



ORDER NUMBER
G-16-25

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

and

Kyuquot Power Ltd.
Electric Tariff Rate Schedules Amendment

BEFORE:
W. E. Royle, Panel Chair

on January 27, 2025

ORDER

WHEREAS:

- A. By Order G-236-23 dated September 5, 2023, the British Columbia Utilities Commission (BCUC) established interim rates, effective January 1, 2024, on a refundable or recoverable basis, for all other utilities, except FortisBC Inc., that use the Benchmark Utility to set their capital structure and equity return pending the BCUC's final decision on Stage 2 of the Generic Cost of Capital (GCOC) proceeding;
- B. By Order G-53-24 and Decision dated February 29, 2024, the BCUC set rates for Kyuquot Power Ltd. (KPL) on an interim and refundable basis, pending the outcomes of Stage 2 of the GCOC proceeding and KPL's filing of the agreement(s) for the Intercompany Advance;
- C. By Order G-121-24 dated April 25, 2024, the BCUC approved KPL to charge the following rates approved by Order G-53-24 including a deemed interest rate on notional debt of 5.00 percent, effective May 28, 2024, on an interim and refundable basis, pending the outcome of Stage 2 of the BCUC's GCOC proceeding:
 - i. A Basic Charge of \$9.70 per month for Rate Schedule (RS) 1101 and 1102;
 - ii. An RS 1101 Energy Charge of \$0.4295 per kilowatt-hour (kWh); and
 - iii. An RS 1102 Energy Charge of \$0.2495 per kWh.
- D. On November 29, 2024, the BCUC issued its Decision and Order G-321-24 on Stage 2 of the GCOC proceeding (GCOC Stage 2 Decision). In the GCOC Stage 2 Decision, among other things, the BCUC established KPL's deemed equity component at 50.0 percent and allowed return on equity at 10.40 percent, and established a deemed interest rate methodology;
- E. In the GCOC Stage 2 Decision, the BCUC directed KPL to apply to the BCUC for a revised deemed interest on notional debt and permanent rates by January 31, 2025. This application must:

- i. Calculate the impact on 2024 rates from incorporating the new cost of capital, effective January 1, 2024 under this decision;
 - ii. Request permanent approval of 2024 interim rates; and
 - iii. Include specifics of any proposed deferral account to capture the difference.
- F. On December 23, 2024, KPL filed an application (Application) with the BCUC to amend its electric tariff rate schedules to increase the Energy Charge under RS 1101 and RS 1102 by \$0.0151 per kWh, resulting in the following permanent tariff energy rates effective February 28, 2025:
 - i. The Energy Charge be \$0.4446 per kWh under RS 1101; and
 - ii. The Energy Charge be \$0.2646 per kWh under RS 1102.
- G. In the Application, KPL also requests approval to recover \$17,504.18, resulting from the increase in cost of capital approved by the GCOC Stage 2 Decision for the June 29, 2024 to February 28, 2025 period. KPL proposes to recover those amounts commencing with the March 28, 2025 billing period over eight equal monthly payments, with the recovery amount no less than \$15 each bill, until the recovery balance is reduced to nil as described in the Application;
- H. On January 2, 2025, the BCUC issued Staff Question No. 1 to KPL, and KPL provided its response on January 9, 2025;
- I. On January 15, 2025 the BCUC sought further clarification from KPL, and KPL provided its response on January 20, 2025; and
- J. The BCUC has reviewed the Application including the evidence and submissions in the proceeding and makes the following determinations.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act* and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. The interim rates that were in effect between January 1, 2024 and June 28, 2024, are set as permanent.
2. KPL is approved to charge the following energy charges on a permanent basis, effective June 29, 2024, unless the BCUC directs otherwise:
 - a. \$0.4446 per kWh for RS 1101; and
 - b. \$0.2646 per kWh for RS 1102.
3. KPL is approved to recover the revenue deficiency arising from the difference between the interim and permanent rates for the June 29, 2024 to February 28, 2025 period, in accordance with the recovery mechanism proposed in the Application.
4. KPL is approved to set its notional debt rate at 6.91 percent, unless the BCUC directs otherwise.
5. KPL is directed to file revised tariff pages for BCUC endorsement within 15 days of the date of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of January 2025.

BY ORDER

Electronically signed by Wendy Royle

W. E. Royle
Commissioner

DECISION

1.0 Background

On November 29, 2024, the British Columbia Utilities Commission (BCUC) issued its Decision and Order G-321-24 on Stage 2 of the Generic Cost of Capital proceeding (GCOC Stage 2 Decision). In the GCOC Stage 2 Decision, the BCUC established Kyuquot Power Ltd.'s (KPL) deemed equity component at 50.0 percent and allowed return on equity at 10.40 percent, among other matters. The BCUC directed KPL to apply for a revised deemed interest on notional debt and permanent rates, and specified that the "application must (i) calculate the impact on 2024 rates from incorporating the new cost of capital, effective January 1, 2024 under this decision, (ii) request permanent approval of 2024 interim rates, and (iii) include specifics of any proposed deferral account to capture the difference [...]"¹

On December 23, 2024, in compliance with the GCOC Stage 2 Decision, KPL filed an application (Application) with the BCUC to amend its electric tariff rate schedules(RS) to apply the approved cost of capital, resulting in an increase of \$0.0151 per kilowatt-hour (kWh) to the Energy Charge under RS 1101 and 1102. The resulting Energy Charge is \$0.4446 per kWh for RS 1101 and \$0.2646 per kWh for RS 1102. KPL seeks permanent approval of these rates effective February 28, 2025.²

KPL also requests approval to recover an underbilled amount of \$17,504.18 (Recovery Amount), which is the amount KPL calculates as the impact on 2024 rates from incorporating the new allowed return effective June 29, 2024.³ KPL proposes to recover the underbilled amount over eight equal monthly payments starting from the March 28, 2025 billing cycle and ending when the Recovery Amount has been reduced to nil (\$0.00). The Recovery Amount per billing period shall not be less than \$15.00, except for the final Recovery Amount billing.⁴

On January 2, 2025, the BCUC issued Staff Question No. 1 to KPL, and KPL provided its response on January 9, 2025. On January 15, 2025, the BCUC sought further clarification from KPL, and KPL provided its response on January 20, 2025.

In this decision, the Panel addresses the issue regarding the effective date of the allowed return approved by the GCOC Stage 2 Decision.

2.0 Issue Arising – Adjustment Date for New Allowed Return

KPL is seeking approval to calculate the impact on 2024 rates from incorporating the new allowed return effective June 29, 2024, contrary to the GCOC Stage 2 Decision which specifies an effective date of January 1, 2024.⁵ KPL calculates the recovery amount effective June 29, 2024 to be \$17,504.18 (Partial Entitlement) versus

¹ Decision and Order G-321-24 dated November 29, 2024

² Exhibit B-1, p. 6.

³ Exhibit B-1, p. 5.

⁴ Exhibit B-1, p. 6

⁵ Exhibit B-1, p. 5; Decision and Order G-321-24 dated November 29, 2024, p. 98.

\$30,729.65 if it were calculated effective January 1, 2024.⁶ KPL confirms it is proposing to forego part of its allowed return for the January 1, 2024 to June 28, 2024 period.⁷

KPL explains it prefers Partial Entitlement for the following reasons:

- 1) KPL's interim rates were included in new tariff schedules which became effective June 28, 2024. KPL believes its personnel and customers assumed that the permanent rates under the 2024 Revenue Requirements Application would also be effective June 28, 2024. The subtlety and reasoning for the GCOC to override the expected date of changes of tariff schedules (i.e. from June 28, 2024) and substitute the date as January 1, 2024 is not thoroughly understood by KPL personnel or its customers.⁸
- 2) KPL is concerned that the alternative 14-month period for recovery of the \$30,729.65 as opposed to KPL's proposed 8-month period for recovery of the \$17,504.18 means that the customers will be paying recovery amount at the time of adjudication of the soon-to-be filed KPL 2026 revenue requirements application. Accordingly, KPL may need to expend time and effort responding to BCUC or to its customers who advocate for the use of a new deferral account to avoid rate shock for its customers.⁹
- 3) KPL submits that net of the anticipated added efforts and costs to implement the new cost of capital effective January 1, 2024, the recovery amount will be approximately \$5,000 rather than \$13,000. KPL states foregoing the \$5,000 recovery amount will not have any detrimental impacts to the utility.¹⁰

KPL concludes Partial Entitlement is preferable due to economic efficiency and the avoidance of customer uncertainty, customer enquiries, and the costs associated with varying its long-term historical practice of avoiding deferral accounts and the use of interim rates in revenue requirements applications.¹¹

Panel Determination

The Panel finds KPL's proposed energy charges for RS 1101 and 1102, respectively, appropriately reflect the new allowed return. The only issue to address is whether it is reasonable to recover the revenue deficiency arising from the difference between interim and permanent rates for 2024 effective January 1, 2024 or June 29, 2024.

The Panel considered the submissions from KPL, and finds it is reasonable for KPL to opt for Partial Entitlement effective June 29, 2024 in this instance, different from the GCOC Stage 2 Decision. The Panel considers that Partial Entitlement is efficient to implement when taking into account customer understanding and administrative burden on the utility. The Panel further acknowledges KPL's position that foregoing the net difference of approximately \$5,000 will not have detrimental impacts to KPL. Therefore, **KPL is approved to recover an amount calculated from the increase in cost of capital approved by the GCOC Stage 2 Decision for the June 29, 2024 to February 28, 2025 period over eight equal monthly payments starting from the March 28, 2024 billing cycle as described in the Application.**

⁶ Exhibit B-1, p. 5; Exhibit B-2, KPL Response to Staff Question 1.3.1, Appendix B.

⁷ Exhibit B-3, p. 1

⁸ Exhibit B-3, 2.

⁹ Exhibit B-3, p. 2.

¹⁰ Exhibit B-3, pp. 2-3.

¹¹ Exhibit B-3, p. 1

DATED at the City of Vancouver, in the Province of British Columbia, this 27th day of January, 2025.

Electronically signed by Wendy Royle

W. E. Royle
Panel Chair/Commissioner