

Order No. 38/16

**RURAL MUNICIPALITY OF MACDONALD
AMALGAMATION OF LA SALLE, SANFORD,
OAK BLUFF, BRUNKILD, DOMAIN AND STARBUCK
WASTEWATER UTILITIES**

March 17, 2016

**BEFORE: Susan Proven, P.H.Ec., Acting Chair
Régis Gosselin, B ès Arts, MBA, CPA, CGA, Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member**

Summary

By this Order, the Public Utilities Board (Board) approves the amalgamation of the La Salle, Sanford, Oak Bluff, Brunkild, Domain and Starbuck wastewater utilities, previously operated as separate utilities by the Rural Municipality of Macdonald (RM). The amalgamated utility shall be known as the Rural Municipality of Macdonald Wastewater Utility. The Rural Municipality of Macdonald Regional Water Utility remains a separate utility from the wastewater.

In addition, the Board approves the following revised water and wastewater rates to take effect on April 1, 2016:

	Current rates	Proposed rates	Increase/Decrease
Water- \$/per cubic meter	\$1.80	\$2.75	53%
Quarterly Service Charge Water and Wastewater (Urban)	\$7.70	\$8.00	3.90%
Quarterly Service Charge Water (Rural)	\$7.70	\$8.00	3.90%
Wastewater- Brunkild -\$/per cubic meter	\$0.50	\$1.30	160%
Wastewater- Brunkild -quarterly charge for annual pump out**	\$15.15	\$0.00	-100%
Minimum Quarterly-Water and Wastewater Brunkild *	\$55.05	\$64.70	18%
Wastewater- Oak Bluff - \$/per cubic meter	\$0.30	\$1.30	333%
Wastewater- Oak Bluff -quarterly charge for annual pump out**	\$15.20	\$0.00	-100%
Minimum Quarterly- Water and Wastewater Oak Bluff *	\$52.30	\$64.70	24%
Wastewater- Starbuck - \$/per cubic meter	\$0.70	\$1.30	86%
Wastewater- Starbuck -quarterly charge for annual pump out**	\$15.30	\$0.00	-100%
Minimum Quarterly- Water and Wastewater Starbuck *	\$58.00	\$64.70	12%
Wastewater- Sanford - \$/per cubic meter	\$0.32	\$1.30	306%
Wastewater- Sanford -quarterly charge for annual pump out**	\$11.27	\$0.00	-100%
Minimum Quarterly- Water and Wastewater Sanford*	\$48.65	\$64.70	33%
Wastewater- La Salle - \$/per cubic meter	\$0.30	\$1.30	333%
Wastewater- La Salle -quarterly charge for annual pump out**	\$10.30	\$0.00	-100%
Minimum Quarterly- Water and Wastewater La Salle *	\$47.40	\$64.70	36%
Wastewater- Domain - \$/per cubic meter	\$0.55	\$1.30	136%
Wastewater- Domain -quarterly charge for annual pump out**	\$14.50	\$0.00	-100%
Minimum Quarterly- Water and Wastewater Domain *	\$55.10	\$64.70	17%
Bulk Water Rate- \$/per cubic meter	\$1.80	\$2.75	53%
Bulk Septage Fee- \$/per cubic meter	\$0.00	\$7.35	new
Reconnection Fee	\$50.00	\$50.00	0%
Hydrant Rental (Annual)	\$90.00	\$150.00	67%

*based on 14 cubic metres

**based on 5/8 meter; this charge is now included in the per cubic metre charge

Background

The RM is located immediately southwest of Winnipeg and encompasses an area of approximately 12 townships. It has a widely distributed population estimated at over 7,000 people. Most residents live in communities such as La Salle, Sanford, Oak Bluff, Brunkild, Domain and Starbuck; the others live throughout the RM's rural area.

In 1988, the Manitoba Water Service Board (MWSB) and the RM established one of Manitoba's first regional water systems. It originally consisted of a central water treatment plant (WTP) at Sanford, a reservoir and pumping station at La Salle, distribution systems in two communities and the Kingswood development west of La Salle and a pipeline between the communities. The WTP was expanded in 1995, and UV disinfection was installed in 2003. In 2012, the facility was upgraded to increase its rate from 50L/sec to 72L/sec, to incorporate ultra filtration, reverse osmosis membrane process technologies, continuous UV and chlorine disinfection. Currently, the RM operates the WTP and distributes water throughout the system via pipelines and satellite reservoir and pumping stations located in Sanford, Domain, La Salle, Oak Bluff, Starbuck and Brunkild. The RM plans to continue applying for a single-step rate for its water system customers.

Wastewater from the six communities is collected through a combination of low pressure wastewater (LPS) and gravity wastewater systems. Some homes are equipped with a septic tank and pump system that discharges the effluent from each home into the LPS system. The pumps from each home, working collectively, convey the sewage either directly or through a pumping ("lift") station to their appropriate wastewater stabilization pond (lagoon) for treatment. The lagoons are located in Sanford, Domain, La Salle, Oak Bluff, Starbuck and Brunkild. Gravity wastewater systems are found in several subdivision developments in La Salle, Sanford and Oak Bluff. The gravity wastewater system conveys sewage to a lift station then moves the sewage to the lagoon.

The RM's application proposed the consolidation of existing individual wastewater utilities to a single utility with a single wastewater rate. Operation as a single utility eliminates the need for individual utility budgets. Consolidation will allow the Utility to better serve its customers and facilitate the management of needed upgrades.

Application

On April 12, 2015 the Board received an application from the Rural Municipality of Macdonald (RM) accompanied by By-law No. 6/15 which had been read for the first time on March 24, 2015. A Public Notice of application was issued on July 7, 2015. The RM proposed the consolidation of the six existing wastewater utilities and revised water and wastewater rates. The RM revised its initial application on October 29, 2015.

The Board received nearly 100 responses to the Notice of Application from stakeholders in the RM. The vast majority of these responses addressed the revised rates being sought, rather than the amalgamation of the six wastewater utilities.

According to the RM, it plans on using the remaining reserve funds accumulated before consolidation for projects within the originating community until they are depleted. Given upcoming expansions and projects, the former individual utilities' sewer reserves will be depleted over a relatively short period of time. Once the wastewater utilities are consolidated, if there is a consolidated operating surplus, the excess funds will be accumulated in a common utility reserve fund. Once the existing reserve funds which were accumulated prior to consolidation are depleted, any fund withdrawals would come from the common utility reserve fund.

When considering an application, the Board can conduct either a paper or a public hearing review. The Board decided to review the RM's application using a public hearing process, to have the RM present its application and allow stakeholders to ask questions and express their concerns about either the amalgamation or rate revisions to the Board in person.

A Notice of Public Hearing was issued December 11, 2015 for a public hearing to be held at the Oak Bluff Recreation Centre on January 18, 2016.

The RM submitted the following cost allocation methodology for review:

Cost allocation methodology

Allocation Plan for Shared Costs			
Shared Overhead: Includes all direct and indirect costs related to the administration of the Utility.			
Sub-Category	Activity/Expenses	% of Expenses	Tracked Increments
Direct Overhead Costs	Meter reading Salaries & wages	10.5%	/hr
	Billing Receipting and Collection	10.5%	/hr
Indirect Overhead Costs- General Administrative Costs and Shared Office Costs	CAO salaries and benefits	10.5%	/hr
	Council costs	10.5%	/hr
	Audit and legal	10.5%	/hr
	Interest cost on office space	10.5%	/hr
	Lease costs	n/a	/hr
	Utilities (i.e. telephone, heat)	10.5%	/hr
	Photocopying (etc.)	10.5%	/hr
Shared Direct Operating Costs: Includes all costs directly attributable to the maintenance and repair of the utility. Public work employees repair and maintain both transportation and utility infrastructure. A portion of the cost for the public works department should be allocated to the Utility.			
Sub-Category	Activity/Expenses (object)	% of Expenses allocated to Utility (Estimated)	Tracked Increments (Actual)
Direct Equipment Costs	Public works buildings- Maintenance	%	/hr
	Vehicles-Fuel / Insurance	%	/hr
	Machinery and equipment	each piece of municipal equip. has a set hourly rate that incl. overheads, fuel, labour & maint. costs	Rental rates for each type of equipment used is charged at an /hr rate
	Road construction and maintenance equipment- Interest / Lease costs / Amortization	%	/hr
Direct Labour	Labour costs directly attributable to the maintenance and repair of utility TCA.	%	/hr
Shared capital costs: Not applicable because municipal labour or equipment is not used for capital projects			

Public Response and Hearing

At the Public Hearing, the RM was represented by both the former and new Chief Administrative Officers and the consultant who prepared the rate study. There were approximately 70 other stakeholders in attendance.

The former CAO, Tom Raine, made the presentation to the meeting on behalf of the RM. Mr. Raine had worked on the preparation of the rate application prior to his retirement at the end of December 2015 and had made arrangements to assist in the hearing process.

According to the RM's presentation, the RM is one of the fastest growing in Manitoba's capital region, largely due to proximity to the City of Winnipeg. The water distribution system serves approximately 95% of the RM's residents. It has undergone a number of upgrades since its construction in 1989. The wastewater systems are older. Current rates do not generate adequate revenues to cover current operating or regulatory compliance costs. There have been operating deficits in 2013 and 2014. The rate increase being applied for is only the fourth increase in 27 years of operations. Rates have not been adjusted since the introduction of Public Sector Accounting Board (PSAB) standards in 2010, which resulted in the utility having to record amortization expenses for over 100 utility assets, at an annual cost of approximately \$890,000. Any required rate increases have been offset by the increased revenues stemming from the growth in the customer base. However, rate increases can no longer be delayed.

On the issue of amalgamation, the RM mentioned the strength gained from acting regionally, giving as an example the RM's amalgamated water distribution system. The decision to amalgamate the six wastewater utilities into one also aligns generally with the Province of Manitoba's decision to require the amalgamation of smaller municipalities. The RM believes it can better serve customers through combined administration and operations, and will be able to offer improved timelines for service.

Removing the barriers between the different areas in the RM will also provide it with more borrowing flexibility for larger capital projects, and allow costs to be shared over the entire RM. The level of service is the same throughout all of the communities; with the amalgamation, all customers will pay the same price for the same services. Existing reserves will be used in the area that contributed to them.

Future projects will be funded through an amalgamated reserve fund shared equally by all communities and customers.

Residents' questions were answered by the RM's representatives or consultant.

- *Why haven't developers been asked to contribute more to the costs of expansion?*
The RM does require infrastructure contributions from the developers; when the water treatment plant was expanded, the funding did not come from residents, it came from developer funds.
- *Why are all customers charged the same rate, rather than a residential and commercial rate?* The utility has always charged a single rate. There aren't a lot of high volume commercial users; schools are the biggest users in the RM.
- *Why is the sewage charge based on the volume of water consumed, when there is water that never returns to the sewer? Why customers are charged a minimum charge of 14 cubic metres even if they use less?* The minimum threshold of 14 cubic meters and sewer charges based on the volume of water consumed are in accordance with best practices used throughout Manitoba and North America. They are based on recommendations of the American Water Works Association. There is no available technology for metering wastewater.
- *Will the low pressure wastewater systems have to be changed to gravity fed systems?* No, the systems will not have to be changed. However, the RM cannot predict future provincial regulation. The RM's application does not address any change in requirements for low pressure systems. Those on a low pressure system have to pay \$25,000-\$30,000 to replace the holding tank.

Residents on the low pressure system are responsible for the replacement of their own holding tanks and pumps. These costs are not included in the application rate study.

At the time of installation, a low pressure system was 1/3 the cost of a gravity fed system. The purchase of a lot with a gravity fed connection is a lot more expensive than the low pressure system lots.

- *Is the RM going to have to go through this again in 2018?* Yes, the rate review should be done on a regular basis. The PUB encourages municipalities to come back frequently for smaller increases.
- *Why is this the first increase since 2005? This seems like poor planning on the part of the RM.* Rates must cover the cost of operating the utility. While costs were increasing, increases in the customer base allowed the RM to put off increasing rates.
- *Has the RM sought other funding to offset the cost of capital infrastructure?* The RM has received many grants. For the last WTP upgrade, the RM was only responsible for 1/3 of the project costs. Reservoirs are slated to be upgraded in 2016; the RM has been approved for provincial grant of 50% of the costs. The RM is sourcing as many grant funds as possible every year.

Mr. PT, the Secretary of the Board of Condo Corporation #501 (Meadowbrook) made a presentation to the members of the PUB Board. In his presentation, he asked the Public Utilities Board to consider the unique situation of the Corporation. Condo owners have already paid for the installation, repairs, maintenance, etc of the distribution system within the condominium complex, reported to include 1.5 km of water lines.

- Since condo owners pay for the amortization of the Corporation's distribution system, the owners shouldn't have to contribute towards the utility's amortization expenses.

- Servicing Meadowbrook means the RM does not have to maintain an additional 1.5 km of water lines and only has to issue two quarterly bills rather than bills for the 96 individual owners.
- Meadowbrook owners believe the increase applied for by the RM reflects higher costs than are required to service the Corporation.

The RM representative stated that he was unaware of any condominium complexes in Manitoba paying a different rate for water. The depreciation of the utility's assets and those of Meadowbrook are two completely separate issues. The depreciation costs underlying the proposed rates do not include any provision for depreciation of the Corporation's assets, only those of the municipal utility. The condo owners have made a lifestyle choice when they purchased the condos.

Board Findings

There were no direct concerns voiced about amalgamation, other than the resulting impact on rates for some communities.

The Board believes that a combined utility for the region is consistent with municipality wide approach to services being taken by other municipalities. The RM's request is aligned generally with the Province of Manitoba's policy of encouraging the amalgamation of municipalities. Amalgamation can, improve efficiency, lead to uniform services throughout the municipality, generate economies of scale because of larger capital projects being undertaken and provide the RM with increased borrowing flexibility when tackling those larger capital projects.

The Board approves the amalgamation of the La Salle, Sanford, Oak Bluff, Brunkild, Domain and Starbuck wastewater Utilities, to be known in the future as the Rural Municipality of Macdonald Wastewater Utility. To facilitate the preparation of audited statements, the Board agrees that the municipality can start reporting amalgamated results as of January 1, 2016. The Rural Municipality of Macdonald Regional Water

Utility will be separate from the wastewater utility. If at any time the RM wishes to merge the two utilities, an application to the Board will be required.

By law, Manitoba utilities are not allowed to incur deficits. The Board is required to approve reasonable rates based on reasonable expense projections. The Board has reviewed the RM's budgeted expenditures and revenues, and finds them to be reasonable.

After carefully considering the views expressed by Mr. PT on behalf of the Corporation (Meadowbrook), the Board concluded that a different water rate for the condo corporation is not justified. A typical house owner is responsible for the cost, maintenance and the notional depreciation from the curb stop to the residence. While the Corporation has a more extensive infrastructure to deliver water from the municipal water line than a typical household, the purchase of a condo within the area served by the Corporation involved an acceptance of the responsibilities and costs stemming from condo ownership, including the responsibility for the water and wastewater infrastructure designed to serve the needs of the Corporation.

The Board directs the RM to review its utility operations and file a statement of rate adequacy, and rate application if necessary, on or before June 30, 2017.

The Board thanks the members of the community for their participation at the public hearing. The Board also thanks Mr. Tom Raine for appearing at the hearing. His explanation of the history and the rate application was extremely beneficial in helping both the Board and the residents of the RM to understand the application.

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. The amalgamation of the La Salle, Sanford, Oak Bluff, Brunkild, Domain and Starbuck wastewater utilities, to be known going forward as the Rural Municipality of Macdonald Wastewater Utility, is HEREBY APPROVED effective January 1, 2016.
2. Revised water and wastewater rates for the Rural Municipality of Macdonald BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective April 1, 2016.
3. The Rural Municipality of Macdonald amend its water and wastewater rate By-law to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
4. The cost allocation methodology for shared services and equipment as submitted by the Rural Municipality of Macdonald BE AND IS HEREBY APPROVED.
5. The Rural Municipality of Macdonald will review the operations of the utility and file a statement of rate adequacy, and rate application if necessary, on or before June 30, 2017.

Fees payable upon this Order – \$1,500.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."

Acting Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 38/16
issued by The Public Utilities Board

Acting Secretary

R. M. of Macdonald
 SCHEDULE "A"
 WATER SEWER RATES PROPOSED
 BY-LAW 6/15

1.0 SCHEDULE OF QUARTERLY RATES

Effective: _____

Single Step Rate Structure	Administration Fee (quarterly)	Water (per m³)	Sewer (per m³)
Proposed Rates (All customers)	\$8.00	\$2.75	\$1.30
Bulk Septage Fee			\$3.80

2.0 MINIMUM CHARGES PER QUARTER

Notwithstanding the commodity rates set forth in Section 1 hereof, all customers shall pay the applicable minimum charges set out below, which include water allowance indicated;

Meter Size	Capacity	Water Included (m ³)	Administrative Fee (quarterly)	Water Commodity Charge	Sewer Commodity Charge	Total
16 mm - 5/8"	1.00	14	\$8.00	\$38.50	\$18.20	\$64.70
19mm - 3/4"	2.00	28	\$8.00	\$77.00	\$36.40	\$121.40
25mm - 1"	4.00	56	\$8.00	\$154.00	\$72.80	\$234.80
38mm - 1 1/2"	10.00	112	\$8.00	\$308.00	\$145.60	\$461.60
50mm - 2"	25.00	224	\$8.00	\$616.00	\$291.20	\$915.20
75mm - 3"	45.00	448	\$8.00	\$1,232.00	\$582.40	\$1,822.40
100mm - 4"	90.00	896	\$8.00	\$2,464.00	\$1,164.80	\$3,636.80
150mm - 6"	170.00	1,792	\$8.00	\$4,928.00	\$2,329.60	\$7,265.60
200mm - 8"	300.00	3,584	\$8.00	\$9,856.00	\$4,659.20	\$14,523.20

2.1 WATER ONLY CUSTOMERS

For customers with water service only, quarterly minimums shown in Section 2.0 are thereof reduced by the Sewer Commodity Charge shown for the customer's meter size.

2.2 SEWER ONLY CUSTOMERS

For customers with sewer service only, volume of water used and volume of effluent returned to the sewer system are based on residential equivalent units; one unit being the volume of water estimated to be used by the average single family residence. A residential equivalency unit shall be 42 cubic metres of water per quarter. Commercial sewer only customers will be charged a residential equivalency based upon the amount of water they use.

3.0 SERVICE TO OTHER MUNICIPALITIES

The Council of the RM of Macdonald may sign agreements with another municipality or Service Area for the provision of water and sewer services to properties located outside the legal boundaries of the municipality. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as terms and conditions, including fees or other charges set by Council for providing the service.

4.0 BILLING AND PENALTIES

Accounts shall be billed quarterly, and shall be due and payable at least fourteen (14) days after date of billing. A penalty equal to 1.25% per month of the amount outstanding shall be added if not paid by the due date.

5.0 DISCONNECTION DUE TO NONPAYMENT

Customer disconnection shall follow the disconnection procedure as described in PUB Order 39/09:

- i. Customers shall receive a billing statement each billing cycle for services. The due date which appears on the bill shall be no less than 14 days after the billing date.
- ii. If payment is not received within 31 days from the last billing date, notice will be provided.
- iii. If payment is not received within 45 days of the last billing date, a second and final reminder notice shall be provided indicating the disconnection date. A disconnection fee of \$50 will be assessed.

5.1 DISCONNECTION EXCEPTIONS

The following are exceptions to the above notice requirements prior to disconnection:

- a. Where the customer's account was past due and where a payment arrangement was made and subsequently broken, the R. M. of Macdonald may disconnect the customer's service with 7 calendar days' notice.
- b. Where the customer's account was past due for services billed at a previous premise, the R. M. of Macdonald may, with 10 days notice, disconnect the customer's service at the new premise if the customer fails to make a payment arrangement.

6.0 RECONNECTION

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

6.1 RECONNECTION OF A REQUESTED DISCONNECTION

Any customer wishing to have billings discontinued due to vacancy of premises shall be required to pay two times the minimum quarterly water billing to have service resume. This reconnection fee is to be based upon the customers connected service(s).

7.0 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.

8.0 HYDRANT RENTALS

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

9.0 WATER METERS

- a. The R. M. of Macdonald shall supply an appropriate size water meter.
- b. The meter shall be installed by the R. M. of Macdonald and the costs shall be the responsibility of the property owner.
- c. The meter shall be installed above the floor as approved by the Municipality.
- 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.
- i. The charge to remove a meter for testing at the request of a customer shall be \$100.00 plus any charges incurred for the testing of said meter. Should the meter test indicate that the meter is faulty, the charges will be waived.
- j. Where there is evidence of meter tampering, a minimum charge of \$500.00 will be applied to any account plus the value of the estimated unmeasured water consumed.

10.0 ESTIMATING CONSUMPTIONS

Where a meter is found not in use or out of proper working order or the scheduled reading is not obtained, or where no meter is installed, the Chief Administrative Officer shall estimate the consumption of water used for any quarter or other period based on the amount of water consumed during the time the meter was working or from any other information or source available, and such estimate shall be the basis for billing the customer for water used.

11.0 WATER ALLOWANCE DUE TO LINE FREEZING

At the request of the Council, a customer may be requested to run water continuously for a period of time to prevent the water distribution lines from freezing. The charge incurred 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.