

Order No. 184/19

**GILBERT PLAINS MUNICIPALITY
GILBERT PLAINS RURAL WATER UTILITY
REVISED RATES FOR JANUARY 1, 2020, JANUARY 1, 2021, AND JANUARY 1, 2022**

DECEMBER 12, 2019

BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, BSc. (Hons), MSc., Panel Member

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	3
	Water Supply/Distribution	3
	Unaccounted for Water	4
3.0	Application.....	4
	Contingency Allowance and Utility Reserves.....	6
	Working Capital Surplus/Deficit	6
	Cost Allocation Methodology	7
4.0	Board Findings	9
	Pass Through Rate Approval Request	11
5.0	IT IS HEREBY ORDERED THAT:.....	12
	SCHEDULE A.....	14

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water rates for the Gilbert Plains Municipality (Municipality), Gilbert Plains Rural Water Utility (Utility) effective January 1, 2020, January 1, 2021, and January 1, 2022.

The approved rates are as follows:

	Current By-Law 2007-06	January 1, 2020	January 1, 2021	January 1, 2022
Quarterly Service Charge	\$18.50	\$20.02	\$21.54	\$23.06
Water - First 10,000 Gallons*	\$11.00	\$12.29	\$13.58	\$14.87
Water - Over 10,000 Gallons*	\$9.50	\$11.29	\$13.08	\$14.87
Minimum Quarterly Charge**	\$51.50	\$56.89	\$62.28	\$67.67

*per 1,000 gallons

**Based on 3,000 gallons

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

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

2.0 Background

Grandview Municipality and Gilbert Plains Municipality comprise the G3 Regional Water Cooperative (G3), which owns the water treatment plant. The plant is operated by the Manitoba Water Services Board (MWSB). The Utility purchases treated water from the MWSB and provides service to 183 customers (as at April 2019).

Rates were last set for the Utility in 2007 for 2008 in Board Order No. 148/07.

Water Supply/Distribution

The plant was constructed in approximately 2010 and its waterlines were installed in 2004.

Unaccounted for Water

The acceptable percentage of unaccounted for water is 10%, based on industry standards. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

The Municipality's rate study notes unaccounted for water in 2018 was 31%.

The Municipality's plan is to review quarterly billing volumes versus water purchase volumes to better track unaccounted for water on an ongoing basis. The Municipality will also request G3 to check the calibration of the mainline water meter used to calculate water purchases for the Utility to ensure its accuracy.

3.0 Application

On April 18, 2019, the Municipality applied for revised water rates, to be effective January 1, 2020, January 1, 2021, and January 1, 2022 as set out in By-Law No. 2019-04 having had first reading March 12, 2019. The application was supported by a rate study prepared by the Municipality's consultant.

A Public Notice of Application was issued on May 2, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before June 1, 2019. No complaints were received from ratepayers.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. The paper review process considers all written materials submitted by the Utility and the public, as well as any information requests and responses between the Board and the Utility. This process may reduce regulatory costs to the Utility.

A public hearing process allows the Utility and the public the opportunity to review the application and address any concerns with the Board present.

Whenever reasonable, the board will review the application using a paper review process, which saves the cost of a public hearing process.

The Board has chosen a paper review process for the Municipality’s application.

The rates were calculated based on the following projections using an annual inflation rate of 2% in all calculations:

Schedule of Utility Rate Requirements – Gilbert Plains Rural Water Utility 2020 to 2022 Budget Forecasts (\$)			
	2020	2021	2022
	Forecast		
General Expenses			
Administration	16,826	17,162	17,505
Total General Expenses	16,826	17,162	17,505
Revenue			
Penalties	628	628	628
Total General Revenues	628	628	628
Net Costs General	16,198	16,534	16,877
Water Expenses			
Purification and Treatment	886	904	922
Water Purchases	84,796	86,492	88,222
Transmission and Distribution	29,494	30,084	30,686
Other Water Supply Costs	702	716	731
Amortization	62,845	62,845	62,845
Total Water Expenses	178,724	181,041	183,406
Revenue			
Bulk Water Fees	24,000	24,000	24,000
Total Water Revenues	24,000	24,000	24,000
Net Costs Water	154,724	157,041	159,406
Net Operating Costs	170,922	173,575	176,283

The proposed Utility rate increases are required to provide for increased water expenses and to raise rates to an appropriate level to provide for Utility expenses given rates were last increased in 2007.

Contingency Allowance and Utility Reserves

As per the Board's Water Rate Application Guidelines, a yearly allowance equal to 10% of the variable operating costs is recommended for a contingency allowance.

The RM has included \$9,656 in the proposed rates as a contingency allowance.

The Municipality advises the Utility's Working Capital Surplus is forecast to be sufficient up to and including 2022, therefore no transfer to the Utility reserve included in the Municipality's application.

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/deficit is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2017 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility at December 31, 2017 was:

	2017
Utility Fund Surplus/Deficit	\$4,406,725
Deduct: Tangible Capital Assets	3,505,203
Add: Long-Term Debt	-
Add: Utility Reserves	20,999
Equals Working Capital Surplus (Deficit)	\$922,521
Operating Expenses	238,976
20% of Operating Expenses (Target)	\$47,795

The Utility currently exceeds the Board minimum working capital surplus of 20%.

Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between its general operations and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This allocation 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's administration cost allocation is proposed to be based on 3% of Financial Plan General "At Large" Government Services less assessment and grants expenses as follows:

Gilbert Plains Municipality – Rural Water Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at March, 2019			
Category	Sub-category	Options	
1.0 Administrative Staff			3.0% of general legislative expenses excluding assessment and grant expenses.
	1.1 Billing services – meter reading to receipting and collection.		Meter Reading – N/A Receipting and collection are part of the Administrative Staff allocation.
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		3.0% of audit costs
	1.3 Common office space		3.0% of office costs, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		3.0% of printing, postage, and stationary.
2.0 Operating, construction and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		-
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Utility Operator's time is charged to the Utility based on time worked.
	2.3 Public works building and property.		There is no charge to the Utility for the Public Works Building use.
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0 Major projects			
	Interest/ financing		N/A
	Labor	Based on actual costs	-
	External costs	Direct charge (dedicated consulting)	-

Note 1 – Allocation must be updated periodically to reflect impacts of inflation.

Note 2 – Including salaries and benefits.

Note 3 – If a project involves work benefitting both the Utility and general operations the costs may be shared (i.e. If reconstructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.)

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application and notes the calculations used to formulate the Utility's rates are not consistent with Public Utilities Board Guidelines, but instead have been designed to phase-in rates to mitigate rate-shock and high year-over-year rate increases. The Board also notes, this methodology for calculating the rates requested are forecast to result in forecasted deficits of \$(26,114) in 2018, \$(52,010) in 2019, \$(14,217) in 2020 and \$(2,237) in 2021 or a total four-year deficit of \$(94,578).

The Board notes the Utility has sufficient working capital surplus to provide for the forecasted 2018 through 2021 deficits and therefore finds this methodology acceptable and approves the water rates as applied for by the Municipality. The Board notes, however, use of this rate-setting methodology requires diligent year-over-year monitoring of the Utility's budget and directs the Municipality to file Deficit Applications and recovery methodology with the Board accordingly for any and all deficits as soon as they are known.

The Board approves the revised cost allocation methodology and reminds the Municipality this methodology must be used consistently; any changes to the new, revised cost allocation methodology require Board approval.

The Board requires the Municipality to review its water rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if required) on or before December 31, 2022.

The Board notes, as per the 2017 Audited Financial Statements, the Utility has incurred an operating deficit for 2017. By law, Manitoba utilities are not allowed to incur deficits. The Board reminds the Utility if it has a deficit, it is required by law to file a Deficit Application and recovery plan with the Board as soon as it is known.

The Board directs the Municipality to file a Deficit Application for 2017 by no later than February 28, 2020.

It has been twelve years since the Municipality has submitted a rate application to the Board. In the Board's view the period between rate reviews is too long. Regular rate reviews submitted every three years, as per the Board's Guidelines, protect the financial position of the Utility and may reduce the need for substantial rate increases in one year. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its ratepayers. Ratepayers are generally more tolerant of regular, smaller increases. The Municipality needs to be much more diligent in conducting regular reviews of its revenue requirements.

The Board has not received the Municipality's 2018 Audited Financial Statements and reminds the Municipality Audited Financial Statements are to be reported no later than June 30 of the following year. The Board also reminds the Utility up-to-date Audited Financial Statements are required for both the Municipality to accurately forecast Utility rate requirements and for the Board to analyse Rate Applications. Failure to provide up-to-date Audited Financial Statements with future Rate and/or Deficit Applications may result in the Application being rejected by the Board. The Board directs the Municipality to submit its 2018 Audited Financial Statements as soon as they are available.

The Board strongly encourages the Municipality to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and accurate. If this note is omitted, incomplete, or incorrect, it limits the Board's ability to assess the Utility's financial position, and the Municipality's ability to set appropriate rates to sustain the Utility and its operations.

The Board is concerned with the high percentage of water loss (31% in 2018). The Board commends the Municipality on developing a plan to remedy unaccounted for water and strongly encourages the Municipality to continue to implement solutions accordingly to bring the level closer to the acceptable percentage of 10%.

Pass Through Rate Approval Request

The Board grants approval of the Municipality's request to allow for pass through rate increases resulting from any increases in the wholesale rate set by the Manitoba Water Service Board (MWSB). Pass through rate increases are typically used when a Board regulated utility purchases water from another Board regulated utility.

The Board typically does not allow for pass through rate increase from unregulated utilities because it would not provide ratepayers with the protections afforded by Board oversight and notice requirements. In the case of MWSB wholesale rates, under section 8(2) of *The Manitoba Water Services Board Act*, the purchasing utility (in this case the Gilbert Plains Rural Water Utility), has the opportunity to appeal to the Public Utilities Board any rate it believes to be excessive and MWSB uses a methodology that aligns with that of the Board. In addition, the Board will require the Utility to follow the requirements for pass through rate increases as established in section 3.10 of Board Order No. 124/09, with the addition of a 90-day notice period for ratepayers.

The process to be followed is as follows:

Step 1. The Municipality shall consider the implication of any increase in wholesale water rates approved by the MWSB for the Utility, and determine whether or not the increase needs to be passed on to its ratepayers to maintain the adequacy of rates.

Step 2. If the cost increase is to be reflected in the rates of the Utility, and with the one exception that changes in the rate of water losses in the system may also be included, the Municipality need only inform its ratepayers/customers and the Board of the pass through rate change, with a minimum of 90 days notice. This Notice must include information for ratepayers on their ability to respond to the Board regarding the increase.

Step 3. If rates are to change for any other reason or in any amount other than the exact wholesale increase, the Municipality must make application to the Board, which may decide

to proceed to hear the application by way of a paper-based process or by way of an oral public hearing.

Step 4. For such pass through rate changes, the Municipality shall file an amended rate By-Law with the Board, along with a copy of the Notice provided to ratepayers.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water rates for the Gilbert Plains Municipality, Gilbert Plains Rural Water Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2020, January 1, 2021, and January 1, 2022.
2. The request to pass through wholesale water price increases from the Manitoba Water Services Board, using the steps as outlined in this Board Order, for the Gilbert Plains Rural Water Utility, BE AND ARE HEREBY APPROVED.
3. The cost allocation methodology for shared services as submitted by the Gilbert Plains Municipality BE AND IS HEREBY APPROVED.
4. The Gilbert Plains Municipality is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.
5. The Gilbert Plains Municipality amend its water 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.
6. The Gilbert Plains Municipality review its water rates for the Gilbert Plains Rural Water 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 December 31, 2022.
7. The Gilbert Plains Municipality file a deficit application for 2017 by no later than February 28, 2020.

8. The Gilbert Plains Municipality provide a copy of the Audited Financial Statements for 2018 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.pubmanitoba.ca.

Fees payable upon this Order - \$650.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 184/19
issued by The Public Utilities Board


Assistant Associate Secretary

SCHEDULE A

GILBERT PLAINS MUNICIPALITY RURAL WATER UTILITY WATER UTILITY RATES BY-LAW NO. 2019-04 SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

<u>All Water Consumption</u>	<u>1,000 Gallons per quarter</u>
First 10,000 gallons per quarter	\$12.29
Over 10,000 gallons per quarter	\$11.29
Quarterly Service Charge	\$20.02

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 Customers

<u>Meter Size</u>	<u>Water Included (Gallons)</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	3,000	\$20.02	\$36.87	\$56.89
¾ inch	6,000	\$20.02	\$73.74	\$93.76
1 inch	12,000	\$20.02	\$145.48	\$165.50
1 ½ inch	30,000	\$20.02	\$348.70	\$368.72
2 inch	75,000	\$20.02	\$856.75	\$876.77

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

<u>All Water Consumption</u>	<u>1,000 Gallons per quarter</u>
First 10,000 gallons per quarter	\$13.58
Over 10,000 gallons per quarter	\$13.08
Quarterly Service Charge	\$21.54

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 Customers**

<u>Meter Size</u>	<u>Water Included (Gallons)</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	3,000	\$21.54	\$40.74	\$62.28
¾ inch	6,000	\$21.54	\$81.48	\$103.02
1 inch	12,000	\$21.54	\$161.96	\$183.50
1 ½ inch	30,000	\$21.54	\$397.40	\$418.94
2 inch	75,000	\$21.54	\$986.00	\$1,007.54

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2022

All Water Consumption

1,000 Gallons per quarter

All Volumes

\$14.87

Quarterly Service Charge

\$23.06

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 Customers**

<u>Meter Size</u>	<u>Water Included (Gallons)</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	3,000	\$23.06	\$44.61	\$67.67
¾ inch	6,000	\$23.06	\$89.22	\$112.28
1 inch	12,000	\$23.06	\$178.44	\$201.50
1 ½ inch	30,000	\$23.06	\$446.10	\$469.16
2 inch	75,000	\$23.06	\$1,115.25	\$1,138.31

The following clauses take effect January 1, 2020:**3. Service to Customers Outside Utility's Limits**

The Council of Gilbert Plains Municipality may sign Agreements with customers for the provision of water services to properties located outside the legal boundaries of Gilbert Plains Rural Utility. 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 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 Gilbert Plains Rural Utility 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

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

5. Disconnection and Reconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the Municipality 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 Municipality's office.

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$35.00 have been paid.

Any customer wishing to have billing disconnected due to vacancy of premises shall be required to have service disconnected and to pay \$35.00 reconnection fee when service resumes.

6. Liability for Charges

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water services, including fines and penalties, are a lien and charge upon the land serviced, and may be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

7. 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.

8. Water Meters

Water meters are owned by the Municipality, but are the responsibility of the Utility customer to maintain. If the water meter is broken, frozen, etc., the Utility customer will be billed for a new meter at the current cost of replacement.

9. Meter Testing

That in any case where a Utility customer requests that a meter be tested for accuracy, the customer will provide the Municipality with a deposit of \$100. The Municipality will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be faulty, all costs associated with the testing process will be borne by the Municipality and the deposit will be refunded to the customer and the customer's account will be adjusted for the preceding four (4) months. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

10. 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 Municipality's water system.

If a condition is found to exist which, in the opinion of the Municipality, is contrary to the aforesaid, the Municipality may either:

Shut off the service or services; or

Give notice to the customer to correct the fault at his or her own expenses within a specified time period.

11. Conditions of Disrepair

In the event that there are conditions of disrepair in the 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.

12. Authorization for Officer to Enter Upon Premises

The Public Works Supervisory, or other employee authorized by the Municipality in the absence of the Public Works Supervisor, 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 Municipality.