

M A N I T O B A) **Order No. 120/15**
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THE PUBLIC UTILITIES BOARD ACT) **November 23, 2015**

REVISED FEBRUARY 25, 2016

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

RURAL MUNICIPALITY OF ST. FRANCOIS XAVIER
WATER AND WASTEWATER RATES
EFFECTIVE JANUARY 1, 2016

REVISED FEBRUARY 25, 2016

Executive summary

By this Order, the Public Utilities Board (Board) varies the application made by the Rural Municipality of St. Francois Xavier and approves revised water and wastewater rates effective January 1, 2016, with a further rate revision effective January 1, 2017.

Rates are as follows:

	Current	Approved for Jan 1, 2016	Increase/Decrease	Approved for Jan 1, 2017	Increase/Decrease
Quarterly Service Charge	\$8.50	\$8.03	-5.53%	\$7.80	-2.86%
Water \$/cubic meter	\$2.25	\$2.60	15.56%	\$2.77	6.54%
Sewer \$/cubic meter	\$0.43	\$1.03	139.53%	\$1.15	11.65%
Minimum Quarterly-Water and Sewer*	\$45.10	\$57.54	27.58%	\$61.26	10.12%
Minimum Quarterly-Water Only*	\$39.18	\$43.49	11.00%	\$45.58	4.81%
Minimum Quarterly-Sewer Only**	\$45.10	\$64.22	42.39%	\$70.54	9.84%
Bulk Water \$/cubic meter	\$2.25	\$4.20	86.67%	\$4.20	0.00%
Reconnection Fee	\$40.00	\$40.00	0.00%	\$40.00	0.00%
Hydrant Rental (Annual)	\$50.00	\$50.00	0.00%	\$50.00	0.00%

*Based on 13.638 cubic meters

**Based on 54.553 cubic meters

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

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

Introduction

The Rural Municipality of St. Francois Xavier applied for revised water and wastewater rates on October 17, 2014, requesting revised rates for each of April 1, 2015, April 1, 2016 and April 1, 2017.

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. There were no responses to the Notice of Application.

When reviewing an application, the Board has at its disposal two approaches, either a paper based review or a public hearing. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, and determines 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. A paper review process saves the cost of a public hearing process.

The Board determined that, given that there were no concerns expressed by the Utility customers, it would assess the St. Francois Xavier application using a paper based process.

Background

The Water and Wastewater Utility currently serves 348 customers consisting of 274 water and wastewater, 73 water only, and 1 wastewater only customer.

Water Treatment and Distribution

Water is produced by the Cartier Regional Water Cooperative. The Co-op water rate is set by the Manitoba Water Services Board and that rate has been rising at approximately 2% per year.

The Utility purchases the water and places it in a reservoir which is owned by the Co-op. The Regional Water Co-op is in compliance with the terms and conditions of its operating license.

Water is provided to customers via three methods:

- some customers take water directly from the regional lines;
- most customers receive water from the reservoir over the municipal distribution system;
- some water is provided to individuals and haulers from a truck stand at the reservoir; for these customers, the Utility sells cards with a loaded value.

The Municipality intends to move to radio frequency water meter reading systems on a phased-in basis at an estimated cost of \$125,000, such cost expected to be borne by the Utility reserves.

Unaccounted for water is reported at approximately 11%, slightly in excess of the industry standard, being 10%. Any leaks in the water distribution system that the RM is aware of, have been repaired. Given that the unaccounted for water ratio is within reasonable limits, the RM does not have any plans at this time to conduct any further investigations.

Sewage system

Sewage treatment is done at a lagoon which was upgraded in 2014 and can handle a population of over 2,100 people. The current population served is approximately 1,300.

The Utility reports no fundamental problems with the infrastructure. The facility meets its effluent quality requirements as required by its license.

Operator qualifications

The wastewater treatment facility is rated as a class I facility.

The Cartier Water Co-op has a manager and two operators who are class 4 water treatment operators and one operator who has a class 1 water treatment certificate. The Utility is

supervised by an employee who has a class 2 water distribution license as well as wastewater collection class 1 and wastewater treatment class 1 certification.

Application

The RM applied on October 17, 2014 for revised water and wastewater rates, to be effective April 1, 2015 as set out in By-law No. 7-2014 (read the first time on October 7, 2014). The application was supported by a 2014 rate study prepared by the Municipality's consultant.

Rates:

The requested rates were as follows:

	Current	Proposed for Apr 1, 2015	Increase/Decrease	Proposed for Apr 1, 2016	Increase/Decrease	Proposed for Apr 1, 2017	Increase/Decrease
Quarterly Service Charge	\$8.50	\$8.27	-2.71%	\$8.03	-2.90%	\$7.80	-2.86%
Water \$/cubic meter	\$2.25	\$2.42	7.56%	\$2.60	7.44%	\$2.77	6.54%
Sewer \$/cubic meter	\$0.43	\$0.63	46.51%	\$0.89	41.27%	\$1.15	29.21%
Minimum Quarterly-Water and Sewer*	\$45.10	\$49.86	10.55%	\$55.63	11.57%	\$61.26	10.12%
Minimum Quarterly-Water Only*	\$39.18	\$41.27	5.33%	\$43.49	5.38%	\$45.58	4.81%
Minimum Quarterly-Sewer Only**	\$45.10	\$42.64	-5.45%	\$56.58	32.69%	\$70.54	24.67%
Bulk Water \$/cubic meter	\$2.25	\$2.48	10.22%	\$2.70	8.87%	\$2.93	8.52%
Reconnection Fee	\$40.00	\$40.00	0.00%	\$40.00	0.00%	\$40.00	0.00%
Hydrant Rental (Annual)	\$50.00	\$50.00	0.00%	\$50.00	0.00%	\$50.00	0.00%

*Proposed rates are based on 13.638 cubic meters

**Proposed rates are based on 54.553 cubic meters

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

	2015	2016	2017
Total gen. exp./Admin revenue requirement	15,912	16,230	16,555
Investments income	4,000	4,000	4,000
Penalties	1,632	1,665	1,698
Net revenue general/Admin	10,280	10,565	10,857

Water			
<i>Expenses:</i>			
Purification and treatment	204	208	212
Water purchases	135,660	138,373	141,141
Water card purchases	43,000	43,000	43,000
Transmission and Distribution	21,284	21,710	22,144
Other Water Supply Costs	10,812	11,028	11,249
Amortization/ depreciation	57,188	57,228	57,612
Interest on long term debt	38,204	30,385	28,698
Reserves	5,000	5,000	5,000
Sub-total- water expenses	311,352	306,932	309,056
<i>Revenue:</i>			
Connection Revenue	3,000	3,000	3,000
Hydrant rentals	1,300	1,300	1,300
Sales of water cards	43,000	43,000	43,000
Amortization of capital grants	21,730	21,730	21,730
Taxation revenues-water debt	145,873	67,809	59,758
Other revenue-bulk water fees	13,172	13,172	12,412
Total non-rate revenue - water	228,075	150,011	141,200
Net rate revenue requirement - water	83,277	156,921	167,856

Sewer			
<i>Expenses:</i>			
Sewage Collection System	21,033	21,037	21,041
Sewage Treatment and Disposal	900	900	900
Other Sewage Collection & Disposal Costs	3,000	3,001	3,001
Amortization/ depreciation	57,692	58,230	58,616
Interest on long term debt	749	383	-
Reserves	5,000	5,000	5,000
Total sewer expenses	88,374	88,551	88,558
<i>Revenue</i>			
Septic pump out	16,500	16,500	16,500
Amortization of capital grants	22,631	22,631	22,631
Total non-rate revenue- sewer	39,131	39,131	39,131
Net rate revenue requirement - sewer	49,243	49,420	49,427

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 Utility has confirmed that it has not changed the cost allocation methodology approved by the Board in 2009.

Board Findings

The Board makes two significant variances to the application, one concerning wastewater rates and one concerning bulk water rates.

With respect to the wastewater rate, the Municipality requested that the wastewater rate increases be phased in due to the magnitude of the increase. The Board is bound to set fair and reasonable rates which will allow utilities to operate without deficit. In this case, the Board will accommodate a phase-in period, albeit with a rate slightly higher than proposed (\$1.03 per m³ rather the \$0.89) on January 1, 2016. In order to avoid a deficit situation, this accommodation is achieved by removing the \$5,000 provision for reserves in 2016, allowing projected revenues to cover projected expenses.

	2016	2017
Projected sewer expenses per rate study	\$49,420	\$49,427
Less: reserve provision	\$5,000	n/a
Revised rate requirement (A)	\$44,420	\$49,427
Projected volumes m ³ (B)	43,322	43,322
Rate per m ³ (A ÷ B)	\$1.03	\$1.15

When questioned about the calculation of the bulk water rate, the Utility indicated that Council had requested that the bulk water rate remain the same as the metered water rate, reportedly a longstanding practice.

In determining the metered water rate, taxation revenue collected for debt repayment reduces the revenue requirement and therefore the indicated rate. However, bulk water purchasers are not necessarily taxpayers within the Municipality. It is for that reason that the Board requires that this "credit" not be extended to bulk water purchasers. Additionally, administrative overheads are recovered from the metered users through a quarterly service charge. This charge is not applied to bulk water purchasers and must therefore be added to the revenue requirement in calculating bulk rates.

In the absence of any justification for doing otherwise, the Board has applied its standard rate setting methodology in recalculating the bulk rate for the Utility. The bulk water rates for 2016 and 2017 are therefore amended as follows:

Bulk Water Rates	2016	2017
Requested	\$2.60	\$2.77
Approved	\$4.20	\$4.20

Finally, the Board has changed the effective date of the rate changes. The Board does not generally support retroactive rate increases, as consumers cannot retroactively adjust their consumption, and will therefore only approve new rates prospectively effective January 1 of each of 2016 and 2017.

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. However, the rate increases approved herein should allow the Utility to avoid deficits for 2016 and forward, assuming the utility regularly reviews its rate requirements.

In all other respects, the Board has approved the Utility's application.

In reviewing the 2013 audited financial statements, the Board has noted a deficit was incurred for that year. By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required to obtain Board approval for a recovery methodology. The Utility will be required to file an application for approval of that deficit, including a proposal for recovery. The Utility is also reminded that should deficits arise in 2014 and 2015, applications for approval should be completed and forwarded as soon as audited results 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. The water and wastewater rates for the Rural Municipality of St. Francois Xavier Utility, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates to be effective January 1, 2016, with a further increase effective January 1, 2017.
2. The Rural Municipality of St. Francois Xavier submit a revised water and wastewater rate by-law reflecting this order for the Rural Municipality of St. Francois Xavier Utility once it has received third and final reading.
3. The Rural Municipality of St. Francois Xavier submit an application for approval of the 2013 Utility deficit, including a proposed recovery methodology.
4. The Rural Municipality of St. Francois Xavier review its water 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 September 1, 2019.
5. The Rural Municipality of St. Francois Xavier provide a copy of the audited financial statements for 2014 as soon as they are available.

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. 120/15 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
RURAL MUNICIPALITY OF ST. FRANCOIS XAVIER
WATER AND SEWER RATES

SCHEDULE OF QUARTERLY RATES

January 1, 2016

1. Rates per Cubic Meter

Cubic Meter per Quarter

Water	Sewer	Total Water & Sewer
\$2.60	\$1.03	\$3.63

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 & Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption M ³	Service Charge	Water	Sewer	Minimum Quarterly Charges	Water Only Minimum Quarterly Charges
5/8	1	13.638	\$8.03	\$35.46	\$14.05	\$57.54	\$43.49
3/4	2	27.277	\$8.03	\$70.92	\$28.10	\$107.05	\$78.95
1	4	54.553	\$8.03	\$141.84	\$56.19	\$206.06	\$149.87
1 1/4	10	140.000	\$8.03	\$364.00	\$144.20	\$516.23	\$372.03
2	25	340.957	\$8.03	\$886.49	\$351.19	\$1,245.70	\$894.52

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

Customers using sewer service only will pay a flat rate of \$64.22 per quarter, based on 54.553 cubic meters of flow per quarter plus the Customer Service Charge.

3. Bulk Water sales

Bulk water sales shall be charged at the rate of \$4.20 per cubic meter.

SCHEDULE OF QUARTERLY RATES

January 1, 2017

1. Rates per Cubic Meter

Cubic Meter per Quarter

Water	Sewer	Total Water & Sewer
\$2.77	\$1.15	\$3.92

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 (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption M ³	Service Charge	Water	Sewer	Minimum Quarterly Charges	Water Only Minimum Quarterly Charges
5/8	1	13.638	\$7.80	\$37.78	\$15.68	\$61.26	\$45.58
3/4	2	27.277	\$7.80	\$75.56	\$31.37	\$114.73	\$83.36
1	4	54.553	\$7.80	\$151.11	\$62.74	\$221.65	\$158.91
1 1/4	10	140.000	\$7.80	\$387.80	\$161.00	\$556.60	\$395.60
2	25	340.957	\$7.80	\$944.45	\$392.10	\$1,344.35	\$952.25

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

Customers using sewer service only will pay a flat rate of \$70.54 per quarter, based on 54.553 cubic meters of flow per quarter plus the Customer Service Charge.

3. Bulk Water sales

Bulk water sales shall be charged at the rate of \$4.20 per cubic meter.

Clauses 4 to 15 are Effective January 1, 2016

4. Service to Customers outside RM of St. Francois Xavier limits

The Council of the Rural Municipality of St. Francois Xavier may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of Rural 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 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 is 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 \$40.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252(2) of the Municipal Act, the amount of all outstanding charges for water and 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.

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 Inspections

On an annual basis or on a schedule determined by the Rural Municipality, the customer will provide access to the Municipal meter reader to record the water meter reading and to inspect the meter. In the event that the customer is not home or does not grant access, the customer will be notified that they must arrange a time and date for an appointment with the Water Utility to have the meter reading recorded and inspected within 30 days of the Water Utility notice. Failure to arrange and provide access to the Water Utility within 30 days of the notice will result in a \$50.00 fine.

After a period of 60 days from the Water Utility notice and a failure to arrange and provide access to the Water Utility, the water service may be shut off. Any service that has been disconnected shall not be reconnected until all fines, penalties and the reconnection fee set out in section 7 have been paid.

11. Rural Municipality to be Notified of Failure of Meter

In the case of breakage, stoppage or irregularity in a water meter, the customer shall notify the Designated Officer immediately upon such condition being discovered. All installation, repair and disconnection of any water meter shall be performed only by those authorized to do such work by the municipality.

12. 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.

13. 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.

14. 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.

15. 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.

16. Actual Turn Off/On of Water Service

That the charge for physically turning off, or on, a water service shall be \$40.00