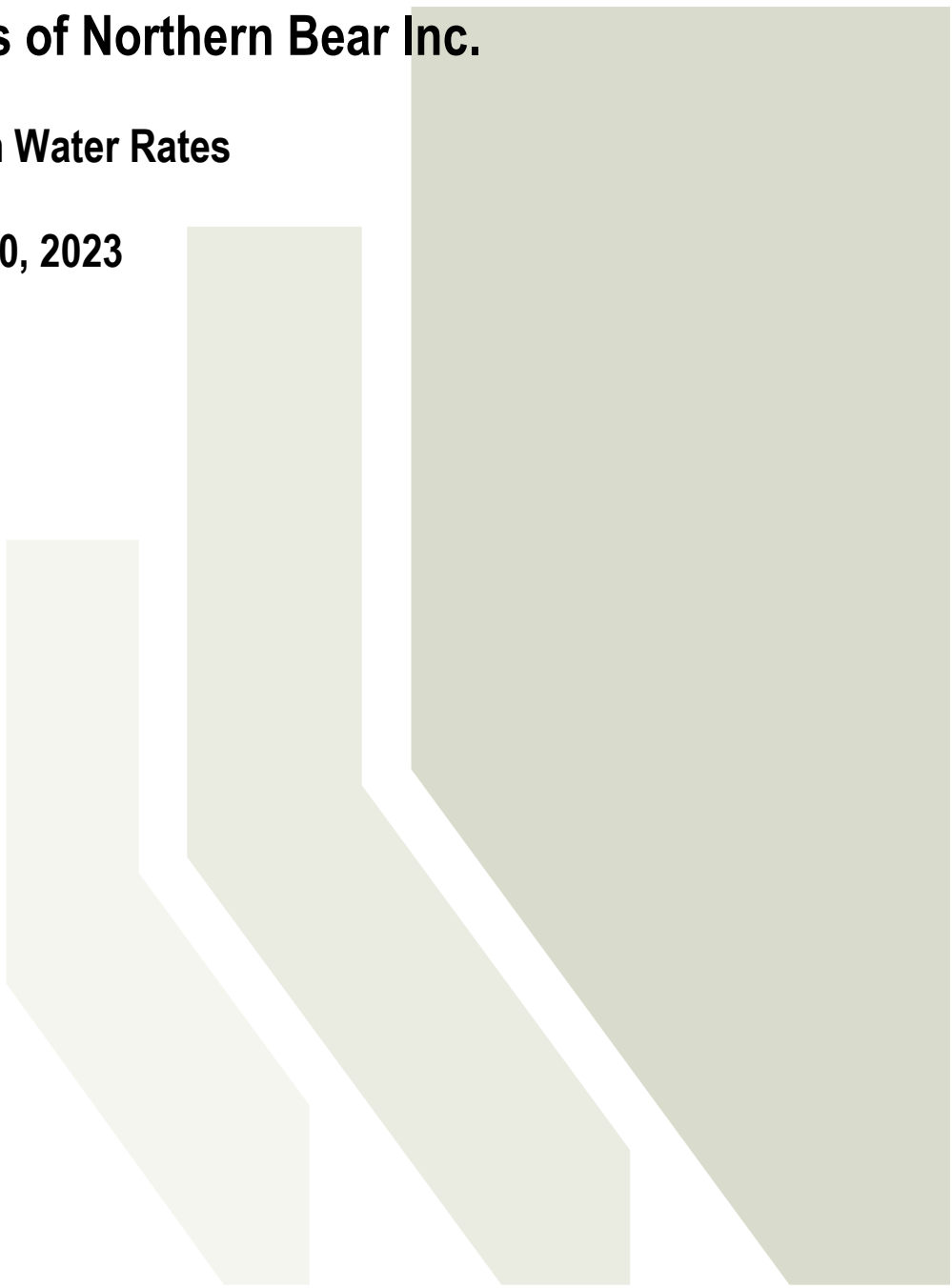




Properties of Northern Bear Inc.

2024 Interim Water Rates

December 20, 2023



Alberta Utilities Commission
Decision 28681-D01-2023
Properties of Northern Bear Inc.
2024 Interim Water Rates
Proceeding 28681

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The Commission may, no later than 60 days from the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

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1 Decision summary

1. In this decision, the Alberta Utilities Commission approves interim water rates for Properties of Northern Bear Inc. (PONBI), effective January 1, 2024. These interim rates will remain in effect until the Commission approves rates on a final basis.

2 Background and details of the application

2. PONBI provides water services to an area within Strathcona County, southeast of Sherwood Park.¹ The Commission has previously found that PONBI is the owner of a public utility.²

3. On December 1, 2023, PONBI filed an application requesting approval for interim water rates, effective January 1, 2024. PONBI indicated that the current water rates it charges to its customers are as follows:

- Residential customers: \$20 per month fixed fee; \$10 per cubic metre usage fee
- Commercial customer: \$0 per month fixed fee; \$12.50 per cubic metre usage fee

4. PONBI requested that the current water rates it charges, as set out above, be approved on an interim basis, effective January 1, 2024.

5. PONBI also indicated that effective January 1, 2024, it will be adding a proposed monthly fee of \$40 to every residential and commercial customer. PONBI stated that this fee is mandated by Strathcona County and it pertains to the capital recovery cost associated with a pipeline extension to the Northern Bear community that supplies the reservoir, which had been previously serviced by water trucks prior to 2012.

6. Strathcona County explained that the \$40 capital recovery fee forms part of the monthly rates it will use when charging PONBI effective January 1, 2024, for the supply of water to PONBI, in accordance with a new water supply agreement between the county and PONBI.³

7. The Commission issued a notice of application on December 4, 2023, requesting that parties register their concerns or support for the application by December 13, 2023. The

¹ Decision 20780-D01-2016: Strathcona County, Water Franchise Agreement and Long-Term Water Supply Agreement with Properties of Northern Bear Inc., Proceeding 20780, April 15, 2016, paragraph 1.

² Decision 20780-D01-2016, paragraph 24.

³ Exhibit 28681-X0031, PDF pages 1-2. A copy of the new water supply agreement is included in Exhibit 28681-X0009, starting on PDF page 3. Section 4 of Schedule C of the new water supply agreement, which is on PDF page 28, includes the \$40 fee effective January 1, 2024.

Commission also emailed the notice to each customer, using email addresses provided by PONBI.

8. The Commission received submissions from 13 residential customers, and from the owner/operator of the Northern Bear Golf Course. The Commission reviewed each of these submissions and summarizes the main concerns/issues raised as follows:

- (i) Customers⁴ cited a significant increase in their water bills based on the estimated new rate structures set out in a document sent to customers in June 2023 by Strathcona County.⁵
- (ii) More detailed information is required about the costs incurred to run the utility, including the submission of PONBI's financial statements and more details about the current cost of the water purchased by PONBI.⁶
- (iii) Customers would like to see a general rate application (GRA) filed, and have a chance to participate in that proceeding, including having an open house.⁷
- (iv) The rate structure is a concern, specifically the fixed fee amount, the variable rate amount and the capital recovery amount. The water usage numbers included in a document sent to customers in June 2023 by Strathcona County are not representative of actual usage.⁸
- (v) The \$40 per connected lot charge for the capital recovery fee is a major issue. Customers do not think the pipeline was beneficial or improved service, but instead it was meant to reduce the wear and tear on the county's roads from no longer having water trucks fill PONBI's reservoir. Customers who moved to the area recently do not think it is fair that they should pay for the entire cost of a pipeline that has been in place since 2012, when customers who were there earlier, and have since moved, paid nothing. There is no repayment schedule for the capital recovery.⁹
- (vi) Customers are opposed to Strathcona County entering into a franchise agreement with PONBI. Customers want the county to purchase the water system from PONBI and have the county be responsible for providing the water service.¹⁰

9. The Commission reviewed the entire record in coming to this decision; lack of reference to a matter addressed on the record does not mean that it was not considered.

⁴ Please refer to exhibits 28681-X0010, 28681-X0011, 28681-X0013, 28681-X0014, 28681-X0016, 28681-X0019, 28681-X0022 and 28681-X0023.

⁵ This document is in Exhibit 28681-X0006, PDF pages 97-103. The estimated rate structure is on PDF page 101.

⁶ Please refer to exhibits 28681-X0005, 28681-X0015, 28681-X0018, 28681-X0020, 28681-X0023, 28681-X0027 and 28681-X0033.

⁷ Please refer to exhibits 28681-X0007, 28681-X0010 and 28681-X0012.

⁸ Please refer to exhibits 28681-X0011, 28681-X0012, 28681-X0016, 28681-X0018, 28681-X0022 and 28681-X0027.

⁹ Please refer to exhibits 28681-X0012, 28681-X0013, 28681-X0015, 28681-X0019, 28681-X0020, 28681-X0023 and 28681-X0027.

¹⁰ Please refer to exhibits 28681-X0014, 28681-X0016, 28681-X0020 and 28681-X0024.

3 Commission response to customer submissions and interim rate setting

3.1 Commission response to customer submissions

10. The Commission appreciates the efforts of customers to submit their concerns and issues.

11. In the current proceeding, PONBI has applied for interim rates for 2024. PONBI will subsequently be filing what is referred to as a general rate application or GRA. A GRA is more complex than an interim rates application. In its upcoming GRA, PONBI will be required to provide financial information, including details about the historical costs it takes to run the utility, as well as the estimated costs it expects to incur to run the business in subsequent years. PONBI will also be required to include details about the costs of its property, plant and equipment, both historic and future estimates. PONBI will have to include details about historical water usage by its customers, as well as expected future water usage. PONBI will have to include the rates it wishes to charge customers going forward, including the fixed monthly fees and the variable water rates for usage. PONBI will have to provide justification for how it arrived at the proposed fixed monthly fees and the proposed variable water rates.

12. Upon receipt of PONBI's GRA, the Commission will issue notice of the application on its electronic filing system, and it will work with PONBI to make sure that every customer is notified that the GRA has been filed. This will allow customers, either individually or collectively as a group, to register to participate in that proceeding. The Commission will hold an open house that will provide more details about the process the Commission will undertake to review the GRA, and what role customers can also play in that proceeding.

13. The Commission considers that the filing of PONBI's GRA will allow customers an opportunity to raise the main concerns/issues listed in the second, third, fourth and fifth items in paragraph 8 above, and to have the Commission consider these submissions during its decision making on PONBI's GRA.

14. Customers cited a significant increase in their water bills based on the estimated new rate structures set out in a document sent to customers in June 2023 by Strathcona County. Customers should be aware that the estimated new rate structures set out in that document were estimates only. The final proposed rate structure requested by PONBI will be included in its subsequent GRA. Only when the GRA is filed will customers and the Commission be able to assess what the impacts on customers' water bills will be, using the final proposed rate structures that PONBI requests approval of in its GRA.

15. Some customers indicated that they are opposed to Strathcona County entering into a franchise agreement with PONBI. The county stated that it intends to submit the proposed franchise agreement to the AUC for approval once PONBI has submitted its GRA.¹¹ Customers will be given notice of this application, and will be given an opportunity to register to participate in that proceeding, during which they can raise any concerns they have about that application.

3.2 Interim rate setting

16. When the Commission approves interim rates, those rates function as placeholders and remain in place until the Commission approves final rates as a result of its decision on a subsequent GRA. The period that interim rates are in place is referred to as the interim period.

¹¹ Exhibit 28681-X0031, PDF page 1.

Interim rates are put in place for the protection of the utility and customers until final rates are approved, but the level at which interim rates are set is not determinative of the level at which the Commission will set final rates. When reviewing a GRA for final rates, the Commission conducts a more in-depth review of the costs that underpin a utility's rates. Approved final rates may end up being higher, lower or the same as the interim rates. Once final rates are approved by the Commission, these final rates are substituted for the placeholder interim rates, generally starting from the date on which interim rates were set.

17. Once final rates are approved, the Commission calculates the difference between: (i) what the utility's revenue would have been during the interim period if final rates had been in place; and (ii) what the utility's revenue was during the interim period when interim rates were charged. If the final rates are higher than the interim rates, customers will be required to pay the difference to PONBI, through a mechanism and over a time period approved by the Commission. If, on the other hand, the final rates are lower than the interim rates, PONBI will be required to reimburse customers for the difference through a mechanism and over a time period approved by the Commission.

18. An interim rates order allows all parties to preserve rates at an approved level while the Commission hears from the applicant and all parties about what the final rates should be and allows for appropriate adjustments once the final rates are determined. In this way, an interim rate order protects both the utility and its customers.

4 Commission findings

19. This is the first rate application that PONBI has submitted to the Commission. Without a full examination of the costs that backstop the current rates, the Commission is unable to determine whether the current rates are just and reasonable. That examination will be undertaken when PONBI files its GRA for final rates. Until such time as the Commission is able to approve final rates, the Commission finds that it is logical to approve the current fixed monthly fee and variable water charges for residential customers and the commercial customer, which have been in place since July 2018, as the interim rates, effective January 1, 2024. The Commission also approves PONBI's request to charge \$40 per month for every residence and for the Northern Bear Golf Course club house, effective January 1, 2024, on an interim basis.

20. While the Commission has not completed a full examination of PONBI's costs, the Commission finds that there will be an identifiable increase in PONBI's costs starting in 2024, specifically the additional monthly \$40 per customer fee payable to Strathcona County, as set out in the renewed water supply agreement between PONBI and Strathcona County. In accordance with the renewed water supply agreement, PONBI will have to pay this to Strathcona County.

21. The Commission will follow the cost-of-service methodology when setting final water rates for PONBI. Cost-of-service ratemaking entitles utilities to set rates to recover its Commission-approved forecast costs for providing service. The Commission considers that the additional monthly fee PONBI will have to pay Strathcona County, which is designed to pay for the cost of the waterline extension to PONBI's customers, is part of a contractual agreement, and should be factored in when designing PONBI's rates, unless and until such time as PONBI is no longer legally required to pay this extra fee.

22. PONBI has proposed to charge its customers the same fee as Strathcona County is charging PONBI, which means that PONBI will not benefit financially by collecting this fee from its customers. The Commission finds this is a fair and reasonable way for PONBI to proceed. The Commission therefore approves the addition of the monthly \$40 per customer fee, as requested by PONBI, effective January 1, 2024, on an interim basis.

5 Order

23. It is hereby ordered that:

- (1) Effective January 1, 2024, the following water rates charged by Properties of Northern Bear Inc. to its residential customers will be charged on an interim refundable basis.
 - \$20 per month fixed fee;
 - \$10 per cubic metre usage fee; and
 - \$40 per month Strathcona County capital recovery fee.
- (2) Effective January 1, 2024, the following water rates charged by Properties of Northern Bear Inc. to its commercial customer will be charged on an interim refundable basis.
 - \$0 per month fixed fee;
 - \$12.50 per cubic metre usage fee; and
 - \$40 per month Strathcona County capital recovery fee.

Dated on December 20, 2023.

Alberta Utilities Commission

(original signed by)

Matthew Oliver, CD
Commission Member

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Properties of Northern Bear Inc. (PONBI)
Wayne Reddon - customer
Lyndsay Unland - customer
Terrance Pysyk - customer
Patrick Leclerc – customer
Bob Simmonds - customer
Rhelda Gautreau - customer
Gail Aris - customer
Bruce Sloychuk - customer
Wayne Kryzalka - customer
Irvin Williams - customer
Brad Wellock - customer
Helen Leskiw - customer
Irvin Williams – owner/operator - Northern Bear Golf Course - customer

<p>Alberta Utilities Commission</p> <p>Commission panel M. Oliver, CD, Commission Member</p> <p>Commission staff D. Mitchell A. Hollis J. Schimke</p>
