



**ORDER NUMBER
G-201-25**

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

and

Nelson Hydro
2025 Revenue Requirements

BEFORE:

E. B. Lockhart, Panel Chair
E. A. Brown, Commissioner
W. E. Royle, Commissioner

on August 18, 2025

ORDER

WHEREAS:

- A. On October 31, 2024, Nelson Hydro filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of a general annual rate increase of 7.54 percent, effective January 1, 2025, for the service area outside its municipal boundaries (Rural service area), pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) (Application), subject to adjustments and to any directives or determinations in Stage 2 of the BCUC's Generic Cost of Capital (GCOC Stage 2) proceeding;
- B. Nelson Hydro is owned and operated by the City of Nelson and is excluded from regulation under the 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. By Order G-300-24 dated November 15, 2024, the BCUC approved Nelson Hydro's requested rate increase applicable to all Rural customer classes on an interim, refundable or recoverable basis, effective January 1, 2025;
- D. By Orders G-300-24, G-328-24, G-75-25 and G-134-25, the BCUC established and amended the regulatory timetable for the proceeding;
- E. On November 29, 2024, the BCUC issued Decision and Order G-321-24 (GCOC Stage 2 Decision). The BCUC, in the GCOC Stage 2 Decision, established Nelson Hydro's deemed capital structure and allowed return on equity, effective January 1, 2024. Nelson Hydro was also directed to establish a new GCOC Variance Deferral Account, attracting Nelson Hydro's weighted average cost of capital, to record the variance between interim 2024 rates and rates that would reflect the new cost of capital approved in the GCOC Stage 2 Decision. The GCOC Variance Deferral Account would also capture differences between any 2025 interim rates before and after incorporation of the new cost of capital under the GCOC Stage 2 Decision;

- F. On January 30, 2025, Nelson Hydro filed an evidentiary update to the Application (Evidentiary Update) to incorporate adjustments to its cost of capital in accordance with the GCOC Stage 2 Decision, in which Nelson Hydro applied a return on equity (ROE) of 14.25 percent to its deemed equity component after adjusting for income taxes and a deemed debt interest rate of 6.68 percent for 2024 and 6.63 percent for 2025. In the Evidentiary Update, Nelson Hydro calculated additions to the GCOC Variance Deferral Account of \$916,000 for 2024 and \$1,083,000 for 2025 and sought approval to recover these amounts by implementing a mid-year rate increase on July 1, 2025, and amortizing the balance on a straight-line basis over 5.5 years; and
- G. The BCUC has reviewed the Application and the other submissions received and makes the following determinations.

NOW THEREFORE pursuant to sections 58 to 61 of the UCA and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. Nelson Hydro is approved to increase its Rural rates by 7.54 percent as adjusted in accordance with the directives and determinations outlined in this order and the accompanying decision, on a permanent basis, effective January 1, 2025.
2. Nelson Hydro's allowed ROE is confirmed at 10.40 percent with no adjustment for income taxes, in accordance with the GCOC Stage 2 Decision.
3. Nelson Hydro's proposed deemed debt interest rate methodology, resulting in a deemed debt interest rate of 6.68 percent for 2024 and 6.63 percent for 2025, is approved.
4. Nelson Hydro is directed to record \$410,000 in 2024 and \$520,000 in 2025 in the GCOC Variance Deferral Account.
5. Nelson Hydro is directed to recover the GCOC Variance Deferral Account balance over a period of 36 months, starting on January 1, 2026.
6. Nelson Hydro is directed to remove from rate base, the scoping costs of \$200,000 for the Advanced Metering Infrastructure Project and to record these costs in a Work-In-Progress account, attracting an Allowance for Funds Used During Construction at Nelson Hydro's weighted average cost of capital.
7. Nelson Hydro is directed to provide a breakdown of any Work-In-Progress capital items that it added to rate base in 2025, as part of the compliance filing in Directive 9 below. Nelson Hydro is also directed to remove these Work-In-Progress capital items from its 2025 rate base.
8. Nelson Hydro is approved to establish a deferral account for the Battery Energy Storage System project, with a three-year amortization period beginning on January 1, 2026, and accruing interest at Nelson Hydro's weighted average cost of capital.
9. Nelson Hydro is directed to recalculate its 2025 revenue requirement and rates in accordance with the directives and determinations outlined in this order and the accompanying decision in a compliance filing and to file updated tariff pages reflecting permanent 2025 rates for Nelson Hydro Rural customer classes by September 18, 2025.
10. Nelson Hydro is directed to record the difference between the revenue that it would have collected based on the permanent rate approved by Directive 1 of this order and the revenue collected in accordance with the interim rate approved by Order G-300-24 in the Revenue Variance Deferral Account.

11. Nelson Hydro is directed to comply with all other directives and determinations outlined in the decision accompanying this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of August 2025.

BY ORDER

Electronically signed by Blair Lockhart

E. B. Lockhart
Commissioner

Nelson Hydro
2025 Revenue Requirements

DECISION

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Executive Summary

On October 31, 2024, Nelson Hydro filed a revenue requirements application (RRA) with the British Columbia Utilities Commission (BCUC) for approval of a 7.54 percent general annual rate increase, effective January 1, 2025, for Nelson Hydro's non-municipal service area, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA) (Application). The proposed rate increase of 7.54 percent was subject to adjustments and any directives or determinations in Stage 2 of the BCUC's Generic Cost of Capital (GCOC Stage 2) proceeding. On January 30, 2025, Nelson Hydro filed an evidentiary update to the Application to incorporate adjustments to its cost of capital consisting of its allowed return on equity (ROE) and deemed debt interest rate (Evidentiary Update) in accordance with the GCOC Stage 2 Decision, issued on November 29, 2024.¹

Nelson Hydro is owned and operated by the City of Nelson (the City) and serves customers within its municipal boundaries, as well as rural customers outside the City's boundaries (Rural). Municipalities providing utility services within their own boundaries are excluded from the definition of a public utility under the UCA, and therefore the BCUC's review of the Application pertains solely to Nelson Hydro's Rural service area.

Nelson Hydro prepared the Application in accordance with the Cost-of-Service Analysis and Rate Design methodology that the BCUC approved in July 2022. The 2025 revenue requirement represents a 7.54 percent rate increase above the rates that Rural customers are currently paying based on the 6.2 percent interim rate increase that the BCUC approved in 2024.² Nelson Hydro indicates that the 2025 proposed rate increase is largely driven by capital additions and increased power purchase costs.

The Panel finds that Nelson Hydro's Rural load forecast has been developed in a manner consistent with its revised 2024 load forecasting methodology and is reasonable for the purpose of setting rates in 2025. Further, the Panel finds Nelson Hydro's overall Operations and Maintenance forecast, including the 2025 forecast for Rural vegetation management, to be reasonable.

In terms of capital additions, the Panel accepts additions of \$525,000 to Nelson Hydro's Substation (Common)³ capital balances for the Mill St. Substation Upgrade project, which are driven by a revised project cost estimate. For the Advanced Metering Infrastructure project, the Panel denies Nelson Hydro's addition of project scoping costs of \$200,000 to rate base and directs Nelson Hydro to remove these costs from its rate base. The Panel directs Nelson Hydro to record these scoping costs in a Work-In-Progress (WIP) account, attracting an Allowance for Funds Used During Construction at Nelson Hydro's weighted average cost of capital. The Panel directs Nelson Hydro to remove any other WIP capital items from its 2025 rate base.

In its Evidentiary Update, to implement the allowed ROE of 10.40 percent that the BCUC approved in the GCOC Stage 2 Decision, Nelson Hydro applied an ROE of 14.25 percent on a before-tax basis to its deemed equity component. The Panel, however, confirms Nelson Hydro's allowed ROE at 10.40 percent with no adjustment for income taxes, in accordance with the GCOC Stage 2 Decision. For the debt component, the Panel approves Nelson Hydro's proposed deemed interest rate methodology, which results in a deemed interest rate of 6.68

¹ Order G-321-24 with accompanying decision dated November 29, 2024.

² Nelson Hydro 2024 RRA, decision accompanying Order G-170-24 dated June 21, 2024, p. 13.

³ In Nelson Hydro's Cost-of-Service Analysis and Rate Design methodology, the 'Common' cost category is used for costs that cannot be fully allocated to the Urban or Rural service areas and are thus broken out to all customers based on usage.

percent for 2024 and 6.63 percent for 2025. The Panel also directs Nelson Hydro to amortize the additional recovery from Rural ratepayers due to the GCOC Stage 2 Decision as part of the GCOC Variance Deferral Account over 36 months, starting on January 1, 2026. The recovery of this account will increase Rural rates each year by approximately 4.54 percent until the end of 2028.

The Panel approves Nelson Hydro to increase its Rural rates by 7.54 percent as adjusted in accordance with the directives and determinations outlined in this decision, on a permanent basis, effective January 1, 2025. Nelson Hydro estimates that a 7.54 percent rate increase results in an estimated average annual bill increase of approximately \$126, from \$1,680 to \$1,806, for the average Rural residential customer in 2025, based on an average annual consumption of 12,552 kilowatt hours. Nelson Hydro is directed to recalculate its 2025 revenue requirement and rates, based on the determinations and directives in this decision, and is also directed to record the difference between the revenue that would have been collected based on the permanent rate approved in this decision and the revenue collected in accordance with the interim rate approved by Order G-300-24 in the Revenue Variance Deferral Account.

For future rate proceedings, Nelson Hydro is strongly encouraged to consider alternatives to annual rate applications for cost savings and regulatory efficiency, such as a rate application for multiple test years.

1.0 Introduction and Approvals Sought

On October 31, 2024, Nelson Hydro filed a revenue requirements application (RRA) (Application) with the British Columbia Utilities Commission (BCUC) for approval of a 7.54 percent general annual rate increase for Nelson Hydro's non-municipal service area, effective January 1, 2025, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA). The proposed rate increase of 7.54 percent was subject to adjustments to Nelson Hydro's allowed return resulting from Stage 2 of the BCUC Generic Cost of Capital (GCOC Stage 2) proceeding (described in Section 1.3 below) that was ongoing when the Application was filed.⁴

On January 30, 2025, Nelson Hydro filed an evidentiary update to the Application to incorporate adjustments to its cost of capital (Evidentiary Update)⁵ in accordance with the GCOC Stage 2 Decision⁶ that was issued on November 29, 2024. In the Evidentiary Update, Nelson Hydro also requests approval to establish a Battery Energy Storage System (BESS) Project Costs Deferral Account.⁷

Nelson Hydro is owned and operated by the City of Nelson (the City) and serves customers within its municipal boundaries (Urban), as well as rural customers outside the City's boundaries (Rural). Municipalities providing utility services within their own boundaries are excluded from the definition of a public utility under the UCA, and therefore the BCUC's review of the Application pertains solely to Nelson Hydro's Rural service area. Pursuant to sections 59 to 61 of the UCA, the BCUC must set rates that are not unjust, unreasonable, unduly discriminatory or unduly preferential.

1.1 Regulatory Process

On November 15, 2024, the BCUC established a regulatory timetable for the review of Nelson Hydro's 2025 RRA. The regulatory timetable included public notice, an evidentiary update, one round of BCUC information requests (IRs), letters of comment, and Nelson Hydro's final argument.⁸ The BCUC also approved a 7.54 percent general rate increase for Nelson Hydro, effective January 1, 2025, on an interim, refundable or recoverable basis, pending the outcome of this proceeding.⁹

The BCUC received six letters of comment.¹⁰

1.2 Previous Decisions

Prior to 2022, Nelson Hydro filed its revenue requirements based on its forecast costs for the utility as a whole, resulting in the same rate changes for the non-regulated Urban and BCUC-regulated Rural service areas. In 2020, Nelson Hydro filed a Cost-of-Service Analysis (COSA) and Rate Design application, in accordance with the BCUC's

⁴ Exhibit B-1, pp. 2-3 and 2-4.

⁵ Exhibit B-5.

⁶ Order G-321-24 with accompanying decision dated November 29, 2024 (GCOC Stage 2 Decision).

⁷ Exhibit B-5, PDF page 8.

⁸ Exhibit A-2.

⁹ Ibid.

¹⁰ Exhibit D-1, D-2, D-3, D-4, D-5, and D-6.

direction,¹¹ to justify a rate differential between the Urban and Rural service areas.¹² The COSA presented Nelson Hydro's proposed cost allocations between the Rural and Urban service areas. A third cost category, Common, is used for costs that cannot be fully allocated to either the Urban or Rural service areas and are thus broken out to all customers based on usage. The BCUC approved Nelson Hydro's COSA in July 2022, subject to certain amendments, and directed Nelson Hydro to use this modified cost-of-service-analysis in its subsequent RRAs (COSA Decision).¹³

Nelson Hydro's last rate application prior to the current proceeding was the 2024 RRA, where it requested a general annual rate increase of 6.2 percent for the Rural service area,¹⁴ and which the BCUC approved on an interim basis, effective January 1, 2024.¹⁵ On June 21, 2024, the BCUC approved a 4.21 percent increase in Nelson Hydro's Rural rates, effective January 1, 2024, subject to any adjustments to its cost of capital from the GCOC Stage 2 proceeding (2024 Decision).¹⁶ In addition, Nelson Hydro was directed to record the variance between the revenue collected at the interim rate increase of 6.2 percent and the approved rate increase of 4.21 percent in a Revenue Variance Deferral Account. The BCUC approved Nelson Hydro's request to continue the interim rate increase of 6.2 percent in 2024, as the administrative cost for an immediate refund to customers was not justified.¹⁷ In this proceeding, Nelson Hydro confirmed that the 2025 revenue requirement in the Application represents a 7.54 percent rate increase above the rates that Rural customers are currently paying based on the 6.2 percent interim rate increase in 2024.¹⁸

In the 2024 Decision, the BCUC also approved Nelson Hydro's request to establish a Flow-Through Variance Deferral Account to capture variances between uncontrollable actual and forecast revenues and expenses related to power purchases and regulatory costs.¹⁹

1.3 Generic Cost of Capital Stage 2 Decision and Evidentiary Update

In 2021, the BCUC initiated a multi-stage proceeding to determine a benchmark utility and an allowed rate of return that regulated utilities, including Nelson Hydro, can earn on their invested capital. A utility's weighted average cost of capital (WACC) is determined from the allowed return on equity (ROE) and a deemed debt interest rate. On September 5, 2023, the BCUC issued its decision in the GCOC Stage 1 proceeding in which it determined an allowed rate of ROE of 9.65 percent for FortisBC Energy Inc. (Benchmark Utility), effective January 1, 2023.²⁰ The previous allowed ROE for the Benchmark Utility was 8.75 percent, and in the COSA Decision, the BCUC granted Nelson Hydro a 50 basis points (bps) premium which resulted in a 9.25 percent allowed ROE.²¹

¹¹ Reasons for Decision accompanying Order G-124-18 dated July 11, 2017, p. 12.

¹² Nelson Hydro Cost of Service Analysis and Rate Design proceeding (COSA proceeding), Exhibit B-1, p. 57.

¹³ Nelson Hydro Cost of Service Analysis and Rate Design, Decision and Order G-196-22 dated July 19, 2022 (COSA Decision), pp. 60, 83.

¹⁴ Nelson Hydro 2024 RRA, Exhibit B-1. The BCUC approved Nelson Hydro's requested general annual rate increase of 6.2 percent on an interim basis, effective January 1, 2024.

¹⁵ Nelson Hydro 2024 RRA, Order G-321-23 dated November 24, 2023.

¹⁶ Nelson Hydro 2024 RRA, Order G-170-24 with accompanying decision dated June 21, 2024, p. 13 (2024 Decision).

¹⁷ 2024 Decision, p. 13.

¹⁸ Exhibit B-6, BCUC IR 1.1 and 1.1.1.

¹⁹ 2024 Decision, pp. 12–13.

²⁰ Stage 1 of the BCUC GCOC proceeding (GCOC Stage 1), Decision and Order G-236-23 dated September 5, 2023, p. 136.

²¹ COSA Decision, p. 75.

On November 29, 2024, the BCUC issued its GCOC Stage 2 Decision which set Nelson Hydro's ROE premium above the Benchmark Utility at 75 bps, resulting in an allowed ROE of 10.40 percent, effective January 1, 2024.²² The BCUC stated that "Nelson Hydro will adopt the 75 bps ROE premium on an after-tax basis like all other Stage 2 utilities".²³ The BCUC in its GCOC Stage 2 Decision also addressed the deemed interest rate to be applied to the deemed debt component for Stage 2 utilities that do not have third-party or observable debt or where the utility does not incur actual financing costs²⁴ (refer to Section 2.4 below for a detailed discussion on Nelson Hydro's allowed ROE and the deemed debt interest rate).

Regarding implementation of the GCOC Stage 2 Decision, the BCUC directed Nelson Hydro to establish a new GCOC Variance Deferral Account, attracting Nelson Hydro's WACC, to record the variance between interim 2024 rates and rates that would reflect the new cost of capital approved in the GCOC Stage 2 Decision, effective January 1, 2024. The GCOC Variance Deferral Account would also capture differences between any 2025 interim rates before and after incorporation of the new cost of capital under the GCOC Stage 2 Decision.²⁵ The BCUC directed Nelson Hydro to address the amounts to be added to the GCOC Variance Deferral Account and their disposition by way of an evidentiary update and to file revised tariff pages by January 31, 2025.²⁶

On January 30, 2025, Nelson Hydro filed its Evidentiary Update, in which it applies an ROE of 14.25 percent (before-tax ROE) to its deemed equity component (50 percent of its rate base). Nelson Hydro also applies a deemed debt interest rate of 6.68 percent for 2024 and 6.63 percent for 2025,²⁷ per the methodology established by the BCUC to determine the deemed interest rate for Stage 2 utilities in the GCOC Stage 2 Decision.

1.4 Decision Framework

This decision is structured as follows:

- Section 2.0 describes Nelson Hydro's 2025 revenue requirements and addresses the following issues:
 1. Nelson Hydro's load forecast;
 2. Increased vegetation management costs;
 3. Capital project additions; and
 4. The manner in which Nelson Hydro applies the new allowed ROE and deemed debt interest rate pursuant to the GCOC Stage 2 Decision, including Nelson Hydro's adjustment of the 10.40

²² GCOC Stage 2 Decision, pp. 77–78.

²³ GCOC Stage 2 Decision, p. 77. As per the GCOC Stage 2 Decision (pp. 2–3), "Stage 2 utilities" include Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd., Corix (CA) DE Services Limited Partnership (formerly Corix Multi-Utility Services Inc.), Creative Energy Vancouver Platforms Inc., River District Energy, FortisBC Alternative Energy Service Inc., Boralex Ocean Falls Limited Partnership, Nelson Hydro and Kyuquot Power Ltd.

²⁴ Ibid, p. 82.

²⁵ Ibid, p. 98.

²⁶ Ibid, p. 98.

²⁷ Exhibit B-5, PDF pages 3–4.

percent ROE approved in the GCOC Stage 2 Decision to a 14.25 percent ROE on a before-tax basis.

- Section 3.0 discusses two additional matters - the BESS Project Deferral Account and future rate applications.

2.0 2025 Revenue Requirements Application

Nelson Hydro calculates that it needs a 7.54 percent increase in Rural customer rates in 2025 before accounting for its new cost of capital as directed by the GCOC Stage 2 Decision.²⁸ The 7.54 percent rate increase results in an estimated average annual bill increase of approximately \$126, from \$1,680 to \$1,806, for the average Rural residential customer in 2025, based on an average annual consumption of 12,552 kilowatt hours (kWh).²⁹ The additional rate increase beyond the 7.54 percent to account for Nelson Hydro's new allowed return is discussed in Section 2.3.

The BCUC received six letters of comment about the Application, most of which oppose the rate increase, as it outpaces expected inflation.³⁰ Nelson Hydro responded to these letters of comment in its final argument on April 30, 2025.

Nelson Hydro provides the Rural 2025 budget forecast, which shows a Rural revenue requirement of \$10.5 million that includes operating costs, amortization expenses and cost of capital before the implementation of the new allowed ROE and deemed debt rate. Nelson Hydro explains that current rates would generate revenue of \$9.7 million at projected loads, yielding a shortfall of approximately \$734,000. This shortfall requires a 7.54 percent Rural rate increase, as illustrated in Table 1 below:

Table 1: 2025 Revenue Requirement Calculation³¹

²⁸ Exhibit B-1, p. 2-3.

²⁹ Exhibit B-1, p. 7-43: Nelson Hydro states that the average Rural residential ratepayer consumes about 1,046 kWh/month (i.e. 12,552 kWh / year) and the 7.54 percent rate increase will result in an average monthly bill increase of \$10.55 for the average customer. Based on this monthly bill increase, the original monthly bill amounts to \$139.96 (\$10.55/7.54 percent) and the original annual bill amounts to approximately \$1,680 (\$139.96 * 12 months). The new monthly bill amounts to \$150.51 (\$139.96 + \$10.55) and the new annual bill amounts to approximately \$1,806 (\$150.51 * 12 months), resulting in an annual bill increase of approximately \$126.

³⁰ Exhibit D-1, D-2, D-3, D-4, D-5, and D-6.

³¹ Exhibit B-1, p. 7-42. Return on Deemed Equity and Deemed Interest rates stated in this table are before application of the GCOC Stage 2 Decision which determined a new allowed return for Nelson Hydro, effective January 1, 2024. The new allowed return for Nelson Hydro is discussed in Section 2.3 of this decision.

Requirement	Deemed Capital Structure (\$000)
Operating Cost Less Other Revenues	7,508
Amortization	982
Debt Interest Expense (6.5% of Rate Base @ 3.33%)	64
Deemed Interest Expense (43.5% of Rate Base @ 4.37%)	557
Return on Deemed Equity (50% of Rate Base @ 9.25%)	1,356
Rounding Adjustment	2
Revenue Required from Rates	10,469
Less Revenues at Existing Rates	9,735
Shortfall	734
Rate Increase Required	7.54%

Operating Cost from the above table includes power purchases along with Operations and Maintenance (O&M) expenses - both directly allocated to the Rural service area and the Rural service area's share of Common O&M expenses. Amortization includes amortization expenses directly allocated to the Rural service area and the Rural service area's share of Common amortization expenses.³²

The 7.54 percent rate increase proposed by Nelson Hydro can be broken down into the following components as a percentage of the rate increase:³³

- a. Capital renewal plans – 40 percent;
- b. Increases to Nelson Hydro's power purchase budget – 38 percent;
- c. Approved deferral accounts – 18 percent; and
- d. Controllable costs (O&M) – 4 percent

In the following sub-sections, the Panel reviews the components that comprise Nelson Hydro's forecast revenue requirements to set rates. The Panel reviews the following issues:

- The reasonableness of the load forecast;
- The reasonableness of forecast O&M costs, including costs related to vegetation management;
- The appropriateness of Nelson Hydro's forecast capital additions; and
- The allowed ROE and deemed debt interest rate that are applicable to Nelson Hydro for its 2025 RRA, in accordance with the GCOC Stage 2 Decision.

2.1 Load Forecast

In its 2024 RRA, Nelson Hydro revised its load forecasting methodology with adjustments to its monthly energy growth factor and demand growth factor,³⁴ and submitted a 2024 budgeted Rural load forecast of 68,444,725

³² Exhibit B-1, Appendix 7-1, Table 4.

³³ Exhibit B-1, p. 7-40.

³⁴ 2024 RRA, Exhibit B-1, p. 22.

kWh.³⁵ In the 2024 Decision, the BCUC found that these changes were reasonable for the purpose of setting rates.³⁶ In the Application, Nelson Hydro forecasts that it expects its year-end actual 2024 rural load will be 66,503,041 kWh.³⁷

For 2025, Nelson Hydro submits that its customer count growth assumption calculations remain consistent with the previous year's approach. Nelson Hydro provides its budgeted Rural load forecast for 2025 to be 67,968,576 kWh.³⁸ Nelson Hydro continues to monitor the performance of its load forecasting model and indicates that it considers a minimum five years to be a reasonable timeframe to assess the impact of its 2024 methodology revision and that any variances between actual and budget will be captured in the Flow-Through Variance Deferral Account.³⁹

Panel Determination

The Panel considers that Nelson Hydro's 2024 year-end load forecast for Rural customers is within a reasonable range as compared to the load forecast submitted in the 2024 RRA, which is an indication that the revised 2024 load forecast methodology is reasonable. The Panel notes that Nelson Hydro has developed its 2025 load forecast in a manner consistent with its revised 2024 load forecast methodology. **We find Nelson Hydro's 2025 Rural load forecast reasonable for the purpose of setting rates in 2025.**

The Panel accepts Nelson Hydro's submission that a minimum of five years is a reasonable timeframe to assess the impact of the revisions made in the load forecast methodology in 2024. We expect that Nelson Hydro will continue to monitor the performance of its revised load forecasting methodology.

2.2 Operations and Maintenance

Nelson Hydro estimates O&M expenses for the Rural service area in 2025 to be approximately \$3.315 million,⁴⁰ whereas the 2024 forecast for O&M expenses was \$3.256 million, resulting in an increase of 1.8 percent.⁴¹ Nelson Hydro submits that it has estimated most of its O&M expenses for 2025 using historical trends or estimates based on anticipated work to be performed as opposed to generic inflation factors.⁴²

Nelson Hydro considers costs related to O&M, excluding power purchases, to be controllable costs. As such, these costs would not be recovered by the utility or credited back to its customers through the Flow-Through Variance Deferral Account.⁴³ Nelson Hydro states that it has scrutinized its budgets and made reductions where possible to limit the overall rate increase. It notes that controllable O&M expenses account for a small percent

³⁵ 2024 RRA, Exhibit B-1, Table 5-2, p. 22.

³⁶ 2024 Decision, p. 6.

³⁷ Exhibit B-1, Table 4, p. 5-28.

³⁸ Exhibit B-1, pp. 5-27 and 5-28.

³⁹ Exhibit B-6, BCUC IR 7.2; Exhibit B-1, p. 5-25.

⁴⁰ Exhibit B-1, Appendix 7-1, "Tables" Tab, Table 4: Effective ROE for 2025 (\$000). Nelson Hydro's O&M expenses for 2025 have been calculated as Direct Allocation (\$1.411 million) + Share of Common (\$1.904 million) = \$3.315 million.

⁴¹ Exhibit B-1, p. 5-26, Table 3 - 2024 Forecast vs Budget.

⁴² Exhibit B-1, p. 5-30.

⁴³ Exhibit B-1, p. 5-25.

of the total rate increase sought, compared to uncontrollable expenses related to power purchases and capital additions, which account for the vast majority of the total rate increase.⁴⁴

The following table provides an overview of Nelson Hydro's Rural operating budget for 2025:

Table 21: Rural Operating Budget (2025) (\$000)⁴⁵

Particulars	Amount
Generation	\$ 311
Power Purchases (Total)	\$ 4,193
Transmission and Distribution Plant	\$ 1,395
Admin. and General	\$ 1,784
Amortization (Total)	\$ 982
Total	\$ 8,665

Power Purchases

As the amount of power that Nelson Hydro can generate is limited by its water licences, Nelson Hydro purchases additional electricity from FortisBC Inc. (FBC) to meet customer demand/load.⁴⁶ Nelson Hydro states that it treats power purchases as an uncontrollable expense, and as such, the variance between actual and budget is recorded in the Flow-Through Variance Deferral Account and amortized over a five-year period.⁴⁷ Power purchases represent the single largest cost item in Nelson Hydro's Rural Revenue Requirement, making up \$4.193 million out of Nelson Hydro's 2025 Rural Operating Budget of \$8.665 million.⁴⁸

Nelson Hydro assumed a 5.3 percent general rate increase from FBC to calculate the costs of power purchases.⁴⁹ Nelson Hydro filed the Application before the BCUC approved a 5.65 percent general rate increase for FBC, on an interim and refundable/recoverable basis, effective January 1, 2025.⁵⁰ Nelson Hydro explains that the difference between its assumed 5.3 percent increase in the Application and the BCUC-approved 5.65 percent general rate increase for FBC is approximately \$12,000, or 0.3 percent of the Rural power purchases of \$4.193 million. Given the magnitude of the difference and the already established Flow-Through Variance Deferral Account to capture the difference between budgeted and actual power purchases, Nelson Hydro submits that it prefers not to amend the Application for this difference.⁵¹

Panel Determination

⁴⁴ Exhibit B-1, p. 7-40.

⁴⁵ Exhibit B-6, BCUC IR 6.1, table compiled by BCUC staff. The table also includes Non-electricity revenue amounting to \$175,000.

⁴⁶ COSA Decision, p. 30.

⁴⁷ Exhibit B-1, p. 5-25.

⁴⁸ Exhibit B-6, BCUC IR 6.1.

⁴⁹ Exhibit B-1, p. 7-40.

⁵⁰ FortisBC Energy Inc. and FortisBC Inc. 2025 to 2027 Rate Setting Framework - Application for Approval of 2025 Rates on an Interim Basis, effective January 1, 2025, Order G-314-24 with accompanying decision dated November 27, 2024.

⁵¹ Exhibit B-6, BCUC IR 4.1.

The Panel finds Nelson Hydro’s overall O&M forecast for 2025 reasonable for the purpose of setting rates in 2025. The Panel acknowledges that Nelson Hydro has reduced the cost burden for Rural ratepayers wherever possible and the result is that the 2025 O&M forecast represents a 1.8 percent increase over the prior year, which is below inflation.

Regarding the 5.65 percent general rate increase for FBC approved by the BCUC, we note that Nelson Hydro filed the Application in October 2024, when the general rate change for FBC had not yet been approved. We recognize that the timing of Nelson Hydro’s and FBC’s rate applications may not align and thus, Nelson Hydro made certain assumptions regarding power purchases. For this proceeding, the difference in power purchases cost escalation to account for FBC’s general rate increase is insignificant and will be adjusted in the Flow-Through Variance Deferral Account. We are satisfied that no adjustment is required for this difference.

2.2.1 Vegetation Management

Nelson Hydro’s revenue requirements include costs for vegetation management as part of providing safe and reliable service to customers. Nelson Hydro submits that it has improved service reliability, and there has been a significant decline in customer outage minutes due to tree and wind since 2021.⁵² Given recent wildfires, Nelson Hydro has updated its Five-Year Vegetation Management Plan to indicate that it will completely remove vegetation where possible within its statutory right of way.⁵³

Nelson Hydro notes that it overspent on vegetation management in 2024, which was budgeted at \$678,000 for the whole utility (i.e. Rural and Urban). The Rural vegetation management expenses are projected to end 2024 at \$813,000⁵⁴ compared to \$507,000 budgeted, due to vegetation growing back more quickly than anticipated in areas previously treated.⁵⁵ Nelson Hydro has therefore updated the five-year budget for the whole utility to \$845,000 for 2025, roughly the same level as 2022 and 2023 actuals, with approximately \$664,000 going towards the Rural⁵⁶ area to reflect ongoing investments in this program at a higher sustainment level.⁵⁷

Nelson Hydro submits that its 2025 vegetation management budget continues to align with its Five-Year Vegetation Management Plan and that it will revisit this plan annually to ensure its effectiveness.⁵⁸

Panel Determination

The Panel finds the forecast cost of \$664,000 for Rural vegetation management reasonable for the 2025 Test Year. Although this cost category has increased by 23 percent⁵⁹ over the prior year’s forecast, the Panel notes that the 2025 forecast is in line with 2022 and 2023 actual costs and with Nelson Hydro’s updated Five-Year

⁵² Exhibit B-1, pp. 4-19 and 4-20; Nelson Hydro Final Argument, p. 2-4.

⁵³ Exhibit B-6, BCUC IR 3.4.1.1.

⁵⁴ Exhibit B-1, p. 4-21. The total forecast for Rural and Urban is \$898,000.

⁵⁵ Exhibit B-6, BCUC IR 3.1.1 and 3.6; Exhibit B-1, p. 5-26.

⁵⁶ Nelson Hydro explains on p. 5-29 of Exhibit B-1 that the total Rural vegetation management budget of \$664,250 includes direct and allocated expenses. Expenses categorized to “Distribution” are direct expenses. Allocated expense is the Rural portion of vegetation management expense for transmission lines (\$38,000 of the total \$87,000).

⁵⁷ Exhibit B-1, p. 4-21; Exhibit B-6, BCUC IR 3.4.1.1 and 3.7.1.

⁵⁸ Exhibit B-6, BCUC IR 3.7.1; Nelson Hydro Final Argument, p. 2-4.

⁵⁹ Exhibit B-1, p. 5-29; BCUC staff calculate that the total increase is 30.5 percent when including the Rural share of vegetation management on transmission lines scheduled for 2025. Transmission (Common) incurred no costs in 2024 (see table in BCUC IR 3.7.1).

Vegetation Management Plan. The Panel also acknowledges that Nelson Hydro has added plans to mitigate wildfire risk. As adequate vegetation management has been a critical factor in ensuring Nelson Hydro can deliver safe reliable service to its Rural customers, **the Panel directs that Nelson Hydro discuss the effectiveness of recent changes to its vegetation management plan and approach, along with the need for further changes in vegetation management practices in its next RRA.**

2.3 Capital Projects

Nelson Hydro submits that its 2025 capital budget funds programs that allow it to effectively manage, maintain and invest in its assets to ensure that it can continue providing safe and reliable service.⁶⁰

Capital asset additions are added to rate base and earn an allowed return while in rate base. These additions are then amortized over time, where the amortization costs form part of Nelson Hydro's revenue requirement. For 2025, the total amortization cost amounts to \$982,000, as shown in Table 1 in Section 2.0 and Table 2 in Section 2.2 above.

Table 3 below summarizes Nelson Hydro's proposed capital additions for 2025 with an additional column showing a \$525,000 adjustment for the Mill St. Substation Upgrade project in the Common category for Substations, bringing Nelson Hydro's total Common capital additions (adjusted) to \$2.64 million.⁶¹ This additional \$525,000 is to account for a revised project cost estimate for the Mill St. Substation Upgrade project, which Nelson Hydro had substantially completed and added to rate base in 2024. This addition is further discussed in Section 2.3.1 below.

Table 32: Capital Additions (2025) (\$000)⁶²

	Urban	Common	Common (Adjusted)	Rural
Transmission Poles	\$0	\$350	\$350	\$0
Primary Poles	\$0	\$0	\$0	\$816
Polemount Transformers	\$(42)	\$0	\$0	\$15
Generating Stations	\$0	\$1,105	\$1,105	\$0
Substations	\$0	\$115	\$640*	\$0
Hydro Meters	\$259	\$0	\$0	\$180
Hydro Miscellaneous	\$0	\$545	\$545	\$235
Totals	\$217	\$2,115	\$2,640	\$1,246

**Includes \$525k for the Mill St. Substation Upgrade project*

Nelson Hydro also plans to begin its Advanced Metering Infrastructure (AMI) major project in 2025 to replace its aging Advanced Meter Reading (AMR) meters with new AMI meters. The AMI project is projected to cost \$7.5 million, with an in-service year of 2029.⁶³ As part of its proposed 2025 Hydro Miscellaneous capital additions,

⁶⁰ Exhibit B-1, p. 5-32.

⁶¹ 2025 Substation Common Opening Balance (approximately \$9.13 million) (as confirmed in Exhibit B-8, Panel IR 1.2) minus 2024 RRA Substation Common Closing Balance (approximately \$8.61 million) (as confirmed in the 2024 RRA, Exhibit B-3, Updated Appendix 7-1, "Capital" Tab) = approximately \$525,000.

⁶² Exhibit B-1, Appendix 7-1, "Capital" Tab. Table adjusted by BCUC staff to incorporate capital additions for the Mill St. Substation Upgrade project amounting to \$525,000.

⁶³ Exhibit B-8, Panel IR 2.1; Exhibit B-1, p. 5-35.

Nelson Hydro is seeking BCUC approval to add project scoping costs of \$200,000 for the AMI project.⁶⁴ The treatment of the project scoping costs is discussed in Section 2.3.2 below.

2.3.1 Mill St. Substation Upgrade Project

Nelson Hydro is seeking BCUC approval for additions of approximately \$525,000 to its Substation Common capital balance for the Mill St. Substation Upgrade project. In the 2024 Decision, the BCUC found the capital additions for the Mill St. Substation Upgrade project to be reasonable, following the failure of the Mill St. Substation T41 transformer.⁶⁵ Nelson Hydro estimated at the time that the total cost of the project would be \$8.3 million, minus an expected \$2.6 million insurance claim recovery, yielding a net project cost of \$5.7 million.⁶⁶

Nelson Hydro states that it now projects that the Mill St. Substation Upgrade project will have a higher total cost of \$9.25 million, and submits that this budget overage, which is driven by both increases in the scale and scope of the project and the current economic conditions, remains within an acceptable range.⁶⁷ In addition, Nelson Hydro states that the insurer determined only \$1.7 million was recoverable, creating a \$900,000 shortfall in expected insurance claim recovery.⁶⁸ Finally, Nelson Hydro states that it has recorded approximately \$700,000 in related asset disposals.⁶⁹ These updates result in a revised net project cost of approximately \$7.55 million⁷⁰ and net capital additions of approximately \$6.85 million,⁷¹ when considering the recorded asset disposals.

As a result of the revised net project cost, Nelson Hydro adjusted its 2025 Substations Common capital rate base opening balance by \$525,000 from its 2024 RRA closing balance. This adjustment brings the total Mill St. Substation Upgrade project costs that have been added into rate base to \$6.473 million out of the projected \$7.55 million net project cost. Nelson Hydro states that it will reconcile the final 2024 Mill St. capital additions once the City's 2024 financial statements have been audited. Nelson Hydro expects to provide a final update to the Mill St. Substation Upgrade project capital additions in rate base as part of its 2026 RRA and that this update will capture the final anticipated net project cost of \$7.55 million and net capital additions of \$6.85 million.⁷²

Panel Determination

The Panel finds the additions of \$525,000 to Nelson Hydro's Substation (Common) capital balances reasonable. We acknowledge that Nelson Hydro might file an incremental adjustment for the Substation (Common) capital balances in a future revenue requirement application, after the City's 2024 financial statements are audited.

⁶⁴ Exhibit B-6, BCUC IR 9.3.1.

⁶⁵ 2024 Decision, pp. 8–9.

⁶⁶ 2024 Decision, pp. 9–10.

⁶⁷ Exhibit B-6, BCUC IR 8.1.

⁶⁸ \$900,000 shortfall = \$2.6 million (2024 projected insurance claim recovery) minus \$1.7 million (actual insurance recovery, confirmed in Exhibit B-1, p. 5-32).

⁶⁹ Exhibit B-8, Panel IR 1.2.

⁷⁰ Exhibit B-8, Panel IR 1.2. Amount calculated by BCUC staff as \$9.25 million (updated project total cost) minus updated insurance claim (\$1.7 million) = \$7.55 million.

⁷¹ \$7.55 million (anticipated net final cost for the project as confirmed in Exhibit B-8, Panel IR 1.2.2) minus approximately \$700,000 (Capital Disposals for the project as confirmed in Exhibit B-8, Panel IR 1.2) = approximately \$6.85 million.

⁷² Exhibit B-8, Panel IR 1.2.2.

The Panel considers that the updated project cost of \$9.25 million, from the previous estimate of \$8.3 million, is reasonable. Nelson Hydro identified additional costs for the project during spring of 2025. We are satisfied that Nelson Hydro has provided sufficient justification for these increased costs, which are largely due to current economic conditions. Further, we also consider the updated net project cost to be reasonable.

2.3.2 Advanced Metering Infrastructure Project

Nelson Hydro states that the AMI project is one of the major projects it has planned for 2025 to 2029. This project has a Class 4 capital cost estimate of \$7.5 million.⁷³ Nelson Hydro has included \$200,000 in capital additions for the AMI project scoping costs in its 'Hydro Miscellaneous' capital additions and explains that scoping costs consist of activities such as Project Plan Development, Procurement Process, and Vendor Engineering & Design.⁷⁴

The AMI project consists of the conversion of Nelson Hydro's aging AMR meters to AMI smart meters which, as Nelson Hydro states, will allow it to keep up with the level of service and reliability provided by other utilities.⁷⁵ Nelson Hydro acknowledges that a pre-feasibility study it commissioned in 2023 recommended further planning and the development of a procurement process to define the scope, costs and benefits of the AMI project prior to the project's advancement.⁷⁶

In the decision regarding Nelson Hydro's 2023 RRA (2023 Decision), the BCUC commented on the AMI project as follows:⁷⁷

[...] the BCUC has yet to determine whether the [AMI] project is in the public interest. Based on the information provided, however, including that an external consultant concluded the direct benefits of converting from AMR technology to AMI do not support the investment, and that throughout 2022 Nelson Hydro read a total of 18 Rural commercial and residential meters, we question whether the \$9 million price tag is a prudent investment. We expect Nelson Hydro to apply for a CPCN [Certificate of Public Convenience and Necessity] if it decides to pursue this project for its Rural customers.

Nelson Hydro states that it now has new information regarding the AMI project that could address the BCUC's concerns in the 2023 Decision, including the fact that the initial forecast project cost of \$9 million is now \$7.5 million as a result of further engineering, scope definition and cost estimating efforts. Nelson Hydro also notes that the pre-feasibility study did not factor in the avoided capital cost of replacing the aging AMR meters with AMI meters.⁷⁸

Nelson Hydro clarifies why it seeks to add scoping costs to rate base in 2025, whereas its previous practice was to record such costs in Work-In-Progress (WIP) accounts that would be added to rate base only when the asset is commissioned for use.⁷⁹ Nelson Hydro explains the change in practice as follows:⁸⁰

⁷³ Exhibit B-1, p. 5-35, Table 7: Major Project Forecast.

⁷⁴ Exhibit B-6, BCUC IR 9.3 and 9.3.1; Exhibit B-8, Panel IR 2.3.

⁷⁵ 2023 RRA, Exhibit B-5, BCUC IR 12.2.1.

⁷⁶ Nelson Hydro 2023 RRA, Decision and Order G-330-23 dated December 5, 2023 (2023 Decision), pp. 29–30.

⁷⁷ 2023 Decision, p. 32.

⁷⁸ Exhibit B-8, Panel IR 2.1.

⁷⁹ 2023 RRA, Exhibit B-5, BCUC IR 15.4.

⁸⁰ Exhibit B-8, BCUC IR 2.2.

Large capital projects often span several years. During this time, the City provides financial resources for the utility's assets while they are considered WIP. Consequently, the City is entitled to a return on the financial resources used to fund the project, just as if the asset were complete and in use. Regardless of the asset's state of construction or progress, it remains an asset on the City's balance sheet and should be included in the rate-base as such.

Nelson Hydro also states that it requires City approval prior to filing a CPCN application with the BCUC. If the City approves a CPCN submission for the AMI project, then Nelson Hydro expects it would submit a CPCN application in November 2025.⁸¹

Nelson Hydro states that it did not consider the creation of a new deferral account to capture AMI project costs because it aims to minimize administrative complexities and avoid unnecessary burden on its ratepayers.⁸²

⁸¹ Exhibit B-6, BCUC IR 9.1.

⁸² Exhibit B-8, Panel IR 2.3.

Panel Determination

The Panel denies Nelson Hydro's addition of \$200,000 in AMI project scoping costs to rate base and directs Nelson Hydro to remove the corresponding \$200,000 from its rate base. The Panel directs Nelson Hydro to record the \$200,000 AMI project scoping costs in a WIP account, attracting an Allowance for Funds Used During Construction (AFUDC) at Nelson Hydro's WACC.⁸³ The Panel considers that AMI project scoping costs should not form part of rate base because the capital assets associated with the AMI project are not yet in service. The Panel notes Nelson Hydro's submission that the City has not confirmed that the AMI project will even proceed.

Consistent with previous RRAs, the Panel makes no determination regarding the AMI project. We acknowledge that Nelson Hydro has provided new information, including that the cost estimate has been reduced to \$7.5 million from \$9 million and that the pre-feasibility study did not factor in the avoided capital cost of replacing the aging AMR meters with AMI meters. However, the BCUC has yet to review evidence that the benefits of the project support the investment.

Until the BCUC either issues a CPCN finding the project to be in the public interest or accepts an expenditure schedule under section 44.2 of the UCA, the Panel considers that Nelson Hydro's shareholder, not Rural ratepayers, are ultimately responsible for the financial risks of the project.

Furthermore, by allowing the AMI project scoping costs into rate base, Rural customers would immediately be paying Nelson Hydro an allowed return through rates. We find that such compensation to Nelson Hydro would be premature when the AMI project still has many unknowns.

On a related note, the Panel is concerned that Nelson Hydro's new approach of adding WIP capital items to rate base before the asset is commissioned for use means that other WIP capital items may have entered rate base without the BCUC's approval. Therefore, the Panel considers that a review of Nelson Hydro's treatment of all WIP capital items is warranted and that more information on these items is required to ensure appropriate cost recovery from Rural ratepayers.

The Panel directs Nelson Hydro to provide a breakdown of any WIP capital items that it has added to rate base in 2025, as part of the compliance filing due on September 18, 2025, and to remove these WIP capital items from its 2025 rate base.

While large capital projects are under construction, the financial resources used to fund such projects normally accrue some form of interest. However, it is only once a project is substantially complete, in service and deemed used and useful, that the accrued interest and project costs incurred to fund the project can then be added to rate base. Therefore, the Panel finds that any WIP capital items must be excluded from rate base in 2025.

Instead, Nelson Hydro could apply AFUDC to its capitalized WIP items, which would be consistent with the regulatory treatment of other public utilities and would allow Nelson Hydro to accrue a return. In addition, the Panel considers that using WACC for AFUDC is consistent with the carrying costs used in other Nelson Hydro regulatory accounts, including the Battery Energy System Storage (BESS) Project Deferral Account approved in

⁸³ Also see the WACC calculation in the Panel determination of Section 2.4 of this decision.

Section 3.1. When a project is complete and deemed used and useful, Nelson Hydro can then seek approval to transfer WIP capital items along with AFUDC to its rate base. On the other hand, if Nelson Hydro decides to cancel a project, then it could seek recovery of the relevant WIP amounts along with AFUDC in a future application with justification. Nelson Hydro could also seek approval to establish a deferral account if it considers that rate smoothing is necessary.

2.4 New Allowed Return

In the GCOC Stage 2 Decision, the BCUC set Nelson Hydro's new allowed ROE at a 75 bps premium over the Benchmark Utility, which results in a 10.40 percent allowed ROE.⁸⁴ The BCUC also determined a 50 percent deemed equity component, which remains the same as previously approved in the COSA Decision.

As the GCOC Stage 2 Decision had not yet been issued when Nelson Hydro filed its Application in October 2024, Nelson Hydro applied the allowed ROE of 9.25 percent as well as debt rates that the BCUC approved in the COSA Decision and in previous revenue requirements. In January 2025, Nelson Hydro filed an Evidentiary Update⁸⁵ to incorporate the cost of capital adjustments from the GCOC Stage 2 Decision and to calculate the corresponding impact on its revenue requirement for 2024 and 2025. Nelson Hydro also proposes an amortization period for the GCOC Variance Deferral Account as directed in the GCOC Stage 2 Decision. Nelson Hydro seeks the below approvals with respect to its new allowed return.

Allowed ROE

Nelson Hydro uses an ROE of 14.25 percent (before-tax ROE) to its deemed equity component (50 percent of its rate base) in its Evidentiary Update to implement the allowed ROE of 10.40 percent that was determined in the GCOC Stage 2 Decision.

Nelson Hydro explains that it calculated the 14.25 percent ROE by grossing up the 10.40 percent allowed ROE from the GCOC Stage 2 Decision using a deemed tax rate of 27 percent, resulting in a before-tax ROE of 14.25 percent.⁸⁶ In the GCOC Stage 2 Decision, the BCUC stated that "Nelson Hydro will adopt the 75 bps ROE premium on an after-tax basis like all other Stage 2 utilities".⁸⁷ Nelson Hydro submits that "consistent with other Stage 2 utilities", however, the after-tax ROE is not used to set the required revenues from rates and must be increased to achieve the before-tax ROE "for the purpose of determining the Revenue Required from Rates".⁸⁸

Nelson Hydro states that should an allowed ROE of 10.40 percent be applied to its deemed equity, it would be heavily constrained for cash after considering its forecast operating costs, capital spending and cost of debt.⁸⁹

Deemed Debt Interest Rate

⁸⁴ GCOC Stage 2 Decision, p. 78.

⁸⁵ Exhibit B-5.

⁸⁶ Exhibit B-5, PDF page 3: 10.40 percent / (1-27 percent) = 14.25 percent.

⁸⁷ GCOC Stage 2 Decision, p. 77.

⁸⁸ Exhibit B-6, BCUC IR 17.1.

⁸⁹ Exhibit B-6, BCUC IR 17.1.

Nelson Hydro seeks approval to apply a deemed debt interest rate of 6.68 percent for 2024 and 6.63 percent for 2025, which has been calculated in accordance with the methodology established in the GCOC Stage 2 Decision with one modification. Nelson Hydro also submits that the Municipal Finance Authority (MFA) interest rate is no longer a valid proxy for its deemed debt interest rate, as discussed below.

In the GCOC Stage 2 Decision, the BCUC established a methodology to determine the deemed interest rate for Stage 2 utilities and stated that small utilities that would apply this deemed interest methodology would receive a borrowing cost consistent with a non-investment grade entity.⁹⁰ Nelson Hydro submits that it has applied the BCUC’s direction in the GCOC Stage 2 Decision with respect to its deemed debt interest rate,⁹¹ except with respect to corporate credit spreads on Government of Canada 10-year bonds for BBB (low) rated Canadian utilities, which Nelson Hydro states, lack sufficient data points due to limited number of transactions. Instead, Nelson Hydro has applied a BBB credit spread index (BVCSCM10 BVLI Index). This results in a deemed interest rate on both Nelson Hydro’s existing and deemed debt of 6.68 percent for 2024 and 6.63 percent for 2025.⁹²

The following table provides a summary of Nelson Hydro’s debt interest rates for 2024 and 2025, before and after application of the methodology established in the GCOC Stage 2 Decision:

Table 4: Debt Interest Rates for 2024 and 2025⁹³

Particulars	2024 RRA Decision	2024 NH Proposed Rate per GCOC Stage 2 Methodology	2025 RRA	2025 NH Proposed Rate per GCOC Stage 2 Methodology
Existing Debt	3.67%	6.68%	3.33%	6.63%
Deemed Debt	4.94% (MFA Rate)		4.37% (MFA Rate)	

For the above Table 4, ‘Existing Debt’ refers to the debt that actually exists within Nelson Hydro’s capital structure, while ‘Deemed Debt’ refers to the remaining portion of the debt component amounting to 50 percent of Nelson Hydro’s rate base, as per the deemed capital structure set out in the GCOC Stage 2 Decision.

Nelson Hydro submits that the MFA interest rate approved in the 2023 Decision⁹⁴ and also applied in the 2024 RRA (as reflected in the above table) is no longer a valid proxy for its deemed debt interest rate. Nelson Hydro refers to the MFA evidence provided in the GCOC Stage 2 proceeding, which stated that applying the MFA rate as a proxy for the deemed debt interest rate for the Rural service area may result in the City “effectively providing a subsidy to non-residents of the City”. On this basis, Nelson Hydro submits that it does not have access to third-party debt and as a small utility, it would be unlikely to qualify for an investment grade credit

⁹⁰ GCOC Stage 2 Decision, pp. 86–87.

⁹¹ GCOC Stage 2 Decision, p. 86: The BCUC determined that the deemed interest methodology should be based on the sum of: a) Government of Canada 10-year bond yields based on the average of trailing 12 months; b) Corporate credit spreads on Government of Canada 10-year bonds for BBB and BBB (low) rated utilities based on trailing 12 months; c) Non-investment grade lending premium of 92 bps; and d) Deemed issuance fee of 50 bps.

⁹² Exhibit B-5, PDF pages 2–5; Exhibit B-9, Panel IR 1.1.

⁹³ Ibid. Table created by BCUC staff.

⁹⁴ 2023 Decision, p. 14.

rating.⁹⁵ Therefore, the deemed debt interest rate methodology from the GCOC Stage 2 Decision should apply to it.

Nelson Hydro confirms that it will continue to apply the deemed interest methodology discussed above in future RRA's, even if the debt rate under this methodology yields a rate that is below the MFA rate.⁹⁶

Based on the ROE and deemed debt interest rates proposed by Nelson Hydro, it calculates the WACC at 10.46 percent for 2024 and 10.44 percent for 2025.⁹⁷

GCOC Variance Deferral Account Additions and Amortization Period

As noted in Section 1.3 above, in the GCOC Stage 2 Decision, the BCUC directed Nelson Hydro to establish the GCOC Variance Deferral Account to record the variance between the previous interim 2024 rates and the rates that would reflect the new cost of capital, effective January 1, 2024.

Based on the adjustments made by Nelson Hydro for the 14.25 percent allowed ROE and the deemed debt interest rate methodology as modified, Nelson Hydro calculates that the additional recovery from Rural ratepayers amounts to approximately \$916,000 in 2024 and \$1.083 million in 2025.⁹⁸ Nelson Hydro seeks approval to recover the GCOC Variance Deferral Account balance by implementing a mid-year rate increase on July 1, 2025 of 4.54 percent over the 2025 interim rate increase and collecting the balance on a straight-line basis over 5.5 years.⁹⁹ Nelson Hydro submits that this option strikes the best balance in terms of allowing it to recover the balance of the GCOC Variance Deferral Account in a timely manner while not creating undue rate pressure for ratepayers.¹⁰⁰

In response to an information request, Nelson Hydro recalculated additions to the GCOC Variance Deferral Account using Nelson Hydro's proposed deemed debt methodology in the Evidentiary Update and an allowed ROE of 10.40 percent without any adjustments for income taxes amounting to \$410,000 in 2024 and \$520,000 in 2025.¹⁰¹

Based on the cost of capital discussion above, the Panel addresses the following issues:

1. How should Nelson Hydro incorporate the new cost of capital modifications from the GCOC Stage 2 Decision? Specifically, how should Nelson Hydro calculate the additional recovery from Rural ratepayers with respect to the (i) allowed ROE and (ii) deemed debt interest rate?
2. Once the additional recovery amount is determined, over what period should this amount be recovered from Rural ratepayers and when should such recovery start?

Panel Determination

⁹⁵ Exhibit B-6, BCUC IR 15.1.

⁹⁶ Exhibit B-6, BCUC IR 15.3.

⁹⁷ Exhibit B-5, PDF page 5.

⁹⁸ Exhibit B-5, PDF pages 3–4.

⁹⁹ Exhibit B-5, PDF pages 6–7.

¹⁰⁰ Exhibit B-5, PDF pages 6–8.

¹⁰¹ Exhibit B-8, BCUC IR 17.2, Exhibit B-9, Panel IR 1.1.1.

In this determination, the Panel addresses the two components of Nelson Hydro's new allowed return - the ROE and the deemed debt interest rate. The Panel also addresses the amortization period for the recovery of the GCOC Variance Deferral Account balance and when this recovery should start.

ROE

The Panel confirms Nelson Hydro's allowed ROE at 10.40 percent with no adjustment for income taxes, in accordance with the GCOC Stage 2 Decision.

The Panel notes that in the COSA Decision, the BCUC found that Nelson Hydro's proposal of incorporating a 'before-tax' ROE would yield unjust and unreasonable rates.¹⁰² An allowed ROE of 14.25 percent is significantly higher than the 10.40 percent allowed ROE granted to all Stage 2 utilities, and therefore, in alignment with the BCUC's previous conclusion, the Panel finds that grossing up Nelson Hydro's ROE for income taxes would yield unjust and unreasonable rates.

Moreover, in the GCOC Stage 2 Decision, the BCUC clarified that "Nelson Hydro will adopt the 75 bps ROE premium on an after-tax basis like all other Stage 2 utilities". Nelson Hydro submits that it has correctly applied the GCOC Stage 2 Decision in its rates like all other Stage 2 utilities. We disagree. In accordance with the GCOC Stage 2 Decision, other Stage 2 utilities such as Kyuquot Power Ltd.,¹⁰³ Corix Burnaby Mountain DE Limited Partnership¹⁰⁴ and River District Energy¹⁰⁵ have applied an ROE of 10.40 percent without adjusting for income taxes to calculate their GCOC variances. The Panel considers that Nelson Hydro's non-taxable status does not warrant an adjustment to the allowed ROE for rate-setting purposes because the 10.40 percent ROE approved for Nelson Hydro met the Fair Return Standard as per the GCOC Stage 2 Decision. Thus, the Panel finds that Nelson Hydro's approach of grossing up the allowed ROE to include the impact of income taxes is inconsistent with the BCUC's determination in the GCOC Stage 2 Decision.

In the GCOC Stage 2 Decision, the BCUC determined that "Nelson Hydro's overall business risk has not changed since its last cost of capital proceeding in 2022" and determined that Nelson Hydro's 75 bps ROE premium over the Benchmark Utility was commensurate with the risks faced by it when compared with the Benchmark Utility. Setting an allowed ROE of 14.25 percent for Nelson Hydro would result in an ROE premium that is significantly higher than other Stage 2 utilities, which would be inappropriate given the BCUC's finding in the GCOC Stage 2 Decision regarding Nelson Hydro's unchanged overall business risk.

Further, with respect to Nelson Hydro's submission that an allowed ROE of 10.40 percent will heavily constrain it for cash, it should be noted that under section 59(5)(b) of the UCA, a utility's rates must be sufficient to yield a fair and reasonable compensation for the service provided by the utility. As was discussed in the BCUC's Decision and Order G-311-23 in the Nelson Hydro Reconsideration and Variance of Order G-196-22 proceeding (COSA Reconsideration Decision), the utility must be given an opportunity to earn a fair and reasonable return, but there is no guarantee of earning such a return.¹⁰⁶ We echo the BCUC's comments in that decision that if the allowed return is set at a level that is commensurate with the risks faced by Nelson Hydro when compared with the Benchmark Utility, Nelson Hydro's shareholder is granted a fair and reasonable compensation in Rural rates.

¹⁰² Decision and Order G-196-22 dated July 19, 2022 (COSA Decision), p. 78.

¹⁰³ Kyuquot Power Ltd. Application for Electric Tariff Rate Schedules Amendment, Exhibit B-1, p. 3.

¹⁰⁴ Corix Burnaby Mountain DE Limited Partnership Compliance Filing for Orders G-321-24 and G-348-24.

¹⁰⁵ River District Energy Generic Cost of Capital Stage 2 Order G-321-24 application, p. 4.

¹⁰⁶ Decision and Order G-311-23 dated November 15, 2023 (COSA Reconsideration Decision), p. 27.

If Nelson Hydro is concerned that the utility is not generating enough revenue to cover its costs, then Nelson Hydro should adjust its revenue requirement forecasts.

Deemed Debt Interest Rate

The Panel approves Nelson Hydro's proposed deemed interest rate methodology, resulting in a deemed interest rate of 6.68 percent for 2024 and 6.63 percent for 2025. We are satisfied that Nelson Hydro has appropriately applied the deemed interest rate methodology set out in the GCOC Stage 2 Decision for utilities that do not have any third-party debt or observable debt. Nelson Hydro's modification of that methodology – with respect to corporate credit spreads on Government of Canada 10-year bonds for BBB (low) rated Canadian utilities – is reasonable and was contemplated by the BCUC in the GCOC Stage 2 Decision.

Further, although Nelson Hydro does carry actual debt in its capital structure for its Rural operations (approx. 6.5 percent of capital structure in 2025), the Panel notes that MFA presented evidence in the GCOC Stage 2 proceeding as to why its rate is no longer a valid proxy for deemed debt. We acknowledge Nelson Hydro's confirmation that it will continue to apply the modified deemed interest rate methodology even if the rate falls below the MFA rate.

Based on the Panel's determinations for Nelson Hydro's allowed ROE and deemed debt interest rate above, Nelson Hydro is directed to record \$410,000 in 2024 and \$520,000 in 2025 in its GCOC Variance Deferral Account. For clarity, Nelson Hydro's WACC is calculated as 8.54 percent for 2024 and 8.52 percent for 2025.¹⁰⁷

Amortization Period

The Panel directs Nelson Hydro to recover the GCOC Variance Deferral Account balance starting on January 1, 2026, over a period of 36 months.

Nelson Hydro indicates its preference to recover the GCOC Variance Deferral Account balance starting in July 2025, resulting in a rate increase of 4.54 percent over the current interim rates in each year over 5.5 years. The same rate increase of 4.54 percent, when applied to the revised recovery amounts of \$410,000 in 2024 and \$520,000 in 2025 will result in a shorter recovery period since the approved recovery amounts are lower than the amounts that Nelson Hydro proposes, \$916,000 in 2024 and \$1.083 million in 2025. The Panel considers that the 4.54 percent rate impact is acceptable because it allows a timely recovery of the GCOC variance. Based on a 4.54 percent rate increase each year, the Panel estimates that it would take approximately 2.67 years, or about 32 months for Nelson Hydro to fully amortize the GCOC variance.

Regarding the commencement of the recovery period for the GCOC Variance Deferral Account, the Panel shares Nelson Hydro's preference to avoid mid-year rate increases, and therefore, the Panel considers that Nelson Hydro should begin recovering the GCOC Variance Deferral Account starting on January 1, 2026. For simplicity and further rate smoothing, the Panel considers that a 36-month amortization period is reasonable. The recovery of the GCOC Variance Deferral Account balance will thus increase Rural rates each year by approximately 4.54 percent, until the end of 2028.

¹⁰⁷ Revised weighted average cost of capital for 2024 and 2025 is calculated as: (6.68 percent * 50 percent) + (10.40 percent * 50 percent) = 8.54 percent and (6.63 percent * 50 percent) + (10.40 percent * 50 percent) = 8.52 percent.

2.5 Overall Panel Determination on 2025 Rates

The Panel approves Nelson Hydro to increase its Rural rates by 7.54 percent as adjusted in accordance with the directives and determinations outlined in this decision, on a permanent basis, effective January 1, 2025. The Panel also directs Nelson Hydro to recalculate its 2025 revenue requirement and rates in accordance with the directives and determinations outlined in this decision in a compliance filing and to file updated tariff pages reflecting permanent 2025 rates for Nelson Hydro Rural customer classes by September 18, 2025. Nelson Hydro is directed to record the difference between the revenue that would have been collected based on the permanent rate approved in this decision and the revenue collected in accordance with the interim rate approved by Order G-300-24 in the Revenue Variance Deferral Account. Further, Nelson Hydro is directed to begin recovery of the GCOC Variance Deferral Account balance starting on January 1, 2026, as directed in Section 2.4.

3.0 Other Matters

3.1 Battery Energy Storage System Project Deferral Account

Nelson Hydro is seeking BCUC approval to establish a Battery Energy Storage System (BESS) Project Deferral account to expense the Rural portion of the costs spent on the BESS Project, amounting to \$49,000. The City discontinued the BESS Project due to escalating project costs and therefore Nelson Hydro did not capitalize the costs.¹⁰⁸ In 2022 Nelson Hydro completed a Peak Load Management Study, which recommended battery storage as one option to reduce Nelson Hydro's load during peak usage and thus reduce FBC demand charges. In response to this recommendation, Nelson Hydro initiated the BESS Project.¹⁰⁹

Nelson Hydro submits that since it incurred the expenses for the BESS Project over a three-year period, a three-year amortization period is appropriate for the BESS Deferral Account, starting on January 1, 2026, to be carried at its WACC.¹¹⁰

Panel Determination

The Panel finds that the costs Nelson Hydro spent on the BESS Project are reasonable, and the portion of these costs allocated to Rural ratepayers in the amount of \$49,000 can be recovered. The objective of the BESS project was to manage power purchase costs from FBC in order to minimize Nelson Hydro's overall revenue requirement. We note that Nelson Hydro commissioned a peak load management study which recommended the BESS project as a means to reduce Nelson Hydro's peak load and thus its demand charges and overall revenue requirement. Although the City cancelled the project, the Panel considers these costs were incurred in an effort to reduce costs for ratepayers. Therefore, **the Panel approves the BESS Deferral account with a three-year amortization period beginning January 1, 2026 and accruing interest at Nelson Hydro's WACC.**

¹⁰⁸ Exhibit B-5, PDF page 8.

¹⁰⁹ 2024 RRA, Exhibit B-1, p. 27.

¹¹⁰ Exhibit B-5, PDF page 8.

3.2 Future Rate Applications

In its 2024 Decision, the BCUC urged Nelson Hydro to explore alternatives to annual rate applications, including a multi-year rate application, automatic rate-setting based on a formulaic approach and a summary-based limited regulatory review process, similar to what Nelson Hydro followed before 2017.¹¹¹ The BCUC encouraged Nelson Hydro to consider the merits of each alternative for its future Rural rate applications.¹¹²

Nelson Hydro states that it decided not to file a multi-year revenue requirement for this Application due to the uncertainty around the outcome of the GCOC Stage 2 Decision and its impact on Nelson Hydro's cost of capital.¹¹³ Nelson Hydro confirms, however, that it is considering alternatives to filing annual rate applications for 2026 and beyond, now that the GCOC Stage 2 Decision has been issued. Nelson Hydro reiterates its preference for a limited regulatory review process due to its small size and limited resources. Nelson Hydro also explains that while filing a multi-year rate application may reduce regulatory burden, many variables would still need to be considered when forecasting revenues and expenses for multiple years.¹¹⁴

Panel Discussion

The Panel and Nelson Hydro clearly agree that Nelson Hydro, as a small utility with only a portion of its operations regulated by the BCUC, could reduce costs and improve efficiency by adopting a more efficient approach to rate-setting than annual rate applications. What form this alternative approach should take, however, is not as clear.

The Panel notes that Nelson Hydro examined the pros and cons of several alternatives to annual rate setting in the 2024 RRA,¹¹⁵ indicating its preference was a return to a form of the pre-2017 limited regulatory review process. Nelson Hydro reiterates its preference for the limited regulatory review process in this proceeding.

The Panel acknowledges that there are merits to the limited regulatory review process for future proceedings now that Nelson Hydro has an approved COSA to allocate costs transparently between Urban and Rural customers and approved regulatory deferral accounts to manage its uncontrollable costs, and now that the GCOC Stage 2 Decision has established its cost of capital. However, the Panel also notes that the pre-2017 limited regulatory review process was ultimately discontinued due in part to public concerns over rate increases, which led to the BCUC's observation in Nelson Hydro's 2017 Rate Application (2017 Decision) that there was a "desire for a more transparent review process allowing for greater public participation".¹¹⁶ The Panel notes that, based on the letters of comment filed in this proceeding, there continue to be public concerns over increased rates.

Regarding the alternative for Nelson Hydro to file a rate application for multiple forecast test years, the Panel notes that it has been six years since the BCUC commented in the 2019 Decision that ratepayers may benefit

¹¹¹ 2024 Decision, p. 18 – "Prior to 2017, Nelson Hydro submitted a short summary each year, indicating its City-approved, planned and high-level supporting information".

¹¹² 2024 Decision, pp. 17–18.

¹¹³ Exhibit B-1, p. 2-3.

¹¹⁴ Exhibit B-5, BCUC IR 18.1, 18.1.1.

¹¹⁵ 2024 Decision, pp. 17–18.

¹¹⁶ Reasons for Decision in Order G-119-17 dated August 8, 2017 (2017 Decision), p. 3.

from having rates set for multiple years, thus mitigating the regulatory burden of an annual proceeding. Since then, Nelson Hydro has filed one-year rate applications for various reasons. The Panel acknowledges Nelson Hydro's concerns regarding the challenges of forecasting rates for multiple years. However, as the BCUC noted in the 2024 Decision, a two-year test period could be a reasonable starting point to help mitigate forecast risks.¹¹⁷

Each alternative has its pros and cons and it is ultimately up to Nelson Hydro to propose the most suitable format for its future rate applications. The Panel strongly encourages Nelson Hydro to consider alternatives to annual rate applications for cost savings and regulatory efficiency.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of August 2025.

Electronically signed by Blair Lockhart

E. B. Lockhart
Panel Chair/Commissioner

Electronically signed by Elizabeth A. (Lisa) Brown

E. A. Brown
Commissioner

Electronically signed by Wendy Royle

W. E. Royle
Commissioner

¹¹⁷ 2024 Decision, p. 18.

Nelson Hydro
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LIST OF TERMS AND ACRONYMS

Acronym	Description
2017 Decision	Nelson Hydro 2017 Rate Application, Order G-119-17 with Reasons for Decision dated August 8, 2017
2023 Decision	Nelson Hydro 2023 RRA, Decision and Order G-330-23 dated December 5, 2023
2024 Decision	Order G-170-24 with accompanying decision dated June 21, 2024
AFUDC	Allowance for Funds Used During Construction
AMI	Advanced Metering Infrastructure
AMR	Advanced Meter Reading
Application	On October 31, 2024, Nelson Hydro filed an application with the BCUC seeking approval of, among other matters, a general annual rate increase of 7.54 percent for Nelson Hydro's non-municipal service area subject to any directives or determinations made in the decision for Stage 2 of the BCUC's Generic Cost of Capital proceeding, pursuant to sections 59 to 61 of the <i>Utilities Commission Act</i>
BCUC	British Columbia Utilities Commission
Benchmark Utility	FortisBC Energy Inc.
BESS	Battery Energy Storage System
BVCSCM10 BVLI Index	BBB credit spread index
Common	Assets or costs that cannot be allocated 100 percent to the Urban or Rural service areas and are broken out to all customers based on usage
COSA	Cost-of-Service Analysis
COSA Decision	Nelson Hydro Cost of Service Analysis and Rate Design, Decision and Order G-196-22 dated July 19, 2022
COSA proceeding	Nelson Hydro Cost of Service Analysis and Rate Design proceeding
COSA Reconsideration Decision	Nelson Hydro Application for Reconsideration and Variance of Order G-196-22, Decision and Order G-311-23 dated November 15, 2023
CPCN	Certificate of Public Convenience and Necessity
Evidentiary Update	On January 30, 2025, Nelson Hydro filed an evidentiary update to incorporate the BCUC's directives from the Nelson Hydro 2024 Revenue Requirements Application
FBC	FortisBC Inc.

GCOC	Generic Cost of Capital
GCOC Stage 2 Decision	Order G-321-24 with accompanying decision dated November 29, 2024
IR	Information Request
kWh	Kilowatt Hours
MFA	Municipal Finance Authority
O&M	Operations and Maintenance
ROE	Return on Equity
RRA	Revenue Requirements Application
Rural	Areas outside the City of Nelson's municipal boundaries
the City	City of Nelson
UCA	<i>Utilities Commission Act</i>
Urban	Areas within the City of Nelson's municipal boundaries
WACC	Weighted Average Cost of Capital
WIP	Work-In-Progress

Nelson Hydro
2025 Revenue Requirements

EXHIBIT LIST

Exhibit No.	Description
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COMMISSION DOCUMENTS

A-1	November 13, 2024 – Panel Appointment
A-2	November 15, 2024 – BCUC Order G-300-24 establishing a regulatory timetable
A-3	December 4, 2024 – BCUC request Nelson Hydro submissions on regulatory timetable
A-4	December 10, 2024 – BCUC Order G-328-24 amending the regulatory timetable
A-5	December 23, 2024 – BCUC request Nelson Hydro supplemental information on evidentiary update
A-6	February 14, 2025 – BCUC Information Request No. 1 to Nelson Hydro
A-7	March 20, 2025 – BCUC Order G-75-25 amending the regulatory timetable
A-8	March 20, 2025 – Panel Information Request No. 1 to Nelson Hydro
A-9	June 3, 2025 – BCUC Order G-134-25 amending the regulatory timetable
A-10	June 3, 2025 – Panel Information Request No. 2 to Nelson Hydro

APPLICANT DOCUMENTS

B-1	October 31, 2024 – NELSON HYDRO 2025 Revenue Requirements Application
B-2	December 3, 2024 – Nelson Hydro public notice in compliance with Order G-300-24 Directives
B-3	December 5, 2024 - Nelson Hydro submission on regulatory timetable
B-4	December 16, 2024 – Nelson Hydro submitting Public Notice in compliance with Order G-328-24 Directives
B-5	January 30, 2025 – Nelson Hydro submitting evidentiary update

Exhibit No.	Description
B-6	March 10, 2025 – Nelson Hydro submitting response to BCUC Information Request No. 1
B-7	March 19, 2025 – Nelson Hydro submitting Public Notice Confirmation in compliance with Order G-328-24
B-8	April 4, 2025 – Nelson Hydro submitting responses to BCUC IR No. 1 series 17 and Panel IR No. 1
B-9	June 9, 2025 – Nelson Hydro submitting response to Panel Information Request No. 2

LETTERS OF COMMENT

D-1	February 15, 2025 – REESE, T. (REESE) – Letter of Comment
D-2	March 1, 2025 – HAWE, A. (HAWE) – Letter of Comment
D-3	March 2, 2025 – URECH, J. (URECH) – Letter of Comment
D-4	March 7, 2025 – ZELIONKA, T. (ZELIONKA) – Letter of Comment
D-5	March 7, 2025 – BDBHA HERITAGE COMMITTEE (BDBHA) – Letter of Comment
D-6	March 26, 2025 – CRETELLI, R. M. (CRETELLI) – Letter of Comment

Nelson Hydro
2025 Revenue Requirements

SUMMARY OF DETERMINATIONS AND DIRECTIVES

This summary is provided for the convenience of readers. In the event of any difference between the determinations and directives in this summary and those in the body of the decision, the wording in the decision shall prevail.

Determination / Directive	Page
[The Panel] find[s] Nelson Hydro's 2025 Rural load forecast reasonable for the purpose of setting rates in 2025.	6
The Panel finds Nelson Hydro's overall O&M forecast for 2025 reasonable for the purpose of setting rates in 2025.	7
The Panel finds the forecast cost of \$664,000 for Rural vegetation management reasonable for the 2025 Test Year.	8
[T]he Panel directs that Nelson Hydro discuss the effectiveness of recent changes to its vegetation management plan and approach, along with the need for further changes in vegetation management practices in its next RRA.	8
The Panel finds the additions of \$525,000 to Nelson Hydro's Substation (Common) capital balances reasonable.	10
The Panel denies Nelson Hydro's addition of \$200,000 in AMI project scoping costs to rate base and directs Nelson Hydro to remove the corresponding \$200,000 from its rate base. The Panel directs Nelson Hydro to record the \$200,000 AMI project scoping costs in a WIP account, attracting an Allowance for Funds Used During Construction (AFUDC) at Nelson Hydro's WACC.	12
The Panel directs Nelson Hydro to provide a breakdown of any WIP capital items that it has added to rate base in 2025, as part of the compliance filing due on September 18, 2025, and to remove these WIP capital items from its 2025 rate base.	12
The Panel confirms Nelson Hydro's allowed ROE at 10.40 percent with no adjustment for income taxes, in accordance with the GCOC Stage 2 Decision.	16
The Panel approves Nelson Hydro's proposed deemed interest rate methodology, resulting in a deemed interest rate of 6.68 percent for 2024 and 6.63 percent for 2025.	17

Based on the Panel's determinations for Nelson Hydro's allowed ROE and deemed debt interest rate above, Nelson Hydro is directed to record \$410,000 in 2024 and \$520,000 in 2025 in its GCOC Variance Deferral Account.	17
The Panel directs Nelson Hydro to recover the GCOC Variance Deferral Account balance starting on January 1, 2026, over a period of 36 months.	17
The Panel approves Nelson Hydro to increase its Rural rates by 7.54 percent as adjusted in accordance with the directives and determinations outlined in this decision, on a permanent basis, effective January 1, 2025.	17
The Panel also directs Nelson Hydro to recalculate its 2025 revenue requirement and rates in accordance with the directives and determinations outlined in this decision in a compliance filing and to file updated tariff pages reflecting permanent 2025 rates for Nelson Hydro Rural customer classes by September 18, 2025. Nelson Hydro is directed to record the difference between the revenue that would have been collected based on the permanent rate approved in this decision and the revenue collected in accordance with the interim rate approved by Order G-300-24 in the Revenue Variance Deferral Account.	18
The Panel finds that the costs Nelson Hydro spent on the BESS Project are reasonable, and the portion of these costs allocated to Rural ratepayers in the amount of \$49,000 can be recovered.	18
[T]he Panel approves the BESS Deferral account with a three-year amortization period beginning January 1, 2026 and accruing interest at Nelson Hydro's WACC.	18