

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. – Panorama Water
Application for Revenue Requirement and Rates
For 2023 through to 2026

Corix Multi-Utility Services Inc. – Panorama Water

REPLY SUBMISSION

Submitted 5th May 2023

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I. INTRODUCTION AND OVERVIEW

1. Corix Multi-Utility Services Inc. (“Corix”) owns and operates the water utility (“the Utility”) providing service to Panorama Mountain Village (“Panorama Water”). In addition to the water utility, Corix also owns and operates the propane and wastewater utilities at Panorama. Corix is a subsidiary of Corix Utilities Inc., which is a subsidiary of a privately held Vancouver-based corporation, Corix Infrastructure Inc. (“CI”), owned by the British Columbia Investment Management Corporation.
2. Customer rates for the Utility were last approved in Order No. 2584 issued by the Office of the Comptroller of Water Rights (“Comptroller”), on April 22, 2021. Order No. 2584 approved a revenue requirement and a water rate and tariff structure for the test years 2020, 2021 and 2022. Water Tariff No. 5 was approved for new rates effective January 1, 2021 and January 1, 2022.
3. On December 30, 2022, Corix filed its Application for Revenue Requirement and Rates for 2023 through to 2026 (“Application”) for rates effective January 1, 2023. On January 18, 2023, the Comptroller issued Order No. 2622 making the then-existing tariff terms and conditions interim as of January 1, 2023, and approving an interim and refundable rate increase effective January 1, 2023. Order No. 2622 also set the Regulatory Timetable for the hearing.
4. Information Requests (“IR”) No. 1 were received from the Comptroller, J. Bitonti, Panorama Subdivision Owners Association, and Homeowners, Trappers Ridge Subdivision (“Trappers Ridge”).
5. On March 31, 2023, Corix filed its responses to the four Information Requests No. 1. Corix also provided an Errata to the Application.
6. On April 28, 2023, Corix received one Intervener Submission from Trappers Ridge.
7. Corix’s justification for the final approvals sought based on the Application are discussed in the justification sections below.
8. Based on the Application, Corix requests the following, pursuant to Sections 59 to 61 and Sections 89 and 90 of the *Utilities Commission Act* (“UCA”)
 - i. Approval of the proposed revenue requirements for test years 2023, 2024, 2025 and 2026 as described in the Application. These are based on:
 - a. The operating and maintenance expenses presented in Section 3 of the Application;
 - b. The rate base as presented in Section 6;
 - c. The revenue requirements for the test years 2023 to 2026 as provided in Section 7;
 - d. A deemed capital structure of 57.5% debt and 42.5% equity as discussed in Section 5.1.1;
 - e. Long term debt financing costs estimated at 4.98% per annum as calculated in Section 5.1.2;
 - f. A return on equity (ROE) of 9.5%, as discussed in Section 5.1.3; and
 - g. The depreciation rates as outlined in Section 5.2.
 - ii. Approval of Customer rates as shown in the table below:

	Effective January 1, 2023	Effective January 1, 2024	Effective January 1, 2025	Effective January 1, 2026
Residential Fixed Charge per bed unit per month	\$13.55	\$14.33	\$15.08	\$15.39
Residential Metered Rate per cubic meter	\$8.24	\$8.71	\$9.17	\$9.36
Commercial Fixed Charge per bed unit per month	\$15.04	\$15.91	\$16.74	\$17.08
Commercial Metered Rate per cubic meter	\$8.63	\$9.13	\$9.61	\$9.81

- iii. That the rates applied for in the above table be set on a permanent and final basis effective January 1, 2023. Corix requests that the interim rates be subsequently adjusted if and as required based on the Comptroller’s final decision when rendered on this application, with any refund or additional charges to be accounted for with interest, retroactive to January 1, 2023.
- iv. Approval:
 - a. to continue the Revenue Deficiency Deferral Account (“RDDA”) to smooth rates and for the recovery of the RDDA;
 - b. that the RDDA be trued-up to actual for the four test years (2023 to 2026) for certain non-controllable items that include deemed interest expense, revenue variances arising from customer consumption differences, and taxes;
 - c. that the RDDA be trued-up during the test years (2023 to 2026) for potential changes to how the BCUC sets the cost of capital for thermal energy systems, regarding the flow through of potential return on equity and capital structure differences from approved test years, commencing on January 1, 2023 for the entire test year period; and
 - d. to file the RDDA compliance filing for actual year end results.

Details are discussed in Sections 5.1.4 and 7.3 of the Application.

- v. Approval of the tariff housekeeping amendments to amend the terms and conditions of the tariff with regard to adding a back-billing provision and clarifying Schedule F as outlined in Section 13 of this Application.
- vi. That the existing permanent Water Tariff No. 5 for water service at Panorama, with rates effective January 1, 2022 be updated to Water Tariff No. 6 on a final and permanent basis, with rates effective January 1, 2023 based on the approvals regarding the proposals within this Application.

II. REPLY SUBMISSION ON INTERVENER SUBMISSIONS

9. This Section II of the Corix Reply Submission addresses the comments contained in the Intervener Submission received from Trappers Ridge.

10. Trappers Ridge’s Final Submission can be grouped into six issues:

- a) Rate smoothing¹,
- b) Bed units²;
- c) Corporate, Regional and Common Cost Allocations³; and
- d) Contribution in Aid of Construction (CIAC)⁴;
- e) Utility System Water Softening Solution⁵;
- f) Water leakage⁶.

11. The following will address the issues identified above from Trappers Ridge.

A. Rate smoothing

12. Corix provided in Section 9.2 (RDDA Recovery Period Scenarios) of the Application three Scenarios A, B, and C. Scenario A was used as the basis for the proposed rates in the Application.

13. Corix included an additional Scenario A (40%) in response to Comptroller IR #1, Question 11.1. This scenario provides smoothing the rate increase across 2023 and 2024 resulting in residential bill impacts of 27% in 2023 and 33% in 2024 with a targeted RDDA recovery in 2028.

14. Corix also calculated Scenario D in response to Trappers Ridge IR #1, Question 21.1. This scenario provides a scenario for additional smoothing that sets 2023 with a 102.0% Target Percentage Recovery of Total Revenue Requirement and full RDDA recovery in 2033. Scenario D’s smoothing results in estimated typical residential bill impacts of 33% in 2023 and 4% in 2024 with a targeted RDDA recovery in 2033.

15. Trappers Ridge in its Submission 1.1 states: “Trappers Ridge submits that the statement made by Corix in response to WCRR 11.1 that Scenario D increases the RDDA balances in 2023 and 2024 is misleading. Using Corix data, Scenario D has the RDDA balance decreasing from \$1,316,229 in 2022 (actual) to \$1,268,279 in 2023 and to \$1,165,462 in 2024.”

16. In reply to Trappers Ridge, Corix clarifies that the statement Scenario D increases the RDDA balances in 2023 and 2024 is relative to the proposed Scenario A. Scenario D has higher RDDA balances for 2023 and 2024 when compared to Scenario A.

¹ Trappers Ridge Final Submission, Section 1.0, p. 3

² Trappers Ridge Final Submission, Section 2.0, pp. 7-8

³ Trappers Ridge Final Submission, Section 3.0, pp. 14-15

⁴ Trappers Ridge Final Submission, Section 4.0, p. 15

⁵ Trappers Ridge Final Submission, Section 5.0, p. 16

⁶ Trappers Ridge Final Submission, Section 6.0, p. 17

17. Trappers Ridge in its Submission 1.2 states:

“Trappers Ridge submits that Scenario D is the most reasonable and effective means of smoothing rates that results in payoff of the RDDA within 10 years as it:

- a) reduces the initial huge rate increase in 2023 by 11%
- b) begins reducing the RDDA balance in 2023
- c) results in moderate single digit rate increases percentage wise over the next 8 years as projected, as opposed to the Corix proposal which projects rate reductions as large as - 15% within the next 8 years
- d) mitigates the risk of recovery of the RDDA with a large increase in 2023 that begins to pay down the RDDA immediately.
- e) incentivizes Corix to seek out efficiencies in administrative services to reduce costs given that the O&M cost increases, which are driving the rate increases, are primarily due to increases in Common Admin, Corporate and Regional Cost Allocations. These costs now represent 55% of O&M costs and have increased by more than 60% from 2021, which seem exorbitant for operation of a water utility.”

18. In reply to Trappers Ridge, Corix submits that Scenario D with its full RDDA recovery in 2033 unnecessarily extends the RDDA recovery period an additional five years. This would lead to a 14-year RDDA from 2020 through to 2033. Corix notes that this runs counter to the initial purpose of the RDDA, which was to smooth in rate increases over several years for customers.⁷ In Comptroller Order No. 2578, the Comptroller highlighted that the downside of a longer recovery period is the financing charges that the RDDA attracts at the utility’s weighted average cost of capital (WACC). After weighing the pros and cons of rate smoothing with a RDDA, the Comptroller concluded: “Therefore, it is in the interests of customers to phase in the new rate impacts as soon as reasonable.”⁸ Corix submits that it is in the interests of customers and the utility to phase in the 2023-2026 rate impacts, without extending the RDDA recovery period by an additional five years. Scenario A (40%) provides rate smoothing in 2023 and 2024 with a targeted RDDA recovery in 2028. Corix submits that Scenario A (40%) is preferred over Scenario D.

19. Corix submits that the rate increases should be approved as proposed. Explanations and justifications have been provided throughout the regulatory review process and Corix considers the proposed rates to be just and reasonable. Should the Comptroller determine that Corix’s proposal is unjust and unreasonable, Corix would be amenable to a Comptroller direction to smooth the 2023 rate increase to both 2023 and 2024 only, specifically as shown in Scenario A (40%).

B. Bed units

20. Corix in response to Trappers Ridge IR #1, Question 17.2 explained since 2011 bed units based on the approved tariff are calculated as follows:

- Single family dwellings have a default of 10 bed units. If documents are submitted to the utility with proof that a dwelling is smaller than typical, then it would qualify for 6 bed units instead of

⁷ Order No. 2578, dated February 16, 2021, Section 7.0, p. 18.

⁸ Order No. 2578, dated February 16, 2021, Section 7.0, p. 20.

10 bed units. Small dwellings are typically older single family houses with a smaller square area than newer houses.

- A residential condominium or townhouse has bed units measured by the square meter size of the dwelling. The current tariff has 3 categories of area size resulting in 2, 3 or 4 bed units.
- The commercial customers bed units are determined by the size of water meter as outlined in the tariff.

21. The current tariff structure has commercial customers paying a higher Fixed Rate per bed unit and a higher Metered Rate per cubic metre. Based on the unitized charges commercial customers pay more than residential customers. The total revenues collected from residential and commercial customers depends on the number of bed units and the consumption of each rate class. Commercial customers have more bed units in total than residential customers. Also, commercial customers have higher total annual consumption than residential customers.⁹

22. Trappers Ridge in its Submission 2.1 states:

“Trappers Ridge submits that the Commercial Fixed Charge per bed unit be raised and that for Residential customers reduced according to required demand capacity. Furthermore:

- the Commercial demand capacity is likely much higher during winter holiday periods in proportion to Residential customers,
- Commercial establishments can recover the additional costs from their customers and
- future development of the resort, for which Corix built capacity into the GSDP which has driven the current huge rate increases, is likely to be largely commercial.”

23. Corix disagrees with Trappers Ridge’s submission to increase the Commercial Fixed Charge per bed unit while lowering the Residential Fixed Charge per bed unit. The current approved methodology already has the Monthly Commercial Fixed Charge per bed unit (Jan 1, 2022 at \$9.51) being higher than the Monthly Residential Fixed Charge per bed unit (Jan 1, 2022 at \$8.57). For 2022 this is a difference of \$0.94 or 11% more than residential rates. There is no evidence on the record in this proceeding to justify changing the relative Commercial to Residential Fixed Charge per bed unit rates. Therefore, Corix submits the current relative Fixed Charges between Commercial and Residential rates should be maintained.

24. Trappers Ridge in its Submission 2.2 states: “Trappers Ridge submits that bed units are not a good measure for the capacity demand of the groups of customers and that Corix establish clear criteria to assign bed units to single family residences based on number of bedrooms that better measure their demand. The Official Community Plan criterion of 2 bed units per bedroom would be reasonable and reflective of required demand capacity.”

25. Trappers Ridge in its Submission 2.3 states: “Per Corix response 2.2 A and B to TRRR 17.2, and Corix submission 2.4, Trappers Ridge submits that all current and future single family residents be able to apply to reduce their assigned bed units based on clear criterion established per TRS 2.2 above or number of bed rooms at 2 bed units/bedroom.”

⁹ Corix Final Submission, para. 76

26. Corix explained that the 2010 Water Tariff Rate Design had originally the 6 bed units for single family residential customers being further segmented to 10 bed units (large houses) and 6 bed units (smaller house) starting in 2011.¹⁰

27. Corix disagrees with Trappers Ridge’s submission that bed units are not a good measure for the capacity demand of the groups of customers. Bed units for the measure of capacity is a sufficient measure that corresponds to the bed units concept used in the Panorama Mountain Village Official Community Plan.¹¹ Corix notes that the Official Community Plan has “Detached Dwelling” (known as residential single family dwelling in the tariff) at 6 bed units. Also, Corix notes the Official Community Plan has 2 bed units when referring to “Multiple Family Dwelling Units” and to “Commercial Accommodation” at 0-55 Units Size (sq. m.). In the Plan the 2 bed units does not apply to a “Detached Dwelling” (residential single family dwelling) as proposed by Trappers Ridge. This distinction is important since a residential single family dwelling has a material irrigation (lawn watering) component that is much more than a residential condominium or townhouse. When measuring in bed units, a 2 bedroom single family dwelling (i.e. a house) has a much higher water demand than a 2 bedroom condominium unit because the condo unit has very little irrigation needs relative to the two bedroom house. Whether or not a family that resides in a single family dwelling uses water for irrigation is irrelevant because the capacity has to be built into the system in the event they require water for irrigation, or other outdoor uses.

28. Corix submits the current criteria is sufficient to assign bed units to single family residences based on number of bedrooms that better measure their demand. Detached dwellings typically with irrigation needs are different than multiple family dwellings with much lower irrigation needs. Therefore, the number of bedrooms to measure the same capacity for different dwelling types (2 bed units/bedroom regardless of dwelling type) would be inappropriate.

29. Trappers Ridge in its Submission 2.4 states: “A new development plan that will have 25 lots, which may be occupied by totally by two-family residences, is currently at the RDEK planning committee awaiting a rezoning of a plot of property along Trappers Way. Trappers Ridge submits that criteria for assigning bed units to two-family residences be established in the very near future prior to RDEK approval of the development plan.”

30. Corix is not in a position to comment on RDEK plans and rezoning processes.

31. In response to Trapper Ridge IR #1, Question 17.1 Corix with the new information regarding large townhouses discussed a possible change to the Water Tariff No. 6 that could be as follows:

- “ii. residential condominium or townhouse:
 - (i) up to 55 square meters = 2 Bed Units
 - (ii) between 56 and 100 square meters = 3 Bed Units
 - (iii) between 101 and 150 square meters = 4 Bed Units
 - (iv) between 151 and 200 square meters = 5 Bed Units
 - (v) in excess of 200 square meters = 6 Bed Units”
[potential changes in underline]

¹⁰ Corix Response to Trappers Ridge IR#1, Q. 17.1

¹¹ Corix Response to Trappers Ridge IR#1, Q. 17.1

32. Trappers Ridge in its Submission 2.5 states: “Per Corix submission 2.6, Trappers Ridge submits that Corix should proceed with the revision of Tariff 6 to increase the number of assigned bed units to large condominiums and townhomes per their suggested criteria. Consideration should be given to assigning 2 bed units per bedroom for these residences rather than floor area to better account for actual demand.”
33. Corix is not opposed to the above refinement of bed units for residential condominiums and townhouses to extend the bed units maximum range from 4 bed units to 6 bed units given that new townhouses have larger area sizes. If approved by the Comptroller, Corix submit that this change should be applicable only to new applications for service submitted on or after January 1, 2023, the contemplated effective date of the updated tariff.
34. Corix disagrees with Trappers Ridge proposed consideration to assigning 2 bed units per bedroom for condo residences rather than floor area to better account for actual demand. Corix submits that continuing with the current methodology of bed units based on square meters for condominiums or townhouses but refining the range from 2 bed units to 6 bed units that would maintain general consistency with the Official Community Plan is preferred. Floor area can be more easily obtained and verified than the number of bedrooms in a dwelling. Corix submits measurement of bed units via the number of bedrooms is not a stable figure. This is because with any given floor area any subsequent renovations in the same premise could have bedrooms being added or removed making billing impractical and costly since the measure of bed units is not stable. Corix submits there is no evidence in the proceeding to support a change assigning 2 bed units per bedroom for condo or townhouse residences.
35. Corix also submits that given changing dwelling types and density of new buildings, a more objective and stable measure of capacity demand is the use of customer meter size as the basis for the applicable Monthly Fixed Charge. This is a widely accepted industry best practice since physical pipe size is directly correlated to maximum customer demand. In simple terms, standard size meters would have a standard charge while larger meters would have a higher charge beyond the standard charge. Corix notes that Commercial meters are currently measured by meter size but then translated to the number of applicable bed units. However, a potential change to a meter size methodology to measure customer demand capacity would dispense with the use of bed units since each meter size would have an appropriate unique fixed charge rate related to its physical capacity. Further rate design analysis in a future application would be required to implement meter size as the basis to set the Fixed Charges by meter size for all residential and commercial customers.

C. Corporate, Regional and Common Cost Allocations

36. Panorama Water in its O&M expenses have three types of allocations: (i) Common Admin, (ii) Regional Services, and (iii) Corporate Services. The Application on pages 14 and 15 explained the Common Admin Allocation. The Regional and Corporate allocations were explained in pages 16 to 20 of the Application.

37. Corporate and Regional Services Costs are expenses that include costs related to support functions that are incurred at a corporate level and a regional level respectively and subsequently allocated to the relevant utilities, including Panorama Water

Massachusetts Formula

38. Trappers Ridge in its Submission 3.1 states:

“Per Corix responses 3.1, 3.2, 3.6, 3.7 and 3.8 the methodology for allocating Corporate, Services Costs also applies to Regional and Common Admin services. This methodology is termed the Massachusetts Formula which assigns these service costs as a percentage 33% of the Headcount plus 33% of the Revenues and 33% of the Gross Property, Plant and Equipment (PPE). These cost allocations indicate that the primary driver of the cost increases in this area is the Revenue generated by Panorama per response 3.7. This reeks of double jeopardy, as increasing revenues with huge rate increases results in further huge increases.

Trappers Ridge submits that the methodology used for allocating Corporate Services, Regional Services and Common Admin costs is not appropriate for a utility with a customer base as small as Panorama and that another methodology needs to be developed for these types of allocations.”

39. Corix submits that the Massachusetts Formula methodology was approved in Comptroller Order No. 2578 in a rate hearing. The formula is equally weighted based on three factors: gross revenue, gross property, plant & equipment, and headcount. The objective of the formula is to allocate shared joint costs. The cost allocation is inherently an estimate of a reasonable allocation of shared costs that are not directly assignable. It is important to note that Corix does not include a mark-up for these shared costs. The use of these shared costs without mark-up is to the benefit of customers since economies of scale and scope will reduce the costs incurred. The alternative to the use of shared resources is to obtain the resources as a stand-alone utility where no allocation of costs would be required. However, the costs of obtaining the same services for a small stand-alone utility would be significantly higher than the use of a shared services model.

FTEs at Panorama Water

40. Trappers Ridge in its Submission 3.2 states:

“Per the 2023 to 2026 rate applications in Reference items 3.10 and 3.11, it is forecast that it will take 1.35 FTE to operate the water plant, and another 0.45 FTE to administer its operation. Per Corix response 3.6, a headcount of 2.6 was assigned in 2022 to Panorama Water. The rationale for this increase is the headcount (Full-Time Equivalent (FTE)) in the cost centres are distributed to the utility profit centres to determine the Headcount inputs for the Corporate Cost allocation model. Some Corix staff headcount reside in cost centres, as opposed to each utility. This allows for the efficient sharing of resources. In order for Corporate Cost recovery to take place, the headcount residing in cost centres need to be distributed to business units that earn revenue (profit centres).

Trappers Ridge submits that 1.25 FTE of administrative support for operation of a plant requiring 1.35 FTE to operate, is excessive and unreasonable. Furthermore, this contributes significantly to the huge increase in rates being requested per 3.6.”

41. Corix submits 1.35 FTE to operate the water plant, and another 0.45 FTE to administer its operation is reasonable because administrative support is required for purchase process activities. For example, generating purchase orders, and processing vendor invoices. The administrative allocation also includes Management, which accounts for 0.30 FTE.
42. Corix disagrees that 1.35 FTE to operate the water plant is excessive for the size and complexity of the water utility at Panorama. For example, Panorama water treatment includes ultra-violet disinfection which requires periodic calibration, reference inspections and preventive maintenance to ensure operating efficacy. In addition, Panorama Water is regulated by the Interior Health Authority for quality assurance. This requires monthly and annual reporting, plus monitoring of water sample lab analysis results. Due to the scale of Panorama Water, reporting requirements are more stringent than that of Columbia Ridge Water. Columbia Ridge Water is deemed to be a “small system” (i.e. less than 500 users). With this additional complexity, additional administrative time is also required (i.e. additional Purchase orders, expense reports, management oversight and review, etc.); therefore, the 0.45 FTE for administrative support for Panorama Water in turn is not unreasonable.

Corporate Services allocation

43. Trappers Ridge in its Submission TRS 3.3 states:

“Per Corix responses 3.3 and 3.4, Corix has made efficiency improvements to their customer communication, finance and accounting system and their IT infrastructure and software application systems. Corix response 3.5 indicates that these areas of corporate cost allocations are forecast to increase by 29% to 35% in 2023 from those in 2022.

Trappers Ridge submits that these efficiencies at the Corporate level should translate into reduced costs for Panorama Water and not increased ones through an allocation model that does not seem to be appropriate for a utility with a small customer base.”
44. The cost allocation models, driven by the Massachusetts Formula, was previously reviewed and approved by the Comptroller in the Panorama Water 2020-2022 Revenue Requirements and Rate Application.¹² Use of the Massachusetts Formula to allocate overhead is widely accepted as fair and reasonable throughout the regulated utility industry and is appropriate for utilities with various sizes of customer base.
45. Trappers Ridge incorrectly describes Corix’s response to their information request as “efficiencies at the Corporate level”. Corix notes that Trappers Ridge IR No. 1, Question 10.1, asked for “an example whereby the continuous improvement program has enhanced service quality or realized cost efficiencies in Corix Panorama Water utility”. Corix’s response regarding Customer Experience described how service quality was enhanced leading to faster responses to customers’ requests and questions, among other things. Similarly, Corix’s response regarding the finance and accounting system addressed automation improvements that led to improved first-time financial data quality, reduction in manual processing and error-correction, which are all improvement in the quality of service provided to users of financial data within the organization. Corix’s response did not speak to cost-cutting efficiencies in the manner Trappers Ridge assumed.

¹² Order No. 257, dated February 2021.

46. Trappers Ridge singles out three (3) of the seventeen (17) corporate cost categories¹³: Customer Experience¹⁴; Corporate Finance & FP&A¹⁵; and Information Technology. However, it should be noted that the total pool of Corporate Costs in 2023 is forecasted to be an increase of only 2% when compared to 2022 actuals.¹⁶ This shows that the year-over-year increase in the Corporate Cost allocation to Panorama Water is driven by the changes in Panorama Water's inputs (gross property, plant & equipment; gross revenue; and headcount) to the cost allocation model relative to changes in inputs of other subsidiaries of the parent company.
47. Corix's response to Comptroller IR No. 1, Question 14.2 provides an explanation for the increase in Corporate Cost allocations to Panorama Water. Table 4 on page 28 of Panorama Water's response to the Comptrollers IR No. 1. shows that the increase is driven by the increase in revenue in 2022 and the headcount increase in 2022. These were explained in Corix's response to Comptroller IR No. 1, Question 14.2. Corix considers this to be reasonable given the increases in Panorama Water's revenue requirements over the past few years, which in turn necessitate increases in revenue at the utility. The increases in headcount were driven by an internal reorganization that resulted in an increased headcount in all cost centres relevant to Corix's water and wastewater utilities in Canada. This was not isolated to Panorama Water. Internal reorganizations are a normal part of managing large organizations such as Corix Infrastructure Inc.
48. It is important to remember that all three inputs for all utilities within CII's portfolio are constantly changing and cost allocations increase or decrease depending on the magnitude and change in one utility's input relative to the magnitude and change in all other utilities' inputs as of June 30th each year. Panorama Water has experienced significant infrastructure upgrades in recent times, followed by changes in revenue requirements and ultimately annual revenue to account for these infrastructure upgrades. At the same time, many other utilities have not experienced such levels of infrastructure upgrades.
49. Corix submits the Corporate Services allocations are reasonable because they are based on a consistent formulaic approach that removes subjectivity from allocation and appropriately allocates shared costs to utilities and businesses based on the size of the utility, by taking into account gross property, plant & equipment, gross revenue and distributed headcount. Essentially, larger utilities receive a larger portion of the shared costs and smaller utilities receive a smaller portion of the share costs. This approach is fair, just and reasonable since larger, more sophisticated utilities generally require more time and effort to manage than smaller utilities with less sophisticated assets and a smaller customer base.

Area Manager Allocation to Panorama Water

50. Trappers Ridge in its Submission 3.4 states: "Per Corix application items 3.10 and 3.11, Corix Panorama Water has 1.35 FTE of operator support or 22.5% of the total operator workforce of 6 in the Kootenay region, yet 0.30 FTE of Area Manager costs are charged to Panorama Water in the Common Admin Allocation. Furthermore Panorama Water is only one of six or 17% of the Corix

¹³ Corix Response to WC IR No. 1, Question 14.1, p. 26.

¹⁴ Corix Response to Trappers Ridge IR No. 1, Question 10.1, pp. 10-11.

¹⁵ Ibid.

¹⁶ Corix Response to WC IR No. 1, Question 14.2, p. 28.

operations in the Kootenay area. In addition, per Corix response 3.8, the allocation to Panorama Water is increased to 27% of the total pool of costs of the area cost centre due to application of the Corporate Services allocation model to Common Admin costs.

Trappers Ridge submits that the current allocation of 30% of Area Manager costs to Panorama Water be reduced to 22.5% and that the Common Admin allocation costs be reduced to 17%”

51. Corix does not agree that allocating shared administrative costs based on operator time estimates (22.5%) is a fair and reasonable approach to distribute these costs. A portion of the Common Admin costs cannot be reduced to 17% as these shared area costs all reside in one cost centre and should follow one allocation methodology. Utilities with additional revenue and assets require additional time spent for the Area Manager and Administrator due to increased health and safety measures, financial oversight, regulatory oversight, customer relations, employee management, and capital maintenance planning and coordination. For example, the Kootenay Operations and Maintenance contract utilities might take several operator hours, but there is less requirement for oversight on the management side for utilities that are not owned. Corix submits the 30% for the Area Manager and Administrator reflects the work effort required for Panorama Water.

D. Contribution in Aid of Construction

52. The Application on pages 45 to 46 provided a response to the Comptroller’s directive in the last decision regarding Contribution in Aid of Construction (“CIAC”). Trappers Ridge questioned why the gross plant per bed unit is valued at \$1,829 is not set as the CIAC to help mitigate rates for the customers who are currently burdened by the costs of the GSDP.
53. Trappers Ridge in Submission 4.1 states: “Trappers Ridge submits support for this proposal.”
54. Given that Trappers Ridge is in favour of changing the CIAC, Corix is not opposed to revising the CIAC to \$1,829 per bed unit for January 1, 2023 which was the effective date of the interim rate order for the tariff. Corix submits that any CPCN application made before January 1, 2023 should be based on the approved Water Tariff No. 5 which was effective at the time of the CPCN application.

E. Utility System Water Softening Solution

55. On page 23 of the Application, Corix stated: “Given the uncertainty Corix has decided not to request approval for the capital project in this rate application. The high cost of the water softening project, the accumulated RDDA balance, and the proposed rate increases would increase customer bills to higher levels that would unfavourably impact residential customers.
56. Many customer letters of comment in this proceeding were submitted to the Comptroller expressing support for the system wide water softening solution.
57. Given the letters of comment in support of the project, Corix seeks a Comptroller decision and direction in this proceeding for this matter. After considering all the information in this proceeding,

including customer preference, the Comptroller can:

- a) direct Corix to file a major capital project application seeking approval to implement a centralized water softening solution; or
- b) direct Corix to abandon any further work on a centralized water softening solution.

58. If the Comptroller does not make a direction to Corix, the Comptroller could instead provide the specific criteria, considerations, and issues for Corix to assess and report on in the next rate application.

59. Trappers Ridge in its Submission 5.1 states its support for option b) above “to direct Corix to abandon any further work on a centralized water system, based on Trappers Ridge letter to Corix of April 14, 2022, copied to the Water Comptroller.”

60. Trappers Ridge in its Submission 5.2 states that if option a) above is chosen to direct Corix to file a major capital project application that “Trappers Ridge be granted intervener status on any Corix submission for a water softening project.”

61. Corix submits that the Comptroller should provide direction in the final order of this proceeding to address the differing customer views on the water softening project.

F. Water leakage

62. Corix in response to Information Request No. 1, Question 1.0 provided information how much water is treated vs metered. Two large leaks were identified in 2022 that increased the water loss.

63. Trappers Ridge in its Submission 6.1 states:

“It is disturbing that 67% of the water treated in 2022 was leaked to the environment or unaccounted for. This does have a material cost in that Panorama Water customers are paying 67% of the Utilities and Chlorine/Supplies costs for water that they are not using. These costs amounted to \$67,100 in 2022, so that \$45,000 or 7% of total Operating and Maintenance costs which are being charged to customers for water they are not using. Furthermore, this leakage and unaccounted water loss would have had an impact on PPE size and cost of the GSDP to provide the necessary water supply capacity for Panorama based on water treated, as well as could result in premature depletion of the groundwater supply, resulting in significant costs for a new facility in the future.

Trappers Ridge submits that Corix Panorama Water attempt to identify existing leakage and account for losses to reduce the unnecessary production of treated water that is not being used. Such an attempt should be made cost effectively and result in a net benefit for the customer.”

64. Corix would like to clarify that in 2022, the unaccounted-for water loss was 36%, not 67%.¹⁷ The remaining 31% of water leakage was identified as two (2) leaks: one from a service line; and the second from a fire hydrant.¹⁸ Furthermore, some of the unaccounted-for water loss stems from fire department hydrant usage and annual hydrant flushing which are unmetered. It is difficult to estimate the exact amount used for these activities.
65. It is possible that after considering fire department usage and flushing, the remainder of the unaccounted-for water loss stems from leaks. The Panorama Water utility has an aging water distribution system with segments between 25 to 50 years old. Panorama Water was first issued CPCN No. 3 on July 30, 1973. Corix in the last three years has been proactive in addressing water leaks in the distribution system. Corix conducted a leak detection survey of the entire Water Distribution system in June 2022 and identified two major leaks. A third suspected leak will be reassessed in May 2023. An additional leak detection survey will be commissioned in 2023 to assess future leaks.

III. CONCLUSION

66. Corix notes that Interveners have not opposed the application. However, Trappers Ridge has expressed concern with the proposed magnitude of the rate increase and prefers additional rate smoothing.
67. The rate increase requests in the Application are necessary in order to recover the targeted revenue requirements while achieving relative rate smoothing, while maintaining the RDDA at a reasonable level.
68. The requests in the Application results in rates that are just and reasonable, are not discriminatory or unduly preferential, and do not contravene the UCA, regulations, orders of the commission or any other law.

Vancouver, BC

May 5, 2023

ALL OF WHICH IS RESPECTFULLY SUBMITTED



Errol South
Director, Regulatory Affairs

¹⁷ Corix Response to J. Bitonti IR No. 1, Question 1.0, pp. 1-2.

¹⁸ Corix Response to J. Bitonti IR No. 1, Question 1.0, pp. 1-2.