

**Ramona Faust Intervenor Nelson Hydro Rural Rate Increase Application****Intervenor Information Request 1**

**April 11, 2017**

**Question 1**

Does the City of Nelson sell external power as requested under the following document?

*CITY OF NELSON EVIDENCE*

*BCUC Project No. 3698531:*

*British Columbia Hydro and Power Authority (“BC Hydro”)*

*Application to Amend Section 2.1 of Rate Schedule 3808 Power Purchase*

*Agreement (the “Application”)*

The anticipated benefit of selling power was identified on pages 11 to 13 of the application of which this is an excerpt

***Energy Exports******Anticipated Exports and Income:***

*Nelson continues to expect annual sales under the PCA of 28 GWh with well over half of the sales occurring in light load hours.*

*Nelson intends to use the export income substantially in following manner:*

- *to finance project that assist the City of Nelson in achieving its Climate Change Action Plan Objectives. These projects include reducing Green House Gas Emissions, and Demand Side Management. A specific key project for 2009 is to investigate the feasibility of a district heat plant using lake water as the heat source and heat pumps to raise the temperature for building heat;*
- *to reduce power purchase costs for Nelson Hydro ratepayers. Specifically the export income can be used to mitigate a portion of the energy purchase demand charges; and*
- *to provide funding for city projects such as in the public works and parks departments.*

*If BC Hydro is successful in this Application, the City of Nelson will be forced to re-examine these to consider all available options, including the transfer of its generating assets.*

**Question 2.** If this application was approved how are the proceeds from the external sale meeting the targets identified in the section above and subsequent sections? In 2012 I noted the proceeds of the sale of external power was not included in the financial plan presented to the Committee of the Whole. Is it included in 2017 budget?

**Question 3.** Rural residential use of electricity has been noted by Nelson Hydro as being higher than urban use despite the use of wood heat although it is recognized gas heating does not reach a large portion of the rural communities and electrical dependence for heat is high.

How often does Nelson Hydro conduct meter tests in the rural areas? Antidotal information sees customers complain of mistakes in the meter's tracking in favour of the utility? What is the incidence of complaints?

**Question 4.** Can Nelson Hydro identify where the funds for the Solar Garden have been from to date specifically how much has come from Nelson Hydro and how much will come from Nelson Hydro to complete and accomplish yearly operations? Is it still forecasted at full cost recovery and over what period of time?

*"On January 26, 2016, Nelson Hydro also applied to the Commission for approval of the Solar Garden Fees & Charges Bylaw Amendment Schedule F – No. 3325. The purpose of the amendment to Schedule F is to implement the fees and charges for the Community Solar Garden, which are based on full cost recovery; and*

*E. The Commission reviewed Nelson Hydro's requests for bylaw amendments and considers that approval is warranted."*

**Question 5.**

It is my understanding the power produced from the 240 panels will benefit customers who chose to be investors or who could invest in the limited number of panels. How much will the Solar Garden reduce the need to purchase power from Fortis? What will be the benefit to rural customers if funds from Nelson Hydro have been used to create the project? The project was due to come on line at the end of May 2016. What are the costs of the project loss of operation?

**Question 5:**

**Background**

In 2012 Newspaper articles (<http://www.nelsonstar.com/news/137986713.html?mobile=true> ) it was intimated that Nelson Hydro sought 3 million dollars to fund a District Energy System as indicated in the Nelson Hydro Delegation briefing to council January 23, 2012 Committee of the Whole **"TOPIC: Nelson Hydro – 2012 Electric Utility Rates PROPOSAL:"**

In a recent presentation to the Regional District of Central Kootenay it has been said by Nelson Hydro that funds for a District Energy System are mostly in place.

Questions:

- Were these funds for the District Energy System collected as part of the sought after budget increase in 2012?
- Was the repayment spoken of in the Newspaper Article implemented in any subsequent year? If not when will the funds be returned to the utility if the District Energy System does not go ahead?
- Where in Nelson Hydro's budget or 5 year forecast can these funds be found? Are they in a statutory reserve or capital reserve?
- Would rural customers be contributing to this project through Nelson Hydro if funds have been collected? What will become of the profit from the District Energy System if it moves ahead? What is the benefit to rural customers from the project? Would the sale of district energy reduce the cost of electricity to rural customers?
- What risk could accrue to rural customers should there be no profit from the facility?

**Question 6.**

Rural Rates are higher than Municipal Rates in several rate classes. If the principle of rate universality and benefit to all customers is applied and Nelson Hydro creates rate parity between municipal and rural customers to raise revenue would a rate increase be required?

**Question 7.**

Who sets administrative costs and excluded salaries and are they competitive and have they increased more than the cost of living since the year over year increases to Nelson Hydro rates began in 2009. Is the utility competitively staffed?

**Question 8.**

Are dividends paid by the utility to the City of Nelson in keeping with other small municipal utilities in BC? Does only the customers of the Municipality in other jurisdictions receive benefit of the dividend? Why would dividends not reduce before year after increases are sought?

**Question 9.**

Why does Nelson Hydro not pay Grant in Lieu of Taxes for substations or infrastructure located in the rural areas?

**Question 10**

Nelson Hydro, by Regional District of Central Kootenay bylaw contributes \$90,000 per year to the Nelson and District Community Complex Service, a shared service whose members are congruent with the Nelson Hydro Service Area. The funds have not been contributed for 2016 and 2017 is unknown. Does Nelson Hydro intend to commit the funds for both fiscal years as indicated in the costs submitted to BCUC.

**Question 11.**

Does Nelson Hydro contribute financially to the Nelson Broadband Initiative for the City of Nelson? Rural customers do not receive service from this initiative.

**Question 12**

As a public utility with over 40% of its customer base outside of municipal boundaries it seems that revenue over expense since 2009 has exceeded \$30,000,000. Is this correct? Is this appropriate to be allocated primarily to benefit municipal customers through dividends? It would seem a rate increase to rural residents should be carefully considered in light of the weighted benefit to municipal customers. Has Nelson Hydro factored this in to its rate increase request?