FASKEN

Fasken Martineau DuMoulin LLP
Barristers and Solicitors
Patent and Trade-mark Agents

550 Burrard Street, Suite 2900
Vancouver, British Columbia V6C 0A3
Canada

T +1 604 631 3131
+1 866 635 3131
F +1 604 631 3232

fasken.com

Chris Bystrom
Direct +1 604 631 4715
Facsimile +1 604 632 4715
cbystrom@fasken.com

October 1, 2026
File No.: 240148.01241

Electronic Filing

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

Attention: Registrar

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. – 2027 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 1, 2026.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP



Chris Bystrom*
*Law Corporation

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 2027 DELIVERY RATES

FINAL SUBMISSION

OF

FORTISBC ENERGY INC.

OCTOBER 1, 2026

Table of Contents

PART ONE: INTRODUCTION AND OVERVIEW 1

PART TWO: DEMAND FORECAST IS BASED ON APPROVED METHODS 2

PART THREE: OTHER REVENUE FORECAST IS REASONABLE 3

PART FOUR: FORMULA AND FORECAST O&M EXPENSE IS REASONABLE 3

A. Forecast Insurance Expense Is Reasonable 4

B. Integrity O&M Expense Is Reasonable 5

(a) 2026 Integrity O&M Is Prudent 5

(b) 2027 Integrity O&M Is Reasonably Forecast 6

(c) FEI is Prudently Managing Leaks on the NPS 3 Fernie Lateral 6

C. AMI O&M Expenses Are Reasonable 7

PART FIVE: RATE BASE ITEMS ARE REASONABLE 8

A. Rate Base Is Determined by Pre-Approved Projects and Expenditures 8

B. New Rate Base Deferral Accounts 9

(a) 2026 LTGRP Deferral Account 10

(b) MX Policies Review Deferral Account 12

PART SIX: FINANCING AND RETURN 12

PART SEVEN: TAXES 13

PART EIGHT: EARNINGS SHARING AND RATE RIDERS 14

PART NINE: ACCOUNTING MATTERS AND EXOGENOUS FACTORS 15

PART TEN: SERVICE QUALITY INDICATORS DEMONSTRATE FEI IS MAINTAINING PERFORMANCE 15

PART ELEVEN: CONCLUSION 16

PART ONE: INTRODUCTION AND OVERVIEW

1. In its Annual Review for 2027 Delivery Rates Application (Application),[1] FortisBC Energy Inc. (FEI) seeks approval of permanent delivery rates for 2027. FEI filed the Application in compliance with British Columbia Utilities Commission (BCUC) Decision and Order G-69-25, which approved a Rate Setting Framework (Rate Framework) for FEI for the years 2025 to 2027 (Rate Framework Decision). As directed by Order G-178-26, components approved by the Rate Framework Decision are out of scope for this proceeding.

2. FEI submits that its proposed effective delivery rate increase of 3.43 percent for 2027 should be approved, subject to the updated BC-AWE results for May and June 2026.[2] The proposed delivery rate increase flows from FEI's 2027 revenue requirement, which has been calculated consistent with the Rate Framework Decision, using the approved formulas for O&M and Growth capital and the approved forecasts for Sustainment/Other capital from the Rate Framework Decision, and using FEI's 2027 Forecast amounts for revenue requirement items that are to be forecast annually. The Application sets out in detail each component of FEI's revenue requirement, and reports on accounting matters, the Clean Growth Innovation Fund (CGIF) and FEI's performance under the service quality indicators (SQIs) approved by the Rate Framework Decision.[3] FEI's 2025 SQI performance indicates that FEI is maintaining service quality.[4]

3. On September 21, 2026, FEI responded to information requests (IRs) from the BCUC and interveners, including the BC Sustainable Energy Association (BCSEA), the Council of Senior Citizens' Organizations of BC et al. (COSCO), the Residential Consumer Intervener Association (RCIA), the Commercial Energy Consumers Association of BC (CEC), and the Canadian Office and

---

1 Exhibit B-2, Annual Review for 2027 Delivery Rates Application, July 24, 2026.

2 As discussed in Section 2.2 of the Application, FEI used the latest available month of April 2026 for AWE-BC as a placeholder, as results for May and June 2026 have not been released by Statistics Canada. Once results for these periods are available, FEI can replace this placeholder with actual data in the compliance filing to the BCUC's decision on this Application.

3 Exhibit B-2, Application, Sections 2 to 13.

4 Exhibit B-2, Application, pp. 128-130.

Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP). FEI submits that it has provided comprehensive responses to the IRs and no material issues were raised.

4. FEI submits that the Application and response to IRs demonstrate that its proposed revenue requirements and delivery rates for 2027 are consistent with the Rate Framework Decision and just and reasonable, and that the Application should be approved. 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.

5. In the remainder of this Final Argument, FEI addresses the topics canvassed in this proceeding, following the order of topics in its Application. For efficiency, FEI has not reproduced all the evidence filed in the Application, on which it continues to rely, but has focused on the topics canvassed in IRs.

PART TWO: DEMAND FORECAST IS BASED ON APPROVED METHODS

6. FEI's demand forecast is based on the methods approved by the Rate Framework Decision for 2025 to 2027 and should be approved. For 2027, FEI is forecasting total demand to be approximately 218.2 PJ, which is a reduction of approximately 4.0 PJ (or 1.8 percent) from the 2026 Approved level. The decrease is primarily due to forecast decreases from residential customers in Rate Schedule (RS) 1, large commercial customers in RS 3, and large volume transportation customers in RS 22. These decreases are partially offset by significant growth in liquefied natural gas (LNG) demand under RS 46, which increased by approximately 2.4 PJ (or 69.5 percent) from the 2026 Approved level. Overall, the decrease in 2027 Forecast demand contributes approximately $6.406 million to the 2027 revenue deficiency when calculated based on the 2026 Approved rates.[5]

[5] Exhibit B-2, Application, p. 20 and Section 3.

PART THREE: OTHER REVENUE FORECAST IS REASONABLE

7. FEI submits its forecast Other Revenue is reasonable and should be approved. FEI has forecast its Other Revenue for 2027 reflecting all applicable contracts and fixed revenues and based on FEI's best knowledge of the factors that drive variable components. FEI is projecting a slight decrease in Other Revenue of approximately $0.292 million compared to 2026 Approved, primarily due to lower forecast Natural Gas for Transportation (NGT)-related recoveries.[6] This has a small contribution to the 2027 deficiency.

8. FEI's proposed treatment of the Vedder Abbotsford Fuelling Station costs is reasonable and appropriate. Consistent with Direction No. 5 to the British Columbia Utilities Commission, B.C. Reg. 245/2013, compressed natural gas (CNG) and LNG costs and revenues are treated as part of FEI's natural gas class of service and allocated to all applicable customers, such that any surplus or deficiency arising from the Vedder settlement properly flows through to, or is recovered from, FEI's other customers through delivery rates. Accordingly, FEI will record any surplus or shortfall between the settlement amount and the total unrecovered capital and removal costs of the Vedder Abbotsford Fuelling Station in the CNG & LNG Recoveries deferral account, which will be recovered from/returned to FEI's other customers. This accounting treatment is consistent with the approach FEI has used for previous terminations or buyouts of CNG or LNG fuelling stations.[7]

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

9. FEI submits that its formula and forecast O&M set out in Section 6 of the Application have been properly calculated and reasonably forecast, respectively, and should be approved.

10. The 2027 Formula O&M is $329.218 million, is based on the I-Factor of 2.451 percent, the approved X-Factor of 0.55 percent, and the 2027 forecast average customer count of 1,113,600.

---

6 Exhibit B-2, Application, p. 33.

7 Exhibit B-6, BCUC IR1 1.1.

The 2027 Formula O&M is approximately 1.6 percent higher than the approved 2026 Formula O&M.[8]

11. FEI's forecast O&M outside the formula is $94.180 million and well justified.[9] While forecast O&M is approximately 3.1 percent higher than the 2026 Approved level, this is due to required pension and other post-employment benefits (OPEB) expense, integrity O&M, and increased expenditures for Clean Growth Initiatives, which are partially offset by decreases in insurance expense, the Advanced Metering Infrastructure (AMI) flow-through O&M, and BCUC levies.[10] FEI addresses the topics raised in IRs below, which have not identified any issue with the forecast O&M expense.

A. Forecast Insurance Expense Is Reasonable

12. FEI's forecast insurance expense is reasonable and appropriate. The 2027 Forecast insurance premium expense is $11.665 million, which is a decrease of $0.151 million from 2026 Projected. The 2027 Forecast is calculated based on the actual insurance renewal from July 2026 to June 2027 plus a 5 percent escalation for the insurance renewal from July 2027 to June 2028.[11]

13. FEI's forecast method for 2027 is the same method used since the establishment of the 2014-2019 Performance Based Ratemaking Plan. This approach ensures that the most recently available actual premiums are incorporated into the forecast and applies a 5 percent escalation to estimate the potential increases in future premiums. Because FEI includes actual 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. The approach of using a 5 percent escalation for the remainder of 2027 reflects the fact that changes in insurance

---

8 Exhibit B-2, Application, pp. 40-41.

9 Exhibit B-2, Application, Section 6.3.

10 Exhibit B-2, Application, Section 6.3.

11 Exhibit B-2, Application, p. 43.

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.[12]

14. FEI's forecast method has yielded reasonable results, even in the current softening insurance market. 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. Notably, FEI's 2025 forecast – using the same method and in the context of a softening insurance market – was very accurate, with a variance of only -0.3 percent.[13] FEI submits that its current approach to forecasting insurance premiums continues to be appropriate – the approach is simple, allows for a consistent forecasting method year-over-year, and has historically yielded reasonable results.[14]

B. Integrity O&M Expense Is Reasonable

(a) 2026 Integrity O&M Is Prudent

15. FEI's 2026 Projected Integrity O&M is $12.9 million, which is $0.9 million higher than 2026 Approved, due in part to increased costs compared to forecast for integrity digs in Burns Bog and Vancouver Island. The increase in costs compared to forecast reflects prudent, responsive management of unforeseen conditions at these dig sites:

- At Burns Bog, the excavation began in July 2025 and encountered an unexpectedly high water table and a natural aquifer, requiring a lengthy environmental permitting process involving the BC Energy Regulator, the City of Delta, and Metro Vancouver that extended the work into 2026.[15]
- On Vancouver Island, FEI had been developing site-access options but had not finalized its approach at the time of forecasting. FEI reasonably pursued a ground-access option, but ultimately determined it was infeasible and shifted to helicopter access to complete the dig in time to avoid reducing operating pressure on the pipeline.[16]

---

12 Exhibit B-11, RCIA IR1 1.2.

13 Exhibit B-11, RCIA IR1 1.2.

14 Exhibit B-11, RCIA IR1 1.2.

15 Exhibit B-6, BCUC IR1 2.1.

16 Exhibit B-6, BCUC IR1 2.1.

(b) 2027 Integrity O&M Is Reasonably Forecast

16. FEI's 2027 Forecast Integrity O&M of $15.400 million is also reasonable and appropriate. The 2027 Forecast represents an increase of $2.5 million from 2026 Projected, driven by an increase in the number of integrity digs required for 2027, offset by a lower average cost per dig. FEI's forecast Integrity costs are based on its forecast of the number of each type of integrity dig and the average cost per dig.[17]

17. FEI's 2027 Forecast Integrity O&M accounts for uncertainty in estimating the number and complexity of integrity digs, and uses a disciplined, engineering-driven methodology. Digs with completed analysis are forecast with certainty, while remaining digs rely on qualified engineering judgment informed by inspection results, pipe vintage, manufacturing methodology, and material properties. FEI accounts for regional cost variation by considering the expected operating region for each dig. FEI's 2027 Forecast average cost per dig reasonably reflects a greater proportion of digs anticipated in the Interior region, where sites are typically less congested and more accessible, resulting in a lower blended average cost per dig than in 2026.[18]

18. FEI's decision to include two opportunity digs in the 2027 Forecast is reasonable. These two opportunity digs are in geographic proximity to higher-priority anomalies. It is prudent to complete these digs at the same time as the nearby higher-priority digs in 2027 to optimize site mobilization costs and reduce landowner impacts.[19]

(c) FEI is Prudently Managing Leaks on the NPS 3 Fernie Lateral

19. FEI is prudently managing the leaks identified on the NPS 3 Fernie Lateral. All the identified leaks are minor "bubble leaks" with no evidence of significant gas release, and none qualify as material safety incidents reportable under Decision and Order G-52-24. FEI is responding through a comprehensive investigation, including an above-ground inspection survey and metallurgical and laboratory analysis, while maintaining ongoing reporting to the BC Energy

---

17 Exhibit B-2, Application, Section 6.3.3.

18 Exhibit B-6, BCUC IR1 2.2 and 2.3.

19 Exhibit B-11, RCIA IR1 2.1.

Regulator. FEI requires additional information to determine whether the leaks reflect a localized or broader integrity issue and expects continued O&M costs to be required in future years to manage the leaks identified on the lateral, until a longer-term solution is developed and implemented.[20]

C. AMI O&M Expenses Are Reasonable

20. FEI's 2027 Forecast AMI O&M expenses of $21.386 million are reasonable. FEI explained the basis for the forecast on a line-by-line basis in the Application and clarified the following in response to IRs:

(a) The transition from manual to automated meter reads occurs once a meter reading route reaches a 95 percent AMI meter exchange threshold and satisfies two acceptance criteria: reliable meter communication with the AMI network and consistent, validated receipt of automated reads for billing purposes.[21]

(b) Higher 2026 Projected meter installations do not translate proportionally into more automated-read transitions because Table 6-7 captures only FEI Operations installations (a small share of total exchanges, as the majority of the exchanges are being done by deployment contractors), and because routes transition in batches as they hit the commissioning threshold rather than steadily.[22]

(c) The higher-than-expected 2026 customer service activity stems from fewer-than-anticipated meters transitioned to automated billing, and the 2027 Forecast reflects an expected increase in the pace of route transitions, producing lower AMI Customer Service O&M in 2027.[23]

(d) While a minor shift in AMI base station deployment timing occurred from 2026 to 2027, the main driver of the higher 2027 New AMI Activities costs is rising Production Environment Software as a Service fees and Sensus Analytics licensing costs, which are expected to increase as FEI nears functional acceptance of the AMI network and more meters come onto the network by the end of 2027.[24]

---

[20] Exhibit B-6, BCUC IR1 3.1, 3.2.

[21] Exhibit B-6, BCUC IR1 4.1.

[22] Exhibit B-6, BCUC IR1 4.2.

[23] Exhibit B-6, BCUC IR1 4.3.

[24] Exhibit B-6, BCUC IR1 4.5.

21. FEI confirmed overall AMI adoption and implementation is progressing well with no significant uptake issues.

PART FIVE: RATE BASE ITEMS ARE REASONABLE

22. FEI submits that its rate base costs and deferral account requests are just and reasonable and should be approved.

A. Rate Base Is Determined by Pre-Approved Projects and Expenditures

23. FEI's rate base costs are largely determined by items already approved by the BCUC or authorized by the Provincial Government, including:

- FEI's formula Growth capital of $104.381 million, calculated based on the prior year's approved Unit Cost for Growth Capital (UCGC), escalated by the I-Factor less an X-Factor and multiplied by the forecast Gross Customer Additions (GCA);[25]
- FEI's forecast Sustainment and Other capital expenditures of $186.697 million approved by the Rate Framework Decision;[26]
- Capital additions of $1.034 billion, net of CIAC, from projects that have been approved by the BCUC or authorized by the Provincial Government, including the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Project, AMI Project, Okanagan Capacity Mitigation Plan (OCMP) Project, Tilbury 1A/1B Expansion Project and Eagle Mountain-Woodfibre Gas Pipeline (EGP) Project;[27]
- Depreciation expense of $249.179 million based on the depreciation rates approved by the Rate Framework Decision;[28]
- Unamortized deferred charges of $294.179 million from previously approved deferral accounts, the majority of which is related to the Demand-Side Management (DSM) deferral account, followed by the Commodity Cost Reconciliation Account (CCRA), and the two approved AMI Project deferral

---

[25] Exhibit B-2, Application, pp. 57-58.

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

[27] Exhibit B-2, Application, pp. 56 and 60-63.

[28] Exhibit B-2, Application, p. 64.

accounts (i.e., the Existing Meter Cost Recovery deferral account and the Previously Retired Meter Cost deferral account);[29] and

- Working capital based on the Lead Lag Study results approved by the Rate Framework Decision.[30]

24. FEI forecasts a relatively small amount of Flow-through capital expenditures. This includes the Growth capital portion of Pension/OPEB of $1.012 million, which is primarily determined by actuarial assumptions,[31] and RNG Capital expenditures of $16.029 million.[32]

25. Overall, FEI's 2027 Forecast rate base will increase by approximately $700.927 million compared to the 2026 Approved rate base, which results in an increase to the 2027 Forecast earned return of approximately $48.538 million. The increase is primarily due to capital additions related to major projects, including the ITS TIMC Project, the AMI Project, the OCMP Project, the Tilbury 1A/1B Expansion Project, and the EGP Project, all of which have been approved by the BCUC or authorized by the Provincial Government.[33]

26. FEI submits that it has reasonably and appropriately calculated its forecast 2027 rate base and related costs.

B. New Rate Base Deferral Accounts

27. FEI submits that the following new rate base deferral account requests are just and reasonable, and should be approved:

(a) the 2028+ Rate Setting Application deferral account, with the amortization period to be determined in a future proceeding;

(b) the 2026 Long-Term Gas Resource Plan (LTGRP) deferral account, with a 3-year amortization period commencing January 1, 2027; and

(c) the 2026 Main Extensions (MX) Policies Review deferral account, with a 1-year amortization period commencing January 1, 2027.

---

29 Exhibit B-2, Application, p. 65.

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

31 Exhibit B-2, Application, p. 42.

32 Exhibit B-2, Application, p. 59.

33 Exhibit B-2, Application, p. 5.

28. FEI has included a detailed justification for each of the above requests in Section 7.6.1 of the Application, and in Table 7-8 has provided the information identified in the BCUC's Regulatory Account Filing Checklist. Approval of these accounts would be consistent with the BCUC's long-standing practice of approving deferral accounts for FEI's regulatory proceeding costs.

29. The IRs focused on FEI's requests for approval of the 2026 LTGRP deferral account and, to a lesser extent, the amortization period for the MX Policies Review deferral account, which are addressed below.

(a) 2026 LTGRP Deferral Account

30. FEI submits that its request to establish the 2026 LTGRP deferral account, with a 3-year amortization period commencing January 1, 2027, is reasonable and consistent with the long-standing practice of the BCUC.

31. FEI's forecast total regulatory costs of $2.900 million are reasonable and reflect the increased complexity of the 2026 LTGRP compared to the 2022 LTGRP, which cost $2.338 million. The key drivers of the increased costs compared to the 2022 LTGRP include the increased complexity of the forecasting framework and scenario analysis, additional work to enhance the End Use Annual Method, and the Dual-Fuel Study. The 2026 LTGRP includes a materially lower regulatory proceeding cost estimate of $0.500 million compared to the $1.494 million actually incurred for the 2022 LTGRP, reflecting the streamlined regulatory timetable established by Order G-84-26.[34]

32. The timing of FEI's request to establish the 2026 LTGRP deferral account does not constitute retroactive ratemaking. FEI's request is consistent with the standard and well-established practice of developing long-term resource plans, recording regulatory proceeding costs, and bringing forward requests for approval of deferral accounts during rate applications, even after costs have begun to be incurred. The cycles of long-term resource plan development are well established and understood, and FEI was directed by the BCUC to file the 2026 LTGRP by

[34] Exhibit B-2, Application, pp. 68-69; Exhibit B-6, BCUC IR1 5.1.

March 31, 2026. Establishing the deferral account earlier would not have changed the timing or amount of the costs, and FEI reasonably waited to bring the request forward in the current proceeding because the forecast costs, particularly the regulatory proceeding costs, were better defined following the establishment of the regulatory timetable. The BCUC has routinely approved proceeding cost deferral accounts after costs have begun to be incurred. This approach is consistent with the BCUC's established practice of approving project development cost deferral accounts after costs have begun to be incurred, as most recently confirmed by Orders G-125-26 and G-126-26.[35]

33. FEI has relied on the established practice of the BCUC regarding the treatment of application costs in bringing forward the deferral account request for the 2026 LTGRP. The work to develop and prepare for the 2026 LTGRP is required and necessary. Had FEI not incurred costs to develop and prepare for the 2026 LTGRP in prior years, it would not be able to meet the BCUC's expectations for the LTGRP. Therefore, rejecting the establishment of the deferral account as well as the recovery of the costs incurred only based on the timing of the deferral account request relative to the timing of when the costs were incurred, without consideration of whether the costs were necessary or reasonable, would be inconsistent with the established treatment of application/regulatory proceeding costs, and would therefore be unfair and unreasonable.[36]

34. FEI's proposed 3-year amortization period for the 2026 LTGRP deferral account is reasonable. FEI evaluated amortization periods ranging from 1 year to 5 years and selected a 3-year period based on the forecast balance of the deferral account, the resulting rate impact, the benefits of rate smoothing versus intergenerational inequity, and the amortization periods approved for the 2017 and 2022 LTGRP deferral accounts. A three-year amortization period provides some rate smoothing benefits and is aligned with the amortization period for the 2017 and 2022 LTGRP deferral accounts, as well as the time before the next LTGRP. The delivery rate

---

[35] Exhibit B-6, BCUC IR1 5.1.1.

[36] Exhibit B-6, BCUC IR1 5.1.1.

impacts beyond a 3-year amortization period are diminishingly small, with almost no change in the $/GJ impact from 3 to 5 years.[37]

(b) MX Policies Review Deferral Account

35. FEI similarly submits that its request to establish the 2026 MX Policies Review deferral account, with a 1-year amortization period commencing January 1, 2027, is reasonable and appropriate. For the 2026 MX Policies Review deferral account, the proposed 1-year amortization period is appropriate given the relatively small forecast balance and the minimal impact on delivery rates regardless of the amortization period selected.[38]

PART SIX: FINANCING AND RETURN

36. FEI submits that its 2027 debt financing costs and return on equity (ROE) should be approved. FEI's 2027 Forecast equity financing and ROE are based on the capital structure of 55 percent debt and 45 percent equity and an ROE of 9.65 percent approved by Order G-236-23. FEI's debt financing costs are primarily determined by embedded rates on long-term debt, and to a lesser degree by short-term debt rates. The 2027 Forecast embedded rate on long-term debt is expected to increase slightly to 4.74 percent from the 2026 Approved rate of 4.73 percent. For the short-term interest rate, FEI is forecasting an interest rate of 3.72 percent in 2027.[39]

37. FEI prudently manages its debt financing costs. FEI obtains short-term funding primarily through the issuance of commercial paper, backstopped by a $900 million committed credit facility approved by Order G-211-23. The credit facility is 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. It also provides flexibility to optimize the timing of long-term debt issuances. 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

---

37 Exhibit B-6, BCUC IR1 5.4.

38 Exhibit B-2, Application, p. 69; Exhibit B-6, BCUC IR1 6.1.

39 Exhibit B-2, Application, pp. 71-74.

2.3 percent. FEI continues to monitor its liquidity requirements and periodically assesses whether the size of the committed credit facility remains appropriate.[40]

PART SEVEN: TAXES

38. FEI submits that its 2027 Forecast property and income taxes are reasonable and should be approved. Overall, FEI forecasts its taxes to decrease by $22.291 million in 2027, following income tax legislation and forecast changes in property tax rates and assessments.

39. FEI's 2027 forecast property tax increase of $11.813 million or 13.2 percent from 2026 Approved is reasonable as it is due to increases in municipal mill rates, increases in grants-in-lieu to municipalities, and increases in assessed values by BC Assessment.[41] FEI reviews its property assessments annually and considers whether there are grounds for assessment appeals on a folio-by-folio basis. Based on current assessment methodologies applied by BC Assessment and the factors affecting assessed values, the forecast increases are consistent with applicable assessment practices or legislative requirements. FEI will continue to review future assessments and pursue appeals where it determines that assessed values do not appropriately reflect the requirements of the *Assessment Act* or applicable assessment methodologies.[42]

40. FEI's 2027 forecast income tax decrease of $34.104 million or 30.3 percent from 2026 Approved is also reasonable. While the corporate income tax rate of 27 percent has not changed, the decrease is driven primarily by an increase in capital cost allowance (CCA) deductions under new tax legislation, including the reinstatement of the Accelerated Investment Incentive (AII) rules.[43] FEI seeks to take the maximum CCA deductions and other federal grants or incentives available each year.[44]

---

40 Exhibit B-11, RCIA IR1 5.1.

41 Exhibit B-2, Application, Sections 1.4.8 and 9.2.

42 Exhibit B-8, CEC IR1 9.2.

43 Exhibit B-2, Application, pp. 76-77.

44 Exhibit B-8, CEC IR1 9.1.

41. FEI submits that the IRs raised no issues with respect to FEI's tax calculations and that its forecast property and income tax expense should be approved.[45]

PART EIGHT: EARNINGS SHARING AND RATE RIDERS

42. FEI has calculated earnings sharing and its delivery rate riders consistent with past BCUC decisions, which FEI submits should be approved.

43. In accordance with the earnings sharing mechanism approved by the Rate Framework Decision, FEI's 2027 delivery rates include a $0.710 million pre-tax credit ($0.518 million after-tax) earnings sharing amount to customers. FEI has calculated the 2027 Revenue Stabilization Adjustment Mechanism (RSAM) rate rider at $0.406 per GJ[46] and the CGIF rider continues as approved by the Rate Framework Decision.[47] The Fort Nelson Residential Common Rate Phase-in Rate Rider is nil, reflecting the completion of the five-year common rate phase-in period in 2027.[48]

44. FEI has reported on the CGIF in Section 10.3.3 of the Application. FEI confirms that the CGIF projects are progressing, including the hydrogen pyrolysis pilot project (expected to start the design phase by end of 2026), two RNG projects at facilities in BC to improve methane production (demonstrations underway or expected by end of 2026), a syngas demonstration feasibility study (first two phases complete, cost estimate development proceeding), and four solid carbon research projects at various stages of pre-development and demonstration.[49]

45. FEI submits that no issues were raised with respect to earnings sharing or rate riders, and that FEI's proposals are justified and should be approved.

---

45 Exhibit B-2, Application, Section 9.3.

46 Exhibit B-2, Application, Table 10-1, Section 10.3.1.

47 Exhibit B-2, Application, pp. 80-81.

48 Exhibit B-2, Application, pp. 79-80.

49 Exhibit B-6, BCUC IR1 7.1.

PART NINE: ACCOUNTING MATTERS AND EXOGENOUS FACTORS

46. FEI submits that its proposals with respect to its non-rate base deferral accounts are just and reasonable, and should be approved. FEI has not identified any new exogenous factors or emerging accounting guidance for 2027, and is not proposing any new non-rate base deferral accounts.[50] FEI submits that its proposal to record the actual after-tax costs of the 2026 equity issuance in the Flotation Costs deferral account should be approved as this is consistent with Order G-138-25, which approved the Flotation Costs deferral account to record FEI's actual flotation costs attributable to the equity injections by its parent company, Fortis Inc.[51] Also, consistent with the BCUC's approval of the Flow-through deferral account, FEI has calculated an overall credit of $26.929 million to be returned to customers in 2027 delivery rates, primarily due to favourable delivery margin from higher LNG demand and lower income tax expenses due to deductible flow-through CCA.[52] No issues were raised regarding FEI's non-rate base deferral account requests.

PART TEN: SERVICE QUALITY INDICATORS DEMONSTRATE FEI IS MAINTAINING PERFORMANCE

47. FEI's 2025 SQI results indicate that FEI maintained service quality in 2025, the first year of the Rate Framework. For the eight SQIs with benchmarks, six performed at or better than the approved benchmarks. Two SQIs performed between the benchmark and threshold, and FEI is endeavouring to achieve benchmark levels of performance.[53] The traditional informational indicators indicate that FEI's performance generally remains at a level consistent with prior years.[54] Regarding the energy transition informational indicators:

- Scope 1 GHG emissions do not exhibit a clear trend and are primarily driven by gas throughput and methane releases;

---

50 Exhibit B-2, Application, Section 12.4.1.

51 Exhibit B-2, Application, Section 12.4.2.1.

52 Exhibit B-2, Application, pp. 121 to 127.

53 Exhibit B-8, CEC IR1 10.1.

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

- Scope 3 emissions have trended downward from approximately 11.5 Mt in 2021 to 10.6 Mt in 2025, driven by changes in gas demand and increased volumes of RNG;

- Renewable and lower-carbon energy supply continues to trend upward, with FEI acquiring 4.2 PJ of RNG in 2025, a 50 percent increase from 2024;

- NGT volumes increased significantly in 2025, with LNG volumes nearly tripling relative to 2024, primarily driven by marine fueling; and

- DSM energy savings in 2025 were 1,360,623 GJ of gas energy savings[55] or 11,982 TJ of lifetime gas savings[56] and FEI expects DSM energy savings to advance in 2026 and 2027 as result of BCUC-approved investments in energy and efficiency programs.[57]

48. FEI's June 2026 year-to-date SQI performance indicates that FEI continues to maintain its service quality.

49. FEI submits that the IRs related to SQIs do not indicate any material issue in this proceeding and that the SQI results indicate that FEI maintained service quality in 2025 and is continuing to do so in 2026 YTD.

PART ELEVEN: CONCLUSION

50. FEI submits that its proposed 2027 revenue requirements and delivery rates have been calculated in a manner consistent with the Rate Framework Decision, using the approved formulas, forecasts, and methods established by the BCUC, and forecasts based on the best information available. FEI's Application and responses to IRs demonstrate that each component of the revenue requirement is reasonable and appropriately determined. Accordingly, FEI

---

55 Exhibit B-7, BCSEA IR1 1.2.

56 Exhibit B-2, Application, p. 145.

57 Exhibit B-7, BCSEA IR1 1.2.

respectfully requests that the BCUC grant the approvals sought set out in Section 1.2 of the Application.

51. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated: October 1, 2026



Chris Bystrom
Counsel for FortisBC Energy Inc.