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**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER G-158-14**

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

**and**

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

**BEFORE:** L.F. Kelsey, Commissioner  
H.G. Harowitz, Commissioner  
K.A. Keilty, Commissioner  
N.E. MacMurchy, Commissioner  
I.F. MacPhail, Commissioner  
C. van Wermeskerken, Commissioner

October 9, 2014

**ORDER**

**WHEREAS:**

- A. On April 28, 2014, Kyuquot Power Ltd. (KPL) filed an application pursuant to section 58 of the *Utilities Commission Act* (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 2015 that approaches the 9.50 percent approved by Order G-105-13, the Application seeks, among other things, amendments to Rate Schedules 1101 and 1102 whereby an increase to customer energy tariff rates are sought upon commencement of the Houpsitas billing services;
- 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) commencement of the Houpsitas billing services;
- D. The Application requests approval to include a one percent depreciation of the powerline asset (including Contribution in Aid of Construction);

- E. The Application requests approval to include the amortization of the cost or renewal of the 20 year License of Occupancy lease (Lease Asset) on a straight-line basis over 20 years. The amortization of the Leased Asset accrued prior to July 1, 2012 commences July 1, 2012. The amortization of the Leased Asset accrued after July 1, 2012 will commence July 1, 2013. The amortization of the Leased Asset would end on the lease end date of March 31, 2031;
- F. The Application also requests approval pursuant to section 50(3) of the Act, for amendments to a loan agreement with Canadian Western Bank (CWB);
- G. British Columbia Utilities Commission (Commission) Order G-92-14 made the current rates interim effective July 1, 2014 and established a deadline for the registration of interveners and interested parties. No interveners or interested parties registered; and
- H. The Commission reviewed the Application along with the supporting material and determines that permanent rates should be established.

**NOW THEREFORE** pursuant to sections 58 to 61 of the *Utilities Commission Act*, the British Columbia Utilities Commission orders as follows:

1. The Rate Base and Revenue Requirements for the Test Year ending June 30, 2015 for Kyuquot Power Ltd. (KPL) are approved as filed.
2. The Commission accepts the inclusion of Application costs in Rate Base, and the amortization of these costs on a straight line basis at a rate of 25 percent per annum commencing July 1, 2014.
3. The Commission accepts the amortization of the Lease Asset in costs. The amount of amortization should be calculated on a straight-line basis over 20 years. The amortization of the Leased Asset accrued prior to July 1, 2012 commences July 1, 2012. The amortization of the Leased Asset accrued after July 1, 2012 will commence July 1, 2013. The amortization of the Leased Asset would end on the lease end date of March 31, 2031.
4. The Commission accepts a rate of depreciation as one (1) percent of the powerline asset on a straight line basis effective from July 1, 2014.
5. The revised Rate Schedules 1101 and 1102, amended to allow for an energy tariff increase of \$0.006 per Kwh to be effective at the time of commencement of Houpsitas billing services, are approved.
6. 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 its energy consumption.
7. The amendments to the loan agreement between KPL and Canadian Western Bank are approved.

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8. 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 9.5 percent for 2014. The Commission also confirms that KPL's debt is comprised of intercompany and third party loans that are subject to a fixed bank interest rate and, which includes an additional amount of 0.5 percent for the loan guarantee of Synex Energy Resources Ltd.
9. 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 *Ninth* day of October 2014.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner