

M A N I T O B A) **Order No. 130/15**
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THE PUBLIC UTILITIES BOARD ACT) **December 1, 2015**

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

RURAL MUNICIPALITY OF STANLEY
WATER UTILITY
WATER RATES - JANUARY 1, 2016

Executive summary

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

Rates are as follows:

	Current By-law 21-13	Approved for Jan 1, 2016	Increase/Decrease	Approved for Jan 1, 2017	Increase/Decrease	Approved for Jan 1, 2018	Increase/Decrease
Quarterly Service Charge	\$10.00	\$11.00	10.00%	\$11.00	0.00%	\$11.00	0.00%
Water- Massey System \$/per 1,000 gallons	\$3.50	\$4.50	28.57%	\$5.10	13.33%	\$5.80	13.73%
Water- Others Systems \$/per 1,000 gallons*	\$9.56	\$10.15	6.17%	\$10.45	2.96%	\$10.71	2.49%
Minimum Quarterly-Massey**	\$20.50	\$24.50	19.51%	\$26.30	7.35%	\$28.40	7.98%
Minimum Quarterly-Others**	\$38.68	\$41.45	7.16%	\$42.35	2.17%	\$43.13	1.84%
Reconnection Fee	\$25.00	\$25.00	0.00%	\$25.00	0.00%	\$25.00	0.00%

*All others - includes purchased water costs of \$7.46/ 1,000 gallons

**Based on 3,000 gallons

For the average consumer, using 15,000 gallons of water per quarter, the increase in January 2016 will be slightly more than \$5 per month for those connected to the Massey System, and slightly more than \$3 per month for all others.

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 Stanley applied for revised water rates for the Water Utility on December 3, 2014.

A Public Notice of Application was issued on December 30, 2014 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed increases. There were no comments received.

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 had a customer base of 1373 water-only customers in 2013, projected to grow to 1670 by 2018, an annual growth rate of 4%. All customers are metered.

The RM owns and operates seven primary water systems:

1. MASSEY WATER SYSTEM

The Massey Water system is the only system that treats raw water and then delivers it to a local distribution system. Original construction occurred in 2002 with a new WTP building and reservoir. In 2010 a reservoir expansion took place. Raw water is drawn from two wells on site from a sand and gravel layer 15 metres deep.

The WTP utilizes greensand filtration to reduce iron and manganese in the water supply. The system uses chlorine as a primary and secondary disinfectant. The WTP is also scheduled for an upgrade in 2014, increasing its capacity to 9 L/s and improving operational characteristics. The treatment process will be the same but new larger filters will be installed, with room for future filters to be added.

2. COLERT WATER SYSTEM

With its proximity to Morden, it was more feasible for the RM to purchase water from the City of Morden and then sell it to the RM customers on the Colert system. The system is small with less than a few dozen connections and is a piped supply.

3. SCHANZENFELD WATER SYSTEM

The Schanzenfeld water system began in late 1970 and has seen continual pipeline extensions with the most recent in 2010. A reservoir and pump house was added to the system in 1997, and then expanded in 2011. This water system obtains its water from the Pembina Valley Water Cooperative (PVWC) and is stored in 500,000 L reservoirs and pumped into the distribution system.

4. REINFELD WATER SYSTEM

The Reinfeld water system began in late 1970 and has seen continual pipeline extensions with the most recent in 2007. A reservoir and pump house was added to the system in 2002, and then expanded in 2011. This water system obtains its water from the PVWC and is stored in 500,000 L reservoirs and pumped into the distribution system.

5. BLUMSTEIN WATER SYSTEM

The majority of the Blumstein water system was installed in 1999 and 2002 but has had numerous extensions since then, with the most recent in 2012. The system consists only of pipelines, there is no reservoir storage. The water source is the PVWC.

6. *DUNSTON WATER SYSTEM*

The majority of the Dunston water system was initially installed in 2003 but has had significant extensions added in 2009, with the most recent in 2011. The system consists only of pipelines, there is no reservoir storage. The water source is the PVWC.

7. *THREE-FOUR WATER SYSTEM*

The majority of the Three-Four water system was installed in 2001 and 2003 but has had a few extensions since then, with the most recent in 2009. The system consists only of pipelines, there is no reservoir storage. The water source is the PVWC.

The RM purchases most of its water from the PVWC and uses this supply to service all but the Colert and Massey systems. The Colert system is supplied with water purchased from the City of Morden and the Massey system has its own groundwater supply treated at an RM owned water treatment plant.

Unaccounted for water for all seven systems is reported to be below 10%, which is the industry standard.

The Utility has one full time operator with a Class 1 Water Treatment Facility and Class 2 Water Distribution Facility Certificates and a part time operator in the process of obtaining certifications.

The RM does not own or operate any wastewater collection system. All residents have on-site systems consisting of septic fields. The RM owns and operates a septage haul lagoon that accepts only the septic tank pump outs; there is no pipe connection to the lagoon.

In order to promote consistency in the administration and operation of the Utility, in 2008 a unified utility rate was adopted with one common rate for those systems purchasing water. A separate rate was developed for the Massey system as it produced its own water.

A Water and Assessment Report from 2011 was submitted with the application. Based on the recommendations provided in the Report, a substantial number of issues have been addressed. The remaining recommendations are being addressed on an ongoing basis. Details are available from the RM offices.

Application

The RM applied for revised water rates as set out in By-law No. 9-14 (read the first time on November 13, 2014). The application was supported by a 2014 rate study dated prepared by the RM's consultant.

Rates:

The requested rates were as follows:

	Current By-law 21-13	Proposed for Jan 1, 2016	Inc/Dec	Proposed for Jan 1, 2017	Inc/ Dec	Proposed for Jan 1, 2018	Inc/ Dec	Proposed for Jan 1, 2019	Inc/ Dec
Quarterly Service Charge	\$10.00	\$11.00	10.00%	\$11.00	0.00%	\$11.00	0.00%	\$11.00	0.00%
Water* \$/per 1,000 gallons	\$3.50	\$4.00	14.29%	\$4.50	12.50%	\$5.10	13.33%	\$5.80	13.73%
Water** \$/per 1,000 gallons	\$9.56	\$9.85	3.03%	\$10.15	3.05%	\$10.45	2.96%	\$10.71	2.49%
Minimum Quarterly-Massey***	\$20.50	\$23.00	12.20%	\$24.50	6.52%	\$26.30	7.35%	\$28.40	7.98%
Minimum Quarterly-Others***	\$38.68	\$40.55	4.83%	\$41.45	2.22%	\$42.35	2.17%	\$43.13	1.84%
Reconnection Fee	\$25.00	\$25.00	0.00%	\$25.00	0.00%	\$25.00	0.00%	\$25.00	0.00%

*Customers connected to Massey Distribution System

**All others - includes purchased water costs of \$7.46 / 1,000 gallons

***Based on 3,000 gallons

In order to mitigate "rate shock", the RM proposed to stage their increases over four years as opposed to one large immediate increase.

The RM indicated that it plans to operate its Utility in a sustainable manner with smaller more regular annual or bi-annual increases.

The proposed rates were based on the following projected annual expenses :

	2014	2015	2016	2017
Administration	70,000	70,700	71,407	72,121
Total expenses general	70,000	70,700	71,407	72,121
Other	2,000	2,000	2,000	2,000
Total revenue general	2,000	2,000	2,000	2,000
Net costs general	68,000	68,700	69,407	70,121
Water expenses				
Purification and treatment	10,000	10,100	10,201	10,303
Service of Supply	28,000	28,280	28,563	28,848
Transmission and Distribution	64,000	64,640	65,286	65,939
Operator Wages	76,600	78,132	79,694	81,288
Operator expenses	26,000	26,260	26,523	26,788
Amortization of Massey Assets	71,472	71,472	71,472	71,472
Amortization of remaining Assets	169,615	169,615	169,615	169,615
Other-General Contingency Fund	25,000	25,000	25,000	25,000
Annual fund for Capital Projects	75,000	75,000	75,000	75,000
Total expenses water	545,687	548,499	551,354	554,254
Amortization of capital grants-Massey	28,158	28,158	28,158	28,158
Amortization of capital grants-Others	81,307	81,307	81,307	81,307
Connection Charges	75,000	60,000	40,000	40,000
Total revenue water	184,465	169,465	149,465	149,465
Net costs water	361,222	379,034	401,889	404,789
Net revenue/(expenses)	429,222	447,734	471,296	474,910

Excluded from the above projections is the cost of water purchased from the Pembina Valley Water Co-op and/ or the City of Morden. The cost of purchased water, currently \$7.46 per 1000 gallons, is not marked up and is passed directly onto customers.

As part of its proposal to stage the increases, the Utility proposed to manage its capital project spending in order to avoid incurring deficits.

In order to determine separate rates for the Massey System, water costs were allocated based on the size and equipment distribution between the Massey System and the other systems:

Purification and treatment	50%
Service of Supply	25%
Transmission and Distribution	25%
Operator Wages	50%
Operator expenses	50%
Amortization of Massey Assets	100%
Amortization of remaining Assets	0%
Other-General Contingency Fund	50%
Annual fund for Capital Projects	50%
Amortization of capital grants-Massey	100%
Amortization of capital grants-Others	0%
Connection Charges	60%

Cost allocation methodology:

The following was proposed as the cost allocation methodology whereby a portion of general expenses incurred by the municipality is allocated to the Utility in order to more appropriately reflect the true operating costs of the Utility.

			% of total cost
Utility Clerk	Wages Benefits And Remittances	\$35,000	90%
General	Audit	\$3,500	13%
	Computer Equipment, Copier, Folder	\$4,000	flat rate
	Stationary	\$500	flat rate
	Other Staff Time	\$12,000	flat rate
	Council Time	\$1,500	flat rate
	Office Costs	\$7,500	flat rate
	Contracts And Services	\$2,500	flat rate
Public Works	Fuel	\$2,000	flat rate
	Truck	\$1,000	flat rate
	Truck Insurance	\$500	flat rate
Total		\$70,000	

Board Findings

The Board notes that the rate study focused on rates to cover expenses other than purchased water. It is recognized that purchased water costs are out of the hands of the Utility and will be handled on a "pass-through" basis. If the cost of the water supply increases, the Utility need only advise the Board in order to obtain approval to increase the rate related to purchased water (currently \$7.46 per \$1000 gallons), for systems other than the Massey System.

While reviewing the application, the Board noted that the expenditure projections and the proposed rate increases were not aligned, i.e., the indicated rates based on the expenditure projections were deferred by one year, ostensibly to mitigate rate shock. For example, the rate study calculates that the indicated rate for 2016 for Massey customers should be \$4.50 per 1000 gallons whereas the proposal was to have that rate effective for 2017.

However, the Board also notes that the dollar impact of the rate increases is a relatively minor one, especially when compared to other rate increases which the Board has seen implemented in recent years.

The Board is averse to approving rate structures which will inherently result in deficits in Utility operations. In this case, a relatively minor "rate shock" will allow the Utility to operate on a breakeven basis. The Board will therefore vary the rate proposal and apply the rate increases one year sooner than requested by the Utility. Therefore, the rates requested for 2017, 2018 and 2019 will be implemented in 2016, 2017 and 2018 respectively.

The Board will expect the Utility to manage its capital projects to ensure that the Utility will avoid operating deficits during the three rate years.

The Board will also require that the Utility return for a rate review by July 1, 2018.

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 proposed 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.

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 rates for the Water Utility for the Rural Municipality of Stanley 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 Stanley submit a revised water rate by-law for the Utility reflecting this Order once it has received third and final reading.
3. The cost allocation methodology as proposed for the Rural Municipality of Stanley Water Utility BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Stanley 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 June 1, 2018.

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. 130/15 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"
 RURAL MUNICIPALITY OF STANLEY
 WATER UTILITY
 WATER RATES

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 Imperial Gallons - (Effective January 1, 2016)

(a) All Customers Connected to the Massey Distribution System

Water

All Water Consumption \$4.50

(b) All Other Customers

Water

All Water Consumption \$10.15 (includes purchased water cost of \$7.46)

2. Minimum Charges, Quarterly

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

(a) All Customers Connected to the Massey Distribution System

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Water	
5/8"	1	3,000	\$11.00	\$13.50		\$24.50
3/4"	2	6,000	\$11.00	\$27.00		\$38.00
1"	4	12,000	\$11.00	\$54.00		\$65.00
1 1/2"	10	30,000	\$11.00	\$135.00		\$146.00

(b) All Other Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Water	
5/8"	1	3,000	\$11.00	\$30.45		\$41.45
3/4"	2	6,000	\$11.00	\$60.90		\$71.90
1"	4	12,000	\$11.00	\$121.80		\$132.80
1 1/2"	10	30,000	\$11.00	\$304.50		\$315.50
2"	25	75,000	\$11.00	\$761.75		\$772.75

3. Commodity Rates per 1,000 Imperial Gallons - (Effective January 1, 2017)

(c) All Customers Connected to the Massey Distribution System

Water

All Water Consumption \$5.10

(d) All Other Customers

Water

All Water Consumption \$10.45(includes purchased water cost of \$7.46)

4. Minimum Charges, Quarterly

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

(c) All Customers Connected to the Massey Distribution System

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Water	
5/8"	1	3,000	\$11.00	\$15.30		\$26.30
3/4"	2	6,000	\$11.00	\$30.60		\$41.60
1"	4	12,000	\$11.00	\$61.20		\$72.20
1 1/2"	10	30,000	\$11.00	\$153.00		\$164.00

(d) All Other Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Water	
5/8"	1	3,000	\$11.00	\$31.35		\$42.35
3/4"	2	6,000	\$11.00	\$62.70		\$73.70
1"	4	12,000	\$11.00	\$11.00	\$125.40	\$136.40
1 1/2"	10	30,000	\$11.00	\$313.50		\$314.50
2"	25	75,000	\$11.00	\$783.75		\$794.75

5. Commodity Rates per 1,000 Imperial Gallons - (Effective January 1, 2018)

(e) All Customers Connected to the Massey Distribution System

Water

All Water Consumption \$5.80

(f) All Other Customers

Water

All Water Consumption \$10.71(includes purchased water cost of \$7.46)

6. Minimum Charges, Quarterly

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

(e) All Customers Connected to the Massey Distribution System

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water		
5/8"	1	3,000	\$11.00	\$17.40		\$28.40
3/4"	2	6,000	\$11.00	\$34.80		\$45.80
1"	4	12,000	\$11.00	\$69.60		\$80.60
1 1/2"	10	30,000	\$11.00	\$174.00		\$185.00

(f) All Other Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water		
5/8"	1	3,000	\$11.00	\$32.13		\$43.13
3/4"	2	3,000	\$11.00	\$64.26		\$75.26
1"	4	12,000	\$11.00	\$128.52		\$139.52
1 1/2"	10	30,000	\$11.00	\$321.30		\$332.30
2"	25	75,000	\$11.00	\$803.25		\$804.25

8. Service To Customers Outside of the Municipality

The Council of the Rural Municipality of Stanley may sign agreements with another municipality for the provision of water services outside the Municipal boundaries. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as the 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 concerned if it were within those boundaries. In addition, all costs of connecting to the Utility's mains and installing and maintaining service connections will be paid by the customer.

9. Service To Customers Inside the Municipality

The Council of the Rural Municipality of Stanley may provide for the provision of water services to properties located within the Municipality. All approved applications shall be serviced as per a connection policy and fee schedule established by Council. In addition to the rates and terms set out in Schedule "A" of this by-law, all costs of connecting to the Utility's mains, and installing service connections will be paid by the customer.

10. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A penalty of 1.25% per month of the amount of the bill shall be added if not paid by the due date.

11. Disconnection

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after due date. 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.

12. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$25.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to pay \$25.00 reconnection fee when service resumes.

13. Outstanding Bills

Pursuant to section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

14. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, the 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.

15. Water Meters

- (a) The meter shall be installed by a registered plumber or qualified installer and the costs shall be the responsibility of the property owner.
- (b) The meter shall be installed 75 cm above the floor or as approved by the Municipality.
- (c) The meter shall be located as close as practical to the point of entry of the water line. Ample room must be provided for access to the meter and main valve at all times.
- (d) The meter shall be in a horizontal position with the main shut off valve immediately before the meter.
- (e) No distribution piping or ports shall be allowed before the meter.
- (f) The meter shall be protected from any type of damage including freezing.
- (g) Costs for any damage and labour for repairs to the water meter and associated equipment shall be the responsibility of the property owner.