

From: Randy Evanchuk [REDACTED]
Sent: Friday, April 2, 2021 7:57 AM
To: Commission, Secretary
Subject: Nelson Hydro COSA and RDA Follow-Up Letter
Attachments: 1922 Bylaw.docx

Dear Sir,
Please find enclosed my letter as a follow-up to E-92 and in response to NH response to the RCG and the Director of RDCK Area E.
Your truly,
Randy Evanchuk, P. Eng. (Retired)

BC Utilities Commission

Suite 410, 900 Howe Street

Vancouver, BC, V6Z 2N3

Attn: Commission Secretary

Attn: Chairman,

Dear Sir:

Further Comment to Nelson Hydro Rural Cost of Service Application and Rate Design dated Nov 27, 2020

Nelson Hydro (“NH”) relies in part and substance on the history of its development and the allocation of third-party power purchases to justify a substantial cost increase. I am issuing this letter in response to the application and subsequent responses to information requests of the Residential Rate Payers Group and the Director of Area E of the RDCK.

Appendix 3-4 City of Nelson Light and Power Extension Bylaw No. 367, 1922

NH makes a number of unsubstantiated and wrong statements pertaining to this By-Law. In its application on pg. 13 NH States:

“the City-owned utility first began selling its surplus generated power to the Rural service area in 1922 to the mutual benefit of both the City and the Rural service.

This is because the City-owned utility had a surplus of generated power and there was no other service provider for the Rural area at that time. As the electrical needs in the Urban and Rural areas grew and the power generated by the utility was fixed by its water licences, a shortfall in self-generated power was inevitable.

*In or around 1922, the City was petitioned by Rural residents to provide service to an area along the West Arm of Kootenay Lake. There were no other service providers available. Moreover, the demand from outside the City boundaries was a small portion of the City’s electrical supply and the City had surplus generation. As a result, City Council entered into an agreement with these Rural residents to expand the electrical utility to serve them and also adopted a corresponding bylaw. Soon afterwards the City of Nelson began selling surplus generation outside municipal boundaries to the mutual benefit of both the Rural consumers and the City. **Notably, at no time did any City Council ever commit to provide the Rural residents with any generation beyond the City’s surplus generation, nor did the Commission require that any such generation be provided.**”*

The history presented above is not strictly accurate. There is no evidence of a rural petition in 1922, nor does NH provide copies of contracts, or a general rate and tariff made with customers. They make reference that the Commission nor NH ever guaranteeing to supply excess power. The Commission I assume they refer to is the BCUC, which was founded in 1946. The by Law in question, is a funding resolution for \$15,000.00 as necessary and expeditiously to extend the system to 7 mile and one mile

west. It is silent on source of supply, yet to supply for at least 60 years under silent terms as to the 1922 By-Law) implies to me to be a binding arrangement. And certainly, once the first transmission line was installed, the rural customers were a captive audience so to speak.

Further, the word expeditiously is referred to twice along with the phrase necessary, in the By-Law means to me that the project was highly desired by and financially beneficial City of Nelson. Or in the vernacular, hurry up we've got a good deal out there and they have no where else to go.

Finally, the moment that this expansion took place and as further expanded to Balfour in 1928, effectively put rural customers at the mercy of NH, and created a monopoly. In fact, by supplying power to rural customers, NH by its action created an obligation to deliver power to rural customers. because after 60 years the precedent was firmly entrenched. Not until 1981, after the sale by Cominco to WKPL did consider council consider allocating third party costs directly to rural customers. In otherwards if we are making extra money great, if not quite as much then its bad, no never mind that we've made a lot of money in 60 years. In this regard NH refused to answer the RCG's question about historical rural revenues.

Allocation of Third-Party Power Purchases

"That plant [the Nelson Hydro generating station] is funded by the taxpayers of the City of Nelson. And so, we preferentially supply Nelson with power from our plant, and the rural ratepayers receive the Third-Party Fortis-generated power. Because the Fortis rates are higher, these rates get transferred to the rural ratepayer Scott Spencer General Manager." Nelson star December 17, 2020."

Despite information requests by the Residential Consumer Group and Ms. Mona Faust, Area E Director, RDCK, asking NH how they allocate third party purchases they were stonewalled. In the response to RCG, NH does state that it is impossible to track energy, yet they refer to the feeder study. I have looked at the feeder study, which shows monthly allocations of power source used by urban\rural customers. To me it looks like a copy of a summary page of a spreadsheet. They give zero detail as to method of measuring or tracking power and the derivation of the summary, but the above statement offers a strong clue. Based on the lack of a system schematic, we have to rely on the fact that the transmission system is heaviest from Bonnington and energy flows from west to east and this way heavy on how and where the electrons are delivered.

Although I am not an electrical engineer, I was involved in the design and operation of complex gathering oilfield systems requiring real time modelling and facilities totalling more than \$800 million. I also built a 26 MW power plant and installed tens of thousands of electric HP at oil and gas facilities. I also worked at Talisman Midstream, who ran a large pipeline system, with a deeming model to direct the owner's gas to its low-cost processing plants at the end of each month.

Without proof otherwise, and as Mr. Spencer indicates above, NH is deeming power at the end of each month to various rate classes based not on actual flows but on Nelson versus rural customers. I ran a simple energy balance using consumption data from the InterGroup report (Table 6) where energy is delivered and consumed. The basis is NH data provided for rural customers (out to Harrop – 1200 customers at an average consumption of 1150 kw-h per month) using 18,000 Mw-hrs delivered by FPL from Coffee Creek. This data was provided in the RCG response.

Assuming deliveries of 18,000 Mw-hrs from Coffee Creek leaves 162,000 Mw-hrs of commingled energy at Bonnington; 87,000 Mw-hrs from NH and 65,000 Mw-hr from FPL. Assuming 34 Mw-hrs of load in Area F, Nelson receives 57 % of its energy from FPL energy, not the 1/3 as allocated in the COSA (Table 7). The fact that they continue to avoid how they arrive the allocations indicates to me that they don't want to use a true energy balance.

NH Feels the Proposed Increase is Fair and Just

Despite a request by the RCG, as to whether or not the increases represented rate shock, NP indicated they were not citing an 18% increase by Nfld Hydro. The following article in the Nelson Star demonstrates NP's views on this matter.

"Rural rate increase for Nelson Hydro customers not 'compounded' to 28 per cent: city CFO

"COSA and RDA propose an 18 per cent increase over almost four years for rural Nelson Hydro customers to account for rising costs and the delivery of service to rural areas, he said, but it will not compound over the time span to 28 per cent, as some people have suggested.

As expected, a sizable contingent of people speaking and writing letters in against the increase has occurred, with nearly 70 letters of comment having been filed in the proceeding, largely in opposition of the rate increase.

Such a response from the rural ratepayers was not surprising noted Nelson Hydro general manager Scott Spencer.

"Rural rates at this time are not adequate to fund their share of the revenue requirement for the utility and this matter is being addressed through the COSA and RD application," he said in his update report to council on the rate increases."

In point of fact, the increases are almost solely due to the allocation of two thirds of the third-party power purchases to rural customers as shown in Table 7 of the Intergroup report. And, the increases are not over four years, 2020 have being lost due to NH's failed rate increase in 2019. The increases are effective over three years, but take place in just two years from Sept 2021, to Sept 2023. They do not acknowledge the fact that the RDA is in addition to a general rate increase which brings the total to 28 percent over 730 days which is rate shock.

This latter sleight of hand is typical how the applicant bends the facts in their favour. The attitude of NH towards rural customers is summed up in Section 33 of the response to the RCG, as to why the increase s necessary was ***"because we can't tax them"*** On behalf of the residents of the rural area, I urge the BCUC to reject this application, because this increase will only lead to further injustices. Based on the above, I now do not trust the allocation of transmission costs which I leave to the Commission to review.

Yours truly,

Randy Evanchuk, P. Eng. (Retired)