

**M A N I T O B A** ) **Order No. 146/15**  
)  
**THE PUBLIC UTILITIES BOARD ACT** ) **December 31, 2015**

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

**TOWN OF MINNEDOSA**  
**WATER AND WASTEWATER UTILITY RATES**  
**JANUARY 1, 2016**

## Executive summary

By this Order, the Public Utilities Board (Board) varies the application made by the Town of Minnedosa and approves revised water and wastewater rates effective January 1, 2016.

Rates are as follows:

	<b>Current (By-law 2507)</b>	<b>Approved</b>	<b>Increase/ Decrease</b>
Quarterly Service Charge	\$17.75	\$17.75	0%
Water \$/First 500 cubic meters	\$1.93	\$2.06	7%
Water \$/Over 500 cubic meters	\$0.52	\$0.47	-10%
Wastewater \$/cubic meter	\$0.84	\$0.90	7%
Minimum Quarterly-Water and Wastewater	\$53.79	\$59.19	10%
Bulk Water \$/cubic meter	\$2.30	\$2.27	-1%
Reconnection Fee	\$50.00	\$50.00	0%
Hydrant Rental (Annual)	\$150.00	\$150.00	0%

For the average consumer, using 87 cubic meters of water per quarter, the increase would be less than \$6 per month.

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 Town of Minnedosa applied for revised water and wastewater rates on September 26, 2014.

A Public Notice of Application was issued on December 8, 2014 affording customers the opportunity to comment to both the Board and Town with respect to the proposed increases.

The Board received no comments.

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 decided to review this application using a paper review process, which saves the cost of a public hearing process.

## **Background**

The Town owns and operates a water and wastewater utility serving 1,084 water and wastewater customers, 15 water only customers and two unmetered water customers for a total of 1,101 customers.

### *Water - Supply/Distribution*

The Town owns and operates two water treatment plants and the water distribution system.

The Town receives its raw water from four municipal wells.

Due to the varying elevation changes in the community, the Town has installed booster stations, thus achieving a stable and reliable water main network.

The original water distribution system was installed in 1952 and by 1960 all construction incorporated ductile iron. By 1980 all new main installations incorporated PVC piping. The Town has developed a water main renewal program where portions of all older mains are replaced annually with PVC pipe. They also replace two older fire hydrants each year.

Regular sampling demonstrates the Town maintains adequate chlorine residual throughout the distribution system.

One water treatment plant is a class I facility and the other is a class II, as is the water distribution system. Utility staff have the appropriate certifications.

Unaccounted for water is reported at 26% due to some longer than normal water main leaks; also 60 bleeder taps are used throughout the winter to prevent freezing on shallow pipes. Some taps may be left turned on throughout the year as customers forget to turn them off. The program to replace old iron mains with PVC is expected to reduce the amount of water loss in time. Two notable water customers are the RM of Odanah and the Husky Ethanol Plant.

*Wastewater - Collection/Treatment*

The original wastewater collection system was installed in 1952 and is composed mostly of concrete wastewater pipe with some asbestos cement and clay tile used in the late 1960s. However, by 1980, all new installations incorporated PVC pipe. Due to topography, seven listed lift stations currently service neighborhoods. The Town has developed a rotating program of high-pressure wastewater cleaning where approximately 1/4 of the Town's wastewater is cleaned annually.

The Town's wastewater is treated at an aerated two-cell stabilization pond. The facility has a year-round continuous discharge to the Little Saskatchewan River.

Discharges meet the facility's license requirements.

**Application**

The Town applied for revised water and wastewater rates, to be effective January 1, 2015 as set out in By-law No. 2538 (read the first time on September 23, 2014). The application was supported by a 2014 rate study dated prepared by the Town's consultant.

*Rates:*

The requested rates were as follows:

	<b>Current (By-law 2507)</b>	<b>Proposed 2015</b>	<b>Increase/ Decrease</b>
Quarterly Service Charge	\$17.75	\$17.75	0%
Water \$/First 500 cubic meters	\$1.93	\$2.06	7%
Water \$/Over 500 cubic meters	\$0.52	\$0.47	-10%
Wastewater \$/cubic meter	\$0.84	\$0.90	7%
Minimum Quarterly-Water and Wastewater	\$53.79	\$59.19	10%
Bulk Water \$/cubic meter	\$2.30	\$2.06	-10%
Reconnection Fee	\$50.00	\$50.00	0%
Hydrant Rental (Annual)	\$150.00	\$150.00	0%

The rates were calculated based on projected 2017 expenses.

Projected annual expenses:

	2014	2015	2016	2017
General				
Administration	67,000	68,000	68,680	69,367
Billing and collection	10,000	10,000	10,000	10,000
<b>Net expenses general</b>	<b>77,000</b>	<b>78,000</b>	<b>78,680</b>	<b>79,367</b>
Penalties	2,495	2,000	2,000	2,000
<b>Net costs general</b>	<b>74,505</b>	<b>76,000</b>	<b>76,680</b>	<b>77,367</b>
Administration	92,476	82,000	82,820	83,648
Purification and treatment	274,512	277,257	280,030	282,830
Transmission and distribution	258,687	261,274	263,887	266,526
Other water supply costs	15,181	15,332	15,485	15,640
Debenture 2496 Recovery rates	195,138	195,138	195,138	195,138
Amortization	266,350	266,350	266,350	266,350
Reserve Fund-Major Capital Proj Alloc	100,000	100,000	100,000	100,000
Water meter replacement	50,000	50,000	50,000	50,000
Watermain renewals	30,000	30,000	30,000	30,000
Contingency treatment	10,000	10,000	10,000	10,000
Contingency distribution	10,000	10,000	10,000	10,000
<b>Sub-total-water expenses</b>	<b>1,302,344</b>	<b>1,297,351</b>	<b>1,303,710</b>	<b>1,310,132</b>
Bulk sales	21,348	18,000	18,000	18,000
RM of Odanah sales	63,720	60,000	60,000	60,000
Hydrant rentals	20,700	20,700	20,700	20,700
Amort of capital grants	60,910	60,910	60,910	60,910
other revenues	10,200	5,000	5,000	5,000
Debenture payment 2495 Husky	195,138	195,138	195,138	195,138
<b>Total revenue</b>	<b>372,016</b>	<b>359,748</b>	<b>359,748</b>	<b>359,748</b>
<b>Net rate revenue requirement-water</b>	<b>930,328</b>	<b>937,603</b>	<b>943,962</b>	<b>950,384</b>

<b>Wastewater</b>				
Administration	54,736	55,000	55,550	56,106
Wastewater collection system	25,500	25,755	26,013	26,273
Wastewater lift station costs	59,160	59,751	60,349	60,952
Wastewater treatment and disposal	56,100	56,661	57,228	57,800
Amortization	13,596	13,596	13,596	13,596
Major Wastewater capital allocation	100,000	150,000	175,000	175,000
Lift station upgrades	15,000	15,000	15,000	15,000
Wastewater main renewals	27,000	27,000	27,000	27,000
Contingency-wastewater	10,000	10,000	10,000	10,000
<b>Total wastewater expenses</b>	<b>361,092</b>	<b>412,763</b>	<b>439,735</b>	<b>441,726</b>
Lagoon tipping fees	17,000	17,000	17,000	17,000
<b>Net rate revenue requirement-wastewater</b>	<b>344,092</b>	<b>395,763</b>	<b>422,735</b>	<b>424,726</b>

The projections provide \$100,000 for major water related projects for water-main extensions and upsizing. The Town currently has an ongoing street renewal program. As the street renewal involves asphalt with curb and gutter, the Town also replaces the water and wastewater mains so they can avoid costly repairs in the future. Since this is on-going, the Town prefers to have these costs recovered directly through the rates and not use up the available budgets for capital projects.

The projections also provide \$175,000 for wastewater for forcemain and lagoon upgrades. The Town just completed a replacement of their 2.0 km forcemain at a cost of \$450,000. The capital allocation for the three year projection is to offset this expenditure. Again, the Town has limited capital and would prefer to have this cost covered by the rates. After these three years, the capital contribution can go towards the wastewater renewals with the road renewals.

Board approved methodology was used in calculating the wholesale water rates.

This methodology involves an allocation of expenses to wholesale and domestic rates as follows:

	Total expense	Wholesale allocation	Wholesale expense	Domestic expense
Administration	83,648	67%	56,044	27,604
Purification and treatment	282,830	67%	189,496	93,334
Transmission and distribution	266,526		-	266,526
Other water supply costs	15,640	67%	10,479	5,161
Amortization	266,350	92%	245,910	20,441
Reserve Fund-Major Capital Proj	100,000		-	100,000
Water meter replacement	50,000		-	50,000
Watermain renewals	30,000		-	30,000
Contingency treatment	10,000	50%	5,000	5,000
Contingency distribution	10,000		-	10,000
<b>Less: offsetting revenue</b>				
Bulk sales	18,400		-	18,400
RM of Odanah sales	60,000		-	60,000
Hydrant rentals	20,700		-	20,700
Amortization of capital grants	60,910	100%	60,910	-
Other revenues	5,000		-	5,000
<b>Net rate revenue-water</b>	<b>950,386</b>		<b>446,020</b>	<b>504,366</b>

*Lagoon Tipping Fee:*

The Town proposed that the tipping fees for Haulers from Town residences be set equal to the overall wastewater rate, i.e., \$0.90 per cubic meter, based on the premise that there are no outstanding debentures related to wastewater.

For out-of-town Haulers, the study imputed a debenture servicing cost calculated on the replacement cost of the wastewater system, this is to recognize the fact that Town residents had contributed to the construction cost of the current facility, whereas others had not. The out-of-town hauling fee was determined to be \$1.97 per cubic meter.



*Cost allocation methodology:*

The following flat-rate allocations were used to assign the utility its appropriate share of general administration costs incurred by the Town. This methodology was approved by the Board in Order No. 31/11.

<b>Activity/Expenses (object)</b>	<b>Flat rate allocations</b>
Meter reading Salaries & wages	\$ 6,000.00
Billing Receipting and Collection	\$ 6,000.00
CAO salaries and benefits	\$ 20,000.00
Council costs	\$ 10,000.00
Audit and legal	\$ 5,000.00
Utilities (i.e. telephone, heat)	\$ 20,000.00
Photocopying (etc.)	\$ 1,000.00
Public works buildings- Maintenance	\$ 30,000.00
Vehicles-Fuel /	\$ 15,000.00
Insurance	\$ 2,000.00

When the Board questioned how the amounts were derived the Town responded:

*"The cost allocations are best estimates based on my twenty three years of experience in municipal accounting and based on my thirteen years of experience working as the financial officer for the Town of Minnedosa."*

**Board Findings**

*Rates:*

The Board has reviewed the application and the projections presented by the Town in their rate study and the information provided subsequently in response to Board queries.

The application will be approved as submitted with two minor exceptions:

1. Since the Board does not support retroactive rate increases, as they do not give consumers the opportunity to adjust usage, the revised rates will only be effective for 2016, not 2015 as requested.
2. The Board noted in its review that the bulk water rates proposed were equal to the domestic water rates. Board recommended methodology requires that the bulk rate be adjusted to reflect the fact that administrative expenses, collected in the quarterly service charge paid by metered customers, are not included in the domestic unit rate. The rate has therefore been adjusted to reflect Board methodology.

The projections included significant provisions for capital projects with specific life expectancies. As not all projects will recur in future, the rates beyond 2017 need to be reviewed to ensure that such provisions remain necessary going forward and that rates remain fair and reasonable. The Board will therefore require a rate submission for the 2018 year.

*Unaccounted for water:*

The Board is very concerned about the levels of unaccounted for water. A 10% level is considered acceptable for the industry. A 26% level is not. In addition to conservation concerns, wasted water 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 close monitoring.

The Board has noted the Town's expectation that the replacement of watermains will reduce the losses.

The Board also notes that causation is attributed in part to customers not closing their bleeder taps during the off-season. The Board will direct positive action by the Town in this regard, with bill enclosures reminding customers to take action.

*Cost allocation methodology:*

The Board considered the response from the Town with respect to estimating the various elements of the allocation. The following is drawn from the audited 2013 financial statements:

		2013	2012
Total Town expenses	A	4,891,029	4,704,839
Total Utility expenses	B	1,317,698	1,311,890
	$C=B \div A$	26.94%	27.88%
General government services	D	633,846	576,363
	$D \times C$	170,765	160,712
Allocation used		115,000	115,000

It is not uncommon for utilities to determine the cost allocation as a percentage of the operating expenses in relation to the town or municipality. This does not assure that the allocation thus determined is correct. However, given the difference shown above, the Board will direct that the Town review its allocation to ensure that it fairly represents the Utility's share of administrative costs.

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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. The water and wastewater rates for the Town of Minnedosa's 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 Town of Minnedosa submit a revised water and wastewater rate by-law reflecting this Order for the Utility once it has received third and final reading.
3. The Town of Minnedosa include an insert in its spring and summer billings reminding customers to shut off their bleeder taps until the winter season.
4. The Town of Minnedosa review its cost allocation methodology and report to the Board on its findings on or before December 31, 2016.
5. The Town of Minnedosa submit an application for revised rates for 2018 by no later than June 30, 2017.

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. 146/15 issued  
by The Public Utilities Board

\_\_\_\_\_  
Acting Secretary

**SCHEDULE "A"**

THE TOWN OF MINNEDOSA

WATER AND SEWER RATES (EFFECTIVE January 1, 2016)

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per Cubic Meter (C.M.)

		<u>Water</u>	<u>Sewer</u>	<u>Water &amp; Sewer</u>
Domestic	First 500 cubic metres	\$2.06	\$0.90	\$2.96
Wholesale	Over 500 cubic metres	\$0.47	\$0.90	\$1.37

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) Water and Sewer Customers

Meter Size (C.M.)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	14.00	\$17.75	\$28.84	\$12.60	\$59.19
19mm - 3/4"	2	28.00	\$17.75	\$57.68	\$25.20	\$100.63
25mm - 1"	4	56.00	\$17.75	\$115.36	\$50.40	\$183.51
38mm - 1 1/2"	10	140.00	\$17.75	\$288.40	\$126.00	\$432.15
50mm - 2"	25	350.00	\$17.75	\$721.00	\$315.00	\$1,053.75
75mm - 3"	45	630.00	\$17.75	\$1,091.10	\$567.00	\$1,675.85
100mm - 4"	90	1,260.00	\$17.75	\$1,387.20	\$1,134.00	\$2,538.95
150mm - 6"	170	2,380.00	\$17.75	\$1,913.60	\$2,142.00	\$4,073.35
200mm - 8"	300	4,200.00	\$17.75	\$2,769.00	\$3,780.00	\$6,566.75

(b) Water Only Customers

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

(c) Sewer Rate Reductions

If it can be clearly shown that a customer uses a substantial amount of water which is not returned to the sewer system (at least 10% of the water sold to such customers), the utility may deduct such water in calculating the sewer charge to such customers.

(d) Husky Sewer Charges

Notwithstanding the Sewer Commodity Rates and Charges set forth above, the Husky plant shall be charged for sewer service at the sewer rate set forth above to be applied to 25% of the actual water consumption of the Husky plant.

(e) Husky Surcharge on Water and Sewer

That on each monthly bill there will be an additional charge over and above the set water and sewer charge of \$16,261.50 for a total annual debenture recovery of \$195,138.00 per agreement with Husky for WTP #2.

3. Unmetered Customers

Based on an average of 87 cubic metres per quarter consumption, non-metered sewer and water customers shall pay \$275.27 per quarter.

4. Bulk Sales Rate

All water sold in bulk by the Town of Minnedosa shall be charged for at the rate of \$2.27 per cubic metre.

5. Tipping Fees

a) That each Wastewater Disposal Vehicle shall pay fees as follows:

Disposal Fee – based on septic vehicle tank capacity:

i. **Sewage Tipping Fee Rates for Residences within the Town** of Minnedosa Limits:

Minimum per use fee of **\$5.33** up to 4.54 kilolitres (equivalent to 1,000 imperial gallons) plus **\$0.90 per kilolitre** for any portions over the initial fee.

ii. **Sewage Tipping Fee Rates from for Residences from outside the Town** of Minnedosa Limits:

Minimum per use fee of **\$10.20** up to 4.54 kilolitres (equivalent to 1,000 imperial gallons) plus **\$1.97 per kilolitre** for any portions over the initial fee.

b) That any Septic Haulers must submit a monthly Record of Wastewater Pickup and Disposal report to the Town, attached hereto as Schedule "B" The report must indicate the name of the Septic Hauler, date of disposal, Town from where the Sewage was collected, the volume of each load, and the source of the contents of each load according to the type of waste and the name and location of each property serviced. Failure to submit the report by the 15<sup>th</sup> day of the following month will result in the suspension or cancellation of deliveries to the Minnedosa Wastewater Treatment Lagoon.

6. Service To Other Municipalities

The Town of Minnedosa may enter into agreements with municipalities, corporations and individuals outside the Town of Minnedosa to connect to the water and/or sewer system. The agreement shall provide for payment of the appropriate domestic rates set out in this Schedule, plus a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes, and special taxes for utility purposes in effect at the time, or which 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 connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

7. Billing And Penalties

Accounts shall be billed quarterly, except in the case of large volume consumers with usage over 4,000 cubic metres per month which may be billed monthly, and shall be due and payable 30 days after date of billing. A penalty of 1.25% of the amount of the bill shall be added if not paid by the due date. For every month after that, a further penalty of 1.25% of the amount of the bill shall be added if the debt is unpaid.

8. Disconnection

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 Town's office.

9. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$50.00 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 \$50.00 reconnection fee when service resumes.

10. 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.

11. Hydrant Rentals

The Town of Minnedosa shall pay to the utility an annual rental of \$150.00 for each hydrant connected to the system. This includes water for fire purposes.

## 12. 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.

## 13. Water Meters

- (a) The Town shall supply an appropriate size water meter and remote read touch pad. Each customer shall be required to pay in advance a \$50.00 refundable meter deposit. This deposit will be refunded without interest upon termination of service, less any outstanding charges for water and sewer service. Meter deposits may be transferred from one premises to another in the municipality.
- (b) The meter and touch pad shall be installed by a registered plumber and the costs shall be the responsibility of the property owner. The remote touch pad shall be located at a point easily accessible at all times and approved by the Town.
- (c) The meter shall be installed 75 cm above the floor or as approved by the Town.
- (d) 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.
- (e) The meter shall be in a horizontal position with the main shut off valve immediately before the meter. Another valve shall be installed downstream of the meter before any distribution piping or ports.
- (f) No distribution piping or ports shall be allowed before the meter.
- (g) The meter shall be protected from any type of damage including freezing.
- (h) Costs for any damage and labour for repairs to the water meter and associated equipment shall be the responsibility of the property owner.