

Order No. 25/19

**RURAL MUNICIPALITY OF THOMPSON
MIAMI URBAN WATER AND WASTEWATER UTILITY
WATER & WASTEWATER RATES
EFFECTIVE APRIL 1, 2019, JANUARY 1, 2020 and JANUARY 1, 2021**

February 25, 2019

**BEFORE: Carol Hainsworth, Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised water and wastewater rates for the Rural Municipality of Thompson (RM) Miami Urban Water and Wastewater (Utility). The approved rates are shown below:

	Current Rates	April 1, 2019 Rates	January 1, 2020 Rates	January 1, 2021 Rates
Quarterly service charge	\$ 5.15	\$ 5.88	\$ 6.61	\$ 7.35
Water per cubic meter*	\$ 3.24	\$ 3.52	\$ 3.72	\$ 3.48
Wastewater per cubic meter	\$ 0.40	\$ 0.50	\$ 0.60	\$ 0.71
Minimum quarterly charge - water & wastewater**	\$ 56.11	\$ 62.16	\$ 67.09	\$ 66.01
Minimum quarterly charge - water only**	\$ 50.51	\$ 55.16	\$ 58.69	\$ 56.07
Bulk water (per 1,000 gallons)***	\$ 14.50	\$ 15.00	\$ 15.00	\$ 15.00
Reconnection fee	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Hydrant rental	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
Deficit Recovery per cubic meter****	\$ 0.45	\$ 0.45	\$ 0.45	\$ -

*Includes deficit recovery rate rider for April 1, 2019 and January 1, 2020 rates

**Based on 14 cubic meter

***For quantity of 500 gallons or less, the minimum charge will be \$8.00

****Deficit Recovery for years 2013-2015 approved in Board Order No. 3/17 for three year period commencing April 1, 2017

Note the water rates in the table include the pass-through rate increase from the PVWC of \$0.16 per 1,000 gallons as outlined in By-law 8/18.

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

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

2.0 Background

The RM owns and operates a water and wastewater utility serving 206 customers. All water utility customers are metered. Utility bills are mailed out quarterly separate from property tax bills. The Utility does not extend services outside the Miami service area.

Rates were last approved in Board Order 177/07 and are periodically increased by pass-through rate increases from the Pembina Valley Water Cooperative (PVWC).

In Order 3/17, the Board approved the recovery of deficits incurred from 2013 to 2015 in the amount of \$34,886 through a rate rider of \$0.45 per cubic meter over three (3) years or until the deficit is paid in full, whichever comes first. The rate rider took effect in April 1, 2017.

Water Supply/Distribution

The RM purchases treated water from the PVWC. Treated water is re-chlorinated at the Miami plant and then distributed to both the Miami Urban and Thompson Rural Utilities. Water lines were installed in the early 1960's.

Unaccounted - for Water

As per the Board's Guidelines, the acceptable percentage of unaccounted for water is 10%, which is an industry standard. The Utility's unaccounted for water is 17% for 2016 and is higher than the Board's guideline of 10%.

The Water is purchased from the PVWC and metered at the Miami plant then distributed to both the Miami and Thompson rural utilities. The Water is allocated to each utility based on percentage of water sold.

Wastewater Collection/Treatment

The sewage lagoon consists of two (2) lagoon cells with room for expansion. Discharges are made to a channel and then into an adjacent creek. The sewer lines were installed in the early 1960's.

3.0 Application

On August 24, 2017, the Board received an application for revised rates from the RM for the Utility. The application was accompanied by a rate study completed by the RM's Consultant and By-law 10/17 read for the first time on June 22, 2017.

The RM states that the revised water and wastewater rates are primarily required to cover the annual operating deficit in the Utility, provide contingency funding and because of increases in sewage treatment and disposal costs.

A Public Notice of Application was issued on September 12, 2017 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate increases. No stakeholder responses were received.

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing. The Board has reviewed the application and has chosen a paper review process.

Since the publication of the Notice of Application, the RM passed By-law 8/18 which received 3rd reading on March 22, 2018. This By-law increased the water commodity price from \$3.16 per cubic meter to \$3.24 per cubic meter, because of PVWC increasing the cost to purchase bulk water.

There are no capital projects for the Utility included in the RM's five (5) year capital plan.

The rates were calculated based on the following revenue projections and an inflation rate of 2% in all calculations.

Schedule of Utility Rate Requirements - Miami Water and Wastewater Utility			
2019 to 2020 Budget Forecasts (\$)			
	2019	2020	
General			
Expenses			
Administration	5,100.00	5,202.00	
Billing and Collection	1,821.00	1,857.00	
Total General Expenses	6,921.00	7,059.00	
Revenue			
Penalties	800.00	800.00	
Other Revenue	200.00	200.00	
Total General Revenue	1,000.00	1,000.00	
Net Costs General	5,921.00	6,059.00	
Water			
Expenses			
Purification and treatment	14,415.00	14,704.00	
Water purchases	63,985.00	65,264.00	
Interest on long term debt	5,998.00	5,500.00	
Total Water Expenses	84,398.00	85,468.00	
Revenue			
Bulk water fees	1,500.00	1,500.00	
Hydrant rentals (12 @ \$75)	1,000.00	1,000.00	
Total Water Revenue	2,500.00	2,500.00	
Net Costs Water	81,898.00	82,968.00	
Wastewater			
Expenses			
Collection system costs	2,601.00	2,653.00	
Treatment and disposal cost	9,057.00	9,238.00	
Interest on long term debt	6,455.00	6,455.00	
Total Wastewater Expenses	18,113.00	18,346.00	
Revenue			
Lagoon tipping fees	-	-	
Net Costs Wastewater	18,113.00	18,346.00	

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 2017 audited financial statements, the working capital deficit at December 31, 2017 was:

	2017	2016	2015
Fund Surplus	\$309,664	\$315,359	\$332,202
Deduct Tangible Capital Assets	(\$370,653)	(\$385,923)	(\$401,193)
Add Long-Term Debt	-	-	-
Add Utility Reserves	\$32,130	\$34,098	\$28,824
Equals Working Capital (Deficit)	(\$28,859)	(\$36,466)	(\$39,167)
Expenses	\$111,107	\$102,847	\$103,342
20% of Expenses (Target)	\$22,221	\$20,569	\$20,668

The above-noted working capital calculation for the Utility does not meet the Board recommended 20% of operating expenses.

The RM is projecting an improvement of the working capital position as the 2013 to 2015 deficits are being recovered through rate riders (as of April 1, 2017) and as the proposed rate increases take effect. The Utility is forecasted to have a working capital surplus of \$39,964 in 2020.

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.

Rural Municipality of Thompson- Miami Urban Utility Allocation Plan for Non-Direct Shared Services	
Category/Subcategory	Allocation of Costs
1.0 Administrative Staff	\$5,000 in 2018; increasing by 2% a year thereafter for Administration
1.1 Billing services – meter reading to receipting and collection	\$1,750 in 2018, increasing by 2% a year thereafter
1.2 Accounting/Auditing/ including by-law making and enforcement	
1.3 Common Office Space	
1.4 Office Overhead (telephone, photocopier, computer, etc.)	
2.0 Operating, Construction and Maintenance Costs	
2.1 Vehicle – fuel, maintenance, lease costs, capital costs	There is no charge of the Utility for vehicle usage
2.2 Labour – full time, part time, on call, sick time, vacation, Note 2	\$5,000 in 2018, increasing by 2% a year thereafter
2.3 Public Works building and property	Costs that could be charged to the Utility are minimal And at present nothing is allocated to the Utility
2.4 Road repairs and alike (note 3)	Based on actual costs
3.0 Major Projects	
3.1 Interest/Financing	N/A
3.2 Labour	Based on actual costs
3.3 External costs	Direct Charge (dedicated consulting)

Note 1: Allocation must be updated periodically to reflect the 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 e.g. re-constructing a road and replacing services at the same time – a portion of the road work may be allocated to the utility.

Contingency Allowance and Utility Reserves

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

The RM has included in the rates a contingency allowance of 10% of net rate costs, less amortization expenses and interest costs. This equates to \$7,747 for water and \$1,189 for wastewater.

There is no transfer to Utility Reserve included in the application. The RM finds that the annual amortization of \$11,955 for water and wastewater infrastructure, net of capital grant amortization, should be sufficient to fund future capital needs.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be acceptable. The Board approves the wastewater rates but varies the water commodity rates as per below, both effective April 1, 2019, January 1, 2020 and January 1, 2021.

There has been pass-through rate increases since the RM had submitted the rate application. The water commodity rates have been re-calculated below to include the pass-through rates.

		Pass-through	
By-law 06/07	\$ 2.63		
By-law 7/17	\$ 3.16	\$ 0.08	
By-law 8/18	\$ 3.24	\$ 0.08	
Total pass through increases		\$ 0.16	
<u>Water commodity rates</u>			
Calculation of water rates - 2020 forecast			
Water net rate costs		\$ 82,968	
Contingency allowance		\$ 7,747	
		\$ 90,715	
Total billed water sales volume	27,335		
Indicated water rate		\$ 3.32	
<u>Approved Water rates (per cubic meter)</u>			
	Rates applied for	Pass-through	Approved Rates
April 1, 2019*	\$ 3.36	\$ 0.16	\$ 3.52
January 1, 2020*	\$ 3.56	\$ 0.16	\$ 3.72
January 1, 2021	\$ 3.32	\$ 0.16	\$ 3.48
*Rate rider of \$0.45 per cubic meter included			

The Board approves the Cost Allocation Methodology and reminds the RM that this method must be used consistently and requires Board approval should any further changes be considered.

The Board is concerned with the percentage of unaccounted for water losses and encourages the Utility to seek solutions and work with the PVWC to reduce these losses to within acceptable levels.

By law, Manitoba utilities are not allowed to incur deficits. After reviewing the audited financial statements, it appears there is a deficit in years 2016 and 2017. The Board directs the RM to review its 2016 and 2017 audited financials statements and submit a PUB Schedule 9 with deficit application if applicable, with a proposed method of recovery, on or before April 30, 2019.

The Board is sensitive to customer reaction to the magnitude of the rate increases, however, must consider the sustainability of the Utility when approving rates. It has been 12 years since a rate change has taken place for the Miami Urban Utility. Consumers are generally more tolerant of regular, smaller increases. The RM needs to be more diligent in conducting regular reviews of its revenue requirements.

The Board would like to remind the RM that regular reviews are important for a financially sound utility and encourages the RM to review Board Order No. 86/17 for future rate applications. The Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the RM finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

The Board requires the RM to review its water and wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, on or before December 31, 2021.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality of Thompson – Miami Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective April 1, 2019, January 1, 2020, and January 1, 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Thompson BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Thompson review its 2016 and 2017 audited financial statements and submit a PUB Schedule 9 and an application to recover deficits, should a deficit materialize.
4. The Rural Municipality of Thompson is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
5. The Rural Municipality of Thompson 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.
6. The Rural Municipality of Thompson review the Miami Water and Wastewater Utility water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before December 31, 2021.

Fees payable upon this Order - \$500.00


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. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."
Panel Chair

"Rachel McMillin, BSc."
Assistant Associate Secretary

Certified a true copy of Order No. 25/19 issued by
The Public Utilities Board


Assistant Associate Secretary

SCHEDULE "A"

RURAL MUNICIPALITY OF THOMPSON MIAMI URBAN UTILITY WATER & WASTEWATER UTILITY RATES BY-LAW NO. 10/17

SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge

April 1, 2019

Rates per Cubic Meter

Cubic Meter per quarter

(Water Rate includes Deficit Rate Rider, see Clause 3)

Water	Wastewater	Water & Wastewater
\$3.52	\$.50	\$4.02

Quarterly Service Charge \$5.88

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 & Wastewater Customers

Meter Size	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 & 3/4 inch	1	14	\$5.88	\$49.28	\$7.00	\$62.16
1 inch	2	28	\$5.88	\$98.56	\$14.00	\$118.44
1 ½ inch	5	70	\$5.88	\$246.40	\$35.00	\$287.28
2 inch	12.5	175	\$5.88	\$616.00	\$87.50	\$709.38

b) Water Only Customers

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

c) Bulk Water Sales

All water sold in bulk by the Miami Utility will be charged at the rate of \$15.00 per 1,000 gallons (includes Deficit Rate Rider; see Clause 3). For any quantity of 500 gallons or less, the minimum charge will be \$8.00.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per Cubic Meter

Cubic Meter per quarter

(Water Rate includes Deficit Rate Rider, see Clause 3)

Water	Wastewater	Water & Wastewater
\$3.72	\$.60	\$4.32

Quarterly Service Charge \$6.61

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 & Wastewater Customers

Group	Water Capacity	Water Included	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
Meter Size	Ratio	Cubic Meters	Charge	Charge	Charge	Minimum
5/8 & 3/4 inch	1	14	\$6.61	\$52.08	\$8.40	\$67.09
1 inch	2	28	\$6.61	\$104.16	\$16.80	\$127.57
1 ½ inch	5	70	\$6.61	\$260.40	\$42.00	\$309.01
2 inch	12.5	175	\$6.61	\$651.00	\$105.00	\$762.61

b) Water Only Customers

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

c) Bulk Water Sales

All water sold in bulk by the Miami Utility will be charged at the rate of \$15.00 per 1,000 gallons (includes Deficit Rate Rider; see Clause 3). For any quantity of 500 gallons or less, the minimum charge will be \$8.00.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per Cubic Meter

Cubic Meter per quarter

Water	Wastewater	Water & Wastewater
\$3.48	\$.71	\$4.19

Quarterly Service Charge \$7.35

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 & Wastewater Customers

Group	Water	Customer	Water	Wastewater	Water & Wastewater	
Capacity	Included	Service	Commodity	Commodity	Total Quarterly	
Meter Size	Ratio	Cubic Meters	Charge	Charge	Minimum	
5/8 & 3/4 inch	1	14	\$7.35	\$48.72	\$9.94	\$66.01
1 inch	2	28	\$7.35	\$97.44	\$19.88	\$124.67
1 ½ inch	5	70	\$7.35	\$243.60	\$49.70	\$300.65
2 inch	12.5	175	\$7.35	\$609.00	\$124.25	\$740.60

b) Water Only Customers

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

c) Bulk Water Sales

All water sold in bulk by the Miami Utility will be charged at the rate of \$15.00 per 1,000 gallons. For any quantity of 500 gallons or less, the minimum charge will be \$8.00.

The following clauses take effect April 1, 2019:

3. Deficit Rate Rider

In accordance with PUB Order # 3/17 a rate rider for deficit recovery which states: “The actual operating deficits, when calculated for regulatory purposes, for 2013 of \$11,017 and 2014 of \$10,813 and 2015 of \$13,056 incurred in the Rural Municipality of Thompson-Miami water and wastewater utility are HEREBY APPROVED to be recovered by a rate rider of \$0.45 per cubic meter over three (3) years or until the total deficit is paid in full, whichever comes first. The rate rider is effective from April 1, 2017 and notice is to be provided with the March billing.”

4. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Thompson may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of Grandview. 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 Miami's boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, 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 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.

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 Municipality (ie. 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 \$35.00 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 wastewater 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 Charges

The Rural Municipality of Thompson, or any other hydrant owner, will pay to the Utility an annual fee of \$75.00 for each hydrant connected to the system which shall include the cost of water used 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 lines in the water 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. Wastewater 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

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 \$200. 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. 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.

13. Cross Connections

No customer or person shall connect, cause to be connected or allow to remain connected to 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 expense within a specified time period.

14. Conditions of Disrepair

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