

IN THE MATTER OF

The *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Corix Multi-Utility Services Inc.

Application for Tariff Changes due to COVID-19

Corix Multi-Utility Services Inc.

FINAL ARGUMENT

Submitted 3 June 2020

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I. INTRODUCTION

1. Corix Multi-Utility Services Inc. ("**Corix**") submitted an application to the British Columbia Utilities Commission ("**BCUC**") seeking approval pursuant to section 60 of the *Utilities Commission Act* ("**UCA**") of tariff changes designed to ease the current financial burden for utility customers negatively impacted by the COVID-19 pandemic ("**Application**").
2. BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." ("**BCOAPO et. al**") was granted intervener status by the BCUC in the regulatory review of the Application.
3. The regulatory review process included one round of information requests from BCUC and BCOAPO et. al each. Corix's responses to these information requests provide clarity and justification for the approvals sought by Corix in the Application.
4. This submission briefly reviews the main aspects of the Application and addresses key topics raised through information requests. Topics not covered in this submission are considered to have been addressed sufficiently in the Application or Corix's responses to the information requests.

II. OVERVIEW

5. Corix is a wholly owned subsidiary of Corix Infrastructure Inc. ("**CII**"), a fully integrated provider of utility infrastructure solutions throughout North America that include energy, water, and wastewater projects.
6. Corix owns and operates 8 small utilities regulated by the BCUC. These are stand-alone utilities with separate tariffs. The first three utilities: (1) Dockside Green Energy Utility; (2) Burnaby Mountain District Energy Utility; and (3) Neighbourhood District Energy System at the University of British Columbia are district energy systems¹ with 7, 11, and 8 customers, respectively. The remaining five utilities include two electric distribution utilities (Sun Rivers Electric and Sonoma Pines Electric), two natural gas distribution utilities (Sun Rivers Gas and Sonoma Pines Gas), and one propane distribution utility (Panorama Propane) with customer counts at December 31, 2019 ranging from 240 to 935.²
7. The Province of British Columbia ("**BC**") declared a provincial state of emergency in response to the COVID-19 outbreak. Containment policies and practices were established throughout the province with a focus on physical distancing and self-isolation. This resulted in some businesses closing permanently, others closing for the duration of the pandemic, and others adjusting their operations in

¹ As defined by the BCUC Thermal Energy System Regulatory Framework Guidelines ("**TES Guidelines**").

² Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-1, p. 2.

order to comply with orders from the Provincial Health Officer. As a result, some workers were laid off and others experienced reduced salaries.

8. BC's steps to keep British Columbians safe by containing and limiting the spread of COVID-19 negatively impacted the financial situation for some residents of BC, some of which could be Corix utility customers.
9. Cognizant of the financial burden faced by some utility customers, on March 10, 2020 CII proactively suspended water and energy service shutoffs for delinquent payments in all its U.S. and Canadian business units, including Corix's utilities regulated by the BCUC.³ On March 23, 2020 Corix announced that the suspension of disconnections and late fees would continue until further notice.⁴
10. On March 20, 2020, BCUC issued Order L-13-20 which stated that "all BCUC regulated public utilities are directed to suspend any customer disconnections for matters other than safety, for a minimum of 90 days from the date of this letter. The 90-day period could be further extended at the discretion of the BCUC."⁵
11. The approvals sought on pages 4 and 5 of the Application⁶ are designed to ease the current financial burden for utility customers negatively impacted by the COVID-19 pandemic while maintaining the financial viability of Corix's energy utilities.
12. In the following sections, Corix address certain key topics that were raised in information requests.

III. COVID-19 DEFERRAL ACCOUNT CARRYING COSTS

13. As part of the approvals sought, Corix requests approval to establish a "COVID-19 Deferral Account" for each utility to attract carrying costs in a non-rate base deferral account. Corix proposes to provide quarterly updates on the total aggregate amounts in the deferral account, while annual updates after year end would include allocations to each utility.⁷ Corix would file an application to propose recovery of each COVID-19 deferral account when the balance stabilizes.
14. The balance in the COVID-19 deferral account would be impacted by the severity of the length of the COVID-19 pandemic and its impact to businesses and residents of BC, as well as incremental costs incurred by Corix due to the COVID-19 pandemic.⁸

³ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-1, p. 4.

⁴ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-1, p. 4.

⁵ BCUC Letter L-13-20, dated March 20, 2020.

⁶ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-1, pp. 4-5.

⁷ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-1, Response to BCUC IR No. 5.8, p. 11.

⁸ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-2, Response to BCUC IR No. 3.1-3.3, p. 3.

15. The COVID-19 deferral account carrying costs would be calculated and applied on a monthly basis at Corix's weighted average cost of capital. The formula, its components and their weightings used by Corix to determine the weighted average cost of capital is consistent with the BCUC Generic Cost of Capital Proceeding ("GCOG") Stage 1 Decision and the BCUC GCOG Stage 2 Decision.⁹
16. Given the long-term aspect of the pandemic Corix submits it would not be appropriate to use a short-term interest rate to determine the carrying costs. The deferral account addresses a potentially long-term situation and would best be matched with a cost of capital that reflects Corix's long-term cost of capital.¹⁰
17. With the current state of debt markets in North America, any material cash flow challenges at Corix will need to be addressed with a combination of additional equity and debt. This combination of equity and debt results in Corix's weighted average cost of capital being the most appropriate measure of the cost of capital to Corix of maintaining operations and service to customers in the face of cash flow challenges caused by the non-payment of customer bills.
18. Therefore, it is fair, just and reasonable for Corix to apply carrying costs to the balance in the non-rate base deferral account based on Corix's weighted average cost of capital since this best reflects the long-term cost of capital to Corix.

IV. BILL RELIEF/DEFERRAL PROGRAM

19. A number of questions in the information requests explored a bill relief and a bill deferral program. A bill payment relief program or a bill payment deferral program would:
 - be a formally established program;
 - be applicable to either residential customers only, commercial customers only, or both customer groups;
 - require specific qualification criteria for each customer group related to the impact of COVID-19 on their financial situation;
 - require the vetting and processing of customer applications; and
 - would require exception treatment in the monthly billing process.
20. Incremental costs would be incurred to establish the program and to vet and process customer qualification for participation in the bill payment relief/deferral programs. Due to the different nature of residential and commercial customers, different qualification criteria would be required for each group.
21. Incremental costs would also be incurred to identify and process monthly bills on an exception basis due to participation in the bill payment relief/deferral program.

⁹ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-3, Response to BCOAPO IR Nos. 3.1 - 3.3, pp. 2-3.

¹⁰ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-2, Response to BCUC IR No. 5.1, p. 8.

22. Corix is not proposing in its Application a bill payment relief or bill payment deferral program as these would be time consuming and costly to implement, including proving and processing customer applications to ensure they meet specified criteria prior to the bill deadline dates. The following subsections provide additional rationale why Corix has not proposed (i) a bill relief program or (ii) a bill deferral program.

(i) Bill Relief Program

23. Compared to other significantly larger utilities in BC with over one million customers, Corix's utilities are standalone utilities each with a small customer base. Loss of customer revenue within one utility cannot be recovered from customers in another utility and could unfairly and unjustly burden the remaining customers in the utility experiencing the losses.

24. A bill relief program would be difficult to manage fairly, increase customer service costs due to program administration, and cause a redistribution of certain charges from non-paying customers to other customers. A customer who receives bill relief would be advantaged while another customer who does not receive the bill relief is saddled with the cost.

25. Due to the small customer base of each utility, the costs associated with bill relief and program administration would be spread over the small number of customers who did not participate in the program. This could have a material impact to all customers who do not request bill relief.

26. A bill relief program conflicts with traditional rate making objectives of cost causation and recovery of costs and would be unfair, unjust and unreasonable to the remaining customers.

(ii) Bill Deferral Program

27. Corix's approvals sought include the approval to suspend its Late Payment Charge ("LPC") until at least June 18, 2020 for all customers.

28. The June 18, 2020 date was determined from the BCUC Letter L-13-20 directing utilities to suspend disconnections for matters other than safety until June 18, 2020. As per Corix's request, the cessation of the suspension of the LPC is tied to the BCUC's direction to suspend disconnections. Therefore, if the BCUC extends the June 18, 2020 deadline by a specified length of time, Corix's suspension of the LPC would be extended by the same length of time.

29. Since no late payment charges would apply during the specified period, this approach effectively amounts to the allowance of bill payment deferral for all customers (residential and commercial).

30. Suspending the LPC reduces the risk of human error associated with the treatment of bills on an exception basis as would be done through a more formal bill payment deferral program.

31. Given the small size of the utility and nominal LPC for each customer, the costs of carrying out a bill payment deferral program is likely to be higher than the benefits received.¹¹
32. Corix seeks to ease the current financial burden for utility customers negatively impacted by the COVID-19 pandemic, all without incurring the costs of establishing a formal bill payment deferral program.

V. FLEXIBLE PAYMENT PLAN

33. The Application also includes a request for approval for each Corix utility, in its discretion, to implement a flexible payment plan for customers with outstanding balances.
34. While flexible payment plans may attract some administration costs, these costs would be incurred only for customers with outstanding bills and are anticipated to be lower than the cost to establish a formal bill payment deferral program that includes proving qualifications to determine participant eligibility.
35. Corix's flexible payment plan proposal complements the suspension of the LPC and disconnections in a manner that addresses the impact of COVID-19 on customer's financial situations in a cost-effective manner.

VI. RESPONSIBILITY OF SHAREHOLDER TO BEAR COVID-19 COSTS

36. It is important to note that pursuant to subsection (5)(b) of section 59 of the UCA, a rate is unjust or unreasonable if the rate is insufficient to yield a fair and reasonable compensation for the service provided by the utility. Therefore, the shareholder of the utility is entitled to set just and reasonable rates that provides an opportunity for the utility to earn a fair return on its invested capital.
37. If a customer relief program prospectively removes that opportunity for the shareholder to earn a fair return, then the rates set would be unjust and unreasonable.
38. BCOAPO et. al raised a question regarding the shareholder bearing the costs, to any degree, associated with possible catastrophes that are not typically forecasted. This question raises the issue of compensation for risk.
39. Since the shareholder of a utility is afforded an opportunity to earn a fair return on its invested capital, a shareholder should be compensated based on the risk that it undertakes. In a regulated utility, the

¹¹ Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-2, Response to BCUC IR No. 4.2, p. 5.

regulator sets the rate based on a corresponding level of anticipated risk. When atypical costs are not included in a revenue requirements application it lowers the cost of service and lowers rates, which benefit the customers. However, these atypical costs are real and do have a cost which can be measured and covered by insurance premiums. If a regulator does not allow catastrophe insurance expenses to be flowed through to customers or alternatively a reasonable expected value of annual estimated costs of the risk to be included in rates, then the regulator should allow the shareholder to recover costs in the unlikely event that a catastrophe occurs.¹²

VII. CONCLUSION

40. All the proposals in this Application are fair, just and reasonable and are designed to ease the current financial burden for utility customers negatively impacted by the COVID-19 pandemic while maintaining the financial viability of Corix's energy utilities.
41. Throughout the proceeding, Corix has provided the clarification and justification to support the BCUC approval of the requests on pages 4 and 5 of Corix's Application.

Langley, BC

June 3, 2020

All of which is respectfully submitted.



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¹² Corix Application for Tariff Changes due to COVID-19 Proceeding, Exhibit B-3, Response to BCOAPO IR No. 5.2, p. 5.