

February 25, 2019

CORIX PANORAMA WATER RATE APPLICATION FOR 2019 RATES CUSTOMER QUESTIONS and RESPONSES (B)

On November 26, 2018, Corix Panorama (“Corix” or “Panorama”) applied to the Comptroller of Water Rights (Comptroller) to increase its water rates effective January 1, 2019. The Comptroller is responsible for the regulation of privately owned water utilities in British Columbia, including Panorama.

In Order No. 2451, the Comptroller established a deadline of February 19, 2019, for Panorama customers to submit questions and comments regarding the current rate application. The proposed rates were approved on an interim and refundable with interest basis pending completion of the review process and final Order of the Comptroller. Following a review of Panorama’s Water Rate Application and all stakeholder input submitted by February 19, 2019, the Comptroller will determine next steps for the review process.

This is the second of two documents that contains a summary of questions and comments received from customers and responses by Corix or the Comptroller. This document “CUSTOMER QUESTIONS and RESPONSES (B)” contains correspondence that occurs after February 5, 2019 up to and including February 19, 2019. Questions and comments submitted up to and including February 5, 2019 were posted on Corix Panorama’s webpage at https://www.corix.com/docs/default-source/pdfs/panorama-pdfs/panorama-water-rate-app---customer-submissions-at-feb-5.pdf?sfvrsn=5339625d_2. Please note that personal information has been removed from these documents.

Email 10

Customer Letter (2019/02/07):

I am writing you with respect to your notice of Application dated January, 2019. I am the owner of Panorama...

I take great exception to the proposed rate increase from \$2.85 to \$4.34 and the cubic metre increase from \$1.77 to \$2.69. As you are aware, we are one of the few communities in Canada without year-round potable water. That situation is unacceptable. It is even more unacceptable that you would suggest that our rates for water actually increase.

Please contact me if you have any questions.

Email 11

Customer Email to Comptroller Secretary (2019/01/25):

Dear Chris,

My observation is that the rate increase looks very high and is significantly above inflation levels over that period. I see that it is very hard for you to justify this level of increase. I'm therefore lodging an objection.

Comptroller Secretary Response (2019/01/28):

Thank you for your submission in the matter of the application by Corix Multi-Utility Services Inc. (Panorama Water Service) to increase its water rates. In order for your concerns and comments to be considered in the review of this application, your objection must be also be sent to the Utility

(Andrew.craddock@corix.com<<mailto:Andrew.craddock@corix.com>>). Additional information has been made available for viewing at Utility's website. After reviewing the material you may make a submission to this office expressing your objections, concerns and comments or to ask questions to be considered as part of the review before a final decision is made by the Deputy Comptroller of Water Rights.

Customer Email to Comptroller Secretary and Corix Panorama (2019/02/11)

My objection is as detailed in my original email below – this increase is significantly above inflation levels over that period so is not justifiable.

Comptroller Secretary Response (2019/02/12):

Thank you for your submission and for including a copy to the Utility. Andrew Craddock can provide you with the specifics of the application and the justification for the proposed increase.

Corix Response (2019/02/12):

The Water Rate Application document contains the context, data and a review of the costs that led to the proposed increase. It can be found by clicking the link "Corix Panorama Water Rate Application" on the following webpage: <https://www.corix.com/panorama-mountain-village-resort/regulatory-affairs/water-rate-application-for-2019-rates>

In response to questions received so far, we have developed the attached Frequently Asked Questions (FAQ) document. This 2-page FAQ document addresses the topics raised in your email, specifically questions 3 and 8. The FAQ document provides summary responses to questions so if you want a more thorough explanation supported with data and relevant calculations please refer to the Water Rate Application.

Let me know if you have any additional questions after reviewing the material.

Email 12

Customer Letter (2019/02/13):

Re: Corix – Panorama Water, Proposed Interim Rates Effective January 1, 2019

I am writing on behalf of Panorama Mountain Resort and the community at Panorama regarding the proposed rates increases at Corix Panorama. We were notified about this increase January 16th, 2019 for dates to take effect January 1st, 2019. I find it to be poor form to notify customers of an interim increase after the effective date and that customers were not consulted beforehand. According to an information sheet distributed to Panorama Corix customers in early February 2019, the application was made in late November 2018 which would've given Corix ample time to notify customers prior to January 1, 2019.

While I understand that fees haven't been increased since 2010, to suddenly increase fees 52% - 64% along with a new Rate Rider 1 fee is poor business management. Corix needs to implement a better fee structure with a well laid out plan rather than surprising their customers with sharp increases. Any increases should come after community consultation and be gradual so as not to effect businesses and homeowners. Increases should be planned and reflect annual inflation or operation costs, rather than absurdly high increase every decade.

Please register me, on behalf of Panorama Mountain Resort, as an Intervener for this matter. Panorama [Mountain Resort] would like to be informed and involved in the decision-making process in regard to any increase of Corix fees, for this matter and any in the future.

Email 13

Customer Email (2019/02/12):

Chris, I am formally issuing my concern about the rate hikes for water in Panorama. I feel like we are being forced to pay a private, for profit company for their errors in estimating their own costs since 2010 and poor estimating of consumption over that time. As a business in Panorama, I certainly wouldn't consider reaching out to my client base and ask them to pay an additional 50% over the next two years because I didn't charge them enough in the past. I have estimated our water costs based on last year's consumption swill increase \$4000 this year without any improvement in quality or service for 2019. I also have noted the two year rate rider is not guaranteed to expire. I am still not confident we won't see another big hike as the new well project is completed in the fall if there are any issues with construction over the summer.

Comptroller Secretary Response (2019/02/13):

Thank you for your submission. In order for me to add your comments to the record of this application you must also CC the Utility, so that they may hear their customers' concerns and address issues directly.

Email 14

Customer Question (2019/02/13):

I am in receipt of the Notice of Application for changes to the water rates and wonder if you would be kind enough to clarify what my monthly cost would be under the proposed new schedule.

Assume the consumption rate of 30m³ per month and that my cabin is a 3-bed unit equivalent.

Also if you could provide an explanation on the Rate Rider 1.

Notice states in brackets -consumption deferral per m³. How does this get calculated into my monthly bill from Corix.

Panorama Response (2019/02/14):

Thank you for your inquiry.

Monthly Cost

Based on the chart below and the parameters you provided, I calculate your monthly water costs to be \$167.52 under the proposed new schedule. The calculation is shown below:

$$(3 \text{ bed unit} \times \$4.34) + (30\text{m}^3 \times \$2.69) + (30\text{m}^3 \times \$2.46) = \mathbf{\$167.52}$$

	Former	Current (interim)
Fixed Charge (per bed unit per month)		
Residential	\$2.85	\$4.34
Commercial	\$2.85	\$4.66
Variable Charge (per m ³)		
Metered Consumption (per m ³)	\$1.77	\$2.69
Rate Rider 1 - Consumption Deferral (per m ³)	None	\$2.46
Total consumption rate (per m ³)	\$1.77	\$5.15

Rate Rider

A rate rider is a temporary special credit/charge on a customer's bill (in addition to the regular rates) that is intended to refund money/recover costs for factors outside the utility's control. Corix is proposing a two-year rate rider to recover the balance in the Consumption Deferral Account, which consists of the portion of the revenue shortfall attributable to customer consumption below the expected level. After the two years, the rate rider would no longer exist and overall combined rates would be reduced. The rate rider gets calculated into the monthly bills as an additional variable charge on top of the Metered Consumption Charge. The table above presents the charges in this manner.

I have attached an information page with further explanation and other FAQ's.

In addition, the link below will direct you to our website with information regarding the rate increase application and process.

<https://www.corix.com/panorama-mountain-village-resort/regulatory-affairs/water-rate-application-for-2019-rates>

If you have any further questions, please do not hesitate to contact me.

Email 15

Customer Email (2019/02/15):

Further to Corix Utilities' Notice of Application of January 2019, I am writing to voice my concerns and question the proposed fee schedule increases at Panorama.

Fixed Charge and Metered Consumption

Since there has been no consumption increase since 2010 - I believe it is not unreasonable for Corix to apply for an increase. However, it would not be such a hardship if the increases had been gradual over that period of time. An over 50% increase on both base rate and metered consumption seems onerous to the consumer at this point! Ratepayers have not been given a reason for the absence of rate increase applications since 2010.

Rate Rider 1

My understanding is that this Rider is being requested to cover a shortfall between consumption projections and actual usage since 2010 - \$490,391. Ratepayers did not have initial input into Corix's forecast revenue versus actual costs and shortfalls were never discussed with ratepayers over the years, to my knowledge. (I am unable to locate where ratepayers were provided with a detailed schedule of Corix revenue and expenses since 2010 which is referred to in their Notice). It seems that the utility was comfortable enough with this shortfall in revenues for 8 years - should this amount be the total responsibility of the ratepayer and not a shared cost? What consideration has been given to a Rate Rider Smoothing Plan should your authority find it fair that ratepayers bear the total burden of this shortfall?

Replacement Reserve Trust Fund

I am unclear of the impact of this change.

Does this leave the utility without a future reserve? How will a reserve be achieved for the future and is there a reserve minimum stated in any Act governing Corix?

I trust that your office will fully evaluate this request and rule accordingly.

Summary

The base rate and metered Consumption rate increases are both over 50% and Rate Rider increase is 246% as outlined in Corix's Notice of Application. These in themselves are unprecedented and onerous to Panorama homeowners.

I believe that the ratepayers of Panorama are fully supportive of Corix and wish them every success in the future, however, ratepayers did not create the erroneous consumption forecast and were unaware of the annual Consumption deficit, and therefore deserve consideration in the Total Rate Increase to our water bills.

- **Should the Comptroller rule that Panorama ratepayers are fully responsible for the \$490,391 cost of the consumption shortfall, I suggest an 8-year amortization to the Rate Rider rather than 2-years as proposed.**
- **I would recommend that a time restriction (perhaps 5 years) be placed on Applications for further Base Rate, Metered Usage and Reserve Fund assessment increases by the Utility.**

Panorama Response (2019/02/19):

Thank you for your input into the proposed Panorama water rate increase.

If you require any further information from Corix, feel free to contact me.

Email 16

Customer Email (2019/02/16):

We are homeowners in Panorama resort, on average we are at Panorama 175 partial and full days a year. We have owned multiple properties over the last 10 years and plan to retire at our current cabin on

My husband and I have reviewed the notice of Application by: Corix - Panorama Water, proposed Interim rates and have the following comments/concerns:

No future focus:

- A water rate increase should indicate a positive change toward future improvements, upon review of the documents we do not see any improvements, just catching up for either poor modelling, improper assumptions or imprudent management
- Global warming and fires are a special concern at Panorama for obvious reasons, and increasing water rates (along the inordinately high sewage rates which are measured with water consumption despite irrigation putting little or no burden on the sewer system) results in a reduced irrigation schedule increasing the summer fire risk, combined with insufficient water pressure at points on the resort is a real concern for homeowners who have no recourse from an unresponsive monopoly.
- With Trappers landing construction will be on-going for many years, in order to promote development, reasonable water and sewage rates are required to promote development, this has been promoted as cost effective with smaller cabins, this won't be the case if monthly water rates are prohibitive consideration for development from prospective homeowners. I in fact shared my Corix bill with such a person prior to purchase of a lot and construction.
- Corix will benefit from future development at Panorama, they should not be seeking adjustments to rates that are nothing short of shocking and anti-development.

Poor Modelling & Questions of Costs Prudence

- The increase appears to be based on poor modelling around water consumption assumptions that were not addressed, adjusted or corrected for years. It could also reflect the incurrence of imprudently managed costs however there was insufficient information to validate any of the costs.
- No information has been provided by the proponent on: the prudence of the costs incurred, and what cost efficiencies are being sought; the history of poor utilization forecasting and what has been done to correct it (why are the forecasts included in the application to be believed?) the poor approach at rate design.
- The proponent needs to prove that the costs underlying its revenue requirement it seeks will be prudently incurred - it has not done that.

Improper Application of Increased Costs: BAD Rates design

- We suggest that Corix is not requesting correct or fair adjustments to the rate determinants, and that, if approved as applied for, would unduly burden those that consume from the system as opposed to those who have benefit of its availability. We argue that the comptroller require that ***any increase to revenue requirements granted under this application should be more heavily, if not entirely, recovered from the fixed monthly fees and NOT to the consumption charges.*** A couple of reasons: i) Assurance of recovery - Corix has shown that it is poor at forecasting and modelling consumption, moving more of the revenue requirement into the fixed fees would more fairly distribute any increase and provide greater assurance of recovery for Corix largely eliminating forecast error, ii) Nature of costs: according to their own evidence, the vast majority of the costs Corix incurs are fixed in nature, why they would seek to recover them through variable charges is nonsensical.
- A smaller related point; Corix should be required to simplify its fixed monthly fee to a fee per unit basis - the 'per bed' measure is not transparent, is discretionary and seems to unnecessarily complicate rate determinants.

Poor System Performance

- In the FAQ that was circulated, it states "The proposed rate change matches rates to the increased operational costs of **providing safe drinking water and fire protection to Panorama customers.**" Apart

from the perennial “Water Advisories” warning us not to drink the water, this statement has another problem, primary among them being that the **current panorama water system does not meet expected standards**, our property (and many others) has insufficient water pressure to fight a fire. Any other municipality would not have approved the development without appropriate water pressure for fire coverage we believe that unless this is corrected in the plans underpinning any rate application, such application should be denied or approval should come with conditions requiring correction of this.

We do not support this application for increase and we believe granting any increase without proof or requirement that the underlying problems have been corrected should not occur.

Panorama Response (2019/02/19):

Thank you for your input into the proposed Panorama water rate increase.

If you require any further information from Corix, feel free to contact me.

Email 17

Customer Letter (2019/02/16):

Dear Sir,

On behalf of the Panorama Subdivision Owners Association (PSOA), I respectfully request Intervener status for the PSOA in the matter of the Notice of Application by Corix – Panorama Water, for the proposed water rate charges for treated water, etc., to the residences within our Subdivision.

Our Association wishes to register our strong objection to several issues contained in the submission by Corix in which they have attempted to justify a very large increase in the cost of providing treated water to their customers within the Panorama Resort area.

1. Corix claims that cost increases since 2010 have caused them to effectively lose money yet they have provided only selective financial information for the years 2015, 2016, 2017 and projected costs for 2018 & 2019. What costs that were projected by Corix to establish the 2010 rates have exceeded their forecasts used to determine the 2010 rates?
2. In their table: Schedule of Operating & Maintenance Expenses for the years 2018/2019, the biggest expense increase is in Operators Wages - +23% for 2018 over 2017 and +25% for 2019 over 2017. An explanation of these large wage increases should be provided.
3. With respect to the Consumption Deferral Account, it seems counter intuitive to blame the consumers for Corix’s poor forecasting of consumption over the past nine years. Surely, Corix had sufficient data on which to base their rate application for 2010 and should have foreseen that increased water rates lead consumers to find ways to limit water usage. Further, what if anything has Corix done, or is doing, to determine water losses through leakage, etc., which they are treating but not billing to users? Should the Comptroller of Water Rights determine that the “charge back” of the Consumption Deferral Account to the users of Corix water services be “correct”, then it would be our recommendation that the recovery of this amount be spread across five (5) years and not the two (2) years as presently proposed.
4. In asking for the proposed increases, Corix is in fact asking, for a cumulative year over year increase of 9%. We cannot reconcile this percentage increase with increases in the CPI over these same years. While it would be futile to argue that costs have not increased over this time, would it not have been better to “rate buffer” the required increase over a period of time (3 – 4 years) to allow business and residents to adjust budgets to cover these increased overall costs (residential 106% and commercial 143%)? We are quite sure that were the reverse the case, Corix would be asking for “time to pay”.

5. The PSOA asks for a clear explanation as to why Corix wishes to remove the Replacement Reserve Trust Fund Account. How would Corix intend to pay for any catastrophic failure(s) at their plant or within their general supply infrastructure? Every Condominium Association in BC must have a properly accounted and regulated Replacement Reserve Fund to mitigate the cost of unforeseen expense(s). Why would this water utility be permitted to operate without such a contingency fund? It seems, on its face, to be a foolish idea.
6. Another concern is a failure by Corix within the materials presented, to present a financial analysis for the rates fully costed against current and future infrastructure and operational costs and showing profit for the private utility – a basic asset management report and long-term financial plan should be available for review.
7. It would also be helpful if Corix had presented within the distributed materials, what the utility has been doing to address in-house cost management opportunities, such as implementing a systematic water loss management and pressure reduction system for the water distribution system itself.

Respectfully Submitted on behalf of the Panorama Subdivision Owners Association,
