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April 28, 2023

Chris McMillan
Program Coordinator
Water Utilities Regulation Section
Ministry of Forests
P.O. Box 9340 STN PROV GOVT
Victoria, BC V8W 9M1

Subject: Trappers Ridge Final Submission Re: Corix Panorama Water Application for Revenue Requirements and Rates for 2023 Through to 2026

Dear Chris:

Please find attached the Final Submission from the Trappers Ridge Subdivision regarding the subject Corix Panorama Water application for revenue and rate increases through the next 4 years.

Since 2019, we have seen residential customer fixed charge rates increase from \$3.09/bed unit/month to \$8.57/bed unit/month in 2022, an increase of 177%. This application is proposing a further increase to \$13.55/bed unit/month or an additional 58% in 2023 with further proposed increases to \$15.39/bed unit/month by 2026 or another 13%.

With regard to metered rates for residential customers, these have increased from \$3.09/cu.m. in 2019 to \$6.67/cu.m. (including the CDA rider) in 2022, an increase of 116%. This application is proposing a further increase to \$8.24/cu.m. or an additional 24% in 2023 with further proposed increases to \$9.36/cu.m. by 2026 or another 14%.

These rate increases are significantly higher than the indicative rates for 2023 and 2024 identified in the 2020 application and will lead to forecast typical annual residential bills of \$1828 in 2023, \$1933 in 2024 and \$2076 in 2026 compared to \$520 in 2019, an increase of 300% over 5 years.

These substantial increases appear to be largely driven by increases in the Corporate and Regional Services expenses and the Common Admin Allocation, which are projected to be \$231,330 and \$118,889 respectively for 2022 in this application. This compares to \$146,668 and \$25,979 respectively, forecast for 2022 in the 2020 application which represent increases of 58% and 357% respectively. The proposed Corporate and Regional Services expenses continue to increase through to 2026, by another 15%.

1.0 We respectfully request that the Comptroller of Water Rights consider the 4 Final Submissions on Corporate, Regional and Common Admin Allocations to assure the customer is getting reasonable value for these services.

The Revenue Deficiency Deferral Account (RDDA) has been encouraged by the Water Comptroller to be used to smooth out rate increases to mitigate their impact. The current application of an RDDA by Corix Panorama Water appears to have been ineffective in doing that.

2.0 We respectfully request that the Comptroller of Water Rights consider the 2 Final Submissions on RDDA and work with Corix Panorama Water on choosing a scenario that truly smooths out the rate increases to provide the necessary revenue for Corix to get a reasonable Return on Equity. Alternately, to consider a different methodology that is effective in mitigating the impact of the proposed significant rate increases.

We understand the need for Corix Panorama Water to build a GSDP facility that is able to accommodate a large increase in water usage during periods of high commercial use, well above normal residential use, as well as to accommodate future development. The relative distribution of fixed charge rates between residential and commercial use proposed indicate that the residential customer is being required to provide more than their fair share of the costs to ultimately pay for this facility. The Fixed Charge rates are based on Bed Units, which have clear criteria for commercial use but are arbitrarily assigned to single family residences.

3.0 We respectfully request that the Comptroller of Water Rights review the current distribution of these rates to assure their fairness and consider the 5 Final Submissions on Bed Units. Of some urgency is the need to develop criteria on bed units for two family residences, for which there is a development proposal pending on approval of rezoning to establish up to 25 two family dwellings on an extension of Trappers Way.

There are 4 other Final submissions related to the CIAC, water softening project and water leakage.

In addition to the proposed water rates, Corix benefits from a Residential Wastewater Service, which currently has a base charge of \$26.53 and a wastewater usage charge against all residential water used of \$6.66 per cu. m. A BC Municipal Water Survey done in 2016 by the UBC Water Planning Lab identifies that residential water use in BC is 312 litres per capita per day. This translates to a usage of 228 cu.m. per year for a two person household. Applying this average annual usage to the proposed Corix water rates in their application as well as the wastewater service charges, a two person household (there are a number of two person households occupied by retired seniors at Panorama) would be paying \$5340 per year or \$445 per month. This has to be one of the highest costs, if not the highest, for residential water usage in the province.

Given the large contribution from the wastewater service charges to this cost, it is requested that the Water Comptroller consider the regulation of wastewater services. If not in the Water Comptrollership mandate, please pass this request on to whom would be responsible for regulating this service.

Thank you for your consideration.

Yours truly,

A black rectangular redaction box covering the signature of the intervener.

Intervener Representing Trappers Ridge Subdivision

Cc: Jonathan Bitonti
Marcel Beatch
Michelle Sander
Sandy Murphy
David Maplethorpe
Pascal van Dijke
Brian Lynam
Corix Regulatory Affairs

Final Submission

Re: Corix Panorama Water Application for Revenue Requirements and Rates for 2023 Through to 2026

Intervener Name: Grant Cal Gillies
On behalf of Trappers Ridge Subdivision
April 28, 2023

Trappers Ridge Final Submission

INTERVENER NAME: Trappers Ridge Subdivision

FINAL SUBMISSION

TO: OFFICE OF THE COMPTROLLER OF WATER RIGHTS
BRITISH COLUMBIA

DATE: April 28, 2023

REFERENCE NO: 7915

APPLICATION NAME: Corix Panorama Water 2023-2026 Revenue Requirements
& Rate Application

While the detailed responses from Corix to the Trappers Ridge Subdivision Information Request of March 9, 2023 are much appreciated, it is very disappointing there has been little movement and consideration on requests to find ways to mitigate the very large increase in proposed rates (78% increase from current rates and more than 300% since 2019) to take effect in the near term. This suggests that little consideration is being given to customer concerns and input.

Trappers Ridge submits the following comments/concerns regarding the Corix response to our Information Request, other Information Requests and its Final Submission:

1.0 Reference: Trappers Ridge Request Responses (TRRR) to 1.1, 21.1, Water Comptroller Request Response (WCRR) 11.1 and Corix Final Submissions 10, 12 and 82 to 88, on Revenue Deficiency Deferral Account (RDDA)

Corix Responses and Submission:

Corix responded to TRRR 1.1 providing two options detailed in TRRR 21.1 and WCRR 11.1, concluding that both options in reducing the Forecast 2023 rate change would mean higher rate changes in the following year(s) to make up for the shortfall.

The TRRR 21.1 option (Scenario D) would have rates increasing 47%(2023), 4%(2024), 3%(2025), 2%(2026), with projected rates of 5%,2%,0%, -3% through to 2030. This would result in payoff of the RDDA by 2033.

The WCRR 11.1 option (Scenario A 40%) would have rates increasing 40%(2023), 33%(2024), -5%(2025), and 2%(2026) with payoff of the RDDA by 2028. Corix remarks in their response that Scenario D above “has more gradual rate changes but it increases the RDDA balances in 2023 and 2024 and has a longer recovery period to 2033.”

Corix is requesting rate increases of 58%(2023), 6%(2024), 5%(2025), 2%(2026), followed by projected rates of 1%, -6%, -15%, 1% through to 2030 with payoff of the RDDA by 2028.

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Corix submits no changes in the rates for which they originally requested approval (item 10) and that their rate requests are reasonable and have been justified (item 12). Furthermore, they submit that:

85. Scenario D stretches the RDDA recovery period to 2033 which is significantly longer than initially contemplated. Corix considers that this is not reasonable and increases the risk of recovery of the RDDA to the Utility.

87. “the proposed rates provide the most optimal balance of: reducing the RDDA balance within a reasonable time period; mitigating the rate increases by extending the RDDA recovery to 2028; avoiding large swings in rates (such as that seen in 2025 in Scenario A (40%)); more accurately reflecting the drivers of the costs in this Application, and reducing lag in operating cost recovery. The rate increases in this Application is primarily driven by O&M cost increases which have already occurred. Unlike capital expenditure, O&M cost increases are immediate and represent a step increase to the cost of operating the utility.”

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

1.0 Trappers Ridge Submission (TRS)

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

TRS 1.2. Trappers Ridge **submits** that Scenario D is the most reasonable and effective means of smoothing rates that results in payoff of the RDDA within 10 years as it:

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

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represent 55% of O&M costs and have increased by more than 60% from 2021, which seem exorbitant for operation of a water utility.

2.0. Reference: TRRR 17.1, 17.2, 26 and Corix Final Submissions 30,32,33,35,37,38,39 on Bed Units

Corix Responses and Submission:

2.1 Corix responded to TRRR 17.1 stating that:

A) “based on Tariff 5 “Bed Unit” is a unit of measurement used to determine the relative number of occupants and is based on the floor area typically required to provide overnight accommodation for one person. The following Bed Units are assigned:

- I residential single family dwelling = 10 Bed Units (beginning January 2011) unless notification received by Utility stating indicating smaller residence qualifying for 6 Bed Units

- II residential condominium or townhouse:
 - (i) up to 55 square meters = 2 Bed Units

 - (ii) between 56 and 100 square meters = 3 Bed Units

 - (iii) in excess of 100 square meters = 4 Bed Units .

Based on the approved tariff, the proposed 52 unit townhouses meet the definition of (II)(iii) for a townhouse “in excess of 100 square meters = 4 Bed Units” “

B) “the Panorama Water Tariff is consistent with the PMV Community Plan for multiple family dwelling units though newer detached dwellings are now classified as 10 bed units.” Detached dwellings are assigned 6 bed units in the Official Community Plan.”

C) “In 2009 and 2010, single family residential customers are allocated 6 bed units, which is equivalent to 3 bedrooms. Beginning in 2011, the Utility assumes that 25% of single family customers will be allocated 10 bed units (see Section 7 Rate Design) and this is reflected in Table 9a. Bed units for residential condominium and townhouse customers are based on actual square footage of each unit.”

D) “Corix submits any CPCN application applied for before January 1, 2023 should be calculated based on Water Tariff No. 5 (effective before January 1, 2023) which was the effective tariff on the CPCN application date. This would be fair and reasonable since any applications received should be evaluated based on the tariffs and rules applicable on the application date. Corix also submits any change to the multi-family dwelling bed units when

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applying Schedule C Residential Rates be applicable to new townhouse applications for service on or after January 1, 2023 when the Comptroller made the rates interim effective January 1, 2023.“

2.2 Corix responded to TRRR 17.2 stating that:

- A) “Single family dwellings have a default of 10 bed units. If a dwelling is smaller than typical, then it qualifies for 6 bed units. Small dwellings are the older single family houses with smaller square area than newer houses.”
- B) “The current approved methodology for bed units attempts to measure the capacity demand of the groups of customers using bed units as the measure. Smaller bed units means lower demand on the water system and lower costs which translates to a lower fixed monthly charge for the customer. Buildings with higher bed units have higher demands on the water system and thus higher costs which translates to a higher fixed monthly charge for the customer.”

2.3 Corix responded to TIRR 26 stating that:

- A) “Effective January 1, 2023 the proposed rates are Residential Fixed Rate per bed unit is \$13.55, for Commercial it is \$15.04 per bed unit per month. This is a difference of \$1.49. Commercial customers pay 11% more than Residential rates for the fixed charge.”
- B) “The current rate structure has commercial customers paying more than residential customers based on equivalent bed units. Bed units is the measure used for capacity of demands of the water system from the customers. Also, the commercial rates relative to residential rates appears reasonable.”
- C) “Schedule 1 in the Financial Schedules provides an overview of both residential and commercial bed units, consumption, and sales revenue. For Forecast 2023, there is 2,117 total bed units for residential and 2,383 bed units for commercial. The total bed units are 4,500. Measured by bed units the residential (47%) and commercial (53%) bed units are similar with commercial at slightly more. Bed units are a measure of water capacity demanded by customers which are directly related to the fixed monthly charge for customers. Residential consumption for Forecast 2023 is 27,887 m³ while commercial is 57,457 m³. Commercial consumption is roughly double than residential. Consumption is relevant for the metered usage charge. Annual volumetric consumption is not a measure of capacity demand at any given point in time. For sales revenue the residential revenue in Forecast 2023 is \$574,040 compared to commercial revenue at \$926,144. Commercial customers pay more revenues in fixed charges since it has a higher number of bed units and a higher commercial rate. Also, commercial customers pay more in metered revenue than residential since its consumption is double than residential. Overall, the commercial customers pay 61.7% of total revenue in Forecast 2023 while its bed units are 53% of the total bed units. The overall results show that commercial customers are paying their fair share of capacity costs (measured in bed units) and operational costs to operate the water utility.”

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2.4 Corix submitted in item 30 that:

“The water tariff defines bed units and how it is calculated. Since 2011, the bed units are calculated as follows:

- Single family dwellings have a default of 10 bed units. If documents are submitted to the utility with proof that a dwelling is smaller than typical, then it would qualify for 6 bed units instead of 10 bed units. Small dwellings are typically older single family houses with a smaller square area than newer houses.
- A residential condominium or townhouse has bed units measured by the square meter size of the dwelling. The current tariff has 3 categories of area size resulting in 2, 3 or 4 bed units.
- The commercial customers bed units are determined by the size of water meter as outlined in the tariff. “

2.5 Corix submitted in item 32 that:

“One information request questioned why residential customers are being requested to share a bigger fixed charge cost burden relative to commercial customers. The analysis by Corix shows that commercial customers have a higher total bed unit count than residential customers and also have higher consumption. The rates for commercial for the fixed charge and the metered consumption charge are also higher than residential customers. Overall, the commercial customers pay 61.7% of total revenue in Forecast 2023 while its bed units are 53% of the total bed units. The overall results show that commercial customers are paying their fair share of costs to operate the water utility. This includes both capacity costs (measured in bed units) and operational costs. “

2.6 Corix submitted in items 37 to 39 that:

“37. In the analysis Corix with the new information regarding large townhouses discussed a possible change to the Water Tariff No. 6 that could be as follows:

“ii. residential condominium or townhouse:

- (i) up to 55 square meters = 2 Bed Units
- (ii) between 56 and 100 square meters = 3 Bed Units
- (iii) between 101 and 150 square meters = 4 Bed Units
- (iv) between 151 and 200 square meters = 5 Bed Units

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- (v) in excess of 200 square meters = 6 Bed Units”
[potential changes in underline]
38. The above possible change would expand the possible range of bed units (currently 2 bed units to 4 bed units) to a larger range (2 bed units to 6 bed units) based on square meter size. The above potential changes to the definition for residential and condominium or townhouse would expand the definition up to 6 bed units which is equivalent to a smaller size single family dwelling. A smaller size single family dwelling (historical older homes) with lawn irrigation at 6 bed units would be an appropriate proxy for a townhouse of 200 square meters or greater, with more limited irrigation needs but may have other water capacity using appliances.
39. Corix is not opposed to the above refinement of bed units for residential condominiums and townhouses. If approved by the Comptroller, Corix submit that this change should be applicable only to new applications for service submitted on or after January 1, 2023, the contemplated effective date of the updated tariff. “

2.0 Trappers Ridge Submission

TRS 2.1 Per Corix response 2.2 B to TRRR 17.2, the current approved methodology for bed units attempts to measure the capacity demand of the groups of customers using bed units. Per Corix response 2.3 C to TIRR 26, Residential forecast 2023 consumption 27,887cu.m and commercial is 57,457 m³. Commercial consumption for 2338 commercial bed units is roughly double that of residential consumption for 2117 residential bed units. This indicates that the bed unit is not a good measure of capacity demand given that commercial demand is 24.6 cu.m./bed unit and residential demand is 13.2 cu.m./bed unit. The current fixed charge is based on bed units which are currently arbitrarily assigned independent of demand per bed unit. While Corix in response 2.3 C, suggests that commercial customers are providing 61.7 % of the revenue, mostly driven by their demanded usage, and therefore they are paying their fair share, the reality is they make up 67% of demand while paying a fixed charge per bed unit that is only 11% more than the residential fixed charge per 2.3 A.

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

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

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TRS 2.2. The assignment of bed units to single family residences appears to be completely arbitrary per Corix submission 2.3 and responses 2.1 to TRRR 17.1 and 2.2 to TRRR 17.2. While assignment of bed units to townhomes and residential condominiums have clear criteria.

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

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

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

TRS 2.5. Per Corix submission 2.6, Trappers Ridge **submits** that Corix should proceed with the revision of Tariff 6 to increase the number of assigned bed units to large condominiums and townhomes per their suggested criteria. Consideration should be given to assigning 2 bed units per bedroom for these residences rather than floor area to better account for actual demand.

3.0 References: TRRR 5.3, 9.1,10.1,11.1, WCRR 14.1,14.2,15.1, 18.1 and Corix Final Submissions 52,57 on Corporate, Regional and Common Cost Allocations

Corix Responses and Submissions

3.1. Corix response to TRRR 5.3:

“The 2020 application assumed a 1.1 FTE cost in the Wages & Salaries line for 2020 onwards which included a share of the Manager and Administrator costs. As described in response to Question 5.1 above, the actuals charged to the utility in that year was 1.45 FTE.

In 2022, all shared costs were captured in a separate cost centre which would be fully allocated as a Common Admin cost. This includes Manager time; Administrator time; and any operator time that is not directly chargeable to a utility. This is one difference between the current Application and the 2020 forecasted application. Actuals charged to the utility for 2022 as illustrated in 5.1 were 1.31 Operator FTE only and .4 FTE of Manager and Administrator was picked up in the common admin allocation (total 1.71 FTE); in comparison to the 2020 report

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which was based on the 1.1 FTE to carry forward. The 2020 application did not properly reflect the true cost of the manager and administrator along with the operator time required to operate the utility.

A second major difference between the two applications was the increase in the allocation percentage itself. In 2022, Corix allocated Common Admin costs based on the same allocation factors of the Corporate Cost allocation methodology as described above. As a result, the portion allocated to Panorama Water increased from 13.75% to 27%. The variances between the 2020 application forecast for 2022 and the actuals are outlined below:

Forecast Per 2020 Application (13.75% of office costs only) \$25,979

Allocation increase to 27% based on Corporate Services cost allocator (office costs above)
\$25,034

Administrator/Area Manager time + Operator time not directly attributed to a utility \$60,205
(ex. safety training, courses, paperwork)

Total Common admin allocation 2022 \$111,218”

3.2 Corix response to TRRR 9.1:

“The Common Admin allocation is not based on the operator complement. This would be a different allocation methodology from what Corix uses. Corix uses an allocation that is based on the same inputs as that of the Corporate Services cost allocation. It is dependent on the value at June 30th of each year for the utility’s trailing twelve months revenue, gross PPE and headcount. When calculating the Common Admin allocation, only the inputs from the utilities in the Kootenay area would be factored into this equation.”

3.3. Corix response to TRRR 10.1:

Corix provided two examples of efficiency gains in Corporate Services related to customer communication (now use email contact) and finance and accounting (use of software rather than manual methods).

3.4. Corix response to TRRR 11.1:

“In late 2020, all of Corix transitioned to one network infrastructure and a single set of business applications. Previously, multiple networks and applications were in use by Corix business units.”

“Standard Network and Computing Infrastructure – The Corix enterprise migrated to a single cloud-based IT infrastructure (computing and network). This facilitates standardized network access across all Corix companies and improved access to data (facilitates improved operating efficiencies and customer service). The transition to cloud computing results in more predictable IT costs.

Standard Applications – In 2020 the Corix enterprise implemented standard systems— financial, billing, human capital management and other back-end platforms—that are now used by all Corix businesses. Common systems improve operational efficiency.”

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3.5. Corix response to WCRR 14.1:

Table 3: Corporate Cost Allocations to Panorama Water is provided and identifies the following increases from 2022 Actual to 2023 Forecast :

- a) Executive Management costs increase 38% from \$8,403 to \$11,605
- b) Regulatory Support and Operational Technology increase 46% from \$5,640 to \$10,435
- c) Corporate Finance and FP&A increase 29% from \$7,716 to \$10,887
- d) Accounting and Tax increase 35% from \$8,345 to \$12,882
- e) Human Resources increase 35% from \$6,856 to \$10,581
- f) Information Technology increase 29% from \$43,338 to \$61,130
- g) Legal and Risk Management increase 38% from \$6,890 to \$11,053

These increases have contributed to an overall increase of 35.3% in Total Corporate Costs for 2023 from 2022 Actual and 75.3% from 2021.

3.6 Corix Response to WCRR 14.2:

“Corporate Costs allocated to Panorama Water have increased greater than 2% each year due to a combination of the following:

- Changes to the allocation inputs (Gross Property, Plant and Equipment (PPE), Revenue, Headcount) for Panorama Water relative to other utilities owned by Corix;
- Increases to Corporate Costs;
- Annual Inflation; and
- Divestments of Other Utilities”

“Table 4: Corporate Cost Allocation Model Inputs for Panorama Water is provided and identifies the following:

- a) Gross PPE increased 4% in 2021 and 5% in 2022
- b) Revenue increased 58% in 2021 and 76% in 2022
- c) Headcount increased from 1.1 to 1.6 (45%) in 2021 and to 2.6 (63%) in 2022”

“Some Corix staff headcount reside in cost centres, as opposed to each utility. This allows for the efficient sharing of resources. In order for Corporate Cost recovery to take place, the headcount residing in cost centres need to be distributed to business units that earn revenue

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(profit centres). The headcount (Full-Time Equivalent (FTE)) in the cost centres are distributed to the utility profit centres to determine the Headcount inputs for the Corporate Cost allocation model. This occurs for all business units that is not a cost centre. The increase in Panorama Water headcount from 2021 to 2022 accounts for an internal reorganization that combined Corix Canada's utility management and leadership into one cost centre, which provided water and wastewater utilities access to more internal resources (for example, the Project Management Office within Corix). This resulted in an increased headcount in all cost centres relevant to Corix's water and wastewater utilities in Canada."

3.7 Corix Response to WCRR 15.1:

"Table 5: Corporate and Regional Cost Allocations to Panorama water identifies the following:

- a) Corporate Services Costs increased from 2021 Actual \$93,494 to 2022 Actual \$130,840 (40%) to 2023 Forecast \$176,988 (89% from 2021)*
- b) Regional Services Costs increased from 2021 Actual \$55,138 to 2022 Actual \$96,893 (76%) to 2023 Forecast \$72,046 (31% from 2021)*
- c) Total Corporate Corporate and Regional Services Costs increased from 2021 Actual \$148,612 to 2022 Actual \$227,733(53%) to 2023 Forecast \$249,034 (68%)*

Regional services costs allocations follow the same allocation methodology as the Corporate services costs. However, it only includes the inputs related to the utilities in the region that are benefiting directly from that pool of costs. In 2020 and 2021 this included all of Corix's Canadian utilities except the District Energy utilities."

* Percent increases added by author.

3.8 Corix Response to WCRR 18.1:

"The majority of the variance between the 2021 and 2022 cost resulted from the change of the Common Admin cost allocation methodology.

- In 2021, the allocation was based on estimated operator time spent on Panorama Water which resulted in a 13.75% allocation of the total pool of costs of the area cost centre to Panorama Water.
- In 2022, the methodology was changed to follow the Corporate Services allocators (Revenue, Gross PPE, and Headcount) which caused the allocation to Panorama Water to increase to 27% of the total pool of costs of the area cost centre. Panorama Water's allocation of the total pool of costs increased by 13.25% from that of 2021 which added additional cost of \$48,656 to the utility. Between these two years, the total pool of cost remained consistent. There were no costs omitted between 2021 and 2022."

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3.9 Corix Submission 56, 57:

“56. Panorama Water is forecasted to be allocated 30% of the total Common Admin costs and 4.4% of the total Regional Services costs for each of the years during the test period.²⁰ It is important to note that Panorama Water when using shared resources still benefits from the business model since acquiring resources as a stand-alone utility with no shared resources would be more costly to obtain and could negatively impact reliability since any changes in labour would be much more difficult to fill.”

57. Corix submits that the Application and the information requests have explained and justified that allocations for Common Admin, Regional Services, and Corporate Services are based on a methodology that is widely accepted and used throughout the industry and the costs are reasonable. The pooled resources approach provides Panorama Water the benefit of the efficient use of resources, which mitigate against the difficult and associated cost of procuring these necessary services on a standalone basis.”

3.10 2023 to 2026 Rate Application Page 12:

“5. Wages - Operators

Beginning in 2021, the “Wages - Operators” expense category reflects the labour costs associated with operations staff required to operate the water utility. Costs related to the Area Manager and Administrator are included in the Common admin allocation category explained below. The six full-time operators that work in the Kootenay area split their time operating and maintaining:

- o All three utilities at Panorama (water, wastewater, propane)
- o All two utilities at Columbia Ridge (water, wastewater)
- o Kootenay area Operations and Maintenance contract utilities

The above staff do tend to rotate working on all utilities in the area to allow for a wide area of operations expertise available to all utilities under the region which includes a qualified electrician, thus reducing electrical contracting costs, and a local Senior operator which provides maintenance services that would otherwise be contracted (eg. Fire hydrant and PRV maintenance). As a result, only a portion of their time and associated costs are charged to the Panorama Water utility. The Full-time Equivalent (“FTE”) charged to the Utility is forecasted at 1.35 FTE. If Panorama Water was a standalone utility, it would require a minimum of 2 headcount to operate. Panorama Water utility benefits from labour resources utilized across the three utilities. The annual increases for Wages - Operators are forecast by applying the labour escalator for each year in the test period.”

3.11. 2023 to 2026 Rate Application Page 14, 15

“11. Common Admin Allocation (Previously Allocations from Panorama and Kootenay Ops)

As discussed in the introductory paragraphs for this section, this SG&A expense item encompasses cost allocations from the cost centre shared between Corix’s utilities located in

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the Kootenay region. Common Admin costs are shared administrative costs incurred for Corix's Kootenay business unit within British Columbia to provide operational services specifically for utilities and operations within that area. These include Corix's:

- Panorama Water Utility
- Panorama Sewer Utility
- Panorama Propane Utility
- Columbia Ridge Water Utility
- Columbia Ridge Sewer Utility
- Kootenay Operations and Maintenance contract department

Historically these costs existed, and the above utilities and operations received administrative services, but the allocation was given based on different factors. Prior to 2021, an allocation of 25.7% was applied to shared costs, but the area was split into two cost centres at that time; therefore, some shared costs were omitted from the calculation. For 2021, the allocations to Panorama Water for shared costs were based on the expected time the shared resources would be working on Panorama Water activities relative to the expected time that they will be working on activities for other utilities or operations. This resulted in an allocation percentage of 13.75% of a combined cost centre for the entire region. In 2022, following an organizational restructuring, and to be consistent with standard cost causation and cost recovery practices, Corix began allocating the Common Admin costs according to a consistent allocation methodology as used in all other allocations across the business. This individual line item in operating expenses will receive one allocation encompassing all shared administrative costs for the Kootenay business unit. This approach reduces the administrative burden by streamlining processes within the accounting department.

The following items are allocated from this shared cost centre, unless incurred specifically and solely for the Panorama Water Utility:

- Salaries and benefits for 1 Area Manager and 0.5 Administrator along with any operator safety and development training time.
- Office Expenses – shared costs including office supplies and equipment, computer expenses, rent, building expenses, communications, postage and others;
- Shop and safety supplies commonly used for all operations within the Kootenay area;
- Education, training, memberships and dues; and
- Travel and vehicles costs not fully charged to a utility.
- Common assets allocation - operating costs related to capital equipment that provides support to the operating units.

The Area Manager and Area Administrator do work for all the utilities in the Kootenay area. As a result, only a portion of their time and associated costs are charged to the Panorama Water utility. Below, Corix provides a breakdown of the FTE charged to the Utility beginning in the year of 2023.

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- Of the 1 Area Manager, 0.30 FTE is charged to the Utility.
- Of the 0.5 Administrator, 0.15 FTE is charged to the Utility.

A total of 0.45 FTE is included in the Common Admin Allocation, along with the other shared Common Admin costs described above.”

3.0 Trappers Ridge Submission:

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

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

TRS 3.2 Per the 2023 to 2026 rate applications in Reference items 3.10 and 3.11, it is forecast that it will take 1.35 FTE to operate the water plant, and another 0.45 FTE to administer its operation. Per Corix response 3.6, a headcount of 2.6 was assigned in 2022 to Panorama Water. The rationale for this increase is the headcount (Full-Time Equivalent (FTE)) in the cost centres are distributed to the utility profit centres to determine the Headcount inputs for the Corporate Cost allocation model. Some Corix staff headcount reside in cost centres, as opposed to each utility. This allows for the efficient sharing of resources. In order for Corporate Cost recovery to take place, the headcount residing in cost centres need to be distributed to business units that earn revenue (profit centres).

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

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

Trappers Ridge **submits** that these efficiencies at the Corporate level should translate into reduced costs for Panorama Water and not increased ones through an allocation model that does not seem to be appropriate for a utility with a small customer base.

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TRS 3.4. Per Corix application items 3.10 and 3.11, Corix Panorama Water has 1.35 FTE of operator support or 22.5% of the total operator workforce of 6 in the Kootenay region, yet 0.30 FTE of Area Manager costs are charged to Panorama Water in the Common Admin Allocation. Furthermore Panorama Water is only one of six or 17% of the Corix operations in the Kootenay area. In addition, per Corix response 3.8, the allocation to Panorama Water is increased to 27% of the total pool of costs of the area cost centre due to application of the Corporate Services allocation model to Common Admin costs.

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

4.0. Reference: TRRR 23.1 on Contribution in Aid of Construction (CIAC)

4.1. Corix response to TRRR 23.1:

“The current \$1,585 CIAC per bed unit can be updated to \$1,829 CIAC per bed unit as shown in Table 31 of the Application on page 46. Corix would not be opposed to this proposal to revise the CIAC to \$1,829 per bed unit if customers saw merit to this proposal. It could be implemented for January 1, 2023 which was the effective date of the interim rate order.

However, Corix notes that any CPCN application made before January 1, 2023 should be based on the approved Water Tariff No. 5 which was effective at the time of the CPCN application.”

4.0 Trappers Ridge Submission:

TRS 4.1. Trappers Ridge **submits** support for this proposal.

5.0 Reference: Corix Submissions 25 to 29 on Water Softening Project

5.1 Corix submitted:

“25. Corix as the service provider must balance not only the cost of providing service but also consider the preferences of the customers while acknowledging that Health Canada does not consider this matter a public health concern. Given the risk and cost pressures associated with the implementation of the centralized utility water softening solution and the potential impact to customer rates, Corix decided to not to request approval for this project at this time.

26. Given the letters of comment in support of the project, Corix seeks a Comptroller decision and direction in this proceeding for this matter. After considering all the information in this proceeding, including customer preference, the Comptroller can:

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

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

28. Direction from the Comptroller in the final order of this proceeding would avoid having Corix spending time and incurring costs to make an application and then potentially for it being denied by the Comptroller if it decides it is not in the public interest.

29. Interveners in the proceeding may wish to make their submissions to the Comptroller on this matter.”

5.0. Trappers Submission :

TRS 5.1 Trappers Ridge **submits** support for option 26 b) above to direct Corix to abandon any further work on a centralized water system, based on Trappers Ridge letter to Corix of April 14, 2022, copied to the Water Comptroller.

TRS 5.2. Trappers Ridge **submits** that if option 26 a) is chosen that Trappers Ridge be granted intervener status on any Corix submission for a water softening project.

6.0. Reference: Corix Response to J. Bitonte Information Request on Water Leakage

6.1. Corix responded:

“Corix has provided information below, which shows the quantity of water treated and the quantity of water sold (i.e. water metered at customer premises) for 2022.

A: 2022 Water treated: 258,161 m³

B: 2022 Water sold (metered): 84,421 m³

C: 2022 Water Treated and not Sold: 173,740 m³ D: 2022 Water Leakage: 81,082 m³

E: 2022 Unaccounted for Loss: 92,658 m³

2022 Water Leakage

Leak detection conducted at Panorama from June 20-24, 2022.

(a) Leak 1: Service line for 1772 Greywolf Drive – estimated at 2 liters/second.

a. This service line was repaired October 12th, 2022. This leak accounted for approximately 44,582 m³ in 2022.

(b) Leak 2: Fire hydrant at 2050 Summit Drive – estimated at 100 m³ /day.

a. Estimated to account for 36,500 m³ annually.

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b. Due to location outside of the ski area day lodge (Ski Tip), this leaking fire hydrant will be addressed during the upcoming off season (April – May 2023).

(c) Total identified annual leakage = 44,682 m³ + 36,500 m³ = 81,082 m³ (estimated)

2022 Unaccounted for Loss

The 2022 unaccounted for water loss represents 36% of the supply. Please note that this unaccounted for loss includes fire department hydrant use; water distribution system flushing; and other unidentified leaks. Volumes of water used by the fire department through hydrants and used for water distribution system flushing cannot be metered and reasonably measured.

Please note that water leakage does not have a material impact to costs since it only impacts some variable costs, such as the quantity of chemicals used for water treatment or electrical costs associated with pumping. The majority of the costs in the utility's revenue requirements are fixed costs that do not vary with the volume of water treated. This is reflected in the estimated customer bill impacts, which show that variable charges account for approximately 38% of the total annual bill for a typical residential customer (see Schedule 13 in the Application)."

6.0 Trappers Ridge Submission:

TRS 6.1. It is disturbing that 67% of the water treated in 2022 was leaked to the environment or unaccounted for. This does have a material cost in that Panorama Water customers are paying 67% of the Utilities and Chlorine/Supplies costs for water that they are not using. These costs amounted to \$67,100 in 2022, so that \$45,000 or 7% of total Operating and Maintenance costs which are being charged to customers for water they are not using. Furthermore, this leakage and unaccounted water loss would have had an impact on PPE size and cost of the GSDP to provide the necessary water supply capacity for Panorama based on water treated, as well as could result in premature depletion of the groundwater supply, resulting in significant costs for a new facility in the future.

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

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