

BUDGET PREVIEW

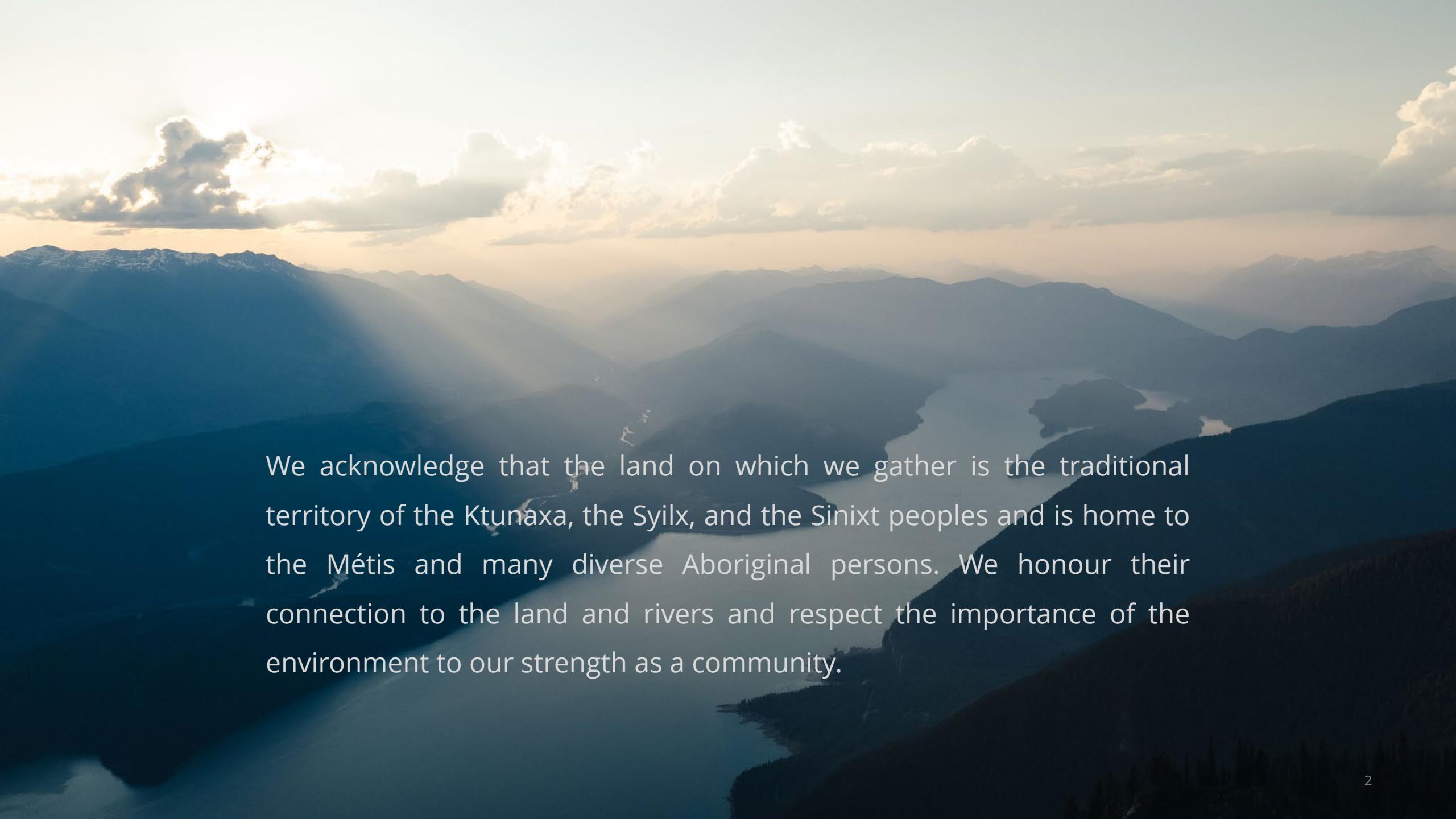
2024 Budget, Regulatory and Rates



City of
NELSON



October 12, 2023

A wide-angle landscape photograph of a mountain range during sunset or sunrise. The sky is filled with large, billowing clouds, some illuminated by the low sun. In the foreground, a deep blue river or lake curves through the valley, its surface reflecting the light. The mountains are layered in the background, their peaks partially obscured by mist and shadow. The overall atmosphere is serene and majestic.

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. 2024 Revenue Requirements
3. Budget Preparation
 - 2023 Operations and Capital Highlights
 - 2023 Operations and Capital Expense Forecast
 - 2024 Operations and Capital Plan Highlights
 - 2024 Operations and Capital Budget
4. Questions?





Regulatory Update

BCUC APPLICATIONS & PROCEEDINGS

- 2023 Revenue Requirements Application
- Reconsideration & Variance of G-196-22 (COSA)
- 2024 Revenue Requirements Application
- Generic Cost of Capital (GCOC)
- FortisBC 2024 Annual Review of Rates
- Regulatory Efficiency Initiative
- Cyber Security Framework – 2 Year Pilot



OTHER REGULATORY BODIES

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





2024 Revenue Requirements

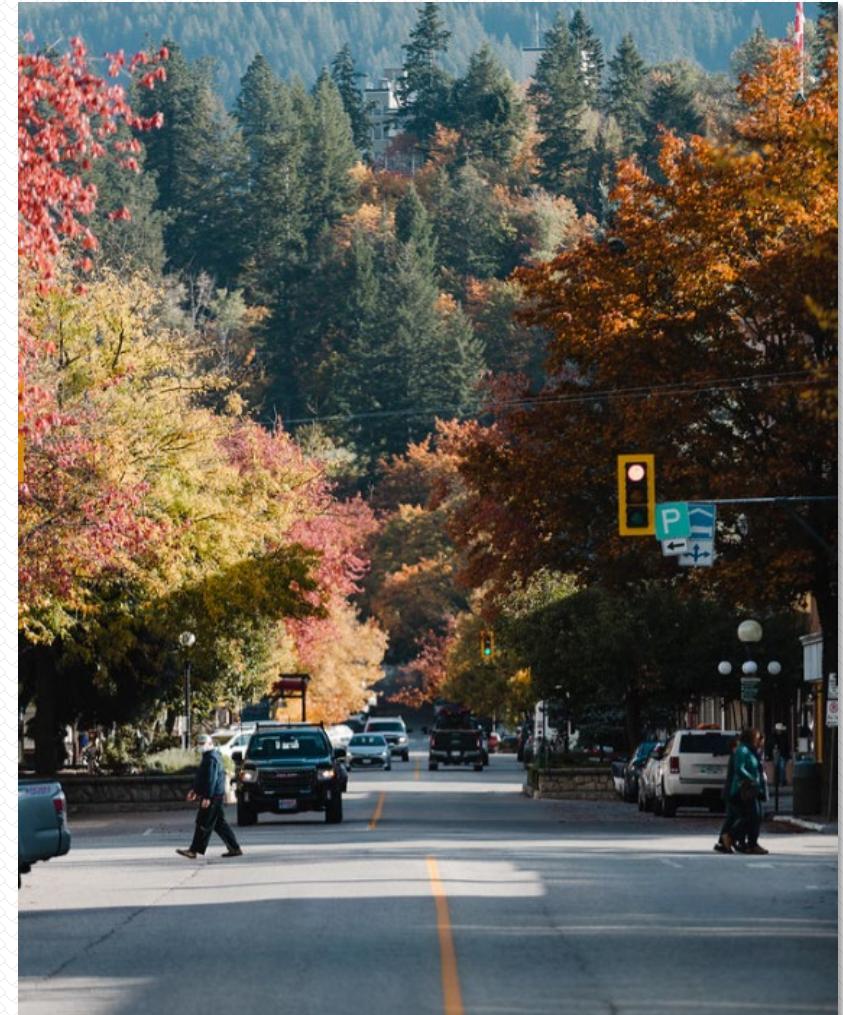
2024 REVENUE REQUIREMENTS

- Revenue required to meet operations and capital forecast expenses
- Rural rates will be based on output from the 2024 Cost of Service Allocation (COSA)
- COSA may be updated after filing
- Urban rates will be set to maintain a healthy capital reserve



2024 RATE FORECAST

- Based on the budget as presented to council the rural rate increase was expected to be between 7% and 9%
- Council directed Nelson Hydro staff to reduce the impact to ratepayers
- The latest iteration of the budget indicates a rural increase between 5% and 7%



2024 POWER PURCHASE FORECAST

- The purchased power forecast is a prime driver of rates
- Increased energy forecast to align with growth trend
- Reduced demand (i.e. peak) from worst case to “4-year average”
- Application will include a budget variance account

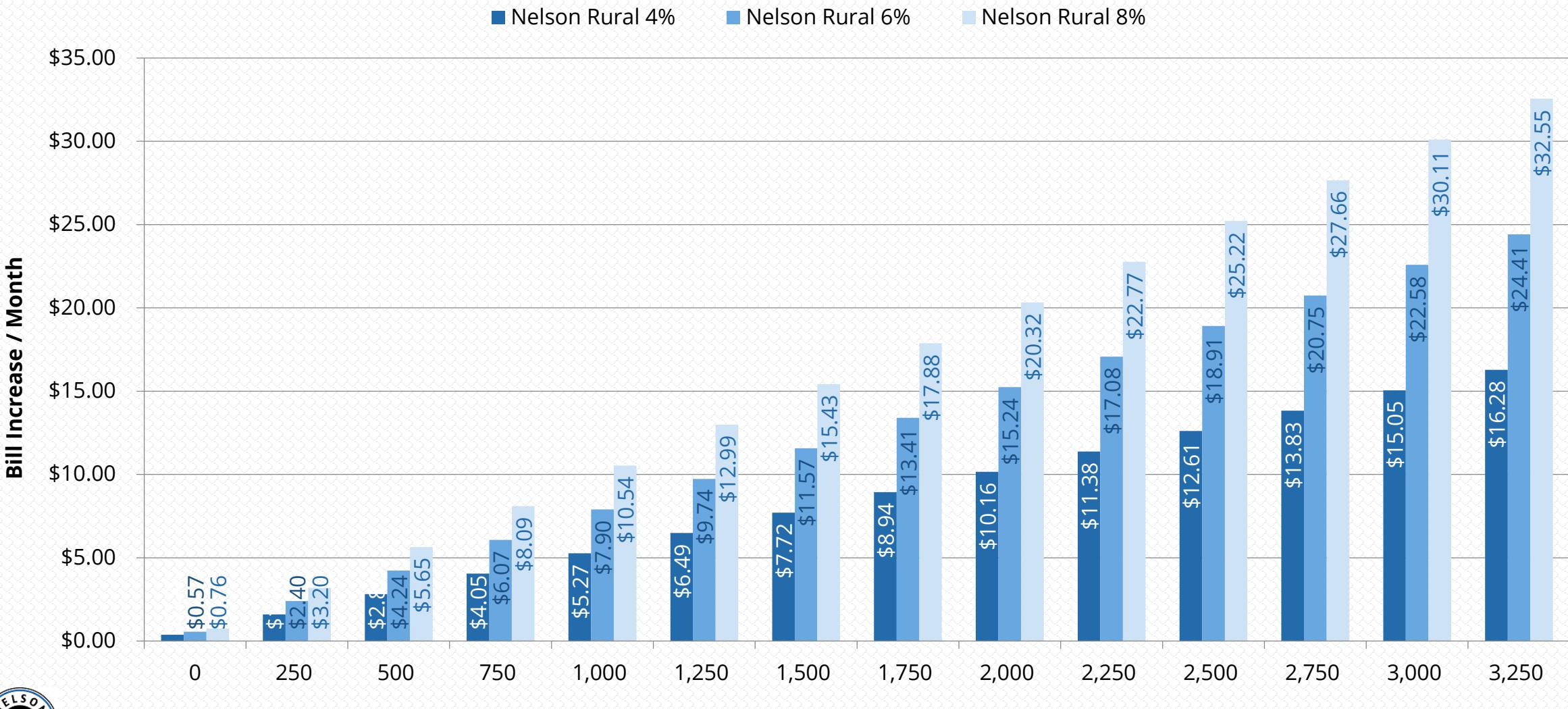


2024 BUDGET REVIEW

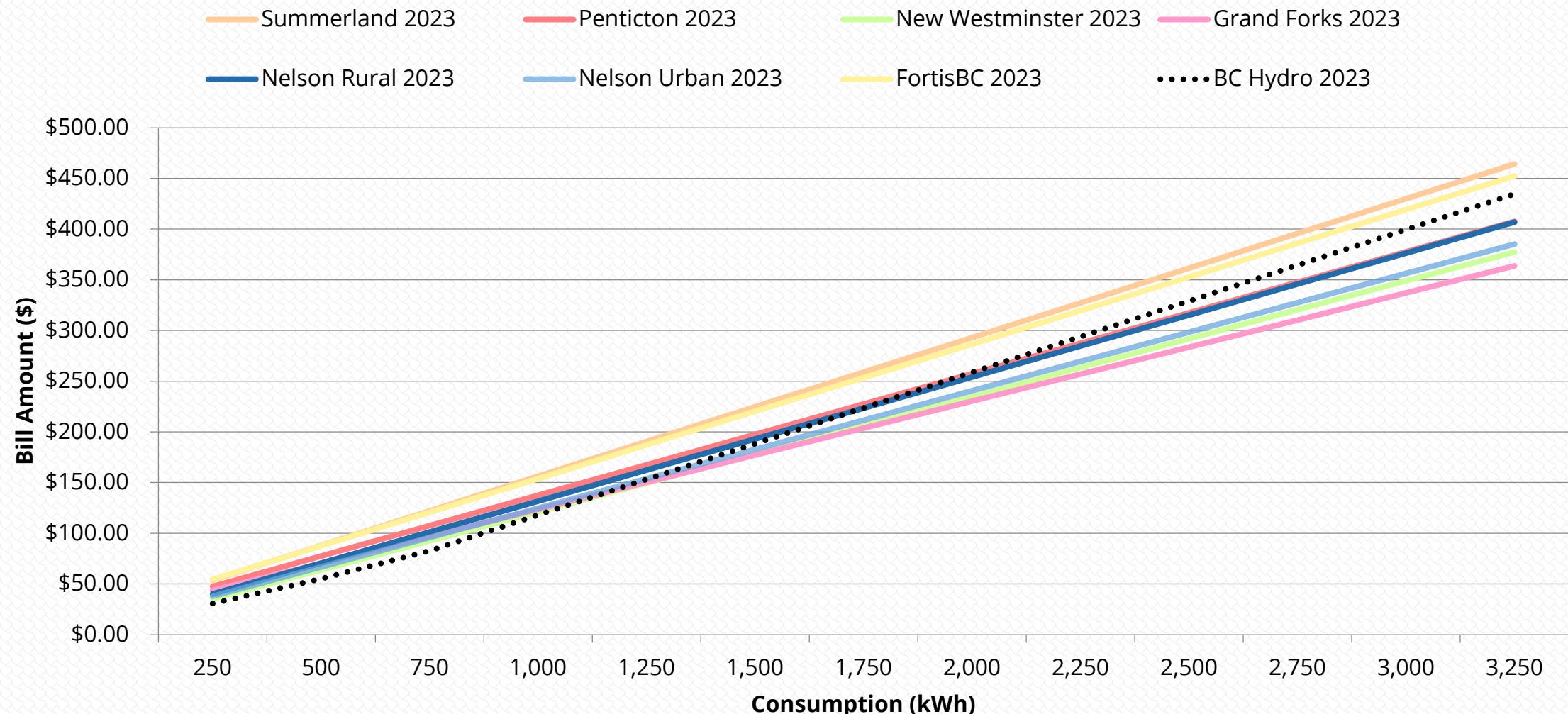
- Vegetation management reduced to original forecast
- Spread cost of Cybersecurity over the 2-year pilot
- Reviewed all other Operations and Maintenance costs to defer costs without jeopardizing safety or reliability



2024 RATE INCREASE IMPACT



2023 RESIDENTIAL RATE COMPARISON





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

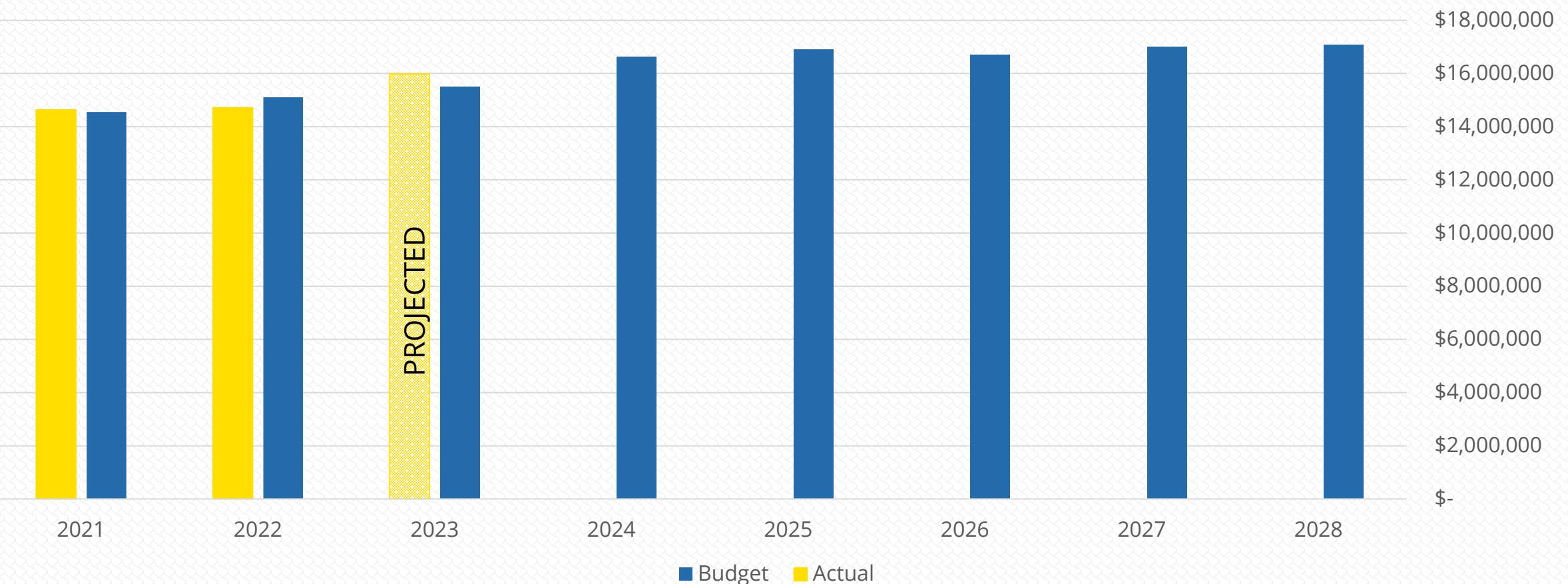


2023 CAPITAL HIGHLIGHTS

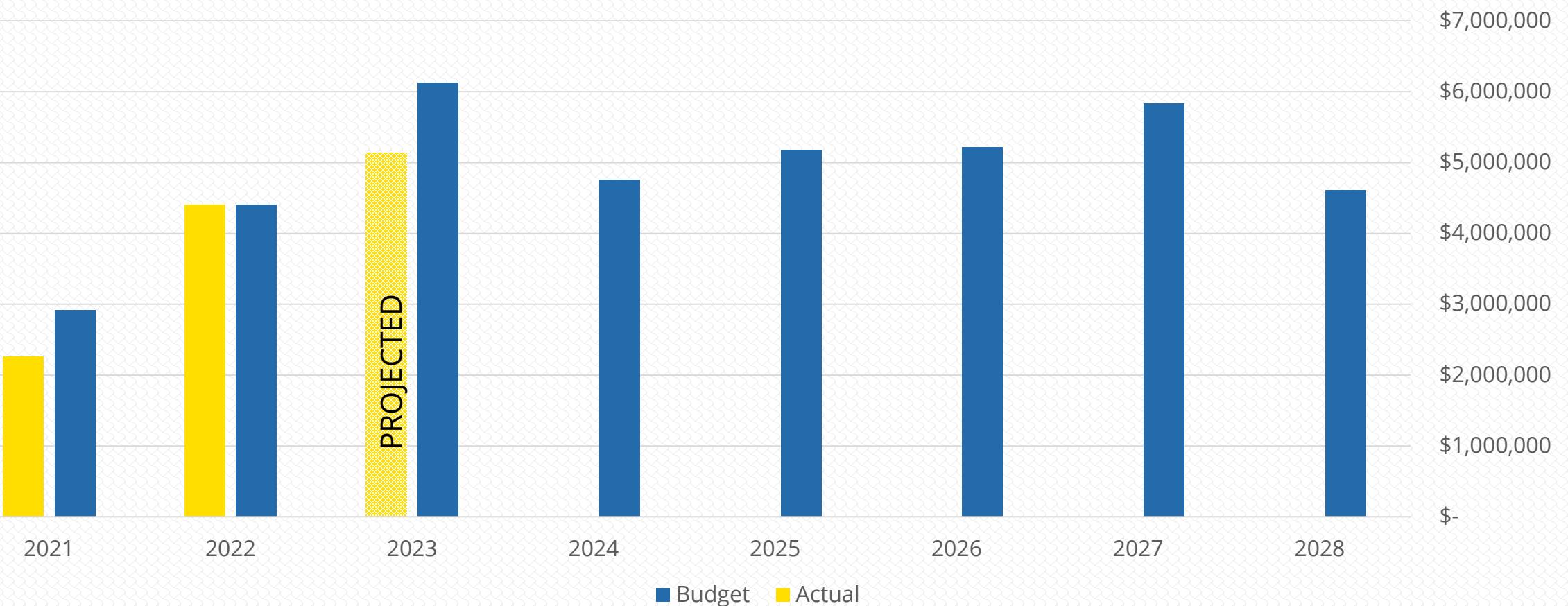
- Mill St Substation Upgrade
- G3 & G4 Exciter Replacement
- Geographic Information System (GIS) Implementation
- North Shore Capacity Review
- Asset Management
- Advanced Metering Infrastructure



O&M BUDGET VS ACTUAL EXPENDED



CAPITAL BUDGET VS ACTUAL EXPENDED



2023 BUDGET HIGHLIGHTS

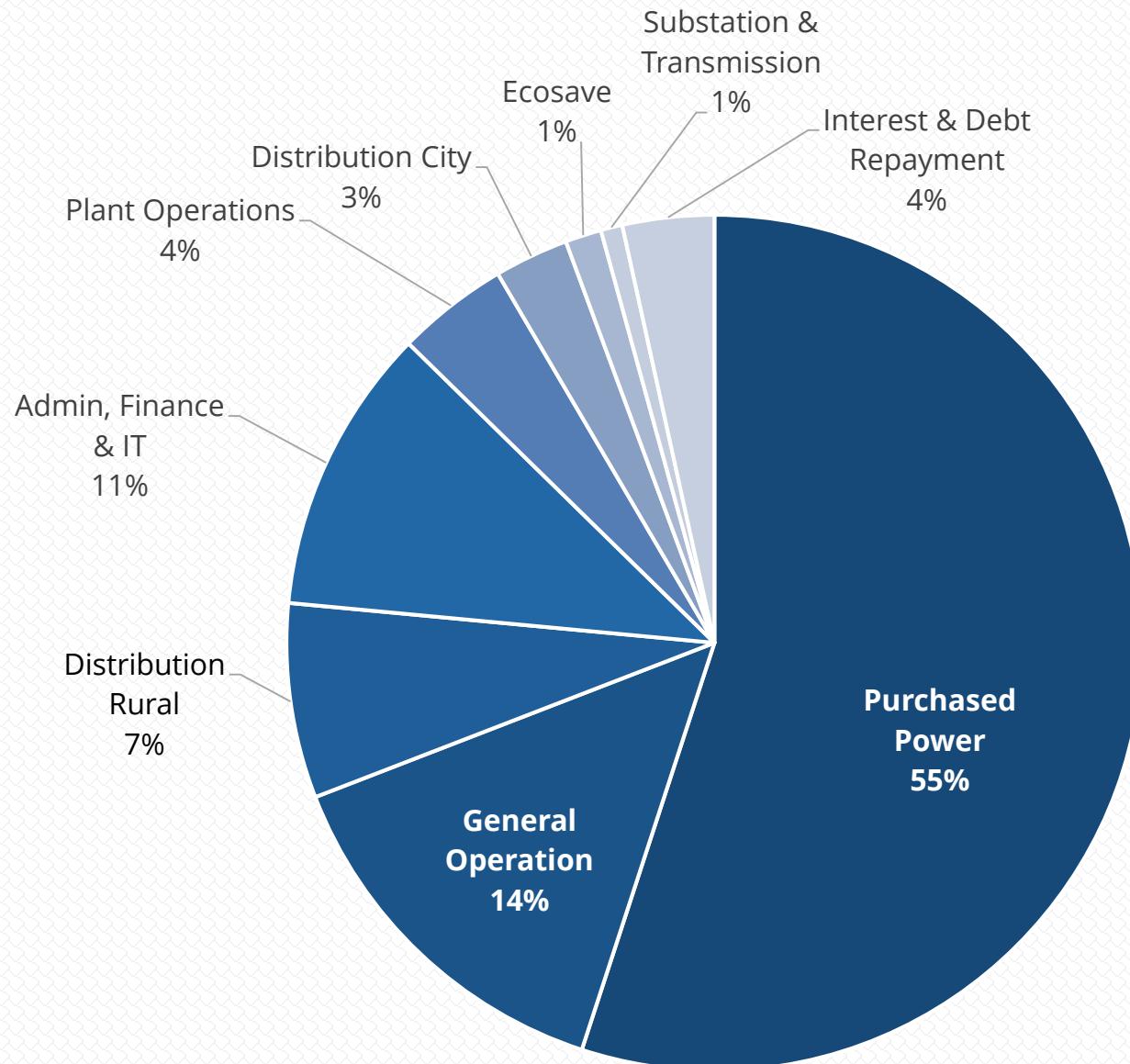
	2023 Budget	2023 YE Forecast	Forecast / Budget
Revenue	\$22,667,300	\$22,452,112	99%
Power Purchases	\$8,437,072	\$8,790,052	104%
Operating Expenses	\$7,120,795	\$7,198,633	101%
Capital Expenditures	\$6,122,745	\$5,137,507	84%

2024 OPERATING BUDGET HIGHLIGHTS

- 6.74% FortisBC Rate increase
- Inflationary increase of 5.62%
- 4.21% increase in IBEW wages
- Continued focus on reliability
- Continued focus on safety
- Adjusted Power Purchase Forecast



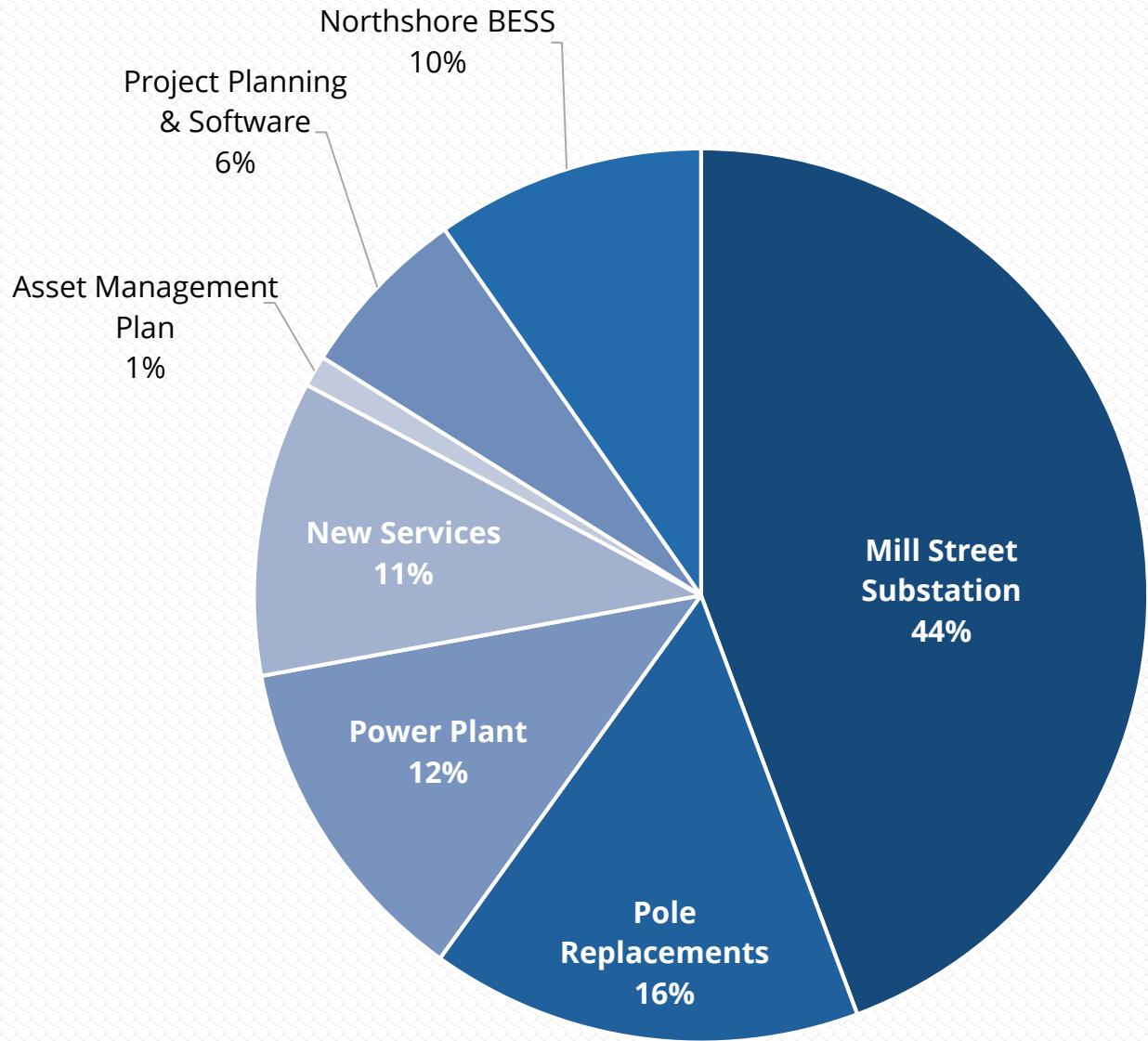
2024 OPERATING HIGHLIGHTS



2024 CAPITAL HIGHLIGHTS

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





2024 CAPITAL HIGHLIGHTS



2024 OPERATING & CAPITAL BUDGET SUMMARY

	2023 YE Fcst.	2024 Budget	2023 Fcst. Vs 2024 Budg.
Power Purchases	\$8,790,052	\$9,065,293	103%
Operating Expenses	\$7,198,633	\$7,293,456	101%
Capital Expenditures	\$5,137,507	\$4,759,239	93%

	2024 Budget Expenses	Total Project Expenses	
Mill St Substation*	\$1,959,363	\$5,994,766	*net of insurance recoveries
Total 2024 Capital Budget	\$4,759,239		



CLOSING REMARKS

- Great Team at Nelson Hydro
- We are always willing to work with customers to resolve concerns
- We are ratepayers too!



QUESTIONS?

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