

To

BC Utilities Commission.
Attention: Commission Secretary P. Wruck

From

Charles Zinkan,
End User - Interest Party

April 13, 2019

Letter of Concern- Nelson Hydro 2019 Rural Rate Application

Interested Party I am a Nelson Hydro rural residential customer and have reviewed their application for a 2019 rate increase and related information. I have 3 major concerns about their proposal.

Concern #1 - Need to Maintain the provincial wide "Postage Stamp Principle"

It is clear that Nelson Hydro wants to abandon the provincial wide "Postage Stamp Principle as applied to residential rates. All of the following advocates that direction.

- the Cost of Service Study,
- the amendment to the Cost of Service Study,
- public statements,
- recommendations to Nelson City Council and
- the March 8, 2019 General Rate Application,.

*"The reason for a higher increase in the rural areas is that operational costs, including vegetation management, are higher because due to the low population density, Love said. "You have more miles of line per customer." *1*

The Utility will increase urban (city) residential rates by 1.5% but proposes to increase rural residential customer rates by 2.94%.

Throughout British Columbia, "The Postage Stamp Principle" establishing identical residential rates for urban and rural residential customers has been followed by the province's electrical utilities. Over the years, Nelson Hydro has maintained this principle. Their proposal to increase rural residential rates higher than urban (city) residential rates is a dangerous precedent for rural customers throughout British Columbia.

Concern #2 - Distribution of Purchased Power Costs

The Cost of Service Study (2018) classifies Nelson Hydro customers as residential, commercial and streetlights and but further subdivides urban (within the city limits) and rural customers. The majority of the customers are urban (within the city limits); 57.1% of customer count and 59.9 % of revenue *2.

The utility generates power. During the summer period, generated power is in excess of demand and the utility sells the surplus power into the broader grid. During the winter months, demand increases significantly and exceeds the generated supply requiring purchase of power

from the grid at a cost higher than the generated power. Clearly the entire customer base creates this seasonal demand and the majority of those customers are urban (within the city of Nelson). Similarly during summer months all customers could, but would not, receive the benefits of less expensive generated power.

The Cost of Service Study (December 2018), used as background for Nelson Hydro's residential rate proposal, arbitrarily assigns purchased power to rural customers. All less expensive generated power is allocated exclusively to urban (city) customers. The Cost of Service Study Amendment (February 2019) then ensures that rural customers are not credited with any power sales by removing the off setting revenues from purchase power costs. This does not allocate purchased power costs when and where the costs are incurred and imposes a higher cost structure on rural residential customers than urban (city) residential customers.

Not surprisingly, the Cost of Service then incorrectly advocates a higher rate structure for rural residential customers.

Even when the utility is selling surplus generated energy, it assigns higher priced purchased power costs to rural residential and commercial customers *3. During periods of surplus generation, is Nelson Hydro actually purchasing electricity for rural customers or is Nelson Hydro proposing to sell their generated power to rural customers at "purchased power rates"?

To suggest that urban (city) customers have exclusive rights to the power generated by the utility ignores the reality that this utility has a broader responsibility to all its customers. As owner, The City already receives a dividend from Nelson Hydro (\$2.7 million increasing to \$2.8 million in 2019). Indirectly the urban (city) residential accounts benefit from that dividend, rural customers do not.

Concern # 3 - Refunding of 2018 rural residential over billing

Nelson Hydro proposes to blend the 2018 revenue refund (referred to as a dividend adjustment) into the 2019 rate proposal (a reduction of 0.27%) *4. This so called dividend is a result of rural residential customers being charged in 2018 more than what was approved by the BCUC. Every 2018 rural residential account therefore is owed a refund (the amounts vary depending on the power consumed). By blending this refund into the 2019 rate, the refund will not be returned correctly to those customers that were overcharged. The following are examples

- A residential account owner implements conservation measures and consumes less power in 2019; that account would receive less credit than it contributed as overpayment.
- A new house coming on line in 2019 would receive a refund benefit and yet would not have contributed to it.
- An account that was closed at the end of 2018 billing year would not receive a refund.

The so called dividend is simply an over billing and should be refunded correctly to each account that was over charged?

I ask the BC Utilities Commission

- to maintain the "Postage Stamp" principle as it applies to residential power rates,
- to examine carefully the distribution of purchased power costs; it should be distributed to all accounts that create the peak winter demand,
- ensure that the 2018 over billing of rural residential accounts is refunded to those accounts to which it is owed (with interest), and

- ensure that any 2019 over billing of rural residential accounts that may result as a result of BCUC decisions is refunded to those accounts to which it is owed (with interest).

Thank you for your attention to the above concerns.

Charlie Zinkan

*1. www.nelsonstar.com, quoting Alexander Love, Nelson Hydro GM

*2 page 2, Nelson Hydro General Rate Increase Application

*3 page ii, Cost of Service Study (December 2018)

*4 page 7, Nelson Hydro General Rate Increase Application