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M A N I T O B A

) Order No. 31/14

)

THE PUBLIC UTILITIES BOARD ACT

) March 14, 2014

BEFORE: Susan Proven, P.H.Ec, Acting Chair

The Hon. Anita Neville, P.C., B.A. (Hons.), Member

RURAL MUNICIPALITY OF HANOVER

L.I.D. OF KLEEFELD

REVISED RATES EFFECTIVE MARCH 27, 2014

Summary

The Public Utilities Board (Board) hereby approves revised water and sewer rates for the Rural Municipality of Hanover (RM) Kleefeld water and sewer utility (Utility), including a proposed change to the minimum charge for unmetered sewer only customers submitted by the RM after the Notice of Application. The new rates are effective March 27, 2014.

The current rates, as established under Order No.128/03, and revised rates are noted below:

	Current	2014	Increase
Quarterly Service Charge	\$6.25	\$15.55	149%
Water \$/1,000 gallons	\$3.18	\$5.73	80.19%
Sewer \$/1,000 gallons	\$0.95	\$2.28	140%
Minimum Quarterly-Water and Sewer*	\$19.90	\$41.98	111%
Minimum Quarterly- (metered) Sewer Only*	\$9.40	\$23.07	145%
Minimum Quarterly- (unmetered) Sewer Only**	\$9.40	\$38.35	308%
Minimum Quarterly-Water Only	\$16.75	\$34.46	105.73%
Bulk Water \$/1,000 gallons***	\$4.55	\$4.55	0.00%
Reconnection Fee	\$40.00	\$50.00	25.00%
Hydrant Rental (Annual)	\$135.00	\$135.00	0.00%
*Based on 3,300 gallons			
**Based on 10,000 gallons, currently charged 3,300 gallons (unmetered customers only)			
***Minimum Charge for any quantity will be \$25.00			

Details of the revised rates are attached to this Order as Schedule "A".

Background

The RM operates a water and sewer utility that serves 233 customers. There are 207 water and sewer customers and 26 sewer only customers.

The Utility's water comes from two deep wells. Water and sewer lines were installed in 1960's and on. A new reservoir, pumps and generator were added in the last few years and the system meets drinking water standards.

The sewer is a gravity system using eight inch lines. The RM is in compliance with its Environmental License. The lagoon is discharged into Sarto Creek.

The Kleefeld Utility is Class 1 for water treatment, water distribution and wastewater distribution and collection. The RM has four staff for its various utilities throughout the RM; two of the operators are Level 1 water and sewer; one operator is Class 2 water and sewer; and one operator is Class 2 water and Class 1 sewer.

Unaccounted for water was reported as a negative number. The RM feels this is likely because the utility billing software currently employed is unable to accurately report aggregated consumption; the municipality has committed funds to upgrade accounting software in 2014, including utility monitoring and billing.

Application

The RM filed its application on May 13, 2013 for revised water and sewer rates for the L.I.D. of Kleefeld. The application was accompanied by a copy of By-law No. 2309/13, read for the first time on May 8, 2013, and a rate study prepared by the RM's consultant.

A Public Notice of Application was issued on May 16, 2013, affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

There was one stakeholder response, which was thoroughly addressed by the RM.

The Board has at its disposal two alternative processes to deal with rate applications; it may determine that public hearing is warranted or that a paper review process is sufficient.

The Board concluded that in the case of the Kleefeld Utility a paper review process, one that helps limit regulatory costs, was in the best interest of all concerned.

In response to enquiries from the Board, the RM proposed changing the minimum charge for unmetered sewer only customers from 3,300 gallons to 10,000 gallons. The Board is supportive of this change; unmetered customers are typically charged based on an average household in the community. Some sewer only customers have meters on their

wells; in the case of those customers, the RM will continue to charge based on consumption.

The rates proposed were based on the following budgeted revenue requirements:



	2014	2015	2016
General			
Administration	13,580	13,852	14,129
Billing and collection	592	603	616
Expenses - general	14,172	14,455	14,745
Penalties	250	250	250
Revenues - general	250	250	250
Net costs - general	13,922	14,205	14,495
Purification and treatment	35,200	35,904	36,622
Transmission and Distribution	7,109	7,251	7,397
Connection Costs	700	714	728
Amortization	26,489	12,816	22,816
Reserves	120,000	120,000	120,000
Interest on long term debt	49,318	45,836	52,226
Expenses - water	238,816	222,521	239,789
Amortization of capital grants-water	5,600	5,600	5,600
Property Taxes	154,097	154,097	167,963
Hydrant Rentals	1,215	1,215	1,215
Revenues - water	160,912	160,912	174,778
Net costs - water	77,905	61,609	65,011
Sewage Collection System	1,530	1,561	1,592
Sewage Treatment and Disposal	3,692	3,766	3,842
Lift Station Costs	3,601	3,673	3,746
Amortization	31,441	31,441	31,441
Reserves	80,000	80,000	80,000
Interest on long term debt	30,012	27,694	25,292
Expenses - sewer	150,276	148,135	145,913
Property Taxes	86,679	86,679	95,299
Amortization of capital grants-sewer	17,427	17,427	17,427
Sewer tipping fees	6,400	6,400	6,400
Revenues - sewer	110,506	110,506	119,126
Net costs - sewer	39,770	37,629	26,787

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 has estimated the costs for operating the Kleefeld Utility to be 2% of total shared costs; utility operators track their time and are allocated on that basis, as well as costs for fuel, insurance, repair and maintenance from two of the two trucks used by the operators.

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 Utility's Working Capital is compliant with Board requirements as of December 31, 2012, the most recent audited statements available.

Board Findings

The Board will approve revised rates as applied for by the RM, including the revision to the minimum charge volume for unmetered sewer only customers, from 3,300 gallons per quarter to 10,000 gallons per quarter, which aligns with industry best practice.

The Board will also approve the submitted Cost Allocation Methodology, and reminds the RM that this methodology must be used consistently in the future, and requires Board approval should any changes be considered.

The Rural Municipality of Hanover is required to submit a copy of its 2013 audited financial statements to the Board as soon as they are available.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. Revised water and sewer rates for The Rural Municipality of Hanover, Local Improvement District of Kleefeld BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective March 27, 2014.
2. The Rural Municipality of Hanover, Local Improvement District of Kleefeld shall submit a certified copy of its

water and sewer By-law once it has been revised to reflect the changes in this Order and received third and final reading.

3. The Cost Allocation Methodology proposed by the Rural Municipality of Hanover, Local Improvement District of Kleefeld Utility BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Hanover submit a copy of its 2013 audited financial statements to the Board as soon as they are available.
5. The Rural Municipality of Hanover, Local Improvement District of Kleefeld Utility 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, 2017.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

Acting Chair



Acting Secretary

**RURAL MUNICIPALITY OF HANOVER – KLEEFELD UTILITY
WATER & SEWER RATES BY-LAW NO. 2309/13
SCHEDULE "A"**

SCHEDULE OF QUARTERLY RATES

1. Rates per 1,000 gallons

March 27, 2014

1,000 gallons per quarter

Water	Sewer	Total Water & Sewer
\$5.73	\$2.28	\$8.01

2. Minimum Charges per Quarter

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

a. Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Thousands of Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum	Sewer Only Quarterly Minimum
5/8	1	3,300	\$15.55	\$18.91	\$7.52	\$41.98	\$34.46	\$23.07
1 inch	4	6,600	\$15.55	\$37.82	\$15.05	\$68.42	\$53.37	\$30.60
1 ½ inch	10	13,200	\$15.55	\$75.64	\$30.10	\$121.29	\$91.19	\$45.65
2 inch	25	19,800	\$15.55	\$113.45	\$45.14	\$174.14	\$129.00	\$60.69

b. Metered Water Only Customers

Quarterly minimum charge will be the same for each meter size as shown in table above.

c. Sewer Only Customers (unmetered)

Quarterly minimum charge, based on 10,000 gallons, plus the service charge shall be \$38.35.

3. Bulk Water sales

All water sold in bulk by the Rural Municipality of Hanover shall be charged for at the rate of \$4.55 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity the minimum charge will be \$25.00.

Clauses 4 to 12 are Effective March 27, 2014

1. Service to Customers outside Kleefeld 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 Kleefeld Local Improvement District #2 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.

2. Billings and Penalties

Accounts shall be billed quarterly based on water used. 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 thirty (30) days after the mailing of the bills.

3. 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.

4. 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.

5. 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. 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.

6. Hydrant Rentals

The Rural Municipality will pay to the Utility an annual rental of \$135.00 for each hydrant connected to the system which includes the cost of water.

7. 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 wastes.

8. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$50, plus any applicable meter testing costs. In the event the meter tests prove that the meter is recording water flows in excess of actual flows, the meter testing fee and associated costs will be refunded to the customer and the customer's account will be reviewed and adjusted accordingly.

9. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

10. 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.

11. 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.

12. 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.