

October 2021

CORIX OKANAGAN LANDING UTILITIES WATER RATE APPLICATION FOR 2022 TO 2024 RATES

On June 30, 2021, Corix Okanagan Landing Utilities (OLU) applied to increase water rates effective January 1, 2022 (Application). The Application proposed rates for 2022 to 2024. The last rate change was on January 1, 2020.

The Application was made to the Comptroller of Water Rights (Comptroller), the body responsible for the regulation of privately-owned water utilities in British Columbia, including OLU. Effective January 1, 2022, OLU has applied for an interim rate increase by the Comptroller of Water Rights. The interim rates are refundable with interest, subject to the final decision by the Comptroller of Water Rights.

Accompanying this FAQ, Corix has provided a Notice of Application that outlines the rate increases. At this time the Comptroller of Water Rights has not yet commenced a formal public hearing process on the Application.

See below for more information, including important timelines and where to direct questions, comments, and other feedback regarding OLU's rate application.

FREQUENTLY ASKED QUESTIONS

(1) Where can I find the Okanagan Landing Utilities Rate Application and related information?

Information can be found online at:

Corix Okanagan Landing's Regulatory Affairs Webpage:

- corix.com/okanagan-landing/resources/regulatory-affairs

Corix OLU's Water Rate Application for 2022 to 2024 Rates (and relevant documents):

- corix.com/okanagan-landing/resources/regulatory-affairs/water-rate-application-for-2022-to-2024-rates

(2) How can I participate in the Comptroller's regulatory review of the Application?

Questions, comments, and other feedback regarding the application should be directed to **Chris McMillan, Secretary to the Comptroller of Water Rights, PO Box 9340 STN PROV GOVT, Victoria, BC V8W 9M1**, or by email Chris.McMillan@gov.bc.ca on or before **November 30, 2021**. Please also send a copy to Corix – Okanagan Landing at RegulatoryAffairs.Canada@corix.com.

Your input regarding the application will inform the Comptroller on next steps in its review process of the Application which may include intervention, information requests, and comments. More information on a public hearing process can be found at Water Utilities Information Bulletins located on the BC Government's website: www2.gov.bc.ca/gov/content/environment/air-land-water/water/water-licensing-rights/private-water-utilities/water-utilities-information-bulletins

(3) When did Corix purchase the water system assets at OLU?

Corix Multi-Utility Services Inc. (Corix) commenced ownership and operation of the water utility at Okanagan Landing on January 1, 2020. On December 16, 2019, the Comptroller of Water Rights (Comptroller) issued Certificate of Public Convenience and Necessity (CPCN) No. 1591 to Corix that authorized the transfer of asset, rights and licenses of Okanagan Landing Utilities Ltd. (the previous owner) including the balance held in the utilities Replacement Reserve Fund (RRF) to Corix.

(4) Why is Corix filing a rate application?

Approval of CPCN No. 1591 stated: "All Orders previously issued to Okanagan Landing Utilities Ltd. now apply to Corix Multi-Utility Services Inc." Previously on November 20, 2017, the Comptroller issued Decision and Order No. 2507 regarding Okanagan Landing Utilities Ltd.'s application for its 2017-2020 Revenue Requirements. The Comptroller by Order No. 2507 dated November 2017 approved rates for 2017, 2018, 2019 and 2020. Also, in Appendix A to Order No. 2507, Reasons for Decision, p. 4 it stated: "The Utility is to conduct a depreciation study to determine an adequate level of funding for its replacement provision and submit a Revenue Requirements and Rates Application prior to December 31, 2020." Corix requested and received an extension to file by June 30, 2021.

This Application has been filed in accordance with the Directive in Order No. 2507.

(5) Why is Corix requesting a rate increase?

A portion of customer rates is deposited into a Replacement Reserve Fund, from which funds may only be released through the written authorization of the Comptroller. The remaining Utility Portion is meant to recover the utility's costs associated with the provision of water service. The Water rates are increasing due to two factors:

- i. Operating cost increases for the Utility Portion of rates, and
- ii. Increased contributions to the Replacement Reserve Fund.

Corix has filed its Depreciation Study for OLU, that provides information regarding the adequate level of funding required for the Replacement Reserve Fund. Due to the aging utility assets and the historical underfunding of the RRF, the majority of the proposed rate increases are to increase contributions to the RRF. More information on the Depreciation Study and the RRF is included in items 7 and 8 below.

(6) How will the proposed rate increase affect water bills?

Section 11 in the Application (Customer Rates) provides information on the effects of the proposed rate changes to water bills. The residential customer would experience an increase of \$78.12 on their quarterly bill effective January 1, 2022. Of this increase, \$60 per quarter (or approximately 77%) is for the increased contributions to the RRF.

Corix acknowledges that these are large rate increases. However, the actual increase required is materially larger and so Corix has proposed rate increases to smooth the rate impact over a number of years, while at the same time building up the RRF balance to a level that would support future capital expenditures.

(7) What is a Depreciation Study?

A Depreciation Study for a regulated private water utility in BC is a tool used to ascertain whether there is sufficient pre-collection of funds in the Replacement Reserve Fund (RRF) for the future replacement of the existing water system or specific components.

(8) What is the Replacement Reserve Fund (RRF)?

The Comptroller of Water Rights often orders the establishment of trust funds for specific purposes for private water utilities. In this case, OLU has a RRF, which is an account with funds collected from customers to pay for replacement of water system components when required. Funds are held in a secure trust fund account and may only be released by authority of the Comptroller, upon receipt of evidence of infrastructure expenditure. The Comptroller of Water Rights orders the establishment of trust funds for specific purposes for private water utilities. As of December 31, 2020 the RRF balance was \$36,333 (or equivalent to \$699 per customer). Given the age of the water system, Corix proposes to increase the RRF contributions that would increase the fund to approximately \$117,000 by end of 2024.

(9) Future Capital Expenditures

Based on the issuance of the original CPCN, the OLU water system is approximately 50 years old. It currently supplies untreated well water to 52 customers in Vernon, BC. The OLU current system and mechanical infrastructure (pumps, pressure vessels and associated piping) are dated and showing signs of disrepair within the existing pumphouse. Since its initial construction there appears to have been minimal capital upgrades to the water system.

Corix proposes to first assess the water system with a study to determine infrastructure needs and options. Corix then first plans to address the Distribution System Upgrade and then the Water Treatment Upgrade.

Prior approval from the Comptroller of Water Rights is required before any capital expenditures are made.

(10) Long-Term Plan Options for the Utility

Corix considers there are two feasible long-term options for OLU as discussed below:

Long-Term Plan Option 1: Corix continues to own and operate the private utility. Corix upgrades the water distribution system, where necessary, and later upgrades the water treatment to meet the Interior Health Authority 4-3-2-1-0 Drinking Water Objective.¹ The Drinking Water Objective is meant to provide safer drinking water to customers with a proactive approach to water quality with water treatment.

Long-Term Plan Option 2: Corix upgrades the water distribution system and does not upgrade the water treatment system. Instead of upgrading the water treatment, Corix with customer consultation initiates the sale of the water utility to the Regional District of North Okanagan and connects the OLU community to the Greater Vernon Water System which has treated water. A connection to the municipal system would require a comprehensive utility assessment of the distribution system and must meet the regional district's standards prior to an acquisition. This means that some distribution upgrades to the OLU water system may be required prior to any transfer.

Approval from the Comptroller of Water Rights is required before any long-term option is selected.

(11) Has Corix decided on the Long-Term Plan Option for the Utility?

No. Corix has not decided on which long-term option to pursue at this time. The final choice will depend on each option's economic feasibility, the benefits, and the disadvantages. Further study and analysis are required to better inform the decision.

Corix plans to first assess the current state of the water system and then upgrade the water distribution system, where necessary. After upgrading the water distribution system where necessary, Corix will assess the options to treat and disinfect the water. The selection of the treatment option will require further engineering analysis and the economics of each option.

¹ Interior Health Authority 4-3-2-1-0 Drinking Water Objective
https://www.obwb.ca/fileadmin/docs/43210_Drinking_Water_Objective.pdf