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CORIX - CORPORATE COST ALLOCATION METHODOLOGY EXHIBIT A-9
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Mr. Errol South
Senior Regulatory and Financial Analyst
Corix Multi-Utility Services Inc.
19900 84th Avenue
Langley, BC V2Y 3C2
RegulatoryAffairs.Canada@corix.com

**Re: Corix Multi-Utility Services Inc. – Application for Approval of a Corporate Cost Allocation Methodology
Project No. 1599108 – Panel Information Request No. 1**

Dear Mr. South:

Further to you June 5, 2020 filing of the above-noted application, enclosed please find Panel Information Request No. 1. In accordance with the regulatory timetable established by Order G-267-20, please file your responses on or before Tuesday, November 10, 2020.

Sincerely,

Original signed by:

Marija Tresoglavic
Acting Commission Secretary

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Enclosure



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

PANEL INFORMATION REQUEST NO. 1 TO CORIX MULTI-UTILITIES SERVICES INC.

- 1.0 Reference: CORPORATE COST ALLOCATION METHODOLOGY
Exhibit B-6, Section 3.2, p. 13; Exhibit B-6, BCOAPO IR 3.1; Corix Reply Argument,
Paragraph. 19, 24, 27
BMDEU Indicative Corporate Cost Allocations**

In the Corix Multi-Utility Services Inc. (Corix) Application for Corporate Cost Allocation Methodology (Application), Corix provided the following table of the Steps for Allocating Corporate Costs:

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.	The basis of variability of the Indirect Costs are then assessed by reviewing what causes these costs to change.
5.	Indirect Costs are then allocated either: <ul style="list-style-type: none"> a. Using a functional allocator on the basis of variability in instances where this method is clearly applicable; or b. Using a Composite Allocator for all other instances.

In response to British Columbia Old Age Pensioners' Organization et al. (BCOAPO) Information Request (IR) 3.1, Corix provided the following table:

Line No.	Utility	2019	2020	2020	2021	2021	2022	2022
		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%
	Total	738,440	800,568	6%	996,585	23%	1,321,561	31%

In paragraph 19 of the Corix Reply Argument, Corix states:

The reason for the increase in indicative cost allocations is due to the incorporation of a known and measurable change to account for a significant and major capital addition to Corix’s Burnaby Mountain District Energy Utility (“BMDEU”) in the form of a new central energy plant. Hypothetically, if there was no new central energy plant then the indicative corporate cost allocations would show a decrease to the portion of corporate costs allocated to Corix’s BCUC-regulated utilities for each year from 2020 to 2022.

In paragraph 24 of the Corix Reply Argument, Corix states:

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; and
- \$3.2M addition in revenue and 2.8 FTE increase in headcount for SFU.

In paragraph 27 of the Corix Reply Argument, Corix states:

To reiterate, 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.

- 1.1 Item 2 of Table 3 that outlines the steps for allocating corporate costs, stipulates that costs are identified as either directly assignable costs or indirect costs. Please explain how the indirect costs are calculated in this step.
 - 1.1.1 Based on the explanation provided, please provide a detailed calculation of total Indirect costs for all CII utilities for the 2020 to 2022 forecasted years.
 - 1.1.2 Please confirm or otherwise explain that the indirect costs that are to be allocated using the proposed cost allocation methodology are determined irrespective of the cost allocation methodology.
- 1.2 Please explain whether there has been an increase in Directly Assignable Costs allocated to Burnaby Mountain District Energy Utility (BMDEU) as a result of its planned expansion. If so, please provide forecasted costs.
- 1.3 Please provide a table of the total forecasted indirect corporate costs for Corix Infrastructure Inc. (CII) for 2020-2022.
 - 1.3.1 Please confirm, or explain otherwise, that the total forecasted indirect corporate costs for CII remain relatively constant from 2020-2022.
 - 1.3.2 Please explain whether the BMDEU expansion has a known and measurable impact on the total forecasted indirect corporate costs for CII.
 - 1.3.2.1 If there is an observable impact on total forecasted indirect corporate costs,

please explain why such costs are not directly assignable to BMDEU.

- 1.4 Please explain why the costs associated with the known and measurable change of the addition of a significant capital addition is not directly assignable to the specific utility.
- 1.5 Please provide a table that shows the change in each of the composite allocators for BMDEU-University and BMDEU-SFU for 2020 to 2022 in absolute and relative terms.
 - 1.5.1 Please explain the extent to which each of the allocators is driving the increase in costs that are to be allocated to BMDEU-University and BMDEU-SFU.

**2.0 Reference: CORPORATE COST ALLOCATION METHODOLOGY
BCOAPO Final Argument, p. 5; Corix Reply Argument, Paragraph 12
Invested Capital**

On page 5 of the BCOAPO Final Argument, BCOAPO states:

The Massachusetts Formula uses capital investment as one of its factors instead of Gross PPE as proposed by Corix.

While BCOAPO does not oppose the Application on methodological grounds, we submit that cost allocation is a subjective exercise and particularly so when allocating indirect costs. There is no cut and dry science to it. There are many “reasonable” ways to allocate indirect costs but differences in the choice of drivers can have a major impact on cost allocations and therefore, ultimately, differing rate impacts.

In paragraph 12 of the Corix Reply Argument, Corix states: “During the development of the Corporate Cost Allocation Methodology (“CAM”) Corix considered using Net PPE to represent capital investment. However, Net PPE was not selected...”

- 2.1 Please provide the indicative corporate cost allocations for the 8 BCUC regulated utilities if Net PPE was used in place of Gross PPE. Please briefly discuss how this directionally impacts the allocations to the BCUC regulated utilities.