

Order No. 145/16

**RURAL MUNICIPALITY OF VICTORIA
LOCAL URBAN DISTRICT of CYPRESS RIVER
WATER and WASTEWATER UTILITY
JANUARY 1, 2017, JULY 1, 2017 AND JULY 1, 2018 RATES**

November 23, 2016

**BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair
Rhéal Teffaine, Q.C.
Susan Nemec, FCPA, FCA**

Summary

By this Order, the Public Utilities Board (Board) approves the revised water and wastewater rates effective January 1, 2017, July 1, 2017 and July 1, 2018 for the Local Urban District of Cypress River (Cypress River) water and wastewater utility (Utility) as follows:

	Current By-law (1344-2012)	01-Jan-17	Increase	01-Jul-17	Increase	01-Jul-18	Increase
Water \$/1,000 gallons	\$22.87	\$35.17	54%	\$35.88	2%	\$36.60	2%
Sewer \$/1,000 gallons	\$1.21	\$3.58	196%	\$3.66	2%	\$3.74	2%
Quarterly Service Charge	\$11.47	\$11.66	2%	\$11.90	2%	\$12.14	2%
Minimum quarterly charges* Water and sewer	\$83.71	\$127.91	53%	\$130.52	2%	\$133.16	2%
Minimum quarterly charges** Sewer only	\$21.15	\$40.30	91%	\$41.18	2%	\$42.06	2%
Bulk Water per 1,000 gallons	\$25.00	\$39.00	56%	\$40.00	3%	\$41.00	3%
Hydrant Rental (Annual)	\$250.00	\$250.00	0%	\$250.00	0%	\$250.00	0%
Reconnection Fee	\$30.00	\$30.00	0%	\$30.00	0%	\$30.00	0%
*Based on 3,000 gallons							
**Based on 8,000 gallons							

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

Rationale for the Board's decisions may be found under "Board Findings".

Background

The RM of Victoria owns and operates a water and wastewater utility in the Local Urban District (LUD) of Cypress River. The Utility services a total of 148 customers; 131 water and sewer customers, 2 wastewater only customers and 15 water only customers.

There were 16 rural customers from outside the LUD added to the water system in 2000.

Water- Supply/Distribution

The water treatment plant and utility lines were constructed in 1993. The Cypress River Utility is comprised of a Class I water treatment plant and Class I water distribution system. The water system complies with the terms and conditions of the operating license. Operators are duly certified.

Unaccounted for water

Unaccounted for water is reported at 51% for 2015, significantly higher than the acceptable industry average of 10%. The RM reports that during the first two quarters of 2015, the water distribution system had water leaks that went undetected for a number of months until repaired. The RM has a significant amount of rock and shale in the area where the rural water pipeline is located, and water breaks are very difficult to find.

Wastewater- Collection/Treatment

The Cypress River lagoon discharges into the Cypress River. The wastewater collection systems and sewage lagoon are Class I. Operators consist of one full time and two part time staff members with the necessary qualifications to operate the utility. The 2015 Financial Plan included a \$3M project for a regional lagoon to service both the Holland and Cypress River utilities. However, recent engineering studies have estimated the cost of the lagoon at \$8M. As a result, the project is now on hold and the RM is in discussions with Manitoba Conservation investigating the options available.

Application

On December 18, 2015 the RM applied to the Board for revised water and wastewater rates as set out in By-law No. 1391/2016, read the first time on December 9, 2015. The application was supported by a rate study dated prepared by the RM's consultant. Rates were last set in Board Order No. 133/12.

A Public Notice of Application was issued on February 10, 2016 affording customers the opportunity to comment to both the Board and RM with respect to the proposed increases. One comment was 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 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 may review the application using a paper review process, which saves the cost of a public hearing process. Having received one expression of concern from consumers, the Board decided to process this application with a paper-based review.

Cost allocation methodology

The Board requires all municipalities to review the costs shared between the general operations of the RM 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 had a Cost Allocation Methodology approved on Order No. 133/12, and submitted advised the Board that it remains appropriate.

Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology.

The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections. The Board has reviewed the RM's budgeted expenditures, and finds them to be reasonable.

The Cypress River utility has experienced significant deficits in the past five years, which the Board approved recovery of on Board Order Nos. 53/13, 48/15 and 131/15 from the utility surplus.

Working Capital Surplus/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.

The Utility was in a working capital surplus position as of December 31, 2015:

	2015	2014
Fund Surplus/Deficit	\$1,052,775	\$1,031,062
Deduct Tangible Capital Assets	\$ 978,521	\$ 991,685
Add Long-Term Debt		
Add Utility Reserves	\$ 61,318	\$ 61,211
Equals Working Capital Surplus	\$ 135,572	\$ 100,588
Utility expenses	\$ 82,664	\$ 117,811
20% of utility expenses	\$ 16,533	\$ 23,562

The rate study provided the following budgeted expenditures:

	2%	2016
Billing and collection		\$ 6,900
Total expenses - general		\$ 6,900
Total revenue - general		\$ -
Net rate requirement - general		\$ 6,900
Purification and treatment		\$ 79,038
Transmission and Distribution		\$ 1,887
Service of Supply		\$ 2,754
Contingency		\$ 7,953
Amortization		\$ 32,214
Total expenses - water		\$ 123,846
Bulk water fees		\$ 1,900
Hydrant rentals		\$ 2,250
Total revenue - water		\$ 4,150
Net rate requirement - water		\$ 119,696
Collection system costs		\$ 510
Treatment and disposal cost		\$ 7,446
Lift station costs		\$ 1,326
Contingency		\$ 966
Amortization		\$ 1,798
Total expenses - sewer		\$ 12,046
Total revenue - sewer		\$ -
Net rate requirement - sewer		\$ 12,046

The rates proposed were calculated using the 2016 budgeted expenditures, with 2% increases for 2017 and 2018.

Board Findings

The Board approves the rate increases as proposed by the RM, and will only adjust the effective date of the rates. The RM's rate application requested the first rate increase be effective July 1, 2016. The Board is generally averse to approving retroactive rate increases, as this does not provide consumers the opportunity to adjust their usage. For this reason, the Board will approve the rate increases effective January 1, 2017, July 1, 2017 and July 1, 2018, as detailed in Schedule "A" to this Order.

Budgeted expenditures do not include provisions for the replacement of the lagoon, and the Board agrees that at this time the project is too tentative to include in the rate application. If the RM moves forward with this project, the Board expects the RM to file for revised rates to account for the debenture funding of the lagoon project.

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 HEREBY ORDERED THAT:

1. Revised water and wastewater rates for the Rural Municipality of Victoria – Local Urban District of Cypress River Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective January 1, 2017, July 1, 2017 and July 1, 2018.
2. The Rural Municipality of Victoria amend its water and wastewater rate By-law for the Local Urban District of Cypress River Utility to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
3. The Rural Municipality of Victoria review its water and wastewater rates for Local Urban District of Cypress River Utility 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 30, 2019.

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. 145/16
issued by The Public Utilities Board

Acting Secretary

Schedule "A"

**RURAL MUNICIPALITY OF VICTORIA – L.U.D. of CYPRESS RIVER
WATER & SEWER UTILITY RATES BY-LAW No. 1391/2016
SCHEDULE "A"**

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2017

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$35.17	\$3.58	\$38.75

Quarterly Service Charge \$11.66

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

a. Water & Sewer Customers

<u>Meter Size</u>	<u>Ratio</u>	<u>Water Capacity Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water & Sewer Total Monthly Minimum</u>
5/8 inch	1	3,000	\$11.66	\$105.51	\$10.74	\$127.91
3/4 inch	2	6,000	\$11.66	\$211.02	\$21.48	\$244.16
1 inch	4	12,000	\$11.66	\$422.04	\$42.96	\$476.66
1 ½ inch	10	30,000	\$11.66	\$1,055.10	\$107.40	\$1,174.16
2 inch	25	75,000	\$11.66	\$2,637.75	\$268.50	\$2,917.91

b. Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c. Sewer Only For Residential Customers:

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge will be based on quarterly consumption of 8,000 gallons.

Effective January 1, 2017 the quarterly charge for sewer only customers is (8,000 gallons x \$3.58 per 1,000 gallons) + \$11.66 (service charge) = \$40.30

3. Bulk Water Sale Rate
January 1, 2017

Rate Per 1,000 gallons
\$39.00

1. Schedule of Commodity Rates & Quarterly Service Charge
Rates per 1,000 Gallons

July 1, 2017

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$35.88	\$3.66	\$39.54

Quarterly Service Charge \$11.90

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

a. Water & Sewer Customers

Meter Size	Ratio	Water Included Capacity Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Monthly Minimum
5/8 inch	1	3,000	\$11.90	\$107.64	\$10.98	\$130.52
3/4 inch	2	6,000	\$11.90	\$215.28	\$21.96	\$249.14
1 inch	4	12,000	\$11.90	\$430.56	\$43.92	\$486.38
1 ½ inch	10	30,000	\$11.90	\$1,076.40	\$109.80	\$1,198.10
2 inch	25	75,000	\$11.90	\$2,691.00	\$274.50	\$2,977.40

b. Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c. Sewer Only For Residential Customers:

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge will be based on quarterly consumption of 8,000 gallons.

Effective July 1, 2017 the quarterly charge for sewer only customers is (8,000 gallons x \$3.66 per 1,000 gallons) + \$11.90 (service charge) = \$41.18

3. Bulk Water Sale Rate
July 1, 2017

Rate Per 1,000 gallons
\$40.00

1. Schedule of Commodity Rates & Quarterly Service Charge
Rates per 1,000 Gallons

July 1, 2018

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$36.60	\$3.74	\$40.34

Quarterly Service Charge \$12.14

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

a. Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Monthly Minimum
5/8 inch	1	3,000	\$12.14	\$109.80	\$11.22	\$133.16
3/4 inch	2	6,000	\$12.14	\$219.60	\$22.44	\$254.18
1 inch	4	12,000	\$12.14	\$439.20	\$44.88	\$496.22
1 ½ inch	10	30,000	\$12.14	\$1,098.00	\$112.20	\$1,222.34
2 inch	25	75,000	\$12.14	\$2,745.00	\$280.50	\$3,037.64

b. Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c. Sewer Only For Residential Customers:

Customers using sewer service only will pay the relevant minimum charge shown in "a" above except that the water commodity charge will be omitted and the minimum charge will be based on quarterly consumption of 8,000 gallons.

Effective July 1, 2018 the quarterly charge for sewer only customers is (8,000 gallons x \$3.74 per 1,000 gallons) + \$12.14 (service charge) = \$42.06

3. Bulk Water Sale Rate
July 1, 2018

Rate Per 1,000 gallons
\$41.00

The following clauses take effect January 1, 2017:

4. Service To Customers Outside RM Limits
The Council of Rural Municipality of Victoria may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the L.U.D. of Cypress River. 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 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 L.U.D. of Cypress River boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining, will be paid by the customer.

5. Billings And Penalties
Accounts shall be billed quarterly and the due date shall be at least 14 days after the mailing of the bills.
A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. Disconnection
The Public Utilities Board has approved the Conditions Precedent to be followed by the RM with respect to 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 RM's office.

7. Reconnection
Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the RM (i.e. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.

8. Outstanding Bills
Pursuant to Section 252(2) of The *Municipal Act*, the amount of all outstanding charges for water and sewer services 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.

9. Hydrant Rentals
The Rural Municipality of Victoria shall pay the utility an annual rental fee of \$250.00 per hydrant for each hydrant connected to the system which includes water for firefighting.

10. 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 or sewer lines in the water or sewer system from freezing, the charge to the 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.

11. Sewer Surcharges

- a) There may be levied annually, in addition to the 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 waste.

12. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$100, plus any applicable meter testing costs. If the meter is found to be faulty, all costs associated with the testing process will be borne by the RM. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer.

13. 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 RM's water system.

If a condition is found to exist which, in the opinion of the RM, is contrary to the aforesaid, the RM 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.

14. Conditions of Disrepair

In the event that there are conditions of disrepair in the sewer and water works on a property that detrimentally affects the system as a whole and, upon the failure of the owner of the property to correct the condition within a reasonable time, the Municipality, or its agents, may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

15. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the RM in the absence of the Public Works Manager, 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 RM.

16. 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.

17. Change of Water or Water & Sewer

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

- a) during normal working hours - \$35.00
- b) outside of normal working hours - \$80.00