

ORDER NUMBER 2610

PROVINCE OF BRITISH COLUMBIA
OFFICE OF THE DEPUTY COMPTROLLER OF WATER RIGHTS

IN THE MATTER OF

the Water Utility Act and the Utilities Commission Act

and

**Corix Multi-Utility Services Inc.
Okanagan Landing Utilities**

**For Approval of
Water Rate Application
for
2022 to 2024 Rates**

BEFORE:

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

ORDER 2610

Dated this 30th day of May 2022

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, BC. Corix owns and operates the water utility providing service to Okanagan Landing in Vernon, British Columbia.
2. On June 30, 2021 Corix filed its Water Rate Application for 2022 to 2024 Rates with detailed support to increase water rates effective January 1, 2022 (“the Application”). In the Application, Corix requested that the proposed rates be approved on an interim refundable basis effective January 1, 2022 pursuant to Section 89 of the *Utilities Commission Act*.
3. The proposed rates for 2022 to 2024 are:

Residential Service Flat Rates per Quarter	Existing Since Jan 1, 2020	Proposed Jan 1, 2022	Proposed Jan 1, 2023	Proposed Jan 1, 2024
Operations (Utility Portion)	\$217.00	\$235.12	\$254.75	\$276.01
Replacement Reserve Fund (RRF)	\$50.00	\$110.00	\$160.00	\$200.00
Total Charge per Quarter	\$267.00	\$345.12	\$414.75	\$476.01

4. On October 28, 2021 Corix advertised its Application by mailing the Customer Notification Letter (the “Notice”) and Frequently Asked Questions (FAQ) document to all customers. Copies of the Utility’s Application, Customer Notification Letter, FAQ document and Order were posted on Corix’s website. Customers were given until November 30, 2021 to submit comments. Seven customers submitted comments on the Application.
5. Order No. 2595 issued on February 3, 2022 approved the Utility’s request for an interim, refundable rate increase. The rates and charges for 2022 were to remain interim and refundable, with interest, pending a final decision by the Deputy Comptroller. The written hearing process continued with the Deputy Comptroller’s staff issuing a request for additional information. Corix submitted responses to the information request on February 24, 2022 and March 4, 2022.
6. The relevant evidence submitted by the Utility and customers in the written hearing process has been reviewed and considered.

NOW THEREFORE, the Deputy Comptroller orders as follows:

1. Total Gross Revenue Requirements (includes Replacement Reserve Fund provisions) of \$74,839 for fiscal 2022, \$78,051 for 2023, and \$81,175 for 2024 are approved.
2. The following water rates are sufficient and necessary for the Utility to meet its 2022 to 2024 approved Revenue Requirements:

Residential Service Flat Rates per Quarter	Existing Since Jan 1, 2020	Approved Jan 1, 2022	Approved Jan 1, 2023	Approved Jan 1, 2024
Operations (Utility Portion)	\$217.00	\$235.12	\$255.00	\$276.00
Replacement Reserve Fund (RRF)	\$50.00	\$110.00	\$119.00	\$129.00
Total Charge per Quarter	\$267.00	\$345.12	\$374.00	\$405.00

3. The Utility is to comply with all other determinations and directives in the Reasons for Decision attached as Appendix A.

Accordingly, Corix’s Application, as determined in the Reasons for Decision attached as Appendix A to this Order, is approved effective January 1, 2022 and Water Tariff No. 6 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria, in the Province of British Columbia, this 30th day of May 2022.



Jesal Shah, P.Eng., MBA
Deputy Comptroller of Water Rights

IN THE MATTER OF

An Application by

**Corix Multi-Utility Services Inc.
Okanagan Landing Utilities**

**For Approval of
Water Rate Application
for
2022 to 2024 Rates**

BEFORE:

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

REASONS FOR DECISION AND ORDER

May 30, 2022

1.0 Background

Corix Multi-Utility Services Inc. (“Corix”) owns and operates the water utility providing service to the residents of Okanagan Landing (“Okanagan Landing Utilities”, “OLU” or “Utility”) in Vernon, British Columbia. 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.

Okanagan Landing Utilities is regulated under the *Water Utility Act* and the *Utilities Commission Act* by the Comptroller of Water Rights (“Comptroller”). The Comptroller is an independent, quasi-judicial regulator and is 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 all the duties of the Comptroller.

The original Certificate of Public Convenience and Necessity (CPCN) was issued on November 26, 1971 to Myriad Projects Ltd. Subsequently, CPCN 1123 was granted to Okanagan Landing Utilities Ltd. on May 9, 2002 following a transfer in ownership. On December 16, 2019 the Comptroller issued CPCN 1591 to Corix for the transfer of assets,

rights and licenses of Okanagan Landing Utilities Ltd.

The Utility supplies untreated groundwater from a well, with a depth of 230 feet, to 52 mobile home units. Water Licence No. 502505 was issued October 25, 2021 and authorizes the Utility to divert and use up to 37,960 cubic metres per year.

2.0 Introduction

On June 30, 2021 Corix filed its Water Rate Application for 2022 to 2024 Rates with detailed support to increase water rates effective January 1, 2022 (“the Application”). In the Application, Corix requested that the proposed rates be approved on an interim refundable basis effective January 1, 2022 pursuant to Section 89 of the *Utilities Commission Act*.

As shown in the table below, most of the proposed rate increases would be contributed to the Replacement Reserve Trust Fund (RRTF) to help fund system upgrades, including installing water treatment to meet Interior Health Authority’s 43210 Drinking Water Objectives. The portion of the quarterly charge deposited into the RRTF can only be accessed by the Utility upon written authorization from the Deputy Comptroller.

The proposed rates for 2022 to 2024 are:

Residential Service Flat Rates per Quarter	Existing Since Jan 1, 2020	Proposed Jan 1, 2022	Proposed Jan 1, 2023	Proposed Jan 1, 2024
Operations (Utility Portion)	\$217.00	\$235.12	\$254.75	\$276.01
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Total Charge per Quarter	\$267.00	\$345.12	\$414.75	\$476.01

On October 28, 2021 Corix advertised its Application by mailing the Customer Notification Letter (the “Notice”) and Frequently Asked Questions (FAQ) document to all customers. Copies of the Utility’s Application, Customer Notification Letter, FAQ document and Order were posted on Corix’s website. Customers were given until November 30, 2021 to submit comments. Seven customers submitted comments on the Application.

Order No. 2595 issued on February 3, 2022 approved the Utility’s request for an interim, refundable rate increase. The rates and charges for 2022 were to remain interim and refundable, with interest, pending a final decision by the Deputy Comptroller. The written hearing process continued with the Deputy Comptroller’s staff issuing a request for additional information. Corix submitted responses to the information request on February 24, 2022 and March 4, 2022.

All evidence, including submissions from the Utility and its customers, has been taken into consideration. Sufficient evidence was received to proceed with a final review and decision on the Application. The issue to be decided by the Deputy Comptroller is whether to accept, set aside, or vary forecast revenue requirements and proposed water rate increases for 2022 to 2024.

3.0 Revenue Requirements

Revenue Requirements (RR) include forecast operating and maintenance expenses, provision for income taxes, RRF provision and operating margin.

3.1 Operating and Maintenance expenses

Section 4 of the Application provides information on the operating and maintenance expenses. Total operating and maintenance expenses, including Corporate and Regional Services charges, are forecast to be \$46,365, \$47,561, and \$48,492 in 2022 to 2024 respectively. Approved operating expenses for 2020 in the last rate application were \$44,871. Corix adequately explained and justified the forecast operating and maintenance expenses for 2022 to 2024.

3.1.1 Corporate and Regional Services Costs

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. These costs are primarily allocated using three equally weighted factors: (i) Gross Revenue, (ii) Headcount, and (iii) Gross Property, Plant & Equipment (Gross PP&E). This Massachusetts model is commonly utilized in the Utility industry in North America.

Regional Services Costs are shared costs incurred at the regional business unit level in order to provide operational services specifically for utilities within that regional and business unit. In the case of the Utility, the region is BC and Alberta and the Business Unit is Canadian Utilities (excluding District Energy systems, which are under the purview of the Energy Services Canada business unit). These costs consist of salaries and benefits for management and support staff responsible for that region, building and vehicle expenses, office expenses, travel, training and external consulting costs.

Regional Services Costs are allocated from the regional cost centre to each utility based on the pro-rated allocation developed for the Corporate Services Costs.

Corix forecasts Total Corporate and Regional Services Costs allocated to OLU will be \$3,691 for 2022, \$3,761 for 2023 and \$3,836 for 2024.

The Corporate and Regional Services Costs for OLU in this Application follows the same methodology approved by the Deputy Comptroller for other Corix-owned water utilities

and are reasonable.

3.2 Operating Margin

Corix has forecast Operating Margins of \$4,405 for 2022, \$4,518 for 2023 and \$4,607 for 2023. Corix has calculated the allowed Operating Margin for each year based on the Total Operating and Maintenance Expenses (Application, Table 5, line 25) multiplied by 9.50% (Table 5, line 26).

This is the formula the Deputy Comptroller has accepted in the past for similar utilities and is below the maximum allowable limit of 10% under the Comptroller's current CPCN Financial Guidelines.

3.3 Replacement Reserve Trust Fund

The Deputy Comptroller requires regulated water systems to set up and maintain a Replacement Reserve Trust Fund (RRTF) to pay for the replacement of water system components when required. The monies are set aside in a restricted bank account and no releases are allowed without the written authorization of the Deputy Comptroller. In the event the water system is sold or transferred, the RRTF transfers with the system for the beneficial interest of the customers. The current Tariff requires that, from rates collected, \$50.00 per quarter, per customer, be deposited into a Replacement Reserve Trust Fund. This is equivalent to about \$10,400 per year.

Order 2507 dated May 1, 2017 required the Utility to conduct a depreciation study to determine an adequate level of funding for its RRTF based on the current replacement value of system and annual depreciation. As part of this Application, Corix submitted the completed Depreciation Study certified by their professional engineer showing the construction replacement cost to be \$663,525 with an annual depreciation of \$12,388.

In the Updated Response to Comptroller IR No. 1 (Q 2.1) Corix states: "The Depreciation Study estimates the Annual RRTF contribution to be \$12,388. The OLU Replacement Reserve Trust Fund (RRTF balance) at \$41,577 (see Response to IR1, Q. 3.2) and the updated Depreciation Study indicates that the trust fund has saved 3.4 years (\$41,577/\$12,388) of the annual required depreciation. The Depreciation Study also indicates that the Transmission and Distribution Plant replacement construction costs are estimated to be \$429,820 (excluding engineering and contingency) with no water treatment upgrades. The utility at approximately 50 years old has had no substantial upgrades. Given the current balance Corix submits large RRTF contributions are now required to build the RRTF balance to a sustainable level."

Corix proposes to increase RRTF contributions from \$50.00 to \$110.00 in 2022, to \$160.00 in 2023 and \$200.00 in 2024 per quarter, per customer. This would increase annual RRTF contributions from \$10,400 to \$22,880 (2022), \$33,280 (2023) and \$41,600 (2024).

Corix's proposal to increase RRTF contributions from \$50.00 to \$110.00 in 2022 is

approved. For 2023 and 2024, an increase to the RRTF contribution by 8.3%, equivalent to the levelized rate change from operations is acceptable as it minimizes the impact from the large increase to the 2022 contribution rate.

Deputy Comptroller Determinations for Revenue Requirements:

The operating margin for 2022 to 2024 is approved at 9.5% of operating and maintenance expenses (less income tax provision).

Corix is to deposit into its RRTF, the following amounts per customer, per quarter - \$110.00 for 2022, \$119.00 for 2023 and \$129.00 for 2024.

Total Gross Revenue Requirements (includes Replacement Reserve Fund provisions) of \$74,839 for fiscal 2022, \$78,051 for 2023, and \$81,175 for 2024 are approved.

4.0 Proposed Tariff Rate Changes

As shown on Schedule A, the following revised rates are found to be sufficient to cover the approved Revenue Requirements for 2022 to 2024:

Residential Service Flat Rates per Quarter	Existing Since Jan 1, 2020	Approved Jan 1, 2022	Approved Jan 1, 2023	Approved Jan 1, 2024
Operations (Utility Portion)	\$217.00	\$235.12	\$255.00	\$276.00
Replacement Reserve Fund (RRF)	\$50.00	\$110.00	\$119.00	\$129.00
Total Charge per Quarter	\$267.00	\$345.12	\$374.00	\$405.00

Deputy Comptroller Determination for Customer Rates:

The water rates as shown above are approved as final effective January 1, 2022.

Water Tariff No. 6 is accepted for filing.

5.0 Possible transfer to the Regional District

Corix acknowledges that it has entered into discussions with the Regional District of North Okanagan (RDNO) regarding a sale of the utility. Corix plans to continue to own and operate OLU as a private utility as long as it best serves the customer’s long-term

interest. Corix considers it prudent to consider the sale of the utility as it is adjacent to the RDNO's Greater Vernon Water System and should only require a reasonable cost main extension to connect, subject to any capacity issues in the Vernon system.

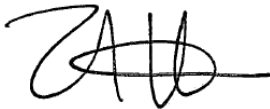
Deputy Comptroller Determination for Possible transfer to the RDNO

The Deputy Comptroller supports Corix's decision to consider a potential sale to the RDNO. Corix is to provide the Deputy Comptroller with updates on the progress of discussions for a potential transfer as a change in ownership must be approved by the Deputy Comptroller as per Section 54 of the *Utilities Commission Act*.

5.0 Conclusion

Having considered all of the evidence affecting the Utility's proposed revenue requirements and rate changes, IT IS HEREBY DECIDED AND ORDERED THAT Corix's Application as determined in this Reasons for Decision to Order No. 2610 is approved effective January 1, 2022 and Water Tariff No. 6 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria, in the Province of British Columbia, this 30th day of May 2022.



Jesal Shah, P.Eng., MBA
Deputy Comptroller of Water Rights

Attachment: Schedule A

Corix Multi-Utility Services Inc.
Okanagan Landing Utilities
Revenue Requirements
For the Years Ending December 31st

Schedule A

	Actual	Projected	Forecast	Forecast	Forecast	Approved	Approved	Approved
	2020	2021	2022	2023	2024	2022	2023	2024
Rates:								
Residential service flat rate, per quarter (excl. RRF)	\$ 217.00	\$ 217.00	\$ 235.12	\$ 254.75	\$ 276.01	\$ 235.12	\$ 255.00	\$ 276.00
Residential service flat rate, per quarter (RRF only)	\$ 50.00	\$ 50.00	\$ 110.00	\$ 160.00	\$ 200.00	\$ 110.00	\$ 119.00	\$ 129.00
Total Residential service flat rate, per quarter	\$ 267.00	\$ 267.00	\$ 345.12	\$ 414.75	\$ 476.01	\$ 345.12	\$ 374.00	\$ 405.00
Number of Customers:								
Residential	52	52	52	52	52	52	52	52
Commercial	0	0	0	0	0	0	0	0
Total Customers	52	52	52	52	52	52	52	52
Revenue Requirements:								
Operating and Maintenance Expenses	27,329	42,411	46,365	47,561	48,492	46,365	47,561	48,492
Provision for Income Tax	4,585	601	1,189	1,220	1,244	1,189	1,220	1,244
Revenue Requirements before Operating Margin	31,914	43,012	47,554	48,781	49,736	47,554	48,781	49,736
Operating Margin	2,596	4,029	4,405	4,518	4,607	4,405	4,518	4,607
Total Revenue Requirements with Operating Margin	34,510	47,041	51,959	53,299	54,343	51,959	53,299	54,343
less Other Revenue		(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Revenue Requirements (excl. RRF Contributions)	34,510	46,941	51,859	53,199	54,243	51,859	53,199	54,243
plus RRF Contributions	10,400	10,400	22,880	33,280	41,600	22,880	24,752	26,832
addback Other Revenue		100	100	100	100	100	100	100
Total Gross Revenue Requirements	44,910	57,441	74,839	86,579	95,943	74,839	78,051	81,175
Revenue (excluding Other Revenue and RRF)	44,219	45,136	48,905	52,988	57,410	48,905	53,040	57,408
plus Other Revenue	90	100	100	100	100	100	100	100
plus RRF Contributions	10,400	10,400	22,880	33,280	41,600	22,880	24,752	26,832
Total Revenue and RRF Contributions	54,709	55,636	71,885	86,368	99,110	71,885	77,892	84,340
less Total Operating Maintenance Expenses	(27,329)	(42,411)	(46,365)	(47,561)	(48,492)	(46,365)	(47,561)	(48,492)
less RRF Contributions	(10,400)	(10,400)	(22,880)	(33,280)	(41,600)	(22,880)	(24,752)	(26,832)
less Provision for Income Taxes	(4,585)	(601)	(1,189)	(1,220)	(1,244)	(1,189)	(1,220)	(1,244)
Net Income (Loss)	12,395	2,224	1,451	4,307	7,774	1,451	4,359	7,772
Cumulative Net Income (2022 to 2024)			1,451	5,758	13,532	1,451	5,810	13,582
Allowed Operating Margin								
Operating and Maintenance Expenses	27,329	42,411	46,365	47,561	48,492	46,365	47,561	48,492
Operating Margin	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Allowed Operating Margin	2,596	4,029	4,405	4,518	4,607	4,405	4,518	4,607
Cumulative Allowed Operating Margin (2022 to 2024)			4,405	8,923	13,530	4,405	8,923	13,530
Income Tax Provision								
Income for Tax purposes	16,980	2,225	4,405	4,518	4,607	4,405	4,518	4,607
Income Tax Rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Income Tax Provision	4,585	601	1,189	1,220	1,244	1,189	1,220	1,244

