



Chris McMillan
Secretary to the Comptroller of Water Rights,
PO Box 9340 STN PROV GOVT,
Victoria, BC V8W 9M1

May 09, 2019, 2019

Re: Panorama Subdivision Owners Association Intervener Final Submission

Dear Sir,

On behalf of the Panorama Subdivision Owners Association (PSOA), please accept this as the final submission of our Association in the matter of the Corix Multi-Utility Services Inc. – Panorama Water application for 2019 Water Rates.

The PSOA wishes to make the following comments to various points presented in the CMUS Final Submission dated April 29, 2019 and express our continued objection to several issues raised in the revised CMUS application as follows:

1. Operating and Maintenance Expenses:

PSOA understands and appreciates that O & M expenses have appreciated over the years since the last rate increase and has no issue with the revised cost forecasts. Therefore, the PSOA has no objection in principle to the fact that water rates need to be increased to supply our community with a safe and sustainable potable water system.

2. Corporate Services:

PSOA agrees with CMUS point 20 that the revised approach to Corporate Services Cost is reasonable.

3. Regulatory Costs:

PSOA will withhold comment on how this matter may be resolved pending receipt of the CMUS rate application for 2020.

4. Operating Margin Proposal:

PSOA has no objection to the Operating Margin proposal submitted by CMUS in their Final Submission so long as it does, in fact and in practice, remain below the “maximum limit of 10% as defined in the Comptroller’s CPCN Financial Guidelines”.

5. Replacement Reserve Trust Fund proposal:

The PSOA is fundamentally opposed to the removal of the RRTF despite the “positive” impact it would have on the proposed water rates. The proposal under CMUS point 29 (I & ii) would have the effect of “kicking the can down the road” in terms of cost of long-term maintenance/upgrading of the new GSDP system.

CMUS proposes to “incur the costs for capital projects and then recover these costs from customers only after the infrastructure/facility goes into service”. Having an RRTF is insurance against the possibility (likelihood) of a significant cost for maintenance or upgrading of the water system in the future with resultant “rate shock” for users of the system. Having an RRTF ensures that **present** users of the system contribute to the future maintenance of the system and that these costs are not born only by the then future **current** users of the system.

As opposed to CMUS point 31 in the CMUS Final Submission, the PSOA submits that the request for the removal of the RRTF is **not** reasonable and should **not** be approved. The PSOA would instead propose that the RRTF be suspended until the current CDA, adjusted at the discretion of the Comptroller of Water Rights, is recovered over the term prescribed by the Comptroller (2, 3 or 4 years). The RRTF would then be reinstated in the year after such recovery.

6. Consumption Deferral Account:

The general concepts for a regulated entity such as CMUS are: the utility is entitled to recover 100% of its capital costs plus a reasonable return, set by the regulator from time to time and 100% of its operating costs plus a reasonable overhead also set by the regulator from time to time. The utility is expected to act reasonably in submitting timely rate applications to stay current on such cost-plus recovery mechanism. The PSOA acknowledges and understands these concepts and has no quarrel with them in principle. Our quarrel is with CMUS’ negligence in its efforts to remain current in the face of a growing deficit.

CMUS point 39.a: “Order No. 2232 did not established (sic) a date or time limit on when the next revenue requirement was to occur.” The previous rate application was in 2006, so clearly CMUS and the regulator accepted 4 years as reasonable at that time. In determining what is reasonable, the regulator ought to consider the degree to which an existing rate application fails to track recovery of CMUS costs plus return and overhead. The PSOA would not be objecting over the quantum of the CDA if the deficit were immaterial. That it took 8 years to accumulate exacerbates the materiality of the deficit and creates a disparity between who accrued the deficit and who will pay for it. The regulator may not wish to impose annual or bi-annual rate applications to account for minor deficits or surpluses in the CDA or conversely establish that CMUS can simply roll over a deficit or surplus from one year to be automatically recovered in the next year. Rather, the regulator might choose to incent CMUS to not allow material imbalances (which amount ought to be defined) to accrue.

CMUS point 39 (b): the PSOA readily acknowledges that the water utility and the oil and gas industries are dissimilar in many ways however, poor management is poor management regardless of the industry in question.

Having allowed the CDA to have continued to accrue almost \$500,000 over a period of eight or nine years and to then expect **current** users to repay these “losses” over a time period of two years is unreasonable in our view.

While recognizing that a two year “amortization” of this account would present some buffering of the rate increases between 2019 and the expected new rates coming from the GSDP system in 2020 and 2021, a three or four year “amortization” of this account would still represent a reduction in the monthly/annual bill to residential and commercial users.

CMUS point 52: “do not represent a material difference that necessitates the further delay of the recovery of historical costs”

CMUS point 53: “does not provide a compelling reason to further delay the recovery of the CDA balance.....”

Having delayed for over **eight years** before making this massive CDA accrual public to the **current** users of their system, a request to recover these costs in just two years is deemed by the PSOA to be unreasonable and would therefore request at a minimum a four (4) year repayment period. In addition, in order to incent future diligent management of the CDA by CMUS, the PSOA requests that the Comptroller consider a punitive, partial recovery of the existing CDA amount.

CMUS point 40: The PSOA agrees with CMUS that an annual recovery/refund of the CDA is appropriate.

CMUS point 41-43: The PSOA has no issues with CMUS’ commentary.

8. Recovery period for the existing CDA balance:

CMUS point 44 – 53: see our comments above under item 6.

The PSOA would wish to extend our appreciation to the Offices of the Comptroller of Water Rights for their diligence in managing this process and to CMUS for the detailed material presented in support of their application for rate increases for the supply of treated water to the Panorama community at large.

Respectfully submitted,

Bruce Hamstead
President, Panorama Subdivision Owners Association 2019