modernization Projects, is also expected to contribute to commercial paper requirements during the year.

Credit Facility Size

FEI determines the appropriate size of its credit facility by assessing its operating liquidity requirements, capital expenditure program, regulatory deferral account exposure, and the need to maintain financial resilience during periods of market disruption. The current $900 million syndicated credit facility was approved by the BCUC in 2023 (Order G-211-23), increasing the facility from $700 million, a level that had remained unchanged since 2007.

In support of the 2023 increase, FEI demonstrated that its liquidity requirements had grown substantially since 2007, driven by significant increases in capital expenditures, rate base, and overall cash requirements. FEI also noted that regulatory deferral account balances can create significant cash flow volatility, particularly during periods of commodity price volatility, requiring additional liquidity support.

The credit facility also serves as a key risk management tool, providing access to liquidity during unforeseen events such as supply disruptions, financial market stress, extreme weather events, or other operational challenges. FEI's experience during the 2018 Enbridge pipeline rupture and the COVID-19 pandemic highlighted the importance of maintaining sufficient committed liquidity capacity.

Most notably, the 2023 increase in the credit facility was achieved at a relatively modest cost. The incremental standby fees associated with the additional $200 million of committed capacity were estimated at approximately $390,000 per year, representing only about 0.2 percent of FEI's total borrowing costs at the time. FEI also noted that the additional capacity would provide greater flexibility in managing the timing of long-term debt issuances. During periods when long-term borrowing rates are temporarily elevated due to market volatility, FEI would have the ability to utilize additional available short-term borrowing capacity to meet liquidity requirements and defer long-term debt issuance until market conditions are more favourable.

This flexibility remains valuable today. In 2026, debt capital market conditions have been affected by geopolitical uncertainty and broader market volatility, resulting in higher long-term borrowing costs. For example, all-in borrowing costs for a 30-year FEI bond are currently approximately 5.4 percent, while FEI can issue commercial paper at approximately 2.3 percent. While long-term bond issuances are required to finance growth, the additional committed credit capacity provides FEI with the ability to maintain adequate liquidity while optimizing the timing of long-term debt issuances, which can contribute to lower overall financing costs for customers.

As a result, FEI aligns the size of its committed credit facility with its expected liquidity needs, potential cash flow volatility, and resilience requirements. FEI continues to monitor its liquidity requirements and periodically assesses whether the size of the committed credit facility remains appropriate.