

**Order No. 91/16**

**RURAL MUNICIPALITY OF DAUPHIN  
WATER UTILITY  
INITIAL INTERIM RATES  
EFFECTIVE JULY 1, 2016**

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**July 20, 2016**

**BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair  
Allan Morin, B.A., ICD.D, Member**

## Summary

By this Order, the Public Utilities Board (Board) approves, on an interim basis, initial water rates applied for by the Rural Municipality of Dauphin (RM) for a new water utility (Utility). The Utility is expected to begin providing services in October 2016.

The new rates are to be effective July 1, 2016. The approved rates are shown below.

	<b>Proposed By-law (2981) July 1, 2016</b>
Water \$/cubic meter	\$2.87
Quarterly Service Charge	\$36.07
Minimum Quarterly Charges*	\$75.11
Reconnection/Disconnection Fee	\$50.00
Turn on charge**	\$30.00
Future connection fee***	\$17,000.00
*Based on 13.6 cubic meters	
**New customers or change of occupancy	
***After initial round of connections; plus costs of installation on owner's	

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

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

## Application

The Rural Municipality of Dauphin applied on April 26, 2016 for initial interim water rates for the Utility. The application was accompanied by a rate study prepared by the RM and By-law No. 2981 having received 1<sup>st</sup> reading on April 19, 2016.

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.

In some cases, the Board can also establish interim rates, which are rates that are subject to review following a more complete process. When setting initial rates for a new utility, the Board will often approve interim rates. These are then confirmed as final once there is sufficient historical information about the utility to provide accurate projections for rate setting purposes. The Board has determined this is appropriate in the case of the RM of Dauphin water utility.

A Public Notice of Application was issued on May 25, 2016 affording customers the opportunity to comment to both the Board and RM with respect to the proposed increases. No responses were received.

## 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 for the Board's approval:

Where the municipality has dedicated staff and equipment to operate the utility, these costs will be assigned fully and directly to utility operations.
<b>Direct Overhead</b> -The meter reading will be carried out by the public works dept. and actual time is tracked. Billing, receipting and collection:
5% of the secretary/receptionist's wages/benefits
5% of the accountant's wages/benefits
<b>Indirect Overhead:</b>
5% of CAO's wages/benefits
5% of utilities, office equipment rental, insurance and audit
<b>Direct equipment costs</b> -tracked and allocated based on:
$\frac{\text{Total public works hours for maintenance and repair of the utility}}{\text{Total public works employee hours worked}}$
This percentage will be applied to –equipment fuel, repairs, insurance, amortization , leasing and Public Works Manager time
<b>Direct Labour</b>
Public works employee to charge time directly to the utility where applicable
<b>Indirect Labour</b>
Public works manager's wages and benefits will be allocated using tracked increments in the same manner as Direct equipment Costs. Each year, costs will be allocated based on a prorated basis determined by the following formula:
$\frac{\text{Total public works hours for maintenance and repair of the utility}}{\text{Total public works employee hours worked}}$
NB: Pg 20 of the Rate study states on a Summary basis, the allocation of the shared costs between water and wastewater operations is set out in Appendix 1 of 90% to water and 10% to wastewater.

## Connection fee

The RM has proposed that the future connection fee, after the initial round of connections, be set at \$17,000. In response to an inquiry from the Board, the RM has advised that this fee was calculated by taking the total cost of the distribution line, \$3.1 million dollars, and calculating the RM's share at 1/3 for a net cost of \$1,033,333. This figure was then divided by the anticipated number of connections, which is 66, for a total of \$15,657. This was then rounded up to \$17,000 for simplicity and to allow a margin for any contingencies. The RM also advised that this same calculation was used to calculate the initial connection fee for customers.

## Board Findings

The Board will, on an interim basis, approve initial water rates as applied for by the RM to be effective July 1, 2016. The Board makes this interim rate decision to allow the RM to charge customers as they connect to the system and begin receiving services from the Utility.

The Board will also approve the future connection fee; turn on charge and reconnection/disconnection fee as found in Schedule "A".

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 Board commends the RM of Dauphin for being proactive in setting up its utility, having participated in Board rate application training sessions twice already, and in applying for rate approvals well in advance of providing services to ratepayers.

The Board requires all utilities to file their audited financial statements annually, and *The Municipal Act* requires the Public Utilities Board approve any operating deficits. The RM should familiarize itself with its financial reporting responsibilities with regards to the Public Utilities Board. Many of these can be found by reviewing Board Order Nos. 151/08 and 93/09, which are available on the Board's website.

The Board will direct the RM to monitor the Utility's performance and to file a report with the Board, as well as an application for revised rates if required, on or before September 1, 2019. If the RM becomes aware that the rates approved in this Order are inadequate to cover the operations of the Utility, the Board encourages them to submit a rate application as soon as possible.

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. Initial interim water rates for the Rural Municipality of Dauphin BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective July 1, 2016.
2. The Rural Municipality of Dauphin submit a copy of its water By-law to the Public Utilities Board, once it has received third and final reading.
3. The cost allocation methodology for shared services and equipment as submitted by the Rural Municipality of Dauphin BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Dauphin provide a copy of the audited financial statements annually, including any necessary deficit applications, as soon as they are available.
5. The Rural Municipality of Dauphin 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 – \$150.00

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. 91/16 issued  
by The Public Utilities Board

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Acting Secretary

## Schedule "A"

## Rural Municipality of Dauphin Interim Water Rates

## By-Law No. 2981

## Schedule of Quarterly Rates

1. Commodity rates per Cubic Meter

All water consumption: \$2.87

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 exclude water allowances indicated:

## a. Water Customers

Meter Size	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Commodity Charges Water	Total Quarterly Minimum
5/8"	1	13.6	36.07	39.03	75.10
¾"	2	27.2	36.07	78.06	114.13
1"	4	54.5	36.07	156.42	192.49
1 ½"	10	136.2	36.07	390.89	426.96

3. Service to Customers Outside Municipality

The Council of the Rural Municipality of Dauphin may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Rural Municipality of Dauphin subject to the approval of the G3 Regional Water Cooperative Inc. 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 flat rate per parcel rate, 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 1¼% 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

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after the due date. A \$50.00 disconnection fee will be charged.

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 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.

8. Turn on Charge (new customers or change of occupancy)

There shall be a turn-on service charge of \$30.00.

9. Disconnect/Reconnect Charges

Any disconnection or reconnection at the request of the customer, due to reasons other than non-payment of account, shall be charged a fee of \$50.00.

10. Future Connection Fee

Where a customer connects to the water system after the initial round of connections they shall pay \$17,000.00 plus all costs of materials and contractors fees charged to install the water line on their property. Contractors hired will be at the discretion of council.

11. Water Allowance Due to Line Freezing

That in any case where, at the request of 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.