



**ORDER NUMBER**  
**G-349-20**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Corix Multi-Utility Services Inc.  
Application for Corporate Cost Allocation Methodology

**BEFORE:**

T. A. Loski, Panel Chair  
C. Brewer, Commissioner  
M. Kresivo, QC, Commissioner

on December 24, 2020

**ORDER**

**WHEREAS:**

- A. On June 5, 2020, pursuant to sections 59 to 60 of *Utilities Commission Act (UCA)*, Corix Multi-Utility Services Inc. (Corix) applied to the British Columbia Utilities Commission (BCUC) seeking approval of a methodology for allocating corporate costs to its utility operations; the creation of a deferral account to capture the costs associated with the regulatory review of this application; and the subsequent allocation of the deferred costs to individual deferral accounts created for each of the utilities by using the Composite Allocator described in the application (Application);
- B. Corix owns and operates eight utilities regulated by the BCUC, which includes: 3 Stream B district energy utilities (as defined by the BCUC Thermal Energy Systems Framework Guidelines), 2 electricity distribution utilities, 2 natural gas distribution utilities and 1 propane distribution utility;
- C. The eight utilities for which Corix is seeking approval in the Application are:
  - i. Dockside Green Energy Utility
  - ii. Burnaby Mountain District Energy Utility
  - iii. Neighbourhood District Energy System at the University of British Columbia
  - iv. Sun Rivers Gas
  - v. Sun Rivers Electric
  - vi. Sonoma Pines Gas
  - vii. Sonoma Pines Electric
  - viii. Panorama Propane;
- D. Corix requests confidentiality of the following appendices of the Application: Appendix A: Confidential Tables; Appendix B: Confidential Corporate Cost Allocation Model; and Appendix C: Confidential Corporate Cost Allocation Manual due to the commercially sensitive nature of the information;

- E. By Order G-171-20 dated June 25, 2020 the BCUC established a regulatory timetable for the review of the Application, which was amended by Orders G-229-20 and G-229-20A. The regulatory process included intervener registration, two rounds of BCUC and intervener information requests (IR) and written final and reply arguments;
- F. The following parties registered as interveners: Simon Fraser University, Panorama Subdivision Owners Association, British Columbia Old Age Pensioners' Organization, Council of Senior Citizens' Organizations of BC, Active Support Against Poverty, Disability Alliance BC, and Tenant Resource & Advisory Centre (BCOAPO), Simon Fraser University Community Trust, and FortisBC Energy Inc. and FortisBC Inc. One letter of comment was also received;
- G. By Order G-276-20 dated November 2, 2020, the BCUC established further regulatory process, which included Panel IRs, response to Panel IRs and written supplemental final and supplemental reply arguments;
- H. On November 10, 2020, Corix filed its supplemental final argument. On November 16, 2020, BCOAPO filed its supplemental final argument and on November 19, 2020, Corix filed its supplemental reply argument; and
- I. The BCUC has considered the Application, the evidence and the submissions filed in this proceeding and makes the following determinations.

**NOW THEREFORE** pursuant to sections 59 to 61 of the UCA and for the reasons for decision attached to this order, the BCUC orders as follows:

1. Corix is approved to use the proposed corporate cost allocation methodology in the Application.
2. Corix is approved to establish a deferral account to capture the costs associated with the regulatory review of this Application. The Corix Deferral Account is approved as a non-rate base account, accruing interest at the Corix weighted average cost of debt.
3. Corix is approved to establish deferral accounts for the eight BCUC-regulated utilities for the subsequent allocation of the final balance as proposed in the Application. The deferral accounts for these utilities are non-rate base accounts accruing interest at the approved respective weighted average cost of debt for each utility.
4. The BCUC will keep confidential the Confidential Tables (Appendix A), the Confidential Corporate Cost Allocation Model (Appendix B), and the Corporate Cost Allocation Manual (Appendix C) of the Application.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 24<sup>th</sup> day of December 2020.

BY ORDER

*Original signed by:*

T. A. Loski  
Commissioner

Attachment

Corix Multi-Utility Services Inc.  
Corporate Cost Allocation Methodology

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Reasons for Decision

December 24, 2020

Before:  
T. A. Loski, Panel Chair  
C. Brewer, Commissioner  
M. Kresivo, QC Commissioner

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## Executive summary

On June 5, 2020, pursuant to sections 59 to 60 of the *Utilities Commission Act* (UCA), Corix Multi-Utility Services Inc. (Corix) applied to the British Columbia Utilities Commission (BCUC) for approval of a corporate cost allocation methodology and related deferral accounts (Application). Corix owns and operates eight small utilities regulated by the BCUC.<sup>1</sup>

Corix seeks the following approvals in the Application:

- A methodology for allocating corporate costs to its utility operations (proposed corporate cost allocation methodology);
- The creation of a deferral account to capture the costs associated with the regulatory review of this application; and
- The subsequent allocation of the deferred costs to individual deferral accounts created for each of the utilities by using the composite allocator described in the Application.

Corix submits its proposed corporate cost allocation methodology aims to match cost allocation with cost causation as closely as possible. Where corporate costs are not directly assignable to a business unit, costs are allocated based on a functional allocator where there is an identified cost causation driver for such costs. For all other indirect corporate costs, a composite allocator is used to generally reflect the size, scope and complexity of each of the operating business units. The composite allocator comprises three equally weighted factors: gross revenue, gross property, plant & equipment, and headcount. Corix submits this method for the allocation of indirect costs is consistent with the Massachusetts Formula which is commonly used in the utility industry. The proposed corporate cost allocation methodology also adjusts for known and measurable changes that would otherwise result in a cost allocation that does not reflect cost causality.

Pursuant to sections 59 and 60 of the UCA, the Panel approves the corporate cost allocation methodology as proposed in the Application. The Panel accepts the proposed steps for allocating corporate costs to utilities as being reasonable. Further, the Panel finds the resulting estimated cost allocations to Corix's eight BCUC-regulated utilities are not unjust, unreasonable, unduly discriminatory or unduly preferential, noting that the actual amounts to be allocated to the utilities may be subject to further review by the BCUC in future rate applications.

The Panel approves the creation of the Corix Multi-Utility Services (CMUS) Deferral account as proposed in the Application, pursuant to sections 59 to 61 of the UCA. The CMUS Deferral Account is approved as a non-rate base account, accruing interest at the Corix weighted average cost of debt.

The Panel approves the request to hold the Corporate Cost Allocation Model, the Corporate Cost Allocation Manual and related tables confidential, on the basis that disclosure of commercially sensitive information may result in prejudice to Corix's position in future commercial ventures.

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<sup>1</sup> Docksider Green Energy Utility, Burnaby Mountain District Energy Utility, Neighbourhood District Energy System at the University of British Columbia, Sun Rivers Gas, Sun Rivers Electric, Sonoma Pines Gas, Sonoma Pines Electric, and Panorama Propane.

## 1.0 Introduction

### 1.1 The Application and Approvals Sought

On June 5, 2020, pursuant to sections 59 to 60 of *Utilities Commission Act* (UCA), Corix Multi-Utility Services Inc. (Corix) applied to the British Columbia Utilities Commission (BCUC) for approval of a corporate cost allocation methodology and related deferral accounts (Application).

The Application seeks approval of the following:

- A methodology for allocating corporate costs to its utility operations (proposed corporate cost allocation methodology);
- The creation of a deferral account to capture the costs associated with the regulatory review of this application; and
- The subsequent allocation of the deferred costs to individual deferral accounts created for each of the utilities by using the composite allocator described in the Application.

Corix also requests that its Corporate Cost Allocation Model, Corporate Cost Allocation Manual and confidential tables submitted with the Application remain confidential due to their commercially sensitive nature.

### 1.2 The Applicant

Corix owns and operates energy, water and wastewater utilities in British Columbia. Corix's portfolio comprises rate-regulated utilities, utilities governed by contracts and unregulated utilities. The table below provides the list of energy utilities, owned and operated by Corix, that are regulated by the BCUC<sup>2</sup>:

**Table 1: Corix Energy Utilities Regulated by the BCUC**

No.	Utility	No. of Customers at Dec 31, 2019
1	Dockside Green Energy Utility ("DGE")	7 customers (serving 341 units)
2	Burnaby Mountain District Energy Utility ("BMDEU")	11 customers (serving 1,053 units)
3	Neighbourhood District Energy System ("NDES") at the University of British Columbia ("UBC")	8 customers (serving 1,176 units)
4	Sun Rivers ("SR") Gas	640 customers
5	Sun Rivers Electric	935 customers
6	Sonoma Pines ("SP") Gas	496 customers
7	Sonoma Pines Electric	498 customers
8	Panorama Propane	240 customers

Corix is a wholly owned subsidiary of Corix Utilities Inc. (CUI), which itself is a wholly owned subsidiary of a privately held corporation, Corix Infrastructure Inc. (CII), owned by the British Columbia Investment Management Corporation. CII operates 1,370 utilities across North America and these entities are operated as standalone utilities.<sup>3</sup>

<sup>2</sup> Exhibit B-1, p. 5.

<sup>3</sup> Ibid., p. 6.

### 1.3 Legislative Framework

Corix requests approval under sections 59 and 60 of the UCA since the corporate cost allocations that result from the corporate cost allocation methodology form part of each utility's revenue requirements and in certain cases will be used to set utility rates.<sup>4</sup>

Section 59(1)(a) states a public utility must not make, demand or receive an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia. Section 59(4) states that the determination of what is "unjust," "unreasonable" or "undue discrimination" is a question of fact of which the BCUC is the sole judge, while section 59(5) of the UCA defines an "unjust" or "unreasonable" rate. Section 60 provides the BCUC the authority to establish rates and includes mandatory considerations, including the requirement that rates not be "unjust, unreasonable, unduly discriminatory or unduly preferential."

Section 60(1)(b.1) of the UCA states that in setting a rate, the BCUC may use "any mechanism, formula or other method of setting the rate that it considers advisable, and may order that the rate derived from such a mechanism, formula or other method is to remain in effect for a specified period."

The Panel conducts its review of this Application pursuant to this legislative authority. For clarity, in this decision the Panel is not setting a rate, rather it is establishing a mechanism that will form part of the rate setting process in other proceedings for Corix's BCUC-regulated utilities.

### 1.4 Regulatory Process

By Order G-171-20, dated June 25, 2020, the BCUC established a regulatory timetable for reviewing the Application, which comprised intervenor registration and one round of information requests (IRs).

Five intervenors registered in the proceeding: British Columbia Old Age Pensioners' Organization et. al. (BCOAPO), Simon Fraser University (SFU), Panorama Subdivision Owners Association (PSOA), Simon Fraser University Community Trust (SFU Community Trust) and FortisBC Energy Inc. and FortisBC Inc. (Fortis). One letter of comment was submitted to the BCUC.

By Order G-229-20A, dated September 3, 2020, the BCUC established a further regulatory timetable which included a second rounds of IRs and written final and reply arguments. Corix submitted its final argument on September 28, 2020. BCOAPO submitted its final argument on October 13, 2020 and Corix submitted its reply argument on October 26, 2020.

The regulatory timetable was amended by Order G-276-20 dated November 2, 2020, to include Panel IRs and supplemental final and reply arguments. Corix submitted its response to the Panel IRs and its supplemental final argument on November 10, 2020. BCOAPO submitted its supplemental final argument on November 16, 2020 and Corix submitted its supplemental reply argument on November 19, 2020.

### 1.5 Organization of the Decision

This decision is structured as follows:

- Section 2.0 examines the mechanics of the proposed corporate cost allocation methodology and related issues.
- Section 3.0 examines the proposed deferral account mechanisms.

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<sup>4</sup> Exhibit B-1, p. 1.

- Section 4.0 addresses the request for confidentiality associated with the Corporate Cost Allocation Model and Manual.

## 2.0 Corporate Cost Allocation Methodology and Issues Arising

CII operates 1,370 utilities across North America and these utilities are operated as standalone utilities with each having its own rate base and tariff structure. While they are standalone utilities, they share services in order to benefit from economies of scale. Corix submits its proposed corporate cost allocation methodology follows the principle that cost allocations should match, as closely as possible, cost causation.<sup>5</sup>

Historically, the majority of Corix’s business operations were the unregulated Corix Water Products (CWP) and Tribus Services (metering services). Following the sale of CWP in 2018 and the formation of Tribus into a separate company, CII became a pureplay utility business, and CII initiated a review of the operations and services within and between all of CII’s subsidiaries and their respective business units.<sup>6</sup> Corix states that it is proposing the corporate cost allocation methodology in order to have a common methodology that will fairly and equitably allocate corporate costs to each utility business.<sup>7</sup> CII corporate costs are broken down internally into three major cost groups; corporate services; contract shared services; and WSC support services.<sup>8</sup> Costs and services included in each of the major cost groups are provided in the table below:<sup>9</sup>

**Table 2: Costs and Services of CII Major Cost Groups**

Corporate Services Costs	Contract Shared Services	WSC Support Services
<ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Strategic Management</li> <li>• Corporate Finance and Corporate Accounting</li> <li>• Tax, Internal Audit and Treasury Services</li> <li>• Human Resource Management</li> <li>• Information Technology Systems and Governance</li> <li>• Legal Services</li> <li>• Health, Safety and Environment Services</li> <li>• Communications and Public Relations</li> <li>• Oversight of Administrative and Support Services to CII’s Subsidiaries and their Business Units</li> </ul>	<ul style="list-style-type: none"> <li>• Human Resources Support</li> <li>• Information Technology Support</li> <li>• Utility Accounting and Accounts Payable Support</li> <li>• Payroll Support</li> <li>• Legal Support</li> <li>• External Communications Support</li> <li>• Health, Safety and Environment Support</li> </ul>	<ul style="list-style-type: none"> <li>• Shared Services Management</li> <li>• Risk Management</li> <li>• Corporate Finance</li> <li>• Human Resources Support</li> <li>• Information Technology Support</li> <li>• Computer Systems</li> <li>• Billing and Customer Service Support</li> <li>• Health, Safety and Environment Support</li> <li>• External Communications Support</li> <li>• Health, Safety and Environment Support</li> </ul>

<sup>5</sup> Exhibit B-1, p. 10.

<sup>6</sup> Ibid., p. 7.

<sup>7</sup> Exhibit B-2, BCUC IR 3.1.

<sup>8</sup> Exhibit B-1, p. 9.

<sup>9</sup> BCUC Staff Table, information sourced from Exhibit B-1, pp. 10–12.

The steps for allocating CII corporate costs are outlined in the table below:<sup>10</sup>

**Table 3: Steps for Allocating Corporate Costs**

Item	STEP FOR ALLOCATING CORPORATE COSTS
1.	Corporate costs are first categorized into homogenous categories/services.
2.	Costs are then identified as either: (i) Directly Assignable Costs; or (ii) Indirect Costs.
3.	All Directly Assignable Costs are directly assigned to the appropriate business unit(s).
4.	<b>The basis of variability of the Indirect Costs are then assessed by reviewing what causes these costs to change.</b>
5.	<b>Indirect Costs are then allocated either:</b> <ol style="list-style-type: none"> <li data-bbox="412 653 1289 716">a. <b>Using a functional allocator on the basis of variability in instances where this method is clearly applicable; or</b></li> <li data-bbox="412 716 1011 753">b. <b>Using a Composite Allocator for all other instances.</b></li> </ol>

The corporate cost allocation methodology directly assigns costs where possible and when costs are not directly assignable, corporate costs are allocated based on a functional allocator where appropriate. Corix states that directly assignable costs are not included in the shared corporate costs that are allocated using the proposed cost allocation methodology and therefore steps 1, 2 and 3 listed in the table above are outside the scope of review for this Application.<sup>11</sup> In cases where costs are not directly assigned and not functionally allocated, a composite allocator is used to allocate costs.<sup>12</sup> The composite allocator comprises three equally weighted factors that includes gross revenue, gross property, plant & equipment (PPE) and headcount. CII has established a structured methodology for allocating corporate costs to each of its utilities.<sup>13</sup>

These steps are further illustrated in the following flow chart:

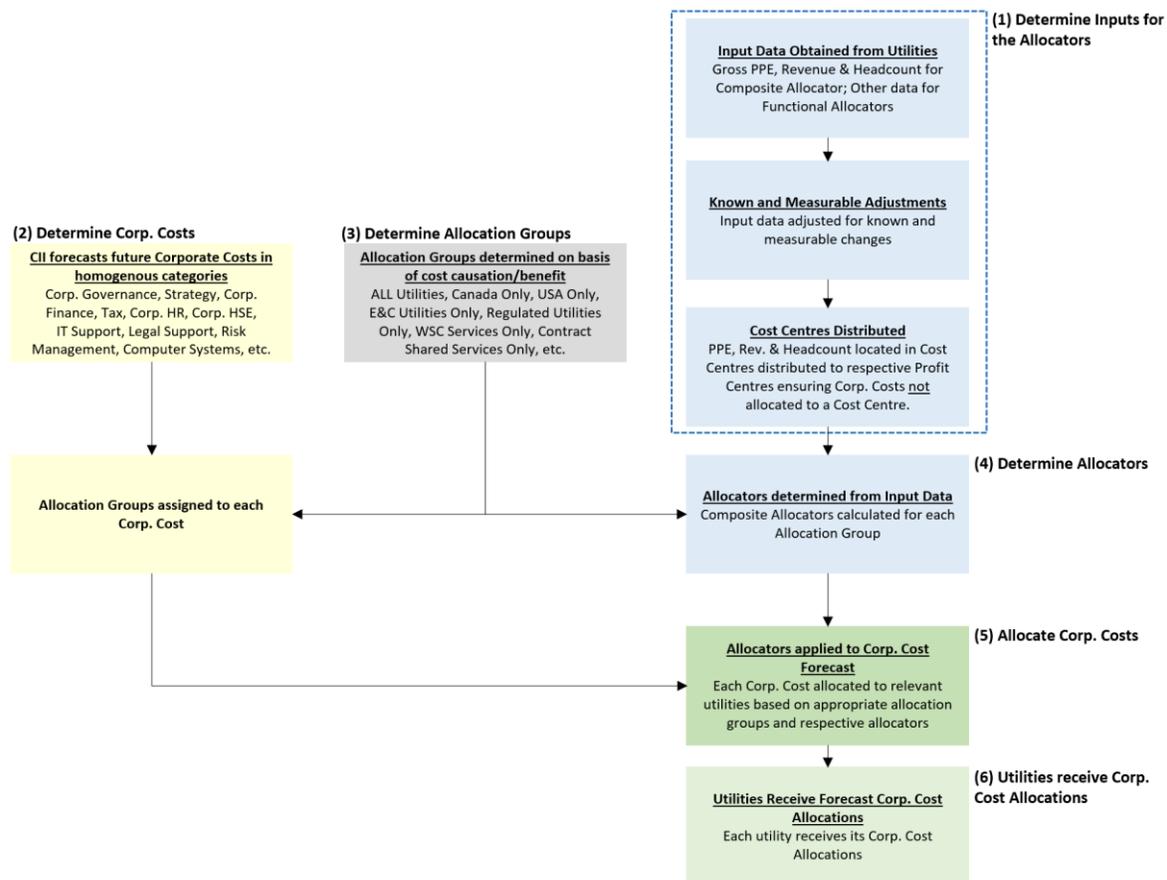
<sup>10</sup> Exhibit B-1, p. 13.

<sup>11</sup> Ibid., p. 13.

<sup>12</sup> Ibid., p.10.

<sup>13</sup> Ibid., p. 13.

Figure 1: Key Steps during CII's Corporate Cost Allocation Methodology<sup>14</sup>



In its review of the cost allocation methodology, the Panel examines the following two issues:

1. Is the proposed corporate cost allocation methodology an appropriate means of allocating CII's corporate costs to Corix's BCUC-regulated utilities? This is reviewed in section 2.1.
2. Will the corporate cost allocation methodology result in just, reasonable, non-discriminatory allocation of costs that contribute to the utilities' revenue requirements? This is reviewed in section 2.2.

## 2.1 Is the Proposed Corporate Cost Allocation Methodology an Appropriate Means of Allocating CII's Corporate Costs to Corix's BCUC-Regulated Utilities?

This section reviews the key components of the proposed corporate cost allocation methodology. These components are: the determination of indirect costs; the functional allocator; the composite allocator and Massachusetts Formula; known and measurable changes; and regional costs.

### 2.1.1 Indirect Costs

Corix explains how direct and indirect costs are assigned. Any CII corporate cost that is incurred and is directly assignable to a specific business unit (e.g. a utility) is charged to that specific business unit using expense reports and job sheets. Any corporate costs that remain are not directly assignable and are therefore indirect costs.<sup>15</sup>

<sup>14</sup> Exhibit B-1, p. 25.

<sup>15</sup> Corix Supplemental Final Argument, pp. 2–3.

Indirect costs are costs incurred by the parent or shared services affiliate that are for the benefit of several companies and are not directly assignable to any particular business unit's activity or operation.<sup>16</sup> Since these costs are not directly assignable, it is necessary to use a cost allocation methodology to develop a reasonable estimate of the portion of these costs that is incurred for the provision of services to each applicable subsidiary receiving the benefits.<sup>17</sup>

### 2.1.2 Functional Allocator

Functional allocators are used where CII indirect costs can be allocated using an identified cost causation driver. Functional allocators used by CII during the allocation process include:

1. Employee headcount – for costs that are directly correlated to the number of employees
2. Number of customers – for costs that are directly correlated to the number of customers of a particular business unit
3. Call volume by business unit – for costs that are directly correlated to the number of calls for each particular business unit

Corix states the vast majority of CII's indirect corporate costs do not have a direct correlation with any one particular cost causation driver.<sup>18</sup>

### 2.1.3 Composite Allocator and Massachusetts Formula

The proposed corporate cost allocation methodology uses composite allocators when the indirect costs do not have a direct correlation with any one particular cost causation driver.<sup>19</sup> The composite allocators were chosen to generally reflect the size, scope and complexity of each of the operating business units in the capital-intensive and labour-intensive nature of utility operations.<sup>20</sup> The CII composite allocator comprises three equally weighted factors that includes gross revenue, gross PPE and headcount.<sup>21</sup> Corix submits this method for the allocation of indirect costs is consistent with the Massachusetts Formula.<sup>22</sup> The Massachusetts Formula is a multi-factor model based on gross revenue, capital investment, and direct labour of each affiliate utility to the total, which is commonly utilized in the utility industry in North America.<sup>23</sup>

Corix notes that the Massachusetts Formula has been approved to allocate corporate costs for public utilities regulated by the BCUC. Corix submits that both FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) have applied the Massachusetts Formula to allocate common costs in rate applications previously approved by the BCUC. This includes the following:<sup>24</sup>

- The allocation of corporate service costs from FortisBC Holdings Inc. (FHI) to the three utilities which later amalgamated to the current FEI was done using the Massachusetts Formula for many years;
- Board of Directors costs have been allocated from FHI to FEI and FBC utilizing the Massachusetts Formula since 2012 as approved by BCUC Order G-110-12; and

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<sup>16</sup> Exhibit B-1, p. 13.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid., p. 14.

<sup>19</sup> Ibid., p. 10.

<sup>20</sup> Ibid., p. 14.

<sup>21</sup> Ibid., p. 14.

<sup>22</sup> Ibid., p. 15.

<sup>23</sup> Ibid., p. 15.

<sup>24</sup> Ibid., p. 26.

- Executive costs were approved to be allocated between FEI and FBC using the Massachusetts Formula beginning in 2012 pursuant to BCUC Orders G-138-14 and G-139-14.

Corix also references the decision for BCUC Order G-205-18, where the BCUC approved the use of the Massachusetts Formula to allocate Creative Energy's sales, general and administrative costs between its steam service utility and other projects or entities. In the decision, the BCUC stated:

the Massachusetts Formula is in use in many utilities and is a valid methodology commonly used to allocate costs to outside projects or other entities. Therefore, the Panel finds Creative Energy's recommendation of the Massachusetts Formula to be acceptable and approves this methodology for application in this and future revenue requirements. The Panel notes that for this methodology to be effective, it must be updated to reflect ongoing changes related to the addition of new projects.<sup>25</sup>

#### 2.1.4 Known and Measurable Changes

In some circumstances, adjustments are made for known and measurable changes that would otherwise result in a cost allocation that does not reflect cost causality.<sup>26</sup> The known and measurable changes accounted for through the corporate cost allocation methodology are:

##### **Bargain Acquisition Adjustment:**

This occurs when utility assets are acquired for an amount significantly below the net book value of the assets. These purchases will be considered as though the utility assets were acquired at cost or fair market value, but the actual acquisition cost is lower than the associated cost or fair market value. Therefore, Corix will recognize a corresponding contribution in aid of construction (CIAC) to reduce the net book value of the asset to the actual purchase price. In this case, the gross PPE figure used to determine the corporate cost allocation methodology composite figures would be the gross book value of the assets at the time of purchase prior to the application of the CIAC.<sup>27</sup>

##### **Asset Impairment Adjustment:**

In instances where assets have been written down for accounting impairment purposes, the assets would continue to be recognized at their historical gross PPE value for the calculation of the composite allocator, provided that such assets continue to be used and are useful in the provision of service to customers.<sup>28</sup>

##### **Approved Major Capital Projects:**

This is an adjustment to include approved major capital projects that are about to go into service after the June 30th cut-off date for inputs that year. It recognizes that the June 30th cut-off in the year for actual inputs to calculate the following year's corporate cost allocation may omit impending known and measurable changes that were previously approved by regulators.<sup>29</sup>

#### 2.1.5 Regional Costs

The eight Corix utilities regulated by the BCUC are allocated shared costs which are incurred at the regional level. Regional costs include, but are not limited to, shared operating costs such as building rent, utilities expense, salaries, travel, vehicle and office expenses.<sup>30</sup> Regional costs do not originate from CII, rather they are

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<sup>25</sup> Exhibit B-1, p. 27.

<sup>26</sup> Ibid., p. 18.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid., p. 19.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid., p. 12.

incurred at different levels within the Corix organization. Regional costs for BCUC-regulated utilities are incurred at CUI and CMUS,<sup>31</sup> therefore they are not included in the CII corporate costs that will be subject to the corporate cost allocation methodology and are outside the scope of review of this Application.<sup>32</sup> Each of the eight utilities will seek approval for the recovery of any allocated regional costs at the time it makes a revenue requirements application to the BCUC.<sup>33</sup>

### *Position of Corix*

Corix submits that the methodology is just, fair and reasonable as it relies on functional allocators when a direct correlation with the identified allocators is present and otherwise a composite allocator is used to generally reflect the size, scope and complexity of each of the operating business units in the capital intensive and labour-intensive nature of utility operations. The three factors with equal weightings allow for a fair, just and reasonable allocation of costs in a transparent, sustainable and cost-effective manner.<sup>34</sup> Corix says that the methodology is consistent with the Massachusetts Formula, which has been previously approved by the BCUC for other utilities.<sup>35</sup>

Corix submits that approval of this Application increases regulatory efficiency. Corix notes that when a Corix utility submits a revenue requirement and rate application to the BCUC without an approved corporate cost allocation methodology, the hearing to set the rates for that utility would become longer and more costly to review, which would increase regulatory costs to be passed onto ratepayers.<sup>36</sup>

Corix submits “when directly assignable costs occur at the corporate level, they are immediately charged to the respective business unit or groups of business units directly associated with that cost. All indicative corporate cost forecasts presented in this Application are indirect corporate costs.”<sup>37</sup> Indirect costs are not calculated on a utility specific basis, rather they are corporate costs. “The services provided at the corporate level typically serve the organization as a whole, or large portions of the organization.”<sup>38</sup>

Corix submits that CII’s indirect corporate costs are calculated by subtracting directly assigned costs from the total corporate cost for each corporate service being provided as outlined in the following steps:

1. CII’s corporate costs are categorized into separate categories for each service. These categories are corporate services costs, contract shared services, and WSC support services, which are discussed in section 3.1 of the Application.
2. All directly assignable costs are directly charged to specific business units based on expense reports and job sheets. These costs are directly associated with activity or operation for a particular business unit and can be identified with a specific service or product.
3. Indirect corporate costs are the costs remaining after directly assignable costs are subtracted from total corporate cost. These costs are allocated to the various utilities using the corporate cost allocation methodology.<sup>39</sup>

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<sup>31</sup> Exhibit B-2, BCUC IR 2.2.

<sup>32</sup> Exhibit B-1, p. 12.

<sup>33</sup> Exhibit B-2, BCUC IR 2.3.1.

<sup>34</sup> Corix Final Argument, p. 7.

<sup>35</sup> *Ibid.*, pp. 7–8.

<sup>36</sup> *Ibid.*, p. 8.

<sup>37</sup> Exhibit B-8, Panel IR 1.1.

<sup>38</sup> *Ibid.*, Panel IR 1.2.

<sup>39</sup> *Ibid.*, Panel IR 1.1.

Corix submits the “indirect corporate costs to be allocated are an input to the proposed cost allocation methodology and are determined irrespective of the proposed cost allocation methodology.”<sup>40</sup>

### *Position of BCOAPO*

BCOAPO submits that Corix’s proposed corporate cost allocation methodology “is not in fact the Massachusetts Formula as the Massachusetts Formula uses capital investment as one of its factors instead of Gross PPE.” BCOAPO submits that there are many reasonable ways to allocate indirect costs but differences in the choice of drivers can have a major impact on cost allocations which correlates to differing rate impacts.<sup>41</sup> There can be major consequences for a given utility and its ratepayers resulting from a seemingly minor change in inputs.<sup>42</sup>

BCOAPO submits that it has no concerns with the use of functional allocators for cost allocation but notes that the vast majority of CII’s indirect corporate costs do not have a direct correlation with any one particular cost causation driver and are instead allocated using a composite allocator.<sup>43</sup>

BCOAPO submits that the proposed corporate cost allocation methodology does not allocate all costs borne by the utilities, and, specifically, it excludes regional costs. BCOAPO notes that ratepayers are impacted by the total costs allocated to the utility and when regional costs are combined with other external costs, this may result in unacceptable rate increases when the revenue requirements are calculated.<sup>44</sup>

In BCOAPO’s supplemental final argument, it submits that due to the nature of Corix’s acquisitions, which includes some heavily discounted utilities, using gross PPE as a composite allocator is fair in the sense that utilities that receive benefits from shared services should contribute to the costs. Therefore, BCOAPO does not take issue with the use of the gross PPE allocator.<sup>45</sup>

### *Corix Reply*

Corix submits that PPE is the cost of long-term assets that have been capitalized in a utility’s accounting books prior to the application of accumulated depreciation or contributions in aid of construction (CIAC).<sup>46</sup> As gross PPE is capitalized long-term assets, the use of gross PPE is a valid and acceptable method of representing capital investment in the Massachusetts Formula. Corix submits that the US Federal Energy Regulatory Commission (FERC) Opinion 511, noted that one of the three ratios in the Massachusetts Formula is the regulated utility subsidiary’s gross property, plant, and equipment to total corporate gross property, plant, and equipment. This ratio is used by Corix as one of the three factors in the composite allocator.<sup>47</sup>

Corix also referenced a decision by Alberta Utilities Commission (AUC) that approved a form of the Massachusetts Formula.<sup>48</sup> In the decision, the AUC referred to a report prepared by consultants for EPCOR Distribution & Transmission Inc. The report stated that the multi-factor formula to allocate costs that cannot be directly charged and for which a cost causative factor cannot be identified is most commonly “... a three factor formula, with each factor equally weighted, and is generally referred to as the Massachusetts Formula...”<sup>49</sup> The consulting report then states that:

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<sup>40</sup> Exhibit B-8, Panel IR 1.1.2.

<sup>41</sup> BCOAPO Reply Argument, p. 5.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid., p. 4.

<sup>44</sup> Ibid., pp. 13–14.

<sup>45</sup> BCOAPO Supplemental Argument, p. 2.

<sup>46</sup> Corix Reply Argument, p. 3.

<sup>47</sup> Ibid., p. 4.

<sup>48</sup> AUC Decision 2012-272 for EPCOR Distribution & Transmission Inc.

<sup>49</sup> AUC Decision 2012-272 for EPCOR Distribution & Transmission Inc., p. 90, para. 421.

...the three components of the factor are representative of: - Plant - Revenues - Labor As there are no universal definitions for “Plant”, “Revenues”, and “Labor”, utilities have implemented the Massachusetts Formula using a variety of different measures representative of the three components. For example, to represent labor some companies use payroll expense, while others use employee headcount. ... Some of the more common measures used in Massachusetts Formula or Modified Massachusetts Formula implementations include: Assets: Net Plant is a common component of general allocators in the utility industry, especially when there are no significant non-regulated affiliates; also used are Total Assets and PP&E. Revenue: Total Revenue; Margin (Total Operating Revenues less Cost of Fuel/Gas); Number of Customers. Labor: Payroll; Headcount; O&M Expenses.<sup>50</sup>

Corix considered using net PPE to represent capital investment. However, net PPE was not selected because it causes a distortion in cost allocations between older utilities with depreciated assets and newer utilities with low accumulated depreciation. Corix submits that:

Net PPE also distorts the cost allocation of Corix utilities where Corix owns the plant assets and provides infrastructure stewardship, but the assets were fully paid for through a CIAC. For these utilities the Net PPE is essentially zero. The use of Net PPE would result in the allocation of corporate costs to these utilities that does not reasonably reflect the resources used to provide corporate services to these utilities.<sup>51</sup>

Corix’s submits that the use of gross PPE to represent capital investment in the three-factor composite allocator is appropriate, as it has been approved by FERC and is a non-discriminatory approach that removes the impact of depreciation and CIACs on the asset value when allocating costs.<sup>52</sup>

Corix submits that regional costs are incurred at the regional level and are separate and distinct from corporate costs. Regional costs do not have the same drivers and are incurred for subset groupings of CII’s subsidiaries based on the corporate structure. As a result, Corix has no requests pertaining to regional cost allocations in this Application.<sup>53</sup>

*Panel Discussion:*

The Panel accepts the proposed steps for allocating CII corporate costs as being reasonable. Further, the Panel accepts the methodology for the determination of CII’s indirect corporate costs that will be subject to the proposed corporate cost allocation methodology. The Panel considers it appropriate to exclude directly assignable costs from the pool of indirect corporate costs that will be subject to the corporate cost allocation methodology and allocated using a composite allocator.

The Panel accepts the use of the three functional allocators proposed by Corix as being reasonable. The Panel considers it appropriate to allocate indirect costs using the functional allocators when there is a direct correlation with a particular cost causation. The Panel accepts that the vast majority of CII indirect costs will not be allocated using functional allocators.

The Panel accepts the use of the three composite allocators proposed as reasonable. The Panel accepts this three-factor methodology is consistent with the Massachusetts Formula. The three factors are reasonable and appropriate for the purposes of allocating indirect corporate costs from CII to the eight BCUC-regulated utilities.

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<sup>50</sup> Corix Reply Argument, B-1, p. 4.

<sup>51</sup> Ibid., pp. 4–5.

<sup>52</sup> Ibid., p. 5.

<sup>53</sup> Ibid., p. 14.

Additionally, the Panel considers the equal weighting of the three factors as being reasonable. The Panel accepts that gross PPE is a valid and acceptable method of representing capital investment in the Massachusetts Formula. The Panel is persuaded that the use of gross PPE rather than net PPE as a composite allocator for the cost allocation methodology is appropriate as the use of net PPE would result in the allocation of corporate costs to utilities that do not reasonably reflect the resources used to provide corporate services to those utilities.

The Panel accepts that the treatment of regional costs is appropriate. The Panel notes regional costs are not incurred by CII; rather they are incurred by CUI and CMUS, and the recovery of these costs will be subject to BCUC approval in future revenue requirements applications by the eight utilities.

The next section will discuss the indicative revenue requirements and rates resulting from implementation of the proposed corporate cost allocation methodology, followed by the Panel discussion of these items.

## **2.2 Will the Corporate Cost Allocation Methodology Result in Just, Reasonable, Non-Discriminatory Allocation of Costs That Contribute to the Utilities' Revenue Requirements?**

Corix submits that this Application does not request approval of forecast corporate cost allocation amounts to Corix's BCUC-regulated utilities.<sup>54</sup> Approval of the allocated corporate costs would be requested in subsequent applications by each of Corix's utilities regulated by the BCUC.<sup>55</sup> Corix submits that it is unable to show an indicative impact to utility rates as a result of the proposed corporate cost allocation methodology until the rate applications are filed.<sup>56</sup>

Corix submits that any perceived trend showing corporate cost allocation increases in the indicative forecasts for specific utilities are caused by additions to gross PPE and revenue growth for those utilities. The indicative corporate cost allocations illustrate the reasonableness of the amount of costs allocated to each utility considering the relative size of each utility, based on gross PPE, gross revenue and employee headcount.<sup>57</sup> Table 12 of the Application represented below provides the current indicative forecast corporate cost allocations to each of the utilities regulated by the BCUC.

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<sup>54</sup> Exhibit B-1, p. 13.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid., p. 32.

<sup>57</sup> Corix Final Argument, p. 6.

**Table 4: Indicative Corporate Cost Allocations**

Item	Utility	INDICATIVE CORPORATE COST ALLOCATIONS (CAD\$)		
		2020F	2021F	2022F
1.	Dockside Green - Energy	\$ 76,787	\$ 78,868	\$ 68,324
2.	UBC	231,037	213,183	183,179
3.	BMDEU - UniverCity	202,998	299,636	364,790
4.	BMDEU - SFU	--	142,601	449,197
5.	Panorama - Propane Storage <sup>12</sup>	38,894	35,504	34,835
6.	Panorama - Propane Distribution	40,714	37,543	37,030
7.	Sun Rivers - Electric	156,182	141,279	138,131
8.	Sun Rivers - Gas	23,845	21,396	20,804
9.	Sonoma Pines - Electric	49,284	44,216	42,735
10.	Sonoma Pines - Gas	19,721	17,863	17,370
	Subtotal	839,462	1,032,089	1,356,396
	<b>Total for BCUC-Regulated Utilities</b> <i>(excludes Panorama – Propane Storage)</i>	<b>\$ 800,568</b>	<b>\$ 996,585</b>	<b>\$ 1,321,561</b>

Corix submits there is no cross subsidization as the rate setting methodology for the utilities is independent and unrelated to the corporate cost allocation methodology.<sup>58</sup>

Rates for Dockside Green Energy Utility (DGE), Burnaby Mountain District Energy Utility (BMDEU) and Neighbourhood District Energy System at the University of British Columbia (UBC NDES) are set based on their cost of service. For each of these utilities Corix would submit subsequent rate applications, if necessary, for the recovery of the corporate cost allocations and capitalized corporate costs based on the approvals from this Application.<sup>59</sup>

The customer rates at Sonoma Pines (SP) Electric, SP Gas, Sun Rivers (SR) Electric and SR Gas are not based on the cost to serve customers. The customer rates at these four utilities are based on BC Hydro and FEI's rates, regardless of the costs incurred by Corix at each of these utilities. Until such time that the BCUC approves a cost of service methodology for setting rates for SR and SP utilities, the proposed corporate cost allocation methodology will have no impact on customer rates for these four utilities. Therefore, until such time that the BCUC approves delivery rates for Panorama Propane that are based on its cost of service, the proposed corporate cost allocation methodology will have no impact on customer rates at Panorama Propane.<sup>60</sup>

Panorama Propane's commodity rates are set as a direct flow-through cost to customers and Corix earns no return on these commodity rates. While Corix has the ability to set Panorama Propane's delivery rates based on a cost of service methodology, these rates are not currently set based on the cost of service.<sup>61</sup>

<sup>58</sup> Corix Final Argument, p. 8.

<sup>59</sup> Exhibit B-1, p. 32.

<sup>60</sup> Ibid., p. 33.

<sup>61</sup> Ibid.

*Position of BCOAPO*

BCOAPO submits that without knowing the impacts of the proposed corporate cost allocation methodology on all customers and customer classes, it is impossible for this Panel to find that the rates affected by this proposal will not be unjust, unreasonable, or unduly discriminatory under sections 59 and 60 of the UCA.<sup>62</sup>

BCOAPO submits that the ultimate rate impacts associated with the corporate cost allocation methodology are unknown for Corix customers, specifically DGE, BMDEU and UBC NDES. BCOAPO states that since the “rate impacts are unknown that it is impossible to conclude at this time that utility rates affected by the current proposal will not be unjust, unreasonable, or unduly discriminatory as required by sections 59 and 60 of the UCA.”<sup>63</sup>

BCOAPO submits the major impact of the proposed corporate cost allocation methodology is a shift of corporate costs from its unregulated utilities to its BCUC-regulated utilities:

Based on the updated Table provided in BCOAPO IR 2.3.115, the costs allocated to BCUC-regulated utilities increase from \$996,585 in 2021 to \$1,321,561 in 2022: a startling increase of 32.6% occurring in a just one year. Corix is seeking a change that would have BCUC-regulated utilities absorbing about \$325,000 more in corporate costs in 2022 than they will in 2021. At the same time, there is no evidence on the record that shows that CII’s corporate costs will or have increased by 32.6% in a year. So, Corix is seeking a change that would have BCUC-regulated utilities absorbing about \$325,000 more in corporate costs in 2022 than they will in 2021. At the same time, there is no evidence on the record that shows that CII’s corporate costs will or have increased by 32.6% in a year.

**Table 5: Indicative Allocation for Corix Utilities regulated by the BCUC**

Line No.	Utility	2019	2020	2020 Increase	2021	2021 Increase	2022	2022 Increase
		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1	Dockside Green Energy	110,000	76,787	-30%	78,868	3%	68,324	-13%
2	UBC NDES	115,928	231,037	99%	213,183	-8%	183,179	-14%
3a	BMDEU - UniverCity	55,756	202,998	264%	299,636	48%	364,790	22%
3b	BMDEU - SFU	--	--	N/A	142,601	N/A	449,197	215%
4	Panorama Propane	66,744	40,714	-39%	37,543	-8%	37,030	-1%
5	Sun Rivers Electric	242,534	156,182	-36%	141,279	-10%	138,131	-2%
6	Sun Rivers Gas	30,307	23,845	-21%	21,396	-10%	20,804	-3%
7	Sonoma Pines Electric	84,642	49,284	-42%	44,216	-10%	42,735	-3%
8	Sonoma Pines Gas	32,529	19,721	-39%	17,863	-9%	17,370	-3%
	<b>Total</b>	<b>738,440</b>	<b>800,568</b>	<b>6%</b>	<b>996,585</b>	<b>23%</b>	<b>1,321,561</b>	<b>31%</b>

BCOAPO submits that the proposed corporate cost allocation methodology results in an increase in costs for BCUC-regulated utilities operating under cost of service regulation and a decrease in costs for BCUC-regulated utilities not using cost of service to set their rates.<sup>64</sup>

*Corix Reply*

Corix states that due to the complex nature of developing levelized rates for utilities with a long-term deferral account, Corix is unable to provide a reliable rate impact estimate based on the indicative corporate cost

<sup>62</sup> BCOAPO Final Argument, pp. 7–8.

<sup>63</sup> BCOAPO Reply Argument, pp. 6–7.

<sup>64</sup> Ibid., p. 5.

allocations.<sup>65</sup> Corix submits that the BCUC could approve Corix's corporate cost allocation methodology on the basis that it allocates costs in a manner that is just, reasonable and non-discriminatory. This does not preclude customers or interveners challenging the final cost allocations in the revenue requirement and rate application based on the information presented at that time.<sup>66</sup>

Corix submits that since CII owns and operates 1,370 utilities across North America, its corporate costs are allocated using an allocation model that is independent from the methodology used to calculate each utility's customer rates. Corix states that the output of the corporate cost allocation methodology is the corporate cost allocation, which is one of many inputs into a utility's revenue requirement used to calculate customer rates.<sup>67</sup>

Corix submits "in the absence of known and measurable adjustments as described in the Application, the total indicative allocation to Corix's BCUC-regulated utilities would be \$803,925, \$766,491, and \$789,428 in 2020, 2021 and 2022 respectively. These represent 1.65%, 1.61% and 1.60% of CII's total indicative corporate costs for 2020, 2021 and 2022 respectively." The declining percentages in Corix's response illustrate that, prior to the application of known and measurable changes, the proposed corporate cost allocation methodology results in an indicative decrease to the total corporate cost allocations to Corix's BCUC-regulated utilities for each year from 1.65% in 2020 to 1.60% in 2022.<sup>68</sup>

Corix submits that the indicative increase in the total corporate cost allocations to Corix's BCUC-regulated utilities is not due to the change in methodology resulting in a shifting of costs to Corix's BCUC-regulated utilities. It is driven by increases to one utility, the BMDEU and its major expansion, which has a new central energy plant that will result in known and measurable changes to each factors of the composite.<sup>69</sup>

Corix submits that "the increase in costs that are allocated to BMDEU-UniverCity and BMDEU-SFU are reflected through higher Composite Allocators which are being driven by the inputs (Gross Revenue, Gross PPE and Headcount) after incorporating known and measurable changes."<sup>70</sup>

The BMDEU's new central energy plant, which includes a biomass facility and natural gas boilers for peaking and backup, was approved through BCUC Order C-5-17 and is scheduled to begin providing service to customers in 2020. SFU will be a new customer as the previous utility only provided service to UniverCity. As a result of this new central energy plant, the gross PPE, gross revenue and headcount inputs for the BMDEU in the Corporate CAM receive an adjustment for known and measurable changes of approximately:

- \$16.1M increase (approximately 200% increase), to existing gross PPE for UniverCity from 2020 through to 2022;
- \$542k increase in revenue and 2.2 FTE increase in headcount for UniverCity;
- 24.1M addition to gross PPE for SFU from 2020 through to 2022;
- \$3.2M addition in revenue and 2.8 FTE increase in headcount for SFU

As a result of the new central energy plant the total BMDEU gross PPE would grow from approximately \$8 million in 2019 to approximately \$40 million upon completion of the plant. This significant increase of 500% in size also results in an indicative increase of \$3.742 million in gross revenue and 5 additional headcount, the other two factors used to determine the composite allocator.<sup>71</sup>

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<sup>65</sup> Exhibit B-2, BCUC IR1 8.1.

<sup>66</sup> Corix Reply Argument, p. 9.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid., p. 6.

<sup>69</sup> Ibid., p. 15.

<sup>70</sup> Exhibit B-8, Panel IR 1.5.1.

<sup>71</sup> Corix Reply Argument, p. 7.

### *Panel Discussion*

The Panel accepts that Corix is not seeking approval of revenue requirements or revised rates for its eight BCUC-regulated utilities with this Application. However, the Panel considers it appropriate to evaluate the forecast of cost allocations and resulting impacts on revenue requirements in its determination of the appropriateness of the proposed corporate cost allocation methodology to ensure proposed rates included in future rate applications are not unjust, unreasonable, unduly discriminatory or unduly preferential.

Although the ultimate rate impacts of the corporate cost allocation methodology are unknown for each of the eight BCUC-regulated utilities, the estimated cost allocations contributing to revenue requirements are known. The Panel considers it reasonable to evaluate anticipated changes in future revenue requirements in order to understand the resulting rate implications. Further the Panel considers that the evaluation of changes in cost allocations and revenue requirements is a reasonable and appropriate method to assess future rate impacts resulting from the implementation of the corporate cost allocation methodology. As set out in Table 5 above, six of the eight utilities are estimated to realize a reduction in revenue requirements associated with a reduction in allocated costs in 2021 vs 2020. All else equal, this reduction in revenue requirements would lead to downward pressure in future rates. All utilities excepting BMDEU will see a further reduction in allocated costs in 2022 vs. 2021 resulting in a reduction in their respective estimated revenue requirements.

The Panel is persuaded that the significant increase in forecast costs allocated to BMDEU does not arise due to the change in the corporate cost allocation methodology, rather it is a result of the known and measurable changes associated with that specific utility. The Panel notes that in addition to the forecast increase in the corporate costs to BMDEU, there is the expectation of a significant increase in gross revenue far in excess of the aforementioned cost increase. The Panel considers Corix's corporate cost allocation methodology allocates costs to the eight BCUC-regulated utilities in a manner that is not unjust, unreasonable, unduly discriminatory or unduly preferential.

The Panel accepts that Corix is unable to provide a reliable rate impact estimate for the eight utilities. However, the Panel notes that each of the eight utilities will require BCUC approval to revise rates in order to reflect the revenue requirement impacts associated with implementing the corporate cost allocation methodology. The Panel is persuaded that customers and interveners will have the opportunity to challenge the final cost allocations in future rate applications based on the information presented at that time.

### **2.3 Panel Determination on Corporate Cost Allocation Methodology**

**For the reasons set out above, the Panel approves, pursuant to sections 59 and 60 of the UCA, the corporate cost allocation methodology as proposed in the Application. Further, the Panel finds the resulting estimated cost allocations to Corix's eight BCUC-regulated utilities are not unjust, unreasonable, unduly discriminatory or unduly preferential.** The Panel notes the allocated amounts to each of the eight utilities may be subject to further review by the BCUC in future rate applications. The Panel is persuaded that the methodology is consistent with the Massachusetts Formula that is used by many utilities and is a valid methodology commonly used to allocate costs to subsidiaries and has been approved by the BCUC for several utilities in BC. The Panel is also persuaded that the approval of the corporate cost allocation methodology will lead to greater regulatory efficiency by avoiding the need for detailed examination in individual rates proceedings for Corix's BCUC-regulated utilities.

### 3.0 Deferral Accounts

Corix is requesting the approval of the creation of a new deferral account for which it proposes to capture external regulatory costs and internal incremental expenses related to the regulatory review of the Application (CMUS Deferral Account). External regulatory costs would include BCUC related costs as well as intervener cost awards for this proceeding.<sup>72</sup>

Corix is also requesting the creation of a new deferral account for each of its eight BCUC-regulated utilities. After the final balance in the CMUS Deferral Account is known, the balance in the account will be allocated to the eight BCUC-regulated utilities and recorded in their respective new deferral accounts. The allocation will be determined using the composite allocator.<sup>73</sup>

Corix submits the amount in the eight deferral accounts will be subject to BCUC review/approval:

Corix's utilities regulated by the BCUC have different regulatory constructs, which were described in Section 6 [of the Application]. Where a utility will be making a revenue requirements application within two years, Corix will address the recovery of the deferral account in that application.

Corix proposes to make an application with the BCUC for recovery through a rate rider if the allocated deferral costs are significant for a utility and:

- its revenue requirement and rate applications are infrequent; or
- its utility rates are pegged to another utility

If the allocated amount is small for a particular utility, Corix may instead add it to an existing revenue deficiency deferral account balance where applicable or flow it through as an expense in the year and not seek recovery from ratepayers.<sup>74</sup>

#### *Position of BCOAPO*

BCOAPO submits that it does not oppose Corix's proposal of creation of a deferral account for Corix to capture the costs associated with the regulatory review of this Application and a subsequent allocation of the final balance in the regulatory cost deferral account to individual deferral accounts created for each of the utilities regulated by the BCUC.<sup>75</sup>

#### *Panel Determination*

**The Panel approves the creation of the CMUS Deferral account as proposed in the Application, pursuant to sections 59 to 61 of the UCA. The CMUS Deferral Account is approved as a non-rate base account, accruing interest at the Corix weighted average cost of debt.** The Panel considers it appropriate for Corix to record external regulatory costs and internal incremental expenses related to the regulatory review of the Application in a deferral account. Further the Panel considers it reasonable to recover the costs recorded in the CMUS Deferral Account from the eight BCUC-regulated utilities. The Panel considers it reasonable to allocate costs to the eight utilities based on the composite allocator.

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<sup>72</sup> Exhibit B-1, 34.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> BCOAPO Final Argument, p. 8.

**The Panel approves the creation of the deferral accounts for the eight BCUC-regulated utilities as proposed, pursuant to sections 59 to 61 of the UCA. The deferral accounts for these utilities will be non-rate base accounts accruing interest at the approved respective weighted average cost of debt for each utility.**

The specific additions and dispositions of the amounts in each of the deferral accounts are subject to approval by the BCUC in future rate applications for Corix's BCUC-regulated utilities.

#### **4.0 Confidentiality Request**

Corix requests that the Corporate Cost Allocation Model, the Corporate Cost Allocation Manual and confidential tables submitted with the Application remain confidential due to their commercially sensitive nature<sup>76</sup>.

No intervener submission was made as to Corix's confidentiality request.

#### *Panel Determination*

**The Panel approves the request to hold the Corporate Cost Allocation Model, the Corporate Cost Allocation Manual and related tables confidential, on the basis that disclosure of commercially sensitive information may result in prejudice to Corix's position in future commercial ventures.**

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<sup>76</sup> Exhibit B-1, p. 2.