



ORDER NUMBER
G-176-20

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

BEFORE:

T. A. Loski, Panel Chair
A. K. Fung, QC, Commissioner
R. I. Mason, Commissioner

on June 30, 2020

ORDER

WHEREAS:

- A. On April 20, 2020, Corix Multi-Utility Services Inc. (Corix) filed an application with the British Columbia Utilities Commission (BCUC) seeking various approvals, pursuant to sections 59 to 61 and 91 of the *Utilities Commission Act*, for tariff changes due to the COVID-19 pandemic (Application);
- B. Corix states that the Application applies to all energy utilities owned and operated by Corix and regulated by the BCUC (Corix Utilities), and listed the utilities in Table 1 of the Application. The Corix Utilities are listed as:
- Dockside Green Energy Utility;
 - Burnaby Mountain District Energy Utility;
 - Neighborhood District Energy System at the University of British Columbia;
 - Sun Rivers Gas;
 - Sun Rivers Electric;
 - Sonoma Pines Gas;
 - Sonoma Pines Electric; and
 - Panorama Propane;
- C. Corix states that the Application was filed to provide financial relief for customers during the COVID-19 pandemic while maintaining the financial viability of each of the Corix Utilities;
- D. On April 23, 2020, the BCUC issued information requests (IRs) to Corix regarding the Application and Corix filed its responses on April 27, 2020;

- E. On April 29, 2020, by Order G-98-20, the BCUC granted interim approval and established a public hearing process for the review of the Application. By Order G-114-20 dated May 14, 2020, the BCUC established the remainder of the regulatory timetable; and
- F. The BCUC has completed its review of the Application, the IR responses and evidence filed, the submissions of Corix and interveners, and makes the following determinations on the Application.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commission Act*, and for the reasons attached as Appendix A to this order, the BCUC orders as follows:

1. Corix and each of the Corix Utilities are granted final approval to:
 - (i) Temporarily suspend the existing Late Payment Charge (LPC) clause in the respective tariffs for each of the Corix Utilities until June 30, 2020.
 - (ii) Establish a non-rate base COVID-19 deferral account (COVID-19 Deferral Account) for each of the Corix Utilities to record:
 - a. the difference between revenue billed and revenue collected on a monthly basis from the issuance of the first bill (bill for March 2020 sent in April 2020) through to the end of the COVID-19 pandemic;
 - b. subsequent payments by customers for bills previously not paid during the COVID-19 pandemic after practical bill collection efforts; and
 - c. incremental costs related to the COVID-19 pandemic.

The COVID-19 Deferral Account will attract carrying costs calculated and applied on a monthly basis at Corix's weighted average cost of capital.
 - (iii) Implement a flexible payment plan for customers of each of the Corix Utilities.
2. Corix is directed to file quarterly reports with the BCUC consisting of a report on the aggregate amounts in the COVID-19 Deferral Account for each of the Corix Utilities. This quarterly report must include the number of customers that have been approved for flexible payment plans, in addition to reporting on the current balance in the deferral account. The first quarterly report must be filed by July 31, 2020.
3. Corix is directed to file annual reports with the BCUC consisting of a detailed report on the amounts in the COVID-19 Deferral Account for each of the Corix Utilities. This annual report must include the number of customers that have been approved for flexible payment plans, in addition to reporting on the current balances in the COVID-19 Deferral Account for each of the Corix Utilities. The first annual report must be filed after Corix's year-end.

DATED at the City of Vancouver, in the Province of British Columbia, this 30th day of June 2020.

BY ORDER

Original signed by:

T. A. Loski
Commissioner
Attachment

Corix Multi-Utility Services Inc.
Application for Tariff Changes due to COVID-19

REASONS FOR DECISION

1.0 BACKGROUND AND INTRODUCTION

On April 20, 2020 Corix Multi-Utility Services Inc. (Corix) filed an application with the British Columbia Utilities Commission (BCUC) seeking various approvals for tariff changes due to the COVID-19 pandemic (Application).

Corix states that the Application applies to all energy utilities owned and operated by Corix and regulated by the BCUC (Corix Utilities), and listed the utilities as:¹

- Dockside Green Energy Utility
- Burnaby Mountain District Energy Utility
- Neighborhood District Energy System at the University of British Columbia
- Sun Rivers Gas
- Sun Rivers Electric
- Sonoma Pines Electric
- Panorama Propane

Corix explains that the Application was filed to provide financial relief for customers during the COVID-19 pandemic while maintaining the financial viability of the Corix Utilities.² On April 23, 2020, the BCUC issued information requests (IRs) to Corix, and subsequently received responses from Corix on April 27, 2020. On April 29, 2020, the BCUC issued Order G-98-20 which granted interim approval for Corix and established a public hearing for the review of the Application. On May 14, 2020, the BCUC issued Order G-114-20, which established the remainder of the regulatory timetable.

This review process included intervener registration, intervener IRs and written final and reply arguments. The British Columbia Old Age Pensioner's Organization et al. (BCOAPO) actively participated as an intervener in this proceeding.

The record in this proceeding closed on June 19, 2020 with the filing of Corix's Reply Argument.

2.0 APPROVALS SOUGHT

In the Application, Corix requests the following for each of the Corix Utilities:³

¹ Exhibit B-1, Application, p. 2.

² Exhibit B-1, Application, p. 3.

³ Exhibit B-1, Application, pp. 4–5.

- (i) The temporary suspension of the existing Late Payment Charge (LPC) clause in the respective tariffs for each of the Corix Utilities until June 18, 2020;
- (ii) To cease the suspension of the LPC clause in the respective tariffs for each of the Corix Utilities on June 19, 2020.
- (iii) That any subsequent direction by the BCUC to the Corix Utilities regarding suspension of disconnections automatically changes the date in items (i) and (ii) above to any other date directed by the BCUC;
- (iv) The establishment a non-rate base COVID-19 deferral account (COVID-19 Deferral Account) for each of the Corix Utilities to record: (a) the difference between revenue billed and revenue collected on a monthly basis from the issuance of the first bill (bill for March 2020 sent in April 2020) through to the end of the COVID-19 pandemic; (b) subsequent payments by customers for bills previously not paid during the COVID-19 pandemic after practical bill collection efforts, and (c) incremental costs related to the COVID-19 pandemic. Corix proposes that the COVID-19 Deferral Account will attract carrying costs calculated and applied on a monthly basis at Corix's weighted average cost of capital (WACC); and
- (v) Approvals for each Corix Utility, at its discretion, to implement a flexible payment plan for customers with outstanding balances and for each of the Corix Utilities to implement a flexible payment plan or a standard repayment schedule on a case by case basis.

In its Final Argument, Corix states that given the long-term nature of the pandemic, using the short-term interest rate to determine the carrying costs is not appropriate. Any material cash flow challenges would need to be addressed with equity and debt, which results in Corix's WACC being the most appropriate measure.⁴

Corix does not propose a bill payment relief or bill payment deferral program, as it states that these would be time consuming and costly to implement. Corix also points out that the Corix Utilities are standalone utilities, each with a small customer base. It states that it is unfair and unjust to burden the remaining customers in each of the Corix Utilities with the losses that would result from a bill payment relief or deferral program.⁵ Corix also submits that since no late payment charges apply until June 18, 2020, this effectively amounts to the allowance of bill payment deferral for all customers.⁶

With regards to the responsibility of the shareholder to bear COVID-19 costs, Corix points out 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." Corix argues that if a customer relief program removes the opportunity for the shareholder to earn a fair return, then this would result in rates being unjust and unreasonable.⁷ Corix also argues:

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 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

⁴ Corix Final Argument, p. 4.

⁵ Corix Final Argument, p. 5.

⁶ Ibid.

⁷ Corix Final Argument, p. 6.

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.⁸

Position of Intervener

BCOAPO

In its Argument, BCOAPO argues that Corix seems to indicate that any extension of the suspension of the LPC must be done only after direction from the BCUC. BCOAPO submits that this is not the case, and that the Corix Utilities can extend the suspension of disconnection without any additional directions from the BCUC depending on how the COVID-19 pandemic evolves.⁹ BCOAPO submits that that given the possible timelines for a vaccine, it is unrealistic to set a firm three month end date to the need for any customer relief measures. As a result, BCOAPO submits that Corix should, on its own, re-assess the need to extend the LPC suspension period.¹⁰

BCOAPO also expresses disappointment that a bill credit or discounted rate is not offered. It states that, “...during this unprecedented crisis caused by COVID-19, it may be fair and reasonable that revenues otherwise directed to the shareholder’s return should be used to assist with the costs of the program.” BCOAPO further argues that it is not palatable that the shareholder is held completely harmless while all other businesses, governments, and the utility’s customers are taking a massive financial hit.¹¹ BCOAPO goes on to further state that it is left to assume that Corix will seek to recover not only the costs outlined in this application, but those necessary to provide its shareholders with its approved return – which BCOAPO feels is contrary to what the *Utilities Commission Act’s* intention would be.¹² BCOAPO submits that Corix should revisit its position regarding a bill relief/bill deferral program, and that this reconsideration should be based on facts, figures, and evidence.¹³

With regards to the COVID-19 Deferral Account, BCOAPO states that the Corix proposal to charge WACC instead of the short-term interest rate is the same as treating a proposed measure offering short-term flexibility for customers as if it were a long-term rate base investment in infrastructure. BCOAPO argues that it does not appear that utility faces a material adverse cash flow situation that will prevail for years, and therefore it cannot be compared to investments in facilities, nor is it a major risky investment of shareholder capital. BCOAPO therefore submits that the short-term interest rate is appropriate.¹⁴

In terms of the flexible payment plan, BCOAPO suggests that Corix should be ordered to provide an update on the payment options offered and implemented, the number of customers taking part, and the financial impacts of these options, on either a monthly or quarterly basis.¹⁵

BCOAPO concludes its argument by stating that Corix’s Application does not cite how the utility plans to deal with any potential bad debt that may arise, and therefore it does not support debt being assigned to the applied

⁸ Corix Final Argument, pp. 6–7.

⁹ BCOAPO Final Argument, p. 2.

¹⁰ BCOAPO Final Argument, p. 3.

¹¹ Ibid.

¹² BCOAPO Final Argument, p. 4.

¹³ Ibid.

¹⁴ BCOAPO Final Argument, pp. 4–5.

¹⁵ BCOAPO Final Argument, p. 5.

for deferral account. Instead, BCOAPO submits that either the evidentiary phase should be reopened to collect more data, or that bad debt should be accrued to the shareholder's account.¹⁶

Corix Reply Argument

In its Reply Argument, Corix reiterates that June 18, 2020 was chosen as the termination date for the suspension of the LPC as it was the only firm date available. Corix considers that the June 18, 2020 date is the most reasonable since it ties to the date the BCUC considers most appropriate for the resumption of customer disconnections due to non-payment of bills. Corix submits that if it is reasonable for customers to be disconnected for non-payment, then it is reasonable for customers to receive late payment charges. However, Corix does state that it is not opposed to ending the suspension of the LPC on June 30, 2020, as it aligns with the billing period for the Corix Utilities.¹⁷

With regards to offering a bill relief/deferral program, Corix reiterates that each of the Corix Utilities has a small customer base, and losses in one utility cannot be recovered from customers in another utility. Corix also reiterates that a bill relief program will be difficult to manage, increase customers service costs and cause a redistribution of certain charges that is not based on cost causation.¹⁸

With regards to the flexible payment plan, Corix proposes that given the small size of the Corix Utilities, quarterly reporting on the aggregate amounts, with a year-end update providing the allocated amounts to each utility is reasonable. Corix proposes that the first quarterly report be submitted by July 31, 2020.¹⁹

Corix disagrees with the BCOAPO that the short-term interest rate is appropriate for the deferral account. Corix states that the carrying cost should be based on the nature of the deferral account, not the financial hardship experienced, and states:

A deferral account that is long term (greater than one year) should receive a carrying cost based on WACC, consistent with the capital funding of plant assets. For instance, a plant asset which lasts more than one year (whether 50 years or 1.5 years) is to be capitalized as per generally accepted accounting principles. An asset that is capitalized when using rate base of return receives a carrying costs that is the weighted average cost of capital that is reflected in the utility's revenue requirements. This treatment recognizes that assets do not have to last 50 years to receive WACC but rather any asset lasting more than one year. Therefore it is reasonable to apply Corix's WACC to a deferral account that is anticipated to last more than one year.²⁰

Corix also argues that credit may not be readily available from the banks, given the current state of markets, and therefore any cash flow challenges would need to be addressed with additional equity and debt, making WACC more appropriate.²¹

Corix concludes its Reply Argument by refuting BCOAPO's claim that the Application doesn't cite how to deal with bad debt, pointing out that section 5, item 5b of the application addressed the issue of bad debt explicitly. Corix also refers to BCUC IR 5.3, which estimates possible bad debt amounts that range from 2x to 10x historical

¹⁶ BCOAPO Final Argument, pp. 5–6.

¹⁷ Corix Reply Argument, p. 4.

¹⁸ Corix Reply Argument, p. 5.

¹⁹ Corix Reply Argument, p. 6.

²⁰ Corix Reply Argument, p. 7.

²¹ Ibid.

bad debt, and states that given the uncertainty of the pandemic, it is not possible to quantify the amount of bad debt at this time.²²

Panel Determination

The Panel notes that in general, the proposed measures were supported by BCOAPO. BCOAPO's recommendations primarily are focused on the length of the customer relief, the determination of carrying costs, and the reporting aspect of the measures.

With regards to BCOAPO's proposal that Corix should re-assess the need to extend the LPC suspension period, the Panel is satisfied with Corix's explanation that if it is reasonable for customers to be disconnected for non-payment, then it is reasonable for customers to receive late payment charges. The Panel also agrees that an extension to June 30, 2020 as proposed by Corix is reasonable since it aligns with Corix's billing period. As a result, **the Panel directs Corix to extend the waiver of the LPC until June 30, 2020.** The Panel rejects Corix's request that any subsequent direction by the BCUC regarding suspension of disconnections be automatically changed to the date directed by the BCUC, and notes that Corix must apply to the BCUC for any extension of the waiver of the LPC.

With respect to a bill relief/deferral program, the Panel is satisfied with Corix's explanation that expecting remaining customers to cover the losses of other customers is unreasonable, given Corix's small customer base in each of its standalone utilities. The Panel also agrees with Corix that the waiver of LPCs to June 18, 2020 effectively amounts to the deferral of bill payments for all customers. Thus, the Panel does not agree with the BCOAPO's proposal for Corix to revisit its position regarding a bill relief/bill deferral program.

Based on the terms stated in the Application, the Panel expects the COVID-19 deferral account to be necessary for more than one year. The Panel agrees with Corix's assessment that generally a deferral account that is greater than one year should receive a carrying cost based on WACC. The Panel also notes that the Corix Utilities have consistently used WACC to calculate carrying charges on deferral accounts that are expected to exist for more than one year. As a result, the Panel disagrees with BCOAPO's submission that the short-term interest rate is appropriate, and finds that the use of WACC, as proposed by Corix, is appropriate.

Finally, the Panel finds that given the small size of the Corix Utilities, quarterly reporting on the aggregate amounts, with a year-end update including the allocated amounts to each utility, is reasonable. The Panel also notes that there is not enough information in this proceeding to make a determination on the disposition of deferral balances, and therefore is unable to address BCOAPO's argument that bad debt should be accrued to the shareholders' account, or that revenues otherwise directed to the shareholder's return should be used to assist with the costs of the program. The Panel notes that these issues and the disposition of deferral balances should be the subject of a future proceeding.

For the foregoing reasons, **the Panel approves Corix's application for Tariff Changes due to COVID-19 for each of the Corix Utilities on a final and permanent basis, in accordance with Order G-176-20.** Further, **the Panel directs Corix to provide quarterly and annual reports to the BCUC on the status of the flexible payment plans and COVID-19 Deferral Account in accordance with directives 2 and 3 of Order G-176-20. The first quarterly report is due to the BCUC by July 31, 2020.**

²² Corix Reply Argument, p. 8.