



Corix Utilities (Foothills Water) Inc.

Stage 2 Review and Variance of Decision 27844-D02-2023

March 27, 2024

**Alberta Utilities Commission**

Decision 28707-D01-2024

Corix Utilities (Foothills Water) Inc.

Stage 2 Review and Variance of Decision 27844-D02-2023

Proceeding 28707

March 27, 2024

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The Commission may, no later than 60 days from the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission approves changes to Corix Utilities (Foothills Water) Inc.'s previously determined revenue requirements for its 2023-2025 test years as set out in Decision 27844-D02-2023.<sup>1</sup> These changes were approved in accordance with the Stage 1 review and variance (R&V) panel's findings in Decision 28417-D01-2023<sup>2</sup> where the review panel determined there were certain areas raised by Corix that warranted advancement to a Stage 2 R&V proceeding.

## **2 The Commission's review process and background**

2. The Commission's authority to review its own decisions is discretionary and is found in Section 10 of the *Alberta Utilities Commission Act*. Rule 016: *Review of Commission Decisions* sets out the process for considering an application for review.

3. The review process has two stages. In the first stage, a review panel decides whether there are grounds to review the original decision (the preliminary question). If the review panel decides to review the decision, it moves to the second stage where it decides whether to confirm, vary or rescind the original decision.

4. In Decision 28417-D01-2023 (Stage 1 review), the review panel found that there were grounds to review Decision 27844-D02-2023 regarding two specific issues relating to an omission of billing and customer service costs that should have been included in the average calculation of the common administrative cost, and an update to the 2024 return on equity (ROE) percentage as part of the findings in Decision 28585-D01-2023<sup>3</sup> that was released on November 20, 2023.

5. This second stage R&V application was initiated to allow the Commission to fully examine the above-noted errors or changed circumstances. The Commission issued a notice of hearing on December 12, 2023, requesting written submissions from interested parties by December 22, 2023, who may wish to participate in the Stage 2 proceeding, and no statements of intent to participate were received. The process schedule was issued, and the schedule provided for one round of information requests (IRs) to Corix from the Commission.<sup>4</sup>

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<sup>1</sup> Decision 27844-D02-2023: Corix Utilities (Foothills Water) Inc., 2023-2025 Revenue Requirements and Rates Application, Proceeding 27844, July 25, 2023.

<sup>2</sup> Decision 28417-D01-2023: Decision on Preliminary Question Application for Review of Decision 27844-D02-2023, 2023-2025 Revenue Requirements and Rates Application, Proceeding 28417, November 28, 2023.

<sup>3</sup> Decision 28585-D01-2023: 2024 Return on Equity, Proceeding 28585, November 20, 2023.

<sup>4</sup> Exhibit 28707-X0004, AUC letter – Proceeding process, January 10, 2024.

### 3 Issues

6. The Commission discusses each of the issues that were found in the Stage 1 R&V decision to be considered in a Stage 2 proceeding below.

#### 3.1 Issue 1: the omission of billing and customer service costs that should have been included in the average calculation of the common administrative cost

7. In the Stage 1 proceeding to Corix’s R&V application, regarding the level of allocated costs that were approved for the 2023 to 2025 test period, the review panel made the following determination:<sup>5</sup>

The review panel finds, however, that the hearing panel made an error of fact by not including any amount for billing and customer services costs in the amount the hearing panel approved for Corix’s total allocated costs amount. The review panel finds that the average of Corix’s actual 2017-2021 amount for billing and customer service costs, adjusted for inflation, should have been included as a common administrative cost in determining the total allocated costs amount. Accordingly, the review panel will hear the variance question on this error of fact in a Stage 2 proceeding.

8. In an IR to Corix regarding this error of fact with respect to the approved total allocated costs,<sup>6</sup> the Commission asked Corix to provide an allocated cost forecast for the years 2023-2025. In this forecast, Corix was instructed to use the average of Corix’s actual inflation-adjusted 2017-2021 Corporate and Regional Services combined amounts and including the actual costs for the Billing and Customer Service category costs for each year that were omitted from the average calculation in the original decision.<sup>7</sup> In its response, Corix provided the information below, along with supporting calculations in a spreadsheet attachment:<sup>8</sup>

Figure 1. Corix IR response to CORIX-AUC-2024JAN16-001

Corix Utilities (Foothills Water) Inc. 2023-2025 Revenue Requirements Application Operating and Maintenance Costs Schedule 6 (Adjusted to comply with Decision 27844-D02-2023 and reflect IR in Proceeding 28707)							R&V Stage 2
Line No.		Actual 2020	Actual 2021	Projected 2022	Forecast 2023	Forecast 2024	Forecast 2025
1							
19	Billing and Customer Service	42,660	44,839	0	0	0	0
21	Common Admin Allocation	0	0	184,530	0	0	0
22	Corporate Services	165,996	160,371	206,800	301,140	310,175	316,378
23	Regional Services	70,526	71,753	132,869	0	0	0
24							
25	<b>Total Operating and Maintenance</b>	<b>\$905,477</b>	<b>\$954,190</b>	<b>\$1,148,162</b>	<b>\$961,958</b>	<b>\$993,927</b>	<b>\$1,018,297</b>

<sup>5</sup> Decision 28417-D01-2023, paragraph 55.

<sup>6</sup> Exhibit 28707-X0006, CORIX-AUC-2024JAN16-001.

<sup>7</sup> Exhibit 28707-X0006, CORIX-AUC-2024JAN16-001.

<sup>8</sup> Exhibit 28707-X0009, Appendix CUFW Response to CORIX-AUC-2024JAN16-001, tab Sch 6.

9. Corix provided the following supporting detail in its spreadsheet appendix to the IR response to show how the totals were determined and exhibiting how the Billing and Customer Service amounts were included with the other allocation amounts:<sup>9</sup>

Figure 2. Corix IR response to CORIX-AUC-2024JAN16-001 supporting details for allocation calculation

<b>Recomputed Allocated Costs</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Consumer Price Index, annual average, not seasonally adjusted	130.4	133.4	136.0	137.0	141.6	151.2			
Inflation rates	NA	2.3%	1.9%	0.7%	3.4%	6.8%	3.0%	3.0%	2.0%
Billing and Customer Service	39,859	42,452	43,509	42,660	44,839				
Corporate Services	217,367	194,058	103,737	165,996	160,371				
Regional Services	0	0	115,097	70,526	71,753				
<b>Total Allocated Costs</b>	<b>257,226</b>	<b>236,510</b>	<b>262,343</b>	<b>279,182</b>	<b>276,963</b>				
2017 costs adjusted to 2021	257,226	263,144	268,273	270,245	279,319				
2018 costs adjusted to 2021		236,510	241,119	242,892	251,048				
2019 costs adjusted to 2021			262,343	264,272	273,145				
2020 costs adjusted to 2021				279,182	288,556				
2021 costs adjusted to 2021					276,963				
5-Year Average in 2021					273,806				
<b>5-Year Average inflated in each year</b>						<b>292,369</b>	<b>301,140</b>	<b>310,175</b>	<b>316,378</b>

10. The Commission has reviewed the supporting calculations provided by Corix and finds they accurately reflect the Commission's instructions in the IR. In accordance with the direction of the Stage 1 review panel to correct the originally approved allocated amounts, the Commission approves the amounts of \$301,140 for 2023, \$310,175 for 2024 and \$316,378 for 2025 as the total allocation cost forecast amounts. The recalculated amounts reflected in Corix's IR response in Exhibit 28707-X0009<sup>10</sup> shall replace the 2023-2025 allocated corporate services costs that were approved in Decision 27844-D02-2023. The Commission finds this 2023-2025 revenue requirement change appropriately responds to and corrects the error of fact that existed in the original decision.

### 3.2 Issue 2: the approved return on equity percentage in light of a material changed circumstance subsequent to the original decision

11. In the Stage 1 proceeding to Corix's R&V application regarding the return on equity (ROE) of 8.5 per cent approved in Decision 27844-D02-2023,<sup>11</sup> the review panel made the following determination:<sup>12</sup>

The review panel has determined that Corix has not made out any error of fact, or mixed fact and law, in the hearing panel's finding that using the most recently approved GCOC [generic cost of capital] rate of 8.5 per cent would provide Corix with a fair return for 2023. However, while not raised by Corix, the review panel considers that the Commission's release of Decision 28585-D01-2023 in November 2023, which set an ROE of 9.28 per cent for 2024, constitutes a changed circumstance material to the Decision, which occurred since its issuance. Accordingly, on its own motion under Section 2(1) of Rule 016, the review panel will consider Corix's ROE for 2024 and 2025,

<sup>9</sup> Exhibit 28707-X0009, CUFW Response to AUC IR 1 Appendix Feb2024, tab Sch6.

<sup>10</sup> Exhibit 28707-X0009, CUFW Response to AUC IR 1 Appendix Feb2024, tab Sch6, line 22.

<sup>11</sup> Decision 27844-D02-2023, paragraph 206.

<sup>12</sup> Decision 28417-D01-2023, paragraph 70.

in light of Decision 27084-D01-2022<sup>[13]</sup> (the 2023 GCOC) and Decision 28585-D01-2023 (the 2024 ROE), in a Stage 2 proceeding.” (original footnotes omitted)

12. In an IR to Corix in this proceeding, the Commission asked:<sup>14</sup>

- (a) Given the determination of the Commission-approved ROE rate of 9.28 per cent for 2024 as provided in Decision 28585-D01-2023, subsequent to the submission of Corix’s review and variance application filed on August 24, 2023, please confirm whether Corix intends to revise its applied-for 2024 and/or 2025 ROEs in light of this material changed circumstance.

13. Corix responded that it wished to revise its applied-for 2024 and 2025 ROEs to reflect the recently approved GCOC rate of 9.28 per cent. The Commission asked Corix in the same IR to provide updated financial schedules to reflect the 9.28 per cent ROE, if Corix wished to update its ROE, which Corix provided.<sup>15</sup>

14. The Commission has reviewed Corix’s updated financial schedules reflecting both the updated ROE of 9.28 per cent for the years 2024 and 2025, as well as the updated allocated costs discussed above, and confirmed the changes to Corix’s updated revenue requirement have been applied correctly.

15. The Commission approves Corix’s revised 2023-2025 financial schedules that include the changes made to its ROE and allocated costs as provided in its IR responses in this proceeding.<sup>16</sup> The updated financial schedules reflect the revised revenue requirements for 2023 to 2025 incorporating the issues to be heard in a Stage 2 R&V as directed by the Stage 1 review panel. The revised approved Corix revenue requirements for 2023-2025 with their approved ROE rates are shown in the table below:<sup>17</sup>

Table 1. Corix approved revenue requirement 2023-2025

	2023	2024	2025
Revenue requirement	\$1,538,010	\$1,670,535	\$1,745,965
Approved ROE	8.5%	9.28%	9.28%

16. The Commission directs Corix to revise its 2023-2025 revenue requirements and customer rates approved in Decision 27844-D02-2023 to reflect the above-approved revenue requirements for 2023 to 2025. Additionally, the financial schedules included in this Stage 2 R&V proceeding filed as Exhibit 28707-X0009 shall replace any prior-approved financial schedules for Corix in the 2023-2025 test period. The approved 2023-2025 revenue requirement amounts in this decision are directed to be used in Corix’s 2023 true-up application, due May 1, 2024.<sup>18</sup>

<sup>13</sup> Decision 27084-D01-2022: 2023 Generic Cost of Capital, Proceeding 27084, March 31, 2022.

<sup>14</sup> Exhibit 28707-X0008, CORIX-AUC-2024JAN16-002(a).

<sup>15</sup> Exhibit 28707-X0009, CUFW Response to AUC IR 1 Appendix Feb2024.

<sup>16</sup> Exhibit 28707-X0009, CUFW Response to AUC IR 1 Appendix Feb2024.

<sup>17</sup> Revenue requirements source: Exhibit 28707-X0009, tab Sch1, line 25.

<sup>18</sup> Proceeding 28507, Corix Utilities (Foothills Water) Inc. Compliance Filing to Decision 27844-D02-2023, Post-disposition documentation, AUC letter - Corix request for a stay to direction deadline, February 22, 2024.

**4 Order**

17. It is hereby ordered that:

- (1) Corix Utilities (Foothills Water) Inc.'s approved 2023 revenue requirement is \$1,538,010.
- (2) Corix Utilities (Foothills Water) Inc.'s approved 2024 revenue requirement is \$1,670,535.
- (3) Corix Utilities (Foothills Water) Inc.'s approved 2025 revenue requirement is \$1,745,965.

Dated on March 27, 2024.

**Alberta Utilities Commission**

*(original signed by)*

Vincent Kostas  
Acting Commission Member



### Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Corix Utilities (Foothills Water) Inc. (Corix)

Alberta Utilities Commission
Commission panel V. Kostaskey, Acting Commission Member
Commission staff S. Ramdin (Commission counsel) C. Robertshaw N. Fitz-Simon M. Anderson

**Appendix 2 – Summary of Commission directions**

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. The Commission directs Corix to revise its 2023-2025 revenue requirements and customer rates approved in Decision 27844-D02-2023 to reflect the above-approved revenue requirements for 2023 to 2025. Additionally, the financial schedules included in this Stage 2 R&V proceeding filed as Exhibit 28707-X0009 shall replace any prior-approved financial schedules for Corix in the 2023-2025 test period. The approved 2023-2025 revenue requirement amounts in this decision are directed to be used in Corix’s 2023 true-up application, due May 1, 2024. .... paragraph 16