

December 10, 2025

Keshni Nand, Registrar
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

**In the Matter of an Application by Kyuquot Power Ltd. for a Deferral Account for
Recording Future Regulatory Costs related to British Columbia Utilities
Commission Proceedings**

Kyuquot Power Ltd. is hereby making an application for a Deferral Account for recording future regulatory costs related to British Columbia Utilities Commission Proceedings.

This filing includes this cover letter and the Application.

If further information or clarification is required, please contact the undersigned at 604-992-3850 or gsunell@sitka-power.ca.

Yours truly,
KYUQUOT POWER LTD.

signed

Greg Sunell | **Senior Advisor - Kyuquot Power Ltd.**



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In the Matter of an Application by

KYUQUOT POWER LTD.

For a Deferral Account

For Recording Future Regulatory Costs related to British Columbia Utilities Commission Proceedings.

December 2025

KYUQUOT POWER LTD.

1050 – 639 5th Avenue SW
Calgary, Alberta T2P 0M9

Contents

1. APPLICATION SUMMARY	3
2. THE APPLICANT AND BACKGROUND	4
2.1 The Applicant and Corporate History	4
2.2 Relevant Commission Decisions	4
2.3 Background.....	5
3.0 Deferral Account	5
3.1 Description.....	5
3.2 Need for a Deferral Account, Costs and Rate Base Treatment	6
3.3 Deferral Account Commencement and Duration.....	7
3.4 Attributes of Costs within the Deferral Account	7
4. CONCLUSION	7
4.1 Conclusion.....	7

1. APPLICATION SUMMARY

This is an application to the British Columbia Utilities Commission (the “Commission” or “BCUC”) pursuant to the Utilities Commission Act, R.S.B.C. 1996, c. 473 as amended (“Act”), Sections 59 to 61, by Kyuquot Power Ltd. (“KPL” or the “Applicant”) for approval of a deferral account for the purpose of recording the costs of regulatory proceedings (the “Deferral Account”).

The Application sets forth the need, requirements and financial impact of the Deferred Account.

The Application seeks the following key approvals:

- a) approval of a Deferral Account for future costs of regulatory proceedings
- b) a Deferral Account to enable the submission of actual and forecast costs of regulatory proceedings without incurring the risk of non-recovery due to the recurrence of a retroactive rate-making issue.
- c) The Deferral Account to be a Rate Base account.

KPL submits that this Application including all of the key approvals are just and reasonable for the reasons set forth in the material provided in the Application.

2. THE APPLICANT AND BACKGROUND

2.1 The Applicant and Corporate History

The details of the Applicant are as follows:

Applicant Name:	Kyuquot Power Ltd.
Place of Business:	Area in and around Kyuquot, BC
Head Office:	1050, 639 5 th Ave SW Calgary, Alberta T2P 0M9

KPL is a wholly owned subsidiary of Synex Energy Resources Ltd. (“SERL”). Both KPL and SERL are privately held corporations registered in the Province of British Columbia. SERL is a wholly owned subsidiary of Synex Renewable Energy Corp, which is wholly owned by Sitka Power Inc. (“Sitka”) a privately held corporation registered in the Province of Alberta.

KPL holds a Certificate of Public Convenience and Necessity (“CPCN”) to operate a 14.4 kV single phase distribution line in the area extending from the electrical grid of BC Hydro at Oclucje to Kyuquot. Since June 2006, KPL has supplied electrical power to customers principally in and around Fair Harbour, Chamiss Bay, and Kyuquot.

2.2 Relevant Commission Decisions

November 15, 2005 – CPCN C-18-01

A CPCN was issued to SERL for the construction and operation of a 14.4 kV single phase distribution line from BC Hydro's grid at Oclucje to Kyuquot on the condition that SERL, or a company formed for the purposes, being a public utility.

November 15, 2005 -- Order No. G-123-05

The Commission approved KPL's application for an Electric Tariff on an interim basis and established a Regulatory Timetable to review the Application by way of a written public process.

February 2, 2006 -- Order No. G-11-06

The Commission approved KPL's Electric Tariff, Terms and Conditions of Service, and Rates as permanent.

February 29, 2024 – Decision and Order G-53-24

The Commission approved KPL's application for amendments to Revenue Requirements (2024) along with certain rate matters. The Commission approved the electric tariff charges on an interim and refundable basis pending completion of the BCUC's current generic cost of capital proceeding (“GCOC Proceeding”) and KPL's filing of Intercompany Advance agreements (“Directive 4 of G-53-24”).

April 25, 2024 – Order G-121-24

The Commission approved KPL's request to vary Directive 4 of Order G-53-24 scope and filing date. Directive 4 was amended to direct KPL to apply to the BCUC for a revised deemed interest on notional debt for permanent rates within 45 days of the BCUC's decision on Stage 2 of the GCOC Proceeding and for interim and pending the outcome of Stage 2 of the GCOC Proceeding.

January 27, 2025 – Order G-16-25

The Commission approved KPL electric tariff rate amendments incorporating the final BCUC decision on Stage 2 of the GCOC Proceeding.

September 16, 2025 – Order G-225-25

The Commission approved KPL’s application for amendments to Revenue Requirements (2026) along with certain rate matters¹.

2.3 Background

The latest KPL revenue requirements application concluded with Order G-225-25 on September 16, 2025 (the “RRA 2026 Decision”).

Directive 6 of Order G-225-25 states²:

“KPL is directed to indicate whether it will apply to the BCUC for approval to establish a deferral account to record all future regulatory costs related to BCUC proceedings, in a compliance filing by October 31, 2025.”

In compliance with Directive 6 of Order G-225-25, KPL submitted responded stating³:

“KPL does not expect to establish a deferral account, at this time, to record all future regulatory costs related to BCUC proceedings”

On November 19, 2025, the BCUC in respect of Compliance Filing Order G-225-25, Directive 6 provided Staff Questions No.1⁴.

KPL upon review of the content of Staff Questions No. 1 decided that it was appropriate to make application to the BCUC for a Deferral Account. KPL’s response to Staff Question 1.1 states⁵:

“KPL response included the phrase “at this time”. KPL does not have any regulatory proceedings either ongoing or scheduled. KPL wishes to advise BCUC that it intends to initiate an application to establish a deferral account for regulatory proceedings in the immediate future.”

Accordingly, KPL is making the Application.

3.0 Deferral Account

3.1 Description

The Application is for a Deferral Account as follows:

¹ Order G-225-25

² Order G-225-25 Directive 6

³ Letter dated October 30, 2025, titled Compliance Filing, Order G-225-25: Directive 6.

⁴ Compliance Filing Order G-225-25 Directive 6: Staff Questions No. 1 to Kyuquot Power Ltd.

⁵ KPL Response to Order G-225-25 Directive 6: Staff Questions No. 1

Deferral Account for Regulatory Costs - 2025

1. The request is for a new Deferral Account to capture the forecast costs of regulatory proceedings. KPL does not have any existing deferral accounts.
2. The request is for a Deferral Account as a Rate Base account. A non-Rate Base account will cause excessive costs to KPL. KPL will not proceed with a Deferral Account if such account was a non-Rate Base account.
3. The term of the Deferral Account would be indefinite.
4. The Deferral Account has been strongly encouraged by the Commission, and KPL agrees with the position of the Commission.
5. The Deferral Account for the costs of regulatory proceedings provides coverage for uncertainty, particularly regarding costs outside the control of management. Generally, the costs are limited with the most recent experience of regulatory costs varying between about \$2,000 to \$17,000 (for recent proceedings on revenue requirements, resource assessment, and certificate of public convenience and necessity).

3.2 Need for a Deferral Account, Costs, and Rate Base Treatment

A Deferral Account is needed to address the issue of retroactive ratemaking as clarified in the RRA 2026 Decision and Order G-225-25⁶.

As described below, imposition of a Non-Rate Base deferral account would unnecessarily increase administrative costs of both KPL and its parent companies. Though these additional costs would be relatively small in quantum, they would be meaningful to a utility as small as KPL.

- a) As a non-Rate Base account, senior Sitka management and auditors will have to review and disclose the accounting practice, each year, for the annual audit. The accounting treatment under International Financial Reporting Standards (IFRS) for intangible assets which are not recognized in Rate Base is unclear. The review process at the parent company level will be repeated every year.

KPL would incur costs to create and administer the Deferral Account at the parent company level, which costs are not recoverable by KPL. The efforts and costs incurred to create and administer a non-Rate Base deferral account could exceed the cost of the minor intangible assets.

- b) The non-Rate Base assets would require new general ledgers and expand the number of line items in the financial statements. The new general ledgers will need to be accompanied by a summary of individual proceedings, particularly if the non-Rate Base asset includes different proceedings with different amortization rates.

KPL will incur additional accounting costs related to the development and presentation of non-Rate Base assets on its financial statements and the added costs of transferring non-Rate Base assets to Rate Base assets, when appropriate in the future. As KPL would expect to be able to recover any increased accounting costs in its rates, ultimately KPL's rates would be marginally higher. KPL's customers are very sensitive to increasing electricity rates.

⁶ RRA (2026) Decision and Order G-225-25 in particular Order page ii and Decision pages 12 and 13

3.3 Deferral Account Commencement and Duration

KPL, at this time, is not participating in active or planned regulatory proceedings. KPL may commence its next revenue requirement proceeding (“RRA 2027”) approximately June/July 2026. For accounting purposes, KPL would need to include the deferral account in its general ledgers prior to commencing RRA 2027.

KPL wishes for the Deferral Account to be a permanent account with elimination only upon application for deletion by KPL. The Deferral Account is anticipated to be active for many years, particularly with respect to treatment of revenue requirement proceedings.

If the application for a Deferral Account was denied, KPL would continue to use existing or new rate base accounts for regulatory proceedings in the same manner as KPL has historically undertaken. Order G-225-25 highlighted the issue of retroactive ratemaking for KPL, and KPL is not aware of alternative solutions to the issue other than Deferral Account(s).

3.4 Attributes of Costs within the Deferral Account

The costs of the regulatory proceedings which would be included in the Deferral Account have the following general attributes:

- a) The costs are partly outside of KPL management control. KPL can control the costs of preparation of the applications, but the number and complexity of information requests and arguments are beyond management’s control.
- b) There is a high degree of forecast uncertainty as the need and timing of proceedings is outside the planning horizon and the complexity of the forecasts is not known.
- c) Historically, the costs of proceedings are not material. As a small utility, KPL does not get involved in complex proceedings (e.g. KPL did not participate in the last General Cost of Capital Proceeding even though KPL was mandatorily listed as an Interested Party).
- d) Due to the minor costs of KPL for regulatory proceedings and the generally short amortization times, the impact on intergenerational equity is nominal, if any.
- e) The Deferral Account would be a Rate Base asset with the amortization rate of twenty-five percent.
- f) The amortization rate to be twenty-five (25%) straight-line for each regulatory proceeding, which matches the amortization rates approved in the revenue requirements and other normal proceedings to date. In the event of an unforeseen proceeding for which the costs exceed expectations of about \$50,000, KPL, by separate application, to be permitted to vary the amortization rate for the costs of the unforeseen proceeding.

4. CONCLUSION

4.1 Conclusion

KPL submits that the Application is just and reasonable, and in the best interests of the customers of KPL. Therefore, KPL requests the BCUC provide the following approvals:

Deferral Account for Regulatory Costs - 2025

- a) approval of a Deferral Account for the costs of regulatory proceedings.
- b) approval of a Deferral Account as a Rate Base asset with the same attributes, such as cost of capital, of all other Rate Base assets.
- c) Approval of a Deferral Account with amortization set at 25% per year straight-line subject to the ability to vary the amortization rates in the case of exceptional or unusual proceedings, upon application by KPL.