



March 17, 2017

To: Nelson Hydro Customers

Over the course of the last few weeks through various forums (Blogs, Editorials and Open houses) we have heard various critical comments relating to Nelson Hydro and the City's ownership and operation of Nelson Hydro. We understood the main comments to be substantially along the lines of:

1. If I was a BC Hydro customer my electric rates would be 30% lower than they are with Nelson Hydro and further the rate comparisons provided by Nelson Hydro are wrong.
2. Nelson Hydro should not provide a dividend to the city they should make the electric rates lower instead.
3. There was no notice or opportunity for public input on Nelson Hydro rate changes for 2017.
4. Nelson Hydro refiled its 2017 submission to the BCUC because the first one was "too rich".
5. I am an unwilling participant in the Community Solar Garden

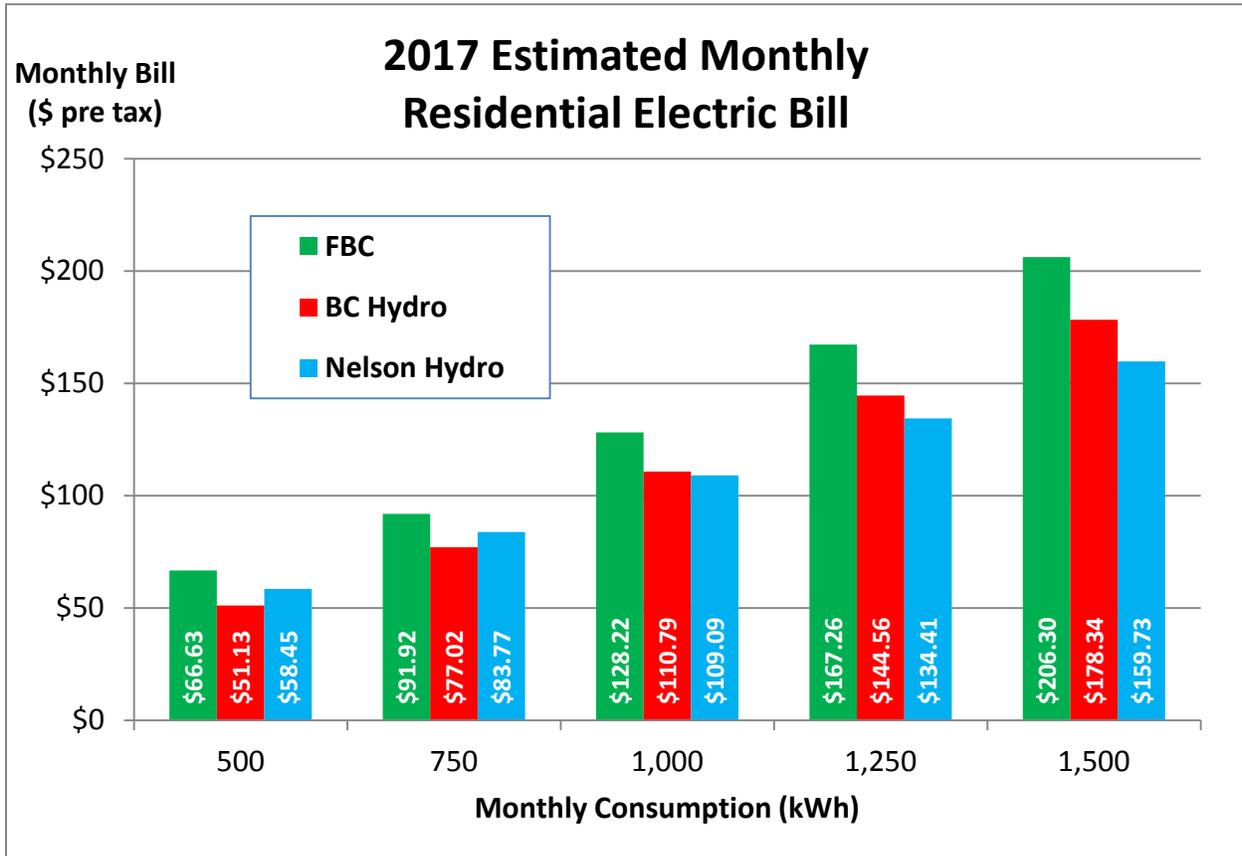
Nelson Hydro views on these statements are;

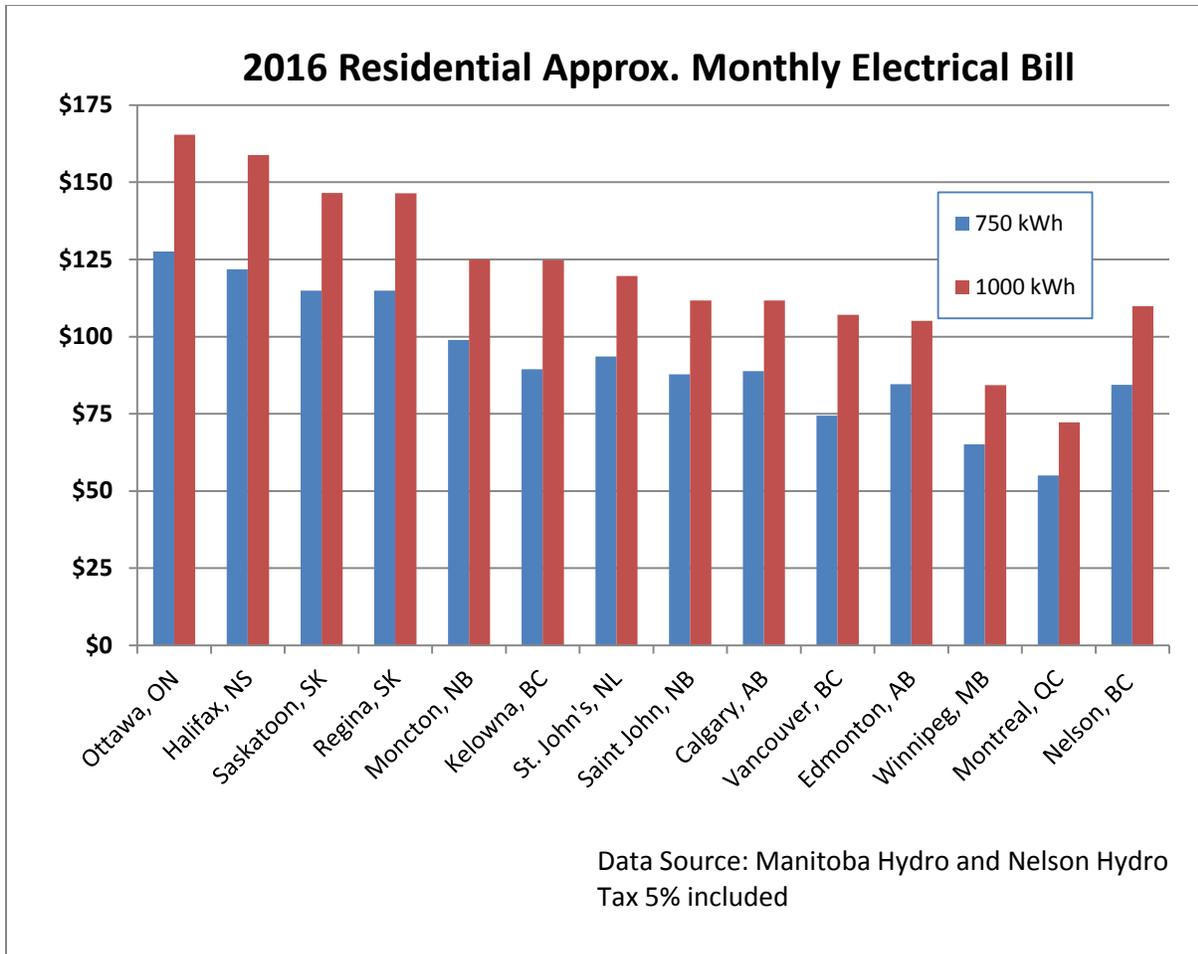
Comment 1) BC Hydro rates are 30% lower than Nelson Hydro and the Nelson Hydro rate comparisons are wrong.

Nelson Hydro Comments:

- BC Hydro residential rates have an inclining block design (called a conservation rate), which means the first block of energy is at a low rate and the second block of energy is at a high rate as compared to Nelson Hydro which is a flat rate. This means that consumers of low amounts of energy would have a lower bill with BC Hydro than with Nelson Hydro, conversely higher consumers (e.g. electric heat customers) would have a higher bill with BC Hydro than they do with Nelson Hydro. The only opportunity we can find for close to a 30% lower charge with BC Hydro than with Nelson Hydro is for a customer who has zero consumption – an impractical case.
- There is no reason why Nelson would try to match BC Hydro rates – the two are separate utilities with separate rate drivers. E.g. recently Nelson has spent much effort and money to upgrade infrastructure - none of these costs have been deferred to the future.
- We tested our comparison calculation against both a BC Hydro and Nelson Hydro actual bill – the estimate calculation agreed with the actual bills to within 2 cents.
- The rate comparison across Canada uses data from Manitoba Hydro website – we are confident they would get the numbers right.

- In 2016 Nelson residential customers used an average of 913 kWh / month. At 913 kWh / month the 2017 monthly residential cost with BC Hydro would be \$99.04 and with Nelson Hydro it would be \$100.28. The BC Hydro cost would be 1.25% lower than with Nelson Hydro – a difference of \$1.24 /month.
- The charts below shows monthly electric cost comparisons for 3 electric utilities in BC at their 2017 rates and the 2016 rate comparisons from across Canada.





Comment 2) The Nelson Hydro Dividend to the City should be eliminated to keep electric rates lower.

Nelson Hydro Comments:

- This is an interesting thought as a lack of dividend to the City would presumably result in an increase in taxation rates. Using 2016 data; the hydro utility transfer to the city of \$3,358,867 would otherwise be made up by an approximate 42% tax rate increase.
- It is unclear to us why the city would want to invest in, own and operate an electric utility that makes no profit. All other electric utilities that we know operate on a for-profit basis to the benefit of the owners. In this case, the owner is a public entity – the City of Nelson.
- Alternately, if the utility were sold, the city would receive one time proceeds from the sale. The current benefits of lower residential rates than the neighboring electric utility and the annual dividend to the city would almost certainly evaporate – those benefits would go to the new owner of the utility.

Comment 3) There was no notice or opportunity for public input on Nelson Hydro rate changes for 2017.

Nelson Hydro Comments:

The 2017 rate change was first publicly discussed on Dec 14, 2016, again on Dec 19, 2016, on a public council meeting agenda Jan 09, 2017, at a public open house Feb 27, 2017 and, finally, at a public Council meeting Mar 06, 2017.

For all customers, the planned rate change was also advertised – e.g. this clip from Feb 17th 2017 Nelson Star.

For our rural customers, there is a process with the BC Utilities Commission. These ads, outlining how to participate in the process were in print March 7th and 8th 2017.

British Columbia Utilities Commission

PUBLIC NOTICE

Nelson Hydro 2017 Rate Application

On February 10, 2017, Nelson Hydro filed its 2017 Rate Application requesting approval to increase the electrical rates for Nelson Hydro's non-municipal customers by 4.28 percent, effective April 1, 2017. The rate increase will be applied uniformly to all Nelson Hydro's customers both inside of and outside of the City of Nelson's municipal boundaries; however the approvals sought in this application pertain solely to Nelson Hydro's non-municipal customers.

HOW TO PARTICIPATE

There are a number of ways to participate in a matter before the Commission:

- Submit a letter of comment
- Register as an interested party
- Request intervener status

For more information, or to find the forms for any of the options above, please visit our website or contact us at the information below.

www.bcu.com/RegisterIndex.aspx

GET MORE INFORMATION

All documents filed on the public record are available on the "Current Proceedings" page of the Commission's website at www.bcu.com.

If you would like to review the material in hard copy, or if you have any other inquiries, please contact Laurel Ross, Acting Commission Secretary, at the following contact information.

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Email: Commission.Secretary@bcuc.com
Phone: 604-660-4700
Toll Free: 1-800-663-1385

All submissions received, including letters of comment, are placed on the public record, posted on the Commission's website and provided to the Panel and all participants in the proceeding.

NEXT STEPS

Intervener registration - Persons who are directly or sufficiently affected by the Commission's decision or have relevant information or expertise and that wish to actively participate in the proceeding, can request intervener status by submitting a completed Request to Intervene Form by March 20, 2017.

view picture of this item on our website: www.pennywiseads.com N Mar. 7, 2017 PAGE 21

Friday, February 17, 2017

Entertainment

Project Soul will be performing and workshopping for youth in Nelson and Trail next week. Submitted photo

PUBLIC NOTICE

Nelson Hydro – Notice of Rate Change

Nelson Hydro wishes to advise our customers of a planned increase to our electrical rates for 2017.

The planned rate change will be a general rate increase of 4.28% effective April 1, 2017. This increase will apply to all electrical rate classes. This 4.28% rate increase on April 1st will result in an effective rate increase of approximately 2.96% for the calendar year. This rate increase is comprised of inflationary increases in the operating budget and increased power purchase costs.

For more information, contact:
Nelson Hydro Administration
Phone: 250-352-8240
email: nelsonhydro@nelson.ca
Website: www.nelson.ca

Comment 4) Nelson Hydro refiled its 2017 submission to the BCUC because the first one was “too rich”?

Nelson Hydro Comments:

Nelson Hydro did re-submit its application because the BCUC asked them to re-format some data. The re-submission was for the same budget and rate change as the first submission, which is the same budget and rate change contemplated in the public meetings noted in item 3, above.

Comment 5) I am an unwilling participant in the Community Solar Garden.

Nelson Hydro Comments:

The community Solar Garden is intended to be largely funded by the customers who bought into it. It is true that the utility is also making some investment as well. The utility has planned to provide \$25,000 for design and \$2,000 / year for 25 years for operations and maintenance. \$75,000 over 25 years spread across 10,000 customers comes to \$ 0.30 / customer / year.

Why would the utility invest anything in solar even if it is a very low nominal cost? – The primary reasons are:

- Distributed Solar PV is going to be a major part of the electrical infrastructure in the near future – this Solar Garden is an excellent way for the utility to get hands on operating experience,
- It is a way of providing a service that many of the customers are interested in. 130 of them bought into the Community Solar Garden and have completely subscribed all available panels,
- Solar PV aligns very well with the community input to the Path to 2040 plan where the public told the City of Nelson they wanted more local, renewable energy production.

We hope that the above information will help those who are hearing chatter about Nelson Hydro and wondering what the utility might have to say about these suggestions.