

Order No. 50/20

**RURAL MUNICIPALITY OF ALEXANDER
GREAT FALLS WATER AND WASTEWATER UTILITY
FINAL WATER RATES**

April 3, 2020

**BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Mike Watson, Panel Member**

Table of Contents

1.0 Executive Summary 3

2.0 Background 3

 Water Supply/Distribution 4

 Wastewater Collection/Treatment..... 4

 Unaccounted for Water 5

3.0 Application 5

 Working Capital Surplus/Deficit 6

 Contingency Allowance and Utility Reserves..... 7

 Cost Allocation Methodology 7

4.0 Board Findings..... 8

5.0 IT IS THEREFORE ORDERED THAT:..... 8

 SCHEDULE A..... 10

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves as final the water and wastewater rates as applied for by the Rural Municipality of Alexander (RM), Great Falls Water and Wastewater (Utility). Board Order No. 175/19 previously established these rates on an interim *ex parte* basis.

The approved rates are as follows:

	Current Rates	January 1, 2020
Quarterly Service Charge	\$15.00	\$15.00
Water (per 1,000 gallons)	\$14.00	\$31.40
Wastewater (per 1,000 gallons)	\$10.65	\$10.65
Minimum Quarterly Charge*	\$88.95	\$141.15
Bulk Sales Rate	\$13.75	\$31.40**
Hydrant Rental Charge	\$100.00	\$100.00

*Based on 3,000 gallons

**For any quantity of 500 gallons or less the minimum charge will be \$15.70

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

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

2.0 Background

Until recently, Manitoba Hydro owned and operated a water treatment plant in the RM and supplied treated water to the Utility at no charge. A new water treatment plant was recently constructed at a cost of \$5,350,000. The Utility assumed operation of the new water treatment plant and began distribution on July 1, 2019.

Manitoba Hydro plans to continue use of the existing water treatment plant pumping equipment, which supplies untreated water for fire hydrants in the community. The rate study notes, any costs associated with decommissioning the water treatment components of the plant will be borne by Manitoba Hydro.

The new water treatment plant and wastewater collection system are owned and operated by the RM servicing 92 customers. The new water treatment plant will now require water purification and treatment costs as Manitoba Hydro no longer supplies treated water at no charge.

Water Supply/Distribution

The water treatment plant was commissioned in in late 2019, replacing the water treatment plant owned and operated by Manitoba Hydro. The new plant uses fresh water from the Winnipeg River and operates both ultra-filtration and nano-filtration membrane systems, along with chlorine disinfectant to clean, disinfect, and store water for distribution. The plant is rated for production of up to 8L/s.

The water distribution system consists of approximately 25km of water mains delivering water to properties from Great Falls to Winnipeg River Drive. Approximately 50% of the water mains are made of high-density polyethylene (HDPE) and are approximately 30 years of age and in good condition. The remainder of the water mains are either cast iron or concrete. The water mains are approximately 50 years of age and in poor to good condition.

Wastewater Collection/Treatment

The wastewater collection system operates on a gravity basis consisting of approximately 25km of sewer mains and a lift station collection point. The lift station utilizes two 10hp electric pumps to discharge wastewater to the town wastewater lagoon, approximately 3km north of the town. Approximately 50% of the collection system made of is either polyvinyl chloride (PVC) or HDPE pipe and is about 30 years of age and in good condition. The remainder of the collection system is concrete asbestos pipe and is approximately 50 years of age and in poor to good condition.

The lagoon operates a two-cell (primary & secondary) system and is discharged annually according to license requirements. The RM advises the lagoon is functioning well at this time and is considered in good condition.

The Town of Great Falls also operates about 5km of storm sewer (land drainage) which is connected to the wastewater lift station. Fire hydrants in Great Falls are supplied with water from Manitoba Hydro using non-potable water from the old water supply plant.

Unaccounted for Water

Manitoba Hydro previously provided treated water at no cost. The RM does not have any record of the unaccounted for water from that water treatment plant and does not have data for the new plant to date.

3.0 Application

On October 18, 2019, the RM applied for initial interim *ex parte* water and wastewater rates for the Utility. The application was accompanied by a rate study prepared by the RM's consultant and by-Law 05/19 having had first reading October 8, 2019.

On November 29, 2019, the Board approved interim *ex parte* water and wastewater rates as applied for by the RM in Board Order No. 175/19. The RM's Utility rates were last approved in Board Order No. 60/15, with the last rate increase occurring January 1, 2014.

A Public Notice of Application was issued on December 4, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before January 3, 2019. The Board received one response.

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. 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 RM's application.

The water rates were calculated based on the following projections:

	2020
Water Expenses	
Purification and Treatment	\$34,053
Connection Costs	322
Transmission and Distribution	7,736
Amortization	133,750
Interest on Long-Term Debt	12,600
Contingency	3,831
Total Water Expenses	\$192,292
Water Revenue	
Hydrant Rentals	\$800
Bulk Water Fees	3,000
Property Taxes – Debt Payments	28,331
Total Water Revenue	\$32,131
Net Costs Water	\$160,161

The RM is not requesting any increases to the existing quarterly service charge nor the existing wastewater rates.

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 2018 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility as at December 31, 2018 was:

	2018
Fund Surplus/(Deficit)	\$3,219,925
Deduct: Tangible Capital Assets	(3,890,229)
Add: Long-Term Debt	-
Add: Utility Reserve	61,567
Working Capital Surplus/(Deficit)	\$(608,737)
Total Operating Expenses	\$41,647
20% of Operating Expenses	\$8,329

The Utility does not meet the Board's target of 20% of operating expenses.

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 a contingency allowance of \$3,831 for water.

The RM is not requesting a reserve allowance.

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 the cost allocation methodologies can be found in Board Order No. 93/09.

The RM is not requesting any changes to its existing Cost Allocation Methodology.

4.0 Board Findings

The Board has reviewed the rate application and the projections presented by the RM and finds them to be reasonable. The Board grants approval for the water rates as applied for effective January 1, 2020.

The Board notes the RM is not requesting any changes to the existing Cost Allocation Methodology and reminds the RM this methodology must be used consistently. Any changes to the cost allocation methodology require Board approval prior to its enforcement.

The Board requires the RM to review its water and wastewater rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates on or before December 31, 2020.

The Board directs the RM to monitor the new water treatment plant performance and if the RM becomes aware the rates approved in this Order are inadequate to cover the operating costs of the Utility, the Board encourages the RM to submit a revised Rate Application as soon as possible.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality Alexander, Great Falls Water and Wastewater Utility, as approved on an interim *ex parte* basis in Board Order No. 175/19, BE AND ARE HEREBY CONFIRMED AS FINAL in accordance with the attached Schedule A, effective January 1, 2020.
2. The Rural Municipality of Alexander amend its water and wastewater By-Law for the Great Falls Water and Wastewater Utility to reflect the decisions in this Order and file a copy with the Public Utilities Board, as soon as it has received third and final reading.

3. The Rural Municipality of Alexander provide a notice to its customers, including the decisions in this Order and submit a copy to the Public Utilities Board.
4. The Rural Municipality of Alexander 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 December 31, 2020.

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.

Fees payable upon this Order – \$500.00

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, Q.C"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 50/20 issued
by The Public Utilities Board


Assistant Associate Secretary

SCHEDULE A

RURAL MUNICIPALITY OF ALEXANDER GREAT FALLS WATER AND WASTEWATER UTILITY WATER & WASTEWATER UTILITY RATES BY-LAW NO. 05/19 SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Wastewater	Water & Wastewater
\$31.40	10.65	\$42.05

Quarterly Service Charge \$15.00

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

<u>Meter Size</u>	<u>Water Included (Gallons)</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Water & Wastewater Total Quarterly Minimum</u>
5/8 inch	3,000	\$15.00	\$94.20	\$31.95	\$141.15
¾ inch	6,000	\$15.00	\$188.40	\$63.90	\$267.30
1 inch	12,000	\$15.00	\$376.80	\$127.80	\$519.60

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) Wastewater Only Customers

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

3. Bulk Water Sales

All water sold in bulk by the Great Falls Water and Wastewater Utility shall be charged for at the rate of \$31.40 per 1,000 gallons on a prorated basis for all quantities greater 500 gallons. For any quantity of 500 gallons or less the minimum charge will be \$15.70.

The following clauses take effect January 1, 2020:

4. Service to Customers Outside Utility's Limits

a) The Council of the Rural Municipality of Alexander may sign Agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the Unincorporated Community of Great Falls. 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 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.

b) 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 shall be due and payable the last working day of the month following the month in which the bills are issued. A late payment penalty charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing due date.

6. Disconnection

- a) The Public Utilities Board has approved the Conditions Precedent to be followed by the Rural 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 Rural Municipality's office.
- b) Service may be disconnected upon request of the property owner following a payment of \$50.00 for said disconnection service.

7. Reconnection

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

9. Hydrant Charges

The Unincorporated Community of Great Falls will pay to the Utility an annual rental fee of \$100.00 for each hydrant connected to the system.

10. Water Allowance Due to Line Freezing

The in any case where, at the request of the Rural Municipality, 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 off 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. Water Meters

- a) All customers of the Utility, connected to the Water Utility, shall be metered.
- b) Any new residential customer shall be required to have the meter installed by a qualified plumber certified by the Province of Manitoba, at their sole cost. The certified plumber shall be responsible to:
 - c) Install the meter plus the appropriate Meter Reading mechanism as provided by the Utility; and
 - d) Ensure that the installation is inspected by the Utility's representative and secured in such a manner as established by the Utility
 - e) Ownership, inspection and maintenance of meters shall 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.
 - f) Upon inspection, if it is found that the security mechanism has been altered in any manner, the owner of the property shall be assessed a fee of \$100.00 to ensure an accurate reading, inside meter and outside reader plus re-securing the meter.

13. Meter Testing Charges

- a) Any consumer desiring and requesting that a meter be tested for accuracy shall deposit with the Rural Municipality of Alexander the sum of \$25.00 which shall be retained by the Rural Municipality if the meter, when tested, is found to register within the allowable limits of variation from accuracy. If the meter shall be found to register in excess of allowable limits the deposit shall be refunded and the consumer's account adjusted.
- b) The allowable limit of variation shall be 4% of average flow.