

## Langdon Waterworks Filed General Rate Application for 2014 and 2015

On March 3, 2014, Langdon Waterworks Limited (“LWW”) filed a general rate application (“GRA”) with the Alberta Utilities Commission (“AUC”) seeking new rates for the 2014 and 2015 test years.

Subsequent to its inception in 1995, LWW has grown from a small utility that served fewer than 400 homes to 1440 homes and businesses as of July 2013. It is anticipating significant growth over the next two decades.

In an attempt to clarify and hopefully resolve past contentious issues, and achieve consensus on a path forward, LWW provides in this application a detailed explanation and derivation of its forecast revenue requirement and proposed rates for the 2014 and 2015 fiscal years. It also provides the actual costs incurred for the period 2009 to 2013 and compares those against the revenues received using the currently approved rates to demonstrate the significant deficiencies accumulated over the years.

Specifically, LWW is seeking approval in this GRA for the following:

- A Developer Connection Fee of \$37,150/ gross acre;
- Terms and Conditions as provided in Appendix 4 in the GRA;
- Depreciation rates as derived from the useful lives provided in Table 3 in the GRA;
- New rates effective August 1, 2013 consisting of a monthly charge of \$60 and a consumption charge of \$1.347/ m<sup>3</sup>;
- New rates effective August 1, 2014 consisting of a monthly charge of \$60 and a consumption charge of \$1.171/m<sup>3</sup>; and
- A deficiency rider of \$14.76/month over a 2-year period, from August 2014 to July 2016, to recover 50% of past revenue deficiencies and the capitalization the other 50% in the water treatment plant asset and depreciated over 10 years.

LWW submits that all the costs are prudently incurred and the resultant rates are reasonable. The table below provides a comparison of rates charged by small investor owned water utilities regulated by the AUC and a hypothetical water bill assuming a usage of 19.05 m<sup>3</sup>/month. This table shows that LWW’s proposed rates compares well with other small water utilities.

	Fixed \$/month	Variable \$/m <sup>3</sup>	Monthly Bill	Effective Date
Langdon Waterworks				
at current rates	37.00	1.213	60	Aug-09
at proposed rates	60.00	1.171	82	Aug-14
Corix Utilities	44.85	1.580	75	Sep-10
CU Water Limited (Rural)	40.80	3.559	109	May-09
CU Water Limited (Urban)	16.24	3.559	84	May-09
Regional Water Service Ltd.	46.00	1.500	75	Dec-07
Westridge Utilities	63.69	0.760	78	Oct-08

A copy of the GRA is provided on the LWW website. If you have any questions regarding this application, please submit your inquiries to [info@langdonwaterworks.ca](mailto:info@langdonwaterworks.ca). A written response will be provided to you as soon as possible.

## Frequently Asked Questions

Q. Why is LWW proposing this rate increase?

A. The rates applied for in this GRA are required to recover all of LWW's prudently incurred costs.

Q. The monthly fixed charge will increase from \$37 to \$60. That's an increase of 62% in my monthly bill. Why is LWW seeking such a large increase?

A. Your water bill consists of a fixed charge and a consumption charge that changes depending of your water usage. We are proposing an increase in the monthly charge from \$37 to \$60 and a reduction in the consumption charge from \$1.213 per m<sup>3</sup> to \$1.171 per m<sup>3</sup>. Assuming an average consumption of 19.05 m<sup>3</sup> per month, your monthly bill will increase from \$60 to \$82, or 36.7%.

Q. LWW has been charging its current rates since August 2009 and making money. We want the current rates to continue. Is that possible?

A. As a regulated utility, LWW is allowed to recover all prudently incurred costs including a reasonable return to its owners. The approved rates have resulted in LWW sustaining significant losses over the years. This is not a workable situation. The proposed rates are necessary for LWW to continue to provide clean, safe potable water service to the residents in the hamlet of Langdon.

Q. Where can I get more information about the GRA?

A. The entire application, including all the supporting schedules, figures and appendices, is provided on the LWW website. If you have any questions, please feel free to submit them to [info@langdonwaterworks.ca](mailto:info@langdonwaterworks.ca). We will provide a written response to you as soon as we can.

Q. What is the next step with this GRA?

A. The GRA was filed with the AUC on March 3, 2014. Rate applications filed by investor-owned water utilities are governed by AUC Rule 011 (see attached). The AUC will process LWW's rate application in accordance with Rule 011. In the meantime, if you have any questions, please feel free to submit them to [info@langdonwaterworks.ca](mailto:info@langdonwaterworks.ca). We will provide a written response to you as soon as we can.



AUC Rule 11

# Rule 011

## Rate Application Process for Water Utilities

The Alberta Utilities Commission has approved this rule on December 7, 2010.

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<u>Contents</u>	<u>Page</u>
1 Application .....	2
2 Definitions .....	2
3 Purpose .....	2
4 Process .....	2
5 Public information session.....	3
6 Application development process.....	3
7 Application review process.....	3
8 Decision.....	4
9 Costs .....	4

## 1 Application

This rule applies to the rate application process for investor-owned water utilities. Municipal water utilities are not eligible for the AUC Rule 011 process. The water utilities to which this rule applies will be those with a small customer base. This will be determined at the discretion of the Commission.

## 2 Definitions

In this rule:

- (a) “Commission” means the Alberta Utilities Commission;
- (b) “staff” means an employee or employees of the Commission.

## 3 Purpose

- 3.1 The purpose of this rule is to provide an efficient, cost effective process to mitigate the full regulatory process which is often costly for small water utilities because of the small customer base over which costs are collected, and water utilities generally do not have the personnel and expertise required for complex rate hearings.
- 3.2 The process detailed in this rule reduces costs by minimizing the need for parties to engage consultants and legal counsel and by making use of the expertise of staff.

## 4 Process

This rule applies in any of the following circumstances:

- (a) a water utility contacts the Commission for assistance in developing a rate application.
  - (b) a water utility files an application with the Commission that does not meet the information requirements outlined in the AUC’s *Information Required for Water Applications* document (IRWAD).
  - (c) a water utility files an application with the Commission that meets the information requirements outlined in the AUC’s IRWAD.
  - (d) when the Commission agrees with a customer submission that a review of a water utility’s rates is warranted, or
  - (e) the Commission determines for any reason that a review of a water utility’s rates is warranted.
- 4.1 If an application is provided which, in the Commission’s view, meets the requirements of the AUC’s IRWAD the application can move to the review process stage which will test the merits of the application.

- 4.2** In other circumstances, Commission staff may work with the water utility and customers to prepare a rate application, guided by the AUC's IRWAD. This is an information gathering process and is not a test of the merits of the information, and is described below under application development process. Once the application development process is complete, the review process starts during which the Commission reviews the application and gathers further information as required in order to make a decision on the application.
- 4.3** An applicant or the Commission may propose alternative methods to set just and reasonable rates.

## **5 Public information session**

- 5.1** As part of the application development process, staff may hold a public information session for customers to explain the overall application development and review process and provide an opportunity for customers to establish a group of one or more representatives to collectively represent all customers.
- 5.2** If a customer group is formed, staff may meet with the group to obtain information for consideration in the preparation of the application or for the review process.
- 5.3** Generally, there will be only be one public information session, if a public information session is not held during the application development process, it may be held as part of the application review process.

## **6 Application development process**

- 6.1** As outlined in Section 4, an application will need to be developed in certain circumstances. This development process may involve the utility, Commission staff and customer representatives. The product of this process will be a complete application from which the review process can start.
- 6.2** For use in developing an application, the Commission has prepared pro-forma general terms and conditions of service for water utilities to customize for their own use. In addition, Commission staff may prepare and use rate and revenue requirement models which will be made available to the utility for future use.

## **7 Application review process**

- 7.1** Once an application has been filed the review process will commence. At this time a Commission member will be assigned to the application. It is expected that a written process will be conducted with no oral hearings, and the application review process is to be completed within 110 days. This record development target timeline was established based on the assumption that the Commission will receive thorough and detailed information.

- 7.2 The schedule of each of the steps for the proceeding will be determined by the Commission, on a case by case basis, and will be communicated to all participants in advance.
- 7.3 Customers and the Commission will have the opportunity to make information requests of the applicant.
- 7.4 Customer representatives and the applicant (the utility) will be given the opportunity to provide argument and reply argument for their respective positions after the information request and information response process has concluded.
- 7.5 If circumstances out of the ordinary, including but not limited to, motions, responses to motions or supplemental information requests exist, the designated Commission member may extend the time required for the application review process. The application provided by the utility, or the application prepared through the application development process, and the information from the review process will be part of the public record and be recorded in the AUC electronic information system.

## **8 Decision**

Once the review process has been completed, the Commission will issue a decision within 60 days.

## **9 Costs**

As noted in Section 3(1), the purpose of Rule 011 is to provide an efficient and cost effective process for investor-owned water utilities. One of the ways to achieve this is through the use of Commission staff expertise during the application development process, reducing the need by water utilities and customer groups for outside consultants and legal counsel. Further, as investor-owned water utilities have a relatively small customer base over which costs can be collected; use of Commission staff expertise will reduce the costs of the regulatory process. To ensure an efficient and cost effective process, costs for outside consultants and lawyers will not be considered for cost recovery.