

## Ramona Faust Submission to British Columbia Utilities Commission as an Interested Party to Nelson Hydro Rate Increase Application 2019

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May 22, 2019

TO: BC Utilities Commission Secretary

Nelson Hydro 2019 Rural Rate Increase

As the Regional District Director for Central Kootenay Area E, one of the rural areas that is already being charged a discriminatory higher rate for power compared to Nelson's urban customers, I have received many public comments regarding this application. This submission is a summary of concerns.

Firstly, rate payers are incensed that BCUC allows this increase to punitively and uniquely be applied outside of the traditional and historical practice in BC of universality in rates for all customers within an electrical utility ahead of due process taking place. There is reason to be concerned. Nelson Hydro has reserves from which to draw and yet:

- a. rate increases for 2017 which were to be rebated to rural customers were rebated primarily to urban customers. Please review the allocation of rebates.

- b. rate increases for 2018 which were to be rebated to rural customers have not been rebated.

Other than the standard practice of permitting applicants to implement charges in advance of a full BCUC public process the following issues have been raised.

1. The most significant argument against this increase is the precedent it would set for the provision of utilities in the province and the departure from universal access. The “postage stamp “analogy is applied to the provision of residential utilities across the province within the rate structure of each service provider with good reason. This because utilities use common shared assets of land, water, airspace and earth to conduct business. There is an understood duty of utilities to contribute to an improved standard of living and economic development in most of the province. The ability of any utility to fairly assign costs between customers is speculative at best. Comparison of the long-term costs of installation repair and maintenance hour for hour in a complex urban environment compared to the cost of providing service to a rural area is not easy to identify.
2. The Nelson Hydro Cost of Service Analysis is based on one year of financial data. How would any analysis of one year of operation represent the ebb and flow of major costs incurred by works inside the city as opposed to those outside and justify a precedent setting differential increase? No business plan would make a significant change on one year of data.
3. The contention that Nelson Hydro purchases higher cost electricity from Fortis only to serve rural customers is flawed by the seasonality of demand and its own history of operations.

4. Nelson Hydro's financial reporting and forecasting require scrutiny by BCUC. Community members have submitted correspondence that indicates inconsistencies. ( Doyle, LePape)
5. The initial confidential submission of Nelson Hydro's Cost of Service Analysis to BCUC and timeline in which Nelson Hydro submitted documents to BCUC (April 9<sup>th</sup>) and the allowed temporary rate increase (March 15<sup>th</sup> for April 1) has been called into question as far as transparency and public process are concerned. It seems to draw a foregone conclusion of acceptance by BCUC. Can BCUC comment on this?
6. The answer to the 2017 question I posed in my intervener request for information regarding an increase in 2013 based partially on collection of funds for a district energy system was not clear. The increase was granted based on a \$300,000 allotment in the 2013 Nelson Hydro budget for a district energy plant. The rate was increased, and the plant not built. Is the \$300,000 in reserves? How will this benefit rural customers? Customers expected it returned if the plant was not built according to political statements made in the press.
7. Has BCUC conducted an analysis of the frequency of regular line and vegetation management and spending which would prevent major costs of emergency repair in rural areas? Customers have concerns that lack of regular tree brushing leads to outages and provides for the current claims of higher rural costs indicated for 2019.
8. Nelson Hydro has a monopoly and pays no grant in lieu of taxes to rural areas where its plant is located because it is municipally owned. If it is to operate on a business model that has two tiered rates, then they should also pay grant in lieu of taxes like other utilities.

9. Nelson expanded its municipal boundaries to include hydro dams located in the RDCK's rural areas E, F, H outside the city and received the benefit of that taxation, part of which was meant to offset the cost of shared services. The expansion was an agreement created in the spirit of providing strength to the subregion in answer to a provincial offering that extended to municipalities. Any rate increase to rural customers in exceedance of urban customers should call that boundary expansion into question. It is assumed the taxation benefit is now at \$450,000 per year. Can this be clarified?
10. Grant funds allocated from Nelson Hydro are not an open call and rural residents are not aware of any grant offerings and these grants can be interpreted as further dividends to one set of customers.
11. As a utility Nelson Hydro should be expected to be operated at arm's length from the financial needs of the operations of the City of Nelson. If the utility is run to provide a specific financial input into the City's budget each year then there will be an ongoing need to recover the cost of the City of Nelson's municipal spending choices from the dividends provided by the utility. Management positions should not overlap between the City of Nelson and Nelson Hydro. The utility should be run for its best service to customers and financial stability. An advisory committee including urban and rural customers may be an option to consider.
12. Urban customers are receiving the benefit of a 2.8-million-dollar dividend into City of Nelson revenues or other allocations each year by way of tax relief. Rural customers do not. Some rural customers receive a shared benefit of a financial contribution to recreation services negotiated at the time a new recreation facility was built in Nelson and predicated by

the 2003 City of Nelson boundary expansion into rural areas, however not all customers are involved in that shared service nor benefit from that contribution.

13. According to the City of Nelson's own budgeting procedures, it maintains a 2% increase per year across its departments. Nelson Hydro increases have been much higher over the past 10 years.
14. Most of RDCK Area E has no natural gas and therefore with an aging population that is reducing its use of wood; electric heat is the only source of heat. This will affect rural low income and fixed income people the most. It is also counter to GHG reduction strategies where reliance on electric heat pumps is encouraged.

### **In closing.**

Careful audit of all sources of financial benefit accruing to the City of Nelson and Nelson Hydro from hydro related sales, water licenses and taxation of hydro related boundary expansions into the affected rural areas compared to costs of service delivery should be undertaken by BCUC. Cost attribution to rural areas should also be undertaken. The difference in financial accounting in different reports should be audited to satisfy all customers concerns.

If an increase is justified to all customers the increase should be equalized across all customers and this dangerous, discriminatory precedent should not be set. In the words of a pioneer: 'People in the rural areas gave up land to provide access to power for the region. It should not be operated to be a bank.'

I have always been proud to come from a region that developed its own power and has a symbiotic relationship between businesses that are owned by both rural and urban citizens inside of City of Nelson boundaries and

those customers in rural areas that support robust and enriched amenities in Nelson's core. Many of the assets Nelson advertises as its own are indeed located in the rural areas. This unique set of circumstances allows business activity and services far greater than a city of its size would have if not for density at its boundary. This application erodes that relationship.