



ORDER NUMBER
G-287-25

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
2025 and 2026 Annual Review of Delivery Rates

BEFORE:

M. Jaccard, Panel Chair
T. A. Loski, Commissioner

on December 5, 2025

ORDER

WHEREAS:

- A. On March 18, 2025, the British Columbia Utilities Commission (BCUC) issued Order G-69-25 for FortisBC Energy Inc. (FEI) and Order G-70-25 for FortisBC Inc. (FBC) approving a Rate Setting Framework (Rate Framework) for 2025 through 2027 (Rate Framework Decision). In accordance with the Rate Framework Decision, FEI is to conduct an annual review process to set delivery rates for each year (Annual Review);
- B. By Order G-313-24 dated November 27, 2024, the BCUC approved FEI to do the following, effective January 1, 2025, on an interim and refundable/recoverable basis:
 - i. Increase delivery rates by 7.75 percent;
 - ii. Set the Revenue Stabilization Adjustment Mechanism rate rider in the amount of \$0.149 per gigajoule (GJ);
 - iii. Set the Fort Nelson Residential Customer Common Rate Phase-in rate rider in the credit amount of \$0.609 per GJ; and
 - iv. Continue the Clean Growth Innovation Fund rate rider in the amount of \$0.40 per month;
- C. By Order G-69-25 and the Rate Framework Decision, FEI was approved to continue collecting the Clean Growth Innovation Fund rate rider amount of \$0.40 per month for the term of the Rate Framework, on a permanent basis, effective January 1, 2025;
- D. By Order G-179-25, the BCUC established the regulatory timetable for the proceeding, which included FEI filing its Annual Review for 2025 and 2026 delivery rates application, public notice, intervener registration, one round of information requests, letters of comment, and final and reply arguments;

- E. On July 24, 2025, FEI submitted its Annual Review for 2025 and 2026 Delivery Rates application (Application). In the Application, FEI requests approval to make the existing 2025 interim delivery rates permanent, effective January 1, 2025, and approval of a 10.07 percent permanent delivery rate increase, effective January 1, 2026, among other things, pursuant to sections 59 to 61 of the *Utilities Commission Act*. In Section 2.2 of the Application, FEI notes that delivery rates will be adjusted in a compliance filing to reflect updated BC Average Weekly Earnings (BC-AWE) data that was unavailable at the time the Application was filed; and
- F. On October 27, 2025, the BCUC issued Order C-6-25 with accompanying decision regarding FEI's application for a Certificate of Public Convenience and Necessity for the Tilbury Liquefied Natural Gas Storage Expansion Project (Tilbury CPCN Decision), which impacts the proposed permanent delivery rate increase, effective January 1, 2026;
- G. The BCUC has reviewed the Application, evidence, and arguments filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act* and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. FEI is approved to make the existing interim delivery rates (2025 Interim Delivery Rates) and rate riders permanent, effective January 1, 2025.
2. FEI is approved to:
 - a. Capture in the 2023–2024 Revenue Deficiency deferral account the revenue deficiency resulting from the difference between the revenue requirements used to set the 2025 Interim Delivery Rates and the 2025 delivery rates approved on a permanent basis; and
 - b. Rename the 2023–2024 Revenue Deficiency deferral account to the 2023–2025 Revenue Deficiency deferral account and amortize the balance in the deferral account over a five-year period starting January 1, 2027.
3. FEI is approved to increase delivery rates by 10.07 percent, as adjusted to reflect the updated BC-AWE data in accordance with Section 2.2 of the Application and the directives and determinations in the Tilbury CPCN Decision, on a permanent basis, effective January 1, 2026.
4. FEI is approved to continue debiting the Midstream Cost Reconciliation Account and crediting Other Revenue in the amount of \$346.617 per million standard cubic feet per day, effective January 1, 2025, for the duration of the Rate Framework term of 2025 to 2027.
5. FEI is approved the following regarding its deferral accounts:
 - a. To rename the Annual Review of 2020–2024 Rates deferral account to the Annual Review Proceeding Costs deferral account, to continue to use this deferral account to capture the actual regulatory proceeding costs related to each of the Annual Reviews during the Rate Framework term of 2025 to 2027, and to continue to amortize the balance in the deferral account over a one-year period;

- b. To rename the 2025 Multi-year Rate Plan Application deferral account to the 2025–2027 Rate Setting Framework Application deferral account, and to amortize the balance in the deferral account over a three-year period, commencing January 1, 2025;
 - c. To amortize the balance in the 2021 Generic Cost of Capital Proceeding deferral account over a five-year period, commencing January 1, 2025;
 - d. To amortize the balance in the 2021 Renewable Gas Program Comprehensive Review deferral account over a three-year period, commencing January 1, 2025;
 - e. To amortize the balance in the 2023 Cost of Service Allocation Study deferral account over a one-year period, commencing January 1, 2025;
 - f. To amortize the balance in the 2022 Long-Term Gas Resource Plan deferral account over a three-year period, commencing January 1, 2025;
 - g. To capture the actual \$6.165 million after-tax costs of the 2025 equity issuance in the Flotation Costs deferral account and to amortize the balance in the Flotation Costs deferral account over five years, commencing January 1, 2026; and
 - h. To modify the existing RNG Account to attract financing costs at FEI’s weighted average cost of capital, effective January 1, 2025.
6. FEI is approved to set the Revenue Stabilization Adjustment Mechanism rate rider for 2026 at \$0.212 per GJ, effective January 1, 2026.
7. FEI is approved to set the Fort Nelson Residential Customer Common Rate Phase-in Rate Rider for 2026 at a credit of \$0.355 per GJ, effective January 1, 2026.
8. FEI is approved to transfer the 2024 ending balance of the 2020 Clean Growth Innovation Fund deferral account to the existing approved Residual Delivery Rate Riders deferral account, effective January 1, 2025, and to record any unspent accrued committed amounts in the Residual Delivery Rate Riders deferral account.
9. FEI is directed to file as a compliance filing, amended tariff pages for the BCUC’s endorsement and tariff continuity and billing impact schedules for 2025 and 2026, reflecting the approved permanent delivery rate increases by December 15, 2025.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of December 2025.

BY ORDER

Electronically signed by Mark Jaccard

M. Jaccard
Commissioner

FortisBC Energy Inc.
2025 and 2026 Annual Review of Delivery Rates

DECISION

Table of Contents

Page no.

Executive Summary	i
1.0 Introduction and Background	1
1.1 Approvals Sought	1
1.2 Regulatory Process	2
1.3 Background Information - Rate Framework and the Annual Review Process	2
1.4 Structure of the Decision.....	4
2.0 Are the 2025 and 2026 Forecast Revenue Requirements and Delivery Rates Reasonable?	5
2.1 Is the Annual Review Application Prepared in Accordance with the Rate Framework?	8
2.2 Are the Remaining Items Impacting the Revenue Requirements Reasonable?	10
2.2.1 Are the Forecasts Determined Outside of the Rate Framework Formulas and Methodologies Reasonable?	11
2.2.2 How Should the 2025 and 2026 Revenue Deficiencies and the 2023–2024 Revenue Deficiency Deferral Account Balance be Recovered?	14
2.2.3 Are the Other Approvals Sought Reasonable?.....	18
2.3 Overall Determination.....	22
3.0 Other Matters	22
3.1 Content to be Provided in Future Annual Reviews	22
3.2 Future Annual Review Process	24

APPENDICES

APPENDIX A LIST OF ACRONYMS AND TERMS

APPENDIX B EXHIBIT LIST

Executive Summary

On March 18, 2025, the British Columbia Utilities Commission (BCUC) approved a Rate Setting Framework (Rate Framework) for FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) covering a three-year period from January 1, 2025 to December 31, 2027 (Rate Framework Decision). The Rate Framework uses a performance-based regulatory rate-setting framework which links utility rates to performance and makes the controllable portion of FEI's annual revenue requirement subject to a formula rather than to cost recovery based on a traditional cost-of-service approach. As per the Rate Framework Decision, an annual review process is required to set delivery rates for each year of the framework.

Prior to the issuance of the Rate Framework Decision, the BCUC had approved FEI's application for a 7.75 percent delivery rates increase on an interim and refundable/recoverable basis, effective January 1, 2025. On July 24, 2025, following the issuance of the Rate Framework Decision, FEI filed its Annual Review for 2025 and 2026 Delivery Rates Application (Application). In the Application, FEI updated its forecast 2025 revenue requirement and calculated forecast revenue deficiencies of \$103.400 million in 2025 and \$124.421 million in 2026. The updated 2025 forecast revenue deficiency is a \$15.352 million increase from the previous forecast 2025 revenue deficiency used to set interim delivery rates, resulting in a 2025 delivery rates increase of 9.10 percent. However, due to the expected timing of the BCUC's final decision on this Application, FEI proposes to maintain the 2025 permanent delivery rates at existing approved interim levels (i.e. an increase of 7.75 percent) and instead, defer the \$15.352 million incremental 2025 forecast revenue deficiency to 2027 for future recovery. With respect to the 2026 delivery rates, FEI proposes an increase of 10.07 percent, effective January 1, 2026, on a permanent basis, to fully recover its 2026 forecast revenue deficiency. The Panel considers FEI's proposal strikes the best balance of mitigating rate impacts, smoothing rate volatility, and shortening the time until the deferred revenue deficiencies are fully recovered.

The Panel finds FEI's 2025 and 2026 forecast revenue requirements and the resulting delivery rates to be reasonable. Accordingly, the Panel approves FEI to:

- Make the existing interim delivery rates and rate riders permanent, effective January 1, 2025.
- Capture the revenue deficiency resulting from the difference between the 2025 interim and permanent forecast revenue requirement in the existing 2023–2024 Revenue Deficiency deferral account (RDDA), rename the 2023–2024 RRDA to the 2023–2025 RDDA and to amortize the balance in the deferral account over a five-year period, commencing January 1, 2027 and ending December 31, 2031.
- Increase delivery rates by 10.07 percent on a permanent basis, as adjusted to reflect the updated BC Average Weekly Earnings data in accordance with Section 2.2 of the Application and the directives and determinations in the BCUC's decision regarding FEI's application for a Certificate of Public Convenience and Necessity for the Tilbury Liquefied Natural Gas Storage Expansion Project, effective January 1, 2026.

The Panel also approves FEI's requests related to deferral accounts and rate riders as applied for.

In addition, the Panel discusses the regulatory processes for FEI's next annual review proceeding to set 2027 rates and recommends that future BCUC panels consider adopting a regulatory process similar to the one used in this proceeding.

1.0 Introduction and Background

On March 18, 2025, the British Columbia Utilities Commission (BCUC) approved a Rate Setting Framework (Rate Framework) for FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) covering a three-year period from January 1, 2025 to December 31, 2027 (Rate Framework Decision).¹ As per the Rate Framework Decision, an annual review process is required to set delivery rates for each year of the framework (Annual Review).

Prior to the issuance of the Rate Framework Decision, the BCUC had approved FEI's application for a 7.75 percent delivery rates increase on an interim and refundable/recoverable basis, effective January 1, 2025.² FEI's 2025 interim delivery rates request was based on its forecast 2025 revenue requirement at the time of that application, which was prior to the Rate Framework Decision. Following the issuance of the Rate Framework Decision, FEI filed its Annual Review for 2025 and 2026 Delivery Rates Application on July 24, 2025 (Application). In the Application, FEI proposes to set the existing approved 2025 interim delivery rates increase as permanent, to capture the revenue deficiency resulting from the difference between the 2025 interim and permanent revenue requirements in an existing deferral account, and to amortize that deferral account over five years beginning in 2027. FEI also proposes a further delivery rates increase of 10.07 percent, effective January 1, 2026, on a permanent basis, to recover its 2026 forecast revenue requirement.³

The Application is reviewed in accordance with FortisBC's approved Rate Framework and the *Utilities Commission Act* (UCA). The UCA sets out the legislative jurisdiction for the Panel's review of the Application, which requires the BCUC to set rates that are not unjust, unreasonable, unduly discriminatory or unduly preferential.

In this decision, the Panel reviews the relevant evidence, considers the positions of the parties, discusses the issues arising, and outlines its determinations for FEI's 2025 and 2026 permanent delivery rates.

1.1 Approvals Sought

FEI seeks approval of the following:⁴

1. To make the existing approved 2025 interim delivery rates permanent, effective January 1, 2025;
2. To capture the revenue deficiency resulting from the difference between the 2025 interim and permanent revenue requirements in the existing 2023–2024 Revenue Deficiency deferral account (2023–2024 RDDA), rename the 2023–2024 RDDA to the 2023–2025 Revenue Deficiency Deferral Account (2023–2025 RDDA), and amortize the 2023–2025 RDDA over a five-year period starting January 1, 2027;
3. To recover the 2026 revenue requirement and the resulting delivery rate change on a permanent basis, effective January 1, 2026; and

¹ FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) 2025 to 2027 Rate Setting Framework, Decision and Orders G-69-25 and G-70-25 dated March 18, 2025 (Rate Framework Decision).

² Order G-313-24 dated November 27, 2024, Directive 1.

³ Exhibit B-2, Sections 1.1.1 and 1.1.2, pp. 1–5.

⁴ Exhibit B-2, Section 1.2, pp. 6–7.

4. Requests related to several deferral accounts and rate riders.

The Panel's determinations on the above approvals sought are discussed in Section 2.0 and the subsections within.

1.2 Regulatory Process

The regulatory process for the review of the Application included public notice, intervener registration, one round of BCUC and intervener information requests (IRs), and final and reply arguments.⁵

The following parties registered as interveners in the proceeding:

- BC Sustainable Energy Association (BCSEA);
- British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and Tenants Resource and Advisory Centre (BCOAPO) and Residential Consumer Intervener Association (RCIA) (collectively, BCOAPO-RCIA).⁶
- The Commercial Energy Consumers Association of BC (the CEC); and
- Movement of United Professionals (MoveUP).

During the course of the proceeding, on October 27, 2025, the BCUC issued its decision on FEI's application for a Certificate of Public Convenience and Necessity for the Tilbury Liquefied Natural Gas Storage Expansion Project (Tilbury CPCN Decision),⁷ which impacts the proposed permanent delivery rate increase, effective January 1, 2026.

1.3 Background Information - Rate Framework and the Annual Review Process

This section outlines the background of performance-based rate (PBR) frameworks as they relate to FEI, then summarizes the key components of the most recently approved PBR framework (i.e. the Rate Framework) and explains how the Annual Review process operates within the Rate Framework.

Performance-Based Rate Setting

FEI has a history of setting its rates using PBR frameworks, which dates back to the 1990s, along with traditional cost-of-service approaches. A PBR approach to rate setting links utility rates to performance, compared to a traditional cost-of-service approach, which links rates to the recovery of operating and capital costs. PBR frameworks are designed to incent a utility to find efficiencies to reduce costs while ensuring that reasonable service levels are maintained.⁸ As discussed above, FEI's most recently approved PBR framework, the Rate Framework, covers the years 2025 to 2027.

⁵ Order G-179-25 dated July 22, 2025.

⁶ On August 11, 2025, the BCUC issued a letter (Exhibit A-3) requiring BCOAPO and RCIA to participate as one intervener group and to file all submissions jointly, including IRs and arguments.

⁷ FEI Application for a CPCN for the Tilbury Liquefied Natural Gas Storage Expansion Project, Order C-6-25 with accompanying decision dated October 27, 2025.

⁸ Rate Framework Decision, pp. 1–2.

The components of the Rate Framework for FEI include the following:

- Use of a formula or index-based approach to controllable operations and maintenance (O&M) (Formula O&M) and growth capital (Formula Growth Capital);⁹
- Use of a forecast approach for sustainment and other capital, for which the approved 2025 to 2027 forecasts are set out in the Rate Framework Decision;¹⁰
- A 50/50 percent sharing between customers and FEI’s shareholders if FEI’s achieved return on equity is above or below that allowed, referred to as the Earnings Sharing Mechanism;¹¹
- Use of a Flow-Through deferral account to capture variances approved for flow-through treatment, except where a separate deferral account is approved to capture such variances;¹²
- 18 service quality indicators (SQIs), 8 of which have performance ranges including benchmarks and thresholds, and 10 of which are informational;¹³
- A plan off-ramp to be triggered if earnings in any one year vary from the allowed return on equity by more than +/- 150 basis points (post earnings sharing);¹⁴
- Demand forecast methodologies for the term of the Rate Framework;¹⁵
- A Clean Growth Innovation Fund that is funded by a basic charge fixed rate rider of \$0.40/month;¹⁶ and
- An Annual Review process,¹⁷ as further discussed below.

Annual Review

As outlined in the Rate Framework Decision, Annual Reviews are a key element of PBR frameworks. The BCUC approved the Annual Review process to continue for the term of the Rate Framework, citing Annual Reviews as an efficient approach to prospectively set FEI’s delivery rates each year, as well as to assess the performance of the utility in the prior year.¹⁸ The Annual Review process serves to test whether the approved components of the Rate Framework have been applied appropriately in establishing delivery rates.

In the decision to review FortisBC’s Multi-Year Rate Plan (MRP) for 2020 to 2024 (MRP Decision), the BCUC approved a framework for the Annual Review process.¹⁹ In the Rate Framework Decision, the BCUC upheld this

⁹ Rate Framework Decision, p. 20.

¹⁰ Rate Framework Decision, p. 54.

¹¹ Rate Framework Decision, pp. 15, 18.

¹² Rate Framework Decision, pp. 16, 18 – “Flow-through treatment indicates that the actual amounts for certain forecast items will flow through to ratepayers by capturing the annual variance between approved forecast amounts and actual amounts in a deferral account, either through specific deferral accounts or the flow-through deferral account, for collection/disbursement in the following year.”

¹³ Rate Framework Decision, p. 60.

¹⁴ Rate Framework Decision, pp. 15, 18.

¹⁵ Rate Framework Decision, pp. 73–74.

¹⁶ Rate Framework Decision, p. 82.

¹⁷ Rate Framework Decision, pp. 69, 73.

¹⁸ Rate Framework Decision, pp. 69, 73.

¹⁹ Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024, Decision and Orders G-165-20 and G-166-20 dated June 22, 2020 (MRP Decision), p. 167.

framework that requires FEI to address the following items in each Annual Review, in addition to setting delivery rates:²⁰

1. Review of current year projections and upcoming year's forecast, including the following items:
 - a. Customer growth, volumes and revenues;
 - b. Year-end and average customers, and other cost driver information including inflation (i.e. formula drivers);
 - c. Expenses, determined by the indexing formula plus items forecast annually;
 - d. Capital expenditures (as provided for by the indexing formula for FEI's Formula Growth Capital and capital forecast approved in the Rate Framework Decision), plus other items forecast annually;
 - e. Plant balances, deferral account balances and other rate base information and depreciation and amortization to be included in rates; and
 - f. Projected earnings sharing for the current year and true-up to actual earnings sharing for the prior year.
2. Identification of any efficiency initiatives that FEI has undertaken, or intends to undertake, that require a payback period extending beyond the term of the MRP with recommendations to the BCUC with respect to the treatment of such initiatives;
3. Review of any exogenous events FEI or stakeholders have identified that should be put forward to the BCUC for review;
4. Review of FEI's performances with respect to SQIs and for parties to bring forward recommendations to the BCUC where there has been a "sustained serious degradation" of service;
5. Assessment of and recommendations to the BCUC with respect to any SQIs that should be reviewed in future Annual Reviews;
6. Reporting on the Clean Growth Innovation Fund status; and
7. Assessment of and recommendations to the BCUC on potential issues or topics for future Annual Reviews.

This decision focuses on issues that merit Panel discussion or deliberations relating to the above items of review. Less substantive matters addressed in the current Annual Review are not discussed at length in this decision. However, the Panel has reviewed and deliberated on all matters within the scope of the Application.

1.4 Structure of the Decision

The remaining sections of this decision are structured to mirror the framework by which the Panel reviewed the evidence and arguments presented in this proceeding.

²⁰ Rate Framework Decision, pp. 69–70, 73.

Section 2.0 addresses whether FEI's 2025 and 2026 forecast revenue deficiencies and proposed delivery rates are reasonable and discusses the key drivers of the forecast revenue deficiencies for each year, as well as FEI's approvals sought regarding deferral accounts and rate riders, among other items. Section 3.0 discusses certain other matters arising in the proceeding, including the process for future Annual Reviews.

2.0 Are the 2025 and 2026 Forecast Revenue Requirements and Delivery Rates Reasonable?

As discussed in Section 1.3, the Annual Review process is designed to set delivery rates and to assess the performance of the utility in the prior year. This section sets out FEI's forecast revenue requirements for 2025 and 2026, including the underlying cost drivers that lead to increase or decreases in forecast revenue deficiencies.

To address the overall question of whether the 2025 and 2026 forecast revenue requirements and proposed delivery rates are reasonable, the Panel first examines whether the Application was prepared in accordance with the approved Rate Framework. Then, the Panel addresses the concerns raised by interveners regarding items that are forecast outside of the formulas approved by the Rate Framework, and FEI's other approvals sought that impact the forecast revenue requirements. Finally, the Panel provides its overall determination on the reasonableness of the forecast revenue requirement and the resulting delivery rates.

The proposed delivery rates for 2025 and 2026 are based on FEI's forecast revenue requirements for 2025 and 2026 of \$1.224 billion²¹ and \$1.360 billion,²² respectively, as set out in the Application. FEI states that it forecast the 2025 and 2026 revenue requirements in accordance with the Rate Framework.²³ The forecast revenue requirements result in delivery rates increases of 7.75 percent for 2025 and 10.07 percent for 2026.²⁴ FEI states that the updated 2025 forecast revenue requirement includes five months of actual results in 2025, where applicable.²⁵ FEI explains that this approach is reasonable given that it incorporates the best information available at the time of filing the Application and is consistent with past practice.²⁶ In addition, FEI notes in Section 2.2 of the Application that it plans to update in a compliance filing the BC Average Weekly Earnings (BC-AWE) data for May and June 2025 which were unavailable at the time of the filing of the Application.²⁷

FEI forecasts revenue deficiencies of \$103.400 million in 2025 and \$124.421 million in 2026.²⁸ The updated 2025 delivery revenue deficiency represents a \$15.352 million increase from the previously forecast interim 2025 delivery revenue deficiency of \$88.048 million.²⁹ The revenue deficiency in a given year is the difference between the prior year's and the current year's forecast revenue requirement, which is recovered through increasing delivery rates. Given that the revenue deficiency is the driver of the year-over-year changes in delivery rates, the discussion below focuses on the 2025 and 2026 forecast revenue deficiencies as opposed to the forecast revenue requirements.

²¹ Exhibit B-2, Section 11, Schedule 1, p. 97, Line 35 + Line 37.

²² Exhibit B-2, Section 11, Schedule 1, p. 132, Line 27 + Line 29.

²³ Exhibit B-2, Section 1.4, p. 8.

²⁴ Exhibit B-2, Section 11, Schedule 1, Line 38, p. 97 (2025), p. 132, Line 30 (2026).

²⁵ Exhibit B-2, Section 1.4, p. 8.

²⁶ Exhibit B-4, BCUC IR 1.1.

²⁷ Exhibit B-2, Section 2.2, p. 15.

²⁸ Exhibit B-2, Section 1.4, p. 8.

²⁹ Exhibit B-2, Section 1.4, p. 8.

Figures 1 and 2 below show the drivers behind the forecast 2025 and 2026 delivery revenue deficiencies.

Figure 1: Updated 2025 Forecast Delivery Revenue Deficiency (\$ millions)³⁰

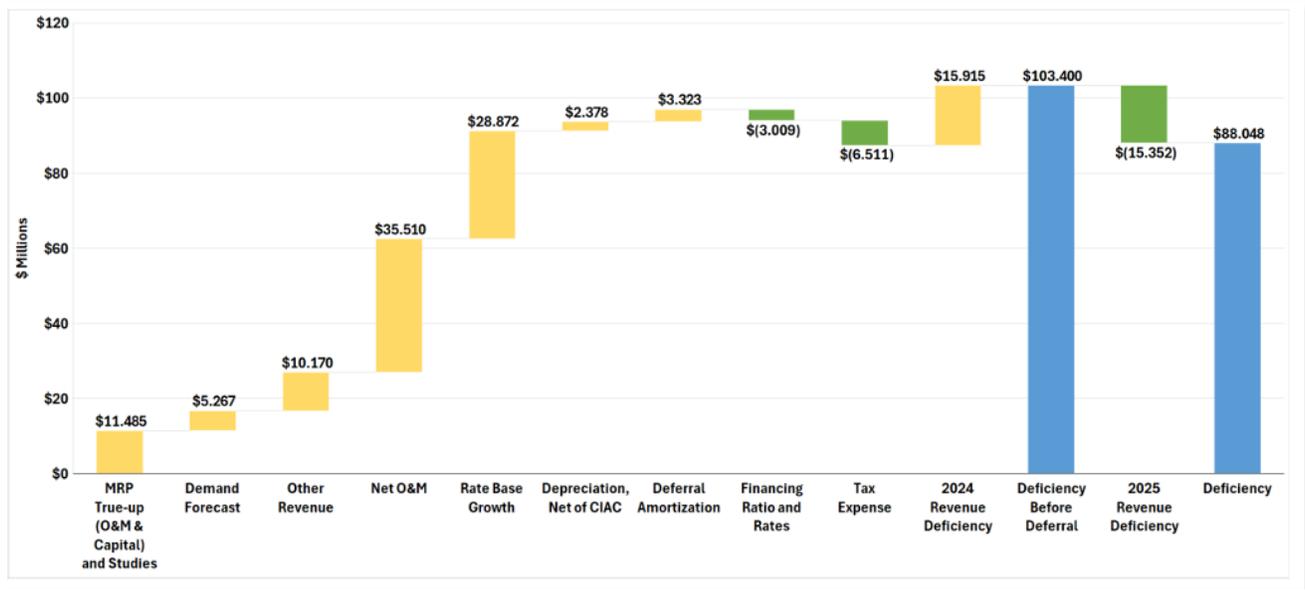
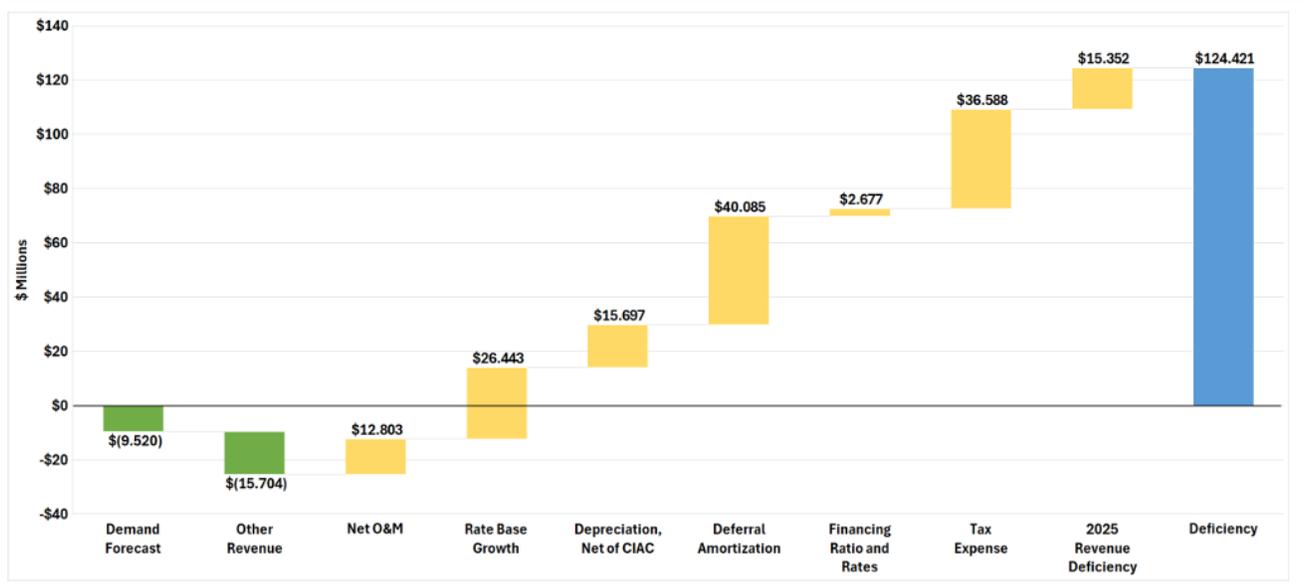


Figure 2: 2026 Forecast Delivery Revenue Deficiency (\$ millions)³¹



As shown in Figure 1 above, the major drivers of the \$103.400 million updated 2025 forecast delivery revenue deficiency are Net O&M and Rate Base Growth. As Figure 2 above shows, the major drivers of the \$124.421 million 2026 forecast delivery revenue deficiency are Rate Base Growth, Deferral Amortization, and Tax Expense. We review the key drivers of the forecast revenue deficiencies below.

³⁰ Exhibit B-2, Section 1.4, Figure 1-1, p. 9.

³¹ Exhibit B-2, Section 1.4, Figure 1-2, p. 9.

Net O&M

For 2025, Formula O&M is \$312.846 million, which is \$13.719 million higher than the approved 2024 base O&M of \$299.127 million and is a direct result of FEI's application of the controllable O&M formula as approved in the Rate Framework Decision. The 2025 increase in Formula O&M net of capitalized overhead is \$11.524 million. For forecast O&M, FEI is projecting an amount of \$87.940 million, which is \$30.294 million higher than the 2024 approved level of \$57.646 million. The increase is primarily the result of the re-classification of the Advanced-Metering-Infrastructure-related O&M costs from Formula O&M to forecast O&M as approved in the Rate Framework Decision. The 2025 increase in forecast O&M net of capitalized overhead and renewable natural gas (RNG) O&M transferred to the RNG Account is \$23.986 million.³²

Rate Base Growth

FEI's rate base is comprised of mid-year net gas plant in service, construction advances, work-in-progress not attracting allowance for funds used during construction, unamortized deferred charges, working capital, and deferred income tax.³³ The majority of the change in rate base is a result of prior BCUC approvals from the Rate Framework Decision for regular capital expenditures or various capital projects (i.e. Certificate of Public Convenience and Necessity) decisions for major projects capital expenditures.³⁴

For 2025, rate base is projected to increase by approximately \$634.627 million compared to the 2024 approved rate base, which results in an increase to the 2025 forecast earned return and the 2025 forecast revenue deficiency of \$28.872 million. The increase is primarily due to capital additions related to FEI's approved regular capital in 2025, as well as a number of approved major projects, including the Inland Gas Upgrades Project, the Coastal Transmission System Transmission Integrity Management Capabilities Project, the Pattullo Gasline Replacement Project, and the Gibsons Capacity Upgrade Project. The higher mid-year balance of FEI's deferral accounts also contributes to the increase in rate base by approximately \$17 million.³⁵

For 2026, rate base is forecast to increase by approximately \$383.264 million compared to the 2025 projected rate base, which results in an increase to the 2026 forecast earned return and the 2026 forecast revenue deficiency of approximately \$26.443 million. The increase is, again, primarily due to capital additions related to the approved regular capital in 2026, as well as several approved major projects.³⁶

Deferral Amortization

For 2026, amortization of deferral accounts is forecast to increase the delivery revenue deficiency by \$40.085 million. Except for the approvals sought related to amortization of deferral accounts in this proceeding as discussed in Section 2.2.3 of this decision, the amortization amounts are a result of prior BCUC approvals for the establishment of, additions to, and determination of amortization periods for deferral accounts in prior FEI proceedings. The largest contributor to the increase is the increased amortization of the DSM [Demand Side Management] deferral account (\$75.822 million in 2026 compared to \$62.031 million in 2025) resulting from

³² Exhibit B-2, Section 1.4.4, p. 11, Section 6.1, Table 6-1, p. 47.

³³ Exhibit B-2, Section 7.1, p. 62.

³⁴ Exhibit B-2, Sections 7.3 and 7.4, pp. 63–72.

³⁵ Exhibit B-2, Section 1.4.5, p. 11.

³⁶ Exhibit B-2, Section 1.4.5, p. 12.

increased DSM expenditures. Also contributing to the increase is the commencement of amortization of the Existing Meter Cost Recovery deferral account and the Previously Retired Meter Cost Recovery deferral account in 2026 (\$4.619 million and \$2.856 million, respectively), both of which are related to the Advanced Metering Infrastructure Project. Various other items account for the remainder of the increase in 2026, including a change in the direction of the pension & OPEB [Other Post-Employment Benefits] variance from 2025 to 2026, and commencement of amortization in 2026 for the Prince George Customer Service Centre Disposition deferral account and the Regional Gas Supply Diversity Project Development Costs deferral account.³⁷

Tax Expense

For 2026, FEI is forecasting tax expense to increase the delivery revenue deficiency by \$36.588 million. This amount is driven by an income tax increase of \$34.939 million from the 2025 projected level primarily due to higher amortization of deferral accounts, higher rate base return and depreciation expense resulting from the increase in rate base, as well as reduced income tax deductible resulting from lower undepreciated capital cost additions in assets classes with higher capital cost allowance rates. On the property tax side, property taxes are forecast to increase by \$1.649 million from 2025 projected, primarily driven by higher assessed values of distribution lines and transmission lines, and partially offset by a forecast reduction of in-lieu taxes.³⁸

To answer the overall question of whether the 2025 and 2026 forecast revenue requirements and proposed delivery rates are reasonable, in the following sub-sections, we address whether the Application was prepared in accordance with the approved Rate Framework and the reasonableness of any remaining items that impact the forecast revenue requirements which have not already been determined within the Rate Framework.

2.1 Is the Annual Review Application Prepared in Accordance with the Rate Framework?

In this section, the Panel reviews whether the Application aligns with the approved Rate Framework.

FEI submits that the 2025 and 2026 forecast revenue requirements are determined in accordance with the Rate Framework Decision which provides the framework for setting FEI's delivery rates for the years 2025 through 2027.³⁹ FEI's forecast revenue requirements are calculated using the approved formulas for O&M and growth capital from the Rate Framework Decision, the approved forecasts for sustainment and other capital from the Rate Framework Decision, and using its 2025 projected and 2026 forecast amounts for revenue requirement items that are to be forecast annually.⁴⁰

As stated in Section 1.3, FEI is required to address certain items in each Annual Review. Consistent with past Annual Reviews, FEI includes in its Application the information required by the Rate Framework Decision and describes the items that contribute to the forecast revenue deficiencies in each of 2025 and 2026.⁴¹ The Application sets out in detail each component of FEI's forecast revenue requirements, and reports on accounting

³⁷ Exhibit B-2, Section 1.4.7, p. 12, Section 11 (2025), Schedules 11 and 11.1, pp. 113 and 114, Section 11 (2026), Schedules 11 and 11.1, pp. 148 and 149; FEI Regional Gas Supply Diversity Development Account Cost Recovery, Order G-123-25 dated May 15, 2025.

³⁸ Exhibit B-2, Section 1.4.9, pp. 13–14.

³⁹ Exhibit B-2, Section 1.4, p. 8.

⁴⁰ FEI Final Argument, p. 1.

⁴¹ Exhibit B-2, Section 1.3, Table 1-1, pp. 7–8.

matters, the Clean Growth Innovation Fund, and FEI's performance under the SQIs approved by the Rate Framework Decision.⁴² A summary on FEI's SQI performance is included below.

Under the Rate Framework, SQIs are used to monitor FEI's performance to ensure that any efficiencies and cost reductions do not result in a degradation of the quality of service to customers.⁴³ In the Application, FEI reports on the performance of its 2024 SQIs⁴⁴ and June 2025 year-to-date SQIs. Pursuant to the Rate Framework Decision, eight of FEI's SQIs have benchmarks and performance ranges set by a threshold level, while ten of FEI's SQIs are for information only and as such do not have benchmarks or performance ranges.⁴⁵

FEI submits that its 2024 results and June 2025 year-to-date SQI performance indicate that its overall performance is representative of a high level of service quality. FEI reports that in 2024, for the nine SQIs with benchmarks, eight performed at or better than the approved benchmarks, with one SQI (Emergency Response Time) performing only slightly below the benchmark, but well above the threshold. Regarding the informational indicators, the performance generally remains at a level consistent with prior years.⁴⁶ For 2025 to date, FEI states that performance for the metrics with benchmarks is trending towards meeting the benchmark or the threshold.⁴⁷

Positions of Parties

Intervenors do not raise any issues with the Application not being prepared in accordance with the Rate Framework.

BCSEA acknowledges that the 2024 and 2025 year-to-date data for SQIs indicates that FEI is maintaining adequate service under the Rate Framework.⁴⁸

The CEC is satisfied that the 2024 SQI results indicate that FEI maintained service quality in 2024 and recommends the acceptance of the 2024 SQIs. For 2025, the CEC takes issue, however, 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. The CEC submits 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."⁴⁹

In reply, FEI submits that it provides its SQI data for the first six months of 2025 and also provides the actual results from 2020 to 2024 along with the rolling five-year average for each of these years. Consistent with past practice, FEI only used the 2025 year-to-date data for the 2025 five-year rolling average. FEI views that this

⁴² Exhibit B-2, Sections 2 to 13.

⁴³ Exhibit B-2, Section 13.1, p. 183.

⁴⁴ The framework for the 2024 SQIs was approved in the MRP Decision, pp. 96–97.

⁴⁵ Exhibit B-2, Section 1.5, p. 14.

⁴⁶ Exhibit B-2, Section 13.3, p. 200.

⁴⁷ Exhibit B-2, Section 1.5, p. 14.

⁴⁸ BCSEA Final Argument, p. 2.

⁴⁹ CEC Final Argument, pp. 26–27.

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.⁵⁰

Panel Determination

The Panel finds that the Application has been prepared in accordance with the approved Rate Framework.

The forecast revenue requirements, and resulting deficiencies for which FEI seeks approval, are calculated using the formulas, forecasts, and terms as approved by the BCUC in the Rate Framework Decision.

In reaching this conclusion, the Panel has assessed whether the Application includes the components of the approved Rate Framework and whether those components have been applied appropriately in establishing delivery rates. In particular, the Panel considers that the Formula O&M and the Formula Growth Capital in the Application have been calculated properly and that the resulting O&M expense and growth capital expenditures are therefore, determined in accordance with the Rate Framework. In the case of forecast items (e.g. sustainment and other capital, demand), the Panel considers that FEI has incorporated the forecasts and methodologies approved in the Rate Framework Decision to calculate its forecast revenue requirements. Overall, the Panel is satisfied that FEI's calculations are consistent with the Rate Framework. Consequently, **we find those resulting forecast amounts to have been determined in accordance with the Rate Framework and therefore reasonable for the purposes of setting FEI's delivery rates for 2025 and 2026.**

The Panel also notes that no comments or concerns were raised by any interveners regarding whether the approved components of the Rate Framework have been appropriately applied in the calculation of the proposed permanent delivery rates.

The Panel is satisfied that the results of the SQIs with performance ranges meet the applicable threshold levels set by the Rate Framework Decision, while the results of the SQIs without performance ranges are at a consistent level with prior years. The Panel finds that there is no evidence of a sustained serious degradation of service in relation to the SQIs.

Overall, the Panel is satisfied that the utility's calculations and underlying assumptions are consistent with the approved Rate Framework. With respect to the CEC's concerns regarding FEI's approach to calculating five-year rolling averages for its 2025 year-to-date SQIs, the Panel acknowledges that FEI is only using four and a half years of data (i.e. January 2021 to June 2025); however, we are comfortable with FEI's approach given that a rolling average for each of the five previous years is included and FEI's 2027 Annual Review application will include historical SQI results for the full 2025 calendar year with a five-year rolling average, as applicable. Thus, should there be any evidence of a sustained serious degradation of service in relation to the 2025 SQIs with a five-year rolling average, the results will be captured in FEI's next Annual Review.

2.2 Are the Remaining Items Impacting the Revenue Requirements Reasonable?

Having found that the Application has been prepared in accordance with the Rate Framework and there is no serious degradation in the performance of SQIs, we now turn to the next matter for consideration – are the items subject to annual forecasting per the Rate Framework and the other approvals sought by FEI reasonable?

⁵⁰ FEI Reply Argument, p. 17.

In this section, the Panel first addresses the forecasts developed outside of the formulas and methodologies approved by the Rate Framework where concerns were raised by interveners. Then, the Panel addresses how the forecast revenue deficiencies from 2025 and 2026 and the balance in the 2023–2024 RDDA should be recovered. Finally, the Panel discusses FEI’s other approvals sought that impact the 2025 and 2026 forecast revenue requirements.

2.2.1 Are the Forecasts Determined Outside of the Rate Framework Formulas and Methodologies Reasonable?

As described above, certain items are subject to annual forecasting in the Application that are determined outside of the formulas and methodologies approved in the Rate Framework. Of these forecast costs, interveners raised concerns with the O&M costs related to RNG and integrity digs, which are discussed below.

RNG O&M

FEI provides RNG O&M costs of \$7.278 million for 2025 projected and \$7.946 million for 2026 forecast. In addition, FEI provides actual 2024 RNG O&M costs of \$6.540 million, which exceeds the 2024 approved amount of \$5.817 million. FEI explains that this increase is primarily due to higher program overhead costs, which have increased from \$3.986 million for 2024 approved to \$5.502 million for 2024 actual.⁵¹ FEI states that program overhead expenses are expected to further increase to \$5.538 million in 2025 and \$5.662 million in 2026 but considers these costs to be consistent with the 2024 actual amount.⁵²

FEI identifies customer education relating to the RNG blend as one of the major drivers of the increase in 2024 program overhead costs. FEI expects to reduce spending on customer education in subsequent years once the RNG blend service, which was introduced in 2024, becomes better understood by customers. FEI states that it has evaluated opportunities for potential cost savings, including reduced reliance on external contractors and development of a new template to execute biomethane purchase agreements. However, FEI explains that these savings are offset by increased costs associated with developing the new biomethane purchase agreement template and an increase in the compliance support needed for a number of new facilities. FEI also notes that the development of in-house expertise on RNG project development will take time and thus related savings will not be immediate.⁵³

FEI states that as the volume of RNG grows over time, it expects the cost of program overhead per GJ of RNG to decrease, with realized cost savings to flow through to customers in subsequent years.⁵⁴

Integrity O&M

Under the Rate Framework, integrity digs are treated as a flow-through item with variances between forecasts and actual amounts captured in the Flow-Through deferral account.⁵⁵ FEI projects integrity dig expenditures of \$9.7 million in 2025, which equates to \$91,000 per dig. For 2026, FEI forecasts integrity dig expenditures of

⁵¹ Exhibit B-2, Section 6.3.6, Table 6-8, p. 56.

⁵² Exhibit B-2, Section 6.3.6, p. 56.

⁵³ Exhibit B-4, BCUC IR 3.1.

⁵⁴ Exhibit B-4, BCUC IR 3.1.

⁵⁵ Exhibit B-2, Section 6.3.3, p. 50.

\$12.0 million, which equates to \$102,000 per dig.⁵⁶ Table 1 below summarizes FEI’s integrity dig work for 2024, 2025 and 2026.

Table 1: Summary of Integrity Digs⁵⁷

Line No.	Reason for Digs	2024 Approved	2024 Actuals	2025 Projected	2026 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.	85	23	43	59
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.	30	29	17	15
3	ILI Digs – Established Tools and Practices: ILI digs identified through previously established technologies, tools, and practices	35	64	39	36
4	Non-ILI Digs: Digs identified through above-ground cathodic protection and coating surveys.	10	17	6	6
5	Facilities Digs: Digs identified on piping within facilities (e.g., control stations, regulator stations, compressor stations) through assessment of available design, construction, operations, and maintenance information.	2	1	2	2
6	Total Integrity Digs	162	134	107	118
7	Total Integrity Dig Expenditures (\$ millions)	10.2	11.2	9.7	12.0
8	Average Cost per Dig (\$000s)	63	83	91	102

FEI states that the above integrity dig estimates were prepared by FEI’s transmission operations staff based on knowledge of future costs and estimates, where available. FEI acknowledges the uncertainty related to the number and complexity of required integrity digs⁵⁸ and attributes the increase in average cost per dig to site specific scope and cost factors, as well as amendments to regulations and environmental management practices. Specifically, FEI points to regulatory amendments in 2023 regarding soil management practices and new requirements pertaining to venting and depressurizing pipelines in the BC Pipeline Regulation as reasons why the average cost per dig will continue to increase in 2025 and 2026.⁵⁹

Positions of Parties

The CEC comments on FEI’s forecast RNG O&M costs, while RCIA comments on FEI’s integrity O&M costs.

The CEC expresses concern with the increasing scope and pace of growth of FEI’s forecast RNG O&M costs. The CEC recommends that the BCUC direct FEI to pursue further savings in customer education costs for 2025 and 2026 and to expedite the development of its in-house expertise to achieve productivity improvements in both years.⁶⁰

In reply, FEI submits that it does not require a specific directive from the BCUC to perform work that is currently underway. FEI acknowledges it will take time for customers to develop awareness of RNG services and for FEI to

⁵⁶ Exhibit B-2, Section 6.3.3, pp. 50–51.

⁵⁷ Exhibit B-2, Section 6.3.3, Table 6-6, p. 51.

⁵⁸ FEI Final Argument, p. 18; Exhibit B-2, Section 6.3.3, p. 52.

⁵⁹ Exhibit B-2, Section 6.3.3, p. 53.

⁶⁰ CEC Final Argument, pp. 2, 19–20.

develop in-house expertise but reiterates that any associated cost savings realized in 2025 and 2026 will be flowed through to customers in subsequent years under the terms of the Rate Framework.⁶¹

RCIA submits that FEI's explanations for increased average dig costs in 2025 and 2026 do not appear to be actual drivers, as FEI assumes a relatively small percentage of its digs would be impacted by increased and new regulatory requirements. Therefore, RCIA recommends that FEI escalate the 2024 actual average dig cost by the inflation factors established in the Rate Framework to calculate the 2025 and 2026 cost per dig. Assuming no changes to the number of forecast integrity digs, RCIA calculates reductions in integrity dig expenditures of \$0.5 million in 2025 and \$1.5 million in 2026.⁶²

In reply, FEI submits that its 2025 projected and 2026 forecast integrity dig costs are reasonable. FEI emphasizes that in addition to regulatory changes, there are site-specific scope and cost factors that are contributing to the increase in forecast integrity dig expenditures. FEI submits that its estimates are based on experience from past and current costs to complete similar integrity digs and its knowledge of future projects and costs, where available. 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 in future years.⁶³

Panel Determination

The Panel finds the forecasts determined outside of the formulas and methodologies approved in the Rate Framework to be reasonable for the purposes of setting delivery rates for 2025 and 2026. The Panel is satisfied with the evidence and FEI's explanations supporting these forecasts. We note that aside from intervenor comments regarding RNG O&M and Integrity O&M costs, which we discuss below, no intervenor opposed these forecasts.

Regarding FEI's RNG O&M and Integrity O&M costs, the Panel finds the forecasts for 2025 and 2026 to be reasonable. The Panel acknowledges the concerns raised by the CEC and RCIA pertaining to these forecast costs; however, we are not persuaded by their arguments.

With respect to FEI's forecast RNG O&M costs and the CEC's recommendations to direct FEI to pursue further savings and for FEI to expedite the in-housing of its RNG development activities, the Panel agrees with FEI that such a direction is unnecessary. The Panel is satisfied with FEI's statement that the work is already being undertaken, and the CEC has not provided evidence to suggest otherwise. As RNG services become better known and understood by customers, the Panel is persuaded that FEI will be able to inherently reduce its spending on customer education. Further, FEI submits that it has already begun developing in-house expertise and skillsets related to RNG project development across the RNG program. As it will take time for customer awareness of RNG services to develop, the Panel accepts that it will also take time for FEI to develop internal expertise and capacity in-house.

With respect to FEI's forecast O&M expenditures related to integrity digs, the Panel is persuaded by the explanations for the increase in cost per dig as outlined by FEI in this proceeding. The Panel notes that integrity digs costs were approved to continue to receive flow-through treatment in the Rate Framework Decision, as

⁶¹ FEI Reply Argument, p. 16.

⁶² BCOAPO-RCIA Final Argument, pp. 13–15.

⁶³ FEI Reply Argument, pp. 9–10.

these expenses are not conducive to being included in an index-based O&M formula. This is because these costs are either tied to parts of the business that are changing in response to government policy or are otherwise outside the control of management. Therefore, the Panel does not consider RCIA's suggestion to escalate the average dig costs by inflation factors would yield a reasonable forecast or be consistent with the findings in the Rate Framework Decision. The Panel considers FEI to have the experience to prepare the best estimates for costs associated with integrity digs and, given that these costs are a flow-through item, there is no forecast risk to either FEI or its customers.

2.2.2 How Should the 2025 and 2026 Revenue Deficiencies and the 2023–2024 Revenue Deficiency Deferral Account Balance be Recovered?

As previously mentioned, FEI's 2025 interim delivery rates increase of 7.75 percent was approved in November 2024, on a refundable/recoverable basis, effective January 1, 2025.⁶⁴ In the Application, FEI updated the 2025 forecast revenue deficiency from that presented in the 2025 Interim Rates Application⁶⁵ to \$103.400 million, resulting in an increase to the 2025 delivery rate increase from 7.75 percent to 9.10 percent. However, FEI explains that it is seeking approval to maintain 2025 permanent delivery rates at existing approved interim levels (i.e. an increase of 7.75 percent). As shown in Figure 1 in Section 2.0 above, this would require \$15.352 million of the updated 2025 forecast revenue deficiency to be deferred for future recovery.⁶⁶

FEI requests to:

- 1) capture the revenue deficiency resulting from the difference between the 2025 interim and updated forecast revenue requirement in the existing 2023–2024 RDDA;
- 2) rename the 2023–2024 RRDA to the 2023–2025 RDDA; and
- 3) amortize the 2023–2025 RDDA over five years, commencing January 1, 2027.⁶⁷

The 2023–2024 RDDA captured the unrecovered revenue deficiency from 2023 and 2024. FEI projects an ending balance as of December 31, 2025 in the 2023–2025 RDDA of \$78.781 million, including the 2025 revenue deficiency deferral of \$15.352 million. Consistent with the BCUC's decision on FEI's 2024 Annual Review application, the amortization period of the 2023–2024 RDDA, referred to now as the 2023–2025 RDDA given FEI's requests, is to be proposed by FEI in the Application.⁶⁸

Due to the expected timing of the BCUC's final decision on this Application, FEI considers its approach to setting 2025 permanent delivery rates to be the most reasonable for customers. Alternatively, if 2025 delivery rates were approved to increase by 9.10 percent on a permanent basis, effective January 1, 2025, FEI states that it would need to collect the \$15.352 million incremental 2025 forecast revenue deficiency from customers through a one-time bill adjustment in the first billing cycle subsequent to the BCUC's decision on this Application. This would likely mean that FEI would be applying a one-time bill adjustment in January 2026, at a time when FEI states that customers will already be experiencing both delivery and gas cost rate increases.⁶⁹

⁶⁴ By Order G-314-24 dated November 27, 2024.

⁶⁵ FEI and FBC 2025 to 2027 Rate Setting Framework proceeding, Exhibit B-21, FEI Application for Approval of 2025 Delivery Rates on an Interim Basis, effective January 1, 2025.

⁶⁶ Exhibit B-2, Sections 1.1.1 to 1.1.2, pp. 1–2, Section 1.2, p. 6.

⁶⁷ Exhibit B-2, Section 1.2, p. 6.

⁶⁸ Decision and Order G-334-23, p. 23.

⁶⁹ Exhibit B-2, Section 1.1.1, p. 2.

With respect to the 2026 delivery rates, FEI proposes an increase of 10.07 percent to fully recover its forecast revenue deficiency in 2026 of \$124.421 million, which is equivalent to an annual bill impact to an average residential customer of approximately \$88.89 or 7.52 percent, inclusive of delivery rate riders, storage and transport (S&T) charges, and cost of gas.⁷⁰ FEI explored four options to recover the 2026 forecast revenue deficiency, including deferring a portion of the deficiency for recovery in future years and spreading the 2026 delivery rates increase over multiple increases during 2026.⁷¹ Contemplating considerations of rate smoothing, rate volatility and customer acceptance, among other matters, FEI ultimately proposes recovering the full 2026 forecast revenue deficiency in 2026 but delaying the amortization of the 2023–2025 RDDA until 2027.⁷² FEI recognizes that a delivery rates increase of 10.07 percent for 2026 will result in a significant bill impact for customers; however, FEI does not believe that continuing to defer revenue deficiencies is the best approach for customers, as the deferred balance will continue to grow and put pressure on future delivery rates.⁷³

During the proceeding, in addition to FEI’s proposed options for the treatment of the forecast revenue deficiencies, other options were explored. The resulting rate implications of the various options explored are summarized in the following table:

Table 2: 2025, 2026 and 2027 (Indicative) Delivery Rates Scenarios⁷⁴

	FEI Proposed Option	BCOAPO Scenario 1	BCUC Scenario 1	BCUC Scenario 2
2025 Delivery Rates Increase (%)	7.75	7.75	7.75	7.75
2026 Delivery Rates Increase (%)	10.07	8.0	11.57	11.58
2027 Delivery Rates Increase (%) (Indicative)	8.0 to 10.0	11.0 to 13.0	8.0 to 10.0	9.0 to 11.0

As shown in Table 2 above, under BCOAPO Scenario 1, the 2026 delivery rates increase is capped at 8.0 percent. The resulting additional 2026 revenue deficiency, along with the 2023–2025 RDDA balance, is then set to be recovered from customers beginning in 2027, over an amortization period of five years. Alternatively, under BCUC Scenario 1, the 2026 delivery rates increase is calculated based on the existing 2023–2024 RDDA being amortized beginning January 1, 2026 over a five-year period, FEI fully recovering the 2026 forecast revenue deficiency in 2026 (i.e. \$124.421 million plus the additional revenue deficiency resulting from commencing amortization of the 2023–2024 RDDA in 2026), and the incremental 2025 revenue deficiency (i.e. \$15.352 million) being deferred and amortized over a one-year period beginning on January 1, 2027. Lastly, under BCUC Scenario 2, the 2026 delivery rates increase is calculated based on the existing 2023–2024 RDDA being amortized beginning January 1, 2025 over a five-year period, FEI fully recovering the 2026 forecast revenue deficiency in 2026 (i.e. \$124.421 million), and the incremental 2025 revenue deficiency (i.e. \$15.352 million plus the additional revenue deficiency resulting from commencing amortization of the 2023–2024 RDDA in 2025) being amortized over a one-year period beginning on January 1, 2027. Under each scenario, the 2025 interim delivery rates are made permanent as FEI proposes.⁷⁵

⁷⁰ Exhibit B-2, Section 1.1.2, p. 2.

⁷¹ Exhibit B-2, Section 1.1.2, pp. 3–5.

⁷² Exhibit B-2, Section 1.1.2, pp. 3–5.

⁷³ Exhibit B-2, Section 1.1.2, p. 2.

⁷⁴ Exhibit B-1, Section 1.1.2, p. 3; Exhibit B-4, BCUC IR 2.4; Exhibit B-5, BCOAPO-RCIA IR 8.2.

⁷⁵ Exhibit B-4, BCUC IR 2.4; Exhibit B-5, BCOAPO-RCIA IR 8.2.

FEI submits that its proposed treatment of the 2025 and 2026 forecast revenue deficiencies is preferred over any of the options described above. Specifically, compared to BCOAPO Scenario 1, FEI's proposal allows the full recovery of the 2026 forecast revenue deficiency, avoiding the deferral of any further revenue deficiencies for future recovery. Compared to BCUC Scenarios 1 and 2, FEI's proposal to delay the amortization of the 2023–2025 RDDA to 2027 mitigates the delivery rates increase in 2026, resulting in less volatile year-over-year delivery rate increases from 2025 to 2027.⁷⁶

Positions of Parties

The CEC and RCIA support FEI's proposed treatment of the forecast revenue deficiencies,⁷⁷ while BCSEA and BCOAPO offer alternate options. MoveUP does not opine on a specific treatment or resulting delivery rates option.⁷⁸

BCSEA opposes FEI's proposal to defer to 2027 and the five years thereafter, the recovery of the revenue deficiency for delivery services that were or will be provided from 2023 to 2026. BCSEA submits that FEI's costs of providing 2023 and 2024 delivery service should be fully recovered by the permanent delivery rates for 2025 and 2026. In BCSEA's view, the 2025 and 2026 permanent delivery rates should be set so as not to result in the deferral of revenue deficiencies for future recovery and to maintain a reasonable balance between intergenerational equity and customer acceptance of increasing delivery rates. BCSEA submits that recovering the full cost of delivering gas each year is especially important in the context of the energy transition to illustrate to users the cost of the energy they are consuming.⁷⁹

In reply, FEI submits that BCSEA's proposal would require a one-time billing adjustment in the first billing cycle subsequent to the BCUC's final decision on this Application, which would likely be in January 2026, at a time when consumption is highest and customers are already experiencing both delivery and gas cost increases. In FEI's view, BCSEA's proposal is an unreasonable and impractical approach that appears to be solely based on BCSEA's opposition to the deferral of any revenue deficiency at all.⁸⁰

BCOAPO submits that FEI's delivery rate options are not rate smoothing strategies but rather, are reactive proposals that have nothing to do with strategic planning to manage rates. In BCOAPO's view, the option "BCOAPO Scenario 1" presented above in Table 2 is 'the lesser in a field full of greater evils'.⁸¹ BCOAPO recommends capping the 2026 permanent delivery rate increase at 8 percent, deferring the resulting 2026 revenue deficiency, and commencing amortization of this revenue deficiency along with the 2023–2025 RDDA in 2027, over a period of five years.⁸² BCOAPO submits that given FEI's delivery rates in recent years and various cost pressures, decisions that expressly consider and prioritize affordability in the context of the residential ratepayer's experience are key, and a clear long-term rate mitigation plan is important and urgent.⁸³

⁷⁶ Exhibit B-2, Section 1.1.2, pp. 3–5; FEI Final Argument, pp. 8–10.

⁷⁷ CEC Final Argument, pp. 24 and 28; BCOAPO-RCIA Final Argument, pp. 9–12.

⁷⁸ MoveUP Final Argument, pp. 2–5.

⁷⁹ BCSEA Final Argument, pp. 1–2.

⁸⁰ FEI Reply Argument, pp. 2–3.

⁸¹ BCOAPO-RCIA Final Argument, pp. 6–8.

⁸² BCOAPO-RCIA Final Argument, p. 18.

⁸³ BCOAPO-RCIA Final Argument, p. 8.

In reply, FEI submits that while BCOAPO Scenario 1 offers a lower delivery rate increase in 2026, its key disadvantage is that it would require an additional revenue deficiency deferral of approximately \$25.6 million in 2026, which would increase the ending balance of the 2023–2025 RDDA 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 under FEI’s proposed option.⁸⁴ FEI notes that BCOAPO’s proposed scenario would also mean that FEI would likely have to defer further revenue deficiencies in 2027 and beyond, causing more rate pressures in future years. In FEI’s view, this additional deferral and resulting impacts in future years outweighs the benefits of capping delivery rate increases in 2026 at 8 percent.⁸⁵ FEI submits that BCOAPO’s proposal should be rejected, as FEI’s proposed option 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.⁸⁶

In reply to BCOAPO’s submissions on a long-term rate mitigation plan, FEI is conscious of the higher delivery rates in recent years and the resulting impacts on customers. However, in FEI’s view, the driver of the need for rate smoothing in this case is largely driven by the timing of the Rate Framework 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. Further, FEI submits that it will continue to pursue strategies to control costs and mitigate rate increases each year, including in its next rate framework after the Rate Framework term concludes.⁸⁷

While RCIA and BCOAPO were required to participate as one intervener group,⁸⁸ they made separate submissions on this issue, as they state they could not reach a consensus.⁸⁹ RCIA does not support the option recommended by BCOAPO, which defers a portion of the 2026 forecast revenue deficiency to a future period. In RCIA’s view, there is no expectation that FEI’s revenue deficiencies in future years will be less than those in the current period, such that recovering deferrals in the future will likely drive future rate increases even higher than FEI’s currently proposed 10.07 percent. RCIA supports FEI’s proposed option, noting that it appears to be the smoothest trajectory of rate increases, whereas the other options provide greater variability in the rate increases.⁹⁰

Panel Determination

The Panel finds FEI’s proposal to make the existing 2025 interim delivery rates permanent, effective January 1, 2025, to be reasonable. The Panel also finds FEI’s proposal to set 2026 delivery rates, effective January 1, 2026, to fully recover the 2026 forecast revenue requirement to be reasonable.

First, with respect to the treatment of the 2025 revenue deficiency, the Panel notes that other than BCSEA, no interveners oppose FEI’s proposal to make the 2025 interim delivery rates permanent and to defer the recovery of the resulting 2025 revenue deficiency. The Panel accepts FEI’s argument that BCSEA’s proposal would require

⁸⁴ FEI Reply Argument, p. 4.

⁸⁵ FEI Reply Argument, pp. 4–5.

⁸⁶ FEI Reply Argument, p. 4.

⁸⁷ FEI Reply Argument, p. 5.

⁸⁸ Exhibit A-3.

⁸⁹ BCOAPO-RCIA Final Argument, pp. 3, 8–12, 18.

⁹⁰ BCOAPO-RCIA Final Argument, pp. 10–11.

a one-time billing adjustment at a time when customers are already experiencing both delivery and gas cost increases. The Panel does not consider this potential impact on customers to be desirable. While the Panel generally agrees that rates should be set to fully recover the annual cost of providing service, other factors, such as rate volatility, are also important considerations. In this case, due to the timing of when a billing adjustment could take place, the Panel is not persuaded that BCSEA's proposal would be reasonable or practical.

Next, looking at the options explored for the treatment of the 2025 and 2026 forecast revenue deficiencies and the 2023–2024 RDDA balance holistically, in the Panel's view, FEI's proposed option strikes the best balance of mitigating rate impacts, smoothing rate volatility, and shortening the time until the deferred revenue deficiencies are fully recovered. The Panel recognizes there are different ways to alleviate rate pressures and achieve rate smoothing; however, based on the record of this proceeding, we are not convinced that further rate smoothing to limit the 2026 delivery rate increases at a specific level, such as BCOAPO Scenario 1, is warranted. The Panel is concerned with deferring additional revenue deficiencies from 2026 to a future period and burdening customers with greater rate pressure in future years. FEI's proposed option provides the smoothest trajectory of rate increases for customers, whereas the other options explored result in greater variability.

Therefore, the Panel approves FEI to:

- 1) Capture the revenue deficiency resulting from the difference between the 2025 interim and permanent forecast revenue requirement in the existing 2023–2024 RDDA;**
- 2) Rename the 2023–2024 RRDA to the 2023–2025 RDDA;**
- 3) Amortize the 2023–2025 RDDA over a five-year period, commencing January 1, 2027 and ending December 31, 2031.**

Lastly, with respect to BCOAPO's comments on a long-term rate mitigation plan, the Panel reminds BCOAPO that in the Rate Framework Decision issued earlier this year, the BCUC directed FEI to evaluate alternate rate frameworks, which would address rate mitigation concerns beyond both the term of the Rate Framework and this Annual Review. In the context of this Annual Review, however, the Panel agrees with FEI that the need for rate smoothing of delivery rates is largely driven by the timing of the Rate Framework Decision and this decision. As FEI has already committed to continue to pursue strategies to control costs and mitigate rate increases each year, including in its next rate framework after the Rate Framework term concludes, the Panel is satisfied with the permanent delivery rate proposals as presented by FEI in this Annual Review.

2.2.3 Are the Other Approvals Sought Reasonable?

In addition to the approvals sought regarding 2025 and 2026 permanent delivery rates as discussed in Section 2.0 above, FEI seeks the following approvals, some of which impact the 2025 and 2026 delivery rates:⁹¹

1. Continuation of the debiting of the Midstream Cost Reconciliation Account and crediting of Other Revenue in the amount of \$346.617 per million standard cubic feet per day (equivalent to approximately \$0.3059/GJ per day), effective January 1, 2025 and for the duration of the Rate Framework term of 2025 to 2027.

⁹¹ Exhibit B-2, Section 1.2, pp. 6–7.

2. Approval to rename the Annual Review of 2020–2024 Rates deferral account to the Annual Review Proceeding Costs deferral account, to continue to use this deferral account to capture actual regulatory proceeding costs related to the Annual Reviews during the Rate Framework term of 2025 to 2027, and to continue to amortize the deferral account over a one-year period.
3. Amortization periods for the following previously approved rate base deferral accounts:
 - A three-year amortization period for the 2025 MRP Application deferral account, commencing January 1, 2025. FEI also seeks approval to rename the deferral account to the 2025–2027 Rate Setting Framework Application deferral account;
 - A five-year amortization period for the 2021 Generic Cost of Capital Proceeding deferral account, commencing January 1, 2025;
 - A three-year amortization period for the 2021 Renewable Gas Program Comprehensive Review deferral account, commencing January 1, 2025;
 - A one-year amortization period for the 2023 Cost of Service Allocation Study deferral account, commencing January 1, 2025; and
 - A three-year amortization period for the 2022 Long-Term Gas Resource Plan deferral account, commencing January 1, 2025.
4. Approval to capture the actual \$6.165 million after-tax costs of the 2025 equity issuance in the Flotation Costs deferral account and to amortize the balance in the Flotation Costs deferral account over five years, commencing January 1, 2026.
5. Approval to modify the existing RNG Account to attract financing costs at FEI’s weighted average cost of capital (WACC), effective January 1, 2025.
6. Approval to set the Revenue Stabilization Adjustment Mechanism rate rider for 2026 at \$0.212 per GJ.
7. Approval to set the Fort Nelson Residential Customer Common Rate Phase-in Rate Rider for 2026 at a credit of \$0.355 per GJ.
8. Approval to transfer the 2024 ending balance of the 2020 Clean Growth Innovation Fund deferral account to the existing approved Residual Delivery Rate Riders deferral account, effective January 1, 2025, and to record any unspent accrued committed amounts in the Residual Delivery Rate Riders deferral account.

In addition, FEI seeks approval to make the existing interim 2025 rate riders permanent, effective January 1, 2025.⁹²

Except for the CEC, no interveners raise concerns about the above approvals sought. The CEC raised concerns with FEI’s proposals regarding the Flotation Costs deferral account and the RNG Account, which are discussed below. This discussion is followed by the Panel’s determinations on the other approvals sought.

⁹² Exhibit B-2, Section 1.2, p. 6.

Flotation Costs deferral account

As noted above, FEI proposes to capture the actual \$6.165 million after-tax costs of the 2025 equity issuance in the Flotation Costs deferral account and to amortize the balance in the Flotation Costs deferral account over five years, commencing January 1, 2026.

Table 3 below provides the rate impact resulting from amortization periods of 3 years, 5 years, 8 years, and 10 years. As shown in the table, a five-year amortization period results in a 0.41 percent rate increase, which FEI submits adequately smooths out any lumpiness in equity issuances and their associated costs. FEI considers that a five-year amortization period appropriately reflects the long-term nature of the costs and provides a reasonable balance between mitigating the immediate delivery rate impact and creating an overly long amortization period.⁹³

Table 3: Delivery Rate Impact Analysis for Various Amortization Periods⁹⁴

	Amortization Period			
	3 Years	5 Years	8 Years	10 Years
Incremental Revenue in 2026 (\$ millions)	8.474	5.084	3.178	2.542
Delivery Rate Impact in 2026, compared to 2025 (%)	0.69%	0.41%	0.26%	0.21%
Year 1 Delivery Rate Impact - RS 1 (\$)	\$ 5.67	\$ 3.40	\$ 2.13	\$ 1.70

RNG Account

As noted above, FEI proposes to modify the existing RNG Account to attract financing costs at FEI's WACC, effective January 1, 2025. FEI submits that this request aligns with the treatment of similar types of costs and non-rate base deferral accounts as well as the Fair Return Standard. FEI acknowledges that it previously proposed that the RNG Account be treated as a non-rate base deferral account with no financing given the majority of the activity in the RNG Account, at that time, related to the cost of service. However, the majority of the activity and balance in the RNG Account now relates to transactions around the commodity itself (i.e. purchases, sales, and the remaining inventory balance).

FEI submits that this modification is necessary, as the RNG Account is now carrying a significant balance. Given FEI's increasing RNG deliveries, FEI expects that this balance will continue to be significant in the coming years. FEI incurs actual financing costs to carry these transactions; they are dollars expended and earned in the current period, without recovery, thereby requiring financing. Consistent with other deferral accounts, including FEI's RNG Mitigation Revenue deferral account, Midstream Cost Reconciliation Account, and Commodity Cost Reconciliation Account, FEI submits that it should be allowed to earn WACC on the RNG Account. The increase in uncollected RNG costs is material enough to negatively impact FEI's overall return in a manner that is inconsistent with the Fair Return Standard.

FEI further explains that the RNG Account will continue to be a non-rate base deferral account, and there will be no impact to delivery rates as a result of this change. The WACC financing costs will accrue to the RNG Account and will be recovered from all sales service customers through the S&T RNG Blend rider.⁹⁵

⁹³ Exhibit B-2, Section 12.4.2.2, pp. 170–173.

⁹⁴ Exhibit B-2, Section 12.4.2.2, Table 12-4, p. 172.

⁹⁵ Exhibit B-2, Section 12.4.2.3, pp. 175–176; FEI Final Argument, pp. 27–28.

Positions of Parties

With the exception of two comments from the CEC discussed below, interveners either support or do not comment on the other approvals sought outlined above.⁹⁶

The CEC recommends that the BCUC direct FEI to adopt a 10-year amortization period for the Flotation Costs deferral account to reflect the recurring nature of the financing costs and their associated longer-term benefits.⁹⁷

In reply, FEI notes that there are various factors to balance when determining the appropriate amortization period for a deferral account, including the amounts being recorded in the account, the expected 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. FEI submits that 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.⁹⁸

The CEC recommends denying the request for the RNG Account to earn a WACC return because (i) this is an “abrupt” change in position from FEI, (ii) a large component of the RNG account relates to cost of service, (iii) earning WACC could disincentivize effective management of the RNG balance, and (iv) FEI has had positive historical earnings without earning WACC on the RNG Account.⁹⁹

In reply, FEI submits that (i) it has sufficiently explained the changes in circumstances that led to this request in the Application, (ii) FEI’s evidence is that the majority of the activity and balance in the RNG Account now relates to transactions around the commodity itself, (iii) FEI objects to the insinuation that it would mismanage its RNG activities and notes these activities are overseen by the BCUC, and (iv) historical earnings will always vary from allowed returns and that is not a relevant consideration for this request.¹⁰⁰

Panel Determination

The Panel finds that the five-year amortization period proposed by FEI for the Flotation Costs deferral account to be reasonable. We consider a five-year amortization period appropriately balances the rate impact and the long-term nature of the costs captured in the account. As shown in Table 3 above, the difference in rate impact between a five-year and 10-year amortization period is about 0.20 percent or an annual bill impact of \$1.70 for an average residential customer,¹⁰¹ which is not significant enough to justify a longer amortization period than that proposed by FEI.

The Panel finds FEI’s proposal to modify the existing RNG Account to attract financing costs at FEI’s WACC to be reasonable. The Panel is persuaded by FEI’s evidence that the balance in the RNG Account is expected to continue to grow and that most of the activity and balance now relates to transactions around the commodity

⁹⁶ MoveUP Final Argument, p. 2; BCSEA Final Argument, p. 1.

⁹⁷ CEC Final Argument, pp. 3, 24–25.

⁹⁸ FEI Reply Argument, p. 11.

⁹⁹ CEC Final Argument, pp. 3, 26.

¹⁰⁰ FEI Reply Argument, pp. 11–13.

¹⁰¹ $0.20\% = 0.41\% - 0.21\%$; $\$1.70 = \$3.40 - \$1.70$.

itself rather than to cost of service. The Panel is also satisfied that FEI incurs financing costs to carry the transactions captured in the RNG Account. Therefore, we consider it appropriate, and consistent with the Fair Return Standard, for the RNG Account to similarly attract financing costs. Attracting financing costs at WACC is consistent with the treatment of FEI's other deferral accounts that attract financing costs, and the Panel sees no compelling reason to deviate from this treatment for the RNG Account.

The Panel finds FEI's requests related to the remaining approvals sought to be reasonable and the Panel notes that interveners do not oppose them. The Panel is satisfied with the evidence supporting FEI's proposals, as well as FEI's reasoning for them. **Therefore, the Panel approves FEI's requests as set out in Section 2.2.3 of this decision.**

2.3 Overall Determination

Earlier in this decision, the Panel has found that the Application has been prepared in accordance with the approved Rate Framework and that the resulting forecast amounts are reasonable. The Panel has also found FEI's forecasts determined outside of the formulas and methodologies approved in the Rate Framework and FEI's other approvals sought, including its proposed recovery method for forecast revenue deficiencies, to be reasonable. Therefore, based on the Panel's findings and determinations set out above, the Panel finds FEI's forecast revenue requirements for 2025 and 2026 to be reasonable for setting permanent delivery rates. Accordingly, **the Panel approves FEI to make the existing interim delivery rate increases of 7.75 percent permanent, effective January 1, 2025. FEI is also approved delivery rate increases of 10.07 percent, as adjusted to reflect the updated BC-AWE information in accordance with Section 2.2 of the Application and the directives and determinations in the Tilbury CPCN Decision, on a permanent basis, effective January 1, 2026.**

FEI is directed to file as a compliance filing, the amended tariff pages for the BCUC's endorsement and tariff continuity and billing impact schedules for 2025 and 2026, reflecting the approved permanent delivery rate increases by no later than December 15, 2025.

3.0 Other Matters

Having addressed FEI's forecast revenue requirements and delivery rates for 2025 and 2026, the Panel now turns to other matters that arose during the review of the Application.

3.1 Content to be Provided in Future Annual Reviews

This section reviews two matters raised by the CEC regarding material it would like to see in FEI's next Annual Review.

Renewable and Lower Carbon Energy Supply (RLCES) Costs

As discussed in Section 2.2 of this decision, the Panel is setting FEI's delivery rates for the years 2025 and 2026 in this Annual Review. FEI's cost of gas is approved on a quarterly basis by the BCUC under a separate regulatory process to this Annual Review.

FEI states that although it is not requesting approval of forecast gas costs with this Application, the forecast cost of gas is included in the Application because it is required in the determination of a number of revenue

requirement line items that form part of the forecasts included in the Application. FEI explains that the cost of gas shown in the Application does not include RNG supply costs associated with FEI's RNG Blend service and Voluntary RNG service.¹⁰² RNG is a type of RLCES. Pursuant to the BERC Decision,¹⁰³ FEI states that RNG supply costs are captured in the RNG Account and recovered from customers under Rate Schedules 1 to 7 and 46 through the S&T RNG Rider 8, and from customers under the Voluntary RNG service through the RNG Charge.¹⁰⁴

Customer Reconnections

The Rate Framework Decision approved FEI to use a forecast average customer growth factor to determine Formula O&M and a forecast of gross customer additions to determine Formula Growth Capital.¹⁰⁵ FEI notes that its forecast growth customer additions represent only new customers attaching to the gas distribution system (including new construction and conversions from other fuel types to natural gas), while customer reconnections (i.e. move-ins and move-outs) are not included in the forecast of gross customer additions and have no impact on the calculation of Formula O&M or Formula Growth Capital.¹⁰⁶

Positions of Parties

The CEC asserts that FEI's RNG costs for undelivered RLCES volumes impact the cost of service but are not captured in FEI's calculations of the forecast cost of gas in the Application. Therefore, the CEC recommends that the BCUC direct FEI to 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).¹⁰⁷

In reply, FEI submits that the requested 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 Reviews. 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 Blend percentage. There is no need to duplicate that effort in the Annual Review process.¹⁰⁸

The CEC recommends that the BCUC direct FEI to file with its future Annual Review applications, beginning in its next application, prior year's actuals of customer move-ins, customer move-outs, and net customer reconnections by rate class.¹⁰⁹

In reply, FEI states that it does not maintain records of customer reconnections categorized by rate class, and this information is not valuable for understanding any of the formula elements or any aspect of FEI's forecast revenue requirements. FEI therefore submits that tracking this information for the purposes of satisfying this

¹⁰² Exhibit B-2, Section 4, p. 35.

¹⁰³ FEI Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program, Decision and Order G-77-24 dated March 20, 2024 (BERC Decision).

¹⁰⁴ Exhibit B-2, Section 4, p. 35.

¹⁰⁵ BCUC Decision and Order G-69-25, p. 2.

¹⁰⁶ Exhibit B-7, CEC IR 2.3.

¹⁰⁷ CEC Final Argument, pp. 1, 14.

¹⁰⁸ FEI Reply Argument, pp. 13, 15.

¹⁰⁹ CEC Final Argument, p. 1.

request would require onerous changes to FEI's systems and result in additional costs, with no benefit to furthering understanding of the issues relevant to FEI's Annual Reviews.¹¹⁰

Panel Discussion

The Panel is not persuaded by the CEC that the information it seeks regarding FEI's RLCEs volumes and customer reconnection would be useful in the Annual Review process. The CEC has not demonstrated how this information would help in analyzing FEI's forecast revenue requirements and delivery rates or service quality. Therefore, the Panel declines to make the directives recommended by the CEC.

3.2 Future Annual Review Process

On July 22, 2025, the BCUC established the regulatory timetable for the review of the Application. In the decision accompanying the regulatory timetable, the BCUC acknowledged that while FEI had included a workshop in its proposed regulatory process, the Application could be adequately reviewed through one round of IRs and that a workshop would result in an unwarranted increase in the regulatory timetable timelines and increase resource requirements for all parties in the proceeding.¹¹¹

On September 9, 2025, subsequent to the filing of IRs to FEI, the BCUC issued a letter requesting parties to address in final arguments any possible changes to the regulatory process for the next FEI Annual Review proceeding to set 2027 rates, specifically:

- a) Whether the FEI and FortisBC Inc. (FBC) Annual Review materials could be filed together as one application and reviewed in one proceeding, or alternatively, if the two utilities' materials are filed separately, whether the two applications could be reviewed in one common proceeding; and
- b) Any other proposals for further efficiencies in the regulatory process.¹¹²

This section outlines the submissions made by FEI and interveners for the next Annual Review and provides the Panel's views on this matter.

Positions of Parties

FEI submits that efficiencies implemented by the BCUC in this proceeding, including eliminating the workshop, combining interveners into groups, and limiting the number of IRs, have resulted in a shorter and more focused proceeding and considers that such efficiencies can be continued in future Annual Reviews. However, FEI does not consider that filing the FEI and FBC Annual Review materials together as one application or combining the review of the applications into a single proceeding will offer material improvement. FEI submits that this approach may lead to inefficiencies because (a) the amount of material filed would stay the same, and (b) FEI and FBC have distinct revenue requirements which would need to be explained separately, further complicated by the fact that FEI and FBC serve different customer groups at different rates. Further, FEI explains that a joint Annual Review process might not be appropriate, as intervener groups in the FEI and FBC proceedings are not entirely the same.¹¹³

¹¹⁰ FEI Reply Argument, pp. 13–14.

¹¹¹ Decision and Order G-179-25 dated July 22, 2025, p. 1.

¹¹² Exhibit A-5.

¹¹³ FEI Final Argument, pp. 33–34.

Aside from the CEC, interveners are generally of the view that a joint Annual Review process for FEI and FBC would offer no significant benefits and agree with FEI that this process may lead to inefficiencies due to the differing nature of the gas and electric utilities.¹¹⁴

BCSEA submits that the BCUC should implement an evaluation of the actual impacts to efficiency and effectiveness of unilaterally requiring certain interveners to file joint submissions in recent proceedings.¹¹⁵

MoveUP recommends that the BCUC not adopt a default practice of dispensing with the workshop and notes that the savings from eliminating the workshop are trivial in the context of FEI's annual cost of service. MoveUP submits that the review process should be tailored according to the scope and scale of issues of each application. In MoveUP's view, the workshops help participants maintain current and detailed knowledge of the utilities and their markets, contributing to an efficient and effective regulatory process.¹¹⁶

In BCOAPO-RCIA's view, there are no benefits to combining the FEI and FBC Annual Reviews as, unlike an application on regulatory frameworks, there are no overlapping issues between FEI's and FBC's Annual Reviews. They submit that the traditional approach (IRs, IR responses, a workshop and final written submissions) for the Annual Reviews already provides a very streamlined hearing process that strikes an appropriate balance between the interests of the utility and its ratepayers. Further attempts to shorten this process may risk undermining the integrity of the review and public confidence and trust.¹¹⁷

In reply to MoveUP and BCOAPO-RCIA, FEI submits that it is not opposed to in-person components of the Annual Review process, such as workshops, but it also believes that a continuation of the process applied in this proceeding would be consistent with the BCUC's regulatory efficiency objectives.¹¹⁸

The CEC on the other hand submits that there could be efficiencies in combining FBC's and FEI's applications and offers to work with FortisBC and the BCUC to define and implement a combined Annual Review.¹¹⁹ The CEC submits that the process for this proceeding, such as limitations on the number of intervener IRs, reflects a very streamlined approach and it is concerned that any further limitations may challenge the discovery process.¹²⁰

In reply to the CEC, FEI submits that the CEC's proposal of working with FEI and FBC to develop a combined application is not necessary, as the utilities are fully capable of and responsible for developing their own rate applications.¹²¹

Panel Discussion

The Panel acknowledges that parties generally do not support combining FEI's and FBC's Annual Review materials together as one application or the review of two separate applications in one proceeding for the next Annual Review. The Panel agrees with interveners' views that the two utilities operate under different

¹¹⁴ BCSEA Final Argument, p. 3; MoveUP Final Argument, p. 2; BCOAPO-RCIA Final Argument, pp. 16–18.

¹¹⁵ BCSEA Final Argument, p. 3.

¹¹⁶ MoveUP Final Argument, p. 2.

¹¹⁷ BCOAPO-RCIA Final Argument, pp. 16–18.

¹¹⁸ FEI Reply Argument, p. 18.

¹¹⁹ The CEC Final Argument, pp. 28–29.

¹²⁰ The CEC Final Argument, p. 28.

¹²¹ FEI Reply Argument, p. 18.

circumstances and that combined filings or a combined proceeding may introduce unnecessary complexity and regulatory burden for the parties. We consider that it would be more efficient to continue to conduct separate Annual Reviews for FEI and FBC to set 2027 rates, especially given that it would be the last Annual Review in the Rate Framework term.

Notwithstanding, the Panel considers the process in this Annual Review to be effective and more efficient compared to previous Annual Review processes. At the outset of the proceeding, the Panel adopted a streamlined approach which involved the removal of the workshop, as well as limiting the number of IRs and scoping out items approved in the Rate Framework Decision. We are of the view that this streamlined approach allowed important issues to be explored while minimizing regulatory timelines and resources, resulting in a more focused evidentiary record and a more efficient process. This is appropriate given the limited purpose of Annual Reviews, which is to set rates and to review the previous year's performance, and the short passage of time, in this case, since the issuance of the Rate Framework Decision.¹²²

Therefore, we recommend future BCUC panels consider adopting a similar regulatory process when determining the next Annual Review process.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of December 2025.

Electronically signed by Mark Jaccard

M. Jaccard
Panel Chair

Electronically signed by Tom Loski

T. A. Loski
Commissioner

¹²² The Rate Framework Decision was issued on March 18, 2025, and the Application was filed on July 24, 2025.

FortisBC Energy Inc.
2025 and 2026 Annual Review of Delivery Rates

LIST OF ACRONYMS AND TERMS

Acronym/Term	Description
2025 Interim Delivery Rates	Interim delivery rates approved by Order G-313-24 dated November 27, 2024, effective January 1, 2025
2025 Interim Rates Application	FEI application seeking approval of 2025 Delivery Rates on an interim basis, effective January 1, 2025 (Exhibit B-21 in the FEI and FBC 2025 to 2027 Rate Setting Framework proceeding)
Annual Review	Process designed to set delivery rates and to assess the performance of the utility in the prior year
Application	On July 24, 2025, FEI filed its Annual Review for 2025 and 2026 Delivery Rates application seeking approval to make the existing 2025 interim delivery rates permanent, effective January 1, 2025, and approval of a 10.07 percent permanent delivery rates increase, effective January 1, 2026, among other things
BC-AWE	BC Average Weekly Earnings
BCOAPO	British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society
BCOAPO-RCIA	Joint intervention of BCOAPO and RCIA as one intervener group in the proceeding, as directed by the BCUC through Exhibit A-3
BCSEA	BC Sustainable Energy Association
BCUC	British Columbia Utilities Commission
CGIF	Clean Growth Innovation Fund
CPCN	Certificate of Public Convenience and Necessity
DSM	Demand Side Management
FBC	FortisBC Inc.
FEI	FortisBC Energy Inc.
Formula Growth Capital	The portion of FEI's growth capital expenditures which are subject to the use of a formula or index-based approach
Formula O&M	The portion of FEI's controllable operations and maintenance expenses which are subject to the use of a formula or index-based approach
FortisBC	Collectively, FEI and FBC
GJ	Gigajoule

Acronym/Term	Description
IR	Information request
MoveUP	Movement of United Professionals
MRP	Multi-Year Rate Plan
MRP Decision	Decision and Orders G-165-20 and G-166-20 dated June 22, 2020 on the FEI and FBC Application for Approval of a Multi-Year Rate Plan for the Years 2020 through 2024
O&M	Operations and maintenance
OPEB	Other Post-Employment Benefits
PBR	Performance-based rate
Rate Framework	On March 18, 2025, the BCUC approved a performance-based Rate Setting Framework covering a three-year period from January 1, 2025 to December 31, 2027 for FEI and FBC
Rate Framework Decision	Decision and Orders G-69-25 and G-70-25 dated March 18, 2025 for the FEI and FBC 2025 to 2027 Rate Setting Framework proceeding
RCIA	Residential Consumer Intervener Association
RLCES	Renewable and Lower Carbon Energy Supply
RNG	Renewable natural gas
S&T	Storage and transport
SQI	Service quality indicator
The CEC	Commercial Energy Consumers Association of BC
Tilbury CPCN Decision	C-6-25 with accompanying decision dated October 27, 2025 for the Application for a CPCN for the Tilbury Liquefied Natural Gas Storage Expansion Project proceeding
UCA	<i>Utilities Commission Act</i>
WACC	Weighted Average Cost of Capital

FortisBC Energy Inc.
2025 and 2026 Annual Review of Delivery Rates

EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	July 22, 2025 – Panel Appointment
A-2	July 22, 2025 – BCUC Order G-179-25 establishing a regulatory timetable
A-3	August 11, 2025 – Letter regarding intervener registrations and proceeding scope
A-4	August 19, 2025 – BCUC Information Request No. 1 to FEI
A-5	September 9, 2025 – Letter requesting final arguments
A-6	October 8, 2025 – Response to BCOAPO-RCIA extension request
<i>APPLICANT DOCUMENTS</i>	
B-1	June 20, 2025 – FORTISBC ENERGY INC. (FEI) – submitting proposed process and timetables for 2025 and 2026 Annual Review of Delivery Rates Application
B-2	July 24, 2025 – FEI submitting 2025 and 2026 Annual Review of Delivery Rates Application
B-3	July 30, 2025 – FEI submitting Public Notice confirmation in compliance with Order G-179-25
B-4	September 22, 2025 – FEI submitting response to BCUC Information Request No. 1
B-5	September 22, 2025 – FEI submitting response to BCOAPO-RCIA Information Request No. 1
B-6	September 22, 2025 – FEI submitting response to BCSEA Information Request No. 1
B-7	PUBLIC - September 22, 2025 – FEI submitting response to CEC Information Request No. 1
B-7-1	CONFIDENTIAL - September 22, 2025 – FEI submitting response to CEC Information Request No. 1
B-8	September 22, 2025 – FEI submitting response to MoveUP Information Request No. 1

INTERVENER DOCUMENTS

- C1-1 July 31, 2025 – **BC SUSTAINABLE ENERGY ASSOCIATION (BCSEA)** – Request to Intervene by Thomas Hackney
- C1-2 August 22, 2025 – BCSEA submitting Information Request No. 1 to FEI
- C1-2-1 August 22, 2025 – BCSEA submitting Revised Information Request No. 1 to FEI
- C2-1 August 5, 2025 – **BC OLD AGE PENSIONERS’ ORGANIZATION, COUNCIL OF SENIOR CITIZENS’ ORGANIZATIONS OF BC, ACTIVE SUPPORT AGAINST POVERTY, DISABILITY ALLIANCE BC, AND TENANTS RESOURCE AND ADVISORY CENTRE (BCOAPO) AND RESIDENTIAL CONSUMER INTERVENER ASSOCIATION (RCIA) (BCOAPO-RCIA)** – Requests to Intervene by Leigha Worth and Abdulrahman Abomazid
- C2-2 August 28, 2025 – BCOAPO-RCIA submitting Information Request No. 1 to FEI
- C2-3 October 7, 2025 – BCOAPO-RCIA submitting final argument extension request
- C3-1 August 6, 2025 – **COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BC (CEC)** – Request to Intervene by David Craig
- C3-2 August 28, 2025 – CEC submitting Information Request No. 1 to FEI
- C4-1 August 6, 2025 – Movement of United Professionals (MoveUP) – Request to Intervene by Jim Quail
- C4-2 August 25, 2025 – MoveUP submitting Information Request No. 1 to FEI