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April 19, 2018

Sent via eFile

<b>NELSON HYDRO 2018 RATE APPLICATION</b> <b>EXHIBIT A-6</b>
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Mr. Alex Love  
General Manager  
Nelson Hydro  
310 Ward Street, Suite 101  
Nelson, BC V1L 5S4  
alove@nelson.ca; mcraig@nelson.ca

**Re: Nelson Hydro– 2018 Rate Application – Project No. 1598942**

Dear Mr. Love:

Further to your December 8, 2017 filing of the above noted application, enclosed please find the British Columbia Utilities Commission Information Request No. 2. In accordance with the regulatory timetable, please provide your responses no later than Thursday, May 10, 2018.

Sincerely,

*Original signed by:*

Patrick Wruck  
Commission Secretary

/kbb



Nelson Hydro  
2018 Rate Application

**BCUC INFORMATION REQUEST NO. 2 TO NELSON HYDRO**

**19.0 Reference: OPERATING EXPENSES**  
**Exhibit B-3, BCUC IR 4.2, Attachment to BCUC IR 2.2; Nelson Hydro 2017 Rate Application proceeding, Exhibit B-3, Attachment to BCUC IR 2.1 Budgeting for Operating Expenses**

Based on the information contained in the Attachment to BCUC IR 2.2 in the current proceeding and the information contained in the Attachment to BCUC IR 2.1 in the Nelson Hydro 2017 Rate Application proceeding (2017 Rate Proceeding), the Actual Operating Expenses for 2014 through 2017 and the Budget 2018 Operating Expenses are as follows:

Year	Actual Operating Expenses (\$)	% Increase (Decrease) from Previous Year	Budget Operating Expenses (\$)	% Increase (Decrease) from Previous Year
2014	4,902,298	N/A	4,276,485	N/A
2015	5,317,873	8.5%	4,408,806	3%
2016	4,371,549	(17.8)%	4,636,779	5.2%
2017	4,560,459	4.3%	4,630,511*	(0.1)%
2018	N/A	N/A	4,741,184	2.3%

\*NOTE: In response to BCUC IR 4.2, Nelson Hydro explained that it did not restate the 2017 Budget to remove \$204,000 related to the Regional Energy Efficiency program even though the program did not proceed. For comparability purposes, staff has removed this amount from the 2017 Budget.

Nelson Hydro stated in a number of BCUC IR responses that the increases to operating expenses, such as Distribution, Electrical Billing and Collection, Metering, and Operation, are based on applying a 3 percent inflationary increase to the 2017 Budget.

- 19.1 Please discuss how much of Nelson Hydro’s budgeting process for Operating Expenses is based on applying general inflationary increases to the previous years’ budgets.
- 19.2 Please explain how/why Nelson Hydro determined that applying a general inflationary increase to the previous years’ budgets is an appropriate approach to budgeting for Operating Expenses.
  - 19.2.1 For each category of Operating Expenses (i.e. Distribution, Electrical Administration, etc.) where a general inflationary increase has been applied in whole or in part to the expense category, please provide a detailed explanation as to why Nelson Hydro considers the expenses to exhibit cost pressures/changes that are reflective of general inflation. Please provide specific references to the nature of the expenses in each category and how these expenses have changed from year to year.

- 19.3 Please specifically provide support for the chosen inflationary increase of 3 percent. As part of this response, please indicate what actual inflation has been for the past three years, based on the BC Consumer Price Index, and provide the supporting CANSIM table reference.
- 19.4 Please discuss whether the approach of setting the Operating Expense budget by applying an inflationary increase to the previous year's budget creates a disincentive to the utility to increase productivity and to reduce costs.
- 19.5 Based on the table provided above in the preamble, does Nelson Hydro agree that the changes in Actual Operating Expenses from year to year do not closely align with inflationary increases?
- 19.5.1 If Nelson Hydro does not agree, please explain and provide supporting data/trends.
- 19.6 Please discuss other methods which could be considered for budgeting annual Operating Expenses and compare these other methods in terms of pros and cons to the inflationary increase approach. Please specifically include the following methods as part this response:
- Setting the budget (with exceptions where necessary) based on the average of the most recent 3 to 5 years of actual Operating Expense results.
  - Setting the budget (with exceptions where necessary) based on applying a general inflationary increase to the most recent year's actual results (i.e. the most recent year where actual data is available at the time of setting the budget) as opposed to the previous year's budget.
  - Setting the budget based on a zero-based budgeting approach.
- 19.7 In the event that BCUC does not approve full recovery of the 2018 revenue requirement (i.e. BCUC directed a reduction to the proposed permanent rate increase for 2018), what would the practical implications be for Nelson Hydro and how would it implement the reduced rate? As part of this response, please include a discussion of the following:
- Whether an amended budget would need to be approved by the City Council;
  - How the difference in budget would be accounted for by Nelson Hydro and the City of Nelson; and
  - Whether Nelson Hydro would consider charging different rates to the municipal ratepayers compared to the non-municipal ratepayers, given that BCUC's jurisdiction over rates only extends to non-municipal ratepayers.

**20.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 3.1  
Distribution**

In response to BCUC IR 3.1, Nelson Hydro provided four expense categories within Distribution which it states are responsible for the majority of the variance in 2017 budget versus actual results.

- 20.1 Please provide the actual versus budget results for each of the following expense categories for the years 2014, 2015 and 2016: Primary Maintenance; Tree Trimming; Outage Trouble Calls; and Distribution ROW Maintenance.
- 20.2 With regard to Primary Maintenance, Tree Trimming and Distribution ROW Maintenance, does Nelson Hydro generally plan for these activities in advance? Please explain why or why not.
- 20.2.1 If yes, please explain if Nelson Hydro incorporates these planned activities into the upcoming year's budget through either a specific reduction or increase to the budgeted expenses.

20.3 Please describe what Nelson Hydro's expectations are for Primary Maintenance and Distribution ROW Maintenance for 2018, particularly when compared to the previous year's actual expenditures in these two categories.

**21.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 4.2.1; 2017 Rate Proceeding, Exhibit B-3, BCUC IR 4.1-4.3  
Labour**

Nelson Hydro stated the following in response to BCUC IR 4.2.1 regarding Supervision expense: "\$41,902 over budget due to a) higher oversight costs for contractors working in Nelson Hydro system on capital projects (Voltage Conversion and North Shore re-conductoring), b) 2 managers to attend an Engineering roundtable in Montana (travel expenses)."

In response to BCUC IR 4.1-4.3 in the 2017 Rate Proceeding, Nelson Hydro stated the following: "General Admin is an allocation of City Admin, such as reception, CAO and HR. Many of these positions are excluded staff."

21.1 Other than the Electrical Administration and Share of General Administration Operating Expense categories, please indicate if there are labour costs recorded in other expense categories. If yes, please indicate which expense categories and the amounts in each category for Budget 2017, Actual 2017 and Budget 2018.

21.2 Please provide the total number of employees who work directly for Nelson Hydro (i.e. that work solely for Nelson Hydro) for each of 2014 through 2017 and Budget 2018.

21.2.1 For each employee in each year, please provide the title and job description and the annual compensation (confidentially if necessary). Please also indicate how many of the employees are excluded staff and how many are CUPE employees.

21.3 Please provide the total number of employees who work partially for Nelson Hydro (i.e. share their time between the City of Nelson and Nelson Hydro) for each of 2014 through 2017 and Budget 2018.

21.3.1 For each employee in each year, please provide the title and job description and the annual compensation (confidentially if necessary). Please also indicate how many of the employees are excluded staff and how many are CUPE employees.

21.4 Please confirm, or explain otherwise, that the labour costs associated with all excluded (i.e. non-CUPE) employees who work partially for Nelson Hydro are recorded in the Share of General Administration expense category.

21.5 For any employees who work partially for Nelson Hydro but whose costs are not allocated to Nelson Hydro through the Share of General Administration expense, please explain how the time and costs are allocated and where these costs are recorded.

21.5.1 Please also explain if the allocation percentage has remained consistent from 2014 through to Budget 2018, similar to the allocation percentage used to allocate costs to the Share of General Administration expenses.

**22.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 4.2.1, 4.2.2  
Electrical Administration**

Nelson Hydro provided an explanation for 2017 actual vs budget variances in Electrical Administration in response to BCUC IR 4.2.1, including the following explanation regarding Donations: "\$5,400 over budget due to allocation electrician costs for special events in the City of Nelson to the donation expenses."

- 22.1 Please clarify the meaning of the above statement regarding Donations.
- 22.2 How much has Nelson Hydro budgeted in total for Donations for 2018? Please indicate which expense categories contain Donations expenses (if Donations are included in other expenses beyond Electrical Administration).
- 22.3 Please provide a breakdown and description of the Actual 2017 Donations expense and the Budget 2018 Donations expense.
- 22.4 Please explain how Nelson Hydro determines the Donations budget and how it determines what to spend donations amounts on.
- 22.5 Please discuss any potential benefits which may accrue to non-municipal ratepayers as a result of the Donations expense.

Nelson Hydro stated the following regarding Grand Forks Expenses: “Over budget by \$62,977 due to a special project in Grand Forks where Nelson Hydro incurred extra consulting expenses that are in turn billed to Grand Forks at a markup and will show as revenue in 2018.”

- 22.6 Please explain why the revenue associated with the Grand Forks Expenses is not also recorded in 2017.
- 22.7 Please confirm, or explain otherwise, that the Budget 2018 revenue includes the revenue to be received from Grand Forks, as described in the above preamble. If not, please explain why not.
- 22.8 Are all expenses incurred for the Grand Forks special project being billed at a mark-up, or are there some expenses being incurred by Nelson Hydro which are not being billed to Grand Forks? If some expenses are not being billed to Grand Forks, please explain the nature of these expenses, provide the total amount, and explain why not.

Nelson Hydro stated the following regarding Supervision expense: “\$41,902 over budget due to a) higher oversight costs for contractors working in Nelson Hydro system on capital projects (Voltage Conversion and North Shore re-conductoring), b) 2 managers to attend an Engineering roundtable in Montana (travel expenses).”

- 22.9 Please provide the number of contractors and/or consultants utilized by Nelson Hydro in each of the years 2014 through 2017 and Budget 2018.
  - 22.9.1 Please provide a title and job description for each contractor/consultant as well as the total cost for consultants/contractors incurred by Nelson Hydro in each year.
- 22.10 If the cost of consultants/contractors has increased from 2014 through to Budget 2018, please explain why. Please also explain if any/all of the work performed by consultants/contractors is related to work that was previously performed by employees or if the work is related to an increase in the amount of annual operating/maintenance work.
- 22.11 Please confirm, or explain otherwise, that all contractors/consultants are paid based on competitive market rates.
- 22.12 Do the consultants/contractors working for Nelson Hydro share time with the City of Nelson, or do they work solely for Nelson Hydro?
  - 22.12.1 If the time is shared between the City of Nelson and Nelson Hydro, please explain how the time and related costs are tracked and allocated between the two entities.

Nelson Hydro stated the following regarding Consulting Services: “\$38,025 under budget due what was needed during the year and less progress made on Co Gen business planning than was expected (no consultant used for this purpose).”

22.13 Please provide the total amount of Operating Expenses budgeted for 2018 for the development of new business opportunities, such as co-generation and district energy services. Please also provide the actual amount of Operating Expenses related to new business opportunities for 2016 and 2017.

22.14 Please explain if the new business opportunities are expected to benefit/impact the non-municipal ratepayers as well as the municipal ratepayers. If not, please explain why it is appropriate to recover these costs from non-municipal ratepayers.

In response to BCUC IR 4.2.2, Nelson Hydro showed an amount of \$18,000 for Budget 2018 for Promotions.

22.15 Please explain the nature of these expenses and why an increase of \$18,000 is required.

22.16 How much was budgeted for Promotions in 2017 and how much was actually spent?

22.17 Please discuss any potential benefits which may accrue to non-municipal ratepayers as a result of the Promotions expense.

**23.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 7.1, 7.2  
Metering**

Nelson Hydro stated the following in response to BCUC IR 7.1 and 7.2:

We are not seeing a general continuous reduction in any one area year to year yet that would trigger us to make a change on our budget deviating away from the standard inflationary increase. We continue to monitor this each year and if a notable downward trend did start to appear that was sustained, then we would react on the budget planning accordingly.

23.1 Please explain what Nelson Hydro would consider to be a “notable downward trend.” For instance, would this assessment be based on a certain number of years (and if so, how many), the size of the variance between actual and budget expenses (and if so, how much), or some other measure?

**24.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 8.1, 8.2; 2017 Rate Proceeding, Exhibit B-4, BCUC IR 21.1  
Operation**

In response to BCUC IR 8.2, Nelson Hydro stated that Advertising has increased by \$10,250 due to “an increase in notifications/communications with the public on Hydro projects /newsletters, planned outages and scheduled events.”

In response to BCUC IR 21.1 in the 2017 Rate Proceeding, Nelson Hydro stated the following:

Advertising costs include everything from educational pieces ex: stay safe near powerlines & vegetation management to planned power outage notices, newsletters shared costs with the City of Nelson, Earth Day, rate increase notices and annual newsletters. This budget can vary depending on the projects undertaken by Nelson Hydro.

In response to BCUC IR 8.1, Nelson Hydro provides the following information on Advertising expenses:

- 2015 Actual – \$10,042
- 2016 Actual – \$5,186
- 2017 Actual – \$18,838
- 2018 Budget – \$18,000

- 24.1 Please explain how much of the 2017 Actual Advertising expense and the 2018 Budget Advertising expense is related to core business functions such as planned outages and the provision of safe and reliable services, and how much is related to advertising and communication of new business developments and non-core activities/projects.
- 24.2 Please explain what the primary driver is for the increased Advertising expenditures in 2017 and for Budget 2018.

In response to BCUC IR 8.1, Nelson Hydro stated that the Operations (Coffee Creek) expense is for “as when needed services” and shows that the actual costs for this expense item for the years’ 2015 through 2017 have been zero.

- 24.3 In consideration of the past three years’ actual expenses for Operations (Coffee Creek), please discuss whether this expense should be eliminated from the budget going forward.

Nelson Hydro has budgeted \$2,000 for Solar Garden Operations for 2018, as shown in response to BCUC IR 8.1.

- 24.4 Please explain if there are any other expenses related to the Solar Garden recorded in other areas of the budget (i.e. in other expense categories). If yes, please provide these amounts and description of the expenses.

**25.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 9.1.2  
Share of General Administration**

Nelson Hydro stated in response to BCUC IR 9.1.2 that the increase of 4 percent to Share of General Administration is due to a general inflationary increase.

- 25.1 Please explain why the inflationary increase is 4 percent as opposed to the 3 percent inflationary increase applied to other Operating Expense categories.
- 25.2 Please clarify why the annual increase is based on inflation and not tied to actual salary increases.
- 25.3 Does Nelson Hydro anticipate that there will be salary increases for General Administration staff in 2018?
- 25.3.1 If yes, please provide the percentage increases in salaries.
- 25.3.2 If no, please explain why it is appropriate to increase this expense for 2018.
- 25.4 Please explain how the remuneration for excluded staff is determined and by whom, particularly with regard to any excluded staff who work directly for Nelson Hydro.

**26.0 Reference: OPERATING EXPENSES  
Exhibit B-3, BCUC IR 12.1, 12.2  
Allowance for Small Account Write-offs**

Nelson Hydro stated the following in response to BCUC IR 12.1:

The budget spreadsheet is set to increase automatically increment for general inflationary increases...We probably could reduce the budget on this line item as several years of recent history have been at lower levels.

Nelson Hydro further stated in response to BCUC IR 12.2 that it has done “considerable work in our Billings and Collections Dept. in the last several years to reduce this amount” and that it would “therefore be reasonable to reduce the budget going forward.”

26.1 Please explain what amount Nelson Hydro would recommend including in the budget going forward for the Allowance for Small Account Write-offs. Please explain how this recommended amount is arrived at and why Nelson Hydro considers it appropriate.

**27.0 Reference: POWER PURCHASE EXPENSE  
Exhibit B-3, Attachment to BCUC IR 2.2  
2017 Budget versus 2017 Actual**

In the attachment to BCUC IR 2.2, it shows the following for Power Purchase expenses:

- 2017 Budget – \$6,756,716
- 2017 Q3 Year End Forecast (YEF) – \$6,711,088
- 2017 Actual (Draft) – \$7,109,904

27.1 Please explain the cause of the Actual 2017 Power Purchase expense exceeding what was expected in the 2017 Q3 Year End Forecast. What changes in circumstances occurred in the fourth quarter of 2017 that were not originally anticipated by Nelson Hydro?

**28.0 Reference: TRANSFERS  
Exhibit B-3, BCUC IR 14.1, 14.2, Attachment to BCUC IR 2.2  
Dividend Payment**

Nelson Hydro explained in response to BCUC IR 14.1 that the two percent increase to the Dividend Payment for 2018 is an inflationary increase.

Nelson Hydro further stated in response to BCUC IR 14.2 that its “best estimate is inflation will run in the 2-3% range for the foreseeable future” and it is “appropriate for the City to continue to receive value for operating and investing in the utility.”

28.1 Please explain why Nelson Hydro budgeted an inflationary increase of 3 percent for the majority of its Operating Expenses when it has budgeted a 2 percent inflationary increase for the Dividend Payment. What is the reason for the difference in inflationary increases?

28.2 Please specifically explain based on the nature of the Dividend Payment (i.e. a discretionary payment based on performance) as compared to other types of expenses such as Operational expenses (which are incurred based on need), why an increase to the Dividend Payment based on inflation is appropriate.

28.3 Why did Nelson Hydro not apply an inflationary increase (or any increase) to the 2016 and 2017 budgets for the Dividend Payment? Please explain the specific change in circumstances which resulted in Nelson Hydro determining that such an increase is appropriate for 2018.

28.4 When was the last time that Nelson Hydro increased the budget for the Dividend Payment? How much was this increase and how was it calculated?

**29.0 Reference: TRANSFERS  
Exhibit B-3, BCUC IR 15.1, 15.3  
Water License Reserve**

Nelson Hydro stated the following in response to BCUC IR 15.1:

Having a water license comes with obligations to beneficially use the water – in this case to generate power. On the other hand if using the water incurs a loss and would be expected to continue to incur a loss e.g. by producing power with a lower value than the cost of production – why would anyone continue to do that?

If Nelson Hydro was using the water license to produce power at below our cost of production we would likely continue to do that in the short term to ensure that the water is beneficially used and not put the water license at risk, but would also be searching for ways to turn that water license into a value producing asset.

- 29.1 Please explain why charging ratepayers the cost of producing the power (i.e. with no mark-up to the cost) would result in a loss for Nelson Hydro. Why would this not result in a “break-even” situation for Nelson Hydro?
- 29.2 Please confirm, or explain otherwise, that Nelson Hydro’s statement regarding turning the water license into a “value producing asset” means selling the power to external parties.
- 29.3 Please discuss whether, if Nelson Hydro turned the water license into a value producing asset, there would still potentially be benefits to ratepayers as the power sales would increase Nelson Hydro’s annual revenues and thus reduce rate pressures for ratepayers.
- 29.4 Using Nelson Hydro’s current external power sales as a reference point (i.e. sales that are not made to ratepayers), please provide the unit price that Nelson Hydro would likely receive for the Water Rights Agreement (WRA) power if it sold the power to external parties. As part of this response, please identify those parties which would be the most likely purchasers of this power at the specified price.
- 29.4.1 Please compare the price(s) provided in the above response to the FortisBC RS 41 rate.

In response to BCUC IR 15.3, Nelson Hydro provided a simplified calculation of the mark-up being applied to the WRA power. The result is a mark-up of 520 percent.

Nelson Hydro further stated:

We believe that comparing NH [Nelson Hydro] internal production to FortisBC wholesale energy costs is an interesting and informative exercise but is not the appropriate comparison for the water license reserve calculation. The appropriate reference is what would happen if Nelson did not have the water license agreement and if Nelson did not have this agreement then Nelson Hydro would purchase more energy from FortisBC therefore the FortisBC rates are the correct benchmark.

- 29.5 Please indicate when the term of the current WRA expires.
- 29.6 Please explain why the appropriate reference for comparing the water license reserve calculation is what would happen if Nelson did not have the water license agreement given that the agreement does exist and will likely continue to be in place over the medium to long term.

29.7 What is the minimum mark-up that Nelson Hydro would consider applying to the WRA power if it were directed to reduce the amount recovered from ratepayers? As part of this response, please discuss other potential methods for valuing the WRA power which would balance the desire for Nelson Hydro to receive a benefit from the WRA while reducing the cost to ratepayers for this power.

**30.0 Reference: TRANSFERS  
Exhibit B-3, BCUC IR 16.2, 16.3, 16.5, 16.7, 16.8, Attachment to BCUC IR 2.2, 16.7  
Major Capital Reserve**

30.1 Please confirm, or explain otherwise, that the Actual 2017 Transfer to Capital Reserve is \$3,613,932 compared to the Budget 2017 Transfer of \$2,293,194.

Nelson Hydro stated in response to BCUC IR 16.2 regarding New Energy that it “works on developing new energy production opportunities which include installing a small hydro generator on a PRV (City water supply) station in 2018, and the business plan for the District Energy System (to provide heat energy sales in Nelson) and possible Co-Gen system (to produce electricity and heat).”

30.2 Please confirm, or explain otherwise, that the 2018 Budget for capital expenditures for New Energy is \$191,500.

30.3 For each New Energy project described in the above preamble, please explain if the project will benefit/impact the non-municipal ratepayers as well as the municipal ratepayers.

30.3.1 If the projects will not benefit or impact non-municipal ratepayers, please explain why it is appropriate to recover the costs through the Transfers to Capital Reserve from non-municipal ratepayers related to these projects.

Nelson Hydro stated in response to BCUC IR 16.3: “Because this extra \$631K was in the Capital reserve the pressure for future transfers to capital reserve was reduced. As we are trying to rebuild our capital reserve, this \$631K helps get the reserve balance restored more quickly.”

In response to BCUC IR 16.8, Nelson Hydro stated the following:

No there are no formal thresholds for minimum or maximum levels on the Capital Reserve...

Intuitively we think the level should be at least \$5 million and not higher than \$10 million. The reason is that we can foresee a scenario where unexpected capital expenditure of about \$2-3 million is possible...The Capital reserve should be well greater than this foreseeable contingency.

Based on the information provided in the Attachment to BCUC IR 16.7, the maximum capital expenditures incurred in one year since 2012 was \$4,196,305.

In response to BCUC IR 16.5, Nelson Hydro stated that the average draw on the Capital Reserve is \$2.9 million annually.

30.4 Based on the average Capital Reserve draw and the maximum one-year draw that has occurred since 2012, please discuss the reasonableness of establishing a maximum Capital Reserve balance of approximately \$7 million.

30.5 If Nelson Hydro does not have an established maximum threshold for the Capital Reserve, please explain how it can objectively determine the necessary annual transfer to the Capital Reserve and how it would properly assess when the Capital Reserve has been sufficiently rebuilt.

30.6 Please discuss whether the lack of clear thresholds for maintaining the Capital Reserve creates a lack of transparency and a lack of understanding for ratepayers as to how and why the annual Transfers to Capital Reserve are determined and the reasons for variances in those transfer amounts.

In response to BCUC IR 16.5, Nelson Hydro stated that it has had “several years where the transfer into the capital reserve was above budget. This has been largely due to revenues being higher than budget. We feel the solution is a revision to revenue forecasting rather than a revision to capital reserve budgeting.”

30.7 Please clarify what Nelson Hydro means by “the solution is a revision to revenue forecasting.” As part of this response, please specifically provide an example, with reference to the budget, as to how such a revision would impact the applicable components of the budget.

The following table shows the Hydro Operating Surplus amounts contained in the Attachment to BCUC IR 16.7 compared to the Actual Transfers to Capital Reserve amounts shown in the Attachment to BCUC IR 2.2 and in the Attachment to BCUC IR 2.1 in the 2017 Rate Proceeding:

<b>Year</b>	<b>Hydro Operating Surplus (\$) (Attachment to BCUC IR 16.7)</b>	<b>Actual Transfers to Capital Reserve (\$)</b>	<b>Reference for Actual Transfers to Capital Reserve</b>
2014	2,339,850	2,200,023	2017 Rate Proceeding, Exhibit B-3, Attachment to BCUC IR 2.1
2015	1,419,445	1,432,272	2017 Rate Proceeding, Exhibit B-3, Attachment to BCUC IR 2.1
2016	3,416,485	3,152,000	Exhibit B-3, Attachment to BCUC IR 2.2
2017	3,864,076	3,613,932	Exhibit B-3, Attachment to BCUC IR 2.2

30.8 Please explain why the Hydro Operating Surplus amounts do not agree to the Actual Transfers to Capital Reserve amounts, as outlined in the above table.

30.9 Please explain the purpose of the Power Purchase Reserve and when it would be utilized (other than for capital expenditures to the Electrical Utility as described in response to BCUC IR 16.7).

Nelson Hydro was asked in BCUC IR 16.11 whether it has considered, as an alternative to transferring net operating surplus (or deficit) to the capital reserve, holding this surplus/deficit in a separate account (or reserve) to be used as an offset to the subsequent year’s revenue requirement.

30.10 If Nelson Hydro were directed by the BCUC to create such an account (or reserve) for recording the annual operating surpluses/deficits, please explain in detail what such an account/reserve would look like, how it could be used to reduce (or increase) annual rates based on prior year additions to the account/reserve, and what approvals (other than the BCUC) Nelson Hydro would require in order to establish and maintain such an account. Please also explain any practical difficulties or impediments, if any, to the establishment of such an account/reserve.