

**Order No. 4/19**

**MUNICIPALITY OF SOURIS-GLENWOOD  
SOURIS-GLENWOOD WATER AND WASTEWATER UTILITY  
INTERIM *EX PARTE* WATER & WASTEWATER RATES**

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**January 3, 2019**

**BEFORE:** Shawn M<sup>c</sup>Cutcheon, Panel Chair  
Irene Hamilton, Panel Member

## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves, for one year, on an interim *ex parte* basis, water and wastewater rates applied for by the Municipality of Souris-Glenwood (Municipality), for the Souris-Glenwood Water and Wastewater Utility (Utility).

The revised rates are to be effective January 1, 2019. The approved rates are shown below.

	<b>Current By-Law 1820</b>	<b>Proposed Year 1 By-Law 19-2018</b>
Domestic Water Rate (\$/100 cubic feet)	\$ 5.59	\$ 7.50
Wastewater (\$/100 cubic feet)	\$ 3.23	\$ 3.43
Quarterly Service Charge	\$ 15.10	\$ 16.53
Minimum Quarterly Charge*	\$ 59.20	\$ 71.18
Bulk Water Rates (\$/1,000 gallons)	\$ 16.50	\$ 26.00
*Based on 500 cubic feet		

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

## 2.0 Application

On May 2, 2018, the Municipality applied for revised water and wastewater rates for the Utility. The application was accompanied by a rate study prepared by the Municipality's consultant, By-law No. 19-2018 having had first reading April 9, 2018, and Council Resolution No. 2018-049 requesting rates be set on an interim *ex parte* basis, effective July 1, 2018.

The Board also received a deficit application for the recovery of actual deficits incurred in 2013 and 2014. Council Resolution No. 2018-050 requested that the deficits be recovered through a rate rider collected over a three-year period, based on water usage.

The Municipality's Utility rates were last approved in Board Order No.76/07 with the last rate increase occurring January 1, 2009.

The Municipality is requesting interim rates because the Utility continues to incur shortfalls and deficits.

The deficit application states that the deficits are a result of the rates not having been increased since 2009 and operating expenses continuing to rise. Revenues are declining due to energy efficient appliances, and the flood of 2011 was very costly for operation of the water and wastewater systems.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public 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 interests of the Utility and its customers, the Board may review the application using a paper review process.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for, and are then subject to a Public Notice of Application and the Board's review using one of the processes outlined above, before being confirmed as final by Board Order.

Since this process allows a municipality to temporarily circumvent the Board's review process, it is reserved for instances where a municipality can show there is a compelling argument to allow it. This is usually done by showing the Board that the utility is experiencing operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

### **3.0 Board findings**

The Board approves, on an interim *ex parte* basis, the water and wastewater rates as applied for by the Municipality for one year effective January 1, 2019. The Board makes

this interim rate decision to mitigate the operating deficits the Souris-Glenwood Utility is experiencing. The Board is not usually supportive of retroactive rates, but given the urgency and timing to the beginning of the quarter, the Board has made an exception.

A Notice of the Application to inform the ratepayers of the interim water and wastewater rate increases will be issued.

After reviewing the deficit applications, the Board found that the Utility has been incurring deficits since 2013, which indicates the rates that the Municipality has been charging for last 10 years have not been sufficient to cover the Utility's expenses. In addition to the 2013 and 2014 deficits, the Utility also incurred deficits in 2015, 2016 and 2017.

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, a Utility is required to obtain Board approval for a method of recovery. To date the Municipality has only applied for the recovery of the 2013 and 2014 deficits. The Board directs the Municipality to submit a deficit application and method of recovery by January 31, 2019 for the years 2015, 2016 and 2017. To avoid applying multiple rate riders to the ratepayers, the Board will review the deficit applications once the all completed applications and supporting documents have been received.

The Board notes it has been 12 years since the Municipality's rates were last approved, which was in Board Order No. 76/07, issued in June 2007, and 10 years since the last increase occurred (January 2009). In the Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted in a timelier three-year period, as per the Board's Guidelines, protects the financial position of the Utility and mitigates the need for substantial rate increases. In the case of the Souris-Glenwood Utility, the additional cost of a customer rate rider will become necessary to recover the last five years of utility deficits.

The Board also notes that the Municipality had not previously adjusted the rates to include amortization. As of January 1, 2009, the Public Sector Accounting Board (PSAB) set new standards for public sector accounting. The Government of Manitoba

adopted the new national PSAB standards and required all municipalities and their utilities to comply. PSAB standards have had significant implications with respect to annual financial reporting and utility ratemaking. The requirement for the amortization/depreciation of utility assets to be included as an expense in the utility financial statements has increased the total expenses, which need to be recovered through rates.

Board Order No. 93/09 outlines that utilities are required to establish amortization rates and record annual amortization as an expense of the utility. This Board Order is available on the Board's website. While the Municipality has now provided for amortization within its new rate application (currently before the Board), this was not done in prior years. As a result, there is a significant increase in rates for customers, which now include the amortization expense.

In addition, Board Order No. 76/07 highlighted that the "new rates" at that time (2007-2009) would likely not prove adequate to fund the reported infrastructure renewal program that the Municipality had planned. Inadequate rates combined with the expense of amortization (PSAB compliance) are the main cause of the deficits.

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

Once the deficit applications have been received and the information requests for the rate application responded to, Board Staff will work with the Municipality to expedite the rate application.



**Schedule "A"**MUNICIPALITY OF SOURIS-GLENWOOD  
WATER AND WASTEWATER RATES  
BY-LAW No. 19-2018**SCHEDULE OF QUARTERLY RATE****1. Effective January 1<sup>st</sup>, 2019, Commodity Rates per 100 cubic feet**

	<b>Water</b>	<b>Wastewater</b>	<b>Water &amp; Wastewater</b>
First 2,500 cu. ft. per quarter (Domestic Rate)	\$7.50	\$3.43	\$10.93
Next 22,500 cu. ft. per quarter (Intermediate Rate)	\$6.19	\$3.43	\$9.62
Over 25,000 cu. ft. per quarter (Wholesale Rate)	\$5.08	\$3.43	\$8.51

**2. Minimum Quarterly Rates for Water and Wastewater Customers**

Notwithstanding the Commodity Rates set for in Paragraph 1, hereof, all customers will pay the applicable minimum charges set out below, which will include the water allowances indicated.

**Effective January 1<sup>st</sup>, 2019, the Minimum Quarterly Charges shall be as follows:**

<b>Meter Size</b>	<b>Group Capacity Ratio</b>	<b>Minimum Water Allowance Quarterly in cu. ft.</b>	<b>Quarterly Service Charge</b>	<b>Quarterly Commodity Charges</b>		<b>Minimum Quarterly Bill</b>
				<b>Water</b>	<b>Wastewater</b>	
5/8" & 3/4"	1	500	\$16.53	\$37.50	\$17.15	\$71.18
1"	4	2,000	\$16.53	\$150.00	\$68.60	\$235.13
1 1/2"	10	5,000	\$16.53	\$342.25	\$171.50	\$530.28
2"	25	12,500	\$16.53	\$806.50	\$428.75	\$1,251.78

**3. Minimum Quarterly Rates for Water Only Customers**

Customers with water only services shall be charged the minimum quarterly rate applicable to the customer's meter size less the wastewater charge.

**4. Minimum Quarterly Rates for Wastewater Only Customers**

Customers with wastewater only shall be charged the minimum applicable quarterly rate together with applicable administration fee.

## **5. Bulk Water**

All water sold in bulk by the MUNICIPALITY OF SOURIS-GLENWOOD shall be charged at the rate of \$26.00 per 1,000 gallons.

## **6. Hydrant Rentals**

The MUNICIPALITY OF SOURIS-GLENWOOD will pay to the Utility an annual rental of \$125.00 for each hydrant connected to the system, which includes the cost of water for firefighting.

## **7. Prompt Payment Discounts**

The aforementioned rates are net and no prompt payment discount shall be allowed.

## **8. Billings and Penalties**

Meters are to be read at the end of each quarter. Accounts are billed at the first of the following month, minimum charges being billed in advance together with any excess water used in the preceding quarter. Bills are due and payable by the end of the month in which they are presented.

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.

## **9. Outstanding Bills**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and wastewater service 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. Where charges and penalties pursuant to this by-law are not paid within sixty (60) days from the date when they were incurred, the CAO may add said charges and penalties to the taxes of the property and collect them in the same manner as other taxes.

## **10. Service to Customers outside the Municipal Boundaries**

The Council for the MUNICIPALITY OF SOURIS-GLENWOOD may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the Town. Such agreements shall provide for payment of the appropriate rates set out in paragraph 2 (a), (b) and (c), 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 the Town boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

## **11. Disconnection**

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.

**12. Reconnection**

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

**13. Temporary/Seasonal Disconnection of Service**

Any service disconnection for longer than five (5) days by request of owner/occupant due to the building being vacant by way of vacation, or non-occupancy shall be charge a reconnection fee of \$50.00, which shall be added to the utility account and collected along with the next scheduled billing.

**14. 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 that customer for the current quarter shall be the average of the billings for the last two previous quarters for the same customer, or to the same premises if the occupant has changed.

**15. Temporary Water Service**

That in any case where at the request of the Public Works Department, a customer is provided with a temporary water service from another utility customer, the charge to both customers for the current quarter shall be the average of the billings for the last four previous quarters to each customer, or the same premises if the occupant has changed.

**16. Meter Replacement**

Where the meter requires replacement due to damage or freezing, the cost of the meter plus 20% and a labour fee of \$75.00, shall be added to the utility account and collected along with the next scheduled billing.