

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: April 29, 2016 8:18 AM
To: 'Chris R. Lacny'; 'oliver berkeley'
Cc: Couroux, Rick FLNR:EX; s.22
Subject: RE: Procter Water utility Ltd. -Decision and Order No. 2449 on Application for rates increase
Attachments: Schedule A - 866.pdf
Categories: Blue Category

Please find attached a copy of Schedule A to go along with Decision and Order with Reasons No. 2449.

Elena Oliphant

From: Chris R. Lacny [mailto:s.22]
Sent: Thursday, April 28, 2016 4:06 PM
To: Couroux, Rick FLNR:EX; Oliphant, Elena FLNR:EX
Subject: RE: Procter Water utility Ltd. -Decision and Order No. 2449 on Application for rates increase

We did not receive the Attachment "Schedule A" to this decision. Please provide at your earliest convenience. Thank you.

Chris R. Lacny
s.22

From: Couroux, Rick FLNR:EX [mailto:Rick.Couroux@gov.bc.ca]
Sent: Thursday, April 28, 2016 2:52 PM
To: 'oliver berkeley'
Cc: 'Chris R. Lacny'; s.22
Subject: FW: Procter Water utility Ltd. -Decision and Order No. 2449 on Application for rates increase

Dear Oliver Berkeley,

Attached is a copy of the Deputy Comptroller of Water Rights' Decision and Order with Reasons No. 2449 in the matter of an application by Procter Water Utility Ltd. to increase its water rates. A copy of the Water Tariff No. 2 will follow by a separate email attachment. Please ensure that a copy of the water tariff is available for viewing by the customers of this utility upon request.

If you have any questions please contact myself or Elena Oliphant on this matter.

Regards,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: RCOUROUX [<mailto:Rick.Couroux@gov.bc.ca>]

Sent: Thursday, April 28, 2016 1:41 PM

To: Couroux, Rick FLNR:EX

Subject: Scan From MPS4188

PROCTER WATER UTILITY LTD.
PROJECTED CASH FLOW STATEMENTS
FOR THE YEARS ENDING DECEMBER 31st

Schedule A

	2014	2015	Test Year 2016			Test Year 2017			Test Year 2018		
	Actual	Actual	Utility Forecast	Adjustments	Approved Forecast	Utility Forecast	Adjustments	Approved Forecast	Utility Forecast	Adjustments	Approved Forecast
ANNUAL WATER RATES:											
Residential Service Flat Rate	660.00	660.00	1,200.00	(168.00)	1,032.00	1,275.00	(171.00)	1,104.00	1,350.00	(150.00)	1,200.00
Availability of Service (Rent) Charge	330.00	330.00	840.00	(118.00)	722.00	893.00	(120.00)	773.00	945.00	(105.00)	840.00
Annual RRF Provision	30,000	30,000	15,000		15,000	18,000		18,000	21,000		21,000
NO. OF UNITS:											
Residential Service Flat Rate (Full-time)	8	8	10		10	12		12	14		14
Residential Service Flat Rate (Part-time)	0	0	0	3	3	0	3	3	0	3	3
Availability of Service (Rent) Charge	38	38	36	-3	33	34	-3	31	32	-3	29
Total	46	46	46		46	46		46	46		46
REVENUE:											
Residential Service Flat Rate (Full-time)	5,010	5,280	12,000	(1,680)	10,320	15,300	(2,052)	13,248	18,900	(2,100)	16,800
Residential Service Flat Rate (Part-time)	-	-	-	774	774	-	828	828	-	900	900
Availability of Service (Rent) Charge	12,540	12,540	30,240	(4,775)	25,465	30,345	(4,649)	25,696	30,240	(3,990)	26,250
Interest	17,550	17,820	42,240	(5,681)	36,559	45,645	(5,873)	39,772	49,140	(5,190)	43,950
Connection/Administrative Fees	3,158	3,158	3,158	(1,862)	1,296	3,158	(1,862)	1,296	3,158	(1,862)	1,296
	-	-	300		300	300		300	300		300
TOTAL REVENUE	20,708	20,978	45,698	(7,543)	38,155	49,103	(7,735)	41,368	52,598	(7,052)	45,546
EXPENSES											
Bank Charges	159	159	200	-	200	220	-	220	240	-	240
Billing & Bookkeeping	480	480	480	-	480	480	-	480	480	-	480
Chlorine	213	-	-	-	-	-	-	-	-	-	-
Hydro	2,944	2,944	3,386	-	3,386	3,555	-	3,555	3,733	-	3,733
Insurance	1,625	1,625	1,625	-	1,625	1,666	-	1,666	1,707	-	1,707
Licenses, Dues & Fees	575	575	575	-	575	575	-	575	575	-	575
Management Fees	-	-	-	-	-	-	-	-	-	-	-
Office and Site Supplies	600	600	600	-	600	600	-	600	600	-	600
Operator	-	-	-	-	-	-	-	-	-	-	-
Independent System Visits	-	-	4,368	(1,668)	2,700	4,586	(1,832)	2,754	4,816	(2,007)	2,809
System Visits KLV	4,680	4,680	4,680	-	4,680	4,680	-	4,680	4,680	-	4,680
System chlorine testing, balance and flushing	4,320	4,320	4,320	-	4,320	4,536	(130)	4,406	4,763	(268)	4,495
New Connections	270	270	270	(270)	-	270	(270)	-	270	(270)	-
Professional Fees	1,240	1,250	3,250	(1,300)	1,950	3,250	(1,300)	1,950	3,250	(1,300)	1,950
Rent	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	1,301	1,514	3,000	-	3,000	3,000	-	3,000	3,000	-	3,000
Telephone	-	-	-	-	-	-	-	-	-	-	-
Testing	-	-	1,200	(600)	600	1,200	(600)	600	1,200	(600)	600
Travel	-	-	-	-	-	-	-	-	-	-	-
Professional Training	-	-	1,500	(750)	750	1,500	(750)	750	1,500	(750)	750
TOTAL EXPENSES	18,407	18,417	29,454	(4,588)	24,866	30,118	(4,882)	25,236	30,814	(5,195)	25,619
NET INCOME (LOSS)	2,301	2,561	16,244	(2,955)	13,289	18,985	(2,853)	16,132	21,784	(1,857)	19,927
Less: Income Taxes	-	-	-	-	-	-	-	-	-	-	-
RRTF Provision	-	-	15,000	-	15,000	18,000	-	18,000	21,000	-	21,000
ADJUSTED NET INCOME (LOSS)	2,301	2,561	1,244	(2,955)	(1,711)	985	(2,853)	(1,868)	784	(1,857)	(1,073)
OPERATING MARGIN (% of Expenses)			4.2%	-6.9%		3.3%	-7.4%		2.5%	-4.2%	
REVENUE REQUIREMENTS	18,407	18,417	45,698		39,866	49,103		43,236	52,598		46,619

Couroux, Rick FLNR:EX

From: Couroux, Rick FLNR:EX
Sent: Thursday, April 28, 2016 1:52 PM
To: 'oliver berkeley'
Cc: 'Chris R. Lacny'; S.22
Subject: FW: Procter Water utility Ltd. -Decision and Order No. 2449 on Application for rates increase

Dear Oliver Berkeley,

Attached is a copy of the Deputy Comptroller of Water Rights' Decision and Order with Reasons No. 2449 in the matter of an application by Procter Water Utility Ltd. to increase its water rates. A copy of the Water Tariff No. 2 will follow by a separate email attachment. Please ensure that a copy of the water tariff is available for viewing by the customers of this utility upon request.

If you have any questions please contact myself or Elena Oliphant on this matter.

Regards,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: RCOUROUX [<mailto:Rick.Couroux@gov.bc.ca>]
Sent: Thursday, April 28, 2016 1:41 PM
To: Couroux, Rick FLNR:EX
Subject: Scan From MPS4188



Scan_20160428....

PROVINCE OF BRITISH COLUMBIA

IN THE MATTER OF the *Water Utility Act* and
Utilities Commission Act
and
IN THE MATTER OF Procter Water Utility Limited
this 27th day of April 2016

ORDER

WHEREAS:

1. The Comptroller of Water Rights, in the exercise of the powers conferred upon him by the *Water Utility Act* and the *Utilities Commission Act*, by way of Order No. 2109, dated July 23, 2007 deemed it necessary and in the public interest that **Procter Water Utility Limited** (hereinafter referred to as "the Utility") establish and maintain a Replacement Reserve Fund (RRF) by making annual contributions of \$1,000.00 per year in accordance with its Water Tariff No. 1, and
2. Commencing January 1, 2009 the Utility was required to phase in full replacement provision based on replacement of the water system to serve 150 bare land strata lots at full build out starting with \$18,000 to be deposited in 2009, \$21,000 in 2010, \$24,000 in 2011 and \$30,000 in 2012 and each subsequent year, and
3. Due to the lack of growth the Utility's revenues were less than expected and the developer was unable to fully subsidize the required RRF contributions resulting in a \$163,575 shortfall at the end of 2015, and
4. The Utility owner has agreed to make up the shortfall in the RRF by transferring funds from its Revenue Deficit Reserve Fund (RDRF), and
5. going forward requests that the RRF contributions be reduced on the basis that it is not using the surface water source which reduces future replacements costs.

IT IS THEREFORE ORDERED THAT:

1. the Utility make up the shortfall in its RRF by transferring \$163,575 from its RDRF, and
2. make RRF contributions of \$15,000 in 2016, \$18,000 in 2017, \$21,000 in 2018 and each subsequent year.

The monies deposited in this fund are to be held under the same terms and conditions as set out in Order No. 2109, dated July 23, 2007.



Pieter J. Bekker
Deputy Comptroller of Water Rights

File: 0321866

PROVINCE OF BRITISH COLUMBIA
OFFICE OF THE DEPUTY COMPTROLLER OF WATER RIGHTS
IN THE MATTER OF the Water Utility Act and
the Utilities Commission Act
and
IN THE MATTER OF
an Application by

PROCTER WATER UTILITY LTD.

**For Approval of 2016, 2017 and 2018
Revenue Requirements and Rate Increase Applications**

**Effective:
January 1, 2016**

BEFORE:

Pieter J. Bekker, Deputy Comptroller of Water Rights
PO Box 9340 STN PROV GOVT, Victoria, BC V8W 9M1

DECISION AND ORDER

Written Hearing December 15, 2015 to March 9, 2016

Dated this 26th day of April 2016

WHEREAS:

1. On December 4, 2015 Procter Water Utility Ltd. ("the Utility") made an Application for approval of Revenue Requirements for its fiscal years ending December 31, 2016, 2017 and 2018 and to raise current water rates to be effective January 1, 2016, 2017 and 2018. The Utility submitted supporting documentation including a statement of actual and forecast cash flows for fiscal years ending December 31, 2016 though to 2018 and proposed water tariff amendments (collectively called "the Application").
2. In the Application, the Utility is proposing to increase the residential service flat water rate from \$660 to \$1,200 per year effective January 1, 2016, \$1,275 per year effective January 1, 2017 and then to \$1,350 per year effective January 1, 2018. Availability of Service (Rent) Charges on vacant/unconnected lots would increase from 50% to 70% of the residential service flat rate. The Utility proposes to contribute \$15,000 per year for 2016, \$18,000 for 2017 and \$21,000 for 2018 onwards to the Replacement Reserve Fund ("RRF").
3. A written hearing process was conducted from December 15, 2015 to March 9, 2016.
4. The Deputy Comptroller has reviewed and considered the Application and the submissions from the Utility's customers and Intervenors and has determined that:
 - a. Revenue Requirements, including RRF provision, for Test Years 2016, 2017 and 2018 as shown on the attached Schedule under "Approved Forecast" of \$39,866 (2016), \$43,236 (2017) and \$46,619 (2018) are adequate.
 - b. The following water rates are sufficient and necessary for the Utility to meet its approved Revenue Requirements for Test Years 2016-2018:

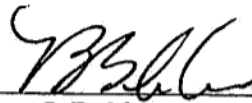
	Proposed			Approved		
	2016	2017	2018	2016	2017	2018
Residential Service Flat Rate, per year	\$ 1,200	\$ 1,275	\$ 1,350	\$ 1,032	\$ 1,104	\$ 1,200
Availability of Service (Rent) Charge, per year	840	893	945	722	773	840

- c. Effective January 1st of each year, the Utility is required to deposit into the RRF \$15,000 per year for 2016, \$18,000 per year for 2017 and \$21,000 per year for 2018 and onwards.
- d. Required annual contributions to the RRF are to be paid first before any remuneration is paid to the Utility owner/developer.
- e. The Utility owner is required to make-up the \$163,575 RRF shortfall with monies held in the Revenue Deficit Reserve Fund.
- f. The other proposed tariff amendments in the Water Tariff Booklet are approved with adjustments explained in the attached Reasons for Decision and Order.

NOW THEREFORE, the Deputy Comptroller Orders that:

Procter Water Utility Ltd.'s Rate Application, as adjusted above and as determined in the Reasons for Decision attached as Appendix A to this Order, is approved effective January 1, 2016, January 1, 2017 and January 1, 2018 and Water Tariff No. 2 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria, in the Province of British Columbia, this 26th day of April, 2016.



Pieter J. Bekker
Deputy Comptroller of Water Rights

File: 0321866

IN THE MATTER OF
Procter Water Utility Ltd.
REVENUE REQUIREMENTS and RATE INCREASE APPLICATION
REASONS FOR DECISION FOR ORDER 2447

April 26th, 2016

BEFORE:

Pieter J. Bekker, Deputy Comptroller of Water Rights

1.0 Background & Introduction

1.1 Background

The Comptroller of Water Rights ("Comptroller") is an independent quasi-judicial regulator and responsible for the regulation of private water utilities under the *Water Utility Act* and the *Utilities Commission Act*. Under the *Water Act*, "Comptroller" includes a "Deputy Comptroller".

Procter Water Utility Ltd. ("the Utility") owns and operates a private water utility located at Procter, near Nelson and is approximately nine years old. It currently provides water service to 13 customers and 33 vacant lots subject to availability of service (rent) charges.

The Utility received its first Certificate of Public Convenience & Necessity ("CPCN") in 2007 authorizing the construction and operation of the water system to serve a 19 lot single family bare land strata subdivision (Phase 1). The Utility received two amended CPCNs in 2008 for Phases 2 & 3 for 27 more lots, bringing the total currently authorized to 46 lots.

The water source for Phase 1 was groundwater but due to limited long term well yield capacity, the Utility was required to convert to surface water (Kootenay Lake) for Phases 2 & 3 in order to meet maximum day demand requirements. The Utility constructed the works for the lake source but did not decommission the well. To date, well supply is adequate due to the slow rate of build-out and that the majority of residents are seasonal. Interior Health Authority ("IHA") requires the Utility to switch over to the surface water source once build out reaches 19 homes.

Water Tariff No. 1 was approved effective January 1, 2009 and set the residential service flat rate at \$660 per year. The Utility was required to make annual contributions to its Replacement Reserve Fund of \$18,000 commencing in 2009, \$21,000 for 2010, \$24,000 for 2011 and \$30,000 for 2012 and each year thereafter.

1.2 Introduction

On December 4, 2015 the Utility applied for approval of forecast Revenue Requirements and to increase water rates effective January 1, 2016, January 1, 2017 and January 1, 2018. In support of its application the Utility submitted supporting documentation including a statement of actual and projected cash flows and proposed water tariff amendments. The main reasons for the rate increase are to generate sufficient revenues to cover increased operating costs and set aside monies in the RRF.

The proposed rate increases are:

	Current	Proposed		
	2015	2016	2016	2017
Residential Service Flat Rate, per year	\$ 660	\$ 1,200	\$ 1,275	\$ 1,350
Availability of Service (Rent) Charge, annually	330	840	893	945

The Utility is proposing to increase minor rates and other charges in the Water Tariff as follows:

	Current	Proposed
1. (b) Service Turn-on Fee	\$ 75.00	\$ 135.00
1. (d) Service Application Fee	25.00	50.00
2. Billing and Payment – NSF Cheque Charge	25.00	50.00
3. Service Shut-off due to non-payment, Collection Charge	40.00	135.00
Schedule A (b) – Service Pipe to Curb Stop Connection Fee	250.00	At Cost
Schedule B – Contribution in Aid of Future Construction	6,300.00	25,000.00

The Utility advertised its proposed rates by sending a Notice to its customers on December 15, 2015, with a closing date of January 14, 2016 for submissions. A total of four objection letters were received. The hearing process continued with the Utility providing further information in response to an Information Request. All evidence, including relevant submissions from the Utility, its customers, and Intervenors has been taken into consideration.

The issues to be decided by me are whether to accept, set aside, or vary the forecast Revenue Requirements and proposed water rate increases.

2.0 Revenue Requirements

After considering all of the evidence, including customers' objections and comments and the Utility's responses to them and, after a complete review of the Utility's application, sufficient evidence was received to proceed with a review and decision on the Application.

2.1 Operating Expenses

The Utility's proposed Expenses for Test Years 2016 to 2018 as shown on the attached Schedule A are considered to be fair and reasonable except for the following adjustments:

2.1.1 Operator Wages

The Utility is proposing to hire an independent operator at an annual cost of \$4,368 in 2016 with an increase of 5% per year for 2017 and 2018. This would increase total Operator Wages from \$9,240 (2014 and 2015 Actual) to \$13,638 for Test Year 2016, then to \$14,072 for Test Year 2017 and to \$14,529 for Test Year 2018. Currently, Operator Wages consists of compensation paid to the Utility owner to oversee operations and maintenance at a rate of \$45 per hour. This includes performing regular site visits, completing testing as required by the IHA, monthly system flushing and call-outs. No changes to the amount paid to the Utility owner for operator wages are proposed except for a 5% increase to the forecast amount for system maintenance. The Utility owner states that the compensation he receives does not adequately compensate him for actual time spent on system visits and he will continue to donate his time to maintaining the system. Starting in 2016, the Utility is training an independent operator to oversee some of the duties at the recommendation of IHA. The independent operator would mainly oversee the sampling which IHA has increased from two to three samples per month. The independent operator is a licensed plumber and the Utility proposes to compensate him for 5 hours per month at \$65 per hour plus taxes for an annual budget of \$4,368 in 2016.

Some customers argued that the proposed hourly wage of \$65 per hour plus taxes for the independent operator was high when comparing the hourly rate of similar positions for a water technician and that there are so few customers connected to the system. They also raised concerns about overlap in duties and questioned why IHA would require the Utility to hire an independent operator. As part of their submission, they provided correspondence from IHA stating that the Utility was not required by IHA to hire an independent operator.

The Utility responded that due to a distribution system spread out over 3km and few customers using the system, regular flushing and monitoring is required to ensure consistent flows. The Utility confirmed that although there are no conditions on its Operating Permit requiring an independent operator, IHA supports the Utility's decision to have an independent operator oversee some of the day-to-day maintenance. The Utility also argues that this is a business decision it has deemed appropriate for managing risk and protects both the Utility and customers.

Deputy Comptroller Determination:

Although the Utility's rationale for hiring an independent operator is reasonable, the proposed budget amount of \$4,368 per year starting in 2016 is high for this size and type of Utility. An annual budget of \$2,700 per year starting in Test Year 2016 should be adequate. This is based on an hourly rate of \$45 per hour at five hours per month. Any additional amounts paid to the independent operator should be paid from operator wages paid to the Utility owner to avoid any overlap in duties. A 2% inflationary increase rather than 5% should be used for Test Years 2017 and 2018. The additional cost for New Connections should be removed as it can be incorporated into routine site visits.

Accordingly, Total Operator Wages of \$11,700 per year for Test Year 2016, \$11,840 per year for Test Year 2017 and \$11,984 per year for Test Year 2018 are approved.

2.1.2 Professional Fees

The Utility is forecasting \$3,250 per year for Accounting, Engineering and Legal services, up from \$1,250 in 2015. The Utility states that the additional \$2,000 per year is needed to access engineering advice at about \$500 per year and legal fees for pursuing billing arrears in small claims court at \$1,500 per year. The Utility stated in the Application that collection of availability of service (rent) charges is an ongoing problem and several owners are currently in arrears. In the past, the Utility would wait until a property was sold to collect the outstanding rent charges registered on the title of the property. However, recent legislative changes have introduced a basic limitation period of two years for acting on a claim/outstanding debt.

Deputy Comptroller Determination:

Generally, engineering costs are non-recurring and relate to a specific project or extraordinary repair and therefore, should not be included when forecasting for Professional Fees. The Utility is justified in pursuing small claims action to collect outstanding rent charges in order to ensure it generates sufficient cash flow to meet its obligations. However, the proposed annual budget of \$1,200 per year is not warranted. An annual budget of \$750 per year to cover filing fees and out-of-pocket expenses for three claims per year as proposed should be sufficient. This is based on a cost per claim of \$250 (\$150 court filing fees and \$100 for additional expenses). An annual budget of \$1,200 should be sufficient to hire an external accountant to prepare a complete set of Financial Statements, a copy of which should be submitted to the Deputy Comptroller annually.

Professional Fees of \$1,950 per year for Test Years 2016 through to 2018 are approved.

2.1.3 Testing

The Utility proposes to add Testing to its RR at \$1,200 per year starting in 2016 to cover lab fees and courier charges related to additional testing it plans to add for ongoing water quality monitoring. In particular, the additional testing expense would be to complete a full spectrum water test every six months at a cost of \$600 per test for lab costs and shipping.

Some customers questioned the need for additional testing especially when the monthly sampling required by IHA has been included with Operator Wages. In their submission, correspondence from IHA was provided confirming the full chemical analysis proposed by the Utility is required to be completed every 4 to 5 years.

The Utility responded that it would confirm with IHA on the frequency of the full chemical analysis however it should be able to increase testing as it deems appropriate for monitoring water quality.

Deputy Comptroller Determination:

Although an additional budget for Testing is warranted, an annual forecast amount of \$600 per year should be sufficient to either complete the full chemical analysis test on an annual basis or spread the cost over a longer period and add additional testing as it deems appropriate.

Testing expense of \$600 per year for Test Year 2016 through to 2018 are approved.

2.1.4 Professional Training

The Utility is forecasting a Professional Training budget of \$1,500 per year to attend training courses held by the Small Water Association of BC and participate in a Peer to Peer water system program. IHA has not made any specific training requirements for the Utility because "the owner/operator has been proactively engaged in this regard".

Deputy Comptroller Determination:

While it is considered acceptable to reimburse the owner/operator for ongoing training, a Professional Training budget of \$750 per year for Test Years 2016-2018 should be sufficient to cover out of pocket costs to attend annual courses. The owner is expected to subsidize this cost through donation of his time.

Professional Training expense of \$750 per year for Test Year 2016 through to 2018 is approved.

2.2 Reserve Funds

The Utility is required to maintain three reserve funds – the Construction Reserve Fund (CRF), Revenue Deficit Reserve Fund (RDRF) and the Replacement Reserve Fund (RRF). All three funds are held in separate restricted bank accounts and secured with Irrevocable Letters of Authority. No releases are permitted without the written authorization of the Deputy Comptroller.

The CRF is generally provided by the land developer as a source of capital for a known, specific project. Authorized releases may be made upon evidence of project progress and completion. The latest bank confirmation received on March 31, 2016 showed a balance of \$110,342 in the CRF and no authorized releases have been granted. The monies are being held to cover the cost of converting to the lake system when required.

The Utility is required to maintain \$250,000 in an RDRF as monies loaned to the Utility from the developer to provide interest income to the Utility. The RDRF is also a source of funding in the event of an emergency or failed development. In the event of ownership transfer, the monies are returned to the developer. Interest earnings may be withdrawn without authorization by the Utility to offset operating and RRF contribution requirements. The last bank confirmation dated March 31, 2016 indicated a balance of \$250,212 in the RDRF. Revenue from interest earnings reported by the Utility was \$3,158 in 2014 and 2015.

Utilities are required to set up and maintain a RRF to ensure that funds will be available to replace water system components when required. No releases may be made, including interest earnings, without the written authorization of the Deputy Comptroller. In the event the water system is sold or transferred, the RRF must transfer with the system for the beneficial interest of

the customers. Annual RRF provision should equal annual depreciation based on the estimated life of the water system components from the start. The current CPCN Guide includes prescribed depreciation rates for small water utilities. All newly created water utilities are required to use those rates in arriving at the annual RRF contribution, which generally average between 2% to 2.5% of the total capital cost.

The developer/Utility owner signed guarantee letters to contribute the water system to the Utility with no expectation of a return on investment. The total capital cost for the water system to construct the groundwater source, distribution and then convert to a surface water source was \$1.5 million. Using a depreciation rate of 2%, it was determined with the last rate increase that the required annual deposit should be \$30,000. The Utility was required to make annual contributions to the RRF of \$18,000 commencing in 2009, \$21,000 for 2010, \$24,000 for 2011 and \$30,000 for 2012 and each year thereafter. As at December 31, 2015 the balance in the account should be \$184,432 but the latest bank confirmation received on March 31, 2016 showed a balance of \$20,856 for a shortfall of \$163,575.

The Utility has been unable to contribute the required amounts to the RRF due to having to subsidize the operations and management of the water system for longer than was anticipated. The Utility acknowledges that the shortfall will need to be made up by the Utility owner and proposes to use the RDRF monies loaned to the Utility. Going forward the Utility requests a reduction in the annual RRF provision amount from \$30,000 to \$15,000 for 2016, \$18,000 for 2017 and \$21,000 for 2018. As the Utility continues to operate the smaller, simpler well system, the more expensive treatment and pumping system is in storage and not subject to wear and tear. The conversion from the well to the surface water source will not occur until build-out reaches 19 homes which may not happen for several more years.

Deputy Comptroller Determination:

The cost to construct the groundwater source and related works in Phase 1 was \$1,175,000 and the annual RRF provision should be about \$23,500 (based on \$1,175,000 x 2% depreciation rate). The Utility's proposal to reduce the annual provision to \$21,000 and phase it in over 3 year period is acceptable as the Utility is not using the surface water source and related works. The proposed \$21,000 annual provision would provide funds for replacement of water system components when required. It is reasonable to fund the RRF provision from rates collected now that there are enough rate-paying customers who are benefiting from the use of the water system. The Utility should ensure that required payments to the RRF are made on a priority basis before any remunerations of any kind are paid to the Utility owner.

The Utility owner should be required to make-up the \$163,575 shortfall that has accrued in the RRF to date with monies loaned to the RDRF. The RDRF balance would be reduced from \$250,000 to \$86,425 in order to make up the \$163,575 shortfall. As result, interest revenue will decrease to \$1,862 from \$3,158 assuming an interest rate of 1.5%.

Effective January 1st of each year, the Utility is required to deposit into the RRF \$15,000 per year for 2016, \$18,000 per year for 2017 and \$21,000 per year for 2018 and onwards.

Required annual contributions to the RRF are to be paid first before any remuneration is paid to the Utility owner/developer.

The Utility owner is required to make-up the \$163,575 RRF shortfall with monies loaned to the RDRF.

2.3 Operating Losses

Typically, a nominal Operating Margin (net cash flow income) to cover working capital needs and unexpected operating expenses is acceptable. However, after making the adjustments stated above and with the reduction of interest revenue earned on the RDRF, the Utility will have operating losses in each of the forecast years. The developer/Utility owner will have to continue subsidizing any operating losses, including deposits required to the RRF as per the undertaking to subsidize losses letter provided to the Deputy Comptroller dated October 23, 2008.

For Test Years 2016 through to 2018, total annual RR of \$39,866, \$43,236 and \$46,619 are required to cover total expenses including RRF contributions.

3.0 Tariff Amendments and Water Rates

3.1 Customer Count

The Utility based revenue projections on 10 full-time residents and 36 vacant lots. However, it was pointed out by the Intervenor and later confirmed by the Utility that in addition to the 10 users connected full-time to the water system, there are 3 users that are charged the residential service flat rate on a temporary basis.

For rate setting purposes, the 3 additional seasonal users were added to the Cash Flow Statement assuming a temporary connection of 3 months' each. While not receiving water service, the availability of service (rent) charge would apply on a pro-rated basis (for 9 months). This correction adds an additional \$300 per year to revenue.

3.2 Availability of Service (Rent) Charges

Currently, the availability of service (rent) charge is \$330 per year, or 50% of the user rate of \$660 per year. The Utility is proposing to increase the availability of service (rent) charge to 70% of the residential service flat rate. Since most of the Utility's operating expenses and replacement reserve provision costs are fixed, regardless of consumption, it is appropriate that the availability of service (rent) charge be set at 70% of users rates. This rate is based on utility regulation standards and is reasonable.

3.2 Other Tariff Amendments

The proposed changes to the minor rates and other charges in the Tariff are accepted with the exception of the following:

- a) Service Pipe to Curb Stop connection fee found on Schedule A (b), Water Service Connection. The current fee of \$250 is deemed to be sufficient to recover the cost of connecting a customer's service pipe to an existing curb stop as the Utility can also charge an administration fee and a turn-on fee.
- b) Schedule "B", Contribution in Aid of Future Construction ("CIAFC") - The CIAFC is a one-time charge for additions to the Utility's service area from either outside the boundaries of the utility or from subdividing an existing lot. CIAC funds are deposited into a Deferred Capacity Reserve Fund and released to pay for future expansion of source capacity upon written authority of the Comptroller of Water Rights. The Utility did not provide an explanation or detailed support showing why the proposed increase from \$6,300 to \$25,000 for each residential service premises is warranted. The proposed charge is in excess of what is considered a reasonable range for utilities this size and is not approved.

3.3 Water Rates

The proposed rates are in excess of what is required to cover approved Revenue Requirements. Effective January 1, 2016, January 1, 2017 and January 1, 2018, the following revised rates as shown on the attached Schedule A are found to be adequate:

	Proposed			Approved		
	2016	2017	2018	2016	2017	2018
Residential Service Flat Rate, per year	\$ 1,200	\$ 1,275	\$ 1,350	\$ 1,032	\$ 1,104	\$ 1,200
Availability of Service (Rent) Charge, per year	840	893	945	722	773	840

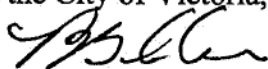
Deputy Comptroller Determinations:

The proposed Tariff Amendments are accepted for filing with the adjustments noted above.

The water rates as adjusted above are found to be adequate and are accepted for filing.

Accordingly, Water Tariff No. 2 is hereby accepted for filing effective January 1, 2016, January 1, 2017 and January 1, 2018 respectively in accordance with this Decision and determinations.

Dated at the City of Victoria, in the Province of British Columbia, this 26th day of April, 2016.



Pieter J. Bekker
Deputy Comptroller of Water Rights

Attachment : Schedule A

Couroux, Rick FLNR:EX

From: Couroux, Rick FLNR:EX
Sent: Thursday, April 28, 2016 1:57 PM
To: 'oliver berkeley'
Cc: 'Chris R. Lacny'; s.22
Subject: RE: Procter Water utility Ltd. -Decision and Order No. 2449 on Application for rates increase

Dear Mr. Berkeley,

My apologies the Decision and Order is No. 2447 not No. 2449 as indicated in my previous email.

Respectfully,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: Couroux, Rick FLNR:EX
Sent: Thursday, April 28, 2016 1:52 PM
To: 'oliver berkeley'
Cc: 'Chris R. Lacny'; s.22
Subject: FW: Procter Water utility Ltd. -Decision and Order No. 2449 on Application for rates increase

Dear Oliver Berkeley,

Attached is a copy of the Deputy Comptroller of Water Rights' Decision and Order with Reasons No. 2449 in the matter of an application by Procter Water Utility Ltd. to increase its water rates. A copy of the Water Tariff No. 2 will follow by a separate email attachment. Please ensure that a copy of the water tariff is available for viewing by the customers of this utility upon request.

If you have any questions please contact myself or Elena Oliphant on this matter.

Regards,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: RCOUROUX [<mailto:Rick.Couroux@gov.bc.ca>]
Sent: Thursday, April 28, 2016 1:41 PM
To: Couroux, Rick FLNR:EX
Subject: Scan From MPS4188

<< File: Scan_20160428.pdf >>

Couroux, Rick FLNR:EX

From: Couroux, Rick FLNR:EX
Sent: Thursday, April 28, 2016 1:54 PM
To: 'oliver berkeley'
Cc: Oliphant, Elena FLNR:EX
Subject: FW: Scan From MPS4188

Dear Oliver Berkeley,

Attached is a copy of Water Tariff No. 2 approved by the Deputy Comptroller of Water Rights effective January 1, 2016 with subsequent increases effective Jan. 1, 2017 and Jan. 1, 2018.

Regards,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca



Scan_20160428....



MEMORANDUM

April 26th, 2016

File: 0321866
Ref: 7230
Report: 12519

To: Pieter J. Bekker, Deputy Comptroller of Water Rights

Re: Procter Water Utility Ltd. - Rate Increase Application

A. Background & Review

1. This Utility is located near Nelson and is approximately 9 years old. It is authorized to provide service to 46 bare land strata lots and currently serves 13 customers and 33 vacant lots subject to availability charges.
2. The water source for construction of Phase 1 (2007) was groundwater but due to limited well yield capacity, the Utility was required to convert to surface water for Phases 2 & 3 (2008). The Utility constructed the works for the lake source but did not decommission the well as was required by URS and IHA. Due to the slow rate of build-out and the majority of residents are seasonal, IHA has allowed the Utility to delay switching to surface water source until build-out reaches 19 homes. URS engineering staff is in agreement with IHA's requirement.
3. The current residential service flat rate was approved effective January 1, 2009 at \$660 per year with availability of service (rent) charges set at 50% or \$330 per year. The required annual RRF provision was set at \$30,000 which was based on replacement value of the water system built to eventually serve 150 bare land strata lots at full build out.
4. The developer/Utility owner has put expansion plans on hold until market conditions improve. Future development of the remaining 104 lots would require a CPCN application and approval would be subject to meeting technical and financial criteria. Of the 46 authorized lots, the developer/Utility owner still owns 8 vacant lots and 3 developed lots connected to the system.
5. The Utility is required to maintain three reserve funds. As at March 31, 2016, the CRF has a balance of \$110,342 and the RDRF has a balance of \$250,212. They are reconciled and in order. The RRF is required to have a balance of \$184,432 but as of March 31, 2016 there is a balance of \$20,856 for a shortfall of \$163,575. The Utility proposes to make up the shortfall with monies held in the RDRF.



6. At the current rates, the Utility is unable to cover Revenue Requirements, including the required RRF provision. The developer/Utility owner has subsidized the operation and management of the water system and will continue to do so even with this rate application as approximately 40% of rates collected will be deposited to the RRF.

B. Introduction

1. On December 4, 2015 the Utility applied for approval of forecast Revenue Requirements and to increase water rates over a three year period, starting January 1, 2016. The Utility was advised to advertise its proposed rate increase on December 14, 2015 and on December 15, 2015 mailed a Notice to all of its customers. The closing date for objections was January 14, 2016. Four submissions were received. A written hearing process continued with one Intervenor representing about ten customers and the Utility.
2. The main concerns/objections raised by the Intervenor were:
 - Lack of historical data
 - The Utility owner should continue to subsidize the operating expenses until there are more rate paying customers.
 - Understated number of water connections
 - Expenses are overstated
 - Lack of trust between Utility owner and customers.
 - The current rate should be adequate.

Issues with sewer service and civil litigation involving the Utility owner/developer were also raised by the Intervenor, however only the concerns relevant to the rate application were considered.

3. The Utility is proposing to increase the residential service flat water rate from \$660 to \$1,200 per year effective January 1, 2016, \$1,275 per year effective January 1, 2017 and then to \$1,350 per year effective January 1, 2018. The availability charge would increase from 50% to 70% of the residential service flat rate. The Utility proposes to contribute \$15,000 per year for 2016, \$18,000 for 2017 and \$21,000 for 2018 onwards to the RRF.

C. Recommendations

I recommend that:

- 1) the Utility's proposed rate increases and other changes to the Tariff be accepted for filing effective January 1, 2016, January 1, 2017 and January 1, 2018, and the attached draft Order and Reasons for Decision be signed,
- 2) the attached RRTF Order revising Order No. 2176 issued November 12, 2008 be approved, and
- 3) the request to transfer the monies from the RDRF to the RRF be approved and the attached letter to the Kootenay Savings Credit Union authorizing the transfer be signed.

If you concur, Rick Couroux should update the Utility's Water Tariff No. 1 with Water Tariff No. 2 incorporating the tariff changes. The Utility should be informed with copies of the Decision, RRF Order and letter to the credit union.

This reference can then be concluded.

Elena Oliphant

Elena Oliphant, CPA, CMA
Financial Advisor

Attachments

I concur
JB
April 26/16

Oliphant, Elena FLNR:EX

From: oliver berkeley <southfield17@hotmail.com>
Sent: Wednesday, March 2, 2016 12:32 PM
To: Couroux, Rick FLNR:EX
Cc: Oliphant, Elena FLNR:EX; 'Chris R. Lacny'
Subject: RE: FINAL SUMMATION FROM CONCERNED PWU CUSTOMERS RE PWU RATE INCREASE

Dear Mr Couroux,

Thank you for forwarding the summation documentation.

The utility appreciates the additional customer input and will rely upon the application documentation submitted to date. Once staff have reviewed the submissions, if there are specific points that need further clarification we will provide as necessary.

Regards,

Oliver

oliver berkeley
Procter Water Utility Ltd.

www.kootenaylakevillage.com

Tel (250) 509 3377

From: Rick.Couroux@gov.bc.ca
To: southfield17@hotmail.com
CC: Elena.Oliphant@gov.bc.ca; s.22
Subject: FW: FINAL SUMMATION FROM CONCERNED PWU CUSTOMERS RE PWU RATE INCREASE
Date: Wed, 2 Mar 2016 19:39:56 +0000

Dear Mr. Berkeley,

Re: Application by Proctor Water Utility Ltd. to amend its water tariff and increase its water rates

Attached is the final submission received from Mr. Lacny on behalf himself of some of the customers of the water utility.

The Utility now has one week to make its final summation, should it wish to do so to complete this phase of the review process. After receiving the Utility's final summation a final review of all submission will be completed. After that review if it is decided that additional information is required the Utility will be asked to provide it. Once we are satisfied

that no further information is required or available a report will be prepared for the Deputy Comptroller of Water Rights for him to consider the evidence and information received in order to make a decision on this matter.

The decision when it is made will be in writing and made available to the Utility and its customers.

Regards,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: Chris R. Lachy s.22
Sent: Tuesday, March 1, 2016 2:53 PM
To: Couroux, Rick FLNR:EX
Subject: FINAL SUMMATION FROM CONCERNED PWU CUSTOMERS RE PWU RATE INCREASE
Importance: High

March 1, 2016
3:52 PM MST

Rick Couroux
Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division

Dear Mr. Couroux:

Please find attached the Final Summation prepared by our Concerned PWU Customer Group in response to Procter Water Utility's Rate Application. We would appreciate you forwarding this Summation to Procter Water Utility for us as we believe Mr. Berkeley is still blocking emails originating from this email address.

Thank you for all your assistance during this process.

Yours truly,

PWU Concerned Customer Group
s.22

Chris R. Lacny
S.22

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: Thursday, February 18, 2016 3:07 PM
To: s.22
Cc: Couroux, Rick FLNR:EX; 'oliver berkeley'
Subject: FW: Procter Water Utility Response 1
Attachments: PROCTER WATER UTILITY -Policy_LL13187.pdf; Tariff Response 1 - Feb 2016.docx

Dear S.22 , and Chris Lacny (representing PWU Concerned Customer Group):

Please find attached a copy of the Utility's response to Information Request #1 dated February 1, 2016. The response was submitted on February 9, 2016, however it appears that not all of you received a copy. To continue with the hearing process, you now have an opportunity to review the Utility's response and make any final comments to our office and the Utility. The deadline for making a final submission has been extended from February 22, 2016 to March 1, 2016.

Elena Oliphant, CPA, CMA
Financial Advisor
Utility Regulation Section
Water Management Branch
Ministry of Forests, Lands & Natural Resource Operations
PO Box 9340 Stn Prov Govt
Victoria, BC V8W 9M1
Telephone: (250) 952-6190
Fax: (250) 953-5124
Elena.Oliphant@gov.bc.ca

Water for BC: Safe, sustainable and valued by all.

From: oliver berkeley [<mailto:southfield17@hotmail.com>]
Sent: Tuesday, February 9, 2016 10:33 AM
Cc: Couroux, Rick FLNR:EX; Oliphant, Elena FLNR:EX
Subject: Procter Water Utility Response 1

Dear Customers,

Thank you for your recent input into the tariff increase proposal.

We have consolidated the various commentary received into a single response document which is attached for your consideration and further input as required. Please note that the deadline for further response is February 22, 2016.

Regards,

Procter Water Utility Ltd

oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: February 18, 2016 1:02 PM
To: Couroux, Rick FLNR:EX
Subject: FW: URGENT TIME SENSITIVE MATTER RE: Procter Water Utility Response 1
Attachments: PROCTER WATER UTILITY -Policy_LL13187.pdf; Tariff Response 1 - Feb 2016.docx

Importance: High

Categories: Blue Category

I received a response from Mr. Lacny. He is now asking for an extension until March 1, 2016. What do you think? It is only two extra business days from the Feb. 25th deadline I gave him this morning. It doesn't sound like the letter was provided to the customers by Mr. Berkeley.

From: Chris R. Lacny s.22
Sent: Thursday, February 18, 2016 12:18 PM
To: Oliphant, Elena FLNR:EX
Subject: URGENT TIME SENSITIVE MATTER RE: Procter Water Utility Response 1
Importance: High

February 18, 2016

Dear Elena,

Subject: PWU Rate Increase Application "Tariff Response 1"

In examining yours and Mr. Berkeley's emails below, we find that Mr. Berkeley allegedly sent his submission to "customers" on February 9, 2016 giving them 13 calendar days to respond. We are mystified why **we have not received that communication** as the customers he was supposed to be addressing. I checked with most, (nine customers) in our customer group who authored our January 28, 2016 rebuttal, and not one had received this email and attached "Tariff Response" from Mr. Berkeley. You are welcome to contact them if you require verification. Some who had been waiting for a reply are now out of town on business and some on pleasure trips as this is the time to travel to warm destinations. I have also had a quick perusal of Mr. Berkeley's response and find that rather than addressing the many concerns, questions and issues we raised, he has responded with many more very questionable and highly concerning statements that need careful review and thorough response.

Therefore, for all the reasons noted above, we request that the original time frame stipulated in Mr. Berkeley's email below (i.e. 13 calendar days) be applied from this date of receipt, February 18, 2016 to **March 1, 2016**. That will give all our owners a fair timeline opportunity to weigh in and assure their concerns as customers are heard by the regulator and utility which we know is the overall objective of the Water Comptroller's Office when receiving, addressing, and finally objectively assessing rate related controversies.

For the record, we do not appreciate Mr. Berkeley's these communication "tactics" and inconsistencies towards his customer group that have been going on well before his application to the Water Comptroller. We will be addressing this matter in our final submission to your office.

Thank you and we await your response.

Yours truly,
Chris Lacny
Representing several very concerned PWU customers

Chris R. Lacny
s.22

From: Oliphant, Elena FLNR:EX [<mailto:Elena.Oliphant@gov.bc.ca>]
Sent: Thursday, February 18, 2016 11:58 AM
To: s.22
Cc: Couroux, Rick FLNR:EX; 'oliver berkeley'
Subject: FW: Procter Water Utility Response 1

Dear Chris Lacny,

The due date for the Utility's response to Information Request #1 was February 15, 2016. The Utility provided a response on February 9, 2016 and it was our understanding that a copy was forwarded to all customers then. As you are receiving a copy of the Utility's submission today, the deadline for a further response from you will be extended from February 22 to February 25, 2016.

Elena Oliphant, CPA, CMA
Financial Advisor
Utility Regulation Section
Water Management Branch
Ministry of Forests, Lands & Natural Resource Operations
PO Box 9340 Stn Prov Govt
Victoria, BC V8W 9M1
Telephone: (250) 952-6190
Fax: (250) 953-5124
Elena.Oliphant@gov.bc.ca

Water for BC: Safe, sustainable and valued by all.

From: oliver berkeley [<mailto:southfield17@hotmail.com>]
Sent: Tuesday, February 9, 2016 10:33 AM
Cc: Couroux, Rick FLNR:EX; Oliphant, Elena FLNR:EX
Subject: Procter Water Utility Response 1

Dear Customers,

Thank you for your recent input into the tariff increase proposal.

We have consolidated the various commentary received into a single response document which is attached for your consideration and further input as required. Please note that the deadline for further response is February 22, 2016.

Regards,

Procter Water Utility Ltd

oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

Tel (250) 509 3377

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: February 4, 2016 3:21 PM
To: 'oliver berkeley'
Subject: FW: Your request re: PWU Concerned Customer Group Response/Rebuttal to PWU Rate Increase Application
Attachments: Ansel IHA Documentation re PWU.pdf
Categories: Blue Category

Here is a copy of the complete correspondence with IHA referenced by Mr. Lacny in his submission.

Elena Oliphant

From: Chris R. Lacny s.22
Sent: Wednesday, February 3, 2016 11:31 AM
To: Oliphant, Elena FLNR:EX
Cc: Renee.Ansel@interiorhealth.ca
Subject: Your request re: PWU Concerned Customer Group Response/Rebuttal to PWU Rate Increase Application

February 3, 2016

Elena Oliphant, CPA, CMA
Financial Advisor
Utility Regulation Section
Water Management Branch
Ministry of Forests, Lands & Natural Resource Operations
PO Box 9340 Stn Prov Govt
Victoria, BC V8W 9M1

Dear Ms. Oliphant:

As per your request. I am attaching a pdf document containing email Q/A documentation exchanges with Renee Ansel of the IHA supporting references used by the Concerned PWU Customer Group's regulatory rebuttal to Procter Water Utility's Application for 2016-18 water rate increases.

Yours truly,

Chris R. Lacny
s.22

From: Oliphant, Elena FLNR:EX [<mailto:Elena.Oliphant@gov.bc.ca>]
Sent: Tuesday, February 2, 2016 2:15 PM
To: s.22
Cc: Couroux, Rick FLNR:EX; 'oliver berkeley'
Subject: RE: PWU Concerned Customer Response/Rebuttal to PWU Rate Increase Application

Dear Chris Lacny,

As part of your written submission emailed on January 28, 2016, please provide a copy of the January 21, 2016 email correspondence from Renee Ansell, Interior Health Authority. As the written hearing process is currently underway, a copy of the email letter will also be forwarded to the Utility.

Thank you,

Elena Oliphant, CPA, CMA

Financial Advisor

Utility Regulation Section

Water Management Branch

Ministry of Forests, Lands & Natural Resource Operations

PO Box 9340 Stn Prov Govt

Victoria, BC V8W 9M1

Telephone: (250) 952-6190

Fax: (250) 953-5124

Elena.Oliphant@gov.bc.ca

Water for BC: Safe, sustainable and valued by all.

From: Couroux, Rick FLNR:EX

Sent: Thursday, January 28, 2016 12:13 PM

To: Oliphant, Elena FLNR:EX

Subject: FW: PWU Concerned Customer Response/Rebuttal to PWU Rate Increase Application

Importance: High

FYI

Rick

From: Chris R. Lacny S.22

Sent: Thursday, January 28, 2016 11:37 AM

To: Couroux, Rick FLNR:EX

Cc: southfield17@hotmail.com

Subject: PWU Concerned Customer Response/Rebuttal to PWU Rate Increase Application

Importance: High

January 28, 2016

12:36pm MST

Mr. Rick Couroux

Secretary to the Comptroller

Utility Regulation Section

Water Management Branch

Resource Stewardship Division

Copy to: Mr. Oliver Berkeley, Owner/Operator Procter Water Utility (PWU); Developer of Kootenay Lake Village (KLV)

Dear Mr. Couroux:

Please find attached a pdf document containing our response/rebuttal to PWU's December 15, 2015 application and revised tariff to have water rates increased. As requested, we are copying Oliver Berkeley, Developer of KLV and Owner/Operator of PWU via email (southfield17@hotmail.com).

We would like to thank the Office of the Water Comptroller for the opportunity to respond to this Rate Increase Application and for your support in extending the deadline for response to today's date.

Yours truly,
Chris R. Lacny
Representing PWU Concerned Customer Group

s.22

Email Q/A Documentation with R. Ansel, Interior Health Authority

The following are email documentation exchanges with the IHA supporting references used by the Concerned PWU Customer Group's regulatory rebuttal to Procter Water Utility's Application for 2016-18 water rate increases.

From: Chris R. Lacny S.22
Sent: Tuesday, January 19, 2016 11:02 AM
To: Ansel, Renee; S.22
Subject: Main topics for today;s meeting
Importance: High

Hi Renee and S.2

There were plenty of questions asked and probably not enough time for in depth discussion for all of them. In order to streamline our meeting today, I am attempting to streamline what I think we need clarification on. Here is my take:

1. **Before and After Inspection:** IHA found the water quality to be OK. What is different now as per requirements that wasn't done before the inspection and why?
2. **Depth of Water and Sewer Piping:** IHA observations that this potentially has an impact as to ease of servicing and maintenance. Does this depth conform with IHA approved construction standards? Could this be what KLE was trying to sue Pennco Engineering about?
3. **Duplicate Testing:** Why would PWU tell the WC that they are already performing monthly testing and that your new requirements add to the cost of service burden?
4. **Inspection Timing:** Would IHA inspection taken place regardless of our group's enquiry to the IHA?
5. **Current IHA Requirements:** Are these subject to change within a one, two, three year period?
6. **Water Processing Volume:** Impact on testing, monitoring and operations.
7. **Peer to Per Knowledge Pilot Program:** Added cost burden.

There may be others subjects that come out but I think these cover my need for clarification. Sorry for the last minute nature but I hope this helps.

Chris

Chris R. Lacny
S.22

Subject	Follow Up
From	Ansel, Renee
To	s.22 s.22 Clacnv
Sent	Thursday, January 21, 2016 2:31 PM

Hi, In follow up to our conversation today please see the below notes.

1. What has changed was the addition of 1 bacteriological sample so as to include raw water, post treatment, and from the distribution system. This is to assess the raw water quality and its potential health significance. Turbidity and Free Available Chlorine (FAC) monitoring and documenting results was discussed with the owner/operator (I believe this is covered under the O&M for the system). A full chemical analysis was requested as we recommend such at a frequency of every 4 to 5 years.
2. The depth of the water and sewage service valves are acceptable with regards to the Construction Permit Application process. It was understood by myself at the time of inspection, through conversation with the owner/operator, that the depth and location of the service valve, resulted in a significant challenge and cost to replace the valve due to the excavating required.
3. There is no requirement for duplication of testing. Testing consists of the 3 monthly routine bacteriological samples; chemical analysis every 4 to 5 years; turbidity post treatment (as per O&M Manual); testing and recording FAC post treatment and FAC residual at distribution end is usual practice, and was discussed with operator. Documenting water quality data was discussed with the owner/operator. Discussions were had concerning monitoring the FAC in the distribution system end to signal the flushing out stagnant water.) Hydrant valve exercising is part of routine maintenance as is routine disinfection/flushing of the water reservoir and distribution system.
4. Until 2015 routine inspection were carried out on water systems. We are now attending and inspecting water systems only if deemed necessary for investigative purposes. There have been complexities over the permit to operate conditionally on the well source until build out reaches 19 homes.
5. Requirements can change to reflect potential changes to the water system that affect water quality.
6. The volume of water processed can impact testing, monitoring and operational maintenance, however in this case the analysis recommended is basic information to ensure the water is safe to drink.
7. Peer to Peer is a pilot program through the Columbia Basin trust and BC EOCP which seeks to provide cost effective training for small water system operators.

MOE is the regulatory body for onsite sewage and could be contacted with concerns of Operation/maintenance requirements.

8. A third party operator could take on complete or partial operations & maintenance duties involved with the water system. Reference for specific O & M details for the water system are kept by the owner/operator. Typical maintenance of small water systems involves: monitoring of water quality data; making adjustments to treatment equipment; valve exercising, line flushing, cleaning/disinfection reservoir; disinfection of distribution system; repairs; and replacing worn out components. For small water systems the qualifications of that person are subject to my discretion. Our department's goal is to have more qualified persons available.

Regards,
Renee Ansel CIPHI (C) Environmental Health Officer
333 Victoria St Nelson BC V1L 4K3
Tel. 250-505-7220
Fax 250-505-7211
renee.ansel@interiorhealth.ca

2 | Email Documentation To and From R. Ansel IHA Re: PWU

From: Chris R. Lacny s.22

Sent: Saturday, January 02, 2016 1:36 PM

To: Ansel, Renee; Birtles, Robert

Cc: s.22 ; s.22

s.22

rick.couroux@gov.bc.ca

Subject: URGENT Additional Time Sensitive Information Required

Importance: High

Via email

Jan 2, 2016

Ms. Renne Ansel, Interior Health Authority (IHA)

Mr. Robert Birtles, IHA

Copy: Rick Couroux, Water Comptroller's Office

Dear Sir/Madame:

Happy New Year.

We have additional questions to add to our questions of Dec 30, 2015:

1. Are the IHA operating standards for operating a well water generating utility any different than operating a lake fed system? If so, how?
2. Are standards for chemical treatment, cleaning (e.g. filters etc), testing, etc. based on prescribed time frequency or volume of water processed through the water utility system? PWU states it only has two full-time water users in the entire development served by this utility however it feels the need to raise tariffs by 100-150% in a major part due to increased inspections and procedural demands dictated by the IHA.

Unfortunately time is of the essence because the regulatory process allows us only 30 days to respond to PWU's request for tariff increases submitted during the busy Christmas season. Thank you for your assistance and attention to these matters.

Chris Lacny

Representing concerned KLV water utility customers

Chris R. Lacny

s.22

From: Chris R. Lacny s.22

Sent: Wednesday, December 30, 2015 12:58 PM

To: 'Renee.Ansel@interiorhealth.ca'; 'robert.birtles@interiorhealth.ca'

Cc: 'rick.couroux@gov.bc.ca'; s.22

s.22

Subject: URGENT Time Sensitive Information Required

Importance: High

December 29, 2015

Via email and attached Word document

Ms. Renne Ansel, Interior Health Authority (IHA)

Mr. Robert Birtles, IHA

Copy: Rick Couroux, Water Comptroller's Office

Dear Sir/Madame:

Subject: Urgent Time Sensitive Information Required

The Procter Water Utility, (PWU) located in Procter BC has recently made a regulatory application for tariff increases in the amount of 150% for non water users and 100% for water users. A major factor in its substantiation for these increases revolves around references to recommendations made by the IHA in response to "user complaints re mismanagement". The associated PWU quotes are as follows:

Quote #1: *"An independent operator is being trained to take over certain aspects of the system including water sampling. This initiative is being put into place at the recommendation of IHA in response to user complaints re mismanagement. This item assumes a half day of work each month but it should be noted that the hourly rate plus travel time of an independent operator is three times higher than KLV resources completing the same task. The operator, a licensed plumber, is estimated at \$65/hour plus taxes, with a total of 3 hours of duty each month plus 2 hours' travel. Duties will focus on independent water sample testing and delivery to IHA, plus chlorine sampling of the system."*

Quote #2: *"Testing is a new item requested by IHA and is in addition to the monthly independent testing already done. The request is for a full spectrum water test including mineral contents every six months (raw and treated) which is provided by an independent contractor at \$500 per test plus taxes and shipping (two samples, \$250 per). The work would be carried out by ALS Labs in Vancouver."*

Quote #3: *"Training expenses are a response to requirements established by IHA. The utility has joined the Small Water Association of BC who put on a couple of courses each year and KLV staff will attend on matters such as sampling, chlorine handling, etc. in addition to this steps, IHA have commenced a pilot Peer to Peer*

4 | Email Documentation To and From R. Ansel IHA Re: PWU

water system program that the utility has joined. It is expected that travel and other costs may be incurred."

Customers such as ourselves have until January 14, 2016 to provide questions, concerns and objections associated with this rate application. We require some clarification from the IHA prior to making our submission to the Water Comptroller's Office. These are as follows:

1. In Quote #1, PWU states that the IHA provided recommendations to PWU in "response to user complaints re mismanagement". Please elaborate on these user complaints and how they influenced your recommendations to the PWU that resulted in a substantial increase in proposed tariffs to customers. Also please note that the only customer contact with the IHA, that we are aware of, was to request an investigation into the comments made by s.22 to the Supreme Court of BC (i.e. s.22 s.22) with respect to IHA construction standards not being adhered to during segments of the construction of the utility system. To date, we have not received any satisfactory response from the IHA, the Water Comptroller's Office, and s.22 concerning why these statements were made and the impact of these statements on the future operation of PWU's water and septic utility.
2. What is the IHA mandatory frequency of water testing required for a small utility such as PWU that uses a well water system delivering water to only two full time residences?
3. What is entailed in the testing procedure? (e.g. What specific tests are required and what is the approximate time it takes to conduct such tests?)
4. Are the requirements for IHA testing in this water utility any different from those required for other small water utilities in BC? If so, why?
5. Please Reference Quote #2. Why is "testing a new item requested by the IHA" particularly when monthly independent testing is already being done, as referenced in this quote? Why does the IHA insist on duplicate testing particularly when those costs will be passed on to the customers of the utility? Please include what has changed now over the operation/testing that was allowed by the IHA since 2007.
6. Please reference Quote #1. Why does the IHA require an independent operator to conduct such tests instead of KLV resources as referenced in the quote? What has changed that has resulted in the IHA not accepting testing performed by KLV resources?
7. What qualifications are required to conduct these tests? What is the extent of training to conduct these tests?
8. Please reference Quote #3. What are the requirements established by the IHA that has necessitated additional training expenses referenced in this quote? Is this mandatory?
9. What is involved in the expenses associated with the "delivery to IHA" of water testing results conducted by PWU independent operator?
10. In Quote #3, the IHA have commenced a pilot Peer to Peer water system program that the PWU has joined. Was this entirely optional for the PWU to join this program?

We would appreciate receiving your response to our questions no later than **January 9, 2016** so that we can include them in our response to the Water Comptrollers Office by the required date of Jan 14, 2016.

Thank you.

Chris Lacny
Representing concerned KLV water utility customers

Subject	RE: URGENT Additional Time Sensitive Information Required
From	<u>Ansel, Renee</u>
To	'Chris R. Lacny'
Sent	Tuesday, January 5, 2016 3:54 PM
Attachments	How to Water Sample.pdf

Hi Chris. Please accept this correspondence in reply to your requests for information.

1. In 2015 this office conducted an investigation under Section 29 of the Drinking Water Protection Act after receiving a request of such, from you, to investigate a threat to the drinking water. You were provided with a response, dated May 8, 2015, of that investigation. It is inappropriate for this office to provide speculation of why statements were made s.22 at the Supreme Court. I bring to your attention, from my response to you, the following: "*It was noted that s.2 s.22 indicated locations of drinking water distribution pipe and sewage collection pipe that were apparently installed at significant depth to potentially impact the ease of service/maintenance of service valves*". The investigation involved an onsite inspection of the facility and observations were made which resulted in requirements being made of the s.22 including sampling.
2. Water monitoring analysis, including the frequency of routine bacteriological monitoring samples, are determined by my discretion, with respect to Section 11 of the DWPA and Section 8 of the Drinking Water Protection Regulation.
3. Routine bacteriological monitoring entails: the acquiring of lab requisitions; sample bottles; taking the sample ensuring following our sampling and handling procedures; delivering samples to lab or drop off point following the mentioned procedures; receiving notification of results (only adverse results if using the BCCDC lab services we support; and maintaining records of results. Routine bacteriological monitoring tests specifically for Total coliform microorganisms and Escherichia coli. Full chemical analysis involves testing for the evidence of chemical contamination/presence. Routine chemical analysis is typically recommended to be conducted at a frequency of every 5 years. Turn-around time for bacteriological samples is 2 to 3 days, and 2 to 3 weeks for chemical results. Chemical testing is conducted by private labs.
4. Sampling requirements can vary slightly between water systems because of their unique nature.

6 | Email Documentation To and From R. Ansel IHA Re: PWU

5. In reference to Quote #2 there may be an expressed misunderstanding concerning the frequency of chemical monitoring sampling. There is no duplicate testing being insisted on. The owner, for the time being, was instructed to provide 3 bacteriological samples monthly.
6. In reference to Quote #1 there appears may be further misunderstanding as our office made no such requirement.
7. There is no requirement for specific qualifications to provide the procurement and handling of samples. In accordance with Section 8 of the DWPR, procedures are provided to samplers/owners/operators by our office. Please see attachment.
8. In reference to Quote #3 training requirements are established at my discretion. There has been no specific requirement made to this water system because the owner/operator has been proactively engaged in this regard.
9. Delivery of bacteriological samples results are provided by the BCCDC to our office, if those services are being used, or by the private lab in such a case. Delivery of chemical sample results to this office is the responsibility of the owner, as the owner is provided the results directly from the private lab.
10. The Peer to Peer knowledge transfer pilot program is an initiative of the EOCP and participation was made optionally available to my caseload of small water systems.
11. Conditions made on Permits to Operate a water system, or requirements made on inspection reports, can be unique to each water system as each has variable levels of risk associated with their various and unique components. Those risks are assessed through the construction permit process of proposed water systems and through risk assessments of existing ones.
12. Routine maintenance and operations are based on prescribed time intervals, volume of water processed, volume of water used, results of routine bacteriological monitoring samples, and the potential changing nature of the source water.

Regards, Renee

Renee Ansel CIPHI (C) Environmental Health Officer
333 Victoria St Nelson BC V1L 4K3
Tel. 250-505-7220
Fax 250-505-7211
renee.ansel@interiorhealth.ca

~ We are committed to being a trusted leader in creating the healthiest and the safest environments in which we live, work, learn and play ~

Procter Water Utility Ltd
PO Box 138, Procter BC V0G1V0

Comptroller of Water Rights
PO Box 9340
Stn. Prov. Govt.
Victoria, BC V8W 9M1

1 February 2016

By Email Only

Water Management Branch	
Date Received:	
FEB - 9 2016	
File No.	-866
Ref No.	

Dear Mr Couroux,

Re: Procter Water Utility Ltd – Application to Increase Rates Effective January 1, 2016

Further to receipt of correspondence from the customers and a request for information from the Comptroller's office, please find our response and comments included below for consideration in this matter. Please also note that the correspondence and points are addressed in the order received.

1. s.22

January 12, 2016.

- The utility is prepared to accept a more gradual ramping of the rate over a five-year period but notes that further inflationary and system pressure will be accrued over a longer duration. The utility is catching up with nine years of zero increase and based the tariff raise on a break-even of current operational expense. If the utility is directed to spread the burden over a longer period, then we will need to address two more years of forecasted inflationary and system pressure.
- The Regional District of Central Kootenay (RDCK) is not regulated by the Comptroller and an entirely different set of standards apply to a different set of circumstances. All systems are unique and the comparison does not take into consideration the different regulatory and management circumstance. The RDCK manages several systems with the same operational team, scaling those works over a more inherently advantageous model and pricing does not meet the Comptroller's capital reserve standards. The public utility sector has many advantages that the small private utility does not and consequently the utility applied for the RDCK to take over the system in 2009. However, the current RDCK moratorium on taking over systems remains in place, in part we believe, because the RDCK has realized that small utilities are economically unviable and problematic to run.
- To date the utility has not been provided with any evidence that the mechanical corrosion issues experienced by the s.22 household are a result of the water quality. On the contrary, testing shows that water hardness is in the low to moderate range and should not be causing the corrosion issues being experienced by the user. Independent testing of the water is also done by Interior Health each month. It should also be noted that no other users are experiencing water quality problems and it is illogical that the one common element (the water) is creating a unique problem for a single connection. The utility has advised the customer to

consider in-home installation possibilities including galvanic corrosion and whilst the utility takes no responsibility for the in-home installation we continue to offer help as required by the owners.

2. s.22 **January 28, 2016.**

- The amount of capital replacement reserve to be set aside under the current guidelines is \$1,500,000.00.
- The Special Levy proposed if applied at the time of service connection would be approximately \$32,600.00/lot, which we believe would be prohibitive to most owners and it would have an unfair and negative impact on the owners who are planning on building their homes, so much so that we believe some may be discouraged from building. Furthermore, a large portion of the ownership are trying to sell their lots and the levy would likely impose a restrictive barrier to that goal.
- Current pricing strategies follow regulator directives and standards. Should there be an opportunity to accommodate a portion of the levy principal put forward by the owners the utility would be open to accommodating this principal.

3. **Lacny et al January 28, 2016**

Please note that questions with respect to regulatory policy will be deferred to regulator staff for response.

We note that the signature line of the correspondence includes duplicate owners for the same service connection for eight of the names.

Point 1.

- The revenue forecasted in the financial model was transposed from the prior year Financial Return. At that time connected lots were:
 - Waterfront: 12, 13, 20, 23, 27, 28
 - Upland: 5, 13
 - Partial temporary connection (3 months) was provided for lots 4, 10 and 17
- The utility acknowledges the error and an additional \$330 will be added to the first year of the model but submits this will not materially impact the forecasted numbers.
- Any additional connections will be recorded in the appropriate reporting periods and have been included in our three-year cash flow.
- The utility does not charge for owners camping on their lots for a few days each year. We offer the service for free in the hope of encouraging the owners to use their property and build their home.
- The utility provides water for the community park free of charge – it is intermittent use (one to two months) and helps with increasing turnover in the water system. In 2015 there was only one commercial event and they did not use the water system.

Point 2

- We submit that the increase from 50% to 70% is reasoned in our submission document and within the comptroller's guidelines. The utility does not accept responsibility for the timing of buildout of the development and could not reasonably forecast that only 2 of the 14 lots would be connected within the upland project eight years after registration of the subdivision.
- We submit that regardless of the developer's forecasts in 2007, and regardless of the change in circumstance of the individual owners, the utility operates as an independent business and must achieve a financial model that reflects operational viability.

Point 3.

- The utility opposes the request for temporary suspension of funding of the RRF. The amounts to be contributed are set by the regulator not the utility and we recognize that the current amount is a compromise on the general standard which would be \$30,000/annum.
- The utility has been unable to increase RRF set-aside amounts due to the funding issues which are being addressed by the proposed tariff increase. Please see notes attached to the application for further reasoning.
- We do not understand much of the commentary in this section but all reserve funds are covered by the ILA and reported annually to the Comptroller's office. Any changes to the status of these accounts and use of this funds must be approved by the Comptroller. In the event that the utility was sold but continues to be regulated by the Comptroller then any changes to those accounts would need to be approved by regulatory staff. In the event that the utility ceases to be regulated then those monies will be directed as per the company's commercial interests. The balances of these funds do not directly impact the annual tariff charges, except for the revenue reserve fund, which holds \$250,000 for the purpose to accrue interest revenue and apply this to operations. The amount deposited is compliant with the CPCN issued in 2007.
- The construction reserve, the RRF and the revenue reserve funds are, to date, all developer sourced contributions.
- The utility does not generate annual cash flow statements and non are available for the period requested.

Point 4.

- In 2014, Mr Lacny spearheaded a similar group of users and submitted a complaint to our regulators that in part alleged that the system was being mismanaged. These emails were widely circulated. IHA conducted a thorough review and two recommendations of operational significance came from that process:
 - Annual full screen water analysis to include mineral content.
 - Preference for independent sample collection.
- The utility has incorporated these recommendations into its operational model and believes that these measures are both appropriate and prudent. We will confirm the frequency of these samples with IHA and we will decide whether to adjust our operational model but given the recent concern expressed with water hardness, we are also considering increasing the frequency

of mineral analysis to every three months to assess whether there are seasonal fluctuations in mineral content.

- The utility is a business like any other and free to establish an operational model that it deems appropriate to the scope of the operation including managing risk. Given the earlier allegations we submit that incorporating a level of independence is prudent both for the utility and the consumer.

Point 5.

- Travel – with respect to developer the hourly travel to and from the remote site is not charged to the utility but we note that independent contractors would charge this time.
- Management – regardless of the size of the utility and number of connections, a significant amount of time and responsibility is poured into the utility. Beyond the regular management required, issues such as inspections, regulatory compliance, financial management, litigation with owners who refuse to pay their rent charges, tariff increase proposals, responding to complaints, etc, all add up to a significant amount of time over a calendar year.
- The development company posted \$250,000 to help subsidize the utility revenue on an interim basis.
- The utility submits that after nine years that the utility should become a self-supporting and sustainable model.

Point 5 b,

- Access to engineering advices are a normal expense of any utility.
- Accessing accounting support is a normal expense of any business.
- Legal expenses are being incurred because the many of the ownership, (including the majority of owners who are named participants in this correspondence) have not paid their bills – some for two years. The amounts claimed only reflect a small portion of the expected collection cost the remainder of which will be carried by the developer.
- Professional training is a normal part of any business model and a prudent investment. As regulations and practices change, skill sets need to be augmented. This is normal.
- Office overhead costs form a normal part of any business.
- RDRF funds are deposited into the operating account on a cash flow basis. The interest earned amounts are reported in the projected three year statements and taken into consideration in the tariff model.

Point 6.

- Note: The sewer rent charge of \$580 was disclosed during marketing and established at the point of subdivision in 2007 and registered on the title of each lot. This amount has not increased in nine years. The developer chose to undercharge for the first seven years and that subsidy stopped in 2014. We submit that not having to pay the full amount for the first seven years was a positive result for the community not a negative one.
- The utility charges for one visit per week for 2hrs at \$45/hr. In reality much more of our time is spent but not charged; the system is usually visited twice each week, daily during extreme freeze events and often the whole day is spent arranging or dealing with exceptional events such as break downs. The system is networked over a three kilometer distribution system with

five separate branch lines many of which have intermittent use and chlorine balancing issues. The reality is, a water utility with only a few connections and a highly imbalanced distribution network is more complicated to operate than one with a full occupancy and consistent flows.

- We have (today) confirmed with IHA that they agree that the independent operator is a prudent /positive step and whilst this may not a stipulation of the operating certificate, IHA recommended this action.
- It is somewhat ironic that the same group who previously argued mismanagement now oppose the associated cost of including independent oversight.
- Accessing operator help at a small utility level has proven difficult because of limited access to local licensed operators. Unfortunately, there simply is not enough work in the area to attract or maintain professional support.
- Chlorine testing and balancing is managed through the entire system and not just the treatment room. As noted earlier there are approximately 3kms of network with multiple dead end branch arms that are used intermittently. Three of the branches are only occupied on a season basis. Turnover of the system when there are more than 160,000 liters in the tank and 24,000 liters stored in the delivery pipe is a major concern when for approximately six months of the year only less than 1000 liters of water per day is used. It is not unusual for some branch arms to remain stagnant for months. Regular testing and flushing is a necessity and the utility is considering increasing not reducing water quality measures.
- Hydro water utility costs are measured on a meter independent to the sewer charges (the sewer plant is in a different building on a separate meter) and the amounts billed each year are reported as part of the annual report. There is no crossover of meterage.
- Hydro costs fluctuate due to a combination increased tariff rates and consumption. The utility anticipates two new connections that will increase demand as well as greater occupancy of at least one of the existing connection. The 15% figure is an estimate that combines increased usage at a potentially higher rate.
- The utility operation has benefitted from brand new equipment but as the system ages maintenance will become a more significant factor. This is a typical trend of any mechanical system – think of purchasing a car – a several years of wear components begin to wear and need replacement or servicing on a regular basis. 2016 repairs and maintenance estimates have increased because a recirculation pump will need to be replaced and the chlorine analyzer needs to be serviced – if that analyzer needs to be replaced it is a \$7,000 cost.
- The utility submits that collection costs are a normal part of doing business. Invoicing and collections are done on a regular basis but not everyone is as diligent at paying their bills. It should be noted that several of the respondents raising the objection are themselves overdue. Some for two years. Not receiving the invoice is the most frequent excuse we receive from the customer, however, we note that several attempts to collect are made each year and it is usually the same individuals who allege non receipt of invoice. We also note that they have communicated to the Comptroller using the same email addresses to which we send the bills.
- Training is a usual and a prudent part of any business. IHA are running a pilot program that benefits small utilities by accessing professional help through a mentoring program. The utility believes there is benefit in participation of this program as it facilitates access to professional assistance at zero cost.

- Please find attached the utility insurance certificate. The utility insures both the water and sewer system under a single policy and splits the cost (\$3250) between each.
- The utility pays an annual water license to the province for the water system, fees to the Small Water Users Association and files Annual Return fees as a corporation.
- We respectfully submit that billing and book keeping are a normal expense.
- New connections – the revenue from new connections is shown in the cash flow statement but there will be a corresponding time charge for sending someone out to make the connection. The revenue and expense numbers balance.
- We respectfully submit that bank charges are a normal expenses covering a spectrum of potential charges including account fees and charges. We do not believe the amounts budgeted are high.

We appreciate the submissions made by the ownership and thank everyone for their contribution.

Kind regards,

Procter Water Utility

Oliphant, Elena FLNR:EX

From: Couroux, Rick FLNR:EX
Sent: Monday, February 1, 2016 12:52 PM
To: southfield17@hotmail.com
Cc: 'Chris R. Lacny's.s.22
Subject: FW: Procter - IR#1
Attachments: Scan_20160201.pdf; ComptrollerLetter20160128.pdf

Dear Oliver Berkeley,

Attached is Information Request No. 1 requiring your response to submissions received from S.22 and from C. Lacny representing PWU Concerned Customer Group. The request sets out the regulatory timetable for providing your responses to this office with a copy to the Mr. Lacny and S.22 and the opportunity for final summations consideration in our review before a decision is made on this matter.

I am not sure if you received a copy of the submission from S.22 so I am attaching it for your convenience. You should have received a copy of C. Lacny's submission with his questions and concerns.

If there are any questions/concerns with respect to the continuation of this process and timetable set out to complete the review please contact me.

Respectfully,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca



February 1, 2016

File No: 0321866

Procter Water Utility Ltd.
PO Box 138
Procter BC V0G 1V0

Via e-mail: southfield17@hotmail.com

Attention: Oliver Berkeley

Re: Proposed Water Rate Increase – Information Request #1

As you know, the deadline for submissions from customers regarding Procter Water Utility Ltd.'s ("the Utility") proposed rate application was January 28, 2016. Four letters objecting to the proposed water rate increase were received, copies of which were forwarded to you. A review of the submissions received as well as the information submitted to support the application has been made. In order to continue with the hearing process, the following additional information is required:

1. A response to the concerns detailed in s.22 letter, dated January 28, 2016.
2. A response to the questions and concerns detailed in the Concerned Customer Official Regulatory Response/Rebuttal letter dated January 28, 2016. The letter was submitted by Chris Lacny on behalf of the PWU Concerned Customer Group comprised of several customers supplied by the Utility.

The following timelines (dates to be received by) will set-out the next steps of the hearing process:

1. The Utility is to review this Information Request and provide a response to this office with copies to the customers who made submissions (listed below) by February 15, 2016.
2. The customers identified below will then have one week from the date of the Utility's response or February 22, 2016 to submit their final comments to this office, with copies to the Utility.
3. The Utility will then have one week from the date of the customers' final comments or February 29, 2016 to submit its final comments to this office with copies to the customers identified below.

Ministry of Forests, Lands and
Natural Resource Operations
Resource Stewardship Division

Water Management Branch
Water Allocation and Utility
Regulation Section

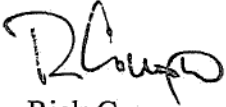
Mailing Address:
PO Box 9340 Stn Prov Govt
Victoria BC V8W 9M1
Telephone: 250-387-6355
Facsimile: 250-953-5124

Location:
3rd Floor 395 Waterfront Crescent
Victoria BC V8T 5K7



After receipt of the Utility's final comments, a review will be completed to determine whether:
1) there is sufficient information to proceed to a Decision with Reasons and Order, or 2) to continue with the written hearing process until we are satisfied that all the evidence has been provided in order for the Deputy Comptroller to make a decision on this application.

Sincerely,



Rick Couroux
Secretary to the Comptroller of Water Rights

Pc:

Chris R. Lacny, Representing PWU Concerned Customer Group

E-mail: S.22

s.22

E:mail: s.22

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: January 7, 2016 10:07 AM
To: Couroux, Rick FLNR:EX
Subject: RE: FW: Extension Request

Categories: Blue Category

Sure, that sounds good. Please go ahead and grant the extension.

Thanks,
Elena

From: Couroux, Rick FLNR:EX
Sent: Thursday, January 7, 2016 9:53 AM
To: Oliphant, Elena FLNR:EX
Subject: FW: FW: Extension Request

Hi Elena,

Mr. Berkeley has responded (see below) saying that he is fine with the request for an extension. I don't think we need to do a report to Pieter and get his approval as the original deadline was not set by way of an Order. If you like I can send a response to Chris Lacny and copy Oliver Berkeley advising them that the request for extension has been granted.

Rick

From: southfield17@hotmail.com [<mailto:southfield17@hotmail.com>]
Sent: Wednesday, January 6, 2016 3:08 PM
To: Couroux, Rick FLNR:EX
Subject: Re: FW: Extension Request

That would be fine but thank you for asking.

Sent from Outlook Mobile

On Wed, Jan 6, 2016 at 3:06 PM -0800, "Couroux, Rick FLNR:EX" <Rick.Couroux@gov.bc.ca> wrote:

Dear Mr. Berkeley,

This is to advise you that we have received a request (see below) from Chris Lacny, acting for some of the water users, for a 10 business day extension for making submissions on the Utility's rate application. If approve the deadline would then be extended to January 28, 2016. This request appears to be reasonable however before making a decision to extend the deadline we would invite you to comment. Please provide your comments with a copy to Chris Lacny by Friday January 8, 2016 after which a decision will be made.

Regards,

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: Chris R. Lacny s.22
Sent: Tuesday, January 5, 2016 11:49 PM
To: Couroux, Rick FLNR:EX
Cc: s.22

Subject: Extension Request
Importance: High

January 6, 2016

Mr. Rick Couroux
Water Comptrollers Office

Hello Rick,

Happy New Year.

On behalf of our concerned customers, I would like to request an extension of 10 business days to complete our response to Procter Water Utility's (PWU) Dec 15, 2015 application to substantially increase water related fees/rates. We have an extensive amount of preparation to complete involving numerous concerns, issues and questions relating to this submission. We have learned that PWU's owner informed selective customers (not us) several months ago that he planned to raise water rates but chose the busy holiday season to submit his application. Many of our customers and reference sources were away or preoccupied with holiday festivities making it impossible to prepare a comprehensive response in the time allotted.

We would very much appreciate your consideration and approval of our request in the interests of fairness and consumer advocacy.

Thank you.
Chris Lacny on behalf of concerned PWU customers

Chris R. Lacny
s.22

Oliphant, Elena FLNR:EX

From: Couroux, Rick FLNR:EX
Sent: Tuesday, December 15, 2015 11:07 AM
To: 'oliver berkeley'
Cc: Oliphant, Elena FLNR:EX
Subject: RE: Procter Water Utility Ltd - Proposed Tariff Increases

Oliver,

Thank you. The customer now have until January 14, 2016 to make submissions to be considered after which you will be advise of the next steps in the review process.

Regards,

Rick

Rick Couroux

Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: oliver berkeley [<mailto:southfield17@hotmail.com>]
Sent: Tuesday, December 15, 2015 10:53 AM
To: Couroux, Rick FLNR:EX
Subject: RE: Procter Water Utility Ltd - Proposed Tariff Increases

Hi Rick,

The combined ownership were bcc'd in the same email - we have been encountering some privacy issues in the strata re group email and we have agreed to this method to manage the problem.

Best,

Oliver

oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

From: Rick.Couroux@gov.bc.ca
To: southfield17@hotmail.com
Subject: RE: Procter Water Utility Ltd - Proposed Tariff Increases
Date: Tue, 15 Dec 2015 18:48:49 +0000

Dear Mr. Berkeley,

It is noted that while you copied me on this email however it was not addressed to anyone else. Are you planning to send it to you customers by email? We will need to know the date it was sent to them as the Notice says that they will have until January 14, 206 to make submissions. In that case the notice will need to be sent to them today.

Regards,

Rick Couroux
Secretary to the Comptroller
Utility Regulation Section
Water Management Branch
Resource Stewardship Division
Phone: 250 387-6355
Fax: 250 953-5124
Email: rick.couroux@gov.bc.ca

From: oliver berkeley [<mailto:southfield17@hotmail.com>]
Sent: Tuesday, December 15, 2015 10:18 AM
Cc: Couroux, Rick FLNR:EX
Subject: Procter Water Utility Ltd - Proposed Tariff Increases

Dear Owners,

Please find attached the water utility's application to our regulators to increase the water tariff. The application includes the following documentation:

- Cover Letter to the regulator providing some background to the application.
- NoticeDCdoc. - providing formal notice of the application.
- Cash Flow Statements (with notes) showing three years of forecasted financials.
- 2014 Annual Return and Financial Statements providing some historical comparison.
- Water Tariff - a standard format document explaining the various charges and policy of the utility.

Please note that as per the Notice of Decision document attached, as customers of the utility you are allowed to comment on the proposed increase. Copies of those comments will go to our regulator and the utility and will be taken into consideration by the regulator prior to approval of any increase.

This is the first and only increase the utility has proposed in nine years. After a complaint was filed against the utility by a concerned group of owners, a audit was conducted by regulatory staff in 2015 and whilst there were no significant operational issues, the financial health of the business was highlighted, in particular the need to increase revenue for increased operational liquidity and capital reserve. We believe the proposed increases reflect those increased demands.

Should you require any additional information please do not hesitate to contact Oliver Berkeley.

Regards,

Oliver Berkeley
For Procter Water Utility Ltd

oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

Tel (250) 509 3377

NOTICE

OF AN APPLICATION BY: Procter Water Utility Ltd

PROPOSING TO INCREASE RATES EFFECTIVE January 1, 2016

Notice is hereby given that Procter Water Utility has made application to the Deputy Comptroller of Water Rights for his/her consent to the filing under the provisions of the Water Utility Act and the Utilities Commission Act of rates and charges for service. A summary of the proposed rates is as follows:

	Existing Rates (per annum)	Proposed Rates (per annum)
Residential Rate 2016	\$660.00	\$1200.00
Residential Rate 2017	\$1200.00	\$1275.00
Residential Rate 2018	\$1275.00	\$1350.00
Rent Charge 2016	\$330.00	\$840.00
Rent Charge 2017	\$840.00	\$892.50
Rent Charge 2018	\$892.50	\$945.00

The utility is proposing to increase the rates (which have not increased since 2006) over a three-year period to a level in order for the utility to continue to provide an adequate level of service to its customers. Over the past nine years there has been significant inflationary pressure to the operations costs combined with a slow than expected revenue growth. The proposed rates will provide funds for future replacement of system components as and when required, the funds to be held in a separate trust fund for that purpose. Approximately 43% of rates collected will be set aside in a Replacement Reserve Trust Fund.

A copy of this application is available for public inspection at Kootenay Lake Village, Procter, BC – contact Oliver Berkeley at 250 509 3377.

Any person wishing further information in connection with the proposed rates or reasons for the proposed changes should write to:

Procter Water Utility, PO Box 138, Procter, BC, V0G 1V0.

By direction of the Deputy Comptroller of Water Rights, comments, concerns and questions on the application are to be forwarded to Rick Couroux, Secretary to the Deputy Comptroller of Water Rights, PO Box 9340 STN PROV GOVT, Victoria, BC V8W 9M1, or by email Rick.Couroux@gov.bc.ca or by fax 250-953-5124 to be in his hands on or before 14 January, 2016, with a copy to Procter Water Utility Ltd. As all submissions may be included as evidence, please ensure that a copy is provided to the Utility. Information

on public hearing process can be found at;
www.env.gov.bc.ca/wsd/water_rights/water_utilities/bulletins.

A copy of the actual notice mailed to customers and/or copy of newspaper advertisement is to be sent to the Deputy Comptroller on the date the notice is given, together with a letter signed by the Utility's authorized representative verifying the date it was mailed.

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: Monday, December 14, 2015 1:53 PM
To: 'oliver berkeley'; Couroux, Rick FLNR:EX
Cc: Aderichin, Al FLNR:EX
Subject: RE: Procter Water Utility Ltd

Dear Oliver,

I have completed a cursory review of the rate application submitted to Rick Couroux via email on December 4, 2015. The Utility may now proceed with advertising the proposed rate increase by sending out a copy of the Notice to each customer. You should allow for at least thirty days from the date of mailing for submissions from utility customers. For example, if the Notice is mailed out tomorrow, December 15, the closing date for submissions at the bottom of the Notice should be changed from December 31, 2015 to January 14, 2016.

The Utility should prepare a few copies of the Information Package to have available by email or hard copy if customers request to see additional information. The Information Package should include the following items:

1. A copy of the Utility's cover letter to Rick Couroux dated December 4, 2015
2. A copy of the Customer Notice
3. The Cash Flow Statement with 3 year Forecast (2016-2018)
4. Cash Flow Notes
5. Proposed Water Tariff No. 2
6. Copies of the 2014 Annual Reports & Financial Statements
7. Current, approved Water Tariff No. 1

Please forward to me a copy of the actual notice mailed, together with a letter signed by you verifying the date it was mailed.

Let me know if you have any questions with regards to the above.

Elena Oliphant

From: oliver berkeley [<mailto:southfield17@hotmail.com>]
Sent: Friday, December 4, 2015 1:20 PM
To: Couroux, Rick FLNR:EX
Cc: Oliphant, Elena FLNR:EX; Aderichin, Al FLNR:EX
Subject: Procter Water Utility Ltd

Dear Mr Couroux,

Please find attached our application for the proposed water tariff rate increases. We include for your kind consideration the following:

- Cover Letter
- Proposed Water Tariff.
- Cash Flow Statement.

- Cash Flow Notes.
- 2014 Financial Statements & Annual Return

We are very grateful to your staff in assisting us with the process. Should you require any additional information please do not hesitate to contact Oliver Berkeley.

Kind Regards,

Oliver Berkeley
For Procter Water Utility Ltd

oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

Tel (250) 509 3377

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: December 8, 2015 11:00 AM
To: 'oliver berkeley'
Subject: RE: Procter Water Utility Ltd

Categories: Blue Category

Hi Oliver,

Could you re-send the cover letter? It does not appear to have been attached in your email below.

Thank you,
Elena Oliphant

From: oliver berkeley [mailto:southfield17@hotmail.com]
Sent: Friday, December 4, 2015 1:20 PM
To: Couroux, Rick FLNR:EX
Cc: Oliphant, Elena FLNR:EX; Aderichin, Al FLNR:EX
Subject: Procter Water Utility Ltd

Dear Mr Couroux,

Please find attached our application for the proposed water tariff rate increases. We include for your kind consideration the following:

- Cover Letter
- Proposed Water Tariff.
- Cash Flow Statement.
- Cash Flow Notes.
- 2014 Financial Statements & Annual Return

We are very grateful to your staff in assisting us with the process. Should you require any additional information please do not hesitate to contact Oliver Berkeley.

Kind Regards,

Oliver Berkeley
For Procter Water Utility Ltd

oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

Tel (250) 509 3377

From: oliver berkeley <southfield17@hotmail.com>
Sent: Friday, December 4, 2015 1:20 PM
To: Couroux, Rick FLNR:EX
Cc: Oliphant, Elena FLNR:EX; Aderichin, Al FLNR:EX
Subject: Procter Water Utility Ltd
Attachments: Appendix 1 Cashflow Notes PWU.docx; Cash Flow Statement V2 Nov 24, 2015.xlsx; PWU Water Tariff 2015 Final.docx; 2014 Return PDF.pdf; NoticeDC.doc; PWU FS 2014.xlsx

Dear Mr Couroux,

Please find attached our application for the proposed water tariff rate increases. We include for your kind consideration the following:

- Cover Letter
- Proposed Water Tariff.
- Cash Flow Statement.
- Cash Flow Notes.
- 2014 Financial Statements & Annual Return

We are very grateful to your staff in assisting us with the process. Should you require any additional information please do not hesitate to contact Oliver Berkeley.

Kind Regards,

Oliver Berkeley
For Procter Water Utility Ltd

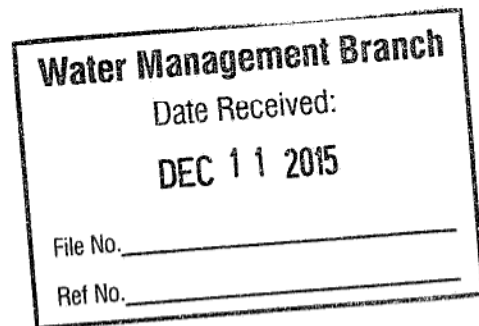
oliver berkeley
kootenay lake village

www.kootenaylakevillage.com

Tel (250) 509 3377

Procter Water Utility Limited

PO Box 138, Procter, BC, V0G1V0



Secretary to the Comptroller

December 4, 2015

Dear Sir,

Re: Procter Water Utility Ltd

Please find included our application to increase the utility water rates commencing January 1st, 2016 and we include for your consideration the following documentation:

- Cash flow statements.
- Cash flow notes
- 2014 Annual Return
- Proposed water tariff.

The current system is one of the most modern systems in the Kootenays and has operated since 2006 without interruption of service. The system has been operated largely by developer staff with the assistance of specialized professionals as needed but usually in conjunction with repairs and maintenance activity.

Customer demand for service has been extremely low with currently only 8 active connections of which only two are full time residents. Building out of the 46 existing subdivide and serviced lots has been slow due to a general down turn in the economy and approximately 70% of the remaining lots are listed for sale by the ownership. The development company does not anticipate further subdivision and expansion of the current system until such time as the economy has recovered and much of the current listed inventory is sold.

The utility has not requested a rate increase in the nine years of operation and during that same period has generally suffered from poor cash flow and liquidity as a result of lower revenue from fewer than planned service connections. The developer during this period subsidized management and operation of the utility to help keep rates low to encourage community build out.

The utility has proposed to increase both the rates and portion of rent charge paid by undeveloped lots. We believe the rate increase is necessary for the utility to meet its regulatory and management obligations particularly in setting aside sufficient capital for reserves, and therefore, the majority of revenue received from the rate increase is proposed to be directed to these reserves. The balance will help meet increased operational expenses, however, please note that the developer continues to subsidize a portion of operational time and management of the utility.

The system continues to operate a lower cost well sourced water system but will transfer to a larger lake system based upon demand. The utility has bonded the cost of transferring to that lake system. The well system eliminates the costs associated with filtration and UV disinfection and is considered a lower risk source of water. The utility continues to report to IHA in this regard and maintains its Operating Permit in good standing. A comprehensive review of the system and its operation was conducted by IHA in 2015 and no substantial issues were raised. The utility however has agreed to include independent sampling oversight and biannual full screen water testing. These additional costs have been built into the attached financial model.

We trust this correspondence helps clarify the utility application but if you have any questions please feel free to call or email us direct.

Kind regards,

Oliver Berkeley

NOTICE

OF AN APPLICATION BY: Procter Water Utility Ltd

PROPOSING TO INCREASE RATES EFFECTIVE January 1, 2016

Notice is hereby given that Procter Water Utility has made application to the Deputy Comptroller of Water Rights for his/her consent to the filing under the provisions of the Water Utility Act and the Utilities Commission Act of rates and charges for service. A summary of the proposed rates is as follows:

	Existing Rates (per annum)	Proposed Rates (per annum)
Residential Rate 2016	\$660.00	\$1200.00
Residential Rate 2017	\$1200.00	\$1275.00
Residential Rate 2018	\$1275.00	\$1350.00
Rent Charge 2016	\$330.00	\$840.00
Rent Charge 2017	\$840.00	\$892.50
Rent Charge 2018	\$892.50	\$945.00

The utility is proposing to increase the rates (which have not increased since 2006) over a three-year period to a level in order for the utility to continue to provide an adequate level of service to its customers. Over the past nine years there has been significant inflationary pressure to the operations costs combined with a slow than expected revenue growth. The proposed rates will provide funds for future replacement of system components as and when required, the funds to be held in a separate trust fund for that purpose. Approximately 43% of rates collected will be set aside in a Replacement Reserve Trust Fund.

A copy of this application is available for public inspection at Kootenay Lake Village, Procter, BC – contact Oliver Berkeley at 250 509 3377.

Any person wishing further information in connection with the proposed rates or reasons for the proposed changes should write to:

Procter Water Utility, PO Box 138, Procter, BC, V0G 1V0.

By direction of the Deputy Comptroller of Water Rights, comments, concerns and questions on the application are to be forwarded to Rick Couroux, Secretary to the Deputy Comptroller of Water Rights, PO Box 9340 STN PROV GOVT, Victoria, BC V8W 9M1, or by email Rick.Couroux@gov.bc.ca or by fax 250-953-5124 to be in his hands on or before 31 December, 2015, with a copy to Procter Water Utility Ltd. As all submissions may be included as evidence, please ensure that a copy is provided to the Utility.

Information on public hearing process can be found at;
www.env.gov.bc.ca/wsd/water_rights/water_utilities/bulletins.

A copy of the actual notice mailed to customers and/or copy of newspaper advertisement is to be sent to the Deputy Comptroller on the date the notice is given, together with a letter signed by the Utility's authorized representative verifying the date it was mailed.

**PROCTER WATER UTILITY LTD.
CASH FLOW STATEMENT
FOR THE YEARS ENDING DECEMBER 31st**

	2015	PROPOSED			Notes
		2016	2017	2018	
RATES (BILLED ANNUALLY):					
Residential Service Flat Rate	\$ 660.00	\$ 1,200.00	\$ 1,275.00	\$ 1,350.00	1
Availability of Service Charge	330.00	840.00	892.50	945.00	2
Annual RRF Provision (From Rates Collected)	-	15,000.00	18,000.00	21,000.00	3
NO. OF CONNECTED LOTS/CONNECTIONS					
Residential	8	10	12	14	
Vacant Lots	38	36	34	32	
Total Lots/Connections	46	46	46	46	
OPERATING REVENUE:					
Residential Service Flat Rate	5,280	12,000	15,300	18,900	
Availability of Service Charge	12,540	30,240	30,345	30,240	
	17,820	42,240	45,645	49,140	
Interest	3,158	3,158	3,158	3,158	
Connection/Administrative Fees	-	300	300	300	
TOTAL REVENUE	20,978	45,698	49,103	52,598	
EXPENSES					
Bank charges	159	200	220	240	
Billing & Bookkeeping	480	480	480	480	4
Hydro	2,944	3,386	3,555	3,733	
Insurance	1,625	1,625	1,666	1,707	
Licenses, Dues & Fees	575	575	575	575	
Management Fees	-	-	-	-	5
Office and Site Supplies	600	600	600	600	
Operator	-	-	-	-	
System Visits Independent	-	4,368	4,586	4,816	6
Sytem Visits KLV (Weekly Average)	4,680	4,680	4,680	4,680	7
System chlorine testing, balancing and flushing	4,320	4,320	4,536	4,763	7
New Connecions	270	270	270	270	7
Professional Fees (a/c, legal, eng)	1,250	3,250	3,250	3,250	8
Rent	-	-	-	-	9
Repairs & Maintenance	1,514	3,000	3,000	3,000	10
Telephone	-	-	-	-	11
Testing	-	1,200	1,200	1,200	12
Travel	-	-	-	-	13
Professional training	-	1,500	1,500	1,500	14
TOTAL EXPENSES	18,417	29,454	30,118	30,813	
NET CASH	2,561	16,244	18,985	21,785	
Less Income Taxes					
Less Replacement Reserve Fund Contributions		15,000	18,000	21,000	
ADJUSTED NET CASH	2,561	1,244	985	785	

Procter Water Utility Ltd
Cash Flow Notes

1. The residential service rate has not increased since the utility was formed in 2006. During the last nine years a variety of inflationary expense pressures combined with a significantly slower build out of both homes and lots has undermined the operational viability of the utility. The proposal is to increase the rate over three years to a level of sustainability. The Utility prefers a stepped approach to help mitigate the cost increase to the users.
2. Slower than planned build out of homes places a disproportionate burden of operational cost on the existing eight users and the Utility is proposing to mitigate this burden by increasing the Rent Charge from 50% to the maximum allowed of 70%. The Utility notes that the vast majority of existing owners purchased their lots in 2007/8 and have had ample opportunity to build a home and benefit from the system.
3. Current levels of operational funding are inadequate to support RRF provisions and the utility is proposing that the largest portion of the proposed increase is directed to these set-aside funds. Please note that these amounts are still below the original targeted 30,000/annum, however the additional comments are made:
 - a. The utility continues to operate the smaller, simpler well system which will not reach operational capacity for a number of years based upon existing growth and usage trends. The more expensive treatment and pumping system is moth balled in storage and not subject to wear and tear.
 - b. Increasing RRF contributions to \$30,000 would equate to an annual cash outflow of approximately \$61,000 which would equate to a need to increase residential service charges to approximately \$2000/annum based upon current build out.
4. Billing and book keeping, as well as other administrative expenses continue to be subsidized by the developer.
5. Management continues to be subsidized by the developer.
6. An independent operator is being trained to take over certain aspects of the system including water sampling. This initiative is being put into place at the recommendation of IHA in response to user complaints re mismanagement. This item assumes a half day of work each month but it should be noted that the hourly rate plus travel time of an independent operator is three times higher than KLV resources completing the same task.

The operator, a licensed plumber, is estimated at \$65/hour plus taxes, with a total of 3 hours of duty each month plus 2 hours' travel. Duties will focus on independent water sample testing and delivery to IHA, plus chlorine sampling of the system.

7. Items continue to be subsidized by KLV staff.
8. Rent and service charge collection has been an ongoing problem; the majority of owners are currently in arrears. The utility has in the past avoided legal action and assumed collection once the properties sold however recent legal changes require proactive collection of debts with statutory barriers for amounts owed beyond two years. The budget assumes three small claim actions.
Court costs are estimated at \$150/claim and an additional \$350 for contribution to time spent on preparation of documentation, filing and attendance to court. We estimate each case to take between 10 and 20 hours depending on complexity.
9. Office expense is subsidized by the developer.
10. Repairs are forecast to increase as the system gets older, particularly with respect to some of the small instruments in the treatment room.
11. Telephone is subsidized by the developer.
12. Testing is a new item requested by IHA and is in addition to the monthly independent testing already done. The request is for a full spectrum water test including mineral contents every six months (raw and treated) which is provided by an independent contractor at \$500 per test plus taxes and shipping (two samples, \$250 per). The work would be carried out by ALS Labs in Vancouver.
13. Travel continues to be subsidized by the developer.
14. Training expenses are a response to requirements established by IHA. The utility has joined the Small Water Association of BC who put on a couple of courses each year and KLV staff will attend on matters such as sampling, chlorine handling, etc. In addition to this steps, IHA have commenced a pilot Peer to Peer water system program that the utility has joined. It is expected that travel and other costs may be incurred.

Oliphant, Elena FLNR:EX

From: Oliphant, Elena FLNR:EX
Sent: December 1, 2015 9:50 AM
To: 'oliver berkeley'
Subject: RE: Application Attached PWU Ltd
Attachments: PWU Water Tariff 2015.docx

Categories: Blue Category

Hi Oliver,

I have reviewed the draft application and it appears to be in order except for a few minor edits. They are:

1. Proposed Water Tariff, Schedule C & G – the proposed rates should be added in (see attached)
2. Cash Flow Statement – Proposed columns should be changed to 2016, 2017 & 2018. 2015 column should be moved to Actual with 2014 and should be a draft of Actual Revenue & Expenses for 2015.

Once those changes are made, you can go ahead and submit the application to Rick. The submission to Rick should include:

1. Cover Letter
2. Cash Flow Statement (updated as above)
3. Cash Flow Notes (as submitted on November 24th)
4. Proposed Water Tariff (updated as above)
5. 2014 Financial Statements
6. 2014 Annual Reports
7. Any additional information you would like to submit as evidence to support the application.

These items will form the Utility's Information Package that will be made available for public viewing during the 30-day notice period and will be used as evidence to support the rate application.

Elena

From: oliver berkeley [mailto:southfield17@hotmail.com]
Sent: Tuesday, November 24, 2015 3:23 PM
To: Oliphant, Elena FLNR:EX
Cc: Aderichin, Al FLNR:EX
Subject: Application Attached PWU Ltd

Hi Elena,

Please find attached the amended application. once we receive final comments and/or confirmation everything is in order we will mail out to our customers.

Thank you,

Oliver

oliver berkeley

kootenay lake village

www.kootenaylakevillage.com

Tel (250) 509 3377