

Province of British Columbia  
Ministry of Environment  
Deputy Comptroller of Water Rights

Attention: [rick.couroux@gov.bc.ca](mailto:rick.couroux@gov.bc.ca) by email (cc. Carmen Piercey, EPCOR, [cpiercey@epcor.ca](mailto:cpiercey@epcor.ca))

Dear Sir:

Re: EPCOR Water (West) Inc ("EWW") Rate Application 2009 -2011

I wish to strongly object to the compounded rate increase of 54.5% proposed by EWW and submit my comments accordingly.

#### EWW DOCUMENTATION

I am overwhelmed by the physical volume of material and more so after having made an effort to read it all. On behalf of EWW, EWSI and EUI have the resources to prepare a submission that is clear, concise and focussed rather than offering a scattered and fragmented product and which they end up charging their customers to produce, as explained in Inter-Corporate Service Charges.

As a customer and lay person, it is beyond my ability to deal with the repetition and re-statement of identical statistics, graphs, tables and commentary from one section to another. In a number of instances there are Schedules attached to Schedules or Schedules attached to Appendices which are repetitive and confusing.

#### STATISTICAL RELIABILITY

There are number of areas where figures are incorrectly re-stated or are contradictory and I wonder how many other situations exist that I have not discovered and which may have affected financial calculations. There are also other instances where a graph or table is contradicted by the text written to support same.

Refer to the following, all provided by EWW on their website:

##### Proposed Rates and Rate Rider

The rate table shown in Appendix B-1 Public Consultation Presentation and French Creek Rates Presentation dated September 4, 2009 do not agree to the rate figures indicated in Schedule A Proposed Water Rates.

##### Customer Counts (re-stated in other sections as 'number of units')

Refer to the table below -

1. Appendix D-2 2007 Water Utility Annual Report, Revenue Analysis Report
2. Schedule 3 of the preceding document
3. Appendix D-3 2008 Water Utility Annual Report, Revenue Analysis Report
4. 2009-2011 RRA, Table 3.1.1-2 EWW Customer Count Forecast
4. Financial Schedule 1.2

Source	Count 2007	Count 2008
1.	1716	
2.	1900	
3.		1729
4.	1901	1924

##### Consumption Actual History

Refer to the table below -

1. Financial Schedule 1.3
2. Financial Schedule 3.2
3. Appendix D-2 2007 Water Utility Annual Report, Consumption & Counts Schedule 3

Source	Consum 2007
1.	553,741
2.	548,631
3.	548,631

## COMPARISON OF WATER RATES

Refer to the attached graph, extracted from page 10 of the 2009-2011 RRA, Figure 1.4.2-1:

As stated by EWW in paragraph 26 on page 9, Water Parcel Tax has no relationship to the cost of the water supply paid to EWW. They state the Tax "reflects payment for Arrowsmith Water Service", which is collected by municipalities or RDN and must be ignored in any comparison.

Removing the Parcel Tax the graph indicates that EWW has the **HIGHEST COST OF ALL UTILITIES** in 2009 and conflicts with their comment that EWW is "higher than four but lower than three other surrounding areas". This higher current cost, in comparison to the other utilities, will widen in 2010 and 2011 with increases calculated at 15.6% per year (compounded) and will result in EWW rates being exceptionally higher. I have been advised that **other utilities are targeting rate increases of approximately 8% which may be more reasonable**. The recovery of the Consumption Deferral Account balance through 2010 and 2011 will make matters worse although I realize the Comptroller has allowed EWW to recover any shortfall in 2007 between forecast and actual consumption.

EWW explains that any variance to "the lower rates" is justified by the costs associated with system upgrades but this is deceptive. Capital Improvements do not justify water rate increases except where interest costs are incurred in relation to debt financing for the capital expenditures. This cost has not been significant by itself in relation to other costs.

## MISLEADING INFORMATION

In the Rate Application on page 26, paragraph 79, EWW states - *"Housing development growth rate in EWW's service area has recently been constrained due to the forced delay in developments as a result of constrained water supply. Due to concerns over water supply constraints, new development permits have not been approved and have been backlogged for the last few years. As a result of these supply constraints, actual consumption has been lower than the forecast consumption included in Order 2052"*.

**THE ABOVE STATEMENT IS MISLEADING.** I asked Joe Stanhope, RDN Chairman and Area G Director, if the EWW statement above was correct and he replied - *"Rob, I've asked staff to comment on your question and they are not aware of any developments that have been held back by the absence of water supply in the French Creek area - nor am I. ( this is certainly not the case in Nanoose Fairwinds - but that is not supplied by Epcor)"*. The company may argue that developer applications have been refused by them, which may be unknown by the RDN, because EWW could not entertain any expansion of water supply without Comptroller approval. The truth is that they were tardy in supplying a Resource Plan to the Comptroller until September 2009 which was almost 2 years late.

EWW is applying their statement above as a basis to justify unrealistic Customer Count Forecast growth rates of 10.1% overall from 2009 to 2011. Refer page 26, Table 3.1.1-2. The period is actually only 2 years because 2011 financial calculations are based on a figure which includes growth at the beginning, rather than at the end of the year, and thus equates to more than 5% growth per year, **exceeding RDN forecast growth at 2.7%**.

Further, if water consumption growth does not occur based on an exaggerated Count Forecast, it will result in any shortfall being charged to the Consumption Deferral Account (CDA), which they propose to continue, and would be charged to all users in the future as a Rate Rider. While it could be argued that reduced consumption would result in a higher water base rate, it could also be argued that operating expenses would decrease for items such as power, chemicals, operations and maintenance, etc..

## DEPRECIATION EXPENSE, OPERATING COSTS and INTER-CORPORATE SERVICE CHARGES

### Depreciation Expense

On page 6, Section 1.3 2009-2011 Test Period Costs, in table 1.3-1 Revenue Requirements, EWW has included Depreciation Expense in justifying their 'Net Revenue Requirement' for 2009 through 2011. **EWW is deliberately confusing this revenue calculation** because Depreciation Expense is a financial statement book entry deduction and has absolutely no effect on available cash in relation to revenue requirements necessary to pay Operating Costs and generate a reasonable profit.

### Wages and Salaries

Referring to table 3.3-1, page 28 of the Rate Application, EWW has planned for increases of 4% for 2010 and 2011 (likely including 2009) which is higher than private and public budget forecasts. They have justified this based on approval for EWR (White Rock) by the Comptroller for 2008 to 2010 which

is not relative in the present economic climate. These increases are excessive and Joe Stanhope, RDN Chairman and Area G Director offered his comments specifically in relation to EWW - *"I note their intention is to provide an increase of 4%/year to their employees, which I feel is excessive. This is certainly not the case in most of the private sector these days, as many are looking at wage cuts. In the public sector most of the people I talk to around BC are trying to hold increases to their employees at 0,0,0."*

Inter-Corporate Service Charges

Customers are paying EWSI and EUI for their efforts as outlined in this application. I am amazed by the substantial proportion that these charges relate to overall Operating Costs as outlined in table 4.0-1 on page 33. *These contractual costs are excessive and may represent hidden profit for EWW, EWSI and EUI.* It could also be argued that too much emphasis is placed on preparing statistical reports and studies which are costly, of marginal use and/or redundant.

Refer to the recap below -

Category	2009	2010	2011
Op Costs subtotal	612	560	649
Intercorp S/Chge	160	163	167
S/Chge as a % of operating costs	26.1%	29.1%	25.7%

TEST PERIODS and DEFERRAL ACCOUNTS

EWW continues to use the term 'Test Period' in relation to continuing operations for 2009 through 2011. EWSI purchased this utility in 2006 and they state the following in Section 1.2 Background, sub-section 1.2.2, paragraph 15 - *"EWSI and it's predecessors have been designing, building, operating and financing water and wastewater treatment facilities for more than a century. EWSI is one of the leading water utility operators in North America. EWSI, working in partnership with governments, municipalities and industrial clients, currently provides water and distribution management services to about one million people in 50 communities."*

On the basis of this understanding, why is it necessary to continue with a 'Test Period' for a further 3 years when they have ample factual results from the operation of EWW since purchasing the utility in 2006? By candid consideration of their self-stated historical expertise, EWW/EWSI does not require further time for a 'Test Period' in relation to water consumption forecasts.

On this same basis, EWW should not be entitled to the use of deferral accounts, especially the Consumption Deferral Account (CDA), to which they have been allowed to charge consumption shortfall in relation to forecast in 2007 and which they now propose to continue for 2009 through 2011. This amounts to guaranteed income for EWW whether or not their customers use the water and is completely unfair to the consumer. To clarify, I do understand that consumption in excess of forecast would be credited to the deferral account. However, companies doing business in this country must live with their pricing which is derived based on costs and budgetary forecasts, with no guarantees on revenue and EWW should be operating in the same fashion. If EWW requires a rate increase in the future, explained by revenue shortfalls or reasonable cost excesses, such arguments might be acceptable at that time.

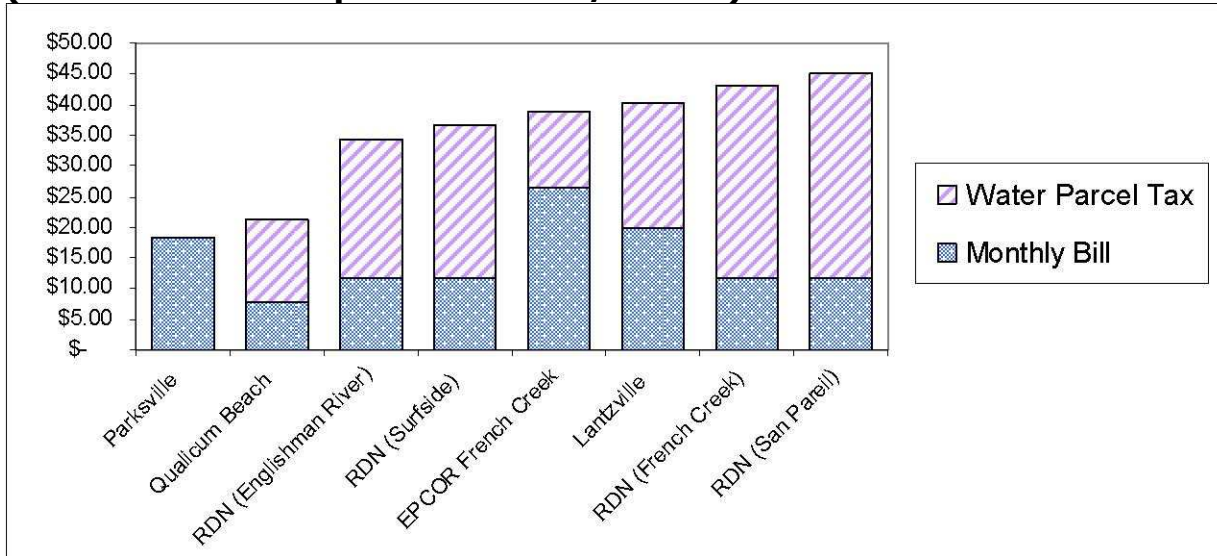
GRANTS and GOVERNMENT INFRASTRUCTURE ASSISTANCE FUNDS

EWW has stated that they are ineligible for consideration in this process because they are a private, for profit, corporation, versus a Municipal or Water Improvement District. The RDN has stated that grants have been extended in circumstances where the Municipal or Regional entity has assisted the application process in such cases and they would be pleased to assist with any application by EWW. Considering the expert qualifications of EWSI and EUI, it is reasonable to expect they should have been aware of such and these funds could have substantially reduced historical and existing costs for their customers.

I look forward to the Comptroller disallowing this excessive rate increase application.

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 Parksville, BC, \_\_\_\_ \_\_\_\_  
 November 28, 2009

**Figure 1.4.2-1  
Comparison of Monthly Bills for Residential Customers in 2009  
(based on consumption of 15 m<sup>3</sup>/month)**



Source: Parksville – [www.parksville.ca](http://www.parksville.ca) (user rates), Utilities Department (parcel taxes n/a)  
 [10% discount shown for payment within 30 days]  
 Qualicum Beach – Bylaw 532.06 (user rates), Bylaw 493.02 (parcel taxes)  
 RDN (all service areas) – Utilities Department (user rates), Finance Department (parcel taxes)  
 [10% discount shown for payment within 30 days]  
 Lantzville – Bylaw No. 73 (user rates), District office (parcel taxes)