

SIXTH FLOOR, 900 HOWE STREET, BOX 250  
VANCOUVER, B.C. V6Z 2N3 CANADA  
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-137-09

TELEPHONE: (604) 660-4700  
BC TOLL FREE: 1-800-663-1385  
FACSIMILE: (604) 660-1102

IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Kyuquot Power Ltd.  
For Amendment to Revenue Requirements along with Certain Rate Matters

**BEFORE:** L.F. Kelsey, Commissioner  
P.E. Vivian, Commissioner  
D.A. Cote, Commissioner

December 3, 2009

**O R D E R**

**WHEREAS:**

- A. On August 21, 2009, Kyuquot Power Ltd. ("KPL") filed an application pursuant to section 58 of the *Utilities Commission Act* (the "Act") for amendments to its Revenue Requirements along with Certain Rate Matters (the "Application"); and
- B. In order for KPL to achieve a fair return on common equity ("ROE") for fiscal 2010 that approaches the maximum approved by Order G-11-06, the Application seeks amendments to the Rate Schedules 1101 and 1102 whereby an increase to customer energy tariff rates and the basic monthly charge are sought; and
- C. In the Application, KPL also requests approval pursuant to section 50(3) of the Act for amendments to a loan agreement with Canadian Western Bank ("CWB"); and
- D. By Order C-18-01, the British Columbia Utilities Commission ("Commission") approved a Certificate of Public Convenience and Necessity ("CPCN") application by Synex Energy Resources Ltd. ("SERL") to construct and operate a 14.4 kV single phase connection to British Columbia Hydro and Power Authority's provincial electricity grid in order to provide electricity to Fair Harbour, Chamiss Bay and Kyuquot. The CPCN approval was conditional on SERL, or a company formed for the purposes of being a public utility. In accordance with Order C-18-01, SERL founded a wholly-owned subsidiary, Kyuquot Power Ltd. ("KPL"), a public utility for the purpose of operating the distribution line; and
- E. On February 2, 2006, following a written hearing process, the Commission approved by Order G-11-06, an Electric Tariff for KPL containing terms and conditions of service and rate schedules effective November 15, 2005. In the Reasons attached to Order G-11-06, the Commission approved a debt to equity ratio of 60/40 for KPL with a maximum ROE of 75 basis points above the current ROE for a low-risk benchmark utility. The

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-137-09

2

Commission also accepted KPL's estimated cost of approximately \$3.6 million for SERL to construct the distribution line without mark-up subject to recording any funding received from the Ka:'yu:'k't'h/Ch:k:tlas7et'h' First Nation ("KCFN"); and

- F. By Order G-58-07 dated May 31, 2007, the Commission approved an application by KPL to create a new Rate Schedule 1102 for service exclusively to the KCFN and a reduction of 6.8 cents/kWh to KCFN's rate effective when KCFN makes an \$850,000 payment to KPL as a Contribution in Aid of Construction ("CIAC"); and
- G. On February 18, 2008, KPL received the first CIAC payment of \$850,000 from KCFN; and
- H. On March 9, 2008, KPL filed an application to amend Rate Schedule 1102 to decrease the energy charge by a further 6.8 cents per kWh upon receipt by KPL of a second CIAC payment of \$850,000. By Order G-53-08 dated March 25, 2008, the Commission approved for KPL the requested amendments to the Rate Schedule 1102 based on KCFN providing a second CIAC of \$850,000 to KPL. The second CIAC payment was received by KPL from KCFN on November 10, 2008; and
- I. On February 19, 2009, KPL received a third CIAC payment of \$224,128.85 and on February 23, 2009, KPL filed an application to amend Rate Schedule 1102 to decrease the energy charge by 1.8 cents per kWh. The Commission approved the amendments to Rate Schedule 1102 by Order G-18-09, dated March 5, 2009, and also approved a further 5 cent per kWh decrease to the energy charge in Rate Schedule 1102 subject to KPL's receipt of the anticipated fourth CIAC payment balance amount of \$625,817.15; and
- J. The Commission has reviewed the Application along with the supporting material and finds that approval is warranted.

**NOW THEREFORE** the Commission orders as follows:

1. The Rate Base and Revenue Requirements for the test year ending June 30, 2010 under two possible scenarios regarding receipt of the fourth CIAC payment from KCFN are as set out in the Schedules attached to this Order. The Commission accepts that KPL is not able to predict when the anticipated fourth CIAC payment from KCFN will be received. Upon receipt of the fourth CIAC payment, KPL will inform the Commission and file a Revised Rate Schedule 1102 in accordance with Order G-18-09.
2. The Commission accepts the inclusion of costs associated with this Application in Rate Base, and the amortization of these costs at a rate of 25 percent per annum commencing July 1, 2009.
3. KPL will continue to defer 100 percent of the depreciation on all other capital assets.

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-137-09

3

4. The revised Rate Schedules 1101 and 1102 attached to this Order, amended to allow for an energy tariff rate increase of \$0.0125/kWh, and basic monthly charge increase of \$2.00, are approved and effective from the date of this Order.
5. KPL is permitted to establish a deferral account for potential uncontrollable outage costs whereby KPL may defer the lower of actual uncontrollable outage costs or \$1,550 per day for every uncontrollable outage day in excess of 14 uncontrollable outage days in the fiscal year. The maximum annual deferral for uncontrollable outage costs shall not exceed \$95,000. KPL should report the amount of deferred uncontrollable outage costs to the Commission within 90 days of the end of the fiscal year. KPL may make application for recovery of these costs in the subsequent annual period of their occurrence.
6. KPL is authorized to carry forward the deferral account for potential uncontrollable outages until KPL files an application with the Commission requesting recovery of the account balance in rates and the Commission has made determinations thereon.
7. Costs accumulated in the deferral account for potential uncontrollable outages may be subject to a prudence review.
8. The amendments to the loan agreement between KPL and CWB are approved.
9. The Commission confirms that KPL is approved for a debt to equity ratio of 60/40 with a risk premium of 75 basis points above the low-risk benchmark utility, which currently results in a ROE of 9.22 percent for 2009. The Commission also confirms that KPL's notional debt is comprised of intercompany and third party loans that are subject to a floating interest rate of bank prime plus 2.0 percent, plus an additional 0.5 percent for the loan guarantee of SERL.
10. KPL is to inform all affected customers of the approval of the Application by way of a customer notice.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 3<sup>rd</sup> day of December 2009.

BY ORDER

*Original signed by:*

D.A. Cote  
Commissioner

Attachments