



Reference:

Explanation: In the EWW proposal a hypothetical customer consuming 20 cubic meters per month is chosen. This is an unreasonable assumption for a full-time resident. Many residents travel over the summer and spend a considerable period over the winter months in the USA. Based on my inquiries a full-time resident, uses more like the following amounts of water per billing period:

January to March 60 cubic meters
April to June 80 cubic meters
July to September 140 cubic meters
October to December 80 cubic meters

Request:

- 1.1 Please provide water costs on these levels of consumption and communicate the results to all French Creek residents as soon as possible. They will be better informed by these results than by what was published in the EWW letter.

Response:

- 1.1 Please see tables MN-EWW-1.1-1, MN-EWW-1.1-2, and MN-EWW-1.1-3 below for the quarterly water bills for 2015, 2016 and 2017 based on the requested consumption volumes. This response will be publically available to all French Creek residents on our website at:
<http://www.epcor.com/water/Pages/rates-french-creek.aspx>.



Table MN-EWW-1.1-1
Quarterly Bills for 2015

	A Jan-Mar 60m ³	B Apr-Jun 80m ³	C Jul-Sep 140m ³	D Oct-Dec 80m ³
Consumption Charge:				
1 Minimum (up to 45 m ³)	121.35	121.35	121.35	121.35
2 Additional	25.20	58.80	159.60	58.80
Rate Rider:				
3 Minimum (up to 45 m ³)	12.42	12.42	12.42	12.42
4 Additional	2.55	5.95	16.15	5.95
5 Total Bill	\$161.52	\$198.52	\$309.52	\$198.52

Table MN-EWW-1.1-2
Quarterly Bills for 2016

	A Jan-Mar 60m ³	B Apr-Jun 80m ³	C Jul-Sep 140m ³	D Oct-Dec 80m ³
Consumption Charge:				
1 Minimum (up to 45 m ³)	135.87	135.87	135.87	135.87
2 Additional	28.20	65.80	178.60	65.80
Rate Rider:				
3 Minimum (up to 45 m ³)	12.33	12.33	12.33	12.33
4 Additional	2.55	5.95	16.15	5.95
5 Total Bill	\$178.95	\$219.95	\$342.95	\$219.95

Table MN-EWW-1.1-3
Quarterly Bills for 2017

	A Jan-Mar 60m ³	B Apr-Jun 80m ³	C Jul-Sep 140m ³	D Oct-Dec 80m ³
Consumption Charge:				
1 Minimum (up to 45 m ³)	152.10	152.10	152.10	152.10
2 Additional	31.65	73.85	200.45	73.85
Rate Rider:				
3 Minimum (up to 45 m ³)	12.21	12.21	12.21	12.21
4 Additional	2.55	5.95	16.15	5.95
5 Total Bill	\$198.51	\$244.11	\$380.91	\$244.11



Reference:

Explanation:

Request:

- 2.1 Can EWW explain why 2012 water rates for Parksville and Qualicum are approximately 57% of the EWW rates for French Creek? With the rate increase requested for between 2015 and 2017 of approximately 40% this disparity will continue to increase likely causing property values in the French Creek area to decline. EWW should be experiencing diminishing marginal costs for each cubic meter of water produced. Residential growth in French Creek, particularly with Glazier and Windward development, has been significant over the years and again this ought to be driving marginal costs for water downward. I request that the Comptroller order an in depth review of EWW operations and accounts by a suitably qualified firm of accountants or water consultants.

Response:

- 2.1 EWW cannot comment on the water rates for other utilities.

As presented in Table 4.1.1-1 on page 40 of its Application, EWW's residential customer growth for 2011-2013, was under 1% in each year. In its 2012-2014 Application, EWW had forecast an average residential customer growth of 2.24% for the same time period.

Lower than forecast customer growth, combined with declining consumption does not lead to diminishing marginal costs for each cubic meter of water produced. Instead, the burden of covering the costs associated with operating and maintaining a safe, reliable and efficient water system falls to the same pool of customers. When combined with declining usage per customer, primarily as a result of more efficient homes, appliances and responsible water usage, lower volumes translates into increasing rates.



**EPCOR Water (West) Inc.
2014-2017 Revenue Requirement and Rates
Application
March 9, 2015
MN-EWW-02
Page 2 of 2**

Furthermore, a comparison of the differences in the rates charged in different communities is complicated and involves a review and examination of many factors. The rate making process generally followed by a regulator attempts to ensure that the rates approved are fair to both the company and the customer.



Reference:

Explanation:

Request:

- 3.1 Of the costs projected over the period 2015 to 2017 for the purposes of calculating the water rates for these periods have any costs been transferred from other EPCOR locations such as head office into EWW's rates? Provide details of what these costs are forecast to be with amounts, the purpose and timing. The Comptroller should pay close attention to these transfers into EWW costs.

Response:

- 3.1 Inter-corporate charges for services provided by EWW's parent company, EPCOR Water Services Inc. (EWSI) and its parent company EPCOR Utilities Inc. (EUI), are explained in detail in sections 4.6 and 5.6 of the application, Financial Schedule 2.3 and Appendices F-1, F-2 and F-3. As a member of the EPCOR group of companies, EWW obtains certain services from EUI and EWSI the costs of which are approved by the Comptroller and included in rates.



Reference:

Explanation:

Request:

- 4.1 What extraordinary costs are carried in the cost/pricing structure? Examples might be the cost of a dry well or a well abandoned early in its life cycle for some reason. These costs should not be built into the costs of current operations, as they are extraordinary costs. These costs should be deducted below the operating line in the profit and loss statement and form a cost which shareholders carry. Shareholders earn a profit higher than long-term rates but in return occasionally incur extraordinary costs such as for dry wells. This is how the oil industry determines its cost per barrel of oil excluding extraordinary costs. Likewise our water rates should not include extraordinary costs.

Response:

- 4.1 No extraordinary costs are included in the rates.



Reference:

Explanation:

Request:

- 5.1 Show the calculation and amount of profit to be earned by EWW in each of the years 2015, 2016, and 2017. Itemize each cost by year, total for the year, forecast revenue by year for each customer category, and forecast the profit by year. Does this profit agree to the profit that the Water Utility Act allows EWW to achieve?

Response:

- 5.1 Refer to Financial Schedule 2.6 which provides the calculation of EWW's forecast equity return for 2015, 2016 and 2017. Refer to discussion of the proposed rate of return on equity in Section 8.2 (pages 65-66) of the Application.