

M A N I T O B A

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Order No. 50/15

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THE PUBLIC UTILITIES BOARD ACT

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May 5, 2015

BEFORE: Susan Proven, P.H.Ec., Acting Chair

The Hon. Anita Neville, P.C., B.A. (Hons.), Member

TOWN OF POWERVVIEW-PINE FALLS

WATER AND SEWER UTILITY

FINAL WATER and SEWER RATES

**Summary**

By this Order, the Public Utilities Board (Board) hereby confirms as final the interim water and sewer rates for the Town of Powerview-Pine Falls (Town) Water and Sewer Utility (Utility) approved on an interim *ex parte* basis in Board Order No. 61/13. The Board also approves revised rates effective July 1, 2015 and January 1, 2016, and denies deficit applications for 2009 and 2010.

The confirmed and approved rates are shown below:

	Previous	Apr 1, 2013	Increase	Apr 1, 2014	Increase	Jul 1, 2015	Increase	Jan 1, 2016	Increase
Quarterly Service Charge	\$7.75	\$8.05	3.87%	\$8.05	0.00%	\$8.20	1.86%	\$8.45	3.00%
Water \$/cubic meter	\$1.01	\$1.35	33.66%	\$1.83	35.56%	\$2.46	34.43%	\$2.53	3.00%
Sewer \$/cubic meter	\$0.15	\$0.29	93.33%	\$0.45	55.17%	\$0.78	73.33%	\$0.80	3.00%
Water and sewer Minimum Quarterly*	\$23.99	\$31.01	29.26%	\$39.97	28.89%	\$53.56	34.00%	\$55.17	3.00%
Hydrant Rentals	\$100.00	\$100.00	0.00%	\$100.00	0.00%	\$100.00	0.00%	\$100.00	0.00%

\*based on 14m<sup>3</sup>

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

## **Background**

Currently the Utility serves 522 customers. There are two sewer only and two unmetered water only customers. The sewer only customers are metered and will connect to the water system by the end of the year. The unmetered customers are charged based on consumption of 71.7 cubic meters per quarter, and are expected to have meters installed in the near future. The Town is expecting to add four new customers this year.

### *Water system*

The Town assumed operation of the Tembec water treatment plant in September 2011. The plant was built in the 1930's and upgraded in the 1960's. The water distribution system ranges in age from 50 plus years to recent replacement.

The water treatment plant requires two imperative upgrades; replacement of the Supervisory Control and Data Acquisition (SCADA) and the installation of Ultra Violet (UV) Treatment System.

The SCADA system controls chlorine dosage, starting and stopping of pumps and other processes based on timing and pressure. It provides current and historical process trends and reports. The SCADA also provides alarms to the paging system, which is then sent to cell phones alerting operators of the alarm condition. The SCADA currently installed at the plant was installed in 1996 and is now obsolete and unsupported by the manufacturer.

UV treatment exposes treated water to UV radiation emitted from special lamps in enclosed chambers. It is used in conjunction

with chlorine to kill or inactivate bacteria, germs and protozoa in the treated water, helping to ensure the quality of the treated water.

The Town advises that one of the biggest challenges it is currently facing is the age of the water pipe system in Ward 2 (Pine Falls). The pipes are so old that the Town is experiencing major breaks, which are very costly. A break in April 2015 is estimated to cost \$28,000 to repair. The Town is currently investigating a pipe relining project, which would take place over a number of years.

The 2011 audit report for the Powerview-Pine Falls water system indicates that the water system is in compliance with the terms and conditions of its Operating license. The report lists a number of short term upgrades to the water system which include the following:

- *Inspection of the intake screen and pipe installed in 1937;*
- *An Ultraviolet disinfection system;*
- *Reservoir piping modifications;*
- *Spill containment;*
- *Data system back-up;*
- *Back-up generator;*
- *Distribution flow meters;*
- *Replacement/ cleaning of rusty equipment;*
- *Additional reservoir storage; and*
- *Distribution system upgrades of cast iron piping.*

### *Sewer system*

There are two lagoons, one three-cell and one two-cell, servicing Pine Falls and Powerview, respectively. The lagoons both discharge into the Winnipeg River. There are two sewage lift stations in Pine Falls and one in Powerview. Both are in compliance with the Town's Environmental License.

The sewage lagoons, water treatment plant and utility line infrastructure have sufficient capacity to meet existing and future anticipated needs.

The Town's Water Treatment Plant is a Class 2 plant and the lagoons and utility lines are Class 1. The Town employs three operators with certification levels that meet or exceed the levels required.

### **Application**

The Town applied in November 2012 for water and sewer rates for the Utility. The application was accompanied by a rate study prepared by the Town's consultant and By-law No. 10-12, which received 1<sup>st</sup> reading November 13, 2012.

The interim approval was subject to variation upon completion of a more detailed review. The process included a requirement that notice of the proposed increases be provided to customers. This was done in December 2012 and customers were encouraged to attend the Town offices to view the details of the proposal.

When reviewing an application, the Board has at its disposal

several approaches. It can hold a public oral hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interest of the Utility and its customers, the Board may review the application using a paper review process. The Board can also establish interim *ex parte* rates, which are rates that are subject to review following a more complete process.

In the case of Powerview-Pine Falls, the Board found there was an urgent need to set interim rates on an *ex parte* basis. This was due to the fact that continuing with the current rates would likely result in a deficit for the Utility for the current year. The Board has determined it is in the best interest of ratepayers to complete its process on a paper review based approach.

A Notice of the Application was issued on December 7, 2012. There were no stakeholder responses to the Notice.

In August 2014, in response to questions from the Board, the Town submitted applications for Utility deficits for the years 2009 and 2010. Detailed information on this submission can be found in the "Deficits and working capital surplus" section below.

In April 2015 the Town contacted the Board with three requests. The first was to amend their rate application to include rates for 2015. The Town calculated the average of the previous two rate increases and asked the Board to consider approving rates for 2015 based on those averages and the fact that the Utility has continued to experience deficits.

The second was a request for Board permission to use funds from the Ward 1 (Powerview) reserve account. This reserve was created when the Powerview and Pine Falls utilities merged, to resolve the financial inequities and to make certain that the money contributed by the residents of Ward 1 (Powerview) would be used for upgrades benefitting those residents.

The Town plans to use the funds to extend services to properties within the Town's boundary that are currently accessing water from one of the water co-ops in the surrounding area. This water co-op has been under a boil water advisory since 2011. The properties that will benefit with this access to potable water are only located in Ward 1 (Powerview) and this extension would act as Phase One in the creation of a regional water system.

The third request was to have Board approval, in principle, for Utility borrowings to be funded through rates. The capital projects needing funding are the replacement of the SCADA system and the installation of the UV Treatment. The Town advises that the replacement of the SCADA system is imperative; if the system goes down, the Town will lose communication with the water treatment plant, and because the system is obsolete, it won't be possible to restore the communication.

**Deficits and working capital surplus**

The Town requested that the 2009 deficit of \$56,272 be absorbed by the 2011 surplus of \$59,060 and that the 2010 deficit of \$29,192 be recovered by continuing the existing \$.25/cubic meter surcharge.

This surcharge was approved in Board Order No. 61/11 for the recovery of the 2010 deficit for Ward 2 (then the Pine Falls Utility); this was estimated to be recovered over a five year period starting January 2012. The Town reported that as of March 2014, they have recovered \$34,997.77 of the \$59,924.00 deficit, or 58%. This charge is collected from Ward 2 customers only.

The Town's most recent audited financial statements are from 2011. The Town advises that they are working with their auditor to complete statements for 2012 and 2013. The Town has advised the Board that based on unaudited statements, it appears that 2012 and 2013 break even over the two year period and that 2014 will have an estimated \$60,000 deficit.

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 2011 audited financial statements, the most recent information available, the working capital surplus at December 31, 2011 was:

	2011
Fund Surplus/Deficit	\$2,773,004
Deduct TCA	\$2,800,574
Add Long-Term Debt	\$ -
Add Utility Reserves (inc Ward 2)	\$ 208,994
<b>Equals Working Capital Surplus</b>	<b>\$ 181,424</b>
Operating costs	\$ 155,037
<b>20% of operating costs</b>	<b>\$ 31,007</b>

#### Cost allocation methodology

Clerk and staff	11%
Office	11%
Insurance	11%
Audit	11%

- Operating, construction and maintenance costs are charged based on actual time worked.
- Road repairs and labour on major projects are based on actual costs.
- External costs that are dedicated to the utility are charged directly.

#### Board Findings

The Board confirms as final the interim rates approved on an *ex parte* basis in Board Order No. 61/13.

The Board will also approve the requested rate increase for 2015. This rate increase will be effective July 1, 2015 and the

Town is to provide notice to its customers of the increase. The Board will also approve a further 3% increase to be effective January 1, 2016.

The Board will approve the proposed use of Ward 1 funds to extend the water line and also grants permission, in principle, to recover the debentures, up to \$260,000 for the SCADA and UV Treatment projects, through utility rates. The Town must seek permission from the Municipal Board for any borrowings, and once the projects are completed, return to the Public Utilities Board with final financial information, prior to adjusting the utility rates to include the funds to repay the debenture.

The Board will instruct the Town to review its water and sewer rates and file an application for revised rates with the Public Utilities Board, by no later than January 1, 2016.

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 Board will Order the Town to provide audited financial statements as they are made available, and to file the appropriate deficit applications in a timely fashion.

Any deficits that occur after 2012 should also be adjusted to show the amounts for previous deficits that have been recovered as approved on Board Order No. 61/11. In a perfect break-even scenario, the Utility should have a surplus of the amount recovered; the surplus or deficit amount should be adjusted to reflect that.

The Town has requested that the Board allow the 2009 deficit of \$56,272 to be absorbed by the 2011 surplus of \$59,060. The Board will deny this request for two reasons. Firstly, the surplus of \$59,060 includes a contribution of \$30,000 paid by Tembec to the Town for the future remediation of a lift station that is on Tembec property. This money should be set aside for the purpose it was paid to the Town. Secondly, the Town's working capital can't absorb this deficit.

While the Town's working capital surplus exceeds the Board's minimum working capital requirements when the Ward 1 (Powerview) utility reserve is included, without the Ward 1 reserve, the utility is in a working capital deficit position. Given the restrictions on that reserve and the Town's plans to use it, and the lack of current audited financial information, the Board can't in good conscience approve the absorption of the deficit through the accumulated surplus.

The Town also requested that the Board approve a plan to recover the 2010 deficit of \$29,192 by continuing the existing \$.25/cubic meter surcharge. Presumably, the Town intended that this surcharge be extended to all customers, once the current recovery was completed in or around 2016. The Board will also deny this request; this will extend the recovery over an unacceptable period of time.

Instead, the Board will require the Town to resubmit applications for the deficits with a recovery methodology calculated on a commodity basis, or a flat rate recovery per

customer, over a reasonable time period.

The Board is extremely concerned about the delay in the preparation of audited financial statements; Town needs to work diligently to ensure that audits are completed as required by *The Municipal Act*.

The Board will require the Town to submit a copy of the water and sewer By-law, once it has received third and final reading.

The cost allocation methodology as submitted by the Town is approved by the Board. This cost allocation methodology must be used consistently and cannot be changed without Board approval.

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.

**IT IS THEREFORE ORDERED THAT:**

1. The water and sewer rates for the Town of Powerview-Pine Falls, effective for April 1, 2013 and April 1, 2014 BE AND ARE HEREBY CONFIRMED AS FINAL.
2. The water and sewer rates for the Town of Powerview-Pine Falls, effective July 1, 2015 and January 1, 2016, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED.
3. The Town of Powerview-Pine Falls file revised deficit applications for the years 2009 and 2010.
4. The Town of Powerview-Pine Falls has Board approval to use Ward 1 reserve funds for the waterline extension project.
5. The Town of Powerview-Pine Falls has Board approval in principle, to recover utility debentures up to \$260,000 for SCADA and UV Treatment project through utility rates.
6. The Town of Powerview-Pine Falls file a copy of the utility rates by law, once it has been revised to reflect the changes in this Order, and has received third and final reading.
7. The Town of Powerview-Pine Falls provide the Board with audited financial statements for 2012, 2013 and 2014 as soon as they are finalized, including any necessary deficit applications.
8. The cost allocation methodology submitted by the Town of Powerview-Pine Falls BE AND IS HEREBY APPROVED.

9. The Town of Powerview-Pine Falls notify its customers of the rate revisions found in this Order, with a copy to the Public Utilities Board.
10. The Town of Powerview-Pine Falls review its water and sewer rates and file an application for revised rates with the Public Utilities Board, by no later than January 1, 2016.

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. 50/15 issued by The  
Public Utilities Board

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Acting Secretary

**SCHEDULE “A”**

**Town of Powerview-Pine Falls**

**Water and Sewer Rates**

**By-law No.**

**SCHEDULE OF QUARTERLY RATES**

**July 1, 2015**

1. Rates per cubic meter

<u>cubic meters per quarter</u>		
Water	Sewer	Total Water & Sewer
\$2.46	\$0.78	\$3.24

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**

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Cubic Meters</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water &amp; Sewer Total Quarterly Minimum</u>	<u>Water Only Quarterly Minimum</u>
5/8 or 3/4 inch	1	14	\$8.20	\$34.44	\$10.92	\$53.56	\$42.64
1 inch	4	56	\$8.20	\$137.76	\$43.68	\$189.64	\$145.96
1 1/2 inch	10	140	\$8.20	\$344.40	\$109.20	\$461.80	\$352.60
2 inch	25	350	\$8.20	\$861.00	\$273.00	\$1,142.20	\$869.20

**b. Metered Water Only Customers**

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

**c. Unmetered Water Only Customers**

The quarterly commodity charge, based on 71.7 cubic meters (3.5 persons x 91 days x 225 l/person/day) of water per quarter plus the service charge shall be \$184.58.

**d. Sewer Only Residential Customers**

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Water Commodity charge is excluded.

**e. Ward Two (Pine Falls) Rate Rider for Deficit Recovery – PUB Order #61/11**

All customers in Ward 2 (Pine Falls) shall pay an additional \$0.25 per cubic meter of water until such time as the actual deficit of \$59,924 incurred in the water and sewer utility arising from service to Ward Two (Pine Falls) customers for the years 2005 to 2008 inclusive is recovered.

**SCHEDULE OF QUARTERLY RATES**

**January 1, 2016**

**1. Rates per cubic meter**

<u>cubic meters per quarter</u>		
Water	Sewer	Total Water & Sewer
\$2.53	\$0.80	\$3.33

**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	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum
5/8 or 3/4 inch	1	14	\$8.45	\$35.47	\$11.25	\$55.17	\$43.92
1 inch	4	56	\$8.45	\$141.89	\$44.99	\$195.33	\$150.34
1 1/2 inch	10	140	\$8.45	\$354.73	\$112.48	\$475.65	\$363.18
2 inch	25	350	\$8.45	\$886.83	\$281.19	\$1,176.47	\$895.28

**b. Metered Water Only Customers**

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

**c. Unmetered Water Only Customers**

The quarterly commodity charge, based on 71.7 cubic meters (3.5 persons x 91 days x 225 l/person/day) of water per quarter plus the service charge shall be \$190.12.

**d. Sewer Only Residential Customers**

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Water Commodity charge is excluded.



e. **Ward Two (Pine Falls) Rate Rider for Deficit Recovery – PUB Order #61/11**

All customers in Ward 2 (Pine Falls) shall pay an additional \$0.25 per cubic meter of water until such time as the actual deficit of \$59,924 incurred in the water and sewer utility arising from service to Ward Two (Pine Falls) customers for the years 2005 to 2008 inclusive is recovered.

Clauses 3 to 16 are Effective April 1, 2013

3. **Service to Customers outside Town of Powerview-Pine Falls limits**

The Council of the Town of Powerview-Pine Falls may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town.

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.

4. **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 twenty (20) days after the mailing of the bills.

5. **Disconnections**

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town 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 office.

6. **Reconnection**

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

7. **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.

8. Hydrant Rentals

The Town will pay to the Utility an annual rental of \$100.00 for each hydrant connected to the system which includes the cost of water for fire fighting.

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 Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$50, 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.

11. 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.

12. 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 Town's water system.

If a condition is found to exist, which in the opinion of the Town, is contrary to the aforesaid, the Town 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 Town shall proceed in accordance with clause 1 of this section.

13. Authorization for Officer to Enter Upon Premises

The Public Works Foreman, or other employee authorized by the Town 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 Town.

14. Meter Installations

The Town will install meters in all presently flat rated customer buildings with the cost of the meter and installation fee of same borne by a onetime set fee to the customer.

15. Change of Water or Water & Sewer

That a charge for change of water and/or sewer to recover the cost of completing the change of user or service, for a service that has changed users or service, shall be \$25.00

16. Actual Turn Off/On of Water Service

That the charge for physically turning off, or on, a water service shall be \$50.00

17. CONNECTION FEES:

½” AND ¾” DIAMETER WATER METER:

For water hookup.....\$1,000.00 one-time fee paid in advance

For sewer hookup.....\$500.00 one-time fee paid in advance

1” DIAMETER WATER METER:

For water hookup.....\$4,000.00 one-time fee paid in advance

For sewer hookup.....\$2,000.00 one-time fee paid in advance

1-1/2 ” DIAMETER WATER METER:

For water hookup.....\$10,000.00 one-time fee paid in advance

For sewer hookup.....\$5,000.00 one-time fee paid in advance

2” DIAMETER WATER METER:

For water hookup.....\$25,000.00 one-time fee paid in advance

For sewer hookup.....\$12,500.00 one-time fee paid in advance

LARGER THAN 2" DIAMETER WATER LINE:

For water hookup.....\$50,000.00 one-time fee paid in advance

For sewer hookup.....\$25,000.00 one-time fee paid in advance