



**ORDER NUMBER
G-225-25**

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

and

Kyuquot Power Ltd.
2026 Revenue Requirements

BEFORE:

A. K. Fung, KC, Panel Chair
E. A. Brown, Commissioner

on September 16, 2025

ORDER

WHEREAS:

- A. On April 8, 2025, Kyuquot Power Ltd. (KPL) filed with the British Columbia Utilities Commission (BCUC) an application for approval to amend its electric tariff rate schedules and for other related rate matters (Application);
- B. KPL operates a 14.4 kilovolt single phase distribution line in the area extending from the British Columbia Hydro and Power Authority's (BC Hydro) electrical grid at Oclucje to Kyuquot, serving customers principally in and around Fair Harbour, Chamiss Bay and Kyuquot. Commercial and residential customers are served under tariff rate schedule (RS) 1101 and Ka:'yu:'k't'h' / Che:k'tles7et'h' First Nations are served under RS 1102;
- C. By Order C-6-24 dated December 20, 2024, the BCUC granted a Certificate of Public Convenience and Necessity (CPCN) to KPL for its Capacity Upgrade Project, which includes a two-phased approach (Phases One and Two) to increasing KPL's system demand capacity from 550 kilowatts (kW) to approximately 1123 kW through service upgrades at the point of interconnection between the KPL and BC Hydro systems;
- D. KPL requests BCUC approval of the following:
 - (i) An increase of \$0.30 per month from \$9.70 per month to \$10.00 per month to the Basic Charge under RS 1101 and 1102 effective on the date of the BCUC's final decision on the Application;
 - (ii) An increase of \$0.0296 per kilowatt hour (kWh) from \$0.4446 per kWh to \$0.4742 per kWh to the Energy Charge under RS 1101 effective on the date of the BCUC's final decision on the Application;
 - (iii) An increase of \$0.0417 per kWh from \$0.2646 per kWh to \$0.3063 per kWh to the Energy Charge under RS 1102 effective on the date of the BCUC's final decision on the Application;

- (iv) The establishment of a rate base regulatory asset category for the KPL's payment to BC Hydro for Phase One of the Capacity Upgrade Project (Capacity Upgrade Project Regulatory Account), with an asset value of \$136,237 at June 30, 2025 and an annual straight-line amortization rate of 7 percent;
 - (v) The establishment of a rate base regulatory asset category for legal costs incurred in the proceeding to review KPL's Resource Assessment Report (Resource Assessment Hearing), with an asset value of \$12,829 at June 30, 2025 and an annual straight-line amortization rate of 25 percent; and
 - (vi) The establishment of a rate base regulatory asset category for engineering costs incurred in the CPCN proceeding for the Capacity Upgrade Project (2024 CPCN Hearing), with an asset value of \$1,999 at June 30, 2025 and an annual straight-line amortization rate of 25 percent.
- E. The BCUC has reviewed the Application, evidence and arguments filed by parties 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. KPL is approved to charge the following on a permanent basis, effective on the date of this order:
 - a. A Basic Charge of \$10.00 per month for RS 1101 and 1102;
 - b. An RS 1101 Energy Charge of \$0.4729 per kWh; and
 - c. An RS 1102 Energy Charge of \$0.3052 per kWh.
2. KPL is approved to establish a rate base Capacity Upgrade Project Regulatory Account for charges of \$136,237 paid to BC Hydro for Phase One of the project, to be amortized at a rate of 7 percent per annum on a straight-line basis, subject to Directive 3 below.
3. KPL's request to recover any amortization of the Capacity Upgrade Project Regulatory Account from July 1, 2025 to June 30, 2026 (Test Year) is denied.
4. KPL is approved to establish a new rate base regulatory account for costs pertaining to the Resource Assessment Hearing, with an asset value of \$12,829 as at June 30, 2025, to be amortized at 25 percent per annum on a straight-line basis, commencing in the Test Year.
5. KPL is approved to establish a new rate base regulatory account for costs pertaining to the 2024 CPCN Hearing with an asset value of \$1,999 as at June 30, 2025, to be amortized at 25 percent per annum on a straight-line basis, commencing in the Test Year.
6. KPL is directed to indicate whether it will apply to the BCUC for approval to establish a deferral account to record all future regulatory costs related to BCUC proceedings, in a compliance filing by October 31, 2025.
7. Appendices G and H to the Application will be held confidential, unless otherwise directed by the BCUC.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of September 2025.

BY ORDER

Electronically signed by Anna Fung

A. K. Fung, KC
Commissioner

Kyuquot Power Ltd.
2026 Revenue Requirements

DECISION

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Executive Summary

On April 8, 2025, Kyuquot Power Ltd (KPL) filed its 2026 revenue requirements application with the British Columbia Utilities Commission (BCUC) for approval to amend its electric tariff (Tariff) rate schedules (RS) and other related rate matters (Application). KPL seeks BCUC approval of the following, effective on the date of the BCUC's final decision on the Application:

- An increase of approximately 3.0 percent or \$0.30 per month from \$9.70 per month to \$10.00 per month to the Basic Charge under RS 1101 and 1102;
- An increase of approximately 6.7 percent or \$0.0296 per kilowatt hour (kWh) from \$0.4446 per kWh to \$0.4742 per kWh to the Energy Charge under RS 1101; and
- An increase of approximately 15.8 percent or \$0.0417 per kWh from \$0.2646 per kWh to \$0.3063 per kWh to the Energy Charge under RS 1102.

KPL also seeks approval to establish several new regulatory asset categories for KPL's payment to British Columbia Hydro and Power Authority (BC Hydro) related to the Capacity Upgrade Project, legal costs incurred in the KPL Resource Assessment Report proceeding in 2024 (Resource Assessment Hearing), and engineering costs incurred in the Capacity Upgrade Project Certificate of Public Convenience and Necessity (CPCN) proceeding in 2024 (2024 CPCN Hearing).

KPL procures electricity from BC Hydro to serve the community of Kyuquot, British Columbia on the north-central coast of Vancouver Island. KPL holds a CPCN to operate a 14.4 kilovolt single phase distribution line extending from BC Hydro's electrical grid at Oclucje to Kyuquot. In December 2024, the BCUC granted a CPCN to KPL for its Capacity Upgrade Project, which includes a two-phase approach (Phases One and Two) to increase KPL's system demand capacity from 550 kilowatts (kW) to approximately 1123 kW.¹

KPL provides electricity service to approximately 43 customer accounts, the largest of which is that of the Ka:yu:'k't'h'/Che:k'tles7et'h' First Nations (KCFN). The remainder of KPL's customer accounts includes the Village of Hupsitas and others, primarily in Fair Harbour, Chamiss Bay and Kyuquot. KPL serves commercial and residential customers under RS 1101 and KCFN under RS 1102. The rate structure for both rate schedules consists of a Basic Charge per month and an Energy Charge per kWh. The difference between the RS 1101 and 1102 Energy Charges is based on the depreciating value of the Contribution in Aid of Construction from KCFN. KPL's 2026 revenue requirement reflects the total amount of revenue that must be collected through rates in order to recover its forecast costs of service and provide KPL an opportunity to earn a fair and reasonable return.

The Panel finds KPL's forecast Operations and Maintenance (O&M) expenses to be reasonable, including KPL's forecast Repairs and Maintenance expense as well as Vegetation Management expense. The Panel accepts the methodology used to forecast various components of KPL's O&M expenses.

The Panel approves KPL's request to establish a rate base Capacity Upgrade Project Regulatory Account for charges of \$136,237 paid to BC Hydro for Phase One of the project, with an amortization rate of 7 percent per annum on a straight-line basis. However, the Panel denies KPL's request to recover any amortization of the Capacity Upgrade Project Regulatory Account from July 1, 2025 to June 30, 2026 (Test Year). The Panel considers it premature for KPL to recover any amounts with respect to the amortization of the Capacity Upgrade Project in

¹ Order C-6-24 dated December 20, 2024

the Test Year as Phase One of the project is not yet in-service despite an expected in-service date of November 30, 2025.

The Panel also approves KPL's request to establish two new rate base regulatory accounts for costs pertaining to the Resource Assessment Hearing and the 2024 CPCN Hearing, to be amortized at 25 percent per annum on a straight-line basis, commencing in the Test Year. The Panel recognizes that these costs pertain to hearings that were completed in 2024 for which permanent rates for Fiscal 2025 have been set. Normally, the regulatory principle against retroactive ratemaking would mean that recovery for these costs would be disallowed. However, the Panel finds that an exception is warranted in the circumstances. To avoid the recurrence of the issue of retroactive ratemaking going forward, KPL is directed to indicate whether KPL will apply to the BCUC for approval to establish a deferral account to record all future regulatory costs related to BCUC proceedings, in a compliance filing by October 31, 2025.

The Panel accepts KPL's annual electricity sales revised forecast of 1,844,600 kWh for the purpose of calculating the 2026 Test Year revenue requirement. KPL's electricity sales forecast is sufficiently supported by KPL's analysis of historical energy sales and purchases, and includes adjustments for additional load from the Schools and Teacherages customer group and the Chamiss Bay customer.

Subject to the Panel's determinations in the decision, the Panel finds KPL's 2026 Test Year revenue requirement reasonable for setting KPL's rates. As a result, KPL is approved to charge the following on a permanent basis, effective on the date of this decision:

- A Basic Charge of \$10.00 per month for RS 1101 and 1102;
- An RS 1101 Energy Charge of \$0.4729 per kWh; and
- An RS 1102 Energy Charge of \$0.3052 per kWh.

KPL has not applied for any interim rates in this Application, and confirms that it will not implement any approved rate changes retroactively for the period from June 29, 2024 to the date of the decision.

1.0 Introduction and Background

On April 8, 2025, Kyuquot Power Ltd (KPL) filed its 2026 revenue requirements application (RRA) with the British Columbia Utilities Commission (BCUC) for approval to amend its electric tariff (Tariff) rate schedules (RS) and other related rate matters (Application or 2026 RRA).

KPL procures electricity from the British Columbia Hydro and Power Authority (BC Hydro) to serve the community of Kyuquot, British Columbia. KPL holds a Certificate of Public Convenience and Necessity (CPCN) to operate a 14.4 kilovolt single phase distribution line extending from the British Columbia Hydro and Power Authority's (BC Hydro) electrical grid at Oclucje to Kyuquot.² KPL provides electricity service to approximately 43 customer accounts, the largest of which is Ka:yu:'k't'h'/Che:k'tles7et'h' First Nations (KCFN). The remainder of KPL's customer accounts includes the Village of Houpsitas and others, primarily in Fair Harbour, Chamiss Bay and Kyuquot. KPL's service territory is a rugged and geographically isolated area on the north-central coast of Vancouver Island.

The BCUC initially approved KPL's Tariff, terms and conditions of service, and rates in 2006.³ On June 1, 2007, the BCUC approved KPL's application for a revision to RS 1101 serving all customers at that time and the creation of a new rate schedule for KCFN (RS 1102), subject to KPL receiving a Contribution in Aid of Construction (CIAC) from KCFN.⁴ The Energy Charge under RS 1102 is reduced to reflect KCFN's CIAC.⁵

1.1 Previous BCUC Decisions

On September 5, 2023, the BCUC established interim rates, effective January 1, 2024, on a refundable or recoverable basis, for utilities including KPL that use FortisBC Energy Inc. as the Benchmark Utility to set their capital structure and equity return, pending the BCUC's final decision in Stage 2 of the Generic Cost of Capital (GCOC) proceeding.⁶

On February 29, 2024, the BCUC issued its decision on KPL's 2024 RRA (2024 Decision).⁷ The BCUC in its 2024 Decision approved KPL's current Basic Charge of \$9.70 per month for both RS 1101 and 1102, and an Energy Charge of \$0.4349 per kilowatt hour (kWh) for RS 1101 and \$0.2549 kWh for RS 1102, effective on the date of that decision. These rates were set on an interim and refundable basis, pending the outcome of Stage 2 of the GCOC proceeding and were to be adjusted in accordance with the determinations and directives set out in the 2024 Decision.⁸

² Exhibit B-1, p. 7.

³ KPL Application for Approval of an Electric Tariff, Terms and Conditions of Service and Rates, Order G-11-06.

⁴ KPL Application for Approval of a Revision to Electric Tariff Rate Schedule 1101 and New Rate Schedule 1102, Order G-58-07.

⁵ KPL Application for Amendment to Revenue Requirements along with Certain Rate Matters, Order G-137-09, Recitals G to I.

⁶ Decision and Order G-236-23 dated September 5, 2023

⁷ Decision and Order G-53-24 dated February 29, 2024

⁸ Decision and Order G-53-24 dated February 29, 2024

On April 25, 2024, the BCUC approved KPL to charge an Energy Charge of \$0.4295 per kWh for RS 1101 and \$0.2495 per kWh for RS 1102, 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.⁹

On November 29, 2024, the BCUC issued its decision in the GCOC Stage 2 proceeding (GCOC Stage 2 Decision)¹⁰ and directed KPL to apply for approval of a revised deemed interest on notional debt and permanent rates. On January 27, 2025, the BCUC approved the interim rates that were in effect between January 1, 2024, and June 28, 2024, on a permanent basis. The BCUC further approved KPL to charge \$0.4446 per kWh for RS 1101 and \$0.2646 per kWh for RS 1102 Energy Charge, respectively, on a permanent basis, effective June 29, 2024. KPL was also approved to set its notional debt rate at 6.91 percent. Additionally, the BCUC approved KPL's recovery of the increase in its allowed return for the June 29, 2024 to February 28, 2025 period, as a result of the GCOC Stage 2 Decision.¹¹

On December 20, 2024, the BCUC granted a CPCN to KPL for its Capacity Upgrade Project, which includes a two-phased (Phases One and Two) approach to increasing KPL's system demand capacity from 550 kilowatts (kW) to approximately 1,123 kW through service upgrades at the point of interconnection (POI) between the KPL and the BC Hydro systems.¹² KPL expects Phase One of the project to be completed by November 30, 2025.¹³

1.2 Approvals Sought

The BCUC reviews rate applications under sections 59 to 61 of the *Utilities Commission Act* (UCA). Sections 59 to 60 of the UCA set out provisions related to the rates that may be charged by public utilities, including the requirement that rates must not be "unjust, unreasonable, unduly discriminatory or unduly preferential." Further, section 61 of the UCA states that a public utility must file with the BCUC "schedules showing all rates established by [the utility] and collected, charged or enforced or to be collected or enforced."

KPL seeks BCUC approval of the following:¹⁴

1. An increase of approximately 3.0 percent or \$0.30 per month from \$9.70 per month to \$10.00 per month to the Basic Charge under RS 1101 and 1102 effective as of the date of the decision;
2. An increase of approximately 6.7 percent or \$0.0296 per kWh from \$0.4446 per kWh to \$0.4742 per kWh to the Energy Charge under RS 1101 effective as of the date of the decision;¹⁵
3. An increase of approximately 15.8 percent or \$0.0417 per kWh from \$0.2646 per kWh to \$0.3063 per kWh to the Energy Charge under RS 1102 effective as of the date of the decision;¹⁶

⁹ Decision and Order G-121-24 dated April 25, 2024. On March 6, 2024, KPL submitted a revised tariff for RS 1101 and 1102 as part of a Compliance Filing, adjusted based on the BCUC's determinations and directives in the 2024 Decision:

https://docs.bcuc.com/documents/proceedings/2024/doc_76492_a2-1-bcuc-staff-submission-kpl-tariff.pdf

¹⁰ Decision and Order G-321-24 dated November 29, 2024 (GCOC Stage 2 Decision).

¹¹ In KPL's application to amend its electric tariff rate schedules to increase the Energy Charge for RS 1101 and 1102, KPL requested 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 and proposed to recover this amount commencing with the March 28, 2025 billing period over eight equal monthly payments. In Decision and Order G-16-25 dated January 27, 2025, the BCUC approved KPL's proposed mechanism for recovery of this amount.

¹² KPL Certificate of Public Convenience and Necessity for the Capacity Upgrade Project Proceeding, Decision and Order C-6-24 dated December 20, 2024 (CPCN Decision).

¹³ Exhibit B-4, BCUC IR 6.3.

¹⁴ Exhibit B-1, p. 5; KPL Final Argument, p. 2.

¹⁵ Refer to Section 3.2 of this decision for the approved Energy Charge for RS 1101.

¹⁶ Refer to Section 3.2 of this decision for the approved Energy Charge for RS 1102.

4. The establishment of a rate base regulatory asset category for KPL's payment to BC Hydro for Phase One of the Capacity Upgrade Project (Capacity Upgrade Project Regulatory Account), with an asset value of \$136,237 at June 30, 2025 and an annual straight-line amortization rate of 7 percent;
5. The establishment of a rate base regulatory asset category for the legal costs incurred in the proceeding to review KPL's Resource Assessment Report (Resource Assessment Hearing), with an asset value of \$12,829 at June 30, 2025 and an annual straight-line amortization rate of 25 percent; and
6. The establishment of a rate base regulatory asset category for the engineering costs incurred in the CPCN proceeding for the Capacity Upgrade Project (2024 CPCN Hearing), with an asset value of \$1,999 at June 30, 2025 and an annual straight-line amortization rate of 25 percent.

KPL also seeks approval to amend its electric tariff rate schedules effective on the date of the BCUC's decision.¹⁷ KPL has not applied for any interim rates in this Application, and confirms that it will not implement any approved rate changes retroactively for the period from June 29, 2024 to the date of the decision. In addition, KPL filed two appendices, G and H, to the Application in a confidential manner¹⁸, as discussed in Section 5.1 below.

1.3 Regulatory Process

On April 30, 2025, the BCUC established a regulatory timetable for the review of KPL's 2026 RRA.¹⁹ The regulatory timetable initially included public notice, one round of BCUC information requests (IR), intervener IRs, letters of comment, KPL and intervener final argument, and KPL reply argument. The BCUC later amended the regulatory timetable to allow for one round of Panel IRs.²⁰ The only registered intervener, KCFN, submitted IRs and a final argument. The BCUC did not receive any letters of comments during the proceeding.

2.0 2026 Revenue Requirement

KPL's 2026 revenue requirement reflects the total amount of revenue that must be collected through rates to recover its forecast costs of service and provide KPL an opportunity to earn a fair and reasonable return. KPL's fiscal (Fiscal) year runs from July 1 each year until June 30 the following year. Table 1 below sets out KPL's forecast revenue requirement from July 1, 2025 to June 30, 2026 (Test Year) compared to the Fiscal 2024 actuals and Fiscal 2025 forecast. Table 1 also shows the resulting revenue deficiency of \$72,983 in the Test Year, if there was no change to KPL's existing rates.

¹⁷ Exhibit B-1, p. 5.

¹⁸ Exhibits B-1-2 and B-1-3.

¹⁹ Order G-110-25.

²⁰ Order G-172-25.

Table 1: KPL Test Year Forecast Revenue Requirement and Revenue Deficiency²¹

Component	Year Ending June 30, 2024 Actual	Year Ending June 30, 2025 Forecast	Year Ending June 30, 2026 Test Year Forecast
Total Selling, General and Administration Expenses (A)	\$ 352,072	\$ 296,509	\$ 237,529
Distribution Plant (net of CIAC-KCFN)	\$ 29,713	\$ 30,666	\$ 31,716
Amortization of Long Term Maintenance Regulatory Account	\$ 19,854	\$ 25,348	\$ 28,148
Amortization of Deferred Depreciation Asset Regulatory Account	\$ 18,182	\$ 18,182	\$ 18,182
Amortization of Reliability Hearing Regulatory Account	\$ 9,280	\$ 18,561	\$ 18,561
Others (RRA Hearings, etc.)	\$ 8,436	\$ 12,201	\$ 14,598
Total Depreciation and Amortization (B)	\$ 85,465	\$ 104,958	\$ 111,205
BC Hydro Charges (C)	\$ 154,801	\$ 158,069	\$ 184,239
Allowed Return on Equity	\$ 51,948	\$ 79,234	\$ 81,492
Deemed Interest	\$ 41,012	\$ 52,645	\$ 54,145
Additional earned return/(Shareholder loss)	\$ (191,200)	\$ (141,949)	\$ -
Total Earned Return (D)	\$ (98,240)	\$ (10,071)	\$ 135,638
Total Cost of Service/Revenue Requirement (E = A+B+C+D)	\$ 494,098	\$ 549,465	\$ 668,611
Total Revenues at Existing Rates (incl. service fees, connection charges and other income) (F)	\$ 494,098	\$ 549,465	\$ 595,628
Revenue Deficiency (F - E)	\$ -	\$ -	\$ (72,983)

The ensuing sections review issues related to the following elements of KPL's Test Year forecast revenue requirement to assess its reasonableness and determine whether it reflects the total revenue that must be collected in rates to enable KPL to recover its forecast cost of service for the Test Year and provide it with an opportunity to earn its allowed return:

1. Operating and maintenance (O&M) expenses and their forecasting methodology, including those related to Repairs and Maintenance and Vegetation Management (Section 2.1);
2. Additions to rate base including those relating to the Capacity Upgrade Project and other requested regulatory asset categories (Section 2.2);
3. Depreciation and amortization charges (Section 2.3); and
4. Load forecast and BC Hydro charges (Section 2.4).

²¹ Table compiled by BCUC Staff based on values taken from Exhibit B-1, Appendix 1 and Exhibit B-6, Panel IRs 1.2, 1.2.1 and 1.3, as revised in accordance with the determinations in this decision (see Section 2.2.1 and Section 3.2). In this table, the Allowed Return on Equity and Deemed Interest has been calculated as KPL's adjusted mid-year rate base for each year multiplied by the deemed equity and deemed debt component in KPL's capital structure and the allowed return on equity (ROE) and interest rate percentages, respectively as determined by the BCUC in the GCOC Stage 2 Decision (pp. 79-80.).

2.1 O&M Expenses

General Forecast Methodology

KPL's O&M expenses for the Test Year amount to \$237,529, as shown in Table 1 above (i.e. 'Selling, General and Administration Expenses'). KPL states that the majority of these O&M expenses, except for Repairs and Maintenance and Vegetation Management as discussed below, are forecast based on the average of expenses for eight years from 2018 to 2025, and adjusted to include the accumulated Canada Consumer Price Index (CCPI) for the year of the incurred expense until December 31, 2024.²² This calculated average was then increased by the forecast annual inflation of 1.98 percent for the Test Year.²³ To eliminate anomalies, KPL, in some instances, varied the Test Year forecast expense from the forecast methodology by excluding the highest and lowest values and averaging the remaining six years.²⁴ KPL explains that this change in the forecast methodology should eliminate anomalous data.²⁵

Repairs and Maintenance

KPL's Repairs and Maintenance expense forecast for the Test Year amounts to \$71,375, as opposed to the average of actual Repairs and Maintenance expense over the last eight fiscal years, minus highest and lowest years, amounting to \$67,677. KPL explains that the latter value is lower when compared to the Test Year forecast which reflects higher third-party specialist inspection costs in recent years, that were incurred in accordance with the BCUC's decision in the proceeding to review the safety and reliability of the KPL system (Safety and Reliability Hearing).²⁶ KPL submits that as a result, its Test Year forecast is a better estimate as compared to the average of actual Repairs and Maintenance expense over the last eight fiscal years.²⁷

Vegetation Management

KPL states that a principal reason for the increase in the Test Year revenue requirement is higher overall Vegetation Management costs.²⁸ Vegetation Management expense for the Test Year is forecast at \$12,000.²⁹ KPL states that this amount is budgeted annually for clearing one-quarter of its powerline areas in a four-year rotation period,³⁰ for which KPL employs local contractors as part of its fall Vegetation Management program.³¹ However, KPL submits that actual costs might be higher depending on the difficulty of the area being cleared.³²

Aside from its annual Vegetation Management forecast for the Test Year, KPL also incurred additional Vegetation Management costs of \$35,901 in Fiscal 2024 and of \$37,345 in Fiscal 2025. KPL states that these costs are incurred on an "occasional" basis, and are captured in KPL's Long Term Maintenance (LTM) regulatory account in the Test Year and amortized over seven years.³³ KPL confirms that in the past few years, its

²² Exhibit B-1, p. 19.

²³ Exhibit B-1, p. 19.

²⁴ Exhibit B-1, pp. 19-20.

²⁵ Exhibit B-1, p. 18.

²⁶ Decision and Order G-302-22 dated October 27, 2022.

²⁷ Exhibit B-4, BCUC IR 3.4.

²⁸ Exhibit B-1, p. 5.

²⁹ Exhibit B-1, p. 22.

³⁰ Exhibit B-4, BCUC IR 4.2.

³¹ Exhibit B-4, BCUC IR 3.1.

³² Exhibit B-4, BCUC IR 3.1.

³³ Exhibit B-1, pp. 13-14; Exhibit B-4, BCUC IR 4.2.

Vegetation Management work has been done on a more regular basis as accumulated deficiencies are addressed.³⁴

In response to IRs regarding mitigation of wildfire risk, KPL submits that it conducts its Vegetation Management work during later fall and/or early spring to minimize such risk, and explains that it does not conduct any Vegetation Management work during the peak fire season.³⁵

Positions of the Parties

KCFN did not specifically comment on matters relating to KPL's forecast O&M, including Repairs and Maintenance and Vegetation Management expenses.

Panel Determination

The Panel finds KPL's forecast O&M expenses in the amount of \$237,529 for the Test Year to be reasonable.

The Panel accepts KPL's general forecasting methodology for the majority of its O&M expenses (noting the forecast methodology for Repairs and Maintenance and Vegetation Management is discussed below) which uses an eight-year average from 2018 until 2025, as adjusted to include the CCPI since the year of the incurred expense to December 31, 2024. The Panel also finds that the use of an annual inflation forecast of 1.98 percent to forecast KPL's O&M expense for the Test Year is reasonable. Additionally, KPL's practice of removing outliers in some instances has the effect of reducing anomalous results from previous years skewing the forecast of its Test Year O&M expenses.

The Panel finds KPL's forecast of total Repairs and Maintenance expenses of \$71,375 to be reasonable, noting that this forms part of the Test Year O&M expenses and includes KPL's annual Vegetation Management expense. KPL has consistently applied the same forecast methodology in past years and the BCUC has accepted such methodology in previous RRAs. The Panel observes that while the average value of these expenses over the past eight years is lower than the current Test Year forecast using that methodology, the latter forecast better reflects recent increases in third party specialist inspection costs that KPL has incurred following the BCUC's directives in the Safety and Reliability Hearing.

The Panel finds KPL's forecast annual Vegetation Management expense of \$12,000, which forms part of the total forecast Repairs and Maintenance expense of \$71,375, to be reasonable. The Panel accepts KPL's forecast methodology and amount based on its budget for one-quarter clearing of its powerline areas on an annual basis, over a four-year rotation period. The Panel views that this forecast is a reasonable estimate of the work that KPL conducts in its annual fall Vegetation Management program using local contractors. The Panel notes that these costs are vital in maintaining the overall reliability of the KPL system and are a result of the BCUC's decision in the Safety and Reliability Hearing. While KPL acknowledges that actual Vegetation Management costs may exceed the forecast amount depending on the difficulty of the terrain that is being cleared, the Panel notes that KPL has not requested an additional amount as part of its 2026 RRA. Thus, any risks of incurring additional Vegetation Management costs during the Test Year will be borne by the KPL shareholder.

As for the mitigation of wildfire risk, the Panel notes that wildfires are an ongoing concern in BC. We expect utilities to have wildfire mitigation strategies in place. Therefore, KPL is requested to provide an update on how the utility addresses wildfire risk as part of its next RRA.

³⁴ Exhibit B-4, BCUC IR 4.2.

³⁵ Exhibit B-4, BCUC IRs 4.3, 4.3.1.

2.2 Additions to Rate Base

Excluding working capital, KPL provides the following table showing its actual rate base additions for Fiscal 2025 and its forecast rate base for the Test Year:

Table 2: KPL Forecast Rate Base (\$)³⁶

	Fiscal 2025	Fiscal 2026
Rate Base at Fiscal Year (FY) start	2,355,055	2,621,085
Additions during FY	266,030	37,000
Rate Base at FY end	2,621,085	2,658,085
Depreciation at FY start	857,171	962,129
Depreciation during FY	104,958	111,205
Depreciation at FY end	962,129	1,073,334
Net Rate Base at FY start	1,497,884	1,658,956
Net Rate Base at FY end	1,658,956	1,584,751

The additions to KPL's Rate Base during Fiscal 2025 total \$266,030. They include, among other things, KPL's payment of \$136,237 to BC Hydro as part of the Capacity Upgrade Project, legal costs of \$12,829 for the Resource Assessment Hearing, and engineering services costs of \$1,999 for the 2024 CPCN Hearing, as discussed in Sections 2.2.1 and 2.2.2 below. For the Test Year, KPL's forecast additions of \$37,000 to Rate Base consist of Distribution Plant additions of \$25,000 for the Capacity Upgrade Project and regulatory costs of \$12,000 for the 2026 RRA.³⁷

The following sections review KPL's request to establish a new rate base regulatory account for KPL's payment to BC Hydro for Phase One of the Capacity Upgrade Project, as well as KPL's requests to establish two new regulatory asset categories for the costs related to the Resource Assessment Hearing and 2024 CPCN Hearing. The Panel also addresses KPL's forecast rate base additions for the Test Year.

2.2.1 Rate Base Regulatory Account for the Capacity Upgrade Project

As discussed in Section 1.1 above, in December 2024, the BCUC granted a CPCN to KPL for the Capacity Upgrade Project. This project includes a two-phased approach to upgrading the demand capacity of the KPL system from 550 kW to approximately 1,123 kW through upgrades to both the BC Hydro and KPL sides of the POI. Phase One includes the installation of a recloser on both sides of the POI and Phase Two includes the installation of a voltage regulator system on the KPL system.³⁸ KPL submits it expects Phase One of the project to be in-service by November 30, 2025.³⁹

During the CPCN application for the Capacity Upgrade Project, KPL provided a cost estimate of \$350,000 for Phase One including \$175,000 for the BC Hydro upgrades and \$70,000 for the KPL Phase One recloser.⁴⁰ In IR responses in the current proceeding, KPL states that the total cost estimate for the BC Hydro upgrades in Phase

³⁶ The table was compiled by BCUC staff based on the Panel's determination in Section 2.2.1, information on page 11 and Appendix 2, Schedule 2-4 of the Application and KPL's response to BCUC IR 2.2. Any discrepancies between the table and Schedule 2-4 are due to rounding differences. All figures are in dollars.

³⁷ Exhibit B-1, p. 16.

³⁸ CPCN Decision, p. 1.

³⁹ Exhibit B-4, BCUC IR 6.3.

⁴⁰ Exhibit B-4, BCUC IR 6.2.

One of the project is now reduced from \$175,000 to \$136,237. KPL submits that it achieved this cost reduction primarily thanks to the expedited decision in the 2024 CPCN Hearing which removed the need to prepare a new project design and cost estimate.⁴¹

As part of this Application, KPL now seeks approval to establish a new rate base regulatory asset account for \$136,237 paid to BC Hydro for Phase One of the Capacity Upgrade Project. KPL has high confidence that Phase One of the project will be completed in the Test Year (i.e., before June 30, 2026).⁴²

KPL proposes to include asset purchases into rate base effective on the date of the expenditure. However, although the expenditure occurred in February 2025 which falls within Fiscal 2025, KPL clarifies that it did not include the weighted average cost of capital (WACC) return in its existing tariff rates.⁴³ KPL in the Application has included \$136,237 in calculating its mid-year rate base, as reflected in its total return in Table 1 in Section 2.0 above.

Furthermore, KPL has not previously applied for or been approved for interest during construction for any asset improvements. KPL submits that its notional debt and equity complicate the determination of the interest during construction.⁴⁴

KPL proposes to amortize the requested Capacity Upgrade Project Regulatory Account at a rate of 7 percent per annum on a straight-line basis, which corresponds to a service life of 14.3 years. KPL states that this service life corresponds to the approximate duration between the initial BC Hydro capacity charge to KPL in 2006 and the time of KPL's investigation for increased BC Hydro capacity in 2023.⁴⁵ Despite BC Hydro's approximation of the service life of its reclosers to be close to 20 years, KPL states that the service life of a BC Hydro asset is not determinative of KPL's own assessment of the service life of a KPL regulatory asset, namely, the fee KPL paid to BC Hydro for this upgrade, for which KPL proposes a service life of 14.3 years.

KPL provides a forecast of amortization for the Capacity Upgrade Project Regulatory Account in the Test Year. KPL initially included a forecast amortization amount of \$4,768 in the Application.⁴⁶ However, it later revised this amount to \$2,384 based on its own accounting rule to apply 50 percent depreciation on assets acquired during a fiscal year.⁴⁷

Positions of the Parties

KCFN submits that KPL should not be permitted to recover any costs of the Capacity Upgrade Project until its final completion.⁴⁸ KCFN lists three primary areas of concern with respect to the Capacity Upgrade Project, as summarized below:⁴⁹

- a. KPL is seeking to recoup costs of the Capacity Upgrade Project prematurely and in advance of project commissioning, along with the proposed depreciation of project-related assets over what KCFN considers to be an inappropriate service life. KCFN submits that KPL has failed to justify the estimated service life of the project. KCFN further submits that KPL's regulatory asset should be depreciated according to BC Hydro's estimated service life of 20 years for its reclosers;

⁴¹ Exhibit B-1, p. 15; Exhibit B-4, BCUC IR 6.2.

⁴² Exhibit B-6, BCUC Panel IR 1.1.

⁴³ Exhibit B-1, p. 6; Exhibit B-4, BCUC IR 7.1.

⁴⁴ Exhibit B-4, BCUC IR 7.1.

⁴⁵ Exhibit B-1, p. 16.

⁴⁶ Exhibit B-1, p. 16.

⁴⁷ Exhibit B-6, Panel IR 1.1.1.

⁴⁸ KCFN Final Argument, p. 6.

⁴⁹ KCFN Final Argument, pp. 6-7.

- b. KPL may be “imprudently” adding load to the system prior to the commissioning of the Capacity Upgrade Project and service may be impacted due to a lack of capacity on KPL’s existing system; and
- c. KPL has failed to address KCFN’s outstanding concerns regarding project feasibility and safety.

In light of these concerns, KCFN submits that the proposed rate increase for RS 1102 is not justified, and that the BCUC should not approve the cost components in the Application related to the Capacity Upgrade Project.⁵⁰

In reply, KPL reiterates that Phase One of the Capacity Upgrade Project is still anticipated to be completed by November 30, 2025 and that it is not seeking any WACC return on the costs for the project until the date of the BCUC’s decision on the 2026 RRA. Therefore, KPL submits that it should be allowed to recover the costs of Phase One of the Capacity Upgrade Project.⁵¹ Further, KPL explains that the service life of the regulatory asset of 14.3 years cannot be compared to the service life of 20 years for the BC Hydro recloser, since the recloser is a physical asset of BC Hydro. KPL states that in contrast, the service life of KPL’s asset is its own estimate of the number of years remaining until it makes a request to BC Hydro for an additional increase in capacity.⁵²

Regarding KCFN’s concern about additional load to the existing system and the impact on service for RS 1102, KPL explains that its existing system capacity, which is rated at a maximum of 500 kW, is more than sufficient to service the additional winter season load in 2025 and 2026, and submits that the Capacity Upgrade Project will increase this peak capacity to 700 kW.⁵³ Further, KPL submits that the BCUC granted a CPCN for the Capacity Upgrade Project and inherent in the granting of that CPCN are determinations relating to the safety and reliability of the Capacity Upgrade Project.⁵⁴

Panel Determination

In considering KPL’s proposal to establish a new rate base regulatory account for its payment to BC Hydro as part of the Capacity Upgrade Project, the Panel addresses the following:

1. Whether KPL is eligible to recover the \$136,237 amount paid to BC Hydro in February 2025 for Capacity Charges for Phase One of the project, and if so, the determination of the appropriate accounting treatment (e.g. rate base addition, work-in-progress (WIP) account with an allowance for funds used during construction (AFUDC), or a non-rate base regulatory account with carrying costs).
2. The appropriate amortization period for the regulatory account.
3. Whether any amortization of the \$136,237 should be allowed for recovery in the Test Year.

In this section, as matters related to the Capacity Upgrade Project, the Panel also addresses the \$25,000 Distribution Plant rate base addition in the Test Year as well as KCFN’s concerns regarding system load, feasibility and safety of the Capacity Upgrade Project.

KPL Payment to BC Hydro and Accounting Treatment

The Panel approves KPL’s request to establish a rate base Capacity Upgrade Project Regulatory Account for charges of \$136,237 paid to BC Hydro for Phase One of the project.

⁵⁰ KCFN Final Argument, p. 7.

⁵¹ KPL Reply Argument, p. 5.

⁵² KPL Reply Argument, p. 9.

⁵³ KPL Reply Argument, p. 8.

⁵⁴ KPL Reply Argument, pp. 6-7.

The CPCN for the Capacity Upgrade Project was granted in December 2024. KPL is seeking approval to establish a new regulatory account in this 2026 RRA to record charges for the Capacity Upgrade Project, for which it paid \$136,237 to BC Hydro in February 2025. However, KPL's Fiscal 2025 rates were already set by Order G-16-25 on a permanent basis with effect from June 29, 2024. Once rates are made permanent, the BCUC does not normally allow recovery or refunds on a retroactive basis. Furthermore, in the case of capital projects, these costs can be added to rate base only once the projects are complete and in-service.

As a matter of regulatory principle, rates are set on a prospective basis. In the absence of an interim approval or a regulatory account, costs that were incurred in the past would typically be ineligible for recovery. Allowing utilities to recover costs that were incurred in the past when permanent rates are already in place would be considered retroactive ratemaking, which erodes the regulatory principles of fairness and rate certainty. There are, however, certain exceptions to the general regulatory principle against retroactive ratemaking.

In past decisions, the BCUC has considered certain factors in assessing the reasonableness of allowing retroactive adjustments on an exceptional basis, which include but are not limited to:⁵⁵

- Whether the item can reasonably be forecast or known at the time of the previous revenue requirement decision;
- Whether the request has a material impact on customer rates in the test period; and
- Whether there are any significant intergenerational equity considerations.

The Panel notes that KPL filed its 2024 RRA in June 2023. It would be unreasonable to expect KPL to forecast costs for BC Hydro Upgrades for the Capacity Upgrade Project in the 2024 RRA, given that KPL applied for the CPCN for the project in November 2024 and the CPCN was granted in December 2024 on an expedited basis. Further, the Panel does not consider that KPL's current request to establish the rate base regulatory account has a material impact on customer rates in the Test Year, neither does the Panel foresee any significant intergenerational equity considerations.

The Panel notes that KPL customers were made aware of the Capacity Upgrade Project cost at the time of the 2024 CPCN Hearing as a result of the notice of the public hearing. KPL was transparent about the need to have an expedited hearing to meet BC Hydro's project invoice deadline and the associated costs. In light of these factors, the Panel considers that it would be punitive to disallow KPL recovery of the \$136,237 expenditure it paid to BC Hydro in good faith following the granting of the CPCN for the project.

As for the appropriate accounting treatment, the Panel notes that rate base capital additions typically occur after the asset is in-service. In normal practice, utilities would use a WIP account to record the capital additions at AFUDC. However, as KPL noted, the calculation of interest during construction is complicated for a small utility. Another method to track project costs would be to establish a non-rate base deferral account. The disposition of such an account would then be subject to review in another proceeding.

The Panel considers that granting approval of the proposed rate base regulatory account in this proceeding will lessen KPL's regulatory burden, compared to either using a WIP account or a non-rate base deferral account. Otherwise, KPL would have to re-apply to the BCUC for approval to determine the interest rate for AFUDC or to establish a non-rate base deferral account along with approval of the disposition of the balance. Since KPL has already included the \$136,237 amount in rate base, this means KPL earns a return on that investment as part of its 2026 RRA.

⁵⁵ [Pacific Northern Gas-West Division, Decision and Order G-281-22 dated October 11, 2022](#), p. 32.

On balance, the Panel finds the inclusion of such a rate base return is acceptable because KPL is partially foregoing its allowed return on its total rate base by seeking permanent rates to take effect on the date of this decision, rather than the commencement of the Test Year (i.e., July 1, 2025).

The Panel also accepts the \$25,000 in Distribution Plant rate base additions for the Test Year. The Distribution Plant costs relate to the KPL Phase One recloser required for the Capacity Upgrade Project and are within the \$70,000 cost estimate provided in the 2024 CPCN Hearing. Inclusion of the \$25,000 in Distribution Plant in the Test Period means KPL will earn a return on this amount in rates. As is the case with respect to the inclusion in rate base of KPL's payment to BC Hydro for its upgrades towards the Phase One of the Capacity Upgrade Project, the Panel is satisfied that it is appropriate to make an exception in this 2026 RRA for the same reasons.

Amortization Rate of the Capacity Upgrade Project Regulatory Account

The Panel approves KPL's request to amortize the Capacity Upgrade Project Regulatory Account at a rate of 7 percent per annum on a straight-line basis, subject to the Panel's determination below.

KPL's proposal to amortize the Capacity Upgrade Project Regulatory Account at a rate of 7 percent per annum on a straight-line basis corresponds to an amortization period of 14.3 years. The Panel considers that KPL has reasonably demonstrated the difference between the proposed amortization period of the Capacity Upgrade Project Regulatory Account and the 20-year service life of a BC Hydro recloser, since the recloser is a physical asset of BC Hydro.

The Panel denies KPL's request to recover any amortization of the Capacity Upgrade Project Regulatory Account in the Test Year.

The Panel considers it inappropriate for KPL to recover any amounts with respect to amortization of the Capacity Upgrade Project Regulatory Account in the Test Year as Phase One of the project is not yet in-service, despite KPL's expectations of completion occurring by November 30, 2025. Typically, amortization of a utility's capital asset commences only after the asset is placed into service and is deemed used and useful. The Panel is not persuaded to allow KPL to deviate from this standard practice. KPL may seek recovery of amortization for the Capacity Upgrade Project as part of a future process. For example, assuming that Phase One of the project goes into service on November 30, 2025 and KPL submits a 2028 revenue requirements application in 2027, the Panel expects that the amortization will be calculated from the day the project goes into service (i.e. November 30, 2025). KPL will recover the accrued amortization when the next test period commences.

In Section 3.2 below, we discuss the impact of the denial of amortization of the Capacity Upgrade Project Regulatory Account on KPL's proposed RS 1101 and 1102 Energy Charges.

As for KCFN's concerns regarding project feasibility and safety arising from the Capacity Upgrade Project, the focus of this RRA and this decision is whether KPL's revenue requirement for the Test Year reflects the total revenue that must be collected in order for KPL to recover its forecast cost of service and provide an opportunity to earn its allowed return. As noted by the BCUC in the 2024 CPCN Hearing, the Panel expects that KPL will continue to fulfill its obligations as a public utility, including monitoring its system to ensure safe and reliable service for all customers.⁵⁶

⁵⁶ CPCN Decision, p. 4.

2.2.2 Other Rate Base Regulatory Accounts

KPL seeks BCUC approval for the establishment of two new “regulatory asset categories”: one for legal costs of \$12,829 incurred in the Resource Assessment Hearing and the other for \$1,999 for engineering services provided by Primary Engineering and Construction Corporation in relation to the 2024 CPCN Hearing for the Capacity Upgrade Project. For each of these two asset categories, KPL proposes an amortization rate of 25 percent on a straight-line basis, commencing in the Test Year. KPL has included amounts of \$12,829 and \$1,999 for the Resource Assessment Hearing and 2024 CPCN Hearing, respectively, in calculating its mid-year rate base⁵⁷. Additionally, KPL has included regulatory costs of \$12,000 for this 2026 RRA. These amounts are reflected in its total Earned Return in Table 1 in Section 2.0 above.

In Decision and Order G-207-24, the BCUC accepted the Resource Assessment Report filed by KPL and supported KPL’s approach to upgrading its system capacity at the BC Hydro POI to manage its future customer load, as discussed in Section 2.2.1 above. In that decision, the BCUC also determined that KPL was not required to file another resource assessment report in the future.⁵⁸ KPL submits that the amortization of the regulatory asset category for the Resource Assessment Hearing should be considered as four years based on the potential future timing of the hearing and the low cost of that asset.⁵⁹

Positions of the Parties

KCFN did not comment on the approvals sought by KPL for these rate base regulatory asset categories.

Panel Determination

The Panel approves KPL to establish a new rate base regulatory account for costs pertaining to the Resource Assessment Hearing, with an asset value of \$12,829 as at June 30, 2025, to be amortized at the rate of 25 percent per annum on a straight-line basis, commencing in the Test Year.

The Panel approves KPL to establish a new rate base regulatory account for costs pertaining to the 2024 CPCN Hearing with an asset value of \$1,999 as at June 30, 2025, to be amortized at the rate at 25 percent per annum on a straight-line basis, commencing in the Test Year.

In reviewing KPL’s request for approval of new regulatory asset categories for the Resource Assessment Hearing and the 2024 CPCN Hearing, the Panel interprets that KPL’s request seeking approval of new regulatory asset categories in essence amounts to a request to establish new regulatory accounts instead.

The issues to be considered by the Panel in connection with this request are whether the costs in question can be added to rate base in the form of new regulatory accounts, and if so, the amounts that should be captured in these regulatory accounts, and the appropriate amortization period.

Regarding the amount that should be captured in these regulatory accounts, the Panel approves the accrual of \$12,829 and \$1,999 for the Resource Assessment Hearing and the 2024 CPCN Hearing, respectively. The Panel recognizes that these costs pertain to hearings that were completed in 2024 and that permanent rates for Fiscal 2025 have been set. Normally, the regulatory principle against retroactive ratemaking would mean that recovery for these costs would be disallowed. However, the Panel finds that an exception is warranted in this case as KPL has taken the earliest opportunity in a rate application to seek approval to recover these costs as part of its 2026 RRA.

⁵⁷ Exhibit B-3, PDF p. 4.

⁵⁸ Decision and Order G-207-24 dated August 2, 2024, p. 12.

⁵⁹ Exhibit B-1, pp. 15-16.

As for KPL's request to treat these accounts as rate base accounts, the Panel finds the request to be reasonable. Legal and regulatory costs are incurred by public utilities in the normal course of business and utilities can reasonably expect to recover such costs in rates. The Panel also notes that KPL has included return on rate base for both of these new regulatory accounts based on its WACC. The Panel could alternatively direct the establishment of a non-rate base regulatory account; however, a non rate-base regulatory account would still attract carrying costs which would mean a similar level of recovery from ratepayers in the future. For regulatory efficiency, the Panel considers that KPL is entitled to recover costs incurred for these completed proceedings at the earliest available opportunity, which is this proceeding.

Regarding the amortization period for these two regulatory accounts, the Panel finds that an amortization rate of 25 percent on a straight-line basis, commencing in the Test Year, to be reasonable. For the Resource Assessment Hearing, the Panel accepts KPL's rationale for the amortization of four years for the regulatory account based on the potential timing of the next similar hearing. As for the regulatory account for the 2024 CPCN Hearing, the Panel considers that an amortization rate of 25 percent is consistent with the treatment of costs of a similar nature, in comparable proceedings.

The Panel also notes that KPL has added \$12,000 for the estimated 2026 RRA regulatory cost in rate base and has begun amortization of that amount in the Test Year. The Panel accepts this inclusion for the purposes of setting rates in this 2026 RRA for regulatory efficiency because KPL invested in resources in the preparation of the 2026 RRA and its participation in the review process. However, we expect that KPL will make subsequent adjustments to reflect actual costs incurred for the 2026 RRA as part of its next RRA.

To avoid the recurrence of the issue of retroactive ratemaking going forward, the Panel considers that KPL could apply for a general deferral account to track all its regulatory costs. The Panel strongly encourages KPL to do so to mitigate the risk of non-recovery of such costs in the future. The Panel considers that such an account would enhance regulatory efficiency, as KPL would not need to seek separate approval for a specific deferral account in each rate proceeding on an after-the-fact basis. Also, the establishment of a regulatory cost deferral account is common practice among other utilities. **Therefore, the Panel directs KPL to indicate whether it will apply to the BCUC for approval to establish a deferral account to record all future regulatory costs related to BCUC proceedings, in a compliance filing by October 31, 2025.**

If KPL indicates in its compliance filing that it intends to apply for approval to establish such a deferral account, the Panel requests that KPL also provide the anticipated timing of such application. Further, if KPL ultimately does apply for such approval, it is reminded to provide the information specified in the BCUC's Regulatory Account Filing Guidelines,⁶⁰ including the type of costs to be captured in the deferral account and the proposed amortization period for this deferral account along with the rationale for the same. Further, the approval of the establishment of such account along with the recovery thereof in rates will be determined by subsequent panels.

2.3 Depreciation and Amortization

The following table shows KPL's Test Year Asset and Depreciation forecast, along with the BCUC approved asset amortization rates:

⁶⁰ <https://docs.bcuc.com/documents/Guidelines/Regulatory-Account-Filing-Guidelines.pdf>

Table 3: KPL Asset and Depreciation forecast as at June 30, 2026⁶¹

	Assets June 30/25	Ann Dep'n 24/25	TTL Dep'n June 30/25	Assets June 30/26	Ann Dep'n 25/26	TTL Dep'n June 30/26	Net Assets June 30/26	Dep'n Rate %
Breakdown of Distribution Plant								
Overhead Powerline	2,280,852	50,043	898,030	2,305,852	50,958	948,988	1,356,864	2.222%
Submarine Cable	668,964	20,905	396,691	668,964	20,905	417,596	251,368	3.125%
Distribution Powerline	1,016,600	25,328	473,904	1,016,600	25,415	499,319	517,281	2.500%
Meters	16,157	646	9,786	16,157	646	10,432	5,725	4.000%
Transformers	97,086	2,380	28,610	97,086	2,427	31,037	66,049	2.500%
Sub-total of Distribution Plant	4,079,659	99,302	1,807,021	4,104,659	100,351	1,907,372	2,197,287	
CIAC - Overhead Powerline	(1,428,000)	(34,386)	(551,452)	(1,428,000)	(34,386)	(585,838)	(842,162)	2.408%
CIAC - Submarine Cable	(459,000)	(16,097)	(257,713)	(459,000)	(16,097)	(273,810)	(185,190)	3.507%
CIAC - Distribution Powerline	(663,000)	(18,153)	(290,974)	(663,000)	(18,153)	(309,127)	(353,873)	2.738%
Sub-total of CIAC (KCFN)	(2,550,000)	(68,636)	(1,100,139)	(2,550,000)	(68,636)	(1,168,775)	(1,381,225)	
Distribution Plant	1,529,659	30,666	706,882	1,554,659	31,715	738,597	816,062	
Breakdown of Other Assets								
Lease - Licence of Occupation	80,230	4,124	56,458	80,230	4,124	60,581	19,649	5.015%
Long Term Maintenance	187,656	25,348	77,956	187,656	28,148	106,104	81,552	15.000%
Deferred Depreciation	454,556	18,182	71,982	454,556	18,182	90,164	364,392	4.000%
RRA Hearings	32,311	8,078	21,013	44,311	6,767	27,779	16,532	25.000%
Reliability Hearings	185,608	18,561	27,841	185,608	18,561	46,402	139,206	10.000%
Resource Assesment (RAR) Hearings	12,829	0	0	12,829	3,207	3,207	9,622	25.000%
CPCN 2024 Hearings	1,999	0	0	1,999	500	500	1,500	25.000%
BC Hydro Capacity Hearings	136,237	0	0	136,237	0	0	136,237	7.000%
Other Assets	1,091,426	74,293	255,250	1,103,426	79,489	334,737	768,690	
Totals	2,621,085	104,959	962,132	2,658,085	111,204	1,073,334	1,584,752	

As shown in the above table (see column “Ann Dep’n 25/26”), the total depreciation and amortization for the Test Year amount to \$111,204. This includes depreciation for KPL’s Distribution Plant in the amount of \$100,351 on a gross basis and \$31,715 net of KCFN’s CIAC, as well as depreciation for other assets in the amount of \$79,489 which largely comprises of depreciation for each of the LTM Regulatory Account (\$28,148), Reliability Hearings (\$18,561) and Deferred Depreciation (\$18,182). The total depreciation and amortization for the Test Year of \$111,204 equates to a 27.9 percent increase over the previously approved depreciation and amortization of \$86,979 in the 2024 RRA.⁶²

In the 2024 Decision, the BCUC approved the amortization rates for the Distribution Plant assets, KCFN’s CIAC, as well as the amortization rates for the Deferred Depreciation and LTM Asset Regulatory Account.⁶³ Additionally, the BCUC approved the establishment and the amortization rate of the Reliability Hearing Regulatory Account.⁶⁴

Positions of the Parties

KCFN did not comment on KPL’s Test Year Asset and Depreciation forecast or KPL’s asset amortization rates.

⁶¹ The table was compiled by BCUC staff based on the Panel’s determination in Section 2.1.1 and information in Appendix 2, Schedule 2-4 of the Application. Any discrepancies between the table and Schedule 2-4 are due to rounding differences.

⁶² 2024 Decision, Table 2, p. 8.

⁶³ 2024 Decision, p. 9.

⁶⁴ 2024 Decision, p. 12.

Panel Discussion

The Panel accepts the asset values, amortization rates and balances as provided by KPL for setting rates in the Test Year. No evidence has been presented in this proceeding to call into question the reasonableness of these amounts. The Panel notes that aside from the issues relating to the new regulatory accounts for the BC Hydro Capacity Upgrade Project, Resource Assessment Hearing and 2024 CPCN Hearing, which have been addressed by the Panel in Sections 2.2.1 and 2.2.2 above, there are no changes in the amortization rates from those previously approved in the 2024 Decision.

2.4 Load Forecast and BC Hydro Charges

In the following section, the Panel reviews the reasonableness of KPL's Test Year load forecast and the resulting forecast cost of electricity purchased from BC Hydro.

Load Forecast

In the Application, KPL originally estimated 1,827,900 kWh in electricity sales to customers for the Test Year⁶⁵ and provided a breakdown of actual electricity sales from Fiscal 2006 to Fiscal 2024 inclusive and forecast electricity sales for Fiscal 2025 and the Test Year by each of the following customer groups: Houpsitas, Schools & Teacherages, Residential, Commercial and two of KPL's largest customers, Chamiss Bay and Commercial Customer A.⁶⁶ During the proceeding, KPL revised its total annual sales forecast to 1,844,600 kWh for the Test Year.⁶⁷ A summary table of the revised forecast electricity sales for the Test Year is provided below.⁶⁸

⁶⁵ Exhibit B-1, p.23.

⁶⁶ Exhibit B-1, Appendix 2, Schedule 2-1.

⁶⁷ KPL Final Argument, p.13.

⁶⁸ Exhibit B-1, Appendix 2, Schedule 2-1.

Table 4: Electrical Load Forecast for 2026 Test Year⁶⁹

Customer Group	Forecast Test Year Electricity Sales (kWh)
Houpsitas (RS 1101)	1,245,300
Sub-Total Electricity Sales for RS 1102 Customer (A)	1,245,300
Schools & Teacherages	165,500
Residential	116,300
Commercial excluding Customer A and Chamiss Bay	237,500
Large Commercial Customer A	3,400
Chamiss Bay	60,000
Sub-Total Electricity Sales for RS 1101 Customers (B)	582,700
Total Original Forecast Electricity Sales (A+B)	1,828,000
Forecast Incremental Electricity Sales (RS 1102)	12,100 ⁷⁰
Forecast Incremental Electricity Sales (RS 1101)	4,500 ⁷¹
Total Revised Forecast Electricity Sales (RS 1101 and 1102 Customers)	1,844,600

KPL states its revised electricity sales forecast of 1,844,600 kWh incorporates an increase of 16,600 kWh to reflect the actual electricity sales data from March 28, 2025 to June 28, 2025 inclusive as well as a delay (from May 2025 to July 2025) in the connection of its system to the Chamiss Bay customer.⁷² KPL explains that the increase to its Test Year revenue requirement is due to lower than historical increases in electricity sales over the two year period since BCUC's approval of rates in the 2024 RRA.⁷³

Except for the Chamiss Bay customer as discussed below, KPL estimates the annual electricity sales for each customer group using a forecasting methodology that calculates the historical averages of electricity sales using six different methods (Methods A to F). Methods A, B, and C use the percentage average increase and average historical load over the past six, seven and eight years respectively whereas Methods D, E, and F use actual electricity sales for Fiscal 2025 and percentage average increase over six, seven and eight years respectively.⁷⁴ These six methods are then compared to remove outliers (highest and lowest values) and averaged to estimate forecast sales for the Test Year. KPL's electricity sales forecast for the Schools & Teacherages customer group additionally incorporates a permanent load increase of 11,700 kWh to account for the expansion of the school's gymnasium and for the replacement of two portable classrooms with larger modular classrooms.⁷⁵

In July 2024, Tiicma Forestry LP (Tiicma), a business unit of KCFN, acquired the logging operations and land tenures of the Chamiss Bay logging camp.⁷⁶ In the Application, KPL estimated annual electricity sales of 60,000 kWh for the Chamiss Bay customer based on a monthly forecast of 5,000 kWh. As noted above, KPL had initially anticipated a connection to the Chamiss Bay customer by May of 2025 but has been since informed by Tiicma

⁶⁹ Table compiled by BCUC staff based on information provided in Schedule 2-1 in Appendix 2 of the Application and page 13 of KPL Final Argument.

⁷⁰ Based on the BCUC staff calculation of incremental electricity sales for the RS 1102 customer calculated as follows: 1,257,400 kWh – 1,245,300 kWh = 12,100 kWh. Revised forecast electricity sales of 1,257,400 provided on page 13 of KPL Final Argument.

⁷¹ Based on BCUC staff calculation of incremental electricity sales for the RS 1101 customer calculated as follows: 1,844,600 kWh – 1,828,00 kWh – 12,100 kWh = 4,500 kWh. Information provided on page 13 of KPL Final Argument.

⁷² Exhibit B-6, Panel IR 1.3.

⁷³ Exhibit B-1, p.5.

⁷⁴ Exhibit B-1, pp.23-24.

⁷⁵ Exhibit B-1, pp.24-25.

⁷⁶ Exhibit B-1, p.27.

that it plans to connect to the KPL system by July 2025.⁷⁷ Based on the revised connection date, KPL subsequently amended its monthly electricity sales forecast of 5,000 kWh for the months of July and August, 2025 to zero and 2,500 kWh, respectively.⁷⁸

KPL states that it completed two new customer connections on Walters Island on May 1, 2025. The new customer connections include a residential building and a support facility for an existing fishing resort. KPL notes that while it did not incorporate additional electricity sales from these two customers into its annual forecast of electricity sales for the Test Year, its forecasting methodology for the Test Year forecast already reflects an increase in electricity sales for residential and commercial accounts.⁷⁹ By implication, that forecast would include such customer additions in the normal course.

BC Hydro Charges

KPL determined the forecast cost of electricity from BC Hydro during the Test Year by multiplying the forecast of BC Hydro's average annual cost per kWh by the forecast energy purchases from BC Hydro. KPL states that the cost of electricity is determined based on 11 years of historical data and includes allowances for an increased volume of electricity purchases over the KPL electricity sales volume by about 8.9 percent to account for distribution system losses. The resulting cost of electricity from BC Hydro for the Test Year is approximately \$184,239 based on updated KPL's forecast Test Year sales of 1,844,600 kWh⁸⁰ (as shown in Table 1 in Section 2.0 above).

The cost of energy per kWh from BC Hydro is based on three components: a Basic Charge per day, an Energy Demand Charge per kW of billing, and an Energy Charge per kWh.

KPL provides the following scenario analysis showing the impact that an increase or decrease in sales or BC Hydro rates would have on the revenue requirement and the proposed Energy Charge:

Table 5: BC Hydro Charges/Load Forecast Scenario Analysis⁸¹

	Change in Revenue Requirements	Change in 1101 & 1102 Rate Schedules
Increase Electricity Sales 5%	\$33,212	-3.6%
Decrease Electricity Sales 5%	\$33,212	
Increase BC Hydro Cost 10%		+2.8%
Decrease BC Hydro Cost 10%		-2.8%

KPL also provides a monthly demand forecast for the Test Year and notes a forecast system peak capacity of 448 kW for February, 2026.⁸² As discussed in Section 2.2.1 above, KPL has commenced Phase One of the Capacity Upgrade Project to upgrade the demand capacity of the project from 550 kW to 700 kW.⁸³ KPL states it anticipates Phase One of the project to be in service by November 30, 2025.⁸⁴

⁷⁷ Exhibit B-4, BCUC IR 5.3.

⁷⁸ KPL Final Argument, p.13.

⁷⁹ KPL Final Argument, p.12.

⁸⁰ Exhibit B-6, Panel IR 1.3.

⁸¹ Exhibit B-4, BCUC IR 5.1

⁸² Exhibit B-1, Appendix 2, Schedule 2-3.

⁸³ CPCN Decision, p.3.

⁸⁴ Exhibit B-4, BCUC IR 6.3.

KPL considers it unlikely for the peak demand to exceed its available system capacity during the Test Year but notes that in such an event, it will exercise the ability to request the Schools and Teacherages customer group to temporarily reduce their demand during peak hours on KPL's system.⁸⁵

Positions of the Parties

KCFN submits that KPL may be "imprudently adding load" to its system prior to the commissioning of the Capacity Upgrade Project. KCFN further submits that KPL's additional Test Year electricity sales of 11,700 kWh for the Schools & Teacherages customer and 60,000 kWh for the Chamiss Bay customer could negatively impact its existing customers under RS 1102 by straining the system. KCFN notes that KPL's approach to reduce capacity constraints on its system by requesting the Schools and Teacherages customer group to reduce their demand during peak hours does not address KCFN's concerns regarding the impact of electricity service on KPL's existing customers.⁸⁶

In reply, KPL does not accept KCFN's assertion that KPL is imprudently adding load as KPL considers that its actual peak demand of 423 kW over the previous two years is below the system's current maximum available capacity of 550 kW at the BC Hydro POI. Further, KPL reiterates a minimal likelihood of increased outages to its system during the 2025/2026 winter season in anticipation of the completion of Phase One of the Capacity Upgrade Project, which will further increase the KPL system capacity from 550 kW to 700 kW, before November 30, 2025.⁸⁷

Panel Discussion

The Panel accepts KPL's annual electricity sales revised forecast of 1,844,600 kWh for the purpose of calculating the revenue requirement for the Test Year. The Panel considers that KPL's electricity sales forecast is sufficiently supported by KPL's analysis of historical energy sales and purchases, and includes adjustments for additional load from the Schools and Teacherages customer group and the Chamiss Bay customer.

Further, regarding KCFN's concern about KPL "imprudently adding load" to its system prior to the commissioning of the Capacity Upgrade Project, the Panel accepts KPL's evidence in this proceeding that additional customer load on its system during the Test Year likely would not constrain the system's capacity. KPL submits that its forecast peak demand during the Test Year as well as actual peak demand over the previous two-year period does not exceed the system's current maximum available capacity of 550 kW. The Panel sees no reason to question KPL's assessment that its system can reliably serve additional loads with a low likelihood of exceeding customer peak demand during the Test Year, especially considering that KPL will have increased capacity available on its system through the Capacity Upgrade Project.

3.0 Proposed Amendments to Charges in Rate Schedules

KPL's existing Tariff RS consist of:⁸⁸

- RS 1101 – Residential and Commercial Services with a Basic Charge of \$9.70 per month and Energy Charge of \$0.4446 per kWh⁸⁹; and

⁸⁵ Exhibit B-5, KCFN IR 2, p.2.

⁸⁶ KCFN Final Argument, p. 7.

⁸⁷ KPL Reply Argument, p.8.

⁸⁸ Exhibit B-1, p. 30.

⁸⁹ Decision and Order G-16-25 dated January 27, 2025.

- RS 1102 – KCFN with a Basic Charge of \$9.70 per month and an Energy Charge of \$0.2646 per kWh.⁹⁰

KPL proposes to retain the existing structure of the Tariff RS, but also proposes to amend the Basic Charge and Energy Charge, as appropriate, to provide the necessary additional revenue for KPL to achieve a WACC return of 8.655 percent on rate base.⁹¹ We review KPL's proposed changes below.

3.1 Basic Charge

KPL proposes an increase in the Basic Charge for all customers in RS 1101 and 1102, from \$9.70 per month to \$10.00 per month, or an increase of 3.09 percent. KPL explains that this increase allows it to "maintain an affordable [Basic] charge while reflecting inflationary increases in the costs of accounting, billing and meter reading functions."⁹² KPL explains that the proposed increase in the Basic Charge approximates the rate of inflation from June 28, 2024 to the Test Year.

Positions of the Parties

KCFN did not specifically comment on the Basic Charge.

Panel Determination

The Panel approves KPL to increase the Basic Charge for RS 1101 and 1102 by \$0.30 per month to \$10.00 per month, effective on the date of this decision.

The Panel accepts that the proposed increase in the Basic Charge, which was last increased by \$0.70 per month in the 2024 Decision, is reasonable as it reflects the rate of inflation since the 2024 Decision. The Basic Charge provides a baseline level of revenue for KPL to recover a portion of its fixed costs and represents KPL's cost of billing services. Therefore, the Panel finds that KPL's proposed increase of \$0.30 per month is warranted to address inflationary cost increases since June 28, 2024.

3.2 Energy Charge

KPL explains that its Tariff structure includes the Energy Charge based on kWh consumption that provides for almost all of the utility's revenues.⁹³ Pursuant to the BCUC's decision in the 2021 RRA for KPL (2021 Decision)⁹⁴, KPL states that the Energy Charge for RS 1101 and 1102 are determined based on the apportionment of costs by way of a formulaic computation expressed as follows:⁹⁵

- Energy Sales Revenue = Total Revenue Requirement, less Basic Charge and Other Revenue; and
- Energy Sales Revenue = (RS 1101 Sales X RS 1101 Rate) + (RS 1102 Sales X (RS 1101 Rate – CIAC-KCFN Differential or KCFN Differential))

KPL explains that the KCFN Differential, as noted in the above formula, is the difference between the RS 1101 and 1102 rates based on the depreciating value of KCFN's CIAC.⁹⁶ We review the calculation of the KCFN Differential below.

⁹⁰ Decision and Order G-16-25 dated January 27, 2025.

⁹¹ Exhibit B-1, p. 30.

⁹² Exhibit B-1, p. 31.

⁹³ Exhibit B-1, p. 31.

⁹⁴ KPL Revenue Requirements Application, Decision and Order G-213-21 dated July 12, 2021 (2021 Decision), pp. 18-19.

⁹⁵ Exhibit B-1, p. 31.

⁹⁶ Exhibit B-1, p. 31.

KCFN Differential

For the purpose of setting rates for the Test Year, KPL states that the KCFN Differential is \$0.16784 per kWh, calculated as follows:

Table 6: KCFN Differential⁹⁷

Description	Amount in \$	Amount in \$/kWh (Test Year)
CIAC Amortization in Test Year	\$ 68,636	\$ 0.05459
Net CIAC Balance at June 30, 2026	\$ 1,381,225	
Rate Base Return on CIAC Balance at June 30, 2026 at 6.90 percent	\$ 95,304	\$ 0.07582
CIAC Deferred Depreciation Amortization in Test Year	\$ 21,914	\$ 0.01743
Net CIAC Deferred Depreciation Balance at June 30, 2026	\$ 364,392	
Rate Base Return on CIAC Deferred Depreciation Balance at June 30, 2026 at 6.90 percent	\$ 25,143	\$ 0.02000
Total Differential (\$/kWh)		\$ 0.16784

As

shown in the above table, KPL explains that the KCFN Differential is calculated in two steps. The first step is the summation of: a) the amount of annual depreciation of KCFN's CIAC; b) the amount of return on the depreciated rate base value of KCFN's CIAC; c) the amount of annual depreciation of KCFN's CIAC in deferred depreciation; and d) the amount of return on the depreciated rate base value of KCFN's CIAC in deferred depreciation. In the second step, this summation is divided by the forecast electricity sales under RS 1102 to determine the dollar differential on a kWh basis.⁹⁸

KPL notes that the Rate Base Return used in the calculation of the KCFN Differential is 6.90 percent.⁹⁹ During the 2024 RRA, KPL explained that this Rate Base Return on the KCFN Differential, which was introduced in KPL's 2021 RRA, "was intended to be fixed at 6.90 percent for subsequent RRA applications."¹⁰⁰

Increase to Energy Charge for RS 1101 and 1102

KPL proposes to meet the increased revenue requirement in the Application through an increase in the Energy Charge for RS 1101 and 1102, after allowing for the increased revenue resulting from the proposed monthly Basic Charge.¹⁰¹

⁹⁷ Table reproduced by BCUC Staff based on the values in Table 2 in Exhibit B-1, p. 32, as amended by KPL in Exhibit B-6, Panel IR 1.3. The amounts in \$/kWh for the Test Year are based on amended forecast electricity sales for RS 1102 of 1,257,400 kWh.

⁹⁸ Exhibit B-1, p. 32.

⁹⁹ Exhibit B-1, p.32.

¹⁰⁰ KPL 2024 RRA, Exhibit B-4, BCUC IR 3.1. In BCUC IR 3.1, the BCUC asked KPL to confirm, or explain otherwise, that the Rate Base return on the KCFN Differential should be calculated using an annual rate of 7.00 percent, which reflected KPL's WACC for the 2024 RRA.

¹⁰¹ Exhibit B-1, p. 32.

KPL explains that it updated the Energy Charge of \$0.4788 per kWh for RS 1101 and \$0.3094 per kWh for RS 1102 originally proposed in the Application¹⁰² to \$0.4742 per kWh for RS 1101 and \$0.3063 per kWh, based on the following:¹⁰³

- a. Amortization for the Capacity Upgrade Project Regulatory Account amounting to \$2,384 in the Test Year, instead of an amount of \$4,768 originally included in the Application;
- b. Updated actual energy sales for Fiscal 2025 until June 28, 2025, which were originally only available on an actual basis for Fiscal 2025 until March 28, 2025 and forecast for the period March 29, 2025 to June 28, 2025. Based on this update, the forecast energy sales for the Test Year amount to 587,200 kWh for RS 1101 and 1,257,400 kWh for RS 1102; and
- c. Updated BC Hydro Charges based on the updated energy sales forecast for the Test Year.

Due to these updates, KPL calculates a revised revenue requirement in the amount of \$670,886.¹⁰⁴

However, as determined in Section 2.2.1 above, KPL's request to recover any amortization for the Capacity Upgrade Project Regulatory Account in the Test Year has been denied. Since KPL calculated the revised proposed Energy Charge for RS 1101 and 1102 based on recovery of amortization of \$2,384 for the Capacity Upgrade Project Regulatory Account in the Test Year, the denial of KPL's request necessitates a re-computation of the Energy Charge for RS 1101 and 1102.

Therefore, based on KPL's revised forecast Test Year sales of 587,200 kWh for RS 1101 and 1,257,400 kWh for RS 1102 and updated BC Hydro Charges,¹⁰⁵ along with exclusion of any amortization for the Capacity Upgrade Project Regulatory Account in the Test Year, the re-calculated Energy Charge for RS 1101 amounts to \$0.4729 per kWh and \$0.3052 per kWh for RS 1102,¹⁰⁶ respectively, computed in accordance with the formula discussed above. When compared with the increase approved in the 2024 Decision, the increase in Energy Charge amounts to 8.74 percent for RS 1101¹⁰⁷ and 19.73 percent for RS 1102.¹⁰⁸

Additionally, as shown in Section 2.0 above, KPL's final revenue requirement based on the recalculated Energy Charge for RS 1101 and 1102 amounts to \$668,611. The following Table 7 illustrates the difference between the recalculated revenue requirement and that of \$670,886 provided by KPL in response to Panel IRs:

¹⁰² Exhibit B-1, pp. 30-31.

¹⁰³ Exhibit B-6, Panel IR 1.3.

¹⁰⁴ Exhibit B-6, Panel IR 1.3.

¹⁰⁵ Exhibit B-6, Panel IR 1.3.

¹⁰⁶ Based on the Energy Sales Revenue for the Test Year amounting to \$661,655, which has been calculated as the revised Total Revenue Requirement in Table 1 in Section 2.0 (\$668,611) minus the Basic Charge and other revenue amounting to \$7,256, and the formulaic computation, the Energy Charge is calculated as \$0.4729 per kWh for RS 1101 and \$0.3052 per kWh for RS 1102.

¹⁰⁷ RS 1101 Energy Charge of \$0.4729 per kWh / RS 1101 Energy Charge approved in the 2024 Decision of \$0.4349 per kWh = 8.74 percent increase.

¹⁰⁸ RS 1102 Energy Charge of \$0.3052 per kWh / RS 1102 Energy Charge approved in the 2024 Decision of \$0.2549 per kWh = 19.73 percent increase.

Table 7: Calculation of final KPL Revenue Requirement¹⁰⁹

Particulars	Amount (\$)
Revised Revenue Requirement, as calculated by KPL in response to Panel IRs (A)	670,886
Amortization for the BC Hydro Capacity Upgrade Project Regulatory Account, excluded from Revenue Requirement (B)	(2,384)
Additional Earned Return due to exclusion of above amortization (C)	109
Final Revenue Requirement (A+B+C)	668,611

Positions of the Parties

KCFN maintains that the increase in the Energy Charge for RS 1102 satisfies the definition of “rate shock” and submits that this rate increase should be denied.¹¹⁰ KCFN submits that the increase in the Energy Charge for RS 1102 of 16.5 percent approved in Order G-16-25, relative to the Energy Charge approved for KPL in the 2021 Decision, also satisfied the definition of “rate shock.”¹¹¹ KPL also states that KPL’s requested rate increase “fails to manage the customer rate impact.”¹¹² Finally, KCFN submits that the rate increase sought for RS 1102 contravenes the Bonbright Principles, specifically, Principle 6 on Rate Stability and that this rate increase “demonstrates KPL’s failure to preserve rate stability for its customers.”¹¹³

In reply, KPL states that KCFN’s submission for denial of the RS 1102 rate increase is “unsubstantiated.”¹¹⁴ Regarding the Bonbright Principles and rate stability, KPL notes that KCFN does not identify any “contravention” of the principle of rate stability. KPL further notes that section 59(5) of the UCA regarding whether a rate is “unjust” or “unreasonable” binds the BCUC in its decision-making for rates, not the Bonbright Principles which are only meant to guide the BCUC.¹¹⁵

Panel Determination

The Panel accepts KPL’s calculation of the KCFN Differential of \$0.16784 per kWh. The Panel notes that the calculated KCFN Differential is consistent with the methodology previously approved by the BCUC, which includes a fixed Rate Base Return of 6.90 percent.

The Panel approves an Energy Charge of \$0.4729 per kWh for RS 1101 and \$0.3052 per kWh for RS 1102, effective on the date of this decision.

The approved Energy Charge of \$0.4729 per kWh for RS 1101, when compared to the Energy Charge previously approved in the 2024 RRA amounts to an increase of approximately 8.74 percent over two years. We find that this increase is reasonable when considering KPL’s Test Year forecast cost of service.

¹⁰⁹ Table compiled by BCUC Staff based on the figures provided by KPL in response to Panel IR 1.3 in Exhibit B-6 and the Panel’s determination in Section 2.2.1 of the decision. The ‘Additional Earned Return due to exclusion of above amortization’ has been calculated based on the financial schedules provided by KPL in Exhibit B-3.

¹¹⁰ KCFN Final Argument, p. 1.

¹¹¹ KCFN Final Argument, p. 4.

¹¹² KCFN Final Argument, pp. 6-8.

¹¹³ KCFN Final Argument, p. 8.

¹¹⁴ KPL Reply Argument, p. 4.

¹¹⁵ KPL Reply Argument, pp. 9-10.

The approved Energy Charge of \$0.3052 per kWh for RS 1102, when compared to the Energy Charge previously approved in the 2024 RRA, amounts to an increase of approximately 19.73 percent over two years. The main reason for the increase in the RS 1102 Energy Charge relative to the RS 1101 Energy Charge is the decrease in the KCFN Differential from \$0.18000 per kWh per the 2024 Decision to \$0.16784 per kWh for the Test Year. The Panel notes that because the KCFN CIAC is amortized over time, a decrease in the KCFN Differential is expected, which reflects the declining CIAC benefit.

The other reason for the increase in the RS 1102 Energy Charge relates to the increase in BC Hydro charges, as discussed in Section 2.4 above (i.e. increase of approximately 12.5 percent from the amount approved in the 2024 RRA of \$163,257), in addition to an increase in KPL's allowed return on equity from 9.50 percent to 10.40 percent, as approved in the BCUC's GCOC Stage 2 Decision.

On balance, the Panel finds that these factors provide sufficient support for the increase in the RS 1102 Energy Charge and that the quantum of the increase is reasonable. We acknowledge that the resulting RS 1102 Energy Charge amounts to an increase of approximately 19.73 percent over two years, or approximately 9.9 percent per year, which approaches rate shock. While we acknowledge the size of the rate increase faced by KCFN and its rate shock concerns, we consider that the rate increase for RS 1102 is justified largely due to the reduced KCFN Differential and KPL's overall Test Year revenue requirement as approved. We also note that while KCFN submits that the rate increase for RS 1102 should be completely denied, we find that approving no rate change for RS 1102 is unreasonable. Based on the evidence provided by KPL, KPL's projected revenue at current rates is insufficient to cover its forecast cost of service for the Test Year.

In this regard, we make some further observations. Firstly, in an effort to mitigate rate increases, KPL has adopted a conservative approach in arriving at its revenue requirement for the Test Year, particularly in the area of Vegetation Management where it is assuming the risk of any additional costs. Secondly, while we recognize the importance of considering the Bonbright Principles of rate-making as a whole in assessing rates, the Rate Stability principle must be applied in light of the practical realities of a small utility like KPL which provides service in a geographically isolated area. Small utilities like KPL often face higher cost volatility and unique operational challenges, which make it extremely difficult, if not impossible, for them to achieve the level of rate stability that can be expected of larger utilities.

4.0 Overall Panel Determination

Having reviewed the entirety of the evidence and submissions in this proceeding, **the Panel finds KPL's revenue requirement for the Test Year reasonable for setting KPL's rates**, subject to the Panel's determinations on the regulatory accounts in Section 2.0 above.

5.0 Other Matters

5.1 Confidentiality

As part of the Application, KPL filed Appendices G and H in a confidential manner. KPL states that Appendix G should be kept confidential as it includes corporate tax-related information available solely to the Canada Revenue Agency, and similarly, Appendix H contains third-party invoices with private commercial terms and information.¹¹⁶

¹¹⁶ Exhibits B-1-2 (Confidential Appendix H) and B-1-3 (Confidential Appendix G).

Panel Determination

The Panel accepts that Appendices G and H to the Application should be kept confidential as they contain commercially sensitive information relating to KPL, and its suppliers and contractors which operate in a competitive environment. The public release of these appendices could jeopardize the business and financial operations of KPL as well as those of its suppliers and contractors. **Therefore, the Panel orders that Appendices G and H to the Application be held confidential, unless otherwise directed by the BCUC.**

5.2 Confirmations Sought by KPL

As part of its Application, KPL seeks BCUC confirmation of the following:¹¹⁷

1. KPL's utility financials including rate base, depreciation rates and related items;
2. KPL's notional equity requirement as 50 percent of rate base and a notional return on equity of 10.40 percent;
3. KPL's notional debt requirement as 50 percent of rate base and a notional interest rate of 6.91 percent;
4. The KCFN Differential of \$0.16784 per kWh between the Energy Charge of RS 1101 and that of RS 1102; and
5. KPL's WACC of 8.655 percent.

Positions of the Parties

KCFN did not comment on the confirmations sought by KPL.

Panel Discussion

The Panel notes that KPL's deemed capital structure, return on equity, debt interest rate, and the associated WACC were already determined in the GCOC Stage 2 Decision. KPL applied for rate amendments to its electric Tariff using these previously approved values¹¹⁸. Accordingly, the Panel does not consider it necessary to comment on these cost of capital matters again in this decision. Further, the Panel has accepted KPL's calculation of the KCFN Differential of \$0.16784 per kWh in Section 3.2 of this decision. Lastly, the BCUC does not typically confirm utility financials except to the extent necessary to determine the utility's revenue requirement, which we find reasonable for setting KPL's rates in the Test Year, subject to our determinations in Section 2.2 of this decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of September 2025.

Electronically signed by Anna Fung

¹¹⁷ KPL Final Argument, p. 1.

¹¹⁸ Order G-16-25.

A. K. Fung, KC
Panel Chair/Commissioner

Electronically signed by Elizabeth A. (Lisa) Brown

E. A. Brown
Commissioner

Kyuquot Power Ltd.
2026 Revenue Requirements

LIST OF TERMS AND ACRONYMS

Term/Acronym	Description
2024 CPCN Hearing	Certificate of Public Convenience and Necessity proceeding for the Capacity Upgrade Project, Decision and Order C-6-24 dated December 20, 2024
2024 Decision	Kyuquot Power Ltd. (KPL) 2024 Revenue Requirements Decision and Order G-53-24 dated February 29, 2024.
2024 RRA proceeding	KPL filed its 2024 Revenue Requirements Application on June 12, 2023 and sought approval for a permanent increase to its basic charges and energy charges under rate schedules (RS) 1101 and 1102 which the BCUC reviewed and issued its Decision and Order G-53-24 on February 29, 2024
AFUDC	Allowance for funds used during construction
Application	KPL's 2026 revenue requirements application for approval to amend its electric tariff rate schedules and for other related rate matters.
BC Hydro	British Columbia Hydro and Power Authority
BCUC	British Columbia Utilities Commission
BME	Baseline Maintenance Expense
Capacity Upgrade Project Regulatory Account	KPL's proposed new rate base regulatory asset account for charges paid to BC Hydro for upgrades for the Capacity Upgrade Project
CCPI	Canada Consumer Price Index
CIAC	Contribution in Aid of Construction
CPCN	Certificate of Public Convenience and Necessity
Fiscal 2024	July 1, 2023 to June 30, 2024
GCOC	Generic Cost of Capital
GCOC Stage 2 Decision	British Columbia Utilities Commission Generic Cost of Capital proceeding (Stage 2), Decision and Order G-321-24 dated November 29, 2024
IR	Information request
KCFN	Ka:yu:'k't'h'/Che:k'tles7et'h' First Nations

KCFN Differential	The difference between the RS 1101 and 1102 rates based on the depreciating value of the KCFN CIAC
KPL	Kyuquot Power Ltd.
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt hour
LTM	Long Term Maintenance
O&M	Operating and Maintenance
POI	Point of interconnection
Resource Assessment Hearing	Proceeding to review KPL's Resource Assessment Report, Decision and Order G-207-24 dated August 2, 2024
Revenue Requirement	KPL's 2026 revenue requirement
RRA	Revenue requirements application
RS	Rate schedules
Safety and Reliability Hearing	Investigation into the Safety and Reliability of the KPL System, Decision and Order G-302-22 dated October 27, 2022
Test Year	KPL's forecast cost of service or revenue requirement from July 1, 2025 to June 30, 2026
Tiicma	Tiicma Forestry LP
UCA	<i>Utilities Commission Act</i>
WACC	Weighted average cost of capital
WIP	Work-in-progress

Kyuquot Power Ltd.
2026 Revenue Requirements

EXHIBIT LIST

Exhibit No.	Description
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COMMISSION DOCUMENTS

A-1	April 23, 2025 – Panel Appointment
A-2	April 30, 2025 – BCUC Order G-110-25 establishing a regulatory timetable
A-3	May 14, 2025 – Request to KPL for supplemental information
A-4	May 23, 2025 – BCUC Information Request No. 1 to KPL
A-5	July 7, 2025 – BCUC Order G-172-25 establishing an amended regulatory timetable
A-6	July 7, 2025 – BCUC Panel Information Request No. 1 to KPL

APPLICANT DOCUMENTS

B-1	PUBLIC - April 8, 2025 – KYUQUOT POWER LIMITED (KPL) – 2026 Revenue Requirements Application (RRA)
B-1-1	PUBLIC - April 8, 2025 – KPL submitting 2026 RRA Supplementary Appendices to the Application
B-1-2	CONFIDENTIAL - April 11, 2025 – KPL submitting 2026 RRA Appendix H
B-1-3	CONFIDENTIAL - April 19, 2025 – KPL submitting 2026 RRA Appendix G
B-2	May 9, 2025 – KPL submitting confirmation of public notice
B-3	May 15, 2025 – KPL submitting supplemental information
B-4	June 21, 2025 – KPL submitting responses to BCUC IR No. 1
B-5	June 21, 2025 – KPL submitting responses to KCFN IR No. 1
B-6	July 15, 2025 – KPL submitting response to Panel Information Request No. 1

INTERVENER DOCUMENTS

- C1-1 May 16, 2025 - **KA:'YU:'K'T'H' / CHE:K'TLES7ET'H' FIRST NATIONS (KCFN)** – Request to Intervene by Stephen Thorne
- C1-2 June 4, 2025 – KCFN submitting Information Request No. 1 to KPL

Kyuquot Power Ltd.
2026 Revenue Requirements

SUMMARY OF DETERMINATIONS AND DIRECTIVES

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

Determination/Directive	Page
The Panel finds KPL's forecast O&M expenses in the amount of \$237,529 for the Test Year to be reasonable.	6
The Panel finds KPL's forecast of total Repairs and Maintenance expenses of \$71,375 to be reasonable.	6
The Panel finds KPL's forecast annual Vegetation Management expense of \$12,000, which forms part of the total forecast Repairs and Maintenance expense of \$71,375, to be reasonable.	6
The Panel approves KPL's request to establish a rate base Capacity Upgrade Project Regulatory Account for charges of \$136,237 paid to BC Hydro for Phase One of the project.	9
The Panel approves KPL's request to amortize the Capacity Upgrade Project Regulatory Account at a rate of 7 percent per annum on a straight-line basis [...].	11
The Panel denies KPL's request to recover any amortization of the Capacity Upgrade Project Regulatory Account in the Test Year.	11
The Panel approves KPL to establish a new rate base regulatory account for costs pertaining to the Resource Assessment Hearing, with an asset value of \$12,829 as at June 30, 2025, to be amortized at the rate of 25 percent per annum on a straight-line basis, commencing in the Test Year	12
The Panel approves KPL to establish a new rate base regulatory account for costs pertaining to the 2024 CPCN Hearing with an asset value of \$1,999 as at June 30, 2025, to be amortized at the rate at 25 percent per annum on a straight-line basis, commencing in the Test Year.	12
[T]he Panel directs KPL to indicate whether it will apply to the BCUC for approval to establish a deferral account to record all future regulatory costs related to BCUC proceedings, in a compliance filing by October 31, 2025.	13
The Panel approves KPL to increase the Basic Charge for RS 1101 and 1102 by \$0.30 per month to \$10.00 per month, effective on the date of this decision.	18
The Panel accepts KPL's calculation of the KCFN Differential of \$0.16784 per kWh.	22
The Panel approves an Energy Charge of \$0.4729 per kWh for RS 1101 and \$0.3052 per kWh for RS 1102, effective on the date of this decision.	22
[T]he Panel finds KPL's revenue requirement for the Test Year reasonable for setting KPL's rates.	23
[T]he Panel orders that Appendices G and H to the Application be held confidential, unless otherwise directed by the BCUC.	23