Reference: **Paragraph 19**

Explanation:

Request:

1.1 Why is it necessary that each Rate period for EWW be confined to three years when some other utilities such as White Rock, also owned by Epcor, are scheduled on a four year interval?

Response:

1.1 EWW's Application is based on a three-year forecast test period from January 1, 2015 to December 31, 2017. A three-year test period is consistent with the previous test period approved by the Comptroller in Order 2310 and strikes a reasonable balance between the risk faced by a utility associated with forecasting the proposed revenue requirement and the efficiencies associated with longer test periods and minimizing regulatory application costs. A three year test period also ensures that any outstanding balances in the deferral accounts are regularly charged or refunded to customers through the rate riders.

A four year test period from 2014 to 2017 was approved for EPCOR White Rock Water Inc. ("EWR") based on the unique circumstances given the timeframe for implementing the Total Water Quality Management Program ("TWQM"). The TWQM project is a $11.5 million dollar capital project scheduled to start in 2014 and be placed into service in middle of 2016. EWR applied for a four year test period due to the magnitude of the TWQM Project and to allow for the full impact of the TWQM Project, which will not be realized until 2017, to be included in EWR's proposed rates and to be tested by the Comptroller. The other two test periods for which EWR sought Comptroller approval were each for a period of three years: 2008-2010 and 2011-2013.

Reference: **Paragraph 20, Table 1.4-1**

Explanation:

Request:

2.1 What are Revenue Offsets?

Response:

2.1 Revenue offsets are incidental revenues collected from customers, such as late payment charges, collection fees, connection fees, and other miscellaneous charges (see Financial Schedule 1.2). In determining the revenue requirement (see Financial Schedule 2.8), these charges are offset against operating costs, so that customer rates are based on customer rates net of revenue offsets.

Reference: **Paragraph 24**

Explanation:

Request:

3.1 EWW states it should be compensated for "contributed assets" which we interpret to mean developer contributions. We understand that EWW only provides an minimal oversight role in all new developer projects. Understanding that these projects and funds are not related to the rate base but EWW will earn revenue from the water delivered to each new development property and for which they have planned in the Customer Count Forecast and which has a Return factor, why does EWW believe it is necessary they should earn compensation on the funds employed for new acquired assets simply because they are funded separately? In addition to delivered water volumes, does EWW not also gain the value of those particular assets in relation to the total asset value of the system? What is the "operating risk" mentioned in this context?

Response:

3.1 EWW is not seeking compensation for developer-funded projects. The paragraph referenced in this question states the following:

> "…approximately 48% of EWW's gross plant in-service is expected to be related to contributed assets. This represents a significant portion of assets for which EWW does not earn any form of compensation related to their construction and operating risk. Through the Deferred Capacity Trust Fund ("DCTF"), EWW only receives compensation for the direct costs and overhead associated with putting these assets into service. EWW will file an application to update the Contribution in Aid of Future Construction Charge in 2015."

This paragraph was intended to clarify that (i) EWW's gross plant in-service is only 52% rate base funded; (ii) EWW receives no compensation for management of the 48% portion of plant-in-service which is developer-funded; (iii) EWW is responsible for management of the developer funded assets because they are part of the total system; and

(iv) EWW bears construction and operating risks associated with management of these assets.

The operating risk referred to in this context is that EWW is responsible for the operation and maintenance of these assets. EWW forecasts these costs for a rate test period, but should the costs prove to be higher than forecast, these costs cannot be recovered through rates, and must be paid for by EWW. With rate base funded assets, this risk is recognized through return on equity. With developer funded assets, this risk is accepted by EWW, but is not compensated.

Reference: **Paragraph 27**

Explanation:

Request:

4.1 EWW states that French Creek has a "relatively small customer base" but plans to conduct a myriad of studies, reports, surveys and programs that is far in excess of what can be afforded by such a "small customer base". Why does EWW take this view and what can be done to curtail some of these proposed costs by elimination or reduction?

Response:

4.1 EWW's planned studies and programs are required to provide safe and reliable water utility service to its customers. Provision of safe and reliable water service is required whether the customer base is small or large. Refer to CWR-EWW-1.1 for a discussion of the risks associated with not completing various projects.

Reference: **Paragraph 30**

Explanation:

Request:

5.1 Please clarify circumstances for the Comptroller to understand that one CAP member was unable to attend the scheduled meeting on December 10, 2014 and that EWW indicated they wished that member, being a representative of FCRA, to view and respond to the RRA Summary and asked if the member would be willing to attend an additional earlier meeting which EWW was willing to conduct. EWW should also mention that a second CAP member who was also unable to attend the scheduled meeting was then offered the opportunity to attend this earlier meeting. The reason for this clarification is to ensure a reader does not assume the two CAP members requested the second meeting when in fact it was EWW who requested the second meeting.

Response:

5.1 EWW confirms that it offered to hold an additional meeting for a French Creek Community Advisory Panel ("CAP") member who was unable to attend the December 10, 2014 meeting between CAP and EPCOR staff to discuss its proposed Revenue Requirement and Rates Application for 2015-2017.

Reference: **Paragraph 34 & 48**

Explanation:

Request:

6.1 Why is it necessary to ensure this utility meets "leading water utility standards" and is that goal worth the cost to EWW customers?

6.2 From a customer viewpoint how does EWW intend to demonstrate they will "improve customer service" when they have stated EWW provides a high level of existing service?

Response:

6.1 EWW's commitment to meet leading water utility standards encompasses protecting public health, enhancing service quality and developing operating efficiencies while ensuring expenditures are prudent. The prudency of the costs associated with meeting this standard of service is also tested by the Comptroller. EWW believes that our customers deserve the assurance that higher standards provide, especially in the delivery of safe and reliable potable water.

6.2 While EWW strives for high levels of customer service, there is always room for improvement, especially in the area of customer service. EWW intends to demonstrate customer service improvement in the areas of improved billing, quick response to system problems, billing enquiries and quick responses to customer concerns.

Reference: **Paragraph 36**

Explanation:

Request:

7.1 The water treatment plant (WTP) only treats a portion of the water in the entire system on the west side of French Creek. Please advise how many customers are served by the WTP and how many are not.

7.2 EWW conducts 6,500 tests per year. What is the "regulatory minimum" and if the minimum figure is less why does EWW consider it worthwhile to conduct more and, we assume, spend more money than is required when there is no resulting foreseen benefit by governing authorities?

7.3 EWW says it "maintains regular communications with its CAP to provide" those "members with operational updates". Please advise the dates of these "regular" operational updates during the past year, of which we are unaware.

Response:

7.1 Of EWW's approximately 4,100 customers, about 1,850 customers are served by the Drew Road water treatment plant.

7.2 The regulatory minimum number of tests is 768. In EPCOR's experience across all of its water utilities, process control tests beyond the regulated minimum are necessary for the proper operation of a water treatment and distribution system. EWW's 6,500 tests per year are prudent having regard to the size and complexity of the French Creek system. Included in the 6,500 tests are both the analyses needed for regulatory purposes and those needed for internal process control. The benefit in providing additional analyses beyond the regulatory minimum is that EWW can understand how the potable water system responds to changes in source water, treatment and distribution conditions to protect public health and to ensure that the water supplied to the customers meets the regulated quality of a potable water system. Since these additional process control and quality tests

are being taken on samples that are required for regulatory purposes, the benefits of the added information far outweighs the marginal cost of the added tests.

7.3 Below are the dates of the regular meetings between EWW and its Community Advisory Panel since 2013:

January 8, 2013
June 11, 2013
October 10, 2013
March 21, 2014
October 8, 2014
December 10, 2014

Reference: **Paragraph 37 & 46**

Explanation:

Request:

8.1 For French Creek with such a "relatively small customer base", why is it necessary to conduct and prepare a costly Master Plan by an expensive engineering firm every 3 years rather than perhaps every 6 years? Could this cost not also be amortized for each of the 6 years between incurring the actual expense?

Response:

8.1 Please refer to CWR-EWW-8.1 for an explanation of why EWW considers it to be necessary to update its Master Plan every three year period. As the costs associated with preparing the Master Plan are operating costs, they must be expensed in the year incurred and cannot be amortized.

Reference: **Paragraph 41**

Explanation: Leak Detection Program

Request:

9.1 Please advise the volume of water being lost by showing the amount of water being pumped/delivered from the wells and/or treatment plant and the amount that is being billed to EWW customers. Please also provide the dollar value of this loss as it would relate to amounts charged to the consumption deferral account and compare same to the cost of the Leak Detection Program that is being proposed for 2015.

Response:

9.1 Page 29 of the French Creek 2014 Master Plan update (Appendix D to the Application) provides a calculation of the Non-Revenue Water (NRW), the difference between the 2012 source flow data with the 2012 meter records. In 2012, the NRW was calculated to be 99.5 ML (16.3% of total annual usage).

The consumption deferral account is based on the difference between forecast and actual metered water and therefore does not take into account the non-revenue water volumes.

In order to estimate value for this 16.3% non-revenue water loss as requested, EWW has calculated it as 16.3% of the water sales revenue for 2012 as follows:

total revenue for 2012 (excluding other revenue)	$1,114,591
multiplied by 16.3%	X 16.3%
calculated value of 16.3% water loss	= $181,678

The proposed cost for the Leak Detection Program is $30 thousand.

Please note that as shown on page 29 of the Master Plan, some of the non-revenue water reflects unbilled authorized consumption (hydrant flushing program and meter under-

reading). Also, EWW is not suggesting that the Leak Detection Program would reduce the water loss to 0%.

Reference: **Paragraph 42**

Explanation: Model Validation and Rezoning Study

Request:

10.1 Why is it necessary to conduct a Model Validation and Rezoning Study when EWW has already stated that flow and pressure measurements on Wembley, Lowry's Road and other nearby streets in-between actually exceeds the minimum standard and EWW has actually tested the pressure at two residences in that area that we are aware of?

10.2 Is this study proposed to be carried out due to higher demand that will occur and possibly affect flow and pressure when the 54 unit development bounded by Wembley Road, Roberton Blvd and Lowry's Road is built? If so, should this study not be funded by contributed funds if it goes ahead?

Response:

10.1 It is necessary to conduct a further study because although pressure readings at two households during high flow conditions were adequate, the pressure may be not meet household fire flow requirements as per the Master Municipal Construction Documents ("MMCD") during lower flow conditions. In addition, fire flow requirements for industrial and commercial operations demand even higher flow rates which may not be achievable with current infrastructure. As indicated in section 9.2 of the French Creek 2014 Master Plan Update (Appendix D to the Application) EWW does not meet the required fire flows in certain areas of the system and the study would provide exact details of where changes need to be made to ensure we can meet the required fire flows.

10.2 No, the need for the study relates to existing system deficiencies and should not be funded by developers.

Reference: **Paragraph 42**

Explanation: Water Quality Tests

Request:

11.1 Two out of nine CAP members complained about taste at the CAP meeting held on October 8, 2104. EWW explains this differs substantially from the 2013 survey results but proposes to spend $25,000 to conduct a limited scope taste and odour study. Why does EWW feel it is necessary to spend these funds rather than simply visit each of the two CAP members and sample the water in their homes?

Response:

11.1 Please refer to EWW's response to CWR-EWW-26.1.

Reference: **Paragraph 48**

Explanation:

Request:

12.1 System Reliability Risks. What does this paragraph mean regarding "greater capacity" when in fact EWW does not intend to drill any new wells during the next rate period?

12.2 Ongoing Capital Maintenance Requirements. What are discretionary projects and why would such be considered/contemplated and would incur cost for a cost benefit study when they are not required or mandatory?

Response:

12.1 Greater capacity refers to additional capacity requirements to meet future expected customer demands. During the 2015-2017 test period, EWW intends to tie in three wells: Springhill Road No 2A Replacement Well (RWs1), Springhill Road Additional Capacity Well (ACs1) and Church Road South Test Well (TWs1) (projects 18, 19, 20 in Appendix D). These wells are required to meet existing customer demand and to accommodate additional customer demands in the future.

12.2 Discretionary projects are not required to address system reliability risks, regulatory risks or adequate asset protection and safety. Discretionary projects are those which are only considered because they could potentially reduce operating costs. Therefore, a cost benefit analysis is required to support any decision to proceed with a discretionary project.

Reference: **Paragraph 51**

Explanation:

Request:

13.1 What was the balance of the DCTF account (CIAC funds) at the end of 2014? Please advise if this balance includes all known developments that have been publicized.

Response:

13.1 EWW's Deferred Capacity Trust Fund, held at the Royal Bank of Canada, had a balance of $0.2M at December 31, 2014.

EWW's Future Capacity Receivable (FCR) general ledger account has a balance of $1.1M at December 31, 2014. The FCR represents the costs EWW has incurred to support growth and will be collected from future developments.

The net DCTF balance is therefore in a negative balance of $0.9M.

EWW has forecast that a 54 parcel development will be approved in 2015. The funds from this development have not been received by EWW; therefore the net DCTF does not include any amount for this development.

EWW has also forecast that $486K and $1,443K in developer fund projects will be placed into service in 2015 and 2016 respectively with the net DCTF balance increasing to negative $2.7M by the end of the 2015-2017 test period, based on receiving funding for 54 lots at the current Contribution in Aid of Construction (CIAC) rate of $8,500. EWW will submit a separate application to the Comptroller for adjustments to the CIAC charges.

Reference: **Paragraph 52**

Explanation:

Request:

14.1 Does this mean these 5 deferred projects were to be funded jointly by rate base and developer contributions rather than just solely rate or solely developer for any single deferred project?

Response:

14.1 No. All five deferred projects referenced on page 24 of the Application are to be funded by rate base, not developer contributions as indicated in the "Funding" column of Financial Schedule 2.4 (refer to rows 3, 9, 16, 17 and 27).

The third sentence of paragraph 52 of the Application should be restated as follows:

> "Five non-critical capital projects were deferred all of which were rate-base funded."

Reference: **Paragraph 63**

Explanation:

Request:

15.1 Considering EWW says "that the majority of the costs are known for completed work" and that EWW now has considerable experience gained over the past 3 years concerning unexpected and unplanned costs for well projects outlined in RRA 2012-2014, why is it necessary to plan such a significantly large and costly contingency of 20% for the three new wells that will soon be tied into the system?

Response:

15.1 A contingency of 20% for the remaining work is necessary to address two variables: (i) Vancouver Island health Authority (VIHA) approvals; and (ii) costs of construction. VIHA approval remains outstanding. Additional work may be required to obtain VIHA approvals. As well, there are often factors such as construction difficulties that cannot be predicted.

Reference: **Paragraph 64, Table 3.1.1.2-1**

Explanation:

Request:

16.1 Why does EWW propose to spend $1,318,000 from Rate Base on well RWn2 when it has stated in 58 that the well is in service and completed?

Response:

16.1 EWW is not proposing to spend $1.318 million from rate base on well RWn2. Table 3.1.1.2-1 shows that EWW's actual costs to develop and complete this well, which was completed and has been in service since 2013, were $1.318 million.

For clarity, Table 3.1.1.2-1 provides a comparison of actual to forecast well costs on a project by project basis. The project costs approved in the 2012-2014 Application are shown in Column C and the actual project costs (or for uncompleted projects, the forecast project costs) from the 2015-2017 Application are shown in Column F.

Reference: **Paragraph 66**

Explanation:

Request:

17.1 Although water volume supply from two new wells ACs1 and RWs1 is greater than anticipated this does not change the purpose or reason the wells were drilled nor the RRA 2012-2014 plan for funds being allocated 100% ACs1 and 20% RWs1 for developer and 80% RWs1 for rate base. EWW proposes to reallocate $503,000 from Developer to Rate Base due to the unexpected increase of 4.5 L/s (15.3 minus 10.8 L/s) and on that basis has adjusted the proportional allocations to 29% developer and 71% rate base for both wells. By adjusting contributions EWW is penalizing the rate base for volumes not forecast in RRA 2012-2014 nor required in this application.

Why doesn't EWW leave developer and rate base allocations in RRA 2015-2017 for these wells as they were in RRA 2012-2014 and apply the unexpected windfall supply volume increase of 4.5 L/s to offset new growth (developer) supply that will be required in future years?

Response:

17.1 In the 2012-2014 Application, EWW forecast the capacity of the new wells based on the best available information at that time. The supply and demand estimates have recently been updated as part of the French Creek 2014 Master Plan Update (Appendix D to the Application) based on the latest available customer demand information and on updated supply information including known capacities of the wells recently placed into service. According to the French Creek 2014 Master Plan Update, the supply capacity of the groundwater wells with the largest well out of service is currently 35.5 L/s; an additional 10.8 L/s is required to meet existing maximum day demand of 46.3 L/s (refer to section 10.1 of Appendix D to the Application). Based on these supply and demand estimates, a portion of the supply capacity of well projects 18 and 19 will be required to meet the

additional 10.8 L/s required for existing customers and the remaining portion of supply will be for future developments. The rationale for the proposed funding of ACs1 and RWn1 is explained in Appendix D, in the Project Justification Sheets for Projects 18 and 19:

> The Springhill well projects (Project ID 18 and 19) scheduled to be completed in the 2015-2018 period will together add an estimated 15.3 L/s of additional capacity. Of the 15.3 L/s, 10.8 L/s is required to address existing demands; the remaining (4.5 L/s or 29%) will provide supply capacity for future developments. This project is therefore 29% developer funded.

Reference: **Paragraph 74**

Explanation:

Request:

18.1 Being aware at an early stage concerning difficulty with placement of well ACs1 regarding bus shed pollutants, BC Hydro power lines, etc. why did EWW proceed with developing this site?

18.2 Why does EWW need to "repair" the non-conforming well located in the bus parking lot? What does "repair" entail versus closing a well? Why is EWW responsible for carrying out any required duty rather than the property owner?

Response:

18.1 EWW performed Electrical Resistivity Tomography (ERT) to determine the best well locations and the ERT testing indicated this location would be an excellent drill site. As a result, even though certain obstacles were encountered with the development of the site, the results of the ERT testing indicated that continued development was prudent. In addition, this site had the advantage of requiring shorter pipe runs and the nearby hydro line meant less costs for electrical hookup. This is a good well that is projected to deliver in excess of 6 L/s.

18.2 The existing well in the bus parking lot is a non-conforming well and is therefore not suitable for potable water production and had only been used for bus washing. The existing well is in the same Sanitary Control Boundary as the new well and in order for EWW to bring the new well on line all wells in the same Sanitary Control Boundary must be conforming. The owner of the existing well has no need to have a conforming well and as a result the only way to bring the new well on line was to pay for the required upgrades to the existing well.

Reference: **Paragraph 91 & 82**

Explanation: Well Rehabilitation.

Request:

19.1 Why is it necessary to rehabilitate wells simply because of age if the volume supplied is adequate as monitored by EWW computer systems?

19.2 Why would it be necessary to possibly improve capacity at this time if the present system capacity of 50.8 L/s exceeds current and anticipated/forecast customer demand in RRA 2015-2017?

Response:

19.1 Well rehabilitation is a component of EWW's prudent management of its most valuable assets. Well rehabilitation is not simply for volume. As explained the paragraph 91:

> Well rehabilitation provides the following: restores lost capacity; extends the working life of the well assets; allows for inspection of down-hole components such as well pump, motor, check valve, and instrumentation, and allows for replacement/rebuild on a structured basis; may provide information on additional work required.

19.2 The primary purpose of well rehabilitation is to maintain capacity or restore lost capacity rather than to increase capacity. Without proper well rehabilitation and maintenance, it is possible that the total supply capacity could erode more quickly than current projections with the result that new wells would have to be drilled sooner than anticipated.

Reference: **Paragraph 91**

Explanation: System Balancing.

Request:

20.1 New wells TWs1, ACs1 and RWs1 are due to be tied into the system on the Church Road side of French Creek and will provide an excess of required volume. Why is it necessary to spend funds to determine if the valve for the water main under French Creek could be left open when abundant supply is also available to the Drew Road treatment plant portion of the system via the new completed well RWn2?

Response:

20.1 The new wells coming on line do not address the issues with fire flows, pressure and redundancy. The System Balance and Storage Control project is proposed to address the problem with the butterfly valve under French Creek that has not been functioning properly since 2012. This study will show where the fire flow pressure is insufficient and will propose how to address the issue. This may involve replacing the faulty valve and connecting it to EWW's SCADA system so that the valve will open automatically in the event of a fire.

Reference: **Paragraph 96**

Explanation:

Request:

21.1 FCRA not being aware of "changing economic conditions" that affected slower residential growth in RRA 2012-2014, please explain what those conditions were and why EWW was so optimistic in planning for 150 new connections (50 per year) versus actual of 60 which is an error of 250%?

Response:

21.1 In its 2012-2014 Application, EWW's customer growth was primarily based on historical growth, consultation with area developers and information obtained from development applications. EWW assumes that the forecast development did not go forward in the 2012-2014 period due to economic reasons specific to the developers.

Reference: **Paragraph 98**

Explanation:

Request:

22.1 Why does EWW use a five year average to represent forecast consumption which results in an **increase in consumption per customer** of .5 cubic metres per year in RRA 2015-2017 over 2014F, considering that consumption has actually been decreasing since at least 2009 and has been below 19 cubic metres in 2013 and 2014? This will result in a consumption shortfall and a further consumption deferral balance by the end of the period under contemplation.

22.2 Why is EWW forecasting a customer consumption increase of .9 cubic metres for 2014 over 2013? Please advise actual consumption per customer for 2014 and amend Table 4.1.2-1 accordingly.

Response:

22.1 Total consumption and consumption per customer are quite volatile and, while there is a long-term trend to declining consumption, the variation in consumption, which is primarily weather-related for residential customers, has a greater impact on consumption per customer over the short and medium term. Accordingly, the use of historical five-year rolling average consumption for the 2015 to 2017 test period is applied to smooth out the effects of short-term weather related variation. The historical five-year rolling average consumption also incorporates the long term declining consumption trend, since average consumption for the current test period is lower than actual average consumption in the preceding test period.

22.2 The forecast increase in residential consumption per customer in the 2014 forecast is based on billed consumption for the first three quarterly bill periods of 2014, plus an estimate for the fourth bill period. An updated version of Table 4.1.2-1 from the

Application is provided below which includes the 2014 Actual consumption per customer amounts. The updated table indicates that actual billed consumption for the full year of 2014 was greater than 2013 actual billed consumption by 1.3 cubic metres.

Table 4.1.2-1
EWW Average Consumption per Customer
2010-2017
(Cubic meters per customer per month)

		A	B	C	D	E	F	G	H	I
		2010A	**2011A**	**2012A**	**2013A**	**2014A**	**2015F**	**2016F**	**2017F**	**2010A to 2014A**
1	Residential	20.7	19.1	19.9	18.0	19.3	19.4	19.4	19.4	19.4
2	Multi-Residential	16.9	14.5	19.3	16.6	18.5	17.1	17.1	17.1	17.2
3	Commercial	120.9	102.2	87.5	81.6	111.9	100.0	100.0	100.0	100.8

Reference: **Paragraph 109, Table 4.3-1 & table 5 in Appendix E**

Explanation:

Request:

23.1 Considering the recent national economic slowdown due to severe capital project curtailment in the oil and gas industry, would EWW not consider it more appropriate to adjust the capital construction cost escalation factor to zero for 2015 and 2016 and .5 for 2017 due to significant change since the report on Escalators was written by David L. Ryan in September 2013 together with the resulting improved conditions for utilizing labour and contractor markets?

Response:

23.1 Please refer to EWW's response to CWR-EWW-16.1. EWW considers that the proposed construction cost escalators for 2015, 2016 and 2017 are still reasonable as the Escalators Report (Appendix E) was based on a medium-term outlook for BC.

Reference: **Paragraphs 111 through 118**

Explanation:

Request:

24.1 Does EWSI rely upon engineering firms to provide a Master Plan similar to KWL in 2014 for its other twelve utilities in Canada? If so, on what interval?

24.2 Why is preparation of a Master Plan by an outside firm necessary if *"EWSI and its predecessors have been designing, building, operating and financing water and wastewater treatment facilities for more than a century and EWSI is considered one of the leading water utility operators in North America"* and should therefore have the expertise required to identify and plan for system maintenance, growth and adherence to regulatory requirements dictated by health and government agencies?

Response:

24.1 Yes, KWL provides a similar Master Plan for EPCOR White Rock Water Inc. in advance of each revenue requirement and rates application. Master planning in our other utility operations varies. In our Operations and Maintenance contracts in Southern Alberta and BC, the master planning is done collaboratively with the municipality and the frequency varies. In our Edmonton operations where EPCOR owns the assets and is regulated by a five year performance based rate structure, the master planning is done every five year period.

24.2 As stated in the referenced paragraphs, EWW used KWL as its primary engineering firm due to their knowledge of waterworks systems. KWL has the experience and knowledge to analyze the French Creek system, including maintaining the hydraulic model and undertaking development review.

EWW determined that it would be prudent to retain KWL's services, particularly given the extensive difficulties experienced in drilling wells in close proximity to the ocean in the past six years. EWW has used KWL on numerous other occasions.

Although EWSI staff in Edmonton have planning and engineering expertise, our operations outside of Edmonton are not populated with planning and engineering staff. EPCOR has previously compared the costs of using Edmonton staff with the costs of local consulting engineers for developing and maintaining the system models and executing master plans at its regional sites. The conclusion from this analysis was that it is often more cost-effective and efficient to use local engineering expertise with local oversight for this type of work than to provide the work from our Edmonton based resource pool.

Reference: **Paragraph 127**

Explanation:

Request:

25.1 Why does EWW feel entitled to a 130 bp equity premium over the rate set by BCUC which reflects what BCUC considers to be an acceptable rate of return for utility companies rather than just being a guideline upon which those companies might negotiate for a higher rate?

Response:

25.1 The 130 basis point (1.3%) equity risk premium over the BCUC benchmark return on equity (ROE) was approved for EWW for the 2009-2011 and 2012-2014 test periods. EWW is proposing to continue to apply this risk premium for the 2015-2017 test period as there have been no material changes to the business and financial risks faced by EWW. EWW's position is that an equity risk premium above the BCUC benchmark ROE is reasonable and appropriate for EWW primarily given the higher level of business risks associated with the very small size of EWW compared to the benchmark utility.

Please refer also to EWW's response to CWR-EWW-23.1.

Reference: **Paragraph 129, 136 & 157**

Explanation:

Request:

26.1 Please specifically explain what was inadvertently omitted from RRA 2012-2014 concerning "oversight services provided to EWW from EWSI senior management".

26.2 What is meant by "lower than forecast salary transfers to capital"?

26.3 Considering the size of this utility which EWW states is "a relatively small customer base" (para 27), why does EWW require such extensive EWSI support which incurs charges reflected in the significant total for RA 2015-2017 and amounts to an increase of $79,000 or 15.3% over RRA 2012-2014?

Response:

26.1 Refer to EWW's response to CWR-EWW-18.2.

26.2 Salary transfers to capital reflect the salary costs associated with EWW operations staff working on capital projects. The portion of staff time charged to capital projects is deducted from operating costs. The reference to "lower than forecast salary transfers to capital" in paragraph 29 refers to the difference between the 2014 Decision amount of salary transfers to capital (Table 5.1-1, row 3, column C) and the 2014 Forecast amount (Table 5.1-1, row 3, column D). Refer also to explanation in paragraph 137 of the Application.

26.3 Many programs (safety, environmental management, risk reduction, asset management) are provided by EWSI to EWW and it is senior management's responsibility to ensure that these programs are adapted to the various sites and implemented throughout the BC region of the company. The development, adaptation and implementation of these

progressive programs adds value to EWW and ensures high quality utility services are provided to the French Creek residents.

Reference: **Paragraph 151**

Explanation:

Request:

27.1 Considering the low amount of leakage and our comments in 42. concerning pressures, why is it necessary to incur $92,000 in costs for Leak Detection and a Model Validation and Rezoning Study which has been mentioned by KWL as projects 24 and 25 in the Master Plan?

Response:

27.1 Please refer to EWW's response to CWR-EWW-1.1.

Reference: **Paragraph 153**

Explanation:

Request:

28.1 Please clarify how a $44,000 increase can be explained by a $7,000 increase, a $30,000 decrease and a $6,000 decrease which equals $73,000 ($44 less $7 plus $30 plus $6 = $73).

Response:

28.1 The $44 thousand increase in Operating costs between 2016 and 2017 (see line 4 in Table 5.0-1 on page 48 of the Application) is attributable to the following:

- a $30 thousand decrease in capitalized overhead costs (which translates to a $30 thousand increase in operating costs). EWW capitalizes a portion of its operating costs to recognize overhead costs associated with the administration of its capital program. Capitalized overhead is reflected as a reduction to operating costs. Since capital expenditures are forecast to decrease between 2016 and 2017, there is a reduction in capitalized overheads (increase in operating costs) in 2017;

- a $7 thousand increase in costs for contractors and consultants, primarily due to $25 thousand needed to complete the Master Plan update for the next test period, partially offset by completion of the Geotechnical Study for Drew Road Reservoirs in 2016;
- a $3 thousand increase in travel, primarily due to the next Revenue Requirement and Rates Application to be filed in 2017; and
- general inflation.

It should be noted that the Application incorrectly referenced a $6 thousand decrease in advertising in 2017.

Reference: **Paragraph 166**

Explanation:

Request:

29.1 Please provide the Decision consumption by class for all years for RRA 2012-2014 and compare to Actual using the same format as in table 4.1.3-1 para 99. For 2014 use Actual and not Forecast.

29.2 Please advise the method and cubic meter value applied to the consumption shortfall that will be evident in a. above for each year of RRA 2012-20124, to arrive at dollars in table 6.1.1.

Response:

29.1 Please see table below:

Table FCRA-EWW-29.1
EWW Consumption by Rate Class
2012-2017
(Cubic metres)

		A **2012D**	B **2012A**	C **2013D**	D **2013A**	E **2014D**	F **2014A**
1	Residential	432,964	400,889	412,535	366,144	413,042	398,969
2	Multi-Residential	48,852	57,140	44,700	48,308	43,779	55,077
3	Commercial	67,350	52,514	64,656	48,965	64,935	63,127
4	**TOTAL CONSUMPTION**	**549,166**	**510,543**	**521,891**	**463,417**	**521,756**	**517,173**

29.2 The consumption deferral account amounts reported in Table 6.1-1 of the Application are calculated as the difference between base and additional actual consumption revenues reported by EWW for each of the years 2012 to 2014 and forecast revenues approved by the Comptroller in Order 2310.

In Order 2310, the Comptroller approved revenues based on the consumption amounts in Table FCRA-EWW-29.1 above. The actual revenues from consumption are shown in Financial Schedule 1.3. Financial Schedules 3.2 – 3.4 calculate the differences between the approved forecast consumption revenue and the actual consumption revenue for the years 2012-2014 respectively.

Reference: **Paragraph 168**

Explanation:

Request:

30.1 Please advise the Decision and Actual amounts for Carrying Charges for RRA 2012-2014.

Response:

30.1 Please refer to Table FCRA-EWW-30.1 for the requested information. EWW presumes the question is referring to the carrying charges discussed in paragraph 173 of the Application. The amounts in row 1 of Table FCRA-EWW-30.1-1 are also shown in Financial Schedule 3.1, in row 7 of the table entitled "Carrying Charges".

Table FCRA-EWW-30.1-1
Carrying Charges 2012-2014 Decision/Actual
($ thousands)

	A	B	C	D	E	F
	2012D	**2012A**	**2013D**	**2013A**	**2014D**	**2014F**
1	$6	$13	$4	$17	$1	$19

Reference: **Paragraph 191**

Explanation:

Request:

31.1 Please provide a calculation of Return for each year of RRA 2015-2017 complete with the equity value for each year that was used to make this calculation.

Response:

31.1 Please refer to Financial Schedule 2.6 for the calculation of equity return for 2015-2017.

Reference: **General**

Explanation: As an example, Operating Costs

Request:

32.1 Why is it necessary to re-state the same comments and information from one section of this RRA to another thus bulking up the application and unnecessarily lengthening the content? For example para 129 & 139, 130 & 142, etc.

Response:

32.1 EWW has provided a high level overview of the operating costs in section 5.0 (paragraphs 129, 130) with more detailed review of operating costs provided in section 5.1 (paragraphs 139, 142). In doing so, some of the high level information provided in section 5.0 may need to be repeated in section 5.1 for consistency and completeness.