

Memo



Date: January 21, 2010
File: 1824-02
To: City Manager
From: Cindy McNeely, Electrical Administration Manager
Subject: 2010 Electrical Utility Rates

Recommendation:

THAT Council approve a rate increase of 6% to the City's electrical utility rates for all annual residential, municipal and school and commercial customer revenues;

AND THAT Council approves the 2010 electrical rates to be effective with the first billing cycle in April, 2010.

AND FURTHER THAT Bylaw 10281 being amending Bylaw No. 23 to the City of Kelowna Electric Regulation Bylaw 7639, be advanced for reading consideration by Council.

Background:

FortisBC has received approval from the British Columbia Utilities Commission (BCUC) Order #G162-09 (attached) to increase the electrical rate by 3.5% for all annual residential, municipal & school, and commercial customer revenues effective January 1, 2010. This rate increase was a result of a lengthy negotiated settlement process. This increase was also provisionally based on a Teresan Gas Utility Application for Return on Equity and Capital Structure being approved by BCUC Order #G158-09 (attached). The results of this approval provide FortisBC with an additional 2.5% increase for a total of 6% effective January 1, 2010.

The direct impact on our utility is a cost increase of approximately \$1,102,554 for 2010. This rate increase is normally passed on to the City Electrical Utility customers. The attached Schedule 1 shows the impact at various consumption levels for residential customers.

Staff are currently working on an update to the bylaw to accommodate net metering and this will be brought forward to council at a later date.

FINANCIAL/BUDGETARY CONSIDERATIONS:

Impacts of the rate increase have been estimated and included in the 2010 budget submission.

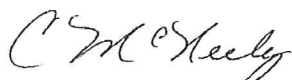
Internal Circulation: Angie Thiessen, Financial Planning Manager
Stephen Fleming, City Clerk

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Considerations not applicable to this report:

- Legal/Statutory Authority:**
- Legal/statutory Procedural Requirements:**
- Existing Policy:**
- Personnel Implications:**
- Technical Requirements:**
- External Agency/Public Comments:**
- Communications Considerations:**
- Alternate Recommendation:**

Submitted by:



C. McNeely, Electrical Administration Manager

Approved for inclusion:



J. Vos, General Manger - Community Services

CC: Director of Financial Services

Attach: Schedule 1

BC Utilities Commission Order No. G158-09 and G162-09

Schedule 1**RESIDENTIAL RATE COMPARISON****BASED ON THE FOLLOWING RATES (\$/kWH):**

	<i>CURRENT</i>	<i>NEW</i>	<i>% CHANGE</i>
<i>1st kWH</i>	11.55	12.25	6.1%
<i>Balance</i>	0.07627	0.08085	6.0%

MONTHLY % INCREASE FOR CITY OF KELOWNA RESIDENTIAL CUSTOMERS				
<u>KW USED</u>	<u>CURRENT RATE</u>	<u>NEW RATE</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
125	21.01	22.28	1.27	6.0%
250	30.54	32.38	1.84	6.0%
500	49.61	52.59	2.99	6.0%
730	67.15 *	71.19	4.04	6.0%
825	74.40 **	78.87	4.47	6.0%
1,000	87.74	93.02	5.28	6.0%
1,250	106.81	113.23	6.42	6.0%
1,500	125.88	133.44	7.57	6.0%
2,000	164.01	173.87	9.86	6.0%
3,000	240.28	254.72	14.44	6.0%
5,000	392.82	416.42	23.60	6.0%
10,000	774.17	820.67	46.50	6.0%

* Average single family residential (no electric heat) 730 kWh's per month.

** Average single family residential (with electric heat) 825 kWh's per month.

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BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-158-09

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by
Terasen Gas Inc. ("TGI"), Terasen Gas (Vancouver Island) Inc. ("TGV") and
Terasen Gas (Whistler) Inc. ("TGW") (collectively the "Terasen Utilities")
for Return on Equity and Capital Structure

BEFORE: A.J. Pullman, Panel Chair
D.A. Côté, Commissioner
M.R. Harle, Commissioner

December 16, 2009

ORDER

WHEREAS:

- A. By letter dated May 15, 2009, the Terasen Utilities filed with the British Columbia Utilities Commission (the "Commission") pursuant to sections 59 and 60 of the *Utilities Commission Act* (the "Act"), an application for Return on Equity and Capital Structure (the "Application"); and
- B. TGI applied for an increased Return on Equity ("ROE") for rate-setting purposes, and that the so determined ROE for TGI be used in establishing the ROE of TGV and TGW used for rate-setting. The Application requests that the revised ROE be effective from July 1, 2009. In addition TGI applied for an increase of the equity ratio in its Capital Structure to 40 percent effective January 1, 2010. Terasen Utilities further requested that the Commission set their current rates as interim, effective July 1, 2009, until such time as permanent rates were established; and
- C. By Order G-53-09 dated May 21, 2009, the Commission established a Procedural Conference to take place on June 9, 2009 to hear submissions regarding the regulatory process for the review of the Application; and
- D. Further to the Procedural Conference, the Commission issued Order G-70-09 dated June 9, 2009 which established a Regulatory Timetable for an Oral Hearing Process as well as a schedule for written argument to hear submissions from the Parties on the subject of the request for interim rates; and
- E. By Order G-78-09 dated June 24, 2009, the Commission ordered, with Reasons for Decision attached as Appendix A to the Order, that the current rates of TGI and TGW be set as interim effective July 1, 2009 and that the changes to the allowed ROE from this proceeding be treated as changes to TGV's cost of service, effective July 1, 2009; and

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-158-09

2

- F. The Oral Hearing took place from September 28, 2009 to October 1, 2009. The following intervenors took an active role in the proceedings, filed written argument or took part in the Oral Phase of Argument; the British Columbia Old Age Pensioners' Organization *et al.* ("BCOAPO"), the Commercial Energy Consumers of British Columbia ("CEC"), FortisBC Inc. ("FortisBC"), Pacific Natural Gas Ltd. ("PNG"), the Joint Industry Electricity Steering Committee ("JIESC") and the Industrial Customer Group ("ICG"); and
- G. The schedule of written Argument provided for Final Submissions to be filed as follows: i) Terasen Utilities, FortisBC and PNG on or before October 20, 2009; ii) Intervenors on or before November 6, 2009; and iii) Reply from Terasen Utilities, FortisBC and PNG on or before November 13, 2009; and
- H. An Oral Phase of Argument was held on November 24, 2009; and
- I. The Commission Panel has considered the Application, the evidence, and the submissions of the Parties all as set forth in the Decision issued concurrently with this Order.

NOW THEREFORE the Commission orders as follows:

1. The appropriate equity ratio for TGI is 40 percent effective January 1, 2010.
2. TGI is to file within 30 days a document setting out how and when it will implement the change to its capital structure in compliance with the ring-fencing conditions approved by Commission Order G-49-07.
3. A return on equity for TGI of 9.50 percent for rate-setting purposes is approved effective July 1, 2009.
4. The TGI ROE approved in paragraph 3 of this Order is to be used as the Benchmark ROE in establishing the return on equity of TGI and TGW used for rate-setting purposes and the allowed return on equity for TGI and TGW is effective July 1, 2009.
5. TGI's request to continue to set its allowed return on equity with reference to the Benchmark ROE by adding a utility specific risk premium of 70 basis points is denied. TGI is allowed a utility specific risk premium of 50 basis points above the Benchmark ROE.
6. TGW's request to continue to set its allowed return on equity with reference to the Benchmark ROE by adding a utility specific risk premium of 50 basis points is approved.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-158-09**

3

7. TGI and TGW are to file in their respective next revenue requirement applications evidence on the equity component that best reflects their respective long-term business risks.
8. The TGI ROE approved in paragraph 3 of this Order can continue to serve as the Benchmark ROE for FortisBC and any other utility in British Columbia that uses a Benchmark ROE to set rates.
9. The automatic adjustment mechanism is eliminated.
10. TGI is to complete its study of alternative formulae to an automatic adjustment mechanism and report to the Commission on the study results by December 31, 2010.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of December, 2009

BY ORDER

Original signed by:

A.J. Pudman
Panel Chair and Commissioner



BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER G-162-09

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Inc.
2009 Annual Review, 2010 Revenue Requirements and
Negotiated Settlement Process

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner
P.E. Vivian, Commissioner

December 17, 2009

ORDER

WHEREAS:

- A. British Columbia Utilities Commission ("Commission") Order G-58-06 approved for FortisBC Inc. ("FortisBC" or "Company") a Settlement Agreement for its 2006 Revenue Requirements (the "2006 Settlement Agreement") and a Performance Based Regulation Settlement for the years 2007, 2008 and potentially 2009 (the "PBR Settlement"). The PBR Settlement requires FortisBC to hold an Annual Review, Workshop and Negotiated Settlement Process ("NSP") each November with a goal of achieving firm rates by December 1st for the following year; and
- B. The Annual Review compares the Company's actual performance for the recently completed year to the approved targets for the Performance Standards to determine whether the Company is entitled to an incentive payment. The Revenue Requirements Workshop is to focus on future test periods and the NSP is conducted to establish rates for the following year; and
- C. Commission Order G-193-08 issued on December 11, 2008, approved an extension of the 2007-2009 Performance-Based Rate Plan for the years 2009-2011; and
- D. On October 1, 2009, FortisBC filed its Preliminary 2010 Revenue Requirements, which sought a 4.6 percent general rate increase to be effective January 1, 2010; and
- E. By Order G-118-09 dated October 1, 2009, the Commission established a Regulatory Timetable for the 2009 Annual Review and a 2010 Revenue Requirements Workshop on November 17, 2009 in Kelowna, BC, followed by an NSP on November 18, 2009; and
- F. On October 16, 2009, the Commission and intervenors issued information requests to FortisBC which were responded to on October 30, 2009; and

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-162-09**

- G. On November 2, 2009, FortisBC filed the 2010 Revenue Requirements Update, which incorporated financial results and forecasts as of September 30, 2009, including financial Performance Standards for the period October 1, 2008 to September 30, 2009, and reduced the general rate increase sought to 4.0 percent, effective January 1, 2010; and
- H. As a result of the 2009 Annual Review on November 17, 2009 and 2010 Revenue Requirements Settlement discussions on November 18, 2009, a Settlement Agreement was proposed and agreed to by FortisBC and most intervenors in attendance, with the participation of Commission Staff. The proposed Settlement Agreement, which results in a general rate increase of 3.5 percent effective January 1, 2010, was circulated to the participants and registered intervenors on December 4, 2009; and
- I. The proposed Settlement Agreement's financial schedules reflect FortisBC's Return on Equity, which is set relative to the benchmark low risk utility, Terasec Gas Inc. If a decision in the Terasec Utilities' Return on Equity and Cost of Capital Application is issued prior to determining final 2010 rates for FortisBC, the resulting FortisBC Return on Equity will be included in final rates. Otherwise, FortisBC would implement any resulting change to 2010 Revenue Requirements and rates by way of a flow-through adjustment at the time of that decision; and set @ 2.5%
- J. Letters of support to the proposed Settlement Agreement were received from the British Columbia Old Age Pensioners' Organization et al, Mr. Al Wait, the British Columbia Municipal Electric Utilities, and FortisBC; and
- K. By the due date of December 11, 2009, no comments were received from any registered intervenors who had not participated in the Settlement negotiation; and
- L. The Commission has reviewed the proposed Settlement Agreement and considers that approval is warranted.

NOW THEREFORE the Commission orders as follows:

- 1. The Commission approves the Negotiated Settlement Agreement attached as Appendix A to this Order, and the Terms of Settlement along with financial schedules showing the effect of changes arising from the Negotiated Settlement.
- 2. The Commission will accept, subject to timely filing, amended Electric Tariff Rate Schedules in accordance with the terms of this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of December 2009.

BY ORDER

 D.A. Cote
 Commissioner

Attachment