

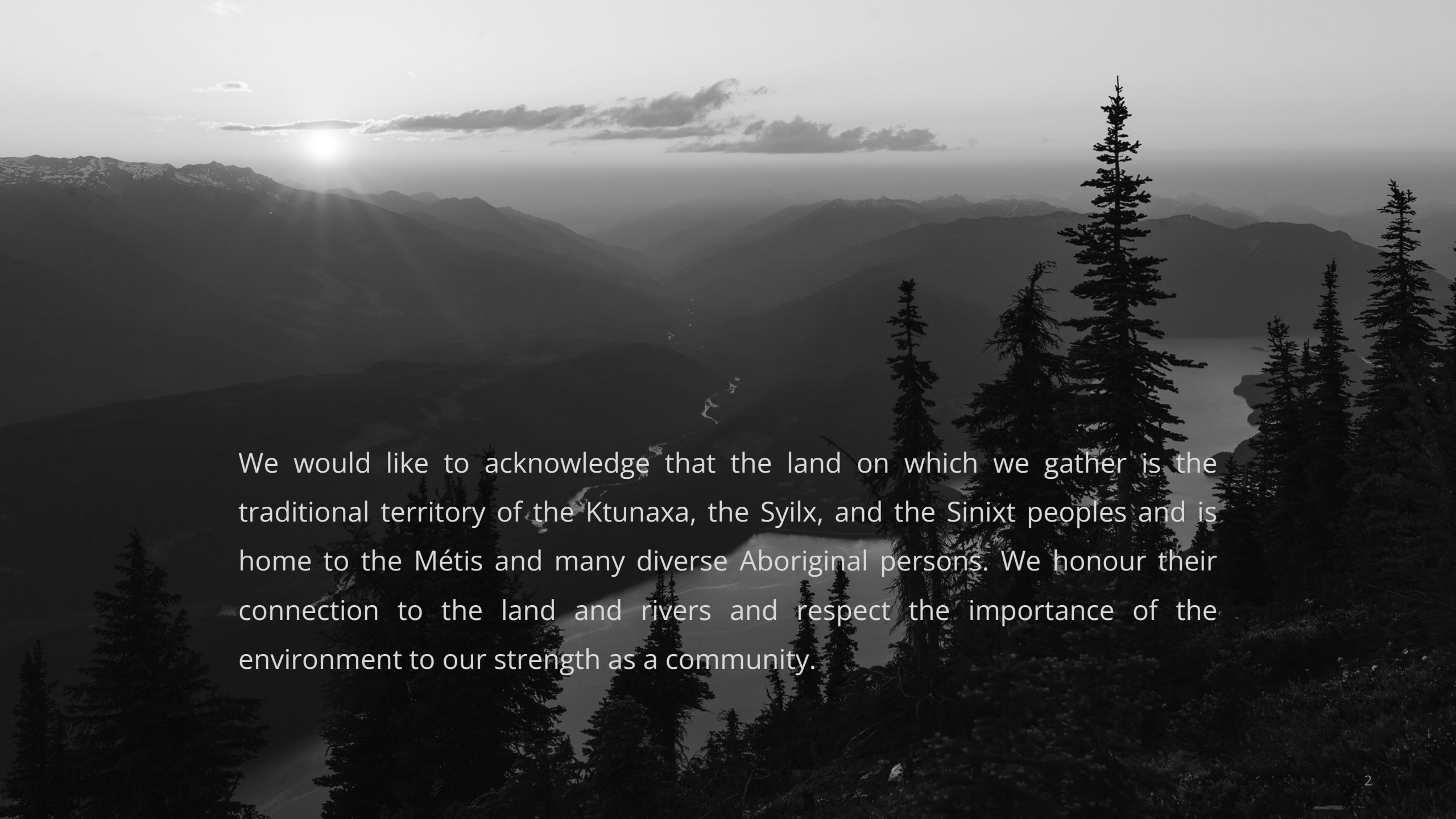
BUDGET & RATES WORKSHOP

2026-27 Budget, Regulatory and Rates



City of
NELSON

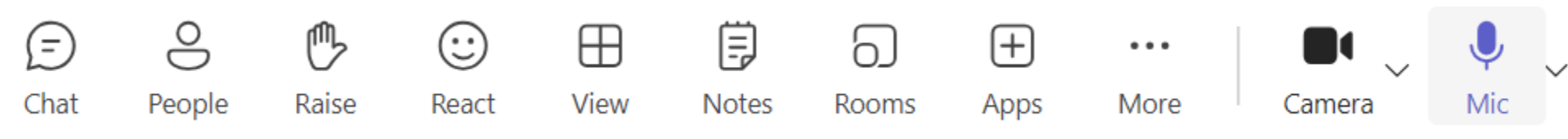
September 23, 2025



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.



- We will be recording the meeting.

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

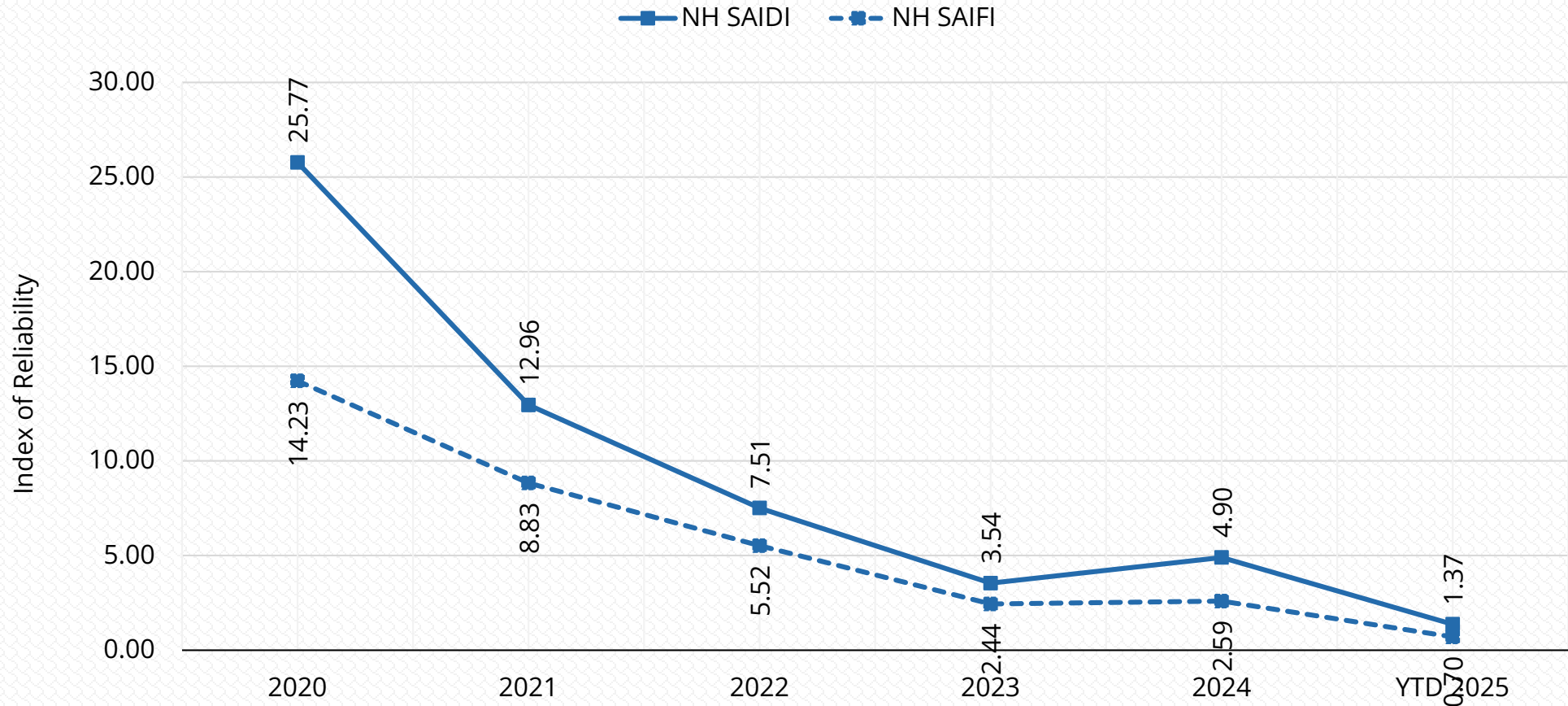
- Continued High Level of Vegetation Management
- Continued Good System Reliability
- Safety Program Improvements
- Dam Safety Improvements
- T10 Re-gasketing
- G2 out of service



RELIABILITY

Nelson Hydro SAIDI and SAIFI

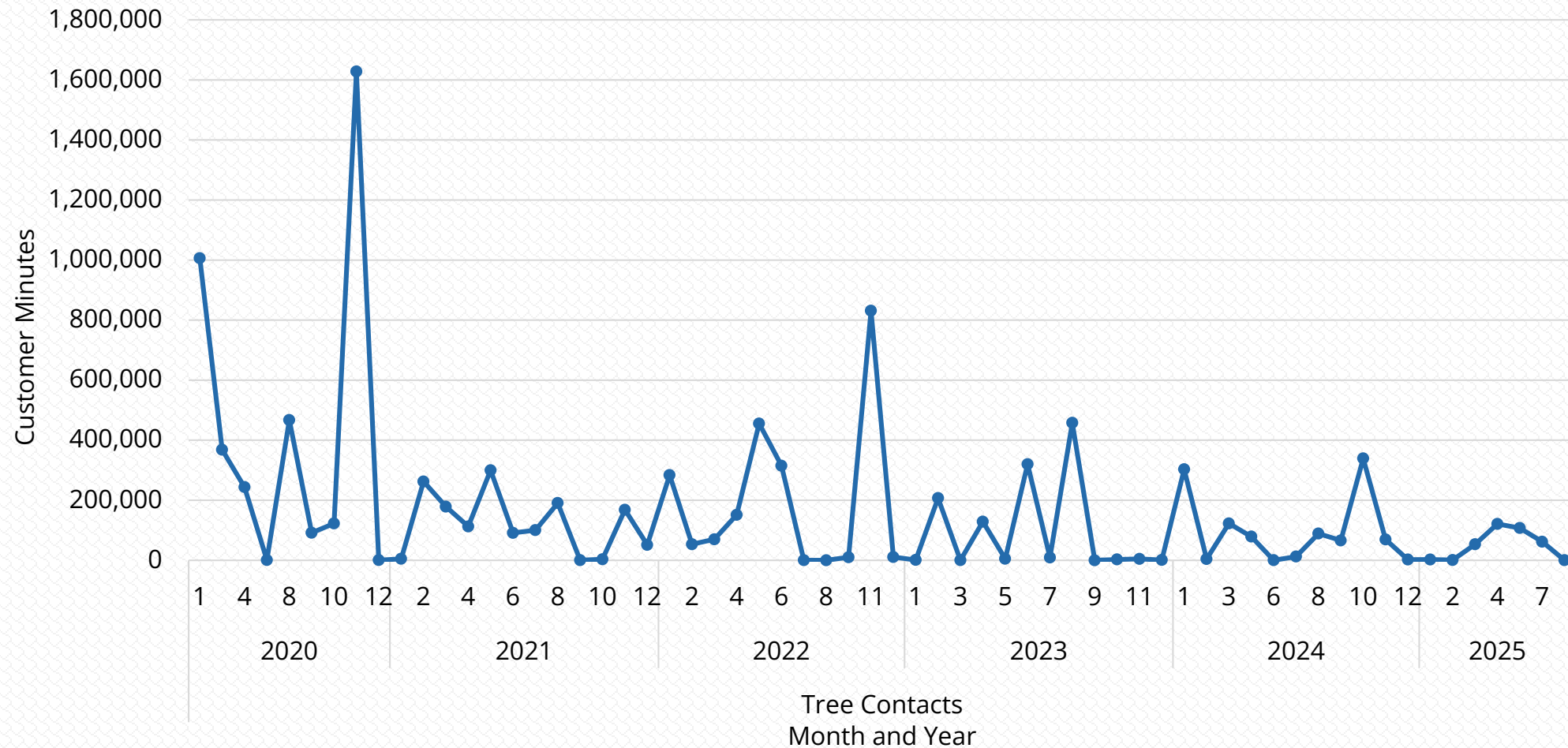
Does Not Contain Major Events



RELIABILITY

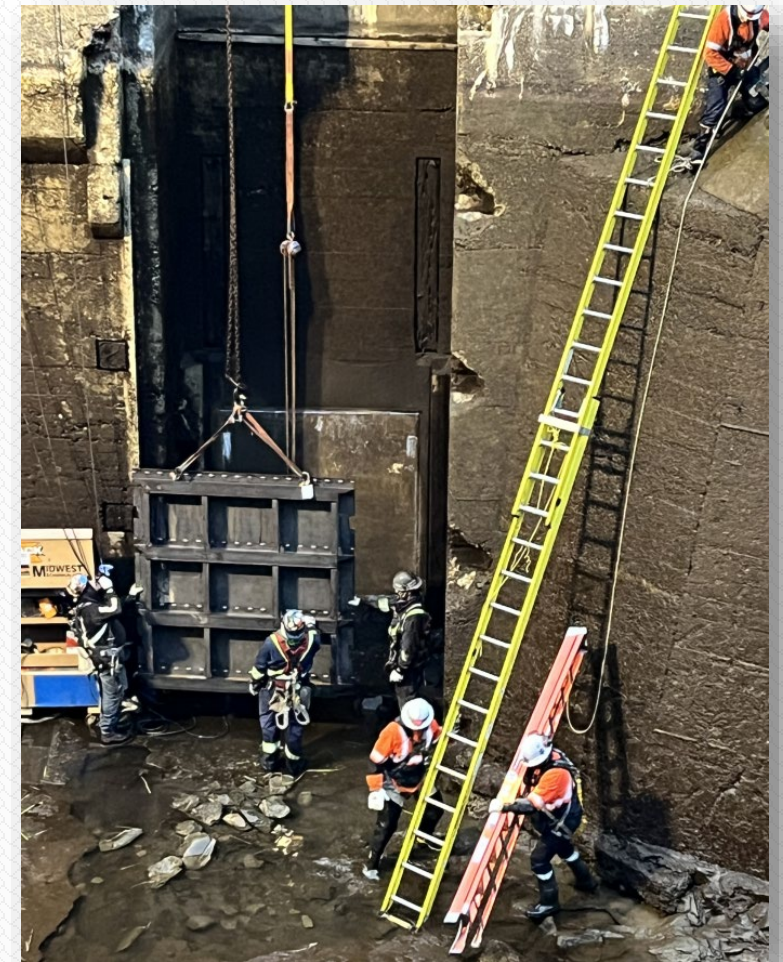
Tree Contact Outages with Customer Minutes 2020 - YTD

Does Not Contain Major Events

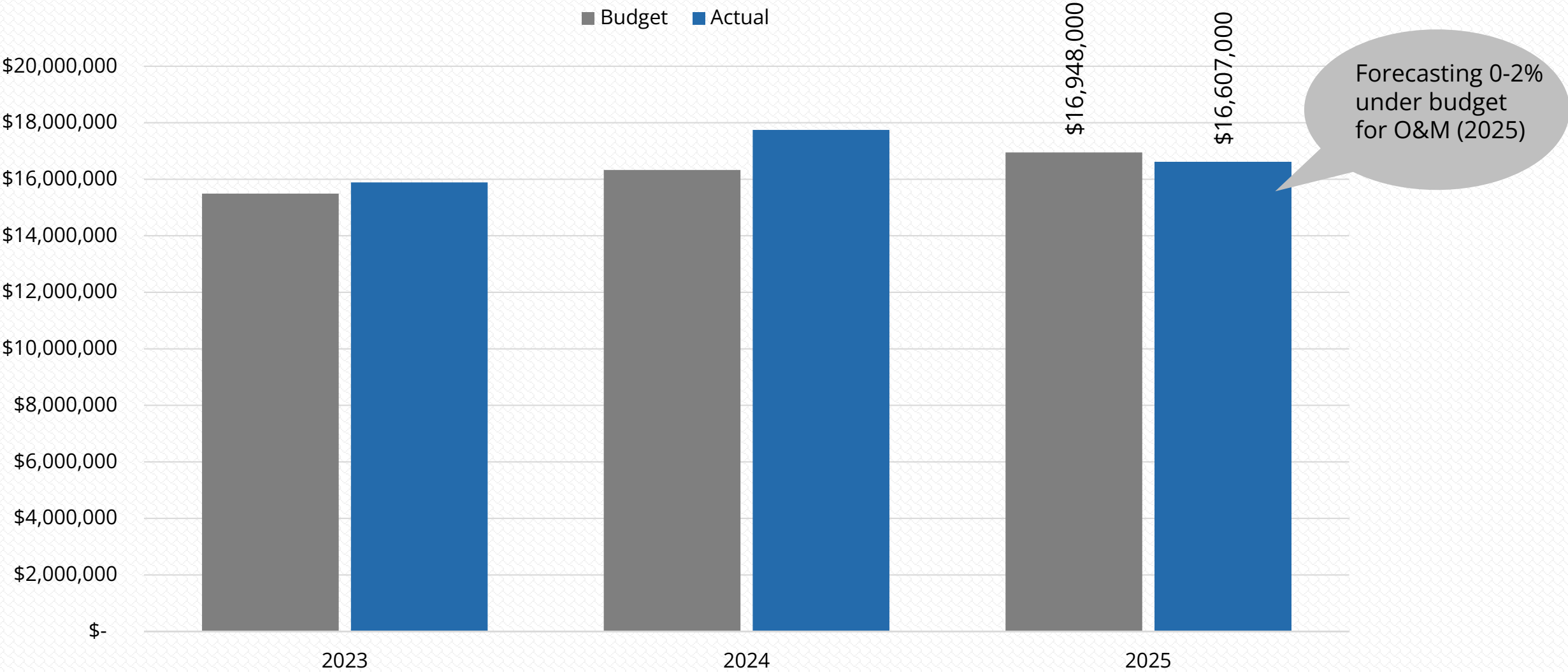


2025 CAPITAL HIGHLIGHTS

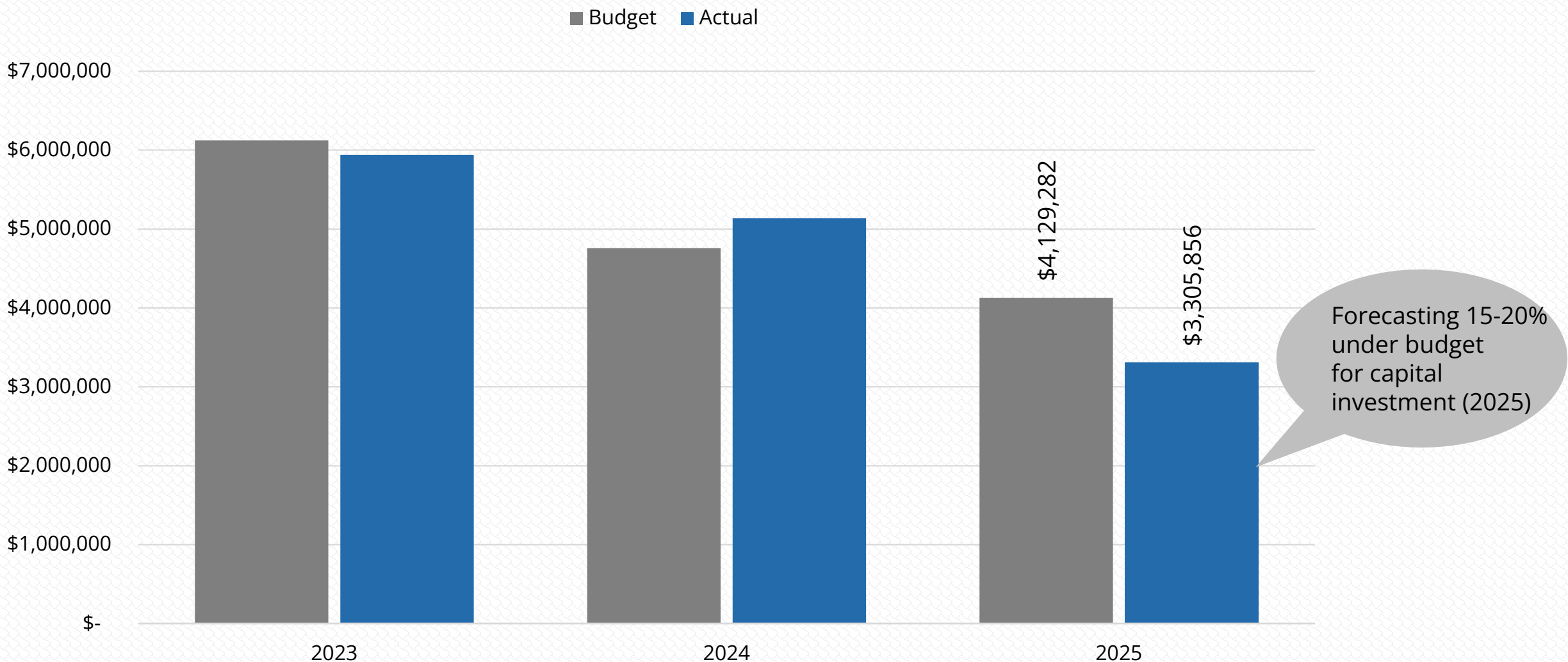
- Geographic Information System (GIS)
- SCADA System Improvements
- U0 & U1 Penstocks Blocked
- Pole Replacements on South Shore
- Marsden Rd Powerline Re-alignment
- Mount Nelson Powerline Replacement
- G4 Intake Gate Refurbishment



O&M BUDGET VS ACTUAL / FORECAST



CAPITAL BUDGET VS ACTUAL / FORECAST



2025 BUDGET SUMMARY

	2025 Budget	2025 YE Forecasts	Forecast / Budget	Drivers
Revenue				
<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
Combined Revenue	24,548,139	24,096,760	98%	
Power Purchases	8,931,383	8,892,686	100%	In-line with expectations
Operating Expenditures	8,016,817	7,714,177	96%	Fewer maint activities required than budgeted
Capital Expenditures	4,129,282	3,305,856	80%	Several capital projects deferred



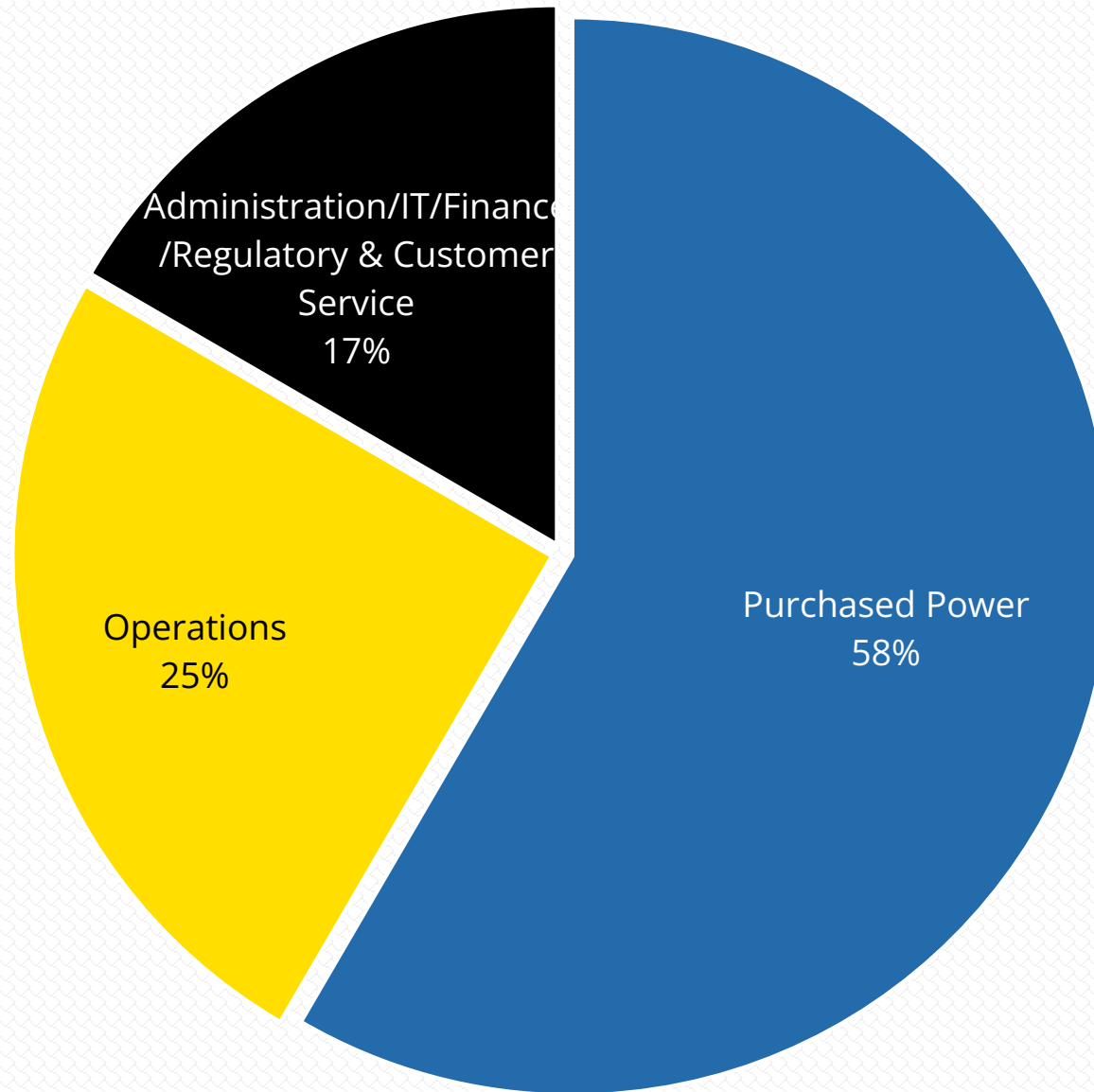
2026 and 2027 Operations & Capital Plans

2026 & 2027 OPERATING BUDGET HIGHLIGHTS

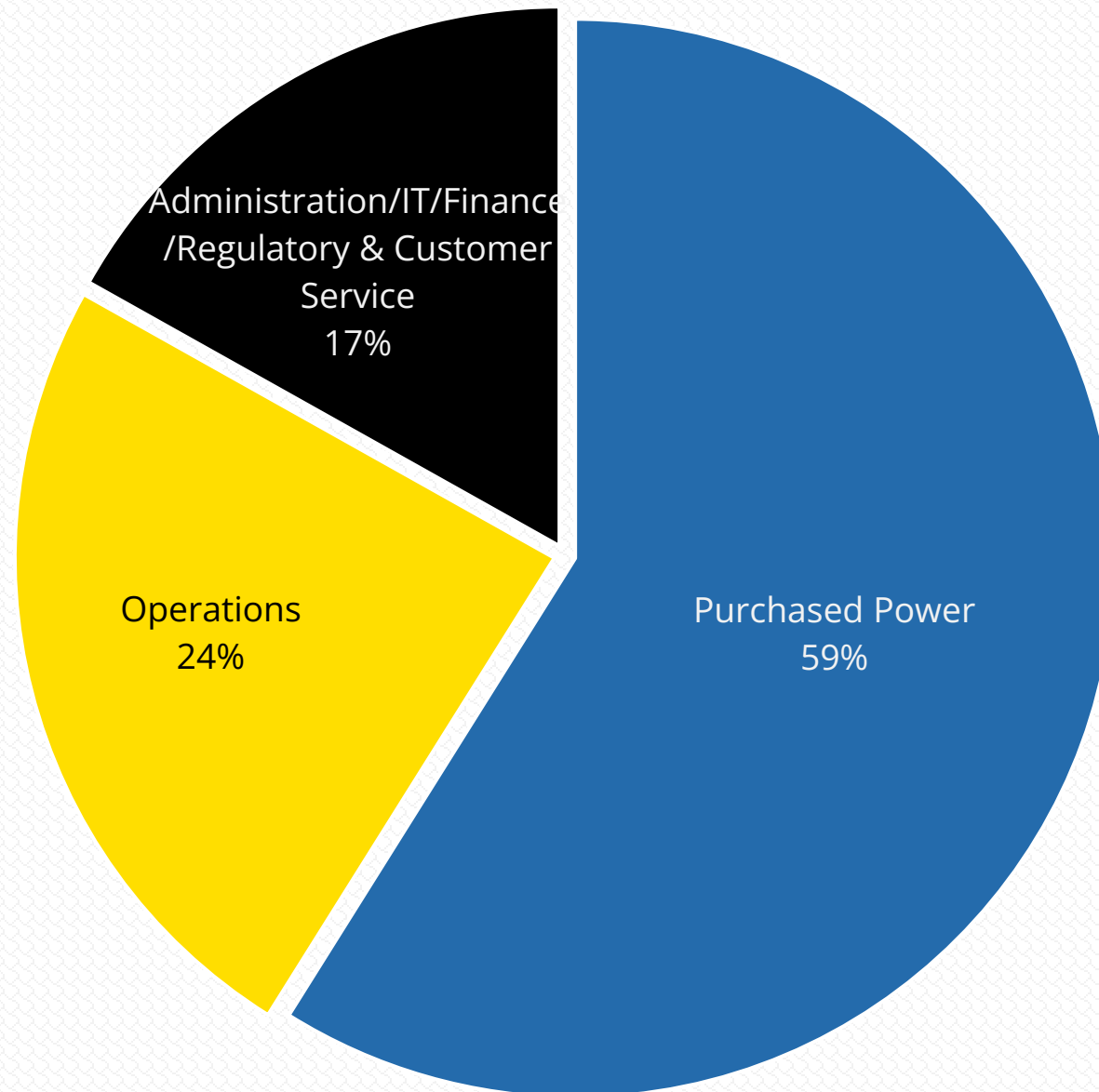
- FortisBC rate increase:
 - 2026 - 3.45%
 - 2027 - 3.50%
- Inflationary increase of 2.31%
- 2.5% increase in wages
- Continued focus on reliability
- Continued focus on safety



2026 Operations & Maintenance Cost Distribution



2027 Operations & Maintenance Cost Distribution



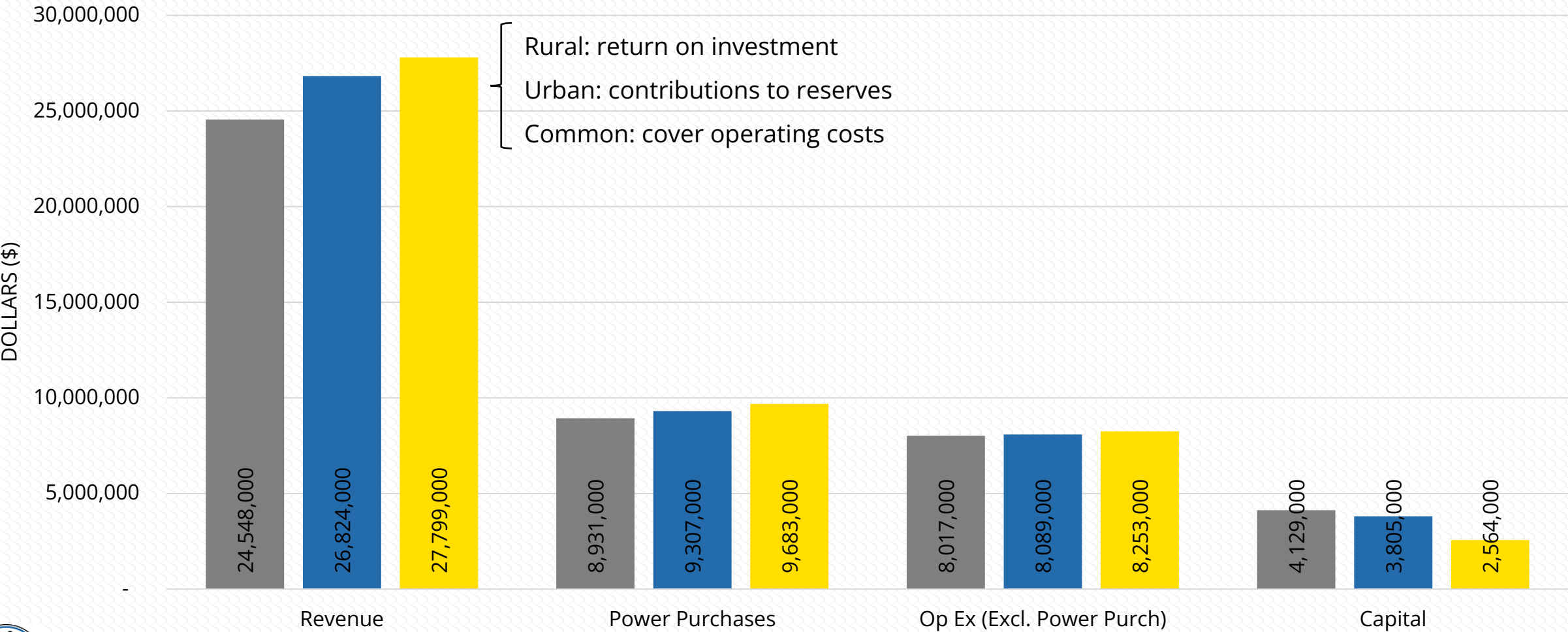
2026 & 2027 CAPITAL HIGHLIGHTS

- Mount Nelson Powerline Rebuild (2026)
- Pole Replacements – South Shore (2026)
- Pole Replacements – City Shore (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

■ 2025 Budget ■ 2026 Budget ■ 2027 Budget



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%
Combined Revenue	24,548,139	26,823,932	109%	27,799,373	104%
Power Purchases	8,931,383	9,306,873	104%	9,682,766	104%
Operating Expenditures (Excluding Power Purchases)	8,016,817	8,089,149	101%	8,253,056	102%
Capital Expenditures	4,129,282	3,804,900	92%	2,564,070	67%

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
Total Capital Budget	\$3,804,900	\$2,564,070		





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



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

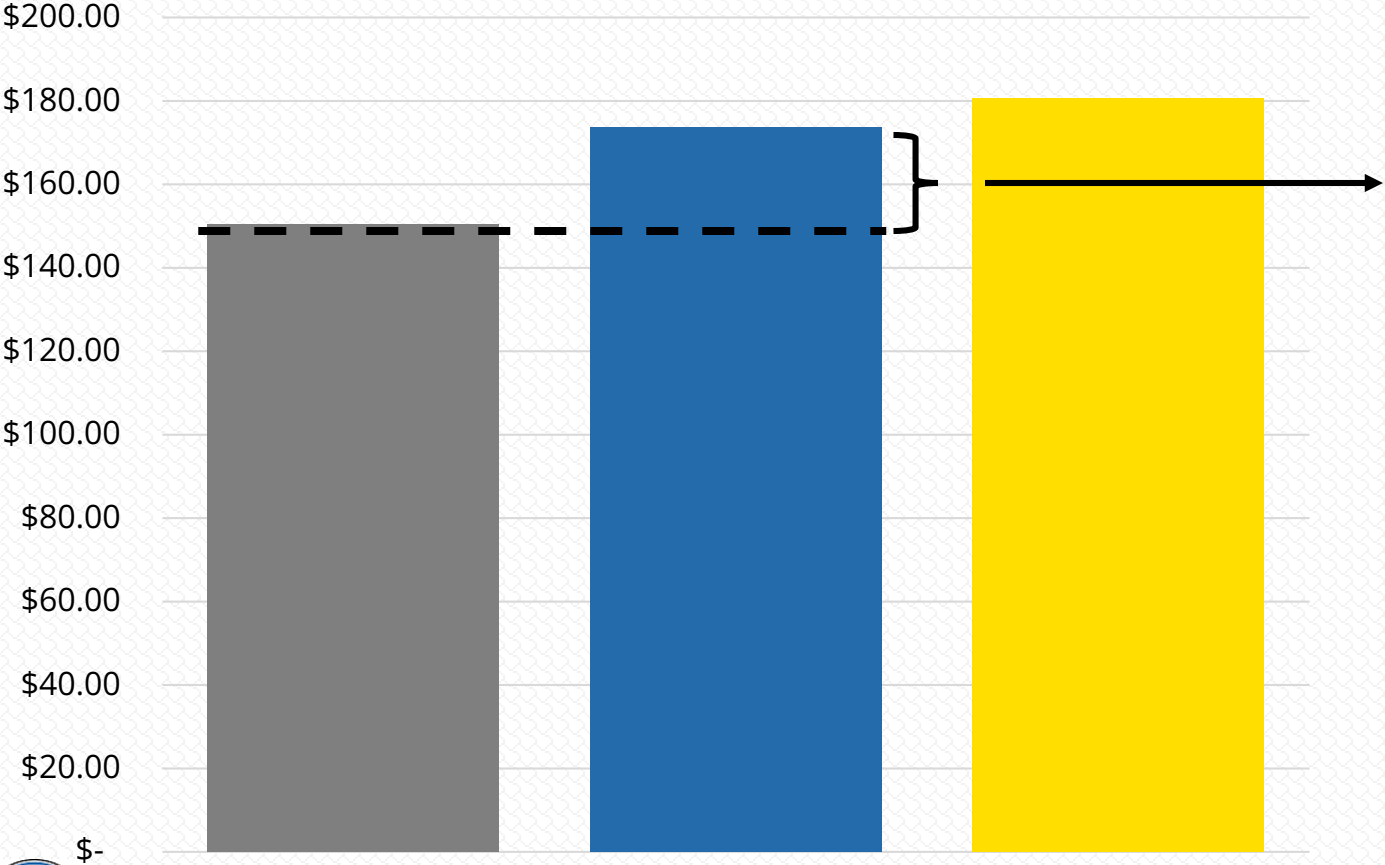
- Current budget COSA model output
Rural rate increase range:
 - 2026: 14.0% – 16.0%
 - 2027: 3.0% – 5.0%
- 2-year average: 8% – 10%



RURAL RESIDENTIAL COMPARISON

Electrical Bill Comparison (Monthly)

■ 2025 ■ 2026 ■ 2027



Rate Change Drivers (2026)

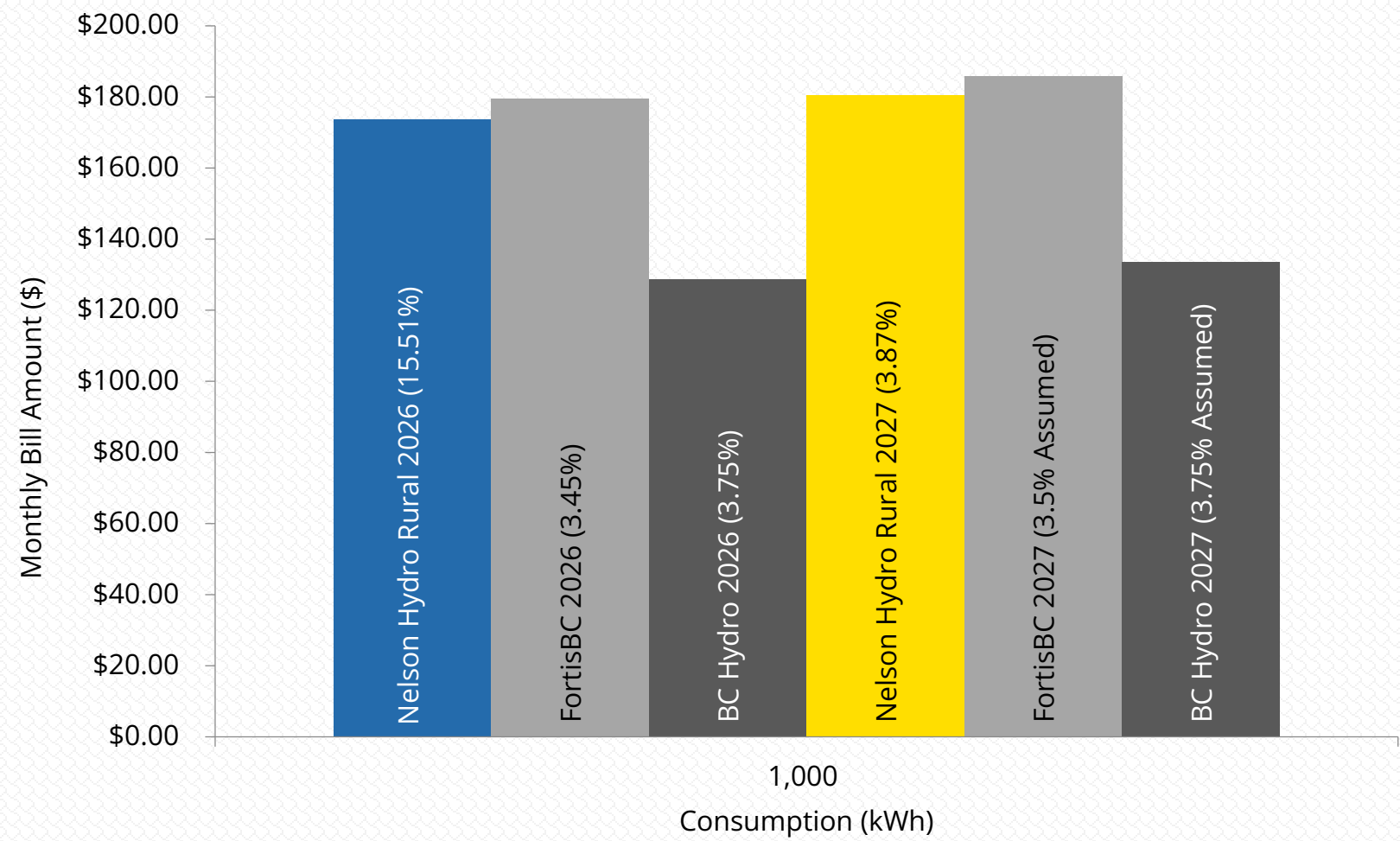
Operating Changes		
Op-ex, Capital Return, Power Purchases	4.29%	\$6.46
Deferral Accounts		
	6.63%	\$9.98
GCOC Change in ROE		
	4.59%	\$6.91
Rural Rate Increase (2026)		
	15.51%	\$23.34

Rate Change Drivers (2027)

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

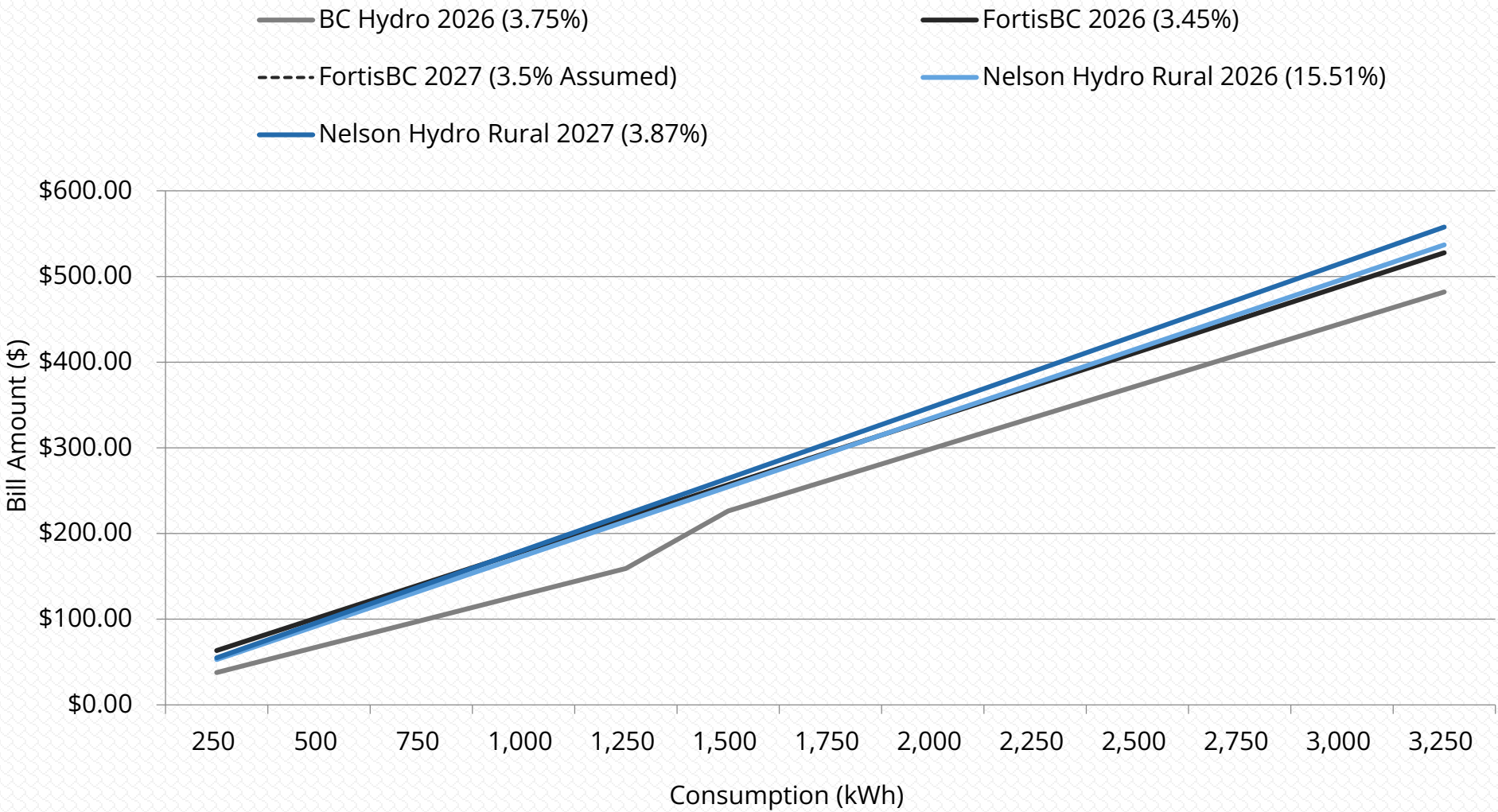
2026 & 2027 RURAL RATE COMPARISON

Monthly bill for the
“average” customer
is 1,000 kWh



2026 & 2027 RURAL RATE COMPARISON

Monthly bill
amount over all
consumption
levels





2026 & 2027 Urban Rates

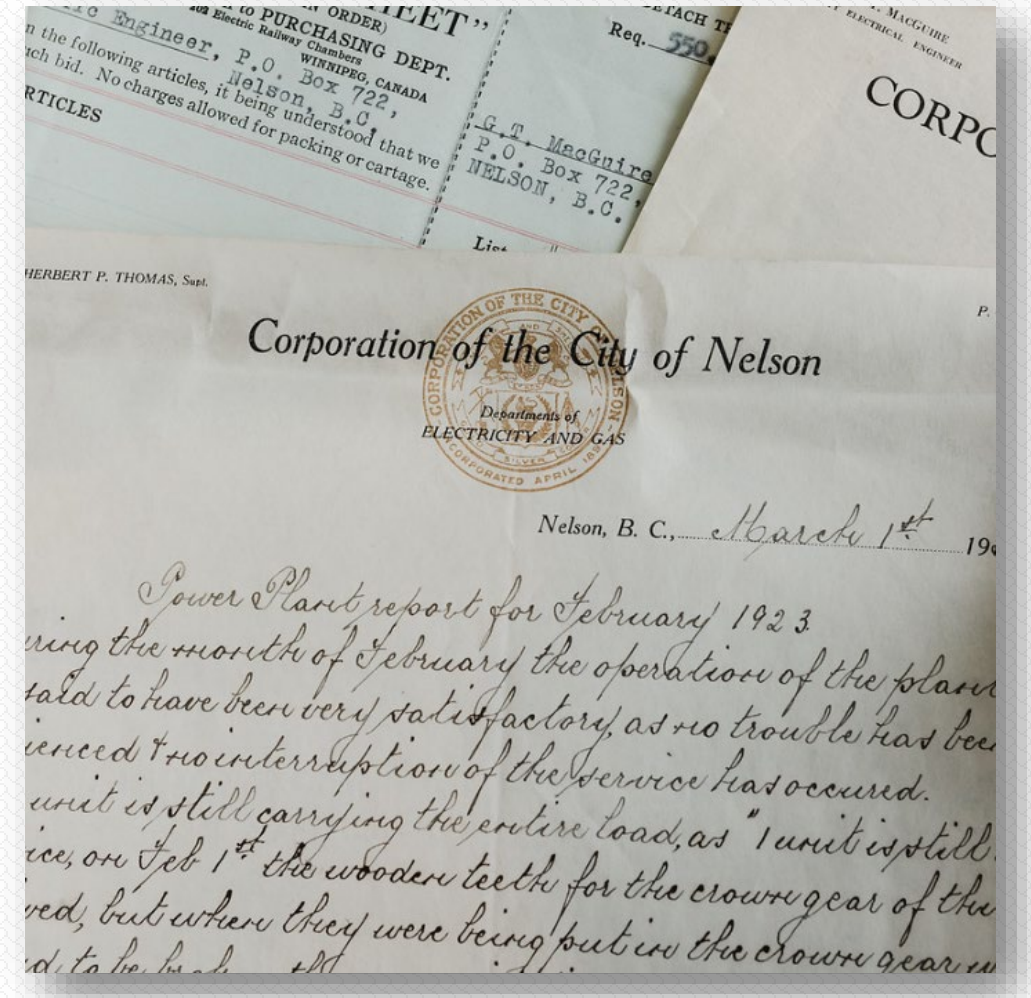
2026 & 2027 URBAN REVENUE REQUIREMENTS

- 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

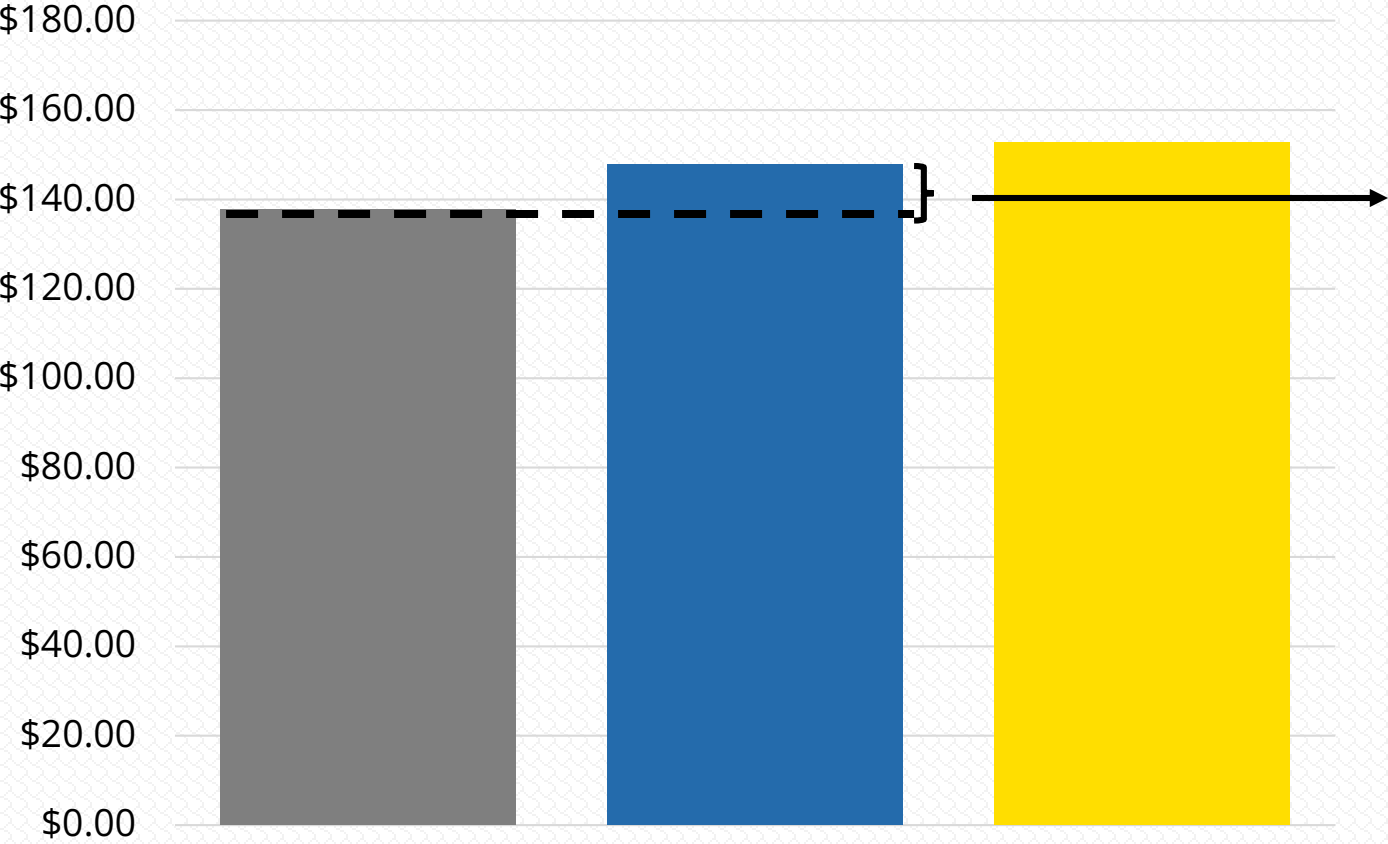
- Current budget COSA model output rate increase range:
 - 2026: 7.0% – 9.0%
 - 2027: 3.0% – 5.0%
- 2-year average: 5% – 7%



URBAN RESIDENTIAL COMPARISON

Electrical Bill Comparison (Monthly)

■ 2025 ■ 2026 ■ 2027



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

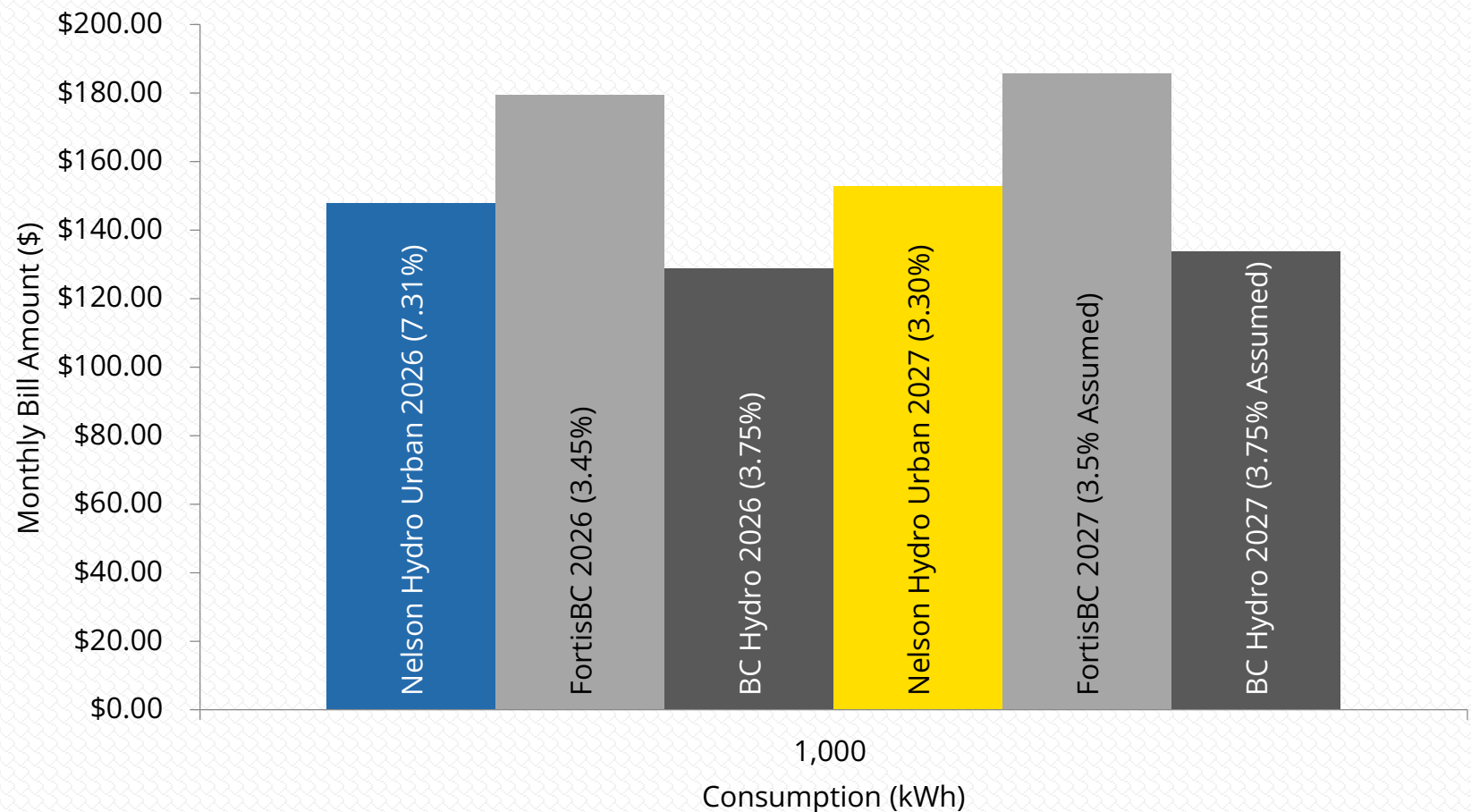
Rate Change Drivers (2027)

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		
Total		136,539	674,816	696,471	665,791	253,572	181,930

(negative) values indicate credits to ratepayers

positive values indicate recovery by utility



Discussion

SEND FEEDBACK TO:

Scott Spencer
General Manager

sspencer@nelson.ca
Phone: (250) 352-8212
Cell: (250) 551-4512

Casey Smit
Projects and Customer Service
Manager

csmit@nelson.ca
Phone: (250) 352-8287
Cell: (250) 505-4565

Let's Talk Link

www.letstalk.nelson.ca/2026-2027-electrical-rates



