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ORDER NUMBER
G-330-23

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

and

Nelson Hydro
2023 Revenue Requirement Application

BEFORE:
E.B. Lockhart, Panel Chair
A.C. Dennier, Commissioner
T.A. Loski, Commissioner

on December 5, 2023

ORDER

WHEREAS:

A. On October 28, 2022, Nelson Hydro filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of a general annual rate increase of 9.87 percent for the service area outside its municipal boundaries (Rural Service Area), effective on January 1, 2023, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) (Application);

B. Nelson Hydro is owned and operated by the City of Nelson and is excluded from regulation under the UCA to the extent it is serving customers within its municipal boundaries (Urban Service Area). Accordingly, the BCUC's review of the Application pertains solely to Nelson Hydro's ratepayers in the Rural Service Area (Rural Ratepayers);

C. Nelson Hydro requests that the 9.87 percent general rate increase for the Rural Service Area be effective on January 1, 2023, pending the outcome of the 2023 Revenue Requirement proceeding. By Order G-332-22A, the BCUC approved the 9.87 percent general rate increase on an interim, refundable and recoverable basis, effective January 1, 2023;

D. As part of the Application, Nelson Hydro also requests approval to establish the following deferral accounts:

   i. A revenue variance deferral account to record additional revenues that Nelson Hydro may be entitled to between January 1, 2023 and the BCUC's decision on Nelson Hydro's Application for Reconsideration and Variance of Order G-196-22 which may result in modifications to the Cost of Service Analysis (COSA) that is being used in the Application and any surplus or deficit in revenue that might result from the BCUC's final decision on the Application and the interim 9.87 percent rate increase approved in Order No. G-332-22, effective January 1, 2023.

ii. A storm regulatory deferral account (SRDA) to smooth out the budgetary impact of major storms and other emergency outage response events, such as wildfires.

E. Nelson Hydro submits that the proposed rate increase is based on the utility's 2023 budget figures used in a COSA that was approved in Order G-196-22 and seeks to transition to providing information focused on the Rural Service Area of the utility rather than the utility as a whole;

F. By Order G-332-22A, Order G-25-23, Order G-61-23, Order G-185-23 and Order G-190-23, the BCUC established the regulatory timetable for the review of the Application, which provided for intervener registration, two rounds of BCUC and intervener information requests (IR), one round of Panel IRs, letters of comment, Nelson Hydro's reply to letters of comment, and final and reply arguments;

G. The BCUC received 49 letters of comment from members of the public in this proceeding;

H. By Order G-311-23 dated November 15, 2023, the BCUC issued Decision and Order G-311-13 on the Nelson Hydro Reconsideration and Variance of BCUC Order G-196-22 Application in which the BCUC denied Nelson Hydro's request to vary the directives in Order G-196-22 and confirmed the directives set out in Order G-196-22; and

I. The Panel has considered the Application, evidence, and submissions filed in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the UCA, and for the reasons outlined in the decision issued concurrently with this order, the BCUC orders as follows:

1. Nelson Hydro is approved to increase rates by 9.87 percent for Nelson Hydro's Rural Ratepayers on a permanent basis, effective January 1, 2023.

2. Nelson Hydro is directed to recalculate its revenue requirements, based on the determinations and directives in the decision issued concurrently with this order, in a compliance filing, and file updated tariff pages reflecting permanent 2023 rates for Nelson Hydro Rural Ratepayer customer classes by January 8, 2024.

3. Nelson Hydro is directed to assign forecast power purchases between the Rural Service Area and Urban Service Area in a manner that is consistent with Decision and Order G-196-22 by using the 2023 forecast power purchase amount in Common in the COSA model. Common is defined as assets and costs that cannot be allocated 100 percent to the Urban or Rural Service Areas and are broken out to all customers based on usage.

4. Nelson Hydro is approved to use 4.38 percent as its deemed cost of debt for 2023.

5. Nelson Hydro is denied its request to add 1 percent, or 100 basis points, to the 4.38 percent deemed cost of debt and is directed to establish a non-rate base deferral account to capture the Rural Service Area portion of the actual debt issuance costs incurred, up to $79,000, to acquire new debt in 2023 and to amortize the balance over the remaining term of the underlying debt beginning in 2023.

6. Nelson Hydro is directed to remove from rate base the Mill St. Substation upgrade project capital additions included for 2022 ($1,051,700) and 2023 ($2,125,000).

7. Nelson Hydro's request for an SRDA as proposed is denied. Nelson Hydro is approved to establish an SRDA, on an ongoing basis as a non-rate base account with carrying costs at Nelson Hydro's weighted average cost of capital (WACC), that captures the difference between the forecast and actual costs of storm-related and other emergency or widespread outage response events in the Rural Service Area, to be amortized over five years.

8. Nelson Hydro is approved to establish a revenue variance deferral account, as a non-rate base account with carrying costs at Nelson Hydro's WACC, to record the revenue resulting from any differences between the BCUC's final decision on the Application and the 2023 rate increase of 9.87 percent that was approved on an interim and recoverable basis.

DATED at the City of Vancouver, in the Province of British Columbia, this 5th day of December 2023.

BY ORDER

Original signed by:

E.B. Lockhart
Commissioner