

# BUDGET & RATES WORKSHOP

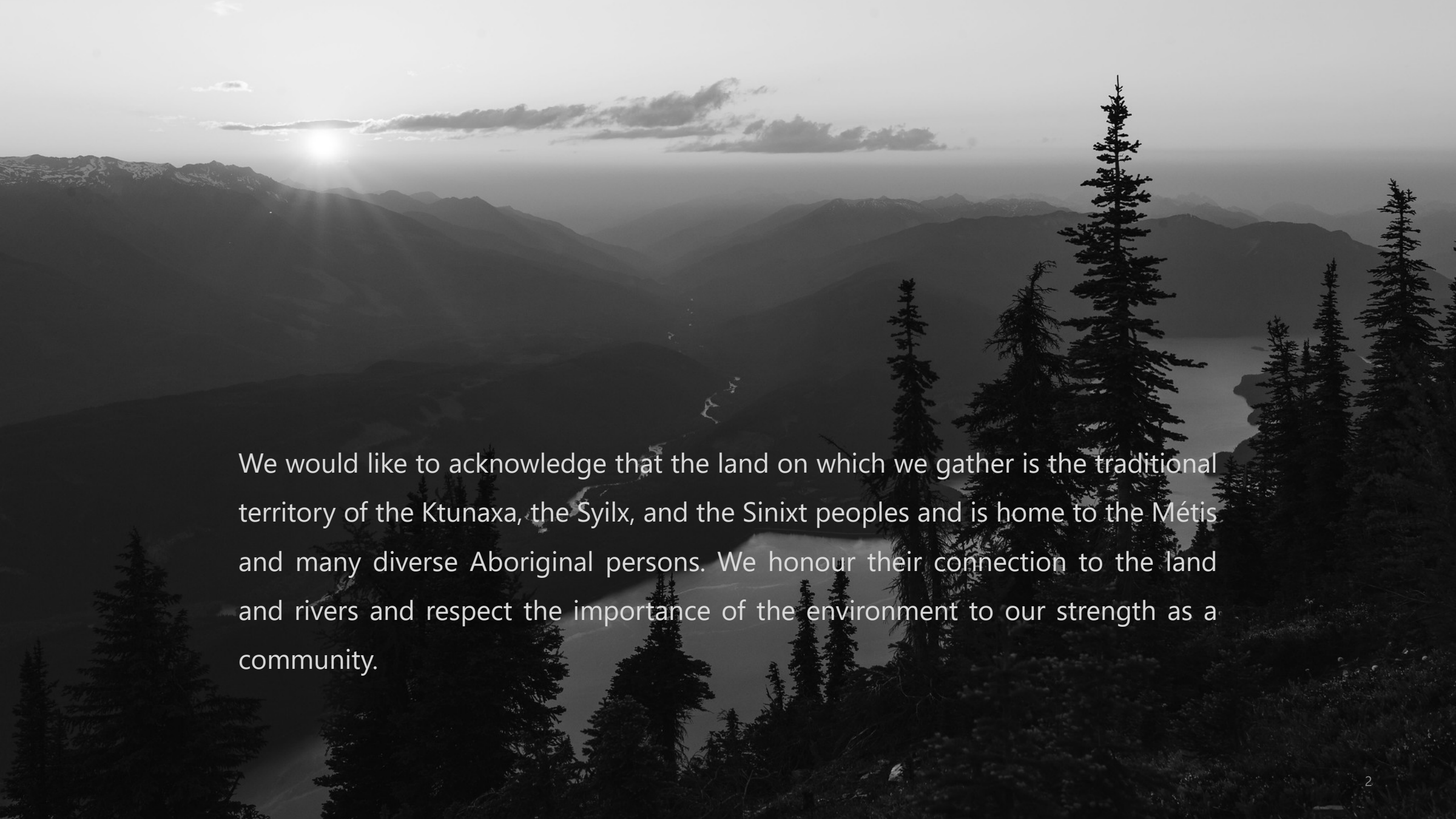
2026-27 Budget, Regulatory and Rates



*City of*  
**NELSON**

September 23, 2025

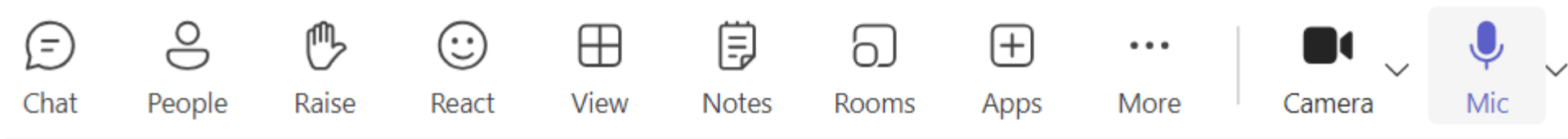




We would like to acknowledge that the land on which we gather is the traditional territory of the Ktunaxa, the Syilx, and the Sinixt peoples and is home to the Métis and many diverse Aboriginal persons. We honour their connection to the land and rivers and respect the importance of the environment to our strength as a community.

# Virtual Event Management

- Participants will remain muted during the presentations
- If you have a question, please use the chat function or raise your hand. See the icons at the top of your screen.



# AGENDA

- Budget Preparation
  - 2025 Operations and Capital Forecast
  - 2026-27 Operations and Capital Plans
- Regulatory Update
- Rate Forecast
  - 2026 & 2027 Rural Rates
  - 2026 & 2027 Urban Rates
- Rate Factors
- Discussion





# 2025 Operations & Capital Forecast



# 2025 OPERATIONS HIGHLIGHTS

- Continued High Level of Vegetation Management
- Continued Good System Reliability
- Safety Program Improvements
- Dam Safety Improvements
- T10 Re-gasketing
- G2 out of service

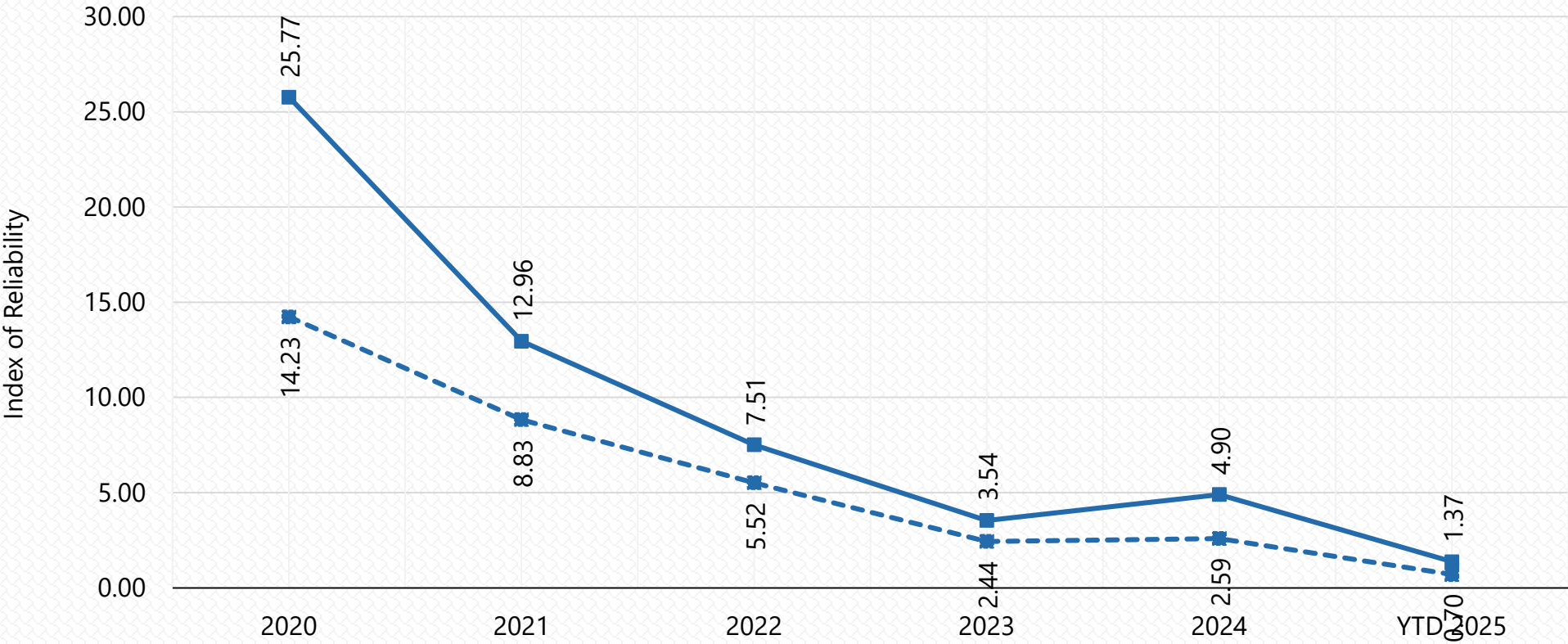


# RELIABILITY

## Nelson Hydro SAIDI and SAIFI

*Does Not Contain Major Events*

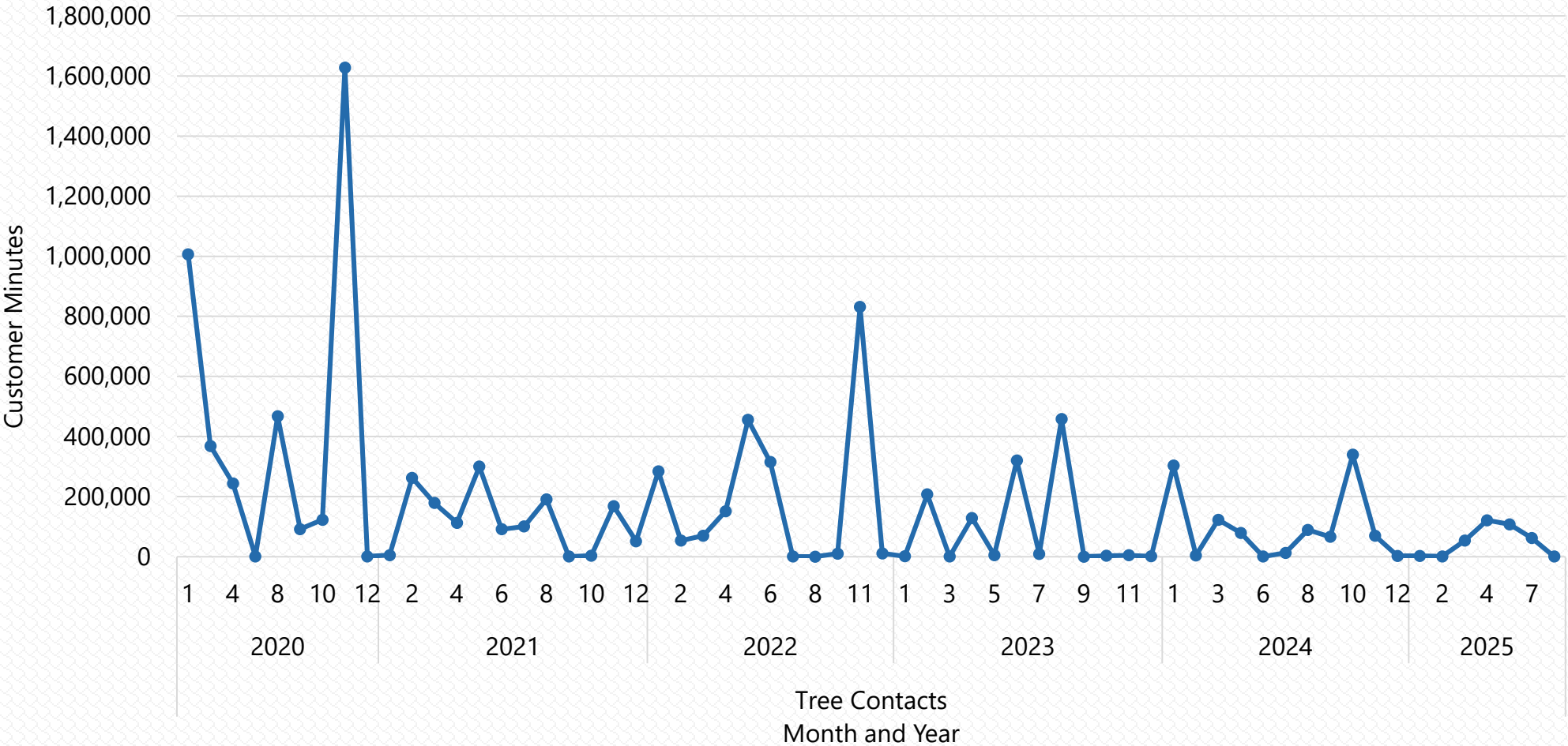
—■— NH SAIDI    - - ■ - - NH SAIFI



# RELIABILITY

Tree Contact Outages with Customer Minutes 2020 - YTD

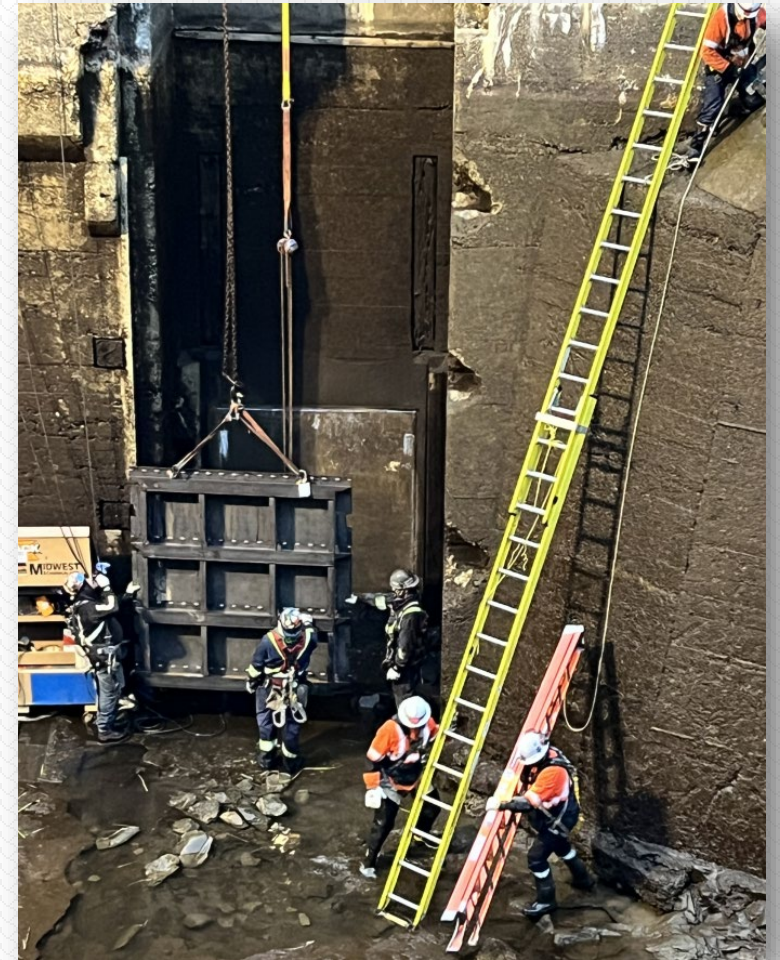
*Does Not Contain Major Events*



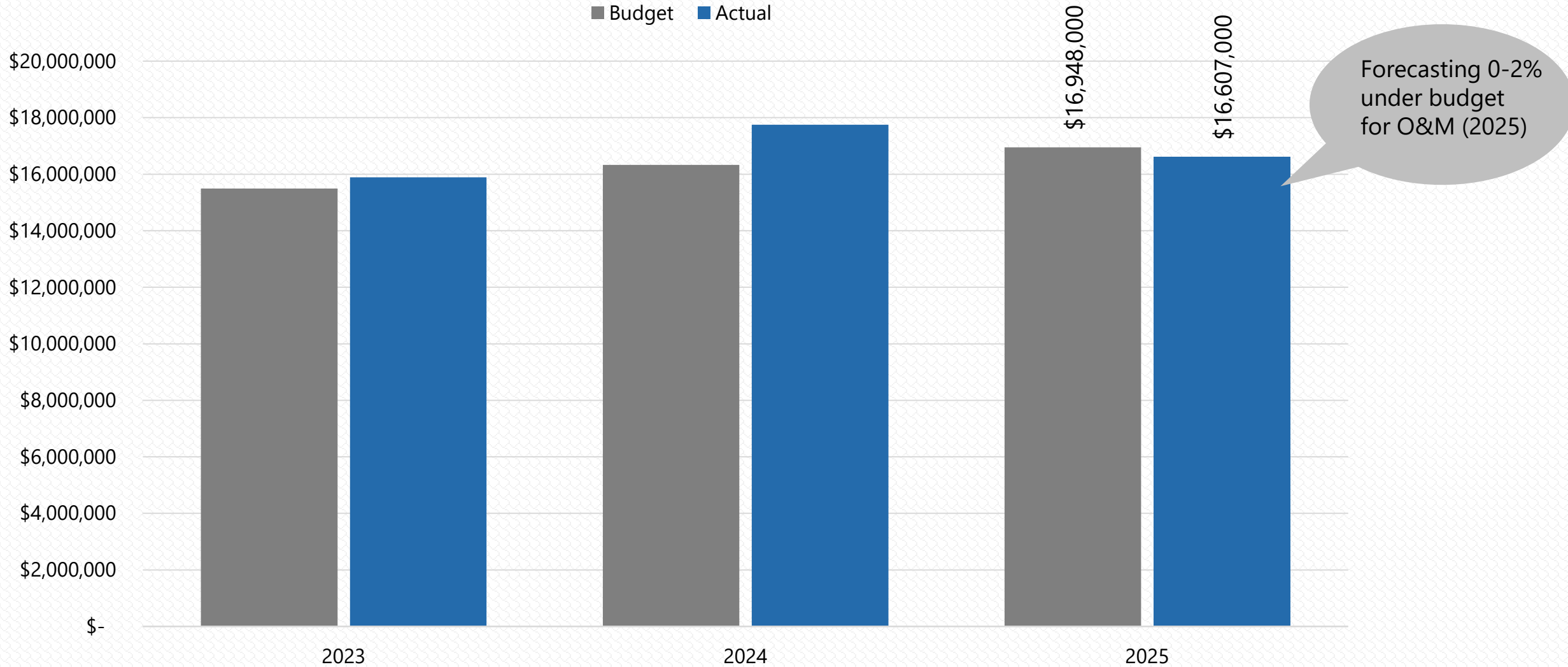


# 2025 CAPITAL HIGHLIGHTS

- Geographic Information System (GIS)
- SCADA System Improvements
- U0 & U1 Penstocks Blocked
- Pole Replacements on South Shore
- Marsden Rd Powerline Re-alignment
- Mount Nelson Powerline Replacement
- G4 Intake Gate Refurbishment

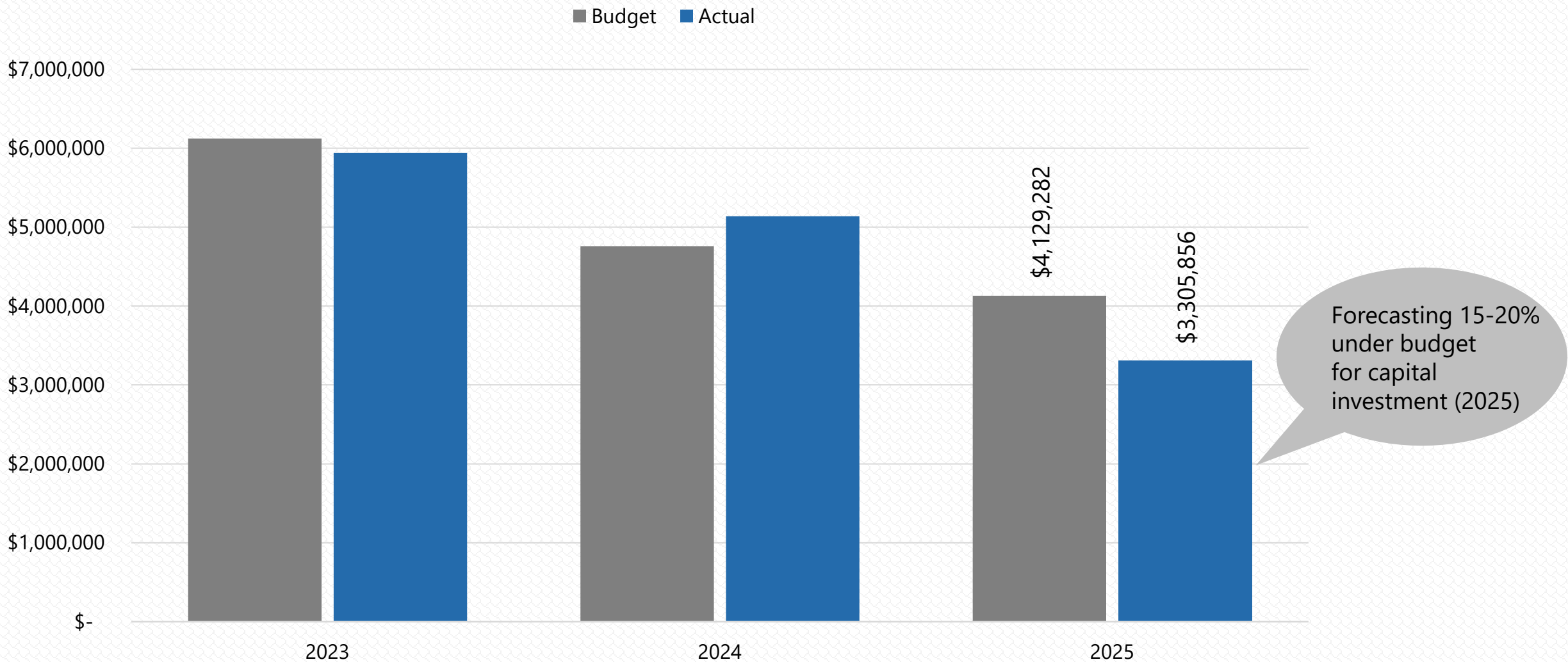


# O&M BUDGET VS ACTUAL / FORECAST





# CAPITAL BUDGET VS ACTUAL / FORECAST



# 2025 BUDGET SUMMARY

	2025 Budget	2025 YE Forecasts	Forecast / Budget	Drivers
<b>Revenue</b>				
<i>Rural</i>	10,467,035	10,121,364	97%	Rural: lower rural residential electricity consumption
<i>Urban</i>	14,081,104	13,975,396	99%	Urban: in-line with expectations
<b>Combined Revenue</b>	<b>24,548,139</b>	<b>24,096,760</b>	<b>98%</b>	
<b>Power Purchases</b>	<b>8,931,383</b>	<b>8,892,686</b>	<b>100%</b>	In-line with expectations
<b>Operating Expenditures</b>	<b>8,016,817</b>	<b>7,714,177</b>	<b>96%</b>	Fewer maint activities required than budgeted
<b>Capital Expenditures</b>	<b>4,129,282</b>	<b>3,305,856</b>	<b>80%</b>	Several capital projects deferred

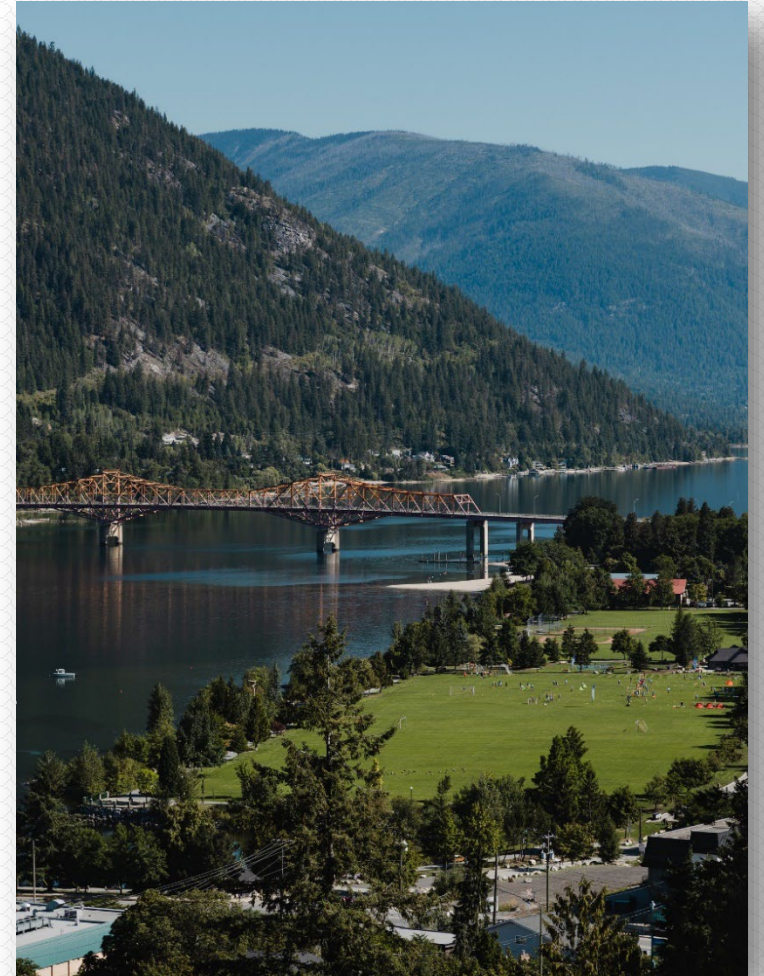




# 2026 and 2027 Operations & Capital Plans

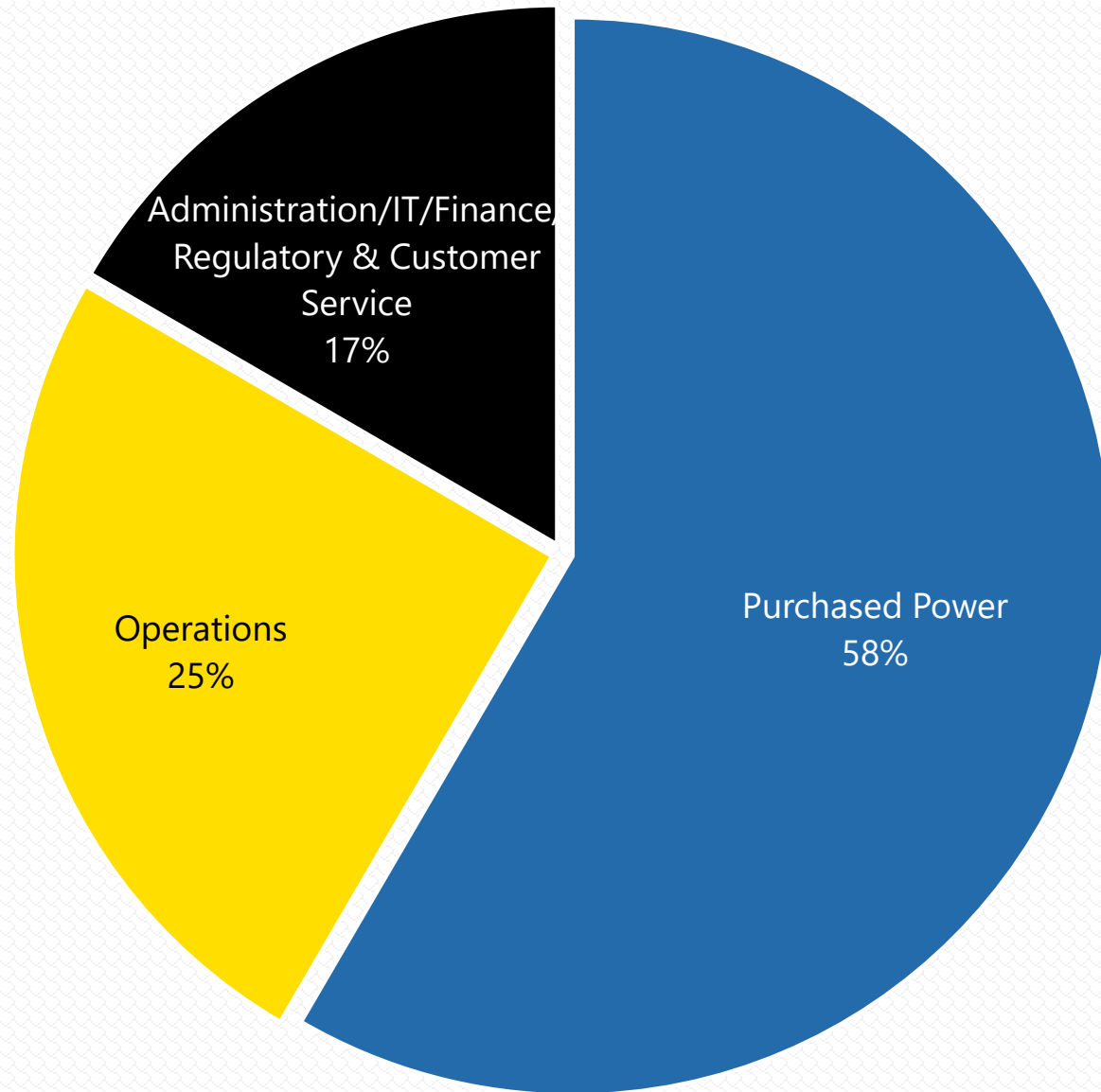
# 2026 & 2027 OPERATING BUDGET HIGHLIGHTS

- FortisBC rate increase:
  - 2026 - 3.45%
  - 2027 - 3.50%
- Inflationary increase of 2.31%
- 2.5% increase in wages
- Continued focus on reliability
- Continued focus on safety

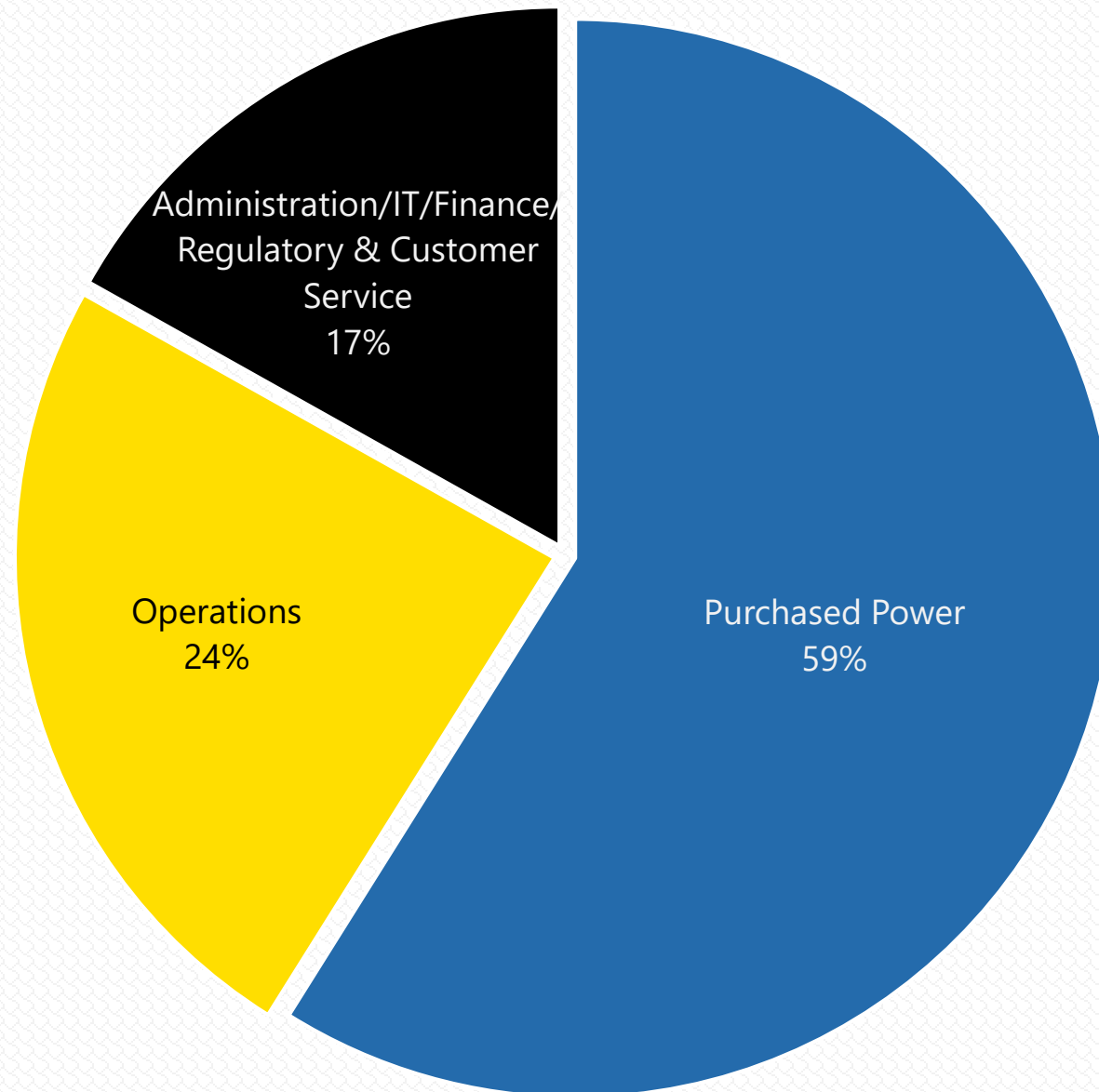




# 2026 Operations & Maintenance Cost Distribution



# 2027 Operations & Maintenance Cost Distribution



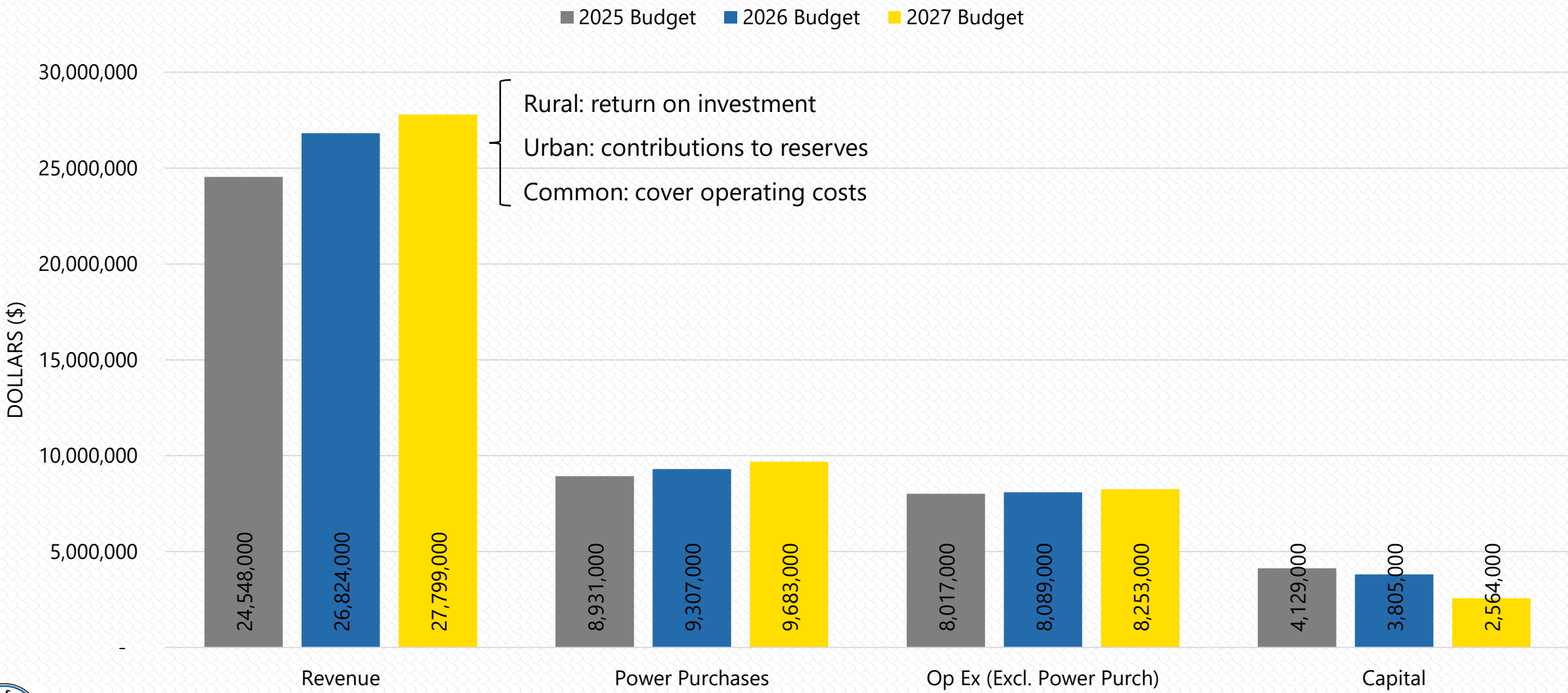


# 2026 & 2027 CAPITAL HIGHLIGHTS

- Mount Nelson Powerline Rebuild (2026)
- Pole Replacements – South Shore (2026)
- Pole Replacements – City (2027)
- GIS Enhancement (2026-27)
- Powerplant Pressure Vessel Replacement (2026)
- Dam Safety Repairs (2026-34)
- Advanced Metering Infrastructure (2026-30)
- Powerplant Electrical System Upgrades (2026-2029)



# 2026 & 2027 OPERATING & CAPITAL BUDGET SUMMARY



# 2026 & 2027 OPERATING & CAPITAL BUDGET SUMMARY

	2025 Budget	2026 Budget	Change % (to 2025)	2027 Budget	Change % (to 2026)
Revenue					
<i>Rural</i>	10,467,035	11,763,899	112%	12,155,701	103%
<i>Urban</i>	14,081,104	15,060,032	107%	15,643,673	104%
<b>Combined Revenue</b>	<b>24,548,139</b>	<b>26,823,932</b>	<b>109%</b>	<b>27,799,373</b>	<b>104%</b>
<b>Power Purchases</b>	<b>8,931,383</b>	<b>9,306,873</b>	<b>104%</b>	<b>9,682,766</b>	<b>104%</b>
<b>Operating Expenditures</b> (Excluding Power Purchases)	<b>8,016,817</b>	<b>8,089,149</b>	<b>101%</b>	<b>8,253,056</b>	<b>102%</b>
<b>Capital Expenditures</b>	<b>4,129,282</b>	<b>3,804,900</b>	<b>92%</b>	<b>2,564,070</b>	<b>67%</b>



# 2026 & 2027 CAPITAL BUDGET SUMMARY

Significant Capital Investments	2026 Budget	2027 Budget	Other Year Budget / Costs	Total Forecast
Mount Nelson Line Rebuild	1,000,000	-	200,000	1,200,000
New Service Installations	649,000	688,000	N/A	N/A
Pole Replacements (Rural)	512,000	122,000	As Needed	As Needed
GIS System	269,000	138,000	673,000	1,080,000
Dam Safety Investments	262,000	500,000	4,338,000	5,100,000
Pressure Vessel	200,000		30,000	230,000
Advanced Metering	47,000	100,000	7,153,000	7,300,000
Pole Replacements (City)	22,000	250,000	As Needed	As Needed
Various Other Small-Scale Capital	843,900	766,070	N/A	N/A
<b>Total Capital Budget</b>	<b>\$3,804,900</b>	<b>\$2,564,070</b>		





# Regulatory Update

# BCUC APPLICATIONS & PROCEEDINGS

- Terms and Conditions of Service – Completed
- Generic Cost of Capital (GCOC) Phase 2 – Completed
- 2025 Revenue Requirements Application - Completed
- FortisBC 2025-27 Rate Setting Framework – Completed
- FortisBC 2025-26 Annual Review of Rates – In Progress



**bcuc**  
British Columbia  
Utilities Commission





# GENERIC COST OF CAPITAL

- BCUC initiated proceeding approximately every 10 years
- Sets the allowable return on equity for all BC Utilities
- Energy experts provide market and risk based evidence
- Phase 1 set the return for FortisBC as a benchmark
- Phase 2 set the return for all other utilities





# 2026 & 2027 Rural Rates

# 2026 & 2027 RURAL REVENUE REQUIREMENTS

- Revenue required to meet operations and capital forecast expenses
- Rural rates will be based on output from the 2026 & 2027 BCUC approved Cost of Service model
- Disbursement of deferral accounts





# 2026 & 2027 RURAL REVENUE REQUIREMENTS

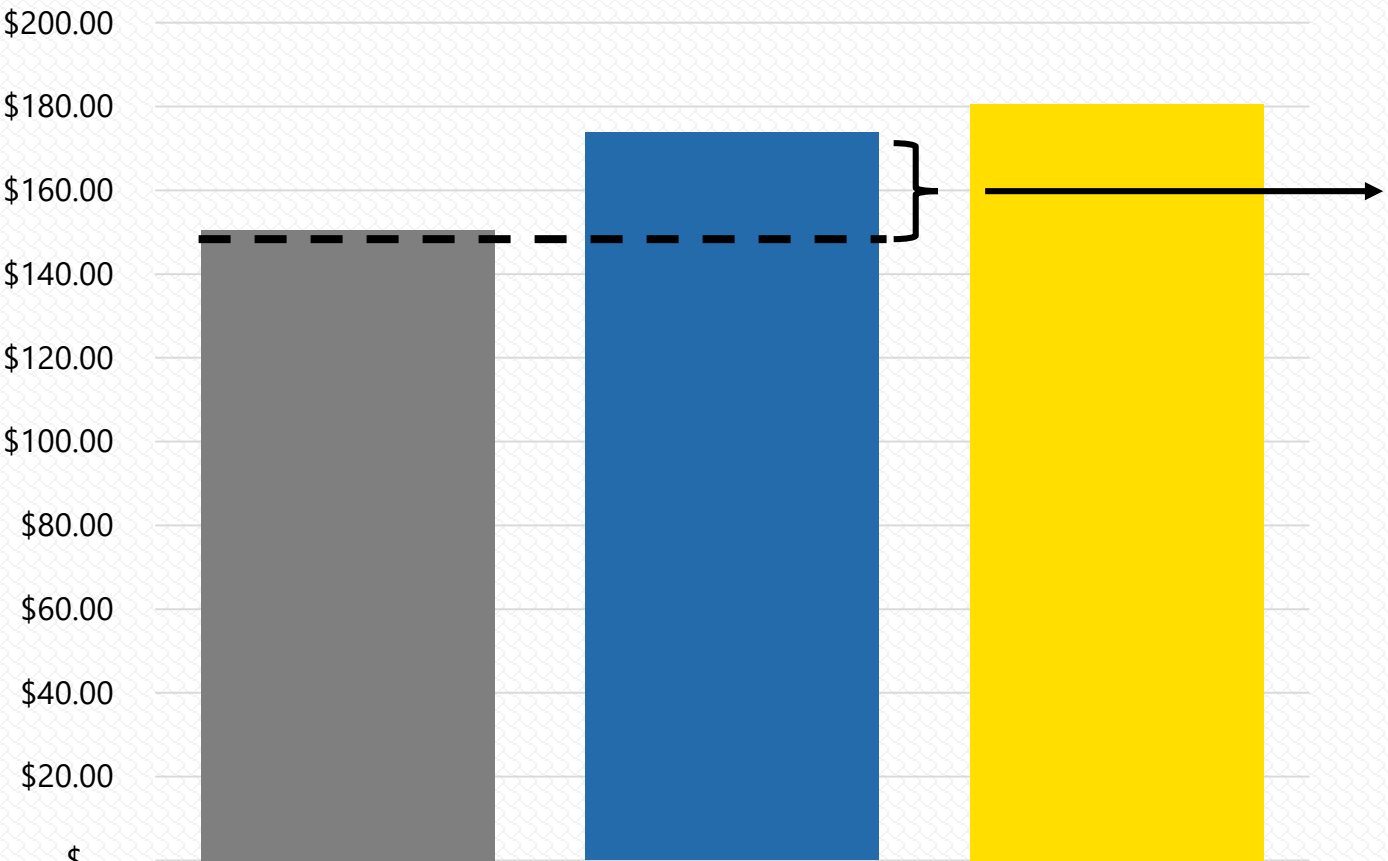
- Current budget COSA model output  
Rural rate increase range:
  - 2026: 14.0% – 16.0%
  - 2027: 3.0% – 5.0%
- 2-year average: 8% – 10%



# RURAL RESIDENTIAL COMPARISON

Electrical Bill Comparison (Monthly)

■ 2025 ■ 2026 ■ 2027



Rate Change Drivers (2026)

<b>Operating Changes</b>		
Op-ex, Capital Return, Power Purchases	4.29%	\$6.46
<b>Deferral Accounts</b>		
	6.63%	\$9.98
<b>GCOC Change in ROE</b>		
	4.59%	\$6.91
<b>Rural Rate Increase (2026)</b>		
	15.51%	\$23.34

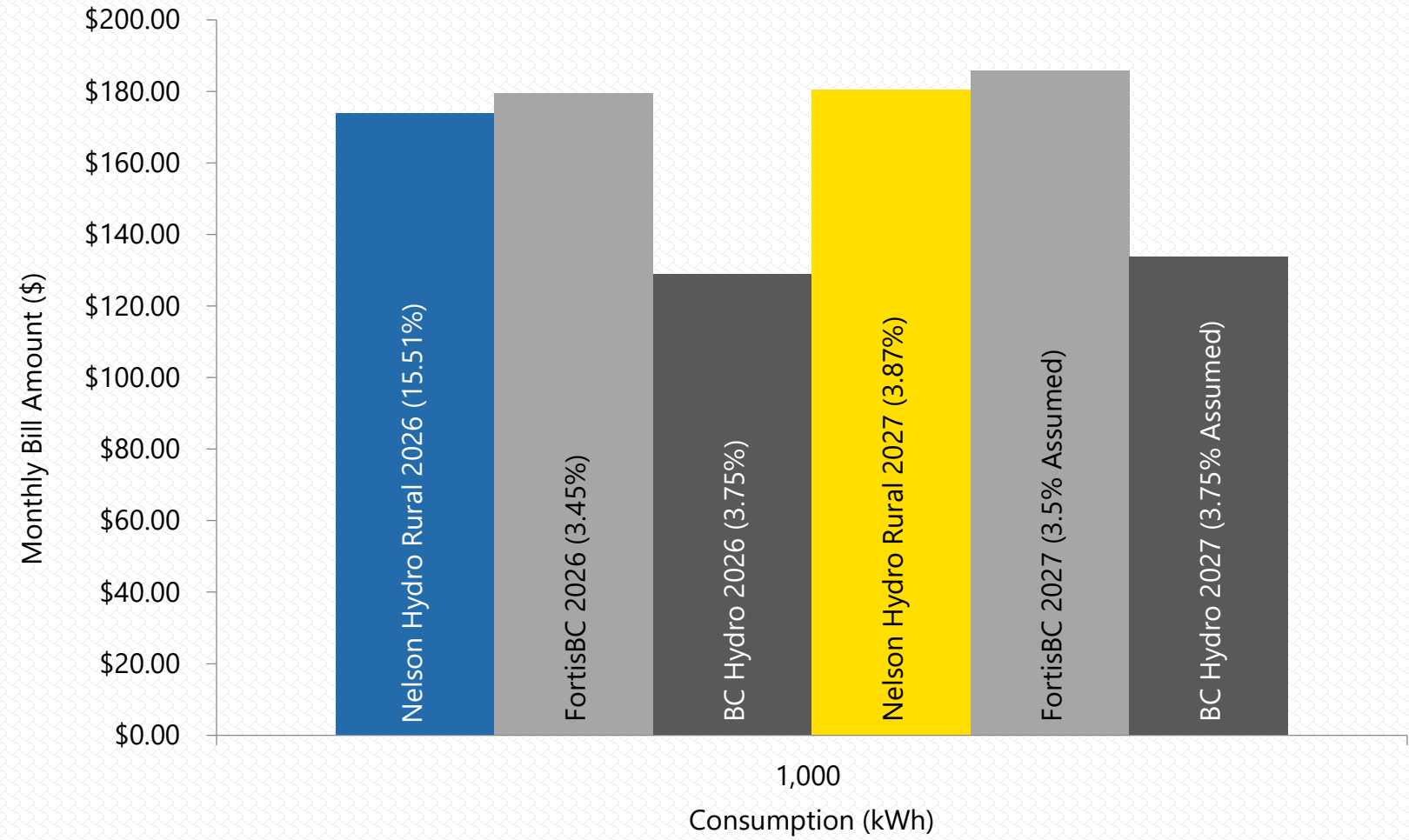
Rate Change Drivers (2027)

<b>Operating Changes</b>		
Op-ex, Capital Return, Power Purchases	3.87%	\$6.73
<b>Deferral Accounts</b>		
	0%	
<b>GCOC Change in ROE</b>		
	0%	
<b>Rural Rate Increase (2027)</b>		
	3.87%	\$6.73



# 2026 & 2027 RURAL RATE COMPARISON

Monthly bill for the  
"average" customer is  
1,000 kWh





# 2026 & 2027 Urban Rates



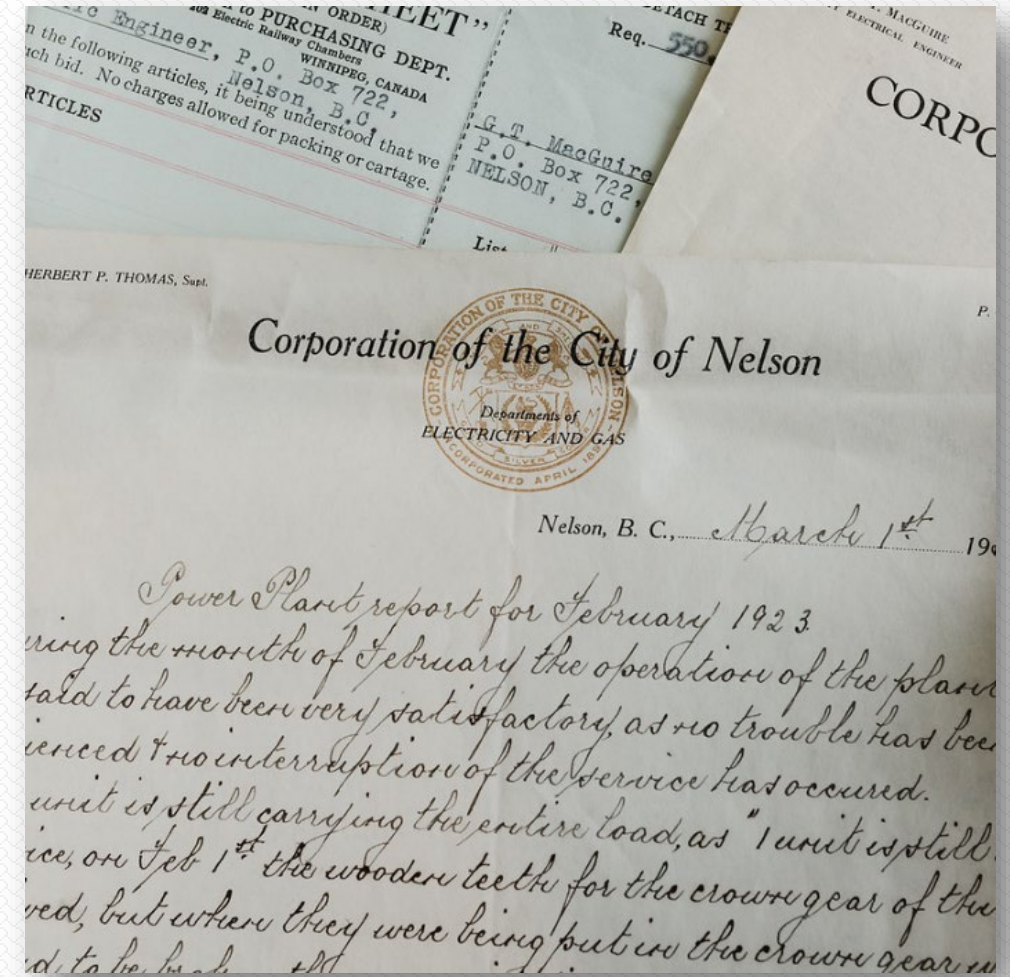
# 2026 & 2027 URBAN REVENUE REQUIREMENTS

- Revenue required to meet operations and capital forecast expenses
- Urban rates will be set to maintain a healthy capital reserve



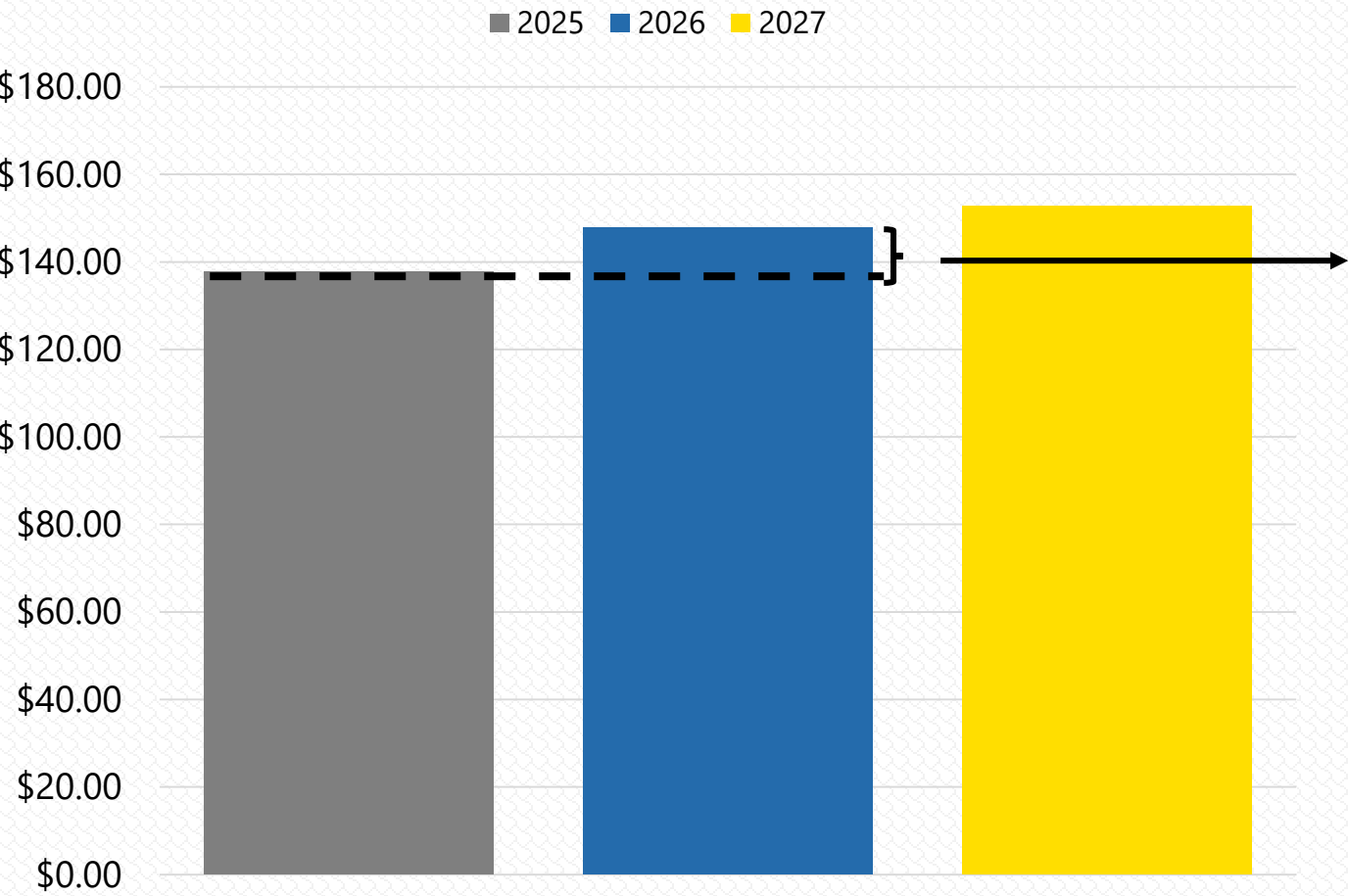
# 2026 & 2027 URBAN REVENUE REQUIREMENTS

- Current budget COSA model output rate increase range:
  - 2026: 7.0% – 9.0%
  - 2027: 3.0% – 5.0%
- 2-year average: 5% – 7%



# URBAN RESIDENTIAL COMPARISON

Electrical Bill Comparison (Monthly)



Rate Change Drivers (2026)

Operating Changes		
Op-ex, Capital Purch, Power Purchases	4.08%	\$5.61
Reserve Contributions Changes	3.23%	\$4.44
Urban Rate Increase (2026)	7.31%	\$10.06

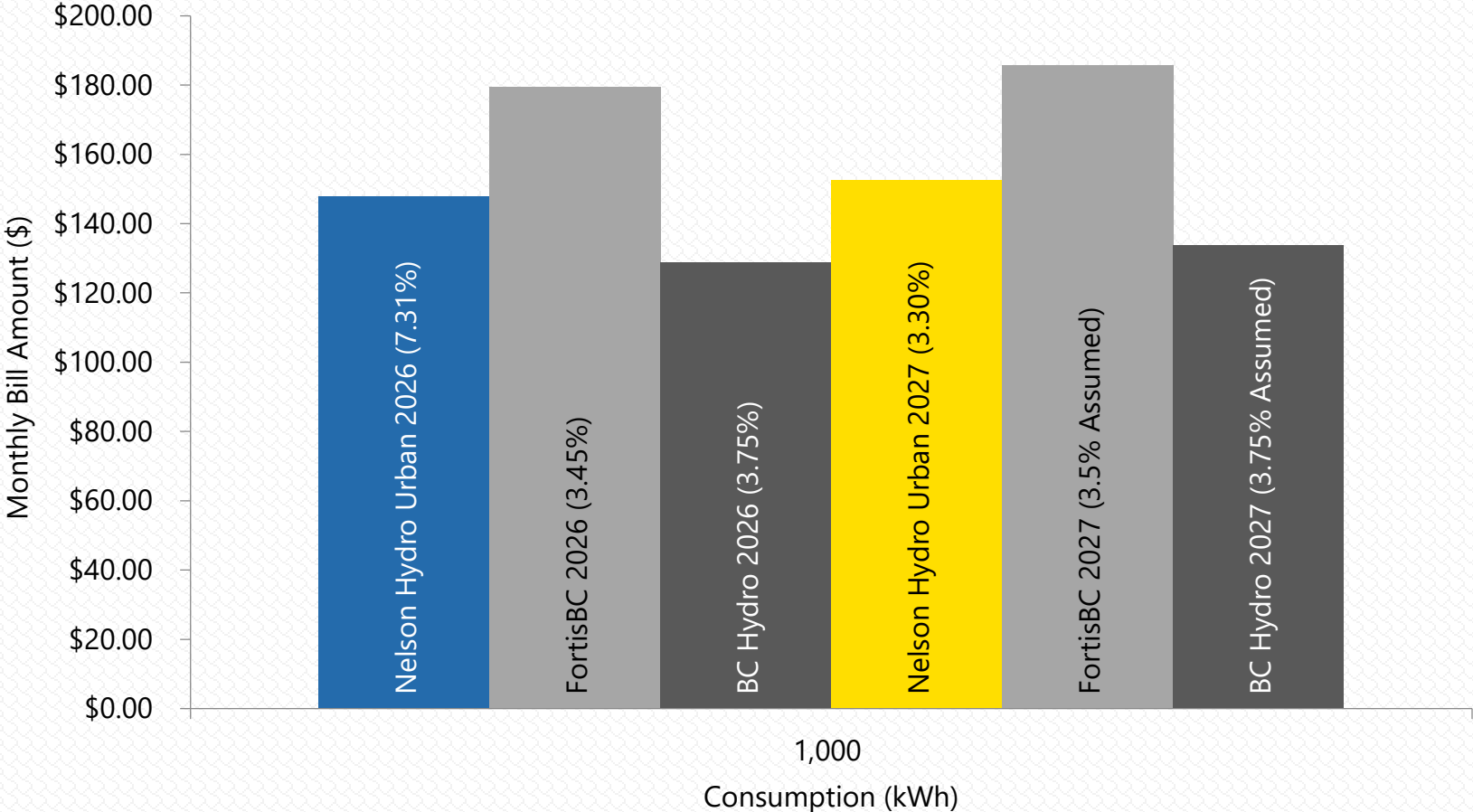
Rate Change Drivers (2027)

Operating Changes		
Op-ex, Capital Purch, Power Purchases	3.30%	\$4.88
Reserve Contributions Changes	0%	
Urban Rate Increase (2027)	3.30%	\$4.88



# 2026 & 2027 URBAN RATE COMPARISON

Monthly bill for the  
"average" customer is  
1,000 kWh







# Rate Factors

# RURAL DEFERRAL ACCOUNTS - OVERVIEW

Utilities use deferral accounts to manage uncontrollable variances fairly. When such actual costs differ from estimates, the balance is settled through the rate-setting process, either as a credit to customers or a recovery by the utility.

Deferral Account	Amortization Period (YRS)	2025	2026	2027	2028	2029	2030
Major Storm	5	(39,550)	450	(18,733)	(15,536)	(14,426)	11,259
Revenue Variance (Interim vs perm rates)	5	(56,940)	(106,452)	(93,655)	(87,391)	(81,438)	(40,104)
Flow Through (Revenue, Power Purch, Regulatory)	5	182,963	357,882	414,550	374,408	349,435	210,775
PACA (Participant Assist Cost Award)	3	31,071	28,626				
Cyber Security Pilot (BCUC Pilot)	2	18,995					
GCOC Variance (BCUC order from GCOC Decision)	3		377,976	377,976	377,976		
BESS (Battery Energy Storage)	3		16,333	16,333	16,333		
<b>Total</b>		<b>136,539</b>	<b>674,816</b>	<b>696,471</b>	<b>665,791</b>	<b>253,572</b>	<b>181,930</b>

*(negative) values indicate credits to ratepayers*

*positive values indicate recovery by utility*



# Discussion

## SEND FEEDBACK TO:

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Projects and Customer Service Manager

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## Let's Talk Link

<https://letstalk.nelson.ca/2026-2027-electrical-rates>





