

M A N I T O B A) Order No. 32/14
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THE PUBLIC UTILITIES BOARD ACT) March 18, 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 GRUNTHAL
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) Grunthal 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 revised rates are effective March 27, 2014.

The current rates, as established under Order No.149/07, and revised rates are noted below:

	Current	2014	Increase
Quarterly Service Charge	\$4.65	\$13.05	181%
Water \$/1,000 gallons	\$2.01	\$3.93	95.52%
Sewer \$/1,000 gallons	\$2.02	\$2.30	14%
Minimum Quarterly -Water and Sewer*	\$16.75	\$31.74	89%
Minimum Quarterly - (metered) Sewer Only*	\$10.75	\$19.95	86%
Minimum Quarterly - (unmetered) Sewer Only**	\$10.75	\$36.05	235%
Minimum Quarterly - Water Only	\$10.65	\$24.84	133.24%
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 3,000 gallons			
**Based on 10,000 gallons, currently charged 3,000 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 549 customers. There are 539 water and sewer customers and 10 sewer only. Of these, two sewer only customers are outside the Grunthal LID Boundary and pay utility sewer debt on the same basis as if they were inside the LID boundary.

The Utility's water comes from two deep wells. Water and sewer lines were installed in 1960's and on. The Grunthal utility meets drinking water standards.

The sewer system is forcemain with a lift station. The RM is in compliance with its Environmental License. The lagoon is discharged into Tourand Creek. Parmalat is the largest customer of the Utility, and has an Industrial Service Agreement for sewage discharge.

The Grunthal Utility is Class 1 for water treatment, water distribution and wastewater distribution and Class 2 wastewater 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 30% in 2012 and 31% in 2013. 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 Grunthal. The application was accompanied by a copy of By-law No. 2308/13, 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 were two responses. These were 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 Grunthal 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
Administration	27,181	27,725	28,279
Billing and collection	1,428	1,457	1,486
Expenses - general	28,609	29,182	29,765
Penalties	700	700	700
Other Income	400	400	400
Revenues - general	1,100	1,100	1,100
Net costs - general	27,509	28,082	28,665
Purification and treatment	55,814	56,931	58,069
Transmission and Distribution	20,267	20,673	21,086
Connection Costs	3,000	3,060	3,121
Amortization	52,293	52,293	52,293
Reserves	85,000	85,000	85,000
Equity surcharge to rebuild working capital	35,000	35,000	35,000
Interest on long term debt	65,475	61,845	58,079
Expenses - water	316,849	314,802	312,648
Hydrant Rentals	5,805	5,805	5,805
Property Taxes	160,968	160,968	160,968
Amortization of capital grants-water	18,509	18,509	18,509
Revenues - water	185,282	185,282	185,282
Net costs - water	131,567	129,520	127,366
Sewage Collection System	8,160	8,323	8,490
Sewage Treatment and Disposal	38,872	39,650	40,443
Lift Station Costs	42,881	43,738	44,613
Amortization	158,592	158,592	131,700
Reserves	85,000	85,000	85,000
Equity surcharge to rebuild working capital	35,000	35,000	35,000
Interest on long term debt	121,689	114,503	107,037
Expenses - sewer	490,194	484,806	452,283
Parmalat Agreement	30,000	30,000	30,000
Property Taxes	306,520	306,520	306,520
Amortization of capital grants-sewer	54,036	54,036	40,590
Revenues - sewer	390,556	390,556	377,110
Net costs - sewer	99,638	94,250	75,173

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 following was submitted for approval with the new rate application.

The RM has estimated the costs for operating the Grunthal Utility to be 4% 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 Grunthal 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 Grunthal 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 Grunthal 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 Grunthal 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

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

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order No.
32/14 issued by The Public
Utilities Board

Acting Secretary

RURAL MUNICIPALITY OF HANOVER – L.I.D. OF GRUNTHAL UTILITY
 WATER & SEWER RATES BY-LAW NO. 2808/13
 SCHEDULE "A"

SCHEDULE OF QUARTERLY RATES

March 27, 2014

1. Rates per 1,000 gallons

1,000 gallons per quarter

Water	Sewer	Total Water & Sewer
\$3.93	\$2.30	\$6.23

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

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Thousands of Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water & Sewer Total Quarterly Minimum</u>	<u>Water Only Quarterly Minimum</u>	<u>Sewer Only Quarterly Minimum</u>
5/8 inch	1	3,000	\$13.05	\$11.79	\$6.90	\$31.74	\$24.84	\$19.95
3/4 inch	2	6,000	\$13.05	\$23.58	\$13.80	\$50.43	\$36.63	\$26.85
1 inch	4	12,000	\$13.05	\$47.16	\$27.60	\$87.81	\$60.21	\$40.65
1 ½ inch	10	30,000	\$13.05	\$117.90	\$69.00	\$199.95	\$130.95	\$82.05
2 inch	25	75,000	\$13.05	\$294.75	\$172.50	\$480.30	\$307.80	\$185.55
3 inch	45	135,000	\$13.05	\$530.55	\$310.50	\$854.10	\$543.60	\$323.55

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 \$36.05.

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 Grunthal 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 Grunthal Local Improvement District #1 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 is 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.