

August 2020

CORIX PANORAMA WATER RATE APPLICATION FOR 2020 RATES

In February of this year Corix Panorama Water Utility (Panorama) completed the Groundwater Source Development Program (GSDP) project that provides improved safe drinking water and fire protection to Panorama customers. On February 28, 2020, Panorama originally applied to change its water rates to reflect the costs of the GSDP. Due to the financial hardships that some customers experienced as a result of COVID-19, on June 30, 2020 Panorama proposed in its Evidentiary Update to defer the start of the interim rate increase to August 1, 2020. The last rate change was on January 1, 2019.

The application was made to the Comptroller of Water Rights (Comptroller), the body responsible for the regulation of privately-owned water utilities in British Columbia, including Panorama. In Order No. 2570, the Comptroller established a deadline of September 21, 2020, for Panorama customers to submit 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, the Comptroller will determine next steps for the review process.

See below for more information, including important timelines and where to direct questions, comments, and other feedback regarding Panorama's rate application.

FREQUENTLY ASKED QUESTIONS

(1) Where can I find the Panorama Water Rate Application and related information?

Paper copies of the rate application are available at 2120 Toby Creek Road, Panorama, BC. Information can also be found online at:

Corix Panorama's Regulatory Affairs Webpage:

- corix.com/panorama-mountain/resources/regulatory-affairs

Corix Panorama's Water Rate Application for 2020 Rates (and relevant documents):

- corix.com/panorama-mountain/resources/regulatory-affairs/water-rate-application-for-2020-to-2022-rates

(2) How can I participate in the Comptroller's regulatory review of the Application?

Questions, comments, and other feedback regarding the application should be directed to Chris McMillan, Secretary to the Comptroller of Water Rights, PO Box 9340 STN PROV GOVT, Victoria, BC V8W 9M1, or by email Chris.McMillan@gov.bc.ca on or before September 21, 2020, with a copy to the utility. As all submissions may be included as evidence, please ensure that a copy is provided to Corix Panorama Water at RegulatoryAffairs.Canada@corix.com.

Persons wishing to actively participate in this proceeding must register as Interveners in writing with the Secretary by September 11, 2020. Please see the Notice of Application and the following website for more information on the public hearing process: www2.gov.bc.ca/gov/content/environment/air-land-water/water/water-licensing-rights/private-water-utilities/water-utilities-information-bulletins

(3) Is the Groundwater Source Development Program (GSDP) project operational?

Yes, the GSDP project was placed in service on February 11, 2020. The GSDP project is a program to secure a new drinking water supply for the Panorama community and involves the installation of ground wells and the replacement of aging utility infrastructure. The GSDP project, final cost estimate, and physical design were approved by the Comptroller through Order No. 2498 (dated October 5, 2017) and Order No. 2531 (dated July 30, 2018). Updates can be found online at: www.corix.com/panorama-mountain-resort/news-and-service-notices/groundwater-source-development-program-update.

(4) What was the justification for the GSDP project?

Until this year, water was sourced for the Panorama community from a surface intake located on Taynton Creek. The collection, treatment, and storage infrastructure has reached the end of its lifecycle. Storage capacity was limited to 80% due to structural integrity issues. Water Quality Advisories and Boil Water Notices became an annual occurrence due to elevated turbidity from the water source during the spring freshet. These public health issues compromised the quality and safety of drinking water. Since the time the previous system was built, the regulations governing community water systems administered by the Interior Health Authority has evolved.

The new water system takes advantage of technological advancements in water treatment. Corix can now provide first class water supply to a world class resort community. Corix anticipates that advisories and notices will be limited to periodic system maintenance.

(5) How is this application related to the GSDP project?

The costs of the GSDP project are included in the utility's rate base. Rate base is the net amount of capital that the utility infrastructure invested, primarily composed of plant assets, accumulated depreciation, contributions in aid of construction and deferral account balances. The rate base is used to calculate the rates charged to customers.

(6) Is the rate-making methodology in this application different from prior rate applications?

Yes, this is the first application using rate base/rate of return regulation. 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. The change was made due to the large capital investment required for the GSDP project. The new method allows for the ability to smooth customer rates without requiring large up-front customer contributions. The methodology is commonly used to set rates for natural gas and electricity where large investments in infrastructure are required.

(7) Why is Panorama requesting a rate increase?

Sections 1, 2, 3.1, 4.1, and 5 of the Panorama Water Rate Amended Application (June 2020 Evidentiary Update) provide useful context and elaborate on the key points justifying the proposed water rate changes, some of which are listed below:

- i. The largest factor impacting the revenue requirements is the large capital investment of the GSDP project. The GSDP project costs \$7.872 million which were reduced by \$0.974 million of customer contributions leaving a net balance of \$6.897 million.
- ii. To offset the large increase in rate base, the utility is proposing to set up a Revenue Deficiency Deferral Account (RDDA). The RDDA is used as a rate smoothing tool to mitigate impact of the GSDP over a number of years. In the first couple of years, the utility is proposing to reduce the rate impact to customers by putting the under-recovery of revenue in the RDDA and recovering the amount in the following years.

(8) How will the proposed rate increase affect water bills?

Section 11 in the application provides information on the effects of the proposed rate changes to water bills for customers with average use. The average residential customer is expected to experience an approximate \$11 increase on their monthly bill in 2020 and a further \$29 monthly increase in 2021. The average commercial customer is expected to experience a \$191 increase on their monthly bill and a further \$460 monthly increase in 2021. Since a portion of the bill depends on consumption, customers will see less or more impact based on their monthly water conservation and consumption.

(9) Will this water rate increase affect Panorama's sewer rates?

No. Panorama's sewer rates are not linked to Panorama's water rates. Panorama's sewer rates are influenced by the cost to operate and maintain the sewer collection system and wastewater treatment plant.