

Order No. 70/25

**RURAL MUNICIPALITY OF HANOVER
GRUNTHAL WATER AND WASTEWATER UTILITY
REVISED WATER AND WASTEWATER RATES
JULY 1, 2025, JANUARY 1, 2026, 2027 AND 2028**

May 13, 2025

**BEFORE: Irene Hamilton, K.C., Panel Chair
Patrick Ireland, MBA, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the Rural Municipality of Hanover (RM), Grunthal Water and Wastewater Utility’s (Utility) application for revised water and wastewater rates.

The revised rates are below:

	Jul 1, 2025	Jan 1, 2026	Jan 1, 2027	Jan 1, 2028
Quarterly Service Charge	\$ 20.76	\$ 20.35	\$ 19.94	\$ 19.53
Water (per 1,000 gallons)	\$ 5.28	\$ 5.83	\$ 6.38	\$ 6.92
Wastewater (per 1,000 gallons)	\$ 4.34	\$ 6.43	\$ 8.52	\$ 10.62
Minimum Quarterly Charge*	\$ 49.62	\$ 57.13	\$ 64.64	\$ 72.15
Minimum Quarterly Charge - Metered Wastewater Only*	\$ 33.78	\$ 39.64	\$ 45.50	\$ 51.39
Minimum Quarterly Charge - Unmetered Wastewater Only**	\$ 70.67	\$ 94.30	\$ 117.92	\$ 141.66
Hydrant Rental	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Meter Testing	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00

*based on 3,000 gallons

**current rate based on 10,000 gallons, proposed rate based on 11,500 gallons

Details of other rates can be found in Schedule A.

The reasons for the Board’s decisions are under Board Findings.

2.0 Background

Rates were last set in Board Order No. 188/19, with current rates coming into effect January 1, 2023.

The Utility provides water and wastewater service to 582 ratepayers. The RM advises 566 of its ratepayers are both water and wastewater, two are water-only and 14 ratepayers are wastewater-only. Six of the wastewater-only ratepayers have meters on their private wells and are charged based on metered consumption, the other eight are charged based on the average consumption of metered Utility ratepayers.

Water Supply/Distribution

Water sources include one main well and a back-up well. There are two storage reservoirs, including one put in use in 2011 at cost of \$1.1 million. Treatment process is by sodium hypochlorite. Water and sewer lines installed in 1960's and on.

Wastewater Collection and Treatment

Wastewater system is forcemain with a lift station. A lagoon upgrade including aeration equipment was completed in 2013 at cost of \$3.3 million. Parmalat is largest customer and has an Industrial Services Agreement for wastewater discharge.

There are currently no capacity concerns for either water or wastewater services.

The RM currently has budgeted capital including \$450,000 for a lift station, funded by Gas Tax Reserve and \$100,000 by developer contribution. A regional wastewater system project is currently in the planning stages, as a timeline and cost are currently uncertain, no provision has been made for it in this rate study.

3.0 Board Methodology

Review Process

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

Contingency Allowance and Utility Reserves

The Board's Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs.

Working Capital

Board Order No. 93/09 established utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is the Utility fund balance, excluding any capital-related items plus Utility reserves.

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology. The Board is therefore bound to approve reasonable rates based on reasonable expense projections.

Cost Allocation Methodology

The Board requires all municipalities to review the costs shared between the general operations of the RM and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the Board for approval and cannot be changed without approval by the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

Unaccounted for Water

Water losses may be caused by such events as distribution line losses, service leaks, water used for fire fighting or line flushing, and under-registration of water meters. The Board Guidelines require utilities to compare the volume of water produced or purchased against the volume of water sold, to determine the percentage of unaccounted for water. Unaccounted for water volumes of approximately 10% are considered industry standard.

The Board expects any utility experiencing a greater volume of unaccounted for water to provide an explanation and plan to address the water losses.

4.0 Application

On February 20, 2024, the Board received the RM's completed application to revise water and wastewater rates as set out in By-Law No. 2570-24, having had first reading February 14, 2024. The application was accompanied by a rate study completed by the RM's consultant.

The Board issued a Public Notice of Application on May 23, 2024, affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate changes. The Board did not receive any responses to the Notice.

The rates were calculated using the following revenue requirement projections:

	Rate Year 1	Rate Year 2	Rate Year 3	Rate Year 4
General				
Administration (building, office, staff, etc)	46,757	48,160	49,605	51,093
Billing and collection	1,103	1,136	1,171	1,206
Total general expenses	47,860	49,296	50,776	52,299
Penalties	4,144	4,144	4,144	4,144
Other income	2,686	2,686	2,686	2,686
Total general revenue	6,830	6,830	6,830	6,830
Net revenue requirement - general	41,030	42,466	43,946	45,469
Water				
Purification and treatment	88,009	90,649	93,369	96,170
Transmission and distribution	38,510	39,665	40,855	42,080
Connection costs	76	79	81	83
Amortization	38,616	38,616	38,616	38,616
Interest on long term debt	13,035	6,929	3,271	0
Contingency	13,833	13,833	13,833	13,833
Total water expenses	192,079	189,771	190,025	190,782
Hydrant rentals	8,250	8,250	8,250	8,250
Property tax revenue	129,846	129,846	152,594	0
Amortization of capital grants	560	560	560	560
Total water revenue	138,656	138,656	161,404	8,810
Net revenue requirement - water	53,423	51,115	28,621	181,972

Wastewater				
Wastewater collection system	21,106	21,739	22,391	23,063
Wastewater treatment and disposal	125,467	129,231	133,108	137,102
Lift station costs	62,860	64,746	66,689	68,689
Amortization	136,033	135,262	135,262	135,262
Interest on long term debt	22,551	11,988	5,658	0
Contingency	22,885	22,885	22,885	22,885
Total wastewater expenses	390,902	385,851	385,993	387,001
Lagoon tipping fees	14,738	14,738	14,738	14,738
Industrial Service Agreement - Parmalat	50,917	50,917	50,917	50,917
Property tax revenue	239,397	239,397	81,297	0
Amortization of capital grants	32,716	32,716	32,716	32,716
Total wastewater revenue	337,768	337,768	179,668	98,371
Net revenue requirement - wastewater	53,134	48,083	206,325	288,630

The RM's consultant calculated the indicated rates for the final rate year requested (2028) and requested rates be implemented in a stable and predictable rate change year over year.

The reason for the rate increase is due to significant utility debenture debt maturing during the next three years. This debenture debt results in nearly \$500,000 in non-rate revenue for the Utility every year. The Utility began working to mitigate the potential rate shock of the debenture debt maturing in its previous rate application, approved in Board Order No. 188/19.

Contingency Allowance and Utility Reserves

The RM has included in its projections a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$13,833 for water and \$22,886 for wastewater. There is no provision for transfer to Utility Reserve proposed.

Working Capital

As per the 2023 audited financial statements, the working capital surplus on December 31, 2023, was:

	2023
Accumulated Fund Surplus	\$3,571,799
Deduct tangible capital assets	\$4,851,353
Add long term debt	\$1,535,257
Add utility reserves	\$308,505
Equals Working Capital Surplus/Deficit	\$564,208
Utility expenses	\$562,384
20% of utility expenses (target)	\$112,477

Operating Deficits

The RM has advised the Utility has not experienced any operating deficits in the previous five years of operation.

Cost Allocation Methodology

The Board granted approval of the Utility's current Cost Allocation Methodology (CAM) in Board Order No. 98/17. The RM did not propose any changes to the existing CAM.

Unaccounted for Water

The Utility indicated the 2022 unaccounted for water was 48.8% of water produced and that a consultant had been hired to investigate the water loss at the time the rate study was prepared. Subsequently, the RM submitted a copy of the report and advised it had determined that an inferior pipe was used during construction for a large portion of the community. The pipe is known to be brittle and crumble. The Utility advised it had been making an extraordinary number of service break repairs and all of them were a result of this piping. With the information regarding the piping and the consultant's report, the Utility advised it was working to establish a plan to move forward.

5.0 Board Findings

Considering the RM's filing and noting there was no public response to the Notice of Application, the Board has chosen a paper review process.

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable. The Board grants approval of the revised rates for the RM, effective July 1, 2025, and on January 1 in each of 2026, 2027 and 2028.

The Utility will have a significant reduction in its non-rate revenues when its utility debenture debt matures over the next several years. Without the strategic actions taken by the Utility in its last two rate studies, ratepayers would be experiencing major rate shock from the end of this revenue. Instead, the Utility has implemented a steady rate increase, using the funds collected to fund smaller capital projects and maintain a healthy reserve and working capital surplus during a time of financial transition.

In its 2019 rate application, the Utility was already reporting unaccounted for water in excess of 40%. Board Order No. 188/19 directed the RM to provide a report on or before March 1, 2020, detailing the steps taken and plans to address the levels of unaccounted for water for the Utility. The Board has no record of receiving any reporting on this matter. This rate study showed an increase in the percentage of unaccounted for water. The Board appreciates the study undertaken by the RM but will once again direct the RM to submit its plan for addressing the water losses, which are now nearly 50% of all water produced. This report to the Board should be submitted on or before June 30, 2025.

The cost to ratepayers for treating this volume of water lost in the distribution system is unsustainable and does not align with the user-pay principle favoured by the Board.

The Board requires the RM to review its water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as a full rate application for revised rates if required, by no later than May 31, 2029.

The Board directs the RM to prepare a Notice for its ratepayers, informing them of the decisions in this Order. The RM is directed to provide the Board a copy of this Notice and an amended rate By-law, having had third reading.

The Board reminds the RM regular reviews are important for a financially sound utility and encourages the RM to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the RM finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

6.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality of Hanover – Grunthal Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective July 1, 2025, and on January 1 in each of 2026, 2027 and 2028.
2. The Rural Municipality of Hanover amend its Grunthal Water and Wastewater Utility rate By-law to reflect the decisions in this Order and submit a copy to the Public Utilities Board once it has received third and final reading.
3. The Rural Municipality of Hanover is to provide a report to the Public Utilities Board on or before June 30, 2025 providing details of the steps taken and any plans to address the levels of unaccounted for water experienced by the Grunthal Water and Wastewater Utility.
4. The Rural Municipality of Hanover is to provide a notice of the decisions found in this Order to its Grunthal Water and Wastewater Utility customers as soon as possible, with a copy provided to the Public Utilities Board.
5. The Rural Municipality of Hanover review the Grunthal Water and Wastewater Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before May 31, 2029.

Fees payable upon this Order - \$500.00

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, K.C."

Panel Chair

"Jennifer Dubois, CPA, CMA, CTAJ"

Assistant Associate Secretary

Certified a true copy of Order No. 70/25
issued by The Public Utilities Board



Assistant Associate Secretary

RURAL MUNICIPALITY OF HANOVER
GRUNTHAL UTILITY
BY-LAW NO. 2570-24
WATER & WASTEWATER UTILITY RATES
SCHEDULE "A" - SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge July 1, 2025

Quarterly Service Charge \$20.76

Quarterly Rates	Water	Wastewater	Water & Wastewater
Per 1,000 Gallons	\$5.28	\$4.34	\$9.62

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the volume allowance as listed.

For all metered accounts, volumes in excess of the minimum quarterly allowance will be charged at the applicable commodity rate.

a. Metered Water and/or Wastewater Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Water Only Total Quarterly Minimum	Wastewater Only Total Quarterly Minimum
5/8	1	3,000	\$ 20.76	\$ 15.84	\$ 13.02	\$ 49.62	\$ 36.60	\$ 33.78
1	4	12,000	\$ 20.76	\$ 63.36	\$ 52.08	\$ 136.20	\$ 84.12	\$ 72.84
1 ½	10	30,000	\$ 20.76	\$ 158.40	\$ 130.20	\$ 309.36	\$ 179.16	\$ 150.96
2	25	75,000	\$ 20.76	\$ 396.00	\$ 325.50	\$ 742.26	\$ 416.76	\$ 346.26

b. Unmetered Wastewater Only for Residential Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Wastewater Commodity Charge	Total Quarterly Charge
Unmetered		11,500	\$ 20.76	\$ 49.91	\$ 70.67

1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2026

Quarterly Service Charge \$20.35

Quarterly Rates Water Wastewater Water & Wastewater
 Per 1,000 Gallons \$5.83 \$6.43 \$12.26

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the volume allowance as listed.

For all metered accounts, volumes in excess of the minimum quarterly allowance will be charged at the applicable commodity rate.

a. Metered Water and/or Wastewater Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Water Only Total Quarterly Minimum	Wastewater Only Total Quarterly Minimum
5/8	1	3,000	\$ 20.35	\$ 17.49	\$ 19.29	\$ 57.13	\$ 37.84	\$ 39.64
1	4	12,000	\$ 20.35	\$ 69.96	\$ 77.16	\$ 167.47	\$ 90.31	\$ 97.51
1 ½	10	30,000	\$ 20.35	\$ 174.90	\$ 192.90	\$ 388.15	\$ 195.25	\$ 213.25
2	25	75,000	\$ 20.35	\$ 437.25	\$ 482.25	\$ 939.85	\$ 457.60	\$ 502.60

b. Unmetered Wastewater Only for Residential Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Wastewater Commodity Charge	Total Quarterly Charge
Unmetered		11,500	\$ 20.35	\$ 73.95	\$ 94.30

1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2027

Quarterly Service Charge \$19.94

Quarterly Rates Water Wastewater Water & Wastewater
 Per 1,000 Gallons \$6.38 \$8.52 \$14.90

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the volume allowance as listed.

For all metered accounts, volumes in excess of the minimum quarterly allowance will be charged at the applicable commodity rate.

a. Metered Water and/or Wastewater Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Water Only Total Quarterly Minimum	Wastewater Only Total Quarterly Minimum
5/8	1	3,000	\$ 19.94	\$ 19.14	\$ 25.56	\$ 64.64	\$ 39.08	\$ 45.50
1	4	12,000	\$ 19.94	\$ 76.56	\$ 102.24	\$ 198.74	\$ 96.50	\$ 122.18
1 ½	10	30,000	\$ 19.94	\$ 191.40	\$ 255.60	\$ 466.94	\$ 211.34	\$ 275.54
2	25	75,000	\$ 19.94	\$ 478.50	\$ 639.00	\$ 1,137.44	\$ 498.44	\$ 658.94

b. Unmetered Wastewater Only for Residential Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Wastewater Commodity Charge	Total Quarterly Charge
Unmetered		11,500	\$ 19.94	\$ 97.98	\$117.92

1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2028

Quarterly Service Charge \$19.53

Quarterly Rates Water Wastewater Water & Wastewater
 Per 1,000 Gallons \$6.92 \$10.62 \$17.54

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the volume allowance as listed.

For all metered accounts, volumes in excess of the minimum quarterly allowance will be charged at the applicable commodity rate.

a. Metered Water and/or Wastewater Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Water Only Total Quarterly Minimum	Wastewater Only Total Quarterly Minimum
5/8	1	3,000	\$ 19.53	\$ 20.76	\$ 31.86	\$ 72.15	\$ 40.29	\$ 51.39
1	4	12,000	\$ 19.53	\$ 83.04	\$ 127.44	\$ 230.01	\$ 102.57	\$ 146.97
1 ½	10	30,000	\$ 19.53	\$ 207.60	\$ 318.60	\$ 545.73	\$ 227.13	\$ 338.13
2	25	75,000	\$ 19.53	\$ 519.00	\$ 796.50	\$ 1,335.03	\$ 538.53	\$ 816.03

b. Unmetered Wastewater Only for Residential Customers

Meter Size (Inches)	Group Capacity Ratio	Water Included (Gallons)	Customer Service Charge	Wastewater Commodity Charge	Total Quarterly Charge
Unmetered		11,500	\$ 19.53	\$ 122.13	\$141.66

The following clauses take effect July 1, 2025:

3. Service to Customers outside Grunthal L.I.D. limits

The Council of the Rural Municipality of Hanover may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of Grunthal Local Improvement District #1 limits. Such agreements shall provide for payment of the appropriate rates set out in the schedule, as well as a surcharge, set by resolution of Council which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connection to the Utility's mains and installing and maintaining service connections will be paid by the customer.

4. Billings and Penalties

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least thirty (30) days after the mailing of the bills.

5. Disconnections

The Public Utilities Board has approved the Conditions Precedent to be followed by the Rural Municipality with respect to the disconnection of service for non-payment including such matters as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent are available for inspection at the Rural Municipal office.

6. Reconnection

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (i.e. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$50.00 and all arrears and penalties, if any, have been paid.

7. Outstanding Bills

Pursuant to Section 252(2) of the Municipal Act, the amount of all outstanding charges for water and wastewater services, including fines and penalties, are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies. Where charges and penalties pursuant to this by-law are not paid within sixty (60) days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes.

8. Hydrant Rentals

The Rural Municipality will pay to the Utility an annual rental of \$150.00 for each hydrant connected to the system which includes the cost of water.

9. Wastewater Surcharges

- a) There may be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by resolution of Council.

- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial wastes.

10. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Rural Municipality with a deposit of \$100.00. The Rural Municipality will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be faulty, all costs associated with the testing process will be borne by the Rural Municipality and the deposit will be refunded to the customer. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

11. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500.00 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

12. Cross Connections

No customer or person shall connect, cause to be connected or allow to remain connected any piping, fixture, fitting, container or appliance in a manner which under any circumstances may allow water, wastewater or any harmful liquid or substance to enter the Rural Municipality's water system.

If a condition is found to exist which, in the opinion of the Rural Municipality, is contrary to the aforesaid, the Rural Municipality may either:

- Shut off the service or services; or

- Give notice to the customer to correct the fault at his or her own expense within a specified time period. If the customer fails to comply with such notice the Rural Municipality shall proceed in accordance with clause 1 of this section.

13. Authorization for Officer to Enter Upon Premises

The Public Works Foreman, or other employee authorized by the Rural Municipality in the absence of the Public Works Foreman, shall be authorized to enter upon any premise for the purpose of:

- affixing to any pipe, wire or apparatus connected with any such utility, a meter or any other measuring or testing device; or

- taking readings from, repairing, inspecting or removing any meter or apparatus belonging to the Rural Municipality.

14. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.