

Order No. 97/16

**MUNICIPALITY OF PIPESTONE
RURAL WATER PIPELINE AND RESTON UTILITY
WATER AND WASTEWATER RATES
2016, 2017 and 2018**

July 27, 2016

**BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair
Carol Hainsworth, C.B.A., Member**

Summary

By this Order, the Public Utilities Board (Board) approves the revised water and wastewater rates to be effective July 1, 2016, for the Municipality of Pipestone (Municipality), water and wastewater utility (Utility) as follows:

Previous Reston Utility to proposed Municipal Utility	Current By-law 2011/10-	Proposed By-law (2015-09)	Increase/Decrease Reston Customers
Water \$/cubic meter *	\$1.27	\$3.49	174.80%
Sewer \$/ cubic meter**	\$1.85	\$0.85	-54.05%
Quarterly Service Charge	\$15.96	\$14.51	-9.09%
Minimum Quarterly Charges***	\$59.76	\$75.26	26%
Bulk water \$/cubic meter****	\$1.52	\$4.71	210%
Reconnection Fee	\$60.00	\$60.00	0%
Hydrant Rental (Annual)	\$150.00	\$150.00	0%

*Previous charge in gallons of \$5.93/1,000 gallons

**Previous charge in gallons of \$8.67/1,000 gallons

****Previous charge in gallons of \$7.10/1,000 gallons

***Based on 3,000 gallons

	Current By-law 2012/07-Municipal	Proposed By-law (2015-09)	Increase/Decrease Municipal Customers
Water \$/cubic meter	\$2.90	\$3.49	20.34%
Quarterly Service Charge	\$14.25	\$14.51	1.82%
Minimum Quarterly Charges*	\$54.85	\$63.35	15%
Reconnection Fee	\$100.00	\$60.00	-40%

*Based on 14 cubic meters and Water Only

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 Wallace-Woodworth owns and operates the water treatment plant which serves their own customers, the Village of Maryfield in Saskatchewan and the Municipality of Pipestone (formerly the RM of Pipestone). It was built in 2004 and continues to be expanded and upgraded to meet the needs of its customers.

The Rural Water Pipeline was started in June 2012 and became operational in March 2013. The initial phase connected the communities of Cromer and Sinclair, which had existing waterlines. No reservoirs were needed in these communities. Phase two was constructed in 2013, connecting a total of 120 customers. Phase three has been completed and the Reston community (292 users) was connected in February 2016.

In future years, the Rural Water Pipeline will be extended to additional rural customers as funding becomes available from Manitoba Water Services Board. It is estimated that approximately 35 customers are waiting to be connected. There are no plans to extend services beyond Municipal boundaries.

A new sewage lagoon was constructed in 2002 to serve the community of Reston. It consists of one primary treatment cell and two secondary storage cells. The lagoon is located to the south of Reston. The facility receives wastewater from two lift stations.

The Municipality has received an Environmental License to expand the Reston Lagoon, and intend to increase the capacity by expanding the primary cell and constructing two additional storage cells. The current lagoon is at a capacity that is restricting the community's growth potential.

The Utility is staffed by two full-time and one relief operator. The Utility Manager has completed his Class 1 Certification. The Utility Operator is a new employee and is enrolled in Class 1 classes as they are offered. The relief operator has also completed his Class 1 certificate.

Water losses in Reston are difficult to determine as there is no meter on water leaving the plant. Based on information provided by the operator, losses are within 10%. Moving Reston to digital meters will help ensure accuracy and timely readings to measure against water purchased. Water losses in the Municipal Utility were as high as 40% until a major leak was found at Cromer. Rocky soil conditions in that region means that water never pools to the surface as it would in other areas making detection difficult. There is a bulk filling station at Reston, with a cardlock system installed in 2015.

Application

The Municipality applied for revised water and wastewater rates, to be effective January 1, 2016 as set out in By-law No. 2015/09 (read the first time on October 8, 2015). The application was supported by a 2015 rate study prepared by the Municipal Staff.

A Public Notice of Application was issued on January 4, 2016 affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed increases.

The Board has received no comments.

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 no expressions of concern

from consumers, the Board decided to process this application with a paper-based review.

Deficit

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 is therefore duty bound to approve reasonable rates based on reasonable expense projections.

On October 19, 2015, the Municipality's 2014 deficit application was approved in Board Order No. 101/15.

The Board has reviewed the Municipality's budgeted expenditures, and finds them to be reasonable.

Working Capital Surplus

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 2014 audited financial statements, the most recent information available, the working capital surplus at December 31, 2014 was:

	2014
Fund Surplus/Deficit	\$ 8,364,039
Deduct tangible capital asset	\$ 8,954,099
Add Long-Term Debt	\$ 644,848
Add Utility Reserves	\$ 1,494,048
Equals Working Capital Surplus	\$ 1,548,836
Operating costs	\$ 208,321
20% of operating costs	\$ 41,664

Projected Expenditures

Rates were calculated using the following projected expenses:

	2016	2017	2018
Administration	\$17,850	\$18,207	\$18,571
Billing and collection	\$7,935	\$8,094	\$8,256
Total general expenses	\$25,785	\$26,301	\$26,827
Penalties	\$600	\$600	\$600
Total general revenue	\$600	\$600	\$600
Net revenue- general	\$25,185	\$25,701	\$26,227
Staffing	\$90,000	\$91,800	\$93,636
Purification and treatment	\$20,000	\$20,400	\$20,808
Water purchases	\$179,000	\$182,580	\$186,232
Transmission and Distribution	\$22,500	\$22,950	\$23,409
Amortization/ depreciation	\$273,559	\$273,559	\$273,559
Interest on long term debt	\$48,660	\$45,654	\$45,655
Contingency	\$31,150	\$31,773	\$32,408
Total water expenses	\$664,869	\$668,716	\$675,707
Hydrant rentals	\$4,200	\$4,200	\$4,200
Investment Income	\$20,000	\$20,000	\$20,000
Amortization of capital grants	\$109,665	\$109,665	\$109,665
Amortization of Royalty Grant	\$99,751	\$99,751	\$99,751
Taxation revenues-water debt	\$127,658	\$126,847	\$126,847
Other revenue-bulk water fees	\$800	\$800	\$800
Total revenue water	\$362,074	\$361,263	\$361,263
Net revenue- water	\$302,795	\$307,453	\$314,444
Staffing	\$10,000	\$10,200	\$10,404
Sewage Collection System	\$5,000	\$5,100	\$5,202
Sewage Lift Station	\$3,000	\$3,060	\$3,121
Sewage Treatment and Disposal	\$1,500	\$1,530	\$1,561
Sewage Collection & Disposal Cost	\$6,000	\$6,120	\$6,242
Amortization/ depreciation	\$30,182	\$30,182	\$30,182
Contingency	\$2,050	\$2,091	\$2,133
Total sewer expenses	\$57,732	\$58,283	\$58,845
Investment Income	\$500	\$500	\$500
Amortization of capital grants	\$9,776	\$9,776	\$9,776
Total sewer revenue	\$10,276	\$10,276	\$10,276
Net revenue- sewer	\$47,456	\$48,007	\$48,569

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 Municipality had a Cost Allocation Methodology approved on Order No. 149/12, and have proposed to maintain the same methodology.

Board Findings

The Board has reviewed the application and the projections presented by the Municipality in their rate study and the information provided subsequently in response to Board queries.

In the response to Board queries sent to the Municipality in June 21, 2016, the Municipality advised the Board that based on its most current wage information; administrative cost has decreased since the application for revised rates in 2015. The new information resulted in a decrease of the proposed quarterly service charge, from \$15.10 to \$14.51.

The Board will approve the revised water and wastewater rates as applied for by the Municipality, and vary the quarterly service charge to the new proposed rate.

The Board will require the Municipality to submit a copy of a revised by-law reflecting the decisions in this Order, once it has received third and final reading

The Municipality is to provide the Board with copies of the 2015 audited statements and submit any necessary deficit application, as required.

The Board will require the Municipality review the Utility's water and wastewater rates for adequacy and file a report with the Public Utilities Board, or an application for revised rates, no later than July 30 2019.

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 THEREFORE ORDERED THAT:

1. Revised water and wastewater rates for the Municipality of Pipestone, Rural Water Pipeline and Reston Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective July 1, 2016.
2. The Municipality of Pipestone amend its water and wastewater rate By-law for the Rural Water Pipeline and Reston 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 Municipality of Pipestone review its water and wastewater 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 July 30, 2019.
4. The Municipality of Pipestone provide a copy of the 2015 audited financial statement to the Public Utilities Board, and a deficit application if required.

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. 97/16
issued by The Public Utilities Board

Acting Secretary

Schedule "A"
Municipality of Pipestone
Rural water pipeline and Reston Utility System
Water & Wastewater Rates

1.0--SCHEDULE OF QUARTERLY RATES

Commodity rates per m³

	Water	Sewer	Water & Wastewater
All Water Consumption	\$3.49	\$0.85	\$4.34

2.0--MINIMUM QUARTERLY CHARGES

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:

a) Meters

For metered customers minimum charges based on consumption shall be based on the following meter sizes

i) Water Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Minimum Quarterly Charges
5/8	1	14	\$14.51	\$48.85	\$63.36
3/4	2	27	\$14.51	\$94.21	\$108.72
1	4	55	\$14.51	\$191.90	\$206.41
1 1/4	10	140	\$14.51	\$488.49	\$503.00
2	25	341	\$14.51	\$1,189.81	\$1,204.32
3	45	614	\$14.51	\$2,142.36	\$2,156.87
4	90	1,227	\$14.51	\$4,281.22	\$4,295.73
6	170	2,319	\$14.51	\$8,091.41	\$8,105.92

ii) Water & Sewer Customers

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	14	\$14.51	\$48.85	\$11.91	\$75.26
3/4	2	27	\$14.51	\$94.21	\$22.97	\$131.68
1	4	55	\$14.51	\$191.90	\$46.78	\$253.20
1 1/4	10	140	\$14.51	\$488.49	\$119.09	\$622.08
2	25	341	\$14.51	\$1,189.81	\$290.06	\$1,494.38
3	45	614	\$14.51	\$2,142.36	\$522.28	\$2,679.15
4	90	1,227	\$14.51	\$4,281.22	\$1,043.72	\$5,339.44
6	170	2,319	\$14.51	\$8,091.41	\$1,972.60	\$10,078.51

3.0--WATER ONLY CUSTOMERS

All customers connected to the water distribution system but not to the sewer system, shall pay the quarterly bill, which includes only service and water charges for the appropriate meter size.

4.0--BULK WATER SALES

All water sold in bulk by the Utility shall be charged for at the rate of \$4.71 per cubic meter with a minimum one cubic meter charge.

5.0--SERVICE FOR CONNECTING CUSTOMERS OUTSIDE THE PIPESTONE PROPERTIES REGION

The Council of the Municipality of Pipestone may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Municipality of Pipestone. Such agreements shall provide for payment of the appropriate rates set out in this Schedule, as well as a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes and special

taxes for utility purposes in effect at the time, or which 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.

6.0--BILLINGS AND PENALTIES

Accounts shall be billed quarterly and shall be due and payable fifteenth day of the month following the month of the quarter being billed. A penalty of one per cent (1%) of the total amount of the bill shall be added if not paid by the due date.

7.0—NON PAYMENT DISCONNECTION and RECONNECTION

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 Municipal office.

Any service disconnected due to non-payment shall not be reconnected until all arrears, penalties and a reconnection fee of \$60 have been paid.

8.0—REQUESTED DISCONNECTION and RECONNECTION

Customers requesting that their service be disconnected and then reconnected within a twelve (12) month period shall pay a fee of \$60 prior to the service being reconnected.

9.0--OUTSTANDING BILLS

Pursuant to section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer service are a lien and charge on the land serviced, and shall be collected in the same manner in which ordinary taxes are collectable, and with like remedies. A consumer who has not paid their bill will be charged an administration fee of \$10.00 to cover costs of adding outstanding accounts to the tax roll.

10.0--HYDRANT RENTALS

The Municipality of Pipestone will pay to the utility an annual rental of \$150.00 per year for each hydrant connected to the system.

11.0--SEWER SURCHARGE

- 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 mg/L, 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.

12.0--WATER METERS

All new residential customers for sewer and water shall be metered at customer cost. Ownership, inspection and maintenance of meters will remain the responsibility of the utility system. Commercial meter maintenance will be the responsibility of the utility system but will be billed to the commercial user.

13.0--WATER ALLOWANCE DUE TO FREEZING

That in any case where, at the request of the R.M. of Pipestone, 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 billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.