

ORDER NUMBER 2603

PROVINCE OF BRITISH COLUMBIA
OFFICE OF THE DEPUTY COMPTROLLER OF WATER RATES

IN THE MATTER OF
the *Water Utility Act* and the *Utilities Commission Act*
and
Alto Utilities Ltd.

**For Approval of Tariff Increase Application
Effective January 1, 2022**

BEFORE:

Jesal Shah, Deputy Comptroller of Water Rights
PO BOX 9340 STN PROV GOVT
Victoria BC V8W 9M1

ORDER 2603

Dated this 17th day of February 2022

Whereas:

1. On October 1, 2021, Alto Utilities Ltd. (the “Utility”) made a rate application to the Deputy Comptroller of Water Rights (“Deputy Comptroller”) for approval of its forecast revenue requirements for 2022 test year and to increase water rates effective January 1, 2022. The Utility submitted supporting documentation including an actual and forecast cash flow statement and proposed Water Tariff No. 8 (collectively called “the Application”).
2. The current and proposed water rates:

| | Current 2021 | Proposed 2022 |
|--|-------------------------|--------------------------|
| Domestic Service Flat Rate, per month | 58.50 | 70.50 |
| Peter Greer Elementary School (20 SFEs), per month | 1,170.00 | 1,410.00 |
| Meter Rates - To the Church, per month | 38.61 | 46.53 |
| plus per cubic meter | 1.58 | 1.90 |
| Availability of Service (Rent) Charge, per year | 351.00 | 423.00 |

From water rates collected, the Utility proposes to increase contributions to the Replacement Reserve Trust Fund (RRTF) from 25% to 30% of rates collected. No releases may be made from the RRTF without the written authorization of the Deputy Comptroller.

3. A written hearing process commenced with the Utility mailing Notices to all customers on November 1, 2021. The Notice provided customers with an opportunity to submit comments to the Deputy Comptroller by December 3, 2021. Two written submissions were received.
4. The Deputy Comptroller has reviewed the Application and customer submissions and has determined that Revenue Requirements, including RRTF provision, for 2022 test year as shown on the attached Schedule under “Approved Forecast” of \$394,422 are adequate. The proposed water rates are sufficient and necessary for the Utility to meet its approved Revenue Requirements for 2022.

NOW THEREFORE, the Deputy Comptroller orders as follows:

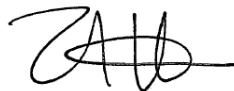
1. Revenue Requirements of \$394,422 for 2022 test year are approved, which includes \$117,307 of forecast RRTF contributions based on 30% of rates collected.
2. Effective January 1, 2022, the water rates as proposed by the Utility are approved as shown below:

| | Approved 2022 |
|--|--------------------------|
| Domestic Service Flat Rate, per month | 70.50 |
| Peter Greer Elementary School (20 SFEs), per month | 1,410.00 |
| Meter Rates - To the Church, per month | 46.53 |
| plus per cubic meter | 1.90 |
| Availability of Service (Rent) Charge, per year | 423.00 |

3. The Utility is to comply with all other determinations and directives in the Reasons for Decision attached as Appendix A.

Accordingly, Alto Utilities Ltd.'s Application, as determined in the Reasons for Decision attached as Appendix A to this Order, is approved effective January 1, 2022 and Water Tariff No. 8 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria in the Province of British Columbia, this 17th day of February 2022



Jesal Shah, P.Eng., MBA
Deputy Comptroller of Water Rights

Attachment

IN THE MATTER OF

An Application by

Alto Utilities Ltd.**For Approval of Tariff Increase Application
Effective January 1, 2022**

BEFORE:

Jesal Shah, Deputy Comptroller of Water Rights
PO BOX 9340 STN PROV GOVT
Victoria BC V8W 9M1**REASONS FOR DECISION FOR ORDER 2603**Dated this 17th day of February 2022**1.0 Background**

The Comptroller of Water Rights (“Comptroller”) is an independent quasi-judicial regulator and is responsible for the regulation of private water utilities under the *Water Utility Act* and the *Utilities Commission Act*. Under the *Water Sustainability Act*, the Deputy Comptroller of Water Rights (“Deputy Comptroller”) is authorized to exercise the powers and perform all the duties of the Comptroller.

Alto Utilities Ltd. is a privately held corporation that owns and operates a private water system at Winfield within the District of Lake Country, British Columbia, and is approximately fifty years old. The original Certificate of Public Convenience and Necessity (CPCN) was issued on July 7, 1971 for a 101 lot development. Between 1974 and 2017 several CPCN Amendments were issued bringing the total authorized for service to 436 lots. The Utility provides water to 430 residential unmetered customers, one school and one metered customer, a church. There are six vacant lots subject to availability of service charges.

In November 2019 the Utility was granted Conditional Water Licence No. 501667 authorizing the use of 473,000 cubic meters of water per year. The source of supply is groundwater from two deep wells. There are three concrete reservoirs situated above the subdivision where gravity feeds the system through a series of mains, 29 fire hydrants and two pressure reducing stations (PRVs).

2.0 Introduction

On October 1, 2021, the Utility applied for approval of its forecast revenue requirements for 2022 test year and to increase water rates effective January 1, 2022. The Utility submitted supporting documentation including actual and forecast cash flow statements and proposed Water Tariff No. 8. The last rate increase was approved effective September 1, 2014 and set the residential service flat rate at \$56 per month with a further increase to \$57 per month effective September 1, 2015 and to \$58.50 effective September 1, 2016. The Utility was required to contribute 25% of rates collected to the Replacement Reserve Trust Fund (“RRTF”).

The Utility requests approval to increase the water rates in order to cover increases in annual operating and maintenance costs as well as set aside more monies in the RRTF to pay for infrastructure replacement and upgrades. The proposed water rates are:

| | Current | Proposed |
|--|----------------|-----------------|
| | 2021 | 2022 |
| Domestic Service Flat Rate, per month | 58.50 | 70.50 |
| Peter Greer Elementary School (20 SFEs), per month | 1,170.00 | 1,410.00 |
| Meter Rates - To the Church, per month | 38.61 | 46.53 |
| plus per cubic meter | 1.58 | 1.90 |
| Availability of Service (Rent) Charge, per year | 351.00 | 423.00 |

All evidence, including relevant submissions from the Utility and its customers, has been taken into consideration. Sufficient evidence was received to proceed with a review and decision on the Application. The issue to be decided by the Deputy Comptroller is whether to accept, set aside, or vary forecast revenue requirements and proposed water rate increases for the 2022 test year.

3.0 Revenue Requirements

Revenue Requirements (RR) include forecast operating expenses, income taxes, RRTF provision and operating margin. In order to ensure that the Utility continues to be a viable business entity while providing its customers with adequate water service, it is necessary to generate enough revenue through rates to cover forecast RR.

3.1 Operating expenses and operating margin

Forecast 2022 operating expenses are based on 2021 actuals and are reasonable for this size and type of utility. Most operating expenses have increased by about 10% in the last five years when compared to the approved 2017 test year. This is in keeping with the rate of inflation which has averaged about 2% per year. Actual insurance and property taxes have increased more than the

rate of inflation, with increases of 40% and 56% respectively when compared to the approved 2017 test year.

Operating margin is calculated as a percentage of total approved operating expenses and is meant to cover working capital needs (expenses incurred before revenues collected) and unexpected expenses. As shown on the attached Schedule A, 2022 Approved Forecast column, forecast operating margin will be \$13,758 which is equivalent to 5.6% of total operating expenses and is considered acceptable for rate setting purposes. Net earnings are to remain with the Utility to meet cash flow needs and cover unexpected costs.

3.2 Replacement Reserve Trust Fund

The Deputy Comptroller requires regulated water systems to set up and maintain an RRTF to ensure funds will be available to pay for the replacement of water system components when required. The monies are set aside in a restricted bank account and no releases are allowed without the written authorization of the Deputy Comptroller. In the event the water system is sold or transferred, the RRTF transfers with the system for the beneficial interest of the customers. Ideally, annual RRTF deposits should be equal to standard depreciation rates for water system components, generally around 2% of the total capital cost per year. This is calculated using the “Standard Depreciation Rates for Private Water Utilities in British Columbia” – Schedule A form found in the CPCN Guidelines.

Order 778 dated March 17, 1983 required the Utility to establish and maintain a RRTF with annual deposits in accordance with its approved water tariff. As per Water Tariff No. 7, the Utility is required to deposit 25% of rates collected to the RRTF, equivalent to \$80,990 per year (2021 Actual). At the end of fiscal 2021, the required RRTF balance is \$583,165 (net of authorized expenditures) and the RRTF bank account is reconciled and in order. Recent improvements to the system funded from the RRTF have included a new cellular telemetry system used for monitoring the water system including reservoirs and PRV, installing transducers to monitor and record well level data and installing turbidity meters in both pumphouses.

The Utility is working with an engineering firm to update its Source Water Assessment and develop a new capital plan. The goal of the Assessment and capital plan is to develop a long-term plan for source treatment and distribution system improvements. The Utility anticipates that the report will recommend significant capital expenditures such as completion of the loop on Lodge Road, additional fire hydrants, updating and improving the Darlene PRV, electronic signage, and preparing for replacement of aging pipes and valves. The Source Water Assessment may also recommend some level of treatment to remove manganese and may require a treatment facility.

The Utility proposes to increase RRTF contributions from 25% to 30% of rates collected. This will increase total annual deposits to the RRTF by about \$36,000, to \$117,300 which is prudent considering the capital that will likely be needed to fund future capital projects. Future increases

to the RRTF may be needed and the Utility should have the engineering firm complete the Schedule A – Depreciation Schedule to determine an adequate level of funding.

Deputy Comptroller Determinations for Revenue Requirements:

Forecast operating expenses, including an income tax provision, for 2022 test year were explained by the Utility in the Application and are reasonable for this size and type of utility.

Effective January 1, 2022 the Utility is to deposit 30% of rates collected into its RRTF.

The Utility is to submit a copy of the completed Source Water Assessment and engineer certified copy of the Depreciation Schedule with the next rate application or sooner if deemed necessary by the Deputy Comptroller.

Accordingly, total RR of \$394,422 for 2022 test year are approved.

4. Water Rates and Tarif Amendments

At the current rates the Utility is unable to recover the approved forecast RR and a rate increase is warranted. The proposes rates are approved as follows:

| | Approved 2022 |
|--|--------------------------|
| Domestic Service Flat Rate, per month | 70.50 |
| Peter Greer Elementary School (20 SFEs), per month | 1,410.00 |
| Meter Rates - To the Church, per month | 46.53 |
| plus per cubic meter | 1.90 |
| Availability of Service (Rent) Charge, per year | 423.00 |

The other minor proposed changes to the Utility’s existing filed Water Tariff No. 7 terms and conditions are acceptable as they are in keeping with the standard water tariff document pre-approved by the Deputy Comptroller.

Deputy Comptroller Determinations for Water Rates and Tariff Amendments:

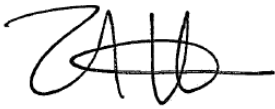
The water rates as shown above are approved effective January 1, 2022.

Water Tariff No. 8 is accepted for filing effective January 1, 2022.

5.0 Conclusion

Having considered all of the evidence affecting the Utility's proposed rates and changes to the terms and conditions of its Water Tariff, IT IS HEREBY DECIDE AND ORDERED that Alto Utilities Ltd.'s Application as determined in this Reasons for Decision to Order No. 2603 is approved effective January 1, 2022 and Water Tariff No. 8 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria, in the Province of British Columbia, this 17th day of February 2022



Jesal Shah, P. Eng., MBA
Deputy Comptroller of Water Rights

Attachment: Schedules A

**ALTO UTILITIES LTD.
PROJECTED CASH FLOW STATEMENTS
FOR THE YEARS ENDING SEPTEMBER 30th**

Schedule A

| | 2017 | 2020 | 2021 | 2022 |
|--|----------------|----------------|----------------|-------------------|
| | Approved | Actual | Actual | Approved Forecast |
| Water Rates: | | | | |
| Domestic Service Flat Rate | 58.50 | 58.50 | 58.50 | 70.50 |
| Commercial - Peter Greer Elementary School (20 SFEs) | 1,170.00 | 1,170.00 | 1,170.00 | 1,410.00 |
| Meter Rates - To the Church | 38.61 | 38.61 | 38.61 | 46.53 |
| plus per cubic meter | 1.58 | 1.58 | 1.58 | 1.90 |
| Availability of Service (Rent) Charge | 351.00 | 351.00 | 351.00 | 423.00 |
| RRTF Contribution Rate | 25% | 25% | 25% | 30% |
| Number of Units: | | | | |
| Residential Service Flat Rate | 408 | 437.5 | 437.5 | 437.5 |
| Commercial - Peter Greer Elementary School (20 SFEs) | 1 | 1 | 1 | 1 |
| Meter Rates - To the Church | 1 | 1 | 1 | 1 |
| Availability of Service (Rent) Charge | 8 | 6 | 6 | 6 |
| Total | 418 | 446 | 446 | 446 |
| REVENUE: | | | | |
| Residential Service Flat Rate | 286,416 | 301,779 | 307,125 | 370,125 |
| Commercial - Peter Greer Elementary School (20 SFEs) | 14,040 | 14,040 | 14,040 | 16,920 |
| Meter Rates - To the Church | 464 | 464 | 464 | 558 |
| plus per cubic meter | 734 | 774 | 221 | 881 |
| Availability of Service (Rent) Charge | 2,808 | 2,808 | 2,106 | 2,538 |
| | 304,462 | 319,864 | 323,956 | 391,022 |
| Connections & Transfers | 1,000 | 750 | 936 | 1,000 |
| Other Income | 2,400 | 4,436 | 7,141 | 2,400 |
| TOTAL REVENUE | 307,862 | 325,050 | 332,033 | 394,422 |
| EXPENSES | | | | |
| Auto | 9,900 | 9,487 | 9,900 | 10,954 |
| Insurance | 13,525 | 16,118 | 18,489 | 18,868 |
| Interest and Bank Charges | 1,040 | 701 | 605 | 1,151 |
| Management Fees | 32,252 | 35,803 | 32,252 | 35,686 |
| Office & Miscellaneous | 5,915 | 5,162 | 5,243 | 6,545 |
| Operator Wages | 49,939 | 51,465 | 52,957 | 55,257 |
| Power | 30,867 | 19,375 | 28,193 | 24,584 |
| Professional Fees | 4,162 | 8,685 | 6,059 | 4,605 |
| Property Taxes | 12,569 | 17,345 | 17,709 | 19,590 |
| Rent | 4,994 | 6,378 | 4,994 | 5,526 |
| Repairs & Maintenance (less recovered from trust) | 36,414 | 33,534 | 38,194 | 40,292 |
| Bookkeeping | 13,525 | 21,978 | 18,136 | 14,965 |
| Water Testing | | | 5,748 | |
| Telephone | 8,177 | 8,518 | 6,452 | 9,048 |
| TOTAL EXPENSES | 223,279 | 234,549 | 244,931 | 247,071 |
| NET INCOME (LOSS) | 84,583 | 90,501 | 87,102 | 147,351 |
| Less: Income Taxes | - | (11,103) | (321) | (16,287) |
| RRTF Provision | (76,116) | (79,966) | (80,991) | (117,307) |
| ADJUSTED NET INCOME (LOSS) | 8,468 | 568 | 5,790 | 13,758 |
| OPERATING MARGIN (% of Expenses) | 3.8% | -0.2% | 2.4% | 5.6% |
| REVENUE REQUIREMENTS | 307,862 | 325,050 | 332,033 | 394,422 |