

To: [BCUC](#)
Subject: Letter of Comment - Nelson Hydro COSA and RDA - Jim Edgar
Date: Wednesday, February 3, 2021 3:28:28 PM
Attachments: [Nelson Electric 2021.pdf](#)

Date Submitted: February 03, 2021

Proceeding name: Nelson Hydro COSA and RDA

Are you currently registered as an intervener or interested party: No

Name: Jim Edgar

City: Nelson

Province: British Columbia

Email: [REDACTED]

Phone number: [REDACTED]

Comment:

I object to the differential rate for rural customers on the four (4) grounds that are stated in the attached letter. Nelson Hydro does not operate independently from the City and so the City Managers and elected officials bring a bias to operation and management decisions for the utility which favour the City's bottom line. Please see the attached letter. Thank you.

Has Attachment:

True

Jim Edgar

██████████
Nelson BC V1L 6L3

February 3, 2021

BC Utilities Commission
410-900 Howe Street
Vancouver BC
V6Z 2N3

Subject: Nelson Hydro Differential Rate Increase Application

I object to the application to raise rates for rural Nelson Hydro customers on four grounds:

1. The proposal would result in taxation without representation.

The principle of allowing citizens the right to choose their government is a fundamental strength of Western Democracies. A citizen's recourse when they observe bad decision making or spending on the part of government is to periodically vote for different representation.

The most recent annual report on the City of Nelson website (2019) shows that the Nelson Hydro received revenues of \$18,231,001 from electrical power sales and had expenses of \$11,862,924. This yielded a net gross profit of \$6,368,077. After a liberal portion of City operating expenses are deducted from the gross profit through internal accounting, Nelson Hydro posted a "dividend" to Nelson's "General Revenue Fund" of \$2,836,000 in 2019. The most recent 10 years of reports reveal the City of Nelson's general Revenue Fund was the benefactor of \$26,068,867 in "dividends" from Nelson Hydro. That the **reported** dividend is less than half of the profit means that Nelson Hydro has actually subsidized City operations by 50 to 60 million dollars in the past 10 years!

The fact that the Corporation of the City of Nelson uses revenue generated from electrical sales to offset its operating budget is entirely within the discretion of elected officials. However, the 4549 ratepayers who live outside the City boundaries are not able to participate in civic government yet they indirectly make a substantial contribution to Nelson's operating budget through electrical payments.

Rural ratepayers have no control over the municipal government. Since the City uses Nelson Hydro profits to fund their operations, rural ratepayers contribute to City of Nelson taxation but have no representation in city government.

While this might seem to be an academic argument, it has a practical manifestation. A conflict of interest exists on the part of City managers and elected representatives in the operation of Nelson Hydro relative to its rural customers. If Nelson Hydro was a separate entity with a neutral board of

directors providing oversight, both urban and rural customers would be more likely represented equally in operation and decision making. But since the oversight of Nelson Hydro is through the Nelson City Council and City Staff, ***operating and management decisions are slanted in favour of providing the greatest possible subsidy to the City's operating budget.***

2. Rural return on investment calculations are skewed by inflated operation and maintenance costs for 2017 - 2020.

A review of City of Nelson annual reports for the past 10 years shows that each year the staff at Nelson Hydro make a number of repairs and improvements to the system. Vegetation is managed, poles are replaced, substations are improved, and power plant upgrades are completed. The bulk of this work is done by the city's own crews and equipment. This is their normal course of business.

However, beginning in 2017 Nelson Hydro began recording extraordinary costs for the North and South service areas. The chart on page 290 of the COSA shows the spike clearly. It is difficult not to interpret this frenzied activity as a thinly veiled attempt to bolster the City's argument for increased cost of service to the rural area, in support of its application for the differential rate increase.

After failing in the previous attempt to acquire approval for a differential rate for rural electrical customers, Nelson embarked on an expensive program of vegetation control and pole replacement, especially on the North Shore. Rather than changing poles as they age out, the program during the past 2 years included hiring the region's most expensive utility contractor and essentially writing them a blank cheque to replace poles. As evidence that many poles were not near the end of their lifespan, a local portable mill acquired many of the poles that came out of the ground and sawed them into boards.

In addition, there is a lack of transparency in the Cost of Service Analysis (COSA) concerning the attribution of particular costs to the urban area. An example of a significant cost dubiously assigned to the rural area is the recent project to move a substation from Lakeside Park in Nelson across the West Arm to the North Shore (see photo p.287 of COSA). One of the stated benefits was to "assure reliability" of the power supply to the North Shore. In fact, ***the project had nothing to do with reliability of power to the North Shore*** – the substation had been located next to Lakeside Park for more than 50 years. It was moved to the other shore to make more parking at the park. The exact same infrastructure existed prior to the move – the substation was simply relocated. The cost was very high because of the installation of 3 submarine cables which had previously been slung under the bridge.

3. Stakeholder engagement was woefully inadequate.

Of 4549 rural customers, ***only 7% responded to the survey.*** The survey was designed in order to elicit a response that would support the City's position. One of the key questions was a fairness question – 'all customer classes should pay their fair share of costs.' The favourable response rate would have been much lower if the question had been, "Since the City receives tens of millions in contributions from

Nelson Hydro to its base operating budget, do you trust them to accurately attribute costs for repair and maintenance to the rural areas?”

4. The assignment of the bulk of power purchases from Fortis to the rural area lacks merit.

The COSA states that 88.9% of the urban power needs are met by generation from Nelson Hydro while only 11.1% of the rural needs are met internally. What follows is a convoluted argument that urban customers don't pay their fair share for purchased power.

The truth is much simpler. For the months of the spring freshet, Nelson Hydro is able to generate more electricity than both urban and rural customers can use. The rest of the year it must purchase power to meet both urban and rural demands. During the months of excess, if not for the rural customers, Nelson would be forced to reduce generation and would lose the revenue that rural customers provide by purchasing power at retail rates during this period of excess generation.

Conclusion:

If the City of Nelson has a bona fide claim that rural customers should pay more, they should be able to prove their case concisely and not try to bury the reader with 459 pages of attempted justification. They should also be operating Nelson Hydro as a distinct business entity which has its own clearly defined cost centers and financial statements.

More importantly a separate 'Nelson Hydro Corporation' would have an independent board which would be less likely to operate in a position of conflict of interest like the situation with the current oversight.

Thank you for considering my position.

Yours truly,
Jim Edgar