

Order No. 46/23

**RURAL MUNICIPALITY OF THOMPSON
THOMPSON RURAL WATER UTILITY
WATER RATES**

April 13, 2023

BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair
Irene Hamilton, K.C., Panel Member

Table of Contents

1.0	Executive Summary	4
2.0	Background	5
	Water Supply/Distribution	5
3.0	Board Methodology.....	5
	Review Process	5
	Interim <i>ex parte</i> Approval.....	5
	Contingency Allowance and Utility Reserves.....	6
	Working Capital	6
	Operating Deficits	6
	Cost Allocation Methodology	6
	Unaccounted for Water.....	7
4.0	Application.....	7
	Contingency Allowance and Utility Reserves.....	8
	Working Capital	9
	Operating Deficits	9
	Cost Allocation Methodology	9
	Unaccounted for Water.....	9
5.0	Board Findings	10

6.0 IT IS THEREFORE ORDERED THAT: 11

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the Rural Municipality of Thompson (RM), Thompson Rural Water Utility's (Utility) application for revised water rates.

The Board grants approval of the 2019 operating deficit for \$20,397, to be recovered from the Utility's Accumulated Surplus Account.

The revised rates are below:

	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Quarterly Service Charge	\$ 11.84	\$ 12.14	\$ 12.44	\$ 12.75
Water (per 1,000 gallons)**	\$ 21.32	\$ 21.83	\$ 22.34	\$ 22.83
Minimum Quarterly Charge*	\$ 75.80	\$ 77.63	\$ 79.46	\$ 81.24

*based on 3,000 gallons

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 Board established utility rates for 2019, 2020 and 2021 in Board Order No. 26/19. Subsequently, water rates have been increased periodically by pass through rate increases from Pembina Valley Water Coop (PVWC), as approved by the Board.

The Utility provides water service to 128 customers.

Water Supply/Distribution

The water utility was constructed from 2003 to 2006. Treated water is purchased from PVWC. Treated water is metered at the Miami plant, re-chlorinated and then distributed to both the Miami and Thompson rural utilities. Water purchased is allocated to each utility based on percentage of water sold.

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 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. 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 March 3, 2022 the Board received an application for revised water rates for the Utility. The application included a rate study prepared by the RM's consultant and By-law No. 6-2022, having had first reading February 4, 2022.

The Board issued a Public Notice of Application on April 29, 2022 affording customers the opportunity to comment to both the Board and the RM 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 and inflation of 3%:

	Rate Year 1	Rate Year 2	Rate Year 3	Rate Year 4
General Expenses				
Administration (building, office, staff, etc)	8,949	9,218	9,494	9,779
Total expenses general	8,949	9,218	9,494	9,779
Penalties	2,050	2,050	2,050	2,050
Other Income	1,200	1,200	1,200	1,200
Total revenue general	3,250	3,250	3,250	3,250
Net revenue requirement - general	5,699	5,968	6,244	6,529
Water Expenses				
Purification and transmission	32,087	33,050	34,041	35,062
Water purchases	81,693	81,693	81,693	81,693
Amortization	62,128	62,128	62,128	62,128
Reserves - none proposed	0	0	0	0
Contingency	11,675	11,675	11,675	11,675
Total expenses water	187,583	188,546	189,537	190,558
Amortization of capital grants	37,652	37,652	37,652	37,652
Taxation revenues				
Other revenue				
Total revenue water	37,652	37,652	37,652	37,652
Net revenue requirement - water	149,931	150,894	151,885	152,906

The RM's consultant calculated the indicated rates for the final rate year requested 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 projections a contingency allowance of 10% of net rate requirements, less amortization expenses, which equates to \$11,675. There is no provision for transfer to Utility Reserve proposed.

Working Capital

As per the 2021 audited financial statements, the working capital surplus at December 31, 2021 was:

	2021
Accumulated Fund Surplus	\$1,553,325
Deduct tangible capital assets	(\$1,463,006)
Add long term debt	\$0
Add utility reserves	\$57,387
Equals Working Capital Surplus	\$147,706
Operating costs	\$190,316
20% of operating costs (target)	\$38,063

Operating Deficits

On February 25, 2022, the RM applied to the Board for approval the 2019 utility operating deficit, requesting recovery by way of the utility's Accumulated Surplus Account. The deficit was \$20,397, when calculated for regulatory purposes. The RM also advised the Utility had an operating deficit in 2020 which was below the reporting threshold of \$10,000 set by the Board.

Cost Allocation Methodology

The Municipality applied for approval of a Cost Allocation Methodology (CAM). The Municipality proposed 2.5% of general government services, less assessment and grants expenses.

Unaccounted for Water

The Utility indicated the 2020 unaccounted for water was 23% of water purchased. The RM indicates it is concerned with the high volume of unaccounted for water and has been in discussions with PVWC to review the calculations used to allocate water to various municipalities based on meter readings. The RM advises PVWC has agreed there is an

issue with the meter readings and are in the process of determining what needs to be done to correct the problem.

5.0 Board Findings

The Board considered the RM's filing and responses to the Notice of Application, and has chosen a paper review process.

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable and grants approval of the water rates applied for by the RM.

The Board grants approval of the 2019 operating deficit, to be recovered from the Utility's Accumulated Surplus.

The Board grants approval of the revised Cost Allocation Methodology, and reminds the RM that this methodology must be used consistently in the future. Board approval is required should any further changes be considered.

The Board directs the RM to review its water rates for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than June 30, 2027.

The Board reminds the RM regular reviews are important for a financially sound utility and encourages the RM to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Orders outline 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 rates for the Rural Municipality of Thompson – Thompson Rural Water Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective July 1, 2023, 2024, 2025 and 2026.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Thompson BE AND IS HEREBY APPROVED.
3. The operating deficit for 2019 of \$20,397, when calculated for regulatory purposes, incurred in the Rural Municipality of Thompson – Thompson Rural Water Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus.
4. The Rural Municipality of Thompson – Thompson Rural Water Utility amend its 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.
5. The Rural Municipality of Thompson is to provide a notice to the Thompson Rural Water Utility customers including the decisions found in this Order, in the next quarterly billing.
6. The Rural Municipality of Thompson – Thompson Rural Water Utility review water 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, 2027.

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

"Marilyn Kapitany, B.Sc. (Hon), M. Sc."
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 46/23
issued by The Public Utilities Board



Assistant Associate Secretary

RURAL MUNICIPALITY OF THOMPSON
THOMPSON RURAL UTILITY

WATER UTILITY RATES BY-LAW NO. 6-2022
SCHEDULE "A"

SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates &
Quarterly Service Charge

July 1, 2023

Rates per 1,000 Gallons	<u>1,000 Gallons per quarter</u>
	Water
	\$21.32
Quarterly Service Charge	\$11.84

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

Group Capacity Meter Size	Water Included Ratio	Customer Service Gallons	Water Commodity Charge	Water Only Total Quarterly Charge	Minimum
5/8 inch	1	3,000	\$11.84	\$75.80	
3/4 or 1 inch	2	12,000	\$11.84	\$267.68	

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2024

Rates per 1,000 Gallons 1,000 Gallons per
quarter Water

\$21.83

Quarterly Service Charge \$12.14

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

	Group Capacity	Water Included	Customer Service Charge	Water Commodity Charge	Water Only Total Quarterly
<u>Meter Size</u>	<u>Ratio</u>	<u>Gallons</u>	<u>Charge</u>	<u>Charge</u>	<u>Minimum</u>
5/8 inch	1	3,000	\$12.14	\$65.49	\$77.63
1 inch	4	12,000	\$12.14	\$261.96	\$274.10

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2025

Rates per 1,000 Gallons 1,000 Gallons per quarter

Water

\$22.34

Quarterly Service Charge \$12.44

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

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Water Only Total Quarterly Minimum
5/8 inch	1	3,000	\$12.44	\$67.02	\$79.46
1 inch	4	12,000	\$12.44	\$268.08	\$280.52

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2026

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$22.83

Quarterly Service Charge

\$12.75

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

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Water Only Total Quarterly Minimum
5/8 inch	1	3,000	\$12.75	\$68.49	\$81.24
1 inch	4	12,000	\$12.75	\$273.96	\$286.71

The following clauses take effect July 1, 2023:**1. Service To Customers Outside Utility's Limits**

The Council of Rural Municipality of Thompson may sign Agreements with customers for the provision of water services to properties located outside the boundaries of the Rural Municipality of Thompson. 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 the Rural Municipality of Thompson'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.

2. 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.

3. 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.

4. 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.

5. Outstanding Bills

Pursuant to Section 252(2) of The *Municipal Act*, the amount of all outstanding charges for water 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.