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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-111-12**

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

and

**An Application by Kyuquot Power Ltd.
for Amendments to Revenue Requirements along with Certain Rate Matters**

BEFORE: D.M. Morton, Commissioner
L.F. Kelsey, Commissioner August 16, 2012
N.E. MacMurchy, Commissioner
R.D. Revel, Commissioner

ORDER

WHEREAS:

- A. On June 28, 2012, 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 (Application);
- B. In order for KPL to achieve a fair return on common equity (ROE) for fiscal 2013 that approaches the 9.22 percent approved by Order G-137-09, the Application seeks amendments to Rate Schedules 1101 and 1102 whereby an increase to customer energy tariff rates and the basic monthly charge are sought;
- C. KPL has indicated that the most significant reasons for requesting amendments to the rate schedules are (1) increases in the electricity rates charged by British Columbia Hydro and Power Authority, and (2) increased provincial land assessments which have increased the cost to lease the land on which the utility is operated;
- D. In the Application, KPL applies for approval to include the amortization of the cost of renewal of the 10 year Licence of Occupation lease (Lease Asset) on a straight-line basis over 10 years. The amortization would commence July 1, 2012 and would end on the lease end date of March 31, 2021;
- E. 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);
- F. The Commission has reviewed the Application along with the supporting material and finds that approval is warranted.

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NOW THEREFORE the Commission orders as follows:

1. The Rate Base and Revenue Requirements for the Test Year ending June 30, 2013 are set out in the Schedules attached to this Order.
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, 2012.
3. The Commission accepts the amortization of the Lease Asset in costs. The amount of amortization should be calculated on a straight-line basis with the amortization period commencing July 1, 2012 and ending March 31, 2021.
4. The revised Rate Schedules 1101 and 1102, amended to allow for an energy tariff rate increase of \$0.0345/kWh, and basic monthly charge increase of \$1.00, are approved and effective from the date of this Order.
5. KPL is granted the option to re-apply for an amended revenue requirement before the end of the Test Year if the situation arises where KPL's largest commercial customer dramatically reduces or ceases its energy consumption.
6. The amendments to the loan agreement between KPL and CWB are approved.
7. 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 2012. 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 2.5 percent, which includes for the CWB interest rate plus 0.5 percent for the loan guarantee of SERL.
8. 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 20th day of August 2012.

BY ORDER

Original signed by:

D.M. Morton
Commissioner