



ORDER NUMBER
G-363-21

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

and

Nelson Hydro
Cost of Service Analysis and Rate Design Application

BEFORE:

R. I. Mason, Panel Chair
A. K. Fung, QC, Commissioner
T. A. Loski, Commissioner

on December 9, 2021

ORDER

WHEREAS:

- A. On November 27, 2020, Nelson Hydro filed a Cost of Service Analysis (COSA) and Rate Design Application with the British Columbia Utilities Commission (BCUC) (Application);
- B. Nelson Hydro is owned and operated by the City of Nelson and is excluded from regulation under the *Utilities Commission Act* (UCA) to the extent it is serving customers within its municipal boundaries. Accordingly, the BCUC's review of the Application pertains solely to Nelson Hydro's non-municipal, or Rural, ratepayers;
- C. In the Application, among other matters, Nelson Hydro initially requested the following rate changes to Rural residential customer rates to be phased in over a three-year period:
 - i. Phase 1: 5.72% effective September 1, 2021;
 - ii. Phase 2: 5.72% effective September 1, 2022;
 - iii. Phase 3: 5.72% effective September 1, 2023;
- D. By Orders G-346-20, G-117-21, G-224-21, G-278-21 and G-332-21, the BCUC established and amended a regulatory timetable for review of the Application, which included intervener registration, three rounds of BCUC and intervener information requests, and written final arguments;
- E. On August 18, 2021, in response to the BCUC's letter dated August 11, 2021, Nelson Hydro submitted that it was not seeking interim rates for September 1, 2021. However, if the BCUC's final decision on the Application is not issued before January 1, 2022, Nelson Hydro may request interim rate approval for January 1, 2022;

- F. On October 21, 2021, Nelson Hydro filed its Final Argument with the BCUC and in footnote 2 requested interim approval to implement Phase 1 of its proposed increase to Rural residential customer rates related to the COSA effective January 1, 2022;
- G. On November 1, 2021, Nelson Hydro filed an application with the BCUC for interim and permanent approval of a general annual rate increase of 2.5 percent for all its Rural customer classes (2022 Revenue Requirements Application or 2022 RRA), effective on January 1, 2022;
- H. On November 18, 2021, in response to the BCUC's letter dated November 17, 2021 pertaining to the 2022 RRA, Nelson Hydro provided a letter confirming that City Council passed a resolution approving the 2.5 percent rate increase for both the Urban service area and Rural service area, as applied for in the 2022 RRA;
- I. By Order G-342-21 dated November 23, 2021, the BCUC approved a rate increase of 2.5 percent applying to all Nelson Hydro's Rural customer classes on an interim, refundable and recoverable basis, effective January 1, 2022; and
- J. The Panel determines that interim approval to implement Phase 1 of the proposed increase of 5.72 percent to Nelson Hydro's Rural residential customer rate, effective January 1, 2022, is not warranted.

NOW THEREFORE for reasons outlined in Appendix A of this order, Nelson Hydro's request for interim approval to implement Phase 1 of its proposed increase of 5.72 percent to its Rural residential customer rate, effective January 1, 2022, is denied.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of December 2021.

BY ORDER

Original signed by:

R. I. Mason
Commissioner

Attachment

Nelson Hydro
Cost of Service Analysis and Rate Design Application

REASONS FOR DECISION

1.0 Background

On November 27, 2020, Nelson Hydro filed a Cost of Service Analysis (COSA) and Rate Design Application with the British Columbia Utilities Commission (BCUC) (Application) pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA).¹

Nelson Hydro is owned and operated by the City of Nelson (City) and is excluded from regulation under the *Utilities Commission Act* (UCA) to the extent it is serving customers within its municipal boundaries. Accordingly, the BCUC's review of the Application pertains solely to Nelson Hydro's non-municipal, or Rural, ratepayers.

In the Application, among other matters, Nelson Hydro initially requested the following rate changes to Rural residential customers rates to be phased in over a three-year period:²

1. Phase 1: 5.72% effective September 1, 2021;
2. Phase 2: 5.72% effective September 1, 2022; and
3. Phase 3: 5.72% effective September 1, 2023.

The BCUC established a regulatory timetable for review of the Application, which included intervenor registration, three rounds of BCUC and intervenor information requests and written final arguments.

On August 10, 2021, the BCUC wrote to Nelson Hydro requesting clarification on whether the utility would be seeking interim rates to take effect on September 1, 2021, the date Nelson Hydro initially requested in its Application for approval of Phase 1 of its COSA-related rate increases.³

On August 18, 2021, in response to the BCUC's letter, Nelson Hydro submitted that it was not seeking approval for interim rates to take effect on September 1, 2021. Nelson Hydro explained that its decision, approved by Nelson City Council, was because such a rate increase would "contribute to additional confusion [for ratepayers] in advance of any final decision," and to avoid additional effort by Nelson Hydro's staff should an interim rate increase differ from the BCUC's final decision on the COSA. However, Nelson Hydro added that if the BCUC's final decision on the Application were not to be issued before January 1, 2022, it may request interim rate approval for January 1, 2022 because it is concerned that a delay in the requested rate increases would be costly to the utility.⁴

On October 21, 2021, Nelson Hydro filed its final argument with the BCUC and in footnote 2 requested approval for Phase 1 of its COSA-related rate increases, a 5.72 percent rate increase to Rural residential customer rates, on an interim basis, effective January 1, 2022.

¹ Exhibit B-1, Section 2.1, p. 5.

² Exhibit B-1, Section 2.3, p. 7.

³ Exhibit A-12.

⁴ Exhibit B-16, p. 1.

2.0 Nelson Hydro 2022 Revenue Requirement Application

Nelson Hydro's rates for Rural customers are being reviewed in another proceeding concurrently. On November 1, 2021, Nelson Hydro filed its 2022 Revenue Requirement application (2022 RRA) with the BCUC, in which the utility requests approval of a general annual rate increase of 2.5 percent for the Rural service area, including its Rural residential customers, effective January 1, 2022.⁵

In the 2022 RRA, Nelson Hydro requests that the 2.5 percent general rate increase be approved on an interim and refundable basis, effective January 1, 2022.⁶ On November 18, 2021, in response to the BCUC's letter dated November 17, 2021, Nelson Hydro provided a letter confirming that City Council passed a resolution approving the 2.5 percent rate increase for both the Urban service area and Rural service area (as applied for in the 2022 RRA).⁷

On November 23, 2021, the BCUC approved the requested interim rate of 2.5 percent on a refundable and recoverable basis, effective January 1, 2022.⁸

3.0 Panel Determination

The Panel denies Nelson Hydro's request for interim approval of a 5.72 percent increase for its Rural residential customers on January 1, 2022.

Nelson Hydro's rates for its Rural customers, including its Rural residential customers, have already been made interim effective January 1, 2022, by Order G-342-21. There is no need for this Panel to make the Rural residential customer rates interim, as this aspect of Nelson Hydro's request has already been granted by the BCUC. As a result of the rates for Nelson Hydro's Rural customers being made interim effective January 1, 2022, any changes to the utility's rates for its Rural customers ordered by this Panel may be backdated as far back as January 1, 2022.

The Panel acknowledges it is unknown whether the 2022 RRA decision will be issued prior to the COSA decision or *vice versa*. However, as a result of BCUC Order G-342-21, Nelson Hydro's rates are now interim effective January 1, 2022 and will remain interim until the BCUC determines otherwise. Rates for Nelson Hydro's Rural customers will not become permanent until both decisions have been issued and any final adjustments made.

Order G-342-21 directed that Nelson Hydro's interim rates effective January 1, 2022 were to be recoverable or refundable. Therefore, should the Panel approve a backdated rate increase for Nelson Hydro's Rural ratepayers as a result of the COSA Application, Nelson Hydro would be able to recover the value of the backdated increase from its ratepayers.

Nelson Hydro has acknowledged that the Application and its requested approvals have been "difficult for its ratepayers to fully comprehend,"⁹ and as a result, the utility chose not to apply for an interim rate increase on September 1, 2021. In the Panel's view, if the approvals requested in this COSA Application are difficult for ratepayers to comprehend, then the combination of rate increases due to both the COSA and the 2022 RRA

⁵ Nelson Hydro 2022 RRA, Exhibit B-1, p. 2.

⁶ Nelson Hydro 2022 RRA, Exhibit B-1, p. 2.

⁷ Nelson Hydro 2022 RRA, Exhibit B-2.

⁸ Nelson Hydro 2022 RRA, Exhibit A-4, Order G-342-21.

⁹ Exhibit B-16, p. 1.

would be at least as confusing, if not more so. Should the Panel approve different rate increases as a result of the COSA from those approved on an interim basis, the complexity would be further compounded.

For these reasons, the Panel finds that Nelson Hydro's request to make its Rural residential customer rates interim is unnecessary. The Panel further finds that an increase of 5.72 percent in the Rural residential customer rate on January 1, 2022 is premature and that Nelson Hydro is not harmed by delaying any rate changes that may arise from the COSA Application until the Panel has issued its final decision.