

M A N I T O B A) Order No.144/13
)
THE PUBLIC UTILITIES BOARD ACT) December 2, 2013

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

RURAL MUNICIPALITY OF MOUNTAIN
LOCAL URBAN DISTRICT OF MAFEKING
ACTUAL DEFICIT 2012
WATER RATES- FINAL - 2013 and 2014

Summary

By this Order, the Public Utilities Board (Board) hereby confirms as final water rates for 2013 and 2014 for the LUD of Mafeking Water Distribution System (Utility), in the Rural Municipality of Mountain (RM), previously established on an interim *ex parte* basis by Board Order Nos. 31/13 and 45/13. The Board also approves the 2012 operating deficit of \$16,704.

The 2013 rates have been in effect since April 1, 2013 and 2014 rates are effective January 1, 2014.

The rates are shown below.

	Previous	2013	Increase/ Decrease	2014	Increase /Decrease
Quarterly Service Charge	\$17.00	\$20.80	22.35%	\$26.70	28.37%
Water - \$/REU*	\$58.20	\$66.95	15.03%	\$75.77	13.17%
Minimum Quarterly	\$75.20	\$87.75	16.69%	\$102.47	16.77%
Quarterly Charge - 2009/10/11 deficit recovery	\$0.00	\$23.75	n/a	\$23.75	0.00%
Quarterly Charge - 2012 deficit recovery	\$0.00	\$0.00	0.00%	\$20.75	100.00%
Bulk Water - \$/m ³	\$12.00	\$12.00	0.00%	\$16.00	33.33%
Hydrant Rental (Annual)	\$100.00	\$100.00	0.00%	\$100.00	0.00%
Reconnection Fee	\$25.00	\$50.00	100.00%	\$50.00	0.00%

*Residential Equivalency Unit (REU)

Details of other rates and charges may be found in Schedule "A" attached.

Background

The Mafeking Water Distribution System is a small water system located in the LUD of Mafeking and serves their population of approximately 100 people. At the time of application, the Utility had 67 customers.

The system changed from a metered to a flat rate billing system in 2006; the RM submits that this has not had a material impact on consumption. The RM has indicated there are no plans to install new meters on the system.

The RM advises that the number of Residential Equivalency Units (REUs) assigned is 94, 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 supplied from one of two wells. The treatment process consists of chlorination and reservoir storage prior to distribution. The distribution system is composed of PVC pipelines.

The water treatment plant is equipped with water meters for raw water, distribution, and truck fill. The water system has had no major breakdowns in recent history and has proven to be reliable. The plant operator is certified for Level 1 Water Treatment and Level 1 Water Distribution.

Since the wells are shallow and constructed into an unconfined aquifer, the source water is deemed "groundwater under direct influence of surface water" by the Drinking Water Safety Regulation. Because this carries the risk of contamination, the system is not in compliance with the Drinking Water Safety Act (DWSA) regarding pathogen removal, although regular testing of the water shows no such contamination or quality issues.

The RM has applied to the Manitoba Water Services Board for cost shared funding to install an Ultraviolet disinfection system. Total cost of system is estimated at \$40,000 (this is a rough cost for planning purposes only - no engineering has been done yet). The Utility's estimated \$20,000 share of this cost is proposed to be funded through a debenture on property taxes. The RM has indicated that this project has been scheduled for 2014.

Application

The RM applied in September 2012 for revised water rates for the LUD of Mafeking Water Distribution System. The application was accompanied by a rate study prepared by the RM's consultant and By-law 04-12 read for the first time on September 12, 2012. Rates were last set in 2008 by Board Order No. 107/08.

When reviewing an application, the Board has at its disposal several approaches. It may determine that an oral hearing is warranted or that a paper review process is sufficient.

In some cases, the Board can also establish interim *ex parte* rates, which are rates that are subject to review following a more complete process. The Board determined it was appropriate to do so in the case of Mafeking; rates were set on an interim *ex parte* basis in Board Order Nos. 31/13 and 45/13.

In March of 2013, the Board, which had not yet had the opportunity to review the details in the submission, determined that an interim rate was in order. The Board made this decision due to the urgent need to increase revenues to avoid further Utility deficits.

This interim approval was subject to variation upon completion of a more detailed review. The process included a requirement that a Notice of the proposed increase be provided to all ratepayers. This was done in October 2012 and no responses were received.

The RM applied for approval of the 2012 operating deficit of \$16,704 on September 13, 2013. The RM has requested that the deficit be recovered by rate rider, over three years. Information provided with the deficit application show the number of ratepayers as 69, increased from 67. The rate rider was calculated using 67 customers to be consistent with the rest of the Order. The difference is not a material amount.

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 RM submitted the following cost allocation methodology for approval:

	% charged to utility
Clerk and staff	2.5%
Office	2.5%
Legal	2.5%
Audit	2.5%

Revenue requirements

The rates were determined based on the following expenditure projections:

	2012	2013	2014	2015
General				
Administration	4,600	7,021	7,162	7,305
Equity Surcharge 1%	0	0	0	0
Billing and collection	0	0	0	0
Penalties	150	150	150	150
Net revenue general	4,450	6,871	7,012	7,155
Purification and treatment	19,000	19,380	19,768	20,163
Transmission and Distribution	1,900	1,432	1,461	1,490
Water purchases	0	0	0	0
Amortization/ depreciation	13,074	13,074	13,074	13,074
Sub-total- water expenses	33,974	33,886	34,303	34,727
Bulk Water Fees	1,000	1,000	1,170	1,369
Hydrant Rentals 9@\$100	450	900	900	900
Connection Charges	150	150	153	156
Total non-rate revenue - water	1,600	2,050	2,223	2,425
Net rate revenue - water	32,374	31,836	32,080	32,302

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.

Working Capital Surplus is calculated for the Utility as follows:

Mafeking		
Fund Surplus/Deficit	w	\$363,347.00
Deduct TCA	x	\$357,358.00
Add Long-Term Debt	y	\$ -
Add Utility Reserves	z	\$ 5,371.00
Equals Working Capital Surplus	w-x+y+z	\$ 11,360.00

Deficits

The Utility has experienced several deficits in previous years.

2012	\$ 16,704
2011	\$ 4,559
2010	\$ 7,926
2009	\$ 5,977

Board Order No. 104/12 approved a rate rider for deficit recovery of the 2009, 2010 and 2011 operating deficits. This amount is to be recovered by a rate rider of \$95 per customer, per year for the term of three (3) years effective July 1, 2012. The RM applied to the Board for approval of the 2012 operating deficit on September 13, 2013.

Board Findings

The Board will confirm as final the water rates as approved on an *ex parte* basis in Board Order No. 31/13 and varied in Board Order No. 45/13, with the 2014 rates effective January 1, 2014.

The Board will approve recovery of the 2012 deficit of \$16,704 by rate rider. This amount is to be recovered by a rate rider of \$83 per customer, per year for the term of three (3) years effective January 1, 2014. The Board will also require the RM to provide notice to its customers regarding this rate rider.

The Board will require the RM to submit a copy of a revised By-law reflecting the decisions in this Order.

The Board will approve the cost allocation methodology as submitted and reminds the RM that it must be used consistently and cannot be changed without Board approval.

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 rates, effective January 1, 2014, as shown in the attached Schedule "A" for the Rural Municipality of Mountain - LUD of Mafeking Water Distribution Utility BE AND ARE HEREBY CONFIRMED as final.
2. The actual 2012 operating deficit of \$16,704 incurred in the Rural Municipality of Mountain - LUD of Mafeking Water Distribution Utility, for the purposes set out herein, is HEREBY APPROVED to be recovered by a rate rider of \$83 per customer, per year for the term of three (3) years, effective January 1, 2014.
3. The Rural Municipality of Mountain provides its customers with notice of the rate rider for the 2012 operating deficit as well as a copy to the Public Utilities Board.
4. The Rural Municipality of Mountain files a copy of the water rates By-law with the Public Utilities Board, once it has received third and final reading.

RURAL MUNICIPALITY OF MOUNTAIN – LUD OF MAFEKING
WATER RATE BY-LAW NO. 04/12

SCHEDULE 'A'

SCHEDULE OF QUARTERLY RATES

APRIL 1, 2013

1. **Customer Service Charge**

The quarterly customer service charge shall be **\$20.80**

2. **Commodity Rates**

The commodity rate for all water consumption shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter.

Water commodity rate for one residential equivalent unit shall be **\$66.95**

3. **Schedule of Minimum Quarterly Charges**

Customer	REU's	Customer Service Charge	Commodity Charge	Total Quarterly Charge
Residential	1.0	\$20.80	\$66.95	\$87.75
Commercial I	1.3	\$20.80	\$87.04	\$107.84
Commercial II	2.0	\$20.80	\$133.90	\$154.70
Commercial III	4.0	\$20.80	\$267.80	\$288.60
Commercial IV	5.0	\$20.80	\$334.75	\$355.55
Ag Service	5.0	\$20.80	\$334.75	\$355.55
Hotel	10.0	\$20.80	\$669.50	\$690.30

4. **Bulk Water Sales Rate**

Truck Fill Rate – per 1,000 gallons **\$12.00**

Pail Fill Rate – per 1 gallon **\$0.25**

SCHEDULE OF QUARTERLY RATES

JANUARY 1, 2014

1. **Customer Service Charge**

The quarterly customer service charge shall be **\$26.70**

2. **Commodity Rates**

The commodity rate for all water consumption shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter.

Water commodity rate for one residential equivalent unit shall be **\$75.77**

3. **Schedule of Minimum Quarterly Charges**

Customer	REU's	Customer Service Charge	Commodity Charge	Total Quarterly Charges
Residential	1.0	\$26.70	\$75.77	\$102.47
Commercial I	1.3	\$26.70	\$98.50	\$125.20
Commercial II	2.0	\$26.70	\$151.54	\$178.24
Commercial III	4.0	\$26.70	\$303.08	\$329.78
Commercial IV	5.0	\$26.70	\$378.85	\$405.55
Ag Service	5.0	\$26.70	\$378.85	\$405.55
Hotel	5.0	\$26.70	\$757.70	\$784.40

4. **Bulk Water Sales Rate**

Truck Fill Rate – per 1,000 gallons **\$16.00**

Pail Fill Rate – per 1 gallon **\$0.25**

Clause 5 – Rate Rider for Deficit Recovery – Effective September, 2012

5. In accordance with PUB Order #104/12 a rate rider of **\$23.75** per customer per quarter for 3 years, commencing September, 2012.

PUB Order #104/12 states:

“The actual 2009, 2010 and 2011 operating deficits, when calculated for regulatory purposes, of \$18,462 incurred in the Rural Municipality of Mountain – LUD of Mafeking Water and Sewer Utility, for the purposes set out herein, is HEREBY APPROVED to be recovered by a rate rider of \$95.00 per customer, per year for the term of three (3) years effective July 1, 2012”

Clauses 6 to 13 are Effective April 1, 2013

6. A rate rider of **\$20.75** per customer per quarter for 3 years, commencing January 1, 2014

PUB Order #144/13 states:

“The actual 2012 operating deficit of \$16,704 incurred in the Rural Municipality of Mountain – LUD of Mafeking Water Distribution Utility, for the purposes set out herein, is HEREBY APPROVED to be recovered by a rate rider of \$83 per customer, per year for the term of three (3) years, effective January 1, 2014.”

7. Service to Customers outside L.U.D. of Mafeking limits

The Council of the RM of Mountain may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the L.U.D. 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.

8. Billings and Penalties

Accounts shall be billed quarterly. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least twenty (20) days after the mailing of the bills.

9. Disconnections

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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 RM Office.

10. 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.

11. 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 collectable, 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.

12. Hydrant Rentals

An annual charge of One Hundred Dollars (\$100.00) per hydrant shall be made by the utility to the Local Urban District of Mafeking for Fire Protection services, which annual charge shall include water used.

13. 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 L.U.D.'s water system.

If a condition is found to exist which, in the opinion of the RM, is contrary to the aforesaid, the RM 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 RM shall proceed in accordance with clause 1 of this section.