

**M A N I T O B A** ) Order No. 83/15  
 )  
**THE PUBLIC UTILITIES BOARD ACT** ) August 17, 2015

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

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

**RURAL MUNICIPALITY OF CORNWALLIS**

**WATER RATES**

July 1, 2015

**Summary**

The Public Utilities Board (Board) hereby varies water rates for the Rural Municipality of Cornwallis (RM) Water Utility (Utility). The revised rates are effective July 1, 2015. The varied rates are noted below:

	Order No. 95/14	Approved July 1, 2015	Increase/ Decrease	Approved January 1, 2016	Increase/ Decrease	Approved January 1, 2016	Increase/ Decrease
Quarterly Service Charge	\$38.47	\$40.34	4.86%	\$42.15	4.49%	\$43.22	2.54%
Water \$/per cubic meter	\$4.03	\$2.84	-29.53%	\$2.90	2.11%	\$2.96	2.07%
Minimum Quarterly-Water	\$94.89	\$80.10	-15.59%	\$82.75	3.31%	\$84.66	2.31%
Reconnection Fee	\$50.00	\$50.00	0.00%	\$50.00	0.00%	\$50.00	0.00%

\*Based on 14 cubic meters

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

## **Background**

The RM of Cornwallis Water Utility was established on July 17 in Board Order No. 82/14. This is the first rate application as a water utility after the dissolution of Chater Water Co-op.

The effective date of transfer was set for August 1, 2014. In order to meet operating guidelines or to expand the system, there are numerous upgrades needed at the water treatment plant. This was the catalyst for transferring ownership to the RM.

The water treatment plant was constructed in 1990. The well is licensed and owned by the RM of Cornwallis. The well sits on the edge of the Assiniboine Delta Aquifer. There are 41 connections of PVC service line piping.

## **Application**

The RM submitted its application for initial water rates on July 23, 2014. The application was accompanied by a copy of By-law No. 1650/04/2014, which had first reading on July 3, 2014, and a rate study prepared by the RM.

Interim rates were set on an *ex parte* basis in Order 95/14 effective August 1, 2014.

A Public Notice of Application was issued on May 11, 2015 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications; it may determine that a public hearing is warranted or that a paper review process is sufficient. In the case of the RM of Cornwallis, the RM itself requested a Public Hearing be held. Although there were no ratepayer responses to the Notice of Application, the Board granted the RM's request to hold a public hearing.

A Notice of Public Hearing was issued on May 11, 2015 and the hearing was held on July 7, 2015 at the RM of Cornwallis Municipal Office. On July 8, 2015 the RM amended their rate application, reducing the reserve provision from \$10,000 per year to \$2,000 per year, followed by Resolution No. 144/2015 supporting the amendment.

In response to the Board's request, the RM advised that the total actual water sales for the period of August 1, 2014 to July 31, 2015 were 9,513m<sup>3</sup>, rather than the 10,500m<sup>3</sup> used to calculate the interim rates approved in Board Order No. 94/15.

The RM also advised that the budgeted expenditures for "Service of Supply" included an \$8,000 provision for anticipated line repairs.

#### **Working capital calculation**

In Board Order No. 93/09, the Board 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.

Having been established in 2014, the Utility doesn't have any current audited statements to assess the working capital position at this time.

## Budgeted expenditures

The RM's requested rates were based on the following proposed revenue requirements:

	2015	2016	2017
Administration	4,612	4,727	4,845
Billing and collection	1,794	1,839	1,885
Working capital surcharge (1% of yrly exp)	360	497	507
<b>Total expenses general</b>	<b>6,766</b>	<b>7,063</b>	<b>7,237</b>
Penalties	150	150	150
<b>Total revenue general</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>Net costs general</b>	<b>6,616</b>	<b>6,913</b>	<b>7,087</b>
Staffing	13,325	13,658	14,000
Purification and treatment	4,100	4,203	4,308
Service of Supply	10,325	10,583	10,848
Other Water Supply Costs	2,768	2,837	2,908
Reserves	10,000	10,000	10,000
Contingency	2,775	2,844	2,915
<b>Total expenses water</b>	<b>43,293</b>	<b>44,125</b>	<b>44,978</b>
Connection Revenue	1,000	1,000	1,000
<b>Total revenue water</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Net costs water</b>	<b>42,293</b>	<b>43,125</b>	<b>43,978</b>

## Indicated rates - as applied for

	2015	2016	2017
Net costs general	\$ 6,616	\$ 6,913	\$ 7,087
Net costs water	\$42,293	\$43,125	\$43,978
Customers	43	43	43
Projected metered water sales	10,500	10,500	10,500
Quarterly service charge	\$ 38.47	\$ 40.19	\$ 41.21
Water commodity	\$ 4.03	\$ 4.11	\$ 4.19

### **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 submitted the following cost allocation methodology:

Shared services	3.50%
Administration staff	3.50%
Office expenses	3.50%

### **Public Response and Hearing**

A Notice of Public Hearing was issued on May 11, 2015 and the hearing was held on July 7, 2015 at the Cornwallis Municipal Office in Brandon, Manitoba. There were approximately 25 stakeholders in attendance.

The hearing began with opening remarks and the RM's CAO made a presentation on behalf of the RM. The presentation outlined the history of the Cornwallis Utility, and how it had until recently been the Chater Water Cooperative, a privately owned utility run by volunteers.

The Board was advised that the actual water sales experienced from August 2014 to March 2015 were below the estimates based on historical experience of the utility. It was also clarified that the line item labelled "Service of Supply" in the revenue requirements submitted included \$8,000 per year for line break repair.

There were several comments and questions from the ratepayers in attendance, and the RM addressed these concerns. Some of the concerns and questions voiced at the hearing were:

- Why the reserve provision was set at \$10,000 per year when a \$30,000 reserve was transferred to the Utility from the Chater Cooperative
- The nature of the upgrades that were done to the water treatment plant and if they were necessary
- How the developer is contributing to the upgrades to the water treatment plant
- Concerns over possible contamination at the bulk fill station



## **Board Findings**

The Board will vary the application made by the RM for water rates effective July 1, 2015.

The rate study included a provision of \$10,000 per year for reserves, which was subsequently amended by the RM to \$2,000 per year. The original amount was determined using the best information available at the time. At the time, the RM had not yet received the \$30,000 transfer from the Coop reserve; however, this amount has now been received. The Board will agree to the adjustment from \$10,000 to \$2,000 per year.

"Service of Supply" costs included a provision of \$8,000 per year for line repairs. This should be included in "Contingency", which was \$2,775-\$2,915, making the requested "Contingency" provision over \$10,000 per year.

Rates were calculated using 10,500 m<sup>3</sup>. Actual volumes for August 1, 2014 to July 31, 2015 were 9,513m<sup>3</sup>. This 10% drop in consumption has an impact on the rates.

The Board further varies the application to reflect the following:

- Reducing Service of Supply by \$8,000 per year
- Increasing Contingency to \$3,500 per year
- Adjusting the volume used to calculate the rate from 10,500 m<sup>3</sup> to 9,500 m<sup>3</sup>
- Customer Service Charge calculated based on current reported amount of 41 customers

**Budgeted expenditures - revised**

The Board will approve rates based on the following varied revenue requirements:

	2015	2016	2017
Administration	4,612	4,727	4,845
Billing and collection	1,794	1,839	1,885
Working capital surcharge (1% of yrly exp)	360	497	507
<b>Total expenses general</b>	<b>6,766</b>	<b>7,063</b>	<b>7,237</b>
Penalties	150	150	150
<b>Total revenue general</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>Net costs general</b>	<b>6,616</b>	<b>6,913</b>	<b>7,087</b>
Staffing	13,325	13,658	14,000
Purification and treatment	4,100	4,203	4,308
Service of Supply	2,325	2,383	2,443
Other Water Supply Costs	2,768	2,837	2,908
Reserves	2,000	2,000	2,000
Contingency	3,500	3,500	3,500
<b>Total expenses water</b>	<b>28,018</b>	<b>28,581</b>	<b>29,158</b>
Connection Revenue	1,000	1,000	1,000
<b>Total revenue water</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Net costs water</b>	<b>27,018</b>	<b>27,581</b>	<b>28,158</b>

**Indicated rates - revised**

	2015	2016	2017
Net costs general	\$ 6,616	\$ 6,913	\$ 7,087
Net costs water	\$27,018	\$27,581	\$28,158
Customers	41	41	41
Projected metered water sales	9,500	9,500	9,500
Quarterly service charge	\$ 40.34	\$ 42.15	\$ 43.22
Water commodity	\$ 2.84	\$ 2.90	\$ 2.96

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 RM of Cornwallis is required to submit a copy of its 2014 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 rates for the Rural Municipality of Cornwallis BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective July 1, 2015.
2. Water rates for the Rural Municipality of Cornwallis, as approved on an interim ex parte basis in Order No. 95/14 BE AND ARE HEREBY CONFIRMED AS FINAL.
3. The Rural Municipality of Cornwallis shall submit a certified copy of its water By-law once it has been updated to reflect the decisions in this Order, and received third and final reading.

4. The cost allocation methodology submitted by the Rural Municipality of Cornwallis BE AND IS HEREBY APPROVED.
5. The Rural Municipality of Cornwallis submit a copy of its 2014 audited financial statements to the Public Utilities Board as soon as they are available.
6. The Rural Municipality of Cornwallis 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 September 1, 2019.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

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

"DARREN CHRISTLE"  
Secretary

Certified a true copy of Order  
No. 83/15 issued by The Public  
Utilities Board

\_\_\_\_\_  
Secretary

**SCHEDULE "A"**

**THE RURAL MUNICIPALITY OF CORNWALLIS  
LOCAL IMPROVEMENT DISTRICT WITHIN THE VILLAGE OF CHATER  
WATER RATES BY-LAW NO. 1650/04/2014**

**SCHEDULE OF QUARTERLY RATES:**

1. Commodity rates per Cubic Meter Water

All Water Consumption	July 1, 2015	\$2.84
	January 1, 2016	\$2.90
	January 1, 2017	\$2.96
  
2. Minimum Charges, Quarterly

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

Water Only Customers

**July 1, 2015**

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Quarterly Minimum Charge
5/8"	1	14	\$40.34	\$39.76	\$80.10
3/4"	2	27	\$40.34	\$76.68	\$117.02
1 "	4	55	\$40.34	\$156.20	\$196.54

**January 1, 2016**

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Quarterly Minimum Charge
5/8"	1	14	\$42.15	\$40.60	\$82.75
3/4"	2	27	\$42.15	\$78.30	\$120.45
1 "	4	55	\$42.15	\$159.50	\$201.65

**January 1, 2017**

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Quarterly Minimum Charge
5/8"	1	14	\$43.22	\$41.44	\$84.66
3/4"	2	27	\$43.22	\$79.92	\$123.14
1 "	4	55	\$43.22	\$162.80	\$206.02

3. Service to Customers Outside the Local Improvement District within the Village of Chater

The Council of the Rural Municipality of Cornwallis may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Local Improvement District within the Village of Chater. 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 connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

4. Billings and Penalties

A late payment charge of 1% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

5. 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 Municipality's 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 service 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.

8. Water Allowance Due to Line Freezing

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