FROM:	Corix Multi-Utility Services Inc. (CMUS), Panorama Water
DOCUMENT:	Response to Information Request (IR)
IR NO:	1
REQUESTOR NAME:	Trappers Ridge Subdivision
RESPONSE DATE:	March 31, 2023
REFERENCE NO:	7915
APPLICATION NAME:	2023-2026 Revenue Requirements & Rate Application

1.0 Reference: Application, pg. 1 Revenue Deficiency Deferral Account

Explanation: CMUS states: "In this Application Corix proposes a four-year test period from 2022 to 2026 with continuation of the Revenue Deficiency Deferral Account (RDDA) to smooth rates for customers. The RDDA mitigates the impact of the rate increase by smoothing rates over a number of years until the balance is fully recovered." These are the same statements that were made in the similar application for revenue requirements and rates for 2020 to 2022. Yet, what is being proposed in this application is a further 62% increase in residential rates and 56% increase in commercial rates through 2026. Overall, these increases will result in residential rates that are 400% higher than in 2019, with 2023 rates being 350% higher.

Request:

1.1. Please identify if there is a better method to mitigate the impact than currently proposed, given the significant and rapid increases proposed with the current application of the RDDA, which results in rate reductions beyond 2026.

Corix Response:

One option to mitigate the proposed rate impact is to moderate the Forecast 2023 58% proposed rate to 40% as discussed in the scenario calculated in the Corix response to Comptroller Information Request #1, Question 11.1.

A second option is to reduce the 58% rate increase to 43% and extending the recovery period to 2033 as per the response to Trappers Ridge Information Request #1, Question 20.1.

Corix notes 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.

1.2. Please explain why the currently proposed rate increases are reasonable, given the current economic environment in this country.

Corix Response:
The current proposed rate increases are based on the cost of service to provide water service. If the cost of service is determined in this hearing by the Comptroller to be reasonable and appropriate, then the resulting rates from the approved cost of service would therefore be just and reasonable. The Comptroller may consider the economic environment on how to smooth rates within the test years. Corix is not opposed to a lower rate increase in 2023 though it would mean higher than proposed rates for 2024.

2.0. Reference: Application, pg. 4 Merger with CII and Southwest

Explanation: CMUS states: "The increased scale and enhanced financial foundation of the combined company will facilitate long-term investments required to continue to grow and provide water and wastewater services in these communities. These investments, together with the leveraging of prudent practices and operating expertise of both companies, will support the safe, reliable and sustainable delivery of water and wastewater services and will enhance the customer experience."

Request:

2.1. Please explain how this merger is expected to enhance the customer experience for Corix Panorama Water customers.

Corix Response:

The Proposed Transaction should produce operational benefits and improve access to capital. See the following examples.

Customer Experience
SouthWest and CII share common values centered on safety, environmental stewardship, integrity, employee empowerment, and excellence in serving our customers and delivering on our commitments to stakeholders. These shared values provide an opportunity for operational improvement that follows from sharing prudent practices and resources. Sharing prudent practices is part of continuous improvement, which we strive for. Sharing these practices involves identifying optimal ways of efficiently performing certain tasks and operations and then implementing those practices deemed prudent. Sharing of prudent practices will bring benefits to both companies and, specifically, to CMUS. The sharing of prudent practices increases a company's knowledge base and enables improved decision-making through enhanced efficiency and competence. Examples of prudent practices that may be shared between companies include methods of addressing customer service complaints, compliance with environmental regulations, safety initiatives, data security programs, and operational techniques. In short, sharing of prudent practices promotes continuous improvement, which ultimately leads to benefits for customers.

Access to Debt Capital and Credit

Small water utilities suffer a disadvantage attracting the attention of, and raising capital in, the equity market. Private investors such as IIF and BCI are ideally suited to supply common equity to CMUS if equity is needed for future capital expenditures. There is very little if any overlap between the investors in IIF and the BCI investor group, so joining these two sets of investors as equity sponsors will expand the pool of equity capital from which Intermediate Newco's utility subsidiaries may receive equity infusions when they are needed. Also, there may be scale benefits for CMUS from association with a larger enterprise, such as more attention from debt lenders and credit providers, as I will discuss below. Furthermore, the IIF and BCI portfolio companies involved in the Proposed Transaction have management expertise and strong relationships throughout the water and utility industry. This combination will broaden the network of professionals to share best practices on important priorities such as health and safety, cybersecurity, operational excellence, and other areas of shared interest.

3.0 Reference: Application, Table 1: Proposed Customer Rates: Test Years 2023 to 2026

Explanation: CMUS is proposing residential Fixed Charges of $13.55/bed unit/month and Meter Rates of $8.24/cubic metre (cu.m.) for 2023. In the 2020 to 2022 Application, the indicative rates for 2023 were $10.94/bed unit/month and $6.65/cubic metre, respectively. The 2023 rates proposed in this application are 24% higher than projected in 2020.

Request:

3.1 Please explain why the proposed 2023 rates are so much higher than projected for 2023 in the 2020 application, given that the indicative rates in the 2020 application already represented a 28% increase on the rates proposed for 2022.

Corix Response:

Table 25: 2023 Residential Bill Change Estimated Drivers on page 41 of the Application provides the estimated drivers for the 2023 rate changes.

Table 25 is reproduced below:

Table 25: 2023 Residential Bill Change Estimated Drivers

Bill Change Estimated Drivers	%
Higher Interest Rates	9%
Higher O&M	18%
CDA Rider Discontinuance	-10%
Lower Commercial Consumption	6%
Higher Residential Consumption RDDA Recovery in 2023 @ 110% Target	-1% 15%
Higher Plant Assets (Depreciation and ROE)	4%
Other	1%
2023 Residential Bill Change	43%

The 2020 to 2022 Rate Application did not anticipate the following:

- **Higher Interest rates; 9% impact**
    - The 2020 Application (June 2020 Evidentiary Update) initially anticipated the deemed interest rate to be 3.64%. Subsequently, in Corix's March 2021 Amended Application implementing the Comptroller Decision, Corix calculated a rate of 3.22% for Actual 2020 which was used for the approved test years from 2020 to 2022.
    - The Actual Deemed 2021 interest rate was 3.15%.
    - The Actual Deemed 2022 interest rate was 5.19%.
    - The 2023 to 2026 Rate Application estimates the interest rates to be 4.98% for 2023 to 2036.

- **Higher O&M; 18% impact**
    - The 2020 Application (June 2020 Evidentiary Update) anticipated lower O&M expenses for 2022.

- **Lower net customer consumption; 5% impact**
    - The 2020 Application (June 2020 Evidentiary Update) anticipated the consumption to be based on prior years. Unfortunately, the Covid pandemic significantly reduced commercial consumption. There was marginal higher residential consumption to offset the lower commercial consumption.

- **Higher RDDA Recovery in 2023; 15% impact**
    - The actual RDDA amounts for 2020 to 2022 were higher than test year approved, resulting in a need for higher recovery in 2023.

- **Higher Plant Assets; 4% impact**
    - The higher plant assets results in marginally higher depreciation, return on equity, and interest.

4.0 Reference: Application, pg. 6 RDDA True Up

Explanation: CMUS states: "that the RDDA be trued-up during the test years (2023 to 2026) for potential changes to how the BCUC sets the cost of capital for thermal energy systems, regarding the flow through of potential return on equity and capital structure differences from approved test years, commencing on January 1, 2023 for the entire test year period."

Request:

4.1 Please explain why the setting of cost of capital for thermal energy systems by the BCUC is relevant to the true up of the RDDA for Corix Panorama Water rates.

Corix Response:
Corix has proposed that the capital structure, return on equity (ROE), and deemed interest methodology for Panorama Water be consistent for the BCUC thermal energy systems since they are both considered "small utilities". The capital structure and cost capital are inputs are required to calculate the debt interest and return on equity amounts for the rate base and revenue requirements in the RDDA.

The BCUC regulates small energy utilities in the same province and the BCUC has been a leader in its Generic Cost of Capital proceedings to set rates for its benchmark utility and small utilities. The Comptroller uses the cost of capital decisions from the BCUC as it is a more efficient regulatory process to hear expert witnesses on cost of capital matters. Expert witness testimony in water hearings would be too costly for customers to bear.

5.0 Reference: Application, pg. 9 Table 2: Operating and Maintenance Expenses

Explanation: Total Operating and Maintenance Expenses for 2022 are projected to be $639,939 in this application compared to a forecast of $490,962 for 2022 in the 2020 application, which is a 30% overage. This difference can be attributed to significantly greater than forecast wages and salaries for operators, Corporate and Regional Services costs and Common Admin Allocation. In addition, 2022 projected Selling, General and Admin Expenses are 2.5 times the costs of goods sold, which seems counterintuitive for a utility. For example, BC Hydro's cost of goods sold is more than 2 times Selling, General and Admin Expenses. It is the increases in these latter costs that appear to be driving the request for significant water rate increases.

Requests:

5.1. Please explain and justify why Operator wages are 3.7% more than forecast for 2022 with an additional 12.2% increase in 2023, given that the 2020 application escalated wages by 3.0% each year through 2022 and this application is proposing a 4.3% increase for 2023. Providing the operators with a living wage is supported but these increases are in excess from the increases proposed.

Corix Response:

Corix updated the chart illustrated in the 2020 application with actuals for Wages and Salaries for the years of 2020-2022 to compare to the forecast that was made for 2023. In the 2020 report, Corix referred to the direct comparisons between EPCOR Water and Sun Peaks and this has been included again. Corix considers that much of the differences result from local labour market conditions in different locations. Corix felt the salaries were reasonable then and with updated figures they continue to remain reasonable.

Gross Wages and Salaries in Panorama

	Actual 2020	Actual 2021	Actual 2022	Forecast 2023
Corix Panorama Water				
Gross Wages, Salaries and Benefits	$132,854 [4]	$89,279	$126,884	$136,442
Full-time Equivalent Employees (FTEs)	1.45	0.94	1.31	1.35
Gross Wages, Salaries and Benefits / FTE	$91,800	$95,400	$97,200	$100,800
Other BC Water Utilities				
EPCOR Water (West) Inc.*	$112,000 [1]	$115,360	$118,821	$122,385
Sun Peaks Utilities Co., Ltd.[2]*	$87,608[3]	$90,236	$92,943	$95,732

[1] EPCOR Water (West) Inc. 2018-2020 Revenue Requirement and Rates Application, page 32 (November 17, 2017)
[2] Sun Peaks Utilities Co., Ltd. Water Utility Rate Application Projection (Revised Dec 19/13) adjusted and approved Apr 7/14
[3] Sun Peaks estimated for 2020. Based on $77,839 for 2016 escalated at 3% for 4 years to 2020.
[4] 2020 Costs included Operator, Administrator, and Area Manager time. 2021 onwards include only Operator time.

*2021-2023 EPCOR and Sun Peaks Utilities values for 2020 have been escalated at 3% each year

As shown above, the total cost of Wages and Salaries varies from year to year. Variation can be caused by: the volume and complexity of jobs completed each year; the number of operators available each year; the time allocated to the utility; and the time required by other nearby utilities which rely on the same resources.

Corix budgeted 1.35 of an FTE for 2023 as this is appropriate for this type of utility. As mentioned in the Application, 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, which allows Panorama Water to budget for 1.35 FTE instead of 2 FTE.

It is noted above that 2020 includes time associated with the administrator and area manager, which was not moved out of the Wages and Salaries line until 2021, but also extra operator time that was spent in that year given that the GSDP project was beginning its full operation. In 2021, there was staff turnover in the area which caused slightly less time charged to the utility. In 2022 the time spent was up to a reasonable level for this utility; therefore the year over year change will vary and Panorama Water will benefit from the mix and specialties of operators that are available at a moment's time. The labour escalation rate for 2023 was chosen to be 1.3% higher than usual on the direction of Corix's senior leadership. Given the current rates of inflation, Corix felt this increase was reasonable for projection purposes.

5.2. Please explain and justify why Corporate and Regional Services projected 2022 costs have increased by 57.7% from those forecast for 2022 in the 2020 application and are forecast to increase by another 7.6% in 2023, given the CMUS statement on page 18 that "Panorama Water receives highly specialized services that include, but are not limited to, accounting, finance, human resources, health and safety, and legal to support operations of the utility. The Utility is receiving a vast array of specialized corporate services at a price that is less than it would incur if it were to obtain all of these services on a standalone basis."

Corix Response:
Please refer to Corix's responses to the Water Comptroller Staff IR No. 1, Question 14.2 and Question 15.1.

5.3. Please explain and justify in more detail than that provided on page 15 why Common Admin Allocation costs have increased from the 2022 forecast $25,979 in the 2020 application to a 2022 projected cost of $118,889 in this application, a factor of 4.5 times. The additional inclusions cited on page 15, exclusive of administrative wages average approximately $40,000 per year prior to 2020, which suggests that the 0.45 FTE of Manager and administration is approximately $80,000 per year or $222,000 per FTE per year, which seems to be excessive for a 6 person operator workforce.

Corix Response:

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 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 (ex. safety training, courses, paperwork)	60,205
Total Common admin allocation 2022	111,218

6.0 Reference: Application, pg. 12: Wages-Operators

Explanation: CMUS states: "As a result, only a portion of their time and associated costs are charged to the Corix Panorama Water utility. The Full-time Equivalent (FTE") charged to the Utility is forecasted at 1.35 FTE." The 2020 application assigned 1.1 FTE operators to the operation of Corix Panorama Water through 2022.

Request:

6.1 Please explain why the operation of the Corix Panorama Water facility required a 23% increase in human resource, given the facility can now be monitored remotely using the SCADA system and no longer requires frequent trips up to the former, now decommissioned, reservoir in a vehicle or snowmobile, which was time consuming.

Corix Response:

The former Corix Panorama Water facility was always monitored by SCADA. The former reservoir was not attended daily. The former water treatment plant and source intake were attended daily. The new Corix Panorama Water facility is more complex than the former Taynton Creek fed system. The water intake of the former system has been replaced by the groundwater source well site which is attended daily. The added complexity requires additional time to monitor and record data.

The water treatment plant contains additional disinfection in the form of ultraviolet reactors which require daily monitoring, periodic calibration (weekly and monthly) and maintenance (e.g., cleaning quartz sleeves of UV bulbs)

7.0 Reference: Application, pg. 12: Vehicles/Travel

Explanation: CMUS states: "All operator hours spent working at the Utility have associated vehicle costs. Vehicle time is charged at a standard rate per hour based on labour hours charged to the utility. The increases in 2024 and 2025 are forecast by applying the inflation escalator for each year."

Request:

7.1. Please explain and justify why 2023 forecast Vehicles/Travel expenses increase by 20% from projected 2022 costs, given that the remote monitoring capabilities of the SCADA system should require fewer vehicle trips to Panorama.

Corix Response:
Vehicle costs are tied to labour hours, not distance travelled; therefore, if operator time charged to a utility increases, then the vehicle cost will experience a related increase. Furthermore, operators need to physically attend the facility to ensure hypochlorite solution quantities are adequate, and observe actual equipment operation (noise, vibration, leaks). These tasks cannot be eliminated through the SCADA system.

8.0 Reference: Application, pg. 13: Repairs and Maintenance

Explanation: CMUS states: "2022 includes additional cost related to the repair of a vertical turbine water pump, which is not a routine maintenance cost."

Request:

8.1 Please explain what caused the failure of the pump and why the repair was not covered under a warranty, given that the pump would have been less than 4 years old and its service life is deemed to be 25 years per Table 16 of this application.

Corix Response:

It is suspected that when the pump was installed, the pump body may have contacted the bottom of the clear well. This would result in the pump shaft being slightly bent. The resulting vibration was not perceptible during commissioning but more clearly manifested itself with operating hours. Regardless of the actual root cause of the shaft defect, it could not be proved to be a manufacturer or installation defect.

Furthermore, the warranty on the installation was one year. As commissioning took place in February 2020 the warranty was already expired.

9.0 Reference: Application, pg. 15 Common Admin Costs

Explanation: CMUS states: "Table 3 shows that the Panorama Water Utility typically receives 30% of the total Common Admin costs."

Request:

9.1 Please explain why 30% of the total Common Admin Costs are applied to Panorama Water Utility when only 18% of the Corix Operator complement is applied to Panorama Water.

Corix Response:
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.

10.0 Reference: Application, pg. 16: Corporate Services Costs

Explanation: CMUS states in Table 4 that part of the Corporate service is to "manage the enterprise-wide continuous improvement program to enhance service quality and realize cost efficiencies."

Request:

10.1. Please provide an example whereby the continuous improvement program has enhanced service quality or realized cost efficiencies in Corix Panorama Water utility, given 2023 customer costs are forecast to increase by more than 300% from 2019 rates.

Corix Response:
Corix provides two examples below.

A member of Corix's Customer Experience (CX) team determined that offering customers the option of contacting them by email was in reality a key driver of delays or miscommunication when responding to customer requests. Factors included the limited capability for email systems to prioritize and route emails to the right person based on content, or to stitch together a complete view of a customer's interactions across multiple email threads and communication channels. As a solution, the CX team executed a plan to gradually retire the inbound customer email channels, consolidating all customer communications within the Corix Connect customer portal. Benefits to customers include faster responses to their requests and questions, and more seamless interactions with CX team members who now have visibility of all customer interactions within one system.

Multiple process improvements implemented by Finance & Accounting team members led to greater use of automation, improved first-time financial data quality, and reduction in manual processing and error-correction. Examples: Automated scheduling and execution within Oracle Fusion various recurring accounting procedures that had previously been run manually; Refinement to cross-validation rules and project transaction controls in Oracle Fusion to prevent users from inadvertently entering costs to invalid accounts.

11.0. Reference: Application, Table 6: 2023 Forecast Corporate Cost Allocations to Panorama Water

Explanation: Table 6 identifies that the 2023 Corporate Cost allocation to Panorama Water for Information Technology is $61,130 and $14,058 for Customer Experience.

Request:

11.1 Please explain why Information Technology costs have almost doubled from the 2022 amount of $31,516 forecast in the 2020 application.

Corix Response:
Please refer to Corix's response to the Water Comptroller Staff IR No. 1, Question 14.2 that speaks to Corporate Cost allocation increases. Additional reasons, specific for Information Technology (IT) costs are provided below.

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. The following business applications are currently in use throughout Corix and provide the capability to account for and allocate the cost of services provided to affiliates:

- General Ledger System (Oracle Cloud or "Fusion") – Maintains the official financial records for Corix and its subsidiaries.
- Asset Accounting System (Fusion) – Maintains fixed asset records, acquisition, depreciation, disposal, etc. This is included in the fixed asset module.
- Time Reporting System (Fusion/ADP) – Employees enter their time (project, non-project, and personal time-off) into the Fusion Time and Absence module and submit their time once complete. All approved time and absences are loaded into the payroll module for processing. After payroll is fully processed, two files containing tax and wage information are sent to ADP through secure means. ADP pays relevant federal, state/provincial agencies as company POA as well as the employees themselves. (Note: ADP does not communicate directly back with the system). Additional processes are run in Fusion to move the relevant information to the GL and project modules.
- Project Management (Fusion) – Maintains project cost of both billable/cost tracking operating and maintenance projects and capital projects where the cost is to be capitalized and depreciated after transferring to the fixed asset module.

- Accounts Receivable System (Fusion/CC&B) – Revenues and payment accounting
- Accounts Payable System (Fusion) – Vendor purchase and payment accounting
- Materials and Supplies (Fusion) – Materials and supplies inventory accounting
- Intercompany (Fusion) – Intercompany transactions and accounting including general journal and invoicing among Corix companies in Fusion.
- Employee & Travel Expense Reporting (Fusion) – Employee and travel-related expenses are documented and processed in Fusion.

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.

11.2. Please explain what value will be provided to the customer with the money allocated to Panorama Water for Customer Experience, given that there were no such costs allocated in the 2020 application.

Corix Response:
Customer experience costs were included in the 2020 application under the Billing & Customer Care section on the Schedule of Operating and Maintenance expenses. The Customer Experience activity was always performed and costed in both the 2020 application and the current application.

12.0. Reference: Application, pg. 21: Projected 2022 Capital Additions

Explanation: CMUS states: “Other capital additions not related to GSDP were the replacement of a leaking service connection (1772 Greywolf Drive – estimated to be losing ~2 liters/second), the purchase of portable instruments (colorimeter and turbidimeter), and replacement of a shaft seal for a vertical turbine pump.”

Request:

12.1. Please explain why replacement of a shaft seal for a vertical turbine pump is considered a capital addition, given that this item already appears to have been covered by Operating and Maintenance expenses.

Corix Response:
The statement in 4.1.1 in the application was incorrect. The capital forecast in the Application did not include any cost amounts regarding the vertical turbine shaft seal repair as this was determined that it should be an operating and maintenance expense.

13.0 Reference: Application, pg. 23: Water Softening Project Assessment

Explanation: Trappers Ridge subdivision agrees with and supports Corix Panorama Water's conclusion not to proceed with this project.

Corix Response:
Corix notes that a response is not required to the above statement.

14.0. Reference: Application, pg. 24: Final Cost estimate, December 2022 for GSDP

Explanation: There is a discrepancy in the values assigned to this cost estimate in the two tables. Table 12 lists the cost at $7,751,151 and Table 13 at $7,755,151.

Request:

14.1 Please explain this discrepancy and how it affects the rate analysis.

Corix Response:
The figures in Table 13 containing the $7,755,151 are correct.

Table 12 incorrectly includes a typographical error. The $7,751,151 in Table 12 should be $7,755,151. The difference of $125,134 remains correct. This typographical error on Table 12 has no impact on the rate analysis. The financial model correctly includes the GSDP plant costs.

The corrected table for Table 12 is shown below.

Table 1 (Corrected): Total GSDP Project Costs (before reserve fund withdrawals and excluding AFUDC)

	Total GSDP Project Cost*
Approved by Water Comptroller Order No. 2578	$7,630,017
Final Cost estimate, December 2022	$7,755,151
Difference	**$125,134**

* - Before approved reserve funds withdrawals and before Allowance for Funds Used During Construction ("**AFUDC**")

15.0 Reference: Application, pg. 29: Weighted Average Cost of Capital

Explanation: CMUS states: "The financing assumptions made above yield a weighted average cost of capital (WACC") of 6.13%. This WACC is used in calculating AFUDC for the GSDP capital costs incurred prior to the project being placed into service."

Request:

15.1. The AFUDC of $299,051 remains the same in this application as it was in the 2020 application, when the WACC was calculated to be 5.57%. Please explain why the different WACCs result in the same value for the AFUDC, as the WACCs are used in its calculation.

Corix Response:
The approved AFUDC of $299,051 was for the work in progress up to the start of the rate base for this water utility on March 1, 2020. This AFUDC is a historical amount that does not change when future AFUDC rates after March 1, 2020 are calculated.

Corix in this rate application has updated the WACC on a go forward basis for the test years.

16.0 Reference: Application, pg. 34: Decommissioning Costs

Explanation: CMUS states: "Total Decommissioning cost incurred to date is $83,193 ($78,287 in 2020 and $4,906 in 2022)"

Request:

16.1 It is my understanding that the infrastructure used to supply water to Panorama prior to the GSDP, other than the distribution system which remains in place, was rather limited. Please provide a breakdown of what needed to be decommissioned and the cost for decommissioning each facility/asset.

Corix Response:
The following needed to be decommissioned:

- **Reservoir and Water Treatment Plant** – The previous reservoir was dismantled, the material was disposed of, and the remaining hole filled with soil from new reservoir excavation. The previous water treatment plant was dismantled and the material was disposed of. The total cost for both was $78,288;

- **SCADA systems** - The SCADA systems associated with reservoir and water treatment plant were decommissioned for a cost of $4,905.

17.0 Reference: Application, pg. 38: Customer Count and Consumption

Explanation: CMUS states: " this customer growth forecast includes 52 new townhouses from 2024 to 2026 for which a CPCN Amendment Application has been filed with the Comptroller. In the bed unit forecast, Corix assumes that each conversion to connected residential customer represents 10 bed units, while each new connected townhouse residential customer represents 4 bed units."

Request:

17.1. Please explain why the new townhomes (at least 36) at the base of the Silver Platter should be considered to have only 4 bed units, given that they have 3 to 5 bedrooms, all have individual hot tubs and have square footage of 1300 to 1800 sq.ft. (all greater than 100 sq.m.), greater than many single residences which are considered to have 10 bed units. Furthermore, many of these townhomes are likely to be semi-commercial through use as short term rentals.

Corix Response:

The Water Tariff No. 5 effective January 1, 2021 under the Definitions section states the following:

(b) "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 indicting 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

iii. commercial customers according to size of water meter:

(i) 5/8" meter = 10 bed units
(ii) 1" meter = 25 bed units
(iii) 1 ½" meter = 50 bed units
(iv) 2" or larger meter = 80 bed units

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

For further context:

- 55 m^3 is 592 ft^2;
- 100 m^3 is 1,076 ft^2;
- 150 m^3 is 1,615 ft^2; and
- 200 m^3 is 2,153 ft^2.

Panorama Mountain Village Official Community Plan

The Panorama Mountain Village Official Community Plan provides further information on bed units[1]. In section 1.6 Definitions it shows the number of bed units for multiple family dwelling units ranging from 2 to 4 (see picture below). 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.

Panorama Mountain Village Official Community Plan

1.6 DEFINITIONS

The following are some of the terms used in the plan that require definition with distinction in meaning as follows:

"accommodation" means development for permanent or temporary residential purposes, including without limitation, sleeping units, guest rooms or dwelling units, but excludes a campground;

"bed unit" means a measure of a quantity of development intended to reflect servicing and facility requirements for one person, calculated as follows:

	Unit Size (sq. m.)	Number of Bed Units
Multiple Family Dwelling Units	0-55 55-100 100+	2 3 4
Two Family Dwelling Units	N/A	12
Commercial Accommodation: - Guest Room, Dwelling Unit - Tourist Pension - Bed and Breakfast - Campsite	0-55 55-100 100+ N/A N/A N/A	2 3 4 8 6 0
Detached Dwelling	N/A	6

(NOTE: Bed Units calculated based on the above formula, shall be applied to the Resort's total maximum allowable bed units only for "market" type resort development. Bed Units associated with employee housing located on the designated Employee Housing site EH shown on Schedule A3, shall not be calculated into the resort's maximum allowable bed unit total.)

2010 Water Tariff Rate Design

Corix in March 2010 filed a Water Tariff Application that included Rate Design changes. On page 16 the utility stated:

> "Single Family Residential

[1] Panorama Community Plan No. 1441, 1999, Consolidation to August 2015, https://www.rdek.bc.ca/web/planningbylaws/panorama/BL1441_Panorama_OCP_Consolidation_August_2015.pdf

> As discussed in Section 3 Review of the 2006 Decision, the proposed rates incorporate specific bed unit information for strata condominiums and townhouses in allocating the basic charge. Bed units are the basis on which the capacity of the water system is determined. Specific information on single family residential bed units is not readily available. However the Utility requires this information to ensure a fair allocation of the basic charge. To obtain this information, the Utility is proposing a 4 month information gathering period3. During this transition period the basic charge for single family residential customers will be based on the current allocation of 6 bed units per customer. Notices will be sent out with monthly Utility bills requesting customers with less than 10 bed units (accommodation for 10 or more people or equivalent to 5 bedrooms) to notify the utility of the number of bed units in their residence. After the notification period, and beginning in 2011, all single family residential customers will be allocated 10 bed units unless they have otherwise notified the Utility. The Utility is forecasting that, as a result of the proposed self-reporting on bed units, 25% of single family customers will be allocated 10 bed units while 75% will remain at the current 6 bed unit allocation. This reallocation of bed units among single family residential customers will ensure that fixed costs of water service are more equitably allocated."

On page 21 that application stated:

> "Since July 1, 2006, the effective date of the last approved tariff, the Utility has based the monthly basic charge on bed units as derived from the definitions used for development guidelines in the provincial ski alpine policy.
>
> 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."

<u>2023 Rate Design as suggested by Trappers Ridge</u>

Corix is not opposed to a refinement of the water tariff for multi-family dwelling units given the new information contained in the information request regarding floor size and appliances using water. However, any tariff changes should be applied on a prospective basis. 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 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.

Consistent with the March 2010 statement on rate design where Corix stated "Bed units for residential condominium and townhouse customers are based on actual square footage of each unit." and where single family dwellings were increased from 6 to 10 bed units for large houses, the large multiple family dwellings proposal beyond 100 sq. m. could be refined.

A possible change to the Water Tariff No. 6 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) <u>between 101 and 150 square meters = 4 Bed Units</u>
(iv) <u>between 151 and 200 square meters = 5 Bed Units</u>
(v) <u>in excess of 200 square meters = 6 Bed Units</u>"

[potential changes in underline]

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 a good proxy for a 200+ m^2 townhouse with more limited irrigation needs but may have other water capacity using appliances.

17.2. Please explain the formula for calculating bed units of both residential and commercial properties.

Corix Response:
The response to Question 17.1 includes the tariff section on how bed units are calculated. Each building for billing purposes is assessed based on the approved tariff methodology.

- 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.

- 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.
    - In 2009 all commercial customers were assigned a flat rate of $150 per month. In 2010 the utility was approved its current commercial bed unit methodology based on the capacity of their installed water meter. The smallest meter at 5/8" equals 10 bed units. The largest meter group at 2" or larger is 80 bed units.

- The current approved methodology for bed units attempts to measure the capacity demand of the groups of customers using bed units and 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.

18.0 Reference: Application, pg. 40: Proposed Rates

Explanation: CMUS states: "The Consumption Deferral Account rate rider was continued at the end of 2022 as per Orders No. 2578 and No. 2584. Therefore, the proposed rates for 2023 to 2026 reflect the rate rider removal."

Request:

18.1. Should this statement read "rate rider was **discontinued"**?

Corix Response:

Yes, an alternate wording would be "Therefore, the proposed rates for 2023 to 2026 reflect the rate rider that was discontinued.

19.0 Reference: Application, pg. 41: 2023 Residential Bill Change Estimated Drivers

Explanation: CMUS states: "The largest drivers of the 2023 bill change are from higher interest rates and higher O&M in the 2023 revenue requirement. The CDA Rider discontinuance was approved in the last rate application. Since the last rate application, Commercial customer consumption is down significantly which increases the unit rates charged." It should also be noted that the RDDA pay down is also a significant driver for rate increases.

Request:

19.1. A request for information on the O&M increases has earlier been submitted on previous pages. Please explain why Corix Panorama Water has not considered the contribution of Covid mandates and protocols on the Commercial customer consumption in the years 2020 to 2022, when consumption fell from 29.06 cu.m./bed unit in 2019 to 23.03 cu.m./bed unit in 2021. Furthermore, the expansion of short term rentals at Panorama should increase customer consumption above 2019 levels. What would the impact on rates be if Commercial consumption resumed to pre-Covid levels?

Corix Response:

<u>Covid mandates</u>

Corix considered the Covid mandates of 2020 to 2022 by using the 2022 consumption instead of including 2020 and 2021. Corix submits based on the information available, the 2022 consumption is the most reliable predictor of 2023 consumption. 2020 and 2021 consumption due to the Covid mandates is not a reliable predictor of 2023 consumption in which 2023 has no Covid mandate. However, the issue for 2023 consumption is no longer Covid mandates, but whether economic activity will return to pre-Covid levels such as in 2019.

In 2023 consumption will be positively affected by the return to "normal" pre-Covid activity. However, 2023 continues to be a year of higher-than-normal inflation and a possible economic recession which will reduce consumption. Given these new challenges facing the economy, there is no certainty that 2023 consumption will be substantially higher than 2022 consumption.

Scenario: Commercial consumption resumes to pre-Covid levels
In the Application, Schedule 1 line 16 shows the following commercial consumption total consumption: 61,707 m^3 for Actual 2020; 54,890 m^3 for Actual 2021; 58,038 m^3 for Projected 2022; and 57,457 m^3 for Forecast 2023. In 2019 Actual commercial consumption was 70,860 m^3.

If commercial consumption in 2023 resumed to 2019 consumption of 70,860 m^3 then the assumptions and impacts are as follows:

1. Consumption increases by 13,403 m^3 from 57,457 m^3 to 70,860 m^3.
2. The total revenue requirement is the same at $1,370,235.
3. The target revenue requirement is the same at $1,507,259.
4. Higher Commercial consumption will mean a lower rate increase and bill increase in Forecast 2023 compared to the Application proposed case.
5. The Commercial Tariff rate change in Forecast 2023 would change from 58% to 47%, a reduction of 11%.
6. This increased commercial consumption would mean additional commercial revenues of $41,111 in Forecast 2023 (from $926,144 to $967,255). Since the target revenue requirement is the same, residential customers would have lower revenues as the commercial customers would have higher consumption.
7. The commercial bill change for a typical customer in Forecast 2023 would change from 37% to 27%, a reduction of 10%.
8. The residential bill change for a typical customer in Forecast 2023 would change from 43% to 33%, a reduction of 10%.

Scenario A2: Higher Commercial Consumption	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue Requirements (excl. CDA Rider 1)	$1,370,235	$1,363,965	$1,505,100	$1,518,559	$1,503,094	$1,468,707	$1,403,449	$1,409,010
Rate Residential (Fixed and Metered Charge)	47%	6%	5%	2%	0%	-5%	-15%	1%
Rate Commercial (Fixed and Metered Charge)	47%	6%	5%	2%	0%	-5%	-15%	1%
Target % Recovery of Total Rev. Req. (excl CDA)	110.0%	119.0%	114.0%	116.0%	116.5%	113.0%	100.0%	100.0%
Target Revenue Requirement	$1,507,259	$1,623,118	$1,715,814	$1,761,528	$1,751,104	$1,659,177	$1,403,449	$1,409,010
RDDA Balance ($)	$1,159,186	$900,033	$689,319	$446,349	$198,339	$7,869	$7,869	$7,869
Residential Bill Impact	33%	6%	5%	2%	0%	-5%	-15%	1%
Commercial Bill Impact	27%	6%	5%	2%	0%	-5%	-15%	1%

Corix notes that the proposed RDDA for 2023 to 2026 includes a true-up for revenues. This means if the Commercial customers use more consumption that approved in the test years, the additional revenues would be used to pay down the RDDA to the benefit of all customers. Given the RDDA, highly accurate consumption forecasting is not necessary to set customer rates. If commercial customers use more than approved in the test years, the RDDA will be reduced to the benefit of all customers.

20.0 Reference: Application, pg. 42: Table 26: Proposed Changes (Test Years 2023 to 2026) and Indicative for 2027 to 2028

Explanation: The Table indicates that an indicative rate increase will be implemented in 2027, followed by an indicative rate decrease in 2028.

Request:

20.1 Please explain why a rate increase will be required in 2027, given that the RDDA will be brought to $0 in 2028 without a 2027 rate increase.

Corix Response:

Table 26 shows a 1% rate increase that brings the 2027 RDDA balance to $190,380. In 2028 there is a 6% rate decrease that brings the RDDA balance to $0 in 2028.

If there was no rate increase in 2027, the RDDA balance would be $198,339 instead of $190,380 at the end of 2027. Scenario A1 below shows the results if 2027 has a 0% rate change.

Scenario A1: RDDA Recovery in 2028	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue Requirements (excl. CDA Rider 1)	$1,370,235	$1,363,965	$1,505,100	$1,518,559	$1,503,094	$1,471,287	$1,402,789	$1,408,349
Rate Residential (Fixed and Metered Charge)	58%	6%	5%	2%	0%	-4%	-16%	1%
Rate Commercial (Fixed and Metered Charge)	58%	6%	5%	2%	0%	-4%	-16%	1%
Target % Recovery of Total Rev. Req. (excl CDA)	110.0%	119.0%	114.0%	116.0%	116.5%	113.5%	100.0%	100.0%
Target Revenue Requirement	$1,507,259	$1,623,118	$1,715,814	$1,761,528	$1,751,104	$1,669,626	$1,402,789	$1,408,349
RDDA Balance ($)	$1,159,186	$900,033	$689,319	$446,349	$198,339	$0	$0	$0
Residential Bill Impact	43%	6%	5%	2%	0%	-4%	-16%	1%
Commercial Bill Impact	37%	6%	5%	2%	0%	-4%	-16%	1%

21.0. Reference: Application, pgs. 42-44: RDDA Recovery Period Scenarios

Explanation: All three proposed scenarios involve a large increase in rates by 55% to 62% in 2023, followed by rate reductions in 2028 and beyond. The scenarios considered do not appear to meet the intent of the RDDA to smooth out and mitigate the impact of a large rate increase occurring in one year.

Request:

21.1. Please provide a scenario that further reduces the large 2023 rate increase over scenario C, e.g. one that reduces the Target % Recovery of Total Revenue Required in 2023 to 1.02% and extends the recovery period to 2033.

Corix Response:

Corix provided Table 29: Scenario C: RDDA Recovery in 2030 in the Application on page 44. The following Scenario D: Recovery in 2033 responds to the request above. Corix has modelled the rates to 2030 within the financial model and computed estimates for 2033 to fully recover the RDDA.

The notes to Scenario D are as follows:

1. 2023 is set at 102.0% of Target % Recovery of Total Revenue Requirement.
2. The following years Target % has been modified to allow a 2030 RDDA balance of $361,025. This is consistent with “Scenario C Recovery in 2030” where the 2027 RDDA balance (3 years prior to recovery date) was $361,025.
3. The analysis presented in Scenario D would allow for the RDDA to be fully recovered in 2033 (similar to the Scenario C (for years 2028 to 2030) but with a 2033 full recovery date) and should be satisfactory in responding to this request for the additional scenario.
4. The financial model had scenarios up to 2030. Updating the model to 2033 would require extensive modelling. The estimated approach for 2031-2033 should be sufficient for this scenario analysis.

Scenario D: RDDA Recovery in 2033	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue Requirements (excl. CDA Rider 1)	$1,374,015	$1,376,904	$1,405,203	$1,495,209	$1,509,154	$1,513,090	$1,512,274	$1,491,006
Rate Residential (Fixed and Metered Charge)	47%	4%	3%	2%	5%	2%	0%	-3%
Rate Commercial (Fixed and Metered Charge)	47%	4%	3%	2%	5%	2%	0%	-3%
Target % Recovery of Total Rev. Req. (excl CDA)	102.0%	107.5%	109.0%	105.5%	109.0%	111.0%	111.0%	108.5%
Target Revenue Requirement	$1,401,495	$1,480,171	$1,531,671	$1,577,445	$1,644,978	$1,679,530	$1,678,624	$1,618,124
RDDA Balance ($)	$1,268,729	$1,165,462	$1,038,993	$956,757	$820,933	$654,493	$488,143	**$361,025**
Residential Bill Impact	33%	4%	3%	2%	5%	2%	0%	-3%
Commercial Bill Impact	27%	4%	3%	2%	5%	2%	0%	-3%

22.0 Reference: Application, pg. 43: RDDA Recovery Period Scenarios

Explanation: CMUS states: "Given that the CDA rate rider expires at the end of 2022, the revenue requirement (without CDA revenues) and a corresponding tariff rate change can be increased without changing customer bills. That is customer bills can be held steady as a tariff increase that matches the CDA rider can fully offset the CDA rider decrease."

Request:

22.1. Please explain how the proposed tariff increase upon removal of the CDA rate rider will hold bills steady, given the proposed metered rate for 2023 is 24% higher than the 2022 rate, including the rate rider.

Corix Response:
The wording in the sentence regarding "bills can be held steady" was with regard only to the CDA rider of $1.46 per m^3 in 2022. Hypothetically, if the CDA rider was removed in 2023 and there was a corresponding increase in metered water rates of $1.46 per m^3 in 2023 then the rates would be held steady within the context of the metered water charge.

23.0 Reference: Application, pgs. 45-46: Contribution in Aid of Construction (CIAC)

Explanation: CMUS states: "The December 31, 2023 Gross Plant is $8,231,646 (Schedule 4 (2023): Utility Plant in Service Dec 31, 2023, line 37 in the Financial Schedules). The vast majority of these costs are related to the GSDP project that included water supply, water treatment, and reservoir upgrades. This plant amount is a good approximation of supply infrastructure costs for capacity since the GSDP project was recently completed. Since the change to rate base regulation, the plant schedules include the GSDP projects costs and some smaller amounts for non-GSDP related to distribution mains. Corix submits this is a good proxy for the capacity used by new future customers since the available capacity in the water supply, water treatment plant, and reservoir is available for many years to the build-out of the resort." It is apparent that the GSDP project developed available capacity in the water supply, water treatment plant and reservoir, which is well above current needs, in order to accommodate future customers.

Request:

23.1. Because of the GSDP, the gross plant per bed unit is valued at $1829; please explain why this value is not set as the CIAC to help mitigate rates for the customers who are currently burdened by the costs of the GSDP. This is especially important given that the current large townhome development is only assigned 4 bed units per dwelling.

Corix Response:
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.

24.0 Reference: Application, pg. 47: Total Customer Bill Impact

Explanation: Table 32 indicates that typical monthly bills are to increase by 43% for residential customers to $152 per month. When adding the wastewater usage charge, the typical monthly bill will be over $200 per month. For those who are full time residents at Panorama, this monthly bill will be even more. For example, our average monthly usage is 17 cu.m./month as full time Panorama residents. Our monthly water bill will now become $275 per month ($3300 per year) and when adding wastewater usage charges (not all is wastewater as our summer usage goes up due to irrigation to keep our trees and shrubs alive in the heat of summer) our monthly bill will go to $388.00 per month ($4658 per year) for what is considered a human right. This compares to water charges in Kimberley, BC with a similar demographic and resort base to Panorama where monthly bills for sewage plus water rates are $80.00 per month with usage rates at $0.50 per cu.m. Although not a fair comparison but for perspective, in Calgary the fixed charge for water per residence is $14.14 per month and usage rate is $1.42/cu.m., which would result in a Panorama typical usage monthly bill of $24.08. For the Windermere East Lake Water System, the 2023 fixed rate is $35.00 per month and 2023 usage rate is $1.66/cu.m. which would result in a Panorama typical usage monthly bill of $46.62.

Request:

24.1. In the 2020 application, Schedule 29, CMUS included a Forecast 2020 Annual Bill Comparison based on average bed units and consumption at Corix Panorama Water utility to 15 other comparable water utilities. Please provide a similar comparison to the proposed 2023 rates and justify why the CMUS proposed rates for 2023 should be considered reasonable, in comparison.

Corix Response:
Corix declines to respond to the question to conduct further research since Corix has not previously prepared the water utility comparison for this rate application and the time and effort to research the 15 updates for comparison would be extensive. Corix submits the cost and time to prepare the information would be much more than the benefit received.

Corix notes the cost comparison was provided in last rate application since it was the first application utilizing rate base and with the GSDP project costs in rates. It would be reasonable to estimate that the rates of the other water utilities have risen by approximately BC CPI (inflation). The BC CPI was 0.8% in 2020, 2.8% in 2021, and 6.9% in 2022.[2] This means over the last three years, CPI has increased by 11%. Applying this CPI increase would provide a high-level comparison of what the other utilities would be now if those rates were updated.

25.0 Reference: Application, pg. 48: Tariff Backbilling Amendment

Explanation: Trappers Ridge supports this amendment as described by CMUS.

Corix Response:
Response not applicable.

[2] BC Statistics, CPI, https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_annual_averages.pdf

26.0 Reference: Application, pg. FS-1: Customer Count, Consumption and Historical Revenue

Explanation: It is recognized that the GSDP was sized to meet the peak demand for water which is likely determined by commercial operations and could be as much as 10 times the residential demand on some days during the recreational seasons. This resulted in a more expensive facility than otherwise would have been required to fulfill the needs of residents. Schedule 1 identifies that actual total residential consumption averaged 30,128 cu.m. for 2020/2021 and that actual total commercial consumption average 58,299 cu.m. or 94% more. Schedule 1 also identifies that the basic charge (fixed rate) paid by residential customers averaged $121,022 for 2020/2021 and the basic charge paid by commercial customers averaged $154,647 for 2020/2021 or 28% more. In 2026, commercial water consumption is projected to be 85% more than residential consumption, but basic commercial charges only 12% more. Currently, commercial water usage is almost **double** that of residential usage but the basic charge (fixed rate) is only about **one quarter** more than the residential basic charge.

Request:

26.1. Please explain and justify why residential customers are being requested to share a bigger fixed charge cost burden relative to commercial customers, given the sizing and subsequent large cost of the GSDP is likely determined by peak demand driven mostly by commercial customers. This seems to be unjust, especially when considering that commercial customers can recover their costs from their clients and residents have no ability to mitigate the basic charges.

Corix Response:

Schedule 11 in the Financial Schedule under Tariff Rates shows the proposed rates. 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.

Effective January 1, 2023 the proposed rates are Residential Metered Rate of $8.24 per cubic meter, for Commercial it is $8.63 per cubic meter. This is a difference of $0.39. Commercial customers pay 4.7% more than Residential rates for the fixed charge. 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.

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 m^3 while commercial is 57,457 m^3. 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.

27.0 Reference: Application, pg. FS-20: Tariff Rates

Explanation: Schedule 11 identifies a line item regarding an availability for service charge of $45 per bed unit per annum. This adds more than $300 to the annual water bill.

Request:

27.1. Please explain why this charge is necessary, given there is already a substantial monthly fixed charge to provide the service.

Corix Response:
The availability charge is only applicable to vacant authorized lots that presently do not have a water connection. The availability charge does not apply to connected water customers. There is no additional charge to connected customers.