REQUESTOR NAME:	Utility Regulation Section, Water Management Branch Ministry of Forests, Lands, Natural Resource Operations and Rural Development
INFORMATION REQUEST NO:	1
TO:	Corix Multi-Utility Services Inc. (CMUS), Panorama Water
DATE:	March 14, 2019
REFERENCE NO:	7536
APPLICATION NAME:	2019 Panorama Water Revenue Requirements Application

1.0 Reference: Application, pg. 4, para. 4.0

Explanation: CMUS states that: "The Bank of Canada's target inflation rate of 2% was applied to the majority of the 2018 expenses ..."

Request:

1.1 Please identify what the actual inflation rate was in 2018 for Canada and for B.C.

2.0 Reference: Application, pg. 6, para. 4.1 (5)

Explanation: "**Wages - Operators:** CMUS employs two full time operators whose time are split between the water, wastewater and propane utility operations in Panorama. There are an additional five operators, employed to Corix, that are based in the Panorama region and primarily work on operating contracts that Corix has with clients in the Kootenay region. These five operators occasionally do field work for the Utility. Costs for Wages - Operators are tracked through job sheets submitted for work done specific to the Utility. 2019 costs for the Operator's wages were developed by escalating 2018 projected costs using the Bank of Canada's target inflation rate of 2%."

Request:

2.1 Identify and explain the % split of charges from the two full time operators to the three Panorama utilities for each of the years of the last RRA period from 2010 through 2018.

2.2 Where on Table 1 are the charges for the other 5 occasional operators shown? If they are part of Wages-Operators, then break them out for each year of the last RRA period.

2.3 Why are Wages-Operators expected to rise nearly 30% in 2018? Wouldn't a considerable part of their expenses have been allocated to the Groundwater Source Development Program (GSDP)? Please explain.

3.0 Reference: Application, pg. 5, Table 1 and Appendix A, Schedule 1

Explanation: Table 1 and Schedule 1 show O&M expenses "Projected" for 2018.

Request:

3.1 Update Table 1 and Schedule 1 to include 2018 Actual expenses.

4.0 Reference: Application, pg. 6, para. 4.2 (12)

Explanation: "Wages - Administration: Costs for the Operations Manager and the Utility Administrator that are associated with the operations of the Utility. Costs include, but are not limited to, managerial tasks and administrative tasks including review of meter reading data, corresponding with customers, ordering supplies and handling any notifications such as for water advisories, emergency preparedness. The Utility is allocated 15% of the total Wages – Administration costs for the Operations Manager and the Utility Administrator. This allocation percentage was determined in the past based on the amount of time spent on the Utility relative to Corix's other utilities in Panorama. This percentage has consistently been used by the Utility in Audited Annual Reports submitted to the Comptroller. The 2019 forecast for Wages - Administration costs has been reduced by $22,500 to account for administrative costs of $2,500 per month associated with managing the GSDP project. These costs are consistent with those approved through Order No. 2351, which addressed the final cost estimate for the GSDP project. The Utility will request to recover the $22,500 in the subsequent rate application to be filed in 2019."

Request:

4.1 In 2015, Panorama Water was charged only $14,497 for Administration. Explain why the charges rose so much in the following years?

4.2 Substantiate the rationale for the 15% allocation of the Operations Manager and the Utility Administrator. In what year was the 15% established and was it based on time sheets or total book value of all CMUS assets? Has anything changed since the 15% allocation was established? What utilities are managed by the Operations Manager and the Utility Administrator. Please explain.

5.0 Reference: Application, pg. 7, para. 4.2 (20)

Explanation: "Corporate Services: This expense includes costs related to support functions that are incurred at a corporate level and allocated to the Panorama Water utility operation. Corporate Services costs include, among others, Wages and Benefits, Information Technology, Administration and Office Expenses, Consulting, Vehicle, Travel and Training expenses. From 2010 through to 2017, Corix used the "Massachusetts Formula" to allocate Corporate Services costs to each of its business units."

And "Corix has grown and acquired new utilities over the past decade, resulting in a portfolio that includes utilities such as Dockside Green Energy; UBC Neighbourhood District Energy System; UniverCity District Energy System; Cultus Water utility and others. This growth has necessitated a revision of Corix's allocation practices for its Corporate Services costs. External consultants were hired to review the current Corporate Allocation Model (the Massachusetts Model), consider alternatives and make recommendations regarding the most appropriate model for Corix to use going forward. The review is ongoing and Corix expects this project to be complete in early 2019. Once this project is complete, Corporate Services cost allocations will be recalculated and the forecast Corporate Services cost for 2019 will likely change."

Request:

5.1 Why did Corporate Services rise by about $22,000 in 2017? With the growth of Corix, shouldn't there have been economies of scale from that corporate growth to reduce allocations to Panorama?

5.2 Please restate Table 2 to include 2016 and 2017.

5.3 Has any regulator reviewed Corix's Corporate Services Overhead? If yes, please provide their findings.

5.4 Provide the report of the external consultants review of Corporate Services if it is complete.

5.5 Provide any commentary that the BCUC may have provided for Corporate Services allocations for Dockside Green Energy or other Corix utilities regulated by the BCUC.

6.0 Reference: Application, pg. 8, para. 4.3

Explanation: "When $472,987 is compared to the 2010 actual figure, the compound increase from 2010 through to forecast 2019 is equivalent to an annual average increase of 4.06% each year."

Request:

6.1 Restate the compound increase based on Total Expenses/ Total Water Consumption and Total Expenses/Customers.

6.2 With total number of customers and total consumption having been relatively flat over the last 8 years, to what does the Utility attribute the rise in Total O&M Expenses above inflation over those 8 years?

7.0 Reference: Application, pg. 9, para. 5.0

Explanation: "The number of bed units for residential and commercial customers were held constant from the most recent actuals and are 2,107 and 2,438 respectively."

Request:

7.1 Is there any new information regarding projected bed units for 2019?

7.2 To what circumstances does the utility attribute the lack of growth at Panorama since 2010?

8.0 Reference: Application, pg. 9, para. 5.0

Explanation: "Residential consumption was forecast on a monthly basis using the forecast number of bed units and a rolling average of the actual month's consumption per bed unit for the

previous three years."
And "Commercial consumption forecast in the same manner as residential consumption, on a monthly basis using the forecast number of bed units and a rolling average of the actual month's consumption per bed unit for the previous three years."

Request:

8.1 Why was a three year average chosen for the consumption forecast?

8.2 Would a different methodology do a better job of accounting for consumption variables such as ski conditions and water conservation?

8.3 Does the Utility anticipate that water consumption will increase once the GSDP comes into service later in 2019? Please discuss.

9.0 Reference: Application, pg. 10, Table 3

Explanation: Table 3 shows projected customers, consumption and revenue.

Request:

9.1 Update Table 3 for 2018 Actuals and any changes that the Utility thinks necessary to the 2019 Forecast.

10.0 Reference: Application, pg. 11 & 12, para. 6.2

Explanation: "The Deferred Capacity Trust Fund (DCTF) accumulates one-time charges for applicants for service from outside the boundaries of the Utility or from subdivision of existing lots. The amount for each class of customer is detailed in the tariff and the DCTF accumulates interest, which is retained in the fund. The DCTF is made available to pay for future expansion of water system's capacity upon the approval of the Comptroller."

And "The Utility recommends that no changes be made to the contributions for the DCTF."

Request:

10.1 Has the Utility considered amending its Tariff to include Extension Charges and Connection Fees in lieu of an ongoing DCTF? Please explain.

11.0 Reference: Application, pg. 13, para. 7.1

Explanation: "The total Regulatory cost for this application is forecasted to be $18,500 ($6,787 in 2018 and $11,713 in 2019). This include an estimate of $8,000 of costs associated with any consultant the Comptroller's office may hire for the review of this Application. The Utility proposes to recover all of this cost through rates in 2019."

Request:

11.1 Are any of the Regulatory Costs related to Corix staff costs or are they only for external services such as legal and consultants? If any of these costs are for Corix staff, why were they not part of Corporate Services Overhead?

11.2 If actual costs turn out to be less, or greater, than forecast, does Corix propose that they be included in a deferral account? Please explain your proposal.

12.0 Reference: Application, pgs. 14 & 15, para. 7.4

Explanation: "The Utility proposes to maintain the use of the original formula approved by the Water Comptroller with one modification. The Utility proposes that instead of tying the risk premium to PNG, the risk premium should instead be equal to the minimum default equity risk premium for small thermal energy system (TES) utilities as determined by the BCUC in Order G-47-14. The Utility proposes that the Operating Margin be calculated using the ROE allowed by the BCUC on the benchmark low risk utility plus the risk premium allowed for small TES utilities.

= (h) + ( ) = 8.75% + 0.75% = . %

CMUS is comprised of TES utilities regulated by the BCUC and water utilities regulated by the Comptroller. The Utility considers that this is an efficient approach to determining the Operating Margin which ties the Operating Margin directly to CMUS utilities, as opposed to PNG.

Furthermore, the proposed formula has been approved by the Comptroller through Decision and Order No. 2512 regarding CMUS's Cultus Lake Water utility. The Utility notes that approval of this proposal would result in consistency across CMUS's two water utilities and CMUS' UniverCity District Energy System at Burnaby Mountain."

Request:

12.1 Please explain why Dockside Green and UBC are not referenced as small TES utilities. If they have different ROEs, please explain why?

12.2 Corix identifies on Application page 13 that it does not currently pay income tax. What would the BCUC Benchmark utility ROE be on an after-tax basis and why shouldn't that ROE be used in the proposed ROE determination?

13.0 Reference: Application, pg. 16, Table 5

Explanation: The Utility does not plan rate design changes until it files its next Revenue Requirements & Rate Application

Request:

13.1 Why is the Commercial Basic Charge to be increased by 64% while all other charges are proposed to increase by 52%?

14.0 Reference: Application, pg. 17, para. 9.1

Explanation: "The Utility proposes to continue the use of the consumption deferral account going forward and to recover/refund any balance in this deferral account at the end of the year within the following 12 months. Only amounts added to the deferral account from January 1, 2019 onwards would be recovered on a 12 month basis."

Request:

14.1 Why has the Utility chosen a one year period to recover future variances in consumption forecasts? Would a two or three year period tend to better smooth differences due to ski conditions, etc.? Please discuss.

15.0 Reference: Application, pg. 18 and Tables 6 & 7

Explanation: "The Utility proposes that the deficit of $490,391 be recovered over two years with a rate rider of $2.46 per cubic meter effective January 1, 2019 which is then reduced to $2.42 per cubic meter effective January 1, 2020 based on the current forecast consumption for 2020."

Request:

15.1 Table 6 shows the rate rider recovery over 1,2 or 3 years. Please expand the Table to show a 4 year recovery.

15.2 Recognizing that the Utility chose not to seek recovery of the CDA for 8 years, would it be more fair to customers and the Utility to have the historic CDA recovered over 3 or 4 years? How would either of these recovery proposals impact the percentage increase to customer rates in 2019, as depicted in Tables 5 and 7?

15.3 Please provide an analysis of likely 2020 rates under scenarios with CDA recovery over 2, 3, or 4 years. For 2020, the Utility should assume that the GSDP is completed on time and on budget, that variable utility costs increase by 2%, that forecast consumption in 2020 is equal to the 2019 forecast of consumption and that 2020 rates are determined on a rate base rate of return methodology. Based on those pro forma scenarios, please discuss the CDA recovery option (2,3 or 4 years) that might minimize rate shock for customers.

16.0 Reference: Application, pgs. 20 &21

Explanation: The update on the GSDP progress was as at November 2018.

Request:

16.1 Please provide any more recent information the Utility may have on the GSDP Project activity and cost projections.

17.0 Reference: Comments of Mr. Somerville of poor water pressure at 1741 Greywolf Drive

Explanation: Occupants complained of poor water pressure.

Request:

17.1 Please identify what water pressure is expected at that residence during peak water consumption periods.

17.2 Will the GSDP project rectify the water pressure issues at this residence?

17.3 Does the Utility believe that this water pressure is adequate? Why?

17.4 If the Utility believes that water pressure is not adequate, please identify the most appropriate upgrade to rectify the situation, its cost and whether any customer contributions would be required?

18.0 Reference: Comments and concerns of Mr. and Mrs. Harrington

Explanation: The concerns of the Harringtons should be further addressed.

Request:

18.1 Please provide a response to each of the concerns raised by the Harringtons.