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BRITISH COLUMBIA UTILITIES COMMISSION

ORDER NUMBER G-129-05

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

and

FortisBC Inc.
Order No. G-52-05 and Letter No. L-97-05 and
Allowance for the Funds Used During Construction

BEFORE: L.F. Kelsey, Commissioner
A.J. Pullman, Commissioner

December 1, 2005

O R D E R

WHEREAS:

A. In the British Columbia Utilities Commission's ("Commission") Decision accompanying Order No.G-52-05, the Commission directed FortisBC Inc. ("FortisBC") to treat income taxes and the expensed portion of the Cost of Debt as flow-through cost items in 2005; and

B. On October 31, 2005, FortisBC submitted a letter to the Commission seeking verification of its understanding of the proper interpretation of the Commission's directive for accounting purposes in 2005. Furthermore, FortisBC also wished to confirm that both total interest costs and the Allowance for Funds Used During Construction ("AFUDC") are flow-through cost items in 2005; and

C. The Commission issued Letter No. L-97-05 dated November 10, 2005, and confirmed the treatment of income taxes as proposed by FortisBC. The Commission further confirmed that the expensed portion of the Cost of Debt [equal to the total amount (gross) of interest costs] is to be treated as a flow-through cost item in 2005. The Commission also directed FortisBC to file additional evidence and rationale to support its request to include AFUDC as a flow-through cost item in 2005; and

D. On November 21, 2005, FortisBC filed a letter wherein it provided the additional information pertaining to AFUDC. The information included financial analyses showing the effect of alternative treatments for AFUDC. As a result of these analyses, FortisBC stated that including the Interest Component of AFUDC as a flow-through cost item is the most theoretically correct treatment; and

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E. The Commission has reviewed and considered all of the submissions on this matter and agrees that treatment of the Interest Component of AFUDC as a flow-through cost item is the most theoretically correct treatment.

NOW THEREFORE the Commission orders that the Interest Component of the Allowance for Funds Used During Construction is to be treated as a flow-through cost item in 2005.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of December 2005.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner