

**REQUESTOR NAME:** Water Utility Regulation Section, Water Management Branch  
Ministry of Forests, Lands, Natural Resource Operations and  
Rural Development

**INFORMATION REQUEST NO:** 1

**TO:** EPCOR Water (West) Inc. (“EWW” or “the Utility”)

**DATE:** December 4, 2020

**REFERENCE NO:** 7719

**APPLICATION NAME:** 2021-2023 Revenue Requirements and Rates Application

---

**1.0 Reference: Application, Cover Letter, para. 4**

**Explanation:** EWW states that: “EWW will issue a notice of application to its customers, providing an opportunity for interveners to register in the regulatory proceeding and giving at least 30 days for customers to submit any comments on the Application to the Comptroller’s office. At that time, EWW will also have the entire Application posted to our website and a hard copy will be available for review at our office. EWW will send a draft of the notice to the Comptroller’s office for review.”

**Request:**

1.1 Please provide a copy of the final Notice.

**2.0 Reference: Application, pg. 1, Table 1.1-1**

**Explanation:** The Table provides the proposed water rates

**Request:**

2.1 For ease of reference, please include the 2020 rates on the Table.

**3.0 Reference: Application, pg. 4, para. #7, Conservation Rates**

**Explanation:** EWW explains that for its second alternative: “This alternative was discussed at the May 2020 French Creek CAP meeting and EWW received feedback that with uncertainty related to the COVID-19 pandemic it may not be the best time to implement this type of rate structure and the associated communication strategy. EWW agreed, and this alternative was not pursued.”

**Request:**

3.1 Please advise whether EWW plans to raise this option as part of its 2024 rate application? If not, why?

**4.0 Reference: Application, pg. 4, para. # 9**

**Explanation:** “As shown in Table 1.1.2-1 average residential customers use approximately 11 m<sup>3</sup> in colder months, which represents indoor consumption, with consumption increase to between 20 m<sup>3</sup> and 32 m<sup>3</sup> in warmer months, as outdoor usage increases. It is common practice in the water industry to align a utilities

first consumption tier with basic indoor household water usage<sup>2</sup>.”

**Request:**

4.1 Why did EWW choose 12 cu. m for base consumption for Residential and 10 for Multi-Residential, rather than 11 cu. m?

**5.0 Reference: Application, pg. 6, Tables 1.2-1 to 1.2-3, Monthly Bills**

**Explanation:** EWW shows the residential monthly bills including rate rider refunds.

**Request:**

5.1 Please show the % changes in rates exclusive of rate rider refunds.

5.2 Please show the calculations that lead to the reduction in the basic charge from \$46.30 to \$43.45.

**6.0 Reference: Application, pg. 8, para. 18 and pg. 14, section 2.1**

**Explanation:** “EWW draws water from 18 active wells in two separate aquifers. Both aquifers provide good quality drinking water but one aquifer has slightly elevated levels of iron and manganese. This requires treatment in order to comply with the Guidelines for Canadian Drinking Water Quality.”

And EWW provides “quarterly newsletters, operational updates and water conservation information to customers (mailed with bills).”

**Request:**

6.1 Provide any survey or other information to show that EWW’s customers are satisfied with the current water quality. If they are not satisfied, what improvements would be recommended and approximately what cost would be required?

6.2 Provide an example of the “quarterly newsletters, operational updates and water conservation information”.

6.3 What does the “Wellhead Protection Plan” entail?

**7.0 Reference: Application, pg. 10, para. 26**

**Explanation:** EWW states that “Over the 2022 to 2023 period EWW forecasts its revenue requirement to increase by an average of 2.6% per year which is in line with inflation.”

**Request:**

7.1 Given the recent announcement by the Bank of Canada that interest rates will remain close to 0%, why does EWW believe that 2.6% is in line with inflation?

**8.0 Reference: Application, pg.15, para. 40**

**Explanation:** “During the 2021 - 2023 test period, the EWW Operations Manager will provide support to other EWSI sites operated in BC, resulting in salary reallocations and the addition of a part time operator to augment field operations.”

**Request:**

8.1 Which other sites will the Operations Manager support and how was the cost allocation determined?

**9.0 Reference: Application, pg. 16, para. 45**

**Explanation:** “Actual capital expenditures include amounts related to completed projects noted above and well projects are expected to be completed by the end of 2020.”

**Request:**

9.1 Please update the status of the well projects to be completed by end of 2020.

**10.0 Reference: Application, pg. 17, Table 3.1.1-2 Capital Projects**

**Explanation:** The table compares previous Decision forecast costs to current forecast.

**Request:**

10.1 Nearly all capital projects came in below original forecast. Why, and is there a propensity to over forecast project costs by EWW?

**11.0 Reference: Application, pg. 17, para. 48**

**Explanation:** “One well is currently waiting source water approval from VIHA.”

**Request:**

11.1 What is the status of this VIHA approval?

**12.0 Reference: Application, pg. 18, para. 52**

**Explanation:** “EWW has submitted applications for water licenses for all 18 wells in EWW’s system.”

**Request:**

12.1 What is the status of the well licenses?

**13.0 Reference: Application, pg. 18, para. 54**

**Explanation:** “Rather than purchasing a new printer, EWW decided to lease a new printer. This printer replaces both of the previous printers in the French Creek office and can meet all of the day to day printing requirements, as well as print the water bills.”

**Request:**

13.1 What is the annual lease cost of the new printer and why is that option more cost effective than purchasing a new printer?

**14.0 Reference: Application, pg. 20, para. 67**

**Explanation:** “The well rehabilitation program will fully rehabilitate three wells over the rate period.”

**Request:**

14.1 Were any of these wells included for rehabilitation in the last RRA? If yes, why was that work not completed?

**15.0 Reference: Application, pg. 21, para. 72**

**Explanation:** “**Bulk Water Connection to RDN** – A project to install a **Bulk Water Line** (\$349 thousand) between EWW and the Regional District of Nanaimo (“RDN”) is currently being explored to determine feasibility. This project would be 100% developer funded and would see EWW purchasing and treating raw water from the RDN at the Drew Road Water Treatment Plant. A portion of the treated water would be sold back to the RDN for their use. The remaining treated water would be available for future EWW customer use. Preliminary estimates indicate that this project would supply water for an estimated 50-75 new connections. This project would likely be completed during the 2021-2023 period.”

**Request:**

15.1 Why is this project expected to be more cost effective than adding new wells by EWW when demand warrants it?

15.2 Using EWW’s forecast of new customers and their capacity requirements, when would this new supply be required?

15.3 Why is the budget for this investigation as high as \$349,000 and how much of it would be paid by RDN?

**16.0 Reference: Application, pg. 23, Table 4.1.1-1 and pg. 34 Table 6.1-1, New Customers**

**Explanation:** As part of the CIAC application process, a developer has forecast 85 new Multi-Residential units.

**Request:**

- 16.1 Based on this new information, would EWW adjust its Multi-Residential forecast for this test period? Why or why not?
- 16.2 EWW forecasts 15 new Multi-Residential for 2020 but no new growth in the test period. How many new customers are now forecast in 2020 and are there any projects underway for 2021?
- 16.2 Looking at Table 6.1-1, the consumption deferral account has had significant additions since 2017. Would that support a higher consumption forecast for the test period?

**17.0 Reference: Application, pg. 25, para. 84, Escalation Factors**

**Explanation:** Table 4.3-1 tabulates the escalation factors.

**Request:**

- 17.1 Please provide EWW's revised estimate of the Wages and Salaries and CPI escalation factors taking into account the impact of COVID19 and recent Bank of Canada interest rate projections.

**18.0 Reference: Application, pg. 26 Table 4.3-2**

**Explanation:** Wages and Salaries

**Request:**

- 18.1 Footnote # 6 references the Ministry of Finance report of February 18, 2020. Is there a more recent report and what % inflators does it use?

**19.0 Reference: Application, pg. 28, paras. 97 - 101 & pg. 33 paras. 116-117, Inter-corporate Services**

**Explanation:** "The decreases in corporate service charges between the 2020 decision and the test period are primarily attributable to increased growth in EWSI's other operations. During the 2017 to 2020 period total EUI Corporate Services and EWSI Shared Services costs escalated in line with the 2017 to 2020 forecast. Over this same period EWSI's other operations have grown at a faster pace than EWW, this results in a reduction to the percentage of intercorporate service charges allocated to EWW (0.55% to 0.44%)."

**Request:**

- 19.1 Has the methodology for allocating Inter-corporate Service Charges remained the same as that accepted in the 2018-2020 RRA? If not, what are the changes and have they been reviewed and accepted by any regulator?

---

**20.0 Reference: Application, pg. 31, para. 109, Operating Costs**

**Explanation:** “An increase in senior manager support (0.22 FTE), this support will primarily come from the Sr. Manager Regional Operations, and the Sr. Manager Project Development and Delivery positions located in Alberta. The senior manager support will include but is not limited: to Government liaison activities with the Ministry of Forests, Land, Natural Resource Operations & Rural Development, and the Vancouver Island Health Authority; CAP Committee meetings and presentations; capital project oversight (project management, vendor evaluation, etc.); review and input into operational studies to be completed over the 2021 to 2023 test period; and vacation coverage for the EWW operations manager position.”

**Request:**

20.1 The senior manager support FTE allocation was only 0.06 in the last 3 years. The activities of EWW over the next 3 years appear to be less than during the capital growth period of the last 6 years. Please provide further justification for the increased FTE allocation to 0.22?

**21.0 Reference: Application, pg. 33, para. 114, Appendix D pg. 8, Ground Water / System Capacity Study**

**Explanation:** “This study will look at options to maintain and increase supply capacity for future development in French Creek. EWW has forecast a cost of \$52.5 thousand to complete this study, with 50% allocated to current customers (\$26.3 thousand included in the 2021-2023 test period) and 50% allocated to the future customers as part of the Deferred Capacity Trust Fund.”

**Request:**

21.1 Recognizing the previous studies undertaken for EWW and the current supply balance, why is this study necessary at this time and when will new growth require new supply?

21.2 If the study is for future growth why is it allocated 50% to existing customers?

21.3 EWW should have considerable information on its water supply as a result of the expansions undertaken over the last 10 years. Why then would the study cost over \$50,000 and why is it not being done by EWSI?

**22.0 Reference: Application, pg. 33 para. 114, Drew Road Reservoir Seismic Stability Study**

**Explanation:** “This Study will allow for a full seismic inspection of the Drew Road Reservoirs, and develop a plan and cost estimate to mitigate any issues that are identified.”

**Request:**

22.1 Why is this study necessary and what are the threats to the public if it is not done?

**23.0 Reference: Application, pg. 39 para. 134, and Appendix B-3, pg. 11, Working Capital**

**Explanation:** “Forecast working capital requirements are based on the expected timing of EWW’s cash flows and represent 45 days of operating expenses.”

**Request:**

- 23.1 Does EWW have automated payment schemes that would reduce the duration or amount of working capital requirements?
- 23.2 Will the new billing system to be implemented in 2021 result in lower working capital needs in 2022 and 2023?

**24.0 Reference: Application, pg. 41, para. 140, ROE**

**Explanation:** “EWW has applied a 100 basis points equity risk premium, as approved by the Comptroller in Order 2528, above the ROE for 2016 set by the BCUC for the low risk benchmark utility (BCUC Order G-129-16)<sup>10</sup>.”

**Request:**

- 24.1 It appears that the BCUC last set the low risk benchmark ROE in 2016. When is the BCUC expected to review the low risk benchmark ROE again and would the results of that review be factored in to the EWW ROE for the upcoming test period?

**25.0 Reference: Potential sale of EWW**

**Explanation:** In the last RRA there was potential for a sale of EWW to the Regional District of Nanaimo.

**Request:**

- 25.1 Provide an update on the discussions between EPCOR Utilities Inc. and the Regional District of Nanaimo. If a sale is likely, would it be appropriate to reduce the Test Period to one year?

**26.0 Reference: Application pg. 42, para. 142, Cost of Debt**

**Explanation:** “The cost of debt in the table above reflects the average of the cost of debt for prior years’ debt issuances and a forecast cost of debt for new issues of inter-company debt based on published long term bond yields and spreads as of April 20, 2020.”

**Request:**

- 26.1 Please update the debt calculations for conditions as at December 2020.

**27.0 Reference: Financial Schedule 1.2**

**Explanation:** Other Revenues Actuals & Forecast

**Request:**

27.1 Explain why the previous test period actual and forecast Other Revenues are all higher than the forecast 2021 Other Revenues?

27.2 Update the 2020 Forecast Other Revenues.

**28.0 Reference: Financial Schedule 2.2**

**Explanation:** Contractors and Consultants charges

**Request:**

28.1 Please further explain why the Contractors and Consultants forecast costs on line 9 of schedule are so much higher than those experienced in the last test period?

28.2 Please update the forecast 2020 expenditure for Contractors and Consultants.

**29.0 Reference: Appendix E-1**

**Explanation:** Service Agreement between EWSI and EWW

**Request:**

29.1 If there have been any changes to the Service Agreement since its review in the last RRA, please explain them.

**30.0 Reference: Appendix E-2**

**Explanation:** EUI Corporate Service Costs

**Request:**

30.1 Explain any changes to this document since the review in the last RRA.

**31.0 Reference: Appendix E-3**

**Explanation:** EWSI Shared and Direct Service Charges Allocation Methodology.

**Request:**

31.1 Explain any changes to this document since the review in the last RRA.

31.2 Provide a table of the actual direct service charges for 2018-2020 and the forecast Direct Charges for the test period.