



Blazer Water Systems Ltd.

True-Up of 2019 Interim and Final Rates

July 21, 2020

Alberta Utilities Commission

Decision 25344-D01-2020

Blazer Water Systems Ltd.

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Proceeding 25344

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The Commission may, within 30 days of 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 Introduction

1. On November 22, 2018, the Alberta Utilities Commission issued Decision 22319-D01-2018,¹ in which the Commission approved Blazer Water Systems Ltd.'s (Blazer) existing rates as interim rates beginning January 1, 2019. On October 9, 2019, the Commission issued Decision 24418-D01-2019,² approving Blazer's final rates for 2019 and 2020, and directing Blazer to file an application with the Commission concerning the true-up of interim and final rates for the period January 1, 2019, to October 31, 2019.

2. Blazer filed that application with the Commission on February 18, 2020. Consistent with Rule 011: *Rate Application Process for Water Utilities*, Commission staff worked with Blazer to address errors in Blazer's true-up calculations. Blazer filed a revised application on April 15, 2020.

3. The Commission issued notice of application on April 21, 2020, setting the deadline for filing a statement of intent to participate (SIP) as May 8, 2020. No SIPs were received either before or after the deadline.

4. On May 14, 2020, the Commission issued a process letter and two information requests (IRs). Blazer filed its responses to those IRs on June 3, 2020. The Commission considers that the record of this proceeding closed on June 3, 2020.

5. In reaching its determinations, the Commission has reviewed the relevant materials comprising the record of this proceeding. Accordingly, 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 several records with respect to the matter.

2 Background

6. The total amount owing from Blazer to 103 Lynx Ridge Estates potable water customers, and three additional customers who were on the same interim rates as Lynx Ridge, was \$11,152.93.³ The amount owed by 109 potable water customers in the Bears paw Village (BPV)

¹ Decision 22319-D01-2018: Blazer Water Systems Ltd., 2019-2020 General Rate Application, Proceeding 22319, November 22, 2018.

² Decision 24418-D01-2019: Blazer Water Systems Ltd., 2019-2020 General Rate Application Compliance Filing, Proceeding 24418, October 9, 2019.

³ Exhibit 25344-X0005, worksheet "Lynx Ridge," cell AI117.

and Blue Ridge Rise (BRR) co-ops to Blazer is \$16,850.30.⁴ The amount owed by the remaining 307 potable water customers to Blazer is \$161,655.31.⁵

7. With the exception of customers who have moved from their service address, Blazer proposed to collect amounts owing from customers and refund amounts owed to customers over a 12-month period on a per service address basis by dividing the amount owing or owed for each customer by 12.⁶

8. Blazer noted that 24 customers paid interim rates but have since moved, nine of which are homeowners and 15 are builders. Blazer expects to be able collect from the builders. For the homeowners, if it cannot collect the amounts owing, Blazer proposed to write off those amounts. For the homeowner customers that have moved, Blazer proposed to attempt collection on an individual basis by means of a single invoice for the full amount owed to Blazer. For the single homeowner that has moved from its service address and is owed money by Blazer, Blazer proposed a single lump sum payment. For builders that have moved from their service address, Blazer proposed to negotiate with the builders the best means of collecting amounts owed and if an agreement cannot be reached, to collect the amounts on a monthly invoice basis over a 12-month period.⁷

3 Issues

3.1 Calculation of true-up amounts

9. The Commission reviewed the true-up calculations contained in Exhibit 25344-X0005 and confirms that the true-up amounts have been calculated correctly. The Commission does not have the necessary information to confirm that the volumes used in the calculations are correct; however, they are consistent with the volumes reported in Proceeding 22319 and Proceeding 24418. Further, customers were able to contact Blazer to obtain their individual amounts owing and no customers objected or filed SIPs on the record of this proceeding.

10. Accordingly, the Commission approves the total true-up amounts as calculated by Blazer in Exhibit 25344-X0005.

3.2 Irrigation refund

11. Blazer stated that it has already refunded the Lynx Ridge condominiums (now a single irrigation customer) the amount owed for true up of its irrigation rate and requested that the Commission find that Blazer has complied with its true-up requirements for irrigation.⁸ Given that Blazer has filed the true-up amount owing to the Lynx Ridge condominiums in this proceeding, and has confirmed that this amount has been refunded, the Commission finds that Blazer has complied with its true-up requirements as it concerns the Lynx Ridge condominiums.

⁴ Exhibit 25344-X0005, worksheet "Residential BPV BRR," cell V120.

⁵ Exhibit 25344-X0005, worksheet "Res wo BPV BRR wo Lynx R," cell V380.

⁶ Exhibit 25344-X0003, paragraph 10.

⁷ Exhibit 25344-X0003, paragraphs 7 and 10.

⁸ Exhibit 25344-X0003, paragraph 24.

3.3 Individual true-up riders

12. Blazer acknowledged that its proposal to true up interim and final rates on an individual, customer by customer basis differs from how the Commission typically approves true-up collections. However, Blazer submitted that its proposal is based on treating each of its customers equitably, noting that there are large disparities amongst the individual consumptions and subsequent amounts owed, ranging from \$2.78 to more than \$4,000. Blazer submitted that it would not be fair to apply a general rate rider and that doing so would force customers with lower consumption to subsidize those with higher consumption.⁹

Commission findings

13. Given Blazer's relatively small customer base, the fact that Blazer has already done the necessary work to calculate individual true-up riders and the disparity in consumption amounts and subsequent amounts owing for refund or collection, the Commission agrees that individual true-up riders are just and reasonable. While this means that some customers will face significantly larger collections than others, the Commission acknowledges that these collection amounts are directly tied to the volume of customers' water consumption. It would be unreasonable in this circumstance to ask customers who consume lower volumes to pay more than their calculated share of the true-up amounts, effectively cross-subsidizing higher consumption customers. For these reasons, the Commission approves Blazer's proposal to apply the true-up riders on an individual, customer by customer basis.

3.4 Rate shock and term of true-up collection

14. Blazer also acknowledged that the proposed individual rate riders would result in an increase to the average monthly interim rates greater than 10 per cent. However, Blazer noted that the individual rate riders would represent an average monthly rider of \$13 for BPV and BRR customers, and \$35 for other potable water customers and submitted that these amounts would not represent an undue hardship for Blazer's customers. Blazer added that it operated on interim rates since at least January 2019 and that to prolong true-up collection would mean Blazer would not be paid its approved rates in full for a period exceeding three to four years. Blazer submitted that a 12-month collection period is equitable for Blazer and its customers.¹⁰ Blazer also noted that its original application included increased rates for 2018, which it ended up being unable to collect, meaning lost revenues for that year.¹¹

15. In response to a Commission IR, Blazer reaffirmed that it believes a 12-month collection period provides sufficient mitigation against rate shock and added that only 15 customers will have monthly riders exceeding \$100, one of which is the Lynx Ridge Golf Course and two of which are builders. Only 10 per cent of customers will face monthly riders exceeding \$54.80. Blazer added that extending the collection period to two years would mean \$95,000 in lost revenue for Blazer and its shareholders, which would be difficult for a small utility like Blazer to absorb.¹²

⁹ Exhibit 25344-X0003, paragraphs 11-12.

¹⁰ Exhibit 25344-X0003, paragraph 19.

¹¹ Exhibit 25344-X0003, paragraph 20.

¹² Exhibit 25344-X0010, BLAZER-AUC-2020MAY14-002(b).

Commission findings

16. The Commission typically considers any rate increase greater than 10 per cent to constitute rate shock. Although no customers objected to Blazer's application or even filed SIPs on the record of this proceeding, the Commission must still consider the rate shock implications of Blazer's proposed true-up period. The Commission acknowledges that Blazer has operated, and continues to operate, under a revenue shortfall.¹³ However, the Commission also notes that Blazer was already granted a significant rate increase in 2019, which itself could have been considered to constitute rate shock. Further, the rates approved in Decision 24418-D01-2019 are for a test period ending December 31, 2020, at which time Blazer may request new rates. For these reasons, and in light of the current economic climate in Alberta due to the COVID-19 pandemic, the Commission is not prepared to approve another rate increase of the magnitude proposed by Blazer. Accordingly, the Commission directs Blazer to recalculate the monthly true-up riders, based on the amounts approved in Section 3.1 above, and implement the true-up over an 18-month period.

17. Blazer also stated that it will provide the Commission with a reconciliation of the revenue collected at the end of the collection/repayment periods as proposed for each of the true-up customers. The Commission agrees that this information will be useful and directs Blazer to file a reconciliation of the collection or repayments for each customer, as a post-disposition document in this proceeding, at the end of the true-up period.

4 Order

18. It is hereby ordered that:

- (1) The total amounts calculated in Exhibit 25344-X0005 for true up of interim and final rates from January 1, 2019, to October 31, 2019, are approved for collection and refund over an 18-month period.
- (2) Blazer Water Systems Ltd. file a reconciliation of true-up amounts, as a post-disposition document in this proceeding, at the end of the true-up period.

Dated on July 21, 2020.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

¹³ Section 8.5 of Decision 22319-D01-2018 approved a reduction in Blazer's allowable depreciation and return, to be included in its revenue requirement, in acknowledgement of the fact that the system is built to a capacity larger than what is needed to serve its current customer base.

Appendix 1 – Proceeding participants

Name of organization (abbreviation) Company name of counsel or representative
Blazer Water Systems Ltd. (Blazer) Regulatory Law Chambers

Alberta Utilities Commission
Commission panel C. Dahl Rees, Chair
Commission staff N. Sawkiw (Commission counsel) C. Arnot C. Burt D. Mitchell

Appendix 2 – Summary of Commission directions

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

1. The Commission typically considers any rate increase greater than 10 per cent to constitute rate shock. Although no customers objected to Blazer’s application or even filed SIPs on the record of this proceeding, the Commission must still consider the rate shock implications of Blazer’s proposed true-up period. The Commission acknowledges that Blazer has operated, and continues to operate, under a revenue shortfall. However, the Commission also notes that Blazer was already granted a significant rate increase in 2019, which itself could have been considered to constitute rate shock. Further, the rates approved in Decision 24418-D01-2019 are for a test period ending December 31, 2020, at which time Blazer may request new rates. For these reasons, and in light of the current economic climate in Alberta due to the COVID-19 pandemic, the Commission is not prepared to approve another rate increase of the magnitude proposed by Blazer. Accordingly, the Commission directs Blazer to recalculate the monthly true-up riders, based on the amounts approved in Section 3.1 above, and implement the true-up over an 18-month period..... paragraph 16
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