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 2020 through to 2022

Corix Multi-Utility Services Inc. – Panorama Water

REPLY SUBMISSION

Submitted 14th December 2020

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I. INTRODUCTION AND OVERVIEW

1. Corix Multi-Utility Services Inc. ("Corix") owns and operates the water utility ("the Utility" or "Panorama Water") providing service to Panorama Mountain Village ("Panorama"). 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. ("CII"), owned by the British Columbia Investment Management Corporation.

2. Customer rates for the Utility were last approved in Decision and Order No. 2551 issued by the Office of the Comptroller of Water Rights ("Comptroller"), on August 23, 2019. Decision and Order No. 2551 approved a revenue requirement and a water rate and tariff structure effective January 1, 2019.

3. On February 28, 2020 Corix filed its original Application for Revenue Requirement and Rates For 2020 through to 2022 ("February 28 Application") for rates effective March 1, 2020. The February 28 Application included into rate base the Groundwater Source Development Program ("GSDP") project costs. Corix subsequently filed a Supplementary Information Filing on April 17, 2020 which provided scenarios for a delayed rate increase due to COVID-19 and a proposed Evidentiary Update. On May 19, 2020 the Comptroller issued Order No. 2565 setting out a filing date of June 30, 2020 for the Evidentiary Update.

4. On June 30, 2020, Corix submitted its Evidentiary Update ("June 30, 2020 Evidentiary Update" or "Evidentiary Update") along with an Amended Application ("Amended Application") for a rate increase effective August 1, 2020. The Comptroller issued Order No. 2570 making the then-existing tariff interim as of March 1, 2020, and approving an interim and refundable rate increase effective August 1, 2020. Order No. 2570 also set the Regulatory Timetable for the hearing.

5. On October 30, 2020 Corix filed its responses to Information Requests No. 1 received from the Comptroller, Trappers Way Residential Group ("Trappers Way"), and Panorama Subdivision Owners Association ("PSOA"). In that October 30, 2020 filing, Corix submitted an amendment to its application resulting from the additional investigations undertaken in responding to the requests. The amendments impact the application found in Section 1.2 Regulatory Approvals Sought in the Amended Application (contained in the June 30, 2020 Evidentiary Update) plus the request to amend Water Tariff Schedule B for the Contribution in Aid of Future Construction (altogether, the "Revised Application").

6. On November 23, 2020, Corix received Intervener Submissions from Trappers Way and PSOA. The Intervener Submissions provided Intervener comments on the application but also included further detailed information requests. Corix responded on November 26, 2020 and identified two options for the completion of the hearing. The Comptroller on November 30, 2020 issued Order No. 2577 granting Corix until December 14, 2020 to allow Corix to provide limited responses to the additional questions raised by the Interveners and to provide its Reply Submission.

7. Corix's justification for the final approvals sought based on the Revised Application are discussed in the justification sections below.

8. Based on the Revised Application, Corix requests approval for the following pursuant to Sections 59 to 61 and Sections 89 and 90 of the *Utilities Commission Act*:[1]

   i. the proposed revenue requirements for the Test Years 2020, 2021 and 2022;
   ii. Corporate and Regional Services Cost allocation methodology and Corporate and Regional Services Cost allocations to the Utility for 2020, 2021 and 2022;
   iii. the projected GSDP project costs, inclusive of an Allowance for Funds Used During Construction ("AFUDC") and other additional costs. Specifically, approval of the GSDP Final Cost estimate, October 2020 Update in Table 11: Total GSDP Project Costs (before reserve fund withdrawals and excluding AFUDC) in the amount of $7,630,017.[2] Also, approval of the AFUDC for the GSDP project in the amount of $299,051[3];
   iv. Approval of Customer rates:
      a. Effective March 1, 2020 (unchanged from prior approved rates by Order No. 2551)
         i. Residential Consumption Charge of $1.88 per cubic meter
         ii. Residential Fixed Charge of $3.09 per bed unit per month
         iii. Commercial Consumption Charge of $1.97 per cubic meter
         iv. Commercial Fixed Charge of $3.43 per bed unit per month
         v. Consumption Deferral Account Rate Rider 1 of $1.21 per cubic meter.

      b. Effective August 1, 2020 (consistent with the interim rates currently in effect)
         i. Residential Consumption Charge of $3.22 per cubic meter
         ii. Residential Fixed Charge of $5.30 per bed unit per month
         iii. Commercial Consumption Charge of $3.38 per cubic meter
         iv. Commercial Fixed Charge of $5.88 per bed unit per month
         v. Consumption Deferral Account Rate Rider 1 of $1.21 per cubic meter.

      c. Effective January 1, 2021
         i. Residential Consumption Charge of $4.01 per cubic meter
         ii. Residential Fixed Charge of $6.59 per bed unit per month
         iii. Commercial Consumption Charge of $4.20 per cubic meter
         iv. Commercial Fixed Charge of $7.32 per bed unit per month
         v. Consumption Deferral Account Rate Rider 1 of $1.21 per cubic meter.

      d. Effective January 1, 2022
         i. Residential Consumption Charge of $5.21 per cubic meter
         ii. Residential Fixed Charge of $8.57 per bed unit per month
         iii. Commercial Consumption Charge of $5.46 per cubic meter
         iv. Commercial Fixed Charge of $9.51 per bed unit per month
         v. Consumption Deferral Account Rate Rider 1 of $1.46 per cubic meter.

[1] The full detailed list of the Revised Application requests can be found in the Corix Final Submission dated November 9, 2020 in Section III: Approval Sought, paragraphs 9 to 12.
[2] Corix Response to Comptroller IR1, Q. 15.1
[3] June 30, 2020 Evidentiary Update, pp. 37-38

v. Approval that should the interim rate increase effective August 1, 2020 differ from the permanent approved rates arising from the Comptrollers' final decision, any refund or additional charges are to be accounted for with interest, retroactive to August 1, 2020.

vi. Approval that in accordance with the final decision, if permanent rates differ from the period from March 1, 2020 to July 31, 2020 any refund or additional charges are to be accounted for with interest, retroactive to March 1, 2020.

vii. Approval to establish a Revenue Deficiency Deferral Account ("RDDA") to capture the difference between the calculated revenue requirement and the actual revenue requirement due to the multi-year phase-in approach used to reduce the impact of rate increases. Also, approval for an RDDA compliance filing for actual year end results.

viii. Approval to discontinue any future additions to the Consumption Deferral Account with the approval of the RDDA;

ix. Approval of a decommissioning cost deferral account;

x. Approval to updating Schedule "B" - Contribution in Aid of Future Construction from the existing $1,300 per bed unit to $1,585 per bed unit to be effective on January 1, 2021;

xi. That all confidential information submitted in the hearing remain confidential as the release of this information could adversely affect Corix's business and by extension, its customers; and

xii. That existing Water Tariff No. 4 for water service at Panorama, effective January 1, 2019 be updated to Water Tariff No. 5, effective March 1, 2020, on a final basis, based on the approvals regarding the proposals within the Revised Application.

II. REPLY SUBMISSION ON INTERVENER SUBMISSIONS

9. This Section II of the Corix Reply Submission addresses the comments contained in the Intervener Submissions received from Trappers Way Residential Group ("Trappers Way") and Panorama Subdivision Owners Association ("PSOA"). Panorama Mountain Resort also an Intervener in the hearing did not file a Final Submission. Section III addresses the key issues raised in the questions contained in the Intervener Submissions and provides limited responses as per Order No. 2577.

10. Trappers Way's Final Submission included six comments. The issues can be grouped into four categories:

    - Rate Increases (increase over 4 years, rate smoothing, and extended recovery time),
    - Corporate and Regional Services Allocations (overall cost and incentive for large capital projects);
    - Cost of Capital (capital structure and its portion of overall revenue requirements); and
    - Rate Design (fixed and variable rates and subsidization of commercial customers);

11. PSOA's Final Submission commented on the GSDP project (cost overruns).

12. The following will address the issues identified above from Trappers Way and PSOA.

A. Rate Increases, Rate Smoothing and Recovery Period

13. Trappers Way's Final Submission in Comment #1 and #2 provided concerns over the large rate increase, rate smoothing and the recovery period.

14. In the evidentiary record, Corix provided below Scenario E (updated) with the additional years 2025 to 2027.[4]

Scenario E (updated): RDDA Recovery in 2026	2020	2021	2022	2023	2024	2025	2026	2027
June 2020 Evidentiary Update								
Total Revenue Requirements (excl. CDA Rider 1)	$928,944	$1,069,944	$1,102,213	$1,118,592	$1,239,197	$1,198,006	$1,175,566	$1,121,883
Rate Residential *(Fixed and Metered Charge)*	71%	25%	30%	28%	8%	0%	-7%	-16%
Rate Commercial *(Fixed and Metered Charge)*	71%	25%	30%	28%	8%	0%	-7%	-16%
Target % Recovery of Total Rev. Req. (excl CDA)	52.5%	74.4%	93.2%	118.0%	115.8%	119.5%	113.5%	100.0%
Target Revenue Requirement	$487,701	$795,795	$1,027,761	$1,319,938	$1,434,990	$1,431,618	$1,334,659	$1,121,883
RDDA Balance ($)	$441,242	$715,391	$789,844	$588,497	$392,704	$159,093	**$0**	**$0**
Residential Bill Impact	25%	54%	29%	16%	9%	0%	-7%	-16%
Commercial Bill Impact	26%	50%	28%	10%	7%	-1%	-7%	-16%

15. Previously on July 23, 2019 Corix in response to Comptroller Decision and Order No. 2548 filed its compliance filing for the 2019 Revenue Requirements of $380,728.[5] The Comptroller by Order No. 2551 approved the re-filed 2019 Revenue Requirements. The Comptroller recognized the challenge of increasing rates from the GSDP project by ordering Corix to "recommend phase in options to smooth the GSDP related rate increases over several years".[6]

16. Corix in this hearing has provided a number of scenarios to phase-in the rate increases. The February 28 Application included Scenarios A, B and C. In the June 30, 2020 Evidentiary Update, Corix provided Scenario D, E, and F. Also, in response to Comptroller IR No. 1 Question 22.1 Corix included Scenario G.

17. Rate smoothing has a number of constraints that limit the options for modifying the proposed rate increases in the first few years, although there are more rate smoothing options available after 2022. The table in Scenario E (updated) shows that the 2020 Revenue Requirement is $928,944. This compares to the Approved 2019 Revenue Requirement of $380,728 which set the existing rates. With no rate smoothing and assuming a full year increase, rates would need to increase by 1.44 times.[7] Any lower rate increase means recoveries from rates are lower than the annual revenue requirements which adds to the RDDA balance. Due to the delayed increase in 2020 (proposed August 1, 2020 with a 71% rate increase) the anticipated recovery for 2020 is only 52.5% of the total 2020 Revenue Requirement. In 2021 with the proposed 25% rate increase the recovery is at 74.4% with an RDDA year-end balance at $715,391. In 2022 with the proposed 30% rate increase the recovery is at 93.2% with the year-end RDDA balance peaking at $789,844.

18. A revenue deficiency in each year means that required rate increases are deferred to future years. Customers receive a benefit with smoother rate changes, but the disadvantage is that the carrying

[4] Corix Response to Comptroller IR No. 1 Q. 22.1
[5] Amended Water Rates Application, July 23, 2019, Calculation of Required Rates, Schedule 5, Page 7
[6] Comptroller Decision and Order No. 2548, Section 5.0, p. 14
[7] Scenario E (updated): ($928,944 - $380,728) / $380,728 = 1.44 times approximately; (2020 Revenue Requirement less 2019 Approved Revenue Requirement) divided by 2019 Approved Revenue Requirement

cost of the deferral account means higher rates in the future. Rate smoothing requires a balancing of smoothing out rates between years, paying down the unrecovered deferral account balances, and incurring carrying cost for the deferrals. Ideally customers should pay the calculated revenue requirement for each year. However, given the large capital investment from the GSDP project rate smoothing is warranted.

19. Corix submits that the proposed 2020 (71%) and 2021 (25%) rate increases though relatively high are required to maintain the RDDA balance at a reasonable level. If these rate increases were lower it would have the undesirable result of higher RDDA balances to be recovered and higher future rate increases. The peak RRDA balance of $789,844 in 2022 is 72% of that year's revenue requirement. This is a relatively high deferral balance for a utility. The shareholder of Panorama Water has the financial ability to defer the revenue in order to stabilize rates for customers. However, Corix notes that lower rate increases in the first two years than proposed would increase the RDDA balance to a larger percentage of the total revenue requirements. Corix has already delayed the 2020 rate increase from the proposed March 1, 2020 in the February 28 Application to August 1, 2020 in the Amended Application in response to the pandemic. However, this five-month delay in commencing the 2020 rate increase negatively impacts the revenue deficiency for 2020 which in turn ensures that future rate increases will be higher than if there were no delay in the rate increase. This can be observed in the February 28 Application in Table 24: Scenario B where the 2020 target percentage recovery was 69.8% with a March 1, 2020 rate increase and for 2021 the recovery percentage was 83.5%.[8]

20. Corix submits that the 2022 proposed rate increase of 30% provides a reasonable balance of an appropriate rate increase while bringing down the RDDA balance to a manageable level. The 2022 rate increase could be nominally reduced but at the expense of larger rate increases in subsequent years and a larger RDDA balance. In 2022 the proposed rate increase of 30% still under recovers the revenue requirements as shown by the 93.2% recovery ratio.

21. Corix has provided indicative rate increases for 2023 to 2027 with the objective of bringing the target revenue requirement recovery to equal the required revenue requirements to 100% and the RDDA balance at $0. Corix agrees with Trappers Way that there is more flexibility from 2023 onwards to target a shorter or longer recovery period. Scenario E (updated) shows that a 2026 RDDA balance of $0 with rate decreases of 7% in 2026 and 16% in 2027 due to the ramp down effect of the RDDA recovery in prior years.

22. Corix concurs with Trappers Way that a longer recovery period is possible to smooth out future rates particularly from 2023 onwards. A longer recovery period means there is a lower ramp up and ramp down in rates. However, Corix submits that the proposed rate increases in 2020 and 2021 should not be reduced to a lower level since any reduction would compound the unfavourable impact on future rate increases and the unrecovered RDDA balance, particularly in light of the fact that the 2020 rate increase has already been delayed from March 1, 2020 to August 1, 2020.

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[8] February 28 Application, Table 24: Scenario B, p. 51. Scenario B with a March 1, 2020 rate change was the basis for the proposed rates contained in the original February 28, 2020 Application. Subsequently, in the June 30, 2020 Evidentiary Update the Amended Application proposed Scenario E with an August 1, 2020 rate change.

23. Corix submits that a mitigation of rates is possible in 2022, and given the apparent preferences of rate payers would not be opposed to a lower rate increase than has been proposed from 2022 onward.

B. Corporate and Regional Services Allocations

24. In this application Corix is seeking approval of a) Corporate and Regional Services Cost allocation methodology and b) Corporate and Regional Services Cost allocation amounts to the Utility for 2020, 2021 and 2022.

25. Interveners did not oppose the Corporate and Regional Services Costs allocation methodology. Concerns however were raised regarding the amount of the allocated costs for 2020, 2021, and 2022.

26. Trappers Way commented: "Corporate and Regional services allocations/costs to Panorama will represent 30% of the Operating and Maintenance costs and 13% of required revenues by 2022, and increase by 43% from 2020. These seem excessive given that the cost of these allocations is being driven by the cost of the GSDP, presumably a more reliable asset, and the need for increased revenues."[9]

Corporate and Regional Services Allocation Amounts

27. A Composite Allocator based on the standard Massachusetts Formula is proposed with equal weightings based on the three factors: Gross Revenue, Headcount, and Gross Property, Plant & Equipment. The equal weightings applied on the three factors fairly and equitably weights the three factors and no factor is given preferential weighting over the other factors. The allocated costs for each year are the direct result of applying the proposed allocation methodology. The reason for the larger allocation of Corporate and Regional Services costs relative to O&M is because of the large capital infrastructure investment from the GSDP project, which was required to ensure that the water quality at Panorama Mountain Village meets the Interior Health Authority (IHA) 4-3-2-1-0 Drinking Water Objective. Prior to the GSDP project, Panorama's water source from Taynton Creek frequently required Boil Water Notices during the summer season for months at a time.

28. Corix submits that comparing the amounts of the Corporate and Regional Services cost to the total O&M provides a relative comparison that depends on the mix between infrastructure assets and total O&M costs. An older utility system with little infrastructure asset investment with poor water quality would tend to have low asset related costs and higher local labour costs resulting in a low Corporate and Regional Services cost relative to total O&M. A new or rebuilt utility system that meets current water standards would have a higher infrastructure asset investment with lower relative labour costs, resulting in a relatively higher Corporate and Regional Services cost relative to total O&M. Panorama Water given its unique and challenging mountain location has a relatively high required infrastructure asset investment from the GSDP project to meet the IHA 4-3-2-1-0 Drinking Water Objective.

29. Corix also submits that the ratio of Allocations to O&M Costs is a function of the number of services that Corix elects to provide through a shared services business model. The shared services business model is designed to benefit rate payers by providing services at a corporate level that would be unavailable or onerously expensive for each utility to secure independently. Thus, this business

[9] Trappers Way Final Submission, Comment #3, p. 1

model benefits the rate payer despite its relatively higher proportion to the Allocations to O&M cost ratio.

30. Corix submits the Corporate and Regional Services allocated costs are reasonable since: a) the allocation methodology uses the standard Massachusetts Formula that equally weights the three factors, b) the allocated costs are comparable to EPCOR Water West Inc [10], and c) over the course of the life of the assets Corix will provide the asset stewardship and safeguarding functions to ensure the assets over the long-term provide service at an adequate and reasonable level.

<u>Corporate and Regional Services Allocation and Cost Control for Large Capital</u>

31. Trappers Way also commented: "The methodology used to arrive at Corporate and Regional services allocations does not incentivize cost control for large capital projects. As the cost of the project, e.g. GSDP, increases, the asset value of the Gross Property, Plant and Equipment increases. Furthermore, the increase in the capital costs of the project also results in the need for an increase in revenue. With the current methodology used, increases in project cost and the need for more revenue, result in an increase for 67% of the contribution to the Corporate and Regional services allocation per the Massachusetts Formula that is applied."[11]

32. Trappers Way noted that the Corporate and Regional Services Allocation methodology does not incentivize cost control for large capital projects.[12] Corix agrees with Trappers Way that the proposed allocation methodology which allocates current year incurred expenses does not incentivize cost control for large capital projects since the nature of the costs are different. A corporate cost allocation is inherently a "best efforts" attempt to fairly and objectively allocate shared costs that are not directly assignable. Capital expenditures are direct costs for long lived capital infrastructure assets.

33. It should also be noted that while there is no direct incentive for cost control as it relates to the Allocation formula, there is also no benefit to not implementing cost controls. The Allocation is simply a methodology to fairly and equitably distribute a set of costs among a portfolio of utilities. Increases in the costs of a given capital project do not increase or decrease the amount of costs being allocated, it simply modifies the amounts that are allocated to each individual utility, which neither benefits nor penalizes Corix.

34. In 2014, Corix began the process of identifying an alternative water supply in order to address these two significant issues: seasonal turbidity from the water source and risk of damage from potential debris torrents during high mountain stream events. Corix focused on addressing these issues for two years from initial water source assessments to the submission of the final Groundwater Source Development Program ("GSDP") project application to the Comptroller's office in November 2016. The Comptroller determined the GSDP Project to be in the public interest and approved the GSDP project and the use of rate base/rate of return regulation for the Utility through Order No. 2498, dated October 5, 2017. On July 10, 2018, the Utility submitted the final cost estimates and physical design to the Comptroller and requested approval to proceed with construction of the project with an

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[10] Corix Response to Trappers Way IR1, Q. 9.2
[11] Trappers Way Final Submission, Comment #4, p. 1
[12] Raised as Trappers Way Final Submission, Comment #4 and also raised as Question 5 in the further questions portion of the Intervener Submission

estimated completion date of July 2019. Through Order No. 2531, dated July 30, 2018, the Comptroller ordered that the: "…final cost estimate of $6,934,974 and the physical design for the GSDP Project are accepted and approval to proceed with the construction of the project is granted. Corix is to file a Revenue Requirements and Rate Application by December 31, 2019."[13]

35. The GSDP project has received regulatory scrutiny and approval in Comptroller Orders No. 2498 and 2531. This hearing is the third regulatory review process for the GSDP project. The Comptroller through Order No. 2498 approved the GSDP project to be in the public interest. By Order No. 2531 the Comptroller approved construction and physical design. In this current rate hearing the GSDP costs have been segmented into depreciation classes and the revenue requirements calculated. Also, this hearing has reviewed the actual costs to date and the expected remaining costs. Corix in this hearing is at risk for any imprudent costs incurred. Also, Corix has proposed a fourth process, the regulatory review process for the Comptroller to ensure that the actual costs incurred are consistent with the Forecast costs in this hearing's application. This fourth step is another mechanism to ensure that actual costs incurred are reasonable. In the proposed regulatory review process the Comptroller has the ability to disallow unreasonable costs. Corix is incented throughout these four regulatory processes to ensure the GSDP project is in the public interest and costs incurred are reasonable since the Comptroller has the ability to disallow imprudent costs from the GSDP project.

36. Corix submits the Corporate and Regional Services allocation methodology addresses costs to be allocated for each year and is not intended for cost control of large capital projects. Also, Corix submits the Comptroller has other regulatory processes in place for GSDP cost control and prudency reviews that incents the utility to make reasonable and prudent decisions in the construction of the infrastructure assets.

C. Cost of Capital

37. Trappers Way commented on the cost of capital: "The equity to debt ratio being used by Corix has a significant contribution to the rate increases because of the higher Return on Equity (ROE) (9.50%) rates relative to the deemed interest rate for debt (3.64%), and the large asset value of the utility equity relative to the utility debt. Corix uses a capital structure of 42.5% equity and 57.5% debt, whereas EPCOR Water West uses a capital structure of 40% equity and 60% debt. Although EPCOR has greater equity and a higher ROE (9.75%) than being proposed by Corix (9.50%), EPCOR's water rates are considerably lower (Reference 18 in Corix Response to Comptroller IR1)."[14]

38. Corix proposes a capital structure of 42.5% equity and 57.5% debt consistent with the British Columbia Utilities Commission ("BCUC") Thermal Energy Systems energy utility for small utilities. Corix proposes a 9.50% ROE which is a 0.75% premium on the BCUC Benchmark utility and is the same ROE used for the BCUC TES utilities. Corix proposes a deemed interest rate in 2020 of 3.64% which will be trued up once actuals are known following the end of the year.

[13] June 30, 2020 Evidentiary Update, p. 9
[14] Trappers Way Final Submission, Comment #5, p. 2

39. Rate base is the amount of invested capital in the utility. The investment is funded from equity and debt. The cost of capital is the interest on the deemed debt and the allowed return on equity. The interest and ROE amounts reflect the size of the rate base investment in the utility. The largest contributor to the size of the rate base is the GSDP related assets. The revenue requirements of the utility reflect the assets placed into service (e.g. cost of capital and depreciation) and O&M. Since the GSDP has a net rate base (mid-year) of $5.8 million in 2020 and $7.4 million in 2021[15] the depreciation and cost of capital make up a large part of the total revenue requirement. The total cost of the system is reflected in the rate charged to customers. Each stand-alone utility will have different costs to serve customers depending on the nature of the water source and the distribution system. A water system with an easily accessible water supply, low disinfection and filtration needs and a dense easily accessible distribution system would have lower costs and rates when compared to a water system with hard to access water supply, higher filtration and disinfection needs, and a less dense and harder to access distribution system.

D. Rate Design

40. Trappers Way commented on the percentage of fixed charges to variable charges: "Other neighbouring water utilities in the East Kootenay have a fixed charge rate that range between 68% and 89% of the charges for water, with metered charges representing the rest of the bill. Corix has proposed that 48% of the rate be assigned to fixed charges and 52% to metered charges. With the proposed Corix Panorama rate increases, 63% of the 2024 annual revenue from residential customers will be fixed charges and 40% of the 2024 annual revenue from commercial customers will be fixed charges. This appears to indicate that residential customers are subsidizing the commercial customers for the fixed cost of the GSDP. This seems unreasonable given that commercial customers can recover their increased costs of water from their clients."[16]

41. Rate Design involves the rate structure (fixed charges versus variable charges), the grouping of customer classes (residential and commercial), and the appropriate relative rates for each customer class. Utility infrastructure and the services provided generally don't vary materially for a given number of customers and demand for service. This factor generally indicates that the portion of fixed recoveries should form the vast majority of the customer's bill. However, the service provided is potable water, which is a finite resource that should not be wasted. Also, any future increased demand from water consumption necessitates future capacity improvements in the source of supply and the mains distribution system. This future long-term cost can be avoided or delayed if consumption does not increase beyond the current capacity of the water system. These factors would indicate that water should be measured and billed by the unit to ensure conservation; thus discouraging wasteful use of resources and avoiding future capacity upgrades that would necessitate another large capital investment.

42. There is no precise correct answer on what is the correct proportion between fixed and variable cost recovery. A fixed recovery rate at 50% or 80% may both be acceptable depending on public policy objectives and the unique needs of each water utility. Customer acceptance and stability of rates are also important considerations. Corix submits a fixed recovery charge beyond 80% does not send a

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[15] June 30, 2020 Evidentiary Update, Table 16: Forecast Rate Base For the Utility, p. 43
[16] Trappers Way Final Submission, Comment #6, p. 2

strong message of water conservation to customers, which in the long run would increase the cost and bills to customers due to wasted water and avoidable capital upgrades. Notwithstanding the foregoing, Corix is amenable to modifying the fixed versus variable cost structure, in this or any future rate hearing, if the Comptroller deems such action to represent the optimal trade-off between the various categories of rate payers, as well as society as a whole.

43. With regards to customer rates between residential and commercial customers, in 2020 residential customers are forecast to pay 33% of the total revenues (fixed and variable combined), while commercial customers will pay 66% of total revenues (fixed and variable combined).[17] Commercial customers, though small in number, have substantially higher consumption and a lesser load factor.[18] The lesser commercial load factor is reflected in the commercial customers having a higher bed unit fixed charge and higher consumption variable charge per unit than residential customers. The overall result of Commercial Customers paying for 66% of the total revenue requirement would appear to indicate that there is no overt subsidy from residential to commercial customers.

E. <u>GSDP and Cost Overruns</u>

44. PSOA in its Final Submission in its review of Corix's response to PSOA Information Request No. 1 Question 1.1 asked further questions on the GSDP cost overruns.

45. Corix explained the GSDP project cost over runs in (i) its June 30, 2020 Evidentiary Update[19], (ii) in its response to the Comptroller's Information Request[20], and (iii) in its response to PSOA's Information Request[21]. In the response to PSOA IR No. Question 2.1, Corix provided a confidential response to that provides the full variances for the Acres Enterprises portion of the project.

46. Corix has explained the bidding process for the GSDP process and the rationale for the final awarded contracts to Acres Enterprises and Ralph Stewart Contracting which minimized costs. Once construction commenced a number of uncontrollable delays and events arose that increased the final cost of the project. Corix submits that, though unfortunate, the IHA delays were beyond its control. Given the varying geological formations in relatively short distances on the mountain, well development has been challenging. With respect to the delayed start, those costs were a negotiated amount to reflect the extra costs incurred by the contractor as a result of the later start date, including costs expended for resources on standby.

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[17] June 30, 2020 Evidentiary Update, Schedule 12 Customer Rates, page 1 of 3, FS-25,
Residential Sales Revenue Line 23 at $159,475 divided by Line 30 Total Proposed Revenue $487,701 = 33%
Commercial Sales Revenue Line 28 at $190,208 divided by Line 30 Total Proposed Revenue $487,701 = 66%
[18] June 30, 2020 Evidentiary Update, p. 53.
[19] June 30, 2020 Evidentiary Update, pp.25 to 38
[20] Response to Comptroller Information Request No. 1, Question 15.1
[21] Response to PSOA Information Request No. 1, Questions 1.1 and 2.1

III. REPLY SUBMISSION ON KEY ISSUES ARISING FROM FURTHER QUESTIONS CONTAINED IN THE INTERVENER FINAL SUBMISSIONS

47. Trappers Way and PSOA posed a number of questions in their Intervener Final Submissions. This section summarizes the issues and provides a reply to the questions. Where time permitted Corix has provided a more detailed response to concerns that have relevance for the Comptroller in order to make a decision on this application.

A. Contribution in Aid of Future Construction ("CIAC") Proposal

48. Trappers Way supports the proposed increase in the CIAC and raised a few questions on the matter.[22] The CIAC in the tariff applies to any new customer that is not presently paying an Availability of Service Charge (Standby fee) where this charge is registered on title. The expansion of the Trappers Ridge development and building of new townhomes at the bottom of the Silver Platter are greenfield developments to which the CIAC would apply. The CIAC contribution is paid by the developer when the subdivision (property development) is registered and upon issuance of the CPCN. The developer pays for all extensions to the distribution system; that is, all infrastructure up to the curbstop (eg. watermains, distribution mains, and service connections).

49. The collection of CIACs is expected to reduce rates to customers in the short and medium term. The proposed CIAC is $1,585 per bed unit or equivalently $15,850 for a house with 10 bed units. The CIAC would cover the cost of the existing water system and the cost of future capacity upgrades to the water supply, the reservoir, and the treatment plant. Given that a portion of the CIAC covers utility sunk costs (existing infrastructure to serve customers), the existing customers benefit with lower rates from the contribution. In the long term this CIAC benefit would be reduced when further new customers are added, resulting in a required capacity upgrade to the whole water system.

B. RDDA: Rate Smoothing, Recovery Period, and Other Matters

50. Trappers Way raised a number of issues regarding the Revenue Deficiency Deferral Account, rate smoothing, recovery period, what the RDDA covers, review threshold, and reduced debt application.[23]

51. Corix has proposed a three year Test Period (2020, 2021 and 2022) with indicative rates for future years as modelled in Scenario E (updated).[24] Scenario E (updated) shows the RDDA fully repaid at the end of 2026 or over 6 years. In this scenario, 2025 has a 0% rate change while 2026 and 2027 require rate reductions. By the end of 2027, the total annual revenue requirement equals the annual recovered revenues. Corix is not opposed to a longer recovery period to smooth rates both on the ramp up and the ramp down. However, Corix submits the proposed rate increases for 2020 and 2021 are necessary to reduce the revenue deficiency in those years to a manageable level. The December 31, 2021 RDDA balance accumulates in two years to a relatively high level of $715,391. Any lower increase than proposed in 2020 and 2021 will increase the annual revenue deficiencies thus raising the RDDA balance. A higher RDDA balance means higher rate increases in the following years.

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[22] Trappers Way Final Submission, Q. 1
[23] Trappers Way Final Submission, Q. 6, 9, 13, 14, 20, 22, 23, and 26
[24] Corix Response to Comptroller IR No. 1 Q. 22.1

52. In its greenfield energy utilities (e.g. UBC NDES and Burnaby BMDEU) Corix has typically applied for levelized rates over a 10 to 15 year period to match the uneven capital and customer growth over the development period.[25] In these greenfield utilities the initial rate is the levelized rate. The issue in that case is not the rate increases on the existing rates but rather the competitiveness of the established levelized rate. In a levelized rate scenario with a greenfield project the revenue deficiency is placed in a deferral account in the early years and drawn down in the later years. In phased developments as new buildings are added along with new customer additions the utility reaches build out at the end of the levelized period. Essentially, the rate is smoothed to match the lumpy capital investments with new customer revenues as the different phases of the new utility are completed. Corix understands that Shannon Estates (not owned or operated by Corix) is proposing a 10 year levelized rate in its rate application.[26]

53. In contrast to the Corix greenfield utilities, Panorama Water is a mature utility with limited anticipated customer growth. Unlike greenfield utilities where rates are levelized to match high up-front capital with high future revenues from new customers, Panorama Water's annual revenue deficiency is a structural revenue deficiency situation. Carrying a structural deficit into the future for many years brings up the issue of intergenerational equity between existing and future ratepayers. As costs are deferred, the financing costs are also deferred to future ratepayers. Future ratepayers may be different due to new construction, new homeowners from existing dwellings, and new renters in existing dwellings. The issue of intergenerational equity would call for a short deferral period. However, the issue of rate smoothing suggests that a large one-time increase should be smoothed over a number of years to ensure affordability for existing customers. Given these competing objectives, Corix submits recovering the RDDA balance in 6 or 7 years would be appropriate to smooth rates without unduly burdening future ratepayers, by maintaining the RDDA balance at a reasonable level.[27]

54. Corix has proposed that any reduced cost of debt be applied to the RDDA balance rather than reducing the proposed rates.[28] The reduced revenue requirement from a lower interest rate may be used to lower the proposed rate increases. However, Corix submits applying the lower forecast cost of debt to the RDDA, particularly in years 2020 and 2021, should be approved. This reflects the fact that the annual revenue deficiencies in 2020 and 2021 are very significant and any relief would lower the RDDA balance rather than delaying the rate increase to a future year.[29] This also serves as a buffer against the RDDA impact of any future increases in interest rates as the economy recovers from the impact of the pandemic. Also, maintaining the billed interim rates in 2020 and 2021 will simplify billing. Applying small bill credits to customers will incur time and cost to calculate the nominal refunds. Corix notes it is not opposed to re-calculating the proposed 2022 rates to reflect lower debt interest costs. The approved rates for 2022 that differ from the proposed rates for 2022 will not incur the cost of calculating bill credits.

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[25] Trappers Way Final Submission, Q. 14
[26] Trappers Way Final Submission, Q. 13
[27] Trappers Way Final Submission, Q. 9, 23, 26
[28] Trappers Way Final Submission, Q. 20
[29] Trappers Way Final Submission, Q. 14

55. Trappers Way questioned the reasonableness of the proposed 10% threshold in the budget variance for capital expenditures and O&M before requiring Comptroller intervention.[30] Corix submits the 10% threshold is a reasonable balance that considers normal business variances from operations and the cost of conducting a review. The benefits of the review need to outweigh the costs of the review. The 10% strikes a reasonable balance. Corix has also proposed that the Comptroller may depart from the 10% threshold if it deems there is a reason to do so.

56. Trappers Way requested clarity that the RDDA savings from budget applies to all Operating and Maintenance expenses including Corporate and Regional allocations.[31] Corix confirms it is proposing that any favourable or unfavourable variances include all Operating and Maintenance expenses and including Corporate and Regional allocations would accrue to the RDDA.

C. <u>Labour - Operators</u>

57. Trappers Way questioned why the operators "skill set equates to or exceeds that of a teacher or health professional given the differences in salaries and extent of post-secondary education and experience required to become qualified for the position".[32]

58. Corix makes no submission with regards to the merits of salaries of operators compared to teachers or health professionals. The Corix response to Comptroller IR No. 1 Q. 3.1 noted that with a K-shaped economic recovery the impacts are unequal. The CBC article stated "Those people, usually in management, administrative or technical kinds of jobs, have traditionally been better paid. Teachers and medical professionals are in that group." Operators at Corix would be included in the "technical kinds of jobs" which are trade certified positions. This cohort group (technical, teachers, and medical) have been less affected economically by the pandemic. Corix in its research observed that demand for technical trades remains robust with continued job postings by municipalities and other utilities.

59. Trappers Way commented: "Given that the Taynton Creek supply has been abandoned and the GSDP can be remotely monitored and operated by a new modern control/PLC system with supervisory oversight in Panorama and Vancouver using a SCADA system, please explain why are 1.1 FTEs still required to operate the water system? Should this new technology not have improved efficiency and reduced the required human resource for operation, especially when Regional services, who provide IT support, have increased costs?"[33]

60. SCADA monitoring does not reduce the necessary on site labour that is required. Daily attendance at the site is required to sample chlorine residual along the distribution system, to ensure that chlorine is adequately supplied, and to perform routine maintenance functions. Since this is a daily requirement, two full time employees are required to cover seven days a week. These employees are utilized elsewhere on Corix Panorama utilities. 1.1 FTE is the minimum required labour to operate a water system of this scale and scope.

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[30] Trappers Way Final Submission, Q. 22
[31] Trappers Way Final Submission, Q. 9
[32] Trappers Way Final Submission, Q. 3
[33] Trappers Way Final Submission, Q. 12

61. Corix submits its salaries for operators are reflective of market conditions beyond its control, and as such are reasonable and necessary in the labour market to attract and retain operators. Corix also submits its 1.1 FTE is a reasonable level of labour to safely operate and maintain the Panorama Water system.

D. <u>Corporate Services Allocation Methodology</u>

62. Trappers Way commented on whether the Corporate Services costs would decrease with the depreciation in the value of the Gross Property, Plant and Equipment.[34] The Corporate Services Costs are allocated based on three factors: Gross PP&E, Gross Revenue and Headcount. With regards to Gross PP&E, the allocation would not decrease since the factor is based on gross plant not net plant. With regards to the second factor Gross Revenue, the lower rate base will mean a lower revenue requirement in future years thus reducing Gross Revenue. As assets are depreciated this factor will be allocated less Corporate Services Costs. No Headcount change is anticipated due to depreciating assets.

63. Gross PP&E was chosen over Net PP&E to ensure fairness amongst all utilities regardless of the amount of capital expended by Corix on the actual assets. For example, in the case of a water utility that is regulated through the O&M Mark-up regulatory model, the assets are typically financed by the developer rather than by Corix. Those assets would appear on Corix's balance sheet at their original cost, with a corresponding CIAC to reflect the Developer contribution, such that the Net Book Value is zero. If Net Book Value was the composite indicator, then an identical system to that utilized at Panorama Water that is regulated through an O&M Mark-up model would attract no Allocations from the PP&E composite indicator, while the Panorama system would attract full allocations for the PP&E indicator. Given that the two plants would typically require the same level of time and effort from the shared services, corporate and regional groups, such a discrepancy would lead to an unfair distribution of common costs. Hence, Gross PP&E is the more appropriate composite indicator to ensure a fair and equitable cost distribution.

E. <u>Electrical Costs</u>

64. Trappers Way inquired about the electrical costs from Toby Creek Electrical and the form of bill credit.[35].

65. Corix will receive a bill credit. Once the corrected bills are invoiced, Corix will process them through its financial system so that Panorama Water is correctly charged for its electrical usage. Corix at Panorama has three separate accounts with Toby Creek Electrical; one for the former freshwater pump house (old water treatment plant) and two for the waste water treatment plant. The error was due to some contributing factors. The Toby Creek Electrical meter reader was inexperienced. When zero consumption was encountered, the reader assumed a faulty meter and applied an estimated read based on historical usage. The Toby Creek Electrical manager was new to the position during this period of estimated bills and missed it. The Corix Operations Manager did not catch it until closely

[34] Trappers Way Final Submission, Q. 8
[35] Trappers Way Final Submission, Q. 4

auditing electricity bills for budgeting purposes in Sept/Oct. Since Corix has other accounts with Toby Creek Electrical, an electricity bill was expected.

F. Spur Valley

66. Trappers Way inquired about Spur Valley[36] when Corix responded to Comptroller IR No. 1 Q. 23.1. Corix is only aware of the details presented in the response to the Comptroller from the Regional District of East Kootenay (RDEK) annual reports and current tariff rates. Corix not aware of how RDEK sets water rates for Spur Valley and does not know whether the rates are fully cost-based or partially tax-payer funded. Also, Corix is not aware of the future rates for Spur Valley.

G. GSDP Project and GSDP Completion Update

67. Trappers Way inquired about the GSDP project costs Well #1 sediment[37], Well 20-03 contingency plans[38], water source[39], and other expenditures[40].

68. With regards to Well #1 and sediment, Corix had a well consultant (Golder) review the work of the responsible well consultant (Western Water Associates) in order to ensure that appropriate procedures and processes were followed. The review found that the contractor's procedures and processes were consistent with the approach and level of skill and care ordinarily exercised in the industry.

69. With regards to Well 20-03, preliminary well development demonstrated the sedimentation was decreasing with subsequent pumping cycles. Corix plans to pump this well, expel the water to the environment and monitor turbidity levels. This well has proven to run clean with a slower increase in flowrate and at lower flowrates. It is expected this well will clean up and operate as a back-up at lower flowrates. Due to long lead times on fabricated parts, limited contractor availability, and winter conditions, Corix anticipates, final commissioning of this well by the Spring of 2021. This will be the final component of the GSDP project to be completed.

70. Maintaining two separate water sources (Taynton Creek and the GSDP wells) would add to both the capital and operating costs, while providing no expected performance increase. Taynton Creek would require as secondary treatment solution to meet IHA Drinking Water Objectives which would mean adding a UV disinfection system. This would be required since the Taynton Creek source and the wells are located in different areas; two UV systems would be needed.

71. When the water supply for GSDP project was installed the cathodic protection anodes were damaged for Panorama Mountain's water line for snow making equipment. There was no as built drawings for Panorama Mountain's water line thus difficult to locate. Traffic control was for the installation of water mains from the well station to the water treatment plant where it crossed public roadways.

[36] Trappers Way Final Submission, Q. 7
[37] Trappers Way Final Submission, Q. 2
[38] Trappers Way Final Submission, Q. 25
[39] Trappers Way Final Submission, Q. 10
[40] Trappers Way Final Submission, Q. 19

Cost were incurred for UV reactors when it was filled with sediment when the well failed and had to be cleaned and repaired.

72. PSOA also inquired about the GSDP project capital expenditures on duplicate costs and hydroseeding.[41]

73. The additional ("duplicate") mobilization/demobilization and bonding charges in Division 1 General are associated with the reservoir construction. The Reservoir was subcontracted, and due to the scale and scope of this portion of the project these charges were appropriate. Basically, the reservoir was a "project within a project". The initial hydroseeding is for site rehabilitation where ground disturbance had been conducted to install new water supply lines. Site rehabilitation was requested by Panorama Mountain Resort prior to project commencement. There is no double payment for the same work.

H. Water Leaks

74. Trappers Way raised questions regarding recovery of costs from the developer or contractor.[42] Corix considers the recovery of repair costs to be highly unlikely, given that the infrastructure was installed approximately 20 years ago, and any associated warranties are likely to have long since expired. Corix did not own the assets of the utility when those systems were installed, and as such does not have details of the initial construction work.

I. Rate Design and Consumption

75. Trappers Way raised issues regarding rate design scenarios and incentive to conserve.[43]

76. Due to time constraints Corix is unable to respond to the additional scenario of a 60% fixed and 40% variable recovery charge. However, the impact would be similar to the response to Trappers Way IR No. 1 Q. 25.1 which had an 80% fixed and 20% variable recovery charge. Directionally, if the rates were restructured where more revenues are recovered from the fixed portion and less from the variable portion the residential customer would face a larger bill increase while commercial customers would face a lower bill increase relative to the current rate structure.

77. Corix submits that the current rate design structure is fairly balanced between fixed and variable recovery charges. Where customers have the ability to conserve, a variable charge provides an incentive to conserve as there is a direct benefit to the customer in lower bills. With regards to guests in commercial properties, the incentive is for the landlord (ratepayer) to encourage guests to conserve. Guests could conserve if landlords install low flow shower heads and water-wise toilets. Landlords can encourage guests to reduce water consumption by not having frequent cleaning of towels and linens through re-use for the entire length of stay. In the long-term the water rate structure influences how builders and landlords design and use water.

[41] PSOA Final Submission, pp. 3, 4
[42] Trappers Way Final Submission, Q. 11
[43] Trappers Way Final Submission, Q. 17.1/17.2

J. Lower Interest Rates

78. Trappers Way requested a scenario regarding the impact of lower interest rates at 3.35% for 2020 and through the end of 2022, as well as the impact if the reduced deemed interest rates were applied to the rates instead of the RDDA.[44]

79. The scenario requested is shown in the table below. The scenario from the financial model for the revenue requirement impact of reducing the deemed interest rate from 3.64% to 3.35% results in a revenue requirement reduction of $9,698 in 2020, $12,273 in 2021 and $12,381 in 2022 when compared to the Total Revenue Requirements from Scenario E (updated). If the RDDA Balance remained unchanged (from Scenario E (updated)) and the interest reduction were flowed into the rates, the calculated rate increases would be 65% in 2020, 27% in 2021, and 30% in 2022. This compares to Scenario E (updated) with proposed rate changes of 71% in 2020, 25% in 2021, and 30% in 2022. The Residential Bill Impact changes from 25% to 23% in 2020; 54% is unchanged in 2021; and 29% is unchanged in 2022. In 2020 the $9,698 interest impact changes the 71% proposed tariff rate increase to 65% because all of the change is applied to the August 1, 2020 rate change applicable for 5 months in 2020. For 2021, there is a higher increase from the 25% proposed tariff increase to a 27% rate increase due to the rate changes effective August 1, 2020 and January 1, 2021. For 2022, the proposed tariff increase of 30% remains unchanged in the scenario. For the Residential Bill Impact the interest rate reduction lowers the 2020 bill change by 2% (25% to 23%) but the bill changes for 2021 (from 2020) and for 2022 (from 2021) remain unchanged.

Scenario E (updated): RDDA Recovery in 2026	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
June 2020 Evidentiary Update + TW Intervener Sub. 24.1								
Total Revenue Requirements (excl. CDA Rider 1)	$919,245	$1,057,671	$1,089,832	$1,118,592	$1,239,197	$1,198,006	$1,175,566	$1,121,883
Rate Residential *(Fixed and Metered Charge)*	65%	27%	30%	29%	8%	0%	-7%	-16%
Rate Commercial *(Fixed and Metered Charge)*	65%	27%	30%	29%	8%	0%	-7%	-16%
Target % Recovery of Total Rev. Req. (excl CDA)	52.0%	74.1%	93.2%	118.0%	115.8%	119.5%	113.5%	100.0%
Target Revenue Requirement	$478,003	$783,523	$1,015,379	$1,319,938	$1,434,990	$1,431,618	$1,334,659	$1,121,883
RDDA Balance ($)	$441,242	$715,391	$789,844	$588,497	$392,704	$159,093	**($0)**	**($0)**
Residential Bill Impact	23%	54%	29%	18%	9%	0%	-7%	-16%
Commercial Bill Impact	24%	50%	28%	11%	7%	-1%	-7%	-16%

K. Interim Rates and Interest Charges

80. Trappers Way requested clarity in the event of a customer refund on the interim rates, specifically how the interest rate for the refund would be calculated.[45]

81. In the 2019 rate application Corix provided a refund to customers. "Pursuant to Order No. 2541, CMUS has applied interest to the monthly balance. For the purposes of this calculation, CMUS has used its weighted average cost of capital (WACC) as the interest rate."[46]

82. Similar to 2019 Corix would apply its WACC as the interest rate for the refund, if any. In the Evidentiary Update, Corix calculates for 2020 a WACC of 5.57% based on a capital structure of 42.5% equity and 57.5% debt, an ROE of 9.5%, deemed interest of 3.64%, and tax rate of 27%. If a rate

[44] Trappers Way Final Submission, Q. 24
[45] Trappers Way Final Submission, Q. 21
[46] Corix Panorama Amended Water Rate Application, July 23, 2019, p. 10

refund is ordered by the Comptroller and the approved inputs to the calculation differ from those proposed, Corix would re-calculate the WACC to arrive at the interest rate to be used for the customer refund.

L. <u>2020 Consumption</u>

83. Trappers Way inquired about the actual 2020 consumption, and the impact to 2021 based on the trend.[47] In response to Trappers Way IR No. 1 Q. 21.1 Corix provided from January 2020 to September 2020 a comparison of residential use per bed unit compared to forecast. So far in 2020 overall residential consumption is about 12% higher than forecast. However, overall commercial consumption is lower by about 16% from forecast. Since total annual commercial consumption is higher than total annual residential consumption, the net overall system impact is a reduction of consumption by 9%.

84. If rates are approved as proposed and the actual total 2020 consumption remains down by 9%, this would mean additions to the RDDA since actual revenues are less than forecast due to lower consumption. If approved rates are adjusted to reflect the lower year to date 2020 consumption, then the unit tariff rates would be higher than proposed tariff rates. Corix submits that the Comptroller should approve the Forecast consumption and the Forecast Deemed Interest as proposed in the June 30, 2020 Evidentiary Update. Any differences in consumption would be trued up in the actuals and placed in the RDDA. Similarly, the Comptroller could approve the 3.64% proposed deemed interest as calculated in the June 30, 2020 Evidentiary Update to maintain consistency in calculating proposed rates for 2020 and 2021.

M. <u>Bed Units in Residential Customer Class</u>

85. Trappers Way raised some issues regarding bed units and ‘commercial use’ of secondary suites.[48]

86. The grouping of customers is typically reflective of similar characteristics based on volume and load profile while being agnostic on end-use purpose. These groupings of customers are used to group costs and to reflect customer rates based on cost causation. The Water Tariff for Panorama Water includes two customer classes for connected customers: residential and commercial rates. As a resort community, the rates at Panorama Water have a unique monthly Fixed Charge component billed on bed units for the customer. The bed unit mechanism further delineates the burden on the water system. Larger houses with more people (beds) should pay more than smaller houses with less people (beds). Normally, a residential customer class has a uniform fixed monthly charge regardless of house size. Residential customers at Panorama Water have an annual use of 85 cu. m per customer.[49] Commercial customers at Panorama Water are large-use customers with an average annual use of 2,020 cu. m. per customer.[50]

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[47] Trappers Way Final Submission, Q. 15
[48] Trappers Way Final Submission, Q. 18, 27
[49] Evidentiary Update, Schedule 1; For 2020, 24,899 cu. m divided by 292 residential customers = 85 cu. m per customer
[50] Evidentiary Update, Schedule 1; For 2020, 74,741 cu. m divided by 37 commercial customers = 2,020 cu. m per customer

87. Single family homes are deemed ten bed units unless the owner applied for a downgrade. The minimum number of bed units for a single family detached home is six. This is aligned with the Panorama Water Tariff. Corix does not monitor, nor adjust base rates, on single family detached homes that are employed for short term rentals. Corix does not classify these homes as commercial properties since any of these large homes would only be a small fraction of those customers classified as Commercial.

88. Trappers Way inquired about the impact if the 10 bed unit standard was applied to all single family residences and whether the utility makes allowances for a live-in suite.[51] Corix has not modelled the scenario if all residences were 10 bed units. However, based on the evidence on record, the average residential customer bed unit for the water system is approximately 7.0 bed units. The tariff rate is calculated as Total Revenue Required from the Fixed Portion divided by Total Number of Bed Units. Since the Total Number of Bed Units (denominator) would be higher in this scenario, the overall tariff rate would decrease. Corix notes that the tariff presently allows for a residence to qualify for as low as 6 bed units for a smaller residence. Therefore, it would be inappropriate to adjust these residences to 10 bed units.

89. The fixed portion of the rate structure for Panorama Water is based on bed units, which contemplates the potential to allow for either temporary or permanent accommodation. Therefore, the current rate structure makes an allowance for live-in suites.

IV. CONCLUSION

90. Corix notes that Interveners have not opposed the application. Interveners have expressed concern with the proposed magnitude of the rate increase and expressed concern of the cost overruns on the GSDP project. Corix submits it has balanced the concerns of the Interveners in proposing rates for the 3 years of the test period. Corix submits that it has provided sufficient justification in the evidentiary record to demonstrate that it has acted prudently in the contracting process and the construction phase of the GSDP project. The cost overruns have been thoroughly explained, and are primarily due to construction delays, delays in the IHA permitting process, and unsuccessful development of Well #1. The GSDP project is now in-service. It has provided clean drinking water since February 2020 and recently has developed two functional wells.

91. The rate increase requests in the Revised Application are necessary in order to recover the targeted revenue requirements while achieving relative rate smoothing, while maintaining the RDDA at a reasonable level.

92. The requests in the Revised 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.

[51] Trappers Way Final Submission, Q. 18

Langley, BC

December 14, 2020

ALL OF WHICH IS RESPECTFULLY SUBMITTED

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