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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 – 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 23, 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

REPLY SUBMISSION

OF

FORTISBC ENERGY INC.

OCTOBER 23, 2026

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PART ONE: INTRODUCTION AND OVERVIEW

1. The five interveners that filed arguments in this proceeding express broad support for the approvals sought in FEI's Annual Review for 2027 Delivery Rates Application (Application):

(a) The Canadian Office and Professional Employees Union, Local 378 (MoveUP) submits that the Application should be accepted and FEI's proposed delivery rates for 2027 should be approved.[1]

(b) The Commercial Energy Consumers Association of BC (CEC) submits that it has "concluded that the FEI request for a rate increase to meet its calculated deficiency is justified and should be approved by the Commission."[2]

(c) The B.C. Sustainable Energy Association (BCSEA) supports FEI's requested delivery rate increase.[3]

(d) The Council of Senior Citizens' Organizations of BC et al. (COSCO) supports the Application, subject to recommendations regarding insurance expense, AMI costs and benefits, major project cost accountability, and long-term rate pressures.[4]

(e) The Residential Consumer Intervener Association (RCIA) supports the Application, subject to requests for directions regarding forecast insurance costs, the amortization period for the 2026 LTGRP deferral account, and financing costs.[5]

2. FEI submits that the concerns raised by interveners are minimal and also without merit. In this Reply Submission, FEI responds to the issues raised by interveners, including longer-term rate pressures, forecast insurance expense, the 2026 LTGRP deferral account amortization period, credit facility sizing, major project and AMI reporting, and Service Quality Indicator (SQI) related topics. 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.

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1 MoveUP Final Argument, p 2.

2 CEC Final Argument, p. 1.

3 BCSEA Final Argument, para. 5.

4 COSCO Final Argument, pp. 8-9.

5 RCIA Final Argument, p. 10.

PART TWO: LONGER-TERM RATE PRESSURES DO NOT WARRANT A NEW PROCEEDING

3. COSCO submits that the impact of major capital investments, together with changes in demand and customer growth, raises concerns about longer-term rate pressures, and recommends that these matters be considered in a future regulatory proceeding.[6] FEI submits that a new, generically-focused proceeding on longer-term rate pressures is not warranted, for three reasons.

4. First, this Annual Review is governed by the Rate Framework approved by Decision and Order G-69-25 (Rate Framework Decision) and is directed at establishing the 2027 delivery rates, not longer-term rate pressures. The evidentiary record in this proceeding is accordingly not sufficient to allow the BCUC to draw any firm conclusions about longer-term rate pressures, which depend on many factors extending well beyond the matters before the BCUC in this proceeding.

5. Second, FEI's 2026 LTGRP already provides the BCUC and interveners with a long-term plan for the utility, including a directional 27-year rate impact analysis to 2050 across a range of demand scenarios. The theme of the 2026 LTGRP was how FEI is balancing affordability with sustainability and reliability. Accordingly, the concerns COSCO raises have already been considered in that proceeding and do not require a separate process.

6. Finally, FEI sees no benefit to an additional proceeding generically focused on long-term rate pressures. To FEI's knowledge, the BCUC has never held such a proceeding, and it is unclear what the practical outcome of such a proceeding could be, if it is not a long-term plan or ratemaking proceeding. FEI submits that the BCUC's existing regulatory processes overseeing FEI are comprehensive and do not require any generic proceeding of the kind recommended by COSCO.

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[6] COSCO Final Argument, pp. 2-4.

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

A. RNG Costs Have Been Reasonably Forecast

7. CEC supports FEI's O&M request,[7] but submits that FEI's "RNG, RNG O&M, & RNG Development" is not cost effective, because "the costs prevent this approach from providing a complete existential solution to the CO2e emissions impacts".[8] FEI submits that, given that CEC supports FEI's formula and forecast O&M for the purpose of calculated 2027 delivery rates, CEC's argument regarding RNG costs is not relevant to the BCUC's determinations in this proceeding. Further, CEC has not provided any cogent rationale for determining that any of FEI's RNG costs are not cost effective. FEI's RNG costs have all been reasonably forecast, and are related to FEI's approved Biomethane Program, and the purchase or production of RNG, all of which are reviewed by the BCUC in separate processes. FEI's long-term plan to use RNG to reduce GHG emissions has been recently canvassed in the 2026 LTGRP.

B. Forecast Insurance Expense Has Been Reasonably Forecast

8. Regarding FEI's forecast insurance expense, COSCO seeks a 0 percent escalation factor[9] and RCIA seeks a market-based escalation factor,[10] instead of FEI's 5 percent escalation factor for the second half of the forecast year. FEI submits that there is no principled reason to replace FEI's forecasting methodology with a speculative, market-based escalation factor, as RCIA proposes, or an artificial 0 percent escalation, as COSCO proposes. FEI submits that the use of a 5 percent escalation factor for the second half of the forecast year has produced reasonable results and should be approved.

9. COSCO argues that the most recent experience supports a 0 percent escalation assumption.[11] This is incorrect. FEI's most recent 2025 forecast using a 5 percent escalation assumption produced a result that varied from actual expense by only -0.3 percent. FEI's 2025

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7 CEC Final Argument, p. 5, para. 26.

8 CEC Final Argument, p. 5, para. 25.

9 COSCO Final Argument, p. 4.

10 RCIA Final Argument, pp. 6-7.

11 COSCO Final Argument, pp. 4-5.

forecast was made in a similar market. Contrary to COSCO, forecasting insurance expense is not as simple as considering a high-level characterization of the insurance premium market or historical expenditures. FEI has been clear that forecasting insurance expense is challenging, as changes in insurance premiums are difficult to predict and can be highly variable.[12] General market commentary on the overall Canadian insurance industry is not specific to utilities, and insurers consider the specific risk profile of the insured when determining premiums and the replacement value of assets being insured, which would include FEI's major capital additions to be completed in the insurance period.[13] FEI's escalation factor reflects a consistent, long-standing forecasting methodology that FEI has applied, and the BCUC has accepted, in prior Annual Review proceedings. FEI's methodology has produced accurate results, with the variance between forecast and actual insurance premiums over the past five years ranging from only -0.3 percent to 3.9 percent.[14] Given this demonstrated track record, FEI submits that there is no basis to adopt a 0 percent escalation factor or otherwise adjust the forecasting methodology for its insurance expense.

10. RCIA's recommendation that FEI "support future insurance premium forecasts with relevant market evidence, including insurance industry outlooks, broker forecasts, and utility-specific insurance trends"[15] would add considerable complexity to what is currently a simple, transparent and well-understood forecasting methodology which has consistently produced reasonably accurate results. RCIA's recommendation would require FEI to source, interpret and weigh multiple external market indicators each year in place of a straightforward calculation. Rather than improving the forecast, introducing these additional sources of evidence would likely generate increased controversy in future proceedings, as interveners would be invited to contest FEI's selection, interpretation and weighing of industry outlooks, broker forecasts and other market indicators. This added complexity and controversy would come without any appreciable benefit to ratepayers, given that the existing flow-through treatment already ensures that

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12 Exhibit B-11, RCIA IR1 1.2.

13 Exhibit B-11, RCIA IR1 1.2.2.

14 Exhibit B-11, RCIA IR1 1.2.

15 RCIA Final Argument, pp. 6-7, 10.

ratepayers pay only the actual cost of insurance over time, regardless of the escalation factor applied for the forecast test year. FEI's existing methodology should therefore be retained and its forecast insurance expense approved.

PART FOUR: AMORTIZATION PERIODS FOR NEW RATE BASE DEFERRAL ACCOUNTS

11. RCIA submits that the selection of an amortization period for FEI's requested deferral accounts should be guided by one "fundamental principle", namely: "the recovery period should, to the extent practical, align with the period over which customers receive the benefits arising from the underlying proceeding."[16] While benefits matching is an important consideration, other factors should be, and have been, considered by the BCUC, including:

- the forecast balance in the account;
- the rate impact resulting from the amortization;
- the benefits of rate smoothing versus the potential for intergenerational inequity; and
- the amortization periods of similar accounts.[17]

12. RCIA itself acknowledges the importance of other factors when it concedes that the proposed one-year amortization period for the 2026 Main Extensions (MX) Policies Review deferral account may be reasonable given the small balance in that account.[18] Even though the benefits related to the 2026 MX Policies Review and the timing of the next MX Policies Review will be greater than one year, other factors such as the forecast size of the deferral account, the negligible rate smoothing benefits, and the minimal immediate impact on customer rates from amortizing the balance over one year, support FEI's proposed one-year amortization period.[19]

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16 RCIA Final Argument, p. 7.

17 See Exhibit B-6, BCUC IR1 5.4 and 6.1 for how FEI considered all of these factors in the determination of its proposed amortization period.

18 RCIA Final Argument, p. 8.

19 Exhibit B-6, BCUC IR1 6.1.

RCIA's suggested 5 to 7 year amortization period[20] would have no appreciable impact on rates, while needlessly increasing financing costs over that period.

13. RCIA submits that the BCUC should defer determining the 2026 LTGRP deferral account's amortization period until a final decision on the 2026 LTGRP is issued and the timing of the next LTGRP is known.[21] While the exact timing of the next LTGRP is not known at this time, FEI submits that its proposed 3-year amortization period is reasonable and can be determined now based on an assessment of the relevant factors:

- there are diminishing benefits in terms of rate smoothing for longer amortization periods such as four or five years;
- there is almost no change in the delivery rate impact in $/GJ from 3- to 5-year amortization periods; and
- the most recent LTGRP deferral accounts – the 2017 LTGRP deferral account and the 2022 LTGRP deferral account – both had approved amortization periods of three years.[22]

These factors, together with three years being a reasonable approximation of the time between resource plans, make three years a reasonable and appropriate amortization period for the 2026 LTGRP deferral account.

PART FIVE: FORECAST RATE BASE IS REASONABLE

A. Major Project Cost Accountability

14. COSCO recommends that the BCUC direct that FEI provide, in a future proceeding, a reconciliation of CPCN and Special Project costs comprising the $471.491 million of 2027 rate base additions.[23] FEI submits that COSCO has not established a need for its proposed proceeding. First, FEI submits that there is no lack of BCUC oversight over FEI's major projects. Each Order granting a CPCN also imposes project reporting obligations that give the BCUC an ongoing

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[20] RCIA Final Argument, p. 8.

[21] RCIA Final Argument, pp. 7-8.

[22] Exhibit B-6, BCUC IR1 5.4.

[23] COSCO Final Argument, pp. 5-6.

opportunity to review the execution of FEI's major projects, including material changes in scope or cost, as they occur. Second, COSCO does not allege that any project was imprudently managed, nor has it identified any specific cost variance on any of the projects comprising the $471.491 million that was not already subject to reporting or review, including through the IR process in this proceeding. (FEI notes in this regard that COSCO asked no IRs regarding FEI's CPCN and Special Project costs.) Third, the cost and resources required for an additional proceeding should be considered. In the absence of any identified variance or concern specific to a project's execution, COSCO has not established any basis for directing a generic, retrospective reconciliation exercise across all CPCN and Special Project additions, which would impose considerable regulatory expense without responding to any identified problem.

15. COSCO particularly recommends that FEI be directed to report, in its next Annual Review, the O&M savings actually realized from the AMI project relative to savings anticipated when the Project was approved.[24] FEI submits that additional reporting is not required. BCUC Order C-2-23 granting a CPCN for the AMI Project already requires a robust level of reporting as set out in Appendix B of that order, which includes reporting on O&M savings relative to those reported in FEI's AMI Project application. COSCO has provided no basis for the BCUC to revisit its prior determination on the extent of reporting required for the AMI Project.

B. Deferral Amortization

16. Regarding FEI's forecast mid-year balance of rate base deferral accounts due to forecasting variance, the CEC "recommends that the Commission ask FEI to provide explanations for whether it is able to improve this forecasting accuracy."[25] FEI submits that this request is misguided. Forecast variance deferral accounts are approved precisely because the amounts are not within FEI's control and are difficult to forecast. For example, the Commodity Cost Reconciliation Account is largely impacted by variations in the weather and the price for natural gas in the market, which in turn impacts the demand for natural gas and FEI's commodity costs.

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[24] COSCO Final Argument, pp. 6-7.

[25] CEC Final Argument, pp. 7-8.

FEI forecasts its costs based on the best information available, but will never be able to eliminate variances due to factors such as market or weather variations.

PART SIX: FINANCING AND RETURN

17. RCIA accepts that FEI has established the need for a committed credit facility, but recommends that the BCUC direct FEI to provide additional evidence supporting the sizing of the facility, including forecast utilization and the rationale for maintaining a liquidity buffer above forecast borrowing requirements, and to demonstrate that reserve liquidity is primarily intended to address external risks and unforeseen events beyond management's reasonable control, rather than risks arising from management decisions or risks that can reasonably be anticipated and managed through normal utility planning processes.[26] FEI submits that RCIA's request is not reasonable and that no such direction is warranted.

18. First, the current $900 million syndicated credit facility was approved by the BCUC in 2023 by Order G-211-23, increasing the facility from $700 million, a level that had remained unchanged since 2007. In its application leading to Order G-211-23, 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.[27] RCIA has provided no reason for the BCUC to reconsider or vary it past determination in Order G-211-23.

19. Second, a committed credit facility is a highly flexible risk-management tool that gives FEI the ability to draw financing when needed, as it is supported by a syndicate of the largest and most credit-worthy financial institutions in Canada. Its function is to provide assured access to liquidity in the face of unforeseen events such as supply disruptions, financial market stress, extreme weather events, or other operational challenges that cannot be predicted or sized with precision in advance, as well as to provide flexibility in the timing of long-term debt issuances.

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[26] RCIA Final Argument, p. 9.

[27] Exhibit B-11, RCIA IR1 5.1.

FEI's experience during the 2018 Enbridge pipeline rupture and the COVID-19 pandemic highlighted the importance of maintaining sufficient committed liquidity capacity. A buffer above forecast commercial paper balances is necessary to provide this liquidity.[28] If FEI sized its credit facility in line with its forecasted commercial paper levels and was unable to access the capital markets as assumed due to market disruption, it would be forced to access emergency funding at higher cost or be unable to access required funding at all, which would have a financial and reputational impact on FEI.

20. Third, FEI has already explained what risks the reserve liquidity is intended to address, as summarized above, and this evidence was also reviewed by the BCUC before issuing Order G-211-23. As such, there is no need for further evidence on whether the liquidity is primarily intended to address external risks and unforeseen events beyond management's reasonable control, as RCIA suggests.

21. In any event, FEI monitors its liquidity requirements on an ongoing basis and periodically assesses whether the size of the committed credit facility remains appropriate.[29] For these reasons, FEI submits that RCIA's request for additional evidence regarding the committed credit facilities should be rejected.

PART SEVEN: SERVICE QUALITY INDICATORS

A. Scope 1 GHG Emissions

22. BCSEA expresses concern that FEI has not established an improving trend in Scope 1 GHG emissions, claiming that the factors driving fluctuations in gas throughput are all within FEI's control.[30] FEI submits that BCSEA's expectations are misguided.

23. As FEI explained in the Application, Scope 1 emissions consist of direct GHG emissions from FEI's gas operations, third-party gas line damage incidents, RNG processing facilities, FEI

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28 Exhibit B-11, RCIA IR1 5.1.

29 Exhibit B-11, RCIA IR1 5.1.

30 BCSEA Final Argument, paras. 16-20.

fleet vehicles, and gas used for comfort heating at FEI facilities. Annual variations in Scope 1 emissions are linked to the overall volume of gas delivered to customers, which in turn fluctuates with weather, and other factors, including planned and unplanned methane releases and third-party damage to gas lines, none of which are within FEI's control. In 2025, FEI's direct emissions were primarily project-driven, associated with compressor station operations, with the majority related to work on the EGP Project, a large capital project whose emissions profile is not indicative of FEI's underlying operational trend.[31]

24. Contrary to BCSEA's submission, FEI does not control weather patterns or third-party damage to its gas lines. The timing and scope of major capital projects such as the EGP Project are also not a factor that FEI can simply control to reduce emissions. All of these factors are significant drivers of year-to-year Scope 1 emissions variability. Given these drivers, a smooth or consistently improving year-over-year trend in Scope 1 emissions should not be expected, and the absence of such a trend does not indicate inadequate performance by FEI.

B. FEI Continues to Investigate Leading Safety Indicators

25. MoveUP requests that the BCUC direct FEI to include a status report on the development of leading safety indicators (to replace or supplement the All Injury Frequency Rate measure) in its next Annual Review application.[32] FEI submits that MoveUP's requested direction is not necessary. FEI has stated that it will continue to investigate new safety indicators and will communicate any findings or results through future rate-setting applications, as appropriate.[33] At this time, interest in leading indicators continues to grow across the industry, but approaches remain varied and continue to evolve. FEI continues to explore the potential for a new indicator, but mandating a report before findings or results are available would serve no purpose.

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31 Exhibit B-2, Application, p. 142.

32 MoveUP Final Argument, p. 2.

33 Exhibit B-10, MoveUP IR1 1.1.

C. FEI's Suite of SQIs Has Been Approved

26. CEC recommends that FEI set more benchmarks and thresholds for the measures without them, would support additional measures, particularly for FEI cost-effectiveness, and suggests that good management might also include stretch objectives moving forward.[34] FEI's suite of SQIs, including those for information only, without benchmarks and thresholds, were reviewed and approved by the Rate Framework Decision. As 2027 is the final year of the current Rate Framework, FEI does not consider any change to the suite of SQIs to be practical, nor would such changes be within the scope of the current Rate Framework.

PART EIGHT: CONCLUSION

27. FEI has demonstrated that the approvals sought in the Application are reasonable and appropriate and should be approved. As set out above, the interveners filing arguments in this proceeding are largely supportive of the approvals sought by FEI, and FEI has explained why the specific issues raised by COSCO, RCIA, BCSEA and MoveUP do not warrant any departure from FEI's proposed 2027 revenue requirements and delivery rates. FEI accordingly respectfully requests that the BCUC approve the Application.

28. ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated: October 23, 2026

[original signed by Chris Bystrom]

Chris Bystrom
Counsel for FortisBC Energy Inc.

[34] CEC Final Argument, p. 10.