



Langdon Waterworks Limited

True-up Rate Rider Application

May 14, 2015

Alberta Utilities Commission
Decision 20372-D01-2015
Langdon Waterworks Limited
True-up Rate Rider Application
Proceeding 20372

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Published by the:

Alberta Utilities Commission
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1 Introduction

1. On April 21, 2015, Langdon Waterworks Limited (LWW) filed an application with the Alberta Utilities Commission requesting approval of a rate rider to collect interim to final water rate true-up amounts for the period from September 2014 to February 2015.

2. In the application, LWW also provided an update on the status of negotiations with Rocky View County to renew the franchise agreement.

3. On April 23, 2015, the Commission issued a notice of application, which directed any party who wished to register a concern or support for the application to file a submission by May 5, 2015.

4. On May 6, 2015, the Commission received a statement of intent to participate from Mr. Andrew Kucy, who indicated that he represents the interests of a number of Langdon residents with respect to proceedings involving LWW. Mr. Kucy indicated that he wanted to ensure that the applied-for rate rider is accurate and in compliance with all AUC guidelines and Decisions.¹ On May 11, 2015, Mr. Kucy filed additional correspondence requesting that the AUC ensure that the funds collected by LWW do not exceed the requested revenue shortfall and that all documentation be made public.²

5. On May 11, 2015, the Commission issued correspondence indicating that it would address this application without further process, based on the record of this proceeding.

6. The Commission, considers the record for this proceeding to have closed on May 11, 2015.

2 Rate rider proposal

7. In Decision [3258-D01-2015](#),³ the Commission directed as follows:

239. Considering the date of this decision, the Commission anticipates that LWW will not have final rates in place until May 1, 2015. Further, considering final rates are higher than the Commission's previously approved interim rates, the Commission acknowledges that LWW will experience a revenue shortfall over the 8-month period from September 1, 2014 to April 30, 2015, and approves a rate rider for LWW to collect this revenue shortfall. In order to calculate the revenue shortfall, the Commission requires LWW's

¹ Exhibit 20372-X0006

² Exhibit 20372-X0007.

³ Decision 3258-D01-2015 Langdon Waterworks Limited 2014-2015 General Rate Application, Proceeding 3258, Application 1610617-1, March 20, 2015.

actual monthly billing determinants for the period. Accordingly, the Commission directs LWW to include these billing determinants as part of its rate rider application once it has the actual billing determinants (i.e., number of customers billed each month and the number of cubic meters consumed by each customer each month) for the eight-month period from September 1, 2014 to April 30, 2015, or for a lesser period if final rates are in place earlier than May 1, 2015. LWW is to file a new application requesting that a rate rider be put in place to collect the revenue shortfall. LWW is also directed, in its rate rider application, to provide the forecast billing determinants for 2016 in order to calculate the rider amount for the period in which the rider is to be in effect.

8. Based on the difference between interim water rates⁴ consisting of a \$40 fixed charge and a \$1.347 consumption/variable charge, and final water rates⁵ consisting of a \$45 fixed charge and a \$1.354 consumption/variable charge, LWW indicated that the revenue deficiency for the billing period September 2014 to February 2015 inclusive, totals \$46,588.

9. LWW proposed to recover the revenue deficiency on a per invoice basis. If the revenue deficiency is collected over a six-month period, the deficiency rider would be \$5 per month. If the revenue deficiency is collected over a three-month period, the deficiency rider would be \$10 per month.

10. Given its current financial situation, LWW requested that the Commission approve the \$10 per invoice per month rider alternative to recover the \$46,588 revenue shortfall over a three-month period.

11. LWW submitted that it would adjust the deficiency rider in the final month of collection and would separately identify the deficiency rider amount on customer invoices. Additionally, at the end of the recovery period, LWW proposed to submit to the Commission a reconciliation of the revenue collected through the deficiency rate rider.

Commission findings

12. The Commission has reviewed LWW's revenue deficiency calculations as well as the three-month and six-month deficiency rider calculations provided in the application and is satisfied that the calculations are correct. The Commission approves the applied-for revenue deficiency amount of \$46,588 as the amount to be recovered through the rate rider.

13. The Commission considers that LWW's proposal to collect the deficiency through a rider to be applied on a monthly, per invoice basis, is a reasonable method of applying the rider that is simple and cost effective.

14. The Commission, however, has concerns with LWW's three-month rate rider proposal. As shown in the following table, based on final water rates and average water usage approved in Decision 3258-D01-2015, the Commission notes that the average customer's water bill totals \$70.79:

⁴ Approved in Decision [2014-240](#): Langdon Waterworks Limited, Interim Rate Request, Proceeding 3258, Application 1610617-1, August 19, 2014.

⁵ Approved in Decision 3258-D01-2015.

Table 1. Customer average water bill

Average water usage per month (cubic meters)	Fixed rate	Consumption charge	Monthly bill
19.05	\$45	\$1.354	\$70.79

If the Commission were to approve LWW's proposal, the impact of the \$10 rate rider on an average customer's monthly bill would be an increase of approximately 14 per cent.

15. When evaluating the impact of proposed rate changes, the Commission must balance various considerations including rate stability, intergenerational equity and the minimization of rate shock, while ensuring that the financial welfare of a utility is maintained so it is able to continue to provide safe and reliable service.

16. If accepted, the three-month rate rider proposal would result in an increase on the average customer's bill of greater than 10 per cent, which the Commission and its predecessor have generally considered to be indicative of rate shock. In consideration of the foregoing and the quantum of the deficiency to be collected by LWW, the Commission considers LWW's alternative proposal to collect the deficiency over a six-month period to be more reasonable. Accordingly, the Commission approves LWW's alternate six-month, \$5 per invoice per month rater rider.

17. The Commission accepts LWW's proposal to provide a reconciliation of the revenue collected to the Commission at the end of the six-month recovery period. The Commission will also allow LWW to adjust the rate rider amount for the final month of billing to collect a total amount of \$46,588, so long as the adjustment does not result in any material increase on customers' bills for that last month. Based upon the calculations and billing determinants provided by LWW in its application, the Commission expects that any adjustment in the last month will be downward (resulting in less than \$5 per invoice being charged) and the adjustment will be implemented to ensure that LWW does not collect any amount in excess of \$46,588. However, should the rate rider result in what would be a material under-collection of the deficiency amount such that LWW is seeking to collect more than \$8 per invoice for the purposes of its adjustment, the Commission directs LWW to seek further direction from the Commission before collecting this amount.

18. Based on the information provided by LWW in its application and the timing of this decision, the Commission anticipates that LWW will be able to implement the approved rate rider starting in June 2015. The Commission directs LWW to provide its reconciliation at the end of the six-month revenue recovery period, which should be not later than January 2016. LWW is also directed to separately identify the rider on customer bills for the period during which it is charged.

3 Status of franchise agreement

19. LWW has the right and responsibility to provide water service within its designated service area pursuant to the franchise agreement approved by the Alberta Energy and Utilities

Board in Order [U2003-351](#).⁶ The Commission in Decision 3258-D01-2015, paragraph 253, Direction 10, directed:

253. ... LWW to advise on the status of negotiations with Rocky View County to renew the franchise agreement in its next application before the Commission. Any new or renewed franchise agreement must be approved by the Commission pursuant to Section 45(3)(b) of the Municipal Government Act before it is to have any force and effect.

20. In its application, LWW submitted that it had been in discussions with Rocky View County regarding the renewal of the franchise agreement over the past couple of years. However, discussions halted when LWW focused its efforts on its 2014-2015 general rate application. LWW indicated that it expects to commence negotiations with Rocky View County in the near future. LWW submitted that it would request approval of the new franchise agreement once an agreement is reached.

21. The Commission accepts that LWW has complied with Direction 10 of Decision 3258-D01-2015.

4 Order

22. It is hereby ordered that:

- (1) A six-month, \$5 per month rate rider, is approved for Langdon Waterworks Limited to recover the \$46,588 revenue deficiency incurred over the period from September 1, 2014 to February 28, 2015.

Dated on May 14, 2015.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member

⁶ Order U2003-351: In the Matter of a Water Supply and Distribution Agreement between the Municipal District of Rocky View No. 44 and Langdon Waterworks Ltd., Application 1288830-1, File 8850-R01, December 3, 2003.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) counsel or representative
Langdon Waterworks Limited (LWW) A. S. Cheung & Associates
Concerned Langdon Residents A. Kucy

Alberta Utilities Commission
Commission panel N. Jamieson, Commission Member
Commission staff K. Kellgren (Commission counsel) B. Clarke C. Burt

Appendix 2 – Summary of Commission directions

This section is provided for the convenience of readers. In the event of any difference between the directions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

1. The Commission accepts LWW’s proposal to provide a reconciliation of the revenue collected to the Commission at the end of the six-month recovery period. The Commission will also allow LWW to adjust the rate rider amount for the final month of billing to collect a total amount of \$46,588, so long as the adjustment does not result in any material increase on customers’ bills for that last month. Based upon the calculations and billing determinants provided by LWW in its application, the Commission expects that any adjustment in the last month will be downward (resulting in less than \$5 per invoice being charged) and the adjustment will be implemented to ensure that LWW does not collect any amount in excess of \$46,588. However, should the rate rider result in what would be a material under-collection of the deficiency amount such that LWW is seeking to collect more than \$8 per invoice for the purposes of its adjustment, the Commission directs LWW to seek further direction from the Commission before collecting this amount. Paragraph 17
2. Based on the information provided by LWW in its application and the timing of this decision, the Commission anticipates that LWW will be able to implement the approved rate rider starting in June 2015. The Commission directs LWW to provide its reconciliation at the end of the six-month revenue recovery period, which should be not later than January 2016. LWW is also directed to separately identify the rider on customer bills for the period during which it is charged. Paragraph 18