

PROVINCE OF BRITISH COLUMBIA
OFFICE OF THE COMPTROLLER OF WATER RIGHTS

ORDER NUMBER 2641

IN THE MATTER OF

the Water Utility Act and the Utilities Commission Act

and

**Resorts of the Canadian Rockies Inc.
(Kicking Horse Mountain Utility Corporation)**

**For Approval of
Revenue Requirements and
Rate Application**

BEFORE:

Bryan Robinson, Deputy Comptroller of Water Rights
PO Box 9340 STN PROV GOVT
Victoria BC V8W 9M1

on March 5, 2024

WHEREAS:

1. On December 5, 2022 Resorts of the Canadian Rockies Inc. operating as Kicking Horse Mountain Utility Corporation (“KHMUC” or “the Utility”) filed its Application for Revision to the Water Tariff requesting approval of its revenue requirements and water rates for a five year forecast period (“the Application”). As part of the Application, the Utility submitted supporting documentation including actual and forecast cash flow statements and proposed changes to its current approved Water Tariff No. 3. The last rate application was approved effective January 1, 2004.
2. The current and proposed annual water rates per bed unit are:

	CURRENT	PROPOSED				
		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
ANNUAL RATES:		2023	2024	2025	2026	2027
Per Bed Unit (Residential & Commercial)	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00
Per Bed Unit (RRTF Portion)	15.00	19.00	23.00	27.00	31.00	35.00
Total Annual Rate, Per Bed Unit	72.00	76.00	80.00	84.00	88.00	92.00

3. From rates collected, the Utility proposes to increase the contributions to the Replacement Reserve Trust Fund (RRTF) so that by Year 5 contributions equal the annual depreciation of the water system’s current replacement value as was required by the Deputy Comptroller. No releases may be made from the RRTF without the written authorization of the Deputy Comptroller.
4. A written hearing process commenced with the Utility mailing Notices to all customers on January 30, 2023. The Notice provided customers with an opportunity to submit comments to the Deputy Comptroller by March 1, 2023. Fourteen customer submissions were received.
5. A review of the submissions, Utility’s responses, and information submitted to support the application was made and the Utility was required to provide additional information through an information request on April 19, 2023. The Utility’s response was received on July 26, 2023.
6. The relevant evidence submitted by the Utility and the customers in the written hearing process (collectively called “the Application”) has been reviewed and considered.

NOW THEREFORE, pursuant to the *Utilities Commission Act* and as set out in the Reasons for Decision and Order attached as Appendix A, the Deputy Comptroller orders that:

- a. Total Revenue Requirements of \$214,635 for fiscal 2024 (assuming a full year at forecast revenue and expenses), \$229,020 for 2025, \$248,785 for 2026, \$271,158 for 2027 and \$289,844 for 2028 are approved for rate setting purposes.

- b. The following water rates are sufficient and necessary for the Utility to meet its approved Total Revenue Requirements:

	CURRENT	APPROVED				
	2023	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
ANNUAL RATES:		2024	2025	2026	2027	2027
Per Bed Unit (Residential & Commercial) plus	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00
Per Bed Unit (RRTF Portion)	15.00	19.00	23.00	27.00	31.00	35.00
Total Annual Rate, Per Bed Unit	72.00	76.00	80.00	84.00	88.00	92.00

- c. The Utility is to charge the approved 2024 water rates beginning with the next billing cycle. The water rates for 2025 through to 2028 are effective January 1st of each year.
- d. The proposed amendments to the Water Tariff are approved and Water Tariff No. 4 is accepted for filing.
- e. The Utility will comply with all other directives in the Reasons for Decision

Dated at the City of Victoria, in the Province of British Columbia, this 5th day of March 2024.



Bryan Robinson
Deputy Comptroller of Water Rights

Attachment: Appendix A Reasons for Decision and Order

IN THE MATTER OF

An Application by

**Resorts of the Canadian Rockies Inc.
(Kicking Horse Mountain Utility Company)**

**For Approval of
Revenue Requirements and Water Rates**

BEFORE:

Bryan Robinson, Deputy Comptroller of Water Rights
PO Box 9340 STN PROV GOVT
Victoria, BC V8W 9M1

REASONS FOR DECISION FOR ORDER 2641

March 5, 2024

1.0 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 Sustainability Act*, the Deputy Comptroller of Water Rights (“Deputy Comptroller”) is authorized to exercise all the powers and perform all of the duties of the Comptroller. Resorts of the Canadian Rockies (“RCR”) operating as Kicking Horse Mountain Utility Company (“KHMUC” or “the Utility”) owns and operates the water utility at Kicking Horse Mountain Resort (“the Resort”), near Golden, British Columbia. In addition, KHMUC operates the sewer system at the Resort.

The original Certificate of Public Convenience & Necessity (CPCN) was issued on November 13, 2001 to serve a 20 lot strata development and a day lodge. Between 2002 to 2023, the Deputy Comptroller approved several more CPCN Amendments authorizing extensions to the service area, bringing the total authorized to 394 lots (equivalent to 2,752 bed units). The source of supply is from five deep wells feeding a concrete storage reservoir. The wells are monitored by a central SCADA system.

The Deputy Comptroller requires contributions to the Replacement Reserve Trust Fund (RRTF) to be based on the current replacement cost of the capital works and prescribed depreciation rates as set out in the CPCN Guidelines. The Utility was instructed to submit a rate application as the current Tariff was outdated with inadequate provision for RRTF contributions.

2.0 Introduction

On December 5, 2022 the Utility submitted an application for approval of its revenue requirements and water rates for a five year forecast period (“the Application”). As part of the Application, the Utility submitted supporting documentation including actual and forecast cash flow statements and proposed changes to its current approved Water Tariff No. 3.

The main reason for the application is to ensure revenues are sufficient to comply with the Deputy Comptroller’s requirement to set aside full replacement provision in the RRTF. The Utility does not propose an increase in the portion of the bed unit rate used for operations. The forecast growth in bed units should offset forecast increases to the operating budget. The current rates have been in effect since 2004.

The current and proposed annual water rates per bed unit are:

	CURRENT	PROPOSED				
	2022	2023	2024	2025	2026	2027
ANNUAL RATES:						
Per Bed Unit (Residential & Commercial) plus	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00
Per Bed Unit (RRTF Portion)	15.00	19.00	23.00	27.00	31.00	35.00
Total Annual Rate, Per Bed Unit	72.00	76.00	80.00	84.00	88.00	92.00

A written hearing process commenced with the Utility mailing Notices to all customers on January 30, 2023. The Notice provided customers with an opportunity to submit comments to the Deputy Comptroller by March 1, 2023. Fourteen customer submissions were received.

A review of the submissions, Utility’s responses, and information submitted to support the application was made and the Utility was required to provide additional information through an information request on April 19, 2023. The Utility’s response was received on July 26, 2023.

All evidence, including relevant submissions from the Utility and its customers, has been taken into consideration. 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 five year test period.

3.0 Revenue Requirements

Revenue Requirements (RR) include forecast operating expenses, 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. At the current rate, the Utility is unable to cover future RR including adequate replacement reserve fund provision.

3.1 Operating expenses and operating margin

Forecast operating expenses starting with fiscal 2024 are based on actuals and are reasonable for this size and type of utility. The Utility has forecast increases in the number of bed units served but operating expenses are projected to remain fairly stable over the next five years with slight increases projected year-over-year due to inflation.

A nominal operating margin (net cash flow income) to cover unexpected operating expenses is allowable. For 2024, the Utility is forecast to break-even and starting in 2025, operating margin will average about \$6,042 per year. This is equivalent to 3.5% of total expenses over the next four years which is reasonable for a utility of this type and size. Net earnings are to remain with the Utility to meet cash flow needs and cover unexpected costs. The parent company is expected to continue to subsidize the water utility operations as and when required.

The Utility anticipates that the bed unit count could increase slightly and revenues may be more than projected due to the Utility estimating each single family detached accommodation at 12 bed units and possible adjustments to the number of seats estimated in some commercial spaces. The impact on the forecast net income is expected to be nominal but will be reviewed annually to ensure it does not exceed the maximum allowable limit for rate setting purposes (10% of operating expenses).

3.2 Replacement Reserve Trust Fund (RRTF)

The Deputy Comptroller requires regulated water systems to set up and maintain RRTFs to ensure utilities will have funds available to replace 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 must be transferred with the system for the beneficial interest of the customers. According to current CPCN Guidelines, the Deputy Comptroller requires annual RRTF contributions to be equal to the annual depreciation of water system components. The annual depreciation is calculated using the prescribed depreciation rates for water system components (generally around 2% of the total capital cost per year).

Order 1946 dated November 13, 2001 required the Utility to establish and maintain a RRTF with annual deposits set out in the approved water tariff. Current required RRTF contributions are 15% of rates collected which is equivalent to \$37,000 per year. The current balance in the RRTF, net of authorized releases, is \$533,000. As part of this Application, the Utility was required to complete a depreciation study which calculated the current replacement value of the water system assets to be \$6.7 million with an annual depreciation of \$104,000.

Based on the updated Depreciation Schedule, RRTF contributions are required to increase from \$37,000 to \$104,000 per year. The Utility proposes to increase RRTF contributions over a five year period in order to minimize the impact on customer rates. As most of the rate increase is needed to cover increased RRTF contributions and the billing for 2023 and first quarter of 2024 have already been completed, the Deputy Comptroller finds it acceptable to keep the RRTF

contribution at 15% of rates collected for fiscal 2023 with an increase to 25% in 2024. Starting in 2025, additional increases to the RRTF contribution rate are proposed so that by 2028, 38% of rates collected will be contributed to the RRTF, equivalent to around \$104,000. This amount is equivalent to the annual depreciation of the water system and is in keeping with the Deputy Comptroller's requirements. The Utility's proposal to phase in the increases to the RRTF is acceptable. Therefore, starting with the next billing cycle for 2024, 25% of rates collected are to be deposited to the RRTF, with an increase to 28% effective January 1, 2025, 32% effective January 1, 2026, 35% effective January 1, 2027 and 38% effective January 1, 2028.

Deputy Comptroller Determinations for Revenue Requirements:

Effective fiscal 2023 and first quarter of 2024, the Utility is to continue depositing 15% of rates collected to the RRTF. For the remainder of 2024, the Utility is to contribute 25% of rates collected to the RRTF with further increases approved for January 1, 2025 through to January 1, 2028 as shown on the attached Schedule A.

Total Revenue Requirements of \$214,635 (2024), \$229,020 (2025), \$248,785 (2026), \$271,158 (2027) and \$289,844 (2028) are reasonable for rate setting purposes and are approved.

4.0 Revenues and Tariff Amendments

4.1 Residential and Commercial Bed Unit Calculations

A bed unit is defined as the accommodation required for one person to stay overnight. Bed units can be publicly available on a night-by-night basis and/or privately available on a permanent basis for second home, resort residential and employee use. Typically, single family units with 3 bedrooms are assigned 6 bed units and hotel rooms with 1 bedroom are assigned 2 bed units each. Commercial users such as the day lodge, maintenance shop and office building are allocated an equivalent bed unit amount based on the water demand for their facilities. The bed unit allocations are determined by the Utility to ensure there is adequate water system capacity and are approved by the Deputy Comptroller with the issuance of a CPCN. The bed unit allocation is based on a customer having water available for 365 days of the year. There is little impact on the Utility's operation based on occupancy, i.e. if a residence is used as a long-term rental unit, a permanent residence, or as a short term vacation property as most costs are fixed.

The allocation of costs based on equivalent bed units is deemed to be a fair method for ski resorts that do not have meters and is a common approach in the ski industry. Without metering it is not practical to introduce a different approach to cost allocations as there are many variations in water usage, even in similar size and type of dwellings.

Deputy Comptroller Determination:

The Utility's method of allocating equivalent bed units to the various classes of customers adheres to the CPCN Design Guidelines and is deemed to be fair and reasonable.

4.2 Water Tariff Amendments

4.2.1 Schedule C, Bed Unit Calculations

Several customers raised concerns that many single family detached accommodations are currently assessed at 6 bed units (3 bedrooms) but many are 5 to 6 bedrooms and may have additional rooms in basements or lofts. The Utility proposes to amend the Water Tariff so that each single family lot will be set at 12 bed units (6 bedrooms) unless the lot owners prove they have less. Until verification through a voluntary inspection indicates the actual number of units for each single family detached accommodation, the Utility will bill them at 12 bed units (6 bedrooms) which is subject to correction later and a 6 bed unit (3 bedrooms) minimum. The Utility plans to review the bed unit allocation for all properties at the Resort but the primary interest will be on vacation rental properties that advertise a sleeping capacity that exceeds 12 bed units (6 bedrooms). Affected lot owners will be notified of any change in the bed unit allocation with an effective date that coincides with the next quarterly billing date.

Deputy Comptroller Determinations:

To be fair and equitable, single family detached premises (chalets, etc.) should be charged rates based on the actual number of bed units but each separate building should pay a minimum of 6 bed units (3 bedrooms). Until verification through voluntary inspections indicate the actual number of bed units for each, it is appropriate for the Utility to bill them at 12 bed units (six bedrooms) but subject to correction later.

The Utility is directed to provide the results of any audit/site inspections carried out during the year with their annual reporting for fiscals 2024 through to 2028. The reporting should include details of any adjustments to the number of bed units billed, how many have suites, adjustment to square meters of each customer's premises etc.

4.2.2 Effective Date and Other Tariff Amendments.

The Utility has requested that the effective date be adjusted from April 1, 2023 as proposed in the Application to an effective date that corresponds to the date of the Deputy Comptroller's final decision.

The Availability of Service (Rent) Charge is applicable to any vacant lot with a rent charge agreement registered on the property's title. The Utility proposes to increase the Availability of Service (Rent) Charge from 60% to 70% of the bed unit rate in accordance with current CPCN Guideline requirements. The other changes to certain service charges and terms and conditions in the Water Tariff were advertised to customers and a review conducted.

Deputy Comptroller Determinations:

Since billings have already been issued at current rates for 2023 and the first quarter of 2024, an effective date of April 1, 2024 is acceptable.

The other proposed changes to the minor rates and charges in the proposed Water Tariff No. 4 are in accordance with the standard fees pre-approved by the Deputy Comptroller for other water utilities and are approved.

4.3 Residential and Commercial Water Rates

Effective April 1, 2024 and then effective January 1, 2025 through to 2028 the following water rates are sufficient and necessary for the Utility to meet its approved Revenue Requirements for fiscal years 2024 to 2028:

	CURRENT	APPROVED				
	2023	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
ANNUAL RATES:		2024	2025	2026	2027	2027
Per Bed Unit (Residential & Commercial) plus	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00
Per Bed Unit (RRTF Portion)	15.00	19.00	23.00	27.00	31.00	35.00
Total Annual Rate, Per Bed Unit	72.00	76.00	80.00	84.00	88.00	92.00

Deputy Comptroller Determination:

The water rates for residential and commercial users as shown above are approved effective April 1, 2024 and then January 1, 2025, 2026, 2027, and 2028.

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 DECIDED AND ORDERED THAT Kicking Horse Mountain Utility Corp’s Application as determined in this Reasons for Decision to Order 2641 is approved effective April 1, 2024 and Water Tariff No. 4 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria, in the Province of British Columbia, this 5th day of March 2024.



Bryan Robinson
Deputy Comptroller of Water Rights

Attachment: Schedule A

**Kicking Horse Mountain Utility
Actual & Projected Cash Flow Statement
For the Years Ending December 31st**

Schedule A

	ACTUAL			FINAL PROPOSED					APPROVED						
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2028
ANNUAL RATES:															
Per Bed Unit (Residential & Commercial)	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00	\$ 57.00
Per Bed Unit (RRTF Portion)	15.00	15.00	15.00	15.00	19.00	23.00	27.00	31.00	35.00	15.00	19.00	23.00	27.00	31.00	35.00
Residential/Commercial rate, per bed unit, per year	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00	\$ 76.00	\$ 80.00	\$ 84.00	\$ 88.00	\$ 92.00	\$ 72.00	\$ 76.00	\$ 80.00	\$ 84.00	\$ 88.00	\$ 92.00
Availability of Service Charge (% of Annual Rate)	60%	60%	60%	60%	70%	70%	70%	70%	70%	60%	70%	70%	70%	70%	70%
Replacement Reserve Fund Contribution (% of rates collected)	15%	15%	15%	15.0%	25.0%	28.8%	32.1%	35.2%	38.0%	15.0%	25.0%	28.0%	32.0%	35.0%	38.0%
NO. OF BED UNITS:															
Residential service flat rate	1,814	1,821	1,988	2,005	2,009	2,069	2,073	2,135	2,163	2,009	2,069	2,073	2,135	2,163	2,519
Commercial service flat rate	628	628	471	463	463	463	463	463	463	463	463	463	463	463	463
Vacant	-	-	12	32	64	126	190	256	256	64	126	190	256	256	256
	2,442	2,449	2,471	2,500	2,536	2,658	2,726	2,854	2,982	2,536	2,658	2,726	2,854	2,982	2,982
REVENUE:															
Residential	130,468	131,447	143,332	132,899	152,684	165,520	174,132	187,880	208,196	144,648	157,244	165,840	179,340	199,144	231,748
Commercial	45,227	45,227	33,921	42,750	35,188	37,040	38,892	40,744	42,596	33,336	35,188	37,040	38,892	40,744	42,596
Availability of Service Charge	-	-	-	690	3,405	7,056	11,172	15,770	16,486	2,765	6,703	10,640	15,053	15,770	-
Miscellaneous (Snow making)	15,630	18,294	15,131	15,219	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Interest and Late Payment Fees	655	341	772	625	500	500	500	500	500	500	500	500	500	500	500
Administration Charge	375	825	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE:	192,355	196,134	193,156	192,183	206,777	225,116	239,696	259,894	282,778	196,249	214,635	229,020	248,785	271,158	289,844
EXPENSES:															
Total Wages and Benefits	51,259	56,919	62,239	63,766	69,586	70,887	72,213	73,566	74,946	69,586	70,887	72,213	73,566	74,946	76,445
R&M - Water	2,950	2,779	2,500	2,856	1,000	1,100	1,200	1,300	1,500	1,000	1,100	1,200	1,300	1,500	1,530
Tools - Water	667	2,365	415	1,620	900	1,300	1,000	1,000	1,000	900	900	900	1,000	1,000	1,000
Supplies - Water	2,551	591	1,009	582	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Parts - Water	45	694	349	4,240	1,000	1,000	1,200	1,200	1,300	1,000	1,000	1,200	1,200	1,300	1,300
Communications - Water	835	674	677	677	700	700	700	700	700	700	700	700	700	700	700
Power Cost - Water	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Lab Test - Water	5,266	3,771	3,899	4,200	5,500	5,500	5,500	6,000	6,000	5,500	5,500	5,500	6,000	6,000	6,000
Reservoir Maint - Water	2,856	2,906	5,856	-	-	-	-	-	2,200	-	-	-	-	-	2,200
Hydrant Maint - Water	-	24	25	25	1,000	1,000	1,000	1,200	1,200	1,000	1,000	1,000	1,200	1,200	1,200
Computer - Hardware Water Dept	443	276	618	874	1,000	1,000	1,000	1,200	1,200	1,000	1,000	1,000	1,200	1,200	1,200
Education & Training	55	56	318	310	-	-	-	-	-	-	-	-	-	-	-
Other Operating	1,918	2,216	1,974	2,368	2,000	2,100	2,100	2,200	2,200	2,000	2,100	2,100	2,200	2,200	2,200
Freight - Water	165	58	122	326	200	200	200	200	200	200	200	200	200	200	200
Meals & Ent - Water	676	222	347	1,757	700	700	700	700	700	700	700	700	700	700	700
Fees & Licenses - Water	2,850	2,850	6,186	6,959	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Insurance Expense - Water	393	518	61	61	400	400	400	400	400	400	400	400	400	400	400
Travel - Automobile Water	228	75	75	300	300	300	300	300	300	300	300	300	300	300	300
Travel - Accommodations Water	51,163	51,163	45,838	45,838	45,838	45,838	45,838	45,838	45,838	45,838	45,838	45,838	45,838	45,838	45,838
Management Costs	10,347	7,067	9,433	10,696	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400	9,400
Interest Expense	7,197	4,710	3,726	4,647	5,673	5,673	5,673	5,673	5,773	5,673	5,673	5,673	5,673	5,773	5,888
Common expenses (shared with Sewer)															
TOTAL EXPENSES	147,865	143,339	149,874	157,803	161,498	162,998	165,225	167,878	172,358	161,497	162,998	165,224	167,877	172,357	174,001
NET CASH	44,490	52,795	43,282	34,379	45,279	62,118	74,471	92,016	110,421	34,752	51,637	63,796	80,908	98,800	115,843
Less Replacement Reserve Trust Fund Contributions	36,496	37,080	36,418	36,259	47,819	58,885	72,063	86,093	101,682	37,656	49,784	61,387	74,984	90,061	104,370
ADJUSTED NET CASH	7,994	15,715	6,864	-1,880	-2,540	3,233	2,408	5,923	8,739	-2,904	1,853	2,409	5,923	8,739	11,473
Revenue Requirements															
Operating Margin (% of Total Expenses)	5.4%	11.0%	4.6%	-1.2%	-1.6%	2.0%	1.5%	3.5%	5.1%	-1.8%	1.1%	1.5%	3.5%	5.1%	6.6%
RRTF Contribution															
Residential & Commercial	\$ 36,496	\$ 37,060	\$ 36,418	\$ 36,259	\$ 46,968	\$ 58,236	\$ 68,472	\$ 80,538	\$ 95,410	\$ 37,080	\$ 48,108	\$ 58,328	\$ 70,146	\$ 84,506	\$ 104,370
Vacant Bed Units	-	-	-	851	649	3,591	5,555	6,272	6,272	576	1,676	3,059	4,838	5,555	-
Total RRTF Contribution	\$ 36,496	\$ 37,060	\$ 36,418	\$ 36,259	\$ 47,819	\$ 58,885	\$ 72,063	\$ 86,093	\$ 101,682	\$ 37,656	\$ 49,784	\$ 61,387	\$ 74,984	\$ 90,061	\$ 104,370