

[REDACTED]
[REDACTED]
[REDACTED]

March 9, 2023

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

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

Dear Chris:

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

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

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

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

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

1.0 We respectfully request that the Comptroller of Water Rights delve into these expenses to assure the customer is getting reasonable value for these services.

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

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

We understand the need for Corix Panorama Water to build a GSDP facility that is able to accommodate a large increase in water usage during periods of high commercial use, well above normal residential use. The relative distribution of fixed charge rates between residential and commercial use proposed indicate that the residential customer is being required to provide more than their fair share of the costs to ultimately pay for this facility.

3.0 We respectfully request that the Comptroller of Water Rights review the current distribution of these rates to assure their fairness.

Thank you for your consideration.

[REDACTED]

Cal Gillies

[REDACTED]

Intervener Representing Trappers Ridge Subdivision

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

Information Request

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

Requestor Name: Grant Cal Gillies

On behalf of Trappers Ridge Subdivision

March 9, 2023

Trappers Ridge Information Request

REQUESTOR NAME: Trappers Ridge Subdivision
INFORMATION REQUEST NO: 1
TO: Corix Multi-Utility Services Inc. (CMUS), Panorama Water
DATE: March 9, 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.
- 1.2. Please explain why the currently proposed rate increases are reasonable, given the current economic environment in this country.

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.

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.

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.

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.

Trappers Ridge Information Request

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."

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.

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.

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.

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.

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.

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.

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.

Trappers Ridge Information Request

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.

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.

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.

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.

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.

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.

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.

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

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**"?

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

Trappers Ridge Information Request

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?

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.

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.

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.

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.

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

Trappers Ridge Information Request

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.

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

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

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.

Trappers Ridge Information Request

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.