

M A N I T O B A) Order No.150/13
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THE PUBLIC UTILITIES BOARD ACT) December 9, 2013

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

RM of PORTAGE LA PRAIRIE
REVISED WATER AND SEWER RATES
2013 and 2014

Summary

By this Order the Public Utilities Board (Board) hereby approves revised water and sewer rates for the Regional Water and Sewer Utility (Utility), located in the Rural Municipality of Portage la Prairie (RM).

The new rates are to be effective January 1, 2014.

The rates are shown below.

	Current	2014	%
Quarterly Service Charge	\$2.00	\$11.73	486.50%
Water \$/1,000 gallons	\$11.00	\$17.37	57.91%
Sewer \$/1,000 gallons*	\$0.00	\$7.07	
Minimum Quarterly**	\$35.00	\$63.84	82.40%
Minimum Quarterly***	\$0.00	\$85.05	
Bulk Water \$/1,000 gallons	\$12.00	\$21.28	77.33%
Reconnection Charge	\$25.00	\$50.00	100.00%

*Peony Farm Sewer

**Regional Water System, including Pine Crescent and Peony Farm

***Peony Farm Regional Water & Sewer customers; sewer only will pay this amount less the water commodity charge

Introduction

The RM of Portage la Prairie applied October 1, 2012 for approval of revised water and sewer rates as set out in the RM's By-law No. 3045, read for the first time on September 11, 2012.

Rates were last amended in 2008 in Board Order No. 112/08.

A Notice of Application was issued on October 29, 2012, affording stakeholders the opportunity to comment to both the Board and the Utility with respect to the proposed increases. One response was received.

Background

The RM of Portage la Prairie operates a Regional Water and Sewer Utility, which includes water distribution to all residents of the RM, except the LUD of Oakville, which operates a separate utility. The Utility also includes sewer service for customers in the Peony Farm subdivision and the Poplar Point community. The Utility has 80 water and sewer customers, 28 sewer only customers and 930 water only customers, for a total customer base of 1,038.

The Utility purchases its water from the Cartier Regional Water Coop and the City of Portage la Prairie. The Cartier Regional Water Coop (Cartier) is owned and jointly operated by the Rural Municipalities of Cartier, Portage la Prairie, Headingly, St. Francois Xavier and Grey. Cartier owns a

water treatment plant located near St. Eustache on the Assiniboine River.

The Regional Utility provides treated water from the St. Eustache Cartier plant and the City of Portage la Prairie water plant to various customers throughout the RM.

The effluent from the low pressure sewer system at the Peony Farm is discharged in the City of Portage la Prairie sewer system. The effluent from Poplar Point sewer system is discharged into the lagoon. Customers of the Poplar Point sewer system are not charged for their sewer usage; the proceeds from taxation revenues completely offset the minimal costs of operating the lagoon.

The first distribution lines of the Utility were installed in 1999. The lines are in good condition and capacity is only limited by the City of Portage la Prairie (City) and Cartier Water Co-op water treatment plants. Lines have been constructed to allow for connection to the water distribution system within the entire municipality with only the requirement of installation of booster stations in strategic locations.

Water customers located on Highway 1A west are commercial enterprises with tri-partite agreements signed between the customers, the RM and the City. Those agreements establish water rates, and sewer rates, if applicable, as City domestic rates. Those agreements also allow for the RM to

purchase treated water from the City at the wholesale rate, making the price to the consumer affordable for the RM. City wholesale rates are reportedly significantly lower than the rates paid by the RM to Cartier for the balance of water purchases.

Utility operators are certified for the facilities included in the regional system. Employees maintain certification by attending seminars/conferences related to their profession.

Application

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient. Based on customer response to the Public Notice, the Board concluded that a paper review process, one that helps restrain regulatory costs, was in the best interest of all concerned.

The financial projections for 2013 to 2015 inclusive assume annual increases of 2% in expenses and a 7% increase in water purchase costs. With 95% of the regional system less than 12 years old, there is no contingency factor included in the rate study. The rates were based on the following requirements:

	2013	2014	2015
General			
Administration	\$ 3,121	\$ 3,184	\$ 3,247
Administration - office cost allocation	\$ 40,574	\$ 41,385	\$ 42,213
Billing and collection	\$ 6,242	\$ 6,367	\$ 6,495
Total general expenses	\$ 49,937	\$ 50,936	\$ 51,955
Penalties	\$ 3,121	\$ 3,184	\$ 3,247
Total general revenue	\$ 3,121	\$ 3,184	\$ 3,247
Net costs - general	\$ 46,816	\$ 47,752	\$ 48,708
Water			
Transmission and Distribution	\$ 78,030	\$ 79,591	\$ 81,182
Service of Supply	\$ 106,641	\$ 108,774	\$ 110,949
Water purchases	\$ 482,945	\$ 516,751	\$ 552,923
Amortization	\$ 420,774	\$ 420,774	\$ 420,774
Interest on long term debt	\$ 79,787	\$ 67,314	\$ 57,402
Total water expenses	\$1,168,177	\$1,193,203	\$1,223,231
Total non rate revenue - water	\$ -	\$ -	\$ -
Net costs - water	\$1,168,177	\$1,193,203	\$1,223,231
Sewer			
Amortization Poplar Point	\$ 6,586	\$ 6,586	\$ 6,586
Interest on long term debt-Poplar Bluff	\$ 7,906	\$ 7,392	\$ 6,844
Total Poplar Point sewer expenses	\$ 14,492	\$ 13,978	\$ 13,430
Peony Farm-Sewage Treatment	\$ 17,085	\$ 18,110	\$ 19,196
Amortization Peony Farms	\$ 19,274	\$ 19,274	\$ 19,274
Interest on long term debt - Peony Farm	\$ 27,519	\$ 26,451	\$ 25,318
Total Peony Farm sewer expenses	\$ 63,878	\$ 63,835	\$ 63,788
Net costs - sewer	\$ 78,370	\$ 77,813	\$ 77,218

Working capital calculation

In Board Order No. 93/09, the Board 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.

The Working Capital Surplus at December 31, 2010 is:

	2010
Fund Surplus/Deficit	19,621,925
Deduct Tangible Capital Assets	21,828,355
Add Long-Term Debt	2,187,669
Add Utility Reserves	48,517
Equals Working Capital Surplus	29,756

The RM projects that the Working Capital Surplus will be compliant by 2015, based on the applied for rates.

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

receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

	% charged to utility
Salaries	13.40%
Office	13.40%
Audit	13.40%

Public Response

The Board received one (1) response to the Notice of Application. The ratepayer expressed concern over the fact that the percentage of increase in water and sewer rates exceeds the rate of inflation significantly.

Board Findings

The Board will approve revised water and sewer rates as applied for by the RM. The new rates for 2014 will be effective January 1, 2014.

The Board is sensitive to customer reaction to the magnitude of the rate increase, however, must consider the sustainability of the Utility when approving rates.

The methodology which the applicant used to determine the bulk water rate is not consistent with Board recommended methods and results in a rate that is approximately \$6 per 1,000 gallons higher than the rate proposed. However, given

the applicant has indicated that they currently do not have bulk water distribution facilities; no adjustment is being made to the rate contained in the revised proposal. Should the RM begin distributing bulk water, it is recommended that they revisit the bulk water calculation to ensure that it is sufficient to cover costs. The Board does encourage applicants to confer with Board staff where there is uncertainty about Board recommended methodology and, where variation is proposed, that the variation be clearly substantiated in the application.

The Board will approve the submitted Cost Allocation Methodology, and reminds the RM that this methodology must be used consistently in the future, and requires Board approval should any further changes be considered.

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.

IT IS THEREFORE ORDERED THAT:

1. The water and sewer rates for the Rural Municipality of Portage la Prairie, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED with revised rates to be effective January 1, 2014.

2. The Rural Municipality of Portage la Prairie file with the Public Utilities Board the 2012 audited financial statements once they have been approved by Council.

3. The Rural Municipality of Portage la Prairie file with the Public Utilities Board a revised water and sewer By-law to reflect the decision in this Order, once it has received third and final reading.

4. The allocation methodology for shared services and equipment as submitted by the Rural Municipality of Portage La Prairie BE AND IS HEREBY APPROVED.

5. The Rural Municipality of Portage La Prairie review its water and sewer 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 June 30, 2015.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

"Susan Proven, P.H.Ec,"

Acting Chair

"Jennifer Dubois, CMA"

Acting Secretary

Certified a true copy of
Order No. 150/13 issued by
The Public Utilities Board

Acting Secretary

**RURAL MUNICIPALITY OF PORTAGE LA PRAIRIE
 WATER & SEWER RATES BY-LAW NO.
 SCHEDULE "A"**

SCHEDULE OF QUARTERLY RATES

January 1, 2014

1. Rates per 1,000 gallons

Regional Water System - including
 Pine Crescent and Peony Farm

Water per
1,000 gallons
 \$17.37

Peony Farm Sewer

Sewer per
1,000 gallons
 \$7.07

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges set out below, which includes the water allowance as listed.

a. **Regional Water Customers**

Meter Size	Group Capacity Ratio	Water Included Thousands of Gallons	Customer Service Charge	Water Commodity Charge	Total Quarterly Minimum Water
5/8 inch	1	3,000	\$11.73	\$52.11	\$63.84
3/4 inch	2	6,000	\$11.73	\$104.22	\$115.95
1 inch	4	12,000	\$11.73	\$208.44	\$220.17
1 ½ inch	10	30,000	\$11.73	\$521.10	\$532.83
2 inch	25	75,000	\$11.73	\$1,302.75	\$1,314.48

b. **Peony Farm Regional Water and Sewer Customers**

Meter Size	Group Capacity Ratio	Water Included Thousands of Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum
5/8 inch	1	3,000	\$11.73	\$52.11	\$21.21	\$85.05
3/4 inch	2	6,000	\$11.73	\$104.22	\$42.42	\$158.37
1 inch	4	12,000	\$11.73	\$208.44	\$84.84	\$305.01
1 ½ inch	10	30,000	\$11.73	\$521.10	\$212.10	\$744.93
2 inch	25	75,000	\$11.73	\$1,302.75	\$530.25	\$1,844.73

c. **Sewer Only Residential Customers**

Peony Farm Customers using sewer service only will pay the relevant minimum charge shown in "b" above except that the water commodity charge will be omitted and the minimum charge for a 5/8 inch meter will be based on quarterly consumption of 6,000 gallons. .

3. <u>Bulk Water sales</u>	Rates per <u>Thousand Gallons</u>
January 1, 2014	\$21.28

Clauses 4 to 12 are Effective January 1, 2013

4. Service to Customers outside RM of Portage la Prairie limits

The Council of the Rural Municipality of Portage la Prairie may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the RM. 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. In addition, all costs of connection 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 based on water used. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

6. Disconnections

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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. A copy of the Conditions Precedent is available for inspection at the RM 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 \$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 sewer services, including fines and penalties, 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. 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 or sewer lines in the water or sewer 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.

10. Sewage Surcharges

- (a) There may be levied annually, in addition to 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 wastes.

11. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$100, plus any applicable meter testing costs. In the event the meter tests prove that the meter is recording water flows in excess of actual flows, the meter testing fee and associated costs will be refunded to the customer and the customer's account will be reviewed and adjusted accordingly.

12. 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.

13. Change of Water or Water & Sewer

That a charge for change of water or water and sewer to recover the cost of completing the change of user or service, for a service that has changed users or service shall be:

- a. during normal working hours - \$35.00
- b. outside of normal working hours - \$80.00

14. Cross Connections

No person shall make any connection or communication of an independent water supply with a pipe or main which is part of or connected to the waterworks system.