

M A N I T O B A) Order No. 129/13
)
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 LORETTE WATER AND SEWER SYSTEM
L.I.D Nos. 1 and 2
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 LUD of Lorette Water and Sewer Utility (Utility) effective January 1, 2014 with a further increase on January 1, 2015.

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

	Current	2014	Increase/ Decrease	2015	Increase/ Decrease
Quarterly Service Charge-Water	\$19.64	\$22.50	14.6%	\$23.20	3.1%
Quarterly Service Charge-Sewer	\$11.78	\$22.50	91.0%	\$23.20	3.1%
Water \$/per cubic meter	\$1.03	\$1.80	74.8%	\$1.80	0.0%
Sewer \$/per cubic meter*	n/a	\$0.85	n/a	\$0.90	5.9%
Minimum Quarterly**	\$82.34	\$62.25	(24.4)%	\$63.70	2.3%
Sewer Only (per REU)	\$35.47	\$34.25	(3.4)%	\$36.15	5.5%
Minimum Quarterly Sewer Only	\$47.25	\$56.75	20.1%	\$59.35	\$0.09
Hydrant (annual)	\$75.00	\$150.00	100.0%	\$150.00	0.0%
Reconnection Fee**	n/a	\$55.00	n/a	\$55.00	0.0%

* New Rate (not previously charged)

** Based on 15 cubic meters

REU-Residential Equivalency Unit

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 LUD of Lorette serving 955 water and sewer customers and 96 sewer only customers.

All water and sewer customers are metered and will now be billed on a volumetric basis. Prior to this rate setting, all customers were billed for their sewer services on a flat rate basis. Given that they have no meters, sewer only customers will continue to be charged on a flat rate basis using residential equivalency units (REU's). One REU being the volume of water estimated to be used by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

Raw water is obtained from two supply wells and processed through a relatively new water treatment plant constructed in 2010. The distribution system consists mostly of PVC and is deemed to be in good shape with few reported water main breaks.

The system is meeting the water quality standards required by its operating license. An engineering assessment was completed in September 2011; there were no major issues identified and recommendations have been or are being addressed. The RM is in the process of developing its Emergency Contingency Plan.

The Utility's unaccounted for water is not definitively determined at this time due to metering issues related to the commissioning of the new plant. The Municipality estimates unaccounted for water is approximately 9%, below the industry standard of 10%.

Wastewater - collection/treatment:

The sewer system is a gravity flow system and is deemed to be in good condition although, having been constructed in the late 1960s, it now requires a higher level of maintenance.

The system includes 2 lift stations and is operating at approximately 90% capacity.

The Municipality is considering projects with an estimated cost of approximately \$2 million. The Utility is seeking government grants of approximately \$1 million with the remainder to be funded through a combination of reserves and debenture issues.

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

There are two (2) operators as well as a back-up operator, all of whom are Class 1 Certified.

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 2006.

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.

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. There were no stakeholder responses and the Board concluded that a paper review process 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	\$ 55,387	\$ 80,000	\$ 82,400	\$ 84,872	\$ 87,418
Equity Surcharge 1%	\$ -	\$ -	\$ 9,167	\$ 9,173	\$ 9,322
Billing and collection	\$ 8,444	\$ 12,150	\$ 12,875	\$ 13,261	\$ 13,659
Penalties	\$ 3,930	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Net revenue general	\$ 59,901	\$ 88,650	\$100,942	\$103,806	\$106,899
Purification and treatment	\$ 28,037	\$ 41,723	\$ 42,975	\$ 44,264	\$ 45,592
Emergency Plan		\$ 20,000			
Service of Supply	\$119,026	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709
Transmission and Distribution	\$ -	\$ -	\$ -	\$ -	\$ -
Connections-Net Loss	\$ 5,350	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Interest on long - term debt	\$ 96,021	\$100,148	\$ 96,849	\$ 93,370	\$ 89,702
Reserves	\$ -	\$ 15,000	\$ -	\$ -	\$ -
Minor Capital upgrades-transducer etc		\$ 13,700	\$ -	\$ -	\$ -
Minor capital upgrades-Meter Mtce.	\$ 35,362	\$ 40,000	\$ 41,200	\$ 42,436	\$ 43,709
Contingency			\$ 50,000	\$ 50,000	\$ 50,000
Amortization/depreciation	\$292,080	\$292,080	\$292,080	\$292,800	\$292,800
Sub-total- water expenses	\$575,876	\$566,151	\$567,804	\$568,806	\$569,012
Amortization of Capital grants	\$ -	\$ -	\$ 84,748	\$ 84,748	\$ 84,748

Taxation Revenue	\$153,580	\$160,837	\$160,837	\$160,837	\$160,837
Hydrant Rentals	\$ -	\$ -	\$ 13,950	\$ 13,950	\$ 13,950
Total non-rate revenue - water	\$153,580	\$160,837	\$259,535	\$259,535	\$259,535
Net rate revenue - water	\$422,296	\$405,314	\$308,269	\$309,271	\$309,477
Sewage Collection System	\$ 35,832	\$100,000	\$ 37,080	\$ 38,192	\$ 39,338
Sewage Lift Station	\$ 21,102	\$ 12,000	\$ 12,360	\$ 12,731	\$ 13,113
Sewage Treatment and Disposal	\$ 4,127	\$ 14,000	\$ 10,300	\$ 10,609	\$ 10,927
Connection-Net Loss	\$ -	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Amortization/depreciation	\$ 69,793	\$ 69,793	\$ 69,793	\$ 82,293	\$ 91,911
Interest on long - term debt	\$ 37,184	\$ 34,130	\$ 30,849	\$ 27,326	\$ 23,543
Reserves	\$ -	\$ 15,000	\$ 30,000	\$ 30,000	\$ 30,000
Incentive Program	\$ 2,981	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,930
Contingency	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
Total sewer expenses	\$171,019	\$258,423	\$254,182	\$265,260	\$273,262
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Connection Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Amort. Of Capital Grants	\$ -	\$ -	\$ 22,069	\$ 31,046	\$ 36,881
Taxation revenues	\$ 78,573	\$ 78,573	\$ 78,573	\$ 78,573	\$ 78,573
Other Revenue	\$ 1,073	\$ -	\$ -	\$ -	\$ -
Total non-rate revenue- sewer	\$ 79,646	\$ 78,573	\$100,642	\$109,619	\$115,454
Net rate revenue - Sewer	\$ 91,373	\$179,850	\$153,540	\$155,641	\$157,808

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 Rate Study proposed an equity surcharge of 1% based on a significant working capital deficiency determined from the 2010 financial statements. Based on the latest financial statements at the time of preparation, it was proposed that this surcharge should be collected equally from water and sewer rates.

The contingency provision included in the revenue requirement proposal was calculated in accordance to methodologies currently included in the Board's guidelines, that being 1% of the original capital cost of the plant.

Prior to this rate proposal, all customers were billed for their sewer services based on residential equivalent units.

In this application, the RM now proposes to levy sewer charges to water and sewer customers based on the water meter reading. This is standard practice in the industry. Sewer only customers will continue to be assessed based on a flat rate.

The annual provision of \$30,000 for contributions to Reserves is in accordance with Municipal By-law No. 22-2006, the stated purpose being to provide for 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	July 1, 2013	Increase/ Decrease	Jan. 1, 2014	Increase/ Decrease	Jan. 1, 2015	Increase/ Decrease
Quarterly Service Charge-Water	\$19.64	\$21.85	11.3%	\$22.50	3.0%	\$23.20	3.1%
Quarterly Service Charge-Sewer	\$11.78	\$21.85	85.5%	\$22.50	3.0%	\$23.20	3.1%
Water \$/per cubic meter	\$1.03	\$1.80	74.8%	\$1.80	2.1%	\$1.80	0.0%
Sewer \$/per cubic meter*	n/a	\$0.90	n/a	\$0.95	5.6%	\$0.95	0.0%
Minimum Quarterly**	\$82.34	\$62.35	-24.3%	\$63.75	2.2%	\$64.45	1.1%
Sewer Only (per REU)	\$35.47	\$37.50	5.7%	\$38.10	1.6%	\$38.65	1.4%
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%

* New Rate (not previously charged)

** Based on 15 cubic meters

The 2013 rates were proposed to be effective July 1, 2013 with the 2014 and 2015 increases effective January 1 each of those years.

Board Findings

The Board will approve revised rates for the Lorette Water and Sewer Utility, however, the application has been varied as follows.

There will be no increase approved for 2013. The Board does not support retroactive rate increases and will therefore only approve new rates effective January 1, 2014, with a further increase on January 1, 2015.

Working capital calculation

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

The equity surcharge provision has been removed from the rate requirement. During its review of the application, the Board requested and received the audited financial statements for 2010, 2011 and 2012 for the RM of Taché. A review of the statements revealed that the working capital deficiency for the Utility identified in the rate study no longer existed; it was a temporary situation due to the interim financing of capital projects related to the water distribution system.

In 2011, debentures totaling approximately \$800,000 were issued in relation to these capital projects, thereby redressing the working capital deficiency.

The following table shows the change in the working capital situation from 2010 through 2012:

	2010	2011	2012
Fund surplus	\$5,908,321	\$5,685,276	\$5,445,980
Tangible capital assets	8,322,521	8,000,526	7,689,049
Long-term debt	1,572,444	2,305,872	2,200,739
Reserves	654,477	737,698	874,003
Working capital surplus(deficit)	(187,279)	728,320	831,673

Extracted from audited financial statements

The Board also noted that the amortization of capital grants received for sewer projects had not been calculated in accordance with Board practice. The amounts were restated in the revenue requirement before determining the now approved rates.

These adjustments did not affect the proposed water rate but have reduced the proposed sewer rate somewhat.

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.

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 for the Lorette Utility, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED.

2. The RM of Taché 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's Cost Allocation Methodology be finalized and adopted by Council, and the related Resolution submitted to the Board for approval by March 31, 2014.

4. The RM of Taché review its Lorette 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, 2015.

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. 129/13 issued by
The Public Utilities Board

Acting Secretary

SCHEDULE “A”

THE RURAL MUNICIPALITY OF TACHÉ
Local Improvement District Nos . 1 and 2
LORETTE WATER & SEWER SYSTEM

1. Commodity rates per M3 -

	January 1, 2014	January 1, 2015
Water \$/per cubic meter	\$1.80	\$1.86
Sewer \$/per cubic meter	\$0.85	\$0.90
Total water and sewer/per cubic meter	\$2.65	\$2.70

2. Minimum Charges Quarterly –

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include 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	\$22.50	\$27.00	\$12.75	\$62.25
1”	60	\$22.50	\$108.00	\$51.00	\$181.50
1 1/2”	140	\$22.50	\$252.00	\$119.00	\$393.50
2”	340	\$22.50	\$612.00	\$289.00	\$923.50

Water & Sewer Customers –January 1, 2015

Meter size	Water Included (cubic meter)	Service Charge	Water Charge	Sewer Charge	Total Quarterly Minimum
5/8"	15	\$23.20	\$27.00	\$13.50	\$63.70
1"	60	\$23.20	\$108.00	\$54.00	\$185.20
1 1/2"	140	\$23.20	\$252.00	\$126.00	\$401.20
2"	340	\$23.20	\$612.00	\$306.00	\$941.20

b) Sewer Only Customers

Residential equivalent units are determined based on Appendix A to the Report of Guidelines Used by The Public Utilities Board when Checking The Equity and Adequacy of Water and Sewer Rates Submitted for Approval. Where a sample customer is not provided in the guide, a conclusion must be reached by making a reasonable comparison to a similar volume customer, and the nature of the business.

January 1, 2014

Customers	Service Address	Residential Equivalent Units	Commodity Charge	Service Charge	Total Quarterly Charge
All Single Family Residences		1	\$34.25	\$22.50	\$56.75
Liquor Store	1256 Dawson Road	1	\$34.25	\$22.50	\$56.75
All Duplex Buildings		2	\$68.50	\$22.50	\$91.00
All Triplex Buildings		3	\$102.75	\$22.50	\$125.25
Gas Bar & Car Wash (2 wash racks)	1081 Dawson Road	3	\$102.75	\$22.50	\$125.25
All Fourplex Buildings		4	\$137.00	\$22.50	\$159.50
Apartment Complex	1343 Dawson Road	6	\$205.50	\$22.50	\$228.00
Apartment Complex	1234 Dawson Road	7	\$239.75	\$22.50	\$262.25

January 1, 2015

Customers	Service Address	Residential Equivalent Units	Commodity Charge	Service Charge	Total Quarterly Charge
All Single Family Residences		1	\$36.15	\$23.20	\$59.35
Liquor Store	1256 Dawson Road	1	\$36.15	\$23.20	\$59.35
All Duplex Buildings		2	\$72.30	\$23.20	\$95.50
All Triplex Buildings		3	\$108.45	\$23.20	\$131.65
Gas Bar & Car Wash (2 wash racks)	1081 Dawson Road	3	\$108.45	\$23.20	\$131.65
All Fourplex Buildings		4	\$144.60	\$23.20	\$167.80
Apartment Complex	1343 Dawson Road	6	\$216.90	\$23.20	\$240.10
Apartment Complex	1234 Dawson Road	7	\$253.05	\$23.20	\$276.25

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 this schedule.

3. **Service to customers outside Local Improvement District Limits:**

The Council of The Rural Municipality of Taché may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries for the Municipality, or Local Improvement District. Such agreements shall provide for payment of the appropriate rates set out in section 1 of this schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy and from time to time, and would be levied on 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. **Connection Fees**

All costs of connecting to the utility's mains, and installing and maintaining service connections will be paid by the customer. Where a development agreement does not exist, the customer must pay the following connection fees:

<u>Meter Size</u>	<u>Fee</u>
5/8" & 3/4" water	\$1,000.00
1" water	\$2,000.00
1 1/2" water	\$3,000.00
2" water	\$4,000.00
Sewer	\$1,000.00

5. **Billings and Penalties**

A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

6. **NSF Charge**

A charge of \$20.00 shall be added to the account when payment made by cheque or pre-authorized payment is returned due to insufficient funds or inability to trace the chequing account.

7. **Outstanding Bills**

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

8. **Disconnections**

In the event that access to public utility equipment is denied by the customer, or in the event of non-payment of a utility account, the Public Utilities Board has approved the Conditions Precedent to be followed by the 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 is available for inspection at the Municipality's office.

8. **Reconnection**

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$55.00 have been paid.

10. **Hydrant Rentals**

A charge of \$150.00 per hydrant per year shall be made upon the General Fund of the Municipality for the provision of fire protection services in the Local Improvement District of Lorette.

11. **Conditions of Disrepair**

That in the event 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 a reasonable time, the Municipality, or its agents, may enter upon the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

12. **Sewage 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 waste.