



LETTER NO. L-97-05

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

Log No. 12384

VIA E-MAIL

george.isherwood@fortisbc.com

November 10, 2005

Mr. George Isherwood
Director, Regulatory Affairs
FortisBC Inc.
1290 Esplanade, PO Box 130
Trail, B.C. V1R 4L4

Dear Mr. Isherwood:

Re: FortisBC Inc.
2005 Revenue Requirements Decision and
Order G-52-05 dated May 31, 2005 and
FortisBC Inc.'s letter dated October 31, 2005

The Commission reviewed and considered FortisBC Inc.'s ("FortisBC") letter dated October 31, 2005, wherein FortisBC requests that the Commission verify FortisBC's understanding of the proper interpretation of the following sentence for accounting purposes in 2005.

"In addition the Commission Panel directs FortisBC to treat income taxes and the expensed portion of the Cost of Debt as flow-through cost items in 2005." (Commission Decision, dated May 31, 2005, page 34)

In its letter, dated October 31, 2005, FortisBC also requests confirmation that the Allowance for Funds Used During Construction ("AFUDC") be included as a flow-through cost item in 2005.

The Commission confirms the treatment of income taxes for flow-through purposes in 2005, as proposed by FortisBC in its letter of October 31, 2005. The Commission further confirms 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 directs FortisBC to file additional evidence and rationale to support its request to include AFUDC as a flow-through cost item in 2005. The additional evidence should be filed as soon as possible and not later than November 21, 2005. The Commission further directs FortisBC to distribute a copy of its October 31, 2005 letter and the additional evidence on this matter to Registered Intervenors in the 2005 Revenue Requirements proceeding.

Yours truly,

Original signed by:

Robert J. Pellatt

WK/dlf

cc: Registered Intervenors (Fortis05RR-RI)

FortisBC/Cor/Flow Through Cost Items