

M A N I T O B A) **Order No. 126/15**
)
THE PUBLIC UTILITIES BOARD ACT) **November 30, 2015**
 REVISED December 22, 2015

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

RURAL MUNICIPALITY OF OAKVIEW
OAK RIVER WATER AND WASTEWATER UTILITY
WATER AND WASTEWATER RATES - JANUARY 1, 2016

Executive summary

By this Order, the Public Utilities Board (Board) varies the application from the Rural Municipality of Oakview and approves revised water and wastewater rates for the Oak River Water and Wastewater Utility effective January 1, 2016.

Rates are as follows:

	Previous (By-law No. 2012-2)	Approved for July 1, 2015 (Board Order No. 16/15)	Increase/ Decrease	Approved January 1, 2016	Increase/ Decrease
Quarterly Service Charge	\$11.23	\$11.23	0.00%	\$10.84	-3.47%
Water \$/per 1,000 gallons	\$26.00	\$30.55	17.50%	\$33.91	10.98%
Sewer \$/per 1,000 gallons	\$4.50	\$4.50	0.00%	\$9.99	122.00%
Minimum Quarterly- Water and Sewer*	\$102.73	\$116.38	13.29%	\$142.52	22.46%
Minimum Quarterly- Water Only	\$89.23	\$102.88	15.30%	\$112.55	9.40%
Bulk Water \$/per 1,000 gallons**	\$25.00	\$29.55	18.20%	\$43.05	45.68%
Reconnection Fee	\$35.00	\$35.00	0.00%	\$35.00	0.00%
Hydrant Rental (Annual)	\$75.00	\$75.00	0.00%	\$75.00	0.00%

*Based on 3,000 gallons

**Minimum charge of \$15.50

For the average water and wastewater consumer, using 7,500 gallons of water per quarter, the increase from 2012 will be approximately \$33 per month or \$22 per month based on the July 1, 2015 rates.

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 Oakview (previously the RM of Blanshard) applied for revised water and wastewater rates for the Oak River Utility on November 24, 2014.

A Public Notice of Application was issued on April 2, 2015 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed increases.

The Board received no comments.

While reviewing the application, the Board also noted that a deficit of \$214,472 had been incurred in 2013. The Board sought explanation from the RM for that deficit. During the course of that review, it was disclosed that the Utility had not been paying its water provider, the Manitoba Water Services Board (MWSB), the appropriate rate for water purchases over a number of years. The related liability was recorded in 2013, resulting in this significant deficit. The Board approved that deficit in Board Order No. 16/15 along with the plan to fund the liability through the issuance of a debenture. Also in Board Order No.16/15, the Board approved a "pass through" to adjust rates, effective July 1, 2015, to include the appropriate amounts to be remitted to the MWSB for the water supply.

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 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.

The Board may review the application using a paper review process, which saves the cost of a public hearing process. Having received no expressions of concern from consumers, the Board decided to process this application with a paper-based review.

Background

The Utility has a customer base of 100 with 84 of those customers having water and wastewater services and 16 having water only services.

Water system

The Utility purchases its water from the MWSB which operates the water treatment plant (WTP). The plant was originally constructed in the late 1960s and obtains its raw water from two groundwater supply wells.

A new engineering reassessment for the Oak River WTP has been drafted and is waiting an internal review by the MWSB. A representative from the MWSB indicated that there were no major recommendations or actions in the "to do" list for this WTP.

Unaccounted for water was reported at 9%, within the 10% industry-standard. Any water losses are believed to be from leaking pipes and line flushing. The Municipality continues to monitor water losses going forward.

Sewage system

The wastewater system was installed in 1965 and provides services to the Oak River community. Wastewater services are not provided along the rural water line and the Municipality does not plan to extend wastewater services in any major way. The system has seen various upgrades to keep it up-to-date.

The lagoon is discharged in spring and fall. The Municipality is treating the effluent so that it can be discharged within acceptable limits. No access to the lagoon is permitted to outside septic haulers.

The Municipality is in compliance with its environmental license.

Application

The RM applied for revised water and wastewater rates as set out in By-law No. 2014-4 (read the first time on October 14, 2014). The application was supported by a 2014 rate study dated prepared by the RM's consultant.

Rates:

The requested rates, after adjustment for the water rates approved for July 1, 2015, were as follows:

	Current (By-law No. 2012- 2)	Approved for July 1, 2015	Increase/ Decrease	Proposed (By-law No. 2014-4)	Increase/ Decrease
Quarterly Service Charge	\$11.23	\$11.23	0.00%	\$12.27	9.26%
Water \$/per 1,000 gallons	\$26.00	\$30.55	17.50%	\$31.31	2.49%
Wastewater \$/per 1,000 gallons	\$4.50	\$4.50	0.00%	\$5.46	21.33%
Minimum Quarterly-Water and Wastewater*	\$102.73	\$116.38	13.29%	\$122.58	5.33%
Minimum Quarterly-Water Only	\$89.23	\$102.88	15.30%	\$106.20	3.23%
Bulk Water \$/per 1,000 gallons**	\$25.00	\$29.55	18.20%	\$35.55	20.30%
Reconnection Fee	\$35.00	\$35.00	0.00%	\$35.00	0.00%
Hydrant Rental (Annual)	\$75.00	\$75.00	0.00%	\$75.00	0.00%

*Based on 3,000 gallons

**Minimum charge of \$15.50

The proposed rates were based on an averaging of the following projected annual expenses over the four-year period.

	2014	2015	2016	2017
General				
<i>Expenses:</i>				
Administration (building, office, staff, etc.)	2,500.00	-	-	-
Shared overhead	4,575.00	4,575.00	4,735.13	4,900.85
Total general expenses	7,075.00	4,575.00	4,735.13	4,900.85
Penalties	450.00	400.00	400.00	400.00
Net revenue general	6,625.00	4,175.00	4,335.13	4,500.85
Water				
<i>Expenses:</i>				
Staffing	36,300.00	37,500.00	38,812.50	40,170.94
Purification and treatment	4,000.00	4,000.00	4,140.00	4,284.90
Water purchases	48,000.00	47,500.00	49,162.50	50,883.19
Service of Supply	3,000.00	3,000.00	3,105.00	3,213.68
Transmission and Distribution	3,000.00	3,000.00	3,105.00	3,213.68
Other Water Supply Costs	2,200.00	2,450.00	2,535.75	2,624.50
Amortization/ depreciation	18,634.00	18,634.00	18,634.00	18,634.00
Interest on long term debt	-	11,750.00	11,394.65	11,021.53
Reserves	2,500.00	2,500.00	2,500.00	2,500.00
Contingency	14,339.00	14,339.00	14,339.00	14,339.00
Sub-total- water expenses	131,973.00	144,673.00	147,728.40	150,885.41
<i>Revenue:</i>				
Connection Revenue	70.00	70.00	70.00	70.00
Hydrant rentals	600.00	600.00	600.00	600.00
Investment Income	1,000.00	1,000.00	1,000.00	1,000.00
Amortization of capital grants	13,764.73	13,764.73	13,764.73	13,764.73
Taxation revenues (1)	-	18,857.01	18,857.01	18,857.01
Grant - MWSB	20,000.00	20,000.00	20,000.00	20,000.00
Total non-rate revenue - water	35,434.73	54,291.74	54,291.74	54,291.74
Net rate revenue requirement- water	96,538.27	90,381.26	93,436.66	96,593.67

Wastewater				
<i>Expenses:</i>				
Staffing	2,000.00	2,000.00	2,070.00	2,142.45
Sewage Collection System	5,000.00	5,000.00	5,175.00	5,356.13
Sewage Lift Station	5,000.00	7,000.00	7,245.00	7,498.58
Sewage Treatment and Disposal	3,000.00	5,000.00	5,175.00	5,356.13
Amortization/ depreciation	2,081.00	2,081.00	2,081.00	2,081.00
Reserves	2,500.00	2,500.00	7.00	2,500.00
Contingency	1,834.00	1,834.00	1,834.00	1,834.00
Total wastewater expenses	21,415.00	25,415.00	23,587.00	26,768.28
Amortization of capital grants	738.20	738.20	738.20	738.20
Net rate revenue requirement- wastewater	20,676.80	24,676.80	22,848.80	26,030.08

For the average water and wastewater consumer, using 7,500 gallons of water per quarter, the proposed increase from 2012 would be approximately \$23 per month or approximately \$11 per month based on the July 1, 2015 rates.

It is significant to note that these expense projections for water do not include the revised water purchase costs used in determining the revised rate requirements for July 1, 2015 as approved in Board Order No. 16/15.

Further and also subsequent to submitting the rate study, an error was noted in the revenue requirements for wastewater, namely the "reserve" requirement for 2016.

Cost allocation methodology:

The cost allocation methodology as approved in Board Order No. 109/12 continues to be generally acceptable and was applied in determining the administrative expenses. The Board reminds the RM that this methodology must be used consistently, and requires Board approval should any changes be considered.

Board Findings

While it is not common practice to establish one set of rates based on an averaging of projected costs over a number of years, the Board recognizes that this may be practical in that there should be no rate fluctuations over the term. This will provide more cost certainty to the Utility customers.

However, the Board will use the averages over a three year period, rather than the four year period suggested by the RM. There were significant changes in the factors from 2014 to 2015, most notably related to the debenture and debt servicing costs, and the purchased water rates.

The Board notes that the Rate Study was submitted prior to the July 1, 2015 rate increase and did not take into account the revised water charges now being paid by the Utility to the Manitoba Water Services Board. Therefore when reviewing the application, the Board had to make adjustments to the water purchase expenses projected to 2017 to reflect the new rates implemented by the MWSB on July 1, 2015.

The adjusted projections are as follows:

	2015	2016	2017	3 yr avg
Administration	0	0	0	
Shared Overhead	4,575	4,735	4,900	
Net Expenses General	4,575	4,735	4,900	
Penalties	400	400	400	
Investment Income	0	0	0	
Other Income	0	0	0	
Net Revenue General	400	400	400	
Net Costs General	4,175	4,335	4,500	4,337

Water				3 yr avg
Staffing	37,500	38,812	40,170	
Purification And Treatment	4,000	4,140	4,284	
Water Purchases	61,319	61,319	61,319	
Service Of Supply	3,000	3,105	3,213	
Transmission And Distribution	3,000	3,105	3,213	
Other Water Supply Costs	2,450	2,535	2,624	
Amortization	18,634	18,634	18,634	
Interest On Long Term Debt	11,750	11,394	11,021	
Reserves	2,500	2,500	2,500	
Contingency	14,339	14,339	14,339	
Sub-Total-Water Expenses	158,492	159,883	161,317	
Connection Fees	70	70	70	
Hydrant Rentals	600	600	600	
Investment Income	1,000	1,000	1,000	
Amortization Of Capital Grants	13,764	13,764	13,764	
Taxation Revenues	18,857	18,857	18,857	
Grant -MWSB	20,000	20,000	20,000	
Total Revenue	54,291	54,291	54,291	
Net Rate Revenue-Water	104,201	105,592	107,026	105,606

Wastewater			
Staffing	2,000	2,070	2,142
Sewage Collection System	5,000	5,175	5,356
Lift Station Costs	7,000	7,245	7,498
Sewage Treatment And Disposal	5,000	5,175	5,356
Amortization	2,081	2,081	2,081
Reserves	2,500	2,500	2,500
Contingency	1,834	1,834	1,834

Total Wastewater Expenses	25,415	26,080	26,767	
Net Rate Costs-Sewer	25,415	26,080	26,767	
Amortization Of Capital Grants-Sewer	738	738	738	
Net Rate Revenue- Wastewater	24,677	25,342	26,029	25,349

The Board also noted that the standard methodology for determining bulk water rates was not used, and is applying the standard methodology as follows:

Admin revenue requirement (A)		\$4,337
Net rate revenue requirement - water (B)		\$105,606
Taxation revenues-water debt (C)		\$18,857
Other revenue-bulk water fees (D)		\$0
Sub total (E)=(A+B+C+D)		\$128,800
Bulk water ratio (F)=(E÷B)		1.22
Gross water volume sales (1000 gallons)		2,992
Gross water rate (G)		\$35.30
Bulk water rate (GxF)		\$43.05
Bulk water sales (1,000 gallons)		454.9
Bulk water revenues		\$19,583

Rates were then determined as follows:

Administration			
	Net revenue requirement		\$4,337
	No. of customers		100
	Quarterly charge		\$10.84
Water			
	Net revenue requirement		\$105,606
	Less: bulk water sales		\$19,583
	Non-bulk revenue requirement		\$86,024
	Non-bulk water sales (1000 gallons)		2537.25
	Water rate		\$33.91
Wastewater			
	Net revenue requirement		\$25,349
	Water returned to sewers (1000 gallons)		2537.25
	Wastewater rate		\$9.99

The Board recognizes that the sewage rates have changed significantly from those in the Public Notice, this a result, not only of discovering the error in the reserve provision figure for 2016, but also an error in the volumetric denominator used; the rate study had determined the rate based on gross water sales rather than the water returned to the sewers. The possibility of such changes always exists when applications are reviewed. The Board has the option of issuing a revised Public Notice, but has chosen not to do so in this case, since the expense projections, after error correction, are reasonable.

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 Oak River Water and Wastewater Utility for the Rural Municipality of Oakview 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 Oakview submit a revised water and wastewater rate by-law reflecting this Order for the Oak River Water and Wastewater Utility once it has received third and final reading.
3. The Rural Municipality of Oakview 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

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

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 126/15 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
RURAL MUNICIPALITY OF OAKVIEW-OAK RIVER
WATER AND WASTEWATER RATES

SCHEDULE OF QUARTERLY RATES:

1. COMMODITY RATES PER 1,000 GALLONS

	WATER	WASTEWATER	WATER & WASTEWATER
All water consumption	\$33.91	\$9.99	\$43.90

2. MINIMUM QUARTERLY RATES

Notwithstanding the Commodity rates set forth in Paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include the water allowances indicated:

a) Water & Wastewater Customers

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	\$10.84	\$101.73	\$29.97	\$142.54	\$112.57
3/4"	2	6,000	\$10.84	\$203.46	\$59.94	\$274.24	\$214.30
1"	4	12,000	\$10.84	\$406.92	\$119.88	\$537.64	\$417.76
1 1/2"	10	30,000	\$10.84	\$1,017.30	\$299.70	\$1,327.84	\$1,028.14
2"	25	75,000	\$10.84	\$2,543.25	\$749.25	\$3,303.34	\$2,554.09

b) Water Only Customers

Minimum Charge will be the same for each above but the Wastewater Commodity Charge will be excluded.

3. BULK SALES

Bulk water rates should be charged at the rate of \$43.05 per 1000 gallons with a minimum charge of \$15.50.

4. SERVICE TO CUSTOMERS OUTSIDE THE VILLAGE LIMITS

The Council of the Rural Municipality of Oakview may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the Village of Oak River. 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 or may be in effect from time to time, and which would be levied on the property. Costs of connecting 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, and shall be due and payable by the fifteenth day of the month following the month in which the bills are issued. A penalty of 1.25% (one and one-quarter percent) of the amount of the bill shall be charged on the dollar amount owing after the billing due date. Additional penalties of 1.25% will be charged monthly and compounded monthly on any outstanding dollar amounts.

6. 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 attached as Schedule "B" and shall form part of the water and wastewater By-law.

Any service disconnected due to the non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$35.00 have been paid.

7. OUTSTANDING BILLS

Pursuant to Subsection 252(2) of The Municipal Act, the amount of all outstanding charges for water and wastewater service are a lien and charge upon the land serviced, and shall be collected in any manner in which a tax may be collected or enforced under the Municipal Act.

8. HYDRANT RENTALS

The Rural Municipality of Oakview will pay to the Utility an annual rental of \$75.00 for each hydrant connected to the system which includes the cost of water for fire fighting.

9. WASTEWATER CHARGE

a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a five day 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.