

Order No. 55/20

**RURAL MUNICIPALITY OF RIDING MOUNTAIN WEST
ANGUSVILLE WATER AND WASTEWATER UTILITY
WATER AND WASTEWATER RATES**

April 15, 2020

BEFORE: Shawn McCutcheon, Panel Chair
Mike Watson, Panel Member

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the Rural Municipality of Riding Mountain West (RM), Angusville Utility's (Utility) application for revised water and wastewater rates.

The revised rates are below:

	July 1, 2020	Jan 1, 2021	Jan 1, 2022
Quarterly service charge	\$ 10.31	\$ 13.77	\$ 17.23
Water per 1,000 gallons	\$ 38.28	\$ 39.21	\$ 40.13
Wastewater per 1,000 gallons	\$ 1.25	\$ 1.30	\$ 1.35
Minimum quarterly charge*	\$ 128.90	\$ 135.30	\$ 141.67
Bulk Water Sales per 1,000 gallons	\$ 48.00	\$ 49.00	\$ 50.00
Reconnection Fee	\$ 30.00	\$ 30.00	\$ 30.00
Hydrant Rental (Annual)	\$ 125.00	\$ 125.00	\$ 125.00
Deficit Recovery **			
Rate Rider per 1,000 gallons	\$ 11.19	\$ 11.19	\$ 11.19
Minimum quarterly charge with rate rider*	\$ 162.47	\$ 168.87	\$ 175.24

*based on 3,000 gallons

**deficit recovery was approved in Board Order No. 96/18 at a rate of \$11.19 per 1,000 gallons for a period of 5 years commencing October 1, 2018.

Details of other rates can be found in Schedule A.

The reasons for the Board's decisions are under Board Findings.

2.0 Background

The Utility provides water service to 68 customers, including three water only customers.

Water Supply/Distribution

The Utility connected to the new Russell Water Treatment Plant in 2019 and purchases all treated water from Russell.

Wastewater Collection and Treatment

No description of the wastewater system was provided.

3.0 Board Methodology

Review Process

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.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

Interim *ex parte* Approval

Interim *ex parte* rates are typically approved as applied for and are then subject to a standard Board review process, including a Public Notice of Application, before being confirmed as final by Board Order.

Since this process allows a municipality to charge ratepayers revised rates in advance of the Board's comprehensive review, it is reserved for instances where a municipality can show a compelling argument to allow it.

Contingency Allowance and Utility Reserves

The Board's Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs.

Working Capital

Board Order No. 93/09 established utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is the Utility fund balance, excluding any capital-related items plus Utility reserves.

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

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 (CAM). This policy must be submitted to the Board for approval and cannot be changed without approval by the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

Unaccounted for Water

Water losses may be caused by such events as distribution line losses, service leaks, water used for fire fighting or line flushing, and under-registration of water meters. The Board Guidelines require utilities to compare the volume of water produced or purchased against the volume of water sold, to determine the percentage of unaccounted for water. Unaccounted for water volumes of approximately 10% are considered industry standard.

The Board expects any utility experiencing a greater volume of unaccounted for water to provide an explanation and plan to address the water losses.

4.0 Application

On April 5, 2019, the Board received the RM's application for revised water and wastewater rates. The application was accompanied by a rate study completed by the RM's consultant and By-law 2019-07, read for the first time on March 20, 2019.

The Board issued a Public Notice of Application on May 2, 2019 affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rate changes. The Board did not receive any responses to the Notice.

The rates were calculated using the following revenue requirement projections:

	Rate Year 1	Rate Year 2	Rate Year 3
General Expenses			
Administration (building, office, staff, etc)	4,520	4,611	4,703
Working capital contribution			650
Total expenses general	4,520	4,611	5,353
Penalties	665	665	665
Total revenue general	665	665	665
Net revenue requirement - general	3,855	3,946	4,688
Water Expenses			
Purification and treatment	8,650	8,823	8,999
Water purchases	17,036	17,377	17,725
Transmission and distribution	18,792	19,168	19,551
Amortization	15,150	15,150	15,150
Interest on long term debt	2,790	2,452	2,096
Reserves	1,000	1,000	1,000
Contingency	4,297	4,297	4,297
Total expenses water	67,715	68,267	68,819
Connection fees	402	402	402
Hydrant rentals	1,500	1,500	1,500
Bulk water fees	1,400	1,400	1,400
Amortization of capital grants	4,864	4,864	4,864
Taxation revenues	8,925	8,925	8,925
Total revenue water	17,091	17,091	17,091
Net revenue requirement - water	50,624	51,176	51,728
Wastewater Expenses			
Wastewater collection system	1,818	1,854	1,891
Wastewater treatment and disposal	1,020	1,040	1,061
Amortization	1,786	1,786	1,786
Reserves	1,000	1,000	1,000
Total expenses wastewater	5,624	5,680	5,738
Lagoon tipping fees	4,000	4,000	4,000
Amortization of capital grants	127	127	127
Total revenue wastewater	4,127	4,127	4,127
Net revenue requirement - wastewater	1,497	1,553	1,611

The Municipality's consultant calculated the indicated rates for the final rate year requested (2022) and requested rates be implemented in a stable and predictable rate change year over year.

Contingency Allowance and Utility Reserves

The RM has included in the 2022 projections a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$4,297 for water and, due to tipping fee revenues, no contingency provision for wastewater. The RM proposed a transfer to Utility Reserve of \$2,000 per year, split equally between water and wastewater.

Working Capital

As per the 2018 audited financial statements, the Utility's Working Capital Deficit at December 31, 2018 was:

	2018	2017
Accumulated Fund Surplus/Deficit	\$268,862	\$344,865
Deduct tangible capital assets	\$569,896	\$535,850
Add long term debt	\$56,537	\$62,049
Add utility reserves	\$27,729	\$18,589
Equals Working Capital Deficit	(\$216,768)	(\$110,347)
Operating costs	\$185,777	
20% of operating costs (target)	\$37,155	

Operating Deficits

The RM applied to the Board for approval of the 2014, 2015 and 2016 operating deficits. A rate rider of \$11.19 per 1,000 gallons was granted in Board Order No. 96/18. The Board granted approval to begin collecting the rate rider beginning October 1, 2018, for a period of five year, or until \$72,846 is fully recovered, whichever comes first.

Cost Allocation Methodology

The RM's application included a proposal to set the administration cost allocation at .75% of Financial Plan General "At Large" government Services, less Assessment and Grants expenses.

Unaccounted for Water

The Utility indicated the 2017 unaccounted for water was 6%, under acceptable guidelines.

5.0 Board Findings

Having considered the Municipality's filing, reviewed the response to the Notice of Application, and taking into consideration the very limited ratepayer attendance at the Public Information Meeting, the Board finds it appropriate to conduct a paper review process.

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable.

The Utility's Working Capital Deficit is caused, in part, by the cost of connecting to the Russell Utility. The RM advised the Board that the cost paid by Angusville to establish the water line to the Russell Utility was \$111,529, and that is because Russell maintains ownership of that line, these costs were expensed rather than capitalized. The RM also advised \$125,561 from the Gas Tax Reserve will be transferred to the Utility in 2019, to offset the expense recorded in 2018. This will have the effect of improving the Utility's working capital position.

The Board will require the RM to review the financial position of the Utility regularly. The Board directs the RM to submit either a statement of rate adequacy or, if it has determined revised rates are necessary, a rate application no later than June 30, 2023.

The Board reminds the RM 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.

6.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality of Riding Mountain West – Angusville Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective July 1, 2020, January 1, 2021 and January 1, 2022.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Riding Mountain West BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Riding Mountain West amend the Angusville Utility 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.
4. The Rural Municipality of Riding Mountain West review the Angusville Water and Wastewater Utility 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 June 30, 2023.

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

"Shawn McCutcheon"
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 55/20
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF RIDING MOUNTAIN WEST
ANGUSVILLE UTILITY
WATER & SEWER UTILITY RATES BY-LAW NO.
SCHEDULE "A"
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$38.28	\$1.25	\$39.53

Quarterly Service Charge \$10.31

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 & Sewer Customers

	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider (see Clause 4 \$11.19/1,000)	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$10.31	\$114.84	\$3.75	\$33.57	\$162.47
3/4 inch	6,000	\$10.31	\$229.68	\$7.50	\$67.14	\$314.63
1 inch	12,000	\$10.31	\$459.36	\$15.00	\$134.28	\$618.95
1 ½ inch	30,000	\$10.31	\$1,148.40	\$37.50	\$335.70	\$1,531.91
2 inch	75,000	\$10.31	\$2,871.00	\$93.75	\$839.25	\$3,814.31

b) Water Only Customers

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

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$48.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$39.21	\$1.30	\$40.51

Quarterly Service Charge \$13.77

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 & Sewer Customers**

	Water Included	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider (see clause 4 \$11.19/1,000)	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$13.77	\$117.63	\$3.90	\$33.57	\$168.87
3/4 inch	6,000	\$13.77	\$235.26	\$7.80	\$67.14	\$323.97
1 inch	12,000	\$13.77	\$470.52	\$15.60	\$134.28	\$634.17
1 ½ inch	30,000	\$13.77	\$1,176.30	\$39.00	\$335.70	\$1,564.77
2 inch	75,000	\$13.77	\$2,940.75	\$97.50	\$839.25	\$3,891.27

b) **Water Only Customers**

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

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$49.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2022

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$40.13	\$1.35	\$41.48

Quarterly Service Charge \$17.23

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 & Sewer Customers**

Meter Size	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider see Clause 4 \$11.19/1,000	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$17.23	\$120.39	\$4.05	\$33.57	\$175.24
3/4 inch	6,000	\$17.23	\$240.78	\$8.10	\$67.14	\$333.25
1 inch	12,000	\$17.23	\$481.56	\$16.20	\$134.28	\$649.27
1 ½ inch	30,000	\$17.23	\$1,203.90	\$40.50	\$335.70	\$1,597.33
2 inch	75,000	\$17.23	\$3,009.75	\$101.25	\$839.25	\$3,967.48

Deficit rate rider expires September 30, 2023

b) **Water Only Customers**

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

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$50.00 per 1,000 gallons.

The following clauses take effect July 1, 2020:

4. Deficit Rate Rider

Deficit Rate Rider authorized by PUB Order #96/18 commencing October 1, 2018 for 2014 to 2016 actual audited net operating deficit based on a 5 year recovery period at a rate of \$11.19 per 1,000 gallons of water sold.

5. Billings and Penalties

Accounts shall be billed quarterly based on water used and are payable within 20 days of the billing date. A late payment penalty charge of 1 ¼% compounded monthly 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 due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$30.00 have been paid. Water turned on or off at the request of the customer shall be charged a fee of \$30.00 for each turn on or turn off.

8. Liability for Charges

Pursuant to Section 252 (2) of the Municipal Act, the amount of all outstanding charges for water and sewer 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 Rural Municipality of Riding Mountain West shall pay to the Utility an annual hydrant charge of \$125 for each hydrant connected to the Angusville Utility. This will include the cost of water used for fire fighting.

10. 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.

11. Lagoon Dumping Fee

Each septic truck company shall pay the Angusville Utility an annual fee of \$2,000 per year plus \$.01 per gallon of sewage dumped at the Angusville sewage lagoon.

12. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Riding Mountain West may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Municipality. 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 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 Municipality'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.

13. Sewer 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.

14. 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.

15. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

16. 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 expense within a specified time period.

17. Conditions of Disrepair

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

18. 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.