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Chris McMillan  
Secretary to the Comptroller of Water Rights,  
PO Box 9340 STN PROV GOVT,  
Victoria, BC V8W 9M1

March 21, 2019

Dear Sir,

On behalf of the Panorama Subdivision Owners Association (PSOA), this is to advise that the PSOA will not be submitting any further “independent evidence” in the matter of the proposed Corix Multi-Utility Services (CMUS) water rate increase for their Panorama utility.

Our Association however, still wishes to register our strong objection to those issues contained in the submission by Corix which we have already discussed in our previous correspondence. In particular, we object strongly to the Consumption Deferral Account (CDA) provision provided to CMUS under the terms of their agreement with the Comptroller and the removal of the Replacement Reserve Trust Fund Account (RRTF).

With respect to the CDA, the attached file (Additional Comments re CDA and RRTF Appendix A), sets out how this “issue” is dealt with within the oil and gas industry. Using this methodology, puts the responsibility to manage an account such as the CDA clearly in the hands of management (CMUS) and clearly indicates the penalty for mismanaging such an account. The second attachment (Corix CDA Recovery Discount Appendix B) is an illustration of how a back dated rolling 10% penalty could be applied to CMUS for failing to bring a deferral account of almost a half million dollars to the attention of the rate payers or the Comptroller of Water Rights for almost nine years. Such mismanagement should not be permitted under the regulations without penalty.

P.O. Box 28, Panorama, BC V0A 1T0  
[psocommunications@gmail.com](mailto:psocommunications@gmail.com)



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The PSOA again asks for a clear explanation as to why Corix wishes to remove the Replacement Reserve Trust Fund Account. It goes without saying that there will be necessary repairs and replacement of CMUS equipment and infrastructure over time. Without a RRTF account, these expenses will inevitably come back to be part of the next request for a water rate increase.

Respectfully Submitted on behalf of the Panorama Subdivision Owners Association,

J. Bruce Hamstead

President, 2019

CC: Andrew Craddock, Operations Manager, Corix Multi-Utility Services

P.O. Box 28, Panorama, BC V0A 1T0  
[psocommunications@gmail.com](mailto:psocommunications@gmail.com)

## APPENDIX A

- Recovery of \$490,391 Consumption Deferral Account Balance
  - Is it reasonable to update forecasts and apply for rate revisions once every 9 years?
  - Is it reasonable to wait 9 years to address a growing deficit?
  - Are there any precedents for utilities to recover 9 years' worth of deficits?
  - Corix's actions, or inactions, places the burden accumulated by historical homeowners over 9-year period upon current homeowners to be recovered over a 2-year period. At the very least, the recovery period should be lengthened to reduce the impact.
  - Is it reasonable to expect 100% recovery of a 9-year deficit that Corix could have acted sooner to mitigate?
    - The oil and gas industry provides a comparable analog where the operating costs of an oil or gas processing facility are recovered from its users according to their use
    - Users agree to pay 100% of operating costs plus overhead (typically ~ 10%) to the operator
    - Operator prepares a budget for the coming year by estimating throughput and associated operating costs arriving at a unit fee (\$/unit processed) to be charged to users throughout the year
    - Operator charges the budgeted unit fee throughout the year; sometimes there are course correction mechanism and sometimes there aren't.
    - Operator prepares a 13<sup>th</sup> month adjustment to true up actual throughputs and actual costs to arrive at an actual unit fee (\$/unit) to be applicable for the year
    - In case of a deficit, operator invoices users the appropriate amount. In case of a surplus, operator either issues a refund or credits future invoices until arriving at a \$0 balance
    - Such 13<sup>th</sup> month adjustment must be completed and communicated within 3 to 6 months (depending upon the complexity of the operation) of the close of a year.
    - The accounts of the operator can be audited for up to 2 years after the issuance of the 13<sup>th</sup> month adjustment notice or the close of the year if no such notice was issued.
    - Users are entitled to a refund if the audit indicates that one was due in absence of a 13<sup>th</sup> month adjustment notice.
    - Operator is **NOT** entitled to recovery if they fail to issue a 13<sup>th</sup> month adjustment notice on time.

- Perhaps there could/should be a punitive element applied to Corix’s recovery mechanism to encourage them to be more proactive in processing surpluses or deficits. The following example illustrates the effect of a growing 10% per year discount resulting in roughly 2/3 recovery. An argument could be made for a much more punitive mechanism.

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actual									
Total Consump. Revenue Variance	(\$19,398)	(\$71,123)	(\$73,835)	(\$48,818)	(\$47,244)	(\$60,151)	(\$65,915)	(\$51,499)	(\$52,409)
Accumulated Consumption Deferral Account Balance	(\$19,398)	(\$90,521)	(\$164,356)	(\$213,174)	(\$260,418)	(\$320,569)	(\$386,484)	(\$437,983)	(\$490,392)
Recoverable Amount	20.0%	30.0%	40.0%	50.0%	60.0%	70.0%	80.0%	90.0%	100%
Recoverable									
Total Consump. Revenue Variance	(\$3,880)	(\$21,337)	(\$29,534)	(\$24,409)	(\$28,346)	(\$42,106)	(\$52,732)	(\$46,349)	(\$52,409)
Accumulated Consumption Deferral Account Balance	(\$3,880)	(\$25,217)	(\$54,751)	(\$79,160)	(\$107,506)	(\$149,612)	(\$202,344)	(\$248,693)	(\$301,102)
									61.4%

- A combination of an extended recovery term and partial recovery would seem appropriate in the circumstances
- Use of RRTF
  - Justify allocating 100% of RRTF (funds intended to cover repair and replacement) to fund new GSDP (addition of new water sourcing facilities).
  - It would be reasonable to allocate some of such reserve funds while retaining a reserve of funds for the intended purpose for the modified facilities.
- Discontinuation of the RRTF
  - Termination of the RRTF due to the compounding impact of the added costs of the GSPD and the historical \$490,391 deficit balance might be a bit of an over-reaction
  - Perhaps a suspension of the RRTF until the **recoverable amount** (see above) of the deficit has been recovered would make more sense. After such recovery has occurred, the RRTF could be reinstated at a new level that is appropriate for the modified facilities: i.e. lower than \$100,000 per year
    - “With the installation of a ground source water supply replacing a surface water supply and a new reservoir replacing the old reservoir during 2019, the Utility anticipates that significant future capital expenditure will be limited in the near to medium term.”
- Use of DCTF
  - Allocation of 100% of the DCTF toward the GSDP seems to be appropriate as per its stated intended use
  - “The DCTF is made available to pay for future expansion of water system's capacity upon the approval of the Comptroller.”

