



Salt Box Coulee Water Supply Company Ltd.

2020 Final Rates

June 29, 2020

Alberta Utilities Commission

Decision 24295-D02-2020

Salt Box Coulee Water Supply Company Ltd.

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Proceeding 24295

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1 Summary

1. This decision sets the rates for Salt Box Coulee Water Supply Company Ltd. (Salt Box) for water services to its customers. The Alberta Utilities Commission has finalized the interim rates previously set in October 2017, with interim rates for customers remaining unchanged until July 31, 2020. Effective August 1, 2020, the Commission has approved final rates for Salt Box's distribution and cooperative customers as outlined in Section 13 of this decision. The increase was required to provide sufficient operating funds in order to ensure safe and adequate service at just and reasonable rates. In considering future changes to rates by Salt Box, the Commission will require audited financial statements as directed in prior rulings and in this decision.

2 Introduction

2. In Decision 21908-D01-2017,¹ the Commission approved interim rates for Salt Box and directed Salt Box to file an application for approval of final rates by July 31, 2018. After several deadline extensions, Salt Box filed its application for final rates on February 12, 2019.

3. The Commission issued a notice of application on February 19, 2019, and mailed copies of the notice to Salt Box's customers, requesting submissions by March 8, 2019. Submissions were received from A. Beaubien; B. Chung; C. Cowie; S. Corti; A. De Marco; G. Dickey; J. Dvorak; T. and R. Foster; T. and B. Gieck; J. Greik, J. and K. Fraser; R. Jebsen; R. Lupton; J. Magus; D. McColl; K. and S. Moore; T. Presber; A. Rogers; J. Serfas; E. Tupper; R. Tupper; C. Williamson; D. Wiltse; B. Wong; and P. Zimmerman. In addition, the Commission received a submission from S. Blick on behalf of Windmill Water Co-op Ltd. (Windmill).

4. The submissions from customers raised several common concerns. A number of customers indicated their priority was to receive safe and reliable service at a reasonable cost. Other customers noted that Salt Box had not provided audited financial statements for 2016, 2017 and 2018 as directed by the Commission. In addition, customers noted deficiencies in the application as some of the information was not current. Further, there was need for a thorough review prior to setting rates.

5. Concerns were raised with respect to the forecast operating expenses, and in particular the amounts paid to affiliates and for legal expenses. Some customers considered the legal expenses were related to Salt Box-generated lawsuits. Customers also pointed to the fact that current consumption information was not on the record, nor was the methodology Salt Box used to arrive at the proposed fixed and variable rates included in the application. In addition, there

¹ Decision 21908-D01-2017: Salt Box Coulee Water Supply Company Ltd., Interim Water Rates, Proceeding 21908, October 27, 2017.

was no information in terms of amounts billed and collected by Salt Box in order to reconcile any differences between interim rates and the proposed final rates.

6. While some customers supported portions of Salt Box's proposed capital work, customers generally did not agree with the need for fencing, challenged the need for new meters and questioned the costs associated with new meters. With respect to return and depreciation, customers noted the fixed nature of these amounts and wondered if these amounts should be static.

7. A number of customers were opposed to the increase in rates, considering them to be high in comparison to rates paid by customers on other water systems.

8. Based on its preliminary review of the application, the Commission identified three deficiencies in the application and issued a ruling dated April 18, 2019. In the ruling, the Commission addressed the application deficiencies, including the need for audited financial statements for 2015, 2016 and 2017, confirmation of the final cost for an ultraviolet (UV) light disinfection system upgrade and financing details for the UV system. In its ruling, the Commission stated:

7. **The Commission will not commence testing of this application until this information is received.** In addition, the Commission has also noted that the number of customers and consumption data have not been updated in this application. Such information is required to properly allocate costs and determine final rates. The Commission will also seek detailed financial information regarding Saltbox's rate base and any contributed capital.

8. The Commission directs that the information outlined in the above paragraphs be supplied within **120 days of the issuance of this ruling in the form of a revised application...**² [emphasis in original]

9. On June 3, 2019, Salt Box indicated that the costs associated with audited financial statements could not be justified given the small customer base over which these costs would be collected. Salt Box requested the Commission to reconsider the need for three years of audited financial statements. If the requirement for audited financial statements was affirmed, a mechanism would need to be put in place to collect the costs from customers, as Salt Box would not be able to obtain financing to pay for the audit.

10. Regarding the UV system, Salt Box stated that it needed to be in good financial health in order to secure funding from a traditional lender. Salt Box urged the Commission to set rates as soon as possible, excluding any costs related to the UV system. The UV system could then be dealt with once Salt Box was able to secure financing. Alternatively, a rate rider with two or three lump sum payments, held in trust, could be established to fund the UV upgrade costs.

11. In its letter dated June 19, 2019, the Commission sought the views of customers regarding the need for audited financial statements and whether there were any other cost-effective options to review Salt Box's financial information, financing of the UV system, and the

² Exhibit 24295-X0090, AUC letter – Ruling on application process.

determination of rates in a timely and efficient manner. The Commission provided Salt Box an opportunity to respond to the customers' submissions.

12. The Commission received a submission from Tim Presber and from the "Water Task Force," which is a group of customers representing the two cooperatives and two communities served by Salt Box: Calling Horse Estates Co-operative Association Ltd. (CHECAL); Windmill; Sandstone Ranch (the Ranch); and Deer Springs Close (Deer Springs). In its submissions, the Water Task Force also presented a settlement offer for final rates.

13. Following Salt Box's response to customer submissions, the Commission issued a ruling on August 6, 2019,³ relieving Salt Box of the requirement to provide three years of audited financial statements. Instead, the Commission directed Salt Box to provide audited financial statements for 2018. The Commission ruled that the cost of the audit would be recovered from customers and directed Salt Box to proceed immediately with obtaining audited financial statements for 2018.

14. The Commission also commented on the UV system, stating that "Saltbox [*sic*] should actively proceed with the installation of the UV system as soon as practicable, including the finalization of any financing that Saltbox deems reasonable in these circumstances."⁴ The Commission would then determine the amount and term of the rate rider to be included on customers' bills to support payment of the UV system based on the supporting information provided by Salt Box.

15. In a letter filed October 18, 2019,⁵ Salt Box requested that the Commission determine a rate rider for the UV system based on funding it received through negotiations with the supplier of the UV system, Alpine Gas Ltd. (Alpine). The Commission received a response from the Water Task Force on October 23, 2019, after which Salt Box filed the UV system loan agreement on October 31, 2019.

16. The Commission issued a ruling regarding the UV system upgrade and rate rider on November 1, 2019. In its ruling, the Commission noted:

1. Saltbox Coulee Water Supply Company Ltd. (Saltbox) filed its 2019 final rate application on February 12, 2019. The application stated that Saltbox signed a commitment letter for funding from a large group of customers for the UV (ultra-violet) system upgrade. By letter filed September 3, 2019, Saltbox provided an update to the Alberta Utilities Commission, which included confirmation that it signed a funding agreement for the UV system upgrade and attached a signed loan agreement dated August 14, 2019, with 2173371 Alberta Ltd. (2173371 Alberta).

2. By letter filed October 18, 2019, Saltbox advised the Commission that negotiations with 2173371 Alberta had ended, and Saltbox requested approval from the Commission for a rate rider based on new funding for the UV system upgrade negotiated with Alpine Gas Ltd. (Alpine).⁶ [footnotes removed]

³ Exhibit 24295-X0098, AUC letter – Ruling on further process.

⁴ Exhibit 24295-X0098, AUC letter – Ruling on further process, paragraph 24.

⁵ Exhibit 24295-X0107, Salt Box letter.

⁶ Exhibit 24295-X0121, AUC letter - Ruling on UV system upgrade and rate rider.

17. In the ruling, the Commission directed Salt Box to provide an update respecting the installation and commissioning of the UV system upgrade and any extensions that may have been granted by Alberta Environment and Parks, given that the upgrade needed to be completed by December 1, 2019.

18. On December 16, 2019, the Commission issued Decision 24295-D01-2019⁷ approving rate rider amounts effective January 1, 2020, to recover the costs associated with financing, construction and commissioning of the UV system upgrade.

19. In a process letter dated January 28, 2020, the Commission stated the following with respect to the application and setting final rates:

3. In order to move this application forward in determining final rates, and in an effort to reduce the expenses that are ultimately borne by Salt Box's customers, the Commission advises that it will provide AUC staff to perform certain accounting verification and reconciliation procedures with respect to the financial records and supporting documents of Salt Box for 2017, 2018 and 2019, to the extent that such information is available. The AUC staff member(s) scheduled to perform the accounting verification and reconciliation procedures has (have) a Chartered Professional Accountant designation.⁸

20. The Commission requested Salt Box to provide its consent to the accounting and verification procedures prior to commencing this process, allowing the Commission to review Salt Box's financial records for 2017, 2018 and 2019. Salt Box provided consent on February 11, 2020, however, its consent was conditional on certain items. It stated that the 2017-2019 financial statements had not been completed and additional time would be required to prepare these statements. Data for 2019 would not be available for some time. Further, extending the accounting verification to years other than 2018 would be burdensome and the delay would be unacceptable to Salt Box as its costs of running the utility were not being covered.⁹

21. Given these constraints, the Commission considered it was untenable to delay a determination on final rates while awaiting Salt Box to complete its financial statements. Accordingly, the Commission determined that it would follow the process used to determine interim rates in Proceeding 21908 and proceed with setting final rates for the utility. Based on the limited information available and in the absence of further information gathering, the Commission requested argument from all parties regarding final rates and terms and conditions of service (T&Cs) and any other matters by March 5, 2020.

22. After argument was received, Salt Box filed new information containing confidential banking information. The Commission determined that this information should not be on the public record and issued a letter dated March 26, 2020, directing Salt Box to resubmit its information by March 31, 2020, without the confidential banking information. The Commission allowed intervening parties to respond to the additional information by April 9, 2020.

23. Following these submissions, Salt Box filed further documents on April 16, 2020, and on May 1, 2020, the Commission was of the view that due to the nature of the information filed by

⁷ Decision 24295-D01-2019: Salt Box Coulee Water Supply Company Ltd., Ultraviolet Light System Upgrade Rate Rider, Proceeding 24295, December 16, 2019.

⁸ Exhibit 24295-X0161, AUC letter – Further process on setting final rates.

⁹ Exhibit 24295-X0166.

Salt Box, further argument was not required from parties. The Commission considers the record for this proceeding closed on May 1, 2020.

24. In reaching the determinations set out within this decision, the Commission has considered all relevant materials on the public record of this proceeding. References in this decision to specific parts of the record are intended to assist the reader in understanding the Commission's reasoning relating to a particular matter and should not be taken as an indication that the Commission did not consider all relevant portions of the record with respect to that matter.

3 Compliance with Decision 21908-D01-2017

25. In Decision 21908-D01-2017, the Commission issued 10 directions to Salt Box, seven of which are related to this application or future rate applications. The Commission has summarized these directions and Salt Box's response to these directions in the following sections. The Commission's findings with respect to Salt Box's compliance with these directions follows.

3.1 Direction 1 – Provision of actual expense amounts

26. The Commission issued the following direction to Salt Box:

1. In future rate applications, the Commission directs Salt Box to provide actual expense amounts for chemicals, other water treatment expenses, water testing expenses and the forecasts of anticipated expenses for these items.....Paragraph 73

27. In its application, Salt Box provided the following information regarding actuals and forecast amounts with example invoices for water testing in Schedule 14 of the application:

Table 1. Salt Box provision of actual expense amounts

	2015 actual	2016 actual	2017 forecast	2018 forecast
	(\$)			
Chemicals	1,067.32	2,381.74	2,500.00	2,500.00
Water testing	1,052.25	2,256.28	7,219.56	7219.56
Insurance	10,081.05	6,205.70	6515.99	6841.78
Plant operations	30,065.43	59,000.40	59,000.40	59,000.40
Repair & maintenance	44,881.31	22,546.38	19,666.80	19,666.80
Total	87,147.36	92,390.50	94,902.75	95,228.54

Source: Exhibit 24295-X0002, application, PDF page 9.

Table 2. Salt Box provision of actual water testing amounts

	Schedule 4 testing Required twice a year, each cost	THM/Acid testing Required twice a year, each cost	Annual total
Water testing	2 x \$3181.06	2 x \$428.72	\$7219.56

Source: Exhibit 24295-X0002, application, PDF page 9.

3.2 Direction 2 – Maintenance plan

28. The Commission issued the following direction to Salt Box:

2. The Commission directs Salt Box to develop a maintenance plan to ensure that routine maintenance and repairs are undertaken on a regular basis to avoid the

potential for unexpected repairs and service outages. This plan should provide an explanation of the proposed repair work, and provide the anticipated expenses to complete the work. The Commission directs Salt Box to file this plan as part of its next rate application. Paragraph 78

29. Salt Box obtained a maintenance and life cycle review for its infrastructure from an independent company, Aaron Drilling. Since Salt Box's pipelines are of polyvinyl chloride material, Aaron Drilling indicated they will last for a long time and was not concerned about them at this point. However, in its review, Aaron Drilling recommended focusing on the areas that have a higher frequency of maintenance and other current issues,¹⁰ including an annual pump inspection and inspection of Salt Box's three wells.¹¹ Based on this work, Salt Box indicated that one well would need repairs and estimated a cost of \$17,000.

30. In addition, Salt Box provided a copy of its own maintenance routine, which included both instructions and a checklist for monitoring of the water treatment plant's electrical system, mechanical processes and control systems.

3.3 Direction 3 – Electricity and natural gas expenses

31. The Commission issued the following direction to Salt Box:

3. In future rate applications, Salt Box is directed to support its forecast electricity and natural gas expenses by providing at least six months of actual expenses for each of electricity and natural gas services charged to Salt Box. Paragraph 80

32. Salt Box provided copies of its July 2018 to December 2018 electricity billings from EPCOR¹² and communications billings from TELUS Communications Inc.¹³ in support of its forecast electricity and communication expenses. In its argument, Salt Box provided EPCOR billings for the 2019 period.

3.4 Direction 4 – Support for administration expenses

33. The Commission issued the following direction to Salt Box:

4. Given that Salt Box has a relatively small customer base and bills its customers on a quarterly basis, the Commission finds the amount of \$12,000 will afford sufficient coverage of administration expenses, and approves inclusion of this amount in revenue requirement. The Commission directs Salt Box in its next rate application to fully support and explain any administration expenses that it may request. Paragraph 88

34. In Section 4.2 of its application, Administrative Expenses, Salt Box provided additional detail of its administrative costs including costs for staff, professional fees, rent and office expenses.

¹⁰ Exhibit 24295-X0002, application, Section 4.1.2 Repairs and Maintenance, PDF pages 14-15.

¹¹ Exhibit 24295-X0010, Schedule 7, Maintenance plan and review by Aaron Drilling, quote numbers 202-36 and 202-35.

¹² Exhibit 24295-X0019, EPCOR invoices.

¹³ Exhibit 24295-X0020, TELUS Communications Inc. invoices.

3.5 Direction 5 – Interim rates

35. The Commission issued the following direction to Salt Box:

5. The Commission directs Salt Box to apply the approved interim rates effective November 1, 2017. Paragraph 115

36. Salt Box indicated that it had complied with the direction and applied the interim rates to customers' bills as of November 1, 2017.

3.6 Direction 6 – UV system

37. The Commission issued the following direction to Salt Box:

6. The Commission directs Salt Box to obtain financing commensurate with the costs of installing the UV system. Once Salt Box has obtained financing, the Commission directs Salt Box to submit the details of the financing arrangements to the Commission. The Commission will then determine the amount and term of the rate rider to be included on customers' bills to support payment of the UV system. Paragraph 127

38. The loan and associated costs to finance the UV system were filed as Exhibit 24295-X0106¹⁴ of this proceeding. Related to these filings and considering the submissions of Salt Box and interveners, the Commission issued Decision 24295-D01-2019 on December 16, 2019, which approved a rate rider in support of the UV system upgrade.

3.7 Direction 7 – Final rate application

39. The Commission issued the following direction to Salt Box:

7. While the Commission is setting interim rates in this decision, revenues generated under this rate need to be reconciled with the final approved revenue requirement set by the Commission. Accordingly, the Commission directs Salt Box to provide a final rate application to the Commission by no later than July 31, 2018... Paragraph 128

40. As previously noted, Salt Box received several extensions to the filing deadline for its final rate application, which it submitted on February 12, 2019. Information to reconcile interim rates was not provided.

3.8 Direction 8 – Audited financial statements, upgrade plan, and affiliate services

41. The Commission issued the following direction to Salt Box:

8. Further, Salt Box is directed to file as part of its final rate application the following:
 - Audited financial statements for 2015, 2016 and 2017
 - 2018 and 2019 forecast costs and expenses for water supply
 - An upgrade plan that details any additional capital work that needs to be completed, in sufficient detail to provide an informed decision as to the impact of capital upgrades on rates

¹⁴ Exhibit 24295-X0106, Term sheet.

- Support for any affiliate services, including evidence that the services received are at fair market value. Paragraph 129

42. Salt Box stated that it received review engagement financial statements for 2015 and 2016, however it could not afford to include 2017 in the review engagement or produce audited financial statements. Salt Box noted that the financial statements for 2015 and 2016 show losses from operating the system.¹⁵

43. Regarding 2018 and 2019 forecast costs and expenses, its upgrade plan and the support for affiliate services, Salt Box referenced Section 4, Section 7 and Section 4.3 respectively of its application where information was provided.

3.9 Direction 9 – Terms and conditions of service

44. The Commission issued the following direction to Salt Box:

9. The Commission directs Salt Box to file proposed terms and conditions for approval in its application for final rates. Paragraph 133

45. Salt Box submitted a proposed copy of its general T&Cs¹⁶ for approval.

3.10 Direction 10 – Customers with alternate water supply

46. The Commission issued the following direction to Salt Box:

10. The Commission's findings with respect to rates should provide some guidance and an indication of continuing rates, until more evidence can be provided in a final rates application. Notwithstanding, the Commission directs Salt Box to keep it appraised of any developments with respect to new contracts and the status of any customers receiving water services from an alternate supplier. An update on the status of the contracts should be provided to the Commission on or before July 31, 2018. Paragraph 137

47. Salt Box indicated that it had been negotiating with possible development sites that Salt Box could service to assist in lowering utility operating costs. Further, it was unaware of any progress of a utility that CHECAL was looking to connect to for alternate supply.

Commission findings

48. The Commission has reviewed the information provided by Salt Box in response to the directions from Decision 21908-D01-2017. Given the deadline extensions granted to submit a final rate application, the Commission expected greater detail in support of Salt Box's proposed rates. For example, documentation supporting its chemical and insurance expenses was not provided, nor was information provided to reconcile interim rates.

49. Responses to the directions that are required as part of Salt Box's next rates application are for directions 1, 2, 4 and 8. Salt Box should provide a detailed response on how it has complied with each of these directions in its next application. Further, the Commission must

¹⁵ Exhibit 24295-X0002, application, PDF page 11.

¹⁶ Exhibit 24295-X0008, Schedule 5 – Terms and Conditions.

have sufficient detail of the capital and operating costs to set just and reasonable rates for the utility.

50. The Commission finds that Salt Box has sufficiently complied with the directions 3, 5, 6, 7, 9 and 10 of Decision 21908-D01-2017.

51. Regarding Direction 2 and Salt Box's maintenance plan, while Salt Box provided quotes from Aaron Drilling of work that could be completed, there was no indication on the timing of when this work would be completed and how this work fits into Salt Box's planned maintenance and upgrade program. The Commission considers that a basic level of information for Salt Box's operations should include an ongoing plan to address ongoing maintenance and necessary capital replacements based on asset service lives, inspections of capital assets and scheduled maintenance. While Salt Box provided a copy of its inspection program,¹⁷ it does not appear to have a maintenance plan in place. At the time of filing its next rates application, the Commission directs Salt Box to include a maintenance plan, taking into account the Commission's findings in this paragraph.

52. With respect to Direction 4, the Commission notes that Salt Box provided additional information regarding its administration expenses. The Commission also notes these services continued to be provided by affiliates. Although Salt Box has complied with this direction by providing further information to the Commission, the Commission has addressed administrative expenses in Section 6 of this decision.

53. In addressing its compliance with Direction 8, Salt Box stated that it was unable to provide audited financial statements in support of its final rate application due to the cost of providing these statements. The Commission repeatedly dealt with this issue during the course of this proceeding and no arrangements for audited financial statements have been made, to date. Accordingly, the Commission has issued its findings on the requirement to provide audited financial statements in Section 9 of this decision.

54. The Commission has addressed Salt Box's T&Cs provided in response to Direction 9 in Section 11 of this decision.

4 Position of the parties participating in the proceeding

55. A significant number of Salt Box customers or individuals filing a submission provided comments on the application. The Commission has provided a summary of the final argument on the record in order to provide context to the issues to be decided in this decision. The Commission has reviewed all of the submissions on the record and not solely the positions summarized below.

4.1 Calling Horse Estates Co-operative Association Ltd.

56. CHECAL addressed Salt Box's recommendation to fence the distribution and treatment plant in Calling Horse Estates and limit access to CHECAL members and its contractors. CHECAL submitted a grant of easement on the record that was executed by CHECAL and Salt Box, setting out the conditions of access to the premises. Further, the structure is not the

¹⁷ Exhibit 24295-X0012, Salt Box maintenance checklist.

treatment plant, but rather it is a garage structure that CHECAL uses to store tools and equipment used to maintain the green spaces within Calling Horse Estates. There is a closed-off room in the garage where the piping from Salt Box's system joins the CHECAL distribution system. Also, the proposed chain-link fencing is not allowed under the architectural controls within Calling Horse Estates.

57. CHECAL stated that a number of its customers have stopped purchasing water from CHECAL. These customers have turned off the curb stops on their property to prevent water use. Currently, CHECAL is awaiting a decision from Alberta Environment and Parks and the AUC regarding the legality of the drilled wells and their disconnection from the CHECAL distribution system.

4.2 Windmill Water Co-op Ltd.

58. Windmill expressed appreciation for the efforts of the Commission and supported the accounting verification and reconciliation procedures proposed by the Commission for the years 2017, 2018 and 2019. Windmill expressed concern with the setting of final rates in the absence of further financial records as there would be no incentive or motivation for Salt Box to provide this information. Further, the Commission does not have sufficient, verified accurate financial information to set final rates that are fair and reasonable for the period starting November 2017.¹⁸

59. Windmill suggested that a two-month deadline be established for the provision of financial information in order to set rates. In the absence of this information, the interim rates should revert to the rates in effect prior to November 1, 2017, and the difference between these rates should be refunded to customers pursuant to the Commission's directions in Decision 21908-D01-2017.¹⁹

60. Windmill stated, "looking at a vast number of other offsetting water co-ops in the surrounding serviced area their water rates do not come close to the rates that are being proposed and they are also lower than the current rates being paid by Saltbox customers."²⁰ Notwithstanding, Windmill was of the view that water rates should be based on Salt Box's actual costs with a provision for regular maintenance to minimize future service interruptions.

61. Windmill considered that cancellation of water delivery services by a customer should terminate any and all obligations set by the Commission.

62. Regarding meter size and accuracy, Windmill noted that Salt Box tested the meters in March 2019. However, the results of the meter testing have not been made public. Given the claims of Salt Box regarding meter inaccuracies, Windmill argued that the test results should be made public. Customers were advised that it was their obligation to replace any inaccurate meters. However, no claims of meter inaccuracies were identified or communicated to any resident or member of the Windmill Board of Directors.

63. In reconciling water usage and metering, Windmill stated that Salt Box had agreed to install a master meter at its expense in a specified location, per Section 10 of the Water Supply Agreement (WSA) attached in [Appendix 3](#). Windmill was not supportive of a master meter that would be installed in Salt Box's plant, as it would be inaccessible for the cooperative's

¹⁸ Exhibit 24295-X0147, Letter from Schuett Law on behalf of Windmill, November 8, 2019, PDF page 1.

¹⁹ Decision 21908-D01-2017, paragraph 131.

²⁰ Exhibit 24295-X0167, Windmill argument.

reconciliations. If there were water leaks in the Salt Box distribution system, this would skew the water usage for Windmill's residents.

64. Windmill argued that its water usage volumes were being precisely measured, based on the accuracies of its members' water meters. Further, Windmill has a process in place to account for water usage volumes using the residential meters that have been used for many years. In the event of a failed meter, it is to be replaced by the resident and water volumes will be extrapolated based on past usage. If Salt Box has an issue with the current process, it should install a master meter at its own expense. Further, Section 5 of the WSA requires Salt Box to maintain and replace any and all of Salt Box's equipment comprising the Salt Box system at its expense.

65. Windmill also requested a progress update regarding the installation of the UV system. It also raised the recent water service interruptions; a boil-water advisory was in place from February 7, 2020, to February 11, 2020, as a result of inadequate chlorination. A second boil-water advisory was issued on February 20, 2020, due to a power outage. While these events were not normal occurrences, Windmill argued that this suggests there is a probability that Salt Box does not possess the competency to provide safe and reliable water.

4.3 Water Task Force

66. The Water Task Force indicated that it would not support any rates set by the Commission that exceeded its settlement offer of \$148,840.²¹ This offer was rescinded as no timely action was taken to accept the offer and because Salt Box secured funding for the UV system upgrade from Alpine instead of from Salt Box's customers.

67. The Water Task Force considered that Salt Box's decision to finance through Alpine has had a significant and direct impact on customers. If Salt Box had accepted the loan from customers, it would have amounted to an effective rate offset of \$102,507 to the majority of customers over a five-year term. To compensate for this loss, the settlement offer should be reduced by \$20,501 (\$102,507 divided by five), resulting in an annual revenue requirement of \$128,339.

68. The Water Task Force proposed the removal of the \$50 per month infrastructure fee as one of the conditions associated with the settlement offer. It suggested that Salt Box could eliminate the outstanding amounts and interest charges on customer invoices and repay any amounts collected from customers over a 24-month period, or the Commission could set a lower revenue requirement equal to the amount of \$111,317 approved in Decision 21908-D01-2017. The Water Task Force submitted that in setting rates, the Commission must account for the negative consequences of Salt Box's decisions on customers.

69. Notwithstanding these concerns, the Water Task Force considered that safety, quality and reliability of the water supply was paramount. Further, improved maintenance was essential. On this basis, the Water Task Force requested that any rate-setting include provision for improved maintenance and upgrades, proper accounting for maintenance and upgrade funds, and associated verification by the Commission. The Water Task Force reiterated, "There must be

²¹ Exhibit 24295-X0096, Task Force response to AUC.

accountability for maintenance work and associated funds to ensure ongoing reliability of operations.”²²

70. The Water Task Force argued that the T&Cs proposed by Salt Box were not acceptable. In an effort to avoid additional debate and delays, it prepared an alternate version of the T&Cs attached in [Appendix 4](#) based on similar documents from other utilities, and requested that the Commission consider using the alternate version of the T&Cs. The Water Task Force requested that no further rate requests be considered by the Commission until all of the supporting information is provided, as defined in relevant AUC rules and prior Commission decisions.

71. In conclusion, the Water Task Force submitted:

We recognise that the above position requires a very delicate balance between rates and service levels. Increasing rates alone will not address the overall issues with the Utility. We therefore request that in addition to setting final rates, the Commission work with Saltbox to establish and support effective management of the Utility, both financially and operationally, through implementation of diligent business practices, proper financial controls, and ongoing verification by the Commission.

The Utility must be able to provide safe water and reliable service to its customers at, or below, the rates suggested above, otherwise, we have grave concerns about the ongoing viability of the Utility.²³

4.4 Mr. Corti

72. Mr. Corti was the only individual who provided written argument on the forecast costs of Salt Box. He noted the significant amount of time that has passed since the Commission’s information session on September 29, 2016. Salt Box has had sufficient time to provide accurate and proper financial information in support of its proposed rates. Further, the amount of time that has passed is particularly long, given that Salt Box likely does not have a complicated accounting framework. The Commission’s direction in Decision 21908-D01-2017 to provide audited financial statements should have alerted Salt Box to the need for keeping sufficient records in order to produce audited financial statements since January 1, 2018.

73. Mr. Corti requested that once a decision on final rates was made, that the Commission continue to monitor Salt Box to ensure proper management and accounting. Noting that Salt Box has provided safe water, Mr. Corti raised the potential issue that at some point water supply might not be affordable if a significant number of customers were to disconnect from the system.

74. Regarding revenue requirement, given the small size of Salt Box, it cannot be run with huge overhead costs for staff and administration. Synergies need to be found in order to share the operating costs with other utilities. Remote operating systems need to be utilized to reduce costs. Office costs do not demand full-time positions for a utility that invoices a minimal number of customers and only has one pumphouse.

²² Exhibit 24295-X0168, Community response to AUC.

²³ Exhibit 24295-X0168, Community response to AUC.

75. Mr. Corti considered that the Commission has the responsibility to ensure that the costs for running the utility are based on actuals and properly supported through accounting verification. Only with actual numbers can the Commission determine final water rates.

4.5 Salt Box Coulee Water Supply Company Ltd.

76. Salt Box submitted comments regarding the review and variance of Decision 24295-D01-2019.²⁴ This issue was decided by the Commission in Decision 25276-D01-2020²⁵ and therefore the Commission will not repeat those comments here.

77. Regarding the issue of metering, according to Salt Box's analysis,²⁶ 62 per cent of customers are using incorrectly sized meters. Under low-flow situations, ¾-inch and 1-inch meters are not accurate. Further, as mechanical meters age, they become less accurate and should be upgraded. All customers should have a standard 5/8-inch meter and it was noted that if the meters were upgraded, the new meters would have remote reading capabilities.

78. As a result of metering issues in 2019, Windmill customers paid \$68.70 less per customer compared to CHECAL customers. Salt Box considered on average, these customers should be paying the same amount.

79. Without accurate metering information, Salt Box contended that it was impossible to plan for the future. Further, a reliable metering solution was required in order to provide confidence to customers. Salt Box recommended that a master meter be installed at Windmill's connection point, similar to the CHECAL master meter. In addition, 5/8-inch meters should be installed in all 24 homes in Deer Springs and the Ranch.

80. Regarding CHECAL's customers that have disconnected from the water distribution system, Salt Box indicated it has no insight into which customers are connected or disconnected from CHECAL's distribution system.

81. Salt Box argued that there is a need for security fencing around its distribution and treatment plant, noting that CHECAL members have access to these facilities. To operate the utility properly, Salt Box needs security fencing.

82. Salt Box stated that it needs decisions on these issues from the Commission²⁷ as summarized below:

- (a) A master meter for Windmill Coop, as requested initially.
- (b) New meters for 24 residences.
- (c) Fencing around the distribution and treatment plants, as requested initially.
- (d) New river raw water pumps, as requested initially.
- (e) A power generator, as requested initially.

²⁴ Proceeding 25276, Review and Variance of Decision 24295-D01-2019.

²⁵ Decision 25276-D01-2020: Robert Tupper, Decision on Preliminary Question Application for Review of Decision 24295-D01-2019: Salt Box Coulee Water Supply Company Ltd., Ultraviolet Light System Upgrade Rate Rider, Proceeding 25276, June 3, 2020.

²⁶ Exhibit 24295-X0181, Evidence of usage, meter issues and connections.

²⁷ Exhibit 24295-X0181, Evidence of usage, meter issues and connections, PDF page 5.

- (f) All customers remain connected in the water cooperatives.
- (g) Increased fixed fees to balance the cost of water and for it to be ready to use.
- (h) Increase rates to allow adequate funding of Salt Box business operations.

83. Salt Box argued that its fixed fee was not high enough. Given that water is the main asset to a home, availability of water supply should be a primary charge. Salt Box stated:

By not having more of the cost leaning towards the fixed cost of the operation we have numerous customers paying under \$40 a month for water. This does not help the common good and impacts overall pricing to the shoulders of others, yet that home is worth the same as the other, with the same access.

There needs to be more balance, between all users.²⁸

84. Noting Windmill's position that no proof of expenses had been provided, Salt Box summarized the third-party contractor and other party billings it submitted as part of its application.

85. Salt Box argued that the management of the utility required a significant amount of time. As a result of the two recent emergency situations, the utility will not be compensated fairly for the time required to resolve these situations. While an unregulated business can set the amounts it charges for its goods or services in order to earn a profit, Salt Box is limited on the profit it can charge.

86. In support of its operation, administrative and management fees as shown in Table 3 below, Salt Box provided third-party quotes from two companies, Aquatech Canadian Water Services Inc.²⁹ and Pure Elements Environmental Solutions.³⁰ It also used Horse Creek Water Services Inc.³¹ as a comparator private, investor-owned utility. Based on this information, Salt Box argued that its proposed amounts were reasonable, and the information provided demonstrates its commitment to the longevity of the system. The Commission has summarized this comparison:

Table 3. Operations, administrative and management fees³²

	Salt Box proposal	Aquatech	Pure Elements	Horse Creek
	(\$)			
Operations fee	59,000	91,176	88,800	98,894
Administration & Management fee	58,560	58,560*	96,000	78,426
Total	117,000	149,736	184,800	173,290
Variance compared to Salt Box		32,736 more	67,800 more	56,290 more

*Assumes Salt Box manages the administrative and management functions.

87. Salt Box referred to the recent power outage and its effect on water supply. While the customer's position was that Salt Box has allowed power outages to affect water supply,

²⁸ Exhibit 24295-X0170, Salt Box argument, PDF page 2.

²⁹ Exhibit 24295-X0024, Aquatech quote.

³⁰ Exhibit 24295-X0025, Pure Elements quote.

³¹ Decision 21340-D01-2017: Horse Creek Water Services Inc., 2016 General Rate Application, Proceeding 21340, October 20, 2017.

³² Exhibit 24295-X0002, application, tables 4.3.1 and 4.3.2.

Salt Box argued that it has recommended a backup generator for the past 10 years. Further, a backup generator is a requirement of Alberta Environment and Parks, as noted in the following email:³³

Most required information was available in the report except **section 6.1.4(I), a summary of proposed measures that will prevent future contraventions, including a schedule of implementation for these measure.**

AEP has identified that the depressurization of the distribution system could have been prevented with having the appropriate back-up power. This is a requirement of the “Standards and Guidelines, Part 1, April 2012”. **Section 1.6.2 Reliability, the owner shall ensure that the system is operated and maintained properly, and has appropriate backup facilities to protect against failures of the power supply, treatment processes, equipment, or structure. Security measures shall address the safety of water source, water treatment processes, water storage facilities and the distribution system.** [emphasis in original]

88. Salt Box stated that its costs associated with pumping, metering and testing upgrades³⁴ were provided to the Commission over three years ago. Salt Box indicated that it was at a loss as to why these amounts were not approved instantly, as it must pump water and manage the use of water through meters to charge customers and reconcile water usage with government reporting requirements.

89. Salt Box argued that its costs and expenses for providing service are not being covered by the revenues it receives. Salt Box is in desperate need of proper funding. Delays in funding “increases the risk to the Utility in providing a safe program.”³⁵ Salt Box requested that the Commission increase Salt Box’s rates to operate properly or allow it to bring in other third-party operators and management, albeit with greater expense.

Commission findings

90. In arriving at its determination on revenue requirement and the resulting rates, the Commission considered the submissions filed when customers registered to participate in this proceeding, and the argument and other submissions on the record from both customers and Salt Box. Before dealing with these matters, the Commission considers it would be helpful to address some of the submissions made by explaining the role and jurisdiction of the Commission.

91. The Commission notes that the submissions raised by parties to the proceeding relate to certain key issues and remedies:

- Cancellation of water delivery services by a customer should terminate any and all obligations set by the Commission.
- Communities will not support any rate-setting by the Commission that results in an increase beyond that established and offered previously by the Water Task Force.
- Water rates should be based on Salt Box’s actual costs.

³³ Exhibit 24295-X0170, Salt Box argument, PDF page 4.

³⁴ Based on a quote from Associated Engineering dated August 6, 2015.

³⁵ Exhibit 24295-X0170, Salt Box argument, PDF page 5.

- When setting rates, the Commission must account for the negative consequences of Salt Box's decisions on customers.
- The Commission should work with Salt Box to establish and support effective management of the utility, both financially and operationally.
- Salt Box has been and continues to be in violation of financial reporting requirements, including Rule 005: *Annual Reporting Requirements of Financial and Operational Results*.

92. In Alberta, there is not one government agency that is solely responsible for regulating water. While customers have suggested that cancellation of water delivery services should terminate the obligations of customers, the Commission notes that the service areas where water is supplied by either a land developer or third party is governed by the appropriate municipality under the *Municipal Government Act*. Water licensing and associated licensing is governed by Alberta Environment and Parks under the *Environmental Protection and Enhancement Act* and the *Water Act*. Public health advisories such as boil-water advisories are issued by Alberta Health Services. The Commission cannot rule on the issues that the government of Alberta has designated to be properly under the jurisdiction of these other authorities.

93. The Commission regulates private, investor-owned water utilities only at the time when the Commission determines that it is a public utility subject to regulation of the Commission. Although the Commission can do so on its own initiative, the Commission will determine whether a private, investor-owned water utility is subject to regulation by the Commission through an application, either when a utility applies to the Commission to set rates or when a customer complaint is filed with the Commission. For those private, investor-owned utilities, where the Commission has not determined that the utility is a public utility within its jurisdiction, a private, investor-owned water utility's rates are subject to any contracts, property law requirements, or other agreements that set out the water services, fees and other obligations of the utility in providing service to its customers.

94. The submissions of parties on this record touch upon contractual issues, property issues and settlement issues, however, the Commission can only determine the matters within jurisdiction of the statutes and regulations that the government of Alberta has prescribed for it in its regulation of public utilities. In this case, the regulation of a private, investor-owned water utility is under the Commission's authority and the Commission must ensure that customers receive safe and adequate service at just and reasonable rates. The Commission's authority regarding these functions are found in the *Public Utilities Act*, sections 1, 89-92, 95 and 100.

95. In its regulation of public utilities, the Commission has broad authority with respect to a public utility's rates, tolls and charges, T&Cs, and the nature and quality of service. When it investigates these matters, the Commission will consider all relevant evidence on the record including any former contracts, proposed or actual settlements and other documents that support the need for the calculation of a revenue requirement for a utility. These documents, if they are relevant, can be helpful, supporting evidence in the determination of just and reasonable rates. To be unequivocally clear, however, the Commission is not bound by any such documents setting out prior rates, T&Cs or other contracted obligations of parties. Also, the Commission does not mediate or decide property law disputes, such as the declaration of ownership of assets. Those disputes are not within the Commission's jurisdiction.

96. When a private, investor-owned water utility is determined to be a “public utility” under the Commission’s jurisdiction, the Commission considers forecast costs and expenses to set rates on a go-forward basis, absent certain exceptions such as a reconciliation of prior interim rates approved by the Commission. While actual or historic costs may assist in showing the reasonableness of increases or decreases to forecast rates proposed by a utility, setting rates based only on historic costs generally results in a utility being underfunded and may place water service and quality at risk. One such example of why this is a general premise is because cost increases are expected over time, such as cost increases due to inflation.

97. With respect to requests for the Commission to ensure effective management of the utility, the Commission sets a just and reasonable revenue requirement but it does not manage the ongoing or day-to-day operations of the utilities it regulates. The management of the operations and the capital assets is solely the responsibility of the water utility.

98. Given the large amount of capital costs required to install a piped water distribution system, the obligation to receive service and the associated costs of providing that service is typically an ongoing obligation, for example see Decision 2011-383.³⁶ The Commission takes into consideration the ongoing obligation to provide safe and adequate service when it sets the just and reasonable rates that a utility can recover from customers. In setting rates, the Commission balances the interests of both the utility and customers. If water rates are approved by the Commission for a public utility, only those rates can be charged by the utility and customers are required to pay those rates.

99. Further, while the Commission may require utilities to provide financial information, such as the information required in Rule 005, water utilities are not required to provide Rule 005 reports, in part because Rule 005 reporting requirements require a level of detail that is generally not available for small private, investor-owned water utilities that are subject to the Commission’s regulatory authority.

100. Given the statutory framework and the Commission’s oversight of public utilities, the Commission will only determine the issues and remedies that come within its rate-setting jurisdiction, including the T&Cs of Salt Box, keeping in mind the safe and adequate supply of water to customers.

5 Revenue requirement

101. In its application, Salt Box requested a revenue requirement of \$248,969 for 2019. Salt Box also included in its application forecasts for 2017 and 2018. Due to the complexity of the proceeding and the number of filings on the record, Salt Box’s rates were not set for 2019, and therefore, 2019 rates were subject to the interim order in Decision 21908-D01-2017. Table 4 shows the components of Salt Box’s proposed revenue requirement:

³⁶ Decision 2011-383: Edson Manor Properties Ltd., Electricity Billing Dispute with EPCOR Energy Alberta Inc., Proceeding 968, Application 1606821-1, September 22, 2011.

Table 4. Salt Box's forecast revenue requirement 2017-2019³⁷

	2017 forecast	2018 forecast	2019 forecast
	(\$)		
Operating expenses			
Operator services	59,000.40	59,000.40	59,000.40
Chemicals	2,500.00	2,500.00	2,500.00
Water testing	7,219.56	7,219.56	7,219.56
Repairs and maintenance	19,666.80	19,666.80	24,016.80
Vehicle expense	6,720.00	6,720.00	6,720.00
Utilities EPCOR	9,220.30	9,808.83	10,397.36
TELUS	990.00	990.00	1,000.00
Insurance	6,515.99	6,841.78	7,183.87
Subtotal	111,833.05	112,747.37	118,037.99
Administration expenses			
Salaries and wages	58,560.00	58,560.00	58,560.00
Professional fees	12,000.00	12,000.00	12,000.00
Accounting fees	6,000.00	6,000.00	6,000.00
Advertising and promotion		600.00	
Bank charges	100.00	100.00	100.00
Office expenses	1,200.00	1,200.00	1,200.00
Rate application costs			
Rent	4,800.00	4,800.00	4,800.00
Subtotal	82,660.00	83,260.00	82,660.00
Total operating and administration	194,493.05	196,007.37	200,697.99
Depreciation expense	12,666.37	12,666.37	12,666.37
Return on rate base	21,954.72	21,954.72	21,954.72
Total revenue requirement	229,114.14	230,628.46	235,319.08*

*In its application, Salt Box listed the 2019 revenue requirement as \$248,969.08; the difference of \$13,650 may be related to errors in calculating the 2019 amount for repairs and maintenance, which appears to be missing \$10,175 related to Aaron quote 202-35.

102. In the subsections that follow, the Commission provides its findings on the operating expenses, administrative expenses, depreciation and return on rate base.

5.1 Operating expenses

5.1.1 Operator services

103. Operator services is the amount paid to operate the water plant on a daily basis. This includes treating water, testing water quality, recording data, inspecting water levels and operating equipment. Salt Box proposed operator services of \$78,667 annually, composed of the following amounts as shown in Table 5. Salt Box allocates 75 per cent of these expenses to operator services, with the remaining 25 per cent being allocated to repairs and maintenance.

³⁷ Exhibit 24295-X0002, application, PDF pages 12-13.

Table 5. Operator services and repairs and maintenance³⁸

Operator services	Annual amount
	(\$)
Steven Glumicic - Operator	33,600
Bryce Smaebeci - Operator	10,507
CWM Services – Operations site management	34,560
Total	78,667
75% to Operator services	59,000
25% to Repairs and maintenance	19,667

104. The Water Task Force proposed that operating costs be set at \$44,110, which includes the costs for Steven Glumicic and Bryce Smaebeci, the water operators, but excludes costs for CWM Services for operations site management.

105. In support of its proposed operator services, Salt Box provided quotes from Aquatech and Pure Elements for the daily operation of the water treatment plant. Both quotes provided in January 2019 had annual expense amounts of \$91,176 and \$88,800, respectively.

Commission findings

106. To provide safe and adequate service, Salt Box requires operation services staff to run and maintain the water treatment plant. The Commission agrees with the Water Task Force that the operating costs should be set at \$44,100 to cover historic wage expenses from 2017 to June 2020. However, as noted in Section 4 above, the Commission determines a utility's revenue requirement based on forecast costs and expenses.

107. In Decision 21908-D01-2017, the Commission included the following information with respect to operator services:

57. On March 18, 2016, Salt Box entered into a contract with Mr. Steven Glumicic to operate the water treatment plant “as required by our licensing.” Compensation under this contract was for \$2,000 per month, increasing to \$4,000 per month once Salt Box’s rate review was successful and completed. According to the contract, Mr. Glumicic would work at the treatment plant as needed, estimated at five times per week or weekends.

58. On March 18, 2016, Salt Box also entered into a contract with Mr. John Knight to operate the water treatment plant. According to the contract, Mr. Knight was to work “likely 2 to 5 times per week or weekend” with compensation set at \$100 per day.
[footnotes omitted]

108. Considering Salt Box’s forecast wage expenses, the consulting offer to Mr. Glumicic indicated a wage of \$2,000 per month, increasing to “\$4,000 per month once our rate review increase is successful and completed.”³⁹ The Commission notes, however, that Mr. Glumicic’s monthly wage is set at \$2,800 per month.⁴⁰ The Commission finds that the additional \$800 is

³⁸ Exhibit 24295-X0002, application, PDF page 14.

³⁹ Proceeding 21908, Exhibit 21908-X0317, Consulting offer to Steven Glumicic.

⁴⁰ Exhibit 24295-X0002, application, PDF page 13.

related to \$800 per month⁴¹ in suite rental expenses for Mr. Glumicic, however, the rental information is dated to the year 2016.

109. Notwithstanding, the Commission is of the view that Salt Box has an obligation to pay Mr. Glumicic \$48,000 per year for operation services. This amount represents the forecast wage expense associated with Mr. Glumicic's operation of the water treatment plant to ensure safe and adequate service. Accordingly, the Commission approves this amount for inclusion in revenue requirement.

110. With respect to the forecast wage expenses for Mr. Smaebeci, Salt Box had extended a consulting offer to Mr. John Knight, who was to work between two and five times per week with compensation of \$100 per day.⁴² It appears that this same offer has been extended to Mr. Smaebeci. The annual forecast wage expense for Mr. Smaebeci would range between \$10,400 and \$26,000. Salt Box has forecast an amount of \$10,507.

111. While Salt Box has not provided any supporting information that Mr. Smaebeci would be required to work more than two days per week, based on the five workdays per week forecast for Mr. Glumicic, the Commission finds the combined obligations for staffing by the two operators would result in having the water treatment plant being staffed seven days per week. This will allow Salt Box to provide safe and adequate service and to meet its licensing requirements. The Commission finds that the annual forecast wage amount for Mr. Smaebeci of \$10,507 is reasonable.

112. Salt Box indicated that \$34,560 of its operator service expenses were related to amounts paid to CWM Services for operations site management. The Commission understands that CWM Services is an affiliate of Salt Box, or payments to CWM Services are to Mr. Colvin, who is also the president of Salt Box. The Commission will not approve the inclusion of this amount in Salt Box's forecast of operator service expenses. Rather, it will provide its findings regarding the recovery of amounts for operations site management and other affiliate transactions in Section 6 of this decision.

113. Based on these findings, the Commission approves forecast operator services expenses of \$58,507 per year, allocated to operator services and repairs and maintenance as shown in Table 6 below.

Table 6. Approved operator services amounts

Operator services	Annual amount
	(\$)
Steven Glumicic - Operator	48,000
Bryce Smaebeci - Operator	10,507
CWM Services – Operations site management	-
Total	58,507
75% to operator services	43,880
25% to repairs and maintenance	14,627

⁴¹ Exhibit 24295-X0170, Salt Box argument, PDF page 44.

⁴² Proceeding 21908, Exhibit 21908-X0312, Consulting offer to John Knight.

114. The Commission finds this amount to be reasonable, given the costs associated with third-party quotes from Aquatech and Pure Elements range between \$88,800 and \$91,176.

5.1.2 Repairs and maintenance

115. In addition to \$19,667 (25 per cent of forecast operator service expenses), Salt Box included a forecast of \$1,200 for miscellaneous maintenance and \$3,350 from Aaron Drilling for an annual pump and electrical inspection, resulting in forecast repairs and maintenance expenses of \$24,217.

116. Salt Box also indicated that it would seek additional funding through the UV upgrade lender or a new lender for well inspections of \$10,175. As a result of these inspections, Salt Box anticipated well and electrical repairs of \$17,000.

Commission findings

117. The Commission notes that parties raised concerns regarding the need for ongoing maintenance to ensure safe and adequate service at a reasonable cost. The Commission has reviewed the proposed costs and the Commission approves the inclusion of \$14,627, which is 25 per cent of the approved operator services amount in repairs and maintenance, as shown in Table 6 above.

118. The Commission supports the annual pump and electrical inspections. This will allow Salt Box to gain information on the condition of its assets and will assist with forecasting future maintenance expenses.

119. Regarding the \$10,175 associated with well, cistern pump and pump inspections, the Commission notes this amount includes “testing flow and pressure of well pump, and checking flow and pressure of cistern pumps.”⁴³ This appears to be duplicative of the work associated with the annual pump inspection amount of \$3,550. The invoice related to the \$3,550 includes the description “testing flow rate and pressure of cistern pumps, and testing flow rate and pressure of well pumps.”⁴⁴

120. As stated, the Commission considers ongoing inspections necessary in order to understand and forecast future maintenance expenses. However, the Commission will only approve \$10,175 for well inspections as shown on Aaron Drilling quote 202-35 to avoid an apparent duplication of services.

121. The Commission finds that the miscellaneous maintenance amount of \$1,200 to be reasonable for unexpected maintenance events.

122. The Commission will not approve Salt Box’s \$17,000 forecast of repairs, given that this amount appears to be a guess of potential repair costs and is not supported by documents, quotes or other financial information showing the expected cost of potential repairs.

⁴³ Exhibit 24295-X0010, Quote 202-35, Well inspection, PDF page 1.

⁴⁴ Exhibit 24295-X0010, Quote 202-36, Annual pump inspection, PDF page 3.

123. In summary, the Commission approves \$26,002 in maintenance and repair expenses, consisting of \$14,627 from the 25 per cent allocation for operator services, \$10,175 for inspections and \$1,200 in miscellaneous repair expenses.

5.1.3 Chemicals

124. In its application, Salt Box provided 2015 and 2016 actual chemical expenses respectively of \$1,067 and \$2,382 with 2017, 2018 and 2019 forecast chemical expenses of \$2,500 per year.

125. While Salt Box has provided its forecast for chemical expenses, the Commission notes there is no supporting information to document the actual amounts for these expenses. However, similar to its findings in Decision 21908-D01-2017, the Commission considers that chemicals and the associated expenses are needed to meet the water quality and environmental standards set by Alberta Environment and Parks. As such, these are necessary and required expenses in providing safe water.

126. Accordingly, the Commission approves the forecast chemical expense of \$2,500. The Commission directs Salt Box to provide documentation supporting its actual expenses for chemicals in its next rate application.

5.1.4 Water testing

127. Salt Box forecasted water-testing expenses of \$7,219.56 for 2019. The Commission has rounded this amount to \$7,220. In support of this expense amount, Salt Box submitted copies of water-testing invoices from Exova Canada Inc.⁴⁵ showing the costs for Schedule 4 testing, which is done twice per year, and THM testing, which is also done twice per year. The amounts identified on these invoices were \$3181 and \$428, respectively.

128. The Commission notes that the Schedule 4 testing invoice is dated November 9, 2017, and the THM testing invoice is dated April 23, 2018. The Commission would have expected more recent invoices in support of its water-testing costs given that the required testing is pursuant to Alberta Environment and Parks and its standards. Though the information provided is out of date, it shows that water-testing expenses are being incurred in order to provide a safe and adequate supply of water.

129. Based on the Schedule 4 testing invoice and the THM testing invoice, the Commission finds the water-testing expense of \$7,220 to be reasonable. The Commission approves the inclusion of \$7,220 for water testing in revenue requirement.

5.1.5 Vehicles

130. Salt Box included vehicle expenses of \$6,720 in its forecast of operating expenses. In support of this amount, Salt Box indicated that CWM Services charges \$0.50/kilometre (km) for 140 km twice per week, amounting to \$6,720 per year. Salt Box filed supporting invoices from 2016⁴⁶ in support of this amount.

131. The Commission does not approve the inclusion of this amount in Salt Box's forecast of operating expenses given the services are provided by an affiliate, CWM Services. Although

⁴⁵ Exhibit 24295-X0018, Exova invoices.

⁴⁶ Exhibit 24295-X0203, Corrected version of Exhibit 170, Schedule 9.

vehicle expenses may be required to provide services to a utility, the Commission finds there is not sufficient transparency into this expense. The Commission has provided its findings regarding the aggregate costs for services associated with affiliate transactions in Section 6 of this decision.

5.1.6 Utilities

132. Salt Box forecasted total utility expenses of \$11,397.36, the Commission has rounded this amount down to \$11,397. Utility expenses were composed of \$10,397 for electricity charges from EPCOR and \$1,000 for communications charges from TELUS. In support of these amounts, Salt Box provided copies of its July 2018 to December 2018 TELUS billings and its 2019 billings from EPCOR.

133. The Commission has reviewed the forecast amounts for utilities and finds the forecast amounts are based on the supporting documentation. The Commission considers these electricity and communications costs are reasonable and necessary expenses in order to provide water service. On this basis, the Commission approves Salt Box's utility expenses of \$11,397 for inclusion in revenue requirement, based on \$10,397 for EPCOR and \$1,000 for TELUS.

5.1.7 Insurance

134. Salt Box forecasted insurance expenses of \$7,183.37, the Commission has rounded this amount down to \$7,183. Documentation supporting this amount was not provided in the application.

135. In Decision 21908-D01-2017, the Commission stated the following regarding Salt Box's then forecast insurance amount of \$11,000:

69. In the absence of any explanation or evidence in support of the significant increase in insurance expenses between 2013 and 2016, the types of insurance held, and the associated insurance premiums, the Commission does not consider Salt Box's insurance forecast to be reasonable. However, for purposes of this decision the Commission will allow for insurance expenses that reflect the mid-point between the 2015 insurance expense of \$5,520 and Salt Box's 2016 forecast of \$11,000. Based on the mid-point the Commission approves an annual insurance expense of \$8,260 to be included in revenue requirement.

136. The Commission continues to be of the view as it was in Decision 21908-D01-2017 that "insurance protects the interests of both the utility and its customers. The Commission is of the view that utilities should have both the proper insurance and a reasonable amount of insurance coverage in place to manage the risks of operating a utility."⁴⁷

137. Considering that the forecast amount for insurance is lower than the amount approved in Decision 21908-D01-2017, the Commission approves Salt Box's forecast insurance amount of \$7,183. The Commission directs Salt Box to provide documentation supporting its actual expenses for insurance costs in its next rate application.

⁴⁷ Decision 21908-D01-2017, paragraph 67.

5.2 Administrative expenses

138. Salt Box proposed administrative expenses totalling \$82,600. These expenses consisted of salaries and wages; professional fees; accounting fees; bank charges; office expenses; and rent. The Commission will consider these amounts in the following subsections.

5.2.1 Salaries and wages

139. Salt Box forecast salary and wage expenses of \$58,600. This consisted of \$34,560 for the president and \$24,000 for an account analyst.

140. Responsibilities of the president were described as overseeing utility operations; working with the AUC and Alberta Environment and Parks; negotiating financing; preparing annual and monthly reporting; working with prospective developers; and managing payables. The number of hours for these responsibilities was estimated between 24 and 32 hours per month. In support of this amount, Salt Box provided 12 months of site operations management invoices from CWM Services from January 2016 to December 2016.⁴⁸ Each monthly invoice was in the amount of \$2,880. The addition of GST increased the amount to \$3,024.

141. Responsibility of the account analyst included communicating with operations, customers and accountants; responding to email and mail; overseeing daily and long-range planning; dealing with legal issues; account receivable activities; and accounts payable. These responsibilities required five hours per week. In support of the account analyst expenses, Salt Box provided 12 months of invoices from January 2016 to December 2016 from Regional GP Enterprises Inc., each in the amount of \$2,000 for the account analyst position.⁴⁹

142. In considering these amounts, the Commission notes the following from Decision 21908-D01-2017:

84. In general, interveners raised two main issues regarding the administration expenses. First, there was concern that the quantum of the proposed amount was too high and lacked proper support, and second, there was concern with the affiliate nature of the arrangements to provide these services.

143. While the Commission acknowledges that Salt Box has provided some additional detail regarding these amounts, the information is from 2016. The Commission's main concern with these expenses is that these amounts are being paid to affiliates. Further, the nexus of the activities required by CWM Services and Regional GP Enterprises Inc. to the work effort required to operate the utility is not apparent. The Commission has addressed the aggregate costs for services associated with affiliate transactions in Section 6 of this decision.

5.2.2 Professional and accounting fees

144. In respect of professional and accounting fees, Salt Box proposed \$18,000 per year, which included \$12,000 for professional (legal) fees and \$6,000 for accounting fees.

145. Salt Box indicated that legal review and actions are a normal course of an operating business, and that it has legal expenses in dealing with contracts; abuse of infrastructure;

⁴⁸ Exhibit 24295-X0203, Corrected version of Exhibit 170, Schedule 10.

⁴⁹ Exhibit 24295-X0170, Salt Box argument, Schedule 8.

financial and expansion negotiations; legal disagreements; and pipeline crossings, and it must also defend itself when legal action is commenced against it.⁵⁰ Noting that Schuett Law was acting for the residents of Windmill and the Water Task Force in this proceeding,⁵¹ Salt Box considered it was at a disadvantage and requested an opportunity to secure funds or a legal fees rate rider for this rate application.

146. In support of its legal fees, Salt Box provided an engagement agreement with the law firm Lawson Lundell LLP dated January 18, 2017.⁵² The application also contained partial photocopies of legal actions and discontinued legal actions, covering a period from 2012 to 2017.⁵³

147. In addition to legal fees, Salt Box included \$6,000 per year for accounting fees but it did not provide a description or explanation for these costs.

148. Some of Salt Box's customers raised concerns with the costs for legal fees related to Salt Box litigation.

149. In its June 5, 2019, submission, the Water Task Force submitted that it would be willing to accept \$6,000 each for professional and accounting fees.

Commission findings

150. While professional or legal fees may be included as part of a utility's revenue requirement, however, due to the nature of these costs in this application, the Commission finds there is significant uncertainty related to these amounts. In approving legal fees, the Commission must determine that these amounts are reasonably required to provide water service.

151. In reviewing the forecast legal fees, the Commission notes that the retainer letter with Lawson Lundell LLP is from 2017. There is insufficient information as to whether legal services under this retainer are being supplied by Lawson Lundell to Salt Box. While some of the legal costs may be required for legal services, i.e., to draft legal documents or attend negotiations, it is unclear as to the ongoing nature of legal work that is currently required by Salt Box, the costs associated with these legal services and how those legal services relate to the provision of utility service. Based on this uncertainty, the Commission will not approve any amounts for legal costs to be included in revenue requirement.

152. With respect to ongoing accounting fees, the Commission notes that part of the duties of the account analyst includes accounts receivable activities and accounts payable activities. The Commission understands this to be the ongoing bookkeeping and record-keeping that is undertaken by businesses. Given that this work is being performed by an affiliate, the Commission will not address this matter here, but rather has addressed these amounts in its discussion of affiliate transactions in Section 6.

153. Notwithstanding, the Commission recognizes that there may be additional accounting expenses incurred by Salt Box, such as the costs associated with preparation of income taxes.

⁵⁰ Exhibit 24295-X0002, application, Section 4.2.3, Professional fees.

⁵¹ Exhibit 24295-X0159, Salt Box response to AUC, response letter, page 2.

⁵² Exhibit 24295-X0031, Schedule 27a – Legal Information.

⁵³ Exhibits 24295-X0032 to 24295-X0034.

On this basis, the Commission will allow a discretionary award of \$2,000 per year for accounting fees to be included in revenue requirement.

5.2.3 Bank charges and office expenses

154. Salt Box included \$100 in banking fees and \$1,200 in office expenses as part of its proposed revenue requirement.

155. The Commission considers that banking fees of \$100 are a reasonable cost of doing business and should properly be included in Salt Box's revenue requirement. Further, the Commission finds that \$1,200 in office expenses should adequately cover the general expenses associated with operating a home office which supports utility operations.

156. For the above reasons, the Commission approves the banking fees and office expenses of \$1,300 to be included in revenue requirement.

5.2.4 Rent

157. Salt Box indicated that it currently uses a home office, however, it considered it was not appropriate to have an office in a home, or have trades, customers, or meetings from a home office. Further, the president did not want to keep home office space for Salt Box, and considered that Salt Box should have its own space. Salt Box proposed annual rent expense of \$4,800.

158. In support of this amount, Salt Box provided its historic home office rent invoices⁵⁴ from January 2016 to December 2016 with monthly rent amounts of \$400. Payments of these amounts were to CWM Services.

159. While Salt Box has requested rent expense to be included in revenue requirement and provided historic amounts, there is no evidence in terms of actual amounts being paid or signed rental agreements on the record to support office expenses for rent. The office space required is also unclear to the Commission considering that Salt Box has a relatively small customer base. Further, the Commission notes that the historic amounts were paid to an affiliate. The Commission has provided its findings on services associated with affiliate transactions in Section 6. On this basis, the Commission will not allow an amount for rent to be included in revenue requirement.

5.3 Return and depreciation

160. Salt Box indicated that the amounts included in Decision 21908-D01-2017 for return of \$21,954.72⁵⁵ and depreciation of \$12,666.37 were sufficient and recommended these amounts be revisited once the utility has a larger customer base.

161. Certain customers raised concerns with setting return and depreciation for Salt Box without audited financial information and questioned whether rate base should reflect depreciation over time.

⁵⁴ Exhibit 24295-X0203, Corrected version of Exhibit 170, PDF pages 84-96.

⁵⁵ The Commission approved a return amount of \$21,956; Salt Box applied for \$21,954.

162. In Decision 21908-D01-2017, the Commission stated the following with respect to return and depreciation:

89. A utility is allowed to include an amount for depreciation of its assets in its revenue requirement and to earn a return on its assets. The value of the fixed assets or rate base represents the capital investment of Salt Box, used to provide utility service. Once the rate base of the utility is determined, the amounts for depreciation and return can be calculated.

...

91. The Commission is prepared to accept Salt Box's description of its fixed assets, depreciation rates, accumulated depreciation amounts and resulting net book value (NBV) of the assets for the purposes of this interim decision. The Commission will consider the proposed depreciation amount and return based on these values.

163. While the Commission was prepared to accept the NBV of the assets for the interim decision, it is not prepared to accept this NBV for final rates.

164. A key component in determining the NBV is customer contributions or no-cost capital. This is the amount that customers have contributed to utility assets. At this point, this amount is unknown. To provide an analogy, when a subdivision is developed, the cost of the infrastructure, such as roads, utilities, etc. are often included in a resident's lot price. The amount contributed by customers to these assets is known as no-cost capital. A utility is not permitted to earn a return or collect depreciation on no-cost capital. If a utility was allowed to collect a return and depreciation on no-cost capital, customers would be paying for these assets twice, once in their lot price, and then over time. Rather, a utility is allowed to earn a return on the amount it has directly invested and to collect depreciation on this amount from customers.

165. Understanding the underlying asset values is required for the Commission to determine the allowable return and depreciation for Salt Box. This would normally be achieved through the utility providing the NBV of its assets supported by financial information or audited financial statements. Absent this information, the Commission is unable to make a determination on the NBV of assets that is required for utility service. Accordingly, the Commission will not approve any forecast amounts for return or depreciation to be included in Salt Box's revenue requirement.

6 Affiliate transactions

166. Affiliate transactions can be a single transaction or a series of transactions between related companies or parties. The Commission is of the view that without proper standards and parameters to guard against inappropriate affiliate conduct, preferences or advantages, customers of a regulated business may be adversely impacted.

167. In considering affiliate transactions, the Commission notes that in its application, Salt Box identified that amounts to CWM Services were paid to Mr. Jeff Colvin. Regional GP Enterprises Inc. was identified as a related party in Proceeding 21908, with Mr. Jeff Colvin having signing authority for Regional GP Enterprises,⁵⁶ and also being a director of Salt Box.⁵⁷

⁵⁶ Proceeding 21908, Exhibit 21908-X0314, RWE GP Admin Agreement with Willow.

⁵⁷ Proceeding 21908, Exhibit 21908-X0088, Regional Water Enterprises LP 100% owner.

168. The Commission has summarized the forecast amounts to be paid to affiliates in the table below:

Table 7. Summary of amounts to be paid to affiliates

Expense category	Payable to	Amount
		(\$)
Salaries and wages		
President	CWM Services	34,560
Accounting and administration	Regional GP Enterprises Inc.	24,000
Vehicle	CWM Services	6,720
Rent	CWM Services	4,800
Total		70,080

169. Salt Box urged the Commission to accept these costs based on third-party quotes from Aquatech, Pure Elements and the costs of Horse Creek Water Services Inc., which were approved in Decision 21340-D01-2017. The Commission does not dispute the need for management and an accounting analyst as set out by Salt Box, however, due to its size, Salt Box must consider and look for innovative ways to deliver these services in a cost-effective manner.

170. The Commission is of the view that costs approved for utility service must take into account the need for the expenditure, the size of the utility and the impact these costs will have on customers. The Commission considers the proposed amounts are excessive in relation to the amounts already approved by the Commission for operating, maintenance and administration.

171. In circumstances where a utility does not have a sufficient rate base on which to earn a reasonable return, the Commission may award a management fee in lieu of these amounts. In this case, the Commission considers that a management fee would be a reasonable substitute for the costs associated with affiliate transactions.

172. In its withdrawn settlement, the Water Task Force included \$23,160 for affiliate transactions, composed of \$3,360 for vehicle expenses; \$15,000 for salaries and wages; and \$4,800 for rent. The Commission considers this amount to be a reasonable starting point for a management fee. However, given the all-encompassing nature of a management fee and the work that will be provided by affiliates, the Commission considers \$3,000 per month to be a reasonable amount for these services. The Commission approves a management fee of \$36,000 per year to be included in revenue requirement.

7 Approved revenue requirement

173. The Commission has summarized the expenses approved in Table 8 below, which sets out the approved revenue requirement for Salt Box, and provides a comparison of the forecast and approved revenue requirements by expense category:

Table 8. Forecast and approved revenue requirement

	Forecast	Approved
	(\$)	
Operating expenses		
Operator services	59,000.40	43,880.00
Chemicals	2,500.00	2,500.00
Water testing	7,219.56	7,220.00
Repairs and maintenance	24,016.80	26,002.00
Vehicle expense	6,720.00	0.00
Utilities EPCOR	10,397.36	10,397.00
TELUS	1,000.00	1,000.00
Insurance	7,183.87	7,183.00
Subtotal	118,037.99	98,182.00
Administration expenses		
Salaries and wages	58,560.00	0.00
Professional fees	12,000.00	0.00
Accounting fees	6,000.00	2,000.00
Advertising and promotion		
Bank charges	100.00	100.00
Office expenses	1,200.00	1,200.00
Rate application costs		
Rent	4,800.00	0.00
Management fee		36,000.00
Subtotal	82,660.00	39,300.00
Total Operating and Administration	200,697.99	137,482.00
Depreciation expense	12,666.37	0.00
Return on rate base	21,954.72	0.00
Taxes	0.00	0.00
Total revenue requirement	235,319.08*	137,482.00

*In its application, Salt Box listed the 2019 revenue requirement as \$248,969.08; the difference of \$13,650 may be related to errors in calculating the 2019 amount for repairs and maintenance, which appears to be missing \$10,175 related to Aaron quote 202-35. The forecast amounts were based on 2019 numbers and the approved amounts are effective August 1, 2020. The approved amounts will be recovered on a go-forward basis.

8 Capital projects

174. Capital project costs are included in setting the future rate base for a public utility and in developing forecasts for capital projects required for utility service. Salt Box requested approval of at least \$82,000 for forecast capital projects, consisting of approximately \$20,000 for a master meter for Windmill; \$45,144 for residential meters; and \$17,824 for fencing. Salt Box also considered new river raw water pumps and a power generator were required.

175. Due to the lack of audited financial statements, the Commission does not have a clear understanding of Salt Box's rate base and the impact of these capital projects on rates. The Commission, therefore, will not make a determination on these items at this time.

176. Salt Box should have both short and long-term capital plans to provide sufficient transparency into its capital projects. These capital plans should provide an outline of the expected work to be completed, demonstrate a need for the work, forecast costs of the work to be completed and the associated timeframe in which the work will be completed. Such plans allow a utility to proactively plan for the future and communicate this information, including timelines and rate impacts to customers.

177. With respect to a master meter for Windmill, the Commission is sympathetic to the need of having a master meter serving Windmill, however, the Commission is also mindful of the meter testing that was completed by Salt Box and customers' submissions regarding this testing:

At the time of testing which occurred around late March 2019, no claims of meter inaccuracy were made by Salt Box. If it was identified that any residents had meter inaccuracies, it would have been their obligation to replace the meter (at their cost). However, no claims of any inaccuracies were identified or communicated to any resident or the Windmill Board.⁵⁸

178. Based on the competing submissions from Salt Box and customers, it is not clear to the Commission whether or not there is a metering issue to justify the capital expense at this time. While a master meter would provide increased transparency of customer usage and allocation of costs, it is unclear to the Commission that the added benefits of a master meter are outweighed by the additional cost.

179. Similarly, while Salt Box indicated there are different sized meters in use by its customers, there is no supporting capital business case or independent evidence that the meters are required to be replaced or upgraded. Further, there is no evidence of inaccurate meter reads.

180. The Commission has also considered Salt Box's request for fencing. Given the small size of the utility, the Commission is not convinced that such an expense is warranted in the provision of utility service, particularly because Salt Box and customers have noted that cost recovery is a concern for current utility operations. Further, there appear to be arrangements in place that allow CHECAL to access the garage portion of the building to store its groundskeeping equipment. Although there was one incident of past access that was problematic to Salt Box,⁵⁹ there is a lack of current information to suggest that unauthorized access is an immediate or near-term concern that would require a physical barrier, such as fencing.

181. Further, it was not evident to the Commission how Salt Box will finance these capital projects and the associated timelines to complete these projects. Given this uncertainty and in the absence of the information to support its proposed capital projects for a master meter, customer meters and fencing, the Commission denies these capital project requests at this time. This does not preclude Salt Box from applying for capital projects in a future general rates application.

⁵⁸ Exhibit 24295-X0179, WWC response to Salt Box letter dated March 12, 2020.

⁵⁹ Exhibit 24295-X0002, application, PDF page 24.

9 Audited financial statements

182. In Decision 21908-D01-2017, the Commission directed Salt Box to provide three years of audited financial statements, spanning the years 2015, 2016 and 2017. Salt Box stated it received review engagement financial statements for 2015 and 2016, however it could not afford to include 2017 in the review engagement or produce audited financial statements. Salt Box noted that the financial statements for 2015 and 2016 show losses from operating the system.⁶⁰

183. As a result of its preliminary review of the application, the Commission issued a ruling on April 18, 2019, noting three deficiencies, one of which was the lack of audited financial statements. The Commission stated:

6. ... The Commission maintains that audited financial statements are required to demonstrate Saltbox's historical revenues and expenses. These statements will inform the just and reasonable setting of utility rates and will provide the necessary transparency into the public utility's operations. Saltbox and Jeff Colvin, president and director, are required to comply with the Commission's direction to provide 2016 and 2017 audited financial statements. The Commission dispenses with the requirement to provide audited financial statements for 2015 because of the additional cost to Saltbox and given that this information is now less relevant to the 2019 test year. Affirming the rest of the direction in paragraph 129 of Decision 21908-D01-2017, the Commission directs Saltbox and Mr. Colvin to prepare and submit audited financial statements for Saltbox for fiscal years ending in 2016 and 2017.

For the purposes of processing the application, the Commission further directs that Saltbox and Mr. Colvin submit audited financial statements for 2018.⁶¹

184. By letter submitted June 3, 2019, Salt Box requested the Commission to reconsider the requirement for three years of audited financial statements, indicating that it had obtained two quotes to prepare audited financial statements with preparation costs ranging between \$15,000 to \$20,000 per year. Salt Box considered that an audit was not necessary for such a small company, and the associated costs were not justified.

185. The Commission sought the views of interested parties regarding audited financial statements and on August 6, 2019, issued a further ruling, wherein it stated:

16. While the Commission directed three years of audited financial statements covering 2016, 2017 and 2018, at this time the Commission will require audited financial statements for 2018. Given the expected costs of completing an audit, this will reduce the total audit costs and provide transparency into the most recent financial history for Saltbox. In addition, it will establish a financial baseline to assist the Commission in determining rates for 2019. Pending the results of the 2018 audited financial statements, the Commission may require audited financial statements for 2016 and 2017, but due to the cost, it will not compel the 2016 and 2017 audited financial statements at this time.

17. The Commission considers the cost of audited financial statements for 2018 should be borne by customers. However, this does not preclude the Commission from directing otherwise in respect to any other financial statements that could be required for years other than 2018.

⁶⁰ Exhibit 24295-X0002, application, PDF page 11.

⁶¹ Exhibit 24295-X0090, AUC letter - Ruling on application process, PDF page 2.

18. The quoted amounts for audited financial statements were \$15,000 to \$20,000 per year. The Commission will allow Saltbox to recover the cost of the audit up to \$20,000, as part of its proposed rates for 2019. In support of this recovery, Saltbox should submit the associated invoice for these services. Based on the above findings, the Commission directs Saltbox to proceed immediately with obtaining audited financial statements for 2018.⁶²

186. By letter dated January 28, 2020, the Commission noted that a financial audit had not been undertaken, to date. In order to move this application forward and set final rates and if consent was granted by Salt Box, the Commission, through internal resources, would undertake an accounting verification and reconciliation process to confirm Salt Box's financial information for the years 2017, 2018 and 2019.

187. While Salt Box provided its consent for the accounting verification and reconciliation, its consent was conditional. Salt Box stated that the 2017-2019 financial statements had not been completed and additional time would be needed. Further, the delay in the proceeding would cause Salt Box to incur additional costs that must be recovered and it was doubtful that historical data would provide a benefit given the time it would take to obtain that information. Further, 2019 information would not be available for some time. In its correspondence, Salt Box stated that extending the accounting verification to years other than 2018 would be burdensome to Salt Box.

188. The provision of audited financial statements has been a source of contention between Salt Box and customers. The Commission has been mindful of the need for accurate financial statements in setting rates for Salt Box and its customers and that audited financial statements would increase the transparency of the utility operations to Salt Box's customers and the Commission. The Commission maintains that an audit covering Salt Box's most recent financial year should be completed, and the cost of the audit should be borne by customers. Further, completing an audit will establish a financial baseline for future rate applications. On this basis, the Commission directs Salt Box to provide the Commission and interveners with audited financial statements for its most recent fiscal year, which will be 2020, by November 1, 2021, as a post-disposition document.

189. In its August 6, 2019, ruling, the Commission noted the quoted amounts for audited financial statements were between \$15,000 to \$20,000 per year and approved up to \$20,000 to complete the audit. To cover the costs of this audit, the Commission approves an amount of \$15,000 for this purpose to be collected as part of Salt Box's final approved rates. The Commission considers the cost for this audit to be a one-time expense, and to this end, the Commission will approve a rate rider to collect these costs over a 12-month period following the issuance of this decision.

190. It is imperative that Salt Box complete the audit as directed to inform parties and the Commission on the current financials of the utility, particularly since the ongoing viability of utility operations have been highlighted by Salt Box and certain customers. The Commission emphasizes that no further rate applications will be considered until audited financial statements are submitted to the Commission.

⁶² Exhibit 24295-X0098, AUC letter - Ruling on further process, PDF page 3.

191. In establishing a rate rider to collect this amount, the Commission will use the same methodology and reasoning employed in determining the UV rate rider. However, this rider will only be in place for 12 months. The Commission has calculated the rider amount based on 74 customers, as noted in the tables below:

Table 9. Calculation of rate rider to collect funds for audited financial statements

Community	Customers	Calculation of rate rider	
CHECAL	15		
Windmill	30	Approved audit expense (A)	\$15,000.00
The Ranch	18	Total customers (B)	74
Deer Springs Close	11		
Total customers	74	Annual amount (A/B)	\$202.70

Table 10. Approved monthly rate rider amount for audited financial statements

Community	Customers	Monthly amount	
		Co-op	Customer
		(\$)	
CHECAL	15	253.38	
Windmill	30	506.76	
The Ranch	18		16.89
Deer Springs Close	11		16.89

192. The Commission approves the collection of the audited financial statements' rate rider on a monthly basis as shown in Table 10, effective August 1, 2020, to July 31, 2021. For the reasons provided in this section, the Commission directs Salt Box to provide its audited financial statements to the Commission as a post-disposition document by November 1, 2021.

10 UV upgrade

193. In Decision 24295-D01-2019, the Commission determined the amount and time frame for the UV rate rider to recover the costs associated with the UV upgrade from customers. The Commission understands that the UV system is installed, tested and functioning. With respect to the rate rider, the Commission approved the following amounts to be collected from customers over a 10-year period from January 1, 2020, to December 31, 2029, as shown in Table 11.

Table 11. Monthly UV rate rider by customer

Community	Customers	Monthly amount	
		Co-op	Customer
		(\$)	
Calling Horse Estates Co-operative Association Ltd.	15	870.00	
Windmill Way Water Co-op	30	1,740.00	
Residents of Sandstone Ranch	18		58.00
Residents of Deer Springs Close	11		58.00

194. The Commission also directed Salt Box to:

72. ... advise the Commission immediately in writing of any changes to the terms of the financing related to the UV system upgrade, or any other changes that may impact the UV rate rider amount. Based on its review of the annual reconciliation or any other information, the Commission may adjust the UV rate rider accordingly.

195. Salt Box has not notified the Commission of any changes to the financing related to the UV system upgrade or any other changes that would impact the Commission's approval of the rate rider in Decision 24295-D01-2019. Therefore, it is not necessary for the Commission to make any findings or adjustments to the UV system rate rider approved in Decision 24295-D01-2019. As such, the directions, findings, and conclusions of the Commission in that decision do not need to be altered.

11 Terms and conditions

196. As part of its application, Salt Box filed a set of T&Cs⁶³ as directed by the Commission. The header of the document indicates that the proposed T&Cs are effective January 1, 2016.

197. In its March 5, 2020, submission, the Water Task Force stated the following regarding the proposed T&Cs:

As previously identified in earlier responses to the AUC (ref. 24295-X0059 & 24295-X0072), The "Terms of Service" as set out in Exhibit 24295-X0008 are not acceptable as currently written. In an effort to avoid additional debate and subsequent lengthy delays, we have attached a "Terms of Service" document prepared using similar documents, from other reputable utilities, as the basis. **We respectfully ask the Commission to consider using this alternate version of Terms of Service.**⁶⁴ [emphasis in original]

198. A copy of the recommended T&Cs prepared by the Water Task Force members was provided as a separate submission.⁶⁵

11.1 Applicability of proposed terms and conditions of service to Windmill Water Co-op Ltd. and Calling Horse Estates Co-operative Association Limited

199. Windmill and CHECAL advised that each co-operative purchases water from Salt Box and distributes it to their members using their own distribution lines.⁶⁶ Windmill submitted that the proposed T&Cs filed by Salt Box do not reflect the relationship between Salt Box and Windmill as Salt Box does not own or maintain the pipelines for water distribution in the Windmill Way subdivision. Further, Salt Box and Windmill have a governing WSA in place and many of the T&Cs in that WSA do not match Salt Box's proposed T&Cs. A copy of the WSA between Windmill and Salt Box that was referred to by Windmill was filed on the proceeding.⁶⁷

200. Windmill commented that because it owns its distribution facilities within the Windmill Way subdivision and because it already has an existing WSA in place with Salt Box, there is no need for any additional T&Cs to be imposed. Windmill indicated that should the Commission

⁶³ Exhibit 24295-X0008.

⁶⁴ Exhibit 24295-X0168, PDF page 2.

⁶⁵ Exhibit 24295-X0169.

⁶⁶ Decision 21908-D01-2017, paragraph 22.

⁶⁷ Exhibit 24295-X0078.

decide otherwise, then revisions would need to be made to the proposed T&Cs to take into account the relationship between Windmill as a co-operative and Salt Box as a for-profit operator.⁶⁸

201. Windmill indicated that its WSA with Salt Box includes T&Cs for water service from Salt Box. Further, the WSA dated April 30, 2010, does not have an expiry date and was signed by both parties.

202. Comments concerning the ownership of certain facilities and the importance of accurately reflecting this ownership in the T&Cs were filed by an individual customer, Mr. Robert C. Tupper and by Windmill. Mr. Tupper raised an issue with what he referred to as the CHECAL pumphouse, a building he believes Salt Box refers to as the old Calling Horse Pump House. He contended that contrary to what Salt Box claims, Salt Box does not use the CHECAL pumphouse for its distribution system. Mr. Tupper recommended that any reference to this structure in the proposed T&Cs needs to be removed.⁶⁹

203. Windmill noted that “Section 2.2, Ownership of Facilities” of the proposed T&Cs sets out that Salt Box has ownership of all the mainline facilities. Windmill stated that this is an unacceptable provision, given that Windmill owns facilities in its subdivision. It added that if the proposed T&Cs filed by Salt Box were going to be used, Section 2.2 would have to be revised in order to stipulate that the pumphouse and distribution system within the Windmill subdivision are excluded from the facilities that Salt Box owns.⁷⁰

204. CHECAL also submitted comments with respect to Section 2.2 of the proposed T&Cs filed by Salt Box, not with respect to ownership but with regard to access to certain properties. It pointed out that even though the land and building where the CHECAL pumphouse resides is owned by Salt Box, there is an existing grant of easement, dated April 3, 1981, that guarantees CHECAL rights to access of the building and facility.⁷¹

205. Salt Box stated that “there is a disagreement regarding Windmill Water supply agreement,” and “Terms & Conditions need to be set properly by the AUC.”⁷²

Commission findings

206. In the proposed T&Cs submitted by Salt Box, a customer is defined as “the person or persons identified in the Application for Service and supplied with residential water service by the Company at the Service Address.”⁷³ The Commission considers this to be indicative of the intent that the proposed T&Cs submitted by Salt Box apply to end-use customers served by Salt Box using Salt Box’s distribution system. This is not the case for residents who are provided water through the CHECAL and Windmill distribution systems. The Commission considers that customers of CHECAL’s and Windmill’s distribution systems should not be governed by the T&Cs of Salt Box but rather by each cooperative’s respective terms and conditions.

⁶⁸ Exhibit 24295-X0094, PDF page 2.

⁶⁹ Exhibit 24295-X0071, page 4.

⁷⁰ Exhibit 24295-X0076, PDF pages 2-3.

⁷¹ Exhibit 24295-X0072, PDF page 4. A copy of the grant of easement document referred to by the residents of CHECAL was provided as part of Exhibit 24295-X0072.

⁷² Exhibit 24295-X0097, PDF page 4.

⁷³ Exhibit 24295-X0008, PDF page 1.

207. For the purposes of establishing T&Cs in this proceeding, absent proposed T&Cs for water service to Windmill, and to avoid the uncertainty to Salt Box and Windmill in having no approved T&Cs, the Commission approves certain provisions of the April 30, 2010, WSA to operate as the T&Cs for Windmill, effective August 1, 2020, as follows:

- Section 8;
- sections 10-11;
- Section 17(b); and
- sections 18-19; further,
- Section 16, amended as follows:

In the event that any billed amount due and payable ~~that pursuant to the terms of this agreement~~ remains outstanding for a period of sixty (60) days after the date on which such amount [sic.] becomes due and payable ~~pursuant to the terms hereof~~; and provided notice thereof has been given to Windmill, Salt Box may forthwith disconnect the supply of water to Windmill's system; ~~PROVIDED HOWEVER~~ However, if, as and when the arrears are repaid by Windmill together with interest of a maximum of 4 percent per annum on billed amounts outstanding (non-compounded), and a reconnection fee of \$2,500.00, described in Schedule "D" attached hereto, Salt Box has not given notice to Windmill that it has elected to terminate this Agreement due to breach of the covenant ~~regarding payment~~, the supply and delivery of water pursuant to the terms and conditions herein contained shall be reconnected and supplied to Windmill ~~the Subdivision lands~~.⁷⁴

208. It should be noted that Commission-approved rates in Decision 21908-D01-2017 and in this decision replace the provisions that address the rates specified in the WSA, including the water rates included in "Schedule D" of that agreement. The other provisions of the WSA that do not impact rates were unchanged by the Commission.

209. The Commission's findings for Windmill's T&Cs that adopt certain provisions of the WSA are intended only for the purposes of setting the T&Cs for regulatory purposes and are not intended to override any of the other operative terms of the contractual agreement that may be in dispute, including any arbitration or civil remedies that may be applicable pursuant to the provisions of the WSA.

210. No evidence was provided of any WSA between Salt Box and CHECAL. Absent a valid WSA that specifies the obligations between these parties, the Commission finds that a separate set of T&Cs is required to govern the obligations for water service between Salt Box and CHECAL in terms of metering, late payment penalty issues, disconnections and reconnections.

211. On this basis, the Commission directs Salt Box to (1) identify a valid WSA that may have provisions that could act as CHECAL's T&Cs and file the valid WSA with the Commission, or (2) file a separate set of T&Cs that are proposed to be applicable to CHECAL if a valid WSA is not available. If there is a valid WSA between Salt Box and CHECAL, the Commission directs Salt Box to file that WSA with the Commission on or before September 1, 2020, in a new application, identifying the sections of the agreement that Salt Box is proposing to use as its T&Cs for CHECAL.

⁷⁴ Exhibit 24295-X0078, Section 16.

212. If Salt Box intends to file a separate set of T&Cs for CHECAL that is not based on a WSA, the Commission directs Salt Box to file those proposed T&Cs in a new application, on or before September 1, 2020.

213. In addition, it should be noted CHECAL and Windmill residents would not have to complete the application for service that is required as part of Section 2.3 of the proposed T&Cs submitted by Salt Box.

214. With respect to the ownership of certain assets and easements granted to Salt Box, the Commission will not make any determinations of who owns particular assets because matters of ownership of assets are better addressed under property and contract law rather than through Commission processes.

215. Easements are an interest in land for a right-of-use⁷⁵ that is registrable and they are only for the terms and purposes set out in the easement as it is registered. For easements that have been granted by Windmill and CHECAL, the contents of the easements registered with Alberta Land Titles would govern the terms of access and other obligations of parties under the easement. On this basis, the Commission does not need to provide findings and directions on CHECAL's submissions related to easements.

11.2 Review of the proposed terms and conditions of service filed by Salt Box and the Water Task Force

216. Having established that there will be a separate set of T&Cs for Windmill and CHECAL, the Commission will now address the proposed T&Cs for the customers who live in either Deer Springs or the Ranch, as filed by Salt Box and the Water Task Force. Where applicable, the Commission has considered the comments submitted by CHECAL and Windmill regarding the proposed T&Cs filed by Salt Box.

11.2.1 Effective date

217. The proposed T&Cs filed by Salt Box included an effective date of January 1, 2016.

218. The residents of CHECAL submitted that "The Effective date of the T&C must match the effective date of the AUC decision on new Rates."⁷⁶ Windmill commented that "An effective date of January 1, 2016 isn't acceptable to Windmill. If the T&C is revised to make provision for our ownership of facilities in Windmill and honours terms and conditions in the WSA, then we'd be more open to it but it would need to be effective as of a current date."⁷⁷

Commission findings

219. The Commission agrees with the residents of CHECAL that the effective date of any approved T&Cs must match the date of the Commission decision in which those T&Cs are approved. The proposed T&Cs should not be applied retroactively, particularly because certain provisions regarding liability specify various charges to customers. If the Commission were to approve the T&Cs with an effective date that preceded the issue date of the decision, those liability provisions and various charges would be applicable to all customers retroactively and

⁷⁵ *Black's Law Dictionary*, Bryan A. Garner, Deluxe 10th edition, 2014, Thomson Reuters: St. Paul and *Sterk's Alberta Conveyancing Law and Practice*, Comrie Kennedy, 2nd edition, 1987, Carswell: Toronto, page 11.

⁷⁶ Exhibit 24295-X0072, PDF page 4.

⁷⁷ Exhibit 24295-X0076, PDF page 2.

result in an impermissible application of charges or unintended consequences regarding any liability that might arise between Salt Box and its customers.

220. For example, in the proposed T&Cs, Salt Box has included a tie-in fee of \$10,000. If the Commission approved this tie-in fee amount and approved it with an effective date of January 1, 2016, Salt Box could retroactively charge this fee to any new customers since January 1, 2016, who would be subject to the fee. Customers' obligations must be subject to certainty, and customers should not have to be concerned about T&Cs being retroactively adjusted. For these reasons, the Commission finds that the effective date of the approved T&Cs for Salt Box should be the same date as the effective date of the rates in this decision, which is August 1, 2020.

11.2.2 Definitions

221. Section 1.0 of the proposed T&Cs filed by Salt Box is titled "Definitions" and includes a number of defined terms.

222. The Water Task Force included definitions as a subsection of Section 2 of their proposed T&Cs. Section 2 is titled "Definitions and Interpretations" and consists of the following four subsections: "2.1 Definitions"; "2.2 Conflicts"; "2.3 Extended meanings"; and "2.4 Headings."

223. While the majority of the terms and their associated definitions are exactly the same in both sets of proposed T&Cs, there are some differences which the Commission has described below.

224. Salt Box included the following terms and associated definitions in its proposed T&Cs:

- administrative charge
- reconnection charge
- service connection charge
- service connection charge-flat rate
- service connection charge-metered rate
- tie-in fee
- water availability charge

225. The Water Task Force did not include any of these terms but instead replaced them with the following term and definition:

"Price Schedule" or "Pricing Schedule" refers to the detailed prices provided under Schedule B of these Terms and Conditions.⁷⁸

226. To address the ownership concerns expressed by Windmill, the Water Task Force extended the definition of the following three terms: "curb stop facilities"; "customer facilities"; and "point of delivery." The definition of the term "curb stop facilities" was extended by adding the following: "Curb Stop Facilities for Co-op customers are owned by the Co-op."⁷⁹ The following sentence was added to the definition of the term "customer facilities": "For CO-OP

⁷⁸ Exhibit 24295-X0169, PDF page 4.

⁷⁹ Exhibit 24295-X0169, PDF page 3.

Customers, Customer Facilities or Private Service Line means all CO-OP owned water distribution pipelines and facilities that are independently owned and maintained by the CO-OP, downstream of the Point of Delivery.”⁸⁰ The Water Task Force extended the definition of the term “point of delivery” by adding the following sentence: “For CO-OP Customers, the Point of Delivery or Service Connection Point is the point of connection between the CO-OP owned water distribution pipeline and the Company’s Mainline System.”⁸¹

227. The Commission noted differences in the proposed T&Cs submitted by Salt Box and the Water Task Force respecting the definition of the term “optional facilities” and minor differences between the definition of the term “temporary facilities.”

228. Finally, the proposed T&Cs submitted by the Water Task Force included the following additional terms and associated definitions:

“Water Services” means all services provided by the Company under these Terms and Conditions, including but not limited to provision of potable water to a Customer through a Service Connection.

“Waterworks System” means the Facilities and all associated real and personal property used by the Company to supply potable water to Customers.⁸²

Commission findings

229. The Commission reviewed subsections “2.2 Conflicts”; “2.3 Extended meanings”; and “2.4 Headings” of the proposed T&Cs submitted by the Water Task Force. There are no such corresponding subsections in the proposed T&Cs filed by Salt Box. The Commission considers that subsections 2.3 and 2.4 are clauses which are straightforward and easy to understand. The Commission finds that these subsections should be included in the approved T&Cs for Salt Box because they provide certainty of terms and obligations in the T&Cs.

230. Subsection “2.2 Conflicts” consists of the following:

If there is any conflict between a provision in these Terms and Conditions, and another agreement between the Company and a Customer, the provision in these Terms and Conditions shall govern unless an express term of the other agreement states otherwise.⁸³

231. No evidence was provided on the record of any other agreements being in place between Salt Box and the customers who reside in either Deer Springs or the Ranch. The Commission considers that this clause was added to address the situation between Salt Box and Windmill where there is a WSA in place. Based on its findings above that separate sets of T&Cs are required for CHECAL and Windmill, the Commission finds that subsection 2.2. as proposed by the Water Task Force will not be included in the approved T&Cs for the customers, which are applicable to residents in Deer Springs and the Ranch.

232. The Commission considers that the inclusion of the term “Price Schedule” or “Pricing Schedule” by the Water Task Force to replace the seven terms listed in paragraph 224 above that

⁸⁰ Exhibit 24295-X0169, PDF page 3.

⁸¹ Exhibit 24295-X0169, PDF page 4.

⁸² Exhibit 24295-X0169, PDF page 4.

⁸³ Exhibit 24295-X0169, PDF page 4.

are included in Salt Box's proposed T&Cs is acceptable. Five of the seven terms in paragraph 224 are included on "Schedule B – Pricing Schedule" of the proposed T&Cs filed by the Water Task Force and the Commission finds that the other two terms, "service connection charge-flat rate" and "service connection charge-metered rate" are not applicable because Salt Box does not have customers in Deer Springs or the Ranch who pay a flat rate. Because a flat rate is not paid by these customers, this means that there is no distinction required for the service connection charge.

233. Based on the Commission's finding above that the proposed T&Cs submitted by Salt Box are not applicable to CHECAL and Windmill, the Commission finds that the extensions to the definitions of the terms "curb stop facilities"; "customer facilities"; and "point of delivery" made by the Water Task Force are not required to address the ownership concerns expressed by Windmill. These extended definitions are not included in the approved T&Cs in Appendix 4.

234. The definition of the term "optional facilities" included in the proposed T&Cs filed by Salt Box consists of a reference to any facilities identified in Section 3.9.1 of the proposed T&Cs. The Commission finds that the definition of the term "optional facilities" included in the proposed T&Cs filed by the Water Task Force is more descriptive and informative of what is an optional facility and therefore should be included in Salt Box's T&Cs.

235. The definition of the term "temporary facilities" included in the proposed T&Cs filed by Salt Box includes a reference to any facilities identified in Section 3.9.2 of the proposed T&Cs. There are no such facilities identified in Section 3.9.2. The definition of the term "temporary facilities" included in the proposed T&Cs filed by the Water Task Force excludes any such reference to temporary facilities and the Commission finds that this is preferable, because it will eliminate a reference that is not properly incorporated into the provisions of the proposed T&Cs.

236. The Commission finds that the inclusion of the terms "Water Services" and "Waterworks System" by the Water Task Force in their proposed T&Cs are acceptable, because these terms are used throughout the proposed T&Cs submitted by the Water Task Force. The proposed T&Cs filed by Salt Box also include numerous uses of the words "water services" but no definition of those words. The Commission prefers definitions of these terms because they add certainty to the provisions of the T&Cs.

237. The Commission's approval of certain aspects of the T&Cs have been primarily based on the Water Task Force's proposed T&Cs. The definition of the term "Water Services" includes the term "Service Connection," however, the term "Service Connection" is not defined in the proposed T&Cs filed by the Water Task Force. The Commission considers that because the term "Service Connection" is used throughout, it should be defined. Similarly, the definition of the term "Waterworks System" includes the term "Facilities," but the term "Facilities" is not defined in the proposed T&Cs of the Water Task Force. The Commission considers that because the term "Facilities" is used throughout the T&Cs, it should also be defined.

238. The Commission directs Salt Box and the Water Task Force to submit proposed definitions for "Service Connection" and "Facilities" as a post-disposition document for the Commission's consideration by September 1, 2020. Once the Commission has decided on approved definitions, it will add them to the T&Cs approved in this decision and issue an updated set of T&Cs.

11.2.3 Remainder of proposed terms and conditions of service

Commission findings

239. The Commission compared the proposed T&Cs filed by Salt Box and the Water Task Force and found that for every section and subsection set out in the Salt Box document, there was a corresponding section and subsection in the Water Task Force document. Table 12 is a table of concordance by section and subsection:

Table 12. Proposed terms and conditions of service filed by Salt Box and corresponding areas in the proposed terms and conditions of service filed by the Water Task Force

Proposed sections and subsections in the T&Cs filed by Salt Box	Corresponding sections and subsections in the proposed T&Cs filed by the Water Task Force
Section 1.0: Definitions	Section 2: Definitions and interpretations Subsection 2.1: Definitions
Section 2.0: General provisions	Section 1: Introduction to terms and conditions
Subsection 2.1: Scope and application of terms and conditions	Section 1: Introduction to terms and conditions
Subsection 2.2: Ownership of facilities	Subsection 13.1: Ownership of facilities
Subsection 2.3: Application for service	Subsection 3.1: Fundamental obligations of the company and of customer (Clause b) Subsection 4.1: Requirement for account and obligation to pay (Clause a) Subsection 4.2: The company's requirements upon a customer's application for water services Subsection 13.6: Assignments
Subsection 2.4: Location of service	Subsection 3.1: Fundamental obligations of the company and of customer (Clause c) Subsection 4.2: The company's requirements upon a customer's application for water services (clause a)
Section 3.0: Customer rights and obligations	Not applicable: No wording in Section 3.0 of Salt Box T&Cs
Subsection 3.1: Right to service	Subsection 3.1: Fundamental obligations of the company and of customer (clause a) Subsection 4.4: Authorizations and approvals for service connection
Subsection 3.2: Duty to pay rates	Subsection 3.1: Fundamental obligations of the company and of customer (clause h) Subsection 4.1: Requirement for account and obligation to pay (clauses b, c, d)
Subsection 3.3: Service for the customer's use	Subsection 3.1: Fundamental obligations of the company and of customer (clause c) Subsection 6.4: Customer responsibility for use of facilities Subsection 8.4: Appropriate use of service connections and facilities (clause b)
Subsection 3.4: Installation of customer facilities	Subsection 3.1: Fundamental obligations of the company and of customer (clause f) Subsection 5.1: Protection of the company's facilities and property of other customers (clause b) Subsection 8.1: Physical, design and engineering requirements for service connections (clause c) Subsection 13.2: Proper use of services Subsection 9.1 Installation of meters
Subsection 3.5: Easement	Subsection 6.1: Easements and rights-of-way
Subsection 3.6: Right of entry	Subsection 6.2: Right of entry Subsection 10.4: Removal of facilities

Proposed sections and subsections in the T&Cs filed by Salt Box	Corresponding sections and subsections in the proposed T&Cs filed by the Water Task Force
Subsection 3.7: Interference with company facilities	Subsection 6.3: Access to waterworks system Subsection 13.4 Interference with the company's property
Subsection 3.8: Standard customer contributions	Not applicable: No wording in Subsection 3.8 of Salt Box T&Cs
Subsection 3.8.1: Tie-in fee	Subsection 3.1: Fundamental obligations of the company and of customer (clause h)
Subsection 3.8.2 Service connection charge	Subsection 3.1: Fundamental obligations of the company and of customer (clause h) Subsection 4.1: Requirement for account and obligation to pay (clause a) Subsection 4.2: The company's requirements upon a customer's application for water service
Subsection 3.9: Special customer contributions	Subsection 3.2: Fees and other charges
Subsection 3.9.1: Optional facilities	Subsection 8.2: Optional facilities
Subsection 3.9.2: Temporary facilities	Subsection 8.3: Temporary facilities
Subsection 3.9.3: Water availability charge	Subsection 4.5: Temporary service and construction service
Subsection 3.10: Indemnity	Subsection 13.2: Proper use of service
Subsection 3.11: Guarantee deposit	Subsection 4.3: Security deposits
Subsection 3.12: Termination at the request of the customer	Subsection 10.1: Disconnection at customer request
Section 4.0: Company rights and obligations	Not applicable: No wording in Section 4.0 of Salt Box T&Cs
Subsection 4.1: Duties regarding service	Subsection 4.4: Authorizations and approvals for service connection Subsection 13.5: Service interruptions and the company's obligation to respond
Subsection 4.2: Limitations to company liability	Subsection 12.1: Limitation of the company liability Subsection 12.2: Release Subsection 12.3 Customer liability
Subsection 4.3: Accounts	Subsection 4.1: Requirement for account and obligation to pay (clauses e, f) Subsection 9.3 Circumvention of meter (clause b)
Section 5.0: Government approvals	Subsection 4.4: Authorizations and approvals for service connection
Section 6.0: Disconnection	Subsection 9.3 Circumvention of meter (clause a) Subsection 10.2: Disconnection by the company
Section 7.0: Reconnection	Subsection 10.3: Reconnection of service
Section 8.0: Meter dispute	Subsection 9.2 Meter testing
Schedule A: Water utility service application	Schedule A: Water utility service application
Schedule B: Fees and charges	Schedule B: Pricing schedule
Schedule C: Rates applicable to all customers	Schedule B: Pricing schedule

240. The Water Task Force document had additional sections and subsections that are not included in Salt Box's proposed T&Cs. Table 13 includes the list of the additional Water Task Force sections and subsections:

Table 13. Additional sections and/or subsections in the proposed terms and conditions of service filed by the Water Task Force that do not correspond to any sections or subsections in the proposed terms and conditions of service filed by Salt Box

Proposed additional sections and subsections in the T&Cs filed by Salt Box	
Subsection 2.2	Conflicts
Subsection 2.3	Extended meanings
Subsection 2.4	Headings
Subsection 3.1	Fundamental obligations of the company and of customers (Clauses d, e, g)
Subsection 4.6	Scheduling for service connection
Subsection 4.7	Customer to notify the company of changes
Subsection 5.1	Protection of the company's facilities and property of other customers (Clauses a, c, d)
Section 7	Waterworks system extensions
Subsection 7.1	Estimated cost
Subsection 7.2	Agreement in writing for waterworks system extension
Subsection 7.3	Customer payment for waterworks system extension costs
Subsection 8.1	Physical, design and engineering requirements for service connections (Clauses a, b, d, e)
Subsection 8.4	Appropriate use of service connections and facilities (Clause a)
Section 11	General restrictions and prohibitions
Subsection 13.3	Compliance with applicable legal authorities
Subsection 13.7	No waiver
Subsection 13.8	Law

Commission findings

241. The Commission finds that the proposed T&Cs filed by the Water Task Force cover all the areas included in the proposed T&Cs submitted by Salt Box as indicated in Table 12 above and includes additional sections as set out in Table 13. The Commission considers that the Water Task Force's T&Cs are more comprehensive than the proposed T&Cs filed by Salt Box. The Commission reviewed the additional areas of the proposed T&Cs filed by the Water Task Force and considers that the topics and issues they address are applicable to the operations of Salt Box and will reasonably serve the interests of both Salt Box and its customers. The Commission finds that these additional areas are acceptable for inclusion as part of the approved T&Cs for Salt Box, with the exception of subsection "2.2 Conflicts," as explained in the previous subsection of this decision.

242. Other than the changes to T&Cs filed by the Water Task Force that were rejected by the Commission which were previously addressed in this decision and any other changes noted by the Commission, the Commission approves the T&Cs filed by the Water Task Force as the T&Cs that shall govern the relationship between Salt Box and customers in Deer Springs and the Ranch, effective August 1, 2020. These T&Cs are included in Appendix 4.

243. Several parties commented that "Schedule A," the water utility service application, was not included by Salt Box when it filed its proposed T&Cs. The Commission considers that the water utility service application in "Schedule A" which forms part of the T&Cs should be included in the approved T&Cs. The Commission directs Salt Box to file the water utility service application document with the Commission as a post-disposition document in Proceeding 24295 on or before September 1, 2020.

12 Allocation of costs and rate design

244. In its application, Salt Box proposed the following rates:

Table 14. Proposed rates

	Customers	Fixed monthly rate (\$/month)	Usage charge (\$/m ³)
Residential (Ranch and Deer Springs)	29	120.00	5.50
CHECAL	17	2,040.00	5.22
Windmill	30	3,600.00	5.50

Source: Exhibit 24295-X0002, Section 3.1, PDF page 12.

245. Salt Box argued that its fixed fee was not high enough and a greater proportion of its rates should be fixed. Given that water is the main asset to a home, availability of water supply should be a primary charge. Salt Box added:

By not having more of the cost leaning towards the fixed cost of the operation we have numerous customers paying under \$40 a month for water. This does not help the common good and impacts overall pricing to the shoulders of others, yet that home is worth the same as the other, with the same access.

There needs to be more balance, between all users.⁸⁴

246. In considering this allocation of fixed and variable costs and Salt Box's proposed rate design, the Commission has reproduced the following principles and findings from Decision 21908-D01-2017:

107. In allocating the revenue requirement between classes of customers, the Commission typically has detailed information on the rate base of a utility and how it is used to serve the various classes of customers. As described above, sufficient information to support these allocations was not available.

108. In light of the above circumstances, the Commission has allocated revenue requirement in a manner which recognizes that a large proportion of the system (e.g., water treatment plant, water supply lines, and reservoir) serves all individual users, whether they are residential customers or the co-operative customers. To this end, the Commission considers that the expenses for plant and water operations, insurance, chemicals, water testing, utilities and administration are common costs used to provide service to all individual users. In addition, based on a review of a description of the assets and the maps filed on the record of this proceeding, the Commission considered a portion of repair and maintenance expenses, depreciation and return as common costs used to provide service to all users. The Commission then allocated the total common costs between co-operative customers and residential customers based on historical consumption volumes, as set out in Table 2 of this decision.

...

111. In designing rates, a utility uses customer numbers and consumption to determine the fixed and variable charges. In doing so, the amount of revenue collected equals the approved revenue requirement. Utilities sometimes design rates so that the amount of revenue collected from the fixed charge mirrors the fixed expenses of the utility.

⁸⁴ Exhibit 24295-X0170, Salt Box argument, PDF page 2.

However, this practice might not be practicable or reasonable for small utilities. The utility may also make further adjustments to the proposed rates to keep increases consistent across customer classes, or achieve other rate balancing objectives.

247. To ensure accurate allocation of costs and optimal rate design, the Commission typically would have detailed utility information on any changes in the number of customers served by the utility; updated current and historic consumption; and detailed reporting regarding the capital assets of the utility. The information provided by Salt Box regarding the annual consumption amounts of customers reflects data from 2013 to 2015, which is outdated. While Salt Box's three-year average consumption value of 21.59/m³ is a good estimate of an average household's water consumption in Alberta, current consumption information from Salt Box would provide current information to allocate Salt Box's fixed and variable costs.

248. Also, given that Salt Box serves residential customers from its distribution system and provides water service to cooperatives that own and maintain their own distribution systems, additional detail regarding Salt Box's assets used to serve these two customer groups is needed to properly design rates. However, given that the Commission has not approved amounts in revenue requirement for return and depreciation, no specific allocation of these costs are required at this time, as the revenue requirement approved in this decision reflects Salt Box's operation and maintenance costs and services which are required to provide water to all customers. Therefore, allocating the approved revenue requirement on an end-user basis is reasonable.

249. The Commission notes that billing costs might be different between the co-ops and residential customers. Given the responsibilities of the account analyst, the Commission considers that the time required to produce the billing statements is only a small portion of the administration costs of Salt Box. As a result, a different allocation of billing costs will not have a significant impact on the allocation of costs to customers who are billed directly by Salt Box and those who are billed by their respective cooperative.

250. The Commission is not opposed to Salt Box's proposal to set the fixed monthly fee at \$120 per month. Setting the fixed monthly fee at \$120 per month will provide greater revenue stability to Salt Box and will also minimize monthly billing fluctuations for residential customers. Given Salt Box's need for revenue stability and customer certainty in their monthly bills, the Commission considers this to be a reasonable fixed fee amount.

251. However, the Commission notes Salt Box has used 17 end-use customers in calculating the amount to be charged to CHECAL. Regarding the number of customers, in Decision 24295-D01-2019, the Commission stated:

68. ... In Decision 21908-D01-2017, the Commission based the interim rates on 74 customers. The Commission will continue to take a conservative approach and base the monthly amount on 74 customers that, to date, are serviced by Salt Box.

252. The Commission will continue with this conservative approach and base the rates on 74 end-use customers. This results in the following amount to be collected from the variable charge:

Table 15. Commission calculation and approved variable rate

Community	Customers	Monthly fee	Consumption	Amount
		(\$)	(m ³)	(\$)
Calling Horse Estates Co-operative Association Ltd.	15	120		1,800
Windmill Water Co-op	30	120		3,600
Residents of Sandstone Ranch	18	120		2,160
Residents of Deer Springs Close	11	120		1,320
Total	74			8,880
Annual total				106,560
Revenue requirement				137,482
To be collected from variable charge				30,922
Forecast annual consumption			19,175	
Variable charge				\$1.62/m³*

*The Commission has rounded \$30,922/19,175 to \$1.62/m³.

253. The Commission approves the variable water charge of \$1.62/m³ on water consumption. The Commission directs Salt Box in its next rate application to provide any changes in the number of customers served by the utility, updated current and historic consumption data that is available, and detailed reporting regarding the capital assets of the utility.

13 Approved rates for 2020 and reconciliation of interim rates

254. In Decision 21908-D01-2017, the Commission stated:

131. Upon approval of final rates, the Commission may require a true-up between interim and final rates. If an adjustment to rates is warranted based on further evidence provided in the Commission's proceeding to determine final rates for Salt Box, such a true-up may result in future riders that either refund or collect amounts from customers.

255. Given the amount of time that has passed since the approval of interim rates effective November 1, 2017, the Commission finds this has created significant uncertainty for customers. Further, the final rates approved in this decision are based on the best available information that has been submitted, but the information provided by Salt Box was still incomplete, e.g., capital asset and project costs. On this basis, the Commission will not alter the interim rates approved in Decision 21908-D01-2017. Accordingly, the Commission considers the interim rates approved in Decision 21908-D01-2017 to be final rates from November 1, 2017, up to and including July 31, 2020.

256. On a go-forward basis, the Commission approves the following rates effective August 1, 2020:

Table 16. Commission-approved water rates

		Approved rates
CHECAL		
	Fixed charge	\$1,800.00/month
	Variable charge	\$1.62/m ³
Windmill Water Co-op		
	Fixed charge	\$3,600.00/month
	Variable charge	\$1.62/m ³
Residential customers (Deer Springs, the Ranch)		
	Fixed charge	\$120.00/month
	Variable charge	\$1.62/m ³

257. Based on these rates, an average residential customer at a site consuming 21.59 m³ per month would pay the following monthly charges:

Table 17. Average monthly total bill based on Commission-approved rates and riders

	Rate	Monthly amount
		(\$)
Monthly fixed fee	\$120.00/month	120.00
Variable charge	\$1.62/m ³ x 21.59 m ³	34.98
UV rate rider	\$58.00/month	58.00
Audited financial rider	\$16.89/month	16.89
Total monthly amount		229.87

14 Order

258. It is hereby ordered that:

- (1) Salt Box Coulee Water Supply Company Ltd.'s interim rates are approved as final rates, effective from November 1, 2017, to July 31, 2020.
- (2) Salt Box Coulee Water Supply Company Ltd.'s rates are approved as final rates, effective August 1, 2020, subject to the Commission's findings and directions in this decision. The approved rates are:

		Approved rates
CHECAL		
	Fixed charge	\$1,800.00/month
	Variable charge	\$1.62/m ³
Windmill Water Co-op		
	Fixed charge	\$3,600.00/month
	Variable charge	\$1.62/m ³
Residential customers (Deer Springs, the Ranch)		
	Fixed charge	\$120.00/month
	Variable charge	\$1.62/m ³

- (3) Salt Box Coulee Water Supply Company Ltd.'s terms and conditions of service for Sandstone Ranch and Deer Springs Close residential customers are approved, subject to the Commission's findings and directions in this decision, effective August 1, 2020. The terms and conditions of service are attached as Appendix 4 of this decision.
- (4) Salt Box Coulee Water Supply Company Ltd. must file its water utility service application listed as "Schedule A" of Exhibit 24295-X0008, with the Commission as a post-disposition document in Proceeding 24295, on or before September 1, 2020.
- (5) The Commission-approved terms and conditions of service of Salt Box Coulee Water Supply Company Ltd. for Windmill Water Co-op Ltd. are the provisions found in Section 8, sections 10-11, Section 17(b), and sections 18-19 of the April 30, 2010, water supply agreement between Windmill Water Co-op Ltd. and Salt Box Coulee Water Supply Company Ltd., attached for reference in Appendix 3. For regulatory purposes, these terms and conditions of service are effective August 1, 2020.
- (6) Section 16 of the water supply agreement between Salt Box Coulee Water Supply Company Ltd. and Windmill Water Co-op Ltd. is amended for the purposes of establishing the terms and conditions of service regarding disconnections and reconnections, as follows:

In the event that any billed amount due and payable ~~that pursuant to the terms of this agreement~~ remains outstanding for a period of sixty (60) days after the date on which such amount [sic.] becomes due and payable ~~pursuant to the terms hereof~~, and provided notice thereof has been given to Windmill, Salt Box may forthwith disconnect the supply of water to Windmill's system; ~~PROVIDED HOWEVER~~ However, if, as and when the arrears are repaid by Windmill together with interest of a maximum of 4 percent per annum on billed amounts outstanding (non-compounded), and a reconnection fee of \$2,500.00, described in Schedule "D" attached hereto, Salt Box ~~has not given notice to Windmill that it has elected to terminate this Agreement due to breach of the covenant regarding payment~~, the supply and delivery of water pursuant to the terms and conditions herein contained shall be reconnected and supplied to Windmill the Subdivision lands.

- (7) Salt Box Coulee Water Supply Company Ltd. must (1) identify a valid water supply agreement between the utility and Calling Horse Estates Co-operative Association Ltd. that may have provisions that could act as Calling Horse Estates Co-operative Association Ltd.'s terms and conditions of service, or (2) file a separate set of terms and conditions of service that are proposed to be applicable to Calling Horse Estates Co-operative Association Ltd. if a valid water supply agreement is not available. If there is a valid water supply agreement between Salt Box and Calling Horse Estates Co-operative Association Ltd., the Commission directs Salt Box Coulee Water Supply Company Ltd. to file that water supply agreement with the Commission in a new application on or before September 1, 2020.

- (8) Salt Box Coulee Water Supply Company Ltd. is authorized to collect the audited financial statements' rate rider approved in this decision, effective August 1, 2020, to July 31, 2021. Salt Box Coulee Water Supply Company Ltd. must provide its audited financial statements to the Commission as a post-disposition document in Proceeding 24295, by November 1, 2021.

Dated on June 29, 2020.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Salt Box Coulee Water Supply Company Ltd. (Salt Box)
Windmill Water Co-op Ltd. (Windmill) S. Blick T. and B. Gieck
B. Wong Schuett Law
A. DeMarco
A. Beaubien
B. Chung
S. Corti
C. Cowie
A. DeMarco
G. Dickie
J. Dvorak
T. and R. Foster
J. and K. Fraser
J. Greik
R. Jebson

Name of organization (abbreviation) Company name of counsel or representative
R. Lupton
J. Magus
K. and S. Moore
D. McColl
T. Presber
A. Rogers
J. Serfas
E. Tupper
R. Tupper
C. Williamson
D. Wiltse
P. Zimmerman

<p>Alberta Utilities Commission</p> <p>Commission panel N. Jamieson, Commission Member</p> <p>Commission staff A. Sabo (Commission counsel) C. Burt C. Arnot E. Chu</p>

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. Regarding Direction 2 and Salt Box’s maintenance plan, while Salt Box provided quotes from Aaron Drilling of work that could be completed, there was no indication on the timing of when this work would be completed and how this work fits into Salt Box’s planned maintenance and upgrade program. The Commission considers that a basic level of information for Salt Box’s operations should include an ongoing plan to address ongoing maintenance and necessary capital replacements based on asset service lives, inspections of capital assets and scheduled maintenance. While Salt Box provided a copy of its inspection program, it does not appear to have a maintenance plan in place. At the time of filing its next rates application, the Commission directs Salt Box to include a maintenance plan, taking into account the Commission’s findings in this paragraph. paragraph 51
2. Accordingly, the Commission approves the forecast chemical expense of \$2,500. The Commission directs Salt Box to provide documentation supporting its actual expenses for chemicals in its next rate application. paragraph 126
3. Considering that the forecast amount for insurance is lower than the amount approved in Decision 21908-D01-2017, the Commission approves Salt Box’s forecast insurance amount of \$7,183. The Commission directs Salt Box to provide documentation supporting its actual expenses for insurance costs in its next rate application. paragraph 137
4. The provision of audited financial statements has been a source of contention between Salt Box and customers. The Commission has been mindful of the need for accurate financial statements in setting rates for Salt Box and its customers and that audited financial statements would increase the transparency of the utility operations to Salt Box’s customers and the Commission. The Commission maintains that an audit covering Salt Box’s most recent financial year should be completed, and the cost of the audit should be borne by customers. Further, completing an audit will establish a financial baseline for future rate applications. On this basis, the Commission directs Salt Box to provide the Commission and interveners with audited financial statements for its most recent fiscal year, which will be 2020, by November 1, 2021, as a post-disposition document. paragraph 188
5. The Commission approves the collection of the audited financial statements’ rate rider on a monthly basis as shown in Table 10, effective August 1, 2020, to July 31, 2021. For the reasons provided in this section, the Commission directs Salt Box to provide its audited financial statements to the Commission as a post-disposition document by November 1, 2021. paragraph 192
6. On this basis, the Commission directs Salt Box to (1) identify a valid WSA that may have provisions that could act as CHECAL’s T&Cs and file the valid WSA with the Commission, or (2) file a separate set of T&Cs that are proposed to be applicable to CHECAL if a valid WSA is not available. If there is a valid WSA between Salt Box and

- CHECAL, the Commission directs Salt Box to file that WSA with the Commission on or before September 1, 2020, in a new application, identifying the sections of the agreement that Salt Box is proposing to use as its T&Cs for CHECAL. paragraph 211
7. If Salt Box intends to file a separate set of T&Cs for CHECAL that is not based on a WSA, the Commission directs Salt Box to file those proposed T&Cs in a new application, on or before September 1, 2020. paragraph 212
 8. The Commission directs Salt Box and the Water Task Force to submit proposed definitions for “Service Connection” and “Facilities” as a post-disposition document for the Commission’s consideration by September 1, 2020. Once the Commission has decided on approved definitions, it will add them to the T&Cs approved in this decision and issue an updated set of T&Cs. paragraph 238
 9. Several parties commented that “Schedule A,” the water utility service application, was not included by Salt Box when it filed its proposed T&Cs. The Commission considers that the water utility service application in “Schedule A” which forms part of the T&Cs should be included in the approved T&Cs. The Commission directs Salt Box to file the water utility service application document with the Commission as a post-disposition document in Proceeding 24295 on or before September 1, 2020. paragraph 243
 10. The Commission approves the variable water charge of \$1.62/m³ on water consumption. The Commission directs Salt Box in its next rate application to provide any changes in the number of customers served by the utility, updated current and historic consumption data that is available, and detailed reporting regarding the capital assets of the utility. paragraph 253
 11. Salt Box Coulee Water Supply Company Ltd. must (1) identify a valid water supply agreement between the utility and Calling Horse Estates Co-operative Association Ltd. that may have provisions that could act as Calling Horse Estates Co-operative Association Ltd.’s terms and conditions of service, or (2) file a separate set of terms and conditions of service that are proposed to be applicable to Calling Horse Estates Co-operative Association Ltd. if a valid water supply agreement is not available. If there is a valid water supply agreement between Salt Box Coulee Water Supply Company Ltd. and Calling Horse Estates Co-operative Association Ltd., the Commission directs Salt Box Coulee Water Supply Company Ltd. to file that water supply agreement with the Commission in a new application on or before September 1, 2020. paragraph 258

Appendix 3 – Water Supply Agreement

[\(return to text\)](#)



Appendix 3 - Water
Supply Agreement

(consists of 12 pages)

Appendix 4 – Terms and conditions of service

[\(return to text\)](#)



Appendix 4 - Terms
and cond. of service

(consists of 23 pages)

WATER SUPPLY AGREEMENT

THIS AGREEMENT made as of the 30th day of April, 2010.

BETWEEN:

SALT BOX COULEE WATER SUPPLY COMPANY LTD., a body corporate incorporated in accordance with the laws of the Province of Alberta, having an office in the City of Calgary, in the Province of Alberta

(hereinafter referred to as "Salt Box")

AND

WINDMILL WATER CO-OP LTD., incorporated in accordance with the laws of the Province of Alberta, having its head office in Rocky View County, in the Province of Alberta

(hereinafter referred to as "Windmill")

THIS AGREEMENT WITNESSETH that in consideration of the premises and the covenants of the parties as hereinafter set forth, the parties hereto agree as follows:

1. In this Agreement, including this clause and the Schedules, the following terms shall have the following meanings:
 - a) "Salt Box's easement" means that easement and right of way legally described in Schedule "A" attached hereto.
 - b) "Salt Box's pumphouse" means the pumphouse located on the lands legally described as:

PLAN 8011161
BLOCK 2
LOT 7 PUL (Public Utility Lot)
EXCEPTING THEREOUT ALL MINES AND MINERALS
AND THE RIGHT TO WORK THE SAME
 - c) "Salt Box's system" means the system for pumping water from wells contiguous to the Bow River and delivering it to the Calling Horse water line at a point within Salt Box's pumphouse including, without restricting the generality of the foregoing, all pumps, meters, filters, pipelines, casings and all replacements thereto, together with all licences, permits, consents or other approvals now or hereafter held by Salt Box in connection with the foregoing, and all easements and rights of way required to provide and deliver water as contemplated by this Agreement. Saltbox's system shall include the water line and meter devices described in Section 10. Such water lines and measuring devices deliver and measure water originating from the Saltbox system and terminating in the Windmill system as per schedule C-1.
 - d) "Subdivision lands" means those lands more particularly described in Schedule "C" attached hereto.

- e) "Windmill's pumphouse" means the pumphouse located on the lands owned by Rocky View County and legally described as:

PLAN 8911099
BLOCK 4
LOT 23 PUL (Public Utility Lot)
EXCEPTING THEREOUT ALL MINES AND MINERALS

- f) "Windmill's system" means the plant, lines and equipment provided by Windmill for delivering water from the Saltbox line to the Subdivision lands as described in Schedule "C", and shall include that equipment described in Schedule "B" attached hereto, together with any and all replacements thereto.

2. That any previous Agreement between Salt Box and Windmill is null and void.
3. During the term of this Agreement, being from April 1, 2010, and subject to the terms of this Agreement and applicable government laws and regulations enacted from time to time which may affect the ability of Salt Box to provide water as herein contemplated, Salt Box shall sell to Windmill and Windmill shall purchase from Salt Box such volume of water as Windmill shall require to service the Subdivision lands, provided, however, that the quantity of water which Salt Box shall be required to sell to Windmill pursuant to this Agreement shall not exceed 20.5 acre feet annually as permitted by the updated and reissued Interim Licence No. 10551 issued to Salt Box by Alberta Environment and dated February 1, 1989. It is understood and agreed that there shall not be more than one (1) single family residence located on each of the lots described under Schedule "C" attached hereto.
4. Windmill shall not supply water, nor permit any of its members to supply water, to any party who is not a Windmill member without prior written consent from Salt Box.
5. Salt Box shall maintain in good repair and replace from time to time, at Salt Box's expense, any and all of Salt Box's equipment comprising Salt Box's system and such equipment shall be adequate to provide and deliver the water contemplated herein.
6. The price to be paid by Windmill for the water supplied pursuant to this Agreement, for the period commencing on January 1, 2010, shall be computed in accordance with the formula as set forth in Schedule "D" attached hereto.
7. If at any time during the period of this Agreement any dispute shall arise regarding any matter which is required to be referred to arbitration, then every dispute shall be referred to arbitration by one mutually agreed arbitrator, pursuant to the provisions of the *Arbitration Act* S.A. 1991, c. A-43.1, as amended from time to time.
8. Windmill shall pay Salt Box for the water supplied, within thirty (30) days of receipt by Windmill of Salt Box's invoice. Salt Box's invoice shall be provided to Windmill on a quarterly basis and shall stipulate the price of water as herein determined and the volume of water provided and delivered to Windmill as determined by Salt Box's water metering devices, unless the same prove to be inaccurate or faulty.

Any Salt Box meter may be inspected by Salt Box or by the customer at any time and shall, within 60 days notice to Salt Box, be tested or calibrated. In the event that said water meter is found to be accurate within 2% either way, the expense of such test shall be borne by the party giving notice. In the event that a Salt Box meter is found to be inaccurate beyond the aforesaid limits, the bills for water supplied during the three previous billing periods preceding the tests shall be corrected in proportion to the inaccuracy of the meter. In the event the Salt Box meter is faulty, Salt Box shall assume responsibility for the repairing, calibrating or replacing the Salt Box meter

10. Windmill shall provide proper and adequate access to Salt Box to install metering devices to determine and meter the volume of water supplied to Windmill. The location of the metering devices is to be located in the vicinity of the Windmill and Salt Box waterlines in the road right-of-way in front of Lots 21 and 22 Plan 891 1099 (see attached schedule C-1).
11. Salt Box shall be responsible for all costs incurred in connection with the operation, maintenance, repair and replacement from time to time of Salt Box's system up to and including the point of connection of Salt Box's system to and in Salt Box's pumphouse. Windmill shall be responsible for all costs incurred in connection with the operation, maintenance, repair and replacement of Windmill's system at and beyond the point of the connection of Windmill's system to the Salt Box water line in the road right-of-way in front of Lots 21 and 22 Plan 8911009 (see attached schedule C-1).
12. Salt Box shall operate, maintain, repair and replace from time to time, at Salt Box's cost, Salt Box's system and for such purpose shall provide and deliver water of a quantity required by Windmill, subject to the limits set forth in clause 3 of this Agreement, and of a quality and purity that shall comply with the requirements of the *Public Health Act*,; PROVIDED that Salt Box shall not be required to reduce the iron content in water supplied to Windmill below the iron content of the Bow River at the point of supply to Salt Box's system. Salt Box shall not be under any liability to Windmill in respect of the quality and purity of the water supplied hereunder except if it fails to satisfy the Calgary Regional Health Authority as to the quality and purity thereof and it fails to take all the necessary steps to remedy any impurity after receiving notice from the Calgary Regional Health Authority of the water being impure and unfit for use.
13. Salt Box shall name one (1) individual who can be contacted in the event of an emergency for prompt repair of Salt Box's system. Windmill shall be made aware from time to time of the name, address and telephone number of the caretaker responsible for Salt Box's system at any particular time, and Windmill shall from time to time designate a person who may be contacted by Salt Box to provide such information. Contacts are described in Schedule "E" attached hereto.
14. Salt Box may assign this Agreement and the ownership of Salt Box's system to any other person or party, provided that such other person or party agrees to be bound by the terms and conditions hereto.
15. Windmill may assign this Agreement and the ownership of Windmill's system to any other person or party, provided that such other person or party agrees to be bound by the terms and conditions hereof, and provided further that in the case of such assignment, Salt Box shall not be obligated to deal with more than one party in place of Windmill.

16. In the event that any amount due and payable pursuant to the terms of this Agreement remains outstanding for a period of sixty (60) days after the date on which such amount becomes due and payable pursuant to the terms hereof, and provided notice thereof has been given to Windmill, Salt Box may forthwith disconnect the supply of water to Windmill's system; PROVIDED HOWEVER if, as and when the arrears are repaid together with interest and a reconnection fee, described in Schedule "D" attached hereto, Salt Box has not given notice to Windmill that it has elected to terminate this Agreement due to the breach of covenant regarding payment, the supply and delivery of water pursuant to the terms and conditions herein contained shall be reconnected and supplied to the Subdivision lands.
17. Salt Box represents and warrants to Windmill that subject to the terms of this Agreement:
- a) Salt Box has and will continue to hold during the term of this Agreement, all requisite rights, permits, licences, easements and concessions necessary to maintain Salt Box's system and to supply water to Windmill and Salt Box shall comply with all other terms and conditions relating to such rights, permits, licences, easements and concessions and any renewals thereof; provided always that if Salt Box shall be prevented by a governmental or regulatory agency from continuing to hold such rights, permits, licences and concessions other than by reason of Salt Box's default under the terms and conditions thereof, then Salt Box shall not be regarded as being in default of this Agreement. In any event Salt Box shall be responsible for the uninterrupted supply of water regardless of Salt Box's financial health or any other unforeseen reason;
 - b) Salt Box owns Salt Box's system and has good and valid right to use the easements as described in Schedule "A" for the distribution of water, including the right to enter into the lands affected by the said easements to operate, repair, maintain and replace from time to time Salt Box's system.
18. If the transactions contemplated by this Agreement are subject to a goods and services tax (imposed by Part IX of the Excise Tax Act R.S.C. 1985, c. E-15, as amended or replaced and hereinafter referred to as the "G.S.T."), same shall be at the expense of Windmill and shall be in addition to and included in the sums payable by Windmill to Salt Box, as determined by this Agreement, and the G.S.T. shall be collected and remitted in accordance with applicable legislation.
19. All overdue sums payable to Salt Box by Windmill shall bear interest, from the date they are due until paid, at the rate of prime plus four (4.0%) percent per annum. Prime shall mean the prime rate established and designated from time to time as such by the Royal Bank of Canada.
20. Subject to this clause, any notice, request, demand, offer, acceptance, certificate or other instrument which may be required or permitted to be delivered to or served upon Salt Box or Windmill shall be considered given or served upon Salt Box or Windmill if in writing, personally delivered or mailed by prepaid registered post addressed to Salt Box or Windmill, at the address hereinafter set out, or at such other address as such party may notify the other. Any notice properly given shall be deemed to have been received on the date of delivery, or if mailed, on the fifth (5th) business day following the date of posting thereof within the Province of Alberta, excepting Saturdays, Sundays and legal holidays:

Salt Box Coulee Water Supply Company Ltd.
Suite 201, 1933 18 Avenue NE
Calgary, Alberta
T2E 7T8
Attention: Manager

Windmill Water Co-op Ltd.
Windmill Way
Attention: President

If there exists a labour strike, or other event, at the time of mailing any notice hereunder or within five (5) days thereafter excluding Saturdays, Sundays or legal holidays, which would affect the delivery of a notice by Canada Post, then notice shall only be in effect if actually delivered.

21. Notwithstanding anything herein to the contrary, it is understood and agreed that Windmill shall have the right, at any time from and after January 1, 2010, to personally deliver a termination notice to Salt Box at the address above set out, or at such other address as Salt Box may have notified, which termination notice will have the effect of terminating this Agreement on that date which is one (1) year from the date of actual delivery to Salt Box of said termination notice.
22. Salt Box and Windmill agree that each shall with reasonable diligence proceed to take all action to do all things and to provide such other reasonable assurances as may be required to perform this Agreement, and each of Salt Box and Windmill agrees to provide such further documents or instruments reasonably required by the other as may be necessary to effect the purpose of this Agreement and to carry out its provisions.
23. This Agreement shall enure to the benefit of and shall be binding upon the parties hereto together with their successors and assigns.
24. This Agreement shall be governed by and shall be construed in accordance with the laws of the Province of Alberta.
25. It is agreed that Windmill owns a fire hydrant located on the Deer Springs water line and that from time to time Windmill operates the hydrant for firefighting or maintenance purposes. It is also agreed that Windmill will purchase the water and pay Salt Box for the volume used. The volume will be ascertained by reconciling the Deer Springs total metered consumption and the total billed homeowner's consumption, the difference being the volume of water to be invoiced to Windmill.
26. TIME SHALL BE OF THE ESSENCE OF this Agreement.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their corporate seals, attested by the hands of their proper officers in that regard, all as of the day and year first above written.

SALT BOX COULEE WATER SUPPLY COMPANY LTD.

Per: _____

Per: _____

WINDMILL WATER CO-OP LTD.

Per: _____

Per: _____

Treasurer

Schedule "A"

1. Grant of Utility Easement dated August 8, 1980, from Soalta Development Limited to Salt Box with respect to a portion of the NE¹/₄ of section 2-25-3-W5M, and registered as Instrument No. 801 205 537 at Calgary Land Titles Office.

Schedule "B"

**THIS IS SCHEDULE "B" TO THE AGREEMENT ENTERED INTO BETWEEN
SALT BOX COULEE WATER SUPPLY COMPANY LTD. AND WINDMILL
WATER CO-OP LTD. DATED AS OF JANUARY 1, 2010.**

WINDMILL'S SYSTEM**Windmill's Pumphouse – Decommissioned**

3 Dempster submersible turbine pumps, VF3-300-S2, 3 H.P., 230 volt, single phase.

4 Well-x-trol WX-302 contained air pressure vessels.

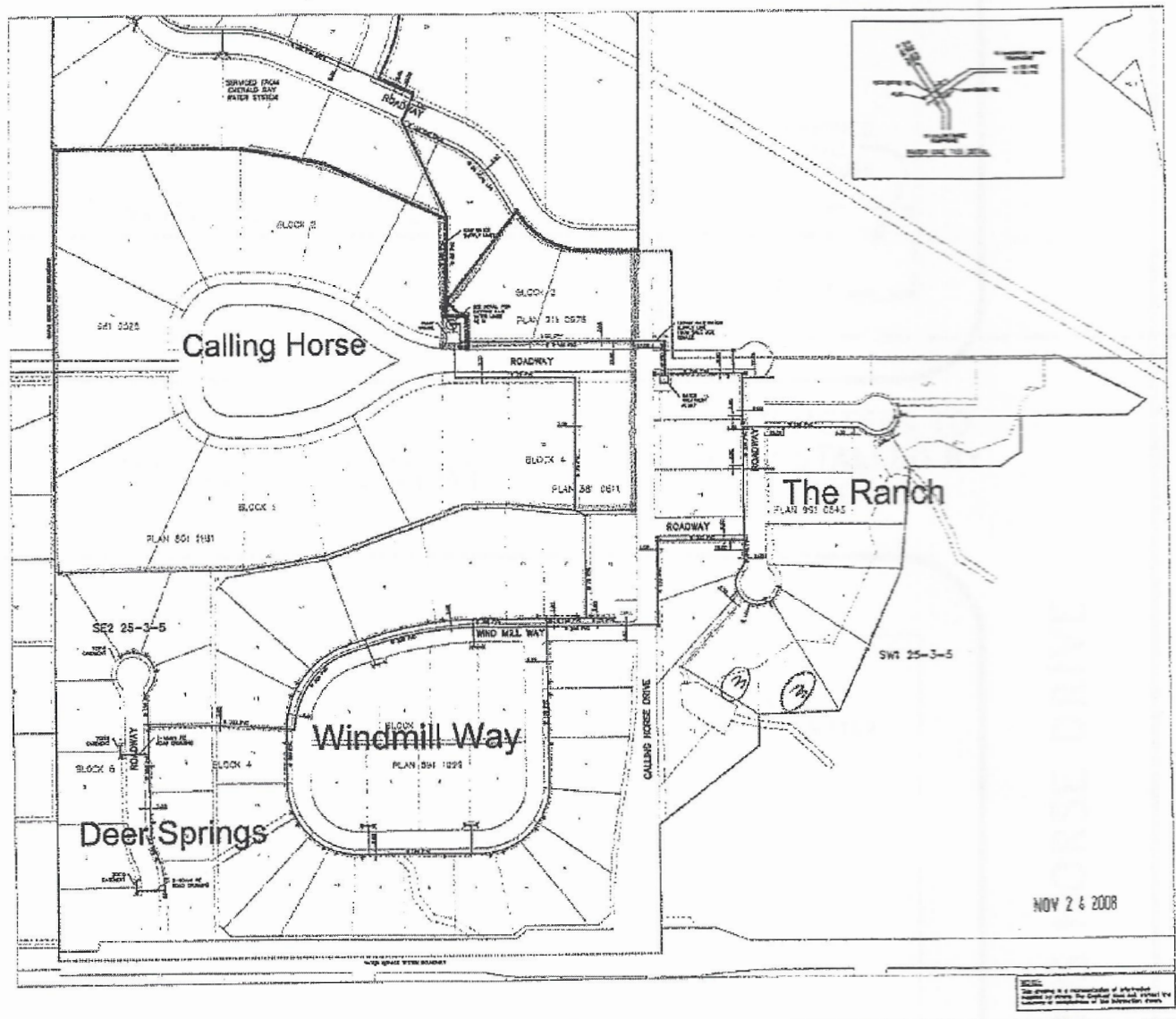
Pressure release valve, check valves, gas cocks, pressure switches, pressure gauge and piping as is necessary to transport water from the pumps into the distribution system external to Windmill's pumphouse and electrical controls together with such additional equipment that is installed from time to time.

Supply and Distribution System

All water lines from the point of connection to the Salt Box water line as shown on Schedule C-1, including all water metering devices irrespective of where such metering devices are installed, and all distribution lines, saddles, curb stops and drains, and services boxes necessary for the distribution of water. Also a 6 inch hydrant and associated appurtenances located in the right-of-way between lots 19 and 20 plan number 891 1099, and an 8 inch hydrant and associated appurtenances located in the right-of-way between lots 14 and 15 plan number 891 1099.

Schedule "C"

THIS IS SCHEDULE "C" TO THE AGREEMENT ENTERED INTO BETWEEN
SALT BOX COULEE WATER SUPPLY COMPANY LTD. AND WINDMILL
WATER CO-OP LTD. DATED AS OF JANUARY 1, 2010.

Subdivision Lands

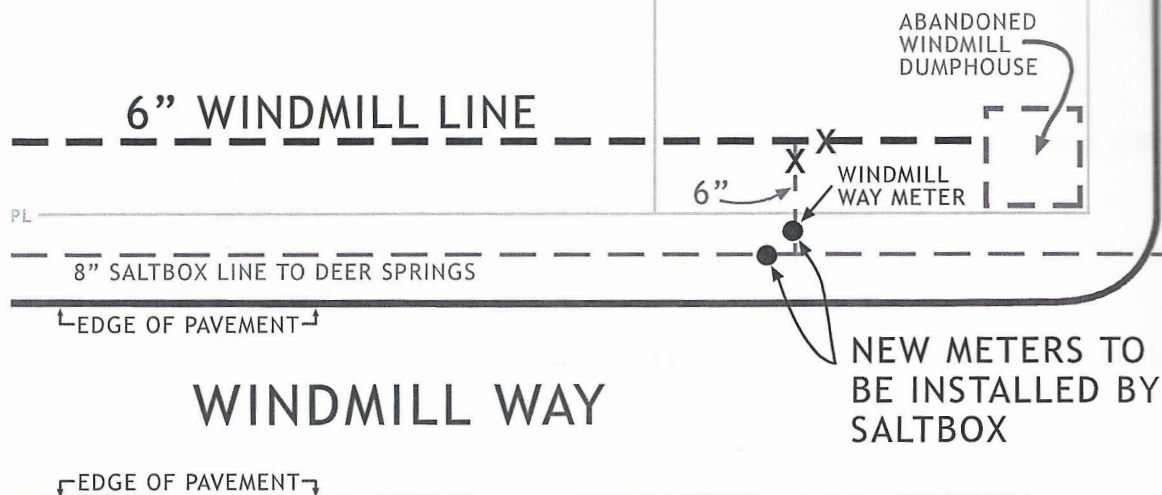
SCHEDULE "C-1"

(NOT TO SCALE)

PLAN NO: 891 1099

LOT 21

LOT 22



LEGEND:
X WATER VALVE
● NEW WATER METER

CALLING HORSE DRIVE

Schedule "D"

THIS IS SCHEDULE "D" TO THE AGREEMENT ENTERED INTO BETWEEN
SALT BOX COULEE WATER SUPPLY COMPANY LTD. AND WINDMILL
WATER CO-OP LTD. DATED AS OF April 1, 2010.

Rates (Billing Formulas)

Revenue paid by Windmill to Salt Box =

$V * 2.01130 * (1 + \text{Inflation Rate}) + \text{Fixed Fee}$

Whereby,

V = the volume in cubic meters purchased by Windmill from Salt Box during the three month period as measured by Salt Box's meter as described in Schedule C-1.

Inflation Rate is the Alberta Consumer Price Index (CPI) expressed as a percentage for the previous year as reported by Statistics Canada.

Fixed Fee is an amount equal to exactly \$525 per three month period and is not subject to change.

Interest Rate

Prime plus four (4.0%) percent per annum

Reconnection Fee

\$ 2500.00

Schedule "E"

**THIS IS SCHEDULE "E" TO THE AGREEMENT ENTERED INTO BETWEEN
SALT BOX COULEE WATER SUPPLY COMPANY LTD. AND WINDMILL
WATER CO-OP LTD. DATED AS OF JANUARY 1, 2010.**

Contacts

821951 Alberta Ltd.
o/a Pure Elements
RR1, Site 1, Box 77
De Winton, AB
T0L 0X0

Rob/Trina Comartin
(403) 995-2474

Windmill Water Co-op Ltd.
Board of Directors

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1 INTRODUCTION TO TERMS AND CONDITIONS

These Terms and Conditions as approved by the Commission apply to the Company and its relationship with all of its Customers.

Every Customer, by applying for or using a Service Connection or Water Services or other services of any kind provided by the Company under the authority of these Terms and Conditions, is deemed to have accepted these Terms and Conditions and is bound by and subject to them.

Unless otherwise agreed in writing by the Company and approved by the Commission, provision of Water Services or other services by the Company shall occur only in accordance with these Terms and Conditions.

Notice of any application to change the Terms and Conditions will be given in such manner as the Commission so directs.

2 DEFINITIONS AND INTERPRETATIONS

2.1 Definitions

The following words and phrases, whenever used in these Terms and Conditions or in an application, contract or agreement for service under these Terms and Conditions, shall have the meanings set forth below

“Application for Service” means the Company’s standard form of contract in the form of Schedule “A” attached hereto and as filed with the Commission and in use by the Company from time to time.

“Commission” means the Alberta Utilities Commission.

“Company” means Saltbox Coulee Water Supply Company Ltd.

“Curb Stop Facilities” means all curb stop, corporation cock, rising stem valve, and box and line facilities downstream of the Point of Delivery installed by the Company at the Service Address. Curb Stop Facilities for Co-op customers are owned by the Co-op.

“Customer” means the person or persons identified in the Application for Service and supplied with residential water service by the Company at the Service Address.

“Customer Facilities” or **“Private Service Line”** means all water pipeline and equipment at the Service Address Installed and maintained by the Customer between the Curb Stop Facilities and the Metering Facilities. For CO-OP Customers, Customer Facilities or Private Service Line means all CO-OP owned water distribution pipelines and facilities that are independently owned and maintained by the CO-OP, downstream of the Point of Delivery.

“Mainline System” means all facilities, equipment and apparatus upstream of the Point of Delivery, including all water pipelines, water reservoirs, water treatment facilities and equipment installed and/or maintained by the Company.

“Metering Facilities” mean all water meters, valves, metering equipment, remote readout and flow control equipment and appurtenant metering facilities downstream of the Point of Delivery and installed at the Service Address.

“Optional Facilities” means those facilities, if any, requested by a Customer, that are in addition to those commonly provided by the Company.

“Point of Delivery” or **“Service Connection Point”** means the point where the service valve is located within the Company’s right of way at which point the Mainline System would normally, but not always, exit and directly interconnect to the Service Address. For CO-OP Customers, the Point of Delivery or Service Connection Point is the point of connection between the CO-OP owned water distribution pipeline and the Company’s Mainline System.

“Price Schedule” or **“Pricing Schedule”** refers to the detailed prices provided under Schedule B of these Terms and Conditions.

“Service Address” means the address specified in the Application for Service and at which the Customer agrees to take water service from the Company downstream of the Point of Delivery.

“Temporary Facilities” means those facilities, if any, which may comprise Metering Facilities, Curb Stop Facilities, Optional Facilities, or additions to the Mainline System.

“Terms and Conditions” mean these terms and conditions of service, including the schedules attached hereto, as the same are filed with and amended and approved by the Commission from time to time.

“Water Services” means all services provided by the Company under these Terms and Conditions, including but not limited to provision of potable water to a Customer through a Service Connection.

“Waterworks System” means the Facilities and all associated real and personal property used by the Company to supply potable water to Customers.

2.2 Conflicts

If there is any conflict between a provision in these Terms and Conditions, and another agreement between the Company and a Customer, the provision in these Terms and Conditions shall govern unless an express term of the other agreement states otherwise.

2.3 Extended Meanings

In these Terms and Conditions, words importing the singular number shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa. Words importing a person shall include a person, firm, partnership, corporation, organization or association (including, without limitation, individual members of any unincorporated entity).

2.4 Headings

The division of these Terms and Conditions into sections, subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of these Terms and Conditions.

3 GENERAL PROVISIONS

3.1 Fundamental Obligations of the Company and of Customers

- (a) The Company will provide Water Services listed in the Price Schedule, at the fees, rates or other charges specified in the Price Schedule, and in accordance with these Terms and Conditions and with applicable Government regulations. All additional services provided by the Company to a Customer will be billed to the Customer in accordance with an agreement between the Customer and the Company.
- (b) Upon request of a Customer and upon fulfillment of all conditions set out in these Terms and Conditions, the Company will install and maintain a Service Connection to a Customer's premises at the Point of Delivery. Unless an agreement between the Company and a Customer specifically provides otherwise:
 - (i) the Company shall be and remain the owner of the Water Service Line forming part of the Service Connection;
 - (ii) the Customer shall be and remain the owner of the Private Service Line downstream of the Service Connection Point;
 - (iii) the Company shall be and remain the owner of all water meters and other measuring and monitoring devices associated with the Service Connection, regardless of whether they are located upstream or downstream of the Service Connection Point.
- (c) With the exception of Co-op Customers, all water services provided by the Company shall be provided solely for the Customers own use at the Service Address. No Customer shall permit any person to take water supplied to the Service Address to any other premises for the use of any other persons without the prior written consent of the Company. Failure to comply with this provision shall result in an addition Fixed Monthly Fee for each month the Customer has permitted the unauthorized removal of water.
- (d) The general operating costs of maintaining the Waterworks System, are intended to be covered by the rates for Water Services set out in the Price Schedule. The Company will maintain the Waterworks System at no additional specific charge to any Customer for Water Services provided beyond the fees, rates and charges for Water Services set out in the Price Schedule, provided however that the cost of repairing or remedying any loss or damage to Facilities or other property that is caused by a Customer or other party for whom a Customer is responsible in law and that results in a judgment of a court in the Company's favour, may at Company's sole option (and in addition to any other legally available remedies) be added to a Customer's Account as an additional amount due and payable by the Customer to the Company.
- (e) When the Company performs a repair on its Facilities affecting a Customer's property, the Company will make all reasonable efforts to return the property to its original or similar to original condition as soon as practicable after the repair is completed.

- (f) Customers are solely responsible to take all necessary measures to prevent damage to their Private Service Lines due to any cause, including settlement of the structure or soil through which the Private Service Line passes. The Company shall not under any circumstances whatsoever be liable for any repair, maintenance or replacement of any Private Service Line, except to the extent that damage to a Private Service Line is caused by a deliberate or negligent act of the Company.
- (g) Where any physical facilities required to supply Water Services to a Customer (whether owned by the Customer if downstream of the Service Connection Point or by the Company if upstream of the Service Connection Point) are located in Disturbed Ground, the Company's obligation to construct does not include incremental construction costs required to stabilize such physical facilities and/or to bring the disturbed ground to a stable state. The Customer may at the Company's sole option be required to pay all additional construction costs in such circumstances including the costs of any required support system.
- (h) Every Customer shall:
 - (i) pay all charges, fees and bills for Water Services performed by the Company, its employees, agents or contractors, in accordance with the Price Schedule or an agreement with the Company, as applicable.
 - (ii) comply with the requirements of these Terms and Conditions as approved by the Commission and modified from time to time.

3.2 Fees and Other Charges

The Company will provide Water Services hereunder pursuant to the rates, fees or other charges specified in the Price Schedule – Schedule B attached, as outlined below. Any additional, supplementary or extra service provided by the Company to a Customer or to any other person will be charged a separate rate or fee.

4 METHODS AND PROCEDURES FOR OBTAINING WATER SERVICES

4.1 Requirement for Account and Obligation to Pay

- (a) A Customer shall open an Account with the Company as a condition of obtaining Water Services, regardless of whether the Water Services requires installation of a new Service Connection or construction of any new Facilities. The Company may charge an Administration Fee to set up the new Customers Account in accordance with the Pricing Schedule.
- (b) The Company may add to a Customer's Account the charges for all Water Services or other services provided by the Company to the Customer, and the Customer is obligated to pay in full all such charges, upon receipt of a bill for the charges.
- (c) A late payment charge of 1.5% per month, not compounded, is applied to all charges on a Customer's Account if the Customer's payment has not been received by the Company before 20 days from the date of issuance of the bill in respect of the charges.

- (d) The Customer is charged a dishonored cheque charge for each cheque returned for non-sufficient funds (NSF) as set out in the Pricing Schedule.
- (e) The Company shall render its accounts monthly or every two months at the Company's option, unless otherwise separately contractually agreed.
- (f) In the event an actual meter reading is not available for any given month, the Company shall render the account based on an estimate of typical customer usage. Subsequent billing shall reconcile the billing amounts to reflect the actual meter reading once available.

4.2 The Company's Requirements upon a Customer's Application for Water Services

- (a) A Customer applying for Water Services involving a new Service Connection shall supply information regarding the location of the premises to be served, the manner in which the Service Connection will be utilized, and any other information that may be reasonably required by the Company.
- (b) Upon receipt of all required information, verification of the Customer's identity and the accuracy of the information, and execution of any applicable acknowledgement form or agreement, the Company will;
 - (i) advise the Customer whether and on what terms the Company is prepared to supply Water Services to the Customer;
 - (ii) in the case of a Customer requiring a new Service Connection, advise the Customer of the type and character of the Service Connection it is prepared to supply to the Customer, and any conditions (including without limitation, payments by the Customer) that must be satisfied as a condition of installation of a Service Connection and supply of Water Services.

4.3 Security Deposits

- (a) The Company, in its sole discretion, may at the time of a Customer's application for Water Services or at any time thereafter require the Customer to post a security deposit or an increase to an existing security deposit in circumstances that include the following:
 - (i) late payment by the Customer for Water Services or other services provided by the Company;
 - (ii) the Customer has issued more than one cheque or pre-authorized debit that has been returned for non-sufficient funds in any six month period;
 - (iii) the Customer is applying for re-connection or for a new Water Services after having previously been disconnected from Water Services for non-payment;
- (b) The Company, in its sole discretion, may determine that a Customer is not required to post a security deposit or is no longer required to maintain an existing security deposit, in circumstances that may include, without limitation, the following:
 - (i) the Customer has a good payment history with the Company;

- (ii) where a result satisfactory to the Company is obtained from an external credit check;
 - (iii) where the Customer provides a co-signor who agrees to be personally responsible for payment for Water Services supplied and services rendered to the Customer and who has a credit rating acceptable to the Company; or
 - (iv) where the Customer provides to the Company an indemnity bond or irrevocable letter of credit from a financial institution satisfactory to the Company.
- (c) Unless extraordinary circumstances apply, the maximum security deposit the Company will require from a Customer for Water Services not involving a new Service Connection is an amount equal to three times the amount the Company estimates will be the average monthly billing to the Customer for Water Services.
- (d) A deposit made by a Customer shall be returned to the Customer after a satisfactory payment history over a period of 12 consecutive months or when the Customer's Water Services are terminated and the Customer's account is closed. Where a Customer's Water Services are terminated and the Customer's Account is closed for non-payment, prior to any refund, the deposit will be applied to the balance owing by the Customer to the Company.
- (e) the Company will pay to a Customer as soon as practicable after the end of each calendar year, or after the Customer's Account is closed, simple interest on the daily balance of any cash deposit held by the Company in respect of the Customer. The interest rate applicable to such payments is the "Bank Rate" announced by the Bank of Canada and in effect from time to time.

4.4 Authorizations and Approvals for Service Connection

The Customer shall be responsible for obtaining all permits, certificates, licenses, inspections, reports, and other authorizations necessary for the installation and operation of the Service Connection. The Company shall not be required to commence or continue installation or operation of a Service Connection unless and until the Customer has complied with the requirements of all governmental authorities, permits, certificates, licenses, inspections, reports and other authorizations, all right-of-way agreements, and all of the Company's requirements applicable to the installation and operation of the Service Connection. The Company reserves the right, but is not obligated, to verify that all necessary authorizations have been obtained.

4.5 Temporary Service and Construction Service

- (a) The Company will provide temporary, unmetered Water Service wherever practicable to a Customer for purposes of facilitating construction of a new development. The Customer will pay a rate, charge or fee for such Water Service, as specified in the Price Schedule. A Customer who is receiving unmetered Water Service for the construction phase of a development ceases to be entitled to take unmetered Water Service at the construction rate and is required to apply for metered Water Services when:
 - (i) an occupancy permit is issued in respect of the development; or
 - (ii) when the development is being used for its intended purpose whichever event first occurs.

4.6 Scheduling for Service Connection

After the Customer has complied with the Company's application requirements and has been accepted for service by the Company and complied with the requirements of all applicable construction and safety standards or regulations, the Company shall schedule that Customer for Service Connection within 5 working days.

4.7 Customer to Notify the Company of Changes

When a Customer has a change of name or contact information, (including without limitation: mailing address, telephone numbers, e-mail address) the Customer must immediately notify the Company of such change. The Company reserves the right to require that such notification be made in writing.

5 SERVICE REQUIREMENTS AND FACILITIES

5.1 Protection of the Company's Facilities and Property of Other Customers

(a) **No Interference with Facilities**

The Customer shall not install or allow to be installed on property owned or controlled by the Customer any temporary or permanent structures that could interfere with the proper and safe operation of the Company's Facilities or result in non-compliance with applicable statutes, regulations, standards or codes.

(b) **Compliance with Requirements and Use of Service Connection**

The Customer shall ensure that the Customer's facilities comply with the requirements of any relevant codes or regulations.

(c) **Customer to Pay Relocation Costs**

The Customer shall pay all costs of relocating the Company's Facilities at the Customer's request, if such relocation is for the Customer's convenience, or if necessary to remedy any violation of law or regulation caused by the Customer.

(d) **Prohibited Extension of Customer Owned Facilities**

With the exception of Co-op Customers, a Customer shall not extend or permit the extension of a Private Service Line or any other customer-owned piping, equipment or other assets that are connected directly or indirectly to the Waterworks System, beyond the separately titled lot or parcel of land in respect of which they are used to supply Water Services through a Service Connection Point.

6 EASEMENTS, RIGHTS-OF-WAY, AND USE OF AND ACCESS TO FACILITIES

6.1 Easements and Rights-of-Way

At the request of the Company a Customer shall grant or cause to be granted to the Company, without cost to the Company, such easements or rights-of-way over, upon or under property owned or

controlled by the Customer as the Company reasonably requires for the construction, installation, maintenance, repair, and operation of the Facilities required for a Service Connection to the Customer and the performance of all other obligations required to be performed by the Company hereunder.

6.2 Right of Entry

- (a) The Company's employees, agents and other representatives shall have the right to enter a Customer's premises at all reasonable times, for the purpose of installing, maintaining, replacing, testing, monitoring, reading or removing the Company's Facilities and for any other purpose incidental to the provision of Water Services. A Customer shall not prevent or hinder the Company's entry to the Customer's premises for any such purpose. Without limiting the generality of the foregoing, the Company has the right to enter a Customer's premises at any reasonable hour in order to:
 - (i) install, inspect, test, repair or remove Facilities;
 - (ii) perform necessary maintenance to Facilities;
 - (iii) investigate or respond to a Customer complaint or inquiry;
- (b) The Company will make reasonable efforts to notify the Customer in advance of entering a Customer's premises or to notify any other person who is at the Customer's premises and appears to have authority to permit entry, except:
 - (i) in cases of emergency;
 - (ii) where entry is permitted by order of a court or other authority having jurisdiction; or
 - (iii) where otherwise legally empowered to enter.

6.3 Access to Waterworks System

- (a) A Customer shall be responsible for managing vegetation on the property owned or controlled by the Customer to maintain adequate clearances and reduce the risk of contact with the Company's above-ground Facilities.
- (b) A Customer shall not install or allow to be installed on property owned or controlled by the Customer any temporary or permanent structures that could interfere with the Company's free and direct access to its Facilities or result in non-compliance with applicable statutes, regulations, standards and codes.
- (c) A Customer shall not obstruct or impede the Company's free and direct access to any Facilities, including without limitation any services, water mains, valves, Curb Cocks, fire hydrants, meters or meter settings.

6.4 Customer Responsibility for Use of Facilities

- (a) No Customer shall install or allow to exist any connection or Cross Connection that could cause or allow drinking water, in any part of the Waterworks System to become contaminated or polluted in any way.

- (b) Where the Company determines that there exists a connection or Cross Connection prohibited by this Section, the Company shall give notice to the Customer to correct the connection or Cross Connection at the expense of the Customer within the time specified in the notice.
- (c) Where the Customer fails to correct the connection or Cross Connection in accordance with the notice, in addition to any other penalty, the Company may turn off the supply of water for such time as the prohibited connection or Cross Connection continues.
- (d) Customers will not use water from the Waterworks System, or allow water obtained from the Waterworks System to be used:
 - (i) in an unauthorized manner;
 - (ii) in a manner that will impede water use by other Customers;
 - (iii) unless the water has first passed through a water meter, except in the case of a development in the course of construction that has not yet received an Occupancy Permit, to which the prescribed Construction Service Charge applies.
- (e) If the Company finds an unauthorized use of water including as a result of any tampering with a meter or other the Company Facilities, the Company may make such changes in its meters, appliances, or other Facilities or take such other corrective action as may be appropriate to ensure only the authorized use of the Facilities, and also to ensure the safety of the general public.
- (f) Upon finding an unauthorized use of water, the Company may disconnect the Service Connection immediately, without notice and shall charge the Customer, all costs incurred in correcting the condition, in addition to any other rights and remedies which may be available to the Company.
- (g) A Customer that uses water in contravention of this Section shall pay the following charges:
 - (i) The applicable fixed and variable rate for the water used, in accordance with the Price Schedule, and where necessary based on an estimate by the Company of the amount of water used in contravention of this Section;
 - (ii) all costs incurred by the Company in dealing with the contravention;
 - (iii) any other penalty provided by the Price Schedule, and any applicable law or regulation.
- (h) Where the Company determines that seals on valves, meters or other appurtenances have been deliberately broken and not reported, or that a water meter has been tampered with such that it has not been measuring water accurately, the Company shall be permitted at all times to estimate the quantity of water consumed or obtained, and charge the Customer at the applicable water consumption rate set out in the Price Schedule.

7 WATERWORKS SYSTEM EXTENSIONS

7.1 Estimated Cost

Upon a Customer's request for a new or upgraded permanent Service Connection involving construction of new Facilities or an extension to the Waterworks System, the Company shall prepare a proposal outlining the estimated cost of the Service Connection including all necessary new Facilities or extensions to the Waterworks System (including but not limited to extensions to Water Distribution Mains or Water Transmission Mains).

7.2 Agreement in Writing for Waterworks System Extension

A new or upgraded Service Connection involving new Facilities or an extension to the Waterworks System shall not be constructed unless the Customer has executed a Water Services Agreement in respect thereof to the satisfaction of the Company.

7.3 Customer Payment for Waterworks System Extension Costs

Unless otherwise specified the full cost of any new Facilities or extensions to the Waterworks System shall be paid by the Customer whose new or upgraded Service Connection gives rise to the need for the new Facilities or extension to the Waterworks System.

8 WATER SERVICE LINES AND SERVICE CONNECTIONS

8.1 Physical, Design and Engineering Requirements for Service Connections

- (a) The Customer is responsible to supply at the Customer's cost:
 - (i) any plans and engineering reports pertaining to the Service Connection that the Company may reasonably require;
 - (ii) proof to the Company's satisfaction that any Private Service Line to which a Service Connection is to be made, meets all requirements of these Terms and Conditions, and conforms to the requirements of all applicable legislation and regulations;
- (b) With the exception of Company owned meters, the Customer shall be responsible for the installation and condition of the Customer's Private Service Line and all other piping and equipment or other facilities of any whatsoever on the Customer's side of the Service Connection Point.
- (c) The Customer assumes full responsibility for the proper use of the Service Connection and any Water Services provided by the Company and for the condition, suitability and safety of any and all devices or equipment necessary for receiving Water Services which are located on the Customer's premises or on other premises owned or controlled by the Customer.
- (d) The Customer shall be responsible for determining whether the Customer requires any devices to protect the Customer's premises or property from damage that may result from the use of a

Service Connection or Water Services, or to protect the safety or reliability of the Waterworks System. The Customer shall provide and install any such devices at the Customer's sole expense.

- (e) The Company may in its sole discretion construct a Water Service Line to premises not abutting a street or right-of-way containing a Water Main, upon execution by a Customer of an agreement satisfactory to the Company in respect of the physical and financial arrangements concerning the Water Service Line and any associated extension or modification to the Waterworks System.

8.2 Optional Facilities

- (a) Optional Facilities must be specifically requested by a customers before they will be considered by the Company.
- (b) When the Company determines that a new service will require special and/or additional expense due to Customer requirements in addition to those commonly provided by the Company, such facilities shall be considered Optional Facilities and the Customer shall be responsible for the entire costs (including capital costs) of installation of such Optional Facilities.
- (c) When the Company determines that a new service will require Optional Facilities, the Company may require to Customer to pay the additional amount estimated by the Company for the Optional Facilities as a construction advance prior to the commencement by the Company of any construction to interconnect the Customer.

8.3 Temporary Facilities

Unless otherwise agreed by the Company, a Customer who desires service that the Company determines in its sole discretion will not be permanent shall pay to the Company, in advance, the Company's estimated costs (including capital costs) of installation and removal of the Temporary Facilities, less any estimated salvage value thereof.

8.4 Appropriate Use of Service Connections and Facilities

(a) **Interference with or Damage to Facilities**

No Customer or other person, other than an employee or authorized agent of the Company, is permitted to remove, operate, or maintain meters, or other Facilities. A Customer shall not interfere with or alter any meter, seals or other Facilities or permit the same to be done by any person other than the authorized agents or employees of the Company. A Customer is responsible to pay for the cost of repairing or otherwise remedying any damage to or loss of Facilities located on the Customer's premises unless occasioned by circumstances as determined to have been beyond the Customer's control.

(b) **Unauthorized Use**

Where the Company determines that there has been unauthorized use of the Service Connection or Water Services including, but not limited to, meter tampering, unauthorized connection or reconnection, theft, fraud, intentional use of water or Water Services whereby the Company is denied full compensation for services provided, the Company will bill the Customer for the Company's estimate of such unauthorized use and the Customer is obligated

to pay the charges so billed. Nothing in this section shall limit any other rights or remedies that the Company may have in connection with such unauthorized use.

9 METERS

9.1 Installation of Meters

(a) Provision and Ownership

Unless otherwise contractually agreed, the Company shall supply, install, and seal one or more meters for the purpose of measuring the volume of water delivered to a Customer by way of a Service Connection. Each meter and related metering equipment so installed shall remain the sole property of the Company, regardless of whether the Customer has paid or reimbursed all or any part of the Company's costs of supply and installation.

(b) Responsibility of Customer

- (i) Each Customer shall ensure that a suitable location on the Customer's premises for meter installation is provided, and that access to the meter is provided for the purpose of reading or servicing the meter, in accordance with all applicable requirements of the Service Connection Guidelines as amended from time to time.
- (ii) Unless otherwise contractually agreed, each customer shall be responsible for the initial cost of the meter and associated installation at the rates identified in the Price Schedule.

(c) Access to Meters

The Company may, at any reasonable time, read, inspect, remove or test a meter installed on property owned or controlled by the Customer.

9.2 Meter Testing

- (a) At the request of a Customer, the Company shall arrange for on-site meter verification and if necessary, shall arrange for a meter to be tested by a person qualified to perform such work. The Company charges a fee for responding to such Customer requests as set forth in the Price Schedule. If, upon verification and/or testing, the meter is found to be recording accurately (which for this purpose is defined as recording between 97% and 103% of actual consumption) then the Company shall retain the fee. If the meter is found to be recording inaccurately as hereinbefore defined, the Company will refund the fee to the Customer and make appropriate adjustments to the applicable bills.
- (b) The Company may at any time inspect or test any meter, on its own initiative, regardless of whether the Customer has requested inspection or testing. All such testing shall be completed in accordance with applicable standards by a person qualified to perform such work. In such case the Company shall be responsible for all costs of inspecting, testing, calibration or replacement of the Metering Facilities as necessary.

9.3 Circumvention of Meter

- (a) If under any circumstances, a person other than a Company employee, agent or contractor, prevents a meter from accurately recording the total volume of water supplied, the Company may disconnect the Water Services or take other appropriate actions to ensure access to accurate meter data.
- (b) The Company may then estimate the demand and amount of water supplied but not recorded by the meter at the Service Connection. The Customer shall pay the cost of the estimated water consumption plus all costs related to the investigation and resolution of the matter.

10 SERVICE DISCONNECTION AND RECONNECTION

10.1 Disconnection at Customer Request

- (a) Permanent Disconnection
 - (i) The Customer may terminate service at any time upon the giving of at least seven days' notice to the Company at the Company's office nearest the Service Address.
 - (ii) If a Customer requests that a Service Connection be permanently disconnected, or if a permanent disconnection is deemed to have occurred due to tampering, the Customer billing for that service will be finalized. The Customer shall be responsible for all services supplied, and the charges therefore, to the date of final termination of service. At the discretion of the Company, the Facilities provided by the Company will be removed.
 - (iii) If the Customer subsequently requests that the Service Connection be restored, the Customer must pay all costs associated with the original disconnection, removal of the Facilities, restoration of the Service Connection, and Reconnection Charge.

10.2 Disconnection by the Company

- (a) Disconnection without Notice

If the Company believes there is any actual or threatened danger to life or property, the Company has the right to withhold connection or to disconnect a Customer's Service Connection without prior notice to the Customer. More specifically, and without limitation of the foregoing, the Company may exercise this right in the event that:

 - (i) the use of the Service Connection may cause damage to any other Facilities;
 - (ii) on account of theft by the Customer of any Water Services or the Company Facilities;
 - (iii) if any tampering with any service conductors, seals or any other Facilities of the Company or any meters, whether or not provided by the Company is discovered.
- (b) Disconnection with Notice

The Company may withhold connection or may disconnect a Customer's Service Connection (without prejudice to any of the Company's other remedies) after providing forty-eight (48) hours advance notice to the Customer, as applicable, in the following circumstances:

- (i) if the Customer neglects or refuses to pay when due any amounts required to be paid under these Terms and Conditions, which amount is not the subject of a good faith dispute;
- (ii) as required by law;
- (iii) if the Customer is in violation of any of these Terms and Conditions.

10.3 Reconnection of Service

- (a) Before the Company reconnects or restores service, at the Company's request the Customer shall pay:
 - (i) any amount owing to the Company;
 - (ii) a security deposit in accordance with these Terms and Conditions;
 - (iii) a reconnection charge in an amount set out in the Price Schedule; and
 - (iv) a charge equal to the fixed monthly rate for each full month the Customer's service is disconnected, up to a maximum of 12 months. This charge does not apply to new customers or where the service has been disconnected for more than 18 months.
- (b) Once the Customer has satisfied the conditions for reconnection, the Company will make reasonable effort to reconnect the Customer's service within 24 hours.

10.4 Removal of Facilities

Upon termination of service, the Company shall be entitled to remove any of its Facilities located upon the property of the Customer and to enter upon the Customer's property for that purpose.

11 GENERAL RESTRICTIONS AND PROHIBITIONS

With the exception of Co-op Customers the following shall apply:

- (a) No Customer or other person shall resell water obtained from the Waterworks System to any other person except in accordance with the terms and conditions of an executed written agreement with the Company.
- (b) No Customer or other person shall construct or allow to be constructed more than one Service Connection to any premises without prior written consent of the Company.
- (c) A Private Service Line must not cross from one separately titled property to another separately titled property even if these properties are owned by the same person.

12 LIABILITY AND INDEMNIFICATION

12.1 Limitation of the Company Liability

- (a) Notwithstanding any other provision of these Terms and Conditions or any provision of any agreement between the Company and a Customer relating to the provision of Water Services

(an “the Company Agreement”) the Company, its directors, officers, agents, employees and representatives (“the Company Parties”) shall not be liable to the Customer for any loss, injury, damage, expense, charge, cost or liability of any kind suffered or incurred by the Customer, whether of a direct, indirect, special or consequential nature, however or whenever caused, and whether in any way caused by or resulting from the acts or omissions of the Company Parties, or any of them, except for direct property damages incurred by the Customer as a direct result of a breach of these Terms and Conditions or applicable the Company Agreement or other act or omission by a Company Party, which breach or other act or omission is caused by the gross negligence or intentional tort of such Company Party.

- (b) For greater certainty and without limiting the generality of the foregoing, the Company is not liable for any loss, damage or physical harm to any person (except where caused by the gross negligence or intentional tort of the Company Party) and arising from or caused directly or indirectly, in whole or in part, by:
 - (i) any substandard condition or quality of water caused by anything occurring downstream of a Service Connection Point;
 - (ii) any failure, defect, fluctuation, reduction or interruption in the provision of Water Services by the Company to its Customers, whether resulting from the break or malfunction of any watermain, service, meter, private service or attachment, or from the interruption in or cessation of water supply in connection with the repair or proper maintenance of the Waterworks System.
 - (iii) All limitations, protections and exclusions of liability contained in any provincial or federal legislation are in addition to and not in derogation of or substitution for the limitations of the Company’s liability contained in these Terms and Conditions.

12.2 Release

Subject to Section 12.1 above, none of the Company Parties (as defined above) will be liable to any Customer for any damages, costs, expenses, injuries, losses, or liabilities suffered or incurred by the Customer, however and whenever caused, and each Customer hereby forever releases each of the Company Parties from any liability or obligation in respect thereof.

12.3 Customer Liability

- (a) In addition to any other liability provisions set out in these Terms and Conditions or any provision in a Water Services Agreement or any other agreement between a Customer and the Company, a Customer shall be liable for any damages, costs, expenses, injuries, losses, or liabilities suffered or incurred by the Company Parties (as defined above), whether of a direct or indirect nature, caused by or arising from any acts or omissions of a Customer that result in a breach (“Breach”) of these Terms and Conditions or the applicable agreement, or any negligent or willful acts or omissions of harm of a Customer whether or not they constitute a Breach.
- (b) A Customer shall indemnify and hold the Company and its employees and agents harmless from and against any claim (including any claim by another Customer of the Company) for any loss,

damage, expense, charge, cost (including legal fees), fine, penalty or other liability of any kind suffered or incurred by the Company arising out of or in any way connected with

- (i) any failure by the Customer to comply with these Water Terms,
 - (ii) any damages to the Company's Facilities or the facilities of another Customer caused by equipment installed or actions taken or failed to be taken by the Customer;
- (c) Any claim by a Customer for direct losses, damages, expenses, charges, costs or other liabilities not barred or restricted under these Terms and Conditions must be communicated in writing to the Company within 180 days from the date of occurrence of the incident giving rise to the claim or the date on which the Customer ought reasonably to have become aware of the occurrence or incident, failing which the Company shall have no liability or responsibility whatsoever to the Customer in respect of the claim.

13 ADDITIONAL PROVISIONS RELATING TO SERVICES

13.1 Ownership of Facilities

- (a) The Company remains the owner of all Facilities necessary to provide Water Services to Customers, to and including the Service Connection point, unless an agreement between the Company and a Customer specifically provides otherwise.
- (b) Payment made by a Customer for costs incurred by the Company in installing Facilities does not entitle the Customer to ownership of any such Facilities, unless an agreement between the Company and the Customer specifically provides otherwise.

13.2 Proper Use of Services

- (a) The Customers assume full responsibility for the proper use of the Service Connection and Water Services provided by the Company and for the condition, suitability and safety of any and all Facilities on the Customer's premises or on premises owned or controlled by the Customer that are not the Customer's property. The Customer shall be liable for any loss, damage, expense, charge, cost or other liability of any kind, whether to the Company, its agents or employees, the Company property or otherwise, arising directly or indirectly by reason of
 - (i) the Customer's improper or negligent use of water or Water Services or Facilities, or
 - (ii) the negligent acts or omissions or willful acts or omissions of the Customer or any person permitted on the Customer's property.

13.3 Compliance with Applicable Legal Authorities

The Company and all Customers are subject to, and shall comply with, all applicable federal, provincial and local laws, and all applicable orders or other actions of governmental authorities having jurisdiction. The Company's obligation to provide or continue to supply a Service Connection or Water Services or to disconnect a Service Connection or otherwise terminate Water Services, in respect of any Customer, is subject to the condition that all requisite governmental and regulatory approvals for the supply or

continued provision of the Service Connection or Water Services or for their disconnection or termination are obtained and in force.

13.4 Interference with the Company's Property

No one other than an employee or authorized agent of the Company shall be permitted to remove, operate, or maintain meters and other Facilities owned by the Company. A Customer shall not interfere with or alter a meter, seals, or other Facilities or permit the same to be done by any person other than the authorized agents or employees of the Company.

13.5 Service Interruptions and the Company's Obligation to Respond

- (a) While the Company takes all reasonable efforts to guard against Water Services interruptions, it does not guarantee uninterrupted Water Services or any particular standard of Water Services. The Company shall at any time, without liability whatsoever to any Customer, have the right to disconnect or otherwise curtail, interrupt or reduce Water Services to Customers whenever the Company reasonably determines, or when the Company is directed by an authority having jurisdiction, that such disconnection, curtailment, interruption or reduction is:
 - (i) necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of the Company's Facilities;
 - (ii) pursuant to non-payment of amounts due and payable on a Customer's Account;
 - (iii) necessary to maintain safety and reliability of the Waterworks System; or
 - (iv) due to any other reason including: dangerous or hazardous circumstances, emergencies, forced outages, the need to restrict or regulate water consumption for purposes of conservation of water, shortages or potential shortages of water supply.
- (b) The Company will use reasonable efforts to;
 - (i) provide notice of any Water Services reduction or interruption;
 - (ii) minimize such interruption duration and occurrences;
 - (iii) schedule planned interruptions as much as possible at times convenient to Customers;
 - (iv) restore extended service interruptions due to water main breaks, plugged or collapsed water lines or other reasons as soon as practicable.
- (c) The Company is obligated to make reasonable efforts to respond to a Customer requested service call within a reasonable time, and to minimize Water Service interruptions to Customers. The Customer shall pay the cost of a Customer-requested service call and all related work if the cause of the problem is outside the Waterworks System and is not the direct result of an act or omission of an employee, contractor or agent of the Company that is grossly negligent or an intentional tort.
- (d) The Company may at any time issue an Order directing all Customers to cease or restrict use of water from the Waterworks System in the manner and for the period of time specified in the

Order, and may cause such Order to be publicly disseminated via print or electronic media or by posting on the websites of the Company. A Customer is deemed to have received notice of such Order and to be aware of its content 24 hours after it is publicly disseminated, or at such sooner time as a copy of the Order is delivered to the Customer's service address as shown in the Customer's account by an employee, agent or other representative of the Company.

13.6 Assignments

- (a) A Customer shall not assign any of its rights or obligations under these Terms and Conditions or a Water Services Agreement or any other agreement with the Company relating to a Service Connection or Water Services without obtaining any necessary regulatory approvals and the Company's approval where required in such agreement. No assignment shall relieve the Customer of any of its obligations under these Terms and Conditions until such obligations have been assumed by the assignee and the Company has agreed to the assignment and novation. Any purported assignment by a Customer in violation of this section shall be void.
- (b) The Company may assign all or any part of its rights or obligations under these Terms and Conditions or a Water Services Agreement, or any entitlement to payment under any Customer Account, to any Person with or without notice to the Customer.

13.7 No Waiver

The failure of the Company or a Customer to insist upon strict performance of any provision of these Terms and Conditions or a Water Services Agreement or any other agreement between the Company and the Customer relating to a Service Connection or Water Services, or to take advantage of any of its rights arising therefrom, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or rights. No provision of these Terms and Conditions or a Water Services Agreement or any other agreement between the Company and a Customer relating to a Service Connection or Water Services shall be deemed to have been waived, and no breach thereof shall be deemed to have been excused, unless such waiver or consent to excuse is in writing and signed by the party claimed to have waived or consented to excuse.

13.8 Law

These Terms and Conditions and any Water Services Agreement or other agreement between the Company and a Customer relating to a Service Connection or Water Services shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable in the Province of Alberta, without regard to principles of conflicts of law. Any legal proceedings arising in connection with these Terms and Conditions or any other agreement relating to a Service Connection or Water Services shall be brought in the courts of the Province of Alberta.

14 Schedule A – Water Utility Service Application

See attached Water Utility Service Application

15 Schedule B – PRICING SCHEDULE

Rates Applicable to all Customers

Fixed Monthly Charge: As per Commission approved rates.

Variable Monthly Charge: As per Commission approved rates.

Other Charges: As per Commission approved rates.

Tie-in Fee: \$10,000.00

This is a one-time charge per new Service Address paid to the Company for the benefit to the Customer of accessing Water Services from the Company.

This fee does not apply to existing customers already paying monthly amounts as established and approved by the Commission, or where the service has been disconnected for less than 18 months.

Administration Fee: \$100

The Administration Fee is paid by the customer and is used to establish the Customers' account and associated Company records.

Service Connection Charge: \$750

This charge is paid by the customer to cover the installation, inspection, and approval of the connection of a Customer facilities to the Company's Waterworks System. This charge does not include the costs of any modifications required by the Company to extend the Company's Mainline System to the Point of Delivery.

Construction Water Availability Charge: \$100 flat fee plus \$200/month

The customer shall pay a \$100 for temporary connection to the Company's water services. In addition, a monthly charge of \$120 will apply to cover the cost of providing unmetered water to a service address for Construction purposes.

Dishonored Cheques: \$65

This charge is applied to an account to cover the banking costs associated with checks returned from a Customers bank due to non-sufficient funds.

Later Payment Charge: 1.5% per month

The company will add a late payment charge to any outstanding Customer balance not received when due.

Reconnection Charge: \$200

In order to reconnect service, an existing customer must first pay a Reconnection Charge of \$200. Additional fees may apply as defined in the above Terms and Conditions.

Meter Costs: \$780 (includes meter and installation labour)

When a new Service Connection is requested, the Customer shall be responsible to pay for the initial water meter including installation.