ORDER NUMBER 2628

PROVINCE OF BRITISH COLUMBIA

OFFICE OF THE COMPTROLLER OF WATER RIGHTS

IN THE MATTER OF

the *Water Utility Act* and the *Utilities Commission Act*

and

Corix Multi-Utility Services Inc. – Panorama Water

For Approval of
2023 to 2026
Revenue Requirements & Rate Application

BEFORE:

Bryan Robinson, Deputy Comptroller of Water Rights
PO Box 9340 STN PROV GOVT
Victoria, BC V8W 9M1

ORDER 2628

Dated this 19th day of July 2023

File No: 0321243

Whereas:

1. Corix Multi-Utility Services Inc. ("Corix" or "the Utility") is a subsidiary of Corix Infrastructure Inc., a privately held corporation headquartered in Vancouver, British Columbia. Corix owns and operates the water utility providing service to Panorama Mountain Village ("Panorama"), near Invermere, British Columbia.

2. On December 30, 2022 Corix filed its Revenue Requirement and Rate Application for 2023 through to 2026 with detailed support to increase water rates effective January 1, 2023 ("the Application"). The last rate application was approved by Order 2584 for the test years 2020 to 2022. In the Application, Corix requests substantial water rate increases largely as a result of completion of the Groundwater Source Development Program (GSDP) and recovery of the Revenue Deficiency Deferral Account, as well as higher proposed Operating and Maintenance expenses.

3. On January 18, 2023 by Order 2622, the Deputy Comptroller approved Corix's request for an interim, refundable rate increase effective January 1, 2023. The rates and charges will remain interim and refundable with interest subject to the Deputy Comptroller's final decision. Appendix A to Order 2622 established a regulatory timetable for the written hearing process.

4. On January 27, 2023 Corix advertised its Application by mailing a Notice of Application to its customers. Persons wishing to actively participate in the hearing were given until February 28, 2023 to register as interveners with the Secretary to the Comptroller of Water Rights. Customers wishing to submit comments on the Application were required to do so by February 28, 2023. Eight requests for intervener status were received. In addition, twelve customers submitted questions and/or comments on the Application which Corix responded to directly.

5. The relevant evidence submitted by Corix, the interveners, and customers in the written public hearing process has been reviewed and considered.

NOW THEREFORE, the Deputy Comptroller orders that:

1. Corix is to refile the Application updated to comply with all determinations and directives in the attached Reasons for Decision and Order.

2. The refiled Application is expected to be approved provided that it is complete and complies with those determinations and directives.

3. The Application is to be refiled within four weeks from the date of this Order.

4. Until then, the proposed rates and Water Tariff No. 6 effective January 1, 2023 are to continue on an interim refundable basis as approved on January 18, 2023 by Order 2622.

Dated at the City of Victoria, in the Province of British Columbia, this 19th day of July 2023.

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Bryan Robinson
Deputy Comptroller of Water Rights

File No. 0321243

Appendix A
to Order 2628

IN THE MATTER OF

An Application by

Corix Multi-Utility Services Inc.

For Approval of

Panorama Water Utility
2023-2026 Revenue Requirements and
Rate Application

BEFORE:

Bryan Robinson, Deputy Comptroller of Water Rights
PO Box 9340 STN PROV GOVT
Victoria, BC V8W 9M1

REASONS FOR DECISION AND ORDER

July 19, 2023

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1.0 Background

Corix Multi-Utility Services Inc. ("Corix") owns and operates the water utility providing service to Panorama Mountain Village ("the Utility" or "Panorama"). Corix also owns and operates the propane and wastewater utilities at Panorama. Corix is a subsidiary of Corix Utilities Inc., which is a subsidiary of a privately held Vancouver-based corporation, Corix Infrastructure Inc. ("CII"), owned by the British Columbia Investment Management Corporation.

CMUS is regulated under the *Water Utility Act*, the *Utilities Commission Act* and the *Water Sustainability Act* by the Comptroller of Water Rights ("the Comptroller"). The Comptroller is an independent, quasi-judicial regulator responsible for the regulation of private water utilities in British Columbia. Under the *Water Sustainability Act*, the Deputy Comptroller of Water Rights ("Deputy Comptroller") is authorized to exercise the powers and perform the duties of the Comptroller.

The Groundwater Source Development Program (GSDP) project came into service during the last Revenue Requirements Application (RRA) test period and results in a major increase in customer rates in this Application. The Comptroller approved the financing of the GSDP project costs through rate base/rate of return regulation due to the size of the utility and the significant capital investment needed to complete the project. The GSDP project secured a new source of drinking water for the Panorama community and involved the installation of ground water wells and the replacement of aging utility infrastructure. After receiving the necessary operating permits the new Panorama water source and treatment system commenced water service to customers on February 11, 2020.

2.0 Introduction

On December 30, 2022 Corix filed its Revenue Requirements and Rate Application for 2023 through to 2026 with detailed support to increase water rates effective January 1, 2023 ("the Application"). In the Application, Corix requested that the proposed water rate changes be approved on an interim, refundable basis effective January 1, 2023 pursuant to Section 89 of the Utilities Commission Act.

On January 18, 2023 the Deputy Comptroller issued Order 2622 which approved the proposed water rates on an interim, refundable basis effective January 1, 2023 and established a regulatory timetable for the written hearing process.

Corix advertised its Application by mailing a Notice of Application to all its customers. Persons wishing to actively participate in the hearing were given until February 28, 2023 to register as interveners with the Secretary to the Comptroller of Water Rights. Customers wishing to submit comments on the Application were required to do so by February 28, 2023.

The following parties were registered as interveners:

a) Jonathan Bitonti and Marcel Beatch
b) Jonathan Bitonti and Michelle Sander
c) Sandy Murphy
d) Panorama Subdivision Owners Association ("PSOA")
e) Panorama Owners Council
f) Homeowners, Trappers Ridge Subdivision ("Trappers Ridge")
g) Panorama Mountain Resort
h) NES 2502 Wildwood Strata

In addition to the registered interveners, the Deputy Comptroller received eleven customer letters of comments. Customer letters opposed the magnitude of the requested rate increase in the Application and also expressed support for a centralized community water softening solution for Panorama Mountain Village.

The written hearing process included Information Requests of the Utility (IRs), comments from customers, Information Request Responses by the Utility (IRRs), Final Submissions by the Utility and Interveners, and a Final Reply Submission by the Utility. Trappers Ridge actively participated in the written hearing process and asked a series of Information Requests (IRs) and submitted a detailed Final Submission. All documents related to this proceeding were made available to the public through the Regulatory Affairs webpage of the Utility's website.

Corix proposes a four-year test period from 2023 to 2026 with continuation of the Revenue Deficiency Deferral Account (RDDA) to smooth rates for customers. The RDDA mitigates the impact of the rate increases by smoothing rates over a number of years until the balance is fully recovered. Also, the Utility proposes an RDDA true-up to actual for certain non-controllable items.

The Utility proposes rate changes effective January 1st for each of the years from 2023 to 2026. The typical residential customer is anticipated to experience approximately a $45 increase on their monthly bill in 2023. The average commercial customer is anticipated to experience a $638 increase on their monthly bill in 2023.

The proposed residential annual bill increases are estimated at 43% in 2023, 6% in 2024, 5% in 2025, and 2% in 2026. The proposed commercial annual bill increases are estimated at 37% in 2024, 6% in 2025, 5% in 2026, and 2% in 2026.

3.0 Regulatory Approvals Sought

In the Application, Corix requests approval for the following pursuant to Sections 59 to 61 and Sections 89 and 90 of the *Utilities Commission Act* ("UCA"):

1) Approval of the proposed revenue requirements for test years 2023, 2024, 2025 and 2026 as described in the Application. These are based on:

   1) The operating and maintenance expenses presented in Section 3 of the Application;
   2) The rate base as presented in Section 6;
   3) The revenue requirements for the test years 2023 to 2026 as provided in Section 7;
   4) A deemed capital structure of 57.5% debt and 42.5% equity as discussed in Section 5.1.1;
   5) Long term debt financing costs estimated at 4.98% per annum as calculated in Section 5.1.2;
   6) A return on equity (ROE) of 9.5% as discussed in Section 5.1.3; and
   7) The depreciation rates as outlined in Section 5.2.

2) Approval of Customer rates as shown below in Table 1:

Table 1: Proposed Customer Rates: Test Years 2023 to 2026

	Effective January 1, 2023	Effective January 1, 2024	Effective January 1, 2025	Effective January 1, 2026
Residential Fixed Charge per bed unit per month	$13.55	$14.33	$15.08	$15.39
Residential Metered Rate per cubic meter	$8.24	$8.71	$9.17	$9.36
Commercial Fixed Charge per bed unit per month	$15.04	$15.91	$16.74	$17.08
Commercial Metered Rate per cubic meter	$8.63	$9.13	$9.61	$9.81

3) That the rates applied for in Table 1 to be set effective January 1, 2023 as interim rates. The Utility requests that the interim rates be subsequently adjusted if and as required based on the Comptroller's final Decision when rendered on this Application, with any refund or additional charges to be accounted for with interest, retroactive to January 1, 2023.

4) Approval:
   a) to continue the Revenue Deficiency Deferral Account ("RDDA") to smooth rates and for the recovery of the RDDA;
   b) that the RDDA be trued-up to actual for the four test years (2023 to 2026) for certain non-controllable items that include deemed interest expense, revenue variances arising from customer consumption differences, and taxes;

c) that the RDDA be trued-up during the test years (2023 to 2026) for potential changes to how the BCUC (British Columbia Utilities Commission) 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; and
d) to file the RDDA compliance filing for actual year end results.

5) Approval of the tariff housekeeping amendments to amend the terms and conditions of the tariff with regard to adding a back-billing provision and clarifying Schedule F as outlined in Section 13 of this Application.

6) That existing Water Tariff No. 5 for water service at Panorama be updated to Water Tariff No. 6, with rates effective January 1, 2023 based on the approvals regarding the proposals within this Application.

The following sections deal with the significant issues raised during the course of the written hearing process. The proposed rate increase for 2023 is extremely high and attracted significant opposition from customers.

4.0 Hard Water at Panorama: Water Softening Solution

The Utility summarized the water softening issue well in its Final Submission:

"In Section 4.2 of the Application (Hard Water at Panorama), Corix discussed the hard water supply, Health Canada's Drinking Water Guidelines, public outreach, risk and cost pressures, and its assessment of the water softening project.

Page 23 of the Application states: "Given the uncertainty Corix has decided not to request approval for the capital project in this rate application. The high cost of the water softening project, the accumulated RDDA balance, and the proposed rate increases would increase customer bills to higher levels that would unfavourably impact residential customers."

Many customer letters of comment in this proceeding were submitted to the Deputy Comptroller expressing support for the system wide water softening solution. The letter from Riverbend Strata Corp stated that: "Individual condo owners have confined spaces where plumbing is accessible. Most would NOT have sufficient space to install an individual point-of-use water softener large enough to mitigate the hardness effects of the existing incoming water supply on the existing plumbing and hot-water use appliances (laundry, dishwasher, hot water tank etc.)."

Opposition to a system wide water softening solution was indicated in the Trappers Ridge Information Request 1, Item 13 where they stated that: "Trappers Ridge subdivision agrees with and supports Corix Panorama Water's conclusion not to proceed with this project."

In Information Request 1, Question 4.2, the Deputy Comptroller asked Corix to discuss its future plans for a system wide water softening solution and compare the cost versus benefits with each customer considering their own water softener. In the response, Corix compared the estimated bill impact for a centralized utility softening solution to a residential customer-owned softening solution. The high-level estimate indicated a centralized solution would increase 2022 bills by +20%, while a residential customer-owned solution would be +15%.

Corix also provided a table outlining the advantages and disadvantages of a centralized or customer-owned solution in their response. Table 2 shows that a centralized solution has more advantages than a customer-owned solution. The table also shows the customer-owned solution has more disadvantages than a centralized solution. A centralized solution would have higher net intangible benefits than a customer-owned solution.

The bill impact shows that a centralized solution would cost +5% more than a customer-owned solution. However, the centralized solution would have more net intangible benefits than a customer-owned solution. Overall, when the bill impact and intangible net benefits are taken into account the centralized solution is similar to the customer-owned solution. There is no clear indication that either option is superior to the other.

Hard water is not uncommon in the area. Panorama has hard water whether sourcing from a river intake or from wells. Hard water is not considered by the Interior Health Authority as part of its performance target since hard water does not impact risk to human health. The benefits of well source water over run off creek water are greater as it is more reliable and safer. With the change in water source the water remains at the "Very Hard" level based on Health Canada Guidelines. While the hardness levels are higher than preferred, the Guidelines for Canadian Drinking Water Quality document indicates that it is of no direct public health concern to utility customers. Furthermore, there is no direction from Interior Health Authority to reduce water hardness.

A centralized hard water solution will be a costly project that would increase customer bills by +20% based on an average residential customer for 2022. Based on the public outreach there appears to be generally broad support for a centralized utility owned solution with one customer group opposing the project. Some customers were undecided and needed additional information.

A centralized hard water solution will impact all customers at Panorama Water Utility whether they prefer or do not prefer a utility solution to the hard water. If the centralized solution were built it would result in a large increase in customer rates and it would require the RDDA balance recovery to be pushed even further into the future.

As the service provider, Corix must not only balance the cost of providing service but also consider the preferences of the customers while acknowledging that Health Canada does not consider this mater 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 has decided not to request approval for this project at this time.

Given the letters of comment in support of the project, Corix requested in its Final Submission that the Comptroller issue a decision and direction on this matter as part of this proceeding. Specifically, that after considering all the information in this proceeding, including customer preference, the Comptroller either directs Corix to file a major capital project application seeking approval to implement a centralized water softening solution, or directs Corix to abandon any further work on a centralized water softening solution. Alternatively, if a decision and direction is not made, the Comptroller could instead provide the specific criteria, considerations, and issues for Corix to assess and report on in the next rate application.

Direction from the Deputy 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. (Corix Final Submission pgs. 4-6).

In its Final Submission, Trappers Ridge supported a directive to 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 Comptroller. Trappers Ridge also submits that if option 26 a) is chosen that Trappers Ridge be granted intervener status on any Corix submission for a water softening project. (TRS Final Submission 5.1 & 5.2).

Deputy Comptroller Determination and Directive:

The Utility is directed to undertake a preliminary engineering assessment of the costs of installing a system wide water softening facility to be filed as part of the 2027 Revenue Requirements and Rate Application (RRA). Results of the engineering assessment are to be shared with Trappers Ridge.

If the project is approved either as part of the next RRA or from a CPCN review, Corix should consider project completion to be after the RDDA costs related to the GSDP are substantially drawn down.

5.0 Operating and Maintenance Expenses

Section 3 of the Application provides information on the O&M expenses for the Utility. Table 2 shows the Projected 2022 costs with updated Actual 2022 costs provided during the IR process. The following cost categories were highlighted that require the Deputy Comptroller's consideration.

5.1 Corporate & Regional Services Cost Allocations

<u>**Corporate Services Costs**</u>

Corporate Services Costs are shared costs incurred at the corporate level in order to provide a wide variety of services for CII's business units.

Corix continues to use the same corporate services cost allocation methodology approved by the Comptroller in the last rate application proceeding. CII's Corporate Service Costs are first categorized into homogenous categories/services; and then allocated using the Massachusetts Formula with a Composite Allocator. Table 5 of the Application shows the Composite Allocator used by CII, which remains unchanged from the previous rate application.

The Corporate Services Cost Allocation Methodology is based on 1/3 Gross Revenue, 1/3 Headcount and 1/3 Gross Property, Plant and Equipment. The 2024, 2025 and 2026 corporate services cost allocations to Panorama Water were forecast by applying escalators of 3%, 2% and 2% respectively.

In response to Comptroller IR 14.1, the Utility provided updated Table 3 with actual shared service costs from 2020. It shows that Corporate Service Allocations increased from $86,000 in 2020 to $177,000 in 2023.

Table 3: Corporate Cost Allocations to Panorama Water

Item	Corporate Services Cost Categories	Corporate Cost Allocations to Panorama Water			
		Actual	Actual	Actual	Forecast
		2020A	2021A	2022A	2023F
1	Executive Management	6,870	6,276	8,403	11,605
2	Customer Experience	-	2,898	16,947	14,058
3	Regulatory Support & Operational Technology	3,403	3,778	5,640	10,435
4	Corporate Finance and FP&A	7,964	3,900	7,716	10,887
5	Accounting and Tax	7,687	9,668	8,345	12,882
6	Human Resources	7,497	6,072	6,856	10,581
7	Corporate Communication	444	1,696	2,129	3,102
8	Information Technology	28,019	33,411	43,388	61,130
9	Accounts Payable	6,554	1,859	2,464	3,349
10	Support Services Management	-	2,755	4,589	6,390
11	Customer Billing	-	2,820	4,894	4,890
12	Procurement	-	-	913	1,643
13	Fleet	-	6,261	5,870	5,932
14	Continuous Improvement	2,046	3,825	1,739	2,926
15	Health, Safety & Environment	5,423	3,139	3,615	5,178
16	Legal and Risk Management	9,586	4,778	6,890	11,053
17	Internal Audit	279	337	442	947
	Total Corporate Costs	**$85,772**	**$93,474**	**$130,840**	**$176,988**
	Annual Increase in Total Corp. Costs (%)	**N/A**	**9.0%**	**40.0%**	**35.3%**

In late 2020, all of Corix transitioned to one network infrastructure and a single set of business applications. Trappers Ridge highlighted the following increases from 2022 Actual to 2023 Forecast on Table 3:

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

The Utility also identified that: "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." (Corix Response to WC IR 18.1)

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 3.1 p.14)

Trappers Ridge also 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. (TRS 3.3 p.14)

In its Reply Submission Corix states that "the Massachusetts Formula methodology was approved in Comptroller Order No. 2578 in a rate hearing. The formula is equally weighted based on three factors: gross revenue, gross property, plant & equipment, and headcount. The objective of the formula is to allocate shared joint costs. The cost allocation is inherently an estimate of a reasonable allocation of shared costs that are not directly assignable. It is important to note that Corix does not include a mark-up for these shared costs. The use of these shared costs without mark-up is to the benefit of customers since economies of scale and scope will reduce the costs incurred. The alternative to the use of shared resources is to obtain the resources as a stand-alone utility where no allocation of costs would be required. However, the costs of obtaining the same services for a small stand-alone utility would be significantly higher than the use of a shared services model. " (Corix Reply para 39)

Deputy Comptroller Determination

While many variations of the Massachusetts formula are in use across North America, the evidence shows that the allocators of 1/3 Gross Revenue, 1/3 Headcount and 1/3 Gross Property, Plant and Equipment are highly prejudicial to the Panorama Utility where there have been very large recent capital additions driving up rates to much higher levels than other utilities with older depreciated assets. The allocated costs are so high that it is no longer obvious that Panorama could not contract out for the limited services it needs at a lower cost.

The Deputy Comptroller concludes that the current allocations are unacceptable until the rate base of Panorama becomes sufficiently depreciated to better reflect the average rate base per customer of the average of all the utilities covered by Corporate Services. Increases of more than 100% over 3 years are unsupported. Based on the evidence it is not possible to generate any precise estimate of Corporate services actually delivered to Panorama. While the Utility's proposed method seems punitive to Panorama customers, the previous method would have benefited customers prior to the GSDP coming into rate base because the previous rate base and rates were so low. Using 2021 as a base, the Deputy Comptroller determines that a fair cost allocation should be plus 10% for each of 2022, and 2023, and then the applied for escalators of 3%, 2% and 2% in the remaining test years. Although this determination may seem as arbitrary as the proposed methodology, there is not clear evidence to support the fairness of the Utility's methodology at this juncture.

In its next RRA, Corix is to provide evidence as to whether Panorama's rate base per customer and rates per customer remain anomalous to the average of other utilities, or whether the general allocation is then reasonable. Perhaps after the RDDA is paid off would be an appropriate time to transition back to the Massachusetts formula.

Regional Services Costs

Regional Services Costs are the shared costs for the Canadian business unit to provide operational services specifically for utilities within Canada. These costs reside in the Canadian Utilities cost centre and consist of:

- Salaries and benefits for support staff responsible for the Canadian region.

This will include the Director of operations, financial planning & analysis, project management office, governance & compliance, health & safety compliance and administration, Geographic Information System (**GIS**) analysis, business operations support, and regulatory). From 2023 onwards, staff related to the Canadian District Energy Business have been omitted.

- Office building costs, equipment, telephone, travel, training, and vehicle expenses that are not directly charged to a specific utility and mostly related to support staff mentioned above.
- External consulting costs.
- Depreciation costs associated with common assets shared amongst the Canadian Utilities group and not directly charged to a specific utility. (For example, computers, furniture, equipment, supplies).

Business Development costs incurred at the regional level have been excluded from Regional Services Costs. Regional Services Costs are allocated from the Canadian utilities cost centre to each utility based on the same allocations developed for the Corporate Services Costs as outlined.

In response to Comptroller IR 15.1, Corix provided the actual Regional Services Costs from 2020 to 2022.

Table 5: Corporate and Regional Cost Allocations to Panorama Water

Item	Cost Categories	Allocations to Panorama Water			
		Actual	Actual	Actual	Forecast
		2020A	2021A	2022A	2023F
1	Corporate Services Costs	$85,772	$93,474	$130,840	$176,988
2	Regional Services Costs	$41,486	$55,138	$96,893	72,046
	Total Corporate and Regional Services Costs	**$127,258**	**$148,612**	**$227,733**	**$249,034**

The Utility explains that: “In 2022, Corix underwent a Corporate restructure in which all Canadian utilities were merged under one President (District Energy and water/wastewater combined). Due to this change, the total pool of costs under the regional services cost department experienced a material increase, but as additional utility inputs were added to the calculation, Panorama Water’s contribution dropped to 2.4% of the total pool of Regional costs. Some specific advantages seen from the increase of these costs to the Panorama water utility have been: 1) The addition of a Project management office: Panorama has a dedicated Project manager who could work on negotiating pricing, tracking and reviewing costs, and ensuring the best quality at a good price for the utility; 2) Additional regulatory resources, 3) Business operations support to review and ensure customer issues are addressed and followed up on and proper procedures are in place to minimize errors.” (Comptroller IR 15.1)

Deputy Comptroller Determination

At this point in its development, Panorama is unfairly allocated a disproportionate percentage of shared regional costs as a result of the cost allocator methodology relying heavily on rate base and rates when Panorama has so recently completed the GSDP.

While the Utility's proposed method seems punitive to Panorama customers, the previous method would have benefited customers prior to the GSDP coming into rate base because the previous rate base and rates were so low. Using 2021 as a base, the Deputy Comptroller determines that a fair cost allocation should be plus 10% for each of 2022, and 2023, and then the applied for escalators of 3%, 2% and 2% in the remaining test years. Although this determination may seem arbitrary, there is no clear evidence to support the fairness of the Utility methodology at this juncture.

In its next RRA, Corix is to provide evidence as to whether Panorama's rate base per customer and rates per customer remain anomalous to the average of other utilities in the Regional pool, or whether the general allocation is then reasonable. Perhaps after the RDDA is paid off would be an appropriate time to transition back to the Massachusetts formula.

5.2 Wages – Operators & Area Manager

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 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. Corix provided the following breakdown of the FTE charged to the Utility beginning in the year of 2023.

- 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. (Application pgs. 14 & 15)

In its Final Submission, Trappers Ridge states “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%.” (TRS Final Submission p.15)

In its Reply Submission, Corix states that it “does not agree that allocating shared administrative costs based on operator time estimates (22.5%) is a fair and reasonable approach to distribute these costs. A portion of the Common Admin costs cannot be reduced to 17% as these shared area costs all reside in one cost centre and should follow one allocation methodology. Utilities with additional revenue and assets require additional time spent for the Area Manager and Administrator due to increased health and safety measures, financial oversight, regulatory oversight, customer relations, employee management, and capital maintenance planning and coordination. For example, the Kootenay Operations and Maintenance contract utilities might take several operator hours, but there is less requirement for oversight on the management side for utilities that are not owned. Corix submits the 30% for the Area Manager and Administrator reflects the work effort required for Panorama Water." (Corix Reply para. 51)

Deputy Comptroller Determination

The Deputy Comptroller is of the view that while Panorama is one of six utilities in the Kootenay area, Panorama is likely to require significantly more time and effort to support due to its size and complexity. **The forecasted operator and Area Manager operating and maintenance costs are accepted after any adjustment that may flow from the Deputy Comptroller's Determination on allocation of common Regional Services Costs.** The evidentiary record related to what portions of the Area Manager total costs are allocated based on the Massachusetts formula remains confused and the Utility is asked to make the Area Manager cost components clear in the next RRA.

6.0 Financing Assumptions: Capital Structure, Deemed Interest Rate, and Return on Equity (ROE)

The Utility proposes a return on equity of 9.5% which is unchanged from the last rate application approved by Orders No. 2578 and No. 2584. The Comptroller in the last rate application approved the 9.5% Return on Equity (ROE) based on the approved ROE for the benchmark low-risk utility as determined by British Columbia Utilities Commission (BCUC) from time to time, currently set at 8.75%, plus a minimum default equity risk premium above the benchmark utility's return. The Utility incorporates a minimum default equity risk premium of 75 basis points, equal to the equity risk premium approved by the BCUC for small thermal utilities (TES).

The BCUC 2021 General Cost of Capital (GCOC) proceeding may amend the approach taken in the BCUC GCOC Stage 2 Decision associated with Order G-47-17 which decided on the default equity risk premium of 75 basis points and the capital structure of a TES project. The upcoming Stage 2 decision may also change the approach in setting the deemed interest rate.

Given the potential timing for the changes to how the BCUC sets the cost of capital for thermal energy systems, Corix proposes 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 period into the RDDA. If the BCUC approves a different ROE and/or capital structure for thermal energy systems, Corix will calculate the differences from the Panorama Water approved test years for the same parameters and flow through those changes in the actual RDDA true-up.

Corix proposes that the Deemed Interest Rate Methodology as discussed in Section 5.1.2 of the Application is not subject to further changes from a future BCUC decision, once the Comptroller sets the deemed interest rate and approves the methodology in this Application. Consistent with the last Comptroller decision, Corix will true-up the deemed interest rates to actual results for the RDDA in each test year based on the approved deemed interest rate methodology. (Application section 5)

In response to Comptroller IR1, Question 5.1, Corix provided further information on the methodology. Corix was able to report that the Actual 2022 Deemed interest rate is 5.19%. The Application had projected a deemed interest rate of 4.98% for 2022. Table 15 as filed included 4 companies that were included in the BBB/BBB(low) cohort. For February 2023, Corix reported in the response that another new company is now in the cohort so the total is now 5 companies used to determine the BBB-BBB(low) premium on corporate bonds.

Deputy Comptroller Determination

The proposed methodologies and true ups/flow throughs of Capital Structure, ROE and Deemed Interest Rates are approved, including the possible changes resulting from the BCUC 2021 GCOC proceeding. For a small utility like Panorama it would be prohibitively expensive to lead independent expert evidence on these matters based on Panorama alone. The BCUC has a good track record of establishing fair ROEs and Capital Structures for its regulated utilities and the risk profile of Panorama is similar to that of the small thermal utilities (TES) regulated by the BCUC.

7.0 Revenue Deficiency Deferral Account (RDDA) and Rate Smoothing

Normally a utility would recover its approved annual revenue requirement in the year the costs were approved for. However, due to the size of the GSDP capital project, current customer rates, and the current number of customers, Corix proposed the use of a RDDA to phase-in and smooth the GSDP related rate increase over several years. This leads to a revenue requirement shortfall in the initial years of operation, followed by surplus revenue in later years to reduce the balance of the RDDA. This complies with Order No. 2548, in which the Comptroller directed Corix to: "*recommend phase-in options to smooth the GSDP related rate increases over several years*."

Corix states that it sets the target percentage RDDA recovery based on:

i) the impact to customer rates and the total bill impact for an average customer; and,
ii) forecast revenue that would allow the RDDA to be reduced to a zero balance by the end of 2028. This means that starting in 2029, Corix would be in a position to set annual rates to recover 100% of its annual revenue requirements, thereby reducing financing costs to the Utility and its customers. Financing costs occur due to the addition of the RDDA balance to the Utility's rate base to account for the Utility having to finance the revenue requirement shortfall until it is recovered in the later years.

The Utility proposes in this Application that the RDDA be trued-up to actual for the four test years (2023 to 2026) for certain non-controllable items that include deemed interest expense, revenue variances arising from customer consumption differences, and taxes. Revenue variances occur because of differences in forecast consumption due to customer count and customer use. Corix proposes that the RDDA true-up be for the four test years 2023 to 2026.

The Application includes a proposal regarding the use of the RDDA for potential ROE and capital structure differences from approved test years (2023 to 2026) arising from how the BCUC sets the cost of capital for thermal energy systems. The Utility will true-up the RDDA balances when it files its Annual Report to the Comptroller each year on April 30th.

Through the IR process, Interveners and Comptroller Staff questioned the very large, proposed rate increases and the possible use of the RDDA to help avoid rate shock.

In its Final Submission, Corix submits that the shareholder being responsible for the risk of O&M and capital additions strikes a reasonable balance in the setting of rates and cost of service. Corix has now been operating Panorama Water with the GSDP in-service since 2020. This track record of operations allows Corix to take the risk of O&M and plant addition costs during the test years.

In response to a Comptroller IR questioning why the Utility did not use the RDDA to further smooth rates and mitigate the rate shock of the 2023 rate increases, Corix responded:

"In the last rate application Corix requested and received approval to establish the RDDA. The last rate application followed the commencement of service from the Groundwater Source Development Program that involved substantial infrastructure investments in the source wells, water treatment plant and reservoir. The one-time GSDP project capital costs were placed in rate base and depreciated over its useful life. When setting revenue requirements, the one-time GSDP rate base investment resulted in very large annual revenue requirements. To mitigate the rate impact of the capital expenditure the RDDA was approved. In the early years the actual revenues would under-recover the year's revenue requirement. As rate increases subsequently followed in the next years, the revenue requirements annual deficit would be reduced until the cross-over occurred when revenues charged were higher than annual revenue requirements. Thus, with each successive year the surplus would pay down the accumulated RDDA until it was fully recovered. Upon fully recovery, the rates would then be adjusted so that the revenues are equal to the annual revenue requirements. In 2023 the deficit in the RDDA is primarily a result of the higher operating expenses and not capital expenditures. One-time capital expenditures can be smoothed with the associated rate increase being spread over a number of years instead of in one year. However, with ongoing operating expenses the RDDA would build large deficits until the rates increase to cover ongoing costs of service causing a compounding of deficits. The RDDA can be used to manage O&M costs if they increase in one year and decrease in other years but it has a more limited ability to smooth rates since O&M costs are ongoing." (Corix IRR 11.1)

The Utility summarized the evidence and provided a response to Trappers Ridge submission in its Reply Submission:

"Corix provided in Section 9.2 (RDDA Recovery Period Scenarios) of the Application three Scenarios A, B, and C. Scenario A was used as the basis for the proposed rates in the Application.

Corix included an additional Scenario A (40%) in response to Comptroller IR 1, Question 11.1. This scenario provides smoothing the rate increase across 2023 and 2024 resulting in residential bill impacts of 27% in 2023 and 33% in 2024 with a targeted RDDA recovery in 2028.

Corix also calculated Scenario D in response to Trappers Ridge IR #1, Question 21.1. This scenario provides a scenario for additional smoothing that sets 2023 with a 102.0% Target Percentage Recovery of Total Revenue Requirement and full RDDA recovery in 2033. Scenario D's smoothing results in estimated typical residential bill impacts of 33% in 2023 and 4% in 2024 with a targeted RDDA recovery in 2033.

In its Submission 1.1, Trappers Ridge states 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."
In reply to Trappers Ridge, Corix clarifies that the statement Scenario D increases the RDDA balances in 2023 and 2024 is relative to the proposed Scenario A. Scenario D has higher RDDA balances for 2023 and 2024 when compared to Scenario A.

Trappers Ridge in its Submission 1.2 states 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 represent 55% of O&M costs and have increased by more than 60% from 2021, which seem exorbitant for operation of a water utility."

In reply to Trappers Ridge, Corix submits that Scenario D with its full RDDA recovery in 2033 unnecessarily extends the RDDA recovery period an additional five years. This would lead to a 14-year RDDA from 2020 through to 2033. Corix notes that this runs counter to the initial purpose of the RDDA, which was to smooth in rate increases over several years for customers. In Order 2578, the Comptroller highlighted that the downside of a longer recovery period is the financing charges that the RDDA attracts at the utility's weighted average cost of capital (WACC). After weighing the pros and cons of rate smoothing with a RDDA, the Comptroller concluded: "Therefore, it is in the interests of customers to phase in the new rate impacts as soon as reasonable." Corix submits that it is in the interests of customers and the utility to phase in the 2023-2026 rate impacts, without extending the RDDA recovery period by an additional five years. Scenario A (40%) provides rate smoothing in 2023 and 2024 with a targeted RDDA recovery in 2028. Corix submits that Scenario A (40%) is preferred over Scenario D.

Corix submits that 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%)." (Corix Reply pgs. 3 & 4)

Deputy Comptroller Determinations

The RDDA balances are affected by the allocation methodology for common shared costs from corporate and regional centres. The Utility changed its allocation methodology in 2022 from that previously approved in the last RRA without the Deputy Comptroller's approval. The result of this was a significant increase to the 2022 RDDA balance. **The Deputy Comptroller determines that the 2022 allocated common administration costs from the corporate and regional centres should have followed the approved methodology in place from the last RRA Decision and the Utility is directed to amend the 2022 RDDA balance accordingly.** The methodology for allocation of these common costs during the 2023-2026 test period has been addressed in this Decision.

In the last RRA Decision, the Comptroller was sympathetic to the large rate impacts that the GSDP is having on the customers in Panorama Village. The conversion of the Utility to provide reliable year round clean potable water has been costly but was necessary to comply with the Interior Health Authority's clean water objectives and is timely for a community the size of Panorama.

Some phase-in of the new rates was determined to be necessary, but the downside of a phase-in is that the negative balances of the RDDA in the early years attract financing charges at the WACC of the Utility.

While the Utility has defended its very large rate increases for 2023 as being mostly related to O&M expenses rather than the GSDP phase in, the Deputy Comptroller is very surprised that the Utility did not utilize the RDDA to smooth rates in 2023.

Some of the proposed rate increase in 2023 will be tempered by determinations in this Decision related to Corporate overhead allocations and the determination from review of the 2022 RDDA compliance filing related to Corporate allocations in 2022. In addition, we are now half way through 2023 where all of the rate shock is being felt. Finally, since the RDDA balances attract interest at the WACC and interest rates have risen markedly from 2022, there remains some urgency to minimize RDDA balances.

As a result, **Corix is directed to make the cost revisions determined in other sections of this Decision along with the determination from the 2022 RDDA compliance filing and flow through those 2023 revenue requirement savings by reduced customer bills in the remaining months of 2023 compared to the interim rates already collected. This could be done by a bill credit to reduced bills remaining to be paid in 2023 or direct refunds to all customers.**

With these changes, it would appear that paying down the RDDA by 2028 remains feasible. If other factors (such as BCUC findings on capital structure or ROE) result in a higher than expected RDDA in 2026, then the Utility is to consider extending the RDDA recovery period past 2028 in its 2027 RRA filing.

The Utility true-up proposal of certain costs to the RDDA is accepted. Variances in actual O&M costs during the test period are not to be included for true-up.

8.0 Bed Units methodology and rate design

The water tariff defines bed units and how it is calculated. Since 2011, the bed units have been 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.

In 2021 a commercial customer changed its meter size from 2” (80 bed units) to 1” (25 bed units) which resulted in a bed unit reduction of 55. Corix is expecting all existing commercial customers to maintain their meter size and does not forecast any new commercial customers in the test period.

Trappers Ridge 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 fixed charge and metered consumption charge are also higher than residential customers. Overall, commercial customers pay 61.7% of total revenue in Forecast 2023 while its bed units are 53% of the total bed units. The Utility believes that 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.

In its information request, PSOA suggested an alternative methodology for calculating bed units using assessed property tax values. Trappers Ridge questioned the new townhomes to be added at 4 bed units.

PSOA requested that Corix assess the practicality of assigning bed units by incorporating assessed property values for property tax purposes, in a manner similar to how Panorama strata fees have been allocated. Corix submits that a change to bed units utilizing property assessment values should not be implemented. Water utility rate design incorporates different concepts from strata fee allocation, with a key concept of water utility rate design being cost causation. Fixed charges at water utilities are typically allocated based on the capacity requirements imposed on the water utility system by each customer and customer group. Property assessments may result in similar sized properties with similar water utility capacity requirements having materially different property values due to factors that include, but are not limited to, the location of each property and the age of each property. This is not consistent with cost causation principles for water utility rate design. Furthermore, the use of property values would be cumbersome, time consuming, and subject to annual change. Given the difficulty of obtaining and utilizing property values and given that it departs from using a proxy for customer capacity demands, Corix submits that calculating bed units using assessed property tax values should not be considered. The current bed unit methodology driven by customer capacity demands on the water system should be continued. (Corix Final Submission p.7)

Trappers Ridge questioned 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 ranging from 1300 to 1800 sq.ft. (all greater than 100 sq.m.), greater than many single residences which are considered to have 10 bed units.

Corix in its response to Trappers Ridge explained the current methodology in the water tariff, the Panorama Mountain Village Official Community Plan utilizing bed units, and the previous 2010 Water Tariff Rate Design for residential (bed units implementation) and commercial (meter size implementation). The calculation of the bed units for the new townhomes is based on the approved Utility tariff in effect at the time of the application for approval to connect the townhomes.

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
- (v) in excess of 200 square meters = 6 Bed Units”

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.

Corix is not opposed to the above refinement of bed units for residential condominiums and townhouses. If approved by the Comptroller, Corix submits 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. (Corix Final Submission p.8)

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.

Trappers Ridge further 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.

Trappers Ridge also submits that all current and future single family residents be able to apply to reduce their assigned bed units based on clear criterion or number of bed rooms at 2 bed units/bedroom.

A new development plan that will have 25 lots, which may be occupied 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.

Trappers Ridge also submits that Corix should proceed with the revision of Water Tariff No. 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. (Trappers Ridge Final Submission pgs. 7&8)

Deputy Comptroller Determination

Given the prospect of large condominiums being approved in the future, the Deputy Comptroller directs that the proposed tariff change to expand the bed unit criteria for residential condominiums and townhomes should be approved effective January 1, 2023.

Recognizing that rate design considers many factors including cost causality, fairness and conservation objectives, any further changes to bed unit allocations or other methods for assigning costs to replace bed units will require a rate design analysis to ensure fairness to all customers. The Utility should address this issue in its next RRA.

9.0 Customer Count and Consumption

The Utility based the 2023 average bed unit consumption on the 2022 results. A number of information requests asked about 2022 as being a representative year and the use of a 3-year average (2020 to 2022) as well as the use of commercial consumption at 2019 levels. (Comptroller IR 9.1 & 9.2, TRS IR 19.2)

Corix does not consider any of the last three years, including 2022, to be a truly representative year given the COVID-19 pandemic and the possibility of a 2023 economic recession. However, 2022 is the most recent year and the best predictor of 2023.

In its Response to Comptroller IR 9.2, the Utility provided further analysis of using a 3-year average and a 2-year average to forecast consumption. The results show that there is no clear consumption trend in the last three years.

In response to Trappers Ridge IR 19.1, the Utility provided an analysis in the hypothetical scenario if the 2023 commercial consumption using 2019 pre-Covid as the basis for the forecast. Commercial consumption at Panorama has not yet returned to 2019 pre-Covid levels. The Utility believes there has been no clear indication that 2023 will be much different than 2022 given the uncertainty of an economic recession and continued inflation in 2023.

Corix applied a reduction factor to the forecast consumption per bed unit, for both residential and commercial customers of 1% per year from 2023 to 2026. The 1% reduction factor was approved in Orders No. 2578 and 2584 in the last rate application. For consistency, Corix has continued to use the 1% reduction factor given the magnitude of the proposed rate increase in 2023 and the reasonable expectation there will be a reduction in consumption during the test period.

Corix submits that its sales forecast provides a fair and reasonable estimate of consumption and revenues during the test period. Given the RDDA true-up for actual revenues which reflect actual customer consumption a highly accurate sales forecast is not required. (Corix Final Submission p.13)

Deputy Comptroller Determination

Recognizing that the RDDA will absorb any revenue variations from actual consumption during the upcoming test period, the Deputy Comptroller accepts the applied for sales forecast as being reasonable due to the uncertainty stemming from the pandemic years.

10.0 Contribution in Aid of Construction

On pages 45-46 of the Application, Corix provided a response to the Comptroller's directive in the last decision regarding the Contribution in Aid of Construction (CIAC) charge. Trappers Ridge questioned if the gross plant per bed unit is valued at $1,829, then why is this not set as the CIAC charge to help mitigate rates for the customers who are currently burdened by the costs of the GSDP.

In its IR response, Corix states that it would not be opposed to this proposal to revise the CIAC charge 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 for the tariff. 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.

Trappers Ridge supported the proposal in its Final Submission. (TRS Final Submission p.15)

Deputy Comptroller Determination

The revised CIAC charge of $1,829 per bed unit is approved effective January 1, 2023. The CIAC charge for CPCN applications made before January 1, 2023 will be based on the approved Water Tariff No. 5 effective at the time.

11.0 Tariff Amendment: Back-Billing

Corix proposes to add a new section in Water Tariff No. 6 to include Back-Billing. The proposed wording is substantially identical to the wording previously approved by the Comptroller in Water Tariff No. 2 for Corix's Cultus Lake Water Utility.

Back-Billing means the re-billing by the company for services rendered to a customer because the original billings were discovered to be either too high (over-billed) or too low (under-billed). The discovery may be made by either the customer or the company and may result from the conduct of an inspection. Reasons provided for the cause of the billing error may include the application of an incorrect rate, fraud, theft or any other criminal act. Trappers Ridge commented that it supports the tariff back-billing amendment. (TRS IR 25)

Information requests were sent to Corix regarding the consistency of the proposed wording in sections 26.5 (under-billing) and 26.7 (over-billing) and the applicable interest rate in each circumstance. In its response, Corix acknowledges that the proposed wording in section 26.5 for under-billing, which relies on section 2 (Billing and Payment), results in a rate of 1.5% per month which is higher than the short-term bank loan rate applicable to the Utility proposed in section 26.7.

Corix states that it would be amendable to revise the proposed section 26.5 wording for Panorama Water and submits the following amended wording: "Under-billing resulting from circumstances described above will bear simple interest, computed at the short-term bank loan rate applicable to the Utility on a monthly basis from the date of the original under-billed invoice until the amount under-billed is paid in full."

The above wording change, if approved, would then ensure the same applicable interest rate is applied to the over-billing and under-billing subsections of Section 26, Back-Billing.

Deputy Comptroller Determination:

The amended wording is approved.

12.0 Refiling of Application

Based on the various determinations made in these Reasons for Decision, Corix will need to refile its forecast 2023-2026 Revenue Requirements and Rates, with supporting schedules, to comply with all directives of the Deputy Comptroller and any other updates the Utility has noted in its information responses.

Deputy Comptroller Determination & Directive

Corix is to refile the Amended Application within four weeks from the date of this Order to comply with all determinations and directives in these Reasons for Decision. The Amended Application, with adjustments as identified in these Reasons for Decision, will be approved following review of the refiling of the 2023-2026 Revenue Requirements and Rates, with supporting schedules, to comply with those directives.

Dated at the City of Victoria, in the Province of British Columbia, this 19th day of July 2023.

Bryan Robinson
Deputy Comptroller of Water Rights