

M A N I T O B A) **Order No. 118/15**
)
THE PUBLIC UTILITIES BOARD ACT) **November 19, 2015**

BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE
OAKVILLE WATER AND WASTEWATER UTILITY
DEFICIT APPROVAL – 2009 THROUGH 2014
and
WATER AND WASTEWATER RATES - JANUARY 1, 2016

Executive summary

By this Order, the Public Utilities Board (Board) approves revised water and wastewater rates for the Local Urban District of Oakville in the Rural Municipality of Portage La Prairie effective January 1, 2016.

Rates are as follows:

	Current By-law 3002	Approved 2016	Increase/ Decrease
Quarterly Service Charge	\$4.90	\$5.92	20.82%
Water \$/per 1,000 gallons	\$11.30	\$18.28	61.77%
Wastewater \$/per 1,000 gallons	\$5.10	\$5.35	4.90%
Minimum Quarterly *-Water and Wastewater	\$54.10	\$76.81	41.98%
Bulk Water ** \$/per 1,000 gallons	\$12.00	\$20.25	68.75%
Minimum Quarterly *-Water Only	\$38.80	\$60.76	56.60%
Flat Rate per Quarter***-Wastewater Only	\$29.64	\$32.67	10.22%
Reconnection Fee	\$25.00	\$50.00	100.00%

*Based on 3,000 gallons

**Bulk water 500 gallons or more. Minimum charge will be \$10.00.

***Based on 5,000 gallons

Minimum quarterly billings for various meter sizes will be as follows:

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Wastewater	Quarterly Minimum Charge (Water & Wastewater)	Quarterly Minimum Charge (Water Only)
5/8"	1	3,000	\$5.92	\$54.84	\$16.05	\$76.81	\$60.76
3/4"	2	6,000	\$5.92	\$109.68	\$32.10	\$147.70	\$115.60
1"	4	12,000	\$5.92	\$219.36	\$64.20	\$289.48	\$225.28
1 1/2"	10	30,000	\$5.92	\$548.40	\$160.50	\$714.82	\$554.32
2"	25	75,000	\$5.92	\$1,371.00	\$401.25	\$1,778.17	\$1,376.92

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

Rationale for the Board's decisions may be found under "Board Findings".

The Board also approves the deficits incurred for the years 2009 through to 2014 to be covered by the Utility's fund surplus.

Introduction

The Rural Municipality of Portage la Prairie applied for revised water and wastewater rates for the Local Urban District (LUD) of Oakville on October 24, 2014, said rates to be effective January 1, 2015.

While reviewing the application, the Board also noted that deficits had been incurred in every year from 2009 through to 2014. The Board sought applications from the RM for approval of those deficits.

A Public Notice of Application was issued on November 14, 2014 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed increases.

The Board received three comments, all of which addressed the significant increase in the water rates being proposed by the Utility.

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 it was in the best interests of all concerned to review this application by way of a paper review process.

Background

The LUD owns and operates a water and wastewater utility serving 218 customers, of which 213 receive both water and wastewater services, four receive only wastewater services and one is a water-only customer.

Water system

The Oakville Utility purchases water from the Cartier Regional Water Cooperative Inc. The Oakville reservoir is owned by the Cartier Regional Water Cooperative with a current capacity of 228 m³. The existing reservoir has adequate capacity for current use and future expansion in the community of Oakville, however with the expansion of the rural distribution system, the Cartier Regional Water Cooperative commissioned a Reservoir Capacity Review Study in 2013. The study identifies the need for an additional capacity of 376 m³ to meet current demand and capacity for future growth in the rural water distribution system. The recommendation is to construct a new 600 m³ reservoir and pump house. The existing reservoir has been equipped with a backup generator to ensure customers have access to water in the event of a power outage.

The Oakville Utility was installed in 1974. Overall the water mains are in good condition as there are rarely repairs done due to cracking or shearing of the pipe itself. The service connection at the mains, welded flanges at valves and tees installed in the 1990's and any curb stops installed with nylon fittings are the areas of concern for ongoing maintenance.

Notwithstanding the apparent good condition of the infrastructure, levels of unaccounted for water are exceptionally high, just under 40%; this compared to the industry standard of 10%, is cause for concern.

The Oakville Utility is in compliance with terms of the operating license except in relation to tri-halomethanes. This is an area the Cartier Regional System is in the process of studying

and working toward a long term solution.

Utility staff have the requisite certification.

Sewage system

The Utility discharges its sewage into the Oakville lagoon which was expanded in 2007. The Utility complies with its environmental licensing requirements. Operators are appropriately certified.

Application

The RM applied for revised water and wastewater rates, to be effective January 1, 2015 as set out in By-law No. 3097 (read the first time on October 14, 2014). The application was supported by a 2014 rate study prepared by the RM's consultant.

Rates:

The requested rates were as follows:

	Current By-law 3002	Approved 2016	Increase
Quarterly Service Charge	\$4.90	\$5.92	20.82%
Water \$/per 1,000 gallons	\$11.30	\$18.28	61.77%
Wastewater \$/per 1,000 gallons	\$5.10	\$5.35	4.90%
Minimum Quarterly* Water and Wastewater	\$54.10	\$76.81	41.98%
Bulk Water** \$/per 1,000 gallons	\$12.00	\$20.25	68.75%
Minimum Quarterly* - Water Only	\$38.80	\$60.76	56.60%
Flat Rate per Quarter*** Wastewater Only	\$29.64	\$32.67	10.22%
Reconnection Fee	\$25.00	\$50.00	100.00%

*Based on 3,000 gallons

**Bulk water 500 gallons or more. Minimum charge will be \$10.00.

***Based on 5,000 gallons

For the average consumer, using 8,000 gallons of water per quarter, the increase would be approximately \$20 per month.

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

	2015	2016	2017
<i>Administration</i>			
Administration (building, office, staff, etc.)	6,240	6,365	6,492
Billing and collection	765	780	796
Total gen. exp./Admin revenue requirement	7,005	7,145	7,288
<i>Revenue:</i>			
Penalties	2,040	2,081	2,122
Total general revenue	2,040	2,081	2,122
Net revenue general/Admin	4,965	5,064	5,166
Water			
<i>Expenses:</i>			
Purification and treatment	3,264	3,329	3,396
Water purchases	86,700	88,434	90,203
Water Supply	2,856	2,913	2,971
Other Water Supply Costs	4,080	4,162	4,245
Amortization/ depreciation	28,979	29,559	30,150
Reserves	2,800	2,800	2,800
Contingency	1,870	1,870	1,870
Sub-total- water expenses	130,549	133,067	135,635
<i>Revenue:</i>			
Connection Revenue	5,000	5,000	5,000
Meter turn on and repairs	290	290	290
Other revenue-bulk water fees	6,703	6,703	6,703
Total non-rate revenue - water	11,993	11,993	11,993
Net rate revenue requirement - water	118,556	121,074	123,642

Wastewater			
<i>Expenses:</i>			
Sewage Collection System	1,530	1,561	1,592
Sewage Lift Station	5,610	5,722	5,837
Sewage Treatment and Disposal	15,300	15,606	15,918
Other Sewage Collection & Disposal Costs	6,120	6,242	6,367
Amortization/ depreciation	24,250	24,250	24,250
Interest on long term debt	12,464	11,855	11,212
Reserves	2,800	2,800	2,800
Contingency	1,504	1,504	1,504
Total wastewater expenses	69,578	69,540	69,480
<i>Revenue</i>			
Amortization of capital grants	9,553	9,553	9,553
Taxation revenues	23,288	23,288	23,288
Total non-rate revenue- wastewater	32,841	32,841	32,841
Net rate revenue requirement - wastewater	36,737	36,699	36,639

The rate study reported recurring deficits being experienced by the Utility up to and including 2013. Following a query by the Board, the RM provided additional information along with audited schedules which showed the deficits through the year 2014 as follows:

2009	\$27,284
2010	\$80,196
2011	\$35,134
2012	\$55,515
2013	\$42,426
2014	\$8,981

The study highlighted that the primary reason for these deficits was due to the introduction of generally accepted accounting principles, as laid out by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, into municipal accounting. Among the other things, this requires that expenses include amortization of capital assets.

This change was cited as the primary reason for the proposed rate increases. The following related analysis was included in the rate study:

Breakdown of reasons for increase	
2017 compared to 2014	
Increase in rate revenue requirement	\$45,176

Increase in administrative costs	\$3,316	7%
Increase in water purchase costs	\$5,203	12%

Amortization-water	\$28,411	
Amortization-wastewater	\$24,250	
Less: Amortization of capital grants	-\$9,553	
Debenture interest-wastewater	\$13,040	
Less: Taxation funded debt payments	-\$23,288	
Total PSAB related items	\$32,860	73%

Cost allocation methodology:

The application also proposed that a 2% portion of the RM administrative expenses be allocated to the Utility. This allocation is based on the premise that the Utility operating expenditures are approximately 2% of total expenditures of the Municipality. The result of this allocation is what is shown as Administrative Costs in the rate requirements.

Board Findings

Rates

The Board carefully considered the submissions made by utility customers in response to the Public Notice, and the appeal made by one of those customers for the Board to hold a public hearing in order to address the rate increase.

However, in reviewing the application and especially the analysis of the underlying reasons for the increase, which attributes almost 3/4 of that increase to the introduction of PSAB standards, the Board has concluded that a public hearing would simply add unnecessary costs to the process and therefore to utility operations. By reproducing the analysis in this Order, the Board does not anticipate that any further exploration of costs would be necessary or productive.

The Board is sensitive to customer reaction to the magnitude of the rate increases, however, it must consider the sustainability of the Utility when approving just and reasonable rates.

The Board highlights that the previous rates were set in 2007, before the introduction of the requirement for municipalities to follow generally accepted accounting principles, which the Board supports. While the increases required for this utility can be considered to be rate shock, this is common where rate requirements are not addressed for significant periods of time. Consumers are generally more tolerant of regular, smaller increases. The Board has been encouraging utilities to conduct regular reviews of their revenue requirements in order to mitigate rate shock.

The cost increases, excluding the effects of PSAB, over an eight year period, are reasonable.

The Board will therefore approve the rates as submitted by the Municipality for the Utility. However, because the Board does not support retroactive rate increases, the new rates will be effective for 2016 rather than 2015 as requested by the Municipality.

The Board is cognizant of the fact that this will likely result in a deficit in 2015, and will expect an application for approval of same from the Utility should a deficit materialize. However, the rate increase approved herein should allow the Utility to avoid deficits for 2016 and forward, assuming the utility regularly reviews its rate requirements.

The Board is very concerned about the levels of unaccounted for water. As previously stated in this Order, a 10% level is considered acceptable for the industry. A 40% level is not. If ostensibly 30% of the water being purchased is being wasted, that effectively adds a cost factor driving higher than necessary rates. While the industry accepts that some water loss will occur due to items such as line flushing and other maintenance, the levels being experienced by this community are well outside the norm and need further attention.

The Municipality advises the Board that it is obtaining quotes from leak detection contractors to perform a water loss audit of the entire Oakville utility. The Board will direct that the RM provide an update on the progress to resolve this issue on or before December 31, 2016.

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

Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery methodology.

The Board notes that, even with recurring deficits over the six-year period from 2009 to 2014, the utility maintains a fund surplus of \$721,209 as at December 31, 2014. It will therefore accept the RM's proposal to have the fund surplus cover past deficits.

The Board urges the RM to review the *Public Utilities Board Act* and general Board Order Nos. 151/08 and 93/09 to have a better understanding of their responsibilities in reporting to the Board.

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 Local Urban District of Oakville's Utility in the Rural Municipality of Portage la Prairie, 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 Rural Municipality of Portage la Prairie submit a revised water and wastewater rate by-law reflecting this Order for the Local Urban District of Oakville's Utility once it has received third and final reading.
3. The Rural Municipality of Portage la Prairie report to the Board on the progress of its investigation into water losses for the Oakville Utility on or before December 31, 2016.
4. The operating deficits for 2009, 2010, 2011, 2012, 2013 and 2014 BE AND ARE HEREBY APPROVED, to be covered by the Utility's Fund Surplus.
5. The cost allocation methodology as amended in this Order for the Local Urban District of Oakville Utility BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$750.00

THE PUBLIC UTILITIES BOARD

"The Hon. Anita Neville, P.C., B.A. (Hons.)"
Acting Chair

"Jennifer Dubois, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 118/15 issued
by The Public Utilities Board

Acting Secretary

**SCHEDULE "A"
 LOCAL URBAN DISTRICT OF OAKVILLE
 WATER AND WASTEWATER UTILITY
 RURAL MUNICIPALITY of PORTAGE LA PRAIRIE**

WATER AND WASTEWATER RATES

SCHEDULE "A"

SCHEDULE OF QUARTERLY RATES

January 1, 2016

1. Rates per 1,000 gallons

1,000 gallons per quarter

	Water	Wastewater	Total Water &
Wastewater	\$18.28	\$5.35	\$23.63

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 & Wastewater Customers

	Group Capacity	Water Included Thousands of	Customer Service Gallons	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Charge	Water Only Quarterly Minimum	Water Only Minimum
5/8 inch	1	3,000	\$5.92	\$54.84	\$16.05	\$76.81	\$60.76	
3/4 inch	2	6,000	\$5.92	\$109.68	\$32.10	\$147.70	\$115.60	
1inch	4	12,000	\$5.92	\$219.36	\$64.20	\$289.48	\$225.28	
1 ½ inch	10	30,000	\$5.92	\$548.4	\$160.50	\$714.82	\$554.32	
2 inch	25	75,000	\$5.92	\$1,371.00	\$401.25	\$1,778.17	\$1,376.92	

b. Metered Water Only Customers

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

c. Wastewater Only Customers

Since these customers are all single family residences without meters, and the average quarterly consumption of water by residential customers, rounded to the nearest 1,000 gallons, is 5,000 gallons the Flat Rate Charge per Quarter for these customers will be \$32.67.

3. Bulk Water sales

Bulk water sales shall be charged at the rate of \$20.25 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity the minimum charge will be \$10.00.

Clauses 4 to 12 are Effective January 1, 2016

4. Service to Customers outside Oakville L.U.D. limits

The Council of the Rural Municipality of Portage la Prairie may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of Oakville Local Urban District 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.

5. 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.

6. 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.

7. 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.

8. 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 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.

9. 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.

10. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$100, 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.

11. Water Allowance Due To Line Freezing

That in any case were, 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.

12. 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.

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 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.

14. 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.