

M A N I T O B A) Order No.79/13
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THE PUBLIC UTILITIES BOARD ACT) July 19, 2013

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

RURAL MUNICIPALITY OF SPRINGFIELD
OPERATING DEFICIT 2011
WATER AND SEWER RATES 2013, 2014 AND 2015

Summary

By this Order, the Public Utilities Board (Board) approves revised water and sewer rates for the Springfield Water and Sewer Utility in the Rural Municipality of Springfield (RM), as applied for on a revised rate application received May 22, 2013. These rates have varied from those posted on the Notice of Application and Notice of Hearing.

The new rates are effective September 4, 2013.

The rates are shown below.

Commodity Rate	Previous	2013, 2014 and 2015
\$/m ³		
Water - commodity	\$1.24	\$1.71
Sewer - commodity	\$0.37	\$0.90
Quarterly s/c - water	\$8.61	\$14.74
Quarterly s/c - sewer	\$3.77	\$8.52
Quarterly REU*	\$32.58	\$56.25
Min quarterly - water only**	\$27.21	\$40.39
Min quarterly - water and sewer**	\$36.53	\$62.41
Min quarterly - REU customers*	\$36.35	\$64.77
Bulk Water	\$1.92	\$2.43
Reconnection charge	\$40.00	\$100.00
Hydrant rental charge	\$50.00	\$100.00

*based on 250m³

**based on 15m³ (previously based on 25m³)

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

Background

The RM of Springfield operates a water and sewer utility in the communities of Anola, Dugald and Oakbank. There are 593 metered water and sewer customers, and 874 sewer-only customers who are billed using residential equivalency units (REU). REU's are used where a system has no meters, one unit being the volume of water estimated to be used by the average single family residence. Units are allocated to other customers are based on estimated water they will use, as compared with a residence. The RM has 848 single REU customers and 26 multiple REU customers.

There are three septic haulers using the lagoon, they are currently charged an annual lump sum fee of \$1,500.

The Dugald water system was installed in 1996. Oakbank began installing water around 2003, for new builds only. Anola installed water in 2006. Oakbank and Dugald continue to grow at a rate of approximately 80 serviced (water and sewer) properties per year. The Oakbank water treatment plant received a significant upgrade in 2007, and recently a part of Oakbank that was without water has started to receive water. There is a possibility that the rest of Oakbank will eventually be serviced by a public water system, but no plans have been made.

Rates were last set in 2005 by Board Order No. 112/05, which provided for rate increases up to 2007.

The Board took the unusual step of addressing a Working Capital Deficit issue with the RM on Board Order No. 35/12. The RM has recently brought it to the attention of the Board that Order 35/12 erroneously referred to the Working Capital Deficit as an Operating Deficit. The Board has since revised that Order to correct the error.

The RM has taken steps to correct the Working Capital Deficit, and as of the end of 2011 (the most recent audited statements available) they had reduced the deficit from nearly \$650,000 to \$66,000.

The Board has at its disposal two alternative processes to deal with applications. It may determine a public hearing is warranted or a paper review process is sufficient. In the case of the Springfield Utility, the Board received many responses from stakeholders. The Board concluded a public hearing was warranted and in the best interests of the stakeholders and the Utility.

A Notice of Public Hearing was issued on February 13, 2013 and the Hearing was held on Tuesday, March 26, 2013 at the Dugald Community Centre in Dugald, MB.

Application

The RM submitted a rate application to the Board October 2, 2012, with By-law #12-15, read for the first time on September 18, 2012. Notice of Application was provided, and the Board determined that a public hearing was in the best interest of all stakeholders. The hearing was held March 26, 2013 and the RM submitted a revised rate application to the Board on May 22, 2013.

The RM provided the following budgeted expenditures:

<u>Sewer</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General			
<i>Expenses:</i>			
Administration (building, office, etc.)	49,883	51,379	52,921
Billing and collection	-	-	-
Total general expenses	49,883	51,379	52,921
Equity surcharge (1% of annual expenses)	7,061	7,199	7,342
<i>Revenue:</i>			
Penalties	824	849	874
Total general revenue	824	849	874
Net revenue general	56,120	57,730	59,388
Sewer			
<i>Expenses:</i>			
Staffing	-	-	-
Sewage Collection System	86,100	88,683	91,343
Sewage Lift Station	80,500	82,915	85,402
Sewage Treatment and Disposal	28,350	29,201	30,077
Amortization/ depreciation	275,405	283,668	292,178
Interest on long term debt	70,850	69,076	67,248
Reserves	35,000	35,000	35,000
Minor capital upgrades	14,000	12,000	10,000
Contingency	65,985	67,964	70,003
Total sewer expenses	656,191	668,506	681,251
<i>Revenue</i>			
Connection Revenue			
Lagoon Tipping Fees	4,500	4,500	4,500
Amortization of capital grants	149,020	153,491	158,095
Taxation revenues	130,005	130,005	130,005
Total non-rate revenue- sewer	283,525	287,995	292,600
Net rate revenue - sewer	372,666	380,511	388,651

Water	2013	2014	2015
General			
<i>Expenses:</i>			
Administration (building, office, etc.)	41,252	42,489	43,764
Billing and collection	-	-	-
Total general expenses	41,252	42,489	43,764
Equity surcharge (1% of annual expenses)	7,305	7,485	7,579
<i>Revenue:</i>			
Penalties	824	849	874
Total general revenue	824	849	874
Net revenue general	47,732	49,125	50,468
Water			
<i>Expenses:</i>			
Staffing	-	-	-
Purification and treatment	100,300	103,309	106,408
Water purchases	-	-	-
Service of Supply	30,250	31,158	32,092
Transmission and Distribution	87,500	90,125	92,829
Other Water Supply Costs	4,000	4,120	4,244
Amortization/ depreciation	253,725	261,337	269,177
Interest on long term debt	82,800	78,534	74,140
Reserves	35,000	35,000	35,000
Minor capital upgrades	37,000	42,000	38,000
Contingency	58,654	60,414	62,226
Sub-total- water expenses	689,229	705,996	714,115
<i>Revenue:</i>			
Hydrant rentals	8,900	17,000	17,000
Amortization of capital grants	107,226	110,443	113,756
Taxation revenues	225,012	225,012	225,012
Other revenue	66,950	68,959	71,027
Total non-rate revenue - water	408,088	421,413	426,795
Net rate revenue - water	281,142	284,583	287,320

The RM submitted the following cost allocation methodology for approval by the Board:

Cost allocation policy		
<u>Account</u>	<u>% Sewer</u>	<u>% Water</u>
Legislative	1.0%	1.0%
Water and Waste Director	17.7%	13.3%
Office Administration (utility clerk)	8.0%	8.0%
Finance/CAO/Asst CAO	1.6%	0.9%
Public Works Admin	4.7%	4.7%
Office rent	20.0%	20.0%
Actual costs are used for utility operators, any public works staff and equipment used and office supplies (including postage)		

The RM also submitted revised PUB Schedule 9's, which indicated that the deficits incurred in 2010, 2011 and 2012 were largely offset when calculated for regulatory purposes. After being adjusted for the amortization of capital grants, 2010 became a surplus of \$44,630, 2011 went from a deficit of \$316,134 to a deficit of \$137,315 and 2012 became a surplus of \$61,243. This resulted in a net deficit of \$31,442 over the three year period, which the RM requested be recovered through future surpluses.

Public Response and Hearing

The Board received approximately ten expressions of concern from stakeholders. Comments brought forward were that the rate increases are too high, that the water quality in the area is at significant risk, that the RM has been unforthcoming with information to the public, concerns that administrative

functions are not being performed adequately and that there is a disparity in how the three communities served by the Utility benefit from being connected to the system. Several of the responses specifically requested that a Public Hearing be convened, and the Board decided this was in the best interest of all parties. The Public Hearing took place in accordance with the Notice. Approximately 32 stakeholders attended the hearing.

The RM presented the application and discussed how the impact of changing to Public Sector Accounting Board (PSAB) standards has resulted in the Utility experiencing significant deficits. The RM also presented that the administrative costs for the Utility have been understated, which effectively results in the RM cross-subsidizing the Utility, and how the 2005 rate study water consumption projections were significantly overestimated, which resulted in the commodity rates being set too low.

Several members of the community made presentations at the Public Hearing. Mr. Peter Williams expressed concern over the management of the utility, and made a formal presentation to the Board. He submitted that he has identified several REU customers who are not on the list of REU customers, and asked that the Board consider imposing a timeline on the RM for the completion of the REU review.

Mr. Williams also had concerns about the RM running water from a hydrant into a retention pond, concerns which were addressed by the RM. The retention pond needed to have water added to it to avoid it freezing solid, which would have resulted in significant damage to the pond. The water used was appropriately allocated to the project, and not included in

unaccounted for water.

Mr. Darryl Speer presented, outlining his concerns about the safety of the groundwater. These concerns have previously been addressed by Manitoba Conservation and Water Stewardship, and are outside of the scope of the Board.

Mr. Keith Sharpe asked the RM to explain the billing periods, his concern being that when the utility cuts off the billing period early, it causes his account to go over the minimum charge in the following quarter. He also inquired as to the status of fire protection for the community of Dugald. The RM responded that they would be happy to adjust his bill if the early meter reading causes overbilling to occur. It was also explained that the Dugald system was developed as a potable water system, not a fire protection system. Hydrants were installed for flushing and maintenance, not fire protection. Any upgrade to the system would be dependent on budget constraints, and nothing is currently planned. Oakbank was upgraded to allow for fire protection first, because Dugald is essentially a "customer" of Oakbank, and the flows have to go through Oakbank first. Mr. Sharpe expressed the opinion that the ratepayers in Dugald are not being treated fairly compared to others in the municipality.

Several stakeholders asked questions about the disparity in connection fees for existing homes and new developments, and the RM talked about how the connection fees are the same; however a new home will have those costs built into the cost of the house, since the developer is the one who pays for it. Concerns were brought forward about the capacity to service the new

developments, and while these are important questions, they are beyond the jurisdiction of the Board and the scope of the hearing.

Mr. Brent Vandenbosch asked how the applied for rates were determined, the RM's consultant explained the rate application process, and how rates are calculated. He also explained about the effects of cross-subsidization, and how the RM is working towards eliminating this for the Springfield utility.

Administration costs were not being recovered at previous rates, and the RM continues to track usage to ensure the current cost allocation methodology is appropriate.

Ms. Janet Nylen presented her concerns about the flat rate billing for septic haulers, her opinion that the rate study is premature given the pending projects for Springfield and the impact that this residential growth will have on the utility.

The RM advised that they are investigating options regarding the billing of septic haulers on a per load basis, rather than an annual flat charge. The Board advised Ms. Nylen that the rate application was necessary, due to the deficits being experienced by the utility; further delays would only create more issues.

Ms. Nylen expressed concern over the RM subsidizing the utility, that the disconnection policy in the proposed By-law is not compliant with Board regulations and also asked about the 19mm lines being installed in the new developments. Other stakeholders expressed concerns over utility infrastructure being paid for by debenture collected from the taxpayers, deficits experienced by the utility in recent years, the basis

for minimum charges on quarterly bills, and if there are any capacity issues. Several points of discussion at the hearing fell beyond the scope of the Board, and were not addressed specifically in this hearing.

The RM's consultant explained that the quarterly minimum, which has been 25m³, is being changed to 15m³, which is considered to be a standard measure. It was explained that the origin of this dates back to a study done by Templeton Engineering and is recommended by many experts and professional organizations, including the American Water Works Association.

Board Findings

The Board would like to thank the stakeholders from the RM of Springfield for providing valuable feedback and commentary to the Board with regards to the public utility. Given a number of concerns regarding the management of the utility, the Board would also like to mention the staff with the RM of Springfield conducted themselves in a cooperative and transparent manner during the rate application process.

The Board recommends that the municipality engage in further public hearings for the many concerns voiced which fell outside of the scope of the hearing, and build open lines of communication with the community groups and concerned stakeholders.

The RM should work with other government departments to address any concerns about long-term sustainability. Council should be exploring reasonable options to assist in this mandate.

The Board acknowledges the concerns about inequities between Anola, Dugald and Oakbank and reminds community members that there was a point in time where these three communities decided to join in partnership. This is a valuable partnership and has led to benefits such as economies of scale and increased opportunities for grant money. The potential downside is that there may be inequities between the communities, but it is important to also consider the positive impact of this relationship. Anola and Dugald are not experiencing the same kind of growth that Oakbank is. While the communities may not be equal, they do have more opportunities to move forward

together than they would apart.

The Board will approve revised water and sewer rates as applied for by the RM in May 2013. The new rates for 2014 and 2015 will be effective January 1 of each year. The 2013 rates are effective September 4, 2013.

The Board will approve the shared cost allocation methodology as submitted by the RM. In its submission, the RM noted that the methodology is under review. The Board reminds the RM that this methodology must be applied consistently in the future and can only be varied with approval by the Board.

Given the significant growth and change that the RM is experiencing, the Board feels that it is imperative that a rate study is completed at least every three years. The Board will therefore order the RM of Springfield to submit their next rate study and application no later than June 30, 2015.

The Board agrees that it is important that the RM undertake an REU review and revise their septic hauling policy, and will require that both of these projects be completed and submitted to the Board before December 31, 2013.

The Board reviewed the Disconnection section of By-law 12-15 and has found it to be in compliance with Board Order No. 39/09, *Review and Variance of Order 127/08 and the Establishment of Revised Conditions Precedent Concerning the Disconnection of Water and/or Sewer Services for Non-payment of Accounts (Conditions Precedent)*. According to Conditions Precedent, a utility must give 14 days' notice for disconnection 45 days after the billing date, allowing the utility to disconnect 60

days after the billing date. By-law #12-15, Section C.2 states that the RM may disconnect 30 days after the due date, which is 60 days after the billing date. The Board recommends that the RM review its internal policies to ensure that proper notice, as set out in Conditions Precedent, is being made to delinquent customers, and review the wording of the By-law to clarify the policy.

The Board will require the RM to submit the By-law once it has been revised to reflect these changes, and received third and final reading.

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. Revised water and sewer rates effective September 4, 2013, as shown on Schedule "A" attached to this Order for the Rural Municipality of Springfield BE AND ARE HEREBY APPROVED.
2. The Rural Municipality of Springfield file with the Board revised water and sewer By-law to reflect the decision in this Order, once it has received third and final reading.
3. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Springfield BE AND IS HEREBY APPROVED.
4. The 2011 operating deficit of \$137,315 is HEREBY APPROVED to be recovered through future operating surpluses.
5. The Rural Municipality of Springfield completes a review of the current listing of Residential Equivalency Units on or before December 31, 2013.
6. The Rural Municipality of Springfield completes a review of the current policies and procedures for septic haulers on or before December 31, 2013.

SCHEDULE "A"

THE RURAL MUNICIPALITY OF SPRINGFIELD

WATER AND SEWER RATES

BY-LAW NO. 12-15

SCHEDULE OF QUARTERLY RATES:

A. QUARTERLY WATER COMMODITY RATES

Service Charge	\$14.74
Volumetric Charge (c.m.)	\$1.71
Bulk Rate (c.m.)	\$2.43

B. QUARTERLY SEWER RATES

Service Charge	\$ 8.52
Volumetric Charge (c.m.)	\$ 0.90
Residential Equivalent Unit	\$56.25

Minimum Quarterly Charges - Water Service Only

A minimum charge is to be paid by all customers connected to the water distribution system only so all customers will make a fair minimum contribution to the cost of operating the water production and distribution system.

Meter Size	Water Incl. (c.m.)	Customer Service Charge	Commodity Charge	Quarterly Minimum
15 mm	15	\$14.74	\$1.71	\$ 40.39
19 mm	30	\$14.74	\$1.71	\$ 66.04
25 mm	60	\$14.74	\$1.71	\$ 117.34
38 mm	150	\$14.74	\$1.71	\$ 271.24
50 mm	375	\$14.74	\$1.71	\$ 655.99

75 mm	675	\$14.74	\$1.71	\$1,168.99
100 mm	1350	\$14.74	\$1.71	\$2,323.24
150 mm	2550	\$14.74	\$1.71	\$4,375.24
Bulk Rate		2.43		

Minimum Quarterly Charges - Sewer and Water Service

A minimum charge is to be paid by all customers connected to both the water and sewer systems so all customers will make a fair minimum contribution to the cost of operating the systems.

Meter Size	Water Incl. (c.m.)	Water Service Charge	Commodity Charge	Sewer Service Charge	Commodity Charge	Quarterly Minimum
15 mm	15	\$14.74	\$1.71	\$8.52	\$0.90	\$62.41
19 mm	30	\$14.74	\$1.71	\$8.52	\$0.90	\$101.56
25 mm	60	\$14.74	\$1.71	\$8.52	\$0.90	\$179.86
38 mm	150	\$14.74	\$1.71	\$8.52	\$0.90	\$414.76
50 mm	375	\$14.74	\$1.71	\$8.52	\$0.90	\$1,002.01
75 mm	675	\$14.74	\$1.71	\$8.52	\$0.90	\$1,785.01
100 mm	1350	\$14.74	\$1.71	\$8.52	\$0.90	\$3,546.76
150 mm	2550	\$14.74	\$1.71	\$8.52	\$0.90	\$6,678.76

Quarterly Sewer Charges - Sewer Service Only

Quarterly rates for customers connected to the sewer utility only will be as follows:

Customer	Residential Equivalent Units	Service Charge	Commodity Charge	Quarterly Bill
Single family or small business	1	\$8.52	\$56.25	\$64.77
Building with more than 1 residence or business:				
2 residences or businesses	2.00	\$8.52	\$112.50	\$121.02
3 residences or businesses	3.00	\$8.52	\$168.75	\$177.27
35117 PTH 15 RD 60N	1.50	\$8.52	\$84.38	\$92.90
630 Balsam Crescent	2.00	\$8.52	\$112.50	\$121.02
646 Pine Drive	2.00	\$8.52	\$112.50	\$121.02
622 Main Street	2.00	\$8.52	\$112.50	\$121.02
777 Cedar Avenue	2.00	\$8.52	\$112.50	\$121.02
576 Balsam Crescent	2.00	\$8.52	\$112.50	\$121.02
567 Main Street	3.00	\$8.52	\$168.75	\$177.27
582 Balsam Crescent	3.00	\$8.52	\$168.75	\$177.27
629 Balsam Crescent	3.00	\$8.52	\$168.75	\$177.27
628 Main Street	3.00	\$8.52	\$168.75	\$177.27
544 Holland Street	3.00	\$8.52	\$168.75	\$177.27
26157 Oakwood Rd	3.40	\$8.52	\$191.25	\$199.77
573 Main Street	4.00	\$8.52	\$225.00	\$233.52
644 Willow Avenue	4.00	\$8.52	\$225.00	\$233.52
639 Main Street	4.00	\$8.52	\$225.00	\$233.52
1016 Almey Avenue	4.00	\$8.52	\$225.00	\$233.52
26033 Springfield Road	4.28	\$8.52	\$240.75	\$249.27
687 Main Street	5.50	\$8.52	\$309.38	\$317.90

544 Main Street	6.00	\$8.52	\$337.50	\$346.02
623 Balsam Crescent	7.00	\$8.52	\$393.75	\$402.27
36003 PTH 15 RD 60N	8.20	\$8.52	\$461.25	\$469.77
520 Main Street	14.00	\$8.52	\$787.50	\$796.02
851 Cedar Avenue (Junior High)	17.00	\$8.52	\$956.25	\$964.77
851 Cedar Avenue (Elementary)	21.00	\$8.52	\$1,181.25	\$1,189.77
680 Pine Drive	23.60	\$8.52	\$1,327.50	\$1,336.02
851 Cedar Avenue (Collegiate)	26.00	\$8.52	\$1,462.50	\$1,471.02

C. Other Rates and Charges

1. Billing, Due Dates and Penalties

All sewer and water utility accounts shall be billed quarterly and all bills shall be due and payable 30 days after the billing date. A penalty of 1¼% per month will be charged if not paid by the due date.

2. Disconnection and Reconnection of Service for Non-payment

Services may be disconnected without further notice if that account has not been paid within 30 days of the due date. Prior to reconnection, payment shall be made of all arrears and penalties plus a reconnection charge of \$100.00.

3. Outstanding Utility Charges are a Lien on the Land

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for water or sewer service are a lien upon that land and shall be collected in the same manner in which ordinary taxes upon the land are collectable and with like remedies. Where a tenant is in arrears the property owner should be notified in all cases.

4. Water Bulk Rate

All water sold in bulk by the R.M. of Springfield shall be charged for at the rate of \$2.43 per cubic metre.

5. Hydrant Rental

The R.M. of Springfield shall pay to the utility an annual rental of \$100.00 for each hydrant connected to the system. This includes the costs of maintaining the hydrant, and any water used for fire-fighting or training purposes.

6. Haulers

The annual permit fee for septage and holding tank haulers is \$1,500.00 per calendar year.

7. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, the 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.

8. Errors and/or omissions in Billing

For any accounts found to be in error, and whether that error results in the customer owing, or the customer to receive a credit, that such adjustments will be made up to 2 years prior to the notification of the error.

In the case of crediting the account, that adjustment will be made immediately, and the utility bill will show a credit.

In the case of additional charges being required, the property owner shall have up to the amount of time being adjusted to pay the additional charges, in equal quarterly charges.