

M A N I T O B A) **Order No. 117/15**
)
THE PUBLIC UTILITIES BOARD ACT) **November 18, 2015**

BEFORE: Susan Proven, P.H.Ec, Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

MUNICIPALITY OF KILLARNEY-TURTLE MOUNTAIN
WATER AND WASTEWATER RATES
EFFECTIVE JANUARY 1, 2016

Executive summary

By this Order, the Public Utilities Board (Board) approves new water and wastewater rates for the Municipality of Killarney-Turtle Mountain effective January 1, 2016.

Rates are as follows:

| | Current By-law (3-2010) | Approved for January 1, 2016 | Increase/ Decrease |
|---|------------------------------------|---|-------------------------------|
| Water \$/1,000 gallons (First 20,000 gallons/quarter) | \$10.38 | \$11.46 | 10.40% |
| Water \$/1,000 gallons (Over 20,000 gallons/quarter) | \$9.39 | \$7.28 | -22.47% |
| Wastewater \$/1,000 gallons | \$3.41 | \$4.20 | 23.17% |
| Quarterly Service Charge | \$11.92 | \$11.16 | -6.38% |
| Minimum Quarterly Charge* | \$53.29 | \$58.14 | 9.10% |
| Unmetered Seasonal Water Only Customers \$/Year** | \$203.00 | \$240.36 | 18.40% |
| Wastewater Only Customers \$/Quarter | \$46.00 | \$61.56 | 33.83% |
| Bulk Water*** | \$0.25 | \$0.25 | 0.00% |
| Bulk Water \$/1,000 gallons | \$16.00 | \$20.00 | 25.00% |
| Reconnection Fee | \$20.00 | \$25.00 | 25% |
| Hydrant Rental (Annual) | \$100.00 | \$150.00 | 50% |
| Trailers including water and wastewater \$/quarter-includes service charge | n/a | \$115.35 | new |

*Based on 3,000 gallons

**Based on 20,000 gallons

***Based on current \$/16 gallons changing to \$/12.5 gallons

Minimum Quarterly Charges

| Meter Size | Group Capacity Ratio | Minimum Quarterly Consumption | Customer Service Charge | Water | Wastewater | Quarterly Minimum Charge (Water & Wastewater) |
|-----------------------|-------------------------------------|--|--|--------------|-------------------|--|
| 5/8" | 1 | 3,000 | \$11.16 | \$34.38 | \$12.60 | \$58.14 |
| 3/4" | 2 | 6,000 | \$11.16 | \$68.76 | \$25.20 | \$105.12 |
| 1" | 4 | 12,000 | \$11.16 | \$137.52 | \$50.40 | \$199.08 |
| 1 1/2" | 10 | 30,000 | \$11.16 | \$302.00 | \$126.00 | \$439.16 |
| 2" | 25 | 75,000 | \$11.16 | \$629.60 | \$315.00 | \$955.76 |
| 4" | 90 | 270,000 | \$11.16 | \$2,049.20 | \$1,134.00 | \$3,194.36 |

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

Introduction

The Municipality of Killarney-Turtle Mountain applied for revised water and wastewater rates on June 8, 2015 with rates proposed to be effective July 1, 2015.

A Public Notice of Application was issued on July 13, 2015 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed increases. There were no responses to the Notice of Application.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board will consider the application and stakeholder responses, and determine which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the Board in person.

The Board may review the application using a paper review process, which saves the cost of a public hearing process. The Board determined that it would assess the Killarney application using a paper based review.

Background

The Municipality owns and operates a water treatment plant, the water distribution system and the sewage collection and disposal system.

The Water and Wastewater utility currently serves 1082 customers consisting of 1055 water and wastewater [projected to grow by 10 per year], 3 water only, 2 wastewater only and 22 unmetered customers.

Water Treatment and Distribution

The Municipality receives its raw water from groundwater located northeast of the community.

The water treatment plant was constructed around 1978 with an upgrade in 1993. The plant had a major upgrade in 2011 to 2013 where the water source was converted to groundwater and the treatment technology and distribution pumps were replaced.

The water is treated using reverse osmosis with greensand filtration.

The original distribution system was installed in the 1960s using a ductile iron. By 1980, all new main installations used PVC piping.

Treated water is complying with operating license requirements.

Unaccounted for water is reported at less than 10%, within the industry standard.

Sewage system

Sewage is treated in a 4-cell stabilization pond and discharged into the Long River. Six lift stations are required to service existing neighborhoods. The original collection system was installed in the 1960s and composed mostly of concrete wastewater pipe. By 1980 on, new installations incorporated PVC piping.

The facility was expanded in 2011-12, increasing its organic and hydraulic capacity. The facility meets its effluent quality requirements as required by its license.

Operator qualifications

The water treatment and distribution system, as well as the wastewater collection system are Class 2 facilities, and the Wastewater treatment is a Class 1 facility. All operators have Class 2 certification and the Municipality has a line item for operator training and certification.

Application

The Municipality applied for revised water and wastewater rates, to be effective July 1, 2015 as set out in By-law No. 5-2015 (read the first time on May 27, 2015). The application was supported by a 2014 rate study dated prepared by the Municipality’s consultant.

Rates:

The requested rates were as follows:

| | Current By-law (3-2010) | Proposed for July 2015 By-law (5-2015) | Increase/ Decrease |
|--|------------------------------------|---|-------------------------------|
| Water \$/1,000 gallons (First 20,000 gallons/quarter) | \$10.38 | \$11.46 | 10.40% |
| Water \$/1,000 gallons (Over 20,000 gallons/quarter) | \$9.39 | \$7.28 | -22.47% |
| Wastewater \$/1,000 gallons | \$3.41 | \$4.20 | 23.17% |
| Quarterly Service Charge | \$11.92 | \$11.16 | -6.38% |
| Minimum Quarterly Charge* | \$53.29 | \$58.14 | 9.10% |
| Unmetered Seasonal Water Only Customers \$/Year** | \$203.00 | \$240.36 | 18.40% |
| Wastewater Only Customers \$/Quarter | \$46.00 | \$61.56 | 33.83% |
| Bulk Water*** | \$0.25 | \$0.25 | 0.00% |
| Bulk Water \$/1,000 gallons | \$16.00 | \$20.00 | 25.00% |
| Reconnection Fee | \$20.00 | \$25.00 | 25% |
| Hydrant Rental (Annual) | \$100.00 | \$150.00 | 50% |
| Trailers including water and wastewater \$/quarter- includes service charge | n/a | \$115.35 | new |

*Based on 3,000 gallons

**Based on 20,000 gallons

***Based on current \$/16 gallons changing to \$/12.5 gallons

The proposed rates were expected to generate sufficient annual revenue to recover the following projected annual expenses:

| | 2015 | 2016 | 2017 |
|---|----------------|----------------|----------------|
| Administration | | | |
| Administration (building, office, staff, etc.) | 46,655 | 47,122 | 47,593 |
| Billing and collection | 4,000 | 4,040 | 4,080 |
| Total gen exp/ Admin revenue requirement | 50,655 | 51,162 | 51,673 |
| <i>Revenue:</i> | | | |
| Penalties | 3,000 | 3,000 | 3,000 |
| Total general revenue | 3,000 | 3,000 | 3,000 |
| Net revenue general | 47,655 | 48,162 | 48,673 |
| Water | | | |
| <i>Expenses:</i> | | | |
| <i>Production/ purchase</i> | | | |
| Staffing | 17,374 | 17,548 | 17,723 |
| Purification and treatment | 160,000 | 166,400 | 171,392 |
| Service of Supply | 1,500 | 1,515 | 1,530 |
| Other Water Supply Costs | 15,000 | 15,150 | 15,302 |
| Amortization/ depreciation | 170,271 | 170,271 | 170,271 |
| Interest on long term debt | 150,949 | 143,232 | 135,203 |
| Minor capital upgrades ⁽⁵⁾ | 20,000 | 20,000 | 25,000 |
| Contingency ⁽³⁾ | 20,000 | 20,000 | 20,000 |
| Sub-total- water production/ purchase | 555,094 | 554,116 | 556,421 |
| <i>Distribution</i> | | | |
| Staffing | 17,374 | 17,548 | 17,723 |
| Transmission and Distribution | 105,000 | 106,050 | 107,111 |
| Amortization/ depreciation | 37,147 | 37,147 | 37,147 |
| Interest on long term debt | 10,652 | 8,648 | 6,579 |
| Minor capital upgrades ⁽⁵⁾ | 250,000 | 250,000 | 250,000 |
| Contingency ⁽³⁾ | 10,000 | 10,000 | 10,000 |
| sub-total- transmission & distribution | 430,173 | 429,393 | 428,560 |
| Sub-total- water expenses | 985,267 | 983,508 | 984,981 |

| | | | |
|--|----------------|----------------|----------------|
| <i>Revenue:</i> | | | |
| Hydrant rentals | 16,950 | 16,950 | 16,950 |
| Amortization of capital grants- water production | 85,135 | 85,135 | 85,135 |
| Taxation revenues -production | 269,682 | 269,682 | 269,682 |
| Taxation revenues -distribution | 77,531 | 77,531 | 77,531 |
| Other revenue- production | 2,500 | 2,500 | 2,500 |
| Other revenue- distribution | 2,500 | 2,500 | 2,500 |
| Non-rate revenue - production | 357,317 | 357,317 | 357,317 |
| Non-rate revenue - distribution | 96,981 | 96,981 | 96,981 |
| Total non-rate revenue - water | 454,298 | 454,298 | 454,298 |
| Net rate revenue requirement - production | 197,777 | 196,799 | 199,104 |
| Net rate revenue requirement - distribution | 333,192 | 332,412 | 331,579 |
| Net rate revenue requirement - water | 530,969 | 529,210 | 530,683 |

| | | | |
|--|----------------|----------------|----------------|
| Wastewater | | | |
| <i>Expenses:</i> | | | |
| Staffing | 34,748 | 35,095 | 35,446 |
| Sewage Collection System | 15,000 | 15,150 | 15,302 |
| Sewage Lift Station | 25,000 | 25,250 | 25,503 |
| Sewage Treatment and Disposal | 12,000 | 12,120 | 12,241 |
| Other Sewage Collection & Disposal Costs | 30,000 | 30,300 | 30,603 |
| Amortization/ depreciation | 55,472 | 55,472 | 55,472 |
| Minor capital upgrades ⁽⁵⁾ | 25,000 | 25,000 | 25,000 |
| Contingency ⁽³⁾ | 10,000 | 10,000 | 10,000 |
| Net rate revenue requirement - wastewater | 207,220 | 208,387 | 209,567 |

The Municipality last submitted a rate application in 2010 following the completion of a lagoon expansion, a new water treatment plant and water resource project. While the 2010 study made allowances for these new assets in the rates based on assumptions for capital costs and maintenance expenses, the current submission uses actual costs, grants and expenses in the calculations.

The projections include a provision for inflation at the rate of 1%, except for Water Purification and Treatment, where a 3% annual increase is projected. This is attributed to the cost of the chemicals which are increasing beyond the rate of inflation.

Since the revenue requirements are not projected to fluctuate significantly over the test years, the Utility has proposed to set one rate effective immediately covering the entire test period.

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 Board approved the Municipality's Shared Cost Allocation policy in 2010 which was based on flat rates for administrative costs and activity based for labour and equipment expenses. No change is proposed in the current submission.

Board Findings

The Board begins by commending the Municipality on a thorough and well-organized submission. The Board agrees with the Municipality that setting one rate, rather than rates that fluctuate insignificantly over the three-year period, is preferable. It will therefore approve this concept.

However, because the Board does not support retroactive rate increases, the new rates will be approved effective for January 1, 2016 rather than July 1, 2015, as requested by the Municipality.

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. The water and wastewater rates for the Municipality of Killarney-Turtle Mountain Utility, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates to be effective January 1, 2016.
2. The Municipality of Killarney-Turtle Mountain submit a revised water and wastewater rate by-law reflecting this Order for the Municipality of Killarney-Turtle Mountain Utility once it has received third and final reading.
3. The Municipality of Killarney-Turtle Mountain provide a copy of the audited financial statements for 2014 as soon as they are available.
4. The Municipality of Killarney-Turtle Mountain review its water and wastewater 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, 2019.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."

Acting Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 117/15 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
THE MUNICIPALITY OF KILLARNEY - TURTLE MOUNTAIN
WATER AND WASTEWATER RATES

1. Commodity Rates per 1000 gallons/ January 1, 2016

| | | <u>Water</u> | <u>Wastewater</u> | <u>Water & Wastewater</u> |
|-------|----------------|--------------|-------------------|-------------------------------|
| First | 20,000 gal/qtr | \$11.46 | \$4.20 | \$15.66 |
| Over | 20,000 gal/qtr | \$7.28 | \$4.20 | \$11.48 |

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 as indicated:

3. Water and Wastewater Customers

| Meter Size | Group Capacity Ratio | Minimum Quarterly Consumption | Service Charge | Commodity rates | | Minimum Quarterly Charges |
|------------|----------------------|-------------------------------|----------------|-----------------|------------|---------------------------|
| | | | | Water | Wastewater | |
| 5/8 | 1 | 3000 | \$11.16 | \$34.38 | \$12.60 | \$58.14 |
| ¾ | 2 | 6000 | \$11.16 | \$68.76 | \$25.20 | \$105.12 |
| 1 | 4 | 12000 | \$11.16 | \$137.52 | \$50.40 | \$199.08 |
| 1 ½ | 10 | 30000 | \$11.16 | \$302.00 | \$126.00 | \$439.16 |
| 2 | 25 | 75000 | \$11.16 | \$629.60 | \$315.00 | \$955.76 |
| 4 | 90 | 270000 | \$11.16 | \$2,049.2 | \$1,134.00 | \$3,194.36 |

- a) Each Trailer shall be charged \$115.35 per quarter for water and wastewater including the service charge.

4. Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customer's meter size less the wastewater charge.

Unmetered seasonal customers will be charged a flat rate of \$240.36 per season; this rate includes 20,000 imperial gallons per season plus a service charge.

5. Wastewater Only for Residential Customers

Customers with wastewater only services shall be charged \$61.56 per quarter.

6. Wastewater Only for Commercial customers with a Private Water Supply

Larger customers connected to wastewater services only and with a private water supply will meter this water at their own expense, and shall pay quarterly the service charge plus the wastewater commodity rate set forth in Paragraph 1 hereof on the number of gallons of water registered by the meter on their private water supply, which will be read by the Municipality.

7. Bulk Sales

All water sold in bulk by the Municipality of Killarney - Turtle Mountain shall be charged for at the rate of \$0.25 per 12.5 gallons or \$20.00 per 1000 imperial gallons.

8. Service to Customers outside the Urban Ward Limits

The Council of the Municipality of Killarney - Turtle Mountain may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the Municipality. 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 the utility purposes in effect at the time, and which would be levied on the property concerned if it were within these boundaries. In addition, the customer will pay all cost of connecting to the utility's mains and installing and maintaining service connections.

9. Billings and Penalties

Accounts shall be billed quarterly based on water used. A late penalty charge of 1 ¼ % monthly shall be charged on the dollar amount owing after the billing due date. The due date will be up to twenty (20) days after the date of billing.

10. Outstanding Bills

Pursuant to Section 252 (2) of The Municipal Act, the amount of all outstanding charges for water and wastewater services, including fines and penalties, are a lien and charge upon the land service, 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, The Municipality may add said charges and penalties to the taxes on the property and collect them in the same manner as other taxes.

11. Disconnection and Reconnection

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.

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$25.00 have been paid.

Service may be installed, disconnected, removed or reconnected upon receipt of a written request and payment of the applicable rate as set in the following:

| Meter | Installation | Disconnection | Removal | Reconnection |
|-------|--------------|---------------|---------|--------------|
| 5/8 | \$25.00 | \$10.00 | \$12.50 | \$25.00 |
| ¾ | \$25.00 | \$10.00 | \$12.50 | \$25.00 |
| 1 | \$30.00 | \$10.00 | \$12.50 | \$25.00 |
| 1 ¼ | \$35.00 | \$10.00 | \$12.50 | \$25.00 |
| 1 ½ | \$65.00 | \$10.00 | \$12.50 | \$25.00 |
| 2 | \$150.00 | \$10.00 | \$12.50 | \$25.00 |
| 4 | \$500.00 | \$10.00 | \$12.50 | \$25.00 |

Note: Fee of \$10.00 shall be charged to all customers for each turn-on and each turn off. The reconnection fee does not include a re-installation fee. A check valve shall be installed, at cost to the customer, with all new installations and with all renewals.

12. Hydrant Rentals

The Municipality of Killarney - Turtle Mountain will pay to the Utility an annual rental of \$150.00 for each hydrant connected to the system which includes the cost of water for fire fighting.

13. Wastewater Surcharges

- a) There may be levied annually, in addition to the 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.

14. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$50.00, plus any applicable meter testing costs. In the event the meter tests prove that the meter is recording water flows more than 3% 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.

15. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500.00 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

16. Water Allowance due to Line Freezing

That in any case where at the request of the Municipality or its delegate, 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 three previous quarters to the same customer, or the same premises of the occupant has changed.

17. Authorization for Officer to Enter Upon Premises

The Public Works Manager, or other employee authorized by the Municipality shall be authorized to enter upon and premises for the purpose of:

- a. Affixing to any pipe, wire or apparatus connected with any such utility, a meter or any other measuring or testing device; or
- b. Taking readings from, repairing, inspecting or removing any meter apparatus belonging to the Municipality.