



Corix Utilities (Foothills Water) Inc.

**2023-2025 Revenue Requirements and Rates Application –
Interim Rates**

February 23, 2023

Alberta Utilities Commission

Decision 27844-D01-2023

Corix Utilities (Foothills Water) Inc.

2023-2025 Revenue Requirements and Rates Application – Interim Rates
Proceeding 27844

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Published by the:

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1 Decision summary

1. In this decision, the Alberta Utilities Commission denies an application by Corix Utilities (Foothills Water) Inc. (Corix) to begin charging customers interim rates that would reflect Corix’s proposed 2023 customer rates. Corix’s 2023-2025 revenue requirements and rates application will be determined in the Commission’s decision to be issued after the close of the record for this proceeding. The Commission approves a continuation of the existing rates charged by Corix, as approved in Decision 2013-082,¹ on an interim basis, for the period starting on January 1, 2023, until such time as new rates are approved.

2 Background

2. On December 2, 2022, Corix filed an application for approval of its 2023 to 2025 revenue requirements and rates related to its water utility, serving customers in the hamlet of Heritage Pointe, Alberta.² In its application, Corix requested a 2023 rate increase, for its typical residential and commercial customers of 18.6 per cent, as well as smaller increases for 2024 and 2025.

3. The last time approved rates were changed for Corix’s residential and commercial customers was on January 1, 2014, and there have been no rate changes for its customers since that time.

4. Due to the length of time associated with the regulatory review process, Corix requested that the proposed residential and commercial customer rates be made effective on an interim basis beginning on January 1, 2023.³

5. Corix proposed that the increased interim rates would be reflected on February bills sent to its customers for January usage.⁴ Corix stated that if its request to implement an interim rate increase was approved, the interim rates would later be adjusted as required based on the Commission’s final decision on its rates as part of this application, with any refund or additional charges to be accounted for with interest, retrospective to January 1, 2023.⁵

6. Corix did not request interim rates related to its bulk water service but rather proposed that if the Commission’s decision sets rates for potable bulk water at a rate different than proposed by Corix in its application, the approved rates will be implemented prospectively on the first day of the month after the decision is issued. This would be the same treatment as

¹ Decision 2013-082: Corix Utilities (Foothills Water) Inc., Refiling Application Pursuant to AUC Decision 2012-262, Proceeding 2193, Application 1608932, March 8, 2013.

² Exhibit 27844-X0001 application, December 2, 2022.

³ Exhibit 27844-X0001, application, Section 22.

⁴ Exhibit 27844-X0001, application, Section 20.4

⁵ Exhibit 27844-X0001, application, Section 20.4.

provided for bulk water and potable irrigation in the directions of a previous Commission decision related to Corix’s rates.⁶

3 Commission findings

3.1 Interim rate increase denied

7. The Commission finds that an interim rate increase is not in the public interest at this time, and denies the requested interim rate increase.

8. One of the purposes of interim rates is to provide a smooth rate transition for customers to new rates, in order to minimize rate shock. Another purpose of interim rates is to provide additional cash flow to the utility to cover increased costs while its rate case is being tested. In approving interim rate increases, the Commission considers, among other things, the impact of the proposed rates and the consequences of any shortfall in revenue to the utility.

9. In the current proceeding, Corix did not suggest that the interim rate increase is necessary to preserve the financial integrity of the utility or to avoid financial hardship. Corix also did not suggest that it will be unable to continue providing safe and reliable service without the interim rate increase. In these circumstances, the Commission finds the need for the interim rate increase has not been sufficiently demonstrated.

10. Additionally, Corix requested an interim rate increase that reflects the full cost of its applied-for 2023 rates, and did not exclude any potentially contentious items that are requested in the main application, or otherwise endeavour to use interim rates in a manner that would ease rate shock. The Commission is therefore concerned that, rather than smoothing the transition to final rates, the interim rate increase could itself result in a significant degree of rate shock in circumstances where the merits of the proposed rate increase has not yet been tested.

11. The Commission considered approving a portion of Corix’s proposed interim rate increase. However, given that it has been since 2014 that Corix last applied to increase rates, and that a final decision in this application is anticipated to occur in a matter of months, the Commission does not consider that an interim rate increase is necessary to avoid undue harm to Corix. The Commission is cognizant of customer concerns regarding the amount of the proposed rate increase and finds that, in these circumstances, the public interest favours testing the application prior to approving a change in rates. If collecting increased rates as of February 2023 was imperative for Corix, its application could have been filed earlier in 2022 to provide adequate time to test the application and render a decision. Having considered the above factors, the Commission finds that the interim rate increase is not in the public interest.

3.2 Existing rates to continue on interim basis effective January 1, 2023

12. The Commission approves a continuation of the existing rates, on an interim basis, effective January 1, 2023. This means that customers will not see any immediate increase on their February 2023 bills. The Commission will issue its decision on Corix’s proposed 2023-2025 revenue requirement and rates in due course after fully reviewing and testing the application.

⁶ Decision 2013-082, paragraph 64.

13. Any approved 2023 rate changes may be effective from January 1, 2023. If the final approved 2023 rates increase relative to existing rates, the difference will be collected through a rider or similar mechanism to be determined at the time the Commission renders its final decision on Corix’s application.⁷

14. The Commission recognizes that there is a general prohibition against retroactive and retrospective ratemaking, subject to limited exceptions. The Commission is satisfied that deeming the existing rates to be interim effective January 1, 2023, and providing for the difference to be collected or refunded at a later date, does not violate the rule against retroactive and retrospective ratemaking. The courts have recognized an exception to the rule against retroactive and retrospective ratemaking where parties that would be subject to a rate that would otherwise be considered a retroactive or retrospective rate, had knowledge that the rate may change.⁸ In the current proceeding, Corix’s application was filed on December 2, 2022, and was preceded by consultation between Corix and stakeholders. The Commission therefore considers that ratepayers were aware, or ought to have been aware, that a regulatory proceeding had been initiated that may result in rates changing effective January 1, 2023.

4 Order

15. It is hereby ordered that:

- (1) Corix’s request to implement an interim rate with the proposed rate increases in its application for its residential and commercial customers is denied.
- (2) No changes to 2023 Corix customer rates will be made until a final decision is issued by the Commission at the conclusion of this proceeding.
- (3) The existing water rates, approved in Decision 2013-082, will continue on an interim basis effective January 1, 2023.

Dated on February 23, 2023.

Alberta Utilities Commission

(original signed by)

Matthew Oliver, CD
Commission Member

⁷ The Commission notes that in Decision 2013-082, Corix refiling application related to its 2013-2014 revenue requirements, paragraphs 67 and 68, it was determined that the difference in revenue amounts between existing and approved rates would be collected from customers in the form of a rate rider over a 12-month period commencing April 1, 2013.

⁸ *ATCO Gas and Pipelines Ltd v Alberta (Utilities Commission)*, 2014 ABCA 28, paragraphs 53 and 56.