

M A N I T O B A ) Order No. 22/15  
)  
THE PUBLIC UTILITIES BOARD ACT ) February 23, 2015

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

RURAL MUNICIPALITY OF ARGYLE  
LOCAL URBAN DISTRICT OF BALDUR  
WATER AND SEWER RATES  
EFFECTIVE APRIL 1, 2015

**Summary**

The Public Utilities Board (Board) hereby varies the application for revised water and sewer rates for the Rural Municipality of Argyle (RM), Local Urban District of Baldur water and sewer utility (Utility). The new rates are effective April 1, 2015.

The current rates, as established under Board Order No. 136/08, and approved rates are noted below:

	<b>Current</b>	<b>April 1, 2015</b>	<b>Increase/Decrease</b>
Quarterly Service Charge	\$7.10	\$8.25	16%
Water \$/1,000 gallons	\$15.40	\$15.24	-1.04%
Sewer \$/1,000 gallons	\$1.85	\$9.43	410%
Minimum Quarterly-Water and Sewer*	\$58.85	\$82.26	40%
Minimum Quarterly-Sewer Only	\$29.00**	\$59.88***	n/a
Minimum Quarterly-Water Only*	\$53.30	\$53.97	1.26%
Bulk Water \$/1,000 gallons	\$17.60	\$20.77	18.01%
Reconnection Fee	\$50.00	\$100.00	100.00%
Hydrant Rental (Annual)	\$100.00	\$100.00	0.00%

\*Based on 3,000 gallons and Service Charge

\*\*Based on 8,000 gallons and Service Charge

\*\*\*Based on 5,475 gallons and Service Charge

Details of the revised rates are attached to this Order as Schedule "A".

## **Background**

The RM's water and sewer utility serves 166 customers. The RM obtains its water from 3 supply wells. Raw water is treated by a water treatment plant owned and operated by the Manitoba Water Services Board. The distribution system includes water mains, 4 wells, reservoirs and original lines from 1960 that were replaced in 2012. The system is stated to be sufficient to meet current and future anticipated needs.

The Utility notes that discussions are ongoing with the Department of Environment, Province of Manitoba regarding possible expansion. The Utility expects that an Engineering assessment will soon be required. The RM also operates 3.87 kms of gravity sewer mains, 2 lift stations, forcemain and sewage lagoon. Sewer lines are said to be in good shape. The system is stated to be sufficient to meet current and anticipated needs.

The Rural Municipality of Argyle's operators meet current certification requirements.

## **Application**

The RM filed its application on September 9, 2013, accompanied by a copy of By-law No. 04-2013, which had first reading on August 13, 2013, and a rate study prepared by the RM's consultant.

Rates were last set in 2008 by Board Order No. 136/08.

A Public Notice of Application was issued on September 16, 2013 affording customers the opportunity to comment to both the Board the Utility with respect to the proposed increases. There were no responses to the Notice.

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.

In the case of the Baldur Utility, the Board concluded that a paper review process, which saves the Utility the cost of a public hearing, was in the best interest of all concerned.

In response to requests from the Board, the RM filed additional information, including a revised By-law, cost allocation methodology, audited financial statements for 2009, 2011 and 2012 and responses to questions stemming from the Board's review of the rate application.

### Deficits and working capital surplus

Board Order No. 93/09 established that utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2012 audited financial statements, the most recent information available, the working capital deficit at December 31, 2012 was:

	2012	2013
Fund Surplus/Deficit	1,474,153	1,472,296
Deduct TCA	1,539,142	1,563,878
Add Long-Term Debt	-	-
Add Utility Reserves	22,697	67,059
Equals Working Capital Surplus	- 42,292	- 24,523
Expenses	169,383	
20% - recommended working capital	33,877	

## Budgeted expenditures

The rate application included the following historical and budgeted revenue requirements:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Administration	3,700	3,700	3,811	3,925	4,043
Equity Surcharge(1% of	-	-	1,566	1,877	1,938
<b>Expenses - General</b>	<b>3,700</b>	<b>3,700</b>	<b>5,377</b>	<b>5,802</b>	<b>5,981</b>
Service Charges	1,176	-	-	-	-
Penalties	709	400	412	424	437
<b>Revenues - General</b>	<b>1,885</b>	<b>400</b>	<b>412</b>	<b>424</b>	<b>437</b>
<b>Net rate revenue - General</b>	<b>1,815</b>	<b>3,300</b>	<b>4,965</b>	<b>5,378</b>	<b>5,544</b>
Staffing	-	-	-	-	-
Water purchases	48,911	50,000	51,500	53,045	54,636
Service of Supply	27,113	22,364	23,035	23,726	24,438
Amortization/ depreciation	13,504	13,504	13,909	14,326	14,756
Interest on long term debt	19,790	20,779	21,818	22,909	24,054
Reserves	-	-	-	15,600	16,068
Contingency	-	9,735	9,735	10,027	10,328
<b>Expenses - Water</b>	<b>109,318</b>	<b>116,382</b>	<b>119,997</b>	<b>139,633</b>	<b>144,280</b>
Connection Revenue	81,932	-	-	-	-
Hydrant Rentals	2,390	2,390	2,462	2,536	2,612
MWSB WTP Operator payment	19,908	19,908	19,908	19,908	19,908
Amortization of capital	-	14,290	14,290	14,290	14,290
Taxation revenues	33,847	33,847	33,847	33,847	33,847
<b>Revenues - Water</b>	<b>138,077</b>	<b>70,435</b>	<b>70,507</b>	<b>70,581</b>	<b>70,657</b>
<b>Net rate revenue - Water</b>	<b>- 28,759</b>	<b>45,947</b>	<b>49,490</b>	<b>69,052</b>	<b>73,623</b>
Sewage Collection System	10,746	4,000	4,371	4,502	4,637
Sewage Lift Station	6,849	6,100	5,835	6,010	6,190
Amortization/ depreciation	17,485	17,485	18,009	18,549	19,106
Reserves	2,175	-	-	10,400	10,712
Contingency	-	4,486	4,620	4,759	4,901
<b>Expenses - Sewer</b>	<b>37,255</b>	<b>32,071</b>	<b>32,835</b>	<b>44,220</b>	<b>45,547</b>
<b>Revenues - Sewer</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net rate revenue - Sewer</b>	<b>37,255</b>	<b>32,071</b>	<b>32,835</b>	<b>44,220</b>	<b>45,547</b>

Schedule "A" to By-law No. 04-2013 only included rates for one

year, calculated using the revenue requirements for 2014.

**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 RM has submitted that the Utility is responsible for 3% of the total costs of the clerk, staff, office and audit expense.

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

## **Board Findings**

The Board will vary the application made by the RM for revised water and sewer. The rates on Schedule "A" of By-law No. 04-2013 were based on the revenue requirements for 2014. The Board will approve amended rates based on the revenue requirements for 2015.

The Board is sensitive to customer reaction to the magnitude of the sewer rate increases, however, must consider the sustainability of the Utility when approving rates. The lack of customer response to the Notice of Application indicates that the ratepayers accept the need for the increase in rates.

The increases approved herein can be considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time. In the case of the Baldur utility, rates haven't changed since 2008. While the RM has not experienced deficits in recent years, the Working Capital Surplus is in need of rebuilding, and the RM has advised some repairs have been deferred to reduce operating costs for the Utility.

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.

The Rural Municipality of Argyle is required to submit a copy of its 2013 audited financial statements to the Board as soon as they 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](http://www.pub.gov.mb.ca).

**IT IS THEREFORE ORDERED THAT:**

1. Revised water and sewer rates for The Rural Municipality of Argyle, Local Urban District of Baldur water and sewer utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective April 1, 2015.
2. The Rural Municipality of Argyle, Local Urban District of Baldur shall submit a certified copy of its water and sewer By-law attached once it has received third and final reading.
3. The Cost Allocation Methodology proposed by the Rural Municipality of Argyle, Local Urban District of Baldur BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Argyle, Local Urban District of Baldur submit a copy of its 2013 audited financial statements to the Board as soon as they are available.
5. The Rural Municipality of Argyle, Local Urban District of Baldur review its water and sewer 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 30, 2018.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."\_  
Acting Chair

"JENNIFER DUBOIS, CMA"  
Acting Secretary

Certified a true copy of Order No.  
22/15 issued by The Public  
Utilities Board

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Acting Secretary

SCHEDULE "A"  
 THE RURAL MUNICIPALITY OF ARGYLE  
 WATER AND SEWER RATES  
 BY-LAW No. 04-2013

**Schedule of Quarterly Rates:**

1. **April 1, 2015 Rates:**

Commodity Rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
All Water & Sewer Consumption	\$ 15.24	\$ 9.43	\$ 24.67

Water and Sewer Customers:

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Sewer	Quarterly Minimum Charge (Water & Sewer)
5/8"	1	3,000	\$8.25	\$45.72	\$28.29	\$82.26
3/4"	2	6,000	\$8.25	\$91.44	\$56.58	\$156.27
1"	4	12,000	\$8.25	\$182.88	\$113.16	\$304.29
1 1/2"	10	30,000	\$8.25	\$457.20	\$282.90	\$748.35
2"	25	75,000	\$8.25	\$1,143.00	\$707.25	\$1,858.50

2. **Minimum Quarterly Charges:**

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges as set out herein for each respective year, which will include water allowances as shown for each meter size.

b) **Water Only Customers:**

Minimum charges will be the same as shown above for each meter size, however, the sewer commodity charge will be excluded.

c) **Sewer Only Customers:**

The quarterly commodity charge, based on the average residential water consumption in the community of 5,475 I.G., shall be \$ 59.88 including the service charge

d) **Bulk Water Rate:**

The Bulk Water rate shall be \$ 20.77 per M.G.

3. Billings and Penalties:

All connected customers shall be billed quarterly and payment shall be due and payable at least 14 days after the mailing of the bills. A late payment charge of 1.25% (1¼%) per month shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on all bills sent to customers.

4. Hydrant Rentals:

The LUD of Baldur shall pay the utility an annual rental fee of \$100.00 per hydrant for each hydrant connected to the system which includes the cost of water for fire fighting.

5. Liability for Charges:

Where charges and penalties pursuant to this by-law are not paid within ninety (90) 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 as per authority of Section 252(2) of The Municipal Act of Manitoba.

6. Testing of Water Meters for Accuracy:

Any customer desiring and requesting their meter to be tested for accuracy shall deposit with the municipality the sum of \$ 40.00, which will be retained if the meter (when tested) shall be found to be within the allowable limits of variation from accuracy. If the meter is found to register in excess of the allowable limits the deposit shall be refunded and the customer's account adjusted to reflect an accurate consumption. The allowable limit of variation shall be 4% of average flow.

7. Disconnection and Reconnection:

- a) Service may be disconnected and discontinued for non-payment of the account. If the account remains unpaid 30 days past the due date, customers will be sent a reminder notice. If after a further 30 days, the account remains unpaid, a second notice will be issued providing disconnection advice unless payment is received within 30 days. All disconnection notices shall advise the customer of the specific date of the disconnection and of their right to appeal to The Public Utilities Board and include the Board's relevant contact information. Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$100.00 have been paid.
- b) Service may be disconnected or reconnected upon receipt of a written request and payment of \$25.00.

8. Responsibility for Service Connections:

The Utility is responsible for all costs involved to bring services to the property line of the owner (including any water losses that may occur to that point.) The owner is responsible for all costs of services (including water losses) from the property line into the building being

serviced.

9. Service to Customers outside the limits of Local Improvement District No. 1:

The Council of the Rural Municipality of Argyle may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the LUD of Baldur. Such agreements shall provide

for payment of the appropriate rates set out in Section 1 of this schedule (for each applicable year), 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 which would be levied on the property concerned if it were within these boundaries. In addition, all costs for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer.

10. Sewer Surcharges:

- a) There may be levied annually, in addition to the rates set forth herein, 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 to a customer based on the actual costs of treatment required for the particular sewage or industrial waste.