

M A N I T O B A) Order No. 128/13
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THE PUBLIC UTILITIES BOARD ACT) October 21, 2013

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

RURAL MUNICIPALITY OF TACHE
L.U.D. of LANDMARK WATER AND SEWER SYSTEM
L.I.D. No. 3
REVISED WATER AND SEWER RATES

Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of Taché (RM) and approves revised rates for the L.U.D. of Landmark Water and Sewer Utility (Utility).

Revised rates will be effective January 1, 2014 and will remain in effect until further notice.

The current and revised water and sewer rates are noted below:

	Current	2014	Increase
Quarterly Service Charge	\$19.35	\$30.00	55.0%
Water- \$/m ³ - First Step	\$1.19	\$1.30	9.2%
Water- \$/ m ³ - Second Step	\$0.92	\$1.30	41.3%
Sewer- \$/ m ³ - First Step	\$0.60	\$1.15	91.7%
Sewer- \$/ m ³ - Second Step	\$0.60	\$1.15	91.7%
Total Commodity Charge- First Step	\$1.79	\$2.45	36.9%
Total Commodity Charge- Second Step	\$1.52	\$2.45	61.2%
Minimum Quarterly*	\$40.80	\$66.75	63.6%
Sewer Only**	\$57.75	\$102.25	77.1%
Hydrant (annual)	\$75.00	\$150.00	100.0%
Reconnection Fee	n/a	\$55.00	N/A

*Based on 15 cubic meters

**Based on 64 cubic meters

First step charged on volumes up to 140 cubic meters

Second Step charged on volumes over 140 cubic meters

Details of the rates may be found in the attached Schedule "A".

Background

Water Supply/Distribution:

The RM owns and operates a water and sewer utility in the L.U.D. of Landmark serving 421 water and sewer customers and 44 sewer only customers.

All water and sewer customers are metered and billed on a volumetric basis. Sewer only customers are charged on a flat rate basis using an estimated volume of 64 m³ per quarter.

Raw water is obtained from two supply wells and processed through a water treatment plant. The water is distributed using two pump houses and distribution lines.

The treatment plant is operating at 100% capacity and both the treatment plant and distribution system are in need of upgrade.

The system is meeting the water quality standards required by its operating license.

The Utility's unaccounted for water is approximately 50%. This extremely high percentage is attributed to large amounts of water being used for line flushing caused by the poor condition of the system, as well as for filling emergency tanks at the fire hall.

Wastewater - collection/treatment:

The sewer system is a low-pressure system and the collection system is meeting the current needs. The four cell lagoon was constructed in 1985 and expanded in 2009; it was further upgraded in 2011. There is one lift station.

Residents are responsible for pump out of their own tanks. The Utility charges the septic hauler \$100 annually to dump into the lagoon. Municipal residents outside of the L.U.D. of Landmark are also permitted to dump into the lagoon and the Utility collects a flat rate of \$5,000 annually from the RM.

The Utility is complying with its Environmental License for discharges from the lagoon.

The RM has both a full-time and a standby operator, both of whom have class I water treatment and distribution and class I water treatment and collection certification.

Application

The RM applied in December 2012 for rate increases to be effective July 1, 2013, with further increases in January of 2014 and 2015. The RM's Utility rates were last revised in 2007 in Board Order No. 44/07.

A Public Notice of Application was issued in January 2013 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases. No stakeholder responses were received.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the Public Notice, (no comments were received) the Board concluded that a paper review process, one that helps restrain regulatory costs, was in the best interest of all concerned.

The rates then proposed were based on expenditure projections developed in 2012 forward to 2015.

3% inflation rate	2011	2012	2013	2014	2015
General					
Administration	\$ 39,377	\$ 43,000	\$ 44,290	\$ 45,619	\$ 46,987
Equity Surcharge 1%	\$ -	\$ -	\$ -	\$ -	\$ -
Billing and collection	\$ 6,272	\$ 9,910	\$ 10,207	\$ 10,513	\$ 10,829
Penalties	\$ 1,634	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Net revenue general	\$ 44,015	\$ 51,710	\$ 53,297	\$ 54,932	\$ 56,616
Purification and treatment	\$ 19,067	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855
Service of Supply	\$ 8,461	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669
Transmission and Distribution	\$ -	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464
Connections-Net Loss	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Interest on long -term debt	\$ 915	\$ -	\$ -	\$ -	\$ -
Reserves	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Future Capital Provision			\$ 80,000	\$ 80,000	\$ 80,000
Minor capital upgrades-Meter Mtce.	\$ 24,861	\$ 2,000	\$ 20,600	\$ 21,218	\$ 21,855
Contingency			\$ 25,000	\$ 25,000	\$ 25,000
Amortization/depreciation	\$ 20,377	\$ 20,377	\$ 20,377	\$ 20,377	\$ 20,377
Sub-total- water expenses	\$ 88,681	\$ 85,377	\$210,267	\$212,214	\$214,219

Amortization of Capital grants	\$ -	\$ -	\$ 1,789	\$ 1,789	\$ 1,789
Taxation Revenue	\$ 15,275	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 650	\$ 500	\$ 500	\$ 500	\$ 500
Total non-rate revenue - water	\$ 15,925	\$ 500	\$ 2,289	\$ 2,289	\$ 2,289
Net rate revenue - water	\$ 72,756	\$ 84,877	\$207,978	\$209,925	\$211,930
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -
Sewage Lift Station	\$ 48,297	\$ 21,290	\$ 21,930	\$ 22,588	\$ 23,266
Sewage Collection System	\$ 780	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093
Sewage Treatment and Disposal	\$ 404	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093
Connection-Net Loss	\$ -	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Amortization/depreciation	\$ 50,999	\$ 50,999	\$ 50,999	\$ 50,999	\$ 50,999
Reserves	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Incentive Program	\$ 6,659	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Contingency	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Total sewer expenses	\$122,139	\$106,789	\$132,489	\$133,209	\$133,950
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Connection Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Tank Pump-out	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization Of Capital Grants	\$ 11,704	\$ 11,704	\$ 11,704	\$ 11,704	\$ 11,704
Taxation revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Total non-rate revenue-sewer	\$ 16,704	\$ 16,704	\$ 16,704	\$ 16,704	\$ 16,704
Net rate revenue - Sewer	\$105,435	\$ 90,085	\$115,785	\$116,505	\$117,246

The *Incentive Program* provision is related to the subsidy available to customers who replace large volume toilets with low flow toilets. The Utility is also participating in the provincial initiative to divert storm water away from the wastewater stream.

The "Future Capital Provision" of \$80,000 in the water revenue requirements was proposed in order to begin to set aside funds for an anticipated water treatment plant renewal. The RM has determined that the construction of a new plant is of highest priority; however, the go-ahead depends on the availability of grant support from other levels of government.

The contingency provisions are slightly higher than those indicated by the application of current Board guidelines; they have been increased from \$30,000 to \$50,000 due to the age of the plant and the increased level of maintenance thus required.

The annual provision for \$30,000 for contributions to reserves is in accordance with Municipal By-law No.22-2006, the stated purpose being future capital needs of the Utility.

Cost allocation methodology

The Board requires all municipalities to review the costs shared between the general operations of the municipality 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 receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

The rates, based on expenditure projections, were proposed to be as follows:

	Current	2013	Inc/Dec	2014	Inc/Dec	2015	Inc/Dec
Quarterly Service Charge	\$19.35	\$28.65	48.1%	\$29.55	3.1%	\$30.45	3.0%
Water- \$/ m ³ *	\$.83	\$2.00	141.0%	\$2.05	2.5%	\$2.05	0.0%
Water- \$/ m ³ **	\$0.50	\$2.00	300.0%	\$2.05	2.5%	\$2.05	0.0%
Sewer- \$/ m ³ *	\$0.60	\$1.15	91.7%	\$1.15	0.0%	\$1.15	0.0%
Sewer- \$/ m ³ **	\$0.60	\$1.15	91.7%	\$1.15	0.0%	\$1.15	0.0%
Total Commodity Charge- Domestic Rate	\$1.43	\$3.15	120.3%	\$3.20	1.6%	\$3.20	0.0%
Total Commodity Charge- Intermediate Rate	\$1.10	\$3.15	186.4%	\$3.20	1.6%	\$3.20	0.0%
Minimum Quarterly*** Water and Sewer	\$40.80	\$75.90	86.0%	\$77.55	2.1%	\$78.45	1.2%
Sewer Only ****	\$57.75	\$102.25	77.1%	\$103.15	0.9%	\$104.05	0.9%
Hydrant (annual)	\$75.00	\$150.00	100.0%	\$150.00	0.0%	\$150.00	0.0%
Reconnection Fee	n/a	\$55.00	n/a	\$55.00	0.0%	\$55.00	0.0%

*Domestic Rate currently charged

**Intermediate Rate currently charged

***Based on 15 cubic meters

****Based on 64 cubic meters

Board Findings

The Board will approve revised rates for the Landmark Water and Sewer Utility effective January 1, 2014. However, the application has been varied as follows.

The \$80,000 annual provision proposed for the future construction of the water treatment plant has been removed from the revenue requirement.

The project has yet to be approved and the Board notes it is contingent on capital contributions being available from other levels of government. Until such a time as there is more certainty with respect to the new water treatment plant, the Board is reticent to include a rate provision which would result in current ratepayers making contributions to a capital plant from which they might not benefit should they no longer be in the community at the time that it is put in service. When the Utility has more certainty with respect to this capital plant, it may return to the Board for reconsideration of this provision along with its proposal to fund the remainder of the water treatment plant not covered by grants.

While the Board recognizes that the contingency provisions are higher than would normally be approved, it is also cognizant of the poor condition of the system, likely requiring more repairs than what might normally be expected. It will therefore approve the contingency as proposed.

The Board is very concerned over unaccounted for water losses in excess of 50%. As the Utility is aware, the industry standard is 10% or less. These losses are putting greater pressure on an already struggling system. It is recognized that this water loss is attributed to the poor condition of the system. However the Board will order that the Utility investigate ways and means of reducing that water loss, and will require that a report be sent to the Board in this regard.

Because of the time elapsed since the original application, the new rate will not be put into effect for 2013. The Board has long held the view that retroactive increases are not fair to ratepayers as it does not give them a chance to react and adjust their consumption patterns.

Rather than creating a series of new rates annually, the Board will put in place one set of rates to be effective January 1, 2014 and remain in effect until altered in a future rate review.

Once the \$80,000 annual provision for the future construction of the Water Treatment Plant was eliminated, the indicated rates essentially stay the same, negating the need for annual rate increases.

The Board notes that the RM continues to use the cost allocation policy adopted in 2005. However, the Board has no record of ever having received that methodology, nor having approved it. It also notes that the RM's consultant is recommending that the Municipality review this policy.

The Board will direct that this cost allocation methodology be finalized and adopted by Council, and the related resolution submitted for approval by March 31, 2014. The Board will expect that this methodology be used in preparing the 2013 financial statements.

The Board commends the RM for eliminating declining block rates; the Board has long held the belief that single step rates promote conservation.

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.

IT IS THEREFORE ORDERED THAT:

1. The water and sewer rates for the RM of Taché - L.U.D. of Landmark Water and Sewer System, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates to be effective January 1, 2014.
2. The RM of Taché - L.U.D. of Landmark revise its water and sewer rate By-law to be consistent with the attached Schedule and submit a copy to the Board once it has received third and final reading.

3. The RM of Taché - L.U.D. of Landmark investigate ways and means to reduce water losses for the Landmark Utility and provide a report to the Board on or before July 1, 2014 with respect to this matter.
4. The RM of Taché's Cost Allocation Methodology be finalized and adopted by Council, and the related Resolution submitted to the Board for approval by March 31, 2014
5. The RM of Tache - L.U.D. of Landmark review its water and sewer rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than June 30, 2016.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA."
Acting Secretary

Certified a true copy of
Order No. 128/13 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE "A"
THE RURAL MUNICIPALITY OF TACHÉ
Local Improvement District No. 3
LANDMARK WATER & SEWER SYSTEM

1. **Quarterly service charge and commodity rates per cubic metre:**

Effective January 1, 2014

Quarterly service charge	\$30.00
Volumetric charge for water	\$1.30
Volumetric charge for sewer	\$1.15

2. **Minimum quarterly rates:**

Notwithstanding the commodity rates set forth in Paragraph 1 hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated.

a) **Water & sewer customers:**

January 1, 2014:

Meter size	Water Included (cubic meter)	Service Charge	Water Charge	Sewer Charge	Total Quarterly Minimum
5/8"	15	\$30.00	\$19.50	\$17.25	\$66.75
1"	60	\$30.00	\$78.00	\$69.00	\$177.00
1 1/2"	140	\$30.00	\$182.00	\$161.00	\$373.00
2"	340	\$30.00	\$442.00	\$391.00	\$863.00

b) **Water only customers:**

Quarterly minimum charge is the same for each meter size as shown in the table above, except that the sewer commodity charge is excluded.

In the event types of properties other than described in this Section are serviced in the future, they shall be assigned units in accordance with the principles and specifics set out in Schedule "A" to bylaw number 23 – 2012.

- c) Sewer only customers
The average quarterly consumption in cubic meters of water used for residential customers at the domestic sewer rate plus the quarterly service charge.

Effective January 1, 2014 the quarterly charge for sewer only customers is
(64 m³ x \$1.15) + \$30.00 (service charge) = \$103.60.

3. **Service to customers outside local improvement district limits:**

The Council of the RM of the Municipality of Taché may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Municipality, or Local Improvement District. Such agreements shall provide for payment of the appropriate rates set out in section 1 this Schedule, as well as a surcharge, set by Resolution of Council, which shall be equivalent to the frontage levy, in effect from time to time, and would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting 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 and the due date shall be at least 20 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

5. **NSF charge**

A charge of \$20 shall be added to the account when payment made by check or preauthorized payment is returned due to insufficient funds or inability to trace the checking account.

6. **Disconnections**

In the event that access to public utility equipment is denied by the customer, or in the event of nonpayment of the utility account, the Public Utilities Board has approved the Conditions Precedent to be followed by the RM with respect to 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 is available for inspection at the Municipality's Office.

7. **Reconnection:**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$50.00 have been paid.

8. **Outstanding bills:**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer 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.

9. **Hydrant rentals:**

In the event water hydrants are installed in the same provide effective fire protection, charges of \$150.00 per hydrant per year shall be made upon the General Fund of the Municipality if the Municipality provides fire protection services in the Local Urban District of Landmark.

10. **Conditions of disrepair:**

In the event that there are conditions of disrepair in the sewer and water works on a property that detrimentally affects the system as a whole and, upon the failure of the owner of the property to correct the condition within reasonable time, the municipality or its agents may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

11. **Tipping fees:**

Septic haulers will be required to pay an annual fee of \$100 to dump septic in the lagoon.

Residents of the municipality of Taché who reside outside the district of landmark are permitted to dump septic into the lagoon. The Municipality of Taché will remit \$5000 annually to the utility in payment thereof.

12. **Sewer surcharges:**

a) There may be levied annually, in addition to the 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 waste.