

# BUDGET PREVIEW

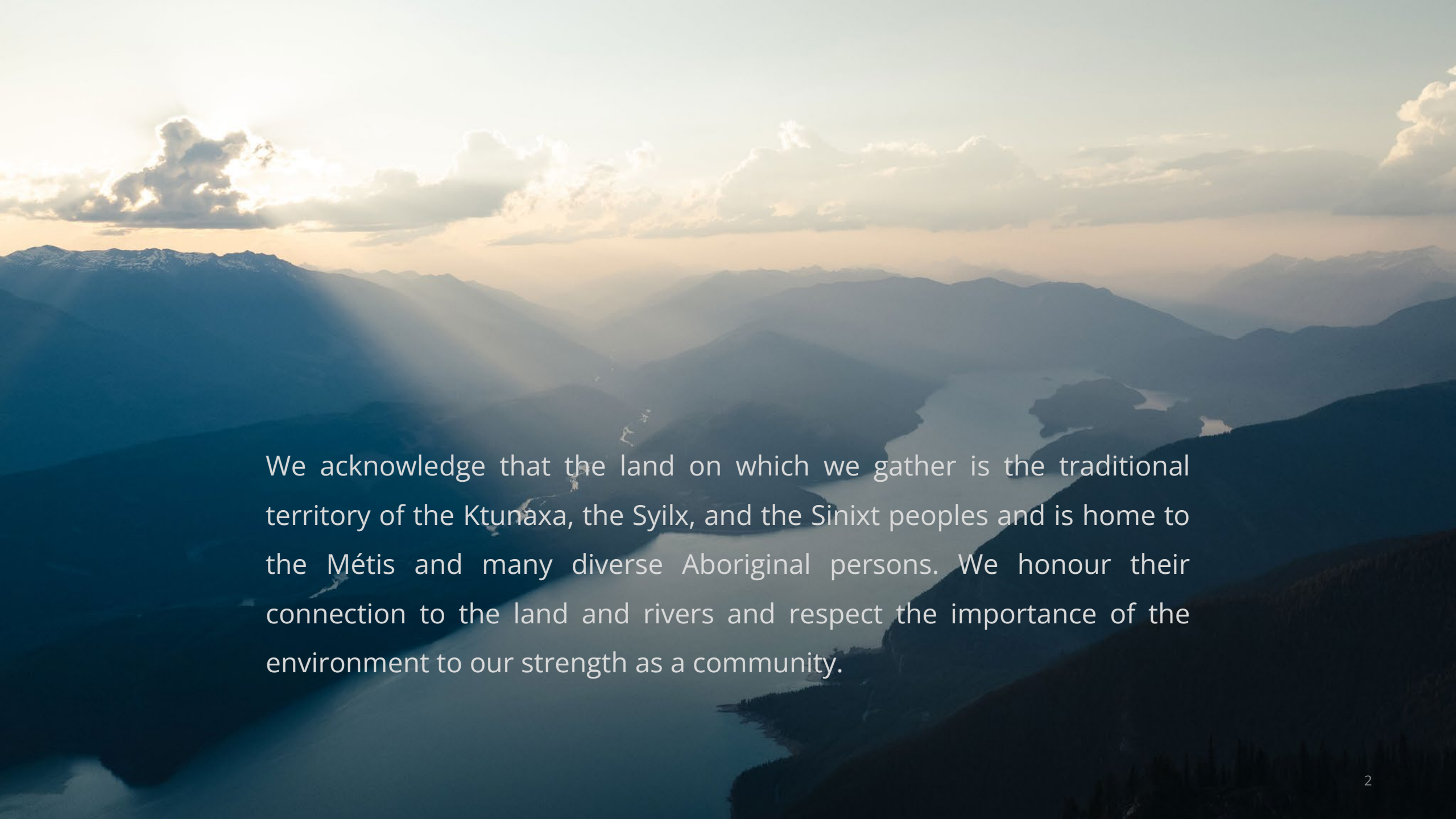


2024 Budget, Regulatory and Rates

*City of*  
**NELSON**

September 25, 2023





We 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.

# AGENDA

1. Regulatory Update
2. Budget Preparation
  - 2023 Operations and Capital Highlights
  - 2023 Operations and Capital Expense Forecast
  - 2024 Operations and Capital Plan Highlights
  - 2024 Operations and Capital Budget
3. 2024 Revenue Requirements
4. Nelson Hydro Recommendations
5. Questions?





# Regulatory Update

# BCUC APPLICATIONS & PROCEEDINGS – CURRENT/COMPLETED

- 2023 Revenue Requirements Application – Ongoing
- Reconsideration & Variance of G-196-22 (COSA) – Ongoing
- Generic Cost of Capital (GCOC) Phase 1 – Completed
- BC Municipal Utility Inquiry – Completed
- FortisBC 2023 Annual Review of Rates – Completed
- Regulatory Efficiency Initiative – Ongoing



# BCUC DIRECTIVES

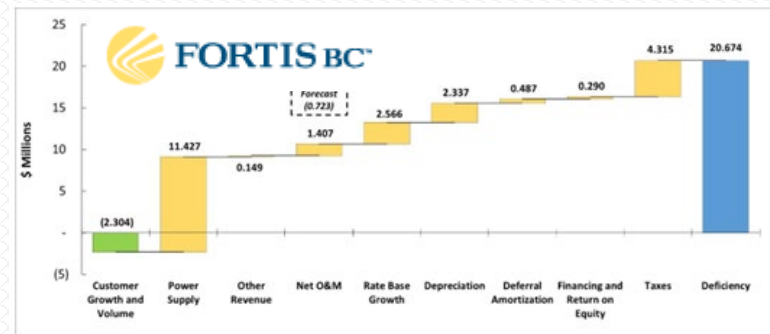
- Payment of \$85k Participant Assistance Cost Award (PACA)
- Deferral Account for PACA
- Cyber Security Framework – 2 Year Pilot
- Deferral Account for Cyber Security
- Safety Matters – Request for Information
- Greenhouse Gas Reporting





# BCUC APPLICATIONS & PROCEEDINGS - UPCOMING

- 2024 Revenue Requirements Application – In Progress
- Generic Cost of Capital (GCOC) Phase 2 – Not Started
- Regulatory Efficiency Initiative – In Progress
- FortisBC 2024 Annual Review of Rates – In Progress
- Nelson Hydro Services Bylaw Update – Not Started



## OTHER REGULATORY BODIES

- Technical Safety BC – Utility Safety within City boundaries
- Dam Safety – Dam Safety Management Plan
- EGBC – Permit to Practice Management Plan Audit
- WorksafeBC – General Compliance







# 2023 Operations & Capital Highlights

# 2023 OPERATIONS HIGHLIGHTS

- Continued Good Reliability
- Safety Audit Follow-up
- Dam Safety Review
- Addition of Power Line Technician
- Addition of Power Systems Engineer
- 4-year Collective Agreement with IBEW



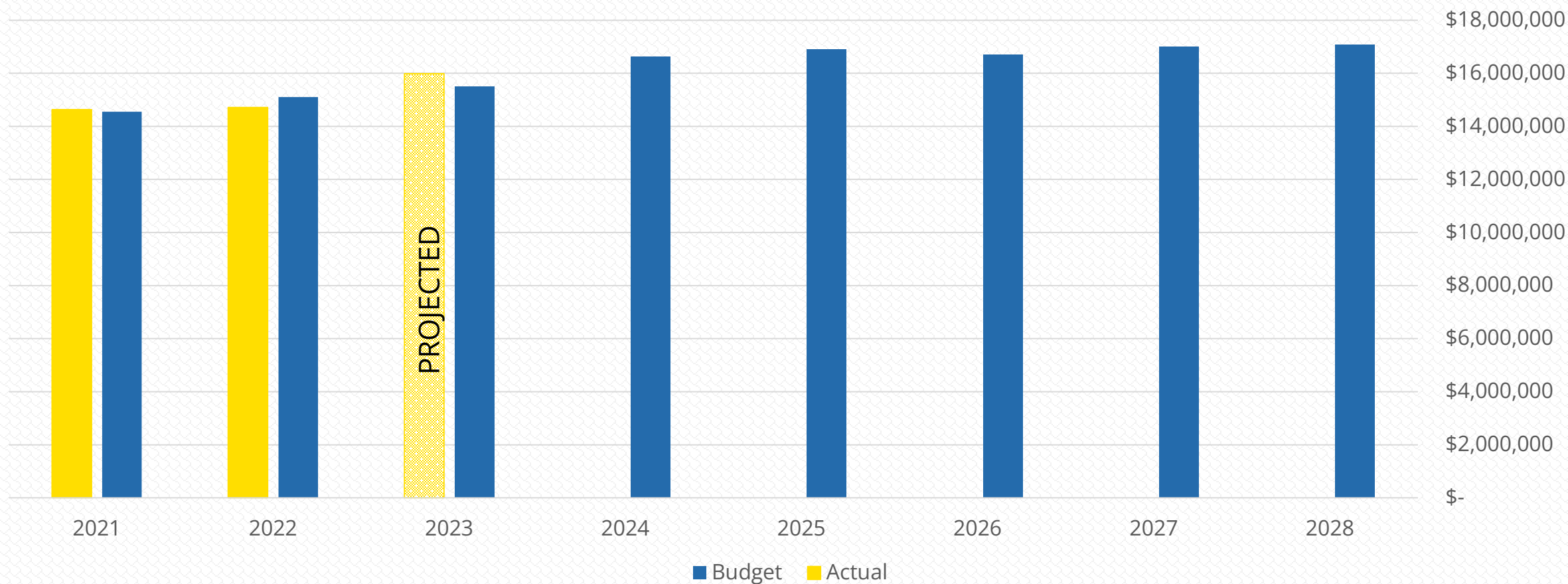
# 2023 CAPITAL HIGHLIGHTS

- Mill St Substation Upgrade
- G3 & G4 Exciter Replacement
- Geographic Information System (GIS) Implementation
- Advanced Metering Infrastructure
- North Shore Capacity Review
- Asset Management

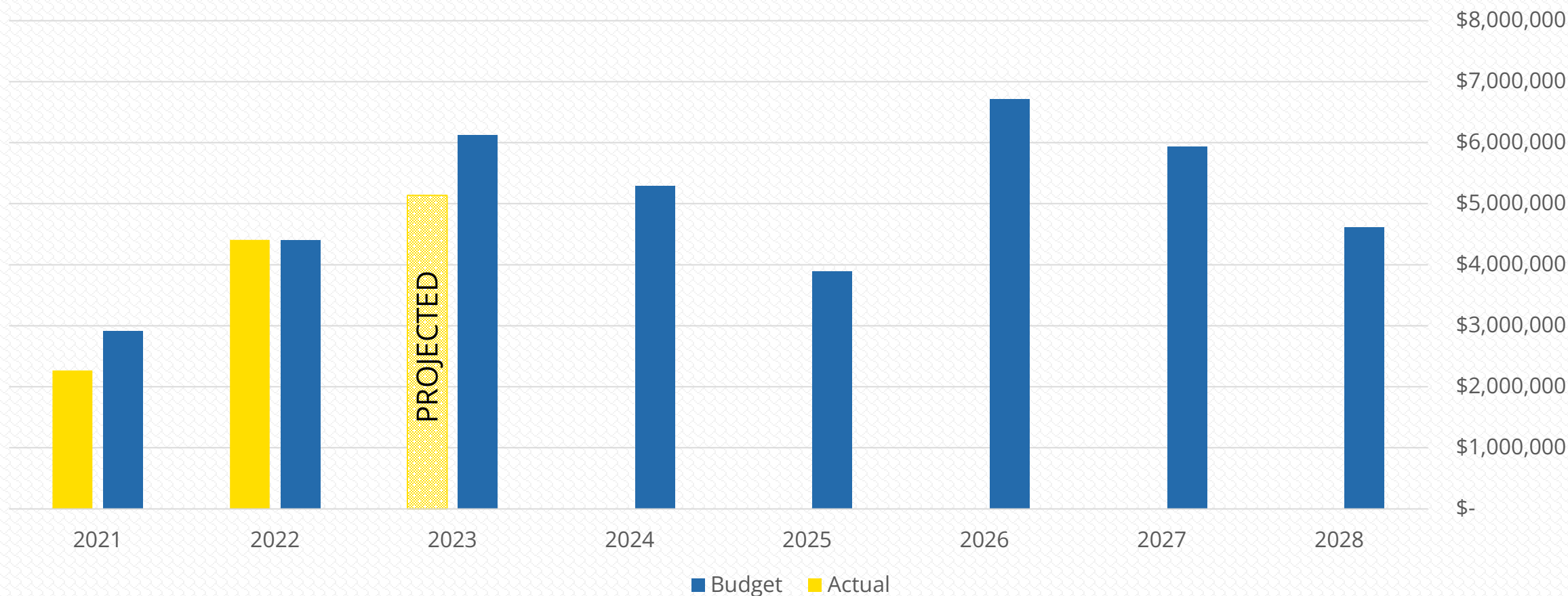




# O&M BUDGET VS ACTUAL EXPENDED



# CAPITAL BUDGET VS ACTUAL EXPENDED



# 2023 BUDGET HIGHLIGHTS

	2023 Budget	2023 YE Forecast	Forecast / Budget
Revenue	\$22,667,300	\$22,452,112	99%
Power Purchases	\$7,690,300	\$8,043,280	105%
Operating Expenses	\$7,867,567	\$7,945,405	101%
Capital Expenditures	\$6,122,745	\$5,137,507	84%

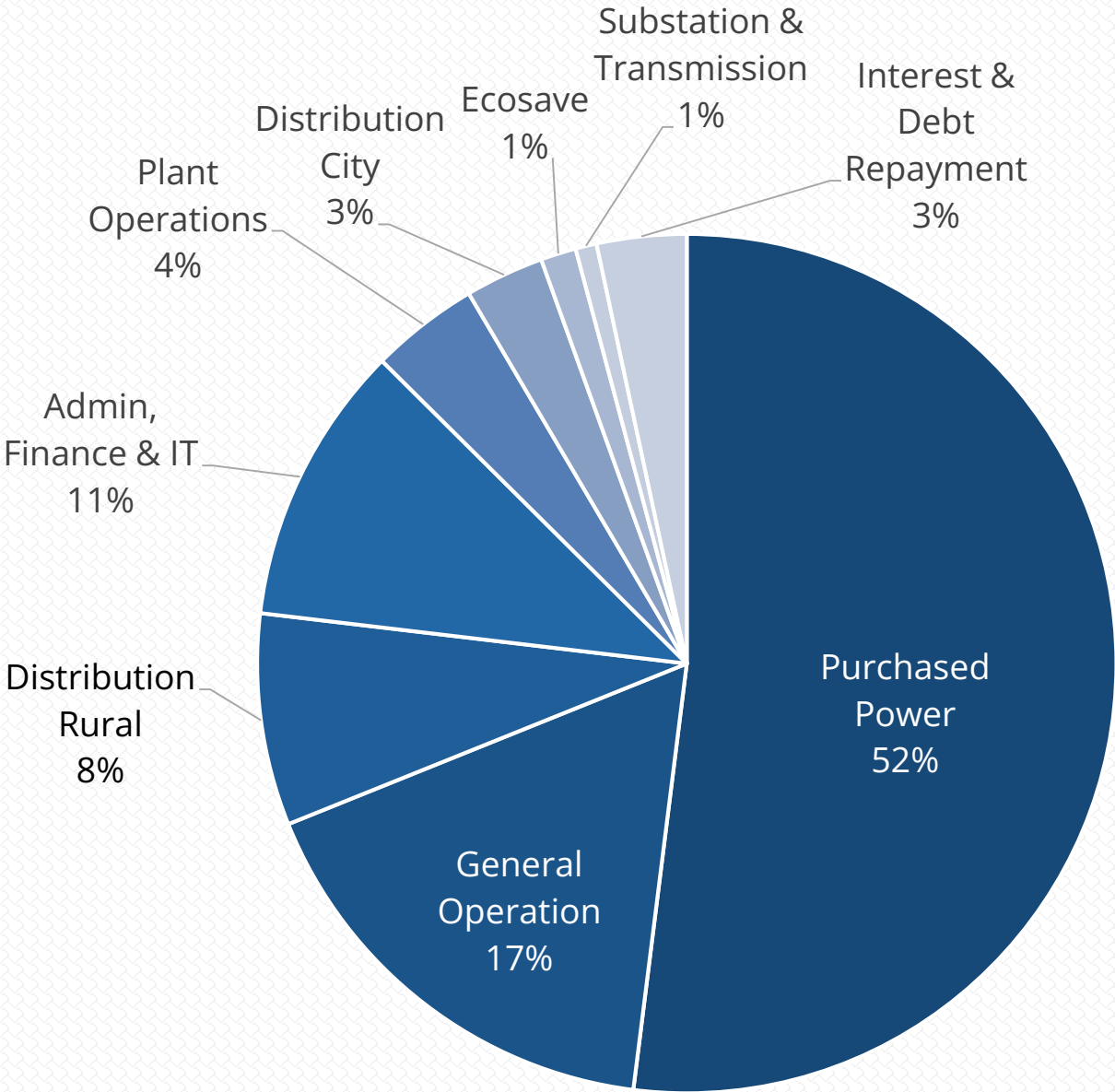


# 2024 OPERATING BUDGET HIGHLIGHTS

- 4.83% FortisBC Rate increase
- Inflationary increase of 5.62%
- Continued focus on reliability
- Continued focus on safety
- 4.21% increase in IBEW wages
- Adjusted Power Purchase Forecast



# 2024 OPERATING HIGHLIGHTS



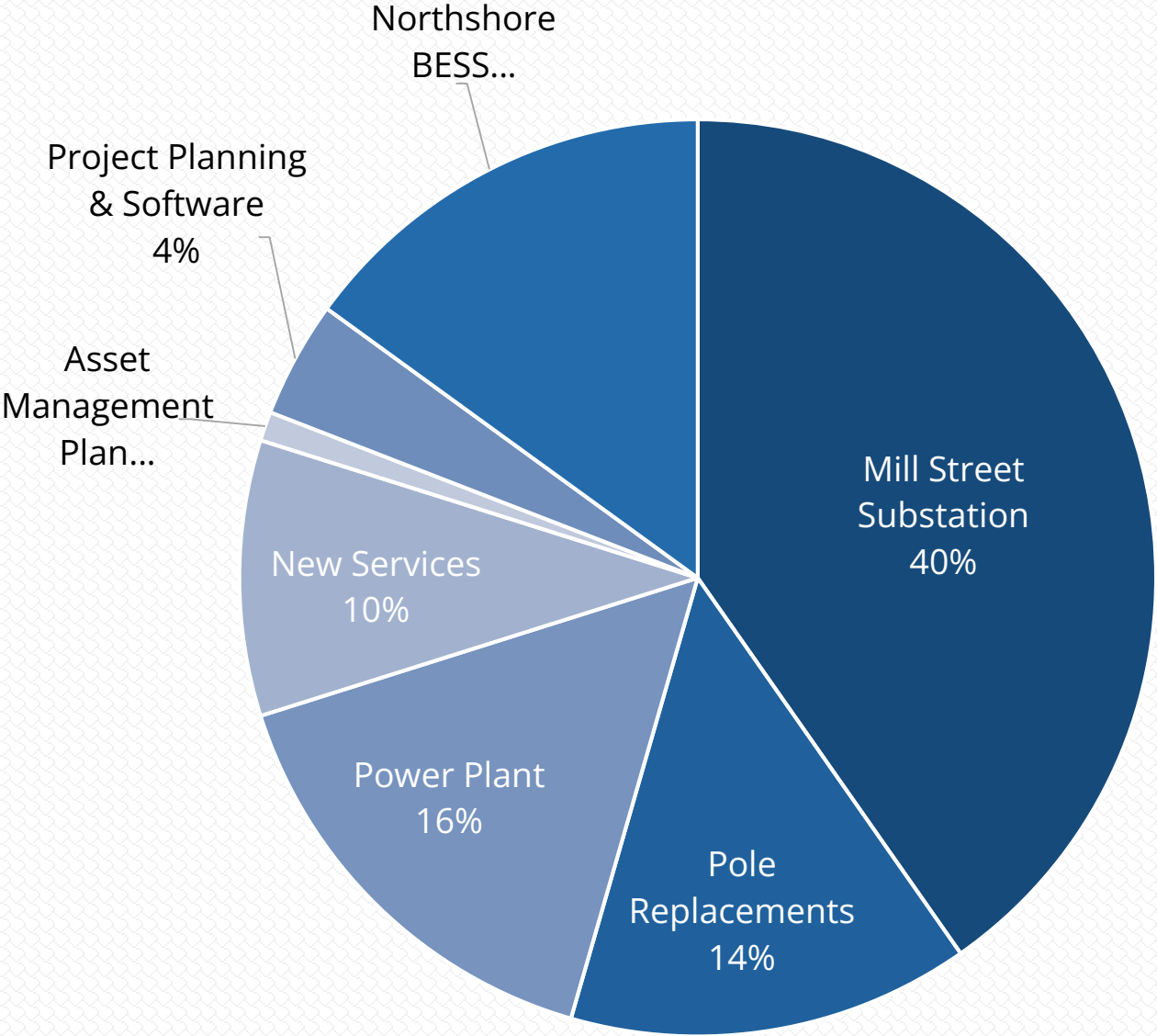
# 2024 CAPITAL HIGHLIGHTS

- Mill St Substation Upgrade
- G3 & G4 Exciter Replacement
- Geographic Information System (GIS)
- Battery Energy Storage System (BESS)
- Generating Station Pressure Vessels
- Dam Safety Repairs and Scoping
- Cybersecurity
- Major Maintenance on G2 & G5 Generator





# 2024 CAPITAL HIGHLIGHTS



# 2024 OPERATING & CAPITAL BUDGET SUMMARY

	2023 YE Fcst.	2024 Budget	2023 Fcst. Vs 2024 Budg.
<b>Power Purchases</b>	\$8,043,280	\$8,645,224	107%
<b>Operating Expenses</b>	\$7,945,405	\$8,070,297	102%
<b>Capital Expenditures</b>	\$5,137,507	\$5,296,739	103%

	2024 Budget Expenses	Total Project Expenses	
<b>Mill St Substation*</b>	\$1,959,363	\$5,994,766	*net of insurance recoveries
<b>Total 2024 Capital Budget</b>	\$5,296,739		



# 2024 Revenue Requirements



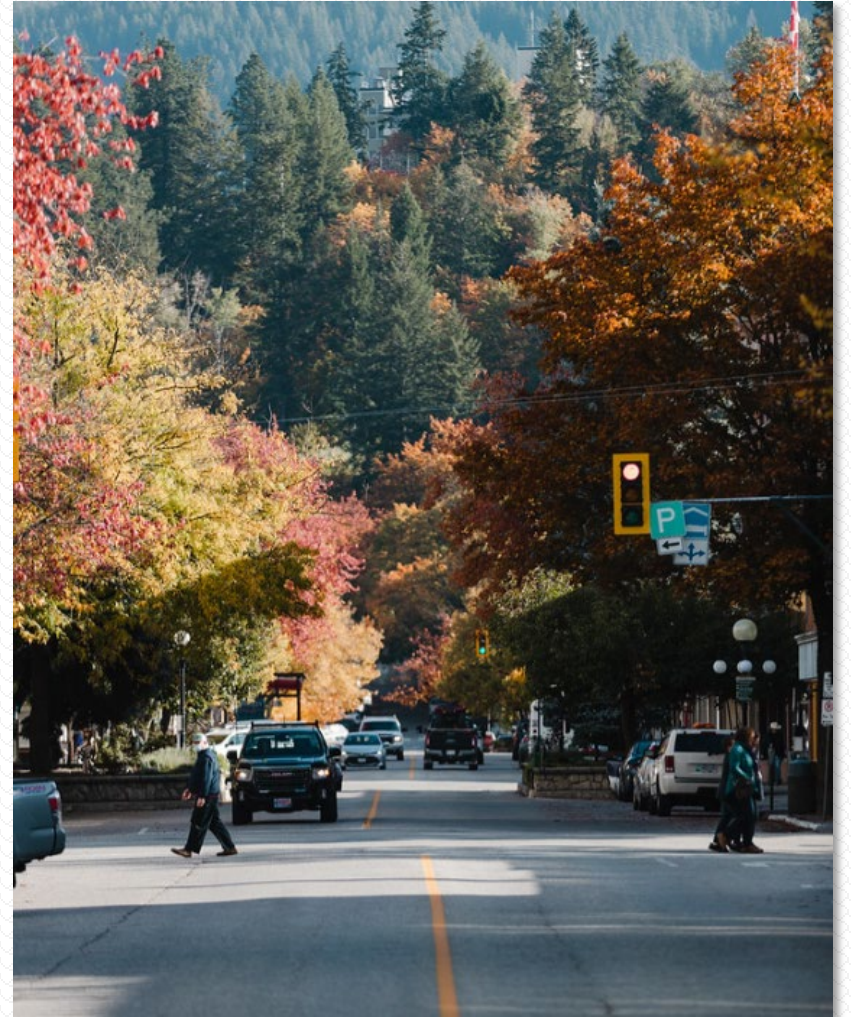
# 2024 REVENUE REQUIREMENTS

- Revenue required to meet operations and capital forecast expenses
- Rural rates will be based on output from the 2024 COSA
- Urban rates will be set to maintain a healthy capital reserve



# 2024 REVENUE REQUIREMENTS

- Based on the budget as presented the rural rate increase is expected to be between 7% and 9%
- 2/3 of rate increase is due to purchased power forecast
- The urban rate increase is expected to be slightly lower.





# NELSON HYDRO RECOMMENDATIONS

- Support the 2024 Operations and Capital Budgets in principal
- Direct Nelson Hydro staff to continue to refine the budgets and rate design to reduce the impact to ratepayers



# QUESTIONS?

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