

PROVINCE OF BRITISH COLUMBIA
OFFICE OF THE COMPTROLLER OF WATER RIGHTS

IN THE MATTER OF

the *Water Utility Act*, R.S.B.C. 1996, Chapter 485

and

the *Utilities Commission Act*, R.S.B.C. 1996, Chapter 473

and

Corix Multi-Utility Services Inc. – Columbia Ridge Water Utility

**Application for an Amended CPCN Transfer to Acquire the Water Utility Assets of
Columbia Ridge Waterworks Ltd. and Approval of Rate Base for the Setting of Rates**

Corix Multi-Utility Services Inc. – Columbia Ridge Water Utility

FINAL SUBMISSION

Submitted 29th April 2022

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I. INTRODUCTION

1. This submission summarizes the position of Corix Multi-Utility Services Inc. (“Corix”) on its application to purchase the water utility assets (the “Water Utility”) from Columbia Ridge Waterworks Ltd. (“CRWL”). Corix requests approval from the Comptroller of Water Rights for an amended Certificate of Public Convenience and Necessity, pursuant to section 45 of the *Utilities Commission Act*, for the transfer of the Water Utility from CRWL to Corix. Corix also requests approval to change from the Operating Margin methodology to a Rate Base methodology to set rates for the Water Utility under Corix ownership and approval for recovery of acquisition costs.
2. This submission reviews the main aspects of the Application, issued raised the information requests, and provides justification for the approvals sought by Corix.

II. OVERVIEW

3. Corix submits this application to purchase the water utility assets from CRWL in Fairmont, BC.
4. CRWL is regulated under the *Water Utility Act*, the *Utilities Commission Act* and the *Water Sustainability Act* by the Comptroller of Water Rights (“Comptroller”). The Comptroller regulates all private water utilities in British Columbia to protect the public interest. The Comptroller ensures that these utilities provide safe and adequate water service at rates that are fair, reasonable and sufficient to operate their water systems sustainably.
5. Corix is a wholly-owned subsidiary of a privately held corporation, Corix Infrastructure Inc., owned by the British Columbia Investment Management Corporation.
6. CRWL provided to customers a Customer Notification letter on January 14, 2022. The Customer Notification included CRWL and Corix’s contact information should customers have questions or concerns. Customers had until February 15, 2022 to provide comments to the Comptroller’s office. The Comptroller’s office received a number of letters of support for the Application, both as part of the Application and separately.
7. The Comptroller by Order No. 2605, dated March 4, 2022, issued its Regulatory Timetable. The timetable included mailing to CRWL customers the Notice of Written Hearing Process by March 18, 2022; Intervener Registration; Information Requests to Corix; Corix Responses to Information Requests, Intervener Final Submission; and Corix Final Submission.
8. Corix is not aware of any Intervener registered in this written hearing.
9. On March 31, 2022, the Comptroller issued Information Request No. 1 to Corix. Subsequently, Corix provided a response to Information Request No. 1 on April 14, 2022. No Intervener Information Request was issued.

III. APPROVALS SOUGHT

10. In the Application, Corix requests the following, pursuant to sections 45 and 59 to 61 of the *Utilities Commission Act* (“UCA”):
 - 1) Approval to:
 - a. purchase the water utility assets Water Utility from Columbia Ridge Waterworks Ltd. with the issuance of an amended Certificate of Public Convenience and Necessity (“CPCN”), pursuant to section 45 of the UCA, for the transfer of the Water Utility from CRWL to Corix; and;
 - b. change the rate setting mechanism of the Water Utility from the Operating Margin methodology to a Rate Base methodology pursuant to sections 59 to 61 of the UCA.
 - 2) Approval of Water Tariff No. 3 reflecting the ownership change of the Water Utility at Columbia Ridge to Corix Multi-Utility Services Inc. and the proposal for a new Schedule I: Untreated Irrigation Service Flat Rates pursuant to section 61 of the UCA.
 - 3) Approval to recover the costs associated with the due diligence and consultation for the Water Utility acquisition as outlined in Section 9.2.2 of the Application, pursuant to sections 59 to 61 of the UCA.
11. For additional clarity, Request No. 1 is for approval of (a) purchase of the water utility assets and (b) a change in the rate setting mechanism from Operating Margin to Rate Base. If the Comptroller is unable to approve both Requests No. 1(a) and 1(b), then the Comptroller must reject the Application. If the Comptroller decides that Requests 1(a) and 1(b) are in the public interest and issues an Amended CPCN for the asset transfer and also approves a change to rate base, Corix requests that the Comptroller (i) issue an amended Water Tariff No. 3 as proposed in Request No. 2 and (ii) consider Request No. 3 for approval to recover costs associated with the acquisition of the Water Utility.

IV. JUSTIFICATION

12. This section addresses key topics that were raised through information requests.
 - A. Amended CPCN and Asset Transfer**
13. Corix has provided in Appendix A: Amended CPCN Asset Transfer – Corix Multi-Utility Services Inc. Application To Purchase Assets From Columbia Ridge Waterworks Ltd. the various attachments in support of an issuance of an Amended CPCN to Corix.
14. Questions in Comptroller Information Request (“IR”) No. 1 were primarily not directed at the submitted information regarding the water utility asset transfer from CRWL to Corix. Corix notes that there was an update response provided regarding the cost of the new reservoir and the

balances in the Deferred Capacity Trust Fund (DCTF) and the Replacement Reserve Trust Fund (RRTF).¹

15. Corix submits the Comptroller has the required information to issue an Amended CPCN and approve the asset transfer to Corix.

B. Proposed Water Tariff No. 3

16. In its Application, Corix included the proposed Water Tariff No. 3 that:
 - 1) Reflects the transfer of ownership of the water utility assets to Corix Multi-Utility Services Inc.;
 - 2) Reflects the creation of Schedule I: Untreated Irrigation Service Flat Rates; and
 - 3) Proposes the effective date be the later date of a) April 1, 2022 (which is the target approval date for this Application) or b) the first of the month following Comptroller's decision for approval of the Application.

Schedule I: Untreated Irrigation Service Flat Rates

17. Comptroller IR No. 1 Question 2.1 was the derivation of the proposed new rate schedule. Corix explained the calculations on how it derived the proposed \$33.37 per month rate for Schedule I. The proposed rate for Schedule I: Untreated Irrigation Service is based on 70% of the charge for a seasonal customer in Schedule C. In Schedule C the customer is receiving treated water while in Schedule I, the customer is receiving untreated raw water. The 30% discount represents the reduced cost to serve as the Schedule I customer bypasses the water treatment plant and reservoir.²
18. Corix explained the affected customer that would be grandfathered in Schedule I has not expressly agreed or opposed to the proposed rate on the raw water line. The customer is considering its options to remain connected or disconnect from the utility system and has indicated it may be amenable to the proposed rate.³
19. Corix submits the Comptroller after issuing the approval an Amended CPCN for the asset transfer of the Water Utility should also approve the filed Water Tariff No. 3 including transfer of ownership to Corix Multi-Utility Services Inc. and the proposed Schedule I: Untreated Irrigation Service Flat Rates. Approve the new proposed Schedule I since it will allow for a new revenue source to the Water Utility that will be to the benefit of all ratepayers.

C. Request To Change The Methodology From Operating Margin To Rate Base For The Setting Of Rates

Criteria to Change the Approach

20. In Section 5 of the Application Corix explained the Operating Margin and Rate Base and provided a comparison in Table 1: Comparison of Rate Components between Rate Base and Operating Margin⁴

¹ Corix Response to Comptroller IR1, Q. 1.1

² Corix Response to Comptroller IR1, Q. 2.1

³ Corix Response to Comptroller IR1, Q. 2.2

⁴ Application, Section 5.5, p. 17

and Table 2: Comparison on the Use of Rate Base and Operating Margin⁵. Rate Base is used by the Comptroller, the British Columbia Utilities Commission, Alberta Utilities Commission, and utility regulators in the United States for water and energy utilities.

21. Corix provided four (4) key criteria for considering a change to rate base. They were: (i) Capability of the utility; (ii) Funding of capital infrastructure; (iii) Customer consultation; and (iv) Long-term water utility sustainability and stability.⁶
22. After consideration of the above criteria, Corix submits the final question is “Overall on balance is the change from Operating Margin to Rate Base beneficial for customers in the long-term and therefore in the public interest?”
23. Corix submits it has successfully met the four criteria and the final question to justify the change from Operating Margin to Rate Base. By meeting the criteria, the Comptroller should approve the request to change the Columbia Ridge Water Utility rate setting mechanism from Operating Margin to Rate Base, as this is in the public interest.

Lifetime costs for Rate Base and Operating Margin

24. Comptroller IR No. 1 Question 7.1 asked if Corix believes that Rate Base regulation would be less or more expensive than Operating Margin regulation over the life of a typical utility.
25. Corix considers that Rate Base regulation and Operating Margin regulation would theoretically result in similar costs over the life of a utility. The fundamental difference between the two methodologies is in regard to funding of capital expenditures, whether it is funded by:
 - a) the utility at the time the capital is required (via Rate Base); or
 - b) customers (via RRTF contributions in advance of the capital requirements and/or lump-sum assessment if there is a RRTF funding shortfall).⁷
26. Corix was requested to explain the Question 7.1 response in a spreadsheet. Corix provided a scenario analysis which modelled a hypothetical revenue requirement comparing Operating Margin and Rate Base. In Scenario 1 an Operating Margin methodology resulted in a lower revenue requirement than a Rate Base utility with \$0 rate base. Rate Base methodology would not be applicable in this Scenario 1 since with no rate base it does not provide a reasonable return for the shareholder and no incentive to operate the utility.⁸
27. In Scenario 2, Corix built upon Scenario 1 where an additional \$1 million is needed to build a reservoir for fire flow protection and a water treatment plant. Under Operating Margin the customers need to pay upfront the \$1 million capital expenditure, pay for the Operating Margin fee, and also pay for the higher depreciation from the updated Depreciation Study arising from the \$1

⁵ Application, Section 5.7, p. 19

⁶ Application, Section 5.8, p. 20

⁷ Corix Response to Comptroller IR1, Q. 7.1

⁸ Corix Response to Comptroller IR1, Q. 7.1; Attachment to Q. 7.1

million capital addition. Under Rate Base the customers do not pay immediately the \$1 million dollars but instead pay annually in the revenue requirements for the depreciation arising from the \$1 million and the cost of capital (interest and return on equity) to fund the \$1 million.⁹

28. The scenario analysis indicate that Rate Base is not more expensive that Operating Margin. Based on the results, Scenario 2 indicates that Operating Margin may be more expensive than Rate Base when measured based on total lifetime costs including the cost of the customer self-funding the capital investment. This is because the customer not only has to pay for funding its capital investment outside of the utility, but also pay for a reasonable operating margin fee since there is no rate base equity return in the Operating Margin method.
29. Corix submits Rate Base and Operating Margin are theoretically similar in costs over the lifetime of the utility assets, but it can be argued that lifetime total costs to the customer using Operating Margin may be higher than Rate Base. In Rate Base with cost of service/revenue requirements there is no Operating Margin cost since the utility shareholder is compensated for its investment through the return on its utility equity investment.¹⁰
30. Corix also submits the circumstances for the Water Utility to change to Rate Base is justifiable with benefits that include smoothing of rates/bills to customers and elimination of inter-generational equity issues arising from Operating Margin lump-sum payments.

D. Upcoming Capital Upgrades Required for Columbia Ridge

31. In the Due Diligence phase, Corix identified four areas of required capital upgrades. The upgrades were discussed in Section 6 of the Application and are for (1) Supervisory Control and Data Acquisitions (SCADA) systems; (2) Ultraviolet (UV) Disinfection; (3) Electrical Upgrades; and (4) Standby Generator.
32. Corix has not commenced on these capital upgrades. Corix plans to complete the VT SCADA, Pumphouse Generator and Automatic Transfer Switch in 2022 when Corix following acquisition of the water system.¹¹ Additionally, in Section V of this submission Corix provides an update of the Source Water Protection Plan scheduled to commence in 2022.

E. Acquisition Costs

33. Corix seeks approval to recover the necessary costs associated with this acquisition. Acquisition costs refer to due diligence costs and the costs to conduct the public consultation, two prudent and necessary steps when acquiring a utility.
34. Due diligence is the exercise of care that a reasonable business is normally expected to take before acquiring another business or its assets. Due diligence includes varying levels of investigation,

⁹ Corix Response to Comptroller IR1, Q. 7.1; Attachment to Q. 7.1

¹⁰ Corix Response to Comptroller IR1, Q. 7.1

¹¹ Corix Response to Comptroller IR1, Q. 3.1

through information gathering and verification, to obtain the information necessary to make a decision based on the available facts. In some cases, due diligence leads to the discovery of issues that require time and effort from both the seller and the purchaser to address prior to the sale.

35. In the Application Section 9.2.1 Acquisition Cost Allocation, Corix provided Table 3: Allocation Percentages and Table 4: Water Utility Due Diligence and Public Consultation Costs.
36. Corix has allocated the majority of costs in Table 3 based on equal sharing despite the fact that the Water Utility is much larger than the Wastewater Utility. Regulatory costs are allocated 100% to Water as there is no regulatory process associated with the acquisition of the Wastewater Utility assets. Engineering and Compliance has been allocated 70% to Water and 30% to Wastewater since the majority of time was spent on the Water Utility.¹²
37. All costs in Table 4 of the Application are related to the acquisition of the Water Utility only. Costs related to the acquisition of the Wastewater Utility have been excluded from the Application.¹³
38. Corix submits the allocations shown in Table 3 are reasonable and justifiable. Also, Corix submits the amounts shown in Table 4 for the acquisition costs related to the Water Utility are fair and reasonable to conduct the due diligence, public consultation, and regulatory process.

F. Acquisition Cost Recovery in Other Jurisdictions

39. In Application Section 9.4 Acquisition Cost Recovery in Other Jurisdictions, Corix provided examples of recovery of acquisitions costs also known as closing costs and due diligence costs for Illinois, Louisiana, and North Carolina to which Corix had recent acquisition transactions. Virginia was also provided with its Fair Value Legislation that allows recovery of acquisition costs. Details can be found in the Application in Appendix E for these four U.S. states.
40. The Comptroller IR No. 1 Questions 6.1 asked acquisition costs approved by the British Columbia Utilities Commission (“BCUC”) in British Columbia and Question 6.2 asked the same for the Alberta Utilities Commission (“AUC”) in Alberta.

Acquisition Costs in BC

41. In the Application in Section 9.5 Fair and Reasonable, Corix explained recovery of acquisition costs are fair and reasonable for the Water Utility because a) acquisition costs are necessary; b) it is approved in other jurisdictions; c) customers will benefit from the acquisition; and Corix will minimize the impact to customers using a recovery approach that recovers costs over a reasonable period of time.
42. Corix’s thermal utilities in BC were developed as rate base greenfield utilities and as such there is no equivalent situation of Corix acquiring an existing thermal utility. However, In the last decade Corix

¹² Corix Response to Comptroller IR1, Q. 4.2

¹³ Corix Response to Comptroller IR1, Q. 5.1

has developed small standalone greenfield utilities, in which the BCUC has approved the capitalization of project development costs into rate base. The project development costs include feasibility studies and implementation scenarios; conceptual and preliminary designs; environmental assessment, site/geotechnical evaluation; discussions and negotiations with third parties; legal cost; consultant costs; regulatory costs; public consultation costs; permitting costs; engineering; financial; office supplies; and travel cost.¹⁴

43. Corix considers project development costs approved by the BCUC analogous to due diligence and public consultation costs as discussed in Section 9 of the Columbia Ridge Water Utility Acquisition Application.
44. Recently the BCUC in Decision and Order C-1-22, dated January 27, 2022, approved FortisBC Energy Inc.'s ("FEI's") acquisition of Stargas Utilities Ltd.'s assets at their net book value via an asset purchase agreement.¹⁵
45. The BCUC also approved for FEI when acquiring the assets of Stargas Utilities Ltd., a "Stargas Assets Acquisition Deferral Account to record certain costs associated with the preparation of the Application and execution of the APA [Asset Purchase Agreement], and specific components of the purchase price. With respect to the Assets transferred from Stargas to FEI..."¹⁶
46. In the BCUC Decision, the Panel approved the establishment of a deferral account, attracting interest at FEI's weighted average cost of capital to record:
 - Costs to prepare the application, which include legal expenses, BCUC costs, intervener costs and public notification;
 - Legal expenses incurred for the preparation of the executed asset purchase agreement; and
 - Other costs including Stargas deferral account balances.¹⁷
47. FEI explained in its application that it conducted due diligence and public consultation for the acquisition prior to its application to the BCUC that included an evaluation of Stargas' distribution assets and public consultation. FEI proposed that its deferral account "capture all of the costs related to this transaction and all of the costs related to this proceeding, as well as the purchase price of the Assets, with the exception of the capital assets themselves that will be recorded in the relevant asset account, and the Gas Cost Variance Account".¹⁸
48. The FEI recovery of costs arising from its asset purchase agreement is very similar to the acquisition costs proposed by Corix for Columbia Ridge, as both are asset purchase agreements.
49. Corix submits that the Corix-CRWL asset purchase agreement and the proposed recovery of acquisition costs are directly comparable to the FEI-Stargas asset purchase agreement and approval for a deferral account to capture FEI's incurred acquisition costs. Corix submits the approval of the

¹⁴ Corix Response to Comptroller IR1, Q. 6.1

¹⁵ Corix Response to Comptroller IR1, Q. 6.1

¹⁶ Corix Response to Comptroller IR1, Q. 6.1

¹⁷ BCUC Decision for Order C-1-22, dated January 27, 2022, Section 5.1.1, pp. 13-14.

¹⁸ Corix Response to Comptroller IR1, Q. 6.1

recovery of acquisition costs for Corix would be consistent with the approval by the BCUC associated with FEI's purchase of Stargas assets.

Acquisition Costs in Alberta

50. Corix is not aware of the AUC approving acquisition costs for energy or water utilities in the manner proposed by Corix. Also, Corix is not aware of any AUC Decision that has disallowed a proposed recovery of acquisition costs.
51. Therefore, Corix submits that the AUC regulatory practice of recovery of acquisition costs are inconclusive and should not be relied on for the Comptroller making its decision on Corix's application for acquisition costs recovery.

Acquisition Costs in the US: Illinois, Louisiana, and North Carolina

52. Corix in response to Comptroller IR No. 1 Question 6.3 provided further information on the "closing costs" approved in Illinois, Louisiana, and North Carolina.
53. In Illinois (Galena) the regulatory approved "closing costs". In Louisiana (Louisiana Land) the regulatory approved "transaction costs". In North Carolina (Pace) the regulator approved "due diligence costs". The terms 'closing', 'transactions', 'due diligence' costs are synonymous.
54. The costs can generally be grouped into:
 - Phase A: negotiation and due diligence of the sale agreement; and
 - Phase B: the regulatory process and buyer's costs for assisting the seller to operate and manage the system until transfer.¹⁹
55. In Phase A lawyers, consultants, and internal personnel are used for negotiation, property records, property asset assessment/condition and environmental assessments. In Phase B lawyers, consultants, and internal personnel are used for the regulatory review processes and any operational costs to assist the seller until acquisition. In the case of a distressed seller it may be important that the buyer provide its operational expertise to the seller so the small utility is able to maintain the system condition as examined in the due diligence process until the transfer date.²⁰
56. With regards to Columbia Ridge, the project management; due diligence lead; finance; legal; regulatory; operations; engineering and compliance; and environmental assessment costs were used to support Phases A and B. The public consultation process was related to the Phase B regulatory process.
57. Corix submits that though the wording may differ the types of costs approved in the closing/transactions/due diligence costs by the three states (Illinois, Louisiana, and North Carolina) are equivalent in nature to the acquisition costs requested by Corix for Columbia Ridge.

¹⁹ Corix Response to Comptroller IR1, Q. 6.3

²⁰ Corix Response to Comptroller IR1, Q. 6.3

58. Corix also submits that the US examples for recovery of acquisition costs are directly relevant and comparable to Columbia Ridge request since the US examples are also small water utilities with asset purchase agreements.

Acquisition Costs in the US: Virginia and Fair Market Value Legislation

59. Corix in response to Comptroller IR No. 1 Question 6.4 provided further information on the circumstances that lead Virginia to enact the Fair Value Legislation in March of 2020.

60. Corix was not involved in the Virginia legislation, so Corix is not fully aware of the background in this state. However, Virginia is one of many states that have adopted fair market value for water utilities. The National Regulatory Research Institute paper titled “A Review of State Fair Market Value Acquisitions Policies for Water and Wastewater Systems” with a recent publication date of September 2021 provides some background on the policy development of fair market value legislation in the United States.²¹

61. The NRRRI paper findings were:

- Fair market value (FMV) acquisition is a rate mechanism used for encouraging the acquisition of distressed, municipal, and/or small water and wastewater systems by regulated water utilities.
- Using the FMV of a system instead of its original cost is designed to encourage well-operated water and wastewater utilities to acquire small, municipal, or distressed systems.
- Sixteen states have considered adopting FMV acquisition rate mechanisms and 12 have adopted these policies. There has been an uptick in FMV legislation in response to challenges faced by water and wastewater systems. These challenges are driven by increasingly stringent water quality standards, limited technical and managerial expertise in smaller companies, and the need for investment to replace aging infrastructure.²²

62. The NRRRI paper shows that certain states in the U.S. have legislatively mandated fair market valuation policies for the state regulators to follow to encourage municipal, disadvantaged/distressed, and/or small systems to be consolidated by larger water operators who have the financial resources to service customers safely and reliably that meets drinking water standards. To foster this encouragement of utility transfers, state legislatures have considered both the perspectives of the seller and the buyer. For the seller the price paid for the utility is for fair market value which can be above the net book value of the seller. In many cases the stated net book value of the seller may be incorrect due to poor bookkeeping practices. For the buyer of the utility, the legislatures have allowed the fair market value price paid to the seller to be included in rate base to be recovered from ratepayers. Also, to encourage the transaction, the legislatures have considered that the closing/transactions/due diligence costs incurred by the buyer are valid costs that can be included in the rate base of the utility and recovered from ratepayers.

63. Corix submits that the context of small US water utilities regulated in the US is similar to the small water utilities regulated by the Comptroller in BC. In the US the identified challenges are driven by increasingly stringent water quality standards, limited technical and managerial expertise in smaller

²¹ Corix Response to Comptroller IR1, Q. 6.4

²² Corix Response to Comptroller IR1, Q. 6.4

companies, and the need for investment to replace aging infrastructure. Corix submits these challenges in the US also applies to British Columbia small water utilities. Given the similarities, Corix submits that water regulatory practice and policies from the United States should be used as guidance for British Columbia. Historically, Canada has adopted US regulatory practices such as the concept of the Certificate of Public Convenience and Necessity (CPCN) which originated from the US in the regulation of railroads and later applied to telecommunications, natural gas, electric and water utilities. Given the historical relationship between American and Canadian regulatory practices, how the US regulates its water utilities should be given consideration for the regulatory practices to be applied in BC water utilities.

G. Customer Consultation

64. Prior to the Application, Corix conducted a customer consultation on the acquisition of the water utility assets the change from Operating Margin to Rate Base. Corix held a three-hour virtual evening meeting with the two Home Owners Associations (HOA) at Columbia Ridge; the Spirits Reach HOA and the Columbia Ridge Community Association. Corix then travelled to Columbia Ridge and hosted three different Open House sessions to accommodate peoples' schedules. Forty-three (43) people attended from the 161 active connections. Corix received 25 customer letters as shown in Appendix C of the Application. The customer responses were from individual homeowners and also included the Columbia Ridge Community Association. The Columbia Ridge Community Association represents 120 property owners who are customers of the Water Utility (Appendix C: Customer Letters #6 and 6A).
65. Corix submits customers have provided strong support for the Corix acquisition of Water Utility assets and also a strong preference for changing to Rate Base to set customer rates. Up to the writing of this Final Submission, Corix is not aware of any customer letters or comments that oppose the Application.

V. UPGRADES IN 2022: SOURCE WATER PROTECTION PLAN

66. The Application in Section 6.2 Upgrades in 2022 mentioned that Corix would begin work in 2022 on the Source Water Protection Plan.²³ Also in Table 10: Assumption – Capital Expenditures by Year Corix indicated that it would spend \$40,000 in 2022 for the Source Water Protection Plan.²⁴ Corix would like to update the Comptroller that the \$40,000 spend in 2022 should instead be \$20,000 in 2022 and \$20,000 in 2023 with the total expected cost remaining unchanged.
67. Comptroller IR No. 1 Question 3.1 asked a question on the status of work on the 2022 projects with reference to VT SCADA, Pumphouse Generator and Automatic Transfer Switch. Corix responded that no work has commenced on these upgrades pending completion of the regulatory review process and Corix assuming ownership of the utility. Corix confirms no work has commenced on the VT SCADA, Pumphouse Generator and Automatic Transfer Switch. However, Corix would like to also

²³ Application, Section 6.2, page 25

²⁴ Application, Section 10.5, page 40

update the Comptroller on the Source Water Quality Assessment (SWQA) and the Source Water Protection Plan (SWPP) scheduled for 2022/2023. SWQA measures the water quality and is scheduled for 2022/2023.

68. The SWQA is a year-long assessment of the water quality. The SWPP defines the area around the source that needs to be monitored and protected from contamination or other harms and it also provides technical information on water flows. The SWQA will inform the SWPP. A favourable water quality assessment result will allow Corix to proceed to UV treatment as a stand-alone process without filtration. The Interior Health Authority (“IHA”) requires that a water system installing UV treatment without filtration must have a water quality assessment completed that confirms that the filtration component can be deferred. Assuming a favourable water assessment, the protection plan would be required by IHA to approve the filtration deferral.
69. The Corix consultant working on the SWQA/SWPP has indicated that it would need to commence work on May 9-10 to sample the water sources in May 2022 so that they can obtain the Spring-Summer samples in the same calendar year. If the samples in May 2022 are missed the start of the study would have to be delayed until the Fall of 2022. Corix submits it is preferable to start the water assessment study now so the study can be completed sooner to establish the treatment requirements and then inform the SWPP. The SWPP is required in order to obtain approval from the IHA to construct the UV Treatment without filtration. Table 10: Assumption – Capital Expenditures by Year in the Application shows that the UV System capital expenditure is planned for 2023 assuming completion of the SWQA and SWPP and approval from the IHA.²⁵
70. Given the critical timing of commencing with the water quality assessment, Corix considers it to be for the benefit of the Water Utility to start the study process no later than May 10, 2022, prior to the anticipated approval date of the Amended CPCN asset transfer to Corix.
71. In the response to Comptroller IR No. 1 Q. 6.3 Corix stated that for due diligence costs the following:
 - a. “Phase B: the regulatory process and buyer’s costs for assisting the seller to operate and manage the system until transfer.”
 - b. “In the case of a distressed seller it may be important that the buyer provide its operational expertise to the seller so the small utility is able to maintain the system condition as examined in the due diligence process until the transfer date.”
72. In this case Corix is not directly assisting the seller and the seller is not distressed. However, the SWQA/SWPP process is similar in that certain water assessment costs undertaken by the new owner prior to the transfer date would be beneficial to the Water Utility and its long-term service to customers. SWQA/SWPP costs incurred prior to approval of the asset transfer will be included in Corix’s 2022 capital expenditures for the Water Utility.

²⁵ Application, Section 10.5, page 40

VI. CONCLUSION

73. The request to purchase the water utility assets from Columbia Ridge Waterworks Ltd. with the issuance of an amended Certificate of Public Convenience and Necessity, pursuant to section 45 of the *Utilities Commission Act*, for the transfer of the Water Utility to Corix should be approved. Concurrently, the request to change the rate setting mechanism of the Water Utility from the Operating Margin methodology to a Rate Base methodology pursuant to sections 59 to 61 of the UCA.
74. Upon approval of the CPCN transfer, the request for approval of Water Tariff No. 3 reflecting the ownership change of the Water Utility at Columbia Ridge to Corix Multi-Utility Services Inc. and the proposal for a new Schedule I: Untreated Irrigation Service Flat Rates pursuant to section 61 of the UCA should also be approved.
75. The recovery of costs associated with the due diligence and consultation for the Water Utility acquisition as outlined in Section 9.2.2 of this Application, pursuant to sections 59 to 61 of the UCA should be approved as it is consistent with regulatory practices from the BCUC in British Columbia and also from the United States.

Vancouver, BC

April 29, 2022

ALL OF WHICH IS RESPECTFULLY SUBMITTED

A handwritten signature in black ink, appearing to read 'Errol South', followed by a long horizontal line extending to the right.

Errol South
Director, Regulatory Affairs